



UNIT

3

Contents

Chapter I

1. Multiple Options
2. Industry and Service Enterprise
3. Sub-sectors in Industry
4. Ideas for Industry
5. Government and Industry/Service Enterprise
6. Forms of Organisation

The aim of this chapter is to:

- Draw your attention to certain important factors before identifying a business opportunity.

Objective:

On completion of this chapter, you will be able to:

- differentiate between trading and industry/service enterprises
- identify how industry sectors and sub-sectors are classified
- differentiate innovative business from conventional business
- list the features of various forms of organisations



Multiple Options

You have decided to set up your own business. You have a wide choice before you; you can either establish an oil mill, or sell chemicals or even start a colour photo-processing centre. In other words, you have a choice of starting one of the following:

- a) Manufacturing unit
- b) trading
- c) service enterprise

Setting up a manufacturing unit requires marketing arrangements for machinery, raw material, technical know-how, finance, factory building, needed workforce etc.

Trading however, may or may not be that complicated. It involves planning, purchase, sale, stock control and financial management. A retail grocery shop, compared to a manufacturing unit, is a simple business. A large departmental store, however, is not so simple to set up and manage.

A service enterprise can either be simple or complex. For instance, setting up a photocopying center and managing it may be simple but inspection of offshore oil/gas-lines is a rather complex business.

Thus, the first thing that you have to do is to decide what area of business you would like to undertake. Should it be a manufacturing unit or trade or service enterprise! It all depends upon what you think you will be able to do and what you would like to do. It will be fitting to point out that you can get a loan for setting up an industry or a service enterprise. But, it is easier to set up a trading or a service enterprise than an industry, it takes less time to set up, besides the profit in a trading enterprise is quicker to come through than in a factory.

SAQ 1.1

Look for an individual in your area who has a trading enterprise as well as an industry or service enterprise. The products for trading and industry/service enterprise must be different from one another (For instance, he is a grain trader and also runs a cotton ginning unit). Meet him and try to understand the differences/similarities between trading and industry/service enterprises.

Similarities	Differences
1.	1.
2.	2.
3.	3.
4.	4.
5.	5.



Industry and Service Enterprise

You can trade in almost anything, even sand, if you want to. But what options do you have if you want to set up an industry or a service enterprise?

There are several industry groups or sectors. For example, textile is one sector. Chemical is another. Look at Exhibit-1.1 for an extensive list of industrial sectors

Exhibit – 1.1

Industry Sectors: An illustrative list

1. Plastic
2. Paper
3. Rubber
4. Chemical
5. Electronics
6. Pharmaceuticals
7. Basic Metal Industries
8. Metal Products
9. Machinery other than electrical machinery
10. Electrical machinery
11. Transport equipment
12. Bio-technology
13. Mineral-based industries
14. Ceramics
15. Agro-based but non-food industries (e.g. making briquettes from agricultural waste)
16. Glass
17. IT
18. Food
19. Textile

SAQ 1.2

Identify a service enterprise and write down how is it different from an industrial unit.

Name of the enterprise: _____

Product of the enterprise: _____

Difference: _____

A business process can be understood as a network of services. A service-based enterprise is one where management is focused on the provision and consumption of services.



This has a number of important implications:

1. The **value-added** by a service enterprise is the way a set of **input services** is transformed into a set of **output services**, in response to a set of **customer demands**.
2. The input services will often be regarded as a **commodity**, to be procured from the most convenient and cost-effective source. In some cases, there may be some advantage in making a stable commitment to a particular service provider, and building a long-term relationship. In other cases, there would be a greater advantage in maintaining multiple sources of supply, and switching between different service providers according to the prevailing service charges and service levels.
3. Alternatively, the input service may be regarded as a customized relationship, where the negotiated service is a formal expression of the commercial agreement.
4. Service providers typically manage their own **resources**, own their own **assets**, and avoid as much **complexity** as possible. By providing services, rather than direct access to key resources and other assets, a business may be better able to protect confidentiality and privacy, and to preserve intellectual property rights and trade information.
5. Services are provided **on-demand** - and if necessary, redesigned and reconfigured (i.e. configured differently). The form and content of the services are **dynamically aligned**, both individually and as a whole, to the changing demands of the consumers and the environment.

The list of service enterprises is very long you should go through the "Yellow Pages" of any large city. You will find listed services, which you did not know of. Look at the illustrative list of service enterprises under Exhibit-1.2.

Exhibit-1.2

Type of Service Enterprise	Who/Why It is Needed
1 Tailoring 2. Shoeshine	Personal Needs
3. House-painter/Interior decorator 4 Cooking gas supply agency 5. Gadget repairing shop	Household Needs
6 Newspaper 7 Cinema theatre 8 Video-cassette hire centre	Information and Entertainment
9 Music-learning centre	Hobby
10 Yoga class/Health centres	Health Care
11 Providing marriage pandals & other ceremonial needs 12 Community hall	Community Needs
13 Sanitation 14 Fire-fighting	Indispensable Community Needs



15 Travel agency 16 Transport-service	Tourism (business or pleasure or social compulsions)
17 Tuition class 18 Computer class	Education
19 Beauty parlor 20 Maternity home 21 Crèche 22 Barber shop	Services based largely on the needs of a specific sex or age-group
23 Security 24 Transportation of goods	Industry/Business Needs
25 Insulation contract 26 Machinery-maintenance contract	Technical/Industrial Needs
27 Telecommunication 28 Courier service	Common needs but of particular importance to business
29 Tractor-hire (Rural)	Rural Population
30 Property broker	Urban Population

Sub-Sectors in Industry

There are various sub sectors in every industrial sector. Textile, for example, is a large sector. It could include any one or more of the following activities:

- Spinning
- Weaving
- Dyeing and processing
- Knitting
- Ready-made garment manufacturing etc.

For all these activities, you can utilise natural fibers like cotton, silk, jute and wool, or manmade fibers like polyester, nylon, acrylic, etc. A worsted woolen spinning mill and a cotton spinning mill have little in common. The raw materials, equipment, and customers - all differ.

Exhibit – 1.3 will give you a rough idea about the sub-sectors in food-processing industry. Likewise, there are sub-sectors in each of the industry sectors. Of course, it is sometimes possible to combine a few sub-sectors in a single enterprise. For example, you can set up a textile mill in which activities like spinning, weaving and processing fabric could be carried out. But by and large, as a small entrepreneur your enterprise will belong to a single sub-sector.



Exhibit-1.3

Food-processing: sub-sectors

1. Fruit and Vegetable Products
2. Milk Products
3. Grain Milling
4. Cereal Products
5. Meat and Poultry
6. Fishery Products
7. Oilseeds Processing
8. Preservation, Packaging and Marketing of food products.

What are the basic home truths about fruit and vegetable processing? Here is the answer.

- Dependent on farm output. If the crop fails, you might have to suffer. (In some cases, you might even gain from a shortage).
- You may have to compete with alternative usages of the product. If you want to make *gur* (jaggery) or molasses you will have to compete with sugar mills to get the sugarcane.
- Your relationship with farmers is crucial. You must maintain good relations with farmers unless you are procuring the fruits and vegetables from the market.
- Unless you use fruits and vegetables stored in cold storages or use a variety of fruits and vegetables which grow throughout the year, you may have to process it only during the season in which they are grown.
- Since you are dealing with perishables, your transport and storage arrangements must be sound.

So, before you start your venture, try to learn all you can about the features and requirements of your product.

Please see Annexure I for more business ideas in the Food Processing Sector



SAQ 1.3

Visit your District Industries Centre or Industry Association or meet an entrepreneur from your area and find out what are the sub-sectors of plastics.

List the sub-sectors of plastic industry:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

Sub-sectors and basic hometruths

For any sub-sector, there are a few basic, general principles. It is essential for you to find them out. You can do this by reading relevant trade and industry journals and talking to people engaged in this sub-sector.

Ideas for Industry

Every money making opportunity that you see boils down to one common thing-idea. As you know the best and the most creative ideas pay.

The best thing about ideas is they are free and everybody has the capability to think of ideas.

In order to think of creative and innovative ideas, you have to have knowledge. Knowledge is essential for creativity.

Below are the steps that you can take to come up with profitable innovative ideas:

- 1) Read and study as much as possible about your industry and product. You need to have specific information about what you are going to sell. For example, if you want to be involved in real estate, you study everything about the subject matter in detail. If you want to start an industry, you have to know everything about it, e.g., what sells and at what price, etc.
- 2) Improve your general knowledge. Don't limit yourself to only learn about things in your own industry. Learn as much as possible about other industries. This will enable you to think of ways to manage your own industry.
- 3) Mix and match ideas from other industries. Once you investigate and research enough, your mind will be a storehouse of all the ideas you have studied. And this is the main source for your creative ideas. All the knowledge you have acquired so far is the raw material to produce new ideas.
- 4) Refine your idea to your satisfaction. You can always do your own research on the idea by asking questions to your target market to test the feasibility of the idea and the need for improvement, if any.

Basically a new idea is a combination of old ideas. You need to have enough old ideas to come up with new ideas.



Sometimes when someone has launched a new product, you would say, "Hey! I thought about that before. That's my idea." You might have had thought about the idea but you didn't capitalize on it. Someone has done it before you

In any given sub-sector, you could develop several business ideas. Take knitting for example. You can make vests and briefs or you can make socks or T-shirts or cardigans and sweaters.

In the fruit and vegetable processing sub-sector, you can do any of the following:

- Dehydration of fruits or vegetables
- Freezing of fruits, fruit pulp or vegetables
- Jams, jellies, squash, puree of fruit or vegetable
- Canning of fruits/vegetables
- Aseptic packaging (tetra pack or vacuum packaging) of pulp
- Fruit juice or concentrate
- Fruit-based drink (such as Frooti or Appy)
- Post-harvest treatment, like grading and packing of fruits and vegetables. (There are also business propositions such as pre-cooling, wax-coating, radiation, etc. in order to enhance the shelf life and quality of fruits/vegetables)

The list of such business ideas can be endless. In Exhibit-1.4 you will see the cover page of a book, which lists all such business ideas or products. It has a code for each of the products. It covers the products manufactured in an industry as well as those grown on a farm.

Exhibit – 1.4

Alphabetical Guide (Index)	
To/With	
Indian Trade Classification	
Part-I	Part-II
Alphabetical Guide	ITC (HS)
Edited by Kumar & Garg	
Abc	
ANUPAM PUBLISHERS	
“Anupam House” B-265, Mangolpuri Industrial Area-1 Delhi-110083	
Phone 27913709,27913710 email: anupab@vsnl.com	



Exercising options

You can either buy a Greenfield (a plot of land without any building on it) or establish an industry or a service enterprise of your choice there or takeover an existing enterprise. Taking over an existing enterprise you save on time and money. Of course, you have to make sure that it is viable. In the case of an existing enterprise you should work on the expenditure required in order to make it profitable if needed. You must also look at its obligations to creditors, government agencies, workers, customers, and banks and make your decision. Takeover of a company or firm is becoming popular. Remain alive to this possibility.

SAQ 1.4

List two important factors you should consider before taking over an existing enterprise:

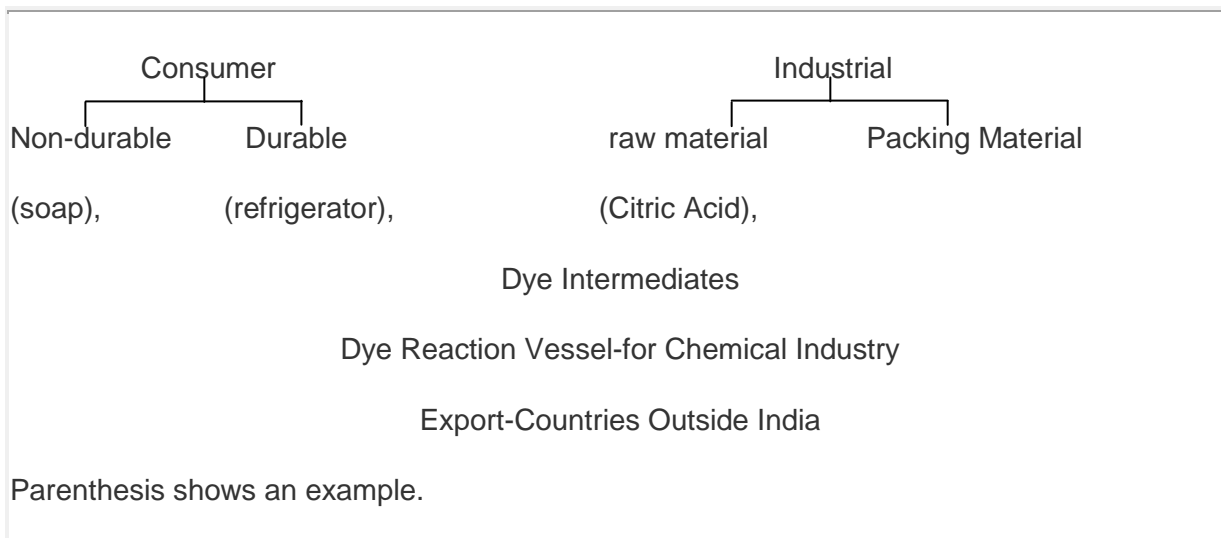
- 1.
- 2.

Product and Market

You must have heard this phrase often - "marketing is a very important aspect of business". But, are you aware that there are different types of market? The market is generally determined by what you decide to make and where you want to sell. Look at Chart-1. If you want to produce a consumer durable, you, in all possibility, have to spend considerable amount of money on publicity and promotion in order to create a brand image. You will also have to appoint good dealers for your product and give a serious thought to after-sales service to be provided.

Chart – 1

Product and Market



Conventional Versus Innovative Business

The history of mankind, our history, is based on innovation. Innovation is a process which leads to improved engineering, technology, methods, state of mind and organization. If you look at it that way, we are constantly involved with innovation as human beings. Another way of putting this is that an innovation lowers the costs and/or increases the benefits of a product or task. A



highly successful innovation increases the benefit-to-cost ratio to such an extent that it enables you to do something which seemed impossible before or you didn't even know that you wanted to do.

Most people tend to set up conventional business ventures - such as printing press, manufacturing dyestuff, foundry etc. There is nothing wrong with this since what matters ultimately is profit and your mental approach to business. If you want to earn money following a route others have taken before you, go ahead. Only try to plan and manage it in a better fashion so that you may have an edge over others.

There are, however, a few individuals who do not want to tread the beaten track. They want to innovate. Though being innovative may initially appear slightly risky, it minimizes your risk in the long run once customers accept your product. Low cost detergent powder is a routine business now. It was innovative when Karsanbhai Patel launched 'Nirma'.

Exhibit – 1.5

Innovative Business Ideas: Examples

Innovative Business Ideas: Examples	
1. Synthetic soft-drink concentrate (Rasna)	A new product relatively cheaper and acceptable as a soft drink.
2. Fire Extinguisher (Ceasefire)	A mini fire extinguisher. A new concept when launched. Nobody prior to this had thought of the need for fire protection in homes, offices or shops
3. Time-sharing holiday resorts	A new idea. There are families who want to travel at least once a year. Time-sharing holiday resort capitalises on their need.
4. Water storage tanks (rotational molded plastic tanks)	A convenient water storage alternative
5. Acrylic yarn	A cheaper alternative to wool.
6. Detergent Powder (Nirma)	Low cost detergent powder was then not a popular concept. Karsanbhai Patel recognized the potential of selling it to the middle and lower classes.
7. Pre-recorded compact disc (CD)	Presently a large and booming market. Catering to the masses by reducing price and improving the quality of music.
8. Water park at Mehsana	A new source of amusement. Appealing to both the young and the old. Now common.
9. Miniaturization of products	To reach to the masses; various products sold in a small quantity in sachets and small bottle etc.

SAQ1.5



Identify an innovative enterprise and justify why it is innovative.

SAQ 1.6

What do you think is the major advantage of a limited company?

Recapitulation

Let us now summarise what we have read in the first chapter: First of all you must decide whether you want to establish an industry or a trading or a service enterprise.

Give a serious thought to the several sub-sectors in any industry, sector, group and then, acquaint yourself with the fundamentals of the sub-sector of your interest.

You may also consider the possibility of taking over an existing enterprise. Next, you must give due consideration to the type of product you want to manufacture and the market in which you want to operate.

At this stage you have to decide how creative you wish to be in your search for business ideas, but do not overlook the government policies.

You must also understand fully the implications of your choice of form of organization like, proprietorship, partnership etc.



UNIT

3

Content

Chapter – II

1. The Million Dollar Question
2. Look at yourself
3. Your Cup of Tea: The Clues

The aim of this chapter is to:

- help you understand how important is your knowledge while identifying a business opportunity

Objective:

On completion of this chapter, you will be able to:

- analyze yourself
- decide which type of business opportunity will better suit your resources, aptitude and other circumstances.



The Million-Dollar Question

You have already read about the many facets of business in the first chapter of this unit. Your genuine query now is - 'what business will I set up?' Just take a look around. You will find that people are using plastic bags for almost everything. So, you may begin to think of plastic bags. But, wait a minute. The government wants to replace plastic, with paper and cloth. Perhaps you have also read that the government wants to encourage the food processing industry because it has a tremendous export potential. So you now start thinking of food processing. Then again a few residential hotels may have come up in your city and they may seem to be doing well. So you now begin to consider a hotel project. Just then your friend tells you that the computer stationary market is booming and so that too gets on your list of ideas.

You eventually face a bewildering variety of ideas, and end up feeling confused. You are just not able to decide on anything. Now let us discuss how you should begin, systematically.

Look at Yourself

You are the one who is going to establish and manage the business. So, take a good look at yourself. There are many questions for which you must have answers before you look out for an opportunity. "The Getting to Know Yourself" Questionnaire lists these questions. The purpose of these questions is to help you decide what kind of business will best suit you. What is important is that you look for the 'right kind' of business, rather than 'any' business.

Exhibit-2.1

Getting to Know Yourself

1. Name
2. Education
3. Present occupation
4. Work-experience
5. Do you have any exposure to industry or business? Exposure can be gained by working in any industry or business, or from information gathered from discussions with family and friends or from books and magazines or such other sources. At the end of the questionnaire, you may have gained such exposure through work-experience or otherwise.
6. Present annual income from various sources. List is source-wise.
7. Do you possess any special technical skills or know-how? Give details.
8. How much money are you willing to invest in the business?
9. Where do you want to set up your enterprise?
10. Do you have any preference for a particular industry sector? If yes, why? List these sectors.
11. Do you wish to avoid any industry sectors? If yes, why? List these sectors.
12. How profitable would you wish your enterprise to be? Read Box 'A' before you answer this question.
13. How quickly do you expect the project to make profits?



14. What help/problems do you expect from your family members?
15. Why do you want to set up the enterprise? Read Box `B' before you answer this question.
16. How good are you at the following:

	Very Good	Good	Not Good	Poor
1. Capacity for physical work				
2. Marketing				
3. Production				
4. Financial management				
5. Problem-solving*				
6. Network of contacts in business, industry, government and financial sector				

- Problem-solving means an ability to solve a variety of problems like getting a telephone connection or persuading a supervisor who wants to quit the job to stay with you or dealing with an aggrieved customer, etc.

17. What is your attitude to 'risk' in business? Read Box `C' before you answer the question.
18. Do you already have any business ideas in mind? Give details.
19. Any other points about yourself, which you think could be important in order to establish your own business.

Box-A

Making Profits - To Each His Own

Let us assume that you have made an investment of Rs. 6 lac in a particular business. Your net profit during the first five years is expected to average Rs. 1.2 lac per year. This means a 20% return on your investment. Is this profitable? Read the following conversation among four friends to learn about it.

Samir: I know of a viable and sound private company which gives an interest @ 12% per annum on your investment. I shall not consider any business investment which gives a return of less than 20% per annum.

