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### Business appraisal of incense sticks: A case study of Lakshmi trading and services, Nagpur

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#### Abstract

This research project provides a comprehensive appraisal of the incense sticks production business, focusing on Lakshmi Trading and Services, Nagpur, an enterprise established in 2020 by Mrs. Falguni Prasad Pimprikar. The study analyzes various aspects of the company's operations, including the production process, cost structures, and critical factors affecting productivity and profitability. Key findings reveal that the total capital investment in the project amounted to Rs. 10.81 lakhs, with machinery comprising the largest share (62.59%), followed by building rent (22.19%). Fixed costs totaled Rs. 11.09 lakhs, with machinery depreciation accounting for 44.11% of the total, while building depreciation constituted 21.62%. The study estimates the variable costs of production at Rs. 33.83 lakhs, primarily driven by the cost of raw materials (83.86%) and casual labors (12.76%). The total cost incurred by the producer was Rs. 44.93 lakhs, while the gross return from production was Rs. 50.10 lakhs, resulting in net returns of Rs. 5.16 lakhs. The break-even point was determined to be 18,761.58 units in physical terms and Rs. 34.18 lakhs in monetary terms. Marketing expenses were Rs. 1.82 lakhs, with transportation being the largest component (75.23%) followed by packaging (24.76%). Key challenges identified include difficulties in securing initial capital for infrastructure and growing competition in the market. The findings emphasize the need for strategic innovation and adaptability to sustain growth and profitability in the incense stick industry.

**Keywords:** Business appraisal, financial performance, incense stick industry, small business success

#### Introduction

Evolution of incense and incense sticks in world throughout the ancient century, the emergence of the incense sticks could be attributed to the burning of aromatic wood. Since achieved by mankind these fragrant incense sticks played a vital role in regular rituals and became more religious. In most of the popular world's religions, incense has performed a key role. The ancient religions linked the natural world with their gods. It was claimed that fragrant plant materials forced demons away and allowed the gods to come on the earth; they also had the realistic application of exiling unpleasant smell. The Old Testament, the Vedas, and several other ancient books document the consumption of incense sticks. Incense sticks have been extensively found in various worship places since prehistoric times, such as churches, monasteries, mosques, and temples. During celebrations, ceremonies, and several everyday rituals in which it is said to worship ancestors, the Hindu, Buddhist, Taoist, and Shinto religions everyone use incense. (Journal of Bio Innovation)

Regarding need and importance of the study, Incense sticks, also known as agarbattis, are used for many purposes, including religious ceremonies, aromatherapy, and as air

fresheners. It have been used for centuries in various cultures for their ability to create a serene and spiritual atmosphere with their aromas.

- Spiritual significance: Incense sticks are used in many rituals and traditions, such as in temples and household altars, to purify the surroundings, ward off negative energies, and invoke a sense of divine presence.
- Psychological benefits: The aroma of incense is said to have a soothing effect on the mind, helping to relax and improve concentration.
- Health benefits: Some incense sticks, like frankincense, are said to have anti-inflammatory properties that can help reduce aches and pains.
- Insect repellent: Incense sticks can be used to repel insects.

Incense sticks are made from a variety of ingredients, including oils, herbs, flowers, seeds, leaves, and sandalwood. When lit, the cellulose in the binding powder combusts to form an ember, while the mucilage holds the fragrant material together. India is one of the largest producers and exporters of incense sticks, and the industry is considered to be profitable. The business requires low-

grade technology and a relatively low initial investment. The scope of study, capital requirement, cost and returns, marketing and distribution is very important and useful for following persons: Students, Researcher and Entrepreneur with regard to:

1. To identify the key strategies small business use to implement agro-processing successfully.
2. To know the profitability of company.
3. To adopt new promotional strategies for better production and sale.
4. Students can take reference from this project about making projects on business performance of any other company.
5. Researcher can take this project as reference for calculating the market share of different companies.

### Company Profile

Owner Name: Falguni Prasad Pimprikar  
 Company CEO: Prasad Pimprikar  
 Establishment Year: 2020  
 Business Type: Manufacturer  
 Legal Status: Proprietorship  
 Registered With: 27BCGPC1971F1ZU (GSTIN)  
 Registration No.: BGM00022335  
 Annual Turnover: 50.10 Lakh  
 Business Address: Hiranwar layout, Plot No.19, H No.553/19/A, Jaitala Road, Jaitala, Nagpur- 440036.

