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Business Plan for Nesha Easy Pappadam

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INTEGRATED FOOD SECURITY PROGRAMME
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Executive Summary

Food consumption is essential for human life. Very often children hesitate to have their meals at proper times and fuss a lot over food. It is found that there are products, which induce food consumption, by acting as an "APPETIZER". In order to induce a higher food consumption rate, motivation is important and hence the proposed project "Nesha Easy Pappadam" envisages producing attractive Pappadam in a commercial scale for consumption.

The product of the proposed project will be different from existing Pappadam varieties. There will be different colours, different sizes and different flavours. The unique selling point will be the new innovative flavoured Pappadam, which will be produced by Nesha Easy Pappadam, an enterprise in establishment. Vegetarian and non-vegetarian Pappadam varieties are to be produced for the local and regional markets. All ingredients stem from high quality local base products and the Pappadam varieties will conform to best standards.

The population of Trincomalee is approximately 350,000 thousand and out of this nearly 36% of the population constitute of children. Furthermore, there is no factory in Trincomalee district, which produces Pappadam. The available Pappadam in the district are purchased by suppliers from outside. The proposed project envisages to address a target group of 10% of the district population in its first phase.

This project¹ is proposed by T. Nesharaashaa, a bio science graduate, working as a community mobiliser at the GTZ sponsored Integrated Food Security Programme Trincomalee (IFSP). He has good experience and a business background and most important, he is motivated and likes to challenge tasks assigned with commitment and dedication.

The Nesha Easy Pappadam factory will be located at Orr's Hill. This area is in easy reach to all relevant infrastructure including cheap rentals and transport facilities. The location is suitable to address local markets and customers.

The total investment is estimated at Rs. 372,430. Of this total, a loan of Rs. 150,000 would be required for the establishment costs. The profit expected in the first year is Rs. 508,788 arising out of a sales estimate of Rs. 1,555,200. Break-even sales are estimated at Rs. 442,256. The return on investment is estimated at 39.5%, the current ratio should be 3:1, and the debt service coverage 7:1 at the first year-end.

The benefits to Trincomalee town area will be that ten persons will obtain employment. Since the employees will come from the lower strata of the society they would be in a position to support their families. Additionally, the procurement of ingredients from local suppliers will have an encouraging effect on the local economy. Nesha Pappadam will produce a range of high quality products which should have a positive impact on the dietary conditions of the local population.

¹ The report is the outcome of a CEFE training on promotion of small scale entrepreneurs Mr Nesha was among the innovative "would-be-entrepreneurs"!

1. Marketing Plan

1.1 Description of Products

Produce Pappadam for sale

There are two types of Pappadam to be produced: a normal Pappadam (vegetable) common to the consumer and a fish Pappadam (non-vegetable) that is new to the market.

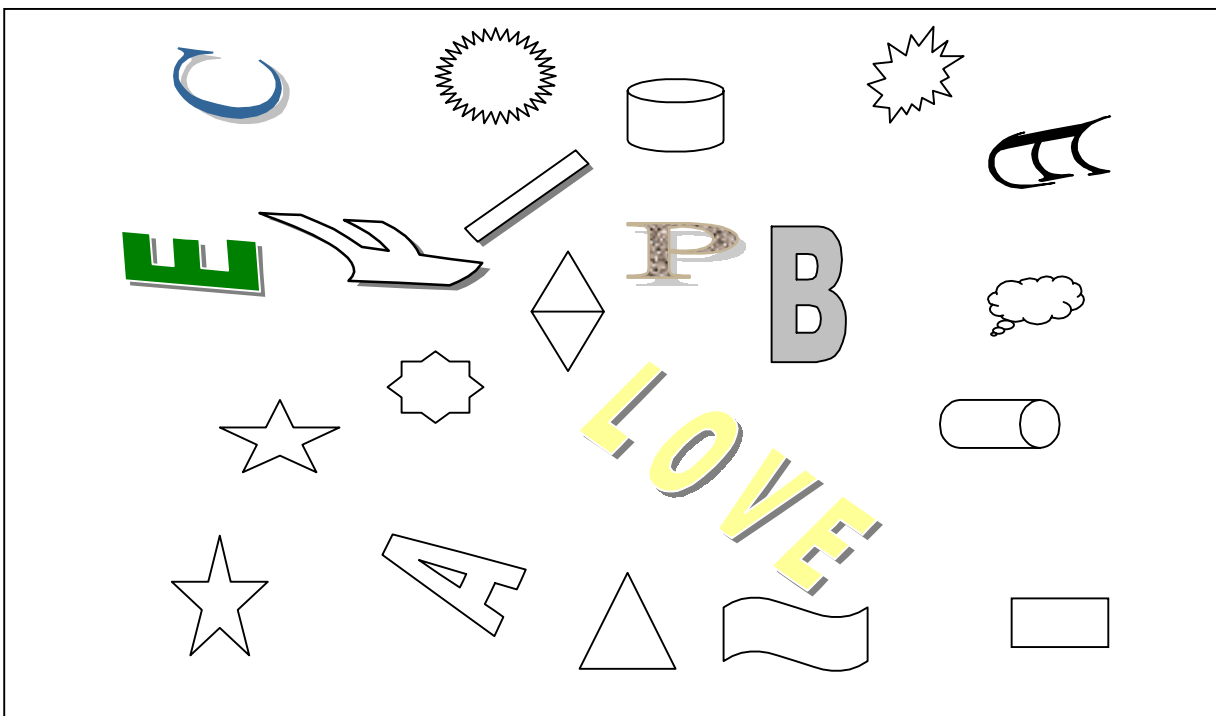
Normal Pappadam

These come in different shapes, sizes and colours, e.g. letters, favourable colours (yellow, light pink), fruit shape, vegetable shape, tree shape and others like round, triangle, rectangle, square etc.

