

QUALITAS HEALTH CARE (T) LIMITED, LOCATED AT PLOT NO.5, BLOCK 1, CHAGANI ROAD, URASA STREET, KIGAMBONI WARD, KIGAMBONI DISTRICT, DAR ES SALAAM REGION.

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## BUSINESS PLAN

FOR

COMPLETION OF A SEMI-FINISHED FIVE STOREY BUILDING CONSTRUCTION WORKS, EXPANSION AND UPLIFTING OF THE EXISTING MEDICAL FACILITY INFRASTRUCTURE WITH ALLIED FACILITIES AND SERVICES, PURCHASE OF MEDICAL MACHINERY/EQUIPMENT AND SOURCING A WORKING CAPITAL RESPECTIVELY.

AT

PLOT NUMBER 3 & 4, BLOCK 1, CHAGANI ROAD, URASA STREET, KIGAMBONI WARD, KIGAMBONI DISTRICT, DAR ES SALAAM REGION.



Prepared by:

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## 1. EXECUTIVE SUMMARY

**Purpose:** This is a business plan for M/s Qualitas Health Care (T) Limited (QHC) seeking for a hospital expansion for an aggregate bank loan amounting to TZS 2.269 billion; broken down as follow:

- ❖ *A long-term loan amounting to TZS 1.20 billion to part finance construction and installation works of a semi-finished five storey medical facility building allied with engineering, mechanical, electrical, communication and security installation works; ancillary facilities and services at Plot No.3 & 4, Block 1, Chagani Road, Urasa Street, Kigamboni ward, Kigamboni District, Dar es Salaam Region.*

The major reasons led the medical facility to seek for a bank term-loan are as follow:

- ✓ *To part finance construction and finishing works of a semi-finished 5 stored medical facility building superstructure currently at 15% to completion stage; at a financing arrangement of debt to equity of 65%:35%. The building finishing works will be carried out in phases; whereas, phase one (1) implementation will use both bank loan and equity to complete construction and finishing works up to the 3<sup>rd</sup> floor, thereby, start using the new building to provide medical services. Phase II of the finishing works to the remaining 4<sup>th</sup> and 5<sup>th</sup> floors will be carried out gradually, largely using the medical facility internal generated fund.*

Explicitly, the proposed construction and finishing works up to the 3<sup>rd</sup> floor in phase one (1) will involve; superstructure works, electrical, plumbing, sewerage, lighting, mechanical, grass-works, steel/aluminum-works, cooling, system, lift/passage service, gas system, external works, communication, security, carpentry, jointly, paint, plumbing works, supporting works etc. and installation of the electricity transformer and a standby generator to stabilize power supply;

- ✓ *To enhance, upgrade and facelift the existing Specialized Polyclinic medical services together with the proposed addition infrastructure to match the Ministry of Health approval and standard prerequisites for operating a Regional Level Categorized Hospital;*
- ✓ *To avoid further delays in completion of a semi-finished medical facility building construction and finishing works that started in mid-2022 using owner's fund; hence, evading escalation of the project construction, contractors and materials costs; and*

- ✓ *To let the medical facility save its internal generated fund* currently used to finance the medical facility construction works, instead, use the same to reinvest into other development, growth, staff stock, remuneration and improvement of the operating cash flows.
- ❖ *A term loan of TZS 400.0 million* to part finance purchase of addition medical diagnostic machinery, equipment and instruments.

The reasons led the medical facility to seek for finance to purchase addition medical diagnostic machinery, equipment and instruments are as follow:

- ✓ *To install the medical facilities/services* that matches the Ministry of Health required standard for operating a Regional Level Hospital Category;
- ✓ *To enhance the proposed Regional Level Hospital Category medical service specialities, efficiency, effectiveness, sustainability and quality* respecting principles of the health sector flexibility;
- ✓ *To respond the catchment area* demographic and epidemiology medical services need; and
- ✓ *To install the upmost* medical diagnostic machinery, equipment and instruments that matches the anticipated Regional Level Hospital category.
- ❖ *A term loan of TZS 269.0 million* to offset the existing CRDB Bank Plc. overdraft limit TZS 200.0 million and term loan exposure of TZS 69.0 million respectively.

The major reasons led the hospital to seek for offsetting the CRDB Bank Plc. loans exposure are as follow

- ✓ *To streamline the medical facility cash-flows* to have capacity of absorbing and servicing the bank loans repayment under one umbrella;
- ✓ *To let the company concentrate its banking relationship with Azania Bank Limited* as the main banker; and
- ✓ *To align the company assets* currently offered to secure the banks loans be used by only one bank instead of multiple banks;

- ❖ *An overdraft limit of TZS 400.0 million to part finance the medical facility working capital requirements for the coming 12 months.*

The major reasons led the hospital to seek for a working capital facility are as follow: -

- ✓ *The anticipated medical facility re-categorization by Ministry of Health to operate as a Regional Level Categorized Hospital instead of the existing Specialized Medical Polyclinic category infers a reasonably increase in medical, diagnostics and specialization services; as well operational costs upsurge, including medical services, medicine, consumables, reagents, diagnostic items, staff cost, utilities etc. Hence, availability of a stable source of working capital to bridge the unforeseen operating cash flows shortfall is imperative; and*
- ✓ *To buffer the medical facility unforeseen day-to-day operational working capital requirements that matches the medical facility business plan to increase turnover on the anticipated reasonable number of inpatients and outpatients' services, specialized and super specialized medical, diagnostic and consultation services.*

**Note:**

- ✓ *The overall aggregate long-term loans sought herein amounting to TZS 1.860 billion will be repaid in 6 years including a one-year moratorium period to allow the medical facility to set-off the existing CRDB Bank Plc. loans, complete construction works, purchase and installation of the medical machinery, equipment and instruments; stocking of pharmaceuticals and recruitment of addition staff;*
- ✓ *An overdraft limit of TZS 400.0 million will be reviewed and renewed yearly upon satisfactory performance; and*

**Background Information:** M/s Qualitas Health Care (T) Limited is an existing establishment incorporated in 2013 to provide a patient-centered health-care in the general and specialized medical services as well in a community pharmacy chain services after operating as sole proprietor entity for number of years.

To streamline, enhance and adhere to a good medical sector practice, M/s Qualitas Health Care (T) Limited registered two business entities under the Business Name Registration Cap 213; namely:

- ✓ *Qualitas Pharmacy –registered by BRELA on 10<sup>th</sup> December 2019, to provide pharmacy-based services, particularly in a community-based pharmacy chain; and iswell registered by the Pharmacy Council of Tanzania; and*

- ✓ *Qualitas Specialized Clinic*- registered on 28th November 2019 to provide general and specialized medical service; and is registered and approved by the Ministry of Health with a registered number 073437 dated 9th March 2020 to operate a medical Specialized Polyclinic,

The existing medical facility establishment was largely financed by the promoters' fund; and latterly by CRDB Bank Plc. Loans. The medical facility is also banking with NMB Bank Plc. currently with no banking borrowing relationship on record.

The major reasons led the medical facility to multi-bank includes, its business location, as well the in place signed/agreed health insurance service providers' contracts, where some insurance providers prioritize settlement of their health insurance premium bills through their bankers'

The facility is currently accommodating the National Health Insurance (NHIF), Strategies Insurance, Britam Insurance, Jubilee Insurance, and GA Insurance companies' patients' health insurance premium covers.

The medical facility has applied for re-categorization to operate as a Regional Level Categorized Hospital; however, the application is subject to completion of the on-going construction works of a semi-fished building, purchase and installation of the appropriate upmost medical, diagnostic machinery/equipment/instruments, and recruitment of the matching staff number.

**Description of the Business:** The proposed medical facility will be operating in a full compliance with all the Ministry of Health' guidelines for a Regional Level Hospital category with additional service enhancements addressing specific unmet needs of the immediate catchment area, and will initially operate with an authorized bed capacity of 60 beds.

Basically, the business plan entails to complete the remaining construction works of a semi-finished medical facility building in phases; specifically. in phase one (1), the project will involve erection of the proposed building superstructure up to the fifth floor; and thereafter embark on finishing works of up to the 3<sup>rd</sup> floor, purchase of medical machinery and equipment, recruitment of an addition medical staff, stocking of pharmaceuticals and start use a new building.

Phase two (2) will involve completion of finishing works to the remaining two floors and other building ancillary services including but not limited ultra-modern diagnostic center, emergency and morgue department; largely using own internal generated income.

The construction works will involve 930 square meters of a piece of land, with a 5-storey building providing a total floor area of 2,547 square meters. The project land is registered under CT No. 187989 and CT No.194768 respectively in the names of the shareholders Mr. Josephat Raphael Kibwana and Ms Amina Sulemani Msuya respectively. The shareholders have legally consented to lease the project land to the medical facility.

The project building on-going construction works to-date status is estimated at 15%, whereas the building substructure frameworks, columns, beams, slabs and stairs are up to the 1<sup>st</sup> floor level (with a total space area of 928.9 square meters including a ground floor) at an estimated cost of TZS 203.11 million (broken down into TZS 96.91 million for the building construction works, TZS 80.0 million for acquisition of land, and TZS 26.2 million for construction engineering, services, consultancy, technical services and preliminary expenses).

The cost for completion of the remaining *phase 1* construction works i.e. superstructure up to the fifth floor and finishing works on ground floor up to the 3<sup>rd</sup> floor is estimated at TZS 1.75 billion, out of which, the medical facility contribution is estimated at TZS 509.99 million in phases and the bank TZS 1.2 billion respectively.

Whilst *phase 2* construction works is estimated at TZS 450.08 million; and will largely be contributed by the medical facility internal generated income in phases.

*To concentrate the company business under one banking relationship*, the medical facility proposes to offset the CRDB Bank Plc. existing term loan of TZS 69.0 million and overdraft limited to TZS 200.0 million respectively.

*Purchase of the proposed addition* medical machinery and equipment aiming at upgrading the hospital to match with the Regulator requirements to operate a Regional Level Hospital Category, the medical facility proposes to purchase the following addition medical machinery and equipment: - laboratory equipment, theatre, imaging diagnostic machinery and equipment, digital X-ray, ultra sound, endoscopic, as well patient monitoring items, beds, allied furniture etc. The items will largely be imported and few will be sourced locally. The hospital will continue to purchase and install medical machinery and equipment from time to time to improve the services and well to meet the catchment area health service requirements.

The proposed budget for purchase of the hospital machinery/equipment, instrument, furniture, ambulance and laboratory/diagnostic equipment is estimated at TZS 493.63 million, out of which TZS 400.0 million (81%) will be from the bank loan and TZS 93.63 million (19%) will be from the owners' contribution in phases respectively.

