

TAMIL NADU RURAL TRANSFORMATION PROJECT

Category of Loan: Small (above INR 15 Lakhs)

BUSINESS PLAN FOR BAKERY UNIT

Mrs. AAA is a Commerce graduate engaged in the bakery business for the past three years. She has availed a term loan of Rs.5 lakhs under Mudra scheme with ABC Bank for establishing the bakery unit. After regularly repaying the instalment for 24 months, she has closed the loan in June 2021. The present request is for term loan of Rs.18 lakhs under TNRTP matching grant Programme for the purpose of purchase of equipment's as well as working capital for expansion of the existing business

About the product:

Bakery products, due to high nutrient value and affordability, are an item of huge consumption. Due to the rapid population rise, the emergence of a female working population and the fluctuating eating habits of people, the products have gained popularity among people, Despite the fact that there are many automatic and semi-automatic bakery units in India, people still prefer fresh products from the local bakery. A number of healthy products have been launched in the bakery segment and are gaining popularity at a high rate

Market

The bakery segment in India can be classified into the three broad segments of bread, biscuits and cakes. India's organized bakery sector produces about 1.3 million tonne of bakery products out of 3 million tonnes while the balance is produced by unorganized, small-scale local manufacturers. As far as Chennai Market is concerned, it is continuously growing as the young generation started considering diet and healthy foods. The Bakery market in Chennai is growing at 11% per annum in terms of quantity and 14% in terms of Value.

Enterprise and Entrepreneur Profile

1. Profile of the Entrepreneur:

Name	Ms.AAA
Spouse Name	
Age	40
Education	B.Com
Aadhaar Card No	86XXXX111111
Address	
Phone No	+91 1111111111
Mobile NO	+91 1111111111
Email ID	XYZ@gmail.com
Number of years of experience in business	Three
Trainings attended (no. and hours)	Four weeks baking course training program conducted by bakery training unit, Directorate of Extension , University of Agricultural Sciences, Bangalore
Spouse's occupation	Associate in bakery business
If Special category	NA

2. Enterprise Profile:

Name of the Enterprise	M/S AAA Bakeries
Legal Form of Enterprise	Nil
Registration Number	Nil
Registration Date	Nil
Registered with Whom	Nil
GST No (If available)	07XXXXXXXXXX1F
Udyam Registration number	UDAYAM-TN-05-0000000

3. Bank Linkage Details:

Whether the enterprise has separate bank account	Yes
If any bank credit availed	Yes
Name of the bank and Branch	ABC Bank, Tiruporur
Nature of the bank facility	Term loan facility
Limit Sanctioned	Rs.500000/-
Balance outstanding as on date	NIL

4.Enterprise Nature:	
<i>Type of Enterprise</i>	<i>Manufacturing and Service</i>
<i>Product to be produced</i>	<i>Cakes, Buns and Breads</i>
<i>Service to be offered:</i>	<ul style="list-style-type: none"> ❖ <i>Retail Sales</i> ❖ <i>Party Orders</i> ❖ <i>Bulk Supply to Canteens, Colleges, super Markets, Malls and Institutions</i> ❖ <i>Online Booking</i> ❖ <i>Door Delivery</i>
<i>Present Demand</i>	<ul style="list-style-type: none"> ❖ <i>The Bakery unit is located in the central place of Tiruporur which is well connected by road and easily accessible by people.</i> ❖ <i>Tiruporur is one of the fast developing area in Chengalpattu district and hub for realtors. Many leading residential projects are coming up and offering good scope for the bakery business</i>
<i>Current Supply</i>	<ul style="list-style-type: none"> ❖ <i>Currently the supply is met by Ramana Bakery, Venkateswara Bakery, The Nilgiris and two other small bakeries in the area.</i> ❖ <i>Due to the developments happening in the area, there is increase in demand for the bakery products.</i> ❖ <i>Hotels, Malls, Super markets, Theatres, Colleges, hospitals and local retailers are the productive source to market the products.</i> ❖ <i>The raw materials are easily available and can be procured</i>

	at a competitive price from the main/whole sale markets in Chennai/Chengalpattu
--	---

5. Technical Feasibility:

Location / Infrastructure:

<p>a. Location Brief on Location – Whether well connected to market by road etc.,</p>	The Bakery unit is located at the prime place well connected by road and easily approachable by consumers
<p>b.Land Extent of Land, sq.ft. Panchayat approval, own/leased</p>	<ul style="list-style-type: none"> ❖ Rented premise. ❖ Rent is borne by the applicant. ❖ Applicant will be submitting the NOC from Landlord.
<p>c. Building Approved plan from local body, sq.ft, whether sufficient for the proposed activity</p>	<ul style="list-style-type: none"> ❖ The applicant wish to develop the shop with good ambience and attractive three deck display counters to attract customers to spare more time and spend more on the eatables. ❖ The area of the building is 1200 sq.ft which is very much sufficient to fix display counters, for smooth production and storage of raw material and finished products.
<p>d.Power Whether required power connection is available</p>	<ul style="list-style-type: none"> ❖ SEB power supply is available. ❖ However a 15 KVA Diesel Generator is envisaged in the project to ensure uninterrupted power supply.
<p>e.Water Whether adequate water is available.</p>	Adequate water required for the Bakery unit is available.

f.Approval
 Pollution control Board/GST/FSSAI approvals or any other approval is required. Present Status

The applicant has

- ❖ UDYAM Registration number UDAYAM-TN-05-0000000
- ❖ GST Registration number: 07XXXXXXXXXX1F
- ❖ Applied for FSSAI approvals.

g. Materials Needed
 Quantity / Cost / Availability / Delivery Time to be discussed.

- a. Raw materials
- b. Equipment
- c. Technology

Raw-materials
 The following are the essential raw-materials required.

Product Description	Qty Kg/Month)	Rate (Rs/Kg
1 Maida Flour	500	42
2 Sugar	100	45
3 Salt	100	18
4 Butter	50	350
5 Cheese	50	350
6 Egg	5000	4
7 Yeast	50	100
8 Fresh Cream	50	550
9. Atta	100	40

- ❖ These raw materials can be procured at whole sale prices in the main markets

Equipment:
 The following equipment's are required:

- 1.Dough Kneader
- 2 Planetary Mixers
- 3 Electric Oven
4. Deep Freezer
5. Vertical Chiller

	<p>6. <i>Spiral Blender/Kneader</i> 7. <i>Other Bakery equipment's</i> 8. <i>Electric Fryer</i> 9. <i>Cake Mould</i></p> <p>❖ <i>Google search or enquiry will reveal the best quote/supplier for bakery equipment's in Chennai</i></p> <p>Technology: <i>The applicant has undergone the necessary training required for Bakery unit.</i></p>
<p>h. Cost of capital assets: <i>Details of equipment/machinery with cost of individual item required along with quotations.</i></p>	<p><i>As per Annexure A.</i></p>
<p>i. Cost of working capital for one operating cycle a. <i>raw-materials,</i> b. <i>Semi-finished goods,</i> c. <i>finished goods,</i> d. <i>receivables outstanding.</i> <i>Total working capital needs (The value of raw-materials, semi-finished goods, finishedgoods, receivables outstanding to be arrived)</i></p>	<p><i>The working capital requirement is arrived at Rs.1.85 lakhs as per Annexure C.</i></p>
<p>OR</p>	
<p><i>25% of projected annual sales turnover if necessary</i></p>	<p><i>The assessment has been done as per holding levels detailed in Annexure C.</i></p>
<p>j. Skills Requirements: <i>skilled labour available / Not available</i> <i>If not available: whether people can be trained? If so, training period and training facility?</i></p>	<p>❖ <i>The promoter is well experienced in the line of activity for more than 3 years.</i> ❖ <i>Dependence on skilled labour is minimal as most of the processes are automated</i></p>
<p>Production Process:</p>	
<p>Production Plan/cycle (<i>operating cycle may be one-day / week / month or one year as per the activity selected</i>):</p>	<p><i>The production process involve,</i></p> <ul style="list-style-type: none"> ❖ <i>Dough preparation</i> ❖ <i>Grinding</i>

	<ul style="list-style-type: none"> ❖ <i>Mixing with creams</i> ❖ <i>Sponge preparation</i> ❖ <i>Cream preparation</i> ❖ <i>Baking</i> ❖ <i>Placing the toppings.</i> ❖ <i>The operating cycle is assumed at 43 days for the unit as detailed in Annexure C.</i>
--	--

