

MODEL PROJECT REPORT

(FOR 08 RAPIER LOOMS)

OF

M/s Saheb Ltd.,
Malegaon - 423 203



PROJECT REPORT ON MODERNISATION OF M/S Saheb LTD., MALEGAON

1. Introduction:

Malegaon is well known as the “City of Powerloom”. It has the distinction of having concentration of cotton textiles & also man – made textile industry. Another distinction is that both the textile items are entirely in the decentralised sector. Various types of textiles fabrics manufactured in Malegaon are cotton Poplin / Cambric cloth, Saree, synthetics grey fabrics. At present Malegaon produces 80 Lakhs meters grey fabrics per annum on maximum utilisation of loom installed and total numbers of looms are about one Lakhs. There are 75 no sizing units, two no. Process houses. The worker engaged in Textiles industry in these towns are near about 2.5 Lakhs, although there are adequate number of traders in the field of raw material and cloth trading, major quantity was controlled by the traders located in Mumbai, the nearest city.

It is proposed to modernise M/s Saheb Ltd., by replacing old plain looms with 8 no Rapier Shuttleless looms for manufacturing of Fancy Shirting under Technology Upgradation Fund scheme. The unit is presently equipped with old plain looms and weaving only low value synthetics fabrics on job work. As the demand for medium quality shirting fabrics is growing and the demand for the present low quality fabric is decreasing day by day, it is proposed to replace old plain looms for manufacturing of fancy blended shirting.

2. Basis & Assumption:

- A) The basis for the calculation of the production capacity is normally on 2-shift basis of twelve hours each & 350 working days in a year. It is presumed that the unit may utilize its production capacity at the rate of 70% in the first year and thereafter at 80% of its capacity.
- B) Non- refundable deposits, project report preparation costs etc., wherever need may be considered under pre- operative expenses etc.
- C) The rate of interest on term loan has been taken as @ 7% under TUFs and on working capital loan it is on @ 12%.
- D) The break-even point has been calculated on the Third year utilisation basis, i.e., 95%.
- E) The cost of machinery and equipments as indicated refer to a particular type. The prices are nearer to the true value/ approximate and the same may slightly vary.
- F) The provisions made in the respects viz. raw material, personnel, utilities, overheads etc., are drawn on the basis of standard operation and output ratios and the costs indicated against each are approximate and based on local market condition and observation.
- G) The power costs are calculated on two slabs. One for machine, which is under subsidised rate and another for lighting it, is unit rate basis.

3. General Characteristics of the Project:

- A) Products: Besides the existing low value synthetic grey fabrics, the unit will directly weave fancy shirting by procuring dyed cotton yarn from local market. Regarding preparation of warp beam facility is available with Powerloom service Centre, Malegaon that will be utilised on job work basis.
- B) Marketing: Raw material for the project is available locally at competitive prices. The regular trading activities in Grey (Loom state) and finished fabrics is carried out in and around Mumbai, including Malegaon and also in Surat/ Ahmedabad. There is no difficulty envisaged in selling the produced fabrics. As the machines are equipped with all devises for producing defect free fabrics for garment manufacturing and export could also be considered.
- C) Quality: The proposed unit will appoint /hire experienced weaver / jobber capable of producing defect free quality fabrics. The jobbers and weaver will be given advanced training on such type of loom available at PSC-Malegaon. The unit will invariably get its products as well as raw material tested in the PSC-Laboratory located at Malegaon.

4. Entrepreneurs Details:

The promoter Shri Saheb is a basically weaver and running a Powerloom unit. Presently he is undertaking job work of weaving low value synthetics fabrics. As far as technical qualification concerned, the promoter has under gone Advanced Training on Rapier Loom at PSC-Malegaon.

Since the promoter possess creative nature and always tried to adopt new / Modernised techniques, he came forward to replace his old plain looms with rapier looms. Initially he made an extensive techno economic and market survey of the product and decided to go for the proposed Upgradation.

