

Examining the business plan of blue cng station



This report is about the business plan of a CNG station which is located in Peshawar Pakistan and is prepared by Syed Behram Bin Nasir. In this ill try to do the industrial, production plan, operational plan, organizational plan and marketing plan

Industry Analysis:

In the beginning ill start with the industrial analysis in which ill explain the current situation of the CNG industry how it is making an impact in the petroleum sector and future of the this specific industry how new trends will effect it, what strategies to make that will ensure us to be competitive with the market we are in and how can we make it different from other competition. After that an over view on how to we can utilize our resources and make out business more efficient and then to come up with proper marketing strategies to forecast the demand of CNG in the true market.

NATURE OF BUSINESS

Products

Size of business

Equipment & Personal

Services

PRODUCTION PLAN

Manufacturing

Operations

Plans

Supplier

OPERATIONAL PLAN

Head offices and Regional plant

Goods and services

Utilization of technology

ORGANIZATIONAL PLAN

Partnership business

Private limited

Employees responsibility

Mission and vision

MARKETING PLAN

It is one of the most important part of the business plan in which we decide which marketing plans to implement and what strategies to make, how the business can be run efficiently. The main purpose of the marketing plan is how the product or the service be distributed, priced and promoted.

Environmental analysis

Pest analysis

Swot analysis

Porters five forces

Marketing goals

Marketing strategies

Marketing mix

Budget decisions

FINANCIAL PLAN

Sources of finance

Income statement

Balance sheet

Funds

Ratios

RISK ASSESSMENT

In this we identify the threats to a business which are mainly the potential threats and making a strategies how to minimize the risk of threats and making the business to a progressive and profitable road.

INDUSTRIAL ANALYSIS

CNG is one of those resources which are abundantly available in our country. The country is using petroleum products for a very long because they before they didn't had any alternative and also the country spending a lot of its foreign exchange of buying the petroleum products, so it was important for the government to come up with a substitute which can help the people and also help them decrease the large amount of foreign exchange they are spending on buying the petroleum products. Due to this step by the govt already almost 600, 000 cars are already on CNG. Due to a large difference in the prices of CNG and petroleum products a lot of people are converting their cars on to CNG. From an analysis made already there are 2500 hundred CNG stations currently working in the country and already the demand is more then CNG pumps has to offer. The total amount for setting up a CNG pump station is about 30. 22 million which includes the land, building, equipment and machinery, along with the preliminary expenses and working capital.

CNG POLICY

“ The Government of Pakistan has offered number of incentives for encouraging the use of CNG in the country. Some of these are summarized below:

Strong Government commitment to promote CNG use

Liberal policy to provide license for CNG retailing

Deregulated market consumer price of CNG

Natural gas tariff for CNG linked to petrol

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Priority of natural gas connection to CNG stations

Exemption of import duty and sales tax.

Federal cabinet also proved a package of incentives and recommendations for replacement of diesel oil with CNG.

This has provided a boost to the industry and so far, more than 2.5 million vehicles have been converted to CNG and more than 3100 CNG stations are operational in different parts of the country (As on May, 2010). With these developments Pakistan has become the leading CNG using country in the world. HDIP is promoting and offering consultancy services to the private sector which include the whole range of activities like formation of company, selection of sites, legal formalities, design of stations, specifications and sizing of equipment, selection of equipment, selection of contractor, training of manpower, commissioning and supervision, etc., depending upon the clients needs. HDIP with approval of the Ministry has developed the following procedure for establishment of CNG Stations.”

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[PC_7_OFLO9FH20GDHE02DCQKDP72HM7_WCM_CONTEXT=/wps/wcm/connect/MopnrCL/ministry/sageneral/hdipifuel](http://202.83.164.26/wps/wcm/connect/MopnrCL/ministry/sageneral/hdipifuel)

MARKET DEMAND

Keeping in mind the current situation of Pakistan we know how important transport has become and its only travelling that people can travel from one

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to another transport has become the main source of transporting goods. In a survey 2006 2007 it was told that the population of Pakistan is increasing 2.0% per annum which means almost 3.2 million people, with this increase every year the number of vehicles also increased which increased the demand of petroleum throughout the country.

According to GOP analysis the consumption of CNG and petroleum products are almost to a sky high 70% where electricity is 15% LPG is 8% and coal is also 8% and the other used in other areas including residential areas.

