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BUSINESS PLAN: MANUFACTURING OF FOAM MATTRESS AND ALLIED PRODUCTS

Rumin Shah

Dodoma Comfort Limited

August 2023



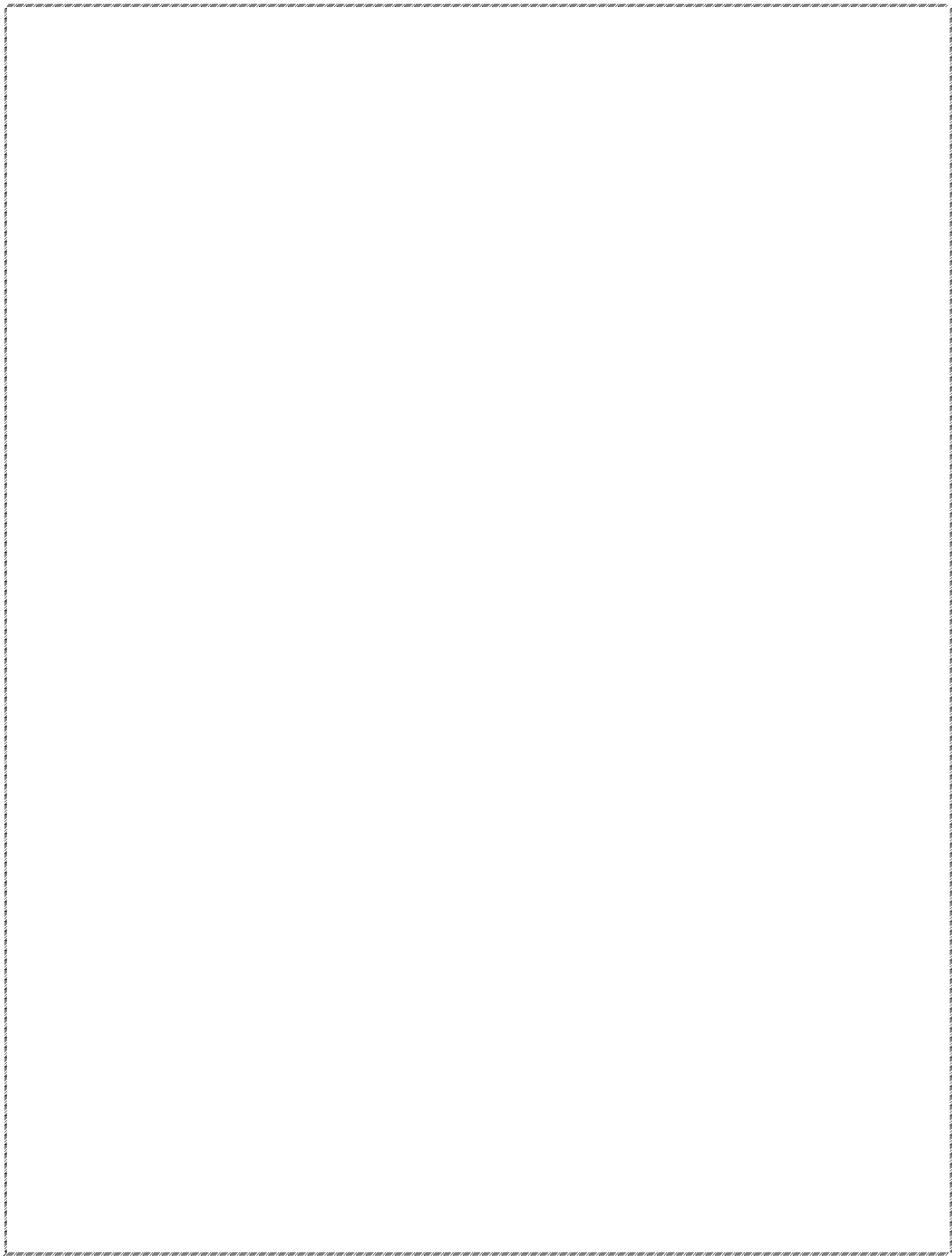
DODOMA COMFORT

YOUR SLEEP, OUR PASSION

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DISCLAIMER

We make no representation or warranty of any kind, express or implied, regarding the accuracy, adequacy, validity, reliability, availability, or completeness of any information contained in this Business Plan. This business plan has been prepared for internal consumption by the Management of Dodoma Comfort Limited and is intended to give the management an overall understanding of the proposed business. Information contained in this Business Plan has been sourced from the Company Management except where information is known to be publicly available.

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CHAPTER 1

INTRODUCTION AND BACKGROUND

1.1. COMPANY BACKGROUND

Dodoma Comfort Limited is a privately owned company. The company was established in November 15, 2021. The company was established with the sole purpose of undertaking, among others; the business of manufacturing and distribution of foam mattresses. The company shareholders are Mr. Rumin Shah, Mr. Ghalib A Hamoud and Mr. Hamoud A Sumry. Shareholding structure of the company is shown below.

SN	NAME	SHAREHOLDING
1	Rumin Shah	30%
2	Ghalib Hamoud	30%
3	Hamoud Sumry	40%

The company shareholders include prominent names such as Mr. Rumin Shah and Mr. Hamoud Sumry who are very well-known figures in the business and industrial community.

Mr. Rumin Shah

Mr. Shah is a Tanzanian with Indian origin who has been living in Tanzania for more than 30 years now. He holds a Bachelor Degree of Commerce from India. He is well vested in operational management, marketing, financial strategy, customer relationship, human resources, investment and project management. His major milestones include.

- Director of operations with Pan Africa Enterprises, Vitanda Manufacturing, and Jamal Holding
- He has overseen the growth of Pan African business to TZS 6bn a month.
- He has overseen the growth of Vitanda Manufacturing business to TZS 3bn a month.
- He has foreseen the growth of Candyman (an FMCG business) to TZS 600M a month.

His work experience spans several years having worked with known corporations including A&G Industries, Vita Foam and Pan African Enterprises as provided below:

- With A&G Industries in Musoma, he worked as a market manager. A&G Industries was dealing with manufacturing of foam mattresses.
- With Vita Foam in Arusha, he worked as head of marketing. Vita Foam deals with manufacturing foam mattresses.
- With Pan African Enterprises, he has held several positions from Operations Manager, General Manager and he is now an Executive Director. Pan African is a diversified business and includes Vitanda Manufacturing, Simplast and Candyman. Candyman is an FMCG business.

Mr. Hamoud Sumry (Sumry's Enterprises)

Mr. Hamoud Sumry is a prominent businessman well-known for his portfolio of businesses. Sumry's Enterprises has several other businesses including Sumry Construction- a full-fledged construction company with 150 construction equipment. Sumry's Enterprises also owns and runs the famous Keko Modern Furniture- a popular furniture store located at Veta area, Chang'ombe in Dar es Salaam. Keko Modern Furniture is also one of the major distributors of foam mattresses from various manufacturers in the country. Currently, the foam mattress business has monthly turnover of close to TZS 2billion. Sumry also has interests in quarrying and mining located in Mpanda. Sumry is also involved in trading and distribution of Fast-Moving Consumer Goods (FMCG). Mr. Hamoud is also a shareholder in Keko Furniture and Hardware Company. This company deals with manufacturing of furniture that is distributed under Keko Modern Furniture store- a trading name of Sumry's Enterprises.

As seen above, the main promoters of the company have vast experience and expertise in the business they venture into. Their aspiration and focus is now to enter into full manufacturing of foam mattresses to leverage on the established customer and market base supported by their vast industry knowledge. This aspiration has been translated to the company mission and vision statement.

1.2. MISSION, VISION AND COMPANY OBJECTIVES

A. MISSION

To produce and sell high quality products locally and internationally at competitive prices through utilization of competent personnel, modern technology and quality raw materials.

