

B&B HEALTH CARE LIMITED, LOCATED AT PLOT NO. 2094, BLOCK 'C', KINZUDI ROAD, GOBA KUNGURU, GOBA AREA, UBUNGO DISTRICT, DAR ES SALAAM REGION, TANZANIA

BUSINESS PROPOSAL HIGHLIGHTS

FOR

CONSTRUCTION AND FINISHING WORKS OF THE EXISTING SPECIALIZED MEDICAL POLYCLINIC LEVEL CATEGORY HOSPITAL ADDITION BUILDING ALLIED WITH PURCHASE AND INSTALLATION OF ADDITION MEDICAL MECHINERY, EQUIPMENT AND INSTRUMENTS.



Presented by:

B&B Health Care Limited

Plot Number 2094, Block 'C'

Kinzudi Road, Goba Kunguru Area, Goba Ward, Ubungo District

P.O Box 76118,

Dar es Salaam

Tanzania

1. PROJECT INFORMATION HIGHLIGHTS

Project Name: B&B Health Care Limited

Project Promoter: *B&B Health Care Limited*; a limited liability company by shares that was incorporated on 13th December 2016; and issued certificate of incorporation No. 31822 and Tax Payers Identification (TIN) No. 132-755-094 dated 6th June 2017 respectively; specifically for provision of general and specialized medical and healthcare services at a Specialized Medical Polyclinic Level Categorized Hospital.

Project Ownership: *B&B Health Care Limited*; is privately owned by local Tanzania citizens namely Dr. Bhavin Subhash Jani (25%), Dr. Benjamin Anathory Kamala (25%), Dr. Diana Kaletwaki Damian (25%) and Dr. Irene Kokushubila Rweyemamu respectively.

Legal Status: Limited Liabilities by shares Company

Type of Business: Medical hospital facility, current operating at Specialized Medical Polyclinic Level Hospital Category.

Contact Details: *Postal Address:* P.O.Box 76118, Dar es Salaam, Tanzania
Contact Person: Dr. Bhavin Subhash Jani: Director and Shareholder
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Project Concept : *Construction, finishing and installation works* of the Hospital addition building with allied infrastructure, facilities and services; specifically, including foundation, superstructure, walling, flooring, roofing, electricity, communication, security and water supply system allied with engineering, mechanical, electrical and ancillary facilities service works.

Purchase and installation of the following Hospital items

- ✓ *Furniture*, shelves, fittings and fixture, wheel chairs, stretcher, laundry machine, treadmill machine and accessories, uniforms etc.;
- ✓ *ICT hard and soft Infrastructures*, including but not limited to computers, power inventors, server, hardware and software with allied installation works;
- ✓ *Medical machinery, equipment and instruments* including but not limited to radiology machines, minor surgery equipment, Orthopaedic unit, dental unit equipment, physiotherapy equipment, Sterilization and instrument handling unit; Respiratory support machine unit; Monitoring unit, Renal and metabolic support machine unit, and Data and documentation unit equipment; doctors rooms equipment, labour ward equipment, vital sign monitor; Reproductive and Child Health (RCH) services unit items

including; suction machine double, oxygen concentrator, neonatal bed hydraulic, infant warmer, vein finder, oxygen cylinder 10 Kgs, phototherapy machine, CPAP machine, CTG machine, infusion pump, pulse oximeter handheld, phototherapy eye shield, examination bed, gynecological beds; *Emergency Unit*, items including patient monitor midray, incubator, resuscitation trolley, infusion pump, CPAP machine, vein finder, emergency beds, ambulance van; *Other medical facilities and equipment items*; including operating lamp, doyen retractor, big size pharmacy fridge, BPH set, TAH set, theater uniforms, operating table, defibrillation machine, theatre uniforms, hernia dilation, gown set, and full automated chemistry analyzer machine;

- ✓ *Purchase and installation* of the Hospital facility motor vehicle (ambulance), incinerator and a standby generator, TANESCO transformer 250 KVA etc.;
- ✓ *Purchase of the Hospital facility* medicine and consumables; and
- ✓ *Recruitment* of the Hospital facility addition medical and non-medical staff team.

