BUSINESS PLAN · INDIA

Coconut and Arecanut Plantation

A garden that prices the one risk everyone in the district can see and nobody writes down

PLANTATION AND ESTATE AGRICULTURE

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August 2026

1. Executive Summary

This plan sets out a **Coconut & Arecanut Plantation** in Karnataka — **228 hectares: 126 ha coconut, 56 ha arecanut and 46 ha under interplanting and conversion** — with a coconut value-added unit making virgin coconut oil, desiccated coconut, bottled water and shell charcoal, arecanut boiling, drying and grading, and purchase from about 480 smallholder members. By Year 3 it produces **1,800,000 nuts and 100,800 kg of arecanut chali at ₹13.00 crore**.

> This plan is the fourth in vertical 55 and **inherits the ten anchor rules (a)–(j)** set by the tea and coffee estate plan.

Item	Detail	Year 3
What is sold	Arecanut chali, coconut as tender nut and copra, a value-added coconut range, garden intercrop, and a nursery and climbing service to members	**₹13.00cr**
Planted area / members	126 ha coconut at 175 palms and 82 nuts per palm; 56 ha arecanut at 1,800 kg/ha	228 ha; 480 members
Physical output	Nuts and arecanut chali	1,800,000 nuts; 100,800 kg
PAT / net margin	Modelled at mid-cycle prices for both crops	**₹0.76cr / 5.8%**
ROCE on ₹9.50cr	Value-added unit, conversion, irrigation, drying and welfare	**13.5%**
Arecanut share of gross profit	**Deliberately falling — this is the plan's central objective**	**44.4% → 26.6%**

> **ARECA NUT IS CLASSIFIED BY THE INTERNATIONAL AGENCY FOR RESEARCH ON CANCER AS A GROUP 1 HUMAN CARCINOGEN, MOST OF INDIA'S CROP GOES INTO CHEWING PRODUCTS, AND EVERY GROWER, LENDER, VALUER AND PROJECT REPORT IN THE DISTRICT PRICES THE LAND AS THOUGH THAT WERE SETTLED LAW. THIS IS NOT HIDDEN INFORMATION. IT IS PUBLIC, UNDISPUTED AND EXCLUDED FROM EVERY VALUATION — WHICH MAKES IT NOT AN UNKNOWN RISK BUT A CONSENSUS NOT TO LOOK.**

> **So this plan puts a number on it. A regulatory move halving the chewing market takes Year 3 PAT to a loss of ₹0.49 crore — and would have taken Year 1 to a loss of ₹1.03 crore on a much smaller book. The difference is the whole strategy: NOT A PREDICTION ABOUT WHAT WILL HAPPEN, BUT A DELIBERATE SHRINKING OF THE EXPOSURE WHILE THE TIMING IS STILL OURS TO CHOOSE.**

2. Business Description, Vision & Legal Structure

A private limited company holding the estate on a long lease, operating the coconut value-added unit and the arecanut boiling, drying and grading yard, and buying nuts and arecanut from member growers in the surrounding taluks.

Element	Position
Legal form	Private limited company; estate on 30-year registered lease; FSSAI licence for the value-added unit; APMC registration for arecanut trade

Where the money is made	Arecanut still pays the bills today; coconut value-added and garden intercrop are built to replace it as the primary gross profit source
What is different	Gross profit is reported by crop, not by holding, so the concentration is visible to the board and to the lender every quarter
Vision	A garden that will still be solvent on the day the arecanut question is finally answered, whichever way it is answered

Why this shape	Reasoning
Interplanting rather than felling	**A bearing areca palm is a productive asset and ripping it out to make a point would be vandalism. Coconut, cocoa, nutmeg and pepper are established under and between the existing stand, so the shift happens over a decade without destroying anything**
No new arecanut area, ever	The rule that actually binds. Everything else is direction; this is the one commitment that cannot be quietly relaxed in a good price year
Value-added on coconut, not arecanut	Processing capital committed to arecanut would deepen exactly the exposure this plan is trying to reduce
Long lease rather than purchase	District land values are themselves a leveraged bet on the arecanut price; buying at those values would be taking the bet twice

3. Promoter & Ownership

Item	Position
Promoter	Second-generation planter, eighteen years on the holding, with a food-technology background that sits behind the value-added unit rather than being bought in
Promoter equity	**₹3.42cr** of the ₹9.50cr project cost (36%), unsecured and not withdrawable during the loan term
Ownership	Promoter family 78%; member producer company 12%; ESOP and key staff 10%
Governance	**The board sees gross profit by crop every quarter and a written demand-shock statement annually; no manager's incentive is calculated on a figure that reports the holding as a single business**

> **The family has grown arecanut for two generations and this plan does not pretend that is a comfortable thing to write down. What it refuses to do is what every project report in this district does, which is to leave the question out entirely and call the omission optimism.**

4. Market Analysis — India

Segment	What drives it	Position taken
Arecanut chali	Chewing-product demand, import pressure through Myanmar and the north-east, APMC and cooperative auction prices; **the demand base is overwhelmingly gutkha, pan masala and supari**	100,800 kg at ₹360/kg, and falling as a share

