Business Plan

- **Definition:** *A written document describing the nature of the business, the sales and marketing strategy, and the financial background, and containing a projected profit and loss statement*
- *A business plan is a blue print of step by step process that would be followed to convert business idea into successful business venture*

Business Plan Formation

1. Title Page and Contents

- A business plan should be presented in a binder with a cover listing the name of the business, the name(s) of the principal(s), address, phone number, e-mail and website addresses, and the date.. Plan should looks professional, is easy to read and is well-put-together.
- Content Include the same information on the title page. If you have a logo, you can use it, too. A table of contents follows the executive summary or statement of purpose, so that readers can quickly find the information or financial data they need.

2. Executive Summary

- The executive summary, or statement of purpose, succinctly encapsulates the reason for writing the business plan. It tells the reader what you want and why, right up front. Are you looking for a loan to remodel and refurbish your factory? A loan to expand product line or buy new equipment? How will you repay the loan, and over what term?
- Business concept describes the business, its product, the market it serves and the business' competitive advantage.
- Financial features include financial highlights, such as sales and profits.
- Financial requirements state how much capital is needed for startup or expansion, how it will be used and what collateral is available.
- Current business position furnishes relevant information about the company, its legal form of operation, when it was founded, the principal owners and key personnel.
- Major achievements points out anything noteworthy, such as patents, prototypes, important contracts regarding product development, or results from test marketing that have been conducted.

3. Description of the Business

- The business description usually begins with a short explanation of the industry. When describing the industry, discuss what's going on now as well as the outlook for the future. Do the necessary research so you can provide information on all the various markets within the industry, including references to new products or developments that could benefit or hinder your business. Base of observations on reliable data and be sure to footnote and cite the sources of information when necessary.
- When describing the business, say which sector it falls into (wholesale, retail, food service, manufacturing, hospitality and so on), and whether the business is new or established. Then say whether the business is a sole proprietorship, partnership. Next, list the business' principals and state what they bring to the business. Continue with information on who the business' customers are, how big the market is, and how the product or service is distributed and marketed.

4.Description of the Product or Service

- The business description can be a few paragraphs to a few pages in length, depending on the complexity of your plan. If your plan isn't too complicated, keep your business description short, describing the industry in one paragraph, the product in another, and the business and its success factors in two or three more paragraphs.
- When you describe your product or service, make sure reader has a clear idea of what you're talking about. Explain how people use your product or service and talk about what makes your product or service different from others available in the market. Be specific about what sets your business apart from those of your competitors.
- Then explain how your business will gain a competitive edge and why your business will be profitable. Describe the factors you think will make it successful. If your business plan will be used as a financing proposal, explain why the additional equity or debt will make your business more profitable.
- Other information to address here is a description of the experience of the other key people in the business. Whoever reads your business plan will want to know what suppliers or experts you've spoken to about your business and their response to your idea. They may even ask you to clarify your choice of location or reasons for selling this particular product.

5.Market Analysis

- A thorough market analysis will help define the prospects as well as help in establish pricing, distribution, and promotional strategies that will allow the company to be successful and competition, both in the short and long term.
- Begin market analysis by defining the market in terms of size, demographics, structure, growth prospects, trends, and sales potential. Next, determine how often your product or service will be purchased by your target market. Then figure out the potential annual purchase. Then figure out what percentage of this annual sum you either have or can attain. Keep in mind that no one gets 100 percent market share, and that a something as small as 25 percent is considered a dominant share. Your market share will be a benchmark that tells you how well you're doing in light of your market-planning projections.
- You'll also have to describe your positioning strategy. How you differentiate your product or service from that of your competitors and then determine which market niche to fill is called "positioning." Positioning helps establish your product or service's identity within the eyes of the purchaser. A positioning statement for a business plan doesn't have to be long or elaborate, but it does need to point out who your target market is, how you'll reach them, what they're really buying from you, who your competitors are, and what your USP (unique selling proposition) is.
- How you price your product or service is perhaps your most important marketing decision. It's also one of the most difficult to make for most small business owners, because there are no instant formulas. Many methods of establishing prices are available to you, but these are among the most common.

