

PROJECT REPORT

Of

TERRACOTTA POTS MANUFACTURING UNIT

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Terracotta Pots Manufacturing 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.

[We can modify the project capacity and project cost as per your requirement. We can also prepare project report on any subject as per your requirement.]



Lucknow Office: Sidhivinayak Building ,
27/1/B, Gokhley Marg, Lucknow-226001

Delhi Office : Multi Disciplinary Training
Centre, Gandhi Darshan Rajghat,
New Delhi 110002

Email : info@udyami.org.in
Contact : +91 7526000333, 444, 555

PROJECT AT A GLANCE

- 1 Name of the Entrepreneur : xxxxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **TERRACOTTA POT**
- 6 Name of the project / business activity proposed : **DECORATIVE PRODUCT UNIT (TERRACOTTA POT)**
- 7 Cost of Project : Rs.10.23 Lakhs
- 8 Means of Finance
- Term Loan Rs.5.85 Lakhs
- Own Capital Rs.1.02 Lakhs
- Working Capital Rs.3.35 Lakhs
- 9 Debt Service Coverage Ratio : 2.98
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 44%
- 13 Employment : 10 Persons
- 14 Power Requirement : 2.00 KWH
- 15 Major Raw materials : Clay, Starch/gum, Mustard oil, Paddy husk, Grass, Dung cakes, Coal/firewood. Sand and Ash
- 16 Estimated Annual Sales Turnover (Max Capacity) : 82.54 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

Particulars	Amount
Civil Work	5.00
Furniture & Fixtures	1.50
Working Capital	3.73
Total	10.23

MEANS OF FINANCE

Particulars	Amount
Own Contribution	1.02
Working Capital(Finance)	3.35
Term Loan	5.85
Total	10.23

TERRACOTTA POT MANUFACTURING UNIT

Introduction:

Terracotta is a type of ceramic pottery. It's used to make many flower pots. Terracotta is also often used for pipes, bricks, and sculptures.

Terracotta pottery is made by baking terracotta clay. In fact, the word "terracotta" comes from the Italian words for "baked earth." Makes sense, right? You may also hear "terracotta" used to describe color. The terracotta color is a natural brown-orange.

Terracotta clay is easy to sculpt into all sorts of shapes. Once shaped, it's heated to 1,000-2,000° F to harden. Then, a simple coat of glaze can make terracotta watertight.

Terracotta has been around for a long time. In fact, it was the only clay product used until around the 14th century. Archeologists have found terracotta sculptures that are 5,000 years old.



Uses & Market Potential:

Terracotta is the term normally used for sculpture made in earthenware, and also for various practical uses including vessels (notably flower pots), water and waste water pipes, roofing tiles, bricks, and surface embellishment in building construction. The term is also used to refer to the natural brownish orange color of most terracotta, which varies considerably. The global earthenware market is expected to drive on account of increasing generic fashion in home decorations. It is made from ceramic material and is

mainly used for decorative purposes. Other uses include pottery and dishware for serving food. Amateur pottery and modern crafts are also termed as earthenware. Globally, there is an increase in trend of unique and vintage decorations in houses which is expected to drive overall market demand over the forecast period. Niche markets such as high design decorative items are expected to positively impact global earthenware industry growth in the future

Product:

TERRACOTTA POTS

Raw Material:

1. Clay
2. Starch/Gum
3. Mustard Oil
4. Paddy Husk
5. Dung Cakes
6. Coal/Firewood
7. Sand and Ash

Manufacturing Process:



Fig. 1 – Process Flowchart

Area:

The required land for pottery making is estimated to be around 1000sqft. The rooftop and corridors of houses are place in the city with the products to dry out after polishing.

