

# UP MSME 1-Connect

## PROJECT REPORT

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PROJECT:

**WOODEN TOY MAKING UNIT**

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**PROJECT REPORT**

**Of**

**WOODEN TOY MAKING UNIT**

**PURPOSE OF THE DOCUMENT**

This particular pre-feasibility is regarding Wooden Toy Making 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 : xxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxxxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **WOODEN TOYS**
- 6 Name of the project / business activity proposed : **WOODEN TOY MAKING UNIT**
- 7 Cost of Project : Rs.11.73 Lakhs
- 8 Means of Finance
- Term Loan Rs.7.56 Lakhs
- Own Capital Rs.1.17 Lakhs
- Working Capital Rs.3 Lakhs
- 9 Debt Service Coverage Ratio : 2.49
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 26%
- 13 Employment : 11 Persons
- 14 Power Requirement : 8.00 HP
- 15 Major Raw materials : Wood, Lac, Synthetic materials (Paint & Pigments), Lithophone
- 16 Estimated Annual Sales Turnover (Max Capacity) : 61.27 Lakhs

17 Detailed Cost of Project & Means of Finance

(Rs. In Lakhs)

COST OF PROJECT

Particulars	Amount
Land	Own/Rented
Building /Shed 1000 Sqft	4.00
Plant & Machinery	3.80
Furniture & Fixtures	0.60
Working Capital	3.33
<b>Total</b>	<b>11.73</b>

## MEANS OF FINANCE

Particulars	Amount
Own Contribution	1.17
Working Capital(Finance)	3.00
Term Loan	7.56
Total	11.73

## WOODEN TOY MAKING UNIT

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### 2.Introduction:

An artisan cluster is defined as geographically concentrated (mostly in villages/townships) household units producing handicraft/handloom products. In a typical cluster, such producers often belong to a traditional community, producing the long-established products for generations. Indeed, many artisan clusters are centuries old Artisan. The mountains, river and lush green landscape lend a special charm to Chitrakoot, which means hills of many wonders. Chitrakoot is known for its wooden handicraft, toys in particular. Making of wooden handicraft is an age-old tradition in this small town, located in the border of Uttar Pradesh and Madhya Pradesh, about 280 km from Allahabad and 92 km from Satna.



The jungles of Chitrakoot supply Dudhi Sundari and Koraiya woods, with which the handicrafts are made. The tapping, sawing and drilling sounds associated with woodwork that rang through the village has diminished much. Making and selling of the handicraft that sustained more than 200 families earlier lacks patronage now, due to urbanization and better appeal of modern toys.

The area has sensible business openings for the informed since there are two government colleges and a couple of schools. In any case, craftsmans' vocation has been influenced because of fall popular. From 200-odd families making and selling Chitrakoot toys and craftsmanship, the quantity of families who rely entirely upon this fine art to support themselves has come down to around 30.

### **3. Market Potential:**

The softwood lacquer ware toy business is on verge of closure due to government apathy, stringent export norms and rising input costs. The European Union, Australia and the US demand for certifications and eco-friendly compliance markings on this craft. With urbanization, housing needs have led to lack of open spaces for craftsmen to set up temporary stalls during tourist season and festivals. They manage to sell the handicraft items through local exhibitions for their livelihood.

Chitrakoot district has a distinct place in the country in wood craft. A well mixture of traditional way and modernity done and craftsmen of the district added new horizons to this art. Right from furniture to daily useable items are manufactured from wood in this district. You will witness a new pattern of wooden carving here. Not only toys but items to be used in building construction like door and window frames are manufactured and exported to other states.

### **4. Product Description:**

**4.1. Product Uses-** Toys, similar to play itself, fill different needs in the two people and creatures. They give amusement while satisfying an instructive job.

**4.2. Raw Material-** The industry is totally dependent on forests for the primary raw materials. These forest-based products are the wood of the hale tree (or other species like- teak, oak, ebony, redwood, rosewood, red cedar, pine, etc.), lac produced by the insect Technadria lacca and the leaves of the talegiri (*Pandanus odoratissimus*).

