

**HILLTOP MANUFACTURING AND TRADING  
COMPANY LIMITED**

**FEASIBILITY STUDY**

**ON**

**ESTABLISHMENT MANUFACTURING FACILITIES**

**FOR**

**MATRESSES AND VARIOUS BEDDING PRODUCTS**

**Hilltop Manufacturing and Trading  
Company Limited  
P.O. BOX 1160  
Kigoma**

## **1.0 EXECUTIVE SUMMARY**

### **1.1. INTRODUCTION**

This report has been prepared for Hilltop Manufacturing and Trading Company Limited a locally registered company under companies act 2002 in Dar es Salaam. The project will be engaged in the business of manufacturing of Mattresses and bedding products.

Hilltop Manufacturing and Trading Company Limited Authorized share capital is Tshs. 200,000,000, The shareholding pattern of the shareholders is indicated in the table below

<b>Name</b>	<b>Nationality</b>	
<b>Shareholding</b>		
Mohsin Abdullah Lalji	Tanzanian	62.5 %
Nargis Mohsin Lalji	Tanzanian	25%
Fatema Zehra Mohsin Abdallah Lalji	Tanzanian	12.5%

### **1.2 THE PROJECT**

Hilltop Manufacturing and Trading Company Limited has decided to establish a manufacturing facility for foam mattresses and allied products to be installed at on Plot No. 1 &2, Bangwe Kigoma Tanzania.

The company has decided to construct a new factory at the leased premises and install a plant which will adopt the best technology. The aim of the promoters is to attain a bench market level of accuracy and efficiency in production of foam mattresses and allied products in Kigoma and the neighboring countries. The processing capacity envisaged for this project is to the tune **250,000** mattresses per annum. Starting with a capacity utilization of 65% in the first year

the overall production will stabilize at 85% from the fifth year of operations. The project cost has been estimated at **USD 929,320** and USD 315,000 The initial working capital. Plant and Machinery cost is to the tune of 269,320 USD. The promoter will employ the required technical and marketing strength to see through the project and make it a success story.

### **1.3 THE MARKET**

Tanzania offers a huge market potential for the products such as foam mattresses and allied products. Hilltop Manufacturing and Trading Company Limited has established that there is a huge market potential of foam mattresses and allied products as there is no major industries in Kigoma, and also very few players in Tanzanian industry. Furthermore, there is no manufacturing factories of mattresses in western zone and the neighboring countries and also as the major market will be DRC Congo which is easily accessible. The demand of foam mattresses and allied products industry has been increasing and most of the products are imported.

### **1.4 ESTIMATED FINANCIAL AND DEVELOPMENT BENEFITS**

#### **1.4.1 INVESTMENT COST**

The project envisages an investment of USD 929,320 million including USD 315,000 by way of initial working capital. This will be needed to purchase raw material, packing material and for meeting the day-to-day expenses of the business till the inflow from debtors is commenced. The project will result into import of machineries and technology into the country.

### **1.4.2 EMPLOYMENT**

The money spent will result into employment to various individuals within the country in direct as well as in indirect manner. During the implementation period, it is expected indirect employments will be generated and after completion of the project nearly 30 people will secure permanent employment. Also, there will indirect employment to the tune of more than 50 people

### **1.4.3 SOCIAL & ECONOMIC DEVELOPMENT**

Apart from employment generation, the project shall also contribute towards the finances of local bodies by contributing towards, different levies like PAY. Skills and Development Levy City Service Levy. VAT and Corporate Tax. The above mentioned are direct development benefits of the envisaged project. However, there will be considerable advantages coming out to the society out of such project. It will also provide impetus to better standard of living among the residents of the country and as such the project shall contribute positively to Nation also economic development.

### **1.5 CONCLUSION**

The conclusion, based on above brief is to go ahead as envisaged and establish the contemplated manufacturing facilities as early as possible. The immediate and long-term benefits of the project are quite attractive from everybody's angle.

- The entrepreneurs will earn profit, the workers will get their share, the government will benefit out of the taxes and levies, the national economy will benefit out of

increased supply, there will be saving of scarce foreign exchange as the output on this project will prove to bring the effects of import substitution. The project also will earn the much-needed foreign exchange.

