



MODEL PROJECT REPORT



PROJECT REPORT ON AGARBATTI

SWAVALAMBI BHARAT ABHIYAN

PROJECT AT A GLANCE

- 1 Name of the Entrepreneurer : XXXXXXXX
- 2 Constitution (legal Status) : XXXXXXXX
- 3 Father's/Spouce's Name : XXXXXXXXX
- 4 Unit Address : XXXXXXXXX
 Taluk/Block: XXXXXX
 District : XXXXXX
 Pin: XXXXXX
 E-Mail : XXXXXX
 Mobile XXXXXX
 State: XXXXXX
- 5 Product and By Product : Agarbatti (Incense Stick)
- 6 Name of the project / business activity proposed : Manufactruing of Incense Stick (Agarbatti)
- 7 Cost of Project : 7.57 Lacs
- 8 **Means of Finance**
 Term Loan 1.45 Lacs
 KVIC Margin Money As per Project Eligibility
 Own Capital 0.76 Lacs
- 9 Debt Service Coverage Ratio : 2.34
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 3 Months
- 12 Break Even Point : 39%
- 13 Employment : 12
- 14 Power Requirement : 1 KW
- 15 Major Raw materials : Masala Batties including White Chips , Gigatu, Charcoal, Wood Sticks
- 16 Estimated Annual Sales Turnover : 11.29 Lacs
- 16 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lacs)

Particulars	Amount
Land	Owned/ Leased
Building & Civil Work	Owned/ Leased
Plant & Machinery	5.70
Furniture & Fixtures	0.25
Working Capital Requirement	1.62
Total	7.57

MEANS OF FINANCE

Particulars	Amount
Own Contribution	0.76
Term Loan	5.36
Working Capital	1.45
Total	7.57

	General	Special
KVIC Margin Monery Urban	15%	25%
KVIC Margin Monery Rural	25%	35%

Agarbatti (incense sticks) Manufacturing



Brief Details:

The burning of incense in religious and social functions has been practiced in India since early times. Dhup an aromatic powder or paste is burnt in Indian homes as a fragrant fumigant and is reputed to possess insecticidal and antiseptic properties. Agarbattis are obtainable in different colors and with different perfumes. The burning time; of an agarbatti varies from 15 minutes to 3 hours according to quality and size. Agarbatti is also obtainable in other forms such as dashang (stickly paste or powder) deep (cones and Dhup, tablets etc.).

About 75% of the agarbattis manufactured are of cheap quality containing only charcoal powder or low quality sandal wood powder with a mixture of 50% of “wood gun” powder. Cheap perfumes are used to give them a top note. In superior varieties, essential oils, purified resins, natural fixatives like amber, musk and civet are used along with synthetic aromatics.

Market:

Agarbatti Industry is one of the labour intensive cottage types of traditional industries in . Moreover; it is an export-oriented industry also. In fact, this is one the items considered for boosting exports. Owing to the low level of technology involved in this industry, this can be taken to rural /urban areas without much difficulty.

The entire production of the unit is presently supplied to resellers at Lucknow. However the firm is planning to establish own brand and start direct marketing to earn more profits.

Capacity:

The proposed unit shall work for single shift of 10 hours per day for 300 working days per annum. Though some of the operations are to be mechanized the overall productivity will depend on product mix and skills of operators. The machine processes 60Kg of raw material in 10hrs

Process:

All the ingredients in powder form are mixed well in the proper proportion with water to a semi solid paste. This paste is applied to bamboo sticks and rolled on wooden-planks with hands uniformly. The raw sticks are then dried and packed in suitable bundles. For manufacture of perfumed agarbattis the concentrated perfume is diluted first with white oil or diethyl phthalate (Generally 1:3) and raw agarbattis are dipped suitably in dipping trays. The perfumed batties are packed immediately in butter paper bags or polypropylene bags and finally in cartons.

