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Submitted to



**MINISTRY OF COMMERCE, INDUSTRY AND INVESTMENT PROMOTION
SULTANATE OF OMAN**

&



**PUBLIC ESTABLISHMENT FOR INDUSTRIAL ESTATES
SULTANATE OF OMAN**

JUNE 2021

PRE-FEASIBILITY REPORT (DRAFT)

FOR

SETTING UP A

SETTING UP A BREAKFAST CEREAL PROJECT

IN OMAN

CONTENTS

1	INTRODUCTION.....	1
1.1	PROJECT BRIEF	1
1.2	PROJECT RATIONALE	1
2	INDUSTRY ANALYSIS	2
2.1	MACROECONOMIC CONDITIONS.....	2
2.2	TREND IN ECONOMIC DIVERSIFICATION	3
2.3	OVERVIEW OF BAKERY MANUFACTURING SECTOR IN OMAN.....	4
2.4	VALUE-CHAIN OF POULTRY MEAT.....	5
2.5	REGIONAL (GCC) VALUE CHAIN.....	5
2.6	VALUE CHAIN IN OMAN.....	5
2.7	MISSING VALUE CHAIN IN OMAN.....	Error! Bookmark not defined.
3	MARKET ANALYSIS	6
3.1	PRODUCTS & USES.....	6
3.1.1	Hot Cereal	6
3.1.2	Cold Cereal or Ready to Eat (RTE) Cereal.....	6
3.2	INDUSTRY OVERVIEW.....	7
3.2.1	GLOBAL SCENARIO	7
3.2.2	GLOBAL TRADE.....	8
3.2.3	MAJOR GLOBAL PRODUCERS	9
3.2.4	Global Brands	10
3.3	DEMAND & SUPPLY ANALYSIS - OMAN	11
3.3.1	PRODUCTION OF BREAKFAST CEREAL IN OMAN	11
3.3.2	Popular Brands in Oman & Key Distributors.....	Error! Bookmark not defined.
3.3.3	FOREIGN TRADE ANALYSIS.....	11
3.3.4	HS Codes Considered.....	12
3.3.1	Trend in Imports	13
3.3.2	Import Sources.....	15
3.3.3	Demand Segmentation & Future Projections (Domestic)	16
3.4	EXPORT POTENTIAL	19
3.5	COMPETITION ANALYSIS.....	20
3.5.1	Global Brands	20
3.5.2	MARKET SHARE ESTIMATES	22
3.6	MARKETING MIX STRATEGY OF MAJOR PLAYERS	25
3.6.2	Market Segments & Product Positioning	33

3.6.3	Reach.....	34
3.6.4	Key Drivers to Enhance Market Shares	35
3.6.5	Key Market Trends	36
3.7	PROPOSED MARKETING MIX STRATEGY FOR THE PROJECT.....	39
3.7.1	Product	39
3.7.2	Price.....	39
3.7.3	Promotion.....	40
3.7.4	Distribution.....	41
3.7.5	Key Success Factors	41
3.8	ESTIMATED MARKET SHARES.....	42
3.9	POTENTIAL FOR EXPORTS	43
3.10	SUMMARY OF FINDINGS AND CONCLUSION.....	43
4	TECHNICAL ANALYSIS.....	44
4.1	LOCATION.....	44
4.2	PROCESS AND TECHNOLOGY.....	44
4.3	BUILDING & CIVIL WORKS.....	45
4.4	PLANT & MACHINERY	45
4.4.1	ANNUAL PRODUCTION CAPACITY	45
4.5	VEHICLES	46
4.6	FURNITURE.....	46
4.7	RAW MATERIALS AND CONSUMABLES.....	46
4.8	UTILITIES.....	47
4.9	MANPOWER	47
4.10	PROJECT IMPLEMENTATION	47
5	FINANCIAL ANALYSIS.....	48
5.1	COST OF PROJECT.....	48
5.1.1	WORKING CAPITAL	49
5.2	MEANS OF FINANCE	49
5.3	COST OF SALES.....	50
5.4	RAW MATERIALS	50
5.5	UTILITIES.....	51
5.6	SALARIES & WAGES.....	51
5.7	FACTORY OVERHEADS.....	51
5.8	ADMINISTRATIVE EXPENSES.....	51

5.9	SALES EXPENSES	51
5.10	DEPRECIATION.....	52
5.11	LOAN & INTEREST CALCULATION	52
5.12	INCOME TAX	52
5.13	SALES REALIZATION	52
5.14	COST RATIOS	53
5.15	NET PROFIT AND PROFITABILITY ANALYSIS.....	53
5.16	KEY APPRAISAL CRITERIA	54
5.17	SENSITIVITY ANALYSIS	54
6	CONCLUSION.....	55

1 INTRODUCTION

1.1 PROJECT BRIEF

This report relates to a study on the feasibility of setting up a breakfast cereal project in the Sultanate of Oman.

The following is the brief illustration of the project:

Name of Product		Breakfast Cereal Project
Domestic Market Size (as of 2019)		
Export Potential (as of 2019)		
Capacity of the Project		900 tons per annum
Total Investment		RO 736,000
Equity Investment		RO 294,000
Key Appraisal Criteria:		
IRR on total investment		20.5%
IRR on Equity		27.9%
Payback period of Total Investment		5 Years 8 Months
Payback period on equity		5 Years 5 Months
Break Even Point (as % of Capacity)		38.5%
Cash Break Even Point (as % of Capacity)		34.2%
Debt Equity Ratio		1.5:1
DSCR		2.415
Manpower	Total	20
	Nationals	9

1.2 PROJECT RATIONALE

With no local manufacturer of breakfast cereal, the proposed project can tap into this growing market by introducing innovative products and flavors. Currently, most retailers have a wide range of breakfast cereals on the shelf of major international brands such as Kelloggs, Nestle, etc. The proposed project is expected to compete with such international brands and promote products made in Oman.

2 INDUSTRY ANALYSIS

2.1 MACROECONOMIC CONDITIONS

The recently published statistical bulletin from National Centre for Statistics and Information (NCSI) indicates that the GDP at market prices reduced by 15% during Year 2020 when compared to the Year 2019. This is mainly due to the dual impact of slump in oil prices and the COVID - 19 pandemic.

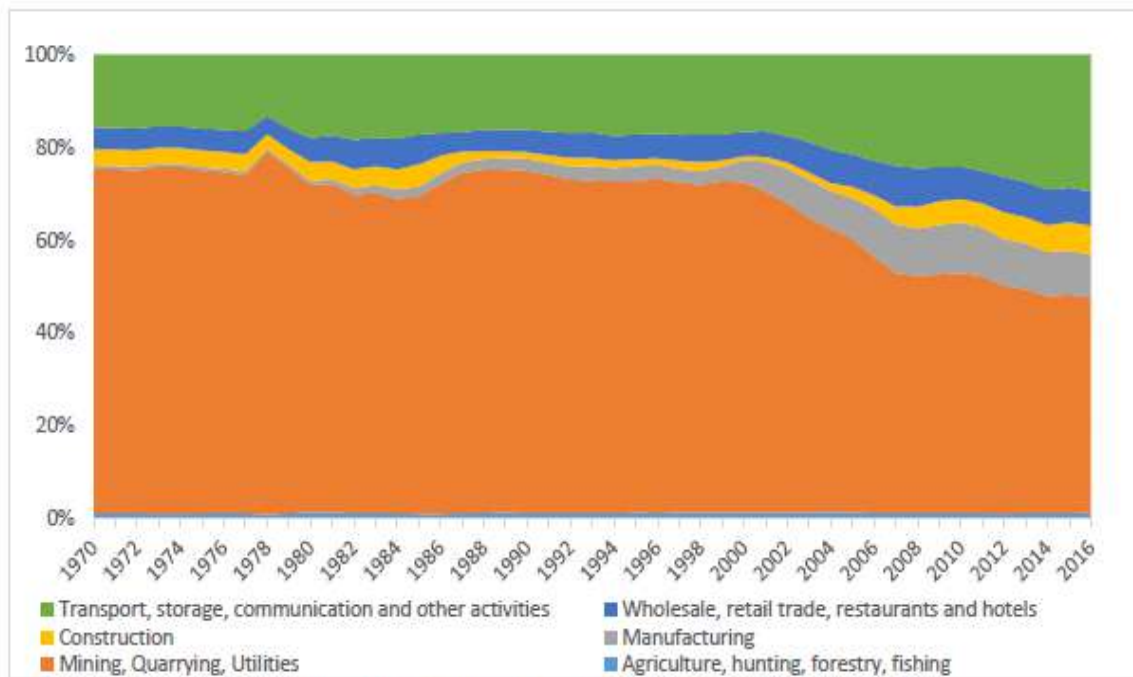
As per the World Bank outlook a revival is expected in 2021 and in 2022 on an average of around 4%. The estimated GDP of Oman considering the past trend, current situation and the expected recovery is illustrated below:



The average price of Oil for 2020 was USD 46/Barrel. We expect this to go up to USD 50/barrel in 2021 and USD 60/barrel in 2022.

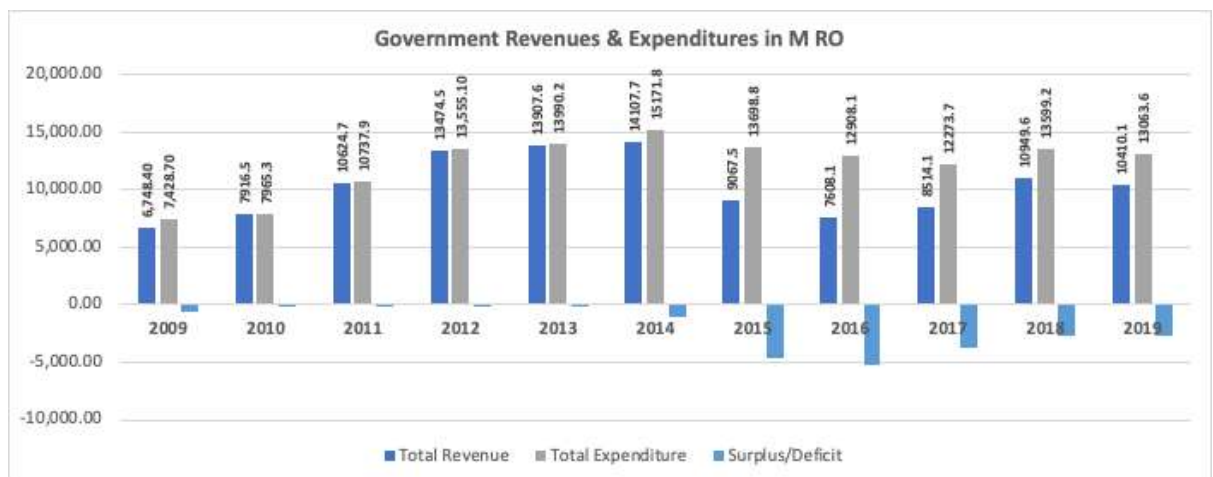
2.2 TREND IN ECONOMIC DIVERSIFICATION

Since the beginning of the millennium our economic activity has significantly moved away from oil as indicated below. The following graph gives data up to 2016. In 2019 Crude Petroleum contributed to 29.11% of GDP.



Source: UNIDO elaboration based on UN Statistics Division (2018)

However the Government income is still substantially dependent on Oil sector. The tightening of spending, introduction of VAT and increased revenues from Gas are expected to contain deficits to manageable levels by 2022.



2.3 OVERVIEW OF BAKERY MANUFACTURING SECTOR IN OMAN

The following table illustrates the overall performance of the Bakery sector in Oman.

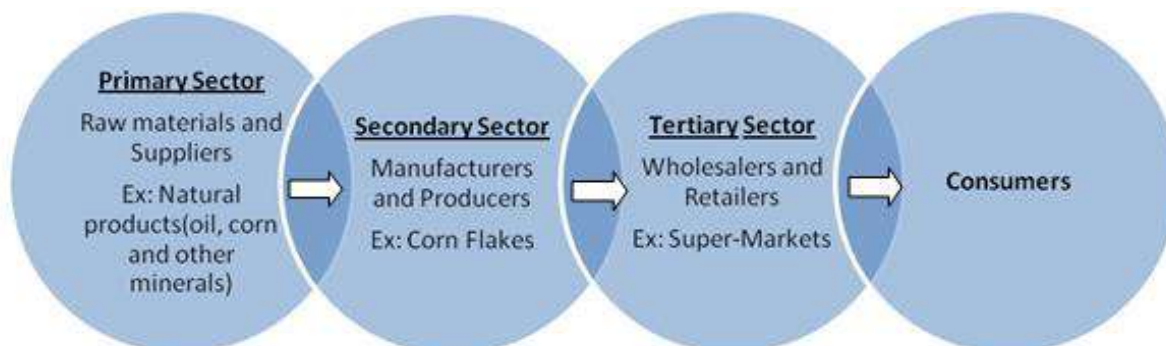
Year	Total Units	Total Employees	Book Value of Fixed Assets (VFA)	Materials	Imported Materials	Output	Value Added (VA)	Labour Efficiency (RO/Employee)	Capital Efficiency (VA/VFA)
	No.	No.	(RO million)				Rial Omani		
2012	33	2,525	25.8	21.5	3.6	39.6	14.1	5,587	0.55
2013	27	2,390	28.7	12.1	4.9	35.5	18.6	7,781	0.65
2014	30	3,183	31.7	28.8	9.1	57.4	24.3	7,635	0.77
2015	30	2,927	34.1	28.6	14.7	64.0	30.4	10,379	0.89
2016	32	3,333	29.8	29.9	8.3	73.6	37.5	11,265	1.26
2017	31	2,948	43.4	27.6	11.0	76.5	41.0	13,897	0.95

Following are the key inferences with respect to the sector performance:

- The increase in the value of fixed assets and output indicate a growth in the sector performance.
- The labour efficiency and the capital efficiency is also improving, indicating change in technology improvements in the sector.

