PROJECT PROFILE

ON

Spinning Mill
(14400 Spindles)

PREPARED BY

Formerly Andhra Pradesh Industrial & Technical Consultancy Organisation Limited

8th Floor, Parishrama Bhavan,
Basheerbagh, Hyderabad

1. Introduction:

Spinning in conversion of fibers into yarn. These fibers can be natural fibers (cotton) or manmade fibers (polyester). Spinning also entails production of manmade filament yarn (yarn that is not made from fibers). Final product of spinning is yarn. Cotton value chain starts from Ginning that adds value to it by separating cotton from seed and impurities. Spinning is the foundation process and all the subsequent value additions i.e. Weaving, Knitting, Processing, Garments and Made ups, depend upon it. Any variation in quality of spinning product directly affects the entire value chain.

2. Market:

The world cotton cultivation area and cotton production are estimated at around 30-31 million hectares and 20 million tons respectively. The biggest cultivators of cotton are America, India, China, Egypt, Pakistan, Sudan and Eastern Europe. India is the third largest producers of cotton after USA and China. USA has a considerable share in world exports. India and China both fall short of their domestic requirement and are net importers. Andhra Pradesh is 3rd largest state in India which grows cotton. Among the consumers China leads the way being followed by India, Pakistan, USA and Turkey.

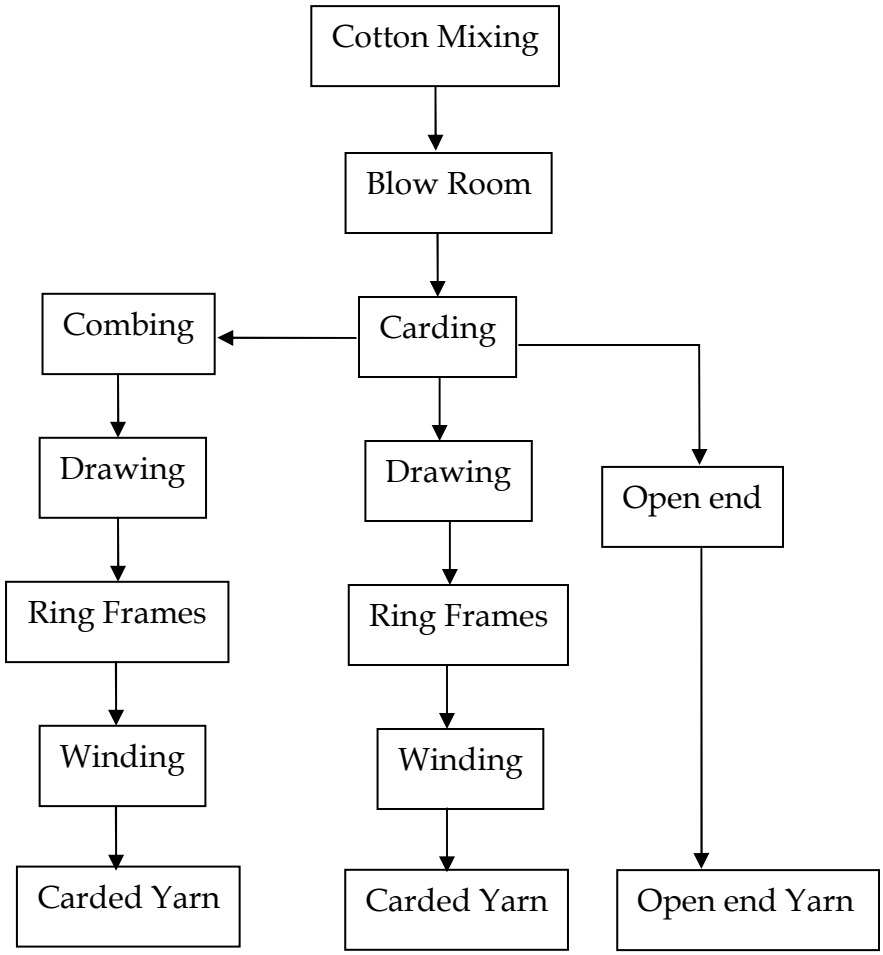
Indian Textile Industry contributes 4% to the GDP of the country, it contributes 14% to Industrial Production, 9% of excise collections, 18% of employment in industrial sector, and has 16 % share in country's export. Textile industry provides employment to 35 million people in India.

