

PROJECT REPORT FOR
POTATO CHIPS MANUFACTURING



SUBMITTED TO

XXXXXXXXXXXXXXXXXXXXXXXXXX

PROJECT LOCATION

XXXXXXXXXXXXXXXXXXXXXXXXXX

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I. PROJECT AT A GLANCE

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|---------------------------------|--|
| 1. About the Promoter | :XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
Address: XXXXXXXXXXXXXXXXXXXXXXXXXXXXX |
| 2. Project Cost | : Rs.6.98 Lakhs |
| 3. Mean of Finance | |
| A) T. L. facility from Bank | : Rs.5.37 Lakhs |
| B) Beneficiary contribution | : Rs.0.35 Lakhs |
| C) C.C. Facility from Bank | : Rs.1.26 Lakhs |
| D) Subsidy | : Rs.2.44 Lakhs |
| 4. Rate of Interest | : 11.00% Per Annum |
| 5. Repayment | :60 monthly installments, EMI @ 0.12 Lakhs |
| 6. Nature of Project | : Potato Chips |
| 7. Employment Potential | : 6 Nos. |
| 8. Nature of the Firm | : Mahila Bachat Gat |
| 9. Average Debt Coverage ratios | : 2.09 |

II. ABOUT THE PROJECT

INTRODUCTION:

A potato chip is a thin slice of potato that has been either deep fried or baked until crunchy. They are commonly served as a snack, side dish, or appetizer. The basic chips are cooked and salted; additional varieties are manufactured using various flavorings and ingredients including herbs, spices, cheeses, other natural flavors, artificial flavors, and additives. Potato chips form a large part of the snack food and convenience food market in Western countries. The chips were commonly prepared in someone's kitchen and then delivered immediately to stores and restaurants or sold on the street. Shelf-life was virtually nil. The chips were hand-packed into the bags, which were then ironed shut.

Potato chips are one of the most popular ready to eat snacks item in India. And any individual can start a small-scale manufacturing project with small capital investment. Additionally, from the same unit, you can produce french fries and banana wafers also. It will increase the overall profitability of your unit. Currently, the potato chips are available in different tastes and flavors. The list includes salty, sour, sweet, hot sauce, ketchup, light salted, red hot, etc. Potato chips in the pouch packets are the most popular in the market. Additionally, hotels, restaurants, and caterers are the major institutional buyers of this item. Also, the product has great export potential.

MARKET POTENTIAL & STRATEGY

The global potato chips market reached a value of INR 2,315 Billion in 2020. The market is further expected to exhibit moderate growth during 2021-2026. Potato chips represent one of the most popular snack foods consumed across the globe. These are thin slices of potato which are seasoned after being fried until crisp. Developing countries are expected to drive the global potato chips market in the coming years. Earlier, the consumption of potato chips was largely confined to the western countries. However, with the emerging trend of westernization of food consumption patterns in addition to growing economy, rise in middle class population and increasing urbanization, the consumption of potato chips in developing countries is expected to grow at a significant rate.

The growth of the organized retail sector is currently having a positive impact on the global potato chips market. Earlier, number of global players were hesitant to sell their products in emerging regions because of lack of infrastructure, storage facilities, and appropriate knowledge about the developing markets. However, with an increase in the number of organized retail stores, many players are investing in these markets. This is anticipated to eventually result in the augmented consumption of potato chips during the next few years. Due to the rising health consciousness among global population, several potato chips manufacturers are launching value added products that are healthier as compared to traditional potato chips. This includes products with reduced fat and calorie content, fortified with healthy ingredients, lower cholesterol, etc. Chips that are gluten-free, non GMO verified and made with sea salt, natural colors and flavors are gaining more popularity than the traditional ones. These are some factors which are having a direct impact on the growth of the market.

