

PROJECT REPORT

OF

MASALA TEA

MANUFACTURING UNIT

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Masala Tea Manufacturing unit.

The objective of the pre-feasibility report is primarily to facilitate potential entrepreneurs in project identification for investment and in order to serve his objective; the document covers various aspects of the project concept development, start-up, marketing, finance and management.

[We can modify the project capacity and project cost as per your requirement. We can also prepare project report on any subject as per your requirement.]



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PROJECT AT A GLANCE

- 1 Name of the Entrepreneur : xxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **MASALA TEA**
- 6 Name of the project / business activity proposed : **MASALA TEA MANUFACTURING UNIT**
- 7 Cost of Project : Rs.18.31 Lakhs
- 8 Means of Finance
- Term Loan Rs.9.98 Lakhs
- Own Capital Rs.1.83 Lakhs
- Working Capital Rs.6.5 Lakhs
- 9 Debt Service Coverage Ratio : 2.84
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 25%
- 13 Employment : 9 Persons
- 14 Power Requirement : 15.00 KW
- 15 Major Raw materials : Dry Ginger, Cinnamon, Cardamom, Black Pepper
- 16 Estimated Annual Sales Turnover : 96.31 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	10.09
Miss Assets	0.50
Furniture & Fixtures	0.50
Working Capital	7.22
Total	18.31

MEANS OF FINANCE

Particulars	Amount
Own Contribution	1.83
Working Capital(Finance)	6.50
Term Loan	9.98
Total	18.31

MASALA TEA

1. INTRODUCTION



Masala chai is a tea drink made by steeping black tea in milk and water with aromatic herbs and spices. The beverage, which originated in South Asia, has gained worldwide popularity and is now found in many coffee and tea shops. While traditionally green cardamom pods, cinnamon sticks, ground cloves, ground ginger, and black peppercorns in a decoction with black tea leaves, retail variations include infusion tea bags, instant powdered mixtures, and concentrates.

HEALTH BENEFIT OF MASALA TEA

Masala Chai! The name is enough to brighten a chai lover's day. In India, tea is a year-round beverage for many people, whether it's summer, fall, winter, or spring. Early in the morning, a cup of steaming hot tea brightens and refreshes our day. There are several different types of tea to choose from, including black tea, green tea, and Indian kadak masala tea, and the best part is that each form of tea has many health benefits. Tea is a delicious and nutritious beverage that is also one of the simplest to make.

The following health benefits of masala tea are given below

- Improves Digestion
- Reduces Nausea
- Relieves Aches and Pains
- May Improve Heart Health

2. USES & MARKET POTENTIAL






Masala tea is used as refresh morning hot beverages.

Masala Tea contains a lot of antioxidants. It helps older adults' battle illnesses including colds, coughs, cancer, cholesterol, and blood pressure and heart rate control since it contains many spices.

India is the second-largest tea producer in the Asia Pacific region after China, which is also the largest user of the beverage, consuming nearly 30% of global tea production in 2018. Despite this, after China and Kenya, the country exported the most tea in the world. In 2018, the global tea market was worth USD 12.63 billion, and it is projected to grow at a CAGR of 5.5 percent from 2019 to 2025. In the Indian subcontinent, masala tea is a common beverage. Chai wallas, small roadside companies, make and deliver tea in a chaidaan, a wooden or metal frame carrier for cups, to people's places of business. Roadside tea stalls in Mumbai's metropolitan city serve smaller cups of tea for a lower price, known as 'Cutting Chai.' Masala tea is a common beverage in households in South Asia. Though most people like to eat it with breakfast in the morning, it is also served to any visitors. Tea stalls have become a good business opportunity for many start-ups in India as demand has grown. There are now a slew of larger food chains selling "Masala Chai" and light snacks on office and college campuses, and they're thriving. India is well-known for its Chai culture, in addition to its history, culture, and cuisine. India is one of the countries where the elderly population is growing, and with it, the prevalence of diseases affecting the elderly. The human body begins to deteriorate with each passing year. As a result, as people grow older, their chances of developing numerous health problems increase. Masala tea is made by combining various spices and ingredients to aid in the prevention of certain diseases and to keep seniors fit and safe in their later years. Cinnamon, black pepper, ginger, Holy basil, cardamom, and other spices are used in masala tea. Masala Tea is popular all over the world for its health benefits as well as its delicious taste and aroma.