Sourcing addition structured medium term working capital loan to part finance the Hospital operating and overhead costs.

The Business Case: With yearly increase demand in the medical and healthcare service, largely augmented by yearly increasing population, unbalanced health care centre medical facilities and services index, distribution and availability of medical and healthcare country-wide; together are considered to pave way for more investment in the health sector to ensure that there is quality and equitable general and specialized medical and healthcare services country-wide to ease access of the service to the community at affordable distance and cost.

Hence, the proposed project to invest in enhancement of the medical and healthcare facility at Specialised Medical Polyclinic Level category Hospital equipped via construction of addition building infrastructure packed with the upmost medical machinery, equipment, instruments and personnel anticipate to support further the health sector services; ranks the proposed project to a socially acceptable project status.

Project Estimated

Total Investment Cost: *The proposed project Total Investment Cost* (new and existing) is estimated at TZS 3.71 billion; to be financed as follow:

- ✓ Equity Contribution: TZS 2.20 billion (59%)
- ✓ Loan: TZS 1.51 billion (41%)

medical services, paediatric medical services, gastroenterology and hepatology medical services, orthopaedics and spine medical services; immunology and allergy medical services etc.

Project Target Market: The Hospital facility will cater for a general population of Goba Area suburb and the surrounding community in Ubungo and Kinondoni districts respectively; devoting its capacity towards serving the population with general, specialised, efficient and quality medical services.

The Rationale and

Justification:

The hospital facility anticipate to enhance specialised and super-specialized outpatients medical services, through enhancement, installation and utilisation of the upmost medical diagnostic capacity and expertise, employment and commissioning of the new medical speciality areas that matches demography, development and epidemiology position of the catchment and other surrounding areas; hence, in turn heightening its business revenue and profitability

Project Operations: The hospital plan to continue entering contract with qualified medical specialists from private and public sectors to supplement its resident medical team. Under the arrangement, consultants will exclusively providing specialised medical services on mutually agreed scheduled fees, time and period.

The resident medical team under the Managing Doctor assisted by the Hospital Manager will be responsible for ensuring fully compliance with all the Ministry of Health requirements for a Specialized Medical Polyclinic Level Category Hospital and Medical Association of Tanganyika (MAT) accreditation standards including safety, quality care, operational efficiency, environmental compliance and professionalism.

Project Management: The medical facility under the oversight of the Board of Directors' direction, is currently under the Managing Director, a professional medical doctor assisted by line managers/supervisors and administrators all with over a decade medical and healthcare services practical experience in both public and private medical services.

The Hospital also has in place qualified, hospital medical doctor in charge, human resources and administration manager, finance and accounts manager etc.; and will continue to recruit specialized and qualified medical as well non-medical staff from time to time to bridge the gap.

Competitive Advantage

and Strategy: These includes:

- ✓ The Hospital will be one of the large Specialized Medical Polyclinic Hospital providing general, specialised and super-specialized medical services facility in its main catchment area; hence has a potential of operating with reasonably lower cost structure than its competitors.
- ✓ The Hospital facility location and experienced staff and service configurations make it ideal alternative medical facility for provision of quality and professional medical and healthcare services, hence ensuring cost-effective occupancy levels of the project.
- ✓ Being privately owned supplementing special government health care service programs, the Hospital will have access to government funds related to medical service programs, hence adding another line of revenue.
- ✓ The Hospital bills and revenues will essentially be capped by the case by case rates promulgated by quality, efficiency, effectiveness and specialised health care services; and will lined up with

Project Benefits: The project benefits are as follow:

- ✓ *Flexibility of the Hospital facility* to plan and implement its medical and healthcare services with allied specialised services without being locked into the infrastructure size and medical machine, equipment and instruments woes;
- ✓ *To save the catchment area community effectively* at a Specialized Medical Polyclinic Level Category Hospital facility; instead of referring unreasonable cases to other medical facilities for attention;
- ✓ *To improve, upgrade, facelift and enhance* the existing Hospital facility services;
- ✓ *To improve the Hospital medical services* efficiency, effectiveness, sustainability, and quality that respects the flexibility principles; and
- ✓ *To integrate the Hospital facility medical services* that responds the catchment area demographic, development and epidemiology at an increasing economy of scale and scope.