Non-vegetable Pappadam

The base product is the normal Pappadam to which fish or prawns and some time other seafood is added for flavour and higher dietary value. Most will come in round, triangle, rectangle and square shape.

Different shapes and sizes of Pappadam



1.2 Target market segments

Segment	Features
Whole seller and retailers	All trade wholesale and retail establishments in Trincomalee district.
All families in Trincomalee district.	Families with more children are expected prime consumers.
Hotels and other restaurants	Foreign visitors and tourists and other out-district local tourists who stay in hotels and prefer Pappadam as 'bite' with their 'sundowner drink'.

1.3 Target market area

Segment	Area	Prospect
Whole seller and retailers.	Town & Gravets, Kantale, Kuchchaveli, Muthur, Padavisripura	In this area nearly 26 retailers and more than 10 wholesalers.
All families in Trincomalee district.	Whole Trincomalee district	In Trincomalee, there is no Pappadam production.
Hotels and other restaurants.	Town & Gravets Nilaveli, Sampaltheevu	There are two leading hotels and more than 8 small restaurants where people drink more therefore they like non-vegetable Pappadam as bites.

1.4 Demand analysis

Demand for the Pappadam analysed in different locations for one year.

Location / DS Division	Potential buyers (No.)	Usage rate (No.)		Quantity demand (No.)	
		Volume packet	Value	Volume '000 packet	Value x Rs. '000
Wholesalers & all retailers in Trincomalee district	25	9,000	90,000	225	2,250
Kantale	19	3,600	90,000	69	1,710
Muthur	10	720	180,000	72	1,800
Pullmodai	09	5,400	135,000	49	1,215
Total		18,720	495,000	415	6,975

Assumptions

Average of 80% of the population consume Pappadam

50% of the hotels use non-vegetable Pappadam as bites with liquor

Usage rate

Volume: This refers to the quantity purchased for consumption during a one-year period

Value: This refers to the amount spent purchasing the Pappadam in one-year period

Quality demand

This refers to the total figure, which is derived by multiplication:

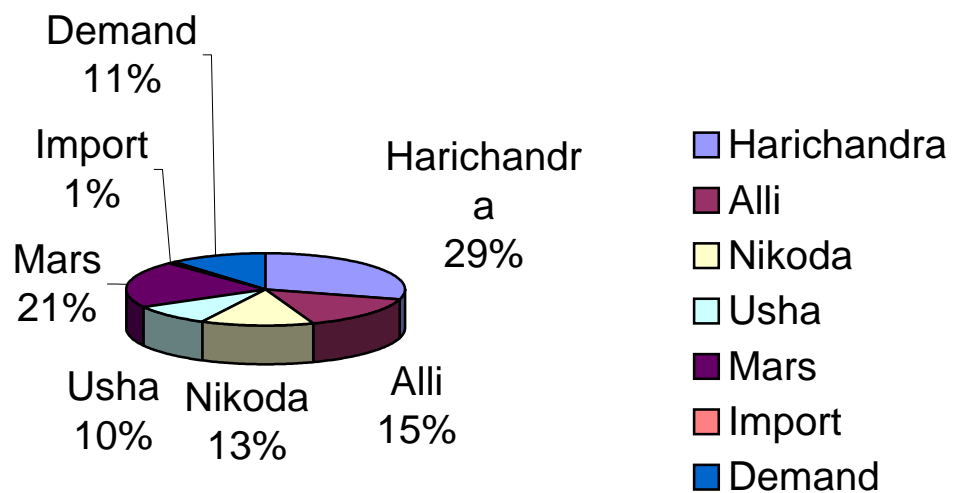
Quality demanded (volume) = usage rate (volume) x No. of target buyers in the target area

Quality demanded (value) = usage rate (value) x No. of target buyers in the target area

1.5 Supply analysis

Location	Competitors' name	Supply market share %
Whole district, e.g. DS Division centre Trincomalee town Villages	Harichandra	29
	Alli	15
	Nikado	13
	Mars	21
	Usha	10
	Import	1
	Demand	11
Total		100

Supply analysis



1.6 Marketing strategy: P-D-P-P

Market mix	Competitors' strategy	Project strategy
P R O D U C T I O N	<ul style="list-style-type: none"> • Low quality of raw material is used • There are no proper attractive brand names • Packing condition is very poor • Air penetration is high • Mostly manual processing • Very poor ratio of ingredient 	<ul style="list-style-type: none"> • Using of modern technology. For example "Kneading machine" • Usage of pure and good quality of raw material for example purchase from producers in seasonal markets • Neat packing with attractive brand and labelling by using "food grade" polythene • Produce different colour and different shapes and different taste Pappadam • Add some sago for crispiness and palatable
D I S T R I B U T I O N	<ul style="list-style-type: none"> • Normally distribute in 3-weeks time. • Distribute only main retailers 	<ul style="list-style-type: none"> • By using cycle and push bike distribute all wholesalers and retailers and door to door also • Organise for sales in weekly fair (pola) • Door to door distribution
P R O M O T I O N	<ul style="list-style-type: none"> • Providing 4-5 % discount • Two weeks cheque sale • Advertisement in media 	<ul style="list-style-type: none"> • Sponsor to school quiz and scholarships for year 5 and year 11 • Attractive hand bills and wall bills in important spots • Attractive stickers in side the packets • Reward prices for quiz • Big name board in Trincomalee town
P R I C E	<ul style="list-style-type: none"> • Mostly cost oriented • Some are demand oriented 	<ul style="list-style-type: none"> • Mostly competitors oriented • Some demand oriented

