

KILIMANJARO MOUNTAIN RESORT LIMITED



**BANKABLE PROPOSAL FOR REHABILITATION OF THE HOTEL
LOCATED IN MARANGU, KILIMANJARO.**

Executive Summary

Kilimanjaro Mountain Resort is a graceful luxury boutique hotel situated in Marangu Moshi with sweeping views and immediate access to the great Mount Kilimanjaro standing at 5895 meters high above sea level. The hotel started operations in 2003.

Our hotel operated successfully over the years, with continuous improvements to add number of rooms done throughout, especially in the first 10 years of operations. We grew to become the most preferred tourists' hotel in Marangu region, beating our close competitors such as Nakara and Kibo Hotels

However, with the emergence of COVID 19 global pandemic, we had to close our hotel in 2020. This was due to the travel restrictions which limited our tourists especially from Europe and United States to visit our hotel. Indeed, the number of tourists into Tanzania declined drastically between 2020 and 2021, when compared to the number before COVID 19.

Nonetheless, we have seen the number of tourists visiting Tanzania improving in the past 12 months due to the availability of vaccination and the Royal Tour which was spearheaded by President of Tanzania, H.E Samia Suluhu Hassan.

In order to line ourselves as the best tourist hotel as before, we need to improve our facilities prior to reopening our doors again. We expect to rehabilitate areas such as the swimming pool, the bar area, repainting 3 blocks etc. Therefore, this bankable proposal will outline various details to motivate financial institutions to fund the project.

Chapter One

1.1. Kilimanjaro Mountain Resort Limited

1.1.1. Background

Kilimanjaro Mountain Resort is a graceful luxury boutique hotel situated in Marangu with sweeping views and immediate access to the great Mount Kilimanjaro standing at 5895 meters high above sea level. The hotel started operations in 2003.

The hotel offers various services including accommodation, mountain climbing, meals, Chagga cultural museum and traditional ceremonies. Other facilities include a superb restaurant, bar, sun deck and beautiful lush gardens which are used for camping when need arise due to shortage of rooms. Water Falls, Exciting hills and Valleys touring apart from photographic activities are also arranged for customers. There is a conference hall that can accommodate up to 80 people and recreation facilities for children. The hotel has a capacity of 40 spacious rooms. It is the leading hotels in Marangu in terms of capacity and location. The hotel is owned by Eng. Mark Njiu (45%), Mrs. Elizabeth Njiu (30%) and James Njiu (25%)

1.1.2. Construction phases

Phase I – Main wing

The project concept involved the construction of the hotel building infrastructure, the procurement and the installation of equipment and furniture. The hotel well known as Kilimanjaro Mountain resort Limited started with the capacity of 10 luxurious rooms, a modern bar and restaurant, a modern equipped kitchen, as well as administration offices. The hotel started its operation in November 2003. The facilities put in place during implementation of phase 1 were adequately planned to cater for the whole project with future expansion. These include purchase and installation of standby generator of 250KVA, Sewerages system, an equipped modern kitchen, laundry unit and an outside main bar that provide services to the public as well. This phase cost TZS 758 million, with equity being TZS 648 million and bank funding being TZS 100 million

Phase II – Kibo Wing

Due to high demand after establishment and start operation in 2003, Phase II of the project was implemented during 2005/2006 and involved construction of additional 15 bedrooms and a conference hall of with a capacity of 80 people in the five storey-building block. The block was constructed as an extension of the former kitchen that was increased and extended to the restaurant on the ground floor. The first to third floors provide for five bedrooms on each floor, hence 15 rooms. The rooms have been planned to suit for double or triplet's beds whereby beds can be arranged with flexibility. At any time, beds can be adjusted to meet customers demand. This phase cost TZS 1,294 million, with equity being TZS 704 million and bank funding being TZS 590 million

Phase III – Meru Wing

Phase III of the project was implemented in 2007, again due to the increasing demand of the hotel and the success the owners achieved in the previous years. As tourism was booming, so did our hotel, with peak season of 243 days per year, we found ourselves unable to meet the influx of guests. This phase involved construction of additional 16 rooms for the hotel to cope with the increased demand to meet the expectation of clients. The expansion made the hotel have a capacity of 40 rooms by constructing a 5 storey building with 16 spacious bedrooms on the upper floors and a 200 people restaurant/multipurpose hall on the ground floor. The building has four rooms in each floor from the first to the fourth floors. The rooms were constructed to accommodate 3 people at a time. This phase cost TZS 1,270 million, with equity being TZS 370 million and bank funding being TZS 900 million

All the phases were supported by loans from CRDB. They have all been successfully repaid (last installment paid in 2019). The earlier phases proved successful economically, though various disruptions in tourism caused by global events have delayed the expected growth in revenue. Below are some of the photos of the hotel after the completion of phase III









1.1.3. Management Team

Our Management Team consists of experienced people from various backgrounds including finance, hotel management and operations to mention a few.

SN	Position	Name of the person	Management Experience (in years)	Highest Qualification	Gender	Age (years)	Nationality
1	CEO	Eng. Mark Njiu	40	M.Sc. Structural Engineering	M	70	Tanzanian
2	CFO	Elizabeth Njiu	30	MA Economic policy and Planning	F	68	Tanzanian
3	General Manager - Hotel	James Njiu	15	MBA	M	38	Tanzanian

Note: our company is in the process of hiring of food and beverage manager, chefs, front office supervisor. The hiring will be done before the hotel is reopened for business.

