PLANNING FOR A NEW VENTURE: THE KEY STEPS

- PROJECT IDENTIFICATION
- SELECT THE RIGHT MANUFACTURING PROCESS
- BUSINESS PLAN: A FORECAST PLAN
- SELECTION OF LOCATION: A VITAL DECISION
- POLLUTION NOC : A MUST
- ACQUISITION OF LAND
- INFRASTRUCTURE FACILITIES : THE BASIC REQUIREMENTS
- PLACING ORDER FOR PLANT AND MACHINERY

Contd…

- INFRASTRUCTURE FACILITIES : THE BASIC REQUIREMENTS
- PLACING ORDER FOR PLANT & MACHINERY
- RECRUITMENT OF PERSONNEL
- COMMISSIONING OF PLANT AND TRIAL RUN
- COMMERICAL PRODUCTION

GOVERNMENT FORMALITIES AND PROCEDURES

- CONSTITUTION OF THE BUSINESS : DECIDE IN ACCORDANCE WITH THE SIZE OF THE OPERATIONS
- ARRANGEMENT OF FINANCE
- ONLY AFTER THE SANCTIONS ARE RECEIVED, YOU CAN BEGIN WITH THE ACTUAL IMPLEMENTATION OF YOUR PROJECT
- LEGAL FORMALITIES REGARDING REGISTRATIONS WITH VARIOUS GOVERNMENT AGENCIES
- GOVERNMENT FORMALITIES NEED TO BE VIEWED IN PROPER PRESPECTIVE

What is a Business Plan?

Business plan is a written outline that evaluates all aspects of the economic viability of your business venture including a description and analysis of your business prospects.

BUSINESS PLAN

A business plan must provide answers to following questions:

- What you intend to do/how you intend to do it/ when you intend to do it?
- How much do you want to borrow?
- When you will be able to repay the loan?
- Will you be able to pay the interest?
- Could your business survive a setback in its plans?
- What security is available for lending?
- Will you be able to sell your product?
- Is the business proposal commercially viable?
- Will the business be profitable?
- Can the business cope with the effects of inflation?

WHAT DOES A BUSINESS PLAN INCLUDE?

- Summery of the Project/ Project at a Glance

  (The purpose of the business, legal form of the organization, the location, resource requirements, volume of business, a brief note on market, customers and about the promoter(s) and, financial highlights)

- General Information

  (About the business and promoter's qualification, training and experience relevant to the project, form of business entity, location, management plan, etc.)

Cont…

WHAT DOES A BUSINESS PLAN INCLUDE? …Contd.

- **Market Potential and Plan**

  (A note on marketing strategy, potential customers, competition, market size and future prospects, pricing, advertising & promotion, etc.)

- **Details of the Proposed Project**

  (Requirement of fixed capital and working capital, the cost of project and means of finance)

- **Manufacturing Process**

  (Step-by-step description of the manufacturing process, plant capacity, expansion plans and quality control procedures etc.)

Cont…

WHAT DOES A BUSINESS PLAN INCLUDE? …Contd.

- Production Programme/ Sales Revenue

  (Plant capacity, capacity utilization, quantity produced/sold, and sales realisation)

- Cost of Manufacturing

  (Cost of raw materials, utilities, manpower, repairs and maintenance, selling and distribution expenses, administrative expenses, interest on loans availed, depreciation and any other expenses)

Cont…

WHAT DOES A BUSINESS PLAN INCLUDE? ... Contd.

- **Profitability Projections**

  (Sales, cost of manufacturing, tax liabilities, repayments, retained profit/loss, break even point, DSCR, IRR.)

- **Project Implementation & Other Information**

  (Project implementation Schedule, Security offered, other details if any.)

What to Avoid in Your Business Plan?

- Place some reasonable limits on long-term, future projections. The reality of your business can be different from your initial concept, in the long run.
- Avoid optimism. In fact, to offset optimism, be extremely conservative in predicting capital requirements, timelines, sales and profits.
- Do not ignore spelling out what your strategies will be in the event of business adversities.
- Use simple language, make it easy to read and understand.
- Don't depend entirely on the uniqueness of your business. Success comes to those who start businesses with great economics and not necessarily great inventions.

