

DONGFANG CITY LIMITED

BUSINESS PLAN

FOR

EXSTABTLISHING TOURIST HOTEL

AT PLOT No. 62 URSINO SOUTH KINONDONI DISTRICT, DAR ES SALAAM
REGION.

Prepared by:
DONGFANG CITY LIMITED
DAR ES SALAAM

1.0. EXECUTIVE SUMMARY

This report gives details on a proposal to develop and operate tourist hotel **at Plot No. 62 Ursino South Kinondoni District, Dar Es Salaam Region**

The proposed hotel entails the finishing of hotel building of 13 floors
The total project area is approximately 25140 square meters. The building will consist hotel rooms for accommodations, conference facility, shops etc.

The project document presents a proposal by **DONGFANG CITY LIMITED** the company that is planning to develop and operate tourist hotel owned by Chinese investors,

The project promoters are confident of mobilizing financial resources through owners' equity and cash flows from the business.

This study is a guiding tool and will be presented to TIC for obtaining a certificate of incentives to facilitate the smooth implementation of the project

1.2. Sponsors.

The project is being sponsored by DONGFANG CITY LIMITED, a private limited liability company incorporated in Tanzania with Certificate of Incorporation No.92940 issued on 13rd August,2012.

DONGFANG CITY LIMITED is owned by two shareholders mentioned below:

Shareholders' Names	% of Shares	Nationality
SU JINWEI	57.26	Chinese
XU YUANFEI	42.74	Chinese

1.3 Location

The project will be located at **Plot No. 62 Ursino South Kinondoni District, Dar Es Salaam Region**

1.4 The Project

The project involves development and operating a tourist hotel.

1.5 Design Requirements

There is growing competition in tourist hotel in Dar es Salaam. The project to be realized should therefore take into consideration all amenities befitting the sector to attract the right customers. Therefore, the architects and engineers have been careful in the following during the design and preparations of the project:

- i. Since the Plots, although prime are of moderate size, the architects have the maximum usage of the area, i.e., each centimeter of the available land has been accounted for, of course without compromising the government design regulations or limits,
- ii. All vital amenities for the provision of comfort for occupants have been included.
- iii. The project will have enough car parking space for each unit and will provide social facilities including internal roads, stormwater drainage, a wastewater system, fire hydrants installations, security lights, a reserve water tank, and a standby generator.

1.6 Estimated Capital Costs

The total investment cost of the project is estimated at US\$1,350,000, broken down as follows

DONGFANG CITY LIMITED PROJECTED INVESTMENT COST US\$

PARTICULAR	
Land and Buildings	1,000,000.00
Machinery & Equipment	200,000.00
Motor Vehicles	70,000.00
Furniture & Fixtures	25,000.00
Pre exp	10,000.00
Others	20,000.00
Working Capital	25,000.00
TOTAL	1,350,000.00

1.7 Management and Staff

The said hotel project will be managed by a competent hotel management company to be appointed by the holding company on completion of rehabilitation works at a rate of 5% of the gross income excluding service charges, the estate management company will be answerable to the holding company's Management for operational and policy decisions.

Although DONGFANG CITY LIMITED will own the project, it is intended to hire a competent hotel manager company to run and manage the property on a day-to-day basis, a total of 15 people to be employed by the project

The managers will be responsible for the preparation of annual budgets, maintenance, cleanliness, preparation of annual accounts, debt collection, submission of statutory payments and returns, marketing, liaising with government authorities, and performing other day-to-day management functions.

The Management of DONGFANG CITY LIMITED will oversee Policy issues which will be the responsibility of the Board of Directors headed by a chairman.

2.0 Why Invest in Dar es Salaam?

The city is experiencing rapid urbanization and economic growth, creating a high demand for hotel accommodation services. Plus, with a stable political environment and a strategic location along the Indian Ocean, it's a gateway to East Africa's booming markets.

With a growing population and an increasing number of expatriates, the demand for tourist's hotel in Dar es Salaam is skyrocketing. Investing in hotel, can yield significant returns. Areas like Masaki, Oyster Bay, Kijitonyama and Mikocheni are popular for their high-end properties, while Upanga and Kinondoni offer affordable options for middle-income earners.

As the economic hub of Tanzania, Dar es Salaam is a magnet for tourism, businesses. Office spaces, retail outlets, and warehouses are in high demand.

From luxury resorts to budget-friendly hostels, the hospitality sector in Dar es Salaam is booming. With the city's growing status as a tourist and business destination, investing in hospitality properties can be a smart move

2.1 **Supply and Competition**

The proposed hotel project at Ursino Area will compete with all hotels in the neighboring area such as Mwenge, Ubungo Tegeta, and Mbezi Beach.