**Project Fund Sources and Uses:** The project investment cost (existing and new) is estimated at TZS 3.855 billion, and its implementation position to date stand as follow:

- ✓ *Preliminaries/Consultancy/offsetting of CRDB Bank Plc. cost:* is estimated at TZS 460.20 million comprising of the existing project development cost estimated at TZS 106.2 million; and a new proposed owners' contribution towards the project development estimated at TZS 85.0 million, and a new proposed offsetting of existing aggregate CRDB Bank Plc. loans amounting to TZS 269.0 million respectively;
- ✓ *Hospital Building Construction works cost:* is estimated at TZS 1.976 billion, comprising of the existing owners' contribution of TZS 200.11 million, CRDB Bank Plc. loan of TZS 69.0 million; and a new proposed owners' contribution of TZS 506.99 million and bank loan of TZS 1.20 million respectively;
- ✓ *Medical Equipment and Machinery cost:* is estimated at TZS 700.56 million comprising of the existing owners' contribution of TZS 254.0 million; and a new proposed owners' contribution of TZS 46.56 million and bank loan of TZS 400.0 million respectively;
- ✓ *Vehicle and ambulance cost:* is estimated at TZS 55.3 million comprising of the existing motor bicycle/vehicle/ambulance estimated at TZS 5.3 million, and owners' new proposed contribution estimated at TZS 50.0 million;
- ✓ *Standby Generator and Transformer cost* is estimated at TZS 16.03 million comprising of the existing standby generator estimated at TZS 4.03 million, and a new proposed contribution of TZS 12.0 million; and
- ✓ *Working capital:* is estimated at TZS 647.0 million, comprising of the existing CRDB overdraft exposure of TZS 160.0 million (limited to 200.0 million); and a new proposed owners' contribution of TZS 80.0 million and a bank loan of TZS 400.0 million respectively.

The overall project's total investment cost is estimated at TZS 3.855 billion, comprised of owners' contribution (both existing and new investments) of TZS 1.350 billion (35%); and bank loan (both existing and new loans) of TZS 2.505 billion (65 %) respectively.

**Ownership:** The medical facility is privately owned by Mr. Josephat Raphael Kibwana (50%); and Ms Amina Selemeni Msuya (50%) respectively.

**Management:** The medical facility management is under *Mr. Josephat Raphael Kibwana* a graduate in Pharmacy with over a decade extensive practical experience in medical, pharmacy and administration services in the public and private medical services as a Chief Executive Officer.

*Ms Amina Selemeni Msuya*, a diploma holder in Accounts and Administration with over six years of practical experience in Hospital Management as Director and over in-charge of Management team.

*Mr. Sudi Pongwe*, a degree holder in finance with over a decade practical experience in finance as Finance Manager.

*Mr. Said Mdee*, a graduate in Human Resources with over a decade practical experience in clinical service administration in public and private hospital as Head of Administration Services

*Dr. Julieth Kabagire* a medical practitioner, dermatologist and administrator with over a decade practical experience in public and private hospitals as Medical Officer In charge.

The medical facility has in place a team of specialized and qualified medical and non-medical staff to run the day-to-day medical service operations; and is herein also proposing to continue employing addition number of staff in the near future ranging from medical professional and specialized team to administrative services staff including but not limited to accounts, medical records, housekeeping, ambulance, security, dietary and social services to reach 109 staff compare to the current number of 76 staff.

**Services:** Consistent to the Ministry of Health guidelines for the proposed Regional Level Hospital Category, the hospital will provide general, specialised and super-specialised clinical care in internal medicine, paediatrics, obstetrics and gynaecology, surgery, ENT, ophthalmology, dentistry, dermatology, cardiology, nephrology particularly renal dialysis, and anaesthesia; along with emergency, inpatients and outpatients' services depending on the catchment area medical service needs.

The medical facility will also provide nursing services, clinical laboratory, radiology, electro-magnetic medical diagnostic services, pharmacy services; as well administrative services operations including all personnel, accounting, medical records, housekeeping, ambulance, security, dietary and social services.

In addition, specialized services based on the catchment area population diseases profile, the medical facility will also offer ambulatory haemodialysis and renal dialysis services

**Target Market:** The medical facility will cater for a general population of Kigamboni Areas, and other parts of the Dar es Salaam city and municipalities; devoting its capacity towards serving the population with general, specialised, super-specialised, efficient and quality medical services.

The medical facility will also serve as an alternative/referral facility for dispensaries, health centres and district level hospital facilities in the catchment area, hence supporting to decongest them.

**Health Sector Profile:** Dar es Salaam region office report 2021, shows the health services are provided by 536 medical centres; of which 42 are hospitals comprised of 82% private and 18% government; 58 Health centres comprised of 80% private and 20% government and 436 dispensaries comprised of 78% of private and 22% government.

*Kigamboni District* social economic profile report 2021, shows the municipal to have a total of 41 medical service facilities with 1 government hospital, 6 Health Centres/clinic whereas 3 are from the government category and only 3 is from the private sector category, and about 34 dispensaries, out of which 19 are government and 15 are private respectively.

With over around 900,000 inhabitants, the municipal experiences unbalanced index in health service provision, especially in the specialised medical services categories, hence paving a way for a need to establish or enhance the medical facilities and specialised medical service facilities in the municipal.

*In the Catchment area*, there are other medical facilities including Medicorps Health Care Limited, Agha Khan Hospital Branch, TPDF Navy Hospital etc. with capacity of serving inpatients and outpatients, provisioning of the specialized and super-specialized medical and imaging diagnostic services, however, there is still a room for other entrants including

M/s Qualitas Health Care (T) Limited to enhance and provide the high-end medical services.

*M/s Qualitas Health Care (T) Limited medical facility*, will continue to be packed with the upmost medical diagnostic equipment and specialised medical personnel, henceforward considered to be financially and socially viable

**Operations:** The medical facility anticipate to enter contracts with qualified medical specialists from private and public sectors to supplement its resident medical team. Under the arrangement, consultants will exclusively provide specialised medical services on mutually agreed scheduled fees, time and period.

The resident medical team under the Medical Officer In-charge assisted by the Hospital Departmental Managers will be responsible for ensuring fully compliance with all the Ministry of Health requirements for a Regional Level Hospital Category and Medical Council of Tanganyika (MCT) accreditation standards including safety, quality care, operational efficiency, environmental compliance and professionalism.

**The Rationale and Justification:** The medical facility anticipate to enhance specialised and super-specialised medical services to outpatients and inpatients through enhancement, installation and utilisation of the upmost medical diagnostic capacity and expertise, employment and commissioning of the new medical speciality areas that matches the catchment area demography, development and epidemiology position; hence heightening the medical facility revenue and ultimately profitability

**Competitive Advantage and Strategy:**

- ✓ *The medical facility location and medical staff experience* configuration make the medical facility ideal alternative for a secondary specialized opinion cases in the catchment area;
- ✓ *The medical facility will be one of the largest general and specialised facility* in the main catchment area; hence potentially operating with a reasonably lower cost structure than its competitors;
- ✓ *Provision of the best medical care* to patients, as well reliable and timely diagnostic results;

- ✓ *Being privately owned supplementing the government special health programs, the medical facility will have access to the government funds related to a special health program (MCH, HIV, Vaccinations etc.), hence adding another line of expertise and revenue; and*
- ✓ *The medical facility bills and revenues will essentially be capped by a case-by-case rates promulgated by quality, efficiency, effectiveness and specialised health care services; and will line up with 30% cash and 70% medical insurance premium respectively, hence balancing the medical facility financial liquidity position.*

**Past and Existing Financial Position:** Currently, the medical facility cash inflows are coming mainly from the existing Specialized Polyclinic and pharmacy facilities with an average monthly cash inflows averaging to TZS 267 million; that anticipate to increase to an average of TZS 370 million per month in the coming six months following completion and operationalization of the under construction medical facility building that will improve the asset in terms of building space, medical machinery/equipment, ambulance services, medical service specialization and optimal utilization of the medical facilities.

**Audited Accounts:** The overall medical facility financial performance for the past three years portrays a commendable performance as summarized hereunder:

- ✓ *In year 2020:* Revenue was TZS 552.3 million, Gross Margin TZS 184.79 million and Net Margin TZS 8.2 million respectively;
- ✓ *In year 2021:* Revenue was TZS 1.70 billion, Gross Margin TZS 467.58 million and Net Margin TZS 15.65 million respectively;
- ✓ *In year 2022 (draft):* Revenue was TZS 3.13 billion, Gross Margin TZS 597.5 million and Net Margin TZS 14.1 million respectively;

**Projected 12 months cash flows:** The medical facility projected 12 months cash flows between May 2023 and November 2024 shows a health net cash flows, although with some negative net cash flows in some months; henceforward suggesting a need for sourcing an external finance to bridge the operating cash flow shortfalls. The medical facility cash flows anticipate to experience cash flow shortfalls in some months that will be taken care by the herein sought Working Capital facility (see Appendix 15).

**Projected patients' level:** The medical facility anticipates outpatients' averaging number is estimated at 48,920 per annum in year 1 that will increase to an average of 66.396 per annum in year 6; whilst a number of inpatients anticipate to average at 13,104 per annum in year 1 that will increase to 16,724 per annum in year 6. The upward increase in number of inpatients and outpatients will be accelerated by the anticipated improvement in the medical facility building space, medical services, capacity, facilities, specializations and diagnostic capacities.

**Note** that despite operating at a Specialized Polyclinic level with minimal space, medical specialization and upmost diagnostic capacity, the medical facility present average outpatients' number per month is averaging at 5,600.

#### **Projected Financials:**

- ✓ *The Project anticipate to generate a revenue of TZS 5.39 billion in year 1 that will increase progressively to TZS 8.93 billion in year 6.*
- ✓ *The project anticipates to generate a gross profit of TZS 2.01 billion in year 1 that will increase progressively to TZS 3.49 billion in year 6.*
- ✓ *The project will generate pre-tax and net tax margins of TZS 739.397 million and TZS 517.57 million respectively in year 1 that will increase progressively to TZS 2.36 billion and TZS 1.65 billion respectively in year 6.*
- ✓ *Net cash flows after personnel costs, other operating costs and capital costs will be positive TZS 254.09 million in year 1, and will remain positive throughout the projected life-plan;*
- ✓ *The project requires an equity commitment of TZS 1.35 billion which shall remain non-recoverable during project implementation.*
- ✓ *Both critical ratios including Interest Service and Debt Service are reasonable and above 1.0; portraying ability of the project to meet its external financial obligation comfortably.*
- ✓ *The Project is bankable from a credit standpoint, and yields an internal rate of return (IRR) of 29.88 % and a positive Net Present Value (NPV) of TZS 928.98 million.*

**Economic Benefits and Social Corporate Responsibility:** Upon completion and operationalization of the proposed investment, the medical facility will have a significant economic and social benefits to the catchment area residents as well to the surrounding areas of the Dar es Salaam city and the country at large, as summarized below: -

- ✓ *Provision of effective, efficient, quality and specialized medical care services to the community*
- ✓ *Creation of direct employment opportunities to over 109 Tanzanians;*
- ✓ *Provision of income to employees and other service providers;*
- ✓ *Introduction of safe and high quality general and specialized medical care services;*
- ✓ *Expansion of revenue bases to both promoters and government.*

**Security Cover:** The proposed bank finance arrangement will be secured by: -

- ✓ A first ranking debenture over all the company's assets;
- ✓ A guarantee supported by a first ranking legal mortgage over the property located at Plots No.3 & 4, Block 1, Chagani Road, Urasa Street, and Kigamboni ward, Kigamboni District, Dar es Salaam registered in the name of the shareholders Mr. Josephat Raphael Kibwana and Ms Amina Selemeni Msuya respectively;
- ✓ A guarantee supported by a first ranking legal mortgage over the property located at Plots No.5, Block 1, Chagani Road, Urasa Street, and Kigamboni ward, Kigamboni District, Dar es Salaam registered in the name of the shareholders Mr. Josephat Raphael Kibwana and Ms Amina Selemeni Msuya respectively; and
- ✓ Shareholders' guarantee.

