

BUSINESS PLAN
Lai Yuen Poh

1 NAME OF BUSINESS

The business will be known as “Red claw Conqueror Pte Ltd”.

2 BRIEF DESCRIPTION OF BUSINESS

Describe the main activities of the business (e.g. retailing, wholesaling, services or manufacturing).

The proposed business is a manufacturing /production business. It will breed Redclaw crayfish and supply them to seafood restaurants.

3 LEGAL STRUCTURE

Is your business a sole proprietorship, a partnership, a private limited company or a corporation? Explain your decision.

The business is a private limited company consisting of seven members because it intends to raise additional capital through equity sales to three corporate investors.

4 BUSINESS OBJECTIVE(S)

Specific short-term and long-term objectives must be defined. You should clearly state what sales, market share, and profitability objectives (e.g. annual net profit) you want your business to achieve.

Short-term objectives (1 to 2 years):

*(1) to capture 50 percent of the local seafood market and
(2) to achieve a net profit of 52 percent(a measurable action) by second year:(date)*

Long-term objectives (3 to 5 years)

*(1) to export Redclaw to foreign markets including Japan, Malaysia and Indonesia and
(2) to broaden product offering with species utilizing similar production processes.*

5 DESCRIPTION OF PRODUCTS AND/OR SERVICES

The product description should detail its use and function, along with the needs your product serves. Try to describe the benefits of your product from your customers' perspectives.

Identify any innovative (special) features and explain how you would protect the product from imitation by competitors, e.g. patent protection or any other proprietary protections.

If a new product or unique product is to be offered and a working model or prototype is available, a photograph (picture or drawing) of it should be included in this section.

Investors typically are not interested in a one-product category. Therefore, you should also discuss logical extensions of the company's product line and future enhancements in the product.

5.1 PRODUCT DESCRIPTION

Redclaw Conqueror will utilize aquaculture, which consists of breeding of salt and fresh water aquatic species in a controlled, manmade environment, to produce top quality fish, crustaceans and mollusks.

*The Redclaw crayfish, *Cherax Quadricarinatus* (von Martens), is a type of freshwater crayfish which originated from Australia and shows great potential for aquaculture production. When tested against rock lobster, the cooked meat of the Redclaw crayfish has a pleasing and firm texture. It also has a mild flavour. In sensory evaluation, it is rated as good as the rock lobster.*

The Redclaw crayfish however, is fresher, healthier, cheaper and more attractive in colour and form. It is also able to achieve a substantial size and thus has a good flesh recovery.

5.2 BUYING MOTIVES, e.g. price, quality, service, geographical location, necessity, etc.

Almost 100 percent of seafood available in Singapore, especially lobster, is imported as frozen products. Thus the present market is characterized by high costs, spotty availability, uneven quality and undependable delivery. All imports of seafood into Singapore will be priced higher due to inclusion of freight and storage charges.

Redclaw Conqueror's products will offer seafood restaurants the following presently unavailable advantages:

- 1. Fresh (not frozen product) and hygiene*
- 2. Desired size and quantity*
- 3. Consistent availability*
- 4. Dependable delivery*
- 5. Price stability*
- 6. Contract growing/breeding for large customers*

5.3 SPECIAL FEATURES (include details of proprietary protections)

Because of the special feed and manipulated environment, the brownish-red Redclaw crayfish not only look like small lobster but also taste like them. Both the special feed and environmental settings will be our carefully guarded trade secrets.

5.4 ATTACH PICTURES/DRAWING OF PRODUCTS/SERVICES

Refer to appendix for picture of Redclaw crayfish.

5.5 GIVE DETAILS OF ANY INTENDED FUTURE PRODUCT/SERVICE DEVELOPMENTS

In year 3, Redclaw Conqueror will begin to broaden its product offerings to include other freshwater species that are adaptable to the present production system.

6 MARKET ANALYSIS

6.1 CUSTOMERS (from the results of market research)

Who are your target customers going to be?

Our Redclaw crayfish, which is comparable to lobster in taste but yet at a more affordable price, can thus be introduced into the seafood restaurant market as a cheaper alternative source of lobster supply. This allows restaurants to offer lower menu prices so as to attract more customers and to compete more effectively.

AGE RANGE	SEX	INCOME	FAMILY SIZE	OTHER (E.g. customer area)
<i>Not Applicable</i>	<i>----</i>	<i>----</i>	<i>----</i>	<i>----</i>

6.2 GROWTH POTENTIAL

Identify favourable and unfavourable environmental trends that will affect the business in the future. List them, e.g. economic, demographic, cultural, technological, political and legal trends? Can the market be expanded? Why?