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In the 1990's the demand for petroleum increased by 7% per annum and then came down to 2.5% by the end of the 1990 and then again by the end of the 2008 2009 it increased again to a sky high 9.7%.

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ANALYSIS OF COMPETITORS

In Pakistan major portion of the CNG sector is taken by the PSO and its around 60 to 65% and the rest of the portion has other companies like Shell, Attock, Caltex and Total.

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BUSINESS DESCRIPTION

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Products & Services

CNG

LPG

Size Of Business

A CNG business has less number of people mainly from 8 to 12 as compared with capital invested.

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Office Equipment

Office

Control room

Cylinder storage room

Shed for dispenser

Washroom

Under ground piping

Power cables

Flooring

Construction Cost

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EQUIPMENT

Equipment needed for a CNG station

Gas compressor

Electric control panel

Storage cascade

CNG dispenser

PERSONNEL REQUIREMENT

By personnel we mean people who will work in a CNG pump which includes cashier, manager, operator, accountant, watchman and sweeper. A total of 12 to 15 people are needed for the two shifts for a CNG station and a brief idea how their salaries would be are below:

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BACK GROUND OF CNG IN PAKISTAN

The word CNG means compressed natural gas, one of the first environmental clean. This gas is majorly used in homes as fuel also in industries and factories. Basically when we compress gas to a level of 250 bar it becomes CNG.

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According to a survey in 2006 2007 CNG industries invested a handsome amount of 70 million because of the encouraging policies of the government so make CNG more and more accessible for the people of Pakistan. Now a days almost 2700 CNG stations are working in different cities of Pakistan and its not stopping in a span of 3 to 4 years another 1000 stations will be installed and because of this rapid growth around 30000 people got employed across the country.

According to a survey conducted by the international gas association Pakistan is the third largest consumer of CNG after Brazil and Argentina and in Asia Pakistan largest consumer of CNG with over just in 2009 approximately 2 million people converted there cars on to CNG.

PRODUCTION PLAN

For opening a CNG station need to go through few essential steps which should fulfill the criteria of the oil marketing company

Application

A person who is interested in opening a CNG station has to submit an application to the oil marketing company to take in notice that he wants to use his land as a supplier of CNG and needs the permission of the government to help him install the station and use it to sell oil products and services

Feasibility Study

Oil marketing company after accepting the application then checks credibility of the applicant both social, financial and skills and then a feasibility report is conducted by the oil marketing company's expert checks the viability of applicants land with respect to the location. After fulfilling the feasibility criteria of the project, the oil marketing company signs a retailer ship agreement with the applicants takes the applicants land and acquires it on rental lease base for a minimum time period of 15 years. The rent is a normal amount based on the location of the land.

NOC (No Objection Certificate)

After signing an agreement with the oil marketing company an expert draws a map for the sight representing the structure of the sight and then the application is submitted to the district coordinator officer which then issues a no objection certificate after talking to the concern department who after few meeting decide if the NOC should be issued or not. The following departments are as follows:

Concerned district authority

Planning authority

Traffic police

Department of civil Defense

National high way authorities

Central board of revenue

Civil administration

Irrigation officer

Forest department

CONSTRUCTION PHASE

After the permission the infra structure has to be started according to the approved map made by the expert earlier. The cost is only shared by the applicant and oil marketing company. The cost of the machinery and equipment is paid by the company and rest of the civil work cost is on the business owner. After completion the sight is visited by an expert from the oil marketing company to check if its made according to the standards of health and safety issues.

PROCESS FLOW CHART

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NATURAL GAS PROCESSING

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Name Of Suppliers

The central board of revenue also known as CBR has made a list of suppliers who provide cylinders, compressors, CNG vehicle cylinders, CNG machinery and conversion kits.

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OPERATIONAL PLAN

Compressors

It is a mechanical device that increases the pressure of the gas by decreasing its volume, a compressor is same as a pump both decrease the volume and both can travel through a pipe.

Pressure regulator

Regulates pressure of CNG to the engine and has different stages through which the engine can be tuned according to consumption of the engine and give a steady performance.

Filling valve

Multi valve with quick closing device that keeps the CNG stored in the cylinder. Through this valve the vehicle is refueled.

