

2011 - 13

Dharani Farming and Marketing Mutually
Aided Cooperative Society, Ltd.



2011-2013 BUSINESS PLAN

DHARANI FAM COOP LTD

An outline of the cooperative's financial and policy
planning through 2013



CONTENTS

EXECUTIVE SUMMARY.....	3
1. THE DHARANI FARMING AND MARKETING COOPERATIVE TODAY	5
1.1 Purpose.....	5
1.2 Vision	5
1.3 Mission.....	5
1.4 Background.....	5
1.5 Organizational Summary.....	6
1.5.1 SUPPORTING ORGANIC Farming PRACTICES.....	6
1.5.2 Processing AND PACKAGING	8
1.5.3 Marketing.....	9
1.5.4 Dharani Activities	10
1.6 Organizational Structure.....	10
1.6.1 History	11
1.6.2 Ownership structure.....	12
1.6.3 Management structure	12
1.6.4 relationship with the promoting organisations	12
1.6.5 dharani organogram.....	13
2. THE PLAN FOR 2011-2013	13
2.1 Aims & Strategy	13
2.1.1 Increase sales volume.....	14
2.1.2 Improve margins	14
2.1.3 Smooth procurement cycle.....	15
2.1.4 Utilize indirect costs to increase volume	15
2.1.5 Summary of Goals.....	16
3. FINANCIAL FORECASTS	16
3.1 Financial Plan.....	17
3.1.1 Financing Needs.....	17
3.1.2 Cash flow Projections for 2011-12 in Rs million	18
3.2 Obstacles and threats.....	18
3.2.1 Working capital management	18
3.2.2 Wage Bill	19
3.2.3 Debt repayment burden.....	19



LIST OF TABLES

Table 1 Details of Raw materials procured, method of processing and products.....	9
Table 2 “Dharani” sales in 2010-11.....	10
Table 3 Sales actual up to 2010-11 and forecasts for period 2011-13	14
Table 4 Strategies for Achieving Financial Independence by 2013.....	16
Table 5 Actual Balance sheet for the period 2007-2011.....	16
Table 6 Actual Sales and Margins up to 2011 & Forecast for period 2011-13	17

EXECUTIVE SUMMARY



Dharani Farming and Marketing Mutually Aided Cooperative Society Ltd., (*Dharani*), a producer owned business enterprise, is registered under the MACS Act of the GoAP, 1995. The purpose of *Dharani* is to ensure financial gains for the small-holder farmers who are its members and shareholders. Towards this, *Dharani* acts as a link between the producers (members/shareholders) and consumers while promoting ecologically beneficial agricultural practices. Its services include processing and packaging raw goods procured from farmer members, conducting marketing activities to reach viable customer segments, providing agricultural training programs to members, and monitoring and evaluating their adherence to organic certification standards.

The Cooperative has broadly achieved the initial objectives set out in its original business plan. It has successfully constructed a processing facility in Chennethapalli and has processed and sold Rs. 11 million worth organic food products, under the “*Timbaktu Organic*” brand, since it opened its doors. Membership has more than doubled since its inception in 2006 bringing in around 3,000 acres under organic food production. However, there is still potential both to expand the farming base of the cooperative and to enhance the marketing and sale of organic food produce.

This document is designed to outline the plans for the growth of the business enterprise over the period 2011-2013. It is divided into three parts:

- **Section 1 - an overview of *Dharani* today (March 31st 2010-11);**
- **Section 2 - the plan for development of the organization over the period 2011-2013;**
- **Section 3 - translating the plan into financial forecasts.**



1. THE DHARANI FARMING AND MARKETING COOPERATIVE TODAY

1.1 PURPOSE

The purpose of *Dharani* is to ensure financial gains for the small-holder farmers who are its members and shareholders.

1.2 VISION

The vision of the *Dharani* is to restore the ecologically beneficial farming practices of small-holder farmers in Anantapur district, Andhra Pradesh, thus improving the health of the soil, the animals and the families of the farmers themselves while ensuring the continued viability of agriculture in the region.

1.3 MISSION

The mission of *Dharani* is to establish a working link between its farmer members and the competitive agricultural produce market, while working to reestablish environmentally sustainable, economically viable farming practices in the area. The idea is to work towards uniting small-holder farmers in an effort to ensure their economic success and combat the negative impact of recent agricultural policies and climate change.

