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TOPIC:

BUSINESS PLAN ON ACHA BISCUIT

A BUSINESS PLAN
PRESENTED IN PARTIAL FULFILMENT FOR THE REQUIRMENT OF
THE COURSE: CED 342
(BUSINESS MANAGEMENT AND DEVELOPMENT)

BY

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ACHA BISCUIT COMPANY

PART I

1.0 EXECUTIVE SUMMARY

1.1 The following report and recommendation relate to the proposal by Acha biscuit Company to establish a biscuit company at Enugu, Enugu State.

1.2 A start-up capital of N6150000, made up of N4550000 for fixed assets and N1600000 for working capital are the would-be requirements of the project.

1.3 The vision of the company is to be the most prominent producer of biscuit in South East zone of Nigeria, particularly Enugu state.

1.4 An enormous market is available for the business to thrive.

1.5 The financial projections indicate that the project would be financially stable and liquid by the time it matures.

1.7 The competitive edge of the company depends on its ability to produce variety of biscuit for different groups of the populace.

1.8 The profitability measures are as shown below:

From the above analyzed findings, the proposed project is found to be technically feasible, financially viable and economically desirable. Hence, the project offers good investment benefits and is highly recommended for implementation.

PART 2

2.0 Introduction

The planned biscuit making project results from strong needs for biscuit of different variety for health needs of different age and health needs of the populace in South East zone of Nigeria. The findings reveal that diabetics for instance are on the increase and as such our company aims to produce biscuits of various degrees that will also accommodate these populations. This expanding demand trend is expected to be sustained in the future.

2.1 Vision

To be a reliable biscuit producer in South East zone of Nigeria, particularly Enugu state.

2.2 Mission

To create value for customers and shareholders by continually improving health and reducing incidence of diseases.

2.3 Inherent Risks

a) Whether more entrants are attracted to compete in the course of implementation of the project.

b) Provision of basic utilities like electricity and water is not guaranteed.

However, there are plans reliable plans to checkmate these identified risks.

2.4 Ownership Structure

The enterprise is a partnership business, owned and managed wholly by Mr. Ukwueze Tochukw, Miss Eze chidinma and Miss Nwodo flourence

2.5 Available Market

Information from the survey is that about 800000 carton of biscuit are demanded yearly in Eastern Nigeria while 1750000 are demanded in Enugu state, per annum. As the population within the market area being targeted increases, the demand figure is expected to increase. Result has shown that not more than 50% of existing demands for biscuit is being met by existing suppliers within Enugu state; hence about 50% of demand-supply gap is left. This is why they are a lot of imported cheap biscuit in the zone. The implication follows that there is a huge market available for the product in the zone and the State.

PART 3

PRODUCT INFORMATION

3.0 Products: Acha biscuit Company will provide a variety of biscuits for nursery, primary and secondary school children. For adult populace special attention will be paid to the diabetics who will benefit from the product as they will be made to suit their health condition.

3.1 Product Description: acha biscuit will be fortified with vitamins A and iron which enhances proper development of the target population (children) and for the diabetics it aims at making products that keep their insulin level at the lowest minimum.

3.2 Costing: The costing of the product is mainly built around raw material and packaging.

- i) **Raw Materials:** The raw materials for making acha biscuit; acha, milk, honey, flavorings, shortening, eggs, salt and water.
- ii) **Packaging:** Acha biscuit would be packaged in a very attractive and unique style. It would be in an attractive shape and packaged in an attractive colour to impress children.

PART 4

MARKET, CUSTOMERS AND COMPETITORS

4.0 Market Analysis: Acha biscuit Company has an existing business opportunity since there is a huge market for biscuit in Enugu state and its environs. The increase in the population is also advantageous.

4.1 Customers/Market Segmentation: The following are classes of customers for acha biscuit:

- a) **Households:** Many families buy biscuit as a quick snack which is kept handy for kids.
- b) **Restaurants/ Hoteliers:** These classes of customers buy biscuits which they give their customers to show appreciation as they leave their restaurant/hotel.
- c) **Schools:** Different schools now pay special attention to the health of their pupils. Therefore they pay special attention to the products they elect for their pupils.
- d) **Hospitals:** Hospitals have tremendous need for the product especially those on special diet such as diabetic.

PART 5

Marketing Plan:

There is absence of large companies that can put up commendable competition in Enugu State. Hence, if acha biscuit Company begins the project as planned, it will assume a market leader in no distant time.

