

WOODEN FURNITURE AND DECORATIVE ITEMS



1.0 INTRODUCTION

Wood is versatile, beautiful and it is difficult to imagine a world without wood. Wood is light and that makes it easy to handle. It also floats and when properly treated, is waterproof. The demand for the decorative items and furniture made up of woods is growing due to the increased standard of living of people and outlook. For furniture and decorative items, wood is available from the local depots/forest areas. There is ever growing market for wooden products.

This project profile is for setting up of a Wooden furniture's and household decorative items making unit, based on 300 working days per annum and 8 working hours per day. The installed production capacity of the unit per annum is as follows;

Wooden Furniture's	-	240 Nos.
Wooden Decorative Items -		1000 Nos.

Wooden decorative items would include Photo frame, Key Holders, Hangers, Articles of innovative idea etc.

2.0 MARKET POTENTIAL

The demand for wood based products are increasing depending mostly on the increasing magnitude of the new offices, new construction, schools, colleges, requirements of the students, hotels, restaurant and for domestic uses. The Corporate sector consumes a huge quantity of wooden decorative products and variety of utility-based wooden items. The wooden furnitures and fixtures are also essential for a family. The wooden products always enjoy a ready market and selling quality furniture with elegant get up should find no difficulties in consumer market.

3.0 PROCESS DETAILS

The line of process for making wooden products is planned as per the measurement; shaping, bending & chiselling considering design; finishing touch with sand paper; finally apply varnish/paint/lamination; and furniture can be laminated using laminated sheet.

4.0. COST OF THE PROJECT

The estimated project cost is given below:

		(Rs. in lacs)
Particulars		Amount (Rs)
Land & Site Development		Rented
Building & Civil works		Rented
Plant & Machinery		1.21
Misc. Fixed assets		0.50
Preliminary & pre-operative expenses		0.33
Contingencies & escalation @ 3%		0.05
Working capital		0.61
TOTAL		2.70

4.1 Land & Site Development: Nil.

Total Land: 1,500 Sq. Ft. ; Covered Area: 750 Sq. Ft.

4.2 Building & Civil Works: Nil.**4.3 Plant & Machinery:** Details of plant & machinery are given below.

Particulars	Qty	Rate (Rs)	Amount (Rs)
Automatic Wood Cutting Machine with 5 HP Motor	1	45000	45000
Surface and thickness planner, Circular Saw, Drilling Machine and Grinding Machine	1	15000	15000
Miscellaneous Hand tools and Equipment	LS	--	50000
Sub total			110000
Add: Installation, transportation, etc @ 10%			11000
TOTAL			121000
Say (Rs. in lacs)			1.21

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

Particulars	Qty	Rate (Rs)	Amount (Rs)
Electrification including load security	1	20000	20000
Working Furniture & Fixtures	LS	--	15000
Miscellaneous items	LS	--	10000
Sub total			45000
Add: Installation, transportation, etc @ 10%			4500
TOTAL			49500
Say (Rs. in lacs)			0.50

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		5000
Professional & other fees		10000
Interest during implementation		3410

Miscellaneous expenses	15000
TOTAL	33410
Say (Rs. in lacs)	0.33

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	0.51	0.59	0.68
Power & utility	30	0.01	0.02	0.02
Salary	30	0.22	0.22	0.22
Finished Goods	15	0.38	0.42	0.47
Receivables	15	0.39	0.46	0.53
Total		1.51	1.71	1.91
Working capital margin in Year 1 (40%)	0.61			

5.0 MEANS OF FINANCE

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

(Rs. in lacs)

Particulars	Percent	Amount
<u>EQUITY</u>		
A. Equity from Promoters	40%	1.08
B. Subsidy from Central/State Govt.	-	
<u>DEBT</u>		
Term Loan from Banks/Financial Institutions	60%	1.62
TOTAL	100%	2.70

6.0 PROFITABILITY STATEMENT

(Rs. in lacs)

Particulars	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
<u>A. INCOME</u>					
Production Capacity (Nos./annum)	1240	1240	1240	1240	1240
Capacity utilisation	60%	70%	80%	80%	80%
Production/ annum at capacity utilisation	744	868	992	992	992
Total income/annum	9.61	11.21	12.81	12.81	12.81
<u>B. OPERATING EXPENSES</u>					
Raw Materials	6.19	7.22	8.26	8.26	8.26
Power & Utility	0.17	0.19	0.22	0.22	0.22
Salary	2.64	2.65	2.67	2.68	2.69
Repair & Maintenance	0.03	0.03	0.03	0.03	0.03
Other Expenses	0.19	0.22	0.26	0.26	0.26
Total Operating Expenses	9.22	10.33	11.43	11.45	11.46
Operating profit	0.38	0.88	1.38	1.36	1.35
<u>C. FINANCIAL EXPENSES</u>					
Depreciation	0.10	0.10	0.10	0.10	0.10
Interest on Term Loan	0.13	0.10	0.07	0.04	0.02
Interest on Working Capital Loan	0.07	0.08	0.09	0.09	0.09

Net Profit	0.09	0.60	1.12	1.13	1.15
Net cash accruals	0.19	0.70	1.21	1.23	1.24
Principal Repayment	0.18	0.36	0.36	0.36	0.36

6.1 Production capacity and Sales Realisation: Total production of **Wooden Furniture and decorative items** Products at 100% capacity utilization is estimated as below.

Wooden Furnitures	240 Nos.
Wooden Decorative Items	1000 Nos.
Total production per annum at 100% capacity	1240 Nos.

