

# **UNIVERSITY OF NIGERIA, NSUKKA**

**FACULTY OF SOCIAL SCIENCES**

**DEPARTMENT OF PUBLIC ADMINISTRATION AND  
LOCAL GOVERNMENT**

**TOPIC**

**BUSINESS PLAN ON FEED PRODUCTION**

**A BUSINESS PLAN  
SUBMITTED IN PARTIAL FULFILLMENT OF THE  
REQUIREMENT FOR THE COURSE: CEDR 342  
(BUSINESS GROWTH AND DEVELOPMENT)**

**BY**

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2014/193082**

**LECTURER: DR. MRS. C. NWOGA**

**JULY, 2017**

## PART ONE

### 1.0 Executive Summary

- Feed production is of great need in Nnewi, because almost all the household in the town has a poultry farm, so I see that it is very important to embark on feed production.
- The customers are the people that have poultry farms. They will patronize my company.
- My company will be producing feeds of all times like layers, grower, finishers etc.
- My poultry feed production industry is at the building of 100 foot road, round up Nnewi, where people can easily come and buy. I will also transport the feeds to poultry farms.
- JAY poultry feed production is the name of the company. The company is not registered but the plan is going on for the registration.
- It is a new establishment.
- The company will be producing different types of feed like:
  - Production of layers feeds
  - Production of growers feeds
  - Production of finishers feeds
- It is a new product because my company is using high quality nutrients, sophisticated equipment and satisfying services.
- My product will sell above the already existing ones because it is of high quality.
- Most feed producers build their companies in off site positions.
- In my own company, I will have a delivery van that will carry my products to customers wherever they are.
- This will make the business to boom and thrive very well.
- JAY poultry feed has an exciting business opportunity since there is a huge market for poultry meat in Nnewi environment and beyond.
- The increase in the population and the fading away of consumption of red meat animals.

### 2.0 Introduction

The proposed JAY Poultry Feed Production company will be located at No. 15, 100 Foot road, Round up Nnewi, Anambra State Nigeria. The annual production will begin at 1,850 cases in year one and increase to 9,250 cases in year five.

The JAY poultry feed Production Company will produce high quality feed of which majority of the products will be sold. But as production increases I will utilize other distribution channels like; supplies to different poultry farmers and transporting the goods to the customers.

Research shows that customers patronize JAY feed production company's products due to its high standard of quality. This will help the company to beat the local competitors.

The following table summarizes the amount of money needed each year to establish the proposed medium scale of my Production Company. The money will be used to procure equipments, annual operations, production processes, salaries etc.

| Year   | Amount        |
|--------|---------------|
| Year 0 | N1,500,000.00 |
| Year 1 | N200,00.00    |
| Year 2 | N100,00.00    |
| Year 3 | N200,00.00    |
| Year 4 | N100,00.00    |

Total over four years N2,100,000.00

### 2.1 Vision statement

To be the most acceptable poultry feed company in the country.

### 2.2 Mission statement

To produce high quality feeds that will increase the healthy life of poultry birds in the town.

### 2.3 Owners

The owner of the business is Anene, Ijeoma, Uchenna. B.Sc Public Administration.

### 2.4 Legal Form of Business

Partnership

The business will soon be registered as a legal entity.

The main promoter is Vet. Dr. Anene Robinson.

### 2.5 Location of the business

No. 15, 100 Foot Road, Round up Nkwo Nnewi main market.

