

PROJECT PROFILE

OF

HUME PIPES
MANUFACTURING



Promoter:
Mr. ABC

Project Profile
Of
HUME PIPES MANUFACTURING

INTRODUCTION:

India is a fast developing country and the 6th biggest Economy in the today's world. Its Industrial and Agricultural growth rate is touching higher and higher marks day by day. Every development in different sectors requires its infrastructural set up i.e. Communication, Production, Transport etc. Construction Industry is an axis of all rounder progress and Cement and Cement Products are most essential factor instrumental in this process.

Hume pipes manufacturing in India entirely depends on the construction market, which has been booming for last two decades due to enormous growth in construction, infrastructure and power sector in India. RCC or Pre cast Pipe is the major civil engineering achievement. The HUME Pipe process for manufacturing the Reinforcement cement is a conventional system, where concrete is being poured manually after preparing the Reinforcement cage.

BASIC DETAILS OF PROMOTER:

- **NAME:**

- **WORK EXPERIENCE:**

Mr. ABC and his family have been involved in construction line, this is the core family venture for last few years and thus we are well-versed in handling such activity due to our rich past experience.

Since it's been so many years of handling this business, we have developed good relations with the proposed clients in Government, Semi Government and private sectors which includes BSNL, PWD Irrigation, municipal corporation/committees, M/s Reliance Industries, M/s Bharti Airtel among others which is a good assurance of sales of Hume Pipes and similar products.

Product & Market Details:

The product range will be very wide with around 10 products with atleast 3-5 different range thus making it over 30 different products in the total sales mix. The range will cover low to premium feature products. Having such a huge sales catalogue will ensure that the sales will be balanced and not dependent on a few products.

Project Details:

Land & Construction:

The land is leased by XXX and is situated in Tiwasa Mini Industrial Area, Plot No A-11, Amravati. The plot measures 2000 sq. metres (21520 Sq. feets approx.) The promoter has proposed to construct a shed of around 10500 square feet with own funds totaling to Rs 125.26 Lakhs approximately which will house the machinery and equipment.

Machines:

The machineries will be purchased from reputed suppliers and the details of the same have been attached alongwith the project report. The total cost of machineries is approximately Rs 154 Lakhs.

Raw Material:

The raw material will be procured from North India in bulk quantity to take advantage of volume discounts. The promoter has already visited the suppliers and shortlisted some. Procuring raw material at cheaper costs will ensure reasonable product pricing and thus good sales volume.

Manpower

Required personnel are easily available locally. The process being automatic and simple, dependence on manual labour is greatly reduced. Regarding unskilled labour they would be amply available as there are about 8/10 villages within the radius of 5 K. M.

Fiscal Incentives

- 1) The unit will be eligible for a capital subsidy of 35% upto Rs 17.5 Lakhs, maximum on the project cost under PMEGP scheme sponsored by Central Government.
- 2) The unit will also be eligible for CLCSS subsidy of 15% on the cost of Machinery.
- 3) The promoter would be eligible to get following benefit up to 80% of fixed cost of the unit under PSI 2019 of:
 - a) For First 5 Years reduction in cost of Electric Consumption by Rs 1 per unit.
 - b) SGST refund (paid/payable) on sale at the unit.
 - c) 5% Interest Subsidy on Term Loan.

Subsidy of 80% would be receivable in 10 Years i.e., every year to be claimed at the end of every year. Thus subsidy would increase the profitability of the unit.

