

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Business Plan of Textile Company**

**Daniel Krčmář**

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# **BACHELOR THESIS ASSIGNMENT**

Daniel Krčmář

Business Administration

Thesis title

**Business plan of a selected company**

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## **Objectives of thesis**

The main objective of the following thesis is to develop a relevant business plan for an existing company, which is Lamatex s.r.o, a textile reseller based in Oucmanice. To be more specific, the primary idea of the following work is all about focusing and, eventually, suggesting a few potentials strategies and means of development of the mentioned company based on the analyses conducted in the practical part of the bachelor thesis.

Whereas the practical part of the work is related mostly to the analytical research, the literature part focuses more on the theoretical aspects of the mentioned company, such as a brief insight into the textile industry, which is bound to shed a light on the future perspectives of Lamatex s.r.o. In addition, the author wants to present his own vision and understanding of what a textile company should be trying to achieve in the closest future based on research performed.

## **Methodology**

The methodology of this work is based on the combination of analytical and financial approaches expressed primarily by formulas, which are essential for understanding whether a possible additional investment into the business will eventually pay off and the company will become more lucrative.

Analyses performed in the practical part include:

1. SWOT analysis based on own data.
2. NPV analysis based on the amount of suggested investment.
3. ROI analysis based on the amount of suggested investment.

Subsequently, the bottom line of the following thesis is to come to a definite conclusion of whether a possible plan for development is underpinned by positive results in all analyses, which eventually proves the point that the suggested investment is worth being considered.

## **The proposed extent of the thesis**

40 – 50 pages

## **Keywords**

business, operational management, net present value, investment, return on investment, development

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ZIKMUND, W G. Business research methods. Mason: South-Western, Cengage Learning, 2010. ISBN 978-1-133-19094-3.

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### **Declaration**

I declare that I have worked on my bachelor thesis titled "Business Plan of Textile Company" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 15. 03 .2023

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## **Acknowledgement**

I would like to thank Ing. Pavel Kotyza, Ph.D. and all family members that supported me and inspired me, helped me and navigated me throughout the process of writing this bachelor thesis.

# **Business Plan of Textile Company**

## **Abstract**

The main objective of the following thesis is to develop a relevant business plan for an existing company, which is Lamatex s.r.o, a textile reseller based in Oucmanice. To be more specific, the primary idea of the following work is all about focusing and, eventually, suggesting a few potential strategies and means of development of the mentioned company based on the analyses conducted in the practical part of the bachelor thesis.

The methodology of this work is based on the combination of analytical and financial approaches expressed primarily by formulas, which are essential for understanding whether a possible additional investment into the business will eventually pay off and the company will become more lucrative.

In the end, the author arrives at the conclusion that it is worth accepting the project under the condition, that all of the preparations for the construction and administrative processes may be completed within a period of the nearest future and upcoming years. If this does not happen, the project will become unachievable, and giving the project a green light might very well put the firm on the point of being extinct given that the economic situation will not at all be favorable.

**Keywords:** business, operational management, net present value, investment, return on investment, development

# Obchodní plán textilní firmy

## Abstrakt

Hlavním cílem této práce je vypracovat relevantní obchodní plán pro stávající společnost, kterou je Lamatex s. r. o., prodejce Textilu se sídlem v Praze. Hlavní myšlenkou následující práce je především zaměření a případně navržení několika potenciálních strategií a prostředků rozvoje zmíněné společnosti na základě analýz provedených v praktické části bakalářské práce.

Metodika této práce je založena na kombinaci analytických a finančních přístupů vyjádřených především vzorci, které jsou nezbytné pro pochopení toho, zda se případná dodatečná investice do podnikání nakonec vyplatí a společnost se stane lukrativnější.

Nakonec autor dospěl k závěru, že stojí za to Projekt přijmout za podmínky, že všechny přípravy na stavební a administrativní procesy mohou být dokončeny v období nejbližší budoucnosti a nadcházejících let. Pokud se tak nestane, projekt se stane nedosažitelným a dát projektu zelenou by mohlo ohrozit firmu až k bodu zániku vzhledem k tomu, že ekonomická situace nebude vůbec příznivá.

**Klíčová slova:** podnikání, provozní řízení, čistá současná hodnota, investice, návratnost investic, rozvoj

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## **List of abbreviations**

<b>SWOT</b>	Strengths, Weaknesses, Opportunities, Threats analysis
<b>ROI</b>	Return on Investment
<b>NPV</b>	Net Present Value
<b>VAT</b>	Value Added Tax
<b>PDCA</b>	Plan, do, act, check
<b>BMC</b>	Business Model Canvas

# **1 Introduction**

The main motivation for the author to consider this bachelor thesis lies in the fact that the author's relatives have one of the biggest wholesale markets of textiles and related merchandise. The company has been considering the idea of expanding its operations and building a specific warehouse that will decrease the number of operating expenses and also increase the presence of the company on the international market.

For this purpose, the author is genuinely interested in finding out if the aforementioned project is worth taking and considering seriously, so the author decided to evaluate the project according to the most common evaluation techniques from the subject of business economics and economics in general.

The author's work analyses the current framework and the approach to the evaluation of projects and consequently comes to the analysis, where techniques such as budgeting, break-even point, and payback period are applied in order to come to an unbiased conclusion, where he will provide a recommendation for this relatives' company of whether it is worth taking the risk and building a new warehouse in such unstable times.

## **2 Goals and Methodology**

### **2.1 Objectives**

The main objective of the following thesis is to develop a relevant business plan for an existing company, which is Lamatex s.r.o, a textile reseller based in Oucmanice. To be more specific, the primary idea of the following work is all about focusing and, eventually, suggesting a few potentials strategies and means of development of the mentioned company based on the analyses conducted in the practical part of the bachelor thesis.

Whereas the practical part of the work is related mostly to the analytical research, the literature part focuses more on the theoretical aspects of the mentioned company, such as a brief insight into the textile industry, which is bound to shed a light on the future perspectives of Lamatex s.r.o. In addition, the author wants to present his own vision and understanding of what a textile company should be trying to achieve in the closest future based on research performed. Ultimately, the author's goals and objectives can be summarized by the series of the following research questions:

- 1) Is it worth accepting the project of expanding the business?
- 2) What is the payback period of the project?
- 3) What is annual cashflow with the project being accepted?
- 4) How does the company finance its operations?
- 5) What is the return on investment?

### **2.2 Methodology**

The methodology of this work is based on the combination of analytical and financial approaches expressed primarily by formulas, which are essential for understanding whether a possible additional investment into the business will eventually pay off and the company will become more lucrative.

Analyses performed in the practical part include:

1. SWOT analysis based on own data.
2. NPV analysis based on the amount of suggested investment.
3. ROI analysis based on the amount of suggested investment.

Subsequently, the bottom line of the following thesis is to come to a definite conclusion of whether a possible plan for development is underpinned by positive results in all analyses, which eventually proves the point that the suggested investment is worth being considered.

For the practical part, the author considers a series of calculations that will help the author to evaluate the project. First, the author considers NPV approach to discount the value of the future cashflows. Net present value is calculated according to the following formula:

$$NPV = \frac{CF_0}{(1+r)^0} + \frac{CF_1}{(1+r)^1} + \frac{CF_n}{(1+r)^n}, \text{ (Rees, 1990)} \quad (1)$$

Consequently, for the evaluation of the project, the author uses ROI, which stands for the return on investment. ROI is calculated as follows:

$$ROI = \frac{\text{Annual Cash Flows}}{\text{The Value of the Original Investment}}, \text{ (Rees, 1990)} \quad (2)$$

Additionally, the author also calculates payback period, which is calculated according to the following formula:

$$\text{Payback Period} = \frac{\text{Value of the Original Investment}}{\text{Annual Cashflows}}, \text{ (Rees, 1990)} \quad (3)$$

In addition to this, the author also focuses on the calculation of a break-even point, which is calculated as follows:

$$\text{Break Even Point (in units)} = \frac{FC}{P-UV}, \text{ (Rees, 1990)} \quad (4)$$

For the part of the financial analysis, the author also implements the technique of horizontal analysis, whose calculation is based on the base index calculated according to the following formula:

$$\text{Base Index} = \frac{\text{Value from a given year}}{\text{Value from the base year}}, \text{ (Mandel, 1964)} \quad (5)$$

Finally, in addition to the horizontal analysis for the company's financials, the author also calculates couple of financial ratios for the selected time interval between 2019-2021. Those ratios are shown below, according to Rees (1990).

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \quad (6)$$

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory}}{\text{Current Liabilities}} \quad (7)$$

$$\text{Debt - to - equity} = \frac{\text{Total Liabilities}}{\text{Total Equity}} \quad (8)$$

$$\text{Debt - to - assets} = \frac{\text{Total Liabilities}}{\text{Total Assets}} \quad (9)$$

$$\text{Equity Ratio} = \frac{\text{Total Equity}}{\text{Total Assets}} \quad (10)$$

$$\text{Gross Margin} = \frac{\text{Gross Profit}}{\text{Revenue}} \quad (11)$$

$$\text{EBIT Margin} = \frac{\text{EBIT}}{\text{Revenue}} \quad (12)$$

$$\text{EBT Margin} = \frac{\text{EBT}}{\text{Revenue}} \quad (13)$$

$$\text{Net Margin} = \frac{\text{Net Income}}{\text{Revenue}} \quad (14)$$

$$\text{Return on Assets} = \frac{\text{Net Income}}{\text{Total Assets}} \quad (15)$$

$$\textit{Return on Equity} = \frac{\textit{Net Income}}{\textit{Total Equity}} \quad (16)$$