1.7 Forecast of sales

These two type products are designed to increment by 10% in each year

Year	Products (Rs.)	Sales value (Rs.)
2002 January to June	Normal. 144,000	1,296,000
	Special 48,000	624,000
	Total	1,920,000
2003	Normal 158,400	1,425,600
	Special. 52,800	686,400
	Total	2,112,000
2004	Normal 174,280	1,568,160
	Special 58,080	755,040
	Total	2,323,200

1.8 Fixed assets for marketing

Description of assets	Quantity required	Price (Rs.)	Value (Rs.)	Life of assets	Rate of depreciation	Depreciation value/ year (Rs.)
Post model C-90 motor bike	2	90,000	180,000	5 years	20%	36,000
Bush bike with box	2	6,000	12,000	5 years	20%	2,400
Total depreciation						38,400

1.9 Total marketing expenses

Year	Name of activities	Estimated expenditure (Rs.)
2002	Name board	25,000
	Hand bills and wall bills	25,000
	Sponsoring	20,000
	Advertisement	15,000
	Salaries for drivers	96,000
	Depreciation	38,400
	Vehicle maintenance	5,000
Total		224,400
2003	Increase by 10%	246,840
2004	Increase by 10%	271,524

2. Productions and Technical Plan

2.1 Production process

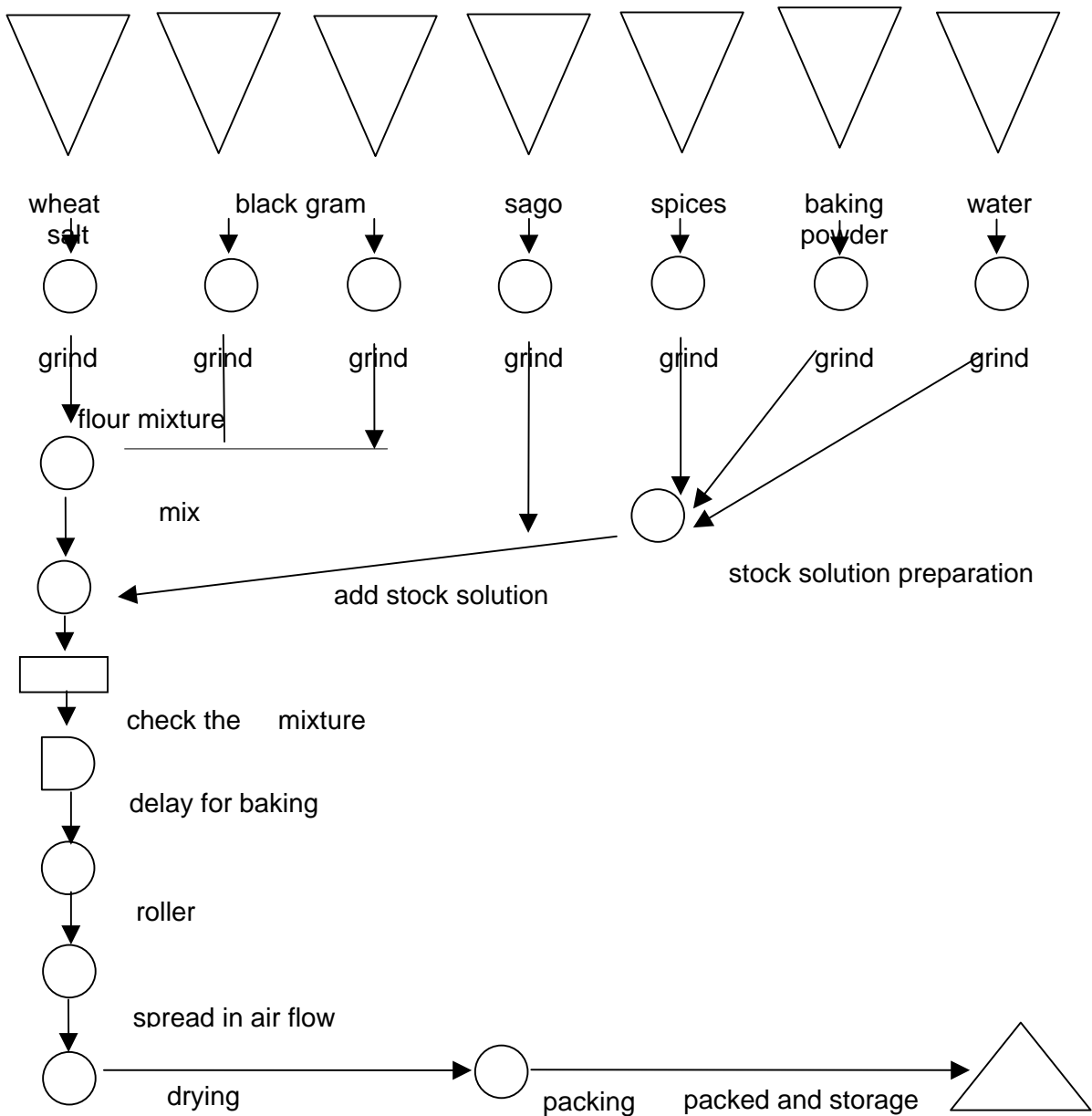
2.1.1 Description

All the raw materials are separately prepared for the production process. The black gram undergoes a process called a bleaching and stone separating system. It becomes white gram due the removal of peel. Then it will be ground and separately stored. Wheat flour sieved and stored separately. Likewise sago and spices also ground separately. Then 54% concentration stock solution to be prepared from sodium bi-carbonate and salt solution. After that black gram flour and wheat flour will be mixed in 1:3 ratio at the same time sago and spices and colouring are added. Then the all flour mixture mixes with the stock solution in appropriate ratio. This mixture is kept for a while (2 minutes) and divided into small balls that are put into a roller. High accurately (1mm) flatted sheets will be cut into favourable shapes and sizes. This wet Pappadam exposed to the air to dry. Then it is packed, labelled and stored.

2.1.2 List of production steps

- Step 1 Collection of raw materiel (purchase of raw material)
- Step 2 Storage of raw material
- Step 3 Cleaning of raw material
- Step 4 Clarifying the raw material
- Step 5 Grinding the raw material separately
- Step 6 Mix the ground flour in ratio
- Step 7 Stock solution preparation
