

RURAL STINT
Projects and Learnings

Parkhed, Khamgaon

SHRUTI KASHYAP
BLT – IT

LOCATION

Parkhed, a village of around 500 households (population of 2500) is located at a distance of round 7 – 8 kms from the Khamgaon factory of Hindustan Lever. HLL, in association with NGO, Bharatiya Agro Industries Foundation (BAIF) tries to help the villagers to improve their standard of living.

PROJECTS UNDERTAKEN

- **Feasibility for Chiwada business for Bhagyodaya Bachat Gath**
- **Review of the Papad business of the Bhagyodaya Gath –**
 - Reduction in manufacturing cost of papad
 - Improvement in packaging
 - Increase sales by market visits
- **Clearing account books for Jijabai Bachat Gath and Sukesheni Bachat Gath**
- **Feasibility for Shakkar Pare business for one more Gath**
- **Basic computer education for school children**

1. Feasibility for Chiwada business for Bhagyodaya Bachat Gath

Why Chiwada?

The experience with the previous business of Papad shows that it is tough to make the cut for sales in retail/wholesale market. The papad available in the market was priced much lower than what the gath could afford essentially because for those companies the driver is economies of scale. The gath however, has been able to make consistent income from the supply of papad to the HLL Factory Canteen. It was observed that there was also a possibility of supplying chiwada to the canteen as there is an almost constant requirement on a daily basis.

Cost Benefit Analysis

A cost-benefit analysis was done to arrive at the margin that would be possible. The costing for Chiwada is as shown below:

Ingredient	Qty (gms) per kg of Chiwada	Rate in Khamgaon Wholesale Market (Rs per kg)		Rate at which SHG buys in Parkhed (Rs per kg)	Min	Cost
		Karnani Trading	Chandak Trading			
Raw Material						
Poha	750	13.5	14.5	18	13.5	10.13
Peanuts (Singh daana)	75	36.5	35.5	40	35.5	2.66
Chana daal (Dalia)	75	30	30	48	30	2.25
Masur daal	50		24		24	1.20
Sev	50			60	60	3.00
Soya Oil	500			52	52	26.00
Masala : Salt, Pepper, Haldi, Mirch	50			100	100	5.00
Coconut	0			80	80	0.00
Dhaniya leaves	25					
Packing Material						
Plastic Sheet 500g pack				0.4	0.4	0.40
Plastic Sheet 50g pack				1	1	1.00
Total (500g)						50.64
Total (50g)						51.24

The initial cost worked out to be around Rs63 per kg. Cost reduction was done as follows:

- i) Procuring the raw materials from Khamgaon Wholesale Market instead of the local retailers in Parkhed
- ii) Reducing the quantity of ingredients like Peanuts, Coconut which are more expensive and increasing the quantity of Poha/Sev proportionately. An optimum composition was arrived at, as shown above.

Some samples of chiwada were made by the SHG and given to the factory canteen. The quality of chiwada was appreciated. The supply could not be started immediately because the pricing contracts will be changed only in March. We can expect the price for chiwada for the canteen was kept at Rs65 per kg, and this would be supplied in 50g packs.

Cost of manufacturing 1kg of chiwada (including packaging)	51.24
Selling rate to canteen (Rs per kg)	65
Margin (Rs per kg)	13.76
Volume required by the canteen per month (kgs)	210
Monthly earnings for the SHG	Rs2890 approx

2. Review of the Papad business of the Bhagyodaya Gath

Interaction with the females who are a part of the Bhagyodaya Gath showed that even though they are driven about the papad business, they were not very aware of the kind of cost they are incurring or the profit they are making. The first step to make sure that happens was to ask them to maintain a book on the cost accounting. This book would be maintained on a monthly basis and essentially include the details of the following:

- Raw Material & Packing Material – Qty bought, Rate at which bought and Cost
- Sales – Qty sold, Rate at which sold and Income

This analysis for the month of February, 2007 revealed that the margin per kg of Papad was only Rs 17. This is essentially because ***the women are completely unaware that they are incurring a cost of Rs 73 per kg of papad manufactured.*** This is essentially because of the foll reasons:

- i) The women have not been maintaining an account of the costs they incur.
- ii) The cost reduction that was suggested by the previous BLTs was not put into action.

