

# UP MSME 1-Connect

## PROJECT REPORT

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**PROJECT:**

Bean Bags Manufacturing unit

# **PROJECT REPORT**

**Of**

# **BEAN BAGS**

## **PURPOSE OF THE DOCUMENT**

This particular pre-feasibility is regarding Bean 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.]

## PROJECT AT A GLANCE

- 1 Name of the Entrepreneur : xxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxx  
 District : xxxxxxxx  
 Pin: xxxxxxxx State: xxxxx  
 Mobile xxxxxxxx
- 5 Product and By Product : **BEAN BAG**
- 6 Name of the project / business activity proposed : **BEAN BAG MANUFACTURING UNIT**
- 7 Cost of Project : Rs.6.88 Lakhs
- 8 Means of Finance  
 Term Loan Rs.3.78 Lakhs  
 Own Capital Rs.0.69 Lakhs  
 Working Capital Rs.2.41 Lakhs
- 9 Debt Service Coverage Ratio : 4.50
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 29%
- 13 Employment : 9 Persons
- 14 Power Requirement : 15.00 HP
- 15 Major Raw materials : Fabric, EPS Polystyrene beads, Lock & Zippers
- 16 Estimated Annual Sales Turnover (Max Capacity) : 79.91 Lakhs
- 17 Detailed Cost of Project & Means of Finance

### COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	3.80
Furniture & Fixtures	0.40
Working Capital	2.68
<b>Total</b>	<b>6.88</b>

### MEANS OF FINANCE

Particulars	Amount
Own Contribution	0.69
Working Capital(Finance)	2.41
Term Loan	3.78
<b>Total</b>	<b>6.88</b>

# **BEAN BAG MANUFACTURING UNIT**

## **Introduction:**

Bean bags and bean bag chairs are not only convenient and ergonomic, but they are also entertaining, exciting, and inexpensive. However, bean bags are more than just the brightly coloured and beautifully made covers you see on the exterior. You may not have given it much thought, but bean bag filler comes with a wide range of options, and the consistency of your finished product is dependent on selecting the right filling for your needs. You would have a clearer sense of the right filling for bean bag chairs for your family if you consider the various styles of beads that can be used inside bean bags. Bean bag chairs are all the rage today amongst modern furniture for home and offices. These otherwise slouchy, shapeless bean filled sacs are gaining popularity as people are finding many ingenious uses for such items. The majority of bean bags are packed with expanded polystyrene, a man-made plastic (EPS). Extruded polystyrene (EPS) is a hard-celled material that is somewhat similar to Styrofoam. Aside from bean bag beads, EPS is used to make plastic coffee cups and as packing and shipping cushioning. Since it is lightweight but rigid enough to maintain its shape for many years, EPS is ideal for most inexpensive bean bag chairs. EPS is made up of 98 percent air. Bean bag filler is made up of 3 mm to 5 mm diameter EPS beads. Moisture and heat are not a problem for EPS beads.



## **Uses & Market Potential:**

A Bean Bag is a chair as a sealed bag containing dried beans, PVC pellets or expanded polystyrene, with various applications. India is one of Asia-fastest-growing Pacific's markets for home furnishings. Domestic manufacturing of home furnishings is growing, as is the number of government initiatives. “India Home Furnishing Market By Product Type (Curtain Fabric, Upholstery, Bed Linen, Bath Linen, Kitchen Linen, Table Linen, Quilts/Blankets, Wallpapers, sitting chairs, Blinds, Rugs and Carpets, and Other Made-ups), Competition Forecast and Opportunities, 2010 – 2020”, home furnishing market in India is projected to cross INR 40,000 crore by 2020, on account of rising demand for contemporary designs, increasing number of households, booming real estate sector, growing demand for branded and custom designed furniture and increasing availability of innovative and affordable home furnishing products in the country. Over the last five years, India has emerged as one of the fastest growing markets for home furnishing products in APAC. In 2016, the home furnishing market in India is expected to witness a Y-to-Y growth of around 9.5%, with a similar trend anticipated to continue through 2020.

Between 2016 and 2026, the global bean bag chairs industry is forecast to expand at a CAGR of 1.38 percent, from USD 112.21 million in 2016 to USD 1128.69 million by the end of 2026. A bean bag chair is a well-known piece of furniture that can be used for sitting or lounging. It is made up of a PVC pellet-filled outer bean bag shell. They are available in various shapes, heights, colours, and designs. Bean bag chairs should be light, luxurious, soft on the eyes, cool, non-sweaty, relaxing, trendy, and appealing. Leather, suede, corduroy, and fake-fur will all be used to make bean bags.

## **Product:**

Bean Bags

## **Raw Material:**

Raw material that are:

- Fabric
- EPS Polystyrene beads
- Lock & Zippers
- Pencil & Ruler

## **Manufacturing Process:**

- Raw material procurement
- Material Preparation
- Cutting
- Sewing
- Filling the bag
- Safety Lock & Zippers
- Cleaning

## **Area:**

The industrial setup requires space for Inventory, workshop or manufacturing area, space for power supply utilities and 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 1500-2000Sqft.

