



Model Detailed Project Report

FROZEN CUT VEGETABLES UNIT

*Under the Formalization of Micro Food Processing Enterprises Scheme
(Ministry of Food Processing Industries, Government of India)*



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1. The Project at a Glance

1. Name of the proposed project	:	Frozen Cut Vegetables Unit
2. Name of the entrepreneur/FPO/SHG/Cooperative	:	
3. Nature of proposed project	:	Proprietorship/Company/Partnership
4. Registered office	:	
5. Project site/location	:	
6. Names of Partner (if partnership)	:	
7. No of share holders (if company/FPC)	:	
8. Technical advisor	:	
9. Marketing advisor/partners	:	
10. Proposed project capacity	:	120000 Kg/annum(60,65,70,75,&80% capacity utilization in 1 st to 5 th Year respectively)
11. Raw materials	:	Cauliflower, Broccoli, Carrot, Green Beans, Corn, Packing material
12. Major product outputs	:	Frozen Cut Vegetables
13. Total project cost	:	Rs. 38.76 Lakh
• Land development, building & civil Construction	:	Nil
• Machinery and equipments	:	Rs. 33.91 Lakh
• Other Fixed Assets	:	Rs. 1.5 Lakh
• Working capital margin	:	Rs. 2.64Lakh
• Contingencies	:	Rs. 0.71 Lakh
14. Working capital requirement	:	Rs. 7.91 Lakh
15. Means of Finance	:	
• Subsidy grant by MoFPI (max 10 lakhs)	:	Rs. 10.00 Lakh
• Promoter's contribution (min 20%)	:	Rs. 12.82 Lakh
• Term loan (45%)	:	Rs. 15.94 Lakh
16. Debt-equity ratio	:	0.98
17. Profit after Depreciation, Interest & Tax	:	
• 1 st year	:	1.60 Lakh
• 2 nd year	:	5.01 Lakh
• 3 rd year	:	8.42 Lakh
• 4 th year	:	11.38 Lakh
• 5th year	:	14.98 Lakh
18. Average DSCR	:	2.43
19. Term loan repayment	:	5 Years with 6 months grace period

2. About the Project

2.1. Frozen Cut Vegetables Unit

Ready-made Frozen Food (RMFF) is viewed by customers as nourishing, healthier, and delicious. Therefore, customers turn to this item of substance and are able to pay the premium price. Properly frozen foods retain more of their original color, taste, and texture than foods preserved by other processes, and more of their nutrients in general. By this way, vegetables can normally be preserved and can be used for off-season use. Characteristics for selection vegetables for freezing are as follows:

- Good flavour, uniform colour and desirable texture
- Uniform maturity
- Suitability for mechanical harvesting
- Resistance to diseases
- High yield
- Harvesting

Bread, broccoli, cauliflower, carrots, green beans, squash, and winter greens such as spinach, kale, chard, and collars are the best vegetables to suggest. They can also be frozen with onions, peppers, celery, and herbs.

2.2. Raw Material Requirements

Basic raw material that is used is mentioned below:

- Cauliflower
- Broccoli
- Carrot
- Green Beans
- Corn
- Packaging material

2.3. Technology

IIFPT has all the advanced technical know on Frozen Cut Vegetables with respect to specific parameters' for getting good quality standards. These technologies are available through consultancy.

2.4. Market Demand and Supply

The market is expanding, while consumers are becoming more convenience-driven. In this scenario, one segment, which has evolved significantly among all the processed food categories, is frozen food. With many newer brands entering, frozen food market is ready to face an increase in competition.

In 2018, the Indian frozen food market was priced at around Rs 74 billion and is also expected to hit a price of Rs 188 billion by 2024, that from 2019 to 2024 at a CAGR of around 17 per cent. In terms of sales value, the largest categories are among these vegetables, amounting to 65 percent of Indian consumers. Urban areas make up 80 percent of the market, including bakeries, dairy, packaged, frozen, ready-to-eat foods, diet snacks, health goods, and drinks, among others. Furthermore, urbanization has given rise to an integrated supermarket sector equipped with cold-chain equipment that allows a choice of available frozen foods. Therefore, shifting psychologies and evolving purchasing patterns, lack of time and hectic lives and rising disposable incomes of the middle class are benefiting significantly from frozen food demand.

