

PROJECT REPORT

Of

STEEL WATCH STRAP MANUFACTURING UNIT

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Steel Watch Strap 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 : xxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **STEEL WATCH STRAP**
- 6 Name of the project / business activity proposed : **IRON AND STEEL INDUSTRY (STEEL WATCH STRAP)**
- 7 Cost of Project : Rs.8.86 Lakhs
- 8 Means of Finance
- Term Loan Rs.4.95 Lakhs
- Own Capital Rs.0.89 Lakhs
- Working Capital Rs.3.03 Lakhs
- 9 Debt Service Coverage Ratio : 2.99
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 47%
- 13 Employment : 11 Persons
- 14 Power Requirement : 15.00 HP
- 15 Major Raw materials : Stainless Steel Sheet Scrap, Spring Bars and Link Bars, Packaging Material
- 16 Estimated Annual Sales Turnover (Max Capacity) : 68.72 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	4.00
Furniture & Fixtures	1.50
Working Capital	3.36
Total	8.86

MEANS OF FINANCE

Particulars	Amount
Own Contribution	0.89
Working Capital(Finance)	3.03
Term Loan	4.95
Total	8.86

STEEL WATCH STRAP MANUFACTURING UNIT

Introduction:

There are many types of Watch Straps, made of Leather, Nylon, Stainless Steel and Brass etc. Watch straps are made in various designs including ornamental one, being used by the public now a days. In this Project Profile, it is intended to manufacture stainless steel watch straps out of stainless steel sheet scrap and wire. Since the scrap of required gauge is easily available from the manufacturers of stainless steel utensils, it is comparatively more profitable than manufacturing these items out of virgin stainless steel sheets or coil.



Uses & Market Potential:

The Watch Strap is an integral part of any watch. After all, it fastens the watch to your wrist. Without it's invention, we'd still be carrying pocket watches around. Wrist watch has become necessity for the present day life of human beings. It is being used by people from all walks of life, male, female, educated, uneducated, young and old etc. Watch strap being an integral part of wrist watch, it has a good market for supply to meet original demand and in the replacement market. Apart from the large scale wrist watch manufacturers, such as Titan, HMT, Maxima, Allwyn, Timex etc., a good

number of small scale units in many States have also come up with their phased production programme for wrist watches. The demand for the production of the item is therefore likely to increase rapidly in near future. Further, due to durability of the product it is preferred over all other types of straps. Moreover, due to fast changes in the design and liking of people, there is good replacement prospects for the product as well. Therefore, there is a good and assured future for the product.

Product:

STEEL WATCH STRAP

Raw Material:

1. Stainless Steel Sheet Scrap
2. Spring Bars and Link Bars
3. Packaging Material

Manufacturing Process:

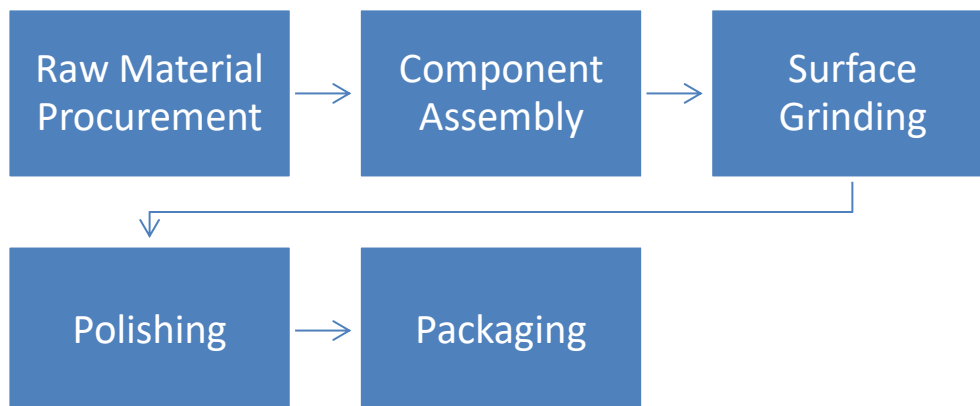


Fig. 1 – Process Flowchart

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 2000 Sq. ft. approximately.