- Step 8 Prepare mixture of flour and stock solution
- Step 9 Form small balls and sent into the roller
- Step 10 Cut different sizes and shapes
- Step 11 Dry in air flow, weighed and packed
- Step 12 Stored and selling.

2.1.3 Flow chart of product



2.2 Fixed assets required for production

The production site is located at the sea side because the Pappadam-drying process needs space and good ventilation.

Description	Extant	Cost (Rs.)
Land } Building }	20 perch	24,000

2.2.1 Machinery and equipment

List of machinery and descriptions

Industrial miser:	To grind all raw materials
Kneading machine:	Beat the flour mixture very quickly and efficiently
Roller:	Flat the flour mixture into sheets
Polythene sealer:	To seal the packets.
Steamer:	To steam the non vegetable Pappadam (fish Papaddam)
Ray:	To keep the mixture
Plastic baskets:	To use carrying water

Description of item	Quantity required	Price per unit (Rs.)	Total amount (Rs.)	Source(s) of suppliers
Kneading machine	01	24,900	24,900	e.g. State Trading Cooperation or professional suppliers
Polythene sealer	02	2,150	4,300	
Industrial miser	01	5,200	5,200	
Cutting machine	02	1,400	2,800	
Roller	01	13,500	13,500	
Steamer	02	4,000	8,000	
Plastic packet	05	150	750	
Ray 2'x4'	03	600	1,800	
Scale	01	900	900	
Other Scale		10,000	10,000	
Total			80,250	

2.2.2 Life of fixed assets

Based on the values published by the department of valuation the life span of fixed assets is calculated.

List of machinery	Depreciation rate %
Kneading machine	50.0
Sealer	50.0
Industrial miser	33.3
Cutter	50.0
Roller	33.3
Steamer	50.0
Scale	33.3

The depreciation of the fixed assets is to be calculated on a straight basis.

Asset description	Cost (Rs.)	Useful life (years)	Rate of depreciation %	Depreciation amount per year (Rs.)
Kneading machine	24,900	2	50.0	12,450
Sealer	4,300	2	50.0	2,150
Industrial miser	5,200	3	33.3	1,733
Scale	900	3	50.0	450
Cutter	2,800	3	33.3	1,400
Roller	13,500	2	50.0	4,500
Streamer	8,000	2	50.0	4,000
Total				26,233

2.2.3 Maintenance and repairs

Normally most of the machinery have minimum one-year guarantee and also free service therefore for the first year maintenance and repair cost is not much affect. However oiling for kneading machine and roller and some parts in roller and kneading machine are erasable therefore it can be changed. For this minor inspection one local technician hired in piece rate.

