

COMPANY DRY DOCKS GENOA

Business Plan

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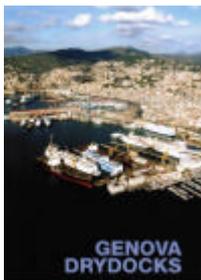
Executive Summary

The contest in which the Dry Docks Genoa develops its business is located in the ships repair area situated in the eastern part of Genoa port. This company offers a lot of services for ships that are under repair. The Dry Docks can supply large docks that can be utilized to accommodate boats of different sizes. Instruments of raising as quay-cranes, compressed air and gas tools (used for cutting and welding plates steel) and logistic supports towards crews (mainly during the periods in which the ships are under repair) are only a few of the services that “Ente Bacini Genova” offers to its clients. Facilities consist of five dry docks and one thousand and five hundred meters utilized by ships that are waiting for their reparation-phase. The entire equipment is under concession from the Port Authority of Genoa.

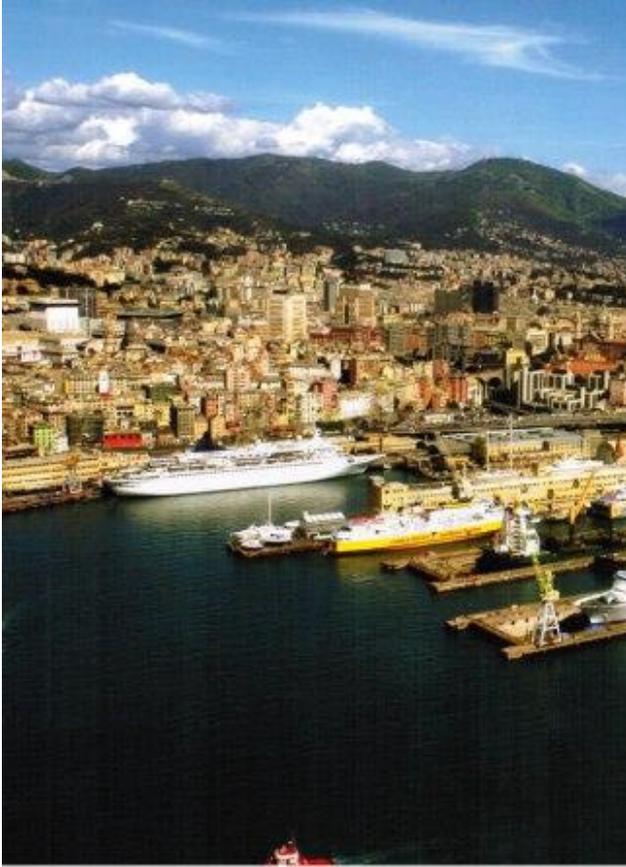
Main financial measures

	2012	2013	2014
Cash	753,400	1,179,643	1,989,272
Sales revenue	6,400,000	11,000,000	14,000,000
Net profit for financial year	-479,318	1,938,965	2,854,629
Operating margin	-7.49%	17.6%	20.4%
Owners' equity	1,020,682	2,959,647	4,629,276
Return on equity (per year)	-47.0%	65.5%	61.7%

Dry docks Genoa



Dry docks Genoa2



Business Overview

The market taken in consideration is that one of international naval repairing. The largest harbours are equipped with different-size dry docks; dimensions are required to the last generation of ship constructions and the type of work they need. In fact, nowadays vessels as container ships (whose weight can be close to 14000 tons and whose length could be around 360 meters with breadth of 55 meters) and cruisers (able to accommodate 4000 passengers with a crew composed by almost 2000 members) needed good and innovative structures and modern ports have to be in the position to supply this kind of services. Therefore the winning elements of a naval repairing area are extremely linked with large harbour infrastructures, logistic availability of the city considered (airports, hotels and institutional seats), with the quality of operating companies, and of course with the typical weather that marks the above -mentioned city (fundamental parameter that has to be considered before starting with the necessary operations). Obviously such kind of activity suffers the international variations of raw materials' costs like oil and steel. These costs affect (influence) deeply the prices that firms offer for their

