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PROJECT REPORT

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PROJECT:

Cloth napkin manufacturing Unit

PROJECT REPORT

OF

CLOTH NAPKIN MANUFACTURING UNIT

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Cloth napkin 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 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 | 28.19 Rs. In Lakhs |
| 8 Means of Finance | |
| i) Own Contribution | 2.82 Rs. In Lakhs |
| ii) Term Loan | 21.38 Rs. In Lakhs |
| iii) Working Capital | 4.00 Rs. In Lakhs |
| 9 Debt Service Coverage Ratio | 2.57 |
| 10 Break Even Point | 0.77 |
| 11 Power Requirement | 6 KW |
| 12 Employment | 9 Persons |
| 13 Major Raw Materials | woven and cotton clothes |
| 14 Details of Cost of Project & Means of Finance | |

| <u>Cost of Project</u> | <u>Amount in Lacs</u> |
|-----------------------------|-----------------------|
| Particulars | Amount |
| Land | Owned/Leased |
| Building & Civil Work | Owned/Leased |
| Plant & Machinery | 20.00 |
| Furniture & Fixture | 1.50 |
| Other Misc Assets | 2.25 |
| Working Capital Requirement | 4.44 |
| Total | 28.19 |

| <u>Means of Finance</u> | <u>Amount</u> |
|-------------------------|---------------|
| Particulars | Amount |
| Own Contribution 10% | 2.82 |
| Term Loan 90% | 21.38 |
| Working capital Loan | 4.00 |
| Total | 28.19 |

CLOTH NAPKIN MANUFACTURING UNIT

1. INTRODUCTION



Cleanliness gives rise to a good character by keeping body, mind, and soul clean and peaceful. Maintaining cleanliness is the essential part of healthy living because it is the cleanliness only which helps to improve our personality by keeping clean externally and internally.

Hygiene refers to conditions practices that help to maintain health and prevent the spread of diseases. Hygiene activities can be grouped into the following: home and everyday hygiene, personal hygiene, medical hygiene, sleep hygiene and food hygiene. Home and every day hygiene includes hand washing, respiratory hygiene, food hygiene at home, hygiene in the kitchen, hygiene in the bathroom, laundry hygiene and medical hygiene at home.

Cloth napkins are a multi-purpose piece of cloth and every home needs them to make life simpler to maintain cleanliness and hygiene. It is a small rectangular cloth piece used for mopping floors and countertops, dusting purposes, wiping hands, cleaning the mouth, and also spreading at dining tables. These are important items used in households and come in various designs and colours online. Cloth napkins can be made from many different materials, but usually made from cotton, polyester, or linen. All three materials are almost same, but they tend to feel a little different. (Cotton may feel soft, whereas polyester may

feel smooth.). Cloth is normally made with the cotton which has water absorbing tendency as well as removes wrinkles from the surface to be applied. Figure 1 (a, b) has shown about the pictorial view of cloth napkin and the motivation to become an entrepreneur in the area.

2. MARKET POTENTIAL

The global Cloth Napkin market was valued at **US\$ 24.5 Bn** in **2021**. It is estimated to grow at a CAGR of **5%** from 2022 to 2031. The **Napkin market** is expected to reach value of **US\$ 41 Bn** by the end of **2031**.

3. PRODUCT DESCRIPTION

3.1 PRODUCT USES

- Cloth napkin is normally used as a cleaning item for the household utensils as well as other appliances.
- Cloth napkin is normally used for work better for wiping excess moisture or sauce than paper.
- Cloth napkins can be reused for years.
- Cloth napkin is used as decorative item for the dining table because it the cheapest and easiest way to add colour and flavour.

3.2 RAW MATERIAL REQUIREMENT

Cloth napkins are made primarily made from woven and cotton clothes. The cloth roller is normally used as a main raw material. The paper boxes are normally used as an item for better packaging so that the customer received a better-quality product. Cloth napkins are simple squares, and they come in a number of standard sizes: most popular are 16", 18", 20" or even 22" square.

