

# SOFT TOYS



## 1.0 INTRODUCTION

Soft Toys making activity is one of the simple, less investment oriented and most of the units are run by women only. Soft Toys are made of fur or plush fabrics. They are made in various designs, sizes and more popular in the shape of animals. Several patterns like Teddy Bear, Mouse, Pigs, Dog, Cat, Chicken, Monkey, Elephant and various other animals and birds are common among soft toys. The one which is liked mostly by the children is Teddy Bear. They resemble living creatures. The main features of soft toys are that they can be washed or surface cleaned in cool or luke warm water with mild soap and liquid detergents.

This project profile is for setting up of a Soft Toys making unit with installed capacity of making 18000 Toys per annum, based on 300 working days per annum and 8 working hours per day.

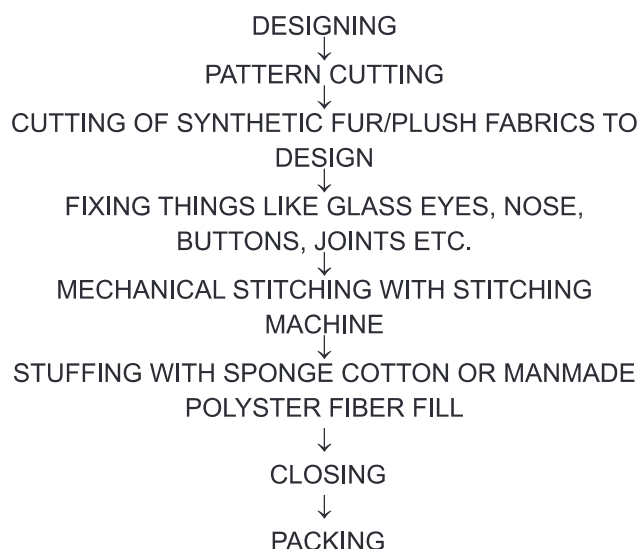
## 2.0 MARKET POTENTIAL

There is good domestic market for soft toys In India. The demand of soft toys is also increasing day by day due to several reasons. The most common soft toys available in the market are Teddy Bear, Joker, Various animals etc. Some special type soft toys are also available in the market. The Indian soft toys rates starts from Rs 30 to 2000 depends on fur cloth quality .Some of the Indian companies also exporting soft toys to abroad.

## 3.0 PROCESS DETAILS

The manufacturing of soft toys is best suitable to ladies, because the activity can be started with less capital investment. The process step involve are cutting, stitching and knitting etc. In the process of soft toy making, the cloth is cut according to the design of the toy which is to be prepared and then sponge is filled into from the other side. Later on, accessories like buttons, ribbon and eyes are tucked to it to complete the process.

The following chart shows the manufacturing process of Soft Toys.



## 4.0. COST OF THE PROJECT

The estimated project cost is given below:

Particulars	(Rs. in lacs)
	Amount (Rs)
Land & Site Development	Rented
Building & Civil works	Rented
Plant & Machinery	1.71
Misc. Fixed assets	0.39

<b>Preliminary &amp; pre-operative expenses</b>	<b>0.27</b>
<b>Contingencies &amp; escalation @ 3%</b>	<b>0.06</b>
<b>Working capital</b>	<b>0.67</b>
<b>TOTAL</b>	<b>3.10</b>

**4.1 Land & Site Development:** Nil. Covered Area: 1,000 Square Feet

**4.2 Building & Civil Works:** Nil.

**4.3 Plant & Machinery:** Details of plant & machinery are given below.

Particulars	Qty	Rate (Rs)	Amount (Rs)
Sewing Machine	5	12000	60000
Miscellaneous Tools & Equipment	LS	--	50000
<b>Sub total</b>			<b>110000</b>
Add: Installation, transportation etc @ 10%			11000
<b>TOTAL</b>			<b>171000</b>
<b>Say (Rs. in lacs)</b>			<b>1.71</b>

**4.4 Misc. Fixed assets:** Details of miscellaneous fixed assets are given below.

Particulars	Qty	Rate (Rs)	Amount (Rs)
Furniture & fixtures	LS	--	25000
Miscellaneous items	LS	--	10000
<b>Sub total</b>			<b>35000</b>
Add: Installation, transportation etc @ 10%			3500
<b>TOTAL</b>			<b>38500</b>
<b>Say (Rs. in lacs)</b>			<b>0.39</b>

**4.5 Contingencies & escalation:** Contingencies & escalation has been assumed at 3% of the cost of land & site development, building & civil works, plant & machinery and miscellaneous fixed assets.

