

E-CONTENT-SERIES ON ENTREPRENEURSHIP AND MSMEs

by

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CASE STUDY - SAMPLE PROJECT REPORT

on 'Tea Cafe'

I Name of the Organization

Chai

Owners

MR A AND B

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III. Executive Summary

India is the largest producer and consumer of tea. This is where the Opportunity lies! Chai is the oldest tea trader in the state of Uttar Pradesh. We are catering to tea lovers with Darjeeling Tea, Sikkim Tea, Niligiri Tea & Assam tea since 1929. Chai offers world's finest teas in more than 100 varieties. We are at present trading in UP and some cities of Maharastra& Rajasthan. In the business plan proposed we intend to enter a new Business – the fast-food joints. The fast food culture is on rise amongst teenagers, working professionals and public at large. The reasons are simple – the adaptation of western culture, rising income and the simplicity of arranging for any kind of meeting; be it business or social. In the business plan proposed below Chai café wants to enter into a highly competitive market of fast food and coffee café. But there is no single food joint offering tea as a specialty that would act as a USP for the company. The market offers tremendous opportunities. A market survey and estimations have revealed that the potential market is as large as 70,000 customers. The financial projections have been conservative based on assumption that even if acceptability is by only 1% of the total market, (which is quite conservative), markets display a handsome profit of 25%, which is very promising and motivating for the owners.

Both the owners are well educated, talented and motivated. They vision creating chains of similar fast-food centers in the whole country. Since this is their nascent project individually they are seeking loans from banks. Though they are new into the business they are supported by their fathers who have sound 35 years of experience in business.



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IV. The Business

Objective: To provide high quality & variety of tea and fast food in the state of UP

Form of ownership: Partnership Firm
Name, Qualification of the owners: Owner 1: Mr. A
Educational Qualification: M. Com
Owner 2: Mr. B
Educational Qualification: MBA
Proposed head quarter: Kapoorthala, Lucknow

V The Funding Requirements

- a) Debt: The debts would be borrowed from family members, on which no interest rates would be charged. A loan would be requested from banks and other funding agencies
- b) Equity: No equity funds.

VII The Product / Service

- a) Description of product: The product offered to the market will be 'Tea & Accompanying Snacks'.
- b) Comparative analysis with similar products/ substitute products: there are more than 69 coffee house cum snack bar in the city of lucknow but there is no food joint that offers variety of tea

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- c) Licensing agreements have been obtained from the Lucknow development authority.

VI The Plan

Marketing plan

- **Market Summary:** ‘Chai’ Chai has entered a mature market, which is highly competitive. There are 69 coffee houses in the city of lucknow but ‘chai café’ would be offering 100 variety of Indian tea and coffee plus bakery products.
- **Market Demography:** The Potential customers can be divided into following broad categories:
 - a) School/ College going students
 - b) Working professionals
 - c) Senior Citizens
- **Market Research**

A market research on 100 correspondents evenly distributed amongst the demography discussed above revealed following results:

 - a) 89% correspondents visit fast food centers/ coffee houses in at least once a week
 - b) 70% correspondents visit thrice a week
 - c) 76% correspondents order for some snacks along with tea/ coffee/ cold drink
 - d) More than 8000 individuals pass the way (where the tea café is proposed)
- **SWOT Analysis of the market:** SWOT analysis provides us with an opportunity to examine internal strengths & weakness and external opportunities & threats.

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Strengths

- Tea at 'Chai café' is of premium quality and is in the market for more than 100 years
- More than 100 variants of tea are available with 'Chai Café'
- Employees at chai are highly dedicated, loyal and understand the taste of customers of Lucknow.

Weakness

- Inadequate finance to start an independent café.

Opportunity

- Market is growing at the rate of 20%
- Lucknow is becoming hub of all the major business centers
- Middle class is growing at the rate of 27%

Threat

- There is lot of political interference in Lucknow
- Market is already saturated with 69 café in the city
- Emergence and preference of multiplex culture.

- **Marketing Mix Strategy**

- Marketing Objective:
 - a) To grow sales by 10% every year
 - b) Diversify services
 - c) Build customer loyalty
- Market Segmentation: potential customers can be segmented into Students, working professional and senior citizens.
- Target market: All the segments would be targeted

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- Market Positioning: The café would be positioned as ‘ A food joint that specializes in tea and provides sumptuous snacks for all age groups. High quality products and customer centric services would be our priority.
- Product Mix Strategy
 1. 100 floavour of tea
 2. Espresso Coffee and cold drinks
 3. 35 varieties of icecreams
 4. Bakery items like cake, pastries, pizza
 5. Home Delivery through Dial-an-order services
- Pricing Mix Strategy : leadership pricing to maintain its premium quality and brand equity
- Promotion Mix Strategy
Promotion would be through
 - a) Radio advertisements on AIR FM and Radiocity
 - b) Through Pamphlets

Facilities Plan/ Operational Plan

i. Plant Location

The location of chai café would be adjacent to CMS school, aliganj, lucknow. this location is ideal because it provides access to all the potential customers discussed in the market demography. Market research has given an indication that around 8000 individuals pass this street everyday. There are about 2000 students in the adjacent school and more than 150 offices in the nearby aliganj area. Moreover lucknow university and IT college are 3 km from this place.

