

**UNIVERSITY OF NIGERIA, NSUKKA**

**FACULTY OF ARTS**

**DEPARTMENT OF MASS COMMUNICATION**

**TOPIC**

**CARPENTRY BUSINESS: PRIME MAHOGANY INC.**

**A BUSINESS PLAN**

**SUBMITTED IN PARTIAL FULFILLMENT OF THE**

**REQUIREMENT FOR THE COURSE: CED 342**

**(BUSINESS DEVELOPMENT AND MANAGEMENT)**

**BY**

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## **1.0 Executive Summary**

- 1.1 The following reports and recommendations relate to the proposal by **Prime Mahogany Inc.** to establish a carpentry business in Aba.
- 1.2 The project is to be fully implemented with an investment of N30,000,000 made up of N20,000,000 for fixed assets and N10,000,000 for working capital. The funding requirement is N20,650,000 as the owner is committing N9,350,000.
- 1.3 The enterprise vision is to be the number one manufacturer and distribution of wooden furniture products.
- 1.4 This project will be located at Aba, Abia State because it is central to the South-east and south-south region.
- 1.5 There is a ready market identified for the business based on our market survey.
- 1.6 Our financial projection reveals a good level of liquidity and stability by the time the business is mature.
- 1.7 The competitive edge of our business is based on the quality and durability differentiation of our product. So far, no carpentry business enjoy trust as a as a reliable and dependable company.
- 1.8 The profitability analysis is shown in the financial section of our business plan comprehensively.

## **Part II**

### **2.0 Introduction:**

The projected carpentry business was established as an answer to the cry for quality and sustainable wooden furniture. Our survey showed that most furniture produced in the country are not of standard value and are prone to termite destruction. Most of the wooden furniture that meet the standard are imported leading to an increase in their price as against the value they offer.

### **2.1 Vision**

To be the producer of the number one trusted manufacturer and distributor of wooden furniture in Nigeria.

### **2.2 Mission**

To produce the best quality of wooden furniture from mahogany and at the most affordable price.

### **2.3 Key Success Factors**

The key success factors are:

- a. The use of high quality machines in the processing of the wood.
- b. The employment and training of professional and devoted carpenters.
- c. Existence of ready consumer and business markets.
- d. Accessibility to both local and foreign consumers.
- e. High entrepreneurship training of the main promoter.

### **2.4 Inherent Risks**

- a. Potential entrants into the market to compete with our positioning
- b. The already existing bias towards Nigerian produced wooden furniture.
- c. Limited financial resources to fully embark on the project

There is plan however to check these factors.

## **2.4 Business Ownership**

The business is a sole proprietorship wholly owned and managed by Kingston Duru.

## **2.6 Location Factors**

The Furniture Project is located at Aba. The following are the factors that influenced my choice of location:

- a. It is central to the three main target markets; Portharcourt, Aba and Enugu
- b. Availability of land to contain the production factory
- c. Availability of cheap and efficient labour; people of Aba are hardworking and labour is not scarce

## **2.7 Available Market**

Information from a market research shows that about 3 tons of processed wood are demanded annually by an individual family on the average. A population report estimates that over 1.5 million families are in the south-south and south east region. Leaving us with a market demand of 750 million grams of honey. And at a packaging of 750 gram per bottle, that would leave us with 1 million bottles per month. That figure does not include the business market of health professionals who are in huge need of pure unprocessed and unadulterated honey for alternative medical solutions.

## PART III

### 3.0 Products

Prime Mahogany Inc. will provide the following products:

- Home Furniture
- Office Furniture
- School Furniture

### 3.1 Product Description

- **Home Furniture:**

This line of products include; dining tables and chairs, sofa sets, wooden kitchen utensils, shelf, cupboard and wardrobe. The products are designed especially for household use.

The products are sprayed with environment friendly chemicals. The kitchens utensils are sprayed with a lower concentration to prevent accidental cases of food poisoning.

- **Office Furniture:**

This furniture includes office items such as; tables, chairs, drawers, window shades, and other items. The designs and materials used where in accordance with the weather and climate in Nigerian offices. Also, the wood is protected chemical against termite.

- **School Furniture:**

There are items that are found in the academic environment. It is part of the duty of Prime Mahogany Inc. to produce those items. They include; pencils, desks, boards, drawing boards, chairs, rulers, and shelves. The chemicals used on these items were not concentrated at all because we are aware that children may out such items in their mouth.

