

New Business

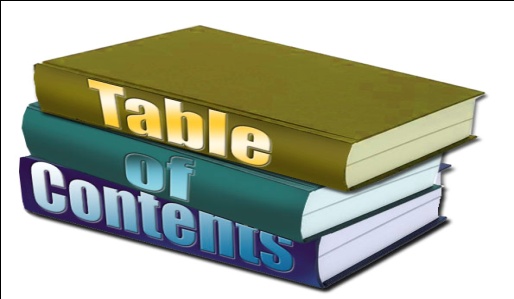
Analysis



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Final Project Report

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**Poultry is one the most important sector of agriculture industry in Pakistan by providing employment to 1.5 million people. According to Industry sources there is capacity of 5,000 Environmental Control Houses in Pakistan and currently 2,500 houses are working, out of which 75% (1,875) are in Punjab and remaining 25% (625) are in other provinces.**

**An Introduction**

**Control shed**

**Broiler meat is the cheapest source of animal protein available in Pakistan. The time required for raising broiler birds is *lesser than that for big animals*. The day old chicks (DOCs) are raised on high protein feed for a period of six weeks. In controlled environment the temperature, feed and drinking system is operated automatically and monitored by the trained staff.**

**This business can be started both in rural and semi-urban areas in sheds. These sheds have all the required facilities for the broiler farm.**

**The broiler birds are sold to traders and the whole sellers markets in the urban areas. Sometimes birds can also be sold directly to the shopkeepers in the urban markets.**

**According to the Agriculture Statistics of Pakistan the per capita consumption of poultry meat is increasing at a rate of 4% per annum.**

**An Introduction**

**Control shed**

**A broiler farm with a population of 35,000 birds needs a capital investment of about Rs 19.2 Million for construction, purchasing machinery & equipment.**

**In addition to this, a sum of Rs 5.7 Million is required as working capital, which will be used for purchasing day old chicks and raw material (feed & vaccines) etc.**

**The Total project cost is estimated Rs 24.9 Million.**

**This is a profitable business enterprise due to continuous increasing demand of the white meat in the market and export prospects especially in Muslim countries.**

**The generation line of broiler comes from pure line (Strains) that make the Great Grand Parents (GGP), which are imported. These great grandparents produce grandparents which are available in Pakistan. These grandparents produce parent stocks (Breeders) a parent stock end up in producing the final product which is broiler.**

**CURRENT INDUSTRY STRUCTURE**

**Presently, poultry industry contributes a large segment to the national economy with an investment of more than 70 billion of rupees and has become the second largest industry after textile in Pakistan.**

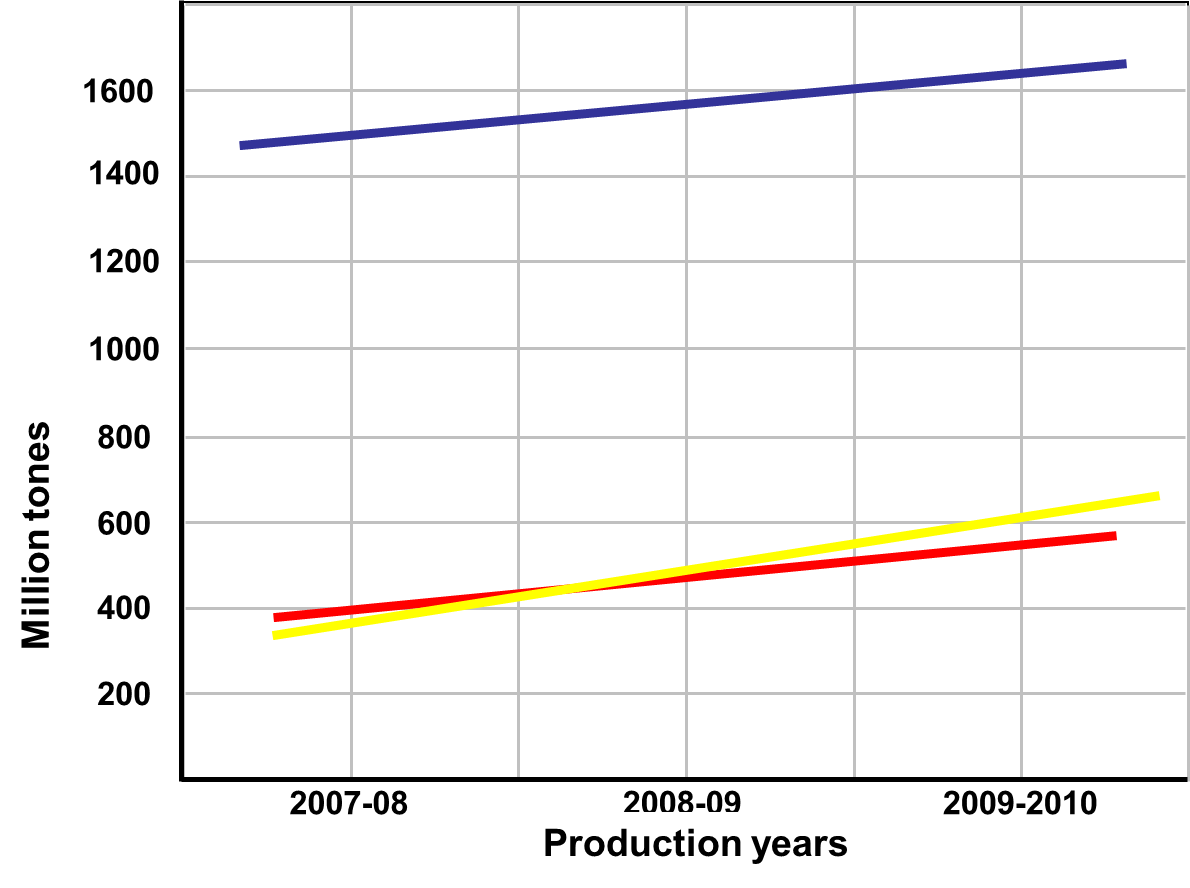
**Pakistan’s poultry industry is importing Grandparents (GP) chicks annually from Australia, Holland, Germany. This GP is producing Breeders that produce final products. The farmers get day old broiler from hatcheries. OR in some cases, purchase their hatching eggs from breeder farms.**