Eng. Mark Njiu- CEO

Mr. Mark Njiu is a talented structural engineer (B.Sc. Hons- Engineering, Kumasi Ghana and M.Sc. Engineering Structure, Sheffield University, UK 1980) and an extremely enterprising person who has been behind an impressive track record of professional excellence as well as very successful business history. As a young engineer, in 1978 he ventured in the private sector as a co-founder and a shareholder of Inter-Consult Ltd an indigenous consulting company in the field of Engineering, Architecture and Quantity Surveying. From a humble beginning Inter-Consult has over the years undergone a dramatic pace of development to the extent that to date the firm's remarkable performance is easily visible in the perspective of the numerous and complex projects and it has undertaken such as the 21 storey Mafuta House in Dar es Salaam, the Central Bank Twin Towers and the Port Control Tower. Mr. Njiu is a proud structural designer of the buildings, rising from the position of chief structural Engineer in 1981, to be the firm's Managing Director.

Inter consult Limited attained first ISO consultancy Quality Services certification ISO 2005 (UK) under his leadership. Eng. Njiu was awarded distinguished achievement in Engineering in TZ by ERB. Apart from its core functions, Inter- Consult is also involved in other economic activities in the form of investments. The firm is a significant shareholder of Akiba Commercial Bank (ACB) in which Mark is among the founding members.

Elizabeth Njiu – CFO and COO

Mrs. Elizabeth is an experienced Economist who graduated from the University of Dar es salaam in 1980 with a B.A. in Industrial Economics. She was employed in the Ministry of Industries and Trade before going for further studies. She was awarded M.A. Economic Policy and Planning from Netherlands University in 1988. She worked in the Ministry rising to Senior Industrial Economist until 1992. She had attended a number of diversified courses including Accounts management (1999), Food (Milk) processing (1999 – Naivasha, Kenya), Cooperative Development and Practices (2000 – Minnesota, USA) and Financial management at Kampala, Uganda.

Mrs. Njiu left government employment in 1992 devoting her efforts to family business after she and her husband established a company known as Fresh Food Program Ltd. The company deals with dairy farming, food processing and animal feeds making at Kiluvya, some 35 Km from Dar es Salaam city Centre. In 1998 she was employed by Land O' lakes Corporation Tanzania, a Minnesota based food and agricultural co-operative and a leading producer and marketer of dairy products and farm inputs as a project Coordinator up to September 2003. She left Land O' lakes in September 2003. Since October 2003, Mrs. Njiu has been the key player for the success of Kilimanjaro Mountain Resort after shifting from Dar Es Salaam base to Marangu to supervise the project as Director of Operations and Finance.

Other Senior Management: Executive Committee

James Njiu- General Manager – Hotel Operations

Mr. James Njiu (38) is an experienced project manager majoring in Information Technology (B.Sc. Hons Information Technology), Malaysia and Masters on Business Administration (MBA), ESAMI (2017) with professional certification on Project Management. The career growth started basically on technical system administration and later on with the experience and training attended upskilled to Project management on Information Technology within the banking industry since 2013.

He has successful supervised and delivered a number of technological systems including deployment on Core banking system (SBS), Mobile banking integration platforms, Agency

Banking, System and Network Security enhancement and SAP enterprise applications across exiting leading banks in Tanzania including NBC, NCBA, KCB and CRDB Bank.

Mr. James is the son of Mr. & Mrs. Mark Njiu. He has recently joined the family business at Kilimanjaro Mountain Resort within the managerial position to support the business growth on operations, sales, marketing and controls.

1.2. Hotel and Tourism Industry Analysis

The hotel is largely dependent on the tourists who usually visit the Kilimanjaro regions mainly to climb Mount Kilimanjaro. Thus, we have based the industry analysis by looking at the tourism industry in Tanzania.

Tanzania's incredibly rich natural tourism offer earned it the title of "Africa's Leading Destination" in 2021. Tanzania's wildlife resources are considered among the finest in the world. Tanzania is the only country, which has allocated more than 25% of its total area for wildlife national parks and protected areas. There are 16 National Parks in Tanzania, 28 Game Reserves, 44 Game controlled areas, 1 conservation area and 2 Marine Parks.

Tanzania boasts many of Africa's most renowned destinations; in the north, the Serengeti plains, the Ngorongoro Crater, Lake Manyara, and Mount Kilimanjaro, and in the south Mikumi and Ruaha National Parks and the Selous Game Reserve. According to a survey conducted by SafariBookings.com, Tanzania's Serengeti National Park was voted Africa's best safari destination for 2020, followed by Mana Pools (Zimbabwe), Mala Mala (South Africa), Okavango Delta (Botswana), and Lower Zambezi (Zambia). Mount Kilimanjaro was declared Africa's leading tourist attraction in 2016 during the World Travel Awards Africa and Indian Ocean Gala Ceremony in Zanzibar. Other additional natural attractions include the white sandy beaches of the Zanzibar archipelago, of north and south of Dar es Salaam, and excellent deep-sea fishing at Mafia and Pemba Islands.

Travel & Tourism is an important economic activity in Tanzania. The number of tourists visiting Tanzania has risen from 616,491 in 2020 to 922,692 in 2021. Due to the rise of tourists visit the country, the industry activities have generated 1.3 billion U.S. dollars in 2021. However, the industry is still recovering from the effects of COVID-19 which saw most

border being closed, hence limiting the movement of people across countries. For example, in 2020, travel receipts declined by 59.2% to USD 1.06 billion explained by measures taken by most countries to limit the spread of COVID-19, which included lockdown and suspension of international passenger flights (<https://www.tanzaniainvest.com/tourism>).