2.5. Marketing Strategy

The increasing urbanization and income offers huge scope for marketing of Frozen Cut Vegetables. Urban organized platforms such as departmental stores, malls, super markets can be attractive platforms to sell well packaged and branded frozen cut vegetables. Processors can also have tie-up with hotels, caterers and restaurants for supply.

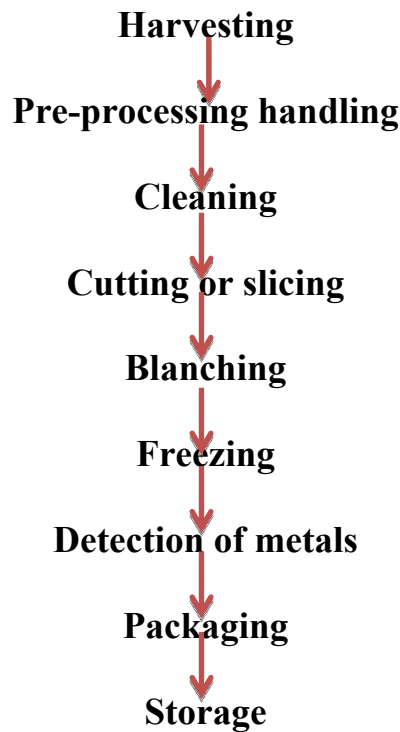
2.6. Manufacturing Process

- **Harvesting:** The ideal time for harvesting can therefore be determined by maturity indices. The tender vegetables when they are at their harvestable maturity are selected. After harvesting the vegetables must be processed as quickly as possible to prevent them from warming up.
 - ✓ **Pre-process handling:** Cooling vegetables by cold water, air blasting or ice will often reduce the rate of post-harvest losses sufficiently, providing extra hours of high quality retention for transporting raw material to considerable distances from the field to the processing plant.
- **Cleaning:** Often, coarse dirt is first removed with shake and drum sieves and a blower. Root vegetables are washed first to remove all field dirt and to allow inspection. Using a strong flow of water, they are pressed to a vibrating sieve screen. Here, the remaining sand is washed away.
 - ✓ **Second washing:** Washing after peeling and cutting removes microbes and tissue fluid, thus reducing microbial growth and enzymatic oxidation during subsequent storage
- **Cutting or slicing:** After proper washing, the vegetables need to be cut into small standard pieces to make them uniform in size easy to handle, and packable.
- **Blanching:** The clean vegetables/ fruits are then passed into the boiling water section where they are boiled for few minutes in order to kill enzymes that affect the taste but it does not cook them.
- **Freezing:** After the blanching, the cut vegetable are taken to the cooling section where the temperature of vegetables is reduced, after the cooling steps, the vegetables are frozen on a conveyor belt freezer using cold air (-35°C), which is blown over the belt.
- **Detection of metals:** This process is also carried out with the grading or sorting simultaneously. It is necessary to identify any other particles of metal or items that may have been collected during harvesting or processing.
- **Packaging:** Vegetables for freezing are packed either as dry pack or tray pack.
 - ✓ **Dry-pack method:** In the dry pack method, the blanched and drained

vegetables are put into meal-sized freezer bags and packed tightly to cut down on the amount of air in the package.

- ✓ **Tray-pack method:** In the tray pack method, the chilled, well-drained vegetables are placed in a single layer on shallow trays or pans. Trays are placed in a freezer until the vegetables become firm and then removed.

Flow Chart of Frozen Cut Vegetables



2.7. Basic Project Assumptions

Capacity of Frozen Cut Vegetables Unit: 120000 Kg/annum

Working hours per day : 8-10 hrs.

Working days per year : 300 days.

Interest on capital investment : 11% on term loan and working capital loan.

Repayment period : Five years with six months grace period is considered.

Utilization of capacity : 60% 1st year, 65% in 2nd year, 70% in 3rd year, 75% in

4th year & 80% 5th year onwards

Average prices of raw material : Rs. 30/Kg.

Average sale price : Rs 90/Kg.

2.8. Fixed Capital Investment

2.8.A. Land & Building

The DPR is for FME scheme to upgrade/formalize existing micro enterprises which already has land & built-up area. However, they can invest to expand the built-up area as required.

