

The Guide for Developing **MARKET RESEARCH & FEASIBILITY STUDIES** For Large Projects

2017 © Brickstone Partners Limited

All information contained in this publication has been researched and compiled from sources believed to be accurate and reliable at the time of publishing. However, in view of the natural scope for human and/or mechanical error, either at source or during production, Brickstone Partners Limited accepts no liability whatsoever for any loss or damage resulting from errors, inaccuracies or omissions affecting any part of the publication. All information is provided without warranty, and Brickstone Partners makes no representation of warranty of any kind as to the accuracy or completeness of any information hereto contained.

WHITEPAPER
A BRICKSTONE PUBLICATION

Why you need an Feasibility Study for your Large Project

Introduction

A feasibility study examines the practicability of a proposal, business venture or project. The feasibility report considers how a specific proposition can function in a long term or bear budgetary dangers that may come. It is additionally useful in analysing potential income from a project. Another critical importance is that it helps organizers concentrate on the venture and limit the potential outcomes. In like manner, a feasibility study can give reasons not to seek after the said venture or proposition. With regards to the operational viewpoint, the study decides if the arrangement has the important assets for it to be practicable. Moreover, you can have information on the patterns on the grounds that a feasibility study looks at the present-day market and studies the expected development of your objective business segment.

Why you need an Feasibility Study for your Large Project

Introduction

A feasibility study should arrive at definitive conclusions on all the basic aspects of a project after consideration of various alternatives.

These conclusions and any recommendations made with regard to decisions or actions required from parties involved in the project would have to be explained and supported by compelling evidence.

What is Special about Large Project based Feasibility Study

Introduction

On large projects, there may be a number of different feasibility studies carried out, sometimes requiring different skills, and considering issues such as:

- i. Planning permission.
- ii. The likelihood that an environmental impact assessment will be required.
- iii. Other legal / statutory approvals.
- iv. Analysis of the budget relative to client requirements.
- v. Assessment of the potential to re-use existing facilities or doing nothing rather than building new facilities.
- vi. Assessment of any site information provided by the client.
- vii. Site appraisals, including geotechnical studies, assessment of any contamination, availability of services, uses of adjoining land, easements and restrictive covenants, environmental impact and so on.

What is Special about Large Project based Feasibility Study

Introduction

- viii. Considering different solutions to accessing potential sites.
- ix. Analysis of accommodation that might be included or excluded.
- x. Assessment of the possible juxtaposition of accommodation and preparing basic stacking diagrams.
- xi. Assessing operational and maintenance issues.
- xii. Appraisal of servicing strategies.
- xiii. Programme considerations.
- xiv. Procurement options.

How is the Feasibility Study for Large Projects Organized?

The Project Finance Feasibility Study Format

- The Feasibility Study must be clear, concise and compelling to:
- Generate investor interest and build confidence
- Lead to additional investor meetings
- Charts, graphics, pictures and verbiage should be simple and easily read
- Each slide should have between 3 and 6 bullets that are succinct (no paragraphs, uncluttered)

Presentation format may vary depending on the company but the following format provides a reasonable order and flow –it is but one approach to making Business Plans.

Outlining the Feasibility Study for Large Projects

Order of Presentation

- Introduction
- Problem
- Solution
- Market Analysis & Marketing Concept
- Raw Materials and Supplies
- Location Site & Environment
- Engineering & Technology
- Management Team & Advisors
- Project Implementation Schedule
- Financial Projections

1. The Introduction

The project background and history

- Name and address of project promoter
- Project background
- Project (corporate) objective and outline of the proposed basic project strategy, including geographical area and market share (domestic, export), cost leadership, differentiation, market niche
- Project location: orientation towards the market or towards resources (raw materials)
- Economic and industrial policies supporting the project

2. The Problem/Opportunity/Need

The Problem needs to be very clear and properly described to allow investors to understand your Value Proposition

- Define the problem or need in the market or the location the proposed project intends to solve
- Describe how significant or prevalent the problem may be currently
- If it's a Private Public Partnership (PPP) show how this Private Sector would help to provide the solution to solve the problem the public sector is having.
- If appropriate, describe why now is the right time for a solution
- Provide a "problem" scenario that provides a basis for your project to be implemented at this point in time

3. The Solution

This Section needs to show the Solution your project is providing to solve this problem in a sustainable manner

- Clearly and succinctly describe the Project's product or service that will address the problem
- Illustrate the Projects solution with graphics, pictures or videos as necessary
- Provide brief list of features, benefits and advantages
 - What is the value proposition for the customers or end users (How will the Project solve the problem)?
 - Cost savings, convenience, reliability, etc. (be specific)
- Describe "barriers to entry" created by your Project
- Provide an understandable, practical example of how your Project works or will operate in the sustainable manner to the environment

4. Market Analysis and Marketing Concept

The Project must have a market it intends to cater for based on the field work done to investigate this.

