

## 1 CAKES AND PASTRIES

### 1.1 Introduction

Bakery products have become very popular throughout the country. Breads and biscuits are the most common products but other items like cakes, pastries, cream-rolls, cookies etc. are also not lagging far behind. These items are consumed by people of all age groups across the board. Nature of these products is such that the consumers prefer fresh items. Shelf life of cakes & pastries is limited and thus local manufacturers enjoy distinct advantage. In spite of continuous increase in the consumption of these items during last few years, the per capita consumption is still very low compared to the advanced countries. There is, thus, good scope for these items.

A good pastry is light and airy, easily broken in the mouth (what is called 'short' eating), but firm enough to support the weight of the filling. The dough must be well mixed but care must be taken not to overmix the pastry. This results in long gluten strands and toughens the pastry. Thus, the manufacture of good pastry is something of a fine art.

### 1.2 Objective

The primary objective of the model report is to facilitate the entrepreneurs in understanding the importance of setting up unit of cakes and pastries. 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 all important raw materials will be wheat flour, sugar, eggs and ghee for which proper arrangements should be made. Other items like milk powder, yeast, salt, assorted fruits, baking powder, caramel colour, vanilla, butter cream, etc. shall be required in small quantity.

### 1.4 Market Opportunities

Couple of national brands tried to enter this market in a big way few years back but their products are still finding it difficult to capture the market as the consumer preference is always for freshly prepared cakes or pastries. There are always some well-known bakers at each centre and the real competition would be from them. Hence, it is advisable to have a retail outlet along with bakery apart from sale through other outlets.

Changing lifestyles and increase in the standard of living have changed the eating habits of people with liking for instant or ready-to-eat food items. This trend has spread throughout the

country in all age groups and now even people from the rural areas have also joined this band-wagon. Bakery products fall under the same category and apart from bread and biscuits; items like cakes, pastries, cream-rolls, cookies etc. have become very popular. Fresh items are always preferred by the consumers.

## **1.5 Project description**

### **Applications**

Cakes & pastries are sweet wheat preparations usually made with beaten eggs and yeast as they act as aerating agents. These are, thus, concentrated foods of high caloric value with rich in fat. There are many varieties and flavours of cakes & pastries.

### **Availability of know how and compliances**

Compliance with the PFA Act is mandatory. BIS has specified quality standards for both the products.

### **Capacity of the Project**

The total capacity of the unit is 200 MT.

### **Manufacturing process**

It is standardised and simple for all products. To make cakes, wheat flour and baking powder along with cream, sugar and ghee is mixed thoroughly till it becomes fluffy. Then mixture of beaten eggs is added to it along with caramel colour and chopped fruits before the mixture are poured into cake pans and baked for around 30-40 minutes. Pastries are made in different shapes like square, rectangular etc. from thick cake sheets. Butter cream, jam etc. is placed between layers of cake. The layered cake is then chilled and cut with sharp knife in the required shape and size. Sides of the pieces are iced with butter cream or fudge and topped with finely ground cake crumbs or pieces of fruits or chocolate strips and decorated with proper design, colour and garnish.

There are no standard flavours or varieties and preference of local population has to be kept in mind. There is a very good scope to introduce new varieties palatable to local tastes.

## **1.6 Project component and cost**

Major components of the projects and their costs are described in the table hereunder:

## 1.7 Land and Building

| PARTICULARS                       | Unit | Qty | Cost/unit  | Total        |
|-----------------------------------|------|-----|------------|--------------|
| <b>LAND &amp; BUILDING</b>        |      |     |            | <b>8.38</b>  |
| Land                              | SqM  | 200 | 250.00     | 0.50         |
| <b>Land Development</b>           |      |     |            |              |
| Land Area                         |      | 200 | 500.00     | 1.00         |
| <b>Building</b>                   |      |     |            |              |
| <b>Production Block</b>           |      |     |            |              |
| Buildup Area                      | SqM  | 125 | 5,000.00   | 6.25         |
| Contingencies                     |      | 10% |            | 0.63         |
| <b>PLANT &amp; MACHINERY</b>      |      |     |            | <b>5.94</b>  |
| Flour Sifter                      |      | 1   | 75,000.00  | 0.75         |
| Egg Beater                        |      | 1   | 15,000.00  | 0.15         |
| Cake Mixer                        |      | 1   | 50,000.00  | 0.50         |
| Suger Pulverizer                  |      | 1   | 25,000.00  | 0.25         |
| Oven                              |      | 1   | 150,000.00 | 1.50         |
| Baking Pans                       | LS   | 2   | 50,000.00  | 1.00         |
| SS utensils and Misc              | LS   | 2   | 40,000.00  | 0.80         |
| Contingencies                     |      | 20% |            | 0.99         |
| <b>MISCELLANEOUS FIXED ASSETS</b> |      |     |            | <b>6.00</b>  |
| Misc Assets                       | LS   | 1   | 500,000    | 5.00         |
| Contingencies                     |      | 20% |            | 1.00         |
| <b>PRE-OPERATIVE EXPENSES</b>     |      |     |            | <b>5.46</b>  |
| Establishment                     |      | 1   | 396,000    | 3.96         |
| Professional Charges              |      | 1   | 50,000     | 0.50         |
| Security Deposits                 |      | 1   | 100,000    | 1.00         |
| <b>TOTAL</b>                      |      |     |            | <b>25.78</b> |

