

PROJECT PROFILE

ON

SHG - OTHER INDUSTRIES

CATTLE FEED

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**

CATTLE FEED

INTRODUCTION

The growth of Dairy farms all over the country requires cattle feed every day to be consumed in a continuous manner. Providing the nutrition and balanced food are essential for cattle development. The milk and dairy production is still not sufficient and there is a consistent demand for good quality cattle feed.

MARKET

India's milk production touched 90million tones per annum. Animal husbandry has been complementing the earnings of the farmers for many decades. Dairying is major earner in this field. India has over 270 million cattle population contributing 19% of the global and 51 % of Asian cattle population. The milk yield per animal is low in India. Dairying is a predominant activity in villages. Hence , dairying is to be encouraged in villages so as to increase the milk production. Concentrated feed is one of the main nourishment for the cattle which are consumed by the organized Dairy farms and individual farmers.

The milk production in the country is still yet to improve further despite the fact that India is the leading producer of milk. There is a continuing demand for the milk products as well as cattle feed which is an essential item for the growth of dairy products.

INSTALLED CAPACITY

The installed capacity proposed is 8 MTs of cattle feed per day on single shift . On this basis the installed capacity is 2400 MTs per annum

PLANT AND MACHINERY

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

	Qty	Rs
Raw material silo		All combined price inclusive
Feed Plant		
Grinder		Of all machines
Mixer		
Bucket elevator		
Gear box		
	1	290000
TOTAL		290000

MANUFACTURING PROCESS

Flow chart

Purchase of materials and ingredients for feed
 II
 Weighing the ingredients on pre-determined formula basis
 II
 Feeding to the hopper of grinding machine
 II
 Grinding in machine till homogenous mix is formed
 II
 Packing in bags

RAW MATERIALS

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

For	MTs	2400.00		
Quantity				
KGs				
		Qty	Rate	Value
Maize		1450	6000.00	8700000
Wheat / barley		58	6000.00	348000
Mash		96	5000.00	480000
Rice bran		84	5500.00	462000
X-meal pellets		65	4000.00	260000
Others		67	3000.00	201000
Soyabean oil cake		210	10000.00	2100000
vegetable oilcake		214	9000.00	1926000
Fish grounds meal oil		89	9000.00	801000
Oil & fat		12	18000.00	216000
Molasses		48	3000.00	144000
Additives		7	5000.00	35000
Total				15673000
TOTAL	2400.00		Rs. lakhs	156.73
for				
Raw material cost per piece				6530.42
Packing charges		24000.00	100.00	24.00

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	2000
Rent p.m.-Rs	4000
Advance-10 months.Rs	40000

UTILITIES

The utilities required for the project are the following

Three phase	KW	24.00
Power charges	Rs.lakhs p.a	2.74

MANPOWER

The manpower requirement for the project is given below

		Monthly wages	Total
Supervisor	1	3000.00	3000.00
Skilled	3	2000.00	6000.00
Helpers	1	1500.00	1500.00
Sales man	1	2000.00	2000.00
sub total			12500.00
Add benefits	20%		2500.00
Total per month			15000.00
TOTAL PER ANNUM-Rs. lakhs			1.80

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)	0.40
Plant & Machinery	2.90
Other Misc. assets	0.03
Pre-Operative expenses	0.05
Margin for WC	1.01
	4.39

2. MEANS OF FINANCE

Capital	2.21
Term Loan	2.18
	4.39

- 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	2400 MTs of Cattle feed per annum.
Capacity utilisation	Year-1 -60% Year -2 -70% Year-3 onwards- 80%
Selling price	Rs.8000 per MT
Raw materials	As per the details given above
Packing materials	As per details given above
Power	Rs.2.74 lakhs per annum at 100%
Wages and salaries	Rs. 1.80 lakhs with increase 5% every year.

Repairs and Maintenance	Rs.0.24 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 Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	0.50	3.85	25%	0.96	2.89
Expenses	1.00	0.05	100%	0.05	0.00
		3.90		1.01	2.89

A bank finance of Rs 2.89 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 37% of the installed capacity

MACHINERY SUPPLIERS

Fluid Tech engineers
10/8 Race view Colony
Chakrapani Road
Chennai 600 032

RAW MATERIAL SUPPLIERS
Local Flour mills and rice mills.

FINANCIAL ASPECTS

1. COST OF PROJECT

[Rs.lakhs]

Land & Building (Advance)	0.40
Plant & Machinery	2.90
Other Misc. assets	0.03
Pre-Operative expenses	0.05
Margin for WC	1.01
	<u>4.39</u>

2. MEANS OF FINANCE

Capital	2.21
Term Loan	2.18
	<u>4.39</u>

3. COST OF PRODUCTION & PROFITABILITY STATEMENT

[Rs.lakhs]

Years	1	2	3	4	5
Installed Capacity Kgs	2400	2400	2400	2400	2400
Utilisation	60%	70%	80%	80%	80%
Production/Sales Kgs	1440	1680	1920	1920	1920
Selling Price	Rs.8,000	per MT			
Sales Value (Rs.lakhs)	115.20	134.40	153.60	153.60	153.60
Raw Materials	92.39	107.79	123.18	123.18	123.18
Packing Materials	14.40	16.80	19.20	19.20	19.20
Power	1.64	1.92	2.19	2.19	2.19

Wages & Salaries	1.80	1.84	1.87	1.91	1.95
Repairs & Maintenance	0.24	0.26	0.29	0.32	0.35
Depreciation	0.73	0.54	0.41	0.31	0.23
Cost of Production	111.19	129.14	147.14	147.11	147.10
Selling, Admin, & General exp	1.20	1.26	1.32	1.39	1.46
Interest on Term Loan	0.22	0.19	0.14	0.14	0.14
Interest on Working Capital	0.29	0.29	0.29	0.29	0.29
Total	112.90	130.88	148.89	148.93	148.99
Profit Before Tax	2.30	3.52	4.71	4.67	4.61
Provision for tax	0.69	1.06	1.41	1.40	1.38
Profit After Tax	1.61	2.46	3.30	3.27	3.23
Add: Depreciation	0.73	0.54	0.41	0.31	0.23
Cash Accruals	2.33	3.00	3.70	3.58	3.46

4. WORKING CAPITAL:

	Months Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	0.50	3.85	25%	0.96	2.89
Expenses	1.00	0.05	100%	0.05	0.00
		3.90		1.01	2.89

6. PROFITABILITY RATIOS BASED ON 80% UTILISATION

$\frac{\text{Profit after Tax}}{\text{Sales}}$	=	$\frac{3.30}{153.60}$	2%
$\frac{\text{Profit before Interest and Tax}}{\text{Total Investment}}$	=	$\frac{5.14}{7.28}$	71%
$\frac{\text{Profit after Tax}}{\text{Promoters Capital}}$	=	$\frac{3.30}{2.21}$	149%

7. BREAK EVEN LEVEL

Fixed Cost (FC):

	[Rs.lakhs]
Wages & Salaries	1.87
Repairs & Maintenance	0.29
Depreciation	0.41
Admin. & General expenses	1.32
Interest on TL	0.14
	<hr/>
	4.03
	<hr/>

Profit Before Tax (P) 4.71

$$\text{BEL} = \frac{\text{FC}}{\text{FC} + \text{P}} \times 100 = \frac{4.03}{8.74} \times 100$$

37% of installed capacity