

**AN INDEPENDENT STUDY ON ESTABLISHMENT OF A RICE PLANT AND
FINANCING THROUGH ONE OF THE BANKS IN NEPAL
GRADUATE STUDENT AT STAMFORD INTERNATIONAL UNIVERSITY**

ABHAYA RAJ SHARMA

**This Independent Study Presented to
The Graduate School of Stamford International University
in Partial Fulfillment
of the Requirement for the Degree
Master of Business Administration (Business Administration)
September 2013**

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This manuscript has been approved by

the Graduate School

Stamford International University

Title : An Independent Study on Establishment of a Rice Plant and Financing
Through One of the Banks in Nepal

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Acknowledgement

This submitted Independent Study (IS) is the result of one year of study at Stamford International University, my professional as well as personal life experience.

Learning not only comes from the classes of the university but guidelines from faculties, visits to number of organizations, personal observations and book references etc.

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1. Executive Summary

Business Description

Yummy Rice Industries Pvt. Ltd. will be a new rice producing unit (Rice Mill) in Nepal. It will be situated in Birgunj, one of the commercial hubs in Nepal. The plant will be established in the company's own land. It will be producing a fine quality of Rice as its main product and Broken Rice, Bran and Husk as the byproducts.

Industry Analysis

Rice is the main food of Nepalese as it constitutes a primary diet of the local food. Hence, people spend high portion of their income for rice among other food items.

People who are rich prefer to eat Basmati whereas poor and middle class people prefer mansuli rice. The company targets the middle class people and wants to produce quality mansuli rice and to create a local brand. In Nepal, people are migrating from villages to the cities for better work and life. Their income level is also growing and as a result they are depending on the market rather than depending on cultivation.

There are numbers of local rice products as well as Indian rice brands available in the market. Main categories of rice available in the market are Basmati and Mansuli. But, most of the local rice producers are still not fully focused on brands. In order to compete with available domestic as well as Indian rice products in the market, the company will focus on quality, price, packaging, availability and promotion.

Purpose of writing this Proposal

This proposal has been written in order to get credit facility from one of the banks in Nepal with the purpose of establishing a rice plant. In addition, it also helps to find investors making investors aware about every aspect of the business. The shareholders should be from diversified areas of expertise like rice industry, banking, account & finance, and marketing etc. They may be from Nepal or other countries and they could be Nepalese citizen or Non Nepalese Citizen. Similarly, it can be any bank in Nepal like commercial banks or development banks etc.

The proposal provides the banker a clear picture of prospect business of rice in Nepal and future financial, marketing and management aspects of the company.

Strategies

Yummy Rice! will focus on its operation strategies; marketing strategies; financial strategies and human resources strategies in order to gain its objective in line with the estimations. Like as human resource strategies it will focus on training to its staffs; as marketing strategies it will focus on creating a brand and different promotional activities; as operation strategies it will focus on the operational procedure; and as financial strategies it will focus on gaining profits so that it can distribute a good amount of dividends to its shareholders.

(Details of the review on these strategies can be found in Chapter namely Strategies and their implementation; Marketing mix; Financial plan; and Managing organization.)

Sustainability

Yummy Rice Industries Pvt. Ltd. is a long term project and will focus on its long-term sustainability. It wishes to be an established brand in Nepalese market. For this, the company will focus on good corporate governance, proactive risk management, excellent marketing strategies, corporate social responsibility, and sound return on its investment.

Financial Information

The initial capital of the company will be NPR 100 million (equivalent to approx. USD 1.03 million) contributed by five promoters of the company. The company will be registered in The Office of Company Registrar, Nepal and Department of Industry and Commerce, Nepal that allows to establish a rice mill and to do trade business of rice in Nepal. In order to establish the rice plant and maintain the required amount of stock of paddy, the company will approach a bank in Nepal for financing the company as a Project Financing. Total cost of the project will be NPR 134,60 million i.e. Capital Expenditure in the project and similarly total working capital requirement will be NPR 134,64 million. Out of which, debt equity ratio under bank financing should be 70:30 (maximum).

Team of Senior Management

The company will be having an experienced board of directors and a good management team to take care its overall operation. The board of directors will consist of five directors who will be the primary shareholders of the company. The author having a good experience in banking with sound knowledge of various business activities in Nepal will be one of the directors of the company. He will be further appointed as Managing Director (MD) of the company and entrusted with the overall operation of the company. He will recruit his team and will put the business idea into practice with the help of his team. The basic team will be of people for production, marketing and finance.

Present Proposal

The proposal deals with requesting funded and non funded limit of NPR 180 million (USD 1.86 million) and NPR 45 million (USD 0.46 million) respectively with a bank in Nepal.

Facility	Requested Limit (NPR) in million	Nature of Facility
Letter of Credit (LC)	45 (USD 0.46)	Terminating
Long Term Loan (LTL)	90 (USD 0.93)	6 years including 1 year of moratorium period
Working Capital Loan (WCL)	90 (USD 0.93)	Revolving

A terminating limit of LC amounting NPR 45 million has been proposed to issue few LCs in India in order to import the full set of rice plant and the power generator. At the time of releasing the documents Term Loan will be booked under the regular Term Loan limit. While booking the term loan the one off LC limit will be terminated.

Term Loan of NPR 90 mil has been proposed to finance the establishment of the rice mill for production of variety of rice at Birgunj, Nepal. The total project costs NPR 269 mil which comprises of capital expenditure of NPR 134,6 million (USD 1.39 million) in fixed assets (including interest capitalization) and NPR 134.6 million (USD 1.39 million) in working capital. Financing of Term Loan will be maximum 70% of fixed assets investment. The Term Loan has been proposed for total tenure of five years and it will be repaid on 20 equal quarterly installments and be started after one year of its disbursement.

Working Capital Loan of NPR 90 million has been proposed to finance working capital requirement of the company. The major portion of working capital will be used to procure the raw materials such as paddy. Out of total working capital limit of NPR 90 million, limit of NPR 70 million have been proposed as Demand loan and the rest NPR 20 million as Overdraft.

2. Company Description

A company will be formed under the prevailing regulation or rule of the game of Nepal. It will be registered in Nepal. It will obtain status of company from the Office of Company Registrar and Department of Industry. It is necessary to obtain prior approval such as registration certificate from the Registrar Office to establish a company and Certificate of Commencement of Business from Department of Industry to start producing rice. The company will be having five promoters, among them one would have experienced in rice business; one will be a banker and the rest will be from any background.

2.1 Legal aspects

Some basics regarding the company are as follows:

2.1.1 Name : Yummy Rice Industries Pvt. Ltd.

It will be registered as a private limited company. The liability of the shareholders will be limited to their commitment or their proportion of capital of the company.

2.1.2 Domicile : Birgunj, Parsa, Nepal

Domicile of the company will be in Birgunj, Parsa, Nepal which is the registered address where the company produces its products.

2.1.3 Capital (Paid Up) : NPR 100,000,000.00 (100,000 shares @ NPR 1,000 each) i.e. USD 1.03 million (100,000 shares @ USD. 10.31 each)

Paid up capital will be NPR 100 million shared among following five shareholders.

S. No.	Name of Shareholders	Address	No. of Shares Held	Contribution (NPR)	% of Shareholding	Remarks
1	Abhaya Raj Sharma (The author)	Nepal	51,000	51,000,000	51.00%	Fully Paid
2	Mr./Mrs./Ms B	Nepal	20,000	20,000,000	20.00%	Fully Paid
3	Mr./Mrs./Ms C		10,000	10,000,000	10.00%	Fully Paid
4	Mr./Mrs./Ms D		10,000	10,000,000	10.00%	Fully Paid
5	Mr./Mrs./Ms E		9,000	9,000,000	9.00%	Fully Paid
Total			100,000	100,000,000	100.00%	

2.1.4 Objective of the company :

The Company is established with very specific purpose in the field of rice market. It has good objective toward the customers of rice i.e. to produce, market, distribute, and sell different quality rice products.

2.1.5 Facilitations to fulfill its objective: The Company can opt for the followings in order to fulfill its basic objective.

- The company will have its plant in a place in Parsa, Nepal that will be near to Indian boarder so that farmers from Nepal and India can easily reach to the plant.
- The Company will open a bank account in any bank in Nepal.
- The Company will apply for financial assistance or loan to a bank with or without physical collateral.
- The Company can opt for its conversion into Public Limited Company but it must complete at least 5 years of its operation. Here, operation means availability of the produced products in the market.

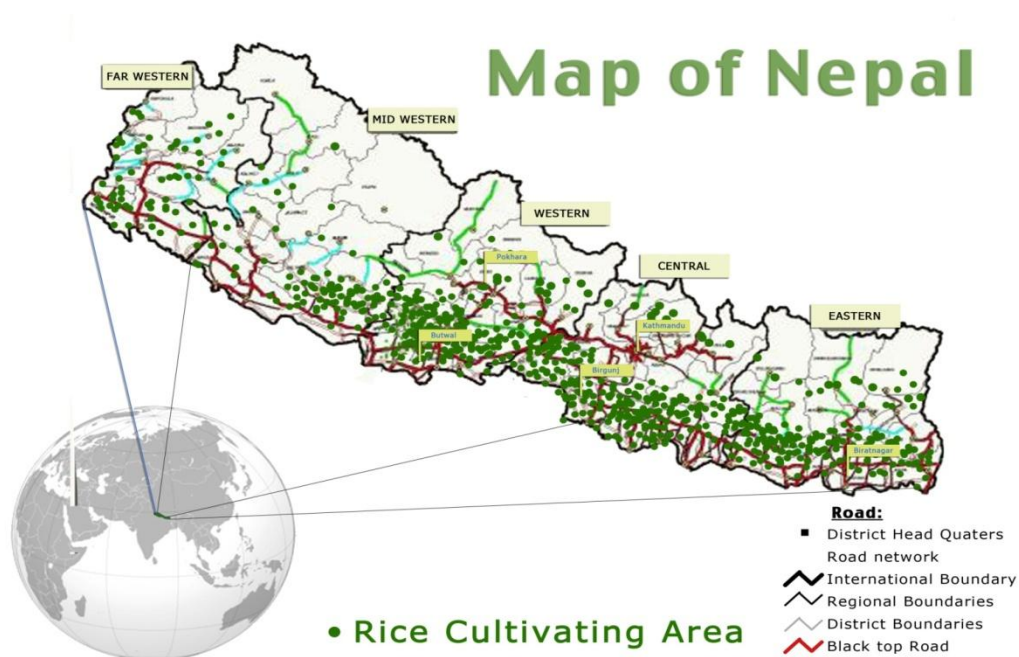
2.2 Formation of Company

The company will be operated as a commercial organization. It will have its Board of Directors, Committees, Management, Employees, departments etc. The shareholders as mentioned above will be the directors of the company. Among them, one will be chairing the BOD and the author will be the Managing Director of the company for the total tenure of five years.

2.3 Plant Location

Nepal has five development regions namely Eastern, Central, Western, Mid Western and Far Western. Similarly, it has 14 zones and 75 districts. The proposed plant will be located at Birgunj sub metropolitan city, Parsa District in the southern part of Central region. The city is adjacent to the Nepal India border which is the busiest boarders in Nepal for commercial transactions. The reason behind choosing Birgunj as location for plant is that Birgunj and its nearby areas and districts are famous for paddy cultivation. Almost all farmers cultivate paddy for their livelihood and commercial purpose. A Company can have various farmers in contact and buy the paddy on time. On the other hand, as Nepal and India has open boarder and this is the main boarder, paddy from Indian fields also enters to Nepal through the same way. The company can easily tap the rice sellers on the boarders and can negotiate the price in favor of itself.

On the other hand, there are lots of lands available adjacent to the highway that is further joint with the other highways to Kathmandu, Eastern Nepal and Western Nepal. Further, recently (in June 2013) there is a declaration of construction of tunnel from Hetauda to Kathmandu which will substantially reduce the travelling time between the two cities. As a result, transportation cost and time consumption will be reduced in a large extent that will benefit the agricultural business, steel industries, cement industries, import & export business etc.



Proposed Site



Proposed Tunnel Way near the site in Nepal

3. Industry Analysis

3.1 Overview of Rice Production

Rice mill has very positive outlook in Nepal. Rice is the primary food of the people in Nepal and the region. Rice has been produced worldwide but all of them are not traded in the world. The leading producers of rice are China, India, Indonesia, Bangladesh, Thailand, Vietnam, Burma, Japan, Philippines, Brazil and the United States. Among these countries, the United States exports rice to the world more.

Nepal is reportedly divided into three ecological areas namely Terai (the lowlands), the hill and the mountains. Terai is said to be main food producing area of the country since its advantageous topographic and climatic features allows flourishing. It, however, occupies only about 17% of national land area.

In higher areas, agriculture production tends to be lower due to less favorable climatic conditions, shorter growing periods, and increasing soil gradients that make cultivation difficult. In mountainous areas, transport is hard due to lack of adequate construction. As a consequence, the higher the altitude, the higher risk in the food supply of the household.

Another scenario that affects Nepal's food supply situation is lack of modern technology: rice production for the most part relies strongly on rainfall, and farming is under the mercy of weather and climatic pressures.

Rice based cropping system are more prevalent in lowland areas. Other crops like pulses, oilseeds, wheat, millets, barley and buckwheat are also integrated into the system.

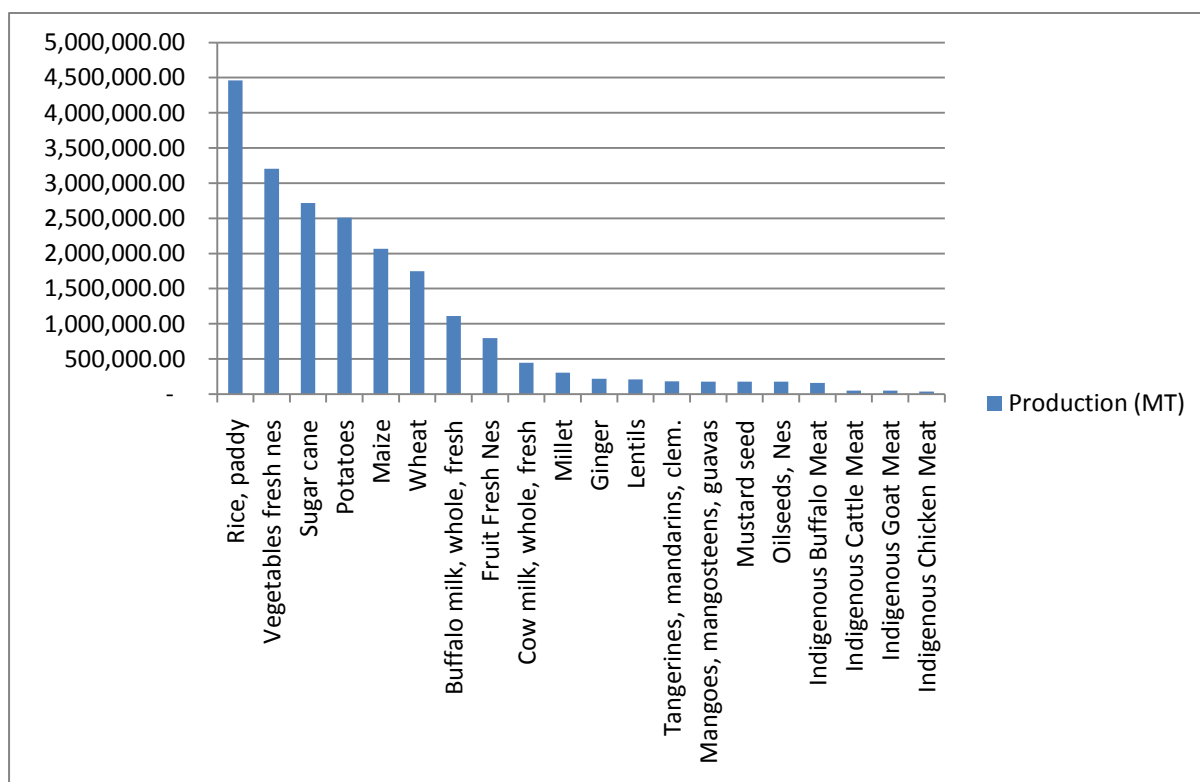
Some of the constraints that face rice farming in Nepal include being dependent on and highly influenced by weather or climatic conditions, low agricultural productivity, lack of modern technology (i.e. adequate irrigation infrastructure), inadequate or difficult access to inputs (good seeds, fertilizers etc.) or credit, topography of land area and small size holding. In view of land area owned, Nepal can be seen as a country of small and marginal farmers. A major challenge will be meeting the demand of rice from the growing population.

Though there are enough improvement needed in area of production of rice, Nepal has succeeded in producing rice in good quantity with the introduction of new production

methodologies; proper irrigations and goods seeds. According to Ministry of Agriculture, rice production has reached 4.5 million metric tons (MT) in 2011 which is nearly sufficient for domestic consumption in Nepal.

Referring the data (Year 2011) given by Food and Agriculture Organization of the United Nations (FAO), rice was the main crop of Nepal. The data are presented here in bar diagrams.

Figure 3.1 – The production volume of Agriculture Products in Nepal in 2011



Source: Food and Agriculture Organization of the United Nations (FAO) (Year 2011)

The above chart shows that total rice production in Year 2011 was 4.5 million metric tons (MT) followed by the other agricultural products like vegetables, sugarcane, potatoes, maize, wheat etc. Production of Rice of 4.5 million MT is 21.46% of total production of agricultural products in Nepal. It shows that people are more interested in growing rice and they can trade them in the market.

Rice being the main food of people in Nepal, Nepal Government is found very much conscious about its demand and supply. There is one corporation namely “Nepal Khadya Sansthan” in the country which buys/imports rice and sells/supplies them within the country through their depots at subsidized rate. Hence, quality rice is always in demand in the country.

3.2 Competitiveness of the Environment

As Rice is the staple food in Nepal there is high demand of rice in the Nepalese market. Quality rice is more in demand due to increase in standard of living and urbanization. As rice is widely accepted as preferred food there are varieties of rice products in the market in different shapes and tastes which are:

• Instant Rice	• Rice Cakes	• Rice Creams
• Parboiled Rice	• Rice Noodles	• Rice Wine
• Rice Flakes	• Rice Paper	• Sake
• Enriched Rice	• Boil-in-Bag Rice	• Rice Vinegar
• Rice Flour	• Prepared Rice Mixes	• Rice Syrup
• Rice Bran	• Rice Milk	• Rice Bran Oil
• Rice Cereal	• Rice Cheese	

Regarding players in this segment of business, there are so many small players producing rice with small and semi automated huller machinery. However, there are only few players producing rice with automated large huller machines and further selling them with different brand names. There are no authentic and reliable data available to sketch a figure regarding players in the industry and their brands. However, details of few of them are presented below:



S.N.	Name of Company	Production Capacity	Brands
1.	Annapurna Rice Mill, Everest Group Nepal	15 MT/Day	Tiger and Himali Bagh
2.	Om Khadya Udhyog, Om Group	2 MT/Hour (Can be extended to 6MT/hour with minimal investment)	Arpan, Om, Blue Star, Sansar, Rukh
3.	Bhudeo Khadya Udhyog Pvt. Ltd., Golcha Group	40MT/ Day	Hulas
4.	Mangalam Rice Mill	Not Obtained	Jira Masino and Rocket
5	Surya Rice Mill	Not Obtained	Makkhan

According to Shrestha L.K. and Shakya B. (2007), there are more than 2400 small sized huller machines operated in Nepal (Retrieved from <http://www.ashden.org/files/CRT%20full.pdf>). These hulling machines are used for various purposes such as for getting the husk out from paddy to produce rice. Similarly, there are



number of rice producing mills in Nepal. They are selling their products in the market without specific brand. They are also helping to bridge gap the deficit supply of rice. Due to the lack of market information, market share of major suppliers can't be assessed at this scenario.

