

KARATA TUME LIMITED

BUSINESS PLAN

FOR

ESTABLISHMENT OF

A TOURIST RESTAURANT PROJECT



Prepared for:
KARATA DUME LTD
DAR ES SALAAM
September 2011

1.0. EXECUTIVE SUMMARY

1.1 Project Concept

The envisaged project will involve leasing and rehabilitation of premises to be used for tourist restaurants specializing providing in cocktails and other specialized services to the targeted segment. The proposed modern tourist restaurant is one of its kind in Tanzania, the service provided will be unique and intended to reduce the shortage of specialized services to tourists and other clients who need to attend and enjoy various food, drinks, services of high quality, spacious place, affordable price for tourists and business executive, the proposed lounge will provide all basic services.

The project will involve leasing premises, procuring equipment, in-house training, general furniture, etc.

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

The project document presents a proposal by KARAA DUME LTD, a locally registered company with Certificate of

Registration No. 154087028 Dated 11 day of November 2021.

The project promoters are confident of mobilizing financial resources through equity contribution by 100%

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 Farm No. 38-41 Block No. 'AA'

Street: Raha Leo Area, District: Lindi Municipal Region: Lindi

1.3 The Sponsors

KARATA DUME LIMITED will be sponsoring this project. The Company is currently jointly owned by three shareholders with a share capital of Tsh 50,000,000/=

Names of Subscribers	% of Shares
Joyce Mwita Gachuma P.O Box 105774 DAR ES SALAAM TANZANIA	51
Carlos Bastos Mella P.O Box 105774 DAR ES SALAAM TANZANIA	49

1.4 THE KARATA DUME LIMITED

The company's main business objectives include the following:

- To carry on all or any of the business of cocktail lounge, dessert bar tourist hotel, lodge, campsite, restaurant, bar rest house, or any related business.
- To carry on the business of real estate, apartments, commercial buildings, etc.

1.5 OBJECTIVE OF THE STUDY

The purpose of this study is to work out the technical and commercial viability of the project

1.7 TOURISM OVERVIEW

Tanzania is among the few countries in the world endowed with such a vast range of tourist attractions, Tanzania has 13 national parks, 29 game reserves, 40 controlled conservation areas, and marine parks that are located in the Northern and Southern parts of the country. More than 25% of Tanzania's land area of about one million square kilometers is covered with magnificent game reserves and national parks. Tanzania

is also home to Mt. Kilimanjaro, The miles-long silver sand beaches and the rich historical site of the spicy islands of Zanzibar are yet another attraction that Tanzania is blessed with.

The market survey carried out reveals that the current demand for a modern tourist-specialized restaurant providing customized services like the one provided by KARATA DUME LIMITED is higher than the current supply. There is a wide gap between supply and demand and therefore, in summary, there is no such service in the Tanzania market to date, business opportunities exist for establishing a business of cocktail lounges, dessert bars, etc. facilities to satisfy the market requirements.

2.0 PROJECT MANAGEMENT AND MANPOWER REQUIREMENTS

KARATA DUME LIMITED will be under Management with vast experience in managing various international businesses the owners of the project are operating the business in Dar es Salaam popularly known as Samaki Samaki; the project will be directly managed by the Manager will be assisted by two

managers, these 3 together comprise the management team assisted by 10 staff will be directly employed.

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; **KARATA DUME LIMITED** came up with a proposal to establish such a project in Tanzania.

It is expected that the establishment and commercial operation will be starting within 2 months from now 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.

2.2 **TARGETED MARKETS.**

The targeted markets of the project are upper budget and middle market segments both foreigners and locals who are visiting Tanzania, It also targets to exploit the individuals, holidaymakers, and business travelers who need such specialized services

2.3 **SUPPLY ASSESSMENT**

An assessment of the facilities supply matrix shows that these facilities are not available in the Tanzania market. It is due to this shortfall that the Tanzania Government is emphasizing the expansion of the provision of various services to tourists and locals in general

- Tourist hotel
- Tourist restaurant
- Lodges and Camping site
- Tour Operators
- Travel Agent
- Boat Safari
- Hunting and Photographic safaris
- Mountain Climbing and

- Handling Agents

2.4 **DEMAND ASSESSMENT**

Demand for modern specialized tourist restaurant facilities for visitors who make safaris to national parks, game reserves, coastal beach resorts, historical ruins, and cultural activity centers. These safaris do vary in number and frequency depending on seasons. There are three main tourist seasons in Tanzania:

- Low Season: February-May
- Average Season: October-January
- High Season: June-September

The tourists' safaris are centered along the two main tourist circuits including Zanzibar.