3.3 MANUFACTURING PROCESS

This process can be broken down into the following steps-

Raw material procurement & Production Process

➤ **Raw Material Procurement:** Procurement is the connection process of purchasing and arranging in bound movement of all items, supplies, materials, parts, finished inventory and general support services from the suppliers into manufacturing process or assembly plants or warehouses.

➤ **Production Process**

- Proper installation of cloth (rollers)
- Pressing of the rolled clothes:
- Cutting of clothes rollers sheet into standard Napkin size
- Sewing of the corner edges
- Folding of the clothes napkin Packaging of the product
- Testing

4. PROJECT COMPONENTS

4.1 Plant & Machinery

- Clothes Napkin Machine
- Cloth Pressing Machine
- Sewing Machine:
- Packaging Machine

PROJECTED PROFITABILITY STATEMENT

(in Lacs)

| PARTICULARS | 1st year | 2nd year | 3rd year | 4th year | 5th year |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Capacity Utilisation % | 50% | 60% | 70% | 80% | 90% |
| <u>SALES</u> | | | | | |
| Gross Sale | | | | | |
| Cloth Napkin Manufacturing Unit | 57.00 | 78.54 | 100.08 | 124.02 | 150.36 |
| Total | 57.00 | 78.54 | 100.08 | 124.02 | 150.36 |
| <u>COST OF SALES</u> | | | | | |
| Raw Material Consumed | 30.00 | 38.16 | 47.04 | 56.64 | 66.96 |
| Electricity Expenses | 0.58 | 0.73 | 0.85 | 0.97 | 1.09 |
| Depreciation | 3.49 | 2.97 | 2.53 | 2.16 | 1.84 |
| Wages & labour | 6.24 | 6.86 | 7.55 | 8.31 | 9.14 |
| Repair & maintenance | 1.14 | 1.57 | 2.00 | 2.48 | 3.01 |
| Consumables | 1.71 | 5.50 | 10.01 | 14.88 | 21.05 |
| Cost of Production | 43.15 | 55.79 | 69.98 | 85.43 | 103.08 |
| Add: Opening Stock | - | 2.16 | 2.79 | 3.50 | 4.27 |
| Less: Closing Stock | 2.16 | 2.79 | 3.50 | 4.27 | 5.15 |
| Cost of Sales | 41.00 | 55.16 | 69.27 | 84.66 | 102.20 |
| GROSS PROFIT | 16.00 | 23.38 | 30.81 | 39.36 | 48.16 |
| G.P Ratio | 28.08% | 29.77% | 30.79% | 31.74% | 32.03% |
| Salary to Staff | 3.84 | 4.61 | 5.53 | 6.64 | 7.96 |
| Interest on Term Loan | 2.10 | 1.85 | 1.33 | 0.81 | 0.28 |
| Interest on working Capital | 0.44 | 0.44 | 0.44 | 0.44 | 0.44 |
| Rent | 2.40 | 2.76 | 3.17 | 3.65 | 4.20 |
| Selling & Administrative Exp. | 3.42 | 6.28 | 9.01 | 12.03 | 14.58 |
| TOTAL | 12.20 | 15.94 | 19.48 | 23.56 | 27.47 |
| NET PROFIT | 3.80 | 7.44 | 11.33 | 15.80 | 20.69 |
| Taxation | 0.07 | 0.37 | 1.02 | 2.11 | 3.58 |
| PROFIT (After Tax) | 3.74 | 7.07 | 10.31 | 13.68 | 17.11 |
| N.P Ratio | 6.56% | 9.00% | 10.31% | 11.03% | 11.38% |