Our market research shows that most of the Chinese seafood restaurants are found on the eastern part of Singapore (at least 60 of them). For example, along East Coast Park there are already about eight to ten seafood restaurants clustered in one place. Recently, there has been an increasing number of seafood restaurants in Singapore. This is because more and more affluent Singaporeans are dining in seafood restaurants, especially for events like family reunion, birthday and wedding anniversaries. Quality and freshness are what they look for when selecting seafood. This in turn, is reflected in the criteria for the selection of seafood supplies by restaurant operators.

We expect growth in the seafood restaurant industry to accelerate.

6.3 COMPETITORS (IDENTIFY 2 OR 3 MAJOR COMPETITORS)

Who are your nearest competition (direct and indirect)? What have you learned about their operations? Discuss their strengths and weaknesses.

Redclaw crayfish is positioned against lobster. Thus there are no local competitors as almost all lobsters are imported.

COMPETITOR NAME	<i>Homebred Redclaw crayfish</i>	<i>Imported lobster (Foreign competitors)</i>	
PRICE (higher/lower than yours?)	<i>\$25/kg or lower Price advantage is due to absence of freight and storage charges</i>	<i>\$40/kg</i>	
PRODUCT (better/worse than yours?)	<i>Taste as good as lobster Lobster taste is due to the special feed</i>	<i>Authentic lobster taste</i>	
CUSTOMER SERVICE (better/worse than yours?)	<i>Stable supply Redclaw crayfish can be environmentally manipulated to breed out of season Stable price</i>	<i>Unstable supply Unstable price</i>	
GREATEST STRENGTHS	<i>Dependable delivery and lower price Fresh and hygenic</i>	<i>Undependable delivery and higher price Usually frozen products</i>	
KEY WEAKNESSES	<i>Smaller size than lobster</i>	<i>Larger size</i>	

6.4 What will your business specifically do to beat the competition (i.e. your competitive advantage)? You can combine several of the following advantages, if possible: quality, price, location, selection, service, speed/turnaround time, etc.

Redclaw Conqueror's major competitive advantages over foreign competitors are prompt and reliable delivery and the absence of freight and storage charges. Thus, it can provide a fresh product at a very competitive price in Singapore.

6.5 MARKET SHARE

Explain why you think you can capture a share of their business or keep them from capturing a share of yours. What is their share of the market?

We aim to capture 50 percent of the seafood restaurant market by year two. This is possible because stiff competition among seafood restaurants will force them to constantly

source for better substitutes (comparable if not higher in quality, but lower in price) for their current seafood supplies like Redclaw crayfish for rock lobster.

	COMPETITOR A <i>Foreign Importers</i>	COMPETITOR B ----	COMPETITOR C ----
MARKET SHARE (%)	<i>50%</i>	----	----

SURVEY QUESTIONNAIRE

(Attach Survey Questionnaire and Finding/Results Here)

Dear Sir/Madam,

We are a group of final-year Ngee Ann Polytechnic students from the Business Studies and Biotechnology Departments. Currently we are conducting a survey to find out whether there is a market for our home-bred Redclaw crayfish. We would appreciate it if you could kindly spare a few minutes to complete our survey questionnaire.

Please be assured that all the information provided will be kept confidential.

Thank you.

-
1. *What type of crayfish do you serve? _____
(Please skip Q2 & Q3 if you are currently serving Redclaw crayfish.)*

 2. *Are you aware of the Redclaw crayfish?*
Yes () *(Proceed to Q3)*
No ()

 3. *What are your reasons for not serving the Redclaw crayfish?*

 4. *Where do you obtain current supplies of crayfish?*
(a) *Local suppliers* () *Please state the name/s of supplier/s* _____
(b) *Imported* () *Please state the country/s of origin* _____

 5. *How did you get to know your current supplier/s for crayfish?*
(a) *Recommendations by business associates, friends, relatives, etc* ()
(b) *Commericals, e.g. television, radio, etc.* ()
(c) *Yellow pages* ()
(d) *Approach by supplier/s* ()
(e) *Others* ()
Please specify _____

 6. *What is the average quantity (in kg) of crayfish you order each time from your supplier/s?*

 7. *How is your frequency of order of crayfish from your supplier/s?*
(a) *Once a week* ()
(b) *Twice a week* ()
(c) *Once a fortnight* ()

- (d) Once a month ()
 (e) Other () Please specify _____

8. Which of the following problem/s are you facing with your current supplier/s?

- (a) No problem ()
 (b) Unreliable supply (due to seasons) ()
 (c) Long lead time ()
 (d) Unstable price ()
 (e) Other ()
 Please specify _____

9. How do you rate your current supplier/s of crayfish in terms of:

Supplier A: _____

	<i>Very Good</i>	<i>Poor</i>	<i>Average</i>	<i>Good</i>	<i>Very Good</i>
<i>Freshness</i>					
<i>Suppliers' service</i>					
<i>Lead time</i>					
<i>Price</i>					

