

JAMBO FOOD PRODUCTS COMPANY LIMITED

PROPOSED BUSINESS PLAN FOR ESTABLISHMENT OF INTEGRATED FACTORIES FOR PROCESSING ICE CREAM AND SWEET CANDY IN SHINYANGA TOWNSHIP, SHINYANGA REGION, TANZANIA.



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List of Abbreviations

CAPEX - Capital Expenditure
EIA - Environment Impact Assessment
EU - European Union
GDP - Growth Domestic Products
Kg - kilo gram
IRR - Internal rate of return
MT - Metric Ton
MIS - Management Information System
NBS - National Bureau of standard
NEMC - national Environment Management Council
OPEX - Operating Expenditure
KVA -Kilovolt Amperes
KASHUWASA -Kahama Shinyanga Water Supply Authority
SIDO- Small Development Organization
TANESCO - Tanzania Electric Supply Company
TIC- Tanzania Investment Centre
TZS - Tanzania Shilling
US\$ - United State Dollar
VETA - Vocation Education Training Authority
VAT - Value Added tax

Executive Summary

Jambo Food products Limited, is part of Jambo Group of Companies Ltd. and one of the largest manufacturer of carbonated soft drinks, fresh juices, and processing and bottling of water within East Africa. The company is based in Shinyanga, Tanzania.

The company is a well established, registered in Tanzania with Certificate of Incorporation No: 84560 dated 18th July, 2011. The registered office is located at Plot No.1 in Shinyanga Municipality Currently, the company manages to employ 300+ people with different professional. Since its establishment, the Company has been engaged in food products such as carbonated soft drinks, fresh juices, and processing and bottling of water.

The company intends to expand its production line in producing Ice cream and sweet candy so as to fulfill customer satisfaction in Tanzania. The company will use unique technology from Italy and German in production of ice cream and sweet candy products that will be at competitive advantages as compared to other food industries situated in Tanzania and East Africa.

The proposed integrated project is estimated to cost a total of US\$ 10,970,000- (including purchase of motor vehicles 3,670,000US\$, 2 integrated machines and equipments worth 7,150,000US\$ and working capital of 900,000US\$) the project sponsors have considerable financial resources and adequate access to bank funding to undertake the contemplated investment. The project promoters planning to finance project cost in the following pattern: Fixed Investment, Pre-operation Expenses and Working Capital, Equity Contribution: US\$ 2,194,000 (20%), Term Loan: US\$ 8,776,000 (80%).

The objectives of this study are threefold. First is to determine the viability of the proposed integrated project and serve as a business plan for the company's development program. Secondly, it is meant to facilitate the application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997). Thirdly, it will be presented to Banks/Financial Institutions for application of Term Loan (US\$ 8,776,000US\$ (80%) for supporting smooth implementation and running of the proposed projects.

Products will be sold in within local market in Tanzania and surplus will be exported to the neighboring of EAC countries of Kenya, Uganda, Rwanda, Burundi and South Sudan. Establishment of the project in Shinyanga region was prompted by the growing demand of the food products in the Lake Zone and Tanzania in general. It was thus considered timely to locate the project so as to prosper in the growth of targeted market segments given the increasing industrial economic activities in the country.

1.0. Introduction

1.1. Ice Cream and Sweet candy production in Tanzania

Since established in 2011, Jambo food products company Limited manages to establish different food factories related to food processing. Currently the company is matching grants opportunity for businesses in Tanzania that wish to develop or increase their ability to trade, support product quality improvement and meeting of international standards to access potential markets within and outside Tanzania. In this respect the company is planning to establish integrated project for processing ice cream and sweet candy which are the most popular type of confectionery over the world, and there is certainly something about this unique product that holds many mysterious qualities.

Ice cream production in Tanzania is a mainly done by few companies and some small scale entrepreneurs. With an increase of modern life style, the demand of ice cream with different varieties made this product to be popular and remaining a luxury product for the royal courts. Industrial ice cream production began at the end of the 19th century in euro and Tanzania become popular in 1980's when the first mechanical refrigerators were pioneered.

Sweet candy and Ice Cream products are a lovely business, because you are making people happy and had some nutritional ingredients in supporting health status to the people in all age. It does very well in cities and big towns because it is where people with expensive tastes reside. Selling these products can be done in home-based or could be done from a restaurant, café, bar etc. In this case you need a shop to display the confections.

Jambo Food Products Company limited, explore the opportunity for establish a modern integrated factory for production of both products. Two line of production will be based in Jambo industrial park in Shinyanga and will incorporate two firms in the designated compound.

1.2. Demand of Ice cream and Sweet candy products in Tanzania

Discover the latest market trends and uncover sources of future market growth for the Ice cream and sweet Candy industry in Tanzania with research from firms, it find hidden opportunities in the most current competitive threats with detailed market analysis. The key supply-side and demand trends it shows low volume of consumption to all these products. The market of designated project is still huge and estimated production volume is still low to reach low income earners group. The two integrated factories will a catalyst in filling the gap between the low and higher income earners and will provide direct and indirect jobs to thousands of people within and outside the country.

2.0 Project Overview

2.1 The Industry ownership and share distribution

Jambo Food Product Company Limited is a limited liability company, registered in Tanzania under certificate of incorporation No 84560 issued on the 08th July, 2011. The office of the company is located at Plot No. 1 Shinyanga Municipality, in Shinyanga Region. Currently, the company manages to employ 300+ people with different professional. Integrated factories will be located in the same plot and expected raw material will be collected from the farmers in Tanzania and some of additive and flavors will be imported from abroad. The major expansion involves adding two line of production for ice cream and sweet candy processing factories. This will involves cost of machine and fixing, operational and management cost, distribution of commodities etc. Thirdly; installation of two machines aim at apply for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997)..

The initial Authorized Share Capital of the company is Tshs 100,000,000/= divided into 1,000 ordinary shares of Tshs 100,000 each and the company have the power to divide the original or any increased capital into several classes, and to attach thereto any preferential, deferred, qualified or other special rights privileges, restrictions or conditions. Unless the conditions of issues shall otherwise expressly declare, every issue of shares, whether preference or otherwise, or any such rights, privileges or conditions shall not be altered or modified except in accordance with the registered Articles or Association. The liability of the members is limited and the following names compromise the company ownership and principal shareholding as illustrated on Table 1 below.

