



PET FOOD & CARE SERVICES

Introduction

Pet food and care industry is expanding and changing in a global presence. It is because of the growth of pet population, as well as the evolving demand of pet care in developed and emerging markets. Common pet care business paradigms are found, which are pet food, pet product, and pet service. The paradigms of pet food and pet products are mainly composed of divisions of product categories and breeds. There are different kinds of pet food, for examples, dry food, wet food, canned food, treats, fresh vegetable or meat, etc. According to the statistics, dry food are more popular for dogs' feed, on the other hand, wet food has more demand for cats feed. For snacks, dog treats and mixers are the most demanding in the world market. Pet food would have a future focus on senior and obese pets; while pet products would have more technological implementations in the future. Pet products are referring the equipment for a pet, pet cleaning products, pet toys, pet accessories, pet dietary supplements and pet medical care products. Bed, bedding, cage, food bowl and water bowl are the essential equipment for a pet to sleep, eat and drink for maintaining the living. And for the carrier, collar and identity tag, these are the products that used on cats and dogs usually. Due to Urbanization, more pets having longer time staying at indoors or at home because of the owners' working routine. And pet owners spoil their pets, by feeding them treats with exceeding amount. Hence, pet obesity becomes a highlight of pet care and many related goods and services are provided in the market. Pet diet supplements are prevalent as more pet owners concern their pets' health problems or issues.

Market Potential

The demand of pet care keeps increasing caused by the growing number of pets, the attitude of how pet owners treat their pets and the fast-changing of technology implication. From essential to dispensable, a variety of components construct the pet care Industry and make this industry become hundred-billion valued business worldwide. The primary component in pet care industry is dog and cat food. Dog and cat food products own approximate 69 percent of the overall pet care market size in retail value in 2016, according to Euromonitor. In addition, another elementary component of pet care is the pet products. Pet products refer to merchandises that is not counted as food, feeds or treats only but also included the pet healthcare service and pet dietary supplements. For the category of pet products, it has \$28.3 billion US dollar in retail value over the world in 2016, which has around 27 percent of the total market size for retail value. Pet Food Market was valued at 86.24 Billion in 2019 and is projected to reach USD 122.77 Billion by 2027, growing at a CAGR of 5.17% from 2020 to 2027. The Global Pet Food market is growing at a higher pace owing to the increasing number of pet adoptions all around the world.

Assumptions

1. For SME unit having yearly turnover of 104 lakhs, the Nayak Committee recommendation has been implemented by all the banks. Hence, we have worked out the funding requirement accordingly.
2. Sales of such trading units is majorly impacted by the selection of business location. The entrepreneur should examine all business aspects while selecting this location. Normally, a Grocery store is established in a prevalent market area. Thus, we have assumed that the unit has been set up in a market area.
3. The shop premises of this unit is taken on lease. 400 sq. ft. is the proposed area which shall be spacious for stock display and stock-keeping.
4. Computation of Closing Stock is done on the basis of Working Capital cycle which is assumed to be of 1 months.
5. DSCR is high because of the term loan component is lesser than working capital requirement. We have not considered repayment for working capital and it is running on a continuous basis.

Cost of Project

Particulars	Amount (Rs. in Lakhs)
Premises (Lease)	-
Interior Civil Work including False Ceiling, Wall Rack, Partition Rack, etc. (200 sq. ft. @ Rs. 150 per sq. ft.) (Shop Premises)	3.20
Equipment	-
Furniture and Fixtures	1.85
Electrical Equipment	0.62
Desktop and Printer	0.50
Software Cost (Tally/SAP)	0.30
Inverter (10 kv office inverter)	0.28
Preliminary & Preoperative Expenses	1.19
Sub-total (A)	7.93
Working Capital Margin @ 25% of Total WC Requirement	6.50
Total Project Cost	14.43
Total Working Capital Required (Lump sum) (B)	26.00
MEANS OF FINANCE	
Total Funds Required (A+B)	33.93
<u>Loan Component-</u>	-
TERM LOAN (75% of A)	5.95
WORKING CAPITAL (75% of B)	19.50
Total	25.45
Equity	8.48
Total	33.93

Detailed Cost Element

Sl. No.	Particulars	Quantity	Rate	Amount (Rs. in Lakhs)
	Electrical Equipment			
1	AC	2	21000	0.42
2	CCTV	2	2300	0.05
3	Fan	3	2500	0.08
4	Light	5	1500	0.08
	Total			0.62
	Furniture and Fixtures			
1	Dog kennel	7	3500	0.25
2	Dog beds	LS	LS	1.50
3	Cages	5	2000	0.10
	Total			1.85

Preliminary Expenses

Particulars	Amount (Rs. in Lakhs)
Incorporation Expenses	0.10
Project Report Preparation	0.10
Interior Designer's Fee	0.25
Legal Charges - Drafting for agreements, contracts, stamp paper, notary and affidavit cost	0.05
Salary (2 months)	0.12
Rent Expenses (2 months; Rs. 40/sq. ft.)	0.48
Interest Cost for Both Term Loan And CC (period before commercial production_2 MONTHS)	0.09
Total	1.19

Salary

Designation	Manpower	Amount (Rs. in Lakhs)
Cashier	1	1.20
Staff	1	0.96
Veterinary Chemist	1	1.20

