

Model Project Report

for

Manufacturing

Of

Home Furnishing Fabric



MODEL PROJECT REPORT FOR MANUFACTURING OF HOME FURNISHING FABRIC

INTRODUCTION

Panipat is a small town situated about 90 Kms. from New Delhi on the G.T. Road in the State of Haryana. Panipat's Home Textile and furnishing industry has a hundred year old history and a Gateway of North India for the multilateral Products like Blankets, Bed sheets, Bath mats, Carpets, Curtain, Cushion Covers, Durries, Rugs, Table Covers, Table Mats, Table Runners, Velvet, etc. With the increase in option for better living every where, the demand for such items is increasing day by day. Panipat has already earned reputation in both domestic as well as in the international market for furnishing fabrics and home textiles. Currently, 90% of the units cater exclusively to export market, while 10% supply to the domestic consumers and retailers. Panipat is equipped about 9,500 Power looms out of which the number of ordinary power looms, Automatic power looms and Shuttleless looms are 5,500 2,500 and 1,500 respectively. The said Power loom sector is mainly engaged for the production of quality home furnishing fabrics.

RAW MATERIAL

In Panipat raw material for home furnishing is readily available at a short notice as because so many yarn manufacturing units are situated in around Panipat.

MARKET POTENTIAL

The last five years have witnessed Panipat sensing the global opportunities for itself. On the other hand, the biggest of global brands and home textile chains have bench marked their sourcing on Panipat standards, specially for the designs in medium weight Home furnishing. a wide range of Home Furnishing, curtains are being exported to countries such as Canada, Japan, Germany, USA, Europe, Middle East and Australia. From innovative designs in dobbies and jacquards, the range is further enhanced with elaborate embroidery, appliqué work, quilting and other forms of value addition.

MODERNISATION

Today, whether it means investing in technology, modernization or product development, the town has geared itself to meet the demands and needs of its international buyers. Quality of the furnishing fabrics has been upgraded rapidly over the last decade. Panipat has started investing in modern technology like CAD system and well known Embroidery machines.

PROJECT SUMMARY

Product	:	Home Furnishing fabrics Sofa, Curtain Cloth
By Product	:	Nil
Type of Industry	:	Manufacturing
Capacity (Annual) (Fabric in meters)	:	1,213,800
Power Load	:	175 H.P.
Land & Building	:	744 Sq. Yards

Total Investment (Proposed)

(a) Land & Building	:	42.00
(b) Machinery & Equipment	:	214.00
(c) Margin for Working Capital	:	39.60

Total (Rs. In Lacs)	295.60
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Means of Finance (Proposed)

(a) Term Loan from Bank	:	195.00
(b) Own Contribution	:	70.00
(c) Unsecured Loans (Intt. Free) from family members	:	30.60

Total (Rs. In Lacs)	295.60
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Annual Profitability (65% efficiency)

Figures considered assuming optimum utilisation of plant & Machinery Achievable during Third Year of Production

Total Annual Sales (Rs. In Lacs)	:	832.43
Net Annual Profit (Rs. In Lacs)	:	53.41
Break Event Level	:	38.99%
Break Even Sales (Rs. In Lacs)	:	324.55
Debt Equity Ratio	:	0.63:1
Current Ratio	:	3.06:1
Debt Service Coverage Ratio	:	2.19:1

BREAK-EVEN POINT ANALYSIS

CAPACITY	55%	60%	65%
Quantity (metres)	670824	731808	792792
(a) Variable Cost of Sales (Rs. In Lacs)			
Raw Material	564.50	604.82	645.14
Wages & Salaries	11.60	12.18	12.79
Utilities	32.82	35.16	37.50
Sales Expenses	1.76	1.92	2.08
Interest on Working Capital viz. C/C, O.D. Limit	6.85	7.42	7.98
Total	617.53	661.50	705.50
(b) Fixed Cost			
Administrative Expenses	1.65	1.73	1.82
Repairs & Maintenance	6.42	6.88	7.34
Interest on Term Loan (considering the receipt of 5% reimbursement under TUFs)	16.09	13.16	10.24
Depreciation	53.50	40.13	30.09
Total	77.66	61.90	49.49
(c) Sales	704.37	768.40	832.43
Break Even Point <div><div>Fixed Cost</div><div>Fixed Cost + Profit</div></div>			
Break Even Point (%)	89.43	57.90	38.99
Break Even Point (in metres)	599899	423747	309097
Break Even Sales (Rs. Lacs)	629.89	444.93	324.55

Percentage of Profit on Total Sales

<div><div>Annual Profit × 100</div><div>Annual Sales Value</div></div>	23.35	21.97	21.19
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TOTAL INVESTMENT (Proposed)