Table 1: Company Ownership and Principal Shareholders

S/No.	Shareholder's Name	Address	Number of Shares
1	Salum Khamis Salum (TZ)	P O Box 71, SHINYANGA	80%
2	Seleman Khamis Salum (TZ)	P O Box 71, SHINYANGA	20%

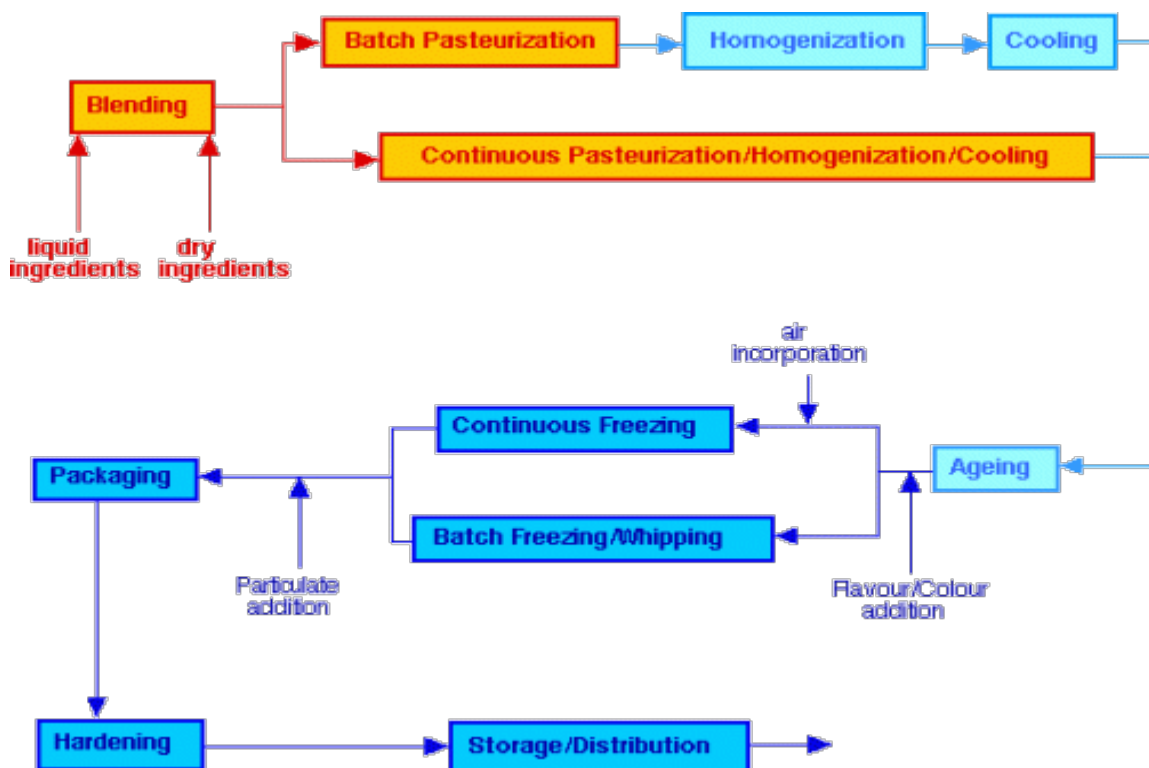
The address for this company is;
Jambo Food Products Company Limited;
Plot No. 1 Shinyanga Township,
Mwanza - Shinyanga Road,
P O Box 71,
SHINYANGA.
United Republic Tanzania.

2.2. Project Description

2.2.1. Ice Cream production process

Production process of Ice cream making is very delicate exercise that requires ultimate precision and delicate manipulation of parameters to yield the wonderful dairy product. Many things can go wrong; therefore, it is necessary to know the steps that will guide to produce high quality product. It is extremely important to keep the equipment spotlessly clean. The basic steps in the manufacturing of ice cream are generally as follows:

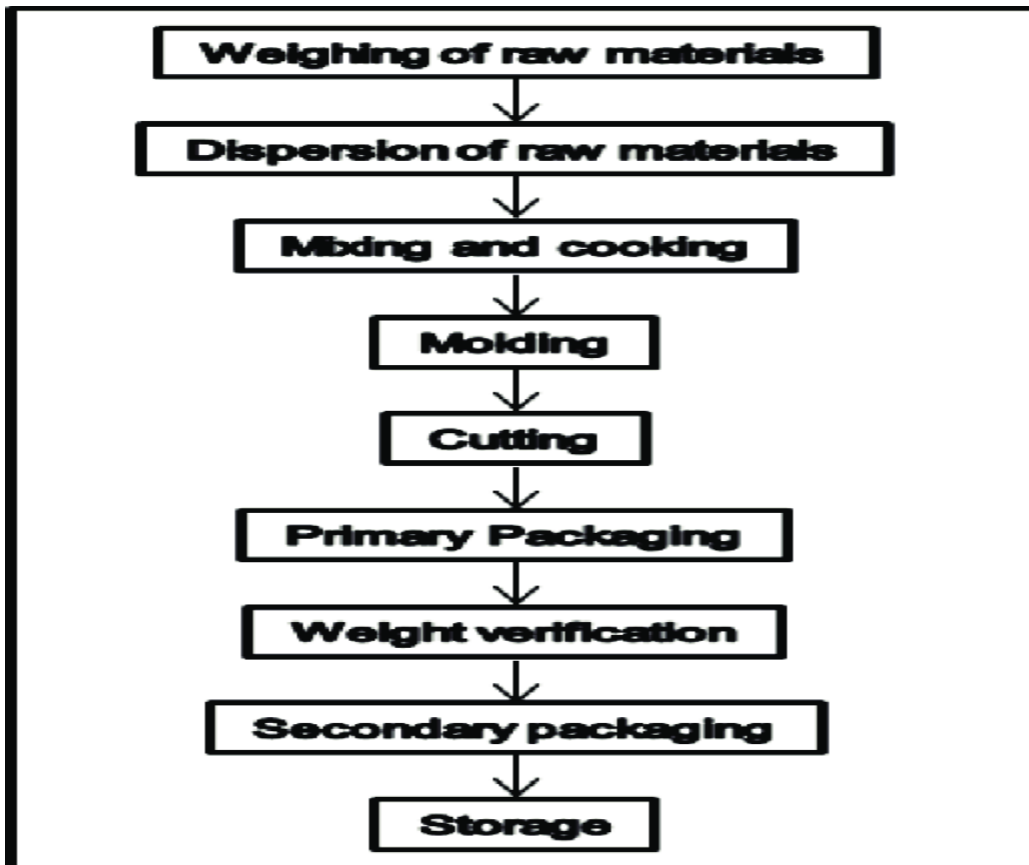
- blending of the mix ingredients
- pasteurization
- homogenization
- aging the mix
- freezing
- packaging
- hardening



