

PROJECT REPORT

Of

GUNNY BAGS

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Gunny bags 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 GLANCE

1 Name of Proprietor/Director	XXXXXXXXXX
2 Firm Name	XXXXXXXXXX
3 Registered Address	XXXXXXXXXX
4 Nature of Activity	XXXXXXXXXX
5 Category of Applicant	XXXXXXXXXX
6 Location of Unit	XXXXXXXXXX
7 Cost of Project	22.22 Rs. In Lakhs
8 Means of Finance	
i) Own Contribution	2.22 Rs. In Lakhs
ii) Term Loan	14.18 Rs. In Lakhs
iii) Working Capital	5.82 Rs. In Lakhs
9 Debt Service Coverage Ratio	3.28
10 Break Even Point	33%
11 Power Requirement	30 KW
12 Employment	10 Persons
13 Major Raw Materials	Raw jute, stitching thread

14 Details of Cost of Project & Means of Finance

Cost of Project	Amount in Lacs
Particulars	Amount
Land and building	Owned/Leased
Plant & Machinery	14.75
Furniture & Fixture	-
Other Misc Assets	1.00
Working Capital Requirement	6.47
Total	22.22

Means of Finance

Particulars	Amount
Own Contribution	2.22
Term Loan	14.18
Working capital Loan	5.82
Total	22.22

1. INTRODUCTION



Jute is a naturally occurring, inexpensive fiber that is biodegradable and environmentally friendly. Because of its natural golden shine, jute is also known as “the golden fiber.” Jute is most commonly used to make consumer goods such as bags and rugs. When the jute industry started in India, one of the earlier developments was the manufacture of jute sacks. The bulk of jute sack production is used for all types of jute bags. Sacking bags, woven wholly from jute fabrics, are available as plain and twill bags. Jute bags, the other name for sacking bags are mainly used to pack cement, sugar, and other bulky articles, which are packed in weight range from 50 to 100kgs. These are tailored as per customers’ specifications in terms of size and to meet the ever-increasing demand for jute bags in the farm sector, agro-based industries, and cement industries. The Jute Textiles Industry occupies an important place in the national economy. It is one of the major industries in the eastern region, particularly in West Bengal. It supports nearly 4 million farm families, besides providing direct employment to about 2.6 lac industrial workers. The jute industry is labor-intensive and contributes about Rs.1,200 crores annually to export earnings. Sutli consists of few strands of jute and is a thin rope. It is mainly used for tying bamboos, thatched houses small and medium- size packaging, binding and stitching grain sacks, etc. Jute bags are mainly used for packing cement, sand, agricultural products, sugar, and other heavy goods. These gunny bags are ideal for transporting bulk foods such as onions, potatoes, flour rice, and fertilizers.

2 PRODUCT DESCRIPTION

2.1 PRODUCT USES

Gunny bags are ideal for storing and transporting bulk foods such as wheat, onions, potatoes, rice, etc. Jute bags have many uses. High-quality gunny or jute bags can be used for packing fertilizers, cement, agricultural products, sand, sugar, and other heavy goods.

2.2 MANUFACTURING PROCESS

This process can be broken down into the following steps-

- **Raw material procurement**
- **Production Process**
- **Testing**

Raw Material Procurement

The raw materials are checked strictly as per established quality standards and requirements. Individual supplier assessment and supplier rating are done depending upon the rejection levels at the incoming quality control stage. Sorting of raw material will be done as per material type or specifications. The material will be stored in; dust-free, moisture-free, neat, and clean environment. The raw material must also be fresh and well-organized so that bags can be manufactured in a good way and easily.

Production Process

In the gunny bags manufacturing business, the following process is adopted to make jute or gunny bags, if you are preparing bags from sutli, then it is easy that you do not have to prepare sutli or twine from jute fibers. If you want to prepare gunny bags directly from ready-made sutli or twine, then it is a very simple process by which gunny bags are made. For sutli making, a machine is also required to be installed. Due to which the cost of capital will increase further.

Extraction of fiber: Fibre extraction technology produces fibers bonded to one another in the form of strands.

Carding of extra fiber: Carding is a process where individual jute fibers will be separated, using a series of dividing and redividing steps, that causes many of the fibers to lie parallel to one another.

The main objectives of jute carding are- Dividing the jute root in longitudinal and breaking it transversely, converting jute ghats into uniform fibrous strands, suitable for further processing, To some extent clean, orient and enhance the scales, Randomize the fibers among themselves.

