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PRE-FEASIBILITY REPORT (DRAFT)

FOR

**SETTING UP AN EVAPORATED MILK AND CONDENSED MILK
MANUFACTURING UNIT IN OMAN**

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1. INTRODUCTION

1.1. PROJECT BRIEF

This report relates to a study on the feasibility of setting up a Evaporated and condensed milk manufacturing plant in the Sultanate of Oman.

The following is the Brief illustration of the project:

Name of Product		Evaporated Milk & Condensed Milk
Domestic Market Potential (as of 2019)		88,000 tons - Evaporated Milk 11,880 tons - Condensed Milk
Export Potential (as of 2018)		65,800 Tons - Evaporated Milk 176,297 Tons - Condensed Milk
Export Markets Considered		UAE
Capacity of the Project		6,500 Tons per annum
Total Investment		RO 2.950 million
Equity Investment		RO 1.180 million
Key Appraisal Criteria:		
IRR on total investment		12.4%
IRR on Equity		24.2%
Payback period of Total Investment		7 years 7 months
Payback period on equity		5 years 3 months
Break Even Point (as % of Capacity)		54.2%
Cash Break Even Point (as % of Capacity)		45.4%
Debt Equity Ratio		1.5 : 1
DSCR		2.271
Manpower	Total	35
	Nationals	15

1.2. PROJECT RATIONALE

The food sector in Oman is full of many production opportunities in products such as fruits, vegetables, dairy, canned food, cooking oils, poultry, meat and fish. The growth rate of food consumption in the neighbouring countries and the increase of the volume of imported food products is one of the factors that reflect the importance of this sector.

Currently the demand for Evaporated Milk and Condensed Milk are met by imports. For 2020, the local demand for evaporated milk is estimated at 85,310 tons and that for condensed milk is about 11,500 tons (*please refer to Demand section below*).

The proposed project will produce canned evaporated milk and condensed milk with an Omani brand. The project is proposed to be set up in Sohar Industrial city.

2. INDUSTRY ANALYSIS

2.1. MACROECONOMIC CONDITIONS

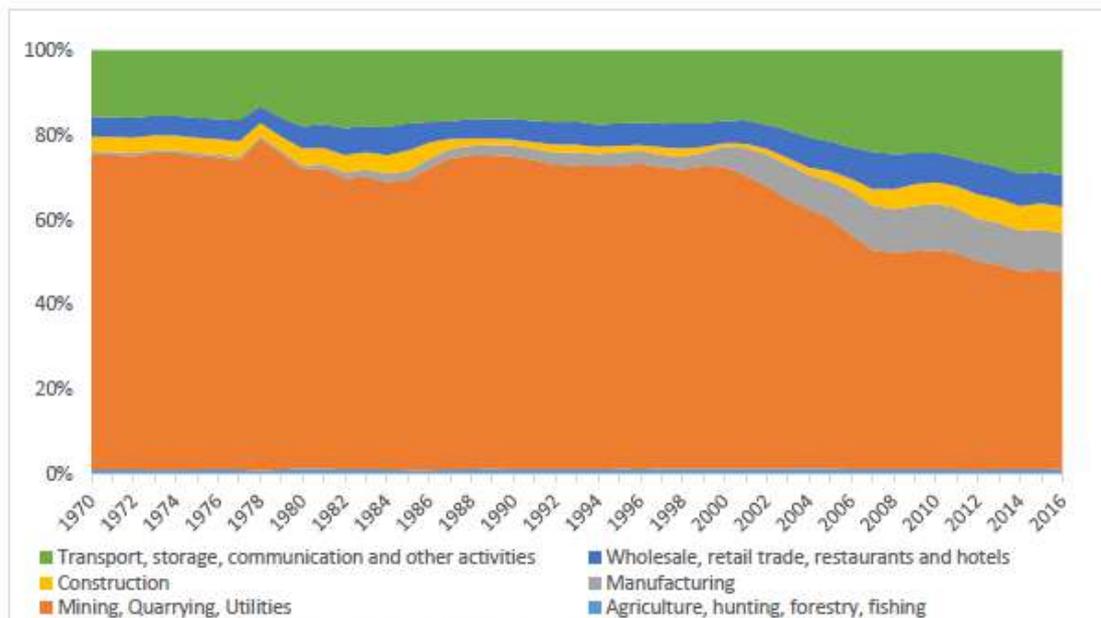
The recently published statistical bulletin from National Centre for Statistics and Information (NCSI) indicates that the GDP at market prices reduced by 15% during Year 2020 when compared to the Year 2019. This is mainly due to the dual impact of slump in oil prices and the COVID - 19 pandemic. As per the World Bank outlook a revival is expected in 2021 and in 2022 on an average of around 4%. The estimated GDP of Oman considering the past trend, current situation and the expected recovery is illustrated below:



Our average price of Oil for 2020 is USD 46/Barrel. We expect this to go up to USD 50/barrel in 2021 and USD 60/barrel in 2022.

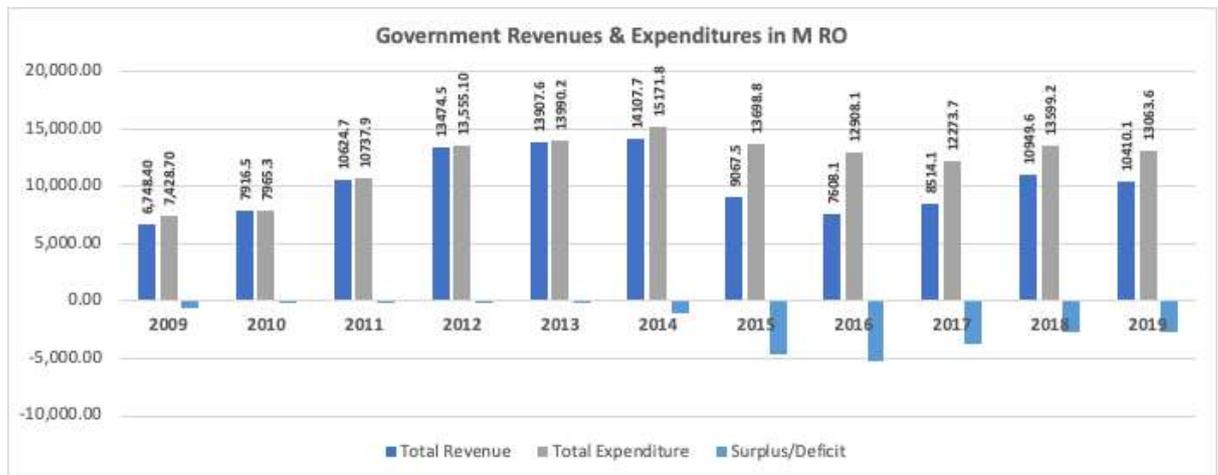
2.2. TREND IN ECONOMIC DIVERSIFICATION

Since the beginning of the millennium our economic activity has significantly moved away from oil as indicated below. The following graph gives data up to 2016. In 2019 Crude Petroleum contributed to 29.11% of GDP.



Source: UNIDO elaboration based on UN Statistics Division (2018)

However the Government income is still substantially dependent on Oil sector. The tightening of spending, introduction of VAT and increased revenues from Gas are expected to contain deficits to manageable levels by 2022.



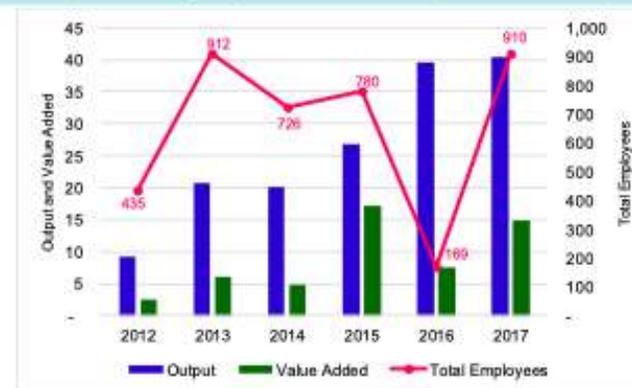
2.2.1. Dairy Industry in Oman - Brief Overview

The table below gives a brief overview of the number of units, no of employees, value addition of the dairy industry in Oman.

Year	Total Units	Total Employees	Book Value of Fixed Assets (VFA)	Materials	Imported Materials	Output	Value Added (VA)	Labour Efficiency (RO/Employee)	Capital Efficiency (VA/VFA)
	No.	No.	(RO million)				Rial Omani		
2012	3	435	1.4	5.3	3.8	9.2	2.4	5,517	1.75
2013	3	912	12.1	8.4	7.5	20.7	6.0	6,550	0.49
2014	2	726	10.9	13.5	9.2	20.1	4.8	6,652	0.44
2015	2	780	27.3	6.7	5.4	26.7	17.2	22,001	0.63
2016	2	169	2.8	35.4	30.8	39.7	7.6	44,834	2.70
2017	3	910	21.1	17.1	16.0	40.4	15.0	16,446	0.71

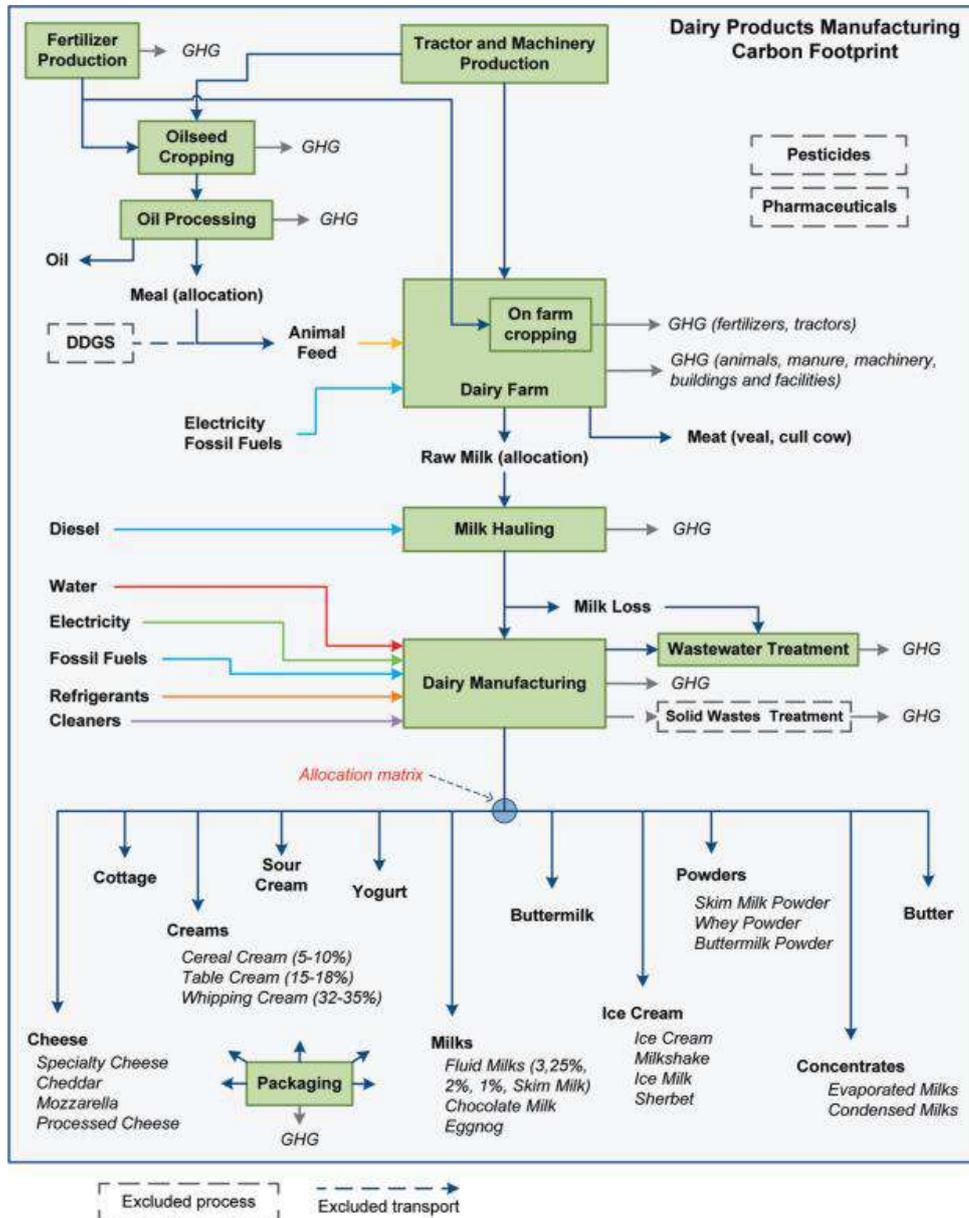
Source: Annual Industry Statistics, MOCI 2018

Dairy - Total Employment (in Nos.) and Output / Value Addition (in RO million)

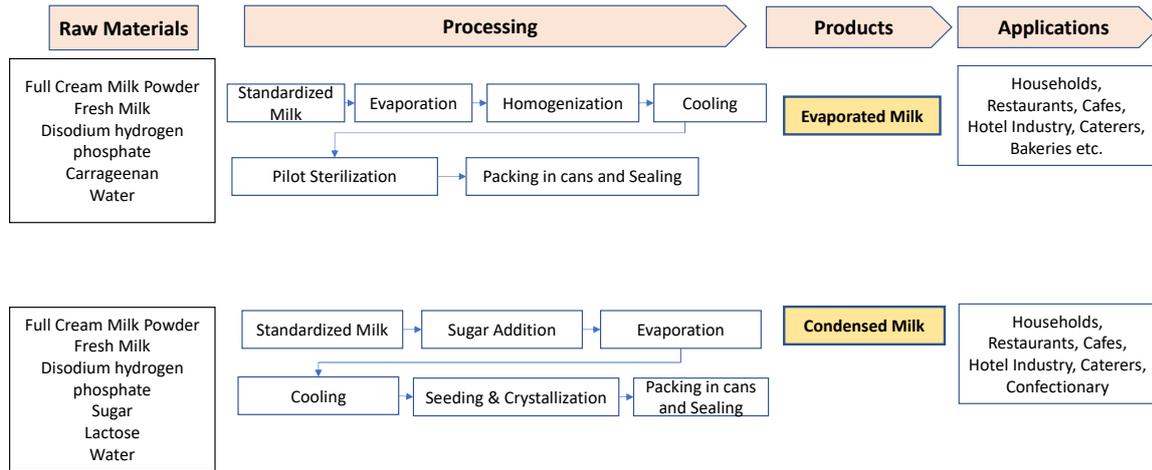


2.3. DAIRY - VALUE CHAIN ANALYSIS

The diagram below details the value analysis of the dairy sector.



