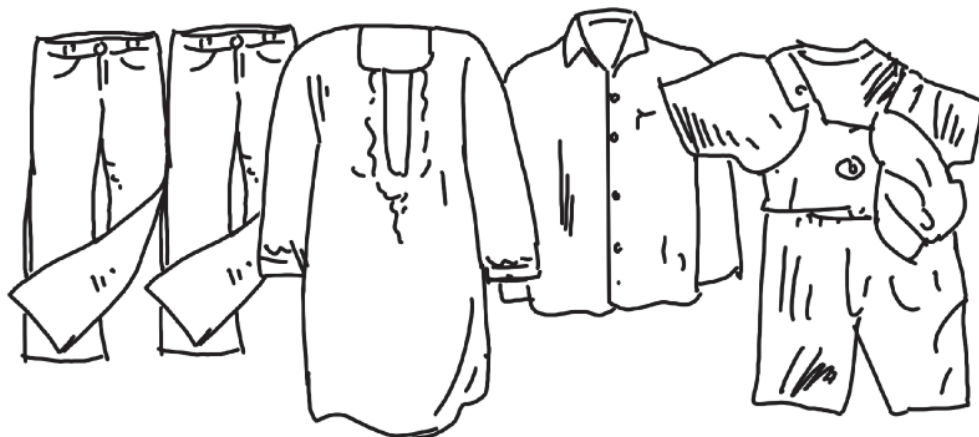


# READYMADE GARMENTS



## 1.0 INTRODUCTION

Garments Industry in India provides one of the most basic needs of people and holds importance; maintaining sustained growth for improving quality of life. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery of finished products with substantial value-addition at each stage of processing; it is a major contribution to the country's economy. This industry in the Indian context has grown up into a self-developed industry of its own.

The Readymade garments play a vital role in developed nations. The time one has to spend in selecting the dress material and difficulties encountered in locating a good tailor, now solved due to variety of readymade garments available in the market. These are generally cheaper than the garments ordered for stitching. The consumption of readymade garments like Casual wear, T-shirts and other cotton garments are increasing due to frequent changes in the styles and fashion in consuming countries.

This project profile is for setting up of a readymade garment making unit with installed capacity of 20000 pieces of garments per annum, based on 300 working days per annum and 8 working hours per day.

## 2.0 MARKET POTENTIAL

There is tremendous market potential for readymade garments in the country. With increase in population, there appears increase in demand for clothing requirements. Nowadays, renowned brands are getting their products manufactured in local areas of the country

for reducing production and distribution costs. They place order involving their agents, who executes the orders through the local manufacturers. A number of manufacturing units all over India works for large multinational brands. Besides, there is mushroom growth of new schools in local areas, there arises good demand for school uniforms in the market. Schools require regular suppliers of the school uniforms as per the requirements by the student of the respective schools. Moreover, the demand for readymade garments increases manifold during festival season like Durga Puja, Christmas, Id-ul-fitre, Bihu etc. Therefore, market of readymade Garment is very encouraging.

## 3.0 PROCESS DETAILS

The process of manufacturing readymade garments is a universally adopted process.

**Procurement of Fabric:** Dyed/bleached/printed cotton/synthetic fabrics as per demand are to be procured from the open market. The fabric will be inspected by laying on the inspection table against light before cutting so that unevenness in colour/shade or any other fault, if any visible in the fabric are eliminated.

**Cutting and Stitching:** The inspected fabric is placed on the cutting table in layers and then the different parts of the respective garments are demarked by a chalk as per different sizes. Cutting is carried out by the cutting machine. Stitching is carried out for individual portion of the garments by skilled workers with the help of over-lock, lock stitch machines etc.

Washing, Checking, Pressing and Packing: All garments are charged into washing machine containing mild detergent and washed for 4 hours in order to remove dirt and stains acquired during the manufacturing process. After washing, the garments are hydro extracted to remove excess water and after this, these garments are dried in tumbler dryer. Final checking is done before pressing and packing on the checking table so that any

fault in the piece may be removed and protruding threads eliminated. The individual pieces are pressed by steam presses to remove any wrinkle marks and packed in the carton boxes.

