# PROJECT PROFILE
# NOODLES/ CHOW/ VERMICELLI

## 1. INTRODUCTION

Many fast food items have flooded the markets but noodles have emerged as the most popular item as it is cheaper, very easy to make and nutritious. Urban and semi –urban markets are controlled by Maggi and other players are Top Raman and other brands. Maggi has revolutionized the concept and this product has gone to the majority of the urban households. As an off shoot of this development, noodle have become very popular in India. Good quality and cheaper product can be pushed in the market with systematic strategy and network.

## 2. OBJECTIVES

The objective of the profiles is to encourage and assist prospective entrepreneurs in MSME sector in and guiding making them aware of the opportunities of this sector. It is also being developed by the Directorate of the Food Processing Industries, Government of West Bengal to help entrepreneurs with knowledge about raw materials availability, knowledge of market, source of technology and plant and machinery suppliers. M/s ITV Agro & Food Technologies Pvt. Ltd., New Delhi has helped in developing the project profile.

## 3. RAW MATERIAL AVAILABILITY

Noodles are made with the help of many ingredients with the major input being wheat flour. Other materials required are corn and rice flour, protein isolates, salt, spices, edible oil preservatives etc. All of them are easily available. Packing materials are equally important. Colourful and attractive pouches shall have to be printed and outer packing will be corrugated boxes.

## 4. MARKET OPPORTUNITIES

### *a) Demand and supply*

There is a very large and growing market. Urban market is captured by some national brands as mentioned earlier. But there is a good scope in semi-urban and certain rural markets as the branded products which are sold at about Rs. 100/- per kg are considered to be costly. At the same time, these markets are familiar with noodles due to constant hammering by the established brands by way of advertisements. Thus, it will not amount to concept selling.

### *b) Marketing Strategy*

A good product with attractive packaging and affordable price of around Rs. 80-85 per kg. has good potential. Creation of proper distribution network and product advertisement through vernacular media is also necessary. In other words, good quality, affordable pricing and concentration on semi –urban and upcoming rural markets are the key factors.

## 5. PROJECT DESCRIPTION

### *a) Product & Its uses*

There are many pasta products like vermicelli, macaroni, instant noodle etc. They are wheat-based snack food items. They are extruded products and are meant for direct consumption. Preparation time is hardly few minutes and even children can make it. The product has good market in most of the metros and accordingly the location has to be selected.

### *b) Capacity*

The proposed capacity of the plant is to process 100 MT / annum of noodles .

*c) Manufacturing process*

Pre weighed raw materials are mixed thoroughly followed by steam pre-conditioning in pre-conditioner. Passing of steam increases the temperature as well as moisture contents of the materials which help in thorough mixing of all the ingredients before extrusion. The pre-conditioned feed is again mixed with water in a mixer and edible oil is added. Feed is finally fed to the extruder and after processing in the machine, extruded product (noodles) comes out which is cut with the help of a rotating knife in the required size. The process is same for chow and vermicelli .

## 6. PROJECT COMPONENTS & COST

*a) Land & Building*

A plot of land of about 200 sq. mtrs with built-up area of 100 sq. mtrs is sufficient. Land would cost around Rs. 1.00 lac whereas cost of construction could be Rs. 6.00 lacs. Main production area would occupy around 50 sq. mtrs. whereas packing room and storage area would occupy the balance area.

*b) Plant & Machinery*

Marketing is the key success determinant and the production capacity has to be finalized accordingly. Keeping in mind the financial viability, the rated production capacity has to be 100 tonnes per year with 300 working days.

| **Item** | **Qty** | **Price (Rs. in lacs)** |
|---|---|---|
| Extrusion Machine | 1 | 5.00 |
| Pre-conditioner | 1 | 2.40 |
| Mixer (50 kgs capacity) | 1 | 0.70 |
| Pouch Packing and sealing Machine | 1 | 2.80 |
| Weighing Scale | 1 | 0.30 |
| | **Total** | **11.20** |

*c) Miscellaneous Assets*

Other assets like furniture and fixtures, storage facilities, working table, SS utensils, etc. would call for expenditure of Rs. 1.80 lacs.