## **3 Literature Review**

### **3.1 Business Plan**

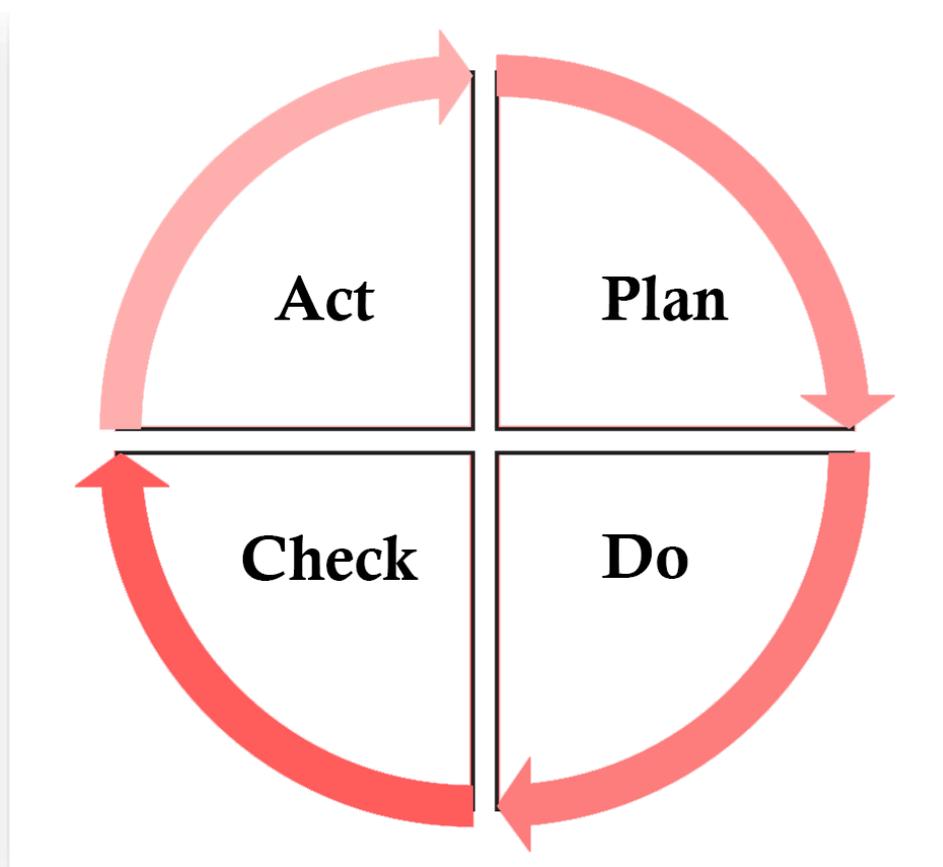
#### **3.1.1 Essence**

Eventually, everyone makes plans for their future, including establishing objectives for themselves, and figuring out how they would reach those goals. The topic of planning can be anything from schooling to a professional career, the construction of a home to the organization of a vacation or travel plans, and so on. The contemporary management style places a greater emphasis on the strategic components of management and strategic planning. This is one of the defining characteristics of modern organization management. In spite of the fact that at the present time a growing number of managers are utilizing strategic tools in their management activities, the mechanism of strategic management is still in the formation stage in terms of its use in economic practice. This is because the mechanisms for translating strategic plans into practical results of activity have not been completely established, and the majority of development strategies continue to remain unmet (Tokhtamysh, 2018).

The business planning method, which became popular in the United States in the 1970s and 1980s, is put to use not only in the establishment of brand-new enterprises but also in the growth of those already in existence. As a result of the transition to an economic system, business plans have become increasingly commonplace in Czech companies, and the practice of business planning is now recognized not only as a vocation but also as a field of academic inquiry. This assertion is backed up by the extensive body of academic and professional writing that has been produced on a wide range of business planning subjects. The significance of the topics that were explored in this literature study is clearly demonstrated by all of this evidence. The actions of the corporation, such as putting the strategy into action and pursuing strategic goals that are compatible with the mission of the organization, are the primary emphasis of business planning. The assets and operations of the organization are, in fact, what the business planning process is aiming for (material, labor, financial) (Bazzaz, 1981).

The complexity and one-of-a-kind character of this class are both a result of the fact that in business planning, originality is inextricably linked to day-to-day operations, such as the completion of exhaustive calculations and the incorporation of a great number of different aspects of a company plan (marketing plan, production plan, financial plan, etc.). In addition, the theory of business planning is not based on standardized formulae; rather, it is a generalization of the experience of developing effective company plans. To put it another way, the idea outlines the several aspects of business planning that may be used in order to achieve success. The selection of the exact same tool must be tied to a specific scenario, and doing so is, to a larger degree, an activity that requires creativity. Business planning, on the other hand, starts with planning, just like any other strategy (Osborne, 1995).

**Figure 1, Shewart-Deming Management Cycle**



Source: Lovitt, 1997

The accomplishment of success in any endeavor requires careful preparation in advance. It entails conceiving aims and targets, as well as analyzing and deciding upon the strategies that will be most useful in accomplishing those aims and targets. Planning serves the purpose of figuring out what exactly has to be done and how it can be done in order to achieve the goals. The control process always requires careful planning as one of its foundational components. As an illustration, here is how the Shewhart-Deming PDCA management cycle is broken down: (Fig. 1). Planning, carrying out the strategy, conducting an evaluation, and taking corrective measures are the stages that make up the PDCA cycle. It is done over and over again until the intended impact is reached. In this particular instance, however, it is essential to bear in mind that the plan can be altered on a regular basis to accommodate the requirements of the customers, and that it serves as the basis for accomplishing the goal that has been set (Lovitt, 1997).

There are many different interpretations of the word "planning." In its broadest sense, planning can be understood as the process of defining objectives and deciding how to go about accomplishing them. The following definition effectively captures the essence of the planning process: "Planning is a future-oriented, level of compliance process of information processing and decision-making based on systematic preparation, which is carried out both at the system (business) level and its individual elements" (structural departments, functional subsystems, individual employees). The result of planning is either a plan or a collection of plans. The act of planning is in and of itself a process. As is the case with any procedure, the input information and data are converted into the output information, which in this case takes the shape of potential alternative plans, through the application of particular approaches and tools. Because planning is something that is done by people, it is essential to recognize that there is a significant impact that the human aspect has on the planning process. There are many different ways of thinking and behaviors that are utilized during the process of information processing, communication, and decision-making, all of which have an impact on the planning process. Therefore, one's personal values, goals, and interests are taken into consideration throughout the planning process (Winters, 2017).

There is a big gap between planning and forecasting, and as a result, there is also a sizable difference between planning and predicting. This is owing to the fact that forecasting is an

active prediction (for example, anticipating inflation, and currency fluctuations), while planning is the conceptualization of motivations, and it also involves the conscious embodiment of voluntary control efforts and comprises decision-making. The difference in meaning between the two names may be traced back to this particular divergence (Jantsh, 1967). Planning specifies which activities need to be carried out in order to achieve the desired results. When it comes to planning, the destination is not the only thing that should be taken into consideration. The process of planning itself is not any less important than it was previously thought to be because it helps to answer important questions such as where the organization is currently located (the economic position of the enterprise), what the results and conditions of its activities are, and how the goals of the organization can be achieved and with what resources. Planning is not only the ability to foresee all critical stages, but it is also the ability to anticipate any unexpected events in the form of risks that may arise over the process of putting the plan into action. Planning is the ability to anticipate any and all unexpected occurrences. The planning process should go in both directions. It is difficult for a company to completely avoid all of the risks that may arise; thus, it is essential that the company is able to establish methods to deal with the risks that do emerge. Due to the dynamics of the circumstance, official authorization is not required to carry out the planning that has to be done. The major goal of business planning is to offer an effective tool for the achievement of the goals of the organization, which may thus be considered the plan's primary aim. The personal objectives of planning are what comes next after this major target, and they have to completely conform to the conditions that are listed below:

- stability in achieving the goals and actions taken by employees, agencies of various levels of management;
- timely (initial) detectors and preventative measures for difficulties;
- coordination of private plans and their connection with the strategy;
- preparation for decision-making;
- perseverance of leading factors and chokepoints (Bradfield, 2005).

To begin, planning in a market context, with the primary emphasis placed on meeting the requirements of the customer, is an endeavor that places a significant cognitive demand. Developing plans call for a methodical vision in addition to the establishment and utilization of a knowledge base, the analysis and processing of data, the construction of the future, constant

activity, and the participation of all participants in the planning process (especially top management), as well as an imaginative evaluation of the current market situation and the opportunities presented to consumers. Foremost, the framework of the planning process and its implementation are not easy jobs because there should entail a flexible combination of centralization and decentralization in planning, which makes it possible for experts from a variety of fields to participate (economists, planners, financiers, manufacturers, marketers, suppliers, marketers, etc.). All of this is accompanied by organizational concerns, and it shows the presence of communication challenges connected to planning (Bryde, 2005).

There are also concerns over the sociocultural composition of the population. In the Czech Republic, democratic management approaches are still in the minority, as advocates of directive management and instructions from above continue to occupy prominent positions (Shinn, 2007). A number of restraints (terms, expenses) are "passed down" from a higher level without any justification, making the process of designing a company more complex. In addition, when contrasted with the conditions that prevail in the industrialized nations of the West, the environment in which business strategies are formulated in Europe is markedly different. Since of this, putting international methodological improvements to use can be difficult because the processes involved typically do not correlate to the financial, economic, legal, and other commercial aspects. As a result, it is very necessary for companies based in Europe to develop new organizational structures and approaches to business planning. Companies need to train their employees to see into the future and plan for it proactively so that they can anticipate potential threats from the outside and seize opportunities as they present themselves. In fact, as a result of the unpredictability of the external environment, the company is required to alter its strategy in a prompt and efficient manner, considering the current state of the market. It is not true that a company may function well without a formal strategy simply because it is necessary to maintain adaptability and the capacity to adopt suitable actions in an environment that is dynamic. All businesses are required to function in an environment that is becoming increasingly competitive, and as a result, they are obligated to think about ways to improve significant success criteria and create their own advantages over other firms. In addition, the challenges associated with establishing and putting into action a strategy, in addition to the need for planning that is both adaptable and ongoing, play a crucial role in this context. It is necessary to have a company culture that successfully contributes to the efficient organization and

implementation of the planning process in practice in order to boost the efficiency of planning (Bartocci, 2017).

### **3.1.2 Importance**

As was said before, the idea of developing a business plan first emerged in the United States of America throughout the 1970s and 1980s. In addition the expansion of embryonic high-tech firms in the sectors of computer, telecommunications, and medical technology, demanded a considerable investment in money. This was necessary because of the rapid advancements that were being made in these areas. In order for company owners to put their innovative concepts into action, they began making many financing requests to various financial institutions, such as investment funds, investment banks, and venture funds, as well as to private investors who are sometimes referred to as "business angels". Business angels are wealthy individuals who invest venture money, also known as risk capital, into startups or early-stage enterprises (Grassow, 2015). To put it another way, business angels are novice investors who participate in high-risk activities. The assistance of venture capital was important in the establishment of colossal companies such as Intel, Microsoft, Apple, Compaq, Federal Express, Xerox, and others. Investors requested written solutions to their questions so that they could better comprehend the reasons why venture capital businesses need funding as well as the activities that they intended to carry out with the funding. After some time, it was discovered through practice that the innovative new organization performed better the deeper and more thoroughly the questions and answers to those questions were created (Ciborra, 1994).

In order to standardize the presentation format of the business plan, all of this was essential. In addition, the information obtained from implementing business plans was improved and, in the end, implemented into business practice all over the world. It originated in the United States, and from there it spread to Europe and other nations. Later on, businesses started developing both already-existing enterprises as well as brand-new, creative firms with the use of business plans, which were used to map out the future of the company. As soon as Czech Republic transitioned into a market economy, local companies started using business plans to guide their operations. They were originally developed with the primary purpose of raising funds from external sources (Guta, 2014).