Tel: 08103682956

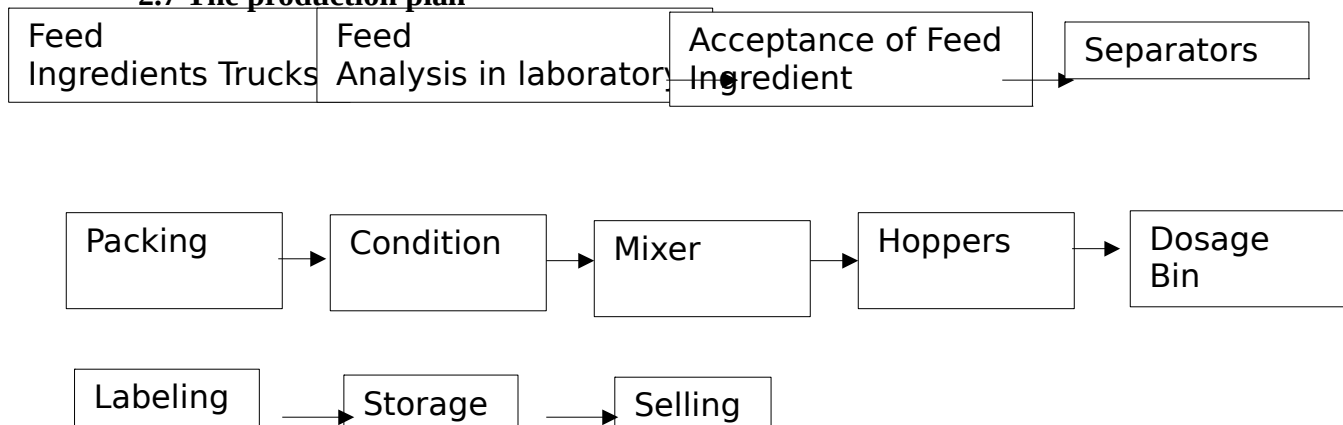
E-mail: JAY2016@gmail.com

The location is in the heart of the town and the main market. Every road users will see it and will be attracted to buy. It is located at the major road, all the towns in the state can easily locate the business centre.

### 2.6 Production and Services

The products and services of the project shall be poultry feeds like; chick mash, grower mash, layer mash, broiler starter and broiler finisher. The service shall include among others delivering the products to the customers in their various locations.

### 2.7 The production plan



### 2.8 Business strategy

I will buy many vehicles and employ drivers and sale girls and boys with special sale manager that will carry my product to cities and villages.

### 2.9 Key success factors

High quality products that will increase poultry bird's growth and that will make them healthy, product for different species of birds will make the business successful.

## PART TWO

### 3.0 The Market

The nature is first class poultry feed. The size of the market of the poultry feed located in Nnewi, Anambra State is a very large one. It is ever growing and will accommodate feeds; hence I want to move in to fill the shortage of supply gap.

The customers will demand my products very much because of the high quality in production.

### 3.1 Target market

Information from survey shows that there is a very high demand for poultry feeds throughout the state, Nnewi in particular.

Also the current awareness on entrepreneurship almost all the families and individuals already have a poultry farm because one can start a poultry farm with little amount depending on the size.

### 3.2 Key competitors and competitive advantage

#### a. In direct competition

| Business type | Competition type | Strengths         | Weaknesses         |
|---------------|------------------|-------------------|--------------------|
| Groundnut     |                  | Source of fat     | Damage by heat     |
| Food          |                  | Available always  | Spoil easily       |
| Cereals       |                  | Very cheap        | Ca be rotten       |
| Maize         |                  | High productivity | Destroyed by pests |

#### b. Direct competition

| Competitor  | Strengths  | Weaknesses      | Other attributes |
|-------------|------------|-----------------|------------------|
| Vital feed  | Durability | Bad odour       |                  |
| Top feed    | Award      | Lack of storage |                  |
| Unique feed | Low price  | Low quality     |                  |

### 3.3 Quality assurance and standardization

Accurate measurement  
 Healthy raw materials to be used  
 Evaluation of the products  
 Analysis of the feed contents.

### 3.4 Demand and supply analysis and estimating the initial installed capacity

| Details  | Size (Number) |
|--|---------------|
| Potential demand to be served  | 400,000       |
| Less 30% existing competitors  | 90,000        |
| Available market (in the absence of expansion and very high entry wall)            | 250,000       |
| Less 10% due to possible expansion of existing competitors and entrant of new ones | 25,000        |
| Available market   |               |
| Less 5% due to error in estimation   | 10            |
| Available demand/qualified market/demand supply gap                                | 10            |
| Initial installed capacity cat most 60% of available demand (served market)        |               |

### 3.5 Technology

The technology is both local and foreign, it is slightly expensive because I am going to make use of computer technology in both measuring, computation of data and sourcing of information online. It is in line with the current modernization trend, but will not get outdated in the near future and does not need any special training.

### 3.6 Competitive positions and specific advantage

| Rank | Competitor | Strengths         | Weaknesses        | Your edge over competitor |
|------|------------|-------------------|-------------------|---------------------------|
| 1    | Maize      | High productivity | Destroyed by pest |                           |
| 2    | Rice       | Source of energy  | No fat            |                           |
| 3    | Vital feed | Durability        | Higher prices     |                           |
| 4    | To feed    | Award             | Low quality       |                           |

### **PART THREE**

#### **4.0 Marketing Plan**

I will employ the concept of test marketing initially before actual production commences. I shall also use indirect sale techniques whereby distributors will be appointed for bulk buying.