6.Competitive Analysis

The purpose of the competitive analysis is to determine:

- the strengths and weaknesses of the competitors within your market.
- strategies that will provide you with a distinct advantage.
- barriers that can be developed to prevent competition from entering your market.
- any weaknesses that can be exploited in the product development cycle.
- The first step in a competitor analysis is to identify both direct and indirect competition for your business, both now and in the future. Once you've grouped your competitors, start analyzing their marketing strategies and identifying their vulnerable areas by examining their strengths and weaknesses. This will help you determine your distinct competitive advantage.
- Whoever reads your business plan should be very clear on who your target market is, what your market niche is, exactly how you'll stand apart from your competitors, and why you'll be successful doing so.

7. Operations and Management

- The operations and management component of your plan is designed to describe how the business functions on a continuing basis. The operations plan highlights the logistics of the organization, such as the responsibilities of the management team, the tasks assigned to each division within the company, and capital and expense requirements related to the operations of the business.

8. Financial Components of Business Plan

- After defining the product, market and operations, the next area to turn your attention to are the three financial statements that form the backbone of your business plan: the income statement, cash flow statement, and balance sheet.
- The income statement is a simple and straightforward report on the business' cash-generating ability. It is a scorecard on the financial performance of your business that reflects when sales are made and when expenses are incurred. It draws information from the various financial models developed earlier such as revenue, expenses, capital (in the form of depreciation), and cost of goods. By combining these elements, the income statement illustrates just how much your company makes or loses during the year by subtracting cost of goods and expenses from revenue to arrive at a net result, which is either a profit or loss. In addition to the income statements, include a note analyzing the results. The analysis should be very short, emphasizing the key points of the income statement.

9. Supporting Documents

- In this section, include any other documents that are of interest to your reader, such as your resume; contracts with suppliers, customers, or clients, letters of reference, letters of intent, copy of your lease and any other legal documents, tax returns for the previous three years, and anything else relevant to your business plan.
- Some people think you don't need a business plan unless you're trying to borrow money. Of course, it's true that you do need a good plan if you intend to approach a lender--whether a banker, a venture capitalist or any number of other sources--for startup capital. But a business plan is more than a pitch for financing; it's a guide to help you define and meet your business goals.
- Just as you wouldn't start off on a cross-country drive without a road map, you should not embark on your new business without a business plan to guide you. A business plan won't automatically make you a success, but it will help you avoid some common causes of business failure, such as under-capitalization or lack of an adequate market

Business ideas

- An **idea** for a **business** that includes **basic** information such as the service or product, the target demographic, and a unique selling proposition that gives a company an advantage over competitors. A **business concept** may involve a new product or simply a novel approach to marketing or delivering an existing product.
- A business idea is a concept which can be used for commercial purposes. It typically centers around a commodity or service that can be sold for money, according to a unique model. There are several methods for developing and testing a business idea. The ability to come up with a business idea can be transformed into a viable business, where ideas supported by feasibility and a business plan can then be sold to interested investors, firms, and interested parties for a lump sum or a management contract, or as agreed. Business ideas, if introduced at the right time, when demand for such service or a product introduced by the idea is expected to surge, can lead to a very profitable business. Business ideas are always available through different sources; however, it is the application applied on these ideas, and timing makes all the difference in failure or success.

Characteristics of a Good Business Idea

1. **Identified market need or gap** – the idea must meet a clearly identified market need to be commercially viable.
2. **No or few existing competitors** – the more innovative the product/service and markets, the fewer competitors, and the higher the price you are normally able to charge. However, remember it is always possible that there are no competitors because there is no viable market for the product/service.
3. **Growing market** – it is always easier to launch a business into a new or growing rather than declining market. Of course it may be that you are launching a business that will create a completely new market.
4. **Clearly identified customers and a viable business model** – if a business does not know who it is selling to it won't know how to sell to them, which means it probably will not succeed. And remember it may be selling to more than one market segment. The business model should be built up systematically to appeal to these target customers.
5. **Low funding requirements** – the lower the funding requirement, the easier it is to start-up and the less you have to lose if the idea does not work.
6. **Sustainable** – the business must be built on solid foundations so that it has longevity.

