

PROJECT REPORT

Of

BLACKCLAY FLOWER POT UNIT

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Blackclay Flower Pot Unit.

The objective of the pre-feasibility report is primarily to facilitate potential entrepreneurs in project identification for investment and in order to serve his objective; the document covers various aspects of the project concept development, start-up, marketing, finance and management.

[We can modify the project capacity and project cost as per your requirement. We can also prepare project report on any subject as per your requirement.]

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PROJECT AT A GLANCE

- 1 Name of the Entrepreneur : xxxxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **BLACK CLAY FLOWER POTS**
- 6 Name of the project / business activity proposed : **BLACKCLAY HANDICRAFT UNIT (FLOWER POTS)**
- 7 Cost of Project : Rs.9.36 Lakhs
- 8 Means of Finance
- Term Loan Rs.5.09 Lakhs
- Own Capital Rs.0.94 Lakhs
- Working Capital Rs.3.34 Lakhs
- 9 Debt Service Coverage Ratio : 2.98
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 47%
- 13 Employment : 10 Persons
- 14 Power Requirement : 25.00 HP
- 15 Major Raw materials : Fine Textured Clay, Silvery powder of Zinc and Mercury, Lead and Amalgam, Hand Tools.
- 16 Estimated Annual Sales Turnover (Max Capacity) : 82.58 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Plant & Machinery	4.15
Furniture & Fixtures	1.50
Working Capital	3.71
Total	9.36

MEANS OF FINANCE

Particulars	Amount
Own Contribution	0.94
Working Capital(Finance)	3.34
Term Loan	5.09
Total	9.36

BLACKCLAY FLOWER POT UNIT



2.Introduction:

India a country with enormous art and literature is a land rich in various cultures, designs, ethnicity, scriptures, architect and many more. Among them, the art of pottery is a talent treasure which the country holds. Majorly a technique of changing

wet soil into beautiful shapes via art of hand and wheel. The pottery industry is often called “from mud to money” industry/sector.

The black clay pottery of Nizamabad in Azamgarh district of Uttar Pradesh, India is a unique type of clay pottery known for its dark shiny body with engraved silver patterns. It was registered for Geographical Indication tag in December 2015. Nizamabad had been famous for this art since Mughal rule (Aurangzeb). Fine textured clay is used which is locally available.

The silver wire around some pieces is inspired by Bidriware (metal handicraft from Bidar). It's a long process to be done cautiously. Now the black shiny pots and vessels are ready to attract and seduce your eyes. Variety of household and decorative items are made including vases, plates, pots, saucers, lamp, tea-pots, bowls, chillum (pipes), incense stick holder, surahi are the attractions. Also, they make a statue which reflects the divine beauty. People who visit here can't deny buying these products. The focus is to revive it for day to day use, so that consumption increases and there is a growing demand. The pottery of Nizamabad has a unique place at the international market.

3. Market Potential:

The craft originated from Kutch region of Gujarat state. Some potters of the region migrated to Nizamabad during the Mughal rule of Aurangzeb. The silver patterns are inspired from Bidriware of Hyderabad which decorates pots using silver wires. Around 200 families are involved in the craft in Nizamabad and majority of their works are exported. Still their condition remains abysmal. The black clay pottery was applied for Geographical Indication (GI) tag in October 2013 with support of NABARD of Lucknow and Human Welfare Association

of Varanasi. It was registered for GI tag in December 2015 which gives the right to name the product to specific geographic region of origin only. The products made have huge demands in the international market as well as the national urban markets.

The pottery-making industry exported products a total value worth US\$ 3.3 billion in 2012-13. Furthermore, it registered a growth of approximately 22% over the previous years.

4. Product Description:

4.1. Product Uses: The variety of household and decorative items are made including vases, plates, pots, lamps, tea-pots, bowls, vessels, incense stick holders and statues of Hindu religious figures. Surahi, a long-necked water pot, is a popular item.

4.2. Raw Material: The grooves on clay wares are then filled with:

- Fine Textured Clay
- Silvery powder of zinc and mercury washed with water and polished
- Lead and Amalgam is also used
- Hand Tools
- Carving and Decorating Tools
- Glaze and Colorants
- Potter's Wheel
- Worktable
- Shelves/Racks for storage and display of your clay wares
- Kiln
- Business Card

- Product Catalogue

Average raw material cost: Rs.95-105 (Approx.)

4.3.Manufacturing Process: Indian Black Pottery is made at Nizamad in Azamgarh district. The products made include Vases, decorative pieces and Flower Pots.

- The pottery is made with locally available fine textured clay.
- The clay moulds are prepared in different shapes and are backed in kiln.
- Later these clay wares are washed with powdered vegetable matter and are rubbed with mustard oil. The lustrous black pottery is rubbed with special oil and then fired twice.
- They are decorated with floral and geometric patterned grooves using sharp twigs. Various beautiful floral and geometric designs are then etched to it. The black surface with its silvery design has an uncanny resemblance to the bidri metal ware, the matt black of the base offset by the silver sheen of the designs.
- They are smoke fired with rice husks in enclosed kilns which gives its unique shiny black surface.
- The deep black colour is obtained by mixing the local clay with mustard oil seed cake. The silvery ornamentation on the pottery is done by rubbing an amalgam of mercury and tin into the etched and baked patterns on the pots, thereby producing the silvery tracery. The products made have huge demands in the international market as well as the national urban markets.

