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PROJECT REPORT

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PROJECT:

Wooden Furniture Manufacturing unit

PROJECT REPORT

Of

WOODEN FURNITURE MANUFACTURING UNIT

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Wooden Furniture 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 A GLANCE

- 1 Name of the Entrepreneur : xxxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **WOODEN FURNITURE**
- 6 Name of the project / business activity proposed : **WOODEN FURNITURE UNIT**
- 7 Cost of Project : Rs.13.66 Lakhs
- 8 Means of Finance
- Term Loan Rs.7.09 Lakhs
- Own Capital Rs.1.37 Lakhs
- Working Capital Rs.5.2 Lakhs
- 9 Debt Service Coverage Ratio : 3.38
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 29%
- 13 Employment : 12 Persons
- 14 Power Requirement : 15.00 HP
- 15 Major Raw materials : Wood, Adhesives,nails and finishing material(stains,basecoats,glazers and enamels)
- 16 Estimated Annual Sales Turnover (Max Capacity) : 151.44 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Land	Own/Rented
Plant & Machinery	6.38
Furniture & Fixtures	1.50
Working Capital	5.78
Total	13.66

MEANS OF FINANCE

Particulars	Amount
Own Contribution	1.37
Working Capital(Finance)	5.20
Term Loan	7.09
Total	13.66

WOODEN FURNITURE UNIT

Introduction:

The wood carving artistry is about 400 years old. The products showcase the skill of the craftsmen of the region and intricate designs and carvings chiseled on wood, mostly sheesham wood being the raw material of choice. The most common varieties used to make Indian handicrafts are teak, sheesham, sal, oak, mango, ebony and mahogany. Sandalwood, rosewood and walnut are the exotic varieties and are expensive and are used in producing fine pieces of furniture and decorative items. These materials may have revolutionized the furniture industry, but wood is undeniably a staple material in furniture manufacturing. Wood is, of course, a long-lasting and robust material and is the perfect choice for anyone looking for longevity from their furniture. Wooden furniture can also go a long way to creating a sense of the natural world indoors. The export of these wood carving furniture and handicraft products is carried out by exporting units in the district. The wood items manufactured here include household items such as doors, charms, beds and wooden figures like toys and other artworks. India is a land of wonderful and marvelous artistic work of wood. The rich handicraft and beautiful traditional attributes of art and design have established a reputation of Indian Furniture Industry in the nation and worldwide. Furniture refers to the movable objects that support various human activities such as seating, eating and sleeping. They are also used to hold objects at a convenient height for work or to store things. Furniture is a product of design and it is also considered as a form of decorative art. Over 11.5 per cent of the total land of the district is covered by forest which offer very good potential for forest based industries. Mahrajganj is a quaint district endowed with serene and tranquil environment and picturesque terrains dotted by meandering streams is a real treat.



Uses & Market Potential:

Wooden furniture is used for articles of daily use in dwelling house, place of business, public buildings and includes items such as chairs, tables, beds, safes, sofa sets, Almirahs cabinets, etc. are made of wood. The popularity of traditional furniture has strengthened the demand for wood in the manufacturing of furniture in India. Over the past few years, the utilization of wooden goods in home has increased as people have started using wood for furnishing cupboards, decorating and for other purposes. Apart from this, the demand for engineered wood furniture is rising in metro cities such as Delhi, Mumbai, Bangalore and other major cities. The country's furniture market is projected to cross USD32 billion by 2019. The country's furniture market is expected to grow at a rapid pace due to rising disposable income, expanding middle class and growing number of urban households. Wooden furniture accounts for US\$ 5,358 million. (US\$ 852 million) of this (wooden furniture) is imported and imports are growing at 50 to 60 per cent every year. India was the largest furniture importer in the world, with a 19 per cent share in the furniture imports worldwide. A total of 10, 476 importers shipped furniture to India during this period, mainly from Italy, Germany, Spain, China, Korea, Malaysia, Indonesia, Philippines and Japan.

Product:

WOODEN FURNITURE

Raw Material:

1. Wood
2. Adhesives
3. Nails
4. Finishing Material (stains, basecoat, glazers, enamles)

Manufacturing Process:



Fig. 1 – Process Flowchart

Area:

The required land for wood furniture making is estimated to be around 2000sqft.