B. VISION

To be a market leader for high quality and affordable mattress and bedding products in East and Central Africa.

C. OBJECTIVES

The company has laid out 6 key SMART objectives. SMART objectives are the ones that are Specific, Measurable, Accurate, Reasonable and Timebound. In terms of timing, the company objectives are pegged to a five-year term after which they will be revised, refined and re-written based on company assessment of their outcomes. Specifically, the objectives are:



Production

To produce 1500 tons in year and grow to 7000 tons in year 10.



Profitability

Turning the business into profitability by December 2022, if the business plan is executed as proposed.



Market Share

To grow our market share to 10% in Tanzania in 10 years.



Growth

Growing revenue from TZS 11bn in 2021/22 to TZS 86bn by year 10.



Distribution

To use multiple distribution channel growing to 10 own shops in 5 years. Initially selling 35% and 65% of all products through retail and wholesale channels respectively.



Efficiency

Controlling the costs to achieve EBITDA margin of double-digit from year two of operations.

1.3. CORPORATE GOVERNANCE

The company places immaculate emphasis on the importance of proper corporate governance. Corporate governance determines the level of decision-making structure and powers entrusted to the company senior

management. The board of directors provides an oversight function and guidance to the company management for execution.

1.3.1. ROLE OF THE BOARD

The role of the board will be to be critical in ensuring that all resources are made available, are well utilized, and the shareholders' value is maximized. The board works on behalf of the shareholders and must function as stipulated in the memorandum and articles of association, shareholders agreement, and other board policies. In addition to what already exists; the board must always play the following roles competently.

1. To ensure that all funding and other required resources are obtained and made available on time. There should no be delays on this.
2. To ensure that all resources are well utilized, funds are well spent, and management plays its roles. There should be no compromise on this.
3. The board should continue to advise and guide the management to the right direction of company's growth.
4. The board must all the time ensure that the company is compliant, standards are enhanced, and quality controls are not compromised.
5. The board must also continue to ensure that the company strategies are customer centric. All decisions made must at the end of the day increase customer satisfaction.
6. The board can opt-in new members in board committees with relevant background to assist in the issues of strategies and better understanding of the industry.

1.3.2. MANAGEMENT AND ORGANIZATION STRUCTURE

The business shall be managed by a Managing Director, assisted by a management team who shall be responsible for day-to-day operations of the business. Some of the technical personnel to assist the MD include.

A. Operations and Production Manager.

- Responsible for production of the plant
- Responsible for daily operations of the plant
- Responsible for all inventory issues

- Responsible for all plant utilities

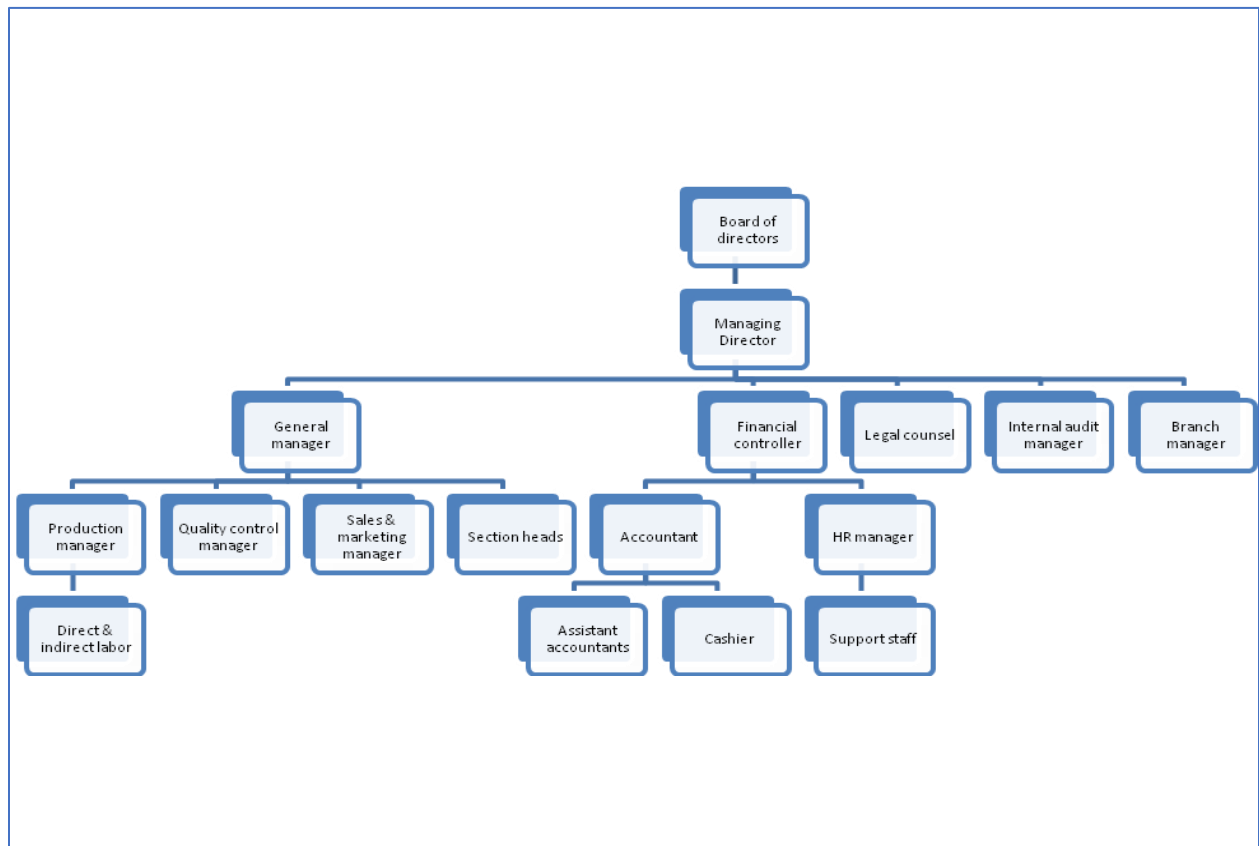
B. Financial Controller

- Responsible for all financial matters of the company
- Responsible for all administrative matters of the company
- Responsible for budgeting, reporting and financial forecasting of the company.

C. Head of Sales and Marketing

- Responsible for planning, managing and supervising all sales and marketing of the company.
- Responsible for designing and implementing all company’s sales strategies.
- Responsible in supervising the sales team.
- Advises on all sales and marketing matters.

Organization structure of the company is depicted below.



1.4. PRODUCTS AND SERVICES

The company is setting up a foam manufacturing plant at its Vikindu factory. At its completion, the factory will be producing various ranges of foam mattresses, quilted, spring mattresses, cushions and pillows. These will be available in various sizes from the smallest 2.5x3 to the biggest 6x12 and cushions from 20x18 size to 24x18 size.

All company products will embrace high quality, allergy-free and will come with a 10-year warranty. Mattresses will also be made with special insect repellent materials to help keep away bed bugs. This will be the first product offering in the country.



1.5. CUSTOMERS AND MARKETS

The main customers of the company will be wholesalers and agents. These will be offered credit terms of up to 30 days. Customers will also be allowed to purchase directly from an outlet to be built at the factory. Major retailers will also be allowed to make direct purchases from the factory. At its inception, the company shall have distribution centers in Dar es Salaam, Morogoro, Kilimanjaro, Arusha, Mbeya, Dodoma and Zanzibar. Due to complexity in the country geography, the lake zone area of Mwanza, Kagera, Kahama and Musoma will be served from Mwanza where the company will set up an additional factory in that region. Other customer segments include the enterprise segment which comprise mostly of hotels, villas, lodges, camps and major real estate projects. Detailed customer and market segments analysis is provided under Operational and marketing Analysis (Chapter 3) of this proposal.

