

**PROJECT: CHANGOMBE BAKERY: EXPANSION OF BUGURUNI BAKERY PROJECT UNDER TIC CERTIFICATE NO. 0223483 OF 16<sup>TH</sup> NOVEMBER 2014 TO INCLUDE PLOT NO 165/1 ALONG MBOZI ROAD, CHANGOMBE, DAR ES SALAAM..**

### **Executive Summary**

Mini Bakeries (T) Ltd (MBTL) is a Private Company Limited by Shares and was established in 1996 and issued with a Certificate of Incorporation Number 29461. The company is in the business of Manufacturing Breads and other related wheat flour Products. The company produces high quality bread products with the Brand Names **Supaloaf** and **Butter Toast** a household name in Tanzania. Since inception the company has seen growth year after year.

In 2018 the company as part of its expansion program applied for TIC certification for the establishment of a bakery at Buguruni area of Dar es salaam. The project was completed in time and the bakery has been growing every year. As of 2024 the bakery has expanded its market reach over a large area covering Dar es salaam suburbs of **Mbagala, Gongo la Mboto, Buguruni** and nearby areas. However due to limited space and unavailability of space for expansion next to the Buguruni bakery the company has been unable to meet the ever increasing demand for our products in these areas.

For this reason the company started to explore available industrial or commercial properties within the areas mentioned above to expand its production capacity and well serve its customers. So far the company has identified a possible property along mbozi road, which in our best estimates will serve as a good place to expand the existing project. This project is poised to capitalize on the growing demand for our bread products in Dar es salaam and its suburbs.

To actualize the objective the company will expand the Buguruni project by establishing a new branch on the said area along Mbozi road, **Changombe**. The company plans to buy the identified property.

The bakery will use modern, energy-efficient technology and a blend of skilled and non-skilled labor to maximize production capacity while maintaining artisanal quality. The business aims to generate a sustainable income, create employment opportunities for the local community, and contribute to the food sector's development in the region.

The company plans to utilize its own funds and sale of preference shares to related company to raise funds to finance the project. Below is an extract of data from the financial year ending 2024. The figures indicates that the company has the financial capacity to execute the project.

	2024 TZS	2023 TZS
<b>TURN OVER</b>	25,369,181,000	22,697,741,000
EARNINGS BEFORE TAX	2,937,862,000	1,619,481,000
ERANINGS AFTER TAX	1,929,815,000	1,056,598,000
<b>CAPITAL ACCOUNT</b>		
RETAINED EARNINGS	5,046,575,000	3,116,760,000
SHARE CAPITAL	120,375,000	120,375,000
	5,166,950,000	3,237,135,000
<b>FIXED ASSETS</b>		
PPE	2,093,312,000	2,052,591,000

The company shareholding as of to date is as follows:

SRN	NAME	NATIONALITY	NO OF ORDINARY SHARES	%AGE
1	SHAMASH AKBERALI HABIB MANJI	KENYAN	1	0.001%
2	AMIN AKBERALI HABIB MANJI	KENYAN	1	0.001%
3	NORTHGATE HOLDINGS LIMITED	MAURITIOUS	120373	99.998%
<b>TOTAL</b>			120375	100%

## **DESCRIPTION OF THE PROJECT LOCATION**

The new bakery will be strategically located in the bustling **Changombe** Area and its environs. This area has a high population of potential customers due to concentration of both industrial and commercial business operations, residential areas and offices. This location was selected based on a thorough analysis of foot traffic, demographics, and competitive landscape.

Key features of the location include:

- ✓ **High Visibility and Accessibility:** The site is located in an area ensuring high visibility from the main street. Ample parking space is available for customers and loading and offloading of supplier vehicles.
- ✓ **Proximity to Target Market:** The location is close to our main market areas of Mbagala, Buguruni with Gongo la mboto easily accessible from the area through airport road.
- ✓ **Infrastructure Readiness:** The building has existing infrastructure that can support bakery operations, including sufficient power supply and access for

deliveries. The building requires some renovations to allow the installation of projected new machineries and equipments. The location is ideal for capturing both walk-in customers and servicing large corporate orders. The visibility and accessibility support the retail function, while the infrastructure supports the production and logistics necessary for catering and potential wholesale partnerships.

