# Model Detailed Project Report

## PETHA MANUFACTURING UNIT

***Under the Formalization of Micro Food Processing Enterprises Scheme***
***(Ministry of Food Processing Industries, Government of India)***


**Prepared by**

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## 1. The Project at a Glance

| | | |
|---|---|---|
| 1. Name of the proposed project | : | Petha Manufacturing 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 | : | 30000 kg/annum(60,65,70,75,&80% capacity utilization in 1st to 5th Year respectively) |
| 11. Raw materials | : | Ash Gourd, Water, Lime, Alum, Sugar |
| 12. Major product outputs | : | Petha |
| 13. Total project cost | : | *Rs. 10.02 Lakh* |
| • *Land development, building & civil Construction* | : | *4 Lakh* |
| • *Machinery and equipments* | : | *Rs. 2 Lakh* |
| • *Other Fixed Assets* | : | *Rs. 2 Lakh* |
| • *Working capital margin* | : | *Rs. 1.22Lakh* |
| • *Contingencies* | : | *Rs. 0.8 Lakh* |
| 14. Working capital requirement | | *Rs. 3.67 Lakh* |
| 15. Means of Finance | | |
| • *Subsidy grant by MoFPI (max 10 lakhs)* | : | *Rs. 3.51 Lakh* |
| • *Promoter's contribution (min 20%)* | : | *Rs. 2.91 Lakh* |
| • *Term loan (45%)* | : | *Rs. 3.6 Lakh* |
| 16. Debt-equity ratio | : | 0.93 |
| 17. Profit after Depreciation, Interest & Tax | | |
| • *1st year* | : | *1.22 Lakh* |
| • *2nd year* | : | *2.00 Lakh* |
| • *3rd year* | : | *2.79 Lakh* |
| • *4th year* | : | *3.57 Lakh* |
| • *5th year* | : | *4.48 Lakh* |
| 18. Average DSCR | : | 3.96 |
| 19. Term loan repayment | : | 5 Years with 6 months grace period |

# 2. About the Project

## 2.1. Petha Manufacturing Unit

Petha is a sweet product that is consumed widely in India. Petha is not cooked on a regular cooking fire, but only coal fire was used to prepare this sweet treat. Petha made in Agra has a Geographical Indication (GI) tag to certify its place of origin. With the passage of time, many varieties of Petha have come up in the market to cater to the demand and changing palate of the patrons. Nowadays, buyers can choose from the kesar petha (saffron), angoori petha (grapes), chocolate petha, paan petha, and so on. Coconut and dried fruit lovers can also have their share of the delicious Petha. Ash Gourd is used in the preparation of a dessert called petha, which is the most famous sweet of Agra, the place that also symbolized by Taj Mahal. Ash gourd is very important in Indian religious ceremonies. It is frequently found hanging from a rope in front of newly built houses, as it is believed to ward off evil spirits. This gourd is also ground to a coarse paste and made into vadiyaalu (similar to Papad). The gourd stays well for up to three to four months without any special storage facilities.

## 2.2. Raw Material Requirements

Basic raw material that is used is mentioned below:

- Ash Gourd
- Water
- Lime
- Alum
- Citric Acid
- Sugar

## 2.3.Technology

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

## 2.4. Market Demand and Supply

Agra's famous petha sweet industries as well as tourist guides, who went into near closure, are ecstatic. As the Taj Mahal re-opens, the petha industry has greatly benefited. Around 50 % of sales of Petha are due to agro-tourism. However, Petha seems to be just a processed sweet dish, but in Agra and other regions of the areas, it is the lifeline of economy. The sellers, the processor, the distributor are all directly or indirectly linked to Petha processing business and development. As a result of its strong demand from tourists overseas, Petha also has strong export prospects. About 1500 cottage units produce 700-800 tonnes of Petha daily. Presently 15 varieties of petha are manufactured in India. There is chocolate, paan, angoori, khus, orange, pineapple, coconut, dry fruits, and Kesar, among others. There is even a sandwich variety which is basically two layers of petha with a filling of khoya, cashew, and cardamom.

