

PROJECT REPORT

Of

TERRACOTTA POTTERY (MANUALLY)

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Terracotta Pottery (Manually) Manufacturing 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.]



Lucknow Office: Sidhivinayak Building ,
27/1/B, Gokhley Marg, Lucknow-226001

Delhi Office : Multi Disciplinary Training
Centre, Gandhi Darshan Rajghat,
New Delhi 110002

Email : info@udyami.org.in
Contact : +91 7526000333, 444, 555

PROJECT AT A GLANCE

- 1 Name of the Entrepreneur : xxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxx
 District : xxxxxxxx
 Pin: xxxxxxxx State: xxxxx
 Mobile xxxxxxxx
- 5 Product and By Product : **TERRACOTTA POTS & DÉCOR ITEMS**
- 6 Name of the project / business activity proposed : **TERRACOTTA POTTERY(MANUALLY) UNIT**
- 7 Cost of Project : Rs.10.82 Lakhs
- 8 Means of Finance
 Term Loan Rs.6.75 Lakhs
 Own Capital Rs.1.08 Lakhs
 Working Capital Rs.2.99 Lakhs
- 9 Debt Service Coverage Ratio : 3.91
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 38%
- 13 Employment : 17 Persons
- 14 Power Requirement : 2.00 HP
- 15 Major Raw materials : Mud clay, compost cakes, sand, paddy husk etc.
- 16 Estimated Annual Sales Turnover (Max Capacity) : 61.03 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	2.00
Civil work	5.00
Furniture & Fixtures	0.50
Working Capital	3.32
Total	10.82

MEANS OF FINANCE

Particulars	Amount
Own Contribution	1.08
Working Capital(Finance)	2.99
Term Loan	6.75
Total	10.82

TERRACOTTA POTTERY PRODUCTS

MANUFACTURING

Introduction: Terracotta is a remarkable and unique sort of fired specialty. It is the term typically utilized for models made in ceramic, and furthermore for different utilitarian items including vessels (eminently vases), water and waste water pipes, material tiles, blocks, and surface frivolity in building development. Generally, what makes it unique in relation to other earthenware creates is that it includes ornamentation, utilization of common tones/colors and experimentation with inventive shapes. The crude material utilized for this art is a sort of soil accessible locally. It gives the thing a characteristic tone. Around 200 family units are occupied with this work. Earthenware is like stoneware, in which craftsperson utilize neighborhood dirt accessible in stream beds to make things, for example, lights, flame stands, figures of gods and creatures, and so forth.

Terracotta is the hard, moisture less, partially burnt clay used for pottery. In this craft, the objects are not made on potter's wheel, as done in pottery. Terracotta clay is easy to sculpt into all sorts of shapes. Once shaped, it's heated to 1,000-2,000° F to harden. Then, a simple coat of glaze can make terracotta watertight. Terracotta has been around for a long time. In fact, it was the only clay product used until around the 14th century.

Archeologists have found earthenware designs that are 5,000 years of age. Aurangabad, a little town is a good way off of 19 kilometers from Gorakhpur, which merits extraordinary reference in earthenware toys. Among the earth results of Uttar Pradesh, mud figures of creatures, divine beings and goddesses are made by neighborhood potters at Gorakhpur. The creation of earthenware ceramics is no common cycle. Each earthenware pot or piece of craftsmanship is made by an interesting cycle with elegance and commitment and the time taken to make such a show-stopper is the thing that makes earthenware so significant and costly.



Uses & Market Potential:

Terracotta is the term regularly utilized for design made in stoneware, and furthermore for different useful uses including vessels (remarkably vases), water and waste water pipes, material tiles, blocks, and surface adornment in building development. The term is additionally used to allude to the characteristic caramel orange shade of most earthenware, which changes extensively.

The famed baked clay or 'terracotta' products made from the special soil found in Bhathat area of Uttar Pradesh's Gorakhpur district got the Geographical Indication (GI) tag. Terracotta products are a major source of income for the residents of Gorakhpur area in this district. The terracotta artists make various structures like bells, vases, Ganesha Sculptures, tables, elephants, deer, horses, bullock carts, horse carts, lamps and chandeliers. There are more than 1,000 varieties of terracotta work designed by the local craftsmen.

