

PROJECT REPORT

Of

TOWEL MANUFACTURING UNIT

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Towel 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: xxxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **TOWEL**
- 6 Name of the project / business activity proposed : **TOWEL MANUFACTURING UNIT**
- 7 Cost of Project : Rs.23.42 Lakhs
- 8 Means of Finance
- Term Loan Rs.16.65 Lakhs
- Own Capital Rs.2.34 Lakhs
- Working Capital Rs.4.43 Lakhs
- 9 Debt Service Coverage Ratio : 2.33
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 28%
- 13 Employment : 14 Persons
- 14 Power Requirement : 30.00 HP
- 15 Major Raw materials : Yarn, PVA Starch, Bleaching material
- 16 Estimated Annual Sales Turnover (Max Capacity) : 136.57 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	17.50
Furniture & Fixtures	1.00
Working Capital	4.92
Total	23.42

MEANS OF FINANCE

Particulars	Amount
Own Contribution	2.34
Working Capital(Finance)	4.43
Term Loan	16.65
Total	23.42

TOWEL MANUFACTURING UNIT

Introduction:

The towels that are essential for our bathrooms are used dozens of times every day, but few of us know how they are made. A towel is a piece of absorbent fabric or paper used for drying or wiping. It draws moisture through direct contact, often using a blotting or a rubbing motion. Common household textile towels are made from cotton, rayon, bamboo, nonwoven fibers, or a few other materials. Terry Towel, a pile fabric is known as a towel worldwide. In terry towel loop piles are present on one or both sides of the fabric. The research indicates that the terry towel was first developed in Turkey first and later towel manufacturing concept spreads across the world.



Uses & Market Potential:

A towel is an absorbent piece of cloth or paper that is used to dry or wipe a body or a surface. It absorbs moisture from the air by making direct contact. Fabric towels are used in homes in a variety of ways, including paper towels, bath towels, bathrobes, and kitchen towels. Beach towels are used at the beach. A bath towel is used in the bathroom to dry the body. Europe is the world's most populous consumption area, and consumption has a strong link to local economic growth. The penetration rate in developed countries is increasing as the economy develops; this is the key feature of the consumption growth rate. Bath towels are primarily produced and exported in Asia. The largest import ratio is

in Europe, while the largest export ratio is in Asia. The bath towel industry is relocating to Southeast Asia from developed countries. Bath towels are mostly manufactured in Asia, with Europe importing the most and Asia exporting the most. The bath towel industry is relocating to Southeast Asia from developed countries. The global Bath Towel market was worth 9820 million US dollars in 2018 and is expected to reach 15900 million US dollars by the end of 2025, rising at a CAGR of 6.2 percent from 2019 to 2025. The aim of this research is to define, segment, and forecast the Bath Towel market by business, product type, end-user, and key regions.

Product:

TOWEL

Raw Material:

1. Yarn (spin with synthetic fiber and polyster)
2. PVA Starch
3. Bleaching Material (hydrogen peroxide, caustic defoamers, and other proprietary ingredients)

Manufacturing Process:

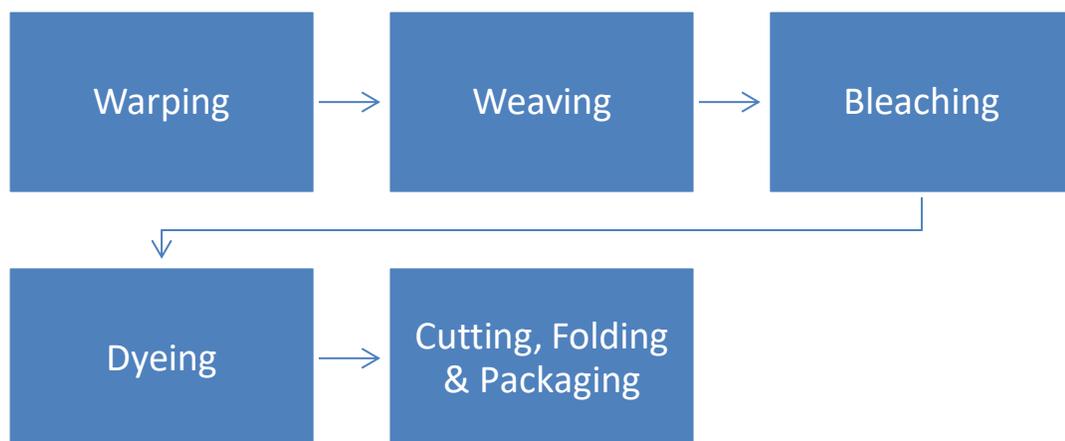


Fig. 1 – Process Flowchart

Area:

The required land for wood furniture making is estimated to be around 2000sqft.

