PROJECT REPORT

Of

STAINLESS STEEL WATCH STRAP

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding **Stainless steel watch strap making 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.

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PROJECT PROFILE
FOR
STAINLESS STEEL WATCH STRAPS

INTRODUCTION

There are many types of Watch Straps, made of Leather, Nylon, Stainless Steel and Brass etc. Watch straps are made in various designs including ornamental one, being used by the public now a days. In this Project Profile, it is intended to manufacture stainless steel watch straps out of stainless steel sheet scrap and wire. Since the scrap of required gauge is easily available from the manufacturers of stainless steel utensils, it is comparatively more profitable than manufacturing these items out of virgin stainless steel sheets or coil.

MARKET POTENTIAL

Wrist watch has become necessity for the present day life of human beings. It is being used by people from all walks of life, male, female, educated, uneducated, young and old etc. Watch strap being an integral part of wrist watch, it has a good market for supply to meet original demand and in the replacement market. Apart from the large scale wrist watch manufacturers, such as Titan, HMT, Maxima, Allwyn, Timex etc., a good number of small scale units in many States have also come up with their phased production programme for wrist watches. The demand for the production of the item is therefore likely to increase rapidly in near future. Further, due to durability of the product it is preferred over all other types of straps.

Moreover, due to fast changes in the design and liking of people, there is good replacement prospects for the product as well. Therefore, there is a good and assured future for the product.

BASIS AND PRESUMPTIONS

- This report is worked out on 60% capacity utilization, on double shift and 300 working days per year.
- The machinery and equipment are of standard make.
- The cost of raw materials and other expenditure is approximate and based on current market rates.
- The period for achieving envisaged capacity utilization estimated to be one year after commencement of trial production.
- Interest rate for fixed and working capital has been calculated at 11.50% per annum.
- Payback period would commence after a period of 8 months and the repayment period is estimated as 5 years.

IMPLEMENTATION SCHEDULE

- The entrepreneur has to arrive at a decision in order to select this product. The guiding factor in this regard would be the market potential, demand and supply gap and availability of resources. It may take 2 to 3 weeks.
- After selecting the product, the entrepreneur has to get Udyog Aadhaar registration, so that he can apply for allotment of land, power, etc.
- In order to obtain financial assistance from the financial Institutions like Commercial Banks a detailed project report is required to be prepared. On the basis of the report financial Institutions may take 8 to 10 weeks' time for sanctioning and disbursing the loan. Accordingly, orders for plant and machinery may be finalized and placed. Simultaneously, orders for purchase of raw materials are also to be finalized and recruitment of key staff is to be done. This would require 3 to 4 weeks.
- The plant and machinery received may be installed and commissioned within 4 to 6 weeks time and the Workshop staff should also be recruited. The production may be commenced after trial run of the installed plant and machinery.

TECHNICAL ASPECTS

PROCESS OF MANUFACTURE

The Metallic Watch Straps consist of 7 to 8 components according to its design. These components are made by balaking, piercing, and binding as per the requirements, and then these components are sent for assembly to form a chain. These chain pieces are grounded to size on a surface grinder. Mat finish on the straps can also be given by using surface grinder. After mating, straps may be polished on a buffing lathe. Links, locks and barrels are fitted to these pieces with the help of spring-loaded pins. Then these assembled straps are cleaned in kerosene oil to remove the luster particles. Finally, the final buffing is done to give polishing touch on straps. These straps are packed suitably and marketed.

QUALITY CONTROL AND STANDARDS

Most of the watch manufacturers like Titan, HMT, Alwyn, Maxima, Timex etc., have formulated their own specifications and design for this product, and these may be obtained from them for supply to them. However, in view of sophistication and individual liking the appearance of the straps must be good and have free link movement and reliable locking system along with appropriate polish.

POLLUTION CONTROL

The activity does not create any pollution. However, proper ventilation is provided for safe working conditions.

ENERGY CONSERVATION

General awareness is required for energy conservation.