**Note:** *The shareholders are willing to offer an addition tangible collateral should the above proposed be not enough to cover the project collateral/exposure risk.*

**Conclusions and Recommendations:** In consideration of the sounding parameters indicated in the project evaluation and analysis, it is recognized that the proposed project is technically feasible, financially viable, and economically and socially sound, hence recommended for an aggregate bank finance of TZS 2.269 billion.

## 2. THE PROJECT

### a. Company background

Qualitas Health Care (T) Limited is a limited liability company incorporation in Tanzania in 2013 pivoting to provide general, specialised and super specialised medical services; as well a chain of community pharmacies. It is located at Plot No. 5, Block 1, Chagani Road, Urasa Street, Kigamboni District; whilst the pharmacy facilities are located at Kigamboni Ferry Area, Kibada Area as well along Chagani Road, in Kigamboni District.

It is also registered and accredited by the Ministry of Health to operate as a specialised medical polyclinic; as well with the Pharmacy Council of Tanzania to carry the pharmacy services.

Since mid-2022, the company has embarked on construction of a 5 stored medical facility building to enhance its medical service wing infrastructure to suit accommodation and operation of a Regional Level Categorised Hospital using internal generated fund; however, due to insufficient internal generated fund to match the anticipated project size, the company is herein proposing to borrow fund from the bank to finance the construction works.

Already the company has applied for re-categorization of the existing medical facility to a Regional Level Hospital Category from the Ministry of Health, however, this will be subject to completion of the on-going project construction works, purchase and installation of medical machinery, equipment and instruments; and staff recruitment.

The major reasons led the company to invest in the medical facility catering for a general, specialised and super-specialised medical services at Kigamboni Ward, Kigamboni Municipality, Dar es Salaam region are as follow:

- ✓ *To improve and upgrade* the existing medical/health facility and services;
- ✓ *To enhance the existing medical services* specialization, efficiency, effectiveness, sustainability and quality medical services respecting principles of flexibility;
- ✓ *To integrate medical service facility and services* that responds demographic, development and epidemiology at an increased economies of scale and scope of the catchment area;
- ✓ *The medical facility will be the largest facility* in the catchment area, hence able to operate with reasonably lower cost structure than its competitors;
- ✓ *The project catchment area* i.e. Kigamboni and the surrounding areas are densely populated with a fast-growing population and activities, however currently

experiencing shortage of a reliable medical services, especially specialised and super-specialised medical services;

- ✓ *The project Regional Level Category Hospital* will respond the catchment area demographic medical service at reasonable economies of scale;
- ✓ *The head of the medical services* is a specialised medical doctor with solid years of practical experience in the medical sector, hence capable to advise and operate a medical facility professionally.
- ✓ *The project promoters have passion* to establish and operate a medical facility that values professionalism, standard, quality, specialized and affordable services private medical facility packed with the upmost medical diagnostic facilities to serve the catchment area community; and
- ✓ *As privately-owned medical facility* will supplement the government efforts to improve the catchment area medical services currently lacking a reliable and quality specialized medical services.

Therefore, the medical facility will take advantage of providing efficient, responsive, quality, specialized, professionalism, integration, affordable and sustainable medical services to serve the catchment and surrounding areas population.

#### **b. Investment Proposal**

The medical facility envisages to complete the on-going construct works of a five storey semi-finished hospital building; installation of the engineering works; purchase of medical machinery, equipment and instruments, standby generator, ambulance; and stocking of pharmaceuticals; at Plot No. 3 & 4, Block 1, Chagani Road, Urasa Street, Kigamboni District, Dar es Salaam Region located about 1.5 Kms from Kigamboni ferry port.

The major reasons motivated the medical facility to carry out construction of its own Hospital building instead of continue leasing are as follow:

- ✓ *To have more flexibility* to plan and implement its medical services development and growth without been locked into the property ownership and landlord woes;
- ✓ *The medical facility considerably* will save the fund currently used to finance the leased building maintenance, rental and renovations; instead use the same to further development, growth and enhancement of the cash flows; and

- ✓ To have more a spacious building that can accommodate a considerable number of medical and diagnostic services.

### c. The Purpose

Utilization of the herein proposed bank facility earmarked to part finance the medical facility investments plan is as detailed in **tables 1 and 2 below:**

The medical facility building physical infrastructure civil construction and interiors construction works costs are presented in **table 1 below:**

**Table 1: Proposed Costs for the Medical Facility Construction Works in TZS'**

ITEM	EXISTING INVESTMENT		PROPOSED INVESTMENT		TOTAL
	Owners Equity	Debt	Owners Equity	Debt	
<b>HOSPITAL BUILDING</b>					-
Preliminaries	9,400,000	-	16,500,000	269,000,000	294,900,000
Consultancy fee	16,800,000	-	18,500,000	-	35,300,000
Leasing Building/Acquisition of addition land	80,000,000	-	50,000,000	-	130,000,000
Land Development	15,650,000	-	23,500,000	-	39,150,000
Building renovations, partitions & allied construction works	155,200,000	69,000,000	350,000,000	800,000,000	1,374,200,000
Building Services (plumbing, waste systems, electricity, aircon)	15,100,000	-	65,900,000	200,000,000	281,000,000
Building Equipment (elevator and engineering passage etc)	14,163,000	-	67,592,000	200,000,000	281,755,000
<b>Sub Total Infrastructure Costs</b>	<b>306,313,000</b>	<b>69,000,000</b>	<b>591,992,000</b>	<b>1,469,000,000</b>	<b>2,436,305,000</b>

The project cost for purchase of the medical machinery, equipment, instruments, medicine and working capital costs are presented in **table 2 below:**

**Table 2: Proposed Costs for the Medical Facility Medical Machinery, Equipment, Implement and Working Capital in TZS.**

ITEM	EXISTING INVESTMENT		PROPOSED INVESTMENT		TOTAL
	Owners Equity	Debt	Owners Equity	Debt	
<b>2. MEDICAL EQUIPMENT, INSTRUMENT AND OFFICEEQUIPMENT</b>					-
Medical Equipment	232,000,000	-	32,568,700	320,000,000	584,568,700
Hospital Furniture	22,000,000	-	14,000,000	80,000,000	116,000,000
Motor Vehicle/cycle (Ordinary/Ambulance)	5,300,000	-	50,000,000	-	55,300,000
Standby Generator	4,034,799	-	12,000,000	-	16,034,799
<b>Sub Total Medical Equipment, Instrument and Office Equipme</b>	<b>263,334,799</b>	<b>-</b>	<b>108,568,700</b>	<b>400,000,000</b>	<b>771,903,499</b>
<b>Working Caapital</b>	<b>-</b>	<b>167,000,000</b>	<b>80,000,000</b>	<b>400,000,000</b>	<b>647,000,000</b>

### d. The Medical facility Project Summary on the Outstanding Construction works and Funding Plan

To match the medical facility existing position, the promoters' contribution towards the project remaining construction and finishing works cost and the anticipate bank loan limit; the medical facility is herein proposing to implement the project into two distinctive phases as detailed hereunder:

- ✓ *Phase 1:* To complete a 5 store building superstructure construction works; thereafter carry-out finishing works up to the 3<sup>rd</sup> floor; and let building be used to provide medical services.

The action plan intended to let the medical facility to improve the operating cash flows using a new and spacious hospital building installed with the upmost laboratory and diagnosis machinery, equipment, instruments; as well packed with a considerable number of medical specialist and super specialist experts, consultation and diagnosis rooms, wards etc.

Per held site engineer construction works BOQ and technical budget reports; the project major construction and finishing works to date stand as follow:

- ✓ *Substructure construction works* cost estimated at TZS 232.16 million, whereas the work done to date is up to first floor estimated at 15% of cost;
- ✓ *Frames construction works* cost estimated at TZS 287.53 million, whereas the work done to date is estimated at 20% of the cost;
- ✓ *Staircase construction works* cost estimated at TZS 21.85 million, whereas the work done to date is estimated at 10% of the cost;
- ✓ *Lift shaft construction works* cost is estimated at TZS 57.35 million, whereas the work done to date is estimated at 5% of the cost;
- ✓ *Ramp construction works* cost is estimated at TZS 31.69 million, whereas the work done to date is estimated at 2% of the cost;
- ✓ *Walling construction* cost is estimated at 219.98 million, whereas the work done to date is estimated at 1% of the cost;
- ✓ *Roof and finishing construction work* cost is estimated at TZS 70.45 million, whereas the work done to date is estimated at 5% of the cost;
- ✓ *Door's workmanship* cost is estimated at 118.15 million, whereas the work done to date is estimated at 0% of the cost;
- ✓ *Window workmanship* cost is estimates at TZS 103.69 million, whereas the work done to date is estimated at 0% of the cost;

- ✓ *Finishes construction works cost* is estimated at TZS 174.29 million, whereas the work done to date is estimated at 0% of the cost;
- ✓ *Painting and decorations workmanship cost* is estimated at TZS 41.34 million, whereas the work done to date is estimated at 0% of the cost;
- ✓ *Electrical/fire/security alarms cost* is estimated at TZS 374.45 million, whereas the work done to date is estimated at 1% of the cost;
- ✓ *Plumbing works cost* is estimated at TZS 130.0 million, whereas the work done to date is estimated at 1%of the cost;
- ✓ *Air-conditioning installation cost* is estimated at TZS 160.50 million, whereas the work done to date is estimated at 0% of the cost;
- ✓ *ICT installation cost* is estimated at TZS 52.28 million, whereas the work done to date is estimated at 0% of the cost;
- ✓ *External works cost* is estimated at TZS 71.38 million, whereas the work done to date is estimated at 1% of the cost; and
- ✓ *Provision as per engineers' cost* is estimated cost at TZS 58.0 million, whereas the workdone to date is estimated at 0%;

However, some installation works items like TV channels system and public address system accessories will be installed stage-wise using the medical facility internal generated funds at latter stages. Out of the total estimated construction and finishing works cost for ground floor up to the first floor; is 100% financed by the owners' fund.

*Phase 2:* This will involve construction and finishing works of the medical facility building frame from 4<sup>th</sup> to 5<sup>th</sup> floors including roofing slab construction works. The estimated cost for the two floors construction works is estimated at TZS 450.08 million; and will be carried out as an on-going activity whilst the medical facility building ground up to the 3<sup>rd</sup> floor are in use; and will be financed by medical facility internal generated fund:

Phase 2 will also involve purchase and development of addition land estimated to cost TZS 50.0 million to meet the hospital axillary services; and will be carried out as on-going activity along with the hospital operation and investment curve using the hospital internal generated income.

**Figure 1: Current Status of the Hospital Building**



Current overview status of the Medical Facility main building on-going construction works

**e. Progress of Works - Infrastructure**

Refer para (d) above.

The medical facility building construction works total cost (the existing and proposed) is estimated at TZS 2.141 billion, out of which TZS 306.3 million is an existing investment; whilst the proposed new investment financing arrangement will be TZS 1.20 billion from the bank and TZS 591.99 million as owners' contribution respectively.

**Note:** The existing CRDB Bank Plc. comprising of term loan amounting to TZS 69.0 million and overdraft limited to TZS 200 million respectively will be offset through the herein sought bank loan amounting to TZS 269.0 million. The aim is to concentrate all the medical facility banking relationship with Azania Bank Limited.