Supplier B: _____

	<i>Very Good</i>	<i>Poor</i>	<i>Average</i>	<i>Good</i>	<i>Very Good</i>
<i>Freshness</i>					
<i>Suppliers' service</i>					
<i>Lead time</i>					
<i>Price</i>					

Supplier C: _____

	<i>Very Good</i>	<i>Poor</i>	<i>Average</i>	<i>Good</i>	<i>Very Good</i>
<i>Freshness</i>					
<i>Suppliers' service</i>					
<i>Lead time</i>					
<i>Price</i>					

10. How much are you currently paying for 1 kg of crayfish?

- (a) \$20 and below ()
- (b) \$21 - \$30 ()
- (c) \$31 - \$40 ()
- (d) \$41 - \$ 50 ()
- (e) \$51 and above ()

11. Please rate the following criteria in order of importance when you select crayfish.

("1" being the most important)

- Price ()
- Freshness ()
- Taste ()
- Size ()
- Hygiene ()

12. Would you buy our homebred Redclaw crayfish which tastes like rock lobster but is priced at:

- (a) less than \$20 per kg ()
- (b) \$20 - \$29 per kg ()
- (c) \$30 - \$39 per kg ()
- (d) \$40 and above ()

Data Analysis

1. Size of Sample: 50 seafood restaurants spread throughout Singapore
2. Method of Selecting Sample: Randomly selected (refer to Appendix for List of Seafood Restaurants Surveyed)
3. Method of Conducting Survey (Personal Interview/Mail Survey/Telephone Survey): Personal interview
4. Main Finding/s: Results of the survey carried out in mid-October 1995 showed that about 87% of the 50 restaurant operators were keen to try out our Redclaw crayfish as long as our crayfish is fresh and tastes like rock lobster and is priced between \$20 and \$29 per kg.

7 MARKETING

Explain how your marketing strategy follows from the assessment of the market.

7.1 PRICE

This should explain what the pricing policy is and why. Does the firm intend to adopt perceived-value pricing (based on the customers' perception of value), 'going rate' pricing (based largely on what competitors are charging), target return pricing (to achieve a targeted or desired return) or markup pricing (pricing by adding a standard markup)? If relevant, it might describe how the price for a customer is arrived at.

What would be the price if it is calculated on the basis of:

PERCEIVED VALUE (what the customer would be prepared to pay)	COMPETITION (with similar products)	TARGET PROFIT (to achieve a pre-determined target profit for investors)	COST-PLUS (costs of production + a % mark up)
<i>\$20 to \$29 per kg</i>	<i>\$40/kg</i>		

What price do you intend to charge?

\$25/kg, almost half the price of lobster. The margin made will be about \$18/kg as cost of good is \$7.

Cost of good (production) = Cost of materials + Cost of labour + Overhead

Price = Cost of production + profit margin

What are your selling terms (cash or credit)? *Cash*

7.2 DISTRIBUTION & SALES STRATEGY

Which sales methods will be used (e.g. appointing salespeople to sell products or appointing sales representatives to promote products to a wider potential market, or to sell products through distributors or direct mail)? How distributors and/or sales representatives will be selected, and which geographical areas they would have to cover?

As is typical of seafood industry, we will sell and distribute direct to the seafood restaurant operators. We will utilize our own vehicles and employees to maintain maximum control and monitor closely our customers' needs. The market practice is to deliver the goods the following morning after the order is received.

<p>7.3 PROMOTION & ADVERTISING This should describe how the business will communicate with the proposed customers, e.g. by telephone or mail shots.</p>			
<p>7.3.1 PROMOTION CHANNELS Will you be advertising? If so, what are your customer media habits? <i>We will be advertising. Seafood restaurant operators are likely to read advertisements in:</i> * <i>Yellow Pages</i> * <i>Trade Directories</i> * <i>Bus Panels</i> * <i>Local newspapers</i> *</p>			
<p>7.3.2 PROMOTIONAL ACTIVITIES</p>			
<p>PROMOTIONAL CHANNELS personal selling, advertising (magazines, newspapers, TV, radio, Yellow Pages, etc.), publicity, trade shows and displays, corporate gifts, sponsorships of competitions</p>	<p>PROMOTION MATERIALS</p>	<p>FREQUENCY (annually, monthly, weekly, regularly/daily, etc.)</p>	<p>ANNUAL COSTS</p>
<p>Personal Selling</p>	<p><i>Approach seafood restaurant operators personally to promote Redclaws. Provide pamphlets and brochures</i></p>	<p><i>At least once a month</i></p>	<p><i>\$5,000</i></p>
<p>Advertising</p>	<p><i>5. Yellow Pages</i> <i>6. Relevant Trade Directories</i> <i>7. Transit Advertising (using the two company delivery vans)</i> <i>8. Local papers (approach journalist and/or food writers to feature cooked dishes with</i></p>	<p><i>1. Whole year</i> <i>2. Whole year</i> <i>3. Whole year</i> <i>4. Occasionally</i></p>	<p><i>\$1,000</i> <i>\$14,000</i> <i>\$5,000</i> <i>\$14,000</i></p>