PROJECT AT A GLANCE

<i>1. Installed Capacity</i>	<i>: 08 Looms</i>
<i>2.Type of Looms</i>	<i>: Rapier Looms</i>
<i>3.Production Capacity/Day</i>	<i>: 1727.20 Mtr</i>
<i>4.Project cost</i>	<i>: 355.15 Lakhs</i>
<i>5. Debt: Equity Ratio</i>	<i>: 1.27:1</i>
<i>6.Equity</i>	<i>: 155.15 Lakhs</i>
<i>7.Term Loan</i>	<i>: 200.00 Lakhs</i>
<i>8.Sales Realisation</i>	<i>: 381.90 Lakhs</i>
<i>9.Cost of production</i>	<i>: 245.49 Lakhs</i>
<i>10.Gross Profit</i>	<i>: 130.08 Lakhs</i>
<i>11.Net Profit</i>	<i>: 81.31 Lakhs</i>
<i>12. Break Even point</i>	<i>: 48.27%</i>

Assumption: -

1. Status of the Project : Sale in Domestic Market
2. No. of Working Days/ Annum : 350 Days.
3. No. of working hours : 24 hrs.
4. Capacity Utilisation
First year : 70%
Second Year : 80%
Third Year : 95%
5. Cost of power
- For Machine : Subsidised rate @ Rs.310/-
/HP/Month
- For Lighting : @ Rs.4/- per Kwh
- Cost of Water : @ Rs. 6/- per cubic Meter.
6. Interest on Rupee Loan : @ Rs. 7% /Annum under TUFS
Interest on Working Capital : @ Rs. 12%/Annum
7. Raw Material : Cotton dyed Yarn
- Count 40s warp yarn : Rs.180/- Per Kg.
- 40s weft Yarn : Rs. 170/- per kg.
8. Selling Price : Rs. 72/- per mtr.
9. Specification of the Product : 132 x72/ 40s x 40s
10. Repayment Schedule : 2 + 8 yrs.

Project Report

PLANNING BASIS

Loom Programme

Sr. No.	Sort	Type of Loom	Grey Width in inches	Reed Width in inches	Count		On loom		RPM	Eff %	Mts/Day loom at 100% capacity Utilisation	Total No. of Looms	Total Mtrs./day	Total Sq. metre per day	Gms/Met (Linear)		GSM	Yarn Required Kgs/Day Including waste	
					Warp	Weft	Reed	Pick per inch							(Grey)	Warp		Weft	Warp @ 2%
1	Yarn dyed shirting	Rapier 190 cms	63.00	66.15	40	40	132	72	500	85 %	215.90	8	1727.20	2767.40	141.80	70.32	132.56	249.63	126.33

ESTIMATES OF COST OF THE PROJECT

SUMMARY OF COST OF PROJECT

Description	Rupee Cost	Total Cost (Rs. In Lakhs)
Land - 5000 Sq.ft.	@ 300 /-	1.50
Site Development	-	0.50
Buildings –2000 Sq.ft	@ 400/-	08.00
Machine – 08 Looms with charges (Imported)	@ 24,000,00/-	221.87
MFA	-	01.75
Preliminary and pre operative expenses	-	65.75
Provision for Contingency	-	20.78
Margin Money for working capital	-	20.00
	-	15.00
Total	-	355.15

Plant And Machinery:

Weaving

Sr. No	Description	Unit Price Foreign Currency	No.of Units	Total Price in Lakhs in F.C	Total Price in Indian Rs.in Lakhs
1.	Rapier Loom Euro	50,000/-	8	4,00,000/-	192.00
	Total imported FOB				192.00
	CIF Mumbai @ 3%				5.76
	Total Imported CIF				197.76
	Import duty @ 9.20%				18.12
	Total Landed Cost				215.88
	Erection Charges @ 2.00%				3.84
	Local Transport @ 1.00%				2.15
	Total				221.87

