GROCERY SHOP

1. Introduction

Grocery shops are very common and are required in every locality. These shops store items such as pulses, flour, rice, ghee, oils, soaps and detergents, toiletries and various other items of daily use. The proposed project is to set up a shop for sale of grocery items at intermediate wholesale rates to small retailers as well as retail sale of commodities to direct users of the locality. The shop will buy the items from dealers/ distributors at wholesale rates and sell at intermediate rates.

2. Market potential

People of all sections of the society require grocery items. The marketing/ sales avenue may be enhanced by locating the shop in such a place where concentration of inhabitants are more and/ or in a market place where the people usually go to procure their daily needs. A common man and small retailers cannot afford to buy these items of daily use in bulk from wholesale market where it is available at comparatively cheaper rates. On the other hand, these items are easily available through retail grocery shops in required quantities everywhere and in close proximity.

With all round development of cities and towns and increase in population, there appears to be a good scope for general merchandise stores in rural as well as urban areas of the country.

3. Technical details

(a) Shop activities

The activity involves arranging the shop to enable optimum use of the space available, sufficient illumination and placement of the items easily accessible for the workers/ salesmen at the time of need. The weighing machine etc. should be conveniently placed for frequent use. A rate list should be hung in front of the shop so that the same is easily readable by the customers. The shop should be kept open during normal working hours and the closing day should be clearly written at a place, which can be seen by the visitors. The salesman and the helpers will deliver the duly weighed materials to the customers against pre-paid slips to be prepared by the accountant/ manager at the counter. The packaging should be proper so that

the buyers do not find any difficulty in carrying the articles. Regular stock taking and accounting of cash will provide a clear picture about the trend in the business.

(b) Sales target

Sales target (per annum)	**(Rupees)**
Sale of rice, pulses, wheat, flour, ghee, oils, soaps and detergents, toiletries and other miscellaneous items.	10,92,000.00

(c) Utilities

Power	1KW
Water	75 liter pm

4. Details of equipment

S. No.	**Items**	**Qty. (Nos.)**	**Rate (Rs.)**	**Value (Rs.)**
1.	Weighing Scale – 5 kg cap with weights	2 sets	500.00	1000.00
2.	Counters, racks, etc.			4000.00
			TOTAL	**5000.00**

5. Cost of project

S. No.	**Items**	**Total cost (in Rs.)**
1.	Building/Shop	On Rent
2.	Misc. fixed assets	10,000.00
3.	Preliminary & pre-operative expenses	5,000.00
4.	Contingencies including cost escalation	5,000.00
5.	Working capital	80,000.00
	TOTAL	**1,00,000.00**

6. Means of finance

S. No.	**Items**	**Total cost (in Rs.)**	**%age**
1.	Promoter's contribution	-	-
2.	NSTFDC - Term Loan	87,000.00	87.00
3.	M.M.L. - SCA	13,000.00	13.00
	TOTAL	**1,00,000.00**	**100.00**

Note: The State Channelising Agencies shall arrange to provide subsidy to beneficiary(ies) as per norms of their Corporation. Further, SCAs may also make efforts to avail incentive/subsidy from other centrally sponsored schemes.

7. Utilities

S. No.	**Items**	**Total (in Rs.)**
1.	Power (1KW)	8,400.00
2.	Water	1,600.00
	TOTAL	**10,000.00**

8. Raw material requirement

Different grocery items having value of Rs.0.70 lakhs is considered for running economical unit.

9. Manpower requirement

S. No.	Category	No.	Salary/Person/ Month (Rs.)	Total (Rs./Month)
1.	Manager-cum-Accountant	1 (self)	4,000.00	4,000.00
2.	Salesman	1	3,500.00	3,500.00
3.	Helper	1	2,500.00	2,500.00
			TOTAL	**10,000.00**

10. Working capital requirement

S. No.	Items	Period (Month)	Amount (Rs./Month)
1.	Assorted grocery items as named earlier	1	70,000.00
2.	Receivables/ debtors	1	5,000.00
3.	Other current assets	1	5,000.00
		TOTAL	**80,000.00**

11. Project economics (Annual)

S. No.	Items	Amount (in Rs.)
A.	**Sales realization (130% of raw material purchase)**	**10,92,000.00**
B.	**Cost of Operation**	
(i)	Assorted type and quantity of grocery	8,40,000.00
(ii)	Utilities	10,000.00
(iii)	Salaries & Wages	1,20,000.00
(iv)	Rent	24,000.00
(v)	Transportation/freight	18,000.00
(vi)	Conveyance & traveling	4,000.00
(vii)	Selling expenses	5,000.00
(viii)	Interest	6,000.00
	TOTAL	**10,27,000.00**

C.	**Cash profit (A-C)**	**65,000.00**
D.	**Depreciation**	**1,500.00**
E.	**Profit before tax**	**63,500.00**
F.	**Taxes**	**-**
G.	**Profit after tax**	**63,500.00**

12. Viability indicators

S. No.	Particulars	Amount
1.	Repayment per annum (period - 5 years)	20,000.00
2.	Return on investment	63.50%
3.	Debt Service Coverage Ratio	2.73

Note:

- Rent of the shop may vary from place to place and according to the size of the shop hired.
- The profit can be increased by addition of separate outlet for stationery items/PCO booth.
- The gross profit on sale of goods is estimated to be around 30%.

13. Interest, moratorium & repayment period for beneficiaries

(a)	Interest	:	6% p.a. on NSTFDC term loan
(b)	Moratorium period	:	6 months from date of release of funds by SCA.
(c)	Repayment period	:	5 years excluding moratorium period.

14. General remarks

- Optimum working capital cycle has been taken for calculating the requirements. Raw material shall be procured from local areas or nearby states.
- The cost of project will vary in different states & regions.
- It is assumed that the services have good demand, and the promoters have sound experience in the relevant fields.