Project

«Dairy «KameshCheese» on the base Kameshkir cheese fabric»

1. Project history

The project is planned to be implemented at the Kameshkir cheese factory. This is a cheese factory located in the Penza region, in the district center of Russian Kameshkir. This company was founded as a butter and cseese factory in the early 70s of the last century and until 2018 produced a full line of dairy products: packaged milk, fermented milk products, sour cream, cottage cheese, butter, processed, smoked and hard cheeses. During the period of operation, the plant provided employment of up to 50 people. It produced up to 1,500 tons of dairy products per year. On the one hand, the products were very popular due to their high taste and quality characteristics, on the other hand, due to their work in the lower price segment, but exclusively on natural raw materials, they provided extremely low profitability of the enterprise. In early 2018, the plant was shut down due to a lack of working capital and a difficult economic situation. After that, all the property of the plant (land, premises, equipment) was purchased by a private person -Sergey Astaev. Currently, it has been decided to organize a large cheese dairy on the basis of this property complex.

1. Material and technical base of the project

The factory has all the necessary technological and communication infrastructure to ensure the production of various types of cheese with a volume of up to 1400 tons per year.

On the territory of the enterprise are:

The building of the cheese storage facility S 2318.8 m3, with a volume of cheese storage areas of about 10,000 cubic meters, which allows you to store up to 350 tons of cheese at the same time. The building is equipped with a system for maintaining the temperature and humidity necessary for proper maturation of cheeses.

Also in the building is a 20 m3 refrigerator, a shop for the production of processed cheeses with all the necessary equipment, a smokehouse that can produce a line of smoked cheeses and a workshop for packaging products in paraffin, shrink branded tape and corrugated packaging.

The main building S 1950.7 m3 consists of three levels. The first level contains a milk receiving point with two containers of 5 tons each, as well as a milk filtration and cooling system, separation shops, cheese grain forming, pressing, boiler room, cold storage, production and packaging of fermented milk products. On the ground level there are huge salt baths (about 120 m3 capacity), on the second level there is a laboratory, technical rooms and staff rooms.

A covered gallery with an area of approx. 200 m3 connects the production and storage areas.

The administration, accounting, office space and security of the factory are located in a separate building with an area of 110 square meters.

Also on the territory of the enterprise there is a material warehouse / garage of 246.8 m3, two artesian wells with water towers, its own electric substation for 300 kilowatts. Factory gasified.

Transport infrastructure is represented by milk trucks and cars for the delivery of finished products:

* Gazelle – 4 cars;
* GAZ -53 - 1 car;
* Gas-3309 - 1 car;
* Gas -66 -- 1 car;

The territory of the enterprise is fenced and equipped with video surveillance for 36 video cameras. The factory is located near the center of the village, there is an asphalt road to the factory and a public transport stop next to it.

1. Project concept

The concept of the project is to create a large private cheese dairy on the basis of Kameshkir cheese factory with a specialization in the production of a wide range of cheeses of the middle and upper price segments. At the same time, the company's image is formed exactly in the context of a private cheese dairy that works only with natural milk and produces a large range of natural and delicious cheeses. This positioning creates more confidence among consumers, higher prices are perceived more calmly, and it is easier to form a product image legend. It is planned to produce only cheese.

The product line includes hard cheeses, semi-hard cheeses, soft cheeses without mold, brine cheeses, curd cheeses, whey cheeses, cream cheeses and smoked cheeses.

 A wide range of types of cheeses is planned: 3-4 hard classic (Parmesan type), 2-3 hard exotic (Red Leicester type) , 3-4 semi-hard classic (Kostroma type), 2-3 semi-hard exotic (Windsor type), 1-2 soft (Altenburger type), 2-3 brine (Suluguni type), 2 curd (semi-soft and pasty), 1-2 whey (farmer type).

Processed and smoked cheeses – 7-8 types with various additives.

Due to the use of various flavoring additives (herbs, spices, dried mushrooms and berries, nuts, dried fruits, extracts, oils and other additives), each of these main items is supplemented with another 5-6 types of cheese.

 A wide range of shapes and weights is also planned: briquette, puck, ball, cylinder, triangle, pyramid, cone, ring. Large weight: 7.5 kg; 4.5 kg, Medium: 1.5; 1; 0.8; 0.7 kg; Small: 0,5; 0,3; 0,2; 0,1; 0,05 kg.

