



## **LADIES READYMADE GARMENTS**

### **Introduction**

Readymade Garments are those garments which are ready to wear. Readymade garments are readily available in the local markets for men, women and kids. Readymade garments include all types of outer outfits such as work-wear, sports-wear, winter-wear, etc. These garments are in huge demand. These garments are available at reasonable rates. Readymade garments are affordable and easily available. Ladies Garments include Suits, blouses, blazers, Pants, dresses, cardigans, jackets, shirts, skirts, etc. with varied designs, choices and patterns, etc. Purchase of Readymade garments depends on various factors such as fibre of clothing, quality of weave, method of washing, type of cloth used in piping, lace and lining, etc.

### **Market Potential**

The growth of the Indian ladies readymade garments market is driven by increase in fashion trend and its influence over consumers. This race to cope up with the changing fashion trend is anticipated to significantly influence consumers to purchase latest designs, especially worn by celebrities. Improvement in economic condition and surge in disposable income propel the market growth. Increase in disposable income among the middle-income group acts as a major driver for the readymade garments market, as medium and high income consumers in urban areas are shifting their consumption trend from essential to premium goods & services. Indian readymade garments market, with the increase in working women population, is anticipated to register a steady growth during the forecast period owing to growing e-commerce platform along with organized retail channels.

## Assumptions

1. For SME unit having yearly turnover of 500 lakhs, the Nayak Committee 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, garment unit 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. 500 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 3 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 sq. ft. @ Rs. 600 per sq. ft.) (Shop Premises)	3.00
Equipment	-
Furniture and Fixtures	1.85
Electrical Equipment	1.00
Desktop and Printer	0.50
Software Cost (Tally/SAP)	0.30
Inverter (10 kv office inverter)	0.30
Preliminary & Preoperative Expenses	1.71
<b>Sub-total (A)</b>	<b>8.66</b>
Working Capital Margin @ 25% of Total WC Requirement	7.50
<b>Total Project Cost</b>	<b>16.16</b>
Total Working Capital Required (Lump sum) (B)	30.00
<b>MEANS OF FINANCE</b>	
<b>Total Funds Required (A+B)</b>	<b>38.66</b>
Loan Component-	
TERM LOAN (75% of A)	6.50
WORKING CAPITAL (75% of B)	22.50
<b>Total</b>	<b>29.00</b>
Equity	9.67
<b>Total</b>	<b>38.66</b>

## Detailed Cost Element

Sl. No.	Particulars	Quantity	Rate	Amount (Rs. in Lakhs)
	<b>Electrical Equipment</b>			
1	AC	1	50000	0.50
2	CCTV	1	25000	0.25
3	Fan	1	15000	0.15
4	Light	1	10000	0.10
	<b>Total</b>			<b>1.00</b>
	<b>Furniture and Fixtures</b>			
1	Chairs	LS	LS	1.00
2	Racks, Display Counter and other Miscellaneous Furniture	LS	LS	1.75
	<b>Total</b>			<b>1.85</b>

## Preliminary Expenses

Particulars	Amount (Rs. in Lakhs)
Incorporation Expenses	0.10
Project Report Preparation	0.10
Interior Designer's Fee	0.25
Legal Charges - Drafting for agreements, contracts, stamp paper, notary and affidavit cost	0.05
Salary (3 months)	0.63
Rent Expenses (3 months; Rs. 30/sq. ft.)	0.45
Interest Cost for Both Term Loan And CC (period before commercial production)	0.13
<b>Total</b>	<b>1.71</b>

## Salary

Designation	Manpower	Amount (Rs. in Lakhs)
Cashier	1	0.96
Staff	2	2.40

## Profitability Statement

Particulars	Amount (Rs. in lakhs)				
	Year- 1	Year- 2	Year- 3	Year- 4	Year- 5
<b><u>A. INCOME</u></b>					
Total Working Days in a Year	300	300	300	300	300
Estimated Sales per Day	0.40	0.44	0.48	0.53	0.59
Annual Sales	120.00	132.00	145.20	159.72	175.69
<b>Total income during the year</b>	<b>120.00</b>	<b>132.00</b>	<b>145.20</b>	<b>159.72</b>	<b>175.69</b>
<b><u>B. OPERATING EXPENSES</u></b>					
Stock Consumed (75% of Sales)	90.00	99.00	108.90	119.79	131.77
Salary	3.36	3.53	3.70	3.89	4.08
Rent	1.80	1.89	1.98	2.08	2.19
Power & utilities	3.60	3.67	3.75	3.82	3.90
Depreciation and Amortization	1.01	1.01	1.01	0.83	0.83
Administrative and General Expenses	2.40	2.64	2.90	3.19	3.51
<b>Total Operating Expenses</b>	<b>102.17</b>	<b>111.74</b>	<b>122.24</b>	<b>133.61</b>	<b>146.28</b>
<b>Operating Profit (A-B)</b>	<b>17.83</b>	<b>20.26</b>	<b>22.96</b>	<b>26.11</b>	<b>29.41</b>
<b><u>C.FINANCIAL EXPENSES</u></b>					
Interest on Term Loan	0.50	0.39	0.28	0.17	0.06
Interest on WC Loan	1.91	1.91	1.91	1.91	1.91
<b>Total Expenses</b>	<b>2.41</b>	<b>2.30</b>	<b>2.19</b>	<b>2.08</b>	<b>1.97</b>
<b>Net Profit Before Tax</b>	<b>15.42</b>	<b>17.96</b>	<b>20.76</b>	<b>24.03</b>	<b>27.44</b>
Provision for Tax	3.86	4.49	5.19	6.01	6.86
<b>Profit after Tax (PAT)</b>	<b>11.57</b>	<b>13.47</b>	<b>15.57</b>	<b>18.02</b>	<b>20.58</b>
Dividend Declared	0.00	0.00	0.00	0.00	0.00
<b>Retained Profit</b>	<b>11.57</b>	<b>13.47</b>	<b>15.57</b>	<b>18.02</b>	<b>20.58</b>

