

PROJECT PROFILE

ON

SHG - OTHER INDUSTRIES

AIR FRESHENER CAKES

Month & Year
December 2008

**PREPARED BY
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B-22, INDUSTRIAL ESTATE
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Supported by

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STIFTUNG **FÜR DIE FREIHEIT**

AIR FRESHENER CAKES

INTRODUCTION

Now a days Air fresheners are commonly used in homes offices and other public and private places. Once the air freshener was considered as luxury, now it is a necessity to

Keep them in all the places. The room freshener acts as deodourant . The odour modification is the intentional change of one odour by addition of another. Air freshener , perfumes and industrial deodorants are examples of modern odourants. The popular usage of this is in the cake form which freshens the bathroom , toilet etc.

MARKET

Air freshness are used to modify the odour of air by adding some other odorant with the fragrances in compressed fluorocarbon gas. Healthy environment is the base of good health. As standard of living increases people get accustomed to living in healthy environment. Air freshener in cake form is the easiest and popularly consumed air freshener.. The product is demanded by the people in towns and cities. There is a growing market for the product.

INSTALLED CAPACITY

The installed capacity of the unit proposed is 150000 cakes of 75 gms each per annum on single shift basis. This is based on a production capacity of 500 Nos per day.

PLANT AND MACHINERY

The following machinery items are required

Items	Qty	Value Rs. lakhs
Stainless steam jacketed kettle	1	0.70
Cooking Chamber	1	0.50
Packing Machine	1	0.70
Aluminium moulds		0.20
		2.10

MANUFACTURING PROCESS

Requisite quantities of Ethyl Alcohol ,Carbitol,Glycerol, Sodium Sterate and distilled water are poured into jacketed S.S Reaction kettle They are thoroughly mixed using temperature. After mixing, perfume and colour are added into solution .The resultant solution is then poured into aluminium moulds at 65 0 c These moulds have the ability to withstand high temperature and pressure. After the moulding process the moulds are cooled slowly .Rapid cooling can cause cavities in the product due to airlocking. After cooling the moulded cake is taken out. The product is then suitably packed and marketed.

RAW MATERIALS

The raw material required for the production at full capacity is given below

For Quantity	Kgs	11250			
			Qty-Kgs	Rate/kg	Value
Ethyl Alcohol	80%	9000		20.00	180000
Carbitol	3%	338		33.00	11138
Glycerol	3%	338		60.00	20250
Distilled	5%	563		2.00	1125
Sodium stearate	6%	675		26.00	17550
Perfume	2%	225		500.00	112500
Colour solution	1%	113		250.00	28125
Total	100.00				370688
TOTAL for	11250.00	Rs. lakhs			3.71
Raw material cost per -Kg					32.95
Total material cost					3.71
Packing material cost				5.00	56250
Packing material cost-Rs. lakhs					0.56

LOCATION LAND AND BUILDING

The infrastructural facilities required for the project by way of land and building are the following.

Built up area-Sq.ft	500
Rent p.m.-Rs	1000
Advance-10 months.Rs	10000

UTILITIES

The utilities required for the project are the following

Three phase-KW	5.00
Power charges Rs.lakhs p.a	0.57
Total power	0.57
Water-For process-Litres per day	
For human consumption	200

MANPOWER

The manpower requirement for the project is given below

	Monthly	Total
	wages	
Supervisor 1	3000	3000
Skilled 4	2000	8000
unskilled 3	1500	4500
Salesman 1	2000	2000
sub total		17500

Add benefits	20%	3500
Total per month		21000
TOTAL PER ANNUM-Rs. lakhs		2.52

COST OF PROJECT AND MEANS OF FINANCE

The cost of project and Means of Finance is estimated as given below

1. COST OF PROJECT

	[Rs.lakhs]
Land & Building (Advance)	0.10
Plant & Machinery	2.10
Other Misc. assets	0.03
Pre-Operative expenses	0.05
Margin for WC	0.07
	<u>2.35</u>

2. MEANS OF FINANCE

Capital	0.77
Term Loan	1.58
	<u>2.35</u>

-The term loan proposed is 75% of the Plant and machinery.

- The promoters will bring in the required capital contribution to the project.

COST OF PRODUCTION AND PROFITABILITY

A cost and profitability statement projected for the first 5 years of operations is given in Annexure. The profitability is based on the following assumptions.

Assumptions

Installed capacity	150000 Nos of 75 Grams cake (11250 Kgs) per annum
Capacity utilisation	Year-1 -60% Year -2 -70% Year-3 onwards- 80%
Selling price	Rs.150.00 per kg(Rs. 11.25 per pack of 75 grams)
Raw materials	As per the details given above
Packing materials	As per details given above
Power	Rs.0.57 lakh per annum at 100%
Wages and salaries	Rs. 2.52 lakhs with increase 5% every year.
Repairs and Maintenance	Rs.0.06 lakh per annum
Depreciation	Written down value method -15 % on machinery
Selling general and administrative expenses	Rs.8000 per month
Interest on Term loan	10% per annum
Interest on working capital	10 % per annum
Income tax	33.66 % on profits

ASSESSMENT OF WORKING CAPITAL

The following levels are projected for working capital

	Months	Values	%	Margin	Bank
	Consumptions			Amount	Finance
Raw Materials	0.50	0.09	25%	0.02	0.07
Expenses	1.00	0.05	100%	0.05	0.00

0.14

0.07

0.07

A bank finance of Rs 0.07 lakh is required by the unit for meeting the working capital

PROFITABILITY RATIOS

The project ensures good profits on investment and sales turnover.

