

FEDERAL INDUSTRY LIMITED

BUSINESS PLAN FOR REGISTRATION OF A
MATTRESS MANUFACTURING PROJECT



SEPTEMBER 2025

EXECUTIVE SUMMARY

Tanzania's mattress market value was approximately **US\$67 million in 2024**, driven by demand from housing, hospitality, and population growth; recovery is expected with the support of construction and tourism tailwinds. Foam dominates (flexible polyurethane), with growing interest in spring/hybrid for mid-premium consumers and institutions (hotels/hospitals/schools). Draft EAC/TZ standards explicitly cover PU foam and spring mattresses.

Federal Industry Limited is a locally registered company wholly and exclusively owned by foreigners. All its shareholders are foreigners, i.e. Chinese and French. The company plans to establish a mattress for both domestic and foreign markets. It plans to invest at least **USD 12,000,000** over the first 5 years of operation. The project's capacity is projected to be **1,200,000 pieces** during year 5. The shareholders of the company have another factory in Uganda producing mattresses and other bedding products like pillows, and have now decided to move into Tanzania to produce, initially, mattresses and then expand to the manufacturing of pillows and other bedding products.

Among the project's benefits are the creation of direct jobs for 400 locals, indirect jobs (including suppliers, bankers, and other service providers) for 1,000 locals, a market for food suppliers and financiers, and increased production and availability of quality mattresses, among other benefits. In this regard, the Management presents this business plan for registration with TISEZA to take advantage of the incentives offered.

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1. INTRODUCTION

The Company

Federal Industry Limited is a locally established company owned by foreigners by **100%**. It was registered under the laws of Tanzania on 30th July 2025 and granted Certificate of Incorporation **No. 150352843**. Its TIN is **150-352-843**. The company's office is at Plot No.44 Block F in Mwanambaya Ward, Mkuranga District – Pwani Region. This is a capital limited by shares, and its capital is **TShs. 10,000,000** divided into **1,000 Ordinary Shares** of **TShs. 10,000** each. The capital is equivalent to about **USD 4,000**.

The company is launching a project for the manufacturing of mattresses in Tanzania with a planned investment capital of **USD 12,000,000**. The venture is a five-year project whose production is targeted to reach **1,200,000 pieces** annually during year 5. The company aims to meet the rising demand within East Africa and globally, while adhering to international standards. The project is designed to scale sustainably over five years, positioning Federal Industry Limited as a regional leader in premium mattress products.

Initially, the shareholders of the company established a project for the manufacturing of mattresses, pillows, and other bedding materials in the neighbouring country of Uganda. Upon thorough analysis of the Tanzanian market, the company's promoters have decided to invest in Tanzania as well. It is starting with the manufacturing of mattresses, but in the future, it plans to expand into the manufacturing of pillows and other bedding items and various forms of foams. Among the planned activities of this company is to engage in and carry out activities related to the manufacturing of mattresses. This locally registered project is owned by Chinese and French nationals as shown in the table below. All the issued shares have been taken for Federal Industry Limited as shown below:

NO.	NAME	SHARES TAKEN	% STAKE	NATIONALITY
1	Zhang Zhichun	500	50.00%	China
2	Chunfeng Zhan	500	50.00%	French
	TOTAL	1,000	100.00%	

Vision and Mission

Vision: To become East Africa’s leading manufacturer of premium mattresses for the domestic, regional, and international markets.

Mission: To deliver high-quality mattresses through modern state-of-the-art technology.

The Project

Federal Industry Limited plans to establish a project for the manufacturing of mattresses at this stage. In the future, it will expand its production to include textiles, pillows, and other beddings. The mattresses project will be located at Plot No.44 Block F in Mwanambaya Ward, Mkuranga District – Pwani Region. The company plans to inject an investment of **USD 12,000,000** into this project.