The concept of "business plan" is used in two meanings:

The first one contains a written document with a strategic plan for the establishment and/or expansion of the company's operations. A business plan is a written document that contains a strategic plan for the establishment and/or expansion of the company's operations. According to this definition, a business plan is the outcome of comprehensive planning that is done regularly and methodically for the company's activities. It outlines the present position, objectives, and action plan, in addition to the projected needs and consequences of the business development of the organization (Ronen, 2011).

The second one is the result of one-time planning that was carried out within the framework of the project in order to solve a specific strategic task. In this sense, a business plan is the fundamental document of an investment project that is submitted to an investor (Colin, 2004). It outlines the essence of the organization, its major characteristics, financial results, and economic efficiency in a manner that is short and in a sequence that is frequently recognized. The fact that a business plan is an all-encompassing and organized document is the fundamental quality that sets it apart from other types of plans. This distinguishes the business plan from the several other kinds of plans that the organization has developed. It does this by establishing a relationship between the characteristics and operational divisions of the firm that are found on the inside and the characteristics and elements of the business environment that are found on the outside (from marketing and sales of products to technological support for production) (Fernandez-Guerrero, 2012).

In today's market conditions, a business plan is an essential instrument for the technical, organizational, economic, financial, and managerial justification of a company's operations, including its relationships with financial institutions, investment and marketing organizations, intermediary organizations, and customers. The development of a business plan serves the objective of planning the economic activity of the firm for the short term as well as the long term in line with the requirements of the market and the opportunities available to get the required resources (Fernandez-Guerrero, 2012).

A business plan helps to solve the following tasks:

- Establish the enterprise's long- and short-term objectives, the strategy, and methods for accomplishing them, and the individuals accountable for implementing each approach;
- Identify specific areas of corporate activity, target markets, and the enterprise's position in these markets;
- Establish the composition and indicators of the goods and services to be given to consumers by the firm, and analyze production and non-production expenses
- Evaluate the conformity of the enterprise's people and the conditions inspiring their work with the requirements for attaining the established objectives;
- Establish the composition of the enterprise's marketing activities, including market research, advertising, sales promotion, pricing, and distribution methods;
- Evaluate the material and financial position of the firm, as well as the conformity of financial and material reserves with the attainment of goals;
- Anticipate the obstacles that may impede the business plan's implementation (Kraus, 2008).

The primary purposes that are served by a business plan are as follows: it serves as a tool with which an entrepreneur can evaluate the actual results of activities for a certain period of time, and it can be used to develop the concept of doing business in the future. These are the functions that a business plan performs. In any case, it is a mechanism for the acquisition of monetary resources. Therefore, the business plan enables to evaluate of the opportunities presented by the firm and provides a justification for the selection of priority goals, i.e., identify the strategy that the company will employ (Kraus, 2008).

## **3.2 Textile Industry in the Czech Republic**

### **3.2.1 History**

The nation that was formerly known as Czechoslovakia was home to a thriving textile industry and was considered to be one of the most important and well-known industrial hubs in all of Europe. Even in the 1930s or the 20th century, this sector was still considered to be one of the most important ones. After the end of the Second World War, there was a rapid expansion in the heavy industrial sector, particularly in mechanical engineering. As a direct consequence of this, the importance of the light industry, which is responsible for the production of textiles,

decreased. In spite of this, the production of textiles has maintained a share that is rather constant within the overall industrial production. More than 400,000 people were working in the textile, garment, and footwear industries in the year 1960, which was equivalent to 18% of the total population at the time. It is not known when the textile industry in Czechoslovakia first started, although it is known that it began to flourish in the late 18th century and early 19th century, particularly in the mountainous and hilly regions of northern Bohemia and Moravia (Militky, 2021).

The cultivation and processing of native flax have a long history in this area. In 1781, the institution of serfdom was abolished, which resulted in a rise in employment opportunities and the need for textiles. During the period known as the Industrial Revolution, new factories were constructed, some of which would later undergo expansion to become much larger industrial enterprises. The structure of textile production was altered as a result of this, and the processing of expensive raw materials such as flax or wool was replaced with the processing of less expensive raw materials such as cotton. As a direct result of this advancement, production was able to be mechanized in a significantly more expedient manner. A sizeable and extensive region for the manufacturing of textiles was formed beginning in the Ore Mountains and continuing through the Jizera Mountains, the Krkonoše Mountains, the Eagle Mountains, and finally into North Moravia. The availability of skilled labor, proximity to water sources, access to transit routes that made it easier to export products overseas, and locations with easy access to fuel were all factors that played a role in the placement of these facilities in their respective locations. Textile mills were only developed outside of these regions in the event of exceptional circumstances and in locations where the conditions were significantly different (Militky, 2021).

One of the best illustrations of this is the city of Brno and the linen business there. In Slovakia, the growth of the textile industry may be traced back to the latter half of the 19th century. Between the two world wars, there was no growth at all, but afterward, there was a rapid increase in the number of exports. Between 1955 and 1963, when the textile industry developed from a base level of 7.3% to 16%, there was a corresponding increase in the number of raw materials that were exported (Table 1). (Gotz, 1966).

**Table 1, share of products exported abroad in the years 1955-1963 (in %)**

<b>Industry</b>	<b>1955</b>	<b>1959</b>	<b>1960</b>	<b>1961</b>	<b>1962</b>	<b>1963</b>
<b>Textile</b>	<b>7,3</b>	<b>13,3</b>	<b>13,8</b>	<b>13,2</b>	<b>14,7</b>	<b>16,0</b>
<b>Clothes</b>	<b>3,0</b>	<b>13,5</b>	<b>12,8</b>	<b>13,7</b>	<b>7,5</b>	<b>14,5</b>
<b>Leather</b>	<b>5,1</b>	<b>15,9</b>	<b>14,9</b>	<b>17,3</b>	<b>21,5</b>	<b>22,2</b>

Source: Gotz, 1996

Weaving mills, spinning mills, and processing plants for wool, cotton, linen, hemp, jute, and silk begin to become a part of the textile industry. Additionally, industries that process artificial and synthetic fibers begin to be a part of this industry. In addition to fabrics and yarns, this sector encompasses businesses that manufacture a wide range of technical and rope textile goods (Gotz, 1966).

Around the turn of the 19th and 20th centuries was when the textile industry reached its zenith. During both the First and Second World Wars, its exclusive application was in the fabrication of engineering equipment. During the Great Depression of the 1930s, this industry was among the most severely affected. Some of the reasons for this situation include dependence on international trade, the importation of raw materials, and the exportation of finished commodities. Another disadvantage was the industry's reliance on a huge number of smaller, less advanced plants rather than larger, more cutting-edge textile makers. Even after 1945, Czechoslovakia continued to struggle with these same difficulties. The majority of the manufacturing that had been done in the northern regions was relocated to Slovakia, which had larger facilities designed for the purpose of facilitating the rapid industrialization of the country. Later development in Slovakia's textile industry made it possible for the country to have a production structure that was more aligned with modern best practices, in contrast to the current situation in the Czech Republic, which sees manufacturing being dispersed across a vast number of small plants (Lukovska, 2022).

After the end of World War II, Liberec maintained the highest employment rate in the entirety of the country. Approximately one-third of the population is employed in the

manufacturing sector. The majority of jobs are associated with manufacturing textiles and other consumer items. With very few exceptions, the majority of companies in the textile industry are still considered to fall within the small- to medium-sized business category. When compared to 1938, there was a decrease in the total quantity of production capacity; however, considering that not all of the capacities had been employed in the past, the decrease in production was not as significant. The majority of Northern Bohemia's income came from exports, and this remains the region's key source of revenue. The city of Liberec's emphasis on the development of heavy industry also slowed the expansion of the textile industry there. Many companies were unable to maintain their autonomy when a significant percentage of their output was nationalized. In addition, businesses were merged together to form larger units, which were then placed under the authority of several ministries. On the other hand, Liberecko was the site of the founding of VHJ Bytex, Elitex, and other businesses, whilst Brno was the location of the incorporation of Textilana into its wool mills. In 1959, the consumer sector was responsible for the employment of 37% of all industrial workers. At the same time, engineering made strides forward, which led to the development of textile technology, air conditioning, and cars. Local businesses, cooperatives, and transportation together accounted for 27% of total revenue in the same year. In 1945, the consumer sector accounted for sixty percent of the total industrial output in Liberec (Chmelicek, 1962).

In addition to being a center for textile production, Liberec is rapidly becoming a hub for textile engineering, allied research, and higher education. This is in addition to the fact that Liberec is already a center for textile manufacturing. Examples of earlier institutions that conducted textile research include the Research Institute of Textile Technology, which was founded in 1951, and the Institute of Textile and Fitness of the First Republic, which was a place where certain development objectives were resolved. Both of these institutes are located in the United States (Veit, 2012).

### 3.2.2 The Textile industry from 1989 to the present

**Figure 2, Velvet Revolution in Czechoslovakia in 1989**



Source: Wheaton, 1992

The year 1989 was significant for the Czechoslovak Republic as it was the year that the Velvet Revolution took place. It was a symbol of the overthrow of the communist administration and the movement of society toward a democratic form of government. Because of this, the economy of the state and the overall growth of industry were both affected. The textile sector, which was going through a particularly difficult period and operating in a difficult economic environment, emerged as an essential component once more. Before 1989, this industry's growth in terms of employment as well as the expansion of the number of enterprises had already begun a downward trend that continued year after year. Research shall utilize the circumstances that prevailed in 1960 as a point of reference to the year 1989. These circumstances were covered in Table 2 (Wheaton, 1992).

