

ALFA SPECIALISED HOSPITALS LIMITED, LOCATED AT PLOT NO. 1020, BLOCK 'E', MIKOCHENI AREA, KINONDONI DISTRICT, DAR ES SALAAM REGION.

**BUSINESS PROPOSAL
FOR**

**PURCHASE OF ADDITION MEDICAL MACHINERY AND
EQUIPMENT; AS WELL SOURCING A WORKING CAPITAL
LOAN TO PART FINANCE ENHANCEMENT OF THE HOSPITAL
FACILITY OPERATION LOCATED
AT**

**PLOT NUMBER 1020, BLOCK 'E', MIKOCHENI AREA,
KINONDONI DISTRICT, DAR ES SALAAM REGION.**



Presented by:
Alfa Specialized Hospital Limited
Plot No. 1020, Block 'E', Mikocheni Area
Kinondoni District
P.O Box 40848
Dar es Salaam

Project Highlight Information

<i>Project Name</i>	<ul style="list-style-type: none"> Alfa Specialized Hospitals Limited
<i>Project Promoter</i>	<ul style="list-style-type: none"> <i>Alfa Specialized Hospitals Limited</i>, is privately owned by Dr. Neema Daniel Kanyaro holder of Tanzania National ID No. 19750926-14101-00001-14 (60%), Mr. Joseph Waryoba Butiku holder of Tanzania National ID No. 19380412-14111-00001-125 (20%), Mr. Amon Stephen Mrutu holder of Tanzania National ID No. 19630827-14120-0002-24 (20%) respectively.
<i>Contact Person</i>	<ul style="list-style-type: none"> <i>Dr. Neema Daniel Kanyaro</i> Director, P.O. Box 40848, Dar es Salaam Cell #: +255 713 590 137 Email: neema10@yahoo.com
<i>Project Concept</i>	<ul style="list-style-type: none"> <i>Purchase and installation</i> of the following: <ul style="list-style-type: none"> ✓ <i>Addition</i> hospital facility furniture, shelves and fixtures; ✓ <i>Medical machinery, equipment and instruments</i> including but not limited to digital X-ray machine, ultra-sound machine, surgery equipment kit, dental equipment, ICU equipment, doctors rooms equipment, dressing and injection room equipment, labour ward equipment etc.; ✓ <i>Laboratory equipment</i> including parasitology, chemistry, microbiology, haematology units analysis and test kits; ✓ <i>Hospital facility support machinery and equipment</i> including a standby generator, TANESCO transformer 250 KVA, elevator system etc.; ✓ <i>Hospital facility support equipment</i> including but not limited to wheel chairs, stretcher, autoclave sterilizer, treadmill machine and accessories, uniforms, bedsheets etc.; and ✓ <i>ICT services and installation</i> including purchase and installation of the medical service, accounting and administration software systems etc. <i>Sourcing a short-term working capital loan</i> to part finance the hospital operational and overhead costs.

<i>Project Location</i>	<ul style="list-style-type: none"> • <i>Plot No. 1020, Bolck 'E', Mikocheni Area, Kinondoni District, Dar es Salaam region, currently registered in the name of the majority shareholder Dr. Neema Daniel Kanyaro.</i>
<i>Project Health Care Services Provided</i>	<ul style="list-style-type: none"> • <i>Consistent to the Ministry of Health guidelines for the registered District Level Hospital Category, the hospital will provide general and specialised clinical care in internal medicine, paediatrics, obstetrics and gynaecology, surgery, ENT, physiotherapy, ophthalmology, dentistry, dermatology, gastroenterology, urology, orthopaedic services, physiotherapy, optical workshop and anaesthesia; along with emergency, inpatients and outpatients' services depending on the catchment area medical service needs and diseases profile.</i> <p>The hospital facility will also provide nursing services, clinical laboratory, radiology, electro-magnetic medical diagnostic services, pharmacy services; as well administrative services operations including but not limited to all personnel, accounting, medical records, housekeeping, ambulance, security, dietary and social services. In addition, specialized services based on the catchment area population diseases profile will be taken on board.</p>
<i>Project Hospital Size and Capacity</i>	<ul style="list-style-type: none"> • <i>A three storey twined buildings located on a piece of land measuring 523.37 Square meters; allocated to host the herein proposed district level category hospital facility buildings with allied ancillary services. The hospital capacity initially will accommodate up to 60 beds for inpatients healthcare services.</i>
<i>Project Investment Cost</i>	<ul style="list-style-type: none"> • <i>The project proposed total investment cost (new and existing) is estimated at TZS 2.805 billion, and will be financed as follow:</i> <ul style="list-style-type: none"> ✓ Equity Contribution: TZS 2.605 billion ✓ Loan: TZS 200 million

<i>Project Investment and Fund Utilization (for New and Existing)</i>	<u>Equity</u>	<u>Loan</u>
	<u>Contribution</u> TZS '000.000'	TZS '000.000'
	13.90	0
• Preliminaries Cost:-	13.30	0
• Consultancy Fee:-	35.00	0
• Land acquisition cost:-	14.15	0
• Land Development:-	1,705.00	0
• Building Constr. Works:	91.00	0
• Building Service Works:-	46.63	20.00
• Building Equipment:-	444.57	50.00
• Medical Equipment:-	114.30	10.00
• Hospital Furniture:-	52.00	0
• Ambulance :-	25.00	20.00
• Standby Generator:-	50.00	100.00
• Structured W/Capital:-	2,605.00	200.00
• Total		
<i>Project Affiliated Medical Services</i>	<ul style="list-style-type: none"> • <i>The hospital facility also owns and operate, a Specialised Medical Polyclinic located at Plot No. 463/00, Charambe/Mindu Street, Upanga West, Ilala District, Dar es Salaam region.</i> <p>Note: The polyclinic is well located and serviced by the renowned and branded names of the specialised and super-specialised doctors' team.</p>	
<i>Project Existing Bank Loans</i>	<ul style="list-style-type: none"> • <i>The hospital facility have occasional temporary working capital loans exposure with NMB Bank Plc, CRDB Bank Plc and KCB Bank (T) Limited respectively, as per existing and provided bank statement</i> 	
<i>Project Proposed New Bank Loan</i>	<ul style="list-style-type: none"> • <i>A medium-term loan amounting to TZS 100.0 million repayable in 48 months including 6 months moratorium period to part finance purchase of the hospital facility medical diagnostic machinery, equipment and instruments; as well purchase of the hospital building elevator, ambulance and a standby generator respectively; and</i> • <i>A structured short term amounting to TZS 100.0 million to part finance the medical facility working capital requirements for the coming 12 months; and will be renewable yearly upon satisfactory performance.</i> 	

<i>Project Target Market</i>	<ul style="list-style-type: none"> • <i>The Hospital facility will cater for a general population of Mikocheni Area, and other parts of the Kinondoni District; as well other areas of the Dar as Salaam region; devoting capacity towards serving the population with, efficient and quality general and specialised medical care services.</i> • <i>The Hospital facility will also serve as an alternative/referral facility for dispensaries, polyclinics and health centres level hospital facilities in the catchment area, consequently support to decongest them.</i>
<i>Project Benefits</i>	<ul style="list-style-type: none"> • <i>Flexibility of the hospital facility to plan and implement general and specialised medical services without being locked into the medical machinery and equipment woes;</i> • <i>To save the catchment area community efficiently at the general and specialised medical services as a district level category hospital;</i> • <i>To improve, upgrade, facelift and enhance the hospital facility services;</i> • <i>To improve the hospital facility efficiency, effectiveness, quality and sustainable services that respects the flexibility principles;</i> • <i>To integrated the hospital facility services that responds the catchment area demographic, development and epidemiology at a reasonably economies of scale and scope; and</i> • <i>Contribution to the Government Health Sector Development Policy.</i>
<i>Project Principles</i>	<p><i>Guiding</i></p> <ul style="list-style-type: none"> • <i>Responsiveness:</i> The hospital facility shall be responsive to the people and community it serves; • <i>High quality general and specialised medical services:</i> The hospital facility residents and visitors shall access high quality medical services in the appropriate settings; • <i>Integration:</i> The hospital facility service shall create a single organisation that better the individual needs through the integrated services and resources; • <i>Work Life:</i> The hospital facility medical and non-medical staff members shall enjoy a high-quality work-life including significant opportunity for further development and learning; • <i>Sustainability:</i> The hospital facility shall operate within the public and private revenues available without depleting its financial, physical or human resources required for the future development; and