**f. The Project Construction Contract and Consultants**

The project construction and consultant works will be carried out as follow;

- ✓ *Architect works:* M/s Benforty Consultants; a local registered Architects with over a decade of various filed works in Tanzania
- ✓ *Quantity Surveyor:* M/s GS Quants QS Consultants; a local registered Quantity surveyors' company with over a decade practical experience is a filed;
- ✓ *Structural Engineer:* M/s Undile Consultancy Limited; a local registered Structural Engineers with over a decade practical experience in the field;
- ✓ *Main Contractors:* M/s Kilem Engineering Company Limited: a registered Building and civil engineers with over a decade practical experience in the field; and
- ✓ *Service Engineer:* M/s Service Consult Limited; a registered Consultant engineers with over a decade practical experience in the field.

The above-named teams are registered by their respective Registration Boards, hence capable to carry-out the proposed construction works professionally.

**g. Building Construction Works Approval and Permits**

The project construction works will continue to use the already approved Building Permit (BP) issued by the Kigamboni Municipal Council.

**h. Lease Agreement**

The project construction works land-site belongs to the company shareholders i.e. Mr. Josephat Raphael Kibwana and Ms Amina Selemani Msuya. The shareholders have consented to lease the land to the company to auger implementation of the medical facility project with embedded cost of TZS 100,000 per annum. The agreed lease tenure will be 50 years' renewable upon satisfactory performance. However, the company is looking for a possibility of start processing transfer and registration of the land into the company's name.

**i. The Hospital Building Construction Works and Status as per provided Bill of Quantities**

The hospital building construction works estimated cost per Bills of Quantities are as summarized in Table 3 below.

**Table 3: The Medical Facility New Hospital Building Construction Works Cost and Status as Per Bill of Quantities (BOQ)**

S/No	Construction Item	Proposed Value of Construction Item per BOQ	Construction Works Performed to date Using Promoters' Funds	Remaining Construction Works Value		
				Promoters Contribution Amount TZS '000'	Debt Amount TZS '000'	Total Amount TZS '000'
		TZS '000'	TZS '000'			
	<b>A: Pre-Construction</b>					
1	Preliminaries*	25,900	9,400	16,500	0	16,500
2	Consultancy Fees	35,300	16,800	18,500	0	18,500
3	Acquisition of Land	130,000	80,000	50,000	0	50,000
4	Land Development	39,150	15,650	23,500	0	23,500
	<b>Sub Total</b>	<b>230,350</b>	<b>121,850</b>	<b>108,500</b>	<b>0</b>	<b>108,500</b>

	<b>B: Construction</b>					
1	Sub Structure	232,170	34,826	60,000	137,344	197,344
2	Frames	287,534	57,534	30,000	230,000	260,000
3	Stairs	21,850	2,185	9,665	10,000	19,665
4	Lift Shaft	57,358	2,868	14,490	40,000	54,490
5	Ramp	31,694	634	5,060	26,000	31,060
6	Walling	219,980	2,200	17,780	200,000	217,780
7	Roof covering	70,455	3,508	6,947	60,000	66,947
8	Doors	118,155	0	18,155	100,000	118,155
9	Windows	103,696	0	13,696	90,000	103,294
10	Finishing	174,294	0	34,294	150,000	184,294
	Decorations	41,350	0	21,350	20,000	41,350
11	Plumbing, engineering, mechanical, electrical and communication and access works	717,989	7,180	360,402	130,000	490,402
12	External Works	71,388	714	555	6,656	7,211
	<b>Sub Total</b>	<b>2,147,913</b>	<b>111,649</b>	<b>591,992</b>	<b>1,200,000</b>	<b>1,791,992</b>
	<b>Provision</b>	<b>58,000</b>	<b>244,272</b>	<b>0</b>	<b>0</b>	<b>302,272</b>
	<b>Grand Total</b>	<b>2,436,263</b>	<b>477,771</b>	<b>700,492</b>	<b>1,200,000</b>	<b>2.202,764</b>

Source: The Promoters Submitted BOQ

**Note:** The existing CRDB Bank Plc. loan amounting to TZS 269.0 million will be offset by the herein sought term with same magnitude.

#### j. A 3D View and Engineering Design of the Proposed Medical Facility New Building

The proposed medical facility building 3D engineering design is as shown in **figure 2** below: -



Front View



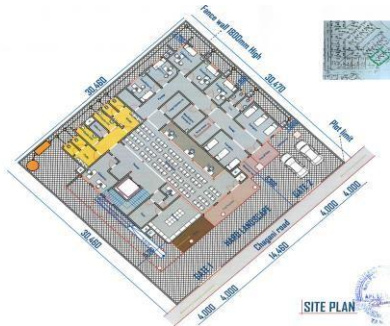
Side View



Rear View



Side View



The proposed Project site Plan

#### k. The Existing Medical Facility Buildings

The medical facility is currently operating from own building allied with the long term leased property located adjacent to the new hospital building under construction located at Plot No. 5, Block 1, Chagani Road, Urasa Street, Kigamboni Ward, Kigamboni District

Figure 3: The Current Existing Medical Facility Building Structure in use



The Existing Medical Facility Buildings

#### l. Progress Works on Hospital Machinery/Equipment/Instruments.

The project investment on the medical machinery, equipment and instruments stands as follow:

- ✓ The medical facility has already quoted for purchase of the ambulance van to cater for ferrying emergency patients to and from the hospital facility;
- ✓ The hospital has already quoted for purchase of a standby generator to ensure stabilization of unforeseen electricity breakouts;
- ✓ The hospital has already applied to TANESCO for provision and install the on-site electrical transformer, to stabilize the on-site electricity; and

- ✓ Quotation for supply of hospital machinery/equipment, furniture and instruments is held; some of the proposed items to be purchased will include but not to hematology analyzer, chemistry analyzer, clinical centrifuge, biological microscope, fridge, incubator, autoclave, operating lamp, electrical operating table, manual hydraulic operating table, anesthesia system, ventilators, DR machine, ultra-sound, 12 channels ECG, 2 crank beds, 5 functional electric hospital beds, mattresses, manual LDR bed, dental chair, accompany chairs, examination couch, bed head units, baby carts, overbed table, ABS bedside cabinet, aspirator, ABS medicine trolley, ABS emergency trolley, infant incubator, multi-functional hospital column, hydraulic hospital stretcher, connecting stretcher, examination couch, tables, waiting chairs, Dr chairs, patients chairs, normal chairs, multi-parameters patient monitors, meeting table, file locker, serial fetal monitor, defibrillators, bedside screen, standby generator etc. (see appendix 17) .

m. **Experience of the Company to Borrow and Banking Relationship:**

**The Existing Bank Facility with CRDB Bank Plc.**

- ✓ *Long Term Loan* – the company has an outstanding long-term loan amounting to TZS 69 million used to part finance the existing medical facility infrastructure and medical diagnostic machinery and equipment. The loan repayment is ranked current.
- ✓ *Short Term Loan* – the company was granted an overdraft limit of TZS 200.0 million to part finance the working capital requirements. The overdraft operation is reasonably with current exposure amounting to TZS 160 million.
- ✓ **Note:** *the CRDB Bank Plc. existing loans* will be offset by the herein sought loan of similar magnitude to let the medical facility concentrate its banking relationship with Azania Bank Plc. as the main banker.

**Other Banks Borrowing Relationships:** Apart from directors and other few staff accounts with other banks, no other borrowing or credit line relationship is on the company's accounts record.

**Other Creditors;** specifically, suppliers of medicine and hospital consumables, most with credit supply of up 30 days,

#### n. Objective, Source and Use of Funds

The main objective of the herein sought bank facilities are as follow:

1) **A long-term loan of TZS 1.20 billion to Part Finance Construction and Finishing Works of the Medical Facility New Building.**

- ✓ *To finance Phase 1 of the project:* Involving completion of the building superstructure and finishing works up to 3<sup>rd</sup> floor. Per BOQ (see the attachment BOQ and Table 3), the estimated cost for the project phase is TZS 1.75 billion, out which the bank loan is TZS 1.2 billion, and owners' contribution is estimated at TZS 509.99 million respectively. Phase II of the project involving finishing works of 4<sup>th</sup> and 5<sup>th</sup> floors at the estimated cost amounting to TZS 450.05 million to be financed by the medical facility own internal generated income. The loan is proposed to be repaid in 6 years including 1 year moratorium period, provide adequate time for completion of the phase 1 construction works.

2) **A long term of TZS 269.0 million to offset the existing CRDB Bank Plc. term loan of TZS 69.0 million and overdraft limited to TZS 200.0 million respectively.**

The sought fund anticipates to clear the CRDB Bank Plc. exposure and let the medical facility concentrate its banking operations/relationship with Azania Bank Limited as the main banker.

3) **A medium-term loan of TZS 400 million to Part Finance Purchase of the Medical Machinery and Equipment**

The sought fund will part finance the budget of TZS 496.56 million to purchase the medical facility machinery, equipment, instruments, furniture and ambulance (listed of items is attached as **Appendix 16**). The bank and owners' contribution will be ata ratio of 80%:20% respectively.

**Supplier:** The supplier of the proposed medical assets will be both local based agents of international suppliers/manufacturers of medical machinery/equipment as well from the well-known and TMDA approved manufacturer from China or India based on the supply contract financing, technical, engineering, operation, and service arrangements;

**Supply Terms:** The local supply will be paid in TZS whilst importation will be in USD; and the payment will on TT on Sight Letters of Credit and will include advance payment towards manufacturing, packaging, delivery, installation, training and commissioning of the specialised medical machinery/equipment at the hospital site.

**Warranty:** Most of quoted machinery/equipment will have a 18-36 months warranty with provision of technical, training, parts and service related; and upon expiry of the warranty guarantee, the technical services will be on the hospital own budget.

**Tanzania Investment Centre (TIC) Registration:** The Company anticipate to use the existing TIC import facility concession to purchase the anticipated health care centre project assets.

**Note:** The medium-term loan will be aggregated with a long-term loan and be repaid in 6 years including one (1) year moratorium period to give breath to the project operating cash flows

### 3). An overdraft limit of TZS 400.0 million.

To part finance the medical facility projected working capital requirement particularly bridging the anticipated increase in operational cost augment by the anticipated increase in the medical facility general, specialized and super-specialized medical and diagnostic services, as well the anticipated up-grading and re-categorization of the hospital to the Regional Level Hospital Category. Hence, the medical facility will need to emulate efficiency, effectiveness and stable medicine supply, consumables, reagents, diagnostic unit item, specialized staff, utilities and other allied costs to back up its cash flows.

Per projected 12 months cash flows between May 2023 and April 2024 (see Appendix 15), the following items will largely be utilizing the sought overdraft limit.

- ✓ *Purchase of the medical facility consumables/medicine* averaged to TZS 50.0 million per month;
- ✓ *Purchase of the medical facility Reagents* averaged to TZS 43.7 million per month;
- ✓ *Medical services consultations* averaged to TZS 47.0 million; and

✓ *Staff salaries and other remunerations averaged to TZS 92.25 million per month*

*Projected 12 months cash flows:* The medical facility projected 12 months cash flows between May 2023 and April 2024 show a cash flows to experience a negative cash flow in some months with slight net positive cash flows in some months, hence, signifying a need for the medical facility to source an external finance to bridge the cash flow shortfalls. Hence the proposed overdraft limit intends to bridge the deficit.

Also, the health insurance service, that allows the patients to receive medical services in advance and the corresponding cost incurred be paid/settled latter by the insurance company, causes the medical facility business to experience cash flows short fall in some months; hence a need to have a stable cash flow bridging the anticipated gap is imperative.

