

Nirmaan



The Construction Supermarket

A RETAIL VENTURE

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The Industry

Presently the major domestic and multinational retail players are focusing on areas like Apparels, Lifestyle, Fresh food and other such FMCG products. **A niche exists in the retail super and hypermarket space, in building construction and materials required to furnish a home.**

We propose a **CONSTRUCTION SUPERMARKET “NIRMAAN”** with the express purpose of offering:

- Basic construction equipment
- Products like home furniture, painting solutions, decorative and finishing options
- *Value added services* such as technical assistance, Housing finance, etc.

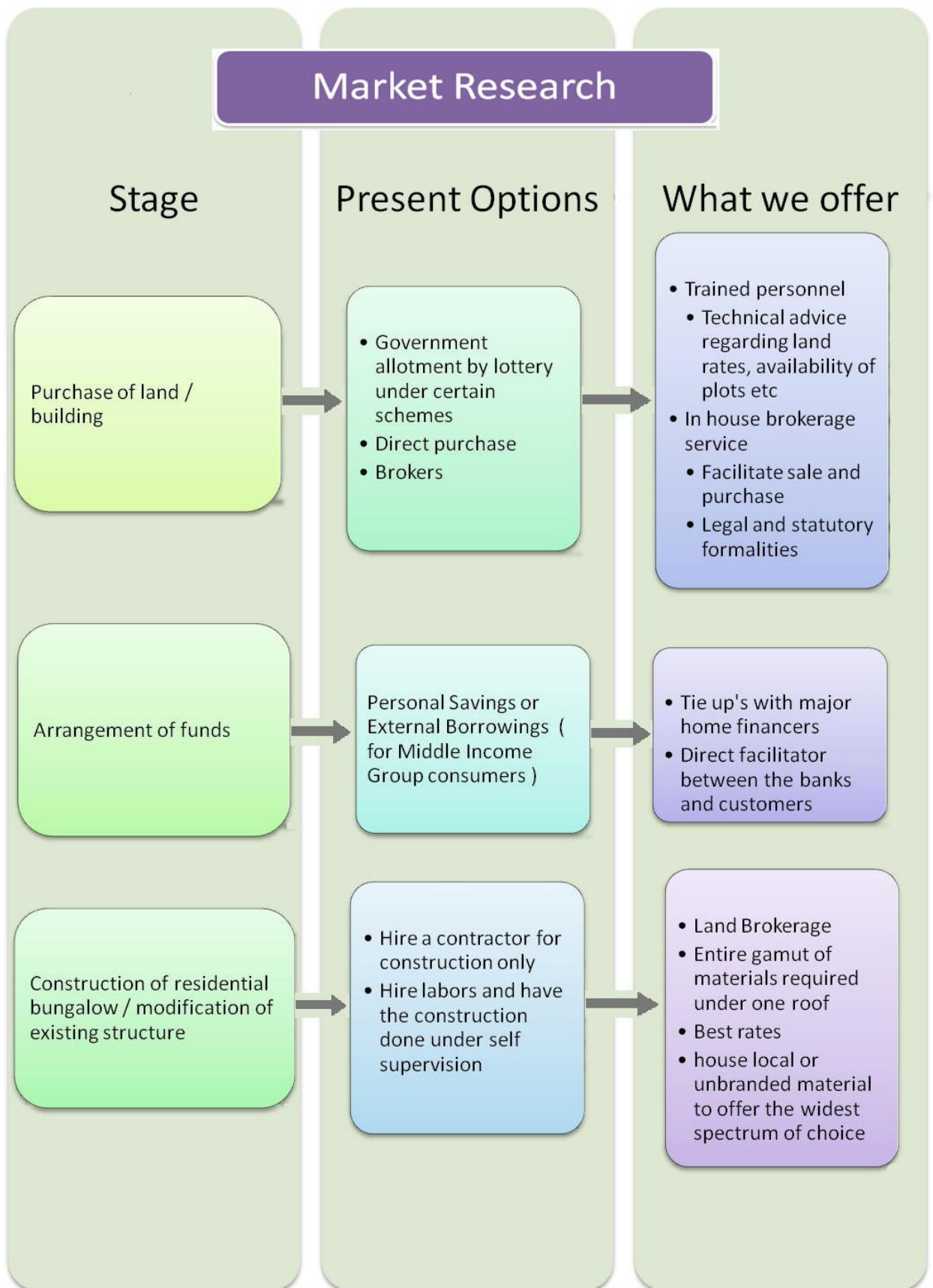
.... And all of it under one roof!!!!

