

PROJECT REPORT

Of

CARPET FINISHING UNIT

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Carpet Finishing unit.

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 : xxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxx
Pin: xxxxxxx State: xxxxxxxxx
Mobile : xxxxxxx
- 5 Product and By Product : **FINISHED CARPET**
- 6 Name of the project / business activity proposed : **CARPET FINISHING UNIT**
- 7 Cost of Project : Rs.11.94 Lakhs
- 8 Means of Finance :
Term Loan Rs.6.75 Lakhs
Own Capital Rs.1.19 Lakhs
Working Capital Rs.4 Lakhs
- 9 Debt Service Coverage Ratio : 2.73
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 27%
- 13 Employment : 9 Persons
- 14 Power Requirement : 6.00 HP
- 15 Major Raw materials : Woven Carpets, Dyes , Chemicals , Carpet binding tape, hot glue
- 16 Estimated Annual Sales Turnover (Max Capacity) : 75.60 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Building /Shed 1500 Sq ft	5.00
Plant & Machinery	1.50
Furniture & Fixtures	1.00
Working Capital	4.44
Total	11.94

MEANS OF FINANCE

Particulars	Amount
Own Contribution	1.19
Working Capital(Finance)	4.00
Term Loan	6.75
Total	11.94

CARPET MANUFACTURING UNIT



2. Introduction:

Beautifying one's house has been an ancient tradition since ages; the wealthy do it with costly materials while the lower pay family units to brighten their homes in their own imaginative manners.

Floor covering weaving keeps on being a wellspring of work for some craftsmans in India. The rug weaving industry in India, is exceptionally work serious and it shapes a significant lump of the handloom business. It has been giving a colossal lift to India's fare and has been contributing fundamentally to Indian economy. The business gives occupation to around 2.5 million craftsmans and procures huge unfamiliar trade for the country. Fare profit from cover industry have been expanding over the course of the years particularly from 1996 onwards and contacting over USD 621 million during 2005-06. As of now, India sends out floor coverings worth over Rupees 2600 crores.



Restricting a rug shields the edges of your floor covering from fraying and self-destructing over the long run. There are two or three choices accessible to finish this coupling cycle. This should be possible with a little, convenient machine that rides along the floor on wheels. The nature of these mats relies upon various components, for example, the bunch check, colors utilized and nature of the yarns.

To have customary flooding done on a mat or covering is extravagant, and can require a long time to finish. For this to be done effectively the floor covering should be requested wrapping up. It works a similar way conventional polyester restricting tape does however offers the more refined look of flooding. Ideal for the closures of that new sprinter, or at whatever point you need a more work of art, cleaned look.

Conventional bordering is sewn into the closures of an oriental carpet when it's woven at the factory. It's an exemplary look that is anticipated from most conventional oriental mats and sprinters.

3. Market Potential:

The Carpet weaving had been begun route long back in sixteenth century in Mughal period. In current situation India is the biggest maker and exporter of floor covering on the planet in term of both volume and worth. Around 80% of rug made in India are exported. India is popular in

worldwide market for its superb plan particularly Persian plan. India has pioneered as largest exporter of handmade carpets.

Known as the 'Carpet City', the Mirzapur-Bhadohi locale is the biggest carefully assembled cover weaving bunch, drawing in around 3.2 million individuals in the business. A significant piece of expressions and handiworks, this calling keeps on being well known in the locale of Uttar Pradesh, where the significant focuses of creation are Bhadohi, Sonbhadra, Mirzapur and Japunpur. In 2010, the floor coverings of the UP locale got the Geographical Indication (GI) tag, which means rugs made in nine areas of the district, Bhadohi, Mirzapur, Varanasi, Ghazipur, Sonebhadra, Kaushambi, Allahabad, Jaunpur and Chandauli would be labeled with 'handcrafted rug of Bhadohi'. The creation of the Bhadohi rugs is pointed toward sending out to internationally.

Famous carpet types from Bhadohi include cotton Dhurry/Dhurries, Chhapra Mir carpets, Loribaft, Indo Gabbeh but also Nepalese carpets and more recent shaggy type carpets. They are manufactured in various qualities. The popularity of the Bhadohi carpets led to the formation of the All India Carpet Manufacturers Association (AICMA) in the year 1985 by manufacturing and export firms for promotion of exports and handling of buyers who play with price by quoting lower price of competitors.

The domestic market size is about Rs 200 crores. Many Industry players think that Indian market will expand rapidly based on current retail boom. Over the years carpet weaving center has emerged across India. Each has its own distinct competitiveness. These centers employ millions of people.

