

# **FEASIBILITY STUDY**

**FOR**

**HIDDEN TREASURES OF TANZANIA SAFARIS  
LIMITED**

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## **1.0 EXECUTIVE SUMMARY**

### **1.1 The Project**

Hidden Treasures of Tanzania Safaris Limited has embarked on a tour operation project envisaging the expansion of its operation of a fleet of 4WD long safari and luxury vehicles for tourism and business in Tanzania.

The project entails the acquisition of 40 vehicles comprising medium and large-size, Saloon cars, double cabin pick-ups & and top station wagons. It also intends to buy minibuses and medium-sized buses. The planned initial fleet of vehicles consists of the following models: -

### **1.2 Ownership and Management**

Hidden Treasures of Tanzania Safaris Limited is owned by two Tanzanians. Both are well trained and have had long experiences in running and managing Tour and transport operations. They are also well-versed in the motor vehicle industry both in selling and maintenance. The daily operations of the company are under a professional management team comprising a Managing Director and experienced local professionals in the industry. It is planned to implement the project over 3 years inclusive of the time required to mobilize funds and to obtain TIC certification for the project.

### **1.3 The Market**

The main market segments for Hidden Treasures of Tanzania Safaris Limited Hidden Treasures of Tanzania Safaris Limited will comprise tourists visiting Tanzania wildlife resorts, institutions, and individuals

opting for hiring vehicles for their operations. Another clientele base will be tour operators with limited vehicle capacity, travel agencies, the government and its departments, foreign missions and international organizations, private companies, and individuals engaged in up-country and remote area operations. Experience from existing operations and hire companies shows that newly established private and foreign companies utilize hired vehicles instead of running their fleets.

Land cruisers are renowned for long safaris hence should find a ready market within the government departments, especially for shuttles between Arusha, Dodoma, Arusha, and other areas. To ensure competitiveness, the new Hidden Treasures of Tanzania Safaris Limited vehicles will carry a tariff similar to that of other operators most of who are using reconditioned and second-hand vehicles.

#### **1.4 Investment and Financing**

The cost of the project is currently estimated at **US\$ 2.5 million**. The amount will be required to cover stocks of spare parts, and tires and to meet services rendered on credit. The whole programme cost will be financed through shareholders equity contributions, and loans in both local and foreign. It is planned to finance working capital requirements through a bank overdraft to be raised from the company's bankers.

## ESTIMATED INVESTMENT COST

		US\$
	<b>LOCAL</b>	<b>TOTAL</b>
Land & Building	150000	150000
Workshop equipment	200,000	200,000
Motor vehicle	1,800,000	1,800,000
Furniture and fixture	20,000	20,000
Pre-operational Expenses	10,000	10,000
Others	150,000	150,000
Working capital	170000	170000
<b>Total</b>	<b>2,500,000</b>	<b>2,500,000</b>

## FINANCING PLAN

<b>S/NO</b>	<b>SOURCE</b>	<b>FOREIGN</b>	<b>TOTAL</b>
1.	Equity	2,500,000	
2.	<b>Total</b>	2,500,000	

### 1.5 CONCLUSION AND RECOMMENDATION

The Hidden Treasures of Tanzania Safaris Limited tour operating and vehicle hire as analyzed in this study is technically feasible and financially viable. The study recommends full support to the company to realize the envisaged benefits.

## **2.0 THE PROJECT**

### **2.1 Introduction**

While transport and communication are key to the success of any business undertaking in the world, the ever-increasing cost of purchase and maintenance of transport facilities has progressively led to the use of hired facilities.

In developed countries, it is a common phenomenon to run a major business operation without owning vehicles and other facilities. This merging trend has been facilitated by the growth of efficiently run tour operating and car hire companies.

To operate efficiently in Tanzania, local companies and individuals have realized the benefits associated with the use of Tour & Car hire companies, an aspect that has led to the growth of numerous tourists & vehicles hire companies and newly established multi-discipline leasing companies in Tanzania

### **2.2 THE PROJECT**

Hidden Treasures of Tanzania Safaris Limited is a tour operating and car Hire Company in Tanzania with the main base in Arusha. The company intends to start operations with a fleet of **40 new vehicles** consisting of 4WD station wagon medium size, 4WD station wagon large size, saloon cars, double cabin Pick-ups, Hard Top station wagons, Minibuses and Medium size buses. The main objective of the Company is to provide reliable vehicles for long distance traveling needs of companies and individuals in Tanzania at reasonably low and competitive hiring rates. Many companies and individuals are expected to

use the Hidden Treasures of Tanzania Safaris Limited to reduce investment costs appreciably by not having to invest in their own fleets of vehicles.