- Synthetic materials used are paints and pigments.

- Lithophone (compound of barium sulphate and zinc sulphide) is used to give opaqueness to the lac.

Average raw material cost per toy considering various sizes will be

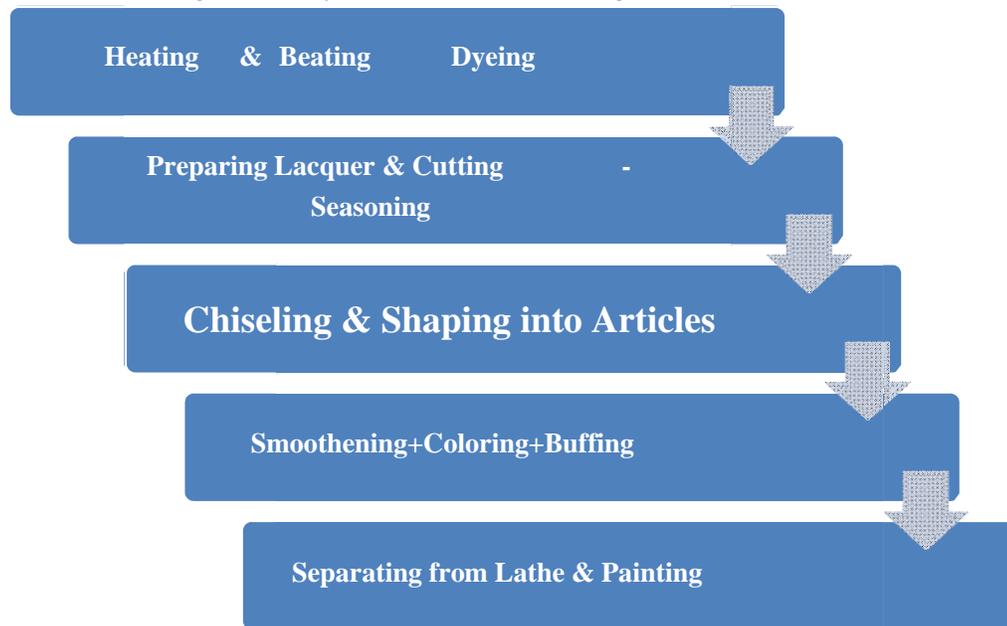
Rs. 100-120 (Approx.)

**4.3. Manufacturing Process:** The process of wire inlay involves a lot of steps. Following are the major heads under which the product can be classified:

The manual lathe (pattari) consists of a rectangular block of wood (2" x 4" x 18") fixed into the ground and attached in a T-joint to another similar sized piece of wood with a cross section 3" x 1". The wood is rotated with the help of a bamboo/cane bowshaped tool about four feet in length. This bowshaped tool is topped with a round wooden kit on which the thread or rope is twined. It has a hole in it to permit the reed or rope to pass through it. The bow is held with the rope tight, the rope going around the wooden kit to enable it to rotate. Production of a wooden lacquer articles involves the following key processes:

- Lacquer Preparation:
  - ✓ Heating- Lac is fixed on finishes of wooden sticks and warmed to make it plastic and flexible. The cycle might be repeated.
  - ✓ Beating- Lithophone is then beaten with the lac till a white tint appears.
  - ✓ Dyeing- powdered dye mixed with water is then added to the warm lac and beaten again to reach a rubber like consistency.
  - ✓ Prepared lacquer- Reheating is followed by removal of the lac from wood to form sticks 0.5cm thick, 3cm wide and 15-20 cm long. 45 sticks of one color and a shelf life of one month are prepared at a time. Wax may be added by boiling with the lacquer to add a glossy finish.
- Wood Preparation:
  - ✓ Cutting-Seasoning Cutting the wood into smaller pieces. Storing them away from heat and sunlight but in good air circulation for about 10-30 days.
  - ✓ Chiseling- Chiseling the wood to form cylinders.
  - ✓ Shaping into articles- The wood is turned on a manual/electric lathe and a chisel is used to scrape off continuous chips till desired shape is achieved. The lathe can create only basic shapes oval, conical or round.
  - ✓ Smoothing- Shaping is followed by smoothing the surface using sandpaper

