

# PROJECT REPORT

Of

# THREAD MANUFACTURING

## PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Thread 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.]



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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 : xxxxxxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **THREAD**
- 6 Name of the project / business activity proposed : **THREAD MANUFACTURING UNIT**
- 7 Cost of Project : Rs.22.46 Lakhs
- 8 Means of Finance
- Term Loan Rs.14.81 Lakhs
- Own Capital Rs.2.25 Lakhs
- Working Capital Rs.5.41 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 : 41%
- 13 Employment : 11 Persons
- 14 Power Requirement : 30.00 HP
- 15 Major Raw materials : Cotton Fibre, Caustic Soda
- 16 Estimated Annual Sales Turnover (Max Capacity) : 131.57 Lakhs
- 17 Detailed Cost of Project & Means of Finance

**COST OF PROJECT**

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	14.95
Furniture & Fixtures	1.50
Working Capital	6.01
<b>Total</b>	<b>22.46</b>

**MEANS OF FINANCE**

Particulars	Amount
Own Contribution	2.25
Working Capital(Finance)	5.41
Term Loan	14.81
<b>Total</b>	<b>22.46</b>

# **THREAD MANUFACTURING UNIT**

## **Introduction:**

Clothing is the basic necessity for humans. Introduction of new fashion is attracting consumers to go for readymade garments which offer designs in line with the latest trends. A continuous improvement in literacy ratio and shift to urban areas also leads to change in clothing preferences with more population opting for readymade garments. Apparel production is another important area in textile manufacturing around the textile industry chain. Probably the apparel is what an individual wear for the purpose of body coverage, beautification, or comfort. Yarn made from a variety of textile fibres is commonly used in sewing, rope making, wire making, knitting, and embroidery. Staple and continuous filament yarns are the two types of yarn. Yarn can be divided into mono-fiber and mixed yarns based on the fabrics used. A thread is a two- or more-yarn string that has been closely twisted. At home, it's used for hand stitching and sewing machines. In commercial and industrial sewing, 95% of sewing threads are used.



## **Uses & Market Potential:**

When cut in cross section, thread is a closely woven strand of two or more plies of yarn that is circular. Sewing thread differs from wool in that it is used to stitch clothing or other items together, while yarn is a set of fibres used to weave or knit a textile cloth.

Sales of yarn, fibre, and thread by companies (organisations, sole dealers, and partnerships) that produce spinning yarn from fibres, threads for weaving, crocheting, embroidery, and other applications make up the yarn, fibre, and thread manufacturing industry. By 2022, the yarn, fabric, and thread manufacturing industry is estimated to be worth about \$123.39 billion, with a CAGR of 8.1 percent over the projected period. The demand for yarn, fibre, and thread production is expanding due to the growth of developing economies, rising disposable income, and technological advancements.

## **Product:**

THREAD

## **Raw Material:**

1. Cotton Fibre
2. Caustic Soda

## **Manufacturing Process:**

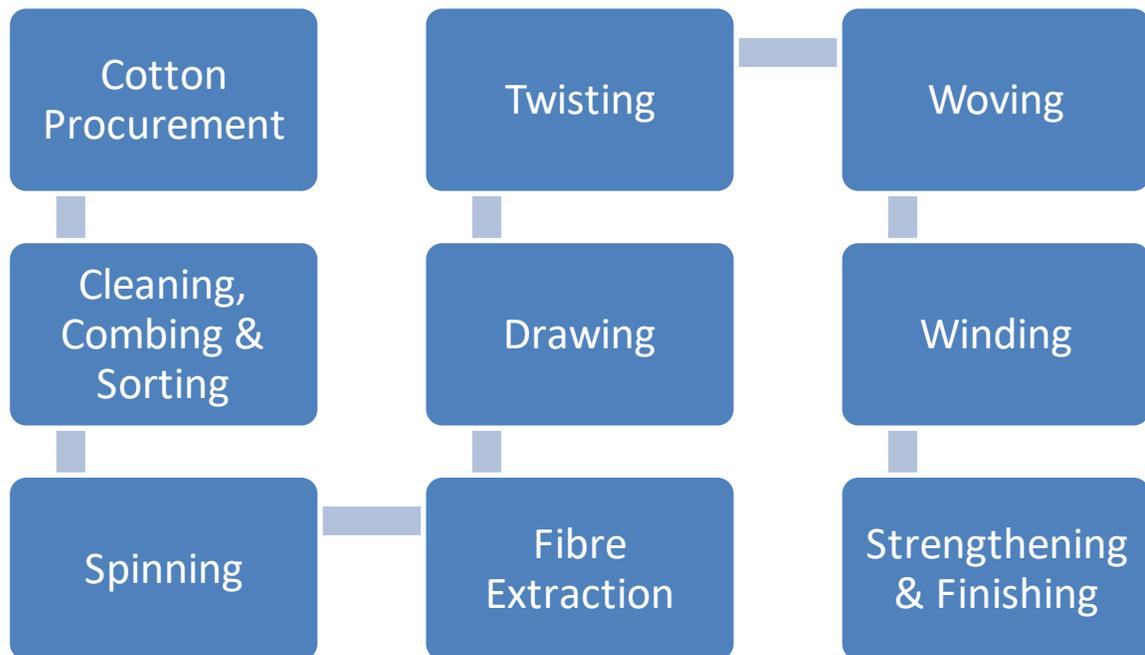


Fig. 1 – Process Flowchart

## **Area:**

The industrial setup requires space for manufacturing unit. 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 small scale factory setup is 2000-3000Sq. ft. approximately.

