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PROJECT REPORT

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PROJECT:

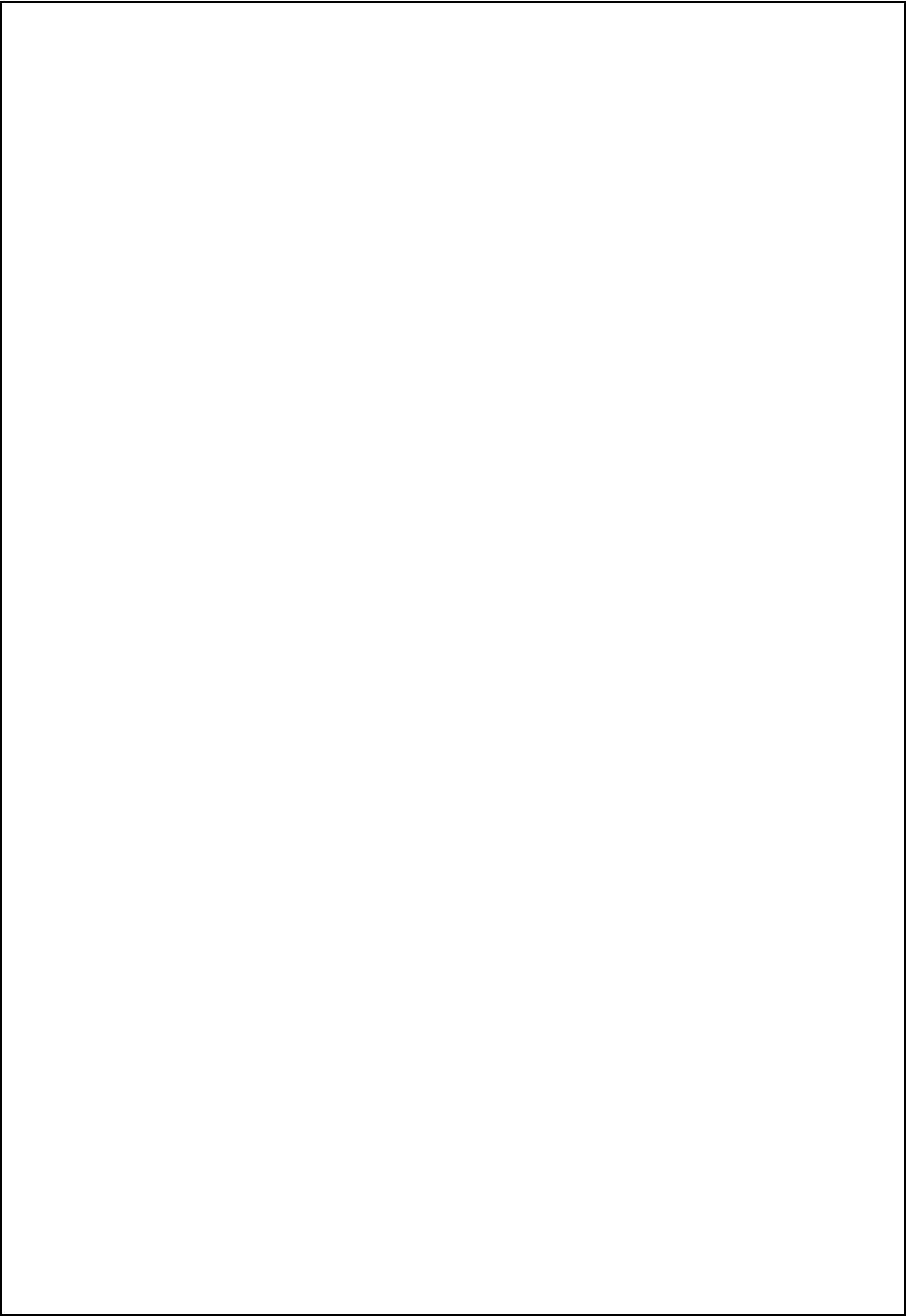
Bamboo Sticks for Agarbatti Manufacturing
Unit

**PROJECT REPORT
OF
BAMBOO STICKS FOR AGARBATTI
MANUFACTURING UNIT
PURPOSE OF THE DOCUMENT**

This particular pre-feasibility is regarding Bamboo Sticks for Agarbatti 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	17.72	Rs. In Lakhs
8	Means of Finance		
i)	Own Contribution	1.77	Rs. In Lakhs
ii)	Term Loan	13.95	Rs. In Lakhs
iii)	Working Capital	2.00	Rs. In Lakhs
9	Debt Service Coverage Ratio	3.04	
10	Break Even Point	0.36	
11	Power Requirement	25	KW
12	Employment	6	Persons
13	Major Raw Materials	Bamboo	
14	Details of Cost of Project & Means of Finance		