#### 4.0. COST OF THE PROJECT

The estimated project cost is given below:

(Rs. in lacs)	
Particulars	Amount (Rs)
Land & Site Development	Own Land/On Lease
Building & Civil works	8.40
Plant & Machinery	12.93
Misc. Fixed assets	7.43
Preliminary & pre-operative expenses	1.52
Contingencies & escalation @ 3%	0.86
Working capital	2.18
<b>TOTAL</b>	<b>33.33</b>

**4.1 Land & Site Development:** Nil. Covered Area: 2,000 Sq. Ft.

**4.2 Building & Civil Works:** Details of building & civil works are given below.

Particulars	Area (Sq ft)	Rate (Rs)	Amount (Rs)
Factory Building (Working Area, Store Room for raw material & finished goods and Office area)	2000	350	700000
<b>Sub total</b>			<b>700000</b>
Add: Electrification, water supply and sanitation @ 20%			140000
<b>TOTAL</b>			<b>840000</b>
<b>Say (Rs. in lacs)</b>			<b>8.40</b>

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

Particulars	Qty	Amount (Rs)
Lair Cutting Machine	1	1075000
Lock Stitch	1	
Over Lock	1	
Flat Lock	1	
Rib Cutting Machine	1	
Elastic Gathering Machine	1	
Button Holing Machine	1	
Button Stitching Machine	1	
Steam press	3	
Boiler	1	
Vacuum Table	3	
Thread Sucking Machine	1	
Stain Removing Machine	1	
Auxiliary Items (Petrol Gun, Tag Gun, Labelling Machine, Strapping Machine etc)	1	
Cutter grinder machine with accessories	1	

Miscellaneous items	LS	100000
<b>Sub total</b>		<b>1175000</b>
Add: Installation, transportation etc @ 10%		117500
<b>TOTAL</b>		<b>1292500</b>
<b>Say (Rs. in lacs)</b>		<b>12.93</b>

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

Particulars	Qty	Rate (Rs)	Amount (Rs)
30 KVA DG Set	1	375000	375000
Transformer	1	150000	150000
Furniture & fixtures	LS	--	100000
Miscellaneous items	LS	--	50000
<b>Sub total</b>			<b>675000</b>
Add: Installation, transportation, etc @ 10%			67500
<b>TOTAL</b>			<b>742500</b>
<b>Say (Rs. in lacs)</b>			<b>7.43</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	15000	
Professional & other fees	43000	
Interest during implementation	74300	
Miscellaneous expenses	20000	
<b>TOTAL</b>	152300	
<b>Say (Rs. in lacs)</b>	<b>1.52</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	1.32	1.54	1.76
Power & utility	30	0.13	0.16	0.18
Salary	30	0.52	0.53	0.53
Finished Goods	15	1.02	1.14	1.27
Receivables	30	2.47	2.88	3.29
<b>Total</b>		<b>5.46</b>	<b>6.24</b>	<b>7.02</b>
<b>Working capital margin in Year 1 (40%)</b>	<b>2.18</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>		
<b>A. Equity from Promoters</b>	<b>40%</b>	<b>13.33</b>
<b>B. Subsidy from Central/State Govt.</b>	<b>-</b>	

<b>DEBT</b>		
Term Loan from Banks/ Financial Institutions	60%	20.00
<b>TOTAL</b>	<b>100%</b>	<b>33.33</b>

## 6.0 PROFITABILITY STATEMENT

(Rs. in lacs)

