

**UNIVERSITY OF NIGERIA, NSUKKA  
FACULTY OF THE SOCIAL SCIENCES**

**DEPARTMENT OF PUBLIC ADMINISTRATION AND LOCAL  
GOVERNMENT**

**TOPIC:**

**BUSINESS PLAN FOR THE ESTABLISHMENT OF PALM  
OIL PRODUCTION**

**A BUSINESS PLAN**

**SUBMITTED IN PARTIAL FULFILMENT FOR THE  
REQUIREMENT OF THE COURSE: CEDR 342**

**(BUSINESS MANAGEMENT AND DEVELOPMENT)**

**BY**

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**REG. NO: 2014/193554**

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## **PART I**

### **Executive Summary**

The business whose summary appears below is derived from the fact that the demand for dietary intakes with little or low calorie intake is on the rise due to increases in health related conditions like: obesity, diabetes; high blood pressure; etc.

This business is a reaction to the above need and it is planned to use a mixture of good varieties palm nuts, fortified with vitamin E to produce a low calorie meal that has won the acclaim of Raw Materials Research Development Council. The market potential of the product (Wemco oil) of this business is high.

#### **1.1 Name of Business**

The name of the Business is Kimco Industries Nigeria Limited.

#### **1.2 Legal Form of Business**

Kimco Industries is a private limited liability company registered with Corporate Affairs Commission (CAC) with CAC registration number RC675034 (see appendix 1)

#### **1.3 Contact Address**

No. 20 Amadi-Ama Industrial layout, Trans Amadi, Portharcourt River State.

**Mobile phone: 07038488967**      E-Mail: henryslim433@gmail.com

#### **1.4 Type of Business**

Kimco Industries Nigeria Limited is a manufacturer operating in the agro processing sector.

#### **1.5 Concise description of the business idea**

##### **Products or Services**

The product is Wemco oil. A product produced from good varieties of palm nuts with the addition of vitamins E and  $\alpha$ -Tocotrienol. It is highly recommended for people on Vitamin E deficiency (see appendix 2)

### Customers

Public members that desire vitamin E intake.

### Owner(s)

Kimco industries as already hinted is a sole proprietorship business owned by me in the person of –UGWUANYI HENRY .O

### 1.7 Number of jobs to be created

By the time the company is up and running, it is expected that it will create direct jobs for 15(fifteen) people

### 1.8 Start – up capital

The following are the components of the required startup capital

a. Investment (Equipment, machinery and others)	N3,500000.00
b. Working Capital and pre-operating expenses	N1,500000.00
	<b>Total = N5,000000.00</b>

### 1.9 Source of Capital and share holding structure

Capital requirement for the project will be sourced as shown in the table below

a.	Owner's capital	N1,500000.00
b.	Bank loan	N3,500000. 00
	<b>Total</b>	<b>N5000000.00</b>

### 1.10 Profitability:

The net profits over the years are:

1. Year 1 = N7, 342,793.00
2. Year 2 = N25, 301,085.00
3. Year 3 = N30, 058,123.00

### **1.11 Level of liquidity:**

The liquidity levels over the years are:

1. Year 1 N5, 457,381
2. Year 2 N30, 309,445
3. Year 3 N70, 678, 577

1.12 Based on the fact that the planned business is technically feasible and commercially viable, it is therefore recommended for implementation and funding.

## **PART II**

### **2.0 General Introduction**

## **2.1 Background**

Due to low deficiency of vitamin E in Nigeria (both male and female) are very conscious of the food they take as a result of growing incidences and other related health issues, and the growing preference of people to be fit and to help keep the immune system strong against viruses and bacteria. There is now a fast growing demand for foods with high vitamin E content.

Wemco oil is a hygienically well refined palm oil meal produced from different varieties of palm nut with no additives. It is thus, a food that is enriching with vitamin E that is targeted at the general population in Nigeria-particularly South-East and South-South Nigeria.

## **2.2 Vision Statement**

To be known as the best and most reliable source of high quality palm oil food in Nigeria.

## **2.3 Mission Statement**

To consistently use man and technology to push the frontiers of high quality palm oil food enrich with vitamin E by using the best quality palm nuts to produce oil that is wholesome taste wise, diet wise and value wise.

## **2.4 The Company**

The company is a legal person registered with the name Kimco Industries Nigeria Limited. The company started with a grant from Raw Material Research Development Council (RMRDC) after the main promoter; mr ugwuanyi henry.o discovered the award-winning recipe called Wemco oil with local meal ingredients. Currently, the company's products have been registered with NAFDAC (see appendix 4). Having gone through the product formulation and development stage, the company now desires to produce her products for commercial purposes and is now seeking financial assistance from NERFUND (National Economic Reconstruction Fund)

## **2.5 Products or Services offered**

Wemco oil (a vitamin E food that is consumed as an ingredient for cooking etc) it is produced by meshing of nut. The resulting oil is now well packaged and refined then fortified with vitamins E and  $\alpha$  - Tocotrienol

## **2.6 Legal form and Ownership of the Enterprise**

Kimco Industries Nigeria limited. The project promoters is:

Mr ugwuanyi henry the sole proprietor of the business.100%

## **2.7 Location of the Business**

The business will be located at No. 20 Amadi-Ama Industrial layout, Trans Amadi, Portharcourt, River State.