Machinery	214.00
Land & Building	42.00
Working Capital	39.60
	295.60

MEANS OF FINANCE (Proposed)**Promoter's Contribution**

Capital	70.00
Unsecured Loans (interest Free From Family Members)	30.60
Term Loan from Bank (under TUFS)	195.00
	295.60

PLANT AND MACHINERY (Proposed)

Description	Qty. No.	Amount Rs. Lacs	Imported/ Indigenous
Second Hand Vamatex Weaving Machine Working Width 75" (190 Cm), Year of makes 1996 with Jacquard attachments (Including of Custom Duty, Freight, Insurance, Installation charges etc.)	12	192.00	Second hand Imported Covered under TUFS
Sectional Warping Machines	1	8.50	Ind.
Remnant Cone Winder (12 Drums)	1	0.50	Ind.
Cloth Inspection & Rolling Machine	1	2.00	Ind.
Material Handling Equipments		0.50	Ind.
D.G. Set (120 KVA)	1	5.50	Ind.
Electrical Installation		3.00	
Pre-Operative Expenses		1.00	
Pre-liminary Expenses		1.00	
Total		214.00	

DETAIL OF INSTALLED CAPACITY & CAPACITY UTILISATION

No. of Rapier	12
No. of R.P.M.	400
No. of Picks/inches	38
No. of working days	330
No. of shifts	3
No. of hours/shifts	8
Weight per metre	0.550 Kg

Installed capacity in mtrs per Rapier

Speed of Machine (RPM) \times 60 \times 24

39.37 \times No. of picks/inch 385

Calculated production

Production per day per Rapier	385
Production per day (mtrs.)	4620
Production per year (mtrs.)	1524600
Expected production @ 80% efficiency	1219680

Total installed capacity of Rapier Looms per annum

	I	II	III
Installed capacity (mtrs.)	1219680	1219680	1219680
Capacity utilisation (%)	55	60	65
Production (mtrs.)	670824	731808	792792

DETAILS OF LAND & BUILDING (Required)

<u>Description</u>	<u>Area in Sq. Feet</u>
Main Factory Section	3,200.00
Office/store	325.00
D.G. Set Room	100.00
Godown	1,200.00
Toilet & Security Room	125
Boundary	1750
Total	6,700.00
Area in Sq. Yard (6700/9 = 744 sq. yds.)	744

PROJECTED BALANCE SHEET

Particulars	I	II	III	IV	V	VI
<u>LIABILITIES</u>						
<u>Capital A/C</u>	—	74.44	103.67	155.34	214.16	278.69
Add : Addition	70.00	—	—	—	—	—
Net Profit	5.94	30.85	53.41	60.67	66.63	71.60
Less : Drawings	1.50	1.62	1.74	1.86	2.10	2.34
Balance	74.44	103.67	155.34	214.16	278.69	347.95
Term Loan from Bank	162.50	130.00	97.50	65.00	32.50	—
Unsecured Loans	33.72	33.72	33.72	33.72	33.72	33.72
Bank Borrowings W/C	48.91	52.97	57.03	57.03	57.03	57.03
Sundry Creditors	23.20	24.86	26.51	26.51	26.51	26.51
TOTAL	342.77	345.22	370.10	396.42	428.45	465.21
<u>ASSETS</u>						
<u>Fixed Assets</u>						
W.D.V.	242.00	186.60	144.77	113.13	89.18	71.00
Less : Depreciation	53.50	40.13	30.09	22.57	16.93	12.70
Net Block	188.50	146.48	114.67	90.56	72.25	58.31
<u>Investments</u>						
<u>Current Assets</u>						
Raw Material	23.20	24.86	26.51	26.51	26.51	26.51
Work in Progress	1.25	1.34	1.43	1.43	1.43	1.43
Finished Goods	25.37	27.19	29.00	29.00	29.00	29.00
Sundry Debtors	57.89	63.16	68.42	68.42	68.42	68.42
Cash for Expenses	16.56	45.32	81.46	125.34	172.11	221.57
Other Current Assets	—	—	—	—	—	—
Deposits	—	1.89	3.61	5.16	6.53	7.78
TOTAL	342.77	345.22	370.10	396.42	428.44	465.21