Project Manning

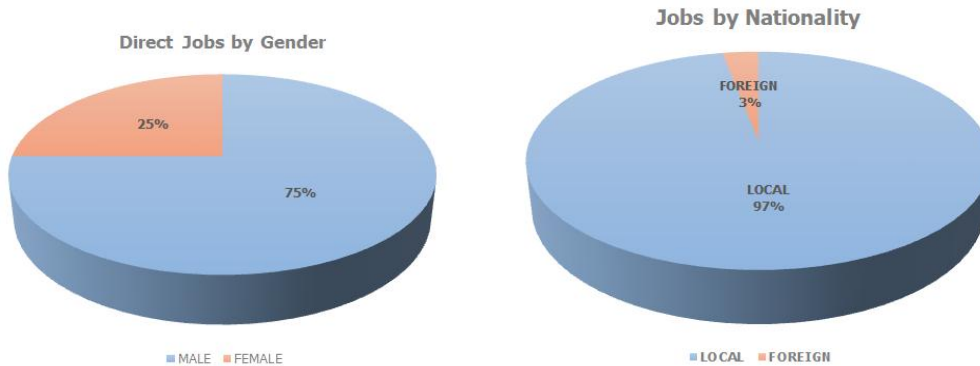
The project expects to create about **400 direct jobs** through its operations. This number includes foreigners and locals, as shown in the tables below. The gender and nationality distribution of jobs is portrayed in figures that follow the tables. On the other hand, indirect jobs are projected to be **1,000**, all of which are Tanzanians. These are the people employed in the supplier firms, distribution channels for the mattresses manufactured, financial institutions, etc.

Table 2: Summary of Direct Jobs

CATEGORY	LOCAL	FOREIGN	TOTAL
MALE	300	9	309
FEMALE	100	3	103
TOTAL	400	12	412

Detailed Jobs Distribution

DETAILS	LOCAL		FOREIGN		TOTAL
	MALE	FEMALE	MALE	FEMALE	
CEO			1		1
Operations Director			1		1
Lead Technicians	1	1	3	2	7
Operators	20	5	4	1	30
Casual Labourers	249	76	0	0	325
Drivers	10	3	0	0	13
Support services	20	15			35
TOTAL	300	100	9	4	412



Project Capacity

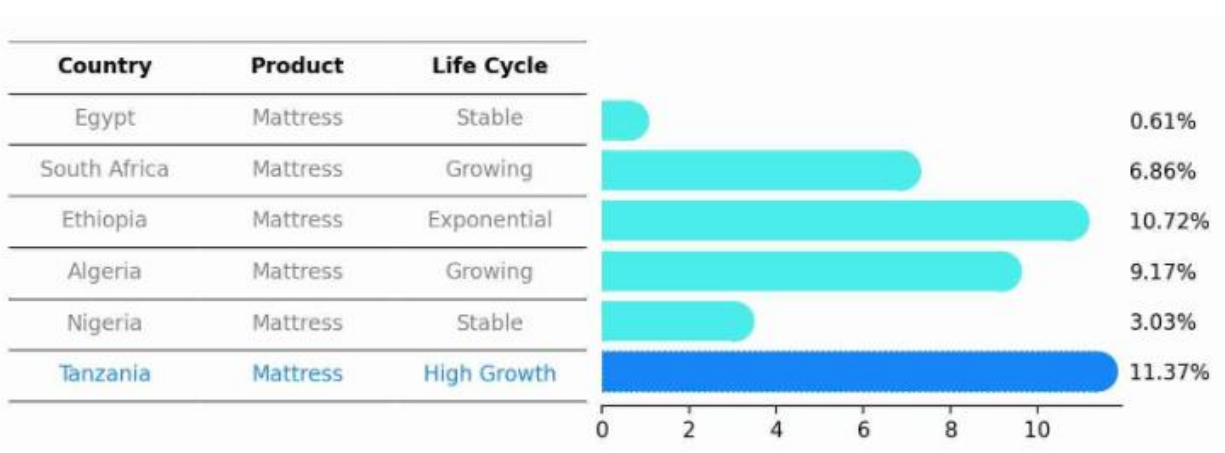
As stated earlier, this is a project for the manufacturing of mattresses for the local, regional, and international markets. At year 5, the project's capacity is projected to be **1,200,000 pieces** per annum.

2. MARKET ANALYSIS

Market Overview of Tanzania's Mattresses Sector

Tanzania's mattress industry is growing as the population grows. In the year 2027, the sector's growth will be higher than that of the top five major economies in Africa. This implies a promising market in the country. In this regard, Federal Industry Limited eyes Tanzania's economy as a proper starting point for its mattresses manufacturing investment project.

Mattress Market: Projections of Tanzania vs. Top 5 Major Economies in 2027



EAC and Global Markets

a) The East African Community (EAC) Market

Key markets include Kenya, Rwanda, Burundi, South Sudan and the DRC. We already have a plant in Uganda, so we do not target the Uganda market, unless production costs become unbearable and profits decline.

