

# **UNIVERSITY OF NIGERIA, NSUKKA**

**FACULTY OF THE SOCIAL SCIENCES**

**DEPARTMENT OF PUBLIC ADMINISTRATION AND LOCAL  
GOVERNMENT**

**TOPIC:**

**A BUSINESS PLAN**

**“BUSINESS PLAN FOR THE ESTABLISHMENT OF FISH FARMING  
(NEWCASTLE FISH FARM)”**

**A BUSINESS PLAN**

**SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT  
FOR THE COURSE CED 342 (BUSINESS CREATION AND GROWTH)**

**BY**

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**JULY, 2017**

## **TITLE PAGE**

### **BUSINESS PLAN FOR THE ESTABLISHMENT OF A FISH FARM (NEWCASTLE FISH FARM FISH FARM)**



Catfish farming fall under the animal production MGV sector of agriculture, which can also be described as aquaculture. Aquaculture is the farming of aquatic organisms – Fishes, crustaceans, mollusks, etc, in fresh, salty or brackish water. Fishes are known for protein and fish farming involves the planned growth and cultivation of fishes in tanks or proper enclosures for harvesting as food or commercial purpose.

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## **CONFIDENTIALITY AGREEMENT**

The information provided in this business plan is confidential and should be treated confidential. The reader (s) therefore agrees not to disclose it without the express written permission of the company/promoter.

Name	Signature	Date
Oragwu, Cornelius Uche	-----	July 28 <sup>th</sup> , 2017

## **PART I**

### **EXECUTIVE SUMMARY**

#### **1.1 The Company**

Newcastle Fish Farm (NFF) will provide hard to find tropical fish to aquarists who do not have access to these fish through local pet stores. NFF will ship live fish to its customers' doors anywhere within the east central zone of Nigeria within one to two days. NFF will also provide fish to tropical fish retailers within the local area. NFF will provide convenience and variety not found in the traditional tropical fish selling industry.

Newcastle Fish Farms' assets will consist of livestock watering troughs and aquariums. The tanks and troughs will be enclosed within an insulated steel building.

NFF will be a business owned by the founders, Oragwu Cornelius Uche, Ejiofor Emmanuel A. and Ejikeme Solomon I. they plan is to operate the business completely by themselves for the first two years. As sales increase, we will bring on a general assistant to help with all aspects of operations.

#### **1.2 The Product**

Newcastle Fish Farm will provide rare tropical fish from the family Cichlid. These fish are known for their colorful appearance and interesting and aggressive behavior. Up to 30 separate fish species will be bred by NFF, in addition NFF will import fish that do not readily breed in captivity.

As NFF grows we plan to offer live plants, more types of unusual fish, newly discovered species of Nigerian catfish, and possibly some of the more common fish species.

### **1.3 The Market**

There is so much money to be made in; if done right. Catfish farming is a lucrative form of fish farming business.

A study in the industry has shown that most of the retailers in tilapia industry, do get or buy their supplies from farms far away from their shops, which increases their transactional cost, which includes higher transportation cost. Also preservation of the tilapia before it gets to retailers are badly packaged, which makes the tilapia not to last long in storage and reduces its high nutrition and taste.

The company will target two market segments within the fish hobbyist industry. These are direct online sales to tropical fish collectors and fish retailers in the company's local area. NFF's largest market segment will be Internet users who live within Enugu state and its environs and own an aquarium.

### **1.4 Owner**

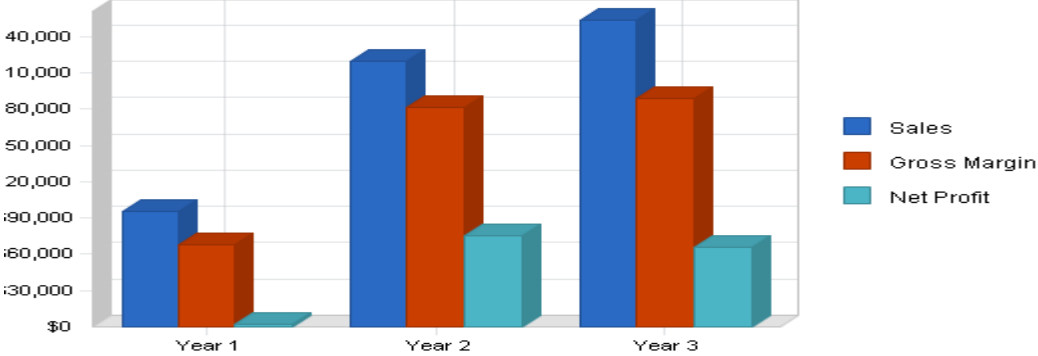
Newcastle Fish Farm will be owned by Oragwu, Cornelius Uche and Co.

### **1.5 Financial Projections**

Our start-up costs include expenses for the building and for equipment. The start-up costs will be financed by an investor, a bank loan and a small owner investment of initial inventory and equipment.

We expect to achieve ultimate sales goal by the first few months of 2018 when the breeding stock reaches maximum maturity. We expect a high degree of profitability from this venture due to high margins and inventory turnover inherent to the industry.