Mahesh: We are merely looking at the rate of interest for the first five years. We have to look beyond it. It might improve. A bank gives an interest @ 6% per annum. So, 20% is not bad at all. If the company is sound, it would not be a risky involvement and the return would be fairly good.

Anil: My father runs a factory which manufactures components required by a vehicle manufacturing company. The factory has been in operation for the last eight years. My father had made an initial investment of Rs. 10 lac. His profit varies from Rs. 1.25 to 1.75 lac per year. So, I do think 20% is a good return.

Maulik: How much will a factory fetch if I sell it after 5 years? With an initial investment of Rs. 6



lac, if it can be sold for Rs. 15 lac at the end of five years, then I would not worry much about the annual profit - whether it is Rs. 1.2 lac or half of it.

SAQ 2.1

What have you gathered from the above conversation?

Match it with what we have to tell you.

The conversation brings out two aspects:

First - to each his own. There is no fixed definition of profitability. The banks give a minimum of 3% to 4% higher than the interest rate they charge on term-loans (now 11% to 14%). But, expectations vary from one to the other. Your expectation may not be the same as mine and vice versa.

Second - Maulik seems to be interested not in business, but in speculation. In that case he can either invest in shares or in real estate. If you are really interested in business, you should not give much importance to appreciation of your investment. You should rather focus on how much it will earn.

SAQ 2.2

What are your expectations? Write down in two or three lines.



Box B

A Need for Business

Why do you want to set up a business? Is it because:

- You have surplus money
- You want to be rich
- You will not get a decent job and hence have no option but to set up a business
- You are tired of working for others
- You have plenty of time and would like to do something meaningful (a middle-aged housewife, a retired army officer may think so)
- You may want to prove that you can achieve what many others have achieved
- You just want to be your own boss since you dislike working for others
- You want to establish a business empire for your 20 year old son

These are mere samples. There may be several other reasons for wanting to set up a business. The purpose of telling all this is to help you understand your own motives. If you want to get rich quickly, a business which will take a long time to generate profit, is a wrong choice for you. If the idea is gainful occupation, then you may be satisfied with a low profit. On the other hand, if you are not capable of getting a job, you cannot be too choosy about the type of business you would like to pursue.

It is important that you analyze your reasons in order to understand what kind of business you should look for and how quickly you should choose a business idea.

SAQ 2.3

What are your reasons for wanting to set up a business? Write a few lines.

Box - C

LET US TOSS A COIN

VERSUS

I WANT TO PLAY IT SAFE

Meet Mr. Mohan who is setting up a factory. He hopes the factory will work for two shifts per day, which would total 4800 hours in a year. He figures that the business will begin to make profit only after 2400 working hours (50% of 4800) and that there will be neither profit nor loss



at 2400 working hours. There will only be loss, if the factory operates for less than 2400 hours. So, 2400 hours or 50% capacity-utilization is the "breakeven point". He expects the factory to work at least at 80% capacity utilisation.

Rahul, a friend of Mohan, feels that 50% is a rather high breakeven point, since many things can go wrong in a business. Rahul thinks that a breakeven point higher than 35% seems to be very risky and hence an unacceptable idea.

Jagat, another friend, however does not agree. He feels that a breakeven point up to 60% is safe. A businessman worth his salt should be able to achieve it.

So, the attitude to risk varies from one businessman to another.

SAQ 2.4

What is your own attitude to risk? What is your idea of acceptable breakeven point?

You're Cup of Tea: The Clues

We will introduce you to one Mr. Ramesh Gupta. He had several project ideas in mind, and could have chosen one from amongst these. But he did not do so. He took a good, long look at himself. This means that the thought about his interests, considered his background and qualifications, the support of family members, financial resources and other such related aspects before he chose a project. You too should know yourself and understand why it is vitally important to do so, once you have answered questions `getting to know yourself that follows this.

At the end of the chapter, you will find Mr. Ramesh Gupta's assessment of himself and how he chose his line of business. You must also remember to do just the same in order to be successful.

Ramesh Gupta's Sheet of Self Knowledge

Name	: Ramesh Gupta
Educational Qualification	: B.E. (Mechanical)
Work Experience	: Working for a year as a sales executive in a company producing textile (processing) machinery. Spent sometime in a medium-sized machine tool factory, as a part of his academic course, while he was doing his BE.
Income	: Earns a monthly salary of Rs. 18,500. No other income.
Family Background	: The son of a government official. No member of the family is a businessman. Machine-design is Gupta's favourite subject.



Gupta is in a position, thanks to his father, to invest about Rs. 3.5 lac. With loan, this means that he can think of a project-investment of Rs. 10-11 lac. He lives in Bhopal. He is prepared to set up his unit anywhere in a vicinity of 100 kms from Bhopal.

Gupta is interested in engineering, electronic and plastic sectors. He thinks that his mechanical engineering background will be of advantage in these sectors. His exposure to machinery-production/sale will help. He wants to avoid the chemical and pharmaceutical sectors for want of technical knowledge/exposure. Besides, he thinks that the investment he has in mind is too small to do anything in the chemical or pharmaceutical sector. He has similar views regarding required investment for an agro-processing project.

Gupta believes that a job, however hard he works, cannot make him rich. In business, one might have to struggle initially, but once it stabilizes and grows, it is very rewarding. You can grow and diversify. He can rely upon his father to facilitate his interaction with banks and government departments, given the latter's contacts. His father can also do some liaison and coordination work at Bhopal, whenever needed, though he cannot be expected to give full-time or regular help. Gupta need not worry about his livelihood in the next two years, as his father has assured him of support. However, Gupta is anxious that his project makes profit from the second - if not first – year onwards.

Gupta expects the project - after a year - to earn at least double the amount of his present salary (Rs. 2,50,000). He looks forward to a minimum 25% return on investment after two years operations. He wants a business whose break-even point does not exceed 45% capacity-utilization.

Gupta enjoys marketing. He is confident about production. However, personnel management, raw-material purchase and financial management are aspects of business with which he is not so familiar. His contacts are limited to textile-processing houses. There are friends who have contacts in large engineering public sector companies, these friends are expected to be helpful.

Gupta is thinking of outsourcing the manufacturing of the machines. He will not make any investment in machinery and equipment. He will provide design, supervise production, check progress and quality and supply material to contractors who will fabricate machines on his behalf.

Another idea is to make sheet metal parts to sell to companies like BHEL

Using the questionnaire 'Getting to know yourself', prepare a sheet of your self-knowledge for question No. 3 in Assignment 3.



UNIT

3

Contents

Chapter III

1. Springboard for business ideas
2. The Bountiful Nature

The aim of this chapter is to:

- develop your aptitude for business opportunity identification from natural resources

Objective:

On completion of this chapter, you will be able to:

- list the physical sources of business ideas
- identify business ideas based on natural resources
- list factors which need to be looked into before identifying an opportunity based on natural resources



Springboard for Business Ideas

Let us read an excerpt from 'House for Mr. Biswas' by V.S. Naipaul.

"He was young, he was poor, and he fancied he was struggling. But there came a point where resemblance ceased. The heroes had rigid ambitions. They lived in countries where ambitions could be pursued and had a meaning. He had no rigid ambitions. And in this hot land, apart from opening a shop or buying a motorbus, what could he do? What could he invent? Dutifully, however, he tried. He bought elementary manuals of science and read them. Nothing happened. He only became addicted to elementary manuals of science. He bought seven expensive volumes of Hawkins's Electrical Guide. He made rudimentary compasses, buzzers and doorbells, and learned to wind an armature. Beyond that, he could not go. Experiments became more complex, and he didn't know where in Trinidad he could get the equipment, mentioned so casually, by Hawkins's. His interest in electrical matters died".

You would not want to meet a fate like that of Mr. Biswas. You want good, practical ideas. So how do you generate them?

- You may read business dailies and magazines
- Talk to knowledgeable persons
- Keep an eye on developments around you.

Just look at an existing enterprise which is doing well. The chances are that it is based on any one or a combination of the five planks listed in chart-1.

Chart – 1

Springboard for a Business Enterprise Idea

- Natural Resources
- Existing/Expected Enterprises
- Market-Extension/Modification of Present Work Content
- Creative Effort

So, what do I do now? I focus my thoughts on the following:

- "Is there any natural resource which I can commercialise?
- Are there any existing enterprises I can supply goods or services to?
- Are there any existing enterprises doing so well that it would be worthwhile to set up the same?
- Are there any products/services for which the market demand will continue to expand?
- Does my present work suggest any business opportunity?"

The answers to all these questions will bring forth business opportunity ideas. Besides, there can be creative ways too, to get business opportunity ideas. However, there is no answer to how you can become creative. Because there are no fixed ways. You are either a creative person or you are not. We will later tell you about the ways in which people reveal their creativity and hope that it ignites the creative spark in you. Let us now discuss springboard No. 1.



The Bountiful Nature

While all the five planks lead to business opportunities, let us first discuss the bountiful nature. You can think of exploiting a natural resource. The primitive man thought of exploiting land and began farming. We have come a long way since then - from farming to exploring oil wells.

Perhaps you already know what natural resources mean. But it may be good to look at the checklist (Exhibit-3.1).

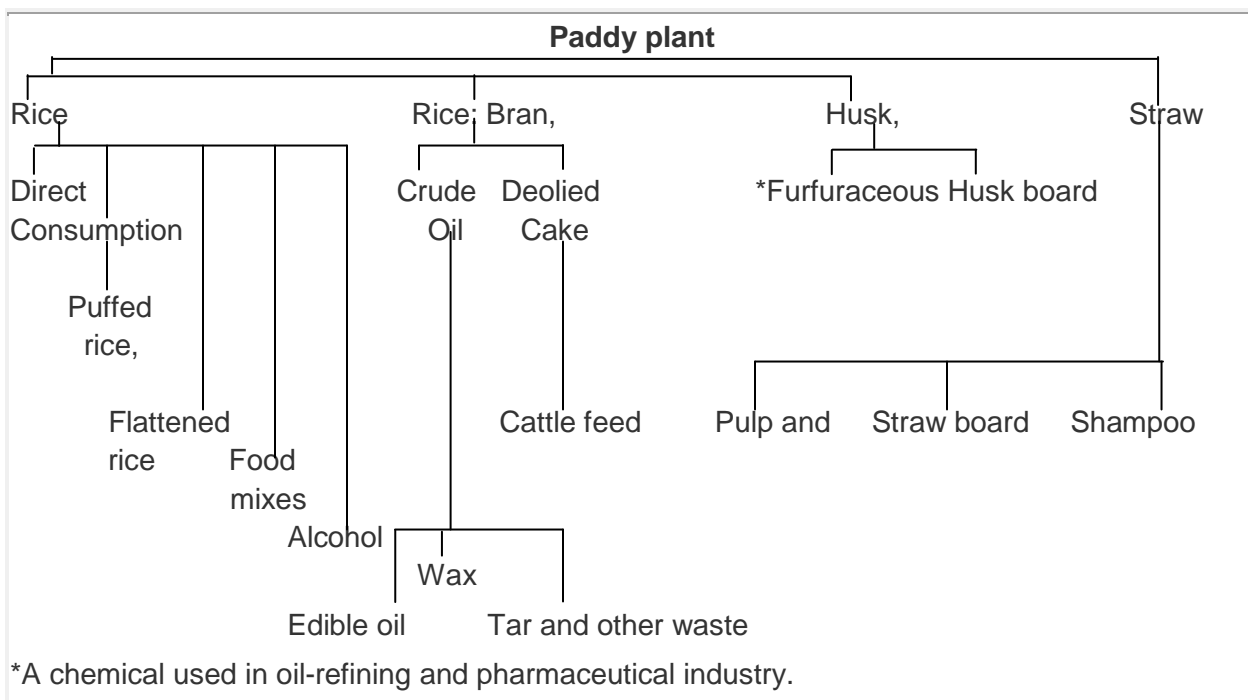
Exhibit – 3.1 Natural Resources

1. Forest (gum, gooseberry, timber, bamboo, herbs, etc.)
2. Horticulture (fruits, vegetables and flowers)
3. Agriculture (grains, pulses, spices and such commercial crops as cane, tobacco, cotton and oilseeds)
4. Agro waste (e.g. bagasse, rice husk, straw, groundnut husk)
5. Marine and Aqua (fish, shrimp and crab)
6. Mineral (clay, iron and steel)
7. Animal (wool and meat)
8. Wind/Sun (e.g. solar energy).

The power of a natural resource

What do you think you can make from paddy? Why don't you write your answer in the box alongside? Now look at Chart –2

Chart –2





Does it surprise you? Do not underestimate the many possibilities of natural resources.

Techno-commercial possibilities: You may have used eucalyptus oil and gained relief during your bouts of cold. There may be many eucalyptus trees in your district. So, you may think of manufacturing eucalyptus oil. But wait. You can make eucalyptus oil on commercial basis from some species of eucalyptus trees only. You can make it from the trees which grow in parts of Uttar Pradesh, but you cannot make it from the species that exist in Gujarat. So, do pay attention to technical feasibility.

Let us suppose you live in an area which grows large quantities of guava, pomegranate, banana and lime. You may have read that there is a large export market for fresh fruits and the government encourages setting up of agro-processing industries. So, you may consider establishing a centre to cool, grade, and pack and export fresh fruits or/and to process these into pulp, puree, juice or powder. But stop a while and look at the following available information.

E Export Market potential for major fruits

1. Mango	Excellent
2. Papaya	Fair
3. Chikoo	Good
4. Guava	nil
5. Pomegranate	Good
6. Banana	Fair (If there are appropriate varieties backed by good infrastructure)
7. Lime	nil
8. Grape	Excellent

Domestic Market potential for processed major fruits

1 Mango	Good	Excellent
2 Papaya	Good	Good
3 Chikoo	Negligible	
4 Guava	Fair	
5 Pomegranate	Negligible	
6 Banana	Limited	Fair
7 Lime	Good(pickles)	Fair
8 Grape	Fair	Good

So, the market picture, whether it is for export of fresh fruits or processing for domestic and export market, is not quite encouraging for the fruits available in your area. The commercial prospects are therefore not so good.

You have to remember and be alert to techno-commercial possibilities. Even if you feel that it is a wonderful resource; and so cheaply available during the season; do try to look at it the way a level headed businessman would always do.

Resource-life and reliability

You must never forget to check these aspects. If the limestone in a quarry gets exhausted in five years, what can a poor cement company do? There is a cement company in Madhya



Pradesh, which is losing money. Not because there is no limestone available in the region, but because the deposit has now gone so deep inside that the company has to spend a lot of money in extracting the limestone. So, when you think of the resource/raw material for your product think comprehensively.

What are the chances of a resource being adequately available? There are cottonseed-processing units, which have closed down in North Gujarat because the farmers have switched over from cotton to castor seed. A pineapple-processing unit in Bihar has closed down because pineapple is no longer available. You can not be certain of availability of resources forever, but they must be available at least during the initial years.

Linkage with resource-owners

Do not ever take this for granted. Let us presume you have set up a tomato-processing plant and have offered a farmer growing tomatoes, a price 20% higher than the price a wholesale dealer offers him. But he may still not sell. For, he has been dealing with a wholesale dealer for 10 years and there is mutual trust. The dealer bails him out when nobody is prepared to buy his tomatoes. He also gives him advance to buy seeds, fertilizers and pesticides. You will have to build his confidence in you. It can be in the form of commitment to lift a fixed quantity at a given price or advancing money or even by imparting knowledge and guidance to help the farmer increase his yield and profit, or through contract farming. Contract farming means he hires out a piece of land to you and either he grows tomatoes there on your behalf or you may do so on that land.

The story given underneath tells you how Jose improved his business relationship with fishermen.

Exhibit – 3.2

Fishing: From troubled water to calm sea

Jose is the owner of a large fish processing industry in Kerala. He was a fisherman once, but through dint of sheer hard work and business acumen he has built up his export-oriented industry. A few years ago, he used to operate a few trawlers. The fishermen employed on the trawlers would bring the catch to him. He, however, felt that he was being cheated. Either the catch was too small, or it was of inferior quality. He then decided to change his way of operation. He did not want to own and operate the trawlers. He wanted others to do it for him. He would merely have contractors for the operation. He sold his trawlers to some of his employees by giving them a loan to buy trawlers and also encouraged other fishermen of the area to buy trawlers by giving them loan. The condition was that they were not to sell the fish to anybody else unless he permitted them to do so. They also had to repay the loan. With this, quantity of the catch and quality improved. Jose is happy with the new system and the fishermen of the area have also prospered.

Law

Natural resources are often governed by laws. There are certain forest products over which only the tribals have a right.

In some parts of India, however, aquaculture has not caught on, because, if you want to establish a farm larger than 5 hectares, the district collector does not have the power to allot the land. The applicant has to be put up to the state cabinet. Read about this in the Exhibit-3.3



Exhibit 3.3

The law is an ass

Ramesh Mehta returned to India after spending 10 years in the USA. He looked for a business opportunity. The California varieties of strawberry are now being grown in India. They grow well even in hostile climate. Mehta decided to grow and export strawberries. He wanted to buy land for a farm. He discovered that one could become a farmer only by birth! Not by choice. And if you are a farmer by birth, you can acquire another farm only in the vicinity of 8 kms from your present farm. So, Mehta could not become a farmer.

But laws, sometimes, have loopholes. A farmer's widow can say that she was looked after very well by Ramesh Mehta and make a gift of her land to him while in fact, he paid for it. Mehta received the "gift" and got started.

Infrastructural facilities and systems

This often holds the key to the success of a resource-based enterprise. Suppose you live in an area which grows lychees and want to have a business selling leeches in a metropolitan city which can be reached after a 2 day Journey, because of the distance, road conditions and lack of truck-availability, this is not possible. You are helpless.

You want to process potatoes. You must get it during off-season. There is no cold storage in the area and so this is not possible. You drop potato-processing idea.

The biggest problem of a large leather company in central India, in the initial years, was hide collection. There are thousands of villages in the area. But the problem is that if an animal dies in a village. It may or may not be flayed. If it is flayed, the raw hide may or may not be delivered to the leather company. They had to set up a hide-collection system.

The cooperative dairies in Gujarat have set up an excellent milk- collection system. You visit a village in the noon or later and try to buy one litre of milk. You will not get it. All milk is taken away by the dairy van. If you want to set up a private dairy, you need sound facilities for milk-collection.

Value addition

Your business is grinding minerals. Your profit margin is just the grinding charge. You run a small chili powder enterprise. Again, you are getting just the grinding charge.

Many entrepreneurs are trying to move away from this "processing charge" syndrome. They want to add value to the natural resource, through:

- technology
- fulfillment of unsatisfied needs
- creating and satisfying new needs
- packaging and so on.



Exhibit – 3.4

Gangajal: From metallic pot to plastic pouch

It is customary to put a few drops of Ganga river water in the mouth of a Hindu just before he dies. The Hindus keep a small, sealed, metallic pot containing Ganga water. The pot is opened on the rare occasion of a death. It is a limited-volume business. One would pay mainly for the metallic pot and may not buy more than a pot in one's lifetime. A company decided to pouch Gangajal. And a whole range of customer needs opened up. One can use it in the course of religious rites, or any happy occasion, or drink it. And because it is holy water brought to you from a long distance (a product which otherwise is just not within your reach and which you value so much), the company can charge a good price. It is adding value. It is not selling water.

Resource flexibility

There is a fruit processing company in coastal Gujarat. It processes a specific variety of mango. It works for 15 days in a year! It has made an investment of over Rs. 1 crore. The lesson is: do not put all your eggs into one basket, particularly if you are in fruit and vegetable processing. Try to process a variety of fruits so that your working seasons makes commercial sense.

SAQ 3.1

Identify a business opportunity based on the natural resource of an area in which you live. Make Preliminary investigation about this business opportunity and write your findings.



UNIT

3

Contents

Chapter IV

1. Existing /Expected Enterprise and Business Ideas
2. Some Important considerations

The aim of this chapter is to:

- help you generate business ideas based on existing/expected enterprises.

