

UNIVERSITY OF NIGERIA, NSUKKA

FACULTY OF THE SOCIAL SCIENCES

**DEPARTMENT OF PUBLIC ADMINISTRATION AND LOCAL
GOVERNMENT**

TOPIC:

FISH FARMING

A BUSINESS PLAN

**WRITTEN IN PARTIAL FULFILMENT FOR THE
REQUIREMENT OF COURSE: CED 342 (BUSINESS
DEVELOPMENT AND MANAGEMENT)**

BY

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TITLE PAGE

PROPOSED BUSINESS IDEA;

FISH FARMING

DEDICATION

This write up is dedicated to God Almighty.

ACKNOWLEDGEMENT

I thank everyone that in one way or the other contributed to this write-up. I thank my family members (especially my parents- Mr & Mrs Ernest Okoye) for their support especially in the monetary aspect. I will not also forget to appreciate my friend (Peter) that helped me during the research.

I will also want to appreciate my lecturer (Dr. Mrs Chichi Nwaoga) that made me to carryout this research. I really learnt a lot and I must thank you for that.

Most especially, I will not forget to thank the Almighty God for His Goodness and His Mercies which endures forever. I love you all.

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BUSINESS PLAN

PART I

1.0 Executive Summary

The business whose summary appears below is derived from the fact that the cost of fish in our society is very high and some low income earners cannot afford the market price. Fish is very essential because of its proteinous content and it necessary for one's diet because it contains low calories.

This business is a reaction to the above need and it is planned to provide large quantity of fish to meet with demand and reduce cost.

1.1 **Name of Business**

The name of the Business is ChiPet Fish Farm.

1.2 **Legal Form of Business**

ChiPet is a private limited liability company registered with Corporate Affairs Commission (CAC) with CAC registration number RC563015.

1.3 **Contact Address**

No. 29 kolokoma Street, Borokiri Port Harcourt.

Mobile phone: 08101556556 E-Mail: chipet@yahoo.com

1.4 **Type of Business**

ChiPet is a manufacturer operating in the agro processing sector.

1.5 **Concise description of the business idea**

Products or Services

The product is Fish.

1.6 **Customers**

Public members.

1.7 **Owner(s)**

ChiPet as already hinted is a private limited company with the following share holding structure:

1. Miss Okoye Chidinma - 50%
2. Mr. Peter - 50%

1.8 Number of jobs to be created

By the time the company is up and running, it is expected that it will create direct jobs for not less than 15 people

1.9 Start - up capital

The following are the components of the required startup capital

a. Investment (Equipment, machinery and others)	N4,260,000.00
b. Working Capital and pre-operating expenses	N2,008,500.00
Total	N6,268,500.00

1.10 Source of Capital and share holding structure

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

a.	Owner's capital	N2,768,500.00
b.	Bank loan	N3,500,000.00
	Total	N6,268,500.00

1.11 Profitability:

The net profits over the years are:

1. Year 1 = N1,723,930.00
2. Year 2 = N4,630,650.00
3. Year 3 = N8,914,490.00

1.12 Level of liquidity:

The liquidity levels over the years are:

1. Year 1 N518,400.00
2. Year 2 N3,116,200.00

3. Year 3 N10,304,400.00

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

PART II

2.0 General Introduction

2.1 Background

Given the rising trend among many adults in Nigeria (both male and female) to be very conscious of the food they take as a result of growing incidences of obesity, diabetes, weight gain or other related health issues, and the growing preference of people to be slim, fit or trim. There is now a fast growing demand for low calorie foods.

ChiPet fish is produced using the best available feed without any form of chemical used. This is to keep the fish' taste as natural as possible without posing any threat to human life after consumption.

2.2 Vision Statement

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

2.3 Mission Statement

To consistently use man and technology to push the frontiers of low calorie food diet by using the best quality raw materials (feed) to produce fish that is wholesome taste wise, diet wise and value wise.

2.4 The Company

The company is a legal person registered with the name ChiPet Ltd. The company started with a grant from Raw Material Research Development Council (RMRDC) after the main promoter; Miss. Chidinma discovered the award-winning product called ChiPet Fish. Currently, the company's products have been registered with NAFDAC Having gone through the product formulation and development stage,

the company now desires to produce her products for commercial purposes and is now seeking financial assistance from NERFUND (National Economic Reconstruction Fund)

2.5 Products or Services offered

ChiPet fish, is produced by mixing the best natural feed, including mashed grains and cereals. The resulting meal is then fortified with vitamins A, B₁ and B₂.

2.6 Legal form and Ownership of the Enterprise

ChiPet is a Private Limited Liability Company. The project promoters are:

1. Miss Okoye Chidinma 50%
2. Mr Peter 50%

2.7 Location of the Business

The business will be located at Borokiri, Port Harcourt, Rivers State.

