

**PROJECT PROFILE**  
**ON**  
**HERBAL HAIR OIL**

**MONTH & YEAR**  
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# **HERBAL HAIR OIL**

## **INTRODUCTION**

Hair oil is widely consumed by all the people every day; it is an essential item in every day life. It gives good attraction and fragrance to hair. The usage is increasing every day in line with the improvement in standard of living of the people. The herbal essences and perfumes are added now in the hair oil to give them a natural flavour and benefits of some herbs to hair for better nourishment growth and colour.

## **MARKET**

India's per capita cosmetic and toiletries consumption is 50 times lesser than that of Hong Kong, 18 of Japan, 15 of Taiwan, 12 of Philippines and Malaysia and half of China, despite high penetration levels for cosmetic products because of its population and size based, according to The Associated Chambers of Commerce and Industry of India (ASSOCHAM).

The Associated Chambers of Commerce and Industry of India (ASSOCHAM) has projected that the market size of herbal industry which is currently estimated at Rs. 7,500 crores (Rs. 75 billion) will double to levels at Rs. 15,000 crore by 2015 since this industry would be growing at a compounded annual growth rate of over 20% henceforth.

In a study brought out by ASSOCHAM on Herbal Industry and Global Market 2015, it is pointed out that India's rich resource of medicinal plants and traditional treasure of knowledge in this area, its share at present is considered very meager. A quick estimate of the potential reveals that India can generate raw stock of around Rs. 300

billion and easily achieve around Rs.150 billion value added products. Thus, India is hardly able to exploit less than 50% of its potential. Interestingly both raw materials (herbs) and herbal products have ready market globally.

Releasing the study, ASSOCHAM Secretary General, D.S.Rawat said that ideally, the niche market that India can focus on include Ayurvedic Medicines and Dietary Supplements (including health drinks), extracts, Oils and other derivatives , skin care and beauty aids.

According to the study, the Indian domestic market can be broadly segmented into two categories. The first one will cover raw materials required by the industrial units and direct consumption for household remedies, whereas the second category will cover ready to use finished medicines, health supplements, etc.

### **Herbal cosmetics**

The herbal cosmetics industry is "driving growth in the beauty business" in India and is expected to grow at a rate of seven per cent as more people shun chemical products in favour of organic ones.

"During the last decade, the herbal beauty care business has actually driven the growth of the beauty business in India. The emphasis has been on the spectacular growth of the herbal and ayurvedic beauty products business," as per the beauty expert Shahnaz Husain She was the first to introduce the concept of ayurvedic cosmetics to the world when she launched her products way back in 1970.

Today, the Indian cosmetics industry has a plethora of herbal cosmetic brands like Forest Essentials, Biotique, Himalaya, Blossom Kochhar, VLCC, Dabur and Lotus; and many more are adding to the list.

The Indian cosmetics market - defined as skin care, hair care, colour cosmetics, fragrances and oral care segments - stood at an estimated \$2.5 billion in 2008 and is expected to grow at seven per cent, according to an analysis of the sector. One such brand is Tathaastu, which deals in products made of essential oils.

Divita Kanoria, Tathaastu chief wellness officer, said the presence of artificial and chemical ingredients in their cosmetic products has made people rethink about suitable alternatives to suit their skin.

"Of late, there have been attempts to find alternatives. Beauty recipes from China and India using traditional herbs have earned a special significance the world over. Ayurvedic recipes from India for skin and hair treatment also serve as cosmetics," Kanoria said.

"The best part about organic cosmetics is that unlike chemical-based cosmetics, these do not interfere with the body's absorption of Vitamin D. Moreover, these help an individual to have a healthy skin, lustrous hair and glowing complexion in a completely natural way," she added. People have also become aware of the "ingredients" of cosmetic products.

"Today awareness of beauty products and treatments, fashion and grooming is at an all time high. The Indian customer is very much aware of the ingredients in cosmetic products, the benefits of plant products and the harmful effects of chemical ingredients," Husain said.

