DFID

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT
POST-HARVEST FISHERIES PROJECT

GENERAL GUIDELINES FOR DEVELOPMENT ORGANIZATIONS PLANNING TO ENTER MARKETING VENTURES

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IN FORMATION BULLETIN —9

Information Bulletin 9

General Guidelines for Development Organizations Planning to Enter Marketing Ventures

Post-Harvest Fisheries Project
Department for International Development
Chennai, India

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This paper seeks to help NOOs and other development organizations who plan to venture into marketing of products, sources or institutions.

The paper offers a series of guidelines on product selection for marketing; pre-feasibility studies; market research; technical and economic appraisals; organizational sources; env ironmental issues; legal and statutory issues.

The paper was prepared in December 1996 by Catalyst Management Services (CMS), Banga lore, on behalf of the Post-Harvest Fisheries Project of the UK's Department for International Development (DFID), Chennai. The paper is addressed at lay people: thc language has been kept non-technical to the extent possible.

The project and CMS would appreciate any feedback on the guidelines so that they can he improved and scrvc better the NGOs and the other organizations they are meant for.

CMS notes that no NGO can handle all the issues raised in this manual entirely by itself. If the manual alerts NGOs to these issues so that they seek external help to handle them. this manual would have served its purpose.

The DFID-PHFP works with small-scale artisanal fishing communities in reducing post-harvest losses of fish; develops low cost improvements in handling, processing and marketing fish: and provides technical support, advice and training to government and non government organizations, tisherfolk associations and women's groups.

The DFID-PHFP is funded by the Government of the United Kingdom and covers three countries within the Bay of Bengal region — India, Bangladesh and Sri Lanka. The project started in 1987 and is presently in its third phase.

This information bulletin has not been cleared by the governments concerned or by the DFID.

August 1997

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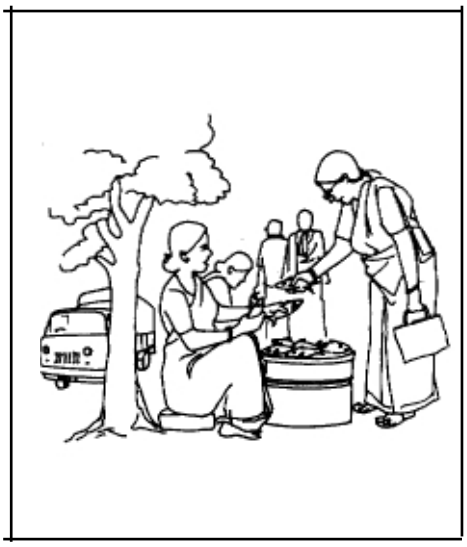
INTRODUCTION

A TYPICAL USER OF THIS BOOKLET IS
An NGO



- involved in development
- with a 'service' oriented organisational structure and personnel
- non-profit approach
- registered under (charitable) trust, society or co-operative law
- with long-term goals aimed at upliftment of poor and underprivileged
- informal systems/procedures
- little or no experience with commercial activity
- a general aversion to notions of profit & competition, and business values

Venturing into commercial activity to

- obtain higher incomes for target communities
- promote sustainability of livelihoods of poor households
- and possibly to augment the NGO's sources of funds

PROJECT EXPERIENCES IN FISH MARKETING IN ANDHRA PRADESH, TAMIL NADU AND KERALA

- Marketing of dried fish products by Kanyakumari District Fishermen Sangams Federation (KDFSF)
- Fish pickle production and marketing by Santhidan, Nagercoil, Tamil Nadu
- Dry fish marketing - ROSA, Nagapattinam, Tarnil Nadu
- Smoked fish production and marketing - DF!D-PHFP, East & West Godavari districts, Andhra Pradesh
- Marketing of rack-dried anchovies - KDFSF/DFID-PHFP, Tarnil Nadu
- Fish pickle marketing - COPDANET, Tamil Nadu

Common problems identified by NGOs in these efforts:

- Non-availability of or inadequate market information - regarding product, demand, price, quality, etc.
- Absence of systematic approach
- Operating at very small volumes
- Nexus between credit and trade channels
- Unpredictability of raw material supply such as erratic fish landings
- Storage and preservation problems-insect infestation
- Improper and unhygienic handling practices
- Lack of infrastructure
- Packing
- Legal issues
- Poor costing methods
- Lack of technical guidance
- Quality control
- Value addition does not necessarily fetch higher prices in the market
- Limited market reach of local community organizations
- Lack of commercial experience, distrust/discomfort in a commercial environment

Specific areas requiring external intervention, as identified by NGOs:

- *Systematic approach to starting a commercial venture*
- *Obtaining market information intelligence*
- *Evaluating consumer perceptions and tastes*
- *Product development*
- *Building a marketing organization: structure & strategy*
- *Costing and pricing*
- *Legal/statutory requirements involved in marketing*
- *Quality control*

The present document seeks to address these issues to the extent of providing a broad, generalised framework for evaluating and commencing marketing ventures by NGOs. The process, in outline, is **described diagrammatically on the next page. It** is **only a general description. Each venture is hound to have special features which must be given due attention. The process or framework suggested in this document is but the skeleton on which to build the rest of the evaluation.**

This document mainly addresses NGOs involved with fishing communities in peninsular India, particularly those on the east coast; but its relevance to almost any marketing venture by an NGO should be apparent.

SWORD 0F CAUTION:

This document uses language that is simple and non—technical to the extent possible. but some technical terminlogies are unavoidable. It explains what needs to he done without going into details of how to do it since that would make this document a text hook rather than a reference manual. In any case, no NGO is likely to he able **to** undertake all by itself the entire exercise described in this manual.

It would be useful for NGOs to mark portions of this manual which they do not understand. or steps which seem beyond their capabilities, and seek external assistance. This is also one way of minimising and eliminating any biases of the NGO. like pre disposilion in tavour of a particular product or market or a particular way of working.

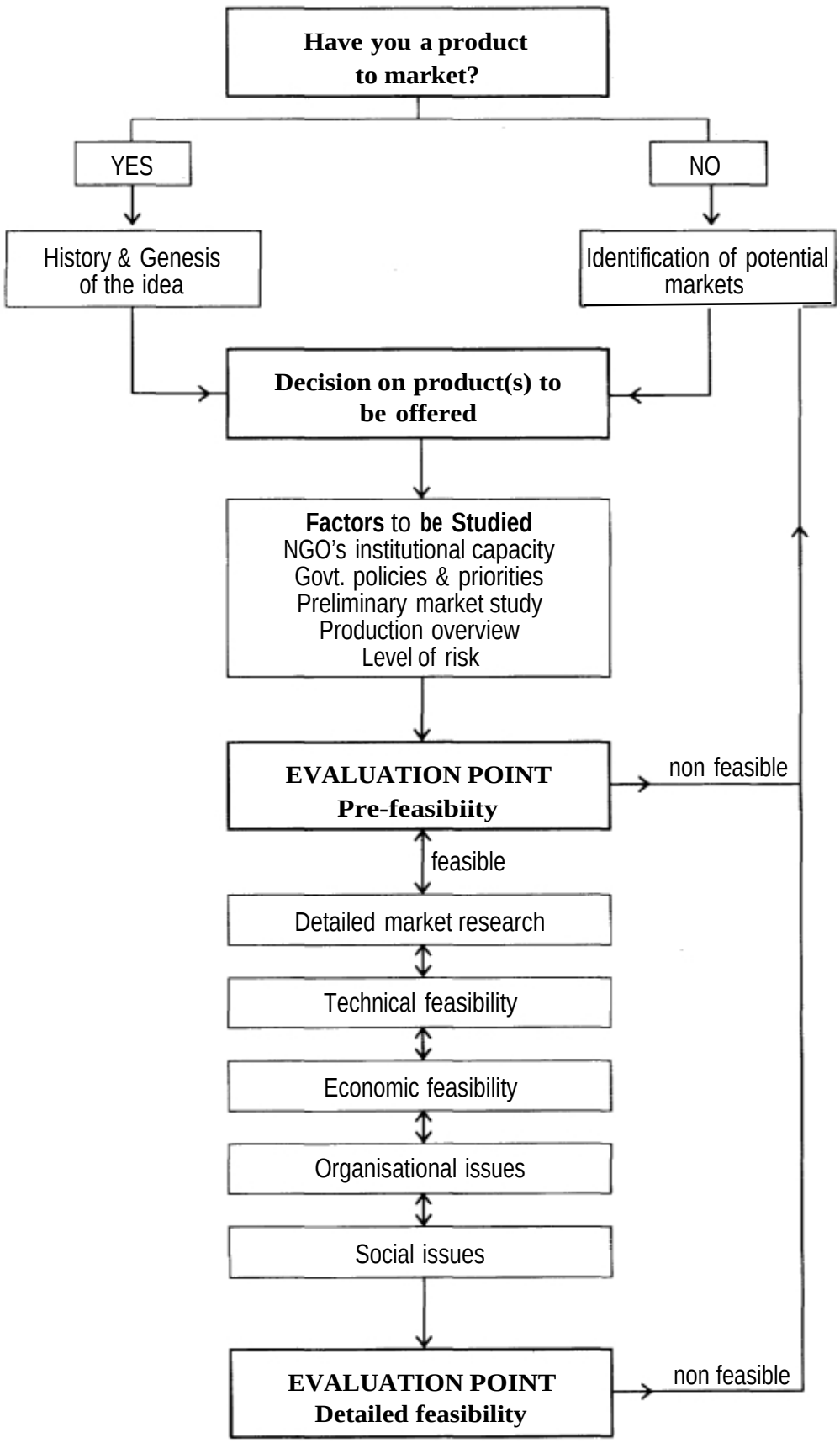
Understanding the process just outlined would probably he easier if we took up an illustrative case. Let us take the example of an NGO interested in. say, marketing fish pickle.

