



BUSINESS PLAN · INDIA

FMCG Contract Manufacturer (Co-packer)

He owns the most and controls the least

FMCG

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This document is confidential and prepared for planning purposes. All financial figures are illustrative model assumptions for an Indian MSME context and must be validated against live quotes, local rates and professional advice before any investment or borrowing decision.

1. Executive Summary

This plan sets out an **FMCG Contract Manufacturer (Co-packer)** in India — a third-party production facility manufacturing and packing consumer goods to other companies' specifications and under their brand names, on job-work or full-service terms, across food, beverage and personal-care categories.

This vertical has now described a brand that owns its product but not its distribution, a distributor who owns relationships but not the goods, and a stockist who owns nothing at all. This plan completes the set with the participant whose position is the strangest of the four: he owns the most and controls the least. The co-packer owns the plant, the machinery, the licence, the workforce and the food-safety liability. What he does not own is the decision that determines whether any of it runs. His volume is set by brands whose marketing he cannot influence, whose forecasts he cannot verify, and whose failure — **which in consumer goods is the normal outcome rather than the exception** — arrives at his factory as idle capacity he must continue to finance.

The second point is the arithmetic, and in this business there is essentially one line of it. Capital cost, depreciation, factory lease, the maintenance team, the quality lab and most of the workforce are incurred whether the lines run or not. **Revenue is conversion charges on volume somebody else generates.** Everything therefore turns on **capacity utilisation**, and the operating leverage is severe in both directions: on this plan, utilisation rising from **42% to 78%** takes the business from an **11.5% loss to an 11.4% profit**, with conversion cost per unit falling from **₹24.60 to ₹16.40**. **Nothing else in the plan moves the result comparably, and no amount of commercial skill compensates for an underloaded plant.**

The third is a liability asymmetry that co-packers routinely accept without pricing. If a batch fails — contamination, a labelling error, a foreign body — the brand suffers a reputational event and the co-packer faces the regulatory and legal one. His name is on the FSSAI licence; the manufacturer's identity on the pack is his; the batch records are his. **The brand whose name is on the front of the pack may terminate the contract and move to another co-packer within a quarter, while he is still answering to the regulator about a product he made to someone else's specification, from ingredients that were sometimes someone else's choice.** This plan treats quality as a solvency matter rather than an operational one, holds audit compliance and batch traceability at 100%, **and states plainly that a co-packer who competes on price by economising on quality systems has mispriced the only risk that can end him.**

And the fourth is the trap that defines the trade: the co-packer cannot build a brand of his own without competing with his customers. Every co-packer eventually notices that his clients earn four times his margin on goods he manufactures, and concludes he should launch his own line. **The moment he does, every client reasonably assumes their formulation, costing and volume data sit inside a competitor** — and the contract manufacturing business, which was the asset, begins to leave. **This plan holds own-brand products at NIL as a matter of policy rather than of ambition**, and treats the resulting margin ceiling as the price of the customer base.

This plan models a co-packing unit requiring **₹2.80 crore** (₹95 lakh promoter + ₹1.25 crore term loan + ₹60 lakh working-capital finance), moving from **₹2.60 crore revenue and a ₹30 lakh loss** to **₹5.80 crore revenue and ₹66 lakh profit** by Year 3 — *almost entirely on utilisation, and with client concentration deliberately reduced from 74% to 48%. (Third-party consumer-goods manufacturer — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A third-party manufacturing unit run on capacity utilisation and conversion cost, with quality systems treated as the commercial product, client concentration actively managed, and no own-brand activity.

Vision: To be the co-packer a brand can put in front of its own auditor without preparing for the visit.

Mission: Fill the plant with clients whose seasonality offsets; price capacity honestly rather than buying volume; never commit dedicated capacity without a minimum-volume contract; hold traceability on every batch; and stay out of our customers' market permanently.

Legal structure options

- **Private Limited** — recommended and close to necessary: brand clients audit their co-packers, and corporate structure, insurance and documented governance are frequently onboarding conditions.
- **LLP** — workable for a smaller unit, though it can complicate large-client onboarding.
- **Proprietorship** — unsuitable at this scale given the capital, the liability profile and client audit expectations.

Regulatory anchor: the heaviest in this vertical, and it is the co-packer's rather than the brand's. **FSSAI manufacturing licence in his own name, with product categories endorsed and every client's SKU approved on it — a brand cannot lend him a licence, and manufacturing an unendorsed category is his violation regardless of who asked for it. Schedule-M-equivalent good manufacturing practice, HACCP and a documented food-safety plan**, with most brand clients additionally requiring **BRC, FSSC 22000 or their own audit standard** as a condition of business. **Legal Metrology, where the pack must declare the actual manufacturer — his name and address — which is precisely why liability follows him.** Then: factory licence and Factories Act compliance, pollution-control consents and effluent treatment appropriate to the process, boiler and pressure-vessel certification, **EPF and ESI for a large workforce including contract labour, where the principal-employer obligation under the Contract Labour Act sits with him**, product liability and plant insurance, and **batch traceability with a documented and rehearsed recall procedure — which for a co-packer must work across several clients' brands simultaneously.**

3. Promoter & Ownership

Led by a promoter with manufacturing, food-technology or operations background. Three competences decide outcomes: *capacity selling*, since the commercial task is not selling a product but filling a plant, and the two require different instincts; *quality-systems discipline*, because audits are how this business is won and a single failure is how it is lost; and *the willingness to refuse work* — a client demanding dedicated capacity without volume commitment, or a price below marginal cost during a lean quarter, is offering a problem rather than an order. Ownership, equity & investor terms are editable inputs.

4. Market Analysis — India

Demand for third-party manufacturing has grown sharply, driven by brands that want products without plants — established companies outsourcing non-core lines, regional brands scaling beyond their own capacity, and a large population of new D2C brands with capital for marketing but none for machinery.