2.3 Factory location and layout

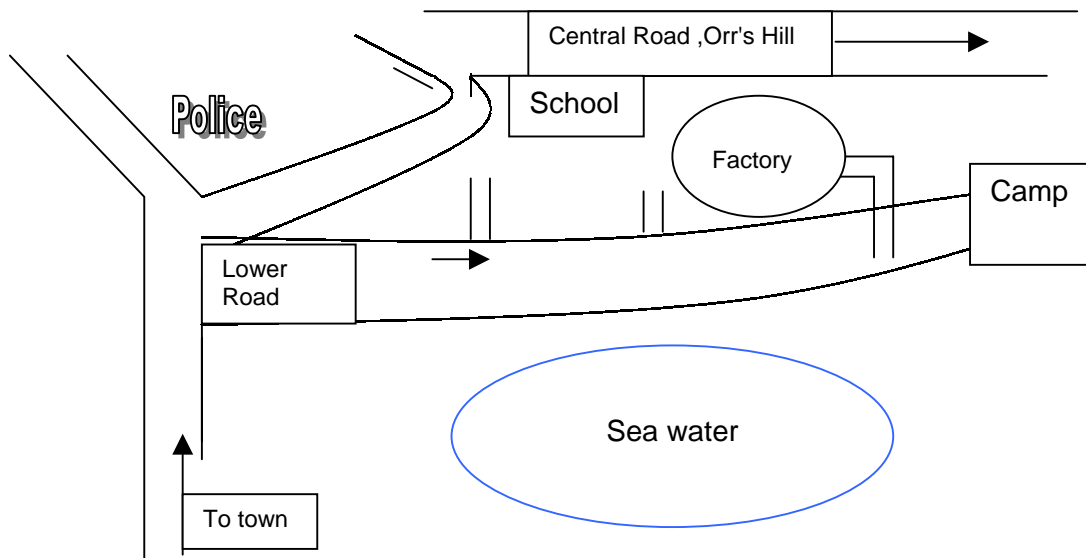
Factory location

Place: Orr's Hill (Trincomalee)

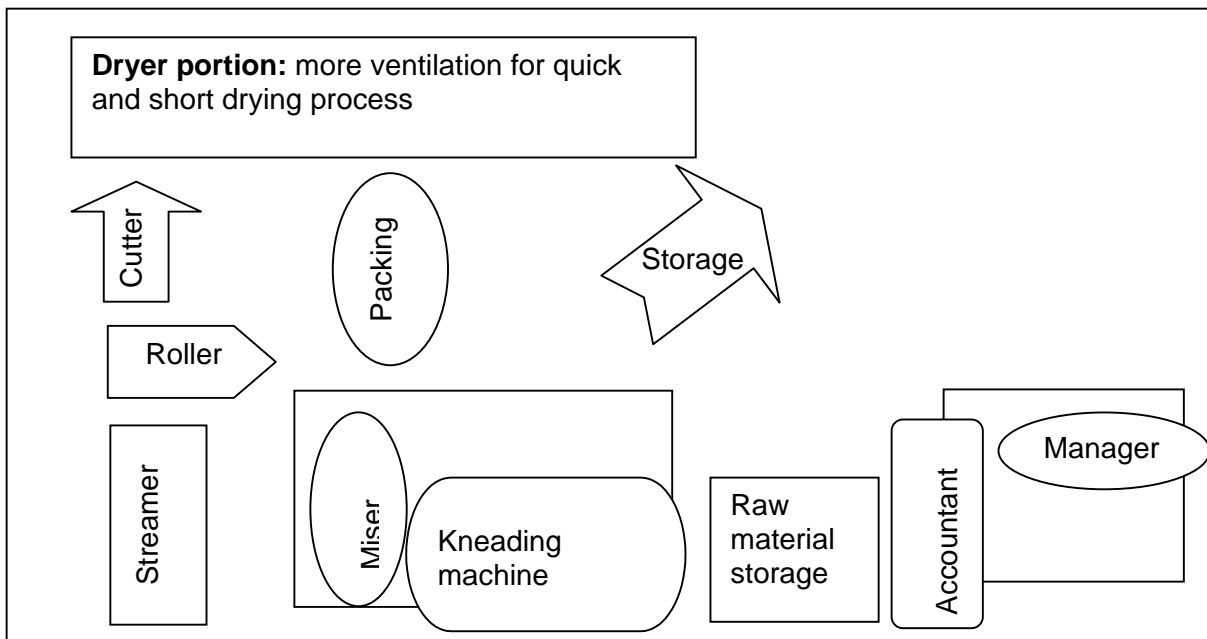
Address: Nesha Easy Pappadam
144/1 Lower Road
Orr's Hill
31000 Trincomalee

Reason for the location

- The land value is very cheap in this area. Access to this place is very easy and there is sufficient space to dry the Pappadam.
- This is a good point to achieve the target market.
- Very important reason there was a suitable spot that opens space land with new building.



2.3.2 Factory layout



2.4 Production capacity

2.4.1 Production estimates

The production estimation is designed to 10% increment for the both products in each year.

Year	Volume (Rs.)
Year 1	1,920,000
Year 2	2,112,000
Year 3	2,323,200

2.4.2 Utilisation of capacity

Year	% Utilisation	% Spare capacity
Year 1	50	50
Year 2	58	42
Year 3	65	35

2.5 Raw material availability and planning

2.5.1 Raw material availability

The raw materials for this product we can simply purchase in our surroundings. But the price and the quality are the very important factors for best production of Pappadam. To avoid adulteration in the raw material it is going to be purchased in Vavuniya directly from the producers especially during the harvesting time. Normally one kilo of black gram is around Rs. 35.00 - Rs. 40.00. But during the harvest time it comes to below 30.00. Therefore all the raw materials are purchased in Vavuniya. There are sufficient amount of black gram, gingili and other raw materials available. Wheat flour is available here.

To insure the availability of raw materials start black gram production in Muthur, Eachchilampattai where resources are available for cultivation.