Particulars	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6
<b>A. INCOME</b>						
Production Capacity (Nos./annum)	20000	20000	20000	20000	20000	20000
Capacity utilisation	60%	70%	80%	80%	80%	80%
Production/ annum at capacity utilisation	12000	14000	16000	16000	16000	16000
Total income/annum	30.00	35.00	40.00	40.00	40.00	40.00
<b>B. OPERATING EXPENSES</b>						
Raw Materials	16.05	18.73	21.40	21.40	21.40	21.40
Power & Utility	1.64	1.92	2.19	2.19	2.19	2.19
Salary	6.36	6.39	6.42	6.46	6.49	6.52
Repair & Maintenance	0.45	0.46	0.47	0.48	0.49	0.50
Other Expenses	0.30	0.35	0.40	0.40	0.40	0.40
Total Operating Expenses	24.81	27.85	30.88	30.93	30.97	31.01
Operating profit	5.19	7.15	9.12	9.07	9.03	8.99
<b>C. FINANCIAL EXPENSES</b>						
Depreciation	1.43	1.43	1.43	1.43	1.43	1.43
Interest on Term Loan	1.60	1.48	1.21	0.94	0.68	0.41
Interest on Working Capital Loan	0.26	0.30	0.34	0.34	0.34	0.34
Net Profit	1.90	3.94	6.13	6.36	6.58	6.81
Net cash accruals	3.33	5.38	7.57	7.79	8.02	8.24
Principal Repayment	0.00	3.33	3.33	3.33	3.33	3.33

### 6.1 Production capacity and Sales Realisation: Total production of Readymade Garments Products at 100% capacity utilization is estimated as below.

Readymade Garments	20000 Nos.
<b>Total production per annum at 100% capacity</b>	<b>20000 Nos.</b>

Products	Qty	Average Rate Per Unit (Rs.)	Amount (Rs)
Readymade Garments	20000 Nos.	250	5000000
<b>Total Sale Turnover per annum at 100% capacity</b>			<b>5000000</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)
Cotton Fabrics	2500 Kg	350 Per Kg	875000
Polynos Fabrics	4000 Kg	300 Per Kg	1200000

Stitching Thread	LS	Rs. 5000 Per Month	60000
Accessories	LS	Rs. 30000 Per Month	360000
Packaging Material	LS	Rs. 15000 Per Month	180000
<b>Expenses on raw material at 100% capacity (Rs)</b>			<b>2675000</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	—	18.00	18.00
General Lighting	10	0.10	1.00
Total power requirement/ day (Kw)			19.00
No. of hrs/day	8		
No. of days/annum	300		
Annual power requirement (kwh)	45600		
Rate per unit (Rs)	3.50		
Expenses on power (Rs)	159600		
<b>Estimate of Diesel required for Generator</b>			
No of working hours per day	1		
Diesel consumption (litres per hours)	6		
No. of days/annum	300		
Annual requirement (in litres)	1800		
Diesel Price per litre	50		
Expenses on diesel (Rs.)	90000		
Expenses on other Utility (Rs.)	24000		
<b>Expenses on power &amp; utility at 100% capacity (Rs)</b>	<b>273600</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	8000	96000
Cutting Master	1	6000	72000
Skilled workers	4	4000	192000
Semi-skilled workers	6	3000	216000
Unskilled workers	2	2500	60000
<b>Expenses on salary in the 1st year (Rs)</b>			<b>636000</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.

Particulars	Cost (Rs)	Rate	(Rs. in lacs)
			Amount (Rs)
Building & Civil works	8.40	1.00%	0.08
Plant & Machinery	12.93	2.00%	0.26
Misc. Fixed assets	7.43	1.50%	0.11
<b>Expenses on repair &amp; maintenance in year 1</b>			<b>0.45</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	8.40	3.34%	0.28
Plant & Machinery	12.93	5.28%	0.68
Misc. Fixed assets	7.43	6.33%	0.47
<b>TOTAL</b>			<b>1.43</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 7 years including moratorium period of 1 year with equal monthly instalments. The details of calculation are given below.

(Rs in lacs)

