

PROJECT REPORT

Of

VARNISH

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding **Varnish**.

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 : xxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxx
- 3 Father / Spouse Name : xxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxx
- Pin: xxxxxxx State: xxxxxxxx
- Mobile xxxxxxx
- 5 Product and By Product : **VARNISH**
- 6 Name of the project / business activity proposed : **VARNISH MAKING UNIT**
- 7 Cost of Project : Rs.23.34 Lakhs
- 8 Means of Finance
- Term Loan Rs.17 Lakhs
- Own Capital Rs.2.34 Lakhs
- Working Capital Rs.4 Lakhs
- 9 Debt Service Coverage Ratio : 2.05
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 33%
- 13 Employment : 7 Persons
- 14 Power Requirement : 30.00 HP
- 15 Major Raw materials : Resins, Drying oil, Volatile solvent, Other additives
- 16 Estimated Annual Sales Turnover (Max Capacity) : 70.06 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
	Own/Rented
Land	5.00
Building / Shed 1000 Sq ft	12.40
Plant & Machinery	1.50
Furniture & Fixtures	4.44
Working Capital	23.34
Total	23.34

MEANS OF FINANCE

Particulars	Amount
Own Contribution	2.34
Working Capital(Finance)	4.00
Term Loan	17.00
Total	23.34

VARNISH

Introduction: Varnish is a solution of resin or resinous substances (such as common resin, amber, copal, shellac etc) in alcohol, turpentine or oil. It enhances and gives warmth to the grain of the wood and is resistant to impact, heat, abrasion, water, and alcohol. It can be used as a topcoat over worn finishes. Varnishing is done to intensify or brighten the appearance of natural grains in wood. Varnish is a clear transparent hard protective finish or film. It is neither a paint nor stain. In its native state it has little or no color, but may be pigmented as desired, and is sold commercially in various shades. The term "varnish" refers to the finished appearance of the product. It is not a term for any single or specific chemical composition or formula.



Characteristic of good varnish:

- It should dry rapidly
- It should form a hard film on drying.
- It should not crack on drying. It should have sufficient elasticity.
- It should be durable and weather resistant.

- It should give uniform and pleasing appearance.
- It should not hide the natural grain of the inner surface of timber.
- The colour of Varnish should not fade away with time.

Machinery & equipments: Major machines are as follows:

Name	Unit	Price
Mixer Vessel	1	340000
Storage Tanks	5	325000
Filling and capping machine	1	520000
Other equipments (pumps, weighing machine, etc.)	Ls	55000

Raw materials: Major raw materials are as follows:

1. Resins
2. Drying oil
3. Volatile solvent
4. Other additives
5. Packing material

Average raw material cost is between 45 to 55 Rs. per Kg.

Manufacturing Process:

- Raw materials are filled in their respective storage vessels
- Definite quantity as per formulation is fed to mixer vessel
- Mixer vessel mixes all material at required temperature for required time
- Product is then filled in appropriate containers by filling machine
- Appropriate capping machine is used to close the containers
- Product is ready for sale

Area: The industrial setup requires space for Inventory, workshop or manufacturing area, space for power supply utilities and auxiliary like Generator setup. 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 industrial setup is 1000 to 1500Sqft. Civil work cost will be around 5 Lac Rs.(Approx.)

Power Requirement –The power consumption required to run all the machinery could be approximated as 30hp.

Manpower Requirement- There are requirement of skilled machine operators to run the machine set. Experience quality engineers are required for desired quality control. Some helpers are also required to transfer the material from one work station to other. Office staffs are required to maintain the documentation. The approximate manpower required is 7 including 1 Plant operator, 1 unskilled worker , 1 Helper, 1 Security guard. 3 Skilled worker including Accountant, Manager and Sales person.