Despite the fact that the in-place health insurance agreements require the insurance company to settle the bill within 30 to 90 days, this has not been practical, especially to NHIF, where settlement sometimes goes beyond 150 days, hence affecting the medical facility operating cash flows. Thence, the herein sought overdraft limit anticipate to mitigate the anticipated cash flow shortfalls position,

*Note: The working capital facility limits will be drawn based on the specific need presented to the bank counter.*

## **o. Business Description**

### **The Business Organization and Mission**

- i) **Ownership:** The medical facility is privately owned by Mr. Josephat Raphael Kibwana (50%); and Ms Amina Selemani Msuya (50%) respectively;
- ii) **The Medical Facility Mission** is to provide patient-centered healthcare with excellence in quality, service, and access.
- iii) **The Medical Facility Vision** is to provide service to the community in which all people achieve their full potential for health and well-being across their lifespan.

iv) **Core Values are:**

- ✓ *Quality service:* To provide the best, reliable and timely investigation results medical care to patients;
- ✓ *Integrity:* Adherence to the medical service moral principles and professionalism by being committed, honesty, confidential, trust, respect and transparency.
- ✓ *Compassionate care:* Demonstrate caring by listening, expressing concern and empathy to patients, families and fellow caregivers.
- ✓ *Team work:* Work together collaboratively to serve the hospital facility patients. The medical facility values the essential role of staff as an important resource to create a workplace that attracts and rewards caring of patients.
- ✓ *Innovation:* The medical facility welcome change, encourage invention and continually seek better and more efficient ways of achieving its goals

v) **The Medical Facility guiding principles are:**

- ✓ *Responsiveness:* The medical facility that is responsive to the people and community it serves;
- ✓ *High quality health services:* The medical facility' residents and visitors shall access high quality health services in appropriate settings;
- ✓ *Integration:* The medical facility shall create a single organization that betters the individual needs through integrated services and resources;
- ✓ *Work Life:* The medical facility staff and medical staff members shall enjoy a high-quality work-life including significant opportunity for further learning;
- ✓ *Sustainability:* The medical facility Centre shall operate within the public and private revenues available to it without depleting its financial, physical or human resources required for the future development.

**vi) Goals (2024 -2028)**

- ✓ To meet the high level of medical service needs to the catchment area community.
- ✓ To provide the upmost general and specialized medical and diagnosis services efficiently, effectively, and professionally respecting principles of flexibility and satisfaction; and
- ✓ To incorporate the medical facility, centre with the government-based health programs including MCH, TB, HIV and vaccination programs.

**vii) The Rationale and Justification for Establishment of the Project:**

The medical facility anticipates to increase both outpatients and inpatients; general and specialized medical services through installation of the upmost medical diagnostic capacity, employment and commissioning of the new medical specialty areas that matches demographic, development and epidemiology position of the catchment area; in turn enhancing the hospital revenue and profitability

**I. Certification and Quality assurance**

The medical facility is registered under the companies Act as limited liability with a certificate of Incorporate Number 99206, TIN Number 121-970-546 and Business License 4388547 respectively.

The facility is also registration and approved by the Ministry of Health to operate a specialized medical polyclinic; as well is registered and approved by the Pharmacy Council of Tanzania to operate the pharmacy facility. The medical facility is also registered by the Tanzania Atomic Energy to use medical diagnostic X-ray equipment.

The Ministry of Health is empowered by the country law to foresee and take action on all private and public health services through ensuring adherence to quality and professional health care services.

**Note:** The on-going construction works has assessed, registered and obtained the Environment Impact Assessment Certificate to ensure adherence to the environment issues.

### m. The Medical Facility Health Services

Consistent to the Ministry of Health guidelines for a Regional Level Hospital Category, the medical facility will provide general, specialized and super-specialized clinical care in medicine, pediatrics, obstetrics and gynecology, surgery, ENT, ophthalmology, dentistry, dermatology, cardiology, nephrology particularly renal dialysis, and anesthesia; along with emergency, inpatients and outpatients' services depending on the catchment area medical service needs.

The medical facility will also provide nursing services, clinical laboratory, radiology, electro-magnetic medical diagnostic services and pharmacy services; as well as administrative services operations including all personnel, accounting, medical records, housekeeping, ambulance, security, dietary and social services.

In addition, specialized services based on the catchment area population disease profile, the health care Centre facility will also offer ambulatory hemodialysis and renal dialysis services

### n. The Medical Facility - Infrastructure and Facilities

#### i). Total beds

The Medical Facility will operate as 60 beds facility distributed as follows:

**Table 4: Medical Facility Beds Distribution:**

S/No	Particulars	Number
1	Medical/Surgical Ward <ul style="list-style-type: none"><li>• Private 8</li><li>• Isolated 5</li><li>• Semi Private 8</li><li>• General 20</li></ul>	41
2	ICU	4
3	Maternity/ Children	15
<b>Total</b>		<b>60</b>

#### ii). Medical Facility - Facilities and Distribution

The hospital building with average of 3,500 square meters will be allocated as follows:

**Table 5: Medical Facility - Facilities and Distribution.**

S/no	Facility	Allocation (Square meters)
1	Ambulatory care	200
2	Emergency Management	300
3	Diagnostic imaging	500
4	Laboratory Services	90
5	Pharmacy	200
6	Respiratory and recovery	80
7	Non-Clinical Support	400
8	In patient Services <ul style="list-style-type: none"> <li>• ICU</li> <li>• Maternity/Children</li> <li>• Medical/Surgical</li> </ul>	200 590 700
9	Staff Accommodation	200
10	Laundry	40
<b>Total</b>		<b>3,500</b>

The medical facility machinery/equipment/instruments/furniture will hastily be installed, maintained, serviced, replaced and upgraded to match the technology and the regulator's standard requirements.

**o. Medical Facility Equipment and Instruments:**

The package list of new equipment and instruments to be purchased is well presented in **Para I above.**

However, the project will continue to carry out acquisition of medical facility machinery, equipment and instruments into phases together with the existing ones. The project will also use internal resources to purchase addition ambulance van. In phase one, the project proposes to purchase the items mentioned in Para I above using the herein sought debt's funds:

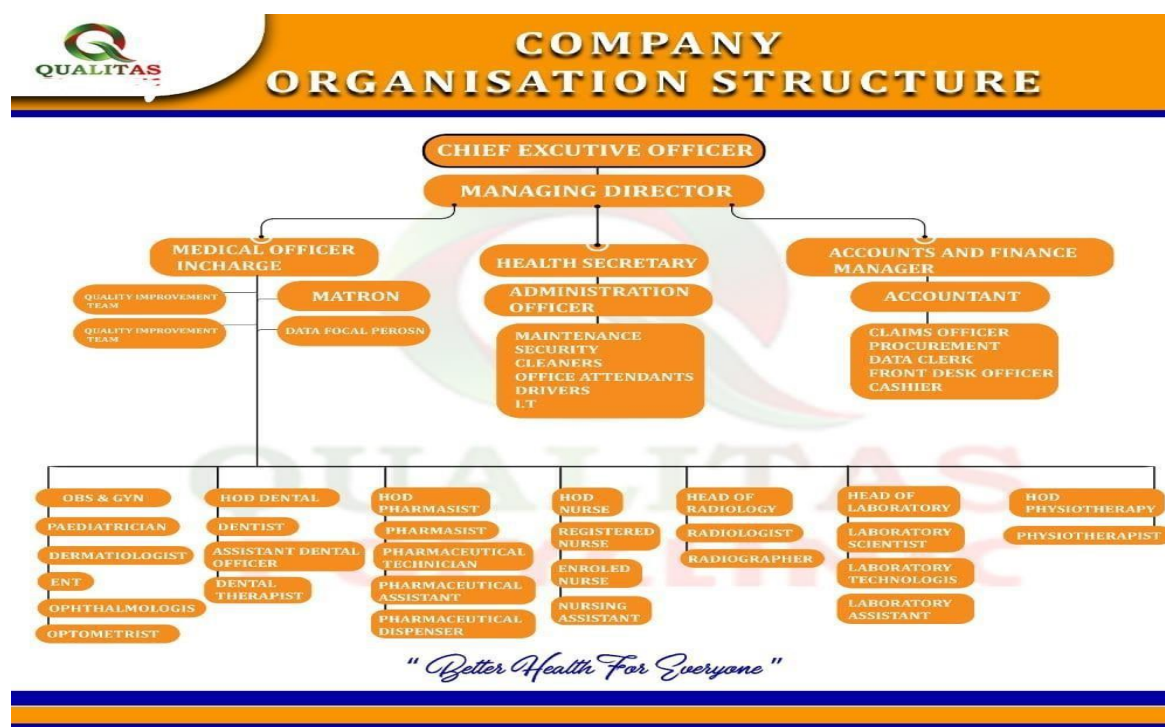
**p. Medical Facility Management**

The Medical Facility will be managed by the qualified management and knowledgeable team in medical facility management. Under the oversight of the board of directors' direction, the management will ensure compliance, service standards and professionalism of the medical facility operations.

The hospital will be under the Chief Executive Officer, Mr. Josephat Raphael Kibwana, a pharmacist and administrator with over a decade practical experience in a health sector as an overall in charge supported by the line Managers, supervisors and supporting staff to manage the day-to-day operations. Whilst, the overall medical services will be headed by Dr. Julieth Kabagire, a specialist medical doctor a considerable number in hospital management.

The existing medical facility organization structure is as shown in **Figure 4** below:

**Figure 4: The existing Medical Facility Organization Structure;**



A new Proposed Organisation Structure will include six departments namely as follow:

- ✓ **Nursing Department:** Comprising of Nursing and housekeeping, social welfare, Central sterilization and laundry;
- ✓ **Medical Department:** Comprising of internal medicine, cardiology, pediatric, outpatients, dentistry, ENT, dermatology, emergency, and pharmacy
- ✓ **Surgery Service Department:** Comprising of surgeries, dentistry, obstetrics/gynecology, anesthesia, ophthalmology, urology/ nephrology particularly renal dialysis and emergency cases.

- ✓ **Clinical Support Department:** Comprising of radiology, electromagnetic diagnostics, and laboratory
- ✓ **Administration Department:** Comprising of Finance, general administration, and procurement.
- ✓ **IT Department:** Comprised of IT, telecom, billing system, security system

Together with the existing team, the medical facility as a regional hospital level category will employ the following staff to man the facility medical services; Gynecologist (2), Physician (1), Other Specialists (3), General Practitioner (9), General Surgeon (2), Pediatrician (3), Anesthetist (2), Medical Interns (2), Radiologist (2), Radiographer (2), Physiotherapist (2), Social workers (3), Lab technologists (4), Registered nurse/Midwives/assistance nurse/Managers (50), and general administration crew (19).

The medical facility will also enter mutual agreement with medical specialists from public and private hospitals to support the resident team on their specialty area. The specialists will be paid based on scheduled time, days and fees.

With such dedicated, qualified and experienced medical staff the hospital will be well positioned in the private hospital sector.