## **2.8 Industry Trend and Analysis**

The sector within which this business will operate is the high quality palm oil. This sector has recently been witnessing fast growing demand that it is easily noticed that the market has being ventured into but has irregularities due to the poor packaging and is not well hygienically refined.

## **2.9 Business Strategy**

Wemco oil will do everything possible to make sure her product is known to be among the best producing hygiene palm oil. Also, efforts will be made to ensure that the products are price competitive and available in most major markets being targeted (especially Portharcourt, Onitsha, Aba, Enugu, Awka Abakaliki and Asaba)

## **2.10 Key Success Factors**

Some of the key success factors derive from the fact that: Wemco oil as a food that has very high vitamin E content and hygienically packaged product. Also it is price competitive and is backed by an aggressive market force. These will make the product to be highly sought after.

The demand base is very large that industry observers are of the opinion that almost any quantity produced of this product will easily be absorbed by the market.



## **PART III**

### **3.1 The Market**

The main target markets of Wemco oil are in the South East and South -South of Nigeria. Particularly, the following markets are targeted: Portharcourt (PH), Onitsha, Aba, Awka and Enugu State. Also markets at Owerri, Asaba, and will be targeted.

### **3.2 Sales and market share analysis:**

The markets for the product (Wemco oil) are dominated by unpackaged and unhygienic product, Wemco oil will compete favorably well with these on account of its high vitamin E content and brand packaging which is acclaimed by Raw Materials Research Development Council (RMRDC) of Nigeria.

### **3.3 Key competitors and competitive advantage:**

Wemco oil will possibly face two types of competition as discussed in the sections below.

### a. Competition

Products	Competition Type	Strengths	Weaknesses
Unpackaged Palm oil	Direct competition	1. Already established in the market 2. Cheap 3. Nationwide channels of distribution	Not branded and less hygienic

### 3.4 SWOT Analysis

Wemco has some weaknesses, strengths, opportunities and threats. These are discussed below:

#### A. Strength

1. Product has very high vitamin E content and hygienically packaged compared to competing products.
2. Well articulated marketing plan.

#### B. Weaknesses

1. Low capital

#### C. Opportunities

1. Growing demand as a result of the fact that virtually every human being go for a well packaged palm oil.
2. Increasing population will impact positively on the product.

#### D. Threats

1. Activities of competitors like the manually refined oil.
2. Seasonal fluctuation in the availability of good variety palm nut.

### 3.5 Demand and Supply Analysis and Estimating the Initial Installed Capacity

Details	Size (liters)
Potential demand targeted (Adult pop. Demand potential in South East Nigeria)	350,000 liters
Less 30% existing competitors estimated by industry watcher to consume	1000,000 liters
<b>Available market (in the absence of expansion and very high entry wall)</b>	<b>210,000 liters</b>
Less 10% due to possible expansion of existing competitors/entrant of new ones	21,000 liters
<b>Available market</b>	<b>500,000 liters</b>

Less 5% due to error in estimation	12,450 liters
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Available demand/qualified market/demand supply gap	352,550 liters
<b>Initial installed capacity cat most 60% of available demand (served market)</b>	<b>60,000 liters</b>

### 3.6 Marketing Plan.

### 3.7 Market segmentation:

The general populace.

### 3.8 Target Market

The target markets is:

1. All humans that require Vitamin E intake.

### 3.9 Description of the edge of product or product range of service

Wemco oil has the specifications shown in the table below:

<b>Product/ Service</b>	<b>Specification (Product / Service # 1)</b>
Denomination/ product line	Wemco oil
Specification (i.e. size, colour, and quality)	2, and 5 liters red colour
Packaging	Packaging: In beautifully designed 2 liters & 5 liters sachet and plastics

After sale service	NIL
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### 3.10 Marketing Plan (Using Price as a tool)

Product/ Service	1		
How much are customers willing to pay?	Highest	Average	Lowest.

Competitors price	Highest	Average	Lowest.
	1100	1000	1000
My price	900/ 5liters plastic		
Reason for setting my price	To be price competitive, but remain profitable		
Margin for discount?	No		

### 3.11 Market positioning Strategy:

Being a new entrant into the market for quality palm oil Wemco oil plans to use aggressive marketing to win a comfortable market share in the palm oil sector.

### 3.12 Marketing Mix Implementation Tools:

The marketing mix implementation targets to use the following tools:

1. Attractive packaging
2. Competitive pricing
3. Personal selling and
4. Advertisement

### 3.14 Channel of distribution

Wemco Oil would utilize the following channels of distribution:

- a. Direct to individual final consumer
- b. Through the retailers and
- c. Through wholesalers.

