

# PROJECT REPORT

Of

## READYMADE GARMENTS UNIT

### PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Readymade Garments 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 : xxxxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **BABY GARMENTS**
- 6 Name of the project / business activity proposed : **READYMADE GARMENTS UNIT**
- 7 Cost of Project : Rs.11.17 Lakhs
- 8 Means of Finance
- Term Loan Rs.6.44 Lakhs
- Own Capital Rs.1.12 Lakhs
- Working Capital Rs.3.62 Lakhs
- 9 Debt Service Coverage Ratio : 2.98
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 36%
- 13 Employment : 11 Persons
- 14 Power Requirement : 10.00 HP
- 15 Major Raw materials : Fabric,Buttons,Zippers,Stones,Beads,Thread
- 16 Estimated Annual Sales Turnover (Max Capacity) : 94.56 Lakhs
- 17 Detailed Cost of Project & Means of Finance

**COST OF PROJECT**

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	5.40
Furniture & Fixtures	1.75
Working Capital	4.02
<b>Total</b>	<b>11.17</b>

**MEANS OF FINANCE**

Particulars	Amount
Own Contribution	1.12
Working Capital(Finance)	3.62
Term Loan	6.44
<b>Total</b>	<b>11.17</b>

# **READYMADE GARMENTS UNIT**

## **Introduction:**

Clothing is the basic necessity for humans. Recent advancements in the new fashion is attracting consumers to go for readymade garments which propose designs in line with the most recent trends. A constant development in literacy ratio and move towards urban areas also leads to change in clothing preferences with more people opting for readymade clothes. Cloth and apparel production is another important area in textile manufacturing around the textile industry chain. Probably the apparel is what an individual wear for the purpose of body coverage, beautification, or comfort. Readymade garment industry has engaged an exclusive place in the industrial situation of our country by generating considerable export earnings and creating set of employment. Its input to industrial production, employment and export earnings are very important. This industry provides one of the basic necessities of life. The employment provided by it is a source of livelihood for millions of people. Since this industry is highly labor-intensive, it is ideally suited to Indian condition..



## **Uses & Market Potential:**

Garments and Apparel are used as an out wear to cover our bodies. Clothes help to protect our body from harmful chemicals, harsh environment etc. They are classified as a casual wear, party wear, office wear etc. based on the use condition. They are the symbol fashion and recent trends. Garment design and manufacturing is the combination of art and technology. Garments are mostly produced by sewing the pieces of fabric using a sewing machine. These machines are based on the primary format used. In this project baby

garment is the final product for the age group ranging from 2 to 5 Yrs and we are manufacturing rompers. The rise in readymade garments market is the rapid urbanization, increasing attention and choice of majority of population towards new fashion. This industry is fetching very vibrant and lot of foreign speculation driving in this industry because of low risk and high earning environment of this industry. India is now a fast rising market to reach half a billion middle income population by 2030. These factors are good for the Indian textile industry in a long run. The Indian Textiles and Apparels (T&A) industry accounts for approximately 4% of the global market. The T&A industry is one of the biggest and the most main sectors for the Indian economy in terms of output, foreign exchange earnings and employment. The industry contributes about 7% to industrial output in value terms, 2% to the GDP and 15% to the country's export earnings. It also provides direct employment to over 45 million people that are the second largest provider of employment after agriculture. Apparel production is another important area in textile manufacturing around the textile industry chain. Already around 1.5 million (15 lakh) workers in some form or the other are associated with the industry and it would not require much efforts to bring up the industry.

### **Product:**

BABY GARMENT

### **Raw Material:**

1. Fabric (Cotton, Polyester etc.)
2. Buttons, zippers, stones, beads, and interlining are some accessories part of garment sector.
3. Threads