Project For :
Potato Chips Manufacturing

III. ECONOMICS OF THE PROJECT

A. COST OF PROJECT

(Rs. Lacs)

S.No.	Particulars	Total	Spent	Bal. To be spent
1	Land & Buildings (Rent)	-	-	-
2	Plant & Machinery	5.65	0.00	5.65
3	Working Capital	1.33	0.00	1.33
		6.98	0.00	6.98

Means of Finance :

a) Own Contribution (5%)	0.35
b) T L facility from Bank (95%)	5.37
c) C.C. Facility from Bank (95%)	1.26

6.98

d) Subsidy Entitlement Under
PMEGP scheme @ 35%

2.44

B. PROFITABILITY STATEMENT

(Rs. Lacs)

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Sales	10.85	13.02	15.19	17.36	18.44	19.53
	Add : Increase in Cl.Stock	0.88	0.28	0.31	0.35	0.35	0.37
	Total Turnover	11.72	13.29	15.50	17.70	18.79	19.90
2	RM Consumption	2.02	2.42	2.83	3.23	3.43	3.63
3	Overheads						
	a) Direct	6.64	7.31	8.04	8.81	9.66	10.60
	b) Indirect	0.94	1.03	1.14	1.22	1.31	1.41
4	Balance	2.12	2.53	3.49	4.44	4.39	4.26
5	Interest on TL & CC	0.70	0.60	0.49	0.37	0.23	0.15
6	Depreciation	0.85	0.72	0.61	0.52	0.44	0.38
7	Preliminary expenses W/off	-	-	-	-	-	-
8	Profit after Interest & Dep.	0.57	1.21	2.39	3.55	3.71	3.73
9	Income Tax	-	-	-	0.35	0.37	0.37
10	Profit after Tax	0.57	1.21	2.39	3.19	3.34	3.36
11	Add: Depreciation & Pre Exp.	0.85	0.72	0.61	0.52	0.44	0.38
12	Add : Interest on TL	0.70	0.60	0.49	0.37	0.23	0.15
13	Cash Accruals	2.12	2.53	3.49	4.08	4.01	3.89
14	Instalments of TL & Interest	1.55	1.55	1.55	1.55	1.55	0.15
15	DSCR	1.37	1.63	2.25	2.63	2.59	-
16	Average DSCR	2.09					
17	N.P. to Total receipts	5.29	9.26	15.75	18.40	18.12	17.21

Project For : Potato Chips Manufacturing
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C. CASH FLOW STATEMENT

(Rs. Lacs)

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
A CASH INFLOW :							
1	Collection from Debtors	10.40	12.47	14.55	16.63	17.67	18.71
2	T.L. from Bank	5.37					
3	CC from bank	1.26					
4	Capital	0.35	-	-	-	-	-
5	Subsidy	2.44	-				
	TOTAL (A)	19.82	12.47	14.55	16.63	17.67	18.71
B CASH OUTFLOW :							
1	Fixed Assets	5.65			-		
2	Payments to creditors	1.68	2.02	2.36	2.69	2.86	3.03
3	Direct overheads	6.64	7.31	8.04	8.81	9.66	10.60
4	Indirect Overheads	0.94	1.03	1.14	1.22	1.31	1.41
5	Interest on Bank Loan	0.70	0.60	0.49	0.37	0.23	0.15
6	Income Tax	-	-	-	0.35	0.37	0.37
7	Term Loan Repayment	0.85	0.95	1.06	1.18	1.32	-
8	Drawings	0.10	0.11	0.12	0.13	0.15	0.16
	TOTAL (B)	16.57	12.02	13.21	14.77	15.90	15.72
SUMMERY:							
	Op. Cash & Bank Balance.	-	3.25	3.70	5.05	6.91	8.68
	Add : Surplus / (Deficit)	3.25	0.45	1.35	1.87	1.77	2.99
	Cl. Cash & Bank Balance.	3.25	3.70	5.05	6.91	8.68	11.68

Project For :
Potato Chips Manufacturing

D. BALANCE SHEET

(Rs. Lacs)