1.6. SUPPLIERS

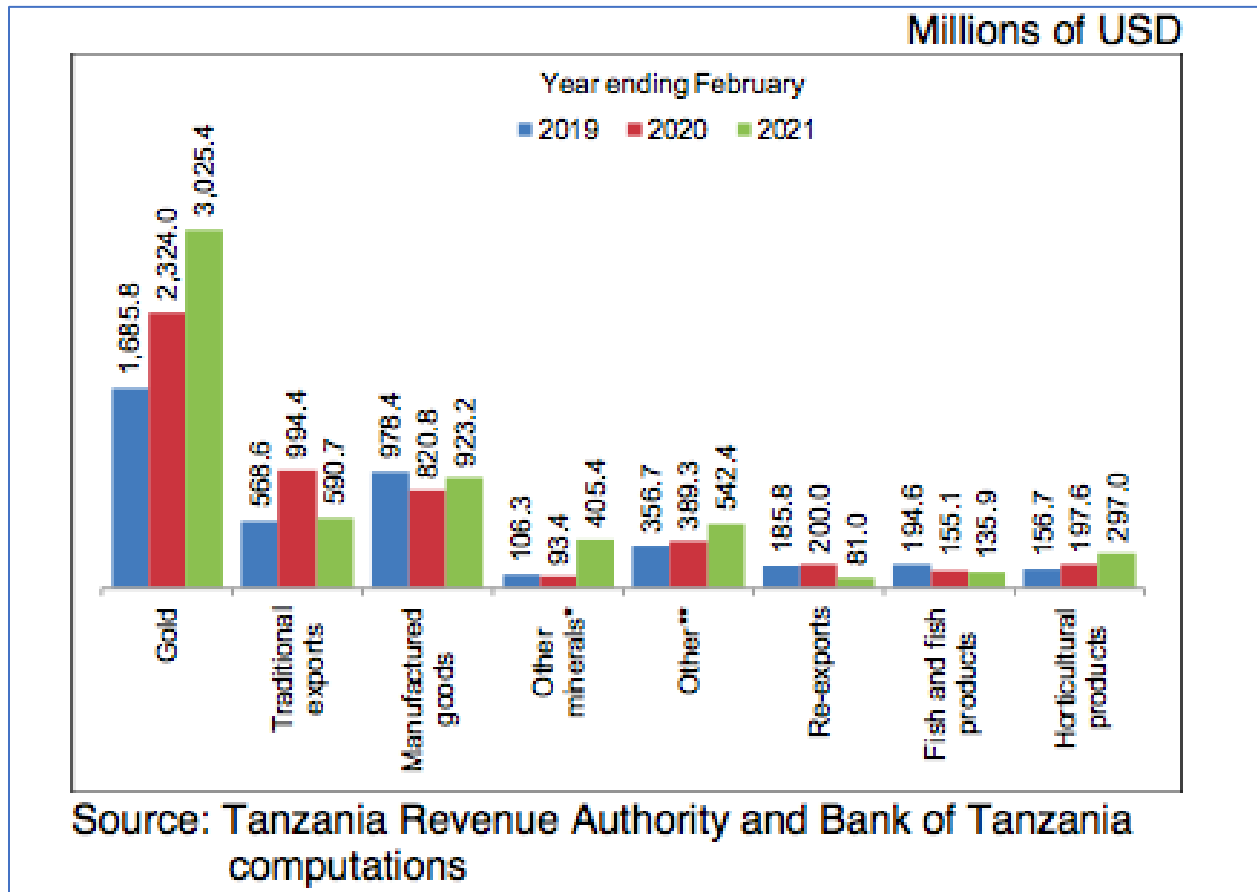
The major input for production of foam mattress is foam. Foam will be imported from several countries including China and India. Other suppliers include those of fabric and packaging material. These can be sourced locally or imported depending on availability. However, it is estimated that over 80% of materials used in the manufacturing of foam mattresses are imported.

CHAPTER 2

INDUSTRY AND ECONOMIC ANALYSIS

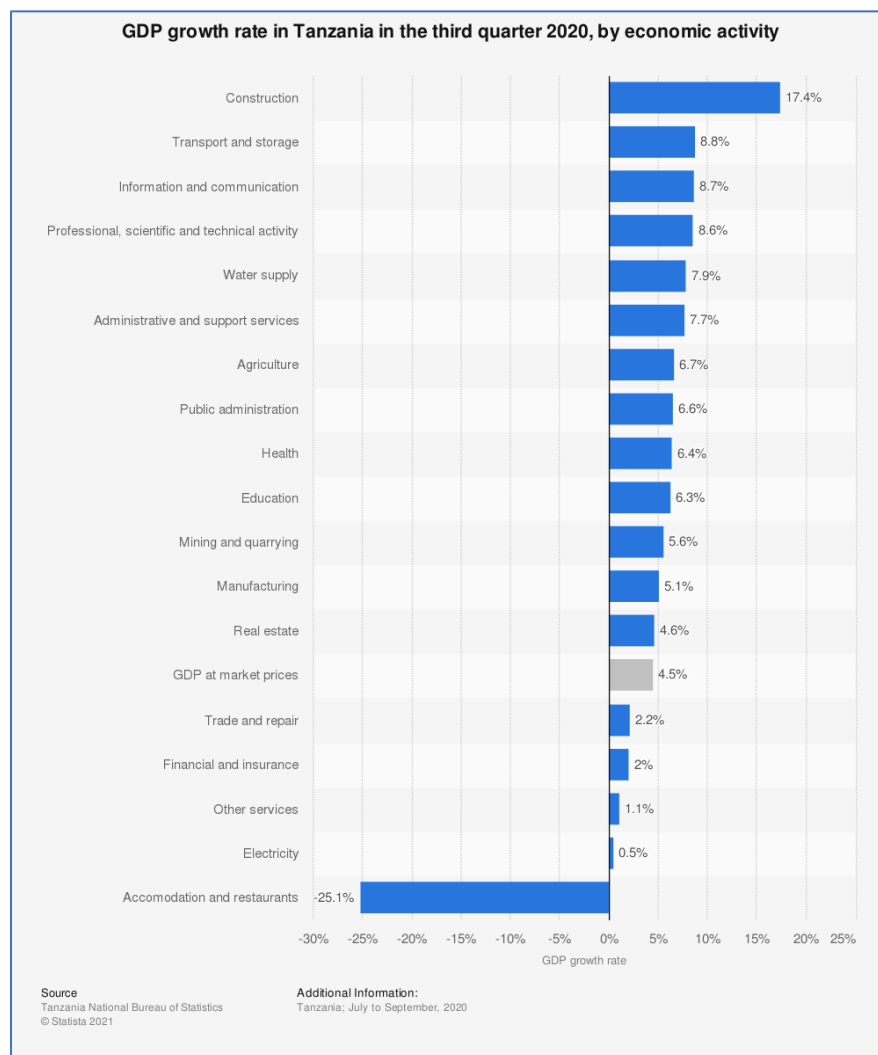
2.1. MANUFACTURING SECTOR ANALYSIS

Tanzania manufacturing has been one of the best performing sectors in Tanzania over the past ten (10) years in job creation, earning FOREX, and in tax payment. Tanzania's industrial sector production reached USD 13.5 billion (33% of GDP) in 2018, compared to USD 9.1 billion in 2014, marking an increase of 48%. The industrial sector of Tanzania is comprised of construction (50%), manufacturing (31%), mining (15%), electricity supply (3%), water supply, sewerage, and waste management (2%). Tanzania's manufacturing sector generated USD 4.1 billion (8% of GDP) in 2018, compared to USD 3 billion in 2014, representing an increase of 39%. In April 2021, Manufactured goods accounted for the 3rd largest source of export earnings to the country.



The sector grew by 5.1% in Q3-2020 But expected to rebound and grow more in the next few years. The FYDP II solely focused on the industrialization with a slogan of “Tanzania ya Viwanda”, and it helped, to some extent, the growth of the industry in the following areas.

