

UNIVERSITY OF NIGERIA, NSUKKA

FACULTY OF AGRICULTURE

**DEPARTMENT OF ENTERPRISE SCIENCE, NUTRITION AND
DIETETICS**

**A BUSINESS PLAN WRITTEN IN PARTIAL FULFILLMENT OF
THE COURSE 342 (BUSINESS DEVELOPMENT AND
MANAGEMENT)**

TOPIC:

CLOTHING AND EMBROIDERY ENTERPRISE

BY

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2013/186309

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JULY, 2017

SPARKLE CLOTHING AND EMBROIDERY ENTERPRISE

PART 1

1.0 Executive summary

1.1 The following report and recommendation relate to the proposal by Sparkle Clothing and Embroidery Enterprise to establish a clothing and embroidery firm at Nsukka local government area, Enugu state Nigeria.

1.2 The project would require a start-up capital of N12743760.00, made up of N6120000.00 for fixed assets and N4158760.00 for working capital.

1.3 The firm's vision is to be a unique and outstanding producer of qualitative polo and perfect embroidery (monogramming) design in Nsukka, and Enugu as whole.

1.4 The project will be located at Nsukka, Enugu because of its closeness to target market from that location.

1.5 A large market is available for the business to serve.

1.6 The financial projections show that the project would be financially stable and liquid by the time it matures. The sales figures stand at N3430000, N6980000 and N10430000 for year 1, year 2, and year 3 respectively. Also profits after tax are: (280660), N2224746, and N8846856 for year 1, year 2, and year 3 respectively. The cash flow is equally good and encouraging from the second year through to the third.

1.7 The competitive edge of the firm lies in its ability to produce qualitative clothing with perfect embroidery design at an affordable cost and its internal relationship with its target market.

1.8 The profitability measures are shown below:

	Year 1	Year 2	Year 3
Leverage profit margin	4.65	3.11	1.72
Gross profit margin	0.81	0.90	0.92
Net profit margin	-11.9	30.4	8.4
Profit before Int. & tax	(352660)	2591940	9877840
Profit after tax	(280660)	2224746	8846856
Current ratio	-	4.06	3.12
Efficiency	0.39	0.68	0.79

From the point of view of the analysis of our findings, the proposed project is found to be technically feasible, financially viable, and economically desirable. Thus, the project offers good investment benefits, and is therefore highly recommended for implementation.

PART 2

2.0 Introduction

The proposed clothing and embroidery Enterprise results from strong needs for customized polo and embroidery designs on fabrics of different variety for different age of the populace in South East zone of Nigeria especially in Enugu State. The findings reveal that clothing is one of the basic need of life and one cannot do without it.

2.1 Vision

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

2.2 Mission

To create value for customers and shareholders by continually improving designs on fabrics and its quality.

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 Miss. Okeke Amarachi, Mr Ufondu Chibuzo and Mr Victor Chinedu

2.5 Available Market

Information from the survey is that about one- third of the populace demand for customized fabric and embroidery designs on fabrics for different occasions or purpose yearly in Nsukka, Enugu state. 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 this products is being met by existing suppliers within Nsukka, Enugu state; hence about 50% of demand-supply gap is left. This is why they are a lot of imported cheap customized fabric and embroidery designs on fabrics in the zone. The implication follows that there is a huge market available for the product in the zone and the State.

PART 3

3.0 Products

Sparkle Clothing and Embroidery Enterprise will provide the following products.

- o Customized Polo

- o Embroidery design on any fabric

3.1 Product Description

- o **Customized Polo**

The customized polo is produced with a combination of different colors (most times 3) based on customer prescription and quality affordable in large quantities (wholesale).

- o **Embroidery design on any fabric**

The design (based on customers' preference) will be completed on an operating system (laptop) using the appropriate software necessary and conveyed to the monogramming machine (existing with the necessary thread in their right arrangement based on design and fabric to work on) for final work.

3.2 Costing

The costing of the products of the Sparkle Enterprise is mainly built around two major cost items, they are:

- i. Fabrics and
- ii. Thread (both embroidery and sewing)

- o **Fabrics**

The fabrics are mainly used in the production of polo according to customer prescription or sometimes joint effort of the producer and buyer. They are usually in large quantities and variety of colors, depending on the intended design of the polo. The fabrics are usually of different quality with various prices, so as to accommodate a large market. Table 1 below shows the various name and quality of fabrics with their allocated prices per roll.

Table 1: Various fabrics and their prices per roll

s/ n	Fabrics	Qty (Roll)	Price(N)
1	Main fabric	1	2000
2	Collar fabric	1	1500
3	Design fabric	1	1000

The plan is to take on 7 numbers of departments, which will entail 490 numbers of students to the least, available, willing and able to complete demand for the need of polo production within a year. For the purpose of costing see table 2 below.