It intends to gradually expand the Hidden Treasures of Tanzania Safaris Limited hereby emerging as one of leading vehicle hire and tour operating companies in Tanzania. This study has been carried out to determine viability of the vehicle hire and tour operating project. The report will be used to obtain clearance and certification by the Tanzania Investment Centre (TIC) and other licensing Authorities. The study will also be used for mobilization of financial resources from other sources as the need may arise.

### **2.3 The Proposal**

The company has embarked on a project envisaging a tour operating and vehicle hire based on a fleet of modern safari Land cruisers, Pick-ups, saloons, Minibuses and Medium size buses.

#### **2.3.1 Land cruisers Safari Station Wagons**

The Land cruiser is a well-known vehicle in Tanzania for rough terrain and off highway operations. It is an ideal vehicle for tour operation, project sites and connection between towns and remote locations. The full loaded Land cruisers under consideration will be fitted with amenities commensurate with Nissan, Discovery and other popular models and will be offered for safaris of all types as chauffeur driven vehicles. The Land cruiser is widely used by tour operators in Tanzania and it is for this consideration that half of the Land cruisers will be stationed at Arusha to cater for the Northern Circuit tourism.

### **2.3.2 HARD TOP STATION WAGON**

Equally popular for long distance safaris and transfers are the well-known vehicles. The Wagons will be used mainly for highway shuttles between entry points, hotels and game parks. The same Wagons will be stationed at Arusha.

### **2.3.3 Car -Hire Services**

Vehicle hire services are critical in any developing society. Executive vehicle hires services call for maximum reliability, efficiency and comfort. In light of the sophistication and highly personalized services needed to meet the expectations of the modern-day executive traveler and dignitaries, governments in many parts of the world find it economical to utilize private companies to offer such services. As Tanzania is steadily becoming a focal point for socio-economic and political activities in the region the flow of executives and dignitaries deserving Car- services is bound to grow faster.

A clear indication is the rising demand potential is the emergence again of Arusha as a regional conference center, headquarters of the East African community, various big conferences facilities and growing international organizations established in the country. Movements within Arusha, connections between Arusha and the Kilimanjaro International Airport, Nairobi, the northern Wildlife Circuit will all call for availability of Car hire services in Arusha. In Arusha, executive and dignitaries' shuttle between the International Airport, government offices, business centers and hotels. Other shuttle between Arusha,

Arusha and Dodoma while many others require frequent visits to project sites located as far away as Mbeya, etc.

#### **2.3.4 Maintenance and Back up Service:**

One of the major drawbacks to efficient operation of tour and hire service companies in Tanzania is the general lack of own maintenance and back-up service facilities. While most of the vehicles will be fitted with HF or VHF Radio communication system for direct communication with head offices, the company intends to use its well-established maintenance Workshop in Arusha and reliable associate workshops in Arusha.

These workshops are being manned by qualified and well experienced personnel. All the vehicles will be linked with HF Radios connected to the Hidden Treasures of Tanzania Safaris Limited maintenance departments in Arusha. The workshops are manned by experience personnel and are well equipped with special maintenance equipment and mobile workshops stationed in Arusha. The mobile workshops offers extensive maintenance, rescue and repair services on site . Similarly, special breakdown services where towing to workshops may be necessary.

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#### **2.4 Implementation Schedule**

It is planned to implement the project over a maximum of three years period Since the vehicles are not obtainable in the local dealer's bonded warehouses, a three-to-four-month lead time has been provided for ordering the vehicles. The other critical and determining factors for timely completion of the project are fund mobilization and grating of TIC certificate for the project and completion of tax exemption procedures, activities which are now expected to take a short time in the spirit to facilitate timely execution of development projects in Tanzania.