The diagram below details the activities involved for the production of evaporated milk and condensed milk



2.4. GCC VALUE CHAIN

Dairy products were among the second most consumed food category in the GCC region. Saudi Arabia remained the largest consumer of dairy products (72.8% of the total consumption), followed by Kuwait (8.7%) and the UAE (8.2%) in 2016. Production of dairy products has grown at a fast pace of 9.4% between 2011 and 2016 to reach 3.1 million MT in comparison to other categories.

Consistent increase in production from Qatari, Saudi and Emirati producers contributed to the overall growth. Saudi Arabia continued to remain the major producer in the region accounting for 86.7% of the total production in 2016. The dairy industry is well established in the GCC region.

2.5. VALUE CHAIN ANALYSIS - OMAN

The self-sufficiency rate of dairy is 31% in the Sultanate, with the balance being imported. This 69% gap in dairy production represents an opportunity for investment. The establishment of Mazoon Dairy LLC in Wilayat Al Sunainah in Al Buraimi has helped enhanced the sufficiency of dairy products in terms of packaged milk and other dairy products like laban.

In Oman, there are about 4 units in the dairy sector. The recently established unit in Salalah Oman Milk products Company in Salalah which started its first phase

of operations in the last quarter of 2019, will be manufacturing the Evaporated Milk, UHT flavoured Milk, juices, nectors, still drinks, breakfast drinks, sweet condensed milk etc.

3. MARKET ANALYSIS

3.1. PRODUCT OVERVIEW

The following sections provide an overview of the market potential for the product Evaporated Milk and Condensed Milk

3.1.1. Evaporated Milk

Evaporated milk is produced when milk is condensed to half its volume by removing part of the moisture in a vacuum evaporator. However, at this concentration, the milk is still susceptible to microbiological spoilage so the evaporated milk is packaged in cans and heat-sterilized.

Evaporated milk can be stored for practically any length of time at a temperature of 0-15.C. It has a large and diverse market—consumed in tropical countries, at sea and for the armed forces, it is used when fresh milk is not available. It is also used as a substitute for breast milk, for cooking and as coffee cream and is primarily used for recombination in various processed foods such as breads and confectionery.

Evaporated milk is whole milk, partly skimmed milk or skimmed milk from which approximately 50 percent of the moisture has been removed. It must contain no less than 25 percent milk solids and 7.5 percent milk fat if whole milk was the raw material. The other two types of milk must be evaporated to contain no less than 17 percent of milk solids other than fat. The evaporated skimmed milk must not contain more than 0.3 percent of fat. Vitamins A, D and C may be added. In order to maintain its viscosity during the storage period, stabilizing salts such as sodium citrate, di-sodium phosphate or calcium chloride may be added. Sodium ascorbate may be added as a preservative.

Typical composition for Whole Evaporated Milk

Moisture	75.0%
Lactose	9.5%
Fat	7.5%
Proteins	6.5%
Ash	1.5%

3.1.2. Condensed Milk

Condensed milk is milk from which water has been removed (roughly 60% of it). It is most often found with sugar added, in the form of sweetened condensed milk (SCM). SCM is a very thick, sweet product, which when canned can last for years without refrigeration if not opened. Condensed milk is sweet and gooey, due to the fact that it is made of 40 percent to 45 percent sugar, which is cooked down and then mixed with whole milk. Raw milk is clarified and standardised to a desired fat to solid-not-fat (SNF) ratio and is then heated to 85–90°C for several seconds. This heating process destroys some microorganisms, decreases fat separation and inhibits oxidation. Some water is evaporated from the milk and sugar is added until a 9:11 (nearly half) ratio of sugar to (evaporated) milk is reached. The sugar extends the shelf life of sweetened condensed milk. Sucrose increases the liquid's osmotic pressure, which prevents microorganism growth. The sweetened evaporated milk is cooled, and lactose crystallization is induced. Sweet and condensed milk has a shelf life of 1-2 years provided storage conditions are cool and dry.

3.2. PRODUCT USES

3.2.1. Evaporated Milk

For many developing countries, evaporated milk is commonly consumed for its nutritional value. In developed countries, it is often used as an ingredient in various food preparations. Different food industries such as infant food producers, confectioneries, bakeries and dairies use evaporated milk as a concentrated source of milk in many of their finished products. Evaporated whole milk is purchased primarily by the confectionery industry while evaporated skimmed milk is commonly used as a source of milk solids in dairy applications and in the manufacture of ice cream, frozen yogurt and other frozen desserts. It can be heated easily (without precipitation of the proteins) to prepare sauces and to thicken puddings.

Reconstitution is obtained by adding an equal volume of water to evaporated milk.

3.2.2. Condensed Milk

Condensed milk in today's world is used in many sectors. Baking is one of the leading sectors that uses condensed milk in baked goods, condensed milk lends tenderness, moisture, and flavour to the recipes, as well as colour to the crust.

Also, condensed milk is very popular in desserts and sweets as it is a prime ingredient for pastry chefs to make various deserts.

Additionally, condensed milk is used in the confectionery sector it is commonly added while preparing toffee, candies, milk sweets and caramel.

A rising trend in the food and drinks sector is coffee shops modern coffee shops depend on condensed milk primarily to sweeten their coffee as it gives a richer texture and a smoother taste.

4. INDUSTRY OVERVIEW

4.1. EVAPORATED MILK - GLOBAL MARKET OVERVIEW

The global evaporated milk market size was valued at USD 4.97 billion in 2018 and is expected to register a CAGR of 2.3% from 2019 to 2025. Market growth can be attributed to factors such as wide scope in downstream application industry, high nutrition value, long shelf life, and affordable price. Evolving culinary trends is also boosting demand for evaporated milk in household applications.

- Europe is the largest regional market for evaporated milk and accounted for a share of over 31.0% in 2018 and is expected to register a CAGR of 2.4% over the forecast period owing to growing demand for dairy products with low sugar and fat content.
- Asia Pacific is estimated to be the fastest growing regional market with a CAGR of 2.7%. This can be attributed to high demand for milk alternatives from developing countries such as Malaysia and Thailand.
- Growing consumption of evaporated milk as an alternative to the regular kind in tea and coffee is a key factor boosting demand.
- Apart from these, factors like changing dietary patterns, economic growth, growing confectionary industry, and supportive government regulations are expected to boost regional growth through 2025.

4.1.1. Major Global Players - Evaporated Milk

The major global players in the market for evaporated milk are as listed below

- Nestle
- Arla
- Dana Dairy
- Fraser and Neave
- Friesland Campina

- Delta Food Industries
- Alaska Milk
- Yotsuba Milk Products
- Alokozay Group
- Eagle Family foods

4.2. CONDENSED MILK - GLOBAL MARKET OVERVIEW

The global condensed milk market is projected to grow at a CAGR of 4.07% during the forecast period.

- Germany, France, and Switzerland are the global manufacturing hotspots of the sweetened condensed milk.
- The major importers of sweetened condensed milk from the U.S. are Mexico, Philippines, Indonesia, Viet Nam, and Colombia.
- The extensive application of condensed milk in desserts and confectioneries is likely to drive the market in the near future.
- The demand for low-sugar foods, however, can hinder the growth of condensed milk, which is majorly sweetened for use in versatile food applications.
- North America is dominating the market followed by Europe. High consumption of desserts in North America is driving the growth of sweetened condensed milk in this segment.
- In Europe, Germany, France, and Switzerland are the major contributors to sweetened condensed milk market.
- Asia Pacific is projected to grow at a substantial rate over the forecast period. China and India are the major contributors to the growth of sweetened condensed milk market in Asia Pacific. However, increasing consumption of

sweetened condensed milk in beverages in developing countries is boosting the growth of this market in Asia Pacific.

- Brazil is anticipated to be the major contributor of sweetened condensed milk in rest of the world.

The global condensed milk market is fragmented with leading global and regional players fiercely competing with local manufacturers to gain market share. The global level market of condensed milk has been witnessing advancements in terms of product innovation. Companies are developing flavored options to capture the not so fragmented market. The players have adopted market strategies like the acquisition of regional companies and product innovation to strengthen their market position. Expenditure on research and development has been increasing as the market has the potential to evolve and emerge with healthier products.

4.2.1. Major Global Players - Condensed Milk

The major global players in the market for evaporated milk are as listed below:

- Nestle SA
- Santini Foods, inc
- Eagle Family Foods Group LLC
- Hochwald Foods GmbH
- Arla Foods

4.3. Global Trade

The HS Code 04029110 (Milk concentrated not containing added sugar or other sweetening matter, not in powder, granules or other solid) is considered for evaporated milk and HS Code 04029910 (Milk concentrated containing added sugar or other sweetening matter, not in powder, granules or other solid) is considered for condensed milk. The following sections details the Global trade of the top Countries in evaporated and condensed milk.

4.3.1. Major Global Exporters (2019)- Evaporated Milk

The table below illustrates the top major exporting countries in the world for evaporated milk.

Exporting Country	Exported quantity, Tons	Exported Value in USD (000)	Unit Value (USD/Ton)
Germany	269,280	300,055	1,114
Netherlands	228,248	354,776	1,554
Saudi Arabia	100,461	95,147	947
France	70,162	58,190	829
Peru	66,870	79,840	1,194
Belgium	48,225	73,169	1,517
South Africa	37,264	14,940	401
Australia	27,916	64,319	2,304
Malaysia	26,930	24,755	919
Luxembourg	22,783	28,891	1,268

Source: UN COMTRADE

The top major exporters of evaporate Milk are Germany, Netherlands and from the GCC, Saudi Arabia.

4.3.2. Major Global Exporters (2019)- Condensed Milk

The table below illustrates the top major exporting countries in the world for condensed milk.

Exporting Country	Quantity, Tons	value in, USD ' 000	Exported unit value, USD /Ton
Belgium	74,247	178,950	2,410
Saudi Arabia	223,029	153,381	688
Netherlands	62,954	152,036	2,415
Belarus	42,289	72,788	1,721
Spain	36,471	68,459	1,877
Germany	34,450	62,339	1,810
Malaysia	66,956	60,768	908
Chile	29,164	41,663	1,429
Australia	23,443	34,674	1,479
France	8,431	22,592	2,680

Source: UN COMTRADE

4.3.3. Major Global Importers - Evaporated Milk

Importers	2019		
	Imported quantity in Tons	Imported value in US Dollar thousand	Imported unit value, US Dollar/Tons
Saudi Arabia	76,568	143,837	1,879
Greece	114,918	116,528	1,014
Netherlands	132,463	105,384	796
Germany	93,437	98,393	1,053
United Arab Emirates	70,875	83,961	1,185
Belgium	75,194	75,038	998
Hong Kong, China	41,949	59,991	1,430
Libya, State of	30,758	48,870	1,589
Taipei, Chinese	16,726	45,515	2,721
France	26,570	43,525	1,638

Source: UN COMTRADE

4.3.4. Major Global Importers Condensed Milk

Importers	2019		
	Imported quantity in Tons	Imported value in US Dollar thousand	Imported unit value, US Dollar/Tons
Saudi Arabia	62,574	149,071	2,382
UAE	143,021	74,456	521
United Kingdom	37,008	72,267	1,953
Russian Federation	38,942	67,283	1,728
France	26,796	62,308	2,325
Netherlands	28,468	56,465	1,983
Philippines	52,421	45,009	859
Poland	14,546	42,052	2,891
United States of America	20,453	37,190	1,818
Germany	15,483	35,736	2,308

Source: UN COMTRADE

4.5. DEMAND ANALYSIS

4.5.1. Local Production

The demand for evaporated milk and condensed milk is met by imports. The recently established unit in Salalah Oman Milk products Company in Salalah which started operations in the last quarter of 2019 will be manufacturing the Evaporated Milk, UHT flavoured Milk, juices, nectors, still drinks, breakfast drinks, sweet condensed milk etc.