MFA- Indigenous

DESCRIPTION	TOTAL Rs. Lakhs
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Humidification including accessories.	12.00
Electrical Installation	25.00
D.G set (200 KVA)	12.00
Water supply & drainage	00.50
Fire Fighting equip.	0.50
Air Compressor	0.50
Weighing Equipment	0.25
Workshop equipment	0.10
Material Handling and storage	1.50
Office equipment & furniture	0.50
Computers	0.30
Vehicles	0.50
Total	53.65

Preliminary and Pre-operative expenses: -

Sr.No	Description	Rs in Lakhs
	Company formation expenses	1.00
	Establishment and project	2.00
	Rent Rate and Taxes	0.25
	Postages & Stationery	0.25
	Travelling expenses	2.00
	Interest during construction on rupee loan @9%	2.00
	Up front fees for total Term Loan @ 1.05%	2.77
	L/C charges for imported m/c @ 1%	2.00
	Insurance	1.21
	Market Development Expenses	1.00
	Start up Expenses 2 raw material for one week	3.32
	Consultancy fees	2.00
	Other expenses for electrical & Water	1.00
	Total	20.80

Operating Cost Details: -

Counts	Yarn Required	Rate/Kg	Total	Cost/Annum
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	Kgs/Day	Rs./Kg	Rs./Day	Rs.in Lakhs
Warp 40'S Dyed Yarn	250	180.00	45000.00	157.50
Weft 40'S Dyed Yarn	126	170.00	21470.00	74.97
Total	376		66420.00	232.47
First Year 70% U%				162.73
Second Year 80% U%				186.00
Third Year 95% U%				220.85

**Cost Of Sizing: -
(On Job work)**

Yarn Type	Kgs/day to be sized	Rate of Job Work Rs./kg	Total Rs./Day	Total Rs. In Lakhs per Annum
40'S Dyed Yarn	250	8.00	2000	7.00
Total	250			7.00
First Year 70% U%				4.90
Second Year 80% U%				5.00
Third Year 95% U%				6.65

Cost of Consumables Stores and Spares

Weaving (Stores & Spares)	Rs./day	Rs. Lakhs/ Annum
Weaving Section @ Rs. 60/machine Shift	1440	5.04
Total		5.04
First Year 70% U%		3.53
Second Year 80% U%		4.03
Third Year 95% U%		4.79

Cost of packing

Sort	Meters per Day	Cost of Packing Rs/Meter	Total Rs/Day	Total Rs./Lakhs per Annum
Yarn Dyed Shirting	1,727.20	0.15	259.00	0.90
Total				0.90
First Year 70% U%				0.63
Second Year 80% U%				0.72
Third Year 95% U%				0.85

Power Requirement / Cost

S. N.	Items	No. of Machines	KW. Installed	Total KW	Actual M/c to be Worked	Working Hours	KW x Hrs.
1	Weaving Rapiet Loom	8	8	64.0	8	24	1536.0
	Inspection Machine	1	1	1.0	1	12	12.0
	Remnant Winder	1	1	1.0	1	12	12.0
	Sub Total: 1			66.0			1560.0 0
2	Humidification Plant	1	28.8	28.8	1	24	691.2
	Water pumps		3.0	3.0	1	4	12.0
	Miscellaneous		1.0	1.0	1	8	8.0
	Sub Total: 2			32.8			711.2
	Sub Total: 3 (1+2)			98.8			1247.2
3	Lighting		4	4.0		24	96.0
	Grand Total			102.8			2367

Power Cost Details

Machinery:

Total Connected Load = 98.8 KW
= 132.0 HP
Maximum Demand = 90.0 KW
KW Hours @ 100% Utilisation = 1247.2

Subsidised Rate @ Rs. 310/ HP per month

Total Power Cost /Annum = $310 \times 132 \times 12$
= Rs. 4.91 Lakhs

Lighting:

Total Connected Load = 4.0 KW
KW Hours @ 100% Utilisation = 96.0

Cost of power Rs./ KWH = 4.00
Total Power Cost /Annum = $4.00 \times 96.0 \times 350$
= Rs. 1.34 Lakhs