Special attention is planned to be paid to the packaging of products that should emphasize the naturalness and quality of the cheeses offered to the consumer.

Large weight-gel edible coating and sprinkles with spices and herbs, paraffin, latex, cheese bandage, oil coating or sprinkling / / individual corrugated box.

Medium weights – gel edible coating, paraffin, latex, cheese bandage, oil coating or sprinkling with spices and herbs // Kraft paper, food Kraft fabric, // corrugated packaging with or without a window.

Light weight-gel edible coating, latex or sprinkling with spices and herbs / / / / Kraft paper, food Kraft fabric, / / Kraft boxes with or without a window, Kraft pallets with a Kraft bag and a window.

Creamed, curd-like pasty cheeses-glass jar.

In addition, gift wooden and birch bark boxes, gift plastic boxes, pyramids for ring forms are planned.

 Positioning of the company's products – the middle price segment and the upper price segment. Estimated retail prices for products:

Hard cheeses - from $15 / kg to $75 / kg

Semi-hard cheeses - from $10 / kg to $ 45 / kg

Soft cheeses without mold - from $7 / kg to $30 / kg

Brine cheeses - from $6 / kg to $15 / kg

Curd cheeses - from $ 8 / kg to 30 $ / kg

Whey cheeses - from $7 / kg to $20 / kg

Cream cheeses – from $5 / kg to $12 / kg

Smoked cheeses – from $ 9 / kg to$40 / kg

The price will vary depending on the type of cheese, the raw materials used, the additives used, aging, packaging and unit size.

All this will allow us to meet the consumer demand for high-quality, delicious and diverse cheeses as much as possible.

4. Project team

Sergey Astaev - project CEO, owner of Kameshkir cheese factory, more than 12 years of experience in the dairy and cheese industry, higher education in agriculture, more than 15 years of experience in leading positions in various sectors of the economy

Sergey Tyurenkov - project CBO, sales and marketing specialist, investment consultant, higher legal education, more than 20 years of experience in leading positions in various sectors of the economy.

5. Market analysis

For Russia, the cheese market is one of the most important strategic food markets. Cheese accounts for 30% of the Russian dairy market in value terms. According to the research "Cheese Market in Russia: research and forecast until 2023", prepared by the marketing agency ROIF Expert, in 2019, the volume of cheese production on the market showed an increase of 2.5%, which indicates the progressive development of the cheese market. In addition, the demand for natural cheese for the period January-March 2020 increased by 16% compared to the same period last year.

In the Russian cheese market, we can note the following problems:

* the share of falsification in the cheese and cheese products market in Russia is 20-30%, which causes additional consumer distrust of lower-price cheeses;
* insufficient level of cheese production diversification, which leads to an extremely limited range of Russian cheeses available on the market;
* activities of unscrupulous producers that include non-dairy fats in the formulation of products issued as cheese;
* growth in the production of "cheese products" as a result of shifting the main consumption to the lowest price segment and hence difficulties in meeting the demand for higher-quality cheese items;
* increased competition in the lower price segment with importers, in particular with Belarusian companies (87.2% of cheese imports to Russia), as well as Armenia and Ukraine;
* risk of overproduction of products in the lower price segment in case of implementation of the announced projects to expand the capacity of key players;
* increased competition in the lower price segment, which negatively affects the positions of small regional players and provokes market consolidation in the hands of large processing companies

Consumption of natural cheese per capita kg / year

The graph shows that the consumption of natural cheese in Russia is still far from the level of consumption in many other countries of the world. The market for natural cheese in Russia has a lot to grow.

Prices for natural cheeses also show an active growth dynamics. Thus, the average retail price for hard cheeses in 2020 increased by 18.5% compared to last year and amounted to $8.72 / kg

The average retail price for soft cheeses in 2020 increased by 12.9% compared to the previous year and amounted to 7.84 $ / kg.

The average retail price for rennet hard and soft cheeses in 2020 increased by 7.3% compared to the previous year and amounted to 7.52 $ / kg.

All this indicates the relevance of the project implementation in the middle and upper price segment.

1. Marketing and sales

The project's marketing strategy includes:

Positioning products in the middle and upper price segments as a diverse, high-quality and interesting product line of natural cheeses.

Product branding by highlighting the individual characteristics of the cheese produced, the variety of flavors, shapes, smells and packaging.

Forming a brand legend as a private cheese factory with a long tradition of cheese making.

