

1 ICE CREAM CONES

1.1 Introduction

Ice-creams of many varieties, flavours and in different forms (cones, cups, slices, bulk packing, candies, etc) are served round the year and demand is going up year after year. Possibly the most popular mode of serving is in cones as it is neat & clean, easy to store and there is no disposal need. With continuous increase in sale of ice-creams, demand for cones is increasing. It is a mass consumption item.

Ice-cream cones are prepared from wheat & corn flour and they are eaten along with the ice-cream. Pre-determined quantity of ice-cream is automatically filled in each cone. Cones are not only convenient but there is no residual waste as well. They are of different colours and flavours. This is a very common product and can be produced all over the country. Nearness to urban market should be the main guiding factor.

1.2 Objective

The primary objective of the model report is to facilitate the entrepreneurs in understanding the importance of setting up unit of ice cream cones.

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 major raw materials are wheat and corn flour and some flavours and colours. Since the overall quantities of each material shall not be much, no difficulty is envisaged in procuring them.

1.4 Market Opportunities

Consumption of ice-cream has been increasing steadily over the years. With changing life styles and food habits, this trend would continue even in future. Majority of the consumers prefer ice-cream in cups or cones, and party or bulk packs or serving in glass bowls or plates is very limited. Serving in paper-cups requires a spoon to eat and disposal is a problem. But in case of cones there is no need to have a spoon and they are eaten along with the ice-cream. Thus, this is the most convenient way of serving and also preferred by customers. Icecream candies result in waste while eating and there is consumer resistance.

Many national and regional brands are existing in the market. But local brands, ice-creams prepared by local dairies and parlours are the major players. Ideally, some marketing tie-up

can be made with these local players as they are easily approachable and contemplated production capacity may not permit regular and large supplies to big manufacturers.

1.5 Project description

1.5.1 Capacity of the Project

The total capacity of the unit will be 144 lakh cones per year.

1.5.2 Manufacturing process

Automatic ice-cream cone makers are available. Initially corn and wheat flour is mixed with water and required quantity of colour and flavours are added. Then this dough is fed to the cone making machine. The machine makes cones as per the mould they are baked-in and ready cones come out of it. 50 or 100 cones are packed in polythene bags.

1.6 Project component and cost

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

PARTICULARS	Unit	Qty	Cost/unit	Total
LAND & BUILDING				5.88
Land	SqM	150	250.00	0.38
Building				
Production Block				
Buildup Area	SqM	100	5,000.00	5.00
Contingencies		10%		0.50
PLANT & MACHINERY				6.00
Plant & Machinery	LS	1	500,000.00	5.00
Contingencies		20%		1.00
MISCELLANEOUS FIXED ASSETS				0.12
Misc Assets	LS	1	10,000	0.10
Contingencies		20%		0.02
PRE-OPERATIVE EXPENSES				2.01
Establishment		1	141,000	1.41
Security Deposits		1	60,000	0.60
TOTAL				14.01

1.7 Plant and Machinery

The main machineries is automatic cone manufacturing machine which according to the capacity would cost around Rs. 6 lakhs.

1.8 Building

The main production block will cost around Rs. 5.50 lakhs.

1.9 Miscellaneous Assets

A provision of Rs. 12000/- has been taken as miscellaneous assets.

1.10 Preliminary & Pre-operative Expenses

A provision of Rs. 2.01 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	1.38	1.73	1.73
SUNDRY DEBTORS	2.76	3.46	3.46
TOTAL	4.15	5.18	5.18
MARGIN	1.04	1.30	1.30
MPBF	3.11	3.89	3.89
INTEREST ON WC	0.34	0.43	0.43

1.12 Means of Finance

EQUITY CAPITAL			25.00%	3.76
MOFPI SUBSIDY	25%	50.00	25.00%	3.76
TERM LOAN				
FINANANCIAL INSTITUTIONS		10.00%	50.00%	7.52
<i>-Payable half yearly Installments</i>	10	0.80		
TOTAL			100%	15.04