The cycle of GI confirmation for earthenware items is in progress. It will profit the specialists and those engaged with its exchange public and manage market. Earthenware was chosen under the 'One District One Product' plan of the Uttar Pradesh government and will before long get the GI tag. The skilled workers are basically spread over the towns of Aurangabad, Bharwalia, Langadi Gularia, Budhadih, Amawa, Ekla and so forth in Bhathat and Padri Bazar, Belwa Raipur, Jungle Ekla No-1, Jungle Ekla No-2 in Chargawan square of Gorakhpur.

A huge number of hands have gotten overall appreciation for the city of Gorakhpur. Gorakhpur centers around the unassuming specialty of earthenware toy making that enhances our day by day life.

Product:

TERRACOTTA POTS & DÉCOR ITEMS

Raw Material:

1. Mud clay
2. Starch/gum
3. Mustard oil
4. Paddy husk
5. Grass
6. Compost cakes
7. Coal/kindling
8. Sand
9. Debris

Manufacturing Process:

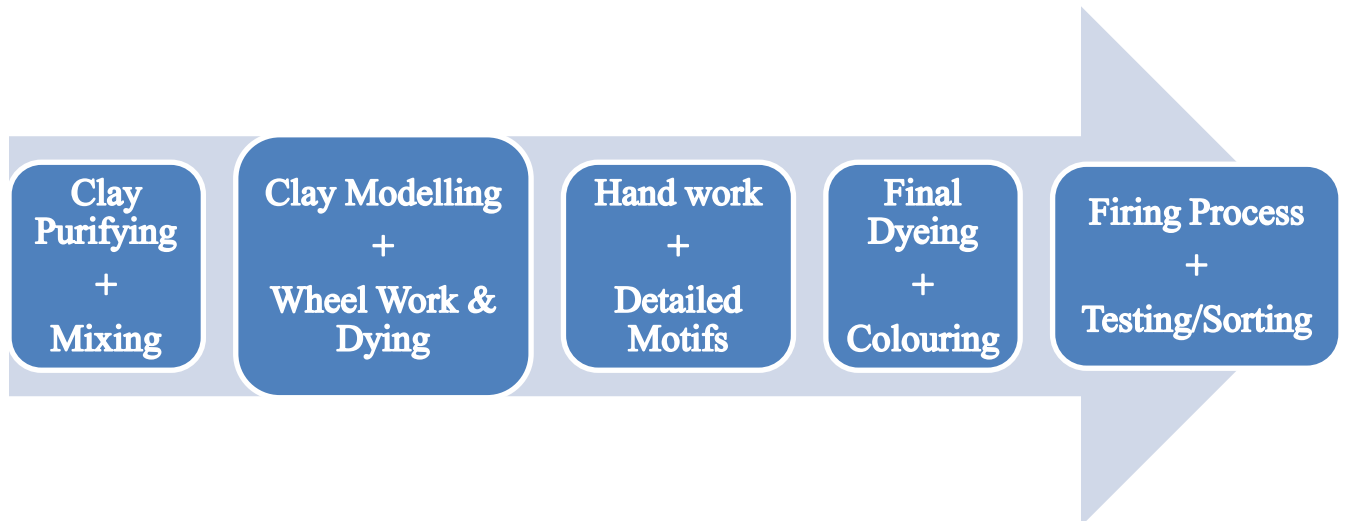


Fig. 1 – Process Flowchart

Area:

The industrial setup requires space for Inventory, workshop or manufacturing area, space for polishing area. Also, some of the area of building is required for office staff facilities, office furniture, etc. thus, the approximate total area required for complete industrial setup is 1000Sqft

Cost of Machines:

S No.	Machine	Unit	Price
1.	Furnace	1	1,50,000/-
2.	Other machines & equipments		50,000/-
	Total		2,00,000/-

