

R. J FREIGHT LINE LIMITED

BUSINESS PLAN

FOR

DEVELOPMENT OF A TOURIST HOTEL

1.0. EXECUTIVE SUMMARY

1.1 Project Concept

The report gives detail on a proposal to develop a modern tourist hotel

The project proposes to expand and rehabilitate a hotel of 25 rooms together with all basic needs for modern tourist hotel

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

Project is being developed by R. **J FREIGHT LINE LIMITED** a locally registered on 1st August, 20000 with certificate of Registration No. 39751

The project promoters are confident of mobilizing financial resources through owners' equity and loan sourced from local financial institutions;

1.2 Location

The project will be located at Plot **No.152,154,156 Rugaze Street,Mbweni, Kinondoni District, Dar es Salaam.**

1.3 The Sponsors

R. J FREIGHT LINE LIMITED will be sponsoring this project. The Company is jointly owned by three shareholders

Name of shareholders	% Ownership	Nationality
Raynolds Joachim P.O. Box 70934 DAR ES SALAAM	33.34	Tanzania

Edward Joachim P.O. Box 70934 DAR ES SALAAM	33.33	Tanzania
Saimon Kanjum P.O. Box 70934 DAR ES SALAAM	33.33	Tanzania

1.4 The Company Objectives

The company main business objective is development of tourist hotel

1.5 The Legal Status

R. J FREIGHT LINE LIMITED was registered on 1st August, 2000 with certificate of Registration No. 39751

1.6 Objective of Study

The purpose of this study is to work out the project viability technically and financially of developing and operating a tourist hotel project.

2.0 Project Management and Manpower requirements

The project will under management of **R. J FREIGHT LINE LIMITED** management who have more than twenty-five in the field.

2.1 Project description

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

It is in view of the above; **R. J FREIGHT LINE LIMITED** came up with a proposal to develop tourist hotel.

It is expected that the hotel will be completed within two years' time and the company will apply to be exempted from paying import duty and VAT on Capital good and deemed capital good.

2.2 The General Over Tourism Sector

In 2023, tourist arrivals to Tanzania increased by 24.3% to a record-breaking 1,808,205, from 1,454,920 tourists in 2022, 922,692 in 2021, and 616,491 in 2020. Tanzania's tourism receipts reached a record-high USD 3,368.7 million in 2023, compared to USD 2,527.8 million in 2022 (USD 1,310.3 million in 2021). This increase is consistent with the rise in the number of tourist arrivals.

In 2020, revenues were down to USD 1 billion as it was severely affected by the Covid-19 pandemic and its impact on international travel, from a peak of USD 2.6 billion in revenues and 1.5 million arrivals in 2019. The sector's contribution to GDP fell from 10.6% in 2019 to 5.3% in 2020 and climbed to 5.7% in 2021.

However, given the ongoing fast recovery of the sector, the Tanzania National Business Council (TNBC) forecast that the share of tourism in the country's GDP will reach 19.5% in 2025/26. Europe traditionally accounts for the largest share of arrivals, followed by Asia and the Pacific, the Americas, Africa, and the Middle East.

Tanzania's hotel occupancy rate was estimated at 53.8% in December 2019 compared to 44.9% in December 2018. The increase in tourist arrivals in 2023 was attributed to the rebound of travel activity post-COVID. Additionally, it was driven by the continued efforts of the Tanzanian government to promote tourism attractions within and outside the country.

“The Royal Tour” Documentary In April 2022 Tanzania’s President Samia Suluhu Hassan unveiled the “The Royal Tour” documentary while promoting FDIs during her official visit to the US. Filmed throughout Tanzania in 2021, it features Emmy Award-winning journalist Peter Greenberg traveling to Tanzania with President Hassan. She’s the ultimate guide for a week, exhibiting Tanzania’s history, culture, environment, food, and music, as well as telling the stories of Tanzania’s hidden jewels.

Source Markets In 2022, the United States of America recorded the highest number of arrivals from the rest of the world at 100,600 followed by France (100,371), Germany (67,718), the United Kingdom (60,116) and Poland (46,431). Meanwhile, arrivals from Africa were from Kenya (166,324) Burundi (100,851), Zambia (46,787), Malawi (44,438) and Rwanda (44,288).

Tourist arrivals from the top 10 countries out of 214 account for 53.2% of all arrivals. Tanzania Tourism Offer Tanzania’s incredibly rich natural tourism offer earned it the title of “Africa’s Leading Destination” in 2021.

The natural attractions fall into two main categories: wildlife and beach. Tanzania Wildlife & Beaches Tanzania’s wildlife resources are considered among the finest in the world. Tanzania is the only country, which has allocated more than 25% of its total area to wildlife national parks and protected areas. There are 16 National Parks in Tanzania, 28 Game Reserves, 44 Game controlled areas, 1 conservation area, and 2 Marine Parks. Tanzania boasts many of Africa’s most renewed destinations; in the north the Serengeti plains, the Ngorongoro Crater, Lake Manyara, and Mount Kilimanjaro, and in the south Mikumi and Ruaha National Parks and the Selous Game Reserve. According to a survey conducted by SafariBookings.com, Tanzania’s Serengeti National Park was voted Africa’s best safari destination for 2020, followed by Mana Pools (Zimbabwe), Mala Mala (South Africa), Okavango Delta (Botswana), and Lower Zambezi (Zambia).