**Table 6: The Medical Facility Existing Management Team**

Sn	Name	Designation	Education	Experience(year)
1.	Mr. Josephat Raphael Kibwana	Chairman & Chief Executive Director	Bachelor of Science in Pharmacy	Over a decade in Health Sector practice; of which over five years as Administrator and advisor
2.	Dr. Julieth Kabagire	Medical Officer In Charge	MD, MMED Dermatology	Over a decade in medical practice; of which over five years as Manager and advisor
3	Mr. Sudi Pongwe	Finance Manager	BCom. in Finance	Over as decade Experience in Finance and Health Sector Accounts Practical Administration and Operations
4	Mr. Said Mdee	Head of Human Resource and Administration	BCom. in Human Resource	Over 6 years' Experience in Health Sector Practical Administration and Operations

**q. Patients Data and Information System Capacity:**

The medical facility will install the Information system to store and track patients' data for the hospital, Ministry of Health and other institutions consumption. Doctors and other medical facility report and communication will go through the computer-based system.

Other medical facility supporting systems to be installed will include Fire alarm system, Visual Call system, Fault alarm system, Patient monitor and CCTV. The budget for the items is under engineering and equipment sub section budgets

**r. Affiliation and Networking Arrangement:**

Despite being a private hospital, the medical facility will collaborate with the Kigamboni District and Dar es Salaam Region Medical Offices to harmonise its operation as per Ministry of Health requirements. Major cases beyond the hospital capacity will be referred to other designated referral hospitals including Kigamboni Referral Hospital, Muhimbili National Hospital, Agha Khan Hospital etc.

The medical facility will continue to share professional experiences with other public and private hospitals with aim of emulating the medical cases experience.

**s. Safety procedures and environmental protection**

Almost all wastes from the medical facility operations are normally contagious hence need high and strictly means of disposal. Presently, the medical facility has contracted a company to collect and destroy wastes; however, under the proposed project, the medical facility will install the incinerator to destroy all contagious material as per Regulator's standard requirements. The cost of purchasing the incinerator is packaged under the engineering installation costs.

All water and other affluent from the hospital will be going through the waste water system to be constructed in line with building construction works.

EIA has already been carried out to determine detail of the environmental concerns surrounding of the envisaged hospital activities. Detailed social and environmental summarizes the significant issues including standard treatment of medical facility wastes will be taken into account during operations.

#### **u. Proposed lay-out of the Medical Facility New Building**

The proposed medical facility location has taken into consideration proximity and accessibility to all including disabled community, communication, transportation facilities, and emergency assembly; hence in line with the Regulator's requirements.

The medical facility location is connected to water supply from DAWASCO; however, the facility has installed its own borehole water supply system allied with reserve tanks to sustain the all-time water supply.

Electricity is already on site from the national grid; a standby generator is also in place, however, another standby generator with high voltage will be installed to cater for eventual power outage and/or power cuts.

Cleanliness of the surrounding area will be ensured. Potential contagious waste will be incinerated.

The proposed medical facility building design, space and layout conform the Ministry of Health requirements for the hospital building thereby reducing a risk of condemnation from the Regulator of Private Hospitals. The proposed medical facility building rooms and allied facilities are well designed to match standards provided by the Regulator's guidelines.

#### **v. Phasing the Project Implementation**

The proposed medical facility construction and installation works will be carried out in phases as summarized hereunder:

*Phase I:* Completion of construction of superstructure and finishing works of the medical facility main building ground floor up to the 3<sup>rd</sup> floor, and upon fulfilment of the Ministry of Health standard for the Regional Level Hospital Category; then medical facility will be installed with relevant medical machinery, equipment and instrument; recruit addition staff and start providing medical services using the building facility. The phase estimated cost is TZS 1.75 billion (for both already incurred and projected costs); and time allocated for the phase is seven (7) months.

*Phase II:* Construction of 4<sup>th</sup> and 5<sup>th</sup> floor, particularly finishing and engineering works. The project will be carried out upon completion of phase 1, and will largely use the medical facility internal generated fund. The phase estimated cost is TZS 450.08 million (and time allocated for the phase is three (3) months.

**Note:** The existing CRDB Bank Plc., loans amounting to TZS 269 million will be offset with the herein sought loan of similar magnitude to let the medical facility concentrate its banking relationship with Azania Bank Limited a main Banker.

### 3. MARKET ANALYSIS

#### a. Health Sector Potential in Tanzania

The health sector is critical in the Tanzania's economy as it improves quality of life and enhances people's ability to participate fully in the productive sector activities. The sector encompasses health care infrastructure, personnel, implementation of preventive and curative measures, supply, technology transfer/innovation and availability of medicine.

The government expenditure to the sector as percentage of GDP increased from 5.4% in 2008 to an average of 9% in 2019, averagely reducing mortality and burden diseases by 31% in the same period (MH, 2018). The sector though improving, more is needed to cover the unmet need as evidenced by low health workers to population ratio of 4:100,000, and number of hospital beds ratio of 11:10,000; funding indices of 60% and 40% by private/donor and public sources respectively

#### b. Health Sector in Dar es Salaam Region:

Dar es Salaam region office report 2021, shows the health services are provided by 536 medical centres; of which 42 are hospitals comprised of 82% private and 18% government; 58 Health centres comprised of 80% private and 20% government and 436 dispensaries comprised of 78% of private and 22% government.

*Kigamboni District* social economic profile report 2021, shows the municipal to have a total of 41 medical service facilities with 1 government hospital, 6 Health Centres/clinic whereas 3 are from the government category and only 3 is from the private sector category, and about 34 dispensaries, out of which 19 are government and 15 are private respectively.

With over around 900,000 inhabitants, the municipal experiences unbalanced index in health service provision, especially in the specialised medical services categories, hence paving a way for a need to establish or enhance the medical facilities and specialised medical service facilities in the municipal.

*In the Catchment area*, there are other medical facilities including Medicorps Health Care Limited, Agha Khan Hospital Branch, TPDF Navy Hospital etc. with capacity of serving inpatients and outpatients, provisioning of the specialized and super-specialized medical and imaging diagnostic services, however, there is still a room for other entrants including M/s Qualitas Health Care (T) Limited to enhance and provide the high-end medical services.

*M/s Qualitas Health Care (T) Limited medical facility*, will continue to be packed with the upmost medical diagnostic equipment and specialised medical personnel, henceforward considered to be financially and socially viable.

### **c. Marketing**

The major factor in profitability of the medical facility will remain to base on its ability to provide effective, efficient and quality services embedded with high level of medical professionalism. Based on the anticipated qualified, specialized and experienced medical team, management and staff, the hospital anticipates to capture a sizable share of the catchment area and other surrounding areas of the Dar es Salaam city.

With competitive and specialized doctors and other paramedics, high quality and efficient delivery services, upmost medical service and diagnosis technology; the hospital will reasonably be able to get considerable number of the existing and new patients. In order to maintain close contact with both outpatients and inpatients, records and personal information will be maintained in the hospital electronic database to firm follow ups.

With introduction of new and specialized health services including internal medicine, surgical medicine, urology, emergency, pediatrics, dentistry, cardiology, dermatology, radiology, nephrology and electromagnet diagnostics and laboratory services to the community, the medical facility stands a better chance among other the private health services market.

### **d. Customers**

The medical facility major medical service customers in the catchment and surrounding areas includes:

- ✓ *Employees supported by their Employers Health Insurance Policy;*
- ✓ *Private and Individuals supported by their Health Insurance Policy;*
- ✓ *Private and Individuals Using Cash Settlements;*
- ✓ *Governments Subsidized patients including those with Chronic diseases e.g., HIV, TB; and*
- ✓ *Government Subsidized services including MCH (Mother and Children).*

The Health Insurance Policy Companies currently accepted at the hospital include: (a) NHIF (c) Jubilee Insurance (d) Strategies Insurance and bills based from (e) Britam Insurance Company.

### **e. Competition**

In the health service sector, the key and instrumental competitive edge is effective, efficiency and quality service indulged with high level of medical professionalism. The

company's existing medical services is well known for its classified mother and child medical services carried out by specialized professional doctors. This position anticipates to support the medical facility performance.

The medical facility location is ideal and is surrounded by a considerable number of inhabitants, most of them with medium income earnings to manage cost of private hospitals' services.

**f. Location and Transport issues:**

The medical facility location is ideal and easily accessible and can accommodate both outpatients and inpatients reasonably. The proposed ambulance and emergence services to cater for patients' referrals to higher hospitals, including Referral Hospital will strengthen the hospital competitive edge.

**g. SWOC Analysis**

The following SWOC analysis captures key strengths and weaknesses of the medical facility project health services as well describes the opportunities and challenges to be faced.

**Strengths**

- ✓ *A strong and supportive specialised medical team* with diversified speciality available for 7 days per week;
- ✓ *High value medical diagnosis machinery and equipment* that shortens waiting time, enhance accurate and reliable test results, and emulate medical services quality at affordable cost;
- ✓ *Friendly and empathetic staff* with acceptable patients care;
- ✓ *Self-sustainable project* with commendable cash flows; and
- ✓ *The medical facility has already been evaluated and accredited* by the Ministry of Health to operate a specialized medical polyclinic facility.

**Weaknesses**

- ✓ *Need to employ* more medical and non-medical staff;
- ✓ *Limited hospital beds* (initially with maximum of 60 beds); and
- ✓ *Limited medical facility space* to support more specialised medical services

## Opportunities

- ✓ *Anchor to provide health care services at regional level hospital category in the catchment area currently with a limited number of such facility.*
- ✓ *Opportunity to work with government on some specialized medical programs.*
- ✓ *Availability of qualified medical team in the market and online to support medical clinic services*

## Challenges

- ✓ *Decrease in people's income especially of the middle and low classes.*
- ✓ *Improvement of the Government Health Facilities that are largely geared to large community.*
- ✓ *The unpredictable country's yearly inflation rate*
- ✓ *Unfriendly and untimely settlement of health insurance premiums hence affecting the medical facility operating cash flows.*

## h. Growth Trend

The hospital is strategically located in the populated area of Kigamboni ward Area, in Kigamboni district and neighboring districts of Kigamboni, Dar es Salaam.

With yearly stagnant and increasing diseases cases, morbidity and mortality due to unbalancing health facility in the Dar es Salaam region; the hospital anticipates to accommodate considerable number of both inpatients rate of 13,104 and outpatient rate of 48,920 respectively in year one of the its operations, which will increase progressive yearly, suggesting availability of the reasonable number of patients to be served by the hospital.

## i. Pricing

The health care business is mainly operating based on service-based principles, hence in selecting the price level, the medical facility will take into account: -

- ✓ *The competitive and profitable price level;*
- ✓ *The reasonably price that would position the medical facility in the private hospitals market; and*
- ✓ *The price that could not affect demand of the medical services positively.*

Also, the price list will take into account the health insurance premium minimum thresholds, the market forces and the Ministry of Health indicative service level requirements.

#### 4. TECHNICAL ASPECTS

##### a. Technical Know-how

The technical know-how for the project is based on medical care and services principles using knowledgeable, qualifies, registered, accredited, specialised and dedicated medical practitioner team supported by a non-medical team in areas of administration including but not limited to personnel, accounting, medical records, housekeeping, ambulance, security, dietary and social services.

The medical facility will also enter mutual agreement with the medical specialists from the public and private hospitals to support the resident team on their speciality areas. The specialists will be paid based on scheduled time, days and fees. Agreement between the hospital and specialised doctors will be bolding the following features.

- ✓ *Delivery of specialised medical experts* in accordance to Ministry of Health Regulations;
- ✓ *Acceptable quality*, effective and sustainable medical services;
- ✓ *Imparting necessary training* to the hospital employees in the medical delivery process;
- ✓ *Taking out successfully medical services* to maintain the hospital brand name in the market; and
- ✓ *Penalty clause* for non-delivery of agreed medical services

##### b. Technology

The hospital facility chosen technology is that requires medical field general, specialized and super specialized skills in the above areas named medical services. The chosen technology also will be that requires minimum supervision, reasonable labor cost and acceptable human and environmental impact. The hospital has already recruited technical experts to operate the in place upmost medical machinery, equipment and instruments.