Jambo food products company Limited, will import ice making machine from Italy that worth 1.5Million Euro equivalent to 1.7Million US\$. The machine and its accessories will be automated in operation.

2.2.2. Production process of sweet candy

Candy is made by dissolving sugar in water or milk to form a syrup, which is boiled until it reaches the desired concentration or starts to caramelize. The type of candy depends on the ingredients and how long the mixture is boiled. Candy comes in a wide variety of textures, from soft and chewy to hard and brittle. The following are production process of candy making flow chart.



Based on this plan, the company has explore this opportunity by establish sweet candy processing plant that will stimulating and promoting processing, marketing and demand for locally processed candy by improving capacity utilization of processing firms, improving market access, improving and maintaining quality standards of processed products The company will import automated machines from German that will cost 5Million Euro equivalent to 5.4 Million US\$. The complete set of machine will be automatic for the sorting of raw material up to final production levels

2.3. Raw Materials Requirement and Availability

Jambo food Products Company Limited, will use some of local available materials and import additives/flavors from Europe which is estimated to 1,500,000US\$ in the first year of production. To maintain smooth operation, the company will import every 3 months so as to have a stable stock in all its operation. The proportional for both is 1:1 ratios.

Major raw material for ice cream is from a blend of dairy products (cream, condensed milk, and butterfat), sugar, flavorings, and federally approved additives. Eggs are added for some flavorings, while additives include emulsifiers and stabilizers.

The raw materials used to make candy canes are specifically chosen to produce the appropriate texture, taste, and appearance. Sweeteners are the primary ingredients, but recipes also call for water, processing ingredients, colorants, and flavorings.

2.4. Project Cost & Financing Pattern

The proposed integrated project is estimated to cost a total of US\$ 10,970,000- (including purchase of motor vehicles 3,670,000US\$, Two integrated machines and equipments worth 7,150,000US\$ and 900,000US\$ as a working capital) the project sponsors have considerable financial resources and adequate access to bank funding to undertake the contemplated investment. The project promoters are planning to finance project cost in the following pattern: Fixed Investment, Pre-operation Expenses and Working Capital, Equity Contribution: US\$ 2,194,000 (20%), Term Loan: US\$ 8,776,000 (80%)

2.5. Business Plan Objectives

The objectives of this study are threefold. First is to determine the viability of the proposed integrated project and serve as a business plan for the company's development program. Secondly, it is meant to facilitate the application for Tanzania Investment Centre (TIC) Certificate of Incentives so as to access exemptions on duties, VAT deferments and other benefits and protections as statutorily provided for under Tanzania Investment Act (1997). Thirdly, it will be presented to Banks/Financial Institutions for application of Term Loan (US\$ 8,776,000US\$ (80%)) with an equity amounted to (2,194,000 US\$ (20%)) for supporting smooth implementation and running of the proposed project. The project promoters have commissioned a reputable engineering and project planning consulting firm to advice on detailed technical and economic evaluation of the project and in determining its viability. As the report will be used to raise debt financing for the project, it is tailored to meet standard requirements of financial institutions in the region.

2.6. Demand and Market Analysis

2.6.1. Market potential for the Ice cream and Sweet candy:

Ice cream and Sweet candy will be sold in within local market in Tanzania and surplus will be exported to the neighboring EAC countries of Kenya, Uganda, Rwanda, Burundi and South Sudan. Establishment of the project in Shinyanga region was prompted by the growing demand of the food products in the Lake Zone, also the closeness of the project site.

Currently, as the company brands itself in Sukuma word “*JAMUKAYA*” mean *Made at Home* has brand to access large Lake zone market. Market intelligence conducted in domestic market still huge need more for produced products. For analysis purpose, the company expects to export 25% of its products and the remaining balance will be sold locally. In this regards introducing of new products will not pose a problem either as even if the export markets collapsed the local market itself is able to take up whatever production is produced.

2.6.2. Marketing Organization

Jambo Food Products Company Limited; will produce products and sell at wholesale level. Importers from the neighboring countries will be expected to orders for their requirements to the company by mails, phones, and their orders will send to country of their destinations, but arrangements can also be made for the promoters to deliver directly to importer from Kenya, Burundi, Rwanda, Democratic Republic of Congo and south Sudan. Likewise, local buyers are expected to collect their requirements of the various products from recommended agents or they can collect direct to the company.

2.6.3. Pricing strategy

The basis for pricing has been from observations and data collected from various parts of Tanzania, market behavior of raw materials and by- products, production costs and profit margins. Packaging will be done in good quality material and together with other materials, the pricing has been estimated at annual sales increase of 5% and this should allow a very high standard of packing. The industry after making a marketing research they come with the following proposed prices status; Ice cream per liters is 2.5US\$ equivalent to 5,500TZS and for Sweet candy is 2.2US\$ per Kg equivalent to 5000TZS

2.7. Technical Characteristic of the project.

2.7.1. Project Location

The project will be developed at Jambo Food Products Company Limited compound, Shinyanga Township; the project is just along Mwanza to Shinyanga road, 6-7 Km from Shinyanga Municipality centre. For economic benefit, related

industries can be constructed to the same areas as there is a room to establish other plants. The project is just nearby tarmac road connecting Mwanza to Shinyanga leading to Kenya country.