Growth drivers of the market are:

- i) Urbanization and rising middle class
- ii) Shift toward eco-friendly products
- iii) Regional trade agreements easing cross-border exports

How Federal Industry Limited can exploit the market:

- i) By establishing distributor partnerships
- ii) By offering quality mattresses
- iii) By leveraging Tanzania's port infrastructure for regional logistics

b) The Global Mattresses Market

The global mattress market was valued at approximately USD 48.6 billion in 2024 and is projected to grow at a compound annual growth rate (CAGR) of around 5.3% to 6.5% from 2025 to 2034.

Current Market Valuation

As of 2024, estimates for the global mattress market size range from USD 42.1 billion to USD 48.6 billion. The market is expected to reach between USD 67.5 billion and USD 74.0 billion by 2030 or 2033, depending on the source.

Growth Forecast

The market is anticipated to grow at a CAGR of 5.3% to 6.5% from 2025 to 2034. This growth is driven by increasing consumer awareness of sleep quality, rising demand for premium mattresses, and advancements in mattress technology.

Key Trends and Factors Influencing Growth

- i) **Consumer Preferences:** There is a growing trend towards eco-friendly and smart mattresses, which offer features like adjustable firmness and sleep tracking.
- ii) **Technological Advancements:** Innovations in materials and designs, such as memory foam and hybrid mattresses, are attracting consumers looking for enhanced comfort and support.
- iii) **Market Segmentation:** The residential segment dominates the market, accounting for approximately 78% of total demand, with increasing urbanization and disposable income contributing to this trend.
- iv) **Regional Insights:** North America holds a significant share of the market, with the U.S. alone projected to reach revenues of about USD 14.7 billion in 2024.

Generally, the global mattress market is poised for steady growth, driven by evolving consumer preferences, technological innovations, and a heightened focus on sleep health. As the market continues to expand, manufacturers are likely to innovate further to meet the changing demands of consumers.

SWOT Analysis

This section analyses the internal strengths and weaknesses of the project, as well as its environmental opportunities and threats.

Strengths

1. **Availability of financial muscle:** the company can raise funds to run the project. This is from equity and loans
2. **Possession of modern technology:** the company has modern technology that will produce quality and world-class mattresses.
3. **Sourcing ability:** the company can secure local consultants to help shape its business according to the Tanzanian environment and succeed.
4. **Skilled Workforce:** The company has enough and competent skilled employees who are capable of handling the project and ensuring profitability.
5. **Efficient Production Processes:** the company's processes are designed to ensure the competitiveness of the product we seek to manufacture – mattresses.

Weaknesses

The main weakness is in the form of novelty of the company in the industry. However, the company has a plan to engage experienced professionals from Tanzania and China to navigate the weakness.

Opportunities

1. **E-Commerce Growth:** Online mattress sales are growing strongly, predicted to reach **US\$3.2 million by 2025** and projected to grow at a **12.2% CAGR through 2029**. An online-first manufacturing strategy could tap into this emerging channel.

2. **Regional Market Expansion:** Neighboring countries like **Uganda, Kenya, and Comoros** already import Tanzanian mattresses. Tailoring products to regional preferences presents a clear export opportunity.
3. **Manufacturing Know-How from Other Sectors:** Tanzania’s success in sectors like steel manufacturing, driven by Chinese investment and favorable policies, demonstrates potential for rapid building of production capacity.
4. **Utilizing Local Inputs:** Leveraging local materials such as sisal—for example, sisal waste used in bioenergy production, could be repurposed into mattresses or production supply chains, supporting cost-efficiency and sustainability.
5. **Growing Local Demand:** The Tanzanian mattress market is projected to generate **US\$24.9 million in** revenue in 2025. Demand is driven by rising incomes and a growing middle class.
6. **Untapped Domestic Production Potential:** Import reliance exists as Tanzania imported **US\$808,880** worth of mattress supports in 2023, primarily from China, South Africa, and the UAE, suggesting an opportunity for local substitutes.
7. **Existing Supply Chain Foundations:**
 - Local capacity exists to support manufacturing e.g. Fortune Emirates supplies mattress fabrics and essential machinery within Tanzania.
 - Industrial infrastructure in areas like the Temeke District (Dar es Salaam) offers strong logistics and manufacturing base.
8. **Export Markets in EAC:** Tanzania already exports mattresses to neighboring markets—primarily Comoros, Congo, and Uganda.

