



# DAIRY FOODS SOCIAL BUSINESS

## LUSTRE

*Niamatpur, Naogaon*

# Proponent Profile

**Vision** - Equal opportunity, Empowerment and livelihood development of the people bring a positive change in the society

**Year of establishment-** 1996

**Organizational Type** - A non-profit, non-political voluntary development organization.

**Focus Areas** - Health & Family Planning, Livelihood & Food Security, Good Governance and social justice and Disaster management



# Project Focus

Produce and sell (wholesale) quality dairy products (such as sweets and yogurt) maintaining the right quality and hygiene standards and meeting the local nutrition needs



# The Problem

Existing local production of sweets involve the following problems:

- The milk used is adulterated
- Use of harmful and impure ingredients
- Unhygienic production methods and conditions
- Inadequate storing facilities

# Solution

- ❖ The company will purchase quality milk from nearby dairy farm (Lustre will ensure this)
- ❖ Additional milk (if required) will be purchased at best price from local economically challenged groups
- ❖ The quality of ingredients used will be ensured by standard sourcing methods
- ❖ The production facility will be new and the best practices in terms of production and maintenance will be ensured



# Location



# Market Scenario

- *The business will start with two products: Sweet (Chomchom) and Yogurt*
- *The present market price of Sweet (Chomchom) ranges between BDT 125 to BDT 130 and for Yogurt it is BDT 60*
- *The maintaining the best quality, the business will sweet (Chomchom) at BDT 135/kg and Yogurt at BDT 70/kg*
- *The retailers to whom this will be sold are in the areas, Niamatpur and Manda (Naogaon) and Natrul (Chapainawabganj)*



# Social Impact

A woman wearing a yellow and red sari is milking a black cow in a rural setting. The cow is standing in a wooden structure, and the woman is holding a wooden stick. The background shows a simple wooden structure and some greenery.

**Involvement of poor and ultra poor people from different ethnic minority groups as staff (both production and marketing)**

**Ensuring *best price* of the milk to poor farmers (raising their income and improving livelihood)  
*At present farmers are getting BDT 25/ltr business plans to buy at BDT 33/ltr***



# Social Impact



*This initiative is a sincere effort in bringing a positive change in the improving the quality of food products*

*This business will seek to bring a paradigm shift by using quality ingredients in producing quality dairy products yet*