### 3.2 Costing

The costing of the wooden products is mainly built around three main items which include:



- a. Treatments
- b. Processing
- c. Packaging

- **Treatments**

The chemicals used in the protection of the wood from termites and early wearing off are made by international organizations. Most of the chemical will be imported from Indonesia and Italy. The treatment is designed to be eco-friendly and is oriented towards reducing the pollution of the air with chlorofluorocarbon (CFC), a major cause of global warming.

- **Processing**

This is otherwise referred to as the production process of the furniture. These also apply in the costing. There are series of processes that are undergone when production of these wooden furniture is carried out. For the best possible outcome, these processes require adequate manpower and machinery.

- **Packaging and Distribution**

As a major manufacturer of furniture, Prime Mahogany Inc. will not just focus on the south-east and south –west alone. Our services will be delivered in different parts of the country and in major cities. This will require good means of transport; buses, trailers, tippers and other transport vehicles.

## PART IV

### 4.0 Marketing Plan

We shall adopt the wholesale and direct chain approach to our final consumers.

#### 4.1 Promotional Strategy

Prime Mahogany Inc. is a new brand in a field marred with distrust and bias hence there is need for reorientation and attitude change thorough advertising. The campaign would be run through radio jingles, social media platforms such as Twitter and Facebook, and other media such as handbill, fliers, posters, banners and billboards.

#### 4.2 Marketing Strategy

- Prime Mahogany Inc. intends to cater for the bulk of south-south and south-eastern families and businesses in Nigeria.
- We have chosen this group for several important reasons and it is our goal to be an extraordinary wood processing company.
- Our secondary target is of all ages. Prime Mahogany Inc. would want to keep the price point at lunch as low as possible to attract the first layers of customers, but also high enough to make a statement of quality.

#### 4.3 Market Positioning

The business is going to offer a wide range of products and services with quality guaranteed. In our desire to keep in touch with their culture, our services include; door-to-door delivery, call-in for desired specification, product warranty etc. Our products include; office furniture and household furniture with variety of designs and an exquisite quality you can trust.

#### 4.4 Projected sales

	<b>Sales from Home Furniture(₦)</b>	<b>Sales from Office Furniture(₦)</b>	<b>Total Sales (₦)</b>
Year 1	20,000,000	40,000,000	60,000,000
Year 2	50,000,000	20,000,000	70,000,000
Year 3	70,000,000	30,000,000	100,000,000

**Note: To push sales, consumer credit is given to regular and large buying customers.**

## PART V

### 5.0 Technical Analysis

#### 5.1 Management and Organization

Prime Mahogany Inc. is owned by Kingston Duru who being the owner of the business will manage the affairs of the restaurant. Kingston Duru is a good entrepreneur as well as well as a trained production manager who has enough background knowledge of the tenets of quality which he is expected to utilize in running the wood processing.

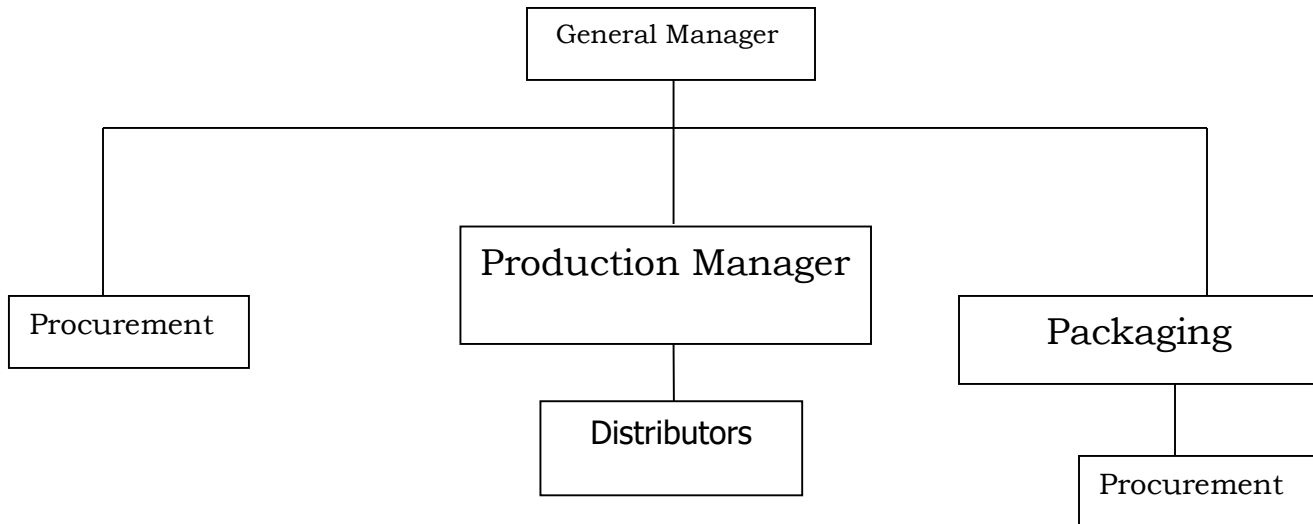
To help in the day to day management of the business, some other good hands will be hired. The plan is that the hired hands will compliment Mr. Duru, especially in the area of distribution and marketing the furniture.