Highlights





## **PART II**

### **BACKGROUND**

#### **2.1 Objectives**

The NFF's most important objectives are:

1. Find a fast, reliable Delivery service.
2. Sales of N300, 000, per month.
3. Maintain an inventory turnover ratio of six.

#### **2.2 Mission**

Newcastle Fish Farm (NFF) will provide hard to find tropical to aquarists who do not have access to these fish through local pet stores. Up to 30 separate fish species will be bred by NFF, in addition NFF will import fish that do not readily breed in captivity. NFF will deliver live fish to its customers' doors anywhere within Enugu state within one to two days. NFF will also provide fish to tropical fish retailers located within 100 miles of the breeding center. NFF will provide convenience and variety not found in the traditional tropical fish selling industry.

#### **2.3 Keys to Success**

1. Efficiently breed several species of tropical fish.
2. Quickly and reliably deliver the fish to customers.
3. Develop a strong reputation within the fish keeping community.
4. Ensure that all large search engines link to our site.



## PART III

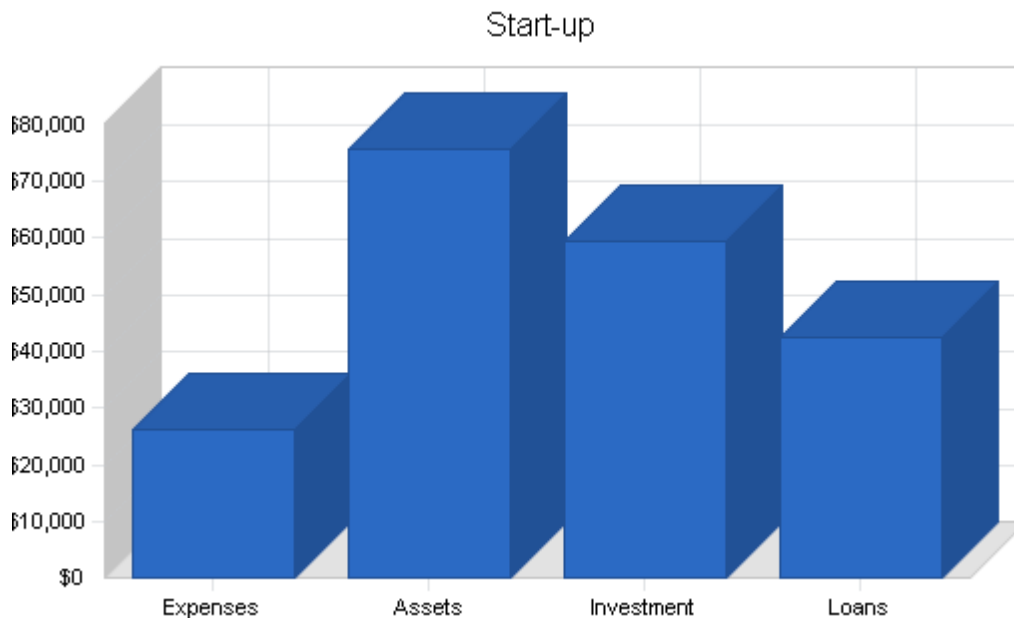
### 3.1 Company Summary

Newcastle Fish Farm will be a privately-owned tropical catfish breeding business. We will offer rare fish species to customers throughout the country. Our customers do not have access to the species we offer through their local fish shops.

Newcastle Fish Farm will consist of 80 by 150 gallon livestock watering troughs and forty 40 gallon aquariums; totaling 13,600 gallons of water. The tanks and troughs will be enclosed by an insulated steel building built on a concrete slab. Breeding stock will be housed in the 150 gallon troughs, fertilized eggs will be moved from the troughs to the 40 gallon aquariums prior to hatching in most cases. The business will be located at no 8 chukwuikpe street, Abakpa nike, in Enugu state.

### 3.2 Start-up Summary

Our start-up costs include expenses for the building purchase and for expensed equipment. The start-up costs will be financed by an angel investor, a bank loan and a small owner investment of initial inventory and equipment. The assumptions are shown in the following table.



## **Start-up**

### Requirements

#### Start-up Expenses

Legal	N70, 000
Stationery etc.	N20, 000
Insurance	N100,000
Expensed equipment	N50,000
Other	N10,000
Total Start-up Expenses	N250,000

#### Start-up Assets

Cash Required	N230,000
Start-up Inventory	N100,000
Other Current Assets	N70,000
Long-term Assets	N300,000
Total Assets	N370,000
Total Requirements	N1,070, 000

## **Start-up Funding**

Start-up Expenses to Fund	N50,000
Start-up Assets to Fund	N150,000
Total Funding Required	N200,000

### Assets

Non-cash Assets from Start-up	N40,000
Cash Requirements from Start-up	N155,000
Additional Cash Raised	N10,900
Cash Balance on Starting Date	N50,000
Total Assets	N255,900

### Liabilities and Capital

#### Liabilities

Current Borrowing	N42,360
Long-term Liabilities	N200,000
Accounts Payable (Outstanding Bills)	N0
Other Current Liabilities (interest-free)	N0
Total Liabilities	N242,360

Capital	
Planned Investment	
Owner	N80,000
Angel Investor	N70,000
Additional Investment Requirement	N20,000
Total Planned Investment	N100,000
Loss at Start-up (Start-up Expenses)	(N50,000)
Total Capital	N320,000
Total Capital and Liabilities	N562,360
Total Funding	N2,088,510

### **3.3 Company Ownership**

NFF will be a sole proprietorship, owned by Oragwu, Cornelius Uche and Co.