2.8 Industry Trend and Analysis

This sector has recently been witnessing fast growing demand that it is easily noticed that the market has not been touched. Currently, the nearest substitutes to this product (ChiPet fish) are crayfish, stock fish, Prawns, and snails.

Also, it should be noted that currently, products from this sector, are also being demanded by the youths who want to avoid weight gain due to eating the wrong diet. Thus, the size of the market is large and growing very fast.

2.9 Business Strategy

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

2.10 Key Success Factors

Some of the key success factors derives from the fact that: ChiPet fish as a diet has very high protein and low calorie value. Also it is price competitive and is backed by an aggressive market force. Furthermore the product is fortified with vitamins. These make the product to be highly sought after.

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

PART III

3.0 The Market

The main target markets of ChiPet fish are in the South East of Nigeria. Particularly, the following markets are targeted: Onitsha, Aba, Awka and Enugu State. Also markets at Abuja, Lagos, and Portharcourt (PH) will be targeted.

The reason for targeting these markets are due to the fact that they are all urban and have a large population. Also in these markets are people who prefer eating fish to red meat and knowing how favourable the price of ChiPet fish is, they will be directed naturally to it.. ChiPet fish can generally be consumed by a whole family as part of her regular diet.

3.1 Sales and market share analysis:

The markets for the product (fish) are dominated by crayfish, stock fish, Prawns, and snails and others that fall into that category but ChiPet fish will compete favorably well with these on account of its favourable price and no chemical content in the course of production which is acclaimed by Raw Materials Research Development Council (RMRDC) of Nigeria.

3.2 Key competitors and competitive advantage:

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

a. Competition

Products	Competition Type	Strengths	Weaknesses
Other fish companies.	Direct competition	<ol style="list-style-type: none"> 1. Already established in the market 2. Branded 3. Nationwide channels of distribution 	No core market
Stock fish	Direct competition	<ol style="list-style-type: none"> 1. Already established in the market 2. Branded 3. Nationwide channels of distribution 	No core market
Meat sellers	Indirect competition	Everywhere and cheap	Not structured

3.3 SWOT Analysis

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

A. Strength

1. It has a favourable price.
2. Well articulated marketing plan.
3. Adequate knowledge of the business.

B. Weaknesses

1. Low capital

C. Opportunities

1. Growing demand as a result of the favourable price.
2. Increasing population will impact positively on the food.
3. Many people prefer fish to meat.

D. Threats

1. Activities of competitors like other ice fish brands, stock fish, etc.
2. High cost of water to keep them during dry season.

3.4 Demand and Supply Analysis and Estimating the Initial Installed Capacity

Details	30 fishes per carton
Potential demand targeted (Adult pop. Demand potential in South East Nigeria)	10cartons
Less 30% existing competitors estimated by industry watcher to consume	3 cartons
Available market (in the absence of expansion and very high entry wall)	7 cartons
Less 10% due to possible expansion of existing competitors/entrant of new ones	2 cartons
Available market	9 cartons
Less 5% due to error in estimation	1 carton
Available demand/qualified market/demand supply gap	8 cartons
Initial installed capacity almost 60% of available demand (served market)	6 cartons

PART IV

4.0 Marketing Plan

4.1 Market segmentation:

This is very important so as to accurately target marketing efforts in such a way as to yield best results. Segmentation here considers financial muscle- whereby cognizance is given to different financial capacities of customers; location - which considers level of

consumption that varies with location as a good segmenting tool, i.e. the choice of distribution channels, also the preferences of customers may vary in relation to their location i.e. rural and urban dwellers usually differ in their taste and demographic attributes - which considers age, health etc. specifically segmentation as adopted here looks at the following:

1. General adult population that desire to maintain healthy feeding habit.
2. Individuals with certain health conditions necessitating their taking food with low calorie content.
3. The aged adults in government offices like parastatals, ministries, depts. and NGOs.
4. Adults in Banks and Corporate offices where there is sedentary work style.
5. Hospitals.
6. Eateries, Hotels, etc.
7. Channels of distribution like Middleman/ wholesalers.

4.2 Target Market

The target markets are:

1. Middle aged adults in Government offices, ministries, banks and other corporate offices.
2. Hospitals, hotels, and Eateries
3. Middlemen/ wholesaler, and retailer dealing on fish.
4. Schools (with) Boarding House.

4.3 Description of the edge of product or product range of service

ChiPet has the specifications shown in the table below:

Product/ Service	Specification (Product / Service # 1)
Denomination/ product line	ChiPet Fish
Specification (i.e. size, colour, and quality)	30 sizeable fish in a carton
Packaging	Packaging: In beautifully designed carton
After sale service	None

4.4 Marketing Plan (Using Price as a tool)

Product/ Service	1		
How much are customers willing to pay?	Highest	Average	Lowest.
	500	400	350
Competitors price	Highest	Average	Lowest.
	650	450	400
My price	300/ 1 fish		
Reason for setting my price	To be price competitive, but remain profitable		
Margin for discount?	No		

4.5 Market positioning Strategy:

Being a new entrant into the market for fish, ChiPet fish plans to use aggressive marketing to win a comfortable market share in the fish sector.