Bank Term Loan: Rate of Interest is assumed to be at 11%

Depreciation: Depreciation has been calculated as per the Provisions of Income Tax Act, 1961

Approvals & Registration Requirement:

Basic registration required in this project:

- GST Registration
- Udyog Aadhar Registration (Optional)
- Choice of a Brand Name of the product and secure the name with Trademark if require

Implementation Schedule:

S No.	Activity	Time required
1.	Acquisition of premises	1-2 Months
2.	Procurement & installation of Plant & Machinery	1-2 Months
3.	Arrangement of Finance	1.5-2 Months
4.	Requirement of required Manpower	1 Month
5.	Commercial Trial Runs	1 Month
	Total time Required (some activities shall run concurrently)	5-6 Months

FINANCIALS

PROJECTED CASH FLOW STATEMENT					
PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	2.34	-			
Reserve & Surplus	2.23	4.56	7.17	9.69	12.45
Depriciation & Exp. W/off	2.51	2.17	1.87	1.62	1.40
Increase In Cash Credit	4.00				
Increase In Term Loan	17.00	-	-	-	-
Increase in Creditors	0.36	0.04	0.05	0.05	0.05
TOTAL :	28.44	6.77	9.09	11.36	13.90
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	18.90	-	-	-	-
Increase in Stock	4.19	0.66	0.70	0.75	0.79
Increase in Debtors	0.86	0.24	0.17	0.18	0.19
Repayment of Term Loan	1.89	3.78	3.78	3.78	3.78
Taxation	-	0.68	1.08	1.45	1.87
Drawings	0.50	1.00	3.00	5.00	7.00
TOTAL :	26.33	6.36	8.73	11.16	13.63
Opening Cash & Bank Balance	-	2.11	2.51	2.87	3.07
Add : Surplus	2.11	0.41	0.36	0.20	0.27
Closing Cash & Bank Balance	2.11	2.51	2.87	3.07	3.34

PROJECTED BALANCE SHEET					
PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Capital Account					
Opening Balance	-	4.07	6.95	10.04	13.28
Add: Additions	2.34	-	-	-	-
Add: Net Profit	2.23	3.88	6.09	8.24	10.58
Less: Drawings	0.50	1.00	3.00	5.00	7.00
Closing Balance	4.07	6.95	10.04	13.28	16.86
CC Limit	4.00	4.00	4.00	4.00	4.00
Term Loan	15.11	11.33	7.56	3.78	-
Sundry Creditors	0.36	0.40	0.45	0.50	0.55
TOTAL :	23.54	22.68	22.05	21.55	21.41
APPLICATION OF FUND					
Fixed Assets (Gross)	18.90	18.90	18.90	18.90	18.90
Gross Dep.	2.51	4.68	6.55	8.16	9.56
Net Fixed Assets	16.39	14.22	12.35	10.74	9.34
Current Assets					
Sundry Debtors	0.86	1.10	1.27	1.44	1.63
Stock in Hand	4.19	4.85	5.55	6.30	7.10
Cash and Bank	2.11	2.51	2.87	3.07	3.34
TOTAL :	23.54	22.68	22.05	21.55	21.41

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PROJECTED PROFITABILITY STATEMENT					
PARTICULARS	I	II	III	IV	V
A) SALES					
Gross Sale	36.72	47.09	54.26	61.92	70.06
Total (A)	36.72	47.09	54.26	61.92	70.06
B) COST OF SALES					
Raw Material Consumed	21.60	24.29	27.07	29.95	32.93
Electricity Expenses	2.28	2.51	2.74	2.97	3.20
Repair & Maintenance	0.73	1.41	1.63	1.86	2.10
Labour & Wages	4.03	4.64	5.33	6.13	6.87
Depreciation	2.51	2.17	1.87	1.62	1.40
Cost of Production	31.16	35.02	38.64	42.53	46.49
Add: Opening Stock /WIP	-	3.47	4.04	4.65	5.30
Less: Closing Stock /WIP	3.47	4.04	4.65	5.30	6.00
Cost of Sales (B)	27.69	34.44	38.03	41.87	45.80
C) GROSS PROFIT (A-B)	9.03	12.64	16.23	20.05	24.26
	24.59%	26.85%	29.92%	32.38%	34.63%
D) Bank Interest (Term Loan)	1.84	1.51	1.09	0.68	0.26
ii) Interest On Working Capital	0.44	0.44	0.44	0.44	0.44
E) Salary to Staff	3.78	4.73	5.91	7.38	9.01
F) Selling & Adm Expenses Exp.	0.73	1.41	1.63	1.86	2.10
TOTAL (D+E)	6.80	8.08	9.07	10.36	11.81
H) NET PROFIT	2.23	4.56	7.17	9.69	12.45
	6.1%	9.7%	13.2%	15.7%	17.8%
I) Taxation	-	0.68	1.08	1.45	1.87
J) PROFIT (After Tax)	2.23	3.88	6.09	8.24	10.58
Raw Material Consumed	Capacity	Rate	Amount (Rs.)		
	Utilisation				
I	50%	45.00	21.60		
II	55%	46.00	24.29		
III	60%	47.00	27.07		
IV	65%	48.00	29.95		
V	70%	49.00	32.93		

