ART HOME FURNITURE LIMITED

PROPOSAL BUSINESS PLAN FOR ESTABLISHMENT OF FURNITURE FACTORY AT MATUMBI AREA, BUGURUNI IN ILALA DISTRICT, DAR ES SALAAM REGION, TANZANIA.

Prepared by:
ART HOME FURNITURE LIMITED
P O Box3496,
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List of Abbreviations

CAPEX – Capital Expenditure
COMESA- Common market for eastern and Southern Africa
CSI - Corporate Social Investment
EAC – East Africa community
EIA – Environment Impact Assessment
GDP – Growth Domestic Products
DAWASCO – Dar Es Salaam Water Supply Company
KVA –Kilovolt Amperes
MT – Metric Ton
NBS – National Bureau of standard
NEMC – National Environment Management Council
OPEX – Operating Expenditure
SADC –Southern Africa Development Community
SKU- Standard keeping units
SWOC - strengths, weaknesses, opportunities and threats.
TANESCO – Tanzania Electric Supply Company
TIC- Tanzania Investment Centre
TZS-Tanzania Shillings
US – United State Dollar
US$ - United State Dollar
VAT – Value Added tax

1.0. INTRODUCTION

1.1. Tanzanian Wood and Furniture Industries

Sawmilling and wood planning, veneer sheets and wood-based panels, builders' woodwork and joinery, wooden containers, various wood goods, and furniture are all part of the wood and furniture sector in Tanzania. The manufacture of wood and furniture is one of Tanzania's oldest businesses, with the first sawmills opening in the late 1950s and early 1960s. Furniture firms were nationalized in the 1960s and then restored to the private sector during the 1990s privatization movement. Liberalization made it easier for furniture importers to enter the nation. The line between local producers and imports has blurred in recent years, with some importers starting to manufacture locally and some sawmills importing furniture to supplement what they create,

Today, the primary product categories of this market include wood and metal household and office furniture; garden furniture produced from tropical hardwoods; and handcrafted, general furniture created from tropical hardwoods. Plantations and other woodlots offer logs to wood processors and dealers, who may sell raw logs on the domestic market or export them. Logging activities are conducted on a limited scale and with improved technologies, resulting in high harvesting default rates. The wood industry and furniture sector consumes a minimal quantity of processed domestic wood. While the majority of wood consumption is committed to home fuel wood usage, the building industry leads industrial consumption of processed wood.

ART HOME FURNITURE LIMITED is matching grants opportunity for businesses in Tanzania that wish to develop or increase their ability to trade, support product quality improvement and the meeting of international standards to access potential markets within and outside Tanzania. In this respect the company is planning to establish furniture factory at Buguruni Kahama Township, Shinyanga region in Tanzania that will support government initiatives endeavor to develop the business sector as an engine of pro-poor economic growth, in line with Tanzania’s National Strategy for Growth and Reduction of Poverty (MKUKUTA).

1.2. Why furniture industry in Tanzania?

In Tanzania, the wood and furniture industry comprise categories such as sawmilling and planning of wood, veneer sheets and wood-based panels, builders' carpentry and joinery, wooden containers, other wood products, and furniture.
This is an extract from a white paper published by the International Growth Centre, titled “Horticulture, and wood and furniture industries in Tanzania: Performance, challenges and potential policy approaches”.
The Tanzanian economy today remains predominantly agrarian, with 66% of the workforce in agriculture and 30% of value added produced in this sector. As in many countries in the region, industrialization came to a halt at the end of the 1980s. Premature deindustrialization destroyed manufacturing jobs, moving workers into traditional services. Today, the services sector is the largest contributor to value added, with a share of 38% of

GDP. While the share of industry has increased substantially since the early 2000s, manufacturing continues to play only a minor role, contributing to 6% of total value added.
In the last decade, export growth rates have been rather erratic, with peaks of 26% in 2007 and 23% in 2015, and negative growth in 2016 and 2017. Not only have exports not grown fast enough, their composition has also changed little, and today simple commodities make up for a rather undiversified export basket.
In 2016, the wood and furniture industry employed roughly 8,000 workers, representing 6% of total manufacturing employment. Since 2008, the industry has grown 2.5 times in terms of employment. Its value added was estimated at $110 million, or 4% of total manufacturing value added. Labour productivity is also low, and lower than in furniture-making establishments in countries at a similar level of development, such as Vietnam. As a result, average wages in the sector remain low, although, particularly in urban areas, they are reportedly above the estimated food and basic needs poverty lines. In comparative terms, the Tanzanian wood and furniture industry has great growth potential. In Vietnam, the same industry employed roughly 500,000 workers in 2016, producing over $3 billion in value added.
In an effort to strengthening the country economy, the Government of Tanzania cited furniture industry 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. ART HOME FURNITURE LIMITED decided to establish furniture industry in Dar es Salaam factories as major expansion of related products from purchasing wooden products as raw materials for production and some will be imported as additives to factory demand to suit customer satisfaction in Tanzania.
Considering such level of market growth and demand driven variables with notably few 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