4.6 Marketing Mix Implementation Tools:

The marketing mix implementation targets to use the following tools:

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

4.7 Channel of distribution

ChiPet fish would utilize the following channels of distribution:

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

4.8 Start- up promotion:

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

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

4.9 Alliances:

It is believed by the main promoter of the business that belonging to the Hospitality Industries Union and other Associations would help in creating a platform that would aid sales. So, it is in the plan of ChiPet to join these associations.

4.10 Marketing Calendar and Budget:

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

Marketing Budget

Date	Marketing plan Activity	Evaluation Index	Personnel Involved	Estimated Costs(N)
Start April End April	Road shows in major targeted markets	Presence of flyers in major markets converted	Outsourced	20,000.00
Start April End June	Advertisements in Radio and TV	2 times Radio and TV announcements	Outsourced	50,000.00
Start October End Dec.	Sales promotion through raffle draw	Everyday for 3 months entries for draw	Outsourced	80,000.00
Total				150,000.00

PART V

TECHNICAL ANALYSIS

5.0 Production plan:

5.1 The Project:

As already stated, the product being produced is the ChiPet fish. A product produced by breeding fishes, feeding them, changing their water regularly, using natural fertilizers such as Organic fertilizer (Cow dung, Poultry waste, Pig waste etc) or Inorganic fertilizer (NPK, Urea, Super phosphate etc) to fertilize ponds and harvesting when they grow to a presentable size. This process is stressful and

ChiPet has planned its schedule of operations in such way that it will be acceptable by all in the business.

5.2 Production Process:

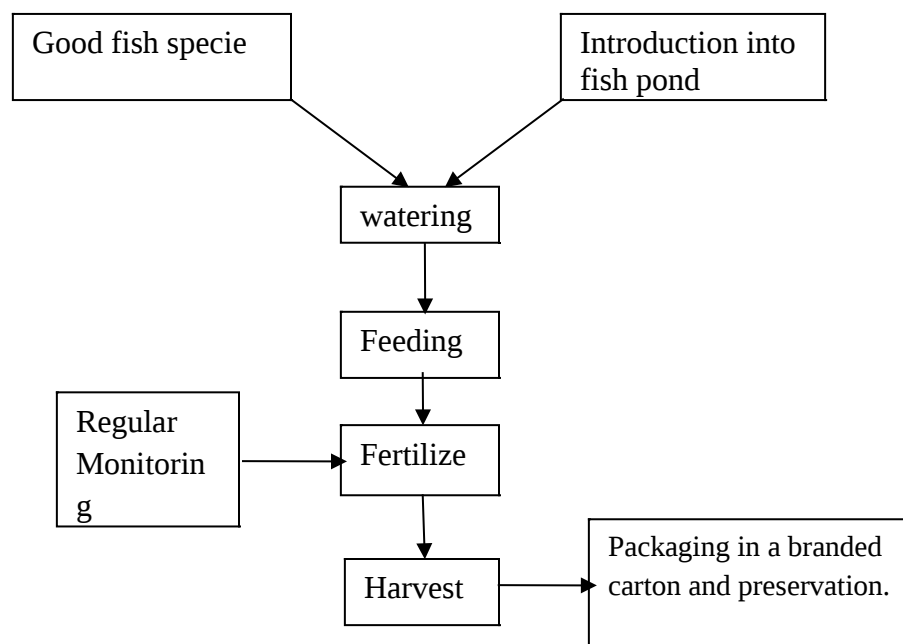
The following basic steps are to be followed in the production chain.

Good specie of fish are introduced into an already made fish pond either early in the morning or late in the evening when the sunshine is low. They will be fed with a quality feed and this will help them grow faster. The fish pond is being fertilized at intervals. , fertilizer application in ponds promotes the growth of phytoplankton which constitute a primary source of natural fish food. There is also the need for regular supply of water. Harvesting is carried out when the farmed fish have grown to the desired size (table size). To Harvest the fish, the pond water is reduced to a very low level so that fishermen/farm Attendants could move through with a drag net to collect all the fish. Alternatively, the pond Water should be removed/drained completely so that all the fish could be collected. The fish is preserved in the fridge after harvest.

ChiPet is expecting not less than 3000 fish which is equal to 100 cartons of fish at the end of every month in the first year of operation.

5.3 The production flow chart

The diagram below shows the sequence of producing the product - ChiPet Fish.