Objectives:

On completion of this chapter, you will be able to:

- identify various dimensions of existing/expected enterprises which will help you in generating business ideas
- list important factors you should take into consideration before identifying a business opportunity based on existing/expected enterprises.



Existing / Expected Enterprises & Business Ideas

One can think of only natural resource based ventures if one lives in a forest. But you don't live in a forest, but in a community where several industrial/service enterprises exist and new ones keep coming up. These offer you a choice. Take a look at Chart-1. Let us try to understand it.

Chart – 1

Existing/Expected Enterprises and Business Ideas

Similar Business
Raw Materials
Parts and Components
Further Processing
Packing Material
By-product Use
Problem-Solving Products
Service Needs

Similar Business

With a contribution of 40% to the country's industrial output and 35% to direct exports, the Small-Scale Industry (SSI) sector has achieved significant milestones for the industrial development of India. Within the SSI sector, an important role is played by the numerous clusters that have been in existence for decades and sometimes even for centuries. It is estimated that these clusters contribute 60% of the manufactured exports from India. Among the larger clusters, it is worth mentioning those of:

Panipat accounting for 75% of the total blankets produced in the country;

Tirupur, which is responsible for 80% of the country's cotton hosiery exports;

Agra with 800 registered and 6,000 unregistered small scale units making approximately 150,000 pairs of shoes per day with a daily production value of 1.3 million U.S. dollars and exports worth 60 million U.S. dollars per year;

Ludhiana, a city that is well known as the Manchester of India, alone contributes 95% of the country's woolen knitwear, 85% of the country's sewing machines and 60% of the nation's bicycle and bicycle parts.

Finally, the world famous cluster of Bangalore, operating in the software sector, deserves a reference.

Let us assume you live in an area, which is an established centre for a particular industry. There are many such centres in India. For example,

- | | |
|-----------------------|---|
| 1. Furnishing fabrics | : Panipat |
| 2. Diesel engines | : Rajkot in Gujarat and Kolhapur in Maharashtra |
| 3. Power loom | : Bhiwandi in Maharashtra and Surat in Gujarat |
| 4. Machine tools | : Batala, Faridabad, U.P |
| 5. Brassware | : Jamnagar in Gujarat, Moradabad in U.P. |



- | | |
|------------------------------------|--|
| 6. Knitwear | : Tirupur in Tamil Nadu, Ludhiana, Punjab |
| 7. Gem and Jewellery | : Jaipur, Rajasthan |
| 8. Diamond cutting and polishing | : Surat, Gujarat |
| 9. Leather | : Chennai, Tamil Nadu, Kanpur, U.P., Agra |
| 10. Soya Processing | : Indore and other areas of Madhya Pradesh |
| 11. Domestic electrical appliances | : Faridabad, U.P. , Haryana |

So you begin to think of a project which is similar to those operating in your area. This is because you have customers visiting your area. Besides, you find that the workers are also trained.

Therefore, you too join the bandwagon. In many cases, it is a sensible thing to do since it is an opportunity, which cannot be lost. But, you must always investigate and satisfy yourself that it is the right thing to do. We shall come back to this aspect later, for this is a very important point.

Supposing your area is not an established centre for any industry. Then, it is a natural tendency for you to watch one or more projects which are flourishing in your area. For instance, a pulse mill which may have been set up two years back and is today a profitable venture or a plastic bag producing unit doing extremely well or a dyestuff manufacturing unit with a healthy bottom line. You begin to think of setting up a pulse mill or a plastic bag manufacturing unit or perhaps a dyestuff-manufacturing unit.

Raw Materials

Sometimes, availability of raw material prompts you to take up a certain business venture. Let us suppose that you live in an area where there are leather tanneries. They need chemicals to tan the leather. You can consider on making the chemicals needed to tan leather.

Parts and Components

Often, the knowledge that large companies in your area require vendors, results in a business idea. For instance, if a large automobile company is set up in your area, it will naturally need metal parts, electrical items, plastic components, etc. This provides an opportunity for you to become an ancillary unit to this company, which means it will buy most of your output. This is attractive because you do not have to worry much about finding customers, you can concentrate on production and quality assurance.

However, ancillary means nearly a marriage with that company. So, you must be careful before making a decision. The company encourages you to make investment in purchasing machinery and equipment needed for production and you put in considerable effort for technical development of the parts. The company may encourage another enterprise elsewhere to do a similar thing. Because having developed two dedicated suppliers it now can drive a hard bargain which can lead to reduction in prices for your products and land you in trouble. This does not happen in all cases but it can, and does happen. So, be careful.

Further Processing

There is a scope of venturing into operations which could be an extension of the operations of an existing company. Suppose, there are power looms operating in your area which manufacture grey cloth. You may think of dyeing and printing the cloth after procuring it from the power loom units.

Packing Material

Packaging has become a very important part of marketing products. Let us suppose there are pharmaceutical companies and electronic enterprises in your area and they need proper packaging material. This could be a good opportunity for you.



Waste or By-Product Utilization

You may have come across or heard or read of entrepreneurs who make plasterboard from gypsum, the by-product obtained from a fertilizer plant or dyestuff obtained from crude naphthalene thrown up by steel plants. Even though this type of business opportunity is not so evident, yet it exists.

Chart 2
Sugar mill By-products

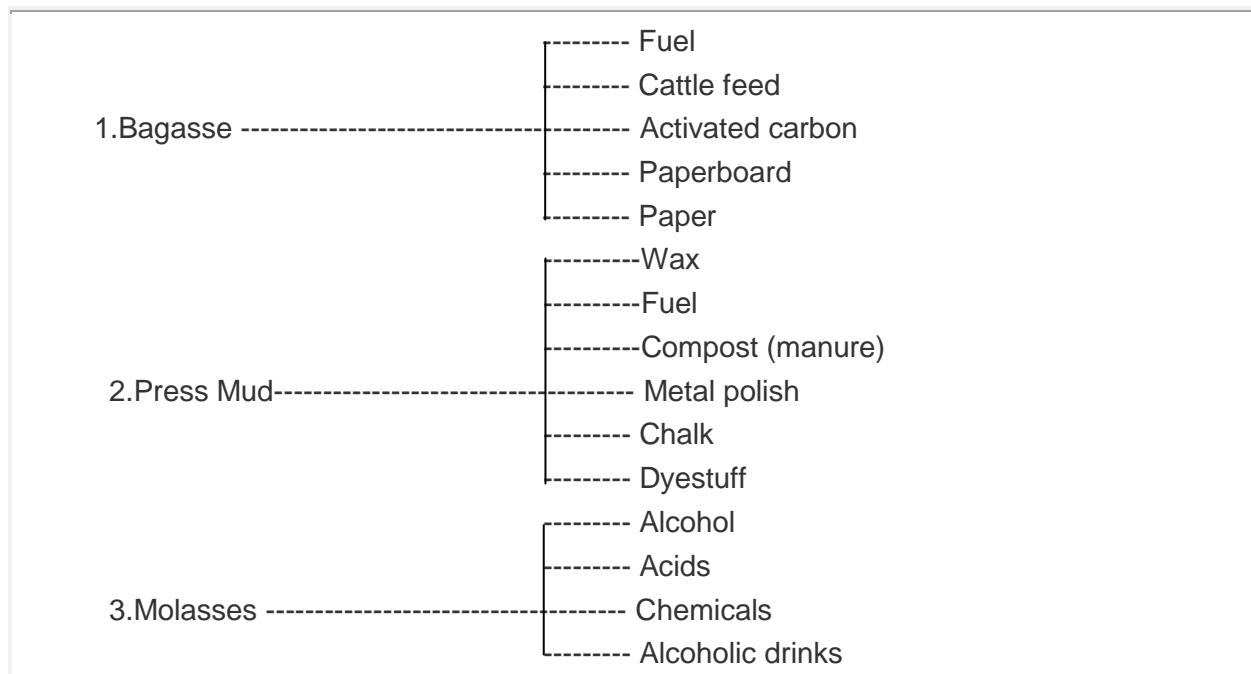


Chart – 2 shows what you can make from the waste material of sugar mills'. Often, your imagination and ingenuity can help to commercialize waste/by-products. There is a garment unit located in the vicinity of a textile company; it buys pieces smaller than 2.0 mtrs., each of which is then fashioned into tiny garments for infants and sold in the market.

Problem-Solving

You can also conceive project ideas by trying to solve problems of organisations in your area. Take for instance the plants which add to pollution. Existing industries like chemical units emit considerable harmful effluents. You can manufacture equipment to stop emission of these effluents. Or, you can even invent an energy saving device for the textile processing units, which consume a good deal of energy. These are some of the ways you can capitalize on the problems/needs of industries around you.

Service Needs

We have till now been discussing project ideas in the industry sector. Let us now consider the service sector. The ideas in this sector are not only numerous but varied too, like repair and maintenance of machinery, transportation of goods and passengers, security service, courier service, advertising, photocopying, recruitment agencies and so on. Some manufacturing organisations sub-contract services like garden landscaping, housekeeping, security etc. and these open up possibilities for others to set up their own enterprise.



See Annexure II & III for business ideas in the service sector

SAQ 4.1

Write one line each on how the following could generate business ideas

Similar Business: _____

Raw material: _____

Parts and Components: _____

Further Processing: _____

By-product Use: _____

Problem-solving: _____

Service Needs: _____

Spotting Ideas

How would you spot opportunities based on local industries of your area? It would involve tremendous effort. It is not possible to make a survey of all local industries since neither you have the time nor the money for it. So what are you supposed to do? You should carefully observe and talk to knowledgeable persons. There is a checklist of questions in Exhibit-4.1

Exhibit-4.1

Industrial development-based opportunities:

A checklist

1. Is there any established industry in your area?	Your own observation Discuss with local businessmen.
2. What is the performance rate of this industry	Discussion with local bank officials.
3. Can you pursue any business ventures in your area, which though uncommon, are yet very successful?	
4. What kind of raw material packing material, components and services the local industries require?	Discussions with owners/purchase managers of important local industries

5. Are any of these procured from outside your area?	
6. Do any of these pose problems in terms of availability, quality, delivery schedule, etc.?	
7. Do the local industries generate any waste? What is it used for? Who buys it?	
8. Are there non-local suppliers to a given industry with whom the industry is quite happy?	
9. Are there any new and important industries being established in your area?	Industry promotion officials
10. What are they likely to buy or manufacture?	Bank officials
11. Are there any infrastructure projects coming up? What are they likely to require?	Government officials.

`Me Too' Syndrome: We have already discussed the `similar enterprise' ideas. Let us suppose there are a few hundred powerlooms in your area. While setting up a similar project, you feel that there is no harm in setting up other 36 powerlooms. This is a typical case of `Me Too' syndrome. You overlook the fact that there is too much competition, that some enterprises in this area have a good performance record and

- They were set up early and the price of the machinery was lower than what it is now
- They do not have to worry about depreciation on machinery/building (as, over the years due to depreciation, their value has come down to zero).
- They may have built up an excellent relationship with yarn suppliers who may extend credit, with workers who do not remain absent or join another factory for a slightly higher salary, and customers who perhaps pay against delivery.

But, on the other hand there could be some recently set up enterprises as well as old but badly managed ones which could be incurring a loss.

In all probability you would think that there is enough room for another, but have you given a thought to whether is it really worthwhile to pursue this idea? Will you or can you compete successfully? This is a very critical question you should address yourself to. Look at what happened to Mr. Gupta (Exhibit – 4.2)

Exhibit – 4.2

One man's meat is another man's poison

Sohan Agarwal has set up a dyestuff factory at Pali in Rajasthan. Sohan had earlier worked as a chemist in a dyestuff factory at Vapi for 5 years. He thoroughly knew the technical intricacies of reactive dye production. The factory is well established. Prakash Gupta, a local trader, had been watching the establishment and growth of Sohan's factory with keen interest. He decided to set up a similar factory and got hold of a production-supervisor from Sohan's factory to oversee the production. This particular supervisor did not have a sound know-how of the process and therefore the products produced were sub- standard and some of the batches were not passed during inspection for quality control. A process of trial-and-error



went on for six months and then the supervisor found another job which was better paid and he left. Gupta was left totally in the lurch not knowing what to do next.

Industries in the Pipeline

You can also set up an enterprise based on expected or "under implementation" projects. If there are any industries or plants that are likely to be set up in your area, you can think of establishing a similar enterprise.

It is not only the existing industries that offer opportunities. The industries which are being planned to be set up in future also offer opportunities. However, if they are based on very large project or a government project, you need to be cautious. Because, if this large project fails to come up, or is set up after an inordinate delay, your enterprise can become sick for want of business by the time the large project becomes operational. The large project would not like to buy from a sick enterprise. So, always try to make a realistic assessment. Do not be excessively optimistic while linking your future with projects which are under consideration/implementation.

Outlook for the Customer-Industry

It is very necessary that you understand the nature of customer- industry quite often an industry undergoes a slack period or is forced to stop their operations due to a number of reasons. The textile industry, for instance, is cyclical. Some years are good and then are followed by a bad spell. So you must be prepared for periodic swings in the performance of your company, if you are to serve as an ancillary unit to a textile industry.

Local is not a Holy Cow

Even though ideas arising out of opportunities based on local industries are ideal, but in case there are not many successful industries in your area, you must look beyond. It has been often observed that if you supply to a reputed industry which may not be in your neighbourhood, the local industry may hold you in high esteem. So, do not limit yourself to the idea of setting up industry only in your locality even though your idea may be based on the need of the local industry.

Remember, the world is becoming smaller. Your district or city is not a closed economy. There may be vendors from other parts of the country or abroad as well. The non-local suppliers may have advantages which you may not have. For instance, if you live in an area where many engineering workshops operate, there will be a demand for machine tools. Normally these are manufactured in Batala. Batala has geared itself to cater to these demands. You have to give a serious thought to whether you can match it in terms of price and quality standard. A customer will not merely buy the product because you happen to be a local supplier. You have to gauge your competitive strength and also find out why certain procurements are made from certain vendors. Exhibit – 4.3 will help you to further understand how and why you should study this aspect thoroughly.

Exhibit – 4.3

How Ashutosh's business collapsed

Ashutosh Chatterjee, after completing his studies in the engineering discipline, began working in a company manufacturing collapsible aluminium tubes. He thoroughly mastered the production technology during this period. Eventually, he decided to set up his own business enterprise. He looked around and found that there were six pharmaceutical factories in the district in which he lives. They needed a large number of small tubes. There was also a large



factory producing toothpaste, situated just 100 kms. away from his place of residence. He talked to the owners of the two pharmaceutical factories and the toothpaste factory. The response was very encouraging. Chatterjee also learnt that a collapsible tube factory was already operating in the district. But having received encouraging response and confident of success, he commenced production of his unit. His price was slightly lower than what his competitor charged, but he could secure orders only after having struggled for one year and that too from just two pharmaceutical companies. Let us try to find out why such a thing occurred. He chanced upon the fact that the owners of two of the pharmaceutical companies had made an investment in the competitor's collapsible tube factory, though apparently, it was run by a third party. Therefore they just would not buy tubes from any other source. The competitor's enterprise had also entered into an "understanding" with the purchase managers of two of the four remaining pharmaceutical factories. So Chatterjee could not get a foothold there too. As far as the company manufacturing toothpaste was concerned the nephew of a director of the company supplied those tubes from a factory 200 kms away. The company was not unduly bothered about spending a few paise extra per tube. Then why was Chatterjee encouraged during his conversation with the owner? The fact is that an extra supplier is always welcome if there arose any problem with the existing supply arrangement, they had an alternative to fall back on. They lost nothing. In fact the supplier who could not procure adequate orders was the one who lost.

SAQ 4.2

List four important facts one should consider before identifying a business opportunity based on existing / expected enterprises.

1. _____
2. _____
3. _____
4. _____



UNIT

3

Contents

Chapter V

1. Ideas from the Marketplace

The aim of this chapter is to:

- help you generate business ideas based on the market place

Objectives:

On completion of this chapter, you will be able to:

- find out various dimensions of your market place which would help you in identifying business opportunities
- list the dos and don'ts in analysing your market place.



Ideas From the Market Place

"I can produce anything, provided there is a market."

"I want to manufacture a product for which there is an assured market"

Many prospective entrepreneurs make such statements. But, it is neither easy for a small entrepreneur to market anything, nor is there any product for which a market can be assured. The statement however underscores the importance of market. Though you can certainly pick a business idea from the marketplace the question is how would you do it? Should you collect statistics or should you look around? Both, but, you must do it intelligently and purposefully. Let us discuss the ways of spotting a market-based business idea.

Trade Flow

You either live in a city or in a district where products flow out or flow in. For instance, there is so much of synthetic fabric going out of Surat and so you assume that there must be a market for it. But, remember that you should always collect statistics and try to understand the synthetic fabric business properly.

If you consider a flow-out product, you are merely following other entrepreneurs belonging to the place. So if you want to be relatively original, you must look at flow-in products or services. Let us assume that there is a very good demand for bread in the town where you live and this is procured from a city 100 kms. away. So, you begin to think that setting up a bakery is a good business idea. Flow-in ideas need not necessarily be limited to products only but can encompass services too. The example underneath explains this in detail.

Exhibit-5.1

Anil Chauhan and his earth shaking idea

Anil Chauhan hails from Rajasthan. After obtaining his diploma in mechanical engineering, he began working with a mining and earth moving company and worked there for 2 years. Thereafter, he managed to get an agency of a firm manufacturing agricultural implements and tools. The agency flourished and when it was in its seventh year of operations, Anil began looking around for a new business idea. He recalled that the company he previously worked for used to get its equipment repaired and reconditioned from a unit located 1000 kms from its location. He spoke to the company using the equipment in Rajasthan and found that there were no local companies which could repair and recondition the equipment. If it was a major problem the owners utilized the existing engineering workshops but if there was a major problem, they had to send it out. Anil is now thinking of establishing a specialized workshop for repair and reconditioning of such equipment. It will mean an investment of Rs. 2 crore. He expects business not only from Rajasthan but from the neighboring states too.

Growth products and services

Look around for products/services for which the market is booming. These are, in most instances, products for which there was not much demand earlier but things have now changed. Even two decades back, the demand for detergent powder in India was negligible but now, it is as much as 9,00,000 M.T. Ready-made garments in general and shirts in particular have become very popular. People buy ready-made papads rather than make them at home. Sneakers or sport-shoes were considered a luxury product 10 years back. Now, it is a necessity even for the lower middle class in India. Plastic goods, ayurvedic products, computer stationery, two-wheelers, transport-service for school children, all these are some of the products/services for which the demand graph keeps rising. You should keep looking for such opportunities.



Ideas From Other Markets

Product ideas are known to travel from developed countries to developing countries, from cities to towns and villages, though not literally. What we mean by this is that products which have been accepted elsewhere may also have a market demand in the place you reside in. So, observe things keenly when you travel. Even though all that you see elsewhere may not be good for your marketplace, there are products which might have a booming market. Look at the following examples of product/service ideas which had their origin in other countries but are just as popular in our country today.

- Electronic games/toys
- Amusement parks
- Fast-food restaurants
- Personal computers
- Sanitary napkins
- Credit cards
- Shopping malls

These are often ideas for which the demand is not ready or apparent. It is necessary to build the demand. And therefore it is important that you judge beforehand whether a demand can be created or built. Do keep in mind that your knowledge and judgment about local market conditions matter a great deal. Because, if you can judge correctly, then you would be able to manage your business well and make a fortune. However, if you err in your judgment, you will be doomed.

It is good to remember that you have access to market research techniques these days in order to test your idea. It is also important to adapt the idea to suit local conditions. For instance, processed cheese is a western product and there are many varieties of it. Some of these varieties can be very unpalatable to the Indian taste yet "Amul" cheese is in great demand in India since it is adapted to Indian taste.