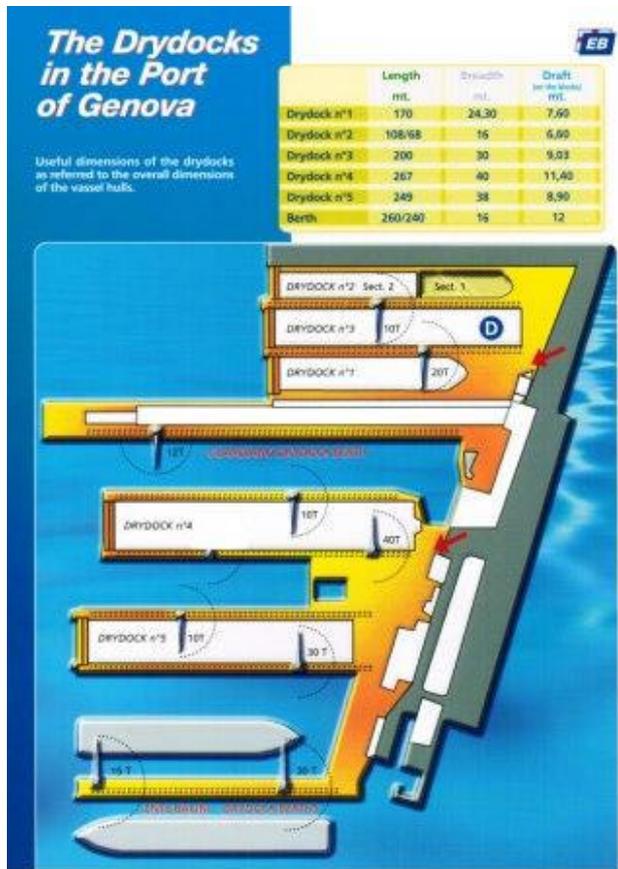
services. Another important issue is the national stability of the country considered. Well-organized and operative trade-union relationships between workers, firms and government are essential elements for having success in the shipping business.

Products and Services

The main goal of Dry Docks of Genoa is to improve the quality of its services and its offers. Nowadays the company is missing some points connected with environment and security at work. There is also a lack of a large dock that could permit to host bigger ships. The management and shareholders of the company are strongly engaged in trying to trace the necessary instruments to achieve what was above-mentioned. The examined company (Ente Bacini Genova) is a S.R.L. (Private Limited Company). It has a fully pay-up share capital that comes to 300.000 Euro and a mixed stock consisting of Port Authority (56%) and Private Naval Repairers (44%). The main goal of the company, as already claimed in other sections of this business plan, is that one to supply shipyards and naval workshop with the suitable equipment for working on different-sizes ships.

Recently a technical due diligence has laid bare several sensitive matters. Firstly we can notice the old age of some parts of the structure, for example three of five dry docks have been built in 1903, so it's evident that they need fast interventions for innovating and consolidating their conditions. The company has entered a budget of fifteen-twenty millions of Euro for realizing these maintenances in 3/5 years. The availability of funds has to be researched in the State and local authorities, though interventions of private capital within administration and organization. The Italian market competitors with the same characteristics are only located in the port of Napoli. In the other calls the presence of dry docks and relative services are directly managed by the shipyard that has the concession for it. In these cases there is no possibility to offer a public service, thing that instead happens in the port of Genoa.

Dry docks Genoa



Sales Forecast

During the last five years the earning reports have been slow but steadily growing. This happened because presently ships are still considered the best instrument to transport of goods worldwide. Globalization has allowed to new huge markets, as the Chinese one, to enter overbearingly in the international sphere.

Therefore the worldwide fleet has considered important to start up orders to build innovative vessels and making safe the ships already working/sailing.

As far as the field of services is concerned, the company has already received applications for using its dry docks until the first semester of 2012. However it is necessary to remember that some negative matters can be the cause to cancel a dry dock reservation. Among them we can mention for example the international instability (like 11 September or other terroristic attacks), the sudden closing of the Suez Canal, the price of oil, etc.

