

## TAMIL NADU RURAL TRANSFORMATION PROJECT

### Business Plan for establishing and running a Grocery shop

1. Village Panchayat:	AA Panchayat
2. Block:	BB Block
3. District:	DD District
4. Applicant:	Mr.AAA
5. Activity:	Running a Grocery Shop.
6. Classification:	MSME
7. Sector classification (TNRTP)	Nano
8. Purpose of Note:	To recommend for sanction of the following limits: <b>Term Loan/Working Capital Demand Loan/Composite Loan</b>
9. Nature of Facility	Term loan – Composite loan
10. Purpose	For the purpose of establishing and running a Grocery shop.
11. Limit required	Rs.4.50 Lakhs
12. Margin	10% of the project cost of Rs.5 lakhs i.e Rs. 0.50 Lakhs

**I. Introduction:** (Details of Promoter name, age, qualification and experience, activity to be financed, existing or new unit, any existing facilities with Banks etc. The present request for loan and purpose.)

Mr. AAA, aged 40 years is from AA village panchayat, BB Block, DD District. The applicant propose to expand his business by establishing a Grocery shop. The items to be dealt with are broadly classified as Rice, Grocery, Pulses, Oil, Chocolates and Biscuits, Fancy items, Plastic items and house cleaning items.

The applicant has been associated with the similar activity for 7 years and has adequate experience in the line of activity. The applicant presently is not enjoying any facility with any Bank. The present request is for term loan – composite loan of Rs 4.50 Lakhs under TNRTP Matching Grant Programme for expansion by way of establishing a grocery shop, as well as working capital for smooth conduct of day to day operations.

#### **About the activity:**

The retail industry shows a constant positive demand especially for food and related products. Compared to other business activities, the retail business has low risk because of lower investment required. New forms of cost cutting and store optimization will help to set up a successful business.

The return on this retail business has a growth rate of about 3% to 5% per year. A retail shop that provides additional service activities for the customers can be sure to have a high demand and a strong competitive advantage.

### **Market (About the retail market in general and demand)**

The retail market in India is seeing considerable development during the last decade. The entire value of the Indian retail industry was USD 276 billion in 2008-09 and has increased to USD 700 billion in 2010. India is now the globe's fourth-biggest retail sector, with projected increase to USD 1.1 trillion to USD 1.3 trillion by 2025. The retail environment in India is primarily unorganized, with shopkeepers accounting for 88 percent of the total retail sector. This informal sector, is made up of 13 million retail and neighborhood shops.

These establishments perform an important part in the Indian retail industry, which accounts for nearly 11 percent of India's GDP and 8 percent of its entire employment.

## **II. Category of Loan: Micro**

### **1. Profile of the Entrepreneur**

Name	Mr. AAA
Spouse Name	
Age	40
Education	Graduate
Aadhaar Card No	86XXXX111111
Address	
Phone No	-
Mobile No	9111111111
Email ID	Nil
Number of years of experience in business	7 Years
Trainings attended (no. and hours)	Nil
Spouse's occupation	House wife
If Special category	SC / ST / Differently abled / Widow / Separated woman – <b>NO.</b>

## 2. Enterprise Profile

Name of the Enterprise	BBB Grocery shop
Legal form of Enterprise	Nil
Registration No	Nil
Registration Date	Nil
Registered with whom	Nil
GST No (if available)	To be registered. Under process.

## 3. Bank Linkage Details

Whether the enterprise has separate bank account	No. In the name of individual only.
If any bank credit availed	No
Name of the bank and branch details	Nil
Nature of the bank facility	Nil
Limit sanctioned	Nil
Balance outstanding as on date	Nil

## 4. Enterprise Nature

Type of enterprise	Retail Trade
Product to be sold:	The products to be sold are broadly classified as Rice, Grocery, Pulses, Oil, Chocolates and Biscuits, Fancy items, Plastic items and house cleaning items.
Present Demand	<p>The proposed retail shop is to be located in a central place in the main road, well connected and easy approach to the customers.</p> <p>This shop will cover nearby 3 villages also. In view of the personalized service and additional services like door delivery etc, the demand is expected to be high always.</p>
Current Supply - Current issues in the supply and how the entrepreneur will address this in her / his venture? What is the USP to overcome the competition?	The procurement of various items to be made from the local wholesale market. Rice varieties are to be purchased from Thiruvannamalai. This shop is one of the few shops in the

	village. As the applicant is already in the line of activity for 7 years, it is stated that he has built good rapport among the local and nearby villages through personalized service which is the USP.
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### III. TECHNICAL FEASIBILITY:

<b>Location / Infrastructure:</b>	
<b>1. Location</b> Brief on Location – Whether well connected to market by road etc.,	The proposed shop is located in a central place in the village, on the main road, well connected to whole sale market as well as easily approachable to the consumers and suppliers.
<b>2. Land</b> Extent of Land, sq.ft. Panchayat approval, own/leased	The business is proposed to be run in own premises. Panchayat approval for the proposed activity has been obtained.
<b>3. Building</b> Approved plan from local body, sq.ft, whether sufficient for the proposed activity	The business is proposed to be conducted in own Building (1500 Sq. feet) with Electricity connection. Shop is located in Katpadi to Gudiyatham main road. Panchayat approval has been obtained. The cost of land and building is not included in the Project cost.
<b>4. Power</b> Whether required power connection is available	The required power for running the shop will be around 500 units per month at Rs.8/- per unit. The required single phase connection is obtained.
<b>5. Water</b> Whether adequate water is available.	It is not applicable. Water is required only of domestic purposes and the required water is available.
<b>6. Approval</b> Pollution control Board/GST/FSSAI approvals or	The applicant has applied for GST Registration, FSSAI and for registration under Shops and

<p>any other approval is required. Present Status</p>	<p>Establishments Act. Follow up is being made by the applicant.</p> <p>.</p>						
<p><b>7. Materials Needed</b> Quantity / Cost / Availability / Delivery Time to be discussed.</p> <p>a. Raw materials : b. Equipment : c. Technology :</p>	<p><b><u>Raw-materials</u></b> The required grocery and other items are to be procured from the local wholesale market in Vellore. No problem is envisaged in availability of raw materials.</p> <p><b>Equipment:</b> The applicant propose to open another retail shop for which some racks are to be fixed for display of the grocery and other items. Further equipments like, freezer, Fridge, computer billing machine etc., are required for the retail shop. Details are as per annexure (A). The equipments are to be procured locally in the DD market.</p> <p><b>Technology:</b> The applicant has necessary experience in the line of activity. No specific technology is required in the proposed activity.</p>						
<p><b>8. Cost of capital assets:</b> Details of equipment/machinery with cost of individual item required along with quotations.</p>	<p style="text-align: right;">(Rs in lakhs)</p> <table border="0"> <tr> <td>1. Machineries &amp; other Fixed Assets (As per Annexure A)</td> <td style="text-align: right;">2.05</td> </tr> <tr> <td>2. Working capital (As per annexure B)</td> <td style="text-align: right;">2.93</td> </tr> <tr> <td>Total Project cost</td> <td style="text-align: right;">4.98</td> </tr> </table>	1. Machineries & other Fixed Assets (As per Annexure A)	2.05	2. Working capital (As per annexure B)	2.93	Total Project cost	4.98
1. Machineries & other Fixed Assets (As per Annexure A)	2.05						
2. Working capital (As per annexure B)	2.93						
Total Project cost	4.98						

<p><b>9. Cost of working capital for one operating cycle</b></p> <p>a. raw-materials, b. Semi-finished goods, c. finished goods, d. receivables outstanding Total working capital needs</p> <p>(The value of raw-materials, semi-finished goods, finished goods, receivables outstanding to be arrived)</p>	<p>The working capital requirement is arrived at Rs.2.93 lakhs as per Annexure B.</p>
<p><b>OR</b></p>	
<p>25% of projected annual sales turnover if necessary. (The projected annual sales should be reasonable and acceptable)</p>	<p>The assessment has been done as per holding levels detailed in annexure B.</p>
<p><b>10.Skills Requirements:</b> skilled labour available / Not available</p> <p>If not available: whether people can be trained? If so, training period and training facility?</p>	<p>The promoter is experienced in the line of activity for seven years and has the required skills to run the shop.</p> <p>The shop requires 2 persons as helpers. The monthly wages/salary works out to Rs.20000/- i.e. Rs.10000/- for each worker.</p>
<p><b>11.Production Process:</b></p>	
<p><b>a.Production Plan/cycle</b> (operating cycle may be one-day / week / month or one year as per the activity selected):</p>	<p>The operating cycle depends on the holding level of the various grocery and other items before it is sold to customers. The holding level of items is arrived at 15 days as detailed in annexure B. The debtors and creditors are NIL, as the purchases and sales will be on cash and carry basis.</p>

