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PROJECT REPORT

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PROJECT:

TEA MANUFACTURING UNIT

**PROJECT REPORT
OF
TEA MANUFACTURING UNIT
PURPOSE OF THE DOCUMENT**

This particular pre-feasibility is regarding Tea Manufacturing Unit.

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

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

PROJECT AT GLANCE

- | | | |
|--|--|--------------|
| 1 Name of Proprietor/Director | XXXXXXXXXX | |
| 2 Firm Name | XXXXXXXXXX | |
| 3 Registered Address | XXXXXXXXXX | |
| 4 Nature of Activity | XXXXXXXXXX | |
| 5 Category of Applicant | XXXXXXXXXX | |
| 6 Location of Unit | XXXXXXXXXX | |
| 7 Cost of Project | 31.06 | Rs. In Lakhs |
| 8 Means of Finance | | |
| i) Own Contribution | 3.11 | Rs. In Lakhs |
| ii) Term Loan | 22.95 | Rs. In Lakhs |
| iii) Working Capital | 5.00 | Rs. In Lakhs |
| 9 Debt Service Coverage Ratio | 2.84 | |
| 10 Break Even Point | 0.20 | |
| 11 Power Requirement | 40 | KW |
| 12 Employment | 10 | Persons |
| 13 Major Raw Materials | Tea leaves, Herbs, Packing material, etc | |
| 14 Details of Cost of Project & Means of Finance | | |

<u>Cost of Project</u>	<u>Amount in Lacs</u>
Particulars	Amount
Land	Owned/Rented
Building & Civil Work	Owned/Rented
Plant & Machinery	23.00
Furniture & Fixture	1.00
Other Misc Assets	1.50
Working Capital Requirement	5.56
Total	31.06

<u>Means of Finance</u>	
Particulars	Amount
Own Contribution	3.11
Term Loan	22.95
Working capital Loan	5.00
Total	31.06

TEA MANUFACTURING UNIT

1. INTRODUCTION



Starting the day with a hot cup of tea is a well-adopted routine across cultures. It's a way to rejuvenate the mind and soothe the soul with a refreshing aroma. Call it green tea, which is famous for weight loss, black tea that stimulates the brain, or tea prepared by pouring boiling water over fresh leaves or cured ones; the taste is mesmerizing and brings out the inner happiness in tea lovers. Tea is the second most popular beverage in the world. In India, there is hardly any house where even once a day tea is not made. Due to urbanization, in every house, the day starts with a cup of tea. The Teas market growth goes on increasing every year because. Because mixing different types of nature's herbs and leaves are also used as a therapy. There are various varieties available in tea. Leaf tea has four varieties such as black tea, green tea, oolong tea, and white tea. The tea manufacturing unit is nothing but the tea powder-making unit. Tea powder is a powdered type of tea leaves used to make tea. It is a dark-brown powder accessible in the market. A few assortments are thick granules and some are finely powdered structures. Tea powder is processed leaf of a plant whose Latin name is: *Camellia sinensis*. Since the whole tea leaf is ingested, powdered tea offers significant medical advantages. There are a few sorts of tea powder, including dark, white, green, matcha, and herbal. Tea powders can be utilized in beverages, cooking, and capsules.

2. MARKET POTENTIAL:

The tea market in India is being driven by the healthy production and consumption of beverages. In 2020, nearly 1.10 million tons of tea were consumed in the country. The market in the country is projected to witness further growth in the forecast period of 2022-2027, growing at a CAGR of 4.2%. In 2026, the tea industry in India is expected to attain 1.40 million tons. India is the second-largest producer of tea, globally, after China. The country is also a leading consumer of beverages and accounted for nearly a fifth of the global consumption in 2016. India attained the highest exports of tea in 2017 in almost four and a half-decade. However, the annual growth of the exports from the country was only moderate due to the high domestic consumption. Almost 80% of the total output in India is consumed domestically. The per capita consumption of beverages in the country has witnessed a significant increase in the last decade. Black, green, and herbal teas are the most preferred product types among consumers across the globe. Green tea is known for its antioxidant properties hence is increasingly consumed by pregnant women, health-conscious people, and the older population. Oolong tea is a mixture of both black and green tea and is found effective in preventing high blood cholesterol levels and type 2 diabetes. The product is highly popular in China and Japan. Green and herbal teas such as chamomile and jasmine are also widely used as a remedy for blemish-free skin and healthy hair thereby propelling the product demand. Developing acknowledgment of tea rather than aerated drinks, particularly among health-conscious consumers is a major factor encouraging the market growth. The low caffeine and high antioxidant content make tea a reasonable drink for customers, of all ages. Rising demand for the product is projected to encourage innovation in the market. North India is the leading region for the industry in India, representing more than three-fourths of the industry. Assam is the major tea-producing state in the nation followed by West Bengal. According to the place of origin, Assam and Darjeeling types are globally the most recognized types of beverage. South India accounts for nearly a fifth of the industry with the production concentrated in the Nilgiris. While the region has a significantly lower output than North India, the industry in the region is being driven by its production of premium varieties of superior quality. By type, black tea is the largest segment in the tea industry in India. Between 2008-2017, the black variety of beverages witnessed a moderate annual growth of 3.3%. Consumers are increasingly choosing packaged over unpackaged varieties, due to the perceived superior quality of packed tea. Currently, nearly 80% of the households in