Table 2: Showing the cost of fabrics needed for year 1.

	Fabrics	Per roll cost (N)	Qty of roll needed (N)	Cost of fabric needed (N)
1	Main	2000	102	204000
2	Collar	1500	70	105000
3	Design	1000	190	190000
	TOTAL A		362	499000

Note: a constant size of extra extra (XXL) has been used for standard purpose.

o Thread (weaving, sewing and embroidery)

This is needed in the fabrics section for the hemming/weaving of fabrics and merging of different fabrics to give a complete polo and also for monogramming (combines different thread color in various shapes, types and sizes of stitches to produce a complete design). Embroidery thread are used strictly for automated monogram machines and their usage varies with thickness of fabrics, size of design, color variation in design, and the design itself. For the purpose of costing and quantity needed for the first year production see table 4 and 3 respectively.

Table 3: Showing the quantity of thread stock needed for year 1

s/n	Thread	Qty(roll)	Price(N)
1	Large sized sewing thread	1	140
2	Medium sized sewing thread	1	80
3	Embroidery thread	1	150
4	Weaving thread	3	300

Table 4: Showing the cost of thread stock needed for year 1

s/n	Thread	Cost per roll (N)	Qty of roll needed	Cost of Qty needed (N)
1	Large sized thread	140	98	13720
2	Medium sized thread	80	98	7840
3	Embroidery thread	150	580	87000
4	Weaving thread	300	84	25200
	TOTAL B		860	133760
	Grand total (A+B)			632760

PART 4

4.0 Market Analysis: Sparkle Clothing and Embroidery Enterprise has an existing business opportunity since there is a huge market for Clothing and Embroidery in Nsukka, 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 customized fabrics and embroidery designs:

- a) **Households:** Many families buy customized fabrics when they have occasions like anniversary, burial or wedding parties.

- b) **Restaurants/ Hoteliers:** These classes of customers uses customized fabrics for their work. They customize clothing like towels, bed spread, staff uniform, etc.
- c) **Schools:** Different schools customize their uniforms for the students or pupils for easy identification of their students.
- d) **Hospitals:** Hospitals have tremendous need for the product especially for easy identification of hospital properties or staff.

PART 5

5.0 Marketing Plan

There are no major firm of this sought in Nsukka Enugu area hence there is complete absence of structured Embroidery firms that can really put commendable competition. Therefore, if Sparkle Clothing and Embroidery Enterprise commences operations as planned, it will be a market leader in no distant time.

5.1 Promotion Strategy

Sparkle Clothing and Embroidery Enterprise will embark in awareness campaign among students and dwelling individual in its environ. It will also offer an Industrial Training Space for those students undergoing programmes related to the product the firm offers. To do this, Sparkle Clothing and Embroidery Enterprise plans to use fliers, radio and also sponsor fashion and design competitions to reach a broader audience.

5.2 Marketing Strategy

To maintain a sizeable portion of the market in Nsukka and its environs, the firm has decided that her products will get to the market at a highly competitive price. Moreover, the products will be of high quality, beauty and precision to attract customers.

Furthermore, Sparkle Clothing and Embroidery Enterprise has planned to produce up to half of the total customization order/needs of various unions and body in the campus. This schedule of production would ensure that the firm maintains its reputation among its customer.

Sparkle Clothing and Embroidery Enterprise would also give trade discounts to drive the market faster. There are plans to distribute calendars and customized handkerchiefs or small towels during notable events and within regular customers to increase forms popularity.

5.3 Market Positioning

Sparkle Clothing and Embroidery Enterprise will position itself as prime-mover and market leader of her products both in Nsukka Enugu and its environs. The firm will create peculiar leading edge profile for itself. The under stated is how the firm will want to be seen by its customers, competitors and general public

- o As a provider of qualitative, creative and neat customized polo.
- o As a firm that has the customers' interest, in form of pricing, delivery and creativity.

5.4 Projected Sales

	Sales from polo production (N)	Sales from monogramming (N)	Revenue/Total sales (N)
Year 1	1960000	1470000	3430000
Year 2	3980000	3000000	6980000
Year 3	5950000	4880000	10430000

PART 6

6.0 Technical Analysis: Many customized clothing in market are not done with quality materials and not durable. However, Sparkle Clothing and Embroidery Enterprise has planned its operations to cover these challenges.