## **PART IV**

### **4.1 Products**

Newcastle Fish Farm will provide rare tropical fish from the family fishae. These fish are known for their colorful appearance and interesting and aggressive behavior. The fish will be sold as juveniles, ranging in length from one to four inches. As adults some of these species can grow to almost two feet in length, the average adult will be around eight to ten inches long. The supply of adult sized fish is impractical due to their size.

### **4.2 Competitive Comparison**

There are other businesses online that offer tropical fish and some common fish. The important difference between those businesses and NFF is that we will have the less common fish that the other sites do not offer.

The current online fish sellers do not have any background and care requirements information for the fish that they sell. If a customer is looking to purchase a particular fish online, they may have to go to one site to read up on the care and behavior of the fish that they are interested in purchasing, and then go to a different site to actually purchase the fish. NFF will offer both information on the species we carry and the ability to order the researched fish without having to go to another website.

### **4.3 Future Products**

As NFF grows we may offer live plants, more types of unusual fish, newly discovered species of Nigerian, and possibly some of the more common fish species.

## **PART V**

### **MARKET ANALYSIS SUMMARY**

#### **5.1 Market Segmentation**

- **Tropical fish retailers:** the majority of our customers will consist of fish shops within 100 miles from our business. These customers will buy considerably more fish per order than Internet customers.
- **Internet customers:** the minority of our customers will be Internet users. Research estimates that this segment consists of seven million Internet users.

#### **5.2 Market Needs**

- Most people do not have access to retail fish shops that regularly carry a large number of different fish species. Some of the most beautiful and interesting fish cannot be found in these shops at all. NFF will provide these hard-to-find species to its customers.
- Retail fish shops do not have access to the species that customers may ask for and NFF provides. NFF will sell our fish to retail shops within 100 miles of the breeding center. The fish will be sold to the shops at wholesale prices.

#### **5.3 Competition and Buying Patterns**

Competition in the fish-selling industry is based on customer satisfaction. If the ordered fish arrives as advertised and in good health the customer is satisfied. If a business can consistently provide customer satisfaction through quality product and quick service the consumer will become loyal and regard product price as secondary in importance.

## **PART VI**

### **STRATEGY AND IMPLEMENTATION SUMMARY**

NFF will market to customers who are looking for different fish species. We will sell our product primarily over the counter to customers within Enugu state. These customers are looking for interesting and colorful examples of fish species that are not available in their local fish shop.

Our strategy is to offer one-stop shopping for rare and unusual fish. Customers will be able to look through pages of information on a particular fish species and then purchase the fish.

#### **6.1 Competitive Edge**

Our competitive edge will be our site design, on-site product supply, and wide variety within the fish family.

#### **6.2 Sales Forecast**

Our sales forecast assumes no change in costs or prices, which is a reasonable assumption for the last few years.

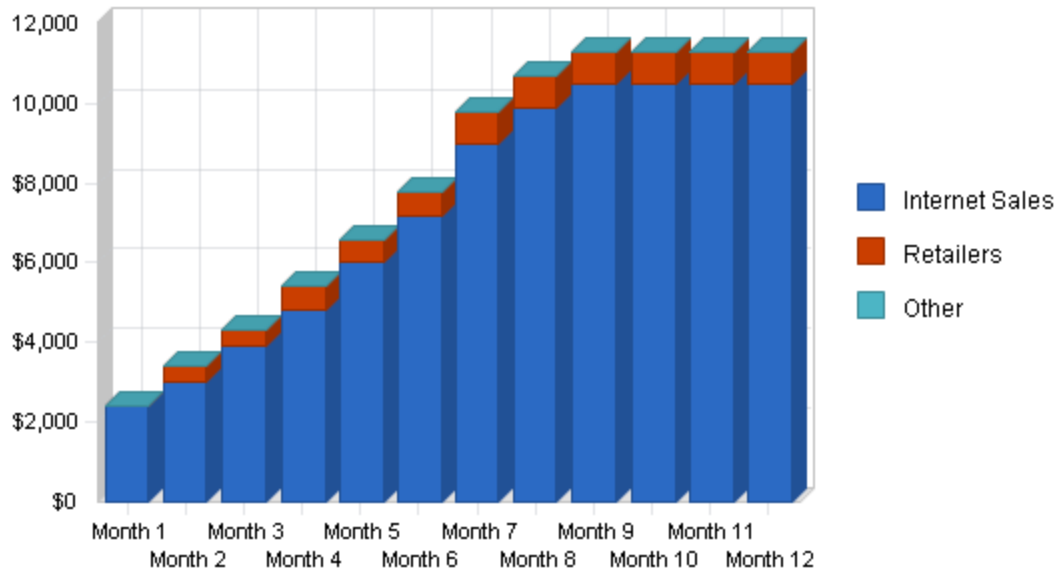
We expect a jump in sales in 2017 due to increased maturity of our breeding stock. We expect our sales to increase moderately in 2018.

