

TEAM-SABJIIWALA-Mobile Retailing

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Need Gap and Customer Pain Point

Need Gap:

- Supply of fresh and hygienic food products
- Are the retail giants have their presence in the interiors of the cities ?????
- What do Indian consumers want-refrigerated vegetables or fresh!!!!
- Are all other retail giants covering each consumer segment????
- Lengthy supply chain suffered from middle men-vicious cycle
- Tier-2 and Tier-3 cities yet to be covered by retail giants.

Lacuna of traditional supply chain system:

- Poor handling and wastage
- Perishability- *Are we purchasing really fresh vegetables!!!!!!*
- Price to end user increased due to agents (150-200%..*Surprising!!!!* and can be more as dependent on volumes coming in vegetable market but this price advantage doesn't reach to farmers),
- End user pays high for a product which is poorly handled & no longer fresh
- Unhygienic conditions of Traditional “sabjii-mandis”.

Our Solution

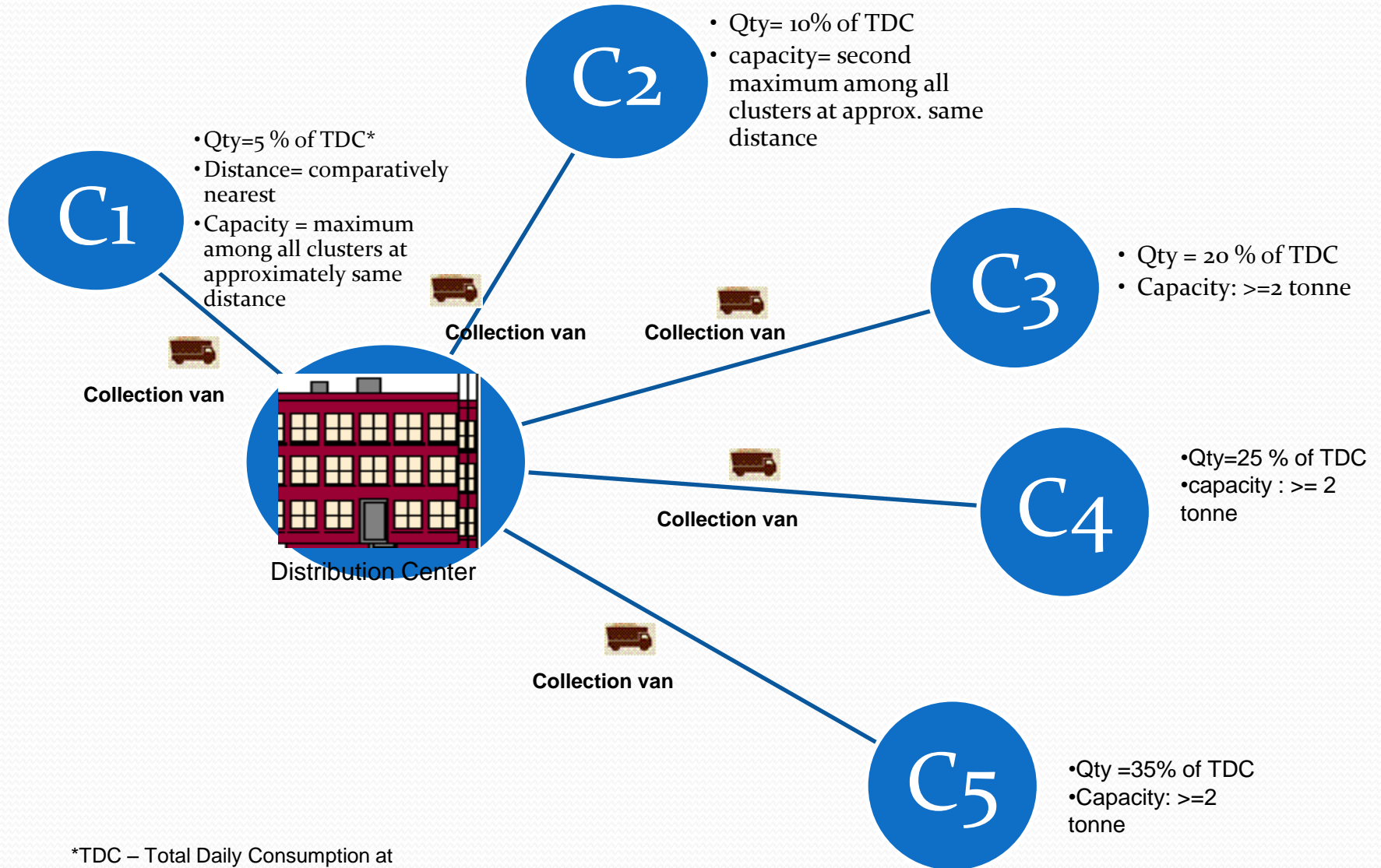
The basic business idea :