NGO based in Tamil Nadu, whom we shall cull 'Our NGO', has long been involved in development, working with fishing communities in a coastal district like Kanvakwnari, Tarnil Nadu. These communities engage in traditional fishing; they sell most of their catch in the fresh condition, and salt-dry a few specific varieties for sale later One of the aims of Our NGO is to help poor fisherfolk to get higher returns for their produce. In the exi sting marketing environment, a chain of intermediaries control most of the business. Our NGO has been toying with the :dea qf promoting value added products, to he marketed in urban areas to obtain higher returns.

Technology and trained personel are available (throgh DFID and other agencies); there is a wide range of products to choose from —fish pickle, fish chips, fish flakes, and so on.

Sound.s good sofar, Our NGO is enthused. It is time to rake a closer look. What are the questions Our NGO need to answer before putting hard money into the venture? This document seeks to suggest some questions that M UST be asked. There will always be other questions in each particular case, but the li st below is a good one to begin with; in many cases it may suffice.

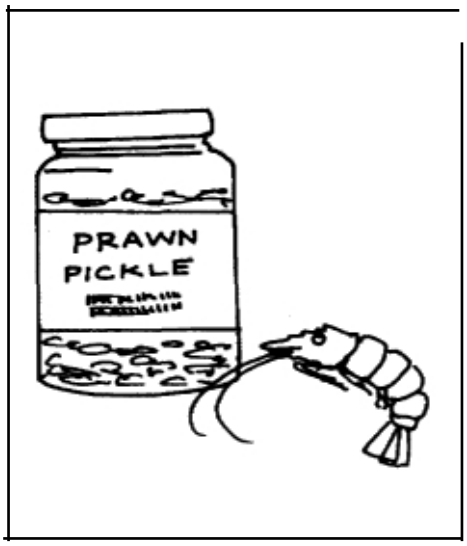
PRODUCT MARKETING BY AN NGO: SEQUENCE Of OPERATIONS



Stage 1:

WHAT PRODUCT TO MARKET?

1.1 ***Do you already have something to market?***



- you almost certainly are familiar with the market for fresh fish, salt dried fish, and the like
- and are probably comfortable with at least a few processed products such as fish flakes, rack dried fish, fish pickle, and fish chips, using raw material available locally; you may even have experimented with some of them in a small way
- Well, list them out

Our NGO is interested in the production and marketing of fish pickle in nearby markets. The technology for production and training for personnel was obtained from DFID-PI-IFP

So the answer to the first question put to our NGO is — tentatively yes.

1.2 ***If you don't have a product, how will you identify one?***

You can do it in many ways. Here are some:

- *Exploratory study of the market* — you could visit the market, talk to retailers and distributors, even housewives or children or people in general (informally), to arrive at a list of possible products relevant to your organisation's field of activity.
- *Examining performance of existing businesses.* You could study existing businesses (some of which may be just small, one man/woman shows) find out what their products are, and get information on profitability, capacity utilisation, resources, etc.. Don't expect people to part with information too easily, or to give you very accurate or truthful replies.
- ***Investigation*** *of local skills and resources to shortlist products* that could be produced and marketed locally with relative ease, staying within the general boundaries of your capabilities, and building on existing products/skills.

  For example, in the East Godavari area (AP), fisherwomen possess skills for producing of good quality smoked fish. The market for smoked fish could be examined in the light of this pre-existing resource.
- *Expert advice* from consultants, market research agencies, academic and technical institutes, even your own staff, to help you construct a list of possibly profitable products relevant to your field of activity

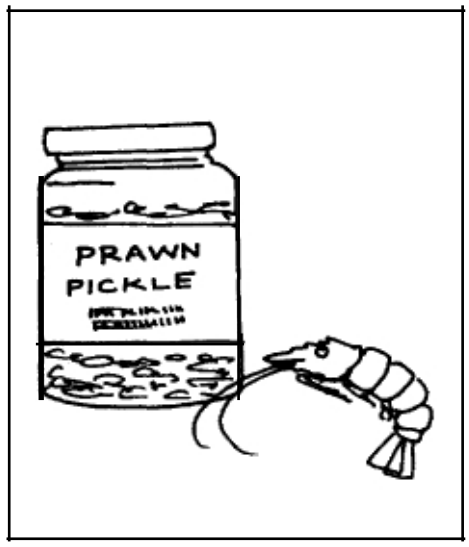
  Our NGO could approach the Gentral Marine Fisheries Research Institute, and/or market research agencies for such advice.
- *Suggestions from funding agencies/financial institutions.* Many such organisations frequently undertake a number of studies, prepare feasibility reports and are in a position to offer valuable suggestions that could help identify products with potential for commercialisation.
- *New products and technologies* — Information on new products, or new processes and technologies for existing products, are often available at research institutes, trade fairs, and the like.

  Example.' rack dried anchovies, fish chips, and fish flakes are some new products/processes that have emerged in recent years, and could he examined by Our NGO.

- *Analysis of Government guidelines/policies* – This often provides useful information on market opportunities.

  Example. Government sometimes provides subsidies for acquiring equipments or creating production facilities in specified locations, which could be used to the advantage of target communities.

- *Unfulfilled needs of consumers.* An informal exercise to find out if existing products are really what the consumer wants – in terms of quality, price, convenience of point of availability, timely availability, and other product attributes and whether any improvements could be undertaken, could lead to identification of products or processes worth commercialising.



In one such study it was found that though salt-dried fish had a demand, consumers were dissatisfied with the existing quality of processing and cleaning. A better processed, cleaned and packed product could command a good market.

The important thing to remember at this stage is that you are only looking for possibilities, not seeking to eliminate anything hut the most unpromising candidates. With this list of possibilities, you are ready to move to the next stage of your appraisal.

Stage 2:

PRE-FEASIBILITY

Stage I gave you a list of promising products. You now need to know whether you can produce and market them profitably. Further, you have to be sure that your organisation can handle the venture.

You need to look at the following:

2.1 *institutional capacity*
2.2 *Govt. policies & Priorities'*
2.3 *The market*
2.4 *Production processes*
2.5 Risks

You are required to do this exercise twice — once now, as part of the 'Pre-feasibility' study, and again later, in greater detail. For now you need to answer the questions that follow only tentatively, and you may skip those that do not seem immediately important.