**Poultry feed mills are the major player in the poultry industry, which produce a specific formula feed mix. Poultry feed consists of rich protein elements like grains, gluten, blood meal, fishmeal and soya bean meal. The major component of cost of production of chicken meat accounts for feed cost.**

**Row Material**

**CURRENT INDUSTRY STRUCTURE**

**The poultry meat production has shown a growing trend over the past few years after a dip in 1997 due to the ban imposed on wedding dinners. The meat production trend of chicken meat, beef and mutton from the year 2006 to 2009 is presented below.**

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***Yellow line is represent chicken, Red line is Meat and Blue line is Beef.***

**The marketing of chickens follows the traditional channels of distribution. Generally, broilers are distributed in the market through middlemen (Arti) and Wholesalers In some cases, the middleman provides Day Old Chicks and other farm inputs (feed, etc.) to the broiler farmers and then agrees to buy back the mature birds from them.**

**Marketing of Poultry farm**

**Birds are transported to the urban market and are sold to retailers or market-street poultry shops. Birds are sold on live-weight basis. The time spent in getting broilers from the farm to the retail shop is brief. Collection and handling of birds has improved with the use of loader vehicles.**

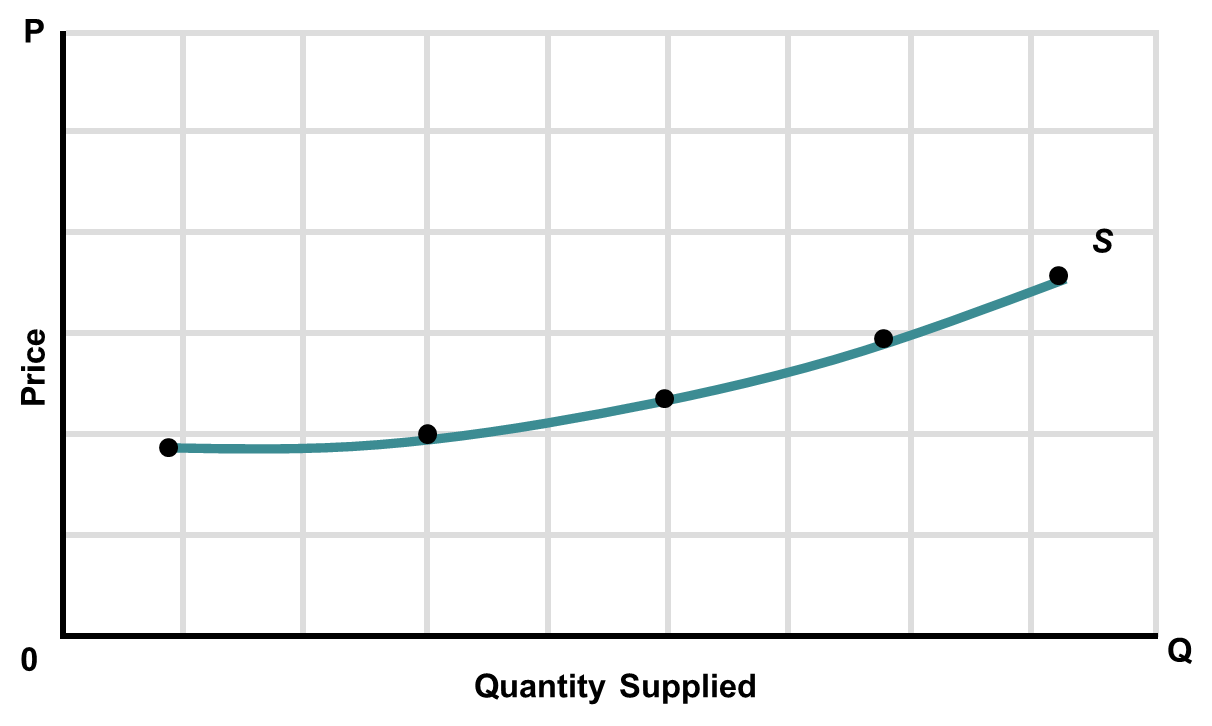
**OUR BUSINESS LOCATION**

**Our Business locate is outside area of Lahore at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**1. The production of** **Poultry Meat from 2006-2011 is following:**

**Demand and supply of This Business**

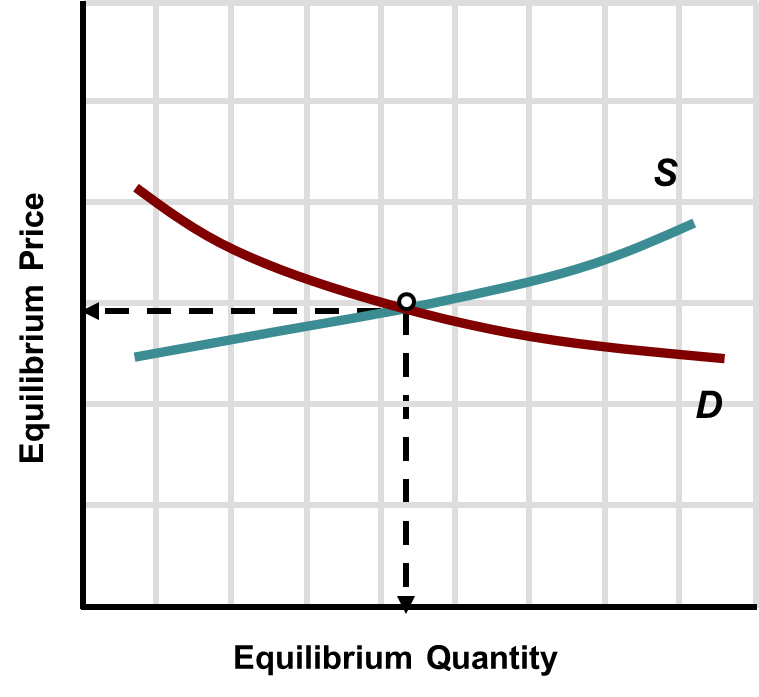
