

MODEL PROJECT REPORT FOR WOVEN RMG UNIT WITH A
CAPACITY OF 50 STITCHING MACHINES ON (JOB WORK),
WITHOUT PROCESSING

The Project details consists of the project cost estimates for land, building, plant & machinery, raw material requirement, working capital requirement, means of finance, power cost, maintenance cost, insurance, salaries & wages, depreciation, expenditure statement, profit statement, break-even analysis, Repayment schedule, etc. Each of the Estimates are furnished below in detail.

1. Project Cost Estimates

Rupees in lakhs

1.1 The Deposit paid to the rental building measuring 5000 sq. ft **1.50**

1.2 Plant & machinery (imported)

(a) Stitching machines and other machines (total 61 machines) including import duty & others taxes (as detailed in Annexure-I) : **22.30**

1.3 Plant and Machinery (Indigenous)

(a) Fire fighting Equipment 5 Nos ABC type, Minimax make, 5 Kg capacity Rs.3700 each	: 0.19
(b) Weighing Equipments Avery Make 2 weighing machines of capacity 30 Kgs & 6 Kgs (Rs.13,000/- & 11150/- respectively)	: 0.24
(c) Material Handling : 8 Nos Trollys, 50 bins and 70 No. storage bins (Rs.1,000/- each, Rs. 100/- each, Rs.100/- each respectively)	: 0.20
(d) Ramsons Boiler (for steam Ironing) 12 Kw/hr - Rs. 55,400/-	: 0.55
(e) Steam irons (4 Nos) with tables (4 Nos) (Rs.1,200/- each & Rs.5,000/- each respectively)	: 0.25
Total	: 1.43

1.4 Miscellaneous fixed assets – Indigenous

(a) Diesel generator krilosker make 1 set – 50 KVA	: 4.65	
(b) Tables (4 Nos – Rs.5000 each)	: 0.20	
(c) Office equipments/furniture/computer	: 1.75	
(d) Deposite to state electricity board for LT connection	: 2.50	
Total		: 9.10

1.5 Total cost of Plant and Machinery

(1.2+1.3+1.4) : **32.83**

1.6 Preliminary & Pre-operative expenses

(5% of 1.5) : **1.64**

1.7 Working Capital Margin

(25% of Rs.9.60 lakhs) : **2.40**

1.8 Total Cost

: **38.37**

1.9 Contingency

(5 % of PC- 5% of 38.37 lakhs) : **1.92**

1.10 Total cost of the project

(1.1 to 1.9) : **40.29**

2. Working capital requirement

(i) 45 days conversion charges at Rs.50/shirt	: Rs. 900000	
(ii) Cost of consumable stores for 30 days (Rs.3/machine/day)	: Rs. 5490	
(iii) Cost of maintenance spares etc for 90 days (Rs.10/machine/day)	: Rs. 54900	
Total Cost		: 9.60

Margin money on working capital 25% : **2.4**

Bank finance : **7.2**

3. Income by doing Job work:

No. of hours working per day	: 8 hours
No. of days working per month	: 26 days
Production of shirts/day/m/c	: 8 Nos
Production/annum of shirts	:124800 pcs

Income by job work on conversion basis @ Rs.43 per shirt **53.66**

4. Means of finance:

S.No	Description	Amount (Rs in lakhs)
1	Promoters contribution	13.43
2	Term loan	26.86
Total		40.29

Debt Equity ratio

: 2 : 1

5. Salaries & Wages:**Rs.**

S. No	Description	Nos/ day	Gross salary/Wages per month	Total/ annum
I	Office & production staff:			
1	Production Manager	1	11000	132000
2	Accountant	1	7000	84000
3	Cutting master	1	9000	108000
4	Stores-in-charge	1	5000	60000
5	Supervisor	1	5000	60000
6	Clerical Staff	2	3600	86400
7	Security persons	2	2200	52800
8	Peons	1	2200	26400
	Total	10	-	609600
II	Labour			
9	<u>Cutting section</u> Cutters & helpers	6	2200	158400
10	<u>Production department</u> Tailors	50	2200	1320000
11	Helpers	6	2100	151200
12	Line checkers	4	2200	105600
13	<u>Finishing & packing Dept</u> Final checkers	2	2200	52800
14	Trimming helpers	2	2200	52800
15	Alteration Tailor	1	2300	27600
16	Ironing section	6	2200	158400
17	Packing helpers	4	2200	105600
18	Mechanic	1	2500	30000
	Total	82	-	21,62,400
	GRAND TOTAL	92	-	27,72,000