#### IV. COMMERCIAL FEASIBILITY:

<p>Marketing strategy :</p> <p>a. Direct to customers :</p> <p>b. Bulk to Institutions :</p> <p>c. Through Retailers / Wholesalers:</p> <p>d. Through Online:</p>	<p>The focus will be on direct sales to customers as there is good and constant demand for the retail products throughout the year.</p>
<p>e. Pricing &amp; Discounts :</p>	<p>The pricing will be based on the margin as per the category of item detailed below:</p> <ol style="list-style-type: none"> <li>1. Grocery - 20%</li> <li>2. Plastic items - 25%</li> <li>3. Fancy items - 30%</li> <li>4. Oil items - 10%</li> <li>5. Others - 10 - 15%</li> </ol> <p>Discount will be considered on a transaction basis depending on the bulk quantity purchased.</p>
<p>f. Market promotion strategies:</p>	<ul style="list-style-type: none"> <li>• To target direct sales to customers in the local area and nearby villages.</li> <li>• Personalised service and direct door delivery will be given as an added service for regular customers.</li> <li>• Attractive fliers and posters will be circulated in the villages to scout new customers.</li> </ul>
<p>g. Physical and digital connectivity:</p>	<p>While the payments are also accepted by way of cash, digital payments will be encouraged with appropriate equipment installed and cost will be borne by the applicant.</p>
<p>h. Risks and risk mitigation planned:</p>	<p>Market risk – The retail shop is one of the few shops engaged in retail trade in the</p>

	village and nearby villages. Further the high quality of service will be given to customers, including door delivery in order to overcome the competition.
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## V. ENVIRONMENT ASSESSMENT

<b>To be entered as per the required category of the enterprise proposed: Pollution control Board clearance is not required</b>				
<b>Environment Issue identified</b>	<b>Environment Guidelines or mitigation measures Integrated</b> (Please tick)	<b>Greening Measures identified</b>  (for green, orange and red categories)	<b>Support needed</b>	
			Implement the mitigation measures	Implement the greening measures
<b>Exploitation of local resources (water and energy)</b>	•Electricity		NA	NA
<b>Waste generation and disposal</b>	•Dust/air pollutants	To ensure adequate measures for Proper disposal of dust and waste fixing exhaust fans etc.	NA	NA
<b>Worker and Community safety</b>	•Safety measures / gadgets	Safety masks, gloves, chap pals to be provided.	NA	NA

Whether the activity proposed is in the negative list: No



## VI. FINANCIAL VIABILITY

### 1. Cost of the project and Means of the project:

a. Cost of the Project:	(Rs in lakhs)
i. Fixed capital Cost of all the equipment's /machinery/construction(excluding land cost)	Machineries – 2.05 (Annexure-A)
ii. Working capital	Working capital 2.93 (Annexure-B)
iii. Pre-operative expenses*	Nil
Total cost of the project (i + ii + iii)	4.98
*Pre-operative expenses such as registration fees for obtaining various registrations, Interest during holiday period etc to be met by the borrower from his own source.	
b. Means of the project:	
i. Loan from financial Institution / Bank (95% or 90%):	4.50
ii. Margin money -Borrower's contribution (5% or 10%):	0.48
Total means of the project ( i + ii )	4.98
c. Matching grant from the project**	1.49
Whether the entrepreneur has the sufficient means to bring in the margin money and has enough buffer to manage any cost escalations	Yes. The applicant has deposit to the extent of Rs.48000/- in the Bank.

\*\*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:

	(Rs in Lakhs)
Loan initially disbursed by the Bank	- 4.50
Less 30% matching grant	- 1.49
Balance principal amount to be repaid by Borrower	- 3.01

Upon completion of minimum period of 18 months and upon repayment of principal amount of Rs.3.01 lakhs and the interest portion, the matching grant of Rs.1.49 lakhs can be adjusted to the loan account of the borrower and the loan account can be closed.

## 2. Repayment capacity:

The repayment capacity is arrived at based on the Net disposable income as per details below and based on assumptions as per annexure C.

Particulars	Value in Rs.
Cash surplus from enterprise (as per annexure D)	61,595/-
Other income from house hold members (To be obtained from the applicant)	15,000/-
Total income	76,595/-
Total House hold expenses- To be obtained from the applicant)	25,000/-
Net disposable income	51,595/-
50% of net disposable income	25,797/-
Repayment commitment *Loan repayment period is 36 months for Rs.4.50 lakhs. Principal repayment P.M. – Rs.12,500/-	12,500/-

\*Repayment schedule will be initially fixed by the Bank for loan amount of Rs.4.50 Lakhs for a period of 36 months at Rs.12500/- per month. However upon prompt repayment of the instalments for 24 months, and interest due every month, the outstanding will be Rs.1.49 lakhs equivalent to matching grant. Bank can adjust the matching grant of Rs.1.49 lakhs eligible for the project, towards the loan outstanding and close the loan account.

