

UNIVERSITY OF NIGERIA, NSUKKA

FACULTY OF SOCIAL SCIENCE

DEPARTMENT OF POLITICAL SCIENCE

**A BUSINESS PLAN PREPARED
IN PARTIAL FULFILMENT FOR THE REQUIREMENT OF THE
COURSE, CEDR 342
(BUSINESS DEVELOPMENT AND MANAGEMENT)**

**TOPIC:
COLLECTION AND SALES OF SCRAP**

BY

**IWEZE MICHAEL IFEANYI
REG NO: 2014/191989**

LECTURER: DR. NWAOGA T. C

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BRIDGES NIGERIAN LIMITED

PART I

1.0 EXECUTIVE SUMMARY

- 1.1 The following report and recommendation relate to the proposal by BRIDGES NIGERIA LIMITED to start up a scrap collection firm at ojota, Lagos.
- 1.2 The project would require a start-up capital of N900, 000, made up of #550,000 for fixed assets and N350, 000 for working capital.
- 1.3 The enterprises vision is to be the most outstanding collector and supplier of metals, plastics and cartons for recycling and further usage in Lagos state to be precise.
- 1.4 The project will be located at Lagos because of its easy access to target consumers and the availability of enough waste products.
- 1.5 A huge market is available for supply of scrap.
- 1.6 The financial projections show that the project would be financially stable. The sales figures stand at N800, 000 for Year 1, Year 2 and Year 3 respectively. The profits after payment of tax are N650, 000 for Year 1, N780, 000 for Year 2 and N850, 000 for Year 3 respectively.
- 1.7 The competitive advantage of the enterprise lies in its ability to collect and supply meaningful and quantitative scraps for resale to manufacturing companies in Lagos.
- 1.8 The profitability measures are shown below.

	Year 1	Year 2	Year 3
Turnover	550, 000	680, 000	750, 000
Profit before Int & tax	545000	675000	745000
Profit after tax	665000	680000	700000
Return on sales	N/A	36.04%	41.43%
Return on equity	N/A	101.45%	99.40%
Return on investment	N/A	72.88%	92.14%

From the findings gotten so far, the proposed project is found to be financially stable; the project is economically conscious and as well desirable. Therefore, the production of table water in Lagos is a good investment that will yield much benefit, thus, it is highly recommended for execution.

PART II

2.0 INTRODUCTION

The proposed scrap collection firm is as a result of high demands for metals, cartons (paper) and plastics by both recycling companies and manufacturing companies that are located in Lagos. Study has revealed that Lagos state as a whole is known for its enormous waste production and lack of adequate disposal of waste and scrap. This has made the search for unwanted and disposed scrap to be easily acquired and this trend is expected to be sustained into the future.

2.1 VISION

To be a coordinated entity that provides scrap for recycling in ojota, Lagos state in general.

2.2 MISSION

To reduce the amount of waste in the environment and encouraging recycling.

2.3 KEY SUCCESS FACTOR

The key success factors are:

- i. Standard packaging of scrap.
- ii. Systemized arrangement for easy sorting out.
- iii. Existence of a solid relationship with companies.

2.4 INHERENT RISKS

- i. Unavailability of storage facilities.
- ii. competition

2.5 BUSINESS OWNERSHIP

The business is a sole proprietorship, owned and managed by IWEZE MICHAEL.

2.6 LOCATIONAL FACTORS

The collection firm is located at ojota, Lagos state. Reasons for this choice include;

- i. Availability of required resources.
- ii. Nearness to production companies.
- iii. High demand for the product.
- iv. Good road network and transport system

2.7 AVAILABLE MARKET

From the market survey, we can reliably say that 15000 plastic bottles are demanded daily for the production of table water and minerals by coca cola bottling company in Lagos on a daily basis. With this finding, it can be said boldly that the rate of demand is bound to increase subsequently with the increasing rate of urbanization in the area, consumers would demand more and producers would produce more. This is very encouraging.

PART III

3.0 PRODUCTS

BRIDGES NIGERIAN LIMITED will provide the following products and services:

- i. Supply of metal.
- ii. Supply of cartons and papers
- iii. Supply of pet bottles and anything plastic
- iv. Concise and precise sorting of waste materials
- v. Storage of this products till when it is needed

3.1 COSTING

The costing of the products would the acquiring of permission from the Lagos state government to mine their waste disposal field located in ojota area, Lagos state. The cost of transportation to the companies and storage facility.

