

PROJECT REPORT

Of

HANDLOOM - LOIN CLOTH/GAMCHA UNIT

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Handloom - Loin Cloth/Gamcha 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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PROJECT AT A GLANCE

- 1 Name of the Entrepreneur : xxxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **HANDLOOM (LOIN-CLOTH/GAMCHA)**
- 6 Name of the project / business activity proposed : **HANDLOOM (LOIN-CLOTH/GAMCHA)**
- 7 Cost of Project : Rs.10.25 Lakhs
- 8 Means of Finance
- Term Loan Rs.5.85 Lakhs
- Own Capital Rs.1.02 Lakhs
- Working Capital Rs.3.37 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 : 43%
- 13 Employment : 9 Persons
- 14 Power Requirement : 2.00 KW
- 15 Major Raw materials : Yarn, Cotton Threads, Vat dyes and Naphthol Dyes,Acetic Aids, Crystal Salt, Rice Starch, Mordant, Coconut Oil
- 16 Estimated Annual Sales Turnover (Max Capacity) : 82.23 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Civil Work	5.00
Furniture & Fixtures	1.50
Working Capital	3.75
Total	10.25

MEANS OF FINANCE

Particulars	Amount
Own Contribution	1.02
Working Capital(Finance)	3.37
Term Loan	5.85
Total	10.25

LOIN - CLOTH/GAMCHA MANUFACTURING UNIT

Introduction:

The textile sector is one of the largest employers in the country and within this sector; handloom weaving enjoys a pre-eminent status. Even prior to Independence, the father of the nation promoted it as a gainful economic activity. The rationale was simple- it required little investment, provided individuals with gainful employment and was seen as a means of ensuring self-sufficiency and the survival of the country's traditional crafts and artistry. India has a rich tradition of handloom weaving since time immemorial with the earliest evidences going back to the Indus Valley civilization. Export of handloom products, as early as the fifteenth century was reported, followed by Vasco da Gama's visit to India thereby opening of trade routes for Europe. Indian handloom sector is ancient and has served the economy well in terms of employment. The sector is very important from the point of view of its size and employment potential. The relevance of the handloom sector in the agrarian economy is massive because of its linkages with crucial and sensitive sectors like agriculture. It uses agricultural products as raw materials and, therefore, provides an ever-ready market for agricultural produce. Therefore, in an economy where majority of people still rely on agrarian sector for their livelihood, the significance of handloom is well understood.



Uses & Market Potential:

Used for casual/religious purpose mostly by men. It is a traditional thin, coarse cotton towel, often with a checked design, found in India .Handloom industry represents the rich cultural and traditional heritage unique to India. India is a major handloom producer in the world, accounting for 85% of the total production globally⁵³. India produces a variety of products using all kinds of fibers and yarns of varying counts to produce the widest range of products. Handloom contributes 14.6% to the total cloth production in the country (excluding wool, silk and yarn). In 2010-11, handloom production stood at 6.9 billion square meters. Further, the industry has the largest infrastructure with 23.8 lakh weaving looms..

Product:

HANDLOOM - LOIN CLOTH/GAMCHA

Raw Material:

1. Bundle of Cotton Thread
2. Vat Dyes and Naphthol Dyes
3. Acetic Aids
4. Crystal Salt
5. Mordant
6. Rice Starch
7. Coconut Oil

Manufacturing Process:

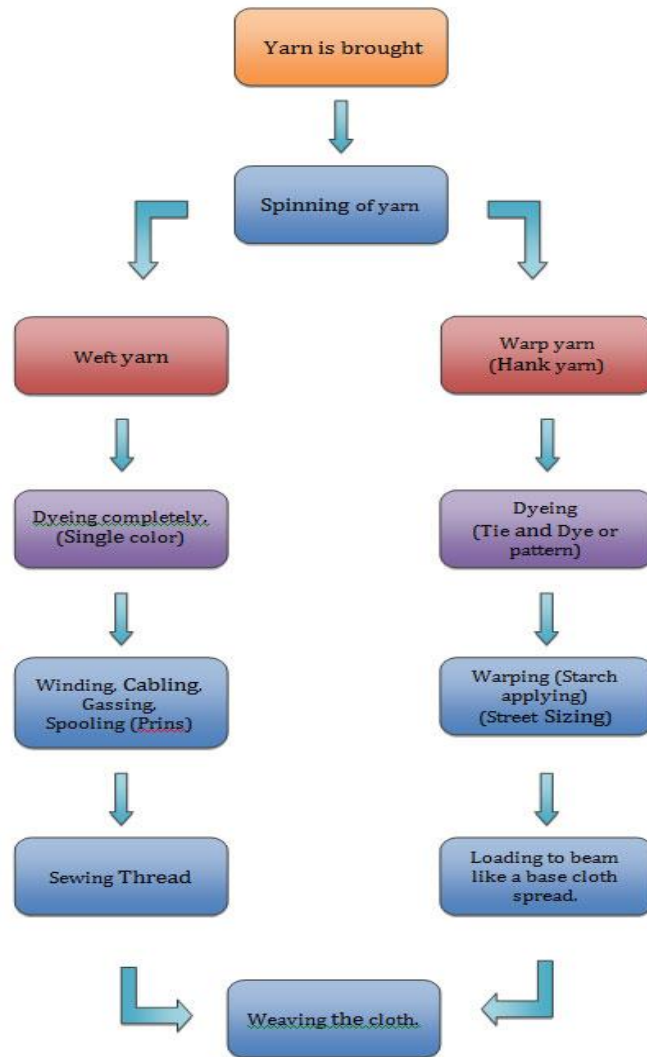


Fig. 1 - Process Flowchart

Area:

The required land for manufacturing unit is estimated to be around 1200-1500sqft.

Cost of Tools & Equipments:

S No.	Tools & Equipments	Price (INR)
1.	Warping Beam	10,000/-
2.	Local Made Spools	4,500/-
3.	Brushes Made of Cereal Root Fibre	10,000/-
4.	Flying Shuttle	4,000/-
	Pirn and Bobbins	11,500/-
	Traditional Handloom	40,000/-
	Total	80,000/-

Power Requirement- - The estimated Power requirement is taken at 2 KWH

Manpower Requirement- Following manpower is required:

- Skilled/unskilled worker-4
- Helper - 3
- Sales Personal and Accountant- 2

FINANCIALS

PROJECTED BALANCE SHEET

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
<u>Capital Account</u>					
Opening Balance	-	1.96	2.97	4.25	5.39
Add: Additions	1.02	-	-	-	-
Add: Net Profit	2.13	2.91	3.59	4.34	5.05
Less: Drawings	1.20	1.90	2.30	3.20	3.80
Closing Balance	1.96	2.97	4.25	5.39	6.64
CC Limit	3.37	3.37	3.37	3.37	3.37
Term Loan	5.20	3.90	2.60	1.30	-
Sundry Creditors	0.72	0.81	0.90	1.00	1.10
TOTAL :	11.25	11.05	11.13	11.07	11.12
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	6.50	6.50	6.50	6.50	6.50
Gross Dep.	0.65	1.24	1.76	2.24	2.66
Net Fixed Assets	5.85	5.27	4.74	4.26	3.84
Current Assets					
Sundry Debtors	1.69	1.97	2.21	2.46	2.74
Stock in Hand	2.78	3.14	3.51	3.90	4.32
Cash and Bank	0.93	0.68	0.67	0.44	0.22
TOTAL :	11.25	11.05	11.13	11.07	11.12
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I	II	III	IV	V
<u>A) SALES</u>					
Gross Sale	50.75	59.22	66.42	73.91	82.23
Total (A)	50.75	59.22	66.42	73.91	82.23
<u>B) COST OF SALES</u>					
Raw Material Consumed	30.75	34.65	38.70	42.90	47.25
Electricity Expenses	0.22	0.25	0.27	0.29	0.31
Tools & Consumables	0.80	0.92	1.06	1.22	1.40
Labour & Wages	10.02	11.02	12.23	13.45	15.07
Depreciation	0.65	0.59	0.53	0.47	0.43
Cost of Production	42.44	47.42	52.78	58.34	64.46
Add: Opening Stock /WIP	-	1.75	1.98	2.22	2.47
Less: Closing Stock /WIP	1.75	1.98	2.22	2.47	2.75
Cost of Sales (B)	40.69	47.19	52.54	58.09	64.18
C) GROSS PROFIT (A-B)	10.06	12.03	13.87	15.82	18.05
	19.82%	20.31%	20.89%	21.41%	21.95%
D) Bank Interest i) (Term Loan)	0.63	0.52	0.38	0.23	0.09
ii) Interest On Working Capital	0.37	0.37	0.37	0.37	0.37
E) Salary to Staff	4.79	5.75	6.55	7.34	8.66
F) Selling & Adm Expenses Exp.	2.13	2.49	2.99	3.55	3.70
TOTAL (D+E+F)	7.93	9.12	10.29	11.49	12.82
H) NET PROFIT	2.13	2.91	3.59	4.34	5.23
	4.2%	4.9%	5.4%	5.9%	6.4%
I) Taxation	-	-	-	-	0.18
J) PROFIT (After Tax)	2.13	2.91	3.59	4.34	5.05

