

COMMERCIAL LAUNDRY AND DRY CLEANING



1.0 INTRODUCTION

With the growth of urbanisation, washing of cloths has turned out to be a commercial proposition and led to the establishment of modern dry cleaning units in the cities as well as in big towns. Dry Cleaning unit is under a service industry and provides the services of cleaning, washing, dry-cleaning and pressing.

This project profile is for Commercial Laundry and Dry Cleaning Unit with installed capacity of 45000 Kg based on 300 working days per annum and 8 working hours per day.

2.0 MARKET POTENTIAL

Due to increase in numbers of hospitals, hotels etc., there appearing the demand for commercial laundry and dry cleaning services in most of the urban cities as well as big towns of the country. These establishments normally outsource the washing and cleaning services. Therefore, upcoming or existing hotels and multi specialty hospitals can be the target market for this business. Moreover, due to hectic schedule of the working community and scarcity of water for domestic purpose in urban areas, cleaning of household cloths became a troublesome affair. The working upper middle class family can also be targeted by starting up of small franchisee outlets (collection centres) at the city for the dry cleaning business.

3.0 PROCESS DETAILS:

- a) Tagging :- The clothes are firstly tagged with a specific number, mentioned in the invoice given to customers. This procedure is used for identification of clothes once ready for collection by the customers.
- b) Sorting: - After tagging the clothes are arranged in different sets. Some people sort by colour. Others sort by fabric type
- c) Washing: - The clothes are washed in a washing machine using detergent. This procedure is only followed when laundry service is required by the customers.
- d) Dry Cleaning: - In this process, the sensitive, expensive and only dry clean recommended clothes are cleaned. Chemical is used to clean the clothes
- e) Drying :- The clothes washed in a laundry procedure are dried using dryers.
- f) Steam Pressing :- In this process both the clothes either washed or dry cleaned are pressed and shaped using steam press equipment.
- g) Packing :- Once pressed, the clothes are properly hanged, covered in the plastic wrap and then tagged so that it can be easily identified.

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	16.50	
Misc. Fixed assets	5.34	
Preliminary & pre-operative expenses	0.87	
Contingencies & escalation @ 3%	0.66	
Working capital	0.40	
TOTAL	23.75	

4.1 Land & Site Development: Nil. Covered Area: 1,500 Sq. Ft.

4.2 Building & Civil Works: Nil.

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

Particulars	Qty	Amount (Rs)
Commercial Washing Machine 25 Kg Capacity	1	1450000
Hydro Extractor	1	
Dryer Machine	1	
Dry Cleaning Machine	1	
Pressing Equipment including Flat Bed Press	1	
Hand Irons	3	
Miscellaneous items	LS	50000
Sub total		1500000
Add: Installation, transportation, etc @ 10%		150000
TOTAL		1650000
Say (Rs. in lacs)		16.50

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

Particulars	Qty	Rate (Rs)	Amount (Rs)
Electrification and Load Security	LS	--	65000
DG Set	1	375000	375000
Furniture & fixtures	LS	--	25000
Miscellaneous items	LS	--	20000
Sub total			485000
Add: Installation, transportation etc @ 10%			48500
TOTAL			533500
Say (Rs. in lacs)			5.34

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.

Particulars	Amount (Rs)
Travelling expenses	10000
Professional & other fees	23000
Interest during implementation	43670
Miscellaneous expenses	10000
TOTAL	86670
Say (Rs. in lacs)	0.87

4.9 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	15	0.05	0.06	0.06
Power & Utility	30	0.05	0.05	0.06
Salary	30	0.24	0.24	0.24
Finished Goods	15	0.22	0.23	0.25
Receivables	15	0.44	0.52	0.59
Total		0.99	1.10	1.21
Working capital margin in Year 1 (40%)	0.40			

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%	9.50
B. Subsidy from Central/State Govt.	-	
<u>DEBT</u>		
Term Loan from Banks/Financial Institutions	60%	14.25
TOTAL	100%	23.75

6.0 PROFITABILITY STATEMENT

(Rs. in lacs)

Particulars	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7
<u>A. INCOME</u>							
Production Capacity (Kg/annum)	45000	45000	45000	45000	45000	45000	45000
Capacity utilisation	60%	70%	80%	80%	80%	80%	80%
Production/annum at capacity utilisation	27000	31500	36000	36000	36000	36000	36000
Total income/annum	10.80	12.60	14.40	14.40	14.40	14.40	14.40
<u>B. OPERATING EXPENSES</u>							
Raw Materials	1.15	1.34	1.54	1.54	1.54	1.54	1.54
Power & Utility	0.57	0.67	0.76	0.76	0.76	0.76	0.76
Salary	2.88	2.89	2.91	2.92	2.94	2.95	2.97
Repair & Maintenance	0.41	0.42	0.43	0.44	0.44	0.45	0.46
Other Expenses	0.32	0.38	0.43	0.43	0.43	0.43	0.43
Total Operating Expenses	5.34	5.70	6.06	6.09	6.11	6.13	6.16
Operating profit	5.46	6.90	8.34	8.31	8.29	8.27	8.24
<u>C. FINANCIAL EXPENSES</u>							
Depreciation	1.21	1.21	1.21	1.21	1.21	1.21	1.21
Interest on Term Loan	1.12	0.94	0.73	0.53	0.32	0.11	0.00
Interest on Working Capital Loan	0.05	0.05	0.06	0.06	0.06	0.06	0.06
Net Profit	3.09	4.70	6.34	6.52	6.70	6.89	6.98
Net cash accruals	4.30	5.91	7.54	7.73	7.91	8.10	8.18
Principal Repayment	1.30	2.59	2.59	2.59	2.59	2.59	0.00

