

MODEL PROJECT REPORT
ON
MANUFACTURE OF GREY COTTON SHEETING

Semi Auto Loom Project
(12 Looms)



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PROJECT REPORT ON MODERNAISATION OF DECENTERLISED POWERLOOM SECTOR WITH 12 SEMI-AUTO LOOMS

1.INTRODUCTION:

Ahead of the continuous efforts that are being taken towards modernising of the decenralised power loom sector, the **Regional office of the Textile Commissioner, Mumbai** has prepared various project reports that suitable to various textile clusters packets of its region. It is perceived on the paradoxical assumption that, these project reports will give a fair idea to the weavers of this sector, regarding the various requirements, benefits, viability, suitability, profitability etc., while implementing such projects, and also help by and large to prepare a bankable project with their own details. This project of Semi-auto loom project has been considered suitable for **Bhiwandi** powerloom cluster owing to its present setup and weavers who can not afford larger investments. This project is also suitable to any of the other region of the country where plain and simple dobby designed fabrics are being produced. The advantages of the project over the present ordinary plain loom can be briefly listed as :

1. Higher production rate than the plain looms.
2. Remarkable improvement on quality.
3. Reduction in Waste
4. More productivity.
5. Low manufacturing Cost.
6. Low investment when compared with shuttle less loom project and suitable to small plain power loom owners.
7. Less operating Costs.
8. Suitable to any type of fabrics from plain gray fabrics to suiting, denim etc with range of counts of yarn and fiber types.

The above advantages are resulting to conceive a viable project offering higher margin of profits.

1.2. BASIS & ASSUMPTIONS:

1. The basis for the calculation of the production capacity is normally on 3-shift basis & 25 working days in a month. It is presumed that the unit may reach its production capacity to 80% level in the first year and 90% level there after.
2. Non refundable deposits project preparation costs etc., wherever needed may be considered under pre operative expenses.
3. The rate of interest on term loan has been taken as 9% under TUF Scheme and On Working capital loan it is 14%.

4. The break even point has been calculated on 90% capacity utilization.
5. The machinery & equipment as indicated are refer to a particular type .
The prices are nearer to true value / approximate & the same may vary slightly.
6. The provisions made in other respect viz., raw materials, personnel, utilities, over heads, etc., are drawn on the basis of standard operation & output ratios and the costs indicated against each are approximate and based on local market condition & observations.

1.3. GENERAL CHARACTERISTICS OF THE PROJECT:

1.3.1.Products :

The project was worked for the production of wider width gray fabric on job work basis with the following specifications, which has better market demands.

Description	Cloth width (Inches)	Warp	Weft	EPI	PPI	GSM
Grey sheeting	63"	2/100s	2/100s	84	72	80.08

1.3.2. Marketing:

The demand for the above and similar sorts are high in the Bhiwandi & Ichalkaranji area, as the same is the basic material used in the Export garment units of the Mumbai region after processing the gray (i.e., fabric bleaching, dyeing or and printing etc..) Incidentally in and around including Bhiwandi, there exists processing capacity of 205 lakhs meters per annum by power operated process houses and 95 lakhs meters per annum by hand process houses to process the gray fabrics. Therefore the demand for these fabrics is high and there is a wide scope of getting job work for weaving of the gray sheeting.

1.3.3. Quality :

The quality of the fabric produced in the Semi-auto looms are is very much suitable for the exports garments and is defects free, if adequate quality yarn is used and under proper supervision. Testing facilities are available at the local PSC labs both for yarn and fabrics to ensure quality requirements.

1.4. ENTREPRENEUR DETAILS :

The project is suitable in general to both the existing weavers and new entrants and is viable as worked out in the following tables presented here. The exiting entrepreneur having suitable buildings will have an added advantage in terms investment and expertise, if they go for replacement of their plain looms