ART HOME FURNITURE LIMITED is a limited liability company, registered in Tanzania under certificate of incorporation No 174895864 issued on the 24th may, 2024. The project is located at Matumbi area, Buguruni – Ilala district, in Dar es Salaam.
The initial Authorized Share Capital of the company is TZS 50,000,000/= divided into 1,000 ordinary shares of Tshs 50,000 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 2.1. Company Ownership and Principal Shareholders

S/No.	Shareholder's Name	Address	Number of Shares
1	Jiao Yuanlei, (Chinese)	P O Box 3496, Dar Es Salaam	500
2	Jiao Lina, (Chinese)	P O Box 3496, Dar Es Salaam	400

The address for this company is;
ART HOME FURNITURE LIMITED;
P O Box 3496,
Buguruni,
Ilala district,
DAR ES SALAAM,
TANZANIA.:

2.2. Project Description

2.2.1. Furniture Manufacturing Process

Furniture manufacturing is the process of creating furniture, which refers to any movable object that is designed to support various human activities such as seating, sleeping, eating, and storage. The process of furniture manufacturing involves designing, cutting, shaping, joining, finishing, and assembling various materials such as wood, metal, plastic, and glass to create a final product that is both functional and aesthetically pleasing.

Furniture manufacturing involves several stages, including design, engineering, prototyping, production, quality control, and shipping. The design process involves creating a blueprint or a 3D model of the furniture, which is then used to create a prototype. The prototype is then tested for functionality, durability, and safety before it is put into production. In the production stage, skilled workers use a variety of tools and equipment to cut, shape, and join the various components of the furniture. The materials used in furniture manufacturing vary depending on the type of furniture being produced.

For example, wooden furniture may use hardwoods, softwoods, or engineered wood products like particleboard or medium-density fiberboard (MDF). Metal furniture may use various metals such as steel, aluminum, or brass. Quality control is an essential part of furniture manufacturing, as it ensures that each piece of furniture meets the required standards for safety, durability, and functionality. Once the furniture has passed quality control, it is packed and shipped to the retailer or directly to the customer.

2.2.2. Furniture Manufacturing Process: How Furniture is Made?

The furniture manufacturing process involves several stages, including design, engineering, prototyping, production, quality control, and shipping. Here's a brief overview of each stage:

Design

Design is a crucial part of the furniture manufacturing process, as it determines the form, function, and aesthetic appeal of the furniture.

The design process involves several steps, including:

1. **Research and ideation:** The design process begins with research and ideation. Designers research current trends, buyer persona and customer preferences, and the target market to gather insights and inspiration. They may also sketch and brainstorm different concepts and ideas for the furniture.
2. **Concept development:** Once designers have gathered insights and ideas, they begin to develop the furniture's concept. This stage involves creating sketches, 3D models, and technical drawings that outline the furniture's shape, size, materials, and functionality.
3. **Material selection:** After the concept is developed, the designers select the appropriate materials for the furniture. The materials selected depend on the furniture's design and purpose, as well as the available manufacturing methods.
4. **Design refinement:** The furniture's design is then refined based on the feedback received from engineers, manufacturers, and customers. Designers may need to adjust the

furniture's shape, size, materials, or functionality to ensure it meets manufacturing and customer requirements.

5. **Prototyping:** Once the design is finalized, a prototype is created to test the furniture's functionality, durability, and safety. The prototype is reviewed, tested, and refined until it meets the required standards.
6. **Final design:** After the prototype is approved, the final design is created, which includes technical drawings, specifications, and instructions for manufacturing the furniture.

In summary, the design process is a critical part of the furniture manufacturing process as it determines the furniture's form, function, and aesthetic appeal.
Designers work closely with engineers, manufacturers, and customers to create furniture that is functional, safe, and visually appealing while meeting customer expectations and manufacturing requirements.

2.2.3. Engineering

Engineering is a crucial part of the furniture manufacturing process, as it ensures that the furniture is functional, safe, and meets the required standards. The engineering process involves several steps, including:

1. **Design review:** Engineers review the furniture's design to ensure that it meets the required functional, safety, and quality standards. They review the furniture's technical drawings, dimensions, materials, and manufacturing processes to identify any potential issues or areas for improvement.
2. **Materials selection:** Engineers help select appropriate materials for the furniture based on the design requirements, manufacturing processes, and functional needs. They ensure that the materials selected are durable, safe, and meet the required standards.
3. **Manufacturing process design:** Engineers design the manufacturing processes that are required to produce the furniture. They determine the appropriate tools, machines, and processes needed for each stage of the manufacturing process.
4. **Prototyping and testing:** Engineers work with designers to create a prototype of the furniture, which is then tested to ensure that it meets the required functional, safety, and quality standards. They identify any design or manufacturing issues and work to address them to ensure that the final product is safe and functional.
5. **Quality control:** Engineers develop and implement quality control processes that ensure that each piece of furniture meets the required standards for safety, functionality, and durability. They may develop inspection checklists, testing protocols, and certifications to ensure that each piece of furniture is of high quality.
6. **Continuous improvement:** Engineers work with designers and manufacturers to continually improve the furniture's design and manufacturing processes. They seek feedback from customers and other stakeholders to identify areas for improvement and work to incorporate these improvements into future designs.

In summary, engineering is an essential part of the furniture manufacturing process as it ensures that the furniture is safe, functional, and of high quality.
Engineers work closely with designers, manufacturers, and customers to develop and improve furniture designs and manufacturing processes, ensuring that the final product meets the required standards and customer expectations, thereby ensuring customer retention and higher revenues.