3.2 PROJECTED MONTHLY DEMAND OF SCRAP IN LAGOS AND ITS ENVIRONS (MAY-JULY).

As earlier stated, about 15000 bottles were demanded daily in a month in Lagos by the coca-cola bottling company. This figure is expected to grow with the growth of the population. However, the population was about 2.5% for about 3 months now. It seems rational to expect that the demand for scrap will grow with at least a growth rate of 1/2% for the next 3 months.

S/ N	MONTHS	MONTHLY GROWTH RATE	PROJECTED DEMAND
0	BASE MONTH (APRIL)	0.5%	10000
1	MAY	0.5%	10200
2	JUNE	0.5%	10400
3	JULY	0.5%	10000
	TOTAL	0.2%	400200
	AVERAGE	0.5%	10300

It is expected that this level of demand will subsist for the next months.

3.3 PROJECTED DEMAND-SUPPLY GAP OF SCRAP SUPPLIERS

Adjustments	
Estimated average monthly demand	10600
Less 35% of suppliers of existing producers in the area	14210
Less 20% due to expansion of existing producers and establishment of new ones	26390
	5280
Less 5% estimate error	21110
	1100
Estimated demand-supply Gap	20010
Anticipated monthly supply of scrap	500

However, the plan is to supply about 25,000 pet bottles for recycling every day. This represents about 2.5% Of the total demand-supply gap of scrap. Thus, it is assumed that selling the table water will not be a challenge.

PART IV

4.0 MARKET ANALYSIS

BRIDGES NIGERIAN LIMITED has an exciting business opportunity hence there is a huge market for scrap sales in Lagos and its surrounding as a result of the increase in the population.

4.1 CUSTOMERS/ MARKET SEGMENTATION

There are three categories of customers for scrap sales:

- i. COMPANIES WHO BUY METAL: these set of customers buy scrap metal so as to incinerate it and reuse it for something else than the intended purpose which it was manufactured previously for with the aim of making profit.
- ii. COMPANIES WHO BUY PLASTIC: these set buy scrap plastic materials and pet bottles used by water production companies and recycle the materials for their own use in order to maximize profit.
- iii. COMPANIES WHO BUY CARTON: these set of customers buy carton to recycle and produce things like tissue, note books, calendar, etc.

BRIDGES NIGERIAN LIMITED plans to articulate appropriate marketing strategy for each category of customers.

PART V

5.0 MARKETING PLAN

There are no major scrap collection and supplying firms in Lagos area hence there is complete absence of structured collection and supplier that can really put up commendable competition.

Therefore, if BRIDGES NIGERIAN LIMITED commences operations as planned, it will be a market leader in no distant time.

5.1 PROMOTION STRATEGY

BRIDGES NIGERIAN LIMITED will embark on intensive and aggressive awareness program to educate people on the benefits of the systematic disposal of waste. This will make its relevance to increase. To achieve this, BRIDGES NIGERIAN LIMITED intends to adopt one on one awareness strategy, radio and television adverts, printing of flyers and handbills.

5.2 MARKETING STRATEGY

BRIDGES NIGERIAN LIMITED has decided to make provisions for refuse bin at strategic positions customized and favorable to the inhabitants of Lagos. With this strategy, consumers do not need to stress themselves with the transportation of the goods.

5.3 PROJECTED SALES

	Sales from metals and plastic(N)	Sales from cartons & paper(N)	Total sales (N)
Year 1	830000	950000	1780000
Year 2	250700	290500	541200
Year 3	319000	326000	645000

Note: To push sales, 2% discount is given to loyal and regular customers.

PART VI

6.0 TECHNICAL ANALYSIS

In order to provide satisfactory services, there is need for adequate warehousing and manpower. However, this is a major problem in Nigeria. Thus, it is a normal problem and challenge face by most merchandising firms, the problem of warehousing for storage of goods .To this effect, the warehousing should be a major thing that would be acquired.

6.1 SCHEDULE OF OPERATION

Operations are resumed as early as 7:00 am when the workers go out for scrap collection. Most are expected to return before 3:00pm when sorting of the scrap begins and storage is carried out.

