

TAMIL NADU RURAL TRANSFORMATION PROJECT

Business Plan for Spices Unit

1. Village Panchayat:	AA Village
2. Block:	BB Block
3. District:	DD District
4. Applicant:	Mr.AAA
5. Activity:	Manufacturing of Spices
6. Classification:	MSME - Manufacturing
7. Sector classification (TNRTP)	Micro
8. Purpose of Note:	To recommend for sanction of the following limits: Term Loan/Working Capital Demand Loan/Composite Loan (Rs. In Lakhs)
9. Nature of Facility	Term loan – Composite loan
10. Purpose	For establishing spices manufacturing unit.
11. Limit required	Rs.12.13 Lakhs.
12. Margin	10% of the project cost of Rs.13.48 lakhs i.e Rs.1.35 Lakhs

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 42years, propose to establish a spices manufacturing unit for manufacture and sale of products such as Turmeric powder, Pepper powder, Chilly powder, Dhaniya powder etc., The applicant has around 25 years of experience in the line of activity. The name of the proposed unit is M/s. BBB spices. The present request is for term loan of Rs.12.13 lakhs under TNRTP matching grant Programme for the purpose of purchase of equipment's for expansion of unit as well as for working capital.

About the product:

Spices play an important role in enhancing the flavour and taste of the processed foods. On account of their ability to impart flavour and aroma, spices have been used in the preparation of a wide variety of processed foods.

Spices are required in preparing appetising and digested beverages and confectionary, soup powders, sauces, instant curries, canned meat and

poultry products etc. Spices are also used in the medicines because of their carminative stimulating and digestive properties.

Ground spices are extensively used in all types of curried dishes in India and abroad. Demand for processed spices is directly linked with its consumption in food processing industry and this is set to grow in India in coming years with growth of population and fast changing food habits as well as increase in purchasing power of the middle and upper class households in India.

I. Profile of the Entrepreneur

Name	Mr. AAA
Spouse Name	
Age	42 years
Education	10 th
Aadhaar Card No	86XXXX111111
Address	
Phone No	--
Mobile No	9111111111
Email ID	-
Number of years of experience in business	25years
Trainings attended (no. and hours)	3 days training at DD district
Spouse's occupation	Agriculture
If Special category	SC / ST / Differently abled / Widow / Separated woman

II. Enterprise Profile

Name of the Enterprise	BBB spices
Legal form of Enterprise	Yes
Registration No	2222222222
Registration Date	01.02.2021
Registered with whom	
GST No (if available)	No

III. Bank Linkage Details

Whether the enterprise has separate bank account	Yes
If any bank credit availed	No
Name of the bank and Branch Details	ABC, DD district.
Nature of the bank facility	N/a
Limit Sanctioned	Not applicable.
Balance outstanding as on date	Rs.1.35 Lakhs (Credit)

IV. Enterprise Nature

Type of Enterprise	Manufacturing
Product to be produced:	Installed Capacity Turmeric Powder - 25 Ton Chilli Powder - 15 Ton Pepper Powder - 15 Ton Jeera Powder - 10 Ton Dhania Powder - 10 Ton
Service to be offered:	<ol style="list-style-type: none">1. Retail Sales2. Institutional Sales3. Wholesale Supply4. Door Delivery
Present Demand	<ul style="list-style-type: none">❖ The unit is located in a central place in the village, well connected to the road and easy approach to the consumers/retailers/food processing units/hotels etc.,❖ Further since this is the only unit in the village panchayat and nearby villages/town, there is good demand for the product especially in hotels, retail provision stores and direct consumers who purchase in bulk.
Current Supply	The capacity of the unit is production of 75 Metric tonnes per annum with one shift of 8 hours, for 300 days. Initial production in the I year is assumed at 50% of the installed

	<p>capacity. The proposed unit would procure the raw materials from the farm level available locally. After processing, the products would be supplied to the market through distributors/wholesalers/retailers. Hence no issues are envisaged in the production and supply.</p>
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V. TECHNICAL FEASIBILITY:

Location / Infrastructure:	
1. Location Brief on Location – Whether well connected to market by road etc.,	The unit is located in a central place in the village, well connected to the road and easy approach to the consumers.
2. Land Extent of Land, sq.ft. Panchayat approval, own/leased	The business is proposed to be run in own premises. The required land space of around 1000 sq.yards is available. Local Panchayat has given approval for land and Building.
3. Building Approved plan from local body, sq.ft, whether sufficient for the proposed activity	The applicant has already constructed a shed to house the machines as well as for the packing activity. The approximate value of civil works including Building, Electrification, Water Supply, Sanitation and Drainage etc will be Rs. 5,00,000/-. Since the building is already in place the cost is not factored in the cost and means of the project. Approval/License from Village Panchayat has been obtained.
4. Power Whether required power connection is available	The total requirement of power for the project is 16.92 KW. The total power supply would be distributed in the following way; Plant & Machinery - 14.92 KW General Lighting - 2.00 KW. The power connection is applied for and is expected in a week's time.
5. Water	Constant flow of water is essential for operation of the plant. Water would be

<p>Whether adequate water is available.</p>	<p>obtained from bore well at the project site and can be stored in an overhead tank, from where it will be supplied to the required areas.</p>
<p>6. Approval Pollution control Board/GST/FSSAI approvals or any other approval is required. Present Status</p>	<p>The applicant has obtained FSSAI approval Reg. No. 33333333333333333333 dated 01.12.2020. The applicant has applied for GST registration. The approval is expected soon. Follow up is being made by the applicant.</p> <p>The applicant is yet to register under UDYAM. The same is under process.</p>
<p>7. Materials Needed Quantity / Cost / Availability / Delivery Time to be discussed.</p> <p>a. Raw materials : b. Equipment : c. Technology :</p>	<p><u>Raw-materials</u></p> <p>The following raw materials are required, which will be procured from local farms.</p> <p>Turmeric – 25 Tons Chilli - 15 Tons Pepper - 15 Tons Jeera - 10 Tons Dhania - 10 Tons</p> <p>These raw-materials are also available at wholesale prices in the local market/shandy. The average requirement will be 250 kgs/day based on the full capacity. In the first year it is assumed at 50% of the installed capacity..</p> <p>Equipment:(As detailed in Annexure A)</p> <p>The following machines are required:</p> <ol style="list-style-type: none"> 1. Pulveriser with Motor and accessories 2. Disintegrator with Motor 3. Hot Air Dryer 4. Sieving Machine 5. Automatic Form Fill and Sealing Machine 6. Manual Packaging Machine 7. Platform Weighing scale

	<p>8. Aluminium Top Working Tables.e 9. Washing Tanks, SS Utensils, Trays and Lab Equipments. 10. Miscellaneous Equipments</p> <p>Technology: The applicant has necessary experience for operating the machines. No specific technology is required.</p>
<p>8.Cost of capital assets: Details of equipment/machinery with cost of individual item required along with quotations.</p>	<p>As per Annexure A.</p>
<p>9. Cost of working capital for one operating cycle d. raw-materials, e. Semi-finished goods, f. finished goods, g. receivables outstanding h.Total working capital needs (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.5.17 lakhs for the I year /- as per Annexure C.</p>
<p style="text-align: center;">OR</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 C.</p>
<p>10.Skills Requirements: skilled labour available / Not available 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 25 years. 2 skilled workers, 3 semi skilled workers, 4 unskilled workers are to be employed for carrying out the day to day operations in a smooth manner.</p>

11. Production Process:	
<p>c. Production Plan/cycle (operating cycle may be one-day / week / month or one year as per the activity selected):</p>	<p>(i) Washing:The raw material inputs are washed with water under high pressure so that the impurities are removed.</p> <p>(ii) Peeling & Cutting to Small Pieces: Some of the spices require peeling and cutting to small pieces. Such spices are peeled with hand knives.</p> <p>(iii) Drying: Spices are spread on the floor to provide sun drying. mechanical dryers are also used at times. Tray type dryer is most suitable.</p> <p>(iv) Grinding/ Pulverising: Spices are grinded in dry form.</p> <p>(v) Mixing: After all the above operations, various spices for different purposes are mixed together.</p> <p>(vi) Packaging: At the end, spices powder are packaged in automatic form, fill and sealing machine.</p> <p>(vii) Transportation and Marketing: Thereafter, the products are transported and supplied to the bulk purchasers.</p> <p>The operating cycle is assumed at 30 days for the unit as detailed in Annexure C.</p>