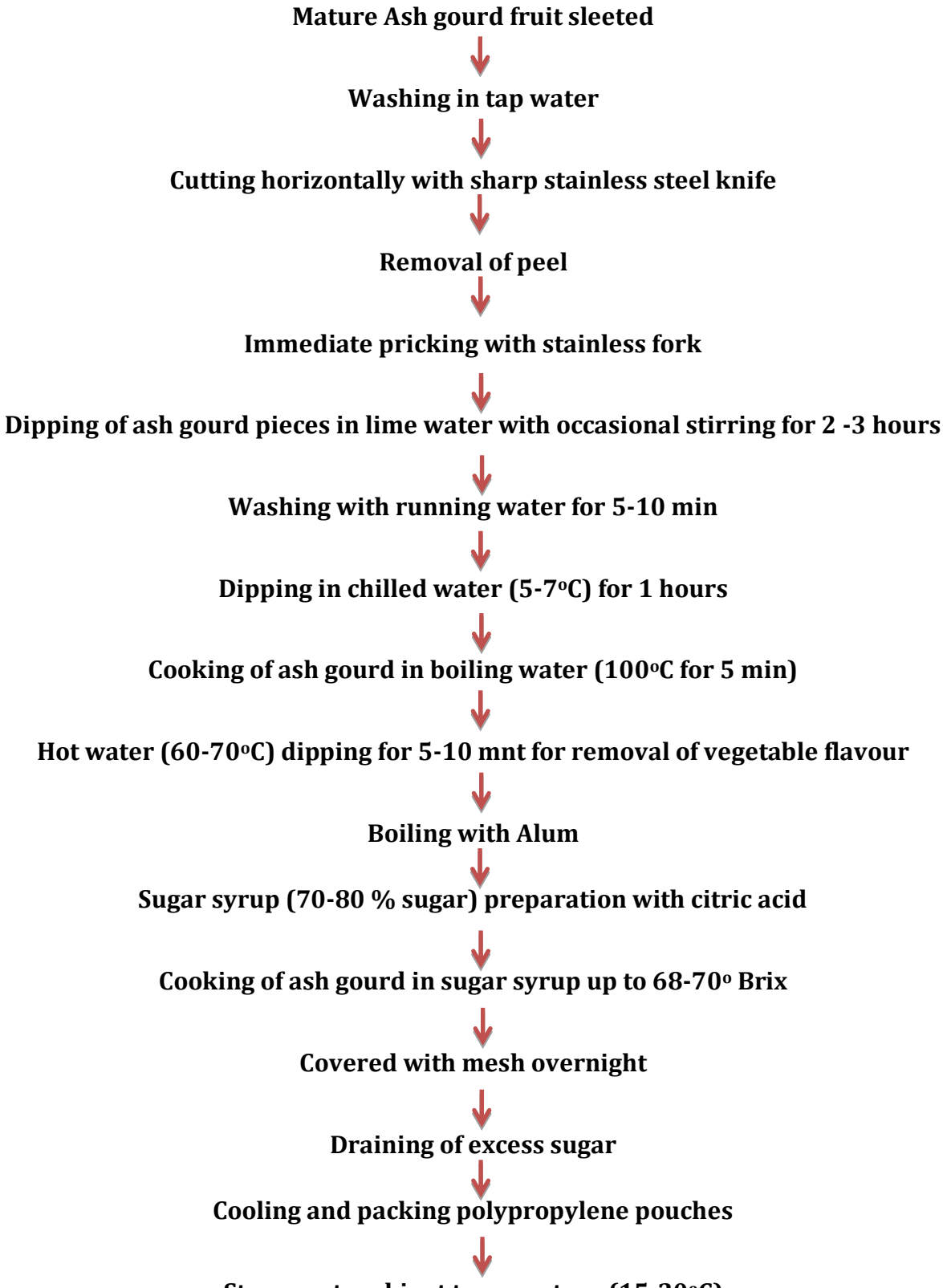
## 2.5. Marketing Strategy

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

## 2.6. Manufacturing Process

Petha Fruits (Ash Gourd) are directly procured from the farmer’s field. Washing, Sorting, and peeling of Petha fruit is done manually. Then they are cut into pieces. The seed of the fruit is removed from the fruit by an SS knife Cutting them into small pieces. These pieces are pierced with nail-like spikes. Pierced pieces are then immersed in Lime Water for 2 hrs. Then these pieces are boiled in water with Alum. After they are boiled, the Pieces are finally immersed in boiling sugar syrup for an hour. Finally, these pethas are dried in trays for further packaging. Final packaging is done and sends to the market.

