

A business plan on

Natural
Ice Creams
in
Nepal

I. INTRODUCTION

General Introduction

Established in 1984 in Mumbai, Natural ice cream has been pioneer in making artisan ice creams using only fruits, dry fruits, chocolates, milk and sugar. They add no preservatives or stabilizers in their product and the idea was conceptualized by Mr. R S Kamath, CMD of Kamath Our times ice creams Pvt. Ltd.

Natural's ice cream has recently started giving franchises and we proposed to take the franchise for Natural Ice Cream Nepal.

History and background of Natural Ice Cream.

Natural's have been into business since 1984 and have been successfully operating in many places in India. The customer base for business in India and Nepal are almost similar and so we can see success in the business based on the history of success of other franchises of Natural's in India.

Natural's at present has more than 100 franchises only in West and South India including Mumbai and have been rapidly expanding in other parts of India. The company has grown from an INR 18 lakh company to INR 40 crore company within a span of three decades. This shows the potential we have for our business.

Most common features of Natural's:

- It's completely natural. No added preservatives, color etc.
- It has over 50 flavors to choose from.
- An established brand name in the context of India with exclusive taste.

Vision:

We aim at making Natural's a substitute name for ice creams available to all Metros and Sub-metro cities within a radius of 3 kms. from wherever you are.

Mission:

We plan to create value for money with the best taste and ambiance.

Strategies:

- We will import the goods from India and get it landed in our cold storage depot in Kathmandu.
- We plan to built our first store in Durbar Marga in an area of around 750 sq. ft. This store shall be the main store to supply goods in bulk to customers and shall be called as factory outlet for Nepal.
- We will build our next store in New Road within 2 months of starting with the Durbar Marg Store. The foot fall of the area will be advantageous and help us reach breakeven within a short span of time. After New Road we will start our third store in Thamel within 2015.
- Meanwhile we will also be supplying for Marts, luxury resorts and starred hotels. We will also provide sub- franchises to interested parties.

Objectives:

- To reach breakeven at the minimum possible period.
- To make outlets at areas having a decent footfall.
- Make Naturals the first choice of Ice Creams maintaining the quality and standards.
- Expand into other Food and Beverage options.

How we as a franchise shall work?

We shall be an exclusive franchise in the context of Nepal and every other Natural Ice cream store shall be registered with us and shall maintain the quality and standard as prescribed by us.

CRITICAL SUCCESS FACTORS:**1. Gain Market share:**

As a startup company in food and beverage industry, it is imperative that our company capitalizes on its quality and standards and gain over its competitors. To gain market share, our company will take the following aggressive actions:

- Maintain quality and provide the best ambiance for customers to enjoy free time.
- Compete with customers for quality and service and justify the value of money.

2. Sustainable competitive advantage:

To sustain competitive advantage, our company must adopt the following success strategies:

- Achieve Superior Brand Equity through relationship management and service quality.
- Maintain the taste of the product.
- Utilize proper delivery channels, to make the product reachable for every customer.

Scope of Study:

- It is found that there are no ice cream parlors in most of the residential areas of the country.
- There are limited number of manufacturers and the ones that are leading the market at present have a limited reach.
- Most of other sellers of similar product in the market use preservatives or are rather frozen yoghurts.
- The market for our product is huge and based on the density of population in Kathmandu, there is sufficient space for us to capture.

II. Product category and services

Ice Creams:

Our ice creams shall mostly be based on fruits and dry fruits. We shall have around 30+ flavors in our Durbar Marga store and limited flavors on other outlets. Our product range for ice creams shall be between NPR 125 to 200.

Sundae and Shakes:

We will be offering sundaes and shakes based on the fruits available in the local market that can be well blended with our ice creams. Our price range for these shall be at par with the market.

Other Product:

We might be adding other products that blend with our product like cookies and chocolates basically homemade, natural organic chocolates.

III. Market Analysis:

Naturals, like all other businesses, must deal with Porter's Five Forces when creating a business strategy. Porter's Five Forces of new entrants, powers of buyers, powers of suppliers, threat of substitute products and existing rivals are very much present in the world of private equity. All of these forces need to be strategically examined when creating a new private equity fund.

Risk of entry by potential competitors: Entry of new players increases the industry capacity, begins a competition for market share and lowers the current costs. The various barriers to entry for the new entrant are –

- Exclusive franchise allows no other Natural Ice Creams to enter in Nepalese market.
- Other ice creams with similar taste and content will not enter the market because of the price range it has.