2.4 VALUE-CHAIN OF BREAKFAST CEREAL

The following chart illustrates the overall value chain of Breakfast Cereal:



2.5 REGIONAL (GCC) VALUE CHAIN

The secondary analysis indicates that there are no local manufacturers in GCC for Breakfast cereals. However, there are many importers / traders present in the different countries. There are also many retail and institutional customers for the product.

2.6 VALUE CHAIN IN OMAN

At present, there are no local manufacturers of breakfast cereal in Oman. However, there are traders through whom the raw materials such as corn, wheat flour, etc., can be sourced. There are also various options for distribution through a wide range of wholesalers and retailers to reach the end consumers.

3 MARKET ANALYSIS

3.1 PRODUCTS & USES

Breakfast cereal is a traditional and popular breakfast food made out of processed cereal grains. Most breakfast cereals are made from one grain or a combination of several grains, including wheat, corn, rice, oats, and barley. There are several types of breakfast cereals. Some require brief cooking but most are ready-to-eat cold cereals. Breakfast cereals are usually had with milk or cream. Hot cereals are less popular than cold. Cold cereals are considered ready to eat cereals.

3.1.1 Hot Cereal

Hot cereals are a good source of whole grains, fiber, vitamins and minerals. They are usually classified as porridges and consist of cereal grains soaked in hot water, cooked or boiled to soften them before consumption. Hot breakfast cereals are primarily made of Oats or Wheat. Oatmeal is considered a healthy hot cereal breakfast option and is one of the most popular choices. It is a slow-cooked item and is usually prepared using hot milk, and often even chopped fruits and nuts.

3.1.2 Cold Cereal or Ready to Eat (RTE) Cereal

Ready to eat cereals are cold cereals or also called dry cereals and are not heated before serving. These include corn flakes, bran flakes, muesli and cereal bars. Ready-to-eat cold cereals fall into three main categories: whole grain, enriched, or restored.

Whole grain cereals include the nutrients the grains naturally contain (eg. Corn flakes). Cereals like cornflakes or puffed rice served with milk – can be part of a healthy breakfast but are low in fiber. Other similar low-fiber unsweetened cereals are crisped rice and malted flakes.

Enriched cereals contain grains supplemented with vitamins and minerals above the level found in them naturally (eg. Muesli). Muesli is cold breakfast

cereal dish based on rolled oats and ingredients like grains, nuts, seeds and fresh or dried fruits. This mix may be combined with one or more liquids like milk, almond milk, other plant milks, yogurt, or fruit juice and left for a time to soften the oats before being consumed cold. Dry packaged muesli can be stored for many months and served quickly and easily with yogurt, milk or other liquids.

Cereal bars are enriched cereals and are cold ready to eat cereal that are considered portable and convenient which makes it a go-to breakfast option and snack. A natural cereal bar provides with sustained energy from the carbohydrates, natural sugars and fiber.

Restored cereals contain whole or refined grains plus nutrients that were lost during processing. Restored cereals like Fruit Loops, Frosties, Cocoa Puffs etc. that are high in sugar are most commonly consumed by children.

3.2 INDUSTRY OVERVIEW

3.2.1 GLOBAL SCENARIO

Globally, breakfast cereal brands by Kellogg's and General Mills represent about 60% of the total market share (for cold cereals) and Quaker Oats Co. represents about 60.8% market share (for hot cereals) in recent times. (*Source: IRI – Chicago based market research firm*)

Based on secondary survey, various research agencies have pegged the global market for breakfast cereals at RO 16.4 billion in 2019 which will expand to RO 21.1 billion in 2025 at a CAGR of 4.3%.

Ready to eat (RTE) is the leading product segment accounting for about 70% of the global revenue share. The segment consists of bars, cornflakes, cookies & biscuits, and others.

(in Billion RO)

Global market size	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total	14.5	15.1	15.7	16.4	17.1	17.8	18.6	19.4	20.2	21.1
Cold/RTE	10.1	10.6	11.0	11.5	12.0	12.5	13.0	13.6	14.2	14.8
Hot cereal	4.3	4.5	4.7	4.9	5.1	5.4	5.6	5.8	6.1	6.3

Source: Euromonitor Research Agency

3.2.2 GLOBAL TRADE

The potential export markets for breakfast cereal as per HS Code 1904 (Prepared foods obtained by the swelling or roasting of cereals or cereal products, e.g. corn flakes; cereals (other than maize "corn") in grain form or in the form of flakes or other worked grains (except flour, groats and meal), pre-cooked or otherwise prepared, n.e.s.) and their imports for the last 5 years is illustrated in the following table.

3.2.2.1 Major Global Exporters

Country	2016	2017	2018	2019	2020
	<i>In tons</i>				
Turkey	320,838	303,246	321,856	315,751	325,614
USA	278,445	275,650	263,545	236,035	264,645
Germany	265,341	255,945	238,717	245,306	256,038
United Kingdom	151,723	164,453	186,421	191,255	217,575
Belgium	180,412	195,519	191,383	195,344	175,082
Poland	118,277	128,953	143,334	154,436	170,269
France	150,101	155,634	150,330	147,826	159,531
Spain	103,550	115,880	137,224	127,567	138,657
Canada	112,230	110,390	127,179	134,493	136,915
Netherlands	76,851	77,043	93,462	100,988	99,181
China	105,612	95,016	90,065	94,702	94,481
Thailand	41,638	48,760	49,549	55,836	61,291
Italy	168,829	167,372	134,898	103,902	55,414
South Africa	54,233	54,161	47,971	46,028	45,869
Australia	28,537	32,613	26,530	23,616	44,480
Sub-Total	2,156,617	2,180,635	2,202,464	2,173,085	2,245,042
% of total imports in the world	74%	74%	77%	80%	80%

3.2.2.2 Major Importers

Country	2016	2017	2018	2019	2020
	<i>In tons</i>				
USA	204,185	209,985	240,022	255,865	285,737
Canada	273,740	274,158	262,715	246,837	285,130
Germany	147,059	148,997	154,854	166,365	185,470
France	140,995	151,028	143,275	145,057	150,869
United Kingdom	139,257	135,545	147,476	150,484	148,929
Belgium	102,702	115,162	113,436	126,134	138,647
Netherlands	96,823	94,987	107,707	120,235	117,737
Iraq	95,827	108,728	98,410	82,502	95,429
China	47,415	52,057	51,173	75,069	91,716
Spain	72,444	75,179	84,613	89,322	84,108
Syria	97,212	59,007	70,706	81,577	60,507
Ireland	46,410	45,998	42,918	49,896	49,319
Sweden	42,328	38,424	42,466	43,576	48,189
Chile	22,698	29,530	30,883	41,387	46,742
Philippines	25,473	37,481	35,188	45,319	44,935
Sub-Total	1,554,568	1,576,266	1,625,842	1,719,625	1,833,464
% of total imports in the world	57%	58%	59%	63%	63%

3.2.3 MAJOR GLOBAL PRODUCERS

The most popular brands of breakfast cereals are Kellogg's & Nestle. In Oman, these brands are imported and distributed by Khimji Ramdas (Kellogg's) and Nestle Oman Trading (part of WJ Towell Group, for Nestle). Both these companies are among the top business houses in Oman with a large portfolio of brands and robust logistics facilities. In the hot cereal segment, Quaker, the brand by Pepsico is imported & distributed by the franchise owners in Oman, Oman Refreshment Company SAOG.

3.2.4 Global Brands

Brands / Source Country	Company Profiles
General Mills, USA	General Mills, Inc., is an American multinational manufacturer and marketer of branded consumer foods sold through retail stores. It is headquartered in Golden Valley, Minnesota, a suburb of Minneapolis. Often nicknamed "Big G", the company markets many well-known North American brands, including Gold Medal flour, Annie's Homegrown, Betty Crocker, Yoplait, Colombo, Totino's, Pillsbury, Old El Paso, Häagen-Dazs, Cheerios, Trix, Cocoa Puffs, and Lucky Charms.
Kellogg's, UK	Kellogg's products are manufactured and marketed in over 180 countries. Kellogg's largest factory is at Trafford Park in Trafford, Greater Manchester, United Kingdom, which is also the location of its UK headquarters. Other corporate office locations outside of Battle Creek include Chicago, Dublin (European Headquarters), Shanghai, and Querétaro City. Kellogg's holds a Royal Warrant from Queen Elizabeth II and the Prince of Wales. Kellogg's produces cereal and convenience foods, including crackers and toaster pastries and markets their products by several well known brands including Corn Flakes, Frosted Flakes, Pringles, Eggo, and Cheez-It.
Quaker, USA	The Quaker Oats Company, known as Quaker, is an American food conglomerate based in Chicago. It has been owned by PepsiCo since 2001. Quaker produces a wide range of products from hot cereals to snack bars, rice snacks, cookies, biscuits, etc.
Nestle, Switzerland	Nestlé S.A. is a Swiss multinational food and drink processing conglomerate corporation headquartered in Vevey, Vaud, Switzerland.
Alpen, UK	Alpen is a line of muesli varieties manufactured by the Weetabix cereal company of Kettering, Northamptonshire, England. Weetabix cereals in the UK created Alpen muesli cereal in 1971. Alpen is a whole grain muesli cereal consisting of rolled oats, fruits and nuts.

3.3 DEMAND & SUPPLY ANALYSIS - OMAN

The consumption estimate for Oman has been arrived at, based on the estimate of imports sourced Foreign Trade Statistics published by Royal Oman Police, Department of Customs and also taking into consideration other secondary sources including National Center for Statistical Information (NCSI) data.

Further details are provided in the following sections.

3.3.1 PRODUCTION OF BREAKFAST CEREAL IN OMAN

There is no local manufacturer offering branded products. However, corn flakes are being re-packed by the local players including major supermarkets and food product distributors.

3.3.2 FOREIGN TRADE ANALYSIS

The demand estimates are based on the data collected from the foreign trade statistics by DG of Customs, ROP, Oman and UNCOMTRADE statistics.

3.3.3 HS Codes Considered

HS code	Description	Type assumed	Defined as
19041091	Corn Chips (Corn Flakes) & the like, obtained by the swelling or roasting of cereals or cereal Products	50% of imports considered as Corn flakes and 100% exports is corn chips)	RTE/ Cold cereal
19041099	Prepared foods obtained by the swelling or roasting of cereals or cereal products, excluding those containing cocoa or corn chips, n.e.s	Corn flakes or other cereal flakes – plain	
19042029	Prepared foods obtained from roasted cereal flakes or swelled cereals, not containing cocoa.		
19042021	Prepared foods obtained from roasted cereal flakes or swelled cereals, containing cocoa.		
19041010	Prepared foods obtained by the swelling or roasting of cereals or cereal products, containing cocoa.	Coco pops, Chocapic, Nesquik alphabets, etc.	
19049010	Cereals (other than maize) in grain form or in the form of flakes or other worked grains (except flour & meal), pre-cooked or n.e.s. otherwise prepared, containing cocoa,		
19049090	Cereals (other than maize) in grain form or in the form of flakes or other worked grains (except flour & meal), pre-cooked or cocoa, n.e.s.		
19042011	Prepared Foods Obtained From Unroasted Cereal Flakes Or From Mixtures Of Unroasted Cereal Flakes, Containing Cocoa	Muesli etc	
19042019	Prepared foods obtained from unroasted cereal flakes or from mixtures of unroasted cereal flakes, not containing cocoa		
10049020	White oats (or yellow)	Oatmeal	
11041200	Rolled or flaked grains of oats		
11042200	Oats, worked other than rolled or flaked (for example, hulled, pearled, sliced or kibbled).		

3.3.1 Trend in Imports

3.3.1.1 Quantity Trends

HS Code	2014	2015	2016	2017	2018	Product category	Category Total					CAGR - 2014 to 2018	
	(in tons)						2014	2015	2016	2017	2018		% of total - 2018
19041091*	837	773	775	769	744	Corn flakes or other cereal flakes – plain	1,431	1,291	1,215	1,369	1,314	23%	-2%
19041099	559	490	373	460	539								
19042029	35	28	67	140	31								
19042021	0	11	2	3	1	Cocoa based cereals	1,283	1,663	1,884	1,836	1,852	32%	10%
19041010	609	865	854	1,034	1,338								
19049010	59	238	165	81	104								
19049090	615	549	863	718	409								
19042011	32	36	54	30	44	Mixed cereals (Muesli etc.)	77	121	100	77	132	2%	14%
19042019	45	85	46	47	88								
10049020	237	472	478	218	664	Oat Meal	1,626	2,013	1,638	2,222	2,540	44%	12%
11041200	1,329	1,512	1,106	1,919	1,858								
11042200	60	29	54	85	18								
Total imports	4,417	5,088	4,837	5,504	5,838		4,417	5,088	4,837	5,504	5,838	100%	

*: Please note that only 50% of the total imports under the HS code are considered imports for breakfast cereal. This HS code also includes import of extruded chips.