	<i>Reclaws)</i>		
Publicity	<i>Press Conference (invite restaurant operators and industrial professionals for the launch)</i>	<i>1. During launch</i>	<i>\$10,000</i>
Food Fair '97	<i>Set up a booth (Give cooking demonstration, brochures and pamphlets)</i>	<i>1. During Food Fair in July 97</i>	<i>\$5,000</i>
Total A & P Expenditure			

8 MANAGEMENT & STAFF

You need to demonstrate the capacity of your management team and its advisers. Include an organization chart.

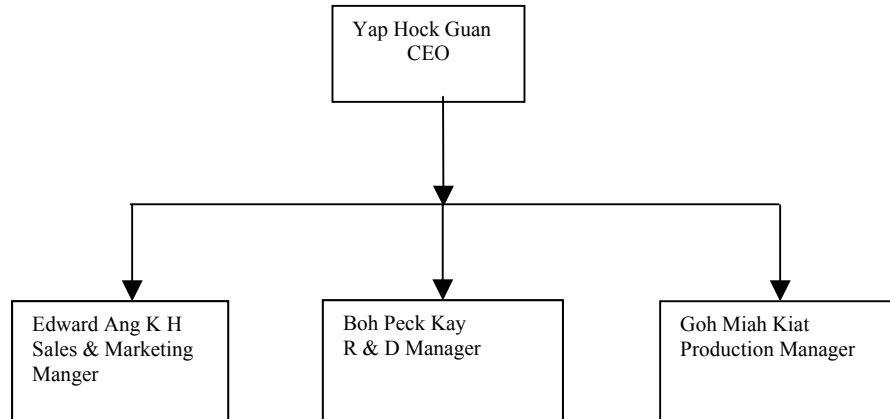
8.1 MANAGEMENT

NAME	<i>Yak Hock Guan</i>	<i>Ang Kheng Hong, Edward</i>	<i>Goh Miah Kiat</i>	<i>Boh Peck Kay</i>
TITLE	<i>Chief Executive Officer</i>	<i>Sales & Marketing Manager</i>	<i>Production Manager</i>	<i>R & D Manager</i>
JOB DESCRIPTION (DUTIES & RESPONSIBILITIES)	<i>Initially coordinate the overall operation for the company, and subsequently in strategic planning and product innovation</i>	<i>Oversee all the sales and marketing activities</i>	<i>Be responsible for the production process for the company</i>	<i>Coordinate the works of technical staff and the aquaculturists</i>
EXPERIENCE & QUALIFICATIONS	<i>Final-year Biotechnology student from NP. Has received training in National Service and excelled in</i>	<i>Final-year Business Studies student from NP. Has had experience in running a mini-</i>	<i>Final-year Biotechnology student. Has done research on cultivation of crayfish.</i>	<i>Final-year Biotechnology student. Two months research experience in Institute of Molecular and Cell Biology</i>

	<i>leadership quality. Two months working experience in the Primary Production Department</i>	<i>store on campus.</i>			<i>(IMCB).</i>
COMPENSATION PACKAGE (SALARY, BONUS, PROFIT SHARING, ETC.)	<i>\$1,200/month</i>	<i>\$1,200/month</i>	<i>\$1,200/month</i>	<i>\$1,200/month</i>	<i>\$1,200/month</i>
8.2 STAFF					
List employees (not owner or manager)					
NAME	<i>DR #1</i>	<i>GW #1</i>	<i>GW #2</i>	<i>GW #3</i>	<i>GW #4</i>
POSITION	<i>Delivery driver</i>	<i>General worker</i>	<i>General worker</i>	<i>General worker</i>	<i>General worker</i>
JOB DESCRIPTION (DUTIES & RESPONSIBILITIES)	<i>Works 4 hours a day to assist with delivery</i>	<i>Works 4 hours a day to assist with daily business operations</i>	<i>Works 4 hours a day to assist with daily business operations</i>	<i>Works 4 hours a day to assist with daily business operations</i>	<i>Works 4 hours a day to assist with daily business operations</i>
SKILL LEVEL	<i>Class 2 driving license</i>	<i>Secondary School</i>	<i>Secondary School</i>	<i>Secondary School</i>	<i>Secondary School</i>
FULL TIME/PART-TIME/SEASONAL	<i>Part-time</i>	<i>Part-time</i>	<i>Part-time</i>	<i>Part-time</i>	<i>Part-time</i>
PAYMENT (HOURLY, MONTHLY, COMMISSION, ETC.)	<i>\$7 an hour</i>	<i>\$5 an hour</i>	<i>\$5 an hour</i>	<i>\$5 an hour</i>	<i>\$5 an hour</i>

ATTACH ORGANISATION CHART :

Refer to Appendix for organization chart.