Rivalry among current competitors: At present there are limited ice cream parlors in the country. Our major rivalry shall be with other imported ice creams.

We fall in the category of exclusive natural desserts and hence our competitors shall be Baskin Robbins, Cream Bell etc. Our product is different from them in various aspects and hence it gives us liberty to sell our product differently as well as brand ourselves as one of them.

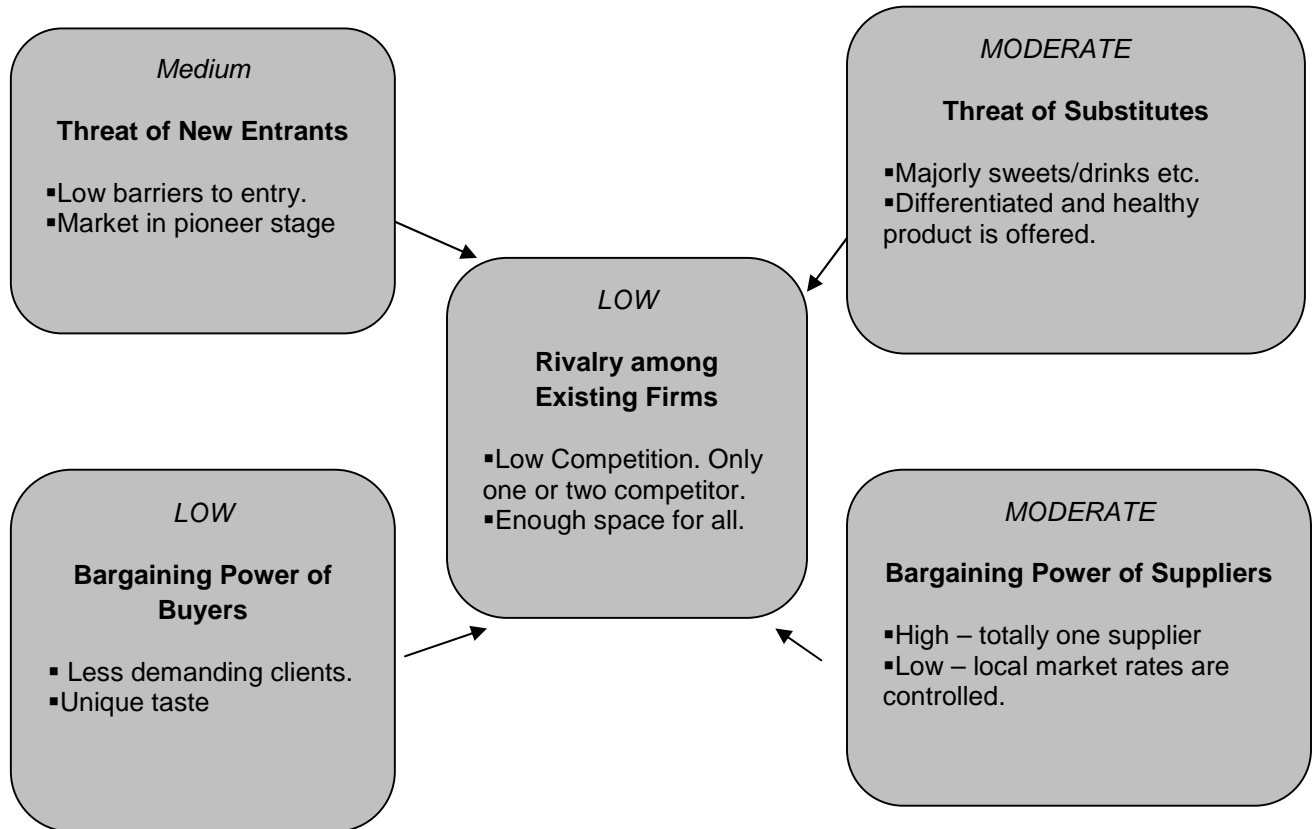
Bargaining Power of Buyers: Though buyers have a lot of option when it comes to choosing for ice creams but our unmatched taste shall provide us the required leverage to overcome it.

Bargaining Power of Suppliers: Porter focuses on the power of suppliers have a profound impact on businesses. In our context, the prices are pre-fixed and small alterations on them will not create much of an impact as the actual price is decided covering the contingencies and is inclusive of lot of other factors like transportation and customs.