Demand drivers

- **Asset-light brand building** — the dominant model in Indian consumer goods over the past decade.

- **D2C and online-first brands** launching without capacity — **the fastest-growing client segment and the least creditworthy.**
- **Established FMCG outsourcing** of seasonal, regional or non-core SKUs.
- **Private label** for modern trade and quick-commerce platforms, which is large-volume and hard-negotiating.
- **Regulatory tightening**, which favours co-packers with genuine certification and squeezes informal units.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Outsourced consumer-goods manufacturing	Large and growing; category-defined
SAM	Categories the plant is licensed and equipped for	Licence- and machinery-bounded
SOM (Yr 1-3)	Installed capacity × utilisation	42% → 78% utilisation

The most important thing a co-packer can understand about his market is that his growth is entirely derivative, and that most of his customers will fail. He does not have demand of his own — he has his clients' demand, and in consumer goods the base rate of new-product failure is high enough that a co-packer's client list turns over continuously. The D2C brands described elsewhere in this vertical are the clearest case: **they are his fastest-growing segment, they arrive enthusiastic and well-funded, they order against a forecast built before their product had customers — and a meaningful proportion of them will not exist in eighteen months.** This has two consequences that a plan must price rather than hope about. **The first is credit: a co-packer who extends sixty days to a brand burning venture capital on advertising is an unsecured lender to a business with no assets,** which is why this plan raises advance or deposit coverage on new clients from 22% to 85% and treats it as a condition rather than a negotiation. **The second is capacity planning: volume from a young brand is real until it stops, and building a schedule around it produces a plant that is full on paper and idle in fact.** The response is not to avoid such clients — **they are the growth in this market** — but to hold them at the correct commercial terms and to keep a base of established, slower-growing clients whose volumes are dull and reliable. **Revenue from clients who ceased trading within twelve months runs at 9% in Year 1 and is brought to 4% by Year 3, and it is reported here because a co-packer who does not measure it will mistake his churn for his sales team's failure.**

5. Competition & Competitive Advantage

Landscape: other co-packers competing largely on conversion price, informal units operating below the compliance line at costs a certified plant cannot match, brands' own in-house capacity for core lines, and larger contract manufacturers with scale advantages on big private-label tenders. **Price competition is intense and mostly won by whoever is prepared to be least careful.**

The business's edge

- **Audit-ready quality systems** — the actual product being sold, and the reason a serious brand chooses one plant over another.
- **Utilisation managed by seasonality-offsetting client mix**, rather than by chasing whoever calls.
- **Conversion cost known per unit and per line**, so pricing is deliberate rather than defensive.
- **Changeover time reduced**, which is what makes short runs and small clients profitable.
- **No own-brand activity, permanently** — a commercial commitment clients can verify.

The liability asymmetry in contract manufacturing is severe, widely accepted without negotiation, and almost never priced — and setting it out plainly is the most useful thing this plan can do for a prospective co-packer. The pack carries the brand's name on the front and the manufacturer's name and address in the declaration, because Legal Metrology requires it. When a batch fails, the two parties face entirely different events. The brand faces a commercial and reputational problem, and its remedies are quick: terminate the contract, move production to another co-packer, and issue a statement about supplier quality standards. The co-packer faces a regulatory and legal problem, and his are slow: he holds the licence, he made the goods, his address is on the pack, and he will be explaining the batch records long after the brand has moved on. The asymmetry sharpens where the brand specified the formulation or nominated the ingredient supplier — the co-packer may have manufactured exactly what he was instructed to manufacture and still be the party the regulator addresses. Three responses follow, and none is optional. **Contractual:** written specifications, agreed release criteria, defined responsibility for brand-nominated inputs, and indemnity language covering specification-driven defects. **Operational:** incoming-material testing even on brand-supplied inputs, batch retention samples, full traceability, and refusal to release product that fails his own criteria regardless of the client's delivery pressure. **Commercial:** product liability insurance sized to a genuine recall rather than to the invoice value of a batch. A co-packer who wins work by economising on quality systems has mispriced the only risk capable of ending his business, and he will usually discover this in the one year he cannot afford to.

6. Service Model, Conversion Pricing & What Fills a Plant

Engagement type	Model	Economics
Job work (brand supplies materials)	Conversion charge per unit	Lower revenue, no material risk, better return on capital
Full service (co-packer procures)	Material + conversion	Higher revenue, working-capital and price risk carried
Private label for retail / q-commerce	Per-unit, tendered	Large volumes, hard terms, valuable base load
Development & pilot runs	Charged separately	Often given free — a mistake this plan corrects
Dedicated capacity without minimum-volume contract	NIL — by policy	It transfers the client's risk to the plant
Own-brand manufacture	NIL — by policy	It competes with the customers
Pricing below marginal cost to fill a lean quarter	NIL — by policy	The price never comes back up

Utilisation is not one lever among several in this business; it is very nearly the only one, and the arithmetic deserves stating because it explains almost every decision in this plan. Depreciation, the factory lease, the maintenance team, the quality lab, the supervisory staff and a substantial part of the direct workforce are incurred whether the lines run or stand still. Against that fixed base, each additional unit produced carries only its material and marginal conversion cost — so the contribution from incremental volume falls almost entirely to the bottom line. This is why the plan moves from an 11.5% loss to an 11.4% profit on a revenue increase of just over twice, and why conversion cost per unit falls by a third without a single equipment upgrade. Two disciplines follow, and they pull in opposite directions, which is what makes this business difficult to run well. **The first is that filling the plant is worth more than protecting price on any individual job** — an idle line earns nothing, and a marginal order at a thin margin is better than an empty shift. **The second is that this reasoning, applied without a**

floor, destroys the business: a co-packer who quotes below marginal cost during a lean quarter discovers that the price he set in desperation becomes the price that client expects permanently, and that it circulates to others in a market where clients talk. The resolution this plan adopts is a hard floor at marginal cost plus a defined contribution, combined with **changeover time reduced from 4.2 hours to 1.9 — because the real answer to a half-empty plant is the ability to run more, smaller jobs profitably, not the willingness to run the same jobs cheaply.**

7. Go-to-Market — Filling the Plant

Client acquisition

- **Certification as the entry ticket** — FSSC/BRC or client-audit readiness decides which conversations even start.
- **Established brands for base load**, whose volumes are unexciting and reliable.
- **D2C and challenger brands for growth**, taken on advance or deposit terms rather than open credit.
- **Seasonality-offsetting mix** deliberately built, so the plant's troughs are somebody else's peaks.