urban India and almost 75% of the households in rural India prefer buying its packaged product types. The tea industry in India is being driven by the high penetration of beverages in the country across socio-economic classes. India's healthy economic growth and the subsequent rise in the middle-class population are also proving to be catalysts for the industry's growth as the consumers are preferring premium brands. The rising demand for the packaged variety of the beverage in both metropolitan and rural regions because of lesser possibilities of adulteration, convenient storage, and superior quality is further supporting the tea business in India. The demand for packaged varieties with natural ingredients is likewise seeing development. The middle class is also willing to experiment more with tea blends, accordingly, giving an impetus for the growth of segments like fruit, herbal, and other specialty varieties. Green tea is expected to witness robust growth in the coming years as its consumption is witnessing an increase as people become more aware of its health benefits. The industry for green tea is being driven by the metropolitan populace, upheld by the increased intake of beverages without milk in these areas. Subsequently, the rapid urbanization alongside the ascent in disposable incomes in the country is further aiding the tea industry in India. The developing prominence of cafes/lounges primarily serving variations of the beverage is expected to drive the industry in the coming years. The convenience of its distribution channels like local kirana stores and supermarkets, along with the growing online channel, will also aid the industry growth. With busier lifestyles and a growing workforce, the RTD segment has the potential to witness a healthy increase as consumers seek more convenient foods and beverages. The industry will also be driven by the increasing innovation in packaging and flavors in the coming years. The rural sector presents another segment for the expansion of the industry.

3. PRODUCT DESCRIPTION

4.1 PRODUCT USES

Tea is mainly used as a drink, making an excellent drink that has an attractive color, fragrance, and taste. Green tea's antioxidants may interfere with the growth of bladder, breast, lung, stomach, pancreatic, and colorectal cancers; prevent clogging of the arteries, burn fat, counteract oxidative stress on the brain, reduce the risk of neurological disorders like Alzheimer's, and Parkinson's

diseases, reduce risk of stroke, and improve cholesterol levels. Black tea has the highest caffeine content and forms the basis for flavored teas like chai, along with some instant teas. Studies have shown that black tea may protect the lungs from damage caused by exposure to cigarette smoke. It also may reduce the risk of stroke.

4.2 PRODUCT RAW MATERIAL

- Tea leaves: Generally *Camellia sinensis* leaves are used to make tea.



- Other: Herbs, Packing material, etc. To give additional flavor to the tea various herbs and flavors can be used.

4.3 MANUFACTURING PROCESS

This process can be broken down into the following steps-

- Raw material procurement
- Tea processing
- Testing

Processing

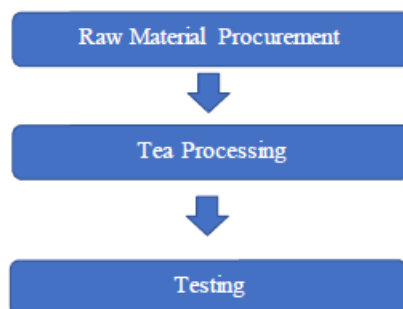
Several distinct processes take place in the manufacture of black teas.

1. Plucking
2. Withering
3. Rolling
4. Fermentation
5. Drying
6. Grading (sifting)
7. Packing / dispatching

Testing

- Quality Control

FLOW CHART OF THE PROCESS



6 PROJECT COMPONENTS

Plant & Machinery

S.No.	Machine
1.	Tea steamer
2.	Tea roller
3.	Dryer machine
4.	Grading machine
5.	Blending machine
6.	Packing machine
7.	Miscellaneous

