

PROJECT REPORT

Of

COTTON BAGS

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding **Cotton Bags**.

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 : xxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxx
Pin: xxxxxxx State: xxxxxxxxx
Mobile : xxxxxxx
- 5 Product and By Product : **COTTON BAGS**
- 6 Name of the project / business activity proposed : **COTTON BAGS UNIT**
- 7 Cost of Project : Rs.20.44 Lakhs
- 8 Means of Finance :
Term Loan Rs.14.4 Lakhs
Own Capital Rs.2.04 Lakhs
Working capital Rs.4 Lakhs
- 9 Debt Service Coverage Ratio : 2.25
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 27%
- 13 Employment : 8 Persons
- 14 Power Requirement : 20.00 HP
- 15 Major Raw materials : Cotton Fabric Roll, Thread, Packing material
- 16 Estimated Annual Sales Turnover (Max Capacity) : 78.67 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
	Own/Rented
Land	
Building / Shed 1000 Sq ft	4.00
Plant & Machinery	11.00
Furniture & Fixtures	1.00
Working Capital	4.44
Total	20.44

MEANS OF FINANCE

Particulars	Amount
Own Contribution	2.04
Working Capital(Finance)	4.00
Term Loan	14.40
Total	20.44

COTTON BAGS

Introduction: Cotton is a fabric obtained by processing and weaving fibers obtain from crop of same name, the fibers of cotton are almost pure cellulose thus are easy to process to remove impurities followed by which its fibers are twisted to obtain fiber thread which are then woven into fabrics. Cotton is a fabric obtained by processing and weaving fibers obtain from crop of same name, the fibers of cotton are almost pure cellulose thus are easy to process to remove impurities followed by which its fibers are twisted to obtain fiber thread which are then woven into fabrics. The Cotton Fabric is also used to manufacture bags which are a good alternative to plastic or paper bag which are intended for single use, on the other hand cotton bags have higher strength thus can be used multiple times and even when they are no longer useful they can be recycled easily to reclaim cotton fabric.



Uses & Market Potential: Cloth bags are made from 100% cotton, antibacterial and recyclable materials according to the raw materials used. Cloth bags can be used for many years, depending on the raw material used, sewing quality, usage areas and shape. The ecofriendly cotton bags are anticipated to overtake plastic bags in the retail sector during the forecast period. Increasing availability of decorated cotton bags is inciting people to increasingly adopt cotton bags. Cotton bags have high printability & shelf appeal as compared to plastic bags. Due to plastic getting banned the demand of Cotton bags has increased.

Raw Material: Major raw material used for cotton bags is cotton fabric roll which is purchased from fabric manufacturer, the list of all raw material required is as follows:

1. Cotton Fabric Roll
2. Thread
3. Packaging Material

Machinery Requirement: Basic machines & equipments are as follows:

S No.	Machine	Unit	Price
1.	Sewing Machine	10	250000
2.	Band saw Machine	2	300000
3.	Light Duty Hot Press	10	50000
4.	Counting & Packaging Machine	5	500000
	Total Amount		1100000

Manufacturing Process: The cotton fabric rolls are unrolled and folded so as to have the dimension of bag plus straps followed by which band saw machine is used to cut the straps out of folded fabric and simultaneously the fabric also gets cut into the size of the bags. These cut section of bag and straps are taken to sewing area where the straps section is folded and sewed to obtain straps and simultaneously on other sewing machine the bag sections

are stitched together followed by which both the straps and bag are stitched together in order to obtain the Cotton bag. These bags are appropriately placed in a light duty hot press which presses the bags into proper shape, removing any wrinkles, followed by which these bags are placed in counting and packaging machine which counts the number of bags and after a fixed number of packages them together.

Area: The industrial setup requires space for Inventory, workshop or manufacturing area, space for power supply utilities and auxiliary like Generator setup. Also some of the area of building is required for office staff facilities, documentation, office furniture, etc. Thus, the approximate total area required for complete industrial setup is 1500 to 2000Sqft. Civil Work cost will be Rs. 4 Lacs (Approx.)

Power Requirement: The power consumption required to run all the machinery could be approximated as 20hp

Manpower Requirement: There are requirement of skilled machine operators to run the machine set. Experience quality engineers are required for desired quality control. Some helpers are also required to transfer the material from one work station to other. Office staffs are required to maintain the documentation. The approximate manpower required is 8 including 1 Supervisor, 1 Machine operator, 1 unskilled worker, 1 Helper and 1 Security guard. 3 Skilled worker including Accountant, Manager and Sales person.

