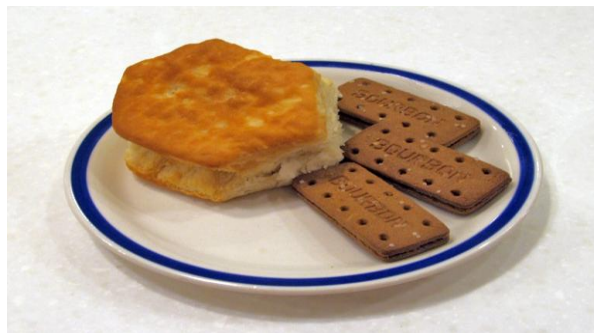


Sector	Project Title
Agriculture/Food Processing	Biscuit Manufacturing Unit

### Project Description

The Agricultural sector contributes approximately 15.7% of India's GDP. India is the world's largest producer across a range of commodities due to its favourable agro-climatic conditions and rich natural resource base.



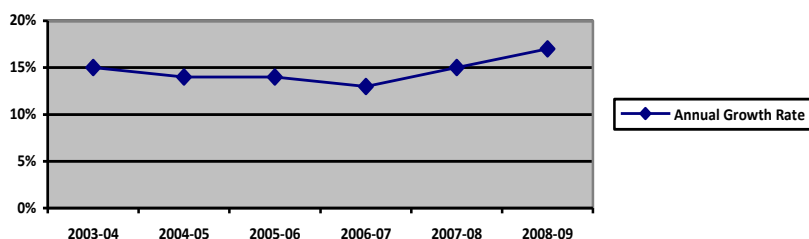
The Food Processing sector is a highly fragmented industry and widely comprises of the following sub-segments:

- Fruits and Vegetables,
- Milk and Milk products,
- Beer and Alcoholic beverages,
- Meat and Poultry,
- Marine products,
- Grain processing,
- Packaged or Convenience food and Packaged drinks.

It accounts for more than 70% of the sector's output in terms of volume and 50% in terms of value. Though the organized sector seems comparatively small, it is growing at a much faster pace.

Wheat and milk form two of the important raw materials for biscuits and other bakery items. India is the 2<sup>nd</sup> largest producer of food grains like wheat and rice in the world. About 42% of cultivated area in the State of Madhya Pradesh is under food grains wheat, sorghum (jowar), maize and paddy. India is also the largest producer of milk and dairy products. The country's annual milk production is estimated to reach 134 million tonnes by the year 2015.

The Biscuits market in India is estimated to be worth Rs. 100 billion. Glucose and milk biscuits account for 26-27% and 5-6% share respectively. Demand for biscuits is growing with the growing population. The market for cookies and cream biscuits growing at a very fast pace of over 25%. The following figure represents the annual growth rate of the biscuit industry in India over the last few years:



Source: <http://www.scribd.com/doc/35284604/India-Biscuit-Industry>

To realize the present and upcoming opportunities in biscuit and other bakery item manufacturing, the proposed project envisages the setting up of biscuit manufacturing units in the State of Madhya Pradesh.

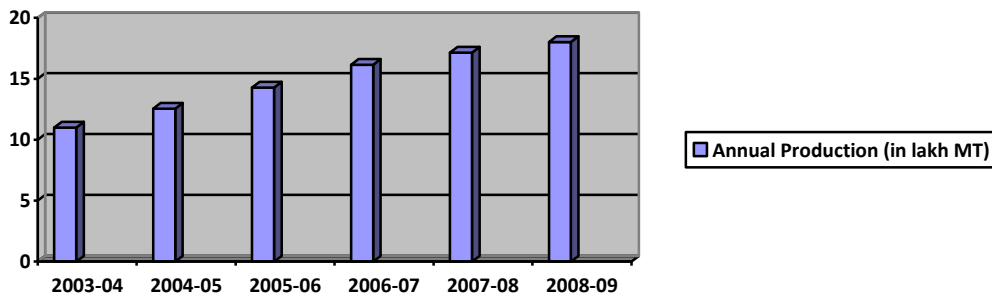
## Project's Value Proposition

India is one of the world's major food producers but accounts for less than 1.5 % of the international food trade. This indicates vast scope for both investors and exporters. In order to further boost the growing Food Processing industry, the Government of India has formulated a Vision-2015 action plan under which specific targets have been set. These include:

- Trebling the size of the Food Processing industry from around US\$ 70 billion to about US\$ 210 billion
- Raising the level of processing of perishables from 6% to 20%
- Increasing value addition from 20% to 35%
- Enhancing India's share in global food trade from 1.5% to 3%

India annually produces 105 million tonnes of milk (highest in the world). While its agricultural production base is strong, at the same time wastage of agricultural produce is massive. The share of India's export of processed food in global trade is only 1.5% at present. Within the country, the share of milk processed is 35%.

