

**UNIVERSITY OF NIGERIA, NSUKKA
FACULTY OF SOCIAL SCIENCES
DEPARTMENT OF POLITICAL SCIENCE**

**TOPIC:
SARDINE PRODUCTION**

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

**BY
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LECTURER: DR MRS NWAOGA

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SARDINE PRODUCTION

PART 1

Executive Summary

1.10 Sardine production is a business which involves the production of canned and bottled sardines with the use of natural ingredients, fish (sardine) and sold at an affordable price.

1.11 Name of business

The name of the business is COD sardine

1.12 Legal form of business

Sardine production is a sole proprietorship

1.13 Contact address

No 33 AGIP ROAD RUMUEME ROAD PORT HARCOURT

1.14 Tel: 08137106031 **E-mail:** sardineproduction@gmail.com

1.15 Type of business

Sardine production is a manufacturing industry

1.16 Concise description of the business idea

a. Product or services

The product is sardine a particular squid fish used in cooking and in preference to meat. It gives protein

b. Customers

The general public can make use of it.

c. Owner

OKAFOR DORIS CHRISTIANA

1.17 Number of jobs to be created

By the time the company is started, it is expected to create Direct jobs for 7 people for a start.

- 1.2** The proposed project requires a starts capital of N906, 000 made up of ₦ 629,000 fixed assets and N279,000 for working capital.
- 1.3** The enterprises vision is to be the most outstanding sardine industry in South-South of Nigeria particularly Port Harcourt.
- 1.4** The project will be located at Port Harcourt because of its access to target market from that location.
- 1.5** A huge market is available for the business to serve
- 1.6** The financial projection shows that the project would be financially stable and liquid by the time it matures. The sales figures stand at N600000, N800000, N1000000, for year 1, year 2 and year 3 respectively. Also the profits after tax are N223,200, N333,900, N462,600, for year 1, year 2 and year 3 respectively. The cash flow position is equally good and encouraging by the first year through the third year.
- 1.7** The funding requirement is N629,000 as the promoter is committing N279,000 to the project.
- 1.8** The competitive edge of the enterprise lies in its ability to offer tasty sardine with quality, which is obtainable by use of good quality sardines and good materials.
- 1.9** The profitability measures are as shown below

	Year 1	Year 2	Year 3
Turnover	600,000	800,000	1,000,000
Gross margin	750,000	1,200,000	1,400,000
Net operating profit	223,200	333,900	462,600
Return of Equity or owners contribution (%)	111.6	166.6	231.3

1.10 VISION

To produce a unique sardine at an affordable price with natural ingredients

1.11 Conclusion and Recommendations

From the point of view of the analysis of my 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 II

2.0 Introduction

The sardine production project is the result of the fact that Nigeria as the most populous black nation in Africa cannot boast of producing one of the most used product, sardine. The place suitable for the production of this product is in the southern region of Nigeria, Rivers state. The fact that it is seen as a product that cannot be produced in Nigeria led to the need for starting up the business.

2.2 Mission

To be the best producer of sardine in the country

2.3 Key Success factors

The following key success factors will be provided by the factory

- a. The use of good and fresh fish
- b. produce both quality and quantity product
- c. Make a good reputation
- d. Maintain good customer relationship

2.4 Inherent Risks

- a. Will the implementation of this project attract more contracts to the business to compete with?
- b. Provision of basic utilities
- c. Insufficient resources

2.5 Business Ownership

It is a sole proprietorship owned by Okafor Doris

2.6 Locational Factors

The sardine production is located in Port Harcourt, Rivers state. What informed the choices of this location are;

1. Availability of land to contain expansion of the factory
2. High demand of sardine
3. Availability of cheap and reliable labour

2.7 Available Market

Sardine is one of the sort after commodity because 1 out of 3 Nigerians prefer fish to meat. When it is packed and packaged in a good way, people prefer buying it to buying the fresh fish and it lasts longer. It is easily accessible. Over 75% of Nigerians prefer it out of the 75%, 50% are the youths which is a good market.

3.0 Service

COD sardine will provide the following services

- a. affordable product
- b. quality food

3.1 Description and Service

The sardine company will provide efficient services to satisfy the customers. By providing a well packed sardine that tastes delicious.

