



PM Formalisation of Micro Food Processing Enterprises Scheme

DETAILED PROJECT REPORT FOR PROCESSING OF MUSTARD OIL



AATMANIRBHAR BHARAT

**National Institute of Food Technology, Entrepreneurship and
Management (NIFTEM) - Thanjavur**

(an Institute of National Importance under Ministry of Food Processing Industries, Government of India)
Pudukkottai Road, Thanajvur – 613005

<https://niftem-t.ac.in/>

Ph : 04362-228155, Fax:04632-227971

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1. The Project at a Glance

1. Name of the proposed project	:	Mustard Oil Unit
2. Name of the entrepreneur/FPO/SHG/Cooperative	:	
3. Nature of proposed project	:	Proprietorship/Company/Partnership
4. Registered office	:	
5. Project site/location	:	
6. Names of Partner (if partnership)	:	
7. No of share holders (if company/FPC)	:	
8. Technical advisor	:	
9. Marketing advisor/partners	:	
10. Proposed project capacity	:	Mustard Oil: 110000 Ltr/annum By Product: 201000 Kg/annum (50,55,60,65,&70% capacity utilization in 1 st to 5 th Year respectively)
11. Raw materials	:	Mustard seeds & Packing material
12. Major product outputs	:	Product: Mustard Oil By Product: Oil Cake
13. Total project cost	:	<i>Rs. 15.07 Lakh</i>
• Land development, building & civil construction	:	<i>4 Lakh</i>
• Machinery and equipments	:	<i>Rs. 6.3 Lakh</i>
• Other Fixed Assets	:	<i>Rs. 2 Lakh</i>
• Working capital margin	:	<i>Rs. 2.15 Lakh</i>
• Contingencies	:	<i>Rs. 0.62 Lakh</i>
14. Working capital requirement		<i>Rs. 6.45 Lakh</i>
15. Means of Finance		
• Subsidy grant by MoFPI (max 10 lakhs)	:	<i>Rs. 5.27 Lakh</i>
• Promoter's contribution (min 20%)	:	<i>Rs. 4.26 Lakh</i>
• Term loan (45%)	:	<i>Rs. 5.54 Lakh</i>
16. Debt-equity ratio	:	0.90
17. Profit after Depreciation, Interest & Tax		
• 1 st year	:	<i>1.4 Lakh</i>
• 2 nd year	:	<i>2.65 Lakh</i>
• 3 rd year	:	<i>4.09 Lakh</i>
• 4 th year	:	<i>5.21 Lakh</i>
• 5 th year	:	<i>6.52 Lakh</i>
18. Average DSCR	:	3.63
19. Term loan repayment	:	5 Years with 6 months grace period

2. About the Project

2.1. Mustard Oil Unit

Mustard oil is made from pressing the seeds of a mustard plant to produce spicy oil. Mustard oil is popular in Eastern cooking, although some American chefs have begun experimenting with the oil, which has a heat and distinctive flavour to it. Mustard essential oil has been found to be a powerful antibacterial agent. Source found that mustard essential oil effectively killed off common and harmful bacteria such as salmonella, staph, listeria, and even a certain type of yeast. It can also be used as an antifungal. Mustard oil contains a compound that could be useful for reducing inflammation. Mustard Oil uses are:

- As cooking Oil
- Treat Arthritis
- Soothe aches & Pains
- Relieves body pain

2.2. Raw Material Requirements

Mustard seeds are required as raw material for the production of Mustard oil. Mustard seeds are the small round seeds of various mustard plants. Mostly Black seeds are used for the production of mustard oil. Packing material is also used for packing finished mustard oil into bottles.

2.3. Technology

IIFPT has all the advanced technical know on mustard oil processing & packaging with respect to specific parameters' for getting good quality standards. These technologies are available through consultancy.

2.4. Market Demand and Supply

On the record, production of mustard seeds, a winter crop cultivated in the northern States was very high as compared to last year. Rajasthan is the major producer contributing up to 47 per cent of the domestic production, followed by Madhya Pradesh (11.44 per cent), Haryana (12 per cent) and Uttar Pradesh (10.41 per cent). Consumption of mustard oil has grown about 5 percent per year for the past 40 years and currently stands at approximately 2.3

million metric tons annually. Although consumption of mustard oil is typically more prevalent in rural areas, total consumption is usually higher in urban areas. Most mustard oil (around 90 percent) is used for cooking, and the rest is used for pickling and consumption as raw oil (sareson-ka-thal, “oil of mustard”) directly on foods.

