



MODEL PROJECT REPORT



PROJECT REPORT ON DENIM GARMENTS

SWAVALAMBI BHARAT ABHIYAN

DENIM GARMENTS(JEANS, JACKETS, SHORTS)



INTRODUCTION:

Clothing is the basic necessity for humans. On one hand people want clothes of latest fashion and design and on the other hand they don't wish to take too much trouble maintaining such clothes. Introduction of Denim in late 19th century solved this problem. Not only is denim a rough and tough fabric, it does not need much maintenance. The current fashion in fact attaches higher value to denim garments having worn out, faded and old look!

PRODUCT & ITS APPLICATION:

Denim fabric is generally made out of open end cotton yarn of coarse count. The weave in classic denim of 14.5 oz. is two up one down giving a traditional look to the fabric. With passage of time, light weight varieties of denim have been developed to

meet customer requirements of comfort, functionality, weather conditions, fashion and cost etc. Present day denim fabric sometimes has blended fiber and Lycra or Spandex fiber as well. Jeans, Tops or Jackets and Shorts are the key products made out of denim fabric although there are several other articles made out of denim fabric. Denim garments are worn by men, women and children alike.

INDUSTRY OUTLOOK & TRENDS:

Denim is not only a fashion fabric, it is also a trendy fabric that reflects youthfulness and modernity. Increasing acceptance of denim garments by people of all ages leads to phenomenal rise in demand. The trend is expected to continue at least for few more decades.

MARKET POTENTIAL AND MARKETING ISSUES, IF ANY:

As denim fabric is heavier and stronger compared to normal suiting or shirting, the users feel comfortable going about their routine work without bothering about clothes getting dirty or creased or torn. Usage of denim started with professions involving tough manual work like cowboys, industrial workers and artisans. The comfort and rough nature of the fabric soon attracted attention of all and sundry. Today, denim is worn by almost every individual in the world in some form or the other. Even kids garments are made out of light weight denim! Students and office goers try to keep at least 4-5 denim garments in their wardrobe. The demand for denim garment has been growing in sync with the population. Denim garments with attractive embroidery and embellishments have become sophisticated fashion statements instead of original rough and tough feel. As denim has become common man's garment, the quality and price varies extensively between a very low quality garment costing just Rs 250 to niche product in luxury segment costing as much as Rs 5000. The demand for denim is worldwide. Since the manufacturing process is labour intensive, countries in Asia &

Africa are more competitive when it comes to supplying to Europe & American markets.

RAW MATERIAL REQUIREMENTS:

Main raw material required is denim fabric. Classic denim weighs 14.5 oz. per square meter. There are light weight varieties of 13.5 oz., 12.5 oz., 11 oz., 9 oz. and 6 oz.etc. also. Weight and construction of fabric (warp and weft ratio, type weave and fiber used) depends on customer requirements. There are several denim manufacturers in India and the fabric is easily available through network of dealers and mill agents. Some mills deal directly with large garment manufacturers. Denim garments have several accessories or embellishments like special coarse thread, labels (size label, wash care label, brand label etc.), zippers and buttons (made of plastic, metal & fabric). Labels can be of woven fabric, non-woven fabric, leather or polyurethane. Sometimes the customers require special printing or embroidery work on denim fabrics. Wholesalers of all these materials are found in every large city although New Delhi, Mumbai, Ludhiana, Coimbatore and few other cities have several dealers and importers of these consumables.

MANUFACTURING PROCESS:

Fabric received from the mill is inspected on the inspection machine and defects marked with adhesive flags on the edge of the fabric. The fabric is then spread on long table (usually 4 to 8 meters long) to form layers. Separately, patterns of card board or metal sheet are prepared for each piece of a garment. These patterns are laid on layers of fabric in such a way that wastage is minimized and fabric's desired warp and weft construction as well as design or pattern is achieved in critical parts of the garment. Care is also taken to eliminate parts of fabric having major defects. Several layers of fabric are cut simultaneously through a vertical motorized blade and pieces of garments obtained. Stitching of garments is done in assembly line mode wherein each worker stitches only some parts of the garment and unfinished garment moves forward

from table to table in the assembly line. Therefore cut pieces from cutting table are distributed to the respective workers and then the garment assembly starts from 1st worker and reaches the last stage where it gets fully stitched. The stitching on denim garment is mostly done through double needle machines to give unique look of parallel coarse thread on the garment although some operations are also done through single needle machines. After stitching, the garments are washed in tumbler wash machines. Sometimes special chemicals or pebbles are added in the wash cycle to achieve desired shade, fade or worn effect on the garment. Denim garments of different colors were in vogue some years ago but the trend has stopped now and only classic blue and black is used in varying shades. After washing and drying, the garments are cleaned by removing loose threads and dirt with blower, steam pressed and packed. Garments are manufactured in sets of different sizes, colors and design/patterns as per customer requirements and stacked accordingly in the storage shelves.