Cost of Machines:

S No.	Machine	Unit	Price (INR)
1.	Power Loom	1	5,00,000/-
2.	Terry Towel Fabric Dyeing Machine	1	1,25,000/-
3.	Towel Length Cutting Machine	1	10,00,000/-
4.	Stitching machine	1	25,000/-
5.	Boiler	1	50,000/-
6.	Material handling and other Equipment's	1	50,000/-
	Total		17,50,000/-

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

Manpower Requirement- Following manpower is required:

- Skilled/unskilled worker-4
- Machine Operator- 2
- Helper- 6
- Sales Personal and Accountant- 2

FINANCIALS

PROJECTED BALANCE SHEET

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
<u>Capital Account</u>					
Opening Balance	-	3.84	5.56	7.67	10.67
Add: Additions	2.34	-	-	-	-
Add: Net Profit	3.50	5.22	7.11	8.99	10.82
Less: Drawings	2.00	3.50	5.00	6.00	7.00
Closing Balance	3.84	5.56	7.67	10.67	14.49
CC Limit	4.43	4.43	4.43	4.43	4.43
Term Loan	14.80	11.10	7.40	3.70	-
Sundry Creditors	1.72	2.06	2.40	2.76	3.14
TOTAL :	24.79	23.15	21.91	21.56	22.06
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	18.50	18.50	18.50	18.50	18.50
Gross Dep.	2.73	5.05	7.02	8.71	10.14
Net Fixed Assets	15.78	13.45	11.48	9.79	8.36
Current Assets					
Sundry Debtors	3.52	4.35	5.14	5.96	6.83
Stock in Hand	3.12	3.64	4.25	4.89	5.56
Cash and Bank	2.37	1.71	1.05	0.92	1.32
TOTAL :	24.79	23.15	21.91	21.56	22.06
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I	II	III	IV	V
<u>A) SALES</u>					
Gross Sale	70.47	87.00	102.71	119.23	136.57
Total (A)	70.47	87.00	102.71	119.23	136.57
<u>B) COST OF SALES</u>					
Raw Material Consumed	34.43	41.11	48.06	55.28	62.78
Electricity Expenses	2.01	2.35	2.69	3.02	3.36
Repair & Maintenance	1.41	1.74	2.05	2.38	2.73
Labour & Wages	18.65	22.38	26.85	31.69	36.76
Depreciation	2.73	2.32	1.98	1.68	1.44
Cost of Production	59.22	69.90	81.63	94.06	107.06
Add: Opening Stock /WIP	-	1.97	2.27	2.64	3.05
Less: Closing Stock /WIP	1.97	2.27	2.64	3.05	3.46
Cost of Sales (B)	57.25	69.61	81.25	93.66	106.64
C) GROSS PROFIT (A-B)	13.22	17.39	21.46	25.58	29.93
	18.76%	19.99%	20.89%	21.45%	21.92%
D) Bank Interest i) (Term Loan)	1.81	1.48	1.07	0.66	0.25
ii) Interest On Working Capital	0.49	0.49	0.49	0.49	0.49
E) Salary to Staff	5.67	7.37	8.99	10.61	12.20
F) Selling & Adm Expenses Exp.	1.76	2.61	3.08	3.58	4.10
G) TOTAL (D+E+F)	9.73	11.94	13.63	15.34	17.04
H) NET PROFIT	3.50	5.45	7.83	10.24	12.89
	5.0%	6.3%	7.6%	8.6%	9.4%
I) Taxation	-	0.22	0.72	1.24	2.07
J) PROFIT (After Tax)	3.50	5.22	7.11	8.99	10.82