- Provide results of Marketing Research: business environment, target market and market segmentation (consumer and product groups), channels of distribution, competition, life cycles (sector, product)
- List Annual Data On Demand (quantities, prices) and Supplies (past, current and future demand and supplies)
- Explain and justify the marketing strategies for achieving the project objectives and outline the marketing concept
- Indicate projected marketing costs, elements of the projected sales programme and revenues (quantities, prices, market share etc.)
- Describe impacts on: raw materials and supplies, location, the environment, the production programme, plant capacity and technology etc.

5. Raw materials and supplies

This Section needs to show your Project and the availability of materials to drive the implementation of the project.

- Describe general availability of:
 - ✓ Raw materials
 - ✓ Processed industrial materials and components
 - ✓ Factory supplies
 - ✓ Spare parts
 - ✓ Supplies for social and external needs
- List annual supply requirements of material inputs
- Summarize availability of critical inputs and possible strategies (supply marketing)

6. Location, Site And Environment

This Section needs to show your Company's Current Customers and the Future Customers that is planned to be acquired

- Identify and describe location and plant site selected, including:
- Ecological and environmental impact
- Socio-economic policies, incentives and constraints
- Infrastructural conditions and environment
 - ✓ Summarize critical aspects and justify choice of location and site
 - ✓ Outline significant costs relating to location and site

7. Engineering and technology

This Section needs to describe the technology used in developing the goods or rendering the service

- Outline of production programme and plant capacity or Infrastructure
 - ✓ Describe and justify the technology selected, reviewing its availability and possible significant advantages or disadvantages, as well as the life cycle, transfer (absorption) of technology, training, risk control, costs, legal aspects etc.
- Describe the layout and scope of the project
- Summarize main plant items (equipment etc.), their availability and costs
- Describe required major civil engineering works

8. Management Team, Advisors

The Management Team and Group of Advisers are the key to show investors your level of seriousness

Build investor confidence with team

- Credentials, proven track record, domain experience (do not include weak credentials)
- Describe skill and experience gaps to be filled