1.4 BACKGROUND

Anantapur district of Andhra Pradesh is the second most drought-affected region in the country. For decades the state and national government have promoted chemically intensive groundnut mono-cropping and the subsidization of white rice. These policies have caused many of the drought-resistant crops, suitable to the region, to fall out of favor and have left farmers in Anantapur district almost entirely dependent on synthetic chemical inputs and on the groundnut commodity market, and thereby extremely vulnerable to external shocks. Opening of the market to cheap imported palm oil, about a decade ago, has drastically undermined local farmers' livelihoods. The chemical based mono-cropping practices (based on "Green Revolution technologies) adopted over the last three decades have severely degraded the quality of the region's soil. These developments have most negatively affected the small-holder farmers, and have led to high rates of farmer suicide and loss of livelihood among the agricultural community.



Dharani is a producer owned business enterprise that was set up by its farmer members to engage collectively with the market and ensure their economic success. The primary intention of *Dharani* is to procure process and market the produce of its farmer members, if possible at a premium



price. The activities it undertakes to reach this end include agricultural support and training, processing and packaging of raw goods, and marketing of the finished products. It is hoped that more and more small-holder farmers will join the Cooperative, be encouraged to grow food in a sustainable and organic manner and get the kind of returns they should be getting. As of March 31st 2011 *Dharani* has 1,150 share holding farmer members from 35 villages.

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1.5 ORGANIZATIONAL SUMMARY

Dharani work is focused in three specific areas:

- **Supporting organic farming practices among its farmer members;**
- **Processing and packaging raw goods acquired from those farmers; and**
- **Marketing the finished product to appropriate customer segments.**

1.5.1 SUPPORTING ORGANIC FARMING PRACTICES

Dharani is part of larger movement of encouraging farmers to grow regionally appropriate crops using sustainable, organic agricultural methods. It is entirely owned by 1,150 small-holder farmers, who own equal shares in the organization and who provide the raw materials for the goods that it sells.

Dharani offers a range of services to its farmer members. These include processing and packaging raw goods procured from farmer members, conducting marketing activities to reach viable customer segments, providing agricultural training in sustainable and organic agricultural techniques (with support of Timbaktu Collective, CSA, CIKS, AMEF, BAIF and others), monitoring and evaluating the members adherence to Participatory Guarantee System (PGS) organic certification standards set by PGS Organic Council (with support of Timbaktu Collective which is a founding member and Regional council of the PGSOC - www.pgsorganic.in), extension of credit facilities throughout the growing season, and assistance to access





regionally appropriate varieties of crop seed, and organic inputs.

These services act both to assist the farmer members and to ensure that the cooperative has a steady supply of raw materials for procurement. While the focus of *Dharani* is on the procurement, processing and marketing of farmers' goods, given the pioneering nature of the enterprise some vertical integration becomes necessary.

Procurement

A procurement plan is made every year, before the end of the season, based on information gathered on the extent and kind of crops that are sown by the farmer members in a given season. Further, a financial projection report, to understand the working capital requirement, is made based on the consolidated acreage and yield estimation. At the same time, market prices for agricultural commodities are accessed regularly and registered. This helps to set the procurement



price according to the decided norms prepared by the marketing team and the *Dharani* Board of Directors during their meetings, held usually on the 6th of every month. While procurement is the job of the marketing team, the Directors and the organic farming team of the Timbaktu Collective are actively involved. Labour, moisture meter, weighing scales and gunny sacks are the most essential

elements for proper and efficient procurement.

A calibrated spring balance is used for weighing. Farmer members are also involved in the weighing and in noting the scale reading. While procedures are common for all members, pricing varies based on the quality of produce, which is checked in front of the farmer through standard "out turn" checking methods.

Education and Training

Since 2006, *Dharani*, with support of the Timbaktu Collective, CSA, AMEF, CIKS and BAIF, has helped conduct around 12 training programmes to assist farmer leaders in the transition to organic farming. *Dharani* also works to ensure farmer compliance with PGS, an internationally recognized system of organic certification. The *Dharani* team ensures that only certified produce is procured from the farmer members.

Credit Protection

Over and above the credit support given by the *Mahasakthi*, a federation of women’s thrift cooperatives, to the farmers, *Dharani* provides credit protection to its farmer members to counter their dependence on the traders for advances, which force them to sell the produce back to the traders who use improper measurements and pay substantially lesser price. Since 2007/08, *Dharani* has disbursed crop and harvest loans of over Rs. 7.31 million, to its farmer members. Loans are repaid in the form of money or crop produce with an interest of 12% p.a.