Sales revenue (EUR)

Products and services	2012	2013	2014
Dry Docks Service	3,650,000	7,000,000	8,000,000
Other Services	2,750,000	4,000,000	6,000,000
	6,400,000	11,000,000	14,000,000

Marketing Strategy

Ente Bacini Genoa gets a monopolistic position in the national contest. In fact it cannot have the same economic behavior of the other Italian private companies, that, having to face up to the market competition, can decide to offer their dry docks free of charge (in relation with the number of services that they are required to offer). Considering instead the other European ports (especially those located in the north), we have to effect a different interpretation. Rotterdam, Amsterdam and Hamburg are in the technological forefront and they hold an unreachable position for the Dry Docks of Genoa. Marseille, Barcelona and Malta live contradictions so similar to Genoa's ones. The challenge is played mainly on the due delivery's trustworthiness of the final product.

Important additional services that can be required to a Dry Docks company are the possibility of satisfying the crew's requests (in fact the crew live on board of the ship during the works) and to grant security safety towards people and things. Another essential issue is represented by the capability of working respecting the main standard characters given by international organisms of control. Other interesting parameters are the capability of the company in not losing time (in fact the ships are profitable when they can sail); so companies don't have to waste time due to spare parts delay or for instruments of work that have limited capabilities.

Management and Staffing

The organization chart of the company consists of a management that is characterized by an administrator (or General Manager) and an administrative office where five office-workers and a director of operations. Then there is a technical office made of two heads of team, eleven electricians, three boatswains (personnel managers), twenty between sailors, crane operators and carpenters, and one maintenance-team that includes five authorized staff.

If the company will be able to build a new dry dock (characterized by important dimensions) during next years, then it should expand its staff at least of eight members. The features of these new specialists will be chosen considering the necessities connected with the building of the innovative facility.

Within a company that provides services, the cost of the work is definitely high and during the last years it has represented at least 35% of whole turnover. To work out the salaries the firm relies upon the Italian national contract for engineering workers, enriched by an integrative internal contract that improves considerably the wages. In fact this type of agreement pays remarkably the overtime for all workers.

Status (professional qualification)	Time of work	Firm's cost per month	Wage per month
Manager	8-18+ext. time	9.800,00 euro	3.000,00 euro
Technician	8-18+ext. time	6.700,00 euro	2.400,00 euro
Office-worker	8-17	5.500,00 euro	1.700,00 euro
Team's head	8-18+ext. time	5.500,00 euro	1.900,00 euro
Electrician (shift worker)	8 hours	4.700,00 euro	1.550,00 euro
Crane operator (shift worker)	8 hours	4.700,00 euro	1.550,00 euro
Worker	8 hours	4.450,00 euro	1.400,00 euro
Beginner (worker)	8 hours	1.900,00 euro	980,00 euro

Headcount

Personnel	2012	2013	2014
Manager	1	1	1
Team's head	5	5	5
Office-worker	4	4	4
Electrician	14	16	18
Crane operator	18	20	22
Carpenter	6	8	10
Worker	2	4	6
	50	58	66

Monthly salary (EUR)

Personnel	2012	2013	2014
Manager	9,800	9,800	9,800
Team's head	5,500	5,500	5,500
Office-worker	5,500	5,500	5,500
Electrician	4,700	4,700	4,700
Crane operator	4,700	4,700	4,700
Carpenter	4,700	4,700	4,700
Worker	4,450	4,450	4,450

Labor cost (EUR)

	2012	2013	2014
Wages and salaries	2,961,600	3,406,800	3,852,000
Social security costs	0	0	0
Labor cost	2,961,600	3,406,800	3,852,000
REVENUES	6,400,000	11,000,000	14,000,000
Labor cost to revenues	46.3%	31.0%	27.5%

Implementation Plan

The company has troubles in trying to stand comparison with other international shipyards, as those situated in the north of Europe or in South Korea and China. The main causes of this backwardness have to be researched in the lack of technological innovation that is necessary for a such important plant engineering. The productive process of the Dry Docks Genoa consists of receiving different-dimensions ships and, after that the boats have been docked, offers the necessary services for permitting other companies of effecting the requested interventions (following important parameters and standards set by international bodies like Boureau Veritas, RINA, LLOYdd Register, ABB, etc...). The skill of the management consists in researching structural and engineering critical states and investing in the appropriate way for increasing technology and organization. In order to clarify this concept, we can proceed reporting an example that considers the closing's system of dry docks (this is fundamental for proceeding with emptying of the same dry docks). The dry docks of Ente Bacini utilize doors to close the gates (this is the most famous system used all over in the world). Such gate is sunk at the entrance of the dry dock. Four hours are usually necessary for emptying a medium-size dry dock (250 met. x 40 met.). However floating dock needs two hours.