4.5.2. Demand Estimation for Evaporated Milk

4.5.2.1. Imports of Evaporated Milk

The retail audit in Oman indicates that there are no local products available. The total import of the product HS Code 04029110 (Milk concentrated not containing added sugar or other sweetening matter, not in powder, granules or other solid) in the last 6 years is presented below:

HS Code 04029110 - Evaporated milk						
Imports	2015	2016	2017	2018	2019	CAGR
Quantity In Tons	51,038	62,282	62,077	76,504	88,467	15%
Value In Rial Omani	20,954,164	25,396,766	25,545,139	32,273,435	40,857,802	18%

Source: Foreign Trade statistics from ROP

As per the data collected, it can be seen that the total imports in 2019 was around 88,467 tons and has been growing at a CAGR of 15 % for the period (2015 - 2019).

4.5.2.2. Export of Evaporated Milk

HS Code 04029110 - Evaporated milk					
Exports	2015	2016	2017	2018	2019
Quantity In Tons	93	78	248	29	357
Value In Rial Omani	98,272	15,448	92,047	18,909	181,980

Source: Foreign Trade statistics from ROP

As per the data collected, the total exports in 2019 was around 357 tons.

4.5.2.3. Reexports - Evaporated Milk

HS Code 04029110 - Evaporated milk					
Reexports	2015	2016	2017	2018	2019
Quantity In Tons	3,610	98	564	188	88
Value In Rial Omani	3,298,355	64,489	320,610	90,921	29,629

Source: Foreign Trade statistics from ROP 2019

4.5.2.4. Net Imports/Consumption - Evaporated Milk

The table below details the consumption of evaporated milk in Oman.

HS Code 04029110 - Evaporated milk						
Details	2015	2016	2017	2018	2019	CAGR
Imports	51,038	62,282	62,077	76,504	88,467	15%
Exports	93	78	248	29	357	40%
Reexports	3,610	98	564	188	88	-60%
Consumption	47,335	62,106	61,265	76,287	88,022	17%

Source: Foreign Trade statistics from ROP 2019

4.5.3. Demand Estimation for Condensed Milk

4.5.3.1. Imports - Condensed Milk

The total import of the product HS Code 04029910 is presented below:

HS Code 04029910 - Condensed Milk						
Imports	2015	2016	2017	2018	2019	CAGR
Quantity In Tons	12,857	9,323	20,967	20,028	20,316	12%
Value In Rial Omani	8,453,690	6,396,900	13,630,449	12,672,105	12,283,130	10%

Source: Foreign Trade statistics from ROP 2019

The total imports of condensed milk were about 20,310 tons in 2019 and has grown at a CAGR of 12 % in the period (2015 - 2019).

The majority of imports are from UAE, Holland and Saudi comprising of nearly 88 % of the total imports.

4.5.3.2. Exports - Condensed Milk

The total exports for the product with HS Code 04029910 for the last 6 years is presented in the table below.

HS Code 04029910 - Condensed Milk					
Exports	2015	2016	2017	2018	2019
Quantity In Tons	22	-	99	259	8,333
Value In Rial Omani	40,748		30,869	206,212	1,202,488

Source: Foreign Trade statistics from ROP 2019

4.5.3.3. Reexports - Condensed Milk

HS Code 4029910 - Condensed Milk						
Re Exports	2015	2016	2017	2018	2019	CAGR
Quantity In Tons	100	21	162	466	103	1%
Value In Rial Omani	7,192	220,444	68,958	355,739	32,513	46%

Source: Foreign Trade statistics from ROP 2019

4.5.3.4. Net Imports/Consumption of Condensed Milk

The consumption of condensed milk in Oman is detailed in the table below.

HS Code 4029910 - Condensed Milk						
Details	2015	2016	2017	2018	2019	CAGR
Imports	12,857	9,323	20,967	20,028	20,316	12%
Exports	22	-	99	259	8,333	341%
Reexports	100	21	162	466	103	1%
Consumption	12,735	9,302	20,706	19,303	11,880	-2%

Source: Foreign Trade statistics from ROP 2019

4.6. POTENTIAL FOR EXPORTS

Considering the proximity to the UAE markets, the potential for exports into UAE is detailed in the following sections.

4.6.1. Imports - Evaporated Milk (UAE)

The table below details the imports of HS Code 040291 into UAE for the last 5 years.

Details	2014	2015	2016	2017	2018	CAGR
Imports	56,855	43,599	54,540	57,376	65,844	4%
YoY Growth Rate		-23%	25%	5%	15%	

Source: UNCOM Trade

The imports of the product with HS code 040291 into the UAE have grown at a CAGR of 4 % in the period 2014 to 2018.

It can be seen that majority of imports are from Netherlands and Saudi Arabia. There is an export potential to sell to the UAE markets.

4.6.2. Imports - Condensed Milk (UAE)

The table below details the imports of the product HS code 040299 into UAE for the last 5 years.

Details	2014	2015	2016	2017	2018	CAGR
Imports	125,630	147,177	154,254	174,661	176,297	9%
YoY Growth		17%	5%	13%	1%	

Source: UNCOM Trade

There is an export potential to sell in the UAE markets.

4.7. DEMAND PROJECTION

The growth rate in the domestic market for the products is linked with the average population growth rate of Oman (3%).

For the potential export markets, the growth rate is considered after analysing the past trends of Oman's exports and the import trends of the potential markets Oman can export to.

4.7.1. Domestic Market

The demand projection for proposed products in domestic as well as export markets is presented in the table below.

Projected Demand (Local Market)	2020	2021	2022	2023	2024	2025	2026
Projected Demand - Evaporated Milk (in Tons)	85,381	85,381	87,942	90,581	93,298	96,097	98,980
Projected Demand - Condensed Milk (in Tons)	11,524	11,524	11,869	12,225	12,592	12,970	13,359
Growth Rate %		0%	3%	3%	3%	3%	3%

4.8. COMPETITION ANALYSIS

4.8.1. Evaporated Milk & Condensed Milk

4.8.1.1. Competitor Details

Oman Milk Products (Dairy)Company SFZCO LL is a subsidiary company to Oman Foodstuff Factory LLC which is one of the leading FMCG manufacturing Company in the Sultanate of Oman. Oman Milk Products (Dairy Company) SFZCO LLC which started its first phase operations by the end of 2019 will be manufacturing the Evaporated Milk, UHT flavoured Milk, juices, nectors, still drinks, breakfast drinks, sweet condensed milk etc under the same brand "Al Mudhish" in Salalah Freezone.

The unit is set up on an area of 150,000 square metres and has a production capacity of 570,000 tons.

The major imported brands for evaporated milk available in the market are Omela, Rainbow, Bonny Milk, Luna, Almarai etc. Based on the discussions with the Importers, Super Markets, Wholesalers and Retailers, the estimated market share of the major brands of evaporated milk is given below.

Brand - Evaporated Milk	Market Share
Rainbow	40%
Luna	20%
Almarai	5%
Omela	30%
Others	5%

The major imported brands of condensed milk in the market are Nestle, Rainbow and Luna.

Brand - Condensed Milk	Market Share
Rainbow	20%
Nestle	70%
Luna	5%
Others	5%

4.8.2. Marketing Mix of the Competition

4.8.2.1. Product Quality

○ Evaporated Milk

Storage temperature and time are two determining factors of the quality of evaporated milk. Commercial evaporated milk stays fresh for up to two years if held at a temperature of 0-16.C but deteriorates rapidly above 21.C. However all the brands available in the market have an expiry of 1 year from the date of manufacture. In terms of quality, Rainbow and Bonny Milk are considered as premium brands and are popular with the domestic segment, while Omela and Luna are popular in the institutional segment.

- **Condensed Milk**

The microbiological quality of the raw material for condensed milk is basically the same as required in the manufacture of ordinary milk products. The sugar concentration in the water phase must not be less than 62.5 percent or more than 64.5 percent. This saturated environment acts as a preservative so bacterial and mold growth can be controlled.

Sweet and condensed milk is yellowish in colour and has a creamy and viscous appearance.

Sweet and condensed milk can normally be stored for about 6 months at room temperature and lasts for about 5 days under refrigeration, after opening the can. Humidity of storage areas should be controlled below 50 percent to avoid the corrosion of the metal can. Inversion of the cans is a practical way to minimize the separation of fat and other constituents and to prevent the product from forming a surface cream line during extended storage. Prolonged storage (depending on storage conditions) may cause spoilage by sugar-fermenting yeasts, defects such as age thinning and age thickening. Swollen or blown cans indicate fermentation and spoilage and should not be used.

The condensed milk available in the market are from some of the world's reputed manufacturers like Nestle and Friesland and hence the quality of the same are considered good.

4.8.2.2. Packing

- **Evaporated Milk**

All the brands available in the market use cans for packing evaporated milk and the most popular pack sizes are 410 gms and 170 gms. Evaporated Milk are also available in portions for single serve use. Between these two sizes 410 gms, is very popular in both the institutional segment as well as the domestic segment. Single serve portions are popular in the hospitality and airline industry. The estimated share of 410 gms, is about 80% while that of 170 gms, is around 20%.

- **Condensed Milk**

Sweetened Condensed Milk comes in Tin Packs and the most popular size is 397 gms. Nestle brand is also available in as squeezy bottle for 450 g. The market share of 397 gms tin pack is as high as 95%.

4.8.2.3. Branding

- **Evaporated Milk**

Most of the brands in the market are owned by big European Manufacturers like Nestle, Friesland, etc. Omela which was a relatively late entrant in the market, was able to move to the top as the market leader, with its aggressive pricing and promotional strategies in the initial years. Omela brand is exceptionally strong in the Institutional segment of Restaurants, Coffee Shops, etc. Rainbow another leading brand is strong in the Domestic segment. Almarai, is another entrant in this market.

- **Condensed Milk**

The brands Nestle and Rainbow are some of the most popular and powerful international brands in the business of Condensed Milk.

4.8.2.4. Price & Margins

- **Evaporated Milk**

Brand	Country	Product variant	Pack Sizes	Retail Price (in RO)
Rainbow	Holland	Evaporated Milk	160 ml	0.25
		Rainbow Quality Milk Lite (Bundled Pack)	58mlx48	11
		Cardamom Evaporated	410 g	0.445
		Lite Evaporated (Bundled Pack)	48 X 170 g	10.75
		Evaporated Milk (Bundled Pack)	48 x 410 g	20.15
		Evaporated Milk Portion (single use)	10 pcs	0.46
		Rainbow Original Easy Open Evaporated Liquid Milk	385 ml	0.49

Brand	Country	Product variant	Pack Sizes	Retail Price (in RO)
Luna	Saudi Arabia	Full Cream Evaporated Milk	170 g	0.21
		Full Cream Evaporated Milk (Bundled Pack)	48X170 g	8.78
Almarai	Saudi Arabia	Evaporated Milk (Original)	170 g	0.19
		Evaporated Milk (Low Fat)	170 g	0.19
		Evaporated Milk (Original) - Bundled	6 X 170 g	0.95
Lulu		Evaporated Milk (Original)	170 g	0.16
		Evaporated Milk (Original)	410g	0.39
Omela	Holland	Evaporated Milk	405 g	0.33
		Bundled	96 X 169 g	14

○ **Condensed Milk**

Brand	Country	Product variant	Pack Sizes	Price (in RO)
Rainbow	Holland	Sweetened Condensed Milk	397 g	0.52
			3 x 397 g	1.29
Nestle	Swiss	Sweetened Condensed Milk Squeezy bottle	450 g	1.35
Luna	Saudi Arabia	Condensed Milk	395 g	0.495
		Condensed Milk	3 X 395 g	1.375

The retail price is set by the retailers and their mark up varies between 7% to 20%.

4.8.2.5. Promotion

○ **Evaporated Milk**

Evaporated milk cans are sold as per piece on retail outlets shelves. The same is promoted through discounts and bundle offers (eg. 3 + 1 free). The retailers promote the products by printing it on their regular promotion leaflets.

The most common dealer promotion involves giving free cartons along with the purchase of a certain number of cartons. For the consumers also some of the brands use a similar strategy as above.

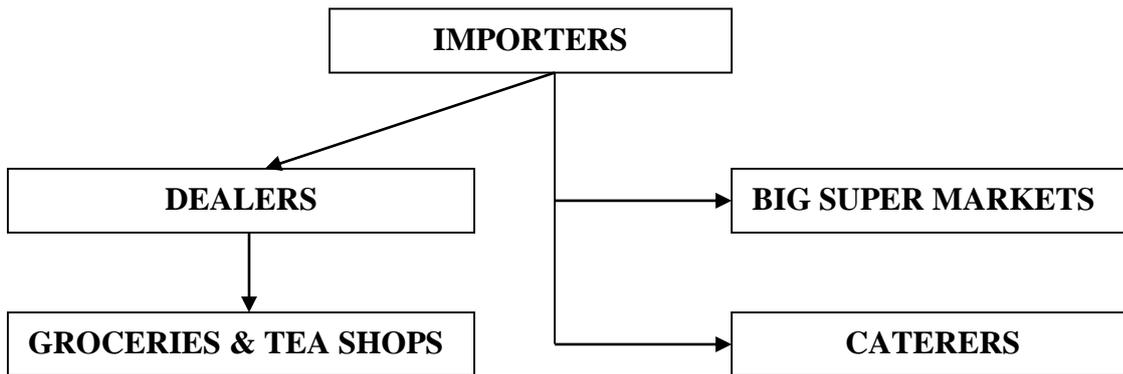
- **Condensed Milk**

Unlike the Evaporated Milk, the sale of Sweetened Condensed Milk is rather seasonal, bulk of the sale done during the Ramadan and other festival times and hence the promotional efforts are more during these times. The most common dealer promotion involves giving free cartons along with the purchase of a certain number of cartons. Consumer promotions involve giving additional discounts, tie-ins, and free gifts.