PROJECT AT A GLANCE

1	Name of the Entreprenuer		XXXXXXX		
2	Constitution (legal Status)		XXXXXXX		
3	Father's/Spouce's Name		XXXXXXXX		
4	Unit Address		XXXXXXXX		
			Taluk/Block:		
			District :	XXXXX	
			Pin:	XXXXX	State:
			E-Mail	XXXXX	
			Mobile	XXXXX	
5	Product and By Product	:	**Watch Strap (Steel)**		
6	Name of the project / business activity proposed :		**Watch Strap (Steel)**		
7	Cost of Project	:	Rs13.00lac		
8	Means of Finance				
	Term Loan		Rs.8.77 Lacs		
	KVIC Margin Money	-	As per Project Eligibility		
	Own Capital		Rs.1.3 Lacs		
	Working Capital		Rs.2.93 Lacs		
9	Debt Service Coverage Ratio	:	4.49		
10	Pay Back Period	:	5	Years	
11	Project Implementation Period	:	8	Months	
12	Break Even Point	:	30%		
13	Employment	:	11	Persons	
14	Power Requirement	:	15.00	HP	
15	Major Raw materials	:	**Stainless Steal**		
16	Estimated Annual Sales Turnover	:	37.62	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 F	4.50
Plant & Machinery	3.66
Furniture & Fixtures	1.01
Pre-operative Expenses	0.57
Working Capital Requirement	3.26
Total	**13.00**

MEANS OF FINANCE

Particulars	Amount
Own Contribution @10%	1.30
Term Loan	8.77
Workign Capital Finance	2.93
Total	**13.00**

	General	**Special**
Beneficiary's Margin Monery (% of Project Cost)	10%	5%

PLANT & MACHINERY

PARTICULARS	QTY.	RATE	AMOUNT IN RS.
Inclinable Power Press 10 Tonnes with 5 HP Motor	1	80,000.00	80,000.00
Power Press with 2 HP Motor	2.00	40,000.00	80,000.00
Bench Drill 12 mm cap. With 0.5 HP motor.	1.00	8,000.00	8,000.00
Buffing lathe with 1 HP Motor.	1.00	20,000.00	20,000.00
Disc and Belt sand grinding Machine, 1200 mm x 150 mm with endless belt, titling type table and with 0.5 HP motor.	1.00	20,000.00	20,000.00
Pedestal grinder 200 mm wheel dia. with 0.5 HP motor.	1.00	10,000.00	10,000.00
Surface grinder, table size 550 mm x 200 mm with 1 HP motor.	1.00	65,000.00	65,000.00
Work bench, Vice, Hand tools, Dies, Punches, Measuring tools etc.	LS	50,000.00	50,000.00
			333,000.00
Installation and Electrification @ 10% of the cost of Machines			33,300.00
Total			366,300.00

PROJECTED CASH FLOW STATEMENT

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
SOURCES OF FUND					
Share Capital	1.30	-			
Reserve & Surplus	8.06	10.27	12.96	15.50	17.89
Depriciation & Exp. W/off	1.05	0.97	0.85	0.74	0.65
Increase in Cash Credit	2.93	-	-	-	-
Increase In Term Loan	8.77	-	-	-	-
Increase in Creditors	0.36	0.06	0.06	0.06	0.06
Increase in Provisions	0.36	0.04	0.04	0.04	0.05
TOTAL :	**22.83**	**11.34**	**13.90**	**16.35**	**18.65**
APPLICATION OF FUND					
Increase in Fixed Assets	9.17	-	-	-	-
Increase in Stock	2.36	0.39	0.39	0.39	0.39
Increase in Debtors	1.26	0.28	0.22	0.22	0.22
Increase in Deposits & Adv	2.50	0.25	0.28	0.30	0.33
Repayment of Term Loan	-	2.19	2.19	2.19	2.20
Taxation	0.81	1.03	2.59	3.10	3.58
TOTAL :	**16.10**	**4.14**	**5.67**	**6.21**	**6.72**
Opening Cash & Bank Balance	-	6.73	13.93	22.16	32.30
Add : Surplus	6.73	7.20	8.23	10.14	11.93
Closing Cash & Bank Balance	**6.73**	**13.93**	**22.16**	**32.30**	**44.23**