#### **4.1 Promotion**

These are the planned actions to inform customers about the opening of the new business, they include: posters, fliers, advertisement, radio, opening ceremony, church announcement etc.

My promotional activities are:

- (1) Road show in all major markets.
- (2) Advertisement through televisions radio and printed materials.

#### **4.2 distribution**

Individuals                      Retailers                      Wholesalers

Reasons for choosing this way of distribution

JAY poultry feed chose these channels by directing the product to individuals through retailers and through whole sellers.

#### **4.3 Alliances**

My major alliance in the business shall be my mentor who gave us clues from his many years of experience in the business.

Also CBN/CED training experts shall constantly be solicited for; this will continue to nurture the business towards profitability and growth.

#### **4.4 Market positioning strategy**

I will eagerly follow the leading industries until I overtake them. This is what I aim to achieve through production of the quality feeds with market reliability, coupled with an efficient and effective customer care relationship.

#### **4.5 SWOT Analysis**

A. Strengths

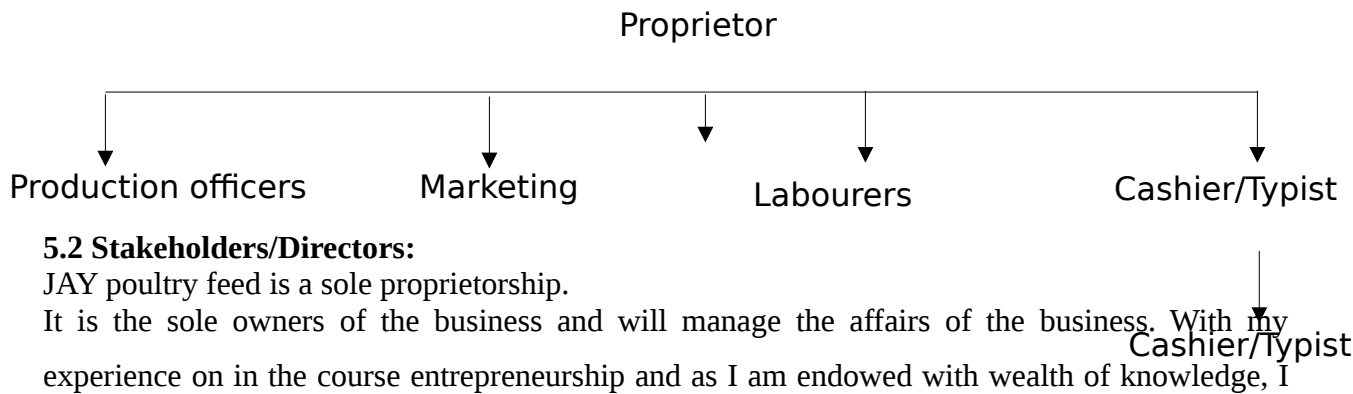
1. Knowledge of the business

2. Skilled personnel
  3. High quality of lowest price and CED training
- B. Weaknesses
1. The major weakness is that I am in the business newly, but I have undergone adequate training.
  2. Finance is another thing that may draw the business back but I shall overcome this through personal savings and bank loan.
- C. Opportunities
- The proposed business is full of opportunities. In the long run I seek to diversify into cultivation of maize which is my major raw material. I already have a large sparse of land for this. Also, in the nearest future I intend to embark on poultry farming.
- D. Threats
- The major threat the business may encounter is competition from already existing industries, who will naturally seek out to compete with us, either through de-marketing or other means. But in order survive it, I will use quality products and customer care to remain and be the leading company in the business.

## PART FOUR

### 5.0 Management and Organizational Structure

#### 5.1 Organizational structure:



#### 5.2 Stakeholders/Directors:

JAY poultry feed is a sole proprietorship.

It is the sole owners of the business and will manage the affairs of the business. With my experience on in the course entrepreneurship and as I am endowed with wealth of knowledge, I can manage the business efficiently and effectively.

#### 5.3 Management team

1. Production manager – Okafor Mark Admin/Act Manager - -B.Sc with 10 years experience
2. Marketing manager – Okeke Michael B.Sc in marketing with 8 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.