Project Economic Benefits and Social Corporate

Responsibility: The proposed hospital facility enhancement investment plan will have significant economic and social benefits to the residents of Goba and surrounding Areas, Ubungo district, Dar es Salaam region as summarized below:-

- ✓ *Provision of effective, efficient, quality and specialized medical care services to the community*

- ✓ *Creation of direct employment* opportunities to Tanzanians;
- ✓ *Provision of income* to employees and other service providers;
- ✓ *Introduction of safe* and high quality specialized medical care services; and
- ✓ *Expansion of revenue* bases to both promoters and government.

Project Guiding Principles: These includes:

- ✓ *Market oriented* and patient focused;
- ✓ *Responsive to patient* needs and requirements;
- ✓ *Efficiency in organising* the Hospital business entities physical, financial and human assets to enhance productivity;
- ✓ *Quality, standard and focused training* to ensure the Hospital services efficiency and productivity;
- ✓ *Fostering collaboration*, mutual partnership and cost sharing with other interested stakeholders for accelerating the country's social and economic development;
- ✓ *Demonstrating transparency*, reliability and honesty in all aspects of the Hospital facility activities;
- ✓ *Promoting best practices* in delivery of quality medical and healthcare services; and
- ✓ *Sustainability*: to operate within the revenue available without depleting financial, physical assets, human resources required for the future Hospital expansion and development.

Projected patients level: The hospital facility anticipate to increase outpatients' record from an average of 51,980 visitors per annum in year 1 to 58,096 per annum in year 6. The hospital inpatients, currently are mainly those need short time resting hours after undergoing medical and healthcare services procedures; and anticipate to increase from an average of 1,238 visitors per annum in year 1 to 1,383 per annum in year 6. The upward increase in number of outpatients will be accelerated by the anticipated improvement in the hospital infrastructure, medical services, capacity, facilities, specialties and diagnostic capacities.

Projected 12 months cash flows: The hospital first 6 months between June and December 2025 projected months to month cash flows shows a positive and healthy net cash flows throughout; as well as 12 months to month projected cash flows between January and December 2026, also evidence a positive and healthy net cash flows; suggesting a strong business. The Hospital currently has a bank working capital loan in place to buffer any unforeseen deficit in the net cash flows (see Appendix 15).

Projected Financials: The projected project financials reveals the followings:

- ✓ The Project anticipate to generate an average revenue of TZS 3.52 billion in year 1 that will increase progressively to TZS 4.97 billion by year 6.
- ✓ The project anticipate to generate gross profit of TZS 1.65 billion in year 1 that will increase progressively to TZS 2.85 billion in year 6.
- ✓ The project will generate pre-tax and net tax margins of TZS 738.47 million and TZS 516.92 million respectively in year 1 that will increase progressively to TZS 1.59 billion and TZS 1.11 billion respectively in year 6.
- ✓ Net cash flows after personnel costs, other operating costs and capital costs will be TZS 349.05 million and will remain positive throughout the project lifespan.
- ✓ The Project requires an equity commitment of TZS 2.20 billion that shall remain non-recoverable during project implementation.
- ✓ Both critical ratios including Interest Service and Debt Service are reasonable and above 1.5; 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 21% and a positive Net Present Value (NPV) of TZS 246.72 million.