## Flow chart of Petha preparation



## 2.7. Basic Project Assumptions

Capacity of Petha Manufacturing Unit: 30000 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 | : | 60% 1st year, 65% in 2nd year, 70% in 3rd year, 75% in 4th year & 80% 5th year onwards |
| Average prices of raw material | : | Rs. 80/Kg |
| Average sale price | : | Rs 158/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 Lakhs (Approx.)

**2.8.B. Machinery & Equipment:** Following machinery and equipments are used:

- Weighing machine
- Iron Karahi
- Water Storage Tank
- Stove or burner
- Material Handling equipments & hand tools (Bins, Trays, Trolleys, knife etc.)
  Cost of above mentioned equipments will be Rs 2 Lakh (Approx.)

**2.8.C. Other Fixed Assets:**

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

**2.8.D. Total Fixed Capital Investment (A+B+C): Rs. 8 Lakh**

## 2.9. Working Capital Requirement

Working capital is critical input in petha processing & packaging unit.

| COMPUTATION OF CLOSING STOCK & WORKING CAPITAL | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| PARTICULARS | I | II | III | IV | V |
| | | | | | |
| | | | | | |
| **Finished Goods** | | | | | |
| (30 Days requirement) | 2.84 | 3.24 | 3.63 | 4.01 | 4.44 |
| **Raw Material** | | | | | |
| (30 Days requirement) | 1.44 | 1.58 | 1.74 | 1.91 | 2.11 |
| | | | | | |
| | | | | | |
| **Closing Stock** | **4.28** | **4.82** | **5.38** | **5.92** | **6.55** |

| COMPUTATION OF WORKING CAPITAL REQUIREMENT | | | |
|---|---|---|---|
| | | | |
| **Particulars** | **Amount** | **Margin(25%)** | **Net** |
| | | | **Amount** |
| Stock in Hand | 4.28 | | |
| Less: | | | |
| Sundry Creditors | 0.67 | | |
| **Paid Stock** | **3.61** | **0.90** | **2.71** |
| | | | |
| Sundry Debtors | 1.28 | 0.32 | 0.96 |
| **Working Capital Requirement** | | | **3.67** |
| | | | |
| **Margin** | | | 1.22 |
| | | | |
| **MPBF** | | | **3.67** |
| **Working Capital Demand** | | | **3.67** |

## 2.10. Total Project Cost and Means of Finance

| **Particulars** | **Amount (Rs. in Lakhs)** |
|---|---|
| i. Land and building | 4.00 |
| ii. Plant and machinery | 2.00 |
| iii. Other Fixed assets | 2.00 |
| iv. Working capital margin | 1.22 |
| v. Contingencies | 0.8 |
| **Total project cost (i to iv)** | **10.02** |
| **Means of finance** | |
| i. Subsidy | 3.51 |
| ii. Promoter's contribution | 2.91 |
| iii. Term loan | 3.60 |
| **Total Means of Finance(i to iii)** | **10.02** |

## 2.11. Manpower:

| **BREAK UP OF LABOUR** | | | | |
|---|---|---|---|---|
| | | | | |
| Particulars | | Wages | No of | Total |
| | | Per Month | Employees | Salary |
| Skilled/Unskilled Worker | | 10,000.00 | 2 | 20,000.00 |
| Helper | | 7,000.00 | 2 | 14,000.00 |
| | | | | - |
| | | | | 34,000.00 |
| Add: 10% Fringe Benefit | | | | 3,400.00 |
| Total Labour Cost Per Month | | | | 37,400.00 |
| Total Labour Cost for the year ( In Rs. Lakhs) | | | 4 | 4.49 |

| **BREAK UP OF SALARY** | | | | |
|---|---|---|---|---|
| | | | | |
| Particulars | | Salary | No of | Total |
| | | Per Month | Employees | Salary |
| Accountant cum store keeper | | 15,000.00 | 1 | 15,000.00 |
| Sales | | 12,000.00 | 1 | 12,000.00 |
| Total Salary Per Month | | | | 27,000.00 |
| Add: 5% Fringe Benefit | | | | 1,350.00 |
| Total Salary for the month | | | | 28,350.00 |
| | | | | |
| Total Salary for the year ( In Rs. Lakhs) | | | 2 | 3.40 |

