

# ECO *PURE*

+1 it...!!

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# Introduction

- Drinking water is one of the basic necessities in day-to-day life and its importance is well known.
- The fresh water available should be processed before consumption in order to reduce the health risks
- Even though this procedure has its effects on the environment, it is essential to ensure the quality of the water
- Our business ensures quality of the drinking water and helps in its environmental friendly consumption.

# Market Analysis



- In the cities of developing countries, the access to fresh drinking water is getting difficult.
- In India, especially in Chennai the consumption of packaged drinking water has been increasing over the past few years and it is mostly preferred by the people over tap water.
- In the market we have many players who satisfy the raising demand.

- Currently the selling price of one water bottle of 500ml capacity ranges from 5 INR to 15 INR.
- The plastic consumption and production associated with packaged drinking water is also increasing.
- And there is no proper way to dispose these plastics which brings a question whether the safe drinking water is safe for the environment.



# ECO *Pure* - Business Plan

+1 it..!!

- **ECO Pure** aims at *ECO*nomic and *ECO*-friendly availability of pure drinking water by providing a platform for consumer participation to reduce plastic consumption by recycling the plastics.
- Our main focus is on Universities, Schools, Offices, Restaurants and Transit Places in and around Chennai.
- **+1 it..!!** is a self marketing strategy which benefits the customers for returning our empty plastic water bottles and encourages them to buy more of our product.

# The Company...

- It is a company by partnership with limited liability (three partners)
- The plant is located at Chennai, India.
- With an installed capacity for processing 6000 litres of water per shift, we plan to operate our plant at  $5/6^{\text{th}}$  of its capacity producing 10000 bottles in a shift of 500 ml capacity each.
- The plant runs for 3 shifts per day.

# Cost Calculations



# Investment Costs-Property

- Land : ½ acre @2292 INR per sq.ft in Chennai, India
- Total Property Value : 49,925,000 INR
- Licensing and Registration : 500,000 INR
- **Total : 50,425,000 INR**



# Building Costs (INR)

Building	Amount	Depreciation Rate	Depreciation Cost
Filtration plant	5,000,000	10	500,000
Manufacturing Plant	2,500,000	10	250,000
Administration office	1,250,000	10	125,000
Engineering Costs	700,000	10	70,000
Miscellaneous	625,000	10	62,500
<b>Total</b>	<b>10,075,000</b>		<b>1,007,500</b>

# Plant & Machinery (INR)

Machinery	Amount	Depreciation rate %	Depreciation Cost
Alum Tank	30,000	25	7,500.00
Chlorination tank	30,000	25	7,500.00
Sand filter	30,000	25	7,500.00
Act. Carbonation filter	42,000	25	10,500.00
Micron filter	66,000	25	16,500.00
UV Water disinfect systems	48,000	25	12,000.00
Electronic doser	110,000	25	27,500.00
Raw water system	350,000	25	87,500.00
Auto rinsing filling and capping machinery	1,000,000	25	250,000.00
Ozone generator	300,000	25	75,000.00
Testing equipment	2,500,000	25	625,000.00
Misc. Equipment	300,000	25	75,000.00
Erection and Commissioning	1,500,000	25	375,000
<b>Total Costs</b>	<b>6,306,000</b>		
<b>Total Depreciation Costs</b>			<b>1,576,500</b>

# Investment and Financing

<b>Total Investment</b>	<b>79,806,000 INR</b>
<b>Bank Loan @12.5% interest</b>	<b>50,000,000 INR</b>
<b>Own Capital Funds</b>	<b>29,806,000 INR</b>

# Financing Costs (INR)

Year	Balance of Debt	Interest Rate	Interest Costs p.a	Refunding Bank Loan
1	50,000,000	12.5	6,250,000	5,000,000
2	45,000,000	12.5	5,625,000	5,000,000
3	40,000,000	12.5	5,000,000	5,000,000
4	35,000,000	12.5	4,375,000	5,000,000
5	30,000,000	12.5	3,750,000	5,000,000
6	25,000,000	12.5	3,125,000	5,000,000
7	20,000,000	12.5	2,500,000	5,000,000
8	15,000,000	12.5	1,875,000	5,000,000
9	10,000,000	12.5	1,250,000	5,000,000
10	5,000,000	12.5	625,000	5,000,000
<b>Sum of Interest</b>			<b>34,375,000</b>	
<b>Sum of Repayment</b>				<b>50,000,000</b>