Bank Term Loan: Rate of Interest is assumed to be at 11%

Depreciation: Depreciation has been calculated as per the Provisions of Income Tax Act, 1961

Approvals & Registration Requirement:

Basic registration required in this project:

- GST Registration
- Udyog Aadhar Registration (Optional)
- Choice of a Brand Name of the product and secure the name with Trademark if require.

Implementation Schedule:

S No.	Activity	Time required
1.	Acquisition of premises	1-2 Months
2.	Procurement & installation of Plant & Machinery	1-2 Months
3.	Arrangement of Finance	1.5-2 Months
4.	Requirement of required Manpower	1 Month
5.	Commercial Trial Runs	1 Month
	Total time Required (some activities shall run concurrently)	5-6 Months

FINANCIALS

PROJECTED CASH FLOW STATEMENT					
PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Own Contribution	2.04	-			
Reserve & Surplus	3.26	5.19	7.70	9.84	12.33
Depreciation & Exp. W/off	2.15	1.85	1.60	1.38	1.19
Increase In Cash Credit	4.00				
Increase In Term Loan	14.40	-	-	-	-
Increase in Creditors	0.70	0.12	0.08	0.08	0.08
TOTAL :	26.56	7.16	9.38	11.30	13.60
APPLICATION OF FUND					
Increase in Fixed Assets	16.00	-	-	-	-
Increase in Stock	3.65	0.54	0.47	0.48	0.49
Increase in Debtors	2.40	0.45	0.35	0.36	0.37
Repayment of Term Loan	1.60	3.20	3.20	3.20	3.20
Taxation	-	0.52	1.16	2.95	3.70
Drawings	1.50	2.00	3.00	4.00	5.00
TOTAL :	25.15	6.71	8.17	10.99	12.76
Opening Cash & Bank Balance	-	1.40	1.86	3.07	3.38
Add : Surplus	1.40	0.46	1.20	0.31	0.84
Closing Cash & Bank Balance	1.40	1.86	3.07	3.38	4.22

PROJECTED BALANCE SHEET					
PARTICULARS	I	II	III	IV	V
SOURCES OF FUND					
Capital Account					
Opening Balance	-	3.81	6.48	10.03	12.92
Add: Additions	2.04	-	-	-	-
Add: Net Profit	3.26	4.67	6.55	6.89	8.63
Less: Drawings	1.50	2.00	3.00	4.00	5.00
Closing Balance	3.81	6.48	10.03	12.92	16.55
CC Limit	4.00	4.00	4.00	4.00	4.00
Term Loan	12.80	9.60	6.40	3.20	-
Sundry Creditors	0.70	0.81	0.90	0.98	1.06
TOTAL :	21.31	20.90	21.32	21.10	21.61
APPLICATION OF FUND					
Fixed Assets (Gross)					
Gross Dep.	2.15	4.00	5.60	6.98	8.17
Net Fixed Assets	13.85	12.00	10.40	9.02	7.83
Current Assets					
Sundry Debtors	2.40	2.85	3.20	3.56	3.93
Stock in Hand	3.65	4.18	4.66	5.14	5.63
Cash and Bank	1.40	1.86	3.07	3.38	4.22
TOTAL :	21.31	20.90	21.32	21.10	21.61

PROJECTED PROFITABILITY STATEMENT					
PARTICULARS	I	II	III	IV	V
A) SALES					
Gross Sale	48.09	57.09	64.06	71.25	78.67
Total (A)	48.09	57.09	64.06	71.25	78.67
B) COST OF SALES					
Raw Material Consumed	29.93	34.91	38.40	41.90	45.39
Electricity Expenses	1.45	1.61	1.77	1.93	2.10
Repair & Maintenance	2.40	2.57	2.88	3.56	3.93
Labour & Wages	4.79	4.98	5.43	5.97	6.57
Depreciation	2.15	1.85	1.60	1.38	1.19
Cost of Production	40.72	45.93	50.08	54.74	59.17
Add: Opening Stock /WIP	-	2.15	2.44	2.73	3.04
Less: Closing Stock /WIP	2.15	2.44	2.73	3.04	3.36
Cost of Sales (B)	38.57	45.64	49.79	54.43	58.86
C) GROSS PROFIT (A-B)	9.53	11.45	14.27	16.82	19.81
	19.81%	20.06%	22.28%	23.60%	25.19%
D) Bank Interest (Term Loan)	1.56	1.28	0.92	0.57	0.22
ii) Interest On Working Capital	0.44	0.44	0.44	0.44	0.44
E) Salary to Staff	3.78	3.97	4.56	5.25	6.04
F) Selling & Adm Expenses Exp.	0.48	0.57	0.64	0.71	0.79
TOTAL (D+E)	6.26	6.26	6.57	6.97	7.48
H) NET PROFIT	3.26	5.19	7.70	9.84	12.33
	6.8%	9.1%	12.0%	13.8%	15.7%
I) Taxation	-	0.52	1.16	2.95	3.70
J) PROFIT (After Tax)	3.26	4.67	6.55	6.89	8.63