2.7.2. Project Site analysis

Based on physical inspection of the proposed site, the availability of basic and essential industrial infrastructure such transport, water supply, effluent disposal, electric power supply, telecommunication system and security were all checked out and are ok for factory establishment. The realization of the project development requires successful completion of a number of necessary activities and facilities to enable a successful development of the project. The project location is already installed necessary utilities such as reliable supplies of energy, water, transportation, telecommunications services, waste disposal and other services are in place.

2.7.2. Buildings and infrastructure

The floor plan and elevation of buildings and other related structures are in place. However, the total cost of Land acquisition and registration, factory buildings not included to this business plane since are already in place. Storage of raw materials and finished products structure, plant machinery equipment, transportation/ distribution system, administrative vehicles and other project fixed cost have been estimated at US\$ 10,970,000, which includes purchasing of machines, fork lift and motor vehicles The industry also set budget as working capital of 900,000US\$ and pre-operational cost of already done. The minor rehabilitations costs are inclusive of contingency and reflect prevailing cost of building materials and labour costs in the country. Mostly local building materials will be used in the construction of the same.

2.7.3. Machinery and Equipment:

The projects machinery and equipment will be sourced from German and Italy are estimated to cost US\$ 7,100.000 whereas 5,400,000US\$ is for Ice cream making made from German and 1,700,000US\$ for candy making made from Italy. Others will include mini laboratory equipment, communications, computers and other office equipment, standby power generator and miscellaneous machinery and equipment. These cost assumptions are C.I.F Dar es Salaam and include installation, commissioning, consultancy, port charges and transport to the project site.

The requirements of various items of equipment have been worked out taking into consideration the production programs, average equipment utilization and normal productivity level of an average worker etc. While working out details of equipment required, it is assumed that the plant will operate for a double shift

with approximately of 8 hours per single shift,(makes 16 hours/day) in a day, 25 days a month or 300 days per year.

2.7.4. Motor Vehicles

40 heavy trucks will purchased at a price of 80,000US\$ each totaling to 3,200,000US\$, and 15 Light Truck each cost 20,000US\$ totaling to 300,000US\$ will be purchased for local distribution while heavy truck for regional distribution. Apart from purchasing motor vehicle, the industry will purchase 2 fork lift with a capacity of 7 tons and 5 forklift with a capacity of 3.5MT will cost 140,0000 and 30,000US\$ respectively.

2.7.5. Furniture & Fittings

This cost item includes the purchase of various office furniture: tables, chairs cabinets, safes, telecommunication gadgets, firefighting equipment, air conditioners etc. a budget of not added since they have but office with all facilities.



A well established office with fully set of feniture and fittings

2.7.6. Computers & Accessories

It is the directors desire to computerize the project operations from the point of identifying the need till the final product reaches the final consumer. Included in this cost item are a good Accounting package/software, network facility to suffice all departments and management. The company will have an efficient Management Information System (MIS) and the computers are necessary for the effective internal control system, budget control, marketing, finance management etc.

2.7.7. Pre-Operational Expenses

Under pre-operational expenses are considered costs like company formation, preliminary project studies, business plan preparation costs, licenses, permits and authorization, including processing of TIC Certificate of Incentives, and legal fees, travelling expenses, initial recruitment and training expenses, and interest accrued during project construction period.

2.7.8. Initial Working Capital

This item will mainly cover initial imports of raw materials estimated to last for the first three months of operations. Otherwise, raw materials will generally be maintained at one month's stock and debtors at one month's sales volume constitute the biggest portion of current assets. Trade credits will be 15 days for the items listed. The total raw material cost allocated budget is 1,500,000US\$ and 900,000US\$ as operational cost.

2.7.9. Project Financing

The project costs, including fixed costs (machinery, equipment, building renovations, motor vehicles, office furniture and equipment and pre-operation expenses will be financed by a combination of bank term loan and shareholders own resources. Working capital requirements will be financed by short term bank financing in form of overdraft facility. The project promoters are planning to finance project cost in the following pattern:

2.8. Project Implementation plan

Full implementation of the project is planned to take place by end of July 2020 and all machines has been ordered for importation from abroad.

2.8.1. Auxiliary Materials/ services

Falling under this category is packing bags, paper for bags for bran, lubricants, grease and other miscellaneous items.

Utilities and service facilities that will need to be provided in this plant are as follows:

- (i) Workshop and laboratory
- (ii) Electric power
- (iii) Water supply
- (iv) Miscellaneous facilities {Canteen; First Aid Kit, Storage and transport and Office Facilities}

- (i) Workshop and laboratory**

It is necessary to make provision for a small workshop in the plant premises so that certain maintenance operations could be carried out following sudden breakdowns and major routine matters.

The facility will comprise of necessary machines like small centre lathe, drilling machine, welding set, soldering and gas-cutting equipment including complete electrical kit to take care of necessary electrical maintenance as well as to replace worn-out parts and periodic oil and greases needs for the plant. Equipment provision has been restricted to the minimum. Installation of Laboratory for test quantity and quality of products has been considered to the project

(ii) Electric Power and Generator

The proposed projects will be supplied with industrial production 3-phase standard power supply from Tanzania Electric Supply Company (TANESCO), the electricity is available through the National Grid Line in Tabora to Shinyanga Mara Region. There also Heavy standby generators that will smoothen production process that generate 1000KVA. The Company also install an online UPS system that secures clean and uninterrupted power free of surges, brownouts, fluctuations and other power problems.

(iii) Water Supply

Apart from the needs of electric power, water is also required for the actual process and other social needs. The proposed site has close to KASHUWASA water network, the agency is major supplier of water to urban and peri urban area in the city. While depending on water supply from KASHUWASA, the main line is close to the proposed industry from Mwanza Ihelele, in Misungwa District, Mwanza region.

The main line from this source has been tapped and let to the land site and water collected in an overhead reservoir provided at the top of the building of the plant. Adequate provision has been made in the project cost for the overhead tank and supply and laying of pipelines etc.