Scarcity of products/Services

Sometimes there is a shortage of a particular item in the market. It could be a brand of biscuit like 'Glucose' or it could be a specific automobile part. You may even get to know that shopkeepers pay almost two weeks in advance for a certain brand of toothpaste in order to get fresh stock. It is tempting enough for you to think that perhaps you have found a good business idea. But you must not be easily influenced by temporary shortages. You must carefully analyze the demand-supply position of the product for the next 3 to 5 years. Only when you are certain that you would be able to generate enough profits in the very first or second year of operation and that you are capable of producing a quality item with an acceptable price, should you venture into such a business. Remember that shortages may occur due to a number of reasons and sensible businessmen always examine the pros and cons before setting up a business. If there are too many prospective entrepreneurs trying to cash in on the shortage, it will lead to oversupply and all these entrepreneurs will suffer as a result.

Export

You must have heard that the government is encouraging exports. There is no income tax on export earnings. Since the Indian market is now turning into a global market, there will be many opportunities for the Indian businessmen to export. So you begin to think of opportunities which



have export potential. What can you sell abroad? Garments, leather items, diamond jewellery, dyestuff and intermediates, pharmaceuticals, rice, oil-cake or some engineering goods? A look at the export-statistics for India tells you about what you can export.

There are facts about the export market you should know. Read the issues discussed in Exhibit-5.2 to understand all about it.

Exhibit-5.2

Export market: Some home truths

1. **New Ideas**

If you are looking for non-traditional ideas, the Indian sources of information will tell you very little. The Indian sources mainly tell you about what is exported from India, and how much. They do not give information on what is being supplied by other foreign countries. So you must tap foreign sources of information if you are interested in new ideas.

2. **Break-in-Period**

There are economic, cultural, political and administrative barriers in trading abroad. It will take time for you to win the confidence of your buyers. You will be tested time and again and will be offered the price you demanded only after you have proved yourself. This means you need patience and willingness to work on low margin in the initial period.

3. **World Economy and Other Uncertainties**

Often, your performance is linked with all that is happenings globally. Let us suppose you export high-fashion garments. If there is any recession in Western Europe, the demand for the garments is bound to drop and you are rendered helpless. For example, during the Gulf war, exports to several countries were affected.

4. **Infrastructure, Banking, Currency Fluctuations and Other Matters**

It is a demanding market and you have to sell your goods quickly and efficiently. In one particular case in the garment business, a customer faxed the design of a garment to his supplier. He wanted a few thousand pieces. The supplier immediately organised production but failed to get freight space on an aircraft and could not meet the delivery schedule. The result was that the order was cancelled.

A flower-grower sent flowers abroad which were kept beside fruits in the cargo-hold in the aircraft. The flowers were rejected since they had lost their fragrance and freshness.

points to Keep in mind:

- Sometimes customers do not rely on the letter of credit of certain banks.
- Let us presume that in a business deal the price is fixed in dollars. What if the rupee appreciates? It means you will now get less for your goods than you were getting earlier.
- Suppose nothing happens to the rupee but the currency of the - country depreciates. It means the competitor country can afford to reduce its dollar price (it will still get the same amount in local currency) and you will surely be outpriced.

You have to be very careful about such matters if you want to enter in the export market.

Product Positioning / Differentiation

This might sound like jargon to you. But these complicated words convey a simple, basic message. Small enterprises are frequently copying one another, fighting one another on price grounds and are ruining themselves. You must try to be different from other small enterprises in your kind of business, if you want to stay alive and grow. You must build some distinctive strength or feature which most other enterprises in your business may not have. It could be quality or delivery-schedule or service or product- feature or even something psychological. It is



possible that you may lose some customers - sometimes - if you adopt a particular strategy but you will be able to satisfy the needs of a few customers and they will be loyal to you. You should study the needs of your customers. You must examine what is being offered to them and try to find out which of their needs are not being met. This will help you to decide the positioning of your product in order to meet and satisfy the customers' needs. The example in Exhibit-5.3 explains this further.

Exhibit-5.3

The air is available and free

A case of product differentiation

Selling petrol from petrol pumps is a routine business in India. These petrol pumps sell petrol of one or two companies and the price and the dealer profit is fixed by the government. The number of pumps is however restricted and the customers do not have a choice. It is a seller's market. The pump owner merely makes arrangements for selling petrol and counts the cash received from sale at the end of the day.

A petrol pump in Ahmedabad decided to offer a couple of other services. A boy was engaged to check the air of the tyres of a vehicle and fill it if required, free of charge. Generally, the air-filling facility at most petrol pumps is either out of order or is not manned or both. Air-filling was thus no longer an ordeal for the customers due to the service rendered by this particular petrol pump. It also erected a railing to check and properly manage the flow of vehicles. These services had a tremendous impact and his business grew. The customers also felt and believed that the pump did not adulterate the petrol. The business kept growing and today it is the only pump in the city where you can find a queue at all hours of the day. There are vehicle owners who come from a considerable distance to get petrol filled in their vehicles. We assume you have now understood what product differentiation means.



UNIT

3

Contents

Chapter VI

1. Government Policies and Your Business
2. Keeping abreast of Policies, Economy & Your Business

The aim of this chapter is to:

- make you sensitive to the environment around you so that the business you identify will have a better potential for survival and growth

Objectives:

On completion of this chapter, you will be able to:

- recognise the importance of analysing the economic environment around you while identifying a business idea
- analyze the policies and the economy, and their impact on your business.



Government Policies and Your Business

Your business is a part of a system - economic, political and social. It cannot operate in isolation. Therefore it is essential for you to understand:

- the government policies
- the economic atmosphere

You must understand these in order:

- to select a right business opportunity , and
- to translate the opportunity into a right project in terms of enterprise-size, technology and location

You must also understand the policies in order to be able to take right decisions, once your enterprise becomes operational. You will surely be tempted to ask:

- What are these things?
- Why/how are they important?
- How would I understand these?

You may also begin to think that with economic liberalization, government policies are becoming irrelevant. That is not true.

Government Policies

Let us first examine these policies. Study Exhibit – 6.1

Exhibit – 6.1

Government Policies

Policy Matters: Directly Relevant to a Business Enterprise

1. Entry into/Exit from Business
2. Tax on Goods and Services
3. Tax on Income
4. Labour
5. Working Conditions in an enterprise
6. Quality Standards and Safety
7. Environment
8. Sales Price, Raw Material Price, Distribution, Profit (for selected types of business)
9. Enterprise Location
10. Export & Import
11. Foreign Investment

Policy Matters: Probably Relevant to a Business Enterprise

1. Infrastructure Development and Operation
2. Management
3. Urbanization
4. Manpower
5. Agriculture
6. Social Justice
7. Savings
8. Consumer Protection

It is an illustration list. We will now discuss selected from the list.



Entry/Exit

If you want to establish a small scale industry, it is not legally binding on you to obtain permission (what is called small industry registration) from the government. But it is better to do so for various reasons. If you do not have registration, you may be denied several benefits and schemes for small scale industry provided by the Government, including bank credit.

If you want to set up a business affiliated to certain industry like food or pharmaceuticals then there are agencies like FPO, Drug Controller, from whom you need permission in advance. They examine your proposal in the light of such aspects as what you are going to manufacture, what facilities will you have or would these facilities match the standards set by the government!

Just as your entry into business is governed by some rules, so also is your decision to close down your business. There are elaborate procedures to be followed before closing down a business. If you do not follow these rules, the government then takes over all the assets of your company and tries to meet the obligations. If there is a surplus after meeting the obligations, you still do not get the amount since you did not follow the procedures laid down by the government.

Tax on goods and services

Excise duty is levied by the Central Government, while the state government levies sales tax. The local bodies levy octroi which is linked to movement of goods in/out of the city. If there is a slump in your business, the government reduces the rate of tax. This helps your business to recover.

Suppose you get to know that the government has announced an exemption from excise duty for new companies being established in the Union Territories. Even though you had decided to set up a plastic goods company near Mumbai, your decision will now be to set it up at Daman since Daman is a Union Territory. This is what is considered to be an impact of government policy. Let us presume that you are considering entry to the decorative laminate business and you discover that there is rampant evasion of excise duty in this business. But, you, as a matter of principle, do not want to evade the excise duty. What will happen is that you will soon be outwitted by your competitors. So, you have to drop the idea. In the course of business you may come across unscrupulous businessmen who follow the reverse criterion of entering a business where the tax rates are stiff because they are good at evasion.

It is important to note that you become entitled to concessions in such taxes if you are small or your enterprise is located in a backward area or if you are exporting your goods.

Taxation on goods/services

- It will benefit you to know that there are rules which help you reduce double tax payment. If you have already paid tax for your raw material and your finished goods are taxed as well, you, in all probability are entitled to some relief in respect of tax paid on the raw material. Familiarise yourself thoroughly with these rules.
- Taxation rates also depend on how your product is classified. For example, if you are manufacturing pharmaceutical product and if it is classified as an ayurvedic medicine, the tax rate will be different from what you would have had to pay if the product was an allopathic medicine.



Export-Import

Let us suppose you are a garment exporter. The importing countries normally operate on a quota system under which India can export only a fixed number of certain types of garments to the importing country in a year. The Government of India in turn operates on a policy dividing the quota among various producers exporting garments. Any change in this policy will affect some existing units for the better and others for the worse.

In order to clarify the term further, let us assume that you have an enterprise dehydrating onions. The price of fresh onions is soaring thanks to the export boom. The Government at this stage introduces a quantity ceiling on onion export and you are relieved.

Banking and Credit

Suppose you have inherited a family cotton gin and you have some bright ideas. You go to a bank and present your project ideas since you want credit from the bank. But the branch manager tells you, "Sorry. Since cotton is a speculative, agricultural commodity, the Reserve Bank of India has imposed credit curbs on the cotton business and therefore you cannot be given any loan". Your plans come to a naught.

Infrastructure Development and Operation

Infrastructure development is very important for the success of any business. Let us take the example of the entrepreneur from a suburb who initially had to suffer since he spent a lot of money as well as time to transport his goods to the main city. A bridge joining the main city with the suburb where his factory was located, would have solved the problem, but the state government could not construct one due to lack of funds. Some time later the government allowed a private company to build the bridge and recover their investment by charging toll. The businessman was greatly relieved. The recent policy of the government of strengthening telecommunication services throughout the country is a big boon for entrepreneur as well as others in smaller towns and backward districts, who can now avail of the STD or direct dialing facilities to keep track of new trends and latest information.

Consumer Protection

You must keep abreast of all policies and procedures applicable to you as a small scale entrepreneur so that there are no legal hassles later on. For instance, you sell three products and one of these is slow moving while one is in great demand, you then tell the dealer that you will give him the fast-moving product only if he buys the slow moving product. But are you aware that there is a law regarding this? Under the law, which is called full line forcing, this kind of negotiation is totally illegal. The dealer can drag you to court and you can be penalised for the action.



SAQ 6.1

Choose a business idea at random. Investigate and write down how the following affect the business you have chosen.

Business idea: _____

Entry/exit policy: _____

Export/import policy: _____

Infrastructure: _____

Keeping Abreast of Policies, Economy and Your Business

By now we assume you are aware of the policies and how these affect the business of any entrepreneur. How do you understand these? You must remain vigilant.

You must also:

- read economic dailies
- talk to other businessmen, government officials and academicians - Keep in touch with the association your industry belongs to.

Understanding Policies: An approach

You have to understand the policies at various levels.

Basic Grasp

First, you must have a broad, basic appreciation of the policies. You should be well-versed in these policies in order to use them for your benefit. Suppose you establish a second enterprise and your wife is a partner in that enterprise, you should be able to immediately recall whether it can qualify for any financial incentives applicable to enterprises owned by women.

Detail

It is not enough to merely understand the policies but they have to be studied in detail. There are many complicated rules in a given policy. For instance, you may get a subsidy if you are 24 kms away from city X. But is the distance calculated from the city limit or the city centre? Is it road distance or a radial distance? You must find out these details since they will be crucial to you. Sometimes, it may not be possible for you to understand all this on your own. Do not hesitate to seek help of specialists/consultants. Quite often, the policies are not too clear and you may or may not get the benefits. Under such circumstances it is better to make your own assessment of risk or financial implications.



Trend

Third, you must try and understand the emerging policy trends and grasp the implications that such trends may have on your business. In other words, you should understand the direction in which the policies are moving and what such direction may mean to your business.

Shrinking world

Fourth, the world is becoming smaller (though not literally) and so not only the national policies but the policies of governments of other countries may also affect your business.

Policies of government of Other Countries

Policies of governments of other countries can also affect your business if you are exporting your goods to those countries. Germany banned the import of Indian carpets because the carpet industry in India employs child labour. This has hurt the business of many carpet manufacturers as well as carpet yarn producers in India. The policies pertaining to:

- Domestic customers
- Raw material suppliers
- Foreign customers
- Employees
- Area or country

are sometimes as important as the policies which affect you directly

The Economy

You do not need a Ph.D in Economics to understand the economy. All that you have to do is keep your eyes and ears open. And your mental antenna tuned in to the economic environment. You can ill afford not to understand the economy. Listed below in Exhibit-6.2 are some questions you should know the answers to.

Exhibit-6.2

The Economy: Some Common Questions

1. At what rate is the economy growing? At what rate is it likely to grow? A good growth rate does wonders for all entrepreneurs & businessmen.
2. At what rate are the main sectors of economy - agriculture, industry and service (service means banking, insurance, shipping, tourism, etc.) growing? It is indeed comforting if the rate of growth in industry is good. At what rate are these sectors likely to grow in the next 6 months one year?
3. What is the state of liquidity? This means the amount of money in circulation. If the liquidity is poor, it will be difficult to borrow money and your customers will not pay you quickly.
4. What is the rate of inflation? What is it likely to be in the near future? If the inflation is severe (say 10% or higher), you will have to worry about your ability to raise the price of your product. You also cannot expect the interest rates to come down, if there is inflation.
5. How would you rate the performance of your industry? How is it likely to perform in the near future? How are the other industries connected to your own industry (customers, raw material suppliers, etc.) performing? How are the likely to perform?
6. What is the performance of the various major industries? How are they likely to perform?
7. How much money is the government spending on infrastructure development? Is it likely to cut down its development expenditure? Such a cut hurts many business enterprises and sets off a chain of reactions.



8. What was the monsoon like in the present year? How is the outlook for agriculture? A bad year, particularly for agriculture, brings down purchasing power and affects most industries.
9. What is the performance of the stock market? A bullish market sometimes diverts funds from many other businesses to the stock market.
10. How is the real estate business in your area functioning? A booming real estate market sometimes diverts funds from many other businesses to the real estate business.
11. What is happening to exports and imports? What is happening to remittances from Indians abroad? This will decide the foreign exchange position.
12. What is the state of foreign currency rates?
13. Are the infrastructure sector services like railway, telecom, electricity, coal, etc. adequate? If there are any shortages in this area, production gets affected and there is a chain reaction.
14. How are the economies of developed countries like USA, Western Europe, Japan, South-East Asia performing?

Economic Condition

There are business cycles which can be termed as boom or recession. For instance, if there is recession all over Western Europe, the demand for goods and services, and consequently income and price in general, remains depressed. People have less purchasing power. Business such as tourism for pleasure is bound to drop. But if you are an Indian company looking for good second-hand machinery or plant to make plastic goods, you will get them cheap. Let us examine how the economies are performing in various parts of the world-including your own country.

A related point is the rate of economic growth in the country. There are many states in India, e.g. Gujarat, Maharashtra, Punjab, Karnataka which are growing at a faster rate than some of the other states, e.g. Bihar, Orissa, etc. There are also regions like South-East Asia, which are growing much faster than others like Africa. You might like to get a foothold in the markets of states or regions which are growing. It might be far more difficult for you to sell sub-standard goods in developed economies (e.g. USA, Western Europe and Japan) and fast-developing economies (e.g. Singapore, Malaysia, Taiwan) than in underdeveloped/slow-developing economies (Africa and parts of Asia). You come across a forecast or information that Greece is growing rapidly. You may have tried and subsequently sold a small quantity of your product there. Now you intuitively decide to explore Greece better.

Important Development in the Economic Environment

You must take note of all that is happening around and grasp their implications.

Foreign companies are eyeing the Indian market, particularly the middle class market, avidly. They want to sell consumer non-durables like soap, detergent, toothpaste and durables like automobiles, refrigerators etc. Some of these companies are setting up production facilities in India, either on their own or through joint ventures. Parle long ago sold out to Coca Cola. Some of the consumer-durable companies are selling their shares to foreign companies (Kelvinator was taken over by Whirlpool in 1995). Let us suppose you are a supplier to such an Indian consumer durable company and will now have to deal with a new, foreign management which will produce goods for domestic as well as export market. You will face stiff competition if you are a producer of such goods, and may have to upgrade the technology, invest in new equipment and strengthen your managerial systems.



Performance of Various Sectors of the Economy

There are various sectors of economy - agriculture, industry, and services. It helps to learn how a given sector is doing or likely to do. The monsoon or forecast on monsoon is important too. A good monsoon means good harvest which results in high purchasing power of farmers. It benefits all sectors of the economy. However, the performance of various industry groups, at a given time, is not identical.

Economic Reasons for Performance of Some Business

You also need to understand the reasons for good or bad performance of a given industry or service group.

The car finance companies are making money hand over fist. Why is it so? These companies engage in bulk booking of cars. Car finance cuts down on your waiting period for a car or enables you to buy in installments. There are also some businessmen who are not in a position to make a large, official payment for acquiring a car because a good deal of their income is unaccounted for. There are business houses which have collected huge amounts through public issues. But as they do not need the money immediately in the business they need to invest such money profitably and so they put it in the car finance companies. If the automobile shortage disappears the car finance business is bound to suffer. If black money is curbed effectively, it will be hit further.

Emerging Trends in a Given Sector

You need to understand a given industrial or service sector in the context of the economy.

Your Approach to Understanding the Economy

Do not get frightened by too much information. Try to understand the essence of what you read and hear. Follow the direction in which the economy and its various sectors are moving. Do not miss any opportunity to understand these things. Travel, public-lectures, seminars, TV/radio features - all these offer you a chance to easily follow economic matters which you otherwise might find complex.

SAQ 6.2

List four major elements of your economic environment.

1. _____
2. _____
3. _____
4. _____



UNIT

3

Contents

Chapter VII

1. Information Indispensability
2. Getting Information from concerned actors: Basic guidelines
3. Information on Business Ideas

The aim of this chapter is to:

- help you understand where to look for information on business ideas

Objectives:

On completion of this chapter, you will be able to:

- list major sources of information on business ideas
- learn techniques to obtain better information.



Information: Indispensability

You want to set up a business. You need information about various things - opportunities, market, technology, loans, policies, and location. How do you get such information? How do you treat the information you receive? What should you do to strengthen your information gathering skills? Let us discuss these questions

Discussions with Concerned Actors

You want to set up a factory to produce tomato ketchup. How do you find information about the required investment, raw material specifications, and yield and market prospects? As you want to start in a small way you do not have money to hire a consultant. You, however want a preliminary, tentative picture. You talk to persons who have information on all or some aspects of the tomato ketchup business. See Exhibit – 7.1

Exhibit-7.1

Sources of information: New business ideas

1. Similar enterprise owners
2. Machinery suppliers
3. Raw material suppliers
4. Customers
5. Packing material suppliers
6. Dealers
7. Consultants
8. Employees in similar enterprises
9. Bank officials
10. Regulatory-agency officials (e.g. FPO or Office of the Drug Controller)
11. Promotional agency officials (District Industries Centre)
12. Associations of manufacturers, dealers, customers, raw material suppliers in the food and beverage industry

Getting Information out of Concerned Actors:

Basic Guidelines

You go and tell the owner of an existing tomato-ketchup enterprise "I want to establish a business such as yours. I want to find out many things about your business". It is almost certain that he will not tell you anything. So, you utilize any of the following methods:

Purpose:

You may have to disguise your purpose. You tell the enterprise owner about your interest in becoming a dealer rather than a producer. This means you cannot ask some questions. But you get some information about production, sale price, terms of payment, etc.