5.1 Promotion Strategy:

Acha biscuit Company will embark on radical awareness creation through various means such as fliers, radio and television adverts, and posters. Others include outreach sensitization programs especially in schools and hospitals and giving bonanzas to the first customers. The essence of this is to make people aware of the new product and appreciate it.

5.2 Marketing Strategy:

For the company to uphold a huge portion of biscuit production in Enugu State and its environs, acha biscuit will get to the market at a highly competitive price.

Acha biscuit company Company will distribute calendars, posters, and stickers to her numerous customers and give 2% trade discounts to huge wholesalers of the product as a way to increase the firm's prominence in the market. An appreciation text message will be sent to these wholesalers on each purchase.

5.3 Projected Sales

Total Sales of acha biscuit	
Year 1	2690000
Year 2	6854000
Year 3	8245000

PART 6

TECHNICAL ANALYSIS, MANAGEMENT AND ORGANIZATION

6.0 Technical Analysis: Many biscuit in market are not fortified with essential vitamins and minerals and those cover people with certain health conditions. However, Star Soap Company has planned its operations to cover these challenges.

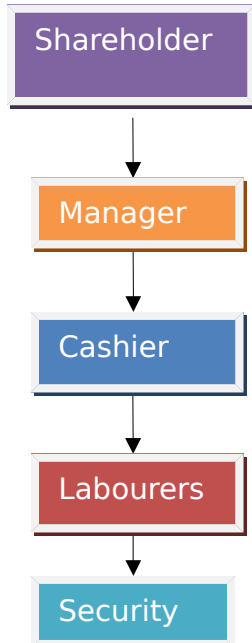
6.1 Management and Organization

Owner/Manager: Acha biscuit Company is a partnership business, but will be managed by Mr Ukwueze Tochukwu, who has acquired skills on financial management which will enable him to run the firm. he also has two years of industry experience and networked relationships to accelerate market penetration of the product line. To help in the daily running of the firm, Mr Ukwueze Tochukwu will hire good and skilled hands to assist in the operations of the company. Apart from his normal share in the profit from the business, the company will pay him for her for managing the company. Table 5 shows the staff and management compliments of the biscuit industry.

Table 1: Management and Labour Compliments

S/N	Positions	No of Staff	Annual Salary per worker	Total
1	Shareholders	3	410000	12300000
2	Compensation To Mr Ukwueze Tochukwu		20500	20500
3	Labourers	14	125000	1750000
4	Cashier	1	140000	140000
	Security men	3	71000	213000
	Grand total			3353500

Organizational-Structure



6.2 External Support: Acha biscuit Company will employ the help of Mr Folawole, who has had 15 years experience in the biscuit industry to offer advisory and management support. In addition, the firm will obtain support Brown ventures on technical training of the labourers especially on handling modern machinery.

6.3 Value and Norms of the Company: Acha biscuit Company has a plan to adopt the following norms and values:

- a) To make a best offer for their customers' benefits.
- b) To uphold her integrity always.
- c) To see her employees as her most valuable assets.
- d) To be available to her customers always.
- e) To comply with the federal, state and local government laws in doing her business.

PART 7

LEGAL, ENVIRONMENT, SOCIAL AND REGULATORY ISSUES

7.0 Legal Issues: Acha biscuit Company plans to obtain the necessary licenses for the establishment of the business and to register the business name with corporate affairs commission (CAC).

7.1 Environment: If certain precautions are not taken especially in respect to waste disposal, the firm could pose an environmental challenge. Since they is efficient waste disposal in the state, the firm will just pay her dues and the waste disposal department will do the rest.

7.2 Social: The implementation of this project will yield social and economic benefits to the society in the following ways.

- i) Creation of new jobs.
- ii) Creation of wealth and reduction of poverty

7.3 Regulatory: The firm will obey all environment regulations and all relevant industrial safety regulatory requirements.

PART 8

8.0 Risk Analysis: Some inherent risks were identified in the course of risk analysis and appropriate mitigates have been employed to protect the business from disruption. See table 8.