#### 5.4 External support (Out sourcing):

The supply of cereals that is wheat, maize, groundnut to the factory shall be outsourced to established produce wholesalers since I may not have the chance of visiting most of the nearby markets. Efforts shall be made to select adults who source their supplies at farm gates. This is to that the prices are competitive

#### 5.5 The personnel plan (staffing and salary)

| Proprietor | Position            | No. of staff | Salary per staff per month | Total annual salary |
|------------|---------------------|--------------|----------------------------|---------------------|
| 1          | Proprietor          | 4            | 12,500                     | 600,0000            |
| 2          | Production officers | 2            | 8,000                      | 96000               |
| 3          | Marketing officer   | 2            | 8,000                      | 96000               |



|   |                                     |   |       |         |
|---|-------------------------------------|---|-------|---------|
| 4 | Labourers                           | 2 | 5,000 | 60000   |
| 5 | Cashier/typist                      | 1 | 5,000 | 60000   |
| 6 | Security men                        | 2 | 3,000 | 36000   |
|   |                                     |   |       |         |
|   |                                     |   |       |         |
| N |                                     |   |       | 43000   |
|   | Add 5% fringe benefits<br>and bonus |   |       | 7000    |
|   | Total                               |   |       | 49,8000 |

### 5.6 Organization's values and norms

1. To offer the best quality products to my customers or end users.
2. To see my employees as my most valuable asset
3. To conduct the business within the ambit
4. To uphold my integrity
5. To be available to my customers and social responsible to the society.

## PART FIVE

### 6.0 Legal, regulatory, social and environmental issues

#### 6.1 Legal issues:

JAY poultry feeds will commence operations as sole proprietorship because of this I have to register the business name with the local government where it will be situated. There is no special license, permit that is required for the business. Notwithstanding, effort will be made to obtain all necessary permit and licensees.

#### 6.2 Regulatory and environmental issues

My business company will abide with all regulations as well as all relevant industrial safety regulatory requirement

No, it is not

#### **B. Environmental issues**

- i. My products are environmental friendly and does not constitute nuisance to the community, I will comply with all the environmental laws and requirements. The company environment.
- ii. Feed to animals like herbivores so the by-products have no bad effect on the environment.
- iii. They will be buried in the ground since they are bio-degradable materials.
- iv. I have obtained a complete certificate from the ministry of environment.

## PART SIX

### 7.0 Financials

#### 7.2 What are the equipment, machinery and other needed to produce the product/service

| S/N | Investment (Equipment and others) | Qty | Unit cost (N) | Total cost (N) |
|-----|-----------------------------------|-----|---------------|----------------|
| 1   | Land                              | 1   | 1,850,000     | 1,850,000      |
| 2   | Building                          | 1   | 1,850,000     | 500,000        |
| 3   | Equipment and Machine             | 1   | 50,000        | 1,600,000      |
|     | i. vehicles                       | 1   | 1,000,000     | 1,000,000      |
|     | ii. Generating set                | 1   | 400,000       | 400,000        |
|     | iii. Furniture and fixture        | 1   | 400,000       | 400,000        |
|     | iv. Erection and                  | 1   |               |                |
|     | v. Installation                   | 1   | 25,000        | 25,000         |
|     | vi.                               |     |               |                |
|     | vii. pre-operational              | 1   | 10,0000       | 10,000         |
|     | viii. expenses                    | 1   |               |                |
|     | Total Investment                  |     |               | 4,885,000      |

### 7.3 Sales Plan

|                                   | Year 1              | Year 2              | Year 3              |
|-----------------------------------|---------------------|---------------------|---------------------|
| Product/Service                   | Angels poultry feed | Angels poultry feed | Angels poultry feed |
| Product/service quantity (volume) | 200,000             | 40,000              | 560,000             |
| Price per unit                    | 1,400               | 1,500               | 1,600               |
| Sales                             | 140,000,000         | 3,000,000           | 448,000,000         |

### Cost plan

|                                   | Year 1              | Year 2              | Year 3              |
|-----------------------------------|---------------------|---------------------|---------------------|
| Product/Service                   | Angels poultry feed | Angels poultry feed | Angels poultry feed |
| Product/service quantity (volume) | 200,000             | 400,000             | 560,000             |
| Cost per unit                     | 1,400               | 1,500               | 1,600               |
| Sales                             | 280,000,000         | 60,000,000          | 896,000,000         |

