



Funded by
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EU4Environment
Green Economy in Eastern Partner Countries

Feasibility, simple payback time, NPV calculation, potential finance, link to financing organisations, action plan

Javanshir Abdullayev, Business and financing development expert of the project

Action implemented by:



Why we need feasibility and business plan?



For decision making:



Start to the business or project or not?

For organization:



How to start the business or project and what and how much resources when I need and how the plans are executed?

For presentation:



To have well documented idea and assumptions to potential partners and investors

5 reasons why we need feasibility and business plan?



Assessment of business idea

**What type of
products and
services you are
going to sell**

**Whom you are
going to sell**

**How you are going
to sell**

**What will be
customer's benefit?**

**What will be benefits
for other
stakeholders?**

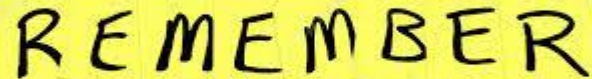
What should be analyzed?



Every business plan should answer

1. Where is your company now?
2. What is your product or service?
3. What is your market?
4. How will you reach the market?
5. Who will you be competing against?
6. How will the product be produced?
7. Who are the people?
8. What are your financial projections?
9. How much money do you need?
10. What are the risks?

Attention!!!



REMEMBER

excess information makes business plan
unreadable, lack information not interesting



Make short, but with valuable data

Framework of RECP business plan

Javanshir Abdullayev, Business and Financing Development Expert

Framework of RECP business plan

- About the company
- Essence of RECP project
- Current situation
- Market and competition
- Production and financial projections
- Main risks and their minimization
- Marketing plan
- Organization of implementation
- Tools for financing in Azerbaijan

Appendixes

- Projections on investment
- Cash flow projections
- Profit and loss projections
- Projections of financial ratios
- Implementation plan

Current situation

■ Product and services

- ☐ List of product and services on customer segments
- ☐ What is advantages of your product and services?
- ☐ What is attitude of customers to your existing product and services?
- ☐ Do the customers need additional product and services and what?
- ☐ The specific benefits and value that a customer derive from using your product
- ☐ The way in which these benefits can be demonstrated and measured
- ☐ Other important information for partners and investors

Current situation

■ Target customer segments

- ☐ Criteria of target segments
- ☐ Target segments and product and services for each segment
- ☐ Size of the segment in the target market
- ☐ Potential segments
- ☐ Other important information for partners and investors

Current situation

■ Financials

- ☐ Sales by product and service group for last 3 years and trends
- ☐ Profit&Loss for last 3 years and trends
- ☐ CF for last 3 years
- ☐ Profitability of product and services for last 3 years and trends
- ☐ Financial ratios for last 3 years and trends
- ☐ Other important information for partners and investors

Note: Take income conservative, expenses optimistic

RECP business idea

- Description of RECP idea
- Inputs
- Outputs and outcomes (savings, additional revenues, profits, customers etc)
- Key environmental, social, technological and financial benefits for stakeholders
- Alternatives of similar projects in the target market
- **Note:** The business idea should be **SMART**: **specific, measurable, achievable, relevant and timed**

Market and competition

■ Market

- ☐ Market size
- ☐ Market segmentation and niches
- ☐ Actual and projected growth rates in target market
- ☐ Market context: relevant environmental, regulatory, technological, demographic/social changes
- ☐ Global, regional and local market trends and changes in customer behavior
- ☐ Market opportunities
- ☐ Other important information for partners and investors

Market and competition

■ Competition

- ☐ Competition environment
- ☐ Main competitors and their market share
- ☐ Behaviors of competitions
- ☐ Advantages and disadvantages of competitors
- ☐ Opportunities for increasing of market share
- ☐ Other information
- ☐ Other important information for partners and investors

How to assess the market and competition?



Assumptions: 6 Ws



Assumptions

- Develop financial model for projections
- Core assumptions behind the financial model
- The link between these assumptions and your market data
- Key financial indicators – projected cash flow, maximum cash requirement, summary P&L, balance sheet
- Your expected base case and the rationale for it
- The potential downside (what happens if everything goes wrong) and upside

Assumptions

- Market volume and trends for planning period
- Market share of your company and projections
- Inflation rate
- Exchange rate
- Other data influencing to your projections

Assumptions

- **NPV-Net present value** is how much an investment is worth throughout its lifetime, discounted to today's value.
- **PBP-Payback period** is defined as the number of years required to recover the original cash investment.
- **IRR-The internal rate of return** is a metric used in financial analysis to estimate the profitability of potential investments.

Investment projections

- How much money is needed
- What it's needed for; staff, premises, capex, R&D, market testing, etc
- When and in what stages it's required
- The key milestones against which funds will be drawn down
- The form in which the finance is required

Fund raising

1. Azerbaijan Investment company:
<https://www.aic.az/az/page/about/investment-strategies>
2. Entrepreneurs Development Fund of Azerbaijan:
<https://edf.gov.az/az/kredit/guzestli>
3. Agrarian Credit and Development Agency
<http://akia.gov.az/az/content/69-254.html>
4. State Agency for SME Development: <https://smb.gov.az/az/nav/grant>
5. Mortgage and Credit Guarantee Fund <http://mcgf.gov.az/>
6. Banks: <https://www.cbar.az/page-195/banks>
7. Azerbaijan Energy Efficiency Fund: It is in process of establishment
8. Capital market
9. Individual investors
10. Partnership etc



Thanks for attention!