PROJECTED BALANCE SHEET

(in Lacs)

| PARTICULARS | 1st year | 2nd year | 3rd year | 4th year | 5th year |
|----------------------------------|--------------------|--------------------|---------------------|---------------------|---------------------|
| <u>Liabilities</u> | | | | | |
| Capital | | | | | |
| Opening balance | | 3.56 | 6.63 | 10.94 | 16.63 |
| Add:- Own Capital | 2.82 | | | | |
| Add:- Retained Profit | 3.74 | 7.07 | 10.31 | 13.68 | 17.11 |
| Less:- Drawings | 3.00 | 4.00 | 6.00 | 8.00 | 11.00 |
| Closing Balance | <u>3.56</u> | <u>6.63</u> | <u>10.94</u> | <u>16.63</u> | <u>22.74</u> |
| Term Loan | 19.00 | 14.25 | 9.50 | 4.75 | - |
| Working Capital Limit | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Sundry Creditors | 1.50 | 1.91 | 2.35 | 2.83 | 3.35 |
| Provisions and other liabilities | 0.50 | 0.75 | 1.13 | 1.69 | 2.53 |
| TOTAL : | 28.56 | 27.54 | 27.92 | 29.90 | 32.61 |
| <u>Assets</u> | | | | | |
| Fixed Assets (Gross) | 23.75 | 23.75 | 23.75 | 23.75 | 23.75 |
| Gross Dep. | 3.49 | 6.46 | 8.99 | 11.15 | 12.99 |
| Net Fixed Assets | 20.26 | 17.29 | 14.76 | 12.60 | 10.76 |
| Current Assets | | | | | |
| Loans and advances | 0.50 | 0.80 | 0.50 | 0.80 | 1.00 |
| Sundry Debtors | 2.85 | 3.93 | 5.00 | 6.20 | 7.52 |
| Stock in Hand | 3.66 | 4.70 | 5.85 | 7.10 | 8.50 |
| Cash and Bank | 1.29 | 0.82 | 1.81 | 3.19 | 4.84 |
| TOTAL : | 28.56 | 27.54 | 27.92 | 29.90 | 32.61 |

PROJECTED CASH FLOW STATEMENT

(in Lacs)

| PARTICULARS | 1st year | 2nd year | 3rd year | 4th year | 5th year |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>SOURCES OF FUND</u> | | | | | |
| | 2.82 | | | | |
| Net Profit | 3.80 | 7.44 | 11.33 | 15.80 | 20.69 |
| Depreciation & Exp. W/off | 3.49 | 2.97 | 2.53 | 2.16 | 1.84 |
| Increase in Cash Credit | 4.00 | - | - | - | - |
| Increase In Term Loan | 21.38 | - | - | - | - |
| Increase in Creditors | 1.50 | 0.41 | 0.44 | 0.48 | 0.52 |
| Increase in Provisions and other liabilities | 0.50 | 0.25 | 0.38 | 0.56 | 0.84 |
| TOTAL : | 37.49 | 11.07 | 14.68 | 19.00 | 23.89 |
| <u>APPLICATION OF FUND</u> | | | | | |
| Increase in Fixed Assets | 23.75 | | | | |
| Increase in Stock | 3.66 | 1.04 | 1.15 | 1.25 | 1.40 |
| Increase in Debtors | 2.85 | 1.08 | 1.08 | 1.20 | 1.32 |
| Increase in loans and advances | 0.50 | 0.30 | 0.30 | 0.30 | 0.20 |
| Repayment of Term Loan | 2.38 | 4.75 | 4.75 | 4.75 | 4.75 |
| Drawings | 3.00 | 4.00 | 6.00 | 8.00 | 11.00 |
| Taxation | 0.07 | 0.37 | 1.02 | 2.11 | 3.58 |
| TOTAL : | 36.20 | 11.54 | 13.70 | 17.61 | 22.25 |
| Opening Cash & Bank Balance | - | 1.29 | 0.82 | 1.81 | 3.19 |
| Add : Surplus | 1.29 | -0.47 | 0.99 | 1.38 | 1.64 |
| Closing Cash & Bank Balance | 1.29 | 0.82 | 1.81 | 3.19 | 4.84 |