2.2.4. Prototyping

Prototyping is a critical part of the furniture manufacturing process as it allows designers and engineers to test the furniture's functionality, durability, and safety before it goes into full production.

The prototyping process involves several steps, including:

1. **Creating a prototype:** The first step in the prototyping process is to create a prototype of the furniture. This may involve creating a scale model, 3D printing a miniature version, or building a full-sized mock-up of the furniture.
2. **Testing functionality:** Once the prototype is created, it is tested to ensure that it functions as intended. This may involve testing the furniture's ergonomics, usability, and overall performance. Designers and engineers may also test the furniture's structural integrity and load-bearing capacity to ensure that it is safe and durable.
3. **Refining the design:** Based on the results of the functional testing, designers and engineers may need to refine the furniture's design. They may need to adjust the furniture's shape, size, materials, or functionality to ensure that it meets customer requirements and manufacturing standards.
4. **Testing durability and safety:** After the design has been refined, the prototype is tested again to ensure that it is safe and durable. This may involve subjecting the furniture to various stress tests, such as impact, vibration, and temperature testing, to ensure that it can withstand real-world conditions.
5. **Finalizing the design:** Once the prototype has been tested and refined, the final design is created, which includes technical drawings, specifications, and instructions for manufacturing the furniture.

In summary, prototyping is an essential part of the furniture manufacturing process as it allows designers and engineers to test the furniture's functionality, durability, and safety before it goes into full production.

The prototyping process ensures that the final product meets customer expectations and manufacturing standards, resulting in a safe, durable, and functional piece of furniture.

2.2.5. Production

Production is a crucial part of the furniture manufacturing process as it involves the actual manufacturing and assembly of the furniture. The production process involves several steps, including:

1. **Materials preparation:** The first step in the production process is to prepare the materials that will be used to create the furniture. This may involve cutting, shaping, and sanding the raw materials, such as wood, metal, or upholstery fabric.
2. **Assembly:** Once the materials are prepared, the furniture is assembled according to the final design. This may involve using tools, machines, and manual labor to assemble the furniture, including attaching legs, frames, and hardware.
3. **Finishing:** After the furniture is assembled, it undergoes finishing, which involves applying a protective coating, such as paint, varnish, or stain, to enhance its appearance and protect it from wear and tear.
4. **Quality control:** During the production process, the furniture undergoes quality control checks to ensure that it meets the required standards for safety, functionality, and

durability. Quality control checks may include visual inspections, functional testing, and load-bearing tests.

5. **Packaging and shipping:** After the furniture has passed quality control checks, it is packaged and shipped to customers. Packaging may involve wrapping the furniture in protective material to prevent damage during shipping.
6. **After-sales service:** After the furniture is delivered, manufacturers may provide after-sales service, such as installation, repair, or replacement of defective parts, to ensure customer satisfaction and maintain their reputation.

In summary, production is a crucial part of the furniture manufacturing process as it involves the actual manufacturing and assembly of the furniture. The production process ensures that the final product meets the required standards for safety, functionality, and durability, resulting in a high-quality piece of furniture that meets customer expectations, and therefore encourages returning customers as well as higher returns on investment.

2.2.6. Finishing.

Finishing is an important part of the furniture manufacturing process as it enhances the appearance of the furniture and protects it from wear and tear.
The finishing process involves several steps, including:

1. **Sanding:** The first step in the finishing process is sanding the furniture. This involves using a sanding machine or sandpaper to smooth out any rough edges or imperfections in the furniture.
2. **Staining:** After the furniture is sanded, it may be stained to enhance its appearance. Staining involves applying a thin layer of color to the furniture's surface, which can give it a natural wood look or a vibrant color.
3. **Sealing:** Once the stain has been applied, the furniture is sealed to protect it from wear and tear. Sealing involves applying a clear coat of protective material, such as varnish or polyurethane, to the furniture's surface.
4. **Buffing:** After the sealant has dried, the furniture is buffed to create a smooth, shiny finish. Buffing involves using a buffing machine or polishing cloth to remove any imperfections or rough spots on the furniture's surface.
5. **Final inspection:** After the finishing process is complete, the furniture undergoes a final inspection to ensure that it meets the required standards for appearance and quality. This may involve visual inspections, functional testing, or load-bearing tests.

In summary, finishing is an important part of the furniture manufacturing process as it enhances the appearance of the furniture and protects it from wear and tear.
The finishing process involves several steps, including sanding, staining, sealing, buffing, and a final inspection to ensure that the finished furniture meets the required standards for appearance and quality.