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The total no. students in them are more than 25,000. the population of Sector B Aliganj is approximately 30,000. Thus we have approx 70,000 potential customers. Initially the location would be leased at Rs 10,000 pm & with electricity, salaries, material cost the total cost per month would be Rs 30,000.

The equipments that would be required are Ice-cream machine, coffee maker, refrigerator, food display counter, computer and air conditioner

The layout would be a simple L-shaped selling counter with a seating capacity of 50 people at a time , storage space of food would also be required.

Organizational Plan

It would be a partnership establishment. Saurabh and Alam would be the partners, with equal ownership in business. The duties and responsibilities of each would be as under:

Saurabh: Would be responsible for general administration. This would include all the administrative/ HR activities: recruitment, training, development, compensation, performance appraisal and everyday working.

Alam: Would be responsible for sales & marketing as well as financial accounting. He would make promotional efforts, monitor sales, maintain accounts, payroll, billing and payment of taxes.

Financial Plan For Two-Five years

Start-Up Expenses

a) Land & building (on lease)	Rs 10,000/- pm
b) Furniture & Office equipment	Rs 25,000/- (fixed cost)
c) Machinery, equipment & tool	Rs. 30,000/- (fixed cost)
d) Raw material & Inventory	Rs 20,000/- (pm)

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e) Connection of power supply	Rs 5,000/- pm
f) Advertising & Promotion	Rs 5,000/-pm
Budgeted Cost	3,00,000
<i>operational cost</i>	2,65,000
<i>sales cost</i>	5,000
<i>personnel costs</i>	30,000
Administrative Cost	50,000
Total Cost	3,50,000
Expected Sales	6,00,000
Gross Profit (Sales – Total Cost)	2,50,000
% Gross profit margin (gross profit/ Sales)	41.61%

ProformaFor Cash Flow Statement

Sources Of Funds

Mortgage Loan
 Term Loan
 Personal Funds
 Net Income From Operations etc.
 Add depreciation

Total Sources Of Funds

Dispositions (Uses) Of Funds

Purchase of Equipment
 Inventory
 Loan repayment

Total Dispositions (Uses) Of Funds

Net Increase in working capital

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Balance Sheet of XYZ as on 31.3.200...-

Capital & liability	Amt.	Assets	Amt.
Capital		Fixed Assets: tangible	
-Equity Share Capital		Land & building	
-preference Share Capital		Leasehold	
- General Reserves		Plant & Machinery	
- Funds		Furniture & Fittings	
		Motor, van, lorry	
Liabilities		Fixed Assets: Intangible	
Long Term Liability		Goodwill	
-Secured Loans (Public deposits, Long Term Loans)		Copyrights & trademarks Patents	
-Unsecured Loans (Debentures, Bonds)		Fictitious Assets	
Current Liabilities		Underwriting Commission	
-Trade Liabilities		Brokerage	
- Bills Payable		Discount on issue of shares & debentures	
-Creditors		Interest paid out of capital	
-Provision for taxes		Development expenditure not adjusted	
-dividend payable		Heavy advertisement expenses	
-Overdraft		Preliminary expenses	

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-Short Term Loans from bank		Wasting assets	
-deferred Revenue		Current Assets	
-Advances from customer		Payment in advance/ prepaid expenses	
Contingent Liabilities		Closing Stock/ Stock in trade (RW+ WIP+Finished Goods)	
-Claims against the firm not acknowledged as debt		Sundry Debtors (including adjustments for bad debts 7 its reserves)	
- Uncalled Liabilities on investment in other companies		Bills receivable	
- Arrears of fixed cumulative dividends		Temporay Investments/ Marketable Investments	
- Liability on account of bill discounted with bankers		Cash In Bank	
-estimated amount of contracts remaining to be executed on capital account and not provided for		Cash in Hand	
		Contingent Assets	
		(e.g. wining of law suit)	
Total		Total	

VI Critical Risks

Following types of risks are involved

- a) Excessive Political Interference
- b) Non-acceptability of the product & services

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VII Exit Strategy

If the proposed project does not run successfully we would wind it up and payback the loan by selling the machineries, equipments & tools, moreover we have enough financial backing from our ancestral property that in case we are not able to run the business profitably we would still be able to payback the loan by selling our ancestral property.

VIII Appendix

- ii. Curriculum Vitae of the owners
- iii. Ownership Agreement
- iv. Certificate from pollution board
- v. Memorandum Of Understanding