Coconut: tender nut and copra	Edible-oil complex, tender-nut demand in cities, copra procurement price	1,300,000 nuts at ₹22/nut
Coconut value-added	Virgin coconut oil, desiccated, packaged water, shell charcoal and activated carbon; growing on health positioning rather than commodity price	500,000 nuts realising ₹52/nut
Garden intercrop	Black pepper on areca stems, cocoa, banana, nutmeg — the highest gross margin per hectare on the holding	₹2.08cr at 52% gross margin
Member purchase and services	480 holdings with no drying yard, no grading and no access to a trained climber	₹1.83cr combined

What everyone in the district knows

Fact	Status	Where it appears in a valuation
Areca nut is an IARC Group 1 human carcinogen	**Published, undisputed**	**Nowhere**
Most of the crop goes into chewing products	**Common knowledge**	**Nowhere**
Gutkha is banned or restricted in many states	Already in force	**Nowhere**
The question is repeatedly before the courts	Ongoing	**Nowhere**
Land trades at a multiple of arecanut yield	Universal	**As the whole valuation**

> Demand for arecanut is **strong, the price has been good for several years, and nothing in this plan predicts that will change next week. What it observes is that a grower planting arecanut today is making a capital commitment that must be recovered over forty years, against a demand base whose legal footing is being actively litigated — and that the length of that commitment is precisely what nobody is pricing.**

5. Competition & Position

Competitor type	What they do well	Where the gap is
Neighbouring arecanut gardens	Yield, established auction access, low cost, genuine agronomic skill	Single-crop exposure, expanding into it, and financed against land valued on it
Arecanut cooperatives and campcos	Price discovery, member reach, storage and grading at scale	Their mandate is to defend the crop, which makes them the last party able to say this
Coconut processors	Scale in VCO and desiccated, brand reach, export compliance	Buy nuts and own no land, so they carry no crop risk and give growers no route out of it
Diversified estates	Genuinely spread across crops and often decades ahead of this plan	Rarely publish crop-level exposure, so members and lenders cannot learn from them
This estate	Both crops, own processing on the growing one, and 46 ha already converting	**Positioned on an exposure it publishes rather than a forecast it defends**

> **The honest competitive statement is that this plan earns less than the garden next door and will keep doing so for as long as the arecanut price holds. It is not a better business. It is the same business with a smaller tail risk, which is a proposition that appeals to a lender long before it appeals to a neighbour.**

What the district's capital structure actually is

Layer	What it rests on
The grower's income	Arecanut price
His land value	A multiple of arecanut yield
His bank limit	That land value
His input credit and advances	That bank limit
The cooperative, the trader, the yard and the local economy	**All four of the above**

> **Read that column downwards and the district is not diversified in any respect: it is a single position, held at several removes, by parties who each believe somebody further down the list is bearing the risk. A price shock does not arrive as a bad season — it arrives simultaneously as an income fall, a collateral revaluation, a credit withdrawal and a fall in local demand, ALL FROM ONE CAUSE, IN ONE QUARTER. That is what makes a concentration different from a bad year, and it is why the remedy in this plan is structural rather than a matter of holding stock back for a better price.**

6. The Risk Everyone Can See and Nobody Prices

This is the finding, and it concerns a fact that is fully public and entirely absent from every number attached to it.

Party	Knows it	Prices it
The grower	**Yes**	**No**
The valuer	**Yes**	**No**
The lender	**Yes**	**No**
The buyer	**Yes**	**No**

> **ARECA NUT IS CLASSIFIED BY THE IARC AS A GROUP 1 HUMAN CARCINOGEN. THE OVERWHELMING MAJORITY OF INDIA'S CROP GOES INTO GUTKHA, PAN MASALA AND SUPARI. GUTKHA IS ALREADY BANNED OR RESTRICTED ACROSS MANY STATES AND THE QUESTION RETURNS TO THE COURTS REGULARLY. Every one of those statements is public, none of them is disputed by anybody, and not one of them appears in a district land valuation, a bank appraisal, a project report or a purchase decision. THE PRICE OF AN ACRE IN THIS DISTRICT IS A MULTIPLE OF ARECANUT YIELD AND NOTHING ELSE.**

> **WHICH MAKES THIS DIFFERENT FROM EVERY FINDING BEFORE IT IN THIS VERTICAL. The cup score was measured and not shared. The sprayer's exposure was never measured at all. The bark was measurable and nobody had the horizon to measure it. HERE THE FACT IS PUBLISHED, UNDISPUTED, AND KNOWN TO EVERY PARTY IN THE TRANSACTION — AND IT IS STILL NOT IN THE PRICE. THAT IS NOT AN INFORMATION FAILURE. IT IS A CONSENSUS NOT TO LOOK, HELD IN PLACE BECAUSE EVERY PARTY WHO COULD RAISE IT IS LONG THE ASSET:** the grower owns the trees, the valuer is paid by the owner, the lender holds the land as security, the cooperative exists to defend the crop, and the buyer needs the supply. **Nobody is lying. There is simply nobody in the room whose interest is served by mentioning it.**

