



Food Processing Industry

Working Capital Management & Financing Guide

INDUSTRY OVERVIEW

MARKET SIZE
₹44.6 L Cr

GROWTH
11-12% YoY

GDP MFG.
13%

EMPLOYMENT
12M+

EXPORTS
10.5% Share

Global Standing: India ranks 1st in milk and 2nd in fruits, vegetables, and food grains globally.

Major Hubs: Uttar Pradesh, Maharashtra, Andhra Pradesh, Gujarat, and Punjab.

Investment: Sector expected to attract \$33 Billion by 2025 due to "Ready-to-Eat" demand.

Growth Drivers: 100% FDI allowance and "Pradhan Mantri Kisan Sampada Yojana."

OPERATIONAL PROCESS FLOW



KEY RESOURCES & INPUTS

Agricultural & Physical

- **Inputs:** Grains, milk, seasonal crops, additives.
- **Infra:** Cold storage units, multi-stage plants, silos.
- **Utilities:** High electricity & steam for sterilization.

Human & Regulatory

- **Talent:** Food technologists, QC specialists, SC managers.
- **Regulatory:** FSSAI, APEDA, and global HACCP standards.
- **Certification:** ISO compliance for global export markets.

DELIVERABLES & REVENUE



Consumer Goods

Snacks, juices, and "Ready-to-Eat" meals sold via retail.



Intermediate

Milk powder, bulk oils, and flour supplied to industries (B2B).



Fresh & Frozen

Perishables sold via modern retail cold chains or export.



Private Label

Contract manufacturing for major international brands.

WORKING CAPITAL CYCLE

LIQUIDITY PRESSURE

90-150

Days Cash Gap

Inventory Days: 60-120 Days (High due to seasonality).

Accounts Receivable: 30-60 Days (Modern trade credit terms).

Accounts Payable: 7-15 Days (Farmers require "Cash & Carry").

Processors face significant pressure as they pay suppliers instantly but wait months for retail collections.

CURRENT ASSET COMPOSITION



Raw Materials

Seasonal stock of crops and milk products.



Finished Goods

Packaged inventory awaiting distribution.



Receivables

Amounts due from major retail chains.



Cash Reserves

Needed for spot Mandi purchases.

COMMON MISTAKES TO AVOID

- ✘ **Over-stocking Perishables:** Leading to high wastage and stock-outs.
FIX: IMPLEMENT JIT (JUST-IN-TIME) INVENTORY PLANNING.
- ✘ **Ignoring Seasonality:** Failing to plan for "Procurement Season" where cash demand peaks.
FIX: PRE-ARRANGE SEASONAL CREDIT LIMITS.
- ✘ **Poor Cold Chain Monitoring:** Resulting in quality degradation and rejected invoices.
FIX: INVEST IN IOT TEMPERATURE LOGGING INFRASTRUCTURE.
- ✘ **Excessive Credit:** Locking up liquidity in non-performing retail channels.
FIX: USE CREDIT INSURANCE OR INVOICE DISCOUNTING.

INDUSTRY STANDARD BENCHMARKS

Component	Standard Benchmark
Inventory (Raw + Finished)	60 - 90 Days
Receivables (Domestic Trade)	30 - 45 Days
Receivables (Export Markets)	60 - 90 Days
Accounts Payable (Farmer Dues)	7 - 15 Days
Net Cash Gap	90 - 135 Days

CUSTOMER CREDIT PERIODS

Local Distributors

15–30 Days (Standard Market Credit).

Modern Trade (Supermarkets)

45–60 Days (Extended Corporate Credit).

Export Clients

60–90 Days (Backed by Letters of Credit).

Cash Strategy

Implement **Invoice Discounting** to bridge the gap between retailer payment cycles and farmer procurement needs.

INDUSTRY THREATS & CHALLENGES



Perishability

Losses due to power failures or logistics delays.



Seasonality

Raw material price swings due to crop failure.



Regulatory

Frequent updates to FSSAI packaging norms.



Price Controls

MSP mandates affecting procurement costs.

TERKAR CAPITAL SOLUTIONS

Unsecured Loans

Up to ₹5 Cr for peak seasonal procurement needs.

Machinery Loans

Funding for capacity expansion and modernization.

Invoice Factoring

Liquidity for invoices billed to large retail chains.

LC/BG Limits

Essential for machinery imports and global export trade.

CGTMSE Loans

Collateral-free funding for registered MSME food units.



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