

# PROJECT REPORT

## Of

# PILLOW MAKING UNIT

## PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Pillow Making 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 : xxxxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx  
Pin: xxxxxxxx State: xxxxxxxxxxxx  
Mobile xxxxxxxx
- 5 Product and By Product : **PILLOW**
- 6 Name of the project / business activity proposed : **PILLOW MAKING UNIT**
- 7 Cost of Project : Rs.11.11 Lakhs
- 8 Means of Finance  
Term Loan Rs.7.2 Lakhs  
Own Capital Rs.1.11 Lakhs  
Working Capital Rs.2.8 Lakhs
- 9 Debt Service Coverage Ratio : 2.45
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 30%
- 13 Employment : 11 Persons
- 14 Power Requirement : 15.00 HP
- 15 Major Raw materials : Cotton-Polyester Fabric, Cotton Fabric, Packing material, Consumables like thread, scissors,etc.
- 16 Estimated Annual Sales Turnover (Max Capacity) : 73.29 Lakhs
- 17 Detailed Cost of Project & Means of Finance

**COST OF PROJECT**

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	6.50
Furniture & Fixtures	1.50
Working Capital	3.11
<b>Total</b>	<b>11.11</b>

**MEANS OF FINANCE**

Particulars	Amount
Own Contribution	1.11
Working Capital(Finance)	2.80
Term Loan	7.20
<b>Total</b>	<b>11.11</b>

# **PILLOW MAKING UNIT**

## **Introduction:**

A pillow is a support of the body at rest for comfort, therapy, or decoration. Some types of pillows include throw pillows, body pillows, decorative pillows and many more. Pillows that aid sleeping are a form of bedding that supports the head and neck. Other types of pillows are designed to support the body when lying down or sitting. There are also pillows that consider human body shape for increased comfort during sleep. Decorative pillows used on couches or chairs are sometimes referred to as cushions.



## **Uses & Market Potential:**

Having the right bed pillows is not only comforting, they play an important role in supporting the intricate structures of the head, neck, shoulders, hips, and spine. When used well, pillows help in alleviating or preventing many common forms of back and neck pain, as well as shoulder, hip, and other forms of joint pain. Pillows serve to keep the upper body in alignment during sleep, relieving pressure and counterbalancing the points in the body. The pillow should adjust to fit one's unique shape, curves, and sleeping position and alleviate any pressure points. The demand within the global pillow market has traced an ascending trajectory over the past decade. The pillow market corresponds to a broad segment of the industry, creating new opportunities for growth and development. The unprecedented demand for pillows across residential spaces is at the forefront of market growth and expansion. Furthermore, several other sectors including

the healthcare and wellness industries have also emerged as prominent consumers of pillows. The large-scale manufacturing of pillows has created a stir across the global market, prompting vendors to look for new strategies to sell their products. In light of the factors and trends mentioned herein, the global pillow market is poised to attract voluminous revenues in the years to follow. Market players are also manufacturing travel pillows customized for flight passengers. These pillows can be worn around the neck and offer increased comfort to travellers as they board long flights. This is also an important consideration for new vendors looking to offer innovation in their offerings. Some of the leading players in the global pillow market are Advanced Sleep Technologies, LLC., ADVANSA., Gio Clavis, and Moona.

### **Product:**

PILLOW

### **Raw Material:**

1. Cotton - Polyester Fabric
2. Cotton Fabric
3. Packaging Material
4. Other Consumables like scissor, threads, etc.

### **Manufacturing Process:**

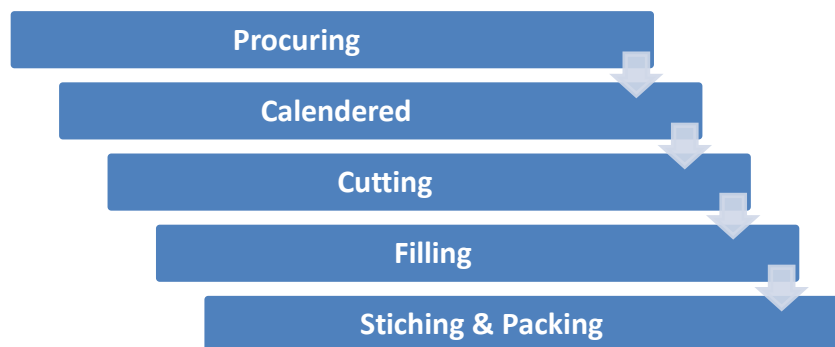


Fig. 1 – Process Flowchart

### **Area:**

The industrial setup requires space for Inventory, workshop or manufacturing area, space for power supply utilities stitching, cutting & filling area. Also some of the area of building is required for office staff facilities, documentation, office furniture, etc. Thus, the approximate total area required for complete small scale factory setup is 1000-1500Sq. ft. approximately.

