

PROJECT REPORT

Of

GUNNY BAGS

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Gunny Bags Manufacturing 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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GUNNY BAG MANUFACTURING UNIT

Introduction:

Jute is a naturally occurring, inexpensive fiber that is biodegradable and environmentally friendly. Because of its natural golden shine, jute is also known as “the golden fiber.” Jute is most commonly used to make consumer goods such as bags and rugs. When the jute industry started in India, one of the earlier developments was the manufacture of jute sacks. The bulk of jute sack production is used for all types of jute bags. Sacking bags, woven wholly from jute fabrics, are available as plain and twill bags. Jute bags, the other name for sacking bags are mainly used to pack cement, sugar, and other bulky articles, which are packed in weight range from 50 to 100kgs. These are tailored as per customers’ specifications in terms of size and to meet the ever-increasing demand for jute bags in the farm sector, agro-based industries, and cement industries. The Jute Textiles Industry occupies an important place in the national economy. It is one of the major industries in the eastern region, particularly in West Bengal. It supports nearly 4 million farm families, besides providing direct employment to about 2.6 lac industrial workers. The jute industry is labor-intensive and contributes about Rs.1,200 crores annually to export earnings. Sutli consists of few strands of jute and is a thin rope. It is mainly used for tying bamboos, thatched houses small and medium- size packaging, binding and stitching grain sacks, etc.



PROJECT AT A GLANCE

- 1 Name of the Entrepreneur : xxxxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **GUNNY BAG**
- 6 Name of the project / business activity proposed : **GUNNY BAG MANUFACTURING UNIT**
- 7 Cost of Project : Rs.24.05 Lakhs
- 8 Means of Finance
- Term Loan Rs.13.73 Lakhs
- Own Capital Rs.2.41 Lakhs
- Working Capital Rs.7.92 Lakhs
- 9 Debt Service Coverage Ratio : 2.93
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 24%
- 13 Employment : 11 Persons
- 14 Power Requirement : 30.00 HP
- 15 Major Raw materials : Raw Jute and Stitching Thread
- 16 Estimated Annual Sales Turnover (Max Capacity) : 185.82 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	14.75
Furniture & Fixtures	0.50
Working Capital	8.80
Total	24.05

MEANS OF FINANCE

Particulars	Amount
Own Contribution	2.41
Working Capital(Finance)	7.92
Term Loan	13.73
Total	24.05

Uses & Market Potential:

Gunny bags are ideal for storing and transporting bulk foods such as wheat, onions, potatoes, rice, etc. Jute bags have many uses. High-quality gunny or jute bags can be used for packing fertilizers, cement, agricultural products, sand, sugar, and other heavy goods. The global gunny bag or jute bag market attained a value of USD 1.9 billion in 2020. The market is expected to reach USD 3.3 billion by 2026 while registering a CAGR of 9.4% during the forecast period of 2021-2026. Jute, the Golden Fiber as it is called, is a plant that yields a fiber used for sacking and cordage. Known as the raw material for sacks the world over, jute is truly one of the most versatile fibers gifted to man by nature that finds various uses in the form of Handicrafts. Next to cotton, jute is the cheapest and most important of all textile fibers. Jute is being cultivated in India for centuries. Jute bags have many uses. Jute bags are mainly used for packing cement, sand, agricultural products, sugar, and other heavy goods. These gunny bags are ideal for transporting bulk foods such as onions, potatoes, flour rice, and fertilizers. Apart from these, a colorful decorative jute shopping bag is in great demand. Jute bags are used to carry lunch, letters, textbooks, folders, etc. It is also widely used as an office bag for those who care a lot about the environment. Jute bags come in different designs. Various types of small purses made of jute are also very popular for women. With the increasing population, the scope of trade and industry is also increasing. The bag is an essential item for humans. With the increasing awareness about the environment, pollution has led to a rapid increase in jute bags' demand. There are only a few countries which manufacture and use the highest number of jute in the whole world, including our country at number one. Bangladesh, China, and Thailand then join this list. India is the only country that produces raw jute on a large scale and exports it all over the world. As per industry estimates, India has exported millions of jute bags mainly to Europe.

Product:

Gunny Bags

Raw Material:

Raw material that are used are Raw Jute and stitching thread.