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
A	ASSETS :						
1	Fixed Assets	4.80	4.08	3.47	2.95	2.51	2.13
2	Investments	-	-	-	-	-	-
3	Current Assets	4.58	5.85	8.14	11.08	13.96	18.14
4	Loans & Advances	-	-	-	-	-	-
5	Pre Exp. Not written off	-	-	-	-	-	-
	TOTAL (A)	9.38	9.93	11.61	14.03	16.47	20.28
B	LIABILITIES:						
1	Capital	3.27	4.36	6.63	9.69	12.89	16.09
2	Secured loans						
	Term Loan	4.52	3.56	2.50	1.32	-	-
3	Unsecured Loans	-	-	-	-	-	-
4	Current Liabilities						
	Cash Credit	1.26	1.26	1.26	1.26	1.26	1.26
	Sundry Creditors	0.34	0.74	1.21	1.75	2.32	2.93
	TOTAL (B)	9.38	9.93	11.61	14.03	16.47	20.28

Project For :
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(Rs. Lacs)

E. CAPITAL ACCOUNT

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Op. Balance	-	3.27	4.36	6.63	9.69	12.89
2	Additions	2.79	-	-	-	-	-
3	Net Profit for the year.	0.57	1.21	2.39	3.19	3.34	3.36
	Sub Total	3.37	4.47	6.75	9.83	13.03	16.25
4	Less : Drawings	0.10	0.11	0.12	0.13	0.15	0.16
5	Cl. Balance	3.27	4.36	6.63	9.69	12.89	16.09

F. PRODUCTION AND SALES

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
	Capacity utilisation	0.50	0.60	0.70	0.80	0.85	0.90
1	Production per annum (MT) Potato Chips	11.83	14.20	16.57	18.93	20.12	21.30
2	Cl.Stock of Finished Goods (MT) Potato Chips	0.99	1.18	1.38	1.58	1.68	1.78
3	Sales per annum (MT) (Tot Production less Cl. Stock) Potato Chips	10.85	13.02	15.19	17.36	18.44	19.53
4	Sales per annum Potato Chips (Selling Price @ 100/- per kg.)	10.85	13.02	15.19	17.36	18.44	19.53
	Total Sale	<u>10.85</u>	<u>13.02</u>	<u>15.19</u>	<u>17.36</u>	<u>18.44</u>	<u>19.53</u>
5	Sundry Debtors (Credit period allowed 15 days)	0.45	0.54	0.63	0.72	0.77	0.81
6	Collection from Debtors	10.40	12.47	14.55	16.63	17.67	18.71
7	Total cost of Production	8.66	9.73	10.87	12.04	13.09	14.23
8	Cost per MT	0.73	0.69	0.66	0.64	0.65	0.67
9	Value of Closing Stock	0.72	0.81	0.91	1.00	1.09	1.19

Project For :
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PRODUCTION

S.No.	Particulars	Installed capacity (MT)	Year 1 0.50	Year 2 0.60	Year 3 0.70	Year 4 0.80	Year 5 0.85	Year 6 0.90
1	Production of Potato Chips	23.67	11.83	14.20	16.57	18.93	20.12	21.30
Installed Capacity Kg/ Hrs					10.50			
Per Day Working Hours					8.00			
Less: Lunch Hours					1.00			
Net					<u>7.00</u>			
Total Production per day					0.07 Kg			
Total production per annum					23.67 Kg			
Total Working Days					365.00			
Weekly off					26.00			
Holidays					7.00			
Machine Break down					10.00			
Net Working days					<u>43.00</u>			
					<u>322.00</u>			

Project For :
Potato Chips Manufacturing

(Rs. Lacs)

G. RAW MATERIAL CONSUMPTION AND INVENTORY

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Production (MT) (Output)	11.83	14.20	16.57	18.93	20.12	21.30
2	RM Purchases	1.86	2.24	2.61	2.98	3.17	3.35

Raw Material requirement (Input)

S.No.	Items	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Requirement of Raw Material	12.43	14.91	17.40	19.88	21.12	22.37
2	Purchase of Raw Materials (@ Rs.15 per Kg)	1.86	2.24	2.61	2.98	3.17	3.35
3	Total cost of R.M	1.86	2.24	2.61	2.98	3.17	3.35