## **DESCRIPTION OF THE PROJECT OBJECTIVE**

The project's overarching objective is to establish and operate a profitable, high-quality bakery that offers exceptional products and services. Specific objectives include:

- ✓ **Financial Performance:** Achieve profitability within the first year of operation and generate a sustainable income for shareholders.
- ✓ **Improve Efficient Supply:** Improve Bread deliveries at the right time to our customers due to the market accessibility from the location.
- ✓ **Product Excellence:** Produce a wide range of breads and confectionaries due to availability of space using modern techniques and high-quality locally sourced ingredients.
- ✓ **Job Creation and Skills Transfer:** Create meaningful employment for the local community surrounding the bakery..
- ✓ **Operational Efficiency:** Implement modern, efficient production technologies to optimize output, minimize waste, and ensure consistent product quality.
- ✓ **Customer Satisfaction:** Build a loyal customer base by consistently exceeding expectations with exceptional products and a positive customer experience.

## **Summary of Sector Performance**

The bakery sector is a resilient and vital part of the Tanzanian food market, with significant growth potential, particularly in urban centres. From our experiences in the Tanzanian market over the years the bread market shows steady growth, driven by evolving consumer preferences and increasing disposable income. The middle income and higher income groups who are our main customer base also has grown over the years.

Key trends shaping the market include:

- ✓ **Demand for Healthier Options:** There is a growing demand for breads arising from a growing middle income population especially in urban centres. Further there is increased demand for healthier baked goods, including whole-grain, gluten-free, and additive-free options.

- ✓ **Premium baked Products:** Consumers are increasingly willing to pay for high-quality, handcrafted products made with premium ingredients.
- ✓ **Convenience and Ready-to-Eat:** Busy lifestyles drive the demand for ready-to-eat and on-the-go bakery products.
- ✓ **Automation and Technology:** Modern bakeries are adopting automation and technology to increase efficiency and maintain consistent quality.

## Market analysis

The target market for the bakery is the urban population of Dar es salaam and its suburbs.

- ✓ **Businesses:** Whole Sale Shops, Retailers, Private Vendors, Bicycle and Motor Cycle vendors.
- ✓ **Office Workers and Professionals:** Seeking convenient, high-quality, and fresh baked breads.
- ✓ **Families:** Customers looking for daily bread and treats for their children.
- ✓ **Health-Conscious Consumers:** A growing segment interested in the healthier brown breads offered by the bakery.
- ✓ **Institutions:** Potential institutions including hospitals, schools, colleges, universities and corporate bobbies.
- ✓ **Supermarkets – Big and Small mini Marts** across Dar es salaam.

## Competitive Analysis:

- ✓ **Existing Commercial Bakeries:** These offer low-cost, mass-produced products. MBTL will compete by offering superior quality, unique ingredients profiles, and a premium customer experience.
- ✓ **Small Local Bakeries:** These often lack the modern technology, consistent quality, and operational scale that MBTL will possess.

## Marketing strategy:

- ✓ **Social Media:** Develop a strong online presence to showcase products and engage with the target audience.
- ✓ **Loyalty Programs:** Implement a rewards program to encourage repeat business.
- ✓ **Local Partnerships:** Collaborate with local businesses like milk distributors, schools, retail shops, hotels, and event planners to expand reach.

- ✓ **Promotions and Events:** Organize events like road shows, social responsibility events, football and other events to build a community around the brand.

## **PROJECT DESCRIPTION**

- ✓ **Production Capacity :** MBTL plans to install a daily production capacity of about 4.5 tons per day. With a production efficiency of between 45%-90% over a period of 5years.
- ✓ **EmploymentCreation:**  
The bakery will employ a combination of modern equipment and traditional artisanal techniques. A total of 34 direct jobs will be created in the initial phase with another 200 indirect jobs being made available through the distribution network.