VI. 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>There is good scope for domestic market for this commodity in processed form.</p> <p>The market for export of spices is encouraged in processed form as it will bring more value addition to the unit price of whole spices. The demand for</p>
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	<p>spice powder is increasing day by day with the changing attitude as well as improvement in purchasing power of the people. The products find good market in urban areas of the country particularly within the state itself.</p> <p>There is considerable scope in view of the central location. It is proposed to allocate a small counter for direct sales to customers also. As this is the only unit in the village and nearby panchayats, there will be demand for the product. Further tie up arrangements are to be made with star hotels and resorts near Bhavanisagar, for supply of spices in bulk. Focus will also be on supply to local retailers.</p>
e. Pricing & Discounts :	Bulk supply and immediate cash payment will be encouraged with a discount in price.
f. Market promotion strategies:	Marketing plan of the proposed project to include good quality maintenance, promotional campaign like offering special discounts, referrals, advertisement and tying up with buying houses.
g. Physical and digital connectivity:	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.
h. Risks and risk mitigation planned:	Market risk – The unit is the only unit working in the village and nearby areas. Further the quality of the product will be superior due to procurement of high quality ingredients at a discounted rate.

VII. ENVIRONMENT ASSESSMENT

To be entered as per the required				
Category of the enterprise proposed: Green (Code 3044)				
Environment Issue identified	Environment Guidelines or mitigation measures Integrated (Please tick)	Greening Measures identified	Support needed	
		(for green, orange and red categories)	Implement the mitigation measures	Implement the greening measures
Exploitation of local resources (water and energy)	<ul style="list-style-type: none"> • Water • Electricity 	To ensure adequate measures for Proper disposal of waste water. Adequate care will be taken in electrical installations and optimal utilization of machinery for conservation of electricity.	NA	NA
Waste generation and disposal	<ul style="list-style-type: none"> • Dust/air pollutants • Disposal of waste water 	There is no major pollution problem associated with this project in terms of air and sound pollution except for disposal of waste water Disposal of any effluent out of the project unit will be treated with recycling facility or dumped in such a way that these	NA	NA

		does not cause hazard in the vicinity of the site		
Worker and Community safety	<ul style="list-style-type: none"> • Safety measures/gadgets - Yes • Chemical usage & handling - x • Infected raw materials - x • Presence of stale - x • Any other specify - x 	Safety masks to be provided.	NA	NA

Whether the activity proposed is in the negative list: No

VIII. 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 equipments/machinery/construction(excluding land cost) – As per annexure (A)	Machineries – 8.31
ii. Working capital - As per Annexure (C)	Working capital 5.17
iii. Pre-operative expenses*	From own source
Total cost of the project (i + ii + iii)	13.48
b. Means of the project:	
i. Loan from financial Institution / Bank (95% or 90%):	12.13
ii. Margin money -Borrower's contribution (5% or 10%):	1.35
Total means of the project (i + ii)	13.48
c. Matching grant from the project**	
	4.04
*Existing building comprising of work shed, store house cum office with area of 1000 sq.ft is valued at Rs.5 lakhs for the purpose of depreciation and repairs. The existing building value is not included in the project cost.	

** The preliminary expenses comprising of Travelling expenses – Rs.40000/- Nonrefundable deposit Rs.87000/- Interest during holiday period Rs.44473/-, Miscellaneous expenses Rs.35000/- totaling to Rs.2.07 lakhs will be met by the borrower from his own source. Hence not included in the project cost. The borrower has sufficient source to meet the preliminary expenses.

