

1 READY-TO-EAT NOODLES

1.1 Introduction

Many fast food items have flooded the markets but noodles have emerged as the most popular item as it is cheaper, very easy to make and nutritious. Urban and semi-urban markets are controlled by Maggi and other players are Top Ramen and other brands. Maggi has revolutionised the concept and this product has gone to majority of the urban households. As an off-shoot of this development, noodles have become very popular in India. Good quality and cheaper product can be pushed in the market with systematic strategy and network.

1.2 Objective

The primary objective of the model report is to facilitate the entrepreneurs in understanding the importance of setting up unit of Ready to Eat noodles, 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

Noodles are made with the help of many ingredients with major input being wheat flour. Other materials required are corn and rice flour, protein isolates, salt, spices, edible oil, preservatives etc.

1.4 Market Opportunities

There is a very large and growing market. Urban market is captured by some national brands as mentioned earlier. But there is a good scope in semi-urban and certain rural markets as the branded products which are sold at about Rs. 100/- per kg. are considered to be costly. At the same time, these markets are familiar with noodles due to constant hammering by the established brands by way of advertisements. Thus, it will not amount to concept selling.

A good product with attractive packaging and affordable price of around Rs.60-65 per kg has good potential. Creation of proper distribution network and product advertisement through vernacular media is also necessary. In other words, good quality, affordable pricing and concentration on semi-urban and upcoming rural markets are the key factors.

1.5 Project description

Applications

There are many pasta products like vermicelli, macaroni, instant noodles etc. They are wheat-based snack food items. They are extruded products and are meant for direct consumption. The product has good market in most of the metros.

Availability of know how and compliances

Certification under the PFA Act is necessary. The BIS has specified standards vide 1485:1976.

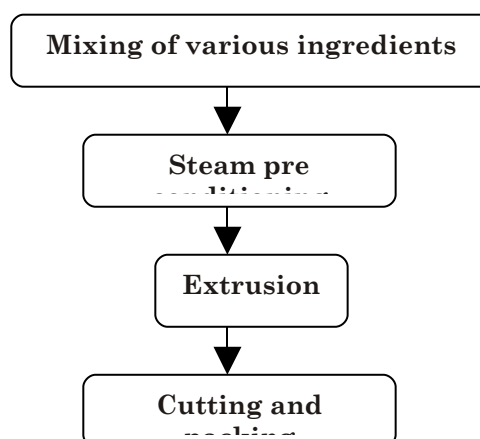
Capacity of the Project

The proposed capacity of the unit is 1152 tonnes per year, but it can be increased in the coming years depending upon the success of the project.

Critical success factors

Manufacturing process

Pre-weighed raw materials are mixed thoroughly followed by steam pre-conditioning in preconditioner. Passing of steam increases the temperature as well as moisture contents of the materials which help in thorough mixing of all the ingredients before extrusion. The preconditioned feed is again mixed with steam water in a mixer and edible oil is added. Feed is finally fed to the extruder and after processing in the machine, extruded product (noodles) comes out which is cut with the help of a rotating knife in the required size. The process flow chart is as under:



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				9.25
Land	SqM	500	250.00	1.25
Land Development				
Land Area		500	500.00	2.50
Building				
Production Block				
Build up Area	SqM	250	2,000.00	5.00
Contingencies		10%		0.50
PLANT & MACHINERY				180.00
Plant and machinery	LS	1	15,000,000.00	150.00
Contingencies		20%		30.00
MISCELLANEOUS FIXED ASSETS				30.00
Misc Assets	LS	1	2,500,000	25.00
Contingencies		20%		5.00
PRE-OPERATIVE EXPENSES				10.00
Establishment		1	790,000	7.90
Professional Charges		1	50,000	0.50
Security Deposits		1	160,000	1.60
TOTAL				229.25

1.7 Building

The building development for the unit will cost around Rs. 5.50 lakhs.

1.8 Plant and Machinery

The total cost of the plant and machinery is Rs. 180 Lakhs. The main plant and machinery required for this project will be Extrusion Machine, Pre-conditioner, Mixer etc.

1.9 Miscellaneous Assets

A provision of Rs. 30 lakhs would take care of all the requirements.