	<ul style="list-style-type: none"> • <i>Demonstrating transparency, reliability and honesty in all aspects of the medical services.</i>
<p><i>Project Operations Audited Indicators</i> <i>Existing as per Accounts</i></p>	<p>The overall hospital facility existing operations financial performance for the past three years portrays a commendable performance as summarized hereunder:</p> <ul style="list-style-type: none"> • <i>In year 2021:</i> Revenue was TZS 626.89 million, Gross Margin TZS 156.72 million and Net Margin TZS 60.31 million respectively; • <i>In year 2022:</i> Revenue was TZS 865.11 million, Gross Margin TZS 216.27 million and Net Margin TZS 87.17 million respectively; • <i>In year 2023:</i> Revenue was TZS 1.12 billion, Gross Margin TZS 286.16 million and Net Margin TZS 122.70 million respectively; • <i>Management Accounts as 30th November 2024:</i> Revenue was TZS 1.13 billion, Gross Margin TZS 283.50 million and Net Margin TZS 116.70 million respectively;
<p><i>Projected Key Financial Indicators</i></p>	<ul style="list-style-type: none"> • <i>The Project anticipate to generate a total revenue of TZS 2.67 billion in year 1 of the project operation that will increase progressively to TZS 3.54 billion by year 4;</i> • <i>The project anticipate to generate a gross margin of TZS 1.46 billion in year 1 of the operation that will increase progressively to TZS 1.96 billion by year 4;</i> • <i>The project will generate a pre-tax and net tax margins of TZS 924.88 million and TZS 647.42 million respectively in year 1 of the project operation that will increase progressively to TZS 1.39 billion and TZS 976.13 million respectively by year 4;</i> • <i>Net cash flows</i> after personnel costs, other operating costs and capital costs will be TZS 683.32 million in year 1, and will remain positive throughout the projected life-plan; • <i>The project requires an equity commitment of TZS 2.60 billion which shall remain non-recoverable during project implementation;</i> • <i>Both critical ratios</i> including Interest Service and Debt Service are reasonable and above 1.0 portraying ability of the project to meet its external financial obligation comfortably; and • <i>The Project is bankable from a credit standpoint</i> and yields an internal rate of return (IRR) of 20.22% and a positive Net Present Value (NPV) of TZS 64.40 million against the estimated cost of fund of 18%.

<p><i>Projected 12 months cash flows:</i></p>	<ul style="list-style-type: none"> • <i>The hospital facility projected 12 months cash flows between January 2025 and December 2025 shows a health net cash flows, although with some negative net cash flows in some months; henceforward suggesting a need for sourcing an external finance to bridge the operating cash flow shortfalls.</i> <p>The hospital facility cash flows anticipate to experience cash flow shortfalls in some months that will be taken care by the herein sought Working Capital facility.</p>
<p><i>Projected patients' level</i></p>	<ul style="list-style-type: none"> • The hospital facility anticipates outpatients' average number is estimated at 24,463 per annum in year 1 that will increase to an average of 28,313 per annum by year 4; whilst a number of inpatients anticipate to average at 8,736 per annum in year 1 that will increase to 10,113 per annum by year 4. <p>The upward increase in number of inpatients and outpatients respectively will be accelerated by the anticipated improvement in the hospital facility medical services, capacity, facilities, specializations and diagnostic capacities.</p>
<p><i>Proposed Collateral</i></p>	<ul style="list-style-type: none"> • <i>A first ranking debenture over all the company's assets; and</i> • <i>A guarantee supported by a first ranking legal mortgage over a property located at Plot No. 1020, Block 'E', Mikocheni Area, Kinondoni District, Dar es Salaam region registered in the name of the majority shareholder Dr. Neema Daniel Kinyaro.</i>

ABBREVIATIONS

BP	Building Permit
BOQ	Bills of Quantities
CRB	Contractors Registration Board
Capex	Capital Expenditure
DCF	Discounted Cash Flows
EIA	Environmental Impact Assessment
GDP	Gross Domestic Product
HDU	High Dependency Unit
ICT	Information Communication Technology
IRR	Internal Rate of Return
MAT	Medical Association for Tanganyika
MD	Medical Doctor
MH	Ministry of Health
NHIF	National Health Insurance Fund
NPV	Net Present Value
Opex	Operation Expenses
SWOC	Strength, Weakness Opportunity and Challenge
TIC	Tanzania Investment Centre
TT	Telegraphic Transfer
WHO	World Health Organization

1. EXECUTIVE SUMMARY

Purpose: This is a business proposal for M/s Alfa Specialized Hospitals Limited seeking for an aggregate bank loans amounting to TZS 200.0 million; broken down as follow:

- *A medium-term loan amounting to TZS 100.0 million to part finance purchase of the hospital facility medical/ diagnostic machinery, equipment and instruments; as well purchase of the hospital building elevator, ambulance and standby generator respectively. The major reasons led the hospital facility to seek for a bank loan are as follow:-*
 - ✓ *To install the medical facilities/services that matches operation of a district level category hospital service requirements as per the Ministry of Health approved district level category hospital standards checklist;*
 - ✓ *To enhance the hospital facility general and specialised medical services efficiency, effectiveness, sustainability and quality respecting principles of flexibility;*
 - ✓ *To respond demand of the catchment area demographic and epidemiology medical service needs; and*
 - ✓ *To install the upmost medical diagnostic machinery, equipment and instruments that matches the anticipated district level hospital category.*

- *A structured short term amounting to TZS 100.0 million to part finance the hospital facility working capital requirements for the coming 12 months. The major reasons led the hospital facility to seek for a working capital facility are as follow:-*
 - ✓ *To match the anticipated increase in medical services, diagnostics and specializations cost; as well operational cost including but not limited to medical services, medicine, consumables, reagents, diagnostic items, utilities, staff cost etc. Hence, availability of a stable source of working capital to bridge the unforeseen operating cash flow shortfalls is imperative;*
 - ✓ *To buffer the medical facility unforeseen day-to-day operational cost that matches the hospital facility business plan to increase turnover on the anticipated increasing number of outpatients and inpatients services, general and specialized medical, diagnostic and consultation services; and*
 - ✓ *To bridge the cash flow shortfalls caused by the current operationalization framework of the health sector insurance cover policies structure; whereas it takes up to 90 days to settle the advanced hospital services bills, whilst the hospital had already been incurred cost; consequently causing a cost mismatch, and*

ultimately operating cash flow shortfalls. Hence the sought facility anticipate to mop up the anticipated cash flow shortfalls.

Note:

- ✓ *The proposed medium term loan amounting to TZS 100.0 million will be repaid in 4 years including a six-month moratorium period to allow the medical facility to complete purchase and installation of the medical machinery, equipment and instruments; stocking of pharmaceuticals; recruitment of addition staff; and building up a reasonable cash flows to support the hospital facility business operations; and*
- ✓ *The proposed structured short-term working capital limit amounting to TZS 100.0 million will be reviewed and renewed yearly upon satisfactory performance.*

Background Information: M/s Alfa Specialized Hospital Limited is an existing establishment that was incorporated in 2022 to provide a patient-centered health-care in the general and specialized medical services at District Level Category Hospital after its promoters operated a Specialized Medical Polyclinic for more than a decade.

The hospital facility is privately owned by Dr. Neema Daniel Kanyaro holder of Tanzania National ID No. 19750926-14101-00001-14 (60%), Mr. Joseph Waryoba Butiku holder of Tanzania National ID No. 19380412-14111-00001-125 (20%), Mr. Amon Stephen Mrutu holder of Tanzania National ID No. 19630827-14120-0002-24 (20%) respectively.

The promoters used the Specialized Medical Polyclinic fund to finance construction works of a twined three storey building at Plot No. 1020, Block 'E'. Mikocheni Area, Kinondoni District, Dar es Salaam. The hospital facility building is complete with only few areas that need some engineering renovation and finishing works to match the Ministry of Health required standards for the District Level Category Hospital, and worth TZS 1.84 billion.

Albeit, using own funds, the promoters also have already purchased and installed reasonable number of medical machinery, equipment, instruments, furniture and fixtures date is estimated at TZS 532.30 million.

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

Basically, the proposed business plan entails to enhance the hospital machinery and equipment; particularly purchase and installation of additional medical machinery and equipment including X-ray machine, ultrasound machinery, laboratory equipment etc. The

project additional medical machinery and equipment new estimated budget that also include purchase of ambulance, standby generator and elevator is estimated at TZS 228.67 million, out of which TZS 100.0 million will be bank loan and the remaining TZS 128.67 million will be owners' equity. The project also entails recruitment of medical and non-medical staff, and stocking of pharmaceuticals to let it operate prudently.

Purchase of the proposed medical machinery and equipment aims at matching the Regulator's required standard for operating a District Level Hospital Category. Specifically, the project proposes to purchase the following addition medical machinery and equipment:- laboratory equipment, theatre, imaging diagnostic machinery and equipment, digital X-ray, ultra sound, endoscopic, as well patient monitoring items etc. (note; invoices to support the purchase from the suppliers will be provided, prior drawdown of the sought bank loan).

The proposed medical items will be imported as well some sourced locally from the local suppliers. The project will continue to purchase and install medical machinery and equipment from time-to-time to improve the services and well to meet the catchment area health service requirements.

Project Fund Sources and Uses: The project investment cost (existing and new) is estimated at TZS 2.80 billion, and its overall implementation position to date stand as follow:

- *Preliminaries/Consultancy/Land acquisition cost:* is estimated at TZS 62.2 million comprising of the existing project development cost estimated at TZS 52.7 million; and a new proposed owners' contribution towards the project development estimated at TZS 9.5 million respectively;
- *Hospital Building Construction works cost:* is estimated at TZS 1.88 billion, comprising of the existing owners' contribution of TZS 1.79 billion; and a new proposed owners' contribution of TZS 65.0 million and a bank loan of TZS 20.0 million respectively;.
- *Medical Equipment and Machinery cost:* is estimated at TZS 618.87 million comprising of the existing owners' contribution of TZS 512.30 million; and a new proposed owners' contribution of TZS 46.57 million and the bank loan of TZS 60.0 million respectively;
- *Vehicle and ambulance cost:* is estimated at TZS 52.0 million comprising of the new existing and new proposed owners' contribution of TZS 20.0 million and TZS 32.0 million respectively;
- *Standby Generator and Transformer cost* is estimated at TZS 45.0 million comprising of the new proposed owners contribution of TZS 25.0 million and the bank loan of TZS 20.0 million respectively; and

- *Working capital:* is estimated at TZS 150.0 million comprising of the new proposed owners' contribution of TZS 50.0 million and a bank loan of TZS 100.0 million respectively.