Emphasis on high quality of raw materials, competent technological processes and a variety of types and tastes of cheese offered to consumers.

Visualize the advantages of a cheese factory and its products by creating photo and video content that highlights these advantages in a compelling and exciting way.

Partner marketing system – gifts for repeated purchases, gifts for the "Bring a friend" campaign, contests, sweepstakes, gifts for reposts in social networks, barter with information channels.

Within the framework of the project, it is planned to organize several main sales areas, each of which has its own specifics:

1. **Direct purchase and direct order**. Through the organization of tastings, wide dissemination of information through social networks and media, a loyal community of regular customers will be formed around the cheese factory, who buy cheese themselves and advise their friends. The community is motivated by discounts for regular participants, a system of bonuses and gifts, joint meetings and events, as well as the opportunity to order your own cheese with your favorite ingredients and additives.
2. **Restaurants and cafes**. For the HoReCa sector, the dairy will offer the opportunity to treat guests to fresh, natural and varied cheeses. Deliveries based on the principle of forming a "cheese plate", cheeses as an ingredient in many iconic dishes ("Philadelphia" for sushi, "Parmesan" for Caesar salad, curd cheeses for desserts), cheese deliveries in a convenient size and volume for the restaurant's kitchen.
3. **Sales outlets in shopping centers**. They are formed based on the principle of organizing sales of flowers or ice cream. Refrigerated branded display case, 6 – 8 sq. m. meter of leased area, 1 seller. This solution will not only make it possible to sell quite large volumes of cheese to direct consumers in places where they are most concentrated, but will also allow to further advertise and promote the products of the dairy, increase confidence in the brand.
4. **Delivery.** It is promoted through the online store of the site and social networks with active promotion support through contextual advertising and partner online platforms. Commodity items: "Gift sets of cheese", "cheeses for the holiday", "Cheese plates and cheese baskets", "sets for wine", "Sets for beer", "Tasting sets". Similar to an online store that delivers fruit and vegetable sets: <https://frummy.ru/>
5. **Franchising.** As soon as the formation of the first four sales channels is completed, the project will launch franchising and a fifth sales channel will appear through a network of franchisees in Saratov, Samara, Moscow and other cities. Conditions for participation in the franchise program: the lump sum fee is $ 5,000 and includes a production volume of $2,000. The project provides a brand, a ready-made website-an online store, an SRM system, branded packaging and promotional products, branding and assistance in opening retail outlets, and assistance in setting up sales launches. There are no royalties.

Organization of sales and promotion of the project:

1) **Project website**. It is created in the format of an online store, but at the same time with sections of useful information on the selection and properties of cheeses (the format of an online encyclopedia of cheeses and an active block of sales and promotions. It is closely linked to social networks. The site's SMM is especially carefully developed.

2) **Groups in social networks**. The main tool for forming an active community of friends and clients of the project. VKontakte, Facebook, Instagram. Contests, quizzes, videos, interesting and engaging content. Constant live communication and interaction with the audience.

3) **You-Tube and TikTok channels**. Video of cheese master classes and online cheese tasting. Video of cooking with our cheeses.

4) **Events.** Own events, such as a cheese festival or master classes in cheese making, field promo tastings. Third-party events – fairs, festivals, exhibitions, city Days, conferences and other events where we can arrange a tasting with a discussion of the advantages of different types of cheese.

5) **Information channels**. Media, news resources, online communities and forums, online boards and information portals;

1. Production

The production cycle includes:

Purchase of high-quality raw milk (at the first stage - cow's milk, then you can buy small batches of goat's and sheep's milk for special types of cheese)

Delivery of milk to the cheese factory

Acceptance, laboratory quality control of incoming milk, cooling and separation of milk

Processing of milk for cheese grains and cottage cheese (the basis of future curd cheeses).

Distribution of cheese grains and cottage cheese by technological processes of production of various types of cheese.

Varieties of cheese that do not require aging (cream, curd, smoked, etc.) are sent to the packaging and warehouse of finished products, where they go to the sales system.

Cheese varieties that require aging are sent to the cheese storage. After the required aging period, these cheeses will be packed and send to the finished product warehouse, where they go to the sales system.

For each planned cheese variety, the company's technologist builds a technological process corresponding to this variety, which employees strictly adhere to. At each stage of the process, laboratory, temporal, visual and organoleptic control of all process procedures and the state of the product itself is carried out.