| REPAYMENT SCHEDULE OF TERM LOAN | | | | | | | | |
|---------------------------------|-----------------|--------|----------|-------|-------------|-------------|-----------------|--------|
| | | | | | | | Interest | 11.00% |
| Year | Particulars | Amount | Addition | Total | Interest | Repayment | Closing Balance | |
| 1st | Opening Balance | | | | | | | |
| | 1st month | - | 21.38 | 21.38 | - | - | 21.38 | |
| | 2nd month | 21.38 | - | 21.38 | 0.20 | - | 21.38 | |
| | 3rd month | 21.38 | - | 21.38 | 0.20 | - | 21.38 | |
| | 4th month | 21.38 | - | 21.38 | 0.20 | - | 21.38 | |
| | 5th month | 21.38 | - | 21.38 | 0.20 | - | 21.38 | |
| | 6th month | 21.38 | - | 21.38 | 0.20 | - | 21.38 | |
| | 7th month | 21.38 | - | 21.38 | 0.20 | 0.40 | 20.98 | |
| | 8th month | 20.98 | - | 20.98 | 0.19 | 0.40 | 20.58 | |
| | 9th month | 20.58 | - | 20.58 | 0.19 | 0.40 | 20.19 | |
| | 10th month | 20.19 | - | 20.19 | 0.19 | 0.40 | 19.79 | |
| | 11th month | 19.79 | - | 19.79 | 0.18 | 0.40 | 19.40 | |
| | 12th month | 19.40 | - | 19.40 | 0.18 | 0.40 | 19.00 | |
| | | | | | 2.10 | 2.38 | | |
| 2nd | Opening Balance | | | | | | | |
| | 1st month | 19.00 | - | 19.00 | 0.17 | 0.40 | 18.60 | |
| | 2nd month | 18.60 | - | 18.60 | 0.17 | 0.40 | 18.21 | |
| | 3rd month | 18.21 | - | 18.21 | 0.17 | 0.40 | 17.81 | |
| | 4th month | 17.81 | - | 17.81 | 0.16 | 0.40 | 17.42 | |
| | 5th month | 17.42 | - | 17.42 | 0.16 | 0.40 | 17.02 | |
| | 6th month | 17.02 | - | 17.02 | 0.16 | 0.40 | 16.63 | |
| | 7th month | 16.63 | - | 16.63 | 0.15 | 0.40 | 16.23 | |
| | 8th month | 16.23 | - | 16.23 | 0.15 | 0.40 | 15.83 | |
| | 9th month | 15.83 | - | 15.83 | 0.15 | 0.40 | 15.44 | |
| | 10th month | 15.44 | - | 15.44 | 0.14 | 0.40 | 15.04 | |
| | 11th month | 15.04 | - | 15.04 | 0.14 | 0.40 | 14.65 | |
| | 12th month | 14.65 | - | 14.65 | 0.13 | 0.40 | 14.25 | |
| | | | | | 1.85 | 4.75 | | |
| 3rd | Opening Balance | | | | | | | |
| | 1st month | 14.25 | - | 14.25 | 0.13 | 0.40 | 13.85 | |
| | 2nd month | 13.85 | - | 13.85 | 0.13 | 0.40 | 13.46 | |
| | 3rd month | 13.46 | - | 13.46 | 0.12 | 0.40 | 13.06 | |
| | 4th month | 13.06 | - | 13.06 | 0.12 | 0.40 | 12.67 | |
| | 5th month | 12.67 | - | 12.67 | 0.12 | 0.40 | 12.27 | |
| | 6th month | 12.27 | - | 12.27 | 0.11 | 0.40 | 11.88 | |
| | 7th month | 11.88 | - | 11.88 | 0.11 | 0.40 | 11.48 | |
| | 8th month | 11.48 | - | 11.48 | 0.11 | 0.40 | 11.08 | |
| | 9th month | 11.08 | - | 11.08 | 0.10 | 0.40 | 10.69 | |
| | 10th month | 10.69 | - | 10.69 | 0.10 | 0.40 | 10.29 | |
| | 11th month | 10.29 | - | 10.29 | 0.09 | 0.40 | 9.90 | |
| | 12th month | 9.90 | - | 9.90 | 0.09 | 0.40 | 9.50 | |
| | | | | | 1.33 | 4.75 | | |