"Also the concept of 'total well being' has steadily gained ground. There is much more awareness of the wellness concept and its benefits among people today," she added.

Husain recollects how she had to create awareness among people about the benefits of ayurvedic products when she launched her brand four decades ago.

"Very early in my career, I had to create awareness of the benefits of ayurvedic products and herbal healing. I made it a point to reply personally to letters seeking solutions for skin and hair problems," Husain said.

"My philosophy and faith in Ayurveda have not only influenced markets and minds but have become an integral part of my person and brand image," she added.

### **INSTALLED CAPACITY**

The proposed installed capacity of the unit is manufacturing 4800 litres of Hair oil per annum. The capacity per day is 16 litres. (64 nos of 250 ml bottles)

### **PLANT AND MACHINERY**

The plant and machinery required are the following

	<b>Qty</b>	<b>Rs</b>
Mixing tank		
with stirrer-50 Ltrs		
Filling machine-manual		
Sealing machine		
Bottle washing machine		
Filter press		
Testing equipments		
<b>TOTAL</b>		<b>320000.00</b>

Testing Instruments & Laboratory

Moisture Balance –

Water testing

P- Turbidity meter Ph meter, Conductivity Meter etc.

## **MANUFACTURING PROCESS**

The process of manufacture consists of mixing the oil, colour and perfume with stirring. Then it is filtered and packed in bottles. The bottles are sealed by cap sealing machines.

## **RAW MATERIALS**

The raw materials required for manufacturing Hair oil are the following

For Quantity-Litres	4800.00			
	Qty	Rate	Value	
Coconut oil	3840	98.00	376320	
Castor oil	816	98.00	79968	
Perfume/Herbal extracts	Kgs 96	1200.00	115200	
Colour	Kgs 48.00	600.00	28800	
TOTAL			600288	
TOTAL for	4800.00	Rs. lakhs	6.00	
Raw material cost per MT	Litre		125.06	
Packing material cost	Litre	7.00	33600	
	Packing cost	Rs lakhs	0.34	

## **LOCATION & BUILDING**

Building Area required	500 sq.ft
Monthly rent	Rs 5000
Advance 10 months	Rs 50000

## **UTILITIES**

Three phase	KW	3.00
Power charges	Rs.lakhs p.a	0.40
For human consumption		200

## **MAN POWER**

		Monthly	Total
		wages	
Supervisor	1	9000	9000
Skilled	1	7000	7000
Helpers	2	5000	10000
Assistant	1	6000	6000
sub total			32000
Add benefits		20%	6400
Total per month			38400

## **SCHEDULE OF IMPLEMENTATION**

After finalizing the financing arrangements for the project, the project can be implemented in three months period.

## **COST OF PRODUCTION AND PROFITABILITY**

A cost and profitability statement projected for the first 3 years of operations is given in Annexure. The profitability is based on the following assumptions.

### **Assumptions**

Installed capacity	4800 Litres of Hair Oil per annum (19200 bottles of 250 Ml)
Capacity utilisation	Year-1 -60% Year -2 -70% Year-3 onwards- 80%
Selling price	Rs.450.00 per litre ( Rs.112.50 per 250 Ml)
Raw materials	As per the details given above
Packing materials	As per details given above
Power	Rs.0.24 lakh per annum at 100%
Wages and salaries	Rs.4.61 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.30000 per annum
Interest on Term loan	14% per annum
Interest on working capital	14 % per annum
Income tax	34 % on profits

### **PLANT AND MACHINERY SUPPLIERS:**

1. The Royal Scientific Industries, T.S.74-A, Tiny Sector, SIDCO Industrial Estate, Ekkaduthangal, Chennai 600 097.
2. Fluidtech Engineers, 10/8, Chakrapani Road, Race View Colony, Guindy, Chennai 600 032.
3. Techno Consultants, 52 (138), North Usman Road, T.Nagar, Chennai 600 017.