There are also some other categories of rice products in Nepalese market which do not have any brands but available in the market. People buy the various rice products without any packaging which are known as:

• Pokhareli Masino	• Savitri	• Janaki
• Chaite	• Ghaiya	• Taichung
• Bindeshwori	• Khumal	• Basmati

		
<p>Rice is sold along with other cereal products in the markets. These products do not have any brand. People buy it checking them physically.</p>		

However, Bhudeo Khadya Udhyog Pvt. Ltd., one of the rice producing companies in Nepal has already started banding its product. They are:

Logo	Hulas as Brand Name
	

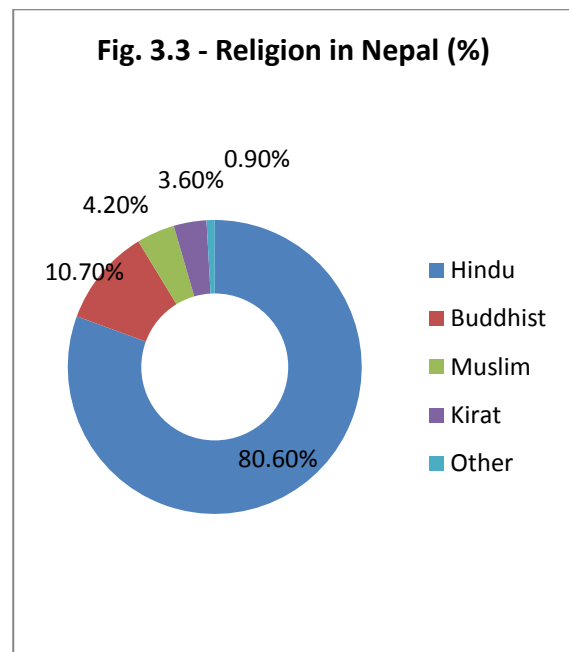
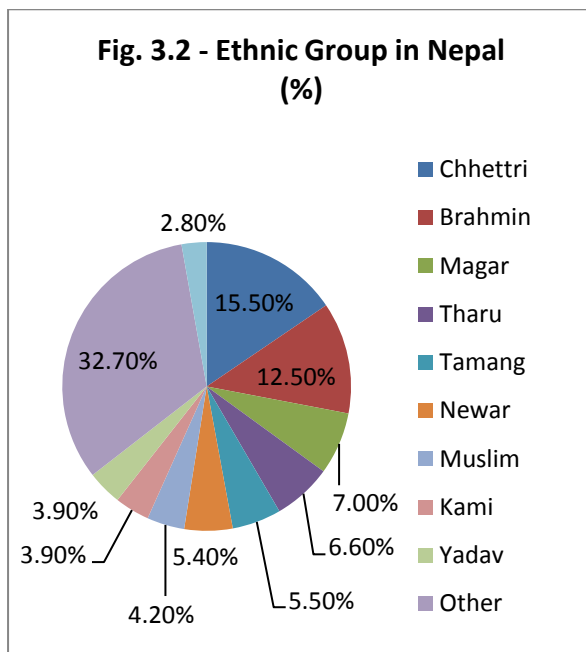
Apart from above mentioned local rice, popular Indian brands like Aarati / India Gate / Doon are also available in the market.



All the premium rice/basmati rice are having their brands and have targeted the rich people in the urban areas. On the other hand, the Nepalese market yet to have popular brand for mansuli rice for middle class / lower class people.

3.3 Demographic Analysis: People and the Target Market

Nepal is one of the South Asian countries. It is between two giant countries China and India. Nepal is the 40th top populous country in the world having approximately 30 million people. The country is culturally rich and having various religions; ethnic groups; languages spoken and diversified age of people. Total population of Nepal is around 30 million and following are some demographic facts about Nepal.



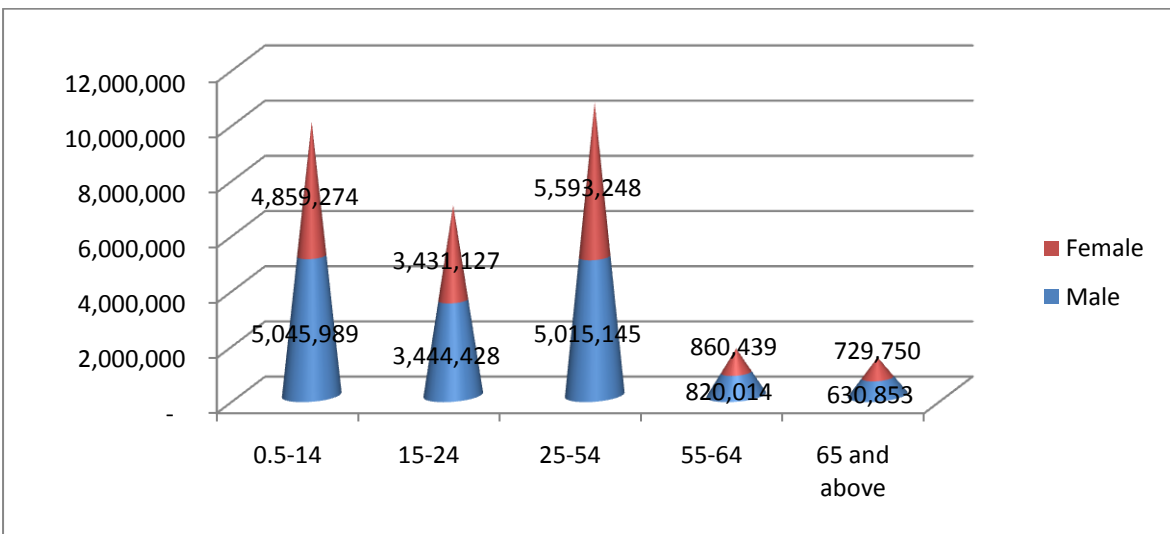
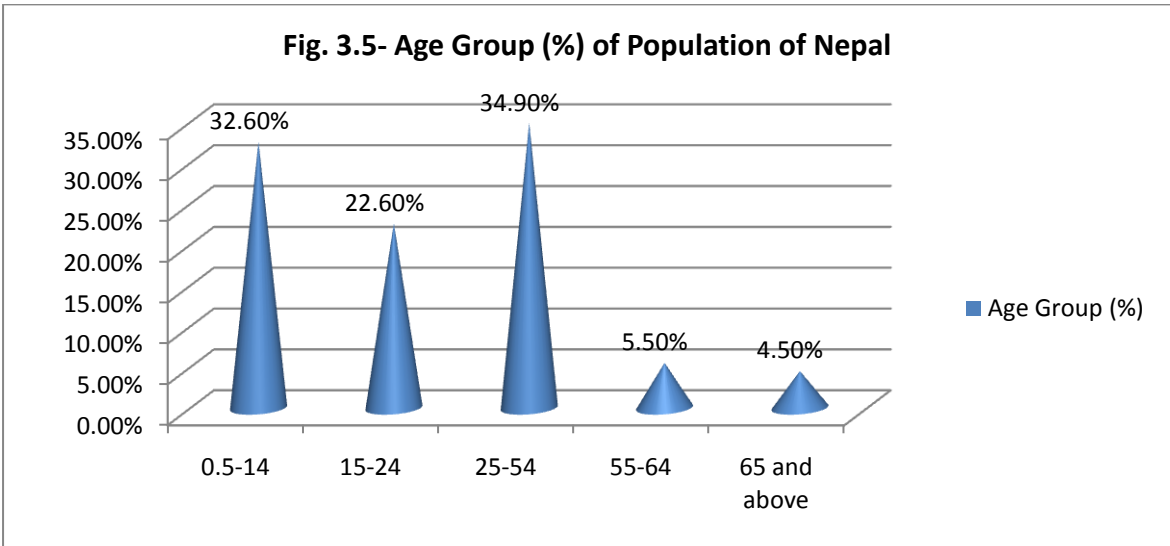
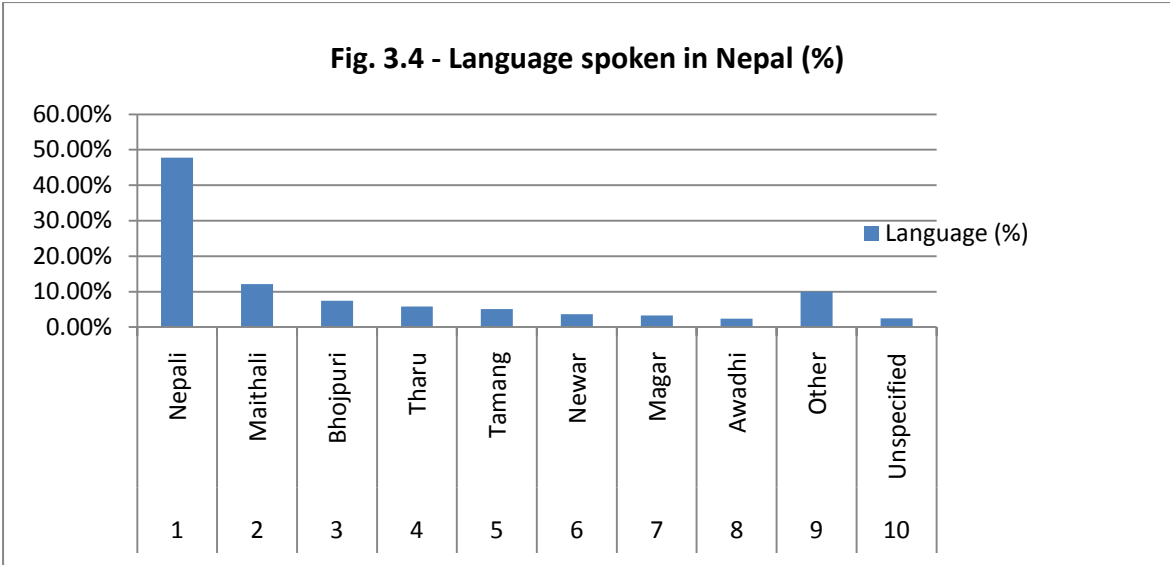


Fig 3.6 No. of Female and Male out of Total Population of Nepal. Source: Central Intelligence Agency, USA.

Whatever is the religion, ethnic group and language they speak, all Nepalese prefer rice as their main food. Hence, any changes in above demographic figures will not affect the market of rice.

In Fig. 3.5 and Fig. 3.6, the population has been presented on irregular interval of different age groups. Though it is available with irregular intervals, it is very useful in setting target market for rice. Considering these different age groups, generally the decision of buying food rests with the age group of 25-54 because people of this age earns the money and normally takes the decision in the family whereas people from age group 0.5-14, 15-24, 25-54, and 55-64 eat rice more frequently. After the age of 60, people generally carry different kind of diseases like diabetes which decreases their appetite.

According to Upadhyay D. K, Palarian S, Shankar PR, Mishra P (2008), the greatest numbers of diabetes patient are found from the age group of 51-60.

According to the news published in The Himalayan Times (2013 February 16), there are two million people who are affected from diabetes in Nepal. Diabetes is caused when glucose level is more than normal in human blood. Nepalese food consists of more carbohydrates like rice, potatoes etc. Hence, most of old aged people are suffering from diabetes and they cannot eat rice more as it contains high carbohydrates.

Thus, considering the data presented in above Fig. 3.5 and 3.6, it can be assumed that 27 million people consume rice in Nepal. Similarly, considering the same above figures and assuming that the age group of 25-54 hold the decision making power in families, it can be said that there are more than 10 million people i.e. 35% of total population who can be customers for rice products at present.

Source:

1. www.nepalitimes.com.np, one of the leading news sites from Nepal.
2. www.irri.org, International Rice Research Institute is a nonprofit independent research and training organization. It develops new rice varieties and rice crop management techniques that help rice farmers improve the yield and quality of their rice in an environmentally sustainable way.
3. www.fao.org, Food and Agriculture Organization of the United Nations.
4. www.cia.gov/library/publications/the-world-factbook/geos/np.html, Central Intelligence Agency, US
5. Upadhyay D.K, Palarian S, Shankar PR, Mishra P (2008). Knowledge, Attitude and Practice among Diabetes Patient in Western Nepal. Rawal Medical Journal 33(1), 8-11.

4. Vision, Mission and Goals

Yummy Rice Industries Pvt. Ltd. will have its vision, mission and goal considering its future value toward all of its stakeholders like Customers, Owners, Employees and people.

4.1 Vision:

Vision of Yummy Rice Industries Pvt. Ltd. is to be premier brand of rice for all. The following vision statement reflects the vision of the company.

“Let’s do something *Yummy!* for the green and hygienic world”

With the vision statement, the company wishes to convey the message that the company is focused on taste & quality, natural & healthy world.

4.2 Mission

Yummy Rice Industries Pvt. Ltd. is much concerned with its stakeholders like Consumers, Employees, Shareholders and People. The company wants to make these stakeholders happy all the time and has set its mission for caring these stakeholders.

Hence, Mission of Yummy Rice Industries Pvt. Ltd. are:

- To provide a good friendly environment for employees to work and for wholesalers/retailers to be in regular touch with the company.
- To recognize the profitability as one of the most prominent key indicators for the success of the business.
- To contribute to the welfare of society as Corporate Social Responsibility (CSR) and to the country as a national interest.

4.3 Goal of the Company:

- To give high Rate of Returns
- To be Competitive

The basic goal of the company will be to give high rate of returns to the shareholders of the company and to maintain the company as a highly competitive company. In order to fulfill these basic goals, Yummy Rice Industries Pvt. Ltd. will follow the below mentioned goal supporting steps.

- To create brand awareness and brand knowledge toward targeted customers for Yummy Rice!
- To gradually increase sales of the company and reach the desired level of sales i.e. 95% of the produced rice.
- To scan the environment in order to be updated with the current market information.
- To research on regular time of interval for the value addition to the product as well as determination of wise pricing for the product.
- To adopt good human resource management techniques like providing opportunity to the employees for the necessary training they require and invite them for management meeting as a participatory approach. This will make them to maintain the same line of thinking with the management and to use their skills in maximizing their productivity and utilization of the company's resources.
- To adopt a prudent control mechanism for the company in order to maintain a good quality control; a sound financial management; a proactive operational risk management etc.
- To organize workshops, campaigns to the farmers / stockiest in regard to providing more knowledge / information for growing and stocking more paddies in profitable / secured way.

5. SWOT Analysis

The environment within or surrounding the business may have impact on the business. Understanding and considering them, a company can take good decisions for its business. It may be regarding customers, product/services, pricing, distributions etc.

The overall evaluation of a company's strengths (S), weaknesses (W), opportunities (O), and threats (T) is known as SWOT analysis. With doing SWOT analysis, the external and internal marketing environment can be monitored.

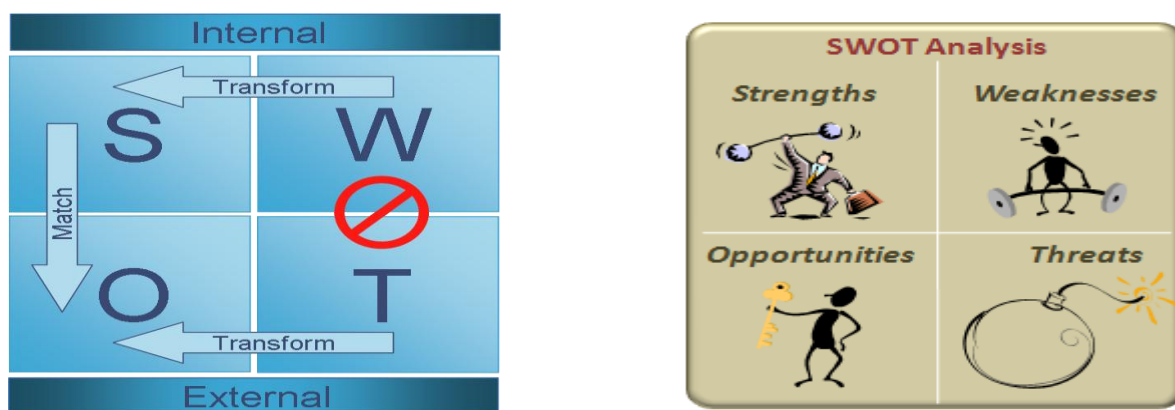


Fig. 1: Source: <http://wkcagnescorsanes.blogspot.com/2013/04/my-personal-swot-analysis.html>

5.1 SWOT analysis for Yummy Rice Industries Pvt. Ltd:

<p>A. Strength</p> <ul style="list-style-type: none"> • The company will be promoted by highly qualified professionals. The network, rapport and personal strength of promoters in the country will be considered as strength for running this company. • Supply of quality product in competitive rate. 	<p>B. Weakness</p> <p>Dependency on Indian suppliers for the required level of raw materials. Very low or almost no network with third country suppliers.</p>
<p>C. Opportunity</p> <ul style="list-style-type: none"> • Increasing market share with the increase in population. • Demand of quality rice is high. Advance booking of rice is prevailing in the market. 	<p>D. Threat</p> <ul style="list-style-type: none"> • Increasing domestic competition. Players with branded product are already in market. • Chances of supply of quality rice by neighboring countries. • Chances of increase in supply of rice by government itself.

5.2 Mitigating Circumstances of Weakness and Threats:

1. High dependency on Indian suppliers:

India is one of the highest producers of rice in the world along with Taiwan, Philippines, China, Vietnam, Thailand, USA etc. Company depends on Indian suppliers as well as local suppliers. Cities and villages near to Indian borders get better price in Nepal, hence they intend to sell it to Nepalese buyers especially to those who are near to Nepal border. This company will be near to the border area and will be having benefit of getting the paddy first because seller does not want to pay more on transportation by taking paddy to inner Nepal. In addition to this, paddy is heavily cropped in the mid Nepal which fulfills the shortage of raw material for the mill.