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.1.35lakhs in the Bank.
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**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	- 12.13
Less 30% matching grant	- 4.04
Balance principal amount to be repaid by Borrower	- 8.09

Upon completion of minimum period of 18 months and upon repayment of principal amount of Rs.8.09 lakhs and the interest portion, the matching grant of Rs.4.04 lakhs can be adjusted to the loan account of the borrower and the loan account can be closed.

IX. Repayment capacity

DSCR

- Loan amount Rs.1213000/- is repayable in 60 months @ 11% after holiday period of 6 months.
- Monthly instalment - principal amount is Rs.22463/-.
- Last instalment - Rs,22395/-.

- Though the repayment is fixed for 60 months, upon prompt repayment of 36 instalments, the loan is closed on the 43rd month itself with matching grant amount of Rs.404400/- which is eligible for the project.
- 50% of net profit and depreciation is taken for DSCR Calculation for the first year, since six months operation in I Year.

Particulars	YEAR 1(6 M)	YEAR 2	YEAR 3	YEAR 4	YEAR 5
Net profit after tax	191500	669000	1016000	1041000	1051000
Depreciation	39000	78000	78000	78000	78000
Interest	44473	75356	45705	16054	0
Cash surplus A	274973	822356	1139705	1135054	1129000
Principal Repayment	0	269556	269556	269488	404400
Interest	44473	75356	45705	16054	0
Repayment obligation B	44473	344912	315261	285542	404400
DSCR A/B	6.18	2.38	3.62	3.98	2.79
Average DSCR			3.79		

The average DSCR at 3.79:1 is above the required DSCR of 2:1 as per MGP guidelines. The repayment capacity of the borrower is comfortable.

X.Recommendation:

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

ANNEXURE - A

COST OF PLANT AND MACHINERY

Particulars	Qty	Amount (Rs)
Pulveriser with Motor and accessories as below:	2	510000
Disintegrator with Motor	1	
Hot Air Dryer	2	
Sieving Machine	1	
Automatic Form Fill and Sealing Machine	1	
Manual Packaging Machine	2	
Platform Weighing Scale	1	
Aluminium Top Working Tables	3	
Washing Tanks, SS Utensils, Trays and Laboratory Equipment's	SET	30000
Miscellaneous Equipment's	SET	25000
Sub total		565000
Add: Taxes, transportation and installation etc @ 10%		56500
TOTAL		621500
Say (Rs. in lacs)		6.22

MISCELLANEOUS FIXED ASSETS

Particulars	Qty	Rate (Rs)	Amount (Rs)
Electrical Load Security and Transformer	One set	--	95000
Furniture's and Fixtures	Set	--	50000
Miscellaneous items	Set	--	45000
Sub total			190000
Add: Taxes, transportation and installation etc @ 10%			19000
TOTAL			209000
Say (Rs. in lacs)			2.09

Total Value of Machineries – Rs.8.31 Lakhs

Annexure B

BASIS & PRESUMPTIONS

The following Basis and Presumptions have been made:

- The project is based on a single shift basis and 300 days of working schedule in a year, working for 8 hours a day, 25 days a month.
- The installed capacity will be 75 M.tons. The capacity utilisation is assumed at 50% in the I Year, 60% in the second year and thereafter at 70% every year.
- The wastage is estimated at 2% of the Raw material input.
- The packing material is estimated at 2% of the raw material cost.
- The cost of machinery and equipment/materials indicated refer to a particular make and the prices are approximate to the prevailing market value.
- Power rate is assumed at Rs.6.00 per unit.
- Water would be made available through bore well facility at the project site.
- Manpower requirement for the project has been planned considering the size of the unit.
- Interest rates considered is 11% for the composite loan.
- For repayment, a period of 6 years is planned with moratorium period of six months.
- Insurance charges have been considered Lump Sum.
- Repair and maintenance have been calculated reasonably.
- Depreciation shown has been calculated on Straight Line Method.
- Pre-operative expenses such as Non-refundable deposits, Architecture fees, project report fees, traveling & Convenience amount, Interest during holiday period etc., will be met by the promoter from his own source