### Objectives of study

1. To study the capital requirement of Lakshmi Trading and services, Nagpur
2. To work out the cost and returns of Incense Sticks.
3. To estimate break-even point of selected firm.
4. To Study Marketing Cost of Incense Sticks.
5. To identify the constraints faced in production and marketing of selected firm.

### Methodology

#### Area of Study

The present study was conducted at Lakshmi Trading and Services, Nagpur.

#### Period of Study

The data was collected for FY 2023-2024 i.e., from April 2023 to March 2024.

#### Source of Data

Primary data was collected by pretested schedule from concern person, officials of selected firm by personal interview method regarding the production and marketing of Incense sticks.

### Analytical Tools

#### Cost and Returns of Incense sticks Production:

The collected data related to required cost and returns from Incense sticks were analysed, tabulated on the following different aspects *viz.*

#### Fixed Cost

The fixed cost includes the data regarding the cost of

machinery, building (leased rent), furniture, and wages of payment employed labours, salary of staff, electricity charges and taxes. These information was collected from Lakshmi Trading and Services, Nagpur.

#### Variable Cost

The variable cost consists of expenditure on purchase of raw material, wages of casual labours, repair and maintenance of machinery, electricity and stationary charges, etc.

#### Total Cost

Total cost was comprised of the total fixed cost and total variable cost calculated by adding both costs together.

Total cost = Fixed cost + Variable cost

#### Gross Returns

The gross returns for production of Incense sticks was calculated by adding together value of main product received after production of incense sticks. The gross returns defined as the total rate of return on an investment before the deduction of any expenses.

Gross returns = Quantity of product X Price per unit

#### Net Returns

The net returns refer to returns after deducting all expenses from the gross return generated by the investment.

Net returns = Gross returns – Total cost

#### B:C ratio

The benefit cost ratio compares the present value of all benefits with that of the cost and investment of the project.

B:C ratio = Gross returns / Total cost

#### Breakeven Point Analysis

The point at which the two curves i.e. total cost curve and total revenue curve intersect is called as breakeven point, which indicates the level of production at which neither losses money nor makes profit.

Computation in physical quantity,

$$BEP = F / (P - V)$$

Computation in monetary value,

$$BEP = F / [1 - (V/P)]$$

Where,

F = Annual fixed cost in Rs.

P = Selling price per unit in Rs.

V = Variable cost per unit in Rs.

#### Margin of safety

- Margin of Safety (in physical units) = Total output - output at BEP
- Margin of Safety (in monetary value) = Total revenue - Revenue at BEP
- Percentage of margin of safety = BEP / Volume of total output X 100

**Marketing of Incense sticks**

Initially the marketing cost, market margins and price spread were calculated required for Incense sticks.

**Marketing Cost**

The total cost incurred by the producer involved in packaging, transportation, sell and purchase of Incense sticks till it reaches to customers.

**Market Margin**

It refers to difference between the prices prevailing as successive stages of marketing at given period of time.

Market Margin = Selling Price – (Purchase Price + Marketing Cost)

**Price Spread**

The price spread indicates shares of various agencies involved in marketing along with the cost incurred by them. The price spread of the produce was the difference between the net price received by producer in the assembling market and price paid by consumer for equivalent quantity of produce.

Price Spread = Price paid by consumer – Net Price received by producer

**Constraints faced by Owner**

The different constraints in production and marketing of Incense sticks were identified by personal interview method.

**Results and Discussion**

**I. Capital Requirement of Selected Incense sticks Production Unit**

To fulfil the first objectives of the study in respect of organizational study of the Incense sticks production, the results has been obtained on capital investment, summary of capacity utilization are given as under.

**Capacity Utilization of Selected Unit**

**Table 1:** Capacity utilization of Incense Sticks Production Unit

Sr. No.	Particulars	Value in Kg	Percentage (%) share
1	Capacity of production per month	3000	-
2	Capacity of unit per year	36000	100.00
3	Actual production in year 2023-24	27500	76.38

Table 1. Shows that total capacity of production of unit per year is 36000 kg out of which 27500 kg produced in financial year 2023-2024. Thus it is concluded that capacity utilization of selected unit is 76.38 per cent.