4.8.2.6. Distribution:

- **Evaporated Milk**

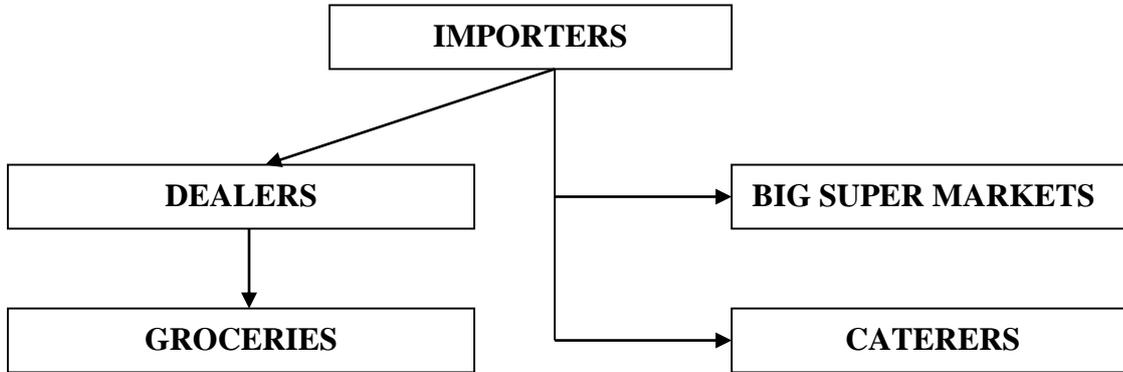
The Importers of Evaporated Milk sell the same directly to other dealers, Big super markets and caterers. Small super markets, groceries and tea shops are normally catered by the dealers. Thus, the distribution hierarchy is as below:



The Importers of Evaporated Milk like Al Reef L.L.C., W.J.Towell, etc., have their own ware houses and fleet of delivery vehicles, which deliver the products to various parts of the Sultanate.

○ **Condensed Milk**

The Importers of Condensed Milk sell the same directly to other dealers, Big super markets and caterers. Small super markets and groceries are normally catered by the dealers. Thus the distribution hierarchy is as below:



The Importers of Condensed Milk like Al Reef L.L.C., W.J.Towell, etc., have their own ware houses and fleet of delivery vehicles, which deliver the products to various parts of the Sultanate.

4.9. PROPOSED MARKETING MIX STRATEGY FOR THE PROJECT

4.9.1. Proposed Products & Specifications

The project will sell Evaporated Milk and Condensed Milk Cans. The proposed Sizes are as follows

Evaporated Milk : Tin Cans of Sizes 410gms & 170 gms

Condensed Milk : Tin Cans of Size 397 gms

4.9.2. Proposed Pricing

The following pricing is suggested based on competition analysis:

Product	Size	Local market	Export market
	gms	RO	
Evaporated Milk	170	0.132	0.130
Evaporated Milk	410	0.198	0.195
Condensed Milk	397	0.3	0.300

4.9.3. Promotion

The promotional activities of the company will concentrate on making awareness amongst the prospective customers on the quality and price of its products. Competent sales executives will be employed to create and maintain a good business relation with the prospective customers.

The promotional activities for the proposed project shall be as follows and can replicate the strategy adopted by the competition.

- Initial Promotional activities can be through display banners at key locations in the Sultanate.
- Apart from the display banners following options can be considered:
 - ❖ Print media
 - ❖ Events and other methods for promoting their products.
 - ❖ In store promotions like Distributing free samples etc,
- Discounts on the quantity / Bundled offers

4.9.4. Distribution

The company would sell directly to the following distribution system:

1. Retail Market
2. Institutional Market (Hotels/Restaurants/Catering Companies)

The study has benchmarked the sales and distribution expenses against the distribution expenses of the industry. Depending on the requirements, the distribution activities may be either carried out in-house or outsourced.

4.10. ESTIMATED MARKET SHARE OF THE PROPOSED PROJECT

4.10.1. Estimated Market Share

The potential sales and market share in the local market is presented in the table below.

Projected Market Share - Domestic	2023	2024	2025	2026	2027	2028	2029
Evaporated Milk							
Local Demand (in tons)	90,581	93,298	96,097	98,980	101,949	105,008	109,208
Local Sales (in tons)	2,340	2,806	3,745	4,211	4,214	4,214	4,214
Market Share	2.58%	3.0%	3.9%	4.3%	4.1%	4.0%	3.9%
Condensed Milk							
Local Demand (in tons)	12,225	12,592	12,970	13,359	13,760	14,173	14,598
Local Sales (in tons)	260	314	415	469	466	466	466
Market Share	2.1%	2.5%	3.2%	3.5%	3.4%	3.3%	3.2%
Total Sales in Local Market	2,600	3,120	4,160	4,680	4,680	4,680	4,680

The potential sales in the export market is presented in the table below.

Projected Sales - Exports	2023	2024	2025	2026	2027	2028	2029
Evaporated Milk							
Demand (in tons)	68,478	69,847	72,641	75,547	78,569	81,711	84,980
Export Sales (in tons)	585	704	935	1,054	1,056	1,056	1,056
Condensed Milk							
Demand (in tons)	183,349	187,016	194,496	202,276	210,367	218,782	227,533
Export Sales (in tons)	65	76	105	116	114	114	114
Total Sales in Export Market	650	780	1,040	1,170	1,170	1,170	1,170

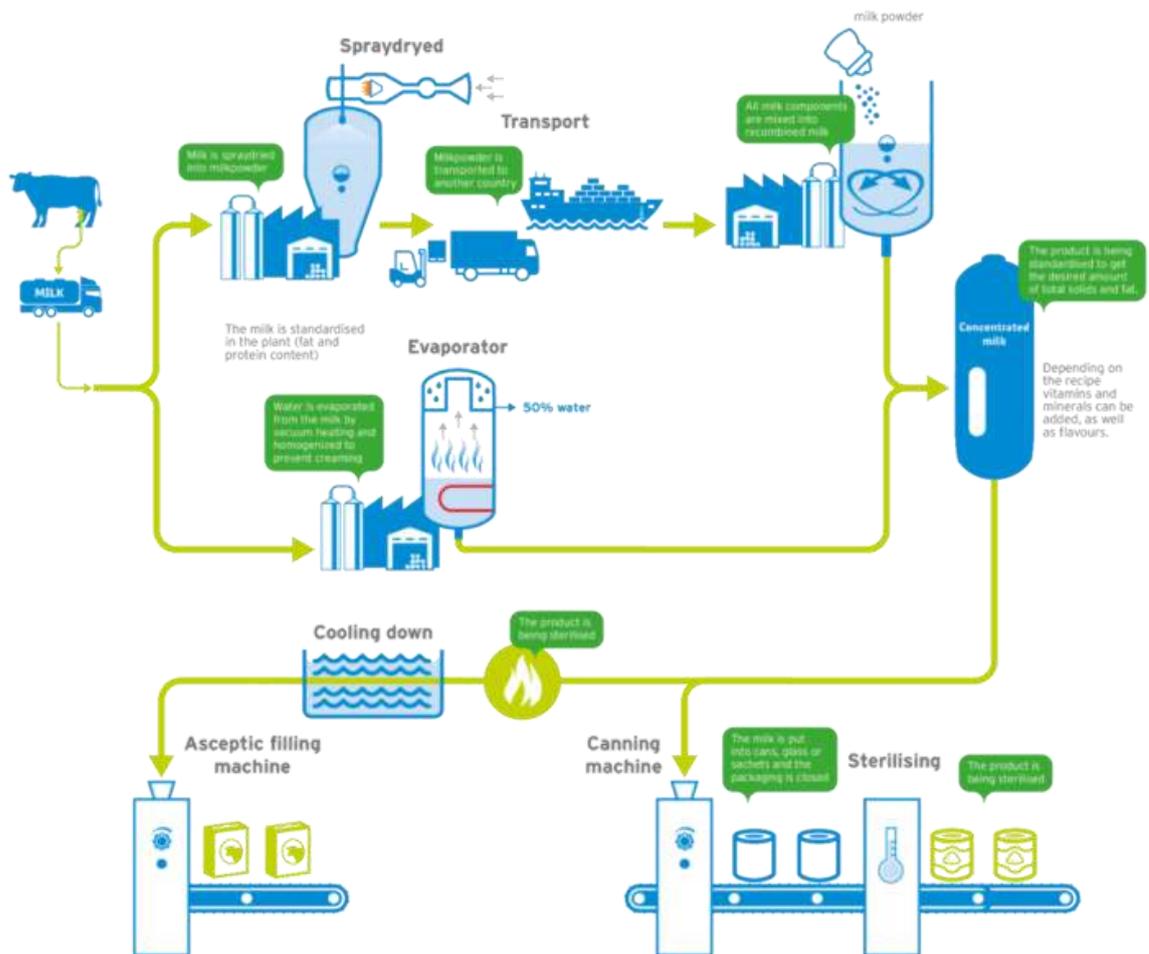
5. TECHNICAL ANALYSIS

5.1. LOCATION

The plant is proposed to be located in an area of 8000 Sq m. The land is to be acquired on lease. The project is proposed to be located in Sohar Industrial City.

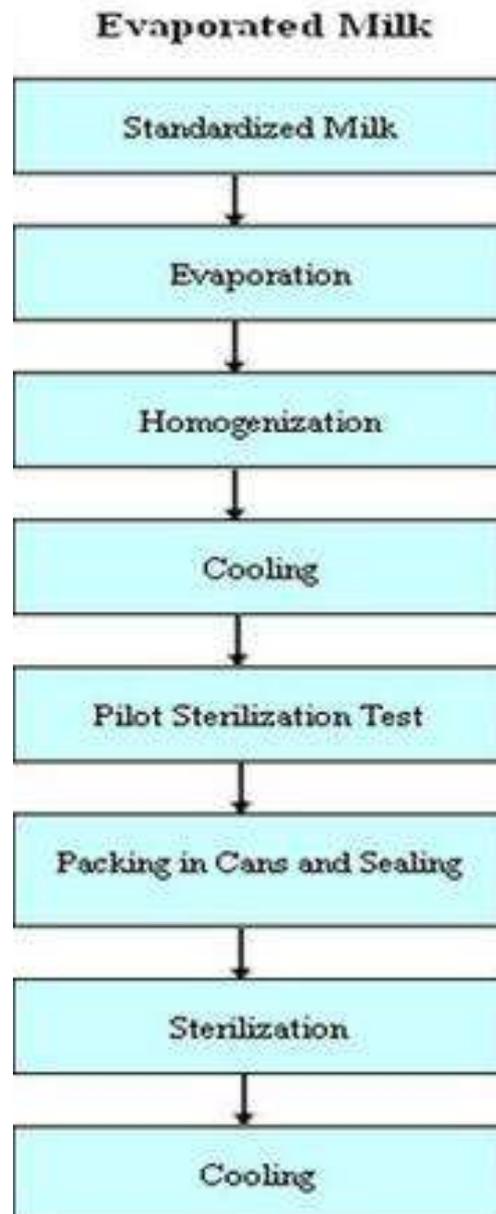
5.2. PROCESS & TECHNOLOGY

5.2.1. Evaporated Milk & Condensed Milk - Process

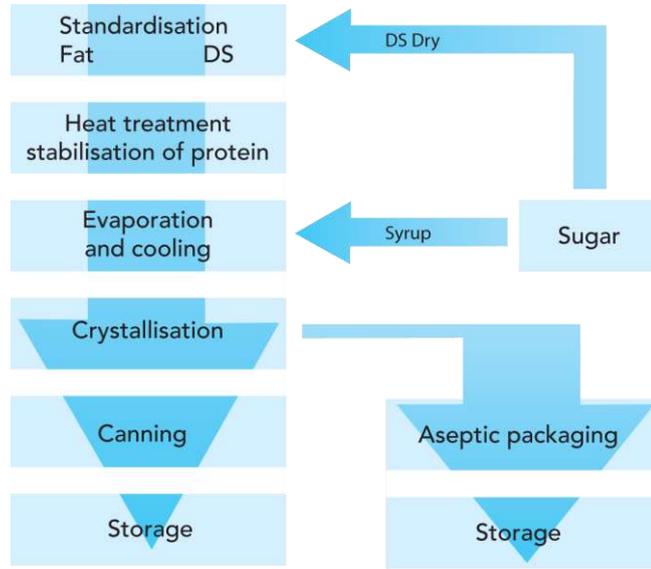


The processes involved for both evaporated Milk and Condensed Milk are illustrated below:

- **Evaporated Milk**



○ **Condensed Milk**



5.3. BUILDING & CIVIL WORKS

The industrial building will have a total area of area of 4,200M² as detailed below:

Details of Industrial Building		Area (Sq m)
1	Main Plant Building	3100
II	Utilities & Maintenance	150
III	Godowns & Warehouse	500
IV	Admin Building	150
V	Non factory Building	300
TOTAL		4,200

The total cost works out to **RO 815,000**. Details are in Annexure- 1.2

5.4. PLANT & MACHINERY

The Plant & Machinery include the machinery for Evaporated Milk and Condensed Milk. Machinery for the project will be acquired from the reputed Machinery Suppliers. The total cost of plant and machinery including electrification and installation comes to RO 1.303 million. Details are given in Annexure -1.3.

