

TAMIL NADU RURAL TRANSFORMATION PROJECT
Business Plan for Cloth bag production (job work)
Category of Loan: NANO (Upto INR 5 Lakhs)

Introduction

- ❖ *The applicant, Ms.AAAA is a resident of AA village in BB locality in Madurai District. She has 6 years' experience in tailoring activity.*
- ❖ *Her spouse is also engaged in contract business.*
- ❖ *She is also member in a Women Self Help Group functioning in the locality. The SHG has received two doses of credit assistance from bank. The second dose of credit assistance was availed recently and the loan repayment is in progress*
- ❖ *The applicant has undergone a training at ABC Company in Kappalur Industrial estate that prompted her undertake job work of stitching cotton cloth bags. She has submitted the proposal for term loan and working capital assistance at a cost of Rs.1.25 lakhs under TNRTP Matching Grant Programme.*

About the activity

- ❖ *After the ban on plastic, cloth and paper bags are in good demand in the market.*
- ❖ *Hotels/Shops/Merchants have increased the usage of cloth bags to sell their goods.*
- ❖ *Many SHGs were given training to produce cloth bags.*
- ❖ *Government encourages and extend good support to units engaged in cloth bag production*
- ❖ *Many cloth bag units have started providing employment opportunities to women at home through job works.*
- ❖ *Individuals/groups taking up the job work are earning decent reasonable income.*

Enterprise and Entrepreneur Profile

1. Profile of the Entrepreneur:

Name	Ms.AAA
Spouse Name	
Age	33
Education	10 th Standard
Aadhaar Card No	86XXXX111111
Address	
Mobile No	+91 1111111111
Number of years of experience in business	6 Years
Trainings attended (no. and hours)	ABC Company, Kappalur, Madurai.
Spouse's occupation	Contractor
If Special category	No

2. Enterprise Profile:

Name of the Enterprise	M/S AAA Garments
Legal Form of Enterprise	Individual
Registration Number	-
Registration Date	-
Registered with Whom	-
GST No (If available)	Not Available
Udyam Registration number	Not Available

3. Bank Linkage Details:

Whether the enterprise has separate bank account	Yes
If any bank credit availed	No
Name of the bank and Branch	ABC Bank
Nature of the bank facility	NA
Limit Sanctioned	NA
Balance outstanding as on date	NA

4. Enterprise Nature:

Type of Enterprise	Production/Manufacturing
Product	<ul style="list-style-type: none">❖ Service Enterprise –❖ Job work of cloth bag stitching
Present Demand	<ul style="list-style-type: none">❖ With plastic products banned in the shops and hotels, a large number of

	<p>restaurants have switched to cloth and paper bags. Food items supplied in plastic covers and aluminium foils in hotels and bakeries have replaced the same with Cloth Bags and paper covers</p>
Current Supply	<p>❖ The weaving units in Kappalur industrial estate outside Madurai is providing job work order for stitching cloth bags</p>

5. Technical Feasibility:

a. Location – Brief on Location – Whether well connected to market by road etc.,	❖ The unit is easily approachable and well connected by pucca roads
b. Land - Extent of Land, sq.ft	❖ Own land.
c. Building Approved plan from local body, sq,ft, whether sufficient for the proposed activity	❖ Proposed to construct work shed 10'x10'. Approval to be obtained
d. Power	❖ Power supply is available.
e. Water	❖ Adequate water supply is available.
F.Approval Pollution control Board/GST/FSSAI approvals or any other approval is required. Present Status	❖ Approval for work shed construction
g. Materials Needed Quantity / Cost / Availability / Delivery Time to be discussed. a. Raw materials b. Equipment c. Technology	<p><u>Raw-materials</u></p> <p>❖ Activity is job work. The main raw material is Cotton cloth/Gada Cloth supplied by the company offering the job work</p> <p>Equipment:</p> <p>❖ The equipment's required for the activity is given in the Annexure A</p> <p>Technology:</p> <p>❖ The applicant has been in the industry for the past 6 years.</p>
h. Cost of capital assets: Details of equipment/machinery with cost of individual item required	As per Annexure A .

