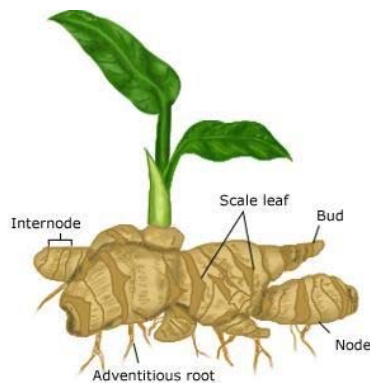




Model Detailed Project Report

GINGER OIL PROCESSING 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	:	Ginger Oil Processing 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 shareholders (if company/FPC)	:	
8. Technical advisor	:	
9. Marketing advisor/partners	:	
10. Proposed project capacity	:	45000 Bottles/annum (35,40,45,50, &55% capacity utilization in 1 st to 5 th Year respectively)
11. Raw materials	:	Ginger and Packing material
12. Major product outputs	:	Ginger Oil
13. Total project cost	:	Rs. 31.97 Lakh
• Land development, building & civil Construction	:	Nil
• Machinery and equipment's	:	Rs. 26.66 Lakh
• Other Fixed Assets	:	Rs. 2.0 Lakh
• Working capital margin	:	Rs. 1.88 Lakh
• Contingencies	:	Rs. 1.43 Lakh
14. Working capital requirement		Rs. 5.63 Lakh
15. Means of Finance		
• Subsidy grant by MoFPI (max 10 lakhs)	:	Rs. 10.00 Lakh
• Promoter's contribution (min 20%)	:	Rs. 9.07 Lakh
• Term loan (45%)	:	Rs. 12.90 Lakh
16. Debt-equity ratio	:	1.09
17. Profit after Depreciation, Interest & Tax		
• 1 st year	:	4.44 Lakh
• 2 nd year	:	5.66 Lakh
• 3 rd year	:	7.15 Lakh
• 4 th year	:	9.16 Lakh
• 5 th year	:	11.15 Lakh
18. Average DSCR	:	3.03
19. Term loan repayment	:	5 Years with 6 months grace period

2. About the Project

2.1. Ginger Oil Processing Unit

Zingiber officinale Rosc. is a popular commercial crop grown for its aromatic rhizomes, which are used as both a spice and a medicine. Raw ginger, dry ginger, bleached dry ginger, ginger powder, ginger oil, ginger oleoresin, gingerale, ginger candy, ginger beer, brined ginger, ginger wine, ginger squash, ginger flakes, and other value-added Product prepared from ginger. The rhizome of Ginger is a herbaceous perennial of the Zingiberaceae family, is thought to be native to south leafy stems, 30-- eastern Asia. It is propagated through rhizomes. The rhizomes grow tall, reaching a height of 90 cm. The stem is sheathed by the base of the leaves. The leaves are dark green, 15 lanceolate, and have a prominent midrib. The plant is 20 cm long, narrow, and has a prominent midrib. The flowers are small, yellowish, speckled, and borne on a spike, each with a purple speckled lip. The green leaves turn yellow when the plants are about 9 months old.

2.2. Raw Material Requirements

Basic raw material that is used is mentioned below:

- Ginger
- Packaging material

2.3. Technology

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

2.4. Market Demand and Supply

Indian ginger oil is the world's most popular ginger oil, accounting for about half of the global market share. India's warm and humid climate makes it excellent for the production of ginger oil.

The use of animal-based products is decreasing with the rise of the pandemic all over the globe. Consumers are increasingly gravitating toward plant-based goods, which is good news for the ginger oil industry. It has a favorable impact on the ginger oil market. As a result of its respiratory system and immune-boosting effects, the use of ginger oil in India has expanded dramatically over the past few. People chose natural products to boost their immunity and treat respiratory diseases, which led to an increase in consumption. The pandemic provided an opportunity for ginger oil and ginger oil-related health supplements manufacturers to expand their production. Boiling water mixed with lime and ginger extracts is used to treat patients in government hospitals in India. This is one of the safest and most traditional methods, with no major side effects for the patient. Ginger oil is mixed with herbal tea and is used to boost the body's overall immunity. Heartburn and abdominal pain can result from consuming too much ginger oil. Companies and institutions have been encouraging patients and consumers to seek medical advice from an expert or a doctor before consuming or using the oil during pandemics. During the pandemic, manufacturers and businesses are providing and selling products with clean labels.