In the first phase of the project is planned immediately to have a certain amount of hard and semi-hard cheeses and place them on the maturation, then concentrate on the production of cheeses that do not require long-term maturation (soft, rennet, curd cheese, etc.). The range of varieties will also be expanded step by step, as each variety is developed and confidence is gained in the stability of the technological process and quality indicators of this variety.

1. Organizational plan

Depending on the investor's wishes, the legal form of the project can be chosen as an LLC or an international joint venture.

The project's production office will be located directly at the production base of the Kameshkir cheese factory in the Penza region, in the district center of Russian Kameshkir. The commercial office of the project will be located in the capital of the region – Penza. As the project progresses, it is planned to create a commercial office in Moscow, the capital of Russia.

The production office will deal with all issues of raw material procurement, production, packaging, storage and transportation of products, ensuring technological processes and production control. The project accounting department will also be located here.

The commercial office will solve all issues of marketing, project promotion, branding, franchising, sales organization and implementation, and contractual work with contractors. In addition to the office itself, there will also be a small transshipment warehouse for the release of products directly to consumers.

In addition, it is planned to open one retail outlet in each district of Penza . Retail outlets will be located in major shopping centers.

The project's production division will need:

Chief technologist ( Production manager) - 1 person: develops and controls the production technology, organizes the production process, distributes daily tasks to the master and foreman;

Master - 1 person: ensures the functioning of all current production processes, manages personnel, and follows the instructions of the production Manager

Storekeeper - 2 people: take the products for storage, release the products from the warehouse, move the products around the warehouse, turn over and process the stored cheese;

Foreman (Shift supervisor) -1 person: manages the shift, ensures the correctness and quality of work;

Shift - 9 people: perform all the necessary work on the production of cheese;

Stoker - 2 people: ensure the operation of the boiler room;

Engineer -1 person: supports the operation of equipment and communications, supervises the work of locksmiths;

Locksmith 2 people-maintain the functionality of equipment and communications;

Loader - 3 people: perform loading and unloading operations;

Watchman - 3 people: provide security for the production complex;

The driver - 2 people: transport raw materials and products;

Accountant - 2 people: provide accounting, tax and production accounting,

Clerk – 1 person: provides document management for requests, receipts, expenses, shipments, provides communications and commercial office,

Laboratory assistant – 1 person: provides laboratory quality control of raw materials and products;

Total: 31 people

The commercial division of the project will need:

Sales Manager – 3 people: ensure the implementation of the sales plan;

Office Manager – 1 person: application acceptance, office document management, telephone and Internet communications;

Lawyer - 1 person: contract work, arbitration and judicial practice, documentation management;

Storekeeper-2 people: storage, acceptance and delivery of products at the transshipment warehouse;

Content Manager-1 person: SMM, Internet communications, working with the project audience;

System administrator – 1 person: maintaining the functionality of the SRM, the project site, helping the content Manager;

Delivery courier -2 people: delivery of orders to consumers;

Salesman at a retail outlet – 8 people: sale in a shopping center;

Total: 17 people

All organizational and work processes will be organized through the corporate SRM of the project, which will link the activities of the production division and the commercial office into one workspace. It will also integrate channels for collecting information from the project's corporate website and from trading modules in the project's social networks. This will also link the seller's jobs at points of sale.

1. Financial plan

**Expenses**

To start the project, there is a need to Finance the preparation of production and sales for work, as well as the availability of working capital.

Preparation of production for work:

Current repair of the roof and premises of the main production building – 25 500 $.

Reinforcement of the security perimeter – 7 300 $

Water treatment for production – 12 500$

Preparation of transport for work (insurance, battery, tires, minor repairs) - 4 200 $

Preparation of the boiler room for operation (cleaning of boilers, prevention of equipment)- $ 3,700

Preparation of equipment for operation (prevention, replacement of worn parts, repair) - 14 000 $

Repair of the cream separator - $ 8,500.

Purchase of additional equipment for the project needs (dispersant, cheese molds, tools, storage equipment, and so on) – $ 163,000

Purchase of consumables for production (filters, hoses, gaskets, and so on) – $3,400.

