



HOME FURNISHING

Introduction

A retail store focused to the selling of moveable contents of a room, home, or office is referred to as a home furnishing store. Curtains, cushions, door mats, rugs, bath linen, bed coverings, comforters, and any other household fabrics that are referred to as soft furnishings are all examples of home furnishing products.

Furniture makes your life easier and gives your home a sense of cosiness. The presence of furniture provides you with peace of mind in terms of function and styling, resulting in a serene and comfortable overall experience.

Market Potential

The whole retail market is valued Rs. 102,750 crore (US\$ 17.13 billion) and is predicted to increase by 12-13 percent to Rs. 144,323 crore (US\$ 24.05 billion) by 2017. Modern retail accounts for 19% of the total market and is predicted to increase at a rate of 24-27 percent. In terms of the number of retail outlets and retail space, retail expansion rose at a rate of 16-21%, with same-store sales growth of roughly 15%.

The three primary divisions of the industry – furnishings, furniture, and décor – have all seen strong growth. During the previous few years, there has been a slight movement in market share from furniture to décor. This is due to limited consumption, which resulted in lower expenditures on high-value products such as furnishings. Consumers kept spending on furnishings the same as before, but they put more money into renovating interiors and décor goods to give their homes and offices a new look.

The furniture segment contributes highest in the overall market with small furniture like chair, table, stools, cabinets, desks etc. Collection of such items generates volume business for the category. The large furniture items such as beds, sofa set, dining furniture set, large wardrobes, cup-boards are high ticket items which require higher investments. The market share of small furniture is 75% and that of large is 25 per cent. Home furnishings segment, on the other hand, contributes the lowest share of 26%. The segment is further broken into sub-segments of bed linen, towels and robes, kitchen linen, curtains, upholstery, blankets, rugs and carpets. Among these sub-segments bed linen has the largest share close to half of total market. But the faster growing sub-segments are curtains, upholstery, blankets, rugs and carpets.

Assumptions

1. For SME unit having yearly turnover of 500 lakhs, the Nayak Committee's recommendation has been implemented by all the banks. Hence, we have worked out the funding requirement accordingly.
2. Sales of such trading units is majorly impacted by the selection of business location. The entrepreneur should examine all business aspects while selecting this location. Normally, home furnishing is established in a prevalent market area. Thus, we have assumed that the unit has been set up in a market area.
3. The shop premises of this unit is taken on lease. 800 sq. ft. is the proposed area which shall be spacious for stock display and stock-keeping
4. Computation of Closing Stock is done on the basis of Working Capital cycle which is assumed to be of 2 months.
5. DSCR is high because of the term loan component is lesser than working capital requirement. We have not considered repayment for working capital and it is running on a continuous basis.

Cost of Project

Particulars	Amount (Rs. in Lakhs)
Premises (Lease)	-
Interior Civil Work including False Ceiling, Wall Rack, Partition Rack, etc. @500 per sq. ft. (Shop Premises)	4.00
Equipment	-
Furniture and Fixtures as per Annexure	1.10
Electrical Equipment	1.54
Desktop and Printer	0.50
Software Cost (Tally/SAP) (as per Annexure)	0.30
Inverter (10 Kv office inverter)	0.30
Preliminary & Preoperative Expenses	1.02
Sub-total (A)	8.76
Working Capital Margin @25% of Total WC Requirement	6.25
Total Project Cost	15.01
Total Working Capital Required (lump sum) (B)	25.00
MEANS OF FINANCE	
Total Funds Required (A+B)	33.76
<u>Loan Component-</u>	-
TERM LOAN (75% of A)	6.57
WORKING CAPITAL (75% of B)	18.75
Total	25.32
Equity	8.44
Total	33.76

Detailed Cost Element

Sl. No.	Particulars	Quantity	Rate	Amount (Rs. in Lakhs)
Electrical Equipment				
1	AC	3	30000	0.90
2	CCTV	3	8000	0.24
3	Light	LS	LS	0.40
Total				1.54
Furniture and Fixtures				
1	Cloth hanger	LS	LS	0.50
2	Chairs	LS	LS	0.30
3	Counter	LS	LS	0.30
Total				1.10

Preliminary Expenses

Particulars	Amount (Rs. in Lakhs)
Incorporation Expenses	0.08
Project Report Preparation	0.08
Interior Designer's Fee	0.25
Legal Charges - Drafting for agreements, contracts, stamp paper, notary and affidavit cost	0.05
Salary	0.27
Rent Expenses	0.24
Interest Cost for period before commercial production	0.05
Total	1.02

Salary

Designation	Manpower	Amount (Rs. in Lakhs)
Cashier	1	1.20
office boy	1	0.96
Sales man	4	4.32