Cost of Project		Amount in Lacs
Particulars		Amount
Land	Owned/Rented	
Building & Civil Work	Owned/Rented	
Plant & Machinery		13.00
Furniture & Fixture		1.00
Other Misc Assets		1.50
Working Capital Requirement		2.22
Total		17.72

Means of Finance	
Particulars	Amount
Own Contribution 10%	1.77
Term Loan 90%	13.95
Working capital Loan	2.00
Total	17.72

BAMBOO STICKS PRODUCTION UNIT

1. INTRODUCTION

In India, the burning of incense in religious and social functions across all communities is being practiced since early times. Agarbatti which was once a staple feature of Indian devotional activities has now branched out as products associated with aromatherapy, meditation and yoga. Agarbatti sector of India is largest in the world. Agarbatti production is a well-established cottage industry and is a 5 crores worth growing market in India.

Though India is second in bamboo production, a large part of agarbatti industry is importing 70% of its bamboo needs. Despite availability of a large number of species of bamboo, the most commonly used species for stick production are *M. Baccifera* (Muli), *Bambusa vulgaris* (Bari), *Bambusa tulda* (Mritinga), *Bambusa balcooa* (Barak) and *Dendrocalamus longispathus* (Rupai) .

As compared to manual sticks produced in India, the imported bamboo sticks on the whole are better with respect to uniformity of dimensions and quality. Computer mouse is intended to move the pointer around the screen in an easy and smooth manner, but a mouse pad makes this operation considerably more efficient. While the mouse can operate without a pad, it is recommended that you use one to keep the mouse's sensors clean and free of potentially harmful dust and debris. It also enhances the capacity of the mouse to detect and transmit movement without jittering or sticking. The non-reflective quality of the mouse pad surface is excellent for mice with optical sensors.

Agarbatti/Incense Sticks production is a well-established cottage industry and is a 5 crore worth growing market in India. Base material for incense sticks is bamboo stick which accounts for one third of its weight. Cost of bamboo is only about one percent of the final finished product but is the most essential raw material for agarbatti production. However due to shortage of gregarious flowering of the major species of bamboo used in stick production i.e. Muli bamboo, there can be shortage of raw material and decrease in supply of sticks. Further, due to decrease in import duty from 30% to 10% on bamboo sticks, 70% of bamboo needs of agarbatti industry are fulfilled by imported bamboo sticks from China and Vietnam. The imported bamboo sticks are better with respect to uniformity of dimensions and quality because of large scale mechanization.

Bamboo Mission is focusing on development of bamboo sector through encouraging bamboo plantations and introducing mechanization .Now, with focus of Govt. on this sector the Industry move to mechanized stick production process as a full-fledged business activity.



2. MARKET POTENTIAL

There is a huge requirement of bamboo sticks from India agarbatti market and quality bamboo sticks sell like a hot cake. India accounts for over 70% consumption of the world incense stick market. Indian agarbatti market amounts to Rs.6000 crore out of which Rs.2000 crore is in organized market.

The incense stick makers range from small fragmented units to small factories to FMCG giants. Between FY2012 and FY2016, India exported agarbattis worth \$498.02 million. In addition, annual exports witnessed an 11.57% growth during the same period, from \$89.64 million in FY2012 to \$100.02 million in FY2016.

3. PRODUCT DESCRIPTION

3.1 RAW MATERIAL REQUIREMENT

The main raw materials required for manufacturing the Bamboo sticks are bamboo grains along with some lubricants.

3.2 MANUFACTURING PROCESS

Manufacturing process is defined below:

- Cross cutting of bamboo poles to cylinders
- Splitting the cylinders into slats
- Making of slivers from slats of uniform thickness

- Making bamboo sticks from slivers
- Polishing Bamboo sticks
- Sizing of bamboo sticks into desired length
- Drying of bamboo sticks

4. PROJECT COMPONENTS

Plant & Machinery

- Bamboo cross cutting machine
- Manual splitter machine
- Sliver making machine
- Bamboo round stick machine
- Bamboo Stick dryer machine
- Bamboo stick polish machine
- Bamboo stick sizing machine
- Weighing Machine