Guiding Assumptions

Revenue projections:

- ✓ Revenue projections are based on the hospital outpatients' services and 4 temporary bed rest capacity for inpatients, stay length of inpatients, and occupancy rate. Others include laboratory services, diagnostic machinery, equipment services, minor surgical services, ICU, Pharmacy services, inpatient and outpatients' services, general, specialized and super-specialized consultations.
- ✓ The facility will operate 24 hours a day for a total of 365 days per annum.
- ✓ The hospital temporary bed rest beds occupancy rate is estimated to start at 85% and increase progressive to stabilize at an average of 95%. Stay length of in patient is estimated at 1.5 day, and the hospital inpatients visits number is estimated to start at 1,238 in year 1 and increase progressively and stabilize at 1, 383 visitors from year six.
- ✓ The outpatients visitors number is estimated at 51,980 in year one that will increase to 58,096 in year six.
- ✓ The hospital services assumed schedule of fee are as shown in Appendix 1 and will be constant and adjusted in farther years due to changes in socio-economic factors.
- ✓ Income tax rate of 30% is expected to remain unchanged during the projected period of six (6) years.

Financial Evaluation: The financial projections are appended and is evaluated as follows

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 79% of the project turnover. **See Appendix 6**

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

Financial Highlights: Financial forecasts of six years period (2026-2031) of the project lifetime have been worked out.

- ✓ Project projection assumptions are presented in **Appendix 1**
- ✓ Project 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 projected month to month Cash flow projections are presented in **Appendix 15.**
- ✓ Projected Cash flows between 2026 and 2031 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.**

Facility Utilization plan: During the first year of operations, the hospital inpatients capacity will be 1,238 in year one that will increase to 1,383 in year six of the projected plan. During same period, the outpatient level will increase from an average of 51,980 in year one that will increase to 58,096 in year six.

Turnover and profitability: Will be follow:

- ✓ Revenue from the hospital services is projected to increase from TZS 3.52 billion in the first year to TZS 4.97 billion in year 6.

- ✓ Gross profit is projected to increase from TZS 1.65 billion in the first year to TZS 2.85 billion in year 6.
- ✓ Profits after capital and financial charges (depreciation and loan interest expenses) are projected to start at TZS 738.47 million in the first year, increasing to TZS 1.59 billion in year 6.
- ✓ Profits after taxation are projected to start at TZS 516.92 million in the first year, increasing to TZS 1.11 billion in year 6

Project Liquidity: The project is considered highly liquid; It generates positive net cash flows of TZS 349.05 million, interest and debt service ratio of 3.16 and 1.50 times respectively and acidic test ratio of 1.95 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 and start of operations; and still will retain adequate fund yearly for other future operations

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 246.72 million and Internal Rate of Return (IRR) of 21% which is above the cost of capital of 18%, hence indicating the project to be financially viable.

Conclusion and

Recommendation: 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 investment as proposed.

PROFILE OF B&B HEALTH CARE LIMITED DIRECTORS

1 Director.

Full Name : Dr. Bhavin Subhash Jani
Nationality : Tanzanian
Age : 44 Years
Education : Doctor of Medicine and Masters of Medical Science
Work Experience: Over 15 years working experience as public health specialist and clinician

Contacts:

- a) **Postal:** 76118, Dar es Salaam, Tanzania
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- e) **Number of Share:** 250

2 Director.

Full Name : Dr. Benjamin Anathory Kamala
Nationality : Tanzanian
Age : 43 Years
Education : Doctor of Medicine, Masters of Medical science, PhD in Global Health and Epidemiology
Work Experience: Over 15 years of experience working experience in clinical medicine, public health, academician and global health. 9 Years practical experience in health sector

Contacts:

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- e) **Number of Share:** 250

3 Director.

Full Name: Dr.Diana Kaletwaki Damian
Nationality : Tanzanian
Age : 40 Years
Education : Doctor of Medicine and Master of Medicine (pediatrics)
Work Experience: Over 10 years practical experience as a clinician in the health sector

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d) **Number of Share:** 250

4. Director.

Full Name : Dr. Irene Kokushubila Rweyemamu
Nationality : Tanzanian
Age : 43 Years
Education : Doctor of Medicine and Masters of Medicine
Work Experience: 15 Years practical experience as clinician in the health sector

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