2.2.7. Quality Control.

Quality control is a critical part of the furniture manufacturing process as it ensures that the final product meets the required standards for safety, functionality, and durability.
The quality control process involves several steps, including:

1. **Incoming materials inspection:** The first step in the quality control process is to inspect the raw materials that will be used to create the furniture. This may involve checking the materials for defects, such as warping or cracks, to ensure that they are of high quality and meet the required specifications.
2. **In-process inspection:** During the furniture manufacturing process, the furniture is inspected at various stages to ensure that it meets the required standards. This may involve visual inspections, functional testing, and load-bearing tests to ensure that the furniture is safe and functional.
3. **Final inspection:** After the furniture has been assembled and finished, it undergoes a final inspection to ensure that it meets the required standards for appearance, functionality, and safety. A final inspection may involve visual inspections, functional testing, and load-bearing tests to ensure that the furniture meets customer requirements and manufacturing standards.
4. **Corrective action:** If any defects or issues are found during the quality control process, corrective action is taken to address the issue. This may involve repairing or replacing defective parts, adjusting the manufacturing process, or making design changes to prevent similar issues from occurring in the future.
5. **Documentation and record-keeping:** Throughout the quality control process, documentation and record-keeping are important to ensure that the furniture meets the required standards and that any issues are addressed in a timely manner. Documentation may include inspection reports, corrective action plans, and other quality control records.

In summary, quality control is a critical part of the furniture manufacturing process as it ensures that the final product meets the required standards for safety, functionality, and durability. The quality control process involves several steps, including incoming materials inspection, in-process inspection, final inspection, corrective action, and documentation and record-keeping. The goal of the quality control process is to produce high-quality furniture that meets customer expectations and manufacturing standards.

2.4. Project Cost & Financing Pattern

The proposed project is estimated to cost a total of US$ 1,000,000 which includes 100% owner's equity as proceeds from capital contribution of the project, Liability of 1,269,387US$, The Current asset of US$ 199,500, fixed assets US$ 800,800 of 295,219US$, liquidity. Total equity 1,162,740US$ which include depreciation and corporate tax 30% - see Annex I and III,

	EQUITY + LOAN	***DISTRIBUTION***	***AMOUNT***
1	*LOAN FROM COMMERCIAL BANK*	*0%*	*0*
2	*EQUITY – SHARE HOLDER CONTRIBUTIONS*	*100%*	*1,0500,000*
3	***TOTAL FINANCING***	***100%***	***1,050,000***

2.5. Business Plan Objectives

The objectives of this study are forth-fold. First is to determine the viability of the proposed integrated project and serve as a business plan for the company's development program. Secondly, it is meant to facilitate initial Joint-venture process to 2 international investor from China who are willing to establish furniture factory in Tanzania, major development include general rehabilitation of the plants, installation of simple processing machines, and working capital for production. Thirdly, will facilitate to acquire industrial license for business operations, and Lastly; the business plan will act as a supporting document in the company's 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).

2.6 Technical aspect and related cost

2.6.1. Land acquisition and Buildings

The project is located at matumbi area, Buguruni- Ilala district in Dar es Salaam, the project is just close to Mandela road. Based on physical inspection of the proposed site, the availability of basic and essential project Establishment development are in place. The shareholder already rented the warehouses for 10,000USD per months but already paid 35,000US$.
The floor plan and elevation of buildings and other related structures will be constructed to meet equipment of furniture productions, the proposed structure is designed to meet highly quality manufacturing process. Shareholders will start with the whole project in a later June 1024 by purchase or otherwise establish, build on, operate, acquire, run and manage processing factory, cold storage, refrigerator, and also ware house, godown, sheds and building for the purpose of furniture manufacturing processing in the factory. Total estimates cost is 109,000US$

2.7.2. Machinery and Equipment.

Proper machinery and equipment selection is one of the key problems in the development highly furniture processing in Tanzania. The machinery and equipments must suit the two-fold requirements of the developing countries, i.e. it should be up-to-date to allow quality delivery of furniture ommodities. 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 and variable costs based essentially on wages.
The requirements of various items of equipment have been worked out taking into consideration the quality provision of mental health care education, average

equipment utilization and normal productivity level of professional worker etc. While working out details of equipment required, it has been assumed that the factory will work 180 days in a year. The projects machinery and equipment will be sourced from China and local market in Tanzania Estimated total cost is 262,000US$.
These cost assumptions are C.I.F Dar es salaam and include installation, commissioning, consultancy, port charges and transport to the project site. Calculated depreciation of machines and other working facilities is estimated to cost US$ 25,832 please see Appendices I on income statement.

2.7.3. Motor Vehicles

The project anticipated to purchase 7 motor vehicles costing to 395,000US$, these includes 2 administrative cars and 5 Light trucks, these vehicle will facilitate factory operations and management of the industry. Hence increases plant performance and administrative work.

2.7.4. Furniture & Fittings and office equipments

The project building and structures are not enough to run smoothly project implementations; promoters during assessment keep asides a total budget of 9,000US$. The cost of furniture and fittings includes: tables, chairs cabinets, office furniture's assets etc in this context promoters/investor regards. Apart from furniture and office equipment, the project will allocate 20,000US$ for unforeseen other office facilities in case the budget goes above limit.

2.7.5. Pre-Operational Expenses and initial working capital

Under pre-operational expenses are considered costs like company formation, preliminary project studies, business plan preparation costs, licenses, permits and authorization, including processing of Incentives, legal fees, etc set aside of 39,000US$. While for Initial working capital of the project which includes initial imports of consumable goods and material estimated to last for the 1st three months of operations. Otherwise, raw materials will generally be maintained at one month's stock and debtors at one month's sales volume total 160,000US$ set aside. All these are considered as current assets and the investors are responsible for these.

