

Assignment (Spring 2020)

Program: MBA-90

Semester: 4th

Course: Managerial Economics

Topic: Business Plan

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Q1. Using your managerial skills based on managerial economics; write down a **BUSINESS PLAN** of any product that will be beneficial to you in terms of profit as well as to the society.

The following steps to be incorporated.

1. Market survey
2. Demand Analysis
3. Cost analysis
4. Monetary returns / Benefits
5. Social benefits

Answer:

BUSINESS PLAN

M & M TEXTILES

BED LINEN STITCHING PLANT

1. Market survey

M & M Textiles focus of Bed Linen products because Bed Linen is one of the key value added product of textile sector with the wide collection of fabrics combination, textures, fabrics, designs and color, particularly fall in product category of textile made-ups / home textiles. The product range of bed linen mainly includes bed sheets, pillow covers, quits etc. Bed Linen has highest share in terms of production and export amongst all the made-ups in Pakistan.

The main reason for which **M & M Textiles** investing on Bed Linen textile is the growing awareness over the frequent physical and mental benefits offered to customer for more relaxing and rejuvenated good sleeping practice and the existence of well-established weaving sector both at large and small scale in Pakistan. This business has great potential in the export as well as in the local market. Bed Linen is among the largest sector in terms of production and exports amongst all the made ups in Pakistan. Pakistan is a major exporter of Bed Linen in the world.

M & M Textiles make most of the products in Bed Linen which are made from low-density fabrics of wider widths and can be easily manufactured on Power & Auto Looms, which forms the major portion of weaving industry of Pakistan. The competitive edge in cotton has also played an important role in development of this sector.

The bed linen products of **M & M Textiles** will mainly target local market & customers in all over the Pakistan, as profit margin.

M & M Textiles is assumed to operate as a sole-proprietorship and is primarily based on the stitching of bed linen set and can run on orders manufacturing basis, particularly from exporters, traders and international buyers.

The product mix of the planned product mainly comprised with below mention Product detail & specifications.

Product Description

Description	No	Items	Measurement
			W x L x H
Twin Set	1	Flat	170 cm x 245 cm
	1	Fitted	180 am x 230 cm + 20 cm
	1	Pillow	55 cm x 80 cm + 15 cm
Full Set	1	Flat	210 cm x 245 cm
	1	Fitted	180 am x 230 cm + 20 cm
	2	Pillows	55 cm x 80 cm + 15 cm
Queen Set	1	Flat	230 cm x 260 cm
	1	Fitted	200 cm x 245 cm + 20 cm
	2	Pillows	55 cm x 80 cm + 15 cm
King Set	1	Flat	280 cm x 260 cm
	1	Fitted	245 cm x 245 cm + 20 cm
	2	Pillows	55 cm x 80 cm + 15 cm

2. Demand Analysis

M & M Textiles emphasis on major factors driving growth of Bed Linen products in the market of Pakistan & all over the world include effervescent innovation in indulgent materials such as cotton and silk which is pouring popularity of these materials over standard cotton and polyester varieties; changing home décor trends and increased frequency of purchase of target customers and shorter replacement cycle.

M & M Textile study that consumer interested in oversize beds and mattresses and increased demand for specially bed linen, which growing environmental awareness and increased in eco-friendly and evergreen popularity of patterned and embroidered pillows in geometric designs and shapes which increase sales of bed linen in Pakistan and in foreign countries.

M & M Textiles also discovered that key factor motivating growth in the region include stable economic growth of developing Pakistan economy, rising number of households, expanding retail network and easy access to the range of products, growing base of affluent middle class population and increased demand for designer and luxury bed linen.

Export of made-ups garment is ranked at 4th place in Pakistan's export commodities and represents the largest and faster growing market worldwide with exports of 17.5 % over the analysis period.