- ▣ **NEED** Fulfilment of fresh vegetables (perishables)
- ▣ **TARGET MARKET** : Tier-2 and Tier -3 cities for first phase
- ▣ **HEALTH AND HIEGIENE**
- ▣ **EHLP**-Every Hour Low Pricing
- ▣ **BONSAI RETAIL STORES**
- ▣ **COOLING VENDOR CART**
- ▣ **MINIMUM INVENTORY CONCEPT**
- ▣ **DOOR TO DOOR SERVICE**
- ▣ **WILLINGNESS** to pay for hygienic food
- ▣ **CONVENIENCE** in procurement to channel partners and consumers.
- ▣ **FRESHNESS @ LOWEST POSSIBLE PRICE.**
- ▣ Minimizing duration between harvesting at farm site to delivery to end user
- ▣ **INNOVATIVE COST CUTTING PRACTICES- ZECC**
- ▣ **PRICE REALISATION TO FARMERS**
- ▣ ***Retail store on wheels***

The mantra is “*fresh-at its best price*”. A combination of mobile retailing of perishables and door to door service.



Back End Operation



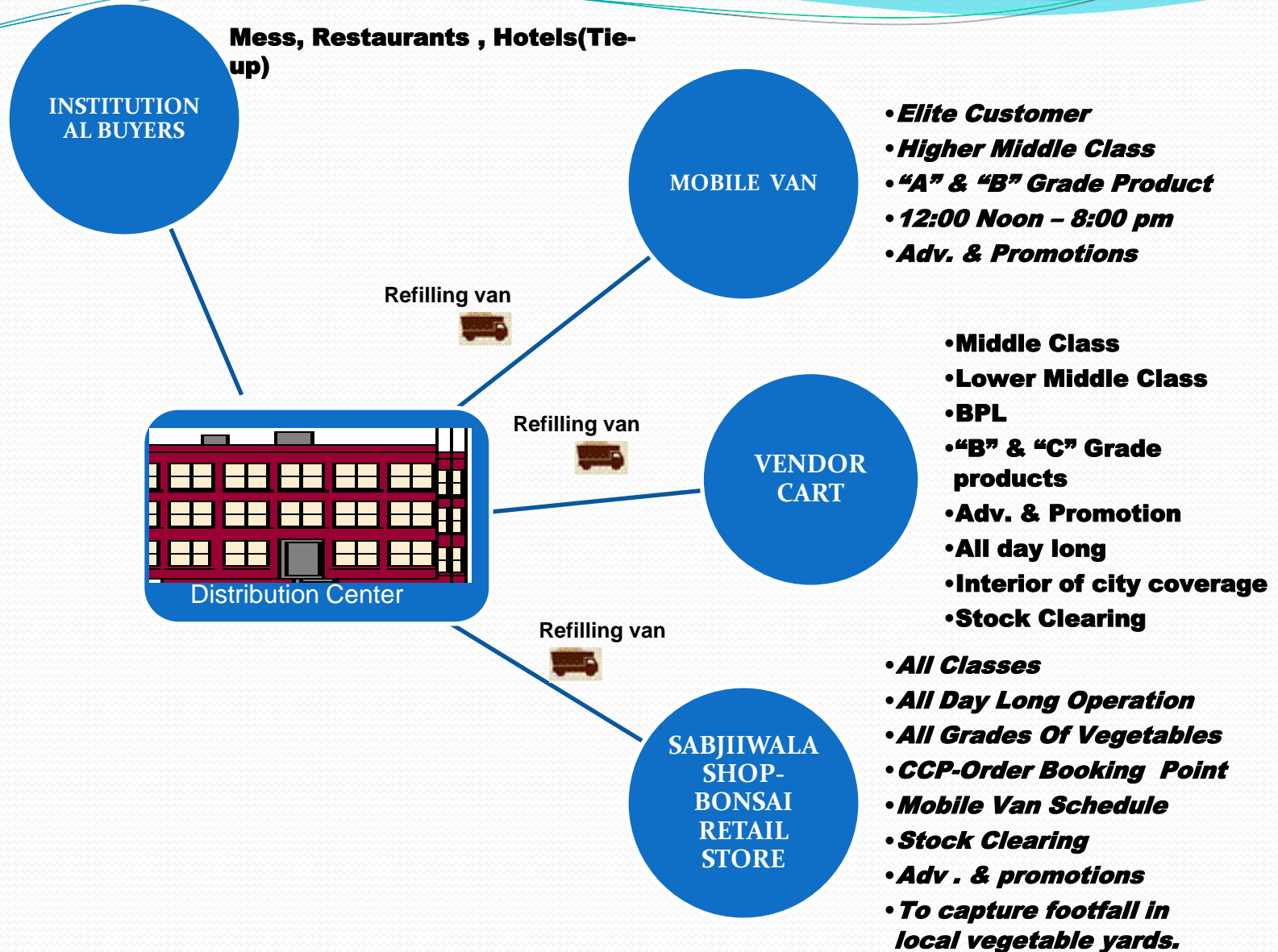
*TDC – Total Daily Consumption at Sabjiwala
C1,C2,C3,C4,C5- suppliers' clusters