Cost of Machines:

S No.	Machine	Unit	Price (INR)
1.	Power Press	2	75,000/-
2.	Bench Drill	1	33,500/-
3.	Buffing Lathe	1	75,000/-
4.	Disc and Belt sand grinding Machine	1	1,26,000/-
5.	Pedestal grinder	1	55,500/-
6.	Surface Grinder	1	35,000/-
	Total		4,00,000/-

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

Manpower Requirement- Following manpower is required:

- Skilled - 4
- Unskilled worker- 4
- Manager- 1
- 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	-	1.68	2.36	3.28	4.47
Add: Additions	0.89	-	-	-	-
Add: Net Profit	1.99	2.49	3.01	3.50	4.11
Less: Drawings	1.20	1.80	2.10	2.30	2.80
Closing Balance	1.68	2.36	3.28	4.47	5.78
CC Limit	3.03	3.03	3.03	3.03	3.03
Term Loan	4.40	3.30	2.20	1.10	-
Sundry Creditors	0.90	1.01	1.12	1.23	1.34
TOTAL :	10.01	9.70	9.62	9.83	10.15
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	5.50	5.50	5.50	5.50	5.50
Gross Dep.	0.75	1.40	1.95	2.43	2.84
Net Fixed Assets	4.75	4.11	3.55	3.07	2.66
Current Assets					
Sundry Debtors	2.01	2.40	2.75	3.12	3.53
Stock in Hand	2.25	2.57	2.90	3.26	3.64
Cash and Bank	0.99	0.62	0.42	0.38	0.32
TOTAL :	10.01	9.70	9.62	9.83	10.15
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I	II	III	IV	V
A) SALES					
Gross Sale	39.15	46.72	53.49	60.68	68.72
Scrap Sale	1.13	1.30	1.49	1.70	1.92
Total (A)	40.28	48.02	54.99	62.38	70.64
B) COST OF SALES					
Raw Material Consumed	18.00	20.13	22.32	24.57	26.88
Electricity Expenses	1.68	1.85	2.01	2.18	2.35
Repair & Maintenance	1.41	1.68	1.92	2.18	2.47
Labour & Wages	11.09	13.31	15.97	18.84	22.23
Depreciation	0.75	0.65	0.56	0.48	0.41
Cost of Production	32.93	37.61	42.78	48.25	54.35
Add: Opening Stock /WIP	-	1.35	1.56	1.79	2.03
Less: Closing Stock /WIP	1.35	1.56	1.79	2.03	2.30
Cost of Sales (B)	31.58	37.40	42.55	48.01	54.08
C) GROSS PROFIT (A-B)	8.70	10.63	12.43	14.37	16.56
	21.60%	22.13%	22.61%	23.03%	23.44%
D) Bank Interest i) (Term Loan)	0.54	0.44	0.32	0.20	0.08
ii) Interest On Working Capital	0.33	0.33	0.33	0.33	0.33
E) Salary to Staff	4.66	5.97	7.16	8.52	10.06
F) Selling & Adm Expenses Exp.	1.17	1.40	1.60	1.82	2.06
TOTAL (D+E+F)	6.71	8.14	9.42	10.87	12.53
H) NET PROFIT	1.99	2.49	3.01	3.50	4.03
	4.9%	5.2%	5.5%	5.6%	5.7%
I) Taxation	-	-	-	-	- 0.07
J) PROFIT (After Tax)	1.99	2.49	3.01	3.50	4.11