### **3.0 COMPANY PROFILE**

#### **3.1 Location and Physical Set up**

Hidden Treasures of Tanzania Safaris Limited is a private limited liability, company registered in Tanzania on 13 February 2007. The registered offices of the company are in Arusha. Other offices are located in Arusha to provide services for the Northern circuit tourists, East African Community and those attending International Conference in Arusha. Hidden Treasures of Tanzania Safaris Limited is owned by two business Entrepreneurs, who have long experiences in various business management including Tour operation and car hire. Its shareholding pattern is as follows:

<b>NAME OF SHARE HOLDER</b>	<b>NATIONALITY</b>	<b>%SHARE- HOLDING</b>
Mohamed Wazir Msemu	Tanzanian	86.67
Mwanaidi Nuru Mbagu	Tanzanian	13.33

#### **3.2. Management and Organization Structure**

Being a private Company, Hidden Treasures of Tanzania Safaris Limited, is being managed through a Board of Directors representing the shareholders. The Board appoints reputable and experienced Managing Director and technical personnel who are responsible for the day-to-day operations. The Chairman of the company is appointed by the Shareholders to chair board meetings and to ensure that the top management implement the Company policies as directed by the Board.

The company is being managed by a professional management team headed by an experienced Managing Director with adequate experience in tour operation and vehicle hire industry and with adequate truck record in senior level management. Hidden Treasures of Tanzania Safaris Limited will employ about **49 people** most of the being drivers and tour guides.

## **4.0 MARKET**

### **4.1. Background**

The main market segment for Hidden Treasures of Tanzania Safaris Limited will comprise tourists, tour operators, travel agencies, government and its departments, diplomatic and foreign missions accredited to Tanzania companies, individuals as well as project promoters engaged in up country and remote area of operations.

Some of the companies have already demonstrated interest in utilizing the Hidden Treasures of Tanzania Safaris Limited vehicles extensively instead of establishing and running their own fleets. The private financial institutions and insurance companies are using our services in leasing our company vehicles in the bid to minimize their initial capital outlay.

Other potential clients include investors or researches & others should find the company vehicles quite ideal for their frequent visits to the project sites and international dignitaries who are coming to attend international conferences.

The mushrooming commodity trade will also constitute a prominent market for the vehicle leasing company considering the fact that, are required to tie a substantial amount of their capital in stocks than assets such as vehicles.

### **4.2. Tourism Market Segment**

In 2023, tourist arrivals to Tanzania increased by 24.3% to a record-breaking 1,808,205, from 1,454,920 tourists in 2022, 922,692 in 2021, and 616,491 in 2020 and the number is expected to rise further. To achieve the national objective, a strategy involving all sectors of the

economy and focusing on establishing new and modern tourist hotels, lodges, and camps in various destinations while increasing tourism promotion activities internationally is being encouraged and some implementation is taking place. While the private sector is participating in expanding accommodation and tourism transport facilities, the government is improving tourism infrastructure in the key destinations. Notably, even the poor roads to the national parks and game reserves are being improved regularly through constant maintenance and repair programs. There is a need for expanding tour and car hire operation capacity if the country if the number of tourists continues to increase and is expected to send more to the prime wildlife destinations. It is for this emerging business opportunity that Hidden Treasures of Tanzania Safaris Limited is introducing a new fleet of vehicles ideal for tourism safaris.

### **4.3 Market Potential for car hire Service—**

For a long time, prospective users of rental cars have invested in fleets of office and private vehicles for the lack of reliable rental services in Tanzania.

With the habit of many companies to use outsourcing methods for many services to reduce costs of operation, it is expected that there will be a surge of demand for hired vehicles to support the rapidly increasing travelling needs by investors and their officials, and government visitors. Such a market segment will be ideal for the Hidden Treasures of Tanzania Safaris Limited planned car vehicles to be dedicated to dignitaries and top officials initially in Arusha. Main

customers for vehicle rentals are international businessmen, international companies and agencies. It is reliably rental services in Tanzania. From the foregoing, it is evident that Hidden Treasures of Tanzania Safaris Limited will find a wide market potential to engage the fleet of 40 vehicles mainly due to the fact that the fleet will consist of new, reliable and luxurious vehicles charging competitive rates. A conclusion can therefore be drawn that the company will not face any market problems to threaten the investment.

## 5.0 CAPITAL INVESTMENT AND FINANCING

The cost outlay for completion of the project is currently estimated at US\$ 2.5m . The bulk of the cost outlay is towards purchase of vehicles workshop equipment, followed by office equipment and furniture. The selected vehicles are generally regarded as the most ideal for long safaris, rough roads, crater tours and car hire. A part from providing the desired comfort, the models are easy to maintain and they constitute the bulk of tour vehicles currently operating in the country. The equity and loans will finance the total project cost.