2.1 *institutional capacity:*

The capacity of your organisation to undertake commercial activity is very important; the more so because most NGOs involved in 'development' have little or no exposure to a commercial environment which is highly conipetitive and where the rules of the game are entirely different. An evaluation on the lines proposed should give you an idea of the strengths and weaknesses of your organisation when it comes to commercial activity. It should also help you identify the resources and expertise you need to build into your organisation to ensure success for your proposed venture. Under 'Institutional Capacity', therefore, ***you*** *need to cover the following main areas':*

Organi sational, Financial, Technical, Marketing and infrastructure

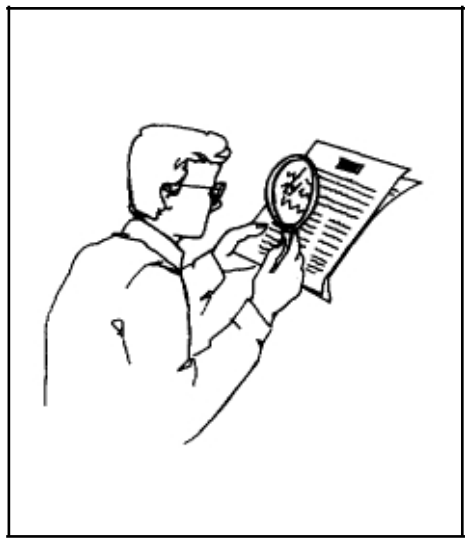
What you need to look at in each of these areas and a suggested approach to each aspect is given below:

2.1.1 Organisational

- Legal standing:
  - ⇨ What is your organisation's *legal status?*
  - ⇨ Are you allowed to undertake a commercial venture under the same legal structure?
  - ⇨ Does a *separate organisation* need to be formed?
  - ⇨ What are the *licences and clearances* that would be needed?
  - ⇨ Implications of *labour* and other laws.
  - ⇨ What are the implications of the proposed venture for the way you now *maintain your accounts,* the way you raise funds, indeed the way you do almost anything that you now do?
- Sen ior management **:**
  - ⇨ How qualified, competent and resourceful is your leadership, in the context of a commercial venture?
  - ⇨ What is their experience or their ability to absorb experience in commercial activity?
  - ⇨ What is the kind of leadership and direction they could offer to the new venture?
- Staff
  - ⇨ How qualified, experienced and competent are your staff in commercial activity, and what is their ability to learn fast and 'think on their feet' in such an environment?
  - ⇨ What is the age profile of your grassroots, middle and senior management?

You may need external assistance to help you arrive *at* an objective and valid set of conclusions.

- ⇨ How motivated are your staff and how do they react to your proposed venture?
- ⇨ What is their level of professionalism and knowledge base?

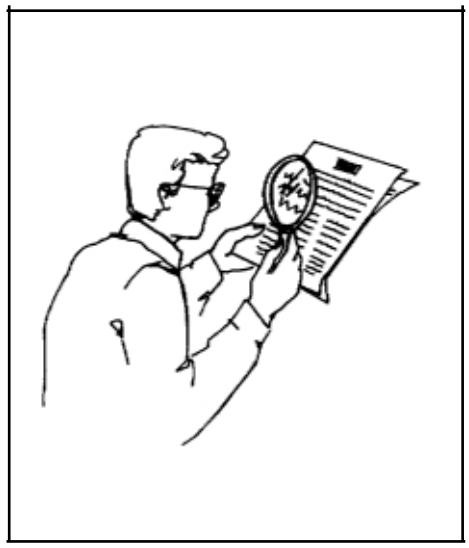


- Organisationalsystems & structure:
  - ⇨ How good are your *internal communication systems,* particularly with respect to information capture & storage, processing, retrieval and dissemination, opportunities and channels fbr easy access?
  - ⇨ And how good are your *security systems* for maintaining confidentiality needed to maintain competitiveness?
  - ⇨ And how good are your *control mechanisms,* particularly with regard to accounting, reporting, costing and recoveries of dues?
  - ⇨ is your organisation *'cost-conscious'?*
  - ⇨ What is your *history ofacceptance* and adoption of improved and healthy management practices whenever mistakes and lapses have been discovered?
  - ⇨ What is your *organisational structure,* and how does it facilitate commercial activity? What is your policy and practice for delegation of apthority and responsibility downward and laterally?
  - ⇨ How are *policy decisions* made in your organisation, who are involved, and what is the process?
  - ⇨ *Flow fast or slow* has your organisation been, historically, in responding to a crisis?
  - ⇨ What has been your organisation's *response historically to innovation* and informed dissent?
- interface with environment and other organisations:
  - ⇨ What is the image of your organisation in the market place?
  - ⇨ What is your history of collaboration with other organisations and agencies?
  - ⇨ Can you niake out a list of organisations and prominent individuals whose goodwill you have eamed, and how relevant are they to your proposed venture?

2.1.2 Financial

- Resources
  - ⇨ What are the internal financial resources available for a new venture?
  - ⇨ What external financial resources can you mobilise?
  - ⇨ What is your capacity to absorb losses?
  - ⇨ Financial management
  - ⇨ What are your existing assets and their usage?
  - ⇨ low good are your financial management and control systems, and what are the general standards of accountability in your organisalion? (Your auditors should be able to offer a good opinion on this.)
- ⇨ In the context of financial management, repeat the questions raised under 'Organisational systems and structure' in a previous sub-section.
- ⇨ Who are you, as an organisation. accountable to financially, and what would their view be of the proposed venture? (Include in this list your beneficiaries, donors, government, tax and excise authorities, the general public, and your governing body in this list.)

2.1.3 Technical



- What arc the *prodw non and quality control facilities* (relevant to the proposed product(s)) avail able to you. and what else do you need tO acquire?
- W hat is the level of technical capability within the organisation in terms of personnel and expertise?
- What is your access to external e expertise?
- Do you has e any previous experience in processing. storage. preservation, packing and transport of the kind of product(s) you have in mind ?
- What is vour level of awareness of new technology and production methods that arc currently evolving in the fields relevant to you ?
- What is your estimate of their inipact on your proposed venture?

2.1.4 Marketing

- What is the experience of your organisation in marketing?
- How do you rate the ability of your staff to absorb and understand the dynamtcs of the marketplace?
- How competitive is your organisation?
- What is the 'efficiency' of your current operations?
- How good are your staff at innovative problem solving?
- What is the present image of the organisation and any product(s) you may have in the market?
- What is the level of your familiarity with existing distribution channels (Wholesales. distributors. retailers, and the like), their terms for services rendered, their interrelationships, and mechanisms for sharing profits and risks.
- What is your rough estimate of the size of the market, volumes traded, and the shares of various 'players'; and how have you arrived at these estimates?
- What is your level of awareness of new technology and production methods that are currently evolving in the fields relevant to you?
- Whom do you consider to be your allies and adversaries in the marketplace, and why?
- Can some adversaries become your allies and/or collaborators?

2.1.5 Infrastructure:

- List the available infra structure in terms of physical assets, marketing network/linkages, technical/production facilities, etc.

Sonic of the documents. sources of information, and techiiiques that you may use or refer to while answering the foregoing questions are

- sour legal advisors and auditors, as well as othei experts where necessary.
- our Memorandum and Articles of Association, bye-laws. and the statute tinder which you are registered.
- General rules, prescribed procedures. laws and Acts of Legislature pertaining to factories and the food industry like: Standards Weights and Measures Act. Prevention of Food Adulteration Act, Factories Act, pollution laws and regulations. rules for licences from the local Electricity Board and the Flectrical Inspectorate. and labour laws.

- Personnel records and information on your staff with regard to qualifications and experience.
- Financial statements and accounts of your organisation.
- Open-ended discussions and brainstorming sessions with groups of staff and external experts.
- Individual interviews with staff to obtain views, perceptions and opinions.
- Case analysis of historical issues and experience.
- Once this part of the exercise is complete, you need to *list out your organisation's strengths and weaknesses,* and explore ways of capitalising on the one and overcoming the other, by enlisting external help, and building in new skills and capacities into your organisation.

2.2 ***Government policies & priorities:***

Government policies concerning production and marketing of certain types of products often have a very significant impact on the viability of a product line. Some products cannot be produced in certain areas, or cannot he sold in certain others, or cannot be produced or marketed except by certain categories of persons or agencies. Policies of different states may vary. *Governments sometimes encourage* ***certain products*** *through subsidies or concessions in taxes, interest rates on capital employed, and so on. You would be well advised to scan all such policies before commencing our venture, to gain maximum advantage.* Some questions you may ask are:

- *What are Government policies relating to your selected products/ideas?*
- *Do these products/ideas tall within any priority lists or sectors?*
- *Arc any chances in policies with regard to licensing, regulation or deregulation expected?*

Much of the information you need should be as ailable with the Departnzentr of !ndu.stries, of Fisheries, of Industries c Commerce, Sales Thy. Standard Weights & Measures, Prevention of Food Adulteration, and diverse financial public ations.

2.3 Preliminary market study:

The next part of the study focuses on the market.

For any marketing venture to succeed, the product must command a sufficiently large demand. The volume of sales must support production at levels which make the venture profitable. You need to examine the following factors to get a preliminary idea of the size of market to expect.

- *Total present demand for the product*
  (an estimate of quantities of the product(s) under consideration currently being sold in the market including any substitutes and/or competing products.)
- *Fxisting suppliers and sources of the same*
  (list of suppliers existing in the market, the volumes of sale, price, quality, pack size, etc.)

  For example, in the area of OUR NGO, two brands of fish/prawn pickle.s are currently available.
- *Price-Quality profile*
  (What is the range of quality of the product(s) sold, each quality at what price?)

  for e sample, in the area of Our NGO, fish pickle made of seer fish can he sold at Rs. 28 for a 200 gm packet, whereas pickle of other variety of fish can only be sold in the same market at Rc. 20 22 per packet of 200 gm.