- Latest technology, technical, managerial and marketing expertise will come on this country. The project will also lead to overall growth of the economy.

On careful evaluation of such factor, it is a very obvious conclusion that the project is technically, commercially and financially feasible and viable. It is therefore recommended to consider this project, as feasible and all concerned authorities should accord all required support in completing the setting up of this project.

## **2.0 THE PROJECT**

### **2.1 THE PROJECT CONCEPT**

The project contemplates augmentation of the establishment of manufacturing facilities for foam mattresses and allied products. The Project envisages an installed production capacity of **250,000** mattresses per annum. The capacity utilization has been worked out at 65% in years thereafter. It is expected that the capacity utilization of nearly 85% will be maintained thereafter. Following factors have been deemed to be instrumental in conceiving of this project.

- a) Tanzania foam mattresses and allied products market has huge potential and the demand supply gap is quite huge. Such situation ensures very less marketing efforts for quality products.
- b) Tanzania is perceived as one of most stable countries in the East African belt and therefore it has been thought more proper to establish the base in Tanzania rather than any other country in the African continent.
- c) The promoters are prepared with an endeavor to be the best in the industry and will use the most modern technology, automate the production and run business as efficiently as possible.

**2.1.2** A new factory will be constructed and all machines will be imported.

2.1.3 It is estimated that various raw materials will be required. To be on a safer side, the raw material inventory is estimated to

be stocked for 120 days. In order to run the machineries, furnace oil, electricity, diesel, lubricants and machinery spares will be required and these are easily available locally, manpower except for technical expert is available locally.

2.1.4 The project envisages employment on a permanent basis for nearly 30-50 Tanzanians once the capacity utilization touches 85%. Casual laborers will also be hired from time to time to meet the market demands.

## **2.1 FINANCING**

<b>S.No.</b>	<b>Item</b>	<b>USD</b>
01	Equity share Capital	929,320
<b>02</b>	<b>Total</b>	<b>929,320</b>

## **2.3 THE PROMOTERS**

<b>S.No.</b>	<b>Name of Shareholder</b>	<b>% Holding</b>	<b>nationality</b>
1.	Mr. Mohsin Abdullah Lalji	50	Tanzanian
2.	Rizwan Praveen Lodhia	50	Tanzanian

The above are the promoters of the project and are the Shareholders of the Hilltop Manufacturing and Trading Company Limited. It is very apparent that the promoters are well qualified and experienced in various field of businesses especially in the tourist sector and now they want to embark in the manufacturing of foam mattresses and allied products.

The promoters are quite capable of seeing through the project and can take up the responsibility of making the project another success story.

### **3.0 THE MARKET**

The overall Population in Tanzania depends on the product produced by this type of factories. The BEDDING industry has contributed a lot to GDP. The increase in growth and contribution of the sector to GDP was contributed to the strengthening of manufacturing industries and increased production of manufactured goods after rehabilitating of many parastatal companies. As stated in the executive summary there is tremendous demand within Tanzania for the products envisaged by the project. Hilltop Manufacturing and Trading Company Limited is quite aware of high requirements and hence decided to venture in the production of the much-needed mattresses.

The company will establish a manufacturing unit which will be the most effective channel for marketing the product and operate a product mix. Since Management will employ people with adequate exposure in this area no major challenge is envisaged as far as marketing of the foam mattresses and allied products is concerned. The challenge in front of this is to produce cost effectively and distribute and keep the qualities comparable.

There is a considerable demand supply gap, which as on date is being filled up by imports. Apart from the fact that foam mattresses and allied products is one of the most fundamental requirements of large population, the demand for foam mattresses and allied products is also influenced by other

factors such as purchasing power of the consumers, choice and proper marketing. The company has decided to sell its product on the western part of Tanzania including the lake zone. the company will also export the mattresses to DRC Congo and other SADC countries,

#### **4.0 MANPOWER ESTIMATES**

The project will create permanent jobs for nearly 50 individuals. However, during the setting-up stage the need for labor will be higher. As a known fact, the economy of the country is one the up-rise and the population are increasing as well. Moreover, it seems apparent that the demand for foam mattresses and allied products is going to increase steadily over the years. Skilled staff will cater to the positions of ED. Head, Assistants, Marketing Manager, General Manager and Commercial cum Financial Manager.