Statutory Contribution (Provident Fund @ 12% for all employees,

On basic salary, Contribution towards ESI @ 4.75 % of the basic

Salary for employees whose gross salary is less than 7500/- p.m. : Rs.2.70 lakhs

Total**30.42**

6. Power Cost

S.no	Item	No. of machines	KW/ machines	Total KW	Kw - Hours
1	Machinery used for manufacture of garment	50 stitching machines + 11 additional machines & equipments	0.33 KW/ machines	20.13	161 (8 Hrs)
2	Lighting for 5,000 sq.ft	5,000 Sq.ft	-	8	80 (10 hrs)
3	1 Boilers for steam ironing + Iron press	1 boilers 4 Ironbox	14 KW	14 KW	112(8 hrs)
Total				42.13	353

Total Connected load : 50 KW
 Power cost Rs.4.70/unit : 353 X 0.7 X 0.95
 at power factor 70% = 234.75 KWH
 utilization 95%

Power cost/annum : 234.75X4.70X312
 :

3.44**7. Maintenance stores/cost**

Maintenance cost/machine/day : Rs.10
 No. of machines : 61
 No. of working days/annum : 312
 No. of shifts / annum : 312
 Maintenance cost of machines/annum : Rs.1.90 lakhs
 Maintenance cost of other equipments (Building, Boiler, Generator, AC, Computer etc other than machines) : Rs.0.70 lakhs
 Total : **2.60**

8. The interest rate for the term loan has been assumed as 11% and the Net Interest rate will be 6% after taking into account TUFs interest subsidy of 5 %. The entire project cost is eligible under TUFs and all the machines are new machines. The rate of interest for working capital has been assumed as 13.5%.

9. The Depreciation has been assumed at 10% under straight line method.

Value of machines :Rs.32.83

Depreciation 10% : **3.28**

10. The cost of Insurance of garmenting m/c and other machines has been assumed at 0.75% of the cost
Insurance for machinery (0.75%)

: Rs.32.84 X 0.75%

: **0.25**

11. Rent to the Building per annum Rs.15,000/month

: **1.80**

12. EXPENDITURE STATEMENT

Year	1	2	3	4	5	6	7	8	9	10
Salary & wages	30.42	31.33	32.27	33.24	34.24	35.27	36.33	37.42	38.54	39.70
Power cost	3.44	3.44	3.44	3.44	3.44	3.44	3.44	3.44	3.44	3.44
Maintenance	2.60	2.60	2.60	2.60	2.60	2.69	2.69	2.69	2.69	2.69
Rent to the Building	1.80	1.80	1.80	1.98	1.98	1.98	2.18	2.18	2.18	2.40
Int.term loan	1.61	1.61	1.61	1.41	1.21	1.01	0.81	0.60	0.40	0.20
Depreciation	3.28	3.28	3.28	3.28	3.28	3.28	3.28	3.28	3.28	3.28
Int.wr/capital	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97
Insurance	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Total	44.37	45.28	46.22	47.17	47.97	48.89	49.95	50.83	51.75	52.93

Assumptions:

- i) wages : 3% increase every year
- ii) Maintenance : 3% increase after every 5 years
- iii) Rent to Building : 10% increase every 3 years
- v) Conversation charges for job work : 5% increase every 3 years

13. PROFIT STATEMENT

Year	1	2	3	4	5	6	7	8	9	10
Income	53.66	53.66	53.66	56.34	56.34	56.34	59.16	59.16	59.16	62.12
Expenditure	44.37	45.28	46.22	47.17	47.97	48.89	49.95	50.83	51.75	52.93
Profit	9.29	8.38	7.44	9.17	8.37	7.45	9.21	8.33	7.41	9.19
Depreciation	3.28	3.28	3.28	3.28	3.28	3.28	3.28	3.28	3.28	3.28
Cash profit	12.57	11.66	10.72	12.45	11.65	10.73	12.49	11.61	10.69	12.47

Gross profit	9.29	8.38	7.44	9.17	8.37	7.45	9.21	8.33	7.41	9.19
Tax @ 35%	3.25	2.94	2.60	3.20	2.93	2.60	3.23	2.92	2.60	3.22
Profit after tax	6.04	5.44	4.84	5.97	5.44	4.85	5.98	5.41	4.81	5.97

14. DEBT SERVICE COVERAGE RATIO (DSCR)

	Year	1	2	3	4	5	6	7	8	9	10
a	Profit	12.57	11.66	10.72	12.45	11.65	10.73	12.49	11.61	10.69	12.47
B	Int on term loan in lakhs	1.61	1.61	1.61	1.41	1.21	1.01	0.81	0.60	0.40	0.20
c	Installments	Nil	Nil	3.36	3.36	3.36	3.36	3.36	3.36	3.36	3.36
	DSCR	8.80	8.24	2.48	2.90	2.81	2.68	3.18	3.08	2.94	3.55