2.8.B. Machinery & Equipment: Following machinery and equipments are used:

Description	Rate	Unit	Amount
Product Feeding Conveyor	120000	1	120000
Continues online washer	450000	1	450000
Pea Podder and vegetable slicer	355000	1	355000
Continues Online blancher	500000	1	500000
Sorting/ manual inspection conveyor	140000	1	140000
Product Elevator Conveyor	90000	1	90000
Vibratory screen Conveyor	150000	1	150000
Blast Freezer	850000	1	850000
Metal Detector	35000	1	35000
Control Panel	34000	1	34000
Packaging machine	150000	1	150000
Total Amount			2874000
GST @ 18%			517320
Net Amount			3391320

2.8.C. Other Fixed Assets:

i. Furniture and Fixtures	Rs. 1.5 Lakh
ii. Plastic trays capacity	
iii. Electrical fittings	

2.8.D. Total Fixed Capital Investment (A+B+C): Rs. 35.41 Lakh

2.9. Working Capital Requirement

Working capital is critical input in Frozen Cut Vegetables unit.

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL					
PARTICULARS	I	II	III	IV	V
Finished Goods					
(30 Days requirement)	6.48	7.80	9.24	10.80	12.48
Raw Material					
(30 Days requirement)	2.16	2.57	3.02	3.51	4.03
Closing Stock	8.64	10.37	12.26	14.31	16.51

COMPUTATION OF WORKING CAPITAL REQUIREMENT			
Particulars	Amount	Margin(25%)	Net Amount
Stock in Hand	8.64		
Less:			
Sundry Creditors	1.01		
Paid Stock	7.63	1.91	5.72
Sundry Debtors	2.92	0.73	2.19
Working Capital Requirement			7.91
Margin			2.64
MPBF			7.91
Working Capital Demand			7.91

2.10. Total Project Cost and Means of Finance

Particulars	Amount (Rs. in Lakhs)
i. Land and building	Nil
ii. Plant and machinery	33.91
iii. Other Fixed assets	1.50
iv. Working capital margin	2.64
v. Contingencies	0.71
Total project cost (i to v)	38.76
Means of finance	
i. Subsidy	10.00
ii. Promoter's contribution	12.82
iii. Term loan	15.94
Total Means of Finance(i to iii)	38.76

2.11. Manpower:

BREAK UP OF LABOUR				
Particulars		Wages	No of	Total
		Per Month	Employees	Salary
Supervisor		20,000.00	1	20,000.00
Machine Operator		13,000.00	3	39,000.00
Skilled/Unskilled Worker		11,000.00	4	44,000.00
Helper		8,000.00	3	24,000.00
				1,27,000.00
Add: 10% Fringe Benefit				12,700.00
Total Labour Cost Per Month				1,39,700.00
Total Labour Cost for the year (In Rs. Lakhs)			11	16.76

BREAK UP OF SALARY				
Particulars		Salary	No of	Total
		Per Month	Employees	Salary
Accountant cum store keeper		20,000.00	1	20,000.00
Sales		18,000.00	2	36,000.00
Total Salary Per Month				56,000.00
Add: 5% Fringe Benefit				2,800.00
Total Salary for the month				58,800.00
Total Salary for the year (In Rs. Lakhs)			3	7.06

2.12. Financial Analysis:

PROJECTED BALANCE SHEET					
PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Capital Account					
Opening Balance	-	24.42	28.93	35.35	40.72
Add: Additions	12.82	-	-	-	-
Add: Net Profit	1.60	5.01	8.42	11.38	14.98
Less: Drawings	-	0.50	2.00	6.00	9.00
Subsidy/Grant	10.00	-	-	-	-
Closing Balance	24.42	28.93	35.35	40.72	46.71
CC Limit	7.91	7.91	7.91	7.91	7.91
Term Loan	14.17	10.62	7.08	3.54	-
Sundry Creditors	1.01	1.20	1.41	1.64	1.88
TOTAL :	47.50	48.67	51.75	53.81	56.50
APPLICATION OF FUND					
Fixed Assets (Gross)	35.41	35.41	35.41	35.41	35.41
Gross Dep.	0.58	1.36	2.27	3.35	4.59
Net Fixed Assets	34.83	34.06	33.14	32.07	30.83
Current Assets					
Sundry Debtors	2.92	3.87	4.59	5.36	6.20
Stock in Hand	8.64	10.37	12.26	14.31	16.51
Cash and Bank	1.12	0.37	1.76	2.07	2.96
TOTAL :	47.50	48.67	51.75	53.81	56.50