Tanzania Tourist Arrivals – Pre and Post COVID-19

In 2019, a total of 1,510,151 tourists visited Tanzania with the largest number of 160,296 tourists entering the country in December 2019. After the world was hit by COVID-19, many countries imposed travel restrictions that caused the number of tourists to decline to 620,867 in 2020, with the smallest number of tourists counted at 7,105 tourists as of April 2020. In 2021, the number of tourist arrivals increased to 922,692, equivalent to an increase by +48.6%.

Number of Tourists Arrivals in Tanzania for the Period of January – May 2022

According to National Bureau of Statistics, during the period of January to May 2022, tourist arrivals who visited various tourism attractions increased to 458,048 compared to 317,270 visited the country during the similar period in 2021 equivalent to an increase of 44.4 percent. The number of tourists' arrivals for the month of May 2022 increased to 89,271 tourists from 42,173 tourists recorded in May 2021, equivalent to an increase of 117.7 percent. The number of tourist arrivals in May 2022 more than doubled as compared to the corresponding period in 2021.

Tanzania is among countries with best attractions in the world that were not widely known. As of now, tourist arrivals have significantly increased as the result of the first launch of Tanzania, the Royal Tour Film by Her Excellency Samia Suluhu Hassan, President of the United Republic of Tanzania in Arusha on 25th April 2022. The film, has to a great deal created awareness on the Tourism Sector in Tanzania as indicated by increase in number of tourist arrivals. Available statistics on increased in tourist arrivals justifies the impact of the film in the country. The table below shows the number of tourists arrival in Tanzania between the month of January and May 2022.

Month	2021	2022	Increase	Change (%)
January	79,116	94,441	15,325	19.4
February	79,730	101,042	21,312	26.7
March	72,285	93,889	21,604	29.9
April	43,966	79,405	35,439	80.6
May	42,173	89,271	47,098	111.7
Total	317,270	458,048	140,778	44.4

Source: Immigration Department - June, 2022

During the period of January to May 2022, France accounted for the largest share of tourist arrivals analyzed by nationality from regions other than Africa with 28,115 arrivals followed by Poland with 22,651 arrivals. Meanwhile, arrivals from other countries included United States of America (21,661), Germany (16,527), Britain (14,136) and India (13,641). Moreover, tourist arrivals in Tanzania from countries other than Africa for the month of May 2022, were from United States of America (5,606), France (4,456), India (4,211), Britain (3,294) and Germany (3,160) (National Bureau of Statistics, 2022).

Chapter Two

2.1. The Rehabilitation Project (Phase IV)

2.1.1. Background of the project

The onslaught of COVID 19 outbreak in 2020 worldwide caused serious travel restrictions in our main markets of Europe and USA. Foreign tourists dropped from 1,510,151 in 2019 to 922,692 in 2021. This forced us to close the hotel from 2020 to 2022. However, with the opening of borders, tourism has improved as we have seen in the market analysis above. We expect growth of arrivals to attain the 2019 levels by 2024. The national expectation is 2.5 million tourists by 2025.

To prepare for resumption of provision of hotel services on an even better level, our hotel is embarking on a rehabilitation project to improve hotel infrastructure and services. This will make us ready to take full advantage of the 2023 tourism season. At present, we are receiving many queries from tour operators from US, UK and EU in general have already being received from our previous contacts before the COVID outbreak

2.1.2. Phase IV Rehabilitation

Phase IV of the project will involve two main parts, i.e. re-roofing of the swimming pool and 2 nearby buildings; and other activities such as repainting of 3 blocks, bar area, rehabilitating playground area, servicing the generator etc. Total cost of phase IV rehabilitation will be TZS 391 million. This is excluding the working capital facility of TZS 90 million.

The detailed BOQ below shows the cost of each item.

Item	Description	QTY	Unit	Rate	Amount
Re roofing of Swimming pool nearby 2 buildings					
A	Timber 2x2	2500	m	2,500.00	6,250,000.00
B	Timber 4x2	750	m	5,000.00	3,750,000.00
C	Decra tiles	750	m2	86,400.00	64,800,000.00
D	Gypsum Boards	447	m2	15,000.00	6,697,800.00
E	Gypsum Cornice (brown color)	537	m	5,000.00	2,684,000.00
F	Nails 4"	150	kg	3,500.00	525,000.00
G	Nails for tiles	30	kg	55,000.00	1,650,000.00
H	Srews	20	boxes	7,500.00	150,000.00
J	Cornice Screws	6	boxes	7,500.00	45,000.00
K	Ridges	200	No	27,500.00	5,500,000.00
Subtotal for Re roofing				TSHS	92,051,800.00