Annual production of biscuits in India has been steadily increasing over the years and is currently estimated to be at 30 lakh MT. This market is expected to grow over 15-17% over the next few years. (Source: [www.marketresearchdata.org](http://www.marketresearchdata.org) ) The following figure showcases the production pattern of biscuits in India:



Source: <http://www.scribd.com/doc/35284604/India-Biscuit-Industry>

The phenomenal rise in India's middle class population and the emergence of organized food retail chains/ super markets will lead to increased demand for biscuits and other bakery items.

Setting up of biscuit manufacturing units in Madhya Pradesh has locational advantages in terms of the State being the 4<sup>th</sup> largest State producing wheat and having the highest cattle population in India. The State has seen substantial growth of cross-bred population of cattle. The State can also be a major producer of sugar due to the suitable climatic and soil conditions it offers for the cultivation of sugarcane.

## MP's value proposition

Madhya Pradesh is ideally suited to house this project on account of the following reasons:

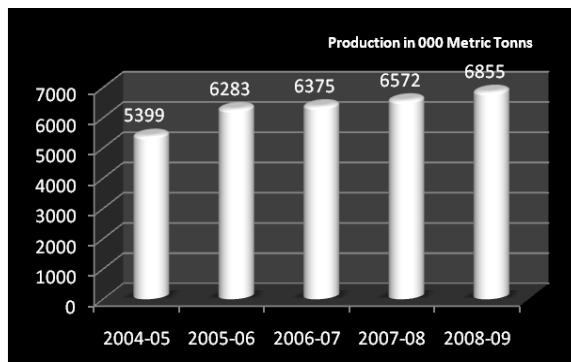
### Natural resources and abundant raw materials

- Presence of 11 out of 18 Agro Climatic zones of India, 5 crop zones and 4 soil types will suit production of almost any crop
- Established diversified crops - Field Crops, Fruits, Spices, Vegetables, Medicinal and aromatic plants

- Wider combination of soil type, rainfall, sun light, and temperature to suit new crops
- Around 100 agricultural farms with an area of over 20,000 acres are available on lease to investors
- Ample availability of raw materials (flour) in Madhya Pradesh
- Highest cattle population in India (18.5 million)
- Enhancement of milk production by more than 25% in 2008-09
- 79.1% growth of cross bred cattle population in MP during 17<sup>th</sup> Animal Census 2003 against the growth of 22.8% at National Level
- Marketable surplus in several key commodities

Crop	Paddy	Maize	Soyabean	Sesamum	Wheat	Cotton	Gram	Mustard
Production (in lakh MT)	13.7	8.4	47.8	0.88	73.3	8.65	21.4	6.9
Surplus (in lakh MT)	5.0	2.3	43.0	0.68	38.1	7.74	8.5	6.2

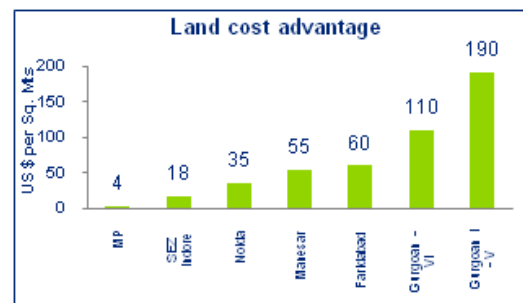
### Increasing Production in Dairy



Source: Economic Survey, MP 2009-10

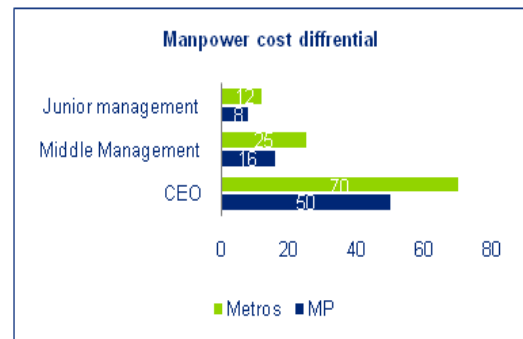
### Land advantage

- MP offers cheap land cost in comparison to other developed industry centres
- Plots of land having area of 5-10 acres can be made available in any food park or industrial area of choice in Madhya Pradesh