Retention

- **On-time-in-full delivery**, since a brand that misses a listing window blames its co-packer and is right to.
- **Audit performance**, which is re-tested annually and is how contracts renew silently.
- **Development support** on new SKUs — charged, but the reason clients stay.
- **Confidentiality that is visible**, including the standing commitment never to sell an own brand.

The commercial task here is unusual and frequently misunderstood by promoters arriving from a sales background: this business does not sell a product, it sells hours on a line. An unsold hour is not inventory that waits for a better month — it is gone permanently, in the way an unsold airline seat is gone, which means the pricing instinct that serves a product business badly misleads here. **The correct discipline is to price capacity against a known marginal cost with a floor beneath it, and to fill the remainder with work whose timing suits the plant rather than the client.**

8. Operations Plan (schedule, convert, test, release, trace)

- **Scheduling**: production planned against confirmed orders with committed volumes, **and capacity reserved only against contract — because a slot held for a client who does not deliver is an hour sold to nobody.**
- **Changeover**: **SMED discipline and sequencing by allergen and category**, since changeover time is what decides whether small clients are profitable or merely busy.
- **Incoming materials**: tested on receipt **including brand-supplied and brand-nominated inputs, because the liability does not follow the choice.**
- **Conversion**: line efficiency and OEE measured per shift; **rejection and rework tracked by cause rather than by volume.**
- **Quality release**: **batch released against written criteria by the co-packer's own quality function, never under client delivery pressure — this is the single control that protects the licence.**
- **Traceability**: **full batch genealogy and retention samples on every run, with a recall procedure that works across several clients' brands simultaneously and is rehearsed rather than merely documented.**
- **Maintenance**: planned preventive maintenance scheduled into troughs, **because unplanned downtime in a utilisation business is the most expensive event that can occur on an ordinary day.**

- **Client credit: advance or deposit on new and young clients; exposure per client capped and reviewed monthly.**

Plant control points

Area	Activity	Control point
The master lever	Capacity utilisation	42% → 61% → 78%
Cost position	Conversion cost per unit	₹24.60 → ₹19.80 → ₹16.40
Flexibility	Changeover time — what makes small jobs viable	4.2h → 2.8h → 1.9h
Existential risk	Top-3 client share of revenue	74% → 61% → 48%
Client quality	Revenue from clients ceasing to trade within 12 months	9% → 6% → 4%
Licence protection	Audits passed; batch traceability	100% / 100% — non-negotiable
Efficiency	OEE; rejection & rework	48% → 67%; 3.8% → 1.7%

Client concentration is the risk that actually closes co-packing units, and it is dangerous precisely because it arrives disguised as success. A single large client filling half the plant is **the most efficient business a co-packer can have: long runs, few changeovers, predictable scheduling, simple planning.** It is also a position in which the client knows exactly how much of the plant depends on him, and prices accordingly at every renewal. The negotiation is entirely one-sided and both parties know it. **Worse is what happens when the relationship ends — and it ends for reasons that have nothing to do with the co-packer's performance: the brand is acquired, builds its own plant, loses a listing, changes category strategy, or simply fails.** Half the plant then goes quiet in a single month, while the depreciation, the lease, the maintenance team and the quality lab continue exactly as before. The co-packer who spent three profitable years serving that client did not build a business; **he rented one out, and the lease has expired.** Reducing top-three concentration from 74% to 48% is therefore this plan's most important commercial objective, **and it is genuinely costly to pursue: more clients means more changeovers, shorter runs, more audits, more relationship management and a lower theoretical efficiency.** The plan accepts that cost deliberately, on the view that a slightly less efficient plant that survives a client departure is worth more than an optimally efficient one that does not.

9. FSSAI, GMP & Compliance (India)

- **FSSAI manufacturing licence in the co-packer's own name**, with categories endorsed and each client SKU approved — **a brand cannot lend a licence, and manufacturing an unendorsed category is his violation regardless of who requested it.**
- **GMP, HACCP and a documented food-safety plan**, with **FSSC 22000, BRC or client-specific audit standards** as commercial entry conditions.
- **Legal Metrology** — the pack must declare the actual manufacturer's name and address, **which is exactly why liability follows the co-packer rather than the brand.**
- **Incoming-material testing including brand-supplied and brand-nominated inputs**, because responsibility does not follow the choice of supplier.
- **Batch traceability, retention samples and a rehearsed recall procedure** operating across several clients' brands at once.