Mixer

This is a device used to control the amount of CNG inside the engine , setting the ideal gas pressure for smooth running of the engine.

Electronic Unit

Helps in enabling the correct pressure of gas, it controls sensors to improve the mixture.

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Ventilation system

A safety equipment which helps in the ventilation of the system

Connection Tubes

CNG cylinder is connected to strong and hard pipes and also connects to the engine.

Filling Valve

A device which helps the CNG to be stored in the cylinder and the vehicle is also refueled through this valve.

ORGANIZATIONAL PLAN

Form of Owner Ship

It could be proprietorship or partnership depending on the amount of cash or investment involved in the business

Name of The Business

The nature of the business is private limited so there is no need of the government to come in and issue a name.

Identification of the Ownership

Ownership is only in the hand of the person who will start the business or in the hands of the partners in case the business is a partnership based.

Responsibilities of Employees

Fueling the vehicles

Selling the lubricants

Counting and accepting the cash

Operating the machinery

Cash management

Book keeping

MARKETING PLAN

Mission & vision

Vision

To make 10 more stations in the next 10 to 15 years all across the country mainly in the larger cities of Pakistan.

Mission

High quality compressed gas for transportation which should be environmental friendly, gives economical advantages and support the government to help give good services to the people of the country

Situation Analysis

This analysis is usually done to find out which environmental forces are effecting or which factors are effecting the business and then coming up with a strategy to minimize the effect of these strategies.

General Overview

Natural Gas is one of the most valuable natural resources abundantly available in our

country. The people of Pakistan have been using the petroleum products as a fuel in their

automobiles, thus spending a huge amount of foreign exchange on import of petroleum

products. Moreover, the Government of Pakistan has taken certain concrete steps in order

to promote the use of natural gas as a fuel substitute in the automobiles.

Due to the efforts

made by the Government and comparatively low prices of gas, more than 600,000*

vehicles have already been converted to operate on Compressed Natural Gas (CNG)

fueling system all over Pakistan.

Compressed Natural Gas (CNG) is produced when the natural gas is compressed into

cylinders to be used as a fuel in the automobiles. The compressed natural gas has been used as an automobile fuel since 1940, and over the years, the technology has been modified and refined. In the recent years, the usage of

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CNG as an automobile fuel has significantly increased because of its low cost and environment friendly nature.

Pollution and Waste Management

Recent studies have identified pollution caused by hazardous gas emissions and solid waste as a key environmental issue confronting Pakistan, with significant health implications.

A substantial increase in the number of vehicles on urban roads continues to drive up levels of urban air pollution. Common gases emitted by vehicles include carbon mon-oxide, nitrous oxides, and ozone, and are dangerous to human health beyond certain levels of concentration. Poly-aromatic hydrocarbons released by diesel-powered vehicles are known carcinogens, while smoke from diesel engines has aggravated already elevated levels of airborne soot. Nitrous oxides are emerging air pollutants with the highest concentrations recorded in Karachi, followed by Lahore, Quetta, Peshawar, and Islamabad (Figure 3). Industries located in urban areas are the main source of sulfur dioxide (dangerous to human, animal, and plant life) while brick kilns powered by low-grade coal are notable sources of soot.

Pest analysis

A helpful way to understand the big picture of Political, Economic, Socio-cultural and Technological environment. By making good use of PEST analysis, it is ensured that what is going to be done is aligned positively with powerful forces of change. It helps in operating in a new country or region and helps in understanding the realities of that environment. It helps in

strategy formation in a sense that these factors (Uncontrollable environmental forces) must be kept in view, which may lead to failure if ignored. The position of PEST analysis in understanding the overall picture of environment can be described by the following diagram:

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“ Situation analysis in which political-legal (government stability, spending, taxation, etc.), economic (inflation, interest, unemployment, etc.), socio-cultural (demographics, education, income distribution, etc.), and technological (knowledge generation, conversion of discoveries into products, rates of obsolescence, etc.) factors are examined to chart an organization’s term plans.”

<http://www.businessdictionary.com/definition/PEST-analysis.html>.

Political

Government agencies and pressure groups have a strong effect upon the activities of any organization in a society. Political environment strongly affects the marketing decisions. The political stability of a country has its impact on the consistency of policies of local government. Importance of public interest groups and business regulations can be found from the political environment.