Table 2: Identified Risks and their Mitigants

Identified Risks	Mitigants
Inadequate start-up demands	Aggressive promotion and advertising campaigns.
Irregular supply of raw materials	A big ware-house to buy raw materials in bulk and keep

8.1 SWOT Analysis: The following reveals a SWOT analysis carried out on the project:

8.1.1 Strengths

- a) The location of the company makes it to have easy access to its targeted customers.
- b) The company's site is such that can allow expansion.
- c) Unlike some other biscuits, acha biscuit will be fortified with vitamin A and iron. This will help reduce blindness and anemia among children. Diabetics will also benefit as some of the varieties is formulated to take care of this.

8.1.2 Weaknesses

- a) Initial challenge of raising adequate capital to carry out the project.
- b) The proprietors have limited technical- know-how in commercial biscuit making.

Acha biscuit Company plans to address these weaknesses by hiring skilled labourers and employing the services of Mr Folawole who has 15 years experience in the industry and Mr Brown on the technical aspect.

8.1.3 Opportunities

At present, there is no diabetic biscuit and few vitamin A and iron fortified biscuits for children. This will give our company an advantage over others.

8.1.4 Threats

- a) Increased competition as a result of the entry of more washing biscuit companies.
- b) Initial low demand.

To overcome these threats, the company will embark on a massive awareness campaign and other promotions so as to boost the sale of acha biscuit.

8.2 Exit Strategy

No exit is planned, rather diversification will be pursued.

PART 9

COMPANY'S FINANCIAL ANALYSIS

9.1 Summary of Project Cost: The total cost of the project is N6150000, which is made up of N4550000 in fixed capital and N1600000 in working capital.

9.2 Fixed Capital Investments:

S/ N	Detail	Qty	Unit Price	Total
1	Factory building		3000000	3000000
2	Water tank	1	60000	60000
3	Raw materials		2100000	2100000
4	Equipment		1120000	1120000
5	Delivery van	2	1425000	2850000
	Total			6890000

9.3 Utilities: The firm spends money on water and electricity bills. (See table 10)

Table 3: Expenses on Utilities Projected

Utilities	Year 1(N)	Year 2(N)	Year 3(N)
Electricity	10000	10200	10400
Water	50000	51100	52500
Total	60000	61300	62900

9.4 Other Expenses: Table 11 shows other expenses incurred in the course of running the business.

Table 4: Other Operating Expenses

Type of Expense	Year 1(N)	Year 2(N)	Year 3(N)
Public relations/advert	85000	88500	90000
Vehicle maintenance	100000	110000	120000
Business travels	40000	41000	43000
Miscellaneous	60000	61500	62800
Total	285000	301000	305800

9.5 Working Capital Forecast

The following assumptions are made in order to arrive at the working capital needed for the business:

- a) Cost prices of items increase annually by 25% except for items mentioned under other operating expenses which grow by 5%.
- b) Selling prices of stocks increase annually by 10%.
- c) Trade credits are given and taken to and from deserving customers.
- d) It is expected that goods are disposed off at the market as scheduled.

Table 5: Working Capital Forecast

Working capital items	Year 0(N)	Year 1(N)	Year 2(N)	Year 3(N)
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Stock of materials for production/packaging.	420000	420000	830000	857000
Provision for utilities and other expenses (4 months needed).	125000	125000	140000	141000
Salaries/Wages	550000	550000	584000	600000
Debtors: 14 days value of annual sales.		72000	192000	225000
Less creditor: 30 days need of stock of materials.	120000	120000	215000	230000
Working capital	750000	895000	950000	1800000
Increase/decrease in working capital.		59000	197000	225000

Table 6: Total Start-up Capital Required

S/N	Capital items	Amount(#)
1	Machinery	4550000
2	Working capital requirement	1600000
	Total	6150000

9.6 Financial Plan: The shareholders plans to raise an equity capital of N1500000, while N4650000 will be borrowed from the bank.(See table 14)

Table 7: Financial Plan

Source	Amount (#)
Equity contribution	1500000
Bank loan	4650000
Total	6150000

9.7 Loan Repayment Schedule and Interest Paid: The expectation is that the loan will attract 10% interest and that funds are available to pay monthly interest as well scheduled repayments of the principal amount. (See table 15)

Table 8: Interest and Repayment Schedule

Year	Loan(#)	Repayments(#)	Interest(#)	Loan balance(#)
1	4650000	Nil	142000	4650000
2	4650000	2325000	264000	2325000
3	2325000	2325000	125000	Nil