**4.6 Preliminary & pre-operative expenses:** Details of preliminary & pre-operative expenses are given below.

	(Rs. In lacs)
Particulars	Amount (Rs)
Travelling expenses	6000
Professional & other fees	10000
Interest during implementation	4190
Miscellaneous expenses	7000
<b>TOTAL</b>	<b>27190</b>
<b>Say (Rs. in lacs)</b>	<b>0.27</b>

**4.7 Working capital:** Details of working capital are given below.

		(Rs. in lacs)		
	Period (Days)	Total Current Assets		
		Year 1	Year 2	Year 3
Raw materials	30	0.35	0.41	0.47
Power & utility	30	0.00	0.01	0.01
Salary	30	0.30	0.30	0.30

Finished Goods	30	0.67	0.73	0.79
Receivables	15	0.36	0.41	0.47
<b>Total</b>		<b>1.68</b>	<b>1.86</b>	<b>2.04</b>
<b>Working capital margin in Year 1 (40%)</b>	<b>0.67</b>			

## 5.0 MEANS OF FINANCE

The means of finance for the project is estimated as below.

(Rs. in lacs)		
Particulars	Percent	Amount
<b>EQUITY</b>		
A. Equity from Promoters	40%	1.24
B. Subsidy from Central/State Govt.	-	
<b>DEBT</b>		
Term Loan from Banks/Financial Institutions	60%	1.86
<b>TOTAL</b>	<b>100%</b>	<b>3.10</b>

## 6.0 PROFITABILITY STATEMENT

(Rs. in lacs)					
Particulars	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
<b>A. INCOME</b>					
Production Capacity (Nos./annum)	18000	18000	18000	18000	18000
Capacity utilisation	60%	70%	80%	80%	80%
Production/annum at capacity utilisation	10800	12600	14400	14400	14400
Average Price of Soft Toys (Rs/Piece)	80	80	80	80	80
Total income/annum	8.64	10.08	11.52	11.52	11.52
<b>B. OPERATING EXPENSES</b>					
Raw Materials	4.30	5.02	5.74	5.74	5.74
Power & Utility	0.06	0.07	0.08	0.08	0.08
Salary	3.60	3.62	3.64	3.65	3.67
Repair & Maintenance	0.04	0.04	0.04	0.04	0.04
Other Expenses	0.10	0.12	0.14	0.14	0.14
Total Operating Expenses	8.10	8.87	9.63	9.65	9.67
Operating profit	0.54	1.21	1.89	1.87	1.85
<b>C. FINANCIAL EXPENSES</b>					
Depreciation	0.11	0.11	0.11	0.11	0.11
Interest on Term Loan	0.15	0.12	0.08	0.05	0.02
Interest on Working Capital Loan	0.08	0.09	0.10	0.10	0.10
Net Profit	0.28	0.98	1.69	1.71	1.72
Net cash accruals	0.39	1.10	1.81	1.82	1.83
Principal Repayment	0.21	0.41	0.41	0.41	0.41

**6.1 Production capacity:** Total production of **Soft Toys** at 100% capacity utilization is estimated as below.

Soft Toys	18000 Nos.
<b>Total production per annum at 100% capacity</b>	<b>18000 Nos.</b>

**6.2 Raw materials:** Total expenses on raw materials at 100% capacity utilization are estimated as below.

Products	Qty	Average Rate Per Unit (Rs.)	Amount (Rs)
Fur Cloth	7200 Meters	50	360000
Sponge/Stuffing Machine	720 Kg	121	87120
Accessories	18000 Nos.	10	180000
Packaging Material	18000 Nos.	5	90000
<b>Expenses on raw material per annum at 100% capacity (In Rs.)</b>			<b>717120</b>

**6.3 Power & Utility:** Total expenses on power & utility at 100% capacity utilization is estimated as below.

Particulars	Quantity	Power (Kw)	Total (Kw)
Plant & Machinery	--	0.00	0.00
General Lighting	10	0.10	1.00
Total power requirement/ day (Kw)			1.00
No. of hrs/day	8		
No of days/annum	300		
Annual power requirement (kwh)	2400		
Rate per unit (Rs)	3.50		
Expenses on power (Rs)	8400		
Expenses on other Utilities (Rs)	1200		
<b>Expenses on power &amp; utility at 100% capacity (Rs)</b>	<b>9600</b>		

**6.4 Salary:** Total expenses on salary in the 1<sup>st</sup> year are estimated as given below. It is assumed that salary expenses will increase @ 0.5% every subsequent year.