- The pottery is found to be decorated by painting, stamping, making incisions, molding and appliqué designs. Mainly the decorations consist of horizontal lines, loops, diamonds, circles, triangles, criss-cross, human, animal and bird motifs, rosettes, floral designs and a variety of religious symbols. But during the post- Gupta period, this decorated pottery lost its charm and color.

Processing of Clay: Cleaning, Mixing & Kneading

Throwing: centering, coning, raising up, plunging, drawing, thinning the wall, forming, collaring, smoothing, cutting off & removing

Beating & Enlarging

Finishing & Decorating: Polishing and painting

Throwing or modeling by hand may provide only shape to the pot which requires further treatment in to a finished product. In such cases, the last stage of manufacture includes such various processes as shaving, slipping, polishing, engraving, stamping and inlay.

5. Project Components:

5.1. Land: The required land for pottery making is estimated to be around 1000sqft. The rooftop and corridors of houses covered with pots drying in sun showcase the feature of the town itself.

5.2. Civil Work:

- Workshop Area- This area includes the wheel set up and foundation space for all equipments, work floor area, and necessary tooling, painting and polishing. Total workshop area is approx. 500Sqft.
- Inventory Area- This area includes the storage space for all the raw materials, tooling and storage space and finished goods. Total inventory area is approx. 300Sqft.
- Office Area – This space includes staff working region.. Total workshop area is approx 200Sqft.

Land and building requirement may vary depending on the size of project.

5.3. Tools & Machinery: The potter's wheel can be classified in to two groups: the single wheel and the double wheel:

Single wheel: This can be classified in to the following types

Socketed Block- Wheel	
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Socketed Spoked Wheel



Pivoted Wheel



Double wheel

It is popularly known as the kick wheel that has two wooden discs supported by a long shaft whose tenon rests and revolves in a socket provided at the bottom of the pit in which the entire wheel is suitably accommodated. The pot is thrown on the upper disc, and the wheel is turned by kicking the lower disc by the means of the right foot



<p>Pugmill</p>	<p>A pugmill or pug mill is a machine in which clay or other materials are mixed into a plastic state or a similar machine for the trituration of ore. Industrial applications are found in pottery, bricks, cement and some parts of the concrete and asphalt mixing processes. A pugmill may be a fast continuous mixer</p>	
<p>Kiln</p>	<p>A kiln is a thermally insulated chamber, a type of oven that produces temperatures sufficient to complete some process, such as hardening, drying, or chemical changes. Kilns have been used for millennia to turn objects made from clay into pottery</p>	

Average Tools and Machineries cost will be Rs. 4.15 Lakh (Approx.) exclusive of GST & installation cost.

5.4. Miscellaneous Assets:

- ✓ Water Supply Arrangements
- ✓ Furniture
- ✓ Stationery

5.5. Power Requirement: The power required must be around 25-30 HP.

5.6. Man Power Requirement: Following manpower is required:

- Skilled/Unskilled Worker-4
- Helper-4
- 2 Skilled worker including Sales Personal and Accountant.

6.

**FINANCIAL
ASPECTS**

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I	II	III	IV	V
<u>A) SALES</u>					
Gross Sale	50.90	59.52	66.88	74.57	82.58
Total (A)	50.90	59.52	66.88	74.57	82.58
<u>B) COST OF SALES</u>					
Raw Material Consumed	25.65	28.81	32.08	35.45	38.93
Electricity Expenses	2.80	3.08	3.36	3.64	3.92
Repairs & Maitainance	1.78	2.08	2.34	2.61	2.89
Labour & Wages	12.60	14.36	16.09	18.18	20.36
Depreciation	0.77	0.66	0.57	0.49	0.42
Cost of Production	43.60	49.00	54.43	60.37	66.52
Add: Opening Stock /WIP	-	1.76	1.99	2.24	2.49
Less: Closing Stock /WIP	1.76	1.99	2.24	2.49	2.76
Cost of Sales (B)	41.85	48.76	54.19	60.11	66.26
C) GROSS PROFIT (A-B)	9.05	10.75	12.69	14.46	16.33
	17.78%	18.07%	18.98%	19.39%	19.77%
D) Bank Interest i) (Term Loan)	0.55	0.45	0.33	0.20	0.08
ii) Interest On Working Capital	0.37	0.37	0.37	0.37	0.37
E) Salary to Staff	4.79	5.70	6.89	7.93	9.12
F) Selling & Adm Expenses Exp.	1.53	1.79	2.01	2.24	2.48
TOTAL (D+E+F)	7.23	8.30	9.59	10.73	12.04
H) NET PROFIT	1.82	2.45	3.10	3.72	4.29
	3.6%	4.1%	4.6%	5.0%	5.2%
I) Taxation	-	-	-	-	- 0.02
J) PROFIT (After Tax)	1.82	2.45	3.10	3.72	4.31