COMPUTATION OF MAKING OF COTTON BAGS			
Item to be Manufactured Cotton Bags			
Manufacturing Capacity per day		1,500	Pcs
Size		12W*12H	
No. of Working Hour		8	
No of Working Days per month		25	
No. of Working Day per annum		300	
Total Production per Annum		4,50,000	Pcs
Total Production per Annum		4,50,000	Pcs
Year		Capacity	COTTON BAGS
		Utilisation	
I		45%	2,02,500.00
II		50%	2,25,000.00
III		55%	2,47,500.00
IV		60%	2,70,000.00
V		65%	2,92,500.00

COMPUTATION OF RAW MATERIAL					
Item Name	Quantity of Raw Material	Unit	Unit Rate of	Total CostPer Annum (100%)	
Cotton Fabric Roll(150-200GSM)	1,50,000.00	Mtr	40.00	60,00,000.00	
Cotton Thread Rolls	10,000.00	Rolls	50.00	5,00,000.00	
Packing material	Lumsum			1,50,000.00	
Total				66,50,000.00	
Total Raw material in Rs lacs					66.50

Raw Material Consumed	Capacity Utilisation	Amount (Rs.)	
I	45%	29.93	
II	50%	34.91	5% Increase in Cost
III	55%	38.40	5% Increase in Cost
IV	60%	41.90	5% Increase in Cost
V	65%	45.39	5% Increase in Cost

COMPUTATION OF SALE					
Particulars	I	II	III	IV	V
Op Stock	-	10,125.00	11,250.00	12,375.00	13,500.00
Production	2,02,500.00	2,25,000.00	2,47,500.00	2,70,000.00	2,92,500.00
	2,02,500.00	2,35,125.00	2,58,750.00	2,82,375.00	3,06,000.00
Less : Closing Stock(15 Days)	10,125.00	11,250.00	12,375.00	13,500.00	14,625.00
Net Sale	1,92,375.00	2,23,875.00	2,46,375.00	2,68,875.00	2,91,375.00
Sale Price per bag	25.00	25.50	26.00	26.50	27.00
Sale (in Lacs)	48.09	57.09	64.06	71.25	78.67

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL					
PARTICULARS	I	II	III	IV	V
Finished Goods					
(15 Days requirement)	2.15	2.44	2.73	3.04	3.36
Raw Material					
(15 Days requirement)	1.50	1.75	1.92	2.09	2.27
Closing Stock	3.65	4.18	4.66	5.14	5.63

COMPUTATION OF WORKING CAPITAL REQUIREMENT			
Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	3.65		
Less:			
Sundry Creditors	0.70		
Paid Stock	2.95	0.29	2.65
Sundry Debtors	2.40	0.24	2.16
Working Capital Requirement			4.82
Margin			0.54
MPBF			4.82
Working Capital Demand			4.00

BREAK UP OF LABOUR				
Particulars	Wages Per Month	No of Employees	Total Salary	
Supervisor	12,000.00	1	12,000.00	
Machine Operator	10,000.00	1	10,000.00	
Unskilled Worker	6,000.00	1	6,000.00	
Helper	4,000.00	1	4,000.00	
Security Guard	6,000.00	1	6,000.00	
				38,000.00
Add: 5% Fringe Benefit				1,900.00
Total Labour Cost Per Month				39,900.00
Total Labour Cost for the year (In Rs. Lakhs)		5		4.79

BREAK UP OF SALARY				
Particulars	Salary Per Month	No of Employees	Total Salary	
Manager	12,000.00	1	12,000.00	
Accountant cum store keeper	10,000.00	1	10,000.00	
Sales	8,000.00	1	8,000.00	
Total Salary Per Month				30,000.00
Add: 5% Fringe Benefit				1,500.00
Total Salary for the month				31,500.00
Total Salary for the year (In Rs. Lakhs)		3		3.78