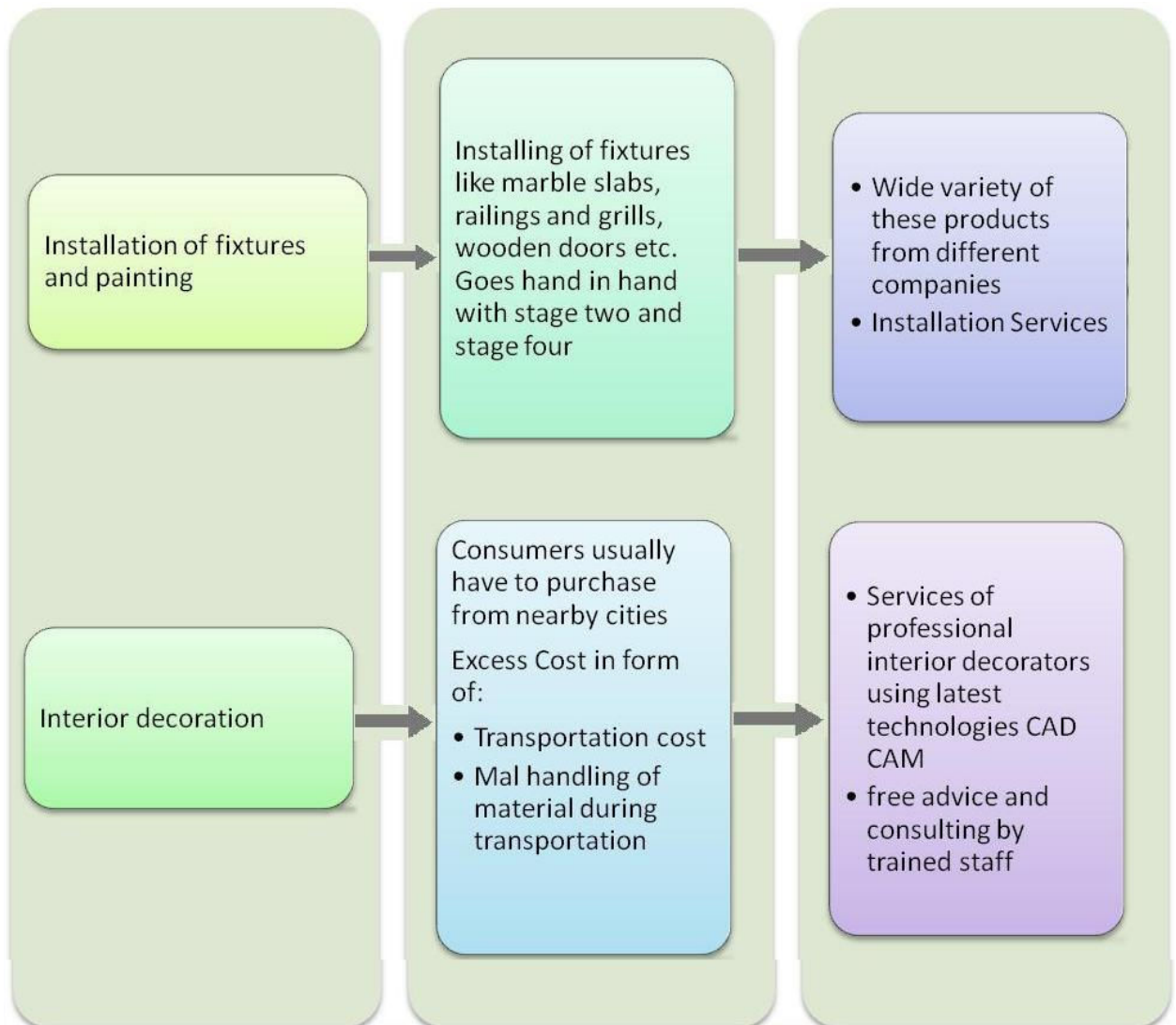
Market Analysis

Due to increased income there has been a major increase in construction activities in the small towns, which has been further facilitated by low interest housing loans etc. People are buying properties and prefer to move into self owned residence than living on rented houses.