### **Cost of Machines:**

<b>S No.</b>	<b>Machine</b>	<b>Unit</b>	<b>Price (INR)</b>
1.	Cotton Bale Pre-Opener Machine	1	1,90,000/-
2.	Carding Machine	1	2,50,000/-
3	Combing Machine	1	2,00,000/-
4.	Silver Lap Machine	1	3,50,000/-
5.	Spinning Machine	1	3,40,000/-
6.	Winding and Spooling Machine	1	1,65,000/-
	<b>Total</b>		<b>14,95,000/-</b>

**Power Requirement-** - The estimated Power requirement is taken at 30 HP

**Manpower Requirement-** Following manpower is required:

- Machine operator-2
- Skilled/unskilled worker-3
- Helpers-4
- Skilled worker including Sales Personal and Accountant- 2

# **FINANCIALS**



**PROJECTED PROFITABILITY STATEMENT**

<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b><u>A) SALES</u></b>					
Gross Sale	81.20	94.75	106.26	118.26	131.57
<b>Total (A)</b>	<b>81.20</b>	<b>94.75</b>	<b>106.26</b>	<b>118.26</b>	<b>131.57</b>
<b><u>B) COST OF SALES</u></b>					
Raw Material Consumed	51.00	57.42	64.08	70.98	78.12
Electricity Expenses	3.36	3.69	4.03	4.36	4.70
Repair & Maintenance	2.84	3.32	3.72	4.14	4.60
Labour & Wages	12.10	13.91	16.00	17.76	20.95
Depreciation	2.39	2.04	1.74	1.49	1.27
<b>Cost of Production</b>	<b>71.69</b>	<b>80.38</b>	<b>89.57</b>	<b>98.73</b>	<b>109.65</b>
<b>Add: Opening Stock /WIP</b>	<b>-</b>	<b>2.80</b>	<b>3.17</b>	<b>3.55</b>	<b>3.95</b>
<b>Less: Closing Stock /WIP</b>	<b>2.80</b>	<b>3.17</b>	<b>3.55</b>	<b>3.95</b>	<b>4.40</b>
Cost of Sales (B)	68.89	80.01	89.18	98.33	109.20
<b>C) GROSS PROFIT (A-B)</b>	<b>12.31</b>	<b>14.74</b>	<b>17.08</b>	<b>19.93</b>	<b>22.36</b>
	<b>15.16%</b>	<b>15.56%</b>	<b>16.07%</b>	<b>16.85%</b>	<b>17.00%</b>
D) Bank Interest i) (Term Loan )	1.61	1.31	0.95	0.59	0.23
ii) Interest On Working Capital	0.59	0.59	0.59	0.59	0.59
E) Salary to Staff	4.79	5.99	6.46	6.79	7.33
F) Selling & Adm Expenses Exp.	2.44	2.84	2.98	3.78	3.95
<b>TOTAL (D+E+F)</b>	<b>9.42</b>	<b>10.73</b>	<b>10.98</b>	<b>11.75</b>	<b>12.10</b>
<b>H) NET PROFIT</b>	<b>2.89</b>	<b>4.01</b>	<b>6.10</b>	<b>8.18</b>	<b>10.27</b>
	<b>3.6%</b>	<b>4.2%</b>	<b>5.7%</b>	<b>6.9%</b>	<b>7.8%</b>
I) Taxation	-	-	-	-	1.23
<b>J) PROFIT (After Tax)</b>	<b>2.89</b>	<b>4.01</b>	<b>6.10</b>	<b>8.18</b>	<b>9.04</b>