The overall project's total investment cost is estimated at TZS 2.80 billion, comprised of owners' contribution (both existing and new investments) of TZS 2.60 billion (93%); and the new bank loan of TZS 200.0 million (7%) respectively.

Ownership: The hospital facility is privately owned by Dr. Neema Daniel Kanyaro holder of Tanzania National ID No. 19750926-14101-00001-14 (60%), Mr. Joseph Waryoba Butiku holder of Tanzania National ID No. 19380412-14111-00001-125 (20%), Mr. Amon Stephen Mrutu holder of Tanzania National ID No. 19630827-14120-0002-24 (20%) respectively.

Management: Presently, at the project investment phase, the hospital facility management is under *Mr. Neema Daniel Kanyaro*, a Super specialist and Consultant Ophthalmologist/Glaucoma specialist Medical Doctor with over a decade practical experience in the public and private medical services as a *Managing Director*.

Dr. Nahimana Jorum William holder of MD degree, with extensive health service coordination experience; will coordinate the hospital medical services, once the hospital facility start operations

Mr. John George Kitonka, holder of a degree in Finance with over a decades in hospital financial management and administration services will be the overall in-charge to all matters related to the hospital facility financial and administration issues.

Albeit, the hospital facility anticipate to recruit a team of specialized and qualified medical; as well non-medical staff to run the hospital facility day-to-day medical service operations. As well the hospital will continue employing addition numbers of staff in the near future ranging from medical professional, specialized and super specialized team to administrative services staff including but not limited to accounts, billing, medical records, ICT, housekeeping, ambulance, security, dietary and social services to reach 56 staff at full operationalization capacity.

The hospital facility will also outsource the specialized and super-specialized visiting team from local based private and government hospitals to enhance its medical care services

Hospital Services: Consistent to the Ministry of Health guidelines for the proposed District Level Hospital Category, the hospital facility will provide general, and specialised clinical care in internal medicine, paediatrics, obstetrics and gynaecology, surgery, ENT, ophthalmology, dentistry, dermatology, gastroenterology, urology, orthopedic, optical workshop, and anaesthesia; along with emergency, inpatients and outpatients' services depending on the catchment area medical service needs.

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

Additionally, the hospital facility will provide specialized services based on the catchment area population diseases profile, as well will offer ambulatory haemodialysis and renal dialysis services in the very near future.

Target Market: The hospital facility will cater for a general population of Mikocheni Area, and other parts of the Kinondoni District; as well other areas of the Dar es Salaam region; devoting capacity towards serving the population with, efficient and quality general and specialised medical care services.

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

Health Sector Training Profile: Dar es Salaam region office report 2023, shows the health services are provided by 572 medical centres; of which 42 are hospitals comprised of 80% private and 20% government; 48 Health centres comprised of 80% private and 20% government, 59 polyclinics and specialised clinics comprising 95% private and 5% government, and 423 dispensaries comprised of 78% of private and 22% government.

Kinondoni district has 197 health service facilities of which 27 are comprised of government category facilities. With over one and a half million inhabitants, the district is still experiencing unbalance index on level one hospital services and other specialized/super-specialized medical service facilities, hence paving way for new entrants to support the health sector service. Hence, the proposed hospital facility with upmost medical diagnostic machinery, equipment and personnel anticipate to reduce the gap.

In the Catchment area, there are other hospitals including TMJ Hospital, Kairuki Hospital etc. with capacity of serving inpatients and outpatients, provision of the general, specialized and super-specialized medical and diagnostic services; however, there is still a

room for other entrants including M/s Alfa Specialized Hospitals Limited into provision of the high-end medical care services.

M/s Alfa Specialized Hospitals Limited medical facility, will continued to pack its hospital facility with upmost medical diagnostic equipment; specialised and super-specialized medical personnel, henceforward considered to be among the dependable hospital facility in the catchment area.

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

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

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

Competitive Advantage and Strategy:

- *The hospital facility location and medical staff experience* configuration anticipate to make the hospital facility ideal alternative for a secondary specialized opinion cases in the catchment area;
- *The hospital facility will be one of the largest general and specialised facility* in the main catchment area; hence potentially operating with a reasonably lower cost structure than its competitors;
- *Provision of the best medical care* to patients, as well reliable and timely diagnostic results;
- *Availability of a reliable* and dedicated general, specialised and super-specialised medical services packed with a devoted, patient centric and committed staff; and comprehensive medical services under one roof;

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

Projected 12 months cash flows: The hospital facility projected 12 months cash flows between January 2025 and December 2025 shows a reasonably health net cash flows, although with some negative net cash flows in some months; henceforward suggesting a need for sourcing the external finance to bridge the operating cash flow shortfalls. The hospital facility cash flows anticipate to experience cash flow shortfalls in some months that will be taken care by the herein sought Working Capital facility (**see Appendix 15**).

Projected patients' level: The hospital facility anticipated outpatients number is estimated at 24,463 per annum in year 1 that will increase to an average of 28,313 per annum in year 4; whilst a number of inpatients anticipated is estimated at 8,736 per annum in year 1 that will increase to 10,113 per annum in year 4.

The upward increase in number of inpatients and outpatients will be accelerated by the anticipated improvement in the hospital facility building space, medical services, capacity, facilities, specializations and diagnostic capacities upon completion and operationalization of the project implementation plan.

Projected Financials:

- *The Project anticipate to generate a revenue* of TZS 2.67 billion in year 1 that will increase progressively to TZS 3.54 billion in year 4.
- *The project anticipates to generate a gross profit* of TZS 1.46 billion in year 1 that will increase progressively to TZS 1.96 billion in year 4.
- *The project will generate pre-tax and net tax margins* of TZS 647.42 million and TZS 647.42 million respectively in year 1 that will increase progressively to TZS 1.39 billion and TZS 976.13 million respectively in year 4.
- *Net cash flows* after personnel costs, other operating costs and capital costs will be positive TZS 683.32 million in year 1, and will remain positive throughout the projected life-plan;.

- *The project requires an equity commitment of TZS 2.60 billion which shall remain non-recoverable during project implementation.*
- *Both critical ratios including Interest Service and Debt Service are reasonable and above 1.0; portraying ability of the project to meet its external financial obligation comfortably.*
- *The Project is bankable from a credit standpoint, and yields an internal rate of return (IRR) of 20.22% and a positive Net Present Value (NPV) of TZS 64.40 million against estimated cost of fund of 18%.*

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

- *Provision of effective, efficient, quality general and specialized medical care services to the community;*
- *Creation of direct employment opportunities to over 56 Tanzanians;*
- *Provision of income to employees and other service providers;*
- *Introduction of safe and high quality general and specialized medical care services; and*
- *Expansion of revenue bases to both promoters and government.*

Security Cover: The proposed bank finance arrangement will be secured as follow:-

- A first ranking debenture over all the company's assets; and
- *A guarantee supported by a first ranking legal mortgage over a property located at Plot No. 1020, Block 'E', Mikocheni Area, Kinondoni District, Dar es Salaam region registered in the name of the majority shareholder Dr. Neema Daniel Kinyaro*

Note: The project promoters are willing to provide addition security cover should the need arises.

Conclusions and Recommendations: In consideration of the sounding parameters indicated in the project evaluation and analysis, it is recognized that the proposed project is technically feasible, financially viable, and economically and socially sound, hence recommended for an aggregate bank finance of TZS 200.0 million.

2. THE PROJECT

2.1 Company background

M/s Alfa Specialized Hospitals Limited is a limited liability company that was incorporation in Tanzania in June 2022 pivoting to provide general and specialised medical services. It is located at Plot No. 1020, Block 'E', Mikocheni Area, Kinondoni District, Dar es Salaam region.

The project promoters have been operating a Specialized Medical Polyclinic located at Plot No. 463/00, Charambe/Mindu Street, Upanga West, Ilala District, Dar es Salaam for more than a decade with a success record in competent consultations in general, specialized and super-specialized medical practitioner consultants in ophthalmology, gynecology, women health clinics, dentistry, internal medicine, physiotherapy, orthopedics, dermatology, ENT, cardiology, urology, general surgeon, clinical laboratory and pharmacy services, minor and major dressings, minor surgeries etc.

The Specialised Medical Polyclinic was however, re-categorised in June 2022, where two distinctive medical facilities namely: (a) Alfa Specialised Hospital Limited; and (b) Alfa Specialised Medical Polyclinic were established. Whereas, Alfa Specialised Medical Polyclinic continued to operate the Medical Polyclinic facility at Plot No. 463/00, Charambe/Mindu Street, Upanga West, Ilala District, Dar es Salaam; whilst Alfa Specialized Hospital Limited operation moved to a new constructed twined three storey building located at Plot No. 1020, Block 'E', Mikocheni Area, Kinondoni District, Dar es Salaam region respectively.