Cost of Tools & Equipments:

S No.	Tools & Equipments	Price (INR)
1.	Chak (Wheel)	1,500/-
2.	Chaku (Knife)	4,500/-
3.	Wire	20,000/-
4.	Brush	24,000/-
	Total	50,000/-

Power Requirement- - The estimated Power requirement is taken at 2 KWH

Manpower Requirement- Following manpower is required:

- Skilled/unskilled worker-4
- Helper - 4
- Sales Personal and Accountant- 2

FINANCIALS

PROJECTED BALANCE SHEET

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
<u>Capital Account</u>					
Opening Balance	-	1.96	2.93	4.21	5.47
Add: Additions	1.02	-	-	-	-
Add: Net Profit	2.14	2.97	3.57	4.47	5.26
Less: Drawings	1.20	2.00	2.30	3.20	3.90
Closing Balance	1.96	2.93	4.21	5.47	6.83
CC Limit	3.35	3.35	3.35	3.35	3.35
Term Loan	5.20	3.90	2.60	1.30	-
Sundry Creditors	0.67	0.75	0.83	0.92	1.01
TOTAL :	11.18	10.93	10.99	11.04	11.20
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	6.50	6.50	6.50	6.50	6.50
Gross Dep.	0.65	1.24	1.76	2.24	2.66
Net Fixed Assets	5.85	5.27	4.74	4.26	3.84
Current Assets					
Sundry Debtors	1.69	1.97	2.21	2.48	2.75
Stock in Hand	2.70	3.05	3.41	3.80	4.20
Cash and Bank	0.94	0.65	0.63	0.51	0.41
TOTAL :	11.18	10.93	10.99	11.04	11.20
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I	II	III	IV	V
<u>A) SALES</u>					
Gross Sale	50.75	59.22	66.42	74.30	82.54
Total (A)	50.75	59.22	66.42	74.30	82.54
<u>B) COST OF SALES</u>					
Raw Material Consumed	28.50	32.01	35.64	39.39	43.26
Electricity Expenses	0.22	0.25	0.27	0.29	0.31
Tools & Consumables	0.50	0.58	0.66	0.76	0.87
Labour & Wages	12.35	13.83	15.35	17.65	19.77
Depreciation	0.65	0.59	0.53	0.47	0.43
Cost of Production	42.22	47.25	52.45	58.57	64.65
Add: Opening Stock /WIP	-	1.75	1.98	2.22	2.48
Less: Closing Stock /WIP	1.75	1.98	2.22	2.48	2.76
Cost of Sales (B)	40.47	47.02	52.21	58.31	64.37
C) GROSS PROFIT (A-B)	10.28	12.20	14.21	15.99	18.17
	20.25%	20.61%	21.39%	21.53%	22.01%
D) Bank Interest i) (Term Loan)	0.63	0.52	0.38	0.23	0.09
ii) Interest On Working Capital	0.37	0.37	0.37	0.37	0.37
E) Salary to Staff	4.85	5.92	7.10	7.95	8.75
F) Selling & Adm Expenses Exp.	2.28	2.43	2.79	2.97	3.47
TOTAL (D+E+F)	8.14	9.23	10.64	11.53	12.67
H) NET PROFIT	2.14	2.97	3.57	4.47	5.50
	4.2%	5.0%	5.4%	6.0%	6.7%
I) Taxation	-	-	-	-	0.23
J) PROFIT (After Tax)	2.14	2.97	3.57	4.47	5.26

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
<u>SOURCES OF FUND</u>					
Own Contribution	1.02	-			
Reserve & Surplus	2.14	2.97	3.57	4.47	5.50
Depreciation & Exp. W/off	0.65	0.59	0.53	0.47	0.43
Increase In Cash Credit	3.35				
Increase In Term Loan	5.85	-	-	-	-
Increase in Creditors	0.67	0.08	0.08	0.09	0.09
TOTAL :	13.68	3.64	4.18	5.03	6.01
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	6.50	-	-	-	-
Increase in Stock	2.70	0.35	0.36	0.39	0.40
Increase in Debtors	1.69	0.28	0.24	0.26	0.27
Repayment of Term Loan	0.65	1.30	1.30	1.30	1.30
Taxation	-	-	-	-	0.23
Drawings	1.20	2.00	2.30	3.20	3.90
TOTAL :	12.74	3.93	4.20	5.15	6.11
Opening Cash & Bank Balance	-	0.94	0.65	0.63	0.51
Add : Surplus	0.94	- 0.29	- 0.02	- 0.12	- 0.10
Closing Cash & Bank Balance	0.94	0.65	0.63	0.51	0.41