(iv) **Miscellaneous Facilities e.g. First Aid Kit, Storage and Transport, Office Facilities etc**

- Provision has been made in the project costs for necessary facilities for external telephones and fire alarm system;
- Sickness and ill-health are recognized to be among the cause of absenteeism and low morale leading to decreased production, increased waste and bad employee-management relations. Therefore, necessary provision has been made for the canteen and first aid facilities in case of accidents, sudden sickness etc.
- Storage and transport needs of the plant have been duly recognized and been attempted mostly manual. Regarding transport, (40) Heavy trucks with a capacity of 32 MT will be purchased and other 15 light trucks for distribution will be purchased.
- Necessary provision for furniture and office equipment has been made in the Capital Cost estimates.
- Provision has also been made for the various types of weighing equipment in various sections for material-handling equipment etc.

2.8.2. Warehousing and distribution



The Company's warehousing service is ready in place to meet 24/7/365 with produced products and raw materials imported. The efficiency of on-site combined with 10 loading docks (focal lift) will accommodate all needs and reduce supply chain costs. The industry will

use electronics inventory management system means will ready for the efficiently movements of goods to next level. The industry will use quick dispatch for fast distribution of final products and packed by manual means or by semi-automatic machines. The industry will take Extra care is therefore taken to make it hygienic so that the products do not get spoiled during storage.

2.8.3. Waste management for industry

In order to create a sustainable society, it is necessary to develop effective utilization of all sorts of wastes. One of the major wastes from our living is fiber wastes. Fiber wastes are generally divided to nonindustrial (organic chemicals) and industrial wastes (inorganic Chemicals)

In this strategic management for a Jambo Food Products Company Limited; the industry has to move from an understanding of improvement at all costs to an understanding of continuous and balanced improvement once established. In modern times, environmental protection is being implemented not because it is enforced law, but as an administrative philosophy.

Rapid degradation in environmental conditions has changed at attitude of industrial managers toward ecological environment and had them consider ecology a significant factor while taking decisions related to industrial management. Parameters responsible for environmental pollution include chemicals discharged into air, water and soil as well as energy pollution all these will taken into consideration of the proposed project.

Noise pollution caused by poorly planned settlement programs is also included in this plan. Furthermore, safety and health of those working in production will be also taken into account by installing modern machines free from noise pollution.

3.0. Organization and Manpower Requirement and Proposed Salary Budget.

3.1. Employment

The whole process of production lines is looking at providing direct employment to at least 51 permanent jobs on full implementation and operation of the project. Two of these workers will be expatriate staff from German and Italy and will train local staff for 3 months. Thereafter most of the production supervision will be taken over by local Tanzanians who by then will be expected to have acquired adequate experience in the operations and management of the project.

3.2. Recruitment

Recruitment of the 51 (Excluding 2 international expert) persons will be carried out by giving first preference to ex-technician from our local technical institutes such as Vocation Education Training Authority "VETA" and existing employees of the company, based on demonstration of skills and aptitude basis and their willingness to work for Jambo Food Products Company Limited. Careful methodology is being worked out by a competent management consultant who will set the job descriptions etc. To ensure that the right calibre is recruited. Recruitment of expatriate personnel will be carried out in consultation with the relevant authorities in Government and the collaborating agencies.

3.3. Training and the use of Consultants

The Company plans to initially carry out on the job training for most of the technical staff by a German and Italy expert (depending on the source of technology) to be dispatched to the project site by the suppliers of the plant which will be specified under sales agreement. Later on, the maintenance staff will be sponsored to go on field trips outside the country with the manufacturers of the machinery in German and Italy to familiarize themselves with the operations of the plant and machinery. In general the company will ensure that employees acquire new skills and procedures to increase their productivity fourfold. Educational materials will be subsidized or paid for to motivate the workers to develop themselves.

Whereas the company will endeavor to obtain the best talents to fill the permanent posts in the organization, it is intended where necessary, to continue with the policy of hiring out some specialized skills by way of consultants. Alternatively, those skills not required throughout the year will be left to consultants. These include legal counsels, systems and management consultants. To ensure efficient and scientific management, operational manuals will be prepared for the core functions of the company.

3.4. Organization and Management

The project will be managed by qualified professionals given the vast experience that the promoters have acquired over years in running and managing similar businesses. The Board of Directors formulates policy and offer strategic business guidance to management and regularly monitor and evaluate performance of the company.

All the production line will have its own management under which the day to day leader/management of each production line will be vested in the management team headed by a Production Manager. The Production Manager is to be assisted by qualified and experienced personnel. The Production Managers will report to a General Manager who will be directly responsible to the Board of Directors. Proposed organization and manpower requirement for the plant is as follows:

S/NO.	CATEGORY	NOs	MONTHLY SALARY (US\$)	MONTHS	TOTAL ANNUAL SALARY (US\$)
1	Production Manager	1	600	12	7,200
2	Technicians	2	260	12	6,240
3	Mechanics	1	350	12	4,200
4	Supervisor	2	240	12	5,760
6	Electrician	1	300	12	3,600
7	Technician from German and Italy	2	2000	3	12,000
8	Machine Operators	2	175	12	4,200
9	Drivers	40	160	12	76,800
	TOTAL	51			120,000

4.0. Financial Analysis

4.1 Production, Revenue and project viability

- The estimated revenue gain in selling Ice Cream and Sweet candy products annually 14,832,000US\$ in the first year of production per 3.6 Million Kg. of Sweet Candy and 2.88 Million Litres of Ice Cream excluding Value Added Tax.
- Gross sales contribution in the first year of production is 33% which increases in the second years to 37% and 39% in the third year.
- The expected sales increase annually is 3% while increase production cost is 2.5%
- The discount rate has been assumed to be 8%,
- Total investment cost of the project is 10,970,000US\$ whereas the equity 20% and loan-able amount 8,776,000US\$
- The end balance of project in cash flow statement is positive and increases tremendous.
- The yearly loan payment schedule of project is 2,198,005.85US\$ for 5 year loan recovery schedule,
- Testing the project viability is positive whereas IRR is positive 18.677%, and payback period of project is within 4 years.

5.0. Risk Analysis

Risk is the probability that an event or action will adversely affect the organization. Risk assessment is the identification and analysis of risks associated with the achievement of operations, financial reporting and compliance goals and objectives. Risk management is a central part of the Jambo Food Products Company Limited. The Industry's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Company's management responsibilities.