2. PROJECT AT A GLANCE

Eight LR Auto Looms Project : COTTON SHEETING

S.No.	Particulars	Data
1.	Installed Capacity Weaving	12 Semi - Automatic Looms (72" Width)
2.	Production capacity/day Production -90% -Utilisation	466 Mts
3.	Project Cost Dept : Equity Ratio Equity Term Loan	27.05 Lakhs 2 : 1 9.02 Lakhs. 18.04 Lakhs
4.	Sales Realisation(Job Work) Cost of Production Gross Profit	103.89 Lakhs 85.44 14.41 ,,
5.	Net Profit after Financial Charges& Depreciation	6.37 Lakhs
6.	Average DSCR IRR Payback Period Break Even Point Cash Breakeven Point	2.96 24 % 6 years 52.87% 48.63%
7.	Installed Load Labour compliment	12 KVA 17

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3. PROJECT ESTIMATION

3.1.COST OF PROJECT

S.no.	Description	Cost
		(Lakhs)
1	Land & Building	10.40
2	Plant & Machinery	11.40
3	Preliminary & pre operative	1.09
4	contingencies	1.14
5	Margin money	3.02
	Total	27.05

Rs.

3.2..MEANS OF FINANCE:

S.No.	Description	Amount
		(Rs. In Lakhs)
1.	Total Equity	9.02
2.	Term Loan	18.04
	Total	27.05

Dept Equity Ratio = 2 : 1

3.3. Land and Building

(Rs.)

Land & Building			
S.no.	Description	Area	Amount
		Sq.mts	(Lakhs)
1	Land	350	2.00
2	Weaving Shed@3500/-	180	6.30
3	Yarn & fabric Store	20	0.70
4	Office	20	0.70
5	Store	20	0.70
	Total		10.40

3.4. PLANT AND MACHINES

Rs.				
S.no.	Description	Unit Price '000'	No.of Machines	Total cost
1	Semi Automatic Loom	60	12	7.20
2	Cloth Inspection Table	5	2	0.10
3	Humidifiers	5	4	0.20
4	Electrical & DG set	300	1	3.00
5	Fire Fighting Equipment	5	1	0.05
6	Weighing Machine	10	1	0.10
7	Office Equipment& computer	75	1	0.75
9	Total			11.40

4.1. LOOM PROGRAMME:

Grey	Count				
Width	Warp	Weft	Reed	Pick	GSM
(inch)	(Ne)	(Ne)			
63	2/100	2/100	84	72	80.076

4.2. PRODUCTION PLAN:

Type of Loom	No.of Looms	RPM	Production / Day (L.Mts) (90%uti)
Semi Auto Looms	12	120	465.99

5.OPERATING COST DETAILS:

5.1.COST OF CONSUMABLES STORES AND SPARES

S.No.	Weaving(Stores & Spares)	Cost/Day (Rs.)	Cost/annum Rs. in Lakhs
1.	Weaving section @ Rs.40/Machine Shift	480/-	1.68

5.2.POWER COST DETAILS:

Power Cost :

Cost/KWH Rs.	4.50
Power Consumption as %	70
Units/ Annum	64680
Power Cost/Annum @ 90 % utilisation(Lakhs)	

2.62

5.3. SALARIES AND WAGES:

Description	Nos/day	Wage / Month (Rs.)	Total / Annum
Supervisor	2	3000	72000
Clerk	1	2000	24000
Weavers	9	3000	324000
Jobber	2	3000	72000
Weaving assistants	2	1000	24000
Watch man	1	1000	12000
Total			528000

S.No	Description	1st year	2nd year	3rd year	4th year	5th year	6th year
1	Wages/ Annum (5% increment from 2nd year)	4.32	4.54	4.76	5.00	5.25	5.51
2	Fringe benefits @ 40% of wages	1.73	1.81	1.91	2.00	2.10	2.21
	Total	6.05	6.35	6.67	7.00	7.35	7.72
3	Staff Salaries per Annum(5% increment from 2nd year)	0.96	1.01	1.06	1.11	1.17	1.23
4	Fringe benefits @ 40% wages	0.38	0.40	0.42	0.44	0.47	0.49
	Total	1.34	1.41	1.48	1.56	1.63	1.72
	Grand Total	7.39	7.76	8.15	8.56	8.99	9.43

	Annual Interest	1.99	1.84	1.44	1.04	0.65	0.25
	Charges						

6.SALES REALISATION :

Sort	Production/Day (mts.)	Sale Rate (Rs./Mt)	Value Loss %	Turn Over /Annum (Lakhs)
Sheeting	465.99	65	2	103.89

