**TOTAL COST ANALYSIS**

Cost analysis for our start-up would be an overview of different expenses that apply for our business like, legal fees, market research fees, insurance, taxes, utilities, rent, software, supply and logistics, website and domain, salaries of employees etc.

Incorporation fees of about Rs 20,000 will be allotted for filing articles of incorporation, for incorporating businesses, for licences and permits and registrations like TIN number and GSTIN. In many cases, like registering for GST, registering is free but the documents needed for the registration process require paying some charge. We believe that all such charges would be covered under Rs 20,000 as basic documents like Aadhar cards and PAN cards are already available with us.

Office space would be acquired on rent. We plan on opening an office in Chandigarh which will be around 1100 square feet office. According to our research, the rent would be around Rs 40,000 per month and would give up enough area to setup our office and start with our business. We do look forward to expand our business and that would mean bigger office space as well in future but for our initial setup, we think that we don’t need a huge office as we have limited employees and we want to keep our cost of business low.

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Inventory is another essential part of cost analysis. We don’t want to have a large inventory because that can lead to damage or spoilage of goods, we also don’t want a limited inventory because that would mean that our customers will have to wait much longer to get their products. As per initial investment, we believe that about Rs 15,000 would be enough for storage and inventory. Needless to say, we will have to expand it in the future as the business soars.

Marketing is the next part of cost analysis. We would not invest much in marketing initially as we plan on leveraging social media to promote our company. We will be investing in marketing using hoarding and TV commercials in the future but for the initial phase, we would allocate around Rs 5,000 for marketing that too for business cards etc. As for the promotions, we would use social media platforms like Instagram and Facebook and advertise our website to generate traffic. We plan on expanding ourselves as a small business initially and later on emphasise on paid advertisements and commercials and videos and giveaways.

Website and domain are very essential to make our company look professional, and to make it easy for our customers to navigate and display information about our services, products and contact information. While hosting and buying a domain name is cheap (around Rs 500 per year), additional cost of database storages and licences would bump up the total investment to about Rs 4000 per year. This includes database cost, hosting charges and server space cost. As the website traffic will increase with time thus a scalable server space will be a better investment. Our team is very capable of building the website from scratch and hence we have not included cost of hiring a professional to build our website.

Utilities like electric, gas, water, internet, and phone bills for our office space might come up as unseen expenses and hence we included them in out cost analysis. We expect it to be around Rs 10,000 for our mentioned office space. The allotted budget is a bit low but the property we are looking forward to is a furnished one and hence would not require as much investment.

Payroll is one of the major parts of our cost analysis and includes salaries of employees. We plan on paying our employees based on their profile, our marketing team would be paid around Rs 19,000 per month, technical team around Rs 22,000 per month, HR team around 23,000 per month, operations team around 20,000 per month and finance team around 21,000 per month. We realise our salaries are not the best in the industry but at the same time we would be giving additional options to our employees like bonuses, overtime and paid time offs.

Insurance is of various types but as per our research we believe that investing about Rs 40,000 per year for insurance will cover most of it. It will be covering general liability, business owner’s policies, professional liabilities, workers compensation and commercial umbrella. We think that all this can be covered under Rs 40,000 per year which obviously will be increased in subsequent years as our investment increases. There are variety of insurance providers like Bajaj Allianz and Bharati AXA, and online places like policy bazar to compare prices.

Shipping will take another chunk with rates around Rs 15 per 0.5 Kg of goods. Companies like shiprocket and shipyaatri provide us with reliable delivery partners and economical prices.

Apart from this we would allocate funds for miscellaneous and unseen expenses. We also plan on hiring interns and paying them on monthly basis. Thus total cost estimate would be around 2 lakhs. Many expenses would be one time expense like registering the company and legal formalities.

**PRODUCTION COST**

Production cost for our products would be very low as the materials we will be using for making handicrafts would mostly be unprocessed. It would mostly be dry straw, natural paint, recycled material, leaves, twigs etc. Thus, the raw materials cost would be minimal. The salaries of our fellow artisans depend on how much they are able to produce each week. We plan on setting a monthly target and paying them depending on how close they are able to get to the target. This way, they can plan when their monthly produce with a fixed target in front of them and help them achieve it easily. We will set the target by asking them and agree on a negotiated target. If we realise that our target is less than the demand in the market, we will find more artisans for the product. We plan on helping the artisans as much as possible by giving them control over the produce so that they can earn maximum from the orders we get. Production cost varies from handicraft to handicraft. Handicrafts using natural produce will incur low production cost as raw materials are freely available in wild. Paints and colours would cost about Rs 50 but per piece it would come to negligible cost. Handicrafts using metals would incur higher production cost as raw materials are more expensive. Materials like copper costs Rs 700 per Kg and Iron around Rs 500 per Kg. Handicrafts using glass would incur higher production cost as raw materials is cheap but artisans need to be skilled and thus charge more, pushing the production cost higher. The artisans would also be paid depending upon the target achieved and the craft. Glass workers will be paid more (about Rs 150 per hour) as the artisans need to be skilled for it. Similarly, bamboo workers will be paid lesser (about Rs 100 per hour). Thus, the direct production cost varies from product to product, minimum around Rs 50.