5.1. Macroeconomic risk analysis

Since early 1986, the Government of Tanzania has launched a comprehensive economic policy and stabilization plan with the aim to enhance the amount of infrastructure construction and improve the lives of the poor. During this time the main economic indicators significantly improved. However, uneven development of various region in the country, lack of relevant infrastructure in transportation, telecommunications, networking, health facilities, electricity and water supplies have proven to be investment barriers. Overall, Tanzania has a weak economic foundation but the project can achieve a greater impact in attaining social and economic goals for the country.

5.2. Finance risk analysis

- a) **Supply Risk:** The risk in Primary production relates to supply of raw material, transportation and price fluctuations. There is no assurance of enough supply of raw materials in the local market instead mostly of raw materials are imported.
- b) **Processing Risks:** The technology, machines and equipment used in processing are in rudimentary stages all of which contribute to reducing production efficiency. Also quality/food safety and standards consideration in the production environment is limited. In Ice cream and candy making factories facilities operation know-how is very low as there are notarized labourers.
- c) **Sales/market risk:** Placing value added products on the consumer markets bears risk of demand fluctuations and rejections through retailers. Furthermore, consumers are not aware of the processing factories quality and safety criteria and are usually very price sensitive.

5.3. Other potential external risk

- a) **Lack of Governance:** the governance mechanism in the value chain is underdeveloped, actors operate in an uncoordinated and unorganized fashion, and if rules exist they are often ignored;

- b) Lack of market coordination:** No lead organization has a coordinating role in relation to markets, technology and information such that producers and processors have no incentives for improving neither their product nor the chain process to promote sustainable income earning opportunities;
- c) Unclear and conflicting roles regulatory authorities:** Regulatory Agencies are responsible for quality control as well as enforcing NBS, NEMC etc, are regulatory role in issuing licensing etc
- d) Industry associations:** Associations are weak at all levels of the chain;
- e) Operating procedures:** Standard procedures are inadequately enforced, or not enforced at all, because of relaxed production and trade regulations; and
- f) Integration:** there is little vertical integration of importers, mid chain actors and processors.

5.4. Mitigating potential risk

The development of a large and complex project such as Jambo Food Products Company Limited is necessarily accompanied by multiple risks during all the phases of the project development, construction, operation and maintenance. The right approach to manage the project in a manner which is fairly and adequately address the multiple risks in a comprehensive as well as systematic manner is to use the risk analysis and management methodology which identifies the risk issues and their instrumental cause. In this regard, the risk is eliminated or effectively managed by the party best suited with capacity to handle or deal with the risk factors.

6.0. Economic and Social Aspects

The project is also likely to have a positive impact on the economy of Lake Zone regions and Tanzania as a whole by creating employment, and contributing to Government revenues through various taxes, which will be paid. It also has potential for substantial exporting to foreign markets especially to neighboring countries in the Great Lakes Region. In summary the following table will show impact investment index framework

6.1. Impact Investment Index Framework

Impact Investment Index		
Frame Work for JAMBO FOOD PRODUCTS COMPANY LIMITED		
Performance Area	Quantitative Indicator	Remarks
Investment Capital	Total investment capital, CAPEX and OPEX US\$ 10.97 Million US\$	Substantial amount of capital invested into the domestic economy.
Export Earnings	Indicative Annual sales of 25% earnings of 3,708,000US\$ out of annual average collection of 14,832,000 US\$ for the project will be exported.	Increased foreign earnings.
Job requirements	Job creation after plant in operation 2020-2021. DIRECT TANZANIAN JOBS 51 (49 Local and 2 foreigner employed)	<ul style="list-style-type: none"> Reasonable number of direct job created to local Tanzanians with direct impact on poverty reduction through enhanced income generation; and Improving skills development for Industrial production
Technology applied	High Tech Environmentally friendly machinery	<ul style="list-style-type: none"> Enhancing technological transfer; and Applied technology which is free from environmental pollution,
Other Implied Project Benefits		
<ul style="list-style-type: none"> Increased sales to the Utility Companies providing services of electricity, water and sewerage, telecommunications; Increased business transacted by local banks and institutions providing financial services; Business opportunities for local entrepreneurs in market distribution channels, Business opportunities to contractors and sub-contractors during the minor construction phase; Increased regional intra-trade and international trade due to better infrastructure facility and links to markets; Increase of technology transfer & expertise to local employed staff, Capital spends in local economy over 3.142US\$ Millions and 		

- Contribution to GDP growth through increased economic activities

Based on the Impact Investment Index analysis, the company can develop projections that the project can deliver both value for money in the context of broad socioeconomic impact and return on investment while complying with governance requirements. In this regard therefore, Jambo Food Products Company Limited will promote the industrialization process in the country, create employment, attract new technologies, expand foreign exchange earnings and ultimately contribute substantially to the country's economic growth.

7.0. Financial Modeling and Analysis

The Financial Modelling and analysis, is the main source of information for assessing the potential financial viability of the Jambo Food Products Company Limited. The analysis is based on the assumptions that have been taken for the implementation of the site development, demand and the associated potential investment requirements for a 5 year time period. The purpose of establishing this Ice Cream and Sweet candy processing plant is to speed up the country's economic development by being a catalyst for restructuring the existing local Ice Cream and Sweet candy processing industrial set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

7.1. Objective and Scope of Financial Model

7.1.1. Objective

The main objective of the financial modelling and analysis is to setup a financial model framework for potential generated revenues and operational & maintenance costs for the full operation of Jambo Food Products Company Limited based on the assumptions taken for the Market Analysis, the plan for the facility development, unit production costs and other overhead and operational charges.