Cost of Machines:

S No.	Machine	Unit	Price (INR)
1.	Band Saw	1	2,85,500/-
2.	Drill Machine	1	44,000/-
3.	Planing Tools	1	29,500/-
4.	Wood Seasoning Plant	1	1,00,000/-
5.	Planer Machine	1	80,000/-
6.	Belt Sander	1	9,500/-
7.	Buffer Machine	1	20,000/-
8.	Round Cutter	1	5,500/-
9.	Wood Lathe Machine	1	45,000/-
10.	Chip Carving Knife	10	1,000/-
11.	Carpenter Chisels	10	2,000/-
12.	U- gouges	10	1,500/-
13.	V- gouges	10	1,500/-
14.	Spoon gouges	10	2,500/-
15.	Palm Tools	10	1,000/-
16.	Carpentary Saw	1	9,500/-
	Total		6,38,000/-

Power Requirement- - The estimated Power requirement is taken at 15 HP.

Manpower Requirement- Following manpower is required:

- Skilled/unskilled worker-4
- Helper- 6
- Sales Personal and Accountant- 2

FINANCIALS

PROJECTED BALANCE SHEET

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
<u>Capital Account</u>					
Opening Balance	-	2.81	3.76	5.52	7.72
Add: Additions	1.37	-	-	-	-
Add: Net Profit	2.44	3.76	4.96	6.20	7.76
Less: Drawings	1.00	2.80	3.20	4.00	5.00
Closing Balance	2.81	3.76	5.52	7.72	10.48
CC Limit	5.20	5.20	5.20	5.20	5.20
Term Loan	6.30	4.73	3.15	1.58	-
Sundry Creditors	2.52	3.00	3.50	4.01	4.55
TOTAL :	16.83	16.69	17.36	18.50	20.22
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	7.88	7.88	7.88	7.88	7.88
Gross Dep.	1.11	2.06	2.87	3.57	4.16
Net Fixed Assets	6.77	5.82	5.01	4.31	3.72
Current Assets					
Sundry Debtors	3.92	4.84	5.70	6.61	7.57
Stock in Hand	4.38	5.24	6.15	7.10	8.10
Cash and Bank	1.76	0.78	0.50	0.48	0.84
TOTAL :	16.83	16.69	17.36	18.50	20.22
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I	II	III	IV	V
<u>A) SALES</u>					
Gross Sale	78.30	96.87	114.10	132.27	151.44
Total (A)	78.30	96.87	114.10	132.27	151.44
<u>B) COST OF SALES</u>					
Raw Material Consumed	50.40	59.98	69.91	80.22	90.90
Electricity Expenses	1.01	1.17	1.34	1.51	1.68
Repair & Maintenance	1.57	1.94	2.28	2.65	3.03
Labour & Wages	15.12	18.14	21.77	25.69	29.80
Depreciation	1.11	0.95	0.81	0.70	0.60
Cost of Production	69.20	82.18	96.12	110.76	126.01
Add: Opening Stock /WIP	-	2.70	3.24	3.82	4.43
Less: Closing Stock /WIP	2.70	3.24	3.82	4.43	5.07
Cost of Sales (B)	66.50	81.64	95.55	110.16	125.37
C) GROSS PROFIT (A-B)	11.80	15.24	18.55	22.11	26.08
	15.07%	15.73%	16.26%	16.72%	17.22%
D) Bank Interest i) (Term Loan)	0.77	0.63	0.46	0.28	0.11
ii) Interest On Working Capital	0.57	0.57	0.57	0.57	0.57
E) Salary to Staff	5.67	7.37	8.99	10.61	12.20
F) Selling & Adm Expenses Exp.	2.35	2.91	3.42	3.97	4.54
G) TOTAL (D+E+F)	9.36	11.48	13.44	15.43	17.43
H) NET PROFIT	2.44	3.76	5.11	6.68	8.65
	3.1%	3.9%	4.5%	5.0%	5.7%
I) Taxation	-	-	0.15	0.48	0.89
J) PROFIT (After Tax)	2.44	3.76	4.96	6.20	7.76

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	1.37	-			
Reserve & Surplus	2.44	3.76	5.11	6.68	8.65
Depreciation & Exp. W/off	1.11	0.95	0.81	0.70	0.60
Increase In Cash Credit	5.20				
Increase In Term Loan	7.09	-	-	-	-
Increase in Creditors	2.52	0.48	0.50	0.52	0.53
TOTAL :	19.72	5.19	6.42	7.89	9.78
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	7.88	-	-	-	-
Increase in Stock	4.38	0.86	0.91	0.95	1.00
Increase in Debtors	3.92	0.93	0.86	0.91	0.96
Repayment of Term Loan	0.79	1.58	1.58	1.58	1.58
Taxation	-	-	0.15	0.48	0.89
Drawings	1.00	2.80	3.20	4.00	5.00
TOTAL :	17.96	6.17	6.70	7.91	9.42
Opening Cash & Bank Balance	-	1.76	0.78	0.50	0.48
Add : Surplus	1.76	- 0.98	- 0.28	- 0.02	0.36
Closing Cash & Bank Balance	1.76	0.78	0.50	0.48	0.84