Spinning: The main function of jute fiber spinning process units is to convert jute fiber into yarn. After spinning conversion of spun jute yarn into sutli will be done with the help of a machine.

Coiling of sutli: At last, bales or bundles of sutli or twine are made in the form of rolls. For this, the help of roll making machine is taken.

Waving: When the twine is made, after that the roll of twine will be fit in the weaving machine and the weaving machine keeps on weaving it and taking it out in the form of a long strip, the length of the bag.

Cutting and stitching: The bags will be cut to the required size by a bag cutting machine and then it will be stitched by a heavy-duty sewing machine, then the bag will be ready for printing.

Printing and bundling: If some logo has to be printed on it, then for this, it can be printed by putting it in a printing machine or stencil equipment can also be used for the printing process.

Since gunny bags are large and there is no product perishable due to weather, therefore they are not packed in any way. Simply count the fully finished bags into 100 -100 bundles, which are then supplied with as many bundles as they require.



Testing

- Quality Control
- Manual Inspection

3 PROJECT COMPONENTS

3.1 Land & Building

The land required for this manufacturing unit will be approx. around 2000 square feet. Land Purchase and Building Civil Work Cost have not been considered as part of the cost of project. It is expected that the premises will be on rental and approximate rentals assumed of the same will be Rs.30,000 per month.

- Workshop Area- This area includes the setup and foundation space for all equipment's, work floor area, etc. Total workshop area is approx.1000 Sqft.
- Inventory Area- This area includes the storage space for all the raw materials and finished goods. Total inventory area is approx. 500 Sqft.
- Office Area – This space includes staff working region, their accommodation space. Total workshop area is approx. 300 Sqft. This may be considered above the ground floor.
- Parking Space, Electric Mounting Space, and Others. This could be approx. 200 Sqft.

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

3.2 Plant & Machinery

- **Gunny Bags Making Machine:** This machine is used for gunny bags making using sutli. Sutli extraction, carding, weaving and bag cutting will be done automatically by the fully automatic gunny bag making machine. Fibre extraction technology produces fibers bonded to one another in the form of strands. Cardling is a process used to separate individual fibers, using a series of dividing and redividing steps, which causes many of the fibers to lie parallel to one another while also removing most of the remaining impurities.



- **Printing Machine / Stencil equipment's:** This machine can be a Single Colour Printing Machine or multicolor printing machine. This machine is used for printing a company logo, name, or other related information on gunny bags.



- **Stitching or Sewing Machine:** This machine is used for stitching bags. Bags can be stitched by stitching thread or sutli.



Machine	Quantity	Price
Gunny bag making machine	1	4,30,000
Printing machine	1	10,00,000
Sewing machine	1	45,000
TOTAL		14,75,000

Note: Total Machinery cost shall be Rs 14.75 lakhs (Approx.) including GST and Transportation Cost.

4 LICENSE & APPROVALS

Basic registration required in this project:

- MSME Udyam registration
- GST registration
- NOC for fire safety board
- NOC from Pollution Control Board
- Trade License
- Factory License (Optional)
- Import/Export License (Optional)
- Choice of a Brand Name of the product and secure the name with Trademark if required.

Projected Balance Sheet

<u>PROJECTED BALANCE SHEET</u>					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>Liabilities</u>					
Capital					
Opening balance		2.66	4.91	7.47	10.56
<i>Add:- Own Capital</i>	2.22				
Add:- Retained Profit	5.04	6.95	8.96	12.09	14.39
Less:- Drawings	4.60	4.70	6.40	9.00	11.10
Closing Balance	2.66	4.91	7.47	10.56	13.84
Term Loan	12.60	9.45	6.30	3.15	-
Working Capital Limit	5.82	5.82	5.82	5.82	5.82
Sundry Creditors	2.25	2.60	2.97	3.36	3.77
Provisions & Other Liability	0.20	0.24	0.29	0.35	0.41
TOTAL :	23.52	23.02	22.84	23.23	23.84
<u>Assets</u>					
Fixed Assets (Gross)					
	15.75	15.75	15.75	15.75	15.75
Gross Dep.	2.36	4.37	6.08	7.53	8.76
Net Fixed Assets	13.39	11.38	9.67	8.22	6.99
Current Assets					
Sundry Debtors	2.86	3.39	3.90	4.49	5.13
Stock in Hand	5.86	6.77	7.73	8.83	9.97
Cash and Bank	0.23	0.17	0.14	0.19	0.16
Loans & Advances /Other Current Assets	1.20	1.30	1.40	1.50	1.60
TOTAL :	23.52	23.02	22.84	23.23	23.84

