

Project Summary for Production of Absorbent Bleached Cotton (Combers) For Export Market

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The Project is for production of Absorbent Bleached Cotton (Comber Noil) for Medical and Personal Hygiene. The products are planned as per European Pharmacopeia and British Pharmacopeia Standards. The final product is for Export to manufacturers of final products to European countries. The Project is covered under Meditech Category of Technical Textiles. All the subsidies under Technical Textiles would be available for Projects but these have not been considered for Project Financial Calculations.

PRODUCTS PLANNED

The project is planned for manufacturing Absorbent Bleached Cotton using Comber Noil for export to European Manufacturers of final products.

The absorbent bleached cotton is used to manufacture following products:

1. Cotton Pleats
2. Cotton Balls
3. Cotton Round Pads
4. Cotton Buds



Comber Noil is used to manufacture all the above products by European Companies. The comber noil is imported by these companies mainly from India, Turkey and some other countries.

Total requirement of European Companies is about 20,000 Tons/Month and mostly these are big companies like CMC Group, Eco wipes, Sissma and many more.

We have complete technical know how for production and support for Marketing activities of Absorbent Bleached Cotton.

In the second phase, the company can plan to manufacture the same products for Exports.

Assumptions

1. Sales Price (Ex Mill)	:	Euro 1.69/ Kg (CIF Euro 1.75)
2. Comber Noil Prices	:	Rs 75/Kg
3. USD to Rs	:	Rs 67 (For Purchase)
4. Euro to Rs	:	Rs 82 (For Purchase)
5. Euro to Rs	:	Rs 81 (For Sales)
6. Power Cost	:	Rs 7.5/Kwh

Total Building area required of about 3000 Sq Mtrs and total land required is about 10,000 Sq Mtrs. We have not including cost of Land in the total cost of Project.

All the machine prices are calculated with GST of 18% under EPCG as new guide lines for imports are not clear.

Man Power Requirement:

The project does not require large number of Man power especially skilled man power. The following man power is required per Shift

1. Cotton Cleaning and Cotton Handling	:	4
2. Cotton Bleaching (Skilled)	:	4
3. Cotton Bleaching (Semi Skilled)	:	3
4. Contamination Sorter & Bale Press	:	3
5. Packing	:	2
6. Maintenance	:	2
7. Electrical	:	1

These are major requirement for main Production apart from this about 8 people per Shift for Utility like Boiler, ETP and other activities.

Production Capacity : 25 Tons/Day

Machines Planned : Major European

Estimated Project Cost:

		Rs Lakhs
	DESCRIPTION	AMOUNT
1	Land Development	-
2	Building	666.00
3	Plant & machinery	4635.00
4	Miscellaneous Fixed Assets	977.00
5	Pre-operative expenses (Including IDC)	253.00
6	Contingent expenditure	159.00
7	Margin for Working capital	453.00
	Total Estimated Project cost	7144.00

The financial highlights of Project are:

Break-even point @ Capacity Utilization	53%
Debt service coverage ratio	
Internal rate of return	25%
Pay back period	4.24
Interest rate - Term Loan	11.50%
Interest rate - Working capital loan	10%

Yearly Production Details:

Production Details in Kgs					
	Year 1	Year 2	Year 3	Year 4	Year 5
Capacity Utilization	80%	85%	90%	95%	95%
Bleached Cotton	7,000,000	7,437,500	7,875,000	8,312,500	8,312,500
Total	7,000,000	7,437,500	7,875,000	8,312,500	8,312,500

Estimated Working Results:

Rs in Lakhs

Description		Year 1	Year 2	Year 3	Year 4	Year 5
Expected Sales Ex-factory		9,582	10,181	10,780	11,379	11,379
Cost of Production		7,192	7,640	8,089	8,527	8,530
Administrative Expenses						
-Administrative Salaries		86	92	97	97	97
- Other Admin. Overheads	0.50%	48	51	54	57	57
Total Admn. Expenses		134	143	151	154	154
Packing Expenses		48	51	54	57	57
Sale Expenses	1.00%	96	102	108	114	114
Total Cost Production		7,470	7,936	8,401	8,852	8,855
Gross Profit Before interest		2,112	2,246	2,379	2,527	2,524
Financial Expenses						
-Interest on IC Loan		548	469	391	313	235
-Interest on Borrowing for Working Capital		136	145	153	153	153
-Bank Charges	0.50%	48	51	54	57	57
Total Financial Expenses		732	664	598	523	445
Depreciation		591	591	591	591	591
Operating Profit		790	990	1,190	1,414	1,488
Provision for Tax		89	111	134	159	167
Profit after Tax		701	879	1,057	1,255	1,321
Add Depreciation		591	591	591	591	591
Net Cash Accruals		1,292	1,470	1,647	1,846	1,912

Pay Back Period Calculation:

						RS' LACS	
DESCRIPTION			Year 1	Year 2	Year 3	Year 4	Year 5
A. Investment							
1. Total Investment		7,144					
2. Less Margin Money		453					
Net Investment (1-2)		6,690					
B. Net Inflows							
1. Net Profit after Tax			701	879	1,057	1,255	1,321
2. Depreciation			591	591	591	591	591
Total			1,292	1,470	1,647	1,846	1,912
			-				
Cumulative			1,292	2,762	4,409	6,255	8,167
Pay back period		{	6,690	-	4,409	}	2,281
	3	+	-----	-----	-----	=	-----
		{	6,255	-	4,409	}	1,846
						=	1.24
	3	+	1.24	=	4.24	Years	