

| Sector | Project Title |
|-----------------------------|---|
| Agriculture/Food Processing | Ready to Serve Fruit Beverages 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.

India is the largest producer of fruits like mango and banana in the world and ranks 2nd in the overall availability of fruits. The beverages segment, in India, is projected to grow @ 27%.

The project proposes to set up a manufacturing unit for ready to serve fruit beverages in the State of Madhya Pradesh. Major horticulture crops in MP include fruits like Mango, Guava, Orange, Papaya and Banana. Due to the agriculturally rich land as well as various policy initiatives of the State Government, MP is an ideal location for such a plant.

Project's Value Proposition

India is one of the world's major food producers but accounts for less than 1.5 % of international food trade. This indicates vast scope for both investors and exporters.

In order to further boost the growth of the Food Processing industry, the Government of India has formulated a Vision-2015 action plan under which specific targets have been set. This includes:

- 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), 150 million tonnes of fruits & vegetables (2nd largest). While its agricultural production base is strong, at the same time wastage of agricultural produce is massive and the processing levels are very low - around 2.2% for fruits & vegetables compared to countries like USA (65 %), Philippines (78%) and China (23%). The share of India's export of processed food in global trade is only 1.5% at present.

Even, within the country, the share of fruits and vegetables processed is much less when compared to other agricultural products such as milk (35%) and marine products (26%). More importantly the lack of processing and storage of fruits and vegetables results in huge wastages estimated at about 35%, the value of which is approximately Rs.50,000 crores annually.

Increase in processing capacities for ready to serve fruit beverages will provide an opportunity to reach the domestic as well as export market. It will also help reduce wastages.

Fruits production in Madhya Pradesh in 2007-08 is furnished in table below:

| Fruits Production in Madhya Pradesh in 2007-08 | |
|--|------------------------|
| Fruit | Production ('000 tons) |
| Mango | 58 |
| Orange | 280 |
| Lemon | 14 |
| Mausambi | 3 |
| Banana (Harvested) | 470 |
| Grapes | 4 |
| Guavava | 47 |
| Papaya (Harvested) | 17 |
| Other Fruits | 31 |
| Total | 1290 |

Source: Department of Horticulture & Food Processing, Madhya Pradesh

MP State Horticulture Mission is looking into the development of clusters for cultivation of fruits like Mango, Orange, Aonla, Guava, Pomegranate, Ber, Custard Apple and Banana

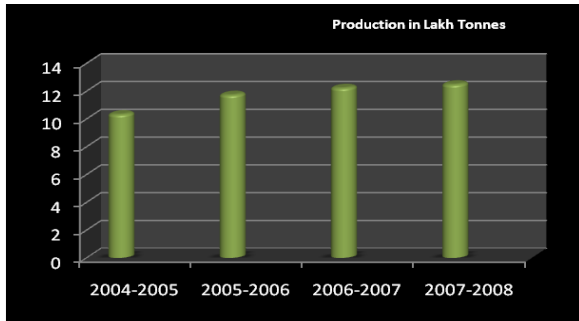
MP's value proposition

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
- Largest producer of soya bean, garlic, gram and pulses
- Second largest producer of lentils
- MP shares 15% of pea production of India
- Around 100 agricultural farms with an area of over 20,000 acres which is available on lease to investor
- Marketable surplus in several key commodities

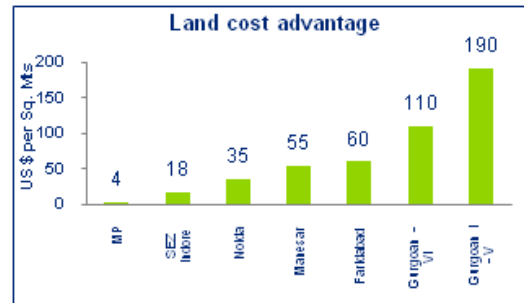
Increasing Production of Fruits



Source: Economic Survey, MP 2009-10

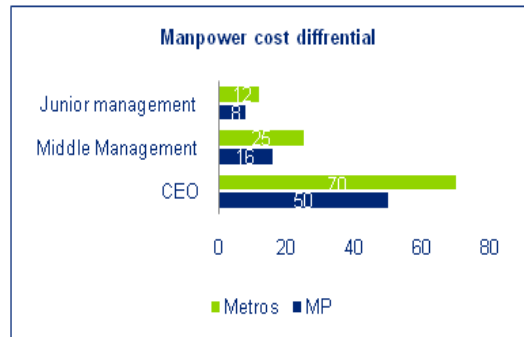
Land cost advantage

- MP offers cheap land cost in comparison to other developed industry centres



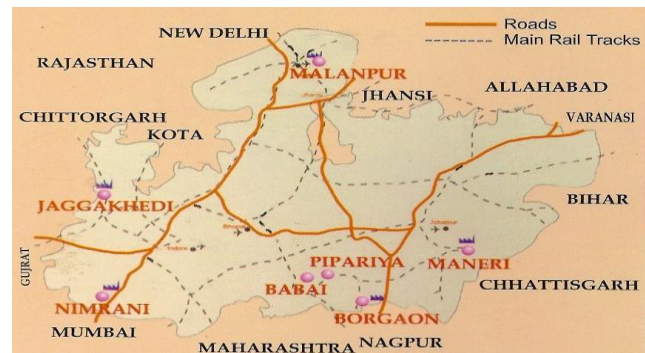
Man Power Cost Advantage & peaceful labour environment

- 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

- 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 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

Policy Initiatives (for developers and food processors)

- 50% of 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. 5 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. 4 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: Project can be located in Chhindwara / Betul / Jabalpur district
- Capacity: The annual capacity for a unit is proposed at 44,20,000 litres
- 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 Million) |
|--|-------------------------|
| Land | 0.15 |
| Building | 0.75 |
| Plant & machinery | 3.52 |
| Misc. Fixed assets/furniture fixtures | 0.47 |
| Contingencies | - |
| Pre-operative expenses | - |
| Margin money for working capital | - |
| Total | 4.88 |

- Returns: Internal rate of return is estimated at 18-22%

Project Contacts

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