Table 3 shows staff and management of the African food restaurant.

S/n	Positions	No of staff	Annual salary per staff ₦	Total ₦
1.	Site managers	4	760,000	3,040,000
2.	Cashiers	5	272,000	1,360,000
3.	Workers	30	120,000	3,600,000
4.	Drivers	5	332,000	1,660,000
	Add 5%			
	Benefits			340,000
	<b>Grand Total</b>			<b>10,000,000</b>

Figure I below shows the organizational structure of the restaurant

**Figure I**



## 5.2 Values and Norms of the Company

**Prime Mahogany Inc.** plans to adopt the following norms and values.

- a. To always provide unadulterated quality.
- b. To meet customers' individual tastes.
- c. To see her employees as her most valuable assets.
- d. To offer the best for the benefit of the customers.
- e. To do her business within the federal state and local government laws.

## **PART VI**

### **6.0 Legal, Environmental, Social and Regulatory Issues**

#### **6.0 Legal Issue**

Prime Mahogany Inc. is in the process of being registered with the Food and Agriculture Organization (FAO). It will also be registered with other regulatory bodies. No special licenses are required for the operation of a wood processing factory; however, every attempt will be made to get all necessary permit and licenses.

#### **6.1 Environment Issues**

We are committed to proper waste disposal and recycling in order to avoid causing environmental problems of any kind.

#### **6.2 Social Issues**

This business is aimed at beginning the biggest business of its kind in Aba, and the whole Lagos metropolis. We are committed to creating employment for the inhabitants of the area and promise not to cause any form of social vice or havoc in the location.

#### **6.4 Regulatory Issues**

The business is in the process of being registered with the Food and Agriculture Organization and will also be registered with any other essential regulatory bodies.

## PART VII

### 7.0 Risk Analysis

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

**Table 4: Identified Risks and their mitigation**

Identified	Mitigation
Irregular water supply	A big water reservoir will be constructed to harvest all the rains and will be used during dry season.
Inadequate start up demand	Aggressive promotion and advertising campaigns.

### 7.1 SWOT Analysis

#### 7.1.1 Strength

- We are efficient, reliable and friendly.
- We have the perfect blend of ethnicity and class

#### 7.1.2 Weaknesses

- Initial problems of raising capital for the project anticipated.

However, we have made contacts with wholesale dealers on the Island and Mainland who have assured us of a constant supply of our raw materials. Also, with the arrival of our Lister generating set, the problem of preservation should be solved.

### **7.1.3 Opportunities**

- New constructions and setups are good opportunity for the business.
- Other opportunities are, government projects, contracts etc.

### **7.1.4 Threats**

- Perishability of products does threaten our business and this is due to low patronage on weekdays as a result of the busy lifestyle of our customers.
- Preserving the products till weekend when we have such a rush of customers sometimes proves to be a challenge.

## **7.2 Exit Strategy**

No exit is planned, rather diversification will be pursued.

## PART VIII

### 8.0 Company Financial

#### 8.1 Summary of Project Cost

The total cost of the project is ₦30, 000, 000. This is made up of ₦20, 000, 000 in fixed capital and ₦10, 000, 000 in working capital.

#### 8.2 Utilities

The factory is located in a place that is not connected to sources of water and electricity, as such will be supplied to the restaurant by commercial water supply tankers, while hurricane lanterns will be used for lightening

Table 5 shows the estimated expense likely to be incurred for lightening and water.

Utilities	Year 1 (₦)	Year 2 (₦)	Year 3 (₦)
Light	16, 000	16, 500	16, 900
Water	70, 000	71, 300	72, 500
<b>Total</b>	<b>86, 000</b>	<b>87, 800</b>	<b>89, 400</b>

#### 8.3 Other Expenses

There are other expenses expected to be incurred in the course of running the restaurant business.