6. Commercial Feasibility:

<p>a. Marketing strategy :</p> <p><i>Direct to customers :</i></p> <p><i>Bulk to Institutions :</i></p> <p><i>Through Retailers/ Wholesalers:</i></p> <p><i>Through Online:</i></p>	<ul style="list-style-type: none"> ❖ <i>Tiruporur is the central location and extension of the fast growing localities viz Thaiyur, Sengadu, and Kelambakkam.</i> ❖ <i>Corporates, Super Markets, Malls, Schools, Colleges, Apartments, Apartment Associations, Households and Bachelors in these locations are the best source to market the products.</i> ❖ <i>Door step deliveries to the occupants of many apartments in these locations will also enhance the scope.</i> ❖ <i>Tie up arrangement for Bulk supply of the bakery products can also be established with theatres, Colleges Super markets and Malls.</i> ❖ <i>Party orders can be canvassed from companies & colleges.</i> ❖ <i>The shop with good ambience and attractive three deck display counters will attract customer to spare more time and spend more on the eatables</i>
--	---

<p>b. Pricing & Discounts :</p>	<ul style="list-style-type: none"> ❖ Bulk supply and immediate cash payment will be encouraged with a discount in price. ❖ Buy One GET One Offers during festivals, Price discount for new items, Free gift packing, reward points/cash back offers for online purchases
<p>c. Market promotion strategies:</p>	<ul style="list-style-type: none"> ❖ Through brochures, Pamphlets, Handbills and social media advertisements. ❖ Offers to customers. ❖ Tie-ups with corporates, school management and apartment associations. ❖ Advertisement in local dailies through handbills. Discounts, Offers, Gifts,
<p>d.Physical and digital connectivity:</p>	<p>Accepting the Payments through digital channels-POS, QR Code, Credit card, Debit Card, Paytm and Google Pay.</p>
<p>e.Risks and risk mitigation planned:</p>	<p>Risk assessment details as per Annexure E.</p>

7.Environment Assessment:

Category of the enterprise proposed: *White/Green / Orange / Red*

To be entered as per the requirement – **Green Category Type of Code 3003**

Environment Issue identified	Environment Guidelines or mitigation measures Integrated (Please tick)	Greening Measures identified	Support needed	
		<i>(for green, orange and red categories)</i>	<i>Implement the mitigation measures</i>	<i>Implement the greening measures</i>
Exploitation of local resources (water and energy)	<ul style="list-style-type: none"> •Water •Wood •Electricity 	<i>To ensure adequate measures for Proper disposal of Smoke and waste water</i>	NA	NA
Waste generation and disposal	<ul style="list-style-type: none"> •Dust/air pollutants •Disposal of waste water 	<i>To ensure adequate measures for Proper disposal of Smoke and waste water</i>	NA	NA
Worker and Community safety	<ul style="list-style-type: none"> •Safety measures / gadgets 	<i>Fire extinguishers to be fixed in sensitive places in the unit. Full fire protection dresses and gloves for workers</i>	NA	NA

Whether the activity proposed is in the negative list: *No.*

8. Financial Viability

Cost of the project and Means of the project:

<i>a. Cost of the Project:</i>	<i>(Rs in lakhs)</i>
<i>i. Fixed capital-Cost of all the equipment's /machinery /construction(excluding land cost)</i>	<i>Machineries – 7.95 Misc. Assets – 10.20</i>
<i>ii. Working capital</i>	<i>Working cap 1.85</i>
<i>iii. Pre-operative expenses</i>	<i>Nil</i>
<i>Total cost of the project (i + ii + iii)</i>	<i>20.00</i>
<i>b. Means of the project:</i>	
<i>Loan from financial Institution / Bank (95% or 90%):</i>	<i>18.00</i>
<i>Margin money -Borrower's contribution (5% or 10%):</i>	<i>2.00</i>
<i>Total means of the project (i + ii)</i>	<i>20.00</i>
<i>c. Matching grant from the project**</i>	<i>6.00</i>
<i>Whether the entrepreneur has the sufficient means to bring in the margin money and has enough buffer to manage any cost escalations</i>	<i>Yes. Applicant has jewels worth Rs. 9 lakhs to mobilize the margin by pledging the jewels</i>

