

BAKERY PRODUCTS

1.0 Summary

Name of the unit	:	
Address of the unit	:	
Name of the activity	:	Production of Bakery Products
Ownership	:	proprietary/Firm/PVT Company
Project Cost	:	Rs. 27.767 Lakh
Term Loan	:	Rs. 18.50 Lakh
Working Capital Loan	:	Rs. 2.33 Lakh
Promoters Margin	:	Rs. 6,937Lakh
B.E.P	:	43.72% of installed capacity.
Return on Investment	:	65.45% (first year of operation)
D.S.C.R	:	4.10(first year of operation)

2) Introduction

This proposal evaluates the technical feasibility and financial viability of setting up of an industrial unit for the production of Bakery Products in the Micro Enterprises sector. The total project cost is estimated at Rs. 27.767 lakh.

3) Management

The unit may be best suited for a proprietary concern or a partnership firm or a private company.

4) Land and Building

The unit can be started in a rented or owned building. At least 1.5 cent land is required. The baking home should have a plinth area of atleast 500 sq. Ft. This may cost a fixed cost of Rs. 5 lakh.

5) Machinery & Equipment

All the machinery is available indigenously. The list of machinery required is:

SI No	Particulars	Qty	Cost in lakh	Amount in lakh
1	40 Kg Flour Kneading machine with motor with tax	2	0.70	1.40
2	50 lts(25 kg) capacity Cake Kneading Machine with Motor with tax	2	0.72	1.44
3	Bread slicer with tax	1	0.57	0.57
4	Diesel Roto Rack Oven having Capacity 144 Bread/half hour with 2 trolley,2 HP 440 V Electric Motor with tax	2	7.25	14.50
	Transportation and installation			0.25
	Total			18.16

6) Other Fixed Assets

Other Fixed assets includes Office furniture, computers etc. An amount of Rs. 1 lakh can be earmarked

7) Preliminary & Pre-operative Expenses

An amount of Rs. 25000/ can be provided for preliminary and pre-operative expenses like loan processing charges, project report preparation, interest during implementation period etc.

8) Contingencies

An amount of Rs. 25000/ can be provided for meeting any unforeseen expenses, price escalation etc. under this head.

9) Production Programme

The monthly production and sales receipts for the first year of operation with 60% capacity utilisation is as follows

PRODUCTION PER MONTH (Capacity utilization 60%)

SI No	Item	Qty	Unit	Rate	Amount in Rs
1	Puffs egg	18000	Nos	8	1,44,000
2	Puffs Veg	6000	Nos	6	36,000
3	Sweet Poratta	24000	Nos	6	1,44,000
4	Icing Cake	6000	Nos	13	78,000
5	Jam Cake	12000	Nos	6	72,000

6	Cutlet meat	10000	Nos	8	80,000
7	cutlet Veg	2000	Nos	6	12,000
8	Cutlet Chicken	1200	Nos	15	18,000
9	Resk	1200	packet	20	24,000
10	Cubboos	24000	Nos	4	96,000
	Total				7,04,000

9) Raw materials

Maida, Sugar, Ghee, GSM, Eggs, Palm oil, Sunflower oil, Icing Sugar, Jam etc are the main raw materials which are available locally.

REQUIREMENTS OF RAW MATERIALS PER MONTH (60% Capacity Utilisation)

Sl No	Item	Qty	Unit	Rate	amount
1	Maida	60	Sack	1330	79,800
2	Sugar	12	Sack	1850	22,200
3	Ghee lilly red	840	kg	1350/15 KG	75,600
4	Ghee lotus	8	Nos	1350	10,800
5	GSM for Cake	4	Nos	1350	5,400
6	Egg	11200	Nos	4.1	45,920
7	Palm Oil	8	Cann	930	7,440
8	Su flower Oil	16	KG	100	1,600
9	Icing Sugar	50	Kg	65	3,250
10	Jam	40	Kg	350/5 Kg	2,800
	Total				2,54,810

10) Utilities

Power is required for operating the machines and accessories. Power is also required for the general lighting purpose. Water is required for the production of the products. Water is also required for general consumption. It is proposed to install water supply arrangements.

11) Man power requirement and other expenses

Manager, skilled workers, unskilled workers etc are required for running the unit. Manpower is locally available. Total monthly salary is Rs. 1.02. lakh.

Sl No.	Designation/Category	No	Monthly Salary	Amount
1	Bakers	4	15000	60,000
2	Helpers	6	7000	42,000
	Total	10		1,02,000

OTHER EXPENSES PER MONTH

Sl No	Item	Amount
1	Power	3,000
3	Office expenses	5,000
4	Postage & Telephone	3,000
5	Stationery	20,000
6	Travelling expenses/Transporting	10,000
7	Miscellaneous/Marketing	25,000
	Total	66,000

12.0 Market

As far as the marketing is concerned there exists very good scope for the industry. Food is one of the primary needs of man. Men have different tastes. Naturally food processing industry also developed. Food processing unit has ample chances nowadays. Especially Bakery products and fried food products manufacturing unit have very good opportunities. Those who supply tasty foods can succeed in the field. These type industries are less cost and more profitable. The major raw materials are Maida, Sugar, Ghee, GSM, Eggs, Palm oil, Sunflower oil, Icing Sugar, Jam etc which are readily available for the production. Sweets and bakery products are considered to be the most essential ready to eat products and its usage and demand is increasing day by day along with the ever growing fast life and economic progress of the society. Puffs, cakes, cutlets, bread, cubboos, sweets etc are widely used. Now the ready to eat foods are getting more popularity due to its many advantages over other food items.. It is expected that the unit is having a bright future. The promising and increasing demand on the products has been thoroughly examined and scrutinised. The

demand supply gap is considerably wide and this industry is having very good market potential. There are enough reasons to assume that there won't be any problem in marketing the product.