So the number goes in. GROSS PROFIT IS REPORTED BY CROP, NOT BY HOLDING, TO THE BOARD AND TO EVERY LENDER QUARTERLY, WITH AN ANNUAL WRITTEN STATEMENT OF WHAT A DEMAND SHOCK WOULD DO. THE ARECANUT SHARE OF GROSS PROFIT FALLS 44.4% → 26.6% ACROSS THREE YEARS — not by felling a bearing palm, which would be vandalism, but by **interplanting 46 hectares with coconut, cocoa, nutmeg and pepper under and between the existing stand, and by NEVER PLANTING A NEW ARECANUT HECTARE AGAIN. Arecanut is sold only to the 11 processors who name and document the end use, which costs ₹38 per kilogram against the open yard — ₹0.38 crore a year. And member advances are no longer secured on arecanut land value, because lending against a valuation nobody has stress-tested is how a price shock becomes a solvency event. GENERAL RULE: WHERE A RISK IS PUBLIC, UNDISPUTED AND PRICED BY NOBODY, IT IS NOT AN UNKNOWN — IT IS A CONSENSUS NOT TO LOOK, SO PUT A NUMBER ON IT AND SHRINK THE EXPOSURE WHILE THE TIMING IS STILL YOURS.**

Two things this plan is not saying, because both would be dishonest. It is not saying arecanut growers are culpable: a smallholder in Shivamogga inherited a crop, a district economy and a set of land values he did not design, and telling him to stop is neither realistic nor fair. And it is not predicting a ban. The chewing market has absorbed decades of restriction and grown through it, the price has been strong for years, and anyone certain about how this ends is guessing. THE CLAIM IS NARROWER AND HARDER TO ARGUE WITH: A FORTY-YEAR CAPITAL COMMITMENT IS BEING MADE AGAINST A DEMAND BASE WHOSE LEGAL FOOTING IS UNDER ACTIVE LITIGATION, AND THE PROBABILITY BEING APPLIED TO THAT — BY EVERY GROWER, VALUER AND LENDER IN THE DISTRICT — IS EXACTLY ZERO. Zero is not a cautious estimate. It is not an estimate at all.

7. The Holding Is Priced Per Acre and the Risk Is Per Crop

The second thread is why the concentration stays invisible to the person carrying it.

Everything is measured per acre	Everything that can go wrong is per crop
Land value	A chewing-product ruling
Bank security and drawing power	An import surge through the north-east
Lease and rental rates	Yellow leaf disease
The grower's own sense of how he is doing	**All of it landing on one of his two crops**

A grower knows what his garden earns and does not know what each crop in it earns, because nobody keeps accounts that way. Costs are shared — the same labour, the same irrigation, the same climber, the same manuring round — so splitting them is genuinely fiddly, and the result is that a holding which is 44% dependent on one contested crop reports itself as A GARDEN DOING WELL. THE CONCENTRATION IS NOT CONCEALED FROM HIM. IT IS SIMPLY NEVER COMPUTED, AND AN UNCOMPUTED CONCENTRATION CANNOT BE MANAGED.

The fix is unglamorous and it is most of what the ₹0.22 crore reporting line buys: shared costs allocated on a stated basis, gross profit struck for each crop, and the arecanut share of gross profit printed at the top of every board pack. The allocation basis is arguable and it is published so that it can be argued with — a defensible number that is challenged beats an exact one that does not exist. And it goes to the lender too, because a bank holding 228 hectares as security has a larger position in this question than the borrower does.

> **The same computation is offered to the 480 members, free, as part of the agronomy service — and it is the part of the service they least want. A grower who is shown that 61% of his gross profit comes from arecanut has been handed a fact he cannot unsee and cannot easily act on, and several have asked us not to send it. We send it anyway, with the conversion options on the same sheet, because a number delivered without a route out of it is just anxiety — AND BECAUSE THE ALTERNATIVE IS THE PRACTICE THIS WHOLE VERTICAL KEEPS FINDING: DECLINING TO TELL SOMEBODY SOMETHING TRUE ON THE GROUNDS THAT IT WOULD UPSET HIM.**

8. Operations Plan (grow, climb, dry, process)

- **Grow.** 126 ha coconut at 175 palms per hectare and 82 nuts per palm; 56 ha arecanut at 1,800 kg chali per hectare; 46 ha under interplanting with coconut, cocoa, nutmeg and pepper; drip irrigation and basin mulching across the holding.
- **Climb.** 26 trained climbers with mechanical climbing aids, engaged directly rather than through contractors; harvesting rounds every 45 days on coconut and through the season on arecanut.
- **Dry and grade.** Arecanut boiled, dried and graded to chali; coconut dehusked and split, copra dried to 6% moisture, ball copra cured separately.
- **Process.** Value-added unit takes 500,000 nuts a year into virgin coconut oil at roughly 13 nuts per litre, desiccated coconut, bottled tender water and shell charcoal.
- **Account.** Shared costs allocated on a published basis and gross profit struck by crop; arecanut dispatched only against a named processor and a documented end use.

Step	What is recorded	Who sees it
Harvest round	Block, crop, quantity, climber	Estate register
Cost allocation	Basis applied to labour, water, manuring	**Published, so it can be contested**
Gross profit by crop	**Struck quarterly, arecanut share at the top**	**Board and lender**
Arecanut dispatch	Named processor, documented end use	**11 approved buyers only**
Conversion	Hectares interplanted, species, year	Board, annually

> **The operational hinge is a commission agent at the yard offering ₹412 per kilogram for a 28,000 kg parcel — ₹52 above what our eleven named processors pay — cash, that afternoon, no questions and no buyer named. That is ₹14.56 lakh more on one parcel, and there is nothing illegal about taking it: the nut is the same nut and the agent is a licensed trader. The only thing wrong with it is that we would not know where it went, WHICH IS PRECISELY THE CONDITION THIS PLAN EXISTS TO STOP ACCEPTING. We decline; across the year the restriction costs ₹38 per kilogram and ₹0.38 crore, and it is the single most expensive rule in this document per page of justification.**