***Matching Grant is @30% of the total cost of the project (excluding pre-operative expenses, land cost, lease). As Matching Grant will be kept in a "Subsidy Reserve Fund" account of the bank as a back-ended grant, it is not shown under the Means of the project. The matching grant to be adjusted as below:*

	<i>(Rs in Lakhs)</i>
<i>Loan initially disbursed by the Bank</i>	<i>- 18.00</i>
<i>Less 30% matching grant</i>	<i>- 6.00</i>

Balance principal amount to be repaid by Borrower -12.00

Upon completion of minimum period of 18 months and upon repayment of principal amount of Rs.12.00 lakhs and the interest portion, the matching grant of Rs.6.00 lakhs can be adjusted to the loan account of the borrower and the loan account can be closed.

Debt Service Coverage Ratio:

DSCR to be calculated for the entire repayment period and average DSCR to be considered.

$$\text{DSCR} = \frac{\text{Profit after Tax (Net Profit) + Depreciation + Interest}}{\text{Principal + Interest.}}$$

The basic presumptions and profitability projections are as per **Annexure B.**

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
Net profit after tax	4.56	5.97	6.22	6.66	10.83
Depreciation	1.95	2.34	2.1	1.9	1.71
Interest*	0.66	1.13	0.71	0.29	0.01
Cash surplus (A)	7.17	9.44	9.03	8.85	12.55
Principal Repayment	0	3.79	3.79	3.79	0.63
Interest	0.66	1.13	0.71	0.29	0.01
Repayment obligation (B)	0.66	4.92	4.5	4.08	0.64
DSCR A/B	10.86	1.92	2.01	2.17	19.61
Average DSCR			7.31		

*Details of interest calculation and repayment are available in Annexure D.

*For the first year of operation, the values are taken for 6 months for FY 21-22, since the loan is expected to be availed in September 2021.

Current Ratio

Current assets / Current liabilities

(To assess whether the enterprise has sufficient liquidity for the payments that are due within 12 months. Current ratio should be more than 1.25.)

Current Assets					
Particulars	I Year	II Year	III Year	IV Year	V Year
Sundry Debtors	1.15	1.52	1.76	2.02	2.36
Stock in hand	1.36	2.02	2.65	3.35	4.25
Cash at Bank	0.75	1.25	1.65	2.15	2.50
Total Current Assets(A)	3.26	4.79	6.06	7.52	9.11
Current Liabilities					
Sundry Creditors	0.40	0.52	0.58	0.64	0.72
Provision					
Total Current Liabilities(B)	0.40	0.52	0.58	0.64	0.72
Current Ratio A/B	8.15	9.21	10.45	11.75	12.65

The Current ratio is comfortable and above the minimum required ratio of 1.25 in all the years.

Debt/Equity Ratio (DER)

The debt equity ratio is to find out the leverage of the owners capital.

DER: Total liabilities / Total equity

Particulars	I Year	II Year	III Year	IV Year	V Year
Debt:					
Term Loan	18.00	16.10	12.31	8.52	0
Current Liabilities	0.40	0.52	0.58	0.64	0.72
Total Current Liabilities	18.40	16.62	12.89	9.16	0.72
Equity					
Capital	2.00	2.00	2.00	2.00	2.00
Retained profit	4.56	5.97	6.22	6.66	10.83
Grant	6.00	6.00	6.00	6.00	6.00
Total Equity	12.56	13.97	14.22	14.66	18.83
Debt Equity Ratio	1.46	1.19	0.91	0.62	0.04

Debt to Equity Ratio is comfortable and is within the level of 3:1 in all the years.

Recommendation:

As the proposal is viable and complies with the guidelines in respect of Matching Grant Programme, we may recommend to the concerned Bank.