3.3.1.2 Value Trends

HS Code	Unit	2014	2015	2016	2017	2018	Product category
19041091*	RO	1,301,153	1,179,687	1,082,114	1,117,547	1,114,758	Corn flakes or other cereal flakes – without cocoa
	Kg	836,421	772,905	774,860	768,739	743,840	
	RO/kg	1.556	1.526	1.397	1.454	1.499	
19041099	RO	660,128	652,360	391,013	376,019	532,162	
	Kg	558,897	489,543	372,770	459,748	539,331	
	RO/kg	1.181	1.333	1.049	0.818	0.987	
19042029	RO	33,994	22,576	41,580	50,254	19,950	
	Kg	35,278	28,149	67,299	139,828	31,279	
	RO/kg	0.964	0.802	0.618	0.359	0.638	
19042021	RO	-	10,103	2,841	5,883	851	Cocoa based cereals
	Kg	-	10,904	2,052	2,530	1,274	
	RO/kg	-	0.927	1.385	2.325	0.668	
19041010	RO	909,899	1,330,401	1,182,888	1,566,584	2,022,370	
	Kg	608,800	865,089	854,406	1,033,914	1,338,496	
	RO/kg	1.495	1.538	1.384	1.515	1.511	
19049010	RO	28,059	38,649	61,164	34,338	17,541	
	Kg	58,808	238,296	164,593	80,826	104,315	
	RO/kg	0.477	0.162	0.372	0.425	0.168	
19049090	RO	334,081	229,104	495,616	1,754,836	243,184	
	Kg	615,418	549,121	863,095	718,155	409,535	
	RO/kg	0.543	0.417	0.574	2.444	0.594	
19042011	RO	39,915	89,890	107,194	65,173	98,659	Mixed cereals (Muesli etc.)
	Kg	32,421	36,407	53,627	30,126	43,633	
	RO/kg	1.231	2.469	1.999	2.163	2.261	
19042019	RO	54,017	91,961	53,325	66,649	123,108	
	Kg	44,986	85,062	46,178	46,659	87,809	
	RO/kg	1.201	1.081	1.155	1.428	1.402	
10049020	RO	91,849	120,595	62,786	36,392	235,903	Oat Meal
	Kg	236,941	472,021	477,781	218,301	664,289	
	RO/kg	0.388	0.255	0.131	0.167	0.355	
11041200	RO	842,900	957,998	696,586	1,123,421	1,135,593	
	Kg	1,329,461	1,512,388	1,106,280	1,919,445	1,858,146	
	RO/kg	0.634	0.633	0.630	0.585	0.611	
11042200	RO	20,215	4,818	25,727	116,327	26,373	
	Kg	59,767	28,900	53,683	84,984	18,380	
	RO/kg	0.338	0.167	0.479	1.369	1.435	
Total (RO)		4,316,210	4,728,142	4,202,834	6,313,423	5,570,452	

*: Please note that only 50% of the total imports under the HS code are considered imports for breakfast cereal. This HS code also includes import of extruded chips.

3.3.1.3 Summary of Import Trend

Product	Summary	2014	2015	2016	2017	2018
Corn flakes or other cereal flakes – without cocoa	Total (RO)	1,995,275	1,854,623	1,514,707	1,543,820	1,666,870
	Total (Kg)	1,430,596	1,290,597	1,214,929	1,368,315	1,314,450
	RO/Kg	1.395	1.437	1.247	1.128	1.268
Cocoa based cereals	Total (RO)	1,272,039	1,608,257	1,742,509	3,361,641	2,283,946
	Total (Kg)	1,283,026	1,663,410	1,884,146	1,835,425	1,853,620
	RO/Kg	0.991	0.967	0.925	1.832	1.232
Mixed cereals (Muesli, Health bars, etc.)	Total (RO)	93,932	181,851	160,519	131,822	221,767
	Total (Kg)	77,407	121,469	99,805	76,785	131,442
	RO/Kg	1.213	1.497	1.608	1.717	1.687
Oat Meal	Total (RO)	954,964	1,083,411	785,099	1,276,140	1,397,869
	Total (Kg)	1,626,169	2,013,309	1,637,744	2,222,730	2,540,815
	RO/Kg	0.587	0.538	0.479	0.574	0.550

3.3.2 Import Sources

As illustrated below the major imports in all categories are from UAE. However, with limited manufacturing UAE, most of this is actually re-exports.

HS CODE	Country	2018	% of total
		Tons	%
19041010	Germany	7	1%
	Sri Lanka	100	7%
	UAE	271	20%
	UK	725	54%
	Others	235	18%
Total		1,338	100%
19041091	Germany	50	3%
	UAE	616	41%
	UK	565	38%
	France	127	9%
	Others	129	9%
Total		1,488	100%

HS CODE	Country	2018	% of total
		Tons	%
19041099	India	46	9%
	UAE	320	59%
	UK	74	14%
	Spain	61	11%
	Others	38	7%
Total		539	100%
19042021	UAE	1	100%
19042029	UAE	26	83%
	Others	5	17%
Total		31	100%
19049010	UAE	58	56%
	Singapore	30	29%
	Others	16	15%
Total		104	100%
19049090	UAE	204	50%
	Bangladesh	66	16%
	Sri Lanka	56	14%
	India	40	10%
	Others	43	11%
Total		410	100%
11041200	Malaysia	759	41%
	UAE	1,062	57%
	Others	37	2%
Total		1,858	100%
11042200	UAE	11	61%
	Sri Lanka	7	39%
Total		18	100%
10049020	Sri Lanka	52	8%
	UAE	594	89%
	Others	18	3%
Total		664	100%

3.3.3 Demand Segmentation & Future Projections (Domestic)

- The demand for breakfast cereal is generated from consumption by a section of the high income group population that focuses on convenient / health food options.
- Although, the demand for cold breakfast cereal (without cocoa) is declining (CAGR of -2% in the last 5 years, the industry is positive that the demand is expected to grow owing to changing food habits of working families that prefer healthy / convenient food options.
- Considering conservative projected growth rates, the demand for breakfast cereal is projected to grow to about 7,900 tons in 2025 from current domestic demand of 5,838 tons.
- Discussion with some of the existing dealers / distributors indicate that 25% of the above demand is generated by the institutional segment including Hotels, Restaurants, cafes, Corporation staff kitchens, etc.

The following table illustrates the segmented demand and the demand projections:

Products	CAGR (2014 to 2018)	Demand (tons)	Estimated growth rate	Projected Consumption (tons)						
		2018	(%)	2019	2020	2021	2022	2023	2024	2025
Corn flakes or other cereal flakes – without cocoa	-2%	1,314	2%	1,340	1,367	1,394	1,422	1,451	1,480	1,509
Cocoa based cereals	10%	1,852	5%	1,945	2,042	2,144	2,251	2,364	2,482	2,606
Mixed cereals (Muesli, etc.) (98% of the total of 132 tons)	14%	129	5%	135	142	149	157	165	173	182
Granola, Health bars (2% of the total of 132 tons)		3	5%	3.2	3.3	3.5	3.6	3.8	4	4.2
Sub-Total		3,298		3,423	3,554	3,691	3,834	3,984	4,139	4,301
Demand – Retail sales (75% of the cereals and 100% of Health bars)		2,474		2,568	2,667	2,769	2,876	2,989	3,105	3,227
Demand for cereals and health bar- Institutional segment including Hotels, Restaurants etc. (25% of the cereals)		824		855	888	922	958	995	1,034	1,074
Oatmeal/White oats	12%	2,540	5%	2,667	2,800	2,940	3,087	3,242	3,404	3,574
Demand – Retail sales (75% of the above)		1,905		2,000	2,100	2,205	2,315	2,432	2,553	2,681
Demand for cereals and health bar- Institutional segment including Hotels, Restaurants etc. (25% of the above)		635		667	700	735	772	811	851	894

3.4 EXPORT POTENTIAL

Apart from the GCC, the target exports market for breakfast cereal manufactured in Oman could be Ethiopia, Kenya, Yemen, Thailand and Philippines. As seen in section 3.2.2, Major Global Importers, these countries are also one of the major importers of breakfast cereals in the world.

Considering the growth trends, a conservative growth rate of 2% to 5% is considered and the projected demand in these countries (target markets) is illustrated in the table below;

Country	Estimated Imports in 2018	CAGR (2014 to 2018)	Estimated growth rate	2019	2020	2021	2022	2023	2024	2025
	(tons)	(%)	(%)	Projected growth (in tons)						
Ethiopia	18,736	49%	5%	19,673	20,656	21,689	22,774	23,912	25,108	26,363
Yemen	17,956	81%	5%	18,854	19,796	20,786	21,826	22,917	24,063	25,266
Kenya	26,896	15%	5%	28,241	29,653	31,135	32,692	34,327	36,043	37,845
Saudi Arabia	30,263	3%	3%	31,171	32,106	33,069	34,061	35,083	36,136	37,220
UAE	27,509	3%	3%	28,334	29,184	30,060	30,962	31,890	32,847	33,833
Bahrain	2,273	2%	2%	2,318	2,365	2,412	2,460	2,510	2,560	2,611
Qatar	6,015	19%	5%	6,316	6,632	6,963	7,311	7,677	8,061	8,464
Kuwait	6,013	-1%	2%	6,133	6,256	6,381	6,509	6,639	6,772	6,907
Total	135,661			141,040	146,648	152,495	158,595	164,955	171,590	178,509

3.5 COMPETITION ANALYSIS

The most popular brands of breakfast cereals are Kellogg’s & Nestle. In Oman, these brands are imported and distributed by Khimji Ramdas (Kellogg’s) and Nestle Oman Trading (part of WJ Towell Group, for Nestle). Both these companies are among the top business houses in Oman with a large portfolio of brands and robust logistics facilities. In the hot cereal segment, Quaker, the brand by Pepsico is imported & distributed by the franchise owners in Oman, Oman Refreshment Company SAOG.

3.5.1 Global Brands

Brands	Source country	Company Profiles
General Mills	USA	General Mills, Inc., is an American multinational manufacturer and marketer of branded consumer foods sold through retail stores. It is headquartered in Golden Valley, Minnesota, a suburb of Minneapolis. Often nicknamed "Big G", the company markets many well-known North American brands, including Gold Medal flour, Annie's Homegrown, Betty Crocker, Yoplait, Colombo, Totino's, Pillsbury, Old El Paso, Häagen-Dazs, Cheerios, Trix, Cocoa Puffs, and Lucky Charms. Khimji Ramdas
Kellogg’s	UK	Kellogg's products are manufactured and marketed in over 180 countries. Kellogg's largest factory is at Trafford Park in Trafford, Greater Manchester, United Kingdom, which is also the location of its UK headquarters. Other corporate office locations outside of Battle Creek include Chicago, Dublin (European Headquarters), Shanghai, and Querétaro City. Kellogg's holds a Royal Warrant

		<p>from Queen Elizabeth II and the Prince of Wales.</p> <p>Kellogg's produces cereal and convenience foods, including crackers and toaster pastries and markets their products by several well known brands including Corn Flakes, Frosted Flakes, Pringles, Eggo, and Cheez-It.</p>
Quaker	USA/UAE	<p>The Quaker Oats Company, known as Quaker, is an American food conglomerate based in Chicago. It has been owned by PepsiCo since 2001.</p> <p>Quaker produces a a wide range of products from hot cereals to snack bars, rice snacks, cookies, biscuits, etc.</p>
Nestle	Switzerland	<p>Nestlé S.A. is a Swiss multinational food and drink processing conglomerate corporation headquartered in Vevey, Vaud, Switzerland.</p>
Alpen	UK	<p>Alpen is a line of muesli varieties manufactured by the Weetabix cereal company of Kettering, Northamptonshire, England. Weetabix cereals in the UK created Alpen muesli cereal in 1971. Alpen is a whole grain muesli cereal consisting of rolled oats, fruits and nuts.</p>

3.5.2 MARKET SHARE ESTIMATES

3.5.2.1 Market Share (Retail)

There are few points to note when considering market share of brands:

- In Oman, the consumption is mostly limited to high income Omani population and expatriate population (select nationals) and floating population (tourists).
- Hence each region in Oman sees different brands on shelves of the retail outlet. (eg. Brand like Sultan is mostly available in small to mid-size stores (other than Lulu).
- Spar, Nesto, Lulu and Carrefour promote brands imported and packaged by them.

An indicative market share of brands, based on primary survey in major stores across Muscat, Sohar, Nizwa, Suwaiq and Sur is presented below:

Product	Detail	Quaker	Captain Oats	Lulu	Al Alali	Safa	Other (Berry Hills, Whites, Gardenia,	Total
Whole grain Cereal : Oatmeal	Market share	35%	30%	10%	10%	10%	5%	1,905
	Quantity	667	572	191	191	191	95	

Product	Detail	Kellogg's	Nestle	Sultan	Poppins	Oho!	Alpen	Familia	Jordans	Nature Valley	Other (incl. Tammy, Post, Weetabix, etc.)	Other (CRF, Boka, Piti Piti, Oho, etc.)	Total (Tons)
Whole grain : Corn & other cereal flakes (without cocoa)	Market share (%)	45%	32%	12%	3%						8%		986
	Quantity (Tons)	443	315	118	30						79		
Restored Cereal : Cocoa based breakfast cereal	Market share (%)	40%	45%		5%	5%					5%		1,389
	Quantity (Tons)	556	625		69	69					69		
Enriched Cereal : Muesli	Market share (%)	15%	10%				50%	10%	5%		10%		97
	Quantity (Tons)	15	10				49	10	5		10		
Health bars - Enriched	Market share (%)	10%	60%							15%		15%	3
	Quantity (Tons)	0.3	1.6							0.4		0.4	
Total		1,014	952	118	99	69	49	10	5	0	158	0.4	2,474

Source: Primary & Secondary survey by ABC (2019 August)

3.5.2.2 Market Share (Institutional Segment)

While the market share of brands in the retail market is estimated in the section above, the market share of brands in the institutional segment is illustrated below.

Following are the findings of the primary survey among key importers (including catering companies) in Oman.

- The major consumers of the product (breakfast cereal) are
 - Hotels & Restaurants (guests and staff),
 - Catering services that supply to employee accommodation facilities (mainly Oil & Gas companies),
 - Canteens in University, Colleges and Schools, etc.

These institutes buy breakfast cereal in bulk from catering companies in Oman. The purchase is usually from a single supplier for a limited period of time (tender process) at a fixed rate.