Project For :
Potato Chips Manufacturing

(Rs. Lacs)

RAW MATERIAL CONSUMPTION AND INVENTORY

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	RM cost for total production	1.86	2.24	2.61	2.98	3.17	3.35
2	Cl. Stock of RM (assumed 30 days consumption)						
	O/p Stock	-	0.16	0.34	0.56	0.81	1.07
	Add : Addition	0.16	0.19	0.22	0.25	0.26	0.28
	Closing Stock	0.16	0.34	0.56	0.81	1.07	1.35
3	RM Purchases	2.02	2.42	2.83	3.23	3.43	3.63
4	Sundry Creditors (Credit period allowed 60 days)	0.34	0.40	0.47	0.54	0.57	0.61
5	Payment to creditors	1.68	2.02	2.36	2.69	2.86	3.03

Project For :
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(Rs. Lacs)

H. DIRECT OVERHEADS

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Manpower						
a	Skilled Worker 3 no.@ Rs. 8,000 per month	2.88	3.17	3.48	3.83	4.22	4.64
b	Unskilled Worker 3 no.@ Rs. 5,000 per month	1.80	1.98	2.18	2.40	2.64	2.90
2	Electricity @ Rs. 5000 per month	0.60	0.66	0.73	0.80	0.88	0.97
3	Packing & Transport @ Rs. 5,000 per month	0.60	0.66	0.73	0.80	0.88	0.97
4	Rent @ Rs. 2,200 per month	0.26	0.29	0.32	0.35	0.39	0.43
5	Other Production Overheads	0.50	0.55	0.61	0.64	0.67	0.70
	Total	6.64	7.31	8.04	8.81	9.66	10.60

(Rs. Lacs)

I. INDIRECT OVERHEADS

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Advertisement & Publicity	0.20	0.22	0.24	0.27	0.29	0.32
2	Repairs & Maint. (5% of machinery cost)	0.24	0.26	0.29	0.32	0.35	0.39
3	Misc. Expenses	0.50	0.55	0.61	0.64	0.67	0.70
		<u>0.94</u>	<u>1.03</u>	<u>1.14</u>	<u>1.22</u>	<u>1.31</u>	<u>1.41</u>

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(Rs. Lacs)

J. TERM LOAN REPAYMENT AND INTEREST THEREON

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	TL / Op. Bal.	5.37	4.52	3.56	2.50	1.32	-
2	Repayment during the year	0.85	0.95	1.06	1.18	1.32	-
3	Cl. Balance	4.52	3.56	2.50	1.32	-	-
4	Interest at 11 per cent p.a.	0.55	0.45	0.34	0.22	0.08	-
5	Total repayment with Interest	1.55	1.55	1.55	1.55	1.55	0.15
6	Interest on CC (at 12 per cent p.a.)	0.15	0.15	0.15	0.15	0.15	0.15
	Total Interest	0.70	0.60	0.49	0.37	0.23	0.15

Term Loan Repayment Schedule

MONTHS	EMI	INTEREST	PRINCIPAL REPAYMENT	OST PRINCIPAL
0				5.37
1	0.12	0.05	0.07	5.30
2	0.12	0.05	0.07	5.23
3	0.12	0.05	0.07	5.16
4	0.12	0.05	0.07	5.09
5	0.12	0.05	0.07	5.02
6	0.12	0.05	0.07	4.95
7	0.12	0.05	0.07	4.88
8	0.12	0.04	0.07	4.81
9	0.12	0.04	0.07	4.74
10	0.12	0.04	0.07	4.66
11	0.12	0.04	0.07	4.59
12	0.12	0.04	0.07	4.52
First Year	1.40	0.55	0.85	
13	0.12	0.04	0.08	4.44
14	0.12	0.04	0.08	4.36
15	0.12	0.04	0.08	4.29
16	0.12	0.04	0.08	4.21
17	0.12	0.04	0.08	4.13
18	0.12	0.04	0.08	4.05
19	0.12	0.04	0.08	3.97