# Labour Costs (INR)

Labour Costs	No of Personnel
Manager	1
Supervisors	3
Maintenance Engineers	3
Chemists	3
Administration and Staff	3
Labour	12
Packing	6
Security	3
Drivers	3
<b>Labour cost to company per month</b>	<b>610,000</b>
<b>Labour cost to company per annum</b>	<b>7,320,000</b>

# Packaging Costs

- The packaging of water includes
  - Bottles with cap
  - Stickers and labelling
  - Carton Box
- We procure all the packaging goods from an external source @2.50 INR per bottle. (2 INR for bottle with cap and 0.50 INR for Stickers, labelling and Cartons)
- **Total Packaging cost for 1<sup>st</sup> Year** : No. of bottles Produced  
\*Cost/bottle  
= 10950000\*2.50  
= **27,375,000 INR**

- We expect to get back 5% of total sold bottles in the first year through **+1 it..!!** strategy and the same increases by 2% points in the following years.
- By selling these bottles from our consumers to our bottle suppliers, we reduce our procurement cost on the same number of bottles by 60% in the following year.

**Packaging cost for 2<sup>nd</sup> Year :**

No. of Bottles returned : 5% of total production = 547500

Total Packaging Cost for 2<sup>nd</sup> Year: (No. of bottles Produced - No. of bottles returned)\*2.5 +  
No. of bottles returned \*1.3

$$= (10950000-547500)*2.5+547500*1.3$$

$$= \mathbf{26,718,000 \text{ INR}}$$

# Packaging Costs (INR)

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Year	1	2	3	4	5	6	7	8	9	10
Total No. of Sales	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000
Cost of Bottles	21,900,000	21,243,000	20,980,200	20,717,400	20,454,600	20,191,800	19,929,000	19,666,200	19,403,400	19,140,600
Cost of Stickers and Cartons	5,475,000	5,475,000	5,475,000	5,475,000	5,475,000	5,475,000	5,475,000	5,475,000	5,475,000	5,475,000
% of Returned Bottles	5	7	9	11	13	15	17	19	21	23
No. of bottles returned	547,500	766,500	985,500	1,204,500	1,423,500	1,642,500	1,861,500	2,080,500	2,299,500	2,518,500
<b>Total Cost</b>	<b>27,375,000</b>	<b>26,718,000</b>	<b>26,455,200</b>	<b>26,192,400</b>	<b>25,929,600</b>	<b>25,666,800</b>	<b>25,404,000</b>	<b>25,141,200</b>	<b>24,878,400</b>	<b>24,615,600</b>



# Consumption Costs (INR)

Year	1	2	3	4	5	6	7	8	9	10
Water	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000
Other Chemicals and Misc.	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Packaging	27,375,000	26,718,000	26,455,200	26,192,400	25,929,600	25,666,800	25,404,000	25,141,200	24,878,400	24,615,600
Utilities (Energy etc)	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Maintenance	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Marketing and Advertisement	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Transportation	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
<b>Total Consumption Cost</b>	<b>28,650,000</b>	<b>27,993,000</b>	<b>27,730,200</b>	<b>27,467,400</b>	<b>27,204,600</b>	<b>26,941,800</b>	<b>26,679,000</b>	<b>26,416,200</b>	<b>26,153,400</b>	<b>25,890,600</b>

# Self Costs (INR)

Year	1	2	3	4	5	6	7	8	9	10
<b>Depreciation Cost</b>	2,584,000	2,584,000	2,584,000	2,584,000	1,007,500	1,007,500	1,007,500	1,007,500	1,007,500	1,007,500
<b>Finance Cost</b>	6,250,000	5,625,000	5,000,000	4,375,000	3,750,000	3,125,000	2,500,000	1,875,000	1,250,000	625,000
<b>Consumption cost</b>	28,650,000	27,993,000	27,730,200	27,467,400	27,204,600	26,941,800	26,679,000	26,416,200	26,153,400	25,890,600
<b>Labour Cost</b>	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000
<b>Total Cost</b>	44,804,000	43,522,000	42,634,200	41,746,400	39,282,100	38,394,300	37,506,500	36,618,700	35,730,900	34,843,100
<b>No. of Bottles</b>	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000
<b>Cost per Bottle</b>	<b>4.09</b>	<b>3.97</b>	<b>3.89</b>	<b>3.81</b>	<b>3.59</b>	<b>3.51</b>	<b>3.43</b>	<b>3.34</b>	<b>3.26</b>	<b>3.18</b>