ANNEXURE - A
MACHINERY & EQUIPMENTS

Name of the Machinery/equipment's	Nos	Price per unit (Rs)	Total Cost (Rs)
1.Dough Kneeder	1	65000	65000
2 Planetary Mixers	2	90000	180000
3 Electric Oven	2	50000	100000
4. Deep Freezer	1	40000	40000
5. Vertical Chiller	1	40000	40000
6. Spiral Blender/Kneader	2	30000	60000
7. Other Bakery equipments	1	100000	100000
8. Electric Fryer	2	15000	30000
9. Cake Mould	18	10000	180000
Total			795000
Other Assets			
1 Air Conditioners	2	35000	70000
2 Display Counters	2	50000	100000
3. Furniture		200000	200000
4. Computer	1	50000	50000
5.Inverter	1	50000	50000
6. CCTV Camera	1	150000	150000
7.Diesel Generators	1	400000	400000
			1020000

Annexure B

Basis & Presumptions

1. First year, Capacity has been taken @ 50%.
2. Working shift of 8 hours per day has been considered.
3. Raw Material stock holding is for 30 days and finished goods Closing Stock holding has been taken for 3 days (due to perishable nature of product).
4. Credit period to Sundry Debtors has been given for 10 days.
5. Credit period by the Sundry Creditors has been provided for 10 days.
6. Interest on working Capital Loan and Term loan has been taken at 11%.
7. Selling Prices has been fixed at Rs.500/Kg for customized cake, Rs.400/Kg for Regular cake, Bun Rs.20 per/200Gm packet and Bread Rs.30 per/200Gm per packet.
8. Raw Material Cost and consumption

Raw Material cost and consumption

<i>Product Description</i>	<i>Qty (Kgs / Month)</i>	<i>Rate (Rs./Kg)</i>	<i>RM /Month</i>	<i>RM /Year</i>
1 Maida Flour	500	42	21000	252000
2 Sugar	100	45	4500	54000
3 Salt	100	18	1800	21600
4.Butter	50	350	17500	210000
5 Cheese	50	350	17500	210000
6 Egg	5000	4	20000	240000
7.Yeast	50	100	5000	60000
8.FreshCream	50	550	27500	330000
9. Atta	100	40	4000	48000
			118800	1425600
			<i>For 6 Months</i>	<i>712800</i>

Projected Profitability Statement:

<i>Particulars</i>	<i>1st year</i>	<i>2nd year</i>	<i>3rd year</i>	<i>4th year</i>	<i>5th year</i>
<i>Capacity Utilisation %</i>	50	60	70	75	90
<i>Sales</i>					
<i>Gross Sale</i>					
<i>Cakes, Bread, Buns</i>	22.50	39.00	43.20	48.00	54.00
<i>Total</i>	22.50	39.00	43.20	48.00	54.00
<i>Cost of Sales</i>					
<i>Raw Material Consumed</i>	7.13	14.96	15.71	16.50	17.32
<i>Electricity Expenses</i>	1.42	1.95	2.16	2.40	2.70
<i>Depreciation</i>	1.95	2.34	2.10	1.90	1.71
<i>Wages & labour</i>	5.53	6.79	7.52	8.35	9.40
<i>Repair & maintenance</i>	1.95	1.95	2.16	2.40	2.70
<i>Packaging</i>	1.95	1.95	2.16	2.40	2.70
<i>Cost of Production</i>	19.93	29.94	31.81	33.95	36.53
<i>Add: Opening Stock /WIP</i>	0.00	5.99	10.37	12.77	13.05
<i>Less: Closing Stock /WIP</i>	5.99	10.37	12.77	13.05	14.36
<i>Cost of Sales</i>	13.94	25.56	29.41	33.67	35.22
<i>Gross Profit</i>	8.56	13.44	13.79	14.33	18.78
<i>Salary to Staff</i>	1.08	2.44	2.42	2.43	2.34
<i>Interest on Term Loan</i>	0.66	1.13	0.71	0.29	0.01
<i>Rent</i>	1.13	1.95	2.16	2.40	2.70
<i>Selling & Admin Exp</i>	1.13	1.95	2.16	2.40	2.70
<i>Total</i>	4.00	7.47	7.45	7.52	7.75
<i>Net profit</i>	4.56	5.97	6.34	6.81	11.03
<i>Taxation</i>	0.00	0.00	0.12	0.15	0.20
<i>PROFIT (After Tax)</i>	4.56	5.97	6.22	6.66	10.83