6.2 OWNER/MANAGER

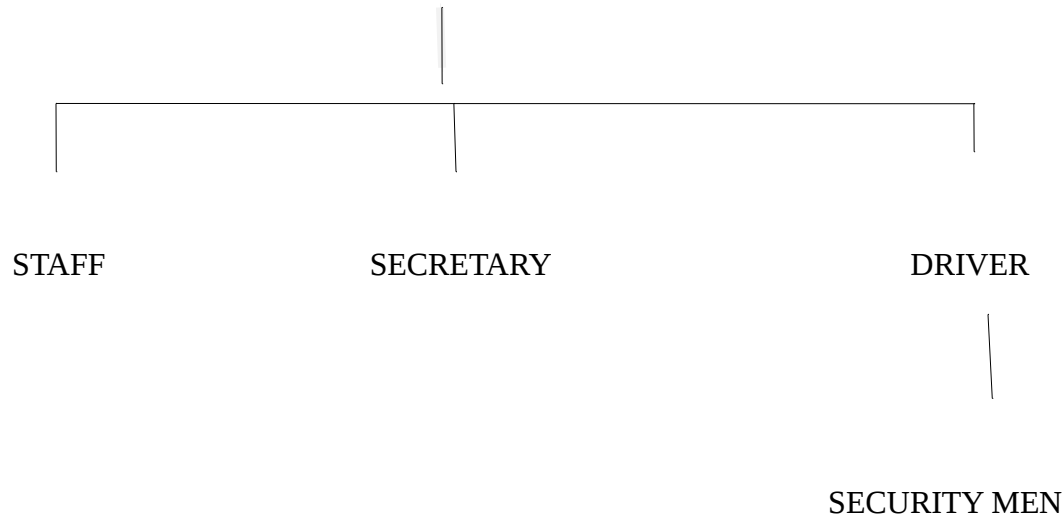
BRIDGES NIGERIAN LIMITED is a sole proprietorship. It is owned and managed by Iweze Michael. Mr. Iweze Michael is a trained Entrepreneur with basic management, leadership and administrative skills that are needed to utilize the affairs of the company.

MANAGEMENT AND LABOUR COMPLIMENTS

S/N	Positions	No. of staff	Monthly salary per staff (N)	Total
1	Director	1	40, 000	40, 000
2	Staff	20	18, 000	360, 000
3	Secretary	1	20, 000	20, 000
4	Driver	2	20, 000	40, 000
5	Security men	2	10, 000	20, 000
	Grand total			480, 000

6.3 ORGANIZATIONAL STRUCTURE

DIRECTOR



6.4 VALUE AND NORMS OF THE COMPANY

BRIDGES NIGERIAN LIMITED plans to adopt the following norms and value:

- a. To uphold her integrity.
- b. To see her employee as her most valuable assets.
- c. To maintain good relationship with customers.
- d. To put in the best towards the satisfactory of her customers.

PART VII

7.0 LEGAL ISSUES

BRIDGES NIGERIAN LIMITED plans to commerce commercial activities as a sole proprietorship. Such, it is just enough to register the business name with the appropriate department at the Local Government Headquarters. All permits and licenses will be gotten before operation begins.

7.1 ENVIRONMENTAL ISSUES

Some environmental issues are bound to spring up with regards to the activities of the company. However, some measures will be taken to curb that. For instance, the company will make use of a sound proof generator; with this noise pollution will be reduced if not completely eradicated. Unwanted scrap will be properly disposed or incinerated.

7.2 SOCIAL ISSUES

This project will bring about social and economic benefits to the environment. E.g. creation of new job opportunities and poverty eradication.

7.3 REGULATORY ISSUES

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

PART VIII

8.0 Risk Analysis

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

Identified Risks	Way forward
Possibility of breakdown of machines.	The service of an engineer.
Inadequate start-up demand.	Aggressive promotion and adverts.

8.1 SWOT ANALYSIS

A SWOT analysis carried out on the project reveals the following:

Strengths:

- The location of the company makes it to have easy access to the targeted resources
- The location of our company makes it less competitive with other collectors.
- The discount agreement service gives the company an edge over others.

The company will build on these strengths.

Weaknesses:

- Insufficient capital.
- Insufficient workers.
- Insufficient storage facility.
- Transportation of goods to distant places.

Opportunities:

- Currently, there is a few or no firms rendering this kind of service.
- As a result of increase in the production rate of the numerous companies located in Lagos, there is an amply need for the supply of scrap.

Threats:

- The challenge to convince companies to patronize our products.
- Increased competition due to the entry of new collectors.
- Awareness of this kind of business and people going into it, thereby reduces the disposal of waste

EXIT STRATEGY:

No exit is planned, rather establishment of branch offices.