3.2 Costing

The cost of running the production involves

The Jars

The Fish

The Ingredients

The equipment

3.3 Market Demand

COD company is located in port Harcourt an urban city that brings different people from the neighboring town together e.g andoni, ogoni, bayelsa, egbema etc. where the supply and demand of sardine and sardine products are high. Information from research shows that more than 1000 sardines of different varieties are demanded monthly and that this demand figure is meant to increase as the number of people eating it increases.

Research has showed that not more than 25% of the demands figures are met by importing factories.

3.4 Projected Annual demand for Sardine Production in Port harcourt

There is an estimate of 10,000 sardines are demanded in port harcourt and its environs. This figure is expected to grow with population growth in the area which has been growing at the rate of 2.5 to 3.25% for about five years now.

With the population growth rate, the demand for the sardine in port Harcourt beat at least 1% the next year.

S/N	YEAR(s)	ANNUAL GROWTH RATE	PROJECTED DEMAND
0	Base year (0)	1%	10,000
1	Year (1)	1%	10,000
2	Year (2)	1%	10,000
3	Year (3)	1%	10,000
	Total	4%	40,000
	Average	1%	10000

3.5 Demand supply gap

As earlier stated, of the total demand figure of sardine only about 25% of the demands are met by the existing ceramics industry. Thus the demand-supply of sardine production in port Harcourt and its environment is shown as follows

Adjustment	Demand-supply gap
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Estimated average annual demand less 25% of supplies existing sardines in the area	10000 2500
Less 20% due to importation of sardines	7500 1500
Less 5% estimate error	6000 300
Estimated demand-supply gap anticipated daily	5700

PART IV

4.0 Market Analysis

COD sardine has an exciting business opportunity in port harcourt and its environment. The increase in the population and demand for sardine at a cheap and affordable rate has led to the introduction of the company.

4.1 Customers/Market segmentation

The following are the classes of customers

- a. Retailers:** They can help distribute it by selling it in their shop
- b. Households:** family members prefer it because it is easier for them to make use of it, instead of buying the fresh fish.

PART V

Market, Customers and Competitors

5.0 Marketing Plan

Due to the fact that it will be the first indigenous producer of sardine. The product will be become a household name within a short period.

5.1 Promotion Strategy

There will be serious promotion for the product, using radio jingles, social media publicity, fliers, TV adverts etc.. the first five people will get gifts

5.2 Market Strategy

To be the best sardine producer. By producing a quality sardine with quantity. Maintaining a good environment for services and also employ consistency in operation and services. Having giveaways for patronizing customers. Improving the quantity regularly

5.3 Market position

Making COD position a strong force to reckon with in the market. Creating avenue for customer feedbacks. The best in Rivers state. Providing excellent services. The no1 sardine company in Nigeria e no get part 2

PART VI

Technical Analysis, Management and Operation

6.0 Technical Analysis

The sardine company has an extensive and highly prolific information and knowledge of varieties of sardine. There are different types of sardines and ways in packaging them. COD will from time to time advance its products.

6.1 Management and Organization

COD sardine is a sole proprietorship. It is solely owned by Okafor Doris and she will manage the affairs of the company