PROJECTED PROFITABILITY STATEMENT					
PARTICULARS	I	II	III	IV	V
A) SALES					
Gross Sale	58.32	77.40	91.74	107.28	124.02
Total (A)	58.32	77.40	91.74	107.28	124.02
B) COST OF SALES					
Raw Material Consumed	21.60	25.74	30.24	35.10	40.32
Electricity Expenses	4.70	5.09	5.48	5.87	6.27
Repair & Maintenance	3.50	4.64	5.50	6.44	7.44
Labour & Wages	16.76	18.61	22.33	26.35	30.56
Packing & other overheads	0.58	0.77	0.92	1.07	1.24
Cost of Production	47.15	54.86	64.47	74.83	85.83
Add: Opening Stock /WIP	-	6.48	7.80	9.24	10.80
Less: Closing Stock /WIP	6.48	7.80	9.24	10.80	12.48
Cost of Sales (B)	40.67	53.54	63.03	73.27	84.15
C) GROSS PROFIT (A-B)	17.65	23.86	28.71	34.01	39.87
	30.27%	30.83%	31.29%	31.70%	32.15%
D) Bank Interest (Term Loan)	1.73	1.41	1.02	0.63	0.24
ii) Interest On Working Capital	0.87	0.87	0.87	0.87	0.87
E) Salary to Staff	7.06	8.47	9.74	11.20	12.32
F) Selling & Adm Expenses Exp.	1.17	3.48	3.85	4.51	4.96
G) Depreciation as per Schedule	5.24	4.46	3.80	3.23	2.75
TOTAL (D+E+F+G)	16.06	18.69	19.28	20.44	21.15
H) NET PROFIT	1.60	5.17	9.43	13.57	18.72
	2.7%	6.7%	10.3%	12.6%	15.1%
I) Taxation	-	0.16	1.01	2.19	3.74
J) PROFIT (After Tax)	1.60	5.01	8.42	11.38	14.98

PROJECTED CASH FLOW STATEMENT					
PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Own Contribution	12.82	-			
Reserve & Surplus	1.60	5.17	9.43	13.57	18.72
Depriciation & Exp. W/off	0.58	0.77	0.92	1.07	1.24
Increase In Cash Credit	7.91	-	-	-	-
Increase In Term Loan	15.94	-	-	-	-
Increase in Creditors	1.01	0.19	0.21	0.23	0.24
Subsidy/Grant	10.00	-	-	-	-
TOTAL :	49.86	6.14	10.55	14.87	20.21
APPLICATION OF FUND					
Increase in Fixed Assets	35.41	-	-	-	-
Increase in Stock	8.64	1.73	1.89	2.05	2.20
Increase in Debtors	2.92	0.95	0.72	0.78	0.84
Repayment of Term Loan	1.77	3.54	3.54	3.54	3.54
Taxation	-	0.16	1.01	2.19	3.74
Drawings	-	0.50	2.00	6.00	9.00
TOTAL :	48.74	6.89	9.16	14.55	19.32
Opening Cash & Bank Balance	-	1.12	0.37	1.76	2.07
Add : Surplus	1.12	0.75	1.39	0.31	0.89
Closing Cash & Bank Balance	1.12	0.37	1.76	2.07	2.96

2.13. Depreciation Schedule:

COMPUTATION OF DEPRECIATION				
Description	Land	Plant & Machinery	Other Assets	TOTAL
Rate of Depreciation		15.00%	10.00%	
Opening Balance	Leased	-	-	-
Addition	-	33.91	1.50	35.41
	-	33.91	1.50	35.41
		-	-	-
TOTAL		33.91	1.50	35.41
Less : Depreciation	-	5.09	0.15	5.24
WDV at end of Ist year	-	28.83	1.35	30.18
Additions During The Year	-	-	-	-
	-	28.83	1.35	30.18
Less : Depreciation	-	4.32	0.14	4.46
WDV at end of IInd Year	-	24.50	1.22	25.72
Additions During The Year	-	-	-	-
	-	24.50	1.22	25.72
Less : Depreciation	-	3.68	0.12	3.80
WDV at end of IIIrd year	-	20.83	1.09	21.92
Additions During The Year	-	-	-	-
	-	20.83	1.09	21.92
Less : Depreciation	-	3.12	0.11	3.23
WDV at end of IV year	-	17.70	0.98	18.69
Additions During The Year	-	-	-	-
	-	17.70	0.98	18.69
Less : Depreciation	-	2.66	0.10	2.75
WDV at end of Vth year	-	15.05	0.89	15.93