Within shipping world time is money, so those firms who are able to safe time warranting security and quality of services, are for sure winning. The same considerations have to be done with cranes, short power supply and compressed air, as well as for hot works equipment used for steel repair.

Overhead and Investments

The shareholders' meeting has recently approved a new investment plan. It establishes interventions of refit concerning the eleven cranes (around two millions of Euro) whose Ente Bacini can arrange, the making safe of the gates of each dry dock (200.000 Euro) and the complete renovation of one door (650.000 Euro). Then the company, utilizing the financial resources coming directly from the Italian government through the Port Authority, will realize the so-called "Cold Iron" (that is a mechanism of supplying for giving energy straight from shore power lines), an important instrument necessary for closing the on board generators, reducing in this way atmospheric emissions and consequently pollution (around 14 million of Euro). Furthermore nine million of Euro have been entered for reducing pollution caused by the two dry docks closer to the city centre (house settlements).

ISP-Code systems, utilizing for controls against terroristic actions, have already been realized.

Good's name	Unit cost	Time of realisation
Crane	150.000 euro	90 days per crane
Door	650.000 euro	300 days
Access staircases	40.000 euro	365 days

Cold Iron	14 millions of euro	3 years
Telescopic covering	9 millions of euro	2 years

Other operating expenses (EUR)

Other operating expenses	2012	2013	2014
Raw materials and goods	1,300,000	1,500,000	1,800,000
Services and Overhead	2,000,000	2,200,000	2,500,000
	3,300,000	3,700,000	4,300,000

Assets purchase value (EUR)

Fixed assets	2012	2013	2014
Immaterial assets	1,000,000	500,000	200,000
Material fixed assets	250,000	100,000	100,000
	1,250,000	600,000	300,000

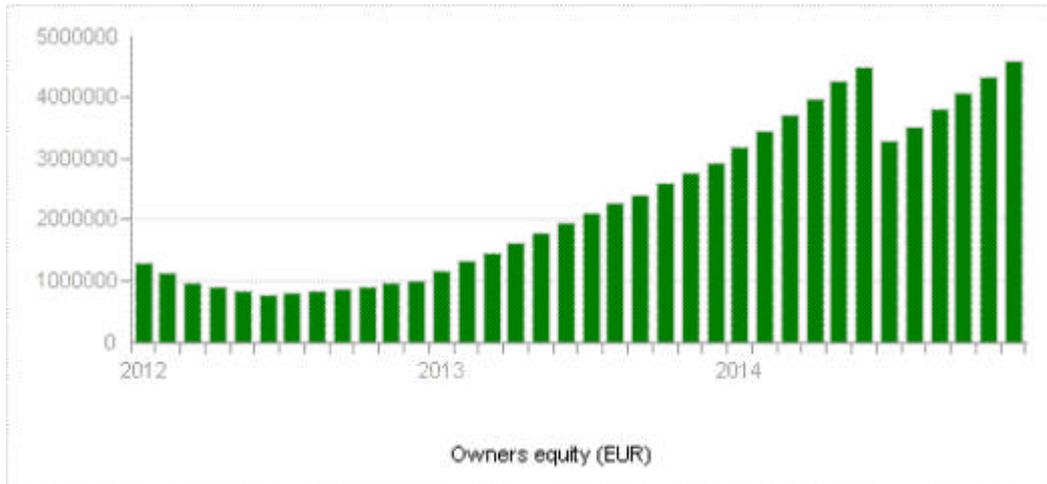
Financing

The company's resources on one hand are distributed among the shareholders (Port Authority and other private companies) and on the other hand they are directly property of the Port Authority who got them through public state act. Ente Bacini, to face the forecast interventions and investments, will have to increase its capital stock and all tariffs connected with its offered services (always considering the market demand and the actual period of world economic crisis). The forecast capital increase is equal to 700.000 euro that has to be added to the current 300.000 euro. So the total amount is one million of euro and it has to be entirely endorsed. The rate increase will have to be less than 10% to preserve the client base and not drive it towards other dry docks.

After one year the economic resources will be about two millions of euro and around 900.000 for all next years. This opportunity permits the company of getting the necessary resources to solve the above-mentioned structural problems (utilizing loans and financial plans as well).

