

LA STANAR TANZANIA LIMITED

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA
MUNICIPALITY-TANZANIA

BUSINESS PLAN

JANUARY 8, 2024
LA STANAR TANZANIA LIMITED
DODOMA

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

TABLE OF CONTENTS

Item	Page
1. Executive Summary	2
2. Introduction	3
3. Market Analysis	11
4. Marketing Plan	14
5. Sales & Marketing Strategies	14
6. Technical Aspects	15
7. Operation & Management Plan	18
8. Financial Projection	21
9. Risk Analysis and Mitigation	23
10. Environment issues	24
11. Economic and Social Impact	24
12. Conclusion	25
13. Appendix	25

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

1. EXECUTIVE SUMMARY

Project Name:	Construction of 54 rooms hotel Project to expand the existing hotel business
Sector:	Hospitality Industry
Project Location:	Plot No. 7 & 9 Block “A” Medeli East. Dodoma City, Dodoma Region, Tanzania
Services:	Hotel to provide accommodation and other hotel services to General Public
Project Company:	LA Stanar Tanzania Limited (“LST”)
Shareholders:	Stanley Frederick Urassa-50% and Shallon Aminiel Mongi-1%.
Project Description:	<p>The Project entails construction of additional 54 rooms hotel building to provide the following services</p> <ul style="list-style-type: none">• Rooms for accommodation• Food and Beverage• Conference and Meeting Rooms• Fitness Centres/Gym• Swimming Pool• Laundry facilities
Market/Customers:	General Public including individuals, business organizations, financial institutions, Government and Non-Government Agencies, tourists Education Institutions etc.
Total Investment Cost:	TZS 11,746,332,643 (Including existing hotel building)

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

Financing Plan:	Debt: TZS 6,753,450,000 (57%) repayable in eight (8) years after grace period of 2 year at interest rate of 16% per annum
	Equity: TZS 4,992,882,643 (43%)
Average Return of Investment:	17%
Internal Rate of Return (IRR):	20.82%
Net Present Value (NPV):	TZS 4.954 Billion
Pay Back Period:	TZS 6.9 Years

2. INTRODUCTION

2.1 Project background

This business plan has been developed by La Stanar Tanzania Limited (“LST”), a Limited Liability Company incorporated in the United Republic of Tanzania. The purpose of this business plan is to raise funds amounting to TZS 6,753,450,000 from bank to part finance the construction and operating 54 rooms hotel at Plot. No 7 & 9 Block “A” Medeli East Dodoma Municipality, Dodoma Region as its expansion project. The sought funds will be used for the following purposes

- Construction of hotel building and infrastructure amounting to TZS 6,453,450,000
- Initial Working Capital amounting to TZS 300,000,000

When completed, this project will be 54 rooms and will provide hotel services to the following customers

- Individuals
- Travelers
- businessmen
- Business Organizations
- Government Agencies
- Non-Profit Organization

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

- Religious Bodies
- Education Institutions
- Financial Institutions

LST was established by the Laws of Republic of Tanzania on 17th August 2020 and issued with Certificate of Incorporation No. 142403498. The authorized share capital is TZS 100,000,000 divided into 10,000 shares of TZS 10,000 each. The company is owned by Stanley Fredrick Urassa (57%) and Shallon Aminiel Mongi (1%). Mr. Stanley Fredrick Urassa has adequate experience in various sectors of the businesses in International Organizations, Administration, Financing, Public Auditing both Central and Local Government Administrative Authorities and Banking specialized in performing financial audits, compliance and operational/performance audits, loans and administration. He is a Certified Public Accountant in Public practice (CPA PP) with Master of Science in Accounting and Finance.

LST needs to expand its existing hotel business by constructing new hotel building which will have capacity of 54 rooms. Currently, LST owns and operates hotel at Plot No. 20/3 Block "A" Medeli East, Dodoma City. The existing hotel has 31 rooms with capacity to generate revenues of TZS 1.29 billion and net profit after tax of TZS 281.749 million based on the audited accounts for the year ended 31st December 2023. The motives to expand its business operation is due to the fact that demand for hotel services in Dodoma City is higher than supply as a result the existing hotel capacity is not enough to accommodate customers. In addition to that, the existing hotel has the following challenges

- There is a small conference and meeting room
- The hotel restaurant is small compared to large number of customers stay in the hotel
- There is no fitness centre/gym and swimming pool
- Packing space is not enough to accommodate clients' vehicles

As a results of the above challenges, LST is losing customers who opt to stay in the nearby hotels. Therefore, the new hotel will have all facilities in order to provide a standard hotel services to retain all customers.