RAW MATERIAL REQUIREMENT

The following ingredient are required to make a good masala tea powder

Name of ingredient	Qty (%)	Picture
Cardamom	30	
Dry Ginger(Sonth)	30	
Cinnamon	20	
Black Pepper	10	
Cloves	10	

Packaging material also required as per market demand generally poly bags with cardboard boxes are the commonly used packaging materials.

MANUFACTURING PROCESS

- 1. Raw Material Procurement**
- 2. Vibratory pre- cleaning**
- 3. De-stoning**
- 4. Magnetic separation**
- 5. Mixing the spices**
- 6. Roasting**
- 7. Grinding**
- 8. Sifting**

3. PROJECT COMPONENTS

3.1 Land /Civil Work

The industrial setup requires space for Inventory, workshop or processing area, space for power supply utilities, packaging area. Also, some of the area of building is required for office staff facilities, documentation, office furniture, etc. Thus, the approximate total area required for complete small-scale factory setup is 1000-1500 Sq. ft. approximately. Micro, small and medium enterprises are engaged in this work accounting for the total Processing units.

3.2 Plant and Machinery

S.N.	Particulars	Quantity/Amount
1	Vibrating Pre-cleaner	80,000
2	De-stoner	70,000
3	Magnetic separator	1,00,000
4	Mixer machine	75,000
5	Dryer machine	1,00,000
6	Roaster Machine	1,50,000
7	Spices Grinding machine	80,000
8	Pouch packing machine	2,00,000
	Sub-total Amount	8,55,000
	GST @ 18%	1,53,900
	Total	10,08,900

3.3 Power Requirement

The borrower shall require power load of 15 KW which shall be applied with Power Corporation.

4. FINANCIALS

PROJECTED BALANCE SHEET					
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>Liabilities</u>					
Capital					
Opening Balance		3.11	4.45	6.87	9.15
Add:- Own Capital	1.83				
Add:- Retained Profit	2.53	3.33	4.92	7.04	9.09
Less:- Drawings	1.25	2.00	2.50	4.75	6.00
Closing Balance	3.11	4.45	6.87	9.15	12.25
Term Loan	8.87	6.65	4.44	2.22	-
Working Capital Limit	6.50	6.50	6.50	6.50	6.50
Sundry Creditors	3.38	4.61	5.43	6.29	7.19
Provisions & Other Liabilities	0.40	0.60	0.72	0.86	1.04
TOTAL :	22.26	22.81	23.95	25.02	26.97
<u>Assets</u>					
Fixed Assets (Gross)	11.09	11.09	11.09	11.09	11.09
Gross Depreciation	1.64	3.03	4.22	5.23	6.10
Net Fixed Assets	9.45	8.06	6.87	5.86	4.99
Current Assets					
Sundry Debtors	5.14	5.56	6.55	7.59	8.68
Stock in Hand	5.46	6.68	7.87	9.12	10.43
Cash and Bank	1.46	1.52	0.91	0.95	0.86
Loans and advances/other current assets	0.75	1.00	1.75	1.50	2.00
TOTAL :	22.26	22.81	23.95	25.02	26.97

PROJECTED CASH FLOW STATEMENT					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>SOURCES OF FUND</u>					
Own Margin	1.83				
Net Profit	2.53	3.33	4.92	7.26	9.80
Depriciation & Exp. W/off	1.64	1.40	1.19	1.01	0.86
Increase in Cash Credit	6.50	-	-	-	-
Increase In Term Loan	9.98	-	-	-	-
Increase in Creditors	3.38	1.23	0.82	0.86	0.90
Increase in Provisions & Other liabilities	0.40	0.20	0.12	0.14	0.17
TOTAL :	26.26	6.16	7.05	9.28	11.74
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	11.09				
Increase in Stock	5.46	1.22	1.19	1.25	1.31
Increase in Debtors	5.14	0.42	0.99	1.04	1.09
Increase in loans and advances	0.75	0.25	0.75	0.25	0.50
Repayment of Term Loan	1.11	2.22	2.22	2.22	2.22
Drawings	1.25	2.00	2.50	4.75	6.00
Taxation	-	-	-	0.23	0.71
TOTAL :	24.80	6.11	7.65	9.24	11.83
Opening Cash & Bank Balance	-	1.46	1.52	0.91	0.95
Add : Surplus	1.46	0.05	-0.60	0.04	-0.09
Closing Cash & Bank Balance	1.46	1.52	0.91	0.95	0.86