The process of building a residential bungalow broadly consists of five stages. Present options in each of these stages and unique offerings of *Nirmaan* at each of these stages are as follows:

Market Research





Competitive Analysis

Present competition is fragmented, consisting of small players in the construction segment. It can be divided into three fragments:

I. Services – like brokers, contractors & interior decorators, are characterized by small investment but requiring goodwill and have high level of influence on purchase decisions.

Nirmaan will provide in house services through tie-ups with free-lance service providers on a regional basis to cater to region specific taste and needs.

II. Dealers of basic construction material – like construction materials, marbles, granite and stones, plumbing solution, bathroom fixtures and glasses. Entry and exit barrier is low to medium.

Bulk of the sales is generated by contacts with the contractors, and Nirmaan proposes to tie up with contractors to rope in those orders.

III. Dealers of furniture and fixtures - This segment has the highest margin among all the materials required for home. Each market has few big players and several small players. Entry and exit barriers are medium to high, depending on the brand and scale of operations.

Nirmaan will offer a wide range of branded, unbranded and custom built product under one roof. Tie up with various interior decorators will help gain market share from competitors.

SWOT Analysis

STRENGTHS

- > One Stop Shop
- > Economies of Scale
- > Extensive tie-ups with service providers
- > Coverage of multiple towns from single outlet
- > Cross sales to increase average bill size
- > Cross Subsidization of products and services

WEAKNESSES

- > Longer gestation period involving identification of a suitable location, purchase of land, construction of outlet & arranging for supplies
- > High level of internal competition within product & service providers

OPPORTUNITIES

- > Untapped niche market - no single major player on construction material segment
- > No direct competition - no other player with similar setup
- > Booming Real Estate market

THREATS

- > Entry of international players in retail who might shift to construction material supermarket sensing a good opportunity
- > Competition and resistance by multiple fragmented players

Marketing Plan

The USP of Nirmaan will be availability of entire gamut of products and services in the tier II and tier III cities. Extensive promotion and marketing strategies will be employed to make target consumers aware of *Nirmaan's* presence.

Advertising and promotion activities would include word of mouth publicity, incentive for dealers and partners, use of local media, on the spot promotional offers to ongoing construction projects in target area and joint promotion with players at supermarket.

Management Plan

Nirmaan will be a Private Limited company and will later be converted into a listed Joint stock company. Promoters will form the top management, each having equal share holding in the company.

Promoter Profile:

All promoters are presently pursuing MBA from IIM Lucknow and intend to contribute their individual skill set towards success of *Nirmaan*.

Gagan Agrawal: With experience in sourcing, wholesale trading and banking, Gagan plans to specialize in Operations head the operations and sourcing.

Priyam Agarwal: A Commerce graduate with keen interest in finance, Priyam would be looking after Finances of the company.

Shweta Agrawal: Having rich experience in client interaction in Indian Software industry and being a part of the marketing intelligence committee at IIM Lucknow, she would look after sales and marketing.

Vineet Bobade: Having worked with HSBC bank providing IT solutions to for the retail banking functions, Vineet plans to specialize in Marketing and will handle Business Development.

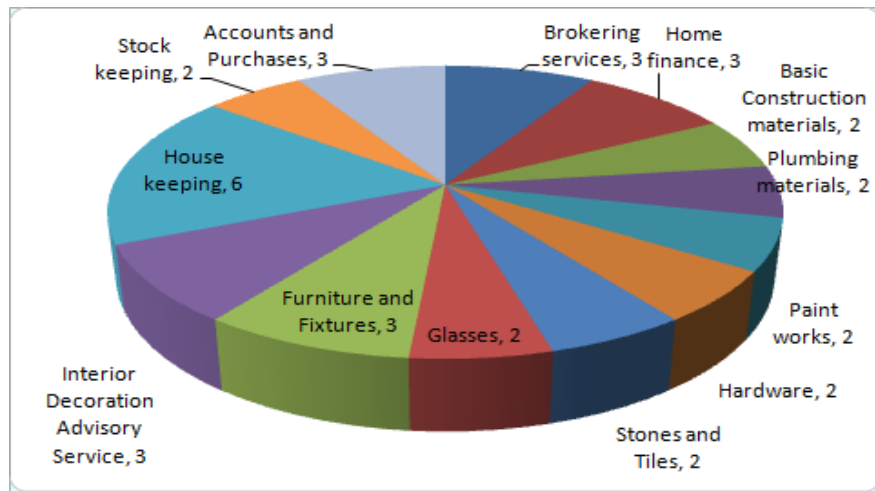
Nirmaan will have in house specialists as well as operate in collaboration with free lance contractors and interior decorators. All personnel will be hired directly, and after probation period of six months, will be given permanent employee status.

