

PROJECT PROFILE

ON

SHG - OTHER INDUSTRIES

BABY BEDS

Month & Year
December 2008

**PREPARED BY
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Supported by

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STIFTUNG **FÜR DIE FREIHEIT**

BABY BEDS

INTRODUCTION

The Baby beds are used by new born babies in towns and cities. They are specially made of fine fabrics, stuffed with soft foam and they are available in different shades and with varied stuffing materials. The affluent sector of the population buys the baby beds which are available in different colours and materials. The babies when they are grown up are provided special treatment and the bed is an essential requirement of daily use by babies till they are grown up.

MARKET

India's population exceeds 1 billion people, with a large number living in small rural villages. The country is made up of many cultures, with separate and distinct belief systems and ways of life. Many Indian people are extremely poor; however, there is a growing middle class, with numbers varying between 150 million and 400 million. The population of India, growing by 20 million annually, about 1.7 % per annum, is also becoming increasingly urban. The affluent population buys the baby beds and other baby care products without any reservations. Therefore there is growing market.

INSTALLED CAPACITY

The proposed installed capacity of the unit is 100 Nos of Bay beds per day of single shift. At this rate, the annual production will be 30000 beds .

PLANT AND MACHINERY

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

	Qty	Rs
Lock stitch sewing machine-foot operated	10	30000.00
Tape , Scissors etc	10	2000.00
Furniture, Cutting tables etc		6000.00
TOTAL		38000.00

MANUFACTURING PROCESS

The manufacturing process is given below

Purchase of cotton and other fabrics

II

Cutting of fabrics according to sizes

II

Stitching with stitching machines

II

Stuffing foam material and other stuffing materials in the bed

II

Closing, Finishing

II

Packing

RAW MATERIALS

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

For Quantity Nos	30000		
	Qty	Rate- Rs	Value
Cotton & other fabrics -mtrs	60000	50.00	3000000
Thread, lining material-nos	60000	10.00	600000

Stuffing materials-kg	30000	20.00	600000
Total			4200000
TOTAL for 30000		Rs. lakhs	42.00
Raw material cost per piece			140.00
Packing material cost per annum		Rs. lakhs	0.90

LOCATION LAND AND 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	1000
Advance-10 months.Rs	10000

UTILITIES

The utilities required for the project are the following

Single Phase

Power charges Rs.lakhs p.a	0.24
Water only for human consumption-ltr/day	200

MANPOWER

The manpower requirement for the project is given below

		Monthly	Total
		wages	
Master/Supervisor	1	3000.00	3000.00
Tailors	10	2000.00	20000.00
Helpers	3	1500.00	4500.00
Salesman	1	2000.00	2000.00

sub total		29500.00
Add benefits	20%	5900.00
Total per month		35400.00
TOTAL PER ANNUM-Rs. lakhs		4.25

COST OF PROJECT AND MEANS OF FINANCE

The cost of project and Means of Finance is estimated as given below

1. COST OF PROJECT

	[Rs.lakhs]
Land & Building (Advance)	0.10
Plant & Machinery	0.38
Other Misc. assets	0.03
Pre-Operative expenses	0.05
Margin for WC	0.31
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	0.87
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2. MEANS OF FINANCE

Capital	0.58
Term Loan	0.29
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	0.87
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-The term loan proposed is 75% of the Plant and machinery value.

- The promoters will bring in the required capital contribution to the project.

COST OF PRODUCTION AND PROFITABILITY

A cost and profitability statement projected for the first 5 years of operations is given in Annexure. The profitability is based on the following assumptions.

Assumptions

Installed capacity	30000 Baby beds per annum
Capacity utilisation	Year-1 -60% Year -2 -70% Year-3 onwards- 80%
Selling price	Rs.180.00 per piece
Raw materials	As per the details given above
Packing materials	As per details given above
Power	Rs.0.24 lakh per annum at 100%
Wages and salaries	Rs. 4.25 lakhs with increase 5% every year.
Repairs and Maintenance	Rs.0.12 lakh per annum
Depreciation	Written down value method -15 % on machinery
Selling general and administrative expenses	Rs.5000 per month
Interest on Term loan	10% per annum
Interest on working capital	10 % per annum
Income tax	33.66 % on profits

ASSESSMENT OF WORKING CAPITAL

The following levels are projected for working capital

	Months Consumption	Values	%	Margin Amount	Bank Finance
Raw Materials	0.50	1.05	25%	0.26	0.79
Expenses	1.00	0.05	100%	0.05	0.00
		1.10		0.31	0.79

A bank finance of Rs 0.79 lakh is required by the unit for meeting the working capital

PROFITABILITY RATIOS

The project ensures good profits on investment and sales turnover.