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	0.94	-			
Reserve & Surplus	1.82	2.45	3.10	3.72	4.29
Depreciation & Exp. W/off	0.77	0.66	0.57	0.49	0.42
Increase In Cash Credit	3.34				
Increase In Term Loan	5.09	-	-	-	-
Increase in Creditors	0.60	0.07	0.08	0.08	0.08
TOTAL :	12.54	3.19	3.75	4.30	4.79
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	5.65	-	-	-	-
Increase in Stock	2.61	0.34	0.35	0.37	0.38
Increase in Debtors	1.70	0.29	0.25	0.26	0.27
Repayment of Term Loan	0.57	1.13	1.13	1.13	1.13
Taxation	-	-	-	-	- 0.02
Drawings	1.10	1.90	2.10	2.60	3.10
TOTAL :	11.62	3.66	3.83	4.36	4.86
Opening Cash & Bank Balance	-	0.92	0.46	0.37	0.31
Add : Surplus	0.92	- 0.47	- 0.08	- 0.06	- 0.07
Closing Cash & Bank Balance	0.92	0.46	0.37	0.31	0.24

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
<u>Finished Goods</u>					
(10 Days requirement)	1.76	1.99	2.24	2.49	2.76
<u>Raw Material</u>					
(10 Days requirement)	0.86	0.96	1.07	1.18	1.30
Closing Stock	2.61	2.95	3.30	3.67	4.06

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	2.61		
Less:			
Sundry Creditors	0.60		
Paid Stock	2.01	0.20	1.81
Sundry Debtors	1.70	0.17	1.53
Working Capital Requirement			3.34
Margin			0.37
MPBF			3.34
Working Capital Demand			3.34

REPAYMENT SCHEDULE OF TERM LOAN

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	5.09	5.09	0.14	-	5.09
	Iind Quarter	5.09	-	5.09	0.14	-	5.09
	IIIrd Quarter	5.09	-	5.09	0.14	0.28	4.80
	Ivth Quarter	4.80	-	4.80	0.13	0.28	4.52
					0.55	0.57	
II	Opening Balance						
	Ist Quarter	4.52	-	4.52	0.12	0.28	4.24
	Iind Quarter	4.24	-	4.24	0.12	0.28	3.96
	IIIrd Quarter	3.96	-	3.96	0.11	0.28	3.67
	Ivth Quarter	3.67		3.67	0.10	0.28	3.39
					0.45	1.13	
III	Opening Balance						
	Ist Quarter	3.39	-	3.39	0.09	0.28	3.11
	Iind Quarter	3.11	-	3.11	0.09	0.28	2.83
	IIIrd Quarter	2.83	-	2.83	0.08	0.28	2.54
	Ivth Quarter	2.54		2.54	0.07	0.28	2.26
					0.33	1.13	
IV	Opening Balance						
	Ist Quarter	2.26	-	2.26	0.06	0.28	1.98
	Iind Quarter	1.98	-	1.98	0.05	0.28	1.70
	IIIrd Quarter	1.70	-	1.70	0.05	0.28	1.41
	Ivth Quarter	1.41		1.41	0.04	0.28	1.13
					0.20	1.13	
V	Opening Balance						
	Ist Quarter	1.13	-	1.13	0.03	0.28	0.85
	Iind Quarter	0.85	-	0.85	0.02	0.28	0.57
	IIIrd Quarter	0.57	-	0.57	0.02	0.28	0.28
	Ivth Quarter	0.28		0.28	0.01	0.28	-
					0.08	1.13	

Door to Door Period 60 Months

Moratorium Period 6 Months

Repayment Period 54 Months

CALCULATION OF D.S.C.R

PARTICULARS	I	II	III	IV	V
CASH ACCRUALS	2.59	3.12	3.67	4.22	4.73
Interest on Term Loan	0.55	0.45	0.33	0.20	0.08
Total	3.14	3.57	4.00	4.42	4.81
REPAYMENT					
Repayment of Term Loan	0.57	1.13	1.13	1.13	1.13
Interest on Term Loan	0.55	0.45	0.33	0.20	0.08
Total	1.12	1.58	1.46	1.33	1.21
DEBT SERVICE COVERAGE R.	2.81	2.26	2.75	3.32	3.98
AVERAGE D.S.C.R.			2.98		

9. Assumptions:

1. Production Capacity of Black Clay Flower Pots is 180 Pieces per day. First year, Capacity has been taken @ 50%.
2. Working shift of 10 hours per day has been considered.
3. Raw Material stock and Finished goods closing stock has been taken for 10 days.
4. Credit period to Sundry Debtors has been given for 10 days.
5. Credit period by the Sundry Creditors has been provided for 7 days.
6. Depreciation and Income tax has been taken as per the Income tax Act, 1961.
7. Interest on working Capital Loan and Term loan has been taken at 11%.
8. Salary and wages rates are taken as per the Current Market Scenario.
9. Power Consumption has been taken at 25 HP.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

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