### Imported Raw Materials & other Inputs (at full capacity)

| Items        | Unit cost | Quantity Required/Annum |                            | Customs Duty Rate (%) |
|--------------|-----------|-------------------------|----------------------------|-----------------------|
|              |           | Current (Existing)      | Proposed (after expansion) |                       |
| a. Groundnut | N5,000    | 5 basin                 | 3 basin                    | 75%                   |
| b. Food      | N2,000    | 2 plates                | 2 plates                   | 65%                   |
| c. Cereals   | N10,000   | 3 bags                  | 3 bags                     | 70%                   |
| d. Maize     | N10,000   | 3 bags                  | 3 bags                     | 70%                   |

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

| Items         | Unit cost | Quantity Required/Annum |                            |
|---------------|-----------|-------------------------|----------------------------|
|               |           | Current (Existing)      | Proposed (after expansion) |
| a. Maize      | 350kg     | 10,000                  | 20,000                     |
| b. Groundnut  | 200kg     | 3,000                   | 6,000                      |
| c. Kernel nut | 80kg      | 4,000                   | 6,000                      |
| d. Blood      | 70kg      | 1,000                   | 2,000                      |
| e. Bones      | 100kg     | 3,000                   | 4,500                      |

#### (b) Indicate Sources of Raw Materials

| Item          | Source     |
|---------------|------------|
| a. Maize      | Oba        |
| b. G/nut      | Kano       |
| c. Kernel nut | Nsukka     |
| d. Blood      | Awka-Etiti |
| e. Bones      | Awka-Etiti |

(c) There are serious arrangement of raw material procurement.

#### **General cost of Administration**

| Item                          | Current (for existing projects only) | Proposed (for new/expansion projects) |
|-------------------------------|--------------------------------------|---------------------------------------|
| a. Rents and Rates            | 50,000                               | 50,000                                |
| b. traveling expenses         | 100,000                              | 100,000                               |
| c. stationery and sundry exp. | 25,000                               | 25,000                                |
| d. Vehicle running Expenses   | 500,000                              | 500,000                               |
| e. insurance                  | 125,000                              | 125,000                               |
| f. professional fee           | 180,000                              | 180,000                               |
| g. other expenses             | 50,000                               | 50,000                                |
| Total                         | 1,030,000                            | 1,030,000                             |

#### **Preliminary and Pre-Operating Expenses (for new projects only)**

| Item                                    | Amount (N) |
|---|------------|
| a. Company incorporation                | 100,000    |
| b. Increase in Authorized share capital | Nil        |
| c. Traveling expenses                   | 100,000    |
| d. Preparation of business plan/F.S.    | 20,000     |
| e. Others (please specify)              | Nil        |
| Total                                   | 220,000    |

#### **7.4 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 materials #1 (n... days/months value)  | 13,000     | 13,000     | 13,000     | 13,000     |
| Stock of raw materials #2 (n... days/months value)  | 12,000     | 12,000     | 12,000     | 12,000     |
| Stock of raw materials #3 (n... days/months value)  | 12,000     | 12,000     | 12,000     | 12,000     |
| Stock of raw materials #n (n... days/months value)  | 15,000     | 15,000     | 15,000     | 15,000     |
| Stock of WIP (n...days/months value)                | 100,000    | 100,000    | 100,000    | 100,000    |
| Stock of FG (n...day/months value)                  | 100,000    | 100,000    | 100,000    | 100,000    |
| Provision for utilities and others: n...months need | 100,000    | 100,000    | 100,000    | 100,000    |
| Salaries/wages                                      | 20,000     | 55,000     | 600,000    | 650,000    |
| Debtors: n...days value of annual sales             | Nil        | 30,000     | 150,000    | 50,000     |
| Less creditor: n...days need of raw materials       | 30,000     | 45,000     | 45,000     | 45,000     |
| Working capital                                     | 1,164,250  | 609,250    | 759,250    | 759,250    |
| Increase/Decrease in working capital                | 335,750    | 429,250    | 1,240,750  | 1,740,750  |

### 7.5 Start up capital needed

Start-up capital

(a) Investment (Equipment, machinery and others) N4,025,000

(b) Working capital 1,000,000

Source of capital

(a) Owners' capital #4,025,000

(b) Donations/Grants

(c) Bank loan 1,000,000

Total 5,025,000

Profitability

1. Year 1 2,993,750
2. Year 2 3,928,500
3. Year 3 5,083,800

| S/N | Item of expenditure   | Amount    |
|-----|---|-----------|
| 1.  | Fixed asset investment (Equipt. Machinery and other requirements) | 4,025,000 |
| 2.  | Working capital   | 1,000,000 |
| 3.  | Pre-operating expenses  | 1,000,000 |
|     | Initial total investment outlay                                   | 5,025,000 |