Seed Bank

A seed bank consisting of 100 varieties of dry-land grown pulses, millets and oil seeds has been



compiled as a means of providing necessary inputs to interested member farmers while encouraging the maintenance of crop diversity within the community. Farmer members are permitted to take seeds from the seed bank free of charge. However, they are requested to save seeds from the crop and return a portion to the bank for future use by other farmers. In this way *Dharani* assists its members in maintaining a genetically diverse

and regionally appropriate crop mix without the financial constraints of purchasing seeds from seed companies.

1.5.2 PROCESSING AND PACKAGING

Until June 2007, locally available machine processing units and labor groups were utilized for processing of the raw material and work-in-process goods. Since then, all processing has been done in the *Dharani* storage and processing unit which was set in place.

The Facility



The storage and processing unit houses various de-husking, flour making, grading, decortating and oil extraction machines along with various procurement, storage and packaging related equipments. In addition to the machine processing facility, 10 to 30 women are also engaged regularly to facilitate the processing work. The setting up of the storage and processing unit was a significant achievement for the business venture and has

reduced time and costs of operations while increasing the ability of the marketing team to handle higher volumes of farmer produce effectively and to maintain product quality.



Products of Dharani

At present the cooperative procures groundnut, lentils (pigeon pea), paddy and four types of millets (foxtail millet, little millet, great millet and finger millet) along with little quantity of jaggery and biscuits.

Table 1 Details of Raw materials procured, method of processing and products.

Raw Material	Process	Final Product
Groundnuts / Peanuts (Chennakai)	Sun-drying, machine decorticating, grading and cleaning through blower and grader machine, cold-pressed extraction (Ghani) through two oil rotary machines	Groundnut Oil
	Sun-drying, machine decorticating, grading and cleaning through blower and grader machine, hand picking	Raw Peanuts
	Wood fire roasting of raw peanuts, hand pounding along with chilly and garlic	Peanut podi
Lentils / Pigeon Pea (Kandi / Toor)	Sun-drying, grading and cleaning through blower and grader machine, de-stoning, hand pounding, machine processing	Unpolished Pigeon pea Dal
Foxtail Millet (Korra)	Sun-drying, hand grading and cleaning, machine de-husking with millet mill, hand winnowing and de-stoning	Korra Rice
Foxtail Millet (Korra)	Sun-drying, hand grading and cleaning, machine de-husking and seed splitting with millet mill, hand winnowing and de-stoning	Korra Rava (Semolina)
Little Millet (Sama)	Sun-drying, hand grading and cleaning, machine de-husking with millet mill, hand winnowing and de-stoning	Sama Rice
Little Millet (Sama)	Sun-drying, hand grading and cleaning, machine de-husking and seed splitting with millet mill, hand winnowing and de-stoning	Sama Rava (Semolina)
Great Millet (Jonna / Jowar)	Sun-drying, hand grading and cleaning, machine processing through flour mill	Jowar Flour
Great Millet (Jonna / Jowar)	Sun-drying, hand grading and cleaning, machine processing and seed splitting through flour mill	Jowar Rava (Semolina)
Finger Millet (Ragi)	Sun-drying, hand grading and cleaning, machine processing through flour mill	Ragi Flour
Finger Millet (Ragi)	Sun-drying, hand grading and cleaning, sprouting, shade drying, roasting and machine processing through flour mill along with sprouted, shade dried and roasted green gram	Millet Malt
Paddy (Vari)	Dehusking, grading and cleaning	Unpolished Rice

1.5.3 MARKETING



Once raw materials have been procured and processed, *Dharani* markets and sells finished products under the *Timbaktu Organic* brand name. The primary focus has so far been on urban and semi-urban areas throughout South India. The products are currently sold to 64 retailers majority of them are in Bangalore. For more details (<http://www.timbaktu-organic.org/customersbuy.html>)

Table 2 “Dharani” sales in 2010-11

Product	Amount (Rs)
Groundnut Oil	8,49,129
Peanuts	4,41,001
Groundnut Pods	2,05,988
Groundnut Oil Cake	4,06,208
Foxtail millet	2,10,405
Whole Rice (Unpolished)	2,33,969
Great millet	1,23,224
Finger millet	1,01,436
Pigeon pea dal	2,92,049
Others (Ragi malt, Podi, Biscuits)	8,30,044
Horse gram	1,38,481
Total	38,31,934

1.5.4 DHARANI ACTIVITIES



1.6 ORGANIZATIONAL STRUCTURE

Outlined in this section is the history of the *Dharani*, its current management and ownership structure, and its current relationship with the promoting organizations, Timbaktu Collective and *Adisakthi* Mutually Aided Thrift Cooperative Society (MATCS).