Operating Plan

The following hierarchical order has been designed to enable smooth flow of information in the company:



In order to facilitate smooth flow of operations activities will be divided under various departments. The major departments formed and their composition in terms of the workers required has been represented below:



For all service departments, initially just one trained personnel will be hired from the market, and other free lance players operating in the market will be invited to use the office space provided by the supermarket.

Financial Plan

The business will require funding for the following:

I. Fixed Investments:

1. Purchase of land
2. Construction of Showroom and Warehouse
3. Interior Decoration and fixtures
4. Electrical equipments like generators

II. Capitalized Expenditure:

1. Promotion and advertisement expenses for first and second year

III. Operating Expenses and Working Capital:

1. Stock of goods
2. Salary and wages for 6 months
3. Administrative expenses
4. Selling and Distribution

Projected financial statements for the business are attached as per the following detail:

- | | |
|-------------------------------|--------------|
| 1. Projected Balance Sheet: | Appendix I |
| 2. Projected P& L account: | Appendix II |
| 3. Cash flow Summary: | Appendix III |
| 4. Calculation & Assumptions: | Appendix IV |

5. Financial Ratios:

Appendix V

These financial statements not only prove the viability of the project, but also show the handsome returns possible by investing in the project. Also, the project is credit worthy and suitable collaterals can be provided to raise loans as and when required.

From Venture capitalist we would not expect mere investment, but would also seek to benefit from there network which would help the business go from strength to strength. In return, we offer a stake in the company, the value of which is certain to appreciate significantly as the business grows.

Conclusion

1. This business has a lot of potential, as exhibited by the positive cash flows from the first year itself.
2. **Future growth of the Supermarket may entail :**
 - Opening up of chains in various other non-metros which are well connected to the major cities.
 - Providing more value added services
 - Development of in house brands
 - Expansion through issue of shares to the public

Appendix I

PROJECTED BALANCE SHEET (In Dollars)

	Year I	Year II	Year III	Year IV	Year V
LIABILITIES:					
Share Capital	250000	250000	250000	250000	250000
Reserves & Surplus		46800	114075	186712.5	279946.88
Loans					
Long Term Loan	500000	500000	500000	500000	500000
Working Capital Loan		400000	400000	400000	400000
Current Liabilities & Provisions		203900	263925	368037.5	458240.63
Total	750000	1400700	1528000	1704750	1888187.5
ASSETS					
Fixed Assets					
Gross Block	590000	590000	590000	590000	590000
Less: Accumulated Depreciation @ 10%		59000	118000	177000	236000
Net Fixed Assets	590000	531000	472000	413000	354000
Investments					
Current Assets, Loans & Advances:					
Advance Tax		14500	17400	21250	25500
Stock of goods		410000	512500	625000	781250
Cash & Bank balance	60000	140200	234850	355500	432437.5
Debtors		125000	156250	200000	250000
Miscellaneous Expenditure & Losses:					
Preliminary Expenses	100000	180000	135000	90000	45000
Total	750000	1400700	1528000	1704750	1888187.5

Appendix II

PROJECTED PROFIT & LOSS A/C (In Dollars)

	Year I	Year II	Year III	Year IV	Year V
Sales Realization		5000000	6250000	7812500	9765625
Costs:					
Materials		4500000	5625000	7031250	8789062.5
Electricity		60000	60000	60000	60000
Wages		125250	138000	172500	215625
Other Overheads		8750	11250	13750	16250
Administration & Selling Expenses		25000	31250	38750	45000
Gross Profit before Interest & tax		281000	384500	496250	639687.5
Financial Expenses:					
Interest On Long term Loan (@ 11.00% p.a.)		55000	55000	55000	55000
Interest On WC Loan (@ 12.5% p.a.)		50000	50000	50000	50000
Depreciation		59000	59000	59000	59000
Operation Profit		117000	220500	332250	475687.5
Preliminary Expenses Written Off		45000	45000	45000	45000
Profit (Loss) Before Tax		72000	175500	287250	430687.5
Provision for Tax @ 35%		25200	61425	100537.5	150740.63
Profit after Tax		46800	114075	186712.5	279946.88

