

1 READY TO SERVE BEVERAGES

1.1 Introduction

A variety of soft drinks are being presently produced in the country, e.g. sweetened carbonated (aerated) soft drinks, still beverages containing fruit juice/ pulp and soda water. Among these, the share of fruit juice based beverages is presently quite small as compared to synthetic carbonated drinks. Gradually there is a distinct shift towards fruit juice based beverages for obvious advantages of the higher nutritional value over the synthetic aerated waters.

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 serve beverage, 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 available fruits in the state can be used in the unit. The area and production of the major fruits are already mentioned in the earlier profiles.

1.4 Market Opportunities

Today there is a growing health and wellness consciousness among consumers and an increasing importance given to fitness and healthy lifestyle choices. Changing work and lifestyle habits leave less time for home cooking and therefore spur demand for convenience and 'complete nutrition' from meal replacements. There is a greater inclination to 'self-care' rather than 'medicate', a greater awareness of the 'functional' benefits of health beverages and a greater willingness to pay a premium for such beverages.

The Rs 500 crore non-carbonated beverage market in the country is composed of fruit drinks, nectar and juices. While the fruit drink segment is estimated at Rs 250-300 crore (branded and packaged), the juice market is valued at Rs 150 crore and the nectar is a small category of about Rs 35-50 crore. And the popular brands vying for a share in the sector are Parle's Frooti, Godrej's Jumpin, Coca Cola's Maaza, Pepsi's Tropicana, and Dabur's Real, Nestle's Milo, Soy milk from ProSoya and branded fruit juices from Surya Foods among others.

Demand and Supply

Many established brands as stated above have created awareness amongst the consumers and many of them have started switching over to fruit juice based beverages from the aerated beverages. Large companies and brands are popular in urban areas.

Marketing Strategy

Established brands would need quite some time to penetrate the vast and scattered market.

This activity can be started in towns and small cities on a small scale so that products become price competitive. During winter, the demand would go down but otherwise, rest of the 8-9 months would witness steady demand.

1.5 Project description

Process Description

The process of manufacture is simple and standardised. Preserved fruit pulps, sugar syrup, citric acid, preservatives, colours and flavours are blended according to the formulation, homogenised and bottled. The bottles are processed in retorts and cooled.

Availability of know how and compliances

CFTRI, Mysore has successfully developed the technical know-how. Compliance under the PFA Act is mandatory.

Capacity of Plant

As against the rated capacity of 11.76 lacs ltrs every year, actual utilisation in the first year is assumed to be 60%, in the second year it is 70% and thereafter it is limited to 90%.

Sources of technology

Technology of the project related material handling equipment is available with indigenous companies and could be set up at competitive prices. Major suppliers are understated -

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
LAND & BUILDING				14.00
Land	SqM	400	250.00	1.00
Land Development				
Land Area		400	500.00	2.00
Building				
Production Block				
Buildup Area	SqM	100	5,000.00	5.00
Misc Space	SqM	100	5,000.00	5.00
Contingencies		10%		1.00
PLANT & MACHINERY				36.00
Plant & Machinery	LS	1	3,000,000.00	30.00
Contingencies		20%		6.00
MISCELLANEOUS FIXED ASSETS				6.00
Misc Assets	LS	1	500,000	5.00
Contingencies		20%		1.00
PRE-OPERATIVE EXPENSES				11.46
Establishment		1	806,000	8.06
Professional Charges		1	100,000	1.00
Security Deposits		1	240,000	2.40
TOTAL				67.46

1.8 Plant and Machinery

The total cost of the plant and machinery is Rs. 36 Lakhs.

1.9 Building

The main production block will cost around Rs. 11 lakhs. The entire building will be divided into two zones – buildup area and miscellaneous space.