Countries like USA, UK, Spain, Germany, Belgium and Netherlands are the biggest buyers of Pakistani textile goods. Therefore, instead of concentrating on Local Markets of Pakistan, **M & M Textile** is planned to target these countries as Pakistani textile products have a good reputation in these countries due to high quality and demand. However, **M & M Textile** is also looks forward to find new export markets; for instance, countries like France, Italy and UAE which have great potential for export.

3. Cost analysis

Product Cost

Description	Twin Set	Full Set	Queen	King
Fabric Cost	500	550	525	600
Stitching Material Cost	180	180	180	200
Packing Cost	60	60	60	60
Over heads	30	30	30	30
Wastages	16	18	17	20
Freight	15	15	15	15
Cost per bed sheet	801	853	827	925

Description	UOM	Price
Twin Set	Set	801
Full Set	Set	853
Queen	Set	827
King	Set	925

4. Monetary returns / Benefits

Per Year Production Capacity

Machines	Installed Capacity of Stitching	Total Working Days	Shift Per Day in Hours	Per Year Production
4	220	312	8	68,640

Installed and Operational Capacities

Description	Product Mix	Installed Capacity	Operational Capacity 50% (Year- 1)	Maximum Operational Capacity (90%)
Twin Set	20%	13,728	7,550	12,355
Full Set	40%	27,456	15,101	24,710
Queen	25%	17,160	9,438	15,444
King	15%	10,296	5,663	9,266
Total	100%	68,640	37,752	61,776

Revenue Assumptions

Description	Details
Growth in Sales Price	5%
Days Operational / Year	312
Maximum Operational Capacity (Per Year)	61,776
Production Capacity in First Year	50%
Percentage Increase in Production Capacity every Year	5%
Maximum Production Capacity	90%

Revenue Generation – Year 1

Description	Price Per Unit (Rs.)	22 % Profit on Per Unit (Rs.)	Sale Price Per Unit (Rs.)	Product Mix	Sale in Year 1	Revenue (Rs.)
Twin Set	801	176	977	20%	7,550	7,378,402
Full Set	853	188	1,041	40%	15,101	15,714,799
Queen	827	182	1,009	25%	9,438	9,522,376
King	925	204	1,129	15%	5,663	6,390,470
Total	3,406	749	4,155	100%	37,752	39,006,046

Profit Statement – Year 1

Description	Qty Sold in Year 1	Rate With Out Profit		Rate With Profit		Net Profit
		Price Per Unit (Rs.)	Total Amount	22 % Profit on Per Unit (Rs.)	Sale Price Per Unit (Rs.)	
Twin Set	7,550	801	6,047,870	977	7,378,402	1,330,531
Full Set	15,101	853	12,880,982	1,041	15,714,799	2,833,816
Queen	9,438	827	7,805,226	1,009	9,522,376	1,717,150
King	5,663	925	5,238,090	1,129	6,390,470	1,152,380
Total	37,752	3,406	31,972,169	4,155	39,006,046	7,033,877

Net Profit in Year = Rs. 7,033,877/-

Net Profit in Month = Rs. 586,156/-

Net Profit in Per Day = Rs. 22,545/-

1. Social benefits

Sleeping is emerging into the spotlight as the body's most important need for holistic wellbeing.

The benefits of good sleep validated by research include better brain function, improved metabolism and physical health, repairing and replenishing of the skin during sleep, aid in better harmonic health, reduced the risk of hypertension, heart disease, diabetes, depression and obesity which are characterized as lifestyle disorders; improved cell health, reduce apoptotic cell-death and lower risk of degenerative disease.

Keeping in view of above these benefits, **M & M Textiles** gives full attention to produce premium and designer bed linen with numerous functional benefits which will gain wider acceptance and driving value gains in the market. Therefore, **M & M Textiles** willingness to invest in products that offer more relaxing and refreshed sleep and in this regards **M & M Textiles** trying its level best to poised to gain are Bed Linen fabrics that are allergy-free with ability to wick moisture to keep the consumer body cool and dry all night.