I. Introductory Elements

The introductory elements of your business plan are:

- Cover Page
- Executive Summary
- Table of Contents

Cover Page: The First Impression

Your cover page is a way to get your business plan noticed. Putting your cover page on quality stock paper may catch eyes of the investors.

Your cover page should say the words "Business Plan," and should include your:

- Name and business name
- Company logo
- Address
- Telephone number
- Fax number
- E-mail address

The date should also appear on your cover page.

PROJECT COST: AN ESTIMATE OF FUNDING REQUIREMENTS

(PROJECT COST COMPONENTS)

I. LAND AND SITE DEVELOPMENT

- COST OF LAND
- LAND RELATED LEGAL CHARGES
- LEVELLING AND FILLING COSTS
- APPROACH/INTERNAL ROAD COSTS
- FENCING/COMPOUND WALL COSTS
- COST OF GATES

Cont…

II. BUILDING AND CIVIL WORKS

- FACTORY BUILDING
- OFFICE GODOWN, ETC.
- WELL, TANK, SILOS, GARAGE AT PROJECT SITE
- SEWER AND DRAINAGE
- ARCHITECT FEE

III. PLANT AND MACHINERY

- PRICE OF MACHINERY
- EXCISE-TAX, FRIEGT, PACKAGING, TRANSIST INSURANCE, OCTROI, ETC.
- STORES AND SPARES BOUGHT ALONG WITH THE MACHINERY
- FOUNDATION AND INSTALLATION COST

Cont…

IV. OTHER FIXED ASSETS

- FURNITURE
- OFFICE EQUIPMENTS
- MISCE. TOOLS & EQUIPMENTS
- VEHICLES
- EQUIPMENTS, CABLING FOR POWER DISTRIBUTION
- EQUIPMENT AND PIPING FOR WATER SUPPLY
- LABORATORY EQUIPMENTS
- WORKSHOP EQUIPMENTS
- FIREFIGHTING EQUIPMENTS
- EFFLUENT COLLECTION, TREATMENT AND DISPOSAL ARRANGEMENTS
- BOILER
- DIESEL GEN. SET
- OTHER ASSETS

Cont…

PROJECT COST COMPONENTS ….Contd

V. TECHNICAL KNOWHOW

VI. PRELIMINARY AND PRI-OPERATIVE EXPENSES

- LEGAL CHARGES
- FEASIBILITY REPORT
- CAPITAL RAISING
- SALARY AND ADMINISTRATIVE COST DURING IMPLEMENTATION PERIOD
- RENTS, TAXES, ETC. DURING IMPLEMENTATION PERIOD
- TARVEL COST DURING IMPLEMENTATION PERIOD
- INTEREST DURING IMPLEMENTATION PERIOD
- MORTGAGE EXPENSES IN RESPECT OF LOANS
- TRAIL PRODUCTION

Cont…

PROJECT COST COMPONENTS ….Contd

VII. WORKING CAPITAL MARGIN

VIII. CONTINGENCY & ESCALATION
(@ 10% OF I - IV)

IMPLEMENTATION SCHEDULE: AN ILLUSTRATION

(Months)

TASK	1	2	3	4	5	6	7	8	9	10
Study of business plan	√									
Subm. Of term loan application		√								
Term loan sanction				√						
Arranging land			√	√	√					
Civil works						√	√	√	√	√
Arranging utilities							√	√		
Placing order for machinery					√					
Installation of machinery								√	√	
Recruitment of manpower				√					√	
Trial run									√	
Commercial production										√

COMMON ERRORS IN BUSINESS PLAN FORMULATION

a. Capacity Utilisation Estimates: Grossly Unrealistic
b. Capacity Computation: A Miscalculation
c. Market Survey: A Neglected Task
d. Machinery Selection: Serious Error
e. Technology-Oriented Products: A Shaky Arrangement
f. Project-Pruning and Resource-Straining: Exceeding the Safe Limits
g. Accommodating in SSI Limits
h. Project Cost: An Under Estimation
i. Selecting the Location: Dangerous Temptations
j. Selling Price: Unfounded Optimism
k. Cash Flow in Initial Years: A Poor Detail

Thank you