- Factory licence and Factories Act compliance; pollution-control consents and effluent treatment; boiler and pressure-vessel certification.
- **EPF, ESI and Contract Labour (Regulation & Abolition) Act compliance**, with the **principal-employer obligation sitting squarely with the co-packer.**
- **Product liability and plant insurance sized to a genuine recall**, not to the invoice value of a batch.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / managing director	1	1	2
Production & packing (incl. contract workforce)	34	48	66
Quality assurance, QC lab & compliance	6	8	11
Maintenance & engineering	5	7	9
Supply chain, stores & planning	4	6	8
Client servicing & capacity sales	2	3	4
Finance & admin	4	5	6
Total	56	78	106

Six quality staff in a 56-person plant, before the business is profitable, is the plan's most deliberate allocation. In a business where the licence is the asset and a single batch failure is the one event that can end it, quality headcount is not overhead — it is the insurance premium, and it is paid in people rather than in policy documents. The same logic explains a client-servicing function of only two: **this business is won in audits and lost in deliveries, not won in meetings.**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–6	Plant commissioned, FSSAI licence with categories endorsed, GMP/HACCP documented, first client audits passed, trial runs validated
Launch	Month 6–12	₹2.60cr revenue, ₹30L loss; 42% utilisation; conversion cost ₹24.60/unit; 6 clients; top-3 concentration 74%
Build	Year 2	11 clients; 61% utilisation; changeover 2.8h; deposit coverage on new clients 58%; ₹4.10cr revenue, ₹15L profit
Scale	Year 3	18 clients; ₹5.80cr revenue, ₹66L profit; 78% utilisation; conversion cost ₹16.40; top-3 concentration 48%; audits and traceability at 100%

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. **Utilisation is the lever; conversion price is barely one, because the market sets it and the floor is marginal cost.**

12.1 Project cost & means of finance

Capital requirement	₹
Plant, machinery & packing lines	1,42,00,000
Working capital (materials, WIP, client credit)	40,00,000
Factory building deposit, civil & fit-out	34,00,000
Quality lab, testing equipment & FSSAI/GMP setup	22,00,000
Utilities infrastructure (power, boiler, ETP)	18,00,000
Launch & initial operating losses	13,00,000
Technology (ERP, batch & traceability systems)	6,00,000
Legal, licences, certification & registrations	5,00,000
Total project cost	2,80,00,000
Promoter contribution	95,00,000
Term loan (plant & equipment)	1,25,00,000
Working-capital finance	60,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
REVENUE (conversion + material pass-through)	2,60,00,000	4,10,00,000	5,80,00,000
— Job work (conversion charge only)	1,04,00,000	1,72,00,000	2,55,00,000
— Full service (material + conversion)	1,30,00,000	2,01,00,000	2,73,00,000
— Development, pilot runs & tooling	26,00,000	37,00,000	52,00,000
Materials & packaging (full-service jobs)	1,04,00,000	1,64,00,000	2,32,00,000
Direct labour & contract workforce	44,00,000	60,00,000	78,00,000
Salaries (QA, engineering, planning, admin)	30,00,000	38,00,000	48,00,000
Utilities (power, fuel, water, effluent)	26,00,000	35,00,000	46,00,000
Depreciation	22,00,000	24,00,000	26,00,000
Finance cost (interest)	14,00,000	15,00,000	15,00,000
Plant maintenance & spares	14,00,000	17,00,000	21,00,000
Factory lease & property costs	12,00,000	13,00,000	14,00,000
Quality, testing, certification & audits	8,00,000	10,00,000	13,00,000
Rejections, rework & wastage	7,00,000	8,00,000	8,00,000
Admin, insurance & other	9,00,000	11,00,000	13,00,000
Total expenses	2,90,00,000	3,95,00,000	5,14,00,000

Net profit / (loss) before tax	(30,00,000)	15,00,000	66,00,000
Net margin	(11.5%)	3.7%	11.4%
CAPACITY UTILISATION (the master lever)	42%	61%	78%
CONVERSION COST PER UNIT	₹24.60	₹19.80	₹16.40
Overall equipment effectiveness (OEE)	48%	58%	67%
Average changeover time	4.2 hrs	2.8 hrs	1.9 hrs
Rejections, rework & wastage as % of production value	3.8%	2.6%	1.7%
ACTIVE CLIENTS / TOP-3 CLIENT SHARE OF REVENUE	6 / 74%	11 / 61%	18 / 48%
REVENUE FROM CLIENTS CEASING TO TRADE WITHIN 12 MONTHS	9%	6%	4%
New clients taken on advance or deposit terms	22%	58%	85%
Client credit days / on-time-in-full delivery	52 / 89%	44 / 94%	38 / 97%
CLIENT & REGULATORY AUDITS PASSED / BATCH TRACEABILITY	100% / 100%	100% / 100%	100% / 100%
Own-brand products manufactured	NIL	NIL	NIL
Dedicated capacity committed without volume contract	NIL	NIL	NIL

12.3 Unit economics & break-even

- **Utilisation is very nearly the whole story. 42% to 78% carries the business from an 11.5% loss to an 11.4% profit** — and conversion cost per unit falls by a third **without a single equipment upgrade, purely because fixed cost is spread across more units.**
- **The Year-1 loss is structural, not managerial.** A plant commissioned for a target throughput **carries its full depreciation, lease, maintenance and quality cost from day one while running at four-tenths of capacity**, the loss is the cost of the gap between installed and sold capacity.
- **Changeover time is what makes the client-diversification strategy affordable. Reducing it from 4.2 hours to 1.9 is what allows 18 clients instead of 6 without surrendering the utilisation gain** — without it, diversification and efficiency are directly opposed.
- **Job work returns better on capital than full service, despite lower revenue**, because the material is the client's: **no working capital, no price risk, no obsolescence. Revenue is the wrong measure of an engagement here; return on the capital it consumes is the right one.**
- **Break-even: Year 2, at roughly 55% utilisation** — **which is the single number a promoter should hold in mind, because it defines how much of the plant must be sold before anything at all is earned.**

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	46,00,000	32,00,000	20,00,000	11,00,000
Collections from clients	56,00,000	62,00,000	68,00,000	74,00,000
Materials, wages, utilities, interest & overheads	70,00,000	74,00,000	77,00,000	79,00,000
Closing balance	32,00,000	20,00,000	11,00,000	6,00,000

The co-packer's cash problem is that he finances his clients' growth with a balance sheet far smaller than theirs, and the youngest and most exciting clients are the worst offenders. On full-service work he buys materials, converts them, holds finished goods until the client calls them off, and then waits fifty-two days for payment — funding a brand's launch out of a plant's working capital. The exposure concentrates precisely where the growth is: a D2C brand ordering against an ambitious forecast is a large receivable secured by nothing, since its assets are inventory it has not sold and a customer list that cannot be pledged. When such a client fails, the co-packer loses the receivable, keeps the leftover packaging printed with a brand nobody will ever buy again, and — worst of the three — has the slot in his schedule go empty at short notice. Four controls follow. Advance or deposit coverage on new clients raised from 22% to 85%, treated as an onboarding condition rather than a negotiation. Client-specific packaging and tooling paid for upfront, because it has no resale value to anybody. Exposure per client capped and reviewed monthly against the plant's own limit, not against the client's enthusiasm. And a deliberate base load of established clients whose volumes are dull and predictable — which is what allows the plant to take on exciting young brands at all, since it is the boring revenue that pays the lease when an exciting client disappears.