2.5. Marketing Strategy

The increasing urbanization and income offer huge scope for marketing of Ginger Oil. 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

➤ Raw material Procurement

Raw materials (Ginger Rhizome) are procured from the market, the most important criteria in assessing the suitability of ginger rhizomes for particular processing purposes are fiber content, volatile-oil content, and pungency level. The relative abundance of these three components in the fresh rhizome is governed by its state of maturity at harvest.

➤ Chopping

The cleaned ginger is now ready for the chopping process, which involves chopping the ginger rhizome into small pieces. This chopping can be done either manually or mechanically.

➤ Oil extraction

Ginger (chopped) and water is filled in the distillation machine its lid is fitted tightly by swivel bolts so that oil and vapor do not leak out. The steam is injected into the still through the steam valve provided at the bottom of the vessel. During this process the steam causes the plant's oil glands to erupt, and the oil evaporates into the rhizome of ginger. The upcoming steam carries away the essential oil from the plant material i.e., essential oil containing steam pass to the condenser through vapor line, where these vapours get condensed and oil and water are separated in the separators. This Process can repeat in order to enhance the quality of essential oil.

➤ **Oil separation**

Oil being lighter is separated out from the top and water being heavier is taken out from the bottom of separators. The oil thus obtained is ginger essential oil.

➤ **Packaging**

Obtained essential oil packed in suitable packaging material. Essential oils are not affected by the inert nature of glass, it is one of the most common packing alternatives for them. Glass container with airtight caps is the ideal packing solution.

2.7. Basic Project Assumptions

Capacity of Ginger Oil Processing Unit: 45000 Bottles/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	:	35% 1 st year, 40% in 2 nd year, 45% in 3 rd year, 50% in 4 th year & 55% 5 th year onwards
Average prices of raw material	:	Rs. 400-450/Bottle (100ml).
Average sale price	:	Rs 650-800/Bottle (100 ml).

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 equipment's are used:

Description	Rate	Unit	Amount
Ginger Washing Machine	450000	1	450000
Ginger Slicer Machine	120000	2	240000
Steam Distillation Unit	900000	1	900000
Bottle Filling & Packaging Machine	470000	1	470000
Material handling & other equipment's	-	-	200000
Total Amount			2260000
GST @ 18%			406800
Net Amount			2666800

2.8.C. Other Fixed Assets:

i. Furniture and Fixtures	Rs. 2.0 Lakh
ii. Other Assets	
iii. Electrical fittings	

2.8.D. Total Fixed Capital Investment (A+B+C): Rs. 28.66 Lakh

2.9. Working Capital Requirement

Working capital is critical input in Ginger Oil Processing unit.

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL					
PARTICULARS	I	II	III	IV	V
Finished Goods					
(10 Days requirement)	3.41	4.10	4.84	5.64	6.52
Raw Material					
(10 Days requirement)	2.13	2.49	2.87	3.30	3.71
Closing Stock	5.54	6.59	7.71	8.94	10.23

COMPUTATION OF WORKING CAPITAL REQUIREMENT			
Particulars	Amount	Margin(25%)	Net Amount
Stock in Hand	5.54		
Less:			
Sundry Creditors	2.98		
Paid Stock	2.56	0.64	1.92
Sundry Debtors	4.95	1.24	3.71
Working Capital Requirement			5.63
Margin			1.88
MPBF			5.63
Working Capital Demand			5.63

2.10. Total Project Cost and Means of Finance

Particulars	Amount (Rs. in Lakhs)
i. Land and building	Nil
ii. Plant and machinery	26.66
iii. Other Fixed assets	2.00
iv. Working capital margin	1.88
v. Contingencies	1.43
Total project cost (i to v)	31.97
Means of finance	
i. Subsidy	10.00
ii. Promoter's contribution	9.07
iii. Term loan	12.90
Total Means of Finance(i to iii)	31.97