Particulars of Employees	Numbers	Salary/ Month (Rs)	Cost/ annum (Rs)
Manager	1	5000	60000
Skilled workers	5	4000	240000
Unskilled workers	2	2500	60000
<b>Expenses on salary in the 1st year (Rs)</b>			<b>360000</b>

**6.5 Repair & Maintenance:** Total expenses on repair & maintenance in the 1<sup>st</sup> year is estimated as given below. It is assumed that expenses on repair & maintenance will increase @ 2% every subsequent year.

(Rs. in lacs)			
Particulars	Cost (Rs)	Rate	Amount (Rs)
Building & Civil works	0.00	1.00%	0.00
Plant & Machinery	1.71	2.00%	0.03
Misc. Fixed assets	0.39	1.50%	0.01
<b>Expenses on repair &amp; maintenance in year 1</b>			<b>0.04</b>

**6.6 Other Expenses:** Other expenses have been assumed at 1% of sales realisation.

**6.7 Depreciation:** Depreciation has been calculated by straight line method. The details of calculation are given below.

(Rs in lacs)			
Description	Cost (Rs)	Rate	Amount/annum (Rs)
Building & Civil works	0.00	3.34%	0.00
Plant & Machinery	1.71	5.28%	0.09
Misc. Fixed assets	0.39	6.33%	0.02
<b>TOTAL</b>			<b>0.11</b>

**6.8 Interest on term loan & principal repayment:** Interest rate has been assumed at 8%. Duration of Loan repayment has been considered for a period of 5 years including moratorium period of 6 months with equal monthly instalments. The details of calculation are given below.

(Rs in lacs)						
Month	Year	1	2	3	4	5
Month 1	Opening balance	1.86	1.65	1.24	0.83	0.41
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest (8%)	0.01	0.01	0.01	0.01	0.00
	<b>Closing balance</b>	<b>1.86</b>	<b>1.62</b>	<b>1.21</b>	<b>0.79</b>	<b>0.38</b>
Month 2	Opening balance	1.86	1.62	1.21	0.79	0.38
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.01	0.00
	<b>Closing balance</b>	<b>1.86</b>	<b>1.58</b>	<b>1.17</b>	<b>0.76</b>	<b>0.34</b>
Month 3	Opening balance	1.86	1.58	1.17	0.76	0.34
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.01	0.00
	<b>Closing balance</b>	<b>1.86</b>	<b>1.55</b>	<b>1.14</b>	<b>0.72</b>	<b>0.31</b>
Month 4	Opening balance	1.86	1.55	1.14	0.72	0.31
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	<b>Closing balance</b>	<b>1.86</b>	<b>1.52</b>	<b>1.10</b>	<b>0.69</b>	<b>0.28</b>
Month 5	Opening balance	1.86	1.52	1.10	0.69	0.28
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	<b>Closing balance</b>	<b>1.86</b>	<b>1.48</b>	<b>1.07</b>	<b>0.65</b>	<b>0.24</b>
Month 6	Opening balance	1.86	1.48	1.07	0.65	0.24
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	<b>Closing balance</b>	<b>1.86</b>	<b>1.45</b>	<b>1.03</b>	<b>0.62</b>	<b>0.21</b>
Month 7	Opening balance	1.86	1.45	1.03	0.62	0.21
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	<b>Closing balance</b>	<b>1.83</b>	<b>1.41</b>	<b>1.00</b>	<b>0.59</b>	<b>0.17</b>
Month 8	Opening balance	1.83	1.41	1.00	0.59	0.17
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00