The hospital facility building was constructed using the promoters own fund; mainly sourced from the Specialised Medical Polyclinic operation revenue. Since then the promoters have also furnished the hospital facility with a reasonable number of medical machinery, equipment, instruments, furniture and fixtures, including but not limited to ophthalmology machines (4), physiotherapy machines (20), dental chairs (2), X-ray (1), autoclave (1), theatre machine (6), with operating lumps (2), autoclave (1), delivery room bed (1), Laboratory –phlebotomy chair (1), biochemistry machine (1), ventilators (3), patient monitors (4), oxygen concentrator 2), computers (12), printers (1), patient beds (52), ECG machine (1), PT trolley (6), wall-drops (8), table (17), chairs (33), waiting area chairs (10) etc.

Albeit, the hospital facility has also already inspected by the team from the Ministry of health and accredited certificate to operate as a District Level Categorised Hospital since 2024; and to date continue to use its internal resources to purchase and install the necessary medical machinery and equipment to meet the Regulator's approval checklist.

Due to insufficient promoters' internal fund resource to match the anticipated project size, the promoters are herein proposing for borrowing fund from the bank to part finance the

remaining few purchases and installation of medical machinery, equipment and instruments; and working capital requirements.

The major reasons led the project promoters to invest in the hospital facility catering for a general and specialised medical services at Plot No. 1020, Block 'E', Mikocheni Area, Kinondoni District, Dar es Salaam region are as follow:

- *To maximize utilization* of the already invested hospital facility buildings and some machinery, equipment furniture and fixtures;
- *To improve and upgrade* the existing hospital facility buildings and assets to match the required standards for operating a District Level Categorized Hospital facility;
- *To introduce a medical services facility* able to provide specialized, super-specialized, efficient, effective, sustainable and quality medical services respecting principles of flexibility;
- *To introduce a medical facility that will integrate medical services*, that responds demographic, development and epidemiology at an increased economies of scale and scope of the catchment area;
- *The project catchment area* i.e. Mikocheni Area, in Kinondoni District and the surrounding areas are densely populated with a fast growing population and activities, however currently experiencing shortage of a reliable medical services, especially specialised and super-specialised medical services;
- *The project District Level Category Hospital* will respond the catchment area demographic medical service at reasonable economies of scale;
- *The proposed head of the hospital medical services* is a super-specialised medical doctor with solid years of practical experience in the medical sector, hence capable to advise and operate a medical facility professionally;
- *The project promoters have passion* to establish and operate a medical facility that values professionalism, standard, quality, specialized and affordable services packed with the upmost medical diagnostic facilities and medical services to serve the catchment area community; and
- *As privately-owned medical facility* will supplement the government efforts to improve the catchment area medical services currently lacking a reliable and quality specialized medical services.

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

2.2 Investment Proposal

The project envisages to purchase addition medical machinery, equipment and instruments, standby generator, elevator; as well sourcing a working capital finance to fund stocking of staff, pharmaceuticals and other operational and overhead costs.

The major reasons motivated the promoters to carry out the proposed project implementation plan are as follow:

- *To have more flexibility* to plan and implement its medical services development and growth without been locked into the medical machinery, equipment and instruments space and capacity woes;
- *The medical facility considerably* will save the fund currently used to finance purchase of medical machinery, equipment, instruments and services; instead use the same to further development, growth and enhancement of the cash flows; and
- *To have more spacious* building that can accommodate a considerable number of medical and diagnostic services.

2.3 The Purpose

Utilization of the herein proposed bank facilities earmarked to part finance the hospital facility investments plan are as detailed in **tables 1 and 2:**

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

Table 1: The Hospital Facility Construction Works Costs in TZS'

ITEM	EXISTING INVESTMENT		PROPOSED INVESTMENT		TOTAL
	Owners Equity	Debt	Owners Equity	Debt	
HOSPITAL BUILDING					-
Preliminaries	8,900,000	-	5,000,000	-	13,900,000
Consultancy fee	8,800,000	-	4,500,000	-	13,300,000
Land Acquisition	35,000,000	-	-	-	35,000,000
Land Development	14,150,000	-	-	-	14,150,000
Building Construction, partitions & allied works	1,695,000,000	-	10,000,000	-	1,705,000,000
Building Services (plumbing, waste systems, electricity, aircon etc.)	61,000,000	-	30,000,000	-	91,000,000
Building Equipment (elevator and engineering passage etc)	21,630,000	-	25,000,000	20,000,000	66,630,000
Sub Total Infrastructure Costs	1,844,480,000	-	74,500,000	20,000,000	1,938,980,000

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

Table 2: The Hospital Facility Medical Machinery, Equipment, Implement and Working Capital Cost in TZS.

ITEM	EXISTING INVESTMENT		PROPOSED INVESTMENT		TOTAL
	Owners Equity	Debt	Owners Equity	Debt	
2. MEDICAL EQUIPMENT, INSTRUMENT AND OFFICEEQUIPMENT					-
Medical Equipment	412,000,000	-	32,568,700	50,000,000	494,568,700
Hospital Furniture	100,300,000	-	14,000,000	10,000,000	124,300,000
Motor Vehicle/cycle (Ordinary/Ambulance)	20,000,000	-	32,000,000	-	52,000,000
Standby Generator	-	-	25,000,000	20,000,000	45,000,000
Sub Total Medical Equipment, Instrument and Office Equipment	532,300,000	-	103,568,700	80,000,000	715,868,700
Working Capital	-	-	50,000,000	100,000,000	150,000,000

;

2.4 The Proposed Hospital Facility Project Summary on the Outstanding Renovation works and Funding Plan

To match the proposed hospital facility existing position, the promoters' contribution towards the project outstanding works will involve few renovations, purchase and installation of the elevator cost. According to the suppliers of the elevators, the facility will be repaid in installments, hence the herein proposed bank loan amounting to TZS 20.0 million and the promoters' equity amounting to TZS 25.0 million will be financing the first suppliers of elevator cost installment. However, thereafter, the suppliers of the elevator repayment installments will be repaid quarterly, and will be met by the project own internal generated income. This project proposed implementation and action plan intended to ease the three storey hospital facility building to and from movements. The hospital facility current status stand as shown in **Figure 1** below:

Figure 1: Current Status of the Proposed Hospital Facility Buildings



Current exterior overview status of the Hospital Facility main twined 3 storey buildings



Current interior overview status of the Hospital Facility main twined 3 storey buildings



Current interior overview status of the Hospital Facility main twined 3 storey buildings

2.4.1 Progress of the Construction Works - Infrastructure

The hospital facility building construction works total cost (the existing and proposed) is estimated at TZS 1.94 billion, out of which TZS 1.84 billion is an existing investment financed by the promoters; whilst the new proposed investment financing arrangement will be TZS 94.50 million, out of which TZS 20.0 million will be bank loan and the remaining TZS 74.50 million will be owners' contribution respectively.

2.4.2 The Project Construction Contract and Consultants

The project's construction and consultant works will continue to be carried out by the local registered public work contractors, general contractors, civil engineers and construction engineers with extensive years' experience in the field; and registered by the Contractors Registration Board (CRB).

2.4.3 Building Construction Works Approval and Permits

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

2.4.4 Lease Agreement

The project plot and ownership belongs to the company majority shareholders i.e. Dr. Neema Daniel Kinyaro ; who has consented to lease the project land to the company to auger implementation of the hospital facility project without any embedded cost; till the time when the company cash flow stabilizes. The company is finalising the necessary documentation to transfer and registration of the land into the company's name.

2.5 The Hospital Facility Machinery, Equipment, Furniture and Fixtures.

The hospital facility is yet to start operating to its full capacity, however, has already purchased and installed a reasonably number of medical machinery, equipment, furniture and fixtures as shown in **figure 2**.

Figure 3: The Hospital Facility Existing Medical Machinery, Equipment, Instruments and Furniture in use



ICU room Equipment



Ultra-sound room Equipment



Ophthalmology room Equipment



Major Theater room Equip



Major Theater equipment



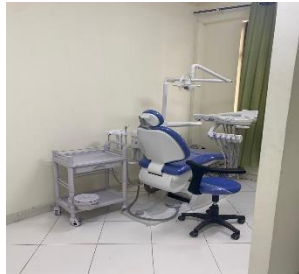
Physiotherapy room equipment



Physiotherapy room Equipment



Patient Ward room



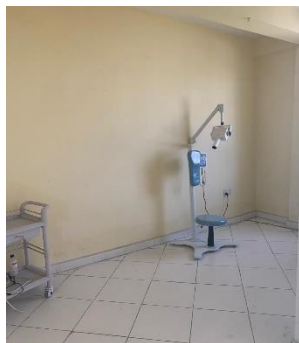
Dental room equipment



Doctors Consultation room



Ophthalmology room Equipment



Dental X-ray machine



Pharmacy Service Room



2.5.1 Progress Works on Hospital Machinery/Equipment/Instruments.

The project existing investment on the medical machinery, equipment, furniture and fixtures to date include but not limited to ophthalmology machines (4), physiotherapy machines (20), dental chairs (2), X-ray (1), autoclave (1), theatre machine (6), with operating lumps (2), autoclave (1), delivery room bed (1), Laboratory –phlebotomy chair (1), biochemistry machine (1), ventilators (3), patient monitors (4), oxygen concentrator (2), computers (12), printers (1), patient beds (52), ECG machine (1), PT trolley (6), wall-drops (8), table (17), chairs (33), waiting area chairs (10) etc.