Purchase of additional laboratory equipment and reagents – 6 800 $

Payments to utilities (gas, electricity) – $12,300;

Preparing the office for work (consumables, Internet, etc.) – $ 2,200;

Legalization expenses (certification of products, obtaining the necessary conclusions of official bodies, HACCP, certification of workplaces, civil defense and emergency situations) - $17,000;

Overhead costs (transportation, travel, and so on) – $4,500

Total pre-production costs: $ 284,900

Preparing the sales office for work:

Purchase of furniture, office and warehouse equipment, office appliances – $14,700;

Creating a project website – $3,800

Acquisition and implementation of corporate SRM-6 300 $;

Equipment of retail outlets in the shopping center: 7000 x 4 = 28 000 $;

Creating a brand book and fully developing the style and image of the project – $4,500;

Legalization expenses (certification of retail outlets, jobs, obtaining the necessary permits from government agencies) – 7 800 $;

Overhead costs – $2,900$

Total for preparing sales for work: $ 68,000.

Working capital:

To produce 20 tons of products per month (at the start), required $ 5.3 (the cost of an average kilogram of products with packaging, transport and overhead costs) x 20 000 = $106 000. The starting gap is 3 months. Therefore, requires $ 318,000 of working capital.

Monthly expenses:

Wage fund

CEO – $ 2,000; CBO - $2,000;

Chief technologist (Production manager) - 1 person: 1 700 $;

Engineer -1 person: $ 1,200;

Master - 1 person: 800 $;

Foreman (Shift supervisor) -1 person: 650 $;

Storekeeper - 2 people: 2 x 450 = 900 $;

Shift - 9 people: 9 x 500 = 4 500 $;

Stoker – 2 people: 2 x 400 = 800 $;

Locksmith 2 people: 2 x 500 = 1000 $;

Loader – 3 people: 3 x 400 = 1 200 $;

Watchman – 3 people: 3 x 350 = 1,050 $;

Driver - 2 people: 2 x 500 = 1 000 $;

Accountant 2 people: 2 x 600 = 1 200 $;

Clerk – 1 person: $500;

Laboratory assistant-1 person: $600;

Sales Manager – 3 people: 3 x 500 = 1 500 $ (+ bonus from the sales motivation fund);

Office Manager-1 person: $600;

Lawyer - 1 person: $ 800;

Storekeeper (in the warehouse of the sales office) - 2 people: 2 x 450 = 900 $;

Content Manager-1 person: $ 800;

System administrator – 1 person: $600;

Delivery courier -2 people: 2 x 400 = 800 $;

Sellers of retail outlets 8 x 400 = 3 200 $ ( + bonus from the sales motivation fund)

Total: $30,300.

Wage taxes (30% in total) = 9 090 $

Production and technological costs ( repairs, consumables, and so on) – $2,400

The cost of advertising and promotion of the project (weighted average figure is given for all scheduled channels): 7 500 $.

Rent a commercial office and warehouse – $ 1600.

Rent seats in the shopping center – $ 2,400.

Utility costs (gas, electricity, garbage collection, etc.) – 3 800$

Property taxes – $ 820;

Overhead and unexpected expenses (5% of total monthly expenses): 2 900 $;

Total monthly expenses: $60,810.

The reserve for launching the project is 3 months, i.e. $ 182,430.

Total at the start of the project need **853 330** $.

**Revenue**

In the first six months after the launch of the project, it is planned to produce 20 tons of products per month starting from the fourth month from the start of the project. After the project is sufficiently developed, production will increase in accordance with the development of the project in accordance with the graph below:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  Period from the project`s start | up to 6 months | from 6 monts to 1 year | from 1 to 1,5 year | from 1,5 to 2 years | from 2 to 3 years | after 3 years |
| Production quantity tons/month | 20,00 | 24,00 | 39,00 | 46,00 | 69,00 | 84,00 |

The weighted average selling price of 1 kilogram of cheese will be $ 11.4.

Thus, the gross yield (GY) from the sale of 20 tons of products will be 11.4 x 20 000 = $ 228,000 / month.

The gross cost (GC) of production will be $ 5.3 (the cost of an average kilogram of products with packaging, transport and overhead costs) x 20 000 = $ 106,000.

Thus, the gross margin profit (GMP) will be $ 122,000.

Discount on raw materials and technological defects (DMTD) – 5% of GMP = $ 6,100

Monthly expenses (ME): $ 60,810 .

2% of sales volume-sales motivation fund (SMF)= $ 4,560 .

Taxes-6 % of sales - $ 13,680

The total monthly estimated profit of the project will be $ 36,850 starting from the fourth month after the start of the project and up to the sixth month inclusive.

