

PROJECT PROFILE

ON

SHG - OTHER INDUSTRIES

COFFE SEED ROASTING

Month & Year
December 2008

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

Supported by

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STIFTUNG **FÜR DIE FREIHEIT**

COFFE SEED ROASTING

INTRODUCTION

The coffee seed roasting and grinding is a popular activity in villages and towns. The coffee seeds are purchased from outside and they are roasted and grounded according to the customer’s choice. There is a growing demand for these items in small towns and villages where the self made coffee powder is preferred than the branded items available in the market.

MARKET

India’s share in the world coffee market is approximately 3.6%, producing about 300,000 metric tones of coffee of which 80% is exported and 20% (60,000 MTs) is consumed domestically. The State of Karnataka produces 70% of India's production. The market for coffee is almost steady in India.

INSTALLED CAPACITY

The installed capacity of the proposed unit is about 80 Kg of coffee powder per day of 8 hours. On this basis the annual capacity works out to 24000 Kg.

PLANT AND MACHINERY

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

Items	Quantity	Value (In Rs.)
5 Kgs. Capacity per charge coffee seed roaster heated by L.P. Gas Burner	1	41000
1 / 2 HP single phase motor (1440 RPM)	1	4000
6” Coffee grinder (10 Kgs, powder per hours) with stand.	1	8500
1 HP single phase motor	1	5500
	TOTAL	59000

MANUFACTURING PROCESS

The coffee leaves are purchased from the market and they are roasted on the roasting machine. Afterwards they are ground in the grinding machine and packed in paper bags.

RAW MATERIALS

The raw material required for the production at full capacity is 24000 Kgs of coffee seeds per annum.

For Quantity KGs	24000		
	Qty	Rate	Value
Coffee seeds	24000	145.00	3480000
Total			3480000
TOTAL for 24000	Rs. lakhs		34.80
Raw material cost per kg			145.00
Packing charges	24000	0.20	0.05

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	200
Rent p.m.-Rs	400
Advance-10 months.Rs	4000

UTILITIES

The utilities required for the project are the following

Three phase	KW	4.00
Power charges	Rs.lakhs p.a	0.46
Power& fuel		0.46
Water-For process-Litres per day		Nil
For human consumption-ltr/day		200

MANPOWER

The manpower requirement for the project is given below

Monthly	Total
wages	

Supervisor	1	3000	3000
Skilled	1	2000	2000
Helpers	2	1500	3000
sub total			8000
Add benefits		20%	1600
Total per month			9600
TOTAL PER ANNUM-Rs. lakhs			1.15

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)	0.04
Plant & Machinery	0.59
Other Misc. assets	0.03
Pre-Operative expenses	0.05
Margin for WC	0.27
	0.98

2. MEANS OF FINANCE

Capital	0.54
Term Loan	0.44
	0.98

-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	24000 kgs of Coffee seeds per per annum
Capacity utilisation	Year-1 -60% Year -2 -70% Year-3 onwards- 80%
Selling price	Rs.170.00 per kg
Raw materials	As per the details given above
Packing materials	As per details given above
Power	Rs.0.45 lakh per annum at 100%
Wages and salaries	Rs. 1.15 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	Values	%	Margin	Bank
	Consumptions			Amount	Finance
Raw Materials	0.50	0.87	25%	0.22	0.65
Expenses	1.00	0.05	100%	0.05	0.00
		0.92		0.27	0.65

A bank finance of Rs 0.65 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 51% of the installed capacity.

LIST OF MACHINERY SUPPLIERS

The industrial & scientific works and research Institute
15/8 Fraser Square
Coimbatore-641 001

Navinchandra & Co
180 Linghi Chetty Street
Chennai – 600 001

FINANCIAL ASPECTS

1. COST OF PROJECT

	[Rs.lakhs]
Land & Building (Advance)	0.04
Plant & Machinery	0.59
Other Misc. assets	0.03
Pre-Operative expenses	0.05
Margin for WC	0.27
	0.98

2. MEANS OF FINANCE

Capital	0.54
Term Loan	0.44
	0.98

3. COST OF PRODUCTION & PROFITABILITY STATEMENT

[Rs.lakhs]

Years	1	2	3	4	5
Installed Capacity Kgs	24000	24000	24000	24000	24000
Utilisation	60%	70%	80%	80%	80%
Production/Sales Kgs	14400	16800	19200	19200	19200
Selling Price	Rs.170 per Kg				
Sales Value (Rs.lakhs)	24.48	28.56	32.64	32.64	32.64
Raw Materials	20.88	24.36	27.84	27.84	27.84
Packing Materials	0.03	0.03	0.04	0.04	0.04
Power& fuel	0.27	0.32	0.36	0.36	0.36
Wages & Salaries	1.15	1.18	1.20	1.22	1.25
Repairs & Maintenance	0.12	0.13	0.14	0.15	0.17
Depreciation	0.09	0.08	0.06	0.05	0.05
Cost of Production	22.54	26.09	29.65	29.67	29.71
Selling, Admin, & General exp	1.20	1.26	1.32	1.39	1.46
Interest on Term Loan	0.04	0.04	0.03	0.03	0.03
Interest on Working Capital	0.07	0.07	0.07	0.07	0.07
Total	23.85	27.46	31.07	31.16	31.27
Profit Before Tax	0.63	1.10	1.57	1.48	1.37
Provision for tax	0.00	0.33	0.47	0.44	0.41
Profit After Tax	0.63	0.77	1.10	1.04	0.96
Add: Depreciation	0.09	0.08	0.06	0.05	0.05
Cash Accruals	0.72	0.84	1.17	1.09	1.01
Repayment of Term loan	0.00	0.11	0.11	0.11	0.11

4. WORKING CAPITAL:

Months Consumptions	Values	%	Margin Amount	Bank Finance
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Raw Materials	0.50	0.87	25%	0.22	0.65
Expenses	1.00	0.05	100%	0.05	0.00
		0.92		0.27	0.65

6. PROFITABILITY RATIOS BASED ON 80% UTILISATION

$$\frac{\text{Profit after Tax}}{\text{Sales}} = \frac{1.10}{32.64} \quad 3\%$$

$$\frac{\text{Profit before Interest and Tax}}{\text{Total Investment}} = \frac{1.67}{1.63} \quad 103\%$$

$$\frac{\text{Profit after Tax}}{\text{Promoters Capital}} = \frac{1.10}{0.54} \quad 205\%$$

7. BREAK EVEN LEVEL

Fixed Cost
(FC):

	[Rs.lakhs]
Wages & Salaries	1.20
Repairs & Maintenance	0.14
Depreciation	0.06
Admin. & General expenses	1.32
Interest on TL	0.03
	<u>2.75</u>

Profit Before Tax (P) 1.57

$$\text{BEL} = \frac{\text{FC} \times 100}{\text{FC} + \text{P}} = \frac{2.75}{4.33} \times \frac{80}{100} \times 100$$

51% of installed capacity