Capital structure (EUR)

	2012	2013	2014
Current assets	1,364,015	1,790,759	2,767,055
Fixed assets	1,200,000	1,730,000	1,940,000
Current liabilities	1,043,333	561,112	77,778
Long-term liabilities	500,000	0	0
Owners' equity	1,020,682	2,959,647	4,629,276



Financial Projections

Performance measures (EUR)

	2012	2013	2014
Sales revenue	6,400,000	11,000,000	14,000,000
Export sales	730,000	1,400,000	1,600,000
Cost of sales	640,000	1,100,000	1,400,000
Gross profit	5,760,000	9,900,000	12,600,000
Other operating revenue and expenses	0	0	0
Other operating expenses	3,300,000	3,700,000	4,300,000
Labor cost	2,961,600	3,406,800	3,852,000
Depreciation of fixed assets	50,000	70,000	90,000
Operating profit	-551,600	2,723,200	4,358,000
EBITDA	-501,600	2,793,200	4,448,000
Financial income and expenses	-105,000	-67,083	-16,042
Profit before income tax	-656,600	2,656,117	4,341,958
Income tax expense	-177,282	717,151	1,487,329
Profit	-479,318	1,938,965	2,854,629
Operating margin	-7.49%	17.6%	20.4%
Gross margin	90%	90%	90%
Sales per employee	128,000	189,655	212,121
Value added	2,460,000	6,200,000	8,300,000
Value added per employee	49.200	106.897	125.758
Return on equity (per year)	-47.0%	65.5%	61.7%
Quick ratio	1.31	3.19	35.6
Current ratio	1.31	3.19	35.6
ISCR	-4.78	41.6	277
DSCR	0	2.62	8.62
Debt to equity ratio	1.47	0.17	0
Debt to capital ratio	59.5%	14.5%	0%

Receivables collection period, days	24.4	20.0	20.0
Payable period, days	24.4	20.0	20.0
Inventory period, days	0	0	0

Income statement (EUR)

	2012	2013	2014
Sales revenue	6,400,000	11,000,000	14,000,000
Export sales	730,000	1,400,000	1,600,000
Other operating revenue	0	0	0
Cost of sales	640,000	1,100,000	1,400,000
Other operating expenses	3,300,000	3,700,000	4,300,000
Labor cost			
Wages and salaries	2,961,600	3,406,800	3,852,000
Social security costs	0	0	0
Total labor cost	2,961,600	3,406,800	3,852,000
Depreciation of fixed assets	50,000	70,000	90,000
Operating profit	-551,600	2,723,200	4,358,000
Financial expenses			
Interest expense	105,000	67,083	16,042
Total financial expenses	105,000	67,083	16,042
Profit before income tax	-656,600	2,656,117	4,341,958
Income tax expense	-177,282	717,151	1,487,329
Net profit for financial year	-479,318	1,938,965	2,854,629

Balance sheet (EUR)

	2012	2013	2014
ASSETS			
Current assets			
Cash	753,400	1,179,643	1,989,272
Receivables and prepayments			
Trade receivables	433,333	611,116	777,783
Prepaid and deferred taxes	177,282	0	0
Other short-term receivables	0	0	0
Inventories			
Inventories	0	0	0
Total current assets	1,364,015	1,790,759	2,767,055
Fixed assets			
Tangible assets			
Machinery and equipment	1,250,000	1,850,000	2,150,000
Less: Accumulated depreciation	-50,000	-120,000	-210,000
Total	1,200,000	1,730,000	1,940,000
Total fixed assets	1,200,000	1,730,000	1,940,000
Total assets	2,564,015	3,520,759	4,707,055
LIABILITIES and OWNERS' EQUITY			
Liabilities			
Current liabilities			
Loan liabilities			
Short-term loans and notes	0	0	0
Current portion of long-term loan liabilities	1,000,000	500,000	0
Total	1,000,000	500,000	0

