Running of a Scrap Shop

Financial Planning
Space Requirement

- Product basis
- Whole sale vs. retail basis
- No. of people selling in the shop basis
Working Capital

- For buying the scrap
- For routine expenses
- For special expenses
Buying vs. Renting

- Shop Space
- Tempo
- Processing machines
Sale of Scrap - Parameters

Frequency

- Availability of working capital
- Space in the shop
- Market fluctuations
- Seasonality - monsoon etc
- Quantum of scrap
- Viability of transport cost
- Distances of towns
Sale of Scrap-To whom

- Wholeseller
- Middlemen
- Direct to the user industry
Expenses

- Salary
- Wages
- Rent
- Tangus/Packing material/Bhot
- Telephone/mobile
- Transport-own/rented
- Kata
- Staff welfare/Tea to women
- Repairs/maintenance
- Conveyance
- Electricity, water charges
- Advances
- Bonus
Role of Labour

- On monthly basis vs. job work basis
- Time-motion study
- Level of packing
- Level of segregation
- Daily work routine and targets
- Availability during season time
Emergencies and Economic Impact

- Theft
- Fire
- Labour problem
- Cash flow delay
- Monsoon
- Transport Strike
- Leave replacement
Seasonality/Rate Fluctuation

While buying and selling

- Regular information about rates
- Monsoon or no takers
- Import of scrap
- Industry-type
- Controls of rates by market
Product Implications

- Bhangar: Chori Ka Maal
- Bribe
- Commission
Losses

- Initial losses
- Product buying losses
- Excess of expenditure
- Capital expenditure and its return
Segregation and Profit

Success of the shop depends on how in-depth our understanding of the product is, level of segregation and processing.
**Subsidy**

- Shop space
- Manager’s salary
- Cost of total investment
- Involvement of other team members
Break-Even Understanding

- Considering all the cost
- Considering subsidized cost and actual cost
Calculation of Margin/Profit

- Product-wise margin
- Gross margin
- Stock calculation
- Net profit
Checks and Balances

- Product understanding and level of segregation
- Type of packaging
- Transport cost
- Discounting and breakages

High level of accounting checks and balances for all the above
Books / Records

- Daily sales/purchase vouchers
- Stock register
- Sales & Purchase register
- Petty cash book
- Profit and loss account statement