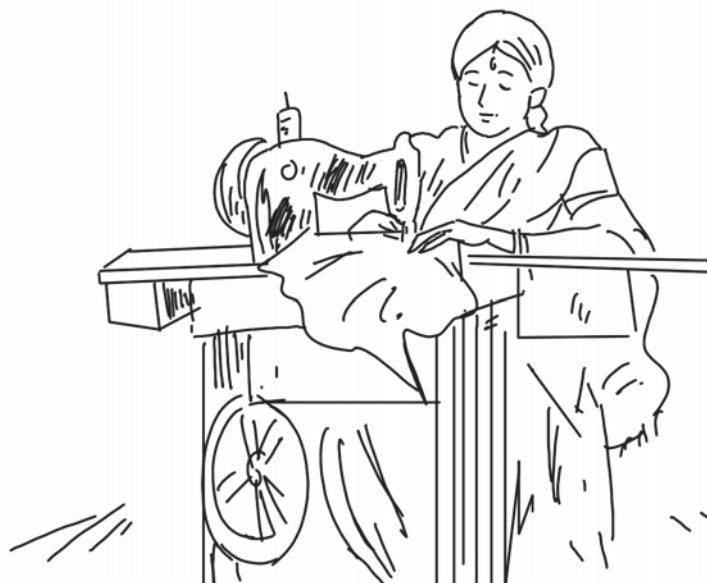


TAILORING AND EMBROIDERY



1.0 INTRODUCTION

Clothes happen to be our primary needs whether they are meant for protecting us against heat, weather, rain or providing us comfort. We need clothes for our day to day utility. The business of tailoring and embroidery is increasing day by day due to frequent changes in fashions and requirement of customized fittings. Tailors make customized dress material as per the size and taste of the individuals.

Embroidery is the art of decorating a fabric with stitches to enrich or add to its beauty. Through the centuries embroiders have experimented with the materials available to them, adopting, refining their techniques, drawing inspiration from their surroundings or from the art, ornament of other times and other cultures.

This project profile is for setting up of a cutting, tailoring and embroidery unit, based on 300 working days per annum and 8 working hours per day. The installed capacity per annum is as follows;

Tailoring Cloths - 3000 Pieces
Embroidery - 1500 Pieces

2.0 MARKET POTENTIAL

Tailored dresses are the choice of urban ladies. It is also gaining wider acceptance in semi-urban and rural areas.

As the designs are fashion oriented, entrepreneurs are advised to keep in mind the changing fashion styles. Though there is demand for tailoring and embroidery round the year, but during festive season, the demand increases manifold.

3.0 PROCESS DETAILS

The production process comprises of the following different process.

In tailoring, required cloth is cut in to required sizes as per the measurements of the latest designs. Then the process follows required lining, button stitching, zip etc. are added to the semi finished fabric. Thereafter, finished cloth is ready for supply.

In embroidery, the craftsman draws the pattern on the fabric. This is done using a normal lead pencil. But usually the design is first drawn on a tracing paper. Using a needle, holes are pierced all along the lines. Next, this is placed on the fabric. A mixture of kerosene and robin blue is made and rubbed with a sponge on the tracing paper. It seeps through the holes and is transferred to the fabric.

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)	Rented	
Plant & Machinery	0.92	
Misc. Fixed assets	0.44	
Preliminary & pre-operative expenses	0.38	
Contingencies & escalation @ 3%	0.04	
Working capital	0.22	
TOTAL	2.00	

4.1 Land & Site Development: Nil. 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)
USHA Automatic Sewing Machine	2	8500	17000
Embroidery Machine	1	33815	33815
Zigzag Machine	1	12600	12600
Miscellaneous Accessories	LS	—	20000
Sub total			83415
Add: Installation, transportation etc @ 10%			8341.5
TOTAL			91756.5
Say (Rs. in lacs)			0.92

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

Particulars	Qty	Rate (Rs)	Amount (Rs)
Electrification	1	5000	5000
Furniture & fixtures like Showcase, Rack, Cutting Table, Press Table, Stools and Chairs etc.	LS	—	25000
Miscellaneous items	LS	—	10000
Sub total			40000
Add: Installation, transportation, etc @ 10%			4000
TOTAL			44000
Say (Rs. in lacs)			0.44

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	15000	
Interest during implementation	2715	
Miscellaneous expenses	15000	
TOTAL	37715	
Say (Rs. in lacs)	0.38	

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	0.07	0.08	0.09
Power & utility	30	0.01	0.01	0.01
Salary	30	0.19	0.19	0.19
Finished Goods	15	0.14	0.15	0.16
Receivables	15	0.15	0.17	0.20
Total		0.55	0.60	0.65
Working capital margin in Year 1 (40%)	0.22			