7. FINANCIAL PROJECTIONS:

7.1. ESTIMATES OF COST OF PRODUCTION:

(Rs.Lakhs)

S.No.	Particulars	Operating years					
		1	2	3	4	5	6
1	Installed Looms	12	12	12	12	12	12
2	Capacity Utilisation %	90	90	90	90	90	90
3	Estimated production(Mts/day)	465.99	465.99	465.99	465.99	465.99	465.99
A --	Raw material Consumable etc.,						
1	Raw Materials (Yarn)	69.29	69.29	69.29	69.29	69.29	69.29
2	Warping & Sizing(Job work)	1.41	1.41	1.41	1.41	1.41	1.41
3	Consumable stores & spares	1.68	1.68	1.68	1.68	1.68	1.68
4	Packing materials	0.41	0.41	0.41	0.41	0.41	0.41
	Total- (A)	72.79	72.79	72.79	72.79	72.79	72.79
B--	Utilities						
1	Power	2.62	2.62	2.62	2.62	2.62	2.62
	Total (B)	2.62	2.62	2.62	2.62	2.62	2.62
C --	Wages & Salaries						
1	Lobur wages	6.05	6.35	6.67	7.00	7.35	7.72
2	Staff Salaries	1.34	1.41	1.48	1.56	1.63	1.72
	Total (C)	7.39	7.76	8.15	8.56	8.99	9.43
D --	Factory Over Heads (10% increase every year)						
1	Repairs & Maintenance	1.68	1.85	2.03	2.24	2.46	2.71
3	Insurance	0.25	0.28	0.30	0.33	0.37	0.40
4	Rent Rates Taxes	0.20	0.22	0.24	0.27	0.29	0.32
5	Misc Expenses	0.50	0.55	0.61	0.67	0.73	0.81
	Total (D)	2.63	2.89	3.18	3.50	3.85	4.24

TOTAL (A+B+C+D) 85.44 86.07 86.75 87.47 88.25 89.08

7.2. ESTIMATES OF WORKING RESULTS

(Rs.Lakhs)

S.No.	Particulars	Operating years					
		1	2	3	4	5	6
1	Cost of production	85.44	86.07	86.75	87.47	88.25	89.08
2	Administrative Expenses	1.04	1.06	1.09	1.12	1.15	1.18
3	Administrative Salaries	1.34	1.41	1.48	1.56	1.63	1.72
4	Selling Expenses	0.52	0.53	0.55	0.56	0.57	0.59
5	Selling Commission	1.04	1.06	1.09	1.12	1.15	1.18
6	Sampling	0.10	0.11	0.11	0.11	0.11	0.12
7	Cost of Goods Sold	89.48	90.25	91.07	91.94	92.86	93.85
8	Domestic Sales	103.89	106.49	109.15	111.88	114.68	117.54
9	Export Sales	nil	nil	nil	nil	nil	nil
10	Total Sales Turn Over	103.89	106.49	109.15	111.88	114.68	117.54
	Gross operating Profit	14.41	16.24	18.09	19.94	21.81	23.69
	<u>Financial Charges</u>						
1	Interest on Term Loan-11%	1.99	1.84	1.45	1.05	0.65	0.25
2	Interest on Working Capital-14%	2.17	2.17	2.17	2.17	2.17	2.17
	Interest Cost	4.16	4.02	3.62	3.22	2.82	2.42
1	Profit before Depreciation	10.25	12.23	14.47	16.73	18.99	21.27
2	Depreciation (SLM)@10%	1.14	1.14	1.14	1.14	1.14	1.14
3	Profit Before Tax(PBT)	9.11	11.09	13.33	15.59	17.85	20.13
4	Corporate Tax	2.73	3.33	4.00	4.68	5.36	6.04
5	Profit After Tax(PAT)	6.37	7.76	9.33	10.91	12.50	14.09
6	Less: Dividend on Share Capital	0.00	0.00	0.00	0.00	0.00	0.00
7	Retained Profit	6.37	7.76	9.33	10.91	12.50	14.09
8	Add: Depreciation	1.14	1.14	1.14	1.14	1.14	1.14
9	Net Cash Accruals	7.51	8.90	10.47	12.05	13.64	15.23

7. 3. CASH FLOW STATEMENT:

(Rs.Lakhs)

