

2020-2021



# MAKE IN INDIA

(CLOTH BAG MANUFACTURER)

THE EXTERMINATORS

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**EXTERMINATORS**

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## PROJECT SUMMARY

Now-a-days, Indian Businessmen are encouraged to make products in India which made this a big success. This project was conducted while keeping in mind the “Make in India” campaign. The keen focus is on the “Financial Feasibility” for the business being discussed in this project i.e., Cloth Bag Manufacturing.

This project report will make you go through a load of various vital things which will help you provide a better understanding of the business idea being taken. It includes all the financial aspects of the business such as Income statement, Cash Flows, Revenue Forecasting, Ratio Analysis, Breakeven Analysis etc. which will provide you with knowledge whether this idea is approachable financially or not. Other than that, factors such as risk impacts and mitigation are also being considered. Risks are assessed in 5 types- physical risk, location risk, human risk, technology risk and strategic risk. Afterwards, measures to reduce it and prevent it are being discussed.

But financial aspects are not the sole base for setting up of a business. For that reason, factors which will help us for the production of bags are discussed in detail such as material used for production, types of machines and equipment used, type of land and building required, location, other important assets to be acquired etc. the above mentioned things are elucidated in great detail after lot of research work and enquiries made to the people in this field.

Following will be the detailed project report of the business idea that we, team of THE EXTERMINATORS, chose and after months of hard work and research, we are able to present it to you. We hope this helps in a way that you are able to get a good understanding of the idea.

## **INDUSTRY AND MARKET TREND**

### **Global Market for Cloth Bag**

The decreasing trend of usage in the packaging sector of plastic products, on the other hand, increases demand for Cloth bags. Cloth bags are made of various fabrics, such as cotton and burlap. Using of cloth bags instead of plastic bags is the right choice. In the near future, demand for cloth bags is expected to increase because of the consumer's propensity to re-use and recyclable products. In India, some retailers prefer cloth bags for their products, due to strict plastic regulations. The use of plastic bags in some Asian Pacific and European countries is prohibited and the demand for cloth bags is increasing day by day. In some areas, the ban on plastics will fuel the growth of the cloth bag market in the coming years. The rising number of grocery stores, supermarkets and online retailers generate demand for cloth bags worldwide. The substantial change in factory preferences in relation to paper products can adversely influence the development of cloth bags. The leading players in the packaging industry look forward to providing economical solutions. Brand owners, manufacturers and food service companies are tailoring their own bags for branding and marketing purposes for cotton and other tissues, which are expected to fuel the demand for cloth bags over the coming years. As from 1 January 2010, Austrian government seeks a complete ban on plastic bag from non-biodegradable sources. On 21 March 2017, the Estonian Parliament adopted, beginning in 2019, an Act amending the Packaging Act restricting the use of plastic bags. The demand for textile bags is expected to be showing substantial increase in Europe due to the rise in government plastic goods legislation. The increase in consumer prices for plastic based goods in the Asia-Pacific region, including plastic bags, straws, cups and other food service containers, will extend the market footprint of the region's cloth bags. China & India is expected to show strong growth in the cloth bags industry, among the emerging countries. Cloth bag manufacturers are looking for opportunities to expand their business operations in countries like South Africa and North Africa. The cloth bags markets in Mexico are expected to expand at a high pace because of the growing demands of the country's consumers.

## Local/Domestic market of Cloth bag

Earlier in India, garment shops, sweet shops and other shops uses cloth bags for their marketing purpose only. But after the ban on plastic bags it is important for everyone to use cloth bag because they are environment friendly. If we manufacture them in India itself, then the cost of these bags will reduce because we don't need to pay transportation charges. In India the manufacturers of cloth bags are doubling their production capacity so that they can fill the gap which is caused by the state government's ban on plastic bags. After this ban the best alternative for the plastic bags is cloth bag. While considering its ecofriendly nature and cost effectiveness it has an important place in the Indian market. Cloth bag has opened so many opportunities in the market by starting this business. On one side we are contributing for the welfare of our society and on the other side we are introducing new job opportunities as well. Cloth bag has an optimistic view in the Indian market.