PROJECTED PROFITABILITY STATEMENT					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
Capacity Utilisation %	55%	60%	65%	70%	75%
<u>SALES</u>					
Gross Sale					
BAMBOO STICKS	39.48	46.85	53.39	60.34	67.69
Total	39.48	46.85	53.39	60.34	67.69
<u>COST OF SALES</u>					
Raw Material Consumed	12.38	13.50	14.63	15.75	16.88
Electricity Expenses	3.30	4.32	4.68	5.04	5.40
Depreciation	2.28	1.94	1.65	1.41	1.20
Wages & labour	5.28	5.81	6.39	7.03	8.08
Repair & maintenance	0.59	1.41	1.60	1.81	2.37
Consumables	0.79	0.94	1.76	2.29	3.05
Packaging	0.87	1.22	1.71	2.41	2.71
Cost of Production	25.48	29.13	32.42	35.74	39.68
Add: Opening Stock	-	0.85	0.97	1.08	1.19
Less: Closing Stock	0.85	0.97	1.08	1.19	1.32
Cost of Sales	24.63	29.01	32.31	35.63	39.55
GROSS PROFIT	14.85	17.84	21.08	24.70	28.14
Gross Profit Ratio	37.61%	38.09%	39.49%	40.94%	41.57%
Salary to Staff	3.96	4.75	5.70	6.84	7.87
Interest on Term Loan	1.37	1.21	0.87	0.53	0.18
Interest on working Capital	0.22	0.22	0.22	0.22	0.22
Rent	3.00	3.30	3.80	4.55	5.24
Selling & Administrative Exp.	0.59	1.03	1.49	1.69	1.76
TOTAL	9.14	10.51	12.08	13.83	15.27
NET PROFIT	5.70	7.33	9.00	10.87	12.87
Taxation	0.20	0.36	0.60	0.92	1.34
PROFIT (After Tax)	5.51	6.98	8.40	9.95	11.53
Net Profit Ratio	13.95%	14.89%	15.74%	16.49%	17.03%

PROJECTED BALANCE SHEET					
					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>Liabilities</u>					
Capital					
Opening balance		2.78	4.75	7.16	9.60
Add: - Own Capital	1.77				
Add: - Retained Profit	5.51	6.98	8.40	9.95	11.53
Less: - Drawings	4.50	5.00	6.00	7.50	9.00
Closing Balance	<u>2.78</u>	<u>4.75</u>	<u>7.16</u>	<u>9.60</u>	<u>12.13</u>
Term Loan	12.40	9.30	6.20	3.10	-
Working Capital Limit	2.00	2.00	2.00	2.00	2.00
Sundry Creditors	0.62	0.68	0.73	0.79	0.84
Provisions & Other Liability	1.00	1.30	1.56	1.87	2.25
TOTAL:	18.80	18.03	17.65	17.36	17.22
<u>Assets</u>					
Fixed Assets (Gross)					
Gross Dep.	2.28	4.21	5.87	7.27	8.48
Net Fixed Assets	13.23	11.29	9.63	8.23	7.02
Current Assets					
Sundry Debtors	1.97	2.34	2.67	3.02	3.38
Stock in Hand	1.26	1.42	1.57	1.72	1.89
Cash and Bank	1.84	1.98	2.28	2.41	2.63
Loans & Advances	0.50	1.00	1.50	2.00	2.30
TOTAL:	18.80	18.03	17.65	17.36	17.22

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PROJECTED CASH FLOW STATEMENT					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>SOURCES OF FUND</u>					
Own Margin	1.77				
Net Profit	5.70	7.33	9.00	10.87	12.87
Depreciation & Exp. W/off	2.28	1.94	1.65	1.41	1.20
Increase in Cash Credit	2.00	-	-	-	-
Increase In Term Loan	13.95	-	-	-	-
Increase in Creditors	0.62	0.06	0.06	0.06	0.06
Increase in Provisions & Oth liabilities	1.00	0.30	0.26	0.31	0.37
	-				
TOTAL:	27.32	9.63	10.97	12.65	14.50
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	15.50				
Increase in Stock	1.26	0.16	0.15	0.15	0.17
Increase in Debtors	1.97	0.37	0.33	0.35	0.37
Repayment of Term Loan	1.55	3.10	3.10	3.10	3.10
Loans & Advances	0.50	0.50	0.50	0.50	0.30
Drawings	4.50	5.00	6.00	7.50	9.00
Taxation	0.20	0.36	0.60	0.92	1.34
TOTAL:	25.48	9.49	10.67	12.52	14.28
Opening Cash & Bank Balance	-	1.84	1.98	2.28	2.41
Add : Surplus	1.84	0.14	0.30	0.13	0.22
Closing Cash & Bank Balance	1.84	1.98	2.28	2.41	2.63

<u>CALCULATION OF D.S.C.R.</u>					
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
CASH ACCRUALS	7.78	8.91	10.05	11.36	12.73
Interest on Term Loan	1.37	1.21	0.87	0.53	0.18
Total	9.15	10.12	10.92	11.88	12.91
<u>REPAYMENT</u>					
Instalment of Term Loan	1.55	3.10	3.10	3.10	3.10
Interest on Term Loan	1.37	1.21	0.87	0.53	0.18
Total	2.92	4.31	3.97	3.63	3.28
DEBT SERVICE COVERAGE RATIO	3.13	2.35	2.75	3.28	3.93
AVERAGE D.S.C.R.	3.04				