2.5.2 Raw material planning and cost

R.M specification	Quantity required (Kg)	Unit cost (Rs.)	Total per year (Rs.)	Source of suppliers
A. Direct material				Direct purchasing from the farmers in Vavuniya.
Black gram	1,500	50	75,000	
Gingili	70	60	4,200	
Wheat floor	6,000	19	114,000	
Sagu	80	80	6,400	
Fish	120	100	12,000	
Spices	25	400	10,000	
Sodium bi carbonate	20	200	4,000	
Labelling packing	192,000	0.375	72,000	
	unit			
Total material cost/ annum			297,600	

2.6 Man power

Title of worker	Qualification	No. required	Salary/ month (Rs.)	EPF (Rs.)	ETF (Rs.)	Total/ month
Man labour	5 years experience	3	4,000	1,440	360	13,800
Women labour	Experience in Pappadam production	3	3,000	1,080	270	10,350
Total cost per year						24,150

2.7 Factory expenses (Rs.)

Over head item	Cost per month	Cost per year
Depreciation	2,186	26,233
Electricity	2,410	28,920
Water and waste disposal	1,000	12,000
Rental	2,000	24,000
Maintenance	1,000	12,000
Total factory cost per year		103,153

2.8 Production cost (Rs.)

Product	Planned product volume	Direct material		Direct labour		Factory overhead		Total cost	
		Per unit	Total in '000	Per unit	Total in '000	Per unit	Total in '000	Per unit	Total in '000
Pappadam	144,000	2.07	297,600	2.01	289,800	0.72	103,153	4.79	690,453
Total cost per year									690,453

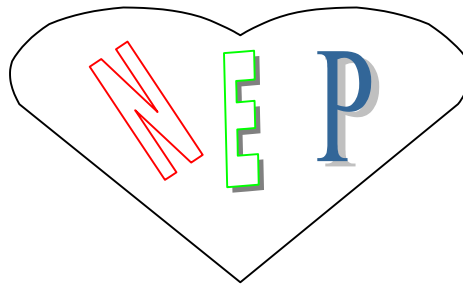
3. Organisation and Management Plan

3.1 Form of business

My business is proprietorship or proprietorship individual

3.2 Business name and logo

Nesha Easy Pappadam

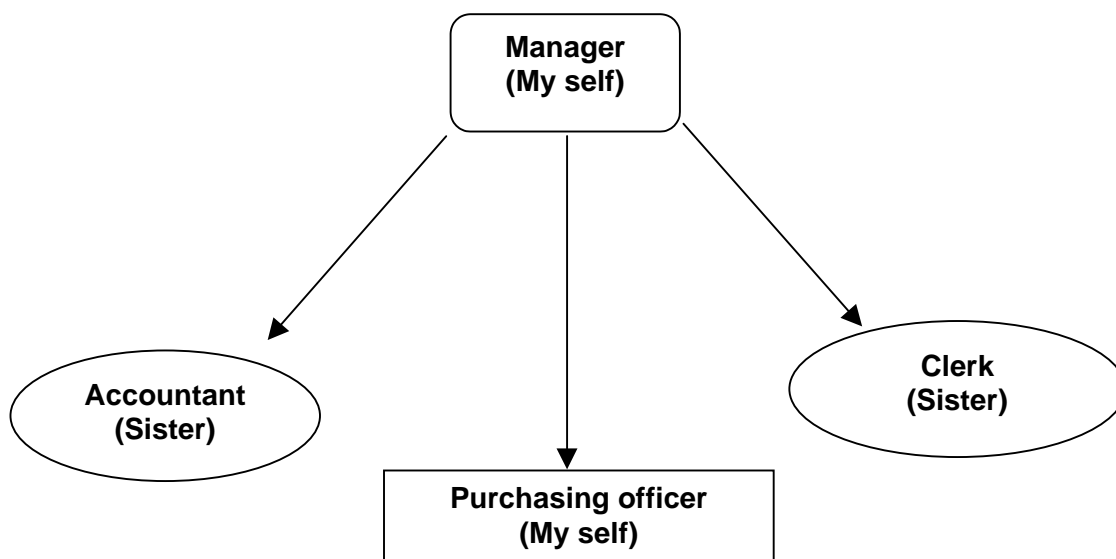


3.3 Capability profile of project proponents

I am an energetic, creative person from middle class family. I am youngest one with equal number of brother and sister as three in my family, still bachelor. All my brothers and sisters love me very much therefore their help always there. And my father is a businessman and mother is a retired teacher and they are living with me. My father-in-law is an expert in curd chill production and also Pappadam production; he is the consultant for my product.

I am a graduate in science now working in an INGO in Trincomalee as a community mobiliser. I have more friends island wide. My university colleagues in several parts of the country therefore, I can make a network for my business especially in Vavuniya for raw materials. According to my personal balance sheet I have around Rs.500,000 berths, this helped to start the Pappadam production.

3.4 Organisational structure



3.5 Descriptions of key positions

Manager:

He is the person over all in charge for all activities, such as purchasing officer and human resource development officer and labour manager, he coordinates with delivery officers.

Accountant:

She is in charge for all book keepings and other accountancies, stock maintenance etc.

Delivery officers (02):

They distribute the product from the office to all target market.

Skilled labour:

They are the people directly involved in production. They act according to work division.

3.6 Recruitment, selection and training of personnel

Open invitations for all exiting workers after the negotiation appoint them according to the past experience.

3.6.1 Recruitment strategy

According to the performance and commitment for work.

3.6.2 Selection strategy

No special criteria for the selection. Experience and the commitment to work is the main qualification.

3.6.3 Training strategy

Two days training programme with an expert from Vavuniya and updating new technology training program for staff.

