

## Business Plan: Insights and Guidelines

An entrepreneur seeking equity finance from any investor needs is clarity in the thought process, substantiated with evidence and a clear proposal to the investor. This can be presented to the investor through a well prepared business plan. This details and format may differ from industry to industry, but overall structure may remain as explained below.

A business plan is prepared for the benefit of the entrepreneur first. Its presentation to investors for seeking finance is secondary. If an entrepreneur prepares business plan with clear understanding of all the information presented, each line item in projection and can explain it without the help of anyone else, it is seen well prepared business plan.

Preparing a business plan is fundamental to the success of your business. A business plan should be a realistic view of the expectations and long-term objectives of the project. It should provide a framework within which the project must operate, which is crucial to its success or failure. A realistic and credible business plan should determine the strategic and financial needs of your business.

The following sections will be required in your business plan.

### Executive Summary

The executive summary should be clear and concise. It should state your objectives and how you hope to achieve them. The executive summary should be the last section to be written, although it will be the first section to be read. Potential investors often make a provisional judgement based on the executive summary. The executive summary should sum up the following points:

- What is the proposal to the investor: In this case, to MPVFL.
- Product/service and its advantages – This should explain what need, want or problem is addressed by the product / service you are planning to provide.
- Market opportunity : Which market are you addressing by introducing your product/service, which also means who are going to buy this product/ service from you and why should they buy it from you.
- The Management Team: You can not do it alone, so you will have to explain who all are associated with you in delivering product/ services, manage the company with you.
- Financial projections : Everything must be quantifiable and shall reflect in financial projection in typical Profit and Loss, Balance Sheet, Cash Flow format, with schedules for each line item, wherever necessary. Projections are typically for 5 years. In Executive Summary, only highlights can be mentioned.
- Funding requirements and expected returns: You may not need all the funds at a time, so you will have to prepare funds flow to explain quantum and timing of funding needed, with explanation, where and how these funds would be utilized. Equity and debt funding shall be clearly differentiated in this

presentation. Promoters shall show how will you provide exit to investor and what would be ROI for investor. In Executive Summary, brief shall be mentioned.

## Company Description

- Profile of promoters – their CVs, details of education and qualifications, training courses, work experience, etc.
- Details of the directors/shareholders: names, no. of shares, cash investment to date
- Senior management
- Financial, legal and other advisors Products/Services
- Describe your product/service and state what it does
- How is it different from other products/services? What are its unique selling points?
- Describe its benefits and features
- What are its weaknesses?
- Describe the production process and requirements
- Estimate production costs, including raw materials, parts and personnel
- Expected level of output after one year in business
- Break-even volume of output
- Possibility of new products
- SWOT Analysis: Analyses the strengths and weaknesses of the business, the opportunities that exist in the marketplace, and the threats to the viability of the project

## The Market and Sales

- Describe the research you have done and how it was undertaken – by way of questionnaire, interviews, surveys, observations or using a professional service
- What is your target market? Who are your potential customers? How will you attract new customers? Why will they avail of your product/service?
- Market size and trends – refer to recent changes and future predictions
- Analyse the competition – What are their advantages and disadvantages, what are their range of products, how will you compete with them? Why should consumers choose your product over your competitors'?

- How will you promote your product/service?
- Explain which methods of distribution you will use and give their estimated cost • Describe your pricing strategy

## Operations

- Proposed location and reasons for choosing
- Describe the required equipment and its capabilities
- Are you going to buy or lease the property?
- Have you adhered to Health and Safety, and Environmental requirements?
- Raw material sourcing – list your suppliers, the terms of trade and any possible vulnerability in this area.
- Employees – Describe the relevant roles and the initial training to be provided

## Finance & Funding

- Financial requirements for: premises, machinery equipment, office equipment, training, etc.
- A detailed set of cash flow forecasts will show how much finance your business will need and when it will be needed
- A projected profit and loss account
- A realistic sales forecast • What is your capacity to raise finance?
- Who are the potential investors in your business?
- Amount to be provided by borrowing – from whom and details of repayment terms
- What grant aid is available for your business?
- What assets/activities will the finance be used for?
- Consider your situation if your forecasts do not go to plan – how will your business cope?

## Legal

- What legal structure will your business have i.e. sole trader/partnership or limited company?
- Be aware of all your obligations as an employer: registering your business, employment laws, taxation, etc.
- Have you adhered to legal requirements regarding health & safety at work?

- Is your business aware of professional or industry standards and is it regulated in any way?
- What are the insurance requirements for your business i.e. equipment, stock, premises, employers liability, public liability, loss of profits, etc? Taxation Have you decided on the taxation framework for your business? Is your business registered for VAT/PAYE/Business Tax? What are your company's accounting system requirements?

## Appendices

- Detailed financial forecasts: monthly sales, cashflows, Profit & Loss, etc
- CVs of key staff
- Market research data
- Management Structure
- SWOT analysis
- Details of premises