Projected Profitability

<u>PROJECTED PROFITABILITY STATEMENT</u>					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
Capacity Utilisation %	45%	50%	55%	60%	65%
<u>SALES</u>					
Gross Sale					
Gunny Bags	171.41	203.52	233.80	269.48	307.55
Total	171.41	203.52	233.80	269.48	307.55
<u>COST OF SALES</u>					
Raw Material Consumed	135.00	156.00	178.20	201.60	226.20
Electricity Expenses	2.59	2.88	3.17	3.46	3.74
Depreciation	2.36	2.01	1.71	1.45	1.23
Wages & labour	8.40	10.50	12.60	17.01	21.26
Repair & maintenance	1.89	2.24	2.57	3.23	4.00
Packaging	4.29	5.09	5.85	7.55	9.23
Cost of Production	154.53	178.71	204.09	234.30	265.66
Add: Opening Stock	-	3.61	4.17	4.76	5.47
Less: Closing Stock	3.61	4.17	4.76	5.47	6.20
Cost of Sales	150.92	178.15	203.50	233.59	264.93
GROSS PROFIT	20.49	25.37	30.30	35.88	42.61
	11.95%	12.47%	12.96%	13.32%	13.86%
Salary to Staff	5.52	7.18	8.97	10.32	12.89
Interest on Term Loan	1.39	1.23	0.88	0.53	0.19
Interest on working Capital	0.64	0.64	0.64	0.64	0.64
Rent	3.60	3.78	3.97	4.17	4.38
Selling & Administrative Exp.	4.29	5.09	5.85	6.74	7.69
TOTAL	15.44	17.91	20.30	22.39	25.79
NET PROFIT	5.05	7.46	10.00	13.49	16.83
	2.94%	3.67%	4.28%	5.01%	5.47%
Taxation	0.01	0.51	1.04	1.40	2.44
PROFIT (After Tax)	5.04	6.95	8.96	12.09	14.39

Projected Cash Flow Statement

<u>PROJECTED CASH FLOW STATEMENT</u>					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>SOURCES OF FUND</u>					
Own Margin	2.22				
Net Profit	5.05	7.46	10.00	13.49	16.83
Depreciation & Exp. W/off	2.36	2.01	1.71	1.45	1.23
Increase in Cash Credit	5.82	-	-	-	-
Increase In Term Loan	14.18	-	-	-	-
Increase in Creditors	2.25	0.35	0.37	0.39	0.41
Increase in Provisions & Oth labilities	0.20	0.04	0.05	0.06	0.07
	-				
TOTAL :	32.07	9.86	12.12	15.39	18.54
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	15.75				
Increase in Stock	5.86	0.91	0.96	1.09	1.14
Increase in Debtors	2.86	0.54	0.50	0.59	0.63
Repayment of Term Loan	1.58	3.15	3.15	3.15	3.15
Loans & Advances /Other Current Assets	1.20	0.10	0.10	0.10	0.10
Drawings	4.60	4.70	6.40	9.00	11.10
Taxation	0.01	0.51	1.04	1.40	2.44
TOTAL :	31.85	9.91	12.16	15.34	18.57
Opening Cash & Bank Balance	-	0.23	0.17	0.14	0.19
Add : Surplus	0.23	(0.05)	(0.03)	0.05	(0.03)
Closing Cash & Bank Balance	0.23	0.17	0.14	0.19	0.16

DSCR

<u>CALCULATION OF D.S.C.R</u>					
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
CASH ACCRUALS	7.40	8.96	10.67	13.54	15.62
Interest on Term Loan	1.39	1.23	0.88	0.53	0.19
Total	8.79	10.19	11.55	14.07	15.81
REPAYMENT					
Instalment of Term Loan	1.58	3.15	3.15	3.15	3.15
Interest on Term Loan	1.39	1.23	0.88	0.53	0.19
Total	2.97	4.38	4.03	3.68	3.34
DEBT SERVICE COVERAGE RATIO	2.96	2.33	2.86	3.82	4.74
AVERAGE D.S.C.R.					3.28