7. **High profit margins** – the more innovative the product/service and its target market, the higher the margin is likely to be.
8. **Effective communications strategy** – once you know who you are selling to, and why they should buy from you, you need to be able to communicate a persuasive message to them and build a loyal customer base.
9. **Not easily copied** – if it can be, protect intellectual property. However, often getting to the market quickly and developing a brand reputation is the best safeguard.
10. **Identifiable risks that can be monitored and mitigated** – the future of a start-up is, by definition uncertain. Identifying risks is the first step to understanding how they can be monitored and then mitigated. The more strategic options you have identified the greater your chance of success.
11. **Low fixed cost**s – low fixed costs mean lower risk, should volume reduce. It gives you flexibility. A combination of high profit margin and low fixed costs (high profit, low risk) is always very attractive.
12. **Controllable** – putting in robust operating and financial controls increase the chances of survival and success and ultimately will add value to the firm. The major imperative in the early years is to monitor and manage cash flow.
13. **Management skills that can be leveraged** – the entrepreneur needs to have the appropriate management skills and, if they do not, they need to acquire them or recruit or partner with others with the appropriate skills.
14. **Scalable** – small projects can usually get off the ground easily but bigger projects can be problematic because they are just 'too big'. In which case, you need to see whether the project can be broken down into smaller projects that can be implemented when the original idea is proved – scalability. The idea is to avoid as much risk as possible for as long as possible – but to make sure you do not miss the window of opportunity completely. This is all a question of judgement and changing market conditions, so you need to remain flexible and think through how you might scale-up the project when it proves successful.
15. **Financeable** – if you do not have sufficient resources yourself, the project needs to be able to attract finance.

Financing

- A constant flow of working capital is an intrinsic component of a successful business. This is especially true considering the outflow that is a part and parcel of every cycle: salaries and wages need to be paid; raw materials need to be purchased and equipment need to be serviced; funds are needed for marketing, advertising, and other general overhead costs; reserves are required till the customers make their payment. Working capital is truly the lifeline for any company.
- The question arises as to how does a business acquire funds for working capital. There are two types of financing: short term and long term.

Short Term Financing

1. Overdraft Agreement:

By entering into an overdraft agreement with the bank, the bank will allow the business to borrow up to a certain limit without the need for further discussion. The bank might ask for security in the form of collateral and they might charge daily interest at a variable rate on the outstanding debt. However, if the business is confident of making the repayments quickly, then an overdraft agreement is a valuable source of financing, and one that many companies resort to.

2. Accounts Receivable Financing:

Many banks and non-banking financial institutions provide invoice discounting facilities. The company takes the commercial bills to the bank which makes the payment minus a small fee. Then, on the due date the bank collects the money from the customer. This is another popular method of financing especially among small traders. Businesses that offer large terms of credit can carry on their operations without having to wait for the customers to settle their bills.

3. Customer Advances:

There are many companies that insist on the customer making an advance payment before selling them goods or providing a service. This is especially true while dealing with large orders that take a long time to fulfill. This method also ensures that the company has some funds to channelize into its operations for fulfilling those orders.

4. Selling Goods on Instalment:

Many companies, especially those that sell television sets, fans, radios, refrigerators, vehicles and so on, allow customers to make their payments in instalments. Since many of these items have become modern day essentials, their customers might not come from well-to-do backgrounds or the cost of the product might be too prohibitive for immediate payment. In such a case, instead of waiting for a large payment at the end, they allow the customers to make regular monthly payments. This ensures that there is a constant flow of funds coming into the business that does not choke up the accounts receivable numbers.

Long-Term Financing

Relying purely on short-term funds to meet working capital needs is not always prudent, especially for industries where the manufacture of the product itself takes a long time: automobiles, aircraft, refrigerators, and computers. Such companies need their working capital to last for a long time, and hence they have to think about long term financing.

1. Long-Term Loan from a Bank:

Many companies opt for a full-fledged long term loan from a bank that allows them to meet all their working capital needs for two, three or more years.

2. Retain Profits:

Rather than making dividend payments to shareholders or investing in new ventures, many businesses retain a portion of their profits so that they may use it for working capital. This way they do not have to take loans, pay interest, incur losses on discounted bills, and they can be self-sufficient in their financing.