2.5. Marketing Strategy

The increasing urbanization and income offers huge scope for marketing of Mustard Oil. Urban organized platforms such as departmental stores, malls, super markets can be attractive platforms to sell well packaged and branded mustard oil. Processors can also have tie-up with hotels, caterers and restaurants for supply.

2.6. Manufacturing Process

Seeds Drying

Mustard seed drying is essential to reduce the moisture content from the seed. moisture in the seed could deteriorate the oil. Generally, seeds are dried in the sun.

Cleaning

The dried mustard seeds are then cleaned by removing the dirt and foreign particles from the seed in order to improve the oil quality of mustard.

Mustard Seeds Heating

After the cleaning, the mustard seeds are then heated. the quantity of yield is increased by heating the seeds. The heating also improves the protein supply in the by-product seed cake that is used for animal feed processing.

Mustard Oil Extraction

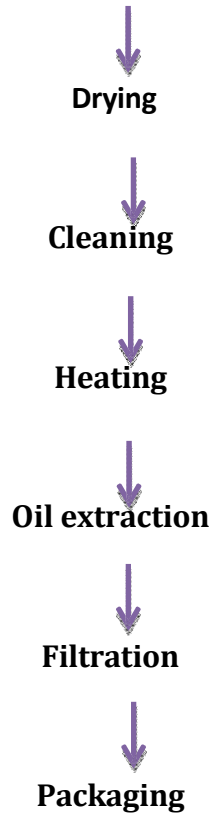
Well-prepared mustard seeds are automatically fed into the mustard oil pressing machine where, depending on the volume to produce approximately 26 -30 % oil, the crushing and pressing are continued further to extract all the oil from the seed cake.

Mustard Oil filtration

The final step involves filtering the extracted oil to remove impurities from the oil before the oil is bottled and stored. After filtration, the mustard oil is ready for filling, sealing, and packaging, now the mustard oil is filled in different sizes of a bottle according to market demand and sent for the market.

Flow Chart of Mustard oil Processing

Procure the mustard seed from farmer



2.7. Basic Project Assumptions

Capacity of Mustard Oil Unit	: Product- Mustard Oil 110000 Ltr./annum
	By Product (Oil Cake) 201000 Kg/annum
Working hours per day	: 8-10 hrs.
Working days per year	: 300 days.
Interest on capital investment	: 11% on term loan and working capital loan.
Repayment period	: Five years with six months grace period is considered.
Utilization of capacity	: 50% 1 st year, 55% in 2 nd year, 60% in 3 rd year, 65% in 4 th year & 70% 5 th year onwards
Average prices of raw material	: Rs. 32/Kg

Average sale price : Mustard Oil- Rs 92/Ltr.
By Product (Oil Cake) - Rs 22/Kg

2.8. Fixed Capital Investment

2.8.A. Land & Building

The DPR is for FME scheme to upgrade/formalize existing micro enterprises which already has land & built-up area. However, they can invest to expand the built-up area as required. So additional 1000 sq ft can be built in @ Rs. 400/sq ft. Therefore civil work cost will be Rs 4 Lakh (Approx.)

2.8.B. Machinery & Equipment: Rs. 6.3 Lakh

Description	Rate	Unit	Amount
Heavy duty Oil Expeller chamber size 30"× 5.5" crushing capacity Up to 250*kg/hr with oil collection tank	260000	1	260000
Heavy duty round cooking/feeding kettle	38000	1	38000
Filter press 18"×18" - 18 taps with Filter cloth,oil collection tray, complete with all accessories oil pump.	125000	1	125000
Essential spare parts worm set cage set filter cloth	30000	1	30000
Crompton electric motor 3 phase 20HP with L&T starter	65000	1	65000
Acce. pulley, v belts, pipelines, pipe fittings,valves,etc.	16000	1	16000
Total Amount			534000
GST @18%			96120
Net Amount			630120
Net Amount(Round off)			630000

2.8.C. Other Fixed Assets:

i. Furniture and Fixtures	Rs. 2 Lakh
ii. Plastic trays	
iii. Electrical fittings	

2.8.D. Total Fixed Capital Investment (A+B+C): Rs. 12.3 Lakh

2.9. Working Capital Requirement

Working capital is critical input in mustard oil processing & packaging unit.