## **PPE, Bakeware And Working tools:**

- ✓ **Plant and Machineries:** The company will invest in quality Plant and Machineries with latest technology to enhance efficiency and product quality. Industrial-grade mixers and ovens for high-volume production, Generator, slicer Machines, weighing scales, Automated proofing cabinets for consistent dough quality.
- ✓ **Bakeware and Equipments:** Cooling Trolleys and Wires, Baking Tins of various sizes, dividing, moulding and slicing tables, bread crates, and assorted equipments.
- ✓ **Furniture –** Office chairs, tables, cabinets, and other assorted furniture.
- ✓ **Computer Hardware and Software.**
- ✓ **Other Capital Expenditure:** The property to be acquired requires renovations works to be carried out to keep with standards required for a bakery.

## **CHANGOMBE BAKERY PROJECT INVESTMENT COSTING AND FINANCING PATTERN.**

	<u>USD</u>	<u>TZS</u>
<b>Funding Requirements</b>		
Leasehold Property	1,057,752	2,644,380,000
Legal, Transfer,Registration,etc	52,888	132,219,000
Renovations	200,000	500,000,000
Plant And Machineries	133,416	333,540,000
Bakeware and Equipment	98,372	245,930,000
Motor Vehicles	24,000	60,000,000
Furniture and Fittings	5,480	13,700,000
<b>Total</b>	<b>1,571,908</b>	<b>3,929,769,000</b>
<b>FINANCE BY:</b>		
Sales Of Preference Shares	800,000	2,000,000,000
Retained Earnings	771,908	1,929,769,000
<b>Total</b>	<b>1,571,908</b>	<b>3,929,769,000</b>

## **Project Implementation Schedule**

Key milestones for Project Implementation:

- Months 1-4: Property Acquisition- Acquisition of property and registration with TIC.
- Months – 5-7 Project Planning and Legal Formalities: Finalize business plan, secure legal registration and permits.
- Months 8-12:Renovation: Renovations of the building/premises to meet operational and hygiene standards.
- Months 12-15: Equipment Procurement and Installation: Purchase and install all necessary baking and storage equipment.
- Months 13-15: Staff Recruitment and Training: Hire skilled and non-skilled staff.
- Months 16: Marketing Campaign and Soft Launch: Initiate pre-opening marketing and begin a limited soft launch to test operations.
- Month 17 Onwards: Official Launch and Operations: Grand opening and full operational capacity.

## **PROJECT FINANCIAL PROJECTIONS FOR CHANGOMBE BAKERY**

Detailed projections below relating to **Changombe Bakery Project** show a healthy profit and loss account and a balance sheet with growing assets. The projections are based on assessment of the market and the unmet demand arising from the limited capacity at Buguruni on its current market reach. The expected growth of 15% is based on market expansion expected to be realized in addition to current unmet demand for our products. The company has also provided for aggressive marketing strategies that will ensure creation of new markets for the products.

### **Payback Period:**

Based on cumulative cash flows and the initial investment, the payback period is calculated to be under five and half years, indicating a swift return on investment considering the size of the investment.

<b>BASC ASSUMPTIONS</b>			
AVERAGE SELLING PRICE	1271	<b>OTHER EXPENSES AS %AGE OF SALES</b>	
PRODUCTION PER 50KG BAG	160	ADMINISTRATION	3.5%
ANNUAL GROWTH	15%	SELLING EXPENSES	4.0%
INSTALLED CAPACITY-50kg bgs Daily	100	ESTABLISHMENT E;	0.50%
<b>DIRECT COSTS AS PERCENTAGE OF SALES</b>		EMPLOYMENT EXP	0.35%
RAW MATERIALS CONSUMPTION	57%	FINANCIAL EXPENS	0.70%
DIRECT COSTS	14%		