- ✓ Coloring- Coloring skill defines the quality of the final product. Coloring of the wood is carried out from lac sticks. The stick is touched to the surface of the wood. The continuous revolving of the wood on the lathe causes friction between the lac and the wood which melts the lac and it spreads on the wood.
- Finishing:
  - ✓ Polishing-Buffering- A screw pine leaf further spreads lac on the wood which is followed by polishing and buffering (for translucency). Kewda oil may be used for polishing.
  - ✓ Separating from lathe- A cutting tool is used to separate the wood from the lathe.
  - ✓ Painting- Paint may be used for final finishing



## 5. Project Components:

**5.1. Land-** The required land for toy making is estimated to be around 1000sqft.

### 5.2. Civil Work-

- Workshop Area- This area includes the wheel set up and foundation space for all equipments, work floor area, and

necessary tooling and polishing. Total workshop area is approx.

500Sqft.

- Inventory Area- This area includes the storage space for all the raw materials, tooling and storage space and finished goods. Total

inventory area is approx. 300Sqft.

- Office Area – This space includes staff working region. Total

workshop area is approx 200Sqft.

Land and building requirement may vary depending on the size of project. Civil work cost will be Rs 4 Lac(Approx.)

### 5.3. Machinery & Tools- Major machines and tools are mentioned below:

Wood Lathe Turning Machine	Woodturning is the craft of using the wood lathe with hand-held tools to cut a shape that is symmetrical around the axis of rotation.	
Hand saws	In woodworking and carpentry, hand saws, also known as "panel saws", are used to cut pieces of wood into different shapes.	
Axes	An axe is an implement that has been used for millennia to shape, split and cut wood.	
Chisels	A chisel is a tool with a characteristically shaped cutting edge.	
Gauges	Used to measure the dimensions of (an object)	

**Note:** Average Machinery and equipment including hand tools cost will be Rs. 380000 (Approx.) exclusive of GST & installation cost.

### 5.4. Miscellaneous Assets-

- ✓ Water Supply Arrangements
- ✓ Furniture
- ✓ Stationary

**5.5. Power Requirement-** The power requirement is estimated to be around 8HP.

**5.6. Man Power Requirement-** Following manpower is required:

- Machine Operator-2
- Skilled/Unskilled Worker-4
- Helper-3
- 2 Skilled worker including a Sales Personal and Accountant.

**6.**

**FINANCIAL  
ASPECTS**

<b>PROJECTED BALANCE SHEET</b>					
<b>I</b>					
<b>PARTICULARS</b>	<b>I</b>	<b>II</b>	<b>III</b>	<b>IV</b>	<b>V</b>
<b>SOURCES OF FUND</b>					
<b>Capital Account</b>					
Opening Balance	-	2.12	3.64	5.66	7.63
Add: Additions	1.17	-	-	-	-
Add: Net Profit	1.55	2.31	3.63	4.77	6.16
Less: Drawings	0.60	0.80	1.60	2.80	3.50
<b>Closing Balance</b>	<b>2.12</b>	<b>3.64</b>	<b>5.66</b>	<b>7.63</b>	<b>10.29</b>
CC Limit	3.00	3.00	3.00	3.00	3.00
Term Loan	6.72	5.04	3.36	1.68	-
Sundry Creditors	0.90	1.04	1.19	1.36	1.54
<b>TOTAL :</b>	<b>12.74</b>	<b>12.72</b>	<b>13.21</b>	<b>13.67</b>	<b>14.83</b>
<b>APPLICATION OF FUND</b>					
Fixed Assets ( Gross)	8.40	8.40	8.40	8.40	8.40
Gross Dep.	1.03	1.93	2.71	3.40	4.00
Net Fixed Assets	7.37	6.47	5.69	5.00	4.40
<b>Current Assets</b>					