### Financing plan

| S/N | Item of expenditure | Amount    |
|-----|---------------------|-----------|
| 1.  | Owner's capital     | 4,025,000 |
| 2.  | Bank loan           | 1,000,000 |
| 3.  | Others (Specify)    |           |
|     | Total               | 5,025,000 |

### 7.6 Depreciation

| S/N | Item of depreciation | Initial value | Scrap value | Life span | Depreciation |
|-----|----------------------|---------------|-------------|-----------|--------------|
| 1   | Building             |               | 20,000      | 10 years  | 30,000       |
| 2   | Machinery            |               | 50,000      | 10 years  | 70,000       |
| 3   | Vehicle              |               | 50,000      | 10 years  | 70,000       |
| 4   | Generating set       |               | 30,000      | 10 years  | 50,000       |
| 5   | Furniture            |               | 50,000      | 10 years  | 10,000       |
|     | Total Depreciation   |               | 155,000     |           | 230,000      |

### 7.7 Loan Repayment and Interest payment schedule

| Year  | Loan/Loan<br>Bal B/d | Interest   | Annual<br>installment    | Loan<br>Repayment | Loan Bal c/f |
|-------|----------------------|------------|--------------------------|-------------------|--------------|
|       | A                    | B          | C                        | D                 | E            |
|       | A                    | $B = r(A)$ | C (A value<br>in eqn. 1) | $D = C - B$       | $E = A - D$  |
| 0     | 100,000              | 60,000     | 80,000                   | 20,000            | 80,000       |
| 1     | 50,000               | 20,000     | 30,000                   | 10,000            | 40,000       |
| 2     | 20,000               | 20,000     | 30,000                   | 10,000            | 40,000       |
| 3     | 50,000               | 20,000     | 30,000                   | 10,000            | 40,000       |
| 4     | 20,000               | 5,000      | 10,000                   | 5000              | 15,000       |
| 5     | 260,000              | 50,000     | 150,000                  | 100,000           | 160,000      |
| Total | 500,000              | 165,000    | 315,000                  | 150,000           | 350,000      |

### 7.8 Estimate of profit and Loss account for the first 3 years

| Particulars           | Year 1    | Year 2    | Year 3    |
|-----------------------|-----------|-----------|-----------|
| Sales                 | 8,121,750 | 15,000    | 20,000    |
| Others                | 10,000    | 15,000    | 20,000    |
| Net sales             | 30, 000   | 40, 000   | 50, 000   |
| Less expense          |           |           |           |
| Cost of raw materials | 2,375,750 | 1,187,975 | 2,435,769 |
| Salaries              | 500,000   | 500,000   | 500,000   |
| Rent                  | 20,000    | 30,000    | 15,000    |
| Telephone             | 10,000    | 12,000    | 10,000    |
| Electricity           | 5,000     | 5,000     | 5,000     |



|                           |         |         |         |
|---------------------------|---------|---------|---------|
|                           |         |         |         |
| Advertising               | 10,000  | 15,000  | 10,000  |
| Entertainment             | Nil     | Nil     | Nil     |
| Insurance                 | Nil     | Nil     | Nil     |
| Legal                     | Nil     | Nil     | Nil     |
| Office supplies           | Nil     | Nil     | Nil     |
| Motor vehicle maintenance | 20,000  | 10,000  | 10,000  |
| Total expenses            | 380,250 | 387,250 | 365,250 |
| Profit before Tax/Int     | 300,000 | 400,000 | 500,000 |
| Less interest             | 50,000  | 80,000  | 90,000  |
| Profit after interest     | 250,000 | 320,000 | 410,000 |
| Less tax                  | 50,000  | 60,000  | 80,000  |
| Profit after tax          | 200,000 | 260,000 | 330,000 |
| Less depreciation         | 50,000  | 60,000  | 60,000  |
| Net profit                | 150,000 | 200,000 | 270,000 |
| Appropriation             | Year 1  | Year 2  | Year 3  |
| Dividend                  | 150,000 | 350,000 | 620,000 |
| Retained Earnings         | 50,000  | 80,000  | 100,000 |