1. Increase in the number of industries from 52,633 in 2015 to 61,110 industries in 2019.
2. Increased the number of newly created jobs from 254,687 in 2015 to 482,601 in 2019.
3. The average growth of 8.3 percent in the industrial sector has led to an increase in the production of different manufactured goods.
4. During the past four years of FYDP II 8,477 industries were established, of which 201 were large-scale, 460 were middle-scale, 3,406 were small and 4,410 were micro enterprises.



2.2. BEDDING INDUSTRY ANALYSIS

2.2.1. COMPETITION LANDSCAPE: REVENUE PERSPECTIVE

It stands without question that competition is intense in the market. The company has approached analysis of competition by measuring its intensity in the city of Dar es Salaam where all big players have a well-established footprint. Table below shows analysis of competition in terms of revenue for Dar es Salaam city only (revenue figures per month).

SN	NAME OF THE COMPETITOR	MONTHLY REVENUE
1	PANAFRICA ENTERPRISES	TZS 5.0BN
2	VITA FOAM	TZS 5.0BN
3	QUALITY FOAM	TZS 5.0BN
4	MODERN MATTRESS	TZS 4.0BN
5	UNOPLAST	TZS 3 BN
6	TANFOAM Ltd .	TZS 2.0 BN.
7	MBEYA FOAM	TZS300M
8	VITANDA MANUFACTURING	TZS 4.0BN

Pan African Enterprises is related to Vitanda Manufacturing. The combined monthly revenue for the two company is in upper of TZS 10billion per month.

2.2.2. COMPETITION LANDSCAPE: PORTER'S FIVE FORCES

Below is a graphical representation of Porter's Five forces for competitive landscape analysis.



1. Threat of Substitutes

There are several types of mattresses in the market today. According to sources online, the common types include foam mattress, innerspring, hybrid, waterbeds, air mattresses and gel grid. In Tanzania, the common ones are foam mattresses and innerspring. Air mattresses are not as common. Foam mattresses are available in several thickness and sizes making them the most affordable type of mattresses. The remaining types in this category are mostly luxurious and cannot be afforded by most Tanzanians. Threat of substitutes is therefore very minimal.

3. Bargaining Power of Customers

Customers have high bargaining power due to the competitive nature of the industry. Free availability of information gives buyers an upper hand in price negotiation. In addition, price sensitivity and quality concerns tend to undermine supplier power and increase consumer power in return. There is no price leadership among players in the industry and therefore, bargaining power of consumers is high due to availability of several products.

4. Barriers to Entry

Investment requirement in this sector is heavy. This creates a natural barrier to entry. In addition, manufacturing of foam mattresses requires a long-term experience in the industry to gain the proper consumer taste and preferences. Moreover, regulatory requirements in terms of quality and licenses is strict, adding further entry barriers.

5. Bargaining Power of Suppliers

Affected by the high bargaining power of consumers, suppliers in this industry do not have high bargaining power. There is no oligopoly, and neither is price leadership.

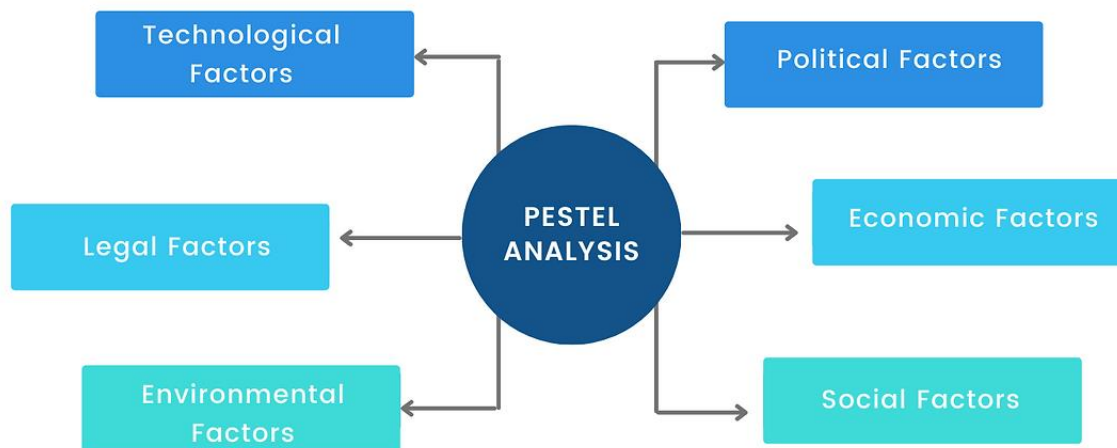
6. Rivalry among existing players

Rivalry among existing players is intense. As consumers become more aware of quality and pricing issues, successful players in the market are the ones that provide high quality products at matching prices. Due to frequent use, a poor-quality mattress will wear out very quickly costing additional money to the buyers. Some players, whose products were known to be of poor quality have failed to remain afloat in the sector and have either lost the greater portion of their market share or have gone out of business completely.

Dodoma Comfort aims at providing high quality mattresses at affordable prices catered to people of all walks of life. The company will embrace the same quality standards irrespective of product size or density. This will enable the company to remain competitive despite being a new entrant to the market.

2.2.3. PESTEL ANALYSIS

The PESTEL analysis model is shown below. The model explains how the business fits within the ecosystem.



1. Political Factors

The Tanzania's political environment is stable. Government policies regarding tax and administration have remained stable for a period of time. The company views on country political and regulatory state being stable and is expected to remain stable for the medium term.

2. Economic Factors

The company observes major challenge facing the country economy being short of US dollar currency in the market, rising fuel prices and currency depreciation. While shortness of US dollar in the economy and rising fuel prices are a global crisis, the Bank of Tanzania has shown its stance in managing the currency depreciation. These factors remain beyond the control of

the company and affect the entire economy. Various steps are being taken by governments across the world to relieve themselves of the crisis. The impact is transferred to final consumers especially when prices of products rise. The situation is not expected to remain for the next 3 to 4 years.

3. Social Factors

The penetration of social media in the society has resulted into spreading awareness of harmful lifestyles. There have been discussions around the need for people to get enough sleep as lack of which has been linked to a number of non-communicable diseases and health complications including mental health issues, heart conditions and nerve conditions among others. The company considers changes in lifestyle of many people will trigger an increase in demand for mattresses as good night sleep becomes an increased desire.

4. Environmental Factors

There has been an increase in environmental awareness in many countries. In Tanzania, NEMC has the primary mandate of overseeing environmental conservation and protection. The company has conducted a thorough environmental impact assessment and is duly certified by NEMC. This allows the company to conduct its business without increased damage to the surrounding environment including water sources, air and noise pollution.

5. Legal Factors

The company will operate under guidelines from several guiding laws and regulations including labor law, Companies Act and other city and municipal laws. The company's legal team will remain abreast of changes in laws and regulations that may impose challenges to the company's operations, legal state and reputation. Legal risk is not seen as a major threat by the company.

6. Technological Factors

Technological changes force business to adopt and adapt. The company will employ the latest mattress manufacturing technology and will always be changing its technics in line with technological changes. This is necessary to keep customers satisfied with quality of the products.

CHAPTER 3

OPERATIONAL AND MARKETING ANALYSIS

3.1. OPERATIONAL ANALYSIS

3.1.1. FOAM MATTRESS MANUFACTURING PROCESS

Solid foam mattresses also offer a wide choice of "feels." They can be made of a solid core of several layers of different types of foam laminated together. Advanced technology in polyurethane (PU) foams, refinements to traditional latex and the new visco-elastic ("memory") foams have added to the choice of comfort, support and performance. Production of foam mattress starts with the oven where 'dough' is produced. This takes an average of two hours per day. After production of the dough, cutting to shape and size follows, then stitching and other processes until completion. The entire production cycle takes an average of eight hours. Schematics below provide the production summary of the mattress.