5.4 The Production Schedule:

The commercial production schedule of ChiPet Fish Limited has been articulated in the table below

Projected production schedule					
		Targeted output (cartons)	Fertilizers	Water Supply	Feeding
1	Jan	100	2000	6000	3000
2	Feb	100	2000	6000	3000
3	Mar	100	2000	6000	3000
4	Apr	100	2000	6000	3000
5	May	100	2000	6000	3000
6	Jun	100	2000	6000	3000
7	Jul	100	2000	6000	3000
8	Aug	100	2000	6000	3000
9	Sep	100	2000	6000	3000
10	Oct	100	2000	6000	3000
11	Nov	100	2000	6000	3000
12	Dec	100	2000	6000	3000
1	Jan	140	2500	10,000	5000
2	Feb	140	2500	10,000	5000
3	Mar	140	2500	10,000	5000
4	Apr	140	2500	10,000	5000
5	May	140	2500	10,000	5000
6	Jun	140	2500	10,000	5000
7	Jul	140	2500	10,000	5000
8	Aug	140	2500	10,000	5000
9	Sep	140	2500	10,000	5000
10	Oct	140	2500	10,000	5000
11	Nov	140	2500	10,000	5000
12	Dec	140	2500	10,000	5000
1	Jan	200	3500	15,000	10000
2	Feb	200	3500	15,000	10000
3	Mar	200	3500	15,000	10000
4	Apr	200	3500	15,000	10000
5	May	200	3500	15,000	10000
6	Jun	200	3500	15,000	10000
7	Jul	200	3500	15,000	10000

8	Aug	200	3500	15,000	10000
9	Sep	200	3500	15,000	10000
10	Oct	200	3500	15,000	10000
11	Nov	200	3500	15,000	10000
12	Dec	200	3500	15,000	10000

It is the plan of ChiPet Fish Ltd to commence commercial production by producing 3000 fishes. This translates into 100 cartons of ChiPet fish sold at N300 per fish and each carton contains 30 fishes and that will result to N9000 per carton. However by year 2, the output targeted is 140 cartons of ChiPet fish and by year 3, the targeted output is 200 cartons of ChiPet fish.

5.5 Machinery, equipment, and other requirements

S/n	Investment (Equipments and others)	Qty	Life Span	Other comments
1	Land			Existing
2	Building / bore hole		35 years	Existing
3	Equipments and machine			
	i) Fish Ponds	7	10yrs	3 of this is existing
	ii) Fishing Net	5	5yrs	2 of this is existing
	iii) Water Tanks	8	25yrs	3 of this is existing
	iv) Feed Mill Machine	3	8yrs	1 of this is existing
	v) Industrial fridge	10	5yrs	4 of this is existing
	vi) Branding Machine	3	10yrs	1 of this is existing
	vii) Sealing Machine	4	15yrs	1 of this is existing
	. Generator (30 KVA)	2	10yrs	1 of this is existing
	. Delivery van	5	15yrs	2 of this is existing
	. Furniture / Fixture / Fittings		20yrs	Existing

5.6 Technology:

The technology applied in the production of ChiPet Fish is quite simple and can be divided into two: product technology; and process technology. The product technology implies the type of technology encapsulated in the machines used for production. The mill is imported from India (but can be fabricated locally) while the fishing nets are locally fabricated. Also the sealing machine and branding machine are

imported. All other machines are purchased locally through local renders.

On the other hand, the main processes technology utilized is that immediately after the fish are introduced into the fish pond, they are being given adequate care so as to enhance their growth and then preserved in the fridge after harvesting.

PART VI

6.0 Management and Organizational Structure

6.1 Shareholders/ Directors:

The key promoters of the project are Miss Okoye Chidinma and Mr. Peter. The shareholding structure is as shown below:

1. Miss Okoye Chidinma 50%
2. Mr Peter 50%

6.2 Management team

Production manager – Leonard Orajaka (Prof. Rtd)

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

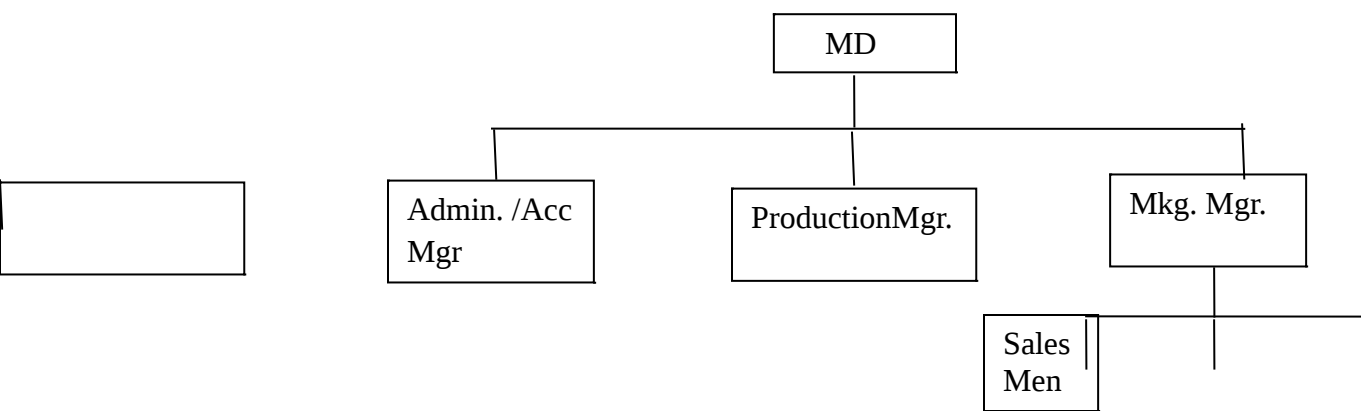
Marketing Manager – B.Sc Mkg with 6 years experience