## Market trend of Cloth bag

The ecofriendly cloth bags are anticipated to overtake the plastic bags. Increasing availability of decorated and ecofriendly cloth bags are inciting people to use cloth bags. Cloth bags will have an important place in every marketplace. There is a wide range of reusable bags in the market. Paper bag is also a good alternative for the plastic bags but it has also some issues towards the environment. Several trees need to be cut down for the manufacturing of paper bags. Other disadvantage of paper bag is that we can't use it for a long period of time. Cloth bag is a good alternative by the government and companies to make environment pollution free. Now a day's plastic bags are banned all over India. These bags are available in different shapes and sizes in the market. These bags can be modified on the basis of consumer's needs. The main advantage of these bags is that they are washable and long lasting.

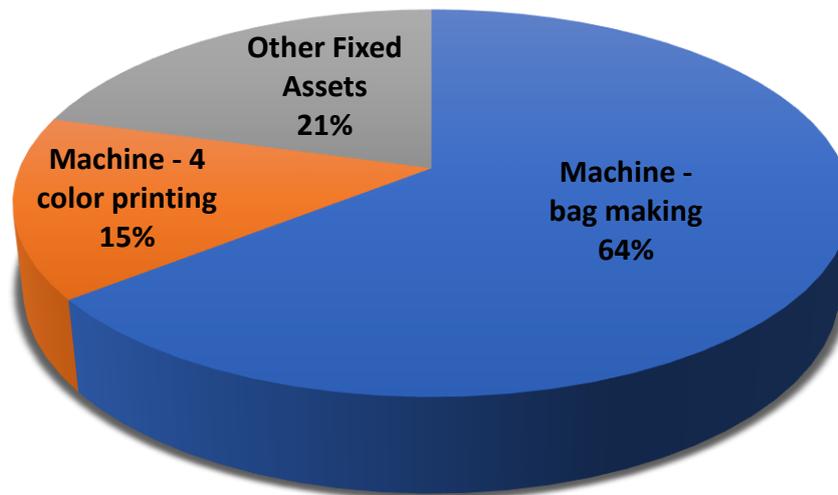
## Target group for Cloth bag

- ❖ Supermarkets
- ❖ Wholesalers
- ❖ Shopping Malls
- ❖ Sweet shops
- ❖ General stores

## CAPITAL ALLOCATION

### Fixed Assets

We require total fixed assets of Rs 53,75,000/- to set up cloth bag manufacturing unit which are diversified as follows:



PARTICULARS	AMOUNT
2 Bag Making Machine	Rs. 34,00,000/-
Printing Machine	Rs. 8,00,000/-
Other Fixed Assets	Rs. 11,00,000/-

Actual cost of bag making machines are Rs. 30,72,000/- (i.e. Rs. 15,36,000/- each) and machine will be transported from SMALL AND MEDIUM BUSINESS INDUSTRY, KOLKATA, its installation cost and transportation cost are of Rs. 3,28,000/- (i.e. Rs. 1,64,000/- each).

Actual cost of printing machine is Rs. 7,45,600/- and this machine will also be transported from SMALL AND MEDIUM BUSINESS INDUSTRY, KOLKATTA, its installation cost and transportation cost are of Rs. 54,400/-

To purchase these assets we are raising both long term debt and equity of Rs. 60,00,000/- and Rs. 20,00,000/- respectively (i.e. debt of 75% and equity of 25%).

