SUNBELT MATTRESS COMPANY LIMITED

BUSINESS PLAN FOR PRODUCTION OF MATTRESS

Prepared by:
SMCL – MAR. 2024

1.0 EXECUTIVE SUMMARY

1.1 INTRODUCTION

Ms. SUNBELT MATTRESS COMPANY LIMITED is a company that is legally registered to operate in Tanzania for the manufacture and sale textile based materials. The company is officially registered under the Companies Act, 2002 for which it holds Certificates of Incorporation No. **173379994** issued on 26th March, 2024.

The Company is in the process of investing its activities which involves the acquisition of machines for the Dar es Salaam based factory .To accomplish this venture the Company will need an investment equal to US $ 1,372,000.

The report which follows is about the technical, financial and economic viability of this project for the production of various types of MATTRESS for the local and foreign market.

1.2 PROMOTERS AND SPONSORS

The project promoters are businesspeople based in Dar es Salaam city; entrepreneurs with strong professional and business experience in the manufacturing of MATTRESS.

	SHAREHOLDER	ADDRESS	% SHARES	NATIONALITY
1	SUN LIANZHONG	Box 19088 DR ES SALAAM	80	Chinese
2	ZHU XUSHENG	Box 19088 DR ES SALAAM	20	Chinese

1.3 THE MARKET

MATTRESS have a ready market to the extent that selling of Company products will not be a problem despite the presence of other MATTRESS manufacturers in the country. **Ms. SUNBELT MATTRESS COMPANY LIMITED** will modernized its manufacturing unit; observes stringent quality control measures and strengthens the service support system to ensure quality product and services. The Company's innovations and time-to-time introduction of new products has all along helped the Company to position itself as market leader in quality MATTRESS.

1.4 THE PROJECT OBJECTIVE AND PROJECT LOCATION

The project's main overall objective is the setting up new manufacturing plant in Dar es Salaam of MATTRESS, bed bases and for outright sale to customers, directly or through middlemen and to export in neighboring countries.

1.5 PROJECT LOCATION

In Dar es Salaam the project is located on Plot in Kigamboni, Kisarawe II, Kigogo street.

1.6 ESTIMATED CAPITAL COST

The Company plans to carry out its operations on rented premises, which exempt it form making any investment on land acquisition and construction of factory buildings. This being the case it means that the project's general investment will only comprise of the acquisition of the needed machines and their installations; the purchase of distribution trucks, etc as briefly summarized below. This investment is estimated at US $ 1,312,000.

INVESTMENT SUMMARY: US $

		US $
1	Land and Building	320,000
2	Machinery & Equipment	870,000
3	Motor vehicles	102,000
4	Furniture & Fittings	15,000
5	Pre-operational costs	5,000
	TOTAL	**1,312,000**

1.7 FINANCING PLAN

The project will require capita investment cost estimated at US $ 1,312,000 which will be financed by both equity and loan funds. The project sponsors are lined up to provide US $283,000 or 25% of this amount; while the remaining investment amount will be in the form of a Bank loan put at US $ 1,029,000 or 75% of the whole investment.

The project promoters will seek a financial loan from one of the commercial banks operating in the country. The loan amount will be obtained on the following term and conditions: The Loan Amount: US $ 1,029,000 bearing an annual interest rate of 15% repayable within 5 years after a grace period of one year.

1.8 PROFITABILITY AND LIQUIDITY

A summary of the Profit and Loss accounts and Cash flow for the first three years of operation is as follows:

	YEAR/ITEM DESCRIPTION	**1**	**2**	**3**
1	Sales Revenue	14,400,000	20,160	23,040,000
2	Gross Profit	1,510,000	4,870,000	5,690,000
3	Profit before Tax	1,105,320	4,502,376	5,359,432
4	Accumulated Cash Balance	782,024	3,942,047	7,702,009

The Internal Rate of Return, IRR, of the project is over 80% while the Payback period of initial investment in fixed assets is less than 2 years. These financial indicators show that the project is financially viable.

1.9 DEVELOPMENTAL VALUES

The developmental aspects of the project include the following:

(i) The project is an import substitution type thus will earn and save substantial foreign exchange for the Company and the country in general

(ii) The Company's high quality goods coupled with the Company's effective, efficient and timely delivery of its products to its customers will greatly market the Company's products and Tanzania as a whole

(iii) The project will generate additional direct employment opportunities to 92 most of whom are currently unemployed.

1.10 CONCLUSION AND RECOMMENDATION

The analysis of the project as presented in this report shows that the project is technically, financially and economically viable. The project will endeavor to improve it provision of services to meet customers' satisfaction.

The aspect of the project and the introduction will provide direct employment to 92 people most of whom are currently unemployed, and will contribute heavily to the government coffers in the form of corporate tax and will be a source of foreign exchange earning for the country.