12.5 Key Performance Indicators to Monitor

- **The master lever:** capacity utilisation by line and shift; conversion cost per unit; OEE; changeover time.
- **Client risk:** top-3 concentration; active client count; revenue from clients ceasing to trade within 12 months; deposit coverage on new clients; exposure per client.
- **Licence protection:** audits passed; batch traceability; incoming-material test coverage including brand-supplied inputs; batches released against written criteria.
- **Delivery & efficiency:** on-time-in-full; rejection and rework by cause; unplanned downtime; preventive maintenance completed on schedule.

13. Funding Requirement & Bankability

Total ask: **₹1.25 crore term loan plus ₹60 lakh working-capital finance** against ₹95 lakh promoter contribution. Four points. **First, this is the most conventionally bankable plan in the FMCG vertical, and it is worth saying so after three that were not** — there is real, securable plant and machinery, the assets have resale value, and Mudra, CGTMSE, SIDBI and state industrial-subsidy routes are all genuinely available where the brand-owner and distributor plans struggled to offer security. **Second, the term loan's repayment schedule must be built against the utilisation ramp rather than against Year-1 revenue: a plant at 42% cannot service a schedule designed for a plant at 78%, and the moratorium should extend to the point where utilisation crosses break-even at roughly 55%. Third, and the most useful diagnostic available to a lender: ask for capacity utilisation and top-three client concentration together, because either number alone is misleading. A plant at 80% utilisation with 74% of revenue from three clients is not a strong business — it is a fragile one running well, and the loan is effectively lent to three companies the lender has never assessed. Fourth, treat quality certification and insurance as covenants rather than as good practice: a lapse in FSSC/BRC status removes the client base within one audit cycle, and product liability cover sized to an invoice rather than to a recall converts a batch failure into an insolvency.**

13.1 Funding utilisation

Use of funds	₹	% of total
Plant, machinery & packing lines	1,42,00,000	50.7%

Working capital (materials, WIP, client credit)	40,00,000	14.3%
Factory building deposit, civil & fit-out	34,00,000	12.1%
Quality lab, testing equipment & FSSAI/GMP setup	22,00,000	7.9%
Utilities infrastructure (power, boiler, ETP)	18,00,000	6.4%
Launch & initial operating losses	13,00,000	4.6%
Technology (ERP, batch & traceability systems)	6,00,000	2.2%
Legal, licences, certification & registrations	5,00,000	1.8%
Total	2,80,00,000	100%

14. Risk Analysis & Mitigation

Risk	Mitigation
He owns the most and controls the least	SETS THIS PLAN'S GOVERNING CONVENTION AND COMPLETES THE VERTICAL'S SET: THE BRAND OWNS ITS PRODUCT BUT NOT ITS DISTRIBUTION; THE DISTRIBUTOR OWNS RELATIONSHIPS BUT NOT THE GOODS; THE STOCKIST OWNS NOTHING AT ALL; THE CO-PACKER OWNS THE PLANT, THE MACHINERY, THE LICENCE, THE WORKFORCE AND THE FOOD-SAFETY LIABILITY — AND DOES NOT OWN THE DECISION THAT DETERMINES WHETHER ANY OF IT RUNS. HIS VOLUME IS SET BY BRANDS WHOSE MARKETING HE CANNOT INFLUENCE AND WHOSE FORECASTS HE CANNOT VERIFY, AND WHOSE FAILURE — THE NORMAL OUTCOME IN CONSUMER GOODS RATHER THAN THE EXCEPTION — ARRIVES AT HIS FACTORY AS IDLE CAPACITY HE MUST CONTINUE TO FINANCE → utilisation 42%→78%, concentration 74%→48%, 6→18 clients
Utilisation is very nearly the only lever	DEPRECIATION, LEASE, MAINTENANCE, THE QUALITY LAB, SUPERVISION AND MUCH OF THE DIRECT WORKFORCE ARE INCURRED WHETHER THE LINES RUN OR STAND STILL, WHILE REVENUE IS CONVERSION CHARGES ON VOLUME SOMEBODY ELSE GENERATES — SO 42%→78% CARRIES THE BUSINESS FROM AN 11.5% LOSS TO AN 11.4% PROFIT AND CUTS CONVERSION COST PER UNIT BY A THIRD WITHOUT A SINGLE EQUIPMENT UPGRADE. NO AMOUNT OF COMMERCIAL SKILL COMPENSATES FOR AN UNDERLOADED PLANT → break-even at ~55% utilisation, THE SINGLE NUMBER A PROMOTER SHOULD HOLD IN MIND BECAUSE IT DEFINES HOW MUCH OF THE PLANT MUST BE SOLD BEFORE ANYTHING AT ALL IS EARNED
The liability asymmetry	SEVERE, WIDELY ACCEPTED WITHOUT NEGOTIATION, AND ALMOST NEVER PRICED: WHEN A BATCH FAILS THE BRAND FACES A COMMERCIAL AND REPUTATIONAL PROBLEM WITH QUICK REMEDIES — TERMINATE, MOVE PRODUCTION, ISSUE A STATEMENT ABOUT SUPPLIER STANDARDS — WHILE THE CO-PACKER FACES A REGULATORY AND LEGAL ONE WITH SLOW REMEDIES: HE HOLDS THE LICENCE, HE MADE THE GOODS, HIS ADDRESS IS ON THE PACK BECAUSE LEGAL METROLOGY REQUIRES IT, AND HE WILL BE EXPLAINING THE BATCH RECORDS LONG AFTER THE BRAND HAS MOVED ON — SHARPENING WHERE THE BRAND SPECIFIED THE FORMULATION OR NOMINATED THE INGREDIENT SUPPLIER, SINCE HE MAY HAVE MANUFACTURED EXACTLY WHAT HE WAS INSTRUCTED TO AND STILL BE THE PARTY THE REGULATOR ADDRESSES → written specifications and release criteria, defined responsibility for brand-nominated inputs, indemnity for specification-driven defects; incoming testing even on brand-supplied materials; retention samples and full traceability; PRODUCT LIABILITY COVER SIZED TO A GENUINE RECALL RATHER THAN TO THE INVOICE VALUE OF A BATCH. A CO-PACKER WHO WINS WORK BY ECONOMISING ON QUALITY SYSTEMS HAS MISPRICED THE ONLY RISK CAPABLE OF ENDING HIS BUSINESS, AND WILL DISCOVER IT IN THE ONE YEAR HE CANNOT AFFORD TO