Upon completion of construction of new hotel project, LST will own and operate a total of 85 rooms hotel business with capacity to generate revenues of TZS 4.248 billion per annum

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

The overall project cost for the existing and new hotels will be TZS 11,746,332,643 and LST will contribute its existing hotel project amounting to TZS 2,061,692,850 and additional equity of TZS 2,931,189,793 which is made up of land (i.e. 3,135 SQM @ TZS 720,000/SQM based on the 2023 Government indicative rate for the hotel location) amounting to TZS 2,257,200,000, hotel furniture, equipment and machines amounting to TZS 578,989,793 and pre-operation expenses of TZS 95,000,000 for loan processing and consultancies fees will be equity participation in the expansion project. The external funds amounting to TZS 6,753,450,000 is sought to finance construction of new hotel building and infrastructure amounting to TZS 6,453,450,000 and working capital amounting to TZS 300 million as well.

The proposed hotel project planned to be implemented by LST will offer high quality service to clients at competitive price. LST believes that the key to successful hotel project development is to be entirely committed for the long term in both quality property development and providing services at competitive price and will have all facilities of the state-of-the-art amenities and have safety measures making sure that standard and safe environment are achieved.

As any other business, LST will operate business not only to offer customers homes at competitive price but also make profit whilst ensuring that can favorably compete with other competitors in the same industry.

Because LST knows how important clients are, it has strategies to ensures that loyal clients get incentives which comes in form of a discount for every client they refer. This will make most of clients turn into active marketers on behalf of the company and grow the revenue base tremendously.

2.2 Overview of Tanzania Economy

Tanzania's economy has been resilient, growing by 5.2% in 2023 compared to 4.6% in 2022. The services sector remained the main driving force behind Tanzania's overall economic growth, expanding by 7.3%, supported by buoyant economic activities in financial and insurance, transport and storage, and trade and repair subsectors. Despite recurrent droughts and floods, the agriculture sector grew at 3.4% in 2023.

Inflationary pressures continued to be moderate in Tanzania. Headline CPI inflation receded from 4.9% in January 2023 to 3.0% in January 2024 due to eased global commodity prices, moderate and timely fiscal subsidies, and tightening monetary policies. Notably, the Bank of Tanzania adopted an interest-rate-targeting monetary policy regime in January 2024 to strengthen inflation controls and anchor inflation expectations.

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

The government has demonstrated commitment to narrowing the fiscal deficit through enhanced tax revenue collection and restrained spending. The fiscal deficit fell from 4.6% of GDP to 3.0%, aligning well with the fiscal consolidation target of 3% for FY2023/24.

Tanzania has also narrowed its current account deficit to 3.9% in 2023, helped by an uptick in tourism receipts, declining prices of commodities Tanzania imports, and an exchange rate policy aimed at accumulating foreign exchange reserves. In this context, between June and December 2023, Tanzania's shilling depreciated by 7.8% against the US dollar, while gross reserves rose from \$5.2 billion (4.8 months of imports) to \$5.5 billion (4.5 months of imports). A flexible exchange rate regime and adequate external buffers, including foreign exchange reserves, will alleviate the recent forex pressures that the country has been experiencing.

Going forward, GDP is projected to grow 5.6% in 2024, with the long-run potential of around 6%, supported by an improving business environment and ongoing structural reforms. Supported by a promising macroeconomic outlook and an increased budget to unlock sectoral productivity in the agriculture sector, which employs three-quarters of people experiencing poverty, the poverty rate could decline in the medium term.

While net FDI inflows in Tanzania are quite volatile and have been on a downward trend over the past few years, there are signs of partial recovery in investment activity, including an increase in the share of FDI in GDP from 1.1% in 2020 to 1.5% in 2022. Tanzania Investment Center has also reported a nearly 70% increase in number of registered investment projects between February and September of 2023 (344 projects) compared to the same period in 2022 (203 projects) (Source: World Bank Report 2023).

2.3 Overview of Dodoma Capital City (Source: Dodoma City Council Report 2023)

a. Dodoma City Background:

Dodoma National Capital City is located in the middle of the country, it covers an area of 2,769 Square kilometers and a population of 765,179 (National population and housing census 2022). The history of Dodoma national capital city is traced back to 1973 when it was declared the National Capital City under presidential decree, since then series of successful events have followed. In 2017 the government shifted its function from Dar es Salaam to Dodoma. The rationale for the Government to shift its functions to Dodoma was propelled by:

- Stimulating economic development of the central regions of Tanzania,
- Decongesting continued growth of Dar es Salaam city,
- Improving the well-being of the people

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

- Redistributing economic benefits to the wider population of Tanzania.
- Promoting city productivity and bringing government services geographically closer to the people.
- Other contributing factors included; the favorable climate of Dodoma, its unique natural landscape features and central location in the national context.