## Projected Profit and Loss for the Five years-Changombe Bakery.

BASIC INFORMATION TO P & L ACCOUNT	YEAR -1	YEAR -2	YEAR -3	YEAR-4	YEAR -5
AVERAGE DAILY PRODUCTION	50	58	67	78	90
NO OF DAYS	365	365	365	365	365
TOTAL PRODUCTION-Bags Of 50kgs	18,250	21,170	24,455	28,470	32,850
INSTALLED CAPACITY-Bags of 50kgs	36,500	36,500	36,500	36,500	36,500
CAPACITY UTILIZATION % AGE	50%	58%	67%	78%	90%
AVERAGE LOAVES PER BAG	160	160	160	160	160
TOTAL QUANTITY PRODUCED-loaves	2,920,000	3,387,200	3,912,800	4,555,200	5,256,000
Expected Loss/free samples and donations-loaves	73,000	84,680	97,820	113,880	131,400
FG stocks-Loaves	14,600	16,936	19,564	22,776	26,280
Net Sales in Loaves	2,774,000	3,217,840	3,717,160	4,327,440	4,993,200
AVERAGE SALES PRICE-TZS	1271	1271	1271	1,335	1,335

### PROFIT AND LOSS PROJECTIONS-CHANGOMBE BAKERY

	YEAR -1	YEAR -2	YEAR -3	YEAR-4	YEAR -5
CURRENCY	TZS	TZS	TZS	TZS	TZS
TOTAL SALES-TZS	3,525,754,000	4,089,874,640	4,724,510,360	5,775,185,052	6,663,675,060
RAW MATERIAL CONSUMPTION 57%	2,009,679,780	2,331,228,545	2,692,970,905	3,291,855,480	3,798,294,784
DIRECT COSTS 14%	493,605,560	572,582,450	661,431,450	808,525,907	932,914,508
TOTAL DIRECT COSTS	2,503,285,340	2,903,810,994	3,354,402,356	4,100,381,387	4,731,209,293
GROSS PROFIT	1,022,468,660	1,186,063,646	1,370,108,004	1,674,803,665	1,932,465,767
GROSS PROFIT MARGIN	29%	29%	29%	29%	29%
<b>OTHER COSTS</b>					
ADMINISTRATION EXPENSES 3.500%	123,401,390	143,145,612	165,357,863	202,131,477	233,228,627
SELLING EXPENSES 4.0%	141,030,160	163,594,986	188,980,414	231,007,402	266,547,002
ESTABLISHMENT EXPENSES 0.50%	17,628,770	20,449,373	23,622,552	28,875,925	33,318,375
EMPLOYMENT EXPENSES 0.35%	12,340,139	14,314,561	16,535,786	20,213,148	23,322,863
FINANCIAL EXPENSES 0.70%	24,680,278	28,629,122	33,071,573	40,426,295	46,645,725
<b>TOTAL OTHER COSTS</b>	<b>319,080,737</b>	<b>370,133,655</b>	<b>427,568,188</b>	<b>522,654,247</b>	<b>603,062,593</b>
<b>PROFIT BEFORE TAX AND DEPRECIATION</b>	<b>703,387,923</b>	<b>815,929,991</b>	<b>942,539,817</b>	<b>1,152,149,418</b>	<b>1,329,403,174</b>
<b>DEPRECIATION</b>	<b>294,668,700</b>	<b>257,824,234</b>	<b>228,045,495</b>	<b>203,711,352</b>	<b>170,181,815</b>
<b>PROFIT BEFORE TAX</b>	<b>408,719,223</b>	<b>558,105,757</b>	<b>714,494,322</b>	<b>948,438,066</b>	<b>1,159,221,359</b>
TAX	122,615,767	167,431,727	214,348,297	284,531,420	347,766,408
<b>PROFIT AFTER TAX</b>	<b>286,103,456</b>	<b>390,674,030</b>	<b>500,146,025</b>	<b>663,906,646</b>	<b>811,454,951</b>
NET PROFIT MARGIN	0.08	0.10	0.11	0.11	0.12
<b>Cumulative Retained Earnings</b>	<b>286,103,456</b>	<b>676,777,486</b>	<b>1,176,923,511</b>	<b>1,840,830,157</b>	<b>2,652,285,109</b>