# Price definition

- The self costs for the production of one 500ml bottle of water: **4.09 INR** in the first year of production

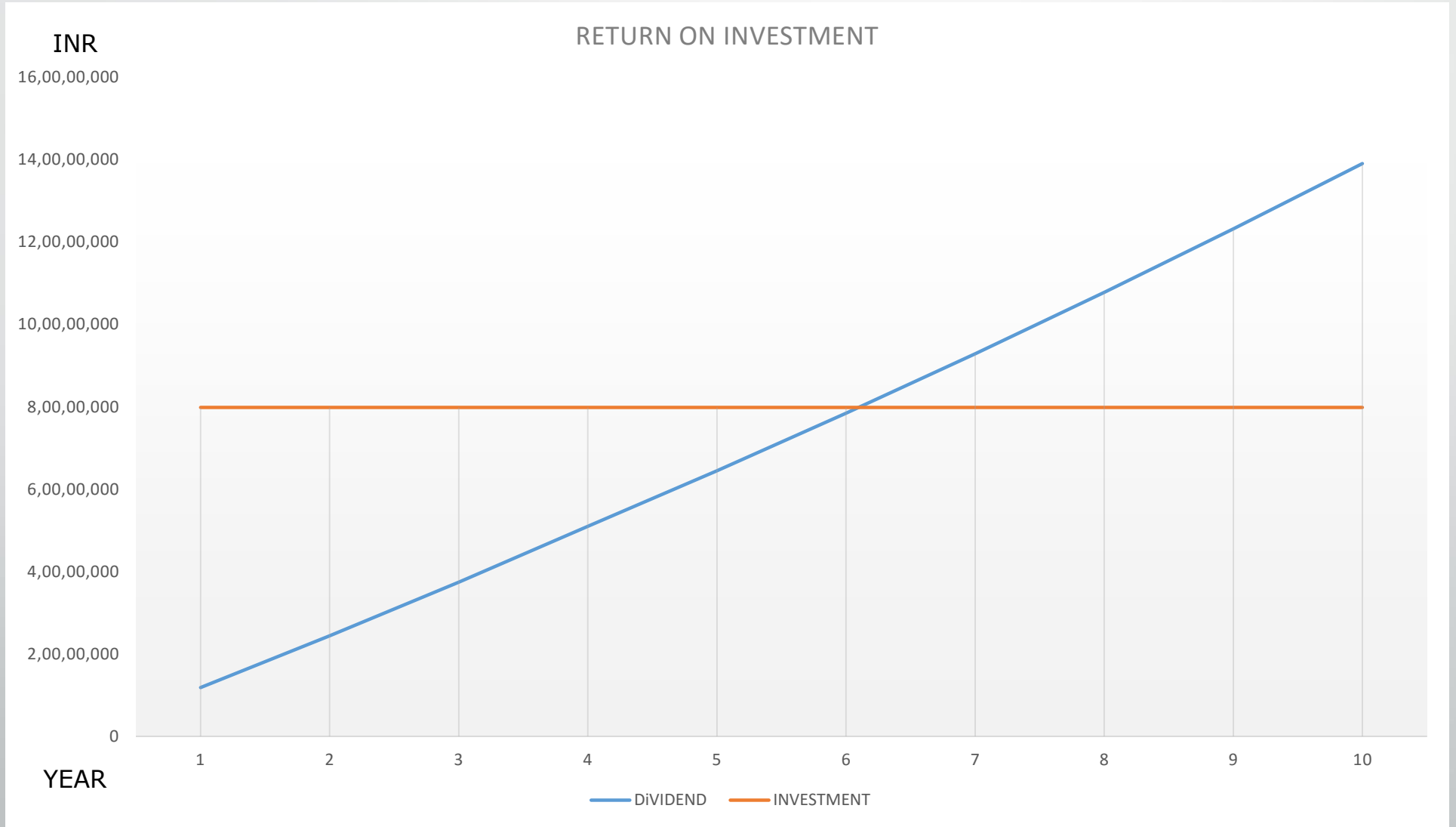
Therefore, we decide to sell

- one 500ml bottle of water @ **6.00 INR** and
- reduce the price of one bottle by **1.00 INR** if the customer returns an empty water bottle i.e. a water bottle will be sold at **5.00 INR.**

