

ROASTED & SALTED CASHEWNUTS



1.0 INTRODUCTION

Cashewnut is one of the important ingredients in the category of dry fruits along with almond, raisin, walnut etc. India is one of the leading producers of cashew and the states of Kerala, Karnataka, Tamilnadu, Andhra Pradesh, Goa and Maharashtra are the major contributors. This note envisages Maharashtra as the proposed location. Konkan region of Maharashtra and the adjacent state of Goa produce substantial quantity of cashewnuts. Reportedly, Ratnagiri district of the Konkan region alone has more than 20,000 acres of land under cashew cultivation. The state government as well as NABARD are encouraging cashew plantation. Hence, this region is ideally suited for the project.

2.0 PRODUCT

Cashewnuts are popular all over the world and is an important table enricher. Roasted and salted cashewnuts are very popular especially with the high-income group population and are served in star hotels, high-end restaurants, bars and clubs.

2.1 Compliances under the FPO and PFA Act is mandatory.

3.0 MARKET POTENTIAL

3.1 Demand and Supply

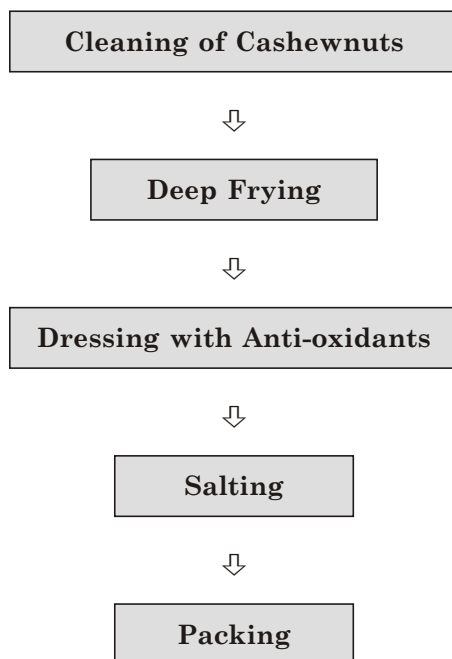
Cashewnuts form an integral part of dry fruits. Properly processed nuts have shelf life of 4 to 6 months. Roasted and salted cashewnuts are used as table enrichers in many restaurants, clubs, pubs etc. and are also served during flights. Their household consumption is limited to high income groups wherein they are consumed regularly, whereas others eat them occasionally. There are good export possibilities as well provided the quality is of international standard.

3.2 Marketing Strategy

Initial breakthrough can be made with the help of Indians settled abroad and having appropriate selling outlets. Consistent quality, attractive packing and placement of the product at strategic locations like speciality stores, super markets, shopping malls, departmental stores, retail outlets at the airports etc. are important aspects.

4.0 MANUFACTURING PROCESS

It is easy and standardised. Very good quality cashewnuts (around 220-240 counts) are deep fried in vegetable oil in thermostat controlled pans at a steady temperature of about 80-90° C. Then they are dressed with the solution of antioxidant to prevent rancidity. The materials used are butylated hydroxianisole or gum guaise or citric acid. Then cashews are passed through a centrifugal chamber to ensure uniform coating and to remove traces of oil sticking on the nuts. Salting is done before packing in tins. Spices can also be added. Tins are seamed and vacuumised and an inert gas (nitrogen flushing) is introduced. This increases the shelf life substantially. The process flow chart is as under:



5.0 CAPITAL INPUTS

5.1 Land and Building

A readymade shed of around 80 sq.mtrs. may be bought to save time and capital cost of land. The price is assumed to be Rs.2.00 lacs.

5.2 Machinery

Processing capacity of 42 tonnes per year with 2 shift working and 300 working days would need following machines:

Item	Qty.	Price (Rs.)
Electrically-operated Roaster with thermostatic control	1	1,00,000
Centrifuge Chamber	1	50,000
Can Seamer	1	30,000
Vacuum Packing machine with nitrogen filling facility	1	50,000
SS utensils, weighing scales, aluminium trays etc.	--	50,000
	Total	2,80,000

5.3 Miscellaneous Assets

Some other assets like furniture and fixtures, electrical, working tables etc. shall be required for which a provision of Rs. 60,000/- is made.

5.4 Utilities

Total power requirement would be 25 HP whereas per day water requirement shall be 1000 ltrs.

5.5 Raw and Packing Materials

The most critical raw material would be high quality cashewnuts. Since even at 100% activity level, the monthly requirement will not even be 4 tonnes, procurement should not be a problem. Other materials like salt, spices, vegetable oil, anti-oxidants etc. shall be required in small quantity. Proper before hand arrangements shall have to be made for packing materials like tin containers, labels, cartons, box strapping etc.

6.0 MANPOWER REQUIREMENTS

Particulars	Nos.	Monthly Salary (Rs.)	Total Monthly Salary (Rs.)
Skilled Workers	2	2,500	5,000
Helpers	4	1,250	5,000
Salesman	1	2,500	2,500
		Total	12,500

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 Land and Building

A readymade shed of around 80 sq.mtrs. would cost Rs. 2.00 lacs as stated before.

8.2 Machinery

A provision of Rs. 2.80 lacs is enough as explained earlier.

8.3 Miscellaneous Assets

Other assets would cost around Rs. 60,000/- as stated before.

8.4 Preliminary & Pre-operative Expenses

Pre-production expenses like registration, establishment, administrative and travelling expenses, interest during implementation, trial runs etc. would be around Rs.65,000/-.