STATUTORY/ GOVERNMENT APPROVALS:

The project does not require any specific government approval. Registration with MSME is optional. An Entrepreneur may be required to obtain Shops & Establishment Registration and Professional Tax registration by local Municipal authorities. Registration under Factories Act, Provident Fund Act and ESI provisions would be required depending upon the number of employees, the location, the level of mechanization and the age of the enterprise. Entrepreneur may contact State Pollution Control Board where ever it is applicable.

BACKWARD OR FORWARD INTEGRATION:

As the machines used in the project are versatile, the Entrepreneur can also consider manufacture of home furnishing articles like bed sheets, pillow covers, wall hangings etc. depending on opportunities in the market he / she is familiar with.

FINANCIAL ASPECTS



PROJECT AT A GLANCE

- 1 Name of the Entrepreneur XXXXXXX
- 2 Constitution (legal Status) XXXXXXX
- 3 Father's/Spouse's Name XXXXXXX
- 4 Unit Address : XXXXXXX

Taluk/Block: XXXXX
 District : XXXXX
 Pin: XXXXX
 E-Mail : XXXXX
 Mobile XXXXX

State:
- 5 Product and By Product : **Denim Garments Jeans , shorts,Top,Jackets**
- 6 Name of the project / business activity proposed **Denim Garments Jeans , shorts,Top,Jackets**
- 7 Cost of Project : Rs25.00 lac
- 8 Means of Finance

Term Loan Rs.17.24 Lacs
 KVIC Margin Money - As per Project Eligibility
 Own Capital Rs.2.5 Lacs
 Working Capital Rs.5.27 Lacs
- 9 Debt Service Coverage Ratio : 4.86
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 6 Months
- 12 Break Even Point : 36%
- 13 Employment : 15 Persons
- 14 Power Requirement : 8.00 HP
- 15 Major Raw materials : Cloth material and accessories
- 16 Estimated Annual Sales Turnover : 102.60 Lacs
- 16 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lacs)	
Particulars	Amount
Land	Rented/Owned
Building & Civil Work (2000 Sq ft)	2.40
Plant & Machinery	15.25
Furniture & Fixtures	0.75
Pre-operative Expenses	0.75
Working Capital Requirement	5.85
Total	25.00

MEANS OF FINANCE

Particulars	Amount
Own Contribution @10%	2.50
Term Loan	17.24
Workign Capital Finance	5.27
Total	25.00

General Special

Beneficiary's Margin Monery 10% 5%

(% of Project Cost)

PLANT & MACHINERY

PARTICULARS	QTY	RATE	AMOUNT
Single needle machines + Accessories (Heavy Duty)	5	75,000.00	375,000.00
Double Needle machine + Accessories (Heavy duty)	5	100,000.00	500,000.00
Zig Zag stitching machine	1	75,000.00	75,000.00
Fabric Cutting table + Machine	1	100,000.00	100,000.00
Over lock machines	1	75,000.00	75,000.00
Button hole & stitching machines	1	250,000.00	250,000.00
Washing machine - commercial	1	150,000.00	150,000.00
Total			1,525,000.00

PROJECTED CASH FLOW STATEMENT

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
<u>SOURCES OF FUND</u>					
Share Capital	2.50	-			
Reserve & Surplus	9.61	12.89	16.93	20.76	24.31
Depriciation & Exp. W/off	2.57	2.23	1.91	1.64	1.40
Increase in Cash Credit	5.25	-	-	-	-
Increase In Term Loan	17.24	-	-	-	-
Increase in Creditors	7.20	1.20	1.20	1.20	1.20
Increase in Provisions	0.36	0.04	0.04	0.04	0.05
TOTAL :	44.72	16.36	20.08	23.64	26.97
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	18.40	-	-	-	-
Increase in Stock	7.92	1.32	1.32	1.32	1.32
Increase in Debtors	5.13	1.13	0.90	0.90	0.90
Increase in Deposits & Adv	2.50	0.25	0.28	0.30	0.33
Repayment of Term Loan	-	4.31	4.31	4.31	2.15
Taxation	-	1.29	3.39	4.15	4.86
TOTAL :	33.95	8.29	10.19	10.98	9.57
Opening Cash & Bank Balance	-	10.77	18.83	28.72	41.38
Add : Surplus	10.77	8.06	9.89	12.65	17.40
Closing Cash & Bank Balance	10.77	18.83	28.72	41.38	58.77