*d) Utilities*

Power requirement shall be 20 HP whereas per day water requirement would be 5000 ltrs. Annual expenditure at full capacity utilization will be Rs. 2.60 lacs.

*e) Prel. & Pre Operative Expenses*

There will be certain pre-production expenses like registration, establishment & administrative, market survey expenditure , interest during implementation period, trial run expenses and so on . Estimated expenditure is Rs. 2.20 lacs.

*f) Working Capital Assessment*

The plant is likely to operate at 60% of its rated capacity for which the following working capital will be required :

(Rs. in lacs)

| **Particulars** | **Period** | **Margin** | **Total** | **Bank** | **Promoters** |
|---|---|---|---|---|---|
| Stock of Raw Materials & packing Material | ½ month | 30% | 0.95 | 0.66 | 0.29 |
| Stock of Finished Goods | ½ month | 25% | 1.62 | 1.21 | 0.41 |
| Receivable | ½ month | 25% | 2.00 | 1.50 | 0.50 |
| **Total** | | | **4.57** | **3.37** | **1.20** |

*g) Project cost & Means of finance*

**(Rs. in lacs)**

| **Item** | **Amount** |
|---|---|
| Land and Building | 7.0 |
| Plant and Machinery | 11.20 |
| Miscellaneous Assets | 1.80 |
| P & P Expenses | 2.20 |
| Contingencies @ 10% on Building and plant and machinery | 1.72 |
| Working capital margin | 1.20 |
| Total | 25.12 |
| **Means of Finance** | |
| Promoters' contribution | 10.0 |
| Term loan from Bank FI | 15.12 |
| Total | 25.12 |
| Debt Equity Ratio | 1.5:1 |
| Promoters contribution | 40% |

Financial assistance in the form of grant is available from the Ministry of Food Processing Industries, Govt. of India, towards expenditure on technical civil works and plant and machinery for eligible projects subject to certain terms and conditions.

## 7) PROJECTED PROFITABILITY

*a) Production Capacity*

As against the rated capacity of the plant of 100 tonnes per year, it is expected to run at 60% in the first year and thereafter at 75%.

*b) Sales Revenue at 100%*

Considering competitive selling price of Rs. 80/- per kg , the annual income at 100% utilization works out to Rs. 80.00 lacs.

*c) Raw and Packing Material Required at 100%*

The requirement of raw material is as under :

| **Product** | **Qty (Tons)** | **Rate (Rs./ Ton)** | **Value (Rs. in lacs)** |
|---|---|---|---|
| Raw Material | 100 | 30,000 | 30.00 |
| Packing Material | @ Rs. 8,000/Ton | | 8.00 |
| **Total** | | | **38.00** |

*d) Projected Profitability*

**(Rs. in lacs)**

| S. No. | Particulars | 1st year | 2nd year |
|---|---|---|---|
| **A.** | **Installed capacity** | **100 Tons** | |
| | Capacity Utilisation | 60% | 75% |
| | Sales Realisation | 48.00 | 60.00 |
| **B.** | **Cost of Production** | | |
| | Raw & Packing Materials | 22.80 | 28.50 |
| | Utilities | 1.56 | 1.95 |
| | Salaries | 5.52 | 6.07 |
| | Stores and Spares | 1.20 | 1.50 |
| | Repairs and Maintenance | 1.50 | 2.25 |
| | Selling Expenses @ 10% | 4.80 | 6.00 |
| | Administrative Expenses | 1.50 | 2.25 |
| | Total | 38.88 | 48.52 |
| **C.** | **Profit before Interest & Depreciation** | **9.12** | **11.48** |

| | | | |
|---|---|---|---|
| | Interest on Term Loan | 1.50 | 1.20 |
| | Interest on Working Capital | 0.41 | 0.50 |
| | Depreciation. | 1.72 | 1.54 |
| | Profit before tax | 5.49 | 8.24 |
| | Profit after tax | 5.49 | 8.24 |
| | Cash Accruals | 7.21 | 9.78 |
| | Repayment of Term Loan | Nil | 3.00 |