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. 11.46 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	15.89	23.83	23.83
SUNDRY DEBTORS	37.80	56.70	56.70
TOTAL	53.69	80.53	80.53
MARGIN	13.42	20.13	20.13
MPBF	40.26	60.40	60.40
INTEREST ON WC	4.43	6.64	6.64

1.13 Means of finance

EQUITY CAPITAL			35.00%	28.31
MOFPI SUBSIDY	25%	50.00	25.00%	20.22
TERM LOAN				
FINANANCIAL INSTITUTIONS		10.00%	40.00%	32.35
-Payable half yearly Installments	10	3.20		
TOTAL			100%	80.88

1.14 Cash flow statement

PARTICULARS	Year 1	Year 3	Year 5	Year 7
SOURCES OF FUNDS				
EQUITY CAPITAL	-	-	-	-
SUBSIDY				
NET PROFIT	5.40	23.18	21.44	19.75
(INTEREST ADDED BACK)				
DEPRECIATION	4.56	4.56	4.56	4.56
PRELIMINARY EXP.W/O	1.64	1.64	1.64	1.64
INCREASE IN TERM LOAN	-	-	-	-
INCREASE IN BANK BORROWINGS-WC	40.26	13.42	-	-
TOTAL	51.86	42.80	27.64	25.95

1.15 Projected balance sheet

PARTICULARS	Year 1	Year 3	Year 5	Year 7
LIABILITIES				
EQUITY CAPITAL	28.31	28.31	28.31	28.31
RESERVES & SURPLUS	17.95	36.73	64.80	91.68
TERM LOAN	29.15	16.35	3.55	(0.00)
BANK BORROWINGS-WC	40.26	60.40	60.40	60.40
TOTAL	115.68	141.79	157.06	180.39

1.16 Projected profit and loss account

Particulars	Year 1	Year 3	Year 5	Year 7
INCOME	176.40	264.60	264.60	264.60
EXPENDITURE	164.80	235.22	236.96	238.65
VARIABLE	122.82	182.28	182.28	182.28
FIXED	41.98	52.94	54.68	56.37
GROSS PROFIT	11.60	29.38	27.64	25.95
PROFIT BEFORE TAX	(2.27)	14.42	13.96	13.10
RETAINED PROFIT	(2.27)	14.42	13.96	13.10

1.17 Key Indicators

NET PRESENT VALUE at current Inflation (Rs. in lakhs)	116.25
INTERNAL RATE OF RETURN %	32.00
AVERAGE DSCR	1.95
BREAK EVEN POINT %	84.08
PAY BACK PERIOD (YEARS)	4.19

1.18 Manpower Requirement

PARTICULARS		NO.
SUPERVISORY STAFF		
	PRODUCTION MANAGER	1
	PRODUCTION SUPERVISORS	2
WORKERS		
	SKILLED WORKERS	4
	HELPERS	6
	SALESMAN	2

1.19 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	LPA	1176000
Number of Operational Days	DAYS		210
Working Hours Per day	Hrs		14
CAPACITY UTILIZATION			
Year I			60%
Year II			70%
Year III			90%
SALES PRICE			
W S Price			25
OTHER EXPENSE			
Commission			10.0%
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			1.00%
PLANT & MACHINERY			2.00%
MISC. FIXED ASSETS			1.50%
LAND & SITE DEVELOPMENT			1.00%

1.20 LIST OF EQUIPMENT SUPPLIERS

- Raylons Metal Works, PB No 17426, JB Nagar, Andheri (E),
Mumbai 400 059
- Techno equipments, 31 Parekh Street, Girgaon, Mumbai 400 004
- Kalpana Boilers, 18 Kailash Park, LBS Marg, Ghatkopar (W), Mumbai 400 036
- Europack Machines (I) Pvt Ltd, 52 Bindal Estate, Sakinaka,
Mumbai 400 072 Tel. No.: 28526477, 28502151
- Container Industries, C-299, Ghatkopar Indl Estate,
72 LBS Marg, Ghatkopar, Mumbai 400 080

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