**2.12. Financial Analysis:**

| PROJECTED BALANCE SHEET | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| **PARTICULARS** | **I** | **II** | **III** | **IV** | **V** |
| | | | | | |
| | | | | | |
| **SOURCES OF FUND** | | | | | |
| **Capital Account** | | | | | |
| Opening Balance | - | 6.94 | 7.94 | 8.73 | 9.50 |
| Add: Additions | 2.91 | - | - | - | - |
| Add: Net Profit | 1.22 | 2.00 | 2.79 | 3.57 | 4.48 |
| Less: Drawings | 0.70 | 1.00 | 2.00 | 2.80 | 3.60 |
| Subsidy/Grant | 3.51 | - | - | - | - |
| **Closing Balance** | 6.94 | 7.94 | 8.73 | 9.50 | 10.38 |
| CC Limit | 3.67 | 3.67 | 3.67 | 3.67 | 3.67 |
| Term Loan | 3.20 | 2.40 | 1.60 | 0.80 | - |
| Sundry Creditors | 0.67 | 0.74 | 0.81 | 0.89 | 0.99 |
| **TOTAL :** | **14.48** | **14.75** | **14.81** | **14.86** | **15.03** |
| | | | | | |
| | | | | | |
| | | | | | |
| **APPLICATION OF FUND** | | | | | |
| | | | | | |
| **Fixed Assets ( Gross)** | 8.00 | 8.00 | 8.00 | 8.00 | 8.00 |
| Gross Dep. | 0.51 | 1.15 | 1.88 | 2.67 | 3.55 |
| Net Fixed Assets | 7.49 | 6.85 | 6.12 | 5.33 | 4.45 |
| | | | | | |
| **Current Assets** | | | | | |
| Sundry Debtors | 1.28 | 1.61 | 1.80 | 1.99 | 2.21 |
| Stock in Hand | 4.28 | 4.82 | 5.38 | 5.92 | 6.55 |
| Cash and Bank | 1.43 | 1.48 | 1.51 | 1.62 | 1.83 |
| | | | | | |
| **TOTAL :** | **14.48** | **14.75** | **14.81** | **14.86** | **15.03** |

| PROJECTED PROFITABILITY STATEMENT | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| **PARTICULARS** | **I** | **II** | **III** | **IV** | **V** |
| | | | | | |
| **A) SALES** | | | | | |
| Gross Sale | 25.60 | 32.12 | 36.07 | 39.78 | 44.12 |
| | | | | | |
| **Total (A)** | **25.60** | **32.12** | **36.07** | **39.78** | **44.12** |
| | | | | | |
| **B) COST OF SALES** | | | | | |
| | | | | | |
| Raw Material Consumed | 14.40 | 15.80 | 17.43 | 19.13 | 21.12 |
| Elecricity Expenses | 0.81 | 0.87 | 0.94 | 1.01 | 1.07 |
| Repair & Maintenance | 1.15 | 1.28 | 1.44 | 1.59 | 1.76 |
| Labour & Wages | 4.49 | 4.71 | 4.95 | 5.20 | 5.46 |
| Packing cost and Other Overhead | 0.51 | 0.64 | 0.72 | 0.80 | 0.88 |
| **Cost of Production** | 21.36 | 23.31 | 25.48 | 27.71 | 30.30 |
| | | | | | |
| **Add: Opening Stock /WIP** | - | 2.84 | 3.24 | 3.63 | 4.01 |
| **Less: Closing Stock /WIP** | 2.84 | 3.24 | 3.63 | 4.01 | 4.44 |
| | | | | | |
| Cost of Sales (B) | 18.51 | 22.91 | 25.09 | 27.34 | 29.86 |
| | | | | | |
| **C) GROSS PROFIT (A-B)** | 7.08 | 9.21 | 10.98 | 12.44 | 14.26 |
| | **27.67%** | **28.66%** | **30.45%** | **31.27%** | **32.32%** |
| D) Bank Interest (Term Loan ) | 0.39 | 0.32 | 0.23 | 0.14 | 0.05 |
| ii) Interest On Working Capital | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| E) Salary to Staff | 3.40 | 4.08 | 4.69 | 5.40 | 6.21 |
| F) Selling & Adm Expenses Exp. | 0.77 | 1.61 | 2.16 | 2.31 | 2.56 |
| G) Depreciation as per Schedule | 0.90 | 0.80 | 0.70 | 0.62 | 0.55 |
| TOTAL (D+E+F+G) | **5.86** | **7.21** | **8.20** | **8.87** | **9.78** |
| | | | | | |
| H) NET PROFIT | 1.22 | 2.00 | 2.79 | 3.57 | 4.48 |
| | **4.8%** | **6.2%** | **7.7%** | **9.0%** | **10.2%** |
| I) Taxation | - | - | - | - | - |
| | | | | | |
| J) PROFIT (After Tax) | 1.22 | 2.00 | 2.79 | 3.57 | 4.48 |