The project is a well considered undertaking, since it is financially, economically and socially viable, thus worth of undertaking and requiring the support of all concerned Government Ministries and the several departments and agencies under them.

Commercial operations of this project are expected to contribute greatly in boosting up internal, regional and intraregional trade within Tanzania, EAC member states and between the COMES and SADC countries as a whole.

2.0 THE PROJECT

Ms. **SUNBELT MATTRESS COMPANY LIMITED** formed in producing and manufacturing a variety of high quality MATTRESS all based at Kigamboni Dar es Salaam. The Company products consists of items such Cushion sets, Spring MATTRESS, Rebonded foam Orthopedic MATTRESS, Complete bed sets, Cushion sets,; plus the recently introduce products new MATTRESS, bed bases and pillows sheets.

The investment aspect of the Company at this phase will involve undertaking the following activities:-

- Purchase of the required machinery and equipment
- Importation of raw materials for manufacturing the planned items
- Purchase of additional commercial motor vehicles for the collection of raw materials and for the distribution of finished products
- Etc

2.1 PROJECT SPONSOR

Sun Lianzhong and Zhu Xusheng are the majority shareholder of the Company, and all are from People Republic of China. They are profession entrepreneur having more than 8 years experience in business operations.

Ms. **SUNBELT MATTRESS COMPANY LIMITED** authorized share capital is Tanzanian shillings One Billion (TZS 500,000,000/=) which is divided into 10,000 shares with each share equal to Tanzanian shillings One hundred thousand, (TZS 50,000/=)

2.2 PROJECT LOCATION

In Dar es Salaam the project is located on Plot in Kigamboni, Kisarawe II, Kigogo street.

3.0 INVESTMENT COST AND FINANCING

3.1 Investment Cost USD $ 1,312,000

The establishment of textile material production unit have been estimated to require an investment equal to US $ 1,312,000

3.1.1 PLANT AND MACHINERY US $ 870,000

The Company has already identified and specific several machines and equipment that will be needed to accomplish this planned aspect of the project. These machines have an estimated cost value of US $ 870,000 and these include:

- Complete and continuous slab stock flexible foaming plant with tanks, RS system and block cutter, trough US $ 600,000
- Round block production equipment US $ 10,000
- Mwanza plant ancillary machines US $ 120,000
- Quilting and carousal/contouring machine US $ 80,000
- Air conditioned insulated chemical day tank and its installation US $ 10,000
- Electrical installation US $ 20,000
- Installation and commissioning at Dar and Mwanza US $ 30,000

Some of these plant, machinery and equipment will be imported from India and China. The total value of US $ 870,000 as per the current exchange rate of 1 US$ = TZA 2,100 will be equal to TZS 1,392,000,000/=

3.1.2 MOTOR VEHICLES US $ 102,000

The project will require, a number of vehicles to facilitate its operations; and the following number of vehicles have been identified for this purpose, namely: 3 units of 3-tonner delivery vans each at a cost of US $ 8,000; 2 units of 4WD vehicles each at the cost of US $ 10,000; one 4WD vehicle for the use of the Managing Director; and 3 units of vehicles for Company's administrative use.

3.1.3 FURNITURE AND OFFICE EQUIPMENT US $ 15,000

It is planned to purchase standard office furniture and equipment an estimated cost of USD $ 15,000 for the plant.

3.1.4 PRE-OPERATIONAL EXPENSES US 5,000

Pre-operational expenses amounting to USD $ 5,000 has been spent by the Company as legal and professional fees; Printing and stationer, TIC registration fees, recruitment expenses, etc. in the course of effecting this aspect of the project.

		US $

1	Land and Building	320,000
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5	Pre-operational costs	5,000
	TOTAL	**1,312,000**

3.2 Proposed Financing Plan

The project will require capita investment cost estimated at US $ 1,312,000 which will be financed by both equity and loan funds. The project sponsors are lined up to provide US $283,000 or 25% of this amount; while the remaining investment amount will be in the form of a Bank loan put at US $ 1,029,000 or 75% of the whole investment.

3.2 INTEREST AND LOAN REPAYMENT

The loan of US $ 1,029,000 is expected to be obtained on the following and conditions: the loan will have an interest rate of 15% and it will be repaid in 5 years' time and it will have no grace period.

YEAR	Inward balance	Annual repayment	Annual interest 15%	TOTAL
1	772,000	205,800	115,80092,640	270,200
2	617,600	205,800	69,480	247,040
3	463,200	205,800	46,320	223,880
4	308,800	205,800	23,160	200,720
5	154,400	205,800	347,400	177,560
TOTAL		**1,029,000**		**1,119,400**

4.0 IMPLEMENTATION SCHEDULE

This aspect of the project is planned to be implemented as soon as possible, possibly within a period of two years, all together since there are no construction works to be undertaken because factory buildings are already there.