4. Product Description:

4.1. Product Uses- For longevity, it is prescribed to utilize customary, sewn-on official on the floor coverings. There are a few varieties of the tape that is sewn on and offers numerous alternatives for a consummately redone look.

4.2. Raw Material-

- Dyes and Chemicals: Colors utilized for the coloring of fleece additionally shapes one of the significant crude materials.
- Woven Rugs (Comprised of various strings.)
- Chemicals utilized in synthetic and mechanical completing are provided through vendors and merchants working in the group.
- Carpet binding tape
- Hot glue

Average raw material cost of Finished Carpet per sqft. will be Rs. 35-50 (Approx.)

4.3. Manufacturing Process: "Finishing Stage". Here the carpets are given finishing & detailing is taken care of:

- The finishes are given to them and the different applications they are put to. When it comes to carpet manufacturing, different techniques are adopted. Once the yarn is woven into a rug, there are few steps in the final processing of the rugs.
- Carpet edges: The most common choices for carpet finishing are binding, serging, and fringing.
 - Binding is typically the easiest and least-expensive method of finishing a carpet edge. Binding the edge of a carpet involves wrapping a strip of fabric—which is generally made from either

polyester or cotton—around the edge of the carpet and stitching it in place. This is done by a carpet-binding machine.

- Serging the edge of the carpet pieces produces a look that seems hand-sewn, although it is most often done by machine. Serging is also called over lock stitching, and it is done with a special machine designed for the purpose. Serging is almost always more expensive than binding.
- Fringing is a common and somewhat iconic finishing treatment for area rugs. In hand-knotted rugs, the fringe is necessary, as it is the edge of the “backbone” fibers of the rug. On machine-made rugs, however, fringe is only for appearance and serves no practical purpose. Fringing is usually more expensive than either binding or serging.
- Trimming, washing, and drying of the carpet – After the weaving, the floor covering is taken off from the loom for its managing. The outside of the carpet is smoothening out by eliminating additional hanging strands. Pointed sharp scissors are utilized for this leveling. This managing draws out the lucidity in the plan of the floor covering. In the wake of managing, the mat is washed with cleanser and later with just with clean water to dispose of all the earth and extra cleanser. A wood board with a sharp edge is utilized to constrain water through mat for better purging. Later the carpet is left under daylight for drying for around four-five days.
- Rug shaving and leveling - are again done after mat has totally dried. This upgrades the plan, tones, and levels the mat along its length and breath. This turns out to be the most sensitive piece of the floor covering completing cycle.

- Stretching of this rug – After the leveling, the mat is extended from all the sides with assistance of a metal casing for a day or two to guarantee the specific size and state of the mat.
- Protective measurements – The appearance of the carpet is locked and preserved with the use of fluoric-chemicals that protects from discoloration and soiling. These chemicals do not tamper the color or shine of the Indian carpets.
- Backing systems – A cushion may be attached to the rug (to which yarn is interweaved through tufting needles) to provide more stability to the structure. In some cases, a bonding adhesive is applied to secure the rug for a longer time. Synthetic latex or vinyl is used to laminate the physical properties of the rug.

5. Project Components:

5.1. Land- The industrial setup requires space for Stock, workshop or assembling territory, space for power supply utilities getting done with, washing and drying region. Additionally a portion of the zone of building is needed for office staff offices, documentation, office furniture, and so forth Along these lines, the rough all out region needed for complete limited scope industrial facility arrangement is 1500-2000Sq. ft. roughly.



5.2. Civil Work- Micro, small and medium enterprises are engaged in this work accounting for the total manufacturing units.


- Workshop Area- This area includes the machinery setup and foundation space for all equipments, work floor area, and washing, drying and finishing. Total workshop area is approx. 1200Sqft.

- Inventory Area- This area includes the storage space for all the raw materials, tooling and die storage space and finished goods. Total inventory area is approx. 300Sqft.
- Office Area – This space includes staff working region, their accommodation space, canteen area, medical facility etc. Total workshop area is approx. 300Sqft. This may be considered above the ground floor.
- Parking Space, Electricity Utensils Mounting Space, and Others. This could be approx. 200Sqft.

Land and building requirement may vary depending on the size of project. Civil work cost will be Rs 5 Lac (Approx.).