**PROJECTED CASH FLOW STATEMENT**

<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b><u>SOURCES OF FUND</u></b>					
Own Contribution	2.25	-			
Reserve & Surplus	2.89	4.01	6.10	8.18	10.27
Depreciation & Exp. W/off	2.39	2.04	1.74	1.49	1.27
Increase In Cash Credit	5.41				
Increase In Term Loan	14.81	-	-	-	-
Increase in Creditors	2.55	0.32	0.33	0.35	0.36
<b>TOTAL :</b>	<b>30.29</b>	<b>6.37</b>	<b>8.17</b>	<b>10.01</b>	<b>11.89</b>
<b><u>APPLICATION OF FUND</u></b>					
Increase in Fixed Assets	16.45	-	-	-	-
Increase in Stock	4.50	0.58	0.61	0.63	0.68
Increase in Debtors	4.06	0.68	0.58	0.60	0.67
Repayment of Term Loan	1.65	3.29	3.29	3.29	3.29
Taxation	-	-	-	-	1.23
Drawings	1.80	3.00	3.80	5.60	6.00
<b>TOTAL :</b>	<b>28.46</b>	<b>7.55</b>	<b>8.27</b>	<b>10.12</b>	<b>11.86</b>
Opening Cash & Bank Balance	-	1.84	0.65	0.55	0.44
Add : Surplus	1.84	- 1.18	- 0.10	- 0.11	0.03
Closing Cash & Bank Balance	<b>1.84</b>	<b>0.65</b>	<b>0.55</b>	<b>0.44</b>	<b>0.47</b>

**COMPUTATION OF CLOSING STOCK & WORKING CAPITAL**

<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b><u>Finished Goods</u></b>					
(10 Days requirement)	2.80	3.17	3.55	3.95	4.40
<b><u>Raw Material</u></b>					
(10 Days requirement)	1.70	1.91	2.14	2.37	2.60
<b>Closing Stock</b>	<b>4.50</b>	<b>5.08</b>	<b>5.69</b>	<b>6.32</b>	<b>7.00</b>

**COMPUTATION OF WORKING CAPITAL REQUIREMENT**

<b>Particulars</b>	<b>Amount</b>	<b>Margin(10%)</b>	<b>Net Amount</b>
Stock in Hand	4.50		
Less:			
Sundry Creditors	2.55		
<b>Paid Stock</b>	<b>1.95</b>	<b>0.20</b>	<b>1.76</b>
Sundry Debtors	4.06	0.41	3.65
<b>Working Capital Requirement</b>			<b>5.41</b>
<b>Margin</b>			0.60
<b>MPBF</b>			<b>5.41</b>
<b>Working Capital Demand</b>			<b>5.41</b>

**REPAYMENT SCHEDULE OF TERM LOAN**

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
<b>I</b>	Opening Balance						
	Ist Quarter	-	14.81	14.81	0.41	-	14.81
	Iind Quarter	14.81	-	14.81	0.41	-	14.81
	IIIrd Quarter	14.81	-	14.81	0.41	0.82	13.98
	Ivth Quarter	13.98	-	13.98	0.38	0.82	13.16
					1.61	1.65	
<b>II</b>	Opening Balance						
	Ist Quarter	13.16	-	13.16	0.36	0.82	12.34
	Iind Quarter	12.34	-	12.34	0.34	0.82	11.52
	IIIrd Quarter	11.52	-	11.52	0.32	0.82	10.69
	Ivth Quarter	10.69		10.69	0.29	0.82	9.87
					1.31	3.29	
<b>III</b>	Opening Balance						
	Ist Quarter	9.87	-	9.87	0.27	0.82	9.05
	Iind Quarter	9.05	-	9.05	0.25	0.82	8.23
	IIIrd Quarter	8.23	-	8.23	0.23	0.82	7.40
	Ivth Quarter	7.40		7.40	0.20	0.82	6.58
					0.95	3.29	
<b>IV</b>	Opening Balance						
	Ist Quarter	6.58	-	6.58	0.18	0.82	5.76
	Iind Quarter	5.76	-	5.76	0.16	0.82	4.94
	IIIrd Quarter	4.94	-	4.94	0.14	0.82	4.11
	Ivth Quarter	4.11		4.11	0.11	0.82	3.29
					0.59	3.29	
<b>V</b>	Opening Balance						
	Ist Quarter	3.29	-	3.29	0.09	0.82	2.47
	Iind Quarter	2.47	-	2.47	0.07	0.82	1.65
	IIIrd Quarter	1.65	-	1.65	0.05	0.82	0.82
	Ivth Quarter	0.82		0.82	0.02	0.82	0.00
					0.23	3.29	

Door to Door Period      60 Months  
Moratorium Period        6 Months  
Repayment Period         54 Months

**CALCULATION OF D.S.C.R**

<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b><u>CASH ACCRUALS</u></b>	5.28	6.05	7.84	9.66	10.31
Interest on Term Loan	1.61	1.31	0.95	0.59	0.23
Total	6.89	7.36	8.79	10.25	10.54
<b><u>REPAYMENT</u></b>					
Repayment of Term Loan	1.65	3.29	3.29	3.29	3.29
Interest on Term Loan	1.61	1.31	0.95	0.59	0.23
Total	3.25	4.60	4.24	3.88	3.52
<b>DEBT SERVICE COVERAGE R</b>	<b>2.12</b>	<b>1.60</b>	<b>2.07</b>	<b>2.64</b>	<b>3.00</b>
<b>AVERAGE D.S.C.R.</b>			<b>2.25</b>		

### **Assumptions:**

1. Production Capacity of Thread Manufacturing is 400 Meter 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 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 30 HP.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

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