Appendix III

PROJECTED CASH FLOW STATEMENT (In Dollars)

	Year I	Year II	Year III	Year IV	Year V
Sources of Funds:					
Share Issued	250000				
Profit before Tax with interest added back		46800	280500	392250	535687.5
Depreciation		59000	59000	59000	59000
Preliminary Expenses written Off		45000	45000	45000	45000
Increase in long term loans	500000				
Increase in creditors		203900	101300	131900	105250
Increase in bank borrowings for working capital		400000	400000	400000	400000
Total (A)	750000	754700	885800	1028150	1144937.5
Use of Funds:					
Capital Expenditure for the project	590000				
Increase In Working Capital					
Preliminary expenses	100000	125000			
Decrease in long term loans					
Interest on long term loans			55000	55000	55000
Interest on bank borrowings for working capital			50000	50000	50000
Debtors		125000	156250	156250	156250
Taxation		14500	17400	21250	25500
Stock		410000	512500	625000	781250
Total (B)	690000	674500	791150	907500	1068000
Opening balance of cash at hand and at bank		60000	140200	234850	355500
Net Surplus (Deficit) (A - B)		80200	94650	120650	76937.5
Closing balance of cash at hand and at bank	60000	140200	234850	355500	432437.5

APPENDIX IV

(In Dollars)

Calculations & Assumptions:

1. Construction period is 1 years.
2. Sales commission/realization in 1st yr is 20% of \$25million market = \$ 5 million Sales
3. The cost of materials will be 90% of sales
4. Term loan is for 5 years and will be repaid from 5th year in Equal yearly installments
5. The bank finance for WC will cost 12.0%
6. Depreciation rates are: 10% for all Building and other assests
7. The preliminary expenses will be written off in 5 equal annual installments

Cost of Project

Particulars	(In Dollars)
Land	275000
Building & Site Development,	240000
Miscellaneous fixed assets	75000
Preliminary expenses (including advertising expenses)	50000
Total	640000

*Assuming a requirement of approx 16,000 square feet

1 kottah of land = 728 sq feet. We need to purchase land area = 22 cottah

Cost of 22 cottah = 275,000

Per square ft the cost of development = 20

Area that can be developed = 75% of 16,000 = 12,000

Therefore development cost = $20 \times 12,000 = 240,000$

Means of Finance:

Particulars	(In Dollars)
Share Capital	250,000
Long term loan	500,000
Total	750,000

Working capital Loan Requirement :

Particulars	(In Dollars)
Stock of goods	410,000
6 month's salary	60,000
6 month's electricity bill	30,000
Miscellaneous	50,000
Total	550,000

1. Stock of goods: \$410,000/-

2. Salary and wages for 6 months: \$10,000/- pm X 6 = \$60,000/-

Break up of salary and wages: (per month)

Director's salary: 2 X \$625/- per month per director = \$1,250/-

Department heads (avg.): 13 @ \$375/- per department head = \$7,375/-

***Other employees: 11 personnel @ \$125/- per personnel (avg.) = \$1375/- for first 6 months.=
8,250/- for 6 months***

For next 6 months 18 personnel@ \$125 = 2,250/- pm = 13,500/- for 6 months.

Labors: 10 labors @ \$ 62.5/- = \$ 625/-

Total: \$12,000/- pm

3. Electrical and other sundry expenses: 6 months @ \$ 5,000/- pm (approx) = \$ 30,000/-

Appendix V

Liquidity ratios:	
Current ratio	1.14
Quick Ratio	0.46
Bank Finance to WC ratio	4.66
Coverage Ratio:	
Interest coverage ratio	2.68
Debt service coverage ratio	2.92
Profitability ratios:	
Gross Profit margin(%)	2.34
Net profit margin(%)	0.94
ROI(%)	20.06
Return on net worth(%)	15.77

Leverage ratios:	
Long term Debt-Equity ratio	1.68
Total debt - Equity ratio	3.03
Debt-asset ratio	0.64
Turnover Ratios:	
Inventory turnover	0.06
Total asset turnover	3.57