Mount Kilimanjaro was declared Africa's leading tourist attraction in 2016 during the World Travel Awards Africa and the Indian Ocean Gala Ceremony in Zanzibar. Other additional natural attractions include the white sandy beaches of the Zanzibar archipelago, those north and south of Dar es Salaam, and excellent deep-sea fishing at the Mafia and Pemba Islands.

Tanzania Hunting Tanzania is prized for its superb trophy hunting (sport hunting or safari hunting). Hunting in Tanzania is presently permitted and regulated by the Wildlife Conservation Act of 2009, and its subsidiary regulations. The hunting industry has grown considerably in the last two decades and Tanzania is among the leading hunting destinations in the world. Hunting and Forestry jointly contribute 2 to 3 % of the GDP of Tanzania. Given there is such commitment to the conservation and protection of wildlife, it may be surprising to note that, unlike neighboring Kenya, hunting still occurs in Tanzania. However, there is no contradiction, as hunting in Tanzania is part of the wildlife conservation process, as it is done in a much-planned manner. Counts of wildlife are taken regularly and hunting licenses are issued accordingly.

Investments in the Tanzanian Tourism Sector The Tanzanian Government is engaged in developing and promoting sustainable growth in the travel and tourism sector in Tanzania, to preserve its natural and cultural resources. The Government, therefore, is focused on attracting high-income tourists who are less likely to spoil the culture and the natural environment.

2.3 **Market Strategy**

According to expert, personal selling is the most effective method for marketing packaging accommodation services because the customers and institutions. The project will use marketing agents who will be paid commissions on successful

deals. Marketing in all types of media and publicity will support and enhance personal selling. The project will use internet and print media for advertising.

2.4 Pricing

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

- Service positioning
- Gain market share from competitors
- Achieving profitability and liquidity financial performance goals
- The average price per room is US\$ 150

2.5 Monitoring and Evaluation

The Management has full commitment to ensuring good use of the resources and sustainable environment. Thus, the management philosophy is through business process, the company will strive to ensure compliance to standards and safety.

3.0 Project Investment Cost

The estimated capital investment cost of the project is US \$8,000,000 as shown in the schedule below:

R. J FREIGHT LINE LIMITED PROJECTED INVESTMENT COST US\$

PARTICULAR	US\$
Land and Buildings	1,500,000
Machinery & Equipment	500,000
Motor Vehicles	200,000

Furniture & Fixtures	1,000,000
Pre exp	20,000
Others	410,000
Working Capital	200,000
TOTAL	3,830,000

4.0 **Financing Pattern**

The project will be financed by equity by US\$ 2,330,000 and the remaining US\$ 1,500,000 to be sourced from financial institutions

4.1 **Projected Project Operating Costs**

In order to realize its intended objective, the project will have to meet the operating costs which is estimated to be 20% of the total annual revenue.

5.0 **Aspect of Project Sustainability**

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

6.0 **Monitoring and Evaluation**

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

7.0 **Financial Analysis**

7.1 **Considerations and Assumptions:**

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and Value Added Tax. The straight-line method to depreciate the project's capital items has been applied, it is assumed to be 10% annual depreciation.

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

8 years financial projections have been worked out

7.2 **Projected Profit and Loss Statement**

The Income and Expenditure Statement shows the projected income for the 10 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US \$ **493,500** in first year to **US \$ 5,343,939** in the 8th year, refer appendix II

7.5 **Projected Cash Flows**

This is shown in the Projected Cash Flows Statement in appendix II. They indicate that the project will meet its entire financial obligation, the Accumulated cash flow in the first year **US\$ 688,500** and grow up to **US\$ 6,303,939** in 8th year, refer appendix III

7.5 **Projected Balance Sheet**

The projected Balance Sheet of the projected is shown in the financial statements under appendix IV total owners' equity of the project increases from

US\$ 2,330,000 at the end of first year of operation to **US \$ 7,673,939** at the end of in 8th year. Therefore; balance sheets depict a healthy financial, refer appendix IV

7.6 Projected payback period

Total investment is **US \$ 3,830,000** cash accumulation in year 6 is **US\$. 4,528,205** which is **US\$ 1,254,256** more than the initial investment costs, the project payback Period is within 7 years, refer appendix IV

7.7 Projected Risks

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

8.0. Economic Aspects

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

- The project is an ideal option for utilization of the recently acquired prime site
- The project will significantly contribute in increase of hotel rooms available in Dar Es Salaam, Tanzania
- The project will create direct employment for 20 people on permanent contract basis leave alone temporary employees.
- It will create more business opportunities to local suppliers, which will also have a trickledown effect in the Tanzania economy as whole.

