

TAMIL NADU RURAL TRANSFORMATION PROJECT

Business Plan for Tailoring unit

1. Village Panchayat:	AA Village
2. Block:	BB Block
3. District:	DD District
4. Applicant:	Mrs. AAA
5. Activity:	Tailoring unit (including manufacture and sale of garments)
6. Classification:	MSME
7. Sector classification (TNRTP)	Nano
8. Purpose of Note:	To recommend for sanction of the following limits: Term Loan/Working Capital Demand Loan/Composite Loan
9. Nature of Facility	Term loan – Composite loan
10. Purpose	For new tailoring unit.
11. Limit required	Rs.2.70 Lakhs
12. Margin	10% of the project cost of Rs.3 lakhs i.e Rs. 0.30 Lakhs

I.Introduction: (Details of Promoter name, age, qualification and experience, activity to be financed, existing or new unit, any existing facilities with Banks etc. The present request for loan and purpose.)

Mrs.AAA aged 35 years is from AA village panchayat, BB Block, DD District. The applicant propose to set up a new Tailoring unit.

The borrower has been associated with this activity for more than 8 years and has adequate experience in the line of activity. The unit will be involved in manufacturing of garments as well as offering tailoring services to customers who give materials for stitching. The applicant presently is not enjoying any facility with any Bank. The present request is for term loan – composite loan of Rs.2.70 Lakhs under TNRTP Matching Grant Programme for new tailoring unit as well as for working capital for smooth conduct of day to day operations.

About the Activity:

A good number of customers still prefer to wear tailor-made garments as per their choice. It is cost effective in comparison to readymade garments in a rural and semi-urban area. Tailoring shop can do work for home furnishings also. It may also take a small order from readymade garments manufacturing units on job work basis. There is scope to undertake job work for interior decoration also.

Market (About Industry in general and demand)

An increasing number of women now prefer to work and therefore need formal clothing. Ladies suit, offers a good look and physical comfort more suitable to perform their office duties. The tailoring shop who delivers the dress on time at a very affordable price has the advantage of getting more business.

II. Category of Loan: Nano (Up to Rs. 5 Lakhs)

1. Profile of the Entrepreneur

Name	Ms. AAA
Spouse Name	
Age	35 Years
Education	12th
Aadhaar Card No	86XXXX111111
Address	
Phone No	-
Mobile No	9111111111
Email ID	-
Number of years of experience in business	8 years' experience in tailoring.
Trainings attended (no. and hours)	One month training Program at Tailoring Institution (20 hours)
Spouse's occupation	Tailor
If Special category	SC / ST / Differently abled / Widow / Separated woman - NO

2. Enterprise Profile

Name of the Enterprise	BBB Tailoring
Legal form of Enterprise	Sole Proprietorship
Registration No	2222222222
Registration Date	01-02-2021
Registered with whom	MSME
GST No (if available)	Applied for. Under process.
Udhayam Registration	To be completed.

3. Bank Linkage Details

Whether the enterprise has separate bank account	No
If any bank credit availed	No
Name of the bank and branch details	Individual having account in ABC Bank, DD District.
Nature of the bank facility	Not applicable
Limit sanctioned	Nil
Balance outstanding as on date	Rs.0.30 lakhs in individual account

4. Enterprise Nature

Type of enterprise	Manufacturing/service
Product to be produced:	Garments
Present Demand	<p>The unit is located in a central place in the village, well connected to the road and easy approach to the customers.</p> <p>The applicant has been in the tailoring activity for more than eight years and has developed reputation for the quality garments and quality stitching in the village as well as nearby villages. Further regular orders for school uniform are expected from the nearby schools in the area. Demand is not a constraint for garments proposed to be manufactured in the unit.</p>
Current Supply - Current issues in the supply and how the entrepreneur will address this in her / his venture? What is the USP to overcome the competition?	<p>The major raw material is the cloth required for stitching Churidhars and school uniform. Cloth will be procured in bulk from Erode, once in two or three months. The production is planned for 300 days. In the first year the capacity utilization is assumed at 70%.</p> <p>Further though similar units are present in the district, since there is considerable demand for the product</p>

	from other villages nearby, no issues are envisaged in the supply side. The usage of good quality cloth at cheaper rates coupled with high quality stitching is the USP.
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III. TECHNICAL FEASIBILITY:

Location / Infrastructure:	
1. Location Brief on Location – Whether well connected to market by road etc.,	The unit is located in a central place in the village, well connected to markets through the Main Highway Main road and is easily approachable to the consumers as well as suppliers of raw materials.
2. Land Extent of Land, sq.ft. Panchayat approval, own/leased	The business is proposed to be run in leased out premises. Panchayat approval for the proposed activity is to be obtained.
3. Building Approved plan from local body, sq,ft, whether sufficient for the proposed activity	The applicant has entered into a lease agreement for space of around 500 sq.ft for a monthly rent of Rs.1500/-. The lease advance of Rs.50000/- has been paid by the applicant out of his own source. Lease advance has not been included in the project cost. This space is to be utilized for housing the machines proposed to be purchased. Approval/License from Village Panchayat is to be obtained.
4. Power Whether required power connection is available	The required power for running the unit will be around 200 units per month at Rs.5/- per unit. Single phase connection is sufficient and the same is to be obtained.
5. Water Whether adequate water is available.	Water is not required for this activity. Water is required only for consumption purpose which is available from the bore well.
6. Approval Pollution control Board/GST/FSSAI approvals or any other approval is required. Present Status	<p>The applicant has applied for GST Registration. Registration under Shops and Establishment Act is to be done.</p> <p>The applicant is yet to register under UDYAM. He has applied for and the same is under process.</p>

<p>7. Materials Needed Quantity / Cost / Availability / Delivery Time to be discussed.</p> <p>a. Raw materials : b. Equipment : c. Technology :</p>	<p><u>Raw-materials</u> The major raw material is cloth for stitching garments and school uniform. Cloth is to be procured in bulk once in two or three months from Erode. It is estimated that around Rs.2 lakhs worth of materials would be purchased once in three months from Erode for smooth conduct of day to day operations.</p> <p>Equipment: The promoter requires 5 Hydraulic sewing machines for stitching as well as smooth quality finishing. Further one over lock machine and a cutting table is required. The required machineries are detailed in Annexure A. The machineries are to be procured indigenously from DD district itself.(Quotations are enclosed)</p> <p>Technology: The applicant has necessary experience in the line of activity. No specific technology is required in the production process. In case of any technical issues the required technological support will be provided by the supplier itself.</p>						
<p>8. Cost of capital assets: Details of equipment/machinery with cost of individual item required along with quotations.</p>	<p style="text-align: right;">(Rs in lakhs)</p> <table border="0"> <tr> <td>1.Machineries & other Fixed Assets (As per Annexure A)</td> <td style="text-align: right;">1.40</td> </tr> <tr> <td>2. Working capital (As per annexure B)</td> <td style="text-align: right;">1.60</td> </tr> <tr> <td>Total Project cost</td> <td style="text-align: right;">3.00</td> </tr> </table>	1.Machineries & other Fixed Assets (As per Annexure A)	1.40	2. Working capital (As per annexure B)	1.60	Total Project cost	3.00
1.Machineries & other Fixed Assets (As per Annexure A)	1.40						
2. Working capital (As per annexure B)	1.60						
Total Project cost	3.00						
<p>9. Cost of working capital for one operating cycle a. raw-materials, b. Semi-finished goods,</p>	<p>The working capital requirement is arrived at Rs.1.60 lakhs as per Annexure B.</p>						

<p>c. finished goods, d. receivables outstanding Total working capital needs</p> <p>(The value of raw-materials, semi-finished goods, finished goods, receivables outstanding to be arrived)</p>	
<p>OR</p>	
<p>25% of projected annual sales turnover if necessary. (The projected annual sales should be reasonable and acceptable)</p>	<p>The assessment has been done as per holding levels detailed in annexure B.</p>
<p>10.Skills Requirements: skilled labour available / Not available</p> <p>If not available: whether people can be trained? If so, training period and training facility?</p>	<p>The promoter is experienced in the line of activity for over eight years and has the required skills to run the unit. The unit requires 5 skilled persons for stitching. The applicant will be supervising the activities. Wages will be paid on per piece rate basis, depending on the productivity. Details are available in the Annexure C ie Assumptions.</p>
<p>11.Production Process:</p>	
<p>a. Production Plan/cycle (operating cycle may be one-day / week / month or one year as per the activity selected):</p>	<p>The process is detailed below: The applicant who has the necessary experience in design will be doing the marking in the cloths based on the required design. Then the cloth will be cut according to the design and stitched by the skilled tailors who are engaged for this job.</p> <p>The operating cycle is assumed at 70 days for the unit as detailed in Annexure B. The raw material cloth is purchased on cash and carry basis. Similarly, the finished goods are sold on cash basis only.</p>