Step 1: Raw material mixing



Step 2: Continuous Production Plant: Block Making



Step 3: Cutting to Sizes



Step 4: Block Curing

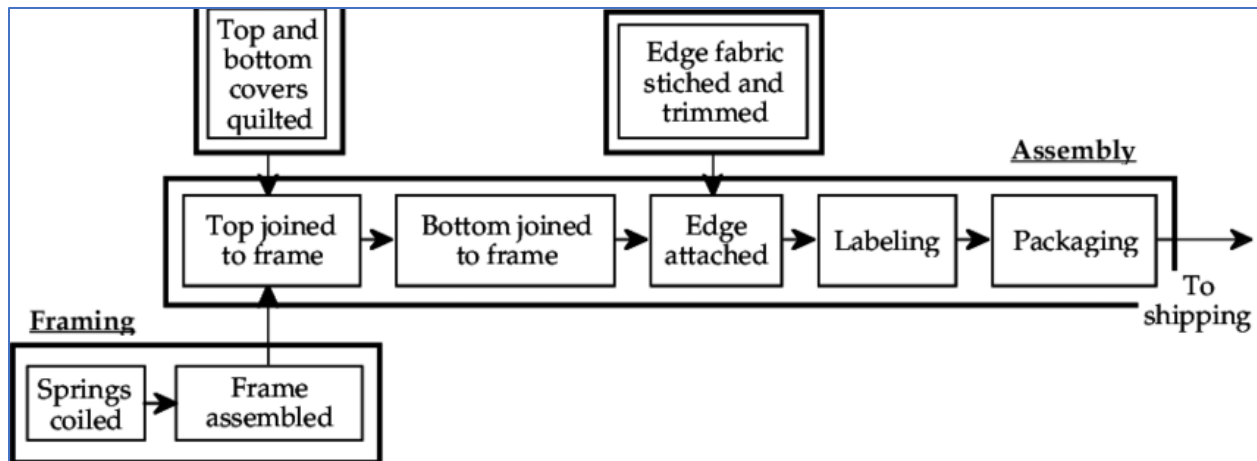


Step 5: Mattress Covering



Step 6: Packing of Finished Goods

Below schematics show the detailed processes from cutting onwards.



The entire production process will be categorized into three major steps.

RAW MATERIALS	GRADING AND SIZING	QUALITY CONTROL
<p>1. Mattresses manufacturing is raw-material demanding which requires more than one type of raw material type into the production equation.</p> <p>2. Mattresses are presently made of many materials, both natural and synthetic. The innerspring, helical, and boxspring components are made from wire; the boxspring wire is usually of a heavier gauge than that used in the innerspring.</p> <p>1. The insulator consists of semi-rigid netting or wire mesh, and the cushioning layers can comprise a number of different materials including natural fiber, polyurethane foam, and polyester.</p> <p>2. The flanges are made of fabric, and the hogs rings of metal. Top, bottom, and side panels consist of a durable fabric cover quilted over a backing of foam or fiber, and the binding</p>	<p>•One of the key steps in making the mattress before selling to the final user is the decision on the size and grade quality for a particular target market.</p> <p>•Due to inherent costs of mattress production and requirements of market segmentation, the manufacturer is then required to grade and size the mattress accordingly.</p> <p>•In terms of grading, Dodoma Comfort Ltd. shall mainly make the following grades;</p> <ul style="list-style-type: none"> •16 density foam •23 density foam •35 density foam 	<p>During the manufacturing phase most quality control procedures are carried out by sight. The majority of manufacturers implement inspections at critical points in the production process: after receiving the innerspring, before the closing, and before packing.</p> <p>The Dodoma Comfort Ltd. Well plans to set up a separate quality control unit that will be solely responsible in overseeing the issues of quality before the mattresses are finished in the manufacturing process.</p> <p>The quality control unit will be responsible in ensuring that the mattresses conform to the stipulated standards by Tanzania Bureau of Standards, as well as International Standards Organisation (ISO).</p>

3.1.2. MACHINERY AND EQUIPMENT REQUIREMENTS

One complete plant of foam making machinery is required to manufacture foam blocks through three highly acknowledged processes. Max continuous foam process, Batch foaming and rebounded foam plant are the latest methods of production. Advance techniques in machinery enhance the overall quality of foam. The machinery is charged with Toulene-di-isocynate, Polyol, methlene chloride, stannous octane, Amine and Silicon, which results in the most advance

chemical reaction. All these chemicals are fed by the imported chemical pump to the mixing head. The three main processes are shown in the pictures below.



Max Continuous Foam



Rebound Foam Machine

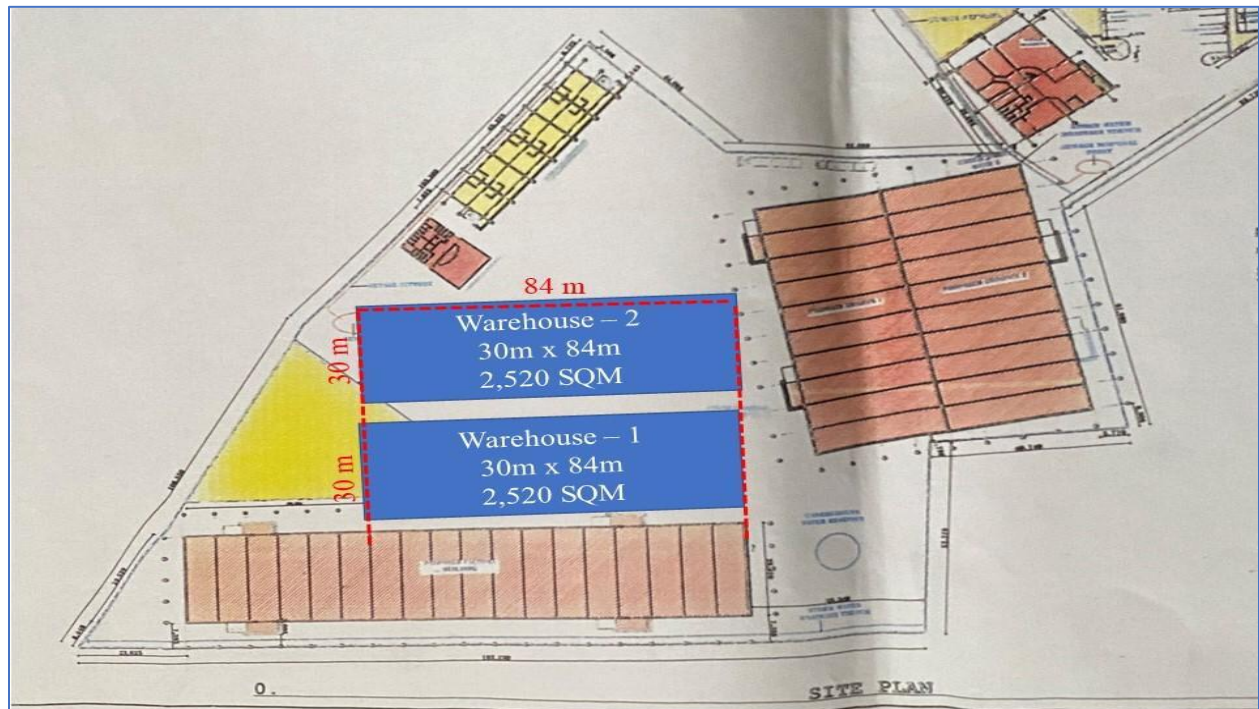


Continuous Production

Other machines involved include cutters, sewing machines, sealing machines etc. In order to create efficient operations, a mattress factory normally has more than one production line.

3.1.3. FACTORY LAYOUT AND LABOR INPUTS

While each factory is developed uniquely to the standard of the operators and on best recommendations from consultants after a thorough analysis of zoning requirements and construction regulations in the area, a typical mattress factory has a look and feel layout shown below.