8.3 ADVISERS

NAME	(Accountant)	(Technology)	(Insurance Company)	(Banker)
	<i>Lai Yuen Poh</i>	<i>Dr Phang CH</i>		
ADDRESS	<i>BA School, NgeeAnn</i>	<i>Life Sciences School, NgeeAnn</i>		

9 SALES FORECAST

Estimate your monthly sales based on average monthly sales of similar sized competitor in the same industry. Adjustments must be made for start-up (rule-of-thumb: 50% lower for initial months). Also remember to adjust your sales to take care of industry trends, seasonality, etc.

MONTH	AVERAGE MONTHLY SALES	% START-UP ADJUSTMENT	ADJUSTED SALES	FORECAST SALES <i>(kg)</i>
1 ST				<i>0</i>
2 ND				<i>5000</i>
<i>3</i>				<i>6000</i>
<i>4</i>				<i>6000</i>
<i>5</i>				<i>6500</i>
<i>6</i>				<i>6500</i>
<i>7</i>				<i>8000</i>
<i>8</i>				<i>9300</i>
<i>9</i>				<i>8600</i>
<i>10</i>				<i>9000</i>
<i>11</i>				<i>6500</i>
<i>12</i>				<i>6600</i>
TOTAL				<i>78000</i>

9.1 ASSUMPTIONS OF FORECAST

Write down the assumptions you have made in preparing your forecast:

- *
- *
- *
- *
- *

Sales forecast is based on the estimated orders from seafood restaurants. No sales during the first month as time is needed for Redclaw crayfish to grow into marketable size.

10 COST OF DOING BUSINESS

10.1 SET-UP COSTS (PAID ONLY ONCE)

ITEM	COST
Inventory—Larvae Investment	<i>\$93,060</i>
Fixtures and equipment -2 Biofilters @ \$10,000 each=\$20,000 -Office equipment (including computer system, telephone, office furniture, etc.)=\$8,000	<i>\$28,000</i>
Building and Renovation (Construction and Renovation/Leasehold Improvements) -Construction of 156 concrete tanks of the farm=\$2,500	<i>\$2,500</i>
Deposits (lease/utility/etc.) -Lease of farmland=\$2,500 -Utilities (farm) =\$4,000	<i>\$6,500</i>
Prepaid Expenses (Insurance/Opening Promotion/Legal Fess/Accounting Fees/etc.): -Legal and Accounting Fees=\$10,000 -Opening Promotion=\$4,500	<i>\$14,500</i>
Cash on hand	-
Other	-
Total Paid Only Once Expense	<i>\$144,560</i>

10.2 ESTIMATED MONTHLY EXPENSE (fixed costs)		
ITEM	MONTHLY	YEARLY (MONTHLY X 12)
Utilities (including telephone)	<i>\$1,000</i>	<i>\$12,000</i>
Owner/s Salaries	<i>\$8,400</i>	<i>\$100,800</i>
Staff Salaries	<i>\$3,200</i>	<i>\$38,400</i>
Advertising	<i>\$4,500</i>	<i>\$54,000</i>
Insurance	<i>\$100</i>	<i>\$1,200</i>
Loan Payment and Interest	-	-
Rent/Lease	<i>\$2,500</i>	<i>\$30,000</i>
Transportation	<i>\$800</i>	<i>\$9,600</i>
Maintenance	<i>\$500</i>	<i>\$6,000</i>
Legal and Accounting Fees	-	-
Office Supplies	-	-
Miscellaneous	-	-
Total Fixed Expense (Monthly/Yearly)	<i>\$21,000</i>	<i>\$252,000</i>

10.3 START-UP CAPITAL	
Projected Start-Up Costs for First Month (Start-Up Expense) x 3 Months	<i>\$63,000</i>
Projected Set-Up Costs (Only-Once Expense)	<i>\$144,560</i>
Total Start-Up Capital	<i>\$207,560</i>

10.4 INCOME STATEMENT (First Year)	
Total Sales <i>(78,000kg@\$25 per kg)</i>	<i>\$1,950,000</i>
Cost of Goods Sold <i>(78,000kg@\$7 per kg)</i>	<i>\$546,000</i>
Gross Profit	<i>\$1,404,000</i>
Total Year Expense <i>= \$252,000</i>	
Total Only Once Expense <i>= \$144,560</i>	<i>\$396,560</i>
Net Profit/Net Loss	<i>\$1,007,440</i>