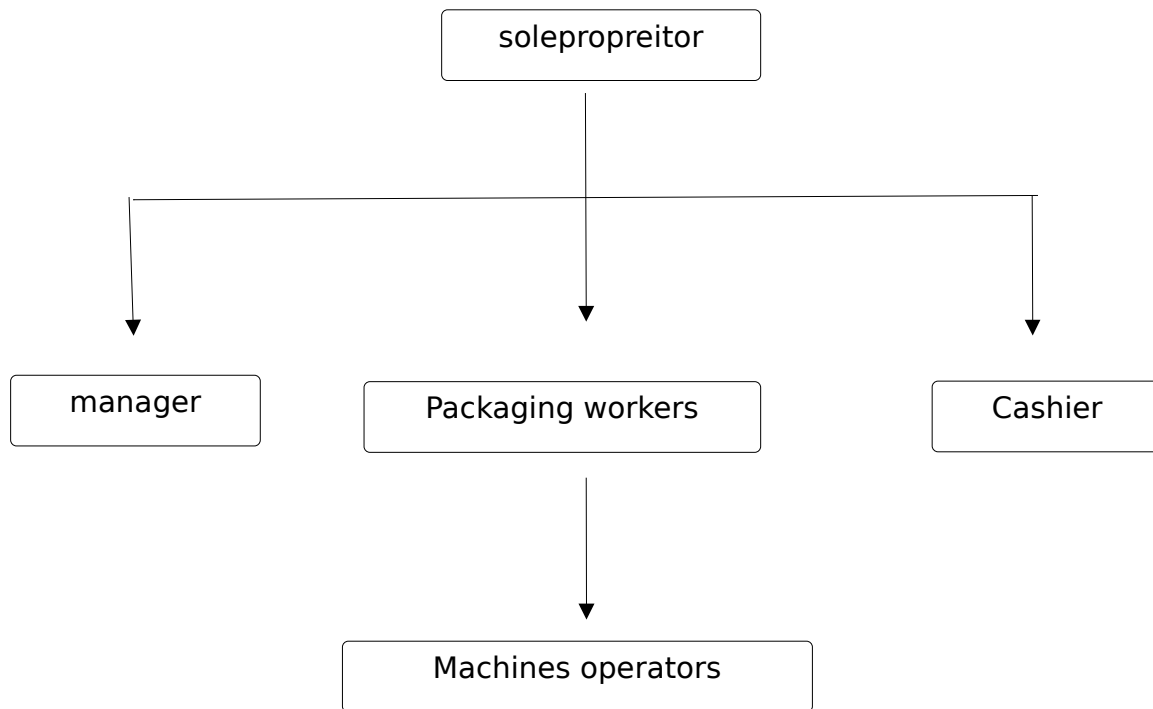
She is a trained entrepreneur and as such has the capability and basic knowledge of financial management and cooking which is expected of her to utilize in running the company.

To help in the day to day running of the company, some other good and experienced hands will be hired.

Management and labour compliments

S/N	Positions	No of staff	Annual salary (N)	Total
1	Proprietor	1	80,000	80,000
2	Manager	1	38,000	38,000
3	Packaging officers	2	12,000	12,000
4	Machine operators	2	18,000	18,000
5	Cashier	1	12,000	12,000
				160,000
6	Add 10% fringe benefit			8000
	Grand total			168,000

Below shows the organization structure of the ceramics industry



6.2 External support

COD sardine will be discussing with the Rivers state Small and Medium Enterprise (SME) center to offer, over a period of years, strong management and business support service. Also the firm will access support on technical issues from the entrepreneurship development. Finally, the services of a jar or bottle maker expert and consultant has been planned to be retained.

6.3 Value and norms of the company

COD sardine company plans to adopt the following norms and values;

- a. To offer the best for the benefit of her customers
- b. To uphold her integrity always

- c. To see her employees as her most valuable assets
- d. To always be available to her customers
- e. To do her business within the federal, state and local government laws.

PART VII

Legal, Environment, Social and Regulatory Issues

7.0 Legal Issues

COD company plans to commence commercial operations as a soleproprietorsip. Such it is just enough to register the business name with the appropriate department at the local government headquarters. No special licenses are required for the operation of sardine production. However every attempt will be made to get all necessary amount and licenses.

7.1 Environmental challenges

Sardine i.e the fish could pose an environmental challenge. if certain precautions are not taken especially with respect to waste disposal. It is the plan of the company to properly dispose the bad fish and the ones which were cut off properly and maintain a hygienic environment.

7.2 Social

The implementation of the project will bring about social and economic benefits to the society in the following ways;

1. It will create new jobs
2. It will bring about wealth creation and poverty reduction

7.3 Regulatory

The sardine production will comply with all environmental regulations, as well as all relevant industrial safety regulatory requirements.

PART VIII

8.0 Risk Analysis

The project has been subjected to risk analysis and some inherent risks identified and appropriate mitigants preferred to avoid the business being disrupted.

Identified risks and their mitigants

Identified risks	Mitigants
Possibility of post process contamination	Washing of cans after sterilization
Unstable power supply	A standby generator will be provided in case of power failure
Inadequate start-up demand	Intensive promotion and adversity campaigns

8.1 SWOT Analysis

The SWOT analysis carried out on the sardine production revealed the following:

8.1.1 Strengths

- The location of the company makes it to have easy access to its targeted customers
- The owner have good experience and expertise in sardine production.