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%	0.80
B. Subsidy from Central/State Govt.	-	
<u>DEBT</u>		
Term Loan from Banks/Financial Institutions	60%	1.20
TOTAL	100%	2.00

6.0 PROFITABILITY STATEMENT

(Rs. in lacs)

Particulars	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
<u>A. INCOME</u>					
Production Capacity (Pieces/annum)	4500	4500	4500	4500	4500
Capacity utilisation	60%	70%	80%	80%	80%
Production/annum at capacity utilisation	2700	3150	3600	3600	3600
Total income/annum	3.65	4.25	4.86	4.86	4.86
<u>B. OPERATING EXPENSES</u>					
Raw Materials	0.83	0.97	1.10	1.10	1.10
Power & Utility	0.11	0.13	0.14	0.14	0.14
Salary	2.28	2.29	2.30	2.31	2.33
Repair & Maintenance	0.03	0.03	0.03	0.03	0.03
Other Expenses	0.18	0.21	0.24	0.24	0.24
Total Operating Expenses	3.42	3.62	3.82	3.83	3.84
Operating profit	0.22	0.63	1.04	1.03	1.02
<u>C. FINANCIAL EXPENSES</u>					
Depreciation	0.08	0.08	0.08	0.08	0.08
Interest on Term Loan	0.09	0.08	0.05	0.03	0.01
Interest on Working Capital Loan	0.03	0.03	0.03	0.03	0.03
Net Profit	0.02	0.45	0.88	0.89	0.90
Net cash accruals	0.10	0.53	0.95	0.96	0.97
Principal Repayment	0.13	0.27	0.27	0.27	0.27

6.1 Production capacity and Sales Realisation: Annual capacity of Tailoring and Embroidery at 100% capacity utilization is estimated as below.

Stitching	3000 Nos.
Embroidery	1500 Nos.
Total production per annum at 100% capacity (Job Works)	4500 Nos.

Products	Qty	Average Rate Per Unit (Rs.)	Amount (Rs)
Stitching	3000 Nos.	120	360000
Embroidery	1500 Nos.	165	247500
Total Sale Turnover per annum at 100% capacity			607500

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

Products	Qty	Average Rate	Amount (Rs)
Fabrics, Stitching Thread, Button, Zip etc.	LS	LS	1,02,000
Consumables like Packaging Material etc.	LS	LS	36000
Expenses on Raw Material per annum at 100% capacity			138000

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	—	1.50	1.50
General Lighting	5	0.10	0.50
Total power requirement/ day (Kw)			2.00
No. of hrs/day	8		
No. of days/annum	300		
Annual power requirement (kwh)	4800		
Rate per unit (Rs)	3.50		
Expenses on power (Rs)	16800		
Expenses on other Utility (Rs)	1200		
Expenses on power & utility at 100% capacity (Rs)	18000		

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	2	3000	72000
Expenses on salary in the 1st year (Rs)			228000

- 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 (Rented)	0.00	1.00%	0.00
Plant & Machinery	0.92	2.00%	0.02
Misc. Fixed assets	0.44	1.50%	0.01
Expenses on repair & maintenance in year 1			0.03

- 6.6 Other Expenses:** Other expenses have been assumed at 3% 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 (Rented)	0.00	3.34%	0.00
Plant & Machinery	0.92	5.28%	0.05
Misc. Fixed assets	0.44	6.33%	0.03
TOTAL			0.08

- 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	1.20	1.07	0.80	0.53	0.27
	Repayment	0.00	0.02	0.02	0.02	0.02
	Interest (8%)	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.20	1.04	0.78	0.51	0.24
Month 2	Opening balance	1.20	1.04	0.78	0.51	0.24
	Repayment	0.00	0.02	0.02	0.02	0.02
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.20	1.02	0.76	0.49	0.22
Month 3	Opening balance	1.20	1.02	0.76	0.49	0.22
	Repayment	0.00	0.02	0.02	0.02	0.02
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.20	1.00	0.73	0.47	0.20
Month 4	Opening balance	1.20	1.00	0.73	0.47	0.20
	Repayment	0.00	0.02	0.02	0.02	0.02
	Interest	0.01	0.01	0.00	0.00	0.00
	Closing balance	1.20	0.98	0.71	0.44	0.18
Month 5	Opening balance	1.20	0.98	0.71	0.44	0.18
	Repayment	0.00	0.02	0.02	0.02	0.02
	Interest	0.01	0.01	0.00	0.00	0.00
	Closing balance	1.20	0.96	0.69	0.42	0.16
Month 6	Opening balance	1.20	0.96	0.69	0.42	0.16
	Repayment	0.00	0.02	0.02	0.02	0.02
	Interest	0.01	0.01	0.00	0.00	0.00

