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## **EXPERIMENT 3 ESTIMATION OF CAPITAL REQUIREMENT FOR SETTING UP MEAT PROCESSING PLANT**

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### **Structure**

- 3.0 Objectives
- 3.1 Introduction
- 3.2 Estimation of Capital Requirement
- 3.3 Activity

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### **3.0 OBJECTIVES**

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After going through this exercise, you will be able to;

- work out the required finances for setting up a meat processing unit;
- analyze various heads under which total requirement is subdivided; and
- prepare yourself for bank loan application.

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### **3.1 INTRODUCTION**

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In the theory part of this course, you have studied about the different aspects of marketing and entrepreneurship. Now you know about the pre-requisites for setting up a meat processing plant. After successful completion of this course, you must be gaining some confidence to get up on your own feet. You may start a meat processing business. If you are not having sufficient money to start your business then you can approach a bank which is a financial institution. You will get bank loan for setting up your own meat processing unit. The requisite application has to be in proper format with break up in land and civil work, plant and machinery, fixed assets, working capital etc. You have to satisfy their procedural requirements to avail bank loan facility. This exercise will expose you to estimation of capital requirements under various heads for setting up a medium level meat processing unit. The basic purpose is to make you aware of the requirements and specifications. The rates can vary with place and time.

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### **3.2 ESTIMATION OF CAPITAL REQUIREMENT**

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In this exercise, capital requirement is estimated for a meat product preparation unit where minced meat products like sausage, nuggets etc. are prepared. Two main head of expenditure are - land and civil work; and plant and machinery. Under plant and machinery, there are two sub heads viz., product specific equipment and miscellaneous fixed assets. For this meat processing plant working capital is assumed as Rs.1 lakh and margin money for the bank loan is assumed as 25% of the total capital requirement.

**Estimation of Capital  
Requirement for Setting up  
Meat Processing Plant**

Particulars	Specifications	Rate (Rs.)	Amount (Rs. In lakh)
<b>Land and civil work</b>			
Cost of land	100 sq m	1000/sq m	1
Cost of building	60 sq m	3000/sq m	1.8
Water supply system	Lumpsum	25,000	0.25
<b>Total</b>			<b>3.05 Lakh</b>
<b>Plant and Machinery</b>			
<b>Product equipment (A)</b>			
Meat mincer (30 kg/hr)	1	30,000	0.3
Bowl chopper (15 kg)	1	60,000	0.6
Meat mixer (Planetary)	1	15,000	0.15
Steam cooker	1	8,000	0.08
Sausage filler (5 kg)	1	12,000	0.12
Hot air oven	1	8,000	0.08
Packaging Machine (Impulse Heat sealer)	1	4,000	0.04
<b>Total</b>			<b>1.37 lakh</b>
<b>Miscellaneous Fixed Assets (B)</b>			
Working tables	4	5000	0.20
Refrigerator (300 litres)	1	15000	0.15
Deep freezer (300 litres)	1	30000	0.30
Generator (7.5 kv)	1	25000	0.25
Geyser (30 litres)	1	4000	0.04
Three wheeler	1	65000	0.65
Electricals	Lumpsum	15000	0.15
<b>Total</b>			<b>1.74 lakh</b>

<b>Total cost of plant and machinery including fixed assets (A+B)</b>	<b>3.11 lakh</b>
<b>Working capital</b>	<b>1 lakh</b>
<b>Grand total</b>	<b>7.16 lakh</b>
<b>Margin money</b>	<b>1.79 lakh</b>
<b>Bank loan</b>	<b>5.37 lakh</b>

### 3.3 ACTIVITY

Calculate the capital requirement for setting up of a poultry processing plant (200 birds daily). (Consider following processing equipment and plant machinery)

- 1) Poultry crates
- 2) Cone killing stand
- 3) Stunner/Sticking knife
- 4) Scalding tank
- 5) Defeathering machine
- 6) Holding table
- 7) Bowl plucker
- 8) Feather bins
- 9) Mobile racks
- 10) Evisceration table
- 11) Evisceration tools
- 12) Carcass washer
- 13) Sink unit/sterilizer
- 14) Icemaker, for use with ice tank only
- 15) Ice tank or Spiral washer chiller
- 16) Packing table
- 17) Shelving
- 18) Offal truck
- 19) Scale
- 20) Cold storage
- 21) Blast freezer
- 22) Freezer storage
- 23) Insect electrocutors
- 24) Drainage fittings
- 25) Electrical fittings
- 26) Cleaning equipment/hose lines (High pressure power washer)
- 27) Bags, trays, film, cartons etc.