PROJECTED BALANCE SHEET

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
SOURCES OF FUND					
Capital Account	1.30	1.30	1.30	1.30	1.30
Retained Profit	7.25	16.50	26.87	39.26	53.58
Term Loan	8.77	6.58	4.38	2.19	- 0.00
Cash Credit	2.93	2.93	2.93	2.93	2.93
Sundry Creditors	0.36	0.42	0.48	0.54	0.60
Provisions & Other Liab	0.36	0.40	0.44	0.48	0.53
TOTAL :	**20.98**	**28.13**	**36.40**	**46.71**	**58.94**
APPLICATION OF FUND					
Fixed Assets (Gross)	9.17	9.17	9.17	9.17	9.17
Gross Dep.	1.05	2.02	2.87	3.61	4.26
Net Fixed Assets	8.12	7.16	6.31	5.56	4.91
Current Assets					
Sundry Debtors	1.26	1.54	1.76	1.98	2.21
Stock in Hand	2.36	2.75	3.14	3.54	3.93
Cash and Bank	6.73	13.93	22.16	32.30	44.23
Deposits & Advances	2.50	2.75	3.03	3.33	3.66
TOTAL :	**20.98**	**28.13**	**36.40**	**46.71**	**58.94**
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
A) SALES					
Gross Sale	37.62	45.87	52.47	59.07	65.67
Scrap sale	0.31	0.36	0.41	0.46	0.52
Total (A)	**37.93**	**46.23**	**52.88**	**59.53**	**66.19**
B) COST OF SALES					
Raw Mateiral Consumed	15.47	18.04	20.62	23.20	25.78
Elecricity Expenses	1.29	1.50	1.72	1.93	2.15
Repair & Maintenance	-	0.46	0.52	0.59	0.66
Labour & Wages	6.86	7.55	8.31	9.14	10.05
Depriciation	1.05	0.97	0.85	0.74	0.65
Consumables and Other Expenses	0.76	0.92	1.06	1.19	1.32
Cost of Production	25.43	29.45	33.08	36.79	40.61
Add: Opening Stock /WIP	-	1.58	1.85	2.11	2.38
Less: Closing Stock /WIP	1.58	1.85	2.11	2.38	2.64
Cost of Sales (B)	23.84	29.18	32.81	36.53	40.34
C) GROSS PROFIT (A-B)	14.09	17.05	20.07	23.01	25.84
	37%	**37%**	**38%**	**39%**	**39%**
D) Bank Interest (Term Loan)	0.76	0.91	0.66	0.41	0.16
Bank Interest (C.C. Limit)	0.29	0.29	0.29	0.29	0.29
E) Salary to Staff	4.22	4.65	5.11	5.62	6.18
F) Selling & Adm Expenses Exp.	0.75	0.92	1.05	1.18	1.31
TOTAL (D+E)	**6.03**	**6.77**	**7.12**	**7.51**	**7.95**
H) NET PROFIT	8.06	10.27	12.96	15.50	17.89
I) Taxation	0.81	1.03	2.59	3.10	3.58
J) PROFIT (After Tax)	7.25	9.25	10.36	12.40	14.32

COMPUTATION OF MANUFACTURING OF WATCH STRAP (STEAL)

Items to be Manufactured **WATCH STRAP**

Manufacturing Capacity per day	-	200.00	Pcs
	-		
No. of Working Hour		8	
No of Working Days per month		25	
No. of Working Day per annum		300	
Total Production per Annum		60,000.00	Pcs
Year		Capacity	Pcs
		Utilisation	
IST YEAR		60%	36,000
IIND YEAR		70%	42,000
IIIRD YEAR		80%	48,000
IVTH YEAR		90%	54,000
VTH YEAR		100%	60,000

COMPUTATION OF RAW MATERIAL

Item Name		Quantity of	Recovery	Unit Rate of	Total Cost
		Raw Material		/ MT	Per Annum (100%)
		MT			
Average cost of Raw Material Stainless Steel/Scrap 16/20/26/28/30 MT SWG	100%	36.00	100%	60,000.00	21.60
Spring Bars and Link Bars		4,320.00		55.00	2.38
Packaging Material Total 36,000		36,000.00	Pcs	5.00	1.80
			Total (Rounded off in lacs)		25.78
Annual Consumption cost	(In Lacs)				25.78

Raw Material Consumed	Capacity Utilisation	Amount (Rs.)	Scrap sale 4%	Rate Rs50/per kg
IST YEAR	60%	15.47	0.62	0.31
IIND YEAR	70%	18.04	0.72	0.36
IIIRD YEAR	80%	20.62	0.82	0.41
IVTH YEAR	90%	23.20	0.93	0.46
VTH YEAR	100%	25.78	1.03	0.52