**Capital investment for Incense Sticks Production**

Capital investment is the acquisition of physical assets by a company or a unit for use in furthering its long-term business goals and objectives.

**Table 2:** Capital investment for Incense Sticks Production

Sr. No.	Particulars	Amount (Rs in lakhs)	Percentage share (%)
1	Machinery	6.77	62.59
2	Building (Leased rent)	2.40	22.19
3	Furniture and Electrical appliances	1.14	10.59
4	Installation charges	0.50	4.62
	Total	10.81	100.00

Table 2. Shows that, the total investment in capital asset in Incense sticks production project was Rs. 10.81 lakhs. The investment on machinery was the major investment which is 6.77 lakhs.

**II. Cost and returns of selected unit**

To fulfil the second objectives of the study in respect of organizational study of Incense sticks production the results has been obtained on cost required, returns obtained from the unit are given as under.

**Fixed cost for Incense Sticks Production**

The fixed cost for an Incense sticks production project includes several essential components, such as the purchase of machinery, buildings (Leased rent), furniture, and electrical appliances. Additionally, it covers permanent labours charges and interest on the fixed capital invested in the project. These costs are crucial for establishing and maintaining the infrastructure necessary for successful Incense sticks production operations.

**Table 3:** Fixed cost for Incense Sticks Production

Sr. No.	Particulars	Amount (Rs in lakhs /year)	Amount (Rs/Kg)	Percentage share (%)
1	Depreciation on machinery	4.89	17.80	44.11
2	Building (Leased rent)	2.40	8.73	21.62
3	Depreciation on furniture	0.69	2.52	6.23
4	Taxes and license fee	0.30	1.09	2.70
5	Permanent labours charges	1.80	6.55	16.22
6	Interest on fixed capital	1.00	3.67	9.09
	Total	11.09	40.35	100.00

Table 3. Shows that total fixed cost requirement for Incense sticks production project was Rs. 11.09 lakhs. It is observed that depreciation on machinery was major which constituted 4.89 lakhs.

**Variable cost required for Incense sticks Production**

The variable cost consists of expenditure on purchase of raw material, wages of casual labour, repair and maintenance of machinery, electricity charges, postage, and stationery etc.

**Table 4:** Variable cost for Incense sticks production

Sr. No.	Particulars	Amount (Rs in lakhs)	Amount (Rs/Kg)	Percentage (%) share
1	Cost of raw materials	28.37	103.18	83.86
2	Casual labours charges	4.32	15.70	12.76
3	Repair and maintenance	0.80	2.90	2.36
4	Electricity charges	0.28	1.04	0.85
5	Stationery charges	0.05	0.18	0.14
	Total	33.83	123.03	100.00

Table 4. Reveals that the variable cost for Incense sticks production worked out to Rs. 33.83 lakhs. The composition of variable cost revealed that the cost of raw materials was major i.e., 28.37 lakhs.

**Total cost incurred by producer for production of Incense sticks**

Total cost incurred by producer for production of Incense sticks is the sum of fixed cost and variable cost incurred by

producer.

**Table 5:** Total cost incurred by producer for production of Incense sticks.

Sr. No.	Particulars	Amount (Rs in lakhs /year)	Amount (Rs/Kg)	Percentage (%) share
1	Fixed cost	11.09	40.35	24.70
2	Variable cost	33.83	123.03	75.30
	Total cost	44.93	163.39	100.00

Table 5. Reveals that, the total cost incurred by producer was estimated Rs. 44.93 lakhs.

**Economics of production of Incense sticks**

It explores the financial aspects of Incense sticks production, focusing on production costs, revenue, and profitability. By evaluating these economic factors, it provides insights into the financial viability and sustainability of Incense sticks production as a business by calculating the benefit cost ratio.

