

JAMBO FOOD PRODUCTS COMPANY LIMITED
PROPOSED BUSINESS PLAN
FOR
ESTABLISHMENT OF INTEGRATED FACTORIES FOR
PRODUCTION OF BAKERY AND BISCUIT 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 Ampere
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 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. Currently, the company manages to employ 300+ people with different professional. The company intends to establish integrated factories for production of bread and biscuit 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 company aim to 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 proposed integrated project is estimated to cost a total of US\$4,536,000 (including own equity of US\$ 827,000 as proceeds from capital contribution of the project, total loan debt of 3,708,800US\$ with 8% interest rate. The Current asset of US\$ 303,350 fixed assets 4,536,000US\$ and total liabilities of 5,781,350US\$. The project will be implemented within 5 years

The estimated revenue gain in selling bread and biscuit annually is 4,914,000US\$ in the first year of production per 3.6 Million Kg of bread and 1.8Million Kgs of Biscuit excluding Value Added Tax.. Testing the project viability is positive whereas IRR is positive 24.217%, which exceed the discount rate of 8%. This show its better to invest rather than saving money bank with a payback period of of 3 years.

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 mitigate risk a good 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.

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.

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 Bakery and Biscuit factory processing on the Market Analysis. The financial model has been developed which include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

The development of this project will tape 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.

1.0. Introduction

1.1. Bakery and Biscuit industry in Tanzania

Tanzania is among the country in Africa and the world which producer of bakery and biscuit products. Mostly of industries deal with bakery and biscuit making are mainly conducted by private sector. The bakery industry is well organized with the considerable increase in the consumption of bakery and biscuit products, a strong need has been felt for stricter quality to meet customer satisfactions

Bakery industry is one of the biggest contributors to the country's processed food industry. Bakery products which include bread and biscuits account for over 82 percent of the total bakery products produced in the country. Bakery segment in Tanzania can be classified as three broad segments of bread, biscuits and cakes. Bakery sector in Tanzania produces about 0.5 million tons of products and the rest is produced by the unorganized sector and small scale local manufacturers. Even if there are many automatic and semi-automatic bread and biscuit manufacturing units available in Tanzania, mostly prefer fresh bread and other products from the local bakery. But with the advent of selling pizzas and burgers, people are changing their tastes too. Many homegrown and international players have taken the market and the competition has increased.

The rising trend of "Natural nutrition", "healthy living" and "organic products" has significantly raised the consumers' demand on whole wheat, light, natural and additive-free products. In recent years, the growth in sales of packaged, whole wheat, whole meal, gluten-free and natural products is an important indication of this new and healthy living sense.

1.2. Demand Bakery and Biscuit products in Tanzania

Tanzania Market for bakery and Biscuit is forecasted to reach US\$ 12.24 million by 2024. The growing demand is estimated to reach 12.5% from year 2019 to 2024. The growth of 12.5% is mainly raised by increase consumption of cakes which is gaining market attraction owing to consumers' changing perceptions, as well as their convenience and health attribute, leading to a rise in popularity of on-the-go cake products, which are baked off or made at the convenience of the consumer.

As a result of urbanization and increase of the working population, the preferences for out-of-home consumption and demand for instant and nutritious products have increased, which is expected to propel the market growth. The development of the bakery and biscuit industry was attributed to the demand and deliberate Government policies for industrialization in Swahili *Tanzania ya viwanda*. Though the sector was able to satisfy the market but it could not meet the demand of some types of different varies of products as compared to Europe and other developed countries.

In an effort to strengthening the country economy, the Government of Tanzania cited bakery and biscuit industries as one of the potential revenue and job creation sector, its important is not only to social economic development, but has positive significantly towards economic development. Jambo Food Product Company Limited decided to establish integrated bakery and biscuit factories as major expansion of related products

from purchasing agricultural products from Tanzania Farmers as raw materials for production and some will be imported as additives and flavors to suit customer satisfaction in Tanzania.

Considering such level of market growth and demand driven variables with notably absence of local manufacturing facilities already functioning in Tanzania and neighboring countries, the investment venture will become potentially profitable business.

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 bread and biscuit making. 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 of Tanzania.

2.2. Project Description

2.2.1. Bakery industry overview

Jambo Food Product Company Limited will produce bakery products which include bread rolls, crusty breads, sausage rolls, pastries, meat pies, biscotti bread, cakes and baked biscuits. It is now commercially used in Italy for some delicate bakery products.