### **3.14 Start- up promotion:**

These are the planned actions to inform customers about the opening of the new business (i.e. posters, fliers, advertisement, radio, opening ceremony, church announcements, etc.) However, Wemco Oil would utilize the following promotional activities:

1. Road show in all major markets
2. Advertisement which would utilize the following media:
  - a. TV
  - b. Radio
  - c. Flyers (print media)

### **3.16 Alliances:**

It is believed by the main promoter of the business that belonging to the Hospitality Industries Palm Oil Dealers Associations would help in creating a platform that would aid sales. So, it is in the plan of Wemco Oil to join these associations.

### **3.17 Marketing Calendar and Budget:**

The specific marketing activities and the individuals responsible for taking actions required and the overall marketing budget are as shown below.

### 3.18 Marketing Budget

<b>Date</b>	<b>Marketing plan Activity</b>	<b>Evaluation Index</b>	<b>Personnel Involved</b>	<b>Estimated Costs(₦)</b>
Start November 2015 End November 2016	Road shows in major targeted markets	Presence of flyers in major markets converted	Outsourced	250,000.00
Start Nov. 2015 End Jan 2016	Advertisements in Radio and TV	2 times Radio and TV announcement	Outsourced	600,000.00
<b>Total</b>				<b>850,000.00</b>

## PART IV

### TECHNICAL ANALYSIS

**4.3 Production plan:**

**4.4 The Project:**

As already stated, the product being produced is the Wemco Oil. Wemco oil is a hygienically well refined palm oil meal produced from different varieties of palm nut with no additives. It is thus, a food that is enriched with vitamin E. Wemco Oil is packaged in gallons. Each pack in 2 liters and 5 liters and sells for ₦900.00 and ₦2000.00 respectively.

**Production Process:**

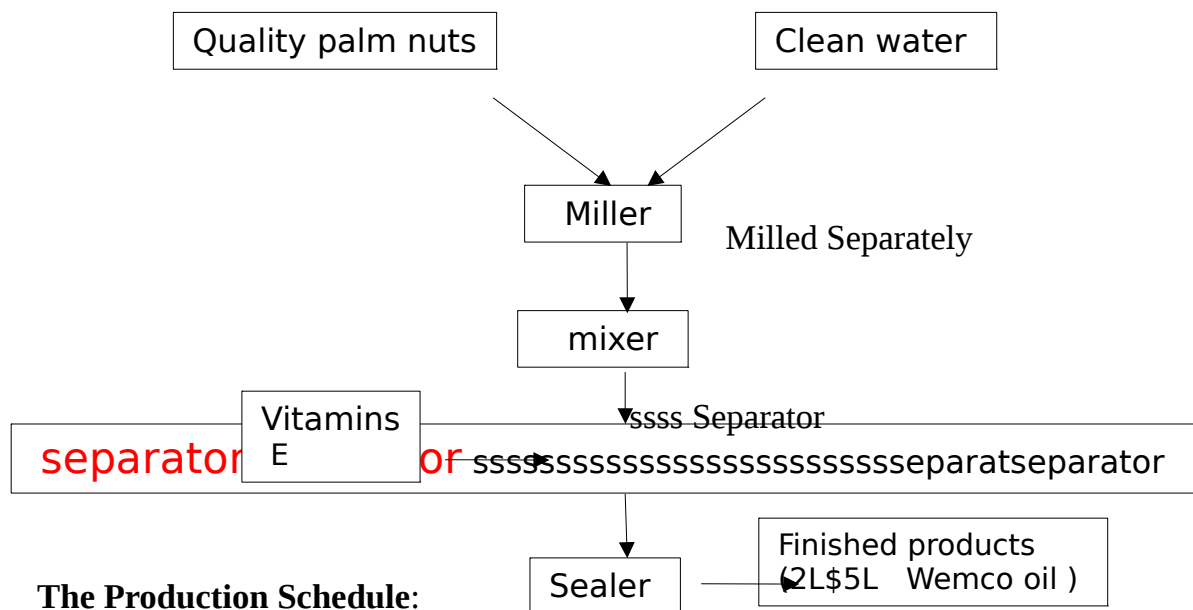
The following basic steps are to be followed in the production chain.

Good variety of palm nuts whole clean hot water are milled and distilled in a way that allows only the palm oil to constitute 98% of the final product while vitamins E constitute 2%.

So to produce 56000liters of output (28,000 liters of Wemco oil), 112000metric tones of palm nuts and 3tanks of water are milled into molten form . They are then passed through the separator and a hygienically distilled oil is produced. 100kg of vitamin E is added. The resulting palm oil is then bottled into 2liters gallons and 5liters gallons of palm oil.