1.6.1 HISTORY

Dharani Farming and Marketing Cooperative Ltd., (Dharani FaM Co-op), a producer owned cooperative, is an organic extension of the Collective's work with the small-holder dry land farmers of Anantapur Dist.

While a marketing unit was established with the funds from SDTT, Mumbai, which helped cover costs of staff and marketing, additional resources were raised from individual investors ("*Friends of Timbaktu*" and other collaborators) as interest-bearing and non-interest bearing loans. One of the women thrift cooperatives (*Adisakthi MATCS*) promoted by the Collective, put in the initial capital for the venture. The total loans raised were invested in the development of the basic infrastructure necessary as the base for further work.

Adisakthi MATCS had initially taken the responsibility (between 2005-07) of marketing the organic produce of the small-holder farmers participating in the project. The business venture was thus called "*Adisakthi Dharani*". However, in due course, the potential for a producer owned cooperative was found. In 2007/08, after intensive discussions among the participating farmers, the directors of *Adisakthi MATCS* and the leaders of the Timbaktu Collective, it was decided that the participating farmers should form themselves into a mutually aided cooperative. As a result, in April 2008, "*Dharani Vyavasaya mariu Marketing Paraspara Sahayaka Sahakara Sangham Ltd*" meaning "*Dharani Farming and Marketing Mutually Aided Co-operative society Ltd*" was registered under Andhra Pradesh Mutually Aided Co-operative Societies Act of 1995. Immediately after its registration, *Adisakthi MATCS* handed over the venture, including the assets and liabilities, to this newly formed cooperative. Thus the business venture called "*Adisakthi Dharani*" was renamed "*Dharani FaM Co-op Ltd*" with a new board of directors from among the founding members.

All the 350 farming families, that the Collective was working with to grow organic food, became the founding members and shareholders. By January 2008, the Collective, with support from EED, Germany and the European Union, began to extend its activities to cover another 540 farming families. Between February and March 2009, they too joined the Cooperative as shareholder members. By April 2010, the Collective, with support from SDTT, Mumbai, began extending its activities to cover another 300 farming families. By March 2011, all of them had also joined the Cooperative as shareholder members. In between around 40 members were asked to leave as they did not want to follow the norms set by the Cooperative. As of 31st March 2011 there were 1,152 shareholding members.

The primary intention of *Dharani FaM Co-operative Ltd* is to procure, process and market the produce of its farmer members, if possible at a premium price. It is hoped that more small-holder



farmers will join the co-operative, be encouraged to grow food in a sustainable and organic manner and get the kind of returns they should be getting.

1.6.2 OWNERSHIP STRUCTURE

The *Dharani FaM Co-operative Ltd* has, up to this point, achieved its goals of becoming a financially viable Cooperative, owned entirely by its 1,152 farmer members, with a paid up share capital of Rs. 1,000 per member. The members are part of 71 organic farming sanghas, from 35 villages in 3 mandals of Anaparthi District in A.P.

1.6.3 MANAGEMENT STRUCTURE

In keeping with the requirements of the MACS Act 1995, a Board of Directors is elected from among the sangha leaders for a term of 3 years. They in turn appoint a Chief Executive Officer. The Board of Directors, who meet every month on a fixed date, run the Cooperative through the CEO and the farming and marketing teams.

The marketing team, directly supervised by the Board of Directors through the CEO and mentored by the Collective, is responsible for the certification procedures, procurement, storage, processing, and marketing of the produce of the farmer members.

The farming teams, presently supervised by the Collective, work with farmer sanghas to ensure the production of certified organic millets, pulses and oilseeds, to improve yields, and to reduce costs and risks for the farmer members.

1.6.4 RELATIONSHIP WITH THE PROMOTING ORGANISATIONS

- ***Dharani FaM Coop Ltd and The Timbaktu Collective***

Dharani began as a commercial venture of the *Adisakthi* MATCS with financial and management support from the Timbaktu Collective. After its registration as a MAC in April 2008, *Dharani* became an independent business venture mentored by the Collective. It still receives financial assistance from the Collective to pay for part of the staff salaries. It is the transition of this expense to *Dharani* that will be a major part of it achieving financial independence. Financial self-sufficiency and the elimination of the need for start-up grant money is one of the primary goals of the Cooperative over the next two years. The plan for this endeavor is outlined in section 3 of this document.

