

EMCO (TANZANIA) LIMITED

Business Plan

for

Development and Operating Tourist Beach Resort

At Plot No. 1,2,4,5,6 & 7, Block A, Amani Gomvu Area,

Kigamboni, Dar es Salaam

Prepared by:

EMCO(TANZANIA) LIMITED

1.0. EXECUTIVE SUMMARY

1.1 Project Concept

The envisaged project will involve the construction of a modern beach resort with 10 independent cottages with journey operations services, the proposed beach resort is intended to reduce the shortage of good and affordable accommodation for tourists and business executives visting Dar es Salaam, the proposed beach resort will provide all basic services. The project developer plans to have the following:

- Guest cottage with 10 of 20 beds of different categories including a two-family cottage to accommodate a maximum of 30 visitors at full occupancy,
- The main building containing the Reception area will be a premium place, which will be used by arrivals to rest while waiting for the service.
- The central building will also be comprised of offices for management activities, public toilets, a gift shop, and business center, a restaurant, a bar, a kitchen, and cold rooms.
- Swimming pool, and associated changing rooms, flush toilets and showers, spa, and sauna
- Staff/Driver's quarters and associated facilities
- Generator, powerhouse, house and storage rooms, and workshop for light maintenance of vehicles and other equipment
- Car parking Wastewater management facilities

The project's detailed designs have been carried out by a reputable international consultant.

The project will involve setting up site services/civil works, motor vehicles, general machinery and equipment, room equipment, general furniture and fittings, and room furniture and fittings.

The project will employ adequately trained and experienced management and employees.

The project document presents a proposal by EMCO (TANZANIA) LIMITED, a locally registered company with Certificate of Registration No.3780 Dated 18th January 1966. The project promoters are confident of mobilizing financial resources through shareholders' equity by US\$2,715,000 and the remaining US\$2,000,000 through local loan

This study will be used as a guiding tool and will be presented to TIC for obtaining a certificate of incentives to facilitate the smooth implementation of the project.

1.2 Location

The project will be located at **Plot No. 1, 2,4,5,6 & 7, Block A, Amani Gomvu Area, Kigamboni, Dar es Salaam**

1.3 The Sponsors

EMCO (TANZANIA) LIMITED will be sponsoring this project. The Company is currently jointly owned by three shareholders both of British

Share Holders	% of Share	Nationality
KAMLESH MANUBHAI MADHVANI	0.03	British
SHRAI MADHVANI	0.03	British
INDEPENDENT DEVELOPMENT LIMITED	99.94	British

1.4 EMCO(TANZANIA) LIMITED

The company's main business objectives include the following:

- To operate tourist lodge
- To operate real estate development etc.

1.6 Objective of Study

The purpose of this study is to work out the technical and commercial details and financial viability of the permanent beach resorts project

1.7 Tourism Overview

Tanzania is a country with many tourist attractions. Approximately 38 percent of Tanzania's land area is set aside in protected areas for conservation. There are 17 national parks, 29 game reserves, 40 controlled conservation areas (including the Ngorongoro

Conservation Area), and marine parks. Tanzania is also home to Mount Kilimanjaro, the highest point in Africa.

Travel and tourism contributed 17.5 percent of Tanzania's gross domestic product in 2016 and employed 11.0 percent of the country's labor force (1,189,300 jobs) in 2013. The sector is growing rapidly, rising from US\$1.74 billion in 2004 to US\$4.48 billion in 2013.[5] In 2016, 1,284,279 tourists arrived at Tanzania's borders compared to 590,000 in 2005

In 2019, the Tanzanian tourism sector generated US\$2.6 billion in revenues with 1.5 million tourist arrivals

In 2020, due to COVID-19, travel receipts declined to US\$1.06 billion and the number of international tourist arrivals declined to 616,491.