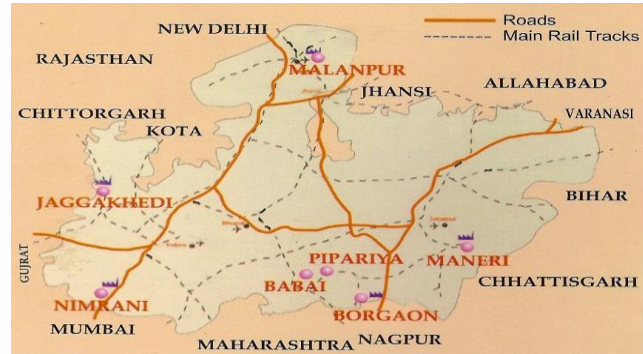
### Man Power Cost advantage & peaceful labour environment

- Cost to a company for human resources is cheaper by 30-35% in the State
- Greater saving potential for the Executive levels on account of cheaper land, cheaper housing and cheaper labour
- Mandays lost over last 5 years < 1% of total available mandays
- One of the most peaceful and labour productive State



## Food Parks & supporting infrastructure

- Industrial areas of Pithampur, Borgaon and Malanpur are already established centres for biscuits manufacturing of well known brands – ideal locations for catering to market in Madhya Pradesh as well as bordering states
- Six food parks are / are being established in MP at:
  - Jaggakhedi – Dist Mandsaur
  - Nimrani – Dist Khargone
  - Babai-Pipariya – Dist Hoshangabad
  - Borgaon – Dist Chhindwara
  - Malanpur-Ghirongi - Dist Bhind
  - Maneri – Dist - Mandla



- These food parks have all the common facilities expected in an industrial park along with common facilities needed for the agro industry like:-
  - Cold Storages /modified atmosphere cold storages
  - Warehousing facilities
  - Milk Chilling plants
- All the food parks have excellent rail and road connectivity
- Another 16 food parks have already been planned across the State
- A Centre for Perishable Cargo is being developed at Indore airport
- A Mega Food Park in Jabalpur is proposed to be developed as an SEZ
- A Multi Modal Logistics Hub to be developed in Pawarkheda, MP.
- Availability of 24 hours electricity for industries

## Policy Initiatives (for developers and food processors)

- 50% of the project cost (excluding land cost) upto maximum of Rs. 500 million available from MOFPI under MFP scheme (subject to MFPS guidelines)
- State capital subsidy for SSI up to Rs. 0.5 million
- Central Capital subsidy up to Rs. 500 million
- Entry tax exemption up to five years
- ISO-9000 certification cost reimbursement up to Rs. 75000/-
- Project report cost reimbursement upto Rs. 0.3 million
- Interest subsidy up to Rs. 400 million
- Investment Promotion Assistance
- Concessions to Mega Projects
- Exemption in stamp duty and registration charges
- Interest subsidy on term loan
- Exemption in Mandi fee
- Reimbursement of expenditure on Quality Certification

## Project Specification

The proposed project will have the following specifications:

- **Location:** The project can be set up at a suitable location in any of the following places. These places are in vicinity of large biscuit consumption markets in Madhya Pradesh and neighbouring states.
  - Pithampur
  - Borgaon
  - Malanpur
  - Chhindwara
- **Capacity:** The annual capacity of a unit is proposed at 3000 MT.
- **Project Cost:** Major components of the project (for a single unit) and their estimated costs are presented in the table below:

Particulars	Amount (INR in Millions)
Land	1.65
Building	34.05
Plant & machinery	69.10
Misc. Fixed assets/furniture fixtures	1.00
Contingencies	1.90
Pre-operative expenses	6.50
Margin money for working capital	0.80
<b>Total</b>	<b>115.00</b>

- **Returns:** Internal rate of return is estimated at 12-15%

## Project Contacts

### Farmer Welfare & Agriculture Development / Directorate of Agriculture

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