

UNIVERSITY OF NIGERIA AHOADA WEST
FACULTY OF THE SOCIAL SCIENCES
DEPARTMENT OF PUBLIC ADMINISTRATION AND LOCAL
GOVERNMENT

TOPIC:

**A BUSINESS PLAN OF TABLE WATER
PRODUCTION/FACTORY**

SUBMITTED IN PARTIAL FULFILLMENT OF THE COURSE

CEDR (342)

BY

IHUOWO, CHIMEZIE LAWSON

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LECTURER: DR. (MRS).C. NWAOGA

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BUSINESS PLAN

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PART I

1.0 EXECUTIVE SUMMARY

1.1 The following report and recommendations relate to the proposal by **CHILAWS TABLE WATER VENTURE (NIGERIA)** to establish a Water Producing and Sale's Outlet.

1.2 The proposed project is to be fully implemented with an investment of N1 million (One million), made up of N600, 000 fixed capital and N400, 000 working capital.

1.3 The company's vision is "to be a water producing firm of choice, providing quality refreshing product to discerning customers".

1.4 The proposed project will be located at Ukpeliède, Ahoada West in Rivers State.

1.5 A ready market exists for the planned business, based on our market survey.

1.6 The financial projections reveal a good level of liquidity and stability. The projected turnover for 2010, 2011 and 2012 respectively is N1.5million, N1.8million and N2.16million. Profit after taxation in 2010 is N197, 000 increasing to N712, 985 in 2012

1.7 The funding requirement is N800, 000, as the promoter is committing N200, 000 to the project.

1.8 The company's competitive edge is the management's strong technical skills and knowledge of the industry.

1.9 The profitability indicators as extracted from the projections embodied in this plan are as follows:

Indicator	2010 N	2011 N	2012 N
Turnover	1,500,000	1,800,000	1,434,000
Gross Margin	900,000	1,400,000	1,434,000
Net operating profit	197,000	408,700	356,49
Return on Equity or Owner's contr. %	98.5	204.35	356.49
Return on Total Investment %	19.7	40.87	71.29

1.10 Conclusion and Recommendation

From the point of view of the analysis of our findings, the proposed project is found to be technically feasible, financially viable and economically desirable. • The project offers good investment benefits. We therefore, highly recommend it to be funded so that we can ensure its implementation.

PART II

2.0 BACKGROUND

2.1 Introduction

The planned business design - **CHILAWS TABLE WATER VENTURE** is the result of strong industry and needs assessment studies undertaken in the South Southern zone of Nigeria, particularly Rivers State by the promoter of this business (**IHUOWO CHIMEZIE LAWSON**). The studies reveals that the demand for quality and refreshing water outfits by mainly the undergraduates, working class, etc. is high and going by the rapid influx and development of the place coupled with the presence of the Polytechnic –Rivers State Polytechnic, Ahoada West, the environment is economically cashable.

2.2 Vision Statement

To be the most outstanding water producing firm in the South Southern part of Nigeria, particularly Rivers state.

2.3 Mission Statement

To produce quality and well-refreshing water using the best mechanism possible.

2.4 Ownership of Enterprise

The Business is a sole-proprietorship business wholly owned and managed by **IHUOWO CHIMEZIE LAWSON**.

2.5 Legal Status

As a sole- proprietorship outlet, it is yet to be registered with the Nigerian government.

2.6 Location and Facilities

The business is sited at Shop No. 321 Ukpeliende neighborhood.

Office line: +2348091992637

E-mail:chimezielawson@gmail.com

2.7 Production/Service

- Production of table water and as well as
- Wholesale and retail sale of the produced water.

2.8 Business Strategy

- To be known as the best water producing outlet that serves table water to the entire public.
- To engage in at home delivery service with little or no charges based on the distance of the home.
- To employ a mobile shop strategy for those in school and work places who due to distance or engagement may not be disposed enough to come to the shop.

2.9 Key Success Factors

- Enough water-driven target markets i.e. students, undergraduates, working class and ultimately families.
- Our entrepreneurial qualities of decisiveness, self control, determination, ability to focus and trustworthy character are also our strength.
- Our entrepreneurial qualities of decisiveness, self control, determination, ability to focus and trustworthy character by the company; to keep knowledge of market need and quick ability to respond to them.
- **Chilaws Table Water Venture** will introduce the idea of adding excellence to our oriented customer care services. For instance, friendly reception, smile, proper attention, etc.