## Other Fixed Assets

PARTICULARS	PRICE	QUANTITY	AMOUNT
Vehicle	Rs. 5,00,000/-	1	Rs. 5,00,000/-
Furniture and Fixtures	Rs. 1,00,000/-	1	Rs. 1,00,000/-
Air Conditioner	Rs. 50,000/-	3	Rs. 1,50,000/-
Computers	Rs. 50,000/-	3	Rs. 1,50,000/-
CCTV surveillance	Rs. 1,00,000/-	1	Rs. 1,00,000/-
Water Dispenser	Rs. 10,000/-	4	Rs. 40,000/-
Fire Safety Equipment	-	-	Rs. 60,000/-
<b>TOTAL</b>			<b>Rs. 11,00,000/-</b>

## Working Capital

We require total working capital of Rs. 2,93,78,250/- which include raw material worth Rs. 2,94,16,800/-; debtors of Rs. 18,00,000/- and creditors of Rs. 18,38,550/- in the first year. Our working capital requirement are increasing every year since we will be increasing our production every year.

We have taken one month credit period of debtors and creditors each and we are purchasing raw materials monthly in advance of the next month.

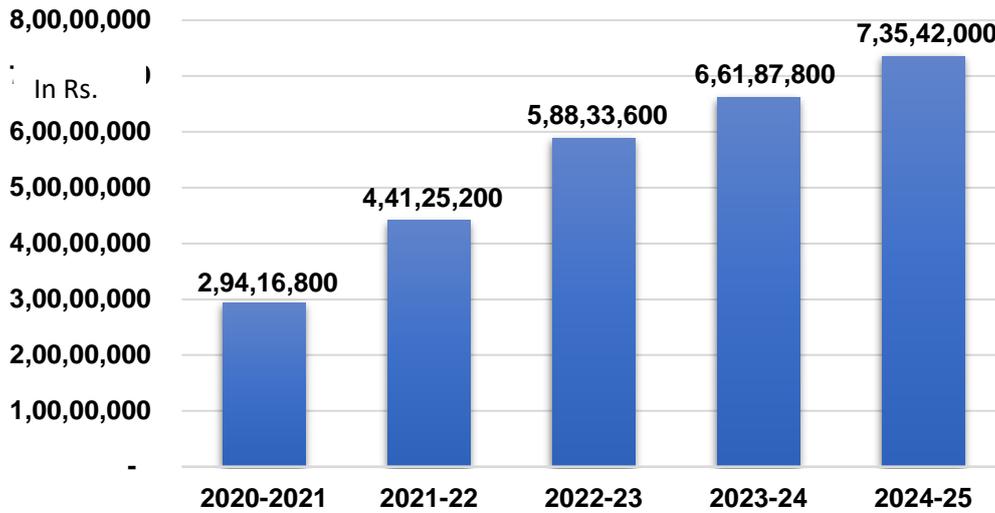
Our working capital requirement of every year are as follows:

PARTICULARS	2020-2021	2021-22	2022-23	2023-24	2024-25
Raw material	2,94,16,800	4,41,25,200	5,88,33,600	6,61,87,800	7,35,42,000
Trade receivables	18,00,000	27,00,000	36,00,000	40,50,000	45,00,000
Creditors	18,38,550	24,51,400	27,57,825	30,64,250	30,64,250
<b>TOTAL (in Rs.)</b>	<b>2,93,78,250</b>	<b>4,43,73,800</b>	<b>5,96,75,775</b>	<b>6,71,73,550</b>	<b>7,49,77,750</b>

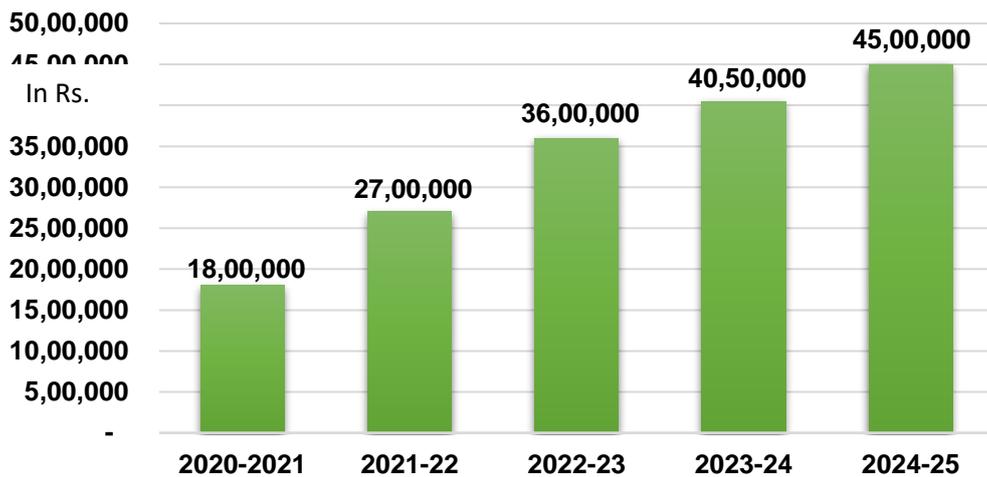
For more details, click here:

<https://drive.google.com/file/d/193QNmZaDy-IZclA5EcqajCBSnIE-Hklj/view?usp=sharing>

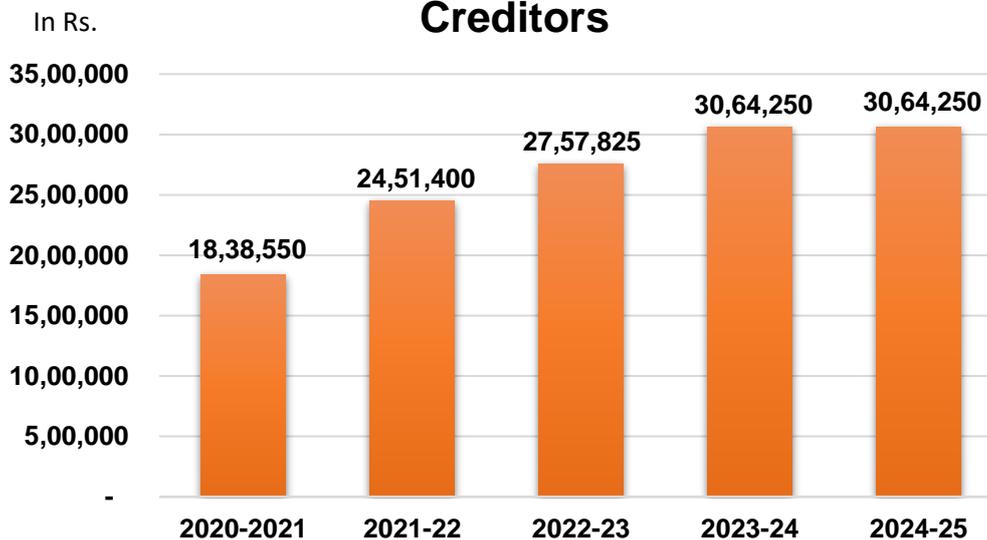
## Raw Material



## Trade Receivables



## Creditors



## LOCATION, LAND AND BUILDING

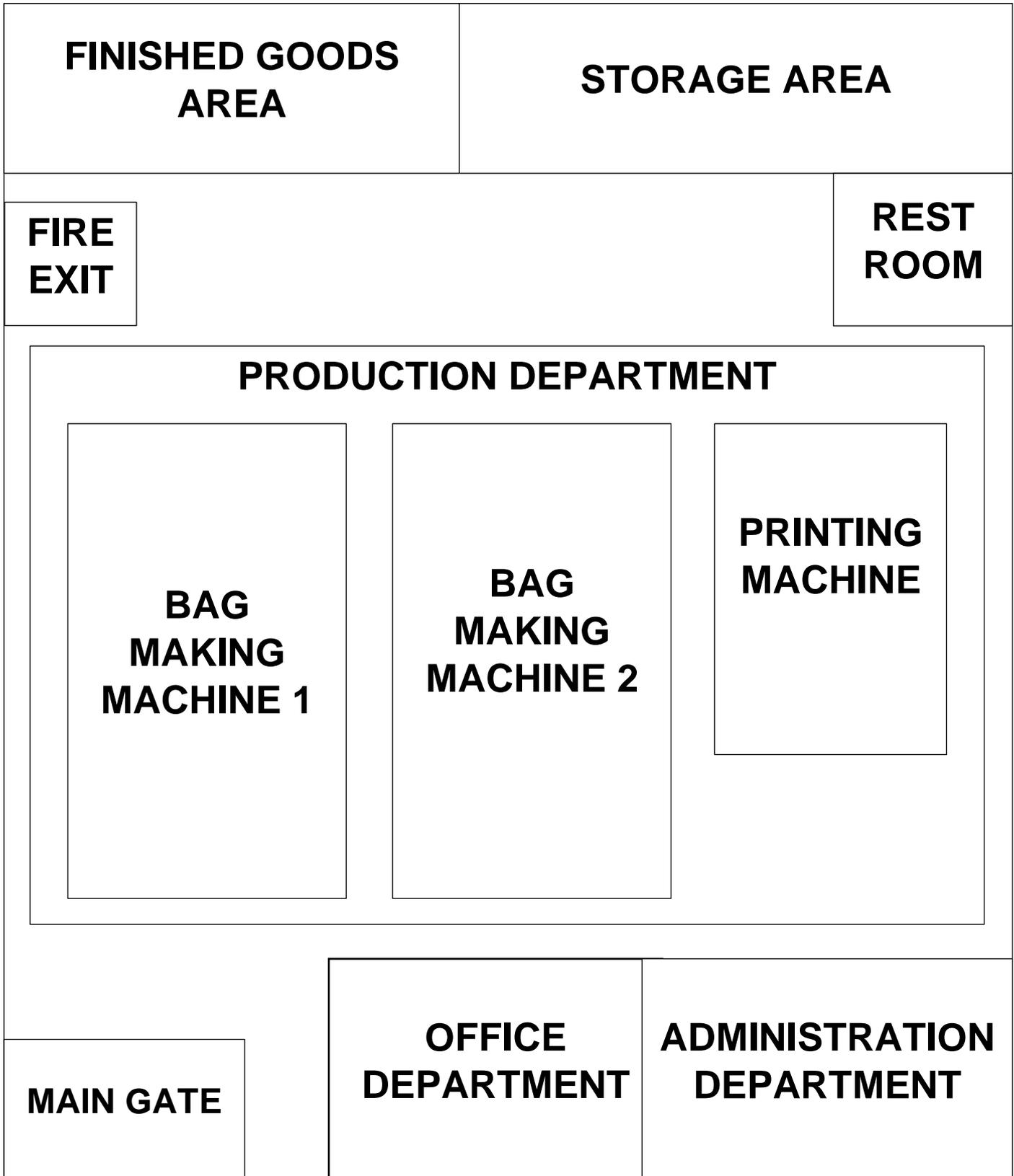


The location decided for setting up the factory is Bawana Industrial Area. It's located in Bawana, Delhi-110085. It is governed by the DSIIDC (Delhi State Industrial and Infrastructure Development Corporation) which reports directly to the Delhi Government and is responsible for major development projects in the city.

Total area of the building is 4,500 square feet. The building would be rented and the amount is Rs. 18,00,000 per annum (i.e., monthly rent would be Rs. 1,50,000). The building has a hall type structure. The connection to be used for the building would be a 3-phase connection with a power usage of 50KW. We chose this place as our operation unit because of the abundance of labour (both skilled and unskilled). Another reason for why we chose this area is because Bawana has got the smaller factory setups which makes a preferable option for us to setup an operational unit for the production of cloth bags.

## PRODUCTION LAYOUT

4,500 SQAURE FOOT



## PLANT AND MACHINERY

### Technology/Manufacturing Machine:

**Model:** ZXL-B800

**Description:** Multifunctional Non-woven Flat Bag Making Machine (double line 153\*5 horn)

**Quantity:** 2 SET

**FOB Unit Price:** Rs.15,36,000/- (1 set)

This machine adopts mechanical, electrical, optical and pneumatic integration technology. It is suitable for non-woven fabric, and we can make different types of non-woven bags by this machine.



