

HOSIERY ITEMS (COTTON KNITTED GARMENTS)

Introduction:

Cotton knitted garments are very much in demand especially during the summer seasons, but the demand persist throughout the year in the rural as well as urban sector. The unit proposes to produce men's under garments and vests.

Market Potential:

Although the production of cotton knitted garments are done by the bigger companies, but due to their higher overhead the prices of the items goes up and becomes out of reach for the lower middle and lower level class of the society. Therefore scope exist for local production unit to cater to this level by carefully planning the production and maintaining the quality. Such unit can come up in the state capitals locating the unit nearer to the market.

Plant capacity:

Production per day at rated capacity	:	180 Vests, 140 briefs.
Working days/year	:	300
Annual production	:	4500 doz. vests 3500 doz. briefs

Raw materials:

Sl.No.	Items	Qty	Rate(Rs)	Total cost (Rs)
1.	Bleached Knitted cotton cloth of different quality for vest	4350 Kgs.	140/-	6,09,000
2.	Bleached knitted cotton cloth for briefs	2400 Kgs.	120/-	2,88,000
3.	Cotton thread, elastic thread, elastic tape, needles, labels etc.	--	--	60,000
4.	Packing materials	--	--	60,000
	TOTAL			10,17,000

Process:

The cotton knitted cloth will be purchased in kgs from the mills and brought to the factory. The cloth will be cut to various sizes as per requirement and will be stitched, labeled and packed. It will be sent to various markets.

Machinery:

The major equipment required are –

Sl.No.	Items	NO.	Rate(Rs)	Total cost (Rs)
1.	Over-lock machine	2	3500	7,000
2.	Flat lock sewing machine (of 5 thread)	1	12,500	12,500
3.	Flat lock sewing machine (of 4 thread with folder elastic)	1	8,500	8,500
4.	Flat double chain (of 8 thread)	1	15,000	15,000
5.	Flat lock sewing machine (of 3 thread with folder)	1	9,000	9,000
6.	Colerates cutting machine (Rib cutting machine)	1	6,000	6,000
7.	Take stand integral clutch motor (250 watts)	2	8,000	16,000
8.	Take stand 500 watts single phase integral clutch motor	5	10,000	50,000
9.	Misc. tools and parts	L.S.	5,000	5,000
10.	Sales tax, Transportation & packaging	L.S.	25,000	25,000
	TOTAL			1,54,000

Infrastructure:

The major infrastructural requirement are –

Covered area	:	750 sq.ft.
Power	:	3 KW
Water	:	500 ltrs/day

Location:

The suggested locations :

Guwahati and other state capitals are ideal locations. So that raw materials and finished products could be easily transported.

Total Capital Requirement:

The total capital requirement including fixed capital and working capital is estimated at Rs 4,76,140 as follows. Of this, the project cost comprising fixed capital and margin money on working capital is Rs 3,12,249.

A. Fixed Capital:			(Rs)
Land & building			Rented
Plant & Machinery			1,54,000
Miscellaneous fixed assets			50,000
Preliminary and pre-operative expenses			<u>20,000</u>
		Total (A)	2,24,000
			=====
B. Working Capital:			
Raw materials & Packing material	15 days	50,850	
Finished goods	15 days	1,05,270	
Working expenses	1 month		16,820
Receivables	15 days		<u>79,200</u>
		Total (B)	2,52,140
			=====
		Total (A)+(B)	4,76,140
			=====
Note: Working capital may be financed as:			
Bank Finance		Rs 1,63,891
Margin Money		<u>Rs 88,249</u>
			Rs 2,52,140
			=====
Means of Finance:			
Promoter's contribution (35%)			Rs 1,09,287
Term Loan (65%)			<u>Rs 2,02,962</u>
			Rs 3,12,249
			=====

Operating Expenses:

The annual operating expenses are estimated at Rs 13,47,129 as given below:

			(Rs in lakhs)
1.	Raw materials:		9,57,000
2.	Packing materials		60,000
3.	Utilities		23,040
4.	Wages & Salaries		1,78,800
5.	Rent, Insurance		24,000
6.	Other overheads		24,000
7.	Interest on term loan@ 12.75%		39,812
8.	Interest on Bank Finance for Working Capital@12.25%		20,077
9.	Depreciation @10% on machinery	-	<u>20,400</u>
			13,47,129
			=====

Operating Profit: Rs 2,36,871/-

Sales Realization:

Sl.No.	Particulars	No.	Rate (Rs)	Value (Rs)
1.	Vests of different sizes	4500 doz.	240/doz.	10,80,000
2.	Brief of different sizes	3500 doz.	144/doz.	5,04,000
	TOTAL			15,84,000

Profitability :

Based on the sales realization of Rs 15,84,000 and the operating expenses, of Rs 13,47,129 the profit at rated capacity utilization would be Rs 2,36,871 per year. This works out to a return on investment of 14.95%. The plant will break even at 67.54% of the rated capacity.

Highlight:

The major highlights of the project are as follows:

Total capital requirement	:	Rs 4,76,140
Promoter's contribution	:	Rs 1,09,287
Annual sales realization (70% cap.)	:	Rs 15,84,000
Annual operating expenses (70% cap.)	:	Rs 13,47,129
Annual profit (pre-tax)	:	Rs 2,36,871
Pre-tax Return on Sales	:	14.95%
Break Even Point	:	67.54%
No.of persons employed	:	12

Suppliers of MachineryFor Cotton Knitted Cloth

- 1) M/s Filaments India Ltd.
S-66, Greater Kailash,
New Delhi – 110 005
- 2) M/s Tirupathi Texnit Ltd,
880 – East Park Road,
Infront of Ajmal Khan Park,
Karol Bagh,
New Delhi – 110 005
- 3) M/s Surya Knitwears Ltd.,
408, Industrial Area A,
Ludhiana – 141 003

For Elastic Tapes:

1. M/s United Trading Co.
Rai Bahadur Road,
Ludhiana
2. M/s MDR Tapes Pvt. Ltd.,
4218, Gali Ahiran, Pahadi Dheeraj,
Sadar Bazar,
Delhi