Demand for tourist hotel services arises from the demand to visit these tourist attraction centers.

Apart from tourists, the project targets the domestic market

2.5 **MARKET STRATEGY**

According to experts, personal selling is the most effective method for marketing packaging for the services industry. To

reduce sunk costs, the project will use various marketing strategies such as:

- Internet
- Specialized magazine, newspaper
- Radio
- Television
- Posters
- Sponsorship etc

The project services will be aggressively promoted to the domestic market and skilled personnel will be recruited

2.6 PRICING

The pricing policy for the project will be based on the service cost and competition levels from substitute services available in the Tanzania market considering various variables namely:

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

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 \$80,000 out of which US \$50,000 will be fixed investment costs.

KARATA DUME COST STRUCTURE

PARTICULAR	US\$
Land and Buildings	15,000.00
Machinery & Equipment	10,000.00
Motor Vehicles	15,000.00
Furniture & Fixtures	10,000.00
Pre exp	5,000.00
Others	10,000.00
Working Capital	15,000.00
TOTAL	80,000.00

For the project to be a reality a total investment amounting to US \$80,000 is needed

(i) Land and Building: Us \$15,000

The Company is planning to renovate the leased building, cost for renovation is estimated to be US \$15,000.

(ii) Machinery and Restaurant Equipment: US\$ 10,000

Some US \$10,000 is anticipated to be spent on the purchase of various hotel equipment and tools that will accommodate new technology

(iii) Motor Vehicles: US\$15,000

The project will need 1 min bus, 1 Land Cruiser, and 1 double cabin pick. These vehicles will be used to facilitate project business and double cabin pick-up for administrative purposes.

(iv) Restaurant Furniture: US \$10,000

This investment cost item has been estimated to cost US \$10,000. It will consist of, tables, chairs, telephone, fax, machines, file cabinets, sofa chairs, etc.

(v) Pre-Operational Expenses: US\$ 70,000

They cover things like company registration, and expenses spent in exploring the viability of the project, especially the market/client identification exercise. Also included under this item are issues like consultancy fees, legal fees, and recruitment and training costs of personnel.

(vi) Initial Working Capital: US\$5,000

Calculations will be as assumptions for working capital requirements, it is estimated that it will cost US \$ 5,000.

4.0 Financing pattern

The project will be financed by equity by 100%; constituting US\$ 80,000

5.0 Project operating costs

To realize its intended objective the project will have to meet the following operating costs.

Administrative Expenses	US\$ 5,000.00
Motor vehicle running expenses	US\$ 6,000
Salaries and Wages	US\$ 15,000
Donation	US\$2,000
Depreciation	US\$ 3,550
Marketing Costs	US\$ 5,000
Maintenance & Repair	US\$ 4,000
Utility costs	US\$ 8,000
Insurance	US\$ 6,000
Communication	US\$ 3,000
Pension Contribution	US\$ 2,200

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 the rise of middle-income earners assure 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. The capital investment allowance is 50%. The capital assets are exempted from customs duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied.

Revenues have been conservatively estimated based on the experience of the promoters and trends in the hospitality industry.

8.2 Financial Statements:

8.3 Projected Revenue

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

KARATA DUME LIMITED SALES PROJECTED REVENUE LTD

	1	2	3	4	5
Sales Revenue	172,800.00	174,528.00	176,273.28	178,036.01	179,816.37

8.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 5 years. The position depicted is that the project earns profit throughout its life. Accumulated after-tax profits grow from. US\$42,847 in first year to US \$405,177 in the 5 year