### **Cost of Machines:**

SN	Name	Amount
1	Cutter (30,000*2)	60,000
2	Double needle Four-thread Overlock machine (50,000*4)	2,00,000
3	Bean Bag filling machine	70,000
8	Other equipment's	50,000
Sub-total		3,80,000

**Power Requirement-** The estimated Power requirement is taken at 15 HP.

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

- Machine operator-2
- Skilled/unskilled worker-2
- Helper-3
- Manager cum Accountant-1
- Sales Personnel-1

## **FINANCIALS**

**PROJECTED BALANCE SHEET**

<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>					
<b><u>Capital Account</u></b>					
Opening Balance	-	1.47	2.45	3.68	5.27
Add: Additions	0.69	-	-	-	-
Add: Net Profit	2.28	2.98	3.73	4.59	5.36
Less: Drawings	1.50	2.00	2.50	3.00	4.00
<b>Closing Balance</b>	1.47	2.45	3.68	5.27	6.63
CC Limit	2.41	2.41	2.41	2.41	2.41
Term Loan	3.36	2.52	1.68	0.84	-
Sundry Creditors	1.01	1.20	1.40	1.61	1.83
<b>TOTAL :</b>	<b>8.25</b>	<b>8.58</b>	<b>9.17</b>	<b>10.13</b>	<b>10.86</b>
<b><u>APPLICATION OF FUND</u></b>					
<b>Fixed Assets ( Gross)</b>	4.20	4.20	4.20	4.20	4.20
Gross Dep.	0.61	1.13	1.57	1.95	2.28
Net Fixed Assets	3.59	3.07	2.63	2.25	1.92
<b>Current Assets</b>					
Sundry Debtors	1.93	2.39	2.81	3.26	3.73
Stock in Hand	1.76	2.10	2.46	2.83	3.21
Cash and Bank	0.97	1.02	1.28	1.80	2.00
<b>TOTAL :</b>	<b>8.25</b>	<b>8.58</b>	<b>9.17</b>	<b>10.13</b>	<b>10.86</b>
	-	-	-	-	-



**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	41.33	51.15	60.23	69.81	79.91
<b>Total (A)</b>	<b>41.33</b>	<b>51.15</b>	<b>60.23</b>	<b>69.81</b>	<b>79.91</b>
<b>B) COST OF SALES</b>					
Raw Material Consumed	20.25	24.10	28.09	32.23	36.53
Electricity Expenses	1.01	1.17	1.34	1.51	1.68
Repair & Maintenance	1.03	1.28	1.51	1.75	2.00
Labour & Wages	9.64	11.86	14.23	16.79	19.31
Depreciation	0.61	0.52	0.44	0.38	0.32
<b>Cost of Production</b>	<b>32.54</b>	<b>38.93</b>	<b>45.61</b>	<b>52.66</b>	<b>59.84</b>
<b>Add: Opening Stock /WIP</b>	<b>-</b>	<b>1.08</b>	<b>1.30</b>	<b>1.52</b>	<b>1.76</b>
<b>Less: Closing Stock /WIP</b>	<b>1.08</b>	<b>1.30</b>	<b>1.52</b>	<b>1.76</b>	<b>1.99</b>
Cost of Sales (B)	31.45	38.71	45.39	52.42	59.60
<b>C) GROSS PROFIT (A-B)</b>	<b>9.87</b>	<b>12.44</b>	<b>14.84</b>	<b>17.38</b>	<b>20.31</b>
	<b>23.88%</b>	<b>24.32%</b>	<b>24.64%</b>	<b>24.90%</b>	<b>25.42%</b>
D) Bank Interest i) (Term Loan )	0.41	0.33	0.24	0.15	0.06
ii) Interest On Working Capital	0.26	0.26	0.26	0.26	0.26
E) Salary to Staff	5.92	7.58	8.79	9.94	11.58
F) Selling & Adm Expenses Exp.	0.99	1.28	1.81	2.44	2.80
<b>G) TOTAL (D+E+F)</b>	<b>7.59</b>	<b>9.46</b>	<b>11.11</b>	<b>12.79</b>	<b>14.69</b>
<b>H) NET PROFIT</b>	<b>2.28</b>	<b>2.98</b>	<b>3.73</b>	<b>4.59</b>	<b>5.61</b>
	<b>5.5%</b>	<b>5.8%</b>	<b>6.2%</b>	<b>6.6%</b>	<b>7.0%</b>
I) Taxation	-	-	-	-	0.26
<b>J) PROFIT (After Tax)</b>	<b>2.28</b>	<b>2.98</b>	<b>3.73</b>	<b>4.59</b>	<b>5.36</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	0.69	-	-	-	-
Reserve & Surplus	2.28	2.98	3.73	4.59	5.61
Depreciation & Exp. W/off	0.61	0.52	0.44	0.38	0.32
Increase In Cash Credit	2.41	-	-	-	-
Increase In Term Loan	3.78	-	-	-	-
Increase in Creditors	1.01	0.19	0.20	0.21	0.21
<b>TOTAL :</b>	<b>10.78</b>	<b>3.69</b>	<b>4.38</b>	<b>5.18</b>	<b>6.15</b>
<b><u>APPLICATION OF FUND</u></b>					
Increase in Fixed Assets	4.20	-	-	-	-
Increase in Stock	1.76	0.34	0.36	0.37	0.38
Increase in Debtors	1.93	0.46	0.42	0.45	0.47
Repayment of Term Loan	0.42	0.84	0.84	0.84	0.84
Taxation	-	-	-	-	0.26
Drawings	1.50	2.00	2.50	3.00	4.00
<b>TOTAL :</b>	<b>9.81</b>	<b>3.64</b>	<b>4.12</b>	<b>4.66</b>	<b>5.95</b>
Opening Cash & Bank Balance	-	0.97	1.02	1.28	1.80
Add : Surplus	0.97	0.05	0.26	0.52	0.20
Closing Cash & Bank Balance	<b>0.97</b>	<b>1.02</b>	<b>1.28</b>	<b>1.80</b>	<b>2.00</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)	1.08	1.30	1.52	1.76	1.99
<b><u>Raw Material</u></b>					
(10 Days requirement)	0.68	0.80	0.94	1.07	1.22
<b>Closing Stock</b>	<b>1.76</b>	<b>2.10</b>	<b>2.46</b>	<b>2.83</b>	<b>3.21</b>