2. Increasing competition:

Though the players with popular brands are already in market, demand of the product dominates it as rice is the very essential consumable item for Nepalese people. Quality rice has great demand and local productions are not sufficient to meet the demand. Yummy Rice Ind. will also be expending high in the initial stages of operation which is expected to push the product in the market.

On the other hand, the company will also use the modern viral marketing concept which the company understands that it will create opportunity and pull the customers. Hence, the viral marketing as a promotional tool itself is an opportunity to the company. Apart from this, good networking and rapport of the promoters in the industry and promotional activities will play great role in selling the products. Whatever weakness and threats are assessed, Yummy Rice Industries Pvt. Ltd. will always pay attention to convert them to strength and opportunity respectively.

5.3 Analysis of four aspects of SWOT analysis together such as Strength and Opportunity; Weakness and Opportunity; Threats and Strength and Threats and Weakness.

S W O T	Strength <ul style="list-style-type: none"> • Highly qualified and experienced promoters. • Quality Rice Product 	Weakness <ul style="list-style-type: none"> • Dependency on Indian suppliers. • Very low or almost no network with third country suppliers.
	Strength & Opportunity	Weakness & Opportunity
Opportunity <ul style="list-style-type: none"> • Increasing market share with the increase in population. • Demand of quality rice is high. Advance booking of rice is prevailing in the market. 	<ul style="list-style-type: none"> • Use of experience of promoters in gathering information about the population; setting new target market. • Getting customer's feedback to be more focus on quality of rice. 	<ul style="list-style-type: none"> • Getting more raw materials from local market and being less dependent on Indian suppliers. • Use of promoter's international exposure in getting foreign suppliers as an alternative source of supply.
	Threats & Strength	Weakness & Threats
Threats <ul style="list-style-type: none"> • Increasing domestic competition. • Supply of quality rice by neighboring countries. • Increase in supply of rice by government itself. 	<ul style="list-style-type: none"> • Use of promoter's past work experience and their networks. • Maintaining good quality of rice and branding to compete with rice supplied by neighboring countries and government. 	<ul style="list-style-type: none"> • Chance of more supply of rice by Indian as well as foreign suppliers. • Chance of supply of rice by government on subsidized rate.

Strength and Opportunity: As there will be increase in consumption of rice due to increase in population, the company will be updated with the information of increased population so that it can set new or additional target market and increase its market share. Company will believe in research and consumer's feedback regarding the quality of product so that it can supply the required quantity of quality rice in the market.

Weakness and Opportunity: To tap the opportunity and be less dependent on Indian suppliers, the company will focus on searching more domestic suppliers. As the company will be near to rice cultivating area in Nepal, it will coordinate with the local farmers and

stockiest so that the company can grab the raw materials. Similarly, the company will opt for correspond with the foreign suppliers for quality paddy and rice as much as it is feasible. For this purpose the company can use its shareholder's exposures. For example, the company's managing director, who has exposure in Thailand, can find rice exporters from Thailand which is one of the largest rice exporters in the world.

Weakness and Threats: Looking at the increase in demand of rice due to increase in population, there is chance of supply of rice from neighboring as well as other foreign countries. Similarly, government of Nepal can also supply the rice at the subsidized rate in the market. In such scenario, there will be high demand of quality rice and fierce competition in the rice market.

Threats and Strength: The Company will more focus on improving quality for its rice products as well as its marketing strategies. Brand management and promotional activities will be the tools to fight against the competition. Further, the shareholders will be insisted to use their network for the necessary marketing. For example, the managing director of the company is from banking background and he had dealt with hundreds of rice retailers/wholesalers/stockiest in Nepal. He can revive those relationships and utilize them in distributing/selling Yummy Rice!

Thus, dependency on Indian supplier, increase in competition, supply of rice by neighboring countries, and government of Nepal are the negative aspects whereas greater scope with increased market share, experience and network of shareholders, and quality products are the positive aspects of the analysis.

6. Strategies and their Implementation

As Yummy Rice Industries Pvt. Ltd. will be a full fledged organization to be established for a specific business purpose and will be operated through different departmental functions in the organization, it will be different kind of strategies. Some of them will be like as below.

6.1 Corporate Strategy

Yummy Rice! will be capable of managing the successful operation by having steady market growth. This will be achieved by fulfilling the goal of the company through a good combination of all the aspects like stakeholder's interest, management principles, financial aspects, and national interest etc.

6.2 Business Strategy

The company will determine its business strategies in terms of utilizing and integrating resources to carry out its mission and achieve the desired goals and objectives. Despite of short supply of rice in the market and it is very competitive in urban area of Nepal. In such scenario, supply chain management plays a very vital role in the distributional channel of rice. The company will be in contract with the Association of Transporters so that they will provide standby facility of trucks for the company which will avoid the time consumption in supply of rice in different parts of the country. In addition, the company will try to use the other's networks in the country for storage of necessary stocks of rice so that if the company gets order from the city where it has been maintaining its stock. It will be easy for the company for immediate supply. Other's network will be chosen considering the factors like their reputation, safety, cost, security etc.

6.3 Functional Strategy

Functional strategies are concerned with the creation & retention of the customers because they are related to the revenues. In view of the current industrial situation in the country and SWOT analysis for the company, the company may have the following functional strategies.

For Operation: The Company will focus on controls and consistent product development to comply with Nepal Standard and meet the customer's requirement. The company should be

concerned in avoiding any kind of interruption in production activities and should also be careful in quality control as well as packaging for the rice.

For Human Resource: The Company believes that Human Resource is the Key for the success of the business. It will focus on creating a work environment that keeps the employees happy; continuing training to help employees develop themselves personally and professionally, building a culture that allows for acceptance of substantial diversity and individuality.

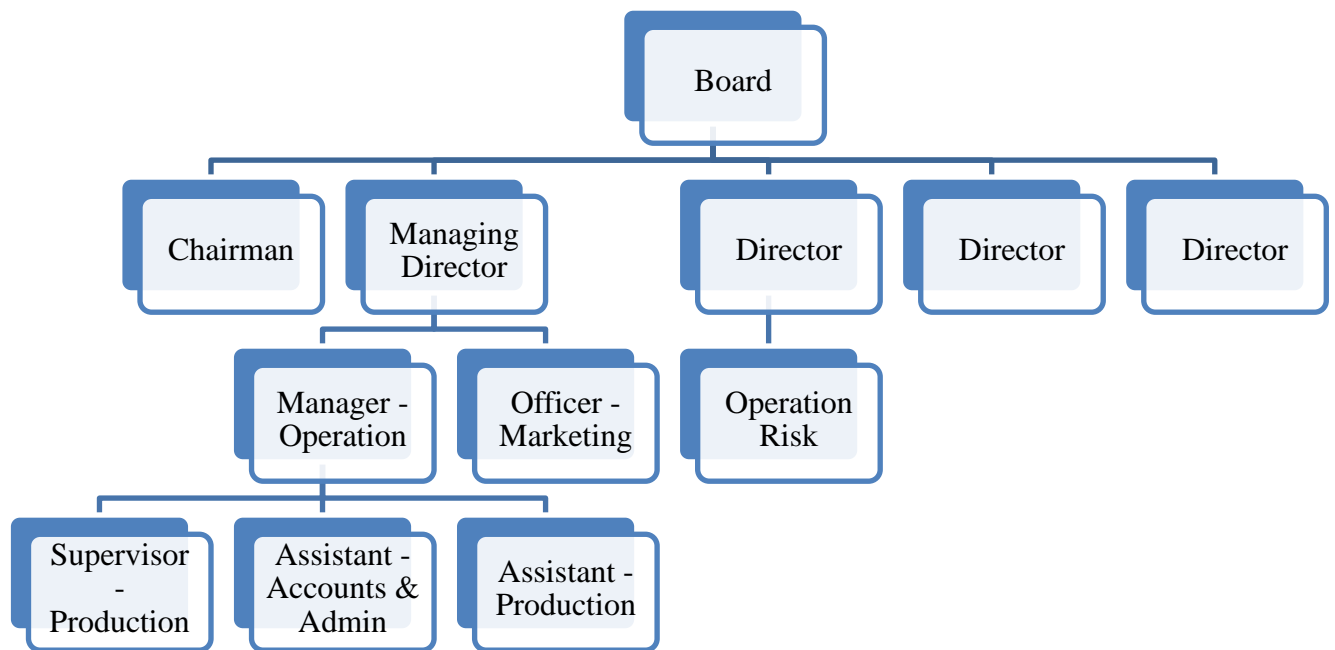
For Marketing: Customers are the King. Yummy Rice Industries Pvt. Ltd. will intend to create the brand perception to maintain customer's trust on Yummy Rice! It is said that this is the time to spend on branding rather than competing in price and cutting the cost. The company will create and expand its brand perception through promotional activities and maintaining the rice as good quality rice. As marketing strategies, the company will apply the concept of 4 Ps of marketing mix. *(Details of marketing mix are discussed in section 9).*

For Finance: The Company will use the measures like proper and prudent purchasing practices, maximization of product distribution with strict adherence to weights, amounts, quality and obviously the cost. The company will be very cautious in cost of goods sold and overheads because if it is increased it will be a compelling factor to increase the price of the product. But, Yummy Rice Industries Pvt. Ltd. will not be interested in increasing price very often as the company has to be competent in the market. The company will be in the constant search for ways to reduce the cost of sales without sacrificing product and service qualities. The company will also be very cautious in controlling the prospect financial leakage like paying more cost for raw materials, incurring high cost on day to day operation, use of fund for personal expenses of shareholders and employees etc.

7. Managing Organization

In view of managing organization, Yummy Rice Industries Pvt. Ltd. will consider its Operational Management; Human Resource Management; Risk Management; Financial Management etc. By doing this, it will always focus on its “Goals and People”.

7.1 Organizational Structure



The company will have a well defined organization structure. It will have its Board of Directors, Committees, Management, Employees, Departments etc. The first shareholders as mentioned above will be directors of the company. Among them, one will be chairing the BOD and Mr. Abhaya Raj Sharma will be the Managing Director of the company for the total tenure of five years.

The Board of the company will delegate the required authority to the Managing Director so that he will fully take care of Goal and People of the company. He will be entrusted for the necessary recruitment of the required number of employees for the organization. But, he will be advised to have the basic departments like Account & Finance Department, Marketing Department and Quality Control Department for prompt and prudent operation of the

organization. Apart from this, Operation Risk Management will be taken care by the one of the directors who will be experienced in the field of rice industry. (*Details of risk analysis is discussed in section 12*)

Initially, meeting of BOD will be conducted on the weekly basis till the commencement of the operation of the company. Later, in order to keep things ‘checked and balanced’ of acts of MD and performance of the organization, the chairman of BOD can call a random meeting anytime as per their convenience.

7.2 Key Persons

1. Mr. Abhaya Raj Sharma, Managing Director
Kathmandu, Nepal, Age: 38

Professional Qualification:

Years	Organization	Designation/Experience
2010-2012	H&B Development Bank Ltd., Kathmandu, Nepal	<ul style="list-style-type: none"> Assistant General Manager Chief Credit Officer
2009-2010	Bank of Asia Nepal Ltd., Kathmandu, Nepal	<ul style="list-style-type: none"> Senior Relationship Manager
2004-2009	Laxmi Bank Limited <ul style="list-style-type: none"> Biratnagar, Nepal Kathmandu, Nepal Kathmandu, Nepal 	<ul style="list-style-type: none"> Regional/Branch Manager Head-Trade Finance Officer- Trade Finance
2000-2004	Himalayan Bank Ltd. <ul style="list-style-type: none"> Hetauda, Nepal Kathmandu, Nepal Birgunj, Nepal 	<ul style="list-style-type: none"> Supervisor-Branch Supervisor-Operations In-charge-Trade Finance
1999-2000	BRS Neupane & Co.	<ul style="list-style-type: none"> Audit Articleship

Academic Qualification:

Year	Institutions/University	Degree
2012/13	Stamford International University, Thailand	MBA-Business Administration
1996-1999	Karnatak University, India	B.Com.-Management
1992-1994	Tribhuvan University, Nepal	I.Com.- Management
1991	HMGN Board	S.L.C.

Having experience in banking with depth knowledge of project financing, trade financing and operations, he seems to be capable of leading Yummy Rice Industries Pvt. Ltd. as Managing Director of the company.

2. Mr....., Director – Operation Risk Management (to be selected)
3. Mr....., Manager – Operations (to be recruited)
4. Mr....., Officer – Marketing (to be recruited)
5. Mr....., Supervisor – Plant Operation (to be recruited)
6. Mr....., Assistant – Accounts & Admin (to be recruited)
7. Mr....., Assistant – Production (to be recruited)

Employees like Manager, Officer, Supervisor and Assistant will be recruited considering the required experience in the related field.

8. Operation/Production Process

Operation of plant depends on the availability of raw materials and technology used in the process. Following are the brief on raw material, products and production process.

8.1 Raw Material

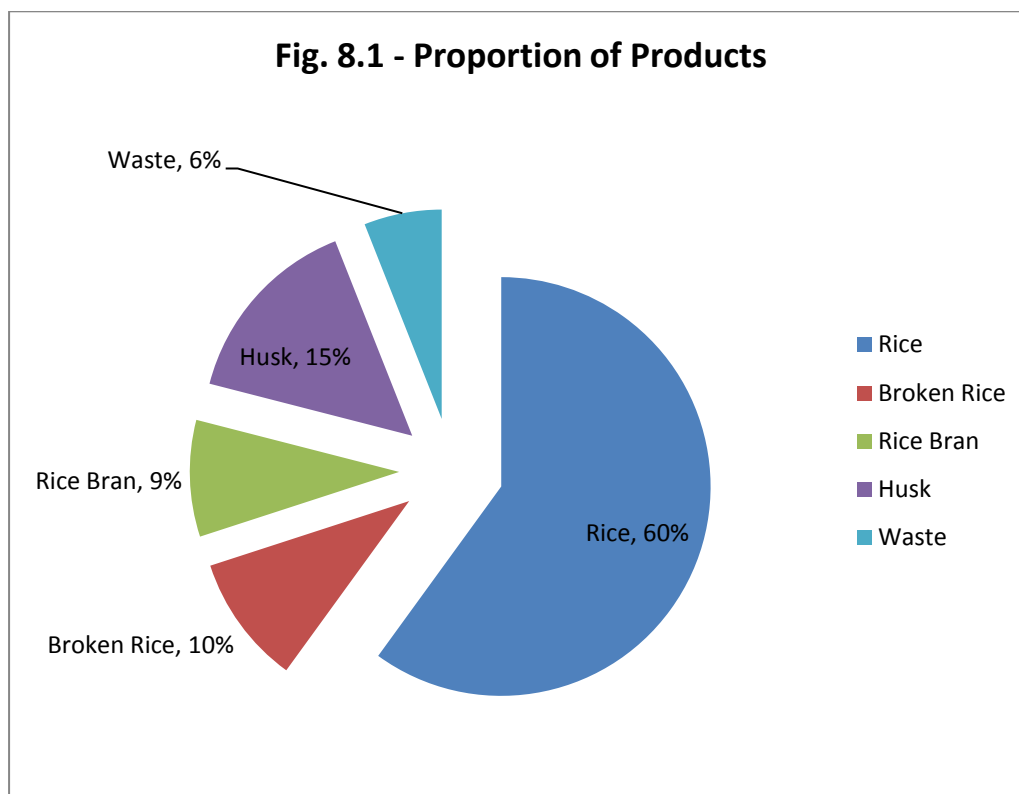
Rice is extracted from paddy i.e. Dhan, a popular grain name in Nepal. Paddy as raw material is available in the eastern, mid and western Nepal and it is easily available in the nearby area of plant of the company. Parsa, Bara, Chitwan are the main districts in mid Nepal that grows paddy well and the company will be established in Parsa district of Nepal. The unfulfilled requirement of paddy is fulfilled with supply from Indian cities near to border areas. Cities in India like Raxaul, Sugauli, Betia, Motihari are the main source of raw materials and they are easily available due to open border.

Company contacts different suppliers in these markets and orders for the requirement of paddy in tons. Suppliers from these Indian cities ask for advance money and the company should arrange for it. As Indian suppliers get handsome price, they bring the paddies to the Nepalese market. In view of this, Yummy Rice Ind. has benefit of grabbing them as it will be near to the Indian border.

Total capacity of the mill is 10.5 Ton Per Hour (TPH) and the company will operate 8 hours a day. The total working days in a year is assumed as 300 days. For the smooth operation of the company and considering the need of safety stock in a business, the company will to maintain raw material for at least two months (60 days) for the smooth operation of the mill. Thus, the company needs to maintain minimum paddy stock (Safety Stock) of 5,040 MT ($10.5 \text{ TPH} \times 8 \text{ Hours} \times 60 \text{ days}$) to run the mill for one shift a day i.e. 8 hours per day. Further, the company should purchase entire raw materials for whole year in harvesting season (November to February). Hence, Stock is expected to fluctuate with the season. As per our projection, the company should think for having maximum stock on January and minimum stock on October. Other important raw materials for rice production are jute bags, jute threads and plastic bags. These are available in the local market.

8.2 Products

Rice is the main product of Yummy Rice Industries Pvt. Ltd. Broken Rice, Rice Bran and Husk are the by-products which have substantial proportionate in the overall production of rice.



Input of 100% paddy gives 94% of outputs comprising of 60% of Rice, 10% of Broken Rice, 9 % of Rice Bran and 15 % of Husk. The remaining 6% consist of stone and other wastes like glass etc which does not add any value to total revenue of the company. But it incurs cost to the company because it is mixed with the paddy within allowable limit i.e. 6% of total weight of paddy.

8.3 Technology

Regarding the proposed company, it will be the one of the largest rice mill with the capacity of 10.5 TPH which will be operated with the installation of fully automated and latest plant & machinery from Buhler (Germany/India) with the world class infrastructure.

Yummy Rice will have advanced technology produces steam rice and intend to be one of the prominent players in the market. The best feature with Yummy's steam rice is rice with no

stone, no dust, no mix and uniformity in color of rice. It means the machines will scan even single rice with different color from the bulk of rice and maintain uniformity so that it will be attractive in looks.

Apart from this, the unit will be run by professional personalities. Hence, the unit will build up a good brand in the market in the days to come.