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	0.89	-			
Reserve & Surplus	1.99	2.49	3.01	3.50	4.03
Depreciation & Exp. W/off	0.75	0.65	0.56	0.48	0.41
Increase In Cash Credit	3.03				
Increase In Term Loan	4.95	-	-	-	-
Increase in Creditors	0.90	0.11	0.11	0.11	0.12
TOTAL :	12.51	3.24	3.68	4.09	4.56
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	5.50	-	-	-	-
Increase in Stock	2.25	0.32	0.34	0.35	0.38
Increase in Debtors	2.01	0.39	0.35	0.37	0.41
Repayment of Term Loan	0.55	1.10	1.10	1.10	1.10
Taxation	-	-	-	-	- 0.07
Drawings	1.20	1.80	2.10	2.30	2.80
TOTAL :	11.51	3.61	3.88	4.12	4.63
Opening Cash & Bank Balance	-	0.99	0.62	0.42	0.38
Add : Surplus	0.99	- 0.37	- 0.20	- 0.04	- 0.06
Closing Cash & Bank Balance	0.99	0.62	0.42	0.38	0.32

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
<u>Finished Goods</u>					
(10 Days requirement)	1.35	1.56	1.79	2.03	2.30
<u>Raw Material</u>					
(15 Days requirement)	0.90	1.01	1.12	1.23	1.34
Closing Stock	2.25	2.57	2.90	3.26	3.64

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	2.25		
Less:			
Sundry Creditors	0.90		
Paid Stock	1.35	0.14	1.22
Sundry Debtors	2.01	0.20	1.81
Working Capital Requirement			3.03
Margin			0.34
MPBF			3.03
Working Capital Demand			3.03

REPAYMENT SCHEDULE OF TERM LOAN

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	4.95	4.95	0.14	-	4.95
	Iind Quarter	4.95	-	4.95	0.14	-	4.95
	IIIrd Quarter	4.95	-	4.95	0.14	0.28	4.68
	Ivth Quarter	4.68	-	4.68	0.13	0.28	4.40
					0.54	0.55	
II	Opening Balance						
	Ist Quarter	4.40	-	4.40	0.12	0.28	4.13
	Iind Quarter	4.13	-	4.13	0.11	0.28	3.85
	IIIrd Quarter	3.85	-	3.85	0.11	0.28	3.58
	Ivth Quarter	3.58		3.58	0.10	0.28	3.30
					0.44	1.10	
III	Opening Balance						
	Ist Quarter	3.30	-	3.30	0.09	0.28	3.03
	Iind Quarter	3.03	-	3.03	0.08	0.28	2.75
	IIIrd Quarter	2.75	-	2.75	0.08	0.28	2.48
	Ivth Quarter	2.48		2.48	0.07	0.28	2.20
					0.32	1.10	
IV	Opening Balance						
	Ist Quarter	2.20	-	2.20	0.06	0.28	1.93
	Iind Quarter	1.93	-	1.93	0.05	0.28	1.65
	IIIrd Quarter	1.65	-	1.65	0.05	0.28	1.38
	Ivth Quarter	1.38		1.38	0.04	0.28	1.10
					0.20	1.10	
V	Opening Balance						
	Ist Quarter	1.10	-	1.10	0.03	0.28	0.83
	Iind Quarter	0.83	-	0.83	0.02	0.28	0.55
	IIIrd Quarter	0.55	-	0.55	0.02	0.28	0.28
	Ivth Quarter	0.28		0.28	0.01	0.28	-
					0.08	1.10	

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	2.74	3.13	3.57	3.97	4.52
Interest on Term Loan	0.54	0.44	0.32	0.20	0.08
Total	3.28	3.57	3.89	4.17	4.59
REPAYMENT					
Repayment of Term Loan	0.55	1.10	1.10	1.10	1.10
Interest on Term Loan	0.54	0.44	0.32	0.20	0.08
Total	1.09	1.54	1.42	1.30	1.18
DEBT SERVICE COVERAGE R.	3.02	2.32	2.74	3.22	3.91
AVERAGE D.S.C.R.			2.99		

Assumptions:

- 1.** Production Capacity of Steel Watch Strap is 200 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 has been taken for 15 days 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 15 HP.
- 10.** Selling Prices & Raw material costing has been increased by 5% & 2% respectively in the subsequent years.

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