The estimated market share of the brands in this segment is;

Type of Cereal	Category	Product	Brands	Estimated market share of brands
Cold Cereal	Whole grain cereals	Corn & other cereal flakes (without cocoa)	Kellogg's	30%
			Happynick	30%
			Nestle	30%
			Other (incl. Sultan, Poppins)	10%
			Total	100%
Hot Cereal	Whole grain cereals	Oatmeal	Captain Oats	50%
			Safa	30%
			Al Alali	10%
			Other (Quaker, Gardenia, etc)	10%
			Total	100%

Type of Cereal	Category	Product	Brands	Estimated market share of brands
Cold Cereal	Restored cereals	Cocoa based breakfast cereal	Kellogg's	35%
			Nestle	50%
			Oho!	5%
			Poppins	5%
			Others	5%
			Total	100%
	Enriched cereals	Muesli	Alpen	60%
			Familia	20%
			Kellogg's	10%
			Nestle	5%
			Others	5%
			Total	100%

Source: Primary & Secondary survey by ABC (2019 August)

3.6 MARKETING MIX STRATEGY OF MAJOR PLAYERS

3.6.1.1 Product

As indicated in the [product and uses section](#), the breakfast cereal market is divided into hot cereals (mainly oatmeal) and cold cereal/ready to eat cereal (including corn flakes, other cereal mixes, muesli, health bars, etc.). Most players are attempting to improve cereal quality, enhancing taste factor, and facilitating an increase in the nutritional content of their products. Manufacturers are also focusing on bringing forth innovative flavors to their products, in order to appear more lucrative to their customers.

Product reformulation, portion sizing, and consumer messaging are among the key areas of focus of the leading players. They are engaged in introducing innovative, fruit flavored, and fiber-rich products, which contain reduced fat and oil content.

a) *Product variety*

The following table provides an overview of the product variety in terms of composition:

BASE USED	VARIETY
Corn	Corn flakes
	Chocolate corn flakes
	Frosted corn flakes
	Chocolate corn balls
	Honey corn balls
Wholegrain	Rice & whole wheat flakes
	Rice & whole wheat flakes with chocolate
	Rice & whole wheat flakes with fruits & nuts
Fiber	Wheat bran
	Bran flakes with fruit & nuts
Wheat	Chocolate wheat shells
Muesli	Plain/Crunchy
	With chocolate
	With nuts
	With fruits and nuts
	Organic
Health bars	Classic/Plain
	Chocolate cereal
	Chocolate Oats
	Chocolate Oats & Raisins
	Caramel cereal
	Hazelnut/Almonds
Granola bars	Chocolate, Coconut, etc.

b) *Shelf Life*

The shelf life of all major products (breakfast cereal) is 12 months and above for Oats, Cereal bars and other products.

c) *Flavors*

Chocolate, Honey, Almond & Nut, Frosted Sugar, Cashew and Ginger are among the new flavors in the category.

The popular variations and the share of products (in terms of availability on shelves) is presented in the table below:

Type of cereal		Plain	Cocoa/ Chocolate	Honey	Sugar coated/ Flavors	Fruits /Nuts (dried)
Cold Cereal/ RTE	Corn flakes	✓	✓	✓	✓	✓
	Segment mix	70%	5%	10%	10%	5%
	Bran flakes	✓	✓	✓		✓
	Segment mix	80%	10%	5%		5%
	Rice Flakes	✓			✓	
	Segment mix	90%			10%	
	Whole grain/Multigrain	✓	✓			
	Segment mix	90%	10%			
	Muesli & other mixes	✓	✓			✓
	Segment mix	60%	20%			20%
	Health bars		✓			✓
	Segment mix		80%			20%
Hot Cereal	Oatmeal/ Oats	✓	✓			
	Segment mix	97%	3%			
	Instant oatmeal	✓				✓
	Segment mix	10%				90%

Source: Primary survey by ABC (2019 August)

d) Pack Size

Type of cereal		Single serve (35g to 150g)	375g	500g	1kg	1.5kg
Cold Cereal/RTE	Corn flakes	✓	✓	✓	✓	✓
	Segment mix	10%	50%	25%	10%	5%
	Bran flakes		✓	✓		
	Segment mix		80%	20%		
	Rice Flakes	✓	✓	✓		
	Segment mix	30%	70%			
	Whole grain / Multigrain	✓	✓	✓		
	Segment mix	10%	60%	30%		
	Cereal with cocoa	✓	✓	✓	✓	
	Segment mix	20%	50%	25%	5%	
	Muesli & other mixes		✓	✓		□
	Segment mix		80%	20%		
	Health bars	✓				
	Segment mix	100%				
Hot Cereal	Oatmeal/ Oats		✓	✓	✓	
	Segment mix		40%	55%	5%	
	Instant oatmeal	✓				
	Segment mix	100%				

Source: Primary survey by ABC (2019 August)

e) Packaging

The breakfast cereals category is increasingly shifting to smaller pack formats. The share of thin wall plastic containers, the typical pack type for cereal/porridge pots within overall breakfast cereals, is rising rapidly globally.

In Oman, the trend is catching up and likely to grow gradually in the next 3 to 5 years. The trend is quite niche and is primarily limited to Muscat city.

Overall the current trend is seen as illustrated in the table below:

Type of cereal		Carton box	Plastic bag/pouch	Thin wall plastic container	Plastic wraps	Tins
Cold Cereal/RTE	Corn flakes	✓	✓			
	Segment mix	90%	10%			
	Bran flakes	✓				
	Segment mix	100%				
	Rice flakes	✓				
	Segment mix	100%				
	Whole grain /Multigrain	✓				
	Segment mix	100%				
	Cereal with cocoa	✓				
	Segment mix	100%				
	Muesli & other mixes	✓	✓			
	Segment mix	90%	10%			
	Health bars				✓	
	Segment mix				100%	
Hot Cereal	Oatmeal/ Oats		✓			✓
	Segment mix		10%			90%
	Instant oatmeal			✓		
	Segment Mix			100%		

Source: Primary survey by ABC (2019 August)

3.6.1.2 Pricing

The following tables provide an overview of the retail pricing of various products at popular retail outlets in Oman.

Corn Flakes	Retail Price in RO / Pack				
	35g	375g	500g	1kg	1.5 kg
Kellogg's	0.300	1.100	1.550	1.800	2.200
Nestle	0.250	1.000	1.385	1.700	2.000
Poppins		0.950	1.280		
Oho!		0.950	1.300		
Sultan		0.790	0.900		
Temmy's		0.950	1.300		
Lulu		1.000	1.400		

Cocoa based Cereal	Retail Price in RO / Pack			
	35g	375g	500g	1kg
Kellogg's	0.300	1.700	1.900	2.300
Nestle	0.300	1.750	1.800	2.200
Poppins	0.250	1.200	1.600	1.800
Oho!	0.250	1.250	1.500	1.800
Temmy's	0.250	1.250	1.500	1.800
Post		1.400	1.800	

Muesli	Retail Price in RO / Pack		
	375g	600g	1000g
Lulu	1.300		1.990
Alpen	1.400	1.800	2.000
Familia	1.400	1.800	
Dorset cereals	1.500	1.100	
Jordans	1.500	1.600	2.200
Kellogg's	1.400		

Regular Oatmeal packed in Tins	Retail Price in RO / Pack		
	400g	500g	750g
Lulu		0.450	

Regular Oatmeal packed in Tins	Retail Price in RO / Pack		
	400g	500g	750g
Quaker		0.800	
Berry Hills		0.690	
Captain Oats		0.525	
White's			1.300
Al Alali	0.600		
Gardenia			0.460
Safa	0.520		
Organic Oats (average pricing)		1.200	1.700
Fitness Oats	1.600	1.800	2.000

Health Bars	Retail Price in RO / pack	
	25g	35g
Nature Valley		
Kellogg's (Chocos)		0.242
Nestle (Nesquik)		0.280
Jordans		0.235
Boka		0.400
CRF	0.110	
Oho!	0.150	
Piti Piti (Muesli)	0.400	

3.6.1.3 Trade Margins

The primary survey with key retailers and importers indicate that the retailer's margin is about 10% to 15% and the distributor's margin is about 15%, across products, and depending on the credit period.

3.6.1.4 Promotion

- Global
 - Advertisements on television
 - Strong branding and brand alliance strategy (movie themes, athletes, cartoons, etc)
 - Also, Breakfast cereal packaging is often covered in brand characters Targeting kids by collaborating with popular cartoon characters, etc.
 - Selling product as a ‘healthy meal’, ‘meal for kids’ and targeting niche consumer for every product.
 - Targeting kids with games on the box, toys in the box, etc.

- Oman
 - Extensive display on shelves (effective merchandising)
 - Price discounts
 - Combo offers
 - The popular brands of breakfast cereal promote their products in front of their target customers in a manner that delivers more focused and effective marketing messages. The table below illustrates the brands as seen on the shelves in retail outlets.

Type of cereal		No sugar	Organic	Gluten free	Healthy / no colors	Keto breakfast	Fat free	Fiber rich/ use of whole	Protein / low calorie
Cold Cereal/RTE	Corn flakes		✓	✓	✓		✓		
	Bran flakes	✓	✓		✓				
	Rice flakes								
	Whole grain	✓	✓		✓			✓	
	Cereal with cocoa								
	Muesli & other mixes		✓	✓	✓	✓	✓	✓	
	Health bars	✓	✓	✓	✓			✓	✓
Hot Cereal	Oatmeal/ Oats		✓	✓	✓				
	Instant oatmeal				✓			✓	✓

3.6.1.5 Distribution

- Supermarkets and convenience stores are the major distribution channels.
- Retailers like Lulu, Carrefour, Nesto, Spar are also importers of breakfast cereal and sell the product in their outlets across Oman. The product is either packaged in Oman or is packed by the manufacturer for the importer using the customer's (in Oman) brand.
- Other importers distribute either directly using own fleet & sales team or through third party logistics companies in Oman.
- The distributors reach all major outlets across Oman.

3.6.2 Market Segments & Product Positioning

Over the years, the major brands have focused on commercial effectiveness, selecting the most valuable segments for their product and then developing a marketing mix and product positioning strategy for each segment.

The following table illustrates the target segments for major products available on shelf in Oman:

Parent Brand	Type of breakfast cereal	Brands	Children	Adult (general)	Healthy food consumer	Women (healthy)	Organic consumer	Working /executive
Kellogg's	Corn & other cereal flakes	Corn flakes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
		Bran flakes		<input type="checkbox"/>	<input type="checkbox"/>			
		Rice Krispies	<input type="checkbox"/>	<input type="checkbox"/>				
		Special K				<input type="checkbox"/>		
		Frosties	<input type="checkbox"/>					
	Cocoa based	Coco pops	<input type="checkbox"/>					
		Chocos	<input type="checkbox"/>					
		Unicorn Fruitloops	<input type="checkbox"/>					
	Muesli	Crunchy Muesli	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
	Health Bars	Coco pops						
Rice Krispies								
Nestle	Corn	Corn flakes		<input type="checkbox"/>	<input type="checkbox"/>			

	flakes	Gold Corn flakes		<input type="checkbox"/>				
	Cocoa based	Nesquik		<input type="checkbox"/>		<input type="checkbox"/>		
		Chocapic		<input type="checkbox"/>				
		Cheerios		<input type="checkbox"/>				
	Health Bars	Fitness Bars		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
		Nesquik Bars		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
Chocopic Bars			<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	
Sultan	Corn Flakes	Corn Flakes		<input type="checkbox"/>				
Jordans	Whole grain	Country Crisp		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
	Mix grain	Super Berry Granola		<input type="checkbox"/>	<input type="checkbox"/>			
Familia	Whole grain	Crunchy		<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
		Bio					<input type="checkbox"/>	
	Muesli	Truly Fruity Muesli		<input type="checkbox"/>				
Alpen	Muesli	The Original		<input type="checkbox"/>	<input type="checkbox"/>			
		No Sugar			<input type="checkbox"/>			
Oho!	Cocoa based	Happy Rings	<input type="checkbox"/>					
		Morning School	<input type="checkbox"/>					
	Health Bars	Health Bars	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>			
Poppins	Corn flakes	Corn flakes						
	Cocoa based	Choco Bits	<input type="checkbox"/>					
		Choco Bumps	<input type="checkbox"/>					
		Choco Pops	<input type="checkbox"/>					
Post	Cocoa based	Oreo O's	<input type="checkbox"/>					
		Cocoa Pebbles	<input type="checkbox"/>					
		Fruity Pebbles	<input type="checkbox"/>					
Captain Oats	Hot cereal	White Oats		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	
Quaker	Hot cereal	Instant Oatmeal		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	
	Hot cereal	White Oats		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	
Bob's Red Mill	Hot cereal	Instant Oatmeal		<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	
Nature Valley	Cold/RTE	Health Bars	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	
Carrefour			<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>		

Source: Primary survey by ABC (2019 August)

3.6.3 Reach

Breakfast cereal is extensively available in all major stores across Oman. Both hot cereal (oatmeal/white oats) and cold cereals are available on the shelves of mid to large size retail outlets.

In the interiors (Sur, Nizwa, Suwaiq, Sohar, etc.), brands like Kellogg's, Nestle, Sultan, Poppins, Spar, etc. are available in outlets/hypermarkets or supermarkets like Lulu, Carrefour, Spar, Smile, Nesto, Karama, Al Maya, etc and also in smaller retail stores, although the pack size is mostly limited to single serves (30g to 100g), 375g and 500g.

The fast moving breakfast cereal in the interiors (based on display on shelf) is mainly oatmeal/white oats, corn flakes plain and cocoa based cereals.