7.1.2. Scope

The scope consists of a financial model that will be used to analyse the potential financial viability of the project based on the assumptions taken for the concept and scope of the Ice Cream and Sweet candy processing factory on the Market Analysis. The financial model has been developed in excel spread sheet and include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

Expected quantities for production	
All cost and revenue in US\$	
Ice cream and candy processing factory	
Working days per month	25.00
Annual working days	300.00
Average production per Day candy	12,000.00
average production per Day Ice Cream	9,600.00
Annual production of candy in KG	3,600,000.00
Annual production of ice cream in litres	2,880,000.00
Price Candy per Kg	2.20
Price of Ice cream per litres	2.40
Annual sale of ice cream	6,912,000.00
Annual sale of sweet Candy	7,920,000.00
Total sales Revenue	14,832,000.00

Investment Summary	
Fixed Assets	
Plant Machinery and Equipment for Ice Cream	1,700,000.00
Plant Machinery and Equipment Candy	5,600,000.00
Heavy trucks 40@80000	3,200,000.00
Light Truck for distribution 15@20000	300,000.00
Fork Lift 7 Tons @20000	140,000.00
fork Lift 3.5 Tons @6000	30,000.00
Total Fixed Assets	10,970,000.00
Total Investment	10,970,000.00
Equity	
Cash	2,194,000.00
Loan	8,776,000.00
Total Equity	10,970,000.00

Income Statement Projections

(all numbers in US\$)

<u>Revenue</u>							
	<u>Year 0</u>	<u>Year 2020</u>	<u>Year 2021</u>	<u>Year 2022</u>	<u>Year2023</u>	<u>Year 2024</u>	<u>TOTAL</u>
Annual sale of Candy	-	7,920,000	8,316,000	8,731,800	9,168,390	9,626,810	43,763,000
Annual sale of Ice cream	-	6,912,000	7,257,600	7,620,480	8,001,504	8,401,579	38,193,163
Total Operating Revenue	-	14,832,000	15,573,600	16,352,280	17,169,894	18,028,389	81,956,163
<u>Expenses</u>							
	<u>Year 0</u>	<u>Year 2020</u>	<u>Year 2021</u>	<u>Year 2022</u>	<u>Year2023</u>	<u>Year 2024</u>	<u>Total</u>
Salaries		120,000	121,200	127,260	133,623	140,304	642,387
Social Charges & Pension Payments		12,000	12,120	12,726	13,362	14,030	64,239
Raw material		1,500,000	1,515,000	1,530,150	1,545,452	1,560,906	7,651,508
Operational Cost		900,000	909,000	918,090	927,271	973,634	4,627,995
Utilities (water and Electricity)		50,000	50,500	51,005	51,515	52,030	255,050
Candy Machine Complete set		1,700,000	1,717,000	1,734,170	1,751,512	1,769,027	8,671,709
Ice Cream Mashine Complete set		5,400,000	5,454,000	5,508,540	5,563,625	5,619,262	27,545,427
Other Costs		20,000	21,000	22,050	23,153	24,310	110,513
Total Operating Costs		9,702,000	9,799,020	9,902,343	10,006,966	10,150,006	40,888,626
Operational Net Earnings before Depreciation, Interest & Tax		5,130,000	5,774,580	6,449,937	7,162,928	7,878,383	32,395,828
<i>%age Gross Contribution</i>		35	37	39	42	43.70	196.53
Depreciation		461,700	461,700	461,700	461,700	461,700	2,915,625
Net Earnings before Tax & Interest		4,668,300	5,312,880	5,988,237	6,701,228	7,416,683	29,480,204
Interest Paid (Bank Loan)		702,080	582,406	453,158	313,570	162,815	2,214,029
Tax (30%)		1,400,490.00	1,593,864	1,796,471	2,010,368	2,225,005	9,026,198
Net Earnings		2,565,730	3,136,610	3,738,608	4,377,290	5,028,863	18,847,100

Cash Flow statement from Investing Activities for five years						
(all numbers in US\$)						
	<u>Year 2020</u>	<u>Year 2021</u>	<u>Year 2022</u>	<u>Year2023</u>	<u>Year 2024</u>	
CASH FLOW FROM OPERATING ACTIVITIES						
Cash receipts from Sales	14,832,000	15,573,600	16,352,280	17,169,894	18,028,389	
Cash paid to suppliers and employees	(9,702,000)	(9,799,020)	(9,902,343)	(10,006,966)	(10,150,006)	
Cash generated from operations	5,130,000	5,774,580	6,449,937	7,162,928	7,878,383	
Dividends received*	0	0	0	0	0	
Interest received	0	0	0	0	0	
Interest paid	(702,080)	(582,406)	(453,158)	(313,570)	(162,815)	
Tax paid	(1,400,490)	(1,593,864)	(1,796,471)	(2,010,368)	(2,225,005)	
Net cash flow from operating activities	3,027,430	3,598,310	4,200,308	4,838,990	5,490,563	
CASH FLOW FROM INVESTING ACTIVITIES						
Replacement of equipment	0	0	0	0	0	
Proceeds** from sale of equipment	0	0	0	0	0	
Net cash flow from investing activities	0	0	0	0	0	
CASH FLOW FROM FINANCING ACTIVITIES						
Proceeds from capital contributed	2,194,000	0	0	0	0	
Proceeds from loan	8,776,000	0	0	0	0	
Payment of loan	(1,495,926)	(1,615,600)	(1,744,848)	(1,884,436)	(2,035,191)	
Net cash flow from financing activities	9,474,074	(1,615,600)	(1,744,848)	(1,884,436)	(2,035,191)	
NET INCREASE/ DECREASE IN CASH						
	12,501,504	1,982,710	2,455,460	2,954,554	3,455,372	
Cash at the beginning of the period	2,565,730	3,136,610	3,738,608	4,377,290	5,028,863	
Cash at the end of the period	15,067,234	5,119,320	6,194,068	7,331,843	8,484,235	

Pro forma balance sheet					
(all numbers in US\$)	Year 2020	Year 2021	Year 2022	Year2023	Year 2024
ASSET					
Current asset	2,565,730	3,136,610	3,738,608	4,377,290	5,028,863
Investment	10,970,000	11,189,400	11,413,188	11,641,452	11,874,281
Fixed Asset	0	0	0	0	0
Liquidity	5,130,000	5,774,580	6,449,937	7,162,928	7,878,383
TOTAL ASSET	18,665,730	20,100,590	21,601,733	23,181,669	24,781,527
EQUITY & LIABILITIES					
Equity	10,970,000	11,259,608	12,257,660	13,344,179	14,527,007
Reserves					
Total Own Equitiy	10,970,000	11,259,608	12,257,660	13,344,179	14,527,007
Provisions	3,635,534	4,587,412	4,887,896	5,167,417	5,369,809
Long term loan	2,198,006	2,198,006	2,198,006	2,198,006	2,198,006
Short term Liabilities	1,862,190	2,055,564	2,258,171	2,472,068	2,686,705
Total Equity & Liabilities	18,665,730	20,100,590	21,601,733	23,181,669	24,781,527