Threats

1. **Strong Competition from Established Imports:** Dependence on imports from low-cost producers like China and South Africa poses a competitive threat if domestic producers struggle to match price or quality.
2. **Regulatory and Policy Risks:** Government bureaucracy, regulatory opacity, and centralized control can hinder the start-up and expansion of manufacturing.
3. **Economic Volatility:** Despite strong overall growth (~5–6% GDP), external shocks or inflation could reduce consumer spending on non-essential items like mattresses.
4. **Technology Adoption & Innovation Gaps:** The domestic market appears to lack advanced products (e.g. "soft mattresses"), a Reddit user noted they struggled to find soft foam mattresses in Zanzibar, highlighting product limitations
5. **Negative Market Growth Outlook:** The Tanzanian mattress industry's projected CAGR for 2025–2030 is **9.65%**, indicating a shrinking domestic revenue, according to [Statista](#).
6. **Infrastructure & Energy Challenges:** Manufacturing in Tanzania suffers due to unstable power supply and high costs. Entrepreneurs often face import complexity and corruption risks.
7. **Limited Skilled Workforce:** There's a shallow talent pool, and the slow adoption of modern techniques limits innovation and scale.
8. **Pricing Disadvantages:** Import data shows average import price at \$118 per mattress unit vs average export price just \$39, suggesting domestic products might struggle to be cost-competitive globally.

PESTEL Analysis

This section analyses the political, economic, social, technological, environmental and legal aspects of the Tanzanian market in as far as mattresses are concerned.

Political Factors

1. **Stable Political Environment:** Tanzania has enjoyed relative political stability compared to many neighboring countries, making it attractive for long-term investments.
2. **Pro-Industrialization Government Policies:** The government actively promotes local manufacturing through policies such as the FYDP III (Five-Year Development Plan) which emphasizes industrial development.
3. **EAC Membership:** As a member of the East African Community, Tanzania benefits from preferential trade terms within the region, creating export opportunities.
4. **Regulatory Bureaucracy:** Business registration, land acquisition, and customs processes can be slow, opaque, or subject to corruption, which may increase startup friction.
5. **Local Content and Tax Incentives:** The government has provided VAT exemptions or tax holidays in some sectors for local manufacturers. Exploring eligibility may reduce operational costs.

Economic Factors

1. **Steady GDP Growth:** Tanzania's GDP growth rate has remained around 5–6% annually, supported by infrastructure development and industrial investments.
2. **Large and Growing Population:** With over 65 million people and a growing middle class, the country presents a rising consumer base for mattresses.
3. **Import Dependency (an Opportunity):** Tanzania **imported over \$800,000** worth of mattresses and components in 2023 thus offering an import substitution opportunity through local production.
4. **Currency Volatility:** The Tanzanian shilling can be subject to depreciation, affecting import costs (machinery, raw materials), but also boosting export competitiveness.
5. **Low Disposable Income per Capita:** While the middle class is growing, most Tanzanians still operate on low to moderate disposable incomes, affecting pricing and demand for premium mattresses.

Social Factors

1. **Urbanization and Housing Boom:** Rapid urban growth in cities like Dar es Salaam, Arusha, and Dodoma is increasing demand for home furnishings, including mattresses.
2. **Changing Lifestyles:** Awareness around health and sleep quality is rising, particularly among urban populations, which may increase interest in better-quality mattresses.
3. **Youthful Demographics:** Over **60%** of the population is under 25, signaling a long-term consumer base that will age into mattress-buying age brackets over the next 10–20 years.
4. **Cultural Preferences:** Traditional bedding options (like floor mats or foam pads) are still prevalent in rural areas, requiring culturally adapted and affordable product options.

Technological Factors

1. **Low Local Innovation in Manufacturing:** The Tanzanian manufacturing sector is generally **low-tech**, meaning new entrants have the chance to introduce efficient machinery, automation, or smart manufacturing to gain a competitive edge.
2. **Limited Access to Machinery & Spare Parts:** Advanced machinery must often be **imported from China, India, or UAE**, leading to higher capital expenditure and maintenance costs.
3. **Digital Sales & Marketing:** E-commerce for furniture is growing, and our company will leverage platforms like Jumia, WhatsApp commerce, or Instagram marketing to reach consumers directly.
4. **Weak Local R&D Ecosystem:** There's limited access to institutions for product development, testing, or material science, necessitating external expertise for innovation.

Environmental Factors

1. **Sustainable Manufacturing Trend:** Growing global and regional interest in eco-friendly products and materials (e.g., recyclable foams, natural latex, sisal fibers) could be a differentiator.
2. **Energy Challenges:** Power outages and high energy costs remain a challenge for consistent manufacturing operations, increasing reliance on backup generators or solar.
3. **Waste Management:** Foam and plastic waste disposal must comply with environmental regulations. Opportunities exist to recycle foam or use offcuts sustainably.
4. **Climate Concerns:** With rising temperatures and unpredictable weather, there's a growing emphasis on sustainable and breathable bedding materials.

