

PROJECT REPORT

Of

BROOM MAKING

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding **BROOM MAKING**

The objective of the pre-feasibility report is primarily to facilitate potential entrepreneurs in project identification for investment and in order to serve his objective; the document covers various aspects of the project concept development, start-up, marketing, finance and management.

[We can modify the project capacity and project cost as per your requirement. We can also prepare project report on any subject as per your requirement.]



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PROJECT AT A GLANCE

- 1 Name of the Entrepreneur : XXXXXXXX
- 2 Constitution (legal Status) : XXXXXXXX
- 3 Father's/Spouce's Name : XXXXXXXX
- 4 Unit Address : XXXXXXXX
- Taluk/Block: XXXXX
- District : XXXXX State: XXXXX
- Pin: XXXXX
- E-Mail : XXXXX
- Mobile XXXXX
- 5 Product and By Product : Broom making
- 6 Name of the project / business activity proposed : Broom making
- 7 Cost of Project : Rs.5.88lac
- 8 Means of Finance
- Term Loan Rs.3.56 Lacs
- KVIC Margin Money As per Project Eligibility
- Own Capital Rs.0.59 Lacs
- Working Capital Rs.1.74 Lacs
- 9 Debt Service Coverage Ratio : 4.36
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 3 Months
- 12 Break Even Point : 38%
- 13 Employment : 6 Persons
- 14 Power Requirement : 2.00 HP
- 15 Major Raw materials : Forest Broom grass
- 16 Estimated Annual Sales Turnover : 23.94 Lacs
- 16 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lacs)

Particulars	Amount
Land	Rented/Owned
Building & Civil Work (1200 Sq Ft)	2.00
Plant & Machinery	1.50
Furniture & Fixtures	0.45
Pre-operative Expenses	-
Working Capital Requirement	1.93
Total	5.88

MEANS OF FINANCE

Particulars	Amount
Own Contribution @10%	0.59
Term Loan	3.56
Workign Capital Finance	1.74
Total	5.88

	General	Special
KVIC Margin Monery Urban	15%	25%
KVIC Margin Monery Rural	25%	35%

PROJECT PROFILE ON BROOMS MAKING UNIT



INTRODUCTION

Brooms are used for floor cleaning, dust removing etc. Brooms are generally grown in forest areas. On harvesting, they are cut into required size on a cutter and made them a suitable bundle using plastic packing machine. Hill broom making is a livelihood for large number of tribals.

MARKET DEMAND

Brooms is a common household item. It is transported to various districts for marketing. It has good demand and marketed through Super Bazars, Kirana Shops and other outlets. Economics are worked out based on average costs and these may vary moderately from location to location and required to be modified.

PRODUCTION TARGETS

Basis of estimation: 300 Working Days in a Year
Single Shift basis 8 hours per shift

	Brooms
Quantity (Nos) at 100% capacity	90,000
Value (Rs)	3,60,000

MANUFACTURING PROCESS

The process is simple. On harvesting, they are cut into required size on a cutter and made them a suitable bundle using plastic packing machine. Collection of Hills brooms, and make them slicing, grading and packing will be done simultaneously.

QUALITY CONTROL STANDARDS

Quality of the product must be as per customers demand and it must be suitable in handle and operation.

ASSUMPTIONS

1	Number of Working Days in a year	300 Days
2	Number of Shifts in a day	1 One
3	Hours in a Shift	8 hours
4	Plant Capacity	90,000 brooms
5	Raw material Estimates	Based upon product Mix
6	Raw Material/ Availability	Forest Broom grass /Forest districts
7	Depreciation	Straight Line Method
8	Manpower	According to project Requirement
9	Rent estimate	On the basis of current market size of the area.
10	Potential Area of Marketing the products	Households & related industries like Mining of the area.
11	Moratorium Period	3 months
12	Repayment Period	5 years
13	Rate of Interest	11.50% PA