This unique industry is primarily a legacy of Government policies that promote labor intensive and increases employment for Tanzanian. The project is expected to start End of end of July, 2020 whereas the raw material during the start of project will be from Tanzania farmers. The project will install a fully packages automated bakery factory machines from Italy that will cost 400,000Euro equivalent to 435,000US\$ at exchange rate of 2300US\$. The process of making bread involves the following stages.

First stage: Mixing

The objective is the blending and hydration of dry ingredients, air incorporation and gluten development for optimum dough handling properties. Variables to monitor and control include mixing time, energy input, and dough temperature:

- **Mixing time:** a function of flour strength, its protein, damaged starch and non-starch polysaccharides and bran particles content. Other factors include mixer speed, mixing arm design, dough size in relation to mixer capacity, adequacy of refrigeration system (dough temperature) and delayed sugar/fat/salt addition.
- **Mixing equipment:** vertical (planetary), spiral (open and closed for vacuum mixing), horizontal, continuous (open and closed).
- **Process specifications:** 9–15 minutes at high speed in horizontal mixers. Final dough temperature should be 76–82°F (25–28°C).²

Second stage: Fermentation

The objective is yeast growth, production of CO₂, ethanol and organic acids, development of flavors and aromas, and modification of dough handling properties. Variables to monitor and control include fermentation time, temperature, titratable acidity (TTA), pH, microbial count:

- **Fermentation time:** controlled by the temperature of dough, sponge, starter or pre-ferment, hydration level (free water), pH, osmotic pressure, yeast food (amino acids, minerals, fermentable sugars) and yeast level (or lactic acid bacteria count).
- **Fermentation equipment:** troughs in fermentation room, closed tanks, open tanks, benches.
- **Process specifications:** 1–20 hours (at room conditions), depending on dough system used. The temperature in fermentation rooms is typically set between 75–85°F (24–29°C) with a relative humidity (RH) of 60–80%.²

Third stage: Makeup

Makeup stage mainly encompasses four operations:

- Dividing
- Rounding
- Intermediate proofing
- Sheeting and molding

Forth stage: Baking

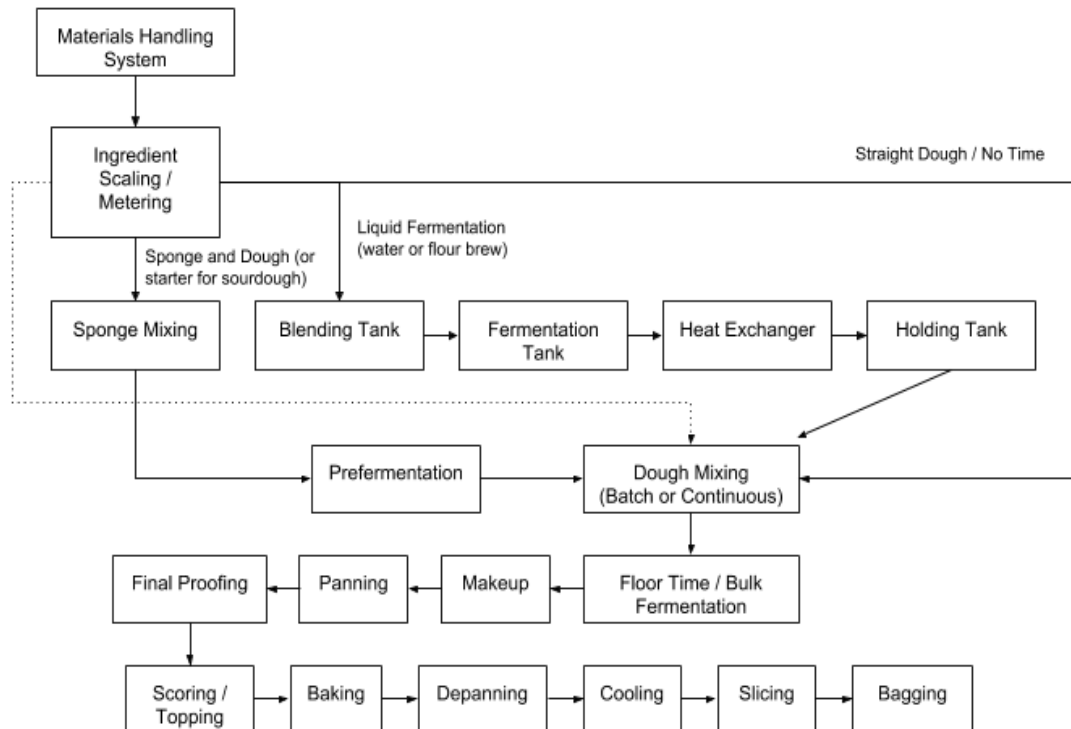
The objective is to convert raw dough into bread, set structure of product, crust and crumb formation, kill-step and shelf-life extension. Variables to monitor and control include temperature, time (governed in continuous ovens by conveying speed). Other relevant variables include heat flux (burners), humidity (dampers) and air velocity or flow.