8.1.2 Weakness

- Limited funds in raising adequate capital for the project
- the sole proprietor has limited knowledge on sardine production

COD company plans to address this weakness through asking for loans and learning more about sardine production

8.1.3 Opportunities

Currently there are quality sardines already in use. But given the fact that it is a locally made product and available at a cheaper rate. There will be a high patronage of the product.

Sardines are in high demand abroad especially when produced into other varieties. Therefore, it is a possibility that the business might grow in future to produce and package sardines that could be exported overseas or sold in the local markets.

The company hopes to exploit these opportunities

8.1.4 Threats

- There is still the threat of producing a product that will meet the needs of the customers (perfect product)
- Previous competition fighting back with its monopoly
- Low initial demand

To checkmate these threats, the company will ensure the safety of the products to be used. Intense promotion of the product.

8.2 Exit Strategy

No exist is planned, rather diversification will be pursued

PART IX

Company Financial

9.1 Summary of Project Cost

The total of the project is N906,000 this is made up of N627,000 fixed capital and N279,000 in working capital.

9.2 Fixed capital investment

COD Sardine Company is located at Rumueme, port harcourt in Rivers state on a land of about 2 standard plots of 60' x 120'. The site is motorable all year round.

Fixed capital investment

S/n	Detail	Quantity	Unit Price	Total
1	Structures (housing)	1	80,000	80,000
2	Pressure cookers	2	40,000	80,000
3	Power generator	1	60,000	60,000
4	Smoking ovens	1	400,000	400,000
5	Sealing machine	1	7,000	7,000
6	Freezer	1	40000	40000
	Total			627,000

9.3 Utilities

The sardine company is located in a suitable environment with access to cheap sources of raw materials, supply of water and fluctuating electricity power supply; and as such there should be a standby power generator used in case of electricity power failure.

Expenses on Utilities Projected

Utilities	Year 1 (N)	Year 2 (N)	Year 3 (N)
Light	10,000	15,000	20000
Total	10,000	15,000	20000

9.4 Other Expenses

There are other expenses to be incurred in the course of the sardine company.

Type of expense	Year 1(N)	Year 2(N)	Year 3 (N)
equipment maintenance	34,000	44,000	64,000
Business travel	10,000	20,000	25,000
Public relation	25,000	20,000	15,000
Fuel/diesel	15,000	20,000	10,000
Miscellaneous	10,000	10,000	10,000
Total	94,000	114,000	124,000

9.5 Working Capital

S/N	Working capital	Amount
1	Repairs/maintenance	34,000
2	Electric bill	10,000
3	Fish	30,000
4	Salaries/wages	168,000
5	Administration	15,000
6	Wears	10,000

7	Adverts	12,000
	Total	279,000

9.6 Total Required Investment Outlay (Required Start-Up Capital)

The table below shows the total investment outlay required to execute the project.

S/N	Working capital	Amount
1	Machinery, equipment and others	627,000
2	Working capital requirement	279,000
	Total	906,000

9.7 Financial Plan

To finance the required investment outlay, the manager plans to raise an equity capital of N279,000 while N627,000 will be borrowed from the bank.

S/N	Working capital	Amount
1	Equity contribution	279,000
2	Bank loan	627,000
	Total	906,000

9.8 Loan Repayment Schedule and Interest Paid

Year	Loan (N)	Repayment	Interest 10%	Loan balance (N)
1	627,000	Nil	62,700	700,000
2	627,000	327,000	32,700	317,000
3	300,000	300,000	30,000	Nil

9.9 Depreciation

The annual depreciation is calculated using the straight line method

S/N	Capital item	LS	IV	SV	Depreciation
1	Structures	1	80,000	60,000	20,000
2	Smoking oven	5	400,000	200,000	40,000
3	Power generator	1	60,000	40,000	10,000
4	freezer	5	40,000	20,000	4000
5	Sealing machine	1	7000	Nil	3500
	Total				77,500