COMPUTATION OF DEPRECIATION					
Description	Land	Building/shed	Plant & Machinery	Furniture	TOTAL
Rate of Depreciation		10.00%	15.00%	10.00%	
Opening Balance	Leased		-	-	-
Addition	-	4.00	11.00	1.00	16.00
	-	4.00	11.00	1.00	16.00
		-	-	-	
TOTAL		4.00	11.00	1.00	16.00
Less : Depreciation	-	0.40	1.65	0.10	2.15
WDV at end of Ist year	-	3.60	9.35	0.90	13.85
Additions During The Year	-	-	-	-	-
	-	3.60	9.35	0.90	13.85
Less : Depreciation	-	0.36	1.40	0.09	1.85
WDV at end of IInd Year	-	3.24	7.95	0.81	12.00
Additions During The Year	-	-	-	-	-
	-	3.24	7.95	0.81	12.00
Less : Depreciation	-	0.32	1.19	0.08	1.60
WDV at end of IIIrd year	-	2.92	6.76	0.73	10.40
Additions During The Year	-	-	-	-	-
	-	2.92	6.76	0.73	10.40
Less : Depreciation	-	0.29	1.01	0.07	1.38
WDV at end of IV year	-	2.62	5.74	0.66	9.02
Additions During The Year	-	-	-	-	-
	-	2.62	5.74	0.66	9.02
Less : Depreciation	-	0.26	0.86	0.07	1.19
WDV at end of Vth year	-	2.36	4.88	0.59	7.83

REPAYMENT SCHEDULE OF TERM LOAN					11.0%		
Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	14.40	14.40	0.40	-	14.40
	IInd Quarter	14.40	-	14.40	0.40	-	14.40
	IIIRD Quarter	14.40	-	14.40	0.40	0.80	13.60
	Ivth Quarter	13.60	-	13.60	0.37	0.80	12.80
					1.56	1.60	
II	Opening Balance						
	Ist Quarter	12.80	-	12.80	0.35	0.80	12.00
	IInd Quarter	12.00	-	12.00	0.33	0.80	11.20
	IIIRD Quarter	11.20	-	11.20	0.31	0.80	10.40
	Ivth Quarter	10.40		10.40	0.29	0.80	9.60
					1.28	3.20	
III	Opening Balance						
	Ist Quarter	9.60	-	9.60	0.26	0.80	8.80
	IInd Quarter	8.80	-	8.80	0.24	0.80	8.00
	IIIRD Quarter	8.00	-	8.00	0.22	0.80	7.20
	Ivth Quarter	7.20		7.20	0.20	0.80	6.40
					0.92	3.20	
IV	Opening Balance						
	Ist Quarter	6.40	-	6.40	0.18	0.80	5.60
	IInd Quarter	5.60	-	5.60	0.15	0.80	4.80
	IIIRD Quarter	4.80	-	4.80	0.13	0.80	4.00
	Ivth Quarter	4.00		4.00	0.11	0.80	3.20
					0.57	3.20	
V	Opening Balance						
	Ist Quarter	3.20	-	3.20	0.09	0.80	2.40
	IInd Quarter	2.40	-	2.40	0.07	0.80	1.60
	IIIRD Quarter	1.60	-	1.60	0.04	0.80	0.80
	Ivth Quarter	0.80		0.80	0.02	0.80	-
					0.22	3.20	

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	5.41	6.53	8.14	8.27	9.82
Interest on Term Loan	1.56	1.28	0.92	0.57	0.22
Total	6.98	7.80	9.07	8.84	10.04
REPAYMENT					
Repayment of Term Loan	1.60	3.20	3.20	3.20	3.20
Interest on Term Loan	1.56	1.28	0.92	0.57	0.22
Total	3.16	4.48	4.12	3.77	3.42
DEBT SERVICE COVERAGE RATIO	2.21	1.74	2.20	2.34	2.94
AVERAGE D.S.C.R.			2.25		

COMPUTATION OF ELECTRICITY				
(A) POWER CONNECTION				
Total Working Hour per day		Hours	8	
Electric Load Required		HP	20	
Load Factor			0.7460	
Electricity Charges		per unit	7.50	
Total Working Days			300	
Electricity Charges				2,68,560.00
Add : Minimim Charges (@ 10%)				
(B) DG set				
No. of Working Days			300	days
No of Working Hours			0.3	Hour per day
Total no of Hour			90	
Diesel Consumption per Hour			8	
Total Consumption of Diesel			720	
Cost of Diesel			65.00	Rs. /Ltr
Total cost of Diesel			0.47	
Add : Lube Cost @15%			0.07	
Total			0.54	
Total cost of Power & Fuel at 100%				3.22
	Year	Capacity		Amount
				(in Lacs)
	I	45%		1.45
	II	50%		1.61
	III	55%		1.77
	IV	60%		1.93
	V	65%		2.10

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