b. Development of Dodoma Capital City

The vision of Dodoma Master Plan is to make it: Economically competitive, social inclusive, environmentally sustainable, vibrant, safe and convenient. The mission of Dodoma is to make Dodoma:

- An economic hub
- A tourist destination
- Sport and recreation city
- Academic city
- An inclusive city
- An eco-friendly and green city
- A smart city
- A transit oriented city

c. Reason for Investing Dodoma

- It is a Capital City of Tanzania
- It is a seat of state functions (Government Pillars)
- It centrally located in the national context
- Accessible from all direction of state
- Favorable climate
- Unique natural landscape features
- Rapid urbanization

d. Major Investment Node in Dodoma City

- Mtumba Government City Node
- Msalato International Airport Node
- Ihumwa Dry Port Node
- Lake Hombolo and Zuzu Node
- Transport Corridor Node
- Interchangeable Nodes

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

e. Investment Opportunities available in Dodoma

- Industrial and Industrial Facilities
- Transportation and logistic
- Real Estate, Housing and Hospitality
- Academic facilities and infrastructure
- Sports and recreation facilities and infrastructure
- Health facilities and infrastructure

Conclusively, the existing, ongoing and upcoming investments in the social, commercial and economic sectors in Dodoma City increase populations and urbanization as a results demand for hotel increases that provide investment oppoetunity in hotels projects.

2.4 Services Description

Upon completion construction of new hotel project, LST will offer the following services to clients together with the existing hotel project

- a. **85-Rooms for accommodation:** This will contain Standard room, Bedroom Suites and Executive Suites
- b. **Food and Beverage Facilities:** Food and beverage facilities at the hotel will consist of restaurant that will be used for serving breakfast, lunch, dinner and hosting small receptions
- c. **Conference & Meeting Rooms:** To adequately cater to the business traveler and market. The hotel will have two Conference Room that can accommodate up to 210 people at once. It will also contain audio visual equipment such as overhead projectors, screens, microphones, speakers will be provided for a small rental charge.
- d. **Fitness Centre/Gym:** Guests will be able to work out in a state of the art fitness centre/gym with changing rooms.
- e. **Swimming Pool:** A swimming pool will also be a feature of the hotel.
- f. **Laundry Facilities:** Guest laundry facilities will be available for long

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

stay guests. The laundering of the hotel's linen and other items will be done in house.

g. Public Washrooms:

Male and female public washrooms will be located on the ground floor adjacent to the reception and close to the conference and meeting room spaces.

h. Parking:

Enough parking will be provided on the ground floor as well as outside the hotel.

i. Wi-Fi Service:

Complimentary high speed wireless internet service will be provided throughout the hotel.

j. Security:

Guest security will be of paramount importance and given high priority in the operations of hotel. All vehicles will be screened at the entrance; adequate security personnel will be hired to do regular patrols of the property and grounds; and all suites will have in-room safes. Security services will be contracted out to a reputable company.

2.6 Vision and Mission Statement

2.6.1 Vision

The vision of LST is "to become one of the leading and best hotel in Dodoma and the preferred place of stay among short and long stay business travelers in the region.

2.6.2 Mission

The mission will be "to offer the highest quality of service and hospitality to all guests at competitive pricing for hotel services.

2.6.3 Keys to Success

LST is fully committed to make its hotel business a long-term success with future plans for expansion. It is this dedication and drive which will set them apart from their local peers. The following are what LST believes to be its keys to success:

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

- a. Hotel management: The owners of LST are personally manage the hotel in collaboration with hired qualified management team who proved success in management of hotel business.
- b. Invest in sustainable and high quality investments: LST is not interested in ‘flipping’ properties. Prior to making any hotel development, the location as well as targeted customers are fully evaluated to determine positive cash flow and long-term sustainability of hotel business.

2.6.4 Objectives/Goals

- To generate revenues of TZS 4.248 billion and net profit of TZS 1.034 billion in the first year of operation at 80% occupancy rate. Revenues and profitability are projected to grow due to annual increase in price and occupancy rate.
- To employ qualified and professional management team to manage and marketing hotel project.
- To capture market, share of at least 10% in Hotel Industry at Dodoma.
- To generate average return on Investment of at least 17% per annum
- To contribute to the country’s economy through taxes and other levies at least TZS 443.310 million per annum.

2.7 SWOT Analysis

Like every successful business, LST is intending to ensure that the hotels are of the required standard. To ensure that it attains this, the shareholders critically looked through business concept and determine what it takes to become a standard company to operate the hotel project.