## **Manufacturing Process:**

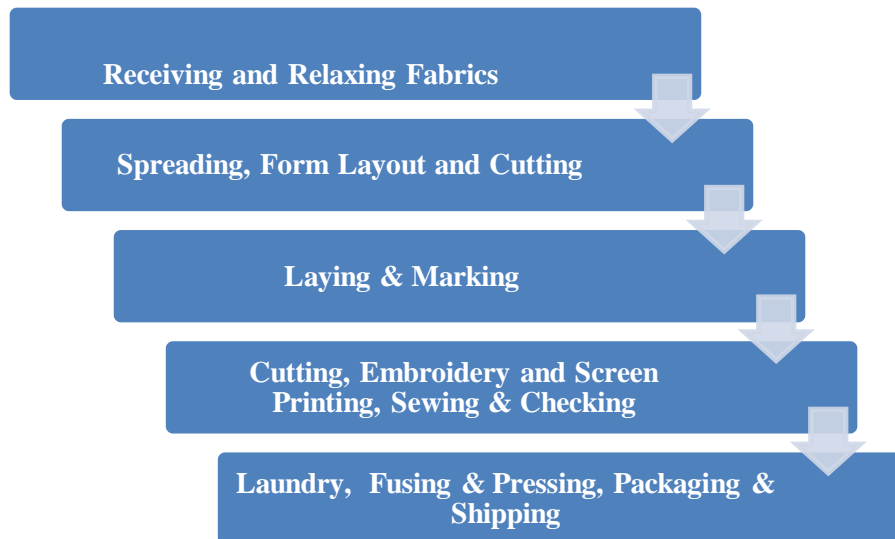


Fig. 1 – Process Flowchart

## **Area:**

The industrial setup requires space for manufacturing unit. 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 1000-1600Sq. ft. approximately.

### **Cost of Machines:**

<b>S No.</b>	<b>Machine</b>	<b>Unit</b>	<b>Price (INR)</b>
1.	Cloth Cutter	1	18,900/-
2.	Stitching Machine		26,000/-
3.	Embroidery Machine	1	2,20,000/-
4.	Garment Washing Machine	1	66,300/-
5.	Electric Iron with Table	1	8,800/-
6.	Hand tools & Equipment's	1	20,000/-
7.	Fabric Printing Machine		1,80,000
	<b>Total</b>		<b>5,40,000/-</b>

**Power Requirement-** - The estimated Power requirement is taken at 10 HP.

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

- Skilled/Unskilled worker-3
- Stitching/Cutting Person- 2
- Helper- 4
- Sales Personal and Accountant- 2

# **FINANCIALS**

**PROJECTED BALANCE SHEET**

<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b><u>SOURCES OF FUND</u></b>					
<b><u>Capital Account</u></b>					
Opening Balance	-	2.15	2.86	3.84	5.22
Add: Additions	1.12	-	-	-	-
Add: Net Profit	2.03	2.71	3.78	4.87	6.09
Less: Drawings	1.00	2.00	2.80	3.50	4.00
<b>Closing Balance</b>	<b>2.15</b>	<b>2.86</b>	<b>3.84</b>	<b>5.22</b>	<b>7.31</b>
CC Limit	3.62	3.62	3.62	3.62	3.62
Term Loan	5.72	4.29	2.86	1.43	-
Sundry Creditors	1.69	1.94	2.21	2.48	2.75
<b>TOTAL :</b>	<b>13.18</b>	<b>12.72</b>	<b>12.53</b>	<b>12.74</b>	<b>13.68</b>
<b><u>APPLICATION OF FUND</u></b>					
<b>Fixed Assets ( Gross)</b>	<b>7.15</b>	<b>7.15</b>	<b>7.15</b>	<b>7.15</b>	<b>7.15</b>
Gross Dep.	0.99	1.83	2.56	3.18	3.72
Net Fixed Assets	6.17	5.32	4.59	3.97	3.43
<b>Current Assets</b>					
Sundry Debtors	2.71	3.24	3.71	4.20	4.73
Stock in Hand	3.00	3.47	3.95	4.46	5.00
Cash and Bank	1.30	0.69	0.27	0.11	0.53
<b>TOTAL :</b>	<b>13.18</b>	<b>12.72</b>	<b>12.53</b>	<b>12.74</b>	<b>13.68</b>
	-	-	-	-	-

