

# **PROJECT PROFILE**

ON

## **BUBBLE GUM**

Month & Year  
Aug 2010

**PREPARED BY  
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# **BUBBLE GUM**

## **1. Introduction**

Bubble gum or chewing gum is a favourite pastime chewee among children and youth. Children like the product because of its minty or fruity flavour which rolls constantly in the tongue. The youth prefer it as it is habit forming and as well as a mouth freshner. Moreover, the manufacturers of these products provide incentives for sale of this product by providing stickers or labels pertaining to sports, film personalities and events or general awareness which tempts the children to purchase the product.

## **2. Market**

The major market outlets are the “ B” and “C” class outlets. The market is oriented towards children and youth who buy the product as a pastime fun chewee. The market though highly competitive is good and depends upon the manufacturer’s promotional strategies to reach the product to the target clients.

## **3. Packaging**

The processed product is packed in laminated paper wrappers. Each bubble gum weighs 5 grams.

## **4. Production capacity**

- The plant will be in operation for three shifts a day with each shift of 8 hours duration.
- The plant operates to a production capacity of 25 kilograms per hour.
- The estimated production per day is 600 kilograms.
- The total production per month will be 15 M.T while the annual production is estimated at 180 M.T
- The time period required for achieving full capacity utilization is one year.

## **5. Sales revenue**

- The ex-factory selling price will be Rs. 1.00 per piece of 5 grams with an MRP of Re.1.50. A carton of 200 pieces will weigh one kilogram and will cost Rs. 200 inclusive of taxes. The estimated annual sales revenue will be Rs. 360 lakhs.

**6. Production process outline.**

Sugar is ground very fine in the grinder. It is then mixed with the required quantities of edible gum, water, flavours, emulsifiers and then extruded in the extruder. The resulting product emerges in the form of strips which is cut to desired lengths and wrapped in the wax paper by the wrapping machine. The product passes through a cooling tunnel wherein the product acquires a rigid texture. The strips are then covered with a paper wrapper and then packed in cartons for dispatch.

**7. Quality specifications**

<b>Sl</b>	<b>Description</b>	<b>Value</b>
1	Edible gums	Minimum 12.5% by weight
2	Moisture	Maximum 3.5% by weight
3	Sulphated ash	Maximum 9.5% by weight
4	Acid insoluble ash	Maximum 2.0% by weight
5	Reducing sugars as dextrose	Minimum 4.5% by weight
6	Total plate count	Maximum 30,000 per gram
7	Coliforms	Absent
8	Streptococci	Absent
9	Salmonella	Absent

**8. Pollution control measures**

Not necessary as there are no pollutants or effluents.

**9. Energy conservation measures**

Common measures will do.

**10. Land and construction cost for the proposed unit**

The proposed unit is to be set up in a leased area. The total leased area is 3000 square feet vide details given below.

<b>SI</b>	<b>Description</b>	<b>Sq. feet</b>
1	Processing area	1600
2	Raw material store	100
3	Other ingredients store room	100
4	Finished goods store room	200
5	Packaging material store room	100
6	Laboratory	200
7	Office space	200
8	Machinery spares store room	200
9	Toilet space	200
10	Miscellaneous space	100
<b>11</b>	<b>Total</b>	<b>3000</b>

Lease rentals – Rs. 8.00 per square foot

Total rent per month – Rs. 24000

Lease advance – Rs. 150000

**11. Costing of machinery and equipment**

<b>SI</b>	<b>Description</b>	<b>Rs. lakhs</b>
1	Sugar grinder with motor	0.400
2	Stainless steel sigma mixer	1.650
3	Gum extruder	1.850
4	Cooling conveyer	2.000
5	Cut and wrap machine	5.000
<b>6</b>	<b>Total</b>	<b>10.900</b>
7	Laboratory equipment	0.600
<b>8</b>	<b>Grand total machinery and equipment</b>	<b>11.500</b>

## 12. Project cost

SI	Description	Rs. lakhs
1	Land	On lease
2	Civil works	On lease
3	Plant machinery	10.900
4	Laboratory equipment	0.600
5	Transport vehicle (1 Tata Ace)	3.600
6	Pollution control equipment	0.000
7	Energy conservation equipment	0.000
8	Cost of power connection	0.500
9	Cost of electrification	0.500
10	Erection and commissioning	1.000
11	Cost of machinery spares	0.250
12	Cost of office equipment	1.000
13	Deposits if any	0.600
14	Company formation expenses	0.100
15	Gestation period expenses	1.000
16	Sales tax registration expenses	0.100
17	Initial advertisement and publicity	10.000
18	Contingencies	0.500
19	Working capital margin money	9.656
<b>20</b>	<b>Total</b>	<b>40.306</b>