Legal Factors

1. **Business Licensing and Compliance:** Mattress manufacturing requires permits from Tanzania Bureau of Standards (TBS) and the Business Registrations and Licensing Agency (BRELA).
2. **Labor Regulations:** Must comply with Tanzania's Labor Law, which includes minimum wage, unionization rights, and safety compliance in manufacturing settings.
3. **Product Standards and Certifications:** Manufacturers are expected to meet TBS standards, particularly around fire safety, foam density, and durability.
4. **Tax Compliance:** Businesses must be VAT-registered and fulfill tax obligations to TRA (Tanzania Revenue Authority). However, incentives like EPZ (Export Processing Zones) can offer relief.

Marketing Strategy

This section gives a detailed marketing strategy for launching our mattress manufacturing project in Tanzania, targeting both local and regional (EAC) markets. This strategy follows a structured 7Ps marketing mix framework with actionable tactics tailored to the Tanzanian environment and industry dynamics.

1. Product Strategy

i) Product Line

Offer a tiered range of mattresses tailored to income levels and lifestyle preferences:

Tier	Product Type	Features	Target Market
Entry-level	Basic foam mattresses	Budget-friendly, lightweight	Rural households, students
Mid-range	High-density foam + spring combo	Orthopedic support, durable cover	Middle-class urban families
Premium	Pocket spring + memory foam	Breathable, anti-bacterial, plush feel	Upper middle class, hotels
Custom	Made-to-order mattresses	Varying firmness, sizes, branding	B2B (hotels, hospitals)

ii) Product Differentiators

- We will use locally sourced materials (e.g. sisal for padding) as well as imported materials
- We will use antimicrobial or cooling fabrics for urban dwellers
- We will use fire-retardant and eco-friendly materials
- We will customize branding for hotels, guest houses, or schools

2. Pricing Strategy

i) Tiered Pricing Model

- Penetration pricing for the entry segment to capture market share.
- Value-based pricing for premium customers (highlighting health benefits, comfort).
- Bulk discounts and volume pricing for institutional buyers (schools, hospitals).

Market Segment	Suggested Price Range (TZS)
Entry (foam)	80,000 – 120,000
Mid-range (foam + spring)	180,000 – 250,000
Premium (hybrid)	300,000 – 600,000+
Custom (B2B)	Negotiated

ii) Payment Options

- a) Installment plans for mid-tier products via mobile money (Vodacom M-Pesa, Airtel Money).

- b) Buy Now, Pay Later partnerships (e.g. with M-Kopa or local SACCOs).

3. Place (Distribution) Strategy

i) Sales Channels

- Direct-to-consumer (D2C) showroom in Dar es Salaam, Dodoma, and Arusha.
- E-commerce platform with delivery (own site + Jumia + WhatsApp store).
- Retail partnerships with furniture shops, hardware stores, and supermarkets.

ii) Regional Distribution

- Setting up of **regional depots** in all regions of Tanzania.
- Export arm to serve EAC markets: Uganda, Comoros, Congo, Kenya.

iii) Last-Mile Delivery

- Leverage BodaBoda and local delivery startups for mattress delivery.
- Free or subsidized delivery within 10–15 km radius of urban centers.

4. Promotion Strategy

i) Brand Positioning

“Local Comfort, Global Quality” – emphasizing Tanzanian roots, affordability, and world-class sleep experience.

ii) Digital Marketing:

- Social media advertising (Facebook, Instagram, TikTok) with testimonials, sleep tips, and influencer collabs.
- WhatsApp Business marketing: catalog sharing, personalized responses, order tracking.
- Search engine ads targeting keywords like “mattress in Tanzania”, “cheap foam mattress Dar es Salaam”.

iii) Traditional Marketing

- Radio and newspaper ads in Kiswahili and English.
- Billboards near retail hubs and transport terminals.
- Demo trucks or pop-ups in markets and university campuses.

iv) Promotional Offers

- "Buy 1, get 1 pillow free"
- Free delivery + 7-night sleep trial (where feasible)
- Referral program via WhatsApp (get TZS 10,000 for every referred sale)

v) CSR/Community Engagement

- Donate mattresses to schools or hospitals quarterly.
- Sponsor a "Sleep for Success" campaign for students or single mothers.