LST used SWOT analysis in taking stock of strengths, weaknesses, opportunities and threats to determine how likely to be fare in the hospitality industry in Dodoma. Below is the result of the critical SWOT analysis

2.7.1 Strength:

The strength lies in the fact that LST will offer services that will meet any requirements by customers who will stay in the hotel, which allows to stand apart from competitors. Also, LST will hire a qualified and experienced management team with a large customers networking to ensure that the hotels are well managed and promoted to meet standard required by customers.

The hotel is not only well designed but also convenient and located at Medeli East, Dodoma City which is considered as strategic area to attract customers because is located

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

at the proximity area of the City Centre of Dodoma. Finally, the expertise and experience of the owners of the company who not only have adequate years of experience but also have several qualifications, good business networking and relationship with various stakeholders in the government and private sectors is another strength.

2.7.2 Weakness:

This industry has competition; however, LST is intended to stand apart from competitors by offering unique hotel to be located at strategic location that will attract customers and offering excellent customer care and services that will retain most of customers.

2.7.3 Opportunities:

There are various opportunities that abound for the project because the hotel can also be converted to apartment if will not operating to the level of satisfaction because demand for apartment in Dodoma City is growing due to increase in foreigners, population, social and economic activities.

2.7.4 Threat:

There are various threats that exist to every business in general, and so the probability of facing threats is not alarming to LST. The threats which are likely to face in the course of starting and running the business are failure to get enough customers for the hotel. However, LST and its shareholders have well established customers base in the hotel business because they are current manage the same business in the same locality. Another threat is having a major competitor offering same services in the same location. LST has proactive measures in place that will ensure it remain unique and different in all the services that would be offering which will be a competitive advantage.

3. MARKET ANALYSIS

3.1 Market Overview

a. Dodoma Tourism Sector

Situated in the heart of Tanzania, Dodoma is the official capital of Tanzania. It has a population of over 765,169 people making it the fourth largest city in Tanzania and it is home to the country's parliament. The city stands on the Great North Road that connects Cape Town in South Africa to Cairo in Egypt, famous for tourists driving from the southern point of Africa to the northern point of the continent.

Closer to Tanzania's leading northern Tanzania tourist circuit and the Kenyan tourist capital

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

Nairobi, Dodoma has been identified a sleeping tourist investment area. Dodoma has a rich agricultural society and a budding wine industry, with small-scale farming being most dominant in the city. The sun-bathed landscape is impressive with a Safari feel to it. It has an abundance of sunshine all year round making worth a holiday breathtaking.

Lion Rock, an outcrop perching in the city outskirts, creating a beautiful natural attraction that brings memories of the famous cartoon, the Lion King. The rock gives an elevated view of Dodoma and is quite a breathtaking attraction. It is a favorite destination for families and friends.

b. Overview of hotel industry in Dodoma

Tanzania government is inviting international investors to open new hotels in the new capital city Dodoma in a bid to attract more international visitors and investors to the new capital. Although a popular tourist destination, Dodoma has limited high-class accommodation facilities.

Due to the fact that the Dodoma City is lacking hotels with prestigious standards to accommodate diplomats, international business executives and high-ranking officials touring the city for business, political and diplomatic gatherings. The government is now offering added incentives for international investors to develop the city's hotel and hospitality industry.

Despite an increase in the number of tourists visiting the city, Dodoma has only three hotels of three-star category. These are Fantasy Village (22 rooms), Morena hotel, Nashera Hotel (52 rooms), and Dodoma Hotel (91 rooms).

Dodoma city has only 428 rooms in its 24 hotels offering standard accommodation of a three-star category. The government had allocated areas for construction of hotels and other tourism facilities, aiming to raise the status of the new capital city of Tanzania as an attractive tourist destination in Tanzania.

Dar es Salaam, now Tanzania's commercial city is the leading tourism city with 242 hotels of international standards, ranging from three to Five-Star category. There are 177 hotels rated One to Three Star Class, 31 Four Star Class, and 19 Five Star Class, all established in Dar es Salaam with about 24,000 rooms.

Tanzania is now targeting Conference and Meeting tourism (MICE) market to attract more visitors. Currently, under implementation, Tanzania Tourist Board (TTB) has targeted to

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

attract conferences and business visitors to hold international conferences in Tanzania, aiming to attract participants who would book hotels, mostly in Dar es Salaam, Arusha and other cities including the new capital, Dodoma.

3.2 Target Market

LST hope to build and operate among several different investment and operating units, that is why it is nearly impossible or hard to characterize any specific customers that will serve for their hotel. But they plan to enact strict customer quality who are able to accommodate at competitive price. But the project location attracts foreigners, expatriates and high profile local people seeking for hotel accommodation to stay due to availability of favorable social infrastructure and security.