**2.1The production flow chart**

The diagram below shows the sequence of producing the product – Wemco oil



**2.2 The Production Schedule:**



The commercial production schedule of Kimco Industries Nigeria Limited has been articulated in the table below

<b>Projected production schedule</b>						
		<b>Targeted output (2liters)</b>	<b>Palm Nut input 1 (Tones)</b>	<b>Water input (tanks)</b>	<b>Raw 2</b>	<b>Vitamins E Raw input 3 (Kg)</b>
<b>1</b>	<b>Jan</b>	<b>56,000</b>	<b>112,000</b>	<b>2</b>		<b>1000</b>
2	Feb	56,000	112,000	2		1000
3	Mar	56,000	112,000	2		1000
4	Apr	56,000	112,000	2		1000
5	May	56,000	112,000	2		1000
6	Jun	56,000	112,000	2		1000
7	Jul	56,000	112,000	2		1000
8	Aug	56,000	112,000	2		1000
9	Sep	56,000	112,000	2		1000
10	Oct	56,000	112,000	2		1000
11	Nov	56,000	112,000	2		1000
12	Dec	56,000	112,000	2		1000
<b>1</b>	<b>Jan</b>	<b>70,000</b>	<b>250,000</b>	<b>3</b>		<b>2000</b>
2	Feb	70,000	250,000	3		2000
3	Mar	70,000	250,000	3		2000
4	Apr	70,000	250,000	3		2000
5	May	70,000	250,000	3		2000
6	Jun	70,000	250,000	3		2000
7	Jul	70,000	250,000	3		2000
8	Aug	70,000	250,000	3		2000
9	Sep	70,000	250,000	3		2000
10	Oct	70,000	250,000	3		2000

11	Nov	70,000	250,000	3		2000
12	Dec	70,000	250,000	3		2000
<b>1</b>	<b>Jan</b>	<b>70,000</b>	<b>250,000</b>	<b>3</b>		<b>2000</b>
2	Feb	70,000	250,000	3		2000
3	Mar	70,000	250,000	3		2000
4	Apr	70,000	250,000	3		2000
5	May	70,000	250,000	3		2000
6	Jun	70,000	250,000	3		2000
7	Jul	70,000	250,000	3		2000
8	Aug	70,000	250,000	3		2000
9	Sep	70,000	250,000	3		2000
10	Oct	70,000	250,000	3		2000
11	Nov	70,000	250,000	3		2000

12	Dec	70,000	250,000	3	2000
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It is the plan Wemco Oil plc to commence commercial production by producing 56,000liters of Wemco Oil. This translates into 28,000 gallons (or gallon) of Wemco Oil sold at N900 per gallon. To produce this quantity of Wemco Oil, 112, 000 tones of palm nuts and 2tanks of water will be utilized. This will be fortified with 1000 kg of vitamins. However by year 2, the output targeted is 70,000 liters of Wemco Oil. Inputs required for this level of output are Palm nut – 250,000tones; Water – 3 tanks; and vitamins – 2000kg.

### 5.15 Machinery, equipment, and other requirements

S/n	Investment (Equipments and others)	Qty	Life Span	Other comments
1	Land			Existing
2	Building / bore hole		50 years	Existing
3	Equipments and machine			
	i Electric sieving machine	1	5yrs	1 piece of this is existing
	ii Mill (mesh)	3	5yrs	1 piece of this is existing
	iii Industrial fan	4	5yrs	1 piece of this is existing
	iv Mixer (Automatic)	3	10yrs	1 piece of this is existing
	v Weighing machine	4	20yrs	1 piece of this is existing
	vi Weighing Balance	10	10yrs	1 piece of this is existing
	. Generator (30 KVA)	2	10yrs	1 piece of this is existing
	. Delivery van	2	15yrs	1 piece of this is existing
	. Fork lift	1	10yrs	Yet to be procured

	. 10 Ton Truck	1	10yrs	Yet to be procured
	. Loose tools		20yrs	Existing
	Furniture / Fixture / Fittings			

### **5.16 Technology:**

The technology applied in the production of Wemco Oil is quite simple and can be divided into two: product technology; and process technology. The product technology implies the type of technology encapsulated in the machines used for production. The palm nut is gotten around the state and no need for importation, sieving machine are locally fabricated. The ceiling machine and automatic mixer are imported. All the machines are purchased locally through local renders.

On the other hand, the main processes technology utilized is that immediately after milling and meshing the palm nut the resulting oil is passed through the sieving to remove every moisture and ensure longer shelve life of product.