### Cash flow Projection

|                      | Yr 1 Total (N) | Year 2 Total (N) | Year 3 Total (N) |
|----------------------|----------------|------------------|------------------|
| Cash In              |                |                  |                  |
| Bank loan            | 200,000        | 100,000          | 200,000          |
| Sales income         | 800,000        | 900,000          | 800,000          |
| Other income (state) | 500,000        | 600,000          | 500,000          |

|                   |           |           |           |
|-------------------|-----------|-----------|-----------|
| Total cash In     | 1,500,000 | 1,600,000 | 1,500,000 |
| Cash out          |           |           |           |
| Admin. Outgoings  | 100,000   | 80,000    | 90,000    |
| Marketing         | 50,000    | 60,000    | 70,000    |
| Cost of Goods     | 200,000   | 250,000   | 300,000   |
| Interest expenses | 20,000    | 30,000    | 30,000    |
| Loan repayment    | 200,000   | 100,000   | 200,000   |
| Other payments    | Nil       | Nil       | Nil       |
| Total cash out    | 570,000   | 520,000   | 690,000   |
| Net cash flow     | 2,070,000 | 2,120,000 | 2,190,000 |
| Opening cash bal  | 1,500,000 | 1,600,000 | 1,500,000 |
| Closing cash Bal  | 570,000   | 520,000   | 690,000   |

### 7.9 Balance sheet

| Balance sheet assets       | Start date year<br>0 | Year end i.e.<br>year 1 | Year 2  | Year 3  |
|----------------------------|----------------------|-------------------------|---------|---------|
| Fixed assets:              |                      |                         |         |         |
| Land, machinery and others | 600,000              | 600,000                 | 600,000 | 600,000 |
| Less cum. Dep.             | Nil                  | Nil                     | Nil     | Nil     |
| Total fixed assets (A)     |                      |                         |         |         |
| Current assets:            | 600,000              | 600,000                 | 600,000 | 600,000 |
| Debtors                    | Nil                  | Nil                     | Nil     | Nil     |
| Stock                      | 500,000              | 600,000                 | 400,000 | 400,000 |
| Liabilities                |                      |                         |         |         |
| Current liabilities:       |                      |                         |         |         |
| Creditors                  | 100,000              | 120,000                 | 80,000  | 100,000 |

|                                 |         |         |         |          |
|---------------------------------|---------|---------|---------|----------|
|                                 |         |         |         |          |
| Accrued expenses                | 200,000 | 100,000 | 150,000 | 150,000  |
| Overdraft                       | Nil     | Nil     | Nil     | Nil      |
| Short term loan                 | 50,000  | 20,000  | 80,000  | 100,000  |
| Total current liabilities (D)   | 350,000 | 240,000 | 310,000 | 300,000  |
| Long term loan                  | 200,000 | 250,000 | 200,000 | 150,000  |
| Other (specify)                 | Nil     | Nil     | Nil     | Nil      |
| Total long term liabilities (E) | 200,000 | 250,000 | 200,000 | 150,000  |
| Long+short term liab. (F)       | 250,000 | 270,000 | 280,000 | 200,000  |
| Shareholders equity (C – F)     | 450,000 | 530,000 | 320,000 | 4000,000 |
| Shareholders equity:            |         |         |         |          |
| Capital (shares)                | 500,000 | 400,000 | 600,000 | 500,000  |
| Retained profits                | Nil     | Nil     | Nil     | Nil      |
| Total shareholders fund (G)     | 500,000 | 400,000 | 600,000 | 500,000  |
| TOTAL LIABILITIES (F+G)         | 750,000 | 670,000 | 880,000 | 700,000  |

### 8.11 Ratio Analysis

#### 8.12 Liquidity ratios

$$a. \text{ current ratio} = CR = \frac{\text{current assets}}{\text{Current liabilities}} = \frac{5,000,000}{3,500,000} = 1.43$$

$$b. \text{ Acid test ratio or quick ratio} = ATR = \frac{\text{current assets} - \text{Stock}}{\text{Current liabilities}} = \frac{5,000,000 - 5,000,000}{3,500,000} = 0.00$$

#### 9.11 Leverage ratios

$$a. \text{ Debt Equity ratio} = DER = \frac{\text{Long Term Loans}}{\text{Net Worth}} = \frac{200,000}{250,000} = 0.85$$

$$b. \text{ Debt capitalization ratio} = DCR = \frac{\text{Long Term Loans}}{\text{Net Worth}} = \frac{200,000}{450,000 + 200,000} = 0.0000022$$