Our sales will level off in the latter part of the first year due to our sales reaching maximum breeding capacity. Capacity will increase with time.

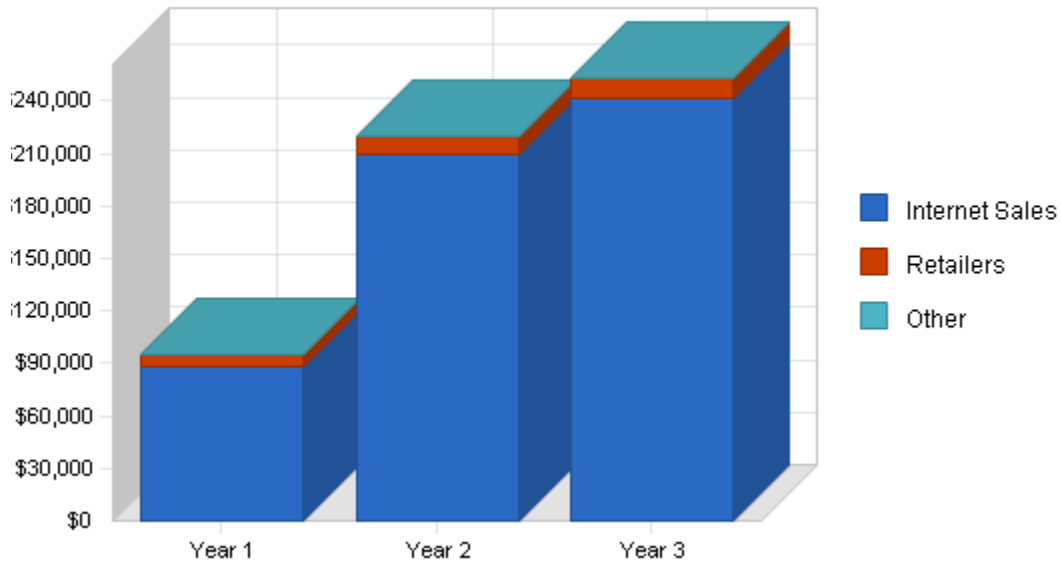
We expect the product line to change with our customers' needs and desires.



Sales Monthly



Sales by Year



**Sales Forecast**

	Year 1	Year 2	Year 3
Unit Sales			
Internet Sales	914,700	835,000	140,250
Retailers	313,900	114,800	516,000
Other	0	0	0

Total Unit Sales	118,600	139,800	146,250
Unit Prices	Year 1	Year 2	Year 3
Internet Sales	N6.00	N6.00	N6.00
Retailers	N1.90	N2.00	N2.00
Other	N0.00	N0.00	N0.00
Sales			
Internet Sales	N188,200	N210,000	N241,500
Retailers	N17,400	N19,600	N112,000
Other	N0	N0	N0
Total Sales	N,990,600	N1,120,000	N2,250,000
Direct Unit Costs	Year 1	Year 2	Year 3
Internet Sales	N0.50	N0.50	N0.50
Retailers	N0.50	N0.50	N0.50
Other	N0.00	N0.00	N0.00
Direct Cost of Sales			
Internet Sales	N17,350	N117,500	N120,125
Retailers	N11,950	N12,400	N13,000
Other	N0	N0	N0
Subtotal Direct Cost of Sales	N580,000	N800,900	N1,500,000

### 6.3 Management Summary

NFF will be a small business owned by Oragwu, Cornelius Uche, Ejiofor Emmanuel and Ejikeme Solomon. They will be involved in all aspects of the business until it grows beyond their ability to manage. Other employees will have important

responsibilities and will be paid accordingly. The atmosphere of the business will encourage free thinking and teamwork.

#### Personnel Plan

	Year 1	Year 2	Year 3
Production Personnel			
General assistant	N180,000	N180,000	N240,000
Second general assistant	N132,000	N132,000	N180,000

Other	N84,000	N84,000	N120,000
Subtotal	N396,000	N396,000	N540,000
<b>Sales and Marketing Personnel</b>			
Name or title	N0	N0	N0
Other	N0	N0	N0
Subtotal	N0	N0	N0
<b>General and Administrative Personnel</b>			
Owner	N72,000	N72,000	N96,000
Other	N0	N0	N0
Subtotal	N72,000	N72,000	N96,000
<b>Other Personnel</b>			
Name or title	N0	N0	N0
Name or title	N0	N0	N0
Name or title	N0	N0	N0
Other	N0	N0	N0
Subtotal	N0	N0	N0
Total People	2	2	3
Total Payroll	N468,000	N468,000	N636,000

## **PART VII**

### **FINANCIAL PLAN**

The following topics outline the financial plan for Newcastle Fish Farms.

#### **7.1 Important Assumptions**

The following table shows the general assumptions.