Semi-Skilled staff will consist of shift Supervisor, Fitters, Electrician, Laboratory Attendant, Technical Assistants, Stores Personnel, Finance and Accounts Assistant and Marketing Assistant-Skilled lab our consists of screen room attendant, packers, dirt receiving helpers, etc.

## **5.0 PROJECT IMPLEMENTATION SCHEDULE**

The project will take nearly 3 years to become fully commercially operational. Considering June 2025 as the first month, it is expected that commercial operations should start by end of June 2025. Since the Promoters have adequate knowledge about the setting-up and running of various activities and also have established contacts with suppliers of the machines and technical experts who can assist in installation and commissioning of the plant, the implementation period had been worked out on tight.

## **6.0 INVESTMENT AND FINANCING**

### **6.1 ASSUMPTIONS:**

- Prices used are those prevailing in august 2022. Any price increase of inputs is expected to be compensated by a proportionate rise in the selling price.
- The project implementation period is 3 years. The first year will be from October 2022
- Projections have been assumed that the file of the project is nearly 10 years.
- The unit of account in all financial analysis is cost of Machines to be imported is inclusive of any technical support required for installation and commissioning up to the said machines.

#### **6.2.1. ESTIMATED CAPITAL COST OF THE PROJECT**

**Table &: ESTIMATED Total Cost of Project**

<b>S.No.</b>	<b>Item</b>	<b>USD</b>
1.	Land and Building	180,000
2.	Plant and Machinery	234,320
6.	Furniture and Fitting	50,000
3.	Vehicles	115,000
4.	Pre-operational & Contingency	35,000
5.	Initial Working Capital	315,000
	<b>TOTAL</b>	<b>929,320</b>

#### **6.2.2. FINANCING OF THE PROJECT**

<b>S.No.</b>	<b>Item</b>	<b>USD</b>
01	Equity share Capital	929,320
<b>02</b>	<b>Total</b>	<b>929,320</b>

### **6.2.3 MACHINERY & EQUIPMENTS**

As far as plant and machinery is concerned, they will be imported from abroad. The total cost of all machineries and other ancillary equipment as listed hereunder will be to the tune of USD 234,320. The machinery will have an annual installed production capacity of 1000 Mattress per day.

### **6.2.4 VEHICLES**

In order to support large scale of operations, the company will need vehicles, which will consist of trucks 3.5-ton trucks, two Nissan Pick-Ups and one 4x4 Car. The Aggregate cost of these vehicles is estimated to be about USD 115,000.

### **6.2.5 PRE-OPERATIONAL COSTS**

Considering the size of this project, and also keeping in mind the implementation period the contingencies and pre-operational expenses have been estimated at USD 35,000.

### **6.2.6 INITIAL WORKING CAPITAL**

The Initial Working Capital has been estimated at USD 315,000 and the components thereof are assumed as explained in this paragraph. Raw materials have been assumed at 90 days. Finished Goods at 7 days, Work-in Process of 4 days. Debtors have been estimated at 30 days. On the other hand, 90 TO 120 days' credit has been considered from creditors.

The entire capital cost of the project thus works out to USD **929,320**

## **7.0 COST AND REVENUE ESTIMATES**

### **7.1 ASSUMPTIONS:**

- The project will have an effective life of 10 years
- The project will start its commercial operation from the end of October 2022
- The project will start its operations at 70% of capacity in the first year and increasing at a steady rate to attain 100% of the capacity utilization from the year 2025 onwards.
- It has been estimated that price will remain constant throughout the period of the project. It has been also assumed that any increase in prices of input will be compensated by proportionate increase in the selling price of the finished product.
- Supply of power, water, raw material and other inputs has been assumed to be available without any major interruptions.
- Availability of adequate skilled and semi-skilled labor in the country has been assumed.

### **7.2 COST ESTIMATES:**

The basic raw material for this project in Tons has been considered at a price of 65% of the revenue. Manpower cost has been actually worked out and production related labor cost has been taken according to the capacity utilization, whereas the administrative manpower cost has been taken on the basis of period.