10.5 CASH FLOW FORECAST (First Year)												
Month	1	2	3	4	5	6	7	8	9	10	11	12
SALES												
Volume (kg):		5000	6000	6000	6500	6500	8000	9300	8600	9000	6500	6600
Value: (in \$1,000)		\$125	150	150	162.5	162.5	200	232.5	215	225	162.5	165
RECEIPTS (in \$1,000)												
Sales-cash		125	150	150	162.5	162.5	200	232.5	215	225	162.5	165
Sales-credit												
Capital introduced	220											
Grants/loans, etc.												
Total (A)	220	125	150	150	162.5	162.5	200	232.5	215	225	162.5	125
PAYMENTS (in \$1,000)												
Cost of Goods		35	42	42	45.5	45.5	56	65.1	60.2	63	45.5	46.2
Utilities	1	1	1	1	1	1	1	1	1	1	1	1
Salaries	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6
Advertising	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Insurance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest												
Rent	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Transportation	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Maintenance	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Professional Fees												
Office Supplies												
Miscellaneous												
Set-Up Costs	144.6											
Total (B)	165.6	56	63	63	66.5	66.5	77	86.1	81.2	84	66.5	67.2
CASH BALANCES (in \$1,000)												
Cash flow (A)-(B)	54.4	69	87	87	95.5	95.5	123	146.4	133.8	141	95.5	57.8
Opening balance	0	54.4	123.4	210.4	297.4	392.9	488.4	611.4	757.8	891.6	1032.6	1128.1
Closing balance	54.4	123.4	210.4	297.4	392.9	488.4	611.4	757.8	891.6	1032.6	1128.1	1185.9

11 BREAK-EVEN & RETURN ON INVESTMENT

11.1 BREAK-EVEN ANALYSIS (MONTHLY)

$$\begin{aligned} \text{Gross Margin \%} &= \$1,404,000 \div \$1,950,000 \\ &= 0.72 \end{aligned}$$

Break-Even Sales =

Total Fixed Costs

$$\text{-----} = \$252,000 / 0.72 = \$350,000 \text{ per year}$$

Gross Margin %

$$\begin{aligned} &= \$29,167 \text{ per month} \approx \$25 \\ &= 1,167\text{kg per month} \end{aligned}$$

The business needs to sell *\$29,167 or 1,167kg* each month to reach Break-Even.

11.2 RETURN ON INVESTMENT (First Year)

Net Profit before Tax

$$\text{-----} = \$1,007,440 / \$220,000 \times 100 = 458 \%$$

Owners' Equity

The business has a yearly Return on Investment of 458 %

12 START-UP CAPITAL RESOURCING (SOURCE OF FUNDS)

Here indicate the expected source and nature of funding (e.g., overdraft for 8 months)

Investor	Investment	Ownership
Yak Hock Guan	\$25,000	9.0%
Edward Ang K.H.	\$25,000	9.0%
Goh Miah Kiat	\$20,000	7.4%
Boh Peck Kay	\$20,000	7.4%
Shabrina Bte Abdul Majid	\$20,000	7.4%
Jessica Toh Y.L.	\$20,000	7.4%
Lock Siew Ting	\$20,000	7.4%
Corporate Investor #1	\$40,000	15.0%
Corporate Investor #2	\$40,000	15.0%
Corporate Investor #3	\$40,000	15.0%
Bank Loan (Short-term)	-	
Bank Loan (Long-term)	-	
Total	\$220,000	100%

EXECUTIVE SUMMARY (2-page summary)

Briefly describe:

- type of business activity
 - indicate whether manufacturing, wholesale, retail, or service
 - state form of ownership and who are the principal owner
- primary product or service
 - briefly describe the product and its uniqueness (if it is not unique why will it succeed)
- management
 - list the top 2 or 3 people and emphasize their industry experience/management background
- market and competition
 - mention the competition to illustrate the niche (segment) your firm occupies
 - define target market (size, growth potential)
 - your advantage over the competition (competitive advantage/s)
 - your pricing, promotion and distribution or sales strategy
- funds required
 - briefly state exactly how much money you need to raise
 - state whether it is through equity or debt financing? (or some hybrid)
- collateral
 - for debt financing, indicate whether collateral is available and what form will it take
- use of proceeds
 - briefly indicate how the money will be used, e.g. pay salaries, build inventory (be specific)
- financial projections (for 1 year)
 - complete the table below
 - emphasize profitability

Appendix

(You must attach the following financial projections in the Appendix.)

COST OF DOING BUSINESS	
SET-UP COSTS (PAID ONLY ONCE)	
ITEM	COST
Inventory	
Fixtures and equipment -Breakdown	
Building and Renovation - Breakdown	
Deposits (lease/utility/etc.) - Breakdown	
Prepaid Expenses - Breakdown	
Cash Required	
Others	
Total Paid Only Once Expense	

ESTIMATED MONTHLY EXPENSE (fixed costs)		
ITEM	MONTHLY	YEARLY (MONTHLY X 12)
Utilities (including telephone)		
Owner/s Salaries		
Staff Salaries		
Advertising		
Insurance		
Loan Payment and Interest		
Rent/Lease		
Transportation		
Maintenance		
Legal and Accounting Fees		
Office Supplies		
Miscellaneous		
Total Fixed Expense (Monthly/Yearly)		
START-UP CAPITAL		
Projected Start-Up Costs for First Month (Start-Up Expense) x 3 Months		
Projected Set-Up Costs (Only-Once Expense)		
Total Start-Up Capital		

Note: Not all cells are required to be filled.