Repayment schedule

REPAYMENT SCHEDULE OF TERM LOAN							
					Interest	11.00%	
Year	Particulars	Amount	Addition	Total	Interest	Repayment	Closing Balance
1st	Opening Balance						
	1st month	-	14.18	14.18	-	-	14.18
	2nd month	14.18	-	14.18	0.13	-	14.18
	3rd month	14.18	-	14.18	0.13	-	14.18
	4th month	14.18	-	14.18	0.13		14.18
	5th month	14.18	-	14.18	0.13		14.18
	6th month	14.18	-	14.18	0.13		14.18
	7th month	14.18	-	14.18	0.13	0.26	13.91
	8th month	13.91	-	13.91	0.13	0.26	13.65
	9th month	13.65	-	13.65	0.13	0.26	13.39
	10th month	13.39	-	13.39	0.12	0.26	13.13
	11th month	13.13	-	13.13	0.12	0.26	12.86
	12th month	12.86	-	12.86	0.12	0.26	12.60
					1.39	1.58	
2nd	Opening Balance						
	1st month	12.60	-	12.60	0.12	0.26	12.34
	2nd month	12.34	-	12.34	0.11	0.26	12.08
	3rd month	12.08	-	12.08	0.11	0.26	11.81
	4th month	11.81	-	11.81	0.11	0.26	11.55
	5th month	11.55	-	11.55	0.11	0.26	11.29
	6th month	11.29	-	11.29	0.10	0.26	11.03

	7th month	11.03	-	11.03	0.10	0.26	10.76
	8th month	10.76	-	10.76	0.10	0.26	10.50
	9th month	10.50	-	10.50	0.10	0.26	10.24
	10th month	10.24	-	10.24	0.09	0.26	9.98
	11th month	9.98	-	9.98	0.09	0.26	9.71
	12th month	9.71	-	9.71	0.09	0.26	9.45
					1.23	3.15	
3rd	Opening Balance						
	1st month	9.45	-	9.45	0.09	0.26	9.19
	2nd month	9.19	-	9.19	0.08	0.26	8.93
	3rd month	8.93	-	8.93	0.08	0.26	8.66
	4th month	8.66	-	8.66	0.08	0.26	8.40
	5th month	8.40	-	8.40	0.08	0.26	8.14
	6th month	8.14	-	8.14	0.07	0.26	7.88
	7th month	7.88	-	7.88	0.07	0.26	7.61
	8th month	7.61	-	7.61	0.07	0.26	7.35
	9th month	7.35	-	7.35	0.07	0.26	7.09
	10th month	7.09	-	7.09	0.06	0.26	6.83
	11th month	6.83	-	6.83	0.06	0.26	6.56
	12th month	6.56	-	6.56	0.06	0.26	6.30
					0.88	3.15	
4th	Opening Balance						
	1st month	6.30	-	6.30	0.06	0.26	6.04
	2nd month	6.04	-	6.04	0.06	0.26	5.78
	3rd month	5.78	-	5.78	0.05	0.26	5.51

	4th month	5.51	-	5.51	0.05	0.26	5.25
	5th month	5.25	-	5.25	0.05	0.26	4.99
	6th month	4.99	-	4.99	0.05	0.26	4.73
	7th month	4.73	-	4.73	0.04	0.26	4.46
	8th month	4.46	-	4.46	0.04	0.26	4.20
	9th month	4.20	-	4.20	0.04	0.26	3.94
	10th month	3.94	-	3.94	0.04	0.26	3.68
	11th month	3.68	-	3.68	0.03	0.26	3.41
	12th month	3.41	-	3.41	0.03	0.26	3.15
					0.53	3.15	
5th	Opening Balance						
	1st month	3.15	-	3.15	0.03	0.26	2.89
	2nd month	2.89	-	2.89	0.03	0.26	2.63
	3rd month	2.63	-	2.63	0.02	0.26	2.36
	4th month	2.36	-	2.36	0.02	0.26	2.10
	5th month	2.10	-	2.10	0.02	0.26	1.84
	6th month	1.84	-	1.84	0.02	0.26	1.58
	7th month	1.58	-	1.58	0.01	0.26	1.31
	8th month	1.31	-	1.31	0.01	0.26	1.05
	9th month	1.05	-	1.05	0.01	0.26	0.79
	10th month	0.79	-	0.79	0.01	0.26	0.53
	11th month	0.53	-	0.53	0.00	0.26	0.26
	12th month	0.26	-	0.26	0.00	0.26	-
					0.19	3.15	
	DOOR TO DOOR MORATORIUM PERIOD	60		MONTHS			
		6		MONTHS			
	REPAYMENT PERIOD	54		MONTHS			

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