

Executive Summary for Production of Warp knit & Circular Knit Fabric

2019



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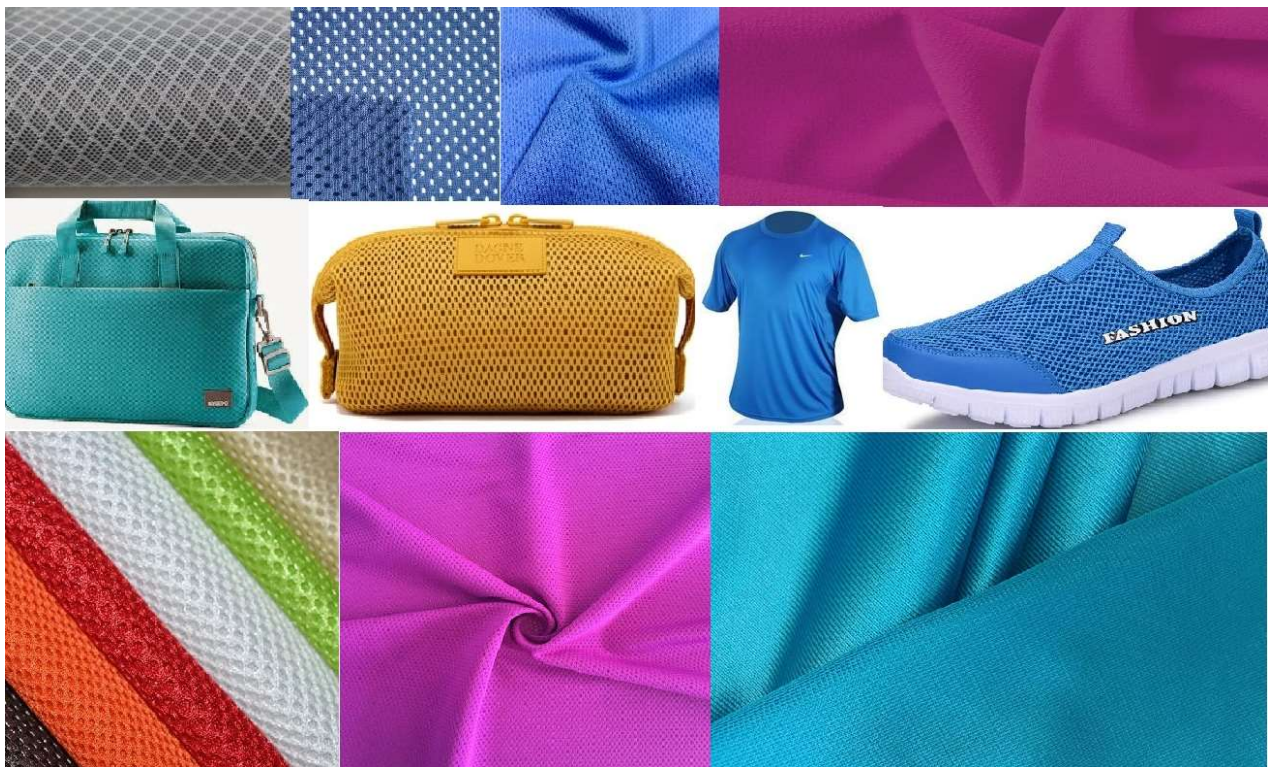


The Project is planned to manufacture Warp & Circular Knit Fabric for Bag and Shoe Industry. The planned project is having capacity of about 4136 Kgs/day. The estimated Project cost is about 2300 Lakhs. The company is looking for Term Loan of Rs. 1495 Lakhs and Working Capital of Rs 431 Lakhs.

The company is planning to manufacture Warp Knit fabric with the following capacity:

S.No	Products	Unit	Capacity
1.	Warp Knit Tricot Fabric	Kgs	2,777
2.	Warp Knit Mesh Fabric	Kgs	758
3.	Circular Knit Fabric	Kgs	600

The plant is capable to manufacture all type of products with various Widths and various Weights per Unit Area. For the business plan the following products have been identified:



Whereas the company's registered and corporate office is situated at FF1- 10674 Jhandewalan Road, Nabi Karim, New Delhi-110055, the factory is being located in Village

Bahalgarh. The factory is located on National Highway No 1 and about 40 Kms from Delhi.