9. Boards, Food Safety & Plantation Labour Compliance (India)

Area	Requirement
Coconut Development Board	Registration; MIDH and CDB scheme conditions for value addition, replanting and nursery accreditation

Directorate of Arecanut and Spices	Registration and returns; APMC licensing for trade in arecanut
Food safety and chewing products	**FSSAI licence for the value-added unit; and the Food Safety and Standards regulations under which many states prohibit gutkha and pan masala containing tobacco or nicotine — the regulatory frontier that decides this crop's demand**
Labelling and health warnings	COTPA and packaging rules where products fall within them; supari and chewing-product labelling requirements
Labour	Plantations Labour Act 1951 and Karnataka rules; EPF, ESI, Minimum Wages; climbers engaged directly rather than through contractors
Tax	Growing and primary processing of coconut and arecanut is agricultural income exempt under section 10(1); the value-added unit and member trading are business income; GST on processed products
Other	Water and Air consents for the value-added unit and the drying yard; Legal Metrology for weighment and packaged declarations; Biological Diversity Act for intercrop species

What the law reaches	What it does not
What may be sold as a chewing product, and where	**Whether a grower is told what his crop becomes**
Labelling and health warnings on the finished pack	Any disclosure at the point the raw nut is auctioned
Food safety in the value-added unit	**Any obligation on a valuer to state the crop concentration behind a land price**
Welfare of workers resident on the estate	Anything about the 480 member holdings

> **The regulatory position is the unusual part of this crop: the risk to the business is not that it is breaking a rule but THAT THE RULE MIGHT CHANGE, and no compliance framework anywhere requires a business to say so. A holding can be in perfect standing with every board and every act on the statute book and still be a single ruling away from losing half its gross profit.**

10. Organisation & Manpower Plan

Function	Yr 1	Yr 3	Note
Estate director	1	1	Signs the crop-exposure statement
Field workers	132	**160**	**Derived, not assumed: 126 ha × 0.55 + 56 ha × 1.10 + 46 ha × 0.63**
Climbers (coconut and arecanut)	19	26	Direct engagement, mechanical aids
Value-added unit	22	44	500,000 nuts a year
Drying, boiling, grading, storage	17	22	Own and member crop
Crop-exposure accounting, agronomy, member liaison	9	**14**	**Gross profit by crop, quarterly**

Welfare	4	5	Plantations Labour Act
Sales, admin and accounts	9	12	—
Total	**213**	**284**	**1,800,000 nuts; 100,800 kg chali; 480 members**

> **The 14 people in crop-exposure accounting, agronomy and member liaison are the commitment made flesh.** Their salaries are **₹0.32 crore — ₹2.29 lakh average CTC across 14** — and the remaining **₹0.22 crore** of the reporting and channel lines covers the allocation system, end-use documentation, and unwinding the member advances that were secured on arecanut land value. **The conversion programme is separate and larger at ₹0.68 crore, which across the 46 hectares under interplanting is ₹1.48 lakh per hectare per year.**

Why the transition takes a decade	Constraint
A bearing areca palm yields for forty years	Felling one to reduce a share is destroying an asset to improve a ratio
Interplanted coconut bears in year six or seven	**The replacement gross profit arrives long after the capital does**
Cocoa and nutmeg need the existing canopy	The areca stand is the shade the successor crop grows under, so it cannot go first
Pepper climbs the areca stems themselves	**The intercrop with the best margin per hectare depends on the crop being de-emphasised**
The value-added unit must fill before nuts are diverted	Diverting nuts from copra into an under-built unit destroys margin instead of creating it

> **That fourth row is the awkward one and it is stated rather than hidden: the pepper this plan relies on is grown up the trunks of the arecanut palms it is reducing. The transition is not a separation of two crops but a slow substitution inside a single canopy, and it only works because the areca stand stays productive throughout. ANY PLAN THAT PROMISED A FASTER EXIT WOULD BE PROMISING SOMETHING HORTICULTURALLY IMPOSSIBLE.**

11. Implementation Timeline & Milestones

Phase	Months	Milestone
Registrations and finance	0–4	CDB and Directorate registration, FSSAI, APMC licence, term loan sanction, lease registered
Crop-level accounts	2–8	**Allocation basis published and the first gross-profit-by-crop statement issued before any conversion capital is spent**
Value-added unit	4–15	VCO, desiccated, water bottling and shell charcoal commissioned in sequence
Interplanting	6–30	14 → 46 ha established with coconut, cocoa, nutmeg and pepper
Approved buyer list	5–20	4 → 11 processors who name and document the end use
Member advances	8–24	₹0.34cr of arecanut-land-secured advances unwound to nil

Milestone that must not slip	Why

Crop accounts before conversion capital	Spending ₹1.90cr to reduce an exposure nobody has measured is a decision with no way of knowing whether it worked
Buyer list before the peak arecanut season	Eleven approved processors assembled mid-season means selling the balance into the open yard, which is the practice being abandoned
Interplanting inside the monsoon window	46 ha is a fifth of the holding and a late planting is a year added to a ten-year transition
Value-added unit before the nut volume arrives	500,000 nuts with nowhere to go become copra at ₹22, which is the whole margin gone

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions in Indian rupees, not forecasts or guarantees. Drivers are shown so every number can be changed.

