

PROJECT REPORT

Of

**TERRACOTTA POTTERY
(SEMI-AUTOMATIC)**

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Terracotta Pottery unit(Semi-Automatic).

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 : xxxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **Teracotta Pots & Decor Items**
- 6 Name of the project / business activity proposed : **Terracotta Pottery (Semi-Automatic)**
- 7 Cost of Project : Rs.11.56 Lakhs
- 8 Means of Finance
- Term Loan Rs.6.84 Lakhs
- Own Capital Rs.1.16 Lakhs
- Working Capital Rs.3.56 Lakhs
- 9 Debt Service Coverage Ratio : 2.94
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 43%
- 13 Employment : 16 Persons
- 14 Power Requirement : 5.00 HP
- 15 Major Raw materials : Mud clay, compost cakes, sand, paddy husk etc.
- 16 Estimated Annual Sales Turnover (Max Capacity) : 70.22 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	7.30
Furniture & Fixtures	0.30
Working Capital	3.96
Total	11.56

MEANS OF FINANCE

Particulars	Amount
Own Contribution	1.16
Working Capital(Finance)	3.56
Term Loan	6.84
Total	11.56

TERRACOTTA POTTERY PRODUCTS

MANUFACTURING

Introduction: Terracotta is an exceptional and uncommon sort of ceramic art. It is the term typically utilized for figures made in pottery, and furthermore for different utilitarian items including vessels (remarkably vases), water and waste water pipes, material tiles, blocks, and surface frivolity in building development. Customarily, what makes it not quite the same as other earthenware makes is that it includes ornamentation, utilization of common tones/colors and experimentation with imaginative shapes. The crude material utilized for this art is a sort of soil accessible locally. It gives the thing a characteristic tone. Around 200 families are occupied with this work. Earthenware is like ceramics, in which craftsperson utilize nearby dirt accessible in stream beds to make things, for example, lights, flame stands, figures of divinities and creatures, and so on.

Terracotta is the hard, dampness less, incompletely consumed dirt utilized for stoneware. In this specialty, the items are not made on potter's wheel, as done in earthenware. Earthenware mud is not difficult to shape into a wide range of shapes. When molded, it's warmed to 1,000-2,000° F to solidify. At that point, a straightforward layer of coating can make earthenware watertight. Earthenware has been around for quite a while. Truth be told, it was the solitary earth item utilized until around the fourteenth century.

Archeologists have found earthenware molds that are 5,000 years of age. Aurangabad, a little town is a way off of 19 kilometers from Gorakhpur, which merits exceptional reference in earthenware toys. Among the dirt results of Uttar Pradesh, earth figures of creatures, divine beings and goddesses are made by nearby potters at Gorakhpur. The creation of earthenware ceramics is no customary cycle. Each earthenware pot or piece of workmanship is made by a captivating cycle with effortlessness and devotion and the time taken to make such a show-stopper is the thing that makes earthenware so important and costly.



Uses & Market Potential:

Terracotta is the term regularly utilized for mold made in stoneware, and furthermore for different pragmatic uses including vessels (strikingly window boxes), water and waste water pipes, material tiles, blocks, and surface adornment in building development. The term is additionally used to allude to the normal earthy orange shade of most earthenware, which differs extensively.

The acclaimed heated mud or 'terracotta' items produced using the extraordinary soil found in Bhathat zone of Uttar Pradesh's Gorakhpur region got the Geographical Indication (GI) tag. Earthenware items are a significant kind of revenue for the inhabitants of Gorakhpur territory in this region. The earthenware craftsmen make different designs like ringers, containers, Ganesha Sculptures, tables, elephants, deer, ponies, bullock trucks, horse trucks, lights and ceiling fixtures. There are in excess of 1,000 assortments of earthenware work planned by the nearby experts.

The cycle of GI affirmation for earthenware items is in progress. It will profit the craftsmen and those associated with its exchange public and regulate market. Earthenware was chosen under the 'One District One Product' plan of the Uttar Pradesh government and will before long get the GI tag. The specialists are chiefly spread over the towns of Aurangabad, Bharwalia, Langadi Gularia, Budhadih, Amawa, Ekla and so on in Bhathat and Padri Bazar, Belwa Raipur, Jungle Ekla No1, Jungle Ekla No-2 in Chargawan square of Gorakhpur.

A huge number of hands have gotten overall appreciation for the city of Gorakhpur. Gorakhpur centers around the modest specialty of earthenware toy making that advances our day by day life.