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL					
PARTICULARS	I	II	III	IV	V
Finished Goods					
(30 Days requirement)	5.06	5.87	6.73	7.72	8.78
Raw Material					
(15 Days requirement)	2.40	2.81	3.24	3.71	4.20
Closing Stock	7.46	8.67	9.97	11.43	12.98

COMPUTATION OF WORKING CAPITAL REQUIREMENT			
Particulars	Amount	Margin(25%)	Net Amount
Stock in Hand	7.46		
Less:			
Sundry Creditors	2.24		
Paid Stock	5.22	1.31	3.92
Sundry Debtors	3.38	0.85	2.54
Working Capital Requirement			6.45
Margin			2.15
MPBF			6.45
Working Capital Demand			6.45

2.10. Total Project Cost and Means of Finance

Particulars	Amount (Rs. in Lakhs)
i. Land and building	4.00
ii. Plant and machinery	6.3
iii. Other Fixed assets	2.00
iv. Working capital margin	2.15
v. Contingencies	0.62
Total project cost (i to v)	15.07
Means of finance	
i. Subsidy	5.27
ii. Promoter's contribution	4.26
iii. Term loan	5.54
Total Means of Finance(i to iii)	15.07

2.11. Manpower:

<u>BREAK UP OF LABOUR</u>				
Particulars		Wages	No of	Total
		Per Month	Employees	Salary
				-
Machine Operator		15,000.00	2	30,000.00
Skilled/Unskilled Worker		11,000.00	2	22,000.00
Helper		8,000.00	3	24,000.00
				-
				76,000.00
Add: 10% Fringe Benefit				7,600.00
Total Labour Cost Per Month				83,600.00
Total Labour Cost for the year (In Rs. Lakhs)			7	10.03

<u>BREAK UP OF SALARY</u>				
Particulars		Salary	No of	Total
		Per Month	Employees	Salary
Accountant cum store keeper		20,000.00	1	20,000.00
Sales		16,000.00	1	16,000.00
Total Salary Per Month				36,000.00
Add: 5% Fringe Benefit				1,800.00
Total Salary for the month				37,800.00
Total Salary for the year (In Rs. Lakhs)			2	4.54

2.12. Financial Analysis

PROJECTED BALANCE SHEET					
PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Capital Account					
Opening Balance	-	10.73	12.88	14.98	17.19
Add: Additions	4.26	-	-	-	-
Add: Net Profit	1.40	2.65	4.09	5.21	6.52
Less: Drawings	0.20	0.50	2.00	3.00	4.50
Subsidy/Grant	5.27	-	-	-	-
Closing Balance	10.73	12.88	14.98	17.19	19.21
CC Limit	6.45	6.45	6.45	6.45	6.45
Term Loan	4.92	3.69	2.46	1.23	-
Sundry Creditors	2.24	2.62	3.02	3.46	3.92
TOTAL :	24.34	25.64	26.91	28.33	29.58
APPLICATION OF FUND					
Fixed Assets (Gross)	12.30	12.30	12.30	12.30	12.30
Gross Dep.	0.68	1.51	2.47	3.56	4.79
Net Fixed Assets	11.62	10.79	9.83	8.74	7.51
Current Assets					
Sundry Debtors	3.38	4.18	4.79	5.43	6.15
Stock in Hand	7.46	8.67	9.97	11.43	12.98
Cash and Bank	1.88	2.00	2.33	2.72	2.94
TOTAL :	24.34	25.64	26.91	28.33	29.58

