BUSINESS PLAN · INDIA

# Chemical Formulation / Blending Unit

*Consistent, quality, safe chemical formulations delivered compliantly*

MANUFACTURING

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## 1. Executive Summary

This plan sets out a **Chemical Formulation / Blending Unit** in India — a specialty & industrial chemicals plant that blends, formulates & packs chemical products (cleaning/hygiene chemicals, construction/textile/water-treatment chemicals, adhesives, coatings/paints, agro-adjacents or specialty formulations) from raw chemicals to client or own-brand specifications, on batch production. It earns formulation margins on value-added blends & volume, monetising formulation know-how, quality & regulated, safe production — a licence-, safety- & batch-quality-driven B2B/industrial chemicals business.

India's specialty & industrial chemicals market is large & growing, driven by construction, textiles, water treatment, cleaning/hygiene, manufacturing & "China+1" chemicals shifts, plus import substitution & Make-in-India. A formulation/blending unit (asset-lighter than heavy synthesis) earns healthy margins on value-added specialty blends, with the key levers being formulation know-how, quality/consistency, raw-material efficiency, regulatory & safety compliance, and B2B/institutional or own-brand distribution. It is licence-, pollution- & safety-heavy (hazardous materials) with raw-material-price & regulatory sensitivity.

This is a capital- & compliance-intensive MSME manufacturing business — funded by promoter equity plus bank finance (term loan for plant & equipment + CC/OD for working capital, under CGTMSE/SIDBI). This plan models a unit requiring **₹1.8 crore** (₹65 lakh promoter + ₹1.15 crore bank finance), targeting **₹4.5 crore** revenue in Year 1 and **₹8 crore** by Year 3. *(Chemical formulation/blending; licence-/safety-heavy, formulation/quality-driven, B2B/specialty.)*

## 2. Business Description, Vision & Legal Structure

**Concept:** A specialty-chemicals formulation & blending unit producing quality, consistent, safe chemical products to spec - for industry & own brand - with strong compliance.

**Vision:** To be a trusted specialty-chemicals formulator & supplier.

**Mission:** Deliver consistent, quality, safe chemical formulations reliably & compliantly.

### Legal structure options

- **Private Limited / LLP** — recommended (for licences, liability, finance & scale).
- **Proprietorship / Partnership** — possible for a small unit, but liability/licences favour a company.

> **Regulatory anchor:** a chemical unit is among the most regulated factories — Factories Act & factory licence, GST, pollution-board CTE/CTO & hazardous-waste authorisation, PESO (if flammable/pressure), MSIHC/hazardous-chemical & MSDS, fire & process safety, labour, & product regulations (BIS/CIB&RC/drug-cosmetic as relevant). Formulation know-how, quality/consistency, raw-material efficiency, regulatory & safety compliance & distribution determine success; licence-, safety- & pollution-heavy with raw-material & regulatory sensitivity.

## 3. Promoter & Ownership

Led by a promoter with chemicals/manufacturing, formulation or industry experience & a chemist/technical backbone. The team includes production/blending operators, a chemist/R&D & QC lab, safety/EHS officer, procurement & sales/BD. Formulation, quality, safety/compliance & relationships are the differentiators. Ownership & stakes are editable inputs.

## 4. Market Analysis — India

India's specialty & industrial chemicals market is large & growing, driven by construction, textiles, water treatment, cleaning/hygiene, paints/coatings, manufacturing & agriculture, plus "China+1" chemical-sourcing shifts, import substitution & Make-in-India. Formulation/blending serves industrial, institutional & brand buyers. The market rewards formulation know-how, quality/consistency, raw-material efficiency, compliance/safety & distribution; it is raw-material-price-, regulatory- & safety-sensitive & competitive, met with formulation, quality, compliance & niche specialisation.

### Demand drivers

- **Construction, textiles & water-treatment.**
- **Cleaning/hygiene & industrial** demand.
- **"China+1" & import substitution.**
- **Make-in-India & specialty** growth.
- **Institutional & brand** buyers.