Sundry Debtors	1.71	2.07	2.38	2.70	3.06
Stock in Hand	2.70	3.12	3.57	4.07	4.61
Cash and Bank	0.96	1.06	1.57	1.89	2.75
<b>TOTAL :</b>	<b>12.74</b>	<b>12.72</b>	<b>13.21</b>	<b>13.67</b>	<b>14.83</b>
	-	-	-	-	-

<b>PROJECTED PROFITABILITY STATEMENT</b>					
PARTICULARS	I	II	III	IV	V
<b>A) SALES</b>					
Gross Sale	34.20	41.39	47.54	54.08	61.27
<b>Total (A)</b>	<b>34.20</b>	<b>41.39</b>	<b>47.54</b>	<b>54.08</b>	<b>61.27</b>
<b>B) COST OF SALES</b>					
Raw Material Consumed	18.00	20.79	23.76	27.14	30.74
Electricity Expenses	0.90	0.98	1.07	1.16	1.25
Repair & Maintenance	0.68	1.24	1.43	1.62	1.84
Labour & Wages	9.07	9.98	11.18	12.18	13.28
Depreciation	1.03	0.90	0.78	0.69	0.60
<b>Cost of Production</b>	<b>29.68</b>	<b>33.89</b>	<b>38.22</b>	<b>42.80</b>	<b>47.71</b>
<b>Add: Opening Stock /WIP</b>	<b>-</b>	<b>1.80</b>	<b>2.08</b>	<b>2.39</b>	<b>2.71</b>
<b>Less: Closing Stock /WIP</b>	<b>1.80</b>	<b>2.08</b>	<b>2.39</b>	<b>2.71</b>	<b>3.07</b>
Cost of Sales (B)	27.88	33.62	37.91	42.47	47.35
<b>C) GROSS PROFIT (A-B)</b>	<b>6.32</b>	<b>7.78</b>	<b>9.62</b>	<b>11.61</b>	<b>13.91</b>

	18.48%	18.79%	20.24%	21.47%	22.71%
D) Bank Interest i) (Term Loan )	0.82	0.67	0.49	0.30	0.12
ii) Interest On Working Capital	0.33	0.33	0.33	0.33	0.33
E) Salary to Staff	3.28	3.64	4.18	4.60	5.06
F) Selling & Adm Expenses Exp.	0.34	0.83	1.00	1.08	1.16
TOTAL (D+E+F)	4.77	5.46	6.00	6.31	6.67
H) NET PROFIT	1.55	2.31	3.63	5.30	7.25
	4.5%	5.6%	7.6%	9.8%	11.8%
I) Taxation	-	-	-	0.53	1.09
J) PROFIT (After Tax)	1.55	2.31	3.63	4.77	6.16

<b>PROJECTED CASH FLOW STATEMENT</b>					
PARTICULARS	I	II	III	IV	V
<b>SOURCES OF FUND</b>					
Own Contribution	1.17	-			
Reserve & Surplus	1.55	2.31	3.63	5.30	7.25
Depriciation & Exp. W/off	1.03	0.90	0.78	0.69	0.60
Increase In Cash Credit	3.00				
Increase In Term Loan	7.56	-	-	-	-
Increase in Creditors	0.90	0.14	0.15	0.17	0.18
<b>TOTAL :</b>	<b>15.21</b>	<b>3.35</b>	<b>4.56</b>	<b>6.15</b>	<b>8.02</b>
<b>APPLICATION OF FUND</b>					
Increase in Fixed Assets	8.40	-	-	-	-
Increase in Stock	2.70	0.42	0.46	0.50	0.54
Increase in Debtors	1.71	0.36	0.31	0.33	0.36
Repayment of Term Loan	0.84	1.68	1.68	1.68	1.68
Taxation	-	-	-	0.53	1.09

Drawings	0.60	0.80	1.60	2.80	3.50
<b>TOTAL :</b>	<b>14.25</b>	<b>3.26</b>	<b>4.04</b>	<b>5.83</b>	<b>7.17</b>
Opening Cash & Bank Balance	-	0.96	1.06	1.57	1.89
Add : Surplus	0.96	0.09	0.52	0.32	0.86
Closing Cash & Bank Balance	<b>0.96</b>	<b>1.06</b>	<b>1.57</b>	<b>1.89</b>	<b>2.75</b>