PROJECT OF
OM SAI PIPE PRODUCTION

<u>PROJECT COST & MEANS OF FINANCE</u>	
<u>Cost of Project</u>	(Rs. In Lakhs)
<i>Land</i>	<i>Owned</i>
<i>Building & Civil Construction</i>	125.26
<i>Plant & Machinery & Electrification</i>	154.10
<i>Working Capital</i>	26.87
TOTAL	306.23
<u>Means of Finance</u>	
<i>Promoters Contribution</i>	106.23
<i>Term Loan From Bank</i>	200.00
<i>Cash Credit</i>	20.00
TOTAL	306.23

PROJECT OF
OM SAI PIPE PRODUCTION

<u>Working Capital Requirement</u>				
		Year 1	Year 2	Year 3
	Stock of Raw Materials <i>(1 month consumption)</i>	9.03	9.78	10.54
	Stock of Finished Goods <i>(15 Days cost of Production)</i>	8.02	7.80	8.11
	Debtors <i>(1 Month sales)</i>	20.60	25.20	27.20
		37.65	42.78	45.85
	<u>Less: Creditors</u> <i>(1/2 Month Purchase)</i>	10.78	10.88	11.13
	<u>Net Working Capital Requirement</u>	26.87	31.90	34.72
	Bank Limit 75%	20.15	20.15	25.00
	Say Rs.	20.00	20.00	20.00
	Margin For WC	6.87	11.90	14.72
	Interest on Bank Limit 11% for 9 Months	1.65	1.65	1.65

PROJECT OF
OM SAI PIPE PRODUCTION

PROFITABILITY PROJECTIONS FOR 7 YEARS

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
(A) Sales	206.00	252.00	272.00	288.00	305.00	320.00	338.00
(B) Total	206.00	252.00	272.00	288.00	305.00	320.00	338.00
(C) Cost of Production							
Raw Material Purchases	129.41	118.17	127.20	137.01	147.39	158.38	170.02
Add: Opening Stock	-	9.03	9.78	10.54	11.35	12.21	13.12
Less: Closing Stock	9.03	9.78	10.54	11.35	12.21	13.12	14.09
Raw Material Consumed	120.38	117.41	126.45	136.20	146.53	157.47	169.06
Wages	14.32	15.52	16.71	17.54	18.42	19.34	20.31
Electricity	5.53	5.99	6.45	6.77	7.11	7.47	7.84
Repairs	4.82	5.01	5.20	5.46	5.74	6.02	6.32
Depreciation	35.64	30.92	26.85	23.33	20.28	17.65	15.37
(D) Total Cost of Production	180.69	174.85	181.65	189.31	198.09	207.96	218.90
Add: Opening Stock	-	8.02	7.80	8.11	7.89	8.25	8.66
Less: Closing Stock	8.02	7.80	8.11	7.89	8.25	8.66	9.12
(E) Total Production Cost of Sales	172.67	175.07	181.34	189.53	197.72	207.55	218.45
(F) Gross Profit (B-E)	33.33	76.93	90.66	98.47	107.28	112.45	119.55
(G) Salary, Administrative & Selling Exp.	16.92	18.66	19.78	20.47	21.19	21.93	22.70
(H) Interest							
On Term Loan	22.29	18.86	15.43	12.00	8.57	5.14	1.71
On Working Capital Loan	1.65	1.65	1.65	1.65	1.65	1.65	1.65
(J) Operating Profit (F-(H+I))	-7.53	37.76	53.80	64.35	75.87	83.73	93.49
(K) Provision for Tax	-	11.33	16.14	19.30	22.76	25.12	28.05
(L) Net Profit After Tax (J-K)	-7.53	26.43	37.66	45.04	53.11	58.61	65.44
D.S.C.R.							
Net Profit After Tax	-7.53	26.43	37.66	45.04	53.11	58.61	65.44
Add : Depreciation	35.64	30.92	26.85	23.33	20.28	17.65	15.37
Interest on Term Loan	22.29	18.86	15.43	12.00	8.57	5.14	1.71
TOTAL	50.40	76.21	79.93	80.37	81.96	81.41	82.53
Yearly Repayment Obligation :							
Bank Term Loan	28.57	28.57	28.57	28.57	28.57	28.57	28.57
Interest on Term Loan	22.29	18.86	15.43	12.00	8.57	5.14	1.71
TOTAL	50.86	47.43	44.00	40.57	37.14	33.71	30.29
D.S.C.R.	0.99	1.61	1.82	1.98	2.21	2.41	2.73
Average D.S.C.R.				1.96			
Weighted D.S.C.R.				1.88			