Easy Sources:

You harness easy sources. A machinery supplier is keen to help you, answer as many questions as he can, even arrange your visit to an existing, similar enterprise, if it is possible for him to do so as he would be interested in selling his machinery to you. Retired employees of similar enterprise are sometimes yet another easy source.

Networking:

You network. It means you reach sources of information - the right way. A bank has assisted an existing tomato ketchup project. Your uncle is a friend of the bank-officer. He introduces you to the bank-officer. The latter is cooperative.

Putting pieces together:

You connect pieces of information. A consultant tells you that the mango pulp yield per kg of mango is 50%. Based on information collected from the market place, you conclude that you should buy mangoes @ Rs. 12/kg. Thus, the raw material price per kg of pulp will be Rs. 24/kg.

Listening and using discretion:

You encourage people to talk. You do this through patient, careful listening and asking intelligent questions, bringing up points which others told you and which need to be verified, and by being discreet and avoiding awkward questions. 'How much profit do you make is a question you either skip or ask towards the end because it can destroy the ground for many other questions.

Telling chaff from wheat:

Utilize your judgment. A machinery supplier might give you an unrealistic picture about the market. He wants you to go ahead. So, you have to judge how truthful the information is.

Homework:

Do your homework in advance. If you have read, formulated specific questions, organized your thoughts, you are likely to do a better job. You must also share the information at your disposal with the other person. This makes him feel that you are knowledgeable. He feels that you are adding to his knowledge. A person is more interested in talking to a knowledgeable person than an ignorant one, particularly when no explicit commercial purpose is evident. One is careful about giving inaccurate information to a knowledgeable person.

Strategy:

Plan your strategy, not merely before you go but even while you collect information. Should you fix an appointment in advance? Fixed rules. Sometimes, a prior appointment puts a person on guard. He may not be forthcoming. On the other hand, a prior appointment may encourage the other person to take your meeting seriously and prepare for it. It depends on who he is and how he is expected to act. If you take down notes, some respondents might get put off. On the other hand, some respondents might feel happy that you are taking down notes or tape-recording the interview. Act thoughtfully. A single error and you might spoil your chance



SAQ 7.1

List and write one line each on the aids to get better information:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

Information on Business Ideas

There are organizations which are in possession of information on business opportunities. This information is in the form of:

- project profiles
- feasibility studies
- industry studies
- area development studies.

We have listed such organizations under Exhibit – 7.2.

Exhibit – 7.2

Agencies for information on business ideas

1. District Industries Centres (one in each district)
2. Technical Consultancy Organizations (one in each state)
3. Centres for Entrepreneurship Development (one each in many states)
4. Small Industry Service Institutes (one in each large city)
5. Lead Bank (one in each district)
6. Industrial Extensions Bureaus (these exist in several states) They are known by such names as iNDEXTb, Udyog Mitra, Udyog Sahay
7. Khadi and Village Industries Commission, New Delhi (KVIC)
8. Commissioner of Cottage Industries (one in each state)
9. Entrepreneurship Development Institute of India, Ahmedabad (EDI)
10. National Institute of Entrepreneurship and Small Business Development, New Delhi
11. National Institute of Small Industry Extension and Training, Hyderabad
12. Small industries Development Bank of India, Lucknow (SIDBI) and other cities
13. Technology Bureau for Small Enterprise (TBSE) New Delhi.



Industry-Specific Agencies

For a given industry, there are in all probability organizations which undertake monitoring, research, market-development, export promotion or such other work. See Exhibit – 7.3 for a list of such organizations pertaining to fruit and vegetable processing industry.

Exhibit – 7.3

Agencies for fruit and vegetable processing industry

1. Confederation of Indian Food Trade and Industry, New Delhi
2. Agricultural and Processed Food Products Export Development Authority (APEDA), New Delhi
3. Indian Institute of Packaging, Bombay
4. Central Food and Technological Research Institute, CFTRI, Mysore
5. Indian Institute of Horticultural Research, Bangalore
6. Post-harvest Technology Centre, IIT, Kharagpur
7. National Horticultural Board, New Delhi

Reports on Industry and Market

Popular business journals - Business India, Business World, and Capital Market - carry business reports which throw light on the market for a variety of goods and services.

In addition, the following publications regularly carry market survey reports:

- Industrial Researcher
- Facts for You
- Investment Week (this accompanies the daily Financial Express)
- Industrial Product Finder
- Corporate Observer
- Fortnightly Journal of Industry and Trade
- Other Industry-specific Journals

Go through the back issues of specialized journals pertaining to the industry of your interest. Exhibit – 7.4 lists a few such journals. You can expect to find useful information in them.

Exhibit – 7.4

Industry – specific journals: Some examples

Chemical : Chemical Business, Chemical Weekly
Pharmaceuticals : Drugs and Pharmaceuticals, MIMS India
Pharmaceutical Product Finder
Food : Indian Food Industry
Electronics : Electronics For You



Industry-Specific Technical Books

You are interested in plastic. What is injection moulding, blow moulding and extrusion? How are wafer biscuits made? How is caustic soda made? There are books which give basic, simple information (e.g. see Exhibit 7.5) Look for such a book, if you need to.

Exhibit-7.5

Industry-specific books: Some examples

Food Processing Industries Published by Small Industry Research Institute, New Delhi.

Shreve's Chemical Process Industries by George Austin

Industry-specific Yearbooks

There are industries, e.g., poultry, dairy, which bring out a yearbook. It tells what is made and how much. It publishes lists of producers, equipment producers, and new developments and problems.

Detailed Reports on Market/Industries

There are agencies which publish priced comprehensive reports. Some of these agencies compile regular, periodic information, National Council of Applied Economic Research (NCAER), New Delhi, has published reports on several industries. Operation Research Group, Baroda, also has published industry/market reports. In fact, it carries out regular monitoring of sales/stocks of selected products and gives weekly reports to its subscribers.

NCAER has published a demographic report on Indian market like how many households are poor, middle class or rich in a given city or state. How many toilet soaps, radios, TVs or bicycles does a typical poor household buy in a year? The report gives such information on the Indian market, based on extensive surveys.

Hindustan Thompson publishes Thompson Index. The index indicates the value of a market of a given town or city near Mumbai. It also gives such value for all towns/cities in India and an idea about the rural market of individual districts in India.

Export/Import

The government brings out a monthly bulletin of foreign trade statistics. It tells you product-wise volume/rupee value. There is a code for each product.

The other sources of information are:

- Relevant Export Promotion Councils
- Indian Institute of Foreign Trade, New Delhi
- Indian Trade Promotion Organization, New Delhi
- Trade office of concerned countries in India
- Indian trade office in a relevant foreign country

Offices of economic organizations, such as European Community or North American Foreign Trade Association - International Trade Centre, Geneva (publish export-market studies, maintain database)



Directories, Handbooks, Databases

There are numerous directories - Indian and foreign, of manufacturers, dealers, importers and exporters for a given product.

There are, likewise, handbooks. Handbook of Indigenous Manufacturers brought out by Director General of Technical Development, Government of India, covers all important equipment/machinery producers in India.

There are databases abroad which, at a price, search for and furnish information you want. The Stock Exchange Official Directory gives you information on individual companies - products, production capacity, management, income, profit, history, etc.

You can visit the Registrar of Companies and read the annual reports of companies.

Your Own Notes

If you are scanning publications for information on a given business idea, chances are you will come across too much repetition. One journal writes a feature. Others follow suit. So, do not take down notes or photocopy the information blindly. Decide what information is of interest and relevance to you. Concentrate on such information. Make systematic, purposeful notes.

Information access on Internet

A list of websites of various useful organization/institutes/government agencies is given in Annexure.

SAQ 7.2

List the major sources of information on business ideas:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____



UNIT

3

Contents

Chapter VIII

1. Idea to Details:
2. The Compulsory Journal

The aim of this chapter is to:

- draw your attention to certain important factors you should consider while checking the viability of your business idea.

Objective

On completion of this chapter, you will be able to:

- recognise the importance of assessing the viability of your business idea
- prepare a check list of issues to be analysed before finally selecting a business idea.



Viability of a Business

Let us presume you have come across a good business idea. What are you supposed to do now? You have to check how sound the idea is. You have to judge its viability. The question that arises is how will you check the viability of the idea? You have to collect all possible information about the business idea. But, what kind of information should you collect? These are the questions we shall discuss.

Idea to Details: A compulsory Journey

A mere idea is not enough. You must obtain basic information about the business idea. Exhibit-8.1 lists 10 questions.

Exhibit-8.1

Viability of a business idea: The key questions

1. What exactly is the product or service
2. What are its applications or uses
3. Possible scales of production or operation
4. Investment for a given scale
5. Market prospects
6. Unit sale price
7. Technical complexity/arrangements
8. Expected annual turnover
9. Expected profit
10. Success determinants

Unless you have the answers to these questions, you will not be able to judge how sound a given idea is. It is not possible to get accurate answers without making detailed investigation. Your assessment regarding the expected profit margin after a quick investigation may be too hazy. You must investigate further. The major advantage of such investigation is that you do not waste time, effort and money on ideas which are not sound or viable. 'Drop it Like a Hot Potato', Exhibit-8.2 below, tells you how you can benefit by investigating a business idea.

Exhibit – 8.2

Drop it like a hot potato

In The Economic Times during July 1994, there was an advertisement offering potato powder/flakes project to interested businessmen. Mr. Subhash Mehta wrote to the advertiser. Here is a summary of the information he obtained.

The equipment required for the project was imported and offered by a local supplier and the investment required to establish the project was estimated at Rs. 6.5 crores. The plant, presuming it worked 3 shifts and 300 days in a year, would produce 1000 tonnes of potato powder (7 kgs. of fresh potatoes would yield one kg. of potato powder). The equipment supplier would also help in selling the powder abroad. It was supposed to be a 100% export oriented business. The equipment supplier expected a market price Rs. 32,000/tonne.



First, the information was supplied by the equipment supplier and one may not like to accept it at face value. Even if it was accepted as valid, it meant an annual turnover of Rs. 3.2 crores. The market place enquiry showed that one had to pay a higher price for fresh potatoes during off season and on an average, fresh potatoes cost Rs. 2.30 per kg., which meant that the raw material cost worked out to Rs. 16/kg. The freight cost was Rs. 7/kg. So, the fresh potatoes and freight together added up to Rs. 23/kg. The price realization quoted was Rs. 32/kg. The maximum possible annual quantity produced would be 1000 tonnes and so, the apparent surplus would amount to Rs. 90 lac (1000 tonnes x Rs. 9000/tonne), But one had to meet the following expenses like:

- Wages
- Electricity
- Repair and maintenance
- Sales
- Administration
- Depreciation (this is a charge against wear and tear of the fixed assets since they deteriorate with usage)
- Interest on investment.

The apparent surplus of Rs. 90 lac did not cover the interest at the prevailing rate of 16% p.a. on an investment of Rs. 6.5 crores, since the interest would be Rs. 104 lac. This was the position even under most optimistic assumptions.

Do not think that such a position is likely only in the case of very large projects. It may be true for many small projects too.

Get the Concept Right

It is essential to be clear about what exactly the product or the service is. When you talk about a hotel project you must be quite clear whether it is a five-star hotel or a no-star hotel. The facilities and the standards vary. There is a world of difference between the two concepts. Similarly, garments are manufactured for men, women or children. They could either be off the rack or very expensive. So it is important to keep in mind the precise business concept while trying to find out the viability of the business idea.

Production Capacity or Size

You must always determine the production figures for the year based on technical/practical considerations. Machines have a certain capacity to produce. Suppose you are setting up a soft drink project. The bottling capacity is 150 bottles/minute. So the annual production would be 150 (bottles) x 60 (seconds) x 24 (hours) x 365 (days)? No, not at all. A soft-drink plant does not operate for 24 hours even during summer. It operates only for about 20 hours that too only during peak season. While changing the flavour of the soft drink from one to another, you have to wash the plant and obviously the bottle work has to stop. These are certain practical considerations. Remember, we are not even considering the market prospects at this stage.



Even if the market prospects are excellent, 150 x 60 x 24 x 365 will give a very wrong idea about the capacity.

Basic Investment

In order to figure out how much it would cost to establish your business, you have to purpose-wise list the investment, required. The likely purposes for investment are:

1. Land
2. Building
3. Plant and machinery
4. Other fixed assets (e.g., vehicle, furniture, office equipment)
5. Technical know-how
6. Preliminary and pre-operative expenses

You cannot estimate most of these, unless you get technical information such as the dimensions of each machine. How would these machines be laid out? How much space would be required for storage of raw material and finished goods? You need answers to all these questions in order to work out the requirement for the built-up area and land.

Item No. 6 above requires a specific explanation. You also spend money for miscellaneous purposes other than acquiring assets before you start production, like:

1. Office expenses
2. Traveling expenses
3. Legal expenses/approvals (from concerned agencies)
4. Salaries (before starting regular production)
5. Trial production
6. Project report preparation
7. Interest on loan for the period prior to regular production.

This is an illustrative list. Do not forget the interest on the loan taken because banks lend you money before you can start production and begin to charge interest from day one.

Some entrepreneurs ignore preliminary and pre-operative expenses. They end up underestimating the investment. The preliminary and pre-operative expenses for small projects vary from 5% to 12% of investment, depending upon the project.

Contingency Estimate

Your estimate of investment can go wrong on two counts. First, if you miss out on some items required or you are required to spend money on items taken into account earlier. Second, prices may rise. You have to make an allowance - say @ 10% - to cover these eventualities. This is called the contingency and escalation allowance. Do not forget to make provisions for such an allowance.

Working Capital Estimate

You need money to run your business, but most of it remains locked in raw material stock, goods under process and finished goods. Besides, you have to give credit to your customers too. Your money is locked again. You also need money to meet, the wages of your workforce, electricity and other miscellaneous expenses.

In short, you need working capital. Suppose you have established your factory at an investment of Rs. 100 lac. You expect an annual sale of Rs. 240 lac. However, in order to achieve it, you need to invest Rs. 20 lac in the above cited items. So, your working capital requirement is Rs.



20 lac. You have to consider your working capital requirements also while calculating the overall investment.

There are businesses which involve more working capital, as related to the basic investment for establishing the business.

Some entrepreneurs are so obsessed with the money required to set-up a business that they do not think of working capital requirement. Just think of the classic example of a middle-class man who begs, and borrows and buys a car. But he does not give a thought to how he would procure money to buy the petrol to run it. An entrepreneur who does not estimate his working capital requirement meets the same fate as that of the middle class man who has bought a car. A wise entrepreneur does not put all his money in establishing his business (in fixed assets). He makes a sound provision for working capital too. He saves for rainy days when customers may not pay as promised or when the raw material supplier insists on advance payment and when he definitely would not want his business to come to grinding halt due to a lack of money, or when a loyal worker needs a loan to meet a large hospital bill.

Where Will the Money Come From? At What Cost?

By now you must have reckoned how much money you need to establish and run your business. It is the right time to discuss where the money should come from. Normally, money comes from three sources:

- Capital
- Loan
- Subsidy (if any).

Capital, in all probability, is your own money. It is an investment to make profit. It can earn you a fortune or it may wipe you out, depending on the performance of your business. If you are lucky, your friends/relatives will contribute towards the capital.

You can secure a loan against investment as well as working capital from financial institutions/banks. But there are rules which have to be followed. You must acquaint yourself with all these rules thoroughly. If you act in haste, you might discover that the capital and loan do not add up to your requirement. The ship of your business will run aground before it can sail. So, you must check and compute loan arrangements, for it is a very crucial aspect.

But also remember that it is important to be conservative while making estimates of loan and subsidy.

Loan against working capital can undo all your plans, if you are not careful. Again, there are a set of rules which you must keep in mind. Do not adopt a "I shall cross the bridge when it comes" attitude. You should obtain working capital loan from a bank much in advance.

You must also remain alive to the cost of money. Suppose you are putting in a capital of Rs. 2 lac, and you think that your money carries a cost (notional interest) of 20%. The loan against investment and working capital is Rs. 4 lac and Rs. 1 lac respectively and the interest rates are 14% and 16% respectively.

Then, the position will be:

Amount cost

Rs. 2 lac	20%
Rs. 4 lac	14%
Rs. 1 lac	16%

Total Rs. 7 lac Average 16% interest.



So, the cost of your money is 16%. There is no point in considering a business, which earns 16%, on investment or less.

Have you given any thought to whether your business idea makes sense market-wise? This is a crucial question. You also have to take into consideration whether your business is of a routine or an innovative nature. We have enumerated the market related questions in Exhibit-8.3

Exhibit-8.3

The market: Key questions

1. What is my product/service used for?
2. Who are my customers?
3. What are the geographical boundaries of my market?
4. What is the position in terms of demand-volume for the segment of my choice? (If you make steel furniture, it can be sold to households, private establishments and government agencies. These are the segments. If you are interested in just one segment, say, government agencies, you focus on demand-volume only in that segment).
5. At what rate is the demand rising?
6. Is the demand year-round or seasonal?
7. What is the selling price? How much does it fluctuate? What causes the fluctuation?
8. What is the degree of competition? What is the competition based on?
9. Will it be possible for me to "position" my enterprise?
10. What are my strengths and weaknesses as compared to my competitors?
11. How much money will I have to spend on advertising and sales promotion in the initial period?
12. How many suppliers do I have? What is the quality of their supply? What constraints I might face regarding the supply? At what rate is the supply expected to grow?

Depending on the circumstances, you may get precise numbers or tentative numbers or mere observations in respect of such questions as Nos. 4, 5 and 12. One thing is, however, quite clear. If you study these questions carefully, you will be able to estimate the sale quantity from your proposed venture. You will also be able to estimate your price realization. An estimate of your volume of sale and that of selling price are the crux of market viability.

Even though there is no fixed formula for estimating either the sales volume or the selling price, once you are able to build a picture around questions in Exhibit-3, you will find a logical way of making such an estimate.

Technical Know-How

Do you have the know-how required to produce a given product? If not, where will you get it from? Does the arrangement appear sound? These questions must be addressed before setting up a business.

Plant and Machinery

You will not be able to estimate the investment required, unless you have details regarding the plant and machinery including the cost. For plant and machinery, check on the following:

- Will it produce the quantity and quality as claimed?
- Will it be delivered in time?



- Will it have the promised life? What is its life span?
- How easy or difficult it is to maintain it?
- Are spares and parts easily available? Are these too expensive?

A serious error in respect of any of the above affects your business.

Raw Material

You need raw material for your business. But you must have the answers to questions like:

- How much raw material would I require?
- What could be the quality of the raw material I require?
- What would be the source for procurement of raw material?
- What price would I have to pay for the raw material?

These questions if left answered can affect the viability of your business. For example, if your raw material has to be acquired from abroad, it might take too long to get it and your working capital investment will automatically go up. You will have to worry about foreign exchange rates also.

Then again if there is a raw material shortage, your plant will not be able to function properly, leading to loss.

Utilities

You must also work out your requirement of electricity, water, steam, fuel and other utilities and make reliable arrangements. If you are situated far away from the electricity transmission line, you will have to pay for getting the line laid. You must also find out how much production time you will lose should there be any electricity failure. You may have the market, the machines and the manpower, but if you have no electricity for say, 2 months in a year it will affect your production. You will have to make an important decision of buying a standby generator, and will have to revise your investment, expenditure and profit calculations as a result of the decision to buy the standby generator.