12.1 Revenue build (₹ lakh)

Stream	Yr 1	Yr 2	Yr 3	Share	GM
Arecanut chali	377	382	363	27.9%	38.0%
Coconut: tender nut, copra, ball copra	186	232	286	22.0%	34.0%
Coconut value-added: VCO, desiccated, water, charcoal	108	178	260	20.0%	46.0%
Garden intercrop: pepper, cocoa, banana, nutmeg	96	152	208	16.0%	52.0%
Member purchase, dried, graded and traded	32	74	118	9.1%	15.0%
Nursery, climbing service and agronomy	21	42	65	5.0%	58.0%
Total	**820**	**1,060**	**1,300**	**100%**	**39.9%**

> **Read the arecanut row across rather than down: ₹377L → ₹382L → ₹363L. It barely moves in absolute terms, because no bearing palm is felled and no new hectare is planted — EVERYTHING ELSE GROWS AROUND IT. That is what a deliberate de-risking actually looks like in a perennial crop: not a divestment, but a decade of declining to compound.**

12.2 What is committed, and what it is measured on

Commitment	Yr 1	Yr 3
Arecanut share of revenue / of gross profit	46.0% / 44.4%	**27.9% / 26.6%**
Hectares interplanted away from arecanut / new arecanut hectares planted	14 ha / nil	**46 ha / nil**
Arecanut sold only where the buyer names and documents the end use / approved processors	41% / 4	**100% / 11**
Gross profit forgone on the channel restriction	₹0.11cr	**₹0.38cr**
Crop-level gross profit to board and lender quarterly / demand-shock statement	partial / no	**100% / yes**

Member advances secured on arecanut land value	₹0.34cr	**nil**

Row one is the only one that matters and the other five exist to move it. Row two is the mechanism, row three and four are the price, row five is the disclosure, and row six is the one that protects the members rather than the estate — because a grower whose advance is secured on arecanut land loses the crop and the security in the same week.

12.3 Profit & loss (₹ lakh)

Line	Yr 1	Yr 2	Yr 3
Revenue	820	1,060	1,300
Cost of goods (inputs, labour, member purchase, processing)	(497)	(640)	(782)
Gross profit	**323**	**420**	**518**
Crop-level accounting, exposure reporting and end-use documentation	(14)	(18)	(22)
Interplanting and conversion programme	(38)	(52)	(68)
Channel management and unwinding land-secured advances	(20)	(26)	(32)
Selling and distribution	(26)	(34)	(42)
Estate, processing and welfare overhead	(68)	(84)	(100)
Administration	(28)	(32)	(36)
EBITDA	**129**	**174**	**218**
Depreciation and amortisation	(62)	(76)	(90)
Finance cost	(44)	(50)	(54)
Other income (nursery, husk, misc)	8	11	14
PBT	**31**	**59**	**88**
Tax (agricultural income largely exempt, ~14% effective)	(4)	(8)	(12)
PAT	**27**	**51**	**76**
Net margin	3.3%	4.8%	**5.8%**
ROCE on ₹9.50cr	7.1%	10.3%	**13.5%**
Memo: gross profit from arecanut	*143*	*145*	*138*

The memo line is the plan's own scorecard. Arecanut gross profit is flat at about ₹1.4 crore throughout while total gross profit rises from ₹3.23 crore to ₹5.18 crore, which is how a 44.4% dependence becomes a 26.6% one without a single palm being cut. ROCE of 13.5% is modest and it is meant to be: a fifth of the project cost is being spent to reduce a risk rather than to raise a return.

A note on the tax line, because it cuts against this plan. Growing and primary processing of both crops is agricultural income and largely exempt, so the effective rate is about 14%. **The consequence is that the ₹1.22 crore spent on crop accounting, conversion and channel management earns almost no tax shield — its after-tax cost is close to its**

> **full cost. Meanwhile the value-added unit, which is the thing reducing the exposure, is fully taxable business income. The tax code, entirely without intending to, subsidises staying concentrated in the field crop and taxes the diversification.**

12.4 Project cost & funding (₹ lakh)

Use of funds	₹L	%	Source of funds	₹L
Coconut value-added unit: VCO, desiccated, water, charcoal	285	30%	Promoter equity	342
Interplanting and conversion of 46 ha	190	20%	Term loan (NABARD-refinanced)	380
Irrigation, drip and water harvesting	133	14%	CDB / MIDH subsidy	133
Drying yards, arecanut boiling and grading, storage	114	12%	Working capital limit	95
Worker housing and welfare	95	10%	—	—
Nursery, climbing-aid fleet and training	76	8%	—	—
Working capital margin and pre-operative	57	6%	—	—
Total	**950**	**100%**	**Total**	**950**

> **Half the project cost — the ₹2.85 crore value-added unit and the ₹1.90 crore conversion — is capital committed to reducing the arecanut share rather than to raising output. A lender should read those two lines as the plan itself, and the rest as the estate that pays for them.**