PROJECT OF
OM SAI PIPE PRODUCTION

PRODUCTION

The Moulds are purchased as per the diameter of the Hume Pipes to be manufactured. Thus, the promoter has decided to purchase moulds ranging from 450 mm to 1200 mm. Also, the process generates a wastage of almost 10-12%.The annual production accordingly is as detailed below:

<u>Installed Production Capacity / Day</u>					
Sr.	Diameter/Mould	Moulds	Production / Day	Area / Unit (Metric Cube)	Total Area (Metric Cube)
1	450 mm	5	5.00	0.25	1.23
2	600 mm	5	5.00	0.27	1.35
3	900 mm	1	2.00	0.32	0.64
4	1000mm	1	2.00	0.48	0.97
5	1200mm	1	2.00	0.57	1.14
	<u>Wastage</u>				0.66
		13	16.00		5.98
				Say As:	6.00 Metric Cube
<u>Installed Production Capacity / Year</u>					
No of Working Days in a Year					300
Sr.	Diameter/Mould	Moulds	Production/Year	Area / Unit (Metric Cube)	Total Area (Metric Cube)
1	450 mm	5	1500.00	0.25	367.50
2	600 mm	5	1500.00	0.27	405.00
3	900 mm	1	600.00	0.32	192.36
4	1000mm	1	600.00	0.48	289.80
5	1200mm	1	600.00	0.57	342.72
	<u>Wastage</u>				197.43
			4800.00	1.89	1794.81
				Say as:	1800.00 Metric Cube
			<u>I Year</u>	<u>II Year</u>	<u>III Year</u>
Capacity Utilisation			60%	65%	70%
Production (In Metric Cube)			1080.00	1170.00	1260.00

PROJECT OF
OM SAI PIPE PRODUCTION

RAW MATERIAL COST

<u>Raw Material Cost / 6 Metric Cube</u>				
<i>Raw Material</i>	<i>Quantity</i>	<i>Rate/Unit</i>	<i>GST Rate</i>	<i>Total Cost (Incl GST)</i>
<i>Metal</i>	4 Brass	4500.00	5%	18900.00
<i>Sand</i>	2 Brass	8000.00	5%	16800.00
<i>Cement</i>	85 Bags	400.00	28%	43520.00
<i>Steel</i>	10 Quintal	7000.00	18%	82600.00
Total cost				161820.00

<u>Raw Material Consumption Cost (In Lakhs)</u>				
<i>Year</i>	<i>Raw Material Purchases (i)</i>	<i>Closing Stock (ii)</i>	<i>Opening Stock (iii)</i>	<i>Raw Material Consumption (iv) = (i) - (ii) + (iii)</i>
Year 1	129.41	9.03		120.38
Year 2	118.17	9.78	9.03	117.41
Year 3	127.20	10.54	9.78	126.45
Year 4	137.01	11.35	10.54	136.20
Year 5	147.39	12.21	11.35	146.53
Year 6	158.38	13.12	12.21	157.47
Year 7	170.02	14.09	13.12	169.06

PROJECT OF
OM SAI PIPE PRODUCTION
PRODUCTION

<u>Sales Value of Production / Year</u>				
<i>Selling Rates of Pipes of different diameters are taken from CSR as approved by the PWD.</i>				
Sr.	Diameter/Mould	Quantity	Rates as per CSR	Total Sales (In Lakhs)
1	450 mm	1500	4250.00	63.75
2	600 mm	1500	6000.00	90.00
3	900 mm	600	10500.00	63.00
4	1000mm	600	12500.00	75.00
5	1200mm	600	16500.00	99.00
				390.75
Say As:				391.00 Lakhs
		<u>I Year</u>	<u>II Year</u>	<u>III Year</u>
	<i>Capacity utilisation</i>	60%	65%	70%
	<i>Sales Value of Production</i>	234.60	254.15	273.70
	<i>Say Rs</i>	234.00	254.00	273.00