PROJECTED BALANCE SHEET

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
<u>SOURCES OF FUND</u>					
Capital Account	2.50	2.50	2.50	2.50	2.50
Retained Profit	9.61	21.21	34.76	51.36	70.81
Term Loan	17.24	12.93	8.62	4.31	2.15
Cash Credit	5.25	5.25	5.25	5.25	5.25
Sundry Creditors	7.20	8.40	9.60	10.80	12.00
Provisions & Other Liab	0.36	0.40	0.44	0.48	0.53
TOTAL :	42.15	50.68	61.16	74.70	93.24

APPLICATION OF FUND

Fixed Assets (Gross)	18.40	18.40	18.40	18.40	18.40
Gross Dep.	2.57	4.80	6.71	8.35	9.75
Net Fixed Assets	15.84	13.60	11.69	10.05	8.65
Current Assets					
Sundry Debtors	5.13	6.26	7.16	8.06	8.96
Stock in Hand	7.92	9.24	10.56	11.88	13.20
Cash and Bank	10.77	18.83	28.72	41.38	58.77
Deposits & Advances	2.50	2.75	3.03	3.33	3.66
TOTAL :	42.15	50.68	61.16	74.70	93.24

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PROJECTED PROFITABILITY STATEMENT

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
<u>A) SALES</u>					
Gross Sale	102.60	125.10	143.10	161.10	179.10
Total (A)	102.60	125.10	143.10	161.10	179.10
<u>B) COST OF SALES</u>					
Raw Mateiral Consumed	72.00	84.00	96.00	108.00	120.00
Elecricity Expenses	0.69	0.80	0.92	1.03	1.15
Repair & Maintenance	-	1.25	1.43	1.61	1.79
Labour & Wages	12.67	13.94	15.33	16.87	18.55
Depriciation	2.57	2.23	1.91	1.64	1.40
Consumables and Other Expense	2.05	2.50	2.86	3.22	3.58
Cost of Production	89.98	104.73	118.45	132.37	146.48
Add: Opening Stock /WIP	-	4.32	5.04	5.76	6.48
Less: Closing Stock /WIP	4.32	5.04	5.76	6.48	7.20
Cost of Sales (B)	85.66	104.01	117.73	131.65	145.76
C) GROSS PROFIT (A-B)	16.94	21.09	25.37	29.45	33.34
	17%	17%	18%	18%	19%
D) Bank Interest (Term Loan)	1.46	1.55	1.05	0.56	0.09
Bank Interest (C.C. Limit)	0.52	0.52	0.52	0.52	0.52
E) Salary to Staff	3.30	3.63	3.99	4.39	4.83
F) Selling & Adm Expenses Exp.	2.05	2.50	2.86	3.22	3.58
TOTAL (D+E)	7.33	8.20	8.43	8.70	9.03
H) NET PROFIT	9.61	12.89	16.93	20.76	24.31
I) Taxation	-	1.29	3.39	4.15	4.86
J) PROFIT (After Tax)	9.61	11.60	13.55	16.60	19.45

COMPUTATION OF MANUFACTURING OF DENIM GARMENTS**Items to be Manufactured****Jeans, Coat Jacket from Denim Cloth**

Manufacturing Capacity per day	-	100	
No. of Working Hour		8	
No of Shift per day		1	
No of Working Days per month		25	
No. of Working Day per annum		300	
Total Production per Annum		30,000.00	
Year		Capacity	
		Utilisation	
IST YEAR		60%	18,000
IIND YEAR		70%	21,000
IIIRD YEAR		80%	24,000
IVTH YEAR		90%	27,000
VTH YEAR		100%	30,000

COMPUTATION OF RAW MATERIAL

Item Name		Quantity of	Recovery	Unit Rate of	Total Cost
		Raw Material		of RM	Per Annum (100%
Cloth material other accessories and packaging	100%	60,000.00	100%	200.00	120.00

Total (Rounded off in lacs)

120.00

Annual Consumption cost

(In Lacs)

120.00

Raw Material Consumed	Capacity Utilisation	Amount (Rs.)
IST YEAR	60%	72.00
IIND YEAR	70%	84.00
IIIRD YEAR	80%	96.00
IVTH YEAR	90%	108.00
VTH YEAR	100%	120.00