Two years moratorium & 8 years term loan repayment under TUF scheme

$$* \text{ DSCR} = \frac{\text{(cash) profit} + \text{Interest paid}}{\text{Installment paid} + \text{interest paid}} \quad \begin{matrix} a + b \\ \text{-----} \\ c + b \end{matrix}$$

$$\text{Installment amount} = \frac{\text{Term loan}}{8} = \frac{26.86}{8} = 3.36 \text{ lakhs}$$

Maximum DSCR = 8.80

Minimum DSCR = 2.48

Average DSCR = 4.06

15. Break – Even Analysis:

Variable Cost	Rs. in lakhs
Wages & Salaries – 50%	15.21
Int. on Working Capital	0.97
Power cost	3.44
Total	19.62

Fixed cost	Rs. in lakhs
Wages & Salaries – 50%	15.21
Repair & maintenance	2.60
Insurance	0.25
Depreciation	3.28
Interest on term loan	1.61
Rent to the building	1.80
Total	24.75

Income by conversion(Job work) : Rs. 53.66

Income – Variable cost : Rs. 34.04

Break-Even point :
$$\frac{\text{Fixed cost} \times 95}{\text{Sales-Variable cost}}$$

$$= \frac{24.75 \times 95}{34.04}$$

$$= \mathbf{69.07 \%}$$

Cash Break-Even Point :
$$\frac{\text{Fixed cost- Depreciation} \times 95}{\text{Sales-Variable cost}}$$

$$= \frac{(24.75-3.28) \times 95}{34.04}$$

$$= \mathbf{59.91 \%}$$

16. BANK LOAN REPAYMENT SCHEDULE

Interest @ 11% (net Interest = 6% Interest reimbursement under TUFS =5%)

Year	Opening balance	Interest	Principal payment	Total	Closing Balance
1	26.86	1.61	Nil	Nil	26.86
2	26.86	1.61	Nil	Nil	26.86
3	26.86	1.61	3.36	4.97	23.50
4	23.50	1.41	3.36	4.77	20.14
5	20.14	1.21	3.36	4.57	16.71
6	16.79	1.01	3.36	4.37	13.43
7	13.43	0.81	3.36	4.17	10.07
8	10.07	0.60	3.36	3.96	6.72
9	6.72	0.40	3.36	3.76	3.36
10	3.36	0.20	3.36	3.56	0

17. EXPENDITURE & PROFIT PER PIECE

Expenditure : Rs. 44.37 lakhs
 Income by jobwork : Rs. 53.66 lakhs
 Depreciation : Rs. 3.28 lakhs
 Cash profit : Rs. 12.57 lakhs

Profit/pc : $\frac{12.57 \times 100000}{124800} = \text{Rs. 10.07 /pc}$

18. INTERNAL RATE OF RETURN(IRR): Initial Investment = $\frac{\text{Cash flows}}{1 + \text{IRR}}$

$$40.29 = \frac{54.75}{1 + \text{IRR}}$$

IRR = 35%

19. Pay back Period : 3 years 2 months

PROJECT FOR 50 MACHINES

Annexure-I

Plant & Machinery (Imported)

S.No	Name	No. of Machines	Rate/ machine in Dollars	Rate in Rs. with Import Duty	Total cost of machines in Rs.
1	Oshima Make Hand cutting m/c	2	750	42,066	84,132
2	Juki make DDL 8300 Model Single Needle stitching m/c	43	330	16,032	6,89,359
3	Juki make DDL 8700-7 model Electronic Single Needle stitching m/c	5	800	38,864	1,94,320
4	Juki make DLM 5200 Model single needle stitch and Trimmer m/c	2	955	46,394	92,788
5	Juki Make Overlock m/c	2	850	41,294	82,588
6	Juki Make Feed of Arm	2	2200	1,06,877	2,13,754
7	Juki Made LK-1900 Model Bar Tack m/c	1	3025	1,69,666	1,69,666
8	Juki Make LBH-781 Button Hole M/c	1	2950	1,43,313	1,43,313
9	Juke Make LK 1903 Button stitching m/c	1	4000	2,24,351	2,24,351
10	Oshima Make Fusing m/c	1	3000	1,68,263	1,68,263
11	Kansari Make special m/c	1	2100	1,02,019	1,02,019
	Total	61	-	-	21,64,553 (or) Rs. 21.65 lakhs

Note: Machines at S.No.2 to 9, 11 are having Import Duty of (Basic) 5.5% + 2% cess on Import duty.

Machines at S.No.1 and 10 are having In-built Motor therefore Import Duty is (Basic) 5.5% +(CVD)16% + 2% cess on Import Duty.

Erection Charges – 2% = 0.43

Local Transport Expenses-1% = 0.22

Total Cost of Imported machines Rs. 22.30 lakhs