- **Baking time:** controlled by oven temperature, conveying speed, initial (proofed dough) and final product temperature, heating pattern, bake loss, product load and formulation.
- **Baking equipment:** direct-fired oven, indirect-fired oven, electric oven, rack oven, reel oven, conveyORIZED, tunnel, hybrid and impingement oven.
- **Process specifications:** 10–20 minutes at 400–420°F (204–216°C) (heating pattern in different ovens must be equivalent for comparable results).²

Fifth stage:

this involves finishing stage according to customer demand/satisfaction which includes

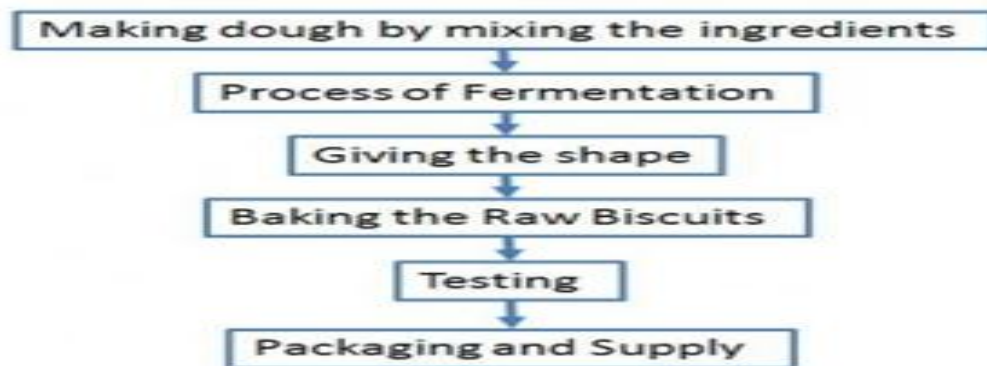
- Depanning,
- Colling,
- Slicing and bagging



2.2.2. Biscuit industry overview

As the Company aim at wining the Tanzania and East Africa market in food production, the company will install a full automated machines for biscuit making from German that worth over 1.3Million Euro which is equivalent to 1.42Million US\$ at exchange rate of 2300US\$. The project is expected to start End of July, 2020 whereas the raw material during the start of project will be from Tanzania farmers.

Biscuit making involves primarily four stages of making the biscuit in a factory – mixing, forming, baking, and cooling. In the mixing stage, flour, fat, sugar, water and other ingredients are mixed together in the right proportion in large mixers to form the dough.



2.3. Production process:

In the first year of operation, the project will install fully complete set for both machines whereas for bread making machines will produce 500Kg of bread per hour while for biscuit will produce 1 Tons per hour.

The plant capacity during the first year of production will be 60% operations and as the plant successfully win the market will be operated to 100%. Selling plan of two products is 0.32US\$ for bread per piece while for biscuit is 2.09US\$ per packet equivalent to 1Kg. Raw material mainly are from Tanzanian farmers and other ingredients will imported, Expected stock for raw material is 3-4 months so as the company will have a continuous operation in case of delay of importation of raw material from china to Tanzania.

The project envisages setting up modern bread and biscuit making machines from Italy and German respectively, the cost of bread making machine cost 450,000US\$ and for Biscuit making machine it cost 1,420,000US\$. That make a total of 3,820,000US\$ which involve cost of installation.

2.4. Project Cost & Financing Pattern

The proposed integrated project is estimated to cost a total of US\$4,536,000 (including own equity of US\$ 827,000 as proceeds from capital contribution of the project, total loan debt of 3,708,800US\$ with 8% interest rate. The Current asset of US\$ 303,350 fixed assets 4,536,000US\$ and total liabilities of 5,781,350US\$. The project will be implemented within 5 years.