Manufacturing Process:

- Raw material procurement
- Production Process
- Testing
- Packaging

Area:

The industrial setup requires space for Inventory, workshop or manufacturing area, space for power supply utilities and polishing area. Also, some of the area of building is required for office staff facilities, office furniture, etc. Thus, the approximate total area required for complete industrial setup is 1500-2000Sqft.

Cost of Machines:

Machine	Quantity	Price
Gunny bag making machine	1	4,30,000
Printing machine	1	10,00,000
Sewing machine	1	45,000
TOTAL		14,75,000

Power Requirement- The estimated Power requirement is taken at 30 HP.

Manpower Requirement— Following manpower is required:

- Machine operator-2
- Skilled/unskilled worker-3
- Helper-4
- Manager cum Accountant-1
- Sales Personnel-1

FINANCIALS

PROJECTED BALANCE SHEET

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
<u>Capital Account</u>					
Opening Balance	-	3.35	5.33	8.39	12.04
Add: Additions	2.41	-	-	-	-
Add: Net Profit	5.14	6.58	8.06	9.45	10.93
Less: Drawings	4.20	4.60	5.00	5.80	6.50
Closing Balance	3.35	5.33	8.39	12.04	16.46
CC Limit	7.92	7.92	7.92	7.92	7.92
Term Loan	12.20	9.15	6.10	3.05	-
Sundry Creditors	3.38	4.02	4.68	5.37	6.09
TOTAL :	26.85	26.42	27.09	28.38	30.47
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	15.25	15.25	15.25	15.25	15.25
Gross Dep.	2.26	4.19	5.83	7.22	8.41
Net Fixed Assets	12.99	11.06	9.42	8.03	6.84
Current Assets					
Sundry Debtors	4.49	5.62	6.59	7.61	8.67
Stock in Hand	7.69	9.16	10.67	12.25	13.88
Cash and Bank	1.68	0.58	0.41	0.49	1.08
TOTAL :	26.85	26.42	27.09	28.38	30.47

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PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I	II	III	IV	V
<u>A) SALES</u>					
Gross Sale	96.19	120.41	141.31	163.11	185.82
Total (A)	96.19	120.41	141.31	163.11	185.82
<u>B) COST OF SALES</u>					
Raw Material Consumed	67.50	80.33	93.64	107.45	121.77
Electricity Expenses	2.01	2.35	2.69	3.02	3.36
Repair & Maintenance	2.40	3.01	3.53	4.08	4.65
Labour & Wages	12.10	15.24	18.29	21.58	24.82
Depreciation	2.26	1.93	1.64	1.40	1.19
Cost of Production	86.28	102.85	119.78	137.52	155.78
Add: Opening Stock /WIP	-	4.31	5.14	5.99	6.88
Less: Closing Stock /WIP	4.31	5.14	5.99	6.88	7.79
Cost of Sales (B)	81.96	102.02	118.94	136.64	154.87
C) GROSS PROFIT (A-B)	14.22	18.39	22.38	26.48	30.95
	14.79%	15.27%	15.83%	16.23%	16.66%
D) Bank Interest i) (Term Loan)	1.49	1.22	0.88	0.55	0.21
ii) Interest On Working Capital	0.87	0.87	0.87	0.87	0.87
E) Salary to Staff	4.79	6.13	7.35	8.46	10.32
F) Selling & Adm Expenses Exp.	1.73	3.01	4.24	5.71	6.50
G) TOTAL (D+E+F)	8.88	11.23	13.35	15.58	17.90
H) NET PROFIT	5.34	7.16	9.03	10.90	13.05
	5.6%	5.9%	6.4%	6.7%	7.0%
I) Taxation	0.20	0.58	0.97	1.45	2.12
J) PROFIT (After Tax)	5.14	6.58	8.06	9.45	10.93