- ***Dharani FaM Coop Ltd and Adisakthi MATCS***

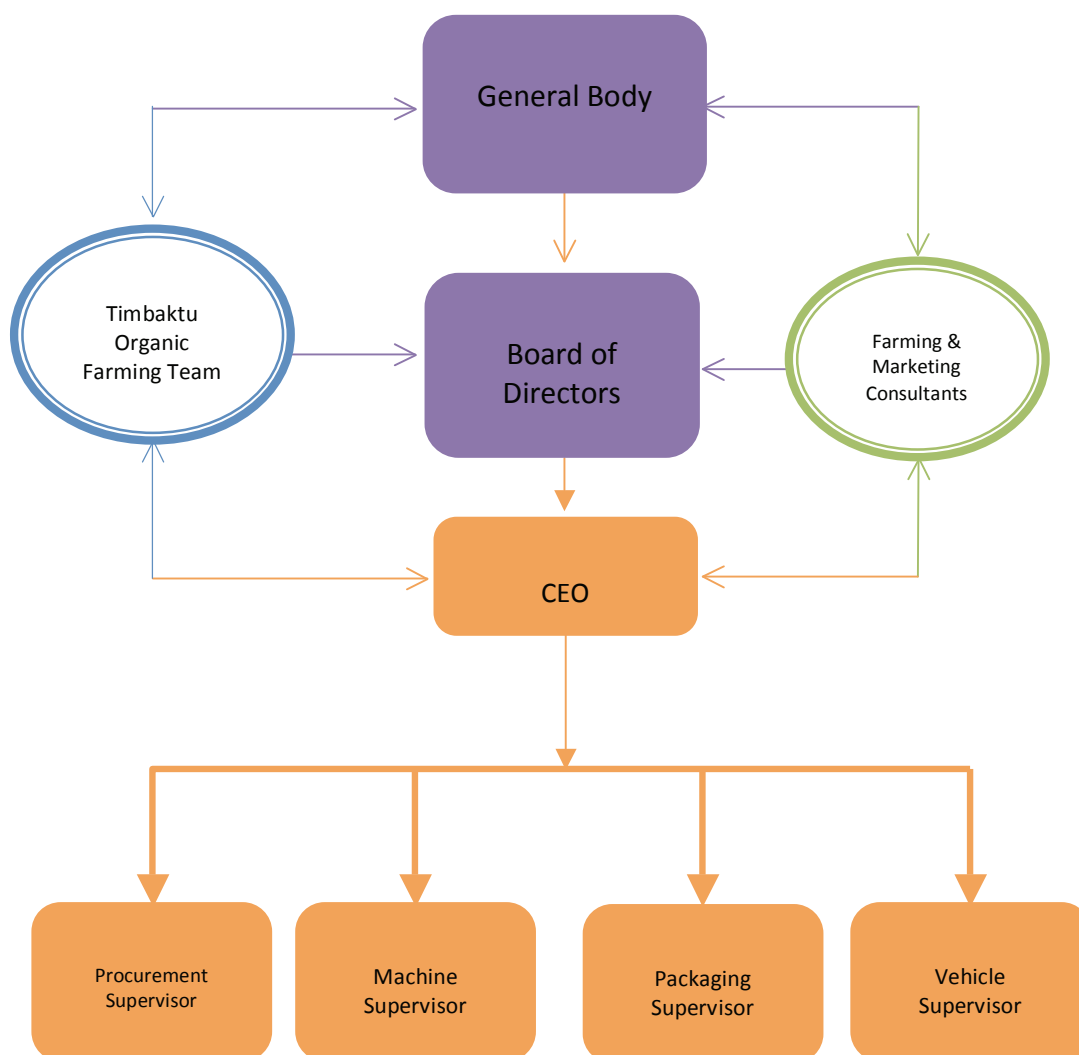
The *Adisakthi* MATCS is a financially independent mutually aided thrift cooperative society that was originally promoted by the Timbaktu Collective. It had originally put in the start-up capital for this business venture. Immediately after *Dharani* was registered under the MACS Act, it

Dharani Farming & Marketing Cooperative Business Plan 2011-2013



returned the money to *Adisakthi* MATCS who in turn handed over the venture, including the assets and liabilities, to this newly formed cooperative. A woman from every farming family that relates to *Dharani* is also a member of any one of the three MATC Societies.

