

AMLA PRODUCTS



1.0 INTRODUCTION

Amla (Indian Gooseberry) is known for its medicinal values since long and it is used in various forms. Many ayurvedic and herbal preparations use amla as one of the ingredients. With increasing awareness about being healthy and shift towards ayurvedic and herbal medicines, amla products are being consumed in large quantity. Amla is available only during season which lasts for 4½ to 5 months and therefore, the products made out of it, use preservatives for longer shelf-life. These products can be made in many states of the country.

2.0 PRODUCTS

2.1 Applications

There are many amla-based established products in the market and with some changes or modifications, additional or new products can also be thought of. Products like chyvanprash, syrup, hair-oil, supari or after mint, sweet preparation like "Morawala" which is very famous in Maharashtra and amla powder are the products consumed regularly by many households.

2.2 Technology, Quality and Compliances

Technology is very simple and standardised. The products must match the prevailing quality standards. Certification under FPO and PFA Act is mandatory.

3.0 MARKET POTENTIAL

3.1 Demand and Supply

Some of the products like chyvanprash or hair oil have a very large market and there are many established companies in this field like Dabur, Zandu, Charak and so on. These companies have brand image and spend huge amounts on advertisements. Other products are

not very popular in urban areas and the limited markets are scattered. Hence, a small unit cannot take on with these brands and therefore must concentrate on local semi-urban and rural markets. A small unit cannot really afford a big advertisement budget and sales fleet.

3.2 Marketing Strategy

It is, therefore, advisable to carry out systematic market survey to find out consumer preferences or choice and offer attractive prices to the consumers and discounts to the retailers. Retailers should be approached directly to save on commission to be offered to other middle men. Packing should not be very expensive. Certain products like Amla Goli (mint), Amla Supari (after mint), Amla Powder need proper placement with retailers outside schools, pan shops, cinema theatres, ST stands etc. The promoter should involve himself in finalising marketing strategy and its implementation as reaching the target customers is the key.

4.0 MANUFACTURING PROCESS

The manufacturing process is very well established and simple. As a matter of fact, many households especially in Maharashtra have been preparing many of the products (except oil) since long. Fresh fully grown Amlas are washed in warm water and then they are put in pressure cooker for boiling. Boiling enables easy removal of seeds. After removal of seeds, Amlas are cut into different shapes or sizes depending upon the end products. Then they are sun-dried and ingredients like salt, sugar, brahmi, cumin and preservatives are homogeneously mixed and the products are packed.

5.0 CAPITAL INPUTS

5.1 Land and Building

Keeping in mind the profitability of the venture and size of the market, it is necessary to economise on capital cost. It is, therefore, suggested to start this activity in a rented room of around 45-50 sq.mtrs. which would be available on monthly rent of Rs.1000/-.

5.2 Machinery

Not many machineries are required. Keeping in mind, the nature and size of the market, production capacity could be 3000 kgs. per year with working of around eight months as Amla will not be available during off-season of around four months. Following set-up will be required for production.

| Item | Qty. | Amount (Rs.) |
|---------------------------------------|--------------|---------------|
| Mixer Grinder | 2 | 12,000 |
| Gas Bhatti | 1 | 5,000 |
| Fruit Crates | -- | 3,000 |
| Stainless Steel Utensils/Plastic Tubs | -- | 5,000 |
| Pressure Cookers | 2 | 12,000 |
| Electronic Weighing Scale | 1 | 5,000 |
| Plastic Bags Sealing Machines | 2 | 3,000 |
| | Total | 45,000 |

5.3 Miscellaneous Assets

A provision of Rs.20,000/- would take care of working tables, storage racks and office furniture.

5.4 Utilities

Power requirement will not be more than 3 HP whereas water requirement will be about 250-300 ltrs. per day. One LPG cylinder will be enough every month for furnace. Thus, expenditure during operating period of eight months will be Rs.12,000/-.

5.5 Raw Material

The main raw material will be good quality Amla. After removal of seeds, the actual recovery is 60% to 65%. While finalising factory location, it is advisable to find out quality of Amla grown in the vicinity. Considering 60% recovery, Amla required even at 100% capacity would be 5,000 kgs. Amla would be available for about 5 months and requirement of subsequent 3 months will have to be stored. Other materials like salt, sugar, cumin, brahmi etc. should be available locally. Products can be packed in plastic bags and outer packing could be of a bigger sized polythene bag or card board cartons. Amla Syrup should be packed in plastic bottles.