5.5. POTENTIAL MACHINERY SUPPLIERS

1. APV Invesys, Denmark
2. Shanghai Jimei Food Machinery Co., Ltd, China

5.6. ANNUAL PRODUCTION CAPACITY

The Installed capacity of the proposed plant is 6,500 Tons per annum. The can sizes considered for this project are for 170 gm, 410 gms and 397 gms.

5.7. VEHICLES

The cost of vehicle is estimated at RO 34,000. The details are given in Annexure 1.4.

5.8. FURNITURE

The total estimated cost of furniture and equipment is RO 11,000. The details and the break-up of the estimates are given in Annexure - 1.5.

5.9. RAW MATERIALS REQUIREMENT

The Raw materials required for the processing are as detailed below.

▪ **Evaporated Milk**

1. Full Cream Milk Powder
2. Fresh Milk
3. Disodium Hydrogen phosphate (E339)
4. Carrageenan - E407
5. Water

▪ **Condensed Milk**

1. Full Cream Milk Powder
2. Fresh Milk
3. Sugar (Sucrose)
4. Disodium Hydrogen phosphate (E339)
5. Lactose
6. Water.

5.10. UTILITIES

The total cost of utilities works out to RO 233,000.

5.10.1. Water

Water required for the production process will be procured from the Industrial City and is estimated at RO 0.770 per Cu. m. Water to be procured for other requirements (mainly for human usage in canteen, cafeteria, rest rooms etc.) will be procured from Public Authority for Water. The total water to be procured from PAW will be around 13,000 Cu.m and the cost of the procuring is estimated at RO 0.770 per Cu. m.

5.10.2. Gas

Fuel Gas required for the production process is estimated at RO 0.021 per Cu M. The total fuel gas requirement is around 500,000 Cu M. The cost of gas is estimated at approximately RO 10,500.

5.10.3. Electricity

- The annual consumption of electricity is estimated around 8.484 million KWH.
- Based on the current Cost Reflective Tariff (CRT) method, the per-unit rate of electricity considered is RO 0.030 per kWhr.

5.11. MANPOWER

The total manpower required for the operation is 35. The overall Omanization % considered is around 43%.

No	Staff Category	No of Personnel	
		Expat.	Omani
A1	PRODUCTION & MAINTENANCE		
1	Production Manager	1	0
2	Quality Manager	1	0
3	Maintenance Engineer (Mech)	1	0
4	Maintenance Engineer (Elect)	1	0
5	Laboratory Assistant	1	1
6	Production Supervisor	1	
7	Supervisor (Filling & Packing)		1
8	Operator (Recombination)	1	1
9	Operator(Vapourisation)	1	0
10	Operator(filling, seaming)	1	0
11	Operator retort area	1	1
12	Helpers(Labeing, packing)	1	2
13	Forklift Driver	1	
	Sub Total	12	6
A2	ADMINISTRATION		
1	General Manager	1	0
2	Chief Accountant	1	0
3	Office Assistant	1	2
4	Purchase Manager	1	
5	Warehouse Supervisor	1	1
6	Operators (Warehouse)	1	1
7	Helper		2
8	Sub Total	6	6
C	SALES		
1	Marketing Manager	1	0
2	Sales Executives	1	1
3	Sales Divers / Helpers		2
4	Sub Total	2	3
D	GRAND TOTAL	20	15

For details, refer Annexure - 2.3.

5.12. PROJECT IMPLEMENTATION & OPERATIONS MANAGEMENT

The project will be closely monitored by the project team to enable timely corrective action to avoid any time and cost over-runs. Experts will be absorbed in the project team as and when required. It is expected that all the plant personnel required for operating the plant will be deputed while the plant is fully commissioned. The deputed personnel will carry out the start-up and trial runs of the plant with the technical support from the engineers of equipment supplier.

5.13. SCHEDULE OF PROJECT IMPLEMENTATION

The critical activities include identification and allotment of land, civil construction and the erection of the plant. It will take about 18 months for completing erection, testing and commissioning of the plant.

6. FINANCIAL ANALYSIS

6.1. COST OF PROJECT

The total cost of the project is estimated at RO 3.017 million. Details are given in Annexure - I. The break-up is given below:

PROJECT COST	TOTAL COST (RO)
Land for Plant Site	37,000
Building etc.	815,000
Plant & Machinery	1,303,000
Vehicles and Int. Transport	34,000
Furniture & Office Equip.	11,000
Pre- Operative Expenses	226,000
Contingency & Escalation	119,000
Sub Total	2,545,000
Working Capital	472,000
TOTAL	3,017,000

6.1.1. Land

The total extent of land is 8,000 Sq Meters. The land is to be taken as lease. The development cost is RO 37,000. Please refer Annexure-1.1 for details.

6.1.2. Building & Civil Works

The total cost of building and civil works is estimated at R.O. 815,000. Details are given in Annexure- 1.2.

6.1.3. Plant & Machinery

The total cost of plant and machinery including erection cost is estimated at RO 1.303 million. Details are given in Annexure- 1.3.

6.1.4. Vehicles & Internal Transport

The cost of vehicles required for executives and sales purposes is RO 34,000. Details are given in Annexure- 1.4.

6.1.5. Furniture & Office Equipments

The total cost of furniture and office equipment is estimated at R.O 11,000. Details are given in annexure- 1.5.

6.1.6. Pre Operative Expenses

The pre-operative expenses include expenses for feasibility study, interest during project implementation, salaries and wages of project staff, travel and communication, legal fees, audit fees and other miscellaneous expenses. The total pre-operative expenses are estimated at R.O 226,000. Details are given in Annexure- 1.6.

6.1.7. Contingency & Escalation

A provision of 5 % of the estimated cost of items including building, plant & machinery, vehicles, technical know-how fee etc., is provided in the Project cost towards price escalation and any unforeseen expenses. This works out to RO 119,000. Details are given in Annexure- 1.7.

6.1.8. Working Capital

The following assumptions are made in the computation of working capital.

Details	Period
Acct. Receivable	2 Months
Raw Materials	2 Months
Utilities	1 Month
Factory Wages	1 Month
Admn. Expenses	1 Month
Sales Expenses	1 Month
Work in Progress	5 Days
Finished Goods	1 Month
Acct. Receivable	2 Months
Finance Cost	1 Month

The working capital requirements for the first 4 years of operation are given below. The working capital requirement in the first year comes to RO 471,000. Details are given in Annexure 1.9.

Particulars	Year 1	2	3	4
Working Capital Requirement (RO '000)	471	655	829	913

6.2. MEANS OF FINANCE

It is proposed to finance the Project as indicated in the following table.

Details	Total Cost(In RO)
Equity Capital	1,206,800
Bank Term Loan	1,527,000
Commercial Loan for Working Capital	283,200
TOTAL CAPITAL	3,017,000

It is proposed that the project cost of RO 3.017 million will be financed by owner's fund [equity] to the tune of RO 1.206 million, Bank Term loan of RO 1.527 million and commercial borrowings for working capital at R.O. 283,200. The Term loan

and working capital loan carries an interest 6% and 6%. Details are given in Annexure- 1

6.3. COST OF SALES

The estimated cost of sale for first ten years of operation is given in Annexure-2 and those of first five years are summarized as below:

Details		Year 1	Year 2	Year 3	Year 4	Year 5
		Figures in RO '000				
1	Raw Material	487	731	975	1097	1097
2	Packing mat & Consumables	211	316	422	474	474
3	Utilities	110	165	220	248	248
4	Factory Wages	98	101	104	107	110
5	PRIME COST	906	1313	1720	1926	1929
6	Rent for Land	8	8	8	8	8
7	Factory Overheads	47	77	88	92	97
8	Misc. Factory Exp.	24	35	45	51	51
9	FACTORY COST	985	1433	1861	2076	2084
10	Admin. Salaries	82	84	86	88	90
11	Admin. Expenses	19	19	19	19	19
12	Total Admin expenses	101	103	105	107	109
13	Sales Salaries	39	40	41	42	43
14	Sales Expenses	0	0	0	0	0
15	Advert. & Business Promotion	74	111	148	167	167
16	Distribution Expenses	59	89	118	133	133
17	Total sales & dist: costs	172	240	307	342	343
18	OPERATING COST	1258	1776	2274	2525	2536
19	Finance cost					
20	Int on Institutional finance	92	92	79	65	52
21	Int on working capital	17	26	32	32	32
22	Total finance cost	109	117	111	98	84
23	Non cash expenses					
24	Depreciation	194	194	194	194	194
25	Prelim Expenses written off	226	0	0	0	0
26	COST OF SALES	1786	2087	2578	2816	2814

6.3.1. Raw Materials

The cost of raw materials works out to RO 1.218 million. The cost packing materials cost RO 527,101 at installed capacity. Please refer Annexure 2.1 for details.

6.3.2. Utilities

The total cost of utilities is RO 275,000. The basis of estimate and the break up are given in Annexure - 2.2.

6.3.3. Salaries & Wages

The cost of salaries and wages is RO 218,400. Details are given in Annexure 2.3.

6.3.4. Factory Overheads

The annual expenses include repairs and maintenance, civil which is about RO 46,920, RO 77,055 and RO 87,645 in the first, second and third year respectively. Details are given in Annexure- 2.4.

6.3.5. Administrative Expenses

The basis of estimates of administrative expenses inclusive of salaries & wages is given in Annexure 2.5 and it works out to RO 100,783. Administrative expense include salaries and benefits, rents and rates, vehicle expenses, communication related expenses, rents/ rates, stationery, postage, etc.

6.3.6. Sales Expenses

Total sales expenses excluding advertising/commission etc are about 38,640. Details are given in Annexure- 2.6

6.3.7. Depreciation

Depreciation works out to RO 193,650 each for first ten years. In addition, a preliminary expense amount of RO 226,000 is written off in the first year of operation. Depreciation calculation is given in annexure- 2.7. The following are the rates considered for the calculation of depreciation.

<i>Assets</i>	<i>Life (years)</i>	<i>% of depreciation</i>
Buildings	20	5
Plant & Machinery	10	10

<i>Assets</i>	<i>Life (years)</i>	<i>% of depreciation</i>
Technical Know-How	10	10
Vehicles and Internal Transport	4	25
Furniture & Office Equipment	5	20
Contingency & Escalation	10	10

6.3.8. Loan & Interest Calculation

Interest rate for Bank term loan working capital loan is taken @ 6 % each. Repayment of term loan will start from 2 year. Details of interest calculations are given in Annexure- 2.8

6.4. INCOME TAX

No income tax is provided as the new units are exempted from tax for the first five years.15% tax is provided from sixth year onwards.

6.5. SALES REALIZATION

The annual sales realization at installed capacity is given as annexure 3.1. The annual sales realization is provided below:

Yr of operation	1	2	3	4	5
Sales - RO '000	1481	2221	2962	3333	3332

6.6. COST RATIOS

The major cost indicators as a percentage of sales realization are given in Annexure- 3.

Years of Operation	Year 1	Year 2	Year 3	Year 4	Year 5
COST RATIOS					
Raw Material / Total Sales	32.9%	32.9%	32.9%	32.9%	32.9%
Utilities / Total Sales	7.4%	7.4%	7.4%	7.4%	7.4%
Factory wages / Total Sales	6.6%	4.5%	3.5%	3.2%	3.3%
Prime Cost / Total Sales	61.2%	59.1%	58.1%	57.8%	57.9%
Factory exp. / Total Sales	4.8%	5.0%	4.5%	4.3%	4.4%
Factory Cost / Total Sales	66.5%	64.5%	62.8%	62.3%	62.5%
Administrative exp. / Total Sales	6.8%	4.6%	3.5%	3.2%	3.3%
Selling exp. / Total Sales	11.6%	10.8%	10.4%	10.2%	10.3%
Finanace Cost / Total Sales	7.3%	5.3%	3.7%	2.9%	2.5%
Non-Cash exp. /Total Sales	28.3%	8.7%	6.5%	5.8%	5.8%
Total Cost / Sales	120.6%	94.0%	87.0%	84.5%	84.4%

6.7. NET PROFIT AND PROFITABILITY ANALYSIS

As per the financial projection in Annexure - 3, the venture is financially viable.

The summary of the analysis is given under:

Details	Year 1	Year 2	Year 3	Year 4	Year 5
	<i>Figures are in RO '000</i>				
Revenue	1481	2221	2962	3333	3332
Operating Cost	1258	1776	2274	2525	2536
PBDIT	224	445	689	808	796
Depreciation	194	194	194	194	194
Finance Cost	109	117	111	98	84
Operating profit	-79	134	384	517	518
Prelim Exp. written off				-	
Profit/Loss before tax	-305	134	384	517	518
Income Tax	0	0	0	0	0
Profit after tax	-305	134	384	517	518
Profit for appropriation	-274	121	346	465	466
Net cash accruals	115	328	578	711	712

6.8. APPRAISAL CRITERIA

The viability of the project based on major appraisal criteria is given below.

