

Set-up Costs

In India, a restaurant needs to procure numerous licenses to comply with regulations. The list of licenses requires can be seen at:

<http://www.franchiseindia.com/restaurant/Licenses-for-Opening-New-Restaurant.6045>

Due to such large number of permissions required from various government agencies, we need to splurge extra money besides the government prescribed fees to get the mandatory approvals in a timely manner. The approximate expected cost of procuring such approvals, written in our financial plan, can also be seen in this Quora QA:

<https://www.quora.com/Approximately-how-much-does-it-cost-to-procure-a-restaurant-license-in-Mumbai>

Pre-opening worker compensation include salaries and annual insurance premiums of founder, chef, and operations head. The salary details are elucidated in Profit and Loss forecast section.

Contingency funds are required for unforeseen expenditures that may arise during the execution of project. Typically, a start-up can allocate 10 to 20 percent of its budget for contingency purposes. You can read more about contingency fund by visiting:

<http://smallbusiness.chron.com/contingency-fund-66446.html>

As per as my communication with real estate brokers in Pondicherry, the standard lease deposit rates are 10 months of the monthly rental. Generally, the rent is paid in advance. Also, we considered broker charges in our calculation.

The Fitout charges include costs of A/Cs, lightings, TV's, interior design, electrical fittings, shop canopy, plumbing, speakers, and mural paintings. While there is no upper limit on the money that can be spent for carving a unique experience, we plan to restrict ourselves to the paltry sum of ₹ 3,00,000.

The utility bonds and connections aggregate the money that will be spent on gas, internet, electricity, cable, credit card processing machine, telephone, and water connections.

We desire to have seating capacity of 40 peoples. Our stationary and office supplies include, but not limited to, cash counter, seating arrangements, printer, sign boards, dustbins, POS System, and cleaning equipment. Price of some big-ticket items can be seen at:

<https://www.indiamart.com/proddetail/electronic-cash-register-11829654433.html>

<http://www.nobleenterprises.in/restaurant-furniture.html#restaurant-furniture>

<https://www.indiamart.com/proddetail/mall-cash-counter-checkout-counter-10544100955.html>

The non-exhaustive list of necessary equipment, along with estimated price of major purchases, consist:

- Fryer
Purchasing a good quality fryer will accrue both short and long term benefits in the form of uniform cooking, hot oil filtering, greater temperature control, programmable behaviours, low oil re-heating time, employee safety, yield, and huge savings in oil consumption.
<http://www.tajfoodsolutions.com/deep-fat-fryer.html>
- 10* Sauce Pumps
[Retail Price on Aliexpress](#)
- Chimney
[Amazon India Price](#)
- Deep Freezer
[Amazon India Rate](#)
- Freeze
[Amazon India Price](#)
- Water Cooler
[Amazon India Rate](#)
- 2* Heated French Fries Tray
[Amazon India Price](#)
- Salting Pans, Fire Extinguishers, Cooking accessories, Kitchen Table, Washing sinks, Chef and Crew Clothing, and Cone Holders

The expenses that will be incurred on renting vehicles, using public transport, and telephonic communications are pretty much self-explanatory.

I propose to equip Founder, Operations Head, and Head Chef with laptops for research and essential office work, and that expenditure is reflected in our set-up costs.

An upfront capital of ₹ 50,000 will be spent on **designing** our advertisement assets such as social media kits, social media posts, banners, pamphlets, and hoardings.

The architectural vision is to forge a unifying theme for both interior and exterior that overlays with our mission and provide our customers an enriching experience.

We seek not only nicely designed building but also truly magnificent products. Thus, we ought to explore and break the standards in our product offering. Chasing that goal will require the purchase of pre-existing high quality products and raw materials so as to match and tweak the established high standards. The money will be used for importing globally well-respected sauces and seasonings and tuning their taste to produce something that soothes the Indian taste buds. Although, being a start-up we aim to be cost conscious and spend no more than ₹ 1,00,000 for R&D purposes.

We chose to be financially conservative in forecasting working capital requirements, and require cash liquidity of ₹ 3,00,000 when we kick-start our operations.

Profit & Loss Forecast

We chose to adapt a DRY approach for predicting the metrics. Fortunately, I am able to employ my social connections to get high quality base data.

The approximate combined metrics of 24 Macdonald's restaurants operating in Tamil Nadu and Kerala provides a good starting point for subsequent manipulations in that data.

- Total average no. of orders per day in all those Macdonald's stores=10500= approximately 437 orders per day per store
- Approximate percentage of orders that also includes French fries= 80%
- Average transaction value of French fries in those stores = ₹ 70
- Input cost is almost 30% of the final sales price.