Item	Description	QTY	Unit	Rate	Amount
PRIME COST AND PROVISIONAL SUM					
A	Repaint 3 block	1	Lumpsum	70,000,000.00	70,000,000.00
B	Refurbish bar area	1	Lumpsum	10,000,000.00	10,000,000.00
C	Build and Install Pizza Hut	1	Lumpsum	12,000,000.00	12,000,000.00
D	Misllenus repair in 40 bedrooms	1	Lumpsum	80,000,000.00	80,000,000.00
E	Rebuild chagga hut	1	Lumpsum	10,000,000.00	10,000,000.00
Supply and install					
A; Kitchen Items					
F	3 freezer unit	1	Lumpsum	12,000,000.00	12,000,000.00
G	1 cofee machine and Grinder	1	Lumpsum	15,000,000.00	15,000,000.00
H	1 lot crockery	1	Lumpsum	5,000,000.00	5,000,000.00
J	2 units friers	1	Lumpsum	4,000,000.00	4,000,000.00
K	1 unit microwave	1	Lumpsum	2,000,000.00	2,000,000.00
B. Bedroom					
L	Lot linen	1	Lumpsum	15,000,000.00	15,000,000.00
C. Laundry					
M	Iron	1	Lumpsum	5,000,000.00	5,000,000.00
D. Generator					
N	Service	1	Lumpsum	2,000,000.00	2,000,000.00
P	E. Plygrounds Rehabilitation	1	Lumpsum	30,000,000.00	30,000,000.00
Q	F: Consultancy for				
	Valuation report, loan application docs, Designs/specs and boq, Project supervision,Management	1	Lumpsum	27,000,000.00	27,000,000.00
Subtotal for PC and Priovisional sum					299,000,000.00

Below are some of the areas that need to be rehabilitated.





From the pictures above, it is clear and obvious that our hotel requires a major rehabilitation that would improve the infrastructure and restore our brand back to the same standards our customers and visitors are used to.

The whole project is expected to last 3 months from start to finish. The aim is open in December 2022.

2.1.3. Contractor Profile

The rehabilitation will be handled by Inter-Consult Limited. The consultants are one of the largest consultants' companies in Tanzania. They have taken on various projects in the past 20 years. Some of the projects include the Statoil Office, Coca Cola Kwanza Warehouse and Mawasiliano Towers DSM. The main sponsor of the project, Eng. Njiu is one of the shareholders and directors of Inter-Consult Limited. Our hotel will leverage on the experience and expertise of the contract to make sure the rehabilitation project is completed on time and within the projected costs.



Inter-consult Ltd is a leading, dynamic ISO 9001: 2015 Certified Multidisciplinary Consultancy Cor operating in Tanzania and the East African Region for over 40 years offering services ranging from Studies, Designs, and Supervision to Management of projects in the infrastructure sector.

It is a one-stop-shop for professional services housed under one roof at their headquarters-“Inte House” in Dar es Salaam and organized into six Technical Departments.

Our Services	Our Sectors
<ul style="list-style-type: none">• Civil Engineering & Project Management• Structural & Bridge Engineering• Architecture & Town Planning• Electrical & Mechanical Engineering• Quantity Surveying• Geotechnical Engineering	<ul style="list-style-type: none">• Transportation and Infrastructure• Housing Estates and Master Plans• Warehousing and Industrial Buildings• Commercial and Residential Structures• Geotechnical Investigations• Schools and Academic Institutions

2.1.4. Competition

The hotel industry slowed down remarkably due to the COVID 19 global pandemic. Our hotel was closed down for 2 years and all operations had to stop due to lack of visitors. The same was experienced across the board in the Marangu area. National wide many major hotels suspended business operations due to lack of foreign tourists.

Nevertheless, with the improvement in the tourism industry after borders have opened, we expect to resume our competition with the nearby hotels offering similar services to us. Below table shows the hotels and their respective prices offered.

Hotel	Type of package	Single US\$	Double US\$
Kibo	HB	70	90
Marangu	HB	60	110
Nakara	B/B	70	120
Kilimanjaro	H/B	70	90
Capricorn	H/B	100	125
K.M. Resort	B/B	60	110

NB..- The price is per person/room/ night

- H/B = Half Board
- B/B = Bed and Breakfast

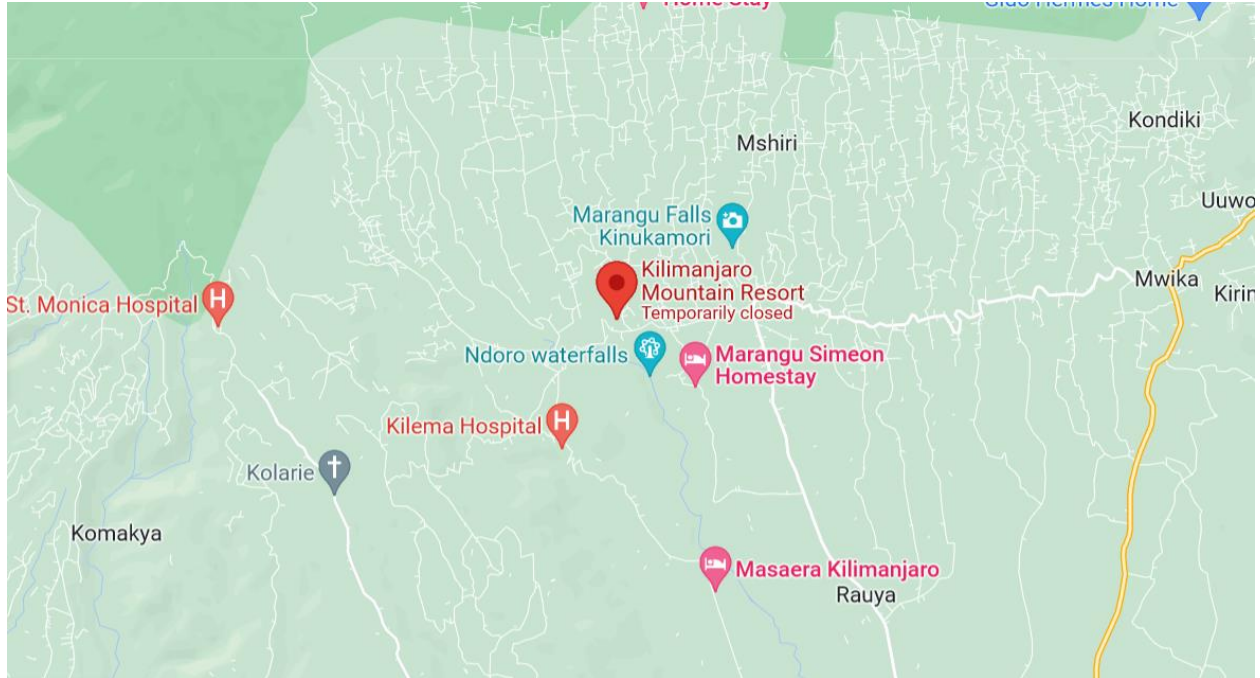
As already pointed out, our hotel has been and will compete with the above mentioned establishment in its target market niche. The envisaged project, however, will have added competitive advantages, which include;