<b>REPAYMENT SCHEDULE OF TERM LOAN</b>							11.0%
Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
<b>I</b>	Opening Balance						
	Ist Quarter	-	7.56	7.56	0.21	-	7.56
	Iind Quarter	7.56	-	7.56	0.21	-	7.56
	IIIrd Quarter	7.56	-	7.56	0.21	0.42	7.14
	Ivth Quarter	7.14	-	7.14	0.20	0.42	6.72
					0.82	0.84	
<b>II</b>	Opening Balance						
	Ist Quarter	6.72	-	6.72	0.18	0.42	6.30
	Iind Quarter	6.30	-	6.30	0.17	0.42	5.88
	IIIrd Quarter	5.88	-	5.88	0.16	0.42	5.46
	Ivth Quarter	5.46		5.46	0.15	0.42	5.04
					0.67	1.68	
<b>III</b>	Opening Balance						
	Ist Quarter	5.04	-	5.04	0.14	0.42	4.62
	Iind Quarter	4.62	-	4.62	0.13	0.42	4.20
	IIIrd Quarter	4.20	-	4.20	0.12	0.42	3.78
	Ivth Quarter	3.78		3.78	0.10	0.42	3.36
					0.49	1.68	
<b>IV</b>	Opening Balance						
	Ist Quarter	3.36	-	3.36	0.09	0.42	2.94

	Iind Quarter	2.94	-	2.94	0.08	0.42	2.52
	IIIrd Quarter	2.52	-	2.52	0.07	0.42	2.10
	Ivth Quarter	2.10		2.10	0.06	0.42	1.68
					0.30	1.68	
<b>V</b>	Opening Balance						
	Ist Quarter	1.68	-	1.68	0.05	0.42	1.26
	Iind Quarter	1.26	-	1.26	0.03	0.42	0.84
	IIIrd Quarter	0.84	-	0.84	0.02	0.42	0.42
	Ivth Quarter	0.42		0.42	0.01	0.42	0.00
					0.12	1.68	

Door to Door Period            60 Months  
Moratorium Period                6 Months  
Repayment Period                 54 Months

**COMPUTATION OF CLOSING STOCK & WORKING CAPITAL**

PARTICULARS	I	II	III	IV	V
<b><u>Finished Goods</u></b>					
(15 Days requirement)	1.80	2.08	2.39	2.71	3.07
<b><u>Raw Material</u></b>					
(15 Days requirement)	0.90	1.04	1.19	1.36	1.54
<b>Closing Stock</b>	<b>2.70</b>	<b>3.12</b>	<b>3.57</b>	<b>4.07</b>	<b>4.61</b>

COMPUTATION OF WORKING CAPITAL REQUIREMENT			
Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	2.70		
Less:			
Sundry Creditors	0.90		
<b>Paid Stock</b>	<b>1.80</b>	<b>0.18</b>	<b>1.62</b>
Sundry Debtors	1.71	0.17	1.54
<b>Working Capital Requirement</b>			<b>3.16</b>
Margin			0.35
<b>MPBF</b>			<b>3.16</b>
<b>Working Capital Demand</b>			<b>3.00</b>

<u>CALCULATION OF D.S.C.R</u>					
PARTICULARS	I	II	III	IV	V

<b><u>CASH ACCRUALS</u></b>	2.58	3.21	4.41	5.45	6.76
Interest on Term Loan	0.82	0.67	0.49	0.30	0.12
Total	3.40	3.88	4.90	5.75	6.87
<b><u>REPAYMENT</u></b>					
Repayment of Term Loan	0.84	1.68	1.68	1.68	1.68
Interest on Term Loan	0.82	0.67	0.49	0.30	0.12
Total	1.66	2.35	2.17	1.98	1.80
<b>DEBT SERVICE COVERAGE RATIO</b>	<b>2.05</b>	<b>1.65</b>	<b>2.26</b>	<b>2.91</b>	<b>3.83</b>
<b>AVERAGE D.S.C.R.</b>			<b>2.49</b>		

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