2.2 **Market Strategy**

According to experts, personal selling is the most effective method for marketing packaging accommodation, training, and conference services because of the customers and institutions. To reduce sunk costs, 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 the internet for advertising to potential customers in the world.

2.3 **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
- Stimulating and increasing demand and
- Achieving profitability and liquidity financial performance goals

The recommended market entry tariffs, the average rent is USD 50 for room

2.4 Monitoring and Evaluation

The Management has full commitment to ensuring good use of the resourced and sustainable environment and the well-being of the community with which they do business. Thus, the management philosophy is through business processes, managers will strive to ensure compliance with standards and the safety of the products and customers they serve.

2.5 Aspect of Project Sustainability

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

3.0 Project Investment Cost

In arriving at the total estimated cost of the project of US\$2m.the quantity surveyor's estimates based on architects' preliminary designs, the cost of acquisition of Plots, and quotations for equipment have been taken into consideration.

Based on construction costs provided by the quantity surveyors and the project designers (architects) total capital outlay for the completion of the estimated complex including the cost of the Plots is estimated at US\$2mbroken down as follows:

DONGFANG CITY LIMITED
PROJECTED INVESTMENT COST US\$

Land and Buildings	590,000.00
Machinery & Equipment	300,000.00
Motor Vehicles	200,000.00
Furniture & Fixtures	500,000.00
Pre exp	10,000.00
Others	100,000.00
Working Capital	300,000.00
TOTAL	2,000,000.00

For the project to be a reality a total investment amounting to US \$2m is needed

(i) Land and Building: Us \$590,000.00

The project has opted for construction of lodge estimated to cost US \$590,000.00.

(ii) Machinery and Equipment: US\$ 300,000

Some US \$300,000 is anticipated to be spent on the purchase of various warehouse tools and equipment which will accommodate new technology

(iii) Motor Vehicles:US\$200,000

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

(iv) Lodge Furniture and Equipment: US \$500,000

This investment cost item has been estimated to cost US \$100,000. It will consist of beds, tables, chairs, telephone, fax, machines, file cabinets, sofa chairs etc.

(v) Pre-Operational Expenses: US\$ 20,000

They cover things like company registration, expenses spent in exploring the viability of the project, especially the market/client identification exercise. This pre-operational cost item also covers the architectural designs of project buildings and other engineering services. Also included under this item are issues like consultancy fees, legal fees and recruitment and training costs of personnel.

(vi) Other Expenses: US\$ 100,000

The company is expecting to incur other general expenses which have been budgeted as above.

(vii) Initial Working Capital: US\$300,000

Calculations as well as assumptions for working capital requirements, it is estimated that it will cost US \$ 300,000.

4.0 Financing pattern

The project will be financed by loan 50% being US \$1,000,000

5.0 Project operating costs

In order to realize its intended objective, the project will have to meet the operating costs which have been budgeted to be 40% of total revenue to cover expenses such as Salaries and Wages, Utilities Motor vehicle running Expenses, Insurance Marketing cost, Depreciation

cost, Pension, Communication, Administrative cost, Maintenance cost, Loan interest, Donation etc.

6.0 Aspect of Project Sustainability

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

7.0 Monitoring and Evaluation

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

8.0 Financial Analysis

8.1 Considerations and Assumptions:

The corporate tax charged is 30% of the profits. 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 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 hospitality industry.

8.2 Financial Statements:

8.3 Projected Hotel Revenue

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

Summary Of Revenue "Us\$"

	1	2	3	4	5	6	7	8
Revenue	1,188,000	1,306,800	1,437,480	1,581,228	1,739,351	1,913,286	2,104,614	2,315,076

8.4 Projected Profit and Loss Statement

The Income and Expenditure Statement shows the projected income for the 8 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US \$ **375,200 in** first year to US **2,629,014** in the 4 years

DONGFANG CITY LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US\$)

	1	2	3	4	5	6	7	8
Revenue	1,188,000	1,306,800	1,437,480	1,581,228	1,739,351	1,913,286	2,104,614	2,315,076
Cost of raw materials	475,200	522,720	574,992	632,491	695,740	765,314	841,846	926,030
Profit before Depreciation &Interest	712,800	784,080	862,488	948,737	1,043,610	1,147,972	1,262,769	1,389,046
Interest	100,000	68,571	57,143	45,714	34,286	22,857	11,429	-
Depreciation	76,800	76,800	76,800	76,800	76,800	76,800	76,800	76,800
Net Profit before Tax	536,000	638,709	728,545	826,223	932,524	1,048,315	1,174,540	1,312,246
Tax (30%)	160,800	191,613	218,564	247,867	279,757	314,494	352,362	393,674
Profit After Tax	375,200	447,096	509,982	578,356	652,767	733,820	822,178	918,572
Accumulated Profit	375,200	822,296	1,040,860	1,288,727	1,568,484	1,882,978	2,235,340	2,629,014

