

PROJECT PROFILE

INSTANT FOOD MIXES

1. INTRODUCTION

Indians love to eat spicy food. Their meals contain many spicy items of different varieties and many snacks are also prepared with spices and chilly. This note basically discusses instant food mixes targeted at rural areas. Many national brands like Pepsi and Haldiram have entered this market with huge investments and attractive packaging. These products are obviously very costly. There are many regional brands as well. But a large part of rural India just cannot afford these products as they are priced very high. Rural market is aimed at under the proposed project.

There are many wholesale manufacturers who supply to retailers and they in turn repack these products in small packs and sell. These items fall under the category of “Farsan” and include many products like masala puffed rice , chevda, fried peas, fried dal mix, roasted masla peanuts, idli, upma and dosa mix etc. At times nomenclature may vary but items more or less remain the same. More and more variants or new products can be added depending upon the local taste. These products can be made and sold anywhere in the country but the location considered here is West Bengal.

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

The basic raw material required is rice, gram, wheat, corn & various pulses in powder form. In addition to this various spices such as chillies, gram masala, ginger powder etc. are also required. No problem is anticipated in getting the required quantity of raw material.

4. MARKET OPPORTUNITIES

a) Demand and supply

The manufacturing unit has to be located at a taluk or district place where traders from nearby towns and villages come regularly for wholesale purchase. They in turn, repack the products in smaller quantities and sell them. This is a very well established practice for many low value consumer goods. The items contemplated under this project will also be packed in 1,2 or 5 kgs. plastic bags and sold at wholesale rates. Shelf-life of these items is generally not more than 15 days and hence quick turnover is the key element. This is typically a “High Volume Low Margin” activity.

b) Marketing Strategy

Marketing is restricted to dealers and deciding factors are reasonably good and consistent quality and competitive pricing. A three wheeler delivery vehicle is advisable as it can move around in a radius of 40 -50 kms., covering all major rural centres at a pre-determined day of every week. With proper canvassing and contacts, marketing network can be established. There could be minor changes in the product-mix based on consumer feedback and seasonal availability of certain raw material but many items would have demand round the year.

5. PROJECT DESCRIPTION

Capital investment has to be planned very judiciously to remain competitive. Certain operations can be undertaken outside the main building or on the terrace under asbestos roofing.

a) Economic Viability

Production capacity can be easily altered in this activity. Addition of one bhatti or closure of the existing one, increasing or decreasing the working hours can easily change it. However, for the purpose of calculations it is taken at 500 kgs. per day. In this industry, there are very few holidays and annual working is for almost 350 days. There is no fixed product-mix and demand is the only guiding factor. On an average, the selling price is around Rs. 50/- per kg in bulk packing with raw materials constituting around 90%. Selling prices are adjusted if the prices of inputs witness major changes. The objective is to work on very low margins to capture larger and larger share of market and to minimize overheads.

b) Capacity

Installed capacity of the plant is to manufacture 500 kgs. per day of instant food mixes.,

c) Manufacturing process

The manufacturing process is very well established and does not involve technicalities. Un-ground grain and spices are cleaned manually to remove impurities like mud stones and are then washed in water. After drying them in sunlight, they are graded and grounded with the help of grinding machine to convert them in powder form. Disintegrator is used in case of solid material like turmeric to obtain uniform mesh size. Grains and Spices in powder form are then weighed as per the contemplated packing quantities and packed in printed polythene bags and then these bags are sealed on automatic sealing machine. The powder in mixed and ready to eat items are made as per the demand.

6. PROJECT COMPONENTS & COST

a) *Land & Building*

The cost of the land along with building is estimated at Rs. 3.00 lacs

b) *Plant & Machinery*

(Rs. in lacs)

Particulars	Qty.	Price
Cabinet drier	-	3.50
Ribbon blender.	-	1.30
Disintegrator	-	0.80
De-stoner		0.50
Slicer		0.60
Fumigation chamber		0.90
Steaming chamber		0.90
Powder filling machine		0.75
Sealing machine		0.75
Total		10.00

c) *Miscellaneous Assets*

Other miscellaneous assets required are fans, weighing balance, tables, chairs, furniture, etc. which would cost Rs. 1.50 lacs.

d) *Utilities*

Power requirement will be around 10 HP. The unit also requires LPG cylinder. The cost of utilities is estimated at Rs. 2.60 lacs.

e) Prel. & Pre Operative Expenses

The registration charges, establishment expenses, trial run expenses, interest during implementation etc. would be around Rs. 1.20 lacs.