Business model

- **“Sabjiwala” van:**(target customers-Elite and higher middle class):

Sorted “A” grade vegetables will be transported to various points of city in a “Sabjiwala” van. It will have display of vegetables, with price tags and time of harvest (**lag time**). Van will stop at particular predefined points for a definite time slot. Continues supply of fresh vegetables will be maintained through “Refilling van”. The vegetables which will have more lag time (“B”&“C” grade) will be taken back to the distribution centre after every refilling and will be supplied to our channel partners. **Timings:** :1200 noon -8:00 PM
- **Channel partners** :(target customers-middle and lower class)
 - A)**Local vendors:** We will make local vendors as our channel partners by providing them a **locally designed “thelaa”**. The sole purpose is to **clear daily stock, advertising & promotion** and providing delivery service which is not available at times and in the interiors of the city where “Sabjiwala” van will not be present.
 - B)**“Sabjiwala” shop:** These shops will be designed as small retail showrooms (250 Sq. ft.) near local sabjii-mandis only. Objectives behind the Sabjiwala shop is capturing the readymade customer base at sabjii-mandis, promotion and advertising, information about schedule of Sabjiwala van and order booking point. They will supply all grades of products throughout the day.

Front End Operations



Zero energy cooling chamber

- We will be using ZECC at collection center as well as *Sabjiwala shop* for preservation of vegetables. Low cost cooling chamber is constructed from bricks. The cavity between the walls is filled with sand and the bricks and sand are kept saturated with water. Fruits and vegetables are loaded inside, and the entire chamber is covered with a rush mat, which is also kept moist.
- During the hot summer months in India, this chamber is reported to maintain an inside temperature between 15 and 18 C (59 and 65 F) and a relative humidity of about 95%
- ***Our need for refrigeration is only limited to 24 hr. so we are not using any electronic refrigeration system.***