The existing project machinery, equipment. Instruments, furniture and fixtures cost is estimated at TZS 512.30 million

2.5.2 The New Proposed Hospital Facility Vehicle, Machinery, Equipment and Instruments.

- *The hospital facility has already quoted for purchase of the ambulance van to cater for ferrying emergency patients to and from the medical facility;*
- *The hospital facility has already quoted for purchase of a standby generator to ensure stabilization of unforeseen electricity breakouts;*
- *The hospital facility has already quoted for purchase of a complete set of elevator to facilitate the building movements.*
- *The medical facility has already applied to TANESCO for provision and install the on-site electrical transformer, to stabilize the on-site electricity; and*
- *Quotation for supply of hospital machinery/equipment, furniture and instruments is held; some of the proposed items to be purchased will include but not to:*
 - *Laboratory equipment including hematology analyzer, chemistry analyzer, parasitology and microbiology analysers' kit, clinical centrifuge, biological microscope, fridge, incubator etc.;*
 - *Medical machinery, equipment and instruments including but not limited to digital X-ray machine, ultra-sound machine, surgery equipment kit, dental equipment, ICU equipment, doctors rooms equipment, dressing and injection room equipment, labour ward equipment etc.;*
 - *Hospital facility support machinery and equipment including wheel chairs, stretcher, treadmill machine and accessories, uniforms, bedsheets etc.; and*
 - *ICT services and installation including purchase and installation of the Accounting, hospital management and administration systems software etc.*

Suppliers: The medical machinery, equipment and instruments suppliers will be local companies well-known in importation, manufacturing and distribution of medical machinery and equipment that meets the Tanzania medicines' and Medical devices authority (TMDA) supply criteria. .

Supply Terms: The supply will be quoted in TZS, and payment will through TT towards payment, packaging, delivery, installation, training and commissioning of the specialised medical machinery/equipment on site.

Warranty: Most of the proposed medical machinery/equipment will have a one-year warranty with provision of technical, training, parts and service related; and upon expiry of the warranty guarantee, the technical services will be on the hospital own budget.

Tanzania Investment Centre (TIC) Registration: The Company anticipate to register and use the TIC import facility concession to purchase the anticipated health care project assets not found locally.

2.6 Experience of the Company to Borrow and Banking Relationship:

Presently, the company is banking with CRDB Bank Plc NMB Bank Plc, KCB Bank (T) and Azania Bank Limited.

2.6.1 Other Banks Borrowing Relationships:

Apart from the company's directors and other few staff have personal borrowing relationships with other banks.

2.6.2 Other Creditors;

Specifically, suppliers of medicine and hospital consumables, most will be within a credit supply of up 30 days,

2.7 Objective, Source and Use of Funds

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

2.7.1 A structured medium-term loan of TZS 100.0 million to part finance purchase of the hospital facility medical machinery and equipment; as well the elevator and standby generator.

A structured term loan sought herein will part finance the budget of TZS 100.0 million to purchase the medical facility machinery, equipment, and instruments, (listed of items is attached); as well elevator and a standby generator. The bank and owners contribution towards the purchase and installation will be at a ratio of 51%:49% respectively.

2.7.2 A structured Working Capital limit of TZS 100.0 million.

To part finance the hospital facility projected working capital requirement particularly bridging the anticipated increase in operational cost augment by the anticipated increase in the medical facility general and specialized medical and diagnostic services. Hence, the medical facility will need to emulate

efficiency, effectiveness and stable medicine supply, consumables, reagents, diagnostic unit item, specialized staff, utilities and other allied costs to back up its cash flows.

Per projected 12 months cash flows between January 2025 and December 2025 (see Appendix 15), the following items will largely be utilising the sought overdraft limit.

- *Purchase of the medical facility pharmaceuticals, laboratory consumables, medicine and general services averaged to 61% of the anticipate revenue per month;*
- *Staff salaries and other remunerations averaged to TZS 20% of the anticipated revenue per month; and*
- *Other operational cost and overheads averaged to 10% of the anticipated revenue per month.*

Projected 12 months cash flows: The hospital facility projected 12 months cash flows between January 2025 and December 2025 show a cash flows to experience a negative cash flows in some months with slight net positive cash flows in some months, hence, signifying a need for the hospital facility to source an external finance to bridge the cash flow shortfalls. Hence the proposed working capital facility limit intends to bridge the deficit.

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

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

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

2.8 Business Description

2.8.1 The Business Organisation and Mission

The Hospital Facility Mission is to become a trendsetter in provision of the best general and specialized healthcare services that focuses on customers wellbeing and patients satisfaction.

The Hospital Facility Vision is to provide comprehensive healthcare that are within reach of every individual. Albeit, the hospital facility is committed to achieve and maintain excellence in medical education, research and healthcare for the benefits of the humanity.

Core Values are:

- *Services:* To provide exceptionally best customer services to the clients and accompanying care takers; continuously improvement of services through quality management; use of client centered-approach in handling of patients; and ensuring the surrounding community is well attended for health services through outreach and community health awareness programs;
- *Quality:* Consistently strive to provide the highest quality patient care;
- *Innovation:* Committed to a supportive environment that encourages new ideas and creativity;
- *Safety:* To take all responsible measures to ensure that patients, visitors, staff and all others in contact with the hospital are afforded the safest possible environment;
- *Enthusiasm:* Empower employees to remain motivated, enthusiastic and always able to make appropriate decisions in the patient management; and do their jobs with same spirit and commitment that first inspired the employees to work at the healthcare;
- *Excellence:* Measure the effectiveness of the hospital facility activities and monitor progress towards achieving its vision; and use training, teamwork and open communication to enable all employees achieve their full potential; and
Respect: Have a highest degree of respect for one another and value diversity; and observe ethics by honoring dignity, individuality and patient right with particular attention to patient's rights to privacy, confidentiality and information.

The Hospital Facility guiding principles are:

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

The Hospital Facility Goals (2025 -2029)

- *To meet the high level of general and specialised medical service needs to the catchment area community.*
- *To provide the upmost general and specialized medical diagnosis services efficiently, effectively, and professionally respecting principles of flexibility and satisfaction; and*
- *To incorporate the medical facility, centre with the government-based health programs including MCH, TB, HIV and vaccination programs.*
- *To host a medical doctors team with the renowned, branded, seasoned specialised and super-specialised practical experience in gastroenterology, ophthalmology, dental, cardiology, urology, orthopaedic, psychiatric, paediatric, neurology, gynaecology, ENT, dermatology, physiotherapy etc.*

2.8.2 The Rationale and Justification for Establishment of the Project:

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

2.8.3 Certification and Quality assurance

The hospital facility is registered under the companies Act as limited liability with a certificate of Incorporate Number 141366416 dated 2nd June 2022 and TIN Number 141-366-416 dated 26th March 2020 respectively.

The company also has already been issued a business license No. BL 01396912024-250000-5146 dated 7th August 2024 by Kinondoni municipality; as well is registered and approved by the Ministry of Health with certificate Number 123815 dated 13th June 2024 to operate as District Level Category Hospital. As well is making follow-ups on approval from the Pharmacy Council of Tanzania to operate the pharmacy facility; approval from Tanzania Atomic Energy to use medical imaging diagnosis equipment, and approval from the Medical Council of Tanganyika (MCT) to ascertain qualification of medical doctors' staff at the hospital etc.

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

2.8.4 The Hospital Facility Health Services

Consistent to the Ministry of Health guidelines for a District Level Hospital Category, the hospital facility will provide general, and specialised clinical care in internal medicine, paediatrics, obstetrics and gynaecology, surgery, ENT, ophthalmology, dentistry, dermatology, gastroenterology, urology, orthopedic, optical workshop, and anaesthesia; along with emergency, inpatients and outpatients' services depending on the catchment area medical service needs and disease profile.

The facility will also provide nursing services, clinical laboratory, radiology, electro-magnetic medical diagnostic services, pharmacy services; as well administrative services operations including all personnel, accounting, medical records, housekeeping, ambulance, security, dietary and social services. In addition, specialized services based on the catchment area population diseases profile will be taken on board.

2.8.5 The Hospital Facility – Infrastructure and Facilities

2.8.5.1 Total beds

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

Table 4: Medical Facility Beds Distribution:

S/No	Particulars	Number
1	Medical/Surgical Ward <ul style="list-style-type: none"> • Private 5 • Isolated 5 • Semi Private 10 • General 20 	40
2	ICU	3
3	Maternity/ Children	17
Total		60

2.8.5.2 Medical Facility - Facilities and Distribution

The hospital building with average of 6,000 square meters will be allocated as follows:

Table 5: Medical Facility - Facilities and Distribution.