PART III

3.0 MARKET AND CLIENTS

3.1 Nature and Size

Our business is solely managed by IHUOWO CHIMEZIE LAWSON and she will employ at least six workers as staff i.e. the production manager, machine operators; two packaging and staking operators, one marketer, one service deliverer and one accountant doubling as a marketer too. Some of our services will be delivered at the industrial area or at Ukpeliède neighborhood close to the school-RIVPOLY where we intend renting shop in future for our services sales. The water refreshing industry is a lucrative business; it is one of the most viable business ventures in Nigeria and Ahoada West in particular. Our outlet is capable of producing 2500 cartons of Chilaws Table Water in 2 months hence, a budding business.

3.2 Target Markets

The target market of Ahoada West is very viable. The presence of the Polytechnic with consequent influx of people from all parts of the country has provided for the Chilaws Water outlet a large estimated target market of over 28,000; comprising of children, youths and adults

3.3 Key Competitors and Players

The key competitors are very few because of the inadequate knowledge in the production of table water and the absence of customized production machines. However, **BEN WATER SERVICE** and **PT WATER OUTFIT LTD** are potential competitors.

Competition Analysis

Names of Competitors	BEN WATER FIRM	PT WATER OUTFIT LTD
Location of Business	Shop 304 Ukpeliède neighborhood	Shop 221 Ukpeliède neighborhood
Product/services	Production and sale of water	Production and sale of water
Pricing strategy	5% higher	7% higher
What are their other strength	A good number of employees ranging from 10-15	A larger shop hence, two shops merged as one
What are their weakness	Produces water for retail sale, have no delivery service and negligence to customer care service	No delivery service, incompetent staff, and production of water for only retail sale.

3.4 Service Delivery

Use of firm's delivery van.

3.5 Quality Assurance

The Chilaws Table Water Venture promises a retrieval of not sealed, packaged water.

3.6 Demand/Supply Analysis

Demand and Supply Analysis and Estimating the Initial Capacity

Details	Size (Number)
Potential Demand of service to be served at the market monthly	1000
Less 30% existing competitors	700
Available Market (in the absence of expansion and very high entry wall)	
Less 10% due to possible expansion of competitors and entrant of new ones	900
Available Market	
Less 5% due to error in estimation	950
Available demand/Qualified Market/Demand Supply gap	
Initial Installed Capacity 60% of available demand (served market)	600

3.7 Technology

The technology required here are process technologies like:

- Sealing machines
- Purifying machines
- Deep freezers
- Generator
- Borehole facilities

While delivery service technology is

- Delivery/ mobile van

3.8 Competitive Edge

The competitive edges of the Chilaws Table Water Venture are as follow:

- Service delivery/marketing van
- Well equipped and trained staff
- Service delivery
- Top notch customer care services

PART IV

4.0 MARKETING PLAN

4.1 Promotion and Distribution Strategy

- Distributorship: distributing our products to our potential customers on request basis.
- Services depot: we shall create a room for the sale of Chilaws Water at the hostels in the Polytechnic campus for those who may wish to come back on their own.
- Open market: our proposal has a vision to get stores at and outside the Ukpeliède market where we shall be marketing our products.
- Opening of website for the business promotion
- Promotion of the business through our staff promoters and the use of stickers, calendars and the social media.

4.2 Alliances

There are no alliances since it is a solo-proprietorship business except for the market union.

4.3 Market Positioning

The market positioning is SQUARE i.e

- Satisfactorily service delivery
- Quality product
- Unequal Customer friendliness
- Activeness
- Readily available support system/Reassurance and
- Energetic staff

4.4 Service Delivery Strategy

The service delivery strategy is the use of the firm's website and delivery/marketing van in the delivery of products and even services like information on ready supply, latest variety /new arrivals, etc.