**PROFITABILITY PROJECTIONS
SPICES UNIT**

Amount Rs in lakhs

Particulars	Yr 1	Yr 2	Yr3	Yr 4	Yr 5	Yr 6
A. Sales						
Production Capacity(Ton/annum)	75	75	75	75	75	75
Capacity Utilisation	50%	60%	70%	70%	70%	70%
Production Capacity(Ton/annum)	37.5	45	52.5	52.5	52.5	52.5
Total Sales (A)	80.24	96.29	112.34	112.34	112.34	112.34
B. Cost of Production						
Raw Materials	60.5	72.6	84.7	84.7	84.7	84.7
Packing Materials	1.21	1.452	1.694	1.694	1.694	1.694
Power & Utilities	1.55	1.87	2.18	2.18	2.18	2.18
Wages & Salary	10.92	10.97	11.03	11.08	11.14	11.20
Repair & Maintenance	0.21	0.21	0.21	0.21	0.21	0.21
Other expenses @1% of Sales	0.80	0.96	1.12	1.12	1.12	1.12
Cost of Production(B)	75.19	88.07	100.94	100.99	101.05	101.10
Gross Profit(A-B)	5.05	8.22	11.40	11.35	11.29	11.24
Depreciation	0.78	0.78	0.78	0.78	0.78	0.78
Interest	0.44	0.75	0.46	0.16	0	0
Sub Total	1.22	1.53	1.24	0.94	0.78	0.78
Net Profit	3.83	6.69	10.16	10.41	10.51	10.46
Cash Surplus	4.61	7.47	10.94	11.19	11.29	11.24

**PROJECTED BALANCE SHEET
SPICES UNIT**

Particulars		YR 1	YR 2	YR 3	YR 4	YR 5
LIABILITIES						
Promoters Capital						
Promoter Capital		1.35	1.35	1.35	1.35	1.35
Profit from P & L A/c		3.83	10.52	20.68	31.09	41.60
MGP GRANT						4.04
	Sub Total	5.18	11.87	22.03	32.44	46.99
Secured Loan						
Term Loan		12.13	9.43	6.73	4.04	0
	Sub Total	12.13	9.43	6.73	4.04	0
Unsecured Loan						
Current Liabilities						
Trade Creditors		2.02	2.42	2.82	2.82	2.82
	Sub Total	2.02	2.42	2.82	2.82	2.82
Total Liabilities		19.33	23.72	31.58	39.30	49.81
ASSETS						
Gross Fixed Assets Block		8.31	8.31	8.31	8.31	8.31
	Sub Total (a)	8.31	8.31	8.31	8.31	8.31
Depreciation						
Cum.Depreciation		0.78	1.56	2.34	3.12	3.90
	Sub Total (b)	0.78	1.56	2.34	3.12	3.90
Net Fixed Assets Block		7.53	6.75	5.97	5.19	4.41
Current Assets						
Raw Materials		2.02	2.42	2.82	2.82	2.82
WIP		0	0	0	0	0

Finished Goods		2.5	2.93	3.36	3.36	3.36
Debtors		2.67	3.21	3.74	3.74	3.74
	Sub-Total	7.19	8.56	9.92	9.92	9.92
Other Current Assets						
Deposits & Inv		3	5	12	17	30.00
Cash at Bank		1.61	3.41	3.69	7.19	5.48
	Sub-Total	4.61	8.41	15.69	24.19	35.48
Total Assets		19.33	23.72	31.58	39.30	49.81

Annexure C

(Rs. in lacs)				
Particulars	Period (Days)	Current Assets		
		Year 1	Year 2	Year 3
Raw Materials (On Raw material Cost)	10	2.02	2.42	2.82
Finished Goods (On Cost of Prod)	10	2.50	2.93	3.36
Receivables (On Sales)	10	2.67	3.21	3.74
Total Current Assets(WC cycle)	(30)	7.19	8.56	9.92
Less Creditors	10	2.02	2.42	2.82
Working capital requirement		5.17	6.14	7.10

Working Capital Cycle is 30 days

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