PROJECTED BALANCE SHEET

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
<u>SOURCES OF FUND</u>					
Capital Account	0.59	0.59	0.59	0.59	0.59
Retained Profit	4.19	8.75	13.04	17.49	21.42
Term Loan	3.56	2.67	1.78	0.89	0.00
Cash Credit	1.74	1.74	1.74	1.74	1.74
Sundry Creditors	0.29	0.34	0.36	0.38	0.38
Provisions & Other Liab	0.36	0.40	0.44	0.48	0.53
TOTAL :	10.73	14.47	17.94	21.57	24.66
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	3.95	3.95	3.95	3.95	3.95
Gross Dep.	0.45	0.86	1.22	1.54	1.82
Net Fixed Assets	3.50	3.09	2.73	2.41	2.13
Current Assets					
Sundry Debtors	0.80	0.95	1.02	1.08	1.08
Stock in Hand	1.43	1.63	1.73	1.84	1.84
Cash and Bank	2.50	6.05	9.43	12.92	15.96
Deposits & Advances	2.50	2.75	3.03	3.33	3.66
TOTAL :	10.73	14.47	17.94	21.57	24.66

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PROJECTED CASH FLOW STATEMENT

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
<u>SOURCES OF FUND</u>					
Share Capital	0.59	-	-	-	-
Reserve & Surplus	4.19	5.07	5.36	5.57	4.91
Depriciation & Exp. W/off	0.45	0.41	0.36	0.32	0.28
Increase in Cash Credit	1.74	-	-	-	-
Increase In Term Loan	3.56	-	-	-	-
Increase in Creditors	0.29	0.04	0.02	0.02	-
Increase in Provisions	0.36	0.04	0.04	0.04	0.05
TOTAL :	11.17	5.56	5.78	5.95	5.24
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	3.95	-	-	-	-
Increase in Stock	1.43	0.20	0.10	0.10	-
Increase in Debtors	0.80	0.16	0.06	0.06	0.00
Increase in Deposits & Adv	2.50	0.25	0.28	0.30	0.33
Repayment of Term Loan	-	0.89	0.89	0.89	0.89
Taxation	-	0.51	1.07	1.11	0.98
TOTAL :	8.68	2.01	2.40	2.47	2.21
Opening Cash & Bank Balance	-	2.50	6.05	9.43	12.92
Add : Surplus	2.50	3.55	3.38	3.48	3.04
Closing Cash & Bank Balance	2.50	6.05	9.43	12.92	15.96

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
A) SALES					
Gross Sale	23.94	28.62	30.51	32.31	32.40
Total (A)	23.94	28.62	30.51	32.31	32.40
B) COST OF SALES					
Raw Mateiral Consumed	12.60	14.40	15.30	16.20	16.20
Electricity Expenses	0.20	0.23	0.24	0.26	0.26
Repair & Maintenance	-	0.29	0.31	0.32	0.32
Labour & Wages	3.43	3.78	4.15	4.57	5.02
Depriciation	0.45	0.41	0.36	0.32	0.28
Consumables and Other Expenses	0.48	0.57	0.61	0.65	0.65
Cost of Production	17.16	19.68	20.97	22.31	22.73
Add: Opening Stock /WIP	-	1.01	1.15	1.22	1.30
Less: Closing Stock /WIP	1.01	1.15	1.22	1.30	1.30
Cost of Sales (B)	16.15	19.53	20.90	22.24	22.73
C) GROSS PROFIT (A-B)					
	7.79	9.09	9.61	10.07	9.67
	33%	32%	31%	31%	30%
D) Bank Interest (Term Loan)	0.31	0.37	0.27	0.17	0.06
Bank Interest (C.C. Limit)	0.17	0.17	0.17	0.17	0.17
E) Salary to Staff	2.64	2.90	3.19	3.51	3.87
F) Selling & Adm Expenses Exp.	0.48	0.57	0.61	0.65	0.65
TOTAL (D+E)	3.60	4.02	4.25	4.50	4.75
H) NET PROFIT	4.19	5.07	5.36	5.57	4.91
I) Taxation	-	0.51	1.07	1.11	0.98
J) PROFIT (After Tax)	4.19	4.56	4.29	4.45	3.93

COMPUTATION OF SALE

Particulars	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
Op Stock	-	3,150	3,600	3,825	4,050
Production	63,000	72,000	76,500	81,000	81,000
	63,000	75,150	80,100	84,825	85,050
Less : Closing Stock	3,150	3,600	3,825	4,050	4,050
Net Sale	59,850	71,550	76,275	80,775	81,000
Sale Price per ton	40.00	40.00	40.00	40.00	40.00
Sale (in Lacs)	23.94	28.62	30.51	32.31	32.40