Power Requirement- - The estimated Power requirement is taken at 2 KW

Manpower Requirement- Following manpower is required:

- Furnace Operator-1
- Skilled/unskilled labours-12
- Helpers-2
- Manager-1
- Accountant cum Store Keeper-1

<u>PROJECTED BALANCE SHEET</u>					
PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
<u>Capital Account</u>					
Opening Balance	-	0.83	1.99	3.16	4.49
Add: Additions	1.08	-	-	-	-
Add: Net Profit	3.25	4.96	5.97	6.74	7.56
Less: Drawings	3.50	3.80	4.80	5.40	6.10
Closing Balance	0.83	1.99	3.16	4.49	5.95
CC Limit	2.99	2.99	2.99	2.99	2.99
Term Loan	6.00	4.50	3.00	1.50	-
Sundry Creditors	0.75	0.84	0.93	1.03	1.14
TOTAL :	10.57	10.32	10.08	10.02	10.08
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	7.50	7.50	7.50	7.50	7.50
Gross Dep.	1.10	2.04	2.84	3.52	4.10
Net Fixed Assets	6.40	5.46	4.66	3.98	3.40
Current Assets					
Sundry Debtors	1.84	2.18	2.46	2.75	3.05
Stock in Hand	2.23	2.47	2.73	3.01	3.29
Cash and Bank	0.10	0.20	0.23	0.28	0.33
TOTAL :	10.57	10.32	10.08	10.02	10.08
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I	II	III	IV	V
<u>A) SALES</u>					
Gross Sale of Terracotta Pots	20.48	24.23	27.34	30.59	34.00
Gross Sale of Terracotta Décor items	16.35	19.44	21.86	24.39	27.02
Total (A)	36.84	43.67	49.20	54.98	61.03
B) COST OF SALES					
Raw Material Consumed	14.93	16.77	18.68	20.66	22.70
Electricity Expenses	0.30	0.33	0.36	0.39	0.42
Repair & Maintenance	0.18	0.22	0.25	0.27	0.31
Labour & Wages	13.10	14.41	15.86	17.44	19.19
Depreciation	1.10	0.94	0.80	0.68	0.58
Cost of Production	29.61	32.67	35.94	39.45	43.19
Add: Opening Stock /WIP	-	1.48	1.63	1.80	1.97
Less: Closing Stock /WIP	1.48	1.63	1.80	1.97	2.16
Cost of Sales (B)	28.13	32.52	35.78	39.27	43.01
C) GROSS PROFIT (A-B)	8.70	11.15	13.41	15.71	18.02
	23.63%	25.53%	27.27%	28.57%	29.53%
D) Bank Interest i) (Term Loan)	0.73	0.60	0.43	0.27	0.10
ii) Interest On Working Capital	0.33	0.33	0.33	0.33	0.33
E) Salary to Staff	3.78	4.54	5.44	6.53	7.84
F) Selling & Adm Expenses Exp.	0.61	0.73	0.82	1.22	1.36
G) TOTAL (D+E+F)	5.46	6.19	7.03	8.35	9.63
H) NET PROFIT	3.25	4.96	6.39	7.36	8.39
	8.8%	11.4%	13.0%	13.4%	13.8%
I) Taxation	-	-	0.42	0.62	0.84
J) PROFIT (After Tax)	3.25	4.96	5.97	6.74	7.56

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	1.08	-			
Reserve & Surplus	3.25	4.96	6.39	7.36	8.39
Depriciation & Exp. W/off	1.10	0.94	0.80	0.68	0.58
Increase In Cash Credit	2.99				
Increase In Term Loan	6.75	-	-	-	-
Increase in Creditors	0.75	0.09	0.10	0.10	0.10
TOTAL :	15.92	5.99	7.28	8.14	9.07
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	7.50	-	-	-	-
Increase in Stock	2.23	0.25	0.26	0.27	0.29
Increase in Debtors	1.84	0.34	0.28	0.29	0.30
Repayment of Term Loan	0.75	1.50	1.50	1.50	1.50
Taxation	-	-	0.42	0.62	0.84
Drawings	3.50	3.80	4.80	5.40	6.10
TOTAL :	15.82	5.89	7.25	8.08	9.03
Opening Cash & Bank Balance	-	0.10	0.20	0.23	0.28
Add : Surplus	0.10	0.10	0.03	0.05	0.05
Closing Cash & Bank Balance	0.10	0.20	0.23	0.28	0.33