Client concentration disguised as success	A SINGLE LARGE CLIENT FILLING HALF THE PLANT IS THE MOST EFFICIENT BUSINESS A CO-PACKER CAN HAVE — LONG RUNS, FEW CHANGEOVERS, SIMPLE PLANNING — AND ALSO A POSITION IN WHICH THE CLIENT KNOWS EXACTLY HOW MUCH OF THE PLANT DEPENDS ON HIM AND PRICES ACCORDINGLY AT EVERY RENEWAL. WORSE IS THE ENDING, WHICH COMES FOR REASONS UNRELATED TO PERFORMANCE — THE BRAND IS ACQUIRED, BUILDS ITS OWN PLANT, LOSES A LISTING, CHANGES STRATEGY, OR SIMPLY FAILS — AND HALF THE PLANT GOES QUIET IN A SINGLE MONTH WHILE DEPRECIATION, LEASE, MAINTENANCE AND THE QUALITY LAB CONTINUE EXACTLY AS BEFORE. THE CO-PACKER WHO SPENT THREE PROFITABLE YEARS SERVING THAT CLIENT DID NOT BUILD A BUSINESS; HE RENTED ONE OUT, AND THE LEASE HAS EXPIRED → top-3 concentration 74%→48%, GENUINELY COSTLY TO PURSUE (MORE CHANGEOVERS, SHORTER RUNS, MORE AUDITS, LOWER THEORETICAL EFFICIENCY) AND ACCEPTED DELIBERATELY, ON THE VIEW THAT A SLIGHTLY LESS EFFICIENT PLANT THAT SURVIVES A CLIENT DEPARTURE IS WORTH MORE THAN AN OPTIMALLY EFFICIENT ONE THAT DOES NOT; changeover 4.2h→1.9h is what makes that affordable
His customers fail — that is the base rate	HIS GROWTH IS ENTIRELY DERIVATIVE: HE HAS NO DEMAND OF HIS OWN, ONLY HIS CLIENTS' DEMAND, AND NEW-PRODUCT FAILURE IN CONSUMER GOODS IS COMMON ENOUGH THAT HIS CLIENT LIST TURNS OVER CONTINUOUSLY. D2C BRANDS ARE THE CLEAREST CASE — HIS FASTEST-GROWING SEGMENT, ARRIVING ENTHUSIASTIC AND WELL-FUNDED, ORDERING AGAINST A FORECAST BUILT BEFORE THEIR PRODUCT HAD CUSTOMERS, AND A MEANINGFUL PROPORTION WILL NOT EXIST IN EIGHTEEN MONTHS. A CO-PACKER EXTENDING SIXTY DAYS TO A BRAND BURNING VENTURE CAPITAL ON ADVERTISING IS AN UNSECURED LENDER TO A BUSINESS WITH NO ASSETS → deposit coverage on new clients 22%→85% as a condition not a negotiation; client-specific packaging and tooling paid upfront since IT HAS NO RESALE VALUE TO ANYBODY; exposure capped per client; REVENUE FROM CLIENTS CEASING TO TRADE WITHIN 12 MONTHS MEASURED AND REPORTED (9%→4%), BECAUSE A CO-PACKER WHO DOES NOT MEASURE IT WILL MISTAKE HIS CHURN FOR HIS SALES TEAM'S FAILURE
The own-brand trap	EVERY CO-PACKER EVENTUALLY NOTICES THAT HIS CLIENTS EARN FOUR TIMES HIS MARGIN ON GOODS HE MANUFACTURES AND CONCLUDES HE SHOULD LAUNCH HIS OWN LINE — AND THE MOMENT HE DOES, EVERY CLIENT REASONABLY ASSUMES THEIR FORMULATION, COSTING AND VOLUME DATA SIT INSIDE A COMPETITOR, AND THE CONTRACT MANUFACTURING BUSINESS, WHICH WAS THE ASSET, BEGINS TO LEAVE → own-brand products held at NIL permanently as policy rather than ambition, stated to clients as a verifiable commercial commitment; THE RESULTING MARGIN CEILING IS ACCEPTED AS THE PRICE OF THE CUSTOMER BASE
Price competition below the compliance line	Informal units operate at costs a certified plant cannot match, and PRICE COMPETITION IS MOSTLY WON BY WHOEVER IS PREPARED TO BE LEAST CAREFUL → hard floor at marginal cost plus defined contribution; NO PRICING BELOW MARGINAL COST TO FILL A LEAN QUARTER, BECAUSE THE PRICE SET IN DESPERATION BECOMES THE PRICE THAT CLIENT EXPECTS PERMANENTLY AND CIRCULATES TO OTHERS IN A MARKET WHERE CLIENTS TALK; THE REAL ANSWER TO A HALF-EMPTY PLANT IS THE ABILITY TO RUN MORE, SMALLER JOBS PROFITABLY — NOT THE WILLINGNESS TO RUN THE SAME JOBS CHEAPLY
Dedicated capacity & downtime	Clients request reserved lines and tooling without volume commitment → NIL WITHOUT A MINIMUM-VOLUME CONTRACT, BECAUSE A SLOT HELD FOR A CLIENT WHO DOES NOT DELIVER IS AN HOUR SOLD TO NOBODY AND AN UNSOLD HOUR IS GONE PERMANENTLY, THE WAY AN UNSOLD AIRLINE SEAT IS GONE; preventive maintenance scheduled into troughs since UNPLANNED DOWNTIME IN A UTILISATION BUSINESS IS THE MOST EXPENSIVE EVENT THAT CAN OCCUR ON AN ORDINARY DAY
Labour & statutory exposure	Large contract workforce → PRINCIPAL-EMPLOYER OBLIGATION UNDER THE CONTRACT LABOUR ACT SITS SQUARELY WITH THE CO-PACKER; EPF/ESI applied properly; Factories Act, boiler certification, pollution consents and effluent treatment current, since a compliance lapse closes the plant rather than fining it