2.5. Business Plan Objectives

The objectives of this study are two-fold. First is to determine the viability of the proposed project and serve as a business plan for the company's development program. First, it will be presented to Banks/Financial Institutions for application of Term Loan 3,708,800US\$ to support smooth implementation and running of the proposed projects. 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. 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).

2.5. Product: Demand and Market Analysis

2.5.1. Market potential for the bread and biscuit:

Bakery and biscuit products will be sold in within local market in Tanzania and surplus will be exported to the neighboring EAC countries of Kenya, Rwanda and Burundi. 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, Shinyanga to neighboring markets in Rwanda, Burundi, Uganda and also western part of Kenya makes the project accessible to a larger market. With about 80% of the food product in Tanzania based in Dar es Salaam, it was thus considered timely to locate the project in Shinyanga. Prospects in the growth of these target market segments are quite good given the increasing industrial economic activities in the country

Market intelligence conducted in domestic market still huge need more for produced products.. For analysis purpose, the company expects to export 75% of its products and the remaining balance will be sold locally.

From the analysis in the preceding chapter, the marketing of the final products in the country will not pose a problem either as even if the export markets collapsed the local market itself is able to take up whatever the project will produce.

2.6. 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 for the produced products, but the promoters will be flexible to deliver the goods on demand.

2.7. 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; bread will be sold at 0.32US\$ per piece (equivalent to 0.25 Kg) while biscuit will be sold at 2.09US\$ per packet equivalent to 1Kg.

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, 4-5 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 Shinyanga to Mwanza leading to Kenya and Uganda countries by road and marine via Mwanza South Port

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.

2.7.3. Buildings

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\$ 4,536,000, 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.

2.7.4. Machinery and Equipment:

Proper machinery selection is one of the key problems in the development of an industry. The machinery must suit the two-fold requirements of the developing countries, i.e. it should be up-to-date to allow for competitive production. In view of the foregoing, an effort has been made to choose from modern technological alternatives, a level that strikes a balance between fixed costs based on depreciation of 12.5% and variable costs based essentially on wages.

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 has been assumed that the plant will be working in a double shift 8 hours a day, 25 days a month or a total of 300 days a year.

2.7.5. Motor Vehicles

30 heavy trucks will be purchased at a price of 80,000US\$ each totaling to 2,400,000US\$, and 10 Light Truck 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 1 FL with a capacity of 3.5MT will cost 60,000 and 6000US\$ respectively.



Anticipated heavy trucks for regional food and drinks distribution

2.7.6. 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 for these facilities not included since the company has all furniture for plant establishment.

2.7.7. 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. A budget of US\$ 8,500 allocated for this item is reflected under Plant Machinery and Equipment item.

2.7.8. 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.

2.7.9. 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 initial working capital allocated budget is 1,000,000US\$. As this will be used to purchase raw materials.

2.7.10. 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:

2.7.11. Project Implementation

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.

2.7.12. 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 laboratories
- (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.

Provision of laboratory has been considered for testing quality and quantities of processed products.

(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 Jambo Food Products Company Limited also install an online UPS system that secures clean and uninterrupted power free of surges, brownouts, fluctuations and other power problems.

(iii) Water Supply Electric

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, ten (30) Heavy trucks with a capacity of 32 MT will be purchased and other 10 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.

2.7.14. Warehousing and distribution

Jambo Food Products Company Limited's warehousing service is ready 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.



Warehousing for machine installation, processing, storages of food products

2.7.15. 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 his 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.

Due to nature of project that producing a lot of waste, the company has to establish a treatment plant TP for controlling waste. 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 machines imported countries who will train the rest of the workers during the first years of operation. 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 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 bread and biscuit annually 4,914,000US\$ in the first year of production per 3.6 Million Kg of bread and 1.8Million Kgs of Biscuit excluding Value Added Tax.
- Gross sales contribution in the first year of production is 19% which increases in the second years to 39% and will increase tremendously.
- The expected sales increase annually is 5% while increase production cost is 3% which depends on inflation rate of the country, for Jambo Food Products Company Limited, the second year operations will increase by 39.7%%
- The discount rate has been assumed to be 8%,
- Total investment cost of the project is 4,536,000US\$ whereas the equity 20% and loan-able amount 3,708,800US\$
- The end balance of project in cash flow statement is positive and increases tremendous, the first year end balance 303,350US\$ in the second year the net earnings increase 4times.
- The yearly loan payment schedule of project is 928,892.9US\$ for 5 year loan recovery schedule,
- Testing the project viability is positive whereas IRR is positive 24.217%, which exceed the discount rate of 8%. This show its viable to invest rather than keeping money to the bank
- and payback period of project is within 3 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 Cotton Fabric fabrics bags 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.
- 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 bread and biscuit 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\$ 4.56 Million US\$	Substantial amount of capital invested into the domestic economy.
Export Earnings	Indicative Annual sales of 25% earnings of 1,228,500US\$ out of annual average collection of 4,914,000US\$ 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 4.4.536US\$ 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 Bakery and Biscuit factory is to speed up the country’s economic development by being a catalyst for restructuring the existing local Bakery and Biscuit factory 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.