Zero energy cooling chamber

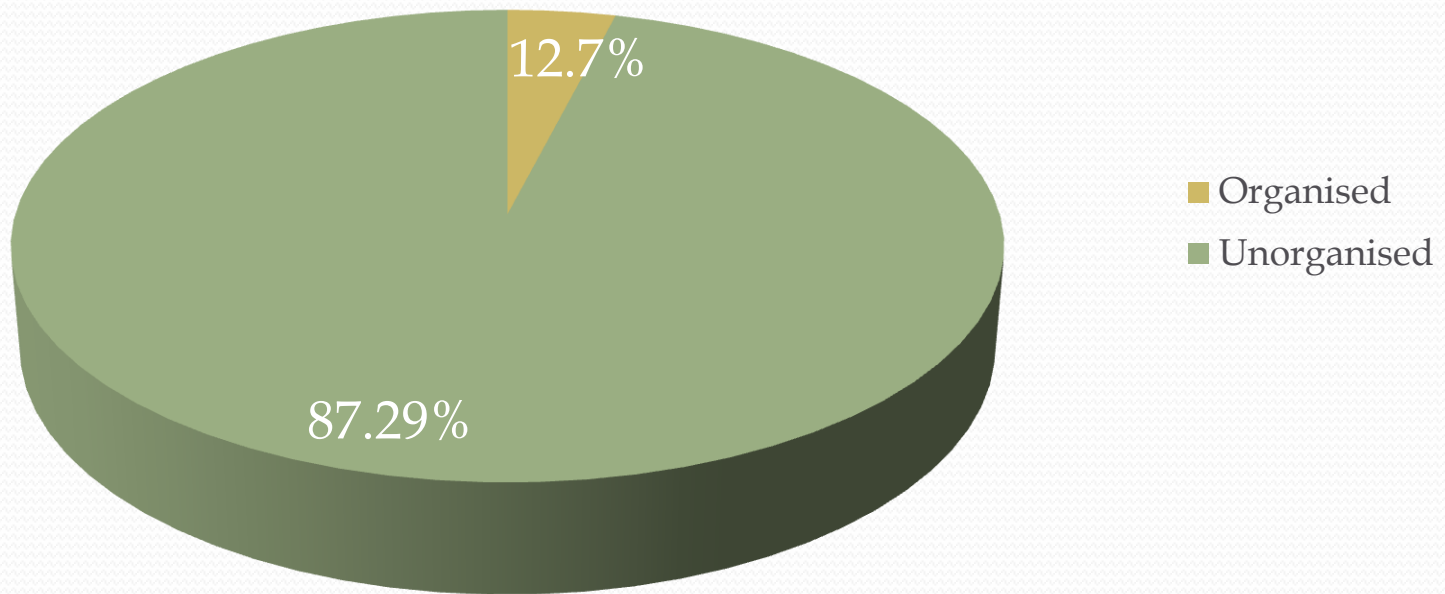


Storage of Vegetables in
Zero energy cool Chamber



Organised vs Unorganised retail

RETAIL SECTOR (1810000 Crores)	2009- 10(crore)	% Share*
UNORGANISED RETAIL	1580000	87.29282
ORGANISED RETAIL	230000	12.70718



Market Opportunity

- **Fragmented quantity being sold by cart vendors** presents a huge opportunity for consolidation .An estimated **Rs. 16000 crores** Vegetables are sold per day in India.
- **Kota** (purposed location in Rajasthan) is known for coaching/ engineering preparation classes and every year thousands of students come for studies. Coaching industry is alone above US\$ 180 million worth. Allied industries include messes, restaurants and hotels which together make business worth US\$120 million approximately. There are around 250 messes catering the need of food for students worth US\$ 50 million alone (**potential institutional customers for our business**).

A Glimpse of Market (KOTA)

MESS BUSINESS

No. of Mess	=	250 (approx.)
Capacity	=	200-300 students/mess
Turn over/mess	=	1.5-2.5 crores
Daily Expenditure on vegetables	=	2500 Rs.
Yearly Expenditure (in crores)	=	22.5 crores (approx)

POPULATION

Head Count	=	2 million (approx.)
Per Head expenditure per day	=	5 Rs.
Yearly Expenditure	=	360 crores (approx.)

Market Research

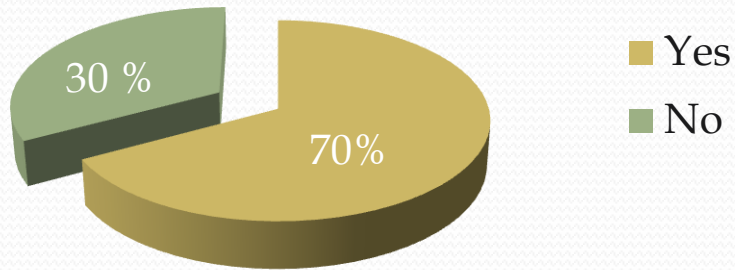
We have carried out the pilot market research in kota, Rajasthan for “Acceptability of our business model”.