Delivery of plant machinery and equipment and their subsequent installations and plant commissioning are the major aspects of the project to be implemented.

5.0 TEXTILE MANUFACTURING PROCESS

Textile manufacturing is a major industry. It is based on the conversion of fibre into yarn, yarn into fabric. These are then dyed or printed, fabricated into clothes. Different types of fiber are used to produce yarn. Cotton remains the most important natural fibre, so is treated in depth. There are many variable processes available at the spinning and fabric-forming stages coupled with the complexities of the finishing and colouration processes to the production of a wide ranges of products. There remains a large industry that uses hand techniques to achieve the same results

Cultivating and harvesting

Cotton is grown anywhere with long, hot dry summers with plenty of sunshine and low humidity. Indian cotton, gossypium arboreum, is finer but the staple is only suitable for hand processing. American cotton, gossypium hirsutum, produces the longer staple needed for machine production. Planting is from September to mid November and the crop is harvested between March and June. The cotton bolls are harvested by stripper harvesters and spindle pickers, that remove the entire boll from the plant. The cotton boll is the seed pod of the cotton plant, attached to each of the thousands of seeds are fibres about 2.5 cm long.

Ginning

The seed cotton goes in to a Cotton gin. The cotton gin separates seeds and removes the "trash" (dirt, stems and leaves) from the fibre. In a saw gin, circular saws grab the fibre and pull it through a grating that is too narrow for the seeds to pass. A roller gin is used with longer staple cotton. Here a leather roller captures the cotton. A knife blade, set close to the roller, detaches the seeds by drawing them through teeth in circular saws and revolving brushes which clean them away.

The ginned cotton fibre, known as lint, is then compressed into bales which are about 1.5 m tall and weigh almost 220 kg. Only 33% of the crop is usable lint. Commercial cotton is priced by quality, and that broadly relates to the average length of the staple, and the variety of the plant. Longer staple cotton (2½ in to 1¼ in) is called Egyptian, medium staple (1¼ in to ¾ in) is called American upland and short staple (less than ¾ in) is called Indian.

The cotton seed is pressed into a cooking oil. The husks and meal are processed into animal feed, and the stems into paper.

Preparatory processes - preparation of yarn

Ginning, bale-making and transportation is done in the country of origin.

Opening and cleaning

Platt Bros. Picker

Cotton mills get the cotton shipped to them in large, 500 pound bales. When the cotton comes out of a bale, it is all packed together and still contains vegetable matter. The bale is broken open using a machine with large spikes. It is called an Opener. In order to fluff up the cotton and remove the vegetable matter, the cotton is sent through a picker, or similar machines. The cotton is fed into a machine known as a picker, and gets beaten with a beater bar in order to loosen it up. It is fed through various rollers, which serve to remove the vegetable matter. The cotton, aided by fans, then collects on a screen and gets fed through more rollers till it emerges as a continuous soft fleecy sheet, known as a lap.

Blending,Mixing & Scutching

Scutching refers to the process of cleaning cotton of its seeds and other impurities. The first scutching machine was invented in 1797, but did not come into further mainstream use until after 1808 or 1809, when it was introduced and used in Manchester, England. By 1816, it had become generally adopted. The scutching machine worked by passing the cotton through a pair of rollers, and then striking it with iron or steel bars called beater bars or beaters. The beaters, which turn very quickly, strike the cotton hard and knock the seeds out. This process is done over a series of parallel bars so as to allow the seeds to fall through. At the same time, air is blown across the bars, which carries the cotton into a cotton chamber.

Carding

Carding: the fibres are separated and then assembled into a loose strand (sliver or tow) at the conclusion of this stage.

The cotton comes off of the picking machine in laps, and is then taken to carding machines. The carders line up the fibres nicely to make them easier to spin. The carding machine consists mainly of one big roller with smaller ones surrounding it. All of the rollers are covered in small teeth, and as the cotton progresses further on the teeth get finer (i.e. closer together). The cotton leaves the carding machine in the form of a sliver; a large rope of fibres.

Drawing the fibres are straightened

Several slivers are combined. Each sliver will have thin and thick spots, and by combining several slivers together a more consistent size can be reached. Since combining several slivers produces a very thick rope of cotton fibres, directly after being combined the slivers are separated into rovings. These rovings (or slubbings) are then what are used in the spinning process.

Generally speaking, for machine processing, a roving is about the width of a pencil.