Month	Year	1	2	3	4	5	6	7
Month 1	Opening balance	20.00	20.00	16.66	13.33	10.00	6.67	3.33
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest (8%)	0.13	0.13	0.11	0.09	0.07	0.04	0.02
	<b>Closing balance</b>	<b>20.00</b>	<b>19.72</b>	<b>16.39</b>	<b>13.05</b>	<b>9.72</b>	<b>6.39</b>	<b>3.05</b>
Month 2	Opening balance	20.00	19.72	16.39	13.05	9.72	6.39	3.05
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest	0.13	0.13	0.11	0.09	0.06	0.04	0.02
	<b>Closing balance</b>	<b>20.00</b>	<b>19.44</b>	<b>16.11</b>	<b>12.77</b>	<b>9.44</b>	<b>6.11</b>	<b>2.78</b>
Month 3	Opening balance	20.00	19.44	16.11	12.77	9.44	6.11	2.78
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest	0.13	0.13	0.11	0.09	0.06	0.04	0.02
	<b>Closing balance</b>	<b>20.00</b>	<b>19.16</b>	<b>15.83</b>	<b>12.50</b>	<b>9.16</b>	<b>5.83</b>	<b>2.50</b>
Month 4	Opening balance	20.00	19.16	15.83	12.50	9.16	5.83	2.50
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest	0.13	0.13	0.11	0.08	0.06	0.04	0.02
	<b>Closing balance</b>	<b>20.00</b>	<b>18.88</b>	<b>15.55</b>	<b>12.22</b>	<b>8.89</b>	<b>5.55</b>	<b>2.22</b>
Month 5	Opening balance	20.00	18.88	15.55	12.22	8.89	5.55	2.22
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest	0.13	0.13	0.10	0.08	0.06	0.04	0.01
	<b>Closing balance</b>	<b>20.00</b>	<b>18.61</b>	<b>15.27</b>	<b>11.94</b>	<b>8.61</b>	<b>5.28</b>	<b>1.94</b>
Month 6	Opening balance	20.00	18.61	15.27	11.94	8.61	5.28	1.94
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest	0.13	0.12	0.10	0.08	0.06	0.04	0.01
	<b>Closing balance</b>	<b>20.00</b>	<b>18.33</b>	<b>15.00</b>	<b>11.66</b>	<b>8.33</b>	<b>5.00</b>	<b>1.67</b>
Month 7	Opening balance	20.00	18.33	15.00	11.66	8.33	5.00	1.67
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest	0.13	0.12	0.10	0.08	0.06	0.03	0.01
	<b>Closing balance</b>	<b>20.00</b>	<b>18.05</b>	<b>14.72</b>	<b>11.39</b>	<b>8.05</b>	<b>4.72</b>	<b>1.39</b>
Month 8	Opening balance	20.00	18.05	14.72	11.39	8.05	4.72	1.39
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest	0.13	0.12	0.10	0.08	0.05	0.03	0.01
	<b>Closing balance</b>	<b>20.00</b>	<b>17.77</b>	<b>14.44</b>	<b>11.11</b>	<b>7.78</b>	<b>4.44</b>	<b>1.11</b>
Month 9	Opening balance	20.00	17.77	14.44	11.11	7.78	4.44	1.11
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest	0.13	0.12	0.10	0.07	0.05	0.03	0.01
	<b>Closing balance</b>	<b>20.00</b>	<b>17.50</b>	<b>14.16</b>	<b>10.83</b>	<b>7.50</b>	<b>4.17</b>	<b>0.83</b>

Month 10	Opening balance	20.00	17.50	14.16	10.83	7.50	4.17	0.83
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest	0.13	0.12	0.09	0.07	0.05	0.03	0.01
	<b>Closing balance</b>	<b>20.00</b>	<b>17.22</b>	<b>13.89</b>	<b>10.55</b>	<b>7.22</b>	<b>3.89</b>	<b>0.56</b>
Month 11	Opening balance	20.00	17.22	13.89	10.55	7.22	3.89	0.56
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest	0.13	0.11	0.09	0.07	0.05	0.03	0.00
	<b>Closing balance</b>	<b>20.00</b>	<b>16.94</b>	<b>13.61</b>	<b>10.28</b>	<b>6.94</b>	<b>3.61</b>	<b>0.28</b>
Month 12	Opening balance	20.00	16.94	13.61	10.28	6.94	3.61	0.28
	Repayment	0.00	0.28	0.28	0.28	0.28	0.28	0.28
	Interest	0.13	0.11	0.09	0.07	0.05	0.02	0.00
	<b>Closing balance</b>	<b>20.00</b>	<b>16.66</b>	<b>13.33</b>	<b>10.00</b>	<b>6.67</b>	<b>3.33</b>	<b>0.00</b>
<b>Principal Repayment</b>		<b>0.00</b>	<b>3.33</b>	<b>3.33</b>	<b>3.33</b>	<b>3.33</b>	<b>3.33</b>	<b>3.33</b>
<b>Interest</b>		<b>1.60</b>	<b>1.48</b>	<b>1.21</b>	<b>0.94</b>	<b>0.68</b>	<b>0.41</b>	<b>0.14</b>