The total cost of the project is estimated at Rs 2,300 Lakhs after implementation of the Project and is expected to have been financed from Shareholders' total contribution of Rs 805 Lakhs, a long term loan of Rs 1495 Lakhs.

DETAILS OF PROJECT COST

		RS' LACS
S. No		
1	Land & Land Development	609.00
2	Building	99.00
3	Plant & machinery	1,112.00
4	Misc. fixed assets	176.00
5	Pre-operative expenses	92.00
6	Contingent expenditure	74.00
7	Working capital margin money (1st year)	139.00
	Total Project Cost	2,300.00

SCHEME OF FINANCE

		RS' LACS
Total Project Cost		2,300
Debt Equity Ratio	:	2.33 : 1
Debts	65%	
Equity	35%	
Debt		1,495
- Rupee Term Loan	:	1,495
Equity Share Capital	:	805

It is proposed to finance the Project with Debt Equity ratio of 2.33:1, which is considered satisfactory to such projects. This works out to be total Loan of Rs 1,495 Lakhs. The loan would be covered under TUFS (Textile Up gradation Funds scheme) by Government of

India. Under this scheme all the loan is entitled with an Interest Subsidy Capital Subsidy of 15%. Apart from this Haryana Government would be also be giving Subsidy under new Textile Policy. All these concessions are not considered in all the Project Calculations.

PROFITABILITY ANALYSIS

The Profit and Loss Account projections for the first five years of commercial operation are as follows:

Rs in Lakhs

Description		Year 1	Year 2	Year 3	Year 4	Year 5
		80%	85%	90%	95%	95%
a. Cost of Production		2,354	2,507	2,661	2,798	2,799
b. Administrative Expenses						
-Administrative Salaries		39	42	47	51	56
- Other Admin. Overheads	1.00%	32	34	36	38	38
Total Admn. Expenses		71	76	83	89	94
c. Packing Expenses		6	6	7	7	7
d. Sale Expenses	1.00%	32	34	36	38	38
e. Total Cost Production		2,462	2,623	2,787	2,933	2,939
f. Expected Sales Ex-factory		3,210	3,411	3,611	3,812	3,812
h. Gross Profit Before interest		748	787	825	879	873
i. Financial Expenses						
-Interest on IC Loan		157	145	119	93	67
-Interest on Borrowing for Working Capital		45	48	51	51	51
-Bank Charges	0.50%	16	17	18	19	19
j. Total Financial Expenses		218	210	188	163	137
k. Depreciation		140	140	140	140	140
l. Operating Profit (h-j-k)		389	437	497	577	597
m. Profit/ Loss before Tax		389	437	497	577	597
n. Provision for Tax		75	96	118	144	154
o. Profit after Tax		314	341	379	433	442
p. Retained Profit		314	341	379	433	442
q. Add Depreciation		140	140	140	140	140
r. Net Cash Accruals		454	481	519	572	582

The financial projections on the commercial operations of the company reveal satisfactory levels of profitability and liquidity. With Net Sales Revenue of **Rs 2,462**

Lakhs, the company posts a Profit After Tax, PAT, of **Rs 314 Lakhs** in the very first year of full commercial operations. This profit level rises to **Rs 442 Lakhs** by the fifth year.

The Balance Sheet projections also show a healthy trend. The Shareholders' Funds increase from **Rs 1119 Lakhs** in the first year of commercial operations to **Rs 1,839 Lakhs** by the third year.

The Break-Even Point Analysis reveals that the company can break even at about **50%** of the installed capacity. This compares favourably with the proposed operational capacity of 80% in the first year of commercial operations. In the same vein, the Pay-Back period is estimated to be **4 years and 3 Months**. These are considered very satisfactory for a project of this magnitude.