### Main technical parameters:

MODEL	ZXL-B800
Unwinding width	500 – 1600 mm
Bag width	100 – 800 mm
Bag height	200 – 600 mm
Material basis weight (thickness)	30 – 120 g/m
Production speed	40 – 240 pcs/min
Power supply	380/220v
Total power	18kw
Overall dimension	7600*2100*2500 mm
Weight of machine	2500 kg

## Printing Machine:

**Model:** DS4-850

**Description:** Four Colour Manual Bag to Bag Flexo Printing Machine

**Quantity:** 1 SET

**FOB unit Price:** Rs.7,45,600/-

It is equipped with meter counter for pre-alarming bell. It has imported good quality PVC transmission belt and automatically positioning. In this we can freely replace oil leaking device. Ink transfer roller and plate can be separated. It will automatically trace and separate the printing roller. Transferring oil-ink by net roller, enhancing polished light for printing, saving ink. It will delay the rear transmission for the drying function.



## Main technical parameters:

MODEL	DS4-850
Multicolour printing	4 colour
Bag feeding	Manual
Power	1.5 kw
Plate thickness	4 – 5 mm
Printing speed	25 – 58 pcs/min
Maximum printing area	1200*640 mm
Maximum material feeding	1200*800 mm

## Manufacturing Process

For our business we are not using the traditional method of manufacturing bags. We are using an automatic manufacturing machines which help us to manufacture it without any hassle.

We only need to put our raw material into the machine and rest of the work will be done by the machine itself. It will automatically cut the fabric into the respective bag sizes and will compress it. Once the cutting and pasting of the bag is done by the machine, the machine will give our final bag which will be on sale in the market.

The main focus would be on the manufacturing of bags without any printing but in case, if the need for printed bags arises in the market then there is a separate machinery installed for the printing purpose only which will cost extra to the customer (i.e. 50 paise)

In our business we will manufacture 3 different size of bags:

Particulars	Small bag	Medium bag	Large bag
Size (width*length)	11*15 "	16*19 "	17*22 "
Selling price (Rs.)	5	6	7
Capacity (up to)	2 kg	5 kg	7 kg
Weight of bag (in gm)	21	36	46

## Production Capacity

Our machine's total production capacity is 1,80,00,000 units (i.e. 90,00,000 units per machine). We will be producing 72,00,000 units (i.e. 24000 units per day) by both the machines in first year which is 40% of the total production capacity and we will be increasing our production capacity every year by some amount of percentage.

Every year our production capacity will increase as follows:

YEAR	UNITS PER DAY	UNITS PER YEAR
2020-21	24,000	72,00,000
2021-22	36,000	1,08,00,000
2022-23	48,000	1,44,00,000
2023-24	54,000	1,62,00,000
2024-25	60,000	1,80,00,000

## TOTAL YEARLY EXPENSES

### Variable Expenses

PARTICULARS	AMOUNT
Packaging roll	Rs. 90,000/-
Transportation Cost	Rs. 1,20,000/-
Utilities	Rs. 3,50,000/-
Repair and maintenance	Rs. 1,00,000/-
Water Cans	Rs. 60,000/-
Miscellaneous expenses	Rs. 1,00,000/-
<b>TOTAL</b>	<b>Rs. 8,20,000/-</b>

### Fixed Expenses

PARTICULARS	AMOUNT
Rent	Rs. 18,00,000/-
License fees	Rs. 1,00,000/-
Advertising expense	Rs. 1,20,000/-
CA fees	Rs. 1,20,000/-
Auditor fees	Rs. 1,00,000/-
Insurance	Rs. 1,50,000/-
<b>TOTAL</b>	<b>Rs. 23,90,000/-</b>

### Manpower Requirement

PARTICULARS	NUMBER OF EMPLOYEES	AMOUNT
Skilled	4	Rs. 11,68,000/-
Unskilled	4	Rs. 8,76,000/-
Guard	1	Rs. 1,46,000/-
Peon	1	Rs. 1,82,500/-
Accountant	1	Rs. 3,65,000/-
Sales Person (Digital marketing)	2	Rs. 7,30,000/-
<b>TOTAL</b>		<b>Rs. 34,67,500/-</b>