### **6.10 Management and Organizational Structure**

#### **6.11 Sole Proprietorship:**

The key promoter of the project is Ugwuanyi Henry O. A 100% Sole Proprietor of the business

#### **6.12 Management team**

Production manager – Engr. Omeje Ugochukwu

Admin / Act Manager – B.Sc TCE with 5 years experience

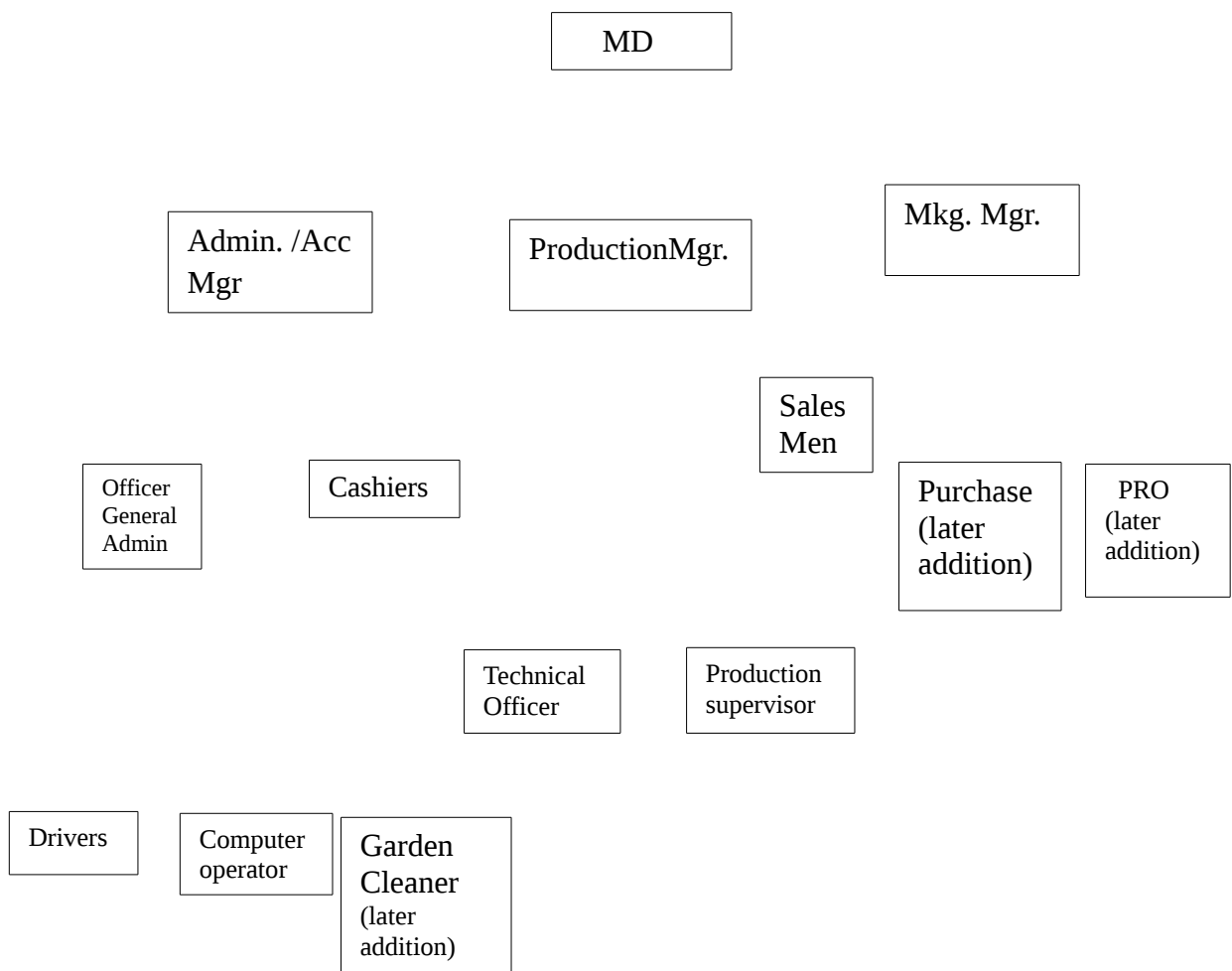
Marketing Manager – B.Sc Mkg with 6 years experience

It is the expectation of project promoters that the business would have rapid growth. If this happens the Administration function would be separated from the accounting function and new but capable hands would be hired to man the vacancies created.

#### **6.13 Organizational structure:**

This shows the hierarchy in the management using an organizational chart

**ORGANIZATION STRUCTURE**



**6.14 The personnel plan (staffing and salary structure)**

S/n	Position	No. of staff	Salary per staff per month	Total annual salary
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1.	Proprietor / M.D	3	50,000.00	1,800,000
2.	Production Manager	1	30,000.00	360,000
3.	Admin/Accounts Manager	1	28,000.00	336,000
4.	Marketing Manager	1	28,000.00	336,000

	Officer General Admin	1	25,000.00	300,000
1.	Production Supervisor	1	25,000.00	300,000
2.	Technical Officer	1	25,000.00	300,000
3.	Cashier	1	18,000/00	216,000
4.	Sales men	3	25,000.00	300,000
	Computer Operator	1	12,000.00	144,000
	Drivers		15,000.00	180,000
	Sub Total			4,572,000
	Add 5% fringe benefits			228,600
	<b>GRAND TOTAL</b>			<b>₦4,800,600</b>

### 6.15 External support (Out sourcing):

The capacity of the managing crew and the organization as a body might not be adequate to handle all manner of tasks pertinent to the organization. In this instance, the organization may need to outsource certain roles or tasks.