3. Issue Equities and Debentures:

In extreme cases when the business is really short of funds, or when the company is investing in a large-scale venture, they might decide to issue debentures or bonds to the general public or in some cases even equity stock. Of course, this will be done only by conglomerates and only in cases when there is a need for a huge quantum of funds. Companies cannot rely only on limited sources for their working capital needs. They need to tap multiple avenues. They also need to constantly evaluate what their needs are, through analysis of financial statements and financial ratios and choose their working capital channels judiciously. This is an on going process, and different routes are appropriate at different points in time. The trick is to choose the right alternative as per the situation.

Government incentives subsidies and grants for setting up of food enterprises in India

Government subsidies for the small venture is especially successful in any small-scale industry. Numerous incentives are given both by the Central and State Governments to promote the development of small-scale enterprises.

- **Government Subsidy for Small Business – Organic Farming** The Government of India under National Project on Organic Farming gives capital free credit to business generation units producing organic fertilizers / bio-fertilizers. NABARD/NCDC will discharge the qualified subsidy amount by DAC ahead of time according to the necessity. You will get half advance subsidy to the taking interest banks for keeping the same in subsidy save subsidize proof of the concerned borrower.
- **Government Subsidies for Small Business for Cold Chain** The aim of the scheme of Cold Chain, Value accumulation, and conservation Infrastructure is to give integrated cold chain and preservation infrastructure facilities with no any break from the farm gate to the conamounter. It envelops pre-cooling facilities at manufacture sites, reefer vans, mobile cooling units as well as value addition centres.
- **Technology Upgradation scheme for Food Processing Industries** This Scheme covers the accompanying exercises: Setting up/development/modernization of food processing businesses covering all fragments viz organic products and vegetable, milk products, meat, poultry, fishery, oilseeds and such other agricultural areas prompting esteem expansion and timeframe of realistic usability improvement including food flavors and hues, oleoresins, flavors, coconut, mushroom, bounces.

- **The Credit Guarantee Fund Scheme for Micro and Small Enterprises** The Credit Guarantee Fund Scheme for Micro and Small Enterprises (CGMSE) was propelled by the Government of India to give security free credit to Indian MSMEs. Both the current and the new undertakings are qualified for the plan. The Ministry of Micro, Small and Medium Enterprises and Small Industries Development Bank of India (SIDBI) set up a trust named Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) to actualize the plan.The plan gives credit offices as term advances and the working capital office of up to Rs. 100 lakh for every acquiring unit. The amount is contributed by the Government and SIDBI in the proportion of 4:1, separately. The plan additionally offers recovery help to debilitated units secured under the assurance plot
- **5.Pradhan Mantri Kaushal VikasYojana (PMKVY)** Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is the flagship outcome-based skill training scheme of the new Ministry of Skill Development & Entrepreneurship (MSDE). The objective of this skill certification and reward scheme is to enable and mobilise a large number of Indian youth to take up outcome based skill training and become employable and earn their livelihood. Under the scheme, the monetary reward would be provided to trainees who are successfully trained, assessed and certified in skill courses run by affiliated training providers. The scheme will be implemented through the National Skill Development Corporation (NSDC).
- **Stand Up India Scheme** – Launched in 2016, this scheme was implemented to cater to women entrepreneurs, as well as those from SC and ST communities. Ranging from 10 lakh to 100 lakh, it is available for Greenfield ventures in manufacturing, trading, and service units. Under this scheme, it is mandatory for every bank to lend money to at least one woman entrepreneur and one SC/ST unit per branch. In case of non-individual businesses, the woman entrepreneur must hold at least a 51% stake in the unit. The loan can be provided as working capital with a maximum return period of 7 years.