- It will generate substantial revenue to the government in the form of corporate tax paid for 8 years, value added tax and pay as you earn etc.
- The project will have transfer of knowledge and skills as far as managing of real estate

9.0 Implementation Schedule

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of serviced furnished apartment will be completed within two years: -

R. J FREIGHT LINE LIMITED PROJECT IMPLEMENTATION

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	June 2025
2	Construction	October 2025- October 2028
3	Procurement furniture and other facilities	December 2028
4	Recruitment	January 2030
5	Testing business and in house training	January – April 2030
6	Commercial operations	May 2030

10.0 Conclusion and Recommendations

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

It is recommended that the project be approved by Tanzania Investment Centre and be granted the TIC Certificate of Incentives with its associated privileges and benefits as provided for under the Tanzania Investment Act, 2022.

R. J FREIGHT LINE LIMITED COST STRUCTURE

Land and Buildings	1,500,000
Machinery & Equipment	500,000
Motor Vehicles	200,000
Furniture & Fixtures	1,000,000
Pre exp	20,000
Others	410,000
Working Capital	200,000
TOTAL	3,830,000

R. J FREIGHT LINE LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5	6	7	8
Revenue (Food & drinks)	1,125,000	1,181,250	1,240,313	1,302,328	1,367,445	1,435,817	1,507,608	1,582,988
Operating Expenses:	225,000	236,250	248,063	260,466	273,489	287,163	301,522	316,598
Profit before Depreciation & Interest	900,000	945,000	992,250	1,041,863	1,093,956	1,148,653	1,206,086	1,266,390
Interest	120,000	96,000	72,000	48,000	24,000	-	-	-
Depreciation	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Gross Profit	705,000	774,000	845,250	918,863	994,956	1,073,653	1,131,086	1,191,390
Tax (30%)	211,500	232,200	253,575	275,659	298,487	322,096	339,326	357,417
Profit After Tax	493,500	541,800	591,675	643,204	696,469	751,557	791,760	833,973
Accumulated Profit	493,500	1,035,300	1,626,975	2,270,179	2,966,648	3,718,205	4,509,965	5,343,939

R. J FREIGHT LINE LIMITED PROJECTED CASH FLOW US\$

SOURCES:		1	2	3	4	5	6	7	8
Profit before interest and depreciation	-	900,000	945,000	992,250	1,041,863	1,093,956	1,148,653	1,206,086	1,266,390
Equity	2,330,000								
Loan	1,500,000								
Total Sources	3,830,000	900,000	945,000	992,250	1,041,863	1,093,956	1,148,653	1,206,086	1,266,390
Applications:									
Capital expenditure	2,400,000	-	-	-	-	-	0	0	0
working Capital &Others	1,430,000								
Cash	-	688,500	712,800	738,675	766,204	795,469	826,557	866,760	908,973
Tax	-	211,500	232,200	253,575	275,659	298,487	322,096	339,326	357,417
Sub total	3,830,000	900,000	945,000	992,250	1,041,863	1,093,956	1,148,653	1,206,086	1,266,390
Total applications	3,830,000	900,000	945,000	992,250	1,041,863	1,093,956	1,148,653	1,206,086	1,266,390
Accumulated cash		688,500	1,401,300	2,139,975	2,906,179	3,701,648	4,528,205	5,394,965	6,303,939

R. J FREIGHT LINE LIMITED PROJECTED BALANCE SHEET US \$

Fixed Assets		1	2	3	4	5	6	7	8
Opening balance	-	2,400,000	2,325,000	2,250,000	2,175,000	2,100,000	2,025,000	1,950,000	1,875,000
Total Long-term Assets	-	2,400,000	2,325,000	2,250,000	2,175,000	2,100,000	2,025,000	1,950,000	1,875,000
Less depreciation	-	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Closing balance	-	2,325,000	2,250,000	2,175,000	2,100,000	2,025,000	1,950,000	1,875,000	1,800,000
Working capital	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000	1,430,000
Accumulated cash	-	688,500	1,401,300	2,139,975	2,906,179	3,701,648	4,528,205	5,394,965	6,303,939
Total assets	1,430,000	4,443,500	5,081,300	5,744,975	6,436,179	7,156,648	7,908,205	8,699,965	9,533,939
Financed by									
Equity	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000	2,330,000
Accumulated profit	-	493,500	1,035,300	1,626,975	2,270,179	2,966,648	3,718,205	4,509,965	5,343,939
Total equity	2,330,000	2,823,500	3,365,300	3,956,975	4,600,179	5,296,648	6,048,205	6,839,965	7,673,939
Long term loan	1,500,000	1,200,000	900,000	600,000	300,000	-	0	0	0
Total debts	1,500,000	1,200,000	900,000	600,000	300,000	-	-	-	-
Total equity and debts	3,830,000	4,023,500	4,265,300	4,556,975	4,900,179	5,296,648	6,048,205	6,839,965	7,673,939

R. J FREIGHT LINE LIMITED PROJECTED LONG TERM LOAN REPAYMENT

principle	Loan Interest (8%)	Total Amount Paid	Loan Balance
300,000.00	120,000.00	420,000.00	1,500,000.00
300,000.00	96,000.00	396,000.00	1,200,000.00
300,000.00	72,000.00	372,000.00	900,000.00
300,000.00	48,000.00	348,000.00	600,000.00
300,000.00	24,000.00	324,000.00	300,000.00