<p>i. Cost of working capital for one operating cycle a. raw-materials, b. Semi-finished goods, c. finished goods, d. receivables outstanding. Total working capital needs (The value of raw-materials, semi-finished goods, finished goods, receivables outstanding to be arrived)</p>	<p>❖ The working capital requirement is arrived at Rs.23400 as per Annexure C.</p>
<p>j. Skills Requirements: Skilled labour available / Not available. If not available, whether people can be trained? If so, training period and training facility?</p>	<p>❖ The applicant is having adequate experience. Skilled experienced workers are also available in the area The unit require two skilled persons</p>
<p>Production Plan/cycle (operating cycle may be one-day / week / month or one year as per the activity selected):</p>	<p>❖ The operating cycle is assumed at one month recurring expenses associated with the business as detailed in Annexure C.</p>

6. Commercial Feasibility:

<p>a. Marketing strategy :</p> Direct to customers : Bulk to Institutions : Through Retailers/ Wholesalers: Through Online:	<p>❖ Bulk orders from cloth bag production units located in the district</p>
<p>b. Pricing & Discounts :</p>	
<p>c. Market promotion strategies:</p>	
<p>d. Physical and digital connectivity:</p>	

7.Environment Assessment:

Category of the enterprise proposed: White/Green / Orange / Red .To be entered as per the requirement –

Environment Issue identified	Environment Guidelines or mitigation measures Integrated (Please tick)	Greening Measures identified	Support needed	
		(for green, orange and red categories)	Implement the mitigation measures	Implement the greening measures
Exploitation of local resources (water and energy)	<ul style="list-style-type: none"> •Water •Wood •Electricity 	To ensure adequate measures for Proper disposal of Smoke and waste water	NA	NA
Waste generation and disposal	<ul style="list-style-type: none"> •Dust/air pollutants •Disposal of waste water 	To ensure adequate measures for Proper disposal of Smoke and waste water	NA	NA
Worker and Community safety	<ul style="list-style-type: none"> •Safety measures / gadgets 	Fire extinguishers to be fixed in sensitive places in the unit. Full fire protection dresses and gloves for workers	NA	NA

Whether the activity proposed is in the negative list: No.

8. Financial Viability

Cost of the project and Means of the project:

a. Cost of the Project:	(Rs)
i. Fixed capital-Cost of all the equipment's /machinery /construction(excluding land cost)	Rs.101600/-
ii. Working capital	Rs.23400/-
iii. Pre-operative expenses	Nil
Total cost of the project (i + ii + iii)	Rs.125000/-
b. Means of the project:	
Loan from financial Institution / Bank (95% or 90%):	Rs.112500
Margin money -Borrower's contribution (5% or 10%):	Rs.12500
Total means of the project (i + ii)	Rs.125000/-
c. Matching grant from the project**	Rs.37500/-
Whether the entrepreneur has the sufficient means to bring in the margin money and has enough buffer to manage any cost escalations	Yes

**Matching Grant is @30% of the total cost of the project (excluding pre-operative expenses, land cost, lease). As Matching Grant will be kept in a "Subsidy Reserve Fund" account of the bank as a back-ended grant, it is not shown under the Means of the project. The matching grant to be adjusted as below:

	(Rs)
Loan initially disbursed by the Bank	- Rs.112500
Less 30% matching grant	- Rs.37500

Balance principal amount to be repaid by Borrower – Rs.75000

Upon completion of minimum period of 18 months and upon repayment of principal amount of Rs.75000 and the interest portion, the matching grant of Rs.37500 can be adjusted to the loan account of the borrower and the loan account can be closed.

Income & Expenses of the Enterprise

Particulars	Amount in INR
a. Sales	240000
b. Cost of Production	153000
i. Cost of Raw Material	0
ii. Direct Wages	120000
iii. Cost of utilities(Water, Power , Fuel, Repair)	33000
c. Gross Profit(a-b)	87000
d. Admin & Selling Exp	0
e. Operating Profit before Depreciation, Interest, Tax & Amortization (c-d)	87000
f. Depreciation	8500
g. Interest on Term Loan	7116
h. Taxes	0
i. Profit After Tax {e-(f+g+h)}	71384
J. Cash Surplus (. Profit After Tax+ Depreciation)-Withdrawal	79884
k. Income of the spouse from contract business	100000
l. Total Income (j+k)	179884
m. Household Expenses	60000
n. Net Disposable income(l-m)	119884
o. 50% of Net Disposable income	59942
Repayment (Principal Rs.22500, Interest Rs.7116)	29616

50% of net disposable income covers the loan instalment and interest.

Recommendation:

The proposal is viable and complies with the guidelines of Matching Grant Programme. We may recommend to the concerned Bank.