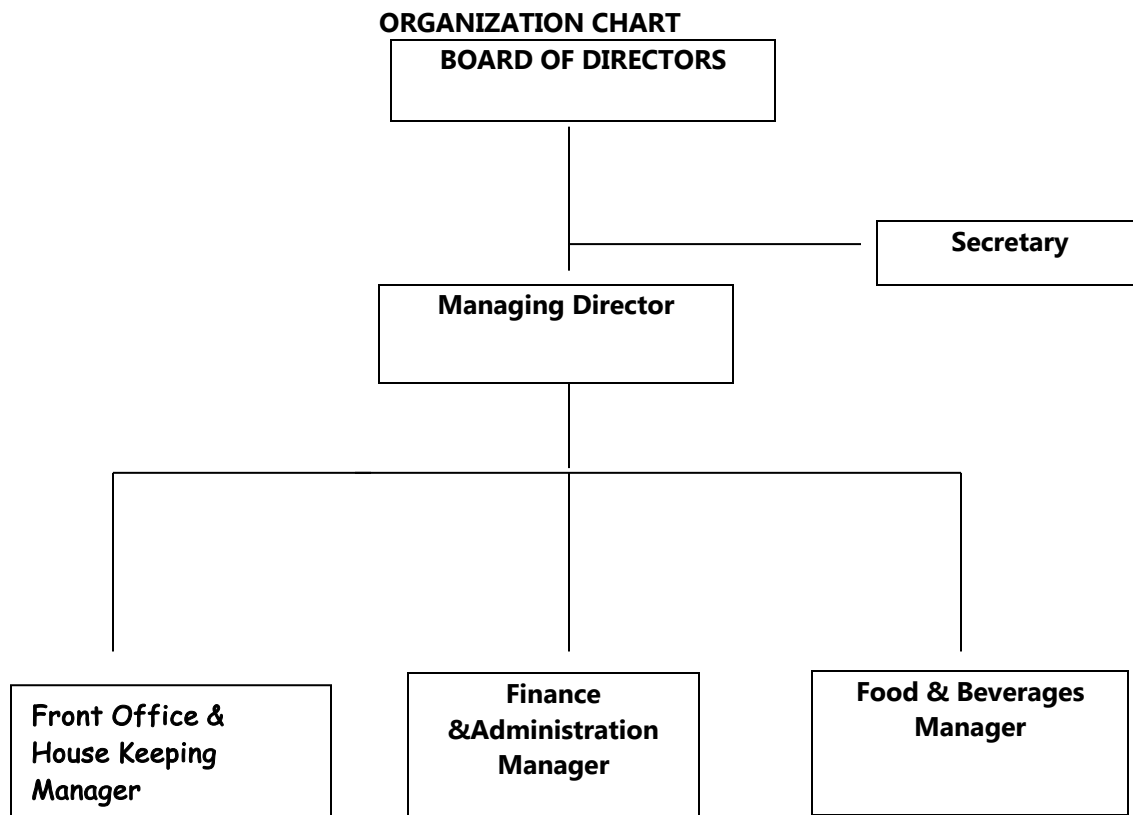
In October 2021, the Ministry of Natural Resources and Tourism of Tanzania was granted TSh.90 billion/= for the financial year 2021-2022, part of the IMF loan for emergency financial assistance to support Tanzania's efforts in responding to the Covid-19 pandemic.

The market survey carried out reveals that the current demand for hotel rooms is higher than the current supply. There is a wide gap between supply and demand and therefore, business opportunities

exist for setting up additional lodge facilities to satisfy the market requirements.

2.0 Project Management and Manpower Requirements

EMCO (TANZANIA) LIMITED will be under Management with vast experience in managing various tourist lodges, the overall change regarding policy and business strategy will be the responsibility of the board of directors. The Managing Director will be assisted by properly trained managers in the areas of Sales and Marketing, Finance, Administration, and Operations, who will together comprise the management team. 34 staff will be directly employed.



2.1 Project description

Significant measures have been taken to liberalize the Tanzania economy to encourage the private sector to take a lead in Tanzania's economic growth; The Government of Tanzania embarked on an adjustment program to give the private sector the leading role.

It is given the above; **EMCO (TANZANIA) LIMITED** came up with a proposal to construct and operate a beach resort project.

It is expected that the construction of the beach resort project will be completed within one year time and the company will apply to be exempted from paying import duty and VAT on Capital goods and deemed capital goods, the project will contribute significantly toward the tourism sector and construction sector.

2.2 Targeted Markets.

The targeted markets of the project are upper budget and middle market segments both foreigners and locals who are visiting Dar es Salaam, It also targets to exploit the corporate market, especially for conferences, package accommodation, parties, shop space, holidaymakers, business travelers, etc.

The National Bureau of Statistics (NBS) has released the new number of international arrivals in the country which shows that in 2023, the number increased to 1,131,286 compared to 900,182 who

entered the country in 2022, thanks to the Royal Tour film by President Samia Suluhu Hassan.

The new figures indicate that there is an increase of 231,104 visitors equivalent to 25.7%, according to NBS. "Out of the total arrivals who entered the country, 336,203 visitors had their entry through Zanzibar, equivalent to 31.1per cent of total arrivals,"

2.3 **Supply and Competition**

The proposed beach resorts will compete with all lodges and hotels in Dar es Salaam currently classified to include; lodges, vocational hotels, and tented camps, within an 8km radius from the proposed hotel no hotel of high quality is available, only gust houses are available According to National Bureau of Statics, the occupancy rates fluctuate around 50%

2.4 **Market Strategy**

According to experts, personal selling is the most effective method for marketing packaging accommodation, training, and conference services because of the customers and institutions. To reduce sunk costs, the project will use marketing agents who will be paid commissions on successful deals. Marketing in all types of media and publicity will support and enhance personal selling

The project will use the internet for advertising to potential customers in the world.