8.4 Production Process

The manufacturing process of rice includes different phases. The plant will produce the finest rice and will be processed under stringent quality norms and will undergo various processes before the desired output is reached. Fig. 8.2 is the process flow chart of the production process followed by its brief explanation:

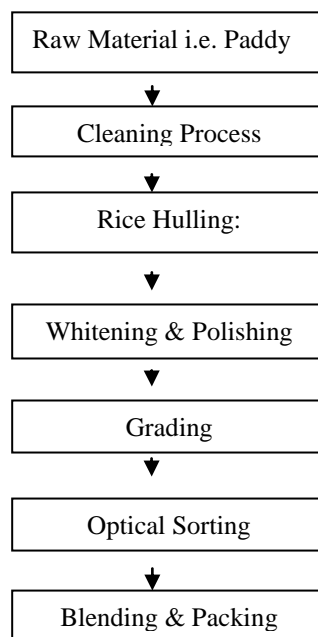
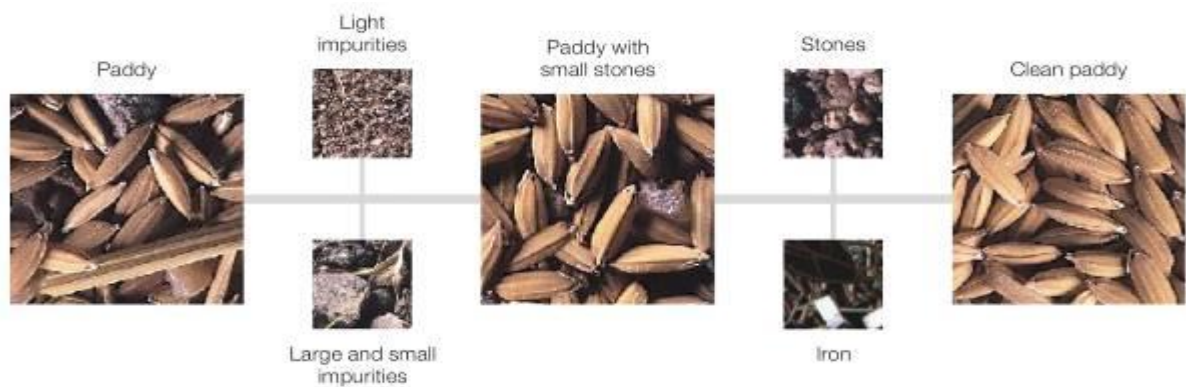


Fig. 8.2 : Process Flow

Source: Informal source and the website of the plant supplier <http://www.buhlergroup.com> (2013)

Rice Cleaning:

Before paddy can be processed in the rice mill, it is necessary to record the input and clean the product thoroughly by removing impurities such as dust and foreign matter. Machine used in the cleaning section includes weighers, classifiers and de-stoners.



Source: Website of the plant supplier <http://www.buhlergroup.com> (2013)

The weigher doses the paddy into the process and at the same time records the weight of the paddy being fed into the mill. Separator removes straw, sand, stones, papers etc from the paddy. With an aspiration system and vibrating screen mechanism, the classifier separates out foreign matter with efficiency. The stoner separates heavy impurities such as stone and glass using the principle of difference in floating velocities of the individual particles. Any residual ferrous items still remaining are removed from the paddy flow by a magnet.

Rice Hulling:

Hulling is the process of removing husk from the paddy. This is achieved by the gentle action of roller applied to the paddy, after which the husk aspirator separates husk from the rice by means of air aspiration. The brown rice then passes into the paddy separator which separates any unhulled kernels from the brown rice and recycles them into the huller.



Source: Website of the plant supplier <http://www.buhlergroup.com> (2013)

The hulling is carried out by the Top Husk which hulls paddy with great care and efficiency. The paddy husk is collected from a separator outlet while the huller kernels pass into the Royselect Table Separator, which separates unhulled kernels and route them back to the

TopHusk. The Royselect incorporates specially designed impact walls which, combined with the inclined table, accelerate the product in the opposite direction. The lighter fractions (huller rice) move upwards while the heavier fractions (unhulled paddy) move downwards to the separating chamber.

The Rotosort sizes rice by thickness. The rice grains are fed into the screen drums at a continuous rate. The smaller fractions (the immature grains) pass through the screen while the overtails are delivered to the outlet.

Whitening and Polishing of Rice:

During whitening and polishing, bran layers are removed from the rice. This not only enhances the appearance of rice but also increases its shelf life. The bran removal is best achieved in several steps to ensure evenly milled rice with minimum brokens and optimum uniformity. The whitened rice is then polished to give it a finish up to silkiness.



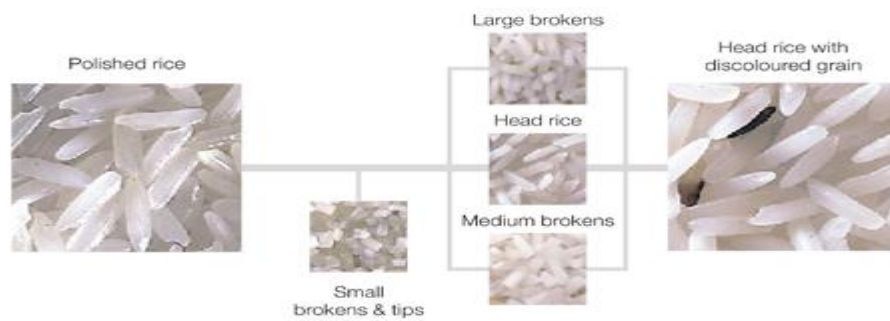
Source: Website of the plant supplier <http://www.buhlergroup.com> (2013)

During whitening, clean brown rice (output of hulling section) is processed by the removal of bran and whitening. This is achieved in TopWhite where the rice is guided into the processing chamber and is carefully whitened by abrasive rings and the screen. The unique design of the TopWhite ensures that rice is whitened uniformly and gently. Efficient aspiration leads to a cool and hygienic process making the TopWhite the ideal tool to obtain sparkling whitened rice.

The final polishing of the whitened rice is achieved in the HighPoly which polishes rice by gentle rubbing of rice kernels against each other, giving it a dust free surface. This makes the product highly visible and attractive on market shelves.

Rice Grading:

Grading is the process of removing the brokens from head rice and sorting them into well defined fractions of different length.



Source: Website of the plant supplier <http://www.buhlergroup.com> (2013)

The Plansifter separates the rice into head rice, a mixed fraction (including head rice and broken) and tips. It also removes bran lumps from the product. The fraction of the product out of the plansifter being a mixture of head rice and broken is guided to the Indent Cylinders. They grade the rice by length into fractions of different sizes and head rice. The number of fractions depends on the market requirement. For certain applications, the Classifier Separator is used as substitute for the Plansifter.

Optical Sorting of Rice:

Optical inspection is the final quality control and enhancement step in the rice mill. Discolored rice grains and optionally chalky kernels are removed to yield a first grade product.



Source: Website of the plant supplier <http://www.buhlergroup.com> (2013)

Colour sorters are proven world-over in colour sorting of rice and variety of other grains, pulses and beans. The sorters combine a visible and an infra-red waveband to give highly effective colour sorting and removal of glass from the product. Working at up to speeds of 9 tons of grains per hour these machines removes discolored cornels, defects and foreign material, especially glass from all types and forms of rice. Whether kernels are processed as

brown rice, white rice or par boiled rice, these sorters add maximum value to the final product.

Blending and Packing of Rice:

To achieve a uniform and consistent quality in packed white rice, the various white rice fractions are blended according to the market requirement and trade standards.

The white rice fractions are extracted from the respective silo bins. Here the flow balancer or the Transflowtron regulates the flow to the desired flow rate with a high accuracy. Thus the desired proportion is set for each fraction precisely. The necessary mixing operation takes place in the subsequent conveying equipment. The proportion of each fraction can be adjusted either on spot or through the automation system.

The blended white rice is bagged off in the bagging station and, after stitching at the sewing belt, stored for dispatch.

9. “Marketing Mix” as Marketing Strategies

Marketing mix is one of the marketing terms widely used in business world as Four Ps. They are Product, Place, Promotion and Price. Nowadays, there is another additional mix of 4 Ps and they are People, Processes, Programs, and Performances. But, the service marketing mix takes it as 7 Ps adding Process, People and Physical Evidence to the original 4 Ps. Yummy Rice Industries Pvt. Ltd. will be using the famous marketing mix of 4 Ps as marketing strategies in regard to sale of the rice.

But, before entering into marketing mix as marketing strategy, study of and importance of rice as food in the Nepalese society and Consumer's Behavior will be an added advantage.

9.1 Importance of Rice in Nepalese Food



Different way of having regular meal at Nepali kitchen

- Rich people eat variety of food but there will be rice as one of the items.
- Poor people do not have variety but there will rice in his plate.
- Most importantly, a child when he/she starts having food after 6 months of habit of drinking milk, he/she is given with 85 varieties of food. Rice is the most important food among them.

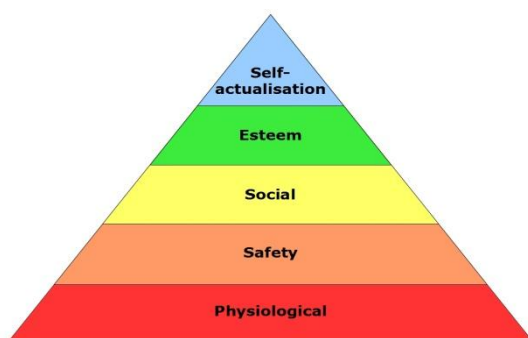
Fig. 9.1. Source: 1. <http://www.panoramio.com/photo/16346139>,
2. https://www.google.co.th/search?hl=en&site=imghp&tbm=isch&source=hp&biw=1366&bih=667&q=nepali+food&oq=nepali+food&gs_l=img.12...0.0.0.8757032.0.0.0.0.0.0.0.0.0.0.0...1ac..26.img..0.0.0.g5JigrWft-l-#facrc=0%3Bnepali%20food%20dal%20bhat&imgdii= &imgrc=

9.2 Consumer Buyer Behavior and Market Segment

In order to have a better target market, understanding the buyer behavior is must in today's world. If a new product is distributed in a market without knowing consumer behavior of that market, the company is taking risk. It will not be wise to say that it will not be sold but it will be a great risk to throw a new product in an unknown market.

As marketing is all about satisfying human needs, understanding of the relevance of human needs and buyer behavior adds value in marketing the product.

For this, Abraham Maslow's Hierarchy of Needs will be a great tool.



Following are the traditional buying process of a consumer:

- Problem Recognition
- Information Search
- Evaluation of Alternatives
- Purchase Decision
- Post purchase Behavior

But, sometimes people do not go through all these process in order to purchase a product. Here, it depends on what kind of product is this and what kind of need the consumer is seeking. If he needs a car, then he obviously think twice/thrice before he makes a decision to buy a car. But, if he wants to buy a jean pant, he may not think that much. He simply goes to market, checks some of his preferred brands or some alternatives and may buy it.

According to Kotler and Keller (2012), Consumers don't always pass through all five stages of the buying decision process – they may skip or reverse some.

The author believes that customers trust or want to trust on the marketers and want to take quick decision. Hence, the company should focus on the quality of the product and on the different feature/value it gives to the consumer.

Yummy Rice Industries Pvt. Ltd. will make customer's way of buying rice easy by focusing on quality, value, packaging, price and brand of Yummy Rice!

However, Yummy Rice Industries Pvt. Ltd. will target its market as follows:

Geographic Region	Nepal
Density	Urban – sub Urban Area
Gender	Male, Female
Occupation	Employees, Professionals, Students, Homemakers,
➤ Family Lifecycle	Old, Young, Single, Married
➤ Lifestyle	Taste oriented, Quality oriented,
Behavioral Occasions	Regular, Special occasion
User Status	Rice eating people

- People living in urban and sub-urban areas like Kathmandu, Lalitpur, Bhaktapur, Pokahara, Birgunj, Biratnagar, Jhapa, Chitwan, Bhairahawa, Nepalgunj and other small cities.
- Employees of government offices, corporations, banks, telecoms; students; housewives etc.
- Restaurants; Cafeterias; Party Palaces etc.

9.3 Applying the marketing mix concept:

Though the new product is a physical product, the company will decide to follow 4 Ps for the product.



Fig. 9.2 Source: <http://servicemarketing7p.blogspot.com/2011/05/service-marketing-and-7ps.html>

9.4 Product:

The product are Rice, Broken Rice, Rice Bran and Husk, among them Rice is the main product of the company and it will be main concentration of the company as well. The rice will be recognized and categorized under the category of Mansuli Rice. Mansuli rice is a kind of rice that most of the middle class people use to have it.

Considering three natures of the products i.e. Core Product, Actual Product and Augmented Product, rice will be taken as the 'Actual Product' having flavor of both the other 'Core Product' and 'Augmented Product' too.

Being the actual product, it will be physically a product that will be directly used by the consumers. The consumers will also have some kind of feelings that – yes they have purchased the rice which are clean, without stone etc. The satisfaction in terms of saving life with chances of eating unnecessary hazardous things along with the rice will give core value of the product. In addition, it will save the consumer's time as they can directly wash the rice and cook it. Similarly, the well packed rice in plastic bags will make consumers less worry for its damage. This will be treated as augmented value of the said rice. Thus, all the three concepts of product i.e. core, actual and augmented are used in this product and the consumers will be benefited with good nutrition. The company will give best quality product to its customer and never compromise with it.

Whenever product is concerned under the Marketing Mix, it is more basically concerned on product variety, quality, design, features, brand name, packaging, sizes, services, warranties, returns etc. Some of them are explained here.

9.4.1 Feature of Product

- Same size of rice and not mixed with broken rice.
- Rice without stone and any other kind of substance.
- Nice look before and after cooking.
- A well packaging for rice that saves it from water.

9.4.2 Name of the Product

Name of the product i.e. Rice will be **“Yummy Rice!”**



Fig. 9.3 Logo of Yummy Rice!

Name of the product will be Yummy Rice. Literally, it has meaning of delicious, tasty, lip-smacking, appetizing etc. The name is chosen because it is attractive and catchy. It makes branding and promotional advertisement very easy. On the other hand, whenever people talks about a food item most of them reacts as yummy. Thus, it will be expected to be very catchy as well as meaningful and will be named as Yummy Rice!

9.5 Price

Pricing is one of the most important marketing mix strategies for a product. This is the thing that brings revenue for the company. On the other hand, if it is wrongly priced, the company may suffer a lot. It depends on the volume of productions; competitor's pricing strategies; demand of the product etc. Sometime it has not been given more importance. But, the pricing is more important for Yummy Rice! as the company is focusing on the bigger market segment.

As the product is a physical product, daily usable in life, not a luxurious product, does not cost more like a car etc, the price is to be same for all customers. There will be no negotiation on pricing while making a sale like a sale of a car. It reveals that the company will treat its customers uniformly from the point of view of pricing and whatever pricing strategy is taken for Yummy Rice! that will be applied for all. Yes, it may differ in case of Business to Business dealing and Business to Consumer dealings.

9.5.1. Pricing Strategies Matrix

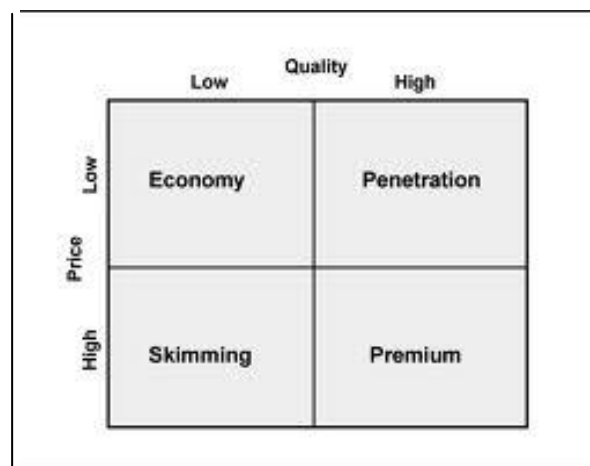


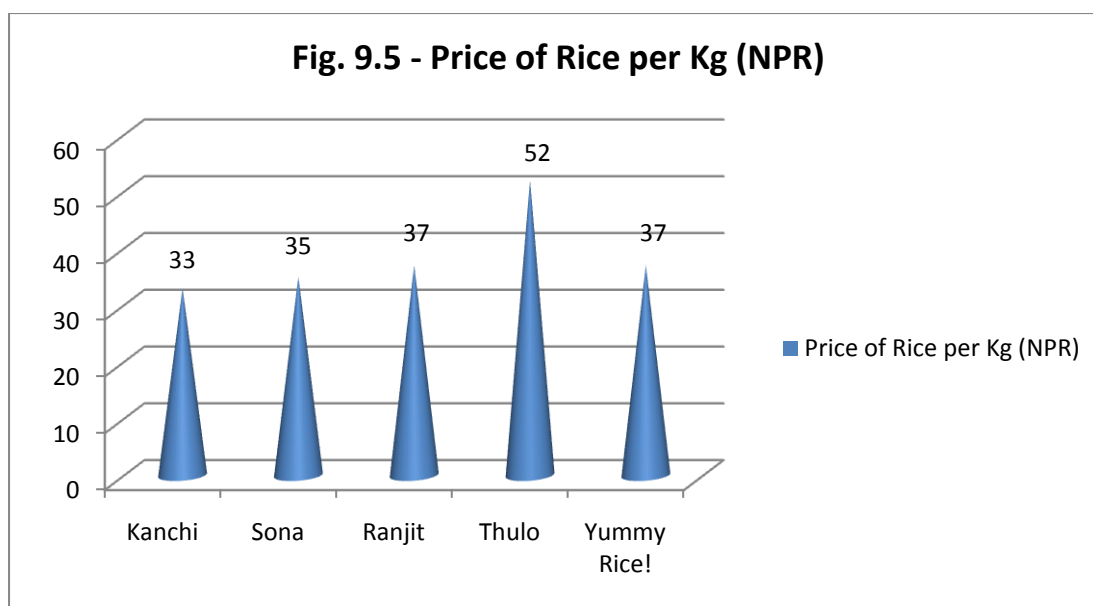
Fig. 9.4 Pricing Strategies Matrix Source: <http://www.aviationbusinessconsultants.com>

Referring the pricing strategies matrix, the author thinks Price Penetration will be the best pricing strategy for the product. The reason behind adopting price penetration strategies are as follows:

- As the product will be produced in high quantity.
- As the product is new for the market and focused on large group of targets.
- As the focused group are the middle class people mostly living in the urban and semi urban areas.

However, as marketing strategy goes on changing, the pricing strategy of the company may also be changed depending upon the market and scale of production as well as demand and supply curve.

9.5.2 Price from competitors for Yummy Rice!



Considering the cost of production and market price of competitive products, price of Yummy Rice! will be NPR 37 per kg. The assumptions considered while determining price for Yummy Rice! for FY 2014/15 are as follows:

- It should not be either least or highest among Mansuli rice available in the market.
- Earning will be based on mass production and mass sale.
- It should not be made people think that the rice has least price because it has compromised with the quality.
- At the time of entering into market, it is better to go with the mid range of price maintaining high level of quality so that customers paying less but compromising with quality will upgrade themselves with little bit more price seeking quality rice from the market. Similarly, customers paying more for rice will prefer Yummy Rice! because of its cheaper price with the same or more quality of rice what they have been buying.
- It can be changed in future considering the demand of Yummy Rice! in the market.