Particulars of the research are as follows:

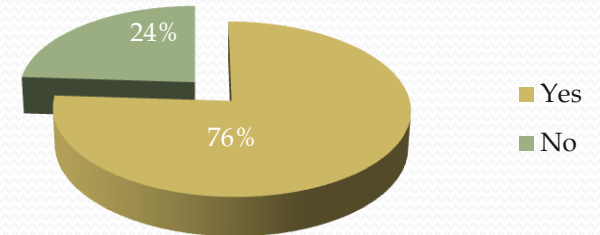
- Sample size: it consist of 20 farmers , 25 vegetable cart vendors and 50 house holds.

Results

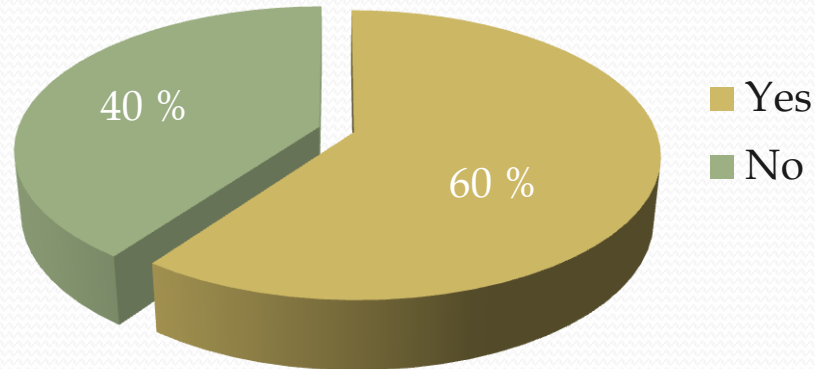
Acceptability of Model By Farmers



Acceptability of Model to End Users



Acceptability Of Model By Cart Vendors



Marketing Strategy

- **Marketing strategy:**
 - An integrated cost efficient marketing strategy
 - Business is being promoted and advertised by sales and distribution model itself.
- **Segmentation:**

Criteria/ Customer profile	A	B	C
Spending capacity	High	Moderate	Low
Health and hygiene conscious	High- Moderate	Moderate	Moderate- low
Price sensitive	Moderate	High – Moderate	High

Advertising & promotion:

This will be done by -

- Mobile van-company logo and slogans
- Channel partners- vendor cart holders and Sabjiwala shop
- Continuously throughout the day all round the city
- Word of mouth by cart vendors and Sabjiwala shops will be additional advantage
- Cable T.V. and FM
- Coverage is significantly high

Competitive Analysis

S. NO.	Characteristics	SABJIWALA-MOBILE REATILING	Local vegetable vendors	Vegetable commission agent	Retail Giants	Local vegetable market yard(Sabji-Mandi)	Ready to eat products
1.	Acceptability to end user	HIGH*	HIGH	LOW	MODERATE	HIGH	LOW
2.	Financial capability	HIGH	LOW	HIGH	HIGH	MODERATE	HIGH
3.	Reach to end user/Coverage	HIGH	HIGH	LOW	LOW	HIGH	MODERATE
4.	Freshness	HIGH	LOW	MODERATE	MODERATE	MODERATE	MODERATE
5.	Hygiene	HIGH	LOW	LOW	HIGH	LOW	HIGH
6.	Scalability	HIGH	LOW	MODERATE	HIGH	LOW	MODERATE
7.	Ease in Procurement from suppliers	HIGH	LOW	LOW	MODERATE	LOW	MODERATE
8.	Procurement price	LOW	HIGH	LOW	MODERATE	HIGH	MODERATE
9.	Handling	LOW	LOW	LOW	MODERATE	LOW	MODERATE
10.	Harassment by suppliers	LOW	HIGH
11.	Convenience to consumer	HIGH	HIGH	LOW	MODERATE	MODERATE	LOW
12.	Price to consumer	LOW	HIGH	MODERATE	MODERATE	MODERATE	HIGH
13.	Wastage/Damage	LOW	MODERATE	HIGH	MODERATE	HIGH	MODERATE
	*see market research						