**PROJECT OF
OM SAI PIPE PRODUCTION**

DIRECT EXPENSES

Particulars				Capacity Utilization			
				60%	65%	70%	
<u>Electricity Consumption</u>							
Particulars		Unit					
i) Total Connected Load (HP)		60					
ii) Total Connected load (KW)		48					
iii) Hours Worked		8					
iv) Load Factor		0.8					
v) Tariff Rate (Rs)		8					
vi) Working Days		300					
Total Cost at 100% Capacity (In Lakhs)				9.22	5.53	5.99	6.45
<u>Direct Labour</u>							
Labour Type	Nos	Wages/Month	Cost/Annum (In Lakhs)				
i) Skilled Workers	2	12000.00	2.88				
ii) Semi-skilled Workers	2	8000.00	1.92				
iii) Unskilled Workers	5	6500.00	3.90				
iv) Mixture Operator	1	10000.00	1.20				
v) Laboratory Attendant	1	10000.00	1.20				
vi) Welder	1	8000.00	0.96				
vii) Electrician	1	8000.00	0.96				
Total			13.02				
Add: Fringe Benefits - 10%			1.302				
Total Cost for 1st Year				14.32	14.32	15.52	16.71
<u>Repairs & Maintenance</u>							
Assets		Value	Cost (In Lakhs)				
i) Building (Fixed)		125.26	2.51	2.51	2.51	2.51	
ii) Plant & Machinery (Variable)		154.10	3.85	2.31	2.50	2.70	
Total Cost at 100% Capacity				6.36	4.82	5.01	5.20
TOTAL				24.67	26.52	28.36	

**PROJECT OF
OM SAI PIPE PRODUCTION**

INDIRECT EXPENSES

Particulars				Capacity Utilization		
				60%	65%	70%
<u>Salary</u>						
<i>The expenses will increase by 5% in the next year.</i>						
Particulars				Cost/Annum (In Lakhs)		
Nos				Wages/Month		
Cost/Annum (In Lakhs)						
i) Supervisor				1	15000.00	1.80
ii) Watchman				1	7000.00	0.84
iii) Accountant				1	10000.00	1.20
Total					3.84	
<i>Add: Contingency - 10%</i>					0.38	
Total Cost for 1st Year				4.22	4.22	4.66
<u>Administrative Expenses</u>						
<i>The expenses will increase by 5% in the next year.</i>						
Particulars				Cost (In Lakhs)		
i) Office expenses					2.50	
ii) Insurance					0.75	
iii) Bank charges					0.25	
iv) Audit & Legal expenses					0.30	
v) Stationary & Printing					0.50	
vi) Travelling & Conveyance					1.25	
vii) Postage, Telegram & Telephone					0.50	
viii) Other Misc. Expenses					1.50	
Total Cost for 1st Year				7.55	7.55	8.32
<u>Selling Expenses</u>						
<i>Includes Trade & turnover discount and other selling expenses</i>						
Particulars				Cost (In Lakhs)		
i) Turnover in 1st Year (In Lakhs)					206.00	
Total Cost (In Lakhs)				5.15	5.15	6.80
TOTAL				16.92	18.66	19.78

PROJECT OF
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SCHEDULE FOR INTEREST & REPAYMENT OF TERM LOAN

Term loan amount (in lakhs)	200.00
Loan Tenure (in Months)	84
Moratorium Period (in Months)	-
No. of installments for Repayment (in Months)	84
Installment amount (in lakhs)	2.381
Rate of Interest	12%

Year	Principal	Installment	Interest	Total Intt.	Balance
Year 1	200.00	28.57	22.29	22.29	171.43
Year 2	171.43	28.57	18.86	18.86	142.86
Year 3	142.86	28.57	15.43	15.43	114.29
Year 4	114.29	28.57	12.00	12.00	85.71
Year 5	85.71	28.57	8.57	8.57	57.14
Year 6	57.14	28.57	5.14	5.14	28.57
Year 7	28.57	28.57	1.71	1.71	-

PROJECT OF
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DEPRECIATION CHART