6.1 Management and Organization

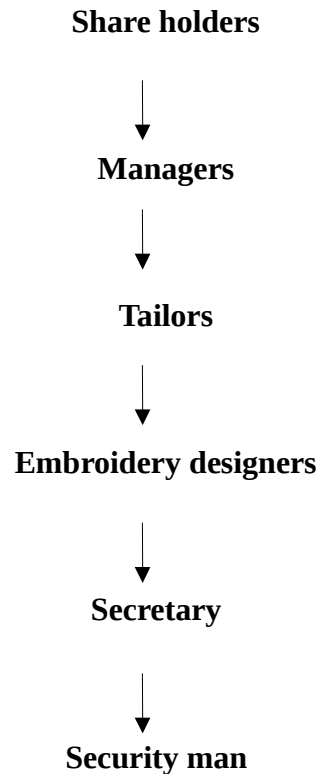
Owner/Manager: Sparkle Clothing and Embroidery Enterprise is a partnership business, but will be managed by Miss Okeke Amarachi, who has acquired skills on financial management which will enable her to run the firm. She also has two years of industry experience and networked relationships to accelerate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

Table 5: Management and Labour Compliments

s/n	Positions	No. of staff	Annual salary per staff(N)	Total
1	Shareholder	3	140,000	420,000
2	Manager	1	180,000	180,000
2	Tailors	5	180,000	900,000
3	Embroidery	4	240,000	960,000

	designers			
4	Secretary	1	120,000	120,000
5	Security man	1	120,000	120,000
	Grand total			2,700,000

Organizational-Structure



6.2 External Support: Sparkle Clothing and Embroidery Enterprise will employ the help of Mr Nwoba Kelechi, who has had 12 years experience in Clothing and Embroidery to offer advisory and management support. In addition, the firm will obtain support from Specty ventures on technical training of the labourers especially on handling modern machinery.

6.3 Value and Norms of the Company: Sparkle Clothing and Embroidery Enterprise 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

7.0 Legal Issues: Sparkle Clothing and Embroidery Enterprise 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 there 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 6.

Table 6: 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.

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 clothing and embroidery designs on fabric.

Sparkle Clothing and Embroidery plans to address these weaknesses by hiring skilled labourers and employing the services of Mr Nwoba Kelechi who has 12 years experience in the firm and Specty ventures on the technical aspect.

8.1.3 Opportunities

At present, there is no consistent industry for producing customized clothing in Nsukka, Enugu State. This will give our company an advantage over others.

8.1.4 Threats

- a) Increased competition as a result of the entry of more like 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 their products.

8.2 Exit Strategy

No exit is planned, rather diversification will be pursued.

PART 9

9.0 Company Financials

9.1 Summary of project cost

The total cost of the project is N5228380 this is made up of N3988000 in fixed capital and N1240380 in working capital.

9.2 Fixed capital investments

Sparkle Clothing and Embroidery Enterprise is located at Nsukka local government area, Enugu on a land area of about 5 standard plots of 60”×120”. The site is motorable all year round. Table 7 below shows the fixed capital investment required for the project.

Table 7: Fixed Capital Investment

Start up Assets

s/n	Item	Cost(N)
1	Land	1000000
2	Building	1500000
3	Furniture	120000
	Total	2620000

Start up expenses

s/n	Item	Cost (N)
1	Sewing machine(s)	200000
2	Embroidery machine(s)	1500000
3	Weaving machine(s)	240000
4	Working equipments(scissors, tapes, tailoring chalk, needles, etc)	100000
5	Delivery van	200000
6	Laptop(s)	160000
7	Embroidery software	50000
8	Tank(s)	15000
	Total	2465000

9.3 Utilities

The firm is located where there is accessibility to light unlike water, therefore the firm will be connected to the Enugu state electricity commission(EEDC), for all necessary arrangement to be made for electricity. While water, will be obtained from commercial water supply tankers. Table 8 shows estimated expenses likely to be incurred for electricity and water.

Table 8: Expenses on utility projected

Utilities	Year 1 (N)	Year 2(N)	Year 3 (N)
Electricity	420000	420000	420000
Water	36000	72000	144000
Total	456000	492000	564000

9.4 Other Expenses

There are other expenses expected to be incurred in the course of running the firm. Table 9 shows the other expenses expected to be incurred.