Additionally, the hospital will embark on arranging specialized symposiums, on-site upmost medical practices and diagnosis technologies workshops, on-site camps for special medical cases in collaboration with experts in the specialized medical professional to impart the hospital staff with upmost medical practice and diagnosis technologies.

### c. The Medical Facility Capacity

The medical facility will operate initially with 60 beds providing general, specialized and super-specialized clinical care in medicine, paediatrics, obstetrics and gynaecology, surgery, ENT, ophthalmology, dentistry, dermatology, cardiology, nephrology particularly renal dialysis, and anaesthesia; along with emergency, inpatients and outpatients' services depending on the catchment area medical service needs.

The medical facility will also provide nursing services, clinical laboratory, radiology, electro-magnetic medical diagnostic services and pharmacy services. The medical facility products and services anticipate to be ranging as follow:

- ✓ *Inpatients are projected* to be 13,104 in year one that will increase to reach 16,724 in year six; largely augmented by the anticipated medical facility space, medical expertise, services and diagnostic infrastructures;
- ✓ *Outpatients are projected* to be 48,920 in year one that will increase to reach 66,396 in year six; largely accelerated by the medical facility expertise, diagnostics infrastructure, reasonable price, location encroached with high population lacking a reliable medical service facility; and
- ✓ *The average medical facility bed occupancy* anticipates to be 60 % of the available beds, with maximum occupancy level of 95% in year six.

Based on the medical facility services capacity, the facility will be categorised as Regional Level Hospital. The medical facility choice of this scale of operation is based on the following factors:

- ✓ *Adequate capability of the medical facility to raise fund* from the promoters and external sources, as well adequate medical expertise and managerial capability to implement and operate the project;
- ✓ *The unmet provision of medical services in catchment area* that need addition medical facility to reduce the gap; and
- ✓ *At this scale of operation, the project will be operating* financially, economically and commercially feasible.

#### **d. Medical Facility Operation Program**

The medical facility working days will be 52 weeks, 7 days per week and 24 hours per day; whereas the specialized medical services will be provided in 6 days per week with an average of 5 effective contact hours per days.

During the first year of operation the medical facility bed occupancy rate will be 60% that anticipate to increase progressively to 95% capacity in year six. This consideration has been developed based on the assumption that awareness and logistical barriers, staff recruitment and familiarisation, health insurance providers confidence and approval, unavailability of some medical expertise, diagnostic facilities and allied services in the first three years of operation.

#### **e. Medical Supplies and Utilities**

Medical supplies and utilities are readily available locally mainly from MSD and Private Suppliers.

#### **f. Machinery and Equipment**

The complete set of medical and laboratory diagnostic machinery, equipment and instruments, along with supporting units including electric cabinet, gas burners and other allied facilities will be supplied by the local based representatives of machinery, equipment and instrument in question. In selection of machinery, equipment and instruments; quality, cutting-edge technology and availability of parts and services have been given priority.

#### **g. Land and Building**

The five-storey building area occupying 3,500 square meters is erected on the plot leased from the shareholders and promoters Mr. Josephat Raphael Kibwana and Ms Amina Sulemani Msuya. The lease tenure is 50 years' renewable upon satisfactory performance; and lease rental will TZS 100,000 per annum.

Land size is approximately 928.9 square meters, and already the company has arranged for purchase of an addition land from neighborhood to increase the facility size, hence capable to accommodate adequately the medical facility building, civil works, waste disposal system, paving, parking, morgue, fencing, security hurt etc.

**h. The Existing medical facility Machinery/Equipment and Instruments**

The existing medical facility has in place the required staff, furniture and fixtures, cooling system and refrigerators, lower capacity ultrasound and ECG machine, dentistry kit, and several number of diagnostic machines, computers/printers/scanner. The herein proposed purchase of addition machinery/equipment intend to enhance and match diagnostic and laboratory infrastructure capacity to the proposed Regional Level Hospital Category.

**i. Motor Vehicles/Standby Generator**

The medical facility will enhance a standby generators and transformer capacity to support powers supply during breakouts. As well the hospital will purchase ambulance van to support movement of patients' referrals

## 5.0 INVESTMENT AND FINANCING PLAN

### a. Investment cost

The hospital is herein seeking for the bank loans to finance Capex (TZS 1.869 billion) and Opex (TZS 400 million) respectively to part finance completion of the on-going semi-finished construction works, offset of the exiting CRDB Bank Plc. loans, purchase of medical machinery, equipment and instruments, purchase of a standby generator and transformer; and working capital to finance the medical facility operation cost.

### b. Investment Cost

The total investment cost required to establish the proposed district level hospital category with initial capacity of 60 beds in phases is estimated at TZS 3.855 billion as indicated in **Table 7**, whereas offset of the existing CRDB Bank Plc. loans is estimated at TZS 269.0 million, the building construction cost (including the existing and on-going works) is estimated at TZS 2.167 billion. Medical equipment, instruments, ambulance and generator costs are estimated at TZS 771.9 million (including the existing and proposed ones) respectively. Progressively the medical facility will use the internal generated income to purchase medical machinery, equipment, furniture in the near future. Working capital including overdraft limit amounting to TZS 400 million.

**Table 7: The Medical Facility Proposed Investment Plan in TZS ‘000’**

ITEM	Unit price in	USD	000' TZS
Exchange Rate		1	2,360
<b>1. HOSPITAL BUILDING</b>			
Preliminaries			294,900
Consultancy fee			35,300
Leasing Building/Acquisition of addition land			130,000
Land Development			39,150
Building renovations, partitions & allied construction works			1,374,200
Building Services (plumbing, waste systems, electricity etc)			281,000
			-
Building Equipment (elevator and engineering passages)			281,755
<b>Sub - Total Infrastructure Costs</b>			<b>2,436,305</b>
<b>2. MEDICAL EQUIPMENT, INSTRUMENTS, AND OFFICE EQUIPMENT</b>			
Medical Equipment			584,569
Hospital furniture			116,000
Motor Vehicle/cycle Ordinary/ Ambulance)			55,300
Standby Generator			16,035
<b>Sub - Total Medical Equipment, Instrument and Office Equipment</b>			<b>771,903</b>
<b>TOTAL PROJECT COST</b>			<b>3,208,208</b>

*\* Excluding working capital element*

### c. Financial Plan

The the proposed project financing plan will be in a form of term loan and equity contribution on the ratio base of 65%:35% respectively. The proposed term-loans for Capex will be repaid monthly over a period of six years including a one (1) year moratorium period.

The working capital of TZS 647 million will be comprised of the bank loan of TZS 400.0 million and owners' contribution of TZS 300.0 million respectively.

Note, the existing CRDB Bank Plc. Overdraft exposure limited to TZS 200.0 million and a term loan of TZS 69.0 million respectively will be offset by the herein sought similar magnitude facility of TZS 269.0. The interest rate used in the analysis is 17% per annum.

**Table 8: The Hospital Proposed Financing Plan in TZS'**

ITEM	EXISTING INVESTMENT		PROPOSED INVESTMENT		TOTAL
	Owners Equity	Debt	Owners Equity	Debt	
<b>HOSPITAL BUILDING</b>					-
Preliminaries	9,400,000	-	16,500,000	269,000,000	294,900,000
Consultancy fee	16,800,000	-	18,500,000	-	35,300,000
Leasing Building/Acquisition of addition land	80,000,000	-	50,000,000	-	130,000,000
Land Development	15,650,000	-	23,500,000	-	39,150,000
Building renovations, partitions & allied construction works	155,200,000	69,000,000	350,000,000	800,000,000	1,374,200,000
Building Services (plumbing, waste systems, electricity, aircon	15,100,000	-	65,900,000	200,000,000	281,000,000
Building Equipment (elevator and engineering passage etc)	14,163,000	-	67,592,000	200,000,000	281,755,000
<b>Sub Total Infrastructure Costs</b>	<b>306,313,000</b>	<b>69,000,000</b>	<b>591,992,000</b>	<b>1,469,000,000</b>	<b>2,436,305,000</b>
					-
<b>2. MEDICAL EQUIPMENT, INSTRUMENT AND OFFICEEQUIPMENT</b>					-
Medical Equipment	232,000,000	-	32,568,700	320,000,000	584,568,700
Hospital Furniture	22,000,000	-	14,000,000	80,000,000	116,000,000
Motor Vehicle/cycle (Ordinary/Ambulance)	5,300,000	-	50,000,000	-	55,300,000
Standby Generator	4,034,799	-	12,000,000	-	16,034,799
<b>Sub Total Medical Equipment, Instrument and Office Equipme</b>	<b>263,334,799</b>	<b>-</b>	<b>108,568,700</b>	<b>400,000,000</b>	<b>771,903,499</b>
<b>Working Caapital</b>	<b>-</b>	<b>167,000,000</b>	<b>80,000,000</b>	<b>400,000,000</b>	<b>647,000,000</b>
<b>TOTAL PROJECT COST</b>	<b>569,647,799</b>	<b>236,000,000</b>	<b>780,560,700</b>	<b>2,269,000,000</b>	<b>3,855,208,499</b>

35%

65%

## 6. IMPLEMENTATION PLAN AND SCHEDULES

The project implementation schedule is currently remaining with completion of the semi-finished medical facility construction works, purchase and installation of medical machinery/equipment, and recruitment of addition staff. It is envisaged that commercial operation implementation will start in late May 2023, should the sought external source of fund be timely available.

Activity/Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
<i>Business Plan Preparation</i>												
Business Evaluation												
Business Approval												
Business Finance Approval and sanctions												
<i>Project Engineering &amp; Design*</i>												
<i>Selection of Mc and Equipment*</i>												
Acquisition of technology												
<i>Building Site Preparation*</i>												
<i>Completion of Construction works</i>												
Fitting electricity, communication, security, ICT, Gas, Air conditioners												
Ordering of Machinery from Manufacturer												
Ordering Hospital Machinery, Equipment, Instrument, Furniture, and allied ancillary												
Ministry of Health Approvals for the Regional Level Hospital Category												
Training of operators & Programs												
Pre-Opening of Regional Level Hospital category												
Pre marketing												
Full Hospital Operation												
Quality Control												
Project Management												

## PERMITS & REGULATION

To set up and operate the Regional Level hospital Category Project requires the following permits

Certificates	Status
National Environment Certificate	Already in Place
OSHA	Already in Place
Accreditation to Operate regional Level Hospital Category	Under Process
Operate as Private Hospital Certificate	Already in Place
Medical Laboratory Board Approval	Already in Place
Safe Care Board Certificate	Not in Place
TIN Number	Already in Place
VAT Certification	Already in Place
TIC Certificates	Already in Place
Business License	Already in Place
Local Government Authority	Already in Place

## **Others critical items required**

### **a. Water, Power and Logistics Facilities**

Already the medical facility site is connected to DAWASA water network, however, has own borehole allied with storage tanks with capacity of reserving 20,000 liters in place to supplement the facility water supply. More reserving capacity of 20,000 liters will be installed to match the hospital needs. Plumbing, and waste water system are ongoing activities.