9.6 Place

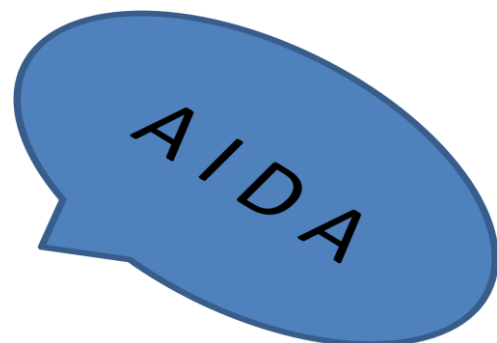
Place, being one of the important four Ps of marketing mix, is known as channel, distribution or intermediary or supply chain management. Using the distribution channel, the products move from the manufacturer to the wholesalers/distributors, from the wholesalers/distributors to retailers and from the retailers to the customer/consumers. Depending on the nature and stage of the business, Yummy Rice! will be using wholesalers and big retailers in the market.

The main focus and target will be Kathmandu, the capital city of Nepal, which covers 80% of total production. The remaining 20% will be sold in the other parts of Nepal. In Kathmandu, the density of wholesalers/big retailers is in Kalimati, the main market of rice in the city. The company will make the rice reach to them via road transport as it is the only cheapest transport mode available in the country.

Company will not invest for trucks at present and will use the trucks available in the market. To avoid interruption and chances of failure to get the trucks on time, the company will enter into contract with truck providers and hire trucks on monthly basis. As there are more than trucks available in the market because of financing by mushrooming of banks in Nepal, it will be wiser not to buy trucks and get them from the market. Contracts will be made in such a way that few trucks should be with the company with the required insurance coverage at cost of the truck supplier.

9.7 Promotion

Promotion is the most effective tools in marketing to communicate to all the stakeholders like distributors/retailers/consumers etc. This is the tool that ties the company with its customers and even makes the relationship the longer. In business sense, it may help creating the new customers, the prospect customers and retaining the existing customers.



Awareness, Interest, Desire, Action

The main aim of promotion is to attract the customer's awareness of existence and positioning of products. Promotion is also used to persuade customers that the product is better than the competing product and to remind the customer why they may want to buy the product.

Referring AIDA, the aim of promotion is to attract the attention of the customer; to raise customer's interest by focusing on and demonstrating advantage and benefits; to convince customers that they want and desire the product or service and satisfy their needs; and to lead customers toward taking action/or purchasing.

As the promotion strategy also depends on the product life cycle and Yummy Rice! will be on introduction stage of its life cycle, the company will follow the below promotion strategy:

- **Advertising:** Advertising is one of the mostly preferred promotional strategies in this commercial world. Though advertising may cost high as it is to be done through media like T.V., magazines, cinemas etc., the company will use T.V. commercials and advertisements in dailies to make people aware about Yummy Rice!.
- **Viral Marketing:** Nowadays, advertising through social media is in increasing trend. For Yummy Rice!, Viral Marketing will be used to get attraction of potential buyers. A catchy 'Awareness' and an Emotional' advertisement through a short video and an attractive column will be posted in YouTube and social media like Face book respectively. The company will also promote the product through some posters in the market. One of the examples of advertisement theme will be:

A green from the nature & a gift from the nature!

Have real Yummy Rice! & back a less price to the nature!!

- Yummy Rice!

- **Traditional marketing:** People have forgotten the oldest way of marketing for making people aware of new thing in the market. Company will use few band people playing old type of musical instruments in an open van. At the same time in a regular interval they play the recorded advertisement so that people will attract to the orchestra and hear the advertisement too. In addition, they will distribute the pamphlets to the people which will make them aware about the features of Yummy Rice!

Apart from this, the company will be using other different modes of promotional activities considering the budget allocated for the year.

9.8 Marketing Research

Yummy Rice Industries Pvt. Ltd. will be giving more focus on marketing research. It may be formal or informal research. Sometimes it will be qualitative and sometimes it will be quantitative. Research plays great role in business and in understanding the customer's choice, interest, awareness, desire etc which will be very supportive in taking business decisions.

Doing research by self only may not be always good. Hence, the company may also depend on other researchers in order to have customer's view point toward Yummy Rice! Though following research and consequent decision may not always result positive way, the company will still want to know customer's feedback toward Yummy Rice!

Hence, marketing research will be a continual process for the products of Yummy Rice Industries Pvt. Ltd.

9.9 Product Life Cycle

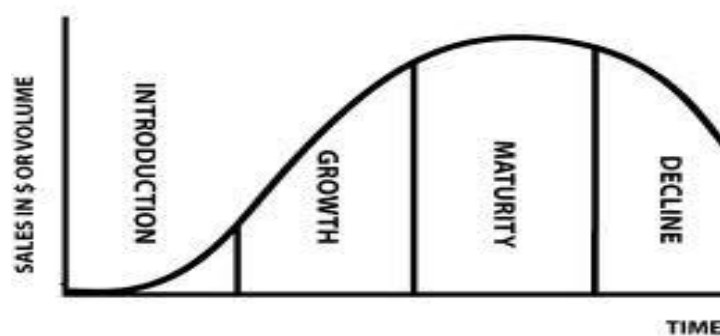


Fig. 9.6 Source: <http://www.jimcarroll.com/category/blog/branding-marketing/>

Consideration or knowing the product life cycle of Yummy Rice! will be a must as it will be one of the important basis for any marketing strategy the company take during its life.

Product life cycle is the span of time the product passes in its life. There is no guarantee that all products can see all stages of a common product life cycle. The common life cycle is: Introduction, Growth, Maturity and Decline.

The new product, Yummy Rice! will be in introduction stage or it is still to be entered into introduction stage. As the product will be in its inception stage and not having the amount of volume or not even introduced into the market, it will be in the entry level i.e. before introduction stage of product life cycle. In such a scenario, marketing strategies will play a very vital role for development of Yummy Rice!

If Yummy Rice! seems to reach its decline stage, as a strategy the company will try to introduce a new product in the product line. There could be variety of products either substituting the existing product or producing and selling new products along with the existing product.

10. Financial Plan

Financial analysis here is concentrated on calculation/projection of Profit & Loss, Assets & Liabilities, Cash Flow and assessment of key indicators and repaying capacity of the company in regard to the long term as well as short term credit enjoyed by the company.

10.1 The key basis under which the financial projection has been done.

1. The company will be running with the plant having capacity of 10.5 Ton Per Hour (TPH) which is expected to be operating from July 2014. Working days and hours will be 300 days per year and 8 hours a day respectively. For the first year, it will be 150 days only as it has been expected to be operated for 6 months from July 2014 to December 2014.
2. The term loan has been proposed for 6 years including maximum 12 months of moratorium period. Hence, the company's financial position will be duly projected up to the loan expiry period i.e. Fiscal Year (FY) 2019/20.
3. Purchase price of paddy for FY 2014/15 is NPR 15.00 per kg and is supposed to be increased by 5%, 7%, 8%, 10% and 10% for the year 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20 respectively. Similarly, cost of Jute Bag and plastic bag are assumed to be NPR. 85 and NPR. 50.00 per piece respectively. Cost of both the bags is supposed to be increased by 10% each year for next five years. In addition, cost of thread is assumed to be 1% of total raw material cost. Whereas, selling price is assumed to increase with a fixed rate of 5% per annum.
4. Production ratio among Rice, Broken Rice, Rice Bran and Husk are 60%, 10%, 9% and 15% respectively. Remaining 6% will be wastage in the form of stones, glasses and other kind of substances.
5. Cost price of paddy has been considered even for calculation of closing inventory.
6. Depreciation has been calculated on the basis of rates prescribed by the Nepalese Income Tax Act, 2058 i.e. 5% of Building, 15% on Plant & Machinery, 25% on Furniture and 20% on Vehicles. It is calculated on diminishing balance method.
7. Interest on Bank Loans is assumed to be 11% per annum (p.a.). Bonus is calculated as 10% according to prevailing labor act in Nepal. Tax rate of 25% has been levied.
8. In view of minimizing the business financial risk, Reserve @ 20% has been maintained.

9. Considering the high debt burden, no provision has been made for Dividend for first three years of operation.

10.2 Forecasting of Profit & Loss Account of the Yummy Rice Industries Pvt. Ltd. for six years from FY 2014/15 to 2019/20 is as follows:

Projected Profit & Loss A/C

Figures in NPR '000

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Total Sales	218,075	490,668	549,548	613,089	681,611	751,392
Cost of good sold	172,883	353,831	436,589	473,337	520,719	565,198
Gross Profit (Loss)	45,192	136,837	112,959	139,752	160,892	186,194
Total Operating Expenses	15,567	15,282	15,620	16,130	16,819	17,455
Net Operating Profit Before Interest a	18,575	112,044	89,137	116,531	137,929	163,402
Interest Expenses	17,875	19,058	17,078	15,098	13,118	11,138
Profit After Interest	700	92,987	72,059	101,434	124,812	152,265
Tax	191	25,360	19,653	27,664	34,040	41,527
Profit After Tax	445	59,173	45,855	64,548	79,425	96,895
Prosion for Bonus	64	8,453	6,551	9,221	11,347	13,842
Tranfer to General Reserve	89	11,835	9,171	12,910	15,885	19,379
Dividends	-	-	-	25,819	31,770	38,758
Profit Transferred to Balance Sheet	356	47,339	36,684	25,819	31,770	38,758

	Figures in USD '000					
Total Sales	2,248.19	5,058.43	5,665.44	6,320.51	7,026.92	7,746.31
Cost of good sold	1,782.30	3,647.74	4,500.92	4,879.77	5,368.23	5,826.78
Profit After Interest	7.21	958.63	742.88	1,045.71	1,286.72	1,569.74
Profit Transferred to Balance Sheet	3.67	488.03	378.19	266.18	327.53	399.57

(Details in Appendix 1)

- Profit & Loss Account has been projected for six fiscal years. For the first year i.e. 2014/15, only six months has been considered. Hence, all the figures are calculated for six months only. Above extract shows that the company makes good amount of profit over the projected periods. In first year, there is net profit after tax is NPR 445 thousands. It is low because the company only operates for six months and it is also assumed that the company can sell 70% of its total production in the first year. It has been forecasted that the company will be able to increase its sales over years like 75%, 80%, 85%, 90% and 95% in FY 2015/16, 2016/17, 2017/18, 2018/19 and 2019/20 respectively. 100% sales have not been assumed for any year.
- Sales comprise sales of Rice, Broken Rice, Rice Bran and Rice Husk. Calculation of produced unit, sales unit, selling price and total sales are as follows:

Calculation of Sales

Figures in NPR '000

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Productions: Rice (60% of Input)	7,560	15,120	15,120	15,120	15,120	15,120
Broken Rice (10% of Input)	1,260	2,520	2,520	2,520	2,520	2,520
Rice Bran (9% of Input)	1,134	2,268	2,268	2,268	2,268	2,268
Husk (15% of Input)	1,890	3,780	3,780	3,780	3,780	3,780
Sales (qty) : Rice	5,292	11,340	12,096	12,852	13,608	14,364
Broken Rice	882	1,890	2,016	2,142	2,268	2,268
Rice Bran	794	1,701	1,814	1,928	2,041	2,041
Husk	1,323	2,835	3,024	3,213	3,402	3,402
Selling Price per ton: Rice	37.00	38.85	40.79	42.83	44.97	47.22
Broken Rice	14.00	14.70	15.44	16.21	17.02	17.87
Rice Bran	10.00	10.50	11.03	11.58	12.16	12.76
Husk	1.50	1.58	1.65	1.74	1.82	1.91
Total Sales (NPR): Rice	195,804	440,559	493,426	550,478	612,003	678,303
Broken Rice	12,348	27,783	31,117	34,715	38,595	40,524
Rice Bran	7,938	17,861	20,004	22,317	24,811	26,051
Husk	1,985	4,465	5,001	5,579	6,203	6,513
Total Sales	218,075	490,668	549,548	613,089	681,611	751,392

(Details in Appendix 6)

➤ Cost of Goods Sold (CGS) has been calculated as follows: Figures in NPR '000

COGS Calculation						
Particulars	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Cost of Goods Sold	172,883	353,831	436,589	473,337	520,719	565,198
Opening Stocks	75,600	133,182	177,364	169,961	162,104	154,602
- Raw Material	75,600	79,884	84,092	90,120	97,434	107,177
- Finished Goods		53,298	93,272	79,840	64,671	47,425
Purchase	210,770	360,621	388,532	421,256	465,080	511,588
- Paddy	189,000	317,016	340,591	368,537	407,090	447,799
- Jute Bags	6,854	10,367	11,404	12,544	13,799	15,179
- Plastic Bags	14,700	32,340	35,574	39,131	43,045	47,349
- Threads	216	897	963	1,043	1,147	1,262
Direct Costs	5,520	9,042	9,469	9,921	10,402	10,913
Other Direct Cost (Carriage)	14,175	28,350	31,185	34,304	37,734	41,507
Closing Stock	133,182	177,364	169,961	162,104	154,602	153,413
- Raw Material	79,884	84,092	90,120	97,434	107,177	117,895
- Finished Goods	53,298	93,272	79,840	64,671	47,425	35,518

(Details in Appendix 6)

Where, opening inventory for 1st year is inventory of Raw materials only and for rest of the years it is inventory of raw materials as well as inventory of finished goods at the end of the previous year. Purchase is for purchase of paddy, jute bags, plastic bags and threads. Direct cost comprises of direct labor, fixed cost of electricity and fuel cost for machinery. Other direct cost is the cost of transportation i.e. carriage outwards. Closing inventory comprises of inventory of raw materials as well as finished goods.

➤ Total operating expenses consists of various indirect expenses. Excerpts are as follows:

Figures in NPR '000

Particulars/Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Insurance	4,675	4,123	3,647	3,237	2,882	2,575
Indirect Labour/salaries	2,640	3,036	3,491	4,015	4,617	5,310
Office Overhead	550	633	727	836	962	1,106
Fuel for Vehicles	312	328	344	361	379	398
Repair & Maintenance	2,225	2,448	2,692	2,961	3,258	3,583
Preliminary Exp.	240	240	240	240	240	
Advertisement Exp.	4000	4000	4000	4000	4000	4000
Bank Commission	900	450	450	450	450	450
Audit Fees	25	26.25	27.5625	28.94063	30.387656	31.90704
Total	15,567	15,282	15,620	16,130	16,819	17,455

Insurance cost is assumed to be 5% of total fixed assets except land. It means the company will insure its all movable fixed assets.

Salaries consist of remuneration to managing director, manager, officer and other staff.

Figures in NPR '000

Particulars/Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Indirect Labour/salaries	2,640	3,036	3,491	4,015	4,617	5,310
Managing Director (1 X Npr. 100,000 p.m.)	1,200	1,380	1,587	1,825	2,099	2,414
Manager (1 X Npr. 40,000 p.m.)	480	552	635	730	840	965
Officer - Marketing (1 X Npr. 30,000 p.m.)	360	414	476	548	630	724
Supervisor - Production (1 X Npr. 30,000 p.m.)	360	414	476	548	630	724
Assistant - Accounts (1 X Npr. 10,000 p.m.)	120	138	159	183	210	241
Assistant - Operation (1 X Npr. 10,000 p.m.)	120	138	159	183	210	241

- Calculation of interest on bank loan is as follows. Interest is calculated @ 11% p.a. and it has been assumed that the loan will be fully utilized for the years. It is calculated on Term loan, Working Capital Loan and Overdraft with the respective amount of NPR 90 million, NPR 70 million and NPR 20 million respectively.

Fiscal Year	Quarters	Interest on Term Loan	Interest for the year	Interest on Working Capital Loan	Interest for the year	Interest on Overdraft	Interest for the year	Total Interest
2014/15	1st Quarter	2,475.00	9,900.00	1,925	5,775.00	550.00	2,200.00	17,875.00
	2nd Quarter	2,475.00		1,925		550.00		
	3rd Quarter	2,475.00		1,925		550.00		
	4th Quarter	2,475.00		1,925		550.00		
2015/16	1st Quarter	2,475.00	9,157.50	1,925	7,700.00	550.00	2,200.00	19,057.50
	2nd Quarter	2,351.25		1,925		550.00		
	3rd Quarter	2,227.50		1,925		550.00		
	4th Quarter	2,103.75		1,925		550.00		
2016/17	1st Quarter	1,980.00	7,177.50	1,925	7,700.00	550.00	2,200.00	17,077.50
	2nd Quarter	1,856.25		1,925		550.00		
	3rd Quarter	1,732.50		1,925		550.00		
	4th Quarter	1,608.75		1,925		550.00		
2017/18	1st Quarter	1,485.00	5,197.50	1,925	7,700.00	550.00	2,200.00	15,097.50
	2nd Quarter	1,361.25		1,925		550.00		
	3rd Quarter	1,237.50		1,925		550.00		
	4th Quarter	1,113.75		1,925		550.00		
2018/19	1st Quarter	990.00	3,217.50	1,925	7,700.00	550.00	2,200.00	13,117.50
	2nd Quarter	866.25		1,925		550.00		
	3rd Quarter	742.50		1,925		550.00		
	4th Quarter	618.75		1,925		550.00		
2019/20	1st Quarter	495.00	1,237.50	1,925	7,700.00	550.00	2,200.00	11,137.50
	2nd Quarter	371.25		1,925		550.00		
	3rd Quarter	247.50		1,925		550.00		
	4th Quarter	123.75		1,925		550.00		

The interest on term loan goes on decreasing because of the settlement of current portion of long term loan. Similarly, as the working capital loan and overdraft are assumed to be fully utilized for the projected years there is no change in the amount interest to be paid to the bank.

- As the company succeeds in making profit at first year, 20% of profit is maintained as general reserve. Similarly, though the company can distribute dividend from the first year, the company does not distribute dividend to the shareholders. It starts distributing the dividend from the 4th year of operation of the business. The company is able to maintain the positive balance of profit to be transferred to the balance sheet.

10.3 Forecasting of Balance Sheet of the Yummy Rice Industries Pvt. Ltd. for six years from FY 2014/15 to 2019/20 is as follows.