4.5 SWOT Analysis

SWOT analysis carried out in the business reveals the following:

Strength:

- Delivery/marketing van
- New and latest water making machines
- New and latest packaging machines
- Quality staff
- Customer care oriented services

Weakness:

- Low running/operating capital due to staff

Opportunities:

- Large target market
- Adult and children water production

Threats:

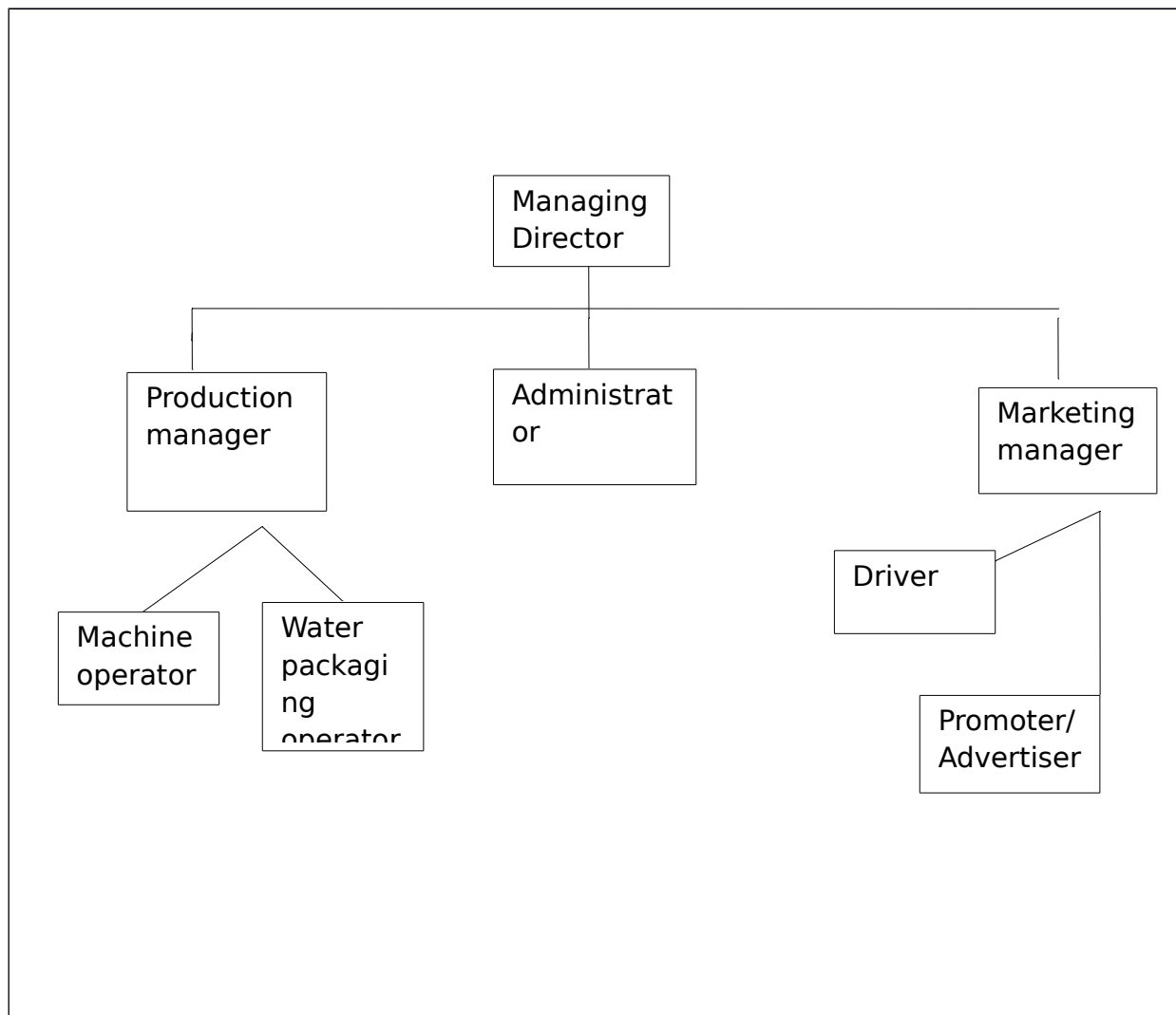
- Thugs and hoodlums theft and disturbance
- Excessive payment of dues and levies
- Activities of competitors like BEN Water Services and PT Water Outfit Ltd that is already established.
- High cost of petrol for powering machines and pumping of water and high cost of water purifiers.