Debts and prepayments			
Trade creditors, goods	43,333	61,112	77,778
Trade creditors, other	0	0	0
Employee-related liabilities	0	0	0
VAT (GST)	0	0	0
Total	43,333	61,112	77,778
Total current liabilities	1,043,333	561,112	77,778
Long-term liabilities			
Long-term loan liabilities			
Loans, notes and financial lease payables	500,000	0	0
Deferred grant revenue	0	0	0
Total long-term liabilities	500,000	0	0
Total liabilities	1,543,333	561,112	77,778
Owners' equity			
Share capital in nominal value	1,500,000	1,500,000	1,500,000
Share premium	0	0	0
Retained profit/loss	0	-479,318	274,647
Current year profit	-479,318	1,938,965	2,854,629
Total owners' equity	1,020,682	2,959,647	4,629,276
Total liabilities and owners' equity	2,564,015	3,520,759	4,707,055

Cash flow statement (EUR)

	Jan-2012	Feb-2012	Mar-2012	Apr-2012	May-2012	Jun-2012
CASH FLOWS FROM OPERATING ACTIVITIES						
Inflows						
Payments from customers	111,111	333,332	333,333	388,891	500,000	500,000
Receipt of grant financing (operating expenses)	0	0	0	0	0	0
Receipt of grant financing (personnel expenses)	0	0	0	0	0	0
Receipt of other operating revenue	0	0	0	0	0	0
Total	111,111	333,332	333,333	388,891	500,000	500,000
Outflows						
Payments to vendors (goods)	11,111	33,333	33,333	38,889	50,000	50,000
Payment of salaries and wages	246,800	246,800	246,800	246,800	246,800	246,800
Social security costs	0	0	0	0	0	0
Payments to vendors (operating expenses)	274,999	274,999	274,999	274,999	274,999	274,999
Total	532,910	555,132	555,132	560,688	571,799	571,799
Net cash flow from operating activities	-421,799	-221,800	-221,799	-171,797	-71,799	-71,799
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt of grant financing (assets)	0	0	0	0	0	0
Total	0	0	0	0	0	0
Outflows						
Payments to vendors (assets)	1,250,000	0	0	0	0	0
Total	1,250,000	0	0	0	0	0
Net cash flow from investing activities	-1,250,000	0	0	0	0	0
CASH FLOWS FROM FINANCING ACTIVITIES						
Inflows						
Inflows of nominal value	1,500,000	0	0	0	0	0
Inflows of share premium	0	0	0	0	0	0

Loan amounts received	1,500,000	0	0	0	0	0
Total	3,000,000	0	0	0	0	0
Outflows						
Principal repayments	0	0	0	0	0	0
Interest expense	8,750	8,750	8,750	8,750	8,750	8,750
Dividends (net to shareholders)	0	0	0	0	0	0
Payment of corporate income tax	0	0	0	0	0	0
Corporate income tax on dividends	0	0	0	0	0	0
VAT Return	0	0	0	0	0	0
Total	8,750	8,750	8,750	8,750	8,750	8,750
Net cash flow from financing activities	2,991,250	-8,750	-8,750	-8,750	-8,750	-8,750
Net change in cash and cash equivalents	1,319,451	-230,550	-230,549	-180,547	-80,549	-80,549
Cash and cash equivalents at the beginning	0	1,319,451	1,088,900	858,351	677,804	597,255
Cash and cash equivalents at the end	1,319,451	1,088,900	858,351	677,804	597,255	516,706

Cash flow statement (EUR)

	Q3-2012	Q4-2012	Q1-2013	Q2-2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Inflows				
Payments from customers	1,850,000	1,950,000	2,572,221	2,749,998
Receipt of grant financing (operating expenses)	0	0	0	0
Receipt of grant financing (personnel expenses)	0	0	0	0
Receipt of other operating revenue	0	0	0	0
Total	1,850,000	1,950,000	2,572,221	2,749,998
Outflows				
Payments to vendors (goods)	185,000	195,000	257,222	275,000
Payment of salaries and wages	740,400	740,400	851,700	851,700
Social security costs	0	0	0	0
Payments to vendors (operating expenses)	824,997	825,009	924,999	924,999
Total	1,750,397	1,760,409	2,033,921	2,051,699
Net cash flow from operating activities	99,603	189,591	538,300	698,299
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipt of grant financing (assets)	0	0	0	0
Total	0	0	0	0
Outflows				
Payments to vendors (assets)	0	0	600,000	0
Total	0	0	600,000	0
Net cash flow from investing activities	0	0	-600,000	0
CASH FLOWS FROM FINANCING ACTIVITIES				
Inflows				
Inflows of nominal value	0	0	0	0
Inflows of share premium	0	0	0	0
Loan amounts received	0	0	0	0
Total	0	0	0	0
Outflows				
Principal repayments	0	0	249,999	249,999
Interest expense	26,250	26,250	23,333	18,958
Dividends (net to shareholders)	0	0	0	0
Payment of corporate income tax	0	0	134,967	134,967
Corporate income tax on dividends	0	0	0	0
VAT Return	0	0	0	0
Total	26,250	26,250	408,300	403,925
Net cash flow from financing activities	-26,250	-26,250	-408,300	-403,925