**Table 2, Employment by region in 1902 in the territory of today's Czech Republic in the textile and processing industry**

<b>Region</b>	<b>Employees of the textile industry</b>	<b>Employees in the processing industry</b>	<b>Share in (%)</b>
West Bohemian	11939	165888	7,2
North Bohemian	29169	273152	10,7
Central Bohemia and Prague	5347	384559	1,4
South Bohemian	14333	117289	12,2
East Bohemia	54576	283417	19,3
North Moravian	20962	479559	4,4
South Moravian	190097	411018	4,6
Czech Republic	155423	2114882	7,3

Source: Bocek, 2007

The textile industry was experiencing declining sales and market share in the industrial sector. In 1960, there were roughly 1.47 million people engaged in the manufacturing industry; currently, there are approximately 2.13 million people employed in this area. This was a rise of 43.7 percent in terms of percentage during fewer than 30 years. On the other hand, the status of textile firms as well as the job opportunities available inside them evolved in a different way. In 1960, the textile industry was responsible for the employment of 181,448 individuals, which represented 12.3% of the total workforce in the manufacturing sector. By 1989, employment had dropped to a meager 156,000, reflecting the downward trend of these data. The employment trend for each region shows a gradual but steady decrease in the total number of people actively seeking and holding jobs. When compared to the historical period before it, the region of East Bohemia continues to have the highest concentration of people working in the textile business. It is responsible for 35.1% of the whole workforce in the industry despite only having about 55,000 people. Once more, the North Bohemian Region came in at number two, employing 18.7% of the total workforce in the textile industry. In this location, there were jobs for over 30,000 individuals. The proportion of economic activity attributable to the manufacturing sector fell across the board, including in North Bohemia (by around 8%). Although there was progress

made in engineering in Central Bohemia, the most significant gain in employment was seen in the service sector. This trend was seen across the country. It is impossible to draw valid comparisons between various regions of the world because they are too distinct. To make an exact comparison, it is important to have the same size region and the same number of residents for a prolonged period. On the other hand, this data may be broken down into two categories: the long-term and the short-term. Alterations were made to the territories that comprised the regions as well as the way they were divided. After 1989, the government was able to split the regions into the present 14 rather than the previous 9 self-governing divisions. Despite the many iterations, these regions are still appropriate to use today. The data for the present areas can serve as a starting point for an exhaustive recording of the situation, which can be done by beginning with those data. The manufacture of textiles was still taking place in the northern part of Bohemia, close to the region that borders Poland and Germany, and more recently in the regions of Hradec Králové, Liberec, and Ústí and Labem (Bocek, 2007).

### **3.2.3 Basic economic indicators of the textile industry**

To offer a comprehensive picture of the development of the textile industry in the Czech Republic, it is necessary to make use of statistical data that properly portrays the evolution that took place over the course of time during each era. Despite the Czech Republic's struggling economy, the country's textile industry, notably its garment sector, has experienced growth for the past two years in a row. Because of this, it is a flexible industry that can satisfy customer requirements, conforms to the requirements of the market, and concentrate on exports. The company's work productivity is likewise rapidly increasing. A crucial contributor to the expansion of new companies is the introduction of innovative products as well as difficult technological breakthroughs. Because of this, it is quite difficult to assemble all the statistical data and the many different improvements. Today, the textile sector is mostly focused on producing technical textiles, which have also experienced the industry's quickest expansion over the previous 10 years. Six of the ten largest companies in our region had a significant increase in sales compared to the previous year. Seven of these companies are in the technology sector (Atok, 2014). Basic economic indicators include things like annual sales revenue, employee pay growth, labor productivity, the number of enterprises operating in the textile sector, and employee numbers. This information can be found in the chapter that comes before this one, and it includes a variety of different time periods from the past that may be used to

properly compare the amounts of employees and entities. The author of this work collected statistical information from companies that had more than twenty people working for them. To trace the progression of economic indices from 2002 to 2012, data collection was placed over that period (Atok, 2014).

### 3.3 Techniques for Business Planning

#### 3.3.1 SWOT

Figure 3, SWOT Analysis



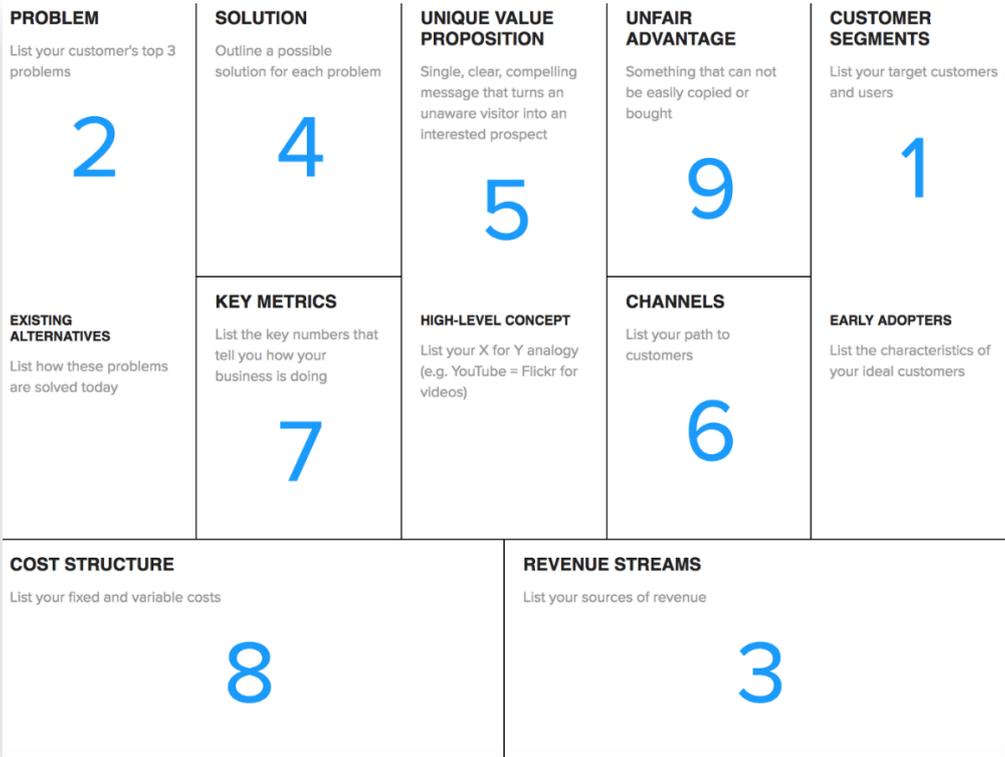
Source: Stanley, 2010

Professor K. Andrews introduced the SWOT analysis at the Harvard Company Policy Conference in 1963 as one of the most popular and straightforward methods for developing a business strategy. This acronym was displayed graphically as a SWOT matrix. Situational elements inside an organization are often categorized as either strengths (S) or weaknesses (W), whilst environmental influences are typically categorized as either opportunity (O) or threats (T). Based on the SWOT analysis, the organization must assess the realism of its future analysis and planning, as well as its strengths, weaknesses, opportunities, and threats. This portion of the business plan is brief and does not take up more than one page of space in total. However, the process of analysis itself is difficult and time-consuming. It involves conducting an analysis

of both the internal and external business environments, and it is necessary to consider all significant facts that currently have or will in the future have an effect on business performance (Chermack, 2007).

**3.3.2 Lean Canvas**

**Figure 4, lean canvas template**



Source: Razabillah, 2023

The Lean Canvas is one of the tools that can be used to describe and talk about the business model of a new product or a company. The history of the Lean Canvas can be traced back to 2005 when Alexander Osterwalder released Business Model Design and Innovation (Osterwalder, 2010). In this book, he outlined the nine fundamental components that are essential to every business model. After coming up with this concept, he went on to develop the Business Model Canvas (BMC), which gave him the ability to define the business model of every company on a single piece of paper. Companies are now able to concentrate on the basics, which enables them to make more effective judgments on the amount of money they will invest in each product. Previously, they would spend a lot of time poring over the specifics of lengthy business plans and business cases. Because it is essential to explain how and on what

information the strategy for developing and utilizing lean canvas is based in this scenario, the author of the work has included all of the stages that went into producing such a well-known and straightforward approach below. This was done because it was found that the author of the work had produced the work (Razabillah, 2023).

### 1. Determine who your ideal customers are.

The company must first select its target market (customer segments). Even if it is designed to be utilized by many people, must begin with someone. The more accurately company can identify the target market for the product, the better will be able to understand the problems that the organization faces and provide answers to those problems. In addition, the product's appeal should be high for optimal results. It is advisable to begin with one group and then grow into additional groups rather than trying to appeal to everyone at once, which would make the product unpleasant for everyone.

The person who uses the product, known as the user, and the person who pays for it, known as the payer, are the two kinds of customers, and the company needs to decide very fast whether they coincide (customer).

### 2. What problems product trying to solve for the consumer?

When developing a product, a developer will typically begin with what he is capable of doing and what chances he can provide. However, in this circumstance, it is more rational to begin by defining the problem before seeking potential remedies.

The following part of this section will cover the available choices. Although the client's problem has not yet surfaced, it has already occurred, and as a result, it is already being handled in some kind. This suggests that the manufacturer will need to outsell these alternatives to keep their consumers if they want to continue in business. It is essential to compile a list of the closest competitors in the market.

### 3. Income sources

The goal of the product was never realized; it was designed only for the purpose of making money. It is essential that managers have a solid understanding of the company's strategy. Constructing a model and determining how realistic it is is a necessary step. Because the competitors were discussed in the prior column, a comparison with them may assist a company in understanding how their service is distinct from the alternatives and the reasons for those differences.

#### 4. Solution

At this point, the corporation is required to offer specifics about the product. Before discussing the key prospects of the solution, careful consideration is given to the problems that were discussed in the previous paragraph. It is of the utmost importance to pay attention to how to solve these problems.

#### 5. Unique offer

The next phase, which is based on the solution, is to describe what it is that makes our product unique, including how it differs from competing products and what its key advantage is.

#### 6. Sales channels

At this point, the various choices, and methods for marketing the product, or more specifically, how it will be supplied and how it will reach potential buyers and consumers, have been outlined.

#### 7. Principal project metrics

Because it is necessary to evaluate both the project's progress and its successes, it is crucial to define the tracking criteria for the endeavour. The initial key statistic to establish is the lowest success requirement. In this scenario, the corporation determines its own standards, considering

the costs of manufacturing the product, transporting it to the end user, and making a profit on the transaction overall. Given the circumstances, it will be advantageous to appreciate and build the company's plan for the upcoming few years.

## 8. Cost structure

Since the organization has already chosen what it will produce and how it will advertise the product, this step is unnecessary. The cost structure may now be defined. There are two sections in this section: initial creation costs and ongoing development expenses. Expenditure options:

- development cost
- personnel costs
- customer acquisition cost
- and others

Once the company has created and filled in the cost structure, it can analyze the three blocks together - revenue streams, cost structure, and targets.

## 9. Hidden Advantage

Given that the world is undergoing enough changes whose outcomes are not always easy to predict, and that technologies are so advanced that anything can be replicated with relative ease, it is essential to identify the concept that will set the company's product apart from its competitors. Options include a large customer base, patents, licensing, a brand, and a hefty entrance price. Something that will prevent competitors from duplicating the accomplishments rapidly. This is the most challenging point. Typically, one realizes that anything can be duplicated and replicated, and one just needs to run faster than others to remain competitive (Razabillah, 2023).