2.7.8. 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:

2.7.9. Project Implementation

Full implementation of the project is planned to take place by end of June, 2024. Machineries and motor vehicles will be imported immediately while construction/renovation works are in process.

2.7.10. Explanatory Notes.

The plant will operate for 180 days in a given year of operation. Since raw materials are not sustainable to suit the company demand and plant operation depends on supply, the management set aside of 180 days as a major production effective, the remaining days the plant will deal collection of raw materials and marketing. The forecast has made for the duration of five years of operations, the proposed project is a complete set of latest manufacturing processing machine, equipment and tools. All these will be imported from china or India and local made with life span 2 to 5 years project economic life.

2.7.11. Operating and Administrative Costs

The major operating costs are salaries, wages and allowances; like un processed timber, chemicals, administrative expenses, fuel and lubricants, general clearness and security, uniforms and other related goods, insurance, licensing, tax, utilities has been stipulated to this report (see income statement Annex I) total operational and administrative cost 7,335,216US$

2.7.12. Auxiliary Materials/ services

Falling under this category of factory, utilities and service facilities must be considered,

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

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

(i) Workshop

It is necessary to make provision for a small workshop in the factory 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 factory. Equipment provision has been restricted to the minimum.

(ii) Electric Power and Generator

The proposed site 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 from Kidatu and Kinyerezi power source in Dar es Salaam. As part of an alternative power supply, the factory will heavy duty 50KVA power generator automated generator that will be connected to the all necessary factory compound for standby power supply. The factory will install an online UPS system that secures clean and uninterrupted power free of surges, brownouts, fluctuations and other power problems.

(iii) Water Supply

Apart from the needs of electric power, water is also required for the actual process and other social needs. The proposed site has close to DAWASCO water network, the agency is major supplier of water to urban and peri urban area in the city. The main line from this source will be tapped and let to the land site and water collected in an overhead reservoir provided at the top of the building of the project. 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 provision of factory, 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 factory have been duly recognized and been attempted mostly manual. Regarding transport, 3 light vehicles will be purchased and some will be hired during the start of project
- Necessary provision for furniture and office equipment has been made in the Capital Cost estimates.

2.7.12. Waste management for the project

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 her strategic management for a factory establishment; the project 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.

3.0. PROPOSED SALARY BUDGET AND MANPOWER

3.1. Employment

The factory is looking at providing direct employment to at least 17 permanent jobs on full implementation and operation of the project and 50 part time employments. The project is divided into 3 Departments; Administration (7), Finance (5), Operational department (57)

3.2. Recruitment

Recruitment of the 17 persons will be carried out by recruiting qualified operational department especially general skills furniture manufacturing processors who have experienced in teaching methodology based on demonstration of skills and aptitude. Other regulatory organs will be invited during recruitment process. Careful methodology is being worked out by a competent management consultant who will set the job descriptions. 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 to be dispatched to the project site by the suppliers of the machineries and equipments of the factory which will be specified under sales agreement. In general the factory 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 factory 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. To ensure efficient and scientific management, operational manuals will be prepared for the core functions of the factory.
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, guidance to management and regularly monitor and evaluate performance of the project.

Table 3.1. Proposed manpower requirement:

A.ADMINISTRATION DEPARTMENT	FULL TIME STAFF	MONTHLY SALARY	MONTHLY ALLOWANCE	TOTAL ANNUAL SALARY
EXCUTIVE DIRECTOR	1	2,000		24,000
DIRECTOR ADMINISTRATION	1	1,500		18,000
DRIVER	1	300		3,600
SECURITY GUARD	4	200		9,600
SUB TOTAL	**7**	**4,000**	**0**	**55,200**
B.FINANCE DEPARTMENT	**FULL TIME STAFF**	**MONTHLY SALARY FULL TIME STAFF**	**MONTHLY ALLOWANCE**	**TOTAL ANNUAL SALARY**
DIRECTOR FINANCE	1	1,500		18,000
ACCOUNTANT	1	600		7,200
PROCUREMENT OFFICER	2	500		12,000
DRIVER	1	300		3,600
TOTAL	**5**	**2,900**	**0**	**40,800**
C. OPERATIONAL DEPARTMENT	**FULL TIME STAFF**	**MONTHLY SALARY FULL TIME STAFF**	**MONTHLY ALLOWANCE**	**TOTAL ANNUAL SALARY**
QUALITY MANAGER	2	2,400		57,600
DRIVER	5	300		18,000
PARTTIME WORKERS	50		2,608	21,913
TOTAL	**57**	**2,700**	**2,608**	**97,513**
GRAND TOTAL	**69.00**	**9,600.00**	**2,608**	**193,513.04**