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	1.02	-			
Reserve & Surplus	2.13	2.91	3.59	4.34	5.23
Depreciation & Exp. W/off	0.65	0.59	0.53	0.47	0.43
Increase In Cash Credit	3.37				
Increase In Term Loan	5.85	-	-	-	-
Increase in Creditors	0.72	0.09	0.09	0.10	0.10
TOTAL :	13.75	3.58	4.21	4.91	5.76
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	6.50	-	-	-	-
Increase in Stock	2.78	0.36	0.38	0.39	0.42
Increase in Debtors	1.69	0.28	0.24	0.25	0.28
Repayment of Term Loan	0.65	1.30	1.30	1.30	1.30
Taxation	-	-	-	-	0.18
Drawings	1.20	1.90	2.30	3.20	3.80
TOTAL :	12.82	3.84	4.21	5.14	5.98
Opening Cash & Bank Balance	-	0.93	0.68	0.67	0.44
Add : Surplus	0.93	- 0.26	- 0.01	- 0.23	- 0.22
Closing Cash & Bank Balance	0.93	0.68	0.67	0.44	0.22

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
<u>Finished Goods</u>					
(10 Days requirement)	1.75	1.98	2.22	2.47	2.75
<u>Raw Material</u>					
(10 Days requirement)	1.03	1.16	1.29	1.43	1.58
Closing Stock	2.78	3.14	3.51	3.90	4.32

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	2.78		
Less:			
Sundry Creditors	0.72		
Paid Stock	2.06	0.21	1.85
Sundry Debtors	1.69	0.17	1.52
Working Capital Requirement			3.37
Margin			0.37
MPBF			3.37
Working Capital Demand			3.37

REPAYMENT SCHEDULE OF TERM LOAN

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	5.85	5.85	0.16	-	5.85
	Iind Quarter	5.85	-	5.85	0.16	-	5.85
	IIIrd Quarter	5.85	-	5.85	0.16	0.33	5.53
	Ivth Quarter	5.53	-	5.53	0.15	0.33	5.20
					0.63	0.65	
II	Opening Balance						
	Ist Quarter	5.20	-	5.20	0.14	0.33	4.88
	Iind Quarter	4.88	-	4.88	0.13	0.33	4.55
	IIIrd Quarter	4.55	-	4.55	0.13	0.33	4.23
	Ivth Quarter	4.23		4.23	0.12	0.33	3.90
					0.52	1.30	
III	Opening Balance						
	Ist Quarter	3.90	-	3.90	0.11	0.33	3.58
	Iind Quarter	3.58	-	3.58	0.10	0.33	3.25
	IIIrd Quarter	3.25	-	3.25	0.09	0.33	2.93
	Ivth Quarter	2.93		2.93	0.08	0.33	2.60
					0.38	1.30	
IV	Opening Balance						
	Ist Quarter	2.60	-	2.60	0.07	0.33	2.28
	Iind Quarter	2.28	-	2.28	0.06	0.33	1.95
	IIIrd Quarter	1.95	-	1.95	0.05	0.33	1.63
	Ivth Quarter	1.63		1.63	0.04	0.33	1.30
					0.23	1.30	
V	Opening Balance						
	Ist Quarter	1.30	-	1.30	0.04	0.33	0.97
	Iind Quarter	0.97	-	0.97	0.03	0.33	0.65
	IIIrd Quarter	0.65	-	0.65	0.02	0.33	0.32
	Ivth Quarter	0.32		0.32	0.01	0.33	- 0.00
					0.09	1.30	

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
CASH ACCRUALS	2.78	3.49	4.11	4.81	5.48
Interest on Term Loan	0.63	0.52	0.38	0.23	0.09
Total	3.42	4.01	4.49	5.04	5.57
REPAYMENT					
Repayment of Term Loan	0.65	1.30	1.30	1.30	1.30
Interest on Term Loan	0.63	0.52	0.38	0.23	0.09
Total	1.28	1.82	1.68	1.53	1.39
DEBT SERVICE COVERAGE R.	2.66	2.21	2.68	3.29	4.01
AVERAGE D.S.C.R.			2.93		

Assumptions:

1. Production Capacity of Handloom-Loin Cloth/Gamcha is 250 Pieces per day. First year, Capacity has been taken @ 50%.
2. Working shift of 10 hours per day has been considered.
3. Raw Material stock and Finished goods closing stock has been taken for 10 days.
4. Credit period to Sundry Debtors has been given for 10 days.
5. Credit period by the Sundry Creditors has been provided for 7 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 2 KW.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

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