9.10 Profit and loss

Particulars	Year 1 (N)	Year 2(N)	Year 3(N)
Expected sales	600,000	800,000	1,00,000
1% discount	6000	8000	10,000
Net sales	594,000	792,000	990000
Expenses	80,000	100,000	120,000
Structures	80,000	75,000	70,000
Utility	10,000	15,000	20,000
Operation	168,000	200,000	240,000
Other expenses	94,000	114,000	124,000
Total expenses	352,000	429,000	504,000
Profit before int and tax	242,000	363000	486000
Less interest	6000	8,000	10,000
Profit before tax	248,000	371000	514,000
Less 10% tax	24800	37100	51400
Profit after tax	223,200	333,900	462,600
Less depreciation	77,500	77,500	77,500
Net profit	300,700	411,400	540,100
Retained	300,700	411,400	500,000
Dividend	Nil	Nil	40,100

9.11 Cash Flow Projection

Cash in	Year 0 (N)	Year 1 (N)	Year 2 (N)	Year 3 (N)
Equity	279,000			
Bank loan	627,000			
Net profits		300,700	411,400	540,000
Depreciation		77,500	77,500	77,500
Total cash in	906,000	223,000	333,900	462,600
Cash out				
Equipment and others	627,000			
Working capital	279,000			
Increase/decrease in cash		20,000	25,000	30,000

Loan repayment			327,000	300,000
Total cash out	906,000	223,000	333,900	462,600
Opening bal	Nil	Nil	500,000	200,000
Increase/decrease	Nil	500,000	750,000	250,000
Closing balance	Nil	500,000	200,000	700,000

9.12 Balance sheet projection

Cash in	Year 0 (N)	Year 1 (N)	Year 2 (N)	Year 3 (N)
Fixed assets	279,000			
Machinery, equity and others	627,000	627,000	627,000	627,000
Less com. Dep.		70,500	150,000	220,500
Net fix ass	627,000	580,000	540,000	450,000
Current assets			140,000	180,000
Stock of material	200,000	200,000	500,000	200,000
Operating balance B/F				
Debtors	400,000	25,000	100,000	180,000
Cash in and Bank		300,000	200,000	1,400,000
Total of current assets	500,000	200,000	250,000	1,800,000
Total Assets	1,347,000	550,000	600,000	2,694,000
Long term liabilities				
Capital (equity)	279,000	279,000	279,000	279,000
Retained earnings		550,000	550,000	800,000
Bank loan	627,000	327,000	300,000	Nil
Total of long term liabilities	906,000	453,000	1,359,000	1,200,000
Current liabilities				
Loan repayment			327,000	300,000
Creditors	90,000	120,000	440,000	600,000
Dividend				
Total of current liabilities	90,000	120,000	440,000	600,000
Total liabilities	996,000	573,000	1,799,000	1,800,000

PART X

10.0 Financial analysis

$$\text{BEP} = \frac{\text{FC}}{1 - \frac{\text{VC}}{\text{S}}}$$

Where FC = fixed cost of 279000

VC = Variable cost of 627000

S = sales of 600000

1 = constants

$$\text{BEP} = \frac{627,000}{1 - \frac{279,000}{600,000}}$$

$$= \frac{627,000}{1 - 0.465}$$

$$= \frac{627,000}{0.535}$$

$$= 1,171,962$$

$$\text{BEP} = 1,171,962$$

$$\text{BEP} = 1,171,962$$

10.1 Profitability analysis

Relevant key profitability ratio for the first three years are shown

	Year 1	Year 2	Year 3
Turnover	600,000	800,000	1,000,000
Gross margin	750,000	1,200,000	1,400,000
Net operating profit	223,200	333,900	462,600
Return of Equity or owners contribution (%)	111.6	166.6	231.3

10.2 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
200,000	700,000

PART XI

11.0 Other Consideration and Conclusion

11.1 Economic Justification

From the view point of my studies and analysis of the findings made, the project offers good benefit to the promoter, and the economy, wealth will be created even as job are also created. These are consistent with the federal and state government policy on entrepreneurship, wealth and job creation.

11.2 Commercial viability

The commercial viability of the project is very clear. The project has been found to be commercially viable, heavy shown through projections, an impressive sales, profits and cash flows positions.

11.3 Conclusion

Therefore, the project is highly recommended for both findings and implementation.