|  |  |
| --- | --- |
| Year | Production (000 Tons) |
| 2006-07 | **554** |
| 2007-08 | **601** |
| 2008-09 | **652** |
| 2009-10 | **707** |
| 2010-11 | **759** |

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**2. The consumption of poultry meat in Pakistan has increased 239% in the last 11 years from 322 million tons in 1999/2000 to 767 million tons in 2010/11. Over the years, many changes have been observed in the pattern of meat consumption in the country. The graph shows how the levels of preference of chicken and mutton have interchanged between the years 1995 and 2010.**

**Demand and supply of This Business**

**3. Equilibrium point of demand and supply can be graph easily where demand and supply intersect each other. As we know demand of Broilers is elastic:**

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**In Controlled Environment Farm, inputs including farm equipment’s (like drinkers, feed trays, brooders, and feeders and other items like feed, vaccines & medicines, rice-husk or saw-dust, water and electricity etc…) are required to achieve good production.**

**Farm Requirements & Management**

**Production Assumptions**

|  |  |  |
| --- | --- | --- |
| **Product** | **Avg. Live Weight (kg)** | **Price per kg** |
| Chicken | 1.85 | Rs. 110 |

|  |  |
| --- | --- |
| Number of Flocks per year | **6** |
| Number of Birds per Flock | **35,000** |
| Time required per Flock (Days) | **40** |
| Lag time required per Flock (Days) | **15** |
| Total Annual Production Capacity | **210,000** |
| Shed Space Required per Bird (sq. ft.) | **0.65** |
| Sale price growth rate (%) | **10** |
| Production capacity utilization (%) | **100** |