8.5 Working Capital Requirements

At 60% capacity utilisation in the first year, the estimated working capital needs shall be as under:

(Rs. in lacs)

Particulars	Period	Margin	Total	Bank	Promoters
Stock of Raw and Packing Materials	½ Month	30%	2.20	1.55	0.65
Stock of Finished Goods	½ Month	25%	2.50	1.85	0.65
Receivables	½ Month	25%	3.15	2.35	0.80
Other Expenses	1 Month	100%	0.25	--	0.25
		Total	8.10	5.75	2.35

8.6 Cost of the Project & Means of Financing (Rs. in lacs)

Item	Amount
Building	2.00
Machinery	2.80
Miscellaneous Assets	0.60
P&P Expenses	0.65
Contingencies @ 10% on Building & Plant & Machinery	0.50
Working Capital Margin	2.35
Total	8.90
Means of Finance	
Promoters' Contribution	2.70
Term Loan from Bank/FI	6.20
Total	8.90
Debt Equity Ratio	2.28 : 1
Promoters' Contribution	30%

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 & Build-up**

As against annual rated capacity of 42 tonnes, actual utilisation in the first year is envisaged to be 60% and 75% during subsequent years.

9.2 Sales Revenue at 100%

Considering selling price of Rs. 3.00 lacs per ton, the annual income for 42 tonnes would be Rs. 126.00 lacs.

9.3 Raw and Packing Materials Required at 100% (Rs. in lacs)

Product	Qty. (Tonnes)	Price/Ton (Rs.)	Value
Cashewnuts	42	1.90 Lacs	79.80
Vegetable Oil	3	0.70 Lacs	0.60
Salt, Spices, Chemicals etc.	--	--	0.60
Packing Material @ Rs.12000/Ton	--	--	5.04
		Total	87.54

9.4 Utilities

Annual cost of utilities is estimated to be Rs. 70,000/-.

9.5 Selling Expenses

A provision of 20% of sales income every year would take care of selling commission, transportation, publicity etc.

9.6 Interest

Interest on term loan of Rs. 6.20 lacs is computed @ 12% per annum assuming repayment in 3 years including a moratorium period of 6 months and on working capital loan it is calculated @ 14% per annum.

9.7 Depreciation

It is calculated on WDV basis @ 10% on building and 20% on machinery and miscellaneous assets.

10.0 PROJECTED PROFITABILITY

(Rs. in lacs)

No.	Particulars	1st Year	2nd Year
A	Installed Capacity	--- 42 Tonnes ---	
	Capacity Utilisation	60%	75%
	Sales Realisation	75.60	94.50
B	Cost of Production		
	Raw and Packing Materials	52.52	65.66
	Utilities	0.42	0.53
	Salaries	1.50	1.75
	Stores and Spares	0.18	0.24
	Repairs & Maintenance	0.30	0.36
	Selling Expenses @ 20%	15.12	18.90
	Administrative Expenses	0.60	0.80
	Total	70.64	88.24
C	Profit before Interest & Depreciation	4.96	6.26
	Interest on Term Loan	0.61	0.36
	Interest on Working Capital	0.80	1.00
	Depreciation	0.88	0.72
	Profit before Tax	2.67	4.18
	Income-tax @ 20%	0.53	0.83
	Profit after Tax	2.14	3.35
	Cash Accruals	3.02	4.07
	Repayment of Term Loan	1.10	2.20

11.0 BREAK-EVEN ANALYSIS

(Rs. in lacs)

No	Particulars	Amount	
[A]	Sales		75.60
[B]	Variable Costs		
	Raw and Packing Materials	52.52	
	Utilities (70%)	0.29	
	Salaries (70%)	1.05	
	Stores & Spares	0.18	
	Selling Expenses (70%)	10.58	
	Admn Expenses (50%)	0.30	
	Interest on WC	0.80	65.72
[C]	Contribution [A] - [B]		9.88
[D]	Fixed Cost		6.10
[E]	Break-Even Point [D] ÷ [C]		62%

12.0 [A] LEVERAGES

Financial Leverage

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

$$= 4.08 \div 2.67$$

$$= 1.53$$

Operating Leverage

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

$$= 9.88 \div 2.67$$

$$= 3.70$$

Degree of Total Leverage

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

$$= 1.53 \div 3.70$$

$$= 0.41$$

[B] Debt Service Coverage Ratio (DSCR)

(Rs. in lacs)

Particulars	1st Yr	2nd Yr	3rd Yr
Cash Accruals	3.02	4.07	4.39
Interest on TL	0.61	0.36	0.17
Total [A]	3.63	4.43	4.56
Interest on TL	0.61	0.36	0.17
Repayment of TL	1.25	2.50	2.45
Total [B]	1.86	2.86	2.62
DSCR [A] ÷ [B]	1.95	1.74	1.79
Average DSCR	----- 1.69 -----		

[C] Internal Rate of Return (IRR)

Cost of the project is Rs. 8.90 lacs.

(Rs. in lacs)

Year	Cash Accruals	24%	28%	32%
1	3.02	2.43	2.36	2.29
2	4.07	2.65	2.48	2.34
3	4.39	2.30	2.09	1.91
4	4.76	2.01	1.78	1.57
	16.24	9.39	8.71	8.11

The IRR is around 27%.

Some of the machinery and packing material suppliers are

1. Raylon Metal Works, JB Nagar, Andheri(E), Mumbai 400 059
2. Sujata Enterprises, Laxmi Rd., Pune
3. G R Engg. Works Pvt Ltd, Worli, Mumbai 400 059
4. Container Industries, C-299, Ghatkopar Industrial Estate, 72 LBS Marg, Mumbai-400080