3. Raw Material:

The main raw material for the spinning process is Ginned cotton will be available in Bales of 170 Kgs/bale.

4. Manufacturing Process& Technology

Spinning process is shown in the flowchart given below. Cotton which is in the form bales is fed to blow room followed by various operations like carding and combing depends on the requirement. The final yarn of required specifications are met through these operations and winded.



5. Technology:

The Plant & Machinery required for the Spinning Mill process for manufacturing yarn of different counts are blow room machinery, metal detection system, spark diversion system, carding machines, card accessories, draw frame (Finisher & Breaker), speed frame, combers, ring frame, electrical infrastructure, yarn testing

instruments, humidification and waste collection system and automatic cone winding machine etc.

6. Investment:

The investment for setting up a spinning mill with a capacity of 14400 spindles works out to **Rs. 26.90 Crores** and the break up of the cost is tabulated below.

The land requirement will be around 2.5 acres. The Preliminary & Pre-operative expense works out to Rs 1.36 crores. Plant & Machinery including installation, erecting & transportation charges are of 16.91 Crores. Buildings and civil works are estimated to be 6.55 Crores. Errection & Transportation and electricity deposits have been considered in the project cost. Margin money for working capital is estimated to be 1.60 Crores.

Table 1: Project Cost

S.No.	Description	Cost (Rs in Crores)
1	Land & Site Development	0.08
2	Buildings & Civil Works	6.55
3	Plant & Machinery (Indigenous)	12.47
4	Plant & Machinery (Imported)	4.44
5	Errection & Transportation	0.20
6	Electricity Deposits	0.20
7	Preliminary Expenses	0.10
8	Preoperative Expenses	1.26
9	Margin Money for Working capital	1.60
Total Project Cost		**26.90**

Means of Finance

The project is proposed to finance with a debt equity ratio of 2.26:1 and the means of finance is as follows:

Table 2: Means of Finance

S.No.	Sources of Funds	Cost (Rs in Crores)
1	Share Capital - Equity	8.24
2	Term Loan	18.66
	Total	**26.90**

7. Profitability Assumptions:

Basic assumptions of the spinning mill are given in the table below:

The total production per day of some of the products considered is given in the table below:

S.No	Product	Per Day Output in MTs
1	Count assumed	40's KW
2	No. of Ring Frames	12
3	Spindles for Ring Frame	1200
4	No. of shifts	3
5	No. of Days	350

The spinning mill can work at 85% for the first year, 90% in the second year and 95% is considered from third year onwards. The manpower requirement is considered at 185 personnel for various level viz. Spinning master, Accountants, casual labors, Technical & Supervisory staff and administrative staff.

8. Key Financial indicators:

The returns are adequate enough to repay the term loan in 10 years. The key financial indicators are tabulated below.

(Rs. in Crores)

S No	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1	Sales	1988.52	2380.06	2419.08	2424.51	2424.51	2424.51	2424.51	2424.51	2424.51	2424.51
2	Total Expenditure	1213.32	1696.78	1675.67	1684.40	1687.01	1687.55	1690.16	1695.26	1699.22	1702.03
3	PBIDT	775.21	683.28	743.42	740.10	737.50	736.96	734.35	729.25	725.29	722.48
4	PBT	551.32	295.89	371.21	387.21	407.04	429.78	453.91	478.82	505.23	536.49
5	PAT	401.50	245.61	297.14	294.87	296.94	302.50	310.31	319.79	331.23	346.71
6	Cash Accruals	460.59	363.78	415.32	413.04	415.11	420.67	428.49	437.96	449.40	464.88
7	BEP @ Operating capacity	41.16%	49.43%	50.39%	47.60%	44.74%	41.47%	37.98%	34.36%	30.51%	25.95%
8	Debt Equity Ratio	1.18	1.08	0.95	0.82	0.68	0.50	0.33	0.15	0.00	0.00
9	DSCR (Gross)	5.31	1.75	1.81	1.61	1.63	1.64	1.48	1.52	1.61	2.09
10	Average DSCR	1.79									
11	DSCR (Net)	0.00	3.05	2.90	2.16	2.11	2.03	1.66	1.66	1.70	2.12
12	Average DSCR	2.29									
13	IRR (%)	15%									

* * * * * * * * *