**Skilled workers are needed to look after the feeding, vaccination and cleaning operations at the farm. Following manpower is required for a farm of 35,000 birds:**

**Manpower Requirements**

|  |  |  |  |
| --- | --- | --- | --- |
| Description (HR  Requirements) | NO | Salary per  month | Salary per  Year |
| Supervisor | **1** | **10,000** | **120,000** |
| House man | **2** | **11,000** | **132,000** |
| Electrician | **1** | **7,500** | **90,000** |
| Watch man | **2** | **11,000** | **132,000** |
| Cleaner | **1** | **6,000** | **72,000** |
| Total | **9** | **45,500** | **546,000** |

**Various types of farm equipment’s are needed for feeding, drinking and handling the birds. List of farm equipment, which will be needed, is as under:**



**Farm Equipment’s & Machinery**

|  |  |
| --- | --- |
| **Description** | **Amount Rs.** |
| **Main Feed Line System** | **85,000** |
| **Feed Pan System** | **524,170** |
| **Nipple Drinking System** | **337,470** |
| **Ventilation System (Cone Fans)** | **308,700** |
| **Minimum Ventilation Fan** | **60,782** |
| **Pad Cooling System** | **142,296** |
| **Minimum Ventilation System (Air Inlets with Accessories)** | **185,304** |
| **Motor for Air Intel** | **26,000** |
| **Controlling Equipment’s** | **45,000** |
| **Heating System** | **250,000** |
| **Total Cost of Machinery** | **1,964,722** |

**It is recommended that the proposed project should be started in a purchased land. These sheds are located along roadsides around cities and rural areas. Suburban and rural areas around the major cities of the country are the suitable areas for setting up a poultry farm. Setting up a farm at an isolated place will minimize the risk of disease.**

*Industry Profile*

**Land & Building**

**The farm should be located at a place where transportation of birds and feed can be handled easily. There should be following things are available at the farm site:**

* **Electricity connection**
* **Drinking quality water**

**Our control shed is located under all these characteristics. Our farm is at main road so we can easily transport from farm to markets and there is availability of Electricity connection as well as drinking quality water.**

**Land requirement for Control shed is given below:**

|  |  |  |
| --- | --- | --- |
| **Land** | **Per Acre Cost** | **Total Cost Rs.** |
| **1.5 Acre** | **1,000,000** | **1,500,000** |

**Total Building and infrastructure cost for Control shed is given below:**

**Land & Building**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Area (sq.ft.)** | **Cost (Rs. / sq.ft.)** | **Total (Rs.)** |
| Shed Space (380ft X 61ft) | **23,180** | **570** | **13,212,600** |
| **Building for Resident & Office Purposes Ground Floor** | | | |
| Feed Store | **500** |  |  |
| Toilet Block | **100** |  |  |
| Admin Office | **100** |  |  |
| Areas for Corridor | **150** |  |  |
| Generator Set Room | **400** |  |  |
| Store for Vaccine & Medicines & Misc. | **150** |  |  |
| Changing / Store Room | **100** |  |  |
| Rooms for Staff | **400** |  |  |
| Kitchen | **80** |  |  |
| Total Area | **1980** | **750** | **14,85,000** |
| Boundary wall 7 feet height |  |  | **500,000** |
| |  | | --- | | **Total Building & Infrastructure Cost** | | | | **14,697,600** |

**Costs for a startup business can be divided up into two major categories:**

**Various Types of costs**

1. **Administrative Costs:**

Various types of things you need to have on a daily basis to operate a business:

|  |  |
| --- | --- |
| Administration expense | **546,000** |
| Administration benefits expense | **16,380** |
| Travelling expense | **27,300** |
| Communication expense | **16,380** |
| Office expense (stationary etc…) | **16,380** |
| Professional fees (legal, audit etc.) | **20,726** |
| Depreciation expense | **1,029,639** |
| Amortization of pre-operating costs | **16,000** |
| **Subtotal** | **1,688,805** |

1. **Cost of Sale:**

Various types of things you need to have for sale your product:

|  |  |
| --- | --- |
| Cost of DOC | **12,600,000** |
| Cost of Feed | **18,000,000** |
| Operations costs (direct labor) | **300,000** |
| Vaccination, Medication & Disinfection | **1,500,000** |
| Direct Electricity | **2,000,000** |
| Diesel for Generator & Heater | **1,500,000** |
| Litter & Spray Cost | **240,000** |
| **Total cost of sales** | **36,140,000** |