3.3 Competitive edge

LST understand that the hotel industry is effectually one of the most-free market-oriented businesses in the country, competition cannot be accurately categorized. But they know that there is sizable amount of competition ranging from small to large hotels and lodges as well.

LST understands that there are few hotels that offer the same level of quality and technological amenities as LTS hotel, but they believe to possess high regard for customer service.

LST believe that it is important that customer feels he/she is being treated with the utmost care and urgency. They will make sure that hotel management team has adequate skills needed for successful client relations and customer service.

It is intended to ensure that business is not only established to make profit but is also able to compete favorably with competitors in the industry. The company vision is to ensure that it is not only meet but exceed the expectations of all clients who will stay in the hotel, and this is one of competitive advantages against competitors. There are also other competitive advantages as follows:

- a. **Location:** The hotel's location at Medeli East of Dodoma City Centre gives the best access to client and high-end residences. The Company also offers adequate parking facilities.
- b. **Management:** The shareholders have years of business and marketing experience that allows to market and serve customers in the same manner as most sophisticated competitors.

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

- c. **Relationships:** Owners of the Company know all of the local leaders, newspapers and other influences. As such, it will be relatively easy for LST to build the brand and awareness of the business.

4. MARKETING PLAN

LST brand will focus on the Company's unique value proposition:

- Offering business-class hotel at competitive price
- Offering a prime location in the downtown area in Dodoma City
- Providing excellent customer service

4.1 Promotions Strategy:

The Company's promotions strategy to reach its target market are the following:

- **Phone Prospecting:** LST will use marketing team to contact customers for their upcoming hotel.
- **Public Relations:** LST will contact all local and regional area newspapers and television stations to tell them about the upcoming hotel.
- **Ongoing Customer Communications:** LST will maintain a website and publish a monthly email newsletter to tell local corporations and existing about the hotels.

5. SALES AND MARKETING STRATEGY

5.1 Sources of Income

LST has been established with the aim of maximizing profits and it is going to ensure that it will do all it takes to attract both individual and corporate clients on a regular basis. LST will generate income by providing hotel services.

5.2 Sales Forecast

LST is well positioned to take on the available market in Dodoma City and is quite optimistic that will meet set target of generating enough income/profits from operation and growth of the business and customer base.

LST has been able to examine the market analysis in the industry and come up with the sales forecast as appended in this report. The projection is also based on the location of business and of course the wide range of related services that will be offering:

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

The projection was done based on the assumption that there won't be any major economic meltdown. Please note that the projection might be lower and at the same time it might be higher. Sales forecast has been increasing yearly under the assumption that there will be increase in price for services and occupancy rate per annum.

5.3 Marketing and Sales Strategies

Hotel business just like any other business requires marketing in order to not only create awareness for the business but to also ensure that revenue is generated to keep the business going.

LST will have qualified and experienced marketing team who understands the hotel business and industry as well to achieve the intended marketing goals and objectives by looking what strategies will be more effective for company in the short and long run.

The marketing team will look through the strategies and ensure that they align with the company's core values and will communicate the brand positively to customers. It also reviews, tweak and remove strategies that are considered ineffective.

LST know how important the internet especially as regards improving the effectiveness of marketing. It is intended to build an interactive website that will show attractive hotel and other services to clients, especially potential ones. Social media platforms will also be used to target customers online and generate interest about hotel.

Therefore, the following are the strategic measures LST will be adopted to market its hotel:

- a. Visit corporations and government agencies to formally introduce the hotel and all the services it offers
- b. Advertise hotel in local newspapers, magazines as well as on radio and television stations
- c. Engage in direct marketing
- d. Ensure that business is listed in online and offline directories
- e. Use social media platforms such as Instagram, Facebook and Twitter as well as company website to market

6. TECHNICAL ASPECTS

6.1 Design

Upon completion of new hotel project, LST will operate as 85 room hotel is categorized as four star category.

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

6.2 Investment Cost & Financing Plan

The total project cost for the hotel (i.e. existing and new hotel buildings) is made up of the following items

- a. Land
- b. Building and Civil works
- c. Computer & Accessories
- d. Furniture, fixture and Fittings
- e. Machine & Equipment
- f. Pre-Operation Expenses
- g. Working Capital

Table 2: Details of Investment Cost

Item	Existing Investment-TZS	Addition Investment-TZS	Total Investment-TZS
Land	90,000,000	2,257,200,000	2,347,200,000
Building & Civil Works	1,547,000,000	6,453,450,000	8,000,450,000
Computer & Accessories	1,719,375	5,158,125	6,877,500
Furniture, Fixture and Fittings	202,095,150	242,574,180	444,609,330
Machine & Equipment	220,878,325	331,317,488	552,195,813
Total Fixed Assets	2,061,692,850	9,289,639,793	11,351,332,643
Pre-Operation Expenses		95,000,000	95,000,000
Working Capital		300,000,000	300,000,000
Total Project Cost	2,061,692,850	9,684,639,793	11,746,332,643