### ESTIMATED INVESTMENT COST

The capital of the project is currently estimated at about (USD 2.5 million), summarized as follows: -

	US\$	
	<b>LOCAL</b>	<b>TOTAL</b>
Land & Building	150000	150000
Workshop equipment	200,000	200,000
Motor vehicle	1,800,000	1,800,000
Furniture and fixture	20,000	20,000
Pre-operational Expenses	10,000	10,000
Others	150,000	150,000
Working capital	170,000	170,000
<b>Total</b>	<b>2,500,000</b>	<b>2,500,000</b>

### 6.1 FINANCING PLAN

The capital cost of US\$2,500,000 will be financed as follows

<b>S/NO</b>	<b>SOURCE</b>	<b>AMOUNT</b>	<b>TOTAL</b>
1.	Equity	<b>2,500,000</b>	<b>2,500,000</b>
2.	<b>Total</b>	<b>2,500,000</b>	<b>2,500,000</b>

### 6.3 REVENUE ASSUMPTIONS

The basic assumption underlying the projected car rental income and related motor vehicles management and expenses are explained below:

### 6.4 BASIC ASSUMPTIONS

The Company will have a total fleet of 40 vehicles of different classes

### 6.5 INCOME CALCULATION

It is assumed that each vehicle will operate for 25 days a month or 300 days per annum. Income is therefore calculated as follows

YEAR	1 YEAR	2- YEAR	2-YEAR	5 -YEAR
Revenue per annum	923,000	1,076,900	1,230,700,	1,423,000
INCOME (US\$)	923,000	1,076,900	1,230,700,	1,423,000

## 6.5 OPERATING COST ASSUMPTIONS

It has been assumed that operation costs is as below

**USD**

Years	1	2	3	4
Operation cost per year	553,800	646,140,	738,420	853,800
<b>Total</b>	<b>553,800</b>	<b>646,140,</b>	<b>738,420</b>	<b>853,800</b>

## 6.6 Projected Profit and Loss Accounts

Based on capacity utilization level as outlined above, the company should realize a total turnover of about **US\$ 1,230,700** during the 4<sup>th</sup> year of operation rising to **US\$1,423,000** from year 5 onwards.

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## 6.7 Cash-flow Projects

Cash flow projections indicate that Hidden Treasures of Tanzania Safaris Limited should be able to meet its financial obligations and future replacement of its fleet without reverting to the shareholders for further financing. Cash flow projections confirm further that the proposed project is highly commercially attractive.

## 7.0 CONCLUSION AND RECOMMENDATIONS

Analysis of the viability of the Project proposal to expand a modern tour and car hire operating company in Arusha proves that the proposal is financially viable and highly economically attractive. The project is promoted by a strong sponsor with ability to manage the vehicles and other activities of the company efficiently. The short

implementation period combined with the fact that the proposed vehicles can be delivered over a short period of time makes the Hidden Treasures of Tanzania Safaris Limited proposal highly attractive and ideal for supporting.

From a national point of view, the timely implementation of the project will lead to following economic benefits: -

- The tour operating business will contribute towards the expansion of the country's ground tour service capacity;
- Efficient operation of the company will increase foreign exchange earning capacity of the nation;
- The company will provide direct employment to more than 40 people in the country; and
- The government will earn substantial revenue from the operation of the tour company in the form of corporation tax and also in the form of park fees and other levies.

Conclusively, it is recommended to offer a certificate of Incentives to the company to enable timely implementation of the tour and car hire project. It is also recommended to assist Hidden Treasures of Tanzania Safaris Limited in obtaining all other statutory requirements for the Project.

# **ANNEXURES AN APPENDICES**

**HIDDEN TREASURES OF TANZANIA SAFARIS  
LIMITED  
INVESTMENT COST**

US\$

	<b>LOCAL</b>	<b>TOTAL</b>
Land & Building	150000	150000
Workshop equipment	200,000	200,000
Motor vehicle	1,800,000	1,800,000
Furniture and fixture	20,000	20,000
Pre-operational Expenses	10,000	10,000
Others	150,000	150,000
Working capital	170000	170000
<b>Total</b>	<b>2,500,000</b>	<b>2,500,000</b>

# **HIDDEN TREASURES OF TANZANIA SAFARIS LIMITED**

## **FINANCING PLAN**

**US\$**

<b>S/NO</b>	<b>SOURCE</b>	<b>local</b>	<b>Total</b>
<b>1.</b>	<b>Equity</b>	<b>2,500,000</b>	<b>2,500,000</b>
<b>2</b>	<b>Total</b>	<b>2,500,000</b>	<b>2,500,000</b>