## **RAW MATERIAL SUPPLIERS**

W. Dorairajalu Chetty Chemical Depot,  
30/1, Rasappa Chetty Street, Chennai 600 003.

Sha Rajaji Chemicals,  
167, Govindappa Naicken Street, Chennai 600 001.

Sri Devi Chemicals,  
114, Nyniappa Naicken Street,  
Chennai 600 001.

Several other chemicals dealers in Govindappa Naicken Street,  
Nyniappan Street, Chennai.

## FINANCIAL ASPECTS

### 1. COST OF PROJECT

	[Rs.lakhs]
Land & Building (Advance)	0.50
Plant & Machinery	3.20
Other Misc. assets	0.50
Pre-Operative expenses	1.00
Margin for WC	0.20
	<u>5.40</u>

### 2. MEANS OF FINANCE

Capital	3.00
Term Loan	2.40
	<u>5.40</u>

### 3. COST OF PRODUCTION & PROFITABILITY STATEMENT

	[Rs.lakhs]				
Years	1	2	3	4	5
Installed Capacity Kgs	4800	4800	4800	4800	4800
Utilisation	60%	70%	80%	80%	80%
Production/Sales Kgs	2880	3360	3840	3840	3840
Selling Price	Rs.450.00 per litre				
Sales Value (Rs.lakhs)	<b>12.96</b>	<b>15.12</b>	<b>17.28</b>	<b>17.28</b>	<b>17.28</b>
Raw Materials	3.60	4.20	4.80	4.80	4.80
Packing Materials	0.20	0.24	0.27	0.27	0.27
Power	0.24	0.28	0.32	0.32	0.32
Wages & Salaries	4.61	4.70	4.79	4.89	4.99
Repairs & Maintenance	0.30	0.33	0.36	0.40	0.44
Depreciation	0.48	0.41	0.35	0.29	0.25
Cost of	<u>9.43</u>	<u>10.15</u>	<u>10.89</u>	<u>10.97</u>	<u>11.07</u>

Production

Selling, Admin, & General exp	2.40	2.52	2.65	2.78	2.92
Interest on Term Loan	0.34	0.29	0.21	0.21	0.21
Interest on Working Capital	0.00	0.00	0.00	0.00	0.00
Total	12.17	12.96	13.75	13.96	14.20
Profit Before Tax	0.79	2.16	3.53	3.32	3.08
Provision for tax	0.00	0.73	1.20	1.13	1.05
Profit After Tax	<b>0.79</b>	<b>1.43</b>	<b>2.33</b>	<b>2.19</b>	<b>2.03</b>
Add:	0.48	0.41	0.35	0.29	0.25
Depreciation					
Cash Accruals	1.27	1.84	2.68	2.48	2.28
Repayment of Term Loan	0.00	0.60	0.60	0.60	0.60

**4. WORKING CAPITAL:**

	Months Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	0.50	0.15	100%	0.15	0.00
Expenses	1.00	0.05	100%	0.05	0.00
		0.20		0.20	0.00

**5. PROFITABILITY RATIOS BASED ON 80% UTILISATION**

$$\frac{\text{Profit after Tax}}{\text{Sales}} = \frac{2.33}{17.28} \quad 13\%$$

$$\frac{\text{Profit before Interest and Tax}}{\text{Total Investment}} = \frac{3.74}{5.40} \quad 69\%$$

$$\frac{\text{Profit after Tax}}{\text{Promoters Capital}} = \frac{2.33}{3.00} \quad 78\%$$

## 6. BREAK EVEN LEVEL

Fixed Cost (FC):

	[Rs.lakhs]
Wages & Salaries	4.79
Repairs & Maintenance	0.36
Depreciation	0.35
Admin. & General expenses	2.65
Interest on TL	0.21
	<hr/>
	8.36

Profit Before Tax (P) 3.53

$$\text{BEL} = \frac{\text{FC} \times 100}{\text{FC} + \text{P}} = \frac{8.36}{11.89} \times \frac{80}{100} \times 100$$

56% of installed capacity