- Our rooms are bigger in size, well en-vogue with the latest style and demand from our multi ethnic visitors
- The location of our hotel also favors us as it closer to the famous Marangu Gate, which is the doorway to climbing Mountain Kilimanjaro.
- The location also offers good climatization for mountain climbers with temperature below 20 C most of the time.

2.1.5. Location and Facilities

The project site is at Kyalla village on Farm No. 1182, Marangu in Moshi District, about 2.7 kilometer from Marangu Mtoni along Kilema road. The project is located on the slope of Kilimanjaro Mountain 40 km away from Moshi Municipality, 14 km from Himo township while 5km from Marangu gate of Kilimanjaro National Park.

The location is quite ideal for the proposed quality lodge as it lies on the slope of the highest mountain in Africa decorated with spring passing the hotel going down to Kilasia water Falls and Ndoro Water Falls. Water and electricity are in place



Location: Google Maps

(i) Utilities

(a) Water

Water is supplied from the springs flowing from Mt. Kilimanjaro. The hotel has tapped into the springs which provide enough water to run the hotel operations smoothly. The hotel has permits to tap the water and usually pays a fee to the local municipal authority.

(b) Power

Electricity is supplied by two primary sources, TanESCO and power generator. The power from TanESCO is supplied from a nearby transformer. The hotel also has a 250KVA generator to be used in case of power shortage from TanESCO.

(c) Roads

the hotel is along the tarmac good road leading to Marangu Gate (doorway to Mount Kilimanjaro, now extended to Kilema and tarmacked). It is just 500 meters off the tarmac road. The road leading to the hotel is in mint condition and is frequently used by residents and visitors.

2.1.6. Project Implementation Timelines

We expect the project to kick off in Dec 2022. This will be in time to host visiting guests and tourists who usually travel to Marangu in December for end of year holidays.

PHASE	DESCRIPTION	EXPECTED END DATE
Project write up	<ul style="list-style-type: none">• This will involve coming up with a bankable proposal entailing all key areas as required by CRDB.• The write up will include the following<ul style="list-style-type: none">• Executive summary• Company profile• Key Management team profiles• Hospitality and tourism industries analysis• Competition analysis• SWOT analysis• Project description• Historical financials• Financial projections	August, 2022
CRDB Loan processing	<ul style="list-style-type: none">• Once the write is submitted, it might take up to a month to receive the funds• Assuming the application is submitted in July, disbursement is expected in September 2022.	Sept, 2022
Renovation	<ul style="list-style-type: none">• The renovation shall begin after the disbursement of funds from CRDB• This is expected to be in September and will last for about 3 months	Sept 2022
Full opening	<ul style="list-style-type: none">• The hotel will be officially opened	Dec 2022

Chapter Three

3.1. Project Funding Requirements

Our project will require both a term loan and overdraft facility. The term loan will be used to finance the rehabilitation of the hotel. The overdraft will be used to supplement working capital requirements including meeting the day to day operations.

The total cost of the project is about TZS 481 million as per below table

Item	TZS
Re roofing of Swimming pool nearby 2 buildings	92,051,800
Prime Cost and Provisional Sum	299,000,000
Term Loan total	391,051,800
Overdraft facility	90,000,000
Total requirements	481,051,800

3.1.1. Financing Structure

Financing of the project will constitute debt and equity. Debt will be for funding for a period 60 months inclusive of grace period of 8 months to accommodate the rehabilitation process and accommodate some visitors. Repayment will begin after 8 months whereby the hotel would have built enough cash flow to meet maturing obligations from the Bank. A detailed repayment capacity and financial projections is provided under the financials sections. The composition of debt and equity is shown below.

Activity	Re-roofing swimming pools	Prime cost and provisional sum	WC	Total
Amounts in TZS	92,051,800	299,000,000	90,000,000	481,051,800
Equity	-	97,000,000	-	97,000,000
Debt	92,051,800	202,000,000	90,000,000	384,051,800

Out of the total funding requirement of TZS 481 million, our company will put up TZS 97 million from shareholders as contribution to the project. This is about 20% of the total cost.

3.1.2. Funds Utilization

Below is the description of funds utilization.