Implementation Time

You must plan the various steps, listed below to get your business off the ground. These are:

1. Acquiring land
2. Developing the site (leveling, filling, fencing, etc.)
3. Building construction - Procuring machinery
4. Installing machinery
5. Raising capital
6. Loan and subsidy arrangement
7. Electricity connection
8. Water connection
9. Getting manpower
10. Government approvals



11. Trial production.

All these are interconnected. For example, if there is any delay in obtaining small scale industry registration the loan will get delayed. It is a chain reaction. Everything gets delayed. You must give a serious thought to your implementation plans. It is important to find out facts and not be credulous or gullible. A machinery supplier may promise delivery within three months but the reality may be that no machinery supplier in that particular business delivers in less than six months. Suppose, you are expecting the subsidy amount before you start your production, the reality may be that due to lack of funds with the government, the subsidy will be paid only a year after the factory begins production. Therefore, if you want to make a realistic implementation plan, you must talk to other entrepreneurs. They will tell you about the facts and figures and other inside information, which you may not have known. Try to learn from their experiences. Provide for a sufficient margin of safety. If a bank official assures you a loan in two months, consider it as not less than three months.

Bear in mind that if your actual time-table for implementation turns out to be much longer than the estimated one, the investment in all likelihood will go up. If you are unlucky, the project, given such higher investment, might not remain profitable. A difference in actual time-table and an estimated one might thus mean actually an unprofitable business, even though it was estimated as a profitable business. So chalk out a realistic plan, taking all contingencies into account.

We have discussed the basics or the building blocks in this chapter. In the next chapter we will try to build viability from these blocks.

SAQ 8.1

Prepare a list of areas which need to be looked into in order to establish the viability of your business idea.

1.
2.
3.
4.
5.
6.
7.
8.



UNIT

3

Contents

Chapter IX

1. Pool the Information
2. Business Plan: Beyond Viability

The aim of this chapter is to:

- help you develop a viability-check of your business idea.

Objective

On completion of this chapter, you will be able to:

- check the viability of your project with the help of certain basic tools
- differentiate between a viability-check and a business plan
- get ready for developing a business plan.



Pool the Information

You have already collected a good deal of information. It is now time to pool it logically. Exhibit 9.1 tells you how to identify the important points, in fact like separating the wheat from the chaff.

Exhibit-9.1

Viability: A Basic Statement

1. Business Concept
2. Basic Investment
3. Contingency and Escalation
4. Working Capital Requirement
5. Capital-Loan-Subsidy:
6. Cost of Capital/Loan
7. Estimated quantity of Sale, considering the market position alone:
Year 1
Year 2
Year 3
8. Selling Price.
9. "Positioning" Possibilities
10. Technical Know-how Arrangement
11. Raw Material Consumption per unit of Production
12. Raw Material Price
13. Utility Consumption per unit of Production
14. Price of a unit of Utility
15. Implementation Time

Gaze into the Future

Utilize the pooled information to judge the prospects of your business after it has been set up. By prospects we mean:

- Income
- Expenditure
- Profit

For how long are you supposed to look ahead? While you might like to look ahead, say, even 15 years, in another context (your 7-year old son growing up and taking over your business), it does not make sense, to make income/expenditure estimates for, 15 years. You might make estimate for 3 or 5 or at the most 7 years, depending on how important/easy it is to make such estimate.

Remember, it is difficult to know what the distant future holds for your business. This is particularly true when the world is changing so much and so rapidly. There is an entrepreneur-centre in U.K. which advises small businessmen to estimate for just the following one year.



Estimate-Making and Number-Pushing

The single most important estimate you have to make is of production capacity utilization. In other words, production and sale. You should consider the following to arrive at this estimate:

- Production Capacity
- Working Days/Hours in a Year
- Market Prospects and Competition
- Technical Matters (e.g., shutdown for maintenance of machinery, results of quality control check, machinery breakdown).
- Infrastructure Position (e.g., your awareness of the time for power-cut/failure in a year or the time for transport dislocation in the rainy season).
- Other Limitations (e.g., raw-material shortage, employee absenteeism).

You have to consider every conceivable and important matter. (An entrepreneur launching a new hotel at Ahmedabad was asked to collect law and order statistics too. How many days in a year does the city go through communal trouble, leading to outsiders not visiting the city during this period as a result of which the hotel rooms remain vacant).

You finally have to arrive at a decision regarding production, year wise. You are likely and justifiably so, to expect this figure to improve over a period of time. If you expect to make 1000 units in the first year, your estimate is likely to be, say, 1200 for the second year.

You must be realistic while making an estimate. Remember that there is no sure formula for making an estimate. You have to base it on the information you have collected and your own judgment. This estimate is the heart of viability. It might go wrong, if your information is wrong or inaccurate or due to an injudicious decision or due to conditions changing drastically after you have made the estimate.

There is also all possibility that the actual performance of your business might vary from your estimate. You might even do well despite wrong information and bad judgment because of your problem-solving ability. The important point here is that at the viability stage, you must make a reasonable estimate. It is ultimately this estimate which would decide the soundness of your idea. The next step for you is to push numbers. Read Exhibit-9.2 carefully. A simple format is given in help you push numbers. You already have the blocks to build a statement on the pattern of Exhibit-9.2.

Once you build such a statement, you will know:

- the time needed for the business to begin to earn profit
- the amount of profit it will make each year

Exhibit-9.2

Your Numbers. Your Future. Your Life

Year	1	2	3	4	5
• Production Capacity					
• Production					
• Selling Price					
• Income					
• Raw Material/Packing Material					
• Wages					
• Utilities					
• Other Production Expenses					
• Repair & Maintenance					



- Administrative Expenses
- Selling Expenses
- Interest on Loan against Investment
- Interest on Loan against Working Capital
- Depreciation*
- Profit Before Tax
- Tax
- Profit After Tax

*As mentioned earlier, depreciation is a charge against use of fixed assets. It is to provide for the wear and tear of these assets. However, no cash is spent on account of depreciation – unlike raw material, wages, interest, etc. So, it is called non-cash expenditure.

Making Sense out of Numbers

It is good to make profit estimates for a 5-year-period. How would you decide whether the profit is good enough or not? You have to consider the following:

1. Return On Investment (ROI)
2. Profit as Percentage of Sale
3. Gestation Period
4. Break-even Point.

Study Exhibit – 9.3 and Exhibit – 9.4 to understand these concepts.

Exhibit – 9.3

How Profitable is the Project?

We have mentioned earlier that profitability is a relative concept. A trader may not consider a 25% return on his investment, satisfactory. Yet an existing manufacturer might look upon this as excellent. But how do you measure profitability?

First, 'return on investment' (ROI). For example, your project cost is Rs. 5 lac. Do not consider loan or equity. You had estimated an annual profit of Rs. 1.5 lac before providing for interest (on term-loan) and tax. Thus your estimated ROI is 30%.

Secondly, 'gross profit on turnover'. Your gross profit is computed after taking into account direct production and selling costs. The higher the gross profit percentage, the better it is. Your net profit is calculated after deducting all your expenses from the income. Your annual income - you reckon - will be Rs. 25 lac. Suppose your net profit before tax, at this income, is estimated at Rs. 2.5 lac. Then, your profit on turnover is 10%.

Thirdly, 'gestation period'. How long after the project start-up would you continue to make loss or operate on a break even basis? A small entrepreneur cannot be expected to have patience for a long gestation period.

At this stage, you often cannot form a good estimate of profit. Even if you have, you are interested in turnover-investment ratio. But, what will be your gross income in relation to investment or project cost? Will it be 2 or 3 or 4 times the investment? While this is not exactly a measure of profitability, small entrepreneurs are unlikely to choose a project having lesser than 3:1 turnover-investment ratio.



Exhibit – 9.4

How risky is the project?

It is always better to make a qualitative assessment. In case you are thinking of a new process for your product, it could be risky. So would it be if you are about to launch a consumer product in which a strong brand equity exists. So how do you find out about the project risks?

There are two financial techniques to measure project-risk. First, the break-even point. It is a level of project-capacity utilization at which you neither make profit nor loss. A project whose break-even point, in terms of production capacity utilization, is 80%, is riskier than one having 50% break even mark.

The second technique is the sensitivity analysis. How far can you allow things to go wrong? Supposing the normal selling price of a given unit is Rs. 5. Will the project remain viable, if you are forced to reduce it to, say, Rs. 4.50 per unit? The normal expectation on the production-capacity utilization, in the second year of operation, is 70%. Will it remain viable, if such capacity utilization drops to 50%? You assess the impact of single or multiple adversities, in varying degrees, on the project. If there is leeway or resilience, there is little risk.

You may compute ROI and profit as percentage on sale before tax. You may work out for an average of five years.

SAQ 9.1

List the four basic tools of viability analysis and write one line each on their relevance in the selection of business idea.

1. _____
2. _____
3. _____
4. _____

If your ROI is higher than the cost of capital/loan, it is a positive signal. But would you want it to be 2% higher or 5% higher? You have to decide. Likewise, you have to decide on an acceptable level of profit as percentage of sale as well as an acceptable break-even point.

ROI is the culminating point of all your viability-work. Look at the ROI number and decide how good an idea is.

Since you are borrowing money, you also have taken into account repayment of the loan against investment (inclusive of contingency) and the interest on it. 'Money to Pay the Loan & Interest' helps to explain this. Since the ROI is significantly above the cost of capital and loan,



clearly you want to go ahead with your business plan. But, money available to cover the loan and interest is 1.2 times the actual requirement. The banks always like a good margin of safety. It expects 1.5 times coverage and so, it will not approve of the business-idea and hence will not give you a loan.

Exhibit – 9.5

Money to Pay the Loan & Interest

Dinesh Mehta conducted a viability study of a new business venture. The findings were as follows:

1. Basic Investment (inclusive of contingencies and escalation) Rs. 10 lac
 2. Cost of Capital and Loan 18%
 3. Total Profit Before Tax during the First Five Years Rs. 11 lac
 4. Average Annual Profit Rs. 2.2 lac
 5. ROI (Before Tax) 22%
 6. Tax over the Five Year Period Rs. 2 lac
 7. Loan against Basic Investment Rs. 7 lac
 8. Loan Repayment and Interest on Loan for the First Five Years Rs. 10 lac
 9. Depreciation* during the First Five Years Rs. 3 lac
 10. Amount available to meet loan and interest (3) - (6) + (9) Rs. 12 lac
 11. Amount Available to Meet Loan and Interest Loan + Interest (Rs. 12 % 10 lac) 1.2
- * A non-cash expenditure. So, it is added to profit to determine available cash

Beyond the Numbers

You must be able to grasp the determinants of success in a given business. The failure to grasp key determinants of success is common among small entrepreneurs. The key point could be either production or marketing or coping with government policies or working capital management or even raw material procurement. If you are going to make plastic bags, raw material procurement/working capital management will hold the key to success. Do you have the resources and the ability to do what it takes to succeed in a given business? Do not just look at numbers in isolation.

Business Plan: Beyond Viability

The viability-check tells you how good a business is. Your ultimate success depends on how good a business is and how well you can manage it. You need to draw up a plan to manage it. The plan will cover several points like production, marketing, procurement of raw material manpower, etc. Let us assume that there would be three models of the product you are going to make. How many of each of these should you make? How many salesman should you hire? How should you price each model? Should you manufacture some parts or should you procure these from the market? These are some of the questions which the business plan has to answer. The answers will draw out several aspects which you need to consider and act upon in order to succeed, but which, the viability-check either does not bring out at all or brings out very feebly. For example, a business plan might highlight:



- that if you secure orders from customer X, other customers will follow suit. So, you need an action plan for getting continued orders from customer X.
- that you are weak in accounts and must do a crash course since it is not wise to rely on a hired accountant completely.

A business plan must follow the viability-check. In fact, all information you have collected in the course of viability-check can be put to good use while making a business plan. Besides this you need additional or further information. So, viability-check is only a mere signal-green, red or amber. It does not put you in driver's seat. You need a business plan to get into the driver's seat.



UNIT

3

Contents

Chapter X

1. The Final Decision
2. Common Errors

The aim of this chapter is to:

- help you select from among the alternative business ideas for which you have already applied a viability-check

Objectives:

On completion of this chapter, you will be able to:

- compare alternative business ideas and select the best from among them
- list the errors that entrepreneurs normally commit while selecting a business project.



The Final Decision

We assume that you have generated some ideas for your business, investigated them and also collected information on these ideas. Now, you have to decide. Focus on an idea and decide and whether this idea can be turned into a sound and profitable business. This is a crucial decision and so it is important at this juncture to learn how to arrive at a final decision.

Do not shoot, if it is dark

The first elementary rule is not to consider ideas for which even after investigation you are unable to acquire adequate information. For instance, you may know how much it costs to set up a dehydrated vegetable plant and would have figured out what the cost of production would be. You also may have a fair idea about the selling price, but you have no clue about the size of the domestic/export market, the supply position, the level and form of competition. So, obviously you do not know enough. You should not therefore consider this proposal at all. The point we are trying to make is that sound preparation is essential if you want growth and long term profitability.

Let there be enough light

Do not examine only some of the aspects of a project. You must think through your business idea thoroughly. We have listed in Chapter-8, questions pertaining to project viability. Find out the answers, even if tentative, to as many questions as possible. Compare your answers to viability-questions on alternative business ideas. You will be able to make up your mind.

Matching the two profiles

The third rule is that there are no shortcuts to decision-making. Write down the important points regarding technology, market, profit, etc. for each of these ideas. Once you have done this, you will have a comparative statement of ideas you are interested in. Remember that you also have expectations about the business you want to set up. You are also the best judge of your own strengths and weaknesses. In other words, you know your personal profile. Match your personal profile with the project profile. Choose the one that fits best. Do not examine any project in isolation from your personal profile. A project may be good or bad in itself. It does not matter. What matters is how well the project suits you. Look at Prakash Gokhale's personal profile and project expectations.

Exhibit 10.1

Prakash Gokhale - Personal Profile and Project Expectations

1. Education : Diploma in Engineering (Mechanical)
2. Age : 26 years
3. Work Experience: Two years of marketing machinery for manufacturing points. One year of shop-floor experience in a pump factory.
4. Family Background: Son of a government official.
5. Gross Investment: Maximum Rs. 3 lac.
6. Gestation Period: Can bear a small loss in the first year. Must breakeven or generate some cash profit in the second year.

7. Profitability: Should yield minimum 25% return on investment from third year onwards.
8. Market: Need not be a monopoly but cannot operate in an overcrowded market. Would like to avoid consumer products because these involve elaborate marketing.
9. Government: Wants a business on which government restrictions - entry, price, quality, dependence distribution, and raw material supply - are minimal. Will not like government to be a major buyer.
10. Linkage: Does not want a product or service which is linked too much with economic upswing or downswing. For example, would like to stay away from automobile parts and textile because these are hit quite hard by recession.
11. Future Growth: This is important. Wants to stay in the business for a long time and wants it to grow.
12. Sector: No strong preferences, except that he would like to avoid consumer products and chemicals. Consumer products because of the inherent risk and chemicals because of lack of technical knowledge which will deprive him of any special advantage vis-à-vis competitors.
13. Personal: The business should use the knowledge and skills possessed by Prakash. It should be respectable.

Exhibit – 10.2

Preliminary information on identified opportunities

Product	Electronic Gas-lighter	Link Clips	Cutlery	Paint Brushes
Use/Product Appreciation	Used to light cooking gas. Uses a plezo-electric crystal. The crystal has a property to generate voltage when it is mechanically deformed. Two types: single spark and multiple spark.	These are used in electrical wiring of CTS and open types. Concealed wiring is becoming popular and hence reduced scope for link clips. But there are areas where CTS wiring is preferred. It is 0.3 mm thick tinned sheet in the shape of a buckle or a tee.	Spoons, butter knives, table knives, bread knives and forks made of stainless steel.	Brushes to paint plastered wall, wood metal, etc. Density of bristles varies. The dimensions and shape of the brush also vary. The bristles can be white or black. The softness and diameter of bristles determine the possibility of evenly spreading the paint. A brush can be of oval ferrule or round ferrule.
Market	Households. Tied to	It is used mostly	Households,	Painters are the main

	LPG cooking gas stove. Several producers of electronic gas lighter. The main problem is quality. No local producer	in rural or low cost housing. There is one unit in the district.	restaurants. The annual demand in the district is estimated at around Rs. 30 lac. There is one small unit	customers. There are two producers in the district. But there is also supply from outside.
Installed Capacity	Single spark - 20,000 Multiple spark - 40,000 ----- 60,000 -----	80,000 boxes of 100 nos. each.	Spoons - 48,000 Table knives - 20,000 Butter knives - 12,000 Bread knives - 6,000 Forks - 24,000 Total : 1,11,000	1,00,000 nos. per annum. Varied sizes/types.
Unit Sale Price	Average: Rs. 45/-	Rs. 150 per box	Average Rs. 9 to 10 per piece.	Average Rs. 15/-
Rs. 27 lac.	Rs. 1.20 lac.	Rs. 10 to 11 lac.	Rs. 15 lac.	
Rs. 2.5 to 3.0 lac.	Rs. 0.8 lac.	Rs. 2.5 to 3.0 lac	Rs. 1.25 lac.	
Other information	None	It involves slitting of sheets and feeding of strips into multi-action machine.	It can be cast, forged or pressed cutlery. The project cost/turnover pertain to pressed cutlery. Raw material procurement is a key function in this project.	None
Estimated ROI (100% capacity utilization)	80%	15%	35%	60%

Link clips were dropped because of poor profitability. Cutlery was viewed unfavourable because it is a consumer product. Besides, Prakash felt that he would have a tough time competing with the local and several other external suppliers. He might be able to sell goods worth Rs. 5 lac, therefore his ROI will be around 20%. So, he dropped the idea of manufacturing cutlery.

Electronic gas lighter and paintbrushes were, therefore, the major options. Prakash did not have any idea regarding the demand. But after doing a technical analysis of the product, he realised



that he would become a mere assembler. Many gas lighter-repairers were assembling and selling lighters. Their profit margins were low. He was apprehensive that even if he managed to sell outside the district, he might not be able to sell more than 5,000 or 10,000 lighters in a year and would earn around Rs. 10,000 or 20,000.

The paintbrush business did not seem exciting initially. However, the real estate boom not only in the district but the whole region cheered him. After a study of existing units, he was convinced that he would be able to organise the production and the marketing efficiently.

A friend who works for a large paint company promised help in marketing.

Prakash was confident that he could sell 30,000 to 40,000 brushes. This would mean an ROI of around 35%.

He thus chose the paintbrush project.

Learn to rely on your intuition when logic cannot help you. It is your last resort, and a valuable one too.

The above example tells you how Prakash Gokhale developed a comparative picture of projects and how he looked at each project in the context of his personal profile. This is a logical way of arriving at a final decision.

Hobson's choice: A Way Out

The choice, sometimes, is painful because the ideas, when you rank them, are too close to one another. You may try to be logical about it but there are limits to logic. You exhaust your logical faculties in the process. What are you supposed to do then? We suggest you consult a person whose wisdom, knowledge and sincerity you value and with whom you can discuss these matters frankly. He could be a colleague, a friend, your wife or anybody you trust. The person you talk to will not collect data on your ideas but will rely on facts which you furnish. Hence you must brief the person accurately. He might even ask a few questions to verify the facts. It is also possible that the person whom you may consult might enable you to look at the same facts in a new light. He would help you view the idea in a different perspective. But it does not mean that you have to accept his/her advice. The process itself can help you clarify your mind to a great deal. However, if you are unlucky, it can add to your confusion.

Measures of Profitability and Risk

It is customary for a businessman to want to choose a project which is most profitable. In an earlier chapter we have seen that profitability expectations vary from one person to another. But the important question is how do you measure profitability?

Common Errors

There are some common errors which potential entrepreneur may make while selecting project. Make sure you avoid these. These are:

1. 'Me too' syndrome
2. Undifferential business-concept
3. Fallacy of numbers
4. A partial or incomplete view of the project
5. Failure to grasp the key determinants of success in a given project



6. Mismatch between personal profile and project profile

SAQ 10.1

You are familiar with most of these errors which we have discussed in the earlier chapters. Identify in which chapter and exhibit these are discussed:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____

If any of these are not referred to earlier, you may perhaps find (them) in the next exhibit of this chapter.