| PROJECTED CASH FLOW STATEMENT | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| **PARTICULARS** | **I** | **II** | **III** | **IV** | **V** |
| | | | | | |
| | | | | | |
| **SOURCES OF FUND** | | | | | |
| Own Contribution | 2.91 | - | | | |
| Reserve & Surplus | 1.22 | 2.00 | 2.79 | 3.57 | 4.48 |
| Depriciation & Exp. W/off | 0.51 | 0.64 | 0.72 | 0.80 | 0.88 |
| Increase In Cash Credit | 3.67 | - | - | - | - |
| Increase In Term Loan | 3.60 | - | - | - | - |
| Increase in Creditors | 0.67 | 0.07 | 0.08 | 0.08 | 0.09 |
| Subsidy/Grant | 3.51 | - | - | - | - |
| | | | | | |
| **TOTAL :** | **16.09** | **2.71** | **3.59** | **4.44** | **5.46** |
| | | | | | |
| | | | | | |
| **APPLICATION OF FUND** | | | | | |
| | | | | | |
| Increase in Fixed Assets | 8.00 | - | - | - | - |
| Increase in Stock | 4.28 | 0.53 | 0.56 | 0.54 | 0.63 |
| Increase in Debtors | 1.28 | 0.33 | 0.20 | 0.19 | 0.22 |
| Repayment of Term Loan | 0.40 | 0.80 | 0.80 | 0.80 | 0.80 |
| Taxation | - | - | - | - | - |
| Drawings | 0.70 | 1.00 | 2.00 | 2.80 | 3.60 |
| **TOTAL :** | **14.66** | **2.66** | **3.56** | **4.33** | **5.25** |
| | | | | | |
| Opening Cash & Bank Balance | - | 1.43 | 1.48 | 1.51 | 1.62 |
| | | | | | |
| Add : Surplus | 1.43 | 0.05 | 0.03 | 0.11 | 0.21 |
| | | | | | |
| Closing Cash & Bank Balance | **1.43** | **1.48** | **1.51** | **1.62** | **1.83** |

## 2.13. Depreciation Schedule:

| COMPUTATION OF DEPRECIATION | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| Description | Land | Buiilding(Civil Work) | Plant & Machinery | Other Assets | **TOTAL** |
| | | | | | |
| | | | | | |
| Rate of Depreciation | | **10.00%** | **15.00%** | **10.00%** | |
| **Opening Balance** | Leased | - | - | - | - |
| Addition | - | 4.00 | 2.00 | 2.00 | 8.00 |
| | - | 4.00 | 2.00 | 2.00 | 8.00 |
| | | - | - | - | - |
| TOTAL | | 4.00 | 2.00 | 2.00 | 8.00 |
| Less : Depreciation | - | 0.40 | 0.30 | 0.20 | 0.90 |
| WDV at end of Ist year | - | 3.60 | 1.70 | 1.80 | 7.10 |
| Additions During The Year | - | - | - | - | - |
| | - | 3.60 | 1.70 | 1.80 | 7.10 |
| Less : Depreciation | - | 0.36 | 0.26 | 0.18 | 0.80 |
| WDV at end of IInd Year | - | 3.24 | 1.45 | 1.62 | 6.31 |
| Additions During The Year | - | - | - | - | - |
| | - | 3.24 | 1.45 | 1.62 | 6.31 |
| Less : Depreciation | - | 0.32 | 0.22 | 0.16 | 0.70 |
| WDV at end of IIIrd year | - | 2.92 | 1.23 | 1.46 | 5.60 |
| Additions During The Year | - | - | - | - | - |
| | - | 2.92 | 1.23 | 1.46 | 5.60 |
| Less : Depreciation | - | 0.29 | 0.18 | 0.15 | 0.62 |
| WDV at end of IV year | - | 2.62 | 1.04 | 1.31 | 4.98 |
| Additions During The Year | - | - | - | - | - |
| | - | 2.62 | 1.04 | 1.31 | 4.98 |
| Less : Depreciation | - | 0.26 | 0.16 | 0.13 | 0.55 |
| WDV at end of Vth year | - | 2.36 | 0.89 | 1.18 | 4.43 |