- Consumer preference
  (information on what the consumer wants **from the** product.)
  For example, consumers prefer pickle made of seer fish, wIth ***Iow*** **oil** content, **in a pack** size **of 100 or 200 gm, in non-leaky packets.**
- Marketing channels
  (The route followed by the product from producer to consumer. The more the number of intermediaries, the more agencieS there are to take a share **of the profit, or 'margin' in market parlance. On the other hand, the fewer the number of such** 'channel partners'. the smaller your **'reach' to the broad base of potential consumers.** You need a balance between **the** two, **so that you can reach maximum number of consumers at the** least **cost,** and realise the greatest margins yourself.)
- **Projection of demand into the future**
  (Is the demand for the product(s) under consideration expected to increase **or** decrease **in coming** years or months? Is **there** a seasonal trend **in demand?** What Is the magnitude **of these** changes or fluctuations? What is the basis for these projections, **and** how sure can you be **of them?)**
- **Barriers for new entrants**
  (Are you likely to encounter any barriers **when you enter the market? What is the likely** nature **of** these baniers, and who is likely to be behind them? Sometimes, distributors and retailers **(and** manufacturers) form a cartel **or** employ less ethical tactics to discourage new entrants. **On the** other hand, there m.ight be patent law limitations for a particular product)
- Your share of the market
  (Of the total volume of the product(s) under consideration, how much do you estimate will form your share? What is the basis of the estimate, and bow thuch fluctuation **should you expect?)**

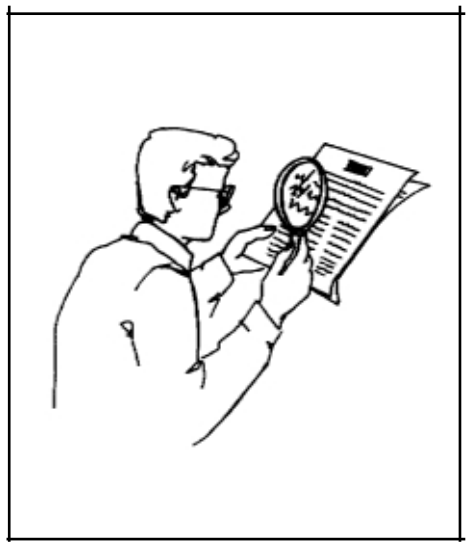
The information you need for this part of the study could be obtained in a variety of ways - visits to the market, talks with distributors, retailers and consumers, discussions with experts, research agencies and funding agencies, and careful observation. For now, you need only indicative estimates; later, a more detailed survey will he required, which is described later in Part III of this document.

2.4. *Production* ***overview:***

Now that you have some idea of the market, particularly volumes you may expect to sell, you may go on to examine the issue of creating *production* ***facilities.*** You would need a certain amount of ***capital, technical*** *know-how, access* ***to*** *raw material,* utilities like *power, water* **and the like,** ***labour*** *management systems,* and many other inputs. Look at the following questions in this context:

- What is the *capital required* to create facilities for production at the levels envisaged ? What is the rate of interest ? What are the other terms that it is available at?
- Are the capital requirements within manageable limits, given your resources?
- What are the various *raw materials* required for production and packing?
- Are these raw materials *available* ***locally/nearby/or*** are they to he *imported;* and what are the *costs?* Are there any associated problems? ls the flow regular? Is it seasonal? Is it intermittent?
- What are the utilities *(power, water,* **etc.) required? Are they** available continuously, and what are the costs? Do you require exiemal or additional sources as back-up?
- What is the *technology for manufacture* involved? What machinery and/or equipment would you need? What land and buildings would you need?

- What are the *skills required in the workforce,* and how many of each kind of worker and supervisor would you need?
- What are the levels of production that could be established; in what increments and with what additional inputs could production levels be stepped up or reduced?
- Make out a *flowchart of the production process,* and establish the inputs required to produce one unit, or a batch of the product. Remember to include in the flowchart ALL activities and inputs required, omitting none.



2.5 Level of risk:

A commercial venture always carries an *element of risk.* Some of the factors that contribute to the level of risk (not necessarily in that order of importance) are:

- ***Gov** ernment controls*

  (Government may impose without warning or at short notice, restrictions on production and marketing of certain products. Or there may come into existence new laws or regulations with respect to tax, transportation, labour, and the like.)

- *Technological changes*

  (which could make your products or processes obsolescent, and therefore less competitive.)

- *Competition,* including substitute products

  (Your conipetitors may become more innovative and/or aggressive, and/or could introduce products that are good substitutes for yours. Such challenges could come from either local, domestic competitors, or from more distant, even foreign products)

- *Environmentalfactors* like inflation, changes in family incomes, social behaviour and consumption patterns, and the like

It is not easy to assess these risks to any appreciable degree of accuracy, but it is usually possible to make some rough estimate with the help of experts, and by studying the experience of other entrepreneurs in the same and similar fields.

EVALUATION POINT

Pre-feasibility

Proceed further, ifgenerally feasible up to this point, i.e., is your organisation capable of taking up such a venture, can you produce what the market demands, and is your realisation likely to at least cover your costs, and do the risks involved seem reasonable to your team

or

go back to the beginning to start afresh with' new products, ideas, institutional structures, information

The stages that follow are in a sense a repetition of what you have done so far, but in much greater detail. **You** can no longer afford to skip any issue unless it is clearly irrelevant to your proposed project. And the degree of accuracy of your answers to them will have to he much higher. The rigour with which you approach issues will have to be of a much higher order. There will of course remain some degree of uncertainty in the results that emerge in the course of your appraisal. Your effort should always be to minimise that.

Stage 3:

DETAILED MARKET RESEARCH

All the questions asked earlier under 'Preliminary Market Study' need to he asked again here. They are not therefore repeated. The emphasis here is on technique of research.

What is market research?

A systematic collection, recording, and analysis of data relevant to a specific problem in hand

How will you get the research done.?

You could do it with your own staff, provided they have the required time and expertise

You could request help from students or staff of management institutes

You could approach professional market research agencies

What are the steps in market research?

3.1 *Defining the problem* and research objectives

3.2 Developing a *research plan*

3.3 Collection of *inftrmation*

3.4 *Analysis* of information collected

3.5 Presenting *findings*

3.1 ***Defining the problem and research objectives:***

The first step is to define your problem carefully to your research group and agree on research objectives. What, specifically, are the questions you want answered, or the information that you seek? You should not define it too broadly or too narrowly.

For instance, Our NGO could ask the researcher to find out everything about the market for fish products, but that would make the cost of collecting information pmhibitive, much more than the value of findings. The question is too broad. Or they could ask the researcher to find out whether a particular group of consumers would buy seer fish pickle atRs. *2Ofora 700gm polythene packet. The question would now be too narrow You have excluded varieties of fish that could have potential, and also denied yourself information on other price ranges and packing options. It would be more logical to ask a series of questions, addressing the entire range of issues relevant to Our NGO (see 'Preliminary Market Study' for an indicative list)*

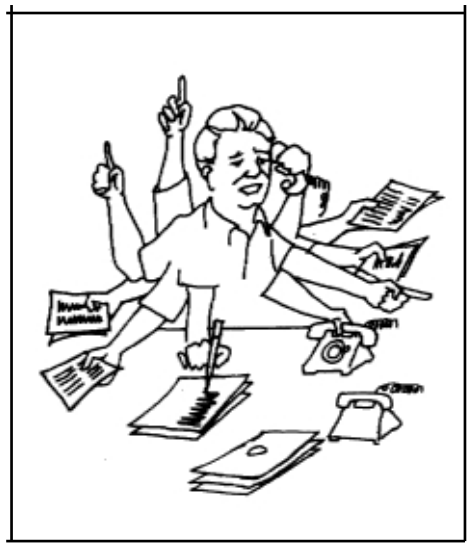
it may not always be possible to precisely formulate objectives in all cases, Market research could either be exploratory in nature or descriptive. Much would depend on the nature and extent of the preliminary information available, and the kind of venture being undertaken. Sometimes, it may be necessary to start with an exploratory survey, to be followed up with a more specific descriptive survey. As a general rule, it is desirable to state the objectives with as much precision as is possible, without excluding the possibility of obtaining information or perspectives that could be useful or relevant.

3.2 Developing a research plan

You now need a plan of action to systematically gather information required to attain your objectives. One cannol simply go around asking people if they would be interested in buying fish pickle nor can one just locate some fish pickle users and ask questions of them. How would you know that they represent the great mass of the market? You cannot on the other hand interview each and every person in your area of interest to obtain the information you need; at least not within a reasonable time or budget. Fortunately, there are techniques that yield fairly reliable results.