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
<u>Finished Goods</u>					
(15 Days requirement)	4.32	5.04	5.76	6.48	7.20
<u>Raw Material</u>					
(15 Days requirement)	3.60	4.20	4.80	5.40	6.00
Closing Stock	7.92	9.24	10.56	11.88	13.20

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars			Total
			Amount
Stock in Hand			7.92
Sundry Debtors			5.13
		Total	13.05
Sundry Creditors			7.20
Working Capital Requirement			5.85
Margin			0.61
Working Capital Finance			5.25

BREAK UP OF LABOUR

Particulars		Wages	No of	Total
		Per Month	Employees	Salary
Stitching machine operator		8,000.00	10	80,000.00
Unskilled Worker		4,000.00	4	16,000.00
				96,000.00
Add: 10% Fringe Benefit				9,600.00
Total Labour Cost Per Month				105,600.00
Total Labour Cost for the year (In Rs. Lakhs)				12.67

BREAK UP OF SALARY

Particulars		Salary	No of	Total
		Per Month	Employees	Salary
Designer		10,000.00	1	10,000.00
Sales Man		7,000.00	1	7,000.00
Accountant cum store keeper		8,000.00	1	8,000.00
Total Salary Per Month				25,000.00
Add: 10% Fringe Benefit				2,500.00
Total Salary for the month				27,500.00
Total Salary for the year (In Rs. Lakhs)				3.30

COMPUTATION OF DEPRECIATION

Description	Land	Building/shed	Plant & Machinery	Furniture	TOTAL
Rate of Depreciation		10.00%	15.00%	10.00%	
Opening Balance	Leased	-	-	-	-
Addition	-	2.40	15.25	0.75	18.40
	-	2.40	15.25	0.75	18.40
Less : Depreciation	-	0.24	2.29	0.04	2.57
WDV at end of Ist year	-	2.16	12.96	0.71	15.84
Additions During The Year	-	-	-	-	-
	-	2.16	12.96	0.71	15.84
Less : Depreciation	-	0.22	1.94	0.07	2.23
WDV at end of IInd Year	-	1.94	11.02	0.64	13.60
Additions During The Year	-	-	-	-	-
	-	1.94	11.02	0.64	13.60
Less : Depreciation	-	0.19	1.65	0.06	1.91
WDV at end of IIIrd year	-	1.75	9.37	0.58	11.69
Additions During The Year	-	-	-	-	-
	-	1.75	9.37	0.58	11.69
Less : Depreciation	-	0.17	1.40	0.06	1.64
WDV at end of IV year	-	1.57	7.96	0.52	10.05
Additions During The Year	-	-	-	-	-
	-	1.57	7.96	0.52	10.05
Less : Depreciation	-	0.16	1.19	0.05	1.40
WDV at end of Vth year	-	1.42	6.77	0.47	8.65

REPAYMENT SCHEDULE OF TERM LOAN

11.5%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
IST YEAR	Opening Balance						
	Ist Quarter	-	17.24	17.24	-	-	17.24
	Iind Quarter	17.24	-	17.24	0.50	-	17.24
	IIIrd Quarter	17.24	-	17.24	0.50	1.08	16.16
	Ivth Quarter	16.16	-	16.16	0.46	1.08	15.08
					1.46	2.15	
IIND YEAR	Opening Balance						
	Ist Quarter	15.08	-	15.08	0.43	1.08	14.00
	Iind Quarter	14.00	-	14.00	0.40	1.08	12.93
	IIIrd Quarter	12.93	-	12.93	0.37	1.08	11.85
	Ivth Quarter	11.85		11.85	0.34	1.08	10.77
					1.55	4.31	
IIIRD YEAR	Opening Balance						
	Ist Quarter	10.77	-	10.77	0.31	1.08	9.69
	Iind Quarter	9.69	-	9.69	0.28	1.08	8.62
	IIIrd Quarter	8.62	-	8.62	0.25	1.08	7.54
	Ivth Quarter	7.54		7.54	0.22	1.08	6.46
					1.05	4.31	
IVTH YEAR	Opening Balance						
	Ist Quarter	6.46	-	6.46	0.19	1.08	5.39
	Iind Quarter	5.39	-	5.39	0.15	1.08	4.31
	IIIrd Quarter	4.31	-	4.31	0.12	1.08	3.23
	Ivth Quarter	3.23		3.23	0.09	1.08	2.15
					0.56	4.31	
VTH YEAR	Opening Balance						
	Ist Quarter	2.15	-	2.15	0.06	1.08	1.08
	Iind Quarter	1.08	-	1.08	0.03	1.08	- 0.00
	IIIrd Quarter	- 0.00	- -	0.00 -	0.00	- -	0.00
	Ivth Quarter	- 0.00	-	0.00 -	0.00	- -	0.00
					0.09	2.15	