Products	Qty	Average Rate Per Unit (Rs.)	Amount (Rs)
Wooden Furnitures	240 Nos.	4900	1176000
Wooden Decorative Items	1000 Nos.	425	425000
Total Sale Turnover per annum at 100% capacity			1601000

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)
Wood Timber	1200 Cu. Ft.	450	540000
Plywood	9600 Sq. Ft.	20	192000
Consumables like sunmica, Plane Glass, Mirror, Cushion, Fevicol etc.	LS	Rs. 25,000 Per Month	300000
Expenses on Raw Material at 100% capacity			1032000

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	--	2.00	2.00
General Lighting	10	0.10	1.00
Total power requirement/ day (Kw)			3.00
No. of hrs/day	8		
No. of days/annum	300		
Annual power requirement (kwh)	7200		
Rate per unit (Rs)	3.50		
Expenses on power (Rs)	25200		
Expenses on Other Utility(Rs)	2400		
Expenses on power & utility at 100% capacity (Rs)	27600		

- 6.4 Salary:** Total expenses on salary in the 1st 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	2	4000	96000
Unskilled workers	3	3000	108000
Expenses on salary in the 1st year (Rs)			264000

- 6.5 Repair & Maintenance:** Total expenses on repair & maintenance in the 1st 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	1.21	2.00%	0.02
Misc. Fixed assets	0.50	1.50%	0.01
Expenses on repair & maintenance in year 1			0.03

- 6.6 Other Expenses:** Other expenses have been assumed at 2% 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	1.21	5.28%	0.06
Misc. Fixed assets	0.50	6.33%	0.03
TOTAL			0.10

- 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	1.62	1.44	1.08	0.72	0.36
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest (8%)	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.62	1.41	1.05	0.69	0.33
Month 2	Opening balance	1.62	1.41	1.05	0.69	0.33
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.62	1.38	1.02	0.66	0.30
Month 3	Opening balance	1.62	1.38	1.02	0.66	0.30
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00

	Closing balance	1.62	1.35	0.99	0.63	0.27
Month 4	Opening balance	1.62	1.35	0.99	0.63	0.27
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.62	1.32	0.96	0.60	0.24
Month 5	Opening balance	1.62	1.32	0.96	0.60	0.24
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.62	1.29	0.93	0.57	0.21
Month 6	Opening balance	1.62	1.29	0.93	0.57	0.21
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.62	1.26	0.90	0.54	0.18
Month 7	Opening balance	1.62	1.26	0.90	0.54	0.18
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.59	1.23	0.87	0.51	0.15
Month 8	Opening balance	1.59	1.23	0.87	0.51	0.15
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.56	1.20	0.84	0.48	0.12
Month 9	Opening balance	1.56	1.20	0.84	0.48	0.12
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.53	1.17	0.81	0.45	0.09
Month 10	Opening balance	1.53	1.17	0.81	0.45	0.09
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.50	1.14	0.78	0.42	0.06
Month 11	Opening balance	1.50	1.14	0.78	0.42	0.06
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.47	1.11	0.75	0.39	0.03
Month 12	Opening balance	1.47	1.11	0.75	0.39	0.03
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.00	0.00	0.00
	Closing balance	1.44	1.08	0.72	0.36	0.00
Principal Repayment		0.18	0.36	0.36	0.36	0.36
Interest		0.13	0.10	0.07	0.04	0.02

7.0 DEBT SERVICE COVERAGE RATIO (DSCR)

(Rs. in lacs)

Year	1	2	3	4	5
Profit After Tax (Net Profit)	0.09	0.60	1.12	1.13	1.15
Depreciation	0.10	0.10	0.10	0.10	0.10
Interest	0.13	0.10	0.07	0.04	0.02
Total	0.31	0.80	1.28	1.27	1.26
Interest	0.13	0.10	0.07	0.04	0.02
Loan repayment	0.18	0.36	0.36	0.36	0.36

Total	0.31	0.46	0.43	0.40	0.37
DSCR	1.02	1.73	2.97	3.15	3.35

Average DSCR = 2.49

8.0 BREAK EVEN POINT (BEP)

(Rs. in lacs)

Year	1	2	3
A. Net sales	9.61	11.21	12.81
B. Variable cost			
Raw Materials	6.19	7.22	8.26
Power & Utility	0.17	0.19	0.22
Other expenses	0.19	0.22	0.26
Interest on Working Capital Loan	0.07	0.08	0.09
Total variable cost	6.62	7.72	8.82
C. Contribution (A-B)	2.98	3.48	3.98
D. Fixed & Semi-fixed Costs			
Salary	2.64	2.65	2.67
Repair & maintenance	0.03	0.03	0.03
Interest on Term Loan	0.13	0.10	0.07
Depreciation	0.10	0.10	0.10
Total fixed cost	2.89	2.88	2.87
E. BREAK EVEN POINT	96.97%	82.75%	71.99%
F. BEP at operating capacity	58.18%	57.92%	57.59%
G. Cash BEP	56.27%	56.01%	55.68%

9.0 INTERNAL RATE OF RETURN (IRR)

(Rs. in lacs)

Year	0	1	2	3	4	5
CASH OUTFLOW						
Capital Expenditure	1.76	0.00	0.00	0.00	0.00	0.00
Working Capital	0.00	1.51	0.20	0.20	0.00	0.00
Total (A)	1.76	1.51	0.20	0.20	0.00	0.00
CASH INFLOW						
Profit After Tax		0.09	0.60	1.12	1.13	1.15
Add: Depreciation		0.10	0.10	0.10	0.10	0.10
Add: Interest		0.13	0.10	0.07	0.04	0.02
Add: Salvage Value						
Total (B)	0.00	0.31	0.80	1.28	1.27	1.26
NET FLOW (B-A)	-1.76	-1.20	0.60	1.08	1.27	1.26

IRR = 27%