Grand Total of Power Cost / Annum = $4.91 + 1.34 = \underline{\text{Rs. 6.25 Lakhs}}$

Water Requirement/ Cost

Description	Cu. Mtr./Day
Human Consumption	5
Humidification	16
Total Requirement / Day	21
Cost of water per Annum	0.44
First Year 70% U%	0.31
Second Year 80% U%	0.35
Third Year 95% U%	0.42

Labour Compliment and Wages:

Sr.No	Department	Shift		Salary	Total per Month
		I	II		
1	Weaver	1	1	3500.00/-	7000.00/-
2	Helper	1	1	2100.00/-	4200.00/-
3	Maintt	1	-	4000.00/-	4000.00/-
4	Cone winding & access.	1	-	2500.00/-	2500.00/-
5	Cloth Inspection	1	-	3000.00/-	3000.00/-
6	Watchman/Sweeper	1	1	2500.00/-	5000.00/-
7	Manager/Clerk	1	-	5000.00/-	5000.00/-
	Total				30700.00/-

Total salary/ Annum-Rs.30700.00 x 12 = Rs.368400.00/-

Summary of salaries:

Description	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th
Wages/Annum	3.68	3.86	4.05	4.25	4.46	4.68	4.91	5.15	5.40	5.67
Fringe Benefit @ 30% of wages	1.104	1.158	1.215	1.275	1.338	1.40	1.473	1.545	1.62	1.70
Total	4.78	5.01	5.26	5.52	5.79	6.08	6.38	6.69	7.02	7.37

Sales Realisation: Domestic Market

Fabric Type	Production Per Day Mtrs.	Sale Rate Rs./Mtr.	Value loss @ 5%	Net Sale Rs./Mtr.	Rs./Day	Rs. Lakhs/Annum
Yarn Dyed Shirting 132x72 40 x 40	1727.20	72.00	3.50	68.50	11831.32	414.09
Total	1727.20					414.09
First year 70% U%						289.86
Second Year 80% U%						331.27
Third Year 95% U%						393.38

Financial Projection: -**Estimates Of Cost of Production-**

Operating Years	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th
Installed capacity (LOOMS)	8	8	8	8	8	8	8	8	8	8
Capacity U%	70%	80%	95%	95%	95%	95%	95%	95%	95%	95%
Estimated Production (Grey)	1422.40	1625.60	1930.40	1930.40	1930.40	1930.40	1930.40	1930.40	1930.40	1930.40
A. Raw Material (Yarn)	162.73	186.00	220.85	220.85	220.85	220.85	220.85	220.85	220.85	220.85
Sizing	4.90	5.00	6.65	6.65	6.65	6.65	6.65	6.65	6.65	6.65
Consumable Stores & spares	3.53	4.03	4.79	4.79	4.79	4.79	4.79	4.79	4.79	4.79
Packing Materials	0.63	0.72	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85
Total – A	171.79	195.75	233.14	233.14	233.14	233.14	233.14	233.14	233.14	233.14
B. Utilities										
Power	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25
Water	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31
C. Wages & Salaries Labour wages	4.67	4.67	4.67	4.67	4.67	4.67	4.67	4.67	4.67	4.67
D. Factory overheads 10%	0.35	0.39	0.42	0.47	0.51	0.56	0.62	0.68	0.75	0.83
Miscellaneous	0.50	0.60	0.70	0.80	0.90	1.00	1.10	1.20	1.30	1.40
Total A+B+C+D=	182.87	207.97	245.49	245.64	245.78	245.93	246.13	246.29	246.46	246.64

Estimates of Working Results:

Operating Years	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th
Cost of Production	182.87	207.97	245.49	245.64	245.78	245.93	246.13	246.29	246.46	246.64
Admn. Expenses	0.25	0.30	0.40	0.50	0.60	0.70	0.80	0.90	1.00	1.10
Selling Expenses & Comm.	2.07	3.42	3.99	3.99	4.00	4.00	4.01	4.02	4.03	4.04
Cost of Goods Sold	185.19	211.42	249.61	249.86	250.11	250.36	250.67	250.94	251.22	251.51
Domestic sales	289.86	331.27	393.38	393.38	393.38	393.38	393.38	393.38	393.38	393.38
Gross operating profit	104.67	119.85	143.77	143.52	143.27	143.02	143.02	142.44	142.16	141.87
Interest on bank loan @ 7%	14.00	14.00	12.25	10.50	08.75	7.00	5.25	3.50	1.75	-
Interest on Working capital @ 12%	1.80	1.62	1.44	1.26	1.08	0.90	0.72	0.54	0.36	0.18
Profit before depreciation	88.87	104.23	130.08	131.76	133.44	135.12	137.05	138.40	140.05	141.69
Depreciation (SLM)	35.54	35.54	35.54	35.54	35.54	35.54	35.54	35.54	35.54	35.54
PBT	53.33	68.69	94.54	96.22	97.90	99.58	101.51	102.86	104.51	106.15
Corporate Tax	7.466	9.61	13.23	13.47	13.70	13.94	14.21	14.40	14.63	14.86
PAT	45.864	59.08	81.31	82.75	84.20	85.64	87.30	88.46	89.88	91.29

Calculation for depreciation (SLM)

Factory Building	Plant & Mach.	Other Misc.	Total
0.3885	24.59	10.56	35.53

Means Of Finance

Equity-----Rs. 155.15/- (Lakhs)

Term Loan---Rs. 200.00/- (Lakhs)

Total-----Rs. 355.15/- (Lakhs)

Repayment Schedule For Principal Amount: @ 7.00% per Annum

Year	Opening Balance	Instalment	Balance	Interest	Total Amount Pay (Rs./Lakhs)
1 ST	200.00	-	200.00	14.00	14.00
2 ND	200.00	-	200.00	14.00	14.00
3 RD	200.00	25.00	175.00	12.25	37.25
4 TH	175.00	25.00	150.00	10.50	35.50
5 Th	150.00	25.00	125.00	8.75	33.75
6 Th	125.00	25.00	100.00	7.00	32.00
7 Th	100.00	25.00	75.00	5.25	30.25
8 TH	75.00	25.00	50.00	3.50	28.50
9 th	50.00	25.00	25.00	1.75	26.75
10 TH	25.00	25.00	-	-	25.00

Repayment Schedule For Working Capital: @ 12% per Annum

Year	Opening Balance	Instalment	Balance	Total Amount Intr.Pay (Rs./Lakhs)
1 st	15.00	1.5	13.5	1.80
2 nd	13.50	1.5	12.0	1.62
3 rd	12.0	1.5	10.5	1.44
4 th	10.5	1.5	9.0	1.26
5 th	9.0	1.5	7.5	1.08
6 th	7.5	1.5	6.0	0.90
7 th	6.0	1.5	4.5	0.72
8 th	4.5	1.5	3.0	0.54
9 th	3.0	1.5	1.5	0.36
10 th	1.5	1.5	-	0.18

Break-even point

		Rs. In Lakhs
A	Sales (net)	393.38
B	Variable Cost	
	- Raw material	220.85
	- Sizing (Job work)	6.65
	- Consumable	4.79
	- Packing	0.85
	- Utilities	6.56
	- Interest on working Capital	1.68
	- Selling Expenditure & Commission	3.99
	Total - B	245.37
C	Contribution (A-B)	148.01
D	Fixed Cost	
	- Wages and salaries	4.67
	- Factory Overheads	0.42
	- Interest on Term loan & Instalment	37.25
	- Depreciation	35.54
	Total	75.22

$$\begin{aligned} \text{Break Even Point: for (3rd year)} &= \frac{75.22 \times 95}{148.01} \\ &= 48.27\% \end{aligned}$$