PROJECTED PROFITABILITY STATEMENT					
PARTICULARS	I	II	III	IV	V
A) SALES					
Gross Sale Of Mustard Oil	45.54	58.15	66.76	76.63	87.15
Gross Sale Of By Product	22.11	25.43	28.94	32.01	35.88
Total (A)	67.65	83.58	95.70	108.64	123.03
B) COST OF SALES					
Raw Material Consumed	48.00	56.10	64.80	74.10	84.00
Electricity Expenses	2.80	3.08	3.36	3.64	3.92
Repair & Maintenance	1.59	1.86	2.00	2.30	2.61
Labour & Wages	10.03	10.53	11.06	11.50	12.08
Packing Material & other overhead cost	0.68	0.84	0.96	1.09	1.23
Cost of Production	63.10	72.41	82.18	92.62	103.84
Add: Opening Stock /WIP	-	5.06	5.87	6.73	7.72
Less: Closing Stock /WIP	5.06	5.87	6.73	7.72	8.78
Cost of Sales (B)	58.04	71.60	81.31	91.63	102.78
C) GROSS PROFIT (A-B)	9.61	11.98	14.39	17.00	20.25
	14.21%	14.33%	15.04%	15.65%	16.46%
D) Bank Interest i)(Term Loan)	0.60	0.49	0.36	0.22	0.08
ii) Interest On Working Capital	0.71	0.71	0.71	0.71	0.71
E) Salary to Staff	4.54	5.44	6.26	7.20	8.28
F) Selling & Adm Expenses Exp.	0.82	1.34	1.80	2.07	2.61
G) Depreciation as per Schedule	1.55	1.34	1.17	1.02	0.89
TOTAL (D+E+F+G)	8.21	9.32	10.30	11.21	12.57
H) NET PROFIT	1.40	2.65	4.09	5.79	7.67
	2.1%	3.2%	4.3%	5.3%	6.2%
I) Taxation	-	-	-	0.58	1.15
J) PROFIT (After Tax)	1.40	2.65	4.09	5.21	6.52

PROJECTED CASH FLOW STATEMENT					
PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	4.26	-			
Reserve & Surplus	1.40	2.65	4.09	5.79	7.67
Depriciation & Exp. W/off	0.68	0.84	0.96	1.09	1.23
Increase In Cash Credit	6.45	-	-	-	-
Increase In Term Loan	5.54	-	-	-	-
Increase in Creditors	2.24	0.38	0.41	0.43	0.46
Subsidy/Grant	5.27	-	-	-	-
TOTAL :	25.83	3.87	5.46	7.31	9.37
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	12.30	-	-	-	-
Increase in Stock	7.46	1.21	1.30	1.46	1.55
Increase in Debtors	3.38	0.80	0.61	0.65	0.72
Repayment of Term Loan	0.62	1.23	1.23	1.23	1.23
Taxation	-	-	-	0.58	1.15
Drawings	0.20	0.50	2.00	3.00	4.50
TOTAL :	23.96	3.74	5.13	6.91	9.15
Opening Cash & Bank Balan	-	1.88	2.00	2.33	2.72
Add : Surplus	1.88	0.13	0.32	0.40	0.21
Closing Cash & Bank Balanc	1.88	2.00	2.33	2.72	2.94

2.13. Depreciation Schedule:

COMPUTATION OF DEPRECIATION					
Description	Land	Building(Civil Work)	Plant & Machinery	Other Assets	TOTAL
Rate of Depreciation		10.00%	15.00%	10.00%	
Opening Balance	Leased	-	-	-	-
Addition	-	4.00	6.30	2.00	12.30
	-	4.00	6.30	2.00	12.30
		-	-	-	-
TOTAL		4.00	6.30	2.00	12.30
Less : Depreciation	-	0.40	0.95	0.20	1.55
WDV at end of Ist year	-	3.60	5.36	1.80	10.76
Additions During The Year	-	-	-	-	-
	-	3.60	5.36	1.80	10.76
Less : Depreciation	-	0.36	0.80	0.18	1.34
WDV at end of IInd Year	-	3.24	4.55	1.62	9.41
Additions During The Year	-	-	-	-	-
	-	3.24	4.55	1.62	9.41
Less : Depreciation	-	0.32	0.68	0.16	1.17
WDV at end of IIIrd year	-	2.92	3.87	1.46	8.24
Additions During The Year	-	-	-	-	-
	-	2.92	3.87	1.46	8.24
Less : Depreciation	-	0.29	0.58	0.15	1.02
WDV at end of IV year	-	2.62	3.29	1.31	7.23
Additions During The Year	-	-	-	-	-
	-	2.62	3.29	1.31	7.23
Less : Depreciation	-	0.26	0.49	0.13	0.89
WDV at end of Vth year	-	2.36	2.80	1.18	6.34