5. People Strategy

i) Staff Training

- Sales staff trained on mattress specifications, comfort benefits, and customer pain points.
- After-sales service team for handling complaints, returns, or warranty claims.

ii) Customer Service

- Toll-free helpline or WhatsApp line.
- Clear communication in Kiswahili and English.
- Warranty policy explained on delivery and packaging.

6. Process Strategy

i) Order Fulfillment

- Same-day dispatch for local orders placed before 2 p.m.
- Clear order tracking via SMS or WhatsApp.

ii) Returns & Warranty

- 7-day return policy on defects.
- 2–5 year limited warranty depending on product line.

iv) Customer Feedback

- NPS (Net Promoter Score) via WhatsApp after delivery.
- Annual customer satisfaction surveys.

7. Physical Evidence

i) Branding Materials

- Branded mattress covers and packaging
- In-store displays and product testing zones

- Digital catalog and product comparison chart

ii) Online Presence

- Professional website with:
 - o Product configurator
 - o Delivery options and times
 - o Live chat or WhatsApp integration

KPI & Performance Monitoring

METRIC	TARGETS				
	Y1	Y2	Y3	Y4	Y5
Annual Sales Volume	487,500	684,375	686,719	834,961	986,279
Return Customer Rate	13%	15%	16%	18%	20%
E-commerce traffic	39,366	43,740	48,600	54,000	60,000
Conversion rate	0.03	0.03	0.04	0.04	0.05
Regional Export Clients	2	3	4	8	10
Social Media Followers	6,561	7,290	8,100	9,000	10,000

Implementation Plan

This is a 5-year project. It is set to commence in the year 2026 which is Y1 and will span until 2030 when it will attain its full capacity. Below is the implementation plan of this mattress manufacturing project.

PHASES AND ACTIVITIES	YEARS				
	Y1	Y2	Y3	Y4	Y5
Pre-Launch Phase					
Build & Launch Phase					
Operationalisation of the project					
Regional Export Phase					
Product Diversification Phase to textiles, pillows, and other beddings					
Global Positioning Phase					

Project Rationale

Justification for this project is anchored on these 5 items: -

- i) It addresses mattresses demand in Tanzania and East Africa
- ii) It creates jobs and supports rural development
- iii) It aligns with government goals for self-sustainability and export diversification

- iv) It offers scalable, sustainable manufacturing with high ROI
- v) It leverages Tanzania’s strategic location for regional and global exports

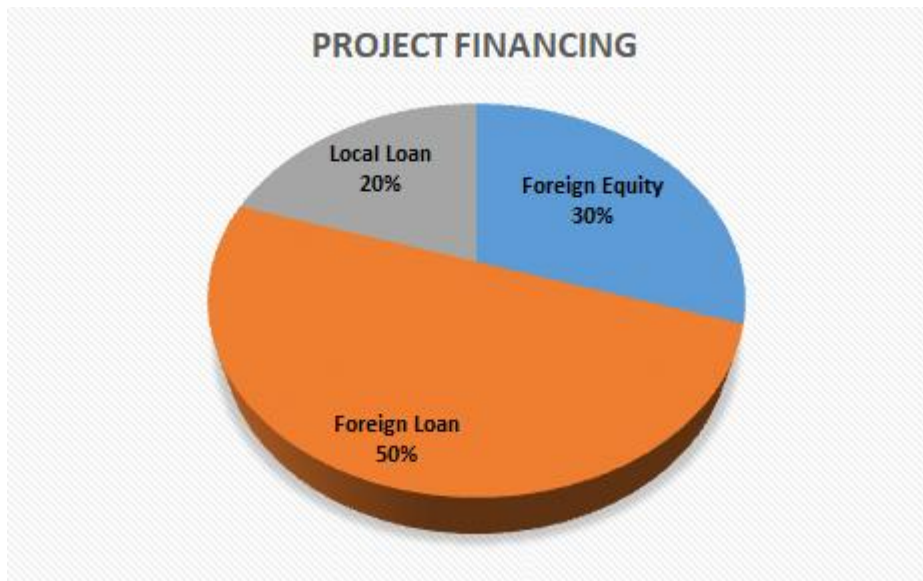
3. PROJECT FINANCIALS

This section focuses on the financial aspects of the project. It covers project financing, investment breakdown, and financial projections for the project.

Project Financing

The mattresses manufacturing project will be financed by both loans and equity. The loan will be local and foreign, while the equity is purely foreign, as shown in the table and figure below.

