READY-TO-EAT SNACKS

1.0 INTRODUCTION

Indians love to eat spicy food. Their meals contain many spicy items of different varieties and many snacks are also prepared with spices and chilly. This note basically discusses ready-to-eat spicy snacks targeted at rural areas. Many national brands like Pepsi and Haldiram have entered this market with huge investments and attractive packaging. These products are obviously very costly. There are many regional brands as well. But a large part of rural India just cannot afford these products as they are priced above Rs.100/- per kg. Rural market is aimed at under the proposed project.

There are many wholesale manufacturers who supply to retailers and they in turn repack these products in small packs and sell. These items fall under the category of "Farsan" and include many products like masala puffed rice, chevda, fried peas, fried dal mix, roasted masala peanuts etc. At times, nomenclature may vary but items more or less remain same. More and more variants or new products can be added depending upon the local tastes. These products can be made and sold anywhere in the country but the location considered here is Maharashtra.

2.0 MARKET POTENTIAL

3.1 Demand and Supply

The manufacturing unit has to be located at a taluka or district place where traders from nearby towns and villages come regularly for wholesale purchases. They, in turn, repack the products in smaller quantities and sell them. This is a very well established practice for many low value consumer goods. The items contemplated under this project shall also be packed in 1, 2 or 5 kgs. plastic bags and sold at wholesale rates. Shelf-life of these items is generally not more than 15 days and hence quick turnover is the key element. This is typically a "High Volume Low Margin" activity.

3.2 Marketing Strategy

Marketing is restricted to dealers and deciding factors are reasonably good and consistent quality and competitive pricing. A three wheeler delivery vehicle is advisable as it can move around the radius of 40-50 kms. covering all major rural centres at a pre-determined day of every week. With proper canvassing and contacts, marketing network can be established. There could be minor changes in the product-mix based on consumer feedback and seasonal availability of certain raw materials but many items would have demand round the year.

3.0 CAPITAL COST OF THE PROJECT

Capital investment has to be planned very judiciously to remain competitive. Certain operations can be undertaken outside the main building or on the terrace under asbestos roofing. The total capital cost is estimated to be Rs.4.50 lacs, the break up being as under:

Particulars	Qty.	Amount (Rs.)
Land and Building with selling Area	--	1,50,000
Oil-fired Furnace (Bhatti)	3	45,000
Stainless steel utensils, frying pans, rotating mixer, steel trays, etc.	--	60,000
Weighing scales, heat sealing machines, plastic trays and crates	--	20,000
Sales Counter with Glass covered Storage Facility	--	50,000
Three-wheeler Delivery Vehicle	1	1,25,000
	Total	**4,50,000**

Financial assistance in the form of grant is available from the Ministry of Food Processing Industries, Govt. of India, towards expenditure on technical civil works and plant and machinery for eligible projects subject to certain terms and conditions.

There is no need to have a factory-type construction and attempt should be made to minimise this cost. The equipments will be available from M/s. T Alli Mohammad & Co, MJ Phule Market, Mumbai; M/s. S.R. Engg Works, Satpur, Nashik or M/s.Sujata Enterprises, Pune.

4.0 ECONOMIC VIABILITY

Production capacity can be easily altered in this activity. Addition of one bhatti or closure of the existing ones, increasing or decreasing the working hours can easily change it. However, for the purpose of calculations it is taken at 500 kgs. per day. In this industry, there are very few holidays and annual working is for almost 350 days. There is no fixed product-mix and demand is the only guiding factor. On an average, the selling price is around Rs.50/- per kg. in bulk packing with raw materials constituting around 90% or Rs.45/- per kg. Selling prices are adjusted if the prices of inputs witness major changes. Thus, margin of Rs. 5/- per kg. has to take care of all fixed costs. The objective is to work on very low margins to capture larger and larger share of market and to minimise overheads.

Economic viability has been worked out with these peculiarities of the industry on following assumptions:

4.1 Capacity Utilisation

As against capacity of 500 kgs. per day, the utilisation will be 325 kgs. and 375 kgs. per day during first two years.

4.2 Manpower Requirements

Particulars	Nos	Monthly Salary (Rs.)	Total Monthly Salary (Rs.)
Skilled Worker	2	2,750	5,500
Helpers	6	1,250	7,500
Salesman (on Counter)	1	2,500	2,500
		Total	**15,500**

4.3 Power and Other Fuels

Monthly power bill in the first year will be around Rs.2000/- whereas about 10 LPG cylinders will be required.

4.4 Interest

It is envisaged that term loan assistance of Rs. 3.50 lacs will be given by the bank to be repaid in 4 years including a moratorium period of 1 year @ 12% and the promoters would bring in Rs.1.75 lacs including Rs.75,000/- towards working capital.

4.5 Depreciation

It is calculated on WDV basis @ 10% on building and 15% on remaining block of Rs. 3.00 lacs.

Based on these assumptions, the profitability projections are as under:

(Rs. in lacs)

No.	Particulars	1st Year	2nd Year
A	**Installed Capacity**	**---- 175 Tonnes ----**	
	Capacity Utilisation (in Tons)	110	135
	Total Income (@ Rs.5000/Ton)	5.50	6.75
B	**Operating Costs**		
	Salaries	1.86	2.25
	Utilities	0.60	0.75
	Repairs & Maintenance	0.30	0.42
	Vehicle Running & Maintenance	0.60	0.72
	Administrative Expenses	0.30	0.42
	Total	**3.66**	**4.56**
C	**Profit before Interest & Depreciation**	**1.84**	**2.19**
	Interest	0.42	0.28
	Depreciation	0.60	0.51
	Profit before Tax	0.82	1.40
	Income-tax @ 20%	--	0.28
	Profit after Tax	0.82	1.12
	Cash Accruals	1.42	1.63
	Repayment of Term Loan	--	1.15

5.0 CONCLUSIONS

As can be seen from these figures, this activity can provide substantial returns on investment. The critical aspects are complete involvement of promoter and fast turnover. Most of the overheads are direct in nature and maximum utilisation brings down the unit cost. Hence, promoters should always be vigilant and ensure that sales volume continuously grows. Taking optimum work from staff is equally important as salaries constitute 50% of the operating costs. Increased volumes would also bring down per unit fixed cost and profits would go up. Wastage of materials is another important profit determinant. Utmost care has to be taken to ensure minimum wastages. In other words, the promoter has to put in hard work and must pay adequate attention to all critical aspects. Personal involvement of the promoter is the key factor.