1.6.5 DHARANI ORGANOGRAM



2. THE PLAN FOR 2011-2013

2.1 AIMS & STRATEGY

The primary aim of *Dharani*, for the present period, is to be **financially self-sufficient by the year 2013**. As a start up enterprise *Dharani* has been reliant on grants, low interest loans and the support of Timbaktu Collective. However, it is hoped, that by March 2013, *Dharani* will be in

position to self-finance its operational activities and cover its overhead expenses. It possible that further external financing will be required after this point to pay for expansion of procurement and processing capacity but this will be for capital expenditure rather than for running costs. There are four components to achieving this goal:

2.1.1 INCREASE SALES VOLUME

Dharani aims to boost sales value significantly over the period 2011-2013.

Table 3 Sales actual up to 2010-11 and forecasts for period 2011-13

Year	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Forecast	2012/13 Forecast
Revenues in Rs.	13,32,819	31,08,162	38, 31,934	7,230,155	10,449,742

As shown in the table above, sales have grown substantially, from about Rs. 1.33 million in 2008-2009 to about Rs. 3.11 million 2010/11. However, this does not make full use of either *Dharani's* processing capacity or the market potential. *Dharani* has set sales target of about Rs. 7.23 million for 2011-2012 and around Rs 10.45 million for 2012/13.



Strategy

1. Increase Number of Distribution Channels
2. Develop and Maintain Online Presence
3. Increase Participation in Market Exhibitions

2.1.2 IMPROVE MARGINS

Analysis of profit margins is complicated by the cyclical nature of procurement and processing costs and the holding of partially processed stock. Detailed analysis of *Dharani's* costs in 2010/11 shows that variable cost is 80%. As Commodity prices, processing efficiencies, packaging material costs and distance of market determine / influence direct (variable) cost to a large extent, product lines and Stock Keeping Unit (SKU) mix is to be constantly churned according to changes in market. The plan is to stabilize the direct costs (i.e. labour expenditure for procurement, processing, packaging and dispatch) at 15.50% of sales. This would leave a gross profit margin of about 20%



and 23.5% of sales in 2011-12 and 2012-13 respectively after making necessary adjustments for stock difference in opening and closing stock.

Indirect Cost in 2010-11 is 30 % of sales. It will come down to 18.64% in 2011-12 due to relatively higher increase in sales compared to increases in indirect cost. The plan is to stabilize the indirect cost at 21 % of sales by 2012-13. Along with little indirect income, *Dharani's* over all net margins will be around 4 % in 2012-13.

- STRATEGY
 - Improve capacity utilization;
 - Concentrate on high margin products
 - Increase margins by getting higher prices as well as volume
 - Target premium, and less price sensitive urban markets.

2.1.3 SMOOTH PROCUREMENT CYCLE

Dharani has been dealing only with rain-fed crops. Therefore it has been able to procure raw materials only during November-January, thereby restricting its ability to adjust procurement levels to meet demand. The fact that procurement volumes can be unpredictable as quality of the harvest depends on rainfall that year has also not helped. In order to mitigate these fluctuations and in order to enable it to know, with a greater degree of certainty, how much produce it will be able to procure and hence need to process and sell each year, *Dharani* has urged its members who own irrigated lands, to also grow organic produce and supply to *Dharani*. This way *Dharani* will be able to build up inventories of stock and increase the number of crop purchases during the year.

- STRATEGY
 1. Increase Number of Farmer Members
 2. Increase Number of Procurements through the year

2.1.4 UTILIZE INDIRECT COSTS TO INCREASE VOLUME

From April 2011, *Dharani* began paying most of its wage bill (Except CEO and Marketing Coordinator Salary). This means that the indirect costs will now go up to approximately Rs. 1.40 million and Rs. 2.20 million per annum in 2012 and 2013 respectively. This is a significant financial burden for a growing organization. There is limited scope to reduce present wages but *Dharani* began to reduce the interest payable on its debt and other expenses to achieve its target savings. Indirect costs will be utilized carefully to improve productivity and thus increase sales volumes within next two years. Aim is to stabilize the indirect costs at about 21% of the sales by 2013.

- STRATEGY

1. Replace interest bearing loans with interest free loans where ever possible
2. Raise additional equity capital to replace debt financing
3. Carefully manage increasing wage bill and processing expenditure

2.1.5 SUMMARY OF GOALS

In summation, *Dharani* has set the following objectives to be achieved between 2012 and 2013. It is hoped that these targets will provide measurable benchmarks for the success of the enterprise, and that they will effectively help it reach the level of maturity that it wants to achieve by 2013.