Product:

TERRACOTTA POTTERY PRODUCTS

- Terracotta Pots
- Terracotta Decor Items

Raw Material:

1. Mud clay
2. Starch/gum
3. Mustard oil
4. Paddy husk
5. Grass
6. Compost cakes
7. Coal/kindling
8. Sand
9. Debris

Manufacturing Process:

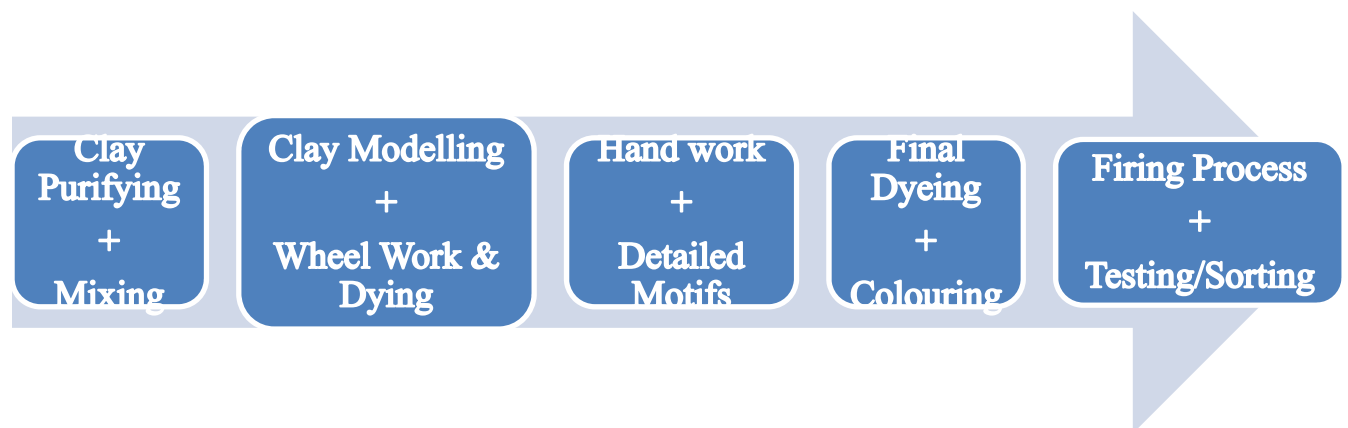


Fig. 1 – Process Flowchart

Area:

The industrial setup requires space for Inventory, workshop or manufacturing area, space for 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 1000 Sqft

Cost of Machines:

S No.	Machine	Unit	Price
1.	Pug Mill	1	1,80,000/-
2.	Clay Granulator	1	1,25,000/-
3.	Kiln	1	1,25,000/-
4.	Clay Blunger	1	1,10,000/-
5.	Pottery wheel	5	75,000/-
6.	Painting Wheel	5	25,000/-
7.	Light Duty Toggle Press	5	50,000/-
8.	Other Machines & Equipment's		40,000/-
Grand Total			7,30,000

Power Requirement- - The estimated Power requirement is taken at 5 KW

Manpower Requirement- Following manpower is required:

- Machine Operators-2
- Skilled/unskilled labours-10
- Helpers-2
- Manager-1
- Accountant cum Store Keeper-1

FINANCIALS

<u>PROJECTED BALANCE SHEET</u>					
PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
<u>Capital Account</u>					
Opening Balance	-	1.93	2.56	3.67	5.21
Add: Additions	1.16	-	-	-	-
Add: Net Profit	2.28	3.13	4.10	5.04	5.90
Less: Drawings	1.50	2.50	3.00	3.50	4.50
Closing Balance	1.93	2.56	3.67	5.21	6.61
CC Limit	3.56	3.56	3.56	3.56	3.56
Term Loan	6.08	4.56	3.04	1.52	-
Sundry Creditors	1.01	1.13	1.26	1.39	1.53
TOTAL :	12.58	11.81	11.52	11.67	11.70
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	7.60	7.60	7.60	7.60	7.60
Gross Dep.	0.56	1.60	2.49	3.25	3.89
Net Fixed Assets	7.04	6.00	5.11	4.35	3.71
Current Assets					
Sundry Debtors	2.13	2.53	2.84	3.17	3.51
Stock in Hand	2.83	3.18	3.52	3.87	4.25
Cash and Bank	0.58	0.10	0.06	0.28	0.22
TOTAL :	12.58	11.81	11.52	11.67	11.70

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I	II	III	IV	V
A) SALES					
Gross Sale of Terracotta Pots	22.09	26.22	29.45	32.82	36.33
Gross Sale of Terracotta Decor items	20.52	24.34	27.32	30.54	33.90
Total (A)	42.61	50.56	56.77	63.35	70.22
B) COST OF SALES					
Raw Material Consumed	20.10	22.56	25.11	27.74	30.58
Electricity Expenses	0.60	0.66	0.72	0.78	0.84
Repair & Maintenance	0.64	0.76	0.85	0.95	1.05
Labour & Wages	14.62	16.08	17.69	19.45	21.40
Depreciation	0.56	1.04	0.89	0.75	0.64
Cost of Production	36.52	41.10	45.25	49.68	54.51
Add: Opening Stock /WIP	-	1.83	2.06	2.26	2.48
Less: Closing Stock /WIP	1.83	2.06	2.26	2.48	2.73
Cost of Sales (B)	34.69	40.87	45.05	49.46	54.27
C) GROSS PROFIT (A-B)	7.92	9.69	11.72	13.90	15.95
	18.58%	19.17%	20.65%	21.94%	22.72%
D) Bank Interest i) (Term Loan)	0.74	0.61	0.44	0.27	0.10
ii) Interest On Working Capital	0.39	0.39	0.39	0.39	0.39
E) Salary to Staff	3.40	4.25	5.32	6.38	7.34
F) Selling & Adm Expenses Exp.	1.10	1.31	1.47	1.64	1.82
G) TOTAL (D+E+F)	5.64	6.56	7.62	8.68	9.65
H) NET PROFIT	2.28	3.13	4.10	5.21	6.31
	5.3%	6.2%	7.2%	8.2%	9.0%
I) Taxation	-	-	-	0.17	0.40
J) PROFIT (After Tax)	2.28	3.13	4.10	5.04	5.90