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	2.34	-			
Reserve & Surplus	3.50	5.45	7.83	10.24	12.89
Depriciation & Exp. W/off	2.73	2.32	1.98	1.68	1.44
Increase In Cash Credit	4.43				
Increase In Term Loan	16.65	-	-	-	-
Increase in Creditors	1.72	0.33	0.35	0.36	0.37
TOTAL :	31.37	8.10	10.15	12.28	14.70
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	18.50	-	-	-	-
Increase in Stock	3.12	0.51	0.61	0.64	0.67
Increase in Debtors	3.52	0.83	0.79	0.83	0.87
Repayment of Term Loan	1.85	3.70	3.70	3.70	3.70
Taxation	-	0.22	0.72	1.24	2.07
Drawings	2.00	3.50	5.00	6.00	7.00
TOTAL :	29.00	8.76	10.81	12.41	14.31
Opening Cash & Bank Balance	-	2.37	1.71	1.05	0.92
Add : Surplus	2.37	- 0.66	- 0.66	- 0.13	0.39
Closing Cash & Bank Balance	2.37	1.71	1.05	0.92	1.32

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
<u>Finished Goods</u>					
(10 Days requirement)	1.97	2.27	2.64	3.05	3.46
<u>Raw Material</u>					
(10 Days requirement)	1.15	1.37	1.60	1.84	2.09
Closing Stock	3.12	3.64	4.25	4.89	5.56

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	3.12		
Less:			
Sundry Creditors	1.72		
Paid Stock	1.40	0.14	1.26
Sundry Debtors	3.52	0.35	3.17
Working Capital Requirement			4.43
Margin			0.49
MPBF			4.43
Working Capital Demand			4.43

REPAYMENT SCHEDULE OF TERM LOAN

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	16.65	16.65	0.46	-	16.65
	Iind Quarter	16.65	-	16.65	0.46	-	16.65
	IIIrd Quarter	16.65	-	16.65	0.46	0.93	15.73
	Ivth Quarter	15.73	-	15.73	0.43	0.93	14.80
					1.81	1.85	
II	Opening Balance						
	Ist Quarter	14.80	-	14.80	0.41	0.93	13.88
	Iind Quarter	13.88	-	13.88	0.38	0.93	12.95
	IIIrd Quarter	12.95	-	12.95	0.36	0.93	12.03
	Ivth Quarter	12.03		12.03	0.33	0.93	11.10
					1.48	3.70	
III	Opening Balance						
	Ist Quarter	11.10	-	11.10	0.31	0.93	10.18
	Iind Quarter	10.18	-	10.18	0.28	0.93	9.25
	IIIrd Quarter	9.25	-	9.25	0.25	0.93	8.33
	Ivth Quarter	8.33		8.33	0.23	0.93	7.40
					1.07	3.70	
IV	Opening Balance						
	Ist Quarter	7.40	-	7.40	0.20	0.93	6.48
	Iind Quarter	6.48	-	6.48	0.18	0.93	5.55
	IIIrd Quarter	5.55	-	5.55	0.15	0.93	4.63
	Ivth Quarter	4.63		4.63	0.13	0.93	3.70
					0.66	3.70	
V	Opening Balance						
	Ist Quarter	3.70	-	3.70	0.10	0.93	2.78
	Iind Quarter	2.78	-	2.78	0.08	0.93	1.85
	IIIrd Quarter	1.85	-	1.85	0.05	0.93	0.92
	Ivth Quarter	0.92		0.92	0.03	0.93	- 0.00
					0.25	3.70	

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
<u>CASH ACCRUALS</u>	6.22	7.55	9.09	10.68	12.25
Interest on Term Loan	1.81	1.48	1.07	0.66	0.25
Total	8.03	9.02	10.16	11.34	12.51
<u>REPAYMENT</u>					
Repayment of Term Loan	1.85	3.70	3.70	3.70	3.70
Interest on Term Loan	1.81	1.48	1.07	0.66	0.25
Total	3.66	5.18	4.77	4.36	3.95
DEBT SERVICE COVERAGE R	2.20	1.74	2.13	2.60	3.16
AVERAGE D.S.C.R.			2.33		

Assumptions:

1. Production Capacity of Towel is 450 pcs per day. First year, Capacity has been taken @ 30%.
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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