*Certain nutritional needs of the locality will be met*

# Budget

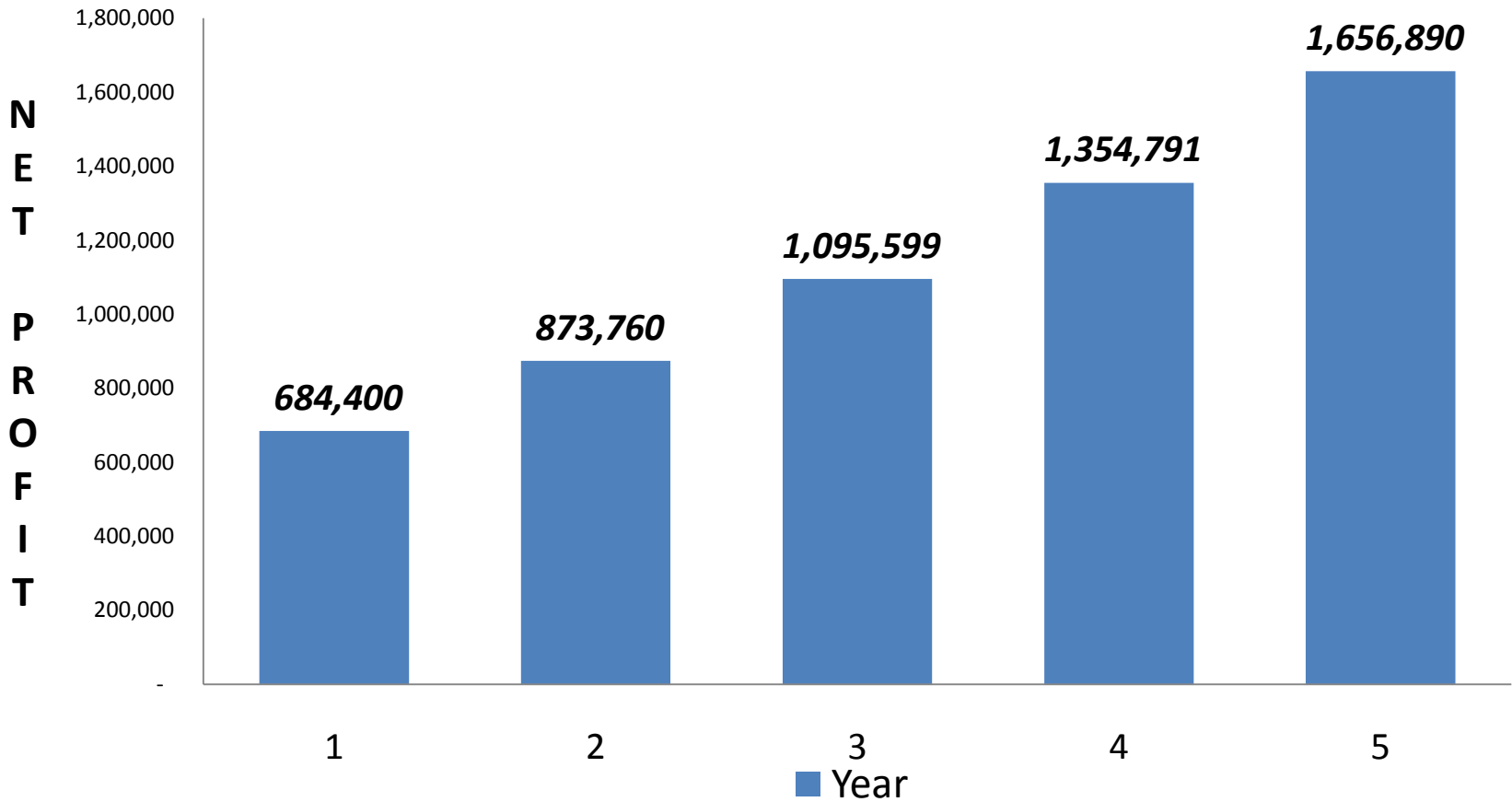
| Particulars               | Unit | Unit Price | Total            |
|---------------------------|------|------------|------------------|
| Plant & Facility          | 1    | 400,000    | 400,000          |
| Refrigerator              | 1    | 60,000     | 60,000           |
| Table                     | 3    | 4,000      | 12,000           |
| Chair                     | 10   | 2,000      | 20,000           |
| Carrying Van              | 1    | 30,000     | 30,000           |
| Carrying Van (Freezer)    | 2    | 35,000     | 70,000           |
| Shelf (Rack)              | 1    | 20,000     | 20,000           |
| Submerged Water Line      | 1    | 30,000     | 30,000           |
| Company Registration Cost |      |            | 50,000           |
| Trade license fee         |      |            | 5,000            |
| Others (Pots, pans etc)   |      |            | 50,000           |
| Working Capital           |      |            | 353,000          |
| <b>Total</b>              |      |            | <b>1,100,000</b> |

## Means of Financing

| Particulars         | Amount (Tk.)     | %           |
|---------------------|------------------|-------------|
| Lustre's Investment | 500,000          | 45%         |
| Required Investment | 600,000          | 55%         |
| <b>Total</b>        | <b>1,100,000</b> | <b>100%</b> |



# Financial Projections



Break Even – Year 1

Pay Back – 3 Years

*\*Details in Annex 1 to 6*

# Assumptions

- Sales growth will be 12% in every year
- Gross Profit on sales on an average is 32%



# Value Additions



**Best price of milk in the locality**

**Indigenous people will attain a skill set by working in this business**

**The staff will receive a share of profits depending on the commercial success of the business**

**Promotion and product and market development of quality sweets**

# Marketing

## Measures

- Staff from the indigenous community will undertake the marketing drive
  - Two refrigerated vans will be used to ensure the products are sold fresh
  - Lustre will assist in the promotion of the products



# SWOT Analysis

**S** TRENGTHS



- Extensive experience of proponent in working area
- Abundant supply of milk

**W** EAKNESSES



- Lack of working capital

Internal factors

**O** PPORTUNITIES



- Market of quality sweets is still untapped

**T** HREATS



- Changes in consumer's taste and preference

External factors

Positive

Negative

# Existing Operations





# Existing Operations





A close-up photograph of a person's hand, wearing a white cloth, dropping a piece of dough into a large, dark, well-used metal pan. The pan is filled with hot oil, and numerous golden-brown, ring-shaped fried items are already cooking, bubbling in the oil. The scene is set in a kitchen or food preparation area.