PROJECTED PROFITABILITY STATEMENT					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
Capacity Utilisation %	30%	35%	40%	45%	50%
SALES					
MASALA TEA	96.31	119.07	140.35	162.69	186.08
Total	96.31	119.07	140.35	162.69	186.08
COST OF SALES					
Raw material cost	67.50	81.27	95.76	110.97	126.90
Electricity Expenses	2.52	3.02	3.63	4.35	5.23
Depreciation	1.64	1.40	1.19	1.01	0.86
Wages & labour	9.72	10.69	11.76	12.94	14.23
Repair & maintenance	0.48	1.79	2.11	2.44	2.79
Consumables	1.20	1.49	1.75	2.03	2.33
Packaging cost	1.93	2.08	2.81	3.25	3.72
Cost of Production	84.99	101.74	119.00	137.00	156.06
Add: Opening Stock	-	3.21	3.97	4.68	5.42
Less: Closing Stock	3.21	3.97	4.68	5.42	6.20
Cost of Sales	81.78	100.98	118.30	136.26	155.28
GROSS PROFIT	14.53	18.09	22.06	26.43	30.80
Salary to Staff	6.00	6.60	7.26	7.99	8.78
Interest on Term Loan	0.98	0.86	0.62	0.38	0.13
Interest on working Capital	0.71	0.71	0.71	0.71	0.71
Rent	3.00	3.30	3.63	3.99	4.39
Selling & Administration Expenses	1.30	3.27	4.91	6.10	6.98
TOTAL	12.00	14.75	17.14	19.17	21.00
NET PROFIT	2.53	3.33	4.92	7.26	9.80
Taxation				0.23	0.71
PROFIT (After Tax)	2.53	3.33	4.92	7.04	9.09

CALCULATION OF D.S.C.R

PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
CASH ACCRUALS	4.17	4.73	6.11	8.05	9.95
Interest on Term Loan	0.98	0.86	0.62	0.38	0.13
Total	5.15	5.59	6.73	8.42	10.09
REPAYMENT					
Instalment of Term Loan	1.11	2.22	2.22	2.22	2.22
Interest on Term Loan	0.98	0.86	0.62	0.38	0.13
Total	2.09	3.08	2.84	2.59	2.35
DEBT SERVICE COVERAGE RATIO	2.47	1.81	2.37	3.25	4.29
AVERAGE D.S.C.R.					2.84

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
Finished Goods					
(10 Days)	3.21	3.97	4.68	5.42	6.20
Raw Material					
(10 Days)	2.25	2.71	3.19	3.70	4.23
Closing Stock	5.46	6.68	7.87	9.12	10.43

COMPUTATION OF WORKING CAPITAL REQUIREMENT					
TRADITIONAL METHOD					(in Lacs)
Particulars	Amount	Own Margin		Bank Finance	
Finished Goods & Raw Material	5.46				
Less : Creditors	3.38				
Paid stock	2.09	10%	0.21	90%	1.88
Sundry Debtors	5.14	10%	0.51	90%	4.62
	7.22		0.72		6.50
MPBF					6.50
WORKING CAPITAL LIMIT DEMAND (from Bank)					6.50