A. Re roofing of swimming pool nearby 2 buildings – figures in TZS

Item	Description	QTY	Unit	Rate	Amount
	Re roofing of Swimming pool nearby 2 buildings				
A	Timber 2x2	2500	m	2,500.00	6,250,000.00
B	Timber 4x2	750	m	5,000.00	3,750,000.00
C	Decra tiles	750	m2	86,400.00	64,800,000.00
D	Gypsum Boards	447	m2	15,000.00	6,697,800.00
E	Gypsum Cornice (brown colour)	537	m	5,000.00	2,684,000.00
F	Nails 4"	150	kg	3,500.00	525,000.00
G	Nails for tiles	30	kg	55,000.00	1,650,000.00
H	Screws	20	boxes	7,500.00	150,000.00
J	Cornice Screws	6	boxes	7,500.00	45,000.00
K	Ridges	200	No	27,500.00	5,500,000.00
	Subtotal for Re-roofing			TSHS	92,051,800.00

B. Prime Cost and Provisional Sum – figures in TZS

Item	Description	QTY	Unit	Rate	Amount
	PRIME COST AND PROVISIONAL SUM				
A	Repaint 3 block	1	Lump sum	70,000,000.00	70,000,000.00
B	Refurbish bar area	1	Lump sum	10,000,000.00	10,000,000.00
C	Build and Install Pizza Hut	1	Lump sum	12,000,000.00	12,000,000.00
D	Miscellaneous repair in 40 bedrooms	1	Lump sum	80,000,000.00	80,000,000.00
E	Rebuild Chagga hut	1	Lump sum	10,000,000.00	10,000,000.00
	Supply and install				
	A; Kitchen Items				
F	3 freezer unit	1	Lump sum	12,000,000.00	12,000,000.00
G	1 cofee machine and Grinder	1	Lump sum	15,000,000.00	15,000,000.00
H	1 lot crockery	1	Lump sum	5,000,000.00	5,000,000.00
J	2 units fryers	1	Lump sum	4,000,000.00	4,000,000.00
K	1 unit microwave	1	Lump sum	2,000,000.00	2,000,000.00
	B. Bedroom				
L	Lot linen	1	Lump sum	15,000,000.00	15,000,000.00
	C. Laundry				
M	Iron	1	Lump sum	5,000,000.00	5,000,000.00
N	D. Generator				
	Service	1	Lump sum	2,000,000.00	2,000,000.00
P	E. Playgrounds Rehabilitation	1	Lump sum	30,000,000.00	30,000,000.00
Q	F: Consultancy for				
	Valuation report, loan application docs, Designs/specs and BOQ, Project supervision, Management	1	Lump sum	27,000,000.00	27,000,000.00
	Subtotal for PC and Privoisional sum				299,000,000.00

C. Working capital facility – TZS 90 million.

The hotel would require a working capital facility of TZS 90 million. This facility will be used to meet the general working capital requirements of the business such as buying stock, meeting any gap arising from debtors as well meeting day to day expenses of utilities. The facility will be available for a period of 12 months on renewable basis.

Drawdown plan

The term loan facility totaling TZS 391,051,800 will be disbursed according to the BOQ submitted from the contractor. The working capital facility will be made available upon completion of the rehabilitation of our hotel

Chapter Four

4.1. Risk, Mitigation and SWOT Analysis

4.1.1. Key risks and mitigations

Key Risk	Mitigation
<p data-bbox="175 600 407 632"><i>A. Cost overrun</i></p> <p data-bbox="126 653 781 898">This being a construction project, there are tendencies to have delays caused by various factors. These delays usually lead to cost overruns of the projects, thus putting the Bank's funding at risk.</p>	<p data-bbox="803 600 1419 1115">The rehabilitation project our hotel will undertake is short term (only expected to last 3 months). The project will be done by one of the best construction companies in Tanzania (Inter-Consult Limited), who have decades of experience in larger projects. The project will also be supervised by the two directors, Eng. Njiu and James Njiu who both have considerable experience in project management.</p>
<p data-bbox="175 1136 363 1167"><i>B. COVID 19</i></p> <p data-bbox="126 1188 781 1493">The hotel main customers are tourist who are mainly from Europe and USA. The Covid 19 global pandemic, which resulted to international travel restrictions, affected our business considerably, which led to temporary closure of 2 years.</p>	<p data-bbox="803 1136 1419 1545">After the introduction of vaccination, all travel restrictions from our main customers have been lifted. We have also noticed the increase in the number of tourists arriving to Tanzania as indicated in previous segments. Thus, we are confident our hotel will soon hit the numbers of pre-Covid business once we reopen.</p>
<p data-bbox="175 1566 402 1598"><i>C. Competition</i></p> <p data-bbox="126 1619 781 1818">Our hotel will face competition from nearby hotels who offer similar services like ours. Some of these hotels include Kibo Hotel, Nakara Hotel and Capricon.</p>	<p data-bbox="803 1566 1419 1860">Our hotel will differentiate from the competition through providing quality service, spacious rooms and better facilities. The rehabilitation will restore the same standards we had before closing. Our hotel used to be the go to hotel for almost</p>

	all the tourists visiting Marangu. We have already received plenty of enquiries through our contacts on room availability. We are confident we will beat the competition like before.
<p><i>D. Environmental and Social Risk</i></p> <p>The hotel will be hosting a number of tourists from various ethnicity background. We shall also have kitchens preparing meals for our guests. Hence we are expecting to have some waste generated from the operations</p>	We will be complying with all Environmental Regulations, OSHA and Fire Safety Standards.