	Closing balance	1.20	0.93	0.67	0.40	0.13
Month 7	Opening balance	1.20	0.93	0.67	0.40	0.13
	Repayment	0.02	0.02	0.02	0.02	0.02
	Interest	0.01	0.01	0.00	0.00	0.00
	Closing balance	1.18	0.91	0.64	0.38	0.11
Month 8	Opening balance	1.18	0.91	0.64	0.38	0.11
	Repayment	0.02	0.02	0.02	0.02	0.02
	Interest	0.01	0.01	0.00	0.00	0.00
	Closing balance	1.16	0.89	0.62	0.36	0.09
Month 9	Opening balance	1.16	0.89	0.62	0.36	0.09
	Repayment	0.02	0.02	0.02	0.02	0.02
	Interest	0.01	0.01	0.00	0.00	0.00
	Closing balance	1.13	0.87	0.60	0.33	0.07
Month 10	Opening balance	1.13	0.87	0.60	0.33	0.07
	Repayment	0.02	0.02	0.02	0.02	0.02
	Interest	0.01	0.01	0.00	0.00	0.00
	Closing balance	1.11	0.84	0.58	0.31	0.04
Month 11	Opening balance	1.11	0.84	0.58	0.31	0.04
	Repayment	0.02	0.02	0.02	0.02	0.02
	Interest	0.01	0.01	0.00	0.00	0.00
	Closing balance	1.09	0.82	0.56	0.29	0.02
Month 12	Opening balance	1.09	0.82	0.56	0.29	0.02
	Repayment	0.02	0.02	0.02	0.02	0.02
	Interest	0.01	0.01	0.00	0.00	0.00
	Closing balance	1.07	0.80	0.53	0.27	0.00
Principal Repayment		0.13	0.27	0.27	0.27	0.27
Interest		0.09	0.08	0.05	0.03	0.01

7.0 DEBT SERVICE COVERAGE RATIO (DSCR)

(Rs. in lacs)

Year	1	2	3	4	5
Profit After Tax (Net Profit)	0.02	0.45	0.88	0.89	0.90
Depreciation	0.08	0.08	0.08	0.08	0.08
Interest	0.09	0.08	0.05	0.03	0.01
Total	0.20	0.60	1.01	1.00	0.98
Interest	0.09	0.08	0.05	0.03	0.01
Loan repayment	0.13	0.27	0.27	0.27	0.27
Total	0.23	0.34	0.32	0.30	0.28
DSCR	0.86	1.76	3.14	3.33	3.54

Average DSCR = 2.58

8.0 BREAK EVEN POINT (BEP)

(Rs. in lacs)

Year	1	2	3
A. Net sales	3.65	4.25	4.86
B. Variable cost			
Raw Materials	0.83	0.97	1.10
Power & Utility	0.11	0.13	0.14

Other expenses	0.18	0.21	0.24
Interest on Working Capital Loan	0.03	0.03	0.03
Total variable cost	1.14	1.33	1.52
C. Contribution (A-B)	2.50	2.92	3.34
D. Fixed & Semi-fixed Costs			
Salary	2.28	2.29	2.30
Repair & maintenance	0.03	0.03	0.03
Interest on Term Loan	0.09	0.08	0.05
Depreciation	0.08	0.08	0.08
Total fixed cost	2.48	2.47	2.46
E. BREAK EVEN POINT	99.00%	84.58%	73.69%
F. BEP at operating capacity	59.40%	59.21%	58.95%
G. Cash BEP	57.57%	57.37%	57.12%

9.0 INTERNAL RATE OF RETURN (IRR)

(Rs. in lacs)

Year	0	1	2	3	4	5
CASH OUTFLOW						
Capital Expenditure	1.40	0.00	0.00	0.00	0.00	0.00
Working Capital	0.00	0.55	0.05	0.05	0.00	0.00
Total (A)	1.40	0.55	0.05	0.05	0.00	0.00
CASH INFLOW						
Profit After Tax		0.02	0.45	0.88	0.89	0.90
Add: Depreciation		0.08	0.08	0.08	0.08	0.08
Add: Interest		0.09	0.08	0.05	0.03	0.01
Add: Salvage Value						
Total (B)	0.00	0.20	0.60	1.01	1.00	0.98
NET FLOW (B-A)	-1.40	-0.36	0.56	0.96	1.00	0.98

IRR = 35%

Sl. No.	Name of the Embroidery Machine Suppliers	Communication Address
1.	M/s Times	F - 9, Silicon Shoppers, Udhna Main Road, Udhana, Surat, Pin - 394210, Gujarat.
2.	M/s Sri Krishna Impex, Kolkata	39, K. G. Bose, Sarani, Kolkata - 700 085, West Bengal.
3.	M/s Sewing Machine Hospital	Raipur, Mufti Para Road, Rakhal Kuthi, Maheshtala, Kolkata - 700 141, West Bengal.