3.6.4 Key Drivers to Enhance Market Shares

- A surge in awareness regarding consumption of highly nutritious breakfast foods is primarily driving growth in the Oman breakfast cereals market. Although, western population in the country is the highest consumer of the product in Oman.
- With growth in retail segment (new malls with bigger retail stores), the options are many and the product is displayed widely in shelves attracting fitness consumers as well as kids and adults alike.
- Lastly, cereals play a vital role in most breakfast types consumed all over the globe. Thus, an inherently high demand for these foods itself acts as a prolonged growth driving factor for the market.
- In the institutional segment, the key criteria's of the buyers are:
 - Quality product (good taste, crunchy cereal, sturdy packaging, ease of storage)
 - Shelf life of minimum 6 months (expiry date)
 - Timely delivery
 - Consistency in availability/quantity (tender purchase)

- Competitive pricing
- Terms of payment (credit facility & payment period)

3.6.5 Key Market Trends

Global Trends

- Globally ready to eat (RTE) is the leading product segment accounting for over 68.0% of the total revenue share. The segment consists of bars, cornflakes, cookies & biscuits, and others. Rising demand for on-the-go meal options is driving the consumption breakfast cereal bars as well as biscuits. Moreover, increasing awareness regarding easy, fast and inexpensive meal options offered by RTE cereal category is boosting the overall market.
- Hot cereals are expected to register fast growth during the next 5 years. Rising adoption of nutritious meal options in breakfast is spurring the demand for multi-grain cereals including grains, seeds, and beans. Vast benefits of including these organic and whole grain based cereals in the diet are further escalating the demand for hot cereals. Moreover, incorporation of exotic flavors into the product variants, resulting in innovative tastes, is anticipated to rev up the demand, especially among kids.
- In May 2017, Kellogg's Company reduced to sugar content in Rice Krispies and Frosties bars by 19%, ranging from 40 grams to 32.5 grams. The company also incorporated vitamin D into its snack bars to raise the nutritional value of the product.
- The popularity of "Super" ingredients, often called "super foods," "super fruits," or "super grains" has increased significantly in breakfast cereal launches, as consumer look for more natural and wholesome ingredients. Quinoa, Chia Seed, Amaranth Seed, Goji Berry and Hemp

Seed are the main superfoods players in cereals launches, with Chia and Quinoa seeing the strongest growth.

- The World Health Organization published a report in 2014 stating that sugar is the biggest threat to obesity. As people become more concerned about their health, they are likely to switch away from these products and consider healthier, less sugar-heavy options. In order to overcome this, cereal manufacturers are considering reducing the sugar content of their products and including naturally occurring sugars from fruit as opposed to refined sugar.

In Oman,

- Of the total breakfast cereal consumption in Oman the demand for Hot-Cereal is about 45%. This is about 15% higher than the global consumption for the category.
- The market is also observing upswing in adoption of cereal bars and super food cereal.
- Instant meal (oatmeal) as single serve is now available on the shelves, although the inclination to consume is low (despite a high consumption % of oatmeal in Oman). This could be due to price (RO 1 for 100g) or way of consumption (not RTE, requires hot water and hence taking more time & 'not a quick fix').
- Corn flakes & Cocoa based cereals are the most popular cold breakfast cereal in Oman in the RTE category. The product is widely consumed in different flavors and used as topping in milk shakes in juice centers.
- The market for muesli & other cereal mix (whole grain, granola, etc.) is also gaining in Oman with majority of the retail outlets displaying and selling these items in the form of flakes, bars and biscuits.

- Demand for super food cereal (like fiber rich cereal, gluten free cereal, organic cereal, etc.) is gaining popularity in the capital region. Attractive packaging, effective advertising strategies, and improved taste are among key factors fueling the demand for Super food cereal.

3.7 PROPOSED MARKETING MIX STRATEGY FOR THE PROJECT

3.7.1 Product

The following table illustrates the consultant's suggestions of the product profile that can be offered by the project.

Product	SKU/ Packaging
Plain Corn Flakes	1 Kg
	750 gms
	500 gms
	375 gms
Coco Flakes/ Coco Pops	500 gms
	375 gms

The proposed project shall be competing with reputed and stalwart brands like Kellogg's and Nestle hence it is critical that the quality of the products offered by the client is at par with the competition.

3.7.2 Price

3.7.2.1 Strategy Overview

The products from the proposed project shall be competing with known & widely accepted brands like Kellogg's, Nestle, Jordans, Alpen, Poppins, etc. Also big retailers in Oman like Lulu sell breakfast cereal packaged for them by suppliers/manufactures (label manufacturing).

Considering the level of competition, a competitive pricing strategy is suggested. The following table illustrates the details of the proposed "competitive pricing strategy".

3.7.2.2 Pricing - Corn Flakes - Plain

SKU	Kelloggs	Nestle	Target Retail price	Retailer margin	distributor Margin	Estimated PTT	Estimated PTT/ kg
375 gms	1.100	0.920	0.865	20%	15%	0.562	1.498
500 gms	1.350		0.898	20%	15%	0.584	1.167
750 gms	2.020		1.188	20%	15%	0.772	1.029
1 kg	2.695	2.405	1.739	20%	15%	1.130	1.130

3.7.2.3 Pricing - Cocoa Based Cereal

SKU	Kelloggs	Poppins	Target Retail price	Retailer margin	distributor Margin	Estimated PTT	Estimated PTT/ kg
375 gms	1.655	1.315	1.249	20%	15%	0.812	2.165
500 gms	2.446		2.324	20%	15%	1.510	3.021

3.7.3 Promotion

The project shall compete head-on with giant brands like Kellogg's and Nestle. These brands are not only well reputed but preferred brands by consumers.

To compete with such brands the project shall have to employ both ATL and BTL promotional techniques. The proposed project can focus on 2 segments;

- Child and Student Oriented cereals (school & higher education)
- Fitness or Health oriented cereals (this can cover both genders and all nationalities)

The project is advised to employ an experienced and dedicated marketing team to get a healthy market share. Few suggestions for promotion are;

- Gaining distribution through large retail stores
- Targeting airlines, oil and gas companies, and educational institutes
- Package the product keeping in mind the target segment (with fitness tips, interactive games, etc.)
- Promoting the product as 'local or Omani' product

- Target developed interior markets (Nizwa, Sohar, Sur, Salalah)
- Free sampling
- Bundle offers, Price discounts during holidays, festivals, etc.
- Promotion through print and social media

3.7.4 Distribution

Distribution is one of the key factors that will determine the success of the products that is competing with Kellogg's or Nestle.

The primary survey pointed that breakfast cereal products were available in all regions of Oman. It was seen that other than the known brands, brand that are manufactured and popular in Arab countries (Tammy - Egypt, Poppins - Lebanon, etc.) are merchandised or available in the retail stores in the interiors.

Also, brands imported and promoted by retailers like Lulu, Spar, Nesto are promoted extensively in their supermarkets.

The proposed project can also look to target various local distributors such as Lulu, Sultan, etc. for private labeling.

3.7.5 Key Success Factors

- Offer quality product (taste, crispiness, packaging, value addition)
- Introduce new products:
 - Protein or fiber based breakfast cereal that provides sustained energy and keep consumers fuller longer.
 - 'Super food' cereal including seeds, nuts, ancient grains, green veggies, and super-fruits like berries.
 - Today, the consumers are checking the nutrition label for protein, sugar, fiber, as well as vitamins and minerals. The project should consider incorporating trending foods and adding functional

ingredients that can meet specific health and wellness needs of consumers – such as improved focus, sleep, digestion, or energy.

- Competitive pricing
- Credit facility
- Effective Promotions & marketing strategies
- Strong Distribution channels

3.8 ESTIMATED MARKET SHARES

With an effective marketing mix, the proposed project shall be able to realize a market share of up to 12% for Corn flakes (without Cocoa) and 10% for Cocoa based cereal over a three year timeframe.

The proposed project can focus on getting a bigger share (about 25%) of the institutional segment, through competitive pricing and a lower market share in the retail segment where the consumers are more brand conscious. However, the following table illustrates the overall market share for the project.

The following table illustrates the estimations of market shares and the projected sales quantity for the various products.

Products	Projected Demand (in tons)						
	1	2	3	4	5	6	7
Corn flakes - without cocoa	1,394	1,422	1,451	1,480	1,509	1,540	1,570
Estimated market share	8%	10%	12%	12%	12%	12%	12%
Estimated sales	112	142	174	178	181	185	188
Cocoa based cereals	2,144	2,251	2,364	2,482	2,606	2,736	2,873
Estimated market share	6.5%	8%	10%	10%	10%	10%	10%
Estimated sales	139	180	236	248	261	274	287

3.9 POTENTIAL FOR EXPORTS

The potential demand (for exports) in the select target markets based on their imports is illustrated below. To estimate the possible potential to successfully enter these markets we will need more details / information in terms of the structure of the competition and the consumer preference.

Country	Estimated Imports in 2018	CAGR (2014 to 2018)	Estimated growth rate	2019	2020	2021	2022	2023
	(tons)	(%)	(%)	Projected growth (in tons)				
Ethiopia	18,736	49%	5%	19,673	20,656	21,689	22,774	23,912
Yemen	17,956	81%	5%	18,854	19,796	20,786	21,826	22,917
Kenya	26,896	15%	5%	28,241	29,653	31,135	32,692	34,327
Saudi Arabia	30,263	3%	3%	31,171	32,106	33,069	34,061	35,083
UAE	27,509	3%	3%	28,334	29,184	30,060	30,962	31,890
Bahrain	2,273	2%	2%	2,318	2,365	2,412	2,460	2,510
Qatar	6,015	19%	5%	6,316	6,632	6,963	7,311	7,677
Kuwait	6,013	-1%	2%	6,133	6,256	6,381	6,509	6,639
Total	135,661			141,040	146,648	152,495	158,595	164,955

(Imports & projected growth in imports of complete breakfast cereals (including corn flakes, chocolate flakes, oatmeal, etc.)

3.10 SUMMARY OF FINDINGS AND CONCLUSION

Having conducted a detailed research of the domestic market, the proposed project can focus on exports markets after having established a strong domestic market.

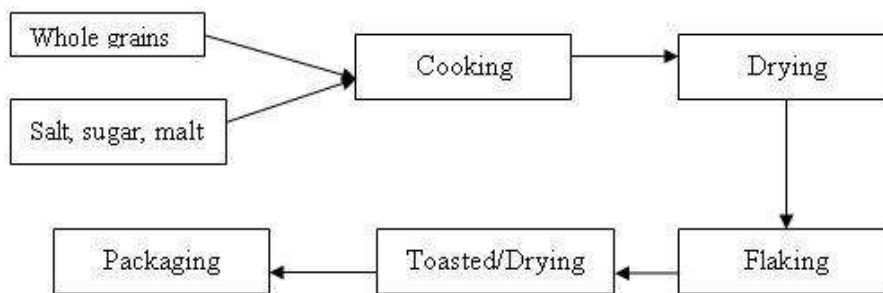
4 TECHNICAL ANALYSIS

4.1 LOCATION

The plant is proposed to be located in an area of 3,000 Sq m. The land is to be acquired on lease. The project is proposed to be located in Sohar Industrial City.

4.2 PROCESS AND TECHNOLOGY

Breakfast cereals can be categorized into traditional (hot) cereals that require further cooking or heating before consumption and ready-to-eat (cold) cereals that can be consumed from the box or with the addition of milk.



The major steps in the production of traditional oat cereal include grain receiving, cleaning, mixing, cooking, drying, hulling, flaking, drying and packing. Please note that the actual processes may vary considerably between plants, even those manufacturing the same type of cereal.

4.3 BUILDING & CIVIL WORKS

The area and type of built up spaces required are detailed in the following table. Details are in Annexure- 1.1

S.No.	Item	Area
		(SqM)
A	MAIN PLANT BUILDINGS	
1	Production Area	1,000
3	Storage of raw material	150
4	Storage of Finished products	300
5	Packing Area	50
	Sub Total	1,500
B	ADMINISTRATIVE BUILDING	
1	Office Building	100
2	Other Facilities area	50
	Sub Total	150
C	NON FACTORY BUILDING	
1	Electricity room & pump room	50
	Sub Total	50
D	OTHER CIVIL WORKS	
1	Compound wall & gate	219
2	Water Tanks & Storage tanks	
3	Other miscellaneous works	
	Sub Total	
	TOTAL	1,700

4.4 PLANT & MACHINERY

The Plant & Machinery include the machinery for breakfast cereal. Machinery for the project will be acquired from the reputed Machinery Suppliers. The total cost of plant and machinery including electrification and installation comes to RO 99,000. Details are given in Annexure -1.3.

4.4.1 ANNUAL PRODUCTION CAPACITY

The installed capacity of the proposed plant for breakfast cereal is 900 tons per annum (plain and coated corn flakes). The capacity is estimated based on 1 shift (10 hours) for 300 working days with 300 kgs per hour.

The estimated capacity utilization is as given below:

Product	1	2	3	4	5	6	7
	Qty in Tons						
Corn flakes - without cocoa	112	142	174	178	181	185	188
Cocoa based cereals	139	180	236	248	261	274	287
Total Production	251	322	411	426	442	458	476
Plant Capacity	900	900	900	900	900	900	900
Capacity Utilization	28%	36%	46%	47%	49%	51%	53%

4.5 VEHICLES

A total of 6 vehicles are provided in the project at an estimated cost of RO 66,000. Details are provided in Annexure 1.3.

Vehicle	Nos.
Car - saloon	3
Pickup	1
15 Ton truck	1
Fork Lift Trucks	1

4.6 FURNITURE

The furniture and equipment for office, maintenance, production facilities and accommodation for the employees are provided in the estimate. Ten numbers of portable cabins are also included in the estimated cost.

The total estimated cost of furniture, furnishing and equipment along with the portable cabins is RO 29,000. The details and the break-up of the estimates are given in Annexure - 1.4.

4.7 RAW MATERIALS AND CONSUMABLES

The grains most commonly used for breakfast cereal shall be corn, wheat, oats, rice, and barley. Most breakfast cereals shall contain other ingredients, such as salt, yeast, sweeteners, flavoring agents, coloring agents, vitamins, minerals, and preservatives.

The sweeteners used in breakfast cereals include malt (obtained from barley), white sugar, brown sugar, and corn syrup. Some natural cereals are sweetened with concentrated fruit juice. A wide variety of flavors may be

added to breakfast cereals, including chocolate, cinnamon and other spices, and fruit flavors. Other ingredients added to improve flavor include nuts, dried fruit, and marshmallows.

