

1 VALUE-ADDED SPICES

1.1 Introduction

Spices are very common in Indian cuisine and variety of spices is used every day. In the daily food or snack preparations, spices like red chilly powder, turmeric powder or black pepper powder are used regularly. But this note describes some speciality spices which are prepared from combination of several spices and offer special taste. Many special vegetables or snacks are prepared with the help of such speciality spices or value-added spices and use of such spices is increasing in individual households, restaurants and other eateries, during many social and religious functions etc. This is a versatile product and can be manufactured in many states but this note considers MP as the preferred location.

1.2 Objective

The primary objective of the model report is to facilitate the entrepreneurs in understanding the importance of setting up unit of Value added spices, technology and financial parameters of various components for preparation and submission of project proposal to bank for sanction of long term loan. This model report will serve as guidance to the entrepreneurs on starting up such a new project and basic technical knowledge for setting up such a facility.

1.3 Raw Material Availability

The total production of spices in Madhya Pradesh in year 2004 – 05 is to the tune of 315210.1 MT. it is produced on an area of 265811 ha.

1.4 Market Opportunities

The market for such spices is rapidly growing. Changing lifestyles, fast life and need to work by both husband and wife has given a major boost to this market. Everyone wants some change in daily food with spicy taste and that is why use of speciality spices is increasing. There are some established national brands like MDH, Everest, Badshah etc. who are in the process of capturing the urban and semi-urban markets. But their products are costly on account of high overheads. Rural and semi-urban market cannot always afford these costly products. Hence, there is a fairly good scope for a small scale unit to penetrate this market segment by offering competitive prices. Advertisement in local media and attractive discounts to the retailers will be crucial.

1.5 Project description

1.5.1 Manufacturing Process

Unground spices are cleaned to remove impurities and then washed. Once they are dried, they are pulverised in mixer grinder. Spices in powder form are passed through sieves to remove impurities and to obtain uniform mesh size. Finally, several spices are fed to the pin mill in the proportion as per the recipe and are thoroughly mixed to make speciality spices. It is imperative to have exact recipe and mix various ingredients in the exact proportion as the final taste depends upon it. The process loss is around 5% to 7%.

1.5.2 Availability of know how and compliances

CFTRI, Mysore, has successfully developed the technical know-how. Compliance with PFA Act is necessary and AGMARK is advisable.

1.5.3 Capacity of Plant

The total capacity of the plant is 480 MT per annum.

1.6 Project component and cost

Particulars	Unit	Qty	Cost/unit	Total
LAND & BUILDING				66.25
Land	SqM	1,500	250.00	3.75
Land Development				
Land Area		1,500	500.00	7.50
Building				
Production Block				
Main Production Area	SqM	750	5,000.00	37.50
Store cum packing room	SqM	250	5,000.00	12.50
Contingencies		10%		5.00
PLANT & MACHINERY				45.96
Spice grinding machine		40	37,500	15.00
Disintegrator		10	40,000	4.00
Sieves		40	6,250	2.50
SS Stigma Mixer		20	50,000	10.00
Frying Pan		20	20,000	4.00
Heat Sealing machine'		10	8,000	0.80
Weighing Scale		20	10,000	2.00
Contingencies		20%		7.66
MISCELLANEOUS FIXED ASSETS				4.20
Misc. Plant and machinery	LS	1	350,000	3.50
Contingencies		20%		0.70
PRE-OPERATIVE EXPENSES				15.58
Establishment		1	1,218,000	12.18
Professional Charges		1	100,000	1.00
Security Deposits		1	240,000	2.40
TOTAL				131.99

1.7 Plant and Machinery

Spice grinding machine, Disintegrator, SS Stigma Mixer, Sieves, Heat Sealing machine etc are the main machineries required to manufacture value added spices. The cost of the machinery is around Rs. 45.96 lakh.

1.8 Building

The development of main production building will cost around Rs. 55 lakhs. This building will have two main areas, one is the main production area and another is store cum packing room.

1.9 Miscellaneous Assets

Furniture and fixtures, aluminum top working tables, electricals, exhaust fans, storage racks and bins, plastic crates, SS utensils etc. shall be required for which a provision of Rs. 4.20 lakh is made.

1.10 Preliminary & Pre-operative Expenses

A provision of Rs. 15.58 lakhs would take care of pre-production expenses like establishment, professional charges, security deposits etc.

