KAHAMA OIL MILLS LIMITED

BUSINESS PLAN

FOR

ESTABLISHING BAKERY PROJECT

1.0 INTRODUCTION

Kahama oil mills limited is a privately owned and incorporated in Tanzania with certificate of incorporation no. 44924 dated 2nd December 2002 which intend to establish modern confectionery bakery in plot no.4 & 5, block a ,Shunu, Kahama, Shinyanga in Tanzania, the company will employ state of art technology.

1.2 PROJECT CONCEPT

The proposed project will involve establishing of a modern bakery; the company has obtained an area in Shunu, Kahama district to be used for industrial premises, the company is now in final negotiation to purchase new machines and equipment. The company is targeting Lake Zone market. Proposed project intend to develop modern bakery factory, the products produced will be packed and distributed at affordable price, the project will employ adequately trained and experienced management and employees.

Kahama oil mills limited a locally registered company, the project promoters are confident of mobilizing financial resources through equity contribution and loan financing locally and internationally.

This study will be used as guiding tool and will be presented to tic for obtaining certificate of incentives to facilitate smooth implementation of the project.

1.3 LOCATION

The project will be located at **Plot No.4 & 5, Block A ,Shunu,Kahama, Shinyanga In Tanzania.**

1.4 THE SPONSORS

kahama oil mills limited will be sponsoring this project. The company is currently jointly owned by two Tanzanians shareholders

Share Holders	% Shares of Share Taken	Nationality	Date Of Birth
Mhoja Nkwabi Kabalo P. O. BOX 253,kahama TEL.+255754780777 Email.kahamaoilmilltd@yahoo.com	4.54	Tanzania	20th April 1967
Sylivester Mhoja Nkwabi Kabalo P. O. BOX 253,kahama tel.+25692 email.sylvester.math@yahoo.com	1.82	Tanzania	23rdOctober 1990
Kom Group Co. Ltd	89.01	Tanzania	

1.4 KAHAMA OIL MILLS LIMITED PROJECT

The main business objectives is establishment of modern confectionary bakery

1.5 OBJECTIVE OF THE STUDY

The purpose of this study is to work out the technical and commercial viability of the project

2.0 THE PRODUCT MARKET

the market survey carried out reveals that the current demand for; bread, cake, popcorn, ice cream and related products is high, current price of such products in lake zones market as attracted the company to venture in this business the competitive advantage of the company's products is quality produced and customer care services.

2.1 COMPETITION

The currently there are many company dealing with confectionery bakery, the big challenge for the above mentioned is quality, varieties and price charged. it is very expensive and most of people cannot afford the price, and bad enough most of bread in the market are of low quality, the quality is questionable that why the Kahama oil mills limited came in to bridge the came

2.2 SPECIAL STRENGTHS

- the customer care provided by the company
- new technology used by the company
- directors experience in bakery business
- the location of project

2.3 MARKETING STRATEGY

According to expert, personal selling is the most effective method for marketing. in order to reduce sunk costs, the project will use various marketing strategies such as:

- internet
- specialized magazine, news paper
- radio
- television
- posters
- sponsorship etc.

The project products will be aggressively promoted to domestic market and skilled personnel will be recruited

2.4 PRODUCT PRICING

The pricing policy for the project will be based on the service cost and competition levels from substitute services available in Tanzania market considering various variables namely:

- service positioning
- gain market share from competitors
- stimulating and increasing demand and
- achieving profitability and liquidity financial performance goals

2.5 PRODUCTS

Production facilities include ultra-modern, fully and semi-automatic production lines. our production lines with their vast production capabilities operated by highly trained professionals will enable the company to satisfy the production requirements of our customers.

The project will includes the installation of a fully automated bun line, with the capacity to produce 36,000 pieces per hour our bun line allows us to fulfil the requirements of our customers including household names in the regional fast food industry.

With a product range consisting of more than 500 varieties of quality products ranging from breads, cakes, salads and sandwiches our production facilities to be operated under strict hygienic conditions with all staff trained in safe food handling. Our certifications include: TBS, TFDA, ISO etc. HACCP, ISO and global standard for food safety,

Our product development department will continuously innovating and moving forward with the latest consumer demands and trends.

3.0 PROJECT MANAGEMENT AND MANPOWER REQUIREMENTS

Kahama oil mills limited will be under the management with vast experience in managing various agribusinesses; the project will be directly managed by the managing director will be assisted by two manager all together comprise the management team. 55 staff will be directly employed.

employment	foreign skilled	local skilled	local unskilled	total
women	0	10	25	35
men	0	5	15	20
total	0	15	40	55

3.1 MONITORING AND EVALUATION

The management has full commitment to ensuring goods produced maintain the safety and standards required in the market. The quality control unit will establish a system of routine checking and getting feedback from customers, management philosophy is through business process, managers will strive to ensure compliance to standards and safety of products and customers they serve.

3.2 ENVIRONMENT PROTECTION

The company intends to make environment friendly, the company will save the country's environment in particular and global environment in general.