COMPUTATION OF ELECTRICITY

(A) POWER CONNECTION				
Total Working Hour per day		Hours	8	
Electric Load Required		HP	2	
Load Factor			0.7460	
Electricity Charges		per unit	8.00	
Total Working Days			300	
Electricity Charges (8 Hrs Per day)				28,646.40
Add : Minimim Charges (@ 10%)				
(B) D.G. SET				
No. of Working Days			300	days
No of Working Hours			5	Hour per day
Total no of Hour			1,500	
Diesel Consumption per Hour			8	
Total Consumption of Diesel			12,000	
Cost of Diesel			65.00	Rs. /Ltr
Total cost of Diesel			7.80	
Add : Lube Cost @15%			1.17	
Total			-	
Total cost of Power & Fuel at 100%				0.29
Year		Capacity		Amount
				(in Lacs)
IST YEAR		70%		0.20
IIND YEAR		80%		0.23
IIIRD YEAR		85%		0.24
IVTH YEAR		90%		0.26
VTH YEAR		90%		0.26

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
Finished Goods					
(15 Days requirement)	1.01	1.15	1.22	1.30	1.30
Raw Material					
(10 Days requirement)	0.42	0.48	0.51	0.54	0.54
Closing Stock	1.43	1.63	1.73	1.84	1.84

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars			Total
			Amount
Stock in Hand			1.43
Sundry Debtors			0.80
		Total	2.23
Sundry Creditors			0.29
Working Capital Requirement			1.93
Margin			0.19
Working Capital Finance			1.74

BREAK UP OF LABOUR

Particulars		Wages	No of	Total
		Per Month	Employees	Salary
Skilled Worker		8,000.00	2	16,000.00
Unskilled Worker		5,000.00	2	10,000.00
				26,000.00
Add: 10% Fringe Benefit				2,600.00
Total Labour Cost Per Month				28,600.00
Total Labour Cost for the year (In Rs. Lakhs)				3.43

BREAK UP OF SALARY

Particulars		Salary	No of	Total
		Per Month	Employees	Salary
Manager		12,000.00	1	12,000.00
Accountant		8,000.00	1	8,000.00
Total Salary Per Month				20,000.00
Add: 10% Fringe Benefit				2,000.00
Total Salary for the month				22,000.00
Total Salary for the year (In Rs. Lakhs)				2.64

COMPUTATION OF DEPRECIATION

Description	Land	Building	Plant & Machinery	Furniture	TOTAL
Rate of Depreciation		10.00%	15.00%	10.00%	
Opening Balance	Leased	-	-	-	-
Addition	-	2.00	1.50	0.45	3.95
	-	2.00	1.50	0.45	3.95
Less : Depreciation	-	0.20	0.23	0.02	0.45
WDV at end of 1st year	-	1.80	1.28	0.43	3.50
Additions During The Year	-	-	-	-	-
	-	1.80	1.28	0.43	3.50
Less : Depreciation	-	0.18	0.19	0.04	0.41
WDV at end of IIInd Year	-	1.62	1.08	0.38	3.09
Additions During The Year	-	-	-	-	-
	-	1.62	1.08	0.38	3.09
Less : Depreciation	-	0.16	0.16	0.04	0.36
WDV at end of IIIrd year	-	1.46	0.92	0.35	2.73
Additions During The Year	-	-	-	-	-
	-	1.46	0.92	0.35	2.73
Less : Depreciation	-	0.15	0.14	0.03	0.32
WDV at end of IV year	-	1.31	0.78	0.31	2.41
Additions During The Year	-	-	-	-	-
	-	1.31	0.78	0.31	2.41
Less : Depreciation	-	0.13	0.12	0.03	0.28
WDV at end of Vth year	-	1.18	0.67	0.28	2.13