Annexure C

Assessment of Working Capital

S.No.	Current Asset	Number of days holding	Quantity required/day	Rate (Rs)	Value (Rs)
1.	Raw materials	30 days			
	Maida Flour		16.67	42	21000
	Sugar		3.33	45	4500
	Salt		3.33	18	1800
	Butter		1.67	350	17500
	Cheese		1.67	350	17500
	Egg		167	4	20000
	Yeast		1.67	100	5000
	Fresh Cream		1.67	550	27500
	Atta		3.33	40	4000
	Total				118800
2.	Finished Goods	3 days	Cost of sales per day i.e. Cost of sales for the 1 year available in the profitability projection/300 days(Rs.1394000 lakhs/300 = 4647		4647
3.	Debtors	10 days	Per day sales =Sales for 1 year/300 (Rs.2250000/300 days= 7500)		75000
	Total	43 days			198000

Working Capital for One operating cycle	= Rs.198000
Less Creditors (RMC i.e 40000/300*10 days)	= Rs. 13333
Actual working capital requirement	= Rs. 184667
	Say, Rs.185000

ANNEXURE D**Loan Amount – Rs.1800000/- Interest Rate - 11%****Repayment period – 60 months after a holiday period of 6 months****Net repayment period – 54 months**

Date	Particulars	Debit	Credit	Balance	Interest*	Interest Per annum	Principal repayment
01.09.2021	To loan	1800000		1800000			
1	By repayment		0	1800000	11000		
2			0	1800000	11000		
3			0	1800000	11000		
4			0	1800000	11000		
5			0	1800000	11000		
6			0	1800000	11000	66000	0
7			31580	1768420	11000		
8			31580	1736840	10711		
9			31580	1705260	10421		
10			31580	1673680	10132		
11			31580	1642100	9842		
12			31580	1610520	9553		
13			31580	1578940	9263		
14			31580	1547360	8974		
15			31580	1515780	8684		
16			31580	1484200	8395		
17			31580	1452620	8105		
18			31580	1421040	7816	112894	378960
19			31580	1389460	7526		
20			31580	1357880	7237		
21			31580	1326300	6947		
22			31580	1294720	6658		
23			31580	1263140	6368		
24			31580	1231560	6079		
25			31580	1199980	5789		
26			31580	1168400	5500		
27			31580	1136820	5210		
28			31580	1105240	4921		
29			31580	1073660	4631		
30			31580	1042080	4342	71209	378960
31			31580	1010500	4052		
32			31580	978920	3763		

33			31580	947340	3473		
34			31580	915760	3184		
35			31580	884180	2894		
36			31580	852600	2605		
37			31580	821020	2316		
38			31580	789440	2026		
39			31580	757860	1737		
40			31580	726280	1447		
41			31580	694700	1158		
42			31580	663120	868	29523	378960
43			31580	631540	579		
44			31540	600000	289	868	63120
45	Grant @30%		600000	0			600000
		1800000	1800000			280494	1800000

ANNEXURE – E

Risk assessment for the entrepreneur / enterprise

CREDIT RISK:	
a. Whether the borrower is a permanent resident of the area as per KYC Document	Yes
b. No Negative references about the entrepreneur during oral enquiry	Yes
c. In case of SHG Members, the applicant should have completed one-cycle of loan with full repayment	Yes
d. No Previous record of overdue in the loans of the entrepreneur	Yes
OPERATIONAL RISK	
e. No major risks for systems failure (e.g. IT servers kept in risk areas like flood prone or earthquake prone areas) in the proposed business	Yes
f. No major risks for human failure (e.g. chances for monitoring lapse due to remote or decentralized operations) resulting in frauds	Yes
BUSINESS RISK:	
g. The entrepreneur has the adequate experience in the Line of activity selected	Yes
h. The selected activity has enough scope or market	Yes
i. The entrepreneur has a plan to manage the Competition in the industry /sector	Yes
j. The business will be commenced on time as per the plan (Is there any risk for time lapse due to construction or approval from Govt.)	Yes
FINANCIAL RISK:	
k. The entrepreneur can maintain the profit margin assumed	Yes
l. The payment terms of the clients (credit for 15 / 30 /60 days) are manageable to the entrepreneur	Yes
ENVIRONMENT RISK	
m. The selected activity is not in the Negative list	Yes

i. I have reviewed all the risk factors and find “No major risk” in the proposal.

ii. I find the following risk as a significant risk and the entrepreneur has the following plan to manage that risk. – No significant risk.

Date:

Name and Signature of OSF