6.1 Production capacity and Sales Realisation: A total washing and dry cleaning service at 100% capacity utilization is estimated as below.

Washing and Dry Cleaning (45,000 Kg)	45000 Kg
Total Washing and Dry Cleaning per annum at 100% capacity (In Kg)	45000 Kg

Products	Qty	Average Rate Per Kg (Rs.)	Amount (Rs)
Cleaning and Pressing (45,000 Kg)	45000 Kg	40	1800000
Total Sale Turnover per annum at 100% capacity			1800000

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

Products	Qty	Average Rate (Rs.)	Amount (Rs)
Washing Powder (In Kg)	300 Kg	500 Per Kg	150000
Consumables like Petrol, Chemicals, Soap Cake etc	LS	2500 Per Month	30000
Packing Materials	LS	1000 Per Month	12000
Expenses on Raw Material per annum at 100% capacity			192000

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 (Total HP of 10)	--	7.46	7.46
General Lighting	10	0.10	1.00
Total power requirement/ day (Kw)			8.46
No. of hrs/day	8		
No. of Days per annum	300		
Annual power requirement (kwh)	20304		
Rate per unit (Rs)	3.50		
Expenses on power (Rs)	71064		
Expenses on Diesel (Rs.)	45000		
Expenses on other utility (Rs)	24000		
Expenses on power & fuel at 100% capacity (Rs)	95064		

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	6000	72000
Machine operator	1	4000	48000
Skilled workers	2	4000	96000
Unskilled workers	2	3000	72000
Expenses on salary in the 1st year (Rs)			288000

- 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	16.5	2.00%	0.33
Misc. Fixed assets	5.34	1.50%	0.08
Expenses on repair & maintenance in year 1			0.41

- 6.6 Other Expenses:** Other expenses have been assumed at 5% 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	16.50	5.28%	0.87
Misc. Fixed assets	5.34	6.33%	0.34
TOTAL			1.21

- 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 6 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	6
Month 1	Opening balance	14.25	12.96	10.37	7.77	5.18	2.59
	Repayment	0.00	0.22	0.22	0.22	0.22	0.22
	Interest (8%)	0.10	0.09	0.07	0.05	0.03	0.02
	Closing balance	14.25	12.74	10.15	7.56	4.97	2.38
Month 2	Opening balance	14.25	12.74	10.15	7.56	4.97	2.38
	Repayment	0.00	0.22	0.22	0.22	0.22	0.22
	Interest	0.10	0.08	0.07	0.05	0.03	0.02
	Closing balance	14.25	12.53	9.93	7.34	4.75	2.16
Month 3	Opening balance	14.25	12.53	9.93	7.34	4.75	2.16
	Repayment	0.00	0.22	0.22	0.22	0.22	0.22
	Interest	0.10	0.08	0.07	0.05	0.03	0.01
	Closing balance	14.25	12.31	9.72	7.13	4.53	1.94
Month 4	Opening balance	14.25	12.31	9.72	7.13	4.53	1.94
	Repayment	0.00	0.22	0.22	0.22	0.22	0.22
	Interest	0.10	0.08	0.06	0.05	0.03	0.01
	Closing balance	14.25	12.09	9.50	6.91	4.32	1.73
Month 5	Opening balance	14.25	12.09	9.50	6.91	4.32	1.73
	Repayment	0.00	0.22	0.22	0.22	0.22	0.22
	Interest	0.10	0.08	0.06	0.05	0.03	0.01
	Closing balance	14.25	11.88	9.29	6.69	4.10	1.51
Month 6	Opening balance	14.25	11.88	9.29	6.69	4.10	1.51
	Repayment	0.00	0.22	0.22	0.22	0.22	0.22
	Interest	0.10	0.08	0.06	0.04	0.03	0.01
	Closing balance	14.25	11.66	9.07	6.48	3.89	1.30