**Table 6:** Economics of production of Incense sticks production

Sr. No.	Particulars	Value per year	Value per Kg
1	Production (kg)	27500	1
2	Gross return (Rs)	50.10 lakh	182.18
3	Total cost incurred by producer (Rs)	44.93 lakh	163.39
4	Net return (Rs)	5.16 lakh	18.79
5	Benefit cost ratio	<b>1:1.12</b>	<b>1:1.12</b>

Table 6. Shows that, the value of product i.e., Gross return from the Product is Rs. 50.10 lakh, calculated by multiplying quantity of product with price per kg with total cost of 44.93 lakhs, the net return was 5.16 lakhs. The benefit cost ratio was 1:1.12 reflecting the ratio of total return to total costs.

**III. Break-even point analysis**

The break-even point is the number of Incense sticks produced to cover all costs associated with the production process, including both fixed and variable expenses. It is the level at which the total revenue from sell of Incense sticks matches the total costs incurred, meaning that no profit or loss is achieved.

**Table 9:** Total marketing cost incurred by producer and commission agent cum wholesaler and retailer

Sr. No.	Particulars	Amount (Rs in lakhs /year)	Amount (Rs/Kg)
1	Marketing cost incurred by producer	1.82	6.64
2	Selling price of producer	50.10	182.18
3	Marketing cost incurred by commission agent cum wholesaler	1.92	7
4	Selling price of commission agent cum wholesaler	52.84	192.18
5	Marketing cost of commission agent cum retailer	2.47	9
6	Selling price of commission agent cum retailer	57.79	210.18

Table 9. Reveals that, the total marketing cost required for marketing of Incense sticks by producer was Rs. 1.82 lakhs. The total marketing cost incurred by commission agent cum wholesaler and retailer was Rs.4.39 lakhs.

**Table 7:** Break-even point analysis of selected firm

Sr. No.	Particulars	Value
1	Actual quantity produced per year (Kg)	27500
2	Annual fixed cost (Rs)	1109660.35
3	Selling price per Kg (Rs)	182.18
4	Variable cost per Kg (Rs)	123.03
5	Breakeven point [physical quantity] (Kg)	18761.58
6	Breakeven point [monetary value] (Rs)	3418020.27
7	Margin of safety [physical quantity] (Kg)	8738.41
8	Margin of safety [monetary value] (Rs)	1591979.73
9	Percentage of margin of safety (%)	68.22

Table 7. Reveals that, the Lakshmi Trading and Services have to produce at least 18761.58 kg Incense sticks that will recover their fixed cost and variable cost i.e., zero profit for running the unit. In monetary terms, breakeven point analysed was Rs. 3418020.27. Percentage of margin of safety was 68.22.

**IV. Marketing of Incense Sticks**

Marketing channels of Incense sticks consists of producer, wholesaler/ distributor, retailer and customer.

**Marketing cost of Incense sticks**

The marketing cost consists of cost of packaging material, sealing and packaging, transportation charges, etc. required for the selling of incense sticks to the customer.

**Table 8:** Marketing cost for Incense sticks

Sr. No.	Particulars	Amount (Rs in lakhs /year)	Amount (Rs/Kg)	Percentage (%) share
1	Packaging cost	0.45	1.64	24.76
2	Transportation cost	1.37	5.00	75.23
	Total	1.82	6.64	100.00

Table 8. Shows that, the total marketing cost required for marketing of Incense sticks was Rs. 1.82 Lakhs. The cost required for transportation was major i.e., 1.37 lakhs.

**Total Marketing cost of Incense sticks**

For selling of produce, the seller has to pay for certain market services from sale proceeds. The marketing expenses are incurred for several purposes such as packaging material, sealing and packaging, transportation charges and commission charges.

**Estimation of Market Margin**

Market Margin refers to the difference between the price at which a product is sold to the consumer and the total cost incurred by the producer or seller in getting the product to the market. This includes production, processing, marketing, distribution costs.