10.3.1. Projected Assets:

Figures in NPR '000

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Investments						
Fixed Assets						
Land	30,000	30,000	30,000	30,000	30,000	30,000
Building	31,500	29,925	28,429	27,007	25,657	24,374
Plant & Machinery	59,500	50,575	42,989	36,540	31,059	26,400
Furniture/Fixture & Office Equipment	1,000	750	563	422	316	237
Vehicles	1,500	1,200	960	768	614	492
Gross Fixed Assets	123,500	112,450	102,940	94,738	87,647	81,503
Total Depreciation	11,050	9,510	8,202	7,091	6,144	5,336
Total Fixed Assets (Net)	112,450	102,940	94,738	87,647	81,503	76,167
Current Assets						
Inventory: Raw Materials	79,884	84,092	90,120	97,434	107,177	117,895
Inventory: Finished Goods	53,298	93,272	79,840	64,671	47,425	35,518
Total Inventory	133,182	177,364	169,961	162,104	154,602	153,413
Cash and Bank Balance	33,607	27,321	52,190	102,122	81,777	110,200
Sundry Debtors	43,615	98,134	109,910	122,618	136,322	150,278
Total Current Assets	210,404	341,451	332,060	386,844	372,701	413,891
Total Tangibles assets	322,854	444,391	426,798	474,492	454,204	490,058
Total Intangible Assets	960	720	480	240	-	-
Total Assets	323,814	445,111	427,278	474,732	454,204	490,058

Figures in USD '000						
Total Fixed Assets (Net)	1,159.28	1,061.24	976.68	903.58	840.24	785.23
Total Current Assets	2,169.11	3,520.11	3,423.30	3,988.09	3,842.28	4,266.92
Total Assets	3,328.39	4,581.35	4,399.98	4,891.66	4,682.52	5,052.15

(Details in Appendix 2)

- Assets as the part of balance sheet have been projected for the six fiscal years. Fixed assets are shown with its net value along with the depreciation. These are the capital expenditure made by the company in the very first year of the project.
- Current assets consist of inventory of raw materials and finished goods; sundry debtors, cash and bank balance etc. Raw material consists of paddy and finished good consists of rice, broken rice, bran and husk. Excerpts of calculation of these assets are as follows:

Inventory of Raw Materials (Paddy)						
Work Hour	8	8	8	8	8	8
Inventory of Paddy for days	60	60	60	60	60	60
RM Required (TPH)	10.5	10.5	10.5	10.5	10.5	10.5
Paddy (60 days)	5,040	5,040	5,040	5,040	5,040	5,040
Cost of paddy	75,600	79,380	84,937	91,732	100,905	110,995
No. of Jute Bags required	50.40	50.40	50.40	50.40	50.40	50.40
Cost of per Jute Bag	85	94	103	113	124	137
Cost of Jute bags for Paddy (60 days)	4,284	4,712	5,184	5,702	6,272	6,899
Total Inventory of raw material	79,884	84,092	90,120	97,434	107,177	117,895
Inventory of Finished Goods						
Inventory of Finished Goods (Qty)	3,553	5,922	4,738	3,553	2,369	1,613
Rice	2,268	3,780	3,024	2,268	1,512	756
Broken Rice	378	630	504	378	252	252
Rice Bran	340	567	454	340	227	227
Husk	567	945	756	567	378	378
Inventory of Finished Goods (Npr)	53,298.00	93,271.50	79,840.40	64,670.73	47,425.20	35,518.45
Rice	34,020.00	59,535.00	50,961.96	41,279.19	30,271.40	16,649.27
Broken Rice	5,670.00	9,922.50	8,493.66	6,879.86	5,045.23	5,549.76
Rice Bran	5,103.00	8,930.25	7,644.29	6,191.88	4,540.71	4,994.78
Husk	8,505.00	14,883.75	12,740.49	10,319.80	7,567.85	8,324.64

- Cash balance is difference between cash inflow and outflow in the business. It is taken from cash flow statement of the company.
- Sundry Debtors are the buyers to whom the company sells rice on credit. It has been assumed that 20% of total sales are credit sales.

10.3.2 Projected Liabilities

Figures in NPR '000

Fiscal Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Issued & Paid Up Capital	100,000	100,000	100,000	100,000	100,000	100,000
General Reserve	89	11,835	9,171	12,910	15,885	19,379
Retained Earning (Acc P&L A/C)	356	47,339	36,684	25,819	31,770	38,758
Shareholder's Fund (Net worth)	100,445	159,173	145,855	138,729	147,655	158,137
Long Term Loans	90,000	72,000	54,000	36,000	18,000	-
Current Liabilities & Provisions						
Overdraft	20,000	20,000	20,000	20,000	20,000	20,000
WC Loan	70,000	70,000	70,000	70,000	70,000	70,000
Long Term Loan-Current Portion	-	18,000	18,000	18,000	18,000	18,000
Creditors Trade	42,154	72,124	77,706	84,251	93,016	102,318
Provisions:Tax	191	25,360	19,653	27,664	34,040	41,527
:Dividends	-	-	-	25,819	31,770	38,758
:Employee Benefits	64	8,453	6,551	9,221	11,347	13,842
Advances from the Customers	960		15,513	45,048	10,377	27,477
Total Current Liabilities	133,368	213,938	227,423	300,003	288,549	331,922
Total Liabilities	323,814	445,111	427,278	474,732	454,204	490,058

	Figures in USD '000					
Shareholder's Fund (Net worth)	1,035.52	1,640.96	1,503.66	1,430.19	1,522.22	1,630.28
Longterm Liabilities	927.84	742.27	556.70	371.13	185.57	-
Total Current Liabilities	1,374.93	2,205.54	2,344.57	3,092.82	2,974.73	3,421.87
Total Liabilities	3,338.28	4,588.77	4,404.93	4,894.14	4,682.52	5,052.15

(Details in Appendix 3)

- Liability as the part of balance sheet has been projected for six fiscal years.
- Issued paid up capital is from the five shareholders of the company and it is collected in the form of 100,000 shares of NPR 1000 each. General Reserve is the 20% of net profit made each year. Similarly, Retained Earnings is the net profit after provision of general reserve which has been transferred from profit and loss account to the balance sheet of the company.
- Long term loan amounting NPR 90 million is the loan from bank for financing fixed assets or capital expenditure of the company. Similarly, overdraft and working capital loans amounting NPR 20 million and NPR 70 million respectively are also the loans from for financing the working capital of the company.
- Trade creditors are the seller of paddy which is 20% of total purchase of paddy for the company.
- Provision of tax is calculated at the rate of 25% and similarly there is provision for bonus to employees in the form of provision for employee benefits.
- As the company deals with the wholesalers and big retailers only, they may be asked for the advance money for supply of rice. Hence, it has been assumed that the company sometimes receives the advance which has been shown here in current liabilities.

10.3.3 Calculation of repayment schedule for the long term loan from bank

It has been assumed that there will be moratorium period of one year and the repayment will start from FY 2015/16. The installment will be 20 equal quarterly installments of NPR 4.5 million and the loan will be fully settled along with the repayment of 20th installment in FY 2019/20.

Fiscal Year	Quarters	Installments	Principle Repayment	Term Loan O/S
2014/15	1st Quarter	0	-	90,000
	2nd Quarter	0	-	90,000
	3rd Quarter	0	-	90,000
	4th Quarter	0	-	90,000
2015/16	1st Quarter	1	4,500	85,500
	2nd Quarter	2	4,500	81,000
	3rd Quarter	3	4,500	76,500
	4th Quarter	4	4,500	72,000
2016/17	1st Quarter	5	4,500	67,500
	2nd Quarter	6	4,500	63,000
	3rd Quarter	7	4,500	58,500
	4th Quarter	8	4,500	54,000
2017/18	1st Quarter	9	4,500	49,500
	2nd Quarter	10	4,500	45,000
	3rd Quarter	11	4,500	40,500
	4th Quarter	12	4,500	36,000
2018/19	1st Quarter	13	4,500	31,500
	2nd Quarter	14	4,500	27,000
	3rd Quarter	15	4,500	22,500
	4th Quarter	16	4,500	18,000
2019/20	1st Quarter	17	4,500	13,500
	2nd Quarter	18	4,500	9,000
	3rd Quarter	19	4,500	4,500
	4th Quarter	20	4,500	-

10.4 Forecasting of Cash Flow of the Yummy Rice Industries Pvt. Ltd. for six years from FY 2014/15 to 2019/20 is as follows.

The company's cash flow position in all projected years has been duly assessed to ensure the company's repayment capacity. Some key figures from the cash flow projections are as follows:

Projected Cash Flow Statement

Figures in NPR '000

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Sales	218,075	490,668	549,548	613,089	681,611	751,392
Cash Collected From Sales	174,460	436,149	537,772	600,381	667,907	737,435
Cash Paid to Supplier	(263,911)	(368,043)	(423,603)	(458,936)	(519,456)	(557,086)
Cash From Trading Activities	(89,451)	68,106	114,168	141,445	148,451	180,350
Cash From Operation	(105,018)	52,824	98,549	125,315	131,632	162,895
Net Cash After Operation	(105,018)	52,633	84,604	131,481	109,919	135,843
Cash After Financing Cost	(122,893)	33,576	67,526	116,384	96,801	124,706
Cash After Debt Amortization	(122,893)	15,576	49,526	98,384	78,801	106,706
Cash Paid for Capex	(123,500)	-	-	(0)	(0)	(0)
Financing Deficit/Surplus	(246,393)	15,576	49,526	98,384	78,801	106,706
Total Financing	280,000	11,746	2,664	3,739	2,975	3,494
Cash After Financing	33,607	27,321	52,190	102,122	81,777	110,200
Closing Cash	33,607	27,321	52,190	102,122	81,777	110,200

Figures in USD '000						
Sales	2,248.19	5,058.43	5,665.44	6,320.51	7,026.92	7,746.31
Cash From Operation	(449.64)	(562.05)	(121.40)	(131.01)	(141.28)	(143.88)
Financing Deficit/Surplus	1,798.55	4,496.38	5,544.04	6,189.49	6,885.63	7,602.43
Total Financing	(1,782.30)	(3,647.74)	(4,500.92)	(4,879.77)	(5,368.23)	(5,826.78)
Closing Cash	346.46	281.66	538.04	1,052.81	843.06	1,136.08

(Details in Appendix 4)

- In first year, the indicators are negative. The reason behind this is the work days, less production, less sales and capital expenditure. The negative cash flow is fulfilled with the financing from banks.
- The company's cash flow position is improving in every passing year which provides comfort for debt servicing. From second year, the company's cash from Trading Activities, Net Cash after Operation, Cash after Financing Cost and Cash after Debt Amortization are positive and sufficient for the repayment of financial burdens.
- It seems the company's closing cash balances will be piled up but it will be assumed that the company will not invest in other sectors with this cash and try to reduce the financing burden in the form of loan which directly increases the profit of the company.

10.5 Description of Key Indicators turned out from projected financials

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Profitability Ratios						
Gross Profit Margin	21%	28%	21%	23%	24%	25%
Operating Profit Margin	8.52%	22.84%	16.22%	19.01%	20.24%	21.75%
Net Profit Margin	0.20%	12.06%	8.34%	10.53%	11.65%	12.90%
Return on Equity (ROE)	0.44%	37.18%	31.44%	46.53%	53.79%	61.27%
Return on Assets (ROA)	0.14%	13.29%	10.73%	13.60%	17.49%	19.77%
Leverage or Capital Structure Ratio						
Total Debt Ratio	2.22	1.80	1.93	2.42	2.08	2.10
Debt to Total Assets Ratio	0.69	0.64	0.66	0.71	0.67	0.68
Interest Coverage	1.04	5.88	5.22	7.72	10.51	14.67
Debt Service Coverage	1.66	3.28	2.77	3.74	4.63	5.79
Liquidity Ratio						
Current Ratio	1.58	1.60	1.46	1.29	1.29	1.25
Quick Ratio	0.58	0.77	0.71	0.75	0.76	0.78
Activity or Turnover Ratio						
Inventory Turnover	223	132	113	97	83	75
Debtors Turnover	73	73	73	73	73	73
Creditors Turnover	5	7	6	5	7	6
Assets Turnover Ratio	0.67	1.10	1.29	1.29	1.50	1.53

(Details in Appendix 5)

Above are some of the key financial indicators and ratio that proves the viability of the business.

10.5.1 Profitability Ratio:

Profitability Ratios seem satisfactory. Sales are in increasing trend this is because of assumption of constant use of plant for the said period and hour i.e. 300 days and 8 hours respectively. Normal growth of sales i.e. 10%-12% can be seen over periods and the growth are in real terms as the increase in price of raw material is more than the increase rate of price of rice. Gross profit margin is increased with the average growth rate of 23% where as Net Profit Margin is increased with the average growth rate of 11%. The basic reason behind this is that cost of materials are expected to increase by 5% to 10% whereas selling price of rice is expected to increase by 5% only over projected periods. These measures have shown the effectiveness of the business.

10.5.2 Liquidity Ratios and Cycles

- Current ratio shows the ability of the business to meet its maturing and short term debts. Generally a ratio of 2:1 indicates a satisfactory liquidity position but on the other hand it also indicates unutilization of current assets. In this contemporary and competitive world, no business can imagine for unutilization of its current assets. Yummy Rice Ind. Pvt. Ltd. will be having average current ratio of 1.4:1 and its current assets are assumed to be high quality.
- Quick ratio shows the ability of the business to meet its maturing and short term liabilities from its current assets excluding stocks. A ratio of 1:1 is usually considered as a acceptable level. Yummy Rice! will be having average quick ratio of 0.72:1 and maintaining the consistency which is said to be a satisfactory quick ratio.
- Days Debtors is the measurement of time taken to convert the credit sales into cash. Days Debtors are expected to be consistent with an average days of 73 assuming that the company will maintain credit sales of its products as 20% only. Similarly, Days Credits is the time received by the business to pay for supplies obtained on credit.

Days Creditors of the company are expected to be consistent with average days of 7 assuming that the company will maintain cash purchase of paddy as 80%.

10.5.3 Leverage/ Debt Security Ratio

- Debt Service Coverage Ratio indicates the sufficiency of amount of operating profit and non operating expense over the requirement of cost of debt and repayment of debt in the same year. The amount of ratio over 1 indicates solvency of the company in meeting the debt. Yummy Rice! will be having an average ratio of 3.5 in the range of 2 to 5 over projected years.
- Total Debt Ratio indicates the percentage of debt funding in relation to shareholder's fund. If this ratio is high, it indicates a high creditor in the business. An average ratio of 2 for this company is said to be a good total debt ratio. Because of requirement of huge amount of stock and need to pay at least 80% of cash, the company may need a big amount of credit. Hence, total debt ratio will be a little bit high like 2.

10.5.4 Net Cash Cycle

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Inventory Turnover	223	132	113	97	83	75
Debtors Turnover	73	73	73	73	73	73
Creditors Turnover	5	7	6	5	7	6
Net Cash Cycle Period	291	198	180	165	149	142

As per the above calculation, the company will have average Net Cash Cycle of 166 days on the basis of average Inventory Days of 100, average Debtors Days of 73 and average Creditors Days of 7.

10.6 Break Even Point (BEP)

Though the company will have profit in the first year according to the financial presented above, it is better to calculate Break Even Point in order to know the point where the company starts making profit. At the breakeven point of the business, income is equal to expense and therefore there is no gain and no loss. It is the very sensible point because any

increase in sales and reduction in cost leads the company toward profit whereas any decrease in sales and increase in cost leads the company toward loss.

The Break Even Point is an important tool in business for planning and carrying out the business activities. By clearly understanding the level of sales to meet all costs, the company knows how many units to be produced. Thus, it is needed to segregate the cost among fixed cost and variable cost in the business in order to know the BEP. For Yummy Rice Industries Pvt. Ltd., the fixed costs and variable costs are as follows:

Fixed Cost (FC): Fixed costs are those cost which are fixed in nature. It incurs because it is linked with the existence of the company. Here, nearly all types of expenses are considered as fixed cost to the company because without these cost the company cannot operate fully.

Fixed Cost	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Office Expenses	550	633	727	836	962	1,106
Salaries	2,640	3,036	3,491	4,015	4,617	5,310
Fuel for Vehicle	312	328	344	361	379	398
Audit Fee	25	26	28	29	30	32
Repair & Maintenance	2,225	2,448	2,692	2,961	3,258	3,583
Insurance	4,675	4,123	3,647	3,237	2,882	2,575
Promotional Expense	4,000	4,000	4,000	4,000	4,000	4,000
Other Expenses	240	240	240	240	240	-
Bank Charges	900	450	450	450	450	450
Interest Expenses	17,875	19,058	17,078	15,098	13,118	11,138
Depreciation	11,050	9,510	8,202	7,091	6,144	5,336
Total Fixed Cost	44,492	43,850	40,899	38,318	36,080	33,929

Variable Cost (VC): Variable costs are those costs which are directly related with the business. It incurs if the company performs its business. Here, cost of paddy, labor cost, and transportation cost are variable costs.

Variable Cost	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Paddy	135,702.00	303,628.50	344,842.60	393,986.91	457,098.20	519,457.30
Direct Expense	5,520	9,042	9,469	9,921	10,402	10,913
Transportation	14,175	28,350	31,185	34,304	37,734	41,507
Total Variable Cost	155,397.00	341,020.50	385,496.20	438,211.89	505,234.50	571,877.99

10.6.1 Calculation of BEP on the basis of Total Cost

$$\text{BEP} = \text{Fixed Cost} / \{1 - (\text{Variable Cost} / \text{Actual Sales})\}$$

BEP based on Total Cost	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Sales	218,074.50	490,667.63	549,547.74	613,089.20	681,610.93	751,391.63
Variable Cost/Actual Sales	0.71	0.70	0.70	0.71	0.74	0.76
1- Variable Cost/Actual Sales	0.29	0.30	0.30	0.29	0.26	0.24
Beak Even Point (BEP) Sales	154,801.49	143,776.25	137,006.92	134,336.43	139,432.68	142,016.02

Looking the actual sales and BEP sales in the projected years, it is clear that Yummy Rice Industries Pvt. Ltd. meets its BEP in all years of its operation.

10.6.2 Calculation of BEP on the basis of Gross Margin

BEP = Total Fixed Costs / Gross Margin %, where

Gross Margin % = (Sales Price – Variable Costs) / Sales Price

BEPoint at Gross Margin%	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Gross Margin	62,677.50	149,647.13	164,051.54	174,877.30	176,376.43	179,513.64
Gross Margin%	29%	30%	30%	29%	26%	24%
BEP Sales (FC/Gross Margin%)	154,801.49	143,776.25	137,006.92	134,336.43	139,432.68	142,016.02

Looking the actual sales and BEP sales on the basis of gross margin % in the projected years, it is clear that Yummy! Rice Pvt. Ltd. meets its BEP in all years of its operation.

10.6.3 Calculation of BEP on the basis of number of Units

BEP = Total Direct Cost / (Unit Sales Price – Unit Variable Cost), where direct costs are fixed cost of the company.

Break Even Point in terms of Units	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Unit Sold	5292	11340	12096	12852	13608	14364
Sales Price per unit	37.00	38.85	40.79	42.83	44.97	47.22
Variable cost per unit	29.36	30.07	31.87	34.10	37.13	39.81
BEP (at Units)	5,827	5,069	4,986	5,093	5,671	6,005

Looking the unit sold and BEP units in the projected years, it is clear that Yummy Rice Industries Pvt. Ltd. meets its BEP in all years of its operation except in the first year. It is because the company runs for 6 months only in the first year. Hence, there will be less productions. In addition, unit sold here considers the unit of rice (but not the broken rice, rice bran and husk) only and it is assumed that the company will be able to sell 70% of total produced units only. However, the company will be having positive BEP at units if the units of other products like broken rice, rice bran and husk are considered. They are 3000 units in total.