PART V

5.0 ORGANISATION AND MANAGEMENT

5.1 Organizational Structure

Organizational Structure of CHILAWS TABLE WATER OUTLET



5.2 Personal Plan

My personal plan is to see to the adherence of this business plan by every aspect and unity of this firm in order to ensure productivity and materialization of the written and estimated goals and objectives.

5.3 Shareholders and Directors

For the time commencement, there are neither shareholders nor directors

5.4 Value and Norms of the Company

Chilaws Table Water has the following values and norms upon which she chooses to thrive on:

- To offer the best of water to customers
- To uphold high integrity
- To uphold qualitative standards in all aspects
- To see to her employees as her most valuable assets
- To give out-of –the world customer care services.

5.5 Management Team

The management of the outfit is relatively small since it is a budding business; a sole-proprietorship. I, Ihuowo Chimezie Lawson will remain the manager of the firm until further expansion.

5.6 External Support

CHILAWS TABLE WATER VENTURE is discussing with the Rivers small and medium Enterprise (SMEs) centers to offer, over a period of years, strong management and business support service. Also, the outfit will access support on technical issues from the Entrepreneurship Development Centre where the proprietor received training on entrepreneurship.

PART VI

6.0 LEGAL REGULATORY, SOCIAL AND ENVIRONMENTAL ISSUES

6.1 Legal Issues

CHILAWS TABLE WATER VENTURE plans to commence commercial operations as a sole proprietorship venture. At such, it is will embark on registering the name with the appropriate department of the Ahoada West Local Government. No special licenses are required for the operation of the water producing outlet; however, every attempt will be made to get all the permits and licenses.

6.2 Regulatory Issues

The regulatory issues are:

- Activities and operations are supposed to be halted during the burial of a trade unionist.
- Time-consuming sanitation every Wednesday and Friday.
- Excessive union levy in times of wedding, death, birth, etc.

6.3 Social Issues

Although Rivers state happens to be my state, there seems to be some form of discrimination from those of Ahoada West LGA towards others.

6.4 Environmental Issues

From the feasibility study engaged in the venture, business at Ukpeliède axis is always halted particularly when it comes raining; customers are left with no means

of entrance to the area hence, flooded with dirty water resulting from no drainage system.

PART VII

7.0 FINANCIAL PLAN

7.1 Project Cost

The total cost of the business is N1, 000, 000. This is further divided into 600, 000 as fixed capital and 400, 000 as working capital.

7.2 Funding Plan and Statement

LIST OF CAPITAL EQUIPMENT

Equipment	Description/Uses	Supplier
Shop	Single room size	Capital/self
Generator	Source of power supply	Benbella Afor ltd
Delivery/marketing van	To deliver water to customers	Jekwu Automobile
Water dispenser	To show customer care	Nalex Home Appliances
Sealing machine	For sealing sachet water	Ibeto Water Tools
Mixing machines	For mixing purifiers	Obado Water Stores
Iron gate	To guard the shop	Edumaco Wielding and Construction Rivers Ezike

Sales Plan

	Year 1	Year 2	Year 3
Product/Service	Water	Water	Water
Product/Service	30000	90000	90000

Quantity(estimated)			
Cost per unit	80	100	150
Cost of raw inputs	4800000	9000000	1350000

Imported Water Treatment

Quantity Required/Annum

Items	Unit Cost ₦	Current (Existing)	Proposed (After Expansion)
Water	20 gallons	20,000	60,000
Cans/ bottles		10,000	30,000
Others		50,000	85,0000

Sources of Raw Cultures and Water treatment

Item	
Materials- lactobacillus bulgaricus and streptococcus	Rivers (Ahoada West)
Branding materials	Lagos
Large rubbers	Ahoada West, Ukpeliède to be precise.
Water cans/bottles/sachet s	Lagos

Contractual arrangements have been made for foreign materials and water chemicals for hygienic environment.