*e) Break Even Point Analysis*

| **S. No.** | **Particulars** | **Amount (Rs. in lacs)** | |
|---|---|---|---|
| **(A)** | **Sales** | | **60.00** |
| **(B)** | **Variable Costs** | | |
| | Raw & Packing Material | 28.50 | |
| | Utilities(70%) | 1.17 | |
| | Salaries (60%) | 3.95 | |
| | Stores and Spares | 1.50 | |
| | Selling and Distribution Exps (70%) | 4.20 | |
| | Admn Expenses (50%) | 1.12 | |
| | Interest on WC | 0.50 | **40.94** |
| **(C)** | **Contribution (A) – (B)** | | **19.06** |
| **(D)** | **Fixed Costs** | | **9.27** |
| **(E)** | **Break Even Point** | | **49%** |

*f) Debt Service Coverage Ratio (DSCR)*

***(Rs. in lacs)***

| **Particulars** | **1st year** | **2nd year** | **3rd year** |
|---|---|---|---|
| Cash Accruals | 7.21 | 9.78 | 11.73 |
| Interest on TL | 1.50 | 1.20 | 0.90 |

| | | | |
|---|---|---|---|
| Total (A) | 8.71 | 10.98 | 12.63 |
| Interest on TL | 1.50 | 1.20 | 0.90 |
| Repayment of TL | Nil | 3.00 | 3.00 |
| Total (B) | 1.50 | 4.20 | 3.90 |
| DSCR (A) / (B) | 5.80 | 2.61 | 3.23 |
| Average DSCR | 3.88 | | |

*g) Internal Rate of Return (IRR)*

Cost of the project is Rs. 25.12 lacs

(Rs. in lacs)

| **Year** | **Cash Accruals** | **24%** | **28%** |
|---|---|---|---|
| 1 | 7.21 | 5.76 | 5.62 |
| 2 | 9.28 | 6.35 | 5.96 |
| 3 | 11.73 | 6.09 | 5.59 |
| 4 | 11.73 | 4.92 | 4.34 |
| 5. | 11.72 | 3.98 | 3.39 |
| **Total** | | **27.10** | **24.90** |

The IRR is around 28%

*h) Manpower requirement*

| **Particulars** | **Nos.** | **Monthly** | **Total Monthly Salary (Rs.)** |
|---|---|---|---|
| Skilled workers | 2 | 8,000 | 16,000 |
| Semi Skilled Workers | 2 | 6,000 | 12,000 |
| Helpers | 2 | 5,000 | 10,000 |
| Salesman | 1 | 8,000 | 8,000 |
| | | **Total** | **46000/-** |

## 8. ASSUMPTIONS

- The plant will work for 300 days in a year. :
- The operating capacity is 60% , 75%, 90 % during 1st year , 2nd year and 3rd year respectively.
- The interest on term loan is taken at 10% per annum and on working capital it is 12% per annum.
- Price of raw material and selling price of finished products is taken at Rs. 30,000 / ton and Rs. 80,000 / ton respectively.

## 9. SOURCES OF TECHNOLOGY

CFTRI, Mysore, has successfully developed the technical know-how for the product. BIS has laid down the quality standard. The compliance under FSSAI act is a must.

## 10. PLANT & MACHINERY SUPPLIERS

1. Gurunanak Engg. Works (P) Ltd.
   C-33, Sector – 88, Phase – II, Gautam Budh Nagar (UP)
   Ph. : 9810378448 / 120-243674

2. Kailash Engg. Works
   H1-81, Napasar RIICO Industrial Area,
   Bikaner (Rajasthan)
   Ph. 151-2762534

3. Pagariya Food Products P. Ltd.
   15/1, 3rd cross, Kasturbanagar,
   Mysore Road, Bengalore – 560026
   Ph. 09953361350
   www. indiamart.com