2.5 Pricing

The pricing policy for the project will be based on the service cost and competition levels considering various variables namely:

- Service positioning
- Gain market share from competitors
- Stimulating and increasing demand and
- Achieving profitability and liquidity financial performance goals

The recommended market entry tariffs for rooms are US\$250 per bed.

2.6 Monitoring and Evaluation

The Management has full commitment to ensuring good use of the resourced and sustainable environment and the well-being of the community with which they do business. Thus, the management philosophy is through business processes, managers will strive to ensure compliance with standards and the safety of the products and customers they serve.

3.0 Project Investment Cost

The estimated capital investment cost of the project is US \$ 4,715,000

EMCO (TANZANIA) LIMITED COST STRUCTURE US\$

PARTICULAR	US\$
Land and Buildings	3,000,000.00
Machinery & Equipment	200,000.00
Motor Vehicles	300,000.00
Furniture & Fixtures	1,000,000.00
Pre exp	10,000.00
Others	5,000.00
Working Capital	200,000.00
TOTAL	4,715,000.00

4.0 Financing pattern

The project will be financed by equity of US\$ 2,715,000 and a loan being US \$2,000,000

5.0 Project operating costs

To realize its intended objective the project will have to meet the operating costs amounting to 65% of revenue.

6.0 Aspect of Project Sustainability

The project sponsors having studied market conditions and the infrastructure in Tanzania are convinced that the project will be able to operate undisturbed. The growth of the tourism sector and economic activities in Dar es Salaam City assures them of a steady market. The peace and tranquility that exist in Tanzania is another aspect of assured business sustainability.

7.0 Monitoring and Evaluation

The monitoring and evaluation tools will be applied in running this project as well, the project sponsors are determined to cooperate fully with the government and other stakeholders for smooth business running.

8.0 Financial Analysis

8.1 Considerations and Assumptions:

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight line method to depreciate the project's capital items has been applied.

It is assumed that the major building raw material will be procured from local market and other will be imported. Revenues have been conservatively estimated based on experience of the promoters and trends in the hospitality industry.

8.2 Financial Statements:

8.3 Projected Hotel Revenue

For projection purposes, it is assumed that the economic life of the project is 10 years and that revenue from the beach resort business commences from the first year of operation.

8.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 10 years. The position depicted is that the project earns profit throughout its life.

8.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end-of-year cash flow from year 1st of operation to the 10th year

8.6 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under the same heading. The net worth of the project increases from the first year of operation to 10th year

8.7 Projected payback period

Total investment is US \$ 4,715,000, cash accumulation in year 6 is US\$. 5,159,734 which is more than the initial investment The project has a relatively short payback period. It is remarkably impressing for a project whose investment is as big as US\$ 4,715,000 to be recovered in 6 years.

8.8 Projected loan repayments

The loan borrowed from a financial institution is expected to be fully paid within 4 years of the projection operation

8.9 Projected Risks

This is a real estate investment; no major risks have been identified for this kind of project so far. Unless a change in the country's political and economic stability occurs the project is more likely to prosper very fast for a very long period.

9.0 Economic Aspects

Implementation of this project will have the following social and economic values

- The project is an ideal option for utilization of the recently acquired prime site
- The project will increase the share value of shareholders
- The project will create employment for 30 people on a permanent contract basis as well as temporarily.
- It will create more business opportunities for local suppliers and transporters, which will also have a trickle-down effect on environmental issues.
- It will generate substantial revenue for the government in the form of corporate tax, value-added tax, and pay-as-you-earn.
- The project will have a transfer of knowledge and skills as far as managing a beach resort project

10.0 Implementation

Project implementation is expected to be relatively very short once the project has been approved it is estimated that the construction of the hotel will be completed within one year:-

ACTIVITY	PERIOD
Processing TIC Certificate of Incentive	March 2024
Hotel construction	April -March 2026
Procurement of hotel furniture and other facilities	March-June2026
Recruitment	June 2026
Testing business and in-house training	July - August 2026
Commercial operations	August 2026

11.0 Conclusion and Recommendations

The project is technically feasible, financially viable, and economically sound, provided the sponsors will manage it efficiently.

It is recommended that the project be approved by the Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 1997.