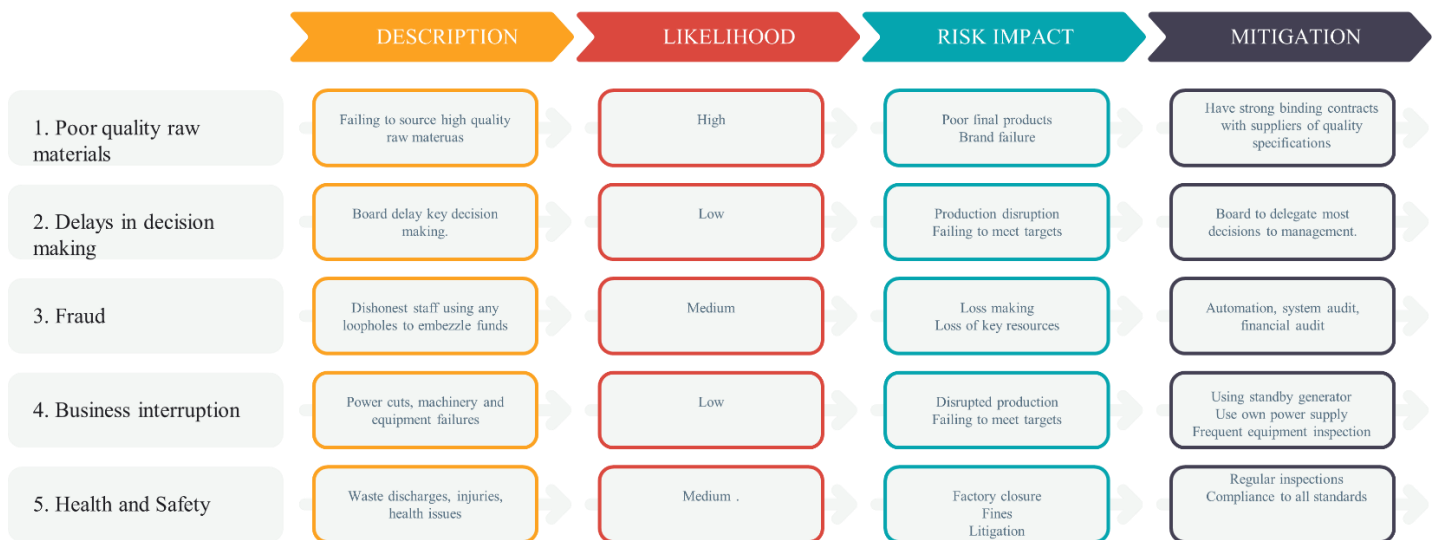


Labor input will largely depend on the production capacity and general factory layout. We estimate about 100 direct jobs will be created by the company in the factory and another 30 in administrative roles.

3.2. RISKS AND MITIGATIONS

The company has identified operational risks and business risks as two major risks facing the company. Some of the risks identified can be mitigated/ diversified and others cannot be mitigated. Description of each risk, likelihood of occurrence and impact to the business is provided in the drawings below.

OPERATIONAL RISKS



The company understands that with each risk, probability of occurrence and severity are other key aspects to take into account and hence proposed mitigations for each type of operational risk. Similar observations are made for business risks.

BUSINESS RISKS

	DESCRIPTION	LIKELIHOOD	RISK IMPACT	MITIGATION
1. Price war	Competitors lowering prices	High	Poor product sales Low market penetration	Focus on quality of products Lobby for import duties against imports
2. Affordability risk	Quality product resulting in not very low prices	High	Poor product sales Low market penetration	Increase efficiency to lower production costs, and sell cheaply
3. Credit risk	Selling products on selected retailers and wholesalers, failing to pay on time	Medium	Affecting cash flows	Short credit cycles Prioritize cash sales
4. Suppliers risk	Suppliers supplying poor raw materials	High	Poor product quality	Contracts binding suppliers on quality
5. Brand perception	Market perceiving it as a cheap product	Low	Low market penetration	High quality products Stylish and fashionable Marketing campaigns & ambassadors

The above risks have been identified and proper mitigation provided. However, the company is exposed to another set of risks that cannot be mitigated. These risks are mostly external to the company and they include issues beyond control of the company. Non-diversifiable risks are depicted below.

NON-DIVERSIFIABLE RISKS

	DESCRIPTION	LIKELIHOOD	RISK IMPACT	MITIGATION
1. Inflation	Increase in prices and costs of production	Low	Price increase of our products Reduced margins	Factoring inflation in financial forecast and budgeting
2. Exchange rate	Loss of shilling value against major currencies	High	Increased costs of production	Factoring in budgeting Hedging where necessary
3. Policy changes	Change of policies that can affect industry practices	Medium	Increased prices of raw materials	Lobbying Start own ranches (in the long run)
4. Natural disasters	Fire floods	Low	Business disruption Loss of property	Take all precautionary measures Using insurance
5. Covid-19	Shutdowns in export markets, economic hit among retailers and consumers	High	Poor product sales Low export sales	Focus on domestic market and markets where there are shutdowns Export sales via online stores

3.3. MARKETING ANALYSIS

The company marketing strategy will involve the 7 Ps. 7Ps refer to the market strategy that dives deep into People, Place, Physical evidence, Promotion, Price, Process and Products. These are described below.

P1. People: Our sales and marketing team must be well trained and conversant with our products. A great customer service will be central to staff reviews.

P2. Place: Our products will be distributed via physical stores and online stores.

P3. Physical evidence: Visual visibility will be important to appeal to customers. This will include modern stores and interactive online store designs

P4. Promotion: The Company will use all traditional and modern channels to advertise and promote our products. From mainstream media to social media.

P5. Price: Company price will be competitive against products of similar quality. Pricing will be discriminative, there will be products for mass market, and products for prime market.

The company will use a diversified pricing strategy to ensure that we remain competitive but at the same time reflective of the target market purchasing power. The Company will deploy the following pricing strategies in the next 5 years.

- Pricing for market penetration – This will be used for products that can face fierce competition to enter the market.
- Bundle pricing – This will be used for such products that can be bundled, especially the ones to be sold online, mix of slow and fast-moving products, and for retailers.
- Premium pricing – This will be used for high-end products targeting high-end markets.
- Economy pricing – This will be used for “bottom of the pyramid” consumers who are price-sensitive.

P6. Process: Sales and marketing head will ensure that sales funnel, ordering, payment, delivery, returns, and customer relationships are sharp, shorter and seamless. There shall be three different approaches in selling our products, as indicated below:

- Direct to consumer – This will be done through our own stores and through our online store. This generates higher margins.
- Through retailers – This will be done by selling to retailers, who will sell to consumers.
- Distribution agents/wholesalers – This will be done in market areas where selling to retailers will be less economical.

P7. Products: Allergy-free mattresses & pillows, 100% foam sofas, 16 density foams, 35 density foams, life-guarantee mattresses, Extra cooling mattresses.

3.3.1. MEDIA AND ADVERTISING (PROMOTION)

The company shall engage in an aggressive media campaign to promote its products. The campaign is part of the 7Ps of marketing. Promotion strategy will involve mainstream media advertising, print media, digital media, personal engagements.



3.3.2. DISTRIBUTION AND LOGISTICS

The company products shall be distributed throughout the country. Distribution will be divided into zones.



Distribution activities will be supported by a fleet of medium and large size trucks. These will be deployed to each zone. A sales hierarchy has been designed to ensure products reach the intended market as per plan. The company sales strategy will focus to achieve three main objectives:

- Revenue
- Footprint
- Product Development.

Sales team will engage on an aggressive sales strategy. The strategy will involve direct sales, cold and warm calling, social media leads, credit, cross-selling and freelancing. In each strategy, the aim is to maximize revenue, increase footprint and improve product development. The sales hierarchy below provides in-depth perspective into the organization of sales and distribution activity.