(Rs. In Lakhs)

Year	Cost	Building 10%	P & M 15%	Total
Year 1	<i>Full Value</i>	125.26	154.10	279.36
	<i><u>Less:</u> Depreciation</i>	12.53	23.12	35.64
Year 2	<i>W.D.Value</i>	112.73	130.99	243.72
	<i><u>Less:</u> Depreciation</i>	11.27	19.65	30.92
Year 3	<i>W.D.Value</i>	101.46	111.34	212.80
	<i><u>Less:</u> Depreciation</i>	10.15	16.70	26.85
Year 4	<i>W.D.Value</i>	91.31	94.64	185.95
	<i><u>Less:</u> Depreciation</i>	9.13	14.20	23.33
Year 5	<i>W.D.Value</i>	82.18	80.44	162.62
	<i><u>Less:</u> Depreciation</i>	8.22	12.07	20.28
Year 6	<i>W.D.Value</i>	73.96	68.37	142.34
	<i><u>Less:</u> Depreciation</i>	7.40	10.26	17.65
Year 7	<i>W.D.Value</i>	66.57	58.12	124.69
	<i><u>Less:</u> Depreciation</i>	6.66	8.72	15.37

PROJECT OF
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FUND FLOW ANALYSIS

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<u>SOURCES OF FUNDS</u>							
<i>Net Profit Before Tax</i>	-7.53	37.76	53.80	64.35	75.87	83.73	93.49
<i>Add: Back Dep.</i>	35.64	30.92	26.85	23.33	20.28	17.65	15.37
<i>Capital Introduced</i>	106.23	-	-	-	-	-	-
<i>Term Loan from Bank</i>	200.00	-	-	-	-	-	-
<i>Working Capital</i>	20.00	-	-	-	-	-	-
<i>Increase in C. Liability</i>	10.78	0.10	0.25	0.29	0.87	0.92	0.97
	365.12	68.78	80.89	87.96	97.02	102.30	109.83
<u>DISPOSITION</u>							
<i>Capital Exp</i>	279.36	-	-	-	-	-	-
<i>Decrease in Term Loan</i>	28.57	28.57	28.57	28.57	28.57	28.57	28.57
<i>Increase in C. Assets.</i>	37.65	5.13	3.06	2.19	2.93	2.82	3.22
<i>Income Tax</i>	-	11.33	16.14	19.30	22.76	25.12	28.05
<i>Withdawal</i>	8.00	10.00	12.00	12.00	15.00	15.00	20.00
<i>F.D.R.</i>	8.00	8.00	8.00	10.00	12.00	12.00	15.00
	361.58	63.03	67.77	72.07	81.26	83.51	94.84
<i>Surplus / Deficit</i>	3.54	5.75	13.11	15.90	15.76	18.78	14.99
<i>Opening Balance</i>	0	3.54	9.28	22.39	38.29	54.05	72.83
<i>Closing Balance</i>	3.54	9.28	22.39	38.29	54.05	72.83	87.83

PROJECT OF
OM SAI PIPE PRODUCTION
PROJECTED BALANCE SHEET

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<u>PROMOTER'S FUND</u>							
Opening Balance	106.23	90.70	107.13	132.79	165.83	203.94	247.55
Net Profit	-7.53	37.76	53.80	64.35	75.87	83.73	93.49
	98.70	128.46	160.92	197.13	241.70	287.67	341.04
Less: Income Tax	0.00	11.33	16.14	19.30	22.76	25.12	28.05
Withdrawal	8.00	10.00	12.00	12.00	15.00	15.00	20.00
Total - A	90.70	107.13	132.79	165.83	203.94	247.55	292.99
<u>LOANS & ADVANCES</u>							
Term Loan	171.43	142.86	114.29	85.71	57.14	28.57	-
Total - B	171.43	142.86	114.29	85.71	57.14	28.57	-
<u>CURRENT LIABILITIES</u>							
Cash Credit	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Creditors	10.78	10.88	11.13	11.42	12.28	13.20	14.17
Total - C	30.78	30.88	31.13	31.42	32.28	33.20	34.17
Total - A+B+C	292.91	280.87	278.20	282.96	293.36	309.32	327.16
<u>FIXED ASSETS</u>							
Gross Block	279.36	243.72	212.80	185.95	162.62	142.34	124.69
Less : Depreciation	35.64	30.92	26.85	23.33	20.28	17.65	15.37
Total - A	243.72	212.80	185.95	162.62	142.34	124.69	109.31
Current Assets	37.65	42.78	45.86	48.05	50.97	53.80	57.02
F. D. R.	8.00	16.00	24.00	34.00	46.00	58.00	73.00
Cash	3.54	9.28	22.39	38.29	54.05	72.83	87.83
Total - B	49.19	68.07	92.25	120.34	151.02	184.63	217.84
Total - A+B	292.91	280.87	278.20	282.96	293.36	309.32	327.16