Note:

The Pre-Operation Expenses of TZS 95,000,000 is made up of:

- Consultancy and Legal Fee, Permits and other Statutory Fee amounting to TZS 7,205,150
- Loan application fee, Insurance and other charges amounting to TZS 87,794,850

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

6.3 Financing plan

Table 3: Details of Financing Plan

Source	Existing Funds-TZS	Addition Funds-TZS	Total Funds-TZS
Promoters Funds	2,061,692,850	2,931,189,793	4,992,882,643
Loan		6,753,450,000	6,753,450,000
Total Financing	2,061,692,850	9,684,639,793	11,746,332,643

Debt to Equity Ratio: 57% by 43%

6.4 Implementation Schedule

The project implementation schedule will take 24 months from the date loan funds is release from bank. The implementation is assumed to commence on 1st January 2025

Table 4: Start up Schedule

Sn	Tranches/Disbursement	Amount (TZS)	Utilization/Purpose	Time Frame
1	1 st Disbursement	1,000,000,000	Construction works	1/01/2025 to 31/03/2025
2	2 nd Disbursement	1,000,000,000	Construction works	1/04/2025 to 30/06/2025
3	3 rd Disbursement	1,000,000,000	Construction Works	1/07/2025 to 30/09/2025
4	4 th Disbursement	1,000,000,000	Construction works	01/10/2025 to 31/12/2025
5	5 th Disbursement	1,000,000,000	Construction works	1/01/2026 to 31/03/2026
6	6 th Disbursement	1,000,000,000	Working Capital	01/04/2026 to 30/06/2026
7	7 th Disbursement	453,450,000	Finishing works	01/07/2026 to 30/09/2026
8	8 th Disbursement	300,000,000	Working Capital	01/10/2026-31/12/2026
	Total	6,753,450,000		

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

7 OPERATION PLAN & MANAGEMENT

7.1 Brand

The hotel will be seeking to become a 4-star business accommodation. This would mean ensuring that its construction, furnishing and operations would be as such that it meets the stringent minimum standards requirements as detailed below.

Arrival Experience

- Eatable local food product will be available
- Fresh flowers and live plants will be placed in public areas
- Background music will be played
- Public seating area where no services are being sold will be provided
- All staff will be uniformed with name tags displayed

Food and Beverage Experience

- Hot and cold breakfast will be available on-site – this will be provided by the hotel
- Early express breakfast from as early as 5 am will be available for early checkouts

Service Experience

- Dry cleaning and laundry services will be available
- A computer work station will be in the lobby and Wi-Fi internet service available throughout the hotel
- Complimentary newspapers will be provided daily in both Kiswahili and English
- The reception desk will be staffed 24 hours a day
- Recreational facilities in the form of a gym and swimming pool will be on site
- A complimentary shoe shine service will be available
- The daily weather forecast will be displayed in the lobby area

Bedroom Experience

- A lounge area with a sofa, desk and chair will be provided
- China/ceramic and glass tumblers in will be available
- Adequate matching high quality clothes hangers will be provided
- Coffee/tea maker will be placed in each guest room

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

- Electronic key card locks will be used
- 70% of all rooms will be executive rooms, much higher than the 20% standard
- Heating/cooling system to maintain the temperature at least between 18°C and 26°C will be provided
- A flat panel television with programming in at least 5 languages including English and Kiswahili will be available
- An in-room music source will be available
- Proper lighting at the work desk area will be provided
- A mini-bar and safe will be in each guest room
- Bed size of at least 2 metres and high quality bedding will be provided
- Full blackout window coverings will be in each room
- Turn down service will be offered
- High quality bath towels, sheets, face cloths, bathrobes and slippers will be used
- The bathroom will have a hairdryer and magnifying vanity mirror
- The shower will have a solid partition
- In room toiletries and additional complimentary items will be provided
- A welcome gift and handwritten welcome note will be placed in each room

7.2 Management Team and Staff

LST expects to employ a cadre of management personnel staff totaling around 62, an employee to room ratio of almost 1 to 1. This is understandable for this 4-star rated property as the property will have its Food and Beverage operations, as well as laundry and security services. The staff that will be required are listed below with their numbers:

a. Senior Managers & Back of House (Fixed Salaries)

- General Manager (1)
- Marketing Manager (1)
- Payroll & Accounts Clerk (1)
- Purchasing Officer (1)

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

b. Line Staff (Wages)