COMPETITIVE ADVANTAGE

Differentiating factors:

- Continuous price differentiation policy- **Every Hour** → **Low Price(EHLP)** 
- Saleable approach for healthy and hygienic vegetables
- *Standing crop contract- Contract in premature harvesting period* 
- *Mobile retail store on van*
- *Locally designed cooling vendor cart*
- *Bonsai retail stores*
- **Minimum inventory holding and daily stock clearing strategy**
- Value chain,(farmers to end user benefit)
- **Door to door to delivery**
- **Maximum Penetration-** Corner to corner coverage
- **Ease to Institutional buyers-** transportation facility

Risk and Challenges

- “Me-too” strategy by the competitors
- Harassment by local players
- Acceptability of our offer to cart vendors
- Unsold stock
- Seasonality of vegetables
- Licensing –
 - Prevention of Food adulteration act 1954

Team Profile

Team Profile:

- **Chintan Meghwanshi:** Agricultural engineer ,MBA-ABM, 3 yrs work-ex. in rural marketing , who is taking care of supply chain and sales & distribution
- **Anil Meena :**Commerce graduate,MBA-ABM,2 yrs work ex. With ICICI Bank, taking care of financials matters and Networking
- **Bhawana Nayal:** B.Tech. agriculture (MBA-ABM), 3 yrs work ex in rural development, taking care of Research & development,
- **Ashok Jhajharia:** B.E. agriculture(MBA ,IIM-K) for marketing and advertising & promotions and financial advise.

All Team members are typically from rural background and possess in depth understanding of the agriculture, customers and suppliers.

Support from :

- **Mukesh Bhutani:** A very young (27 yrs) entrepreneur (restaurant and Mess business) from Kota Rajasthan having experience of 10 yrs. He has offered his interest and **seed funding (1 million)** to this project.
- **Mr. Gopal Lal :**As a **consultant** we have a revenue officer and social worker (25 yrs work ex.) who has typical knowledge of agriculture and area (Kota). He offered his services to us for networking and building supply chain network.
- **Mr. Ramesh Sindhi :**A young vegetable merchant who born and brought up with vegetable selling business. He is the one who is continuously refining our project through his basic knowledge of vegetable selling and customers.

Financial Strategy

SEED INVESTMENT :

- Total cost of project =Rs.5.8 million;
- Owner's capital=2.34 million;
- Venture capital funding/Bank Loan=3.51 million;

Profitability analysis						
Particular	1st YEAR	2nd YEAR	3rd YEAR	4th YEAR	5th YEAR	
NET SALES						
Sales (Avg Rate. Rs. 20/Kg.)	32156250	33764062.5	35452265.6	37224878.9	39086122.82	
TOTAL INCOME	32156250	33764062.5	35452265.6	37224878.9	39086122.82	
EXPENDITURE						
-Raw Material Consumed	24500000	25725000	27011250	28361812.5	29779903.1	
-Direct Labour Cost	1392000	1392000	1392000	1392000	1392000	
-Power & Fuel	752160	787929.6	825845.376	866036.099	908638.2645	
-Depreciation	749862.5	749862.5	749862.5	749862.5	749862.5	
Cost sales	27394022.5	28654792.1	29978957.9	31369711.1	32830403.86	
Operating Profit	4762227.5	5109270.4	5473307.75	5855167.81	6255718.954	
-Selling & Admn. Expenses	1051171.875	1063230.469	1075891.99	1089186.59	1103145.921	
-Preliminary Expenses W/ off.	50000	50000	50000	50000	50000	
Profit Before Interest & Tax	3661055.625	3996039.931	4347415.76	4715981.22	5102573.033	
-Interest on Term Loan AND working capital loan	539100.9 713481.4453	486551.67 806626.875	425554.92 800887.969	354752.66 792366.563	272568.62 784043.9063	
Profit Before Tax (PBT)	2408473.28	2702861.386	3120972.87	3568861.99	4045960.507	
Provision For Taxation	810692.1059	909783.1426	1050519.47	1201278.95	1361870.307	
Net Profit after Taxation (PAT)	1597781.174	1793078.244	2070453.4	2367583.05	2684090.2	
Gross Profit Percentage	14.8096482	15.13227385	15.4385274	15.7291789	16.00496162	
Net Profit Percentage	4.968804428	5.310611671	5.8401159	6.36021692	6.867118063	