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
<u>Finished Goods</u>					
(15 Days requirement)	1.48	1.63	1.80	1.97	2.16
<u>Raw Material</u>					
(15 Days requirement)	0.75	0.84	0.93	1.03	1.14
Closing Stock	2.23	2.47	2.73	3.01	3.29

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	2.23		
Less:			
Sundry Creditors	0.75		
Paid Stock	1.48	0.15	1.33
Sundry Debtors	1.84	0.18	1.66
Working Capital Requirement			2.99
Margin			0.33
MPBF			2.99
Working Capital Demand			2.99

REPAYMENT SCHEDULE OF TERM LOAN						11.0%	
Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	6.75	6.75	0.19	-	6.75
	Iind Quarter	6.75	-	6.75	0.19	-	6.75
	IIIrd Quarter	6.75	-	6.75	0.19	0.38	6.38
	Ivth Quarter	6.38	-	6.38	0.18	0.38	6.00
					0.73	0.75	
II	Opening Balance						
	Ist Quarter	6.00	-	6.00	0.17	0.38	5.63
	Iind Quarter	5.63	-	5.63	0.15	0.38	5.25
	IIIrd Quarter	5.25	-	5.25	0.14	0.38	4.88
	Ivth Quarter	4.88		4.88	0.13	0.38	4.50
					0.60	1.50	
III	Opening Balance						
	Ist Quarter	4.50	-	4.50	0.12	0.38	4.13
	Iind Quarter	4.13	-	4.13	0.11	0.38	3.75
	IIIrd Quarter	3.75	-	3.75	0.10	0.38	3.38
	Ivth Quarter	3.38		3.38	0.09	0.38	3.00
					0.43	1.50	
IV	Opening Balance						
	Ist Quarter	3.00	-	3.00	0.08	0.38	2.63
	Iind Quarter	2.63	-	2.63	0.07	0.38	2.25
	IIIrd Quarter	2.25	-	2.25	0.06	0.38	1.88
	Ivth Quarter	1.88		1.88	0.05	0.38	1.50
					0.27	1.50	
V	Opening Balance						
	Ist Quarter	1.50	-	1.50	0.04	0.38	1.13
	Iind Quarter	1.13	-	1.13	0.03	0.38	0.75
	IIIrd Quarter	0.75	-	0.75	0.02	0.38	0.38
	Ivth Quarter	0.38		0.38	0.01	0.38	-
					0.10	1.50	
<div> <div>Door to Door Period</div> <div>60 Months</div> </div> <div> <div>Moratorium Period</div> <div>6 Months</div> </div> <div> <div>Repayment Period</div> <div>54 Months</div> </div>							

PARTICULARS	I	II	III	IV	V
<u>CASH ACCRUALS</u>	4.35	5.89	6.77	7.42	8.14
Interest on Term Loan	0.73	0.60	0.43	0.27	0.10
Total	5.08	6.49	7.20	7.69	8.24
<u>REPAYMENT</u>					
Repayment of Term Loan	0.75	1.50	1.50	1.50	1.50
Interest on Term Loan	0.73	0.60	0.43	0.27	0.10
Total	1.48	2.10	1.93	1.77	1.60
DEBT SERVICE COVERAGE RATIO	3.43	3.09	3.73	4.35	5.14
AVERAGE D.S.C.R.			3.91		

Assumptions:

1. Production Capacity of a Terracotta Pottery (Manually) unit is taken at 125 pcs of Terracotta Pots and 45 pcs of Terracotta Décor Items 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 15 days.
4. Credit period to Sundry Debtors has been given for 15 days.
5. Credit period by the Sundry Creditors has been provided for 15 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 2 KW.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

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