4.0 PROJECT INVESTMENT COST

The project is estimated at us dollars 4,000,000 to cover for the acquisition modern machineries, equipment and motor vehicles. Breakdown of the total investment is as proved here below.

KAHAMA OIL MILLS LIMITED COSTSTRUCTURE

particular	us$
land and buildings	1,500,000.00
machinery & equipment	1,100,000.00
motor vehicles	700,000.00
furniture & fixtures	60,000.00
pre exp	100,000.00

others	60,000.00
working capital	480,000.00
total	4,000,000.00

4.1 INVESTMENT PATTERN

It is estimated that a total of us$ 4,000,000 will be required over a period of three years of the project to acquire the various assets particularly machines as provided above.

source	value ($)
Equity	2,200,000
Loan	1,800,000
Total	4,000,000

4.2 PROJECT IMPLEMENTATION

The project implementation is estimated to be carried out in a period of 3 years from 2020.

	ACTIVITY	**PERIOD**
1.	Processing TIC Certificate of Incentive	April 2020
2.	Funds Mobilization	March – July 2020
3.	Ordering of supermarket facilities	Feb –May 2020
4.	Ordering other items	April – June 2012
6.	Trial Operations	October - 2020
7.	Commercial Operations	Dec 2020

5.0 ECONOMIC BENEFITS

The promoter's mission is to contribute maximum benefits to the society and economy at large. They and will continue creating good

livelihood for their employees and their families and have a strong tax generation capabilities.

6.0 INDUSTRY ANALYSIS.

The bakeries industry in Tanzania generates sizable revenues to the companies and government. There are many existing bakeries firms in Tanzania but very few use modern technologies probably because of coast involved. The company has for long time enjoyed economies of scale due to available production capacity and technology which enable the company to offer the following benefits;

- Unbeatable discount on the normal price of large quantities
- Computerised and automated production system.

7.0 FINANCIAL ANALYSIS AND PROJECTIONS

7.1 considerations and assumptions:

The corporate tax charged is 30% of the profits. Capital investment allowance is 50%. The capital assets are exempted from custom duty and value added tax. The straight line method to depreciate the project's capital items has been applied.

Revenues have been conservatively estimated based on experience of the promoters and trends in the bakery industry in general.

7.2 FINANCIAL STATEMENTS

7.3 PROJECTED REVENUE

For projection purposes, it is assumed that the economic life of the project is six years, and that revenue from bakery and related products will commence from the first year of operation.

KAHAMA OIL MILLS LIMITED PROJECTED REVENUE

	1	2	3	4	5	6
revenue	10,800,000	11,880,000	13,068,000	14,374,800	15,812,280	17,393,508

7.4 PROJECTED PROFIT AND LOSS STATEMENT

The income and expenditure statement shows the projected income for the 5 years period. The position depicted is that the project earns profit throughout its life. Accumulated after tax profits grow from. US$ 958,300 in first year to us$ 4,562,746 in 6th year

KAHAMA OIL MILLS LIMITED PROJECTED INCOME & EXPENDITURE STATEMENT (US$)

	1	2	3	4	5	6
Revenue	10,800,000	11,880,000	13,068,000	14,374,800	15,812,280	17,393,508
Cost Of Raw Materials	9,180,000	10,098,000	11,107,800	12,218,580	13,440,438	14,784,482
Profit Before Depreciation &Interest	1,620,000	1,782,000	1,960,200	2,156,220	2,371,842	2,609,026
Interest	90,000	57,600	43,200	28,800	14,400	-
Depreciation	161,000	161,000	161,000	161,000	161,000	161,000
Net Profit Before Tax	1,369,000	1,563,400	1,756,000	1,966,420	2,196,442	2,448,026
Tax (30%)	410,700	469,020	526,800	589,926	658,933	734,408
Profit After Tax	958,300	1,094,380	1,229,200	1,376,494	1,537,509	1,713,618
Accumulated Profit	958,300	2,052,680	2,579,480	3,169,406	3,828,339	4,562,746

7.5 PROJECTED CASH FLOWS

This is shown in the financial statements. The project has a positive end of year cash flow from year 1st, i.e. US$ 1,209,300 of operation to the 6th year i.e. US$ 9,109,501

KAHAMA OIL MILLS LIMITED PROJECTED CASH FLOW " US$"

	-	1	2	3	4	5	6
Sources:							
Profit Before Interest And Depreciation	-	1,620,000	1,782,000	1,960,200	2,156,220	2,371,842	2,609,026
Equity	2,200,000						
Loan	1,800,000						
Total Sources	4,000,000	1,620,000	1,782,000	1,960,200	2,156,220	2,371,842	2,609,026
Applications:							
Capital Expenditure	3,360,000	-	-	-	-	-	
Working Capital &Others	640,000						
Cash	-	1,209,300	1,312,980	1,433,400	1,566,294	1,712,909	1,874,618
Tax	-	410,700	469,020	526,800	589,926	658,933	734,408
Sub Total	4,000,000	1,620,000	1,782,000	1,960,200	2,156,220	2,371,842	2,609,026
Total Applications	4,000,000	1,620,000	1,782,000	1,960,200	2,156,220	2,371,842	2,609,026
Accumulated Cash		1,209,300	2,522,280	3,955,680	5,521,974	7,234,883	9,109,501
Necessary Working Capital	640,000	640,000	640,000	640,000	640,000	640,000	640,000