**COMPUTATION OF WORKING CAPITAL REQUIREMENT**

<b>Particulars</b>	<b>Amount</b>	<b>Margin(10%)</b>	<b>Net Amount</b>
Stock in Hand	1.76		
Less:			
Sundry Creditors	1.01		
<b>Paid Stock</b>	<b>0.75</b>	<b>0.07</b>	<b>0.67</b>
Sundry Debtors	1.93	0.19	1.74
<b>Working Capital Requirement</b>			<b>2.41</b>
<b>Margin</b>			0.27
<b>MPBF</b>			<b>2.41</b>
<b>Working Capital Demand</b>			<b>2.41</b>

REPAYMENT SCHEDULE OF TERM LOAN						11.0%	
Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
<b>I</b>	Opening Balance						
	Ist Quarter	-	3.78	3.78	0.10	-	3.78
	Iind Quarter	3.78	-	3.78	0.10	-	3.78
	IIIrd Quarter	3.78	-	3.78	0.10	0.21	3.57
	Ivth Quarter	3.57	-	3.57	0.10	0.21	3.36
					0.41	0.42	
<b>II</b>	Opening Balance						
	Ist Quarter	3.36	-	3.36	0.09	0.21	3.15
	Iind Quarter	3.15	-	3.15	0.09	0.21	2.94
	IIIrd Quarter	2.94	-	2.94	0.08	0.21	2.73
	Ivth Quarter	2.73		2.73	0.08	0.21	2.52
					0.33	0.84	
<b>III</b>	Opening Balance						
	Ist Quarter	2.52	-	2.52	0.07	0.21	2.31
	Iind Quarter	2.31	-	2.31	0.06	0.21	2.10
	IIIrd Quarter	2.10	-	2.10	0.06	0.21	1.89
	Ivth Quarter	1.89		1.89	0.05	0.21	1.68
					0.24	0.84	
<b>IV</b>	Opening Balance						
	Ist Quarter	1.68	-	1.68	0.05	0.21	1.47
	Iind Quarter	1.47	-	1.47	0.04	0.21	1.26
	IIIrd Quarter	1.26	-	1.26	0.03	0.21	1.05
	Ivth Quarter	1.05		1.05	0.03	0.21	0.84
					0.15	0.84	
<b>V</b>	Opening Balance						
	Ist Quarter	0.84	-	0.84	0.02	0.21	0.63
	Iind Quarter	0.63	-	0.63	0.02	0.21	0.42
	IIIrd Quarter	0.42	-	0.42	0.01	0.21	0.21
	Ivth Quarter	0.21		0.21	0.01	0.21	0.00
					0.06	0.84	
<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>							

**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>	2.89	3.50	4.18	4.97	5.68
Interest on Term Loan	0.41	0.33	0.24	0.15	0.06
Total	3.30	3.83	4.42	5.12	5.74
<b><u>REPAYMENT</u></b>					
Repayment of Term Loan	0.42	0.84	0.84	0.84	0.84
Interest on Term Loan	0.41	0.33	0.24	0.15	0.06
Total	0.83	1.17	1.08	0.99	0.90
<b>DEBT SERVICE COVERAGE RATIO</b>	<b>3.98</b>	<b>3.26</b>	<b>4.08</b>	<b>5.17</b>	<b>6.39</b>
<b>AVERAGE D.S.C.R.</b>			<b>4.50</b>		

**Assumptions:**

1. Production Capacity of Bean Bag unit is taken at 50 Bags 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 14 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 15 HP.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

### **DISCLAIMER**

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