**7.0 DEBT SERVICE COVERAGE RATIO (DSCR)**

(Rs. in lacs)

Year	1	2	3	4	5	6	7
Profit After Tax (Net Profit)	1.90	3.94	6.13	6.36	6.58	6.81	7.03
Depreciation	1.43	1.43	1.43	1.43	1.43	1.43	1.43
Interest	1.60	1.48	1.21	0.94	0.68	0.41	0.14
<b>Total</b>	<b>4.93</b>	<b>6.86</b>	<b>8.78</b>	<b>8.74</b>	<b>8.69</b>	<b>8.65</b>	<b>8.61</b>
Interest	1.60	1.48	1.21	0.94	0.68	0.41	0.14
Loan repayment	0.00	3.33	3.33	3.33	3.33	3.33	3.33
<b>Total</b>	<b>1.60</b>	<b>4.81</b>	<b>4.54</b>	<b>4.28</b>	<b>4.01</b>	<b>3.74</b>	<b>3.48</b>
<b>DSCR</b>	<b>3.08</b>	<b>1.43</b>	<b>1.93</b>	<b>2.04</b>	<b>2.17</b>	<b>2.31</b>	<b>2.48</b>

Average DSCR = 2.09

**8.0 BREAK EVEN POINT (BEP)**

(Rs. in lacs)

Year	1	2	3
<b>A. Net sales</b>	<b>30.00</b>	<b>35.00</b>	<b>40.00</b>
<b>B. Variable cost</b>			
Raw Materials	16.05	18.73	21.40
Power & Utility	1.64	1.92	2.19
Other expenses	0.30	0.35	0.40
Interest on Working Capital Loan	0.26	0.30	0.34
<b>Total variable cost</b>	<b>18.25</b>	<b>21.29</b>	<b>24.33</b>
<b>C. Contribution (A-B)</b>	<b>11.75</b>	<b>13.71</b>	<b>15.67</b>
<b>D. Fixed &amp; Semi-fixed Costs</b>			
Salary	6.36	6.39	6.42
Repair & maintenance	0.45	0.46	0.47
Interest on Term Loan	1.60	1.48	1.21
Depreciation	1.43	1.43	1.43
<b>Total fixed cost</b>	<b>9.85</b>	<b>9.77</b>	<b>9.54</b>
<b>E. BREAK EVEN POINT</b>	<b>83.83%</b>	<b>71.23%</b>	<b>60.87%</b>
<b>F. BEP at operating capacity</b>	<b>50.30%</b>	<b>49.86%</b>	<b>48.69%</b>
<b>G. Cash BEP</b>	<b>42.98%</b>	<b>42.54%</b>	<b>41.38%</b>



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

Year	0	1	2	3	4	5	6	7
<b>CASH OUTFLOW</b>								
Capital Expenditure	29.62	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Working Capital	0.00	5.46	0.78	0.78	0.00	0.00	0.00	0.00
<b>Total (A)</b>	<b>29.62</b>	<b>5.46</b>	<b>0.78</b>	<b>0.78</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>CASH INFLOW</b>								
Profit After Tax		1.90	3.94	6.13	6.36	6.58	6.81	7.03
Add: Depreciation		1.43	1.43	1.43	1.43	1.43	1.43	1.43
Add: Interest		1.60	1.48	1.21	0.94	0.68	0.41	0.14
Add: Salvage Value								
<b>Total (B)</b>	<b>0.00</b>	<b>4.93</b>	<b>6.86</b>	<b>8.78</b>	<b>8.74</b>	<b>8.69</b>	<b>8.65</b>	<b>8.61</b>
<b>NET FLOW (B-A)</b>	<b>-29.62</b>	<b>-0.53</b>	<b>6.07</b>	<b>8.00</b>	<b>8.74</b>	<b>8.69</b>	<b>8.65</b>	<b>8.61</b>

IRR = 17%