Nations vary greatly in their political and legal environment. Sometimes, a government can decide violently to respond a popular feeling even without a change. Any new policy can be introduced regarding tax and trade and tariff

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control etc. This may give benefits to the organization but the thing matters is that how they handle business and financial matters in such unexpected and sudden changes? Political trends may not be of as much importance in stable governments as they are in weak ones, although they can have a significant impact on business. For example, in the United States, the companies in the business of providing social services can have more opportunities when Democrats are in power. Political decisions like awarding of subsidies to any sector either directly in the form of grants or through tax incentives can impact the industry circumstance.

Economic

Economic environment is usually analyzed by keeping in view the following economic indicators: employment, consumer price index, housing starts, personal income, saving rate, industrial production, capacity utilization and productivity etc. Although the gap between living standards of well-developed Western and developing Asian countries is lessening, yet the uncertain economic climate in the Asian economies has important implications for international marketers. Organizations determine that how these changing incomes affect purchasing power and how they adopt it for the firm's profitability.

Social

Each country has its own set of values and traditions. The companies must know that how consumers in different countries think and use different products before planning a marketing program. All the positive and negative impacts which a culture may cause must be identified. There might be

different dimensions of culture like the social organization of society, religion, literacy levels, political systems and language.

Social factors also influence behavior of consumers. A person's family, friends and social organizations strongly affect product and brand choices. The person's position within each group can be defined in terms of role and status. A buyer chooses products and brands that reflect his or her role and status.

Technological

Market is changing radically as a result of technology. There are three different aspects of technology: type of technology, its process, and the impetus for its development. Type of technology preferred by a company is dedicated by its interest. Technological environment may be the most dramatic force in changing the working style and destiny of the firms.

Technology is changing rapidly and every new technology replaces an older one. New markets and opportunities are created by new technologies the marketers should watch these trends in technology in order to compete.

Companies which fail to anticipate and keep up with technological change find their products

outdated soon. Firms must track technological trends and determine that whether their

product is fulfilling the customer's demands still or not. Some major factors of the technical environment are automation, rate of change of technology, internet and communication costs.

SWOT ANALYSIS

Strengths

One of the major strengths that a business can have is mainly its location because a CNG station is all about its location how accessible it is for the consumers.

Choice of equipment used by a CNG station is also an important factor which can help the business achieve more profits, the more user friendly it is the more it will be trusted by the staff and people coming to the station to fill up their cars.

Weakness

Lacking experience

Supply of gas

Skilled workers

Opportunities

Cheaper than petroleum products for the consumers

Imposition of sales tax and customs

Threats

Saturated market due to large number of stations made every year.

Increase in gas prices by government.

PORTERS 5 FORCES

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Ten year plan

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Market demand

At present there are more than 3000000 vehicles, which have been converted to CNG

fuel, and a large number of vehicles are further being converted.

Due to the increasing prices of petroleum products, the trend of converting cars to CNG

fueling system has been on a rise. However, there exist a large number of people who were reluctant to convert their vehicles from petrol to gas due to safety concerns. recently, many car manufacturers have started manufacturing the cars with built-in CNG fueling system. This change has led to enhancing the confidence in the minds of the general public regarding the safety concerns, and now, more people are inclined towards purchasing these factory-fitted CNG fueling system cars.

Market Supply:

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Total number of CNG stations in Pakistan is only over 2700, which is quite low for meeting the growing demand of CNG. Apart from these 2700 CNG stations, many new CNG stations are being setup across the country.

Price Mechanism

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Promotion strategy

Advertising through cable tv ads.

Pump flits and banners

Loyal customers

Giving visiting cards to every customer who fills up

Workers as medium of advertisement

Organize seminars

Financial Plan

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Projected Balance Sheet

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Projected Cash Flow Statement

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Cost of Sales

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Working Capital

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Risk Assessment

Inflation Rate:

10% inflation rate has been considered while making the projections for cost of sales,

operational expenses and salaries. The prices for gas, electricity, operational expenses

and staff salaries are increased by 10% every year as a result of inflation.

The selling

price of gas has been increased by 5% every year. This shows that revenue will increase

by less percentage than expenses in the earlier years.

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High Depreciation Rate:

High depreciation rate of different assets will also be a risk for the venture that may

ultimately decrease the returns of the venture.

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