Details	Value
IRR on total investment	14.8%
IRR on Equity	21.5%
Payback period of Total Investment	5 years 7 months
Payback period on equity	5 years 1 months
Break Even Point (as % of Production capacity)	42.8%
Cash Break Even Point (as % of Production capacity)	35%
DSCR	2.271
Total debt equity ratio	1.5 : 1

6.9. SENSITIVITY ANALYSIS

A sensitivity analysis has been carried out to determine the susceptibility of the project to changes in main variables. Effect on the IRR on equity investment, based on 10 years of operation due to change in various variables is as follows:

Particulars	Original	Volume Down by 5%	RM Cost up by 5%	Sales Realization Down by 5%
IRR on Investment	14.8	9.1	11.7	4.8
IRR on equity	21.5	11.6	16.1	4.7

7. CONCLUSION

The IRR on Total Investment for the project is 14.8% and the IRR on Equity Investment is 21.5%. Based on the various analyses done on the project, the project is found to be technically feasible and financially viable.

ANNEXURES - FINANCIALS

ANNEXURE- 1					
EVAPORATED & CONDENSED MILK PROJECT					
ESTIMATED PROJECT COST					
S.No.	Item	Refer	Amount		Remarks
			App.	(RO)	
A1	PROJECT COST				
1	Land for Plant Site	1.1	37,000		Estimates
2	Building etc.	1.2	646,000		Estimates
3	Plant & Machinery	1.3	1,303,000		Firm Offer & Estimates
4	Vehicles and Int. Transport	1.4	34,000		Estimates
5	Furniture & Office Equip.	1.5	11,000		Estimates
6	Pre- Operative Expenses	1.6	200,000		Estimates
7	Contingency & Escalation	1.7	119,000		Estimates
	Sub Total		2,350,000	2,350,000	
A2	WORKING CAPITAL		600,000	600,000	
A3	TOTAL CAPITAL			2,950,000	
	Say			2,950,000	
B	MODE OF FINANCE				
1	Equity			1,180,000	40%
2	Other Term loans			1,410,000	60%
3	Total			2,590,000	
4	Commercial Borrowings for Working Capital			360,000	60%
	TOTAL CAPITAL			2,950,000	

ANNEXURE- 1.1						
EVAPORATED & CONDENSED MILK PROJECT						
ESTIMATED COST OF LAND & SITE DEVELOPMENT						
S.No.	Item	Unit	Q'ty	Rate	Amount	Remarks
				(RO)	(RO)	
A	LAND					
1	Land for Plant	Sq. M	8,000	0	-	
B	SITE DEVELOPMENT					
1	Soil Testing					Lumpsum
2	Levelling	Sq. M			4,000	Lumpsum
3	Fencing	M	358	30	10,733	Concrete / Chain link
4	Paving /Roads	Sq. M	200	15.000	3,000	Int-O-Lock Tiles
5	Sewerage/Drainage	M			3,000	Lumpsum
6	Gate ,Gate House & Misc.	Set			5,000	Lumpsum
7	Prov for Roads				5,000	
8	Prov for gas connection					
9	Prov for Electric line				5,000	
10	Prov for Water line fron ring main				1,000	
	Sub Total				36,733	
C	TOTAL				36,733	
	Say				37,000	Sum (B1 to B10)

ANNEXURE- 1.2						
EVAPORATED & CONDENSED MILK PROJECT						
ESTIMATED COST OF BUILDING & CIVIL WORKS						
S.No.	Item		Area (SqM)	Rate (RO)	Amount (RO)	Remarks
A	MAIN PLANT BUILDINGS					
1	Production Area	Sq. M	2,600	150	390,000	RCC
2	Store	Sq. M	500	150	75,000	
	Sub Total		3,100		465,000	Sum (A1 to A7)
B	UTILITIES & MAINTENANCE					
1	Compressor Room	Sq. M				
2	Electrical Room	Sq. M				
3	Workshop	Sq. M				
4	Effluent treatment	Sq. M				
	Sub Total		150	120	18,000	Sum (B1 to B4)
C	GODOWNS / WARE HOUSES					
1	Raw Material Storage	Sq. M	500			
2	Warehouse	Sq. M				
	Sub Total		500	150	75,000	Sum (C1 to C2)
D	ADMINISTRATIVE BUILDINGS					
1	Office	Sq. M	150	150	22,500	RCC
	Sub Total				22,500	Sum (D1 to D2)
E	NON FACTORY BUILDINGS					
1	Canteen	Sq. M	200			Masonry wall & steel roof
2	Change Room	Sq. M	100			Masonry wall & steel roof
	Sub Total		300	120	36,000	Sum (E1 to E2)
F	OTHER CIVIL WORKS					
1	Water Tank	Set			5,000	
2	Other Misc. Civil Works				5,400	(lumpsum)
3	Associated Electro-mechanical works				-	
	Sub Total				10,400	
	TOTAL				626,900	
G	ENGINEERING FEES					
1	Design				9,404	At 1.5% on built up area cost
2	Supervision				9,404	At 1.5% on built up area cost
	Sub Total				18,807	
H	TOTAL		4050		645,707	
	Say				646,000	

ANNEXURE- 1.3					
EVAPORATED & CONDENSED MILK PROJECT					
ESTIMATED COST OF PLANT & MACHINERY					
S.No.	Item	Rate	Amount	Amount (RO)	Remarks
	MAIN PLANT & MACHINERY				
A	MAIN PLANT		Euro		
1	SCM mixing	0.44	148,800	65,472	Budgetary offer
2	Processing of SCM	0.44	445,140	195,862	Budgetary offer
3	Can handling and filling	0.44	735,700	323,708	Budgetary offer
4	CIP plant	0.44	93,990	41,356	Budgetary offer
5	Product recovery from CIP plant	0.44	16,700	7,348	Budgetary offer
6	Lactose grinder / drying oven	0.44	16,500	7,260	Budgetary offer
7	Stainless steel pipes system	0.44	55,880	24,587	Budgetary offer
8	Service piping	0.44	136,260	59,954	
9	MCC and cables	0.44	107,260	47,194	
10	Boiler plant	0.44	101,240	44,546	
11	Refrigeration plant	0.44	87,900	38,676	
12	Compressed air plant	0.44	33,280	14,643	
13	Water supply plant	0.44	66,340	29,190	
14	Spare parts for two years	0.44	75,400	33,176	
15	Laboratory equipment	0.44	69,380	30,527	
16	Floor tiles and drain	0.44	33,100	14,564	
17	Sterilisation of unsweetened condensed milk	0.44	288,490	126,936	
	Sub Total		2,511,360	1,104,998	
F	Models and Cases				
G	AT SITE COST				
1	Total Plant			1,104,998	Sum A+B+C+D+E+F
2	Spares - Import				Included in the offer
3	Spares - Local				Lumpsum
4	Packaging & Pre Carriage Cost	0.44	45,860	20,178	Included in the offer
5	Sea Freight & Insurance	0.44	60,500	26,620	
6	C I F Cost			1,151,797	
7	Import duty			-	
8	Clearing & Transport to Site			11,518	At 1% of G5
9	At Site Cost			1,163,315	
H	ERECTED COST				
1	At Site Cost			1,163,315	
2	Cost of erection - Local(Engineering , Design &	0.44	101,640	44,722	Lumpsum
3	Technical Supervision -Import	0.44	196,760	86,574	Included in the offer
4	Accommodation, Food Etc.			8,000	Lumpsum
5	TOTAL ERECTED COST			1,302,611	
	Say			1,303,000	

ANNEXURE- 1.4						
EVAPORATED & CONDENSED MILK PROJECT						
ESTIMATED COST OF VEHICLES & INTERNAL TRANSPORT						
S.No.	Item		Q'ty	Rate	Amount	Remarks
			(Nos.)		(RO)	
A	VEHICLES					
1	Pick Up		3	7500	22,500	For Production / Sales
	Sub Total		3		22,500	
B	TRANSP. EQUIPMENT					
1	Fork lift truck (1.5 tons)	1.5T	1	8000	8,000	
	Sub Total				8,000	
	Registration, Painting Spares etc				3,050	10% of the Above
C	TOTAL				33,550	
	Say				34,000	

ANNEXURE- 1.5				
EVAPORATED & CONDENSED MILK PROJECT				
ESTIMATED COST OF FURNITURE & OFFICE EQUIPMENT				
S.No.	Item	Q'ty	Amount	Remarks
			(RO)	
A	OFFICE			
1	P.C with Printer		2,000	Lumpsum
2	Photocopier	1	500	Lumpsum
3	Fax, Telephone	Set	200	Lumpsum
4	Other Office Equipment	Set	3,000	Lumpsum
5	Office Furnitures	Set	5,000	Lumpsum
	Sub Total		10,700	
	TOTAL		10,700	
			11,000	

ANNEXURE- 1.6				
EVAPORATED & CONDENSED MILK PROJECT				
ESTIMATED COST OF PRE-OPERATIVE EXPENSES				
S.No	Item		Amount	Remarks
		(RO)	(RO)	
1	Preliminary Expenses		5,000	Upto formation of Co.
2	Feasibility Studies		7,500	DPR
3	Project Management Expenses		58,750	2.5% on Project Cost
4	Company Employees			
a	Salary & benefits - Works Manager	1,960		2 Months
b	Salary & benefits - Production Staff	7,448		1 Month
c	Salary & benefits - Admin. Staff	6,832		1 Month
d	Salary & benefits - Sales Staff	3,080		1 Month
e	Visa, Passage etc.	20,600		RO 2500 for Senior Managers, RO 1100 for managers and RO 900 for the lower positions
	Sub Total		39,920	
5	Financing Cost			
a	Institutional Loan Interest	21,150		At 3% for 6months
b	Mortgage & Gurantee Expenses	21,150		At 1.5% on Institu: Loan
c	Capital goods Import duty gurantee	0		
d	Other Bank Charges	5,000		Lumpsum
	Sub Total		47,300	
6	Communication		1,350	
7	Travel		2,500	Lumpsum
8	Recruitment Charges		1,500	Lumpsum
9	Audit Fees, Legal Fees		2,500	Lumpsum
10	Insurance		7,796	At 0.4 % of Plant & Bldg.
13	Start Up Expenses		10,000	Estimate
14	Product Launching, Advt. etc.		10,000	Provision
15	Miscellaneous		5,500	Provision
16	Total		199,616	
	Say..		200,000	

ANNEXURE- 1.7					
EVAPORATED & CONDENSED MILK PROJECT					
ESTIMATES OF CONTINGENCY AND ESCALATION					
S.No.	Item	Cost	Rate	Provision	Remarks
		(RO)	(%)	(RO)	
A	FIXED ASSETS				
1	Land for Plant Site	37000	0.0	-	
2	Building etc.	815000	5.0	40,750	
3	Plant & Machinery	1303000	5.0	65,150	
4	Technical Know-How	0	5.0	-	
5	Vehicles and Int. Transport	34000	5.0	1,700	
6	Furniture & Office Equip.	11000	5.0	550	
7	Pre- Operative Expenses	226000	5.0	11,300	
	TOTAL			119,450	
				119,000	say

ANNEXURE- 1.8

EVAPORATED & CONDENSED MILK PROJECT

ESTIMATES OF WORKING CAPITAL REQUIREMENTS

S.No.	Item	Req.	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Remarks	
			In RO '000							
1	Acct. Receivable	2 Months	281	329	419	462	462	463	Cost of sales - Non C Ex.	
2	Raw Materials	2 Months	102	122	162	183	183	183		
3	Utilities	1 Month	11	14	18	21	21	21		
4	Factory Wages	1 Month	8	8	9	9	9	9		
5	Admn. Expenses	1 Month	8	9	9	9	9	9		
6	Sales Expenses	1 Month	23	27	35	39	39	39		
7	Work in Progress	5 Days	17	20	26	29	29	29	At Factory Cost	
8	Finished Goods	1 Month	141	165	210	231	231	231	At total Cost-Non cash	
9	Finance Cost	1 Month	9	9	9	8	7	6	At Finance Cost	
10	Total		600	702	897	990	990	990		
	Say		600	703	897	991	990	990		