12) Working Capital Requirement

Raw materials required for the production are Maida, Sugar, Ghee, GSM, Eggs, Palm oil, Sunflower oil, Icing Sugar, Jam etc. In order to ensure continuous trouble free operation an average stock of 7days raw materials is suggested. Period for Work in process is 2 days and stock of finished goods is taken as 2 days. 3 days credit sale is assumed in this Maida, Sugar, Ghee, GSM, Eggs, Palm oil, Sunflower oil, Icing Sugar, Jam etc project. Total working capital required is Rs.3.10 lakh.

WORKING CAPITAL			
Sl No	Item	Period in days	Total amount
1	Stock of Raw materials	7	71,346.8
2	Work in process	2	20,384.8
3	Stock of finished goods	2	20,384.8
4	Receivables	3	30,577.2
5	Working Expenses	30	1,68,000
	Total		3,10,693.6
		Say	3,10,700

14.1 Project Cost

The total project cost is estimated at Rs 27.767 lakh.

PROJECT COST		
Sl No.	Particulars	Amount
1	Land	0
2	Building - Office, Godown, Land Development, Plat form, etc	5,00,000
3	Machinery & Equipment	18,16,000
4	Miscellaneous fixed assets	1,00,000
5	Prelim. & Pre-operative	25,000

	expenses	
6	Contingencies	25,000
7	Working Capital	3,10,700
	Total	27,76,700

Means of Finance

It is proposed to avail a term loan of Rs. 50 lakhs & Rs. 2.33 lakh as working capital loan from bank. It is also proposed to bring Rs. 6.93 lakh from other source.

MEANS OF FINANCE			
Sl No.	Particulars	Amount	Rounded to
1	Term Loan (75%)	18,49,500	18,50,000
2	Working Capital Loan(75%)	2,33,025	2,33,000
	Sub Total	20,82,525	20,83,000
3	Promoter's Contribution-Proposed 25%	6,94,175	6,93,700
	Total	27,76,700	27,76,700

The net-profit after taxation is Rs. 18 lakhs during first year. The break-even point is 43.72% of installed capacity and 72.87 of capacity utilisation. The return on investment is 65.45% in the first year. Term loan repayment period is taken as 7 years.

The cost of production and profitability statement for the first 8 years and Break-even analysis are given below.

A	Sales	76,03,200
B	Cost of Production	
	Raw materials	30,57,720
	Salaries	7,20,000
	Wages	5,04,000
	Power Charges	36,000
	Repairs & Maintenance	36,320
	Insurance	18,160
	Depreciation	2,06,600

	Total	45,78,800
C	Gross Operating Profit	30,24,400
D	Administrative & Selling expenses	7,56,000
E	Financial expenses	
	1. Interest on Term loan	2,36,307
	2. Interest on WC loan	32,620
	3. Interest on MM loan	0
	Total of D & E	10,24,927
F	Net Operating Profit	19,99,473
G	Income Tax	1,81,947
H	Net Profit	18,17,526
I	FIXED COST	
	Salaries	7,20,000
	Repairs & Maintenance	36,320
	Insurance	18,160
	Administrative expenses	3,36,000
	Depreciation	2,06,600
	Interest on MM Loan	0
	Interest on Term Loan	2,36,307
	Total	15,53,387
J	VARIABLE COST	
	Raw materials	30,57,720
	Wages	5,04,000
	Power Charges	36,000
	Selling expenses	4,20,000
	Interest on WC loan	32,620
	Total	4050,340
K	BEP in % of Installed Capacity	43.72
	BEP in % of Capacity Utilisation	72.87
	DSCR	4.10

18.0 Cash Flow Statement & Projected Balance Sheet.

The cash flow statement & Projected Balance Sheet are given below.

Cash accruals:-	
Share Capital	0
Profit before taxation	19,99,473
Depreciation	2,06,600
Investment allowance	0
Increase in long term loan	18,49,500
Increase in MM loan	0
Increase in unsecured loans	0
Increase in WC loan	2,33,000
Sales of fixed assets/ investments	0
Others	0
Total	42,88,573
Disposition of Funds	
Prelim & Pre-operative expenses	25,000
Increase in Capital expenditure	24,41,000
Increase in current assets	0
Decrease in long term loans	2,64,200
Decrease in unsecured loans	0
Decrease in MM loans	0
Decrease in WC loan	0
Interest on Term loan to Bank	2,36,307
Interest on WC loan	32,620
MM Subsidy Deposit	0
Taxation	1,81,947
Divident on equity	0
Other expenses	0
Total	31,81,074
Opening balance	0
Net surplus	11,07,499
Closing balance	11,07,499
Liabilities	1st year
Share capital	0
Reserve & Surplus	11,07,499
Long term loans	15,85,300
Working Capital Loan	2,33,000
Other liabilities (MM loan)	0
Total Liabilities	29,25,799