### **3.3.3 Financial analysis**

The financial analysis of the investment proposal as well as the implementation of suitable decisions based on the analysis are essential components of every company strategy for evaluating the efficacy of investments. Financial analysis is the examination of financial

statements and the use of analytical tools and techniques to the indicators of financial documents in order to find the important linkages and features required for any business decision (Scott, 1972).

Direct or indirect analysis may be employed. In the first scenario, the data are evaluated, but not the methods used to get them; this is a purely pragmatic approach. In the second example, the soundness of the technique for generating financial reporting forms - the balance sheet, the income statement, the stockholders' equity, the cash flow statement, and the explanatory to the financial statement - is examined. Concurrently, it is described what should be included in both assets and liabilities, how to compute the price index, and so on. This second method is known as indirect. Although the application of the second strategy enables the building of reporting form indicators and explains their quantitative values, the financial and commercial decisions made are more justifiable as a result. In business, the straight approach is typically employed (Lee, 2009).

Depending on the tasks, financial analysis has a wide range of applications. It may be used as a preliminary check when selecting a profitable investment route and as a tool for forecasting future financial outcomes. In the process of making company choices, financial analysis enables people to eliminate ambiguity. If the purpose of accounting is to describe the business's performance, then the purpose of the analysis is to acquire objective knowledge about the organization's activities, its difficulties, and its future possibilities. An investor who invests in a company's shares anticipates receiving returns mostly from future earnings. Due to the fact that their return is potentially infinite, investors in the organization's stock are vulnerable to abstract explanations of the development, potential, and future prospects of the organization. In general, lenders, especially bankers, evaluate the worth of an organization's assets based on its published financial accounts, presuming the business operates normally. Clearly, a different beginning assumption (concerning the prospective dissolution of the organization) might result in a lower asset valuation than the original situation. Bankers typically assign a modest, even undervalued, value to a company's assets and account for any future unanticipated events. Among all readers of financial statements, investors who participate in the stock of a company have the most acute demand for information. The income of shareholders is affected by all elements of the organization's operations - its profitability, financial position, and capital

structure - since their ownership interest in the firm influences a variety of areas. Due to the fact that the firm on which the business plan of this work is based will require bank loans, an essential aspect of this part is the explanation of the general application of financial analysis. The subsequent chapters will examine in depth the process of developing financial analyses and corporate actions (Lee, 2009).

### **3.3.4 Payback period**

Payback is the rate of return on funds invested in a business project. The shorter the return period, the higher the return on investment in the business and the better the entrepreneur is doing. The payback period refers to the time required to return the investment. Based on this indicator, one can also judge how successful, stable, and promising the business is. The initial moment of payback is the start of direct activities within the framework of a business project. The payback moment is the starting point of the billing period, after which the current net profit is considered positive and stably remains so in the future. Discounting costs is called bringing the costs that will appear in the future to the present moment through the recalculation of the amount using a discount factor. This is a basic indicator that determines the cost of funds, considering the time factor. The break-even point is a point in business payback calculations that allows one to determine the number of services provided or the financial equivalent of the total production volume when the amount of initial investment becomes equal to the amount of net income received. In this context, the payback period is the period after which the profit from the project becomes equal to the amount of invested funds. Thus, the payback period ratio when investing in a business project will show how long it will take to return the money invested. To establish a payback period, it is important to understand to which areas of business activity this definition can be applied. Often this criterion becomes the main one for a potential investor who evaluates whether it is worth investing in a particular company. Accordingly, the lower the coefficient, the higher the likelihood that the project will be successful. If the indicator is large, then, most likely, one should carefully review the idea and think about choosing another project. The formula for calculating the indicator was mentioned in the methodology of this bachelor thesis. All calculations and an illustrative example of the use of this technique can be found in the practical section of this work. By explaining the theory of this method, the author of this work will show what the future holds for the company (Boardman, 1982).

### **3.3.5 Break-even point**

The break-even point is the volume of production or sales at which income equals expenses, and the business is operating "to zero". One can calculate the break-even point in money or pieces. To do this, one needs to know the price of the finished product or service and fixed and variable costs. If the company has a large assortment, the calculation may require the number of sales of different product groups or their share of sales in the total volume. Fixed costs do not depend on the number of products produced. Typically, these include rent, security, utility bills, and fixed advertising costs. They are calculated for a certain period, for example, a month. In fact, these costs can also change. The volume of production increased, a large warehouse was required, and because of this, the rent increased. Therefore, it is more correct to call them conditionally constant. Variable costs change depending on the volume of production. These are materials, packaging, and shipping costs. This indicator is calculated per unit of production. Expensive investments do not affect the calculation of the break-even point, they are returned to the owner after the business has begun to generate profit. If an entrepreneur has bought a machine, machine, or business premises, he should not include these costs in the calculation. The result of this calculation will be the break-even point in money. To calculate the TBU in physical terms, one needs to divide the resulting amount by the price of the product (Ndaliman, 2007).

## 4 Practical Part

### 4.1 Legal Framework

The procedure of creating a legal entity does not need to be completed since the firm for which the author is preparing a business plan has already been in operation for some time and has also been a part of the business environment in the Czech Republic for some period of time. Nevertheless, it is prudent to examine if the sort of business structure that is currently being used, whether it be an s.r.o. or a limited liability corporation, is the option that is most suited for the firm.

Taking into consideration the size of the company as well as the specific number of employees who were brought on board to work for Lamatex, the choice of s.r.o. presents itself as the option that seems to be the most reasonable option. However, the author offers various strategies to improve the company and boost its sales, just as it was indicated in the practical section of the article. As a result, the natural issue that arises is whether or not it would be worthwhile to explore altering the legal status of the original firm from a limited liability company to a joint stock company, which is written as a.s. in Czech.

The author was able to create the following table after conducting research into the current circumstances for conducting business activities under a limited liability company and joint stock company. This table provides a generalized overview of the benefits that can be obtained from conducting business under particular legal entities. In light of this, Table 3 that follows provides an overview of doing business as an s.r.o. as well as reasons for doing so.

**Table 3, breakdown of limited liability company**

<b>Advantages</b>	<b>Disadvantages</b>
Low starting capital (at least 1 CZK)	Partial liability of owners
Less administrative expenses	Less attractive to foreign investors
Less complicated management process	Business relations often depend on the amount of invested capital

Source: own processing based on market research

In contrast, the author also breaks down the advantages and disadvantages of conducting business activities under a.s. in Table 4.

**Table 4, breakdown of joint-stock company**

<b>Advantages</b>	<b>Disadvantages</b>
More attractive to foreign investors	High starting capital (at least 2,000,000 CZK)
Less responsibility between owners	High administrative expenses
Easy manipulations with shares	Complicated management

Source: own processing based on market research

Thus, following the overview of two legal entities that can be used by Lamatex, the author suggests that despite the need for expansion and growth, it would still be better for Lamatex to remain an s.r.o. since the amount of starting capital is somewhat vast and the company still has space to grow in the domestic market before trying to attract investors and foreign companies for the cooperation.

## **4.2 Maintenance**

The company is currently planning to expand its business and optimize its expenses by decreasing the total expenditure spent on salaries. However, given the overall increase in the prices for energy, the company's expenses are about to surge by at least twice as much, if not more for the whole project. It is essential to break down the cost of building a new warehouse, the scheme for which is available in Figure 5.

**Figure 5, Lamatex warehouse 3D plan**



Source: information provided by Lamatex, s.r.o

Additionally, it is necessary to compare the projected cost for maintenance of the new warehouse and compare it to the initial expense currently faced by the company, as well as the rent income earned by the company prior to the expansion. Finally, it is necessary to determine whether or not building their own warehouse is worth it by performing relevant calculations in the further chapters of the practical part.

First, the author starts by breaking down the current revenue that the company gets for rent. The rent income earner per each facility is available in Table 5.

**Table 5, monthly rent revenue in 2020-2023**

Location	Rent
Oucmanice	45,000.00 CZK
Nová Paka	20,000.00 CZK
Choceň	8,833.00 CZK
<b>Total</b>	<b>73,833.00 CZK</b>

Source: own processing based on information provided by Lamatex s.r.o

Because of this, it is reasonable to draw the conclusion that as of the 30th of August 2022, Lamatex s.r.o. was incurrent a monthly rent income equivalent to 73,833 CZK, which included the amount received on a monthly basis. Of course, it is just to suppose that the rent will go up in the future due to inflation, but according to the conversations with business owners, they do not plan to do so due to the fear of losing their current tenants and also due to the complicated economic situation and low economic activity in general in the region. Nevertheless, at this point in time, it is very necessary to have a look at the estimated cost of constructing a full warehouse for Lamatex's activities.

Before getting into the depth and explaining the data behind it, it is vital to note that the author's calculations are based on the value forecast by Lamatex in 2019. The epidemic, a very high inflation rate, and the current energy crisis have all been stunning Czech society together for the last three years. Because of this, the author adjusts the cost of building in 2019 to the prices in 2022 by raising the beginning cost by 17.5%, which is the most current figure of the inflation rate in the Czech Republic as of August 2022. In 2022, the cost of construction will be as follows in Table 6.