## 2.14. Repayment Schedule:

| REPAYMENT SCHEDULE OF TERM LOAN | | | | | | 11.0% | |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| **Year** | **Particulars** | **Amount** | **Addition** | **Total** | **Interest** | **Repayment** | **Cl Balance** |
| **I** | Opening Balance | | | | | | |
| | Ist Quarter | - | 3.60 | 3.60 | 0.10 | - | 3.60 |
| | Iind Quarter | 3.60 | - | 3.60 | 0.10 | - | 3.60 |
| | IIIrd Quarter | 3.60 | - | 3.60 | 0.10 | 0.20 | 3.40 |
| | Ivth Quarter | 3.40 | - | 3.40 | 0.09 | 0.20 | 3.20 |
| | | | | | 0.39 | 0.40 | |
| **II** | Opening Balance | | | | | | |
| | Ist Quarter | 3.20 | - | 3.20 | 0.09 | 0.20 | 3.00 |
| | Iind Quarter | 3.00 | - | 3.00 | 0.08 | 0.20 | 2.80 |
| | IIIrd Quarter | 2.80 | - | 2.80 | 0.08 | 0.20 | 2.60 |
| | Ivth Quarter | 2.60 | | 2.60 | 0.07 | 0.20 | 2.40 |
| | | | | | 0.32 | 0.80 | |
| **III** | Opening Balance | | | | | | |
| | Ist Quarter | 2.40 | - | 2.40 | 0.07 | 0.20 | 2.20 |
| | Iind Quarter | 2.20 | - | 2.20 | 0.06 | 0.20 | 2.00 |
| | IIIrd Quarter | 2.00 | - | 2.00 | 0.06 | 0.20 | 1.80 |
| | Ivth Quarter | 1.80 | | 1.80 | 0.05 | 0.20 | 1.60 |
| | | | | | 0.23 | 0.80 | |
| **IV** | Opening Balance | | | | | | |
| | Ist Quarter | 1.60 | - | 1.60 | 0.04 | 0.20 | 1.40 |
| | Iind Quarter | 1.40 | - | 1.40 | 0.04 | 0.20 | 1.20 |
| | IIIrd Quarter | 1.20 | - | 1.20 | 0.03 | 0.20 | 1.00 |
| | Ivth Quarter | 1.00 | | 1.00 | 0.03 | 0.20 | 0.80 |
| | | | | | 0.14 | 0.80 | |
| **V** | Opening Balance | | | | | | |
| | Ist Quarter | 0.80 | - | 0.80 | 0.02 | 0.20 | 0.60 |
| | Iind Quarter | 0.60 | - | 0.60 | 0.02 | 0.20 | 0.40 |
| | IIIrd Quarter | 0.40 | - | 0.40 | 0.01 | 0.20 | 0.20 |
| | Ivth Quarter | 0.20 | | 0.20 | 0.01 | 0.20 | - 0.00 |
| | | | | | 0.05 | 0.80 | |