7.2.2. 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 Bakery and Biscuit factory processing 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\$	
bakery and Biscuit processing factory	
Working days per month	25.00
Annual working days	300.00
Average production bread per Day/Pc	12,000.00
average production per Day of Biscuits	6,000.00
Annual production of breads	3,600,000.00
Annual production of biscuit	1,800,000.00
Price bread per Pc	0.32
Price of Biscuit per packet	2.09
Annual sale bread	3,762,000.00
Annual sale of biscuit	1,152,000.00
Total sales Revenue	4,914,000.00

Investment Summary	
Fixed Assets	
Plant Machinery and Equipment for bread	450,000.00
Plant Machinery and Equipment Biscuit	1,420,000.00
Heavy trucks 30@80000	2,400,000.00
Light Truck for distribution 10@20000	200,000.00
Fork Lift 7 Tons 1 @20000	60,000.00
fork Lift 3.5 Tons1 @6000	6,000.00
Sub total Fixed Assets	4,536,000.00
Total Investment	4,536,000.00
Cash	827,200.00
Loan	3,708,800.00
Total Equity	4,536,000.00

Income Statement Projections

(all numbers in US\$)

Revenue							
	<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 biscuit	-	1,152,000	1,163,520	1,175,155	1,186,907	1,198,776	5,876,358
Annual sale of breads	-	3,762,000	5,699,430	8,634,636	13,081,474	19,818,433	50,995,974
Total Operating Revenue	-	4,914,000	6,862,950	9,809,792	14,268,381	21,017,209	56,872,332
Expenses							
	<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	126,000	132,300	138,915	145,861	663,076
Social Charges & Pension Payments		12,000	12,600	13,230	13,892	14,586	66,308
Raw material		1,000,000	1,050,000	1,102,500	1,157,625	1,215,506	5,525,631
Operational Cost		900,000	945,000	992,250	1,041,863	1,093,956	4,973,068
Utilities (water and Electricity)		50,000	52,500	55,125	57,881	66,775	276,881
Bread making Machine Complete set		450,000	472,500	496,125	520,931	546,978	2,486,534
Biscuit making Machine Complete set		1,420,000	1,491,000	1,565,550	1,643,828	1,726,019	7,846,396
Other Costs		20,000	21,000	22,050	23,153	24,310	110,513
Total Operating Costs		3,972,000	4,170,600	4,379,130	4,598,087	4,827,991	19,461,273
Operational Net Earnings before Depreciation, Interest & Tax		942,000	2,692,350	5,430,662	9,670,294	16,189,218	34,924,525
<i>%age Gross Contribution</i>		<i>19</i>	<i>39</i>	<i>55</i>	<i>68</i>	<i>77.03</i>	<i>258.56</i>
Depreciation		84,780	242,312	488,760	870,327	1,457,030	3,143,207
Net Earnings before Tax & Interest		857,220	2,450,039	4,941,902	8,799,968	14,732,189	31,781,317
Interest Paid (Bank Loan)		296,704	246,129	191,508	132,517	68,807	935,664
Tax (30%)		257,166.00	735,012	1,482,571	2,639,990	4,419,657	9,534,395
Net Earnings		303,350	1,468,898	3,267,824	6,027,461	10,243,725	21,311,258