2.14. Repayment Schedule:

REPAYMENT SCHEDULE OF TERM LOAN					11.0%		
Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	5.53	5.53	0.15	-	5.53
	IInd Quarter	5.53	-	5.53	0.15	-	5.53
	IIIRD Quarter	5.53	-	5.53	0.15	0.31	5.22
	Ivth Quarter	5.22	-	5.22	0.14	0.31	4.92
					0.60	0.61	
II	Opening Balance						
	Ist Quarter	4.92	-	4.92	0.14	0.31	4.61
	IInd Quarter	4.61	-	4.61	0.13	0.31	4.30
	IIIRD Quarter	4.30	-	4.30	0.12	0.31	3.99
	Ivth Quarter	3.99		3.99	0.11	0.31	3.69
					0.49	1.23	
III	Opening Balance						
	Ist Quarter	3.69	-	3.69	0.10	0.31	3.38
	IInd Quarter	3.38	-	3.38	0.09	0.31	3.07
	IIIRD Quarter	3.07	-	3.07	0.08	0.31	2.77
	Ivth Quarter	2.77		2.77	0.08	0.31	2.46
					0.35	1.23	
IV	Opening Balance						
	Ist Quarter	2.46	-	2.46	0.07	0.31	2.15
	IInd Quarter	2.15	-	2.15	0.06	0.31	1.84
	IIIRD Quarter	1.84	-	1.84	0.05	0.31	1.54
	Ivth Quarter	1.54		1.54	0.04	0.31	1.23
					0.22	1.23	
V	Opening Balance						
	Ist Quarter	1.23	-	1.23	0.03	0.31	0.92
	IInd Quarter	0.92	-	0.92	0.03	0.31	0.61
	IIIRD Quarter	0.61	-	0.61	0.02	0.31	0.31
	Ivth Quarter	0.31		0.31	0.01	0.31	- 0.00
					0.08	1.23	

2.15. Financial Ratios:

FINANCIAL RATIOS					
	I	II	III	IV	V
TURNOVER	67.65	83.58	95.70	108.64	123.03
GROSS PROFIT	9.61	11.98	14.39	17.00	20.25
G.P. RATIO	14.21%	14.33%	15.04%	15.65%	16.46%
NET PROFIT	1.40	2.65	4.09	5.79	7.67
N.P. RATIO	2.1%	3.2%	4.3%	5.3%	6.2%
CURRENT ASSETS	12.72	14.86	17.08	19.58	22.07
CURRENT LIABILITIES	8.69	9.07	9.48	9.91	10.37
CURRENT RATIO	1.46	1.64	1.80	1.98	2.13
TERM LOAN	4.92	3.69	2.46	1.23	-
TOTAL NET WORTH	5.46	7.61	9.71	11.92	13.94
DEBT/EQUITY	0.90	0.48	0.25	0.10	-
TOTAL NET WORTH	5.46	7.61	9.71	11.92	13.94
TOTAL OUTSIDE LIABILITIES	13.61	12.76	11.94	11.14	10.37
TOL/TNW	2.49	1.68	1.23	0.93	0.74
PBDIT	3.39	4.69	6.12	8.38	10.85
INTEREST	1.31	1.20	1.06	0.93	0.79
INTEREST COVERAGE RATIO	2.58	3.91	5.74	9.02	13.66
WDV	11.62	10.79	9.83	8.74	7.51
TERM LOAN	4.92	3.69	2.46	1.23	-
FACR	2.36	2.92	4.00	7.11	-

2.16. Breakeven Point Analysis:

Year	I	II	III	IV	V
Net Sales & Other Income	67.65	83.58	95.70	108.64	123.03
Less : Op. WIP Goods	-	5.06	5.87	6.73	7.72
Add : Cl. WIP Goods	5.06	5.87	6.73	7.72	8.78
Total Sales	72.71	84.39	96.57	109.63	124.09
Variable & Semi Variable Exp.					
Raw Material cost	48.00	56.10	64.80	74.10	84.00
Electricity Exp/Coal Consumption at 85%	2.38	2.62	2.85	3.09	3.33
Wages & Salary at 60%	8.74	9.59	10.39	11.22	12.21
Selling & administrative Expenses 80%	0.66	1.07	1.44	1.66	2.09
ii) Interest On Working Capital	0.71	0.71	0.71	0.71	0.71
Repair & Maintenance	1.59	1.86	2.00	2.30	2.61
Packing Material & other overhead cost	0.68	0.84	0.96	1.09	1.23
Total Variable & Semi Variable Exp	62.75	72.78	83.16	94.16	106.19
Contribution	9.96	11.61	13.41	15.46	17.90
Fixed & Semi Fixed Expenses					
Electricity Exp/Coal Consumption at 15%	0.42	0.46	0.50	0.55	0.59
Wages & Salary at 40%	5.83	6.39	6.93	7.48	8.14
Interest on Term Loan	0.60	0.49	0.36	0.22	0.08
Depreciation	1.55	1.34	1.17	1.02	0.89
Selling & administrative Expenses 20%	0.16	0.27	0.36	0.41	0.52
Total Fixed Expenses	8.56	8.95	9.32	9.68	10.22
Capacity Utilization	50%	55%	60%	65%	70%
OPERATING PROFIT	1.40	2.65	4.09	5.79	7.67
BREAK EVEN POINT	43%	42%	42%	41%	40%
BREAK EVEN SALES	62.49	65.09	67.09	68.61	70.88