Net change in cash and cash equivalents	73,353	163,341	-470,000	294,374
Cash and cash equivalents at the beginning	516,706	590,059	753,400	283,400
Cash and cash equivalents at the end	590,059	753,400	283,400	577,774

Cash flow statement (EUR)

	2012	2013	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows			
Payments from customers	5,966,667	10,822,217	13,833,333
Receipt of grant financing (operating expenses)	0	0	0
Receipt of grant financing (personnel expenses)	0	0	0
Receipt of other operating revenue	0	0	0
Total	5,966,667	10,822,217	13,833,333
Outflows			
Payments to vendors (goods)	596,667	1,082,222	1,383,333
Payment of salaries and wages	2,961,600	3,406,800	3,852,000
Social security costs	0	0	0
Payments to vendors (operating expenses)	3,300,000	3,700,000	4,300,000
Total	6,858,267	8,189,022	9,535,333
Net cash flow from operating activities	-891,600	2,633,196	4,298,000
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of grant financing (assets)	0	0	0
Total	0	0	0
Outflows			
Payments to vendors (assets)	1,250,000	600,000	300,000
Total	1,250,000	600,000	300,000
Net cash flow from investing activities	-1,250,000	-600,000	-300,000
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows			
Inflows of nominal value	1,500,000	0	0
Inflows of share premium	0	0	0
Loan amounts received	1,500,000	0	0
Total	3,000,000	0	0
Outflows			
Principal repayments	0	1,000,000	500,000
Interest expense	105,000	67,083	16,042
Dividends (net to shareholders)	0	0	1,185,000
Payment of corporate income tax	0	539,869	1,172,329
Corporate income tax on dividends	0	0	315,000
VAT Return	0	0	0
Total	105,000	1,606,953	3,188,371
Net cash flow from financing activities	2,895,000	-1,606,953	-3,188,371
Net change in cash and cash equivalents	753,400	426,243	809,629
Cash and cash equivalents at the beginning	0	753,400	1,179,643
Cash and cash equivalents at the end	753,400	1,179,643	1,989,272

Risk Analysis

The elements that could endanger the Ente Bacini's business plan are hard to identify. In fact, the services towards productive activities follow the market fluctuations and then, in presence of economic crises, either the same services or the power of the company decrease. Besides there are critical situations that can be identified both the trade-union problem and the lack of innovative technologies regarding the plant engineering (the latter really concerns the Dry Docks of Genoa).

Therefore for getting round this, a social peace is necessary and work contracts have to be appealing. Besides during the most prosperous moments the company has to be able to set aside economic resources to be used later for ordinary and extraordinary maintenance. However the company has to entertain good relationships with the Port Authority and with Ministry of Public Works and Transport. This is indispensable because the economic strategy of ports is not merely a local problem, but nowadays it concerns the entire country and actually the whole of Europe. (The railway network, that connects from one side to the other all European ports, can be considered as an example regarding what above-mentioned).

Break-even analysis (EUR)

	2012	2013	2014
Sales revenue	6,400,000	11,000,000	14,000,000
Cost of sales	640,000	1,100,000	1,400,000
Variable expenses, total	640,000	1,100,000	1,400,000
Labor cost	2,961,600	3,406,800	3,852,000
Other operating expenses	3,300,000	3,700,000	4,300,000
Depreciation of fixed assets	50,000	70,000	90,000
Financial expenses	105,000	67,083	16,042
Fixed expenses, total	6,416,600	7,243,883	8,258,042
Gross margin	90%	90%	90%
Break-even sales revenue	7,129,556	8,048,759	9,175,602
Sales revenue above break-even	0	2,951,241	4,824,398

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