#### 9.12 Loan Coverage ratios

$$a. \text{ Interest coverage ratio} = ICR = \frac{\text{Profit before} - \text{interest \& Taxes}}{\text{Financial charges (i.e. Interest charges)}} = \frac{300,000 - 100,000}{50,000}$$

$$b. \text{ Assets Coverage ratio} = ACT = \frac{\text{Net Assets}}{\text{Long Term Loans}} = \frac{1,100,000}{200,000}$$



|             |     |        |        |       |       |     |      |  |
|-------------|-----|--------|--------|-------|-------|-----|------|--|
| 1           | Jan | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 2           | Feb | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 3           | Mar | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 4           | Apr | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 5           | May | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 6           | Jun | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 7           | Jul | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 8           | Aug | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 9           | Sep | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 10          | Oct | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 11          | Nov | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 12          | Dec | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| <b>Yr 2</b> |     |        |        |       |       |     |      |  |
| 1           | Jan | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 2           | Feb | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 3           | Mar | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 4           | Apr | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 5           | May | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 6           | Jun | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 7           | Jul | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 8           | Aug | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 9           | Sep | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 10          | Oct | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 11          | Nov | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |
| 12          | Dec | 30,000 | 19,000 | 5,000 | 2,000 | 300 | 1000 |  |

My machines have the capacity of producing 500 bags of poultry feeds daily. Each day the industry needs 648 tons of grain to produce 500 bags of produce feeds. Then 4536 tones likely to produce 3500 bags, 19440 tones monthly to produce 1500 bags, and 233780 tones yearly to produce 18000 bags.

### **Machinery, equipment, and other requirements**

| s/n  | Investment (Equipment and others) | Qty | Life Span | Other comments     |
|------|-----------------------------------|-----|-----------|--------------------|
| 1    | Land                              |     |           | Existing           |
| 2    | Building                          |     | 60 years  | Existing           |
| 3    | Equipment and Machine             |     |           |                    |
| I    | Electric sieving machine          | 1   | 7 years   | One existing       |
| Ii   | Grinder                           | 3   | 7 years   | One existing       |
| Iii  | Dryer                             | 2   | 10 years  | One existing       |
| Iv   | Sealing machine                   | 3   | 5 years   | One existing       |
| V    | Industrial fan                    | 4   | 5 years   | One existing       |
| Vi   | Mixer                             | 3   | 10 years  | One existing       |
| Vii  | Weighing machine                  | 4   | 20 years  | One existing       |
| Viii | Weighing balance                  | 10  | 10 years  | One existing       |
|      | Generator                         | 2   | 10 years  | One existing       |
|      | Delivery van                      | 2   | 15 years  | One existing       |
|      | Font lift                         | 1   | 10 years  | Yet to be produced |
|      | 10 Ton Truck                      | 1   | 10 years  | Yet to be produced |
|      | Loose tools                       | 10  | 20 years  | All existing       |
|      | n Furniture/fixture/fittings      |     |           |                    |

## **PART SEVEN**

### **8.0 Risk Analysis, contingency plan and exit strategy:**

### Risk contingent analysis

| S/N | Risks   | Mitigants   |
|-----|---|---|
| 1   | Epileptic power supply                                      | A generator shall be provided   |
| 2   | Initial low demand  | Aggressive promotion and advertising campaigns  |
| 3   | Competition   | Continuous high quality products innovation<br>customer care  |
| 4   | Labour migration  | Motivation through incentives, better condition of<br>service, employee relationship management                               |
| n   | Imitation of my product might be<br>available in the market | A sticker or batch representing my company's logo<br>will be placed or attached to any feed made by<br>Angels feed production |

### 8.2 Contingency plan and exit strategy

- (1) Price reduction – this will not motivate customers to buy in large quantities
- (2) Quantify discount – this will motivate customer to buy large quantities
- (3) Demand stimulation effort and strong awareness creation
- (4) Effective customer care, satisfaction and retention.

## **PART EIGHT**

### **9.0 Other considerations and conclusion**

#### **9.1 Economic Justification**

This project is economically justified, it creates employment opportunities creation, poverty reduction and encourages value orientation. This project offers benefit to the industry, economic and the area society.

#### **9.2 Commercial viability**

The result of my analysis shows that this project is highly commercially viable in the sense that generate adequate cash flows and good portability return

#### **9.3 Conclusion and recommendations**

Based on the views of the analysis of my findings, surveys, information the proposed, and project I found to be technically, commercially viable and economically desired. The project offers good investment benefits.