PROJECTED BALANCE SHEET					
(in Laos)					
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>Liabilities</u>					
Capital					
Opening balance		4.62	8.56	13.46	18.19
Add: - Own Capital	3.11				
Add: - Retained Profit	6.51	9.44	12.39	15.23	20.08
Less: - Drawings	5.00	5.50	7.50	10.50	15.00
Closing Balance	4.62	8.56	13.46	18.19	23.27
Term Loan	20.40	15.30	10.20	5.10	-
Working Capital Limit	5.00	5.00	5.00	5.00	5.00
Sundry Creditors	2.52	3.02	3.55	4.10	4.68
Provisions & Other Liability	1.00	1.30	1.56	1.87	2.25
TOTAL:	33.54	33.19	33.77	34.26	35.19
<u>Assets</u>					
Fixed Assets (Gross)	25.50	25.50	25.50	25.50	25.50
Gross Dep.	3.78	6.99	9.72	12.05	14.04
Net Fixed Assets	21.73	18.51	15.78	13.45	11.46
Current Assets					
Sundry Debtors	4.18	5.27	6.31	7.48	8.73
Stock in Hand	3.97	4.80	5.64	6.59	7.52
Cash and Bank	2.67	3.11	3.65	4.20	4.73
Loans & Advances	1.00	1.50	2.40	2.55	2.75
TOTAL:	33.54	33.19	33.77	34.26	35.19

PROJECTED CASH FLOW STATEMENT					
(in Laos)					
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>SOURCES OF FUND</u>					
Own Margin	3.11				
Net Profit	6.82	10.24	14.02	18.01	24.94
Depreciation & Exp. W/off	3.78	3.21	2.74	2.33	1.98
Increase in Cash Credit	5.00	-	-	-	-
Increase In Term Loan	22.95	-	-	-	-
Increase in Creditors	2.52	0.50	0.53	0.55	0.58
Increase in Provisions & Oth liabilities	1.00	0.30	0.26	0.31	0.37
TOTAL:	45.17	14.26	17.55	21.20	27.87
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	25.50				
Increase in Stock	3.97	0.83	0.83	0.95	0.93
Increase in Debtors	4.18	1.09	1.04	1.17	1.25
Repayment of Term Loan	2.55	5.10	5.10	5.10	5.10
Loans & Advances	1.00	0.50	0.90	0.15	0.20
Drawings	5.00	5.50	7.50	10.50	15.00
Taxation	0.31	0.80	1.63	2.78	4.86
TOTAL:	42.50	13.82	17.01	20.65	27.34
Opening Cash & Bank Balance	-	2.67	3.11	3.65	4.20
Add : Surplus	2.67	0.44	0.54	0.55	0.53
Closing Cash & Bank Balance	2.67	3.11	3.65	4.20	4.73

PROJECTED PROFITABILITY STATEMENT					
(in Lacs)					
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
Capacity Utilisation %	30%	35%	40%	45%	50%
SALES					
Gross Sale					
Tea	83.52	105.34	126.19	149.56	174.62
Total	83.52	105.34	126.19	149.56	174.62
COST OF SALES					
Raw Material Consumed	50.40	60.48	71.04	82.08	93.60
Electricity Expenses	2.52	3.53	4.03	4.54	5.04
Depreciation	3.78	3.21	2.74	2.33	1.98
Wages & labour	7.20	8.64	10.37	12.44	14.31
Repair & maintenance	1.92	3.16	3.79	4.49	5.24
Consumables	1.67	2.11	2.52	4.79	6.11
Packaging	1.25	2.42	3.53	4.94	5.76
Cost of Production	68.74	83.55	98.02	115.60	132.04
Add: Opening Stock	-	2.29	2.79	3.27	3.85
Less: Closing Stock	2.29	2.79	3.27	3.85	4.40
Cost of Sales	66.45	83.06	97.54	115.01	131.50
GROSS PROFIT	17.07	22.28	28.66	34.55	43.12
Gross Profit Ratio	20.44%	21.15%	22.71%	23.10%	24.69%
Salary to Staff	3.96	4.75	5.70	6.84	7.53
Interest on Term Loan	2.26	1.99	1.43	0.86	0.30
Interest on working Capital	0.55	0.55	0.55	0.55	0.55
Rent	2.40	2.64	3.17	3.80	4.56
Selling & Administrative Exp.	1.09	2.11	3.79	4.49	5.24
TOTAL	10.25	12.04	14.63	16.55	18.18
NET PROFIT	6.82	10.24	14.02	18.01	24.94
Taxation	0.31	0.80	1.63	2.78	4.86
PROFIT (After Tax)	6.51	9.44	12.39	15.23	20.08
Net Profit Ratio	7.80%	8.97%	9.82%	10.18%	11.50%

CALCULATION OF D.S.C.R.					
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
CASH ACCRUALS					
Interest on Term Loan	2.26	1.99	1.43	0.86	0.30
Total	12.54	14.64	16.55	18.43	22.37
REPAYMENT					
Instalment of Term Loan	2.55	5.10	5.10	5.10	5.10
Interest on Term Loan	2.26	1.99	1.43	0.86	0.30
Total	4.81	7.09	6.53	5.96	5.40
DEBT SERVICE COVERAGE RATIO	2.61	2.07	2.54	3.09	4.14
AVERAGE D.S.C.R.	2.84				

