

HAWAI CHAPPAL



1.0 INTRODUCTION

Hawai chappals are lightweight footwear used by every common people and of all ages. These days different manufacturing processes are adopted suiting the needs of different people wearing hawai chappal. Usually small units manufacture hawai chappal using only rubber sheets, few machines and the market can be considerably increased by using different colours, designs, etc. It is a good export item as well.

This project profile is for setting up of a Hawai Chappal Production unit with annual production capacity of 60,000 Hawai Chappals, based on 300 working days per annum and 8 working hours per day.

2.0 MARKET POTENTIAL

People from both the urban and rural area wears hawai chappals. While the lower middle class uses it as utility

footwear, the more affluent sections use it for casual wear. There is a good scope of market for this product in rural and urban areas.

3.0 PROCESS DETAILS

The rubber sheets are cut with the help of die/mould in sole cutting machine or fly press. After cutting the soles in required sizes, they are drilled with drilling machine for inserting the straps. The straps are then fitted by strap fitting tool made out of iron/stainless steel. The edges are finished with the help of grinding machine. The chappals so produced are then inspected and packed in polythene and kept in boxes.

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	0.68	
Contingencies & escalation @ 3%	0.05	
Working capital	0.58	
TOTAL	3.02	

4.1 Land & Site Development: Nil.

Covered Area: 1,000 Sq. Ft.

4.2 Building & Civil Works: Nil.

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

Particulars	Qty	Amount (Rs)
Fly Press for Cutting Sheet (Hand Operated)	1	75000
Drilling Machine	1	
Finishing Machine	1	
Cutting Dies of different sizes and shapes	1	
Miscellaneous Tools and Equipment	LS	35000
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)
Furniture & fixtures	LS	—	25000
Miscellaneous items	LS	—	20000
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	20000	
Professional & other fees	30000	
Interest during implementation	3410	
Miscellaneous expenses	15000	
TOTAL	68410	
Say (Rs. in lacs)	0.68	

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	0.41	0.48	0.55
Power & Utility	30	0.03	0.03	0.03
Salary	30	0.27	0.27	0.27
Finished Goods	15	0.36	0.40	0.44
Receivables	15	0.38	0.45	0.51
Total		1.45	1.63	1.81
Working capital margin in Year 1 (40%)	0.58			

5.0 MEANS OF FINANCE

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

(Rs. in lacs)		
Particulars	Percent	Amount
EQUITY		
A. Equity from Promoters	40%	1.21
B. Subsidy from Central/State Govt.	-	
DEBT		
Term Loan from Banks/Financial Institutions	60%	1.81
TOTAL	100%	3.02

6.0 PROFITABILITY STATEMENT

(Rs. in lacs)

Particulars	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
A. INCOME					
Production Capacity (Nos./annum)	60000	60000	60000	60000	60000
Capacity utilisation	60%	70%	80%	80%	80%
Production/ annum at capacity utilisation	36000	42000	48000	48000	48000
Total income/annum	9.36	10.92	12.48	12.48	12.48
B. OPERATING EXPENSES					
Raw Materials	5.05	5.89	6.73	6.73	6.73
Power & Utility	0.31	0.36	0.41	0.41	0.41
Salary	3.24	3.26	3.27	3.29	3.31
Repair & Maintenance	0.03	0.03	0.03	0.03	0.03
Other Expenses	0.19	0.22	0.25	0.25	0.25
Total Operating Expenses	8.82	9.76	10.70	10.71	10.73
Operating profit	0.54	1.16	1.78	1.77	1.75
C. FINANCIAL EXPENSES					
Depreciation	0.10	0.10	0.10	0.10	0.10
Interest on Term Loan	0.14	0.11	0.08	0.05	0.02
Interest on Working Capital Loan	0.07	0.08	0.09	0.09	0.09
Net Profit	0.24	0.88	1.52	1.53	1.55
Net cash accruals	0.33	0.97	1.61	1.63	1.64
Principal Repayment	0.20	0.40	0.40	0.40	0.40

6.1 Production capacity and Sales Realisation: Total production of Hawaii Chappal at 100% capacity utilization is estimated as below.

Hawaii Chappal	60000 Nos.
Total production per annum at 100% capacity	60000 Nos.

Products	Qty	Average Rate Per Unit (Rs.)	Amount (Rs)
Hawaii Chappal	60000 Nos.	26	1560000
Total Sales Turnover per annum at 100% capacity			1560000

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)
Rubber (Hawai) Sheet- Nos.	1850	220	407000
Straps- Nos.	62000 Nos.	4	248000
Packing Material	62000 Nos.	3	186000
Expenses on raw material per annum at 100% capacity			841000

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 5)	--	3.73	3.73
General Lighting	10	0.10	1.00
Total power requirement/ day (Kw)			4.73
No. of hrs/day	8		
No. of days/annum	300		
Annual power requirement (kwh)	11352		
Rate per unit (Rs)	3.50		
Expenses on power (Rs)	39732		
Expenses on other Utility (Rs)	12000		
Expenses on power & utility at 100% capacity (Rs)	51732		