## Breakeven Point

Break Even Point (BEP)	Amount (Rs. In Lakhs)
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SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
<b>A.</b>	<b>Net Sales</b>	<b>120.00</b>	<b>132.00</b>	<b>145.20</b>	<b>159.72</b>	<b>175.69</b>
<b>B.</b>	<b>Variable Cost</b>					
	Stock Consumed	90.00	99.00	108.90	119.79	131.77
	Power and Utility	3.60	3.67	3.75	3.82	3.90
	<b>Total Variable Cost</b>	<b>93.60</b>	<b>102.67</b>	<b>112.65</b>	<b>123.61</b>	<b>135.67</b>
<b>C.</b>	<b>Contribution (A-B)</b>	<b>26.40</b>	<b>29.33</b>	<b>32.55</b>	<b>36.11</b>	<b>40.03</b>
<b>D.</b>	<b>Fixed cost</b>					
	Salary	3.36	3.53	3.70	3.89	4.08
	Rent Expenses	1.80	1.89	1.98	2.08	2.19
	Interest on Term Loan	0.50	0.39	0.28	0.17	0.06
	Interest on WC Loan	1.91	1.91	1.91	1.91	1.91
	Depreciation and Amortization	1.01	1.01	1.01	0.83	0.83
	<b>Total Fixed Cost</b>	<b>8.58</b>	<b>8.73</b>	<b>8.89</b>	<b>8.89</b>	<b>9.07</b>
<b>E.</b>	<b>Breakeven Point</b>	<b>32%</b>	<b>30%</b>	<b>27%</b>	<b>25%</b>	<b>23%</b>
<b>F.</b>	<b>Cash BEP</b>	<b>29%</b>	<b>26%</b>	<b>24%</b>	<b>22%</b>	<b>21%</b>

## Debt-Service Coverage Ratio

		Amount (Rs. In lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
i	Profit	11.57	13.47	15.57	18.02	20.58
ii	Depreciation	1.01	1.01	1.01	0.83	0.83
iii	Interest	0.50	0.39	0.28	0.17	0.06
<b>A</b>	<b>Total (i + ii + iii)</b>	<b>13.07</b>	<b>14.87</b>	<b>16.86</b>	<b>19.02</b>	<b>21.47</b>
i	Interest	0.50	0.39	0.28	0.17	0.06
ii	Principal repayment	1.30	1.30	1.30	1.30	1.30
<b>B</b>	<b>Total (i + ii)</b>	<b>1.80</b>	<b>1.69</b>	<b>1.58</b>	<b>1.47</b>	<b>1.36</b>
	<b>DSCR (A / B)</b>	<b>7.26</b>	<b>8.80</b>	<b>10.67</b>	<b>12.95</b>	<b>15.80</b>

## 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
Panna Textile India Private Limited	No. 176, Borobazar, Jamuna Lal Bajaj St. Bortola, Barabazar Market, Kolkata, West Bengal, India
Handloom House	2 Lindsay Street, Fire Brigade Head Quarter, New Market Area, Dharmatala, Taltala, Kolkata, West Bengal
Chaitanya Fashion Studio	130, Raghunandan Textile Market, Ring Road, Surat, Gujarat, India

# 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													
<b>Principal</b>													
Opening	6.50	6.39	6.28	6.17	6.06	5.95	5.85	5.74	5.63	5.52	5.41	5.30	
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	1.30
Closing	6.39	6.28	6.17	6.06	5.95	5.85	5.74	5.63	5.52	5.41	5.30	5.20	
<b>Interest</b>	0.05	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.50
II													
<b>Principal</b>													
Opening	5.20	5.09	4.98	4.87	4.76	4.65	4.55	4.44	4.33	4.22	4.11	4.01	
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	1.30
Closing	5.09	4.98	4.87	4.76	4.65	4.55	4.44	4.33	4.22	4.11	4.01	3.90	
<b>Interest</b>	0.04	0.04	0.04	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.39
III													
<b>Principal</b>													
Opening	3.90	3.79	3.68	3.57	3.46	3.36	3.25	3.14	3.03	2.92	2.81	2.71	
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	1.30
Closing	3.79	3.68	3.57	3.46	3.36	3.25	3.14	3.03	2.92	2.81	2.71	2.60	
<b>Interest</b>	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													
<b>Principal</b>													
Opening	2.60	2.49	2.38	2.27	2.17	2.06	1.95	1.84	1.73	1.62	1.52	1.41	
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	1.30
Closing	2.49	2.38	2.27	2.17	2.06	1.95	1.84	1.73	1.62	1.52	1.41	1.30	
<b>Interest</b>	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.17
V													
<b>Principal</b>													
Opening	1.30	1.19	1.08	0.97	0.87	0.76	0.65	0.54	0.43	0.32	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	1.30
Closing	1.19	1.08	0.97	0.87	0.76	0.65	0.54	0.43	0.32	0.22	0.11	0.00	
<b>Interest</b>	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