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Title: Business plan on the production of Leather Bags through Backo craft industry

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For: Egbo and sons manufacturing limited

Note: please ensure that this information remains confidential

### **Executive Summary**

Egbo and sons manufacturing limited is a leather manufacturing company of over twenty ( 20) years. Due to the pressure of making stronger bags by the masses, the management has decided to meet the certain requirement that will make the mass happy.

### **Introduction**

Egbo and sons manufacturing limited is the name of the company established to produce leather bags. It is located at 15, Eyean, pipeline, Benin- city Edo state. This business is a successful family business.

### **Description of the venture**

Egbo and sons manufacturing limited aims to produce 1000 leather bags. The target market is schools shops and retailers shop. The company can make different types of bags according to the consumers' needs

### **Industry analysis**

Backo craft industry is amongst the few best industry in Nigeria which stands out. With government provision of free education and Backo craft industry being one of the best in the country. The demand of these bags is low.

### **Market analysis**

The company will concentrate its sales on schools and retailers shop. Firstly in the southern part of Nigeria. This segment is marketable as a result of high literate rate

### **Strategic Human Resource Planning**

At takeoff, few bags will be produced and a supervisor shall be made to see through the activities. An accountant will be employed alongside a marketing officer.

The compensation package for three years structure is on the table below

### **PROJECTED STAFF STRENGTH**

TITLE	YEAR 1	YEAR 2	YEAR 3
SUPERVISOR	1	2	2
MARKETING OFFICER	2	2	2
ACCOUNTANT	2	2	2
MACHINE OPRRATORS	1	4	4

CLEANER	2	3	3
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### **PROJECTED TOTAL COMPENSATION PACKAGE PER ANNUM**

Supervisor - 300,000

Marketing officer- 200000

Accountant – 180000

Machine operator -100000

Cleaner – 50000

### **Production plan:**

Production process consist of getting dried animal skins especially that of snakes, then these skins are dried up and then taking to the weaving machine were different styles of bags will be weaved.

The weaving machine must be well taken care of as it is the most important equipment as this machine can produce 200 bags per day. Bags made from garment-weight leather require the same tools and supplies as garments. However, when working with heavier skins, it helps to have a few additional items.

Specialized cutting tools, hole-piercing gadgets, rivets, and glues are the mainstay of handbag-making; using them makes the difference between an average bag and a professional-looking one. Scissors and rotary cutters can go only so far in cutting heavy skins and hides. You will not always be able to machine-sew every seam. However, with the proper tools and techniques, you always can come up with a way around the challenges.

### **Marketing plan:**

The demands of various types of bags such as hand bags, school bags and travelling bags can be met by us, but we also need assistance from various shops and schools and also fashion companies. This assistance can also be assured once they see the facilities in the company and also safe working environment. With the assistance of these companies we will be able to compete with other leather industries and also have good relationship with the public which will enhance the sales and also demand

### **Organization plan**

This business will be ran privately, this will make the buyers more assured of quality goods delivered or sold to them. When its ran privately, it will become a Limited liability. This is a type of legal structure for an organization where a corporate loss will not exceed the amount invested in a partnership or limited liability company. In other words, investors' and owners' private assets are not at risk if the company fails.

### **Assessment of risks and problems**

All business have potential risk, especially when it's just starting.. Some of these risks are

- i. Power supply
- ii. Raw materials supply
- iii. Competition
- iv. High rate of labour turnover

Power supply is a major issue not just in Nigeria but also in Africa. Therefore a Lester generator shall be bought and installed in the company, which will provide power supply everyday .

Raw materials used in producing bags and also the use of animals skins can be limited, network can be built with the locals such as hunters to catch wild animals.

Most business has competition, in other for us to be the best amongst the rest, we must produce good, efficient, strong and catchy bags and also bags that fits the taste of the public.

Workers and cleaners working in the company shall be treated well and fairly and also paid fairly. This will reduce the occurrence of labour turn over.

### **Financial plan**

This business is economically feasible. The below will contain a document of manufacturing, trading, profit and loss account for the first two years of the business plan.

#### YEAR ONE

Raw materials and components	Amount
Opening stock purchase	0
Carriage on purchase	30,000 -500
Closing stock	29,500 - 1000
Issued to production	28,500 -500
Direct labour	28,000
Other direct expenses	500

Prime cost	28,500
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Work overheads	Amount
Rates	250
Heat	250
Miscellaneous	250
Closing stock	250
	27,500
Sales	27,500
	-20,500
Gross profit	7,500
Profit after tax	4000

### Proforma Balance Sheet for Two Years

Fixed assets	Cost	Deposit	Total
Office equipment	2,000	10,000	8,000
Cash	-	500	
Creditors	-	250	
Loan	-	250	
Working capital	-		7,000

### Profoma manufacturing trading, profit, and loss account

Raw materials	<u>500</u>
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	15000
Purchases	200
	14,800
Labour	800
	14,000
Total cost of production	1,000
	13,000
Taxation	5,000
Profit after tax	8,000

### Evaluation recommendation and conclusion

a. Liquidity ratio

Current ratio =  $\frac{\text{current assets}}{\text{Current liabilities}}$

Year 1

4230 = 1:1:7

year 2

5682 = 1:1:9

b. Acid test

Year 1

4230 - 200 = 1:1:88

4030

Year 2

5682 - 1000 = 4682

4682

The liquidity position looks impressive and as from year to year it increases the more. Looking at the above analysis, it reassures investors of the sustainability and profit venture.

This project looks very feasible and it is wise to venture in the business.