Vitamins and minerals are often added to breakfast cereals to replace those lost during cooking. The most important of these is vitamin B-i, 90 % of which is destroyed by heat. The antioxidants BHA and BHT are the preservatives most often added to breakfast cereals to prevent them from becoming stale and rancid.

The requirement of raw material for each product and summary of raw materials are presented as Annexure 2.1.

4.8 UTILITIES

The utilities required are: -

UTILITIES	Unit	Qty
Water	CuM	15,000
Electricity	KWH	933,662
Fuel	Litres	15,000

4.9 MANPOWER

The total manpower deployment for the envisaged level of operation is 20 of which 9 are Omanis. The rate of Omanization is 45%. The annual wages and salaries work out to be R.O. 172,848. The details are given in annexure 2.3.

4.10 PROJECT IMPLEMENTATION

The critical activities include civil construction, acquisition and the erection of the plant and machinery. Construction of building will take about 6 months. Placing of orders for machinery to be planned in such a way that the machinery arrives at the site as soon as the building is completed. The Company can start production after 18 months from the start of preliminary activity.

5 FINANCIAL ANALYSIS

5.1 COST OF PROJECT

The total cost of the project is estimated at RO 736,000. Details are given in Annexure - 1. The break-up is given below:

PROJECT COST	TOTAL COST (RO)	REMARKS	REFERENCE
Land & Site Development	17,000	The total extent of land of 3,000 M ² is proposed to be taken on lease rental @ RO 1/- per Square meter per annum.	Annexure 1.1
Building & Civil works	301,000		Annexure- 1.2
Plant & Machinery	99,000	Based on machinery quote from China	Annexure- 1.3
Vehicles and Internal Transport	66,000		Annexure- 1.4
Furniture & Office Equipment	29,000		Annexure- 1.5
Pre- Operative Expenses	76,000	Includes expenses for feasibility study, interest during project implementation, salaries and wages of project staff, travel and communication, legal fees, audit fees and other miscellaneous expenses.	Annexure- 1.6
Contingency & Escalation	12,000	A provision of 5 % of the estimated cost of items including building, plant & machinery, vehicles, technical know-how fee etc., is provided in the Project cost towards price escalation and any unforeseen expenses.	Annexure- 1.7
Sub Total	602,000		
Working Capital	136,000		
TOTAL CAPITAL	736,000		

5.1.1 WORKING CAPITAL

The following assumptions are made in the computation of working capital.

Particulars	Period
Accounts Receivable	3 Months
Raw Materials	3 month
Utilities	1 Month
Wages	1 Month
Administration Expenses	1 Month
Sales Expenses	1 Month
Work in Progress	2 Days
Finished Goods	10 Days
Finance Cost	1 Month

The working capital requirements for the first 4 years are given below. The working capital requirement in the first year comes to RO 136,000. Details are given in Annexure 1.8.

Particulars	Year 1	Year 2	Year 3	Year 4
Working Capital Requirement (RO '000)	136	166	193	197

5.2 MEANS OF FINANCE

It is proposed to finance the Project as indicated in the following table.

Details	Total Cost (In RO)
Equity Capital	294,000
Commercial loan	360,000
Working capital Loan	82,000
TOTAL CAPITAL	736,000

It is proposed that the project cost of RO 736,000 will be financed by equity to the tune of RO 294,000 , Commercial Term Loan of RO 360,000 and commercial borrowings for working capital at RO 82,000. Details are given in Annexure- 1.

5.3 COST OF SALES

The estimated cost of sale for first ten years of operation is given in Annexure-2 and those of first five years are summarized below:

	Year of Operation	1	2	3	4	5
	Capacity Utilization	28%	36%	46%	47%	49%
	Particulars	In RO '000				
1	Raw Material Costs					
i	Plain Corn Flakes	10	12	15	15	15
ii	Coco based Flakes	36	47	62	65	68
	Total	46	59	76	80	83
2	Packing Material Cost	62	79	103	108	112
3	Utilities	12	16	20	20	21
4	Factory Wages	71	100	111	115	118
5	PRIME COST	191	254	310	323	335
6	Factory Overheads	7	13	15	15	15
7	Misc. Factory Exp.	4	5	7	7	7
8	FACTORY COST	202	272	332	344	357
9	Rent for Land	3	3	3	3	3
10	Admin. Salaries	69	72	74	76	78
11	Admin. Expenses	15	16	16	16	17
13	Sales Salaries	32	33	34	35	36
14	Sales Expenses	6	6	6	6	7
15	Advt & Promotion	8	16	21	22	22
16	Distribution Cost	10	13	17	18	19
18	OPERATING COST	345	430	503	521	539
19	Finance cost					
20	Int on Institutional finance	43	43	42	35	29
21	Int on working capital	5	5	5	5	5
22	Total finance cost	48	48	47	40	34
23	Non cash expenses					
24	Depreciation	47	47	47	47	47
25	Prelim Expenses written off	76	0	0	0	0
26	COST OF SALE	517	525	596	608	621

5.4 RAW MATERIALS

The cost of raw materials for plain corn flakes such as Corn, sugar, milk powder, milk powder, salt, etc. works out to RO 279/ton and for coco pops such as wheat flour, cocoa powder etc. works out to RO 851/ton. Please refer Annexure 2.1 for details.

5.5 UTILITIES

The annual utilities cost for the proposed project works out to RO 43,295 at 100% capacity utilization. The basis of estimate and the break up are given in Annexure-2.2.

5.6 SALARIES & WAGES

The cost of salaries and wages in the normal year of operation is RO 172,848. An increase of 3% is given in every following year. Details are given in Annexure 2.3

5.7 FACTORY OVERHEADS

The annual expenses include repairs and maintenance, civil repairs, cost of spares, insurance and vehicle expense and the same is estimated at RO 7,090 for the first year, RO 12,675 for the second year and RO 15,170 for the third year. Details given in Annexure- 2.4.

5.8 ADMINISTRATIVE EXPENSES

The basis of estimates of administrative expenses inclusive of salaries & wages is given in Annexure 2.5. Administrative expenses excluding salaries and wages works out to RO 84,500 for the first year.

5.9 SALES EXPENSES

Total sales expenses, excluding salaries, are estimated at RO 5,500. Details given in Annexure- 2.6

It may be noted that in addition to this an allocation of a percentage of the sales revenue is provided for sales promotion and distribution expenses.

5.10 DEPRECIATION

Depreciation works out to RO 47,250 each for first ten years. In addition, a preliminary expense amount of RO 76,000 is written off in the first year of operation. Depreciation calculation is given in annexure- 2.7. The following are the rates considered for the calculation of depreciation.

Assets	Life (years)	% of depreciation
Buildings	25	4
Plant & Machinery	10	10
Vehicles and Internal	4	25
Furniture & Office Equipment	5	20

5.11 LOAN & INTEREST CALCULATION

Interest rate for the term loan and commercial loan from bank for working capital is taken at 6%. Details of interest calculations are given in Annexure- 2.8.

5.12 INCOME TAX

No income tax is provided as the new units are exempted from tax for the first five years. Tax at 15% of the net profit is provided from year 6.

5.13 SALES REALIZATION

The annual sales realization at installed capacity is given as Annexure 3.1. The annual sales realization for the first five years of operation at installed capacity is provided below.

Year	Year 1	Year 2	Year 3	Year 4	Year 5
Sales - RO '000	411	529	687	717	750

5.14 COST RATIOS

The major cost indicators as a percentage of sales realization are given in Annexure- 8

Years of Operation		1	2	3	4	5
1	Total RM / Total Sales	11%	11%	11%	11%	11%
2	Packing Material	15%	15%	15%	15%	15%
3	Utilities / Total Sales	3%	3%	3%	3%	3%
4	Factory wages / Total Sales	17%	19%	16%	16%	16%
5	Prime Cost / Total Sales	47%	48%	45%	45%	45%
6	Factory exp. / Total Sales	3%	3%	3%	3%	3%
7	Factory Cost / Total Sales	49%	51%	48%	48%	48%
8	Administrative exp. / Total Sales	21%	17%	13%	13%	13%
9	Selling exp. / Total Sales	14%	13%	11%	11%	11%
10	Finance Cost / Total Sales	12%	9%	7%	6%	5%
11	Non-Cash exp. / Total Sales	30%	9%	7%	7%	6%
12	Total Cost / Sales	126%	99%	87%	85%	83%

5.15 NET PROFIT AND PROFITABILITY ANALYSIS

As per the financial projection in Annexure – 3, the venture is financially viable.

The summary of the analysis is given under:

Year of Operation		1	2	3	4	5
No	Item	In R.O.'000				
1	Operating Cost	345	430	503	521	539
2	Expected Sales					
a	<i>Corn Flakes</i>	73	93	114	116	119
b	<i>Coca Based</i>	338	436	573	601	631
	Sub Total	411	529	687	717	750
3	Profit before Int & dep	65	99	184	197	210
4	Depreciation	47	47	47	47	47
5	Finance Cost	48	48	47	40	34
6	Operating profit	-30	4	90	109	129
7	Prelim Expenses written off	76	-	-	-	-

8	Profit/Loss before tax	-106	4	90	109	129
9	Income Tax	0	0	0	0	0
10	Profit after tax	-106	4	90	109	129
11	Net cash accruals	17	51	138	157	176

5.16 KEY APPRAISAL CRITERIA

The viability of the project based on major appraisal criteria is given below.

Detail	Value
IRR on Total Investment	20.5%
IRR on Equity	27.9%
Payback period of Total Investment	5 years 8 Months
Payback period on Equity	5 years 5 months
Break Even Point at % of plant capacity	38.5%
Cash Break Even Point at % of plant capacity	34.2%
DSCR	2.415

5.17 SENSITIVITY ANALYSIS

A sensitivity analysis has been carried out to determine the susceptibility of the project. The results are in the following table.

Particulars	Original	Volume Down by 10%	RM Cost up by 10%	Sales Realization Down by 10%
IRR on Investment (%)	20.5	17.4	20.1	17.0
IRR on equity (%)	27.9	27.1	31.6	26.3

6 CONCLUSION

The IRR on Total Investment of 20.5% and an IRR on Equity investment of 27.9% viewed along with the other relevant financial indicators show that the project is technically feasible and financially viable.

ANNEXURE- 1					
BREAKFAST CEREAL PROJECT					
ESTIMATED PROJECT COST					
S.No.	Item	Refer	Amount		Remarks
		App.	(RO)		
A1	PROJECT COST				
1	Land for Plant Site	1.1	17,000		Estimates
2	Building etc.	1.2	301,000		Estimates
3	Plant & Machinery	1.3	99,000		Estimates
4	Vehicles and Int. Transport	1.4	66,000		Estimates
5	Furniture & Office Equip.	1.5	29,000		Estimates
6	Pre- Operative Expenses	1.6	76,000		Estimates
7	Contingency & Escalation	1.7	12,000		Estimates
	Sub Total		600,000	600,000	
A2	WORKING CAPITAL	1.8	135,887	136,000	
A3	TOTAL			736,000	
B	MODE OF FINANCE				
1	Equity			294,000	40%
2	Term Loan from Commercial bank			360,000	
3	Sub Total			654,000	
3	Working Capital Loan			82,000	60%
	TOTAL			736,000	

ANNEXURE- 1.1						
BREAKFAST CEREAL PROJECT						
ESTIMATED COST OF LAND & SITE DEVELOPMENT						
S.No.	Item	Unit	Q'ty	Rate (R.O.)	Amount (R.O.)	Remarks
A	LAND					
1	Land for Plant	Sq. M	3,000	0	-	Lease Land
B	SITE DEVELOPMENT					
1	Soil Testing				3,000	Lumpsum
2	Levelling	Sq. M	2,100	1.000	2,100	Lumpsum
3	Sewerage/Drainage				2,500	Lumpsum
4	Provision for Roads& Parking		420	10	4,200	
5	Provision for Electric line				2,500	Lumpsum
6	Provision for Water line				2,500	Lumpsum
	Sub Total				16,800	
C	TOTAL				16,800	
	Say				17,000	Sum (B1 to B5)

ANNEXURE- 1.2					
BREAKFAST CEREAL PROJECT					
ESTIMATED COST OF BUILDING & CIVIL WORKS					
S.No.	Item	Area	Rate	Amount	Remarks
		(SqM)	(RO)	(RO)	
A	MAIN PLANT BUILDINGS				
1	Production Area	1000	165	165,000	
3	Storage of raw material	150	165	24,750	
4	Storage of Finished products	300	165	49,500	
5	Packing Area	50	165	8,250	
	Sub Total	1,500		247,500	
B	ADMINISTRATIVE BUILDING				
1	Office Building	100	140	14,000	
2	Other Facilities area	50	140	7,000	
	Sub Total	150		21,000	
C	NON FACTORY BUILDING				
1	Electricity room & pump room	50	140	7,000	
	Sub Total	50		7,000	
D	OTHER CIVIL WORKS				
1	Compound wall & gate	219	40	8,764	
2	Water Tanks & Storage tanks			5,000	
3	Other miscellaneous works			3,000	
	Sub Total			16,764	
	TOTAL	1,700		292,264	
E	ENGINEERING FEES				
1	Design			4,384	At 1.5% on built up area cost
2	Supervision			4,384	At 1.5% on built up area cost
	Sub Total			8,768	
F	TOTAL	1,700		301,031	
	Say			301,000	