50% of net disposable income covers the loan instalment. The repayment capacity is comfortable.

## VII. 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

<b>Sl.No</b>	<b>Description</b>	<b>Qty. (No.)</b>	<b>Rate. Rs</b>	<b>Amount (Rs.)</b>
1	Computer Billing machine & software	1	70000/-	70000/-
2	Display rack(Material and Labour)	1	75000/-	75000/-
3.	CCTV Camera	1	15000/-	15000/-
4.	Freezer Box	1	20000/-	20000/-
5.	Fridge	1	25000/-	25000/-
<b>Total</b>			<b>205000/-</b>	<b>205000/-</b>

**Total Equipments required – Rs.2.05 Lakhs**

## Annexure - B

### Working Capital Assessment

S.No	Description	Required for 1 month	Rate (Rs.)	Total Value(Rs.)
1	Rice items	100 Bags of 25 kgs each	1100	110000
2	Grocery items	1 tonne	150000	150000
3	Pulses items	1 tonne	95000	95000
4	Oil items	1 box of 500 kgs	50000	50000
5	Other chocolate, Biscuits items	1 Box	50000	50000
6	Plastic Items	1 Box	50000	50000
7	House cleaning Items	1 Box	30000	30000
8	Fancy Items	1 Box	50000	50000
	Total			585000

**The requirement of items for one month is detailed above. However the holding period of raw materials is estimated at 15 days. Hence the working capital is estimated at Rs.2.93 lakhs. The Debtors and creditors are NIL since purchases and sales will be on cash and carry basis.**

## Annexure C

### BASIS & PRESUMPTIONS

1. Estimated cost of items to be purchased per month

Description	Nos.required for month	Rate (Rs.)	Total Value(Rs.)
Rice items	100 Bags of 25 kgs each	1100	110000
Grocery items	1 tonne	150000	150000
Pulses items	1 tonne	95000	95000
Oil items	1 box of 500 kgs	50000	50000
Other chocolate, Biscuits items	1 Box	50000	50000
Plastic Items	1 Box	50000	50000
House cleaning Items	1 Box	30000	30000
Fancy Items	1 Box	50000	50000
Total			585000

2. Estimated sales per month with appropriate margin for various category of items.

S.No	Description	Cost Price	Margin	Sales Value(Rs.)
1	Rice items	110000	14%	125000
2	Grocery items	150000	20%	180000
3	Pulses items	95000	15 %	109250
4	Oil items	50000	10 %	55000
5	Other chocolate, Biscuit items	50000	15 %	57500
6	Plastic Items	50000	25 %	62500
7	House cleaning Items	30000	20 %	36000
8	Fancy Items	50000	30 %	65000
Total				690250

### 3. Man Power

<b>S.No.</b>	<b>Designation</b>	<b>No.</b>	<b>Salary</b>	<b>Total</b>
1	Supervisor / Sale man	2	10000	20000
<b>Total (A)</b>				20000

### 4. Other expenses

<b>S.No.</b>	<b>Particulars</b>	<b>Amount</b>
1.	Rent	4000
2.	Transportation and Delivery expenses	4000
3.	Electricity	4000
4.	Other expenses (Repairs, Maintenance etc.,)	2000
		14000

5. Depreciation on Machinery is estimated at 10% every year under Straight line method.
6. Interest is assumed at 12% p.a.
7. Tax is arrived at 10% on net profit.

## ANNEXURE D

### COMPUTATION OF CASH SURPLUS

Particulars (per month)	Value in Rs.
Sales per month (A)	6,90,250
Cost of Sales	
Cost of items to be purchased per month	5,85,000
Wages (2 Persons at Rs.10000/-)	20,000
Power (500 units @ Rs.8/- per unit)	4,000
Rent	4,000
Transportation and Delivery expenses	4,000
Other admin & selling expenses	2,000
Depreciation(At 10% on Rs.2.05 lakhs per month)Rs.1708 - Rounded off to Rs.1700/-	1,700
Interest @12% on Net Loan amount excluding grant – i.e.(Rs.4.50 lakhs – Rs.1.49 lakhs = Rs.3.01 Lakhs). Rs.3010/- Rounded off	3,000
Cost of sales per month (B)	6,23,700
Net profit per month(A-B)	66,550
Tax @ 10% on Net profit	6,655
Net profit after tax(NPAT)	59,895
Cash surplus (NPAT + Depreciation)	61,595

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