2.11. Manpower:

<u>BREAK UP OF LABOUR</u>				
Particulars	Wages	No of	Total	
	Per Month	Employees	Salary	
Supervisor	20,000.00	1	20,000.00	
Machine Operator	13,000.00	2	26,000.00	
Skilled/Unskilled Worker	11,000.00	4	44,000.00	
Helper	7,000.00	3	21,000.00	
			1,11,000.00	
Add: 10% Fringe Benefit			11,100.00	
Total Labour Cost Per Month			1,22,100.00	
Total Labour Cost for the year (In Rs. Lakhs)		10	14.65	

<u>BREAK UP OF SALARY</u>				
Particulars	Salary	No of	Total	
	Per Month	Employees	Salary	
Accountant cum store keeper	20,000.00	1	20,000.00	
Sales	18,000.00	1	18,000.00	
Total Salary Per Month			38,000.00	
Add: 5% Fringe Benefit			1,900.00	
Total Salary for the month			39,900.00	
Total Salary for the year (In Rs. Lakhs)		2	4.79	

2.12. Financial Analysis:

PROJECTED BALANCE SHEET					
PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Capital Account					
Opening Balance	-	20.51	22.67	24.82	26.98
Add: Additions	9.07	-	-	-	-
Add: Net Profit	4.44	5.66	7.15	9.16	11.15
Less: Drawings	3.00	3.50	5.00	7.00	9.00
Subsidy/Grant	10.00	-	-	-	-
Closing Balance	20.51	22.67	24.82	26.98	29.13
CC Limit	5.63	5.63	5.63	5.63	5.63
Term Loan	11.46	8.60	5.73	2.87	-
Sundry Creditors	2.98	3.49	4.02	4.62	5.20
TOTAL :	40.58	40.39	40.21	40.10	39.96
APPLICATION OF FUND					
Fixed Assets (Gross)	28.66	28.66	28.66	28.66	28.66
Gross Dep.	0.99	2.21	4.38	6.91	9.84
Net Fixed Assets	27.67	26.45	24.28	21.75	18.82
Current Assets					
Sundry Debtors	4.95	6.12	7.23	8.44	9.75
Stock in Hand	5.54	6.59	7.71	8.94	10.23
Cash and Bank	2.43	1.24	0.99	0.97	1.15
TOTAL :	40.58	40.39	40.21	40.10	39.96

PROJECTED PROFITABILITY STATEMENT					
PARTICULARS	I	II	III	IV	V
A) SALES					
Gross Sale	98.96	122.34	144.58	168.74	194.95
Total (A)	98.96	122.34	144.58	168.74	194.95
B) COST OF SALES					
Raw Material Consumed	63.79	74.70	86.06	99.00	111.38
Electricity Expenses	1.57	1.79	2.01	2.24	2.46
Repair & Maintenance	3.96	7.34	8.67	10.12	11.70
Labour & Wages	14.65	16.12	20.15	24.18	29.49
Packing & other overheads	0.99	1.22	2.17	2.53	2.92
Cost of Production	84.95	101.17	119.07	138.07	157.95
Add: Opening Stock /WIP	-	3.41	4.10	4.84	5.64
Less: Closing Stock /WIP	3.41	4.10	4.84	5.64	6.52
Cost of Sales (B)	81.54	100.49	118.32	137.26	157.08
C) GROSS PROFIT (A-B)	17.42	21.85	26.25	31.48	37.87
	17.60%	17.86%	18.16%	18.65%	19.43%
D) Bank Interest (Term Loan)	1.40	1.14	0.83	0.51	0.20
ii) Interest On Working Capital	0.62	0.62	0.62	0.62	0.62
E) Salary to Staff	4.79	6.22	8.09	10.52	13.68
F) Selling & Adm Expenses Exp.	1.98	4.28	5.78	6.75	7.80
G) Depreciation as per Schedule	4.20	3.58	3.05	2.60	2.22
TOTAL (D+E+F+G)	12.98	15.85	18.37	21.00	24.51
H) NET PROFIT	4.44	6.00	7.88	10.47	13.37
	4.5%	4.9%	5.5%	6.2%	6.9%
I) Taxation	-	0.34	0.73	1.32	2.22
J) PROFIT (After Tax)	4.44	5.66	7.15	9.16	11.15