PART IX**COMPANY FINANCIAL****9.1 SUMMARY OF PROJECT COST**

The total cost of the project is N800, 000.00. This is made up of N400, 000.00 in fixed capital and N400, 000.00 in working capital.

9.2 FIXED CAPITAL INVESTMENTS

BRIDGES NIGERIAN LIMITED is located at Ojota in Lagos on a land area of about 3.5 standard plots of 60 x 20. This environment is motor able all year round.

s/n	Detail	Qty	Unit price (N)	Total amount
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				(N)
1	Warehouse	2	200000	400000
2	Delivery van	2	30000	60000
3	Lab coats, gloves and hair nets		2900	2900
Grand Total				462900

9.3 OTHER EXPENSES

There are other expenses expected to be incurred in the course of running this project. These expenses would be represented on the table below.

Type of expense	Year 1 (N)	Year 2 (N)	Year 3 (N)
Van maintenance	60000	60500	70000
Adverts	15000	17000	17500
Miscellaneous	30000	35000	50000
Total	105000	112500	137500

9.4 WORKING CAPITAL FORECAST

These assumptions are made in order to aid us arrive at the working capital needed for the business; Cost prices of items increase annually by 5, selling prices of goods increase annually by 10%, and it is expected that goods are delivered at the market as scheduled.

Working capital items	Year 0 (N)	Year 1 (N)	Year 2 (N)	Year 3 (N)
Provision for utilities and other expenses	140500	140500	145500	177600
Salaries	470000	470000	473000	475000
Stock of packaging and	100000	100000	110000	120000

provision of fuel				
Debtors	NIL	38000	40000	45000
Working capital	710500	748500	768500	817600
Increase/ Decrease in working capital	NIL	63000	106000	119500

9.5 TOTAL START-UP CAPITAL REQUIRED

This refers to the total required money to start up the business.

S/N	Capital Items	Amount
1	Other expenses	400000
2	Working Capital Requirement	710500
	Total	1110500

9.7 FINANCING PLAN

This business will be financed through an equity contribution and from servings.

9.8 FORECAST OF PROFIT AND LOSS

Particulars	Year 1 (N)	Year 2(N)	Year 3 (N)
Expected sales	1780000	5874000	6461000
Less 1% discount	19000	59000	65000
Net Sales	1761000	5815000	6396000
Expenses			
Cost of land	250000	NIL	NIL

Utilities	23500	24200	24600
Other expenses	117000	126500	153000
Salaries	470000	177600	475000
Total Expenses	860500	328300	652600
Profit before Int & Tax	779000	2490000	2994000
Less Interest	770000	161000	50000
profit before tax	853000	2329000	2994000
Less 10% tax		233000	294000
Profit after tax	853000	2096000	2650000
Net Profit	944000	200500	2559000

9.8 CASH FLOW PROJECTION

Cash in:	Year 0 (N)	Year 1 (N)	Year 2 (N)	Year 3 (N)
Equity	675000			
Net profits		944000	2005000	2559000
Total cash in	675000	944000	2005000	2559000
Cash out				
Working capital	710500	748500	768500	817600
Increase/decrease in cash		6300	106000	119500
Total cash out	710500	754800	874588	937100
Opening balance	NIL	NIL	950300	246000
Closing balance	NIL	950300	246000	668000

10.0 FINANCIAL ANALYSIS

The project comes out within a period of six months. By this time, the sales of the month stood at N445, 000.00. By the end of the first year the sales was N178000000 and is expected to grow to N587400000 and N646200000 respectively for the second and third years.

10.1 PROFITABILITY ANALYSIS

	YEAR 1	YEAR 2	YEAR 3
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Profit after tax	903000	2096000	2650000
% Return on turn over	N/A	36.04	41.43
% Return on equity	N/A	101.45	99.40
% Return on investment	N/A	72.88	92.14

PART X

10.2 CASH FLOW PROJECTION

By the second year of operation, the business is expected to have matured fully to be able to generate enough funds to meet maturing duties as from the second year operation.

YEAR 2= 246, 000.00

YEAR 3= 668, 000.00

10.3 OTHER CONSIDERATIONS AND CONCLUSION

Economic Justification

From our analysis, the business offers good benefits to the promoter and the economy at large. More job opportunities and increased standard of living.

Commercial Viability

From the projections above, impressive sales, profits and cash flow positions, this project is found to be commercially viable.

Conclusion

With these, this project is therefore recommended both finding and implementing.

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