A research plan typically includes:

- ⇨ The general approach to the research project
- ⇨ A list of sources of data relevant to the objectives
- ⇨ Research instruments or questionnaires to be used for data collection
- ⇨ A sampling plan, or the method of selecting interviewees in such a way that they represent the community to be studied
- ⇨ Methods and approaches to establish contact with interviewees



3.3 ***Collection of information:***

Sources of data: There are two types of sources

3.3.1 secondary

3.3.2 primary

3.3.1 *Secondary* ***data*** is information that already exists somewhere having been collected by someone for some other purpose. You only need to find out where it is and obtain access. This is the place to start all market research, and you may well find that you could save yourself much trouble and expense by looking very carefully for and at all pre-researched subjects. Some of the places to look are:

- ⇨ *Internal sources* - your own old research reports, records, and market information collected by field staff.
- ⇨ *Funding/financing agencies* - market research and feasibility reports, project appraisals.
- ⇨ *Government publications* - An indicative list of some is at Annexure A.
- ⇨ ***Books and periodicals*** - Business magazines, journals, newsletters.
- ⇨ *Commercial data* - available from professional market and other research agencies
- ⇨ *Libraries,* particularly in technical and financial research institutes
- ⇨ *Internet*

You need to carefully make an evaluation of the reliability, accuracy and relevance of data so gathered. Some of the questions you should ask are:

Who gathered the data? Why and when was it gathered; how relevant is it today? Where was it obtained from? How was the sample, if any, drawn up? What was the quality of the exercise? How was it analysed and how is it presented? Any biases?

Once you have sifted and organised all available secondary data, you need to identify gaps that still exist to complete your research, including any secondary data you may wish to verify or revalidate. These gaps are to be filled by direct collection of information by you, which will then constitute your primary data:

Secondary data, though economical and useful, does not usually give a comprehensive basis for analysis. It is almost always supplemented by primary data collected for the specific purpose. This latter exercise is usually costly and lime-consuming, but you do get data relevant to the problem in hand. There are various ways of collecting primary data; the important ones are outlined below.

3.3.2 *Primary data:*

3.3.2.1 Collection of primary data: You can collect primary data by *direct observation, 'focus group' interviews, individual interviews,* and *experimental research.*

- ⇨ Observation: Research staff observe the subject (relevant people in the market setting - retail outlets, distributor points, dry fish market, etc.) and take notes on how the business is done. One may also watch consumers, or act as one in the market to get a direct 'feel' of transactions.

- *Focus group interviews:* A subject is discussed with a group of people (6-10 is a convenient size). Participants may sometimes need some small inducement to attend these interviews. The interviewer needs to be skilled enough to focus on the subject, without injecting his own opinions or biases into the discussion. This technique is useful in assessing consumer perceptions, attitudes and satisfaction levels.
- *Individual interviews:* This is best suited for descriptive research to obtain specifics such as demand for a product, knowledge about a product or a concept, prices, and the like.
- *Experimental research:* You select a group of people, ask them to try a sample of your product(s) and obtain feedback, including reactions to product features, price, pattern of use, and so on.

3.3.2.2. Research instruments: These are documents or procedures that facilitate collection of information. The most commonly used instruments are questionnaires and check-lists.

They consist of a set of questions to a respondent, and must he carefully prepared, tested and checked out on a small scale before use on a large survey. Particular care is needed in selection, wording and sequencing questions. In general there are two types of questions; closed - which provide all possible answers from which the respondent chooses one: and open-ended questions which a respondent answers in his own words. Pre-testing the questionnaire and training the interviewer, and monitoring the survey is very important **10** ensure results of quality. A sample of a questionnaire for interviewing retailers of fish pickle is **at Annexure B.**

3.1.2.3 Sampling plan: Your coverage of respondents, interviewees or subjects is based on a systematic sampling plan, which answers the following questions:

(a) Who is to be surveyed?

(h) How many people to be surveyed?

(c) How should you choose them?

(a) *Who vhould he surveyed?:* You need to define the community of persons or subjects that comprise your target for the study clearly. It is not always easy to do this. For a survey concerning fish pickle for example, the target population must exclude vegetarians, possibly should concentrate only on those segments of the population that traditionally eat fish, and possibly exclude those who cannot ordinarily afford pickle of any variety. Is the unit in your target population the individual or the household? Who should be accepted as the representative of the household, the woman, man, or child? (These questions are not as trivial as they may seem.) Do you need to subdivide (or 'segment' in marketing parlance) your target population into socio-economic sub-groups? Once you answer these questions. you are ready to go to the next.

(b) *How mani people to he curveved?:* You cannot interview, say, each and every fish-eater in the population, nor (fortunately) is it necessary to do so. You can sometimes get reliable results by covering less than 1% of the target population. Much depends on the degree of homogeneity and other characteristics of the various segments of your target population. as well as the nature of the parametei you intend to measure. There are formal statistical techniques to establish the size of the 'sample' to be surveyed, which is a beyond the scope of the present document. We would suggest that you consult a marketing researcher here.

(c) How should you choose them? Simply put, at random. There are mathematical rules that ensure that the selection is truly random, but common-sense random selection methods like a throw of dice, a pack of cards, or something similar often suffices. For surveys requiring a high degree of accuracy, it is best to consult an expert. (Also see Annexure C.

332.4 Establishing contact with interviewees: Commonly used methods are:

(a) personal interviews
(b) telephone interviews
(c) mailed questionnaire.

(a) *Personal interview:*
- ⇨ Most commonly used
- ⇨ Interviewer meets individuals, asks questions and records
- ⇨ Observations are possible during the interview (dress, body language, etc.)
- ⇨ Time consuming and expensive

(h) *Telephone interview:*
- ⇨ Relatively quick and inexpensive
- ⇨ Only people with telephones can be interviewed
- ⇨ Interview has to be short
- ⇨ Not very personal, loss of opportunity for direct observation

(c) *Mailed questionnaire:*
- ⇨ Mail questionnaires to individuals and wait for reply
- ⇨ Responses not biased by the interviewer
- ⇨ Clarifications not possible
- ⇨ Failure to respond, low response rates

3.4 *Analysing the information:*

This is best done with the help of experts. A formal statistical approach, combined with the sensitivity of an expert to issues of quahty is usually necessary unless the matter under consideration is simple. Simple aggregation and averages can he quite deceptive.

3.5 *Presenting findings:*

A *tabular format,* preceded by the *most important findings in a summarised form* is usually the best.

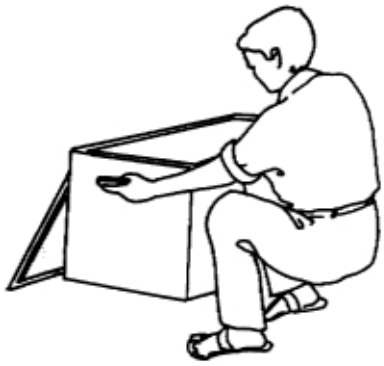
You need to go back to the objectives of your research and check whether all have been achieved, and also bring into focus information and insights that may have emerged as a result of the study, which might show your project in a new light. Too narrow a focus on research objectives may be counterproductive.

As we said earlier, the answers you seek at this stage are essentially the same that you sought during your preliminary study; only the reliability of the answers is now greater.

Stage 4:

TECHNICAL APPRAISAL:

Now that, after Stage 3, you are (hopefully) reasonably sure of the market for your product(s), you are ready to take a closer look at the production processes.



Again, the questions before you are essentially the same as the one asked of you earlier, but there must now be nothing tentative about your answers.

What kind of product, with what specific quality attributes, does your market demand?

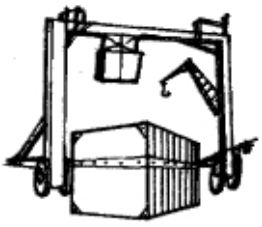
In what quantities, in what seasons?

Go back to the questions listed under 'Preliminary Feasibility Study', and answer them in the context of these new questions.

Make detailed flowcharts/diagrams tracing or describing the production processes at various levels of output, for the following:

Flow of materials from the source onwards; and flow of finished goods from you to the end consumer

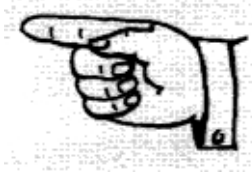
Transportation, preservation, storage, processes, technology, skills, labour, power/utilities, and inputs required at each stage of flow of materials and finished goods, as well as of transformation into finished goods



Transformation of materials, each stage separately described, into finished and packed goods, including facilities/equipment/ machinery required for each stage

Capture, recording, processing and flow of information of all kinds concerning each of the stages and processes described above

Quality control and assurance



Decisions to be taken at each stage of the processes and stages described above

Accounting functions, payments, transfers and receipts of funds associated with each of the above processes

If you have paid sufficient attention to detail in charting the foregoing, much of your work is now done.