INCOME STATEMENT (First Year)	
Total Sales	
Cost of Goods Sold	
Gross Profit	
Total Year Expense	
Total Only Once Expense	
Net Profit/Net Loss	

SOME FINANCIAL HIGHLIGHTS			
	1 st Year	2 nd Year	3 rd Year
Sales Revenues			
Net Income (Net Profit)			
Net Profit Margin			
Break-Even Sales			
Return on Equity			

Executive Summary

Redclaw Conqueror is a seafood producer using aquaculture to breed commercially viable top quality Redclaw crayfish in Singapore. It will be formed as a private limited company consisting of seven founding members and three corporate investors.

*The Redclaw crayfish, *Cherax Quadricarinatus*, is a type of freshwater crayfish which originated from Australia and shows great potential for aquaculture reproduction. When tested against rock lobster, the cooked meat of the Redclaw crayfish has a pleasing and firm texture. It also has a mild flavour. In sensory evaluation, it is rated as good as rock lobster.*

The Redclaw crayfish, however, is fresher, healthier, and cheaper as most of the lobster is imported. It is also able to achieve a substantial size and thus has a good flesh recovery.

Redclaw Conqueror will be owned by seven founding members. The business will be structured as a private limited company, with Yap Hock Guan, Edward Ang Kheng Hong and Boh Peck Kay bearing the titles of Chief Executive Officer, Marketing & Sales Manager and R & D Manager respectively. Yap Hock Guan is a final-year Biotechnology student from NgeeAnn. He has received leadership training during his National Service. His two months working experience in the Primary Production Department has also equipped him with relevant knowledge. Edward Ang is a final-year Business Studies student. As a mini-stall operator in the NgeeAnn campus he has gained significant experience in sales and marketing. Boh Peck Kay is a final-year Biotechnology student. Her two months' research experience in Institute of Molecular and Cell Biology (IMCB) will give her the confidence to head the R & D Section.

The company naturally targets at seafood restaurants because of its seafood products. Recently there have been an increasing number of seafood restaurants in Singapore, especially in the East Coast Park area. This is due to more and more affluent Singaporeans dining out. Quality and freshness are what they look for when selecting seafood. This in turn, is reflected in the selection criteria of seafood supplies by such restaurant operators. The keen competition also forces the restaurant operators to look for cheaper substitutes, e.g. Redclaw crayfish for lobster.

There is no aquaculture industry in Singapore so the company does not have to face direct local competition. Redclaw crayfish will be priced at \$25/kg and sold direct to the seafood restaurants. This is almost half the price of lobster at \$40/kg.

To create customer awareness of Redclaw crayfish as a substitute for lobster, the company will mount a series of promotional activities including advertising in Yellow Pages, relevant trade directories, transit advertising and local newspapers. In addition, the company will arrange for publicity via press conference and promotion by giving cooking demonstrations and participating in Food Fair '97.

The management team has committed to invest \$100,000 of its own funds and is seeking an additional \$120,000 of equity capital from investors to begin operations. The equity investment will largely be used for larvae investment, leasing the farmland and constructing the 156 concrete tanks. The remaining funds will be used for advertising and promotional activities during the launch of the new venture.

The company projects rapid acceptance of Redclaw crayfish in the seafood restaurant market, with first year sales revenue of \$1,950,000. It will breakeven within the first year and achieve a net profit margin of 50 percent.

Appendix

COST OF DOING BUSINESS	
SET-UP COSTS (PAID ONLY ONCE)	
ITEM	COST
Inventory—Larvae Investment	<i>\$93,060</i>
Fixtures and equipment -2 Biofilters @ \$10,000 each=\$20,000 -Office equipment (including computer system, telephone, office furniture, etc.)=\$8,000	<i>\$28,000</i>
Building and Renovation (Construction and Renovation/Leasehold Improvements) -Construction of 156 concrete tanks of the farm=\$2,500	<i>\$2,500</i>
Deposits (lease/utility/etc.) -Lease of farmland=\$2,500 -Utilities (farm)=\$4,000	<i>\$6,500</i>
Prepaid Expenses (Insurance/Opening Promotion/Legal Fess/Accounting Fees/etc.): -Legal and Accounting Fees=\$10,000 -Opening Promotion=\$4,500	<i>\$14,500</i>
Cash on hand	-
Other	-
Total Paid Only Once Expense	<i>\$144,560</i>