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	2.41	-	-	-	-
Reserve & Surplus	5.34	7.16	9.03	10.90	13.05
Depreciation & Exp. W/off	2.26	1.93	1.64	1.40	1.19
Increase In Cash Credit	7.92	-	-	-	-
Increase In Term Loan	13.73	-	-	-	-
Increase in Creditors	3.38	0.64	0.67	0.69	0.72
TOTAL :	35.03	9.73	11.33	12.98	14.95
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	15.25	-	-	-	-
Increase in Stock	7.69	1.47	1.51	1.58	1.63
Increase in Debtors	4.49	1.13	0.98	1.02	1.06
Repayment of Term Loan	1.53	3.05	3.05	3.05	3.05
Taxation	0.20	0.58	0.97	1.45	2.12
Drawings	4.20	4.60	5.00	5.80	6.50
TOTAL :	33.35	10.83	11.51	12.89	14.36
Opening Cash & Bank Balance	-	1.68	0.58	0.41	0.49
Add : Surplus	1.68	- 1.10	- 0.17	0.09	0.59
Closing Cash & Bank Balance	1.68	0.58	0.41	0.49	1.08

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
<u>Finished Goods</u>					
(15 Days requirement)	4.31	5.14	5.99	6.88	7.79
<u>Raw Material</u>					
(15 Days requirement)	3.38	4.02	4.68	5.37	6.09
Closing Stock	7.69	9.16	10.67	12.25	13.88

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	7.69		
Less:			
Sundry Creditors	3.38		
Paid Stock	4.31	0.43	3.88
Sundry Debtors	4.49	0.45	4.04
Working Capital Requirement			7.92
Margin			0.88
MPBF			7.92
Working Capital Demand			7.92

REPAYMENT SCHEDULE OF TERM LOAN

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	13.73	13.73	0.38	-	13.73
	Iind Quarter	13.73	-	13.73	0.38	-	13.73
	IIIrd Quarter	13.73	-	13.73	0.38	0.76	12.96
	Ivth Quarter	12.96	-	12.96	0.36	0.76	12.20
					1.49	1.53	
II	Opening Balance						
	Ist Quarter	12.20	-	12.20	0.34	0.76	11.44
	Iind Quarter	11.44	-	11.44	0.31	0.76	10.68
	IIIrd Quarter	10.68	-	10.68	0.29	0.76	9.91
	Ivth Quarter	9.91		9.91	0.27	0.76	9.15
					1.22	3.05	
III	Opening Balance						
	Ist Quarter	9.15	-	9.15	0.25	0.76	8.39
	Iind Quarter	8.39	-	8.39	0.23	0.76	7.63
	IIIrd Quarter	7.63	-	7.63	0.21	0.76	6.86
	Ivth Quarter	6.86		6.86	0.19	0.76	6.10
					0.88	3.05	
IV	Opening Balance						
	Ist Quarter	6.10	-	6.10	0.17	0.76	5.34
	Iind Quarter	5.34	-	5.34	0.15	0.76	4.58
	IIIrd Quarter	4.58	-	4.58	0.13	0.76	3.81
	Ivth Quarter	3.81		3.81	0.10	0.76	3.05
					0.55	3.05	
V	Opening Balance						
	Ist Quarter	3.05	-	3.05	0.08	0.76	2.29
	Iind Quarter	2.29	-	2.29	0.06	0.76	1.53
	IIIrd Quarter	1.53	-	1.53	0.04	0.76	0.76
	Ivth Quarter	0.76		0.76	0.02	0.76	0.00
					0.21	3.05	

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

CALCULATION OF D.S.C.R

PARTICULARS	I	II	III	IV	V
<u>CASH ACCRUALS</u>	7.41	8.51	9.70	10.84	12.11
Interest on Term Loan	1.49	1.22	0.88	0.55	0.21
Total	8.89	9.72	10.58	11.39	12.32
<u>REPAYMENT</u>					
Repayment of Term Loan	1.53	3.05	3.05	3.05	3.05
Interest on Term Loan	1.49	1.22	0.88	0.55	0.21
Total	3.01	4.27	3.93	3.60	3.26
DEBT SERVICE COVERAGE RATIO	2.95	2.28	2.69	3.17	3.78
AVERAGE D.S.C.R.			2.93		

Assumptions:

1. Production Capacity of Gunny Bags Manufacturing unit is taken at 1500 Bags per day. First year, Capacity has been taken @ 30%.
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 days.
4. Credit period to Sundry Debtors has been given for 14 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 30 HP.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

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