## 1.8 Plant and Machinery

The total cost of the plant and machinery is Rs. 5.94 Lakhs.

## 1.9 Building

The main production block will cost around Rs. 6.88 lakhs.

## 1.10 Miscellaneous Assets

A provision of Rs. 6 lakhs would take care of all the requirements.

## 1.11 Preliminary & Pre-operative Expenses

A provision of Rs. 5.46 lakhs would take care of pre-production expenses like establishment, professional charges, security deposits etc.

## 1.12 Working capital assessment

| ITEMS                                    | Year 1      | Year 3       | Year 5       |
|--|-------------|--------------|--------------|
| STOCK OF RAW MATERIAL & PACKING MATERIAL | 1.78        | 2.22         | 2.22         |
| SUNDRY DEBTORS                           | 6.55        | 8.18         | 8.18         |
| <b>TOTAL</b>                             | <b>8.32</b> | <b>10.40</b> | <b>10.40</b> |
| <b>MARGIN</b>                            | 2.08        | 2.60         | 2.60         |
| <b>MPBF</b>                              | 6.24        | 7.80         | 7.80         |
| <b>INTEREST ON WC</b>                    | 0.69        | 0.86         | 0.86         |

### 1.13 Means of finance

|                                   |     |        |        |              |
|-----------------------------------|-----|--------|--------|--------------|
| <b>EQUITY CAPITAL</b>             |     |        | 25.00% | <b>6.96</b>  |
| <b>MOFPI SUBSIDY</b>              | 25% | 50.00  | 25.00% | <b>6.96</b>  |
| <b>TERM LOAN</b>                  |     |        |        |              |
| FINANANCIAL INSTITUTIONS          |     | 10.00% | 50.00% | <b>13.93</b> |
| -Payable half yearly Installments | 10  | 1.40   |        |              |
| <b>TOTAL</b>                      |     |        | 100%   | <b>27.86</b> |

### 1.14 Cash flow statement

| <b>PARTICULARS</b>             | <b>Year 1</b> | <b>Year 3</b> | <b>Year 5</b> | <b>Year 7</b> |
|--------------------------------|---------------|---------------|---------------|---------------|
| <b>SOURCES OF FUNDS</b>        |               |               |               |               |
| EQUITY CAPITAL                 | -             | -             | -             | -             |
| SUBSIDY                        |               |               |               |               |
| NET PROFIT                     | 1.85          | 5.34          | 3.82          | 2.23          |
| (INTEREST ADDED BACK)          |               |               |               |               |
| DEPRECIATION                   | 1.29          | 1.29          | 1.29          | 1.29          |
| PRELIMINARY EXP.W/O            | 0.78          | 0.78          | 0.78          | 0.78          |
| INCREASE IN TERM LOAN          | -             | -             | -             | -             |
| INCREASE IN BANK BORROWINGS-WC | 6.24          | 0.78          | -             | -             |
| <b>TOTAL</b>                   | <b>10.16</b>  | <b>8.20</b>   | <b>5.89</b>   | <b>4.30</b>   |

### 1.15 Projected balance sheet

| <b>PARTICULARS</b> | <b>Year 1</b> | <b>Year 3</b> | <b>Year 5</b> | <b>Year 7</b> |
|--------------------|---------------|---------------|---------------|---------------|
| <b>LIABILITIES</b> |               |               |               |               |
| EQUITY CAPITAL     | 6.96          | 6.96          | 6.96          | 6.96          |
| RESERVES & SURPLUS | 6.73          | 11.60         | 17.30         | 20.78         |
| TERM LOAN          | 12.53         | 6.93          | 1.33          | 0.00          |
| BANK BORROWINGS-WC | <b>6.24</b>   | <b>7.80</b>   | <b>7.80</b>   | 7.80          |
| <b>TOTAL</b>       | <b>32.47</b>  | <b>33.30</b>  | <b>33.39</b>  | <b>35.55</b>  |