The supply of palm nut to the factory shall be outsourced to establish produce wholesalers since Wemco Oil may not have the chance of visiting most of the nearby markets. However, efforts shall be made to select adults who source their supplies at farm gates. This is to ensure that the prices are competitive.

### 6.16 Organization's values and norms:

Wemco Oil core values are as listed below:

- a. To carry out business on the best ethical standards
- b. To show highest level of integrity and honesty.
- c. To maintain quality at all times.

## PART V

### 7.10 **Legal, regulatory, social, and environmental issues**

#### 7.11 **legal Issues:**

There is a memorandum of understanding between Raw Materials Research and Development Council (RMRDC), Abuja and Kimco Industries Nigeria Limited Liability Company on Wemco Oil. A product produced from good varieties of palm nuts with the addition of vitamins E and  $\alpha$ -Tocotrienol. It is highly recommended for people on Vitamin E deficiency (see appendix 3)

#### 7.12 **Regulatory and Environmental Issues.**

##### A. **Regulatory Issues:**

- i. Wemco Oil is a regulated product and the regulatory agency is NAFDAC.
- ii. The product is registered with NAFDAC (See attached document)
- iii. The NAFDAC registration number is 0016U A1-11722

##### iv. **Environmental Issues**

The bye-products of this business are: palm chaffs; and Oil spillage.

The bye-products are used for fire making. So the bye-products have virtually no adverse effect on the environment.

### 8.10 **Financials**

#### 8.11 **Equipment machinery and others costs:**

Wemco Oil would need the following equipment, machinery and others to operate. The cost implications of these are shown in the table below.

S/N	Investment (Equipment and others)	Qty	Unit cost (₦)	Total cost (₦)
1.	Land			500,000
2.	Building (Existing) with Borehole			1,000,000
3.	Equipment and Machine:			
	i Electric Sieving Machine	1	150,000	150,000
	ii Mill (Meshing)	3	250,000	750,000
	iii Industrial fan	4	15,000	60,000

	v. Automatic mixer	3	200,000	600,000
	vi. Weighing Machine	4	120,000	480,000
	vii. Weigh Balance	10	20,000	200,000
	viii. Generator (30kvA)	2	450,000	900,000
	ix. Delivery vans (A/W Vanagon)	2	400,000	800,000
	x. Loose tools			200,000
	xi. Furniture/ fixture/fittings			500,000
	<b>TOTAL INVESTMENT</b>			<b>₦3,680,000</b>

### 8.12 SALES PLAN

	Year 1	Year 2	Year 3
Product/Service	Wemco Oil (2 liters)	Wemco Oil (2 liters)	Wemco Oil (2 liters)
Product/Service Quantity (Volume)	144,000	240,000	240,000
Price per unit	900	950	1000
Sales	64,800,000	114,000,000	120,000,000

### 8.13 COST PLAN

	Year 1	Year 2	Year 3
Product/Service	Wemco Oil	Wemco Oil	Wemco Oil
Product/Service Raw Material tones	288000	480000	480000
Cost per unit (i.e. $(130 \times 0.1 + (180 \times 0.25) + (37 \times 0.05))$ )	137.85	141.99	146.25
Cost of raw inputs	1,500,000	1,900,200	2,200,000

#### (a) Local raw material and other inputs

Items	Unit Cost ₦	Quantity Required/Annum	
		Current (Existing)	Proposed (After Expansion)
a. Palm nut	1tones	112,000	250,000
b. Water	1tank	2	3
c. Vitamins E	37/kg	1200	2000

The sources of material input for Wemco Oil is as shown in the table below

#### (b) Sources of material input for Wemco Oil

Item	Source
a. Palm nut	Imo, Nsukka
b. Water	River
c. Vitamins	Lagos

### 8.15 General cost of Administration



The cost structure shown below is as currently applied and it is hoped it will remain so even after increases has been achieved in output

<b>Item</b>	<b>Current (for existing projects only (₦) for Anum</b>	<b>Proposed (for new/expansion projects) (₦)</b>
a. Rates (Water Rate)	20,000	40,000
b. Traveling Expenses/Telephone	100,000	150,000
c. Stationery & Sundry Exp.	50,000	50,000
d. Vehicle Running Expenses	500,000	750,000
e. Insurance	150,000	150,000
f. Electricity/others	120,000	130,000
g. Other Expenses	100,000	150,000
<b>TOTAL</b>	<b>₦ 1,040,000</b>	<b>₦1,420,000</b>

#### 8.16 Preliminary & Pre-Operating Expenses (For New Projects Only)

The following expenses were incurred as a result of running around to organize men and materials needed to launch Wemco Oil into commercial production.