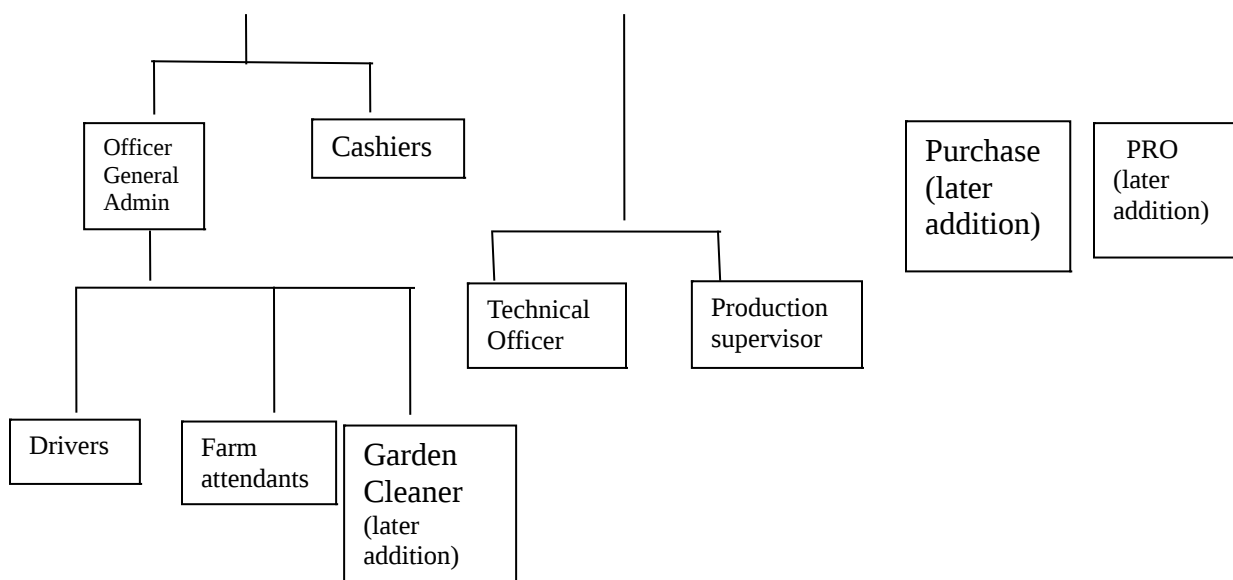
It is the expectation of project promoters that the business would have rapid growth. If this happens the Administration function would be separated from the accounting function and new but capable hands would be hired to man the vacancies created.

6.3 Organizational structure:

This shows the hierarchy in the management using an organizational chart

ORGANIZATION STRUCTURE





6.4 The personnel plan (staffing and salary structure)

S/n	Position	No. of staff	Salary per staff per month	Total annual salary
1.	Proprietor / M.D	2	60,000.00	360,000
2.	Production Manager	1	45,000.00	135,000
3.	Admin/Accounts Manager	1	40,000.00	120,000
4.	Marketing Manager	1	40,000.00	120,000
5.	Officer General Admin	1	40,000.00	120,000
6.	Production Supervisor	1	40,000.00	120,000
7.	Technical Officer	1	30,000.00	90,000
8.	Cashier	1	30,000/00	90,000
9.	Sales men	2	30,000.00	180,000
10	Farm Attendant	1	25,000.00	75,000
.				
11	Drivers	3	20,000.00	180,000
.				
	Sub Total			1,590,000

	Add 5% fringe benefits			795,000
	GRAND TOTAL			N1,669,500

6.5 External support (Outsourcing):

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

The supply of water to the factory shall be outsourced since ChiPet might not have the opportunity to own a borehole.

6.6 Organization's values and norms:

ChiPet core values are as listed below:

- a. To carry out business on the best ethical standards
- b. To show highest level of integrity and honesty.
- c. To maintain quality at all times.
- d. To welcome customers in a friendly way.
- e. To be punctual.