However, the company understands that effective sales and distribution strategy comes handy with proper practices and exceptional customer service. The company customer care strategy will support the company's bid to bring successful sales. The company customer care charter will focus on five key objectives:

Objective 1: Timely resolution of customer queries and complaints.

Objective 2: Enhance customer satisfaction.

Objective 3: To build customer loyalty.

Objective 4: Good customer service team.

Objective 5: Customer care omni-channels.

CHAPTER 4

FINANCING ANALYSIS

4.1. INVESTMENT ANALYSIS

Establishment of such a plant requires major investments. Investment will be in the areas of recruitment and staffing, plant and machinery, distribution and warehousing, marketing and advertising, raw material importation to mention just a few. Total required investment for the project is TZS 19.57BN before working capital. Below, we provide details of the financing requirements and financing plans.

4.1.1. ASSET FINANCING REQUIREMENT

The list of assets required under this investment is shown below.

SN	Item	Amount (TZS)
1	Land	4,000,000,000
2	Building and Civil Works	8,412,000,000
3	Plant and Equipment	4,999,235,000
4	Office Furniture & Equipment	100,000,000
5	Motor Vehicles	1,863,450,000
6	Generator (240KV)	200,000,000
	Total	19,574,685,000

The shareholders have made further investment of TZS 2.5billion in warehousing with holding capacity of 25,000 mattress pieces at once. The warehouse is located at Keko Chang'ombe and will form part of the company pledge to lenders in ascertaining investment. The warehouses will be the extension of the Vikindu factory and will be solely for distribution of Dodoma Comfort products. This investment has not been included in the company computation of investment requirements for the project.

4.1.2. WORKING CAPITAL REQUIREMENTS

The working capital requirements of the company for the forecasted period are shown below. Key inputs into the calculation includes working capital movement of inventory, debtors and creditors which creates a cash flow gap of about 60 days.

FORECASTED WORKING CAPITAL GAP: TZS millions										
Particulars	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Sales	11,377	11,807	18,399	21,923	34,111	35,382	55,047	57,095	81,881	84,923
Annual Cost of Sales	6,866	7,126	11,105	13,232	20,588	21,355	33,224	34,460	49,421	51,256
Gross Profit	4,510	4,681	7,294	8,691	13,523	14,027	21,823	22,634	32,461	33,667
GP Margin	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Inventory	1,129	1,171	1,825	2,175	3,384	2,633	4,096	4,249	6,093	6,319
Debtors	935	970	1,512	1,802	2,804	1,454	2,262	2,346	3,365	3,490
Creditors	564	586	913	1,088	2,538	2,633	4,096	4,249	8,124	8,426
Average Inventory Days	60	60	60	60	60	45	45	45	45	45
Average Debtor Days	30	30	30	30	30	15	15	15	15	15
Average Creditor Days	30	30	30	30	45	45	45	45	60	60
Cash Gap Days	60	60	60	60	45	15	15	15	0	0
Daily Cost of Sales	19	20	30	36	56	59	91	94	135	140
Working Capital Gap	1,129	1,171	1,825	2,175	2,538	878	1,365	1,416	0	0

4.2. FINANCING PLAN

The project will be financed through a mix of debt and equity. Company will place its equity which has been contributed by the company shareholders. Equity includes land and part of the building works done to the site. Debt will be solicited from local and international financiers. The company is in talks with some local banks, venture capitalists and Export Credit Agencies (ECA) to finance part of/ all the remaining works at the Vikindu factory site. The composition of debt to equity sought in financing the project is here below:

SN	Item	Total Amount (TZS)	Bank Finance	Equity Finance	Composition
1	Capex Funding	19,574,685,000	10,863,000,000	8,712,000,000	55:45
2	Working Capital Funding	2,500,000,000	2,500,000,000	0	100%
	Total	22,074,685,000	13,363,000,000	8,712,000,000	

Inclusion of the Chang'ombe investment will increase shareholders/company contribution to the project to TZS 11.2billion making the capex contribution composition of 57% (equity) to 43% (debt)

CHAPTER 5

FINANCIAL ANALYSIS

5.1. PLANNED GROWTH

Key Milestones



5.2. FORECASTED INCOME STATEMENT

The company has projected its revenue, expenses, assets, liabilities and movement of equity based on a set of data from the market and company research. The company vision. Mission and objectives have been used to adjust some assumptions where necessary. These assumptions have been modeled using the comparative market methodology to provide the company with a forecasted statement of revenue and expenses and statement of financial position.

FORECASTED INCOME STATEMENT

Particulars	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
	Million	Million	Million	Million	Million	Million	Million	Million	Million	Million
Revenue	11,377	11,807	18,399	21,923	34,111	35,382	55,047	57,095	81,881	84,923
Costs of Sales	6,866	7,126	11,105	13,232	20,588	21,355	33,224	34,460	49,421	51,256
Gross Profit	4,510	4,681	7,294	8,691	13,523	14,027	21,823	22,634	32,461	33,667
LESS: OPERATING EXPENSES										
Administrative Expenses	451	452	570	612	757	979	1,210	1,234	2,101	2,162
Salaries & Wages	496	515	802	956	1,488	1,543	2,400	2,490	3,571	3,703
Depreciation Charge	1,240	1,222	1,141	1,065	994	1,841	1,718	1,604	2,671	2,624
Total Operating Expenses	2,187	2,189	2,513	2,633	3,238	4,362	5,329	5,328	8,343	8,489
Operating Profit (EBIT)	2,323	2,491	4,781	6,058	10,284	9,664	16,493	17,307	24,117	25,178
Finance Expenses	1,908	1,831	1,645	1,432	1,186	904	581	388	388	388
Profit/(Loss) Before Tax (EBTA)	415	661	3,136	4,626	9,098	8,760	15,913	16,919	23,730	24,790
Tax Expense	124	198	941	1,388	2,729	2,628	4,774	5,076	7,119	7,437
NP/(Loss) After Tax	290	463	2,195	3,239	6,369	6,132	11,139	11,843	16,611	17,353

Detailed assumptions are as discussed below.

5.2.1. REVENUE ASSUMPTIONS

Revenue is a function of quantity to be produced and pricing. The company is intending to install a foam manufacturing plant with a total annual capacity of 7,000 tons. In the beginning, capacity utilization shall be placed at 50%. This shall gradually increase during the forecast period to reach the desired 7,000 tons. The company's marketing strategy shown in this plan will enable smooth penetration into the market and si the company products get recognition, economies are built.

Further investments will be made in the future. However, the revenue assumptions in this report are based on “as is” assumptions.

With prices of products moving according to market dynamics, the company shall be making adjustments based on prevailing inflation when it is necessary to do so. Price inflation is taken on the available data source from various economic forecast sources including trading economies and other resources.

Price Assumption: To arrive at the optimal price choice, the company has taken the 6x4 size to be the benchmark for all prices. 6x4 is the average size of mattress affordable to middle- and lower-income categories. Price matrix is shown below.

Size	Description	MRSP (TZS)
6x4	Uncovered	98,900
6x4	Covered	104,400
6x4	Tape Edge Cover	121,700
Recommended Price Assumption		108,333

Price assumption has ignored the Tape Edge Quilted Mattress, and Tape Edge Orthopedic Mattresses which have low purchase volumes.