Indirect cost includes shipping and transportation charges along with storage and inventory charges. According to our plan, we plan on working with delivery partners like ShipRocket and ShipYaatri that will ship our product at low prices all around the country. They charge around Rs 15/0.5 Kg and deliver to over 29,000 pin codes in India. For bigger orders we can use more reliable shipping partners like FedEx and BlueDart. Again, this varies from one shipping location to another.

Storage charges would be the next indirect cost that needs to be addressed. In the initial phase, we would not need warehouse spacing. This is because the handicrafts are made by artisans based on monthly target and demand from customers. These handicrafts do not need to be stored in warehouses as they are not much in quantity or need any special attention like refrigeration or heating. Besides, we can procure products from artisans and ship them to customers more conveniently than shipping it from artisan to warehouse and warehouse to customers. If in the later stages, due to bulk order we feel the need of inventory and spacing, we can avail that on low pricing of Rs 10 per square feet and pay as we go.

**PRODUCTION RATE**

As per our initial plan, we would take some time to study our customers to understand which handicraft products are in demand and study the trend. Based on the data we will come up with monthly targets which we will negotiate upon with our fellow artisans to come up with a monthly target. We plan on procuring 30-50 pieces of handicraft depending on the product. Like, metal handicrafts take longer to craft hence around 30 pieces per month would be an easy target. At the same time jute pouches are easier to craft and thus we can easily aim for about 100 pouches from an artisan. All of our targets are in agreement with the artisan and thus they have the power to negotiate the monthly targets.

We plan on catering around 300-500 customers monthly in the first phase. We expect to see a rise in this number in subsequent months as we attract more customers and thus will be adding more fellow artisans to our team.

Thu, our production cost and rates vary from product to product as we are not just delivering goods but also manufacturing them, And all our goods are of different types and hence take varied investment and time to manufacture.

**UNIT COST**

The unit cost is the price incurred by a company to produce, store and sell one unit of a particular product. As our products differ in raw materials and manufacturing process ranging from jute pouches to glass decorations and metal artwork, the unit cost is variable for different products.

For a jute pouch, the cost of jute required will be about Rs 10 (high quality jute price is about 150 per Kg). Weaving cost Rs 10 (Labour charges). Additional beads and decorations on it would be Rs 10 and finally shipping would be Rs 15. Artisan wage is around 100 per hour, and they can make 1 pouch in around 10 minutes bringing total unit cost to around Rs 50 or 60.

For a glass piece, the cost of glass required will be about Rs 50 (high quality scrap glass price is about 80 per Kg). Furnace running cost will be around Rs 100. Additional colouring and decorations on it would be Rs 80 and finally shipping would be Rs 30 (because fragile). Artisan wage is around 200 per hour, and they can make 1 piece in around 60 minutes bringing total unit cost to around Rs 400.

For a copper piece, the cost of copper required will be about Rs 80 (high quality scrap copper price is about 750 per Kg). Furnace running cost will be around Rs 200. Additional decorations on it would be Rs 100 and finally shipping would be Rs 50. Artisan wage is around 200 per hour, and they can make 1 piece in around 60 minutes bringing total unit cost to around Rs 600.

Hence, the unit cost of our product ranges from Rs 50 to about Rs 1000.

**RUNNING COST**

Running cost includes furnaces for glassware and metal artworks, electricity for sewing machines, water supply for jute handicrafts etc. Running cost of furnace would come around Rs 200 as it needs to run throughout the day for the production of metal handicrafts and glass pieces. Similarly, water supply is needed as jute needs to be soaked in water and for washing of fabrics. Water is also needed for cooling down metal pieces after heating them. Thus, constant electricity and water supply are necessary. Along with this, in the office, we would need internet access and HVAC (Heating, Ventilation, and Air Conditioning).

**ELECTRICITY COST**

Running cost of electric furnace is about Rs 200 per hour while that of a gas furnace is Rs 100. We promote use of eco-friendly appliances and hence would encourage use of electric furnaces. Water supply costs around Rs 400 per month for industrial per connection. We will be using it in our office as well as in artisan workspace. Electric supply would cost around Rs 200 per hour and adding additional electricity use would bump it to around Rs 400 per hour. Gas supply for gas furnace use around Rs 100 per hour. Thus, running cost per hour is of around Rs 600.

**RENTAL COST**

We plan on acquiring office space on rent. We plan on opening an office in Chandigarh which will be around 1100 square feet office. According to our research, the rent would be around Rs 40,000 per month and would give up enough area to setup our office and start with our business. We do look forward to expand our business and that would mean bigger office space as well in future but for our initial setup, we think that we don’t need a huge office as we have limited employees and we want to keep our cost of business low. The office we are planning for is furnished and air-conditioned saving us from one time instalment charges. Although we will have to pay running charge of the air-conditioning system which we thing will be around Rs 200 per day as it’s a relatively small office.

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We also plan on renting few appliances on the future that can be used to train the artisans that want to learn a new skill. Appliances like furnaces, sewing machines, glass blowing rods etc can be acquired along with air conditioning systems. We plan on renting appliances and office space as we expand our business so that we don’t acquire ownership but are able to use the appliance as well.