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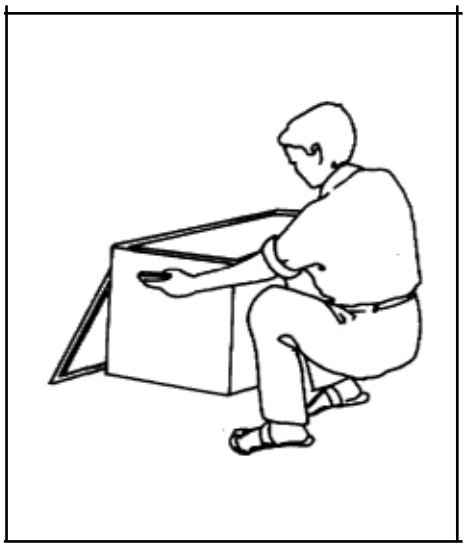
At this point a number of **other questions** should **occur** to **you. For** example:



Utilities: Availability ofpower, water,fuel, etc. What quantities do you require, how much **is** *available, and at what cost? Would von need backup or alternative arrangements? If yes, what is the cost?*

Proccess technology: Do von have the technology? If you have to buy it, at what cost? From whom? What is the cost of training up your personnel?

Products: What should be the quality of your product(s)? What is the size and type of packaging required? What are the costs?

Production capacity: How much of your product do you need to produce per day/month/year? What should be the installed capacity in view of your expected market projections?

Location: Where should you locate yourproduction facility? Nearer raw materials or the market? Or where infrastructurc/facilities like powen transportation, water and communication are better available? What about statutory approvals? Tax advantages?

Machines: For the capacities desired, what is the machinery and equipment to be installed? The source? Time required for ordering and installation? **Costs?**

Structures & civil works: Requirement of buildings, other structures and cost? Time frame?

Outlinc organisation **&** *Staffing: Organisation charts, departments, staff specialists, and so on.*

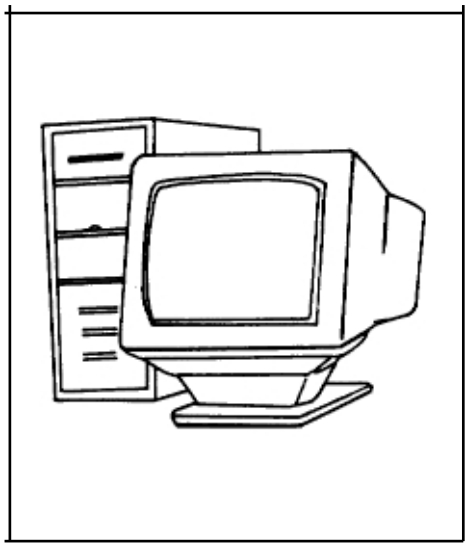
Sonic of these questions may send you back to revise previous conclusions or assumptions. Youmay also end up being con fused. Don 't worry, yon 're in good company. The process ofproject appraisal is rarely smooth, and is strewn with many doubts and ambiguities. The important thing is not to allow yourself to he intimidated, hut to plod on, systematically and carefully, neverjumping to conclusions or ignoring a doubt raised. Go back and begin all over again as many times as necessary; it is time well-spent and will save you many regrets later.

Now for **the next stage.**

Stage 5:

ECONOMIC APPRAISAL:

Economic appraisal helps to compute the profitability of the project.



It makes a lot of sense to call in an expert here. However, it is quite possible for a lay person with a lot of common sense, to do it all alone.

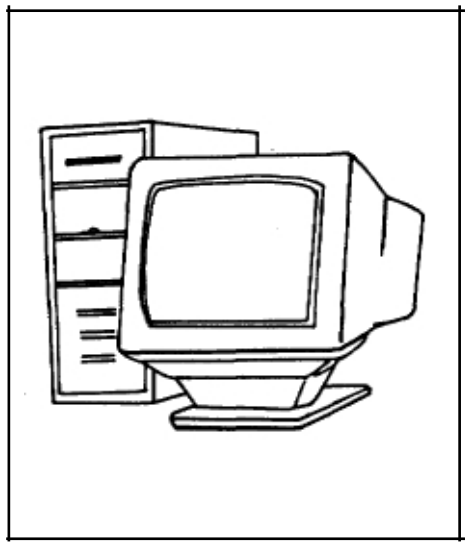
The following steps will take you through this stage:

- Market estimates:
  Quantity of projected sales, expressed in terms of a unit of sale (gms, kgs, ltrs, etc), Your market research should give you a good idea of what you may reasonably expect to sell. After allowing for some time for your product to take off, and taking into account seasonahty of demand, growth, fluctuations, competition, prevailing market rates lor the product(s) under consideration, and expected trends in the future, how much can you sell, and at what price? You need to make a projection for, say, the first two to five years. A tabular form on a computer spreadsheet is the best format, but a manually generated table will often suffice. Be sure to state all assumptions and caveats.

- Pro ected costs/expenditure, to include, and taking into account:
  - ⇨ Raw material and consumables Used in manufacture and packing processes
  - ⇨ Advertisement & promotion
  - ⇨ Margins and incentives to market channel partners – distributors, retailers, commission agents, stockists, etc.
  - ⇨ Salaries, wages, and connected expenses (like provident fund, Employees' State Insurance, gratuity, house rent, and so on)
  - ⇨ Rent & lease
  - ⇨ Electricity
  - ⇨ Water
  - ⇨ Maintenance of machinery, equipment, services, buildings, etc.
  - ⇨ Transportation
  - ⇨ Storage
  - ⇨ Wastages and losses
  - ⇨ Royalties and commissions
  - ⇨ insurance
  - ⇨ Administration and office expenses
  - ⇨ Audit
  - ⇨ Statutory fees, taxes, duties, and other expenses
  - ⇨ Depreciation of building, equipment, plant & machinery
  - ⇨ Interest on loans (see 'Capital Estimates' below)
  - ⇨ Other miscellaneous expenses/costs

You need to go back to the charts/diagrams generated under 'Technical Appraisal' to ensure that the cost or expenditure associated with each component or activity described therein has been included, making sure that there is no 'double-counting' or omission. Also refer Annexure D for costing formats.

- Capital estimates:
  - ⇨ Land
  - ⇨ Building
  - ⇨ Machinery, plant & Equipment, including installation & commissioning
  - ⇨ Cost of initial training of staff
  - ⇨ Purchase or commissioning of software, systems and technology
  - ⇨ initial (setting up) costs to include trial production, testing out systems, security deposits, acquisition of external storage facilities and stocking points
  - ⇨ Working capital to cover inventory, work-in-process, advances (to be paid for material & services, salaries and wages, utilities and the like), credit (to distributors/retailers); indeed all money that is likely to be 'locked up' for a period of time before you realise payment. (More details are in a subsequent section - under Cash Flows.)
  - ⇨ Any other capital investment required



You not only need to estimate the amount of capital so required but also the point of time at which you will need the money. That should give you a good idea of the level of funds you need to mohilise before starting up your venture, following which you need to identify the source from which you can raise the money... how much can you mobilise as grants, how much as 'equity' (share capital), and how much as loans and at what cost or rate ot interest.

With the above estimates, the following kinds of financial projections need to be made:

(a) Break-even volumes
(h) Return On Capital Employed (ROCE)
(c) Cash Flows
(d) Profit& Loss
(e) Balance Sheet

(a) Break-even volume:

Break-even volume is the level of sales at which the income is just sufficient to meet all expenditure in a given period of time. Only when sales cross the break-even point or volume does the venture begin to show a profit. the greater the sales, the greater the profit. When sales fall below break-even point, losses are incurred.

The significance of breat-even volume is that it establishes a minimum level of sales that must be assured in order to make a venture at least worth considering. Also refer Annexure E.