Starting from the seventh month and up to one year, according to production and sales plans, production will grow to 24 tons per month (by 20 %). Accordingly, the volume of expenses will increase proportionally, except for constant monthly expenses, which will increase by 4 %. Thus, we get the following calculation:

273,600 (GY) – 127,200 (GC) = 146,400 (GMP) – 7,320 (DMTD) – 63,242 (ME +4%) – 5,472 (SMF) – 16,416 (T) = $ 53,950 – monthly estimated project profit for a period of 6 months to one year.

Starting from one year and up to one and a half years, according to production and sales plans, production will grow to 39 tons per month ( by 62.5 % compared to the previous indicator). Accordingly, the volume of expenses will increase proportionally, except for constant monthly expenses, which will increase by 12 %. Thus, we get the following calculation:

444,600 (GY) – 206,700 (GC) = 237,900 (GMP) – 11,895 (DMTD) – 70,831 (ME +12%) – 8,892 (SMF) – 26,676 (T) = $ 119,606 – monthly estimated project profit for the period from one year to one and a half years.

Starting from one and a half to two years, according to production and sales plans, production will grow to 46 tons per month ( by 18 % compared to the previous indicator). Accordingly, the volume of expenses will increase proportionally, except for constant monthly expenses, which will increase by 3.6 %. So we get the following calculation:

524,400 (GY) – 243,800 (GC) = 280,600 (GMP) – 14,030 (DMTD) – 73,380 (ME +3.6%) – 10,488 (SMF) – 31,464 (T) = $ 151,238 – monthly estimated project profit for a period of one and a half to two years.

Starting from two years to three years, according to production plans, production will grow to 69 tons per month (by 50 % compared to the previous indicator). Accordingly, the volume of expenses will increase proportionally, except for constant monthly expenses, which will increase by 10 %. So we get the following calculation:

786,600 (GY) – 365,700 (GC) = 420,900 (GMP) – 21,045 (DMTD) – 80,718 (ME +10%) – 15,732 (SMF) – 47,196 (T) = $ 256,209 – monthly estimated project profit for the period from two years to three years.

Starting from three years, according to production and sales plans, production will grow to 84 tons per month ( by 21.7 % compared to the previous indicator). Accordingly, the volume of expenses will increase proportionally, except for constant monthly expenses, which will increase by 4.3 %. Thus, we get the following calculation:

957,600 (GY) – 445,200 (GC) = 512,400 (GMP) – 25,620 (DMTD) -84,189 (ME +4.3%) – 19,152 (SMF) – 57,456 (T) = $ 325,983 – monthly estimated project profit for a period of three years .

Thus, we get the following growth graph of the project's projected profit:

Like any commercial venture, this project has certain risks that need to be taken into account and compensated.

Usually the risks of commercial projects are assessed according to the following risk impact assessment scale:

The following project risks should be noted:

- the risk of an increase in purchase prices for raw materials and necessary ingredients for cheese production / risk Factor 0.2/ the Risk is partially offset by clear long-term contracts with major milk producers and suppliers of ingredients, specifying fixed prices for the entire term of the contract with thresholds for possible changes in these prices.

- the risk of technical and production failures that increase the production time / risk Factor 0.1/ the Risk is partially offset by step-by-step algorithmization of production processes and strict control over their execution, technical verification and preparation of equipment for operation, timely maintenance and monitoring of the operation process

- the risk of accidents and equipment breakdowns in the course of production activities / risk Factor 0.1/ the Risk is partially offset by technical verification and preparation of equipment for operation, timely maintenance and monitoring of the operation process

- the risk of manufacturing defects / risk Factor 0.2/ the Risk is partially offset by step-by-step algorithmization of production processes and strict control over their execution, strict input control of raw materials and ingredients, and strict adherence to labor discipline requirements

- the risk of failure to meet delivery deadlines for ordered or paid goods / risk Factor 0.1/ the Risk is partially offset by step-by-step algorithmization of production processes and product delivery processes to the consumer, strict control over their execution, and strict adherence to labor discipline requirements

- the risk of insufficient demand for products due to lower incomes or insufficient competence of product salesmen / risk Factor 0.2/ the Risk is partially offset by the clarity of the project's marketing plan, low volatility of demand among the target audience of the project, competent formation of the sales team and tracking the level of its motivation.