2.14. Repayment Schedule:

REPAYMENT SCHEDULE OF TERM LOAN					11.0%		
Year	Particulars	Amount	Addition	Total	Interest	Repayment	Cl Balance
I	Opening Balance						
	Ist Quarter	-	15.94	15.94	0.44	-	15.94
	Iind Quarter	15.94	-	15.94	0.44	-	15.94
	IIIrd Quarter	15.94	-	15.94	0.44	0.89	15.05
	Ivth Quarter	15.05	-	15.05	0.41	0.89	14.17
					1.73	1.77	
II	Opening Balance						
	Ist Quarter	14.17	-	14.17	0.39	0.89	13.28
	Iind Quarter	13.28	-	13.28	0.37	0.89	12.39
	IIIrd Quarter	12.39	-	12.39	0.34	0.89	11.51
	Ivth Quarter	11.51		11.51	0.32	0.89	10.62
					1.41	3.54	
III	Opening Balance						
	Ist Quarter	10.62	-	10.62	0.29	0.89	9.74
	Iind Quarter	9.74	-	9.74	0.27	0.89	8.85
	IIIrd Quarter	8.85	-	8.85	0.24	0.89	7.97
	Ivth Quarter	7.97		7.97	0.22	0.89	7.08
					1.02	3.54	
IV	Opening Balance						
	Ist Quarter	7.08	-	7.08	0.19	0.89	6.20
	Iind Quarter	6.20	-	6.20	0.17	0.89	5.31
	IIIrd Quarter	5.31	-	5.31	0.15	0.89	4.43
	Ivth Quarter	4.43		4.43	0.12	0.89	3.54
					0.63	3.54	
V	Opening Balance						
	Ist Quarter	3.54	-	3.54	0.10	0.89	2.66
	Iind Quarter	2.66	-	2.66	0.07	0.89	1.77
	IIIrd Quarter	1.77	-	1.77	0.05	0.89	0.89
	Ivth Quarter	0.89		0.89	0.02	0.89	0.00
					0.24	3.54	

2.15. Financial Ratios:

FINANCIAL RATIOS					
	I	II	III	IV	V
TURNOVER	58.32	77.40	91.74	107.28	124.02
GROSS PROFIT	17.65	23.86	28.71	34.01	39.87
G.P. RATIO	30.27%	30.83%	31.29%	31.70%	32.15%
NET PROFIT	1.60	5.17	9.43	13.57	18.72
N.P. RATIO	2.7%	6.7%	10.3%	12.6%	15.1%
CURRENT ASSETS	12.67	14.61	18.61	21.75	25.67
CURRENT LIABILITIES	8.92	9.11	9.32	9.55	9.79
CURRENT RATIO	1.42	1.60	2.00	2.28	2.62
TERM LOAN	14.17	10.62	7.08	3.54	-
TOTAL NET WORTH	14.42	18.93	25.35	30.72	36.71
DEBT/EQUITY	0.98	0.56	0.28	0.12	-
TOTAL NET WORTH	14.42	18.93	25.35	30.72	36.71
TOTAL OUTSIDE LIABILITIES	23.08	19.74	16.40	13.09	9.79
TOL/TNW	1.60	1.04	0.65	0.43	0.27
PBDIT	9.43	11.91	15.12	18.30	22.59
INTEREST	2.60	2.28	1.89	1.50	1.11
INTEREST COVERAGE RATIO	3.63	5.22	7.99	12.18	20.28
WDV	34.83	34.06	33.14	32.07	30.83
TERM LOAN	14.17	10.62	7.08	3.54	-
FACR	2.46	3.21	4.68	9.05	-