A typical composition for masala batties is as under:

- White chips - 40%
- Gigatu - 20% The composition can be modified
- Charcoal - 20% according to the requirements
- Aromatic chemical Essential - 20%
- Oil and other ingredients

Machinery & Equipment

The proponent has 5 Agarbatti making machines and accessories purchased from own sources .For expansion of the unit the firm shall purchase plant and Machineries worth Rs.5.70Lacs as detailed hereunder which is based on quotation:



Name of Machinery	Qty.	Value (in lac)
High speed automatic agarbatti making machine	01	1.45
Automatic Dhoopbatti making machine	02	2.70
Powder mixing machine	01	0.30
Other accessories, tools etc		0.31
Packing ,GST etc		0.94
Total		5.70

PROJECTED BALANCE SHEET

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
<u>SOURCES OF FUND</u>					
Capital Account	0.76	0.76	0.76	0.76	0.76
Retained Profit	1.04	2.86	5.21	8.07	11.07
Term Loan	4.28	3.21	2.14	1.07	-
Cash Credit	1.45	1.45	1.45	1.45	1.45
Sundry Creditors	0.10	0.17	0.19	0.22	0.22
TOTAL :	7.64	8.45	9.75	11.57	13.50
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	5.95	5.95	5.95	5.95	5.95
Gross Dep.	0.84	1.56	2.18	2.71	3.16
Net Fixed Assets (WDV)	5.11	4.39	3.77	3.24	2.79
Current Assets					
Sundry Debtors	1.15	1.40	1.60	1.80	1.81
Stock in Hand	0.97	1.13	1.29	1.45	1.45
Cash and Bank	0.41	1.54	3.09	5.07	7.45
TOTAL :	7.64	8.45	9.75	11.57	13.50

PROJECTED CASH FLOW STATEMENT

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
<u>SOURCES OF FUND</u>					
Share Capital	0.76				
Reserve & Surplus	1.49	2.60	3.35	4.09	4.29
Depriciation & Exp. W/off	0.84	0.72	0.62	0.53	0.46
Increase in Cash Credit	1.45	-	-	-	-
Increase In Term Loan	5.36	-	-	-	-
Increase in Creditors	0.10	0.07	0.02	0.02	-
TOTAL :	10.00	3.39	3.99	4.64	4.75
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	5.95	-	-	-	-
Increase in Stock	0.97	0.16	0.16	0.16	-
Increase in Debtors	1.15	0.25	0.20	0.20	0.01
Repayment of Term Loan (New)	1.07	1.07	1.07	1.07	1.07
Taxation	0.45	0.78	1.00	1.23	1.29
TOTAL :	9.58	2.26	2.44	2.66	2.37
Opening Cash & Bank Balance	-	0.41	1.54	3.09	5.07
Add : Surplus	0.41	1.12	1.55	1.98	2.38
Closing Cash & Bank Balance	0.41	1.54	3.09	5.07	7.45

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
Capacity Utilisation %	60%	70%	80%	90%	90%
<u>A) SALES</u>					
Gross Sale	11.29	13.76	15.74	17.72	17.82
Other Income	0.20	0.22	0.24	0.27	0.29
Total (A)	11.49	13.98	15.98	17.99	18.11
<u>B) COST OF SALES</u>					
Raw Mateiral Consumed	4.32	5.04	5.76	6.48	6.48
Electricity Expenses	0.74	0.86	0.98	1.11	1.11
Repair & Maintenance	0.11	0.14	0.16	0.18	0.18
Labour & Wages	2.82	3.44	3.94	4.43	4.46
Depreciation	0.84	0.72	0.62	0.53	0.46
Cost of Production	8.83	10.20	11.46	12.73	12.68
Add: Opening Stock /WIP	-	0.53	0.62	0.71	0.80
Less: Closing Stock /WIP	0.53	0.62	0.71	0.80	0.80
Cost of Sales (B)	8.30	10.11	11.37	12.64	12.68
C) GROSS PROFIT (A-B)	3.19	3.87	4.62	5.35	5.43
	28%	28%	29%	30%	30%
D) Bank Interest (Term Loan)	0.57	0.45	0.32	0.20	0.08
Bank Interest (C.C. Limit)	-	-	-	-	-
F) Selling & Adm Expenses Exp.	1.13	0.83	0.94	1.06	1.07
TOTAL (D+E)	1.70	1.27	1.27	1.26	1.15
H) NET PROFIT	1.49	2.60	3.35	4.09	4.29
I) Taxation	0.45	0.78	1.00	1.23	1.29
J) PROFIT (After Tax)	1.04	1.82	2.34	2.86	3.00
K) DIVIDEND	-	-	-	-	-
L) RETAINED PROFIT	1.04	1.82	2.34	2.86	3.00

COMPUTATION OF MANUFACTURING OF AGARBATTI (INCENCE STICKS)**Items to be Manufactured****Agarbatti (Incence Sticks)**