Reduction in manufacturing cost of Papad

The SHG continues to buy all ingredients of papad from the local retailers in Parkhed when they can be purchased at much lower rates from the Khamgaon wholesale market. In addition, we visited the Anaaj Bazaar which runs every Thursday and found out that the rates there were even lower than the wholesale rates. If we do a comparison of the cost the SHG is incurring currently to what it can be reduced to, it is as follows:

Ingredient	Qty (gms) per kg of Papad	Rate in Khamgaon Wholesale Market (Rs per kg)			Rate at which SHG buys in Parkhed (Rs per kg)	Min	Current Cost	Reduced Cost
		Karnani Trading	Chandak Trading	Anaaj Market				
Raw Material								
Moong Dal	500	39	39	30	48	30	24.0	15.0
Udad Dal	500	47	39		49	39	24.5	19.5
Masala	100		155	140	160	140	16.0	14.0
Groundnut Oil	50		46		52	46	2.6	2.3
Heeng	2				1000	1000	2.0	2.0
Grinding Cost					3		3.0	3.0
Packing Material								
Plastic Sheet 200g pack							0.4	0.4
Total							72.50	56.20

In order to ensure that the group makes use of the suggestions, the comparison chart for the costs was shown and explained to them. We then asked the SHG to appoint a person who can visit the Anaaj Market with us and negotiate for rates. And post that, procure the ingredients from the market every week/month on a consistent basis. The SHG was able to find such a person and we then took him to the market with us to negotiate for rates.

Current Margin (Rs per kg)	17.5
New Margin after cost reduction (Rs per kg)	33.8

Attempt to increase sales by market visits

Market visits to various retail and wholesale stores in Khamgaon revealed that the papad available is at a much lower rate than what the SHG can afford. We interacted with a few retailers and two of them were ready to keep our samples on a trial basis starting with 1kg a week. It was decided that in order to keep a healthy margin, the papad for retail shops would be priced at Rs100 per kg.

1. Sri Krishna Traders – Wholesale shop
2. Dhruv Mart – Modern Trade outlet

However, it is very clear that in order to be able to make sales, we had to improve the packaging.

Improvement in papad packaging

We visited a few printing presses to find out the rates. The printing on plastic requires a special method called screen printing which is available at only one press. (Rajendra Press in Mahavir Market). The charges for printing are Rs500 for 1000 plastic wraps. This comes to Rs2.5 per kg and we can afford to take that hit on the margin.

Sample papad packaging designed:



Clearing account books for Jijabai Bachat Gath and Sukesheni Bachat Gath

Jijabai and Sukesheni Bachat Gaths are two SHGs which have closed primarily because of females leaving the Gaths and some amount of discord among females. In order to take any step forward, it was important to settle their accounts.

- Studied their account books right from January 2004
- Tracked the savings, loan taken, loan returned, interest pending for each member of the group
- Identified any mistakes, errors etc. in their accounting
- Had a final meeting with both the Gaths to declare the outstandings and the savings for each member

One important suggestion here is that whenever a member takes a loan, or returns a loan or interest, or withdraws her savings, it must be taken in writing from her with her signatures. The reason being, that while working on the accounts of these Gaths I found a lot of members claiming to have returned the money that was not accounted for, and also claiming that they did not take any money when it was mentioned in the account books.

3. Feasibility for Shakkar Pare business for one more Gath

There is also an opportunity for supplying Shakkar Pare to the canteen, hence a cost-benefit analysis was done for the same.

Cost Benefit Analysis

Ingredient	Qty (gms) per kg of Shakkar Pare	Rate in Khamgaon Wholesale Market (Rs per kg)		Minimum	Cost
		Karnani Trading	Chandak Trading		
Raw Material					
Maida	1000		14	14	14.00
Sugar	750	14.5	14.9	14.5	10.88
Dalda	500		49	49	24.50
Soya Oil	500		46	46	23.00
Packing Material					
Plastic Sheet 500g pack					0.40
Total					72.78

Cost of manufacturing	72.78
Rate per kg in the market	100
Margin expected (per kg)	27.23

Shakkar Pare are not currently being provided in the canteen. The volumes can be approximated and this business can be given to some gath apart from Bhagyodaya. Jijabai and Sukeshini Gaths are spoiled by infighting and also do not meet the basic hygiene requirements, thus we decided against giving this business to them.

4. Basic computer education for school children

Classes on every alternate day for basic computer education for school kids of 5th, 6th and 7th standards. This included:

- What is a computer
- Use of a computer
- Parts of a computer – monitor, CPU, keyboard etc.
- File – What is a file
- Basic functions of a file – How to Open, Close, Save