# Cash Flow (INR)

Year	1	2	3	4	5	6	7	8	9	10
<b>Depriciation Cost</b>	2,584,000	2,584,000	2,584,000	2,584,000	1,007,500	1,007,500	1,007,500	1,007,500	1,007,500	1,007,500
<b>Finance Cost</b>	6,250,000	5,625,000	5,000,000	4,375,000	3,750,000	3,125,000	2,500,000	1,875,000	1,250,000	625,000
<b>Consumption cost</b>	28,650,000	27,993,000	27,730,200	27,467,400	27,204,600	26,941,800	26,679,000	26,416,200	26,153,400	25,890,600
<b>Labour Cost</b>	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000	7,320,000
<b>Total Cost</b>	44,804,000	43,522,000	42,634,200	41,746,400	39,282,100	38,394,300	37,506,500	36,618,700	35,730,900	34,843,100
<b>No.of Bottles</b>	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000	10,950,000
<b>Cost per Bottle</b>	<b>4.09</b>	<b>3.97</b>	<b>3.89</b>	<b>3.81</b>	<b>3.59</b>	<b>3.51</b>	<b>3.43</b>	<b>3.34</b>	<b>3.26</b>	<b>3.18</b>
<b>Sales Revenue</b>	65,700,000	65,700,000	65,700,000	65,700,000	65,700,000	65,700,000	65,700,000	65,700,000	65,700,000	65,700,000
<b>Bottle returned @1 INR / bottle</b>	547,500	766,500	985,500	1,204,500	1,423,500	1,642,500	1,861,500	2,080,500	2,299,500	2,518,500
<b>Net Sales Revenue</b>	<b>65,152,500</b>	<b>64,933,500</b>	<b>64,714,500</b>	<b>64,495,500</b>	<b>64,276,500</b>	<b>64,057,500</b>	<b>63,838,500</b>	<b>63,619,500</b>	<b>63,400,500</b>	<b>63,181,500</b>
<b>Profit Before Tax</b>	20,348,500	21,411,500	22,080,300	22,749,100	24,994,400	25,663,200	26,332,000	27,000,800	27,669,600	28,338,400
<b>Tax on Profit</b>	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
<b>Profit After Tax</b>	<b>14,243,950</b>	<b>14,988,050</b>	<b>15,456,210</b>	<b>15,924,370</b>	<b>17,496,080</b>	<b>17,964,240</b>	<b>18,432,400</b>	<b>18,900,560</b>	<b>19,368,720</b>	<b>19,836,880</b>
<b>Cashflow( Depreciation + Profit )</b>	16,827,950	17,572,050	18,040,210	18,508,370	18,503,580	18,971,740	19,439,900	19,908,060	20,376,220	20,844,380
<b>Repayment of Credit</b>	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
<b>Dividend</b>	<b>11,827,950</b>	<b>12,572,050</b>	<b>13,040,210</b>	<b>13,508,370</b>	<b>13,503,580</b>	<b>13,971,740</b>	<b>14,439,900</b>	<b>14,908,060</b>	<b>15,376,220</b>	<b>15,844,380</b>

# Return on Investment



# Conclusion

- Our business plan is an environmental friendly approach to provide affordable packaged drinking water to consumers. The benefits gained in this way are shared with our consumers.
- As this approach is first of its kind in Chennai and requires consumer participation, we have presumed a minimal consumer participation in the initial years and it gradually increases in the further years.
- With such reasonable assumptions, our profit yield can be maintained more or less constant for the considered period.
- Our future plan is to open a new unit to manufacture the plastic bottles inline with our requirements.

The background is a light gray gradient with several realistic water droplets of various sizes scattered in the corners. The droplets have highlights and shadows, giving them a three-dimensional appearance.

**THANK YOU!!**

**ECO** *PURE*

**SAVES YOU & FOR YOU**