<b>Item</b>	<b>Amount</b>
a. Company Incorporation	50,000
b. Increase in Authorized Share Capital	NIL
c. Traveling Expenses	100,000
Preparation of Business Plan/F.S.	10,000
Others (please specify)	NIL
<b>TOTAL</b>	<b>160,000</b>

#### Notes:

- Fixed asset investment is also called fixed capital
- Fixed asset investment + working capital + Pre – operating expenses = Initial total investment outlay.
- “Pre – operating expenses” refers to all expenses incurred as a result of activities associated with setting up the business. Examples are: cost of writing the business plan; travelling expenses incurred before the business kick starts.

- WIP means work in progress; the intermediate state between raw materials and finished goods.
- FG means finished goods inventories; the final state of transformation of raw materials i.e. finished goods, before it is sold
- The number of raw materials used to produce a given good/product could range from one to n in number.
- For raw materials the length of the period of time n usually corresponds to the gestation period.
- Debtors could be more in value than creditors or vice versa. If debtors are more, than it means the business is assisting in supporting the operations of customers. This could be done as a type of marketing strategy. On the other hand, if the creditors are more in value, then supplies are assisting in financing the business (this is usually done by way of trade credit).

#### 8.17 Working Capital Projection (to cover the gestation period)

<b>Working capital items</b>	<b>Year 0 (N)</b>	<b>Year1 N</b>	<b>Year 2 N</b>	<b>Year3 N</b>
Stock of raw material (Palm oil for 14 days value)	10000	1092000	1874600	1930880
Stock of raw material (water for 14 days value)	2000	540000	927000	954800
Stock of raw material	20000	22200	38110	39240
Provision for utilities and others: 1 month need of annual utilities	100000	170000	170000	178500
Salaries/wages ( 3 months provision)	1600200	1600200	1700000	1850000
Debtors: 10 days value of annual sales	NIL	900,000	1000,000	1500000
	1500000	2000000	2000000	2500000
Less creditor: 20 days need of raw materials	NIL	2500000	2800000	3000000
<b>Working capital</b>	5000000	3,711,200	4,000,000	5,000,000
Increase/Decrease in working capital	—	(100,000)	2000000	4,800,600

The working capital needed to get the business running as planned is N5,000,000 (five million naira only)

### 8.18 Start up Capital Needed

The funds needed for fixed asset investments, working capital and pre-operating expenses add up to give us the initial total investment outlay for Kimco industries Ltd. As shown in the table below.

S/n	Item of Expenditure	Amount
1	Fixed asset investment (Equipt. Machinery and other requirements)	3,500,000.00
2	Working Capital	1,500,000.00
3	Pre-operating Expenses	NIL
	<b>Initial Total Investment Outlay</b>	<b>₦5,000000.00</b>

Thus the start-up capital need to launch Kimco Industries Ltd into commercial production is N5000000.00 (five million naira only).

### 8.19 Financing Plan

To raise the start-up capital, the table below shows how the capital requirement will be funded

S/n	Source of Fund	Amount (₦)
1	Owner's capital	1,500000.00
2	Bank Loan	3,500000.00
	<b>Total</b>	<b>₦5000000.00</b>

### 8.20 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 eqn. 1)	$D = C - B$	$E = A - D$
0	3,500,000	N/A	N/A	N/A	3500000
1	3,500,000	350,000	1,407,401.81	1057,401.81	2,442,598.1

					9
2	2,442,598.1	244259.81	1,407,431.922	1163172.112	2336827.88
					8
3	2336827.888	233682.788	2570484.972	2336802.183	NIL
		8			

**Note:**

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

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

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

**8.21 Schedule of Depreciation**

S/n	Item of Depreciation	Initial value	Scrap value	Life span (yrs)	Depreciation
1	Land of Building	900,000	800,000	50	20,000
2	Electric sieving machine	150,000	100,000	5	10,000
3	Mill (mesher)	750,000	200,000	5	110,000
4	Separator	1,200,000	800,000	10	100,000
5	Automatic sealing machine	2,100,000	600,000	5	200,000
6	Industrial fan	60,000	10,000	5	10,000
7	Automatic mixer	600,000	50,000	5	110,000
8	Weighing machines	480,000	200,000	10	28,000
9	Generator	900,000	50,000	10	85,000

10	Delivery item	1300,000	150,000	10	115,000
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11	Truck	3500,000	750,000	10	275,000
12	Fork lift	1,500,000	500,000	15	66,666.67
13	Furniture	500,000	10,000	7	70,000
14	Loose tools	200,000	10,000	20	9,500
	<b>Total Depreciation</b>				<b>₦1,209,166.66</b>

$$\text{Dep.} = (\text{iv} - \text{Sv})/\text{Is}$$

Where; Dep. = Total depreciation; iv = initial value; sv = scrap value; and Is = life span of asset.