- Reservations & Front Office Clerks (3)
- Night Managers (3)
- Bellmen/Concierge Officers (4)
- Drivers/Messengers (1)
- Housekeepers (5)
- Gardeners (1)
- Pool Attendants (1)
- Line Cooks (2)
- F&B Servers (1)

7.3 Recruitment & Training

Experienced senior managers will be hired from the wide pool of hospitality experts available in Tanzania, and neighbouring Kenya and South Africa. In terms of line staff, graduates from the National College of Tourism campuses in Dar es Salaam and Arusha will be targeted for employment. These students graduate with high quality NACTE certified Diplomas and Certificates in all aspects of hospitality management and can be trained in the organizational culture and service credo. The hotel will also make it a priority to employ frontline staff who can speak very good English and Kiswahili, as well as a third language. In terms of compensation and benefits, competitive salaries will be paid; housing benefits will be provided to senior managers; staff incentives for exemplary service will be given; and regular in-house training programmes will be available.

7.4 High Quality Customer Service

In order to become and maintain its status as 4-star rated hotel, LST will offer consistently high quality guest service. It will recruit, train, empower and compensate managers and employees in such a manner that they manage the guest experience to ensure that they are provided with exceptional service and have memorable experiences.

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

8 FINANCIAL PROJECTIONS

8.1 Financial Assumptions

This section outlines the key assumptions considered in the financial projections: The financial projection excel sheets are appended in this report.

8.1.1 Basic Assumptions

- a. Implementation is foreseen to start in 1st January 2025 after fund disbursement from bank. Project operation will start in 1st January 2027.
- b. The project implementation is foreseen to be completed in 12 months
- c. Financial projection is in TZS
- d. The project operates from Medeli East, Dodoma City where demand for hotel is high. Demand is increasing due to growth in urbanization, population, economic and social activities
- e. Room accommodation for the hotel ranging from TZS 150,000-TZS 2700,000

8.1.2 Financing Structure

- a. Debt – Equity structure is considered at 57% by 44%: Loan amount is TZS 6,753,450,000 while equity amount is TZS 4,992,882,643.
- b. The term loan repayment period is 8 years after grace period of two years at interest rate of 16%. The company require grace period of two years in order to complete construction works for the building, intensive marketing and business promotion to acquire enough customers and stabilization of cashflow ready for loan repayment.
- c. The cost of debt (Interest rate) is assumed at 16%

8.1.3 Revenue Assumptions (i.e., Existing & New Project)

Sn	Revenue Driver	Amount in TZS /Month)
1	Rooms Accommodation	310,250,000
2	Food & Beverage	26,766,667
3	Laundry	2,433,333
4	Conference	10,000,000
5	Swimming Pool	1,520,833
6	Gym	3,041,667
	Total	354,012,500

Detailed Revenues assumptions have been appended in the excel sheet

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

8.1.4 Operating cost (existing & new project)

Sn	Cost Driver	Amount in TZS/Month
1	Food & Beverage	87,637,533
2	Water & Electricity	6,534,082
3	Hotel Repair & Maintenance	15,354,430
4	Administration & Marketing Expenses	15,752,336
	Total	125,278,381

Detailed cost assumptions have been appended in the excel sheet

8.2 Financial Analysis

8.2.1 Profitability & Cashflow Projection

Based on the projected income statement, the project will generate profit throughout its operation life span. In Year 1 annual revenues will be TZS 4.248 billion and net profit after tax will be TZS 1.034 billion. Revenues and net profit will grow to TZS 16.0221 billion and profit of TZS 9.718 billion respectively in year 15.

The projected net cashflow statements indicates that the company will generate net cashflow of TZS 234.470 million in Year 1 and will grow to TZS 9.765 billion in Year 15. This justifies that the project will generate adequate cashflow to service its financial obligations.

8.2.2 Ratios

In financial analysis, financial ratios and efficiency ratios are used as an index or yardstick for evaluating the financial position of a firm. It is also an indicator for the strength and weakness of the firm or a project. Using the year-end balance sheet figures and other relevant data, the most important ratios such as return on sales which is computed by dividing net income by revenue, return on assets (operating income divided by assets), return on equity (net profit divided by equity) and return on total investment (net profit plus interest divided by total investment) has been carried out over the period of the project life and all the results are found to be satisfactory. The debt service coverage ratio will be 2.07 times in Year 1 and will increase to whole project life span. This justifies that the project cashflow is adequate to service loan obligation.

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

8.2.3 Break-even analysis

The break-even analysis establishes a relationship between operation costs and revenues. It indicates the level at which costs and revenue are in equilibrium. To this end, the break-even point for capacity utilization and cashflow projection value are computed and the project has average break-even capacity utilization of 9.48%

8.2.4 Pay- back Period

The pay -back period, also called pay – off period is defined as the period required for recovering the original investment outlay through the accumulated net cash flows earned by the project.