12.5 Sensitivities (₹ crore PAT, Year 3)

Scenario	What changes	PAT
Base case as planned	As above	**₹0.76cr**
Trade-standard practice instead	Sell arecanut to whoever bids (+₹0.38cr), keep the 22 ha of mature areca this plan is interplanting out (+₹1.43cr revenue), close the crop-accounting, conversion and channel programmes (+₹1.22cr): revenue ₹14.81cr at 41.2% gross margin	**₹2.38cr**
Regulatory shock halving the chewing market: arecanut −40%	**₹1.45cr straight off gross profit. The same shock in Year 1 would have been ₹1.51cr on a much smaller book — a loss of ₹1.03cr, or 12.6% of revenue, against 3.8% here**	**(₹0.49cr)**
Coconut price −12%	₹0.66cr across nut and value-added	₹0.19cr
Rugose whitefly or root wilt cutting nut yield 18%	₹0.98cr including unabsorbed processing cost	(₹0.09cr)
Climber and field wage +12%	₹0.38cr	₹0.43cr

> **Rows two and three are the plan, side by side. Trade-standard practice earns ₹2.38 crore against ₹0.76 crore — ₹1.62 crore more, every year, for as long as nothing happens. And row three is what happens if something does: the same estate run the trade-standard way would be carrying a far larger arecanut book into it. NEITHER ROW IS A PREDICTION. THE POINT IS THAT BOTH ARE ON THE PAGE, WHICH IS MORE THAN THE VALUATION OF A SINGLE ACRE IN THIS DISTRICT CAN SAY.**

12.6 Volumes and unit economics (Year 3)

Physical driver	Volume	Realisation	Revenue
Arecanut chali from 56 ha at 1,800 kg/ha	100,800 kg	₹360/kg	₹363L
Coconut sold as nut and copra	1,300,000 nuts	₹22/nut	₹286L
Nuts into the value-added unit	**500,000 nuts**	**₹52/nut**	**₹260L**
Garden intercrop across the holding	—	—	₹208L
Member purchase and services	480 members	—	₹183L
Total nuts from 126 ha	**1,800,000**	**—**	**₹1,300L**

Derived figure	Working	Result
Coconut yield	126 ha × 175 palms × 82 nuts	1,807,650, taken as 1,800,000
Value-added multiple	₹52 realised against ₹22 sold as nut	**2.4× on 500,000 nuts**
Virgin coconut oil	Roughly 13 nuts per litre	About 38,500 litres
Conversion cost per hectare	₹0.68cr over 46 ha under interplanting	**₹1.48 lakh per ha per year**
Channel restriction	₹38/kg over 100,800 kg	**₹0.38cr**
Field workers	126 × 0.55 + 56 × 1.10 + 46 × 0.63	160

> **The value-added multiple is what makes the whole strategy affordable. A nut sold as copra earns ₹22 and the same nut through the unit earns ₹52, so 500,000 nuts diverted are worth ₹1.50 crore of extra revenue — which is most of what pays for declining to grow the arecanut book. Without that multiple this plan would be asking a grower to accept a permanently smaller business, and no grower should accept that.**

Where the ₹1.60 crore of commitments goes	₹cr	Whether it would survive a bad year
Interplanting and conversion programme	0.68	**Must. A year skipped is a year added to the transition**
Channel restriction on arecanut sales	0.38	The first thing a pressed estate would abandon, which is why it is a board rule
Channel management and unwinding advances	0.32	Largely one-off; falls away once the advances are unwound
Crop accounting and exposure reporting	0.22	**Cheapest line here and the one everything else depends on**

> **Set against ₹0.76 crore of PAT, ₹1.60 crore of commitments looks disproportionate until the composition is read. Only ₹0.22 crore is the disclosure itself; ₹0.68 crore is capital-like spending on a crop transition that will still be producing in 2050, and ₹0.38 crore is a price concession rather than a cost. The genuinely discretionary, genuinely recurring cost of knowing what this business is exposed to is ₹22 lakh a year on a ₹13 crore turnover — under two per cent — WHICH IS WHY THE EXPLANATION FOR NOBODY ELSE DOING IT CANNOT BE THE EXPENSE.**

13. Funding Requirement & Bankability

Item	Position
Requirement	**₹9.50cr**: ₹3.42cr promoter equity, ₹3.80cr term loan, ₹1.33cr CDB/MIDH subsidy, ₹0.95cr working capital limit
Security	Leasehold improvements, value-added plant and equipment, hypothecation of stock and receivables; personal guarantee of the promoter
Debt service	Year 3 EBITDA ₹2.18cr against interest ₹0.54cr and scheduled repayment; DSCR above 1.7x from Year 3
Subsidy risk	₹1.33cr of CDB and MIDH support is reimbursement-based against completed milestones; a 12-month lag is assumed and carried on the working capital limit
The security question	**If the land is taken as security at a district valuation, the lender has underwritten arecanut twice — once through the borrower's cash flow and once through the collateral. This plan states that explicitly rather than leaving it for the credit committee to notice**
What a lender should test	**Not the yield — the crop-level gross profit statement and its trend. A holding whose arecanut share is rising while its reported profit rises is concentrating, not growing**

Year	EBITDA	Interest	Repayment	DSCR
Year 1	₹1.29cr	₹0.44cr	Moratorium	—
Year 2	₹1.74cr	₹0.50cr	₹0.48cr	1.78x
Year 3	**₹2.18cr**	**₹0.54cr**	**₹0.72cr**	**1.73x**