IV. COMMERCIAL FEASIBILITY:

<p>Marketing strategy :</p> <p>a. Direct to customers :</p> <p>b. Bulk to Institutions :</p> <p>c. Through Retailers / Wholesalers:</p> <p>d. Through Online:</p>	<p>The unit will be engaged in manufacturing ladies garments such as Churidhar sets, Blouse etc and children garments including school uniform. Further the unit will also be extending tailoring service for the customers who give clothes for stitching.</p> <p>The applicant has been in the tailoring activity for more than eight years and has developed reputation for the quality garments and quality stitching, in the village as well as nearby villages. Further regular orders for school uniform are expected from the nearby schools in the area. The focus will be on direct sales to customers as there will be good demand for garments manufactured in view of the quality materials and stitching.</p>
<p>e. Pricing & Discounts :</p>	<p>Bulk supply will be encouraged with a discount in price.</p>
<p>f. Market promotion strategies:</p>	<ul style="list-style-type: none"> • To target direct sales to customers in the local area and nearby districts. • Further to explore the possibility of selling under a "brand name" after obtaining 'Quality Certificate' from NSIC. • Different fast moving designs will be used to cater to preferences of different types of customers. • Focus will be on bulk sales of uniform through schools to students .

g. Physical and digital connectivity:	While the payments are also accepted by way of cash, digital payments will be encouraged with appropriate equipment installed and cost will be borne by the applicant.
h. Risks and risk mitigation planned:	Market risk – The unit is one of a few units working in the village and nearby areas. Further high quality in stitching will be maintained.

V. ENVIRONMENT ASSESSMENT

To be entered as per the required category of the enterprise proposed: Not required.				
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)	•Electricity	NA	NA	NA
Waste generation and disposal	•Dust/air pollutants	To ensure adequate measures for Proper disposal of waste.	NA	NA
Worker and Community safety	•Safety measures / gadgets	Safety masks, gloves, to be provided.	NA	NA

Whether the activity proposed is in the negative list: No

VI. FINANCIAL VIABILITY

1. Cost of the project and Means of the project:

a. Cost of the Project:	(Rs in lakhs)
i. Fixed capital Cost of all the equipment's /machinery/construction(excluding land cost)	Machineries – 1.40
ii. Working capital	Working capital 1.60
iii. Pre-operative expenses*	Nil
Total cost of the project (i + ii + iii)	3.00
*Pre-operative expenses such as EB Deposit, Rental advance, Interest during holiday period etc., to be met by the borrower from his own source.	
b. Means of the project:	
i. Loan from financial Institution / Bank (95% or 90%):	2.70
ii. Margin money -Borrower's contribution (5% or 10%):	0.30
Total means of the project (i + ii)	3.00
c. Matching grant from the project**	0.90
Whether the entrepreneur has the sufficient means to bring in the margin money and has enough buffer to manage any cost escalations	Yes. The applicant has deposit to the extent of Rs.30000/- in the Bank.

**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 in Lakhs)
Loan initially disbursed by the Bank	- 2.70
Less 30% matching grant	- 0.90
Balance principal amount to be repaid by Borrower	- 1.80

Upon completion of minimum period of 18 months and upon repayment of principal amount of Rs.1.80 lakhs and the interest portion, the matching

grant of Rs.0.90 lakhs can be adjusted to the loan account of the borrower and the loan account can be closed.

2. Repayment capacity: Based on net disposable income method.

Particulars	Value in Rs.
Cash surplus from enterprise for 1 month (as per Profitability projection annexure D i.e. Rs.134000/12 months)	11,166/-
Other income from house hold members (To be obtained from the applicant)	25,000/-
Total income	36,166/-
Total House hold expenses- To be obtained from the applicant)	18,000/-
Net disposable income	18,166/-
50% of net disposable income*	9,083/-
Repayment commitment Loan repayment period is 36 months for Rs.2.70 lakhs. Principal repayment P.M. – Rs.8,200/-	8,200/-

***50% of net disposable income covers the loan instalment. The repayment capacity is comfortable.**

Alternatively, Banks may assess the repayment capacity based on the Debt service coverage ratio as per details below:

Calculation of Debt service coverage ratio (DSCR). (Profitability based on Projections in Annex D and assumptions Annexure C)

- Loan amount of Rs.270000/- repayable in 36 months @ 12% after Holiday period of 3 months.
- Monthly instalment - principal amount is Rs.8,200/-
- Last instalment being Rs.7,800/-
- Though the repayment is fixed for 36 months, upon prompt repayment the loan is closed on the 25th month itself with matching grant amount of Rs.90000/- which is eligible for the project.
- 50% of net profit and depreciation is taken for DSCR Calculation in the I Year since only six months operation in I Year
- Interest calculation details available in Annexure E.

Particulars	YEAR 1(6 M)	YEAR 2	YEAR 3
Net profit after tax	0.60	1.19	1.81
Depreciation	0.07	0.14	0.14
Interest	0.11	0.13	0.02
Grant		0	0.9
Cash surplus A	0.78	1.46	2.87
Principal Repayment	0.25	0.98	1.47
Interest	0.11	0.13	0.02
Repayment obligation B	0.36	1.11	1.49
DSCR A/B	2.18	1.31	1.92
Average DSCR		1.81	

The average DSCR is 1.81 which is above the minimum DSCR of 1.5: 1 as required by MGP guidelines. The repayment capacity is comfortable.

VII. Recommendation:

As the proposal is viable and complies with the guidelines in respect of Matching Grant Programme, we may recommend to the concerned Bank.

Prepared by SGR.

ANNEXURE – A

Sl.No	Description	Qty. (No.)	Rate. Rs	Amount (Rs.)
1	Hydraulic Stitching Machines	5	25000	1,25,000
2	Over lock Machine	1	8000	8000
3	Cutting table & Accessories	1	3000	3000
4.	Show case materials	1(set)	4000	4000
Total			140000	140000

Total Machineries and Equipments required – Rs.1.40 Lakhs

Annexure - B

Working Capital Assessment

(Rs in Lakhs)

Particulars	Holding Period	Year I	Year II	Year III	Year IV
Raw material stock	60days	1.12	1.12	1.28	1.28
Finished goods	10 days	0.46	0.46	0.52	0.52
Receivables	0 days	0.00	0.00	0.00	0.00
Gross working Capital		1.58	1.58	1.80	1.80
Trade creditors		0.00	0.00	0.00	0.00
Working capital requirement		1.58	1.58	1.80	1.80
Rounded off		1.6	1.6	1.8	1.8

The operating cycle is assumed at 70 days. The working capital requirement for the I year is Rs 1.60 Lakhs. The Debtors and Creditors are assumed as Zero since purchases and sales are on cash and carry basis.

Annexure C

BASIS & PRESUMPTIONS

1. Total Installed Capacity 15000 pieces (Ladies and children garments). 50 pieces per day for 25 days in a month and 300 days in a year.
2. The unit will operate in a single shift of 10 hours.
3. Capacity utilization: 1st year & 2 Year – 70%, 3rd & 4th year – 80%, 5th year onwards 90%.
4. The selling price is assumed at 150% of the raw material cost.
5. The cloth required is to be procured in Bulk from Erode at a cost of Rs.2 lakhs, every three months (at 100% capacity utilisation).
6. Income for tailoring activity: Out of the capacity utilisation estimated every year, 33.33% is assumed as tailoring charges for the material received from customers and 66.66% is assumed as income from manufacture & sale of garments. i.e. I year capacity utilisation is assumed at 10500 pieces at 70% of installed capacity. Out of this, 7000 pieces are stitched from materials purchased by the unit, 3500 pieces will be stitched from materials received from customers for which the income will be tailoring charges only.
7. Wages are estimated as below:

At 70% capacity – 10500 pieces

S.No.	Material	No. of pieces	Labour charge per piece	Amount(Rs)
1	Churidhar	6000	75	450000
2	Children & School dress	3500	75	262500
3	Blouse	1000	40	40000
	Total			752500

At 80% capacity – 12000 pieces

S.No.	Material	No. of pieces	Labour charge per piece	Amount(Rs)
1	Churidhar	7000	75	525000
2	Children & School	3500	75	262500

	dress			
3	Blouse	1500	40	60000
	Total			847500

At 90% capacity – 13500 pieces

S.No.	Material	No. of pieces	Labour charge per piece	Amount(Rs)
1	Churidhar	8000	75	600000
2	Children & School dress	4000	75	300000
3	Blouse	1500	40	60000
	Total			960000