CALCULATION OF D.S.C.R

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
<u>CASH ACCRUALS</u>	12.18	13.83	15.46	18.24	20.85
Interest on Term Loan	1.46	1.55	1.05	0.56	0.09
Total	13.63	15.38	16.51	18.80	20.95
<u>REPAYMENT</u>					
Instalment of Term Loan	4.31	4.31	4.31	2.15	2.15
Interest on Term Loan	1.46	1.55	1.05	0.56	0.09
Total	5.76	5.86	5.36	2.71	2.25
DEBT SERVICE COVERAGE R	2.36	2.63	3.08	6.93	9.32
AVERAGE D.S.C.R.			4.86		

COMPUTATION OF SALE					
Particulars	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
Op Stock	-	900	1,050	1,200	1,350
Production	18,000	21,000	24,000	27,000	30,000
	18,000	21,900	25,050	28,200	31,350
Less : Closing Stock	900	1,050	1,200	1,350	1,500
Net Sale	17,100	20,850	23,850	26,850	29,850
Sale Price per made ups	600.00	600.00	600.00	600.00	600.00
Sale (in Lacs)	102.60	125.10	143.10	161.10	179.10
The above calculations are based on assumed unit sales price varying from Rs500 to Rs600 for various products. The key raw material is assumed at a cost range of Rs200 to Rs.250 per meter.					

COMPUTATION OF ELECTRICITY**(A) POWER CONNECTION**

Total Working Hour per day	Hours	8	
Electric Load Required	HP	8	
Load Factor		0.7460	
Electricity Charges	per unit	8.00	
Total Working Days		300	
Electricity Charges (8 Hrs Per day)			114,585.60

Add : Minimim Charges (@ 10%)

(B) D.G. SET

No. of Working Days		300	days
No of Working Hours		-	Hour per day
Total no of Hour		-	
Diesel Consumption per Hour		8	
Total Consumption of Diesel		-	
Cost of Diesel		65.00	Rs. /Ltr
Total cost of Diesel		-	
Add : Lube Cost @15%		-	
Total		-	

Total cost of Power & Fuel at 100%

1.15

Year	Capacity	Amount (in Lacs)
IST YEAR	60%	0.69
IIND YEAR	70%	0.80
IIIRD YEAR	80%	0.92
IVTH YEAR	90%	1.03
VTH YEAR	100%	1.15

BREAK EVEN POINT ANALYSIS

Year	I	II	III	IV	V
Net Sales & Other Income	102.60	125.10	143.10	161.10	179.10
Less : Op. WIP Goods	-	4.32	5.04	5.76	6.48
Add : Cl. WIP Goods	4.32	5.04	5.76	6.48	7.20
Total Sales	106.92	125.82	143.82	161.82	179.82
Variable & Semi Variable Exp.					
Raw Material & Tax	72.00	84.00	96.00	108.00	120.00
Electricity Exp/Coal Consumption at 85%	0.58	0.68	0.78	0.88	0.97
Manufacturing Expenses 80%	1.64	3.00	3.43	3.87	4.30
Wages & Salary at 60%	9.58	10.54	11.60	12.76	14.03
Selling & administrative Expenses 80%	1.64	2.00	2.29	2.58	2.87
Intt. On Working Capital Loan	0.52	0.52	0.52	0.52	0.52
Total Variable & Semi Variable Exp	85.98	100.75	114.62	128.60	142.69
Contribution	20.94	25.07	29.20	33.22	37.13
Fixed & Semi Fixed Expenses					
Manufacturing Expenses 20%	0.41	0.75	0.86	0.97	1.07
Electricity Exp/Coal Consumption at 15%	0.10	0.12	0.14	0.15	0.17
Wages & Salary at 40%	6.39	7.03	7.73	8.50	9.35
Interest on Term Loan	1.46	1.55	1.05	0.56	0.09
Depreciation	2.57	2.23	1.91	1.64	1.40
Selling & administrative Expenses 20%	0.41	0.50	0.57	0.64	0.72
Total Fixed Expenses	11.33	12.18	12.26	12.46	12.81
Capacity Utilization	75%	80%	85%	90%	95%
OPERATING PROFIT	9.61	12.89	16.93	20.76	24.31
BREAK EVEN POINT	41%	39%	36%	34%	33%
BREAK EVEN SALES	57.85	61.13	60.41	60.72	62.06