**Table 10:** Estimation of Market Margin for Incense sticks production

Sr. No.	Particulars	Amount (Rs/year in lakhs)	Amount (Rs/kg)
A	Producer		
1	Price received by producer	50.10	182.18
2	Marketing cost	1.82	6.64
3	Net price received by producer	48.27	175.54
B	Commission agent cum wholesaler / distributor		
1	Price paid	50.10	182.18
2	Marketing cost	1.92	7
3	Marketing margin	0.82	3
4	Price received	52.84	192.18
C	Commission agent cum retailer		
1	Price paid	52.84	192.18
2	Marketing cost	2.47	9
3	Marketing margin	2.47	9
4	Price received	57.78	210.18
D	consumer		
1	Price paid	57.78	210.18
2	Price spread	7.68	28

Table 11. Reveals that, the net price received by producer was Rs. 175.54 per kg. Total marketing cost was Rs. 6.64 per kg. Market margin is obtained by deducting the addition of price received by producer and marketing cost incurred by commission agent from the selling price of commission agent which was Rs. 210.18 Thus, it is concluded that total market margin was Rs.12

**Estimation of Price Spread**

Price Spread refers to the difference between the price paid by the consumer and the price received by the producer. It represents the amount that is absorbed by intermediaries, marketing costs, or distribution expenses throughout the marketing chain.

**Table 11:** Estimation of Price Spread for Incense sticks production

Sr. No	Particulars	Amount (Rs/year in lakhs)	Amount (Rs/kg)
1	Net price received by producer	48.27	175.54
2	Total marketing cost incurred by producer, wholesaler and retailer	6.22	22.64
3	Total market margin of wholesaler and retailer	3.30	12
4	Purchase price of buyer/ consumer	57.75	210.18
5	Producers share in consumer rupees (%)		83.52

Table 12. Shows that, the net price received by producer was Rs. 175.54 per kg. Total marketing cost was Rs. 22.64 per kg. Total market margin of wholesaler was Rs.3 and retailer is Rs.9 and producers share in consumer rupees was 83.52 per cent.

comes to production and marketing. These constraints can impact the efficiency and success of their operations. Here are some main constraints.

**V. Constraints in production and marketing of Incense sticks**

Incense sticks production faces various constraints when it

**Constraints in production of Incense sticks**

**Table 12:** Constraints faced by owner in production of Incense sticks

Sr. No.	Particulars	Rank
1	Securing initial capital and ongoing expenses was challenging	I
2	High cost of repair and maintenance of machines	II
3	Unavailability of skilled labors	III
4	Ensuring consistent product quality was challenging	IV
5	Rise in cost of production	V
6	Irregular electrical supply during peak production season	VI

Table 12. Reveals that, the main constraints faced by the owner of Incense sticks manufacturing unit is to secure initial capital and ongoing operational expenses was challenging followed by the high cost of repair and maintenance of machinery followed by unavailability of the skilled labors for the process of Incense sticks production.

**Constraints in the marketing of Incense sticks**

**Table 13:** Constraints faced by owner in the marketing of Incense sticks production

Sr. No.	Particulars	Rank
1	Increasing competition	I
2	High transportation cost	II

Table 13. Shows that, the main constraints faced by the owner of Incense sticks manufacturing unit in marketing of incense sticks is Increasing competition followed by the high transportation cost for the process of Incense sticks marketing

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### Conclusion

1. The appraisal of Incense sticks production project revealed that the total investment in capital asset in Incense sticks production project was Rs. 10.81 lakhs. The investment on machinery was the major investment followed by building (Leased Rent) which individually shared, about 62.59 and 22.19 per cent respectively.
2. The total a fixed cost requirement for Incense sticks production project was Rs. 11.09 lakhs. It is observed that depreciation on machinery accounted 44.11 per cent followed by depreciation on building (Leased Rent) which constituted 21.62 per cent.
3. The variable cost for Incense sticks production worked out to Rs. 33.83 lakhs. The composition of variable cost revealed that the cost of raw materials was major 83.86 per cent followed by casual labours charges 12.76 per cent.
4. The total cost incurred by producer was estimated Rs. 44.93 lakhs.
5. The gross return from Incense sticks production was 50.10 lakhs and the net returns 5.16 lakhs.
6. The break-even point in physical terms is 18761.58 and in monetary terms 3418020.27.
7. The marketing cost required for marketing of Incense sticks was Rs. 1.82 lakhs. The cost required for transportation was major which was Rs. 1.37 lakhs i.e., 75.23 per cent followed by packaging cost 24.76 per cent.
8. The major constraint in production of Incense sticks is securing initial capital for infrastructure and the major constraints in marketing is increasing competition.

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