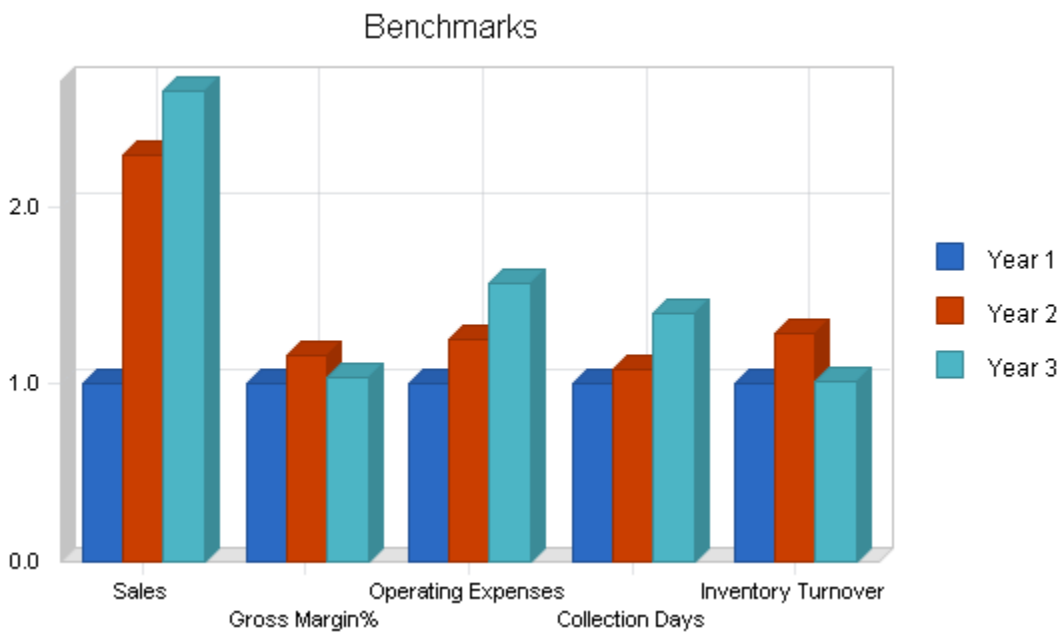
#### General Assumptions

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Plan Month	1	2	3

Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	25.42%	25.00%	25.42%
Other	0	0	0

## 7.2 Key Financial Indicators

The following chart illustrates the key financial indicators.



## 7.3 Break-even Analysis

Our break-even analysis is a calculation of costs required to keep the business running. Payroll, mortgage payments, utilities, marketing, accounting

expenses, and expenses involved with aquarium water conditioning factor into our break-even analysis

**Break-even Analysis**

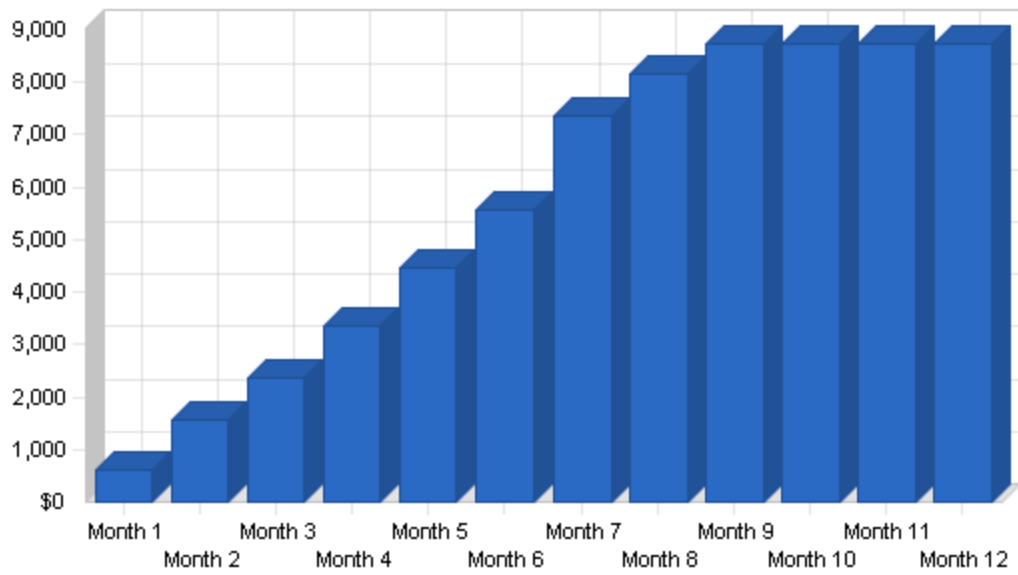
Monthly Units Break-even	1,110
Monthly Revenue Break-even	N5,705
Assumptions:	
Average Per-Unit Revenue	N5.14
Average Per-Unit Variable Cost	N0.50
Estimated Monthly Fixed Cost	N5,150