| | | | | | | | |
|------------|-------------------|------|--------|------|-------------|-------------|------|
| 4th | Opening Balance | | | | | | |
| | 1st month | 9.50 | - | 9.50 | 0.09 | 0.40 | 9.10 |
| | 2nd month | 9.10 | - | 9.10 | 0.08 | 0.40 | 8.71 |
| | 3rd month | 8.71 | - | 8.71 | 0.08 | 0.40 | 8.31 |
| | 4th month | 8.31 | - | 8.31 | 0.08 | 0.40 | 7.92 |
| | 5th month | 7.92 | - | 7.92 | 0.07 | 0.40 | 7.52 |
| | 6th month | 7.52 | - | 7.52 | 0.07 | 0.40 | 7.13 |
| | 7th month | 7.13 | - | 7.13 | 0.07 | 0.40 | 6.73 |
| | 8th month | 6.73 | - | 6.73 | 0.06 | 0.40 | 6.33 |
| | 9th month | 6.33 | - | 6.33 | 0.06 | 0.40 | 5.94 |
| | 10th month | 5.94 | - | 5.94 | 0.05 | 0.40 | 5.54 |
| | 11th month | 5.54 | - | 5.54 | 0.05 | 0.40 | 5.15 |
| | 12th month | 5.15 | - | 5.15 | 0.05 | 0.40 | 4.75 |
| | | | | | 0.81 | 4.75 | |
| 5th | Opening Balance | | | | | | |
| | 1st month | 4.75 | - | 4.75 | 0.04 | 0.40 | 4.35 |
| | 2nd month | 4.35 | - | 4.35 | 0.04 | 0.40 | 3.96 |
| | 3rd month | 3.96 | - | 3.96 | 0.04 | 0.40 | 3.56 |
| | 4th month | 3.56 | - | 3.56 | 0.03 | 0.40 | 3.17 |
| | 5th month | 3.17 | - | 3.17 | 0.03 | 0.40 | 2.77 |
| | 6th month | 2.77 | - | 2.77 | 0.03 | 0.40 | 2.38 |
| | 7th month | 2.38 | - | 2.38 | 0.02 | 0.40 | 1.98 |
| | 8th month | 1.98 | - | 1.98 | 0.02 | 0.40 | 1.58 |
| | 9th month | 1.58 | - | 1.58 | 0.01 | 0.40 | 1.19 |
| | 10th month | 1.19 | - | 1.19 | 0.01 | 0.40 | 0.79 |
| | 11th month | 0.79 | - | 0.79 | 0.01 | 0.40 | 0.40 |
| | 12th month | 0.40 | - | 0.40 | 0.00 | 0.40 | - |
| | | | | | 0.28 | 4.75 | |
| | DOOR TO DOOR | 60 | MONTHS | | | | |
| | MORATORIUM PERIOD | 6 | MONTHS | | | | |
| | REPAYMENT PERIOD | 54 | MONTHS | | | | |

| <u>CALCULATION OF D.S.C.R</u> | | | | | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| PARTICULARS | 1st year | 2nd year | 3rd year | 4th year | 5th year |
| CASH ACCRUALS | 7.23 | 10.04 | 12.85 | 15.84 | 18.95 |
| Interest on Term Loan | 2.10 | 1.85 | 1.33 | 0.81 | 0.28 |
| Total | 9.33 | 11.89 | 14.18 | 16.65 | 19.23 |
| <u>REPAYMENT</u> | | | | | |
| Instalment of Term Loan | 2.38 | 4.75 | 4.75 | 4.75 | 4.75 |
| Interest on Term Loan | 2.10 | 1.85 | 1.33 | 0.81 | 0.28 |
| Total | 4.48 | 6.60 | 6.08 | 5.56 | 5.03 |
| DEBT SERVICE COVERAGE RATIO | 2.08 | 1.80 | 2.33 | 3.00 | 3.82 |
| AVERAGE D.S.C.R. | 2.57 | | | | |

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