5.3. Machinery & equipments-

<p>Carpet binding machine (Rs 37000 @3)</p>	<p>A carpet binder will stitch a decorative edge on a rug to finish the rug and prevent it from unraveling.</p>	
<p>Hot Glue Gun</p>	<p>It is basically used for gluing purpose in carpet finishing unit.</p>	

Tools and other material handling equipments	Tools like Carpet scissors with sharp steel blades are used for cutting and giving design. Other material handling equipments like trolley, bins, etc are used.	
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Average Machinery and equipments cost will be Rs.150000 (Approx.) exclusive of GST & installation cost.

5.4. Miscellaneous Assets-

- ✓ Water Supply Arrangements
- ✓ Furniture
- ✓ Computers and Stationary

5.5. Power Requirement- The power requirement is estimated to be around 6 HP.

5.6. Man Power Requirement- Following manpower is required:

- Machine Operator-3
- Skilled/Unskilled Worker-2
- Helper-2
- 2 Skilled worker including a Manager and Accountant.

6.

**FINANCIAL
ASPECTS**

PROJECTED BALANCE SHEET

PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Capital Account					
Opening Balance	-	2.36	4.06	5.67	7.48
Add: Additions	1.19	-	-	-	-
Add: Net Profit	1.27	2.69	3.41	4.81	6.64
Less: Drawings	0.10	1.00	1.80	3.00	4.00
Closing Balance	2.36	4.06	5.67	7.48	10.12
CC Limit	4.00	4.00	4.00	4.00	4.00
Term Loan	6.00	4.50	3.00	1.50	-
Sundry Creditors	1.26	1.44	1.64	1.85	2.06
TOTAL :	13.62	14.00	14.31	14.83	16.19
APPLICATION OF FUND					
Fixed Assets (Gross)	7.50	7.50	7.50	7.50	7.50
Gross Dep.	0.83	1.56	2.20	2.78	3.29
Net Fixed Assets	6.68	5.94	5.30	4.72	4.21
Current Assets					
Sundry Debtors	2.22	2.64	2.97	3.36	3.78
Stock in Hand	3.60	4.10	4.62	5.22	5.86
Cash and Bank	1.13	1.32	1.42	1.53	2.34
TOTAL :	13.62	14.00	14.31	14.83	16.19
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I	II	III	IV	V
A) SALES					
Gross Sale	44.46	52.84	59.43	67.28	75.60
Total (A)	44.46	52.84	59.43	67.28	75.60
B) COST OF SALES					
Raw Material Consumed	25.20	28.86	32.76	36.90	41.28
Electricity Expenses	0.81	0.87	0.94	1.01	1.07
Repair & Maintenance	0.89	1.06	1.13	1.35	1.51
Labour & Wages	10.71	11.25	12.37	13.36	14.43
Depreciation	0.83	0.73	0.65	0.58	0.51
Cost of Production	38.43	42.77	47.85	53.19	58.81
Add: Opening Stock /WIP	-	2.34	2.65	2.98	3.38
Less: Closing Stock /WIP	2.34	2.65	2.98	3.38	3.79
Cost of Sales (B)	36.09	42.45	47.52	52.79	58.39
C) GROSS PROFIT (A-B)	8.37	10.38	11.91	14.48	17.21
	18.83%	19.65%	20.04%	21.52%	22.77%
D) Bank Interest i) (Term Loan)	0.73	0.60	0.43	0.27	0.10
ii) Interest On Working Capital	0.44	0.44	0.44	0.44	0.44
E) Salary to Staff	5.04	5.59	6.43	7.08	7.78
F) Selling & Adm Expenses Exp.	0.89	1.06	1.19	1.35	1.51
TOTAL (D+E+F)	7.10	7.69	8.50	9.13	9.84
H) NET PROFIT	1.27	2.69	3.41	5.35	7.37
	2.9%	5.1%	5.7%	8.0%	9.8%
I) Taxation	-	-	-	0.53	0.74
J) PROFIT (After Tax)	1.27	2.69	3.41	4.81	6.64

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Own Contribution	1.19	-			
Reserve & Surplus	1.27	2.69	3.41	5.35	7.37
Depriciation & Exp. W/off	0.83	0.73	0.65	0.58	0.51
Increase In Cash Credit	4.00				
Increase In Term Loan	6.75	-	-	-	-
Increase in Creditors	1.26	0.18	0.20	0.21	0.22
TOTAL :	15.30	3.61	4.26	6.13	8.10
APPLICATION OF FUND					
Increase in Fixed Assets	7.50	-	-	-	-
Increase in Stock	3.60	0.50	0.53	0.60	0.64
Increase in Debtors	2.22	0.42	0.33	0.39	0.42
Repayment of Term Loan	0.75	1.50	1.50	1.50	1.50
Taxation	-	-	-	0.53	0.74
Drawings	0.10	1.00	1.80	3.00	4.00
TOTAL :	14.17	3.41	4.15	6.03	7.29
Opening Cash & Bank Balance	-	1.13	1.32	1.42	1.53
Add : Surplus	1.13	0.19	0.10	0.10	0.81
Closing Cash & Bank Balance	1.13	1.32	1.42	1.53	2.34