S/no	Facility	Allocation (Square meters)
1	Ambulatory care	100
2	Emergency Management	400
3	Diagnostic imaging	500
4	Laboratory Services	250
5	Pharmacy	390
6	Respiratory and recovery	180
7	Non-Clinical Support	400
8	In patient Services <ul style="list-style-type: none"> • ICU 250 • Maternity/Children 590 • Medical/Surgical 800 	
9	Staff Accommodation	400
10	Consultation rooms	550
11	Laundry	240
12	Physiotherapy room	400
13	Store	550
Total		6,000

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

2.8.6 Medical Facility Equipment and Instruments:

The package list of new equipment and instruments to be purchased is well presented in **Para 2.5.2.**

The hospital facility will continue to purchase machinery, equipment and instruments into phases to enhance its operations

2.8.7 Medical Facility Management

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

The hospital will be under the *Managing Director, Dr. Neema Daniel Kanyaro*, a Super specialist and Consultant Ophthalmologist/Glaucoma specialist Medical Doctor with over a decade practical experience in the public and private medical services as a *Managing Director*.

Dr. Nahimana Jorum William holder of MD degree, with extensive health service coordination experience; will coordinate the hospital medical services, once the hospital facility start operations

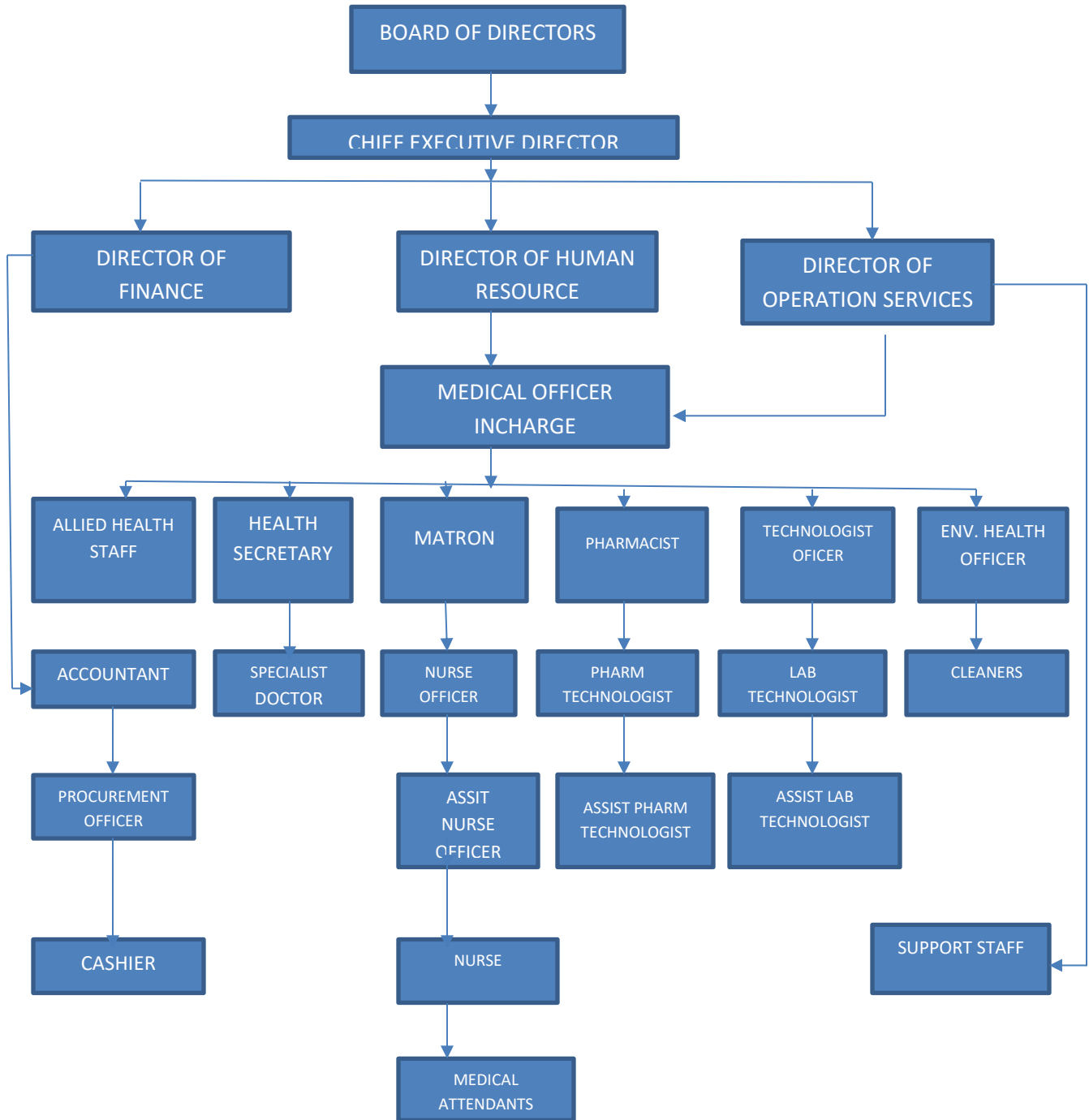
Mr. John George Kitonka, holder of a degree in Finance with over a decades in hospital financial management and administration services will be the overall in-charge to all matters related to the hospital facility financial and administration issues.

The hospital facility also anticipate to recruit a team of specialized and qualified medical and non-medical staff to run the day-to-day medical service operations. As well the hospital will continue employing addition numbers of staff in the near future ranging from medical professional and specialized team to administrative services staff including but not limited to accounts, medical records, housekeeping, ambulance, security, dietary and social services to reach 56 staff upon full operationalization of the facility capacity

The hospital will also outsource the specialized and super-specialized visiting team from local based private and government hospitals to enhance its medical care services

The hospital facility proposed organisation structure is as shown in **Figure 4:**

Figure 4: The existing Medical Facility Organisation Structure;



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

- ***Nursing Department:*** Comprising of Nursing and housekeeping, social welfare, Central sterilisation and laundry;
- ***Medical Department:*** Comprising of internal medicine, paediatric, outpatients, dentistry, ENT, dermatology, emergency, and pharmacy
- ***Surgery Service Department:*** Comprising of surgeries, dentistry, obstetrics/gynaecology, anaesthesia, ophthalmology, urology/ nephrology particularly renal dialysis and emergency cases.
- ***Clinical Support Department:*** Comprising of radiology, electromagnetic diagnostics, and laboratory
- ***Administration Department:*** Comprising of Finance, general administration, and procurement.
- ***IT Department:*** Comprised of IT, telecom, billing system, security system

Together with the interim team, the hospital facility as a district level category hospital will employ the following staff to man the facility medical services; Gynaecologist (1), Physician (1), Other Specialists (2), General Practitioner (4), General Surgeon (1), Paediatrician (2), Anaesthetist (1), Medical Interns (2), Radiologist (2), Radiographer (1), Physiotherapist (2), Social workers (2), Lab technologists (2), Registered nurse/Midwives/assistance nurse/Managers (20), and general administration crew (13).

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

With such dedicated, qualified and experienced medical staff the hospital will be well positioned in the private hospital sector. The hospital facility key existing interim management team stand as in **table 6**.

Table 6: The Hospital Facility Existing Interim Management Team

Sn	Name	Designation	Education	Experience(year)
1.	Dr. Neem Daniel Kanyaro	Chairman & Managing Director	MD, MMed, FRCophth Consultant Ophthalmologist/ Glaucoma Specialist	Over a decade in public in public medical practice, of which over five years as Head of Unit, Manager, Advisor, and Consultant.
2.	Dr. Nahimana Jorum William	Interim Medical Officer In Charge	MD	Over a five years in medical practice; of which two years as Medical Officer in charge
3	Mr. John George Kitonka	Head of Human Resource and Administration	Bachelor degree in Finance	Over a decade Experience in Health Sector Practical Finance, Administration and Operations

2.8.8 Patients Data and Information System Capacity:

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

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

2.8.9 Affiliation and Networking Arrangement:

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

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

2.8.10 Safety procedures and environmental protection

Almost all wastes from the medical facility operations are normally contagious hence need high and strictly means of disposal. The hospital facility has already acquired the automatic incinerator machine to destroy contagious material as per Regulator's standard requirements. The cost of purchasing the incinerator package was borne from the promoters own sources.

All water and other affluent from the hospital will be going through the waste water system constructed in line with hospital facility buildings.

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

2.8.11 Proposed lay-out of the Medical Facility New Building

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

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

Electricity service is already on site from the national grid; a standby generator budgeted herein anticipate to cater for eventual power outage and/or power cuts. Cleanliness of the surrounding area will be ensured. Potential contagious waste will be incinerated.

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

3. MARKET ANALYSIS

3.1 Health Sector Potential in Tanzania

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

The government expenditure to the sector as percentage of GDP increased from 5.4% in 2008 to an average of 9.5% in 2023, averagely reducing mortality and burden diseases by 31% in the same period (MH, 2023). The sector though improving, more is needed to cover the unmet need as evidenced by low health workers to population ratio of 4:100,000, and number of hospital beds ratio of 11:10,000; funding indices of 60% and 40% by private/donor and public sources respectively

3.2 Health Sector in Dar es Salaam Region:

Dar es Salaam region office report 2023, shows the health services are provided by 572 medical centres; of which 42 are hospitals comprised of 80% private and 20% government; 48 Health centres comprised of 80% private and 20% government, 59 polyclinics and specialised clinics comprising 95% private and 5% government, and 423 dispensaries comprised of 78% of private and 22% government.

Kinondoni district has 197 health service facilities of which 27 are comprised of government category facilities. With over one and a half million inhabitants, the district is still experiencing unbalance index on level one hospital services and other specialized/super-specialized medical service facilities, hence paving way for new entrants to support the health sector service. Hence, the proposed hospital facility with upmost medical diagnostic machinery, equipment and personnel anticipate to reduce the gap.