6.0 MANPOWER REQUIREMENTS

| Particulars | Nos. | Monthly Salary (Rs.) | Total Monthly Salary (Rs.) |
|----------------|------|----------------------|----------------------------|
| Skilled Worker | 1 | 2,000 | 2,000 |
| Helpers | 2 | 1,000 | 2,000 |
| | | Total | 4,000 |

7.0 TENTATIVE IMPLEMENTATION SCHEDULE

| Activity | Period (in months) |
|--|--------------------|
| Application and sanction of loan | 1.5 |
| Site selection and commencement of civil work | 0.5 |
| Completion of civil work and placement of orders for machinery | 1.5 |
| Erection, installation and trial runs | 0.5 |

8.0 DETAILS OF THE PROPOSED PROJECT

8.1 Building

It is assumed that built up area of around 50 sq.mtrs. can be taken on monthly rent of Rs. 1,000/-.

8.2 Machinery

Total investment is considered to be Rs.45,000/-, details of which are furnished earlier.

8.3 Miscellaneous Assets

A provision of Rs. 20,000/- is adequate under this head as explained earlier.

8.4 Preliminary & Pre-operative Expenses

An amount of Rs. 20,000/- is sufficient towards registration and administrative charges, travelling and other incidental expenses.

8.5 Working Capital Requirement

Bank may find it difficult to finance working capital as stock of raw materials will not be much during Amla season and majority of the customers will be scattered retailers or vendors with smaller quantities. Hence, it is suggested to avail clean or personal loan or overdraft facilities by offering personal or third party guarantee. The amount envisaged is Rs.30,000/-

8.6 Cost of the Project and Means of Financing

(Rs. in Lacs)

| Item | Amount |
|-------------------------|-------------|
| Building | Rented |
| Machinery | 0.45 |
| Miscellaneous Assets | 0.20 |
| P&P Expenses | 0.20 |
| Contingencies | 0.05 |
| Total | 0.90 |
| Means of Finance | |
| Promoters' Contribution | 0.30 |
| Loan from Bank/FI | 0.60 |
| Total | 0.90 |
| Debt Equity Ratio | 2 : 1 |
| Promoters' Contribution | 33% |

Financial assistance in the form of grant is available from the Ministry of Food Processing Industries, Govt. of India, towards expenditure on technical civil works and plant and machinery for eligible projects subject to certain terms and conditions.

9.0 PROFITABILITY CALCULATIONS

9.1 Production Capacity and Build-up

As against production capacity of 3,000 kgs., the capacity utilisation is expected to be 65% and 75% respectively during the first 2 years.

9.2 Sales Revenue at 100%

Many products can be made from Amla. But it is suggested to decide product mix once final location and thus the potential market is identified. Products like supari or after mint, goli (mint), powder or simple salted sticks can be sold @ Rs.50/- per kg. whereas syrup and moravala @ Rs.80/- per kg. Products like hair oil or chyvanprash have not been considered as they are high value products requiring specialised marketing expertise/skills. Assuming that sale of above mentioned two categories would be equal, the sales income at 100% capacity would be as under.

(Rs. in Lacs)

| Product | Qty. (Kgs) | Price/Kg (Rs.) | Yearly Value |
|------------------------------------|---------------|-------------------|--------------|
| Supari, Goli and Sticks and Powder | 1500 | 80/- | 1.20 |
| Syrup and Moravala | 1500 | 120/- | 1.80 |
| | | Total | 3.00 |

9.3 Raw Materials Required at 100%

(Rs. in Lacs)

| Product | Qty. (Kgs) | Price/Kg (Rs.) | Yearly Value |
|---|---------------|-------------------|--------------|
| Amla | 5000 | 12/- | 0.60 |
| Sugar | 500 | 16/- | 0.08 |
| Salt, Brahmi, Cumin, preservatives, etc. | -- | -- | 0.15 |
| Packing Materials like plastic bags of different sizes, stickers and plastic bottles | -- | -- | 0.25 |
| | | Total | 1.08 |

9.4 Utilities

Total expenditure even at 100% activity level will be Rs.12,000/- per year.