## FINANCIAL SUMMARY

### Breakeven Analysis

YEAR	CONTRIBUTION (per unit)			FIXED EXPENSES	OPERATING BREAKEVEN	NUMBER OF DAYS
	Small (11*15")	Medium (15*19")	Large (17*22")			
2020-2021	0.52	1.52	2.52	38,13,500	1,14,12,500.13	476
2021-2022	0.65	1.65	2.65	38,13,500	96,26,547.31	267
2022-2023	0.72	1.72	2.72	38,13,500	89,57,666.36	187
2023-2024	0.74	1.74	2.74	38,13,500	87,58,347.45	162
2024-2025	0.76	1.76	2.76	38,13,500	86,06,265.38	143

### Return on Investment

YEAR	ROI
2020-2021	83%
2021-2022	177%
2022-2023	272%
2023-2024	321%
2024-2025	369%

### Return on Capital employed

YEAR	ROCE
2020-2021	84%
2021-2022	170%
2022-2023	256%
2023-2024	299%
2024-2025	343%

### Return on Equity

YEAR	ROE
2020-2021	230%
2021-2022	492%
2022-2023	755%
2023-2024	890%
2024-2025	1025%

For more details, click here:

<https://drive.google.com/file/d/193QNmZaDy-IZclA5EcqajCBSnIE-HKlj/view?usp=sharing>

## REGISTRATION AND LICENSES

- **Registration of Firm:** We have to register the firm as a company for which the registration has to be done at ROC. For that, important documents have to be obtained such as MOA, AOA, rent agreement, proofs etc. and to be submitted to ROC to register itself as a company.
- **GST Registration:** Apply for the GST registration for GST number which is mandatory for all business
- **License:** The following are some of the permissions and licenses required for manufacturing of cloth bag business in India.
  1. **Trade License:-** any business opening in society required trade license from your local municipal corporation
  2. **Manufacturing License:-** Manufacturing license is to be obtained from a licensing officer to start a manufacturing activity.
  3. **Registered Trademark:-** A trademark, that is a distinctive symbol (or sign) for the product confirming its originality must be registered.
  4. **Pollution Free License:** This license is important as it ensures that the unit emits pollution or not. It is applied at DPCC (Delhi Pollution Control Committee).
- **MSME/SSI Registration:** You have to complete Udyog Aadhar online which allow you to get the government facility.
- **Rent Agreement:** A rent agreement is a legal document, which lays out the pre-discussed terms and conditions under which the rented property is leased out.
- **BIS (Bureau of Indian Standards):** Certification which is compulsory

After completion of the all documentation you are ready to start manufacturing process for **cloth bag business**.

## **RISK IMPACT AND MITIGATION PLAN**

There are many different kinds of risks available for this business. These potential hazards can destroy a business and others can cause serious damage that can be expensive and time-consuming to repair.

### **Identifying Risks**

When and where a risk becomes a reality, a well-prepared company will reduce the effects on revenue, lost time, productivity and the negative consumer effect. The ability to recognize the threats to effective business is key component of strategic business planning for start-up companies and existing organizations. Business threats are defined using various approaches, but each approach is focused on thorough review of the actual business practices that may be problematic for the organization.

In most business models, organizations face preventable, strategic, and external threats that can be managed through acceptance, transfer, reduction, or elimination.

### **Physical Risks**

Building risks are the most common type of physical risk. Fire or explosions are the most common risk to a building. To manage building risk, and the risk to employees, it is important that organizations do the following:

- Employees should know the exact street address of the building to give to the respective emergency authority in case of emergency.
- Every business place should have 2-3 emergency exits
- Install fire extinguisher and smoke detectors.
- Install a sprinkler system to provide additional protection to the physical plant, equipment, documents and personnel.
- Inform all employees that in the event of emergency their personal safety takes priority over everything else. Employees should be instructed to leave the building and abandon all work-associated documents, equipment, and/or products.