Spinning

Most spinning today is done using Break or Open-end spinning, this is a technique where the staples are blown by air into a rotating drum, where they attach themselves to the tail of formed yarn that is continually being drawn out of the chamber. Other methods of break spinning use

needles and electrostatic forces.This method has replaced the older methods of ring and mule spinning. It is also is easily adapted for artificial fibres.

The spinning machines takes the roving, thins it and twists it, creating yarn which it winds onto a bobbin.

In mule spinning the roving is pulled off a bobbin and fed through some rollers, which are feeding at several different speeds. This thins the roving at a consistent rate. If the roving was not a consistent size, then this step could cause a break in the yarn, or could jam the machine. The yarn is twisted through the spinning of the bobbin as the carriage moves out, and is rolled onto a cylinder called a spindle, which then produces a cone-shaped bundle of fibres known as a "cop", as the carriage returns. Mule spinning produces a finer thread than the less skilled ring spinning.

The mule was an intermittent process, as the frame advanced and returned a distance of 5ft.It was the descendant of 1779 Crompton device. It produces a softer less twisted thread that was favoured for fines and for weft.

The ring was a descendant of the Arkwright water Frame 1769. It was a continuous process, the yarn was coarser, had a greater twist and was stronger so was suited to be warp. Ring spinning is slow due to the distance the thread must pass around the ring, other methods have been introduced.

Checking

This is the process where each of the bobbins is rewound to give a tighter bobbin.

Folding and twisting

Plying is done by pulling yarn from two or more bobbins and twisting it together, in the opposite direction that in which it was spun. Depending on the weight desired, the cotton may or may not be plied, and the number of strands twisted together varies.[15]

Gassing

Gassing is the process of passing yarn, as distinct from fabric very rapidly through a series of Bunsen gas flames in a gassing frame, in order to burn off the projecting fibres and make the thread round and smooth and also brighter. Only the better qualities of yarn are gassed, such as that used for voiles, poplins, venetians, gabardines, many Egyptian qualities, etc. There is a loss of weight in gassing, which varies' about 5 to 8 per cent., so that if a 2/60's yarn is required 2/56's would be used. The gassed yarn is darker in shade afterwards, but should not be scorched.

Finishing- processing of textiles

The woven cotton fabric in its loom-state, not only contains impurities, including warp size, but requires further treatment in order to develop its full textile potential. Furthermore, it may receive considerable added value by applying one or more finishing processes.

Desizing

Depending on the size that has been used, the cloth may be steeped in a dilute acid and then rinsed, or enzymes may be used to break down the size.

Scouring

Scouring, is a chemical washing process carried out on cotton fabric to remove natural wax and non-fibrous impurities (e.g. the remains of seed fragments) from the fibres and any added soiling or dirt. Scouring is usually carried in iron vessels called kiers. The fabric is boiled in an alkali, which forms a soap with free fatty acids (saponification). A kier is usually enclosed, so the solution of sodium hydroxide can be boiled under pressure, excluding oxygen which would degrade the cellulose in the fibre. If the appropriate reagents are used, scouring will also remove size from the fabric although desizing often precedes scouring and is considered to be a separate process known as fabric preparation. Preparation and scouring are prerequisites to most of the other finishing processes. At this stage even the most naturally white cotton fibres are yellowish, and bleaching, the next process, is required.

Bleaching

Bleaching improves whiteness by removing natural coloration and remaining trace impurities from the cotton; the degree of bleaching necessary is determined by the required whiteness and absorbency. Cotton being a vegetable fibre will be bleached using an oxidizing agent, such as dilute sodium hypochlorite or dilute hydrogen peroxide. If the fabric is to be dyed a deep shade, then lower levels of bleaching are acceptable, for example. However, for white bed sheetings and medical applications, the highest levels of whiteness and absorbency are essential

Mercerizing

A further possibility is mercerizing during which the fabric is treated with caustic soda solution to cause swelling of the fibres. This results in improved lustre, strength and dye affinity. Cotton is mercerized under tension, and all alkali must be washed out before the tension is released or shrinkage will take place. Mercerizing can take place directly on grey cloth, or after bleaching.

Many other chemical treatments may be applied to cotton fabrics to produce low flammability, crease resist and other special effects but four important non-chemical finishing treatments are:

Singeing

Singeing is designed to burn off the surface fibres from the fabric to produce smoothness. The fabric passes over brushes to raise the fibres, then passes over a plate heated by gas flames.

Raising

Another finishing process is raising. During raising, the fabric surface is treated with sharp teeth to lift the surface fibres, thereby imparting hairiness, softness and warmth, as in flannelette.

Calendering

Calendering is the third important mechanical process, in which the fabric is passed between heated rollers to generate smooth, polished or embossed effects depending on roller surface properties and relative speeds.