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
Finished Goods					
(15 Days requirement)	1.58	1.85	2.11	2.38	2.64
Raw Material					
(15 Days requirement)	0.77	0.90	1.03	1.16	1.29
Closing Stock	**2.36**	**2.75**	**3.14**	**3.54**	**3.93**

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars			Total
			Amount
Stock in Hand			2.36
Sundry Debtors			1.26
		Total	3.62
Sundry Creditors			0.36
Working Capital Requirement			**3.26**
Margin			0.33
Working Capital Finance			**2.93**

BREAK UP OF LABOUR

Particulars		Wages Per Month	No of Employees	Total Salary
Skilled Worker		8,000.00	4	32,000.00
Unskilled Worker		5,000.00	4	20,000.00
				52,000.00
Add: 10% Fringe Benefit				5,200.00
Total Labour Cost Per Month				57,200.00
Total Labour Cost for the year (In Rs. Lakhs)				6.86
				8.00

BREAK UP OF SALARY

Particulars		Salary Per Month	No of Employees	Total Salary
Manager		12,000.00	1	12,000.00
Accountant		8,000.00	1	8,000.00
Sales		12,000.00	1	12,000.00
Total Salary Per Month				32,000.00
Add: 10% Fringe Benefit				3,200.00
Total Salary for the month				35,200.00
Total Salary for the year (In Rs. Lakhs)				4.22
				3.00

COMPUTATION OF DEPRECIATION

Description	Land	Building/shed	Plant & Machinery	Furniture	**TOTAL**
Rate of Depreciation		**10.00%**	**15.00%**	**10.00%**	
Opening Balance	Leased	-	-	-	-
Addition	-	4.50	3.66	1.01	9.17
	-	4.50	3.66	1.01	9.17
Less : Depreciation	-	0.45	0.55	0.05	1.05
WDV at end of Ist year	-	4.05	3.11	0.96	8.12
Additions During The Year	-	-	-	-	-
	-	4.05	3.11	0.96	8.12
Less : Depreciation	-	0.41	0.47	0.10	0.97
WDV at end of IInd Year	-	3.65	2.65	0.86	7.16
Additions During The Year	-	-	-	-	-
	-	3.65	2.65	0.86	7.16
Less : Depreciation	-	0.36	0.40	0.09	0.85
WDV at end of IIIrd year	-	3.28	2.25	0.78	6.31
Additions During The Year	-	-	-	-	-
	-	3.28	2.25	0.78	6.31
Less : Depreciation	-	0.33	0.34	0.08	0.74
WDV at end of IV year	-	2.95	1.91	0.70	5.56
Additions During The Year	-	-	-	-	-
	-	2.95	1.91	0.70	5.56
Less : Depreciation	-	0.30	0.29	0.07	0.65
WDV at end of Vth year	-	2.66	1.63	0.63	4.91

REPAYMENT SCHEDULE OF TERM LOAN 11.5%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	Cl Balance
IST YEAR	Opening Balance						
	Ist Quarter	-	8.77	8.77	-	-	8.77
	Iind Quarter	8.77	-	8.77	0.25	-	8.77
	IIIrd Quarter	8.77	-	8.77	0.25	-	8.77
	Ivth Quarter	8.77	-	8.77	0.25	-	8.77
					0.76	-	
IIND YEAR	Opening Balance						
	Ist Quarter	8.77	-	8.77	0.25	0.55	8.22
	Iind Quarter	8.22	-	8.22	0.24	0.55	7.67
	IIIrd Quarter	7.67	-	7.67	0.22	0.55	7.12
	Ivth Quarter	7.12		7.12	0.20	0.55	6.58
					0.91	2.19	
IIIRD YEAR	Opening Balance						
	Ist Quarter	6.58	-	6.58	0.19	0.55	6.03
	Iind Quarter	6.03	-	6.03	0.17	0.55	5.48
	IIIrd Quarter	5.48	-	5.48	0.16	0.55	4.93
	Ivth Quarter	4.93		4.93	0.14	0.55	4.38
					0.66	2.19	
IVTH YEAR	Opening Balance						
	Ist Quarter	4.38	-	4.38	0.13	0.55	3.84
	Iind Quarter	3.84	-	3.84	0.11	0.55	3.29
	IIIrd Quarter	3.29	-	3.29	0.09	0.55	2.74
	Ivth Quarter	2.74		2.74	0.08	0.55	2.19
					0.41	2.19	
VTH YEAR	Opening Balance						
	Ist Quarter	2.19	-	2.19	0.06	0.55	1.64
	Iind Quarter	1.64	-	1.64	0.05	0.55	1.10
	IIIrd Quarter	1.10	-	1.10	0.03	0.55	0.55
	Ivth Quarter	0.55		0.55	0.02	0.55	- 0.00
					0.16	2.20	