<u>COMPUTATION OF MAKING OF VARNISH</u>			
Item to be Manufactured Varnish			
Manufacturing Capacity per day		320	Kg
No. of Working Hour		8	
No of Working Days per month		25	
No. of Working Day per annum		300	
Total Production per Annum		96,000	Kg
Total Production per Annum		96,000	Kg
Year		Capacity	VARNISH
		Utilisation	
I		50%	48,000.00
II		55%	52,800.00
III		60%	57,600.00
IV		65%	62,400.00
V		70%	67,200.00

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL					
PARTICULARS	I	II	III	IV	V
<u>Finished Goods</u>					
(30 Days requirement)	3.47	4.04	4.65	5.30	6.00
<u>Raw Material</u>					
(10 Days requirement)	0.72	0.81	0.90	1.00	1.10
Closing Stock	4.19	4.85	5.55	6.30	7.10

COMPUTATION OF WORKING CAPITAL REQUIREMENT			
Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	4.19		
Less:			
Sundry Creditors	0.36		
Paid Stock	3.83	0.38	3.45
Sundry Debtors	0.86	0.09	0.77
Working Capital Requirement			4.22
Margin			0.47
MPBF			4.22
Working Capital Demand			4.00

COMPUTATION OF SALE					
Particulars	I	II	III	IV	V
Op Stock	-	4,800.00	5,280.00	5,760.00	6,240.00
Production	48,000.00	52,800.00	57,600.00	62,400.00	67,200.00
	48,000.00	57,600.00	62,880.00	68,160.00	73,440.00
Less : Closing Stock(30 Days)	4,800.00	5,280.00	5,760.00	6,240.00	6,720.00
Net Sale	43,200.00	52,320.00	57,120.00	61,920.00	66,720.00
Sale Price per Kg	85.00	90.00	95.00	100.00	105.00
Sale (in Lacs)	36.72	47.09	54.26	61.92	70.06

BREAK UP OF LABOUR				
Particulars	Wages Per Month	No of Employees	Total Salary	
Plant Operator	10,000.00	1	10,000.00	
Unskilled Worker	8,000.00	1	8,000.00	
Helper	8,000.00	1	8,000.00	
Security Guard	6,000.00	1	6,000.00	
			32,000.00	
Add: 5% Fringe Benefit			1,600.00	
Total Labour Cost Per Month			33,600.00	
Total Labour Cost for the year (In Rs. Lakhs)		4	4.03	

BREAK UP OF SALARY				
Particulars	Salary Per Month	No of Employees	Total Salary	
Manager	12,000.00	1	12,000.00	
Accountant cum store keeper	10,000.00	1	10,000.00	
Sales	8,000.00	1	8,000.00	
Total Salary Per Month			30,000.00	
Add: 5% Fringe Benefit			1,500.00	
Total Salary for the month			31,500.00	
Total Salary for the year (In Rs. Lakhs)		3	3.78	