20	0.12	0.04	0.08	3.89
21	0.12	0.04	0.08	3.81
22	0.12	0.03	0.08	3.73
23	0.12	0.03	0.08	3.65
24	0.12	0.03	0.08	3.56
Second Year	1.40	0.45	0.95	
25	0.12	0.03	0.08	3.48
26	0.12	0.03	0.08	3.40
27	0.12	0.03	0.09	3.31
28	0.12	0.03	0.09	3.22
29	0.12	0.03	0.09	3.14
30	0.12	0.03	0.09	3.05
31	0.12	0.03	0.09	2.96
32	0.12	0.03	0.09	2.87
33	0.12	0.03	0.09	2.78
34	0.12	0.03	0.09	2.69
35	0.12	0.02	0.09	2.60
36	0.12	0.02	0.09	2.50
Third Year	1.40	0.34	1.06	
37	0.12	0.02	0.09	2.41
38	0.12	0.02	0.09	2.32
39	0.12	0.02	0.10	2.22
40	0.12	0.02	0.10	2.12
41	0.12	0.02	0.10	2.03
42	0.12	0.02	0.10	1.93
43	0.12	0.02	0.10	1.83
44	0.12	0.02	0.10	1.73
45	0.12	0.02	0.10	1.63
46	0.12	0.01	0.10	1.53
47	0.12	0.01	0.10	1.42
48	0.12	0.01	0.10	1.32
Fourth Year	1.40	0.22	1.18	
49	0.12	0.01	0.10	1.22
50	0.12	0.01	0.11	1.11
51	0.12	0.01	0.11	1.00
52	0.12	0.01	0.11	0.90
53	0.12	0.01	0.11	0.79
54	0.12	0.01	0.11	0.68
55	0.12	0.01	0.11	0.57
56	0.12	0.01	0.11	0.46
57	0.12	0.00	0.11	0.34
58	0.12	0.00	0.11	0.23
59	0.12	0.00	0.11	0.12
60	0.12	0.00	0.12	0.00
Fifth Year	1.40	0.08	1.32	

Project For :
Potato Chips Manufacturing

(Rs. Lacs)

K. WORKING CAPITAL

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Total Inventory	0.88	1.15	1.46	1.81	2.16	2.54
2	Sundry Debtors	0.45	0.54	0.63	0.72	0.77	0.81
	Total	1.33	1.70	2.10	2.53	2.93	3.35
3	Bank C.C. (95 per cent)	1.26	1.61	1.99	2.41	2.78	3.18
4	Own Contribution (5%)	0.07	0.08	0.10	0.13	0.15	0.17

Project For :
Potato Chips Manufacturing

(Rs. Lacs)

L. CURRENT ASSETS

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Cl. Stock of Materials	0.16	0.34	0.56	0.81	1.07	1.35
2	Cl. Stock of Finished Goods	0.72	0.81	0.91	1.00	1.09	1.19
	Total Inventory	0.88	1.15	1.46	1.81	2.16	2.54
3	Cash and bank Balance	3.25	3.70	5.05	6.91	8.68	11.68
4	Sundry Debtors	0.45	0.99	1.63	2.35	3.12	3.93
	Total	4.58	5.85	8.14	11.08	13.96	18.14

Project For :
Potato Chips Manufacturing

M. FIXED ASSETS AND DEPRECIATION

(Rs. Lacs)

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Plant & Machinery						
	Op. Balance	-	4.80	4.08	3.47	2.95	2.51
	Additions	5.65	-				
	Total	5.65	4.80	4.08	3.47	2.95	2.51
	Less : Depreciation	0.85	0.72	0.61	0.52	0.44	0.38
	Cl. WDV	4.80	4.08	3.47	2.95	2.51	2.13
	Total Depreciation	<u>0.85</u>	<u>0.72</u>	<u>0.61</u>	<u>0.52</u>	<u>0.44</u>	<u>0.38</u>
	Cl. WDV	<u>4.80</u>	<u>4.08</u>	<u>3.47</u>	<u>2.95</u>	<u>2.51</u>	<u>2.13</u>