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	4,914,000	6,862,950	9,809,792	14,268,381	21,017,209	
Cash paid to suppliers and employees	(3,972,000)	(4,170,600)	(4,379,130)	(4,598,087)	(4,827,991)	
Cash generated from operations	942,000	2,692,350	5,430,662	9,670,294	16,189,218	
Dividends received*	0	0	0	0	0	
Interest received	0	0	0	0	0	
Interest paid	(296,704)	(246,129)	(191,508)	(132,517)	(68,807)	
Tax paid	(257,166)	(735,012)	(1,482,571)	(2,639,990)	(4,419,657)	
Net cash flow from operating activities	388,130	1,711,210	3,756,583	6,897,787	11,700,755	
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	827,200	0	0	0	0	
Proceeds from loan	3,708,800	0	0	0	0	
Payment of loan	(632,189)	(682,764)	(737,385)	(796,376)	(860,086)	
Net cash flow from financing activities	3,903,811	(682,764)	(737,385)	(796,376)	(860,086)	
NET INCREASE/ DECREASE IN CASH						
Cash at the beginning of the period	303,350	1,468,898	3,267,824	6,027,461	10,243,725	
Cash at the end of the period	4,595,291	2,497,344	6,287,022	12,128,872	21,084,394	

Pro forma balance sheet					
(all numbers in US\$)	<u>Year 2020</u>	<u>Year 2021</u>	<u>Year 2022</u>	<u>Year2023</u>	<u>Year 2024</u>
ASSET					
Current asset	303,350	1,468,898	3,267,824	6,027,461	10,243,725
Fixed Asset	4,536,000	4,626,720	4,719,254	4,813,639	4,909,912
Liquidity	942,000	2,692,350	5,430,662	9,670,294	16,189,218
TOTAL ASSET	5,781,350	8,787,968	13,417,740	20,511,395	31,342,856
EQUITY & LIABILITIES					
Equity	4,536,000	4,655,750	5,068,436	5,517,702	6,006,791
Reserves					
Total Own Equity	4,536,000	4,655,750	5,068,436	5,517,702	6,006,791
Provisions	(25,489)	2,226,002	5,449,081	10,554,482	18,530,485
Long term loan	928,893	928,893	928,893	928,893	928,893
Short term Liabilities	341,946	977,323	1,971,330	3,510,317	5,876,686
Total Equity & Liabilities	5,781,350	8,787,968	13,417,740	20,511,395	31,342,856

Loan Information and Payment Schedule

Loan Data		Loan Summary	
Original Principal	3,708,800.00	Scheduled Payments	928,892.90
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					3708800.00
1.00	928892.90	296704.00	296704.00	632188.90	3076611.10
2.00	928892.90	246128.89	542832.89	682764.01	2393847.09
3.00	928892.90	191507.77	734340.66	737385.13	1656461.96
4.00	928892.90	132516.96	866857.61	796375.94	860086.02
5.00	928892.90	68806.88	935664.49	860086.02	0.00

IRR for the Project

(all numbers in US\$)

	Initial Investment	-4,536,000
Year 2020	Additional Annual Net Profit	303,350
Year 2021	Additional Annual Net Profit	1,468,898
Year 2022	Additional Annual Net Profit	3,267,824
Year 2023	Additional Annual Net Profit	6,027,461
Year 2024	Additional Annual Net Profit	10,243,725
	IRR (in 5 years)	24.21%

The IRR above indicates that the expected return on the 4,536,000 initial investment after 5 years is 24.21%.

Payback Period Analysis

	Year	Beginning Balance	Net Cash Flows	Ending Balance
Cost of investment	0.00	4,536,000.00	0.00	4,536,000.00
	1.00	4,536,000.00	303,350.00	4,232,650.00
	2.00	4,232,650.00	1,468,898.06	2,763,751.94
	3.00	2,763,751.94	3,267,823.70	504,071.77
	4.00	504,071.77	6,027,460.62	6,531,532.39
	5.00	6,531,532.39	10,243,725.27	16,775,257.65

Payback Period = 3.00 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 Bakery and Biscuit factory facility is financed using a combination of equity debt ratio (20:80%), it gives an IRR of about 24.21%. 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); Pristine 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 Bakery and Biscuit factory 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.

9.0. Conclusive Remarks and Way Forward

The development of this Bakery and Biscuit factory will be funded by private finances. The company acting through its various shareholders and structures will provide the initial risk capital amounting to 827,200US\$ and the amount of \$ 3,708,800 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 tonal 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 Bakery and Biscuit factory requirement

The company should engage a firm to make minor rehabilitation of existing structure that will suit Bakery and Biscuit factory 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 Bakery and Biscuit factory 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.