REPAYMENT SCHEDULE OF TERM LOAN								
							Interest	11.00%
Year	Particulars	Amount	Addition	Total	Interest	Repayment	Closing Balance	
1st	Opening Balance	-						
	1st month		9.98	9.98	-	-	9.98	
	2nd month	9.98	-	9.98	0.09	-	9.98	
	3rd month	9.98	-	9.98	0.09	-	9.98	
	4th month	9.98	-	9.98	0.09	-	9.98	
	5th month	9.98	-	9.98	0.09	-	9.98	
	6th month	9.98	-	9.98	0.09	-	9.98	
	7th month	9.98	-	9.98	0.09	0.18	9.80	
	8th month	9.80	-	9.80	0.09	0.18	9.61	
	9th month	9.61	-	9.61	0.09	0.18	9.43	
	10th month	9.43	-	9.43	0.09	0.18	9.24	
	11th month	9.24	-	9.24	0.08	0.18	9.06	
	12th month	9.06	-	9.06	0.08	0.18	8.87	
					0.98	1.11		
2nd	Opening Balance							
	1st month	8.87	-	8.87	0.08	0.18	8.69	
	2nd month	8.69	-	8.69	0.08	0.18	8.50	
	3rd month	8.50	-	8.50	0.08	0.18	8.32	
	4th month	8.32	-	8.32	0.08	0.18	8.13	
	5th month	8.13	-	8.13	0.07	0.18	7.95	
	6th month	7.95	-	7.95	0.07	0.18	7.76	
	7th month	7.76	-	7.76	0.07	0.18	7.58	
	8th month	7.58	-	7.58	0.07	0.18	7.39	
	9th month	7.39	-	7.39	0.07	0.18	7.21	
	10th month	7.21	-	7.21	0.07	0.18	7.02	
	11th month	7.02	-	7.02	0.06	0.18	6.84	
	12th month	6.84	-	6.84	0.06	0.18	6.65	
					0.86	2.22		
3rd	Opening Balance							
	1st month	6.65	-	6.65	0.06	0.18	6.47	
	2nd month	6.47	-	6.47	0.06	0.18	6.28	
	3rd month	6.28	-	6.28	0.06	0.18	6.10	
	4th month	6.10	-	6.10	0.06	0.18	5.91	
	5th month	5.91	-	5.91	0.05	0.18	5.73	
	6th month	5.73	-	5.73	0.05	0.18	5.54	
	7th month	5.54	-	5.54	0.05	0.18	5.36	
	8th month	5.36	-	5.36	0.05	0.18	5.18	
	9th month	5.18	-	5.18	0.05	0.18	4.99	
	10th month	4.99	-	4.99	0.05	0.18	4.81	
	11th month	4.81	-	4.81	0.04	0.18	4.62	

12th month	4.62	-	4.62	0.04	0.18	4.44
				0.62	2.22	
4th Opening Balance						
1st month	4.44	-	4.44	0.04	0.18	4.25
2nd month	4.25	-	4.25	0.04	0.18	4.07
3rd month	4.07	-	4.07	0.04	0.18	3.88
4th month	3.88	-	3.88	0.04	0.18	3.70
5th month	3.70	-	3.70	0.03	0.18	3.51
6th month	3.51	-	3.51	0.03	0.18	3.33
7th month	3.33	-	3.33	0.03	0.18	3.14
8th month	3.14	-	3.14	0.03	0.18	2.96
9th month	2.96	-	2.96	0.03	0.18	2.77
10th month	2.77	-	2.77	0.03	0.18	2.59
11th month	2.59	-	2.59	0.02	0.18	2.40
12th month	2.40	-	2.40	0.02	0.18	2.22
				0.38	2.22	
5th Opening Balance						
1st month	2.22	-	2.22	0.02	0.18	2.03
2nd month	2.03	-	2.03	0.02	0.18	1.85
3rd month	1.85	-	1.85	0.02	0.18	1.66
4th month	1.66	-	1.66	0.02	0.18	1.48
5th month	1.48	-	1.48	0.01	0.18	1.29
6th month	1.29	-	1.29	0.01	0.18	1.11
7th month	1.11	-	1.11	0.01	0.18	0.92
8th month	0.92	-	0.92	0.01	0.18	0.74
9th month	0.74	-	0.74	0.01	0.18	0.55
10th month	0.55	-	0.55	0.01	0.18	0.37
11th month	0.37	-	0.37	0.00	0.18	0.18
12th month	0.18	-	0.18	0.00	0.18	-
				0.13	2.22	
DOOR TO DOOR	60	MONTHS				
MORATORIUM PERIOD	6	MONTHS				
REPAYMENT PERIOD	54	MONTHS				

Assumptions:

- Production Capacity of Masala Tea is 50 KG Per Hour. First year, Capacity has been taken @ 30%.
- Working shift of 8 hours per day has been considered.
- Raw Material stock is for 10 days and finished goods Closing Stock has been taken for 10 days.
- Credit period to Sundry Debtors has been given for 15-18 days.
- Credit period by the Sundry Creditors has been provided for 14-16 days.
- Depreciation and Income tax rates has been taken as per the Income tax Act, 1961.
- Interest on working Capital Loan and Term loan has been taken at 11%.
- Salary and wages rates are taken as per the Current Market Scenario.
- Power Consumption has been taken at 15 KW.

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