Shrinking (Sanforizing)

Finally, mechanical shrinking (sometimes referred to as sanforizing), whereby the fabric is forced to shrink width and/or lengthwise, creates a fabric in which any residual tendency to shrink after subsequent laundering is minimal.

Dyeing

Finally, cotton is an absorbent fibre which responds readily to colouration processes. Dyeing, for instance, is commonly carried out with an anionic direct dye by completely immersing the fabric (or yarn) in an aqueous dyebath according to a prescribed procedure. For improved fastness to washing, rubbing and light, other dyes such as vats and reactives are commonly used. These require more complex chemistry during processing and are thus more expensive to apply.

Printing

Printing, on the other hand, is the application of colour in the form of a paste or ink to the surface of a fabric, in a predetermined pattern. It may be considered as localised dyeing. Printing designs onto already dyed fabric is also possible.

Economic, environmental and political consequences of cotton manufacture

The consumption of energy in form of water and electricity is relatively high, especially in processes like washing, de-sizing, bleaching, rinsing, dyeing, printing, coating and finishing. Processing is time consuming. The major portion of water in textile industry is used for wet processing of textile (70 per cent). Approximately 25 per cent of energy in the total textile production like fibre production, spinning, twisting, weaving, knitting, clothing manufacturing etc. is used in dyeing. About 34 per cent of energy is consumed in spinning, 23 per cent in weaving, 38 per cent in chemical wet processing and five per cent in miscellaneous processes. Power dominates consumption pattern in spinning and weaving, while thermal energy is the major factor for chemical wet processing.

Before mechanization, cotton was harvested manually by farmers in India and by African slaves in America. In 2012 Uzbekistan was a major exporter of cotton and uses manual labour during the harvest. Human rights groups claim that health care professionals and children are forced to pick cotton.

5.1 ENVIRONMENTAL ISSUES

Ms. **SUNBELT MATTRESS COMPANY LIMITED** in its course of textiles manufacturing is very sensitive to keeping and observing the environmental requirement of the area. **Ms**. **SUNBELT MATTRESS COMPANY LIMITED** right from its inception of mattress production up to now has all along abided to the laws and conditions stipulated by the EIA, i.e. Environmental Impact Assessment unit. The Company at all times does not use any environmentally hazardous materials, and any left over solid wastes are immediately disposed off accordingly.

6.0 PRODUCTION COST ESTIMATES AND ASSUMPTION

The project in order to realize its planned objectives, it will have to incur several operational costs as shown below.

6.1.1 Raw Materials and Packaging

A variety of raw materials is required for the manufactured of MATTRESS depending upon the type and quality of mattress being manufactured. All in all, a total of 32 raw materials are used for making MATTRESS. Some of these materials will be sourced from Tanzania itself; however, the majority will be imported from South Africa and China.

The proposed project are expected to require a range of raw materials that is expected to over 2,500,000 + 1,500,000 + 1,600,000 = US $ 5,600,000. Covering fabric 800,000 meters @ 2,000/= or TZS 1,600,000,000/= and packaging film TZS 480,000,000/=. For the plant to meet these targets it will need raw materials worth US $ 9,000,000 annually.

	RAW MATERIAL	QUANTITY	UNIT COST	TOTAL COST
1	POlyol	1000 tons	@USD 2.5 per kg	5,600,000
2	TDI	600 tons	@ USD2.5 per kg	1,500,000
3	Additives	200 tons	@ USD 8 per kg	1,600,000
4	Covering Fabric	800000 mtrs	@ Tshs. 2000 per/m	1,000,000
5	Consumables	Various		
6	Packaging Film	120 tons	Tshs. 4000 per kg.	300,000
	TOTAL US $			**9,000,000**
	TOTAL TZS			**14,400,000,000**

6.1.2 Utilities Tshs: 120,000,000

Use of electricity and water is assumed to cost TZS 10,000,000/= monthly, or TZS 120,000,000/= annually.

Electricity is required to operate the machinery and for general lighting; while water is needed for the overall cleanliness of both the plant premises and the workers themselves.

6.1.3 Fuel and Lubricants TZS 36,000,000/=

The cost of running motor vehicles including fuel, spares and tyres, the estimated annual cost for the whole fleet is assumed a TZS 3,000,000/= monthly or 36,000,000/= annually.

6.1.4 Labour 540,000,000/=

This aspect of opening up a new outlet other regions is expected to generate direct employment opportunities to 55 people of various categories and skills as shown below:

	TYPE OF EMPLOYEES	No.	MONTHLY SALARY	ANNUAL SALARIES
1	Managerial Personnel	6	18,000,000	216,000,000
2	Supervisors	6	6,000,000	72,000,000
3	Skilled work force	10	5,000,000	60,000,000
4	Semi skilled	20	6,000,000	72,000,000
5	Unskilled	50	10,000,000	120,000,000
		92		540,000,000

6.1.5 Repairs and Maintenance 24,000,000/=

Repairs and maintenance will cost 24,000,000/= for the Company at the two places.