PROJECTIONS OF COST OF PRODUCTION AND PROFITABILITY

Particulars	I	II	III	IV	V	VI
Installed capacity (Mtrs.)	1219680	1219680	1219680	1219680	1219680	1219680
Capacity utilisation (%)	55%	60%	65%	80%	80%	80%
Production (Mtrs.)	670824	731808	792792	975744	975744	975744
<u>COST OF PRODUCTION</u>						
Raw Material	564.50	615.82	667.13	821.09	821.09	821.09
Utilities	32.82	35.80	38.78	47.73	47.73	47.73
Mending charges	2.01	2.20	2.38	2.93	2.93	2.93
Grading & packing charges	0.07	0.07	0.07	0.08	0.08	0.08
Salaries & Wages	11.60	12.18	12.79	12.79	12.79	12.79
Repairs & maintenance	6.42	7.00	7.59	9.34	9.34	9.34
Depreciation	53.50	40.13	30.09	22.57	16.93	12.70
Administrative Expenses	1.65	1.73	1.82	1.82	1.82	1.82
Interest on Term Loan	16.09	13.16	10.24	7.31	4.39	1.46
Interest on Working Capital	6.85	7.42	7.98	7.98	7.98	7.98
Total cost of production	695.50	735.51	778.89	933.64	925.07	917.92
Selling expenses	1.76	1.92	2.08	2.08	2.08	2.08
Cost of Sales	697.26	737.43	780.97	935.72	927.16	920.00
Sales realisation	704.37	768.40	832.43	1,210.81	1,210.81	1,210.81
Profit before tax	7.10	30.97	51.46	275.09	283.65	290.81
Income tax	1.16	8.38	14.58	81.71	84.32	86.51
Profit after tax	5.94	22.59	36.89	193.38	199.33	204.30
Drawings	1.50	1.62	1.74	1.86	2.10	2.34
Retained Profit	4.44	20.97	35.15	191.52	197.23	201.96
Add back Depreciation	53.50	40.13	30.09	22.57	16.93	12.70
Gross cash accruals	57.94	61.10	65.24	214.09	214.66	214.66

1. Raw Material Requirement (Annual)

Description	Quantity Kg/mtr.	Production Mtrs.	Total quantity Kg.	Rate Rs./kg.	Value Rs.
Yarn	0.550	670,824.00	368,953.20	150.00	55,342,980.00
Add: Wastage 2%			7,379.06	150.00	1,106,859.60
Total					56,449,839.60
Amount Rs. in Lacs					564.50

2. Utilities

Particulars	Total unit	Rate Rs./unit	Amount Rs.
Power Requirement			
175H.P. x 746 x 24 x 90 x 70 x 350	690870.6	4.75	3,281,635.35
Amount Rs. in Lacs			32.82

(The above cost is including of Value involved for purchase of Diesel for D.G. Set)

3. Salaries & Wages

Particulars	No. of Persons	Rate Rs.	Amount Rs.
Manager	1	10,000.00	10,000.00
Supervisor	2	7,000.00	14,000.00
Weaver	6	3,500.00	21,000.00
Fitter	1	4,000.00	4,000.00
Warper	2	3,000.00	6,000.00
Semi skilled workers at preparatory & loom shed including electrician	9	2,100.00	18,900.00
Cashier cum Accountant	1	3,500.00	3,500.00
Security Guard (Hired from the Private securities agencies)	3	3,500.00	10,500.00
Total			87,900.00
Add: Fringe Benefits @ 10%			8,790.00
Total			96,690.00
Annual Salaries & Wages			1,160,280.00
Amount Rs. in Lacs			11.60

4. Repair & Maintenance

Plant & Machinery Rs. 214.00 lacs @ 3% **642,000.00**

Amount Rs. in Lacs 6.42

5. Mending Charges

Particulars	Production mtrs.	Rate Rs./mtr.	Amount Rs.
Furnishing Fabric	670,824.00	0.30	201,247.20

Total 201,247.20

Amount Rs. in Lacs 2.01

6. Packing Charges

Total Production 670824 @ 1% **6,708.24**

Amount Rs. in Lacs 0.07

7. Administrative Expenses (Annual)

<u>Particulars</u>	<u>Amount</u>
Postage, Telephone	30,000.00
Printing & Stationery	6,000.00
Sales Promotion	24,000.00
Office Exp.	12,000.00
Insurance	15,000.00
Travelling & Conveyance	42,000.00
Legal & Professional Fee	12,000.00
Miscellaneous Expenses	24,000.00

Total 165,000.00

Amount Rs. in Lacs 1.65

8. Selling Expenses

	<u>Total Sales</u>	<u>%age</u>	<u>Amount</u>
1 st Year	704.37	0.25	1.76
2 nd Year	768.40	0.25	1.92
3 rd Year	832.43	0.25	2.08

9. Summary of Cost of Production**(Rs. in Lacs)**

Raw Material	564.50
Utilities	32.82
Mending Charges	2.01
Packing Charges	0.07
Salaries & Wages	11.60
Repair & Maintenance	6.42
Total	617.42

10. Sales Realization

Year	I	II	III
Production	670824	731808	792792
Selling Price (Rs.)	105.00	105.0	105.00
Sales Realization (Rs.)	70436520	76839840	83243160
Sales Realization (Rs. in Lacs)	704.37	768.40	832.43

CALCULATION OF DEPRECIATION AS PER INCOME TAX ACT

Particulars	I	II	III	IV	V	VI
<u>Plant & Machinery</u>						
Opening W.D.V.	214.00	160.50	120.38	90.28	67.71	50.78
Depreciation @ 25%	53.50	40.13	30.09	22.57	16.93	12.70
Closing W.D.V.	160.50	120.38	90.28	67.71	50.78	38.09
<u>Building</u>						
Opening W.D.V.	19.00	17.10	15.39	13.85	12.47	11.22
Depreciation @ 10%	1.90	1.71	1.54	1.39	1.25	1.12
Closing W.D.V.	17.10	15.39	13.85	12.47	11.22	10.10
Total Depreciation	55.40	41.84	31.63	23.96	18.17	13.82

DEBT SERVICE COVERAGE RATIO (D.S.C.R.)