1.13 Cash flow statement

PARTICULARS	Year 1	Year 3	Year 5	Year 7
SOURCES OF FUNDS				
EQUITY CAPITAL	-	-	-	-
SUBSIDY				
NET PROFIT	1.39	2.87	1.67	0.41
(INTEREST ADDED BACK)				
DEPRECIATION	0.82	0.82	0.82	0.82
PRELIMINARY EXP.W/O	0.29	0.29	0.29	0.29
INCREASE IN TERM LOAN	-	-	-	-
INCREASE IN BANK BORROWINGS-WC	3.11	0.39	-	-
TOTAL	5.60	4.37	2.78	1.52

1.14 Projected balance sheet

PARTICULARS	Year 1	Year 3	Year 5	Year 7
LIABILITIES				
EQUITY CAPITAL	3.76	3.76	3.76	3.76
RESERVES & SURPLUS	4.05	7.34	9.96	10.56
TERM LOAN	6.72	3.52	0.32	(0.00)
BANK BORROWINGS-WC	3.11	3.89	3.89	3.89
TOTAL	17.65	18.51	17.93	18.21

1.15 Profitability

Particulars	Year 1	Year 3	Year 5	Year 7
INCOME	60.83	76.03	76.03	76.03
EXPENDITURE	58.33	72.05	73.25	74.51
VARIABLE	39.39	49.66	49.66	49.66
FIXED	18.94	22.40	23.60	24.86
GROSS PROFIT	2.49	3.98	2.78	1.52
PROFIT BEFORE TAX	0.29	1.97	1.09	(0.01)
RETAINED PROFIT	0.29	1.97	1.09	(0.01)

1.16 Key Indicators

NET PRESENT VALUE at current Inflation	13.66
INTERNAL RATE OF RETURN	23.22
AVERAGE DSCR	1.54
BREAK EVEN POINT %	100.05
PAY BACK PERIOD (YEARS)	4.01

1.17 Manpower Requirement

PARTICULARS	NO.
WORKERS	
WORKERS	
SUPERVISORY STAFF	
GENERAL MANAGER -PRODUCTION	
MANAGER -QUALITY CONTROL	
FARMER'S EXTENSION ADVISOR	
SUPERVISORS	
ELECTRICIAN	
MAINTENENCE ENGG.	
SECURITY	
ADMINISTRATIVE STAFF	
MANAGING DIRECTOR	
GENERAL MANAGER (FINANCE)	
GENERAL MANAGER (COMMERCIAL & MARKETING))	
MANAGER - ADMIISTRATION & PERSONNEL	
OFFICERS	
SECRETARY	
DRIVERS	

1.18 Assumptions

Project & Financing			
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	3
Moratorium		Months	6
CAPACITY			
Rated Capacity Per Annum	80% of Installed capacity	TPA	253.44
Number of Operational Days	DAYS		330
Working Hours Per day	Hrs		16
CAPACITY UTILIZATION			
Year I			80%
Year II			90%
Year III			100%
SALES PRICE			
W S Price	Rs/Cones		0.30
OTHER EXPENSE			
Commission			10.0%
Marketing Expenses			2.5%
POWER			
Connected Load	HP		330
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			1.00%
PLANT & MACHINERY			3.00%
MISC. FIXED ASSETS			2.00%
LAND & SITE DEVELOPMENT			0.00%

1.19 Sourcing of technology

Company Name:	SOGABE SRL
Country/Territory:	Italy
Address:	Via Spallanzani 8 / C, Castelnuovo Sotto, Re, Italy
Corporate Status:	Corporation/Limited Liability Company
Products/Services We Offer:	Kebab Slicers, Crepes Machines, Waffles Machines, Ice Cream Machine, Bruschetta Machine, Pasta Cooker, Hot Dogs Bain Marie, Baked Potato Machines, Induction Plates, Outdoor Caddies.

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