### Market sizing (illustrative framing)

| Layer | Definition | Indicative scale |
|---|---|---:|
| TAM | Specialty/industrial chemicals in India | Very large |
| SAM | Segment/region & capacity | Substantial |
| SOM (Yr 1–3) | Volume / client base | Scaling |

### Target segments

- Construction & infrastructure.
- Textiles, water-treatment & industry.
- Cleaning/hygiene & institutional.
- Brands (private-label) & distributors.

## 5. Competition & Competitive Advantage

**Landscape:** other formulators, large chemical majors, imports & unorganised blenders. The unit competes on formulation/quality, consistency, compliance/safety, cost/service & niche specialisation.

### The unit's edge

- **Formulation know-how & R&D.**
- **Quality & batch consistency.**
- **Compliance & safety (EHS).**
- **Niche specialisation & service.**
- **Cost/raw-material efficiency.**

## 6. Products & Revenue Model

| Stream | Model | Basis |
|---|---|---:|
| Specialty formulations (B2B) | Value-added margin | Core margin |
| Job-work / toll blending | Conversion charge | Low material risk |
| Own-brand / private-label | Higher margin | Margin/growth |
| Institutional & bulk | Volume margin | Base load |
| Technical service / custom R&D | Fee / stickiness | Differentiation |

> Specialty formulations earn value-added margins on know-how; toll/job-work blending (client material) lowers raw-material risk; own-brand/private-label & technical service lift margin & stickiness. Formulation know-how, quality/consistency, raw-material efficiency, compliance & volume drive economics — the decisive chemical-formulation levers; safety & regulatory compliance are non-negotiable.

## 7. Go-to-Market — Marketing & Sales

- **Direct B2B & institutional** business development.
- **Technical service & R&D** as differentiator.
- **Distributors & niche specialisation.**
- **Compliance/quality credentials.**
- **Own-brand & private-label** channels.

### Sales approach

Win industrial/institutional clients (formulation, quality, service, compliance) → prove consistency & technical support → convert to repeat/contract volume → deepen with custom R&D & own-brand → diversify segments/distributors. Formulation, quality, service & compliance build sticky, value-added revenue.

## 8. Operations Plan

- **Plant & equipment:** blending/reactor vessels, mixing, filling/packing lines, QC lab, hazardous storage, ETP/safety systems.
- **Process:** R&D/formulation → raw-material procurement/QC → batch blending → QC/testing → filling/packing/labelling (MSDS) → dispatch (hazmat-compliant).
- **Quality & safety:** batch QC/consistency, R&D, EHS/process safety, hazardous-material handling, MSDS, ISO 9001/14001.
- **Efficiency:** batch yield, raw-material efficiency, capacity utilisation, wastage, maintenance.
- **Compliance:** pollution CTE/CTO & hazardous-waste, PESO, MSIHC, fire/process safety, labour.

### Formulation workflow

| Stage | Activity | Metric |
|---|---|---:|
| Formulate | R&D/recipe | Performance/margin |

| | | |
|---|---|---|
| Procure | Raw chemicals/QC | Cost/quality |
| Blend | Batch production | Yield/consistency |
| QC | Test/spec | Batch pass % |
| Pack/ship | Fill/MSDS/hazmat | Compliance/on-time |

## 9. Regulatory, Licences & Compliance (India)

- **Factory & environment:** Factories Act & factory licence; pollution CTE/CTO; hazardous-waste authorisation; ETP/effluent.
- **Chemical & safety:** PESO (flammable/pressure); MSIHC/hazardous-chemical rules; MSDS; fire & process safety; storage norms.
- **Product & quality:** BIS/product standards, CIB&RC (agro), drug-cosmetic (as relevant); ISO 9001/14001.
- **Business & tax:** Pvt Ltd/LLP; GST; PAN/TAN; Udyam; labour/ESI/PF.