PROJECTED CASH FLOW STATEMENT					
PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Own Contribution	9.07	-			
Reserve & Surplus	4.44	6.00	7.88	10.47	13.37
Depriciation & Exp. W/off	0.99	1.22	2.17	2.53	2.92
Increase In Cash Credit	5.63	-	-	-	-
Increase In Term Loan	12.90	-	-	-	-
Increase in Creditors	2.98	0.51	0.53	0.60	0.58
Subsidy/Grant	10.00	-	-	-	-
TOTAL :	46.01	7.73	10.58	13.61	16.87
APPLICATION OF FUND					
Increase in Fixed Assets	28.66	-	-	-	-
Increase in Stock	5.54	1.05	1.12	1.24	1.29
Increase in Debtors	4.95	1.17	1.11	1.21	1.31
Repayment of Term Loan	1.43	2.87	2.87	2.87	2.87
Taxation	-	0.34	0.73	1.32	2.22
Drawings	3.00	3.50	5.00	7.00	9.00
TOTAL :	43.58	8.92	10.83	13.63	16.68
Opening Cash & Bank Balance	-	2.43	1.24	0.99	0.97
Add : Surplus	2.43	- 1.19	- 0.25	- 0.02	0.18
Closing Cash & Bank Balance	2.43	1.24	0.99	0.97	1.15

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	-	26.66	2.00	28.66
	-	26.66	2.00	28.66
		-	-	-
TOTAL		26.66	2.00	28.66
Less : Depreciation	-	4.00	0.20	4.20
WDV at end of Ist year	-	22.66	1.80	24.46
Additions During The Year	-	-	-	-
	-	22.66	1.80	24.46
Less : Depreciation	-	3.40	0.18	3.58
WDV at end of IIInd Year	-	19.26	1.62	20.88
Additions During The Year	-	-	-	-
	-	19.26	1.62	20.88
Less : Depreciation	-	2.89	0.16	3.05
WDV at end of IIIrd year	-	16.37	1.46	17.83
Additions During The Year	-	-	-	-
	-	16.37	1.46	17.83
Less : Depreciation	-	2.46	0.15	2.60
WDV at end of IV year	-	13.92	1.31	15.23
Additions During The Year	-	-	-	-
	-	13.92	1.31	15.23
Less : Depreciation	-	2.09	0.13	2.22
WDV at end of Vth year	-	11.83	1.18	13.01

2.14. Repayment Schedule:

REPAYMENT SCHEDULE OF TERM LOAN					11.0%		
Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	12.90	12.90	0.35	-	12.90
	Iind Quarter	12.90	-	12.90	0.35	-	12.90
	IIIrd Quarter	12.90	-	12.90	0.35	0.72	12.18
	Ivth Quarter	12.18	-	12.18	0.33	0.72	11.46
					1.40	1.43	
II	Opening Balance						
	Ist Quarter	11.46	-	11.46	0.32	0.72	10.75
	Iind Quarter	10.75	-	10.75	0.30	0.72	10.03
	IIIrd Quarter	10.03	-	10.03	0.28	0.72	9.31
	Ivth Quarter	9.31		9.31	0.26	0.72	8.60
					1.14	2.87	
III	Opening Balance						
	Ist Quarter	8.60	-	8.60	0.24	0.72	7.88
	Iind Quarter	7.88	-	7.88	0.22	0.72	7.17
	IIIrd Quarter	7.17	-	7.17	0.20	0.72	6.45
	Ivth Quarter	6.45		6.45	0.18	0.72	5.73
					0.83	2.87	
IV	Opening Balance						
	Ist Quarter	5.73	-	5.73	0.16	0.72	5.02
	Iind Quarter	5.02	-	5.02	0.14	0.72	4.30
	IIIrd Quarter	4.30	-	4.30	0.12	0.72	3.58
	Ivth Quarter	3.58		3.58	0.10	0.72	2.87
					0.51	2.87	
V	Opening Balance						
	Ist Quarter	2.87	-	2.87	0.08	0.72	2.15
	Iind Quarter	2.15	-	2.15	0.06	0.72	1.43
	IIIrd Quarter	1.43	-	1.43	0.04	0.72	0.72
	Ivth Quarter	0.72		0.72	0.02	0.72	0.00
					0.20	2.87	