11. Business Proposal

The company will raise its capital amounting NPR 100 million (equivalent to approx. USD 1 million and Bhat 3 million) from its shareholders and NPR 180 million (equivalent to approx. USD. 1.8 million and Bhat 60 million) from bank financing.

The way of utilization of the financing will be as follows:

11.1 Capital Expenditure

Following are the estimated cost for Fixed Assets (FA) investment for establishment of Rice Mill. (NPR in 000)

s.#	Particulars	Amount	Percent
1	Land with Development Cost	30,000.00	22.29%
2	Building & Other Civil Works	31,500.00	23.40%
3	Machinery & Equipments	59,500.00	44.21%
4	Furniture & Fixtures & Office Equipments	1,000.00	0.74%
	Furniture & Fixtures	800.00	
	Office Equipments, Fire Extinguishers	200.00	
5	Vehicles	1,500.00	1.11%
	Motorcycle	200.00	
	Van	1,300.00	
	Pre-operating Expense	11,100.00	8.25%
	Interest	9,900.00	
6	Pre-operating Expense	1,200.00	
	Total Fixed Assets Investment	134,600.00	100.00%

Total capital expenditure or fixed assets investment will be around NPR 134. 60 million. It will be invested in acquiring land, construction of building and other civil works, purchase of machinery and equipment, purchase of furniture and fixtures, buying vehicles and pre-operating expense as well as interest during the moratorium period. It is estimated that total land area will be approx. 10, 000 square meter and the total construction of building will be around 42,000 square feet. Machinery (plant) will be costing around NPR. 59.500 million, excerpts are as presented below. Similarly, there will be some furniture and office equipments like computer amounting NPR 1 million in total. The company will buy an Indian van and a motorbike for the daily use of the company. The pre-operating expense will be spent in the form of legal expense at the time of establishment of the company.

11.2 Details of Machineries and Equipments:

Machinery / Equip.	Supplier	Price	Specification
Equipment for Paddy Processing	BUHLER (India) Pvt. Ltd. Regd. Office & Works, Attibele-562107 Bangalore, Karnataka, India	INR 4,800K	<ul style="list-style-type: none"> • MTSC 120/120 Dry De-stoner- 1 unit • DRHC II – De-Husker -2 units • BSPB-Top White II Vertical Whitener-3 units • DRPF-High Poly Polisher- 1 unit
Industrial, Hybrid, Fluidised Bed Combustion Steam Boiler	Industrial Boilers Ltd., Nehru Place, New Delhi, India	USD. 35K	Model AGROPAK-40 capable of generating 4000 Kg/hr Husk Fired at max. working pressure of 10 psi
Spectrum Colour Sorting Machinery Rice	Spectrum Industries, Mangalore, Karnataka - 575008, India	INR 2,800K	Line Scan Camera based Colour Sorting Machine of 240 Channels with 10 lanes having on-line double re-sorting facility for rejects. (168 primary+48 secondary+24 tertiary of 8.33 mm pitch) Model no: S-4001 Super
a. Hallmark Indented Cylinder Grader	Hallmark Machine Mfg. Co. Pvt. Ltd.	INR. 840K (6 units @ INR 140K)	Type: HTC-15(F), Capacity 1.5 to 2 TPH complete in all respect including electric motor, reduction gear box, drive & driven pulley and also with Sieve cleaning system
b. Hallmark Thickness Grader		INR. 640K (2 units @ INR. 320K)	Type: HTC-430, Capacity 4-5 TPH complete in all respect having four cylinder S.S.Screen, Geared Motor, Gear Drive and other features
c. Hallmark Rotostar Seed Cleaning Plant		INR.220K (1 unit @ INR. 220K)	Type: HRS-1500, Capacity 4-5 TPH complete in all respect including electric motor and accessories.

1. Parboiling & Steaming Plant	Bhullar Rice Machinery Mfg. Co.	INR. 9,251K	-Sela Chassis complete model garder size 8”X4”, 6”X3” -10 tankies -1 Store bin -2 Elevators -Steam Pipe Line complete with in chassis structure -Plate form sheet 4 mm -d1 Paddy Fine Cleaner -1 Conveyer
2. Rice Sheller Machinery Spare Parts		INR. 2.560K	-17 Elevators -1 Blower & 1 Cyclone with air lock for 3 whiteners - 2 paddy separator complete with motor - 2 Husk Aspirator -1 Set Blower -1 Paddy cleaner -Rice Bran real
3. Structure, Store Bin & Pipe Line		INR. 1,200K	- Structure material grader size 8”X4” chassis complete with checkered plate - 3 store bin cap. 10 ton each - 6 store tankies for husker, whitener, silky machine & de-stoner - 2 store tank
Power Generator 500 KVA	Kirloskar India	INR 2,000,000	- Smart Asthetics - Environment Friendly - Highest Reliability
Other Accessories including installation charges	Local Market	NPR. 17,170	- spare parts, tanks, conveyors

Source: All the information has been informally obtained from few of the existing rice producers in Nepal and the websites of the companies like <http://www.buhlergroup.com>, <http://www.bhullargroup.com/>.

These machineries are the rice plant technology that performs from cleaning the paddy to packing of rice as finished goods. The suppliers are from India and they are popular in the region for supplying the rice plants as well as their service toward installation and maintenance.

11.3 Conversion of cost of machineries into NPR, Thai Bhat and USD in ‘000

Machines	CCY	Price	NPR Rate	NPR	Bhat @ 3	USD @ 97
Equipment for Paddy Processing	INR	4,800.00	1.6015	7,687.20	2,562.40	79.25
Industrial, Hybrid, Fluidised Bed Combustion	USD	35.00	97.00	3,395.00	1,131.67	35.00
Spectrum Colour Sorting Machinery Rice	INR	2,800.00	1.6015	4,484.20	1,494.73	46.23
Hallmark Indented Cylinder Grader	INR	840.00	1.6015	1,345.26	448.42	13.87
Hallmark Thickness Grader	INR	640.00	1.6015	1,024.96	341.65	10.57
Hallmark Rotostar Seed Cleaning Plant	INR	220.00	1.6015	352.33	117.44	3.63
Parboiling & Steaming Plant	INR	9,251.00	1.6015	14,815.48	4,938.49	152.74
Rice Sheller Machinery Spare Parts	INR	2,560.00	1.6015	4,099.84	1,366.61	42.27
Structure, Store Bin & Pipe Line	INR	1,200.00	1.6015	1,921.80	640.60	19.81
Power Generator	INR	2,000.00	1.6015	3,203.00	1,067.67	33.02
Other Accessories (spare parts, tanks, conveyors)	NPR	17,170.93	1.00	17,170.93	5,723.64	177.02
Total				59,500.00	19,833.33	613.40

The rates are very volatile nowadays. As the Nepalese currency is pegged with Indian currency it has been fixed at 1.6015. Here, conversion rate of 1 USD and 1 Bhat have been considered as NPR 97 and NPR 3 respectively.

11.4 Working Capital Assessment and its Financing

The drawdown of working capital loan will be 70% of Net Trading Assets (NTA). While assessing working capital requirement, only net trading assets have been considered because these are the core requirement of current assets to operate the business. The requirement of quantity of paddy over years is assumed to be same but the amount of raw material seems increasing because of increase in price. Stock of finished goods are expected to be in hand because of projected percentage of sales over periods i.e. 70%, 75%, 80%, 85%, 90% and 95% for the respective years from 2014/15 to 2019/20. Trade debtors are of 20% of credit sales. Similarly, trade creditors are there because of only 80% of cash sales.

The projection of working capital financing over the projected years will be as follows:

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
(A) Current Assets						
Trade Inventory	133,182	177,364	169,961	162,104	154,602	153,413
(i) Raw Materials	79,884	84,092	90,120	97,434	107,177	117,895
Paddy	75,600	79,380	84,937	91,732	100,905	110,995
Jute Bags	4,284	4,712	5,184	5,702	6,272	6,899
(ii) Finished Goods	53,298	93,272	79,840	64,671	47,425	35,518
Rice	34,020	59,535	50,962	41,279	30,271	16,649
Broken Rice	5,670	9,923	8,494	6,880	5,045	5,550
Rice Bran	5,103	8,930	7,644	6,192	4,541	4,995
Husk	8,505	14,884	12,740	10,320	7,568	8,325
Trade Debtors	43,615	98,134	109,910	122,618	136,322	150,278
Total Current Assets	176,797	275,497	279,870	284,722	290,924	303,691
(B) Current Liabilities						
Trade Creditors	42,154	72,124	77,706	84,251	93,016	102,318
Total Current Liabilities	42,154	72,124	77,706	84,251	93,016	102,318
Net Trading Assets (A - B)	134,643	203,373	202,164	200,471	197,908	201,374
Bank Finance	90,000	90,000	90,000	90,000	90,000	90,000
Working Capital Financing (%)	67%	44%	45%	45%	45%	45%

Working capital financing will be well within 70% of Net Trading Assets which goes on decreasing over periods and will reach up to 45% assuming the entire basis remain as assumed. Looking at the decreasing percentage, there is a good chance of enhancement of working capital loan facilities.

11.5 Sales to Net Working Capital

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Sales to working Capital	2	2	3	3	3	4

Sales to Net Working Capital is a type of liquidity ratio which indicates whether a business is overtrading i.e. whether a business is generating enough volume of sales in comparison to its available working capital. Yummy Rice! will be having an average 'sale to working capital' as 3 which is considered to be a good sales to working capital ratio.

11.6 Standard Financing Vs Actual Financing

Yummy Rice Industries Pvt. Ltd. is considered as a project for its financing. The current market trend in Nepal for financing a project is Debt Equity Ratio (DE Ratio) of 70:30. Out of total project cost, bank will finance 70% of its total project cost including capital

expenditure or fixed assets (FA) and working capital requirement whereas 30% should be equity injection in the form of capital.

Standard Financing:

Fixed Assets Financing				
s.#	Description	Total	Percent	Remarks
1	Bank Loan	94,220.00	70.00%	of total FA
2	Equity Investment	40,380.00	30.00%	of total FA
	Total FA Investment	134,600.00	100.00%	
For Working Capital Financing (at 8 hours of daily production)				
1	Bank Loan	94,250.04	70.00%	of total NTA
2	Equity Investment	40,392.87	30.00%	of total NTA
	Total WC Requirement	134,642.91	100.00%	
	Total Bank Loan	188,470.04	70.00%	
	Total Equity Investment	100,772.87	30.00%	
	Total Project Cost	289,242.91	100.00%	

Actual Financing:

For Fixed Asses Financing				
s.#	Description	Total	Percent	Remarks
1	Bank Loan	90,000.00	66.86%	of total FA
2	Equity Investment	44,600.00	33.14%	of total FA
	Total FA Investment	134,600.00	100.00%	
For Working Capital Financing				
1	Bank Loan	90,000.00	66.84%	of total NTA
2	Equity Investment	44,642.91	33.16%	of total NTA
	Total WC Requirement	134,642.91	100.00%	
	Total Bank Loan	180,000.00	62.23%	
	Total Equity Investment	109,242.91	37.77%	
	Total Project Cost	289,242.91	100.00%	

Thus, the total financing will be well within 70% of total project cost which is the standard rate of percentage of financing a project in Nepal. Estimating the prices on actual basis, the company has already saved its financing cost but the required amount of initial equity injection should be managed. As the company comes in operation after six months of the first fiscal year, it can also use its cash flow in maintaining the required level of working capital.

11.7 Return for Investors

Dividend is the mostly used way of return on investment. In Nepal, the companies provide cash dividend, bonus shares etc as return to investment. Since, Yummy Rice Industries Pvt. Ltd. is a private limited company and not a public limited company its shares will not be listed in stock exchange in Nepal. Hence, the company prefers to distribute its return in the form of cash, preferably cash dividend.

Yummy Rice Industries Pvt. Ltd. is a manufacturing unit and a long term project. Its investors will consider it as a long term investment. Since it is a long term investment, there will not be immediate return from the business to investment. Further, as there is bank financing under this project, banks in Nepal always restrict on returns to investors in the short run. As they have financial interest on the business, they try to treat it (restriction on return) as a debt control tool.

Considering the projected financials of the company, it earns the profit from the first year of its operation and is able to distribute the return from the beginning. But, looking at the banking trend in Nepal and the need to make the company stable, the company will not distribute dividend in the first three years of its operation. From the fourth year, the company will provide dividend of approx. 50% of its net profit which is considered as a very handsome return in this business.

12. Risk Analysis

Risk analysis and a proactive approach in managing risk is a very important task in an organization. There is saying that ‘the more risk is taken in the business the more gain will be’. But, if a company keeps on taking risk and does not manage them, there is chance of failure of business at any moment. Though there is not any specific form of risk in business, there are different kinds of risk like industry risk, operational risk, financial risk, reputational risk, political risk, economy risk etc. Yummy Rice Industries Pvt. Ltd. may also face these kinds of risks.

12.1 Industry Risk

There is no. of small rice producers in Nepal. They can any time upgrade themselves as big rice plants and create more competition in the market. Even though they do not upgrade themselves, they can still sell the products in the market. As these small rice producers are from the village or small city areas they can grab the raw materials and create risk to the other rice mills in the big or metropolitan cities.

12.2 Operational Risk

Yummy Rice Ind. will be a new rice mill and will use the latest technology in rice production. There will always be chance of happening of operational risk in operation. If something goes wrong with the technology, the company should depend on the supplier and their agents (if any) in Nepal. Similarly, another aspect of occurrence of operational risk is carelessness of the employee and workers in the mill. As the workers are labor and they will not be acquainted with the technical knowhow, a single mistake or carelessness can hamper the operation or the quality of products.

12.3 Financial Risk

The company may also suffer from financial risk. As the bank financing covers approx. 70% of its total financial requirement, the relationship with the banks should always be maintained. Though there are no. of banks and financial institution in Nepal, it is not favorable to the company to change the bank frequently. It not only creates bad image in the banking industry but it incurs additional cost to the company as well.

As the company does not deal in foreign currency, there is no risk of foreign exchange risk. However, if the pegging of Nepalese currency with Indian currency is diluted there could be chance of revaluation loss because Yummy Rice Ind. will be situated in Birgunj, near to the busiest Nepal-India border and the company may deal in Indian currency as well.

12.4 Reputational Risk

Yummy Rice Ind. plans to create its brand as Yummy Rice! Brand not only creates a positive image to the customer's mind, there could be negative image too if something goes wrong with the company. The company believes in quality product, a good pricing and promotional strategies. The company's target market is Kathmandu and other cities in Nepal. People in city areas are concerned to the image of the company because they think that a good company does not try to offer a bad product. Negative news always hampers the brand image, hence managing reputation risk should always be taken care of.

12.5 Political Risk

Nepal is going through the political transition phase. The country is still trying to hold an election of Constitution Assembly and to write the new constitution. The government is not from the political parties and they fight all the time. In such scenario, any wrong thing can be happened and that may create problem for the company. For example, if the labors are attached to the political parties, they can be influenced by the parties. On the other hand, the parties and their cadres may try to threaten the company and ask for money. Whatever is given to these political parties will be loss to the company. Similarly, workers may go on strike and make it a habit and try to negotiate with the management for the sake of their betterment. Similarly, there is a massive anti Indian movement going on in the country which may damage the relationship with India. As a result, Indian government may restrict the flow of goods, money etc. It will have direct impact on availability of raw material i.e. paddy.

12.6 Economic Risk

Though Nepal is one of the poorest countries in the world, the economic development is yet to be seen. The economy of the country depends on the flow of inward remittance. Nearly a person from each household has gone abroad for the work. They send the remittance to their family in Nepal and it has been creating / increasing purchase power of the buyer. The country is suffering from the load shedding which has been interrupting the establishment and operation of a company. Inflation is increasing year by year which reduces purchasing

power of the people. GDP and Per Capita Income is very low and economic indicators are not favorable.

12.7 Managing and mitigating the risks

- A good relationship with supplier will reduce industrial risk in terms of availability of raw materials. As the small producers consumes not so much of paddy, the company will maintain the relationship with the farmers and stockiest. Sometimes giving advance plays a key role in tapping the raw materials. In addition, the company grabs the ad hoc suppliers too and makes them happy with immediate payments so that they may approach the company directly.
- The company will recruit experienced person for daily operation of the plant. There will be Manager Operation, Supervisor – Production to look after the operations of the mill. Besides, one of the directors of the company will be especially entrusted with the operational risk management so that he will proactively work toward managing the operational risk and try to save the company from any unwanted incidents. For example, to save the heavy damage to the plant from fire, the company will have a small pond or a big water tank with full of water and a pumping set in place so that it can be used against the fire at plant.
- The company will be very cautious in making timely repayment of loan and interest to the bank so that it maintains good credit history. It will treat the bank as a fulltime partner of the business so that the bank may help in settling the unexpected financial risk in the business. To avoid the exchange rate risk, the company will focus on dealing in the local currency i.e. Nepalese Rupees. Similarly, the company believes in daily recording of transactions using accounting software in order to stop the financial leakages and a daily MIS to be presented to the managing director for his review.
- The company will have a worm eye view on the environmental scanning in the industry. Managing Director (MD) himself will take care of the internal and external news and handle them personally. He will maintain good relationship with the media people and also take care of information transmitted through social media. Further, MD spends most of the time in maintaining relationship with the wholesalers and the big retailers. The company will also focus on Corporate Social Responsibility (CSR)

so that it helps in maintaining a good image to the society/existing customers/prospect customers and ultimately the consumers.

- Political risk is the unavoidable risk for the company as it is beyond the company's control. However, it is very important to maintain relationship with the local political leaders in order to avoid any harm due to the political cadres. The company will keep their employees happy by giving a friendly environment to work and try to maintain the company as a family so that they will not attract to outsiders for any wrong activity against the company.
- The author believes that economy always gives a new way to sustain. If there is difficult time for business due to bad economy, it gives a new way to earn too. The most important risk is the power supply in the country. For this, the company will have a power supply generator so that it will avoid the situation of load shedding. On the other hand, the company will try to approach the departments under Nepal Government to get the regular power supply claiming that it is an agriculture based manufacturing unit and it not only helps the country in generating employment but utilizes the resources for the benefit of the people of the country.

13. Conclusion / Recommendation

Yummy Rice Industries Pvt. Ltd. can do a good business in Nepal. As the company does not deal with the consumers directly, it should be more focused on its relationship with the suppliers and buyers. They are the intermediaries for the company and play a very vital role for the business. Any miscommunication, misbehavior can spoil the relationship, hence it should be wisely taken care of.