General cost of Administration

Item	Current (for existing projects only) (₹)	Proposed (for new/expansion projects)(₹)
a. Rents and Rates	50,000	50,000
b. Travelling Expenses	100,000	100,000
c. Stationery and Sundry Exp.	30,000	30,000
Delivery van Running Expenses	500,000	500,000
e. Insurance	150,000	150,000
f. Professional Fee	10,000	10,000
Other Expenses	80,000	80,000
TOTAL	920000	920000

Preliminary and Pre-Operating Expenses (for New Projects Only)

Item	Amount (₹)
Company Incorporation	10,000
Travelling Expenses	150,000
Preparation of Business Plan/F.S	
Others (please specify)	
Total	160,000

Working Capital Projection (to cover the gestation period)

Working Capital Items	Year 0(N)	Year 1(N)	Year 2(N)	Year 3(N)
-Stock of raw Foreign detergents and washing chemicals#1(n....days/months value)	120000	120000	10000 0	15000 0
-Stock of Foreign detergents and washing chemicals#2(n....days/months value)	150000	150000	15000 0	15000 0
-Stock of Foreign detergents and washing chemicals#3(n....days/months value)	200000	200000		
-Stock of raw Foreign detergents and washing chemicals#(n....days/months value)				
_Stock of WIP (n....days/months value)				
-Stock of FG(n....days/months value)				
-Provision for utilities and others: n....months need				
-Salaries/wages	400000	400000	40000 0	
-Debtors: n.....days of annual sales				
-Less creditor: n...days need of raw Foreign detergents and washing chemicals				
Working Capital	366000 0	366000 0	34600	30000
-Increase/Decrease in working capital				

Start -Up Capital Needed

S/N	Item of Expenditure	Amount
1	Fixed asset investment (Equipment, Machinery and other requirements)	600,0000
2	Working Capital	400,000
	Initial Total Investment Outlay	1,000,000

Financing Plan

S/N	Source of Fund	Amount
1	Owner's capital	200,000
2	Bank loan	800,000
3	Others (Specify)	
	Total	1,000,0000

Loan Repayment and Interest payment schedule

Year	Loan/Loan Bal B/d	Interest	Annual installment	Loan Repayment	Loan Bal c/f
	A	B	C	D	E
	A	B=r(A)	C (A value in equation 1)	D=C-B	E=A-D
0	800000				800000
1	2000000	100,000	60,000	50,000	1.500000
2	1500000	75,000	10,75000	100000	50,0000
3	5000000	25,000	525000	500,000	

Note

$$\underline{PV = A(1-(1+r)^{-n})}$$

$$r \dots\dots\dots(1)$$

Where PV= Loan amount; A= Annual installment; r=rate of interest per annum and n= tenure of loan in years.

DEPRECIATION SCHEDULE

S/N	Item	Unit	Cost per Unit	Value	Life Span Estimation in Months	Monthly Depreciation
2	Generator	1	100000	100000	60	1666.6
4	Mixers	1	18000	18000	60	300
5	Delivery/marketing van	1	100000	100000	60	1666.6
9	Wire guards	1	3500	3500	60	38
					Total	3671.2

7.3 Projected income statement

Estimate of Profit and Loss Account for the first 3 years

Particulars	Year 1	Year 2	Year 3
Sales	4800000	9000000	1350000
Others			
Net Sales	4800000	9000000	1350000
Less Expenses			
Cost of raw Foreign detergents and washing chemicals	6060000	13752000	6048000
Salaries	6120000	6120000	7120000
Rent	50,000	50,000	50,000
Telephone/travelling	100,000	100,000	100,000
Electricity	40,000	40,000	40,000
Advertising	500,000	600,000	700,000

Entertainment	70,000	70,000	70,000
Insurance	150,000	150,000	150,000
Legal	10,000	10,000	10,000
Office supplies	20,000	20,000	20,000
Motor Vehicle maintenance	500,000	500,000	500,000
Total Expenses	13620000	21412000	14808000
Profit before Tax/Int	34380000	68588000	12019200
Less Interest	100000	75000	25000
Profit After Interest	34280000	68153000	119787000
Less Tax	350,000	360,000	380,000
Profit After Tax	33930000	68153000	119787000
Less Depreciation	21950	21950	21950
Net Profit	3371050	68131050	119765050
Appropriation	Year 1	Year 2	Year 3
Dividend			
Retained Earnings			

7.4 Projected balance sheet

The Balance sheet combines the results from the profit and loss statement and the Cash Flow Statement

Balance Sheet Assets				
Fixed Assets:				