6.1.6 Rent TZS 120,000,000

As earlier stated the Company operates on rented premises, which is TZS 50,000,000/= per site per month; for the two sites the cost is TZS 10,000,000/= monthly or TZS 120,000,000/= annually.

6.1.6 Insurance 50,000,000/=

The Company at this juncture will purchase assets worth TZS 1,587,200,000/= all to be covered by third party insurance at the rate of TZS 50,000,000/=. This rate is assumed to 3.15% of their total value.

SUMMARY OF OPERATING COSTS

	DESCRIPTION OF COST	US $	TZS	
1	Raw materials	9,000,000	14,400,000,000	
2	Utilities		120,000,000	
3	Fuel and Lubricants		36,000,000	
4	Labour wages/salaries		540,000,000	
5	Repairs and Maintenance		24,000,000	
6	Rent		120,000,000	
7	Insurance		50,000,000	
	TOTAL		15,290,000,000	

6.1.7 DEPRECIATION AND AMORTIZATOIN

Tax depreciation rates have been used in computing the depreciation of various assets on the straight line method. Pre-operational expenses have been amortized over the first five of operation. The annual depreciation charges have been estimated as follows:

ASSETS	COST	Depreciation Rate	Amount
Plant and Machinery	1,392,000,000	12.5%	174,000,000
Motor Vehicles	163,200,000	25.0%	40,800,000
Furniture & equipment	24,000,000	12.5%	3,000,000
Pre-operational expenses	8,000,000	20.0%	1,600,000
TOTAL	**1,587,200,000**		**219,400,000**

7.0 MARKET AND COMPETITION

MATTRESS have a wide range of customers, such as hotels, individual residents especially high income residents and expatriates who use MATTRESS. This market is an ever increasing market segment that is mainly confined to urban areas due to their purchasing power and life style.

Ms. **SUNBELT MATTRESS COMPANY LIMITED** will also plan to establish outlets in neighboring countries to meet customer demand of their products.

Ms. **SUNBELT MATTRESS COMPANY LIMITED** MATTRESS have a ready market to the extent that selling of Company products will not be a problem despite the presence of other mattress manufactures in the country. **Ms**. **SUNBELT MATTRESS COMPANY LIMITED** has modernized its manufacturing unit; observes stringent quality control measures and strengthens the service support system to ensure quality product and services. The Company's innovations and time-to-

time introduction of new products has all long helped the Company to position itself as market leader in quality foam MATTRESS.

7.1 DISTRIBUTOR NETWORK

The company will strengthen and solidify its present distribution network of its products throughout the country. The company will open their own shops as well as appointing local agents in both Dar es Salaam and in some upcountry regions.

Also will cater for the north western regions of the country and the neighboring countries especially Burundi, Rwanda, the Democratic Republic of Congo and even Uganda.

8.0 COMPANY ORGANIZATION AND MANAGEMENT

The Company is governed by a Board of Directors that consists of its shareholders; however its day to day activities are under the supervision of its General Manager who is assisted by competent and professional key departmental heads in the production, Finance and Administration and marketing departments. Under them will be different types of personnel competent in their respective areas.

9.0 FINANCIAL ANALYSIS

The basic assumptions supporting the projected production, sales revenue and related operating expenses are explained in the following sections.

9.1 REVENUE ASSUMPTIONS

Below are the likely assumptions under which the expansion aspect of the project will be operating with the view of attaining the set production targets.

The mattress factory will have three production lines and being new in the field will initially start with the sample production lines but operating at half capacity of the Dar es Salaam factory.

It is envisaged that the two factories will manufacture a total 1,200 m of MATTRESS annually worthy TZS 14,400,000/=. Production will be on the basis of 2 shifts and 300 working days a year.

Capacity utilization is assumed to increase from 50% in the first year, to 70% and 80% in the second and third year of production, respectively. In the first year the Company realizes revenue only worth TZS 14,400,000,000/=, and in the second year while operating at 70% revenue becomes TZS 20,160,000,000/= and TZS 23,040,000,000/= from the third year onwards.