### 1.16 Projected profit and loss account

| <b>PARTICULARS</b> | <b>Year 1</b> | <b>Year 3</b> | <b>Year 5</b> | <b>Year 7</b> |
|--------------------|---------------|---------------|---------------|---------------|
| INCOME             | 72.00         | 90.00         | 90.00         | 90.00         |
| EXPENDITURE        | 68.08         | 82.58         | 84.11         | 85.70         |
| VARIABLE           | 44.35         | 54.61         | 54.61         | 54.61         |
| FIXED              | 23.73         | 27.97         | 29.50         | 31.09         |
| GROSS PROFIT       | 3.92          | 7.42          | 5.89          | 4.30          |
| PROFIT BEFORE TAX  | (0.23)        | 3.58          | 2.62          | 1.37          |
| RETAINED PROFIT    | (0.23)        | 3.58          | 2.62          | 1.37          |

### 1.17 Key indicators

|   |              |
|---|--------------|
| NET PRESENT VALUE at current Inflation (Rs. in lakhs) | <b>26.39</b> |
| INTERNAL RATE OF RETURN %                             | <b>22.86</b> |
| AVERAGE DSCR  | <b>1.59</b>  |
| BREAK EVEN POINT %                                    | <b>96.13</b> |
| PAY BACK PERIOD ( YEARS)                              | <b>4.84</b>  |

### 1.18 Manpower Requirement

| PARTICULARS              |                        | NO. |
|--------------------------|------------------------|-----|
| <b>SUPERVISORY STAFF</b> |                        |     |
|                          | PRODUCTION SUPERVISORS | 2   |
| <b>WORKERS</b>           |                        |     |
|                          | SKILLED WORKERS        | 4   |
|                          | SEMI-SKILLED LABOUR    | 8   |
|                          | SALESMAN               | 2   |

### 1.19 Assumptions

|  |                           |     |        |
|--|---------------------------|-----|--------|
| <b>Project &amp; Financing</b>           |                           |     |        |
| Contingencies on Building                |                           |     | 10%    |
| Contingencies on Equipment               |                           |     | 20%    |
| Term Loan                                |                           |     | 50%    |
| Rate of Interest on Term Loan            |                           |     | 10%    |
| Subsidy Considered                       | Subject to ceiling        |     | 25%    |
| Expected time of Installation            | Months                    |     | 6      |
| Moratorium                               | Months                    |     | 6      |
| <b>CAPACITY</b>                          |                           |     |        |
| Rated Capacity Per Annum                 | 80% of Installed capacity | TPA | 200    |
| Number of Operational Days               | DAYS                      |     | 330    |
| Working Hours Per day                    | Hrs                       |     | 14     |
| <b>CAPACITY UTILIZATION</b>              |                           |     |        |
| Year I                                   |                           |     | 80%    |
| Year II                                  |                           |     | 90%    |
| Year III                                 |                           |     | 100%   |
| <b>SALES PRICE</b>                       |                           |     |        |
| W S Price                                |                           |     | 45 000 |
| <b>OTHER EXPENSE</b>                     |                           |     |        |
| Commission                               |                           |     | 10.0%  |
| Marketing Expenses                       |                           |     | 2.5%   |
| <b>POWER</b>                             |                           |     |        |
| Connected Load                           | HP                        |     | 25     |
| <b>DEPRICIATION AS PER COMPANY'S ACT</b> |                           |     |        |
| BUILDING                                 |                           |     | 3.34%  |
| PLANT & MACHINERY                        |                           |     | 10.34% |
| MISC. FIXED ASSETS                       |                           |     | 7.07%  |
| LAND & SITE DEVELOPMENT                  |                           |     | 1.63%  |
| <b>MAINTENANCE</b>                       |                           |     |        |
| BUILDING                                 |                           |     | 1.00%  |
| PLANT & MACHINERY                        |                           |     | 3.00%  |
| MISC. FIXED ASSETS                       |                           |     | 2.00%  |
| LAND & SITE DEVELOPMENT                  |                           |     | 1.00%  |

#### Sources of technology

- ❖ KS Engg. Works, Factory Area, Nr. Ranjit Press, Patiala- 147003. Tel No. 2361535
- ❖ Rolex Tin and Metal Works, 21 Yacoob Street, Nr. JJ Hospital-400003. Tel No. 23472420/23411034
- ❖ Gaziabad Printing and Packing Industries Pvt. Ltd, Nr. DPS, Meerut Road, Gaziabad.

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