Table 4 Strategies for Achieving Financial Independence by 2013

Goal	Current 2010-11	Target 2011-12	Strategy
Stabilize Gross Profit Margin (Despite increase in Indirect cost)	22.95 %	23.69 %	Increase sales volume to Rs. 7.20 million by 2012 and to 10.4 Million by 2013.
Improve Net Profit Margin	1.12%	4.22%	
			Focus efforts on high margin products such as Peanut podli, Millet malt, etc
			Concentrate efforts on urban and semi-urban markets: 80% of sales in urban & semi-urban markets and 20 % in rural markets
Increase Sales Volume	Rs. 3.83 million in 2010-11	Increase sales to Rs. 7.20 million by 2012 and Rs. 10 million by 2013	Increase number of distribution channels, Increase participation in market exhibitions to 4 annually
			Develop and maintain online presence; establish online ordering system Establish one retail shop nearby highway to exploit opportunity of highway cash sales
Smooth Procurement Cycle	One annual procurement; irregular stock holdings	Four annual procurements; stock regularity	Procure Quality millet produce from farmer members
			Increase number of crop purchases to four times a year
			Manage stock and avoid unnecessary overstocking
Reduce Indirect Costs	30% of sales	Reduce to 21% by 2012	Increase in Sales value would reduce % of Indirect cost to Sales

3. FINANCIAL FORECASTS

Actual balance sheet is provided in the following table.

Table 5 Actual Balance sheet for the period 2007-2011

Advances & Deposits	31/3/2007	31/3/2008	31/3/2009	31/3/2010	31/3/2011
Particulars	18	1,068	250	0	168,157
Revolving fund	409,758	495,758	1,359,999	1,359,999	1,359,999
Capital account	2,629,617	6,208,943	5,666,909	6,265,707	6,738,796
Total Liabilities	3,489,000	7,800,000	7,326,000	7,625,000	8,157,000
Interest free loans	1,877,529	1,836,888	1,774,861	1,814,418	2,012,644
Fixed Assets	1,861,000	2,963,112	2,551,139	2,810,582	3,144,356
Interest bearing loans	198,318	199,979	240,800	204,418	212,645
Plant & Machinery	38,248	117,719	178,890	204,418	212,645
Accrued interest					

Furniture & Fixtures	12,797	16,377	14,528	12,895	23,106
Miscellaneous Assets	16,848	111,576	100,669	91,412	83,036
Deposits	3,000	94,320	94,320	94,320	1,494,320
Receivables from debtors	160,890	215,740	252,741	294,653	259,808
Loans & Advances	0	75,372	600,090	1,025,064	369,450
Inventory	568,066	960,867	2,264,313	944,982	1,214,445
Cash	258,300	2,505,236	75,529	1,532,380	864,931
Total Assets	2,595,747	6,015,150	5,417,537	6,014,538	6,534,386
Profit & Loss A/C	- 33,870	- 193,793	- 249,372	- 251,169	- 204,400

Sales figures have grown considerably over the previous three years, although they are subject to significant seasonal variation of stock holding. For example, the sales figures for 2007-2008 were artificially high as a result of selling off large amounts of unprocessed raw materials, at a loss. 2008-2009 then saw considerably lower sales as stock was accumulated and held as inventory at the end of the financial year. This inventory was then sold off in 2009-2010 resulting in very high sales. Forecasts for 2011-12 onwards have been rationalized to account for inventory fluctuations. The following section is a translation of the objectives set out above into financial forecasts.

Table 6 Actual Sales and Margins up to 2011 & Forecast for period 2011-13

Amount in Rs	Actual Income				Projected Income	
Particulars	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Sales	3,026,878	1,332,819	3,108,162	3,831,394	7,230,155	10,449,742
Closing stock inventory	960,866	2,264,313	944,982	1,083,928	1,282,637	847,415
Cost of raw materials	2,255,556	924,500	2,497,210	2,607,917	4,828,464	5,937,268
<i>as a % of sales</i>	75%	69%	80%	68%	67%	58%
Direct expenses	672,795	388,744	335,453	567,987	1,138,373	1,601,270
<i>as a % of sales</i>	22%	29%	11%	14.82%	15.74%	16%
Gross profit	98,528	19,575	275,499	879,252	1,462,027	2,475,982
Gross margin	3.26%	1.47%	8.86%	22.95%	20.22%	23.69%
Other Income	22,132	278,816	196,963	331,775	238,100	185,000
Indirect expenses	280,613	353,869	474,260	1,164,258	1,391,782	2,219,823
Net Profit (-loss)	- 159,953	- 55,478	- 1,798	+ 46,768	+ 308,344	+ 441,159