15. SWOT Analysis

Strengths Real, securable plant with resale value — the most conventionally bankable plan in this vertical; audit-ready quality systems as the actual product; changeover reduced to 1.9h, making a diversified client base affordable; conversion cost known per line; no own-brand conflict, verifiably.	Weaknesses Demand is entirely derivative — no customers of his own ; severe operating leverage in both directions; carries food-safety liability for products bearing someone else's name; structural Year-1 loss; finances clients' growth from a smaller balance sheet than theirs.
Opportunities Asset-light brand building as the dominant Indian model; D2C and challenger brands launching without capacity; private label for modern trade and quick commerce; regulatory tightening squeezing informal units and favouring certified plants; established-FMCG outsourcing of non-core SKUs.	Threats A single large client leaving for reasons unrelated to performance; informal units pricing below the compliance line; clients building their own capacity; one batch failure ending the licence and the client base together; young clients failing with receivables outstanding.

16. Recommended AiSevak Tools for This Business

This contract manufacturer would use AiSevak's FMCG vertical tools in operations:

- **The master lever: capacity utilisation and OEE by line and shift, conversion-cost-per-unit model with a marginal-cost pricing floor, changeover-time tracking with SMED analysis.**
- **Client risk: concentration monitor (top-3 share), client-viability and credit-exposure register, deposit-coverage tracker on new clients, revenue-at-risk from clients ceasing to trade.**
- **Licence protection: audit calendar and readiness checklist, batch genealogy and retention-sample register, incoming-material test coverage including brand-supplied inputs, recall rehearsal log across multiple client brands.**
- **Scheduling & delivery:** capacity booking against confirmed volume contracts, on-time-in-full tracking, unplanned-downtime and preventive-maintenance compliance.
- **Cash:** job-work versus full-service return-on-capital comparison, working-capital sizing against the call-off cycle, client-specific tooling and packaging recovery.

17. Key Assumptions & Notes

- FMCG contract manufacturer / co-packer: third-party production and packing to other companies' specifications under their brand names, on job-work and full-service terms across food, beverage and personal-care categories. **FIFTH PLAN IN THE FMCG VERTICAL — COMPLETES THE CHAIN BY DESCRIBING THE PARTICIPANT WHO OWNS THE MOST AND CONTROLS THE LEAST.**
- **△ GOVERNING CONVENTION FOR THE CONTRACT-MANUFACTURING SUB-MODEL, SET HERE: (a) HE OWNS THE PLANT, MACHINERY, LICENCE, WORKFORCE AND FOOD-SAFETY LIABILITY — AND NOT THE DECISION THAT DETERMINES WHETHER ANY OF IT RUNS. (b) UTILISATION IS VERY NEARLY THE ONLY LEVER: 42%→78% TAKES THE BUSINESS FROM AN 11.5% LOSS TO AN 11.4% PROFIT, AND NO AMOUNT OF COMMERCIAL SKILL COMPENSATES FOR AN UNDERLOADED PLANT. (c) THE LIABILITY ASYMMETRY IS SEVERE AND ALMOST NEVER PRICED — THE BRAND'S REMEDIES ARE QUICK AND COMMERCIAL, HIS ARE**

SLOW AND REGULATORY. (d) HIS GROWTH IS DERIVATIVE AND MOST OF HIS CUSTOMERS WILL FAIL, WHICH IS A CREDIT AND CAPACITY-PLANNING FACT RATHER THAN A DISAPPOINTMENT. (e) HE CANNOT BUILD A BRAND OF HIS OWN WITHOUT COMPETING WITH HIS CUSTOMERS.