8.5 Projected Cash Flows

This is shown in the financial statements. The project has a positive end of year cash flow from year 1st, i.e. US\$ **552,000** of operation to the 5th year i.e. US \$5,992,371

DONGFANG CITY LIMITED PROJECTED CASH FLOW US\$

	-	1	2	3	4	5	6	7	8
SOURCES:									
Profit before interest and depreciation	-	712,800	784,080	862,488	948,737	1,043,610	1,147,972	1,262,769	1,389,046
Loan	2,000,000								
Total Sources	2,000,000	712,800	784,080	862,488	948,737	1,043,610	1,147,972	1,262,769	1,389,046
Applications:									
Capital expenditure	1,390,000	-	-	-	-	-			
working Capital &Others	610,000								
Cash	-	552,000	592,467	643,924	700,870	763,853	833,478	910,407	995,372
Tax	-	160,800	191,613	218,564	247,867	279,757	314,494	352,362	393,674
Sub total	2,000,000	712,800	784,080	862,488	948,737	1,043,610	1,147,972	1,262,769	1,389,046
Total applications	2,000,000	712,800	784,080	862,488	948,737	1,043,610	1,147,972	1,262,769	1,389,046
Accumulated cash		552,000	1,144,467	1,788,391	2,489,261	3,253,114	4,086,592	4,996,999	5,992,371
Necessary working capital	610,000	610,000	610,000	610,000	610,000	610,000	610,000	610,000	610,000

8.6 Projected Balance Sheet

The projected Balance Sheet of the projected is shown in the financial statements under same heading. Owner equity of the project increases from US\$NIL in the first year of operation to US \$ **918,572** in the 8th year

overdraft	-	-	-	-	-	-	-	-	-
Total debts	-	-	-	-	-	-	-	-	-
Total equity and debts	-	375,200	447,096	509,982	578,356	652,767	733,820	822,178	918,572

8.7 Projected payback period

Total investment is US \$ 2m, cash accumulation in year 4 is US\$. 2,217,834.00 Which is more than the initial investment by US\$ US\$217,834, the project payback Period is exactly 4 years, only The project has a relatively short payback period. It is remarkably impressing for a project whose investment is as big as US\$ 2m being recovered in 4 years.

DONGFANG CITY LIMITED PROJECTED PAY BACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	375,200	76,800.00	452,000.00	452,000.00
2	447,096	76,800.00	523,896.00	975,896.00
3	509,982	76,800.00	586,782.00	1,562,678.00
4	578,356	76,800.00	655,156.00	2,217,834.00
5	652,767	76,800.00	729,567.00	2,947,401.00
6	733,820	76,800.00	810,620.00	3,758,021.00
7	822,178	76,800.00	898,978.00	4,656,999.00

8.8 Projected loan repayments

The loan borrowed from financial institution is expected to be fully paid within 7 years of projection operation

DONGFANG CITY LIMITED ROJECTED LONG TERM LOAN REPAYMENT

Year	principle	Loan Interest (4%)	Total Amount Paid	Loan Balance
0				2,000,000
1	285,714	100,000	385,714	1,714,286
2	285,714	68,571	354,285	1,428,572
3	285,714	57,143	342,857	1,142,858
4	285,714	45,714	331,428	857,144
5	285,714	34,286	320,000	571,430
6	285,714	22,857	308,571	285,716
7	285,714	11,429	297,143	2
TOTAL	1,999,998	340,000	2,339,998	

8.9 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.

9.0 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 increase share value of co-operative society member's

- The project will create employment for 23 people on permanent contract basis as well as on temporary basis.
- It will create more business opportunities to local suppliers and transporters, which will also have a trickledown effect in the environmental issues.
- It will generate substantial revenue to the government in the form of corporate tax, value added tax and pay as you earn.
- The project will have transfer of knowledge and skills to co-operative members as far as managing o f a big project

10.0 Implementation

Project implementation is expected to be relatively very short once project has been approved it is estimated that construction of hotel will be completed within one year: -

S/N	ACTIVITY	PERIOD
1	Processing TIC Certificate of Incentive	April 2025
2	Construction and Finishing	June 2025-Nov 2026
3	Procurement Lodge furniture and other facilities	Dec-June2027
3	Recruitment	July 2027
4	Testing business and in house training	Aug-Nov 2027
6	Commercial operations	Sept 2027

11.0 Conclusion and recommendations

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

It is recommended that the project be approved by 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.