Month 7	Opening balance	14.25	11.66	9.07	6.48	3.89	1.30
	Repayment	0.22	0.22	0.22	0.22	0.22	0.22
	Interest	0.10	0.08	0.06	0.04	0.03	0.01
	Closing balance	14.04	11.45	8.85	6.26	3.67	1.08
Month 8	Opening balance	14.04	11.45	8.85	6.26	3.67	1.08
	Repayment	0.22	0.22	0.22	0.22	0.22	0.22
	Interest	0.09	0.08	0.06	0.04	0.02	0.01
	Closing balance	13.82	11.23	8.64	6.05	3.46	0.86
Month 9	Opening balance	13.82	11.23	8.64	6.05	3.46	0.86
	Repayment	0.22	0.22	0.22	0.22	0.22	0.22
	Interest	0.09	0.07	0.06	0.04	0.02	0.01
	Closing balance	13.60	11.01	8.42	5.83	3.24	0.65
Month 10	Opening balance	13.60	11.01	8.42	5.83	3.24	0.65
	Repayment	0.22	0.22	0.22	0.22	0.22	0.22
	Interest	0.09	0.07	0.06	0.04	0.02	0.00
	Closing balance	13.39	10.80	8.21	5.61	3.02	0.43
Month 11	Opening balance	13.39	10.80	8.21	5.61	3.02	0.43
	Repayment	0.22	0.22	0.22	0.22	0.22	0.22
	Interest	0.09	0.07	0.05	0.04	0.02	0.00
	Closing balance	13.17	10.58	7.99	5.40	2.81	0.22
Month 12	Opening balance	13.17	10.58	7.99	5.40	2.81	0.22
	Repayment	0.22	0.22	0.22	0.22	0.22	0.22
	Interest	0.09	0.07	0.05	0.04	0.02	0.00
	Closing balance	12.96	10.37	7.77	5.18	2.59	0.00
Principal Repayment		1.30	2.59	2.59	2.59	2.59	2.59
Interest		1.12	0.94	0.73	0.53	0.32	0.11

7.0 DEBT SERVICE COVERAGE RATIO (DSCR)

(Rs. in lacs)

Year	1	2	3	4	5	6	7
Profit After Tax (Net Profit)	3.09	4.70	6.34	6.52	6.70	6.89	6.98
Depreciation	1.21	1.21	1.21	1.21	1.21	1.21	1.21
Interest	1.12	0.94	0.73	0.53	0.32	0.11	0.00
Total	5.42	6.85	8.28	8.26	8.23	8.21	0.00
Interest	1.12	0.94	0.73	0.53	0.32	0.11	0.00
Loan repayment	1.30	2.59	2.59	2.59	2.59	2.59	0.00
Total	2.41	3.53	3.33	3.12	2.91	2.70	0.00
DSCR	2.24	1.94	2.49	2.65	2.83	3.04	0.00

Average DSCR = 2.51

8.0 BREAK EVEN POINT (BEP)

(Rs. in lacs)

Year	1	2	3
A. Net sales	10.80	12.60	14.40
B. Variable cost			
Raw Materials	1.15	1.34	1.54
Power & Utility	0.57	0.67	0.76
Other expenses	0.32	0.38	0.43
Interest on Working Capital Loan	0.05	0.05	0.06
Total variable cost	2.09	2.44	2.79

C. Contribution (A-B)	8.71	10.16	11.61
D. Fixed & Semi-fixed Costs			
Salary	2.88	2.89	2.91
Repair & maintenance	0.41	0.42	0.43
Interest on Term Loan	1.12	0.94	0.73
Depreciation	1.21	1.21	1.21
Total fixed cost	5.62	5.46	5.28
E. BREAK EVEN POINT	64.53%	53.77%	45.45%
F. BEP at operating capacity	38.72%	37.64%	36.36%
G. Cash BEP	30.38%	29.31%	28.03%

9.0 INTERNAL RATE OF RETURN (IRR)**(Rs. in lacs)**

Year	0	1	2	3	4	5	6	7
CASH OUTFLOW								
Capital Expenditure	22.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Working Capital	0.00	0.99	0.11	0.11	0.00	0.00	0.00	0.00
Total (A)	22.49	0.99	0.11	0.11	0.00	0.00	0.00	0.00
CASH INFLOW								
Profit After Tax		3.09	4.70	6.34	6.52	6.70	6.89	6.98
Add: Depreciation		1.21	1.21	1.21	1.21	1.21	1.21	1.21
Add: Interest		1.12	0.94	0.73	0.53	0.32	0.11	0.00
Add: Salvage Value								
Total (B)	0.00	5.42	6.85	8.28	8.26	8.23	8.21	8.18
NET FLOW (B-A)	-22.49	4.42	6.74	8.17	8.26	8.23	8.21	8.18

IRR = 29%

Sl. No.	Name of the Machinery Suppliers	Communication Address
1.	M/s Sony Systems	C-153, Sector-10, Noida - 201 301, Uttar Pradesh.
2.	M/s Pioneer Udyog	No. 24 / 11, Master Mohalla, Street No. 6, Libaspur, New Delhi - 110042, Delhi.
3.	M/s Whirler Centrifugal Private Limited	No. 1213, Phase- 3, GIDC Industrial Estate, Vatva, Ahmedabad - 382445, Gujarat.
4.	M/s Stefab India Ltd.	BE 274 Salt Lake City, Kolkata- 700 064, West Bengal.