### **Cost of Machines:**

<b>S No.</b>	<b>Machine</b>	<b>Unit</b>	<b>Price (INR)</b>
1.	Single Needle Lockstitch Machine with Edge Trimmer	1	85,000/-
2.	Double-Needle Four Threads Over lock Machine	1	72,000/-
3.	Pillow & Cushion Automatic Weighing & Filling Machine	1	3,63,000/-
4.	Pillow Packing Machine	1	1,30,000/-
	<b>Total</b>		<b>6,50,000/-</b>

**Power Requirement-** - The estimated Power requirement is taken at 15 HP.

**Manpower Requirement-** Following manpower is required:

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

# **FINANCIALS**

**PROJECTED BALANCE SHEET**

PARTICULARS	I	II	III	IV	V
<b>SOURCES OF FUND</b>					
<b>Capital Account</b>					
Opening Balance	-	1.68	2.81	4.00	5.64
Add: Additions	1.11	-	-	-	-
Add: Net Profit	1.37	2.13	3.19	4.64	5.35
Less: Drawings	0.80	1.00	2.00	3.00	3.50
<b>Closing Balance</b>	<b>1.68</b>	<b>2.81</b>	<b>4.00</b>	<b>5.64</b>	<b>7.49</b>
CC Limit	2.80	2.80	2.80	2.80	2.80
Term Loan	6.40	4.80	3.20	1.60	-
Sundry Creditors	0.81	0.91	1.01	1.11	1.22
<b>TOTAL :</b>	<b>11.69</b>	<b>11.32</b>	<b>11.00</b>	<b>11.15</b>	<b>11.51</b>
<b>APPLICATION OF FUND</b>					
<b>Fixed Assets ( Gross)</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>	<b>8.00</b>
Gross Dep.	1.13	2.09	2.91	3.62	4.23
Net Fixed Assets	6.88	5.91	5.09	4.38	3.77
<b>Current Assets</b>					
Sundry Debtors	1.57	1.81	2.01	2.22	2.44
Stock in Hand	2.43	2.72	3.02	3.34	3.67
Cash and Bank	0.82	0.88	0.88	1.21	1.62
<b>TOTAL :</b>	<b>11.69</b>	<b>11.32</b>	<b>11.00</b>	<b>11.15</b>	<b>11.51</b>
	-	-	-	-	-

**PROJECTED PROFITABILITY STATEMENT**

PARTICULARS	I	II	III	IV	V
<b>A) SALES</b>					
Gross Sale	46.98	54.27	60.34	66.68	73.29
<b>Total (A)</b>	<b>46.98</b>	<b>54.27</b>	<b>60.34</b>	<b>66.68</b>	<b>73.29</b>
<b>B) COST OF SALES</b>					
Raw Material Consumed	24.30	27.20	30.24	33.41	36.72
Electricity Expenses	2.01	2.18	2.35	2.52	2.69
Repair & Maintenance	0.94	1.09	1.21	1.33	1.47
Labour & Wages	11.72	12.89	14.18	15.31	16.54
Depreciation	1.13	0.96	0.83	0.71	0.61
<b>Cost of Production</b>	<b>40.10</b>	<b>44.32</b>	<b>48.80</b>	<b>53.28</b>	<b>58.02</b>
<b>Add: Opening Stock /WIP</b>	<b>-</b>	<b>1.62</b>	<b>1.81</b>	<b>2.02</b>	<b>2.23</b>
<b>Less: Closing Stock /WIP</b>	<b>1.62</b>	<b>1.81</b>	<b>2.02</b>	<b>2.23</b>	<b>2.45</b>
Cost of Sales (B)	38.48	44.13	48.60	53.07	57.80
<b>C) GROSS PROFIT (A-B)</b>	<b>8.50</b>	<b>10.14</b>	<b>11.74</b>	<b>13.60</b>	<b>15.49</b>
	<b>18.10%</b>	<b>18.68%</b>	<b>19.45%</b>	<b>20.40%</b>	<b>21.14%</b>
D) Bank Interest i) (Term Loan )	0.78	0.64	0.46	0.29	0.11
ii) Interest On Working Capital	0.31	0.31	0.31	0.31	0.31
E) Salary to Staff	5.29	6.09	6.63	7.10	7.59
F) Selling & Adm Expenses Exp.	0.75	0.98	1.15	1.27	1.54
<b>TOTAL (D+E+F)</b>	<b>7.13</b>	<b>8.01</b>	<b>8.55</b>	<b>8.96</b>	<b>9.55</b>
H) NET PROFIT	1.37	2.13	3.19	4.64	5.94
	<b>2.9%</b>	<b>3.9%</b>	<b>5.3%</b>	<b>7.0%</b>	<b>8.1%</b>
I) Taxation	-	-	-	-	0.59
<b>J) PROFIT (After Tax)</b>	<b>1.37</b>	<b>2.13</b>	<b>3.19</b>	<b>4.64</b>	<b>5.35</b>