8. Transportation cost is 2% of RM Cost.
9. Power required is estimated at 200 units per month at Rs.5/- per unit.
10. Repairs and maintenance is assumed at Rs.1000/- per month.
11. Rent at Rs.1500/- per month.
12. Miscellaneous expenses at Rs.2000/- per month.
13. Insurance at 0.5% on RM Cost.
14. Depreciation at 10% on straight line method.
15. Interest on Composite loan is assumed at 12% per annum.
16. Tax at 20% on profit.

ANNEXURE D

Profitability projection for Tailoring unit (Rs in Lakhs)

Particulars	Yr 1	Yr 2	Yr3	Yr 4	Yr 5
A. Garment Manufacturing at 100% capacity (in Pieces) 50 pieces/day 25 days * 12	15000	15000	15000	15000	15000
Capacity utilisation %	70%	70%	80%	80%	90%
Production at capacity utilisation(in pieces)	10500	10500	12000	12000	13500
A.Sale of Garments (@ 150% of material cost)	8.40	8.40	9.60	9.60	10.80
B.Income from Stitching charges	7.25	7.25	8.50	8.50	9.60
C.Total Income	15.65	15.65	18.10	18.10	20.40
D.Cost of Production					
Cloth material (once in 3 m cloth material is purchased for 2 lakhs - 100% capacity)	5.60	5.60	6.40	6.40	7.20
Labour charges(As per assumptions)	7.53	7.53	8.48	8.48	9.60
Transport cost(2% of RM Cost	0.11	0.11	0.13	0.13	0.14
Power (200 Units @ 5 Rs/unit)	0.08	0.08	0.10	0.10	0.11
Rent(1500*12)	0.18	0.18	0.18	0.18	0.18
Repair & Maintenance at Rs.1000 p.m	0.12	0.12	0.12	0.12	0.12
Other expenses including insurance @0.5% of RM Cost	0.03	0.03	0.03	0.03	0.04
Misc. Expenses(Rs.2000/- p.m)	0.24	0.24	0.24	0.24	0.24
Cost of Production(D)	13.89	13.89	15.68	15.68	17.63
Gross Profit(C-D)	1.76	1.76	2.42	2.42	2.77
Depreciation 10% on Rs.1.40 lakhs	0.14	0.14	0.14	0.14	0.14
Interest	0.11	0.13	0.02	0	0
Cost of Sales	14.14	14.16	15.84	15.82	17.77
Net Profit	1.51	1.49	2.26	2.28	2.63
Tax@20%	0.30	0.30	0.45	0.46	0.53
Net Profit after tax	1.20	1.19	1.81	1.83	2.11
Cash Surplus	1.34	1.33	1.95	1.97	2.25

Annexure E
Interest Calculation

Loan amount Rs.2,70,000/-

Grant – Rs.90,000/-

Repayment Period – 36 Months including holiday period of 3 months

Interest rate – 12% on the Net loan amount i.e.(loan amount – Grant)

Date	Particulars	Debit	Credit	Balance	Interest *	Intere st Per annun	Principal repayme nt P.A.
01.09.21	To loan	270000		270000			
1	By repayment		0	270000	1800.00		
2			0	270000	1800.00		
3			0	270000	1800.00		
4			8200	261800	1800.00		
5			8200	253600	1718.00		
6			8200	245400	1636.00	10554	24600
7			8200	237200	1554.00		
8			8200	229000	1472.00		
9			8200	220800	1390.00		
10			8200	212600	1308.00		
11			8200	204400	1226.00		
12			8200	196200	1144.00		
13			8200	188000	1062.00		
14			8200	179800	980.00		
15			8200	171600	898.00		
16			8200	163400	816.00		
17			8200	155200	734.00		
18			8200	147000	652.00	13236	98400
19			8200	138800	570.00		
20			8200	130600	488.00		
21			8200	122400	406.00		
22			8200	114200	324.00		
23			8200	106000	242.00		
24			8200	97800	160.00		
25			7800	90000	78.00		
26	Grant @30%		90000	0		2268	147000
		270000	270000			26058	270000

*Interest calculated on reducing balance outstanding.

*Interest assumed to be serviced every month on the due date.

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