- the risk of force majeure due to government decisions or emergencies (for example, the closure of a significant share of corporate clients due to a pandemic) / risk Factor 0.1/ the Risk is partially offset by a significant diversification of the project's target audience and the ability to focus on other sales channels

- the risk of untimely or incomplete sales of products and overstocking /risk Factor 0.1/ the Risk is partially offset by the clarity of the project marketing plan, competent formation of the sales team and tracking the level of its motivation.

- risk of shortage of personnel with the necessary level of competence and discipline /risk Factor 0.2/ Risk partly offset by relatively high wages on the project (especially for rural areas), high unemployment in the Penza region and the ability to attract and settlements on the territory of the enterprise shift workers

- competition risk / risk Factor 0.05 / the Risk is offset by the uniqueness of the project, the choice of clear parameters of the target audience of the project and a fairly free niche in the selected market segment

- the risk of failure of suppliers (related parties) and delays in the delivery of raw materials, ingredients, packaging /risk Factor 0.1/ the Risk is partially offset by clear long-term contracts with major milk producers, suppliers of ingredients and packaging, indicating penalties for failure or delay in delivery

- the risk of delays in the licensing system (obtaining certificates, permits, and so on) / risk Factor 0.05/ the Risk is offset by clear contracts with structures that provide the necessary licensing support, as well as a low practical probability of such problems

- the risk of delivery of low-quality raw materials, ingredients, packaging or delivery in an inappropriate volume / risk Factor 0.2/ the Risk is partially offset by strict input control of raw materials and ingredients, clear long-term contracts with major milk producers, suppliers of ingredients and packaging, indicating penalties for the supply of low-quality products or for under-delivery

- risk of loss of time on repair or installation works, on transportation, on training of personnel and formation of technological processes / risk Coefficient 0,2/ the Risk is partially offset by strict adherence to the project launch schedule, step-by-step algorithmization of production (technological) processes and repair (installation) processes, strict control over their execution, clear compliance with the requirements of labor discipline

- the risk of insufficient financing of the project / risk Coefficient 0.4/ the Risk is partially offset by a well-developed investment and financial plan of the project and the efforts of the project team to ensure its financing

To compensate for the impact of risk factors on the project indicators, dynamic risk discounting of the projected monthly profit (PMP) of the project is applied depending on the stage of project implementation. The most likely impact of risk factors is assumed at the initial stages of the project, while by the time the project reaches its planned capacity, the impact of risk factors is significantly reduced.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  Period from the project`s start | up to 6 months | from 6 monts to 1 year | from 1 to 1,5 year | from 1,5 to 2 years | from 2 to 3 years | after 3 years |
| Risk discount rate | 50%  | 35% | 25% | 15% | 10% | 5% |
| PMP | 36 850 | 53 950 | 119 606 | 151 238 | 256 209 | 325 983 |
| PMP after risk discounting | 18 425 | 35 067 | 89 704 | 128 552 | 230 588 | 309 684 |

To ensure the growth of productivity and sales indicators, part of the project's profit must be reinvested in the project in order to create conditions for the project's growth ( creating additional jobs, purchasing new equipment, repairing premises, expanding the network of retail outlets, and so on). For this purpose, a dynamic reinvestment rate is applied, which discounts the main indicators of the project's planned profit using the following algorithm:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  Period from the project`s start | up to 6 months | from 6 monts to 1 year | from 1 to 1,5 year | from 1,5 to 2 years | from 2 to 3 years | after 3 years |
| PMP after risk discounting | 18 425 | 35 067 | 89 704 | 128 552 | 230 588 | 309 684 |
| Reinvestment rate | 0%  | 35% | 20% | 35% | 20% | 0% |
| PMP after reinvestment discounting | 18 425 |  22 793 | 71 763 | 83 559 | 184 470 | 309 648 |

As can be seen from the table, the reinvestment rate is not applied at the initial and final stages. At the initial stage, the main funds used at the start of the project are working, and at the final stage, the planned capacity of the project will be reached and further expansion of the project will be planned separately. The increased reinvestment rate in the period from 6 months to 1 year and in the period from 1.5 to 2 years is due to the need to achieve a significant increase in project performance indicators in the periods following the above-mentioned ones.