ANNEXURE- 2

EVAPORATED & CONDENSED MILK PROJECT

ESTIMATED TOTAL COST

	Year of Operation	1	2	3	4	5	6	7	8	9	10	
	Capacity Utilisation (%)	50%	60%	80%	90%							
No	Item	In RO '000										Remarks
1	Raw Material	609	731	975	1097	1097	1097	1097	1097	1097	1097	Ref. Annexure 2.1
2	Packing mat & Consumables	281	337	449	505	505	505	505	505	505	505	Included in Raw Mat.
3	Utilities	138	165	220	248	248	248	248	248	248	248	Ref. Annexure 2.2
4	Factory Wages	98	101	104	107	110	113	117	120	124	128	Ref Annexure 2.3
5	PRIME COST	1125	1334	1748	1957	1960	1963	1966	1970	1974	1977	Sub total of 1 to 4
6	Rent for Land	8	8	8	8	8	9	9	9	9	9	Lease Rental @ RO 1 for or first 5 years
7	Factory Overheads	47	65	88	92	97	101	107	112	117	123	Ref Annexure 2.4
8	Misc. Factory Exp.	30	35	46	51	52	52	52	52	53	53	At 2.5 % of (5)&(6)
9	FACTORY COST	1210	1442	1890	2108	2116	2126	2134	2143	2153	2163	Sub total of 5 to 7
10	Admin. Salaries	82	84	87	90	92	95	98	101	104	107	Ref Annexure 2.3&2.5
11	Admin. Expenses	19	19	19	19	19	19	19	19	19	19	Ref Annexure 2.5
12	Total Admin expenses	101	103	106	108	111	114	117	120	123	126	Sum (9) to (11)
13	Sales Salaries	37	38	39	40	42	43	44	45	47	48	Ref Annexure 2.3&2.6
14	Sales Expenses	0	0	0	0	0	0	0	0	0	0	Ref Annexure 2.6
15	Advert.& Business Promotion	90	108	144	163	163	163	163	163	163	163	At 10% of Sales
16	Distribution Expenses	144	173	231	260	260	260	260	260	260	260	At 10 % of local Sales
17	Total sales & dist: costs	272	320	415	463	464	465	467	468	469	471	Sum of (13 to 16)
18	OPERATING COST	1582	1865	2410	2679	2691	2705	2718	2731	2745	2759	Sum(8)+(12)+(17)
19	Finance cost											
20	Int on Institutional finance	85	85	73	60	48	36	24	12	0	0	Ref Annexure 2.8
21	Int on working capital	22	26	34	34	34	34	34	34	34	34	Ref Annexure 2.8
22	Total finance cost	106	111	107	95	82	70	58	46	34	34	Sum(19)+(20)
23	Non cash expenses											
24	Depreciation	185	185	185	185	185	185	185	185	185	185	Ref Annexure 2.7
25	Prelim Expenses written off	200	0	0	0	0	0	0	0	0	0	Ref Annexure 2.7
26	TOTAL COST	2074	2161	2702	2959	2959	2960	2961	2962	2964	2978	Sum18+21+22+23

ANNEXURE- 2.1							
EVAPORATED & CONDENSED MILK PROJECT							
ESTIMATED COST OF RAW MATERIALS							
S.No.	Item	Composition	Unit	Qty	Rate	Amount (RO)	Remarks
A	RAW MATERIALS						
A1	Evaporated Milk						For the production of 5,850 MT
1	Full Cream Milk Powder	29.67%	MT	1,736	582	1,010,174	\$ 1,500 / MT
2	Fresh Milk	0.00%	MT	0	520	-	
3	Disodium Hydrogen Phosph (E 339)	0.10%	MT	6	227	1,328	\$ 585 / MT
4	Carrageenan - E407	0.02%	MT	1	3,541	4,142	\$ 9,125 / MT
5	Water	70.21%		4,107	0.600	2,464	
6	Sub Total	100.00%		5,850		1,018,109	
7	Wastage	5.00%		6158		50,905	
	TOTAL					1,069,015	
A2	Condensed Milk						For the production of 650 MT
1	Full Cream Milk Powder	29.67%	MT	193	582	112,242	\$ 1,500 / MT
2	Fresh Milk	0.00%	MT	0	520	-	
3	Sugar (Sucrose)	45.00%	MT	293	103	30,075	\$ 265 / MT
4	Disodium Hydrogen Phosphate (E 339)	0.10%	MT	1	227	148	\$ 585 / MT
5	Lactose	0.02%	MT	0	256	33	\$ 660 / MT
6	Water	25.21%		164	0.600	98	
7	Sub Total	100.00%		650		142,596	
8	Wastage	5.00%				7,130	
	TOTAL					149,725	
A3	TOTAL RAW MATERIAL COST					1,218,740	
B	PACKING & CONSUMPTION MATERIALS						
B1	Tin Cans						
1	Tin Cans for 410 grms		Nos in '000	11,415	28.564	326,048	4,680 MT of E. Milk in 410 grams
2	Tin Cans for 170 grms		Nos in '000	6,882	22.388	154,082	1,170 MT of E. Milk in 170 grams
3	Tin Cans for 397 grms		Nos in '000	1,637	22.581	36,971	650 MT of C. Milk in 397 grams
	Sub Total			19,934		517,101	
B2	Cartons						
1	Tin Cans for 410 grms		Nos in '000	238	100.00	23,780	48 Tin Cans / Carton
2	Tin Cans for 170 grms		Nos in '000	72	100.00	7,169	96 Tin Cans / Carton
3	Tin Cans for 397 grms		Nos in '000	34	100.00	3,411	48 Tin Cans / Carton
	Sub Total			344		34,361	
B3	Other Consumables						
1	Stretch Wrap Film					5,000	Lumpsum
2	Adhesive tape, labels etc.					5,000	Lumpsum
	Sub Total					10,000	
	TOTAL PACKING & CONSUMPTION					561,462	

ANNEXURE- 2.2						
EVAPORATED & CONDENSED MILK PROJECT						
ESTIMATED COST OF UTILITIES						
S.No.	Item	Unit	Qty	Rate	Amount	Remarks
					(RO)	
	UTILITIES					
1	Fuel Gas	Cu M	500,000	0.021	10,500	
2	Water	Cu M	13,000	0.770	10,010	
3	Electricity	KWH	8,484,000	0.030	254,520	
	TOTAL				275,030	
4				Say	275,000	

ANNEXURE- 2.3							
EVAPORATED & CONDENSED MILK PROJECT							
ESTIMATES OF ANNUAL SALARIES AND WAGES							
S.No.	Item	No of	Salary		Salary	Amount	Remarks
		personnel	(RO)		(RO)	(RO)	
		Expat.		Omani			
A1	PRODUCTION & MAINTENANCE						
a	Basic Salary						
1	Production Manager	1	700	0		8,400	
2	Quality Manager	1	600	0		7,200	
3	Maintenance Engineer (Mech)	1	450	0		5,400	
4	Maintenance Engineer (Elect)	1	450	0		5,400	
5	Laboratory Assistant	1	250	1	350	7,200	
6	Production Supervisor	1	250			3,000	
7	Supervisor (Filling & Packing)		250	1	400	4,800	
8	Operator (Recombination)	1	180	1	350	6,360	
9	Operator(Vapourisation)	1	180	0	350	2,160	
10	Operator(filling, seaming)	1	180	0	350	2,160	
11	Operator retort area	1	180	1	350	6,360	
12	Helpers(Labeing, packing)	1	100	2	325	9,000	
13	Forklift Driver	1	200			2,400	
	Sub Total	12		6		69,840	
b	Total Manpower Cost						
1	Total Salary	12		6		69,840	
2	Other Benefits					27,936	At 40 % of Salary
3	Total Production Staff Cost	12		6		97,776	
A2	ADMINISTRATION						
a	Basic Salary						
1	General Manager	1	1200	0		14,400	
2	Chief Accountant	1	600	0		7,200	
3	Office Assistant	1	280	2	350	11,760	
4	Purchase Manager	1	450			5,400	
5	Warehouse Supervisor	1		1	400	4,800	
6	Operators (Warehouse)	1	250	1	350	7,200	
7	Helper			2	325	7,800	
8	Sub Total	6		6		58,560	
b	Total Manpower Cost						
1	Total Salary	6		6		58,560	Above a3
2	Other Benifits					23,424	At 40 % of Salary
3	Total Admin Staff Cost	6		6		81,984	
C	SALES						
a	Sales						
1	Marketing Manager	1	600	0		7,200	
2	Sales Executives	1	350	1	450	9,600	
3	Sales Divers / Helpers			2	400	9,600	
4	Sub Total	2		3		26,400	
b	Total Manpower Cost						
1	Total Salary	2		3		26,400	Sum of above a5
2	Other Benifits					10,560	At 40 % of Salary
3	Total Sales Staff Cost	2		3		36,960	
D	GRAND TOTAL	20		15		216,720	
			Omanization	43%			

ANNEXURE- 2.4					
EVAPORATED & CONDENSED MILK PROJECT					
ESTIMATES OF ANNUAL FACTORY EXPENSES					
S.No.	Item	Year	Year	Year	Remarks
		1	2	3	
1	Repairs & Maintenance	6,515	1,303	19,545	At 0.5 %. 1% and 1.5% of erected cost of Plant and Machinery in year 1, year 2 and Year 3 respectively.
2	Civil Repairs	8,150	12,225	16,300	At 1 %. 1.5% and 2% of of cost of Building and Civil Works in year 1, year 2 and Year 3 respectively.
3	Spare Parts	6,515	26,060	26,060	At 0.5%, 2.0% and 2.0% of at site cost of Plant and Machinery in year 1, year 2 respectively.
4	Insurance	21,180	21,180	21,180	At 1 % of cost Building, Plant and Machinery
5	Vehicle Expenses				
a	Pickups (3 nos)	2,160	2,160	2,160	At RO 60 pm
b	Fork lift truck (1.5 tons)	2,400	2,400	2,400	At RO 120 pm
	TOTAL	46,920	65,328	87,645	

ANNEXURE- 2.5			
EVAPORATED & CONDENSED MILK PROJECT			
ESTIMATES OF ANNUAL ADMINISTRATIVE EXPENSES			
S.No.	Item	Amount	Remarks
		(RO)	
	ADMINISTRATION		
1	Salaries & Benefits	81,984	
2	Rents and Rates	2,000	At RO .25 per sq m
3	Vehicle Expenses & Petrol	1,500	
4	Telephone, Fax, Stationery, Postage etc.	4,000	
5	Medical Expenses	-	Incl. in Staff Benefits
6	Passage	-	Incl. in Staff Benefits
7	Travel & Recruitment	4,000	Lumpsum
8	Legal, Audit Fees	500	Lumpsum
9	Rates & Taxes	1,000	
10	Insurance	1,000	
11	Miscellaneous	4,799	At 5 % of above
12	Total	100,783	

ANNEXURE- 2.6			
EVAPORATED & CONDENSED MILK PROJECT			
ESTIMATES OF ANNUAL SALES EXPENSES			
S.No.	Item	Amount	Remarks
		(RO)	
	SALES		
1	Salaries	38,640	See Annexure 2.3
2	Advertisement	-	Provided in CoS
3	Business Promotion	-	Provided in CoS
	Total	38,640	

ANNEXURE- 2.7						
EVAPORATED & CONDENSED MILK PROJECT						
DEPRECIATION CALCULATIONS						
	Item	Cost	Rate	S.V.	Amount	Renewals
			(%)	(RO)	(RO)	
A	FIXED ASSETS					
1	Land for Plant Site	37,000	0	-	-	Nil
2	Building etc.	646,000	5	323,000	32,300	Nil
3	Plant & Machinery	1,303,000	10	-	130,300	Year 11
4	Technical Know-How	-	10	-	-	Nil
5	Vehicles and Int. Transp.	34,000	25	17,000	8,500	Years 5, 9
6	Furniture & Office Equip.	11,000	20	-	2,200	Years 6, 11
7	Contingency & Escalation	119,000	10	-	11,900	Nil
8	Sub Total	2,150,000		340,000	185,200	
B	PRELIM & PRE OPE: EXP	200,000	100	-	200,000	Nil
C	WORKING CAPITAL					
1	Working Capital	567,900	0	567,900	-	
D	TOTAL			907,900	385,200	
	Less Balance Loan			-		
E	SALVAGE VALUE			907,900		
	Note: S.V. = Salvage Value at the end of 10th year.					

ANNEXURE- 3											
EVAPORATED & CONDENSED MILK PROJECT											
ESTIMATED WORKING RESULTS											
Year of Operation	1	2	3	4	5	6	7	8	9	10	
Installed Capacity (MT)	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	
Production (MT)	2,600	3,900	5,200	5,850	5,850	5,850	5,850	5,850	5,850	5,850	
Capacity Utilisation (%)	40%	60%	80%	90%	90%	90%	90%	90%	90%	90%	
Item	In RO '000										Remarks
Operating Cost	1,582	1,865	2,410	2,679	2,691	2,705	2,718	2,731	2,745	2,759	Ref Annexure 2
Expected Sales											
Export	362	433	578	650	650	650	650	650	650	650	Ref Annexure 3.1
Local	1,444	1,733	2,311	2,600	2,600	2,600	2,600	2,600	2,600	2,600	Ref Annexure 3.1
Sub Total	1,806	2,166	2,889	3,251	3,250	3,250	3,250	3,250	3,250	3,250	Sum of (2a+2b)
Profit before Int & dep	224	301	479	572	559	545	532	519	505	491	Sum of (2-1)
Depreciation	185	185	185	185	185	185	185	185	185	185	Ref Annexure 2.7
Finance Cost	106	111	107	95	82	70	58	46	34	34	Ref Annexure 2.8
Operating profit	(68)	5	187	292	291	290	289	288	286	272	Sum of (3 - 4 - 5)
Other income if any											
Prelim Expenses written off	200	-	-	-	-	-	-	-	-	-	Ref Annexure 2.7
Profit/Loss before tax	(268)	5	187	292	291	290	289	288	286	272	Sum of (6 - 7 - 8)
Income Tax	-	-	-	-	-	43	43	43	43	41	NA
Profit after tax	(268)	5	187	292	291	246	246	245	243	231	
Statutory reserve	-	1	19	29	29	25	25	24	24	23	
Profit for appropriation	(268)	5	168	263	262	222	221	220	219	208	
Dividend	-	-	-	-	-	-	-	-	-	-	
General reserve	(268)	5	168	263	262	222	221	220	219	208	Difference (13) - (14)
Net cash accruals	117	190	372	477	476	431	431	430	428	416	