9.5 Interest

Interest on term loan and personal loan (to be utilised for working funds) is calculated @ 12% per annum. Term loan is assumed to be repaid in 2½ years including a moratorium period of 6 months.

9.6 Depreciation

It is calculated @ 10% on machinery and miscellaneous assets on WDV basis.

10.0 PROJECTED PROFITABILITY

(Rs. in lacs)

| No. | Particulars | 1st Year | 2nd Year |
|----------|--|----------------------|-------------|
| A | Installed Capacity | ----- 3000 Kgs ----- | |
| | Capacity Utilisation | 65% | 75% |
| | Sales Realisation | 1.95 | 2.25 |
| B | Cost of Production | | |
| | Raw Materials | 0.70 | 0.81 |
| | Utilities | 0.08 | 0.09 |
| | Salaries | 0.32 | 0.36 |
| | Repairs & Maintenance | 0.03 | 0.06 |
| | Selling Expenses | 0.12 | 0.15 |
| | Administrative Expenses | 0.06 | 0.09 |
| | Total | 1.31 | 1.56 |
| C | Profit before Interest & Depreciation | 0.64 | 0.69 |
| | Interest on Term Loan | 0.07 | 0.05 |
| | Interest on Working Capital | 0.04 | 0.04 |
| | Depreciation | 0.07 | 0.06 |
| | Profit before Tax | 0.46 | 0.54 |
| | Income-tax @ 20% | -- | -- |
| | Profit after Tax | 0.46 | 0.54 |
| | Cash Accruals | 0.53 | 0.60 |
| | Repayment of Term Loan | -- | 0.30 |

11.0 BREAK-EVEN ANALYSIS

(Rs. in Lacs)

| Sr No | Particulars | Amount | |
|-------|--------------------------|--------|------|
| [A] | Sales | | 1.95 |
| [B] | Variable Costs | | |
| | Raw Materials | 0.70 | |
| | Utilities (70%) | 0.05 | |
| | Salaries (70%) | 0.21 | |
| | Selling Expenses (70%) | 0.09 | |
| | Admn Expenses (50%) | 0.03 | |
| | Interest on WC | 0.04 | 1.12 |
| [C] | Contribution (A - B) | | 0.83 |
| [D] | Fixed Cost | | 0.37 |
| [E] | Break-Even Point (D ÷ C) | | 45% |

12.0 [A] LEVERAGES**Financial Leverage**

$$= \text{EBIT/EBT}$$

$$= 0.57 \div 0.46$$

$$= 1.24$$

Operating Leverage

$$= \text{Contribution/EBT}$$

$$= 0.83 \div 0.46$$

$$= 1.80$$

Degree of Total Leverage

$$= \text{FL/OL}$$

$$= 1.24 \div 1.80$$

$$= 0.69$$

[B] Debt Service Coverage Ratio (DSCR)

(Rs. in lacs)

| Particulars | 1st Yr | 2nd Yr | 3rd Yr |
|-----------------------|--------------------|-------------|-------------|
| Cash Accruals | 0.53 | 0.60 | 0.61 |
| Interest on TL | 0.07 | 0.05 | 0.03 |
| Total [A] | 0.60 | 0.65 | 0.64 |
| Interest on TL | 0.07 | 0.05 | 0.03 |
| Repayment of TL | -- | 0.30 | 0.30 |
| Total [B] | 0.07 | 0.35 | 0.33 |
| DSCR [A] ÷ [B] | 8.57 | 1.86 | 1.94 |
| Average DSCR | ←----- 4.12 -----> | | |

[C] Internal Rate of Return (IRR)

Cost of the Project Rs. 0.90 Lacs.

(Rs. in lacs)

| Year | Cash Accruals | 16% | 18% |
|------|---------------|------|------|
| 1 | 0.53 | 0.46 | 0.45 |
| 2 | 0.60 | 0.45 | 0.43 |
| | 1.13 | 0.91 | 0.88 |

The IRR is around 16%.

Some of the equipment and packing machinery suppliers are as under

1. Sujata Enterprises, Lakshmi Road, Pune
2. Techno Equipments, 31, Parekh Street, Girgaon, Mumbai 400004
3. Hildon Packaging Machine Pvt. Ltd., Plot No. 101, Road No. 16, MIDC Chakala, Andheri, Mumbai - 400093