**HIDDEN TREASURES OF TANZANIA SAFARIS  
LIMITED  
DEPRECIATION SCHEDULE**

US\$

	Rate	Value	1	2	3	4	5	6	7	8
Land & buildings	5%	150,000	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Equipment's & Fittings	12.5	200,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Motor Vehicles	25.0	1,800,000	450,000	450,000	450,000	450,000	-	-	-	-
Furniture/Fixtures	12.5	20,000	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Preoperational Expenses	20	10,000	2,000	2,000	2,000	2,000	2,000	-	-	-
			<b>487,000</b>	<b>487,000</b>	<b>487,000</b>	<b>487,000</b>	<b>37,000</b>	<b>35,000</b>	<b>35,000</b>	<b>35,000</b>

# HIDDEN TREASURES OF TANZANIA SAFARIS LIMITED

## REVENUE SCHEDULE

US\$

YEAR	1 YEAR 80%	2- YEAR 85%	2-YEAR 95%	5 –YEAR 100%
Revenue per annum	923,000	1,076,900	1,230,700,	1,423,000
<b>INCOME (US\$)</b>	<b>923,000</b>	<b>1,076,900</b>	<b>1,230,700,</b>	<b>1,423,000</b>

# HIDDEN TREASURES OF TANZANIA SAFARIS LIMITED

## PROJECTED PROFIT & LOSS ACCOUNT

USD

	1	2	3	4	5	6	7	8
Revenue	923,000	1,076,900	1,230,700,	1,423,000	1,423,000	1,423,000	1,423,000	1,423,000
Cost of Sales	553,800,	646,140	738,420	853,800	853,800	853,800	853,800	853,800
Gross Profit	369,200	430,760	492,280	569,200	569,200	569,200	569,200	569,200
Operating Profit	369,200	430,760	492,280	569,200	569,200	569,200	569,200	569,200
Less: Depreciation	487,000	487,000	487,000	487,000	37,000	35,000	35,000	35,000
Profit Before tax	(117,800)	(56,240)	5,280	82,200	532,200	532,200	532,200	532,200
Profit for taxation	(117,800)	(56,240)	5,280	82,200	532,200	532,200	532,200	532,200
Corporation Tax	-	-	1,584	24,660	159,660	159,660	159,660	159,660
Profit After Tax	(117,800)	(56,240)	3,696	57,540	372,540	372,540	372,540	372,540
<b>Profit Brought forward</b>	-	<b>(117,800)</b>	<b>(174,040)</b>	<b>(170,344)</b>	<b>(112,804)</b>	<b>259,736</b>	<b>632,540</b>	<b>1,005,000</b>
<b>Profit Carried forward</b>	<b>(117,800)</b>	<b>(174,040)</b>	<b>(170,344)</b>	<b>(112,804)</b>	<b>259,736</b>	<b>632,540</b>	<b>1,005,000</b>	<b>1,377,620</b>

# HIDDEN TREASURES OF TANZANIA SAFARIS LIMITED

## PROJECTED CASH FLOW USD

	0	1	2	3	4	5	6	7	8
<b><u>Cash Inflow</u></b>	2,500,000								
Owners' equity									
<b>Sub Total</b>	<b>2,500,000</b>								
<b><u>Revenue Inflows</u></b>									
Profit Before Tax		(117,800)	(56,240)	5,280	82,200	532,200	532,200	532,200	532,200
Depreciation		487,000	487,000	487,000	487,000	35,000	35,000	35,000	35,000
<b>Sub Total</b>		<b>369,200</b>	<b>430,760</b>	<b>492,280</b>	<b>569,200</b>	<b>569,200</b>	<b>569,200</b>	<b>569,200</b>	<b>569,200</b>
<b><u>Cash Outflow</u></b>									
Investment & Re-investment	2,500,000	-	-	-	-	-	-	-	-
<b>Sub Total</b>	<b>2,500,000</b>	<b>369,200</b>	<b>430,760</b>	<b>492,280</b>	<b>569,200</b>	<b>569,200</b>	<b>569,200</b>	<b>569,200</b>	<b>569,200</b>
<b><u>Revenue Outflows</u></b>									
Corporation	-	-	-	1,584	24,660	159,660	159,660	159,660	159,660
<b>Sub Total</b>				1,584	24,660	159,660	159,660	159,660	159,660
<b>Net Cash Flows</b>				<b>490,696</b>	<b>544,540</b>	<b>409,540</b>	<b>409,540</b>	<b>409,540</b>	<b>409,540</b>

