PROJECT PROFILE

ON

AGARBATHIS

Month & Year
July 2010

PREPARED BY

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AGARBATHIS

INTRODUCTION

Agarbathis (incense sticks) form part and parcel of the traditional Hindu practice of offering prayers in temples and other places of worship. In modern days, perfumed sticks are also used in houses and in other public places as air-fresheners and/or mosquito repellents. The demand for agarbathi is increasing both in the domestic and export markets because of the improvement in quality and increase in the types of products. India is the largest producer of agarbathis in the world.

The population in India is always growing at the rate of 1% per annum. The people belong to different communities and religions. Agarbathis are being consumed for worshipping God. The word agarbathi reminds an Indian about a temple, a shrine with sacred perfume and holy atmosphere of the place of worship. They are used while opening commercial establishments in foreign countries also where Agarbathi is used abundantly.

The agarbathi manufacturing can be started in cottage scale with low investment. Experienced artisan can make about 400 to 500 agarbathis per day. The industry is mainly concentrated in Bangalore and Mysore areas. This can be started profitably in other areas also.

USES AND APPLICATION

Agarbathi is used by people of all religions in our country for performing religious rites and ceremonies as well as for auspicious occasions**.**

MARKET

The demand for the agarbathi, a consumable item, is growing well and in a country like India with private consumption expenditure growing up he demand for this

consumable item is also going up. Agarbathi is a source of incense for which the raw materials are available abundantly in our country. The agarbathis are being exported also.

INSTALLED CAPACITY

The installed capacity proposed is 40 Kgs of Agarbathis per day on single shift basis. Based on this the annual capacity works out to 12000 kgs per annum working 300 days.

PLANT AND MACHINERY

The following items of plant and machinery are required for the project.

	Qty	Rs
Weighing balance-10 kgs capacity	1	35000.00
Wooden Planks for rolling	30	3000.00
Manual mixer	1	3000.00
Trays	10	2000.00
Racks	5	2000.00
TOTAL		**45000.00**

MANUFACTURING PROCESS

The manufacturing is given below

There are two types of Agarbathis 1.Dipped Varieties and 2.Masala Varieties

Flow chart-Dipped variety

Mixing of Charcoal powder, White chips powder, Wood powder, Giggit powder etc with water to semi solid state

II

Paste is applied to sticks

II

Rolling by hand on wooden planks

II

Dipping of the raw sticks in suitable perfumery compounds

II

Drying in open

II

Packing in small cartons

Flow Chart-Masala Variety

Mixing of Charcoal powder, White chips powder, Wood powder, Giggit powder etc along with desired perfumery compounds like aromatic chemicals, essential oils, Musk, to semisolid state adding with water

II

Mixed compound is applied to Bamboo sticks

II

Rolling by hand on wooden planks

II

Drying in open

II

Wrapping in plastic or Cellophane paper

II

Packing in printed cartons

RAW MATERIALS

The raw material required for the production at full capacity is given below

For Quantity KGS	**12000**		
	Qty	**Rate**	**Value**
White chips powder	3440	13	44720
Giggit powder	1720	60	103200
Charcoal Powder	1720	12	20640

Sandal powder	1720	150	258000
Essential oil			120000
Musk			50000
Bamboo sticks	3440		116960
TOTAL for 6000 Kgs			713520
TOTAL for 12000 Kgs Rs. lakhs			**7.14**
Raw material cost per KG			59.46
Packing material cost			1.50

LOCATION LAND AND BUILDING

The infrastructural facilities required for the project by way of land and building is the following.

Built up area-Sq. ft	200
Rent p.m.-Rs	2000
Advance-10 months. Rs	20000

UTILITIES

The utilities required for the project are the following

POWER: Single Phase Power charges Rs. 0.48 lakh per annum

WATER: For process-Litres per day 1000 for human consumption 200

TRANSPORT: Hiring vehicles

MANPOWER:

The manpower requirement for the project is given below

Particulars	Nos	P. M	P.A
Skilled	5	5000	25000
Packing	2	4000	8000

Salesman	1	6000	6000
Accountant	1	5000	5000
			44000
Add 20%			8800
Total			**52800**
			Rs.6.34 lakhs

