

PROJECT PROFILE

ON

SHG - OTHER INDUSTRIES

AVAL / POHA

Month & Year
December 2008

**PREPARED BY
TANSTIA-FNF SERVICE CENTRE
B-22, INDUSTRIAL ESTATE
CHENNAI-600032**

Supported by

Friedrich Naumann
STIFTUNG **FÜR DIE FREIHEIT**

AVAL / POHA

INTRODUCTION

Poha/ aval is prepared from the paddy. The aval is a popular food from which several other preparations such as Upma can be prepared. Aval is also consumed as Snack food.

MARKET

The market for already to eat food products are going up and aval being a traditional and easy to cook and ready to eat product, it has a growing market in all towns and villages.

INSTALLED CAPACITY

The proposed installed capacity of the unit is 800 kgs of aval per day of single shift. On this basis the annual capacity works out 240000 Kgs for 300 working days.

PLANT AND MACHINERY

The following items of plant and machinery are required for the project.

	Qty	Rs
Cement tank		3000
Flaking machine		40000
Motor with 3 Hp belt		9000
Indigenous roaster		20000
Wooden framed sieves		5000
TOTAL		77000

MANUFACTURING PROCESS

In traditional method of aval preparation , paddy is soaked in cold water for 24 hours and then drained. Roasting of paddy for 2-3 minutes in an indigenous type of roaster and flaked on an edge runner. However this process involves a good deal of breakage and loss of food product resulting in poor yield. This process has been improved by making into continuous process. In this process the manual roasting of soaked paddy is replaced by roasting in a continuous gram

roaster. Then the roasted paddy is dehusked and slightly polished and finally the rice is flaked by a roller flaker. The yield of aval is therefore increased from about 60 to 68-70%.

RAW MATERIALS

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

Item	Qty	Rate	Value
Paddy	264000-Kgs	Rs7.00 per kg	Rs.1848000

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	1000
Rent p.m.-Rs	2000
Advance-10 months.Rs	20000

UTILITIES

The utilities required for the project are the following

Three phase	KW	3.00
Power charges Rs.lakhs p.a		0.34
Fuel		0.30
Power& fuel		0.64
Water-For process-Litres per day		4000
For human consumption-Ltrs/day		200

MANPOWER

The manpower requirement for the project is given below

		Monthly wages	Total
Supervisor	1	3000	3000
Skilled	2	2000	4000
Helpers	2	1500	3000

sub total		10000
Add benefits	20%	2000
Total per month		12000
TOTAL PER ANNUM-Rs. lakhs		1.44

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)	0.20
Plant & Machinery	0.77
Other Misc. assets	0.03
Pre-Operative expenses	0.05
Margin for WC	0.17
	<u>1.22</u>

2. MEANS OF FINANCE

Capital	0.64
Term Loan	0.58
	<u>1.22</u>

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

- 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	240000 kgs of Aval per annum
Capacity utilisation	Year-1 -60%
	Year -2 -70%

	Year-3 onwards- 80%
Selling price	Rs.11.00 per kg
Raw materials	As per the details given above
Packing materials	Re.0.50 per kg
Power & fuel	Rs.0.64 lakh per annum at 100%
Wages and salaries	Rs. 1.44 lakhs with increase 5% every year.
Repairs and Maintenance	Rs.0.12 lakh per annum
Depreciation	Written down value method -15 % on machinery
Selling general and administrative expenses	Rs.10000 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 Consumption	Values	%	Margin Amount	Bank Finance
Raw Materials	0.50	0.20	25%	0.05	0.15
Expenses	1.00	0.05	100%	0.05	0.00
		<u>0.25</u>		<u>0.10</u>	<u>0.15</u>

A bank finance of Rs 0.15 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 44% of the installed capacity

LIST OF MACHINERY SUPPLIERS

1. Vee Gee Equipments
Kings Complex
342, Dr.Nanjappa Road
Coimbatore 641 018
2. R.Shanmugam Pillai& sons
7,Eduka Mosuque Lane
(Chellandiamman Koil Street)
Didigul 624 001

RAW MATERIAL SUPPLIERS

Local dealers of paddy

FINANCIAL ASPECTS

1. COST OF PROJECT

	[Rs.lakhs]
Land & Building (Advance)	0.20
Plant & Machinery	0.77
Other Misc. assets	0.03
Pre-Operative expenses	0.05
Margin for WC	0.17
	1.22

2. MEANS OF FINANCE

Capital	0.64
Term Loan	0.58
	1.22

3. COST OF PRODUCTION & PROFITABILITY STATEMENT

	[Rs.lakhs]				
Years	1	2	3	4	5
Installed Capacity Kgs	240000	240000	240000	240000	240000

Utilisation	60%	70%	80%	80%	80%
Production/Sales Kgs	144000	168000	192000	192000	192000
Selling Price	Rs.11 per Kg				
Sales Value (Rs.lakhs)	15.84	18.48	21.12	21.12	21.12
Raw Materials	11.09	12.94	14.78	14.78	14.78
Packing Materials	0.72	0.84	0.96	0.96	0.96
Power& fuel	0.39	0.45	0.51	0.51	0.51
Wages & Salaries	1.44	1.47	1.50	1.53	1.56
Repairs & Maintenance	0.12	0.13	0.14	0.15	0.17
Depreciation	0.12	0.10	0.08	0.07	0.06
Cost of Production	13.87	15.92	17.98	18.01	18.05
Selling, Admin, & General exp	1.20	1.26	1.32	1.39	1.46
Interest on Term Loan	0.06	0.05	0.04	0.04	0.04
Interest on Working Capital	0.03	0.03	0.03	0.03	0.03
Total	15.16	17.26	19.37	19.47	19.58
Profit Before Tax	0.68	1.22	1.75	1.65	1.54
Provision for tax	0.00	0.37	0.53	0.50	0.46
Profit After Tax	0.68	0.85	1.22	1.15	1.08
Add: Depreciation	0.12	0.10	0.08	0.07	0.06
Cash Accruals	0.80	0.95	1.30	1.22	1.14
Repayment fo Term loan	0.00	0.15	0.15	0.15	0.13

4. WORKING CAPITAL:

	Months Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	0.50	0.46	25%	0.12	0.34
Expenses	1.00	0.05	100%	0.05	0.00
		0.51		0.17	0.34

6. PROFITABILITY RATIOS BASED ON 80% UTILISATION

$$\frac{\text{Profit after Tax}}{\text{Sales}} = \frac{1.22}{21.12} \quad 6\%$$

$$\frac{\text{Profit before Interest and Tax}}{\text{Total Investment}} = \frac{1.82}{1.56} \quad 117\%$$

$$\frac{\text{Profit after Tax}}{\text{Promoters Capital}} = \frac{1.22}{0.64} \quad 191\%$$

7. BREAK EVEN LEVEL

Fixed Cost
(FC):

	[Rs.lakhs]
Wages & Salaries	1.50
Repairs & Maintenance	0.14
Depreciation	0.08
Admin. & General expenses	1.32
Interest on TL	0.04
	<hr/>
	3.08

Profit Before Tax (P) 1.75

$$\text{BEL} = \frac{\text{FC} \times 100}{\text{FC} + \text{P}} = \frac{3.08}{4.83} \times \frac{80}{100} \times 100$$

51% of installed capacity