	<b>Closing balance</b>	<b>1.79</b>	<b>1.38</b>	<b>0.96</b>	<b>0.55</b>	<b>0.14</b>
Month 9	Opening balance	1.79	1.38	0.96	0.55	0.14
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	<b>Closing balance</b>	<b>1.76</b>	<b>1.34</b>	<b>0.93</b>	<b>0.52</b>	<b>0.10</b>
Month 10	Opening balance	1.76	1.34	0.93	0.52	0.10
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	<b>Closing balance</b>	<b>1.72</b>	<b>1.31</b>	<b>0.90</b>	<b>0.48</b>	<b>0.07</b>
Month 11	Opening balance	1.72	1.31	0.90	0.48	0.07
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	<b>Closing balance</b>	<b>1.69</b>	<b>1.27</b>	<b>0.86</b>	<b>0.45</b>	<b>0.03</b>
Month 12	Opening balance	1.69	1.27	0.86	0.45	0.03
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	<b>Closing balance</b>	<b>1.65</b>	<b>1.24</b>	<b>0.83</b>	<b>0.41</b>	<b>0.00</b>
<b>Principal Repayment</b>		<b>0.21</b>	<b>0.41</b>	<b>0.41</b>	<b>0.41</b>	<b>0.41</b>
<b>Interest</b>		<b>0.15</b>	<b>0.12</b>	<b>0.08</b>	<b>0.05</b>	<b>0.02</b>

## 7.0 DEBT SERVICE COVERAGE RATIO (DSCR)

(Rs. in lacs)

Year	1	2	3	4	5
Profit After Tax (Net Profit)	0.28	0.98	1.69	1.71	1.72
Depreciation	0.11	0.11	0.11	0.11	0.11
Interest	0.23	0.21	0.18	0.15	0.12
<b>Total</b>	<b>0.62</b>	<b>1.30</b>	<b>1.99</b>	<b>1.97</b>	<b>1.95</b>
Interest	0.23	0.21	0.18	0.15	0.12
Loan repayment	0.21	0.41	0.41	0.41	0.41
<b>Total</b>	<b>0.43</b>	<b>0.62</b>	<b>0.60</b>	<b>0.56</b>	<b>0.53</b>
<b>DSCR</b>	<b>1.43</b>	<b>2.10</b>	<b>3.34</b>	<b>3.50</b>	<b>3.68</b>

Average DSCR = 2.67

## 8.0 BREAK EVEN POINT (BEP)

(Rs. in lacs)

Year	1	2	3
<b>A. Net sales</b>	<b>8.64</b>	<b>10.08</b>	<b>11.52</b>
<b>B. Variable cost</b>			
Raw Materials	4.30	5.02	5.74
Power & Utility	0.06	0.07	0.08
Other expenses	0.10	0.12	0.14
Interest on Working Capital Loan	0.08	0.09	0.10
<b>Total variable cost</b>	<b>4.54</b>	<b>5.30</b>	<b>6.05</b>
<b>C. Contribution (A-B)</b>	<b>4.10</b>	<b>4.78</b>	<b>5.47</b>
<b>D. Fixed &amp; Semi-fixed Costs</b>			

Salary	3.60	3.62	3.64
Repair & maintenance	0.04	0.04	0.04
Interest on Term Loan	0.15	0.12	0.08
Depreciation	0.11	0.11	0.11
<b>Total fixed cost</b>	<b>3.90</b>	<b>3.89</b>	<b>3.88</b>
<b>E. BREAK EVEN POINT</b>	<b>95.22%</b>	<b>81.34%</b>	<b>70.87%</b>
<b>F. BEP at operating capacity</b>	<b>57.13%</b>	<b>56.94%</b>	<b>56.69%</b>
<b>G. Cash BEP</b>	<b>55.45%</b>	<b>55.26%</b>	<b>55.02%</b>

## 9.0 INTERNAL RATE OF RETURN (IRR)

(Rs. in lacs)

Year	0	1	2	3	4	5
<b>CASH OUTFLOW</b>						
Capital Expenditure	2.16	0.00	0.00	0.00	0.00	0.00
Working Capital	0.00	1.68	0.18	0.18	0.00	0.00
<b>Total (A)</b>	<b>2.16</b>	<b>1.68</b>	<b>0.18</b>	<b>0.18</b>	<b>0.00</b>	<b>0.00</b>
<b>CASH INFLOW</b>						
Profit After Tax		0.28	0.98	1.69	1.71	1.72
Add: Depreciation		0.11	0.11	0.11	0.11	0.11
Add: Interest		0.15	0.12	0.08	0.05	0.02
Add: Salvage Value						
<b>Total (B)</b>	<b>0.00</b>	<b>0.54</b>	<b>1.21</b>	<b>1.89</b>	<b>1.87</b>	<b>1.85</b>
<b>NET FLOW (B-A)</b>	<b>-2.16</b>	<b>-1.14</b>	<b>1.03</b>	<b>1.71</b>	<b>1.87</b>	<b>1.85</b>

IRR = 36%