## 10. Organisation & Manpower Plan

| Role | Yr 1 | Yr 2 | Yr 3 |
|---|---|---|---|
| Promoter & plant head | 2 | 2 | 3 |
| Production / blending operators | 12 | 18 | 27 |
| Chemist / R&D & QC lab | 4 | 6 | 9 |
| EHS/safety, maintenance & stores | 4 | 6 | 9 |
| Sales/BD & admin | 3 | 5 | 8 |
| **Total** | **25** | **37** | **56** |

## 11. Implementation Timeline & Milestones

| Phase | Timeline | Milestone |
|---|---|---|
| Setup | Month 0–6 | Plant, ETP/safety, licences (pollution/PESO), formulations, first clients |
| Ramp | Month 6–11 | Batch quality, clients, compliance, volume |
| Traction | Month 11–12 | Utilisation & margins; ₹4.5cr revenue |
| Expand | Year 2 | Own-brand, R&D, segments, distributors |
| Scale | Year 3 | ₹8cr revenue; capacity & specialty growth |

## 12. Financial Plan (Illustrative)

*All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. They are not projections of guaranteed results. Chemical formulation; value-added margins, licence-/safety-heavy, raw-material-sensitive.*

### 12.1 Project cost & means of finance

| Capital requirement | ₹ |
|---|---:|
| Plant & equipment (blending/filling/lab) | 85,00,000 |
| Factory, ETP, safety & hazmat storage | 40,00,000 |
| Working capital (raw material, WIP, receivables) | 35,00,000 |
| Licences (pollution/PESO), R&D & pre-operative | 12,00,000 |
| Contingency | 8,00,000 |
| **Total project cost** | **1,80,00,000** |
| Promoter contribution | 65,00,000 |
| Bank finance (term + CC; CGTMSE/SIDBI) | 1,15,00,000 |

### 12.2 Projected Profit & Loss (3 years)

| Particulars | Year 1 | Year 2 | Year 3 |
|---|---:|---:|---:|
| Specialty formulations (B2B) | 3,00,00,000 | 4,60,00,000 | 5,40,00,000 |
| Toll/job-work & institutional | 1,20,00,000 | 1,80,00,000 | 2,00,00,000 |
| Own-brand & technical service | 30,00,000 | 60,00,000 | 60,00,000 |
| **Total revenue** | **4,50,00,000** | **7,00,00,000** | **8,00,00,000** |
| Raw chemicals & packing | 2,83,00,000 | 4,34,00,000 | 4,92,00,000 |
| Power & direct labour | 45,00,000 | 64,00,000 | 74,00,000 |
| EHS, overheads & maintenance | 40,00,000 | 54,00,000 | 62,00,000 |
| Admin, R&D & selling | 28,00,000 | 40,00,000 | 46,00,000 |
| Interest & depreciation | 28,00,000 | 30,00,000 | 31,00,000 |
| **Total expenses** | **4,24,00,000** | **6,22,00,000** | **7,05,00,000** |
| **Net profit (before tax)** | **26,00,000** | **78,00,000** | **95,00,000** |
| Net margin | 5.8% | 11.1% | 11.9% |

### 12.3 Unit economics & break-even

- **Value-added margins:** specialty formulations earn healthier margins than commodity chemicals via know-how; toll/job-work lowers raw-material risk; own-brand/service lift the blend.
- **Raw material & batch:** raw chemicals are the bulk of cost — batch yield, formulation efficiency & procurement protect margin; consistency & QC prevent costly rejects.
- **Break-even:** at a utilisation/volume threshold covering fixed & compliance costs; specialty mix & utilisation drive profitability — formulation, quality & efficiency decisive.

### 12.4 Projected Cash Flow — Year 1 (quarterly, illustrative)

| Particulars (₹) | Q1 | Q2 | Q3 | Q4 |
|---|---:|---:|---:|---:|

| | | | | |
|---|---|---|---|---|
| Opening balance | 8,00,000 | 7,40,000 | 7,20,000 | 7,50,000 |
| Collections | 88,00,000 | 1,05,00,000 | 1,18,00,000 | 1,30,00,000 |
| Raw material, labour, EHS & interest | 88,60,000 | 1,05,20,000 | 1,17,70,000 | 1,29,20,000 |
| **Closing balance** | **7,40,000** | **7,20,000** | **7,50,000** | **8,30,000** |

> B2B carries receivables (30–60 days) & raw-chemical WC is significant; toll/job-work & advances ease it. Utilisation, raw-material/batch efficiency, receivable & CC discipline, plus contingency, manage cash; raw-material-price swings, compliance costs & safety incidents are the key risks — met with formulation efficiency, EHS & procurement.