### 7.3 REVENUE ESTIMATES

The project envisages production and sale of foam mattresses and allied products and a marginal contribution by sale of the by-products. There is a demand in the domestic market for the product and is envisaged to grow in the near future.

#### **Production**

Year	Capacity Utilization in %	Annual Production including by-product in pieces
1	70	210,000
2	80	240,000
3	90	270,000
4	100	300,000

After taking cognizance of above capacity utilizations and the selling price estimates the annual turnover for year 1 to year 5 are as under:

#### **Projected Sales Turnovers**

Year ended – 31 <sup>st</sup> December	Turnover USD000
1.	546,000
2.	624,000
3.	702,000
4.	780,000

#### **8.4. PROJECTED PROFITABILITY STATEMENT**

As can be seen from the appended projections of profitability for the project, the company estimated to make a healthy profit from the first year of operation.

Moreover, the company is expected to generate cash from operations in the first year, which is quite encouraging. The estimates indicate that the company will not look back thereafter, and would earn considerable profits in the later years.

Assumed to be constant. It has been further assumed that any changes in the costs will be offset by equivalent increase in the selling price of the product.

#### **8.5. PROJECTED CASHFLOW STATEMENT**

The appended projected cash flow statement shows that the initial funding will be Equity Share Capital. The cash flow statement also reveals that over a period of five years the total inflow from operations will increase.

#### **8.6. PROJECT WORKING CAPITAL ESTIMATES**

Despite the fact that the manufacturing process is not very long, raw Material stock has been estimated at 90 days' requirement, finished goods of 7 days and WIP of 4 days, with debtors, level estimated at 30 days.

The creditors are assumed at 120 days.

## 8.7. PROJECTED DEPRECIATION SCHEDULE

Depreciation has been taken as per the provisions of Income Tax Law. It has been estimated on Straight-line method.

**Table 12: Rate of depreciation**

<b>S.NO.</b>	<b>Item</b>	<b>Depreciation Rate</b>
1.	Land and Factory Shed	5.00%
2.	Plant & Machinery	12.50%
3.	Vehicles	25.00%

## 9.0. PROJECT DEVELOPMENT BENEFITS

- a) The project envisages an investment of USD **929,320** This investment will result into bringing in plant and machinery. This will help the country in increasing the share of industrial output in its GDP, which is as of date very low.
- b) The project envisages employment of 50 permanent basis and equal number of casuals as per the requirement will be employed.
- c) The employment generation stated in point b) above will have cascading impact on the overall economy in a positive manner.
- d) Along with machines, there will be inflow of foreign technology. This will help the country in updating the State-of-the-Art technology within the country.

## **10. CONCLUSION AND RECOMMENDATION**

The above study of the project reveals that the project is technically, commercially and economically feasible, viable and is desirable for country's economy. Since it still results into many social benefits like employment generation, related development in society, inflow of foreign exchange, inflow of foreign technology, strengthening of manufacturing base within the country, inflow of technical and managerial expertise, creation of many other ancillary industries and businesses etc. the project is desirable socially also.

In light of anticipated financial, social and development benefits the project qualifies for positive recommendation for immediate implementation. Since the promoters are confident of arranging the required funds and of establishing the project within the committed time frame the conclusion is to recommend to all concerned authorities to accord utmost support to this project so as to enable the country to realize the benefits as perceived in this report.

# HILLTOP MANUFACTURING AND TRADING

## CAPITAL COST SUMMARY

<b>S.No.</b>	<b>Item</b>	<b>USD</b>
1.	Land and Building	180,000
2.	Plant and Machinery	234,320
6.	Furniture and Fitting	50,000
3.	Vehicles	115,000
4.	Pre-operational & Contingency	35,000
5.	Initial Working Capital	315,000
	<b>TOTAL</b>	<b>929,320</b>

**HILLTOP MANUFACTURING AND TRADING**  
**FINANCING PLAN**

<b>S.No.</b>	<b>Item</b>	<b>USD</b>
01	Equity share Capital	<b>929,320</b>
<b>02</b>	<b>Total</b>	<b>929,320</b>