1.11 Working Capital Assessment

ITEMS	Year 1	Year 3	Year 5
STOCK OF RAW MATERIAL & PACKING MATERIAL	56.16	86.40	86.40
SUNDRY DEBTORS	56.16	86.40	86.40
TOTAL	112.32	172.80	172.80
MARGIN	28.08	43.20	43.20
MPBF	84.24	129.60	129.60
INTEREST ON WC	9.27	14.26	14.26

1.12 Means of Finance

EQUITY CAPITAL			35.00%	56.02
MOFPI SUBSIDY	25%	50.00	25.00%	40.02
TERM LOAN				
FINANANCIAL INSTITUTIONS		10.00%	40.00%	64.03
<i>-Payable half yearly Installments</i>	10	6.40		
TOTAL			100%	160.07

1.13 Cash flow statement

PARTICULARS	Year 1	Year 3	Year 5	Year 7
SOURCES OF FUNDS				
EQUITY CAPITAL	-	-	-	-
SUBSIDY				
NET PROFIT	14.85	38.21	36.35	34.81
(INTEREST ADDED BACK)				
DEPRECIATION	7.07	7.07	7.07	7.07
PRELIMINARY EXP.W/O	2.23	2.23	2.23	2.23
INCREASE IN TERM LOAN	-	-	-	-
INCREASE IN BANK BORROWINGS-WC	84.24	12.96	-	-
TOTAL	108.39	60.46	45.65	44.10

1.14 Projected balance sheet

PARTICULARS	Year 1	Year 3	Year 5	Year 7
LIABILITIES				
EQUITY CAPITAL	56.02	56.02	56.02	56.02
RESERVES & SURPLUS	39.20	72.34	113.05	154.94
TERM LOAN	57.63	32.03	6.43	(0.00)
BANK BORROWINGS-WC	84.24	129.60	129.60	129.60
TOTAL	237.10	289.99	305.11	340.56

1.15 PROFITABILITY STATEMENT

Particulars	Year 1	Year 3	Year 5	Year 7
INCOME	374.40	576.00	576.00	76.00
EXPENDITURE	350.25	528.50	530.35	531.90
VARIABLE	301.20	460.59	459.98	459.37
FIXED	49.05	67.90	70.37	72.53
GROSS PROFIT	24.15	47.50	45.65	44.10
PROFIT BEFORE TAX	(0.81)	19.79	20.49	20.55
RETAINED PROFIT	(0.81)	19.79	20.49	20.55

1.16 Key Indicators

NET PRESENT VALUE at current Inflation (Rs. in lakhs)	213.05
INTERNAL RATE OF RETURN %	30.01
AVERAGE DSCR	1.64
BREAK EVEN POINT %	82.38
PAY BACK PERIOD (YEARS)	4.99

1.17 Manpower Requirement

PARTICULARS	NO.
SUPERVISORY STAFF	
MANAGER	1
PRODUCTION SUPERVISORS	3
MARKETING OFFICER	2
WORKERS	
SKILLED WORKERS	6
HELPERS	10

1.18 Assumptions

Project & Financing			
Contingencies on Building			10%
Contingencies on Equipment			20%
Term Loan			40%
Rate of Interest on Term Loan			10%
Subsidy Considered	Subject to ceiling		25%
Expected time of Installation		Months	10
Moratorium		Months	6
CAPACITY			
Rated Capacity Per Annum	80% of Installed capacity	TPA	480
Number of Operational Days	DAYS		300
Working Hours Per day	Hrs		20
CAPACITY UTILIZATION			
Year I			65%
Year II			90%
Year III			100%
SALES PRICE			
W S Price			120000
OTHER EXPENSE			
Commission			5.0%
Marketing Expenses			2.5%
POWER			
Connected Load	HP		60
DEPRICIATION AS PER COMPANY'S ACT			
BUILDING			3.34%
PLANT & MACHINERY			10.34%
MISC. FIXED ASSETS			7.07%
LAND & SITE DEVELOPMENT			1.63%
MAINTENANCE			
BUILDING			2.00%
PLANT & MACHINERY			2.50%
MISC. FIXED ASSETS			2.00%
LAND & SITE DEVELOPMENT			1.50%

1.18.1 Sources of technology

- ❖ M/s. Sujata Enterprises, Laxmi Rd., Pune 411 030
- ❖ M/s. Laxicon Engg, Sitabardi, Nagpur 440 012
- ❖ Raylons Metal Works, PB No. 17426, JB Nagar, Andheri (E), Mumbai-400059
- ❖ Gladyn and Company, 251, DN Rd., Fort, Mumbai-400001

The actual cost of projects may deviate on change of any of the assumptions.