REPAYMENT SCHEDULE OF TERM LOAN							
						Interest	11.00%
Year	Particulars	Amount	Addition	Total	Interest	Repayment	Closing Balance
1st	Opening Balance						
	1st month	-	22.95	22.95	-	-	22.95
	2nd month	22.95	-	22.95	0.21	-	22.95
	3rd month	22.95	-	22.95	0.21	-	22.95
	4th month	22.95	-	22.95	0.21		22.95
	5th month	22.95	-	22.95	0.21		22.95
	6th month	22.95	-	22.95	0.21		22.95
	7th month	22.95	-	22.95	0.21	0.43	22.53
	8th month	22.53	-	22.53	0.21	0.43	22.10
	9th month	22.10	-	22.10	0.20	0.43	21.68
	10th month	21.68	-	21.68	0.20	0.43	21.25
	11th month	21.25	-	21.25	0.19	0.43	20.83
	12th month	20.83	-	20.83	0.19	0.43	20.40
					2.26	2.55	
2nd	Opening Balance						
	1st month	20.40	-	20.40	0.19	0.43	19.98
	2nd month	19.98	-	19.98	0.18	0.43	19.55
	3rd month	19.55	-	19.55	0.18	0.43	19.13
	4th month	19.13	-	19.13	0.18	0.43	18.70
	5th month	18.70	-	18.70	0.17	0.43	18.28
	6th month	18.28	-	18.28	0.17	0.43	17.85
	7th month	17.85	-	17.85	0.16	0.43	17.43
	8th month	17.43	-	17.43	0.16	0.43	17.00
	9th month	17.00	-	17.00	0.16	0.43	16.58
	10th month	16.58	-	16.58	0.15	0.43	16.15
	11th month	16.15	-	16.15	0.15	0.43	15.73
	12th month	15.73	-	15.73	0.14	0.43	15.30
					1.99	5.10	
3rd	Opening Balance						
	1st month	15.30	-	15.30	0.14	0.43	14.88
	2nd month	14.88	-	14.88	0.14	0.43	14.45
	3rd month	14.45	-	14.45	0.13	0.43	14.03
	4th month	14.03	-	14.03	0.13	0.43	13.60
	5th month	13.60	-	13.60	0.12	0.43	13.18
	6th month	13.18	-	13.18	0.12	0.43	12.75
	7th month	12.75	-	12.75	0.12	0.43	12.33
	8th month	12.33	-	12.33	0.11	0.43	11.90
	9th month	11.90	-	11.90	0.11	0.43	11.48
	10th month	11.48	-	11.48	0.11	0.43	11.05
	11th month	11.05	-	11.05	0.10	0.43	10.63
	12th month	10.63	-	10.63	0.10	0.43	10.20
					1.43	5.10	

4th	Opening Balance					
	1st month	10.20	-	10.20	0.09	9.77
	2nd month	9.77	-	9.77	0.09	9.35
	3rd month	9.35	-	9.35	0.09	8.92
	4th month	8.92	-	8.92	0.08	8.50
	5th month	8.50	-	8.50	0.08	8.07
	6th month	8.07	-	8.07	0.07	7.65
	7th month	7.65	-	7.65	0.07	7.22
	8th month	7.22	-	7.22	0.07	6.80
	9th month	6.80	-	6.80	0.06	6.37
	10th month	6.37	-	6.37	0.06	5.95
	11th month	5.95	-	5.95	0.05	5.52
	12th month	5.52	-	5.52	0.05	5.10
				0.86	5.10	
5th	Opening Balance					
	1st month	5.10	-	5.10	0.05	4.67
	2nd month	4.67	-	4.67	0.04	4.25
	3rd month	4.25	-	4.25	0.04	3.82
	4th month	3.82	-	3.82	0.04	3.40
	5th month	3.40	-	3.40	0.03	2.97
	6th month	2.97	-	2.97	0.03	2.55
	7th month	2.55	-	2.55	0.02	2.12
	8th month	2.12	-	2.12	0.02	1.70
	9th month	1.70	-	1.70	0.02	1.27
	10th month	1.27	-	1.27	0.01	0.85
	11th month	0.85	-	0.85	0.01	0.42
	12th month	0.42	-	0.42	0.00	-
				0.30	5.10	
	DOOR TO DOOR	60	MONTHS			
	MORATORIUM PERIOD	6	MONTHS			
	REPAYMENT PERIOD	54	MONTHS			

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