DEBT SERVICE COVERAGE RATIO

The debt service coverage ratio of this concern is very high as the Term loan component is too low and the returns are high in this project.

BREAK EVEN LEVEL

The break even level of the unit is 49% of the installed capacity.

MACHINERY SUPPLIERS

1. Singer India Ltd
17-A Muthialu Street
Mount Road
Saidapet
Chennai 600 015
2. Sagar Overseas Pvt Ltd
632, Anna Salai
Chennai 600 006

3. Pappu Sewing Machine Centre
221, Broadway, Chennai 600 108

RAW MATERIAL SUPPLIERS

Cotton Fabric and other fabrics suppliers

Located in

Chennai- Godown street

Chennai 600 003

And Garment accessories, lining, foam material suppliers located in
Devaraja Mudali Street, Chennai 600 003

FINANCIAL ASPECTS

1. COST OF PROJECT

	[Rs.lakhs]
Land & Building (Advance)	0.10
Plant & Machinery	0.38
Other Misc. assets	0.03
Pre-Operative expenses	0.05
Margin for WC	0.31
	<u>0.87</u>

2. MEANS OF FINANCE

Capital	0.58
Term Loan	0.29
	<u>0.87</u>

3. COST OF PRODUCTION & PROFITABILITY STATEMENT

	[Rs.lakhs]				
Years	1	2	3	4	5
Installed Capacity Nos	30000	30000	30000	30000	30000
Utilisation	60%	70%	80%	80%	80%
Production/Sales Nos	18000	21000	24000	24000	24000
Selling Price	Rs.180.00 per piece				

Sales Value (Rs.lakhs)	32.40	37.80	43.20	43.20	43.20
Raw Materials	25.20	29.40	33.60	33.60	33.60
Packing Materials	0.54	0.63	0.72	0.72	0.72
Power	0.14	0.17	0.19	0.19	0.19
Wages & Salaries	4.25	4.33	4.42	4.51	4.60
Repairs & Maintenance	0.12	0.13	0.14	0.15	0.17
Depreciation	0.10	0.07	0.05	0.04	0.03
Cost of Production	30.35	34.73	39.13	39.21	39.31
Selling, Admin, & General exp	0.60	0.63	0.66	0.69	0.72
Interest on Term Loan	0.03	0.03	0.02	0.02	0.02
Interest on Working Capital	0.08	0.08	0.08	0.08	0.08
Total	31.06	35.47	39.89	40.00	40.13
Profit Before Tax	1.34	2.33	3.31	3.20	3.07
Provision for tax	0.45	0.78	1.12	1.08	1.03
Profit After Tax	0.89	1.55	2.19	2.12	2.04
Add:	0.10	0.07	0.05	0.04	0.03
Depreciation					
Cash Accruals	0.99	1.62	2.25	2.16	2.07
Repayment of Term Loan	0.00	0.07	0.07	0.07	0.08

4. WORKING CAPITAL:

	Months Consumptions	Values	%	Margin Amount	Bank Finance
Raw Materials	0.50	1.05	25%	0.26	0.79
Expenses	1.00	0.05	100%	0.05	0.00
		1.10		0.31	0.79

6. PROFITABILITY RATIOS BASED ON 80% UTILISATION

$$\frac{\text{Profit after Tax}}{\text{Sales}} = \frac{2.19}{43.20} \quad 5\%$$

$$\frac{\text{Profit before Interest and Tax}}{\text{Total Investment}} = \frac{3.41}{1.66} \quad 206\%$$

$$\frac{\text{Profit after Tax}}{\text{Promoters Capital}} = \frac{2.19}{0.58} \quad 378\%$$

7. BREAK EVEN LEVEL

Fixed Cost (FC):

	[Rs.lakhs]
Wages & Salaries	4.42
Repairs & Maintenance	0.14
Depreciation	0.05
Admin. & General expenses	0.66
Interest on TL	0.02
	5.29

Profit Before Tax (P) 3.31

$$\text{BEL} = \frac{\text{FC} \times 100}{\text{FC} + \text{P}} = \frac{5.29}{8.61} \times \frac{80}{100} \times 100$$

49% of installed capacity