COMPUTATION OF DEPRECIATION					
Description	Land	Building/shed	Plant & Machinery	Furniture	TOTAL
Rate of Depreciation		10.00%	15.00%	10.00%	
Opening Balance	Leased		-	-	-
Addition	-	5.00	12.40	1.50	18.90
	-	5.00	12.40	1.50	18.90
		-	-	-	
TOTAL		5.00	12.40	1.50	18.90
Less : Depreciation	-	0.50	1.86	0.15	2.51
WDV at end of Ist year	-	4.50	10.54	1.35	16.39
Additions During The Year	-	-	-	-	-
	-	4.50	10.54	1.35	16.39
Less : Depreciation	-	0.45	1.58	0.14	2.17
WDV at end of IIInd Year	-	4.05	8.96	1.22	14.22
Additions During The Year	-	-	-	-	-
	-	4.05	8.96	1.22	14.22
Less : Depreciation	-	0.41	1.34	0.12	1.87
WDV at end of IIIrd year	-	3.65	7.62	1.09	12.35
Additions During The Year	-	-	-	-	-
	-	3.65	7.62	1.09	12.35
Less : Depreciation	-	0.36	1.14	0.11	1.62
WDV at end of IV year	-	3.28	6.47	0.98	10.74
Additions During The Year	-	-	-	-	-
	-	3.28	6.47	0.98	10.74
Less : Depreciation	-	0.33	0.97	0.10	1.40
WDV at end of Vth year	-	2.95	5.50	0.89	9.34

REPAYMENT SCHEDULE OF TERM LOAN						11.0%	
Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	17.00	-	17.00	0.47	-	17.00
	IInd Quarter	17.00	-	17.00	0.47	-	17.00
	IIIrd Quarter	17.00	-	17.00	0.47	0.94	16.06
	Ivth Quarter	16.06	-	16.06	0.44	0.94	15.11
					1.84	1.89	
II	Opening Balance						
	Ist Quarter	15.11	-	15.11	0.42	0.94	14.17
	IInd Quarter	14.17	-	14.17	0.39	0.94	13.22
	IIIrd Quarter	13.22	-	13.22	0.36	0.94	12.28
	Ivth Quarter	12.28		12.28	0.34	0.94	11.33
					1.51	3.78	
III	Opening Balance						
	Ist Quarter	11.33	-	11.33	0.31	0.94	10.39
	IInd Quarter	10.39	-	10.39	0.29	0.94	9.44
	IIIrd Quarter	9.44	-	9.44	0.26	0.94	8.50
	Ivth Quarter	8.50		8.50	0.23	0.94	7.56
					1.09	3.78	
IV	Opening Balance						
	Ist Quarter	7.56	-	7.56	0.21	0.94	6.61
	IInd Quarter	6.61	-	6.61	0.18	0.94	5.67
	IIIrd Quarter	5.67	-	5.67	0.16	0.94	4.72
	Ivth Quarter	4.72		4.72	0.13	0.94	3.78
					0.68	3.78	
V	Opening Balance						
	Ist Quarter	3.78	-	3.78	0.10	0.94	2.83
	IInd Quarter	2.83	-	2.83	0.08	0.94	1.89
	IIIrd Quarter	1.89	-	1.89	0.05	0.94	0.94
	Ivth Quarter	0.94		0.94	0.03	0.94	- 0.00
					0.26	3.78	

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	4.74	6.04	7.96	9.85	11.98
Interest on Term Loan	1.84	1.51	1.09	0.68	0.26
Total	6.58	7.55	9.05	10.53	12.24
REPAYMENT					
Repayment of Term Loan	1.89	3.78	3.78	3.78	3.78
Interest on Term Loan	1.84	1.51	1.09	0.68	0.26
Total	3.73	5.28	4.87	4.45	4.04
DEBT SERVICE COVERAGE RATIO	1.76	1.43	1.86	2.36	3.03
AVERAGE D.S.C.R.			2.05		

COMPUTATION OF ELECTRICITY			
(A) POWER CONNECTION			
Total Working Hour per day	Hours	8	
Electric Load Required	HP	30	
Load Factor		0.7460	
Electricity Charges	per unit	7.50	
Total Working Days		300	
Electricity Charges			4,02,840.00
Add : Minimim Charges (@ 10%)			
(B) DG set			
No. of Working Days		300	days
No of Working Hours		0.3	Hour per day
Total no of Hour		90	
Diesel Consumption per Hour		8	
Total Consumption of Diesel		720	
Cost of Diesel		65.00	Rs. /Ltr
Total cost of Diesel		0.47	
Add : Lube Cost @15%		0.07	
Total		0.54	
Total cost of Power & Fuel at 100%			4.57
Year	Capacity		Amount
			(in Lacs)
I	50%		2.28
II	55%		2.51
III	60%		2.74
IV	65%		2.97
V	70%		3.20

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