Particulars	I	II	III	IV	V	VI
Profit after Tax	5.94	30.85	53.41	60.67	66.63	71.60
Depreciation	53.50	40.13	30.09	22.57	16.93	12.70
Interest in Term Loan	16.09	13.16	10.24	7.31	4.39	1.46
Total (A)	75.53	84.14	93.74	90.55	87.95	85.76
Installment	32.50	32.50	32.50	32.50	32.50	32.50
Interest on Term Loan	16.09	13.16	10.24	7.31	4.39	1.46
Total (B)	48.59	45.66	42.74	39.81	36.89	33.96
Debt Service Coverage Ratio A/B	1.55	1.84	2.19	2.27	2.38	2.53
Average Debt Service Coverage Ratio	2.13					

DEBT EQUITY RATIO

Particulars	I	II	III	IV	V	VI
(A) Long Term Debt	162.50	130.00	97.50	65.00	32.50	
(B) Equity	74.44	103.67	155.34	214.16	278.69	347.95
Debt Equity Ratio A/B	2.18	1.25	0.63	0.30	0.12	0.00

CURRENT RATIO

Particulars	I	II	III	IV	V	VI
(A) Current Assets	154.27	198.75	255.43	305.86	356.20	406.90
(B) Current Liabilities	72.11	77.83	83.54	83.54	83.54	83.54
Current Ratio A/B	2.14	2.55	3.06	3.66	4.26	4.87

CALCULATION OF INTEREST ON TERM LOAN UNDER TUFS

Particulars	I	II	III	IV	V	VI
Opening Balance (Mach.)	195.00	162.50	130.00	97.50	65.00	32.50
Repayment during the year Machinery	32.50	32.50	32.50	32.50	32.50	32.50
Total Repayment	32.50	32.50	32.50	32.50	32.50	32.50
Closing Balance (Machinery)	162.50	130.00	97.50	65.00	32.50	—
Total Closing Balance	162.50	130.00	97.50	65.00	32.50	—
Average Balance (Machinery)	178.75	146.25	113.75	81.25	48.75	16.25
Interest @ 14.00% P.A.	25.03	20.48	15.93	11.38	6.83	2.28
Total Interest	25.03	20.48	15.93	11.38	6.83	2.28
Less: Interest rebate @ 5% under TUFS						
A. Machinery	8.94	7.31	5.69	4.06	2.44	0.81
Total Interest Rebate	8.94	7.31	5.69	4.06	2.44	0.81
Net Interest Payable	16.09	13.16	10.24	7.31	4.39	1.46

(Assuming the repayment period of Term Loan will be Six Years & Interest is derived out on Average Outstanding Loan Amount)

DETAILS OF WORKING CAPITAL AND MARGIN MONEY

S.No.	Particulars	Period/Margin		WC	I		WC	II		WC	III	
		days	%		MM	BF		MM	BF		MM	BF
1.	Raw Material	15	25	23.20	5.80	17.40	24.86	6.21	18.64	26.51	6.63	19.88
2.	WIP	3	25	1.25	0.31	0.94	1.34	0.33	1.00	1.43	0.36	1.07
3.	Finished Goods	15	25	25.37	6.34	19.03	27.19	6.80	20.39	29.00	7.25	21.75
4.	Receivables	30	50	57.89	28.95	28.95	63.16	31.58	31.58	68.42	34.21	34.21
5.	Cash for Expenses	30	100	4.00	4.00	—	4.29	4.29	—	4.57	4.57	—
	TOTAL			111.71	45.40	66.31	120.82	49.21	71.61	129.93	53.02	76.91
	Less : Creditors	15	25	23.20	5.80	17.40	24.86	6.21	18.64	26.51	6.63	19.88
				88.52	39.60	48.91	95.97	42.99	52.97	103.42	46.39	57.03

Note: WC – Working Capital
MM – Margin Money
BF – Bank Finance

Assuming the followings

1. Raw material will remain in the godown for a period of 15 days
2. WIP will remaining the pipeline for a period of 3 days
3. Finished goods will remain in the godown for a period of 15 days
4. Payment from the Customers will be realized only after 30 days
5. Amount to suppliers will be paid only after 15 days