Based on that fact, I am deriving our metrics taking into account factors such as premium market segment, location, seasonal changes, marketing blitzkrieg, and our negotiation capabilities with suppliers etc.

Dr. Oetkar Mayonaisse Variants Price:

275ml for ₹ 79.

Roughly Translated to 3ml/₹.

Retail Price of Frozen French Fries:

₹ 180-200 per Kg

Retail Price of Soybean or Sunflower Oil:

₹100 per litre

Henny Penny Fryer:

Oil Capacity 15 liter.

Macdonald's UK Average fries serving Size:

Small: 80g Medium: 114g and Large: 150g

Our Expected serving Size:

Small: 5.5 oz = 155gm = 6.5 servings per kg

Large: 9.5oz = 269gm = 3.7 servings per kg

Average Sauce amount per servings for small cone = 20ml

Assuming we start our operations by offering only small cones.

Rough Unit Economics of small cone:

Price of Potatoes = ₹ 30

Price of Sauce = ₹ 7

Seasoning, fork, and paper cone costs = ₹ 8

Total Input Cost = ₹ 45

Retail Price of Cone = ₹ 90

Profit per cone = ₹ 45

Gross Margin = $45/90 = 50\%$

Now, to meet the sales target of July month we have to sell approx $3,00,000/90 \times 30 = 112$ cones per day.

Average no. of Fries order that an average Macdonalds store receives = 360 orders per day

Subsequently, by November even if we keep just a single offering and match it with the amount of orders of a Macdonald store we will reach our sales target.

But, November, December, and January are peak season for tourism in Pondicherry. So, we expect to shatter our pessimistic predictions.

As far as Gross margin is concerned, we will subsequently improve our supply chain to increase it to the levels mentioned in the unit economics sheet. By simply purchasing our items in wholesale instead of retail will greatly boost our margins.

Now, let's focus our attention on oil. Generally, oil of French Fries is replaced weekly. See the below QA in a Macdonalds forum:

<https://yourquestions.mcdonalds.ca/answer/how-often-is-oil-for-making-french-fries-changed-and-is-everything-fried-in-the-same-tank/>

So, keeping that in mind, we need to spend around ₹ 6,000 ($15 \times 4 \times 100$) per month for just oil.

According to the study published by national grid, 3 to 5 percent of the operating expenses of a restaurant are spent on energy and gas. The study can be seen at:

https://www9.nationalgridus.com/non_html/shared_energyeff_restaurants.pdf

Adding oil and energy cost, our Electricity and gas expenses can easily be justified for corresponding operating expenses. Also, when we will approach summers the cost will likely to increase due to cooling requirements.

Accounting charges per month are standard rates, and in the month of March we have to pay accountant for auditing too. The rates suggested by CCBMP can be viewed:

<http://www.aubsp.com/fees-charged-by-chartered-accountants/>

But, any business can fail, if its products are not advertised to customers properly. We plan to use billboards, pamphlets, and digital marketing to strategically target audience. We plan to start with a billboard on bus stand to capture the attention of inbound tourists. Searching for billboard rates in Pondicherry on internet gave us some idea about expected expenses. A non-lighted hoarding in an insignificant outer area is priced at ₹ 55,000. The rate can be viewed at:

<https://merahoardings.com/oohmedia-online/pondicherry-hoarding-advertising-ecrroad/>

Assuming, we choose to place a lighted billboard on bus stand, then we are expected to shell around ₹75,000-85,000 per month. We plan to utilize rest of the money in digital marketing and pamphlets. As we will move forward, we will correspondingly adjust our expenses on advertisement depending on the conversion rates of various touchpoints.

We also plan to incentivize users for social media check-ins as the incentive will create scope for organic growth.

We want to rent around 1000-1200 sqft area in the ground floor for our shop and the existing market rates are ₹ 55-65k pm in the desired area.

The sundries include high-speed internet bill and telephone charges.

The breakdown of monthly wages is:

Founder, Operations Head, and Chef = $40,000 \times 3 = ₹ 1,20,000$ per month

2*Cook= $20,000 \times 2 = ₹ 40,000$ per month

2*Waiters= $15,000 \times 2 = ₹ 30,000$ per month

Billing person = ₹ 10,000

As, we will move forward in our journey, we plan to hire another chef to help us expand our product portfolio and distribute minor hikes to top-performing employees for their hard work so far.

The **vision** is to construct fast iterations of feedback loops for discovering the perfect combination of products, while simultaneously taking into account the considerations of customers, transaction value, operation easiness, and table turnaround time.