Threat of Substitute products: The capital markets of Nepal is not developed enough to support variety of substitute products. The only option available is as follows:

1. Other desserts: - Our customers do choose between ice creams/sundaes/chocolates/sweets etc for desserts. Our future expansions shall allow us to penetrate in each of these markets. Meanwhile, our store location, weather effects shall be in our favor to overcome these.

2. Summer drinks: In the context of Nepal, non-alcoholic drinking outlets are limited in number and we shall occupy a premium image in it.



IV. Marketing Plan

Marketing Objectives:

- Get the customers used to its natural taste.
- Provide the ambiance and environment to enjoy the dessert with peace and privacy.
- Make stores/outlets at reachable distances and provide franchises to cover a larger area.
- Develop an online nationwide presence by developing a website and to start online booking via internet and phones.
- Market as natural taste and healthy product for foreigners and capture the hotel customers of Durbar Marg.
- To maintain quantity in sales, reach out to Marts, store and Malls/PVRs.

Marketing efforts are targeted toward both foreigners and local clients. The product being natural is well demanded by foreigners and its local taste is a gem in itself. These will be our sole focus and our presence as outlets in multiple locations shall serve as marketing. Moreover, the product is a common name to most of the locals who have been to India and it shall serve to our advantage.

Marketing Success Factors

- Develop strong business relationships through intensive presentation of our product.
- Work to be the first preferred ice cream.
- Establish brand value through uniform taste and environment.

Communication Strategy

Identifying a target market and understanding the industry do not secure purchases of services from clients; rather, focus must be placed on developing a strong relationship strategy. It is our job to understand the needs of our segment and position our services accordingly. Through our experience in the industry and research made through interviews of key players in the local business community (other service providers, as well as business owners/managers), we have identified the opportunities that most effectively communicate how our products shall meet these needs of our consumers. Furthermore, through our marketing efforts and quality product we plan to capture a decent segment of the market quite soon and bring the business to profits. We plan our product and service to be of the highest quality.

Product Positioning

We shall position our product as the best ice cream available and shall be initially taken at par with brands like Baskin Robbins and later above it.

Brand

Creation of a strong brand is important for us, as brand equity will drive future sales and protect against competition. To build our brand equity, we shall take each complaint seriously and work towards solving them. Further our every outlet shall be a part of us and proper procedures shall be followed before any sub-franchise is awarded to any bidder.

Push Marketing**Generating Awareness**

To gain audience for our product, we must “place ourselves” into a large number of places. Quickly establishing relationships with restaurants, hotels, resorts, marts etc. shall be paramount. These buyers shall help to jumpstart the business and gain market share. Personal contacts and talks with such buyers have already begun.

Sub-franchise fees

Besides establishing relationships directly to the end customers, as discussed earlier, we shall provide sub-franchises as well and each such outlet shall be paying a certain sub-franchise fees which shall be used for branding and positioning the product as an elite product.

Pull marketing**Online Communications**

Our website will be located at....., and will reflect our visual identity and contribute to client awareness and convenience. The website will include information about our products, its testimonies, its flavors and where can they reach us for orders.

V.OPERATION PLAN

Operations Success Factors

- Find the right location for the stores/outlets.
- Establish the right storage for product.
- Increase the reach of the product.
- Strategically control and monitor the businesses/outlets and maintain the quality of service.

Operations Strategy

Despite the fact that we are not heavily investing in equipment, still, managing our outlet chain interactions and transfer processes, enables us to maintain the price of our product. As the business blooms, our cost efficiency shall increase overtime and shall allow us to be constant in terms of pricing despite the increasing inflation.

Office Infrastructure

Office Facility

To provide our services, we shall rent a small facility in the center of Kathmandu i.e. Durbar Marga, for NPR 200000 per month. The facility will consist of a store, billing counters, and products. The location of this office shall be beneficial to our operations due to its proximity to two five star hotels and being a center of restaurants it shall provide a good market for us. Our further stores shall also be allocated in similar areas with a good market.

Capital Equipment

Considerable investment in capital equipment is not required in our line of business. We are in process to obtained quotations for all of our estimated office furniture needs for the next two years but we expect it to within the budgets as outlined in our financial projections. The investment is planned to take place in two phases: 60-70% of the same shall be in the first six months and balance shall be in next three. The reason for the scaled expenditure is the addition of outlets.