## 8.22 Final Account Projection

This comprises of the profit and loss account, cash flow statement, and the Balance sheet. The entries made here are from earlier sections.

### 8.23 Estimate of Profit and Loss Account for the first 3 years for Kimco industries Ltd.

Particulars	Year 1	Years 2	Years 3
Sales	64,800,000	114,000,000	120,000,000

### 8.24 Cash flow Projection for Wemco Oil

	Yr 0 (₦)	Yr 1 Total (₦)	Yr 2 Total (₦)	Yr 3 Total (₦)
<b>Cash In</b>				
Bank Loan	3,500,000			
Sales Income		64,800,000	114,000,000	120,000,000
Equity	-----			
<b>Total Cash In</b>	5,000,000	64,800,000	114,000,000	120,000,000

<b>Cash Out</b>				
Admin. Outgoings.		300,000	300,000	820,600
Marketing		1,000,000	1,500,000	1,50,000
Cost of Goods		1,500,000	1,900,200	2,200,000
Interest Expenses		350,000	244259.81	233682.7888

Loan Repayment		1057,401.81	1,407,431.922	2336802.183
Initial Investments	5,000,000			
Salaries		4,800,600	4,800,600	5,800,600
Motor vehicle maintenance		1,000,000	1,000,000	1,000.000
Dividends		15440152	29049703.26	30318712.82
<b>Total Cash Out</b>	<b>5,000,000</b>	<b>25148153.81</b>	<b>39902194.99</b>	<b>45593311.66</b>
<b>Net Cash Flow</b>	<b>NIL</b>	<b>39651846.19</b>	<b>74097805.01</b>	<b>74,406,688.34</b>
Opening cash Bal	NIL	NIL	<b>39651846.19</b>	113749651.2
<b>Closing cash Bal</b>	<b>NIL</b>	<b>39651846.19</b>	113749651.2	<b>188156339.5</b>

## 8.25 Balance of Sheet of Kimco industries Nig. Ltd. for the 1<sup>st</sup> 3 years

**Notes:**

- a. Total Assets = Fixed Asset + Current + assets
- b. Total Liabilities = Long term Liabilities + Current Liabilities + Shareholders Fund
- c. Shareholders' Equity = Total Assets – Total liabilities
- d. Capital Employed = Total Assets – Current Liabilities
- e. Working Capital = Current Assets – Current Liabilities.

### 8.26 Ratio Analysis

Type of ratios	Year 1	Year 2	Year 3
<b>Liquidity ratios:</b>			
a. Current ratio	0.39	0.20	2.44
b. Acid test ratio	1.73	1.94	2.33
<b>Leverage ratios:</b>			
a. Debt equity ratio	0.39	0.20	—
<b>b. Debt capitalization ratio</b>	0.28	0.09	—

<b>Loan coverage ratio</b>			
a. Interest coverage ratio	42.48	201.96	438.85

b. Assets coverage ratio	3.58	11.46	—
<b>Profitability ratio</b>			
a. Return on capital employed	86.04%	166.54%	187.89%
b. Net profit margin	26.50%	43.49%	46.15%

## 10.0 Risk Analysis, Contingency plan, and Exit Strategy:

### 10.10 Risk Contingent Analysis

Kimco Industries Nig. Ltd has identified the risks discussed in the table below.

Actions taken to guard against the risk are given as Mitigants

S/n	Risks	Mitigants
1.	Inadequate start – up demand	Aggressive promotion and advertising campaigns.
2.	Unexpected adverse events	Appropriate insurance policy will be taken
3.	High unexpected entrance of many competitors due to the fact that the business is profitable	Use of trade secret to keep product formulation formula secret from potential competitors. Also continuous aggressive marketing will be sustained

### 10.12 Contingency Plan & Exit Strategy

The project promoters do not foresee a situation where it will fail. However, if the scenario tends to failing, the business can easily be sold since the equipment can



easily be used for other things. Alternatively, the business can easily open other lines of business and diversify.

## **PART VIII**

### **11.10 Other Consideration and Conclusions**

#### **11.11 Economic Justification**

This project can deliver incense benefits like job creation, contribution to GDP, gross capital formation, gross domestic product (GDP). Particularly it will:

1. It will provide job for 12 persons
2. It will contribute more than ₦ 14,000,000 to Gross Capital
3. It will contribute more than ₦307 Million to the GDP in the next three years.

#### **11.12 Commercial Viability**

The project is very profitable as it will generate more than ₦103 Million in profits in the next three years. The liquidity positions are: ₦10, 487,781.00, ₦52, 289,445.00; and ₦100,678,577.00 for year 1,2, and 3 respectively. Equally share holders net worth will from ₦9, 520,000 operation to over ₦38, 319,477.00 at the inception of business by the third year of operation.

#### **11.13 Conclusion and Recommendation:**

In view of the technical feasibility and commercial viability of the project, it is highly recommended for implementation and funding.