KARATA DUME LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5
Sales Revenue	172,800.00	174,528.00	176,273.28	178,036.01	179,816.37
Cost of Sales	51,840.00	52,358.40	52,881.98	53,410.80	53,944.91
Gross Profit	120,960.00	122,169.60	123,391.30	124,625.21	125,871.46
Operating Expenses:					
Administrative Expenses	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Motor vehicle running					

expenses	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Salaries and Wages	15,000.00	15,000.00	15,000.00	15,000.00	15,000.00
Donation	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Depreciation	3,550.00	3,550.00	3,550.00	3,550.00	3,550.00
Marketing Costs	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Maintenance & Repair	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Utility costs	8,000.00	8,000.00	8,000.00	8,000.00	8,000.00
Insurance	6,000.00	6,000.00	6,000.00	6,000.00	6,000.00
Communication	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Pension Contribution	2,200.00	2,200.00	2,200.00	2,200.00	2,200.00
Total Expenses	59,750.00	59,750.00	59,750.00	59,750.00	59,750.00
Profit before tax	61,210.00	62,419.60	63,641.30	64,875.21	66,121.46
Tax (30%)	18,363.00	18,725.88	19,092.39	19,462.56	19,836.44
Profit After Tax	42,847.00	61,572.88	80,665.27	100,127.83	119,964.27
Accumulated Profit	42,847.00	104,419.88	185,085.15	285,212.98	405,177.25

8.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end-of-year cash flow from year 1U, S\$ 102,597 of operation to the 5th year i.e. US\$ 521,537

KARATA DUME LIMITED PROJECTED CASH FLOW " US\$"

SOURCES:		1	2	3	4	5
Profit before interest and depreciation	-	120,960	122,170	123,391	124,625	125,871
Equity	80,000					
Loan	-	-	-	-	-	-
Total Sources	80,000	120,960	122,170	123,391	124,625	125,871
Applications:						
Capital expenditure	50,000	-	-	-	-	-
working Capital & Others	30,000					
Cash	-	102,597	103,444	104,299	105,163	106,035
Tax	-	18,363	18,726	19,092	19,463	19,836
Sub total	80,000	120,960	122,170	123,391	124,625	125,871
Total applications	80,000	120,960	122,170	123,391	124,625	125,871
Accumulated cash		102,597	206,041	310,340	415,502	521,537

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 US\$ **80,000** in the first year of operation to US\$ \$ **485,177 in** the 5th year.

KARATA DUME PROJECTED BALANCE SHEET " US \$"

Fixed Assets	-	1	2	3	4	5
Opening balance	-	50,000	46,450	42,900	39,350	35,800
Total Long-term Assets	-	50,000	46,450	42,900	39,350	35,800
Less depreciation	-	3,550	3,550	3,550	3,550	3,550
Closing balance	-	46,450	42,900	39,350	35,800	32,250
Working capital	30,000	30,000	30,000	30,000	30,000	30,000
Accumulated cash	-	102,597	206,041	310,340	415,502	521,537
Total assets	30,000	179,047	278,941	379,690	481,302	583,787
Financed by						
Equity	80,000	80,000	80,000	80,000	80,000	80,000
Accumulated profit	-	42,847	104,420	185,085	285,213	405,177
Total equity	80,000	122,847	184,420	265,085	365,213	485,177
Total debts	-	-	-	-	-	-
Total equity and debts	80,000	122,847	184,420	265,085	365,213	485,177

8.7 Projected payback period

Total investment is US \$ 80,000 cash accumulation second year is 111,520 which is more than the initial investment of US US 31,520 the project payback period is within 2 years,.

KARATA DUME PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	42,847	3,550	46,397	46,397
2	61,573	3,550	65,123	111,520
3	80,665	3,550	84,215	195,735
4	100,128	3,550	103,678	299,413
5	119,964	3,550	123,514	422,927

9.0 Economic Aspects

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

- The project is an ideal option for the utilization of business opportunities available in the Tanzania market
- The project will create employment for 10 people on a permanent contract basis as well as temporarily.
- It will create more business opportunities for local suppliers which will also have a trickledown effect in 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 the transfer of knowledge and skills to another tourist restaurant as far as managing a lodge project
- The project will generate foreign earnings

10.0 Implementation

Project implementation is expected to be relatively very short once a project has been approved:-

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	February 2024
2	Restaurant renovation	August to November 2024
3	Procurement of hotel furniture and other equipment facilities	August- November 2024
3	Recruitment	December 2034
4	Testing business and in-house training	December 2024- January 2025
6	Commercial operations	February 2025

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.