In the Catchment area, there are other hospitals including TMJ Hospital, Kairuki Hospital etc. with capacity of serving inpatients and outpatients, provision of the general, specialized and super-specialized medical and diagnostic services; however, there is still a room for other entrants including M/s Alfa Specialized Hospitals Limited into provision of the high-end medical care services.

M/s Alfa Specialized Hospitals Limited medical facility, will continued to pack its hospital facility with upmost medical diagnostic equipment; specialised and super-specialized medical personnel, henceforward considered to be among the dependable hospital facility in the catchment area.

3.3 Marketing

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

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

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

3.4 Customers

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

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

3.5 Competition

In the health service sector, the key and instrumental competitive edge is effective, efficient and quality service indulged with high level of medical professionalism. The company's anticipated medical services including a classified mother and child medical services carried out by specialized professional doctors; anticipate to position a medical facility performance reasonably.

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

3.6 Location and Transport issues:

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

3.7 SWOC Analysis

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

Strengths

- *A strong and supportive specialised and super-specialised medical team with diversified speciality available for 7 days per week;*
- *High value medical diagnosis machinery and equipment that shortens waiting time, enhance accurate and reliable test results, and emulate medical services quality at affordable cost;*
- *A devoted and committed nurses and administrative team;*
- *A comprehensive healthcare services under one roof;*
- *Simplified inter-speciality consultation;*
- *Friendly and empathetic staff with acceptable patients care; and*
- *Self-sustainable project with commendable cash flows; and*

Weaknesses

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

Opportunities

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

3.8 Challenges

- *Decrease in people's income especially of the middle and low classes.*

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

3.9 Growth Trend

The hospital facility is strategically located in the populated area of Mikocheni Area, in Kinondoni district and neighboring districts of Dar es Salaam region.

With yearly stagnant and increasing diseases cases, morbidity and mortality due to unbalancing health facility in the Dar es Salaam region; the hospital anticipates to accommodate considerable number of both inpatients rate of 8,736 and outpatient rate of 24,463 respectively in year one of the its operations, which will increase progressive yearly, suggesting availability of the reasonable number of patients to be served by the hospital.

3.10 Pricing

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

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

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

4. TECHNICAL ASPECTS

4.1 Technical Know-how

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

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

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

4.2 Technology

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

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

4.3 The Hospital Facility Capacity

The hospital facility will operate initially with 60 beds providing general and specialized clinical care in medicine, paediatrics, obstetrics and gynaecology, surgery, ENT,

ophthalmology, dentistry, dermatology, gastroenterology, anaesthesia; along with emergency, inpatients and outpatients' services depending on the catchment area medical service needs.

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

- *Inpatients are projected* to be 8,736 in year one that will increase to reach 20,113 in year 4; largely augmented by the anticipated medical facility space, medical expertise, services and diagnostic infrastructures;
- *Outpatients are projected* to be 24,463 in year one that will increase to reach 28,313 in year six; largely accelerated by the medical facility expertise, diagnostics infrastructure, reasonable price, location encroached with high population lacking a reliable medical service facilities; and
- *The average medical facility bed occupancy* anticipates to be 40 % of the available beds, with maximum occupancy level of 90% in year six.

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

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

4.4 Hospital Facility Operation Program

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

During the first year of operation the hospital facility bed occupancy rate will be 40% that anticipate to increase progressively to 90% capacity in year six. This consideration has been developed based on the assumption that awareness and logistical barriers, staff

recruitment and familiarisation, health insurance providers confidence and approval, unavailability of some medical expertise, diagnostic facilities and allied services in the first three years of operation.

4.5 Medical Supplies and Utilities

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

4.6 Machinery and Equipment

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

4.7 Land and Building

The three-storey twined building area occupying 6,000 square meters is erected on 523.37 square meters piece of land with allied addition land of 1 acre leased from the majority shareholders and promoters Dr. Neema Daniel Kanyaro.

4.8 Motor Vehicles/Standby Generator

The hospital facility will purchase and install a standby generators and transformer with capacity enough to support the hospital facility powers supply during breakouts. As well the hospital currently owns an ambulance van to support movement of patients' referrals

5.0 INVESTMENT AND FINANCING PLAN

5.1 Investment cost

The hospital facility is herein seeking for the bank loans amounting to TZS 200.0 million out of which TZS 100.0 million to part finance Capex cost and TZS 100.0 million to part finance Opex cost respectively.

The capex proposed will include completion of the remaining few construction works, purchase of medical machinery, equipment and instruments, purchase of a standby generator, transformer and elevator; and the Opex will include working capital requirement to finance the medical facility operational cost.

5.2 Financing Plan Cost

The total investment cost (new and existing) required to establish the proposed district level hospital category with initial capacity of 60 beds is estimated at TZS 2.80 billion as indicated in **Table 7**, whereas the total proposed bank loan exposure is estimated at TZS 200.0 million, and the owners' contribution is estimated at TZS 2.60 billion, implying a bank loan and owners ratio of 7%:93%.

Table 7: The Hospital Facility Proposed Investment Plan in TZS '000'

ITEM	EXISTING INVESTMENT		PROPOSED INVESTMENT		TOTAL
	Owners Equity	Debt	Owners Equity	Debt	
HOSPITAL BUILDING					-
Preliminaries	8,900,000	-	5,000,000	-	13,900,000
Consultancy fee	8,800,000	-	4,500,000	-	13,300,000
Land Acquisition	35,000,000	-	-	-	35,000,000
Land Development	14,150,000	-	-	-	14,150,000
Building Construction, partitions & allied works	1,695,000,000	-	10,000,000	-	1,705,000,000
Building Services (plumbing, waste systems, electricity, aircon etc.)	61,000,000	-	30,000,000	-	91,000,000
Building Equipment (elevator and engineering passage etc)	21,630,000	-	25,000,000	20,000,000	66,630,000
Sub Total Infrastructure Costs	1,844,480,000	-	74,500,000	20,000,000	1,938,980,000
					-
2. MEDICAL EQUIPMENT, INSTRUMENT AND OFFICEEQUIPMENT					-
Medical Equipment	412,000,000	-	32,568,700	50,000,000	494,568,700
Hospital Furniture	100,300,000	-	14,000,000	10,000,000	124,300,000
Motor Vehicle/cycle (Ordinary/Ambulance)	20,000,000	-	32,000,000	-	52,000,000
Standby Generator	-	-	25,000,000	20,000,000	45,000,000
Sub Total Medical Equipment, Instrument and Office Equipment	532,300,000	-	103,568,700	80,000,000	715,868,700
Working Capital	-	-	50,000,000	100,000,000	150,000,000
TOTAL PROJECT COST	2,376,780,000	-	228,068,700	200,000,000	2,804,848,700

93% 7%

2,604,848,700 200,000,000

The proposed project financing plan will be in a form of term loan and equity contribution on the ratio base of 7%:93% respectively. The proposed term-loans for Capex will be repaid monthly over a period of 4x years including a six months moratorium period.

The working capital of TZS 100.0 million will be reviewed yearly. The interest rate used in the analysis is 18% per annum.

6. IMPLEMENTATION PLAN AND SCHEDULES

6.1 Activities and Milestones

The following timeline illustrates the detailed activities plan during the proposed project Implementation phases. The activities are one-time expenditure; and once completed, minimal maintenance will assure a continual working or a successful project operation implementation. The project implementation plan is as shown in **Table 8**

Table 8: Schedule of Activities According to a 6 Month Timeline:

PROCESS	ACTIVITIES	TIME FRAME
Project Planning, evaluation, selection and financing	<ul style="list-style-type: none"> • Generate and select business ideas • Business plan Preparation • Business Plan Evaluation • Identification, application and approval of financing 	<i>1-Months</i>
Implementation	<p>a. Contracting Drawing up legal contracts with respect to:</p> <ul style="list-style-type: none"> • Project Financing-Banks/Investors • Contractors and Engineers • Project Management • Machinery/Equipment Suppliers • Visit and Station Specialized Doctors • Recruitment of Staff Team <p>b. Construction</p> <ul style="list-style-type: none"> • Construction, renovations, installation elevator • Recruitment of additional staff 	<i>2-Months</i>
Commercial Operations	<ul style="list-style-type: none"> • Operation programs • Set up implementation, marketing and delivery programs 	<i>1-months</i>
Operation	<ul style="list-style-type: none"> • Commercial Operations • Quality control 	<i>1-month</i>

6.2 Implementation Plan

The project implementation schedule will remain with completion of some construction works particularly purchase and installation of the hospital facility building elevator, purchase and installation of medical machinery/equipment, and recruitment of addition

staff. It is envisaged that commercial operation implementation will start in late June 2025, should the sought external source of fund be timely available. (refer table 9)

Table 9: The Hospital Proposed Implementation Plan

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

6.3 Permits and Regulations

To set up and operate a District Level Category Hospital, the project requires the following permits (refer table 10).

Table 10: The Hospital Implementation Plan Required Permits and Regulations.