EMCO (TANZANIA) LIMITED COST STRUCTURE US\$

PARTICULAR	US\$
Land and Buildings	3,000,000.00
Machinery & Equipment	200,000.00
Motor Vehicles	300,000.00
Furniture & Fixtures	1,000,000.00
Pre exp	10,000.00
Others	5,000.00
Working Capital	200,000.00
TOTAL	4,715,000.00

EMCO (TANZANIA) LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5	6	7	8	9	10
Revenue (Food & drinks)	1,680,000	1,764,000	1,852,200	1,944,810	2,042,051	2,144,153	2,251,361	2,363,929	2,482,125	2,606,231
Revenue (Accommodation)	875,000	918,750	964,688	1,012,922	1,063,568	1,116,746	1,172,584	1,231,213	1,292,774	1,357,412
Total revenue	2,555,000	2,682,750	2,816,888	2,957,732	3,105,618	3,260,899	3,423,944	3,595,142	3,774,899	3,963,644
Operating Expenses:	1,533,000	1,609,650	1,690,133	1,774,639	1,863,371	1,956,540	2,054,367	2,157,085	2,264,939	2,378,186
Profit before Depreciation & Interest	1,022,000	1,073,100	1,126,755	1,183,093	1,242,247	1,304,360	1,369,578	1,438,057	1,509,959	1,585,457
Interest	160,000	120,000	80,000	400,000	-	0	0	0	0	0
Depreciation	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000
Gross Profit	670,000	761,100	854,755	591,093	1,050,247	1,112,360	1,177,578	1,246,057	1,317,959	1,393,457
Tax (30%)	201,000	228,330	256,427	177,328	315,074	333,708	353,273	373,817	395,388	418,037
Profit After Tax	469,000	532,770	598,329	413,765	735,173	778,652	824,304	872,240	922,572	975,420
Accumulated Profit	469,000	1,001,770	1,600,099	2,013,863	2,749,037	3,527,688	4,351,993	5,224,232	6,146,804	7,122,224

EMCO (TANZANIA) LIMITED PROJECTED BALANCE SHEET US \$

Fixed Assets	-	1	2	3	4	5	6	7	8	9	10
Opening balance	-	4,500,000	4,308,000	4,116,000	3,924,000	3,732,000	3,540,000	3,348,000	3,156,000	2,964,000	2,772,000
Total Long-term Assets	-	4,500,000	4,308,000	4,116,000	3,924,000	3,732,000	3,540,000	3,348,000	3,156,000	2,964,000	2,772,000
Less depreciation	-	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000	192,000
Closing balance	-	4,308,000	4,116,000	3,924,000	3,732,000	3,540,000	3,348,000	3,156,000	2,964,000	2,772,000	2,580,000
Working capital	215,000	215,000	215,000	215,000	215,000	215,000	215,000	215,000	215,000	215,000	215,000
Accumulated cash	-	812,000	1,656,770	2,527,099	3,532,863	4,460,037	4,460,037	4,460,037	4,460,037	4,460,037	4,460,037
Total assets	215,000	5,335,000	5,987,770	6,666,099	7,479,863	8,215,037	8,023,037	7,831,037	7,639,037	7,447,037	7,255,037
Financed by											
Equity	2,715,000	2,715,000	2,715,000	2,715,000	2,715,000	2,715,000	2,715,000	2,715,000	2,715,000	2,715,000	2,715,000
Accumulated profit	-	469,000	1,001,770	1,600,099	2,013,863	2,749,037	3,527,688	4,351,993	5,224,232	6,146,804	7,122,224
Total equity	2,715,000	3,184,000	3,716,770	4,315,099	4,728,863	5,464,037	6,242,688	7,066,993	7,939,232	8,861,804	9,837,224
Long term loan	2,000,000	1,500,000	1,000,000	500,000	-	-					
Total debts	2,000,000	1,500,000	1,000,000	500,000	-	-					
Total equity and debts	4,715,000	4,684,000	4,716,770	4,815,099	4,728,863	5,464,037	6,242,688	7,066,993	7,939,232	8,861,804	9,837,224

EMCO (TANZANIA) LIMITED PAYBACK PERIOD US\$

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	469,000	192,000	661,000	1,141,048
2	532,770	192,000	724,770	1,865,818
3	598,328	192,000	790,328	2,656,146
4	413,764	192,000	605,764	3,261,910
5	735,173	192,000	927,173	4,189,083
6	778,651	192,000	970,651	5,159,734
7	872,239	192,000	505,283	5,665,017

EMCO (TANZANIA) LIMITED LOAN REPAYMENT

Year	principle	Loan Interest (6%)	Total Amount Paid	Loan Balance
1	500,000.00	160,000.00	660,000.00	2,000,000.00
2	500,000.00	120,000.00	620,000.00	1,500,000.00
3	500,000.00	80,000.00	580,000.00	1,000,000.00
4	500,000.00	40,000.00	540,000.00	500,000.00
5	500,000.00	-	500,000.00	-