**PROJECT OF
OM SAI PIPE PRODUCTION**

DETAILS OF FIXED COST & VARIABLE COST

Year	1st	2nd	3rd	4th	5th	6th	7th
Capacity Utilization	60%	65%	70%	70%	70%	70%	70%
(A) Sales	206.00	252.00	272.00	288.00	305.00	320.00	338.00
(B) Variable Cost							
Raw Material	120.38	117.41	126.45	136.20	146.53	157.47	169.06
Power Cost -80%	4.42	4.79	5.16	5.42	5.69	5.97	6.27
Labour	14.32	15.52	16.71	17.54	18.42	19.34	20.31
Repair & Maintaince	4.82	5.01	5.20	5.46	5.74	6.02	6.32
Admin Exp -40%	3.02	3.17	3.33	3.40	3.46	3.53	3.60
Selling Exp	5.15	6.30	6.80	6.94	7.07	7.22	7.36
Interest On W/c	1.65	1.65	1.65	1.65	1.65	1.65	1.65
Total (B)	153.76	153.85	165.30	176.61	188.57	201.21	214.58
(C) Contribution (A-B)	52.24	98.15	106.70	111.39	116.43	118.79	123.42
(D) Fixed Cost							
Power Cost -20%	1.11	1.20	1.29	1.35	1.42	1.49	1.57
Admin Cost - 60%	4.53	4.76	4.99	5.09	5.20	5.30	5.41
Interest on Term Loan	22.29	18.86	15.43	12.00	8.57	5.14	1.71
Depreciation	35.64	30.92	26.85	23.33	20.28	17.65	15.37
Total (D)	63.56	55.73	48.56	41.78	35.47	29.59	24.06
(E) P/V Ratio (C/A)	25.36%	38.95%	39.23%	38.68%	38.17%	37.12%	36.52%
(F) BEP In Rs. (D/E)	250.67	143.10	123.79	108.01	92.93	79.71	65.90

CALCULATION OF INTERNAL RATE OF RETURN

Year	0	1	2	3	4	5	6	7
Net Profit After Tax		-7.53	37.76	53.80	64.35	75.87	83.73	93.49
Add: Depreciation		35.64	30.92	26.85	23.33	20.28	17.65	15.37
Initial Investment	279.36	28.11	68.68	80.64	87.67	96.15	101.38	108.86
Discounting Factor								
10.00%		0.91	0.83	0.75	0.68	0.62	0.56	0.51
25.00%		0.80	0.64	0.51	0.41	0.33	0.26	0.21
Discounting Values								
10.00%		25.55	56.76	60.59	59.88	59.70	57.23	55.86
25.00%		22.49	43.96	41.29	35.91	31.51	26.58	22.83
NPV @10%	96.22							
NPV @25%	-54.80							
IRR =	Lower Rate	+	$\frac{(NPV \text{ at Lower Rate})}{(NPV \text{ at lower Rate} - NPV \text{ at Higher Rate})}$			X	(Higher Rate-Lower rate)	
=	10%	+	$\frac{96.22}{151.02}$			X	15.00%	
=			<u>19.56%</u>					