4.1.2. SWOT Analysis

STRENGTHS	
<ul style="list-style-type: none"> • The rehabilitation will be done by experienced contractors who have years of experience in construction • The hotel needs just a few upgrades in order to restore it to its previous standards. We shall look to leverage on our existing good name in the market to attract tourists. • The experience of entire management in handling hotel operations. Key department - Marketing and Customer Relations are managed by professionals • We managed to clear all loans we were given for the construction of the hotel. Thus we have good working knowledge of using bank funding and good repayment history. 	
WEAKNESSES	MITIGATIONS
<p>Key man Risk</p> <p>The business is family owned with one-man key decision maker.</p>	<p>Professionals have been employed in areas of Marketing, Customer Relations, and Human Resources Production.</p> <p>The majority shareholder Eng. Njiu is not involved in the day-to-day operations of the hotel. The group has defined all the key functions and has employed staff with</p>

	<p>relevant credentials to oversee the hotel. In terms of business succession, the son of the main shareholder has also been added as a director and will be in charge of the day to day operations</p>
<p>Development Risk</p> <p>The project may stall in case the Directors divert resources/requested funding.</p>	<p>All the disbursements for rehabilitation will be disbursed according to the BOQ. We also comfortable as the funds provided previously were paid without any problems.</p>
<p>Exchange rate risk</p> <p>Fluctuation of foreign exchange. Majority of the inflows will be USD but the borrowing is in TZS.</p>	<p>About 70% of the receivables will be in USD but the hotel will also have local currency receivables which we will use to meet the loan obligations.</p>
<p>OPPORTUNITIES</p>	
<p>Tanzania has undergone a lot of improvement in infrastructure in its road network. This will simplify the travel of tourists from various entry points to Marangu.</p>	
<p>The government is encouraging the growth of tourism in order to contribute to the economic growth of Tanzania. This means the company will receive all the support it requires as it continues to set up the factory.</p>	
<p>CHALLENGES</p>	<p>MITIGATIONS</p>
<p>Competition from existing hotels within the same location</p>	<p>The rehabilitation will improve our facilities significantly and restore our position as the best and most attractive hotel in Marangu.</p>

Chapter Five

5.1. Financial Analysis

5.1.1. Historical Financial Performance

The company historical financials between 2018 to 2022 are highlighted below:

- *Income statement summary:*

Below table shows the revenue and profit before tax of the company

Item	Dec-18	Dec-19	Dec-20	Dec-21	June-22
Revenue in TZS million	367	282	69	-	-
Profit before tax in TZS million	(5)	(20)	(118)	(86)	(41)

The revenue of the business has been declining over the years between 2018 and 2020. This is mainly due to the COVID 19 pandemic which started to pick up pace in late 2019. Eventually, we decided to close the hotel in 2020 due to lack of visitors as most of our main customers' countries had their borders closed.

It is also noted the company had been incurring losses prior to 2020 when COVID 19 struck. However, the losses in 2018 and 2019 are merely book losses attributed to depreciation charge of TZS 99 million and TZS 94 million in 2018 and 2019 respectively. The losses in 2020 to 2022 are cash losses as a result of continued costs such as maintenance costs, labor costs and depreciation, whilst the operation had been closed.

The income statement is a good indication of any business profitability. Our business losses have been mainly attributed by either depreciation charge (prior 2020) and COVID 19 (after 2020). Once we reopen our doors in Dec 2022, we expect our business to run profitably due to the influx of tourists.

- *Balance sheet statement summary*

Below table shows the summary of the key balance sheet items of the company

Item (TZS million)	Dec-18	Dec-19	Dec-20	Dec-21	June-22
Non-Current assets	1,666	1,584	1,497	1,414	1,376
Total Current Assets	50	44	15	11	9
Total Assets	1,716	1,627	1,511	1,426	1,384
Total Current Liabilities	(50)	(59)	(73)	(72)	(72)
Total Long Term Liabilities	-	-	-	-	-
Total Liabilities	(50)	(59)	(73)	(72)	(72)
Shareholders' Funds	1,767	1,687	1,584	1,498	1,457
Total liabilities and Equity	1,716	1,627	1,511	1,426	1,384

Equity of the business is made of share capital, directors current account, capital reserve and retained earnings. The equity position has been relatively stable over the years due to the accumulated losses.

The non-current assets of the company are mainly comprised of land and building as well as furniture and fittings. This is the hotel located in Marangu. The position has been declining due to normal depreciation charge

Current assets are a small portion of the total assets of the business. Current assets are made of cash and bank balances maintained by our main bank CRDB.

Current liabilities are made up of taxation only. The hotel does not have any long term liabilities.