1.10 Preliminary & Pre-operative Expenses

A provision of Rs. 10 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	8.21	11.73	11.73
SUNDRY DEBTORS	41.48	59.25	59.25
TOTAL	49.68	70.98	70.98
MARGIN	12.42	17.74	17.74
MPBF	37.26	53.23	53.23
INTEREST ON WC	4.10	5.86	5.86

1.12 Means of finance

EQUITY CAPITAL			29.31%	70.84
MOFPI SUBSIDY	25%	50.00	20.69%	50.00

TERM LOAN				
FINANANCIAL INSTITUTIONS		10.00%	50.00%	120.84
-Payable half yearly Installments	10	12.10		
TOTAL			100%	241.67

1.13 Cash flow statement

PARTICULARS	Year 1	Year 3	Year 5	Year 7
SOURCES OF FUNDS				
EQUITY CAPITAL	-	-	-	-
SUBSIDY				
NET PROFIT	14.77	38.24	34.56	32.33
(INTEREST ADDED BACK)				
DEPRECIATION	20.98	20.98	20.98	20.98
PRELIMINARY EXP.W/O	1.43	1.43	1.43	1.43
INCREASE IN TERM LOAN	-	-	-	-
INCREASE IN BANK BORROWINGS-WC	37.26	5.32	-	-
TOTAL	74.44	65.97	56.97	54.74

1.14 Projected balance sheet

PARTICULARS	Year 1	Year 3	Year 5	Year 7
LIABILITIES				
EQUITY CAPITAL	70.84	70.84	70.84	70.84
RESERVES & SURPLUS	48.58	87.85	138.08	191.81
TERM LOAN	108.74	60.34	11.94	(0.00)
BANK BORROWINGS-WC	37.26	53.23	53.23	53.23
TOTAL	265.42	272.26	274.08	315.88

1.15 Projected profit and loss account

Particulars	Year 1	Year 3	Year 5	Year 7
INCOME	304.15	434.50	434.50	434.50
EXPENDITURE	266.98	373.85	377.53	379.76
VARIABLE	202.14	286.56	286.56	286.11
FIXED	64.83	87.29	90.97	93.65
GROSS PROFIT	37.17	60.65	56.97	54.74
PROFIT BEFORE TAX	(1.42)	24.54	25.70	26.48
RETAINED PROFIT	(1.42)	24.54	25.70	26.48

1.16 Key indicators

NET PRESENT VALUE at current Inflation (Rs in lakhs)	235.87
INTERNAL RATE OF RETURN %	22.60
AVERAGE DSCR	1.88
BREAK EVEN POINT %	82.16
PAY BACK PERIOD (YEARS)	4.81

1.17 Manpower Requirement

PARTICULARS	NO.
SUPERVISORY STAFF	

	MANAGER	1
	PRODUCTION SUPERVISORS	3
	MARKETING MANAGER	2
WORKERS		
	MACHINE OPERATORS	3
	SEMI-SKILLED LABOUR	6
	HELPERS	9

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	10
Moratorium		Months	6
CAPACITY			
Rated Capacity Per Annum	80% of Installed capacity	TPA	790
Number of Operational Days	DAYS		330
Working Hours Per day	Hrs		20
CAPACITY UTILIZATION			
Year I			70%
Year II			90%
Year III			100%
SALES PRICE			
W S Price			55000
OTHER EXPENSE			
Commission			10.0%
Marketing Expenses			2.5%
POWER			
Connected Load	HP		40
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			3.00%
MISC. FIXED ASSETS			2.00%
LAND & SITE DEVELOPMENT			1.50%

1.19 Sources of technology

- Raylons Metal Works, Pb. No. 17426, JB Nagar, Andheri (E), Mumbai 400059
- Monarch Engg. Works, 13,Kharwa Lane, Kumbharwada, Mumbai 400004

- Gurunanak Engg. And Foundry Works, 166 Focal Point,
Mehta Rd., Amritsar 143039. Tel No. 2583542/7943, Fax: 2587944
- Sen and Barry, 60/34, New Rohatak Rd.,
New Delhi-110005. Tel No. 25763541
- Universal Polypac, 2 Old ESI Rd.,
Ramapuram, Ambattur, Chennai-600053.
Tel No. 26358050/9707

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