COST OF PRODUCTION AND PROFITABILTY

Assumptions

Installed capacity	12000 kgs of Agarbathis per annum
Capacity utilisation	Year-1 -60% Year -2 -70% Year-3 onwards- 80%
Selling price	Rs.210.00 per kg
Raw materials	Rs.59.46 per kg.
Packing materials	Rs.1.50 per Kg
Power	Rs.0.48 lakh per annum at 100%
Wages and salaries	Rs. 6.34 lakhs as per the break up given above with increase of 5% every year.
Repairs and Maintenance	Rs.0.06 lakh per annum Rs. 500 pm with annual increase of 10%.
Depreciation	Written down value method -15 % on machinery
Selling general and administrative expenses	Rs.10000 per month increase 5% on every year
Interest on Term loan	12% per annum
Interest on working capital	12 % per annum
Income tax	33.22 % on profits

MACHINERY SUPPLIERS

Local Plastics Dealers/Carpenters wooden planks

RAW MATERIAL SUPPLIERS

1. Raj Chemicals, New No170 old no 160, Govindappa Naicken Street, Chennai 600003

2. Thula Trading Co, 122 Nyaniyappa Naicken Street, Chennai 600 003

3. S.S Mehta & co, 82 Govindappa Naicken Street, Chennai 600 003

FINANCIAL ASPECTS

1. COST OF PROJECT

	[Rs.lakhs]
Land & Building (Advance)	0.20
Plant & Machinery	0.45
Other Misc. assets	0.10
Pre-Operative expenses	0.10
Margin for WC	0.10
	0.95

2. MEANS OF FINANCE

Capital	0.61
Term Loan	0.34
	0.95

3. COST OF PRODUCTION & PROFITABILITY STATEMENT

			[Rs.lakhs]	
Years	1	2	3	4
Installed Capacity (Kg.)	12000	12000	12000	12000
Utilisation	60%	70%	80%	80%
Production/Sales (Kg.)	7200	8400	9600	9600
Selling Price	Rs.210.00	per kg.		
Sales Value (Rs.lakhs)	**15.12**	**17.64**	**20.16**	**20.16**
Raw Materials	4.28	4.99	5.71	5.71
Packing Materials	0.90	1.05	1.20	1.20
Power	0.29	0.34	0.38	0.38
Wages & Salaries	6.34	6.65	6.99	7.33
Repairs & Maintenance	0.06	0.07	0.08	0.09
Depreciation	0.07	0.06	0.05	0.04

Cost of Production	11.93	13.16	14.41	14.76
Selling, Admin, & General exp	1.20	1.26	1.32	1.39
Interest on Term Loan	0.04	0.04	0.03	0.03
Interest on Working Capital	0.02	0.02	0.02	0.02
Total	13.19	14.48	15.78	16.20
Profit Before Tax	1.93	3.16	4.38	3.96
Provision for tax	0.64	1.05	1.46	1.32
Profit After Tax	**1.29**	**2.11**	**2.93**	**2.65**
Add: Depreciation	0.07	0.06	0.05	0.04
Cash Accruals	1.35	2.17	2.98	2.69
Repayment of loan	0.00	0.08	0.08	0.08

4. WORKING CAPITAL:

	Months Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	0.50	0.18	25%	0.05	0.13
Expenses	1.00	0.05	100%	0.05	0.00
		0.23		0.10	0.13

6. PROFITABILITY RATIOS BASED ON 80% UTILISATION

Profit after Tax / Sales	=	2.93 / 20.16	15%
Profit before Interest and Tax / Total Investment	=	4.43 / 1.08	411%
Profit after Tax / Promoters Capital	=	2.93 / 0.61	478%

7. BREAK EVEN LEVEL

Fixed Cost (FC):

	[Rs.lakhs]
Wages & Salaries	6.99
Repairs & Maintenance	0.08
Depreciation	0.05
Admin. & General expenses	1.32
Interest on TL	0.03
	8.46

Profit Before Tax (P) 4.38

$$\text{BEL} = \frac{FC \times 100}{FC + P} = \frac{8.46}{12.85} \times \frac{80}{100} \times 100$$

53% of installed capacity