projected balance sheet

LIABILITIES	Cons. Per.	1st year	2nd year	3rd year	4th year	5th year
-Share Capital	1171000	1171000	1171000	1171000	1171000	1171000
Reserve & Surplus (PAT)	-	1597781	1793078	2070453	2367583	2684090
-Term Loan	3511753	3184862	2805422	2364984	1853745	1260322
-Working Capital Loan	-	5384766	6087750	6044438	5980125	5917313
-Quasi Equity	1170584	1170584	1170584	1170584	1170584	1170584
TOTAL LIABILITIES		12508993	13027834	12821460	12543038	12203309
ASSETS						
Gross Fixed Assets	4058000	4058000	4058000	4058000	4058000	4058000
Less Depreciation		749862.5	1499725	2249588	2999450	3749313
Net Fixed Assets	4058000	3308138	2558275	1808413	1058550	308687.5
Investment in Land						
-Current Assets		5199669	4215365	3442103	2700244	2181355
-Cash & Bank Balance	1794922	5179266	9218841	12335128	15314033	17989769
TOATL ASSETS		12508993	13027834	12821460	12543038	12203309

PROJECTED CASH FLOW STATEMENT

PARTICULARS	Cons. Per.	1st year	2nd year	3rd year	4th year	5th year
Cash from Operations:						
Cash Sales		32156250	33764063	35452266	37224879	39086123
Cash from Receivables						
Cash Subsidy						
Total Cash received from Operations		32156250	33764063	35452266	37224879	39086123
Less: Operating Expenditure		27695332	28968160	30304987	31709035	33183687
Net Cash from Operations		4460918	4795902	5147278	5515844	5902436
Cash from Financing Activities						
Share capital (20%)		1170584				
Quasi equity (20%)		1170584				
Bank Term Loan		3511753				
Less: Interest Paid		539100.9	486551.67	425554.92	354752.66	272568.62
Net Cash flows from Financing Activities		5313821	-486552	-425555	-354753	-272569
Cash from Investing Activities						
Fixed Assets Purchased		6390395	269776	1605436	2182186	2954131
Net Cash flows from Investing Activities		6390395	269776	1605436	2182186	2954131
Net Cash Flow		3384344	4039575	3116287	2978905	2675736
opening balance		1794922	5179266	9218841	12335128	15314033
Closing Balance of Cash/Bank	1794922	5179266	9218841	12335128	15314033	17989769

Break even Point			
Particulars	1st YEAR	2nd YEAR	3rd YEAR
Capacity Utilization	70%	70%	70%
A Total Revenue	32156250	33764062.5	35452265.63
B Variable Cost	27590214.69	28861837.02	30197398.17
-Raw Material Consumed	24500000	25725000	27011250
-Direct Labour Cost	1392000	1392000	1392000
-Power & Fuel	752160	787929.6	825845.376
-Repairs & Maintenance	0	0	0
Selling & Admin. Expences (90%)	946054.6875	956907.4219	968302.793
working capital loan	713481.4453	806626.875	800887.9688
C Contribution (A-B)	4566035.313	4902225.478	5254867.456
D Fixed Cost	904979.6875	906185.5469	907451.6992
Repair & maintenance (30%)	0	0	0
Selling & Admin. Expences (10%)	105117.1875	106323.0469	107589.1992
Depreciation	749862.5	749862.5	749862.5
Preliminary Exp. Etc. Written Off	50000	50000	50000
Interest on Term Loan	539100.9	486551.67	425554.92
Dep. And PEEWF	799862.5	799862.5	799862.5
E Break Even Point-%-(D/C) (BEP at installed Capacity %)	13.87386951	12.9396309	12.08814865
Cash Break Even (D-Dep- Prelim. Exp)/C - % (Cash BEP at FInstalled Capacity)	1.611508151	1.51821113	1.433193893