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	1.16	-	-	-	-
Reserve & Surplus	2.28	3.13	4.10	5.21	6.31
Depriciation & Exp. W/off	0.56	1.04	0.89	0.75	0.64
Increase In Cash Credit	3.56	-	-	-	-
Increase In Term Loan	6.84	-	-	-	-
Increase in Creditors	1.01	0.12	0.13	0.13	0.14
TOTAL :	15.40	4.30	5.12	6.10	7.09
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	7.60	-	-	-	-
Increase in Stock	2.83	0.35	0.33	0.35	0.38
Increase in Debtors	2.13	0.40	0.31	0.33	0.34
Repayment of Term Loan	0.76	1.52	1.52	1.52	1.52
Taxation	-	-	-	0.17	0.40
Drawings	1.50	2.50	3.00	3.50	4.50
TOTAL :	14.82	4.77	5.17	5.88	7.15
Opening Cash & Bank Balance	-	0.58	0.10	0.06	0.28
Add : Surplus	0.58	- 0.47	- 0.05	0.22	- 0.06
Closing Cash & Bank Balance	0.58	0.10	0.06	0.28	0.22

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
<u>Finished Goods</u>					
(15 Days requirement)	1.83	2.06	2.26	2.48	2.73
<u>Raw Material</u>					
(15 Days requirement)	1.01	1.13	1.26	1.39	1.53
Closing Stock	2.83	3.18	3.52	3.87	4.25

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	2.83		
Less:			
Sundry Creditors	1.01		
Paid Stock	1.83	0.18	1.64
Sundry Debtors	2.13	0.21	1.92
Working Capital Requirement			3.56
Margin			0.40
MPBF			3.56
Working Capital Demand			3.56

REPAYMENT SCHEDULE OF TERM LOAN							11.0%
Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	6.84	6.84	0.19	-	6.84
	Iind Quarter	6.84	-	6.84	0.19	-	6.84
	IIIrd Quarter	6.84	-	6.84	0.19	0.38	6.46
	Ivth Quarter	6.46	-	6.46	0.18	0.38	6.08
					0.74	0.76	
II	Opening Balance						
	Ist Quarter	6.08	-	6.08	0.17	0.38	5.70
	Iind Quarter	5.70	-	5.70	0.16	0.38	5.32
	IIIrd Quarter	5.32	-	5.32	0.15	0.38	4.94
	Ivth Quarter	4.94		4.94	0.14	0.38	4.56
					0.61	1.52	
III	Opening Balance						
	Ist Quarter	4.56	-	4.56	0.13	0.38	4.18
	Iind Quarter	4.18	-	4.18	0.11	0.38	3.80
	IIIrd Quarter	3.80	-	3.80	0.10	0.38	3.42
	Ivth Quarter	3.42		3.42	0.09	0.38	3.04
					0.44	1.52	
IV	Opening Balance						
	Ist Quarter	3.04	-	3.04	0.08	0.38	2.66
	Iind Quarter	2.66	-	2.66	0.07	0.38	2.28
	IIIrd Quarter	2.28	-	2.28	0.06	0.38	1.90
	Ivth Quarter	1.90		1.90	0.05	0.38	1.52
					0.27	1.52	
V	Opening Balance						
	Ist Quarter	1.52	-	1.52	0.04	0.38	1.14
	Iind Quarter	1.14	-	1.14	0.03	0.38	0.76
	IIIrd Quarter	0.76	-	0.76	0.02	0.38	0.38
	Ivth Quarter	0.38		0.38	0.01	0.38	0.00
					0.10	1.52	
Door to Door Period		60	Months				
Moratorium Period		6	Months				
Repayment Period		54	Months				

PARTICULARS	I	II	III	IV	V
<u>CASH ACCRUALS</u>	2.84	4.17	4.99	5.80	6.55
Interest on Term Loan	0.74	0.61	0.44	0.27	0.10
Total	3.58	4.78	5.43	6.07	6.65
<u>REPAYMENT</u>					
Repayment of Term Loan	0.76	1.52	1.52	1.52	1.52
Interest on Term Loan	0.74	0.61	0.44	0.27	0.10
Total	1.50	2.13	1.96	1.79	1.62
DEBT SERVICE COVERAGE RATIO	2.38	2.25	2.77	3.39	4.09
AVERAGE D.S.C.R.			2.94		

Assumptions:

1. Production Capacity of Terracotta Pots is 155 pcs & Terracotta Decor Items is 60 pcs per day. First year, Capacity has been taken @ 50%.
2. Working shift of 8 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 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 5 KW.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

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