Profitability Statement

Particulars	Amount (Rs. in lakhs)				
	Year- 1	Year- 2	Year- 3	Year- 4	Year- 5
<u>A. INCOME</u>					
Total Working Days in a Year	300	300	300	300	300
Estimated Sales per Day (Rs.)	0.33	0.37	0.40	0.44	0.49
Annual Sales (Rs.)	100.00	110.00	121.00	133.10	146.41
Total income during the year	100.00	110.00	121.00	133.10	146.41
<u>B. OPERATING EXPENSES</u>					
Stock Consumed (70%of sales)	70.00	77.00	84.70	93.17	102.49
Salary	6.48	6.80	7.14	7.50	7.88
Rent	3.84	4.03	4.23	4.45	4.67
Power & utilities	3.60	3.67	3.75	3.82	3.90
Depreciation and Amortization	0.88	0.88	0.88	0.70	0.70
Administrative and General Expenses	2.00	2.20	2.42	2.66	2.93
Total Operating Expenses	86.80	94.59	103.12	112.30	122.56
Operating Profit (A-B)	13.20	15.41	17.88	20.80	23.85
<u>C.FINANCIAL EXPENSES</u>					
Interest on Term Loan	0.51	0.40	0.28	0.17	0.06
Interest on WC Loan	1.59	1.59	1.59	1.59	1.59
Total Expenses	2.10	1.99	1.88	1.77	1.65
Profit Before Tax	11.10	13.42	16.00	19.03	22.20
Provision for Tax	2.77	3.36	4.00	4.76	5.55
Profit after Tax (PAT)	8.32	10.07	12.00	14.27	16.65

Breakeven Point

Break Even Point (BEP)		Amount (Rs. In Lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
A.	Net Sales	100.00	110.00	121.00	133.10	146.41
B.	Variable Cost					
	Stock Consumed	70.00	77.00	84.70	93.17	102.49
	Power and Utility	3.60	3.67	3.75	3.82	3.90
	Total Variable Cost	73.60	80.67	88.45	96.99	106.38
C.	Contribution (A-B)	26.40	29.33	32.55	36.11	40.03
D.	Fixed Cost					
	Salary	6.48	6.80	7.14	7.50	7.88
	Rent Expenses	3.84	4.03	4.23	4.45	4.67
	Interest on term loan	0.51	0.40	0.28	0.17	0.06
	Interest on working capital	1.59	1.59	1.59	1.59	1.59
	Depreciation and Amortization	0.88	0.88	0.88	0.70	0.70
	Total Fixed Cost	13.30	13.70	14.13	14.42	14.90
E.	Breakeven Point	50%	47%	43%	40%	37%
F.	Cash BEP	47%	44%	41%	38%	35%

Debt-Service Coverage Ratio

		Amount (Rs. In lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
i	Profit	8.32	10.07	12.00	14.27	16.65
ii	Depreciation	0.88	0.88	0.88	0.70	0.70
iii	Interest on term loan	0.51	0.40	0.28	0.17	0.06
A	Total (i + ii + iii)	9.71	11.34	13.16	15.15	17.41
i	Interest on term loan	0.51	0.40	0.28	0.17	0.06
ii	Principal repayment on term loan	1.31	1.31	1.31	1.31	1.31
B	Total (i + ii)	1.82	1.71	1.60	1.49	1.37
	DSCR (A / B)	5.33	6.64	8.24	10.20	12.67

Interest on Term Loan and Principal Repayment

Refer Annexure I for Loan Repayment Schedule.

We have assumed the repayment tenure of term loan for a period of 5 years, Rate of interest being 8.5% p.a.

Address of Vendors

Name of the Vendor	Address and Contact Number
Partha International (CCTV and Computer Shops)	7, Chandni Chowk St, Near Sabir Hotel, Chandni Chawk, Bowbazar, Kolkata, West Bengal 700072 099036 42800
Pugalia Refrigeration Company	11G, Temple St, Chandni Chawk, Bowbazar, Kolkata, West Bengal 700072 03322370846,+919331017074

ANNEXURE - 1

Year	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Annually
I													
Principal													
Opening	6.57	6.46	6.35	6.24	6.13	6.02	5.91	5.80	5.69	5.58	5.47	5.36	
Repaid	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	1.31
Closing	6.46	6.35	6.24	6.13	6.02	5.91	5.80	5.69	5.58	5.47	5.36	5.25	
Interest	0.05	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.51
II													
Principal													
Opening	5.25	5.14	5.03	4.93	4.82	4.71	4.60	4.49	4.38	4.27	4.16	4.05	
Repaid	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	1.31
Closing	5.14	5.03	4.93	4.82	4.71	4.60	4.49	4.38	4.27	4.16	4.05	3.94	
Interest	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.40
III													
Principal													
Opening	3.94	3.83	3.72	3.61	3.50	3.39	3.28	3.17	3.06	2.96	2.85	2.74	
Repaid	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	1.31
Closing	3.83	3.72	3.61	3.50	3.39	3.28	3.17	3.06	2.96	2.85	2.74	2.63	
Interest	0.03	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.28
IV													
Principal													
Opening	2.63	2.52	2.41	2.30	2.19	2.08	1.97	1.86	1.75	1.64	1.53	1.42	
Repaid	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	1.31
Closing	2.52	2.41	2.30	2.19	2.08	1.97	1.86	1.75	1.64	1.53	1.42	1.31	
Interest	0.02	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.17
V													
Principal													
Opening	1.31	1.20	1.09	0.99	0.88	0.77	0.66	0.55	0.44	0.33	0.22	0.11	
Repaid	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	1.31
Closing	1.20	1.09	0.99	0.88	0.77	0.66	0.55	0.44	0.33	0.22	0.11	-0.00	
Interest	0.01	0.01	0.01	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.06