2.15. Financial Ratios:

FINANCIAL RATIOS					
	I	II	III	IV	V
TURNOVER	98.96	122.34	144.58	168.74	194.95
GROSS PROFIT	17.42	21.85	26.25	31.48	37.87
G.P. RATIO	17.60%	17.86%	18.16%	18.65%	19.43%
NET PROFIT	4.44	6.00	7.88	10.47	13.37
N.P. RATIO	4.5%	4.9%	5.5%	6.2%	6.9%
CURRENT ASSETS	12.91	13.94	15.93	18.35	21.13
CURRENT LIABILITIES	8.61	9.12	9.65	10.25	10.83
CURRENT RATIO	1.50	1.53	1.65	1.79	1.95
TERM LOAN	11.46	8.60	5.73	2.87	-
TOTAL NET WORTH	10.51	12.67	14.82	16.98	19.13
DEBT/EQUITY	1.09	0.68	0.39	0.17	-
TOTAL NET WORTH	10.51	12.67	14.82	16.98	19.13
TOTAL OUTSIDE LIABILITIES	20.07	17.72	15.38	13.12	10.83
TOL/TNW	1.91	1.40	1.04	0.77	0.57
PBDIT	10.65	11.34	12.38	14.21	16.40
INTEREST	2.02	1.76	1.45	1.13	0.82
INTEREST COVERAGE RATIO	5.28	6.44	8.55	12.55	20.08
WDV	27.67	26.45	24.28	21.75	18.82
TERM LOAN	11.46	8.60	5.73	2.87	-
FACR	2.41	3.08	4.24	7.59	-

2.16. Breakeven Point Analysis:

BREAK EVEN POINT ANALYSIS					
Year	I	II	III	IV	V
Net Sales & Other Income	98.96	122.34	144.58	168.74	194.95
Less : Op. WIP Goods	-	3.41	4.10	4.84	5.64
Add : Cl. WIP Goods	3.41	4.10	4.84	5.64	6.52
Total Sales	102.38	123.02	145.32	169.54	195.83
Variable & Semi Variable Exp.					
Raw Material & Tax	63.79	74.70	86.06	99.00	111.38
Electricity Exp/Coal Consumption at 85%	1.33	1.52	1.71	1.90	2.09
Wages & Salary at 60%	11.66	13.40	16.94	20.82	25.90
Selling & administrative Expenses 80%	1.58	3.43	4.63	5.40	6.24
ii) Interest On Working Capital	0.62	0.62	0.62	0.62	0.62
Repair & Maintenance	3.96	7.34	8.67	10.12	11.70
Packing & other overheads	0.99	1.22	2.17	2.53	2.92
Total Variable & Semi Variable Exp	83.93	102.24	120.81	140.39	160.85
Contribution	18.44	20.79	24.51	29.15	34.98
Fixed & Semi Fixed Expenses					
Electricity Exp/Coal Consumption at 15%	0.23	0.27	0.30	0.34	0.37
Wages & Salary at 40%	7.78	8.94	11.30	13.88	17.27
Interest on Term Loan	1.40	1.14	0.83	0.51	0.20
Depreciation	4.20	3.58	3.05	2.60	2.22
Selling & administrative Expenses 20%	0.40	0.86	1.16	1.35	1.56
Total Fixed Expenses	14.00	14.78	16.63	18.68	21.61
Capacity Utilization	35%	40%	45%	50%	55%
OPERATING PROFIT	4.44	6.00	7.88	10.47	13.37
BREAK EVEN POINT	27%	28%	31%	32%	34%
BREAK EVEN SALES	77.75	87.50	98.60	108.63	121.00

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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