**Thank you**

# Income Statement & Pay Back - Annex (1)

| Particulars                    | 1st year       |                  | 2nd year       |                  | 3rd year       |                  | 4th year       |                  | 5th year       |                  |
|--------------------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|
|                                | Monthly        | Yearly           | Monthly        | Yearly           | Monthly        | Yearly           | Monthly        | Yearly           | Monthly        | Yearly           |
| Sales (Note-1)                 | 470,250        | 5,643,000        | 526,680        | 6,320,160        | 589,882        | 7,078,579        | 660,667        | 7,928,009        | 739,947        | 8,879,370        |
| <b>Less: Variable Cost:</b>    |                |                  |                |                  |                |                  |                |                  |                |                  |
| Production Cost (Note-2)       | 320,000        | 3,840,000        | 352,000        | 4,224,000        | 387,200        | 4,646,400        | 425,920        | 5,111,040        | 468,512        | 5,622,144        |
| <b>Total Variable Cost</b>     | <b>320,000</b> | <b>3,840,000</b> | <b>352,000</b> | <b>4,224,000</b> | <b>387,200</b> | <b>4,646,400</b> | <b>425,920</b> | <b>5,111,040</b> | <b>468,512</b> | <b>5,622,144</b> |
| <b>Cotribution Margin (CM)</b> | <b>150,250</b> | <b>1,803,000</b> | <b>174,680</b> | <b>2,096,160</b> | <b>202,682</b> | <b>2,432,179</b> | <b>234,747</b> | <b>2,816,969</b> | <b>271,435</b> | <b>3,257,226</b> |
| <b>Fixed Cost:</b>             |                |                  |                |                  |                |                  |                |                  |                |                  |
| Remuneration & Salary (Note-3) | 39,000         | 468,000          | 42,900         | 514,800          | 47,190         | 566,280          | 51,909         | 622,908          | 57,100         | 685,199          |
| Festival Bonus                 | 5,000          | 60,000           | 5,500          | 66,000           | 6,050          | 72,600           | 6,655          | 79,860           | 7,321          | 87,846           |
| Land Rent                      | 2,000          | 24,000           | 2,200          | 26,400           | 2,420          | 29,040           | 2,662          | 31,944           | 2,928          | 35,138           |
| Depreciation                   | 6,717          | 80,600           | 6,717          | 80,600           | 6,717          | 80,600           | 6,717          | 80,600           | 6,717          | 80,600           |
| Utility                        | 24,000         | 288,000          | 26,400         | 316,800          | 29,040         | 348,480          | 31,944         | 383,328          | 35,138         | 421,661          |
| Campaign & Promotional cost    | 3,000          | 36,000           | 3,300          | 39,600           | 3,630          | 43,560           | 3,993          | 47,916           | 4,392          | 52,708           |
| Packaging cost                 | 6,000          | 72,000           | 6,600          | 79,200           | 7,260          | 87,120           | 7,986          | 95,832           | 8,785          | 105,415          |
| Repairs & Maintenance          | 2,500          | 30,000           | 2,750          | 33,000           | 3,025          | 36,300           | 3,328          | 39,930           | 3,660          | 43,923           |
| Local transportation           | 2,000          | 24,000           | 2,200          | 26,400           | 2,420          | 29,040           | 2,662          | 31,944           | 2,928          | 35,138           |
| Others                         | 3,000          | 36,000           | 3,300          | 39,600           | 3,630          | 43,560           | 3,993          | 47,916           | 4,392          | 52,708           |
| <b>Total Fixed Cost (FC):</b>  | <b>93,217</b>  | <b>1,118,600</b> | <b>101,867</b> | <b>1,222,400</b> | <b>111,382</b> | <b>1,336,580</b> | <b>121,848</b> | <b>1,462,178</b> | <b>133,361</b> | <b>1,600,336</b> |
| <b>Net Profit</b>              |                | <b>684,400</b>   |                | <b>873,760</b>   |                | <b>1,095,599</b> |                | <b>1,354,791</b> |                | <b>1,656,890</b> |
| <b>Cumulative Net Profit:</b>  |                | <b>684,400</b>   |                | <b>1,558,160</b> |                | <b>2,653,759</b> |                | <b>4,008,550</b> |                | <b>5,665,440</b> |

## Pay Back Period Analysis:

|                        |  |         |  |         |  |         |  |           |  |           |
|------------------------|--|---------|--|---------|--|---------|--|-----------|--|-----------|
| Pay back period        |  | 205,320 |  | 349,504 |  | 545,176 |  |           |  |           |
| Cash in hand available |  | 479,080 |  | 524,256 |  | 550,423 |  | 1,354,791 |  | 1,656,890 |



# Break Even Analysis - Annex (2)

| Particulars                            | Monthly | Yearly    |
|--|---------|-----------|
| Contribution Margin Ratio:<br>(CM/Rev) | 32%     | 32%       |
| Break Even Point-Sales :<br>(FC/CM)    | 291,748 | 3,500,976 |