## Location Risks

The environmental dangers faced by a business include surrounding fires, earthquakes and other natural catastrophes. Employees on both sides of the place of business should be acquainted with the streets leading in and out of the area. Individuals should keep enough fuel inside their vehicles to drive out of the area.

## Human Risks

Drug abuse and alcohol pose a significant danger for workers. Alcohol or drug abuse employees should be urged if necessary to seek treatment, counselling and rehabilitation. Insurance policies can cover the costs of treatment partially.

It may be hard to protect against misappropriation, theft and fraud, but these are common crimes at work. A double-signature checking, invoicing and checking systems can help to avoid misuse and fraud. Strict accounting methods could detect imbalances or fraud. An in-depth background check before hiring personnel can reveal past offenses.

Disease or injury is inevitable and a lasting problem amongst the workforce. In order to prevent loss of productivity, replacement staff are allocated and qualified to work for essential workers, while they are absent from work due to a health issue.

## Technology Risks

A power outage is perhaps the most common technology risk. Auxiliary gas-driven power generators are a reliable back-up system to provide electrical energy for lighting and other functions. Manufacturing plants use several large auxiliary generators to keep a factory operational until utility power is restored.

Computers may be kept up and running with high-performance back-up batteries. Power surges may occur during a lightning storm (or randomly), so organizations should furnish critical business systems with surge-protection devices to avoid loss of documents and destruction of equipment. Establish offline and online data back-up systems to protect critical documents.

Although telephone and communications failure are relatively uncommon, risk managers may consider providing emergency-use-only company cell phones to personnel whose use of the phone or internet is critical to their business.

## Strategic Risks

Strategy risks are not altogether undesirable. When structured efficiently, the acceptance of strategy risks can create highly profitable operations.

Companies exposed to substantial strategy risk can mitigate the potential for negative consequences by creating and maintaining infrastructures that support high-risk projects. A system established to control the financial hardship that occurs when a risky venture fails often includes diversification of current projects, healthy cash flow, or the ability to finance new projects in an affordable way, and a comprehensive process to review and analyse potential ventures based on future return on investment.

## Insuring Against Risks

Insurance is a principle safeguard in managing risk, and many risks are insurable. Fire insurance is a necessity for business that occupies a physical space, whether owned outright or rented, and should be a top priority. Product liability insurance, as an obvious example, is not necessary for a service business.

Some risks are an inarguably high priority, for example, the risk of fraud or embezzlement where employees handle money or perform accounting duties in accounts payable and receivable. Specialized insurance companies will underwrite a cash bond to provide financial coverage in the event of embezzlement, theft, or fraud.

When insuring against potential risks, never assume a best-case scenario. Even if employees have worked for years with no problems and their service has been exemplary, insurance against employee error may be a necessity. The extent of insurance coverage against injury will depend on the nature of your business. A heavy manufacturing plant will, of course, require more extensive coverage for employees. Product liability insurance is also a necessity in this context.

If a business relies heavily on computerized data—customer lists and accounting data, for example—exterior backup and insurance coverage are mandatory. Finally, hiring a risk management consultant may be a prudent step in the prevention and management of risks.

## Risk Prevention

The best risk insurance is prevention. Preventing the many risks from occurring in your business is best achieved through employee training, background checks, safety checks, equipment maintenance, and maintenance of the physical premises. A single, accountable staff member with managerial authority should be appointed to handle risk management responsibilities. A risk management committee may also be formed with members assigned specific tasks with a requirement to report to the risk manager.

The risk manager, in conjunction with a committee, should formulate plans for emergency situations such as:

- Fire
- Explosion
- Hazardous materials accidents or the occurrence of other emergencies

Employees must know what to do and where to exit the building or office space in an emergency. A plan for the safety inspection of the physical premises and equipment should be developed and implemented regularly including the training and education of personnel when necessary. A periodic, stringent review of all potential risks should be conducted. Any problems should be immediately addressed. Insurance coverage should also be periodically reviewed and upgraded or downgraded as needed.

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