7.6 PROJECTED BALANCE SHEET

The projected balance sheet of the projected is shown in the financial statements under same heading. Equity of the project increases from US$ 2,200,000 in the first year of operation to us $ 4,297,145 in the 8th year

KAHAMA OIL MILLS LIMITED PROJECTED BALANCE SHEET " US $"

	-	1	2	3	4	5	6
Fixed Assets	-						
Opening Balance	-	3,360,000	3,199,000	3,038,000	2,877,000	2,716,000	2,555,000
Total Long-Term Assets	-	3,360,000	3,199,000	3,038,000	2,877,000	2,716,000	2,555,000
Less Depreciation	-	161,000	161,000	161,000	161,000	161,000	161,000
Closing Balance	-	3,199,000	3,038,000	2,877,000	2,716,000	2,555,000	2,394,000
Working Capital	640,000	640,000	640,000	640,000	640,000	640,000	640,000
Accumulated Cash	-	1,209,300	2,522,280	3,955,680	5,521,974	7,234,883	9,109,501
Total Assets	640,000						
Financed By							
Loan	1,800,000	1,440,000	1,080,000	720,000	-	-	-
Equity	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
Net Profit	-	958,300	1,094,380	1,229,200	1,376,494	1,537,509	1,713,618
Total Equity	2,200,000	3,158,300	3,294,380	3,429,200	3,576,494	3,737,509	3,913,618
Long Term Loan	1,800,000	1,440,000	1,080,000	720,000	360,000	-	-
Total Debts	1,800,000	1,440,000	1,080,000	720,000	360,000	-	-
Total Equity And Debts	4,000,000	4,598,300	4,374,380	4,149,200	3,936,494	3,737,509	3,913,618

7.7 PROJECTED PAYBACK PERIOD

Total investment is us $ 4,000,000 cash accumulation 3rd year is us $4,046,994.00 which is more than the initial investment by us$ us$ 46,994 the project payback period is within 3 years, the project has a relatively short payback period.

KAHAMA OIL MILLS LIMITED PAYBACK PERIOD

Year	Profit After Tax	Depreciation	Total Cash Flow	Accumulated Cash Flow
1	958,300	161,000.00	1,119,300.00	1,119,300.00
2	1,229,200	161,000.00	1,390,200.00	2,509,500.00
3	1,376,494	161,000.00	1,537,494.00	4,046,994.00
4	1,537,509	161,000.00	1,698,509.00	5,745,503.00
5	1,713,618	161,000.00	1,874,618.00	7,620,121.00
6	1,896,250	161,000.00	2,057,250.00	9,677,371.00

7.8 LOAN REPAYMENT SCHEDULE

Total loan is us $ 1,800,000 and interest is 4% charged annual, loan to be repaid within 5 years as indicated below:

KAHAMA OIL MILLS LIMITED PROJECTED LONG TERM LOAN REPAYMENT

US$

Year	Principle	Loan Interest (4%)	Total Amount Paid	Loan Balance
0				1,800,000
1	360,000	90,000	450,000	1,440,000
2	360,000	57,600	417,600	1,080,000
3	360,000	43,200	403,200	720,000
4	360,000	28,800	388,800	360,000
5	360,000	14,400	374,400	0
total	1,800,000	234,000	2,034,000	

8.0 ECONOMIC ASPECTS OF THE PROJECTS

Besides the financial/monetary returns to the owners, there are other benefits to be derived for the whole country viz.

(i) Employment Opportunities

Employment and poverty reduction are among the major concern of the Central and the Local Government authorities. It is gratifying to note that **KAHAMA OIL MILLS LIMITED** is going to provide employment of 55 people all of whom will be nationals. This is a significant contribution coming from local

investors apart of more than 150Tanzanians to be employed indirectly

(ii) Revenue to the Government

The Project is expected to pay a substantial annual amount in the form of corporation tax and other taxes and levies.

9.0 CONCLUSION AND RECOMMENDATION

9.1 CONCLUSION

(i) The project is profitable and contributes to government revenue by way of taxes.

(ii) The project provides employment to 55 people all of whom are national Tanzanians.

(iii) The project is an encouraging sign to prove that we have local investors who have confidence in their country. Tanzania so much so that they are ready to invest such large sums of investment.

9.2 RECOMMENDATION

After the foregoing economic and financial evaluation of the project, we strongly recommend that this project be implement and be given all the support required by all the concerned Government Ministries and Agencies, including the Tanzania Revenue Authority (TRA) and the Tanzania Investment Centre – (TIC). The project deserves this support because of its viability, since it is technical feasible, economically viable and socially acceptable.