f) Working Capital Assessment

At 60% capacity utilization in the first year, the total working capital needs shall be as under:

(Rs. in lacs)

Particulars	Period	Margin	Total	Bank	Promoters
Stock of raw material & packing material	½ month	30%	1.02	0.72	0.30
Stock of Finished Goods	½ month	30%	1.68	1.18	0.50
Receivable	½ month	30%	2.25	1.58	0.67
Total			4.95	3.48	1.47

g) Project cost & Means of finance

Item	Amount (Rs. in lacs)
Land and Building	3.00
Plant and Machinery	10.00
Miscellaneous Assets	1.50
P & P Expenses	1.20
Contingencies @ 10% on Building and plant & machinery	1.30
Working capital margin	1.47
Total	18.47
Means of Finance	
Promoters' contribution	7.39
Term loan from Bank/ FI	11.08

Total	18.47
Debt Equity Ratio	1.5:1
Promoter's 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*

The rated production capacity of the plant is 150 tonnes per year whereas actual capacity utilization is expected to be 60% and 75% during 1st year and 2nd year respectively.

b) *Sales Revenue at 100%*

Product	Qty (Tons)	Selling Price (Rs. / Ton)	Sales (Rs. in lacs)
Instant food mixes	150	60,000	90.00

c) *Raw Material Required at 100%*

Product	Qty (Tons)	Rate (Rs. / Ton)	Value (Rs. in lacs)
Wheat	50	15,000	7.50
Dhal	50	35,000	17.50
Rice	50	20,000	10.00
Vanaspati	-		1.50
Packing material			4.50
Total			41.00

d) *Projected Profitability*

(Rs. in lacs)

S. No.	Particulars	1 st year	2 nd year
A.	Installed capacity	150 Tonnes	
	Capacity Utilisation	60%	75%
	Sales Realisation	54.00	67.50
B.	Cost of Production		
	Raw Materials & Packing Materials	24.60	30.75
	Utilities	1.56	1.95
	Salaries	5.16	5.67
	Stores and Spares	0.90	1.12
	Repairs and Maintenance	1.20	1.50
	Selling Expenses @ 10%	5.40	6.75
	Administrative Expenses	1.50	1.87
	Total	40.32	49.61
C.	Profit before Interest & Depreciation	13.68	17.89
	Interest on Term Loan	1.10	0.85
	Interest on Working Capital	0.41	0.52
	Depreciation.	1.30	1.17
	Net Profit	10.87	15.35
	Income-tax @ 20%	2.17	3.07
	Profit after tax	8.70	12.30
	Cash Accruals	10.00	13.47
	Repayment of Term Loan	Nil	2.50

e) Break Even Point Analysis

S. No.	Particulars	Amount. (Rs. in lacs)	
(A)	Sales		54.00
(B)	Variable Costs		
	Raw Material & Packing Material	24.60	
	Utilities (70%)	1.09	
	Salaries (60%)	3.09	
	Stores and Spares	0.90	
	Selling Exps (70%)	3.78	
	Admn Expenses (50%)	0.75	
	Interest on WC	0.41	34.62
(C)	Contribution (A) - (B)		19.38
(D)	Fixed Costs		7.19
(E)	Break Even Point		37 %

f) Debt Service Coverage Ratio (DSCR)

(Rs . in lacs)

Particulars	1 st year	2 nd year	3 rd year
Cash Accruals	10.00	13.47	16.16
Interest on TL	1.10	0.85	0.60
Total (A)	11.10	14.32	16.76
Interest on TL	1.10	0.85	0.60
Repayment of TL	Nil	2.50	2.50
Total (B)	1.10	3.35	3.10
DSCR (A) / (B)	10.09	4.27	5.40
Average DSCR	6.50		

g) *Internal Rate of Return (IRR)*

Cost of the project is Rs. 8.47 lacs

(Rs. in lacs)

Year	Cash Accruals	24%	32%
1	10.00	8.00	7.50
2	13.47	8.75	7.67
3	16.16	8.62	7.02
Total		25.37	22.19

The IRR is 32%

h) *Manpower requirement*

Particulars	Nos.	Monthly	Total Monthly Salary (Rs.)
Skilled workers	2	7,500	15,000
Helpers / semi skilled workers	4	5,000	20,000
Salesman (on counter)	1	8,000	8,000
		Total	43,000

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. 15,000 / ton and Rs. 60,000 / 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, Bangalore - 560026
Ph. 09953361350
[www. indiamart.com](http://www.indiamart.com)