de Asra

Powering Businesses. Creating Jobs.



BUSINESS PLANNING FOR EXPANSION

Generated on : 23-September-2026

Need assistance? Reach out to our team

Contact us on : +91 93730 35540

We work from Monday to Friday 10 a.m to 6 p.m

For Small Entrepreneurs

When a business gets established and is running smoothly, the next move for your enterprise would be expanding the existing business. The key factors for expansion may include:

- New branches/ Franchising
- Adding new Products/Services

A Business Plan will help you to efficiently execute the above-mentioned aspects.

- It includes studying the feasibility and viability of the new products/services that are to be added.
    - **“Feasibility”** refers to examining the possibility of manufacturing the product or delivering the service.
    - **“Viability”** refers to examining the sustainability of the new product/service in the existing business.
- It helps in setting up a structured business and simultaneously enables to identify the problem areas and solutions to them for expansion.

Factors to be considered while planning the expansion of your business are as follows:-

1. Business Growth Identification

Business Growth Identification helps you to decide the business activities that would be beneficial for the expansion of your business. Here are a few key points that are to be

considered:

- Experience of the existing business
- Type of business
- Way of doing business
- Training in the proposed line of expansion
- Place of business
- Target customers, etc.

2. Place of Business

Place of the business is the location where the business is conducted. While expanding the business it is important that you check if your current location aligns with the increasing volume of your business. Following points should be considered while selecting the place for expansion of the current business activity:

- To check whether the existing business space has been utilized properly & if required, plan for additional premises.
- Deciding whether the additional premises should be rental or owned.
- Ensuring compliances/legal formalities like registering the rent/lease agreement or sale deed, etc. before taking possession of the premises.
- Obtaining necessary approvals from landlord or society or local/statutory authorities.
- To check whether the location is suitable for the newly introduced product/service i.e. layout of premises, proximity to the target group of customers, requisite infrastructure facilities such as water, electricity, waste disposal mechanism, if necessary, availability of manpower, etc.

3. Competition Study

While introducing new Products/Services for the purpose of expansion, it is important to study the competition of your business on various parameters such as:

- Identifying the competitors
- Evaluating their strategies
- Studying their strengths, weaknesses in comparison with own product or service.
- How can the product/service be improvised in a way to make it better deliverable than others?

- It also includes studying the number of competitors, market and trend analysis, services offered and pricing structure of competitors, etc.

4. Define Products/Services

It is important to identify and decide what Products/Services should be introduced in order to expand the business. Factors to be considered while defining a product/service are as follows:

- The Product/Service should be added after considering the market trends, customer demands and the amount of value it will add to the business.
- Price of the product to be finalized upon considering the competitive market prices & its cost of production per item.

This will help in deciding and defining new products/services to be offered.

5. Daily Expenses and Capital Expenditure

A business incurs certain cost to run its daily operations. While expanding your business you should consider increasing the budget allocated for Daily expenses and Capital expenditure. *"Capital expenditure is an amount required to acquire assets."*

Factors to be considered while budgeting recurring expenses & capital expenditure:

- An existing business already incurs on-going expenses such as electricity, purchase of raw material, repairs and maintenance, labour charges etc.
- While expanding the business, an entrepreneur should consider all the above expenses and accordingly calculate the required funds.
- While expanding the business, an entrepreneur should have an estimated budget required for purchasing additional assets such as machines, equipment, furniture, start-up cost, space deposit, etc.
- The cost of various fixed assets to be acquired should be finalized after proper market enquiries.
- A business plan for expansion/growth should have provisions for contingencies in case of change or increase in the cost of fixed assets as well as provisions time overruns.

6. Sales Estimate

At the time of expansion, a thorough study of the sales in terms of increase in the product

quantity and revenue is required. The newly added Products/Services provide a base to estimate the annual sales/revenue. Factors like seasonal trends, change in demand, bulk orders, festive sale, opening different sales channels, introducing new products or service lines, etc. should be considered.

Need and Sources of Funds

Businesses need finance for different purposes, as there are some common reasons for which you may require funds such as:

- New assets (machinery, equipment, premises), expenses for additional compliances, etc.
- Addition of new products, starting a new branch at different locations.
- Advertising & promotion expenses for newly introduced products/services.
- Suppliers payment, inventory and receivables management (i.e. working capital) etc.

Once the need for funding is finalized, entrepreneur may look for different funding sources such as:

- Reserve funds from the existing business
- New investors (crowdfunding)
- Banks (nationalized, private, co-operative)
- NBFCs
- Government Schemes, subsidies etc.

Information required for planning the expansion of the business

While preparing and writing a business plan, it is important to gather the following significant information such as:

1. Details and cost of assets to be acquired (for new product/service)
2. Projected sales per Product/Service – per month
3. The Proposed place of business (existing business)

4. Raw material consumption details per Product/Service – per month (if applicable)
5. Details of other income and expenses (if applicable)
6. The Stock value of finished goods, raw materials (if applicable)
7. An estimate of debtors and creditors (in months)
8. Details of monthly expenses (electricity, rent, salary, repairs and maintenance, etc.)
9. In case of existing loan rate of interest, disbursement date, tenure of the loan, and EMI

Documents required for preparing a project report

While preparing a project report, certain documents are required such as:

1. Quotation of machinery, equipment, furniture and other assets to be purchased
   (If a quotation is not available, then the value of assets should be based on market enquiries and comparative study of assets sold by various vendors and wherever possible quotations can also be obtained from online vendors i.e. through e-commerce platforms. Prices should be inclusive of taxes. In case of significant difference in the values of assets assumed while preparing the business plan and the values as per the final quotation, the viability and feasibility of your business will be affected.)
2. In the case of capital expenditures pertaining to the development/renovation of business premises, the cost should be ascertained based on the quotations or market enquiries.
3. Business enquire conducted (if any)
4. SWOT analysis of your business
5. Write up on the activity, business process, and market study of the proposed business.
6. Previous balance sheets and P&L statements of the existing business

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Thank you so much for choosing our checklist!
We genuinely hope it becomes your guiding star on your exciting journey into the world of entrepreneurship.



Wish you All the Best for your journey!

Should you require any further assistance, please feel free to reach out, and we will be delighted to assist you!

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