Manufacturing Capacity	60	Kgs Per Day
No. of Working Hour	10	
No of Working Days per month	25	
No. of Working Day per annum	300	
Total Production per Annum	18,000	Kg per Annum
Year	Capacity	Sticks
	Utilisation	
IST YEAR	60%	10,800
IIND YEAR	70%	12,600
IIIRD YEAR	80%	14,400
IVTH YEAR	90%	16,200
VTH YEAR	90%	16,200

COMPUTATION OF RAW MATERIAL

Item Name	Quantity of Raw Material	Recovery	Unit Rate of / Kg	Total Cost -	1.00
Raw Material	100% 18,000	100%	40.00		7.20
Total (Rounded off in lacs)					7.20
Annual Consumption cost			(In Lacs)		7.20

Raw Material Consumed	Capacity Utilisation		Amount (Rs.)
IST YEAR	60%		4.32
IIND YEAR	70%		5.04
IIIRD YEAR	80%		5.76
IVTH YEAR	90%		6.48
VTH YEAR	90%		6.48

COMPUTATION OF SALE

Particulars	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
Op Stock	-	540	630	720	810
Production	10,800	12,600	14,400	16,200	16200
	10,800	13,140	15,030	16,920	17,010
Less : Closing Stock	540	630	720	810	810
Net Sale	10,260	12,510	14,310	16,110	16200
Sale Price Per Kg	110.00	110.00	110.00	110.00	110
Sale (in Lacs)	11.29	13.76	15.74	17.72	17.82

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
Finished Goods					
(15 Days requirement)	0.53	0.62	0.71	0.80	0.80
Raw Material					
(30 Days requirement)	0.43	0.50	0.58	0.65	0.65
Closing Stock	0.97	1.13	1.29	1.45	1.45

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Total Amount
Stock in Hand	0.97
Sundry Debtors	1.15
	2.12
Sundry Creditors	0.50
Working Capital Requirement	1.62
Margin @10%	0.16
Working Capital Finance	1.45

COMPUTATION OF ELECTRICITY

(A) POWER CONNECTION			
Total Working Hour per day		10 Hrs	
Electric Load Required		1 KVA	
Load Factor		0.08	
Electricity Charges		5 per unit	
Total Working Days		300	
Electricity Charges (10 Hrs Per day)			
=10*300 * 6.50 * 0.746 * 10			1,11,900.00
Add : Minimim Charges (@ 10%)			11,190.00
			1,23,090.00
Total cost of Power at 100%			1.23
Year	Capacity		Amount
			(in Lacs)
IST YEAR	60%		0.74
IIND YEAR	70%		0.86
IIIRD YEAR	80%		0.98
IVTH YEAR	90%		1.11
VTH YEAR	90%		1.11

COMPUTATION OF DEPRECIATION

Description	Land	Plant &	Furniture	TOTAL
		Machinery		
Rate of Depreciation		13.91%	18.10%	
Opening Balance	Leased	-		-
Addition	-	5.70	0.25	5.95
	-	5.70	0.25	5.95
Less : Depreciation	-	0.79	0.05	0.84
WDV at end of Year I	-	4.91	0.20	5.11
Additions During The Year	-	-	-	-
	-	4.91	0.20	5.11
Less : Depreciation	-	0.68	0.04	0.72
WDV at end of Year II	-	4.22	0.17	4.39
Additions During The Year	-	-	-	-
	-	4.22	0.17	4.39
Less : Depreciation	-	0.59	0.03	0.62
WDV at end of Year III	-	3.64	0.14	3.77
Additions During The Year	-	-	-	-
	-	3.64	0.14	3.77
Less : Depreciation	-	0.51	0.02	0.53
WDV at end of Year IV	-	3.13	0.12	3.25
Additions During The Year	-	-	-	-
	-	3.13	0.12	3.25
Less : Depreciation	-	0.44	0.02	0.46
WDV at end of Year V	-	2.70	0.10	2.79
Additions During The Year	-	-	-	-
	-	2.70	0.10	2.79
Less : Depreciation	-	0.37	0.02	0.39
WDV at end of Year VI	-	2.32	0.08	2.40
Less : Depreciation	-	0.32	0.01	0.34
WDV at end of Year VII	-	2.00	0.07	2.06
Less : Depreciation	-	0.28	0.01	0.29
WDV at end of Year VIII	-	1.72	0.06	1.78