REPAYMENT SCHEDULE OF TERM LOAN							
						Interest	11.00%
Year	Particulars	Amount	Addition	Total	Interest	Repayment	Closing Balance
1st	Opening Balance						
	1st month	-	13.95	13.95	-	-	13.95
	2nd month	13.95	-	13.95	0.13	-	13.95
	3rd month	13.95	-	13.95	0.13	-	13.95
	4th month	13.95	-	13.95	0.13		13.95
	5th month	13.95	-	13.95	0.13		13.95
	6th month	13.95	-	13.95	0.13		13.95
	7th month	13.95	-	13.95	0.13	0.26	13.69
	8th month	13.69	-	13.69	0.13	0.26	13.43
	9th month	13.43	-	13.43	0.12	0.26	13.18
	10th month	13.18	-	13.18	0.12	0.26	12.92
	11th month	12.92	-	12.92	0.12	0.26	12.66
	12th month	12.66	-	12.66	0.12	0.26	12.40
						1.37	1.55
2nd	Opening Balance						
	1st month	12.40	-	12.40	0.11	0.26	12.14
	2nd month	12.14	-	12.14	0.11	0.26	11.88
	3rd month	11.88	-	11.88	0.11	0.26	11.63
	4th month	11.63	-	11.63	0.11	0.26	11.37
	5th month	11.37	-	11.37	0.10	0.26	11.11
	6th month	11.11	-	11.11	0.10	0.26	10.85
	7th month	10.85	-	10.85	0.10	0.26	10.59
	8th month	10.59	-	10.59	0.10	0.26	10.33
	9th month	10.33	-	10.33	0.09	0.26	10.08
	10th month	10.08	-	10.08	0.09	0.26	9.82
	11th month	9.82	-	9.82	0.09	0.26	9.56
	12th month	9.56	-	9.56	0.09	0.26	9.30
						1.21	3.10
3rd	Opening Balance						
	1st month	9.30	-	9.30	0.09	0.26	9.04
	2nd month	9.04	-	9.04	0.08	0.26	8.78
	3rd month	8.78	-	8.78	0.08	0.26	8.53
	4th month	8.53	-	8.53	0.08	0.26	8.27
	5th month	8.27	-	8.27	0.08	0.26	8.01
	6th month	8.01	-	8.01	0.07	0.26	7.75
	7th month	7.75	-	7.75	0.07	0.26	7.49
	8th month	7.49	-	7.49	0.07	0.26	7.23
	9th month	7.23	-	7.23	0.07	0.26	6.98
	10th month	6.98	-	6.98	0.06	0.26	6.72
	11th month	6.72	-	6.72	0.06	0.26	6.46
	12th month	6.46	-	6.46	0.06	0.26	6.20
						0.87	3.10

4th	Opening Balance						
	1st month	6.20	-	6.20	0.06	0.26	5.94
	2nd month	5.94	-	5.94	0.05	0.26	5.68
	3rd month	5.68	-	5.68	0.05	0.26	5.43
	4th month	5.43	-	5.43	0.05	0.26	5.17
	5th month	5.17	-	5.17	0.05	0.26	4.91
	6th month	4.91	-	4.91	0.04	0.26	4.65
	7th month	4.65	-	4.65	0.04	0.26	4.39
	8th month	4.39	-	4.39	0.04	0.26	4.13
	9th month	4.13	-	4.13	0.04	0.26	3.88
	10th month	3.88	-	3.88	0.04	0.26	3.62
	11th month	3.62	-	3.62	0.03	0.26	3.36
	12th month	3.36	-	3.36	0.03	0.26	3.10
					0.53	3.10	
5th	Opening Balance						
	1st month	3.10	-	3.10	0.03	0.26	2.84
	2nd month	2.84	-	2.84	0.03	0.26	2.58
	3rd month	2.58	-	2.58	0.02	0.26	2.33
	4th month	2.33	-	2.33	0.02	0.26	2.07
	5th month	2.07	-	2.07	0.02	0.26	1.81
	6th month	1.81	-	1.81	0.02	0.26	1.55
	7th month	1.55	-	1.55	0.01	0.26	1.29
	8th month	1.29	-	1.29	0.01	0.26	1.03
	9th month	1.03	-	1.03	0.01	0.26	0.78
	10th month	0.78	-	0.78	0.01	0.26	0.52
	11th month	0.52	-	0.52	0.00	0.26	0.26
	12th month	0.26	-	0.26	0.00	0.26	-
					0.18	3.10	
	DOOR TO DOOR	60	MONTHS				
	MORATORIUM PERIOD	6	MONTHS				
	REPAYMENT PERIOD	54	MONTHS				

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