- **MUDRA** – The Micro Units Development and Refinance Agency or MUDRA, is a flagship program by the government of India to provide funds to micro and small enterprises. What sets MUDRA apart from other loan schemes is the fact that no collateral is required to avail this loan. It is applicable for manufacturing, trading, and even allied agricultural services. It has 3 modules, Shishu (loan up to 50,000), Kishor (Loan between 50,000 and 5 lakh) and Tarun (Loan between 5 lakh and 10 lakh).
- **NABARD** – The National Bank for Agriculture And Rural Development, or NABARD, for short, is primarily aimed towards providing credit benefits to agriculture as well as other cottage and village industries. It also provides finance to lending institutions in villages. With schemes for food processing plants and integrated rural development, NABARD works in conjunction with the RBI to implement and regulate financial assistance in rural areas. Its Dairy Entrepreneurship Development scheme offers up to 90% of the project cost
- **Credit Guarantee Scheme** – The CGTMSE (Credit Guarantee Fund Trust for Micro and Small Enterprises) was set up by the Government of India to provide business loans to micro and small industries, with zero collateral. This means that new and upcoming startups can avail loans at highly subsidised interest rates without providing any security. Working along with SIDBI (Small Industries Development Bank of India), the government provides a maximum amount of up to 100 lakhs under this scheme, for boosting new enterprises as well as rehabilitating existing ones. Primarily for manufacturing units, this loan can be availed in the form of working capital or term loan.

- **National Horticulture Board (NHB)** Setting up of cold storage (of capacity above 5000 MT and up to 10000 MT) and their modernization are eligible for assistance under the NHB Scheme of ***Capital Investment subsidy for construction/ expansion/ modernization of cold storage for Horticulture Products (a sub scheme under MIDH)***. It is open ended credit linked scheme with scale of assistance @ 40% of capital cost of project limited Rs 30.00 lakhs per project in general area and 50% limited to Rs 37.50 lakhs per project in case of NE, Hilly & amp
- **National Horticulture Mission (NHM)** Cold storage (long term storage and distribution hubs) up to 5000 MT capacity are eligible for assistance under the open ended scheme of NHM/ HMNEH (a sub scheme of MIDH). The assistance is extended as subsidies to credit linked projects @ 35% of capital cost of project in general area and 50% in case of Hilly & Scheduled area. ***Operational Guidelines for Mission for Integrated Development of Horticulture (MIDH)***
- **Small Farmer Agri-Business Consortium (SFAC) assistance to cold storage** Setting up of cold storage as a part of a integrated value chain project are eligible for subsidy provided the cold storage component is not more than 75% of TFO (Total Financial Outlay). The scale of assistance as subsidy to projects is @ 25% of capital cost and maximum ceiling to Rs 2.25 crores in general area and 33.33% and maximum ceiling up to Rs 4 crores in case of NE, Hilly & Scheduled area. Integrated Scheme for Agricultural Marketing (ISAM)- Operational Guidelines.
- **Agricultural and Processed Food Products Export Development Authority (APEDA) assistance for cold chain** Setting up of cold chain are assisted by APEDA as a part of strategy to develop the industries relating to the scheduled products for export. The Scale of assistance as 40% subsidy subject to a limit of Rs 75 lakhs for cold chain projects with mechanized handling system. ***Agriculture Export Promotion Plan Scheme For XII Plan.***

- **Development Commissioner Micro, Small and Medium Enterprises (MSME)** Are implementing scheme for promotion and technology up gradation of Small Scale Industries (SSI). Under the scheme ***Credit Linked Capital Subsidy Scheme (CLCSS)*** DC MSME provides subsidy at the rate of 15% of the investment in plant and machine to micro and small manufacturing enterprises (MSEs). Maximum amount of subsidy is Rs 15 lakhs and maximum ceiling of investment in plant and machinery is Rs 1 crores .
- **Food Processing Unit** Under Horticulture Mission For North Eastern Region and Himalayan States (HMNEH) a sub scheme of MIDH Food processing units for horticulture products are extended credit linked back ended capital investment assistance of 50% of project cost (ceiling amount of project cost is Rs 8 crores) in the States of J&K, Himachal and Uttarakhand. (Relevant page 49)
- **Venture Capital by Small Farmer Agri-Business Consortium (SFAC)** SFAC extents venture capital assistance in form of equity to agribusiness projects. The quantum of SFAC support is 26% of promoter's equity or amount of Rs 50 lakhs which ever is lower in general area and 40% of the promoter equity or amount of Rs 50 lakhs which ever is lower in Hilly and NE regions . This venture capital is repayable to SFAC after the repayment of term loan. ***Operational Guidelines for Venture Capital Scheme for Agribusiness Development- XII Plan 2012-2017***