REVENUE PROJECTIONS

PLANT AT X % PRODUCTION CAPACITY

Details	Measure	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Plant Capacity	Metric Tons	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Production Capacity	Metric Tons	1,500	1,500	2,250	2,250	3,375	3,375	5,063	5,063	7,000	7,000
Capacity Utilization	Percentage	21%	21%	32%	32%	48%	48%	72%	72%	100%	100%
Weight of 6 X 4 mattress	Kgs	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30	7.30
Produced Mattresses per ton	Units	205,479	205,479	308,219	308,219	462,329	462,329	693,493	693,493	958,904	958,904
Avg Price of 6x4 mattress	TZS	112,992	117,263	121,824	127,014	131,752	136,659	141,743	147,016	152,483	158,147
Average Revenue per Annum	TZS "Mn"	23,217	24,095	37,549	39,148	60,913	63,181	98,298	101,955	146,217	151,648

Sales Volume Adjustments: The company has taken an assumption that only 70% of products will be sold at a given production time. The remaining 30% will be in stock at any closing time. Sales will be 65% cash and 35% credit. Credit terms shall be limited to 30 days.

ADJUSTED PROJECTED REVENUE

Details	Measure	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Projected Production Capacity	Metric Tons	1,500	1,500	2,250	2,250	3,375	3,375	5,063	5,063	7,000	7,000
Projected Production	Metric Tons	1,050	1,050	1,575	1,800	2,700	2,700	4,050	4,050	5,600	5,600
Produced Mattresses (6 X 4 Mattress)	Units	143,836	143,836	215,753	246,575	369,863	369,863	554,795	554,795	767,123	767,123
Sales Volume per Production	%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Projected Unit Sold	Units	100,685	100,685	151,027	172,603	258,904	258,904	388,356	388,356	536,986	536,986
Revenue Projections	TZS "Mn"	11,377	11,807	18,399	21,923	34,111	35,382	55,047	57,095	81,881	84,923

5.2.2. COST AND EXPENSES ASSUMPTIONS

Except for Cost of sales, which has been taken at industry average, and personnel costs which have been taken at the market rates, the remaining costs have been assumed at percentage of revenue.

Direct Costs: Direct costs shall be maintained at 60% of revenue throughout the period. The 60% has been achieved at using industry standard margins after considering cost of raw materials, direct labor, and other direct inputs.

Depreciation: Depreciation for fixed assets shall be computed on straight line method. Useful life of assets, as guided by the Income Tax Act 2004, for land and buildings has been taken at 20 years while plant and machinery has been taken at 10 years. To remain prudent and accelerate its assets, the company has taken an average useful life of 15 for these major fixed assets.

Finance Costs: Finance costs are a function of loan amount required, accepted rate of interest and loan tenor. With the budgeted loan finance of TZS 10.86billion at 14% discount rate for a period of 84 months, interest and finance costs can be amortized and has been captured as such.

5.3. PROJECTED BALANCE SHEET

The forecasted balance sheet is shown below.

PROJECTED BALANCE SHEET IN TZS										
Period	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Particulars	Million	Million	Million	Million	Million	Million	Million	Million	Million	Million
Property, Plant & Equipment	18,270	17,052	15,915	14,854	13,864	25,728	24,013	22,412	37,361	36,697
Non-current assets	18,270	17,052	15,915	14,854	13,864	25,728	24,013	22,412	37,361	36,697
Cash, Bank	51	435	1,473	3,669	8,383	2,679	6,107	12,954	6,494	14,918
Trade debtors	935	970	1,512	1,802	2,804	1,454	2,262	2,346	3,365	3,490
Inventory	1,129	1,171	1,825	2,175	3,384	2,633	4,096	4,249	6,093	6,319
Total Current Assets	2,114	2,577	4,810	7,646	14,571	6,766	12,465	19,549	15,952	24,727

TOTAL ASSETS	20,384	19,629	20,725	22,499	28,434	32,494	36,478	41,961	53,313	61,424
Trade Creditors	564	586	913	1,088	2,538	2,633	4,096	4,249	8,124	8,426
Total Current Liabilities	564	586	913	1,088	2,538	2,633	4,096	4,249	8,124	8,426
Long term loan	10,863	9,620	8,191	6,549	4,662	2,493	0	0	0	0
Total Long-Term Liabilities	10,863	9,620	8,191	6,549	4,662	2,493	0	0	0	0
Total Liabilities	11,427	10,205	9,104	7,637	7,200	5,126	4,096	4,249	8,124	8,426
Retained Earnings	245	711	2,909	6,151	12,522	18,657	23,670	29,001	36,477	44,286
Share Capital	8,712	8,712	8,712	8,712	8,712	8,712	8,712	8,712	8,712	8,712
Shareholders' funds	8,957	9,423	11,621	14,863	21,234	27,369	32,382	37,713	45,189	52,998
TOTAL LIABILITIES AND EQUITY	20,384	19,629	20,725	22,499	28,434	32,494	36,478	41,961	53,313	61,424

Property, Plant and Equipment (PP&E): Has been taken considering the investment to be made. Financing of assets shall be through composition of debt and equity. Debt will be solicited at 55% of total investment while equity will be solicited at 45% of total investment. The company shall consider asset improvement every few years to maintain a healthy balance sheet.

Working capital assets such as debtors and inventory will be financed through bank finance and internal cash flows. The working capital requirement has been arrived at using inventory days of 60, debtors days of 30 and creditors' days of 30 making creating a cash flow gap of 60 days which requires financing. Fluctuations in the working capital movements of the business shall make varying requirements. Average working capital financing required is thus TZS 2.5billion.

5.4. VALUATIONS AND RATIO ANALYSIS

Using the submitted forecast numbers and assumptions, various project viability measures have been performed. It can be shown that the project will have a Net Present value (NPV) of TZS 1.1billion. the project will return its investment within the first 6 years as shown by the Discounted Payback Period of 5.2years which is considered satisfactory. On the other hand, project Internal

Rate of Return (IRR) of 15% will be achieved. IRR is normally desired to be greater than the discount rate used in the forecast model to indicate project viability.

CHAPTER 6

CONCLUSION

From the foregoing narratives, it is evident that the project will be favored by growth of manufacturing sector which is one of the top contributors to the national Gross Domestic Product (GDP) as the global economy slowly recovering from the effects of Covid-19 pandemic. The project promoters have a long-term experience in this sector.

In addition, various investment parameters, taken at their conservative values, have supported the project positively. However, since the company intends to solicit funding from external parties, financing decisions shall remain at the lenders' discretion.

APPENDIX 2: INTEREST COVERAGE RATIO

Particulars/Years	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
ICR	1.18	1.36	2.91	4.23	8.67	10.69	28.42	44.67	62.25	64.98
EBIT	2,258	2,496	4,785	6,062	10,288	9,668	16,497	17,310	24,120	25,180
Interest Rate	1,908	1,831	1,645	1,432	1,186	904	581	388	388	388

APPENDIX 3: DSCR AND SENSITIVITY ANALYSIS

Particulars/Years	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
DSR	1.87	1.21	1.93	2.32	3.67	3.74	5.93	48.80	69.13	71.75
EBIDA	3,563	3,714	5,922	7,123	11,279	11,506	18,212	18,911	26,789	27,802
Total Payment (P+I)	1,908	3,074	3,074	3,074	3,074	3,074	3,074	388	388	388
EBIDA Drop by 10%	3,207	3,343	5,330	6,411	10,151	10,355	16,391	17,020	24,110	25,021
DSR	1.68	1.09	1.73	2.09	3.30	3.37	5.33	43.92	62.22	64.57
EBIDA Drop by 15%	3,029	3,157	5,034	6,055	9,587	9,780	15,480	16,074	22,771	23,631
DSR	1.59	1.03	1.64	1.97	3.12	3.18	5.04	41.48	58.76	60.98
EBIDA Drop by 20%	2,851	2,971	4,738	5,699	9,023	9,204	14,570	15,129	21,431	22,241
DSR	1.49	0.97	1.54	1.85	2.94	2.99	4.74	39.04	55.31	57.40
EBIDA Drop by 25%	1,924	2,006	3,198	3,847	6,090	6,213	9,835	10,212	14,466	15,013
DSR	1.01	0.65	1.04	1.25	1.98	2.02	3.20	26.35	37.33	38.74