

GARMENT MANUFACTURING

Introduction

Textile Industry has been playing a pivotal role in Indian economy. Textile sector alone presently provides for nearly 28% of the total organized manufacture sector's employment in India. About 93 million people directly and indirectly are engaged in this industry. Indian Textile Industry enjoys inherent comparative advantages because it is almost self-reliant from the stage of production of raw materials to the delivery of finished products-from cotton growing, ginning, spinning, and weaving to manufacturing of clothing items.

The world is fast moving towards natural products and as a result of this trend, demand for cotton garment is increasing. The demand for hosiery garments is increasing at a fast pace because of the comfort and soft feel of the product.

The phasing out of quota system under WTO Agreements in the year 2005 is also opening new opportunities in the global trade of garment exports in the coming years. It has been forecasted, that in the coming era of post quota scenario specialized and small or medium size garments stitching units will be able to perform better. The reason for this is a lower cost structure and more developed and concentrated skills to produce the products tailored to the specific consumer needs.

Basic nature of hill people is towards trendy dresses. Conducive weather encourages people, particularly young generation to wear ready-made T-shirts and tops to look more fashionable. International demand of out sourcing and internal demand provides a scope for at least two garment manufacturing unit in Sikkim.

The proposed units will have its market in hills of Sikkim, Darjeeling and in the plains of Siliguri.

Proposed Facility

The proposed apparel unit will be engaged in the business of manufacturing and trading of garments, both for contract working and own brand manufacturing. It will procure orders from various agents of the large multinationals for producing renowned branded apparels.

The unit would be equipped with most modern manufacturing facilities with state-of-the-art machines, for every activity, from stitching to finishing.

Cutting Section

Cutting section has to be supervised by experienced cutting masters and shapers, who know the skill of cutting. Portable and fixed cutting machines are used in cutting of fabric.

Stitching Section

Stitching unit is to be supervised by most experienced Production Manager with his well qualified and experienced lineman who strives to fulfill top class stitching parameters required by customers with various machines like flat lock and over lock machines, lock stitch machine, button hole and button stitch machine etc.

Finishing and Packing

At garment finishing it is to be ensured that each and every item has gone through rigorous inspection and is 100% defect free before packing. Latest garment pressing equipment is used including Vacuum Press tables, Thread sucking machine, stain removing machine, Electric Steam Generator for ironing, heater less steam Irons etc.

A separate quality control department has to be there with highly skilled and motivated staff. Quality control policy should cover manufacturing process along-with safe handling and delivery of products, well-defined procedures for storing and packing of finished products.

Sampling

A separate sampling section is a must where innovative and highly skilled designers will prepare sample garments, according to the need of the exporters.

Major Customers for Contract Working

Reebok, Swan, WWF, Green Peace, Oiz Concept, Ann Taylor, Avenues, Blair Corporation, Dillards, Federated Stores, J.C. Penney, K-Mart, Lane Bryant, Liz Claiborne, May Department Stores, Mervyns, Polo Sport, Sag Harbourm Sears, Target, Tommy Hilfiger and Walmart.

The Proposed Unit Can Also Sell Their Products In The Domestic Markets Through Trading Channels. Some Of The Reputed Buyers Are The Rajlaxmi Cotton Mills Pvt. Ltd., Bonjair Commerce Private Limited, Shiva Exports, K.P Garments, Neeraj Apparels, J. P. Agencies, Ved Prakash Textiles, Siba Industries, R.N. Traders, Agarwal Trading Company, Fair Apparels, Myco Garments, Wonders, Suvam, Joshi Enterprise Etc.

Other than the export agents the unit may procure orders from various domestic companies like:

- Myco Garments for Shirts
- Fair Apparels for Kids Wear
- K.P. Garments for Kids Wear
- Green License India for Round Neck T-Shirts
- Ved Prakash Textiles for Ladies Tops

Marketing Plan

- Promotion including image building
- Referrals and tying up with various export agencies and buying houses
- Offer special discounts

Proposed capacity

The unit will operate on one-shift basis with an installed capacity of finished product about 36000 pieces of garments per annum.

The production and product-mix at different capacity utilization per annum will be as follows:

Product	% of product mix	Installed capacity (Pcs) @ 100%	1st year Production in Pcs @ 70%	2nd year & onward Production in Pcs @ 80%
From cotton fabric (40%)				
Polo	0.30	4320	3024	3456
Round Neck	0.25	3600	2520	2880
Ladies Wear	0.30	4320	3024	3456
Kids Wear	0.15	2160	1512	1728
From Polynos fabric (60%)				
Polo	0.30	6480	4536	5184
Round Neck	0.25	5400	3780	4320

Ladies Wear	0.30	6480	4536	5184
Kids Wear	0.15	3240	2268	2592
Total		36000	25200	28800

Raw material

The raw material and other material requirement for manufacturing garment product for the projected product mix and quantity will be as follows:

Sl. No.	Item	RM Quantity (Kg) 1st year @70%	Annual value of RM (Rs in Lakh)	RM Quantity (Kg) 2nd year onward @ 80%	Annual value of RM (Rs in Lakh)
1	Cotton knitwear fabric	2479	9.55	2834	10.91
2	Polynos knitwear fabric	4306	11.19	4921	12.79
3	Stitching thread	-	0.50	-	0.58
4	Other stitching accessories	-	3.78	-	4.32
5	Packaging material	-	1.51	-	1.73
6	Fuel for DG set (KL)/year	1.39 (KL)	0.28	1.58 (KL)	0.32
	Total	-	26.81	-	30.64

Plant equipment

The main plant equipment will be:

Description of Machines	Make	Nos.
Lair Cutting Machine	KM , Japan	1
Lock Stitch	Gemsy (China)/ Juki (Japan)/ Merritt (India)	10
Over Lock	Yamato, Japan Siruba, Taiwan Juki, Japan	4
Flat Lock	Siruba, Taiwan	1
Rib Cutting Machine	Revo, India	1
Elastic Gathering Machine	Siruba, Taiwan	1
Button Holing Machine	Brother/Juki (Japan)	1
Button Stitching Machine	Juki (Japan)	1
Steam Press	Ramsons Veit (India)	4
Boiler	Ramsons Veit (India)	1
Vacuum Table	Ramsons Veit (India)	4
Thread Sucking Machine	Ramsons Veit (India)	1
Stain Removing Machine	Ramsons Veit (India)	1
Auxiliary Items (Petrol Gun, Tag Gun, Labelling Machine, Strapping Machine Etc.)		10

Land requirement : 500 sq m

Building and civil work

About 300 sq. m covered well-ventilated space for garment manufacturing and 75 sq m room for raw material, finished product and office.

Power requirement

Total connected load of about 21 kW will be required. Due to present short supply of power a DG set back up of 15 KW is also envisaged.

Water requirement

About 0.4 -0.6 KL of water will be required every working day.

Employment

23 persons of different category as per following table:

Sl. No.	Type	On roll	Salary/wages Per month	Total rupees per month	Annual cost Rs. in Lakh
1	Managerial (Senior)	1	10,000.00	10,000.00	1.20
2	Cutting Master	1	7,000.00	7,000.00	0.84
4	Technical supervisor	1	4,500.00	4,500.00	0.54
5	Non-Technical Supv.	4	3,500.00	14,000.00	1.68
6	Clerical staff	2	3,000.00	6,000.00	0.72
7	Skilled worker	2	3,000.00	6,000.00	0.72
8	Semiskilled worker	10	2,000.00	20,000.00	2.40
9	Unskilled worker	2	1,500.00	3,000.00	0.36
	Total	23		70,500.00	8.46

Estimated Project Cost (with out cost of procuring land)

(Rs. In Lakhs)

Description of Investment	Total Cost
Preliminary expenses	0.50
Land and Land Development	1.35
Civil Structural	9.55
Main Plant and Equipment	11.55
Auxiliaries	0.20
Others	4.20
Electrical	2.75
Eng. & Project Management	2.25
Pre-operative expenses	3.78

Contingency	1.37
Margin for working capital	3.50
Total Capital cost	41.00

Break-even Point

Break-even Point of the project is determined in the 2nd year at 80% of installed capacity. The break-even point of the projection is at 44 % of installed capacity in the 2nd year of operation when plant optimizes its production at 28,800 Pc. garments.

Pay Back Period

The entire capital investment excluding margin for working capital will be paid back within 4 years and 1 month of operation. The pay back amount is computed from the adjusted cash flow.

Internal Rate of Return

IRR is calculated by Yield Method and works out to be 32.50%. On an average 32.50% net of tax will be earned on the invested amount (less of margin for working capital) in each year for 10 years, after allowing for the repayment of the sum originally invested.

Projected Profitability Statement

(Rupees in Lakhs)

Sl.	Description	1st year	2nd year	3rd year	4th year	5th year	6th year
	Installed capacity in Pcs	36000	36000	36000	36000	36000	36000
A. Production							
1	Utilisation %	70%	80%	80%	80%	80%	80%
2	Production in Pcs	25200	28800	28800	28800	28800	28800
B. Income from							
1	Sales of finished product	51.31	58.64	58.64	58.64	58.64	58.64
	Total B	51.31	58.64	58.64	58.64	58.64	58.64
C. Manufacturing Expenses							
1	Raw materials	20.74	23.70	23.70	23.70	23.70	23.70
2	Consumables	5.80	6.62	6.62	6.62	6.62	6.62
3	Fuel	0.28	0.32	0.32	0.32	0.32	0.32
4	Stores & spares	0.40	0.45	0.45	0.45	0.45	0.45
5	Power energy charges	1.11	1.24	1.24	1.24	1.24	1.24
6	Power demand charges	0.23	0.25	0.25	0.25	0.25	0.25
7	Labour & Supervisor	5.58	6.14	6.14	6.14	6.14	6.14
8	Miscellaneous	1.00	1.50	1.50	1.50	1.50	1.50
	Total C	35.13	40.23	40.23	40.23	40.23	40.23
D. Adm. & Sales Expenses							
1	Adm. Salaries	0.78	0.86	0.86	0.86	0.86	0.86

2	Sales Administrative cost	0.84	0.92	0.92	0.92	0.92	0.92
3	Miscellaneous expenses incl. phone, printing, stationary, traveling	0.75	1.00	1.00	1.00	1.00	1.00
4	Sales expenses @ of Rs. 5/ per Pcs	1.26	1.44	1.44	1.44	1.44	1.44
	Total D	3.63	4.22	4.22	4.22	4.22	4.22
E. Operating Profit							
	B - (C + D)	12.54	14.19	14.19	14.19	14.19	14.19
F. Depreciation							
	By S.L. method	1.67	1.67	1.67	1.67	1.67	1.67
G. Profit after depreciation							
	(E - F)	10.87	12.52	12.52	12.52	12.52	12.52
H. Interest Charges							
1	On term loan	3.69	3.69	3.23	2.77	2.31	1.85
2	On bank borrowing	1.44	1.44	1.26	1.08	0.90	0.72
	Total H	5.13	5.13	4.49	3.85	3.21	2.57
I. Profit before taxes (PBT)							
	(G - H)	5.74	7.38	8.02	8.67	9.31	9.95
J. Provision for taxes nil as per NEIP							
K. Profit after taxes (PAT)							
	(I - J)	5.74	7.38	8.02	8.67	9.31	9.95