**PROJECTED PROFITABILITY STATEMENT**

<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b><u>A) SALES</u></b>					
Gross Sale	54.29	64.88	74.27	84.09	94.56
<b>Total (A)</b>	<b>54.29</b>	<b>64.88</b>	<b>74.27</b>	<b>84.09</b>	<b>94.56</b>
<b><u>B) COST OF SALES</u></b>					
Raw Material Consumed	33.84	38.88	44.10	49.50	55.08
Electricity Expenses	0.90	1.01	1.12	1.23	1.34
Repair & Maintenance	1.36	1.62	1.86	2.10	2.36
Labour & Wages	10.58	12.38	14.24	16.38	18.51
Depreciation	0.99	0.85	0.73	0.63	0.54
<b>Cost of Production</b>	<b>47.66</b>	<b>54.74</b>	<b>62.04</b>	<b>69.84</b>	<b>77.83</b>
<b>Add: Opening Stock /WIP</b>	<b>-</b>	<b>1.87</b>	<b>2.17</b>	<b>2.48</b>	<b>2.81</b>
<b>Less: Closing Stock /WIP</b>	<b>1.87</b>	<b>2.17</b>	<b>2.48</b>	<b>2.81</b>	<b>3.16</b>
<b>Cost of Sales (B)</b>	<b>45.79</b>	<b>54.44</b>	<b>61.73</b>	<b>69.51</b>	<b>77.48</b>
<b>C) GROSS PROFIT (A-B)</b>	<b>8.50</b>	<b>10.44</b>	<b>12.54</b>	<b>14.58</b>	<b>17.08</b>
	<b>15.65%</b>	<b>16.10%</b>	<b>16.89%</b>	<b>17.34%</b>	<b>18.06%</b>
D) Bank Interest i) (Term Loan )	0.70	0.57	0.41	0.26	0.10
ii) Interest On Working Capital	0.40	0.40	0.40	0.40	0.40
E) Salary to Staff	4.28	5.14	6.09	6.82	7.68
F) Selling & Adm Expenses Exp.	1.09	1.62	1.86	2.10	2.36
<b>G) TOTAL (D+E+F)</b>	<b>6.47</b>	<b>7.73</b>	<b>8.76</b>	<b>9.58</b>	<b>10.54</b>
<b>H) NET PROFIT</b>	<b>2.03</b>	<b>2.71</b>	<b>3.78</b>	<b>5.01</b>	<b>6.54</b>
	<b>3.7%</b>	<b>4.2%</b>	<b>5.1%</b>	<b>6.0%</b>	<b>6.9%</b>
I) Taxation	-	-	-	0.13	0.45
<b>J) PROFIT (After Tax)</b>	<b>2.03</b>	<b>2.71</b>	<b>3.78</b>	<b>4.87</b>	<b>6.09</b>



**PROJECTED CASH FLOW STATEMENT**

<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b><u>SOURCES OF FUND</u></b>					
Own Contribution	1.12	-			
Reserve & Surplus	2.03	2.71	3.78	5.01	6.54
Depriciation & Exp. W/off	0.99	0.85	0.73	0.63	0.54
Increase In Cash Credit	3.62				
Increase In Term Loan	6.44	-	-	-	-
Increase in Creditors	1.69	0.25	0.26	0.27	0.28
<b>TOTAL :</b>	<b>15.88</b>	<b>3.81</b>	<b>4.77</b>	<b>5.90</b>	<b>7.36</b>
<b><u>APPLICATION OF FUND</u></b>					
Increase in Fixed Assets	7.15	-	-	-	-
Increase in Stock	3.00	0.47	0.49	0.51	0.54
Increase in Debtors	2.71	0.53	0.47	0.49	0.52
Repayment of Term Loan	0.72	1.43	1.43	1.43	1.43
Taxation	-	-	-	0.13	0.45
Drawings	1.00	2.00	2.80	3.50	4.00
<b>TOTAL :</b>	<b>14.58</b>	<b>4.43</b>	<b>5.19</b>	<b>6.06</b>	<b>6.94</b>
Opening Cash & Bank Balance	-	1.30	0.69	0.27	0.11
Add : Surplus	1.30	- 0.62	- 0.42	- 0.16	0.42
Closing Cash & Bank Balance	<b>1.30</b>	<b>0.69</b>	<b>0.27</b>	<b>0.11</b>	<b>0.53</b>