9.1.2 PROJECTED REVENUE

Project revenue, from the expansion aspect of the project based on the sale of the products only will be as follows:-

PROJECTED PROFIT AND LOSS ACCOUNT APPENDIX 1 TZS '000

YEAR/ITEM	1	2	3	4	5
Capacity Utilization	50%	70%	80%	80%	80%
Production m	1200	1,680	1,920	1,920	1,920
Production Cartons					
SALES REVENUE	**14,400,000**	**20,160,000**	**23,040,000**	**23,040,000**	**23,040,000**
Less: Operating expenses					
Raw materials	12,000,000	14,400,000	16,460,000	16,460,000	16,460,000
Utilities	120,000	120,000	120,000	120,000	120,000
Fuel, Lubricants, etc	36,000	36,000	36,000	36,000	36,000
Salaries / wages	540,000	540,000	540,000	540,000	540,000
Repairs and maintenance	24,000	24,000	24,000	24,000	24,000
Rent	120,000	120,000	120,000	120,000	120,000
Insurance	50,000	50,000	50,000	50,000	50,000
Total expenses	12,890,000	15,290,000	17,350,000	17,350,000	17,350,000
GROSS PROFIT	**1,510,000**	**4,870,000**	**5,690,000**	**5,690,000**	**5,690,000**
LESS:					
Loan Interest	185,280	148,224	111,168	74,112	37,056
Depreciation	219,400	219,400	219,400	219,400	219,400
TOTAL	404,680	367,624	330,568	293,512	256,456
Profit/Loss Before Tax	**1,105,320**	**4,502,376**	**5,359,432**	**5,396,488**	**5,433,544**
Corporate Tax 30%	331,596	1,350,713	1,607,830	1,618,946	1,630,063
Profit/Loss after Tax	773,724	3,151,663	3,751,602	3,777,542	3,803,481
Retained Profits	773,724	2,925,387	7,676,989	11,454,531	15,257,543
CORPORATE TAXES	**331,596**	**1,682,309**	**3,290,139**	**4,909,085**	**6,539,148**

The project's operations are very profitable even during the period of indebtedness as it has been clearly demonstrated by the above analysis. During the first year after settling the required operational cost obligations the Company will make an after tax profit amounting to TZS 773,724,000/= this after tax profit continues to increase progressively till it reaches TZS 3,803,481,000/= at the end of the fifth year when it will have repaid all its loan.

From the accruing profits, the Company will be in a stronger position to issue dividends to its shareholders right from the first year of operation onwards.

9.3 PROEJECTED CASHFLOWS

The table below presents the projected Cash flows of the project. As the project is highly profitable, cash surplus of TZS 771,274,000/= will be realized right from the end of the first year. It can be freely observed that the project will build up substantial cash surplus accumulating to about TZS 15,245,802,000/= by the fifth year of operation and after repaying the loan and its interests. This strong liquidity position confirms that the project is financially sound, and will easily meet all financial obligations.

YEAR/ITEM	**0**	**1**	**2**	**3**	**4**	**5**
INFLOWS						
CAPITAL INFLOW						
EQUITY	352,000					
LOANS	1,235,200					
OPERATING INFLOW						
Profit Before Tax	-	1,105,320	4,502,376	5,359,432	5,396,488	5,433,544
Depreciation	-	219,400	219,400	219,400	219,400	219,400
TOTAL						
TOTAL INFLOWS	**1,587,200**	**1,360,720**	**4,757,776**	**5,614,832**	**5,651,888**	**5,688,944**
OUTFLOWS						
CAPITAL/OUTFLOW						
Investments	1,587,200					
Loan Repayments		247,040	247,040	247,040	247,040	247,040
Taxation		331,596	1,350,713	1,607,830	1,618,946	1,630,063
TOTAL OUTFLOWS	1,587,200	578,636	1,597,753	1,854,870	1,865,986	1,877,103
NET CASHFLOW	0	782,084	3,160,023	3,759,962	3,785,902	3,811,841
Opening Balance			782,024	3,942,047	7,702,009	11,487,911
Closing Balance		**782,024**	**3,942,047**	**7,702,009**	**11,487,911**	**15,299,752**

9.4 DISCOUNTED CASHFLOW AND IRR DETERMINATION

The table below presents the project's after tax discounted cash flows.

TZS '000

YEAR/ITEM	2	3	1	0	4	5
INFLOWS						
Profit before tax	4,502,376		1,105,320		5,359,432	5,433,544
Interest	148,224	111,168	185,280		74,112	37,056
Depreciation	219,400	219,400	219,400		219,400	219,400
Residual Assets	0	0			0	490,200
TOTAL INFLOWS	4,870,000	5,690,000	1,510,000		5,690,000	6,180,200
OUTFLOWS						
Investments				1,587,200		
Tax	1,350,713	1,607,830	331,596		1,618,946	1,630,063
TOTAL OUTFLOWS	1,350,713	1,607,830	331,596		1,618,946	1,630,063
NET CASHFLOW	3,519,287	4,082,170	1,178,484	(1,587,200)	4,071,054	4,550,137
DF at 80%	0.308	0.171	0.556	1.0	0.095	0.052
Present Value 1,473,587	1,083,940	698,051	655,439	(1,587,200)	386,750	236,607

NPV of the project discounted at 80% over a period of five years is TZS 1,473,587,000/= ; thus the after-tax Internal Rate of Return is above 80%; thus justifying the financial viability of the project.