## 2.15. Financial Ratios:

| FINANCIAL RATIOS | | | | | |
|---|---|---|---|---|---|
| | I | II | III | IV | V |
| TURNOVER | 25.60 | 32.12 | 36.07 | 39.78 | 44.12 |
| GROSS PROFIT | 7.08 | 9.21 | 10.98 | 12.44 | 14.26 |
| **G.P. RATIO** | **27.67%** | **28.66%** | **30.45%** | **31.27%** | **32.32%** |
| | | | | | |
| NET PROFIT | 1.22 | 2.00 | 2.79 | 3.57 | 4.48 |
| **N.P. RATIO** | **4.8%** | **6.2%** | **7.7%** | **9.0%** | **10.2%** |
| | | | | | |
| CURRENT ASSETS | 6.99 | 7.90 | 8.69 | 9.53 | 10.59 |
| CURRENT LIABILITIES | 4.34 | 4.41 | 4.48 | 4.56 | 4.65 |
| **CURRENT RATIO** | **1.61** | **1.79** | **1.94** | **2.09** | **2.27** |
| | | | | | |
| TERM LOAN | 3.20 | 2.40 | 1.60 | 0.80 | - |
| TOTAL NET WORTH | 3.43 | 4.43 | 5.22 | 5.99 | 6.87 |
| **DEBT/EQUITY** | **0.93** | **0.54** | **0.31** | **0.13** | **-** |
| | | | | | |
| TOTAL NET WORTH | 3.43 | 4.43 | 5.22 | 5.99 | 6.87 |
| TOTAL OUTSIDE LIABILITIES | 7.54 | 6.81 | 6.08 | 5.36 | 4.65 |
| **TOL/TNW** | **2.20** | **1.54** | **1.17** | **0.90** | **0.68** |
| | | | | | |
| PBDIT | 2.52 | 3.37 | 4.14 | 4.91 | 5.82 |
| INTEREST | 0.79 | 0.72 | 0.63 | 0.55 | 0.46 |
| **INTEREST COVERAGE RATIO** | **3.18** | **4.66** | **6.53** | **8.98** | **12.70** |
| | | | | | |
| WDV | 7.49 | 6.85 | 6.12 | 5.33 | 4.45 |
| TERM LOAN | 3.20 | 2.40 | 1.60 | 0.80 | - |
| **FACR** | **2.34** | **2.85** | **3.83** | **6.66** | **-** |

## 2.16. Breakeven Point Analysis:

| BREAK EVEN POINT ANALYSIS | | | | | |
|---|---|---|---|---|---|
| | | | | | |
| **Year** | **I** | **II** | **III** | **IV** | **V** |
| | | | | | |
| **Net Sales & Other Income** | 25.60 | 32.12 | 36.07 | 39.78 | 44.12 |
| Less : Op. WIP Goods | - | 2.84 | 3.24 | 3.63 | 4.01 |
| Add : Cl. WIP Goods | 2.84 | 3.24 | 3.63 | 4.01 | 4.44 |
| | | | | | |
| **Total Sales** | **28.44** | **32.51** | **36.47** | **40.16** | **44.56** |
| | | | | | |
| **Variable & Semi Variable Exp.** | | | | | |
| | | | | | |
| Raw Material | 14.40 | 15.80 | 17.43 | 19.13 | 21.12 |
| Electricity Exp/Coal Consumption at 85% | 0.68 | 0.74 | 0.80 | 0.86 | 0.91 |
| Wages & Salary at 60% | 4.73 | 5.28 | 5.79 | 6.36 | 7.00 |
| Selling & adminstrative Expenses 80% | 0.61 | 1.28 | 1.73 | 1.85 | 2.05 |
| ii) Interest On Working Capital | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| Repair & Maintenance | 1.15 | 1.28 | 1.44 | 1.59 | 1.76 |
| Packing cost and Other Overhead | 0.51 | 0.64 | 0.72 | 0.80 | 0.88 |
| **Total Variable & Semi Variable Exp** | **22.50** | **25.43** | **28.31** | **30.97** | **34.13** |
| | | | | | |
| **Contribution** | **5.94** | **7.08** | **8.15** | **9.18** | **10.43** |
| | | | | | |
| **Fixed & Semi Fixed Expenses** | | | | | |
| | | | | | |
| Electricity Exp/Coal Consumption at 15% | 0.12 | 0.13 | 0.14 | 0.15 | 0.16 |
| Wages & Salary at 40% | 3.16 | 3.52 | 3.86 | 4.24 | 4.67 |
| Interest on Term Loan | 0.39 | 0.32 | 0.23 | 0.14 | 0.05 |
| Depreciation | 0.90 | 0.80 | 0.70 | 0.62 | 0.55 |
| Selling & adminstrative Expenses 20% | 0.15 | 0.32 | 0.43 | 0.46 | 0.51 |
| **Total Fixed Expenses** | **4.72** | **5.08** | **5.36** | **5.61** | **5.94** |
| | | | | | |
| **Capacity Utilization** | **60%** | **65%** | **70%** | **75%** | **80%** |
| **OPERATING PROFIT** | **1.22** | **2.00** | **2.79** | **3.57** | **4.48** |
| **BREAK EVEN POINT** | **48%** | **47%** | **46%** | **46%** | **46%** |
| **BREAK EVEN SALES** | **22.60** | **23.33** | **24.00** | **24.56** | **25.40** |

# 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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