List the company's leadership team

- Include name, position, experience (abbrev.)
- These are credentialed experts

List of company Directors and Advisors

- Include name, summary of experience

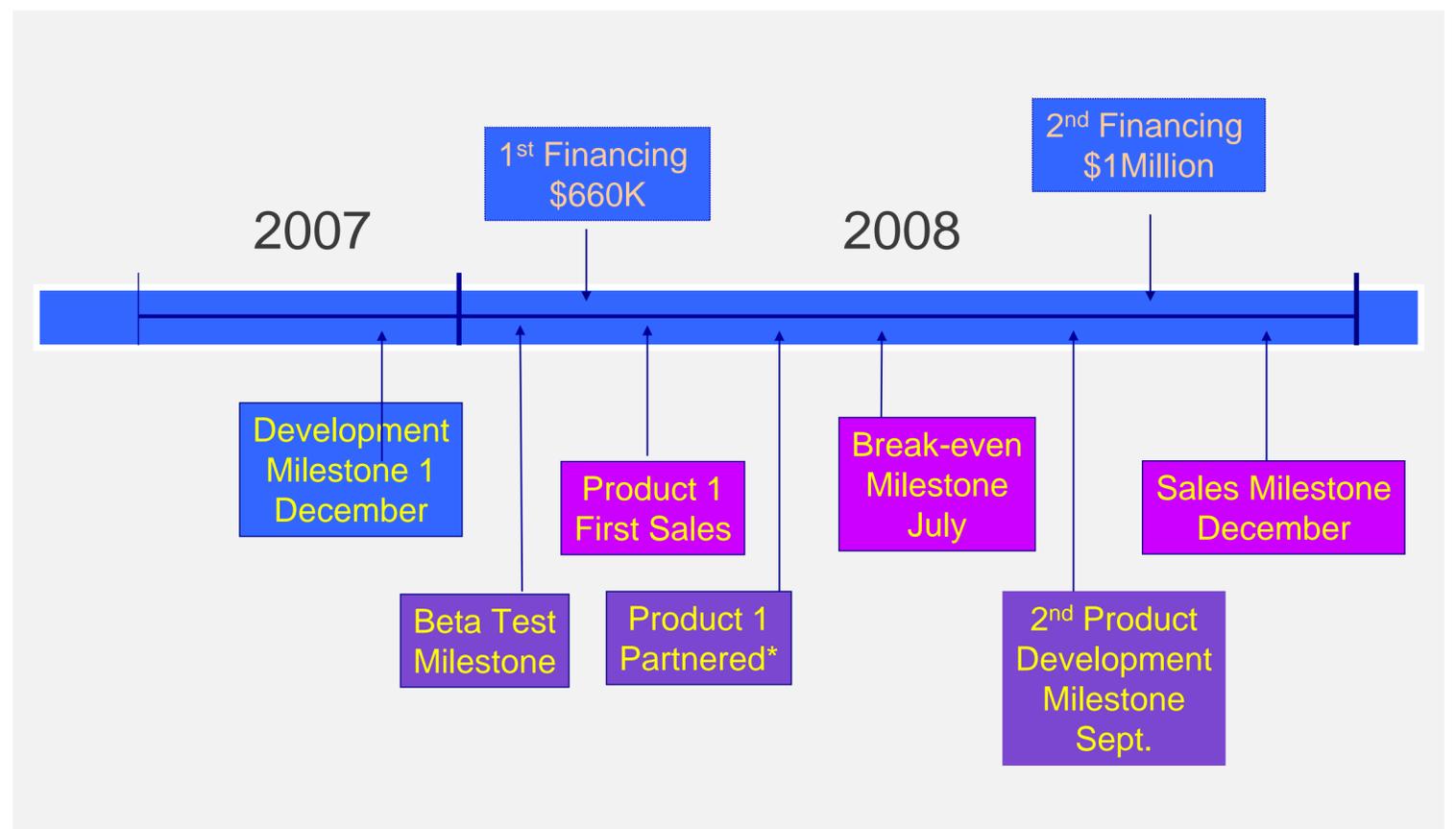
9. Project implementation schedule

Provide information on construction (plant erection) and installation as well as Identify actions critical for timely implementation

Timeline Milestones



Value-Added Milestones Timeline (Sample)



10. Financial Projections

Show the Financial analysis and investment appraisal

- Summary of criteria governing investment appraisal
- Total investment costs
 - ✓ Major investment data, showing local and foreign components
 - ✓ Land and site preparation
 - ✓ Structures and civil engineering works
 - ✓ Plant machinery and equipment
 - ✓ Auxiliary and service plant equipment
 - ✓ Incorporated fixed assets
 - ✓ Pre-production expenditures and capital costs
 - ✓ Net working capital requirements

10. Financial Projections

Show the Financial analysis and investment appraisal

- **Total costs of Operating Asset**

- ✓ Operating costs
- ✓ Depreciation charges
- ✓ Marketing costs
- ✓ Finance costs

- **Project financing**

- ✓ Source of finance
- ✓ Impact of cost of financing and debt service on project proposal
- ✓ Public policy on financing

- **Investment appraisal: key data**

- ✓ Discounted cash flow (internal rate of return, net present value)
- ✓ Pay-off period
- ✓ Yield generated on total capital invested and on equity capital
- ✓ Yield for parties involved, as in joint venture projects
- ✓ Significant financial and economic impact on the national economy and environmental implications

- **Risk Analysis**

Aspects of uncertainty, including critical variables, risks and possible strategies and means of risk management, probable future scenarios and possible impact on the financial feasibility of the investment project

Who can help?

Contact us @ Brickstone



“ To deliver results above and beyond the expectations of our clients”

Brickstone Partners Limited

 **Address**
9A Ibeju Lekki Street, Dolphin Estate
Ikoyi Lagos

Midel Center Building
Plot 14, Off Oladipo Diya Way,
Sector Centre D, Gudu District, Abuja

 **Email**
hello@brickstone.africa
www.brickstone.africa

 **Telephone**
Office Line: 01-623-4444 or 09-628-4444
Mobile: 080-3671-3949

www.brickstone.africa