Based on the above, the discounted forecast monthly profit (DFMP) graph for the project will look like this:

Based on the above data, the break-even point of the project ($ 853,330) will be reached by accumulating the discounted forecast monthly profit of the project in: (18,425 x 3 )= $ 55,275 (three months from the period up to 6 months) + (22,793 x6) = $ 136,758 (the period from 6 months to 1 year) + (71,763 x 6) = $ 430 578 (the period from1 year to 1,5 year) + (83,559x3)= $ 250 677 = $ 873 288 that is, **1 year and 9 months** after the start of the project.

1. Investment plan

The project team is considering several options for financing the launch and implementation of the project. The following project parameters are taken as a reference point:

* The total project estimate for investment purposes is $ 2,000,000 at the start of the project.
* One investment share of the project is equal to 1% of the total estimated cost of the project and is estimated at $ 20,000.
* The start of the project is carried out only after the availability of the entire required amount of investment financing, i.e. at least $ 853,330.
* The profit is distributed among the project participants according to their share.
* No more than 45% of the project shares can be distributed to the investor. 5% of the shares are reserved as options in order to further motivate key employees of the project team.

1. Strategic investor

As a strategic investor, we consider organizations or entrepreneurs who are ready to invest in the project all the amount necessary for its launch – at least $ 850,000.

Terms of cooperation for a strategic investor:

Conclusion of a strategic investment project contract with a strategic investor, which defines all issues of investment cooperation.

Strategic investor receives 45% of the project's shares

A strategic investor has the right to appoint a representative to the position of financial Director (CFO) of the project. This representative has all the rights of the project's CFO, controls financial flows, reports, and has an Advisory vote when making financial decisions, along with the project's CEO and CBO.

At the request of the strategic investor, its share in the project can be secured by transferring to it the corresponding number of shares in an LLC or international joint venture, which is used as the legal form of the project.

A strategic investor has the right to receive a share of the project's profit corresponding to the size of its investment share in the project.

The strategic investor has the right to control any operational and financial processes of the project at any time, and to receive any necessary reports from the project team.

A strategic investor has the right to withdraw from the project at any time by selling its share to another strategic investor or by selling it in parts to several minority investors.

The strategic investor has the right to purchase its share by the project after the end of the project implementation period planned in this document (3 years from the start of the project) at the price specified in the project strategic investment contract.

An additional privilege of a strategic investor is to increase the amount of return on invested funds from the project's profit until the point of return on investment is reached. Based on this, the financial table of strategic investment (with an investment of $ 850,000) will look like this:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  Period from the project`s start | up to 6 months | from 6 monts to 1 year | from 1 to 1,5 year | from 1,5 to 2 years | from 2 to 3 years | after 3 years |
| DFMP | 18 425 |  22 793 | 71 763 | 83 559 | 184 470 | 309 648 |
| % refund from DFMP per month | 12 898 (70%) | 15 995 (70%) |  50 234(70%) | 58 491(70%) | 129 129 (70% for first month of period)83 011 (45% for next months of period) | 139 341 (45%) |
| Total % of refund from DFMP for the period | 38 693 | 95 731 | 301 405 | 350 948 | 1 042 250 | 1 672 099 (for 1 year after 3 years) |

Thus, we see that the return on investment for a strategic investor will be achieved in **2 years and 1 month** from the start of the project. In **2 years and 11 months**, the amount of return on investment will double, that is, it will bring the investor about 30% per annum, and in **4 years** from the start of the project, the amount of returned funds will reach **$ 3.5 million**, that is, almost four times higher than the initial investment.

An additional guarantee of return on investment to a strategic investor can be an investment in the form of a convertible loan. This form of investment involves making an investment contribution as a loan to the project with the possibility of converting the loan amount into investment shares of the project at the end of the loan term. If the project is successful, the strategic investor receives the corresponding shares of the project. If something goes wrong, the loan amount is returned to him with interest for using the borrowed funds. Interest on the loan is 5 % per annum. The loan is issued for 2 years. At the end of this period, the strategic investor must decide whether to get back the loan amount with interest or convert the loan funds into project shares with the right to receive the corresponding share of the project's profit.

2. Credit

The project team considers attracting project financing in the form of credit funds at a reasonable Bank interest rate. As security for the credit, it is possible to provide real estate and equipment of the Kameshkir cheese factory as collateral, as well as a guarantee from the founders of the project.

The project team will also be happy to consider other acceptable funding options for the project. Any additional information about the project, financial calculations, title and other documents can be provided by the project team to interested parties upon request.

Thanks for your attention!