DEBT SERVICE COVERAGE RATIO

The debt service coverage ratio of this concern is very high as the Term loan component is too low and the returns are high in this project.

BREAK EVEN LEVEL

The break even level of the unit is 34% of the installed capacity

PLANT AND MACHINERY SUPPLIERS

Mixing Vessels:

- i. The Royal Scientific Industries, T.S.74-A, Tiny Sector, SIDCO Industrial Estate, Ekkaduthangal, Chennai 600 097.
- ii. Fluidtech Engineers, 10/8, Chakrapani Road, Race View Colony, Guindy, Chennai 600 032.

RAW MATERIAL SUPPLIERS

1. W. Dorairajalu Chetty Chemical Depot,
30/1, Rasappa Chetty Street, Chennai 600 003.
2. Sha Rajaji Chemicals,
167, Govindappa Naicken Street,
Chennai 600 001.
3. Sri Devi Chemicals,
114, Nyniappa Naicken Street,
Chennai 600 001.
4. Several other chemicals dealers in Govindappa Naicken Street, Nyniappan Street, Chennai.

FINANCIAL ASPECTS

1. COST OF PROJECT

	[Rs.lakhs]
Land & Building (Advance)	0.10
Plant & Machinery	2.10
Other Misc. assets	0.03
Pre-Operative expenses	0.05
Margin for WC	0.07
	<u>2.35</u>

2. MEANS OF FINANCE

Capital	0.77
Term Loan	1.58
	<u>2.35</u>

3. COST OF PRODUCTION & PROFITABILITY STATEMENT

	[Rs.lakhs]				
Years	1	2	3	4	5
Installed Capacity -Kgs	11250	11250	11250	11250	11250
Utilisation	60%	70%	80%	80%	80%
Production/Sales-Kgs	6750	7875	9000	9000	9000
Selling Price	Rs.150.00per Kg				
Sales Value (Rs.lakhs)	10.13	11.81	13.50	13.50	13.50
Raw Materials	2.22	2.59	2.97	2.97	2.97
Packing materials	0.34	0.39	0.45	0.45	0.45
Power& fuel	0.34	0.40	0.46	0.46	0.46
Wages & Salaries	2.52	2.57	2.62	2.67	2.73
Repairs & Maintenance	0.06	0.07	0.08	0.09	0.10
Depreciation	0.32	0.27	0.23	0.19	0.16
Cost of Production	<u>5.80</u>	<u>6.30</u>	<u>6.80</u>	<u>6.83</u>	<u>6.86</u>

Selling, Admin, & General exp	0.96	1.01	1.06	1.11	1.17
Interest on Term Loan	0.16	0.14	0.10	0.10	0.10
Interest on Working Capital	0.01	0.01	0.01	0.01	0.01
Total	6.93	7.46	7.97	8.05	8.14
Profit Before Tax	3.20	4.35	5.53	5.45	5.36
Provision for tax	1.08	1.47	1.86	1.83	1.80
Profit After Tax	2.12	2.88	3.67	3.62	3.56
Add: Depreciation	0.32	0.27	0.23	0.19	0.16
Cash Accruals	2.44	3.15	3.90	3.81	3.72
Repayment of Term Loan	0.00	0.40	0.40	0.40	0.38

4. WORKING CAPITAL:

	Months Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	0.50	0.09	25%	0.02	0.07
Expenses	1.00	0.05	100%	0.05	0.00
		0.14		0.07	0.07

6. PROFITABILITY RATIOS BASED ON 80% UTILISATION

$$\frac{\text{Profit after Tax}}{\text{Sales}} = \frac{3.67}{13.50} \quad 27\%$$

$$\frac{\text{Profit before Interest and Tax}}{\text{Total Investment}} = \frac{5.64}{2.42} \quad 233\%$$

$$\frac{\text{Profit after Tax}}{\text{Promoters Capital}} = \frac{3.67}{0.77} \quad 477\%$$

7. BREAK EVEN LEVEL

Fixed Cost (FC):

	[Rs.lakhs]
Wages & Salaries	2.62
Repairs & Maintenance	0.08
Depreciation	0.23
Admin. & General expenses	1.06
Interest on TL	0.10
	<u>4.09</u>

Profit Before Tax (P) 5.53

$$\text{BEL} = \frac{\text{FC} \times 100}{\text{FC} + \text{P}} = \frac{4.09}{9.62} \times \frac{80}{100} \times 100$$

34% of installed capacity