3.7 Fixed assets required for office administration

3.7.1 Land and building

Description	Extent	Cost (Rs.)
Land Building	20 perch	24,000

3.7.2 Machinery and equipment

Description of Item	Quantity required	Price per unit (Rs.)	Amount (Rs.)	Source(s) of suppliers
Iron cupboard	01	8,000	8,000	Alpha steel company
Tables	02	2,500	5,000	
Chairs	02	500	1,000	
Stationary		2,000	2,000	

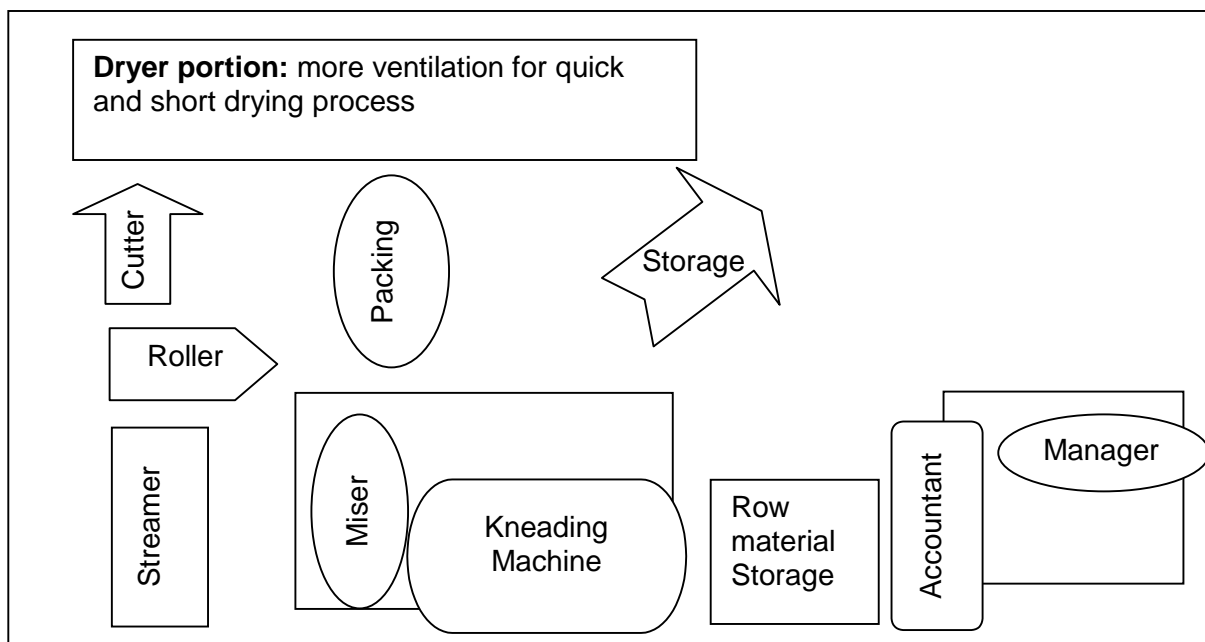
3.7.3 Life of fixed assets

Assets	Cost (Rs.)	life period in years	Rate of depreciation %	Depreciation amount per year (Rs.)
Cupboard	8,000	5	20	2,000
Table	5,000	5	20	1,000
Chair	1,000	5	20	200

3.7.4 Maintenance and repairs

All machinery maintenance is to be done according to proper time schedule by the company or locally hired technicians.

3.8 Office space requirements and layout



3.9 Office man power requirement (Rs.)

Title of personnel	Qualification and experience	No. Required	Salary per month	EPF	ETF	Total Per month
Manager	Degree holder years experience in Pappadam making	01	6,000	720	180	6,900
Accountant	AAT one year experience in book keeping	01	4,000	480	120	4,600
Total cost						138,000

3.10 Organisation and management expenses (Rs.)

Overhead item	Cost per month	Cost per year
Depreciation	233.33	2,800
Electricity bill	426.66	5,000
Maintenance	166.66	2,000
Rent	500.00	6,000
Total office cost		15,800

3.11 Pre-operating activities and expenses

Activity	Months												Cost (Rs.)	
	01	02	03	04	05	06	07	08	09	10	11	12		
Registration	→	→												500
Business plan	→	→	→	→	→	→								5,000
Transport	→	→	→	→	→	→	→	→						2,000
Communication	→	→	→	→	→									500
Leasing agreement	→													1,500
Training	→	→												3,000

4. Financial Plan

4.1 Total project and financial cost (Rs.)

Description	Value	Equity	Loan	Total
1. Fixed assets				
Vehicle	192,000	42,000	150,000	192,000
Production fixed assets: machinery and tools	71,250	71,250		71,250
Furniture	14,000	14,000		14,000
Total				277,250
2. Pre-operating expenses		12,500		12,500
3. Working capital				
Direct material	12,400	12,400		12,400
Direct labour	12,075	12,075		12,075
Overheads	3,205	3,205		3,205
Others	5,000	5,000		5,000
Cash	50,000	50,000		50,000
Total				82,680
Total project cost		222,430	150,000	372,430

4.2 Security for loan

I do not have securities for my loan, therefore I need two guarantors. These guarantors will have to pay their income taxes.