5.1.2. Financial Projections

5.1.2.1 Cash flow projections

Below are the projections for the next 12 months for the business, once it opens to the public

ITEM / MONTH	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Total rooms	40	40	40	40	40	40	40	40	40	40	40	40	480
Occupancy rate	40%	40%	40%	40%	40%	100%	100%	100%	100%	100%	60%	70%	
Bednights	16	16	16	16	16	40	40	40	40	40	24	28	332
Revenue (USD 200/room)	3,200	3,200	3,200	3,200	3,200	8,000	8,000	8,000	8,000	8,000	4,800	5,600	66,400
Meals & Beverage	1,440	1,440	1,440	1,440	1,440	5,200	5,200	5,200	5,200	5,200	2,160	2,520	37,880
Museum sales	200	200	200	200	200	800	800	800	800	800	200	200	5,400
Other income	700	700	700	700	700	700	3,000	3,000	3,000	3,000	700	700	17,600
Total inflows	5,540	5,540	5,540	5,540	5,540	14,700	17,000	17,000	17,000	17,000	7,860	9,020	127,280
Less: Direct Costs	1,385	1,385	1,385	1,385	1,385	3,675	4,250	4,250	4,250	4,250	1,965	2,255	31,820
Net Inflow	4,155	4,155	4,155	4,155	4,155	11,025	12,750	12,750	12,750	12,750	5,895	6,765	95,460
CASH OUTFLOWS													
Operating expenses	700	700	700	700	700	2,000	2,000	2,000	2,000	2,000	700	700	14,900
Labour costs	2,300	2,300	2,300	2,300	2,300	2,800	2,800	2,800	2,800	2,800	2,300	2,300	30,100
Admin expenses	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	14,400
Interest on Overdraft	459	459	459	459	459	459	459	459	459	459	459	459	5,508
Interest on term Loan	1,586	1,567	1,548	1,528	1,509	1,489	1,469	1,449	3,330	3,330	3,330	3,330	25,465
Total outflow	6,245	6,226	6,207	6,187	6,168	7,948	7,928	7,908	9,789	9,789	7,989	7,989	90,373
CASH SURPLUS/ (DEFICIT)	-2,090	-2,071	-2,052	-2,032	-2,013	3,077	4,822	4,842	2,961	2,961	-2,094	-1,224	5,087
Opening cash	400	-1,690	-3,761	-5,812	-7,845	-9,858	-6,781	-1,959	2,883	5,844	8,805	6,711	
Closing Cash	-1,690	-3,761	-5,812	-7,845	-9,858	-6,781	-1,959	2,883	5,844	8,805	6,711	5,487	

Sales are projected as follows:

- Each room will average USD 200 per night. The prices will be about USD 100-250 depending on room size. We have assumed occupancy of 40% during low season and 100% during high season (this is based on our experience in pre COVID 19 years).
- Meals and beverage have been assumed at 45% of the total room revenue. However, during high season, this usually rises to about 65% as we usually host barbecue, live band etc. which usually drive up the revenue for meals and drinks.
- Museum sales are projected at 200 USD per month and the same goes as high as USD 800 in high season
- Other income is derived from service such as tours of Marangu, hiking, mountain climbing, laundry etc.

Costs are projected as follows

- Direct costs are assumed to be 25% of the total revenue of the hotel. This was the average before we closed in 2020

- Operating expenses and admin expenses have been assumed at 8%, and 22% respectively. Labor costs will vary depending on low and high season. During low season, the hotel will have only 10 staff and during high season, as high as 30 staff at average of USD 150 salary per month.
- Term loan obligations have been assumed at interest rate of 15% p.a. with 6 months' grace period to begin with. OD utilization has been assumed at 95% of the approved limit of TZS 90 million

5.1.2.2 Projected Income Statement

Particulars - TZS	2023	2024	2025	2026	2027
Sales	300,000,000	330,000,000	363,000,000	399,300,000	439,230,000
Cost of sales	75,000,000	82,500,000	90,750,000	99,825,000	109,807,500
Gross profit	225,000,000	247,500,000	272,250,000	299,475,000	329,422,500
Administrative expenses	21,000,000	22,680,000	24,494,400	26,453,952	28,570,268
Other operating expenses	100,000,000	108,000,000	116,640,000	125,971,200	136,048,896
Operating profit (loss)	104,000,000	116,820,000	131,115,600	147,049,848	164,803,336
Financial cost	86,359,120	108,363,182	108,363,182	108,363,182	108,363,182
Profit before tax	17,640,880	8,456,818	22,752,418	38,686,666	56,440,154
Tax	5,292,264	2,537,045	6,825,725	11,606,000	16,932,046
Net profit	12,348,616	5,919,773	15,926,693	27,080,666	39,508,108

The projected income statement is prepared for a period 5 years to match the requested loan facility. We project revenue of about TZS 300 million to be generated in the first full year of operations next year.

Revenue is projected to increase by 10% throughout the tenor of the loan. Direct costs will also grow in line with the increase in revenue. We expect operating expenses to grow by 8% as our hotel will be strict on maintaining costs at a minimum in order to generate enough bottom lines.

Based on the projected income statement, the business will be making profit for the duration of the loan.

5.1.2.3 Debt Service Capacity Ratio (DSCR)

DSCR for the proposed loan facility will remain strong throughout the loan repayment period. Improvement in DSCR is seen as the loan clears off every year. The assumption for sustainable DSCR has been that no new loans will be taken during the period and any shareholders' loan will be subordinated to outside lenders.

Particulars - TZS	2023	2024	2025	2026	2027
Sales	300,000,000	330,000,000	363,000,000	399,300,000	439,230,000
Less: total costs	201,292,264	215,717,045	238,710,125	263,856,152	291,358,710
Cash available	98,707,736	114,282,955	124,289,875	135,443,848	147,871,290
A. Cash available for debt service	98,707,736	114,282,955	124,289,875	135,443,848	147,871,290
Bank obligations					
Financial cost	86,359,120	108,363,182	108,363,182	108,363,182	108,363,182
B. Total maturing obligations	86,359,120	108,363,182	108,363,182	108,363,182	108,363,182
Debt Service Coverage Ratio (A/B)	1.14	1.05	1.15	1.25	1.36