**Costs when business will going on can be divided up into two major categories**

1. **Fixed Cost:**

**In economics, fixed costs are business expenses that are not dependent on the level of goods or services produced by the business.**

**Basically, almost all admin & general expenses are our fixed costs because salaries, office expenses etc… will be occur while production is being or not.**

**Various Types of costs**

1. **Variable Cost:**

**Variable costs are expenses that change in proportion to the activity of a business.**

**Basically, almost all costs of sales are our variable expenses.**

|  |  |
| --- | --- |
| **Capital Investment** | **Rs.** |
| Land | **1,500,000** |
| Building/Infrastructure | **14,697,600** |
| Machinery & Equipment | **2,882,591** |
| Furniture & Fixture | **35,000** |
| Office equipment | **30,000** |
| Pre-Operating Costs | **80,000** |
| **Total Capital Costs** | **19,225,191** |
|  |  |

|  |  |
| --- | --- |
| **Working Capital** | **Rs.** |
| Raw material inventory | **5,200,000** |
| Cash | **500,000** |
| **Total Working Capital** | **5,700,000** |

|  |  |
| --- | --- |
| **Total Investment** | **24,925,191** |

**Total Project Cost**

**A cost benefit analysis is done to determine how well, or how poorly, a planned action will turn out. Although a cost benefit analysis can be used for almost anything, it is most commonly done on financial questions**. **Cost benefit analysis relies on the addition of positive factors and the subtraction of negative ones to determine a net result.**

**Cost-Benefit Analysis**

**Total cost on this Project\*= 39,522,341**

**Total Revenue earn from this business\*\*= 41,452,950**

**So,**

**Total Profit earn from this business per year = 1,930,609**

**Cost benefit analysis clearly shows that the starting of this business is justified. And the business will save almost Rs/= 190,000 a year.**

**\* Total cost includes Cost of Sales, General Administration & Selling costs, Interest and taxes.**

**\*\* Total Revenue includes Revenue from sale of birds.**

**Total revenue**

|  |  |
| --- | --- |
| Revenue from sale of birds  **Income Statement Analysis** | **41,452,950** |
| Sale of Feed Bags | **-** |
| Sale of Rice Husk | **-** |
| **Total Revenue** | **41,452,950** |

**Cost of Sales**

|  |  |
| --- | --- |
| Cost of DOC | **12,600,000** |
| Cost of Feed | **18,000,000** |
| Operations costs (direct labor) | **300,000** |
| Vaccination, Medication & Disinfection | **1,500,000** |
| Direct Electricity | **2,000,000** |
| Diesel for Generator & Heater | **1,500,000** |
| Litter & Spray Cost | **240,000** |
| **Total cost of sales** | **36,140,000** |

**Gross Profit: Total revenue – Total Cost of Sales**

|  |  |
| --- | --- |
| **Gross Profit** | **5,312,950** |

**General Administration & selling Expenses**

**Income Statement Analysis**

|  |  |
| --- | --- |
| Administration expense | **546,000** |
| Administration benefits expense | **16,380** |
| Travelling expense | **27,300** |
| Communication expense | **16,380** |
| Office expense (stationary etc…) | **16,380** |
| Professional fees (legal, audit etc.) | **20,726** |
| Depreciation expense | **1,029,639** |
| Amortization of pre-operating costs | **16,000** |
| **Subtotal** | **1,688,805** |

**Operating Income**

|  |  |
| --- | --- |
| **Operating Income** | **36,24,145** |

**Earnings before Interest & Tax**

|  |  |
| --- | --- |
| **Earnings Before Interest & Tax** | **36,24,145** |

**Interest expense on Long term debt**

|  |  |
| --- | --- |
| **Interest expense on Long term debt** | **10,50,000** |

**Tax**

|  |  |
| --- | --- |
| **Tax** | **643,536** |

**NET PROFIT: Operating Income – Interest & Tax**

|  |  |
| --- | --- |
| **Net Profit after Tax** | **19,30,609** |

**The statement of Income clearly show that after invest in this business, we can earn 160,800 monthly and almost 1.9 Million yearly. As mention above:**

**Profit & loss Analysis**

**Total cost on this Project= 39,522,341**

**Total Revenue earn from this business= 41,452,950**

**So,**

**Total Profit earn from this business per year = 1,930,609**

**Profit that estimate for next 10 years is plot below:**

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*Thank You*