ANNEXURE- 1.3					
BREAKFAST CEREAL PROJECT					
ESTIMATED COST OF PLANT & MACHINERY					
S.No.	Item		Rte/unit	Amount	Remarks
		Units	USD	(R.O.)	
				0.385	
A	Auomatic Cornflakes Processing Line (300-350 kg/hr)				
1	BFJ II Mixer				
2	Screw Conveyor				
3	Double Sreq Extruder				
4	FSJ I Air Conveyor				
5	Roller Drier				
6	Air Conveyor				
7	Flaking Machine				
8	Air Conveyor				
9	Layer Drier				
10	Elevator (Hoister)				
11	Vibration Machine				
12	High Temperature oven				
13	Elevator				
14	Sugar melting machine				
15	Sugar spraying machine				
16	Sugar coating roller				
17	Five layers Dryer with elevator & cooler				
	Sub Total		125,000	48,125	
B	Bag Packing machine	1	25,000		
C	Nitrogen Making machine	1	3,000		
D	Air Compressor	1	1,000		
E	Air Tank	1	500		
F	Carton Box Packing machine	1	32,000		
G	Cereal Mixing Machine	1	2,500		
	Sub Total		64,000	24,640	
H	Total Imported Machinery	0	211,828	72,765	
I	Laboratory Equipment			5,000	
J	Workshop machinery & other items			3,000	
	Sub Total			8,000	
K	AT SITE COST				
1	Total Plant - Import			72,765	
2	Spares -Import				Free
3	Packing, Insurance, Forwarding & Freight - Import			1,455	2% of at site cost
4	CIF Cost			74,220	
5	Clearing & Transport to site			728	@ 1% of At Site Plant cost
6	Local Machinery			8,000	
7	At Site Cost			82,948	
L	ERECTED COST				
1	At Site Cost			82,948	
2	Cost of Electrification			4,147	
3	Cost of Erection			4,147	
4	Flight Ticket/ Accommodation Food etc			8,000	
	TOTAL			99,243	
	Total Cost			99,000	

ANNEXURE- 1.4					
BREAKFAST CEREAL PROJECT					
ESTIMATED COST OF VEHICLES & INTERNAL TRANSPORT					
S.No.	Item	Q'ty	Rate	Amount	Remarks
		(Nos.)		(R.O.)	
A	VEHICLES				
1	Car - saloon	3	8,500	25,500	For General Manager, Plant Manager and Sales Manager
2	Pickup	1	10,000	10,000	For Sales
	Sub Total	4		35,500	
B	TRANSP. EQUIPMENT				
1	15 Ton truck	1	20,000	20,000	
2	Fork Lift Trucks	1	5,000	5,000	3T
3	Registration, Painting, Spares etc			5,550	10% of the above
	Sub Total	2		30,550	
	TOTAL	6		66,050	
	Say			66,000	

ANNEXURE- 1.5					
BREAKFAST CEREAL PROJECT					
ESTIMATED COST OF FURNITURE & OFFICE EQUIPMENT					
S.No.	Item	Q'ty	Rate	Amount	Remarks
		Nos.	(R.O.)	(R.O.)	
A	OFFICE				
1	P.C with Printer	5	350	1,750	Lumpsum
2	Photocopier	1		350	Lumpsum
3	Fax, Telephone	Set		500	Lumpsum
4	Air Conditioners	8	300	2,400	Lumpsum
5	Office Furnitures			5,000	Lumpsum
	Sub Total			10,000	
B	ACCOMODATION				
1	Furniture / Fittings	Set		3,600	Lumpsum
C	FACTORY				
1	Factory Furniture	Set		15,000	Lumpsum
D	TOTAL			28,600	
				29,000	

ANNEXURE- 1.6				
BREAKFAST CEREAL PROJECT				
ESTIMATED COST OF PRE-OPERATIVE EXPENSES				
S.No	Item	(R.O.)	Amount (R.O.)	Remarks
1	Preliminary Expenses		5,000	Upto formation of Co.
2	Feasibility Studies		7,000	
3	Project Management Exp		3,400	2.5% of the project cost
4	Company Employees			
a	Salary & benefits -General Manager	3,600		3 Months
b	Salary & benefits - Quality Supervisor	2,700		3 Months
c	Salary & benefits - Production Staff	2,480		1 month
d	Salary & benefits - Admin. Staff	5,400		2 Months
e	Salary & benefits -Sales. Staff	4,100		2 Months
f	Visa, Passage etc.			For Expatriates at R.O. 450/
	Senior Level Staff	2,500		
	Middle Level Staff	5,500		
	Junior level staff	4,500		
	Sub Total		30,780	
5	Financing Cost			
a	Institutional Loan Interest	10,800		At 6% for 6 months
b	Mortgage Expenses	1,800		At 0.5% on Institu: Loan
c	Other Bank Charges	1,000		Lumpsum
	Sub Total		13,600	
6	Communication		1,800	lumpsum
7	Travel		3,000	Lumpsum
8	Recruitment Charges		2,200	Lumpsum
9	Audit Fees, Legal Fees		1,500	Lumpsum
10	Insurance		1,600	At 0.4 % of Plant & Bldg.
11	Start Up Expenses		3,000	Estimate
12	Product Launching, Advt. etc.		1,000	Provision
13	Miscellaneous		2,000	lump sum
14	Total		75,880	
	Say..		76,000	

ANNEXURE- 1.7					
BREAKFAST CEREAL PROJECT					
ESTIMATES OF CONTINGENCY AND ESCALATION					
S.No.	Item	Cost (R.O.)	Rate (%)	Provision (R.O.)	Remarks
A	FIXED ASSETS				
1	Land for Plant Site	17,000	0.0	-	
2	Building etc.	301,000	5.0	7,525	
3	Plant & Machinery	99,000	5.0	2,475	
4	Vehicles and Int. Transport	66,000	5.0	1,650	
5	Furniture & Office Equip.	29,000	5.0	725	
6	Pre- Operative Expenses	76,000	5.0	-	
	TOTAL			12,375	
	TOTAL (Rounded off)			12,000	

ANNEXURE- 1.8								
BREAKFAST CEREAL PROJECT								
ESTIMATES OF WORKING CAPITAL REQUIREMENTS								
S.No.	Item	Req.		Year 1	Year 2	Year 3	Year 4	Remarks
					<i>In RO '000</i>			
1	Acct. Receivable	3	Month	82	100	114	117	Cost of sales - Non C Ex.
2	Raw Materials	3	Month	11	15	19	20	
3	Consumables &Packing	2	Month	10	13	17	18	
4	Utilities	1	Month	1	1	2	2	
5	Factory Wages	1	Month	6	8	9	10	
6	Admn. Expenses	1	Month	7	7	7	8	
7	Sales Expenses	1	Month	4	5	5	5	
8	Work in Progress	2	Day	1	1	2	2	At Factory Cost
9	Finished Goods	10	Days	9	11	13	13	At total Cost-Non cash-Selling and Distrbn
10	Finance Cost	1	Month	4.0	4.0	3.9	3.4	At Finance Cost
	Total			136	166	193	197	
11	Payables							
a	Raw Materials	0	Months	0	0	0	0	
b	Consumables &Packi	0	Months	0	0	0	0	
	Total			0	0	0	0	
	Working Capital Requirement			136	166	193	197	
	Year wise addition				30	27	5	

ANNEXURE- 2

BREAKFAST CEREAL PROJECT

COST OF SALE

	Year of Operation	1	2	3	4	5	6	7	8	9	10	Remarks
	Capacity Utilization	28%	36%	46%	47%	49%	51%	53%	53%	53%	53%	
1	Raw Material Cost	Figures in '000										
i	Plain Corn Flakes	10	12	15	15	15	16	16	16	16	16	
ii	Coco based Flakes	36	47	62	65	68	71	75	75	75	75	
	Total	46	59	76	80	83	87	91	91	91	91	Ref. Annexure 2.1
2	Packing Material Cost	62	79	103	108	112	118	123	123	123	123	15% on sales
3	Utilities	12	16	20	20	21	22	23	23	23	23	Ref. Annexure 2.2
4	Factory Wages	71	100	111	115	118	122	125	129	133	137	Ref Annexure 2.3
5	PRIME COST	191	254	310	323	335	348	362	366	370	374	Sub total of 1 to 5
6	Factory Overheads	7	13	15	15	15	15	15	15	15	15	
7	Misc. Factory Exp.	4	5	7	7	7	7	8	8	8	8	At 2% of (6)&(7)
8	FACTORY COST	202	272	332	344	357	371	385	388	392	396	Sub total of 6 to 8
9	Rent for Land	3	3	3	3	3	3	3	3	3	3	RO 1/sq m per annum 15% increase from Y5
10	Admin. Salaries	69	72	74	76	78	80	83	85	88	91	Ref Annexure 2.3
11	Admin. Expenses	15	16	16	16	17	17	18	19	19	20	Ref Annexure 2.5
13	Sales Salaries	32	33	34	35	36	37	38	39	41	42	Ref Annexure 2.3
14	Sales Expenses	6	6	6	6	7	7	7	8	8	9	Ref Annexure 2.6
15	Advt & Promotion	8	16	21	22	22	24	25	25	25	25	3% on sales
16	Distribution Cost	10	13	17	18	19	20	20	20	20	20	2.5% on sales
18	OPERATING COST	345	430	503	521	539	559	580	588	597	606	Sum(9)+(13)+(18)
19	Finance cost											
20	Int on Institutional finance	43	43	42	35	29	23	17	11	5	0	Ref Annexure 2.8
21	Int on working capital	5	5	5	5	5	5	5	5	5	5	Ref Annexure 2.8
22	Total finance cost	48	48	47	40	34	28	22	16	10	5	Sum(21)+(22)
23	Non cash expenses											
24	Depreciation	47	47	47	47	47	47	47	47	47	47	Ref Annexure 2.7
25	Prelim Expenses written off	76	0	0	0	0	0	0	0	0	0	Ref Annexure 2.7
26	COST OF SALE	517	525	596	608	621	635	649	651	653	658	Sum 19+23+24+25

ANNEXURE- 2.1						
BREAKFAST CEREAL PROJECT						
ESTIMATED COST OF RAW MATERIALS						
S.No.	Product & Raw Material	Composition	Qty	Rate		Cost per
A	Breakfast Cereals	%	Kg.	RO/ton	RO/kg	1 KG
I	Corn Flakes		1			RO
1	Corn (maize) Flakes (milled)	87%	0.870	200	0.200	0.174
2	Sugar	5%	0.050	200	0.200	0.010
3	Milk Powder	5%	0.050	1,400	1.400	0.070
4	Salt	1%	0.010	39	0.039	0.000
5	Barley Malt extract	1%	0.010	400	0.400	0.004
6	Vitamins	1%	0.005	2,200	2.200	0.011
7	Minerals	1%	0.005	2,000	2.000	0.010
	Sub Total	100.0%	1	6,438		0.279
II	Coca Based					
1	Wheat Flour	45%	0.450	270	0.270	0.122
2	Cocoa powder	27%	0.270	2,300	2.300	0.621
3	Sugar	18%	0.180	200	0.200	0.036
4	Salt	1%	0.006	39	0.039	0.000
5	Barley Malt extract	1%	0.010	300	0.300	0.003
6	Glucose syrup	4%	0.044	400	0.400	0.018
7	Veg Fat	2%	0.020	400	0.400	0.008
8	Vitamins	1%	0.010	2,200	2.200	0.022
9	Minerals	1%	0.010	2,200	2.200	0.022
	Sub Total	100.0%	1			0.851

ANNEXURE- 2.2					
BREAKFAST CEREAL PROJECT					
ESTIMATED COST OF UTILITIES					
S.No.	Item	Unit	Qty	Rate (RO)	Amount (RO)
	UTILITIES				
1	Water	CuM	15,000	0.778	11,670
2	Electricity	KWH	933,662	0.030	28,010
3	Fuel	Litres	15,000	0.241	3,615
	TOTAL				43,295

ANNEXURE- 2.3						
BREAKFAST CEREAL PROJECT						
ESTIMATES OF ANNUAL SALARIES AND WAGES						
S.No.	Item	No of personnel		Salary		Annual
		Omani	Expatriate	(RO/month)		RO
A	PRODUCTION & PACKING					
1	Plant Manager	1		1200		14,400
2	Production/ Quality Supervisor		1		900	10,800
3	SeniorTechnicians		2		500	12,000
4	Skilled Labour	1	1	400	230	7,560
5	Unskilled Labour	1	3	325	175	10,200
	Sub Total	3	7			54,960
	Benefits				30%	16,488
	Total Production Staff	3	7			71,448
B	ADMIN & ACCOUNTS					
1	General Manager	1		1,750		21,000
2	Chief Accountant		1		750	9,000
3	Assistants (Admin/Acs)		1		450	5,400
4	Store Keeper		1		300	3,600
5	Security	1		450		5,400
6	Office Boy		1		150	1,800
7	PRO	1		600		7,200
	Total Salary	3	4			53,400
	Other Benefits				30%	16,020
	Total Cost	3	4			69,420
C	SALES					
1	Sales Manager	1		1000		12,000
2	Sales Executives	1		650		7,800
3	Drivers	1		400		4,800
	Total Salary					24,600
	Other Benefits				30%	7,380
	Total Cost	3	0			31,980
D	GRAND TOTAL	9	11	-	-	172,848
	Omanisation		45%			

ANNEXURE- 2.4					
BREAKFAST CEREAL PROJECT					
ESTIMATES OF ANNUAL FACTORY EXPENSES					
S.No.	Item	Year	Year	Year	Remarks
		1	2	3	
1	Repairs & Maintenance	495	990	1485	At 0.5 %, 1 % and 1.5% of erected cost of Plant and Machinery for year 1, 2 and 3 respectively
2	Civil Repairs	-	1,505	3,010	At 0 %, 0.5% and 1% of cost of Building and Civil Works for year 1, 2 and 3 respectively
3	Spare Parts	495	1,980	2,475	At 0.5%, 2.0% and 2.5% of 'at-site' cost plant & machinery
4	Insurance	4,000	4,000	4,000	At 1 % of cost Building, Plant and Machinery
5	Vehicle Exp				
i	Fork Lift	1,200	2,400	2,400	RO 100 per month
	TOTAL	7,090	12,675	15,170	