4.0. FINANCIAL ANALYSIS

4.1. Production, Revenue and project viability

- The estimated revenue gain in production of furniture is 7,630.435US$ annually excluding Value Added Tax during the first year in operation of the factory,
- Net profit before tax is 295,219US$ for the first year, and increases to second year to the fifth years of economic production life of project
- Percentage of gross contribution for the first year 4% and increases tremendously as shown in income statement,
- Net profit after tax and depreciation for the first years in operational is 185,571US$ and increases positively, the project is able to pay corporate tax 80,816US$ which has positive contribution to GDP of the country,
- The expected sales increase annually is 5% while expenses increases by 3% which depends on inflation rate of the country
- Total investment cost of the project is 1,000,000US$ whereas the own equity is 100% with no loan-able amount from commercial bank,
- Project current assets for the first year is 199,500US$, fixed asset 800,500US$, Project liquidity is 295,219US$ which makes total liability of project to1,295,219US$, all these raised after include, bank interest, depreciation, taxes and social security benefit to employers,
- The end balance of project in cash flow statement is positive and increases tremendous.
- Cash generated from operation and net cash from operational activities increases positively of project (see cash flow sheet)
- The Discounted Cash flow yields an Internal Rate of Return (IRR) of 23.71% which is well above the commercial bank interest and payback period of project is within 4 years. This confirms the financial viability of the proposed project.
- Return on Investment is anticipated to 17.2% which is increases positively to 34.2% to the fifth year of project economic life - see balance sheet,
- Depreciation of fixed assets and amortization of the pre-operational expenses rates used are as follows: land 5%, Civil Works/ Structures/Buildings 5.00% on straight line basis, Plant Machinery & Technical Equipment 12.50% on straight line basis, Motor Vehicles. 20.00% on straight line basis. The business plan use 12.5% as depreciation factors. To this project after including depreciation factors, the first year depreciation value is 25,832US$ and increases gradually due to wear and tear of fixed asset.

- Salaries and Wages have been based on the prevailing scales in the project. There is provision of 20% to cover company contribution to NSSSF (10%) and other social welfare (10%). Included to the total amount (see Income statement)

5.0. RISK ANALYSIS

5.1. 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 factory. The factory's management will determine the level of operations, financial and compliance risk they are willing to assume. Risk assessment is one of the Factory's management responsibilities.

5.2. 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, factory 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.

5.3. Finance risk analysis

a) Supply Risk: The risk in consumable good 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 factory are in rudimentary stages all of which contribute to reducing output efficiency.

c) Sales/market risk: Placing on the tuition fees markets bears risk of demand fluctuations and rejections through the implementation. Furthermore, beneficiaries/students are not aware of the factory and are usually very pricing sensitive.

5.4. Other potential external risk

a) Lack of Governance: the governance mechanism 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 no incentives for improving mental health education and promote sustainable income earning opportunities;

c) Unclear and conflicting roles regulatory authorities: Regulatory Agencies are responsible for quality control education and as well as enforcing such as NEMC, TBS, PMRLGs, Ministry of industries etc, are regulatory role in issuing licensing etc

d) Operating procedures: Standard procedures are inadequately enforced, or not enforced at all, because of relaxed regulations; and

e) Integration: there is little vertical integration of education system

5.5. Mitigating potential risk

The development of a large and complex project such as ART HOME FURNITURE 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

6.1. Broad Socio Economic impact of the project

In the Business field, what still really matters most is *"What is the return on investment of your project?"* The challenge thus created is to determine the relationship between community and social impact and business value (or return on investment). Many public, private and community stakeholders have over the past few decades become disappointed about the potential social impact and value of Corporate Social Investment (CSI) projects. Company will apply the CSI perspective, social impact assessment as a tool that will be used to qualify and quantify the social, economic and environmental changes and outcomes that will occur over a period of time, within the development context, as the result of the project investment. In order to address the impact assessment framework, the company will apply the Impact Investment Index, which will show through evaluation and assessment, the social impact of the project through a blend of indicators that are able to prove positive short, medium and long term impacts.

Impact Investment Index Framework

Impact Investment Index		
Frame Work for ART HOME FURNITURE LIMITED		
Performance Area	**Quantitative Indicator**	**Remarks**
Investment Capital	Total investment capital, CAPEX and OPEX US$ 1,000,000, sale gained 7,630,435US$ while small scales revenue gain from factory purchasing is 6,500,000 US$	Substantial amount of capital invested into the domestic economy
Income Tax Annually	Indicative Annual audit report 80,816US$,	Increased GDP of the national
Job requirements	Job creation after establishment of the project is 17, direct Tanzanian Job, and 50 temporary employment	Reasonable number of direct job created to local Tanzanians with direct impact on poverty reduction through enhanced income generation
Technology applied	High Tech Environmentally friendly machinery	Applied technology which is free from environmental pollution
Other Implied Project Benefits		

- 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 contractors and sub-contractors during the construction phase;
- Increased regional intra-trade and international trade due to better infrastructure facility and links to markets; and
- Contribution to GDP growth through increased economic activities

Based on the Impact Investment Index analysis, the Institute 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, the company will promote export, , create employment, attract new technologies, expand earnings and ultimately contribute substantially to the country's economic growth.

7.0. FINANCIAL MODELLING AND ANALYSIS

The Financial Modelling and analysis, is the main source of information for assessing the potential financial viability of the ART HOME FURNITURE 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 Establishment of the factory will speed up the country´s economic development by being a catalyst for restructuring the existing factory to set up and attracting new, both foreign and domestic entrepreneurs to a liberalized legal business framework.

7.1. Project investment inputs and sale/revenues

The plant is estimated to use 20MT of un processed wood to furniture per day, Annual production of finished furniture is estimated to 3,600MT at price of 4,875,000TZS per MT. the annual revenue gained is estimated to 17.55Bilion TZS equivalent to 7,630,435US$ per year at an exchange rate of 2,500TZS.. The projected sales of the project will increase by 5%.