Table 9: Other Operating Expenses

Type of expense	Year 1 (N)	Year 2(N)	Year 3(N)
Vehicle maintenance	60000	65000	65100
Business travels	30000	31000	31500
Public relations/Advert	30000	33000	34500
Machines Maintenance	200000	220000	221000
Miscellaneous	50000	52500	53000
Total	370000	401500	405100

Table 10: Total start-up capital

Start-up capital	2620000
Current asset	3500000
Working capital	4158760
Equipment	2465000
Total	12743760

Sources of start-up capital

Item	Cost (N)
Holder equity	3620000
Family and friends support	5123760
Loan	4000000
Total	12743760

9.5 Depreciation schedule

Item	IV	LS	SP	Depreciation
Building	1500000	50	1000000	10000
Furniture	120000	20	80000	2000
Delivery van	200000	10	80000	12000

Embroidery machine	1500000	10	750000	75000
Weaving machine	240000	10	140000	10000
Sewing machine	200000	20	120000	4000
Equipments	100000	10	60000	4000
Laptop	160000	20	60000	5000
Tank	15000	20	5000	500
Total				122500

9.6 Loan repayment schedule

Year	Loan	repayments	Interest	Loan balance
1	4000000	Nil	72000	4000000
2	4000000	1300000	120000	2700000
3	2700000	2700000	48000	Nil

9.7 Forecast of profit and loss

Particulars	Year 1 (N)	Year 2 (N)	Year 3 (N)
Expected sales	3430000	6980000	10430000
Less 1% discount	34300	69800	104300
Net sales	3395700	6910200	10325700
Expenses			
Cost of op.	632760	682760	752760
Utilities	45600	492000	564000
Other expenditure	370000	401500	405100
Salaries	2700000	2742000	2756000
Total expenses	3748360	4318260	4477860
Profit before Int. & Tax	(352660)	2591940	5847840
Less interest	72000	120000	48000
Profit before tax	(280660)	2591940	5799840
Less 10% tax	Nil	247194	579984
Profit after tax	(280660)	2224746	8846856

Less Dep.	122500	122500	122500
Net profit	(403160)	2102246	5219856
Retained earnings	(403160)	2102246	5219856
Dividend	Nil	Nil	Nil

9.8 Cash flow projection

Particulars	Year 0	Year 1	Year 2	Year 3
Cash in flow				
Sales	-	3430000	6980000	10430000
Loan received	4000000	-	-	-
Owner's equity	3620000	-	-	-
Family support	5123760	-	-	-
Depreciation	122500	122500	122500	122500
Total cash in flow	12743760	3307500	6857500	10307500
Cash out flow				
Production exp.				
Raw materials	632760	632760	682760	752760
Salary	2700000	2700000	2742000	2756000
Capital exp.				
Start-up assets	2620000	-	-	-
Fixed assets	2465000	-	-	-
Utilities	456000	456000	492000	564000
Other expenses	370000	370000	401500	405100
Interest	-	72000	120000	48000
Loan principal payment	-	-	1300000	2700000
Total cash out flow	8787760	4230760	5295460	7225860
Net cash (for the period)	3956000	(923260)	1562040	3081640
Beginning cash	12743760	3956000	3032730	4594770
Ending cash	3956000	3032730	4594770	7676410

9.9 Balance sheet projection

Particulars	Year 0	Year 1	Year 2	Year 3
Current				

assets	-	3032730	4594770	7676410
Cash at hand	632760	632760	682760	752760
Stock of material				
Operating balance				
Total current assets	632760	3665490	5277530	8429170
Fixed assets				
Land	1000000	1000000	1000000	1000000
Equipment & others	2465000	2465000	2465000	2465000
Building	1500000	1500000	1500000	1500000
Furniture	120000	120000	120000	120000
Less com. Dep.	-	122500	245000	367500
Total fixed assets	5085000	4962500	4840000	4717500
Total assets	5717760	8627900	10117530	13146670
Liabilities				
loan	4000000	4000000	2700000	-
Loan payment	-	-	1300000	2700000
Interest payment	-	72000	120000	48000
Wages/salaries	-	2700000	2742000	2756000
Total liabilities	4000000	6772000	6862000	5504000
Equity				
Owner's capital	1717760	1855900	3255530	7642670
Retained earnings	-	-	-	-
Total equity	1717760	1855900	3255530	7642670
Total equity and liabilities	5717760	8627900	10117530	13146670

9.10 Financial Analysis: By the end of the first year, of which there was only four months of selling activities, the sales were N3430000 and this is expected to grow to N6980000 and N10430000 respectively for the second and the third years

9.11 Profitability Analysis

1	Profitability ratio	Year 1	Year 2	Year 3
i	Gross profit margin	0.81	0.90	0.92
Ii	Net profit margin	-11.9	30.4	8.4
Iii	Leverage profit margin	4.65	3.11	1.72
2	Liquidity			
I	Current ratio	-	4.06	3.12
Ii	Efficiency	0.39	0.68	0.79

PART 10

10.1 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
4594770	7676410

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

10.2 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	3665490	5277530	8429170

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

In view of the technical feasibility and commercial viability of the project, the business will be a great success because of the vast and ever present market and its non-season nature. There is always a grantee for returns once the quality of the product is high which Sparkle Clothing and Embroidery Enterprise has already stated centers on the production world will ensure to have a good quality.

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