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
Technicians/machine operators	2	4000	96000
Semi skilled workers	2	4000	96000
Unskilled workers	2	3000	72000
Expenses on salary in the 1st year (Rs)			324000

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	1.81	1.61	1.21	0.81	0.40
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest (8%)	0.01	0.01	0.01	0.01	0.00
	Closing balance	1.81	1.58	1.18	0.77	0.37
Month 2	Opening balance	1.81	1.58	1.18	0.77	0.37
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.01	0.00
	Closing balance	1.81	1.54	1.14	0.74	0.34
Month 3	Opening balance	1.81	1.54	1.14	0.74	0.34
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.81	1.51	1.11	0.71	0.30
Month 4	Opening balance	1.81	1.51	1.11	0.71	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	1.81	1.48	1.07	0.67	0.27
Month 5	Opening balance	1.81	1.48	1.07	0.67	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	1.81	1.44	1.04	0.64	0.24
Month 6	Opening balance	1.81	1.44	1.04	0.64	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	1.81	1.41	1.01	0.60	0.20
Month 7	Opening balance	1.81	1.41	1.01	0.60	0.20
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.78	1.38	0.97	0.57	0.17
Month 8	Opening balance	1.78	1.38	0.97	0.57	0.17
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.75	1.34	0.94	0.54	0.13
Month 9	Opening balance	1.75	1.34	0.94	0.54	0.13
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.71	1.31	0.91	0.50	0.10
Month 10	Opening balance	1.71	1.31	0.91	0.50	0.10

	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.68	1.28	0.87	0.47	0.07
Month 11	Opening balance	1.68	1.28	0.87	0.47	0.07
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.65	1.24	0.84	0.44	0.03
Month 12	Opening balance	1.65	1.24	0.84	0.44	0.03
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.61	1.21	0.81	0.40	0.00
Principal Repayment		0.20	0.40	0.40	0.40	0.40
Interest		0.14	0.11	0.08	0.05	0.02

7.0 DEBT SERVICE COVERAGE RATIO (DSCR)

(Rs. in lacs)

Year	1	2	3	4	5
Profit After Tax (Net Profit)	0.24	0.88	1.52	1.53	1.55
Depreciation	0.10	0.10	0.10	0.10	0.10
Interest	0.14	0.11	0.08	0.05	0.02
Total	0.48	1.09	1.70	1.68	1.66
Interest	0.14	0.11	0.08	0.05	0.02
Loan repayment	0.20	0.40	0.40	0.40	0.40
Total	0.34	0.52	0.48	0.45	0.42
DSCR	1.38	2.10	3.50	3.71	3.95

Average DSCR = 2.98

8.0 BREAK EVEN POINT (BEP)

(Rs. in lacs)

Year	1	2	3
A. Net sales	9.36	10.92	12.48
B. Variable cost			
Raw Materials	5.05	5.89	6.73
Power & Utility	0.31	0.36	0.41
Other expenses	0.19	0.22	0.25
Interest on Working Capital Loan	0.07	0.08	0.09
Total variable cost	5.61	6.55	7.48
C. Contribution (A-B)	3.75	4.37	5.00
D. Fixed & Semi-fixed Costs			
Salary	3.24	3.26	3.27
Repair & maintenance	0.03	0.03	0.03
Interest on Term Loan	0.14	0.11	0.08
Depreciation	0.10	0.10	0.10
Total fixed cost	3.51	3.50	3.48
E. BREAK EVEN POINT	93.64%	79.97%	69.63%
F. BEP at operating capacity	56.19%	55.98%	55.70%
G. Cash BEP	54.66%	54.45%	54.18%

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	1.45	0.18	0.18	0.00	0.00
Total (A)	1.76	1.45	0.18	0.18	0.00	0.00
CASH INFLOW						
Profit After Tax		0.24	0.88	1.52	1.53	1.55
Add: Depreciation		0.10	0.10	0.10	0.10	0.10
Add: Interest		0.14	0.11	0.08	0.05	0.02
Add: Salvage Value						
Total (B)	0.00	0.48	1.09	1.70	1.68	1.66
NET FLOW (B-A)	-1.76	-0.98	0.91	1.52	1.68	1.66

IRR = 39%

Sl. No.	Name of the Machinery Suppliers	Communication Address
1.	M/s BPM Engineering Co.	D-134, Devnagar, Murlipura, , Jaipur, Rajasthan Pin-302023.
2.	M/s Lords Group Of Companies	33a, Chatterjee International Center, J. L. Nehru Road, Kolkata, West Bengal Pin-70007.
3.	M/s Major Machine Tools	B-XXX-94, Shehpur Khurd, Bypass Road, Ludhiana.
4.	M/s Haria Engineering Works	Shankar Tekri Industrial Estate, Post Box No. 643, Jamnagar, Gujrat.
5.	M/s G.G.Engineering Works	5/1-B, Industrial Estate, Kirti Nagar, New Delhi Pin- 110 015.