Error No. 3, however, calls for a special explanation.

Fallacy of Numbers: There are entrepreneurs who are excessively fascinated by numbers. There is a business for which somebody gives them the numbers - investment, income, expenditure, profit. They shuffle these numbers around and are happy. But there are hollow assumptions behind these numbers. It is assumed that the capacity utilization in the second year of operations will be 80%. But in reality no unit in that particular industry works at a higher than 40% capacity. The selling price is estimated at Rs. 6 per unit but the best units charge a price of Rs. 5.50 per unit. When such unrealistic assumptions are made, the profit looks good. But you must not be lured by mere numbers. Ask penetrating questions when a consultant or machinery supplier gives you such numbers. Do not accept the profit-estimates at their face value, they might be too good to be true.

Exhibit – 10.3

The story of an elephant

Subhash Shah came to know that there was a frequent shortage of cheese in many parts of Gujarat and Rajasthan. The market, he was told, is booming. He learnt about milk price, milk-to-cheese conversion ratio, cost of production and selling price. It seemed that the selling price was almost double the cost of production. Ready market and apparent good profit lured him to launch the cheese-project. Halfway through, he realised that:

- It is a product where brand loyalty is quite strong
- Unless he spent a minimum of Rs. 10 lac on advertising and promotion, he could not expect to create an awareness or initial customer interest in his product.
- The dealers were reluctant to handle his product. They wanted him to spend money on



advertising and promotion and give them higher margins than his competitor.

- Many customers would rather not buy cheese from a company with which they are not familiar.
- Because of long manufacturing process, Subhash required a larger working capital than earlier estimated.
- It was not easy to compete with co-operative dairies and procure the milk he needed.

It is quite clear that Subhash had not examined the business idea comprehensively. He had only assessed some of the aspects of the business and was too excited and impatient to research the market as well as the project idea thoroughly.

Exhibit – 10.4

Missing the Tree for the Wood

Ravi Bhatnagar met a friend who dealt in automobile parts. He told Ravi that a power coil for a two-wheeler is, technically, a relatively difficult part to manufacture. Ravi, who is a brilliant engineer, studied the technical aspect in detail and finally developed the coil. Soon, they forged a partnership. Ravi was relying on the quality of coil and looked forward to a ready market, good price and handsome profit and devoted his attention to organising the production.

He soon discovered that he was operating in a sluggish coil market. He was dependent on the wholesalers who did not care about quality at all. Long credit, a culture of not keeping to the payment commitment, and bad debts were the established features of the automobile wholesale market. The wholesale market was satisfied if the coil lasted for 2 to 5 years.

Apparently, Ravi did not understand what it took to be successful in this business - links with wholesalers, ability to compromise on quality in order to cut price, tax-evasion, etc.

It took nearly one year for Ravi to grasp the nature of business and in the meanwhile, he incurred a substantial loss.

Exhibit 10.5

A Square Peg in a Round Hole

The Daga family owns a well-entrenched network of business ventures in Kolkata which has been in existence for the last five decades. The Naxalite trouble in the late 1960s made the family uncomfortable. They became anxious to establish a business presence outside West Bengal. Thus came into being the corrugated box unit at Ahmedabad.

Arun - the youngest member of the family - was posted at Ahmedabad to manage the unit. The clientele for corrugated boxes were the pharmaceutical, dairy and electronic goods companies. Given the bulk of the product it was not possible to sell the boxes beyond a distance of 200 kms. The client-companies were either large or medium-sized. One needed not only contacts but marketing orientation too. Arun was shy, introvert, and used to the sellers' market conditions in the wholesale tea business in Kolkata. So, while several corrugated box units in Ahmedabad flourished, the Daga unit, armed though it was with a specialised printing machine, struggled to make ends meet.

There was nothing wrong with the corrugated box business idea. Arun was simply "a wrong man for a right business."



Exhibit – 10.6

Does Samir own the Decision?

Bharat and Samir Gupta inherited the family oil mill. Both of them felt that its long-term future was not bright and therefore they must diversify. They began to hunt for project ideas. They considered many and finally shortlisted the following:

- pharmaceutical formulations
- khandsari (open pan sugar)

They deliberated on the pros and cons of both the projects. Being the older of the two, Bharat's views carried greater weight. He had excellent contacts with cane-growing farmers around their ancestral village about 200 kms away, where the project was to be located. The farmers encouraged Bharat and offered to contribute a part of the investment. This clinched the matter. Khandsari was selected. However, Samir had two major personal reservations about the project. First, the Khandsari factory is manned by semi-literate supervisors and workers. He simply did not like the idea of spending long work-hours amongst such people. Second, an owner must stay at the site. Being the younger of the two, he would be expected to stay there, in a village away from the family and among uncouth, semi-literate persons for at least six months in a year. Samir did not like the idea at all but could not speak out. He could not talk frankly to Bharat and accepted the decision as well as the responsibility to manage the khandsari factory where he was a partner with 50% share in the profit. Could Samir own the decision? The answer is obvious. If wishes were horses, beggars would ride. But then you are not a beggar. You are a businessman with your head firm on your shoulders.

Faith in the Idea

You must have complete faith in the idea you ultimately select. You might be aware of its shortcomings, but you must be confident that you will be able (all things considered) to make the chosen idea work. This faith is crucial in order to help you go ahead. So, select an idea which commands such faith.



UNIT

3

Contents

Chapter XI

1. Idea Path
2. Idea-search:
A Long Journey

The aim of this chapter is to:

- introduce you to a practical case of selecting a business idea

Objective:

On completion of this chapter, you will be able to identify:

- the depth of the opportunity identification process



Idea Path

We assume that you must have studied in detail the sources of information we have listed in Chapter 7 from which you may have chosen a few project ideas. But project ideas, mostly, make sense in a specific context. You must try to find and decide on business ideas, keeping in mind your background. You must also take into consideration the area you select and your ideas must relate to the area. You must have a preference for a given industry-group and you need ideas pertaining to it. We wish to take you, with the help of the present chapter and the next one, through a context-specific idea-path. There are specialists who, given a specific context, offer a pool of ideas. Let us introduce you to the selected work of such specialists. Some of it, hopefully, will rub off on you and you might become a specialist yourself and take care of your own needs.

Idea-Search: A long journey

It was early 1990. Ram and Shyam obtained degrees in mechanical and civil engineering respectively. Ram had also successfully completed a one-year management diploma thereafter. However, none of them had any work experience. Ram is the son of a general manager in a well-known company while Shyam's father is a senior government official. Between them, they were in a position to invest an amount of Rs. 5 to 6 lac in a new venture. This meant a gross investment (loan included) of around Rs. 15 lac. Their strengths as well as their limitations were evident. They thought over their venture and this led to the following considerations:

The chosen industry must have good growth prospects. It should have an estimated minimum growth rate of 10% to 15% a year over the next 10 years. This would ensure the growth of the business after a good beginning.

- They were not willing to deal with a large number of customers and preferred to have only a few. They were also unwilling to sell to the government.
- They did not want any innovative idea since it is too difficult for, inexperienced entrepreneurs to sell a new concept. They had a preference for an established idea.
- They wanted to avoid high technology.
- They also wanted to ensure that there would not be any raw material problems.
- They desired a minimum return of 21% per annum on the investment.
- In order to avoid labour related problems, they did not want to recruit more than six workers.
- They wanted a gestation period of not longer than six months.
- They wanted to avoid a service enterprise because given their financial limitations; it would mean that such business ideas as restaurant, business center or travel agency were out of question. Besides these would involve dealing with many customers and little or practically no use of their technical and other strengths. Likewise, trading was also ruled out. So, the focus was on manufacturing

Reading and Identification

Ram and Shyam wanted to be systematic. They read the 'Reading Material' given in Exhibit – 11.1



Exhibit 11.1

Reading Material

1. Eleventh Five Year Plan Document
2. Publications of Centre for Monitoring Indian Economy
3. The Union Budget for the current year
4. Kothari's Directory
Studies on Plastic Industry, Food-Processing and Packaging industries and even on Agri Business

From the eleventh five year plan document, they observed that the plan aims at: Increasing the GDP rate and the ultimate objective of all development initiatives.

- Agriculture development to be viewed as a core element
- Ensuring rapid growth of those sectors which are most likely to create gainful employment opportunities
- Development of rural infrastructure that supports all rural economic activities

Obvious Rejections

Due to their investment limitations, ventures in aluminium, cement and fertilizer sectors did not make any sense. So these industries were ruled out. In the automobile, electronic and telecommunication sector, they could operate as an ancillary unit. In the non-conventional energy area, they could think of only domestic solar water heater as something which could be manufactured in the small scale sector.

Broad list of ideas

So, they arrived at the following list of ideas:

- Automobile ancillary
- Electronics and telecommunication
- Garments for export
- Solar water heaters for domestic purpose
- Plastics
- Packaging
- Chemicals

They subsequently made further notings on each idea. The notings are as follows:

Automobile Ancillary

Given their financial resources, the manufacturing possibilities are:

- Instrument panel, glove compartment, rear view mirror and such aesthetic components.
- Functional parts such as oil pumps and small engine parts.

There are two market segments in this sphere: original-equipment manufacture (OEM), and replacement manufacture. Intense competition, low margins and multiple intermediaries mark the replacement market and so replacement market did not fit into the venture selection criteria.

Moderate growth rate was projected for the OEM segment. However, no problem would arise with the technology involved.



Electronics and Communication

There are electronic components such as resistors, diode, transistors, relays, transformers, and non-electronic accessories such as cable housings, fittings, switches and cabinets. In this sphere too, there are OEM and replacement segments. But their interest lay in the OEM segment.

In the OEM segment, they found that:

- there were only a few manufacturing companies for such products as TV, VCR, office equipment, computers and telecom equipment.
- there were manufacturers of products such as radio sets, electronic timers, control equipment and burglar alarm systems.

Since they wanted only a few selective customers, they concentrated on the first category.

Since Ram and Shyam did not have an electronic background, they focused on non-electronic accessories for TV, VCR, office equipment, computers and telecom equipment.

Another point in favour of non-electronic accessories was the rate of obsolescence in the electronic industry, which is quite high. But this affects the electronic parts, but not the non-electronic accessories much.

Garments for exports

Even though excellent growth was projected, the following problems had to be carefully considered:

- Too much uncertainty due to quota system followed by most developed countries
- Labour-intensive and hence problems related to union
- Success was dependent to a large extent on personal contracts with importers in foreign countries (which they did not have).

They dropped that business idea right away.

Domestic Solar Water Heating System

A fledgling industry, yet with a lot of government support. Hence, the business idea seemed very attractive. The mechanical engineering skills would be an advantage. Their personal rapport with the Head of the Department of Non-Conventional Energy Sources was yet another added advantage.

However, the nature of the market posed a problem. The product was not being readily accepted by consumers. During the last 10 months only 573 domestic solar water-heating systems were sold. The concept was not accepted yet. If it clicked, they would have to deal with many customers. In any case, they were looking for an established concept. So, this idea too was not accepted.

Plastics

There are three technologies in this sector:

- Injection moulding
- Blow moulding
- Extrusion.

Discussion with the State Industrial Extension Centre revealed that injection moulding technology offered the best prospects. It also called for skills in mechanical engineering.

The government policy was favourable too. The custom duty on raw materials like LDPE, HDPE, PVC and PP were considerably reduced. Eventhough raw material availability seemed a



major problem; it was temporary, for the scene was changing with IPCL and Reliance in the field.

Packaging

BOPP or biaxially oriented polypropylene, - film packaging was an intensive growth area. Manufacture of film, cutting and printing constitute the major operations. However, the investment would exceed Rs. 15 lac for all the three operations and hence it was ruled out. Printing was the only operation which would fit into their investment plan. But printing also means job work, low margin and uncertainty. They had already decided that they would like to set up a manufacturing venture rather than undertake job work.

Chemicals

No worthwhile project could be found in the investment limit of Rs. 15 lac. Besides, both Ram and Shyam were not familiar with it. Therefore any business idea in the field of chemicals was ruled out.

Further Work

Based on detailed investigation of the market and a thorough analysis, the following ideas were identified:

- Plastic ancillaries for automobile.
- Plastic ancillaries for electronics.

In both the areas, injection moulding was their first choice. The injection molded plastic components for automobiles are:

- Rear view mirror housing
- Lamp housing
- Instrument panel/Dash board
- Glove box
- Radiator fan
- Battery housing
- Fuel tube
- Radiator grill
- Steering wheel, etc.

Most of these are large components require an investment beyond Rs. 20 lac.

This meant that plastic components weighing less than 100 grams alone could be considered.

This reduced the list further:

- Rear view mirror housing
- Speedometer housing
- Engine cover for mopeds
- Tool box cover for mopeds
- Air-cleaner housing for mopeds.

These are fairly standard parts manufactured by several small scale entrepreneurs. Therefore getting a foothold in the market would prove to be difficult.



Next, Ram and Shyam decided to look at the electronics market since it had grown rapidly in areas such as TVs, DVDs and Computers. They found that there were many new manufacturers entering these areas and the existing manufacturers here were beginning to sub-contract these.

Electronic components however are far smaller in size than the automobile components. Most of them weigh less than 100 grams.

Based on the projections of growth for various products, Ram and Shyam checked on whether they were capable of making plastic components for the following:

- Colour TV set
- Video cassette recorder
- Video cassette
- Personal computer
- Calculator
- DVD

Keeping in mind that they could manufacture only components weighing less than 100 grams, they identified the following as the likely components for the products already mentioned:

- TV Sets: grill (HIPS) front screen
- VCR: control panel, ejection bracket, remote control housing lid for instrument panel and tape lid
- Video Cassette: base cover hub
- Personal: grill computer letter key tops
- Calculator: cabinet key tops.

From the above list of components they had identified, they chose 3 or 4 products for manufacturing on an injection-moulding machine.

Ram and Shyam finally decided on manufacturing the following components:

- Remote control housing
- Ejection bracket in VCRs
- Base cover for video cassettes.

So, you can well see how long a journey it was for Ram and Shyam. It is not enough to merely decide on a business idea. You also have to make an in-depth study of the feasibility, the product-mix decision and other such related key areas. In the next Chapter we will discuss new business ideas.

Some lessons for you along the path

Surely, you must have realised that a great deal of work - reading, talking, investigating and thinking needs to be done. Ram and Shyam were neither distracted nor demoralised when they ran into ideas which were either unsound or did not fit into their scheme of things. They could develop specific criteria once they chose to enter the plastic component business. It is very important to remember that there are no shortcuts to idea-selection. It is very hard work and much depends on your scouting skill.

UNIT

3

Contents

Chapter XII

1. Mahesh and Business Ideas
2. Kamal Gupta: Engineering Ideas
3. Pawan Ahuja: Food for thought
4. Shyam Lakhani: Search for fresh pastures

The aim of this chapter is to:

- provide a few instances of opportunity selection process

Objectives:

On completion of this chapter, you will be able to:

- develop a better aptitude for business opportunity identification
- systematically select a feasible business opportunity



In this chapter, we will tell you about Mahesh, Kamal, Pawan and Shyam's search for suitable business ideas, how they were able to generate those ideas and why they decided to investigate some of the ideas further.

Mahesh and the Business Ideas

Mahesh lives at Devas in Indore. He has completed his B.Com. and is a successful builder. He is affluent and now wants to set up his own business in the range of Rs. 25 to 50 lac. He met the chief executive of the Industrial Extension Centre in Madhya Pradesh and obtained the following information on:

Non-ferrous pressure die-cast components

These components are made from aluminium, brass and alloys which are light in weight and are sometimes complicated in shape. Automobiles, home appliances, office equipment, computers, electronic products and sports goods need such components. There is an automobile complex at Pithampur near Indore and the Bharat Heavy Electrical Limited is situated at Bhopal. There are home appliances/office equipment companies in Bombay and Delhi which are not too far. Mahesh found that there were about 75 pressure die-cast component producers in India, most of them doing well. Since the demand for the components was growing, Mahesh was told that he could consider a project with 1 to 1.5 tonnes of component capacity per day. The project cost would depend on capacity, from Rs. 40 to 55 lac (approximately). About 20 workers and 25 HP of power were needed. Depending on the component he could look forward to an annual income of Rs. 2.5 to 4.0 crore - if he worked at full capacity.

In addition, Mahesh was required to build relationships with customers and efficiently organize the production. If the guidelines are followed, one can expect to do reasonably well.

Sluice valves

These are used in pipelines in which liquids flow. A valve is made of body, sluice gate, bonnet, gland and spindle. There are 25 large units and 400 SSI units, producing such valves in the country. The fertilizer and agro-processing industries in Madhya Pradesh need such valves. There is a boom in the real estate business presently which makes this a very attractive project. You can think of a 5,000 valves per year project. Your investment would be almost Rs. 30 to 40 lac and the annual income will be Rs. 40 to 60 lac (Mahesh felt that the investment-turnover ratio was quite poor) - if one worked at full capacity.

Pickaxes and spades

These are used in the construction business. Farmers, local bodies, public works department, health department, building contractors, need these tools. These are made from medium carbon steel rolled flats of mild steel. These are available for re-rolling mills. Scraped rail sleepers and auto-leaf springs can also be used which are available in plenty in Madhya Pradesh. The technology is very simple and constitutes shearing, punching and forming.

Two lac pieces of pickaxes as well as spades can easily be made. The investment will be around Rs. 40 to 45 lacs. At full capacity utilization, one can look forward to a turnover of over Rs. 1.5 crore.

Acquaintances and rapport with people in the construction-business might help. One can also establish a re-rolling mill later, to meet the raw material requirement.

Kamal Gupta: Engineering Ideas

Kamal Gupta holds a diploma in engineering. He also has a production-experience of 3 years. He is looking for a project in the range of Rs. 7 to 10 lac. He met an official in the state-level



industrial extension centre and explained to him that his interest was limited to engineering. The official suggested the following ideas:

Cast iron powder

This is used as a catalyst by various industries engaged in manufacture of pharmaceutical products, dyes, dye intermediates and fire-checkers. Cast iron boring is the main raw material. This is generated by the engineering industries while carrying out machining work. Raw material selection is very important since the boring should contain minimum dust and non-metallic minerals. Given the investment limit, one can produce 1000 to 1200 tonnes per year, and a turnover of around Rs. 60 lac can be expected.

Garment steel fasteners

There are various types of fasteners in use like plastic buttons, wire hooks, snap buttons, steel hooks and zip fasteners. Steel hooks and wire hooks are used in garments as fasteners (e.g. trousers). Steel hooks have two parts - the main body and the eye. The quality of the hooks depends on nickel-plating.

In keeping with the limit of the investment, one can safely think of a project to produce around 10 tonnes of hooks/per year. You can realize around Rs. 90,000 to 100,000 for each tonne of the hooks manufactured.

Hacksaw blades

These are used in the engineering industry for cutting various types of material. There are different sizes ranging from 14 to 32 teeth per inch and with a length of 6 to 12 inches. The demand depends mainly on the growth of the engineering industry. The hacksaw blades are made from high carbon steel strips and HSS low tungsten steel strips. Both hand as well as power-operated hacksaw blades can be manufactured. The capacity, given the investment limit, will be 150,000 hand-operated blades and 75,000 power-operated blades. About 10 tonnes of material viz. high carbon steel and HSS low tungsten steel - in 4:1 ratio are required. The selling price of hand-operated blades is Rs. 25 per piece while that of power-operated is Rs. 250 per piece.

Household flour mill

There are three types of mills viz., horizontal stone, vertical stone and stoneless. Vertical stone is a miniaturised version of the commercial flour mill. Stoneless type works through steel hammers.

Let us consider a horizontal stone type because it is the most popular type of household flour mill. There are many manufacturers in this sector but the demand is growing rapidly.

