African Sun Limited sets aside $25m for hotel expansion

Listed hospitality group African Sun Limited has budgeted $25 million for the expansion of Monomotapa as negotiations with the City of Harare for the purchase of land next to the hotel continue.

By Enacy Mapakame 4 Jul 2016

Image source: The Herald

The project will further enhance the outlook of the hotel, which was recently rebranded from Monomotapa Crowne Plaza tc Monomotapa Harare. The hospitality group is planning to purchase an estimated 8% of the Harare Gardens land which is adjacent to the hotel.

ASL's major shareholder, Brainworks Capital chief executive George Manyere last Thursday told shareholders the group v committed to the project which will transform the hotel to match other regional hotels with world class standards. "It is a $2! million investment and it is a development we are committed to. We are still in discussion with the city of Harare to get that land near Monomotapa for the expansion project," said Manyere.

Earlier reports indicated the City of Harare had spurned the deal in which ASL had offered to pay $1,7 million for the piec of land. One of the projects lined up for the piece of land to be acquired is development of a conference centre.

Revenue decline

Meanwhile, ASL's revenue for the five months to May 2016 declined 23% to $14,09 million compared to the same period la year on reduced demand due to the difficult trading environment. Occupancies were nine percentage points down in the same period of the prior year to 35% as room nights sold also fell by 22%.

ASL managing director Edwin Shangwa said the depreciation of regional currencies especially the South African rand against the green back - Zimbabwe's major transaction currency - made the country an expensive destination. In addition that, change in the SADC and African Union chairmanship from Zimbabwe had a knock on effect on the hospitality indust

The industry experienced a once off business boom that came in during President Mugabe's tenure as SADC chairman, before he handed over the position last August. Revenue per available room declined 17% to $34 from last year while inter expense was $0,52 million, 53% down from last year as a result of reduced loans and effective cost of borrowing.

In the period under review, operating costs were down 17% from last year on the impact of low revenues and cost reducti initiatives implemented in the prior year. As a result, the group narrowed its loss to $0,74 million from prior year's $1,87 million.

"This is a clear indication that our cost reduction initiatives are paying back," said Shangwa. The total cost reduction initiatives, among them the alignment of staff benefits to performance, retrenchments, relocation of head office will amoun $4 million annual savings. In the outlook period, ASL expects an upturn in earnings for the full year spurred by anticipated improved performance of the remainder of the year and aggressive cost cutting measures.