Staff

The operations of the company will commence with only 3-4 employees. Inters shall be hired to assist the employees. Based on our operational projections, and work load additional employees shall be hired. By the end of year 1, it is estimated that the firm shall be working with a workforce of 10+ people in stores and around 5 people including in corporate office.

VI. Financial Plan

Financial Objectives

- Achieve breakeven within a span of a year.
- Operate each outlet on a standalone basis for attaining financial sustainability
- Limit the risk on investment by diversifying the product across markets, regions and segments.
- Maintain a minimum return of 40% p.a. after two years and IRR of around 40%+ where annual returns shall grow at an above average rate as we keep on increasing outlets and diversify into other products.

Initial Investments and Cash Flows

We need to invest around NPR 1 crore during first year of operation to establish the business and it shall be contributed by 50% debt and 50% equity. (see Cash Flow projections below), in order to finance initial investments and operations.

General Assumptions

Stores in Year 1	Two (1 in Durbar Marg and 1 in New Road.
Additional stores	1 in Thamel followed by 1 in Pokhara and 1 in Birgunj
Accounts Receivable	30 days or based on market norms
Tax Rate	25% corporate rate
Depreciation	Calculated using the reducing balance method.
Debt to Equity	1:1
Manpower salary	As per industry standards. Major part based on sales.

Base Case Scenario

Key Assumptions

Our base case financial analysis considers our operations and revenues on a conservative approach. For the first 2 months we assume to be analyzing the market and then move to expansion. We believe that our assumptions are feasible based on the fact that there are huge opportunities in the market and the demand for is huge. We have seen potential customers demanding the same product in similar market and are sure to success in future.

CASH FLOW PROJECTIONS (Fig. in NPR Mn)

(Amount in NPR million)						
Particulars	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Cash flow from operating activities						
Net Profit After Tax	(0.81)	(0.41)	0.85	1.92	2.29	2.65
Add: Depreciation		1.23	1.01	0.83	0.68	0.56
Add: Interest on Debt	0.14	0.55	0.55	0.55	0.55	0.55
Adjustment for Working Capital Changes	0.07	(0.13)	(0.11)	(0.10)	(0.03)	(0.03)
Net Cash flow from operating activities	(0.60)	1.24	2.30	3.20	3.49	3.73
Cash flow from investing activities						
Capex in Assets	(6.94)					
Net Cash flow from investing activities	(6.94)					
Cash flow from financing activities						
Debt Availed	5.00					
Interest on Debt	(0.14)	(0.55)	(0.55)	(0.55)	(0.55)	(0.55)
Share Capital	5.00					
Net Cash flow from financing activities	9.86	(0.55)	(0.55)	(0.55)	(0.55)	(0.55)
Net Changes in Cash flows	2.32	0.69	1.75	2.65	2.94	3.18
Add: Opening Balance of Cash / Cash Equivalents		2.32	3.01	4.76	7.40	10.34
Closing Balance of Cash / Cash Equivalents	2.32	3.01	4.76	7.40	10.34	13.53

Base Case Profitability projections (in NPR. Million)

Years	FY 15	FY 16	FY 17	FY 18	FY 19
Net Income	(0.81)	(0.41)	0.85	1.92	2.29
Operating Margin	NA	0.3%	3.8%	6.4%	6.7%
Net Income Margin	-8.0%	-1.0%	1.9%	3.9%	4.2%
Return on Capital Employed	-6.69%	1.41%	16.82%	31.13%	36.02%
Return on Equity	-16.13%	-8.18%	16.97%	38.44%	45.78%

Note:- Above mentioned return is exclusive of additional products which are thought to be added after Year 3. These services, if started will boost our return on capital employed even to further levels. We can expect our net income margin to at least double as the additional products will be home manufacture.