Accordingly, based on the projected cash flow it is estimated that the project's initial investment will be fully recovered within 6.9 years.

8.2.5 Internal Rate of Return (IRR)

The internal rate of return (IRR) is the annualized effective compounded return rate that can be earned on the invested capital, i.e., the yield on the investment. Put another way, the internal rate of return for an investment is the discount rate that makes the net present value of the investment's income stream total to zero. It is an indicator of the efficiency or quality of an investment. A project is a good investment proposition if its IRR is greater than the rate of return that could be earned by alternate investments or putting the money in a bank account. Accordingly, the IRR of this project is computed to be 20.82% when discount rate of 16% is applied. This indicates the project is viable.

8.2.6 Net Present Value

Net present value (NPV) is defined as the total present (discounted) value of a time series of cash flows. NPV aggregates cash flows that occur during different periods of time during the life of a project in to a common measuring unit i.e. present value. It is a standard method for using the time value of money to appraise long-term projects. NPV is an indicator of how much value an investment or project adds to the capital invested. In principle, a project is accepted if the NPV is positive. Accordingly, the net present value of the project at 16% discount rate is found to be TZS 4.956 billion which is acceptable.

9 RISK ANALYSIS AND MITIGATION

9.1 Market risk

Market Risk will occur, for example, when the hotel services price charged to customers fall or in worst case scenario the demand for hotel in Dodoma City ceases. This risk is

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

mitigated by the fact that demand for hotel at Dodoma City is increasing due to increase in urbanization, population, economic and social activities which attract more businessmen, tourists, foreign travelers, government officials and investors. Furthermore, LST will hire a qualified marketing team who has already established customer networking and relationship with various organization to get customers.

9.2 Completion risk

Like any other project in the construction sector, this Project is susceptible to the completion risk (also known as Construction, Development, or Cost-Overrun risk). The owner expects the loan proceeds and equity injected to be spent on construction of the new facility on time and within budget.

To mitigate this completion risk, the reputable contractor and professional engineer will be appointed to construct and complete hotel project on time and within budget under turnkey contract.

9.3 Engineering Risk

The risk is also known as design risk can arise from poor professional advice or selection of an inappropriate or inexperienced firm for building design.

To mitigate this risk, the building and other facilities are designed by the professional engineers and quantity surveyors. The hotel design will accommodate all facilities to operate a standard 4-star hotel.

10. ENVIRONMENT IMPACT ASSESSMENT

LST will carry out environmental and social impacts assessment (ESIA) so as to understand and mitigate possible impacts to humans, animals, plants and the environment. In the process of design, development, construction and commissioning of hotel Building, LST take measures to minimize atmospheric emissions, land pollution and any form of environmental degradation as required by NEMC and other Government authorities.

11. ECONOMIC AND SOCIAL IMPACT

The hotel building has social-economic impacts as follows:

- a. The project is found to be financially viable and generate profit within the project life span. Therefore, in the project life under consideration, the region will collect various taxes. Such results create additional fund for the government that will be used in expanding social and other basic services.
- b. The project will minimize the hotel deficit in Dodoma City
- c. The project will create employment of about 25 people

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST, DODOMA MUNICIPALITY-TANZANIA

- d. The project has multiplier effect to the people of Dodoma city surrounded by the project.
- e. The project support tourism, social and economic growth of Tanzania because it provides accommodation facilities and other hotel services.

12. CONCLUTION

LST is constructing new hotel as part of its expansion programme of the existing hotel. The company is confidence that the project will be completed successfully of which investors and lenders are assured their return of capital to be invested due to the following reasons

- a. The company will employ competent contractor to undertake construction works successfully on time and within the budget.
- b. Currently, there is high demand for hotel in Dodoma City due to population, social and economic growth.
- c. The project is located at the Dodoma City which is considered to be strategic market location for the proposed hotel project.
- d. The project will be promoted and managed by competent marketing team
- e. The project is technically, financially and commercially feasible and hence worth for implementation.

13. APPENDIX (Financial Projections)

- a. Investment Cost & Financing Plan
- b. Key Assumptions
- c. Expenses Assumptions
- d. Loan Repayment Schedule
- e. Depreciation
- f. Revenues
- g. Direct & Indirect Expenses
- h. Projected Profit & Loss Statement
- i. Projected Cashflow Statement
- j. Discounted Cashflow Statement
- k. Balance Sheet Statement
- l. Financial Analysis Statement

CONSTRUCTION OF HOTEL AT PLOT NO. 7 & 9, MEDELI EAST,
DODOMA MUNICIPALITY-TANZANIA

m. Break Even Analysis Statement