Given the investment/market constraint, one can safely think of producing at 600 mills per year capacity. This will mean a turnover of Rs. 30 lac. Machine tools like lathe, drill, grinder, balancing machine and a few other such equipment are required for the fabrication of flour mills. The raw material accounts for almost 70% of the cost of production

Kamal felt that manufacture of household flour mill would involve building of brand equity and promotional expenditure and effort. It would also prove to be difficult to compete with large players. Steel fasteners for garments did not enthuse him, since he believed that hooks may be replaced by some other type of fastener in the near future. Besides he just did not like the idea of having to sell it to dealers or wholesalers who dealt in such items.

He decided to examine ideas No. 1 & 3.



Pawan Ahuja: Food for Thought

Pawan Ahuja is a diploma holder in food technology. He does not want to take up a job and wants to be selfemployed. He is in a position to invest Rs. 1.5 to 2.00 lac. This means he would like a project in the range of Rs. 5 to 6 lacs. He consulted a food-processing consultant and obtained the following suggestions in keeping with his investment.

Ready mixes

One can make ready mixes for snacks, for pizza, pudding, cake, etc. Shifting, mixing and pulverising are the main operations. A variety of flours, sugar, sodium bicarbonate, ascorbic acid, di-sodium phosphate, acidic acid, fumaric acid and tricalcium phosphate, preservatives, emulsifiers, food colours, flavours, etc., are needed, depending on the product-mix. One can formulate one's own recipes. Both city level and regional markets may be relied upon for sale.

Spice splits

Spice splits is another idea. This is different from the powder form. Mustard, fenugreek and coriander are sometimes used in a coarsely ground form in pickles, chutneys, selected beverages and other preparations. Split production involves specialised pulverising. This project can be done in the given budget. However, around 20 workers are needed to work in this kind of projects.

Tutty fruity

Tutty-fruity is yet another idea. It is made from papaya which is easily available. A papaya is cut into tiny pieces. These pieces are then washed, boiled, and immersed in coloured and flavoured syrup. Finally excess syrup is removed.

Tutty-fruity is used in pan, pan masala, bakery products, ice cream and other food products. One can easily have a 100 tonnes per year project, given the investment limit.

Pawan felt that coarsely ground spices were an extremely simple project and anybody could do it. There was hardly any value addition. He therefore ruled it out and decided to appraise ideas No. 1 & 3.

Shyam Lakhani's Search for Fresh Pastures

Shyam Lakhani is a wholesale trader dealing in grains at Gandhidham in Kutchh District of Gujarat. His son is pursuing B.Com. Shyam believes that trading in grains is not enough, and he must expand, diversify and set up an industry. His investment limit is Rs. 25 to Rs. 60 lac. He has spoken to a few friends and has thought of a few ideas too. He has also collected further information on these ideas. The results of his labour are given below.

Iodized salt

Kutch cultivates a vast quantity of salt. Endemic goiter on account of iodine deficiency is a major national health problem. So, the Government of India has introduced a salt-iodization programme to remove this deficiency. It is almost compulsory for a salt manufacturer to iodize salt. The concentration of iodine in salt is fixed at 25 ppm.

There is a ready market for iodized salt. However, it is the selling price, and freight charges which are very crucial. The output, depending on the weather, may either be very good or very poor - and the price generally follows the supply position. However, it has been perceived that the price normally is stabilised and that the producer does not lose. But there are exceptionally good or bad years.

It is a seasonal business from October to February. A solution of potassium iodate is sprayed on the salt. It is a simple technology. Raw salt is made by obtaining brine from surface wells. The



project cost of a unit with capacity of 25,000 tonnes per year (iodized salt) is estimated at Rs. 25 to 30 lac. Land/building/earthwork would cost nearly as much as the machinery.

The price-realization will vary between Rs. 25,000 to 30,000 per tonne. So, the maximum annual turnover will be around Rs. 62.5 to 75 lac. The annual expenses, other than interest and depreciation, if the project works at full capacity, will be Rs. 30 lac plus 20%. Packing and forwarding charges will account for half of the expenditure.

Pharmaceutical formulations

There are two factories in the district which are doing well. The manufacturer generally buys bulk drugs and makes them into tablets, capsules, liquid orals, ointments and injectibles.

Analgin, ibuprofen, paracetamol, metaclopromide, ephendrine, enthromycine, ampicillin, amoxicillin, sulpha-methaxzole and trimethoprim are the common drugs thus formulated.

There are almost 10,000 pharmaceutical formulation units in India and so there is intense competition. But the market is large and growing.

The process of manufacture is simple, involving operations such as mixing, drying, filling, strip packaging and labeling. However, the law stipulates that good physical conditions and manufacturing practices be maintained. One must comply with this law.

It may not make sense to establish a very small project producing 500 lac tablets. One should establish a unit producing 100 lac capsules and 1 lac litres of liquid oral as the minimum capacity. The project cost, in this case, might touch Rs. 65 lac. The annual turnover at this capacity will be around Rs. 3 to 3.5 crore.

An important point which determines success is the kind of drug one formulates from time to time.

Around 80 persons are required to run such a project. This includes 20 medical representatives too. So, one must be able to manage people, if one wants to do well in this business.

The raw material cost accounts for 70% of the cost of production. The sales expenses are 30% to 40% of the production cost. The profit, before providing for interest and depreciation, if you operate upward of 50% capacity utilization is 10% to 15% of the turnover. The break-even point is believed to be around 35% to 40%.

HM-HDPE and LLDPE film bags

There is Free Trade Zone (FTZ) at Kandla in Kutchh. Units making detergent and ready-made garments are established there. These units need plastic bags. Besides milk, tea, coffee, spices and several other products are also packed in such bags. The FTZ and non-FTZ industries in Kutchh and industries outside Kutchh seem to have a good market but there is just one unit in the district which manufactures such plastic bags.

These films are made through a simple, automatic, extrusion process.

For a 72 tonnes per year capacity project, the investment would be around Rs. 25 to 30 lac. The sales turnover at total capacity would be in the range of Rs. 40 to 45 lac. The raw material price is very crucial though. The selling price per kilogram of film is about 20% higher than the raw material price. After providing for wages, electricity, and other production, sales and administrative expenses, the margin is around 15% of the sales turnover. The breakeven point is around 60% of the installed capacity (Lakhani figured out a margin of Rs. 6 lac - if he worked at full capacity - to meet depreciation and interest on a gross investment of Rs. 25 to 30 lac.) He found it rather disappointing.

Lakhani eventually decided to further investigate further ideas No. 1 & 2.



Conclusion

A builder, a diploma engineer, a trader and a food technologist - all could generate ideas and then subsequently decide what idea or ideas could be dropped and what should be investigated further. They did it on the basis of specific criteria. If they could do it, why can't you do it too? It is not as difficult as it may appear. Try it and find out.

Annexure I

Potential in the types of food processing:

India is the seventh largest country with extensive administrative structure and an independent judiciary, a sound financial & infrastructural network and above all, a stable and thriving democracy.

Due to its diverse agro-climatic conditions, India has a wide-ranging and large raw material base suitable for food processing industry. Presently a very small percentage of these are processed into value added products.

Rapid urbanisation, increased literacy and rising per capita income, have all caused rapid growth and changes in demand patterns, leading to innumerable new opportunities for exploiting the large latent market. An average Indian spends about 50% of his household expenditure on food.

Very good investment opportunities exist in many areas of food processing industry. The important ones being : fruit & vegetable, meat, fish & poultry processing, packaged convenience food and drinks, milk products etc.

Food processing in India comprises three groups, such as (a) Primary food processing, (b) Unorganised and cottage scale industries and (c) Processed food industries. Indian food processing activity, as compared to other developed countries, is still in its childhood.

The Food processing sector can be broadly categorized in the following sub sectors:

Fruit and Vegetable Processing:

The annual horticultural production is estimated at 100 million metric tonnes, which is over 18% of India's gross agricultural output. Many non-traditional vegetables mainly processed mushrooms & gherkins, and other like: asparagus, celery, bell pepper, sweet corn, green and lima beans and organically grown vegetables are also increasingly being exported. The fruit and vegetable processing industry has registered an average annual growth rate of 30%.

Food Grain Processing: Grain processing is the biggest component in the food sector, sharing over 40% of the total value. There is a predominance of three primary processing sectors, sharing 96% of the total value; with secondary and tertiary(3rd place) sectors contributing about 4% of the total value addition modern rice mills have increased at the rate of 12% per annum after the 1980s. Indian Basmati rice commands a premium in the international market. There is some headway in preparing value-added food, such as breakfast cereals and rice analogue from broken rice which otherwise fetches a low price. The Food grain processing industry has a crucial role to play in the reduction of post harvest losses.

Milk and Milk Products:

India has one of the largest livestock population in the world. A significant percentage of cattle in the world are found in India, most of which are mulch cows and mulch buffaloes. Dairy development in India has been acknowledged the world over as one of the modern India's most successful developmental programs.

The organized sector produces ghee, butter, cheese, ice cream, milk powder, malted milk food, condensed milk, infant milk food etc. Today, the industry has also introduced a number of new



products such as sodium caseinate, lactose, dairy whiteners, and other products including table margarine, low fat butter spread, long life milk etc.

Spices and Spice Based Products: India is known as the Home of Spices. Though India is the largest producer of spices accounting for 61% of the world's production and 39% of the world's export, it secures only 9% in terms of value. About 63 spices are grown in the country and valued for a sum of Rs. 5200 crores. Among the various spices cultivated in India, Pepper earns the major export share, both in quantity as well as in value. The present trend in spice processing has led to value addition, and the various processed spices have increased the value generated per unit of spices in domestic as well as export market. So the spice Industry is currently in the process of a major transformation setting up medium to large scale semi-mechanical processing units handling large quantities of spices converting them to various value added products.

Fishery: The fishery resources of India are grossly underutilized. Domestic per capita consumption of fish is only 5 Kg per annum as against a world average of 12 Kg per annum. 60% of the production of fish in India is from marine sources.

With its over 8000 km. of coastline, 3 million hectares of reservoirs and 1.4 million hectares of brackish water, India has a vast potential for fish from both inland and marine resources. Units mostly exist in the small scale sector as proprietary/partnership firms or fishermen co-operatives. Over the last two or three decade, the organized corporate sector has become increasingly involved in preservation, processing and export of coastal fish. But the wide variety of fish resources in Indian inland waters, coastal areas and the deep seas comprising India's Exclusive Economic Zone, still remain grossly under utilized.

Meat and Poultry: The present level of various types of meat and poultry products is estimated to be around 4.1 million tonnes as per FAO estimate. Approximately 70% of the Indian population consumes meat and/or poultry products. The growth rate of meat consumption is estimated to be about 10% per annum while that for broilers is at the rate of 27% per annum. There has also been a substantial increase in the production of eggs averaging a growth of 16% per annum, and a corresponding increase in the consumption of eggs with many vegetarians accepting the egg as part of their diet. In recent years there has been an increase in demand for egg powder mainly in the International market, and a number of plants have been set up for the same.

Convenience or Instant Foods: The growth of the instant food industry in India has been rapid in the recent years. In "Ready To Eat" products sector, the total installed capacity in the organized sector is 33,400 tonnes for manufacture of pasta products like noodles macaroni, vermicelli, etc. Besides, there are more than 10 units with annual capacity of 9,300 tonnes for corn flakes, oat flakes and pearl barley etc. Other products which are rapidly growing at a rate of 25% per annum are instant gulabjamun, pickles, ice cream mixes, vermicelli, pure and blended spice mixes, idli mixes, and several other ready mixes or ready to use mixes.

Catering: One of the important activities carried out by rural women in micro enterprises is small catering and vending activities. It has been found that over their 25% of the loans availed by women, under various schemes of the Government, have been utilized for this type of food processing. Such activities, generally termed 'street food' activities, are becoming common in all parts of India, both urban and rural. This is true not only in India but also in the neighboring South East Asian countries. There is a tremendous potential for this sector if performance on all fronts, including, health and hygienic as well as ecological issues are taken care of.



Soft Drinks: Indian soft drinks market is worth US \$ 500 million per year, which works out to 4 billion bottles. The soft drink segment is expected to grow to Rs. 12,500 crores by the end of year 2008. India is witnessing a shift in the consumer trend from synthetic drinks to fruit based drinks in some segments. Tetra pack drinks market is currently growing at the rate of 10%. Many companies are introducing new tetra pack drinks to capture their share of the existing market. There is a bright future for this kind of products in India.

Alcoholic Beverages: The liquor made in India can be categorized as beer, country liquor and Indian made foreign liquor. Currently, there are more than 36 breweries with a total licensed capacity of 160 million litres per annum. The current production is estimated more than 300 million litres. The Indian beer market, estimated currently at US \$ 166.67 million a year, has been growing at the rate of 15% per annum.

New Avenues in Food Processing: New avenues that are specific and genuine value addition to food products are opening up. Innovative processing techniques are being used to enhance nutritive value, availability of nutraceutical (food or part of food that provide medical or health benefit including the prevention and treatment of disease) and micronutrients (essential food factors required only in small quantity by the body e.g. vitamins and trace minerals), removal or destruction of naturally occurring toxins and anti-nutritional factors, use of consumer friendly preservatives, colourants and flavourants are being widely developed. Some examples of such products include herbal biscuits, memory promoting, blood purifying food products, etc. The need for product diversification has seen inroads of many new items such as Ready to Eat (RTE) foods, extruded food, beverages, dried and frozen fruits and vegetables.

There has been a paradigm shift in viewing Diet as a component for the enhancement of health and its maintenance. Some of them are health beverages, energy drinks, supplementary foods, probiotic food, nutraceuticals or functional foods etc.

FUTURE TRENDS

Food processing industry has maintained a steady growth even in years when general growth of the manufacturing sector was poor.

Indian food processing activity is still largely based on primary processing which accounts for almost 80% of the value addition. From the experience that has been gathered from other countries, India's share of processed food sector in total food consumption will increase rapidly. This would necessitate moving into more sophisticated secondary and tertiary processing. The scope of the industry depends on transfer of technology regarding technical know-how, changing market trends, and increasing competition and quality control. The lack of techno-managerial capability is one reason for the low number of food industries in India.

Bridging the gap is absolutely essential. This is where India has to look for necessary technology and investment.

However, there are some facts, which entrepreneurs should take into account while setting up an enterprise in a globally competitive environment that is filled with ever shortening product life cycles, a world that's shrinking due to technological advancements and a general shift from manufacturing to knowledge – based economies.

There is a need for access to skills, information, technologies, markets and an environment conducive to innovations to influence growth of technology based enterprises. However, in the given scenario, there is a need to motivate entrepreneurship and development of business in this sector. In order to bridge the gap between the need for establishing technomanagerial capability amongst potential entrepreneurs. Business Incubators can be established that would



cater to the needs of potential entrepreneurs, thus motivating them to venture into businesses in processed foods.

Annexure II
SERVICE SECTOR OPPORTUNITIES
(LOCALISED TINY & SMALL SCALE)

Source of Information	Illustrative Opportunities
<ul style="list-style-type: none"> Existing industrial enterprises 	<ul style="list-style-type: none"> Catering, transport, uniforms
<ul style="list-style-type: none"> Medium and large projects in pipeline 	<ul style="list-style-type: none"> Painting, workshop, training, maintenance, security, recruitment
<ul style="list-style-type: none"> Commercial establishment 	<ul style="list-style-type: none"> Photocopying, courier, printing, computer-centre, telecom center, book-keeping, advertising agency
<ul style="list-style-type: none"> Public utility organizations (electricity, water, road/rail/air/water transport, telecommunication, post, fire fighting) 	<ul style="list-style-type: none"> Bill-collection, water-tanker, water-tank cleaning, traffic line marketing, travel-agency, billboard, book-shop
<ul style="list-style-type: none"> Social infrastructure organizations (housing, health, education, recreation) 	<ul style="list-style-type: none"> Masonry, plumbing, electrical work, carpentry, bookbinding, gardening, laundry, fumigation service
<ul style="list-style-type: none"> Business enterprises catering to community needs (e.g., marriage, birth, death, religion, festivals) 	<ul style="list-style-type: none"> Catering, pandal erection/crockery/utensil supply, music-group, ritual performing
<ul style="list-style-type: none"> Governing, quasi-govt. organizations and local bodies 	<ul style="list-style-type: none"> Whitewashing, garbage-collection and disposal, building maintenance furniture repair and maintenance, office-equipment servicing
<ul style="list-style-type: none"> Citizens (to ascertain personal needs) 	<ul style="list-style-type: none"> Catering, tailoring, beauty parlor, shoe-mending and polishing, laundry, banking, insurance, financial services
<ul style="list-style-type: none"> Households (to ascertain household-level and family needs) 	<ul style="list-style-type: none"> Interior decoration, furnishing, domestic help, vacation, video-cassette and DVD hire library



IT & KNOWLEDGE BASED SERVICES

- Computer software development
- Computer graphics, engineering design and other software services
- Computerized design and drafting (CAD/CAM)
- Data conversion / Data processing
- Medical / Legal Transcriptions using voice / data communication lines
- Web-site design development
- Call centers using voice or data communication links
- Data processing for banks / insurance companies, airlines etc.
- Video film making
- Desk top publishing
- Computer education training
- Computer hardware retailing and servicing
- Network designing and maintenance
- Computer stationery – distribution and retailing and other hardware
- Research and experimental development in natural sciences and engineering
- Research and experimental development in social sciences and humanities
- Legal activities
- Accounting, book-keeping and auditing activities; tax consultancy
- Market research and public opinion polling
- Business and management consultancy activities
- Management activities of holding companies
- Architectural and engineering activities and related technical consultancy
- Technical testing and analysis



Annexure III

ELIGIBLE SERVICE CATEGORY for Online SSSBE Registration **(upto Rs. 10 lac)**

Sl. No.	Category
1	Advertising Agency
2	Auto Repair and Service Garage
3	Beauty Parlour and Creche
4	Blue Printing and enlargement of drawing/design facilities
5	Coloured and Black and White Studio equipped with processing laboratory
6	Desk Top Publishing
7	Documentary Films on Themes like Family Planning & Social Forestry, Energy Conservation & Commercial Advertising
8	Entrepreneurship Development institutes established by Voluntary Associations/Non-Government Organisations
9	Equipment Rental and Leasing
10	Industrial Consultancy
11	Industrial Photography
12	Industrial R & D Laboratory
13	Industrial Testing Laboratory
14	Installation and operation of Cable TV Network
15	Internet Browsing for setting up of Cybercafés
16	ISD/STD Booths,
17	Laboratories engaged in testing of raw material, finished products
18	Laundry and Dry Cleaning
19	Marketing Consultancy
20	Operating EPABX under franchises
21	Photo Copying Centres (Xerox)
22	Photo Graphic Laboratory
23	Ropeways in Hilly areas
24	Service Industries engaged in maintenance, repair, testing or electronic/equipments/instruments i.e. measuring/control instruments
25	Servicing of Agriculture Farm equipment e.g. Tractor, pump, rig, boring machines etc.
26	Sub contracting exchanges (SCXs) established by Industry Associations
27	Training
28	Fax Services
29	Typing Centre
30	Weigh Bridge
31	X Ray Clinic



ASSIGNMENT III

3. Prepare a sheet of your self-knowledge on the lines of Mr. Ramesh Gupta's case of chapter-2.

Enrolment No :



ASSIGNMENT III

4. Answer the questions given in Exhibit-6.2 of Chapter-6 and explain what are the implications of your responses to the business you may have selected by reading unit 3.

Enrolment No :



ASSIGNMENT III

5. Find out the names/address of industry specific organization for an industry of your interest. List down industries of your choice.

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____

Enrolment No :



ASSIGNMENT III

6. Obtain relevant information and attempt to use the tools o viablity check for the project you have chosen in question 4.

Enrolment No :