ANNEXURE- 4														
EVAPORATED & CONDENSED MILK PROJECT														
PROJECTED CASH FLOW STATEMENT														
	Year of Operation		1	2	3	4	5	6	7	8	9	10		
No	Item		In RO '000										Remarks	
A	CASH INFLOW													
1	Equity	1,180	-	-	-	-	-	-	-	-	-	-	-	Ref Annexure 1
2	Profit bef tax & int		(162)	116	294	386	374	360	347	334	320	306		Ref Annexure 3
3	Depreciation	-	185	185	185	185	185	185	185	185	185	185		Ref Annexure 2.7
4	Prel exp written off		200	-	-	-	-	-	-	-	-	-		Ref Annexure 2.7
5	Increase in Other term loan	1,410	-	-	-	-	-	-	-	-	-	-		Ref Annexure 1
6	Increase in Istitu: Loan	-	-	-	-	-	-	-	-	-	-	-		Ref Annexure 1
7	Increase in W C loan	360	72	136	-	-	-	-	-	-	-	-		Ref Annexure 1
8	Other income	-												Ref Annexure 3
9														
10	Sub Total	2,950	296	437	479	572	559	545	532	519	505	491		Sum of A1 to A8
B	CASH OUTFLOW													
1	Capital Project expenditure	2,150	-	-	-	-	34	11	-	-	34	-		Ref Annexure 1& 2.7
2	Other normal cap exp	200												Ref Annexure 1& 2.7
3	Increase in Working Cap:	600	103	194	94	(1)	-	-	-	-	-	-		Ref Annexure 1.7
4	Decrease in Institu:Loan	-	-	-	-	-	-	-	-	-	-	-		Ref Annexure 2.8
5	Decrease in Other term loan		-	201	201	201	201	201	201	201	-	-		
6	Decrease in W. Capital Loan		-	-	-	-	-	-	-	-	-	-		
7	Interest on term loans		85	85	73	60	48	36	24	12	-	-		Ref Annexure 2.8
8	Interest on work cap loan		22	26	34	34	34	34	34	34	34	34		Ref Annexure 2.8
9	Income Tax	-	-	-	-	-	-	43	43	43	43	41		Ref Annexure 3.2
10	Dividend	-	-	-	-	-	-	-	-	-	-	-		Provision
11	Sub Total	2,950	209	506	402	295	318	326	303	291	111	75		Sum of B1 to B10
C	OPENING BALANCE	-	-	87	17	94	371	612	831	1,060	1,289	1,683		
D	SURPLUS	-	87	(69)	77	277	241	219	229	228	394	416		Difference(A9)-(B11)
E	CLOSING BALANCE	-	87	17	94	371	612	831	1,060	1,289	1,683	2,099		

ANNEXURE- 5													
EVAPORATED & CONDENSED MILK PROJECT													
INTERNAL RATE OF RETURN ON TOTAL CAPITAL (AFTER TAX)													
	Year of Operation		1	2	3	4	5	6	7	8	9	10	
No	Item		In RO '000										Remarks
A	CASH INFLOW												
1	Net Profit bef. Tax		(268)	5	187	292	291	290	289	288	286	272	Refer Annexure - 3
2	Depreciation	-	185	185	185	185	185	185	185	185	185	185	Ref Annexure 2.7
3	Prelim Exp written off		200	-	-	-	-	-	-	-	-	-	Ref Annexure 2.7
4	Finance Cost	-	106	111	107	95	82	70	58	46	34	34	Ref Annexure 2.8
5	Salvage Value	-	-	-	-	-	-	-	-	-	-	2,898	Ref Annexure 2.7
6	Sub Total	-	224	301	479	572	559	545	532	519	505	3,389	Sum of A1 to A5
B	CASH OUTFLOW												
1	Capital Project expenditure	2,150	-	-	-	-	34	11	-	-	34	-	Refer Annexure - 1
2	Other normal cap exp	200	-	-	-	-	-	-	-	-	-	-	Refer Annexure - 1
3	Working Capital	600	103	194	94	(1)	-	-	-	-	-	-	Refer Annexure - 1
4	Income Tax		-	-	-	-	-	43	43	43	43	41	Refer Annexure - 3.2
5	Sub Total	2,950	103	194	94	(1)	34	54	43	43	77	41	Sum of B1 to B4
C	NET CASHFLOW (AT)	(2,950)	121	107	385	573	525	491	489	476	428	3,348	
E	INTERNAL RATE OF RETURN ON TOTAL INVESTMENT										12.4%	%	

ANNEXURE- 6

EVAPORATED & CONDENSED MILK PROJECT

INTERNAL RATE OF RETURN ON EQUITY CAPITAL (AFTER TAX)

Year of Operation			1	2	3	4	5	6	7	8	9	10	
No	Item	In RO '000											Remarks
A	CASH INFLOW												
1	Net Profit before Tax	-	(268)	5	187	292	291	290	289	288	286	272	Refer Annexure- 3
2	Depreciation	-	185	185	185	185	185	185	185	185	185	185	Refer Annexure - 2.7
3	Prelim Exp written off	-	200	-	-	-	-	-	-	-	-	-	Refer Annexure - 2.7
5	Salvage Value	-	-	-	-	-	-	-	-	-	-	2,898	Refer Annexure - 2.7
6	Sub Total	-	224	301	479	572	559	545	532	519	505	3,389	Sum of A1 to A4
B	CASH OUTFLOW												
1	Equity	1,180	-	-	-	-	-	-	-	-	-	-	Refer Annexure - 1
2	Fixed Assets	-	-	-	-	-	34	11	-	-	34	-	Refer Annexure - 1
3	Working Capital	-	31	58	94	(1)	-	-	-	-	-	-	Refer Annexure - 1
4	Loan Instalment	-	-	201	201	201	201	201	201	201	-	-	Refer Annexure - 2.8
5	Income Tax	-	-	-	-	-	-	43	43	43	43	41	Refer Annexure - 3.1
6	Sub Total	1,180	31	260	295	200	235	256	245	245	77	41	Sum of A1 to A5
C	NET CASHFLOW	(1,180)	193	41	183	371	323	289	288	275	428	3,348	
D	INTERNAL RATE OF RETURN ON EQUITY INVESTMENT								24.2	%			

ANNEXURE- 7														
EVAPORATED & CONDENSED MILK PROJECT														
PROJECTED BALANCE SHEET														
	Year of Operation		1	2	3	4	5	6	7	8	9	10		
No	Item	In RO '000											Remarks	
A	ASSETS EMPLOYED													
1	Fixed Assets													
a	Gross Fixed Assets	2,150	2,150	2,150	2,150	2,150	2,184	2,195	2,195	2,195	2,229	2,229	Refer Annexure - 2.7	
b	Preliminary expenses	200	-	-	-	-	-	-	-	-	-	-	Refer Annexure- 2.7	
c	Acc. Depreciation	-	185	370	556	741	926	1,111	1,296	1,482	1,667	1,852	Refer Annexure - 2.7	
d	Net Fixed Assets	2,350	1,965	1,780	1,594	1,409	1,258	1,084	899	713	562	377		
2	Current Assets													
a	Cash	-	87	17	94	371	612	831	1,060	1,289	1,683	2,099	Refer Annexure - 4	
b	Other Cur. Assets	600	703	897	991	990	990	990	990	990	990	990	Refer Annexure - 1.7	
c	Total Cur. Assets	600	790	914	1,085	1,361	1,602	1,821	2,050	2,279	2,673	3,089		
3	Less: Cur. Liabilities	-	-	-	-	-	-	-	-	-	-	-		
		2,950	2,754	2,694	2,680	2,770	2,860	2,905	2,949	2,992	3,235	3,466		
B	FINANCED BY													
1	Equity	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	1,180	Refer Annexure - 1	
2	Statutory reserve		-	1	19	48	78	102	127	151	176	199		
2	General reserves	-	(268)	(263)	(95)	168	430	652	873	1,093	1,312	1,520	Cu.NP-Cu.Divident	
3	Other term loan	1,410	1,410	1,209	1,007	806	604	403	201	-	-	-	Refer Annexure - 2.8	
4	Institutional Finance	-	-	-	-	-	-	-	-	-	-	-	Refer Annexure - 2.8	
5	Bank Borrowings	360	432	568	568	568	568	568	568	568	568	568	Refer Annexure - 2.8	
		2,950	2,754	2,694	2,680	2,770	2,860	2,905	2,949	2,992	3,235	3,466		

ANNEXURE- 9

EVAPORATED & CONDENSED MILK PROJECT

RATIO ANALYSIS

	Years of Operation	1	2	3	4	5	6	7	8	9	10
A	COST RATIOS										
1	Raw Material / Total Sales	33.7%	33.8%	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%	33.7%
2	Utilities / Total Sales	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%
3	Factory wages / Total Sales	5.4%	4.6%	3.6%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%
4	Prime Cost / Total Sales	62.3%	61.6%	60.5%	60.2%	60.3%	60.4%	60.5%	60.6%	60.7%	60.8%
5	Factory exp. / Total Sales	2.6%	3.0%	3.0%	2.8%	3.0%	3.1%	3.3%	3.4%	3.6%	3.8%
6	Factory Cost / Total Sales	67.0%	66.6%	65.4%	64.8%	65.1%	65.4%	65.7%	65.9%	66.2%	66.5%
7	Administrative exp. / Total Sales	5.6%	4.8%	3.7%	3.3%	3.4%	3.5%	3.6%	3.7%	3.8%	3.9%
8	Selling exp. / Total Sales	15.0%	14.8%	14.4%	14.2%	14.3%	14.3%	14.4%	14.4%	14.4%	14.5%
9	Finanace Cost / Total Sales	5.9%	5.1%	3.7%	2.9%	2.5%	2.2%	1.8%	1.4%	1.0%	1.0%
10	Non-Cash exp. /Total Sales	21.3%	8.5%	6.4%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
11	Total Cost / Sales	114.8%	99.8%	93.5%	91.0%	91.0%	91.1%	91.1%	91.1%	91.2%	91.6%
B	PROFITABILITY RATIOS										
1	PBDIT / Sales	15.1%	20.1%	23.2%	24.2%	23.9%	23.5%	23.1%	22.8%	22.4%	22.0%
2	Operating profit / Sales	-5.3%	6.0%	13.0%	15.5%	15.6%	15.6%	15.6%	15.6%	15.6%	15.2%
3	PAT / Sales	-20.6%	6.0%	13.0%	15.5%	15.6%	13.2%	13.2%	13.3%	13.3%	12.9%
4	PAT / Investment	-11.1%	4.9%	14.1%	18.9%	19.0%	16.1%	16.1%	16.2%	16.2%	15.7%
5	Payout Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
6	EPS	-227	100	287	386	386	329	329	330	330	321

ANNEXURE- 10								
EVAPORATED & CONDENSED MILK PROJECT								
BREAK EVEN ANALYSIS								
S.No.	Item	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Remarks
In RO '000								
A	FIXED COST							
1	Production Wages	98	101	104	107	110	113	Refer Annexure - 2
2	Factory Overhads	47	65	88	92	97	101	Refer Annexure - 2
3	Misc. Factory Exp.	30	35	46	51	52	52	Refer Annexure - 2
4	Admin. Expenses	101	103	106	108	111	114	Refer Annexure - 2
5	Sales Expenses	272	320	415	463	464	465	Refer Annexure - 2
6	Depreciation	185	185	185	185	185	185	Refer Annexure - 2
7	Prelim. Expenses written off	200	0	0	0	0	0	Refer Annexure - 2
8	Financing Cost	106	111	107	95	82	70	Refer Annexure - 2
9	Income Tax	0	0	0	0	0	43	Refer Annexure - 2
10	Sub Total	1038	920	1050	1101	1101	1145	
B	VARIABLE COST							
1	Raw materials	609	731	975	1097	1097	1097	Refer Annexure - 2
2	Utilities	138	165	220	248	248	248	Refer Annexure - 2
3	Misc. Expenses	0	1	2	3	4	5	
4	Sub Total	747	897	1197	1347	1348	1349	
C	SALES	1806	2166	2889	3251	3250	3250	Refer Annexure - 3
D	CONTRIBUTION	1059	1269	1692	1903	1902	1901	Difference C - B
E	BREAK EVEN POINT	98.0	72.5	62.0	57.9	57.9	60.2	As % of Production
		49.0	43.5	49.6	52.1	52.1	54.2	As % of Plant Capacity
F	CASH BEP	61.6	57.9	51.1	48.1	48.2	50.5	As % of Production
		30.8	34.7	40.9	43.3	43.3	45.4	As % of Plant Capacity

ANNEXURE- 11						
EVAPORATED & CONDENSED MILK PROJECT						
SENSITIVITY ANALYSIS (IRR FOR 10 YEARS)						
S.No.	Item	Projection	Change in One			Combined
		No Change	Variable at a Time			
A	VARIABLE		Volume	R. M	Sales	
			Nos	Cost	Value	All three
B	PESSIMISTIC					
	Change		-10%	10%	-10%	All three
C	OPTIMISTIC					
	Change		10%	-10%	10%	All three
D	IRR - PESSIMISTIC PROJECTION					
1	IRR on Investment	12.4	7.2	15.3	3.3	-4.4
2	IRR on Equity	24.2	14.6	16.1	4.7	2.3
E	IRR - OPTIMISTIC PROJECTION					
1	IRR on Investment	12.4	34.0	17.8	23.4	31.6
2	IRR on Equity	24.2	30.8	26.7	41.0	58.9