PROJECT PROFILE

ON

ARTIFICIAL FLOWERS

Month & Year
July 2010

PREPARED BY

TANSTIA-FNF SERVICE CENTRE
B-22, INDUSTRIAL ESTATE
CHENNAI-600032

Supported by

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ARTIFICIAL FLOWERS

INTRODUCTION

Decorating with flowers in houses, offices, hotels, restaurants etc is very common now a day. Fresh flowers and dried flowers are not long lasting and they have to be replaced at a cost every time you change whereas artificial flowers resembling natural flowers in every respect are long lasting and can be washed frequently. It is very convenient to use artificial flower, in Kalyana mandapams, meeting places where the quantity required is high and can be stored for future use.

PRODUCT USES

Artificial flowers are used for decorating table tops, and reception halls and rooms in houses, and hotels. They are used in marriage hall and at public meeting places.

MARKET POTENTIAL

Artificial flowers do not get damaged and spoiled like fresh flowers and dried flowers. With good promotional campaign the artificial flowers can be marketed in huge quantities.

TECHNICAL ASPECTS

INSTALLED CAPACITY

The installed capacity is 3600 kgs of artificial flower per annum. This is equivalent to about 5000 packets (1000 flowers each).

PLANT AND MACHINERY

Sl. No	Machinery Description	Nos	Rate	Value
1.	Hand injection moulding M/c. (1.Oz cap.)	2	19500	39000
2.	Hand injection moulding M/c. (½	2	13000	26000

	Oz cap.)			
3.	Moulding dies			34500
4.	Work Tables	4	4000	16000
5.	Misc Tools, jigs & Fixtures			3450
6.	Heat Sealing Machine	1		3450
	TOTAL			**122400**

MANUFACTURING PROCESS

These are manufactured by injection moulding process. Multi cavity dies are used for the production of the petals. Granules of HDPE, LDPE in different colours are used in making the petals. The granules of different colours are melted and the melted material is injected into the mould cavity through a nozzle. After the moulds are cooled, the petal leaves are removed from the die. Then using M. S. Wire the petals are gradually arranged to get a desired flower shape. Various designs can be made from plastic sheets and pipes by cutting, pasting and assembling.

RAW MATERIALS

Materials	Rate / Kg	Requirement	Rs. lakhs
HDPE/LDPE (Virgin)	83	3000	2.49
Acrylic Sheets/pipe	176	600	1.06
Wire Adhesive			0.10
	TOTAL		**3.65**

LAND & BUILDING

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

Built up area-Sq. ft	500
Rent p.m.-Rs	5000

Advance-10 months. Rs	50000

UTILITIES

POWER: A power load of 7.5 KW is sufficient for the operation of the M/cs.

Water: Water is required for human consumption only.

Man Power:

Category	Nos.	Monthly Salary	Total monthly Salary
Supervisor	1	8000	8000
Skilled workers	4	6000	24000
Unskilled workers	3	4000	12000
Clerk	1	5000	5000
			49000
Add : Benefits	20%		9800
Total			58800
Total Salary per annum (Rs. lakhs)			Rs.7.06

COST OF PRODUCTION & PROFITABILITY

Installed capacity	3600 kgs (5000 packets of 1000 flowers each) on single shift basis
Capacity utilisation	Year-1 -60% Year -2 -70% Year-3 onwards- 80%
Selling price	Rs.410.00 per Packet
Raw materials	Rs. 3.65 lakhs per annum at 100% utilisation.
Packing materials	Rs. 10.00 per packet.
Power	Rs.0.95 lakh per annum at 100%

Wages and salaries	Rs. 7.06 lakhs for the first year and it will be increasing by 5% by every year.
Repairs and Maintenance	Rs.0.12 lakh per annum Rs. 1000 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

LIST OF MACHINERY SUPPLIERS

1. Injection Moulding M/c., M/s. Sarvodaya Plastics Products, 46, Perumal koil Street, Chennai 600 079
2. M/s .Shiv Machine Tools, 67 Armenian street, Chennai 600 001

LIST OF RAW MATERIAL SUPPLIERS

1. Sankar Mercantile agency, 43, Vyasarpadi Industrial Estate, Chennai - 39.

FINANCIAL ASPECTS

1. COST OF PROJECT

	[Rs.lakhs]
Building (Advance)	0.50
Plant & Machinery	1.22
Other Misc. assets	0.10
Pre-Operative expenses	0.20
Margin for WC	0.30
	2.32

2. MEANS OF FINANCE

Capital	1.60
Term Loan	0.72
	2.32

3. COST OF PRODUCTION & PROFITABILITY STATEMENTS

Years	1	2	3
Installed Capacity (Kg.)	3600	3600	3600
No. of Packets	5000	5000	5000
Utilisation	60%	70%	80%
Production/Sales (No. packets)	3000	3500	4000
Selling Price	Rs.410.00	per packet	
Sales Value (Rs.lakhs)	**12.30**	**14.35**	**16.40**
Raw Materials	2.19	2.56	2.92
Packing Materials	0.30	0.35	0.40
Power	0.57	0.67	0.76
Wages & Salaries	7.06	7.41	7.78
Repairs & Maintenance	0.12	0.13	0.14
Depreciation	0.18	0.16	0.13
Cost of Production	10.42	11.28	12.13
Selling, Admin, & General expenses	1.20	1.26	1.32
Interest on Term Loan	0.09	0.08	0.05
Interest on Working Capital	0.00	0.00	0.00
Total	11.71	12.62	13.50
Profit Before Tax	0.59	1.73	2.90

Provision for tax	0.00	0.57	0.96
Profit After Tax	**0.59**	**1.16**	**1.94**
Add: Depreciation	0.18	0.16	0.13
Cash Accruals	0.77	1.32	2.07

4. WORKING CAPITAL:

	Months Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	1.00	0.18	100%	0.18	0.00
Expenses	1.00	0.12	100%	0.12	0.00
		0.30		0.30	0.00

6. PROFITABILITY RATIOS BASED ON 80% UTILISATION

$$\frac{\text{Profit after Tax}}{\text{Sales}} = \frac{1.94}{16.40} \quad 12\%$$

$$\frac{\text{Profit before Interest and Tax}}{\text{Total Investment}} = \frac{2.95}{2.32} \quad 127\%$$

$$\frac{\text{Profit after Tax}}{\text{Promoters Capital}} = \frac{1.94}{1.60} \quad 121\%$$

7. BREAK EVEN LEVEL

Fixed Cost (FC):

	[Rs.lakhs]
Wages & Salaries	7.78
Repairs & Maintenance	0.14
Depreciation	0.13
Admin. & General expenses	1.32
Interest on TL	0.05
	9.42

Profit Before Tax (P) 2.90

$$\text{BEL} = \frac{\text{FC} \times 100}{\text{FC} + \text{P}} = \frac{9.42}{12.32} \times \frac{80}{100} \times 100$$

61% of installed capacity