9.8 Depreciation

Table 9: Schedule of Annual Depreciation

S/N	Capital Items	LS	IV	SV	Depreciation
1	Factory building	20	3000000	1000000	100000
2	Water tanks	20	60000	55000	5500
3	Delivery van	10	2850000	1250000	50000
4	Equipment	20	1120000	590000	55000
	Total				210500

9.9 Forecast of Profit and Loss

Particulars	Year (#)	Year(#)	Year(#)
Expected sales	3550000	8748000	9950000
Less 1% discount	35000	85000	94000
Net sales	3515000	8663000	9856000
Expenses			
Cost of production	1220000	1545000	1990000
Utilities	60000	61300	62900
Other expenses	285000	301000	305800
Salaries and wages	2513000	2535000	2577000
Total expenses	4078000	4442300	4935700
Profit before interest & tax	1129000	2553000	3010000
Less interest	105000	192000	102000
Profit before tax	1140000	2424000	301000
Less 10% tax	Nil	241000	301000
Profit after tax	1140000	2535000	2970000
Less depreciation	107000	107000	
Net profit	1540000	2650000	2940000
Retained earnings	1540000	2650000	2940000
Dividend	Nil	Nil	940000

9.10: Cash Flow Projection

Cash in:	Year 0 (N)	Year 1(N)	Year 2(N)	Year 3 (N)
Equity	1500000			

Bank loan	4650000			
Net profits		1540000	2650000	2940000
Depreciation		107000	107000	107000
Total cash in	6150000	1433000	2543000	2833000
Cash out				
Equipment & others	4550000			
Working capital	1600000			
Increase/decrease in cash		79000	125000	287000
Loan repayment			2325000	2325000
Dividend			1990000	940000
Increase/decrease				997000
Total cash out	6150000	1433000	3543000	2833000
Opening balance	Nil	Nil	1045000	454000
Increase/decrease in cash	Nil	1045000	1950000	556000
Closing balance	Nil	1045000	485000	867000

9.11 Balance Sheet Projection

	Year 0 (N)	Year 1(N)	Year 2 (N)	Year 3(N)
Fixed Assets:				
Machinery, Equipment & Others	4550000	4550000	4550000	4550000
Less com. Dep.		107000	214000	321000
Net fixed assets	4550000	4443000	4336000	4229000
Current assets			830000	857000
Stock of material	420000	420000	1045000	485000
Operating bal B/F:				
Debtors		72000	192000	225000
Cash in hand/ bank	560000	530000	3980000	2876000
Total of current assets	980000	25000	4990000	3100000
Total assets	5530000	4468000	9326000	7329000
Long term liabilities				
Capital(equity)	1500000	1500000	1500000	1500000
Retained earnings		1045000	2650000	2000000
Bank loan	4650000	4650000	2325000	Nil
Total of long term liabilities	6150000	2545000	6475000	3500000
Current liabilities				
Loan repayment			2325000	2325000

Creditors	120000	120000	215000	230000
Dividend				940000
Total of current liabilities	120000	120000	254000	3495000
Total liabilities	6270000	2665000	90150000	6995000

9.12 Financial Analysis: By the end of the first year, of which there was only four months of selling activities, the sales were N3550000 and this is expected to grow to N8748000 and N9950000 respectively for the second and the third years.

9.13 Profitability Analysis: The profitability ratios of the first three years are shown below.

	Year 1 (4 months)	Year 2	Year 3
Profit after tax.	1140000	2424000	3010000
% Return on turnover	N/A	40.8	43.50
% Return on equity	N/A	126.46	110.45
% Return on investment	N/A	83.7	91.5

PART X

10.0 Cash Flow Projection

By the second year of operation, when the business has fully matured, the cash flow position is as shown below.

Year 2	Year 3
485000	867000

The implication is that the business can generate enough funds to meet maturing obligation from second year operation.

10.1 Projected Balance Sheet

For the three years period, it was shown that shareholders fund grew on the average. (See table below.

Years of operation	Year 1 (N)	Year 2 (N)	Year (N)
Shareholders fund	379000	2850000	2848000

PART 11

11.0 Other Consideration and Conclusion

11.1 Economic Justification:

From the study and analysis of findings made, the project makes a good offer of benefits to the initiator and the economy. It will create jobs and wealth.

11.2 Commercial Viability:

This project is commercially viable in as much as its sales, profits and cash flow positions are impressive.

11.3 Conclusion

Therefore, the project deserves recommendation, both in funding and implementation.