S.No.	Particulars	Constru tion period	1	2	3	4	5	6
	Source of Fund							
1	Increase in share capital	9.06						
2	Profit before taxation with interest added back		13.27	15.10	16.95	18.80	20.67	22.55
3	Provision for Depreciation		1.14	1.14	1.14	1.14	1.14	1.14
4	Increase in secured Term Loans	18.12						
5	Non Convertible Debentures							
6	State subsidy							
7	Increase in bank borrowing for Working capital		18.10					
	Total (A)	27.18	32.51	16.24	18.09	19.94	21.81	23.69
	B. Disposition of Funds							
1	Capital Expenditure	24.03						
2	Increase in Working capital		21.24	0.00	0.00	0.00	0.00	0.00
3	Decrease in secured FCL							
4	Decrease in secured rupee Loan			3.62	3.62	3.62	3.62	3.62
5	Decrease in non convertible debentures							
6	Decrease in bank borrowing for working Capital							
7	Interest on Term Loans		1.99	1.84	1.45	1.05	0.65	0.25
8	Interest on bank borrowing for working Capital		2.17	2.17	2.17	2.17	2.17	2.17
9	Normal Capital Expenditure		0.00	0.00	0.00	0.00	0.00	0.00
10	Corporate Tax		2.73	3.33	4.00	4.68	5.36	6.04
11	Dividend Equity		0.00	0.00	0.00	0.00	0.00	0.00
12	Total (B)	24.03	28.14	10.97	11.24	11.52	11.80	12.08
13	Opening balance of cash in hand & bank	0.00	3.15	7.51	12.79	19.64	28.07	38.08
14	Net surplus / Deficit (A-B)	3.15	4.37	5.28	6.85	8.43	10.01	11.61
15	Closing balance of cash in hand & bank	3.15	7.51	12.79	19.64	28.07	38.08	49.69

7.4. BALANCE SHEET:

(Rs.Lakhs)							
S.No.	Particulars						
	Operating Years---->	1	2	3	4	5	6
	<u>LIABILITIES</u>						
1	Share Capital	9.06	9.06	9.06	9.06	9.06	9.06
2	Reserves & Surplus	6.37	14.14	23.47	34.38	46.88	60.97
3	Public Issue						
4	Issue of Non-Convertible Debentures						
5	Term Foreign Currency Loan (FCL)						
6	Term Rupee Loan	18.12	14.50	10.87	7.25	3.62	0.00
7	Bank Borrowing for Working capital	18.10	18.10	18.10	18.10	18.10	18.10
8	State Subsidy						
	TOTAL	51.65	55.79	61.49	68.78	77.66	88.12
	<u>ASSETS</u>						
1	Gross Block	24.03	24.03	24.03	24.03	24.03	24.03
2	Less: Depreciation	1.14	2.28	3.42	4.56	5.70	6.84
3	Net Block	22.89	21.75	20.61	19.47	18.33	17.19
4	Current Assets	21.24	21.24	21.24	21.24	21.24	21.24
5	Cash & Bank Balance	7.51	12.79	19.64	28.07	38.08	49.69
	TOTAL	51.65	55.79	61.49	68.78	77.66	88.12

7.5 DEBT SERVICE COVERAGE RATIO: : 2.96

7.6. I.R.R.	24%
7.7. Break Even Point	52.87
7.8. Cash Break Even Point	48.63

8. ASSUMPTIONS

S.No.	Particulars	Data
1	Status of the Project :	Sale in DTA
2	Number Of working days /Annum	350
3	Number Of working Hours/day	24 Hrs
4	Capacity Utilisation	90%
5	Cost Of Power (Grid) @ Rs /KWH	4.50
6	Wages& Salaries -Fringe benefits	40%
7	<p><u>(i) Interest Rates &Repayments Schedule for Long Term Loan</u> Interest on Rupee Loan @ 6 Years of Total Repayment period(1 years moratorium + 5 years Repayment period)</p> <p>(ii) Interest Rates for Short term borrowing Interest on Working capital @</p>	11 %
8	Expenses as % of Sales Turn Over Administrative expenses Selling Expenses Selling Commission Sampling	1% 0.5% 1.0% 0.1%
9	Selling Price :	Rs.65/-pre Mt.