	PROJECT FINANCING	PER CENT
Foreign Equity	3,600,000	30%
Foreign Loan	6,000,000	50%
Local Loan	2,400,000	20%
TOTAL	12,000,000	100%



The company looks forward to securing local and foreign to the tunes of **USD 2,400,000** and **USD 6,000,000** respectively. These loans make a total of **USD**

8,400,000 in the financing of the project. The loan details are given in the tables below

Loans Taken and Interest Payments

LOAN	RATE	LOAN TAKEN	INTEREST PAYMENTS				
			Y1	Y2	Y3	Y4	Y5
Foreign Loan	0.1	6,000,000	600,000	600,000	600,000	600,000	600,000
Local Loan	0.14	2,400,000	336,000	336,000	336,000	336,000	336,000
TOTAL		8,400,000	936,000	936,000	936,000	936,000	936,000

Loans and Interest Repayments

LOAN TYPE	LOAN TAKEN	REPAYMENTS				
		Y1	Y2	Y3	Y4	Y5
Foreign Loan	6,000,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Local Loan	2,400,000	480,000	480,000	480,000	480,000	480,000
TOTAL LOAN AND INTEREST REPAYMENTS		2,616,000	2,616,000	2,616,000	2,616,000	2,616,000

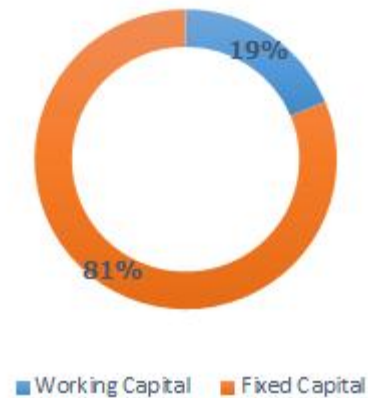
Investment Breakdown

This is a **USD 12,000,000** project. The money to be invested will finance different items as shown in the table and figure below. Fixed capital accounts for **81%** of the investment, while working capital accounts for **19%** of the same.

Investment Breakdown

ITEM	VALUE
Land and Buildings	5,000,000
Plant	3,000,000
Vehicles	80,000
Furniture and Fittings	145,000
Pre-Expenses	355,000
Others	837,000
Working Capital	2,250,000
TOTAL	12,000,000
Fixed Capital	9,750,000

Investment Breakdown



Investment Plan

The planned capital of **USD 12,000,000** will be invested over the first 5 years of operation of the project, as shown below

ITEM	AMOUNTS					TOTAL
	Y1	Y2	Y3	Y4	Y5	
Land and Buildings	5,000,000					5,000,000
Plant	3,000,000					3,000,000
Vehicles	90,000	135,000	225,000			450,000
Furniture and Fittings	14,500	43,500	87,000			145,000
Pre-Expenses	355,000					355,000
Others	160,000	160,000	160,000	160,000	160,000	800,000
Working Capital	225,000	337,500	450,000	450,000	787,500	2,250,000
TOTAL	8,844,500	676,000	922,000	610,000	947,500	12,000,000

Financial Projections

This sub-section covers financial projections for this project. Being projections, they may not be the same during implementation; however, the project promoters look forward to achieving a good business outcome for the benefit of the company, its customers, and other stakeholders. It covers production projections and other financial aspects.

Gross Profit Projections

In terms of production, the project is expected to experience gradual growth over the years, reaching its highest capacity by year 5. This is a **1,200,000-piece** production per year. Key assumptions for this projection include a 6% inflation rate and 75% sales of the existing stock, as shown in the table below.

ITEM	ASSUMPTIONS	AMOUNTS				
		Y1	Y2	Y3	Y4	Y5
Annual Production (PCs) = A		75,000	85,000	850,000	950,000	1,200,000
Annual Production (PCs)		75,000	85,000	850,000	950,000	1,200,000
Price per PC (USD) = B	6% inflation	70.0	74.2	78.7	83.4	88.4
Sales per annum (PCs) = C	75% of the existing stock	3,937,500	4,771,988	60,228,949	59,933,414	80,165,709
Sales in USD D = B*C		275,625,000	354,081,473	4,737,127,279	4,996,715,841	7,084,515,230
Cost of Sales E = D*70%		192,937,500	247,857,031	3,315,989,096	3,497,701,089	4,959,160,661
Gross Profit1 = D - E		82,687,500	106,224,442	1,421,138,184	1,499,014,752	2,125,354,569

Income Statement Projections

Projections show that this will be a successful project over the first five years of operation, as shown in the projected income statement. The project will break-even during year 2 of its implementation.