Nb: Projections are for Proposed **Changombe** bakery Project Only

## Projected Balance Sheet:-Changombe Bakery.

<b>BALANCE SHEET- CHANGOMBE BAKERY</b>	<b>YEAR -1</b>	<b>YEAR -2</b>	<b>YEAR -3</b>	<b>YEAR-4</b>	<b>YEAR -5</b>
<i>CURRENCY</i>	<i>TZS</i>	<i>TZS</i>	<i>TZS</i>	<i>TZS</i>	<i>TZS</i>
<b>FIXED ASSETS</b>					
Leasehold Property	3,276,599,000	3,112,769,050	2,957,130,598	2,809,274,068	2,668,810,364
Plant And Machineries	333,540,000	250,155,000	187,616,250	140,712,188	105,534,141
Bakeware and Equipment	245,930,000	215,188,750	188,290,156	164,753,887	144,159,651
Motor Vehicles	60,000,000	45,000,000	33,750,000	25,312,500	18,984,375
Furniture and Fittings	13,700,000	11,987,500	10,489,063	9,177,930	8,030,688
<b>AT COST</b>	<b>3,929,769,000</b>	<b>3,635,100,300</b>	<b>3,377,276,066</b>	<b>3,149,230,572</b>	<b>2,945,519,219</b>
<i>Cumulative Depreciation</i>	294,668,700	552,492,934	780,538,428	984,249,781	1,154,431,596
<b>NBV</b>	<b>3,635,100,300</b>	<b>3,377,276,066</b>	<b>3,149,230,572</b>	<b>2,945,519,219</b>	<b>2,775,337,404</b>
<b>CURRENT ASSETS</b>					
CASH AND BANK BALANCES	218,677,220	722,125,964	1,371,622,655	2,108,956,992	2,980,420,997
RECEIVABLES	35,257,540	40,898,746	47,245,104	57,751,851	66,636,751
STOCKS	401,935,956	553,360,039	639,226,252	781,382,538	901,595,236
<b>TOTAL</b>	<b>655,870,716</b>	<b>1,316,384,750</b>	<b>2,058,094,011</b>	<b>2,948,091,380</b>	<b>3,948,652,984</b>
<b>CURRENT LIABILITIES</b>					
TRADE PAYABLES	75,098,560	87,114,330	100,632,071	123,011,442	141,936,279
<b>TOTAL</b>	<b>75,098,560</b>	<b>87,114,330</b>	<b>100,632,071</b>	<b>123,011,442</b>	<b>141,936,279</b>
<b>NET ASSETS</b>	<b>4,215,872,456</b>	<b>4,606,546,486</b>	<b>5,106,692,511</b>	<b>5,770,599,157</b>	<b>6,582,054,109</b>
<b>FINANCED BY</b>					
PREFERENCE SHARES	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
RETAINED EARNINGS BF	1,929,769,000	2,215,872,456	2,606,546,486	3,106,692,511	3,770,599,157
EARNINGS CURRENT MONTH	286,103,456	390,674,030	500,146,025	663,906,646	811,454,951
<b>TOTAL RETAINED EARNINGS</b>	<b>2,215,872,456</b>	<b>2,606,546,486</b>	<b>3,106,692,511</b>	<b>3,770,599,157</b>	<b>4,582,054,109</b>
<b>TOTAL EQUITY</b>	<b>4,215,872,456</b>	<b>4,606,546,486</b>	<b>5,106,692,511</b>	<b>5,770,599,157</b>	<b>6,582,054,109</b>

*Nb: Projections are for Proposed **Changombe** bakery Project Only*

## **Conclusion**

The expansion of Buguruni Bakery which has limited space for expansion brings a new frontier for the company to grow and hence increase employment opportunities to the growing population in Dar es salaam. Further the company will be in a position to serve its growing number of customers in a more efficient manner creating more space for expansion into the future.

In terms of contribution to the exchequer the company in general will increase government revenue through various taxes including VAT, Income Tax, PAYE SDL and other related revenues to the local authorities and government regulatory institutions.

The company through its social responsibilities will also uplift the welfare of those underprivileged through various charitable endeavours.

In general therefore the combination of high-quality products, strategic location, modern technology, and a robust management team places the bakery in strong financial performance and sustainable growth. The project is projected to deliver a healthy return on investment, create valuable employment, and contribute positively to the local economy.

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