Profitability Projections

Particulars	Yr 1	Yr2	Yr 3	Yr4	Yr5
(Amount in Rupees)					
a. Sales					
No. of Cloth bags stitched @ 10000 bags per month	120000	120000	120000	120000	120000
Stitching Charge per bag	2	2.25	2.50	2.75	3
Total income by way of stitching charges collected	240000	270000	300000	330000	360000
b. Recurring Expenditure					
Salary to 2 skilled workers @ Rs.5000/Worker	120000	130000	140000	150000	160000
Electricity Charges @ Rs.1000 per month	12000	13000	14000	15000	16000
Water Charges @ Rs.200 per month	2400	2600	2800	3000	3200
Cost of Sewing thread roll @ Rs 6 per roll	600	700	800	900	1000
Other expenses (Needle, Oil/Lubricant, Repairs Conveyance) @ Rs.1500 per month)	18000	20000	22000	24000	26000
Total (b)	153000	166300	179600	192900	206200
Gross Profit(a-b) = c	87000	103700	120400	137100	153800
Depreciation @5% on working shed & 10 % equipment's (d)	8500	8500	8500	8500	8500
Interest (e)	7116	4641	2165	172	0
Tax on profit(f)	0	0	0	0	0
Sub Total (g)=d+e+f	15616	13141	10665	8672	8500
Cost of sales (b+g) = h	168616	179441	190265	201572	214700
Net Profit after tax (a-h) = i	71384	90559	109735	128428	145300
Cash Surplus (i+d)=j	79884	99059	118235	136928	153800
Principal Repayment(k)	22500	22500	22500	7500	0
Interest on Loan(l)	7116	4641	2165	172	0
Repayment obligation(D)	29616	27141	24665	7672	0

Annexure – A Cost of Capital Assets

SL.NO	Description of the Item	Size/No	Unit cost (Rs)	Price (Rs)
1	Cost construction of working Shed	100 Sq ft	300	30000
2	Power operated tailoring Machine	2	35000	70000
4	Scissor	2	500	1000
5	Sewing Machine Needle	50	12	600
	Total			101600

Annexure B
Basis & Presumptions

Size of the Working Shed (Sq.Ft)10'X10'	100 Sq.ft
Cost of Construction of Working Shed @	Rs.300/Sq.Ft
No. of Skilled workers engaged	2
Salary per worker	Rs.5000 per month
No. of cloth bags stitched per month	10000
Service charge collected per bag	Rs.2.00
Electricity expenses per month	Rs.1000
Water Charges per month	Rs.300
Repairs @ maintenance	Rs.500
Fuel/Conveyance expenditure per month	Rs.500
Cotton Sewing Thread roll required per month	100
Cost of cotton Sewing Thread roll	Rs.6 per roll
Sewing Machine needles required	50
Cost of Sewing Machine needles	Rs.12 per piece
Sewing Machine Oil/Lubricant required @ 50ml bottle	2 bottles per month

Annexure C
Assessment of Working Capital

S.No.	Item of expenditure per month	Value (Rs)
1.	Salary to two skilled worker @Rs.10000/worker	20000
2	Electricity charges	1000
3	Water Charges	300
4	Sewing thread Roll cost	600
5.	Other expenditure(Fuel/Conveyance/Repairs & Maintenance)	1500
	Working Capital for One operating cycle of 30 days	23400

Annexure D

Loan Amount – Rs.112500

Interest Rate-11%

Repayment period – 60 months

Debit	Credit	Balance	Net Loan	Interest on Net Loan	Interest Per annum	Principal repayment
112500		112500	75000			
	1875	110625	73125	688		
	1875	108750	71250	670		
	1875	106875	69375	653		
	1875	105000	67500	636		
	1875	103125	65625	619		
	1875	101250	63750	602		
	1875	99375	61875	584		
	1875	97500	60000	567		
	1875	95625	58125	550		
	1875	93750	56250	533		
	1875	91875	54375	516		
	1875	90000	52500	498	7116	22500
	1875	88125	50625	481		
	1875	86250	48750	464		
	1875	84375	46875	447		
	1875	82500	45000	430		
	1875	80625	43125	413		
	1875	78750	41250	395		
	1875	76875	39375	378		
	1875	75000	37500	361		
	1875	73125	35625	344		
	1875	71250	33750	327		
	1875	69375	31875	309		
	1875	67500	30000	292	4641	22500
	1875	65625	28125	275		
	1875	63750	26250	258		
	1875	61875	24375	241		
	1875	60000	22500	223		
	1875	58125	20625	206		
	1875	56250	18750	189		
	1875	54375	16875	172		
	1875	52500	15000	155		

	1875	50625	13125	138		
	1875	48750	11250	120		
	1875	46875	9375	103		
	1875	45000	7500	86	2165	22500
	1875	43125	5625	69		
	1875	41250	3750	52		
	1875	39375	1875	34		
	1875	37500	0	17		
	37500	0		0	172	7500
				14094	14094	75000