(b) Return On Capital Employed (ROCE):

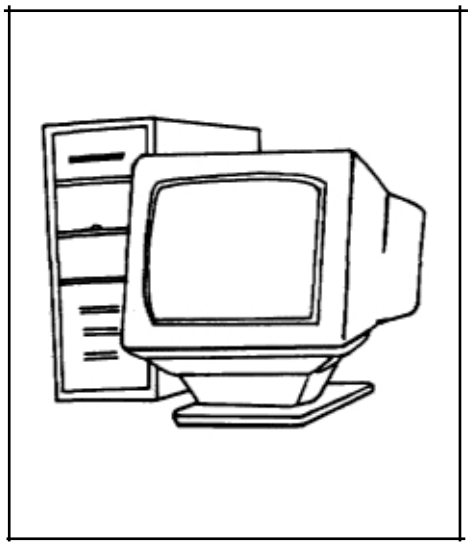
Return on Capital Employed is the ratio of profits generated in a given period of time to the amount of capital invested by an entrepreneur from within his own personally owned resources. This indicates the degree to which the project is a profitable venture, and is often used to evaluate the relative attractiveness of two or more competing alternatives before the entrepreneur. (Naturally, two alternatives would be comparable only if all other factors, particularly risk levels, are equal.) ROCE is often discounted for risk, but a discussion of techniques involved is outside the scope of the present document. As a rule, given alow level of risk, a ROCE that is higher than the ruling commercial interest rate for long-term deposits represents a reasonably good venture, the higher - of course - the better.

The *ROCE* is only a tool for analysis, and must be viewed in the context of other objectives of the project, particularly social objectives.

(c) Cash Flow statement (working capital requirement):

The next step is to generate a month-wise statement, based on the foregoing projections, which realistically estimates the inflow and outflow of cash in the course of operations, starting from the time the project is conceptualised, over a period of two to five years, or longer if possible. Any shortfalls at any point of time would indicate the need for a 'bridging' loan, which would constitute your working capital requirements. It is always wise to slightly overestimate outflows, and underestimate inflows.

Annexure F' gives an example of a cash flow projection.



(d) Profit & Loss Account and Balance Sheet:

These projections follow from all the foregoing steps.

The services of an accountant would be necessary to generate them.

The P & L account is a statement for a given period of time, which shows all income and expenditure during that period. A number of accounting conventions and procedures are involved, also several ifs and buts, but essentially the P&L account in the end indicates the amount of profit (or loss) made in a particular period. It is different from a cash flow statement in that the former merely records actual flow of cash, including those that may not be income or expenditure; (e.g. receipt of loans, payment of advances and deposits, and so on). Please refer ***Annexure G.***

A **balance sheet,** as distinct from a P&L statement, shows a snapshot picture at a given point in time, listing out all the assets and liabilities of an organisation. Comparison of a series of balance sheets enables one to judge the rate of growth and health of the organisation. A balance sheet is usually prepared each year, as is a P&L account, but organisations often prefer more frequent statements. Please refer **Annexure H.**

Stage 6:

ORGANIZATIONAL ISSUES:

A number of issues were considered by you earlier under this head during Stage I, under "institutional capability". Now that you have much more inlormation at your disposal, you need to carry out a more detailed appraisal of those same issues.

One of the first things you need to do is to look at your **organisational structure** carefully. The flowcharts/diagrams generated in the course of your technical appraisal would be useful here. Your production processes, decision-making processes, information flows, and accounting/administrative mechanisms must find expression in the form of an 'organogram', which describes interrelationships, controls, communications, delegation of authority, staffing, skills, and job descriptions. You then need to estimate the time, resources, and costs of recruiting, onenting, training staff, and setting up your organisation to 'operationalise' your venture — and make sure that these costs are built into the economics of your project.

Stage 7:

SOCIAL & ENVIRONMENTAL ISSUES:

For an NGO, this part of the appraisal is particularly relevant. The project needs to be reviewed to confirm that it is likely to achieve the social objectives that it (implicitly or explicitly) seeks to achieve, and that there are no undesirable effects - direct or tangential. It is difficult to lay down a format for such an appraisal, which must be carried out with a great deal of sensitivity and imagination, involving as many experts in various fields as possible. in general, the main issues that would usually have to he considered would be:

Socio-Economic:

The question of distribution of benefits emanating from the project, direci and indirect, to various groups or classes of persons. The issue of equity is particularly important. Inevitably, there will be hard decisions to be made, with some compromises.. The important question to ask is whether the project has the effect of improving the quality of life of the underprivileged, which of them and how many, in what way, and to what extent: and also whether any group of underprivileged are further marginalised by the project. The eventual **impact** of the project on the lives of people is at least as important as the immediate benefits accruing from the project. Some other issues likely to emerge in the course of appraisal are:

- ⇨ Changes in lifestyles and distribution of work within the family
- ⇨ Changes in consumption patterns in families, and demands/access to now goods/services
- ⇨ Changes in social status
- ⇨ Changes in relations between social/economic groups
- ⇨ Acquisition of/access to new assets
- ⇨ Changes in power structures
- ⇨ Conflicts and friction arising from the changes, and management/resolutions of the same
- ⇨ Gender and child-related aspects while addressing these issues

Emironmental Issues

This constitutes the other segment of this stage of appraisal. Again, the number of questions that could arise are far too numerous to make an exhaustive list here. The main ones likely to arise relate to pollution, degradation, facilitation or denial of legitimate access to resources, and resolution of conflicts.

Stage 8:

LEGAL AND STATUTORY ISSUES:

The specific issues to he addressed here are again those raised earlier in Stage I. With the detailed information now available to you, you need to look at them carefully again, with the help of your legal advisors and tax consultants.

EVALUATION POINT

Detailed feasibility

Proceed further, if found feasible

or

go back to the step "identification of products for marketing"

ORGANTZINGYOUR STUDY

We have prescribed eight stages for your study or appraisal of feasibility. It should be obvious by now that it is not necessary to execute the study sequentially as described. Outputs of some stages constitute inputs for others, and one may often have to shuttle back and forth between various stages, to re-examine the results of one stage in the light of results of another. I

If your resources permit, we would recommend that your study be carried out by a number of sub-groups, each engaged simultaneously with one particular stage. The outputs generated each subgroup must continuously he integrated with the work of others through a mechanism of joint meetings and discussions at frequent intervals. You could start with Stage I in this manner. and go on thereafter to the rest of the study Needless to say, co- ordination and monitoring of progress would have to be done very carefully.

Depending on the size and nature of your project, and the funds/support available, you may decide to co-opt experts into your study. You may on the other hand, decide to drop, for very good reasons, some issues or aspects listed by us as not relevant or not important for your proposed venture.

While a good appraisal is not in itself a guarantee of success of a venture, it certainly goes a long way in eliminating those which are not feasible, and in bringing into focus all relevant issues that could make the difference between failure and success.

We wish to emphasise that the framework for analysis described in this document is anything but exhaustive. When in doubt, it is always prudent to seek expert opinion. Nevertheless, we offer this framework with the confidence that, given the kind of ventures that NGOs tend to undertake, it is more than adequate.

Please get back to us with your comments!

<<

Annexure A

AN INDICATIVE LIST OF GOVERNMENT PUBLICATIONS

1. Census **of** India - information on population, demographic characteristics, household composition, size, etc.
2. India Yearbook - published by Ministry of Information and Broadcasting - information on economic aspects.
3. Annual survey of industries - published by Central Statistical Organisation - information on industries, state-wise, raw malerials, finished goods, employment, etc.
4. **The** stock exchange directory - published by Bombay Stock Exchange - information on financial statements
5. Industry potential survey - published by Industrial Development Bank of India - information on potential for industries in backward areas.
6. **Plan** reports - issued by Planning Commission - information on plan proposals, financial targets, outlays, etc.
7. Statistical abstract of the Indian Union - published by Central Statistical Organisation - information on demographic profile, national income, agricultural and industrial statistics.

Following are some of the sources of data for marine products sector

1. Statistics of Marine Products Exports - published by Marine Products Export Development Authority, Cochin.
2. Yearbook of Fishery Statistics - FAO, Rome.

Annexure B

SAMPLE QUESTION NAIRE

Targel Group : Processors/traders/(retail/wholesale)
Place : Landing centre/wholesale market/retail market
Survey method : Individual interviews/groups-PRA

Name of the LC/Market

Number of participants : Date:—

Names : Time:—

Survey conducted by-

(1) Details on varieties handled and purchase:-

SI.No.	Varieties	Fresh			Processed		
		From	Type of Purchase	Price	From	Type of Purchase	Price

(2) If processing undertaken by the trader/processor:-

Type of processing:

Varieties

Method

Cost Component

(a) Salt:

(b) Fuel:

(c) Labour:

(d) Wastage:

(e) Others:

(3) Storage, packing & transportation details:-

		Material/ method	Cost	Quantity	Cost/kg
a	Storage				
b	Packing				
c	Transport (Rs/kg/km)				

(4) Details of Sales:-

SINo	Varieties	Sold to	Place	Qty	Type	Price

(5) Details on quality checks:- (explain)

(6) Other details:

(a) Practices

(b) Protective mechanism

(c) Interesting anecdotes

Annexure C

TYPES OF PROBABILITY AND NON-PROBABILITY SAMPLES

1. Probability sampling:

   a. Simple random sample

   Samples are selected at random and every member in the target population has equal chance to get surveyed.

   b. Stratified random sample

   Here target population is divided into groups (based on income levels, age-group, etc.) and from each of the groups samples are selected at random.

   c. Cluster sample

   Here, the target population is divided into groups; sample groups are taken up and interviewed.