REPAYMENT SCHEDULE OF TERM LOAN

11.5%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
IST YEAR	Opening Balance						
	Ist Quarter	-	3.56	3.56	-	-	3.56
	Iind Quarter	3.56	-	3.56	0.10	-	3.56
	IIIrd Quarter	3.56	-	3.56	0.10	-	3.56
	Ivth Quarter	3.56	-	3.56	0.10	-	3.56
					0.31	-	
IIND YEAR	Opening Balance						
	Ist Quarter	3.56	-	3.56	0.10	0.22	3.33
	Iind Quarter	3.33	-	3.33	0.10	0.22	3.11
	IIIrd Quarter	3.11	-	3.11	0.09	0.22	2.89
	Ivth Quarter	2.89	-	2.89	0.08	0.22	2.67
					0.37	0.89	
IIIRD YEAR	Opening Balance						
	Ist Quarter	2.67	-	2.67	0.08	0.22	2.44
	Iind Quarter	2.44	-	2.44	0.07	0.22	2.22
	IIIrd Quarter	2.22	-	2.22	0.06	0.22	2.00
	Ivth Quarter	2.00	-	2.00	0.06	0.22	1.78
					0.27	0.89	
IVTH YEAR	Opening Balance						
	Ist Quarter	1.78	-	1.78	0.05	0.22	1.56
	Iind Quarter	1.56	-	1.56	0.04	0.22	1.33
	IIIrd Quarter	1.33	-	1.33	0.04	0.22	1.11
	Ivth Quarter	1.11	-	1.11	0.03	0.22	0.89
					0.17	0.89	
VTH YEAR	Opening Balance						
	Ist Quarter	0.89	-	0.89	0.03	0.22	0.67
	Iind Quarter	0.67	-	0.67	0.02	0.22	0.44
	IIIrd Quarter	0.44	-	0.44	0.01	0.22	0.22
	Ivth Quarter	0.22	-	0.22	0.01	0.22	0.00
					0.06	0.89	

CALCULATION OF D.S.C.R

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
<u>CASH ACCRUALS</u>	4.64	4.97	4.65	4.77	4.21
Interest on Term Loan	0.31	0.37	0.27	0.17	0.06
Total	4.94	5.34	4.92	4.94	4.28
<u>REPAYMENT</u>					
Instalment of Term Loan	0.89	0.89	0.89	0.89	0.89
Interest on Term Loan	0.31	0.37	0.27	0.17	0.06
Total	1.20	1.26	1.16	1.05	0.95
DEBT SERVICE COVERAGE RATIO	4.14	4.24	4.25	4.69	4.50
AVERAGE D.S.C.R.			4.36		

BREAK EVEN POINT ANALYSIS

Year	I	II	III	IV	V
Net Sales & Other Income	23.94	28.62	30.51	32.31	32.40
Less : Op. WIP Goods	-	1.01	1.15	1.22	1.30
Add : Cl. WIP Goods	1.01	1.15	1.22	1.30	1.30
Total Sales	24.95	28.76	30.58	32.38	32.40
Variable & Semi Variable Exp.					
Raw Material & Tax	12.60	14.40	15.30	16.20	16.20
Electricity Exp/Coal Consumption at 85%	0.17	0.19	0.21	0.22	0.22
Manufacturing Expenses 80%	0.38	0.69	0.73	0.78	0.78
Wages & Salary at 60%	3.64	4.01	4.41	4.85	5.33
Selling & administrative Expenses 80%	0.38	0.46	0.49	0.52	0.52
Intt. On Working Capital Loan	0.17	0.17	0.17	0.17	0.17
Total Variable & Semi Variable Exp	17.35	19.92	21.31	22.73	23.22
Contribution	7.59	8.84	9.27	9.65	9.18
Fixed & Semi Fixed Expenses					
Manufacturing Expenses 20%	0.10	0.17	0.18	0.19	0.19
Electricity Exp/Coal Consumption at 15%	0.03	0.03	0.04	0.04	0.04
Wages & Salary at 40%	2.43	2.67	2.94	3.23	3.56
Interest on Term Loan	0.31	0.37	0.27	0.17	0.06
Depreciation	0.45	0.41	0.36	0.32	0.28
Selling & administrative Expenses 20%	0.10	0.11	0.12	0.13	0.13
Total Fixed Expenses	3.40	3.78	3.91	4.08	4.26
Capacity Utilization	70%	80%	90%	90%	100%
OPERATING PROFIT	4.19	5.07	5.36	5.57	4.91
BREAK EVEN POINT	31%	34%	38%	38%	46%
BREAK EVEN SALES	11.18	12.28	12.90	13.69	15.05

PLANT & MACHINERY

PARTICULARS	QTY.	RATE	AMOUNT IN RS.
Broom cutter	2.00	65000	130000
plastic packing machine	2.00	10000	20,000.00
Total			1,50,000.00

TOTAL 1,50,000.00

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