> **Year 1 carries a moratorium on principal and it is the plan rather than a concession:** interplanted coconut and cocoa bear nothing for years, the value-added unit commissions in sequence across fifteen months, and the crop-level accounts have to be built before any conversion capital is committed. **What a lender underwrites in Year 1 is the promoter's ₹3.42 crore, a mature arecanut crop that is currently paying very well, and a written statement of what happens if it stops — which is more than most files in this district contain.**

14. Risk Analysis & Mitigation

Risk	Impact	Mitigation

The risk everyone can see and nobody prices	Areca nut is an IARC Group 1 human carcinogen, most of India's crop goes into chewing products, gutkha is already banned or restricted across many states, and the question returns to the courts regularly. **Every one of those facts is public and undisputed, and not one appears in a district land valuation, a bank appraisal or a project report. THAT IS NOT AN INFORMATION FAILURE BUT A CONSENSUS NOT TO LOOK, HELD IN PLACE BECAUSE EVERY PARTY WHO COULD RAISE IT IS LONG THE ASSET** — grower, valuer, lender, cooperative and buyer alike. A shock halving the chewing market is ₹1.45cr off gross profit and a ₹0.49cr loss	**PUT A NUMBER ON IT AND SHRINK THE EXPOSURE WHILE THE TIMING IS STILL OURS. Gross profit reported BY CROP to board and lender quarterly with an annual written demand-shock statement. ARECANUT SHARE OF GROSS PROFIT 44.4% → 26.6% in three years — not by felling a bearing palm, which would be vandalism, but by interplanting 46 ha with coconut, cocoa, nutmeg and pepper under and between the existing stand, and BY NEVER PLANTING A NEW ARECANUT HECTARE AGAIN. Sold only to 11 processors who name and document the end use, at ₹38/kg and ₹0.38cr a year. Member advances no longer secured on arecanut land value. GENERAL RULE: WHERE A RISK IS PUBLIC, UNDISPUTED AND PRICED BY NOBODY, IT IS NOT AN UNKNOWN — IT IS A CONSENSUS NOT TO LOOK, SO PUT A NUMBER ON IT AND SHRINK THE EXPOSURE WHILE THE TIMING IS STILL YOURS**
The holding is priced per acre and the risk is per crop	Land value, bank security, lease rates and the grower's own sense of how he is doing are all per acre; a ruling, an import surge and yellow leaf disease all land on one crop. **Shared labour, water and manuring make the split genuinely fiddly, so a holding 44% dependent on one contested crop reports itself as a garden doing well. THE CONCENTRATION IS NEVER CONCEALED — IT IS NEVER COMPUTED, AND AN UNCOMPUTED CONCENTRATION CANNOT BE MANAGED**	**Shared costs allocated on a published basis and gross profit struck per crop, with the arecanut share at the top of every board pack. THE ALLOCATION BASIS IS ARGUABLE AND IS PUBLISHED SO THAT IT CAN BE ARGUED WITH — a defensible number that is challenged beats an exact one that does not exist. Sent to the lender too, because a bank holding 228 ha as security has a larger position in this question than the borrower**
Coconut price and pest	Rugose spiralling whitefly, black-headed caterpillar and root wilt are all present in the producing districts; an 18% yield loss with unabsorbed processing cost is ₹0.98cr and a small loss. A 12% price fall is ₹0.66cr	Value-added at 20% of revenue prices off product rather than the copra procurement price; biological control and Board advisories; drip irrigation at 14% of project cost; intercrop income unlinked to either main crop
Climber scarcity	Trained climbers are scarce and ageing across both crops, and arecanut palms are the harder climb; the trade is not attracting young entrants	Direct engagement rather than contractors; mechanical climbing aids at part of the ₹0.76cr fleet and training line; the nursery and climbing service turns a scarce skill into a revenue line rather than only a cost
Value-added utilisation	₹2.85cr of plant needs 500,000 nuts a year; below that the fixed cost eats the multiple that funds the whole strategy	Member purchase sized to fill the unit before own nuts are diverted from copra; four product forms so a weak market in one still absorbs nuts
Subsidy timing	₹1.33cr reimbursed against milestones, not upfront	Working capital limit sized for a 12-month lag
Member concentration	480 members can sell to any agent for same-day cash	Drying, grading and the climbing service are what no agent offers

15. SWOT Analysis

Strengths	Weaknesses
Two crops on unrelated demand bases, with own processing on the growing one; 46 ha already converting and a rule against new arecanut area that cannot be quietly relaxed; a 2.4× value-added multiple on every nut diverted from copra; crop-level accounts that make the exposure manageable; a promoter with the food-technology background the unit actually needs	13.5% ROCE and 5.8% net margin are modest, and deliberately so, because a fifth of the capital reduces risk rather than raising return; arecanut still funds nearly half of Year 1 gross profit; the transition takes a decade because perennial crops cannot be turned faster; the estate earns ₹1.62cr a year less than the trade-standard version for as long as nothing happens
Opportunities	**Threats**
Coconut value-added is growing on health positioning rather than commodity price; garden intercrop already carries the highest gross margin per hectare on the holding; a published crop-exposure statement is the kind of disclosure a serious lender will eventually require; members need a route out of the same concentration	A regulatory move on chewing products, which is the whole point; arecanut import pressure through the north-east; rugose whitefly and root wilt; climber attrition; and the plain fact that a neighbour who ignores all of this out-earns this estate every year until the day he does not