7.1.1.. input estimates

INPUTS/RAW MATERIALS ESTIMATE PER ONE YEAR		
Design Capacity of 20MT per day	20MT/Day	
Period (180 Days)	Year	
Annual Finished furniture per year MT	3,600	

7.1.2. Revenue estimates per MT

FINISEHD FURINTURE SALES FORECAST		
COSTS (TSHS)		
Year		**1**
Finished furniture per year MT		3,600MT
Selling price per MT	4,875,000	17,550,000,000
annual selling price of FM in US$ at 2500TZS exchange rate		7,630,435

7.2. Project investment summary.

Investment Summary	
Fixed Assets US$	
A. Land and Buildings	
Land Acquisition/rent	35,000.00
Administration Block	15,000.00
Dinning/Kitchen	4,000.00
Processing factory	16,000.00
Finishing room	12,000.00
Godown	15,000.00
Show room	12,000.00
Sub total	**109,000.00**
B. Machines and Equipments	
Carpentry tools and equipment complete set	162,000.00
CCTV Camera and accessories	6,000.00
Miscellaneous Tools and Equipment	44,000.00
Standby Generator	50,000.00
Sub Total	**262,500.00**
C. Motor vehicles	
Light Vehicles for administration 2	20,000.00
Box body trucks 5@ 75,000US$	375,000.00
Sub Total	**395,000.00**
D. Other Facilities	
Furniture and fittings	14,000.00
Contingeous	20,000.00
Sub Total	34,000.00
Sub total Fixed Assets	**800,500.00**
Current Asset	
Pre operational expenses	39,500.00
Initial working capital	160,000.00
Sub total current Assets	**199,500.00**
Total Investment	**1,000,000.00**
Equity	
Loan (0%)	**-**
Equity (100%)	**1,000,000.00**
Total Equity	**1,000,000.00**

7.2. Objective and Scope of Financial Model

7.2.1. 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 the company 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 factory on the Market Analysis. The financial model has been developed in excel spread sheet and include information on costs, expenses and the subsequent sales revenue based on the average market prices and linked to the financial cash flow.

ANNEX I – INCOME STATEMENT

(all numbers in US$)

Revenue	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
annual selling price of FM in US$ at 2300TZS exchange rate		7,630,435	8,011,957	8,412,554	8,833,182	9,274,841
Total Operating Revenue	-	**7,630,435**	**8,011,957**	**8,412,554**	**8,833,182**	**9,274,841**
Expected Expenses						
	Year 0	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Salaries		193,513	199,318	205,298	211,457	217,801
Social Charges & Pension Payments		38,703	39,864	41,060	42,291	43,560
campus consumable goods - raw materials		6,500,000	6,695,000	6,895,850	7,102,726	7,315,807
Administrative expenses and management system		90,000	92,700	95,481	98,345	101,296
Fuel and lubricants for cars and generators		120,000	123,600	129,780	136,269	140,357
General Clearness and security services		12,000	12,360	12,731	13,113	13,506
Transportation		150,000	154,500	159,135	163,909	168,826
Insurance/licensing/healthy premium/other charges		9,000	9,270	9,548	9,835	10,130
Utilities - Electricity and water services		72,000	74,160	76,385	78,676	81,037
Other Costs		150,000	154,500	159,135	163,909	168,826
Total Operating Costs		**7,335,216**	**7,555,272**	**7,784,402**	**8,020,530**	**8,261,146**
Operational Net Earnings before Depreciation, Interest & Tax		**295,219**	**456,684**	**628,152**	**812,652**	**1,013,695**
%age Gross Contribution		*4*	*6*	*7*	*9*	*11*
Depreciation at12. 5% (Machines, Equipment.)		**25,832**	**39,960**	**54,963**	**71,107**	**88,698**
Net Earnings before Tax & Interest		**269,387**	**416,725**	**573,189**	**741,545**	**924,997**
Interest Paid (Bank Loan)		**-**	**-**	**-**	**-**	**-**
Tax (30%)		**80,816**	**125,017**	**171,957**	**222,464**	**277,499**
Net Earnings		**188,571**	**291,707**	**401,232**	**519,082**	**647,498**

ANNEX II -CASH FLOW FROM OPERATING ACTIVITIES

Cash Flow statement from Investing Activities for five years					
(all numbers in US$)	Year 1	Year 2	Year 3	Year 4	Year 5
CASH FLOW FROM OPERATING ACTIVITIES					
Cash receipts from Sales	7,630,435	8,011,957	8,412,554	8,833,182	9,274,841
Cash paid to suppliers and employees	(7,335,216)	(7,555,272)	(7,784,402)	(8,020,530)	(8,261,146)
Cash generated from operations	295,219	456,684	628,152	812,652	1,013,695
Dividends received*	0	0	0	0	0
Interest received	0	0	0	0	0
Interest paid	0	0	0	0	0
Tax paid	(80,816)	(125,017)	(171,957)	(222,464)	(277,499)
Net cash flow from operating activities	**214,403**	**331,667**	**456,195**	**590,189**	**736,196**
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	1,000,000	0	0	0	0
Proceeds from loan	0	0	0	0	0
Payment of loan	0	0	0	0	0
Net cash flow from financing activities	**1,000,000**	**0**	**0**	**0**	**0**
NET INCREASE/ DECREASE IN CASH	**1,214,403**	**331,667**	**456,195**	**590,189**	**736,196**
Cash at the beginning of the period	188,571	291,707	401,232	519,082	647,498
Cash at the end of the period	**1,402,974**	**623,374**	**857,428**	**1,109,270**	**1,383,694**