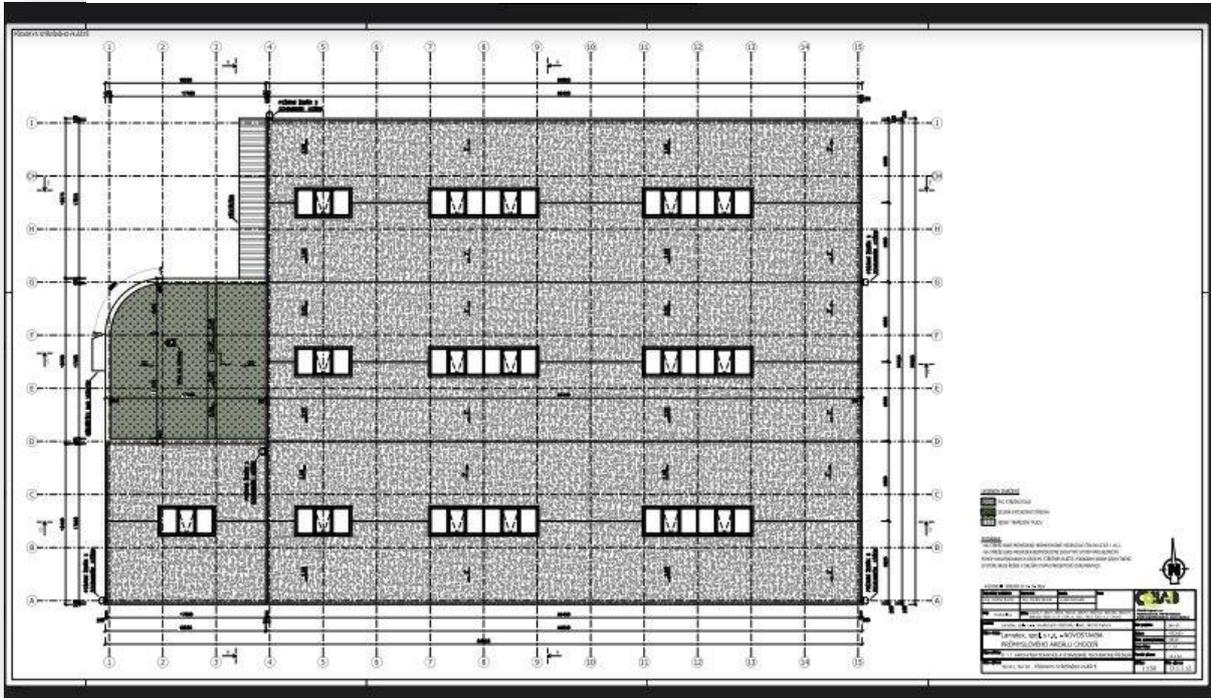
**Table 6, cost of construction**

	<i>2019 Price</i>	<i>Adjusted price</i>
<b>Main facility</b>	12,307,130 CZK	14,460,878 CZK
<b>Hall 1</b>	17,443,390 CZK	20,495,983 CZK
<b>Hall 2</b>	17,619,450 CZK	20,702,854 CZK
<b>Hall 3</b>	16,747,185 CZK	19,677,942 CZK
<b>Ramps (1 unit)</b>	1,784,420 CZK	2,096,694 CZK
<b>Other objects</b>	5,092,133 CZK	5,983,257 CZK
<b>Demolition</b>	9,960,000 CZK	11,703,000 CZK
<b>Shelving system</b>	7,000,000 CZK	8,225,000 CZK
<b>Other expenses</b>	2,833,333 CZK	3,329,167 CZK
<b>Total</b>	<b>56,420,407 CZK</b>	<b>66,293,978 CZK</b>

Source: own processing based on information provided by Lamatex s.r.o

In order to avoid a fair amount of expenses and not to put the company's existence in question, the company decides to first build only one hall instead of three at the same time. For this purpose, the cost of construction for the second and third halls is not included in the final calculation. Because of the substantial rise in expenses, the business would have been far better off if it had given the project the go-ahead in 2019 when it could have saved a huge amount of money. However, as will be seen in the next section, the corporation does not intend to utilize the whole warehouse; rather, they want to rent a lot of places for other companies. Consequently, the author indicates the plan for the upcoming warehouse in Figure 6.

Figure 6, plan of the warehouse



Source: information provided by Lamatex

Effectively, the company plans to build just the upper part of the warehouse, where the first hall will be located, while other 2 halls will be built once the financial situation of the company will stabilize after potential acceptance of the project. In addition to that, the author also presents the photography of the area, where the warehouse will be built in Figure 7.

**Figure 7, area for the warehouse prior to the construction**



Source: own processing

Effectively, it is visible that there are other objects on the area, but the company is expected to entirely demolish everything prior to the construction of the warehouse.

### **4.3 Recruitment**

It is safe to state that as of right now, the firm is being run by a total of only four persons who are actively involved in its day-to-day activities. This is true both in terms of recruiting and personnel. Three persons work as warehousemen the warehouse that is now being leased, one person works as an accountant who is processing the needed paperwork between the business and its clients, and a supervisor is responsible for contacting customers, taking calls, and negotiating agreements. The conversation with the proprietors of the company revealed that the supervisor is the owner of the company herself; hence, there are no costs associated with filling this function. Since the firm has not yet committed to the plan of constructing its own

warehouse, the author is able to determine the current monthly cost of the company's salaries despite the fact that they have not yet accepted the project. According to the information that was obtained from the proprietor of the company, workers are required to put in primary labor for 5 days out of the week for an average of 8 hours each day and eventually, they get salary indicated in Table 7. It is wise to mention that warehousemen work on the employment basis, while the accountant is working on a different basis, where the company is being charged monthly by a particular amount, where 35,500 CZK is an average amount that the company is being charged monthly. Apparently, the accountant is also working for other firms, which is not at all surprising.

**Table 7, current salary expense per month**

	<i>Per month</i>	<b>Total monthly</b>
Warehouseman 1	36,750.00 CZK	<b>145,750.00 CZK</b>
Warehouseman 2	36,750.00 CZK	
Warehouseman 3	36,750.00 CZK	
Accountant	35,500.00 CZK	

Source: own processing based on information obtained from the company

Undoubtedly, an expansion to the mentioned warehouse will definitely boil down to the fact that the business owner will face a need to hire fewer workers on the same salary conditions due to the concentration of operations, where the accountant, a security person and a cleaning person will all be employed on the base of sole trader license – at least, this is the way how the company is planning to manage their working expense and optimize it accordingly. So, the new salary expense with new working positions is available in Table 8, where 4 workers are also being hired, but on a lower total salary.

**Table 8, new salary expense**

	<i>Per month</i>	<b>Total monthly</b>
Warehouseman	36,750.00 CZK	<b>127,450.00 CZK</b>
Accountant	35,500.00 CZK	
Security	27,600.00 CZK	
Cleaning	27,600.00 CZK	

Source: own processing on information obtained from the company

In comparison with the previous table, it is visible that there are new workers, but the expense is lower due to the fact that the company concentrated operations around just one hall and there is a need for just one warehouseman, who is also being employed full-time.

**4.4 Equipment and Material**

The amount of money that would need to be spent on purchasing the fresh machinery that will be required in the storage facility was covered in the section of the thesis that dealt with its upkeep. The values from Table 6 indicate the cost of the equipment for offices, storage, and other areas.

Nevertheless, there is a further significant component that needs to be discussed in this chapter as well. The majority of the organization's earnings originate from the resale of textiles, with the majority of these products coming from Asian nations including Malaysia, China, and Vietnam in particular. For this reason, it is essential to discuss the significant expenses incurred by the organization on a monthly basis. This is something that can be simply determined given that the business purchases a certain quantity of textiles on a monthly basis, which results in the sum being around the same each month. The profit margin that the business makes off of the products is not covered in this chapter; however, it will be covered in a subsequent one. As a result, Table 9 provides an overview of merchandise or material cost.

**Table 9, monthly material cost**

	<i>Units, pallets</i>	<i>Price</i>
<b>Yarns</b>	299	10,481,132 CZK
<b>Threads</b>	70	1,052,868 CZK
<b>Total</b>	<b>370</b>	<b>11,534,000 CZK</b>

Source: own processing on information obtained from the company

The number of units sold for each kind of product is determined based on the typical amount of material that is purchased in a given month. Despite the fact, that there are always items in the warehouses, the corporation continues to order the same number of units on a

monthly basis. This is true regardless of the activities that are taking place. Because the business owners discovered the ideal way to keep their firm going after 24 years of experience, the author has also taken this into consideration.

The costs of products sold that were shown earlier obviously include the expenses of shipping and customs, and as a result, this amount represents the monthly costs of goods sold expenditure for the firm.

## **4.5 Financial Analysis**

After detailing each significant expense that the business incurs on a monthly basis, it is ultimately necessary to move on to the most critical study, which is an examination of the firm's financial condition both before and after the possible building of the warehouse. For this purpose, the author considers one of the company's financial statements – balance sheet for 2019-2021 and performs a horizontal as well as ratio analyzes with the results for the horizontal analysis indicated in Table 10 below.

**Table 10, horizontal analysis (2019-2021)**

in thousands Kč			
Year	2019	2020	2021
Land	730 CZK	5,272 CZK	5,272 CZK
Buildings	2,144 CZK	2,031 CZK	1,919 CZK
Unfinished buildings	8,892 CZK	5,152 CZK	5,331 CZK
Other long-term assets	2,456 CZK	3,214 CZK	2,544 CZK
<b>Total Long-term</b>	<b>14,222 CZK</b>	<b>15,669 CZK</b>	<b>15,066 CZK</b>
Merchandise	33,363 CZK	30,014 CZK	36,649 CZK
Receivables	3,910 CZK	2,412 CZK	7,214 CZK
Cash	11,285 CZK	12,302 CZK	13,214 CZK
Other current assets	- CZK	9,057 CZK	6,180 CZK
<b>Total current assets</b>	<b>48,558 CZK</b>	<b>53,785 CZK</b>	<b>58,366 CZK</b>
<b>Total Assets</b>	<b>62,780 CZK</b>	<b>69,454 CZK</b>	<b>73,432 CZK</b>
<b>Total Equity</b>	<b>59,689 CZK</b>	<b>63,616 CZK</b>	<b>69,771 CZK</b>
<b>Total Liability</b>	<b>3,091 CZK</b>	<b>5,838 CZK</b>	<b>3,661 CZK</b>
<b>Total Equity + Liability</b>	<b>62,780 CZK</b>	<b>69,454 CZK</b>	<b>73,432 CZK</b>

Year	2020	2021
Land	622%	622%
Buildings	-5%	-10%
Unfinished buildings	-42%	-40%
Other long-term assets	31%	4%
<b>Total Long-term</b>	<b>10%</b>	<b>6%</b>
Material	-10%	22%
Receivables	-38%	199%
Cash	9%	7%
Other current assets	-	-32%
<b>Total current assets</b>	<b>11%</b>	<b>20%</b>
<b>Total Assets</b>	<b>11%</b>	<b>17%</b>
<b>Total Equity</b>	<b>7%</b>	<b>17%</b>
<b>Total Liability</b>	<b>89%</b>	<b>18%</b>
<b>Total Equity + Liability</b>	<b>11%</b>	<b>6%</b>

Source: own processing based on the company's annual financial statement

Based on the horizontal analysis, it is pretty visible that the company's total number of assets increased significantly – from 62,780 thousand Czech crowns in 2019 to 73,432 thousand Czech crowns, which totals an increment of 17%, which is a good result. Effectively, the company's biggest number of assets is allocated in merchandise, which is constantly being used for the later retail. When it comes to the value of liabilities and equity, they were also increasing, which is not at all surprising since liabilities and equity are used for the financing of the company's assets. Effectively, the author will now, based on the financial ratio analysis, identify which type of financing is mainly exercised by the company. The output of the financial ratio analysis is shown in Table 11. The author wants to point out that all liabilities that are listed in the balance sheet of the company are short-term or current ones, as the company does not at all practice any borrowing, so all those liabilities are liabilities to suppliers, i.e., payables.