ESTIMATED MONTHLY EXPENSE (fixed costs)		
ITEM	MONTHLY	YEARLY (MONTHLY X 12)
Utilities (including telephone)	<i>\$1,000</i>	<i>\$12,000</i>
Owner/s Salaries	<i>\$8,400</i>	<i>\$100,800</i>
Staff Salaries	<i>\$3,200</i>	<i>\$38,400</i>
Advertising	<i>\$4,500</i>	<i>\$54,000</i>
Insurance	<i>\$100</i>	<i>\$1,200</i>
Loan Payment and Interest	-	-
Rent/Lease	<i>\$2,500</i>	<i>\$30,000</i>
Transportation	<i>\$800</i>	<i>\$9,600</i>
Maintenance	<i>\$500</i>	<i>\$6,000</i>
Legal and Accounting Fees	-	-
Office Supplies	-	-
Miscellaneous	-	-
Total Fixed Expense (Monthly/Yearly)	<i>\$21,000</i>	<i>\$252,000</i>
START-UP CAPITAL		
Projected Start-Up Costs for First Month (Start-Up Expense) x 3 Months	<i>\$63,000</i>	
Projected Set-Up Costs (Only-Once Expense)	<i>\$144,560</i>	
Total Start-Up Capital	<i>\$207,560</i>	

INCOME STATEMENT (First Year)	
Total Sales <i>(78,000kg@\$25 per kg)</i>	<i>\$1,950,000</i>
Cost of Goods Sold <i>(78,000kg@\$7 per kg)</i>	<i>\$546,000</i>
Gross Profit	<i>\$1,404,000</i>
Total Year Expense <i>= \$252,000</i>	
Total Only Once Expense <i>= \$144,560</i>	<i>\$396,560</i>
Net Profit/Net Loss	<i>\$1,007,440</i>

CASH FLOW FORECAST (First Year)												
Month	1	2	3	4	5	6	7	8	9	10	11	12
SALES												
Volume (kg):		5000	6000	6000	6500	6500	8000	9300	8600	9000	6500	6600
Value: (in \$1,000)		\$125	150	150	162.5	162.5	200	232.5	215	225	162.5	165
RECEIPTS (in \$1,000)												
Sales-cash		125	150	150	162.5	162.5	200	232.5	215	225	162.5	165
Sales-credit												
Capital introduced	220											
Grants/loans, etc.												
Total (A)	220	125	150	150	162.5	162.5	200	232.5	215	225	162.5	125
PAYMENTS (in \$1,000)												
Cost of Goods		35	42	42	45.5	45.5	56	65.1	60.2	63	45.5	46.2
Utilities	1	1	1	1	1	1	1	1	1	1	1	1
Salaries	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6	11.6
Advertising	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
Insurance	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Interest												
Rent	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Transportation	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Maintenance	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Professional Fees												
Office Supplies												
Miscellaneous												
Set-Up Costs	144.6											
Total (B)	165.6	56	63	63	66.5	66.5	77	86.1	81.2	84	66.5	67.2
CASH BALANCES (in \$1,000)												
Cash flow (A)-(B)	54.4	69	87	87	95.5	95.5	123	146.4	133.8	141	95.5	57.8
Opening balance	0	54.4	123.4	210.4	297.4	392.9	488.4	611.4	757.8	891.6	1032.6	1128.1
Closing balance	54.4	123.4	210.4	297.4	392.9	488.4	611.4	757.8	891.6	1032.6	1128.1	1185.9

SOME FINANCIAL HIGHLIGHTS			
	<i>1st Year</i>	<i>2nd Year</i>	<i>3rd Year</i>
<i>Sales Revenues</i>	<i>\$1,950,000</i>		
<i>Net Income (Net Profit)</i>	<i>\$1,007,440</i>		
<i>Net Profit Margin</i>	Net Profit Margin = Net Profit before tax x 100 ----- Sales = $(\$1,007,440 \div \$1,950,000) \times 100$ = <i>51.66%</i>		
<i>Break-Even Sales</i>	Gross Margin % = $\frac{\$1,404,000}{\$1,950,000}$ = <i>0.72</i> Total Fixed Costs ----- = $\frac{\$252,000}{0.72}$ Gross Margin % = <i>\$350,000 per year</i> = <i>\$29,167 per month</i> \div <i>\$25</i> = <i>1,167kg per month</i> The business needs to sell <i>\$29,167 or 1,167kg</i> each month to reach Break-Even.		
<i>Return on Equity</i>	Owners' Equity = Cash contributions from the owner (s) to purchase assets or set up reserves = $\$100,000 + \$120,000$ = <i>\$220,000</i> Net Profit before Tax ----- Owners' Equity = $\frac{\$1,007,440}{\$220,000} \times 100$ = <i>458 %</i> The business has a yearly Return on Equity (Investment) of <i>458%</i>		