ANNEX III – PROFOMA BALANCE SHEET

Pro forma balance sheet					
(all numbers in US$)	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
ASSET					
Current asset	199,500	291,707	401,232	519,082	647,498
Fixed asset	800,500	774,668	760,540	705,577	689,433
Liquidity	295,219	456,684	628,152	812,652	1,013,695
TOTAL ASSET	1,295,219	1,523,060	1,789,924	2,037,310	2,350,626
NET ASSET MINUS DEPRECIATION	**1,269,387**	**1,483,100**	**1,734,961**	**1,966,203**	**2,261,928**
EQUITY & LIABILITIES					
Equity	1,162,740	1,318,123	1,508,041	1,672,633	1,895,730
Reserves					
Total Own Equity	**1,162,740**	**1,318,123**	**1,508,041**	**1,672,633**	**1,895,730**
Provisions					
Long term loan	0	0	0	0	0
Short term Liabilities	106,648	164,977	226,920	293,571	366,197
Total Equity & Liabilities	**1,269,387**	**1,483,100**	**1,734,961**	**1,966,203**	**2,261,928**
CL/CA	0.53	0.57	0.57	0.57	0.57
DEBIT/CAPITAL RATIOS	0.08	0.11	0.13	0.15	0.16
ROI	17.2	22.1	26.6	31.0	34.2
BREAK EVEN POINT	2.71	1.70	1.21	0.87	0.68
BREAK EVEN RATIO	25.21	16.90	12.75	10.23	8.51
EQUITY/TOTAL LIABILITIES	92	89	87	85	84

ANNEX IV – INTERNAL RATE OF RETURN

IRR for the Project		
	(all numbers in US$)	
	Initial Investment	-1,000,000
Year 1	Additional Annual Net Profit	188,571
Year 2	Additional Annual Net Profit	291,707
Year 3	Additional Annual Net Profit	401,232
Year 4	Additional Annual Net Profit	519,082
Year 5	Additional Annual Net Profit	647,498
	IRR (in 5 years)	23.71%

The IRR above indicates that the expected return on the TZS 1000,000 initial investment after 5 years is 23.71%.

ANNEX V- PAYBACK PERIOD

Payback Period Analysis				
	Year	Beginning Balance	Net Cash Flows	Ending Balance
Cost of investment	0.00	1,000,000.00	0.00	1,000,000.00
	1.00	1,000,000.00	188,571.22	811,428.78
	2.00	811,428.78	291,707.16	519,721.62
	3.00	519,721.62	401,232.13	118,489.49
	4.00	118,489.49	519,081.54	400,592.05
	5.00	400,592.05	647,497.88	1,048,089.93

Payback Period =	**4.00**	**Years**

8.0. CONCLUDING REMARKS AND WAY FORWARD

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

On the basis of all the analysis done on this Business Plan on all aspects of assessment on both SWOC Analysis, market analysis, risk analysis and the financial analysis, the proposed investment options in the Establishment of the factory as prescribed on this business plan have shown that the project is commercially viable. Nonetheless, company 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 shows the IRR of about 23.71%. The computed IRR is well above annual loan commercial bank loan interest in Tanzania. Which is technically interpreted that the project is financially viable. The payback period for the project is estimated within 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 not face any difficulties during establishment, 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 company is designed to 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.

The 15 years Perspective Plan (2020-2025); Priotize private investment in the context of Public Private Partnership. The First Five Years Development Plan (2015-2020) 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 company to ensure development of one among the Establishment of the factory to be developed in Ilala, Dar es Salaam Region. Private sector and investment have been recognized as the most significant potential source of additional funding required to facilitate development projects.

8.3. Conclusive Remarks and Way Forward

The Establishment of the Factory will be funded by investors 100%and the project will purchase or otherwise establish, build on, operate, acquire, run and manage processing factory, and also ware house, sheds and building for the purpose of processing, finishing, all varieties of furniture finished product dealt in the factory. Before the factory 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.

a) Conduct Environmental Impact Assessment.

The factory has to engage a consultant to conduct EIA in order to ensure that environmental and possibly other sustainability aspects are considered effectively in policy, plan and project development. The EIA Directive aims at introducing systematic assessment of the environmental effects of strategic land use related plans and programs. It typically applies to regional and local, development, waste and transport plans, within the country. EIA ensures that plans and programs take into consideration the environmental effects they cause.

b) Mobilization of project requirements

The factory should engage a firm to make construction that will suit factory requirement. 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 project.

c) Mobilizing Funds

As previously discussed on the Financial Analysis of this business plan, financing mechanism for the factory should be scrutinized well before commencing the project implementation. There may be several options of financing the project development but the firm 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 health regulatory agency Ministry of industry, Ministry industry, trade and investment, TBS, etc