2.16. Breakeven Point Analysis:

BREAK EVEN POINT ANALYSIS					
Year	I	II	III	IV	V
Net Sales & Other Income	58.32	77.40	91.74	107.28	124.02
Less : Op. WIP Goods	-	6.48	7.80	9.24	10.80
Add : Cl. WIP Goods	6.48	7.80	9.24	10.80	12.48
Total Sales	64.80	78.72	93.18	108.84	125.70
Variable & Semi Variable Exp.					
Raw Material & Tax	21.60	25.74	30.24	35.10	40.32
Electricity Exp/Coal Consumption at 85%	3.99	4.33	4.66	4.99	5.33
Wages & Salary at 60%	14.29	16.25	19.24	22.53	25.73
Selling & administrative Expenses 80%	0.93	2.79	3.08	3.60	3.97
ii) Interest On Working Capital	0.87	0.87	0.87	0.87	0.87
Repair & Maintenance	3.50	4.64	5.50	6.44	7.44
Packing & other overheads	0.58	0.77	0.92	1.07	1.24
Total Variable & Semi Variable Exp	45.77	55.39	64.52	74.61	84.90
Contribution	19.03	23.33	28.66	34.23	40.80
Fixed & Semi Fixed Expenses					
Electricity Exp/Coal Consumption at 15%	0.70	0.76	0.82	0.88	0.94
Wages & Salary at 40%	9.53	10.83	12.83	15.02	17.15
Interest on Term Loan	1.73	1.41	1.02	0.63	0.24
Depreciation	5.24	4.46	3.80	3.23	2.75
Selling & administrative Expenses 20%	0.23	0.70	0.77	0.90	0.99
Total Fixed Expenses	17.43	18.16	19.24	20.67	22.08
Capacity Utilization	60%	65%	70%	75%	80%
OPERATING PROFIT	1.60	5.17	9.43	13.57	18.72
BREAK EVEN POINT	55%	51%	47%	45%	43%
BREAK EVEN SALES	59.37	61.27	62.54	65.71	68.03

3. Limitations of the Model DPR and Guidelines for Entrepreneurs

3.1. Limitations of the Model DPR

- i. This model DPR has provided only the basic standard components and methodology to be adopted by an entrepreneur while submitting a proposal under the Formalization of Micro Food Processing Enterprises Scheme of MoFPI.
- ii. This is a model DPR made to provide general methodological structure not for specific entrepreneur/crops/location. Therefore, information on the entrepreneur, forms and structure (proprietorship/partnership/cooperative/ FPC/joint stock company) of his business, details of proposed DPR, project location, raw material base/contract sourcing, entrepreneurs own SWOT analysis, detailed market research, rationale of the project for specific location, community advantage/benefit from the project, employment generation and many more detailed aspects not included.
- iii. The present DPR is based on certain assumptions on cost, prices, interest, capacity utilization, output recovery rate and so on. However, these assumptions in reality may vary across places, markets and situations; thus the resultant calculations will also change accordingly.
- iv. This particular DPR is made on three components of means of finance i.e. grant, owner's contribution and loan/debt as followed in many central sector schemes. However, if the DPR is for credit linked subsidy then the calculation may slightly change without changes in the general structure and methodology adopted in the DPR.

3.2. Guidelines for the Entrepreneurs

- i. The success of any prospective food processing project depends on how closer the assumptions made in the initial stage are with the reality of the targeted market/place/situation. Therefore, the entrepreneurs must do its homework as realistic as possible on the assumed parameters.
- ii. This model DPR must be made more comprehensive by the entrepreneur by including information on the entrepreneur, forms and structure (proprietorship/partnership/cooperative/ FPC/joint stock company) of entrepreneur's business, project location, raw material base/contract sourcing,

entrepreneurs own SWOT analysis, detailed market research, comprehensive dehydrated product mix based on demand, rationale of the project for specific location, community advantage/benefit from the project, employment generation, production/availability of the raw materials/crops in the targeted area/clusters and many more relevant aspects for acceptance and approval of the competent authority.

iii. The entrepreneur must be efficient in managing the strategic, financial, operational, material and marketing aspects of a business. In spite of the assumed parameter being closely realistic, a project may become unsustainable if the entrepreneur does not possess the required efficiency in managing different aspects of the business and respond effectively in changing situations.

iv. The machineries should be purchased after thorough market research and satisfactory demonstration.

v. The entrepreneur must ensure uninterrupted quality raw materials' supply and maintain optimum inventory levels for uninterrupted operations management.

vi. The entrepreneur must possess a strategic look to steer the business in upward trajectory.

vii. The entrepreneur must maintain optimum (not more or less) inventory, current assets. Selecting optimum source of finance, not too high debt-equity ratio, proper capital budgeting and judicious utilization of surplus profit for expansion is must.

viii. The entrepreneur must explore prospective markets through extensive research, find innovative marketing strategy, and maintain quality, adjust product mix to demand.

ix. The entrepreneur must provide required documents on land, financial transaction, balance sheet, further project analysis as required by the competent authority for approval.

x. The entrepreneur must be hopeful and remain positive in attitude.

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