REPAYMENT SCHEDULE OF TERM LOAN

12%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
IST YEAR	Opening Balance						
	Ist Quarter	-	5.36	5.36	0.15	0.27	5.09
	Iind Quarter	5.09	-	5.09	0.15	0.27	4.82
	IIIrd Quarter	4.82	-	4.82	0.14	0.27	4.55
	Ivth Quarter	4.55	-	4.55	0.13	0.27	4.28
					0.57	1.07	
IIND YEAR	Opening Balance						
	Ist Quarter	4.28	-	4.28	0.12	0.27	4.02
	Iind Quarter	4.02	-	4.02	0.12	0.27	3.75
	IIIrd Quarter	3.75	-	3.75	0.11	0.27	3.48
	Ivth Quarter	3.48		3.48	0.10	0.27	3.21
					0.45	1.07	
IIIRD YEAR	Opening Balance						
	Ist Quarter	3.21	-	3.21	0.09	0.27	2.95
	Iind Quarter	2.95	-	2.95	0.08	0.27	2.68
	IIIrd Quarter	2.68	-	2.68	0.08	0.27	2.41
	Ivth Quarter	2.41		2.41	0.07	0.27	2.14
					0.32	1.07	
IVTH YEAR	Opening Balance						
	Ist Quarter	2.14	-	2.14	0.06	0.27	1.87
	Iind Quarter	1.87	-	1.87	0.05	0.27	1.61
	IIIrd Quarter	1.61	-	1.61	0.05	0.27	1.34
	Ivth Quarter	1.34		1.34	0.04	0.27	1.07
					0.20	1.07	
VTH YEAR	Opening Balance						
	Ist Quarter	1.07	-	1.07	0.03	0.27	0.80
	Iind Quarter	0.80	-	0.80	0.02	0.27	0.54
	IIIrd Quarter	0.54	-	0.54	0.02	0.27	0.27
	Ivth Quarter	0.27		0.27	0.01	0.27	- 0.00
					0.08	1.07	

CALCULATION OF D.S.C.R

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
<u>CASH ACCRUALS</u>	1.88	2.54	2.96	3.39	3.46
Interest on Term Loan	0.57	0.45	0.32	0.20	0.08
Total	2.45	2.99	3.29	3.59	3.54
<u>REPAYMENT</u>					
Instalment of Term Loan	1.07	1.07	1.07	1.07	1.07
Interest on Term Loan	0.57	0.45	0.32	0.20	0.08
Total	1.64	1.52	1.39	1.27	1.15
DEBT SERVICE COVERAGE RATIO	1.49	1.97	2.36	2.83	3.08
AVERAGE D.S.C.R.			2.34		

BREAK EVEN POINT ANALYSIS

	I	II	III	IV	V
Year					
Net Sales & Other Income	11.49	13.98	15.98	17.99	18.11
Less : Op. WIP Goods	-	0.53	0.62	0.71	0.80
Add : Cl. WIP Goods	0.53	0.62	0.71	0.80	0.80
Total Sales	12.02	14.07	16.07	18.08	18.11
Variable & Semi Variable Exp.					
Raw Material & Tax	4.32	5.04	5.76	6.48	6.48
Repair & Maintenance	0.11	0.14	0.16	0.18	0.18
Electricity Exp/Coal Consumption at 85%	0.63	0.73	0.84	0.94	0.94
Wages & Salary at 60%	1.69	2.06	2.36	2.66	2.67
Selling & administrative Expenses 80%	0.90	0.66	0.76	0.85	0.86
Intt. On Working Capital Loan	-	-	-	-	-
Total Variable & Semi Variable Exp	7.66	8.63	9.87	11.11	11.13
Contribution	4.36	5.44	6.20	6.97	6.98
Fixed & Semi Fixed Expenses					
Electricity Exp/Coal Consumption at 15%	0.11	0.13	0.15	0.17	0.17
Wages & Salary at 40%	1.13	1.38	1.57	1.77	1.78
Interest on Term Loan	0.57	0.45	0.32	0.20	0.08
Depreciation	0.84	0.72	0.62	0.53	0.46
Selling & administrative Expenses 20%	0.23	0.17	0.19	0.21	0.21
Total Fixed Expenses	2.87	2.84	2.85	2.88	2.70
Capacity Utilization	60%	70%	80%	90%	90%
OPERATING PROFIT	1.49	2.60	3.35	4.09	4.29
BREAK EVEN POINT	39%	37%	37%	37%	35%
BREAK EVEN SALES	7.91	7.34	7.39	7.48	6.99