**Table 11, financial analysis (2019-2021)**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>Current Ratio</b>	15.71	9.21	15.94
<b>Quick Ratio</b>	4.92	4.07	5.93
<b>Debt-to-equity</b>	0.05	0.09	0.05
<b>Debt-to-assets</b>	0.05	0.08	0.05
<b>Equity Ratio</b>	0.95	0.92	0.95

Source: own processing based on the company's annual financial statements

According to the series of ratios related to the liquidity domain, it becomes evident that the company has absolutely no problem with liquidity as the figures for both current and quick ratios are astonishingly high. However, the situation with quick ratio suggest that such a high reliance on merchandise is not good and once the company will accept the project and borrow a particular amount, it can put the company's liquidity at question. As for solvency ratios, the company does not exercise any serious borrowing from financial institutions, so the share is incredibly low, which is undeniably a good sign. Finally, the company financed 95%, 92% and 95% percent of assets in 2019, 2020 and 2021, respectively from equity, which is a good sign suggesting that the company has a strong position. Then, the author proceeds to the analysis of the income statements published by the company over the course of three years – from 2019 to 2021, which are indicated in Table 12.

**Table 12, income statements of Lamatex (2019-2021) in thousands CZK**

<b>Year</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Revenue	149,685 CZK	138,187 CZK	155,482 CZK
Costs of goods sold	130,352 CZK	127,820 CZK	138,408 CZK
<b>Gross Profit</b>	<b>19,333 CZK</b>	<b>10,367 CZK</b>	<b>17,074 CZK</b>
<b>Gross Margin</b>	<b>13%</b>	<b>8%</b>	<b>11%</b>
Salary	1,782 CZK	1,790 CZK	1,749 CZK
Social insurance	603 CZK	616 CZK	615 CZK
Depreciation	504 CZK	546 CZK	1,307 CZK
Income from rent	- 1,046 CZK	- 941 CZK	- 934 CZK
Other expenses	197	238 CZK	254 CZK
<b>EBIT</b>	<b>17,293 CZK</b>	<b>8,118 CZK</b>	<b>14,083 CZK</b>
<b>EBIT Margin</b>	<b>11.6%</b>	<b>5.9%</b>	<b>9.1%</b>
Interest income	-60	- CZK	- CZK
Other interest income	-284	- 1,152 CZK	- 619 CZK
Interest expense	420	740 CZK	1,050 CZK
<b>EBT</b>	<b>17,217 CZK</b>	<b>8,530 CZK</b>	<b>13,652 CZK</b>
<b>EBT Margin</b>	<b>11.5%</b>	<b>6.2%</b>	<b>8.8%</b>
Income Tax	3,278 CZK	1,632 CZK	2,597 CZK
<b>Net Income</b>	<b>13,939 CZK</b>	<b>6,898 CZK</b>	<b>11,055 CZK</b>
<b>Net Margin</b>	<b>9.3%</b>	<b>5.0%</b>	<b>7.1%</b>

Source: own processing based on the company's annual financial statements

Based on the analysis, it can be suggested that the company was badly hit by the pandemic, when their net margin dropped to 5% compared to 9.3% in 2019. Yet, despite this, it is still possible to say that the financial performance of the company is impeccable with more than 6 million CZK being earned in pure profit for each single year. In 2021, the company made a recovery by the figure is still slightly lower than it was for 2019, when the net margin was 9.3%, which is an outstanding result. Consequently, the author performs an analysis of the company's profitability, which is indicated in Table 13.

**Table 13, profitability ratios**

	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>ROA</b>	22%	10%	15%
<b>ROE</b>	23%	11%	16%

Source: own processing based on the company's annual financial statements

According to profitability ratios, it becomes pretty evident that the company has high ratios for both ROA and ROI, which is a good sign. Yet, the company was negatively hit by the pandemic in 2020 and as a consequence, the ratio reduced by almost half.

To continue, it is vital to discuss the margin that the organization chooses to place on its goods, which ultimately contributes to the retail price that consumers are required to pay (without VAT, as the company is not influenced by it). The author bases his study on the real retail prices that have been established by the firm and according to conversations with the business owners, the most common margin is equal to just 2%. The breakdown is shown in the figure which can be seen in Table 14.

**Table 14, retail price of pallets without VAT**

	<i>Retail price</i>	<i>Purchase price</i>	<i>Gross profit per unit</i>
<b>Yarns</b>	39,317.60 CZK	35,000.00 CZK	4,317.60 CZK
<b>Threads</b>	16,850.40 CZK	15,000.00 CZK	1,850.40 CZK

Source: own processing based on market research

It is feasible to get the conclusion that Lamatex is a firm that has a medium margin (12.33%) since it is evident that the gross profit of the company is likely to surpass the purchase price of the product. This can be observed clearly. In spite of the company's medium-profit margin, it has achieved an impressive level of success, which may be attributed, in large part, to the absence of competitors with a direct presence in the Czech Republic. Lamatex is a far better option for the company's customers, who are businesses from all across the nation since it allows them to avoid paying very high costs associated with transportation. In addition to this,

the monopolistic nature of the competition in the textile industry in the Czech Republic is another explanation for this phenomenon; Lamatex is the only wholesale firm operating everywhere in the whole country.

**Table 15, calculation of rent revenue**

	Pallet space (1 level)	Pallet space in total (4 levels)	Used by Lamatex	Rented
<i>Number of Pallets</i>	448	1,792	591	841
<i>Revenue (240 CZK per 1 pallet)</i>	-	-	-	201,768.00 CZK

Source: own processing based on market research

Now that the author has provided the input data (Table 15) that is necessary for the calculation of operational revenue, it is very important to specify the nature of the changes that are going to take place after the firm completes its warehouse. The construction of the warehouse is now on the agenda for Lamatex; however, it is anticipated that the firm will only use a part of the facility and will instead rent out the remaining space to other, more compact businesses. It is anticipated that Lamatex will generate around 201,768 CZK each month (given 70% as an occupancy rate for those pallets) only from the rent of spaces for pallets (8 CZK is the average price per 1 pallet space per day, so in total it brings 240 CZK per month for just one pallet place), according to Table 9 given that the company expects an occupancy rate of 70%. As a result, the goal of the organization is to increase the number of sources from which it generates revenue and to establish yet another source of cash flow. Without a shadow of a doubt, there is almost no way for a small company based in Oucmanice to provide a capital of almost 67,000 000 CZK from the own capital of the shareholders, so the company will undoubtedly take out a bank loan of 6.5% p.a. for the 33 million CZK needed for the construction of the warehouse (66,293,978 CZK), the rest will be invested from the own capital of owners. It is anticipated that the loan will be paid off in 25 years, at which point the monthly payment would amount to 225,449.07 CZK, according to the author's calculation.

Yet, it would have an effect on the net income of the company and in the next table, the author presents the breakdown of the company's net income before and after accepting the project.

**Table 16, annual net income breakdown and comparison (before versus after) in thousands CZK**

Year	Before	After
Revenue	155,482 CZK	155,482 CZK
Costs of goods sold	138,408 CZK	138,408 CZK
<b>Gross Profit</b>	<b>17,074 CZK</b>	<b>17,074 CZK</b>
<b>Gross Margin</b>	<b>11%</b>	<b>11%</b>
Salary	1,749 CZK	1,529 CZK
Social insurance	615 CZK	529 CZK
Depreciation	1,307 CZK	1,307 CZK
Income from rent	- 934 CZK	- 2,421 CZK
Other expenses	254 CZK	254 CZK
<b>EBIT</b>	<b>14,083 CZK</b>	<b>15,876 CZK</b>
<b>EBIT Margin</b>	<b>9.1%</b>	<b>10.2%</b>
Interest income	- CZK	- CZK
Other interest income	- 619 CZK	- 619 CZK
Interest expense	1,050 CZK	3,755 CZK
<b>EBT</b>	<b>13,652 CZK</b>	<b>12,740 CZK</b>
<b>EBT Margin</b>	<b>8.8%</b>	<b>8.2%</b>
Income Tax	2,597 CZK	2,421 CZK
<b>Net Income</b>	<b>11,055 CZK</b>	<b>10,319 CZK</b>
<b>Net Income</b>	<b>7.11%</b>	<b>6.64%</b>

Source: own processing based on financial statements

Now, as it can be seen from Table 16, with 70% occupancy rate for the rent in the new hall, which will be built, the company's income from rent will rise to 201,768 CZK per month totalling 2,421,216 CZK earned annually, but the company will also face a need to pay a monthly interest expense of 225,449 CZK totaling 2,705,388.88 CZK paid annually, which is an obvious downside of the project. In addition to the existing interest payment, the total interest payment will reach 3,755 thousand CZK, which is significantly higher than prior to the project. At the same time, it is apparent that the net margin decreased mostly due to the fact that the company will get rid of the current property that they have in Oucmanice, Nová Paka and Choceň, so they will lose a monthly rent income equal to 73,833 CZK. Due to the fact that the interest payment is higher than annual revenue from the rent, the net margin falls to 6.64% from 7.11%, which is still a good sign as the company will continue to break even further. Once the loan is paid, this value will surge as a high portion of interest expense will be taken off.

## 4.6 NPV, Payback Period and ROI

First, the author proceeds to the calculation of a payback period required for the company to recover the value of the original investment. The calculation is presented in Table 17.

**Table 17, undiscounted payback period**

	<i>Value</i>
<b>Initial investment</b>	<b>66,293,977.83 CZK</b>
<b>Cash inflow yearly</b>	<b>10,319,400.00 CZK</b>
<b>Number of years to pay back (no discount)</b>	<b>6.424208562</b>

Source: own processing based on financial analysis

Clearly, from the calculations, it becomes evident that the company has a payback period of 6.42 years. Yet, it is wise to understand that this payback period is associated with undiscounted cashflows, so the author will proceed to a more detailed calculations which are based on the NPV approach. Yet, before proceeding to the calculations, it is first wise to define the key component used for the calculation – the discount rate. The author selects an approach to calculation of a discount rate, where the discount rate is the opportunity cost or return on another project or action that the company can do in order to generate a stable cashflow. Undeniably, thinking of an alternative project and finding its rate of return can be rather complicated and based on the conversations that the author had had with the business owners, if the project is not accepted, they were planning to deposit money at the bank and get a stable return on their deposit, which will certainly be paid over a long period of time, where the only uncertainty is the actual deposit rate, which tends to fluctuate under the external forces that interact with the Czech economy. The author suggests that the discount rate is the average of projected deposit rates for the nearest future, where the author suggests a discount rate of 5.6% for the two upcoming years, 4.2% for another two years and 3% for an indefinite period of time. Those figures are explained by the economic situation in the country, where in 4 years, the author believes that the monetary policy will not be focused on raising interest rates but on lowering them instead. Henceforth, the author finds an average from all three values and gets

the discount rate of 4.2%. Based on this piece of calculation, the author is able to proceed to the following NPV calculation in Table 18.