Profitability Statement

Particulars	Amount (Rs. in lakhs)				
	Year- 1	Year- 2	Year- 3	Year- 4	Year- 5
<u>A. INCOME</u>					
Total Working Days in a Year	300	300	300	300	300
Estimated Sales per Day	0.35	0.38	0.42	0.46	0.51
Annual Sales	104.00	114.40	125.84	138.42	152.27
Total income during the year	104.00	114.40	125.84	138.42	152.27
<u>B. OPERATING EXPENSES</u>					
Stock Consumed (85% of Sales)	78.00	85.80	94.38	103.82	114.20
Salary	3.36	3.53	3.70	3.89	4.08
Rent	2.88	3.02	3.18	3.33	3.50
Power & utilities	3.60	3.67	3.75	3.82	3.90
Depreciation and Amortization	0.87	0.87	0.87	0.69	0.69
Administrative and General Expenses	2.08	2.29	2.52	2.77	3.05
Total Operating Expenses	90.79	99.18	108.39	118.32	129.42
Operating Profit (A-B)	13.21	15.22	17.45	20.10	22.85
<u>C. FINANCIAL EXPENSES</u>					
Interest on Term Loan	0.46	0.36	0.26	0.16	0.05
Interest on WC Loan	1.66	1.66	1.66	1.66	1.66
Total Expenses	2.12	2.02	1.91	1.81	1.71
Net Profit Before Tax	11.10	13.21	15.54	18.29	21.14
Provision for Tax	2.77	3.30	3.88	4.57	5.28
Profit after Tax (PAT)	8.32	9.90	11.65	13.72	15.85

Breakeven Point

Break Even Point (BEP)		Amount (Rs. In Lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
A.	Net Sales	104.00	114.40	125.84	138.42	152.27
B.	Variable Cost					
	Stock Consumed	78.00	85.80	94.38	103.82	114.20
	Power and Utility	3.60	3.67	3.75	3.82	3.90
	Total Variable Cost	81.60	89.47	98.13	107.64	118.10
C.	Contribution (A-B)	22.40	24.93	27.71	30.79	34.17
D.	Fixed cost					
	Salary	3.36	3.53	3.70	3.89	4.08
	Rent Expenses	2.88	3.02	3.18	3.33	3.50
	Interest on Term Loan	0.46	0.36	0.26	0.16	0.05
	Interest on WC Loan	1.66	1.66	1.66	1.66	1.66
	Depreciation and Amortization	0.87	0.87	0.87	0.69	0.69
	Total Fixed Cost	9.22	9.43	9.66	9.73	9.99
E.	Breakeven Point	41%	38%	35%	32%	29%
F.	Cash BEP	37%	34%	32%	29%	27%

Debt-Service Coverage Ratio

		Amount (Rs. In lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
I	Profit	8.32	9.90	11.65	13.72	15.85
ii	Depreciation	0.87	0.87	0.87	0.69	0.69
iii	Interest	0.46	0.36	0.26	0.16	0.05
A	Total (i + ii + iii)	9.65	11.13	12.78	14.56	16.60
i	Interest	0.46	0.36	0.26	0.16	0.05
ii	Principal repayment	1.19	1.19	1.19	1.19	1.19
B	Total (i + ii)	1.65	1.55	1.45	1.35	1.24
	DSCR (A / B)	5.85	7.19	8.83	10.82	13.34

Interest on Term Loan and Principal Repayment

Refer Annexure I for Loan Repayment Schedule.

We have assumed the repayment tenure of term loan for a period of 5 years, Rate of interest being 8.5% p.a.

Address of Vendors

Name of the Vendor	Address and Contact Number
Easyday Club	Ashadeep Tower, Ak Azad Road, Rehabari, Guwahati - 781008, Opposite Axis Bank Contact No.- 7045863992

ANNEXURE - 1

Year	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Annually
I													
Principal													
Opening	5.95	5.85	5.75	5.65	5.55	5.45	5.35	5.25	5.16	5.06	4.96	4.86	
Repaid	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	1.19
Closing	5.85	5.75	5.65	5.55	5.45	5.35	5.25	5.16	5.06	4.96	4.86	4.76	
Interest	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.03	0.46
II													
Principal													
Opening	4.76	4.66	4.56	4.46	4.36	4.26	4.16	4.06	3.97	3.87	3.77	3.67	
Repaid	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	1.19
Closing	4.66	4.56	4.46	4.36	4.26	4.16	4.06	3.97	3.87	3.77	3.67	3.57	
Interest	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.36
III													
Principal													
Opening	3.57	3.47	3.37	3.27	3.17	3.07	2.97	2.87	2.78	2.68	2.58	2.48	
Repaid	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	1.19
Closing	3.47	3.37	3.27	3.17	3.07	2.97	2.87	2.78	2.68	2.58	2.48	2.38	
Interest	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.26
IV													
Principal													
Opening	2.38	2.28	2.18	2.08	1.98	1.88	1.78	1.69	1.59	1.49	1.39	1.29	
Repaid	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	1.19
Closing	2.28	2.18	2.08	1.98	1.88	1.78	1.69	1.59	1.49	1.39	1.29	1.19	
Interest	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.16
V													
Principal													
Opening	1.19	1.09	0.99	0.89	0.79	0.69	0.59	0.50	0.40	0.30	0.20	0.10	
Repaid	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	1.19
Closing	1.09	0.99	0.89	0.79	0.69	0.59	0.50	0.40	0.30	0.20	0.10	-0.00	
Interest	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05