PART VII

7.0 Legal, regulatory, social, and environmental issues

7.1 legal Issues:

There is a memorandum of understanding between Raw Materials Research and Development Council (RMRDC), Abuja and ChiPet Nigeria Limited on ChiPet Fish production which contains Vitamins A, B₁ and B₂.

7.2 Regulatory and Environmental Issues.

A. Regulatory Issues:

i ChiPet Fish is a regulated product and the regulatory agency is NAFDAC.

ii The product is registered with NAFDAC.

iii The NAFDAC registration number is 0015U A1-11711

B. Environmental Issues

The bye-product of this business is poultry dung and if not preserved well can lead to air pollution.

PART VIII

8.0 Financials

8.1 Equipment, Machinery and others costs:

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

S/ N	Investment (Equipment and others)	Qty	Unit cost (N)	Total cost (N)
1.	Land			1,000,000
2.	Building (Existing) with Borehole			500,000
3.	Equipment and Machine:			
	i Fishing Net	1	30,000	30,000
	ii Feed Mill Machine	3	100,000	300,000
	iii Sealing Machine	4	90,000	360,000
	iv Industrial fridge	10	50,000	500,000
	v Water Tanks	8	25,000	200,000
	vi Branding Machine	3	200,000	600,000
	vii Generator (30kVA)	2	80,000	160,000
	viii Delivery vans (A/W Vanagon)	5	20,000	100,000
4.	Fish Ponds	7	30,000	210,000

5.	Furniture / fixture/fittings	1	300,000	300,000
	TOTAL INVESTMENT			N4,260,000

8.2 SALES PLAN

	Year 1	Year 2	Year 3
Product/Service	ChiPet Fish	ChiPet Fish	ChiPet Fish
No of cartons	1200	1680	2400
Price per carton	9000	9000	9000
Sales	10,800,000	15,120,000	21,600,000

8.3 COST PLAN

	Year 1	Year 2	Year 3
Product/Service	ChiPet Fish	ChiPet Fish	ChiPet Fish
Cost of fertilizers	45,600	58,200	83,400
Cost of water	98,000	104,000	120,000
Cost of fish feed	180,000	210,000	300,000

(a) Local raw material and other inputs

Items	Unit Cost N	Quantity Required/Annum	
		Current (Existing)	Proposed (After Expansion)
a. Fertilizers	1300	45,600	52,000
b. Water	6000	98,000	105,000
c. Feed	1500	180,000	100,000

The sources of material input for ChiPet Fish is as shown in the table below

(b) Sources of material input for ChiPet Fish

Item	Source
a. Fertilizer	Enugu
b. Water	Neighbouring Borehole
c. Feed	Enugu

8.4 General cost of Administration

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

Item	Current (for existing projects only (N) for Anum	Proposed (for new/expansion projects) (N)
a. Rates (Water Rate)	180,000	180,000
b. Traveling Expenses/Telephone	100,000	100,000
c. Stationery & Sundry Exp.	50,000	50,000
d. Vehicle Running Expenses	250,000	250,000
e. Insurance	200,000	200,000
f. Electricity/others	300,000	300,000
g. Other Expenses	100,000	100,000
TOTAL	1,180,000	N1,180,000

8.5 Preliminary & Pre-Operating Expenses

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

Item	Amount
a. Company Incorporation	150,000
b. Increase in Authorized Share Capital	NIL
c. Traveling Expenses	100,000
d. Preparation of Business Plan/F.S.	50,000
e. Others (please specify)	NIL
TOTAL	300,000

Notes:

- Fixed asset investment is also called fixed capital

- Fixed asset investment + working capital + Pre - operating expenses = Initial total investment outlay.
- “Pre - operating expenses” refers to all expenses incurred as a result of activities associated with setting up the business. Examples are: cost of writing the business plan; travelling expenses incurred before the business kick starts.
- WIP means work in progress; the intermediate state between raw materials and finished goods.
- FG means finished goods inventories; the final state of transformation of raw materials i.e. finished goods, before it is sold
- The number of raw materials used to produce a given good/product could range from one to n in number.
- For raw materials the length of the period of time n usually corresponds to the gestation period.
- Debtors could be more in value than creditors or vice versa. If debtors are more, than it means the business is assisting in supporting the operations of customers. This could be done as a type of marketing strategy. On the other hand, if the creditors are more in value, then suppliers are assisting in financing the business (this is usually done by way of trade credit).