# HILLTOP MANUFACTURING AND TRADING

## DEPRECIATION SCHEDULE

US \$

YEAR	Value	Rate	1	2	3	4	5	6	7	8	9	10
Land & Buildings	180,000	5.0%	9000	9000	9000	9000	9000	9000	9000	9000	9000	9000
Machinery & equipment	234,320	12.5%	37,500	37,500	37,500	37,500	37,500	37,500	37,500	37,500	-	-
Motor Vehicles	115,000	25.0%	28,750	28,750	28,750	28,750	-	-	-	-	-	-
Furniture & Fitting	50,000	12.5%	28750	6,250	6,250	6,250	6,250	6,250	6,250	6,250	-	-
Pre-operational Expenses	35,000	20.0%	7000	7000	7,000	7,000	7,000	-	-	-	-	-
<b>Total</b>			<b>88,500</b>	<b>88,500</b>	<b>88,500</b>	<b>88,500</b>	<b>59,750</b>	<b>5,275</b>	<b>5,275</b>	<b>5,275</b>	<b>9000</b>	<b>9000</b>







# HILLTOP MANUFACTURING AND TRADING

## PROJECTED PROFIT AND LOSS ACCOUNTS

US \$

YEAR	1	2	3	4	5	6	7	8	9	10
Sales Revenue	546,000	624,000	702,000	780,000	780,000	780,000	780,000	780,000	780,000	780,000
Less: Cost of Sales	245,700	280,800	315,900	351,000	351,000	351,000	351,000	351,000	351,000	351,000
<b>Contribution Margin</b>	<b>300,300</b>	<b>344,000</b>	<b>387,000</b>	<b>429,000</b>	<b>429,000</b>	<b>429,000</b>	<b>429,000</b>	<b>429,000</b>	<b>429,000</b>	<b>429,000</b>
<b>Less Depreciation</b>	88,500	88,500	88,500	88,500	59,750	5,275	5,275	5,275	9000	9000
Profit Before Tax	<b>211,800</b>	<b>255,500</b>	<b>298,500</b>	<b>340,500</b>	<b>369,250</b>	<b>369,250</b>	<b>369,250</b>	<b>369,250</b>	<b>420,000</b>	<b>420,000</b>
Taxable 30%	63,540	76,650	89,550	102,150	110,775	110,775	110,775	110,775	126,000	126,000
<b>Net Profit</b>	<b>148,260</b>	<b>178,850</b>	<b>208,950</b>	<b>238,350</b>	<b>258,475</b>	<b>258,475</b>	<b>258,475</b>	<b>258,475</b>	<b>294,000</b>	<b>294,000</b>
<b>Revenue Reserves</b>	<b>148,260</b>	<b>327,110</b>	<b>536,060</b>	<b>774,410</b>	<b>1,032,885</b>	<b>1,291,360</b>	<b>1,549,835</b>	<b>1,808,310</b>	<b>2,102,310</b>	<b>2,396,310</b>

## HILLTOP MANUFACTURING AND TRADING

### PROJECTED CASHFLOW

US \$

YEAR	0	1	2	3	4	5	6	7	8	9	10
INFLOWS											
Share Capital	<b>929,320</b>										
Depreciation		88,500	88,500	88,500	88,500	59,750	5,275	5,275	5,275	9,000	9,000
Net Profit		148,260	178,850	208,950	238,350	258,475	258,475	258,475	258,475	294,000	294,000
<b>TOTAL INFLOW</b>	<b>929,320</b>	<b>236,760</b>	<b>267,350</b>	<b>297,450</b>	<b>326,850</b>	<b>318,225</b>	<b>263,750</b>	<b>263,750</b>	<b>263,750</b>	<b>303,000</b>	<b>303,000</b>
OUTFLOWS											
Investments	<b>929,320</b>										
Taxation		63,540	76,650	89,550	102,150	110,775	110,775	110,775	110,775	126,000	126,000
Repayments											
<b>TOTAL OUTFLOW</b>	<b>929,320</b>	63,540	76,650	89,550	102,150	110,775	110,775	110,775	110,775	126,000	126,000
NET CASHFLOW	-	<b>173,220</b>	<b>190,700</b>	<b>207,900</b>	<b>224,700</b>	<b>207,450</b>	<b>152,975</b>	<b>152,975</b>	<b>152,975</b>	<b>177,000</b>	<b>177,000</b>