CALCULATION OF D.S.C.R

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
CASH ACCRUALS	8.30	10.22	11.21	13.14	14.97
Interest on Term Loan	0.76	0.91	0.66	0.41	0.16
Total	9.06	11.13	11.87	13.55	15.12
REPAYMENT					
Instalment of Term Loan	2.19	2.19	2.19	2.20	2.20
Interest on Term Loan	0.76	0.91	0.66	0.41	0.16
Total	2.95	3.11	2.85	2.61	2.35
DEBT SERVICE COVERAGE RAT	**3.07**	**3.58**	**4.16**	**5.20**	**6.43**
AVERAGE D.S.C.R.			**4.49**		

COMPUTATION OF SALE

Particulars	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
Op Stock	-	1,800	2,100	2,400	2,700
Production	36,000	42,000	48,000	54,000	60,000
	36,000	43,800	50,100	56,400	62,700
Less : Closing Stock	1,800	2,100	2,400	2,700	3,000
Net Sale	34,200	41,700	47,700	53,700	59,700
Sale Price per Piece	110.00	110.00	110.00	110.00	110.00
Sale (in Lacs)	**37.62**	**45.87**	**52.47**	**59.07**	**65.67**

COMPUTATION OF ELECTRICITY

(A) POWER CONNECTION				
Total Working Hour per day		Hours	8	
Electric Load Required		HP	15	
Load Factor			0.7460	
Electricity Charges		per unit	8.00	
Total Working Days			300	
Electricity Charges (8 Hrs Per day)				214,848.00
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%				2.15
Year		**Capacity**		**Amount**
				(in Lacs)
IST YEAR		60%		1.29
IIND YEAR		70%		1.50
IIIRD YEAR		80%		1.72
IVTH YEAR		90%		1.93
VTH YEAR		100%		2.15

BREAK EVEN POINT ANALYSIS

Year	I	II	III	IV	V
Net Sales & Other Income	37.93	46.23	52.88	59.53	66.19
Less : Op. WIP Goods	-	1.58	1.85	2.11	2.38
Add : Cl. WIP Goods	1.58	1.85	2.11	2.38	2.64
Total Sales	**39.51**	**46.49**	**53.15**	**59.80**	**66.45**
Variable & Semi Variable Exp.					
Raw Material & Tax	15.47	18.04	20.62	23.20	25.78
Electricity Exp/Coal Consumption at 85%	1.10	1.28	1.46	1.64	1.83
Manufacturing Expenses 80%	0.61	1.11	1.27	1.43	1.58
Wages & Salary at 60%	6.65	7.32	8.05	8.85	9.74
Selling & adminstrative Expenses 80%	0.60	0.73	0.84	0.95	1.05
Intt. On Working Capital Loan	0.29	0.29	0.29	0.29	0.29
Total Variable & Semi Variable Exp	**24.72**	**28.77**	**32.53**	**36.36**	**40.27**
Contribution	**14.80**	**17.72**	**20.62**	**23.44**	**26.18**
Fixed & Semi Fixed Expenses					
Manufacturing Expenses 20%	0.15	0.28	0.32	0.36	0.40
Electricity Exp/Coal Consumption at 15%	0.19	0.23	0.26	0.29	0.32
Wages & Salary at 40%	4.44	4.88	5.37	5.90	6.49
Interest on Term Loan	0.76	0.91	0.66	0.41	0.16
Depreciation	1.05	0.97	0.85	0.74	0.65
Selling & adminstrative Expenses 20%	0.15	0.18	0.21	0.24	0.26
Total Fixed Expenses	**6.74**	**7.45**	**7.66**	**7.94**	**8.28**
Capacity Utilization	**60%**	**70%**	**80%**	**90%**	**100%**
OPERATING PROFIT	**8.06**	**10.27**	**12.96**	**15.50**	**17.89**
BREAK EVEN POINT	**27%**	**29%**	**30%**	**30%**	**32%**
BREAK EVEN SALES	**17.99**	**19.54**	**19.75**	**20.25**	**21.03**

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