ANNEXURE- 2.5				
BREAKFAST CEREAL PROJECT				
ESTIMATES OF ANNUAL ADMINISTRATIVE EXPENSES				
S.No.	Item	(R.O.)	Amount (R.O.)	Remarks
	ADMINISTRATION			
1	Salaries & Benefits		69,420	
2	Rents and Rates			provided in COS
3	Vehicle Expenses & Petrol			
<i>a</i>	Cars	2880		At R.O. 80/Month/ vehicle
	Sub Total		2,880	
4	Telephone, Fax etc.		2,400	At R.O. 200/Month
5	Legal, Audit Fees		1,500	Lumpsum
6	Utilities outside Plant		1,800	@ RO 150 per month
7	Registration & Renewals		1,500	Lumpsum
8	Insurance		3,000	Lumpsum
9	Other Expenses		2,000	
	Total		84,500	

ANNEXURE- 2.6				
BREAKFAST CEREAL PROJECT				
ESTIMATES OF ANNUAL SALES EXPENSES				
S.No.	Item		Amount	Remarks
		(RO)	(RO)	
	SALES EXPENSES			
1	Salaries		31,980	See Annexure 2.3
2	Vehicle Expenses & Petrol	3000	3,000	RO 100 & 150month/vehicle
3	Miscellaneous Expenses		2,500	Lump sum
	Total		37,480	

ANNEXURE- 2.7**BREAKFAST CEREAL PROJECT****DEPRECIATION CALCULATIONS**

	Item	Cost	Rate	S.V.	Amount	Renewals
			(%)	(R.O.)	(R.O.)	
A	FIXED ASSETS					
1	Land for Plant Site	17,000	0	0	0	Nil
2	Building etc.	301,000	5	150,500	15,050	Nil
3	Plant & Machinery	99,000	10	0	9,900	Year 11
4	Vehicles and Int. Transp.	66,000	25	33,000	16,500	Years 5, 9
5	Furniture & Office Equip.	29,000	20	0	5,800	Years 6, 11
6	Contingency & Escalation		10	0	0	Nil
	Sub Total	512,000		183,500	47,250	

ANNEXURE- 2.8											
BREAKFAST CEREAL PROJECT											
LOAN & INTEREST CALCULATIONS											
No	Year	BankLoan			WC LOAN		TERM LOAN			Annual	
		Prn	Int	Rep	Prn	Int	Prn	Int	Rep	Int	Rep
	7		6%			6%		6%			
1	1	0	0.0	0	82	2.5	360	21.6	0		
2		0	0.0	0	82	2.5	360	21.6	0	48.1	0
3	2	0	0.0	0	82	2.5	360	21.6	0		
4		0	0.0	0	82	2.5	360	21.6	0	48.1	0
5	3	0	0.0	0	82	2.5	360	21.6	26		
6		0	0.0	0	82	2.5	334	20.1	26	46.6	51
7	4	0	0.0	0	82	2.5	309	18.5	26		
8		0	0.0	0	82	2.5	283	17.0	26	40.4	51
9	5	0	0.0	0	82	2.5	257	15.4	26		
10		0	0.0	0	82	2.5	231	13.9	26	34.2	51
11	6	0	0.0	0	82	2.5	206	12.3	26		
12		0	0.0	0	82	2.5	180	10.8	26	28.1	51
13	7	0	0.0	0	82	2.5	154	9.3	26		
14		0	0.0	0	82	2.5	129	7.7	26	21.9	51
15	8	0	0.0	0	82	2.5	103	6.2	26		
16		0	0.0	0	82	2.5	77	4.6	26	15.7	51
17	9	0	0.0	0	82	2.5	51	3.1	26		
18		0	0.0	0	82	2.5	26	1.5	26	9.5	51
19	10	0	0.0	0	82	2.5	0	0	0		
20		0	0.0	0	82	2.5	0	0	0	4.9	0

ANNEXURE- 3.1

BREAKFAST CEREAL PROJECT

ESTIMATES OF SALES QUANTITY

S. No	Product		1	2	3	4	5	6	7	8	9	10
LOCAL SALES (Quantity in Tons)												
A	Corn Flakes Plain	Pack Mix										
4	375 gms	40%	45	57	70	71	72	74	75	75	75	75
3	500 gms	20%	22	28	35	36	36	37	38	38	38	38
2	750 gms	30%	33	43	52	53	54	55	57	57	57	57
1	1 kg	10%	11	14	17	18	18	18	19	19	19	19
	Sub Total		33	43	52	53	54	55	57	57	57	57
B	Coco Flakes											
2	375 gms	70%	98	126	165	174	182	192	201	201	201	201
1	500 gms	30%	42	54	71	74	78	82	86	86	86	86
	Sub Total		42	54	71	74	78	82	86	86	86	86
	TOTAL		75	97	123	128	133	138	143	143	143	143

SALES REALISATION (RO)

	Details	Realisation/ Kg.	RO '000									
A	Corn Flakes Plain											
1	375 gms	1.498	67	85	104	106	109	111	113	113	113	113
1	500 gms	1.167	26	33	41	41	42	43	44	44	44	44
2	750 gms	1.029	34	44	54	55	56	57	58	58	58	58
4	1 kg	1.130	13	16	20	20	20	21	21	21	21	21
	Sub Total		73	93	114	116	119	121	123	123	123	123
B	Coco Flakes											
1	375 gms	2.165	211	273	358	376	395	415	435	435	435	435
2	500 gms	3.021	126	163	214	225	236	248	260	260	260	260
	Sub Total		338	436	573	601	631	663	696	696	696	696
	TOTAL		411	529	687	717	750	784	819	819	819	819

ANNEXURE- 4

BREAKFAST CEREAL PROJECT

PROJECTED CASH FLOW STATEMENT

Year of Operation		1	2	3	4	5	6	7	8	9	10		
Production		28%	36%	46%	47%	49%	51%	53%	53%	53%	53%		
Nos		000											
No	Item	In R.O.'000											Remarks
A	CASH INFLOW												
1	Equity	294	0	0	0	0	0	0	0	0	0	0	Ref Annexure 1
2	Profit bef tax & int	0	-58	52	137	150	163	177	192	184	175	167	Ref Annexure 3
3	Depreciation	0	47	47	47	47	47	47	47	47	47	47	Ref Annexure 2.7
4	Prel exp written off		76	0	0	0	0	0	0	0	0	0	Ref Annexure 2.7
5	Increase in Other term loan	360	0	0	0	0	0	0	0	0	0	0	Ref Annexure 1
6	Increase in Istitu: Loan		0	0	0	0	0	0	0	0	0	0	Ref Annexure 1
7	Increase in W C loan	82	21	19	3	0	0	0	0	0	0	0	Ref Annexure 1
8	Other income	0											Ref Annexure 3
9	Sub Total	736	86	118	187	197	210	224	240	231	223	214	Sum of A1 to A8
B	CASH OUTFLOW												
1	Capital Project expenditure	524	0	0	0	0	66	29	0	0	66	0	Ref Annexure 1& 2.7
2	Other normal cap exp	76											Ref Annexure 1& 2.7
3	Increase in Working Cap:	136	30	27	5		0	0	0	0	0	0	Ref Annexure 1.7
4	Decrease in Institu:Loan	0	0	0	0	0	0	0	0	0	0	0	Ref Annexure 2.8
5	Decrease in Working Capital Loan		0	0	0	0	0	0	0	0	0	0	
6	Decrease in Other term loan		0	0	51	51	51	51	51	51	51	0	
7	Interest on term loans		43	43	42	35	29	23	17	11	5	0	Ref Annexure 2.8
8	Interest on work cap loan		5	5	5	5	5	5	5	5	5	5	Ref Annexure 2.8
9	Income Tax	0	0	0	0	0	0	22	26	25	25	24	Ref Annexure 3.2
10	Dividend	0	0	0	0	0	0	0	0	0	0	0	Provision
11	Sub Total	736	78	75	103	92	152	131	99	92	152	29	Sum of B1 to B9
12	OPENING BALANCE	0	0	8	51	136	241	300	394	534	673	744	
C	SURPLUS	0	8	43	85	105	59	94	141	139	71	185	Difference(A9)-(B10)
D	CLOSING BALANCE	0	8	51	136	241	300	394	534	673	744	929	

ANNEXURE-7													
BREAKFAST CEREAL PROJECT													
PROJECTED BALANCE SHEET													
	Year of Operation		1	2	3	4	5	6	7	8	9	10	
No	Item		In R.O.'000										Remarks
A	ASSETS EMPLOYED												
1	Fixed Assets												
a	Gross Fixed Assets	524	524	524	524	524	590	619	619	619	685	685	Refer Annexure - 2.7
b	Preliminary expenses	76	0	0	0	0	0	0	0	0	0	0	Refer Annexure- 2.7
c	Acc. Depreciation	0	47	95	142	189	236	284	331	378	425	473	Refer Annexure- 2.7
d	Net Fixed Assets	600	477	430	382	335	354	336	288	241	260	213	
2	Current Assets												
a	Cash	0	8	51	136	241	300	394	534	673	744	929	Refer Annexure - 4
b	Other Cur. Assets	136	166	193	197	197	197	197	197	197	197	197	Refer Annexure - 1.7
c	Total Cur. Assets	136	174	244	333	439	497	591	732	871	941	1,126	
3	Less: Cur. Liabilities	0	0	0	0	0	0	0	0	0	0	0	
	TOTAL	736	651	674	716	774	851	926	1,020	1,112	1,201	1,339	
B	FINANCED BY												
1	Equity	294	294	294	294	294	294	294	294	294	294	294	Refer Annexure - 1
2	Statutory reserve		0	0	9	20	33	46	60	75	89	103	
3	General reserves	0	-106	-103	-21	77	193	307	438	566	693	817	Cu.NP-Cu.Divident
4	Term Loan	360	360	360	309	257	206	154	103	51	0	0	Refer Annexure - 2.8
5	Bank Borrowings (WC)	82	103	122	125	125	125	125	125	125	125	125	Refer Annexure - 2.8
	TOTAL	736	651	674	716	774	851	926	1,020	1,112	1,201	1,339	

ANNEXURE- 8

BREAKFAST CEREAL PROJECT

RATIO ANALYSIS

A	Years of Operation	1	2	3	4	5	6	7	8	9	10
1	Total RM / Total Sales	11%	11%	11%	11%	11%	11%	11%	11%	11%	11%
2	Packing Material	15%	15%	15%	15%	15%	15%	15%	15%	15%	15%
3	Utilities / Total Sales	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
4	Factory wages / Total Sales	17%	19%	16%	16%	16%	16%	15%	16%	16%	17%
5	Prime Cost / Total Sales	47%	48%	45%	45%	45%	44%	44%	45%	45%	46%
6	Factory exp. / Total Sales	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
7	Factory Cost / Total Sales	49%	51%	48%	48%	48%	47%	47%	47%	48%	48%
8	Administrative exp. / Total Sales	21%	17%	13%	13%	13%	13%	13%	13%	13%	14%
9	Selling exp. / Total Sales	14%	13%	11%	11%	11%	11%	11%	11%	11%	12%
10	Finance Cost / Total Sales	12%	9%	7%	6%	5%	4%	3%	2%	1%	1%
11	Non-Cash exp. / Total Sales	30%	9%	7%	7%	6%	6%	6%	6%	6%	6%
12	Total Cost / Sales	126%	99%	87%	85%	83%	81%	79%	79%	80%	80%
B	PROFITABILITY RATIOS										
1	PBDIT / Sales	16%	19%	27%	27%	28%	29%	29%	28%	27%	26%
2	Operating profit / Sales	-7%	1%	13%	15%	17%	19%	21%	21%	20%	20%
3	PAT / Sales	-26%	1%	13%	15%	17%	16%	18%	17%	17%	17%
4	PAT / Investment	-16%	1%	14%	17%	20%	19%	22%	22%	22%	21%
5	Payout Ratio	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
6	EPS	-361	12	276	335	395	388	444	438	432	420

ANNEXURE- 9					
BREAKFAST CEREAL PROJECT					
BREAK EVEN ANALYSIS					
S.No.	Item	Year 1		Year 6	Remarks
In R.O. '000					
A	FIXED COST				
1	Production Wages	71		122	Refer Annexure - 2
2	Factory Overhads	7		15	Refer Annexure - 2
3	Misc. Factory Exp.	4		7	Refer Annexure - 2
4	Admin. Expenses	88		93	Refer Annexure - 2
5	Sales Expenses	56		87	Refer Annexure - 2
6	Depreciation	47		47	Refer Annexure - 2
7	Prelim. Expenses written off	76		0	Refer Annexure - 2
8	Financing Cost	48		28	Refer Annexure - 2
9	Income Tax	0		22	Refer Annexure - 2
10	Sub Total	397		422	
B	VARIABLE COST				
1	Raw materials & PM	107		205	Refer Annexure - 2
2	Utilities	12		22	Refer Annexure - 2
3	Misc. Expenses	0		0	
4	Sub Total	119		227	
C	SALES	411		784	Refer Annexure - 3
D	CONTRIBUTION	291		557	Difference C - B
E	BREAK EVEN POINT	136.5		75.7	As % of Production
		38.0	0.0	38.5	As % of Plant Capacity
F	CASH BEP	94.1		67.2	As % of Production
		26.2		34.2	As % of Plant Capacity

ANNEXURE- 10						
BREAKFAST CEREAL PROJECT						
SENSITIVITY ANALYSIS (IRR FOR 10 YEARS)						
S.No.	Item	Projection	Change in One			Combined
		No Change	Variable at a Time			
A	VARIABLE		Volume	R. M	Sales	
			Nos	Cost	Value	All three
B	PESSIMISTIC					
	Change		-5%	5%	-5%	All three
C	OPTIMISTIC					
	Change		5%	-5%	5%	All three
D	I R R - PESSIMISTIC PROJECTION					
1	I R R on Investment	20.5	17.4	20.1	17.0	
2	I R R on Equity	27.9	27.1	31.6	26.3	
E	I R R - OPTIMISTIC PROJECTION					
1	I R R on Investment	20.5	23.5	20.9	23.9	23.8
2	I R R on Equity	27.9	37.5	32.9	38.4	58.7