# Sales & Production Note - Annex (3)

## Details of Sales & Production cost (1st Year):

| Particulars                           | Quantity<br>(Kg/Ltr) | Unit Price<br>(BDT) | Monthly<br>(BDT) | Yearly<br>(BDT)  |
|---------------------------------------|----------------------|---------------------|------------------|------------------|
| <b>Note-1: Sales</b>                  |                      |                     |                  |                  |
| Chomchom                              | 3250                 | 135                 | 438,750          | 5,265,000        |
| Yogurt                                | 450                  | 70                  | 31,500           | 378,000          |
|                                       |                      |                     | <b>470,250</b>   | <b>5,643,000</b> |
| <b>Note-2: Production cost</b>        |                      |                     |                  |                  |
| Milk                                  | 6000                 | 33                  | 198,000          | 2,376,000        |
| Sugar                                 | 2000                 | 40                  | 80,000           | 960,000          |
| Flour                                 | 80                   | 35                  | 2,800            | 33,600           |
| Spice                                 | 2                    | 1600                | 3,200            | 38,400           |
| Labour (Person)                       | 3                    | 400                 | 36,000           | 432,000          |
|                                       |                      |                     | <b>320,000</b>   | <b>3,840,000</b> |
| <b><i>Cotribution Margin (CM)</i></b> |                      |                     | <b>150,250</b>   | <b>1,803,000</b> |



# Salary Breakdown- Annex (4)

| <b>Designation</b> | <b>No</b> | <b>Salary</b> | <b>Total</b>  |
|--------------------|-----------|---------------|---------------|
| Manager            | 1         | 10,000        | 10,000        |
| Worker             | 2         | 7,000         | 14,000        |
| Salesman           | 2         | 7,500         | 15,000        |
| <b>Total</b>       | <b>5</b>  |               | <b>39,000</b> |

# Cash Flow Statement - Annex (5)

| <i>Particulars</i>              | <i>Year-1</i>    | <i>Year-2</i>    | <i>Year-3</i>    | <i>Year-4</i>    | <i>Year-5</i>    |
|---------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Cash Inflow</b>              |                  |                  |                  |                  |                  |
| Entrepreneur's Contribution     | 500,000          | -                | -                | -                | -                |
| Investor's Investment           | 600,000          |                  |                  |                  |                  |
| Net Profit                      | 684,400          | 873,760          | 1,095,599        | 1,354,791        | 1,656,890        |
| Depreciation                    | 80,600           | 80,600           | 80,600           | 80,600           | 80,600           |
| Opening Balance of Cash Surplus | -                | 912,680          | 1,517,536        | 2,148,559        | 3,583,950        |
| <b>Total Cash Inflow</b>        | <b>1,865,000</b> | <b>1,867,040</b> | <b>2,693,735</b> | <b>3,583,950</b> | <b>5,321,440</b> |
| <b>Cash Outflow</b>             |                  |                  |                  |                  |                  |
| Property, Plant, Equipment      | 747,000          | -                | -                | -                | -                |
| Investment Pay Back             | 205,320          | 349,504          | 545,176          | -                | -                |
| <b>Total Cash Outflow</b>       | <b>952,320</b>   | <b>349,504</b>   | <b>545,176</b>   | <b>-</b>         | <b>-</b>         |
| <b>Total Cash Surplus</b>       | <b>912,680</b>   | <b>1,517,536</b> | <b>2,148,559</b> | <b>3,583,950</b> | <b>5,321,440</b> |

# Statement of Owner's Equity - Annex (6)

| Particulars   | Amount in BDT           |                         |                         |                         |                         |
|---|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|   | 1st Year                | 2nd Year                | 3rd Year                | 4th Year                | 5th Year                |
| <b>Lustre's Investment</b>                              | 500,000                 | 1,184,400               | 2,058,160               | 3,153,759               | 4,508,550               |
| Investor's Investment                                   | 600,000                 | 394,680                 | 45,176                  | (500,000)               | (500,000)               |
| <b>Total Investment</b>                                 | <b>1,100,000</b>        | <b>1,579,080</b>        | <b>2,103,336</b>        | <b>2,653,759</b>        | <b>4,008,550</b>        |
| Add: Net Profit   | 684,400                 | 873,760                 | 1,095,599               | 1,354,791               | 1,656,890               |
| <b>Ending Owners' Equity before payback to Investor</b> | <b>1,784,400</b>        | <b>2,452,840</b>        | <b>3,198,935</b>        | <b>4,008,550</b>        | <b>5,665,440</b>        |
| Less: Payback   | 205,320                 | 349,504                 | 545,176                 | -                       | -                       |
| <b>Ending Owners' Equity</b>                            | <b><u>1,579,080</u></b> | <b><u>2,103,336</u></b> | <b><u>2,653,759</u></b> | <b><u>4,008,550</u></b> | <b><u>5,665,440</u></b> |