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	I	II	III	IV	V
<u>Finished Goods</u>					
(10 Days requirement)	1.75	1.98	2.22	2.48	2.76
<u>Raw Material</u>					
(10 Days requirement)	0.95	1.07	1.19	1.31	1.44
Closing Stock	2.70	3.05	3.41	3.80	4.20

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars	Amount	Margin(10%)	Net Amount
Stock in Hand	2.70		
Less:			
Sundry Creditors	0.67		
Paid Stock	2.04	0.20	1.83
Sundry Debtors	1.69	0.17	1.52
Working Capital Requirement			3.35
Margin			0.37
MPBF			3.35
Working Capital Demand			3.35

REPAYMENT SCHEDULE OF TERM LOAN

11.0%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	5.85	5.85	0.16	-	5.85
	Iind Quarter	5.85	-	5.85	0.16	-	5.85
	IIIrd Quarter	5.85	-	5.85	0.16	0.33	5.53
	Ivth Quarter	5.53	-	5.53	0.15	0.33	5.20
					0.63	0.65	
II	Opening Balance						
	Ist Quarter	5.20	-	5.20	0.14	0.33	4.88
	Iind Quarter	4.88	-	4.88	0.13	0.33	4.55
	IIIrd Quarter	4.55	-	4.55	0.13	0.33	4.23
	Ivth Quarter	4.23		4.23	0.12	0.33	3.90
					0.52	1.30	
III	Opening Balance						
	Ist Quarter	3.90	-	3.90	0.11	0.33	3.58
	Iind Quarter	3.58	-	3.58	0.10	0.33	3.25
	IIIrd Quarter	3.25	-	3.25	0.09	0.33	2.93
	Ivth Quarter	2.93		2.93	0.08	0.33	2.60
					0.38	1.30	
IV	Opening Balance						
	Ist Quarter	2.60	-	2.60	0.07	0.33	2.28
	Iind Quarter	2.28	-	2.28	0.06	0.33	1.95
	IIIrd Quarter	1.95	-	1.95	0.05	0.33	1.63
	Ivth Quarter	1.63		1.63	0.04	0.33	1.30
					0.23	1.30	
V	Opening Balance						
	Ist Quarter	1.30	-	1.30	0.04	0.33	0.97
	Iind Quarter	0.97	-	0.97	0.03	0.33	0.65
	IIIrd Quarter	0.65	-	0.65	0.02	0.33	0.32
	Ivth Quarter	0.32		0.32	0.01	0.33	- 0.00
					0.09	1.30	

Door to Door Period 60 Months

Moratorium Period 6 Months

Repayment Period 54 Months

CALCULATION OF D.S.C.R

PARTICULARS	I	II	III	IV	V
CASH ACCRUALS	2.79	3.56	4.10	4.94	5.69
Interest on Term Loan	0.63	0.52	0.38	0.23	0.09
Total	3.42	4.07	4.47	5.17	5.78
REPAYMENT					
Repayment of Term Loan	0.65	1.30	1.30	1.30	1.30
Interest on Term Loan	0.63	0.52	0.38	0.23	0.09
Total	1.28	1.82	1.68	1.53	1.39
DEBT SERVICE COVERAGE R.	2.67	2.24	2.67	3.38	4.16
AVERAGE D.S.C.R.			2.98		

Assumptions:

1. Production Capacity of Terracotta Pots is 200 Pieces per day. First year, Capacity has been taken @ 50%.
2. Working shift of 10 hours per day has been considered.
3. Raw Material stock and Finished goods closing stock has been taken for 10 days.
4. Credit period to Sundry Debtors has been given for 10 days.
5. Credit period by the Sundry Creditors has been provided for 7 days.
6. Depreciation and Income tax has been taken as per the Income tax Act, 1961.
7. Interest on working Capital Loan and Term loan has been taken at 11%.
8. Salary and wages rates are taken as per the Current Market Scenario.
9. Power Consumption has been taken at 2 KW.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

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