Electricity power is on site, except for the on-site-based transformer to stabilize the electricity supply to the medical facility. The company has already applied and installed a three-phase electricity supply from TANESCO pending to purchase of the on-site transformer using own funds. The medical facility also has in place a standby generator able to feed the building during electricity breakouts, however to match the anticipate increase in use of electricity, the hospital has ordered another large standby generate to match the demand.

## **7. ENVIRONMENT ISSUES**

In adherence to regulations, the medical facility has in place environment certificate from the National Environmental Management Council for the existing hospital business operations. The environment factors will be considered in order to protect environment as well as to comply with other regulatory bodies including OSHA, fire and the Ministry of Health.

### **a. The Medical Facility Design**

The medical facility design is not only environmentally friendly but also aesthetically appealing. The facility is comprised of the administration offices, inpatient rooms, examination rooms, laboratory, maternity, ward and delivery rooms, wards, electro-magnetic diagnostic room, injection rooms, theatre, consultation rooms, pharmacy, conference room, store, changing rooms, washrooms and bath, etc.; allied with a reserve water tank designed to allow adequate supply.

### **b. The Medical Machinery and Equipment**

The medical machinery and equipment design, make and capacity ratings have been carefully selected based on their suitability and acceptable human and environmental suitability.

### **c. Waste Disposal**

Almost all wastes from the hospital operations are normally contagious hence need high and strictly means of disposal. The medical facility is on the final stages of installing the incinerator that will destroy all contagious material as per Regulator's standard requirements. The cost for purchase and install the incinerator were met by the promoters under the engineering installation costs. At early stages of the medical facility operation, the project will contract the company to deal with disposal of contagious materials. All water and other affluent from the hospital will be going through the waste water system already in place.

## **8. PROJECT RISK AND MITIGATIONS**

### **a. Availability of Hospital Medical Supplies**

The main supply of the medical facility requirements are pharmaceuticals, hospital and office consumable, reagents, medical diagnostic machinery parts and reagents. Any constraints in their availability may affect the hospital future operation and performance.

*To mitigate this risk;* the medical facility will enter supply contract with MSD and other local based private suppliers to ensure there is regular supply and availability of the hospital medical supplies.

### **b. Substantial investment**

The medical facility has made a substantial investment; and its success depends among other things, on ability to secure significant amount of financing, management of the integrated processes, control of operation cost, maintain and enhance marketing strategies.

*To mitigate this risk;* the directors and management are prudently using the internal sources as well the bank loans to finance the hospital investment. Also, the medical facility will continue to recruit and provide adequate training to ensure the management team is innovative and creative in the medical services operations.

### **c. Environment risk**

The risk is caused by emission from the daily operation of the project.

*To mitigate this,* the medical facility will consult National Environment Management Council (NEMC) and Ministry of Health in order to get guideline to protect environment. The environment management plan will be implemented to comply with environment protection.

### **d. Size of the project**

The company intends to embark on investment of TZS 3.468 billion projects which is a substantial increase over its current size of operations.

*To mitigate this risk,* the promoter and Chief Executive Office together with the Chief Medical Officer have adequate experience in hospital operations and management. The promoters have been operating a Specialised Polyclinic and chain of community pharmacies more than seven years with a success profitable business story that led to start financing the

on-going medical facility construction works using own funds. The team and promoters are therefore confident with the management of the proposed expansion and magnitude of the project. The past experience of the promoters in setting up the medical service facility project will ensure smooth implementation and operation of this investment too.

**e. Operating risks**

The operating risk occurs due to inability of the hospital business to achieve the economically desired medical services caused by inadequate and inferior medical service and technology, inexperience and quality of staff to run the hospital project efficiently and effectively. The operating risk will be mitigated as follows:

- ✓ *Technical risk*: The supplier of medical machinery and equipment will provide a guarantee that the supplied medical technology will work effective and efficiently through, as well provision of training to hospital staff. In addition to this, the medical technology to be used is proven.
- ✓ *Management risk*: The medical facility has in place as well trained medical and non-medical staff; and will continue to recruit qualified and experienced management team in the medical services arena
- ✓ *Cost risk*: This includes the increase in cost of labour, pharmaceuticals and other general operating expenses. This will be controlled by employing competent finance manager/controller to oversee financial management for the project.

## 9. FINANCIAL EVALUATION

The financial projections are appended and is evaluated as follows

### Guiding Assumptions

#### a. Revenue projections:

- ✓ *Revenue projections* are based on the hospital 60 beds capacity for inpatients, stay length of inpatients, and occupancy rate. Others include laboratory services, diagnostic machinery, equipment services, surgical services, ICU, Pharmacy services, inpatient and outpatients' services, general and specialized consultations;
- ✓ *The facility will operate* 24 hours 7 days for a total of 365 days per annum;
- ✓ *The facility beds occupancy rate* is estimated to start at 60% and increase progressive to stabilize at an average of 90% by year 6. Stay length of in patient is estimated at 3.5 day, and the hospital inpatients visits number is estimated to start at 13,104 in year 1 that will increase progressively and stabilize at 16,724 visitors in year 6.
- ✓ *The outpatients' visitors' number* is estimated at 48,920 in year one that will increase to 66,396 in year 6;
- ✓ *The hospital services assumed schedule of fee* are as shown in **Appendix 1 (assumptions schedule)** and will be constant and adjusted in further years due to changes in socio-economic factors;
- ✓ *Income tax rate* of 30% is expected to remain unchanged during the projected period of 6 years; and
- ✓ *The exchange rate* applicable is TZS 2,360 to 1 USD and expects TZS to depreciate against USD currency at an average rate of 2% per annum.

#### b. Operating Expenses

The main operating expenses include costs of running inpatients and outpatients, medical consultations, administrative costs, personnel, pharmacy, laboratory services and financial cost. - All together estimated to account for 76% of the project turnover.  
**See Appendix 6**

### c. Re-investment expenditure:

Re-investment expenditure has considered re-purchase of new asset will occur when the existing assets is being fully depreciated. It is further assumed that repair and maintenance costs will keep the hospital equipment productive for a long time before replacing them.

### d. Financial Highlights

Financial forecasts of six years period (2024-2029) of the project lifetime have been worked out.

- ✓ *Project financial projection assumptions* are well submitted in **Appendix 1**;
- ✓ *Project costs* are presented in **Appendices 2 & 3**,
- ✓ *The assets depreciation schedule* is presented in **Appendices 4 & 14**.
- ✓ *Loan repayment schedule* is presented in **Appendices 12 & 13**.
- ✓ *Sales Projections* annexed with operating expenses, administrative costs and manpower requirements are presented in **Appendices 5 & 6**.
- ✓ *The projected income statement* is presented in **Appendix 6**.
- ✓ *The projected balance sheet* is presented in **Appendix 7**.
- ✓ *The twelve (12) months, month-to-month Cash flow projections* between May 2023 and April 2024 is presented in **Appendix 15**.
- ✓ *Projected Cash flows* between 2024 and 2029 on year-to-year basis is presented in **Appendix 8**.
- ✓ *Discounted cash flow projections* (calculation for NPV and Internal Rate of Return – IRR) in **Appendix 9**.
- ✓ *The Projected Critical Financial Ratios* are presented in **Appendix 10**.
- ✓ *The projected long-term amortization schedule* is presented in **Appendix 13**

#### **e. Facility Utilization plan**

During the first year of operations, the hospital inpatients capacity will be 13,104 in year one that will increase to 16,724 in year six of the projected plan. During same period, the outpatient level will increase from an average of 48,920 in year one that will increase to 66,396 in year six.

#### **f. Turnover and profitability**

- ✓ *Revenue* from the medical facility services is projected to increase from TZS 5.39 billion in the first year to TZS 8.93 billion in year 6;
- ✓ *Gross profit* is projected to increase from TZS 2.01 billion in the first year to TZS 3.49 billion in year 6;
- ✓ *Profits after capital and financial charges* (depreciation and loan interest expenses) are projected to start at TZS 739.39 million in the first year, increasing to TZS 2.36 billion in year 6; and
- ✓ *Profits after taxation* are projected to start at TZS 517.57 million in the first year, increasing to TZS 1.65 billion in year 6

#### **g. Project Liquidity**

The project is considered highly liquid; It generates positive net cash flows of TZS 254.09 million, interest and debt service ratio of 2.0 and 1.01 times respectively and acidic test ratio of 1.40 times in the first year of operations.

Due to its sound liquidity, the project will be capable and comfortably servicing its financial obligation liabilities starting from second year of operation after completion of construction works and start of operations; and still will retain adequate fund yearly for other future operations

#### **h. Net Present Value and Internal Rate of Return (IRR)**

Through the Discounted Cash Flow (DCF) method the project realizes an attractive Net Present Value of TZS 928.98 million and Internal Rate of Return (IRR) of 29.88 % which is above the cost of capital of 17%, hence indicating the project to be financially viable.

## **10. ECONOMIC BENEFITS AND CORPORATE SOCIAL RESPONSIBILITY**

Successful completion and operationalization of the medical facility will have significant economic and social benefits to the residents of Kigamboni area, Kigamboni District, Dar es Salaam region at large as summarised hereunder: -

- ✓ *Provision of effective, efficient, quality and specialised medical care services to the community*
- ✓ *Creation of direct employment opportunity to over 109 Tanzanians.*
- ✓ *Provision of income to employees and other service providers.*
- ✓ *Introduction of safe and high quality specialised medical care services.*
- ✓ *Improvement of medical facilities to the surrounding and Dar es Salaam city community.*
- ✓ *Expansion of revenue base to both promoters and Government.*

## **11. CONCLUSION AND RECOMMENDATION**

This business plan document provides a detailed investment proposal for M/s Qualitas Health Care (T) Limited seeking for an aggregate long-term loan of TZS 1.869 billion to part finance completion of the hospital building; and purchase of medical machinery, equipment, standby generator and laboratory instruments; offsetting the existing CRDB Bank Plc. loans; and working capital of TZS 400.0 million to part finance operation cost.

The project total investment including of the existing investment is estimated at TZS 3.855 billion, out of which the owners' equity is 35% and the bank loan is 65% respectively.

In consideration of the positive and supportive business analysis parameters shown herein implicate the proposed project to be technically feasible, financially viable, and economically and socially sound.

Hence, in view of the above, it is hereby proposed that the project as conceived by M/s Qualitas Health Care (T) Limited be supported by your bank.

## PROFILE OF COMPANY DIRECTORS

### 1 Director.

**Full Name** : Josephat Raphael Kibwana

**Nationality** : Tanzanian

**Age** : 41 Years

**Education** : Bachelor Degree in Pharmacy

**Work Experience:** Over a decade health sector medical and pharmacy practice, in the Ministry of Health and private hospitals

**Contacts:** a) **Postal:** 36463, DSM, TANZANIA

b) **Physical:** Chagani Road, Kigamboni Area, Kigamboni District, Dar es Salaam.

c) **Mobile:** +255 746 394 939

d) **Email:** jkibwana.jk@gmail.com

e) **Number of Share:** 25,000

### 2 Director.

**Full Name** : Amina Sulemani Msuya

**Nationality** : Tanzanian

**Age** : 39 Years

**Education** : Diploma in Accounts

**Work Experience:** Over a decade practical experience in the health sector

**Contacts:** a) **Postal:** 36463, DSM, TANZANIA

**b) Physical:** Chagani Road, Kigamboni Area, Kigamboni District,  
Dar es Salaam.

**c) Mobile:** +255 ...

**d) Number of Share:** 25,000