**7.4 Projected Profit and Loss**

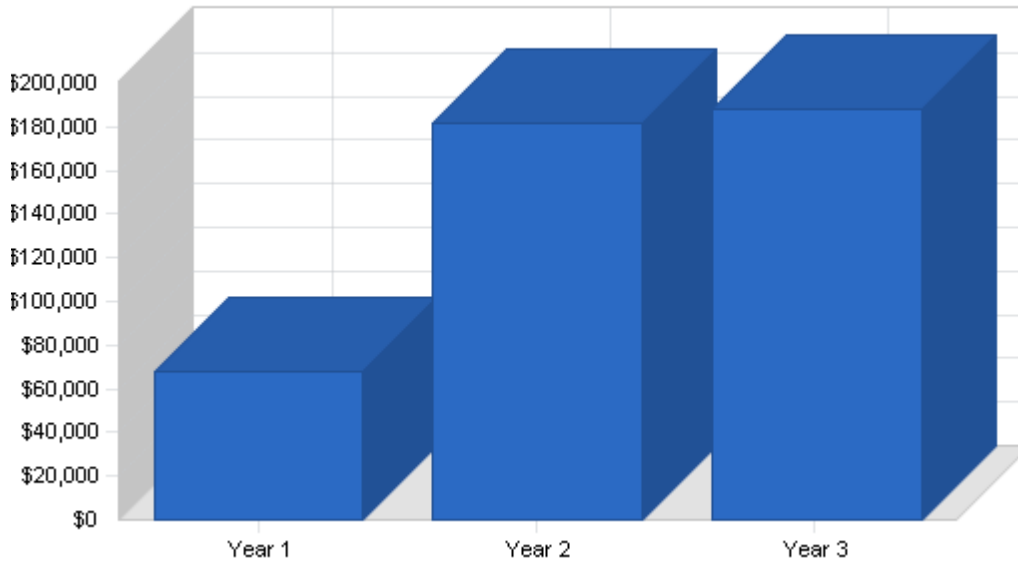
We expect a high degree of profitability from this venture due to high margins and inventory turnover inherent to the industry. Profit in the first year (2016) will be lower than projected potential due to the immaturity of two-thirds of the breeding stock and low name recognition within the industry. By September, 2017 all of the breeding stock will have matured and 100% of the projected profit potential will be realized.