8.6 Working Capital Projection (to cover the gestation period)

Working capital items	Year 0 (N)	Year1 N	Year 2 N	Year3 N
Stock of raw material	22000	22000	38000	39000
Provision for utilities and others: 1 month need of annual utilities	17000	17000	17000	17800
Salaries/wages (3 months provision)	1,669,500	1,669,500	2,000,000	2,500,000
Debtors: 8 days value of annual sales	NIL	20,000	25,000	40,000
	1,708,500	1,728,500	2,080,000	2,596,800
Less creditor: 20 days need	NIL	230,000	405,000	417,000

of raw materials				0
Working capital	1,708,500	1,498,500	1,675,000	2,179,800
Increase/Decrease in working capital	—	(210,000)	176,500	504,800

The working capital needed to get the business running as planned is N1,708,500 (one million, seven hundred and eight thousand, five hundred naira only)

8.7 Start-up Capital Needed

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

S/n	Item of Expenditure	Amount
1	Fixed asset investment (Equipment, Machinery and other requirements)	4,260,000
2	Working Capital	1,708,500
3	Pre-operating Expenses	300,000
	Initial Total Investment Outlay	N6,268,500

Thus the start-up capital need to launch ChiPet Fish Ltd into commercial production is N6,268,500.00 (Six million, two hundred and sixty-eight thousand, five hundred naira only).

8.8 Financing Plan

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

S/n	Source of Fund	Amount (N)
1	Owner's capital	2,768,500
2	Bank Loan	3,500,000
	Total	N6,268,500

8.9 Loan Repayment and Interest payment schedule.

Year	Loan/Loan Bal B/d	Interest	Annual Installment	Loan Repayment	Loan Bal c/f
	A	B	C	D	E
	A	B = r(A)	C (A value in eqn. 1)	D = C - B	E = A - D
0	3,500,000.00	N/A	N/A	N/A	3,500,000.00
1	3,500,000.00	150,000.00	1,500,000.00	1,350,000.00	2,150,000.00
2	2,150,000.00	150,000.00	1,500,000.00	1,350,000.00	800,000.00
3	800,000.00	80,000.00	N/A	800,000.00	N/A

Note:

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

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

8.10 Schedule of Depreciation

S/n	Item of Depreciation	Initial value	Scrap value	Life span (yrs)	Depreciation
1	Land and Building	1,500,000	400,000	50	22,000
2	Feed Mill	150,000	70,000	10	8,000
3	Fishing Net	10,000	2,000	10	800
4	Branding Machine	200,000	120,000	7	11,490
5	Sealing machine	210,000	130,000	8	10,000

			0		
6	Industrial fridge	80,000	25,000	10	5,500
7	Generator	120,000	40,000	10	8,000
10	Delivery van	150,000	60,000	10	9,000
11	Furniture	500,000	150,000	7	50,000
12	Water Tanks	200,000	80,000	20	6,000
	Total Depreciation				N130,790

$$\text{Dep.} = (\text{Iv} - \text{Sv})/\text{Ls}$$

Where; Dep. = Total depreciation; Iv = initial value; Sv = scrap value; and Ls = life span of asset.

8.11 Final Account Projection

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

8.12 Estimate of Profit and Loss Account for the first 3 years for ChiPet Fish Ltd.

Particulars	Year 1	Years 2	Years 3
Sales	10,800,000	15,120,000	21,600,000
Net Sales	10,800,000	15,120,000	21,600,000
Less Expenses:			
Cost of raw materials	323,600	372,200	503,400
Salaries	6,678,000	7,000,000	7,780,000
Rate (water)	180,000	200,000	250,000

Telephone/Travelling exp	100,000	140,000	200,000
Advertising	150,000	200,000	200,000
Electricity/others	300,000	336,000	380,600
Insurance	200,000	200,000	200,000
Office Supplies	150,000	250,000	300,000
Vehicle Running exp	250,000	320,000	400,000
Total Expenses	8,331,600	9,018,200	10,213,400
Profit before Tax/Int	2,468,400	6,101,800	11,386,600
Less Interest	150,000	150,000	80,000
Profit After Interest	2,318,400	5,951,800	11,306,600
Taxable Profit	2,318,400	5,951,800	11,306,600
Less Tax (20%)	463,680	1,190,360	2,261,320
Profit After Tax	1,854,720	4,761,440	9,045,280
Less Annual depreciation	130,790	130,790	130,790
Net Profit	1,723,930	4,630,650	8,914,490
Appropriations	Year 1	Year 2	Year 3
Retained savings	1,523,930	2,630,650	5,914,490
Dividend	200,000	2,000,000	3,000,000