3. Limitations of the Model DPR and Guidelines for Entrepreneurs

3.1. Limitations of the Model DPR

- i. This model DPR has provided only the basic standard components and methodology to be adopted by an entrepreneur while submitting a proposal under the Formalization of Micro Food Processing Enterprises Scheme of MoFPI.
- ii. This is a model DPR made to provide general methodological structure not for specific entrepreneur/crops/location. Therefore, information on the entrepreneur, forms and structure (proprietorship/partnership/cooperative/ FPC/joint stock company) of his business, details of proposed DPR, project location, raw material base/contract sourcing, entrepreneurs own SWOT analysis, detailed market research, rationale of the project for specific location, community advantage/benefit from the project, employment generation and many more detailed aspects not included.
- iii. The present DPR is based on certain assumptions on cost, prices, interest, capacity utilization, output recovery rate and so on. However, these assumptions in reality may vary across places, markets and situations; thus the resultant calculations will also change accordingly.
- iv. This particular DPR is made on three components of means of finance i.e. grant, owner's contribution and loan/debt as followed in many central sector schemes. However, if the DPR is for credit linked subsidy then the calculation may slightly change without changes in the general structure and methodology adopted in the DPR.

3.2. Guidelines for the Entrepreneurs

- i. The success of any prospective food processing project depends on how closer the assumptions made in the initial stage are with the reality of the targeted market/place/situation. Therefore, the entrepreneurs must do its homework as realistic as possible on the assumed parameters.
- ii. This model DPR must be made more comprehensive by the entrepreneur by including information on the entrepreneur, forms and structure (proprietorship/partnership/cooperative/ FPC/joint stock company) of entrepreneur's business, project location, raw material base/contract sourcing, entrepreneurs own SWOT analysis, detailed market research, comprehensive dehydrated product mix based on demand, rationale of the project for specific location, community advantage/benefit from the project, employment generation, production/availability of the raw materials/crops in the targeted area/clusters and many more relevant aspects for acceptance and approval of the competent authority.
- iii. The entrepreneur must be efficient in managing the strategic, financial, operational,

material and marketing aspects of a business. In spite of the assumed parameter being closely realistic, a project may become unsustainable if the entrepreneur does not possess the required efficiency in managing different aspects of the business and respond effectively in changing situations.

- iv. The machineries should be purchased after thorough market research and satisfactory demonstration.
- v. The entrepreneur must ensure uninterrupted quality raw materials' supply and maintain optimum inventory levels for uninterrupted operations management.
- vi. The entrepreneur must possess a strategic look to steer the business in upward trajectory.
- vii. The entrepreneur must maintain optimum (not more or less) inventory, current assets. Selecting optimum source of finance, not too high debt-equity ratio, proper capital budgeting and judicious utilization of surplus profit for expansion is must.
- viii. The entrepreneur must explore prospective markets through extensive research, find innovative marketing strategy, and maintain quality, adjust product mix to demand.
- ix. The entrepreneur must provide required documents on land, financial transaction, balance sheet, further project analysis as required by the competent authority for approval.
- x. The entrepreneur must be hopeful and remain positive in attitude.

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Contact Us

National Institute of Food Technology, Entrepreneurship and Management (NIFTEM) - Thanjavur

(an Institute of National Importance under Ministry of Food Processing Industries, Government of India)

Pudukkottai Road, Thanjavur – 613005, Tamil Nadu, India

Ph: 04362-228155, Fax:04362-227971

Email: director@iifpt.edu.in Web: <https://niftem-t.ac.in/>