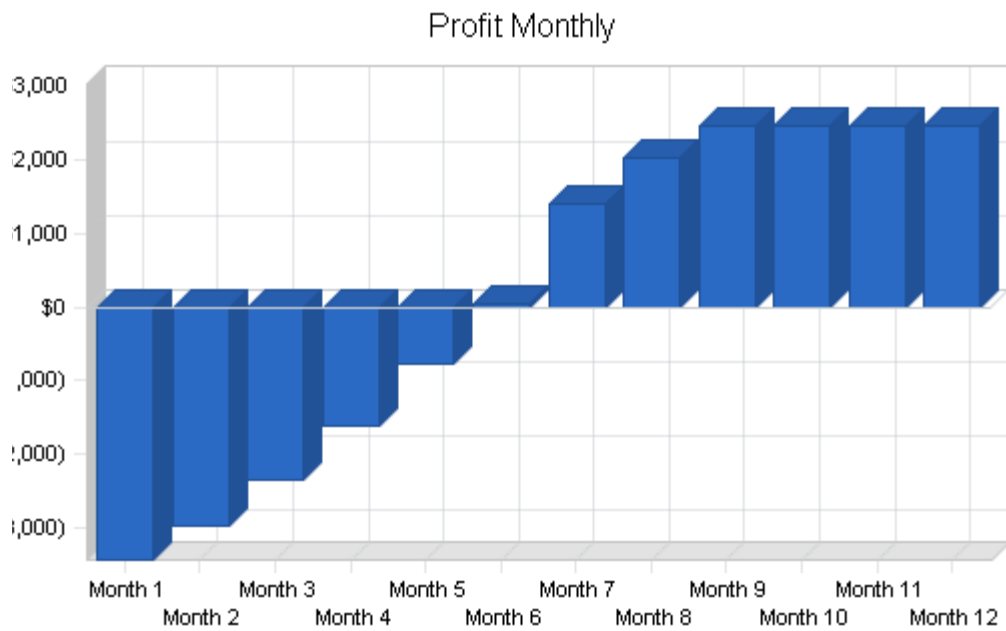


Gross Margin Monthly



Gross Margin Yearly





### Pro Forma Profit and Loss

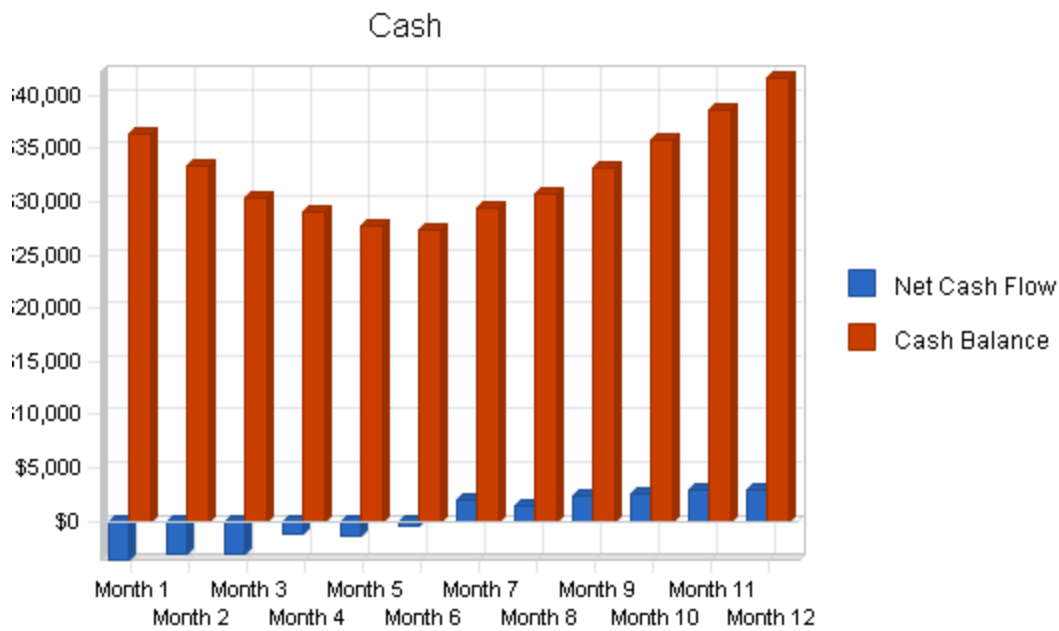
	Year 1	Year 2	Year 3
Sales	N1, 500,000	N1,500,000	N2,500,000
Direct Cost of Sales	N10,000	N10,000	N13,000
Production Payroll	N5,000	N5,000	N6,000
Other	N0	N0	N0
Total Cost of Sales	N22,000	N22,000	N26,125
Gross Margin	N68,300	N181,700	N188,375
Gross Margin %	71.44%	82.74%	74.31%
Operating Expenses			
Sales and Marketing Expenses			
Sales and Marketing Payroll	N0	N0	N0
Advertising/Promotion	N350,440	N559,880	N434,320
Travel	N1,200	N991,800	N256,400
Miscellaneous	N991,800	N981,800	N781,800
Total Sales and Marketing Expenses	N444,440	N986,480	N998,520
Sales and Marketing %	4.64%	2.95%	3.36%
General and Administrative Expenses			
General and Administrative Payroll	N36,000	N48,000	N60,000
Sales and Marketing and Other	N0	N0	N0

Expenses			
Depreciation	N912,000	N912,000	N912,000
Leased Equipment	N0	N0	N0
Utilities	N981,260	N981,300	N981,400
Rent	N0	N0	N0
Payroll Taxes	N988,100	N999,900	N915,300
Other General and Administrative Expenses	N0	N0	N0
Total General and Administrative Expenses	N57,360	N71,200	N88,700
General and Administrative %	60.00%	32.42%	34.99%
Other Expenses:			
Other Payroll	N0	N0	N0
Consultants	N0	N0	N0
Contract/Consultants	N0	N0	N0
Total Other Expenses	N0	N0	N0
Other %	0.00%	0.00%	0.00%
Total Operating Expenses	N61,800	N77,680	N97,220
Profit Before Interest and Taxes	N6,500	N104,020	N91,155
EBITDA	N18,500	N116,020	N103,155
Interest Expense	N3,873	N3,230	N2,559
Taxes Incurred	N412	N25,198	N22,518
Net Profit	N2,215	N75,593	N66,078
Net Profit/Sales	2.32%	34.42%	26.07%

## 7.5 Projected Cash Flow

As our breeding stock mature and our reputation becomes known the business will experience increased cash flows. We may expand at this time with the construction of another building adjacent to the original structure.





### Pro Forma Cash Flow

	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	N957,360	N1,220,000	N2,250,000
Cash from Receivables	N929,351	N76,310	N98,248
Subtotal Cash from Operations	N986,711	N208,070	N250,348
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	N0	N0	N0
New Current Borrowing	N0	N0	N0
New Other Liabilities (interest-free)	N0	N0	N0
New Long-term Liabilities	N0	N0	N0
Sales of Other Current Assets	N0	N0	N0
Sales of Long-term Assets	N0	N0	N0
New Investment Received	N0	N0	N0
Subtotal Cash Received	N86,711	N208,070	N250,348
Expenditures	Year 1	Year 2	Year 3
Expenditures from Operations			
Cash Spending	N954,000	N966,000	N102,000
Bill Payments	N924,437	N965,049	N973,300
Subtotal Spent on Operations	N978,437	N131,049	N175,300
Additional Cash Spent			

Sales Tax, VAT, HST/GST Paid Out	N0	N0	N0
Principal Repayment of Current Borrowing	N0	N0	N0
Other Liabilities Principal Repayment	N0	N0	N0
Long-term Liabilities Principal Repayment	N6,708	N6,708	N6,708
Purchase Other Current Assets	N0	N0	N0
Purchase Long-term Assets	N0	N0	N0
Dividends	N0	N0	N0
Subtotal Cash Spent	N985,145	N137,757	N182,008
Net Cash Flow	N1,566	N70,313	N68,340
Cash Balance	N41,566	N111,878	N180,218

## 7.6 Projected Balance Sheet

The following table shows the projected balance sheet for Candlelight Fish Farms.