**COMPUTATION OF CLOSING STOCK & WORKING CAPITAL**

<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b><u>Finished Goods</u></b>					
(10 Days requirement)	1.87	2.17	2.48	2.81	3.16
<b><u>Raw Material</u></b>					
(10 Days requirement)	1.13	1.30	1.47	1.65	1.84
<b>Closing Stock</b>	<b>3.00</b>	<b>3.47</b>	<b>3.95</b>	<b>4.46</b>	<b>5.00</b>

**COMPUTATION OF WORKING CAPITAL REQUIREMENT**

<b>Particulars</b>	<b>Amount</b>	<b>Margin(10%)</b>	<b>Net Amount</b>
Stock in Hand	3.00		
Less:			
Sundry Creditors	1.69		
<b>Paid Stock</b>	<b>1.31</b>	<b>0.13</b>	<b>1.18</b>
Sundry Debtors	2.71	0.27	2.44
<b>Working Capital Requirement</b>			<b>3.62</b>
<b>Margin</b>			0.40
<b>MPBF</b>			<b>3.62</b>
<b>Working Capital Demand</b>			<b>3.62</b>

**REPAYMENT SCHEDULE OF TERM LOAN**

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
<b>I</b>	Opening Balance						
	Ist Quarter	-	6.44	6.44	0.18	-	6.44
	Iind Quarter	6.44	-	6.44	0.18	-	6.44
	IIIrd Quarter	6.44	-	6.44	0.18	0.36	6.08
	Ivth Quarter	6.08	-	6.08	0.17	0.36	5.72
					0.70	0.72	
<b>II</b>	Opening Balance						
	Ist Quarter	5.72	-	5.72	0.16	0.36	5.36
	Iind Quarter	5.36	-	5.36	0.15	0.36	5.01
	IIIrd Quarter	5.01	-	5.01	0.14	0.36	4.65
	Ivth Quarter	4.65		4.65	0.13	0.36	4.29
					0.57	1.43	
<b>III</b>	Opening Balance						
	Ist Quarter	4.29	-	4.29	0.12	0.36	3.93
	Iind Quarter	3.93	-	3.93	0.11	0.36	3.58
	IIIrd Quarter	3.58	-	3.58	0.10	0.36	3.22
	Ivth Quarter	3.22		3.22	0.09	0.36	2.86
					0.41	1.43	
<b>IV</b>	Opening Balance						
	Ist Quarter	2.86	-	2.86	0.08	0.36	2.50
	Iind Quarter	2.50	-	2.50	0.07	0.36	2.15
	IIIrd Quarter	2.15	-	2.15	0.06	0.36	1.79
	Ivth Quarter	1.79		1.79	0.05	0.36	1.43
					0.26	1.43	
<b>V</b>	Opening Balance						
	Ist Quarter	1.43	-	1.43	0.04	0.36	1.07
	Iind Quarter	1.07	-	1.07	0.03	0.36	0.72
	IIIrd Quarter	0.72	-	0.72	0.02	0.36	0.36
	Ivth Quarter	0.36		0.36	0.01	0.36	0.00
					0.10	1.43	

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

**CALCULATION OF D.S.C.R**

<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b><u>CASH ACCRUALS</u></b>	3.02	3.56	4.51	5.50	6.63
Interest on Term Loan	0.70	0.57	0.41	0.26	0.10
Total	3.72	4.13	4.92	5.76	6.73
<b><u>REPAYMENT</u></b>					
Repayment of Term Loan	0.72	1.43	1.43	1.43	1.43
Interest on Term Loan	0.70	0.57	0.41	0.26	0.10
Total	1.41	2.00	1.84	1.69	1.53
<b>DEBT SERVICE COVERAGE R</b>	<b>2.63</b>	<b>2.06</b>	<b>2.67</b>	<b>3.41</b>	<b>4.40</b>
<b>AVERAGE D.S.C.R.</b>			<b>2.98</b>		

## **Assumptions:**

1. Production Capacity of Baby Garment is 120 set per day. First year, Capacity has been taken @ 40%.
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 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 10 HP.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

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