Machinery, Generator, Water dispenser, Delivery van and others				600,000
Less Cum. Dep. Of 5%	30,000			30,000
Current Assets:				570,000
Cash(use as balancing item)				
Debtors	--	---	---	----
Stock				
Total Current Assets (B)				
TOTAL ASSETS (C)				
Liabilities				
Current liabilities				
Creditors	----	-----	----	-----
Accrued Expenses	-----	-----	----	-----
Overdraft	-----	-----	----	-----
Short Term Loan				800,000
Total Current Liabilities(D)				
Capital Employed (A-D)				200,0000
Long Term liabilities	-----	-----	----	-----
Long Term loan	-----	-----	----	-----
Others (specify)	-----	-----	----	-----
Total long Term liabilities(E)	-----	-----	----	-----
Long + Short Term Liab.(F)				800,000
Shareholders Equity(C-F)	-----	-----	----	-----

Shareholders Equity:	-----	-----	----	-----
Capital(Shares)				1,000,000
Retained Profits				457,0000
Total shareholders fund (G)				

7.6 Projected cash-flows statement

Cash flow Projection

	Yr 1 Total (₦)	Yr 2 Total (₦)	Yr 3Total (₦)
Cash In			
Bank Loan	2000000		
Sales Income	4800000	9000000	135000000
Other Income (state)	200000		
Total Cash In			
Cash Out			
Admin	6,120,000	7,120,000	7,120,000
.Outgoings/salaries			
Marketing	350,000	350,000	350,000
Cost of Goods	100,000	100,000	100,000
Interest Expenses	100,000	100,000	100,000
Loan Repayment	10,000	10,000	10,000
Other Payments	50,000	50,000	50,000
Total Cash out	6730000	6720000	7730000
Net Cash Flow	270000	1280000	5770000
Opening cash Bal		270000	1550000
Closing cash Bal	270000	1550000	7320000

7.5 Profitability Analysis

The project comes out of the gestation period in 12 months and even by that time the sale for the months stood at N1,500,000. By the end of the first year (of which there was only 11 months of selling activities) the sales were N1,800,000 and this is expected to grow in the subsequent years.

Indicator	2010 N	2011 N	2012 N
Turnover	1,500,000	1,800,000	1,434,000
Gross Margin	900,000	1,400,000	1,434,000
Net operating profit	197,000	408,700	356,49
Return on Equity or Owner's contr. %	98.5	204.35	356.49
Return on Total Investment %	19.7	40.87	71.29

7.6 Break-Even Analysis

	Fixed Costs	Variable Cost
	N	N
Salaries and Allowances	480,000	
Electricity	-	20,000
Transport & Travelling	-	30,000
Loan Interest	80,000	
Telephone & Postages	-	36,000
Depreciation	57,000	
Total	617,000	86,000
<u>BEP = FC</u>	where FC = Fixed Cost	N617,000
1 - <u>VC</u>	VC = Variable Cost	1 - 86,000
S	S = Sales or Turnover	1,500,000
	1 = Constant	<u>86,000</u>
		1,500,000 = 0.057
		1 - 0.057 = 0.943
	BEP = <u>N617,000</u>	
	0.943 = N654,295	

PART VIII

8.0 RISK ANALYSIS, CONTINGENCY PLAN AND EXIT STRATEGY

8.1 Risk Analysis

The project has been subjected to risk analysis and some inherent risks identified and appropriate mitigants preferred to avoid the business being disrupted

Inadequate start-up demand ----Aggressive promotion and advertising campaigns

8.2 Contingency Plan

Sourcing of resort-funds from family and friends in times of emergency.

8.3 Exit Strategy

The firm- **Chilaws Table Water Venture** has no plan for exit but expansion.

PART IX

9.0 OTHER CONSIDERATIONS CONCLUSION/ RECOMMENDATION

9.1 Economic Justification

From the view of our study and analysis of the findings made, the project offers a good benefit to the promoter- IHUOWO, CHIMEZIE LAWSON and to the economy. Wealth will be created and employment opportunities created. These are consistent with the Federal and State Government policy on entrepreneurship, wealth and job creation.

9.2 Commercial Viability

The commercial viability of the project is very clear. The project has been found to be commercially viable, having shown through projections, an impressive sales, profits and cash flow positions.

9.3 Conclusion/Recommendation

Therefore, the project- CHILAWS TABLE WATER VENTURE is highly recommend for both funding and implementation.

APPENDIX

Photocopy of certificate of incorporation or Registration

Approvals

Licenses