3.1 FINANCIAL PLAN

3.1.1 FINANCING NEEDS

As can be seen from the plan outlined above, Dharani has set itself the achievable goal of being financially self-sufficient by 2013. However this plan requires the injection of additional capital for



three purposes: to provide working capital, to cover salaries in the growth period and for capital expenditure. It is assessed that Dharani would need Rs 2 Million in 2011-12 for following purposes

- Rs 1. Million for working capital as we are planning to increase sales volume.
- Rs 1 Million for capital expenditure (Purchase of machines i.e. De-stoner, Roaster, Millet Flakes machines and Kitchenware)

3.1.2 CASH FLOW PROJECTIONS FOR 2011-12 IN RS MILLION

Item	Apr-2011	May-2011	Jun-2011	Jul-2011	Aug-2011	Sep-2011	Oct-2011	Nov-2011	Dec-2011	Jan-2012	Feb-2012	Mar-2012	Total
Cash Sales	0.05	0.06	0.05	0.06	0.05	0.05	0.05	0.10	0.19	0.21	0.35	0.42	1.64
Credit Sales	0.26	0.29	0.40	0.31	0.26	0.30	0.30	0.30	0.60	0.48	0.48	0.96	4.93
Indirect Income	0.02	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.02	0.02	0.24	0.00	0.39
Loan Repayment	-	-	-	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.35
Repayment by Adi Sakthi-coop	-	-	0.30	-	-	-	-	-	-	-	-	-	0.30
Loans						2.00							2.00
Total Cash inflow	0.33	0.36	0.77	0.42	0.36	2.40	0.39	0.45	0.84	0.74	1.11	1.42	9.61
Cash Outflow	-	-	-	-	-	-	-	-	-	-	-	-	-
Procurement	0.33	0.09	0.09	0.06	0.06	0.06	0.20	1.04	1.90	0.80	0.22	0.01	4.83
Direct Cost	0.06	0.07	0.07	0.06	0.07	0.07	0.09	0.13	0.14	0.09	0.15	0.13	1.14
Indirect Cost	0.08	0.16	0.15	0.09	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.10	1.14
Loan Disbursement	-	1.18	-	-	-	-	-	-	-	-	-	-	1.18
Repayment	-	-	-	-	-	-	-	-	-	-	-	2.15	2.15
Machinery	-	-	-	-	-	1.00							1.00
Total Cash Outflow	0.47	1.50	0.30	0.20	0.20	1.21	0.37	1.25	2.12	0.97	0.45	2.39	11.44
Opening Cash	2.26	2.12	0.99	1.45	1.67	1.83	3.02	3.05	2.25	0.98	0.75	1.41	2.26
Net Cash flow	(0.14)	(1.13)	0.46	0.22	0.16	1.19	0.03	(0.80)	(1.27)	(0.23)	0.66	(0.97)	(1.83)
Closing Cash	2.12	0.99	1.45	1.67	1.83	3.02	3.05	2.25	0.98	0.75	1.41	0.44	0.44

3.2 OBSTACLES AND THREATS

3.2.1 WORKING CAPITAL MANAGEMENT

The nature of the Cooperative's business is such that crops need to be purchased annually or in some cases semi-annually. This is then processed and sold on a steady



basis over the course of the year. This requires significant working capital particularly when volumes expand. The Cooperative has made some attempts to delay payment to the farmer members but in fact there is always a need to advance crop and harvest loans to the farmer members during the year. The result is that there is a significant time lag between procurement costs and sales revenue. The Cooperative is restricted in its ability to grow by this obstacle and will need to find substantial investment in working capital in order to achieve the planned expansion. Stock related risks may cause unexpected losses when volumes expand due to quality deterioration.

3.2.2 WAGE BILL

Till 2009-10, salaries had been paid by Timbaktu Collective. This has changed from the year 2010-11. The wage bill is predominately for management and administration. While it is the intention of the Cooperative to be able to cover all costs through operating profit, this will keep the Cooperative in not-so-high but decent margins until 2012-2013 when sales as forecasted, would have doubled.

3.2.3 DEBT REPAYMENT BURDEN

Large amounts of capital were required to finance the setting up of the infrastructure for the organization. It was unfeasible to raise this through equity because, as a mutually aided cooperative, *Dharani* must remain wholly owned by its producer members and they were not in a position to provide capital. For this reason the start up capital was predominately provided by a range of interest bearing and interest free loans. The interest payment is always a financial burden for small business enterprises and that restricts the growth of the business.

Once the members agreed to increase their share of equity earlier in 2010, *Dharani* decided to repay all the loans. However it requested the investors to extend interest free loans for another period of 3 years. Some of them have accepted.