REPAYMENT SCHEDULE OF TERM LOAN

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	6.75	6.75	0.19	-	6.75
	IInd Quarter	6.75	-	6.75	0.19	-	6.75
	IIIRD Quarter	6.75	-	6.75	0.19	0.38	6.38
	Ivth Quarter	6.38	-	6.38	0.18	0.38	6.00
					0.73	0.75	
II	Opening Balance						
	Ist Quarter	6.00	-	6.00	0.17	0.38	5.63
	IInd Quarter	5.63	-	5.63	0.15	0.38	5.25
	IIIRD Quarter	5.25	-	5.25	0.14	0.38	4.88
	Ivth Quarter	4.88	-	4.88	0.13	0.38	4.50
					0.60	1.50	
III	Opening Balance						
	Ist Quarter	4.50	-	4.50	0.12	0.38	4.13
	IInd Quarter	4.13	-	4.13	0.11	0.38	3.75
	IIIRD Quarter	3.75	-	3.75	0.10	0.38	3.38
	Ivth Quarter	3.38	-	3.38	0.09	0.38	3.00
					0.43	1.50	
IV	Opening Balance						
	Ist Quarter	3.00	-	3.00	0.08	0.38	2.63
	IInd Quarter	2.63	-	2.63	0.07	0.38	2.25
	IIIRD Quarter	2.25	-	2.25	0.06	0.38	1.88
	Ivth Quarter	1.88	-	1.88	0.05	0.38	1.50
					0.27	1.50	
V	Opening Balance						
	Ist Quarter	1.50	-	1.50	0.04	0.38	1.13
	IInd Quarter	1.13	-	1.13	0.03	0.38	0.75
	IIIRD Quarter	0.75	-	0.75	0.02	0.38	0.38
	Ivth Quarter	0.38	-	0.38	0.01	0.38	-
					0.10	1.50	

Door to Door Period 60 Months
 Moratorium Period 6 Months
 Repayment Period 54 Months

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
Finished Goods					
(15 Days requirement)	2.34	2.65	2.98	3.38	3.79
Raw Material					
(15 Days requirement)	1.26	1.44	1.64	1.85	2.06
Closing Stock	3.60	4.10	4.62	5.22	5.86

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	3.60		
Less:			
Sundry Creditors	1.26		
Paid Stock	2.34	0.23	2.11
Sundry Debtors	2.22	0.22	2.00
Working Capital Requirement			4.11
Margin			0.46
MPBF			4.11
Working Capital Demand			4.00

CALCULATION OF D.S.C.R

PARTICULARS	I	II	III	IV	V
<u>CASH ACCRUALS</u>	2.09	3.42	4.06	5.39	7.15
Interest on Term Loan	0.73	0.60	0.43	0.27	0.10
Total	2.83	4.02	4.50	5.66	7.25
<u>REPAYMENT</u>					
Repayment of Term Loan	0.75	1.50	1.50	1.50	1.50
Interest on Term Loan	0.73	0.60	0.43	0.27	0.10
Total	1.48	2.10	1.93	1.77	1.60
DEBT SERVICE COVERAGE RATIO	1.91	1.92	2.33	3.20	4.52
AVERAGE D.S.C.R.			2.73		

Assumptions:

- 1.** Production Capacity of a Carpet Finishing unit is taken at 400 Sq Ft per day. First year, Capacity has been taken @ 60%.
- 2.** Working shift of 10 hours per day has been considered.
- 3.** Raw Material stock and Finished goods closing stock has been taken for 15-15 days.
- 4.** Credit period to Sundry Debtors has been given for 15 days.
- 5.** Credit period by the Sundry Creditors has been provided for 15 days.
- 6.** Depreciation and Income tax has been taken as per the Income tax Act,1961.
- 7.** Interest on working Capital Loan and Term loan has been taken at 11%.
- 8.** Salary and wages rates are taken as per the Current Market Scenario.
- 9.** Power Consumption has been taken at 6 HP.
- 10.** Selling Prices & Raw material costing has been increased by 3% & 3% respectively in the subsequent years.

DISCLAIMER

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