- **ON UTILISATION AND PRICING, WHICH PULL IN OPPOSITE DIRECTIONS AND ARE WHAT MAKE THIS BUSINESS DIFFICULT TO RUN WELL: FILLING THE PLANT IS WORTH MORE THAN PROTECTING PRICE ON ANY INDIVIDUAL JOB, BECAUSE AN IDLE LINE EARNS NOTHING AND A MARGINAL ORDER AT A THIN MARGIN BEATS AN EMPTY SHIFT — YET THAT SAME REASONING, APPLIED WITHOUT A FLOOR, DESTROYS THE BUSINESS, SINCE A CO-PACKER WHO QUOTES BELOW MARGINAL COST IN A LEAN QUARTER FINDS THE PRICE SET IN DESPERATION BECOMES PERMANENT AND CIRCULATES TO OTHERS IN A MARKET WHERE CLIENTS TALK. THE RESOLUTION IS A HARD FLOOR AT MARGINAL COST PLUS A DEFINED CONTRIBUTION, COMBINED WITH CHANGEOVER TIME CUT FROM 4.2 TO 1.9 HOURS — BECAUSE THE REAL ANSWER TO A HALF-EMPTY PLANT IS THE ABILITY TO RUN MORE, SMALLER JOBS PROFITABLY, NOT THE WILLINGNESS TO RUN THE SAME JOBS CHEAPLY. THIS BUSINESS SELLS HOURS ON A LINE, NOT A PRODUCT, AND AN UNSOLD HOUR IS GONE PERMANENTLY THE WAY AN UNSOLD AIRLINE SEAT IS GONE.**
- **ON QUALITY AS SOLVENCY: SIX QUALITY STAFF IN A 56-PERSON PLANT BEFORE PROFITABILITY IS THE PLAN'S MOST DELIBERATE ALLOCATION — IN A BUSINESS WHERE THE LICENCE IS THE ASSET AND A SINGLE BATCH FAILURE IS THE ONE EVENT THAT CAN END IT, QUALITY HEADCOUNT IS NOT OVERHEAD BUT THE INSURANCE PREMIUM, PAID IN PEOPLE RATHER THAN IN POLICY DOCUMENTS → FSSAI licence in his own name with every client SKU endorsed (A BRAND CANNOT LEND HIM A LICENCE, AND MANUFACTURING AN UNENDORSED CATEGORY IS HIS VIOLATION REGARDLESS OF WHO ASKED FOR IT); GMP/HACCP with FSSC 22000 or BRC as commercial entry conditions; batch released against written criteria by his own quality function NEVER UNDER CLIENT DELIVERY PRESSURE — THE SINGLE CONTROL THAT PROTECTS THE LICENCE; audits and traceability held at 100%.**
- **Economics & cash — HE FINANCES HIS CLIENTS' GROWTH WITH A BALANCE SHEET FAR SMALLER THAN THEIRS, AND THE YOUNGEST AND MOST EXCITING CLIENTS ARE THE WORST OFFENDERS: ON FULL-SERVICE WORK HE BUYS MATERIALS, CONVERTS THEM, HOLDS FINISHED GOODS UNTIL CALL-OFF AND WAITS FIFTY-TWO DAYS — FUNDING A BRAND'S LAUNCH OUT OF A PLANT'S WORKING CAPITAL; AND WHEN SUCH A CLIENT FAILS HE LOSES THE RECEIVABLE, KEEPS PACKAGING PRINTED WITH A BRAND NOBODY WILL BUY AGAIN, AND — WORST OF THE THREE — HAS THE SLOT IN HIS SCHEDULE GO EMPTY AT SHORT NOTICE (Y1 — ₹30L → Y3 ₹66L; net margin —11.5%→3.7%→11.4%; conversion cost ₹24.60→₹16.40; OEE 48%→67%; rejections 3.8%→1.7%; break-even Year 2 at ~55% utilisation). JOB WORK RETURNS BETTER ON CAPITAL THAN FULL SERVICE DESPITE LOWER REVENUE, BECAUSE THE MATERIAL IS THE CLIENT'S — NO WORKING CAPITAL, NO PRICE RISK, NO OBSOLESCENCE; REVENUE IS THE WRONG MEASURE OF AN ENGAGEMENT HERE AND RETURN ON THE CAPITAL IT CONSUMES IS THE RIGHT ONE. A deliberate base load of established clients with dull, predictable volumes IS WHAT ALLOWS THE PLANT TO TAKE ON EXCITING YOUNG BRANDS AT ALL, SINCE IT IS THE BORING REVENUE THAT PAYS THE LEASE WHEN AN EXCITING CLIENT DISAPPEARS. Regulatory: FSSAI, GMP/HACCP, Legal Metrology manufacturer declaration, incoming testing of brand-nominated inputs, retention samples, rehearsed multi-brand recall, Factories Act, pollution consents and ETP, boiler certification, EPF/ESI and Contract Labour principal-employer obligation, PRODUCT LIABILITY AND PLANT INSURANCE SIZED TO A GENUINE RECALL RATHER THAN TO A BATCH INVOICE. Lender note: THE MOST CONVENTIONALLY BANKABLE PLAN IN THIS VERTICAL, WORTH SAYING AFTER THREE THAT WERE NOT — REAL SECURABLE PLANT WITH RESALE VALUE, AND MUDRA/CGTMSE/SIDBI AND STATE INDUSTRIAL SUBSIDY ROUTES GENUINELY AVAILABLE; BUILD THE REPAYMENT SCHEDULE AGAINST THE UTILISATION RAMP, NOT AGAINST YEAR-1 REVENUE — A PLANT AT 42% CANNOT SERVICE A SCHEDULE DESIGNED FOR ONE AT 78%, AND THE MORATORIUM SHOULD REACH THE ~55% BREAK-EVEN POINT; ASK FOR UTILISATION AND TOP-3 CONCENTRATION TOGETHER, BECAUSE EITHER ALONE MISLEADS: A PLANT AT 80% UTILISATION WITH 74% OF REVENUE FROM THREE CLIENTS IS**

NOT A STRONG BUSINESS BUT A FRAGILE ONE RUNNING WELL, AND THE LOAN IS EFFECTIVELY LENT TO THREE COMPANIES THE LENDER HAS NEVER ASSESSED; and TREAT CERTIFICATION AND INSURANCE AS COVENANTS, SINCE A LAPSE IN FSSC/BRC STATUS REMOVES THE CLIENT BASE WITHIN ONE AUDIT CYCLE AND LIABILITY COVER SIZED TO AN INVOICE CONVERTS A BATCH FAILURE INTO AN INSOLVENCY. ₹2.80cr, revenue 2.60→5.80cr, utilisation 42%→78%, 6→18 clients, 56→106 staff, concentration 74%→48%. Figures illustrative, exclude GST.

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