Loan Information and Payment Schedule

Loan Data		Loan Summary	
Original Principal	8,776,000.00	Scheduled Payments	2,198,005.85
Loan Term (Years)	5.00	Scheduled number of payment	5.00
Annual Interest Rate	0.08	Actual number of payment	5.00
Payments per Year	1.00	Total Early Payment	-
Payment	447088.00	Total Interest	1,470,885.00

Year	Payment	Interest	Cumulative Interest	Principal	Balance
0.00					8776000.00
1.00	2198005.85	702080.00	702080.00	1495925.85	7280074.15
2.00	2198005.85	582405.93	1284485.93	1615599.91	5664474.24
3.00	2198005.85	453157.94	1737643.87	1744847.91	3919626.34
4.00	2198005.85	313570.11	2051213.98	1884435.74	2035190.60
5.00	2198005.85	162815.25	2214029.23	2035190.60	0.00

IRR for the Project

(all numbers in US\$)

	Initial Investment	-10,970,000
Year2020	Additional Annual Net Profit	2,565,730
Year 2021	Additional Annual Net Profit	3,136,610
Year 2022	Additional Annual Net Profit	3,738,608
Year 2023	Additional Annual Net Profit	4,377,290
Year 2024	Additional Annual Net Profit	5,028,863
	IRR (in 5 years)	18.67%

The IRR above indicates that the expected return on the 10,970,000 initial investment after 5 years is 18.67%.

Payback Period Analysis

	Year	Beginning Balance	Net Cash Flows	Ending Balance
Cost of investment	0.00	10,970,000.00	0.00	10,970,000.00
	1.00	10,970,000.00	2,565,730.00	8,404,270.00
	2.00	8,404,270.00	3,136,610.07	5,267,659.93
	3.00	5,267,659.93	3,738,607.96	1,529,051.97
	4.00	1,529,051.97	4,377,289.58	2,848,237.61
	5.00	2,848,237.61	5,028,862.80	7,877,100.41

Payback Period	4.00	Years
=		

8.0. Concluding Remarks and Way Forward

8.1. Evidence of project viability based on financial model and policy framework support.

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the meat processing plant as prescribed on this business plan have shown that the project is commercially viable. Nonetheless, Jambo Food Products Company Limited through professional consultative manner, will continue to find ways of implementing cost effective options given time and financial resources that will be made available. Financial analysis results show that when the construction of Ice Cream and Sweet candy plant facility is financed using a combination of equity debt ratio (20:80%), it gives an IRR of about 18.67%. The computed IRR is well above Dollar market of the annual loan interest rate of (8.00%) which is technically interpreted that the project is financially viable. The payback period for the project is estimated at 4 years, which is within the range for this type of investment. Sensitivity analysis results also favor the project. Financial analysis for the project has shown feasible returns. Based on the investment scope and the assumptions taken in this Business Plan, the project will face reserves difficulties during the third 3 years thereafter the project will, according to the projected cash flow be in a position to accomplish repayment of the loan and start generating profit.

8.2. Policy Framework Support

The development of the Jambo Food Products Company Limited is designed to take advantages of the current Tanzanian market-oriented reforms. The Project will be developed and established to accelerate the industrialization process. The vision 2025 emphasizes the importance of the allocation of public funds for strategic investments and private sector financing for development investments.

The 15 years Perspective Plan (2010-2015); Prioritize private investment in the context of Public Private Partnership. The First Five Years Development Plan (2011-2016) recognizes the fundamental role of the private sector in enabling the Government to allocate its fund to strategic projects to facilitate a higher level of development. MKUKUTA II (2010-2015) identifies Public Private Partnership as a means of increasing the level of stakeholder participation and of easing the financial burden on the Government. It should be noted that existing public resources are clearly insufficient to meet Tanzanian's huge development needs. The increased use of private enterprises participation in development projects can help alleviate the financing gap. This approach is now applied by Jambo

Food Products Company Limited to ensure development of one among the ultra-modern Ice Cream and Sweet candy plant to be developed in Shinyanga Region. Private sector and investment have been recognized as the most significant potential source of additional funding required to facilitate development projects.

8.3. Conclusive Remarks and Way Forward

The development of this Ice Cream and Sweet candy plant will be funded by private finances. The company acting through its various shareholders and structures will provide the initial risk capital amounting to 2,194,000US\$ and the amount of US\$ 8,776,000 will be raised through borrowing from investment banks either within or outside the country. The company will fund the development of the project minor rehabilitations of factory building, business offices, bulk storage facilities and purchasing machines as stated on this business plan. Before the Company engages into the development of this project as a private enterprise, it needs to accomplish the pre development activities to make way for the development of the designated project. The company has to accomplish the following;

a) Apply for TIC certificate

The company by using this Business Plan and other required supporting documents should apply for the TIC Certificate at Tanzania investment centre or Mwanza zonal Office. With this certificate, the company will be able to access tax reliefs which to a large extent will help to in reducing project costs, particularly in the purchasing of machineries and minor building of area of proposed industrial area.

b) Minor rehabilitation to suit Ice Cream and Sweet candy Industrial requirement

The company should engage a firm to make minor rehabilitation of existing structure that will suit Ice Cream and Sweet candy manufacturing requirements. The structure should include all vital service facilities described in this business plan. When possible, the process of design of the facility should be consultative insomuch that it should allow and incorporate ideas from experienced professionals from the industry.

(c) Mobilizing Funds

As previously discussed on the Financial Analysis of this business plan, financing mechanism for the Ice Cream and Sweet candy plant should be scrutinized well before commencing the project implementation. There may be several options of financing the project development but the company will find the best option. The investment team should do consultation with relevant financial institutions (Banks and non-bank Financial Institutions), both within

and outside the country. This exercise should be more effective if the team works closely with central Government agencies, particularly TIC and the Ministry of Industry & Trade and Ministry of Investment.