4.3 Loan repayment schedule (Rs.)

The loan amount to be borrowed: Rs. 150,000

Interest rate: 20%

Grace period: 6 Months

Principal	Repayment of principal	Interest 20%	NS Levy 6.5%	Total interest	Total instalment
150,000	50,000	30,000	1,950	31,950	81,950
100,000	50,000	20,000	1,300	21,300	71,300
50,000	50,000	10,000	650	10,650	60,650

4. 4 Projected profit & loss statement

Nesha Easy Pappadam

Projected profit and loss account

for the period of 2002, 2003 and 2004

	2001	2002	2003	2004
Sales		1,920,000	2,112,000	2,323,200
Less: GST and National Security Levy (NSL) 12.5% + 6.5%		364,800	401,280	441,408
Net sales		1,555,200	1,710,720	1,881,792
Less: Production cost		690,553	745,797	805,461
Direct material	297,600			
Direct labour	289,800			
Production overhead	103,153			
Gross profit		864,647	964,923	1,076,331
Marketing expenses		186,000	176,700	167,865
Bills	25,000		50,000	75,000
Promotion	25,000		80,000	101,000
Depreciation	38,400		120,000	120,000
Others	97,600		173,000	165,000
Organisation and management expenses		17,800	18,690	19,624.5
Depreciation	2,800			
stationery	2,000			
Electricity	5,000			
Others	8,000			
Operating profit		660,847	769,533	888,841
POI		12,500	0	0
Interest		31950	21,300	10,650
Net profit before tax		616,397	748,233	878,191
Income tax		107,609	154,661	159,319
Net profit after tax		508,788	593,572	718,872

4.5 Break-even analysis (Rs.)

$$\text{BEP} = \frac{\text{Fixed cost} \times \text{Sales}}{\text{Sales} - \text{Variable Cost}}$$

$$\text{BEP} = \frac{306953 \times 1,920,000}{1,920,000 - 587,400} = 442256$$

Where,

fixed cost		Sales	1,920,000
Production	103,153	Sales -VC	1,332,600
marketing	186,000		
O & M	17,800		
Total fixed cost	306,953		
Variable cost			
Direct material	297600		
Direct labour	289800		
Total variable cost	587400		

4.6 Cash flow statement (Rs.)

	Pre operating profit	Year 1	Year 2	Year 3
Beginning balance		0	1,093,810	169,761
Cash inflows				
Cash sales		1,920,000	2,112,000	2,323,200
Equity	12,500	209,930		
Loan		150,000		
Others				
Total cash inflow	12,500	2,279,930	2,112,000	2,323,200
Cash outflows				
Investment on fixed assets and others		277,250	500,000	500,000
Production expenses		664,320	730,752	803,827.2
Marketing expenses		147,600	152,028	156,589
O & M expenses		15,000	15,750	16,537.5
Loan repayment		81,950	71,300	60,650
Others / tax	12,500		472,409	555,941
Total cash outflow	12,500	1,186,120	1,942,239	2,093,545
Cash in hand	0	1,093,810	169,761	229,655

4.7 Balance Sheet

Easy Pappadam

Balance sheet as at 31 December 2002, 2003 and 2004 (Rs.)

Liabilities			
Equity	222,430	731,218	1,324,790
Accumulated profit	508,788	593,572	718,872
Loan	100,000	50,000	0
Current liabilities		39,640	113495
Tax payable- GST, NSL & Income tax	472,409	555,941	600,727
Total liabilities	1,303,627	1,970,371	2,757,884
Assets			
Fixed assets	277,250	209,817	142,384
Less: deposit	67,433	67,433	67,433
Total fixed assets	209,817	142,384	74,951
Short-term investment		500,000	1,000,000
Current assets		1,158,226	1,453,278
Cash in hand	1,093,810	169761	229,655
Total assets	1,303,627	1,970,371	2,757,884

4.8 Financial assumptions

1. Sales will be increased by 10% in the following years.
2. According to the sales increase the production costs also will increase at 8%.
3. Marketing expenses will decrease by 5% in the coming years since more promotion needed to cover more area.
4. O & M expenses will increase at the percentage of 5% in the following years.
5. All expenses for the period will be made in the same year
6. All sales are considered as cash sales
7. All materials are purchased on cash
8. Raw materials will be available through out the year (enough stocks).

4.9 Financial analysis

Profitability

	Year 2002	Year 2003	Year 2004
Current ratio = $\frac{\text{current asset}}{\text{current liability}}$	1,093,810: 472,409 3: 1	1,158,226: 39640 29:1	1,453,278:113,495 12:1
ROI = $\frac{\text{net income after tax}}{\text{total assets}} \times 100$	$\frac{508,788}{1,303,627} \times 100$ 39.4%	$\frac{593,572}{1,970,371} \times 100$ 30%	$\frac{718,871}{2,757,884} \times 100$ 26%
Solvency = $\frac{\text{debt}}{\text{equity}}$	100,000: 222,430 5:11	50,000: 731,218 1:15	No more loan
Debt service coverage = $\frac{\text{profit be. tax} - \text{tax} + \text{depre}}{\text{install} + \text{interest}}$	$\frac{616,397 - 107,609 + 41,200}{50,000 + 31,950}$ 549,988: 81,950 7: 1	713,572: 71,300 10:1	838,872: 60650 14:1
Quick assets = $\frac{\text{current asset} - \text{stock}}{\text{current liability}}$	1,093,810: 472,409 3: 1	1,158,226: 39640 29:1	1,453,278:113,495 12:1