	AMOUNTS				
	Y1	Y2	Y3	Y4	Y5
REVENUE					
Sales A	275,625,000	354,081,473	4,737,127,279	4,996,715,841	7,084,515,230
Sales Returns B=A*1%	2,756,250.00	3,540,814.73	47,371,272.79	49,967,158.41	70,845,152.30
Sales Discounts (2%) C = A*2%	5,512,500.00	7,081,629.45	94,742,545.59	99,934,316.83	141,690,304.59
Other Revenue	-	-	-	-	-
<i>Net Sales D = A - (B+C)</i>	<i>267,356,250</i>	<i>343,459,028</i>	<i>4,595,013,461</i>	<i>4,846,814,366</i>	<i>6,871,979,773</i>
Cost of Goods Sold E = A*70%	192,937,500	247,857,031	3,315,989,096	3,497,701,089	4,959,160,661
<i>Gross Profit F = D - E</i>	<i>74,418,750</i>	<i>95,601,998</i>	<i>1,279,024,365</i>	<i>1,349,113,277</i>	<i>1,912,819,112</i>
OPERATING EXPENSES					
Salaries and Wages (400 staff, av. Salary of USD 500 p.month)	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000

Depreciation Expenses (10%)	975,000	975,000	975,000	975,000	975,000
Office Expenses (USD 30,000 per month)	360,000	432,000	518,400	622,080	746,496
Maintenance Expenses	6,825,000	6,825,000	6,825,000	6,825,000	6,825,000
Advertising Expenses = A*25%	68,906,250	17,704,074	1,184,281,820	1,249,178,960	1,771,128,807
Total Operating Expenses	79,466,250	28,336,074	1,195,000,220	1,260,001,040	1,782,075,303
Income from Operations	(5,047,500)	67,265,924	84,024,146	89,112,237	130,743,809
Interest Income (Expense)	-936,000	-936,000	-936,000	-936,000	-936,000
Income Before Taxes	(5,983,500)	66,329,924	83,088,146	88,176,237	129,807,809
Corporate Tax (30%)	(1,795,050)	19,898,977	24,926,444	26,452,871	38,942,343
NET INCOME	(5,983,500)	46,430,947	58,161,702	61,723,366	90,865,466

Cash Flow Projections

	AMOUNTS				
	Y1	Y2	Y3	Y4	Y5
Cash Received					
Beginning Cash Balance	225,000	192,323,250	513,276,649	4,049,865,708	7,780,854,510
Cash Sales	275,625,000	354,081,473	4,737,127,279	4,996,715,841	7,084,515,230
Cash Collections	-	-	-	-	-
Loans	8,400,000	-	-	-	-
Total Cash Available	284,250,000	546,404,723	5,250,403,928	9,046,581,550	14,865,369,739
Cash Disbursed					
Salaries and Wages (400 staff, av. Salary of USD 500 p.month)	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
Depreciation Expenses (10%)	975,000	975,000	975,000	975,000	975,000
Office Expenses (USD 30,000 per month)	360,000	432,000	518,400	622,080	746,496
Maintenance Expenses	6,825,000	6,825,000	6,825,000	6,825,000	6,825,000
Advertising Expenses = A*25%	68,906,250	17,704,074	1,184,281,820	1,249,178,960	1,771,128,807
Total Disbursements	79,466,250	28,336,074	1,195,000,220	1,260,001,040	1,782,075,303
Cash Position					
Loan Payment with Interest	2,616,000	2,616,000	2,616,000	2,616,000	2,616,000
Capital Purchases	8,844,500	676,000	922,000	610,000	947,500
Owners' Withdrawals		1,500,000			

	1,000,000		2,000,000	2,500,000	3,000,000
Total Cash Paid Out	91,926,750	33,128,074	1,200,538,220	1,265,727,040	1,788,638,803
Closing Balance	192,323,250	513,276,649	4,049,865,708	7,780,854,510	13,076,730,936

The project, *ceteris paribus*, will have a positive cash flow over the first 5 years as shown in the cash flow projections below

CONCLUSION

Federal Industry Limited has conducted an analysis and is convinced that the mattress manufacturing project will be successful over the first five years. With a USD 12,000,000 investment, this project has many benefits to the Tanzanian economy as it will create direct jobs to the tune of 388 locals, indirect jobs (suppliers, bankers, and all that serve the project) to the tune of 1,000 locals, a market for suppliers and bankers, add to the production and availability of quality mattresses, and so forth. The management of the company presents this business plan to the Tanzania Investment and Special Economic Zone Authority to secure incentives for a smooth take-off. Looking to the future, Federal Industry Limited anticipates expanding its production to include textiles, pillows, and other bedding products.