### Pro Forma Balance Sheet

	Year 1	Year 2	Year 3
<b>Assets</b>			
<b>Current Assets</b>			
Cash	N41,566	N111,878	N180,218
Accounts Receivable	N8,889	N20,419	N23,572
Inventory	N1,183	N2,530	N2,940
Other Current Assets	N0	N0	N0
<b>Total Current Assets</b>	<b>N51,638</b>	<b>N134,828</b>	<b>N206,730</b>
<b>Long-term Assets</b>			
Long-term Assets	N35,000	N35,000	N35,000
Accumulated Depreciation	N12,000	N24,000	N36,000
<b>Total Long-term Assets</b>	<b>N23,000</b>	<b>N11,000</b>	<b>(N1,000)</b>
<b>Total Assets</b>	<b>N74,638</b>	<b>N145,828</b>	<b>N205,730</b>
<b>Liabilities and Capital</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Current Liabilities</b>			
Accounts Payable	N3,230	N5,536	N6,068
Current Borrowing	N0	N0	N0
Other Current Liabilities	N0	N0	N0

Subtotal Current Liabilities	N3,230	N5,536	N6,068
Long-term Liabilities	N35,652	N28,944	N22,236
Total Liabilities	N38,882	N34,480	N28,304
Paid-in Capital	N59,590	N59,590	N59,590
Retained Earnings	(N26,050)	(N23,835)	N51,758
Earnings	N2,215	N75,593	N66,078
Total Capital	N35,755	N111,348	N177,426
Total Liabilities and Capital	N74,638	N145,828	N205,730
Net Worth	N35,755	N111,348	N177,426

## 7.7 Business Ratios

The following table outlines some of the more important ratios from the Breeding of Pets industry. The final column, Industry Profile, details specific ratios based on the industry as it is classified by the NAICS code, 112990.

### Ratio Analysis

	Year 1	Year 2	Year 3	Industry Profile
Sales Growth	0.00%	129.71%	15.44%	3.52%
Percent of Total Assets				
Accounts Receivable	11.91%	14.00%	11.46%	8.54%
Inventory	1.58%	1.74%	1.43%	11.36%
Other Current Assets	0.00%	0.00%	0.00%	30.17%
Total Current Assets	69.18%	92.46%	100.49%	50.07%
Long-term Assets	30.82%	7.54%	-0.49%	49.93%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	4.33%	3.80%	2.95%	24.29%
Long-term Liabilities	47.77%	19.85%	10.81%	29.26%
Total Liabilities	52.09%	23.64%	13.76%	53.55%
Net Worth	47.91%	76.36%	86.24%	46.45%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	71.44%	82.74%	74.31%	59.45%
Selling, General & Administrative Expenses	74.41%	48.60%	48.18%	37.30%

Advertising Expenses	1.51%	0.11%	0.14%	0.42%
Profit Before Interest and Taxes	6.80%	47.37%	35.96%	2.80%
Main Ratios				
Current	15.99	24.35	34.07	1.31
Quick	15.62	23.90	33.58	0.63
Total Debt to Total Assets	52.09%	23.64%	13.76%	65.25%
Pre-tax Return on Net Worth	7.35%	90.52%	49.93%	3.14%
Pre-tax Return on Assets	3.52%	69.12%	43.06%	9.04%
Additional Ratios				
	Year 1	Year 2	Year 3	
Net Profit Margin	2.32%	34.42%	26.07%	n.a
Return on Equity	6.20%	67.89%	37.24%	n.a
Activity Ratios				
Accounts Receivable Turnover	4.30	4.30	4.30	n.a
Collection Days	56	61	79	n.a
Inventory Turnover	8.36	10.72	8.45	n.a
Accounts Payable Turnover	8.57	12.17	12.17	n.a
Payment Days	27	24	29	n.a
Total Asset Turnover	1.28	1.51	1.23	n.a
Debt Ratios				
Debt to Net Worth	1.09	0.31	0.16	n.a
Current Liab. to Liab.	0.08	0.16	0.21	n.a
Liquidity Ratios				
Net Working Capital	N48,407	N129,292	N200,662	n.a
Interest Coverage	1.68	32.21	35.62	n.a
Additional Ratios				
Assets to Sales	0.78	0.66	0.81	n.a
Current Debt/Total Assets	4%	4%	3%	n.a
Acid Test	12.87	20.21	29.70	n.a
Sales/Net Worth	2.67	1.97	1.43	n.a
Dividend Payout	0.00	0.00	0.00	n.a

## **PART XII**

### **OTHER CONSIDERATIONS AND CONCLUSION**

#### **8.1 Economic Justification**

From the point of view of our study and analysis of the findings herein stated the project offers good benefits to the food industry, encourages maintenance culture, and creates wealth and job. It is consistent with the Federal and Enugu State Government policy on entrepreneurship, wealth and job creation.

#### **8.2 Commercial Viability**

The commercial viability of the project needs no over emphasis. I found the project to be commercially viable. Having shown through the projections, a conservative but impressive turnover, profit line and cash flows are recorded.

#### **8.3 Conclusion and Recommendations**

We have therefore no hesitations in recommending the proposed project for funding and implementation.