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
<u>Finished Goods</u>					
(10 Days requirement)	2.70	3.24	3.82	4.43	5.07
<u>Raw Material</u>					
(10 Days requirement)	1.68	2.00	2.33	2.67	3.03
Closing Stock	4.38	5.24	6.15	7.10	8.10

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	4.38		
Less:			
Sundry Creditors	2.52		
Paid Stock	1.86	0.19	1.67
Sundry Debtors	3.92	0.39	3.52
Working Capital Requirement			5.20
Margin			0.58
MPBF			5.20
Working Capital Demand			5.20

REPAYMENT SCHEDULE OF TERM LOAN

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	Cl Balance
I	Opening Balance						
	Ist Quarter	-	7.09	7.09	0.20	-	7.09
	Iind Quarter	7.09	-	7.09	0.20	-	7.09
	IIIrd Quarter	7.09	-	7.09	0.20	0.39	6.70
	Ivth Quarter	6.70	-	6.70	0.18	0.39	6.30
					0.77	0.79	
II	Opening Balance						
	Ist Quarter	6.30	-	6.30	0.17	0.39	5.91
	Iind Quarter	5.91	-	5.91	0.16	0.39	5.52
	IIIrd Quarter	5.52	-	5.52	0.15	0.39	5.12
	Ivth Quarter	5.12		5.12	0.14	0.39	4.73
					0.63	1.58	
III	Opening Balance						
	Ist Quarter	4.73	-	4.73	0.13	0.39	4.33
	Iind Quarter	4.33	-	4.33	0.12	0.39	3.94
	IIIrd Quarter	3.94	-	3.94	0.11	0.39	3.55
	Ivth Quarter	3.55		3.55	0.10	0.39	3.15
					0.46	1.58	
IV	Opening Balance						
	Ist Quarter	3.15	-	3.15	0.09	0.39	2.76
	Iind Quarter	2.76	-	2.76	0.08	0.39	2.36
	IIIrd Quarter	2.36	-	2.36	0.07	0.39	1.97
	Ivth Quarter	1.97		1.97	0.05	0.39	1.58
					0.28	1.58	
V	Opening Balance						
	Ist Quarter	1.58	-	1.58	0.04	0.39	1.18
	Iind Quarter	1.18	-	1.18	0.03	0.39	0.79
	IIIrd Quarter	0.79	-	0.79	0.02	0.39	0.39
	Ivth Quarter	0.39		0.39	0.01	0.39	- 0.00
					0.11	1.58	

Door to Door Period 60 Months

Moratorium Period 6 Months

Repayment Period 54 Months

CALCULATION OF D.S.C.R

PARTICULARS	I	II	III	IV	V
<u>CASH ACCRUALS</u>	3.55	4.71	5.77	6.90	8.36
Interest on Term Loan	0.77	0.63	0.46	0.28	0.11
Total	4.32	5.33	6.22	7.18	8.47
<u>REPAYMENT</u>					
Repayment of Term Loan	0.79	1.58	1.58	1.58	1.58
Interest on Term Loan	0.77	0.63	0.46	0.28	0.11
Total	1.56	2.20	2.03	1.86	1.68
DEBT SERVICE COVERAGE R	2.77	2.42	3.06	3.86	5.03
AVERAGE D.S.C.R.			3.38		

Assumptions:

1. Production Capacity of Wooden Furniture is 20 sets per day. First year, Capacity has been taken @ 30%.
2. Working shift of 10 hours per day has been considered.
3. Raw Material stock and Finished goods closing stock has been taken for 10 days.
4. Credit period to Sundry Debtors has been given for 15 days.
5. Credit period by the Sundry Creditors has been provided for 15 days.
6. Depreciation and Income tax has been taken as per the Income tax Act, 1961.
7. Interest on working Capital Loan and Term loan has been taken at 11%.
8. Salary and wages rates are taken as per the Current Market Scenario.
9. Power Consumption has been taken at 15 HP.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years

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