10.0 ECONOMIC EVALUATION

10.1 EMPLOYMENT EFFECTS

The project is expected to generate direct employment opportunities to 92 people of various skills and categories out of whom only the Production manager will initially be an expatriate.

10.2 GOVERNMENT TAXE

Substantial revenue will accrue to the Government by way of various taxes, especially corporate and income tax levied on employee's salaries. Corporation tax alone that will be paid during the five years of the period under review will be approximately TZS 6,593,148,000/=

10.3 FOREIGN EXCHANGE EFFECTS

The project as a whole is of import substitution nature and it is assumed that at least 25% of the project products will be sold to customers outside Tanzania thus earning foreign exchange for the country. The foreign exchange to be earned annually right from the third year of operation will be TZS 5,760,000,000/= or the equivalent of USD $ 3,600,000.

11. CONCLUSIONS AND RECOMMENDATIONS

11.1 CONCLUSIONS

The financial and economic analysis of the project shows that:

(a) The after-tax IRR of above 80% confirms the financial viability of the project.
(b) In addition to conserving foreign exchange the company will be a source of foreign exchange earning for the country averaging TZS 3.6 billion annually.
(c) The project will generate additional direct employment opportunities to 92 peoples of varying skills and categories.
(d) The company will contribute handsomely to the coffers of the central government in the form of corporate tax and income tax to be paid by company employees.

11.2 RECOMMENDATIONS

This study has shown that the project's aspect is technically feasible and that it is both financially and commercially desirable to both the project promoters and the general public. It is thus recommended that the project be given all the support required by all the concerned government departments and its agencies to ensure its successful implementation. Since the project as presented in this report is technically feasible, financially and economically viable, its implementation is highly recommended.

APPENDICES

INVESTMENT SUMMARY: US $

		US $
1	Land and Building	320,000
2	Machinery & Equipment	870,000
3	Motor vehicles	102,000
4	Furniture & Fittings	15,000
5	Pre-operational costs	5,000
	TOTAL	**1,312,000**

YEAR	Inward balance	Annual repayment	Annual interest 15%	TOTAL
1	1,029,000	205,800	115,80092,640	270,200
2	823,200	205,800	69,480	247,040
3	617,400	205,800	46,320	223,880
4	411,600	205,800	23,160	200,720
5	205,800	205,800	347,400	177,560
TOTAL		**1,029,000**		**1,119,400**

PROJECTED PROFIT AND LOSS ACCOUNTS

TZS `000

YEAR/ITEM	1	2	3	4	5
Capacity Utilization	50%	70%	80%	80%	80%
Production m	1200	1,680	1,920	1,920	1,920
Production Cartons					
SALES REVENUE	14,400,000	20,160,000	23,040,000	23,040,000	23,040,000
Less: Operating expenses					
Raw materials	12,000,000	14,400,000	16,460,000	16,460,000	16,460,000
Utilities	120,000	120,000	120,000	120,000	120,000
Fuel, Lubricants, etc	36,000	36,000	36,000	36,000	36,000
Salaries / wages	540,000	540,000	540,000	540,000	540,000
Repairs and maintenance	24,000	24,000	24,000	24,000	24,000
Rent	120,000	120,000	120,000	120,000	120,000
Insurance	50,000	50,000	50,000	50,000	50,000
Total expenses	12,890,000	15,290,000	17,350,000	17,350,000	17,350,000
GROSS PROFIT	**1,510,000**	**4,870,000**	**5,690,000**	**5,690,000**	**5,690,000**
LESS:					
Loan Interest	185,280	148,224	111,168	74,112	37,056
Depreciation	219,400	219,400	219,400	219,400	219,400
TOTAL	404,680	367,624	330,568	293,512	256,456
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PROJECTED CASHFLOWS TZS '000

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CAPITAL INFLOW						
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DISCOUNTED CASHFLOW

TZS '000

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Depreciation		219,400	219,400	219,400	219,400	219,400
Residual Assets			0	0	0	490,200
TOTAL INFLOWS		1,510,000	4,870,000	5,690,000	5,690,000	6,180,200
OUTFLOWS						
Investments	1,587,200					
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TOTAL OUTFLOWS		331,596	1,350,713	1,607,830	1,618,946	1,630,063
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DF at 80%	1.0	0.556	0.308	0.171	0.095	0.052
Present Value 1,473,587	(1,587,200)	655,439	1,083,940	698,051	386,750	236,607