**PROJECTED CASH FLOW STATEMENT**

<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b>SOURCES OF FUND</b>					
Own Contribution	1.11	-			
Reserve & Surplus	1.37	2.13	3.19	4.64	5.94
Depriciation & Exp. W/off	1.13	0.96	0.83	0.71	0.61
Increase In Cash Credit	2.80				
Increase In Term Loan	7.20	-	-	-	-
Increase in Creditors	0.81	0.10	0.10	0.11	0.11
<b>TOTAL :</b>	<b>14.42</b>	<b>3.19</b>	<b>4.11</b>	<b>5.46</b>	<b>6.66</b>
<b>APPLICATION OF FUND</b>					
Increase in Fixed Assets	8.00	-	-	-	-
Increase in Stock	2.43	0.29	0.30	0.32	0.33
Increase in Debtors	1.57	0.24	0.20	0.21	0.22
Repayment of Term Loan	0.80	1.60	1.60	1.60	1.60
Taxation	-	-	-	-	0.59
Drawings	0.80	1.00	2.00	3.00	3.50
<b>TOTAL :</b>	<b>13.60</b>	<b>3.13</b>	<b>4.11</b>	<b>5.13</b>	<b>6.24</b>
Opening Cash & Bank Balance	-	0.82	0.88	0.88	1.21
Add : Surplus	0.82	0.05	0.01	0.33	0.41
Closing Cash & Bank Balance	<b>0.82</b>	<b>0.88</b>	<b>0.88</b>	<b>1.21</b>	<b>1.62</b>



**COMPUTATION OF CLOSING STOCK & WORKING CAPITAL**

PARTICULARS	I	II	III	IV	V
<b>Finished Goods</b>					
(10 Days requirement)	1.62	1.81	2.02	2.23	2.45
<b>Raw Material</b>					
(10 Days requirement)	0.81	0.91	1.01	1.11	1.22
<b>Closing Stock</b>	<b>2.43</b>	<b>2.72</b>	<b>3.02</b>	<b>3.34</b>	<b>3.67</b>

**COMPUTATION OF WORKING CAPITAL REQUIREMENT**

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	2.43		
Less:			
Sundry Creditors	0.81		
<b>Paid Stock</b>	<b>1.62</b>	<b>0.16</b>	<b>1.46</b>
Sundry Debtors	1.57	0.16	1.41
<b>Working Capital Requirement</b>			<b>2.87</b>
<b>Margin</b>			0.32
<b>MPBF</b>			<b>2.87</b>
<b>Working Capital Demand</b>			<b>2.80</b>

REPAYMENT SCHEDULE OF TERM LOAN							11.0%
Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
<b>I</b>	Opening Balance						
	Ist Quarter	-	7.20	7.20	0.20	-	7.20
	Iind Quarter	7.20	-	7.20	0.20	-	7.20
	IIIrd Quarter	7.20	-	7.20	0.20	0.40	6.80
	Ivth Quarter	6.80	-	6.80	0.19	0.40	6.40
					0.78	0.80	
<b>II</b>	Opening Balance						
	Ist Quarter	6.40	-	6.40	0.18	0.40	6.00
	Iind Quarter	6.00	-	6.00	0.17	0.40	5.60
	IIIrd Quarter	5.60	-	5.60	0.15	0.40	5.20
	Ivth Quarter	5.20		5.20	0.14	0.40	4.80
					0.64	1.60	
<b>III</b>	Opening Balance						
	Ist Quarter	4.80	-	4.80	0.13	0.40	4.40
	Iind Quarter	4.40	-	4.40	0.12	0.40	4.00
	IIIrd Quarter	4.00	-	4.00	0.11	0.40	3.60
	Ivth Quarter	3.60		3.60	0.10	0.40	3.20
					0.46	1.60	
<b>IV</b>	Opening Balance						
	Ist Quarter	3.20	-	3.20	0.09	0.40	2.80
	Iind Quarter	2.80	-	2.80	0.08	0.40	2.40
	IIIrd Quarter	2.40	-	2.40	0.07	0.40	2.00
	Ivth Quarter	2.00		2.00	0.06	0.40	1.60
					0.29	1.60	
<b>V</b>	Opening Balance						
	Ist Quarter	1.60	-	1.60	0.04	0.40	1.20
	Iind Quarter	1.20	-	1.20	0.03	0.40	0.80
	IIIrd Quarter	0.80	-	0.80	0.02	0.40	0.40
	Ivth Quarter	0.40		0.40	0.01	0.40	0.00
					0.11	1.60	
<p>Door to Door Period            60 Months</p> <p>Moratorium Period            6 Months</p> <p>Repayment Period            54 Months</p>							

<b>CALCULATION OF D.S.C.R</b>					
<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b>CASH ACCRUALS</b>	2.50	3.09	4.01	5.35	5.95
Interest on Term Loan	0.78	0.64	0.46	0.29	0.11
Total	3.28	3.73	4.48	5.64	6.06
<b>REPAYMENT</b>					
Repayment of Term Loan	0.80	1.60	1.60	1.60	1.60
Interest on Term Loan	0.78	0.64	0.46	0.29	0.11
Total	1.58	2.24	2.06	1.89	1.71
<b>DEBT SERVICE COVERAGE RATIO</b>	<b>2.07</b>	<b>1.67</b>	<b>2.17</b>	<b>2.99</b>	<b>3.55</b>
<b>AVERAGE D.S.C.R.</b>			<b>2.45</b>		

## **Assumptions:**

1. Production Capacity of Pillows is 450 pcs 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 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 10 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 15 HP.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

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