## 13. Working capital requirements per month

### a. Salaries and wages

SI	Description	No of persons	Total salary / month (Rs. lakhs)
1	Production Manager	1	0.400
2	Production supervisor cum chemist	3	0.600
3	Skilled workers	6	0.480
4	Unskilled workers	6	0.360
5	Administration staff	1	0.250
6	Sales staff	1	0.150
7	Van driver	1	0.080
<b>8</b>	<b>Total</b>	<b>19</b>	<b>2.320</b>

**b. Raw material requirement per month**

SI	Description	Qty (kgs)	Rate / kg (Rs)	Value (Rs. lakhs)
1	Sugar	3000	27.00	0.810
2	Edible gums	750	150.00	1.125
3	Edible starches	11000	22.00	2.420
4	Fat	150	60.00	0.090
5	Emulsifiers	150	50.00	0.075
6	<b>Total raw material</b>	<b>15050</b>		<b>4.520</b>

**c. Packaging material requirement per month**

SI	Description	Qty	Rate / unit (Rs)	Value (Rs. lakhs)
1	Wax coated laminated paper			2.473
2	Wrapper			3.000
3	Cartons and straps	1500 nos	40	0.600
4	<b>Total</b>			<b>6.073</b>

**Total raw + packaging material = Rs. 10.593 lakhs**

**d. Utilities per month**

SI	Description	Rs. lakhs
1	Power 20000 kwh @ Rs. 5.50 per unit	1.100
2	Water	0.050
3	Boiler fuel	0.000
4	<b>Total utilities</b>	<b>1.150</b>

**e. Contingent expenses per month**

<b>SI</b>	<b>Description</b>	<b>Rs. lakhs</b>
1	Rent for processing shed	0.240
2	Postage and stationery	0.020
3	Telephones, fax etc.	0.050
4	Consumable stores	0.050
5	Repairs and maintenance	0.081
6	Local transports, loading and unloading	0.150
7	Advertisement and publicity @ 15% of sales	4.500
8	Insurance	0.036
9	Sales expenses @ 1% of sales	0.300
10	Miscellaneous expenses @ 1% of sales	0.300
11	Trade incentives @ 2% of sales	0.600
12	Taxes @ 12.5%	3.750
<b>13</b>	<b>Total contingent expenses</b>	<b>10.077</b>

**f. Total working capital requirement per month**

<b>SI</b>	<b>Description</b>	<b>Rs. lakhs</b>
1	Salaries and wages	2.320
2	Raw material and packaging material	10.593
3	Utilities	1.150
4	Contingent expenses	10.077
<b>5</b>	<b>Total</b>	<b>24.140</b>

**14. Means of finance**

<b>SI</b>	<b>Description</b>	<b>Rs. lakhs</b>
1	Total Project Cost	40.306
2	Equity	13.300
3	Debt	27.006
4	Working capital margin money	9.656

**15. Financial analysis**

SI	Description	Rs. lakhs
1	Total recurring cost per year	289.680
2	Depreciation on land and building	0.000
3	Depreciation on machinery and vehicle	1.760
4	Depreciation on furnaces	0.000
5	Depreciation on moulds and fixtures	0.010
6	Depreciation on office equipment	0.050
7	Interest on long term loan @ 13.5%	3.646
8	Interest on short term borrowings@ 13.5%	1.955
9	<b>Total cost of production</b>	<b>297.101</b>

**16. Turnover per year**

SI	Item	Qty	Rate/unit (Rs)	Total Rs. lakhs
1	Bubble gum	180,000 kgs	200	360.00

**17. Viability analysis**

SI	Description	Value
1	Net profit before income tax (Rs. lakhs)	62.899
2	Net profit ratio	17.5%
3	Internal rate of return	32.7%
4	Break even percentage	44%
5	Debt service coverage ratio	2.008

*List of machinery suppliers for bubble gum*

1. Bombay Industrial Engineers, 13, Crystal Apartments, Gulmohar Cross Road, 11, JVPD, Mumbai. 400049.; Tel: 022 – 26232810, 26201914; Fax: 022 – 26201914
2. Labh Group of Companies, 403-405, Time Square, Near Pariseema Complex, Ahmedabad 380006, Tel: 079-26569261,26442897, 30070400
3. Paresh Engineering Company, 74 / B, Sanjay Building No. 5, Mittal Industrial Estate, M. Vasanji Road, Marol Naka, Andheri East, Mumbai. 400059. ; Tel: 022 - 28501794; Fax: 022 - 28509193