DSCR					
Particulars	1st YEAR	2nd YEAR	3rd YEAR	4th YEAR	5th YEAR
Total revenue	32156250	33764062.5	35452265.63	37224878.91	39086122.82
Total Expenses	27695331.88	28968160.07	30304987.37	31709035.19	33183687.29
Profit Before Tax	2408473.28	2702861.386	3120972.868	3568861.993	4045960.507
Adjust Depreciation	1.697625	2.554025	3.28334	3.90449525	4.433590963
Tax (MAT @ 11.22%)	270230.3889	303260.7345	350172.8428	400426.0026	453956.4558
Tax (at 33.66%)	810692.1059	909783.1426	1050519.467	1201278.947	1361870.307
<i>Tax to be charged</i>	810692.1059	909783.1426	1050519.467	1201278.947	1361870.307
Profit after Tax	1597781.174	1793078.244	2070453.401	2367583.046	2684090.2
Add Depreciation	749862.5	749862.5	749862.5	749862.5	749862.5
Add Amortization	0	0	0	0	0
Add Interest on Term Loan	539100.9	486551.67	425554.92	354752.66	272568.62
Cash Profit	2347643.674	2542940.744	2820315.901	3117445.546	3433952.7
Repayment of Term Loan	865992.04	865992.04	865992.04	865992.04	865992.04
Interest on Term loan	539100.9	486551.67	425554.92	354752.66	272568.62
TOTAL B	1405092.94	1352543.71	1291546.96	1220744.7	1138560.66
DSCR (A/B)	1.670810241	1.880117237	2.183672749	2.553724416	3.016047208

Continuous Differential Pricing Model



Revenue and Pricing model: We are creating a sufficient price gap from our competitors through going into contract with farmers (*standing-crop contract: at the time of premature harvesting period*), providing transportation facility and eliminating middle man. We have adopted a “**continuous differential pricing model**” in which price of the product is set continuously during entire day hours on the basis of degree of freshness. This degree is set on the basis of time-lag between harvesting and delivery of the product. More the time-leg, the more will be the discount on product. (*In actual the lowest selling price for “C” grade product will be kept above the break-even price with 15-20 % margin. The concept is taken to take maximum advantage from tempting prices).

Our **market research team** will keep close watch on volumes coming in government vegetable mandii (wholesale market) and prevailing rates so as to set best price strategy.

Cost cutting:

- We are adopting an integrated cost efficient marketing strategy for the project. Here we are keeping our expenses low as our business is being promoted and advertised by our sales and distribution model itself.
- Mobile van concept and “*thelaa*” is included so as to minimize the cost incurring on setting up static retail showrooms at various places in the city and to achieve the objective of maximum penetration to target market
- **ZECC**

Standing Crop Contract



A new approach in contract farming:

This is different than the traditional contract farming (contract before sowing) in the way that here we are contracting with them at the premature stage of the crop that is the stage just before the harvest (15-30 days prior to harvesting season). Though they will be intimated about the contract at the time of sowing and will be undergone a formal MoU. The quantity, type of vegetable and quality will be set in formal contract only but price will be set on real time basis. The reasons for this type of contract are as follows:

- ❑ **RISK MITIGATION** :Minimizing possibility of the loss because of crop damage due to bad weather i.e. sharing the risk of farmer (value proposition).
- ❑ **COST CUTTING** : In long term contract capital gets blocked and more over agricultural inputs facility offered to farmers and administration cost is high.
- ❑ **ENSURING CONTINUOUS SUPPLY**
- ❑ **VARIETY AND QUALITY CONCERNS**
- ❑ **UNCERTAINTY** : Minimizing the uncertainty and cost of the contract
- ❑ **ACCEPTABILITY**: Entering into contract in before sowing stage can create problems in terms of quality and quantity. Acceptability is also less in traditional contract. The benefits included in the contract are more company centric e.g. low contract price.

“Farmers want to reduce their market and price risk but not on the cost of their expected profit margin.”