### 12.5 Key Performance Indicators to Monitor

- **Utilisation:** capacity utilisation %; batch yield; batch pass %.
- **Economics:** value-added margin; raw-material efficiency; specialty mix.
- **Safety/compliance:** EHS incidents; pollution/PESO compliance; audits.
- **WC:** raw-material inventory; receivable days; CC utilisation.

## 13. Funding Requirement & Bankability

Total ask: **₹1.15 crore bank finance** against ₹65 lakh promoter contribution — term loan for plant & equipment (incl. ETP/safety) + CC for working capital, under CGTMSE/SIDBI. Bankability rests on formulation/value-added margins, utilisation, compliance/safety & client base; specialty chemicals is a growing, import-substitution sector & the unit is asset-backed. Year-1 profit ~₹26 lakh & healthy margins support servicing; compliance & safety are the key diligence areas — lenders weigh EHS & licences heavily.

### 13.1 Funding utilisation

| Use of funds | ₹ | % of total |
|---|---|---|
| Plant & equipment (blending/filling/lab) | 85,00,000 | 47.2% |
| Factory, ETP, safety & hazmat storage | 40,00,000 | 22.2% |
| Working capital (raw material, WIP, receivables) | 35,00,000 | 19.4% |
| Licences (pollution/PESO), R&D & pre-operative | 12,00,000 | 6.7% |
| Contingency | 8,00,000 | 4.4% |
| **Total** | **1,80,00,000** | **100%** |

## 14. Risk Analysis & Mitigation

| Risk | Mitigation |
|---|---|
| Raw-material-price volatility | Pricing clauses; procurement; batch/formulation efficiency; toll mix |
| Safety / hazardous incidents | EHS/process safety, PESO/MSIHC, training, storage, insurance |
| Regulatory / pollution compliance | CTE/CTO, hazardous-waste, ETP/ZLD, audits & monitoring |

| | |
|---|---|
| Batch quality / consistency | R&D, QC lab, SOPs, batch traceability |
| Client concentration & WC | Diversify segments/distributors; own-brand; credit control; CC |

## 15. SWOT Analysis

| | |
|---|---|
| **Strengths**<br>Value-added specialty margins; growing/import-substitution demand; asset-backed; formulation know-how; niche stickiness. | **Weaknesses**<br>Licence-/safety-/pollution-heavy; raw-material-sensitive; compliance-cost & liability; capital-/WC-intensive. |
| **Opportunities**<br>"China+1" & import substitution; specialty niches; own-brand; exports; R&D-led products. | **Threats**<br>Raw-material & regulatory changes; safety/environmental incidents; competition & imports; liability. |

## 16. Recommended AiSevak Tools for This Business

This chemical-formulation unit would use AiSevak's Manufacturing vertical tools in delivery:

- **Plant ops:** batch/production-planning, batch-yield/quality-QC, raw-material/inventory and R&D/formulation tools.
- **Compliance:** factory-licence, pollution/CTE-CTO & hazardous-waste, PESO/MSIHC/MSDS and EHS/ISO tools (with Legal & Finance verticals).
- **Practice:** Business Plan, value-added-margin/utilisation and Break-even tools to model the unit.

## 17. Key Assumptions & Notes

- Chemical formulation/blending (asset-lighter than synthesis); specialty formulations + toll/job-work (low material risk) + own-brand/service.
- Formulation know-how, quality/consistency & raw-material efficiency decisive; raw chemicals are the bulk of cost; safety/compliance non-negotiable.
- Licence-/safety-/pollution-heavy; term + CC (CGTMSE/SIDBI); Factories Act, pollution CTE/CTO & hazardous-waste, PESO/MSIHC/MSDS, ISO.
- Value-added margins, utilisation, quality & compliance drive economics; figures illustrative, exclude GST.

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