BASE CASE INCOME STATEMENT (in NPR. Million)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Total Gross Revenue	10.12	40.50	44.55	49.00	53.90	59.29
Less: Departmental Expenses	(6.48)	(25.91)	(28.50)	(31.35)	(34.49)	(37.93)
Net Departmental Revenue	3.65	14.59	16.05	17.65	19.42	21.36
Undistributed Expenses	(4.32)	(13.21)	(13.36)	(13.71)	(15.14)	(16.71)
GOP	(0.67)	1.37	2.69	3.94	4.28	4.65
Less: Depreciation		(1.23)	(1.01)	(0.83)	(0.68)	(0.56)
EBIT	(0.67)	0.14	1.68	3.11	3.60	4.09
Less: Interest Cost	(0.14)	(0.55)	(0.55)	(0.55)	(0.55)	(0.55)
Profit before Tax	(0.81)	(0.41)	1.13	2.56	3.05	3.54
Less: Corporate Tax			(0.28)	(0.64)	(0.76)	(0.88)
Net Profit After Tax	(0.81)	(0.41)	0.85	1.92	2.29	2.65

Base Case balance sheets (in NPR. Million)

Assets	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Fixed Assets						
Gross	6.94	6.94	6.94	6.94	6.94	6.94
Less: Accumulated Depreciation		(1.23)	(2.24)	(3.07)	(3.75)	(4.31)
Net Fixed Assets	6.94	5.71	4.70	3.87	3.19	2.64
CWIP						
Total Fixed Assets	6.94	5.71	4.70	3.87	3.19	2.64
Net Current Assets						
Current Assets	3.15	6.33	8.42	11.43	14.77	18.40
Less: Current Liabilities	(0.90)	(3.26)	(3.49)	(3.75)	(4.12)	(4.54)
Net Net Current Assets	2.25	3.07	4.93	7.68	10.65	13.86
Total Assets	9.19	8.78	9.63	11.55	13.84	16.50

Liabilities	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Secured Loans	5.00	5.00	5.00	5.00	5.00	5.00
Share Capital & Reserves						
Share Capital	5.00	5.00	5.00	5.00	5.00	5.00
Reserves & Surplus	(0.81)	(1.22)	(0.37)	1.55	3.84	6.50
Total Share Capital & Reserves	4.19	3.78	4.63	6.55	8.84	11.50
Total Liabilities	9.19	8.78	9.63	11.55	13.84	16.50

Breakeven and Sensitivity Analysis

Our profitability projections are based on the market operating costs and sustainable investments, with a decent risk reward ratio. Given that the company will be operating in the Food and Beverage Industry, these expenditures are expected to be low therefore profits and margins highly depend on the funds available to invest. Therefore, we chose to perform our break-even analysis on that critical factor, keeping all other assumptions stable. Results indicate that unless our expectations in terms of returns and capital investment that we assumed are impaired, the operation will be a profitable one.

Accounting Break-even and sensitivity Analysis

Stores	Durbar Mg.	Thamel	New Road	Pokhara	Birgunj
No.of Staffs	4	2	2	3	3
Salary	60,000.00	40,000.00	40,000.00	45,000.00	45,000.00
Rent & Maintenance	150,000.00	100,000.00	205,000.00	80,000.00	60,000.00
Electricity & Fuel	40,000.00	10,000.00	30,000.00	15,000.00	10,000.00
Others	31,500.00	21,000.00	36,750.00	18,750.00	15,750.00
Total	281,500.00	171,000.00	311,750.00	158,750.00	130,750.00
Average Profit per customer	30.00	30.00	30.00	30.00	30.00
No. of Customer per month	9,383.33	5,700.00	10,391.67	5,291.67	4,358.33
No. of Customer per day for Departmental Break-even	312.78	190.00	346.39	176.39	145.28

Intended Activities for near future:-

- We will adding direct food line to our desert segment and utilize our existing customers.
- We will add other storable items in the product line to average our costs.
- We will also be looking forward for event planning and catering services in future.
- We might also consider entering into Joint Ventures hotels in future.

Please note that effect of these intended activities are not yet considered in our business projections and these activities are assumed to have positive impact in our businesses and will lead to an increase in annual returns.

VII. Conclusion

In a nutshell, our company shall start with deserts and later start with other options. We are an enthusiastic company poised to successfully enter the Food and Beverage Industry. Our business shall focus to generate ample revenue, gain market share and later diversify. Therefore we plan to bring Natural Ice Creams to Nepal which already has been successfully operating in many states in India.

The Nepalese market for F&B still has a lot of options where expansion is possible and the business is profitable. The purchasing power of locals is good and the market is an expanding tourist market giving more opportunities for us. With increasing tourists and the use of proper means of distribution and channeling the product throughout the country, we also believe we can come into profits much before expected.

The current era is for healthy and tasty products which gives our product a leverage over all other existing products in our segment and hence with a good start we believe the scope is beyond boundaries.

For further information on the product please visit the link www.naturalicecreams.in

--- Thank You ---