

Module 4: Financial Planning and Investment

Step 1: Decide Your Café Type & Investment Needed



The amount of investment depends on the type of café you want to start. Here’s a rough estimate of the capital required:

Cafe Type	Investment Range	Example
Small Kiosk (Tea/Coffee Stall)	₹2–5 lakh	Chai Tapri, Small Cart
Takeaway Café	₹5–10 lakh	kharchapani
Small Sit-Down Café (30-50 seats)	₹15–30 lakh	Fudio
Franchise Café	₹20–50 lakh	Chai Point, Tea Post
Premium Café	₹50 lakh – ₹1 crore	Starbucks, Third Wave Coffee



Step 2: Calculate Startup Costs



1. Fixed Costs (One-time Investment)

Category	Estimated Cost (₹)
Location Rent & Security Deposit	2–6 months' advance (₹1–6 lakh)
Interior Design & Furniture	₹2–10 lakh
Kitchen Equipment & Utensils	₹3–8 lakh
Licenses & Permits	₹20,000–₹1 lakh
Initial Raw Material	₹50,000–₹2 lakh
POS System & Software	₹20,000–₹50,000
Marketing & Branding	₹50,000–₹2 lakh
Miscellaneous & Emergency Fund	₹1–3 lakh
TOTAL STARTUP COST	₹10–30 lakh

- For small cafe

Expense Category	Estimated Cost (₹)
Rent & Deposit	1,00,000–2,00,000
Interior & Furniture	1,50,000–3,00,000
Equipment	2,00,000–3,50,000
Initial Stock	50,000–1,00,000
Marketing	50,000–1,00,000
Total Investment	5–7 Lakh

Step 3: Estimate Monthly Expenses

2. Recurring (Monthly) Costs

Category	Estimated Cost (₹)
Rent	₹20,000–₹1 lakh (depends on location)
Staff Salary (5–10 employees)	₹50,000–₹1.5 lakh
Raw Material & Ingredients	₹80,000–₹2 lakh
Electricity & Water Bills	₹10,000–₹40,000
Marketing (Social Media, Ads, Flyers, etc.)	₹10,000–₹50,000
Maintenance & Repairs	₹5,000–₹20,000
Software & POS Subscription	₹5,000–₹15,000
Delivery Platform Commission (Zomato/Swiggy)	20–25% of online orders
TOTAL MONTHLY EXPENSES	₹2–5 lakh

Step 4: Project Sales and Revenue

Revenue depends on how many customers visit daily and their average spending.

3. Revenue Calculation

- **Formula:** Daily Sales = No. of Customers × Average Bill Value

Example:

Daily Customers: 100

Average Bill Value: ₹250

Daily Sales: $100 \times ₹250 = ₹25,000$

Monthly Sales: $₹25,000 \times 30 = \underline{\underline{₹7,50,000}}$



4. Profit Calculation

Monthly Revenue: ₹7,50,000

Monthly Expenses: ₹4,00,000

✓ Net Profit: ₹7,50,000 – ₹5,00,000 = **₹2,50,000**

☞ Profit Margin Formula:

Profit Margin (%) = (Net Profit / Total Sales) × 100

= (₹3,50,000 / ₹7,50,000) × 100

= 36% Profit Margin





Step 5: Break-Even Point Calculation (When Will You Recover Investment?)

Formula:

Break-even Point (Months) = Total Investment / Monthly Profit

Example:

- Investment: ₹20 lakh
- Monthly Profit: ₹2.5 lakh
- Break-even Period: $\text{₹}20,00,000 / \text{₹}2,50,000 = 8 \text{ months}$



 Conclusion: If everything goes well, you can recover your investment in 6 months.



Step 6: Funding Options for Your Cafe



If you don't have full investment, consider these funding options:

Funding Option	Pros	Cons
Self-Funding (Personal Savings)	Full control over business	High risk if savings are low
Bank Loan (Business Loan)	Can cover full investment	High-interest rates
Government Schemes (Mudra Loan, MSME Loan)	Lower interest rates	Long approval process
Angel Investors	Access to large funds	Loss of some ownership
Crowdfunding	Risk-free money from customers	Hard to attract investors

Step 7: Cost Control & Profit Maximization Strategies

How to Reduce Costs?

- ✓ Negotiate with Suppliers: Get bulk discounts on raw materials.
- ✓ Monitor Wastage: Avoid food wastage to reduce costs.
- ✓ Use Energy-Efficient Equipment: Save electricity bills. (Solar Panel)
- ✓ Cross-Train Staff: Reduce salary costs by multi-tasking.

How to Increase Profits?

- 🚀 Introduce High-Profit Items: Beverages like coffee/tea have 70–80% profit margins.
- 🚀 Upsell & Cross-Sell: Offer combos and meal upgrades.
- 🚀 Loyalty Programs: Give discounts to repeat customers.
- 🚀 Online Ordering & Delivery: Partner with Zomato/Swiggy to increase orders.

Step 8: Taxation and Financial Compliance



Important Licenses & Taxes to Consider:

Requirement	Cost (₹)	Validity
FSSAI License (Food Safety)	₹5,000–₹10,000	1–5 Years
GST Registration	₹0 (if turnover < ₹40 lakh)	Yearly
Trade License	₹5,000–₹15,000	1 Year
Fire Safety Certificate	₹3,000–₹10,000	1–3 Years
Shop act & Uddyam	₹2,000–₹5,000	1–3 Years



Step 9: Financial Tracking & Management

To ensure smooth financial management:

- ✓ **Use POS Software:** Track daily sales and expenses (e.g., Petpooja, UrbanPiper).
- ✓ **Maintain Monthly Profit & Loss Statements.**
- ✓ **Separate Personal & Business Finances:** Open a business bank account.
- ✓ **Review Finances Weekly:** Adjust pricing if needed.

Final Summary

- ◆ **Initial Investment:** ₹10–30 lakh
- ◆ **Monthly Expenses:** ₹2–5 lakh
- ◆ **Monthly Revenue Target:** ₹5–8 lakh
- ◆ **Profit Margin:** 40–50%
- ◆ **Break-even in:** 6–12 months
- ◆ **Funding Options:** Self-funding, Bank Loan, MSME schemes
- ◆ **Profit Boosters:** Upselling, Loyalty Programs, Online Orders