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

6.4 Others critical items required

6.4.1 Water, Power and Logistics Facilities

Already the hospital facility site is connected to DAWASA water network allied with storage tanks with capacity of holding up 20,000 liters. Also, the hospital facility has installed a rain water harvesting system allied with storage tanks with a total capacity of reserving 20,000 liters to supplement the facility water supply in case of unforeseen events. More reserving capacity of 10,000 liters will be installed in the near future to match the hospital needs. Plumbing, and waste water system are ongoing activities.

Electricity power is on site, except for the on-site-based transformer to stabilize the electricity supply to the medical facility. The company has already applied and installed a three-phase electricity supply from TANESCO pending to purchase of the on-site transformer using the herein proposed finance arrangement.

The medical facility is proposing herein to purchase a standby generator able to feed the building during electricity breakouts. Also, the facility is herein proposing for purchase of the ambulance van to facilitate patients' movements from to and from referral hospitals.

The hospital facility is located along Mwai Kibaki Road, Mikocheni Area, Kinondoni District, hence easily accessible.

7. ENVIRONMENT ISSUES

7.1 General Information.

In adherence to regulations, the hospital facility has applied for the environment certification from the National Environmental Management Council for the proposed hospital business operations. The hospital environment factors will be considered in order to protect the area environment position, as well to comply with the authorities and regulatory bodies' terms and conditions including OSHA, fire and the Ministry of Health.

7.2 The Hospital Facility Design

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

7.3 The Hospital Facility Medical Machinery and Equipment

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

7.4 Waste Disposal

Almost all wastes from the hospital operations are normally contagious hence need high and strictly means of disposal. The hospital facility has already acquired the incinerator using own funds that will be installed to destroy all contagious material as per Regulator's standard requirements.

All water and other affluent from the hospital will be going through the waste water system already in place.

8. PROJECT RISK AND MITIGATIONS

8.1 Availability of Hospital Medical Supplies

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

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

8.2 Substantial investment

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

To mitigate this risk; the directors and management will continue to use the internal generated resources prudently, as well the herein proposed bank loans to finance the hospital investment will be used accordance to the proposed needs.

Also, the hospital facility will continue to recruit and provide adequate training to ensure the management team is innovative and creative in the medical services operations.

8.3 Environment risk

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

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

8.4 Size of the project

The company intends to embark on investment of TZS 2.80 billion projects which is a substantial increase over its current size of operations.

To mitigate this risk, the project promoters have adequate experience and exposure in operating integrated operations including hospital operations. The team is well exposed, experienced and confident in operation of proposed project allied with recruitments, supervision and management of the line team to spearhead project investment magnitude swiftly.

8.5 Operating risks

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

- *Technical risk*: The supplier of medical machinery and equipment will provide a guarantee that the supplied medical technology will work effective and efficiently through, as well provision of training to hospital staff. In addition to this, the medical technology to be used is proven.
- *Management risk*: The hospital facility will recruited a well experienced and trained medical and non-medical staff; and will continue to recruit qualified and experienced management team in the medical services arena
- *Cost risk*: This includes the increase in cost of labour, pharmaceuticals and other general operating expenses. This will be controlled by employing competent finance manager/controller to oversee financial management for the project.
- *Cash-flows risk*: This entails inability of business to cover opportunities to grow through investments; and will be mitigated through continue supporting the hospital facility investments using the project internal resources and owners.
- *Loans Exposure risk*: This entails the increase in external borrowing that if not taken care can jeopardize the Project operating cash flows ability to service the external borrowings. This will be mitigated by the in the place investment plan system that allows to borrow only if there is a matching cash inflows to stabilize the cash flows upon completion of the project implementation.

9. FINANCIAL EVALUATION

The project financial projections are appended and are evaluated based on the following guiding assumptions:-

9.1 Guiding Assumptions

9.1.1 Revenue projections:

- *Revenue projections* are based on the hospital 60 beds capacity for inpatients, stay length of inpatients, and occupancy rate. Others include laboratory services, diagnostic machinery, equipment services, surgical services, ICU, Pharmacy services, physiotherapy services, inpatient and outpatients' services, general and specialized consultations;
- *The facility will operate 24 hours 7 days* for a total of 365 days per annum;
- *The facility beds occupancy rate* is estimated to start at 40% and increase progressive to stabilize at an average of 90% by year 4. Stay length of in patient is estimated at 2.5 day, and the hospital inpatients visits number is estimated to start at 8,736 in year 1 that will increase progressively and stabilize at 10,113 visitors in year 4;
- *The outpatients' visitors' number* is estimated at 24,463 in year one that will increase to 28,313 in year 4;
- *The hospital services assumed schedule of fee* are as shown in **Appendix 1 (assumptions schedule)** and will be constant and adjusted in further years due to changes in socio-economic factors;
- *Income tax rate of 30%* is expected to remain unchanged during the projected period of 6 years; and
- *The exchange rate applicable* is TZS 2,460 to 1 USD and expects TZS to depreciate against USD currency at an average rate of 2% per annum.

9.1.2 Operating Expenses

The main operating expenses include costs of running inpatients and outpatients, medical consultations, administrative costs, personnel, pharmacy, laboratory services and financial cost. - All together estimated to account for 71% of the project turnover.

See Appendix 6

9.1.3 Re-investment expenditure:

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

9.1.4 Financial Highlights

Financial forecasts of six years period (2026-2029) of the project lifetime have been worked out.

- *Project financial projection assumptions* are well submitted in **Appendix 1**;
- *Project Investment costs* are presented in **Appendices 2 & 3** ;
- *The assets depreciation schedule* is presented in **Appendices 4 & 14**.
- *Loan repayment schedule* is presented in **Appendices 12 & 13**.
- *Sales Projections* annexed with operating expenses, administrative costs and manpower requirements are presented in **Appendices 5 & 6**.
- *The projected income statement* is presented in **Appendix 6**.
- *The projected balance sheet* is presented in **Appendix 7**.
- *The twelve (12) months, month-to-month Cash flow projections* between May 2023 and April 2024 is presented in **Appendix 15**.
- *Projected Cash flows* between 2025 and 2030 on year-to-year basis is presented in **Appendix 8**.
- *Discounted cash flow projections* (calculation for NPV and Internal Rate of Return – IRR) in **Appendix 9**.
- *The Projected Critical Financial Ratios* are presented in **Appendix 10**.
- *The projected long-term amortization schedule* are presented in **Appendix 13**

9.1.5 Facility Utilization plan

During the first year of operations, the hospital inpatients capacity will be 8,736 in year one that will increase to 10,113 in year six of the projected plan. During same period, the outpatient level will increase from an average of 24,463 in year one that will increase to 28,313 in year six.

9.1.6 Turnover and profitability

- *Revenue* from the medical facility services is projected to increase from TZS 2.67 billion in the first year that will increase to TZS 3.54 billion in year 4;
- *Gross profit* is projected to increase from TZS 1.46 billion in the first year that will increase to TZS 1.96 billion in year 4;
- *Profits after capital and financial charges* (depreciation and loan interest expenses) are projected to start at TZS 924.88 million in the first year, that will increase to TZS 1.39 billion in year 4; and
- *Profits after taxation* are projected to start at TZS 647.42 million in the first year, that will increase to TZS 976.13 million in year 4

9.1.7 Project Liquidity

The project is considered highly liquid; It generates positive net cash flows of TZS 683.32 million, interest and debt service ratio of 37.77 and 14.60 times respectively and acidic test ratio of 18.82 times in the first year of operations.

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

9.1.8 Net Present Value and Internal Rate of Return (IRR)

Through the Discounted Cash Flow (DCF) method the project realizes an attractive Net Present Value of TZS 64.40 million and Internal Rate of Return (IRR) of 20.22 % which is above the cost of capital of 18 %, hence indicating the project to be financially viable.

10. ECONOMIC BENEFITS AND CORPORATE SOCIAL RESPONSIBILITY

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

- *Provision of effective, efficient, quality general, specialised and super-specialised medical care services to the community*
- *Creation of direct employment opportunity to over 56 Tanzanians.*
- *Provision of income to employees and other service providers.*
- *Introduction of safe and high quality specialised medical care services.*
- *Improvement of medical facilities to the surrounding and Dar es Salaam city community; and*
- *Expansion of revenue base to both promoters and Government.*

11. CONCLUSION AND RECOMMENDATION

This business plan document provides a detailed investment proposal for M/s Alfa Specialized Hospital Limited seeking for an aggregate medium loan of TZS 100.0 million to part finance completion of the hospital building construction works including purchase and installation of elevator; as well purchase and installation of medical machinery and equipment, standby generator, laboratory equipment and instruments etc.; as well issuance of a working capital amounting to TZS 100.0 million to part finance the hospital operational cost.

The project total investment including of the existing investment (new and existing) is estimated at TZS 2.80 billion, out of which the owners' equity is 93% and the bank loan is 7% respectively.

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

Hence, in view of the above, it is hereby proposed that the project as conceived by M/s Alfa Specialized Hospital Limited be supported by your bank positively.

PROFILE OF COMPANY KEY DIRECTOR

1 Director.

Full Name : Dr. Neema Daniel Kanyaro

Nationality : Tanzanian

Age : 49 Years

Education : MD, MMed, FRCophth (Consultant Ophthalmologist/Glaucoma Specialist).

Work Experience: A Super specialist and Consultant Ophthalmologist/Glaucoma specialist Medical Doctor with over a decade practical experience in the public and private medical services.

Contacts:

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- e) **Number of Share:** 600