Table 6 shows other operating expenses

Type of expense	Year 1 (₦)	Year 2 (₦)	Year 3 (₦)
Transportation	150, 000	150, 000	150, 000
Vehicle Maintenance	90, 000	100, 000	100, 000
Public relations	85, 000	90, 000	100, 000
<b>Total</b>	<b>325, 000</b>	<b>340, 000</b>	<b>350, 000</b>



### 8.4 Working Capital Forecast

Table 7 shows working capital forecast

Working Capital items	Year 1 (₦)	Year 2 (₦)	Year 3 (₦)
Food Stuff	300, 000	350, 000	500, 000
Salaries / Wages	350, 000	360, 000	365, 000
Water Bill	70, 000	72, 000	72, 000
Electricity Bill	60, 000	61, 000	62, 000
Repairs / Maintenance	100, 000	102, 000	102, 000
Fuel / Gas / Diesel	80, 000	82, 000	83, 000
Administration	500, 000	500, 000	500, 000
Rent	800,000	800,000	800,000
Provision of utilities and other expenses	100,000	100,000	105,000

### 8.5 Total Investment Outlay

Table 8 shows the total Investment outlay required to execute the project.

Total start – up capital required.

S/n	Capital Items	Amount (₦)
1.	Machinery, Equipment and others	4,000,000
2.	Working Capital Requirement	2,000,000
	<b>Total</b>	<b>6,000,000</b>

### 8.6 Financing Plan

To finance the required investment outlay, the proprietor plan to raise an equity capital of ₦950,000 while ₦3,500,000 will be borrowed from the bank.

See table 8

Source	Amount (₦)
Equity Contribution	950,000
Bank Loan	3,500,000

### 8.7 Loan Repayment Schedule and Interest Paid

It is expected that the loan would attract an interest of 10% and the funds are available to pay monthly interest as well schedule repayment of the principal amount

Table 9: Interest and repayment schedule

Year	Loan	Repayments	Interests	Loan
1	3,500,000	Nil	84,000	3,500,000
2	3,500,000	900,000	160,000	1,500,000
3	2,000,000	2,000,000	60,000	Nil

### 8.10 Forecast of Profit and Loss

Particulars	Year 1 (₦)	Year 2 (₦)	Year 3 (₦)
Expected Sales	1,900,000	6,000,000	7,000,000
Less % discount	19,000	60,000	70,000
Net Sales	1,880,000	5,940,000	6,930,000
Expenses	1,000,000	1,500,000	1,500,000
Cost of running a restaurant	1,200,000	1400000	1500000
Utilities	27,000	274,000	276,000
Salaries & wages	100,000	100,000	100,000

Total Expenses	3,700,000	3,750,000	3,850,000
Profit before int & tax less interest	800,000	1,000,000	1,500,000
Profit after tax less Depreciation	800,000	2,000,000	2,000,000
Net Profit	600,000	1,000,000	1,000,000

### 8.11 Cash Flow Projection

Cash in	Year 1 (₹)	Year 2 (₹)	Year 3 (₹)
Equity	950, 000		
Bank loan	3,500,000		
Net Profits		1,900,000	7,000,000
Depreciation		19,000	70,000
<b>Total Cash in</b>	<b>4,000,000</b>	<b>1,881,000</b>	<b>6,930,000</b>
Cash out			
Equipment & Others	3, 000, 000		
Working Capital	1, 000, 000		
Increase / Decrease in Cash		70, 000	270,000
Loan Repayment			350, 000
Dividends			380, 000
<b>Total Cash Out</b>	<b>4, 000, 000</b>	<b>1,881,000</b>	<b>1,500,000</b>
Opening Balance	Nil	Nil	490, 000
Increase / Decrease in Cash	Nil	950, 000	1,000,000
Closing Balance	Nil	220, 000	349, 000

## PART IX

### 9.0 Financial Analysis

#### 9.1 Profitability Analysis

Relevant key profitability for the first three years are shown here under:

	Year 1 (₦)	Year 2 (₦)	Year 3 (₦)
- % Profit after tax	4, 000,000	1,881,000	6,930,000
- % Return on Turn over	N/A	36.20	38.10
- % Return on Equity	N/A	100.50	98.50
- % Return on Investment	N/A	68.90	98.20

#### 9.2 Cash Flow Projection

By the second year of projection when the business has fully matured the cash flow position is as shown below;

Year 2 (₦)	Year 3 (₦)
220, 000	349, 000

This means that the business will be able to generate enough funds to meet maturing obligation as from the second year operation.

## **PART X**

### **10.0 Other Considerations and Conclusion**

From the above analysis, it is certain that the promoters of this project will never regret their participation in this project. The restaurant will as well offer a great economic contribution to the economy where it operates and spread greater job opportunities to the nation and also will be consistent with the federal and state government policy for commercial business creation.

### **10.1 Commercial Viability**

The project is believed to be commercially viable from the above stated analysis through projections, sales, profits and cash flow positions.

### **10.2 Conclusion**

The project is highly recommendable for sponsor finding and implementation.