Similarly, the company should try to reach the consumers whether it is through an indirect way. The best way to reach them is the creation of a popular brand for its products as there is no such a formal popular brand for mansuli rice in the market. In addition to maintaining the quality, attractive and catchy promotional activities are also important for it.

The company needs to do research either formal or informal way so that it can be updated with the market information and consumer's behavior. Is there any new entrant in the market? Are consumers satisfied with the product? Do consumers want a new product in the existing line of product? etc. Each product has its product life cycle, hence business strategies should be taken and implemented according to the life cycle stage of Yummy Rice! It is recommended to add new products in the product line of the company like Basmati Rice, Brown Rice, Rice flour under the same brand (Yummy Rice!) so that consumers will not move to another brand due to unavailability of products they want.

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Appendix 1

Projected Profit & Loss Account

In NPR “000”

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Sales Revenue	218,075	490,668	549,548	613,089	681,611	751,392
Total Sales	218,075	490,668	549,548	613,089	681,611	751,392
Cost of Good Sold						
+ opening stocks	75,600	133,182	177,364	169,961	162,104	154,602
+ Purchases	210,770	360,621	388,532	421,256	465,080	511,588
+ Raw Material Consumption	-	-	-	-	-	-
+ Direct expenses	5,520	9,042	9,469	9,921	10,402	10,913
+Transportation Cost	14,175	28,350	31,185	34,304	37,734	41,507
- Closing stocks	133,182	177,364	169,961	162,104	154,602	153,413
Cost of good sold	172,883	353,831	436,589	473,337	520,719	565,198
Gross Profit (Loss)	45,192	136,837	112,959	139,752	160,892	186,194
Non Operating Income						
Interest Received	-	-	-	-	-	-
Commission Received	-	-	-	-	-	-
Dividend Received	-	-	-	-	-	-
Foreign Exchange Gain (Loss)	-	-	-	-	-	-
Profit & Loss from Sale of Assets	-	-	-	-	-	-
Write off / Amortizations	-	-	-	-	-	-
Other Opt. Income Received	-	-	-	-	-	-
Total Other Operating Income	-	-	-	-	-	-
Non Operating Expenses	11,050	9,510	8,202	7,091	6,144	5,336
Depreciation	11,050	9,510	8,202	7,091	6,144	5,336
Total Operating Expenses	15,567	15,282	15,620	16,130	16,819	17,455
Office Expenses	550	633	727	836	962	1,106
Salaries	2,640	3,036	3,491	4,015	4,617	5,310
Fuel for Vehicle	312	328	344	361	379	398
Audit Fee	25	26	28	29	30	32
Repair & Maintenance	2,225	2,448	2,692	2,961	3,258	3,583
Insurance	4,675	4,123	3,647	3,237	2,882	2,575
Pomotional Expense	4,000	4,000	4,000	4,000	4,000	4,000
Other Expenses	240	240	240	240	240	-
Bank Charges	900	450	450	450	450	450
Net Operating Profit Before Interest	18,575	112,044	89,137	116,531	137,929	163,402
Interest Expenses	17,875	19,058	17,078	15,098	13,118	11,138
Interest on Preference Shares	-	-	-	-	-	-
Profit After Interest	700	92,987	72,059	101,434	124,812	152,265
Provision for Bonus	64	8,453	6,551	9,221	11,347	13,842
Tax	191	25,360	19,653	27,664	34,040	41,527
Profit After Bonus	636	84,534	65,509	92,213	113,465	138,422
Profit After Bonus and Interest	636	84,534	65,509	92,213	113,465	138,422
Profit After Tax	445	59,173	45,855	64,548	79,425	96,895
Transfer to General Reserve	89	11,835	9,171	12,910	15,885	19,379
Dividends	-	-	-	25,819	31,770	38,758
Profit Transferred to Balance Sheet	356	47,339	36,684	25,819	31,770	38,758

Appendix 2

Projected Assets of the Company

In NPR “000”

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Investments						
Government Securities	-	-	-	-	-	-
Investment in Subsidiary Company	-	-	-	-	-	-
Other Investment	-	-	-	-	-	-
Total Investment	-	-	-	-	-	-
Fixed Assets						
Land	30,000	30,000	30,000	30,000	30,000	30,000
Building	31,500	29,925	28,429	27,007	25,657	24,374
Depreciation	1,575	1,496	1,421	1,350	1,283	1,219
Plant & Machinery	59,500	50,575	42,989	36,540	31,059	26,400
Depreciation	8,925	7,586	6,448	5,481	4,659	3,960
Furniture/Fixture & Office Equipment	1,000	750	563	422	316	237
Depreciation	250	188	141	105	79	59
Vehicles	1,500	1,200	960	768	614	492
Depreciation	300	240	192	154	123	98
Less : Sales of Assets	-	-	-	-	-	-
Gross Fixed Assets	123,500	112,450	102,940	94,738	87,647	81,503
Total Depreciation	11,050	9,510	8,202	7,091	6,144	5,336
Total Fixed Assets (Net)	112,450	102,940	94,738	87,647	81,503	76,167
Current Assets						
Stocks: Raw Materials	79,884	84,092	90,120	97,434	107,177	117,895
Stocks: Finished Goods	53,298	93,272	79,840	64,671	47,425	35,518
Stocks: Stores/Spares & Others						
Total Stocks	133,182	177,364	169,961	162,104	154,602	153,413
Cash and Bank Balance	33,607	27,321	52,190	102,122	81,777	110,200
Sundry Debtors	43,615	98,134	109,910	122,618	136,322	150,278
Receivables		-	-	-	-	-
Loans & Advances		38,632				
Margins & Deposits	-		-	-	-	-
Marketable securities	-	-	-	-	-	-
Other Operating Current Assets	-	-	-	-	-	-
Total Current Assets	210,404	341,451	332,060	386,844	372,701	413,891
Total Tangibles assets	322,854	444,391	426,798	474,492	454,204	490,058
Intangible Assets/Others						
Adv. Income Tax Net of Provision	-	-	-	-	-	-
Preliminary Expenses	960	720	480	240	-	-
Deffered Revenue Expenditure	-	-	-	-	-	-
Pre-operating Expenses	-	-	-	-	-	-
Capital Work in Progress	-	-	-	-	-	-
Total Intangible Assets	960	720	480	240	-	-
Total Assets	323,814	445,111	427,278	474,732	454,204	490,058

Appendix 3

Projected Liability of the Company

In NPR “000”

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal Year	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Share Capital						
Issued & Paid Up Capital	100,000	100,000	100,000	100,000	100,000	100,000
Share Advances	-	-	-	-	-	-
Directors' Fund						
Capital Reserves	0	0	0	0	0	0
General Reserve	89	11,835	9,171	12,910	15,885	19,379
Retained Earning (Acc P&L A/C)	356	47,339	36,684	25,819	31,770	38,758
Shareholder's Fund (Net worth)	100,445	159,173	145,855	138,729	147,655	158,137
Long Term Loans						
Long Term Loans	90,000	72,000	54,000	36,000	18,000	-
Lease / HP Long Term	-	-	-	-	-	-
Subordinate Debts	-	-	-	-	-	-
Debenture	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-
Long Term Debt	90,000	72,000	54,000	36,000	18,000	-
Current Liabilities & Provisions						
Overdraft	20,000	20,000	20,000	20,000	20,000	20,000
WC Loan	70,000	70,000	70,000	70,000	70,000	70,000
Long Term Loan-Current Portion	-	18,000	18,000	18,000	18,000	18,000
Creditors Trade	42,154	72,124	77,706	84,251	93,016	102,318
Loans from Others	-	-	-	-	-	-
Provisions:Tax	191	25,360	19,653	27,664	34,040	41,527
:Dividends	-	-	-	25,819	31,770	38,758
:Employee Benefits	64	8,453	6,551	9,221	11,347	13,842
:Others						
Total Provisions	-	-	-	-	-	-
Advances from the Customers	960		15,513	45,048	10,377	27,477
Bills Payable	-	-	-	-	-	-
Dealership Deposits	-	-	-	-	-	-
Other Operating Current Liabilities						
Total Current Liabilities	133,368	213,938	227,423	300,003	288,549	331,922
Total Liabilities	323,814	445,111	427,278	474,732	454,204	490,058
Capital Employed	190,445	231,173	199,855	174,729	165,655	158,137
Off-Balance Sheet Information	-	-	-	-	-	-
Contingent Liabilities	-	-	-	-	-	-

Appendix 4

Projected Cash Flow Statement of the Company

In NPR “000”

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Sales	218,075	490,668	549,548	613,089	681,611	751,392
Change in Trade Debtors	(43,615)	(54,519)	(11,776)	(12,708)	(13,704)	(13,956)
Cash Collected From Sales	174,460	436,149	537,772	600,381	667,907	737,435
Cost of Sales	(172,883)	(353,831)	(436,589)	(473,337)	(520,719)	(565,198)
Change in Trade Stock	(133,182)	(44,182)	7,403	7,856	(7,502)	(1,189)
Change in Trade Creditors	42,154	29,970	5,582	6,545	8,765	9,302
Cash Paid to Supplier	(263,911)	(368,043)	(423,603)	(458,936)	(519,456)	(557,086)
Cash From Trading Activities	(89,451)	68,106	114,168	141,445	148,451	180,350
Other Operating Cost	15,567	15,282	15,620	16,130	16,819	17,455
Cash From Operation	(105,018)	52,824	98,549	125,315	131,632	162,895
Other Operating Income						
Tax to be Paid	(191)	(25,360)	(19,653)	(27,664)	(34,040)	(41,527)
Change in Tax Provision	191	25,169	5,707	8,011	6,376	7,487
Creditors - Others						
Other Provisions		-	-	25,819	5,951	6,988
Other Income/Expense	-	(191)	(13,945)	6,167	(21,713)	(27,052)
Net Cash After Operation	(105,018)	52,633	84,604	131,481	109,919	135,843
Interest	(17,875)	(19,058)	(17,078)	(15,098)	(13,118)	(11,138)
Cash After Financing Cost	(122,893)	33,576	67,526	116,384	96,801	124,706
Current Portion of Long Term Debt		(18,000)	(18,000)	(18,000)	(18,000)	(18,000)
Cash After Debt Amortization	(122,893)	15,576	49,526	98,384	78,801	106,706
Land						
Building						
Plant & Machinery						
Equipments						
Furniture & Fixtures						
Vehicles						
Others						
Net Fixed Assets	(112,450)	9,510	8,202	7,091	6,144	5,336
Depreciation	(11,050)	(9,510)	(8,202)	(7,091)	(6,144)	(5,336)
Change in Fixed Assets	(123,500)	-	-	-	-	-
Investment						
Intangible Assets						
Amortization						
Cash Paid for Capex	(123,500)	-	-	(0)	(0)	(0)
Financing Deficit/Surplus	(246,393)	15,576	49,526	98,384	78,801	106,706
Equity	100,000	-	-	-	-	-
Reserves		11,746	2,664	3,739	2,975	3,494
Borrowings From Director		-	-	-	-	-
Long Term Loans	90,000					
Working Capital & Short Term Loans	90,000					
Total Financing	280,000	11,746	2,664	3,739	2,975	3,494
Cash After Financing	33,607	27,321	52,190	102,122	81,777	110,200
Other Liquid Cash						
Closing Cash	33,607	27,321	52,190	102,122	81,777	110,200

Appendix 5

Key Performance Indicators:

In NPR “000”

Particulars	Projected	Projected	Projected	Projected	Projected	Projected
Fiscal Years	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Period Covered	6 Months	12 Months	12 Months	12 Months	12 Months	12 Months
Profit & Loss A/C						
Total Sales	218,075	490,668	549,548	613,089	681,611	751,392
Sales Growth		125%	12%	12%	11%	10%
Cost of Goods Sold	172,883	353,831	436,589	473,337	520,719	565,198
Total Other Operating Income	-	-	-	-	-	-
Total Other Operating Expenses	15,567	15,282	15,620	16,130	16,819	17,455
Gross Profit	45,192	136,837	112,959	139,752	160,892	186,194
Operating Profit	18,575	112,044	89,137	116,531	137,929	163,402
Net Profit	445	59,173	45,855	64,548	79,425	96,895
Profitability Ratios						
Gross Profit Margin	21%	28%	21%	23%	24%	25%
Operating Profit Margin	8.52%	22.84%	16.22%	19.01%	20.24%	21.75%
Net Profit Margin	0.20%	12.06%	8.34%	10.53%	11.65%	12.90%
Return on Equity (ROE)	0.44%	37.18%	31.44%	46.53%	53.79%	61.27%
Return on Assets (ROA)	0.14%	13.29%	10.73%	13.60%	17.49%	19.77%
Cash Flow						
Operating Cashflow	29,625	121,554	97,339	123,622	144,073	168,739
Leverage or Capital Structure Ratio						
Total Debt Ratio (Total Debt / Net W	2.22	1.80	1.93	2.42	2.08	2.10
Debt to Total Assets Ratio (Total De	0.69	0.64	0.66	0.71	0.67	0.68
Interest Coverage	1.04	5.88	5.22	7.72	10.51	14.67
Debt Service Coverage	1.66	3.28	2.77	3.74	4.63	5.79
Balance Sheet						
Current Assets	210,404	341,451	332,060	386,844	372,701	413,891
Current Liabilities	133,368	213,938	227,423	300,003	288,549	331,922
Total Tangible Assets	322,854	444,391	426,798	474,492	454,204	490,058
Total Liabilities	223,368	285,938	281,423	336,003	306,549	331,922
Total Intangibles Assets	-	-	-	-	-	-
Total Networth	100,445	159,173	145,855	138,729	147,655	158,137
Liquidity Ratio						
Current Ratio	1.58	1.60	1.46	1.29	1.29	1.25
Quick Ratio	0.58	0.77	0.71	0.75	0.76	0.78
Activity or Turnover Ratio						
Inventory Turnover	223	132	113	97	83	75
Debtors Turnover	73	73	73	73	73	73
Creditors Turnover	5	7	6	5	7	6
Assets Turnover Ratio	0.67	1.10	1.29	1.29	1.50	1.53

Appendix 6

Workings for Basis

Particulars	2014/15	2015/16	2016/17	2017/18	2018/19	2018/19
Working Days	150	300	300	300	300	300
Work Hour	8	8	8	8	8	8
Production Hours	1200	2400	2400	2400	2400	2400
RM Required (TPH)	10.5	10.5	10.5	10.5	10.5	10.5
RM Required in Total	12,600	25,200	25,200	25,200	25,200	25,200
Purchase Price per ton	15	15.75	16.85	18.20	20.02	22.02
Total RM Cost (NPR) (000)	189,000	396,900	424,683	458,658	504,523	554,976
Min. Req. Stock in qty (60 Days)	5,040	5,040	5,040	5,040	5,040	5,040
Closing Stock (RM - NPR)	75,600	79,380	84,937	91,732	100,905	110,995
Productions: Rice (60% of Input)	7,560	15,120	15,120	15,120	15,120	15,120
Broken Rice (10% of Input)	1,260	2,520	2,520	2,520	2,520	2,520
Rice Bran (9% of Input)	1,134	2,268	2,268	2,268	2,268	2,268
Husk (15% of Input)	1,890	3,780	3,780	3,780	3,780	3,780
Sales (qty) : Rice	5,292	11,340	12,096	12,852	13,608	14,364
Broken Rice	882	1,890	2,016	2,142	2,268	2,268
Rice Bran	794	1,701	1,814	1,928	2,041	2,041
Husk	1,323	2,835	3,024	3,213	3,402	3,402
Selling Price per ton: Rice	37.00	38.85	40.79	42.83	44.97	47.22
Broken Rice	14.00	14.70	15.44	16.21	17.02	17.87
Rice Bran	10.00	10.50	11.03	11.58	12.16	12.76
Husk	1.50	1.58	1.65	1.74	1.82	1.91
Total Sales (NPR): Rice	195,804	440,559	493,426	550,478	612,003	678,303
Broken Rice	12,348	27,783	31,117	34,715	38,595	40,524
Rice Bran	7,938	17,861	20,004	22,317	24,811	26,051
Husk	1,985	4,465	5,001	5,579	6,203	6,513
Total Sales	218,075	490,668	549,548	613,089	681,611	751,392
-Credit Sales	43,615	98,134	109,910	122,618	136,322	150,278
-Cash Sales	174,460	392,534	439,638	490,471	545,289	601,113
Cost of Materials Consumed	189,000	396,900	424,683	458,658	504,523	554,976

Stock of Raw Materials (Paddy)						
Work Hour	8	8	8	8	8	8
Stock of Paddy for days	60	60	60	60	60	60
RM Required (TPH)	10.5	10.5	10.5	10.5	10.5	10.5
Paddy (60 days)	5,040	5,040	5,040	5,040	5,040	5,040
Cost of paddy	75,600	79,380	84,937	91,732	100,905	110,995
No. of Jute Bags required	50.40	50.40	50.40	50.40	50.40	50.40
Cost of per Jute Bag	85	94	103	113	124	137
Cost of Jute bags for Paddy (60 days)	4,284	4,712	5,184	5,702	6,272	6,899
Total STOCK of raw material	79,884	84,092	90,120	97,434	107,177	117,895

Cost for Jute bags for Paddy, Bran & Husk						
Total production of Rice bran and husk	3,024	6,048	6,048	6,048	6,048	6,048
No of Jute bags of 100 kg each required	30,240	60,480	60,480	60,480	60,480	60,480
Cost for Jute bags, (000)	2,570	5,655	6,220	6,842	7,527	8,279
Total Cost for Jute Bags (Paddy, Bran & Husk)	6,854	10,367	11,404	12,544	13,799	15,179

Cost for Plastic Bags						
Total Production of Rice and Broken Rice	8,820	17,640	17,640	17,640	17,640	17,640
Plastic bag of 30 KG each required	294,000	588,000	588,000	588,000	588,000	588,000
Price per bag	50	55	61	67	73	81
Total cost for plastic bag	14,700	32,340	35,574	39,131	43,045	47,349

Direct Cost						
Direct Labor (10 labours Rs. 600 daily for 300 days)	900	990	1,089	1,198	1,318	1,449
Other Direct Costs	4,620	8,052	8,380	8,724	9,085	9,464
- Fixed Electricity Charge) (Approx.)	1,500	1,500	1,500	1,500	1,500	1,500
- Fuel for Generator	3,120	6,552	6,880	7,224	7,585	7,964

Assets	Rate	WDV	Addition	Dep Base	Depreciation					
					2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Land	0%	0	30,000.00	30,000	-	-	-	-	-	-
Building and Civil Works	5%	0	31,500.00	31,500	1,575	1,496	1,421	1,350	1,283	1,219
Plant and Machineries	15%	0	59,500.00	59,500	8,925	7,586	6,448	5,481	4,659	3,960
Furniture, Fixture & Equipment	25%	0	1,000.00	1,000	250	188	141	105	79	59
Vehicles	20%	0	1,500.00	1,500	300	240	192	154	123	98