> **The honest reading is that this plan buys insurance nobody is selling, at a price it has calculated and printed. It will look unnecessary for as long as it is unnecessary, and that is true of all insurance.**

16. Recommended AiSevak Tools for This Business

- **Business plan and project report generator** — for the CDB and MIDH scheme file and the term loan appraisal.
- **Compliance calendar** — CDB and Directorate returns, FSSAI renewal, APMC licence, water and air consents, EPF, ESI and Plantations Labour Act registers.
- **Cost and pricing calculator** — cost per nut and per kilogram of chali, the shared-cost allocation basis, and gross profit by crop.
- **GST and invoicing helper** — the agricultural versus processed split, member purchase vouchers, reverse charge, value-added product GST.
- **Labour and payroll toolkit** — muster rolls, direct engagement of climbers, welfare-facility registers.
- **Loan and subsidy application helper** — milestone-based CDB and MIDH claims and the working capital assessment that has to carry a 12-month lag.
- **Contract and terms drafting helper** — the approved-processor agreement with its end-use declaration, and the member supply agreement.

> Every tool above is **free to use on AiSevak and needs no signup to explore.** The toolkit link at the end of this plan opens the whole plantation set.

17. Key Assumptions & Notes

- **All financials are illustrative model assumptions, not forecasts, projections or guarantees.** Revenue, planted area, yields, arecanut and coconut prices, conversion pace and the demand-shock magnitude are editable inputs; outcomes depend on regulation, prices, pest pressure and labour availability. Figures are in Indian rupees. **This plan is the fourth in vertical 55 and inherits its ten anchor rules (a)–(j).**

- **The central finding is that this is a risk everyone can see and nobody prices.** Areca nut is an IARC Group 1 human carcinogen, most of the crop goes into chewing products, gutkha is already banned or restricted across many states, and the question returns to the courts regularly. **All of it is public and undisputed, and none of it appears in a district valuation, a bank appraisal or a project report.**
- **That makes it different from every finding before it in this vertical.** The cup score was measured and not shared; the sprayer's exposure was never measured; the bark was measurable and nobody had the horizon. **Here the fact is published and known to every party — and still not in the price, because every party who could raise it is long the asset. GENERAL RULE: WHERE A RISK IS PUBLIC, UNDISPUTED AND PRICED BY NOBODY, IT IS NOT AN UNKNOWN — IT IS A CONSENSUS NOT TO LOOK, SO PUT A NUMBER ON IT AND SHRINK THE EXPOSURE WHILE THE TIMING IS STILL YOURS.**
- **The remedy is arithmetic, not abstinence.** The arecanut share of gross profit falls 44.4% → 26.6% across three years, **without felling a single bearing palm** — 46 ha interplanted with coconut, cocoa, nutmeg and pepper, and no new arecanut hectare ever. Arecanut gross profit stays flat at about ₹1.4cr while total gross profit rises from ₹3.23cr to ₹5.18cr.
- **The second thread is that the holding is priced per acre and the risk is per crop.** Shared labour, water and manuring make a crop-level split fiddly, so a holding 44% dependent on one contested crop reports itself as a garden doing well. **The concentration is never concealed — it is never computed, and an uncomputed concentration cannot be managed.** The allocation basis is published so it can be argued with.
- **Volumes and unit economics.** 1,800,000 nuts from 126 ha at 175 palms and 82 nuts per palm; 100,800 kg of chali from 56 ha at 1,800 kg/ha at ₹360/kg. 1,300,000 nuts sold at ₹22 and 500,000 through the value-added unit at ₹52 — **a 2.4× multiple, which is what makes the strategy affordable rather than merely virtuous.** Field headcount is derived, not assumed: 126 × 0.55 + 56 × 1.10 + 46 × 0.63 = 160.
- **The honest version is the less profitable one until it is not.** Trade-standard practice earns ₹2.38cr against ₹0.76cr — ₹1.62cr more every year that nothing happens. **A shock halving the chewing market takes this estate to a ₹0.49cr loss, 3.8% of revenue, against the ₹1.03cr and 12.6% the same shock would have caused in Year 1. Neither figure is a prediction; the point is that both are on the page.**
- **Compliance and professional advice.** Coconut Development Board registration and MIDH scheme conditions; Directorate of Arecanut and Spices registration and APMC licensing; FSSAI for the value-added unit and **the Food Safety and Standards regulations under which many states prohibit gutkha and pan masala containing tobacco or nicotine — the regulatory frontier that decides this crop's demand**; COTPA and chewing-product labelling where products fall within them; Plantations Labour Act 1951 and Karnataka rules with climbers engaged directly; section 10(1) treatment of agricultural income and GST on processed products; Water and Air consents; Legal Metrology for weighment and packaged declarations. **Nothing requires a valuer to state the crop concentration behind a land price, or a buyer to tell a grower what his nut becomes.** Professional advice should be taken on lease and Board registration, the agricultural-income split, product classification and labelling for any chewing-adjacent line, and the security structure where land valued on one crop secures lending against it.

▶ Use these tools now — free on AiSevak

Every tool referenced in this plan is available on **aisevak.in**. Open the **Plantation and Estate Agriculture toolkit** to browse and use them all at **https://aisevak.in/verticals/plantation** — or go straight to any specific tool at **https://aisevak.in/service/<tool-name>**. No signup needed to explore; each tool guides you step by step.