8.13 Cash flow Projection for ChiPet Fish Ltd

	Yr 0 (N)	Yr 1 Total (N)	Yr 2 Total (N)	Yr 3 Total (N)
Cash In				
Bank Loan	3,500,000	—		—
Sales Income	—	10,800,000	15,120,000	21,600,000
Equity	2,768,500	—	—	—
Total Cash In	6,268,500	10,800,000	15,120,000	21,600,000
Cash Out				
Admin. Outgoings.	—	1,180,000	1,180,000	1,180,000
Marketing		150,000	150,000	150,000
Cost of Goods		323,600	372,200	503,400
Interest Expenses		150,000	150,000	80,000
Loan Repayment		1,350,000	1,350,000	800,000
Initial Investments	6,268,500	—	—	—
Salaries		6,678,000	7,000,000	7,780,000
Vehicle Running exp		250,000	320,000	400,000
Dividends		200,000	2,000,000	3,000,000
Total Cash Out	6,268,500	10,281,600	12,522,200	13,893,400
Net Cash Flow	NIL	518,400	2,597,800	7,706,600

Opening cash Bal	NIL	NIL	518,400	2,597,800
Closing cash Bal	NIL	518,400	3,116,200	10,304,400

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8.14 Balance Sheet of ChiPet Fish Ltd for the 1 to 3 years

Balance Sheet Assets	Yr 0	Yr 1	Yr 2	Yr 3
Fixed Assets:				
Land Machinery & others	4,260,000	4,260,000	4,260,000	4,260,000
Less Com. Dep.	NIL	130,790	130,790	130,790
Net Fixed Assets (A)	4,260,000	4,129,210	4,129,210	4,129,210
Current Assets:				
Cash	NIL	518,400	3,116,200	10,304,400
Operating bal b/f	NIL	NIL	518,400	2,597,800
Debtors	NIL	20,000	25,000	40,000
Stock	22,000	22,000	38,000	39,000
Total Current Assets (B)	22,000	560,400	3,697,600	12,981,200
Total Assets (C)	4,282,000	4,689,610	7,826,810	17,110,410
Liabilities				
Current liabilities				
Creditors	NIL	230,000	405,000	417,000

Dividend	NIL	200,000	2,000,000	3,000,000
Short Term Loan	NIL	1,350,000	1,350,000	800,000
Total Current Liabilities (D)	NIL	1,780,000	3,755,000	4,217,000
Long Term Liabilities				
Long Term Loan	3,500,000	-	-	-
Other (specify)	-	-	-	-
Total Long Term Liabilities (E)	3,500,000	-	-	-
Long + Short Term Liab. (F)	3,500,000	1,780,000	3,755,000	4,217,000
Shareholders' Equity (C-F)	782,000	2,909,610	4,071,810	12,893,410
Shareholders Equity:				
Capital (Shares)	2,768,500	2,768,500	2,768,500	2,768,500
Retained Profits	NIL	1,523,930	2,630,650	5,914,490
Total shareholders fund (G)	2,768,500	4,292,430	5,399,150	8,682,990
Total Liabilities (F+G)	6,268,500	6,072,430	9,154,150	12,899,990

Note:

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

8.15 Ratio Analysis

Type of ratios	Year 1	Year 2	Year 3
Liquidity ratios:			
a. Current ratio	0.17	0.3	3.31
b. Acid test ratio	1.73	1.94	2.33
Leverage ratios:			
a. Debt equity ratio	0.38	0.25	0.18
b. Debt capitalization ratio	0.28	0.15	0.9
Loan coverage ratio			
a. Interest coverage ratio	1.0	1.0	0.5
b. Assets coverage ratio	1.1	1.67	2.19

Profitability ratio			
a. Return on capital employed	80%	126%	161%
b. Net profit margin	37.50%	67.49%	93.15%

PART IX

9.0 Risk Analysis, Contingency plan, and Exit Strategy:

9.1 Risk Contingent Analysis

ChiPet Fish Ltd has identified the risks discussed in the table below.

Actions taken to guard against the risk are given as Mitigants

S/n	Risks	Mitigants
1.	Inadequate start - up demand	Aggressive promotion and advertising campaigns.
2.	Unexpected adverse events	Appropriate insurance policy

		will be taken
3.	High unexpected entrance of many competitors due to the fact that the business is profitable	Use of trade secret to keep product formulation formula secret from potential competitors. Also continuous aggressive marketing will be sustained

9.2 Contingency Plan & Exit Strategy

The project promoters do not foresee a situation where it will fail. However, if the scenario tends to failing, the business can easily be sold since the equipment can easily be used for other things. Alternatively, the business can easily open other lines of business and diversify.

PART X

10.0 Other Consideration and Conclusions

10.1 Economic Justification

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

1. It will provide job for not less than 15 persons
2. It will contribute more than ₦ 500,000 to Gross Capital
3. It will contribute more than ₦2 Million to the GDP in the next three years.

10.2 Commercial Viability

The project is very profitable as it will generate more than ₦5 Million in profits in the next three years. The liquidity positions are: ₦518,400.00, ₦3,116,200.00; and ₦10,304,400.00 for year 1, 2, and 3 respectively. Equally share holders net worth will from ₦782,000.00 at the first year of operation to over ₦12,893,410.00 by the third year of operation.

10.3 Conclusion and Recommendation:

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