**Table 18, NPV calculation**

discount rate	4.2%
1	- 66,293,977.83 CZK
2	9,504,275.33 CZK
3	9,121,185.54 CZK
4	8,753,536.98 CZK
5	8,400,707.28 CZK
6	8,062,099.12 CZK
7	7,737,139.27 CZK
8	7,425,277.61 CZK
9	7,125,986.19 CZK
10	6,838,758.34 CZK
11	6,563,107.81 CZK
12	6,298,567.96 CZK
13	6,044,690.94 CZK
14	5,801,046.96 CZK

Source: own processing based on financial statements

Based on the calculation, the author concludes that the NPV for the project becomes positive on the 10<sup>th</sup> year, which is exactly the payback period needed to recover the original investment of 66,293,977.83 CZK under the discount rate of 4.2%. Effectively, given the fact that the NPV is positive, the author suggests that the project is worth taking.

Finally, the author proceeds to the calculation of the ROI on an annual basis in Table 19.

**Table 19, ROI calculation**

	Value
Initial investment	66,293,977.83 CZK
Cash inflow yearly	2,421,216.00 CZK
ROI	3.7%

Source: own processing

Consequently, the author is able to suggest that the ROI of the proposed project is equal to 3.7%, which is not a significantly high number.

## 4.7 Break-even Point

In conclusion, it is important to begin to investigate how the organization prices the various products that it offers for sale. The author determines the precise number of units that must be sold every month in order to achieve the break-even point for each distinct kind of product that is being marketed and sold as part of the break-even point study. In addition to this, after doing a break-even point analysis for each kind of product, the author will determine which goods' prices may be increased to favorably affect the net income. This will be done by determining which goods' prices can be increased. The graph for the first category of product sales can be seen in the graphic that can be found in Table 20.

**Table 20, break-even point for each good**

	<i>Retail price</i>	<i>Purchase price</i>	<i>Gross profit per unit</i>	<i>Break-even point, units</i>
<b>Yarns</b>	39,317.60 CZK	35,000.00 CZK	4,317.60 CZK	36
<b>Threads</b>	16,850.40 CZK	15,000.00 CZK	1,850.40 CZK	85

Source: own processing

Based on the calculation of the break-even point, it is possible to say that the company has to sell at least 36 pallets of yarn to be profitable when it comes to yarns. At the same time, the company has to sell at least 85 pallets of threads to break even, which is far from the actual number of threads being imported and sold. Of course, the explanation for this lies on the surface, where the company buys the merchandise and sells it in order to diversify its variety of goods and attract more and more potential customers who would eventually one day be interested in buying the company's main merchandise – yarns.

## 4.8 SWOT

Now, after performing all calculations, the author is able to conduct a SWOT analysis and explore the benefits and disadvantages of the company's new project. The SWOT analysis is available in Table 21.

**Table 21, SWOT analysis**

<p style="text-align: center;"><b>Strengths</b></p> <p style="text-align: center;">Higher gross margin A new stable higher cash inflow from rent Low payback period</p>	<p style="text-align: center;"><b>Weaknesses</b></p> <p style="text-align: center;">Lower net income after the project is accepted</p>
<p style="text-align: center;"><b>Opportunities</b></p> <p style="text-align: center;">Opportunity to explore new markets Opportunity to cooperate with bigger companies</p>	<p style="text-align: center;"><b>Threats</b></p> <p style="text-align: center;">Economic crisis Inability to pay off the loan Inflation and energy crisis</p>

Source: own research

### **Strengths**

A greater gross margin appears to be one of the first benefits that come to mind when thinking about the strength of the business strategy to develop the firm. The indication of net income will skyrocket after the loan is paid off by the firm, and it will get very near to the number that represents gross profit once it reaches that point. Clearly, this does not completely depict the whole scenario of the company.

The construction of the warehouse offers the firm a new source of revenue that will consistently create approximately 200,000 CZK per month for the company, which will ultimately result in a genuinely steady cash flow that does not need to be maintained in any way even in the worst-case scenario.

When applied to such a massive undertaking, a payback time of 10 years (discounted) seems to be a figure that is both realistic and comforting.

When the business no longer has to pay a significant amount of money each month for interest, it is less reliant on uncontrollable external circumstances and on facilities-providing vendors. This is one of the characteristics that set large and successful businesses apart from

smaller ones. In order for Lamatex to achieve its goal of being more well-known, the company must agree to participate in the initiative.

### **Weaknesses**

The fact that the net margin number has decreased is not at all a positive indicator. On the other hand, as it was said before, this is just a temporary obstacle that will be overcome as the company pays off its debt.

It is of the utmost importance to ensure that the income does not fall by even a fraction of one percent if the business is to continue to exist and continue paying the bills on a regular basis. To achieve this objective, it would be more profitable for Lamatex to maintain the same profit margins or even increase them for specific products. On the other hand, this cannot be done since it would force consumers to migrate to a different supplier.

### **Opportunities**

Because of this enormous warehouse, the firm will have the ability to explore new markets and work with more serious customers. This is because the brand awareness of the company, as well as the way that the company is seen and dealt with by others, will be altered.

When the corporation has finished paying off its loan, it may next consider putting its prior knowledge to use by constructing other halls. Given the amount of extra cash that will be produced through rent, achieving this goal will most certainly become feasible once the debt is paid.

### **Threats**

Another threat would be an economic crisis. Because of the way the Czech economy is headed right now and the ongoing energy crisis, it is quite conceivable that some businesses may be forced to shut down entirely. Due to the fact that Lamatex works exclusively with smaller Czech enterprises, the possibility of one of those companies going out of business may

be disastrous for the business, as it would mean the loss of a significant portion of their most important clientele.

It is abundantly clear that everything comes down to a single primary risk: the incapacity of the firm to repay the loan, which may simply result in the dissolution of the company and the final filing for bankruptcy.

## 4.9 Lean Canvas

Finally, the author develops a lean canvas related to Lamatex in general, which is available in Table 22.

**Table 22, lean canvas**

PROBLEM	SOLUTION	UNIQUE VALUE PROPOSITION	UNFAIR ADVANTAGE	CUSTOMER SEGMENTS
Dependency on external suppliers	Building an own warehouse	Warehouse allows the company the expand further.	Given its status of monopoly in the Czech Republic, Lamatex can definitely take some risk and lower the net margin	Small Czech textile companies and potentially the international ones situated in the vicinity
Almost no real assets	Bank loan	It would be the first warehouse for textile wholesale	CHANNELS The company already has a customer base, so no marketing	
Low prestige	<b>KEY METRICS</b> Net margin  Gross profit  Payback period			
<b>COST STRUCTURE</b> Interest expense - the biggest one  COGS - the second most important expense  Salary expense		<b>REVENUE STREAMS</b>  2 revenue streams:  Revenue from retail  Revenue from rent		

Source: own processing

## 5 Results and Discussion

To begin with, in order to summarize the author's findings, it is necessary to bring up the findings regarding the project once more. If the project is approved, it will take Lamatex 6.42 years to pay it back with undiscounted cash-flows and 10 with the discount rate of 4.2%. If the project is approved and the interest charge is paid on a monthly basis, the net margin for each month will decrease from 7.11 percent to 6.64 percent and this does not seem to be a positive development for the firm since it will have less cash available, so it is a big disadvantage of the proposed project but under the situation with an already high net margin, this can be overlooked. Based on the analysis, ROI is equal to 3.7% and the fact that it is positive and it is quite certain that it will be positive under the scenario of 70% occupancy is a good sign. Yet, the percentage is low, where higher ROI valued are preferred to lower ones.

Clearly, after the debt is paid off, Lamatex will be able to further develop its company, begin construction on other warehouses or halls, and become a major participant in the European market. This will be possible since the project provides access to the business world of enormous corporations due to the physical situation of the warehouse in the heart of Europe. In addition to this, the corporation would be able to rent out a high share of the warehouse and its available shelves, which would provide a consistent source of money and assist the business to diversify its revenue streams. Effectively, based on the current market situation, the building of a new warehouse will provide an ultimate solution to all players on the market, especially given the presence of different companies that will be willing to consider cooperating with Lamatex.

Without a shadow of a doubt, the idea seems to hold a lot of potential; consequently, the author, on the basis of his calculations and analysis, comes to the conclusion that it is worth accepting the project and giving the go-ahead for the construction of the warehouse on the condition that all of the preparations could be finished within the nearest future. Because of the current rate of inflation and the enormous increase in the cost of energy in the country, it is possible that it will become too late and simply unattainable for Lamatex to build the warehouse. This is because the interest rate will go up, the cost of construction will also go up, and accepting the project in 2023 or even further on could lead to a drop in the net margin from

the projected 6.64% to even lower numbers due to a higher amount of money borrowed, which would simply become critical and unacceptable for Lamatex.

Nevertheless, the organization has perspective, and right now is most likely the last opportunity to make the next step ahead and alter both the scope of operations and brand recognition. In addition to this, the author is of the opinion that it would be prudent for the firm to maintain its current form as a limited liability company rather than transitioning to a joint-stock corporation.

## 6 Conclusion

In the conclusion, the author suggests that he was able to analyze the situation of Lamatex and come up with the final decision of whether it is worth taking the risk and accepting the current project of building a new large warehouse that will help the company to lower its salary expense and will also bring another stable cash inflow from the rent. In addition to that, the author is able to answer the series of research questions that were mentioned in the goals and objectives of this bachelor thesis.

First, for the question of whether it is worth accepting the project of expanding the business and building a new warehouse or not, the author suggests that the answer is yes due to the positive net present value of the proposed project and the fact that this is an opportunity for the company to increase its presence. Also, the author suggests that the fact that the company mainly finances its operations with equity and has no outstanding debt to banks or another financial institutions (in addition to good indicators for debt-to-assets and debt-to-equity with outstanding indicators for liquidity) underpins his suggestion about taking this project and starting the construction.

For the second question about the payback period the author suggests that the payback period given undiscounted cashflow is 6.64 years. Yet, under the condition of discounted cashflows with the discount rate of 4.2% (an opportunity cost of depositing money in bank), the actual payback period is 10 years.

The third question of the author was about the annual cashflow generated solely by the rent from the project accepted where the undiscounted annual cashflow until the loan is paid is equal to 2,421,216.00 CZK, which is a high figure and significantly higher than the current rent income being earned by the company.

The fourth question about the type of financing exercised by the company was already answered earlier with the company mainly focused on the equity financing. Hence, the author concludes his bachelor thesis with the figures for the ROI, which were the main focus of the fifth question. The author suggests that the annual ROI for the project is 3.7%, which is a low

number. Ultimately, the author believes that accepting the project is definitely worth it as it will not just create a stable cashflow for the company but will also significantly ease their operations, optimize salary expenses and help them to become more prominent.

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