2. Non-probability sampling:

   a. Convenience sample

   Most accessible members in the target population are selected for a survey

   b. Judgement sample

   Samples are drawn up. on the basis of a researcher's judgement, to get accurate information

   c. Quota sample

   Target population is divided into several categories. The researcher interviews a certain number of people in each category.

Annexure D

FORMAT FOR PRODUCT-COSTING

	Unit (a)	**Qty (b)**	**Rate (c)**	**Value (d) (bxc)**	**Recovery (e)**	**Finished Product** Qty **(d x e)**
Raw Material:						
a:						
b:						
Labour:						
Packing.						
Other variable/direct costs:						
TOTAL				0.00 (A)		
SALE PRICE				29.00 (B)		
Contribution:				29.00 (B) - (A)		
Contribution%:				100% (B) - (A) / (B)		

COSTING FOR 300 gms OF MIXED FISH PICKLE						
	Unit (a)	Qty (b)	Rate (c)	Value (d) (b x c)	Recovery (e)	Finished Product Qty (gms) (d x e)
Material:						
Fresh fish:	Kgs	0.15	20.00	3.00	0.20	30.00
Edible oil:	Ltr	0.05	45.00	2.25	1.00	45.50
Mustard seed:	gms	10.00	0.05	0.50	1.00	10.00
Gingerpieces:	gms	10.00	0.05	0.50	1.00	10.00
Garlic pieces:	gms	10.00	0.05	0.50	1.00	10.00
Green chilly pieces:	gms	10.00	0.05	0.50	1.00	10.00
Red chilly powder:	gms	10.00	0.05	0.50	1.00	10.00
Karimasal powder:	gms	10.00	0.05	0.50	1.00	10.00
Jeera powder:	gms	10.00	0.05	0.50	1.00	10.00
Kayam powder:	gms	10.00	0.05	0.50	1.00	10.00
Mendium powder:	gms	10.00	0.05	0.50	1.00	10.00
Preservatives:						
Sodium henzoate:	gms	10.00	0.05	0.50	1.00	10.00
Citric acid:	gms	10.00	0.05	0.50	1.00	10.00
Vinegar:	gms	10.00	0.05	0.50	1.00	10.00
Packing and sealing:						
Bottle:	Nos.	1.00	3.50	3.50		
Sealing material:	Nos.	1.00	0.25	0.25		
Labour time:	Nos.	0.20	25.00	5.00		
TOTAL:				20.00		195.50 gms
SALE PRICE:				29.00		
Contribution:				9.00		
Contribution %				31%		

NOTE : Costs/rates of commodities shown are not the actual market rates, hut assumed prices.

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Annexure E

FORMAT FOR CALCULATION OF BREAK-EVEN VOLUME

Salaries:	No	Rs/month	Rs/month
Marketing person			
Supervision			
Others			
Total			
Rent:			
Insurance:			
Water:			
Other fixed expenses:			
TOTAL FIXED EXPENSES/MONTH:			
CONTRIBUTION PER UNIT SALES:			
Break-even point: *(Total/fixed* ***expenses / Contribution per unit)*** ***Notes:***			
No of personnel can be indicated infraction depending on time invested Expenses indicated here will be incurred irrespective of scale of activity			

BREAKEVEN POINT COMPUTATION - AN EXAMPLE			
Salaries:	**No**	**Rs/rnonth**	**Rs/month**
Marketing person	1	3000	3000
Supervision	0.2	3000	600
Others			
Total			3600
Rent:			3000
Insurance:			500
Water:			200
Other fixed expenses:			1000
TOTAL FIXED EXPENSES/MONTH:			8300
CONTRiBUTION PER UNIT SALES:			9
Break-even point: ***(Totalfi.red expenses / Contribution per unil)***			922 bottles/month
Notes			
No of personnel can be indicated in fraction depending on time invested Expenses indicated here will be incurred irrespective of scale of activity			

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Annexure F

FORMAT FOR CASH FLOW PROJECTIONS

(Example: Fish Pickles)

	Months	1	2	3	4	5	6	7	8	9	10	11	12	Total
INFLOWS:														
Sales	Qty:(Nos.)	461	553	664	797	956	1147	1377	1652	1983	2379	2855	3426	18251
	Value: (Rs)	13372	16047	19256	23107	27729	33274	39929	47915	57498	68998	82797	99357	529279
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0
Total inflows		13372	16047	19256	23107	27729	33274	39929	47915	57498	68998	82797	99357	529279
EXPENDITURE:														
Productioncosts		9222	11067	13280	*15936*	19123	22948	27537	*33045*	**39654**	**47585**	**57102**	**68522**	365020
Fixed expenditure		8300	8300	8300	8300	8300	8300	8300	8300	8300	8300	8300	8300	996000
Other costs														
Total Costs		17522	19367	21580	24236	27423	31248	35837	41345	47954	55885	65482	76822	464620
Netdeficit/surplus		-4150	-3320	-2324	-1129	305	2027	4092	6570	9544	13113	17396	22535	64659
Opening balance (Cash)	(A)	0	775.	335	354	249	379	260	267	1137	10681	23794	41190	
Netdeficit/surplus	**(8)**	-4150	-3320	-2324	-1129	305	2027	4092	6570	9544	13113	17396	22535	
Working capital Loan	(C)	5000	3000	2500	1200	0	0	0	0	0	0	0	0	
Working capital repayment	(D)	0	0	0	0	0	2000	4000	5700	0	0	0	0	
InterestOnWC	C-D*.18/12	75	120	158	176	176	146	86	0	0	0	0	0	
Closing balance	A+B+C-D Int	775	335	354	249	379	260	267	1137	10681	23794	41190	63725	

NOTES:

50% of break-even volume estimated in first month

20% increase in volumes every month in the first year

Value = (Sales qty) x (per unit sale price)

Production costs = (Sales qty) x (per unit production price)

Working capital loan taken to cover net deficit plus interest

As surpluses are generated, working capital repaid

Interest on working capital assumed at 18%

Production on firm orders assumed. If stock is maintained, working capital calculation to taken into account the same

Closing balance of cash is the opening balance for the next month

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Annexure G

FORMAT FOR PROFIT & LOSS ACCOUNT														
(Example: Fish Pickles)														
	Months	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**Total**
INFLOWS:														
Sales	Qty:(Nos.)	461	553	664	797	956	1147	1377	1652	1983	2379	2855	3426	18251
	Value: (Rs)	13372	16047	19256	23107	27729	33274	39929	47915	57498	68998	82797	99357	529279
Other Income		0	0	0	0	0	0	0	0	0	0	0	0	0
Total inflows		13372	16047	19256	23107	27729	33274	39929	47915	57498	68998	82797	99357	529279
EXPENDITURE:														
Production costs		9222	11067	13280	15936	19123	22948	27537	33045	39654	47585	57102	68522	365020
Fixed expenditure		8300	8300	8300	8300	8300	8300	8300	8300	8300	8300	8300	8300	99600
Depreciation		1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	1667	20000
Interest on loans														
Debts (long term)		1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	1250	15000
Working capital		75	120	158	176	176	146	86	0	0	0	0	0	935
Other costs														0
Total Costs		20514	22403	24654	27328	30515	34310	38840	44262	50871	58801	68318	79739	*500555*
Net deficitIsurplus		-7142	-6357	-5398	-4221	-2787	-1036	1090	3654	6628	**10196**	14479	**19618**	**28725**

NOTES:

50% of break-even volume estimated in first month

20% increase in volumes every month in the first year

Value = (Sales qty) x (per unit sale price)

Production costs = (Sales qty) *x* (per unit production price)

A total investment of Rs. 1,00,000 assumed

Depreciation @ 20% of investment assumed

Debt of Rs. 1,00,000 assumed at 15% P.A. interest

Working capital loan taken to cover net deficit plus interest

As surpluses are generated, working capital repaid

Interest on working capital assumed at 18%

Production on firm orders assumed. If stock is maintained, working capital calculation to taken into account the same

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Annexure H

FORMAT FOR BALANCE SHEET													
	Months	1	2	3	4	5	6	7	8	9	10	11	12	Total
LIABILITIES														
Share Capital														
Long term debts														
Working capital loans														
Other current liabilities														
Profit & Loss a/c														
Total liabilities														
ASSETS														
Fixed assets less depreciation														
Land														
Building														
Machinery														
Cash in hand														
Cash in Bank														
Other current assets														
Total Assets														

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