**SANGAL INDUSTRIES PRIVATE LIMITED**

**1.Basic Information**

|  |  |  |  |
| --- | --- | --- | --- |
| 1 | Name of the Unit | M/s Sangal Industries Pvt. Ltd. (SIPL) | |
| 2 | Constitution | Private Limited | |
| 3 | Registered Office | C/o Jitendra Traders, shop no 169/17, Court Road, Muzaffarnagar | |
| 4 | Location of the Plant | 8 Km, Khasra no. 71,72,73,83,84,85 and 86 Village Humayupur, Pargana & TehsilDistt. Muzaffarnagar, U.P. | |
| 5 | Activity | Manufacturing of Cotton Combed Compact Yarn | |
| 6 | Cost of Project (Proposed) | Rs. 73.75 Crore | |
| 7 | Limits (Proposed) | **Facilities** | (Rs. in Cr.) |
| Term Loan | 43.00 |
| Working Capital | 15.00 |
| BG | 8.00 |
| Total | 66.00 |
| 8 | Promoter | Shri Shishir Sangal | |
| 9 | Branch | SME Branch Jansath Road, Muzaffarnagar | |
| 10 | Terms of Reference | DGM (B&O) approved note dated 20/07/2021 | |

1. **Brief Introduction** 
   * SIPLis a private limited company incorporated on 04/05/2021 with the Registrar of Companies, UP with CIN no. U17299UP2021PTC145844to set-up a spinningplant formanufacturing of Cotton Combed Compact Yarn.
   * SIPL isa group company of Sidharth Group which is engaged in manufacturing of Duplex and Kraft paper. The companies of the group are M/s Sidharth Paper Private Limited,M/s Siddeshwari Paper Udyog Private Limitedand M/s Siddeshwari Industries Private Limited. The manufacturing units of the companies are located at Kashipur and Muzaffarnagar.
2. Profile of promoter
   * ShriShishir Sangalis MBA andmain promoter of SIPL. He is also Director in M/s Siddeshwari Industries Private Limitedengaged in the manufacturing of Kraft paper. He has been looking after Kraft paperplant for the last 20 years and manages all functional areas like Marketing, Finance, Production and Administration.
   * Shri Jasvir Singh is Vice president of SIPL. He is B.Tech (Textile Technology) from Government Central Textile Institute, Kanpur and Diploma in Export management from IMT, Ghaziabad. He has 33 years of experience ofmanaging plant operations of various spinning mills. He had worked in Morarjee Textile Ltd, Radiant Textile Ltd, Ginni Filaments Limited, Bhilwara Spinners Ltd, Pasupati Spinning & Weaving Mills Ltd. and Modern Syntex Ltd. at various senior positions. He will be looking after overall plant operations and marketing of SIPL.
3. **Financial performance of Associate companies**
   * M/s Sidharth Paper Private Limited (SPPL) is the parent company of the group.The company is selling different varieties of Kraft and Duplex Board. There are two plants of the company which are situated at Kashipur and Udham Singh Nagar.The financial performance of the company is given as under:

**(Amt in Cr.)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Financial Year** | **2018-19** | **2019-20** | **2020-21** |
| **Annual Turnover** | 445.24 | 408.75 | 455.61 |
| **PAT** | 9.74 | 12.19 | 9.25 |
| **Cash Accruals** | 16.71 | 20.16 | 17.25 |

* + M/s Siddeshwari Paper Udyog Pvt. Ltd. (SPUPL)is engaged in manufacturing of Duplex Board. The manufacturing unit is situated at Kashipur. The financial performance of the company is given as under:

**(Amt in Cr.)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Financial Year** | **2018-19** | **2019-20** | **2020-21** |
| **Annual Turnover** | 178.80 | 192.86 | 168.40 |
| **PAT** | 1.77 | 2.14 | 2.54 |
| **Cash Accruals** | 9.55 | 10.05 | 10.54 |

* + M/s Siddeshwari Industries Pvt. Ltd. (SIPL) is engaged in manufacturing of Kraft paper. The unit of the company is situated at Muzaffarnagar. The financial performance of the company is given as under:

**(Amt in Cr.)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Financial Year** | **2018-19** | **2019-20** | **2020-21** |
| **Annual Turnover** | 143.05 | 142.61 | 156.11 |
| **PAT** | 2.65 | 2.44 | 2.66 |
| **Cash Accruals** | 4.94 | 4.82 | 5.10 |

1. Present Proposal
   * SIPLpropose to set up Cotton Combed Compact Yarnmanufacturing plant in Muzaffarnagar. SIPL has acquired land adjoining to the existing Kraft paper manufacturing plant of M/s Siddeshwari Industries Pvt Ltd situated at Jansath Road, Muzaffarnagar.
   * The cost of project is estimated at Rs. 73.75Cr.The Term loan is estimated at Rs. 43 Cr, Working capital limit is proposed for Rs. 15 Cr and BG limit of Rs. 8.00 Cr.
   * SIPL approached SBI, SME Jansath Road, Muzaffarnagar Branch for availing credit facilities which thereby referred the proposal to Consultancy Services Cell, LHO Delhi for conducting TEV study.
2. **Products and its Usage**
   * SIPL propose to manufacture different types of Cotton Combed Yarn to be used in different textile industries.
   * Single combed yarn of SIPL would be used in knitting industry. Double combed yarn would be used in Home textile industry and Single woven yarn would be used in Suiting & shirting industry.
3. **Industry scenario**
   * ****SBI’s outlook about the industry**: As per RMD’s June 2021 outlook Bank’s Qualitative approach for Cotton yarn is “**Moderately Negative**” and Threshold level for new connection is “**SB03 and above/ AA & above**”.**
   * ****Cotton Textile Industry in India**:**Cotton textiles account for 20% of India’s total exports.The maximum production of cotton textile is in Maharashtra (38.89%) followed by Gujarat (34.54%), Tamil Nadu (6.40%). Punjab, Madhya Pradesh, Uttar Pradesh, Rajasthan, Puducherry, Karnataka, and Kerala are notable names among other cotton textile producing states.Major industrial centers of cotton textile in India are Mumbai, Ahmedabad, Vadodara, Surat, Bhavnagar, Rajkot, Solapur, Nagpur, Pune, Bhopal, Ratlam, Indore, Ujjain, Gwalior, Jabalpur, Agra, Bareilly, Kanpur, Meerut, Modinagar, Moradabad, Hathras, Varanasi, Howrah, Kolkata, Murshidabad, Patna, Amritsar, Ludhiana, Phagwara, Hisar, Bhiwani, Beawar, Bhilwara, Bangalore, Mysore, Pondicherry, Chennai, Coimbatore, Erode, Alve, Kochi, and Trichur, etc.

**Demand & Supply of Cottonin India:**

The total cotton consumption in India during 2019-20 was 26.9 million bales which is expected to reach 30 million bales,an increase of 10% over previous year. The cotton consumption of India during last 5 years is given as under:

**(Quantity in lakh bales of 170kgs)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **15-16** | **16-17** | **17-18** | **18-19** | **19-20(P)\*** |
| **SUPPLY** |  |  |  |  |  |
| Opening stock | 66.00 | 36.44 | 43.76 | 42.91 | 56.52 |
| Crop (Production) | 332.00 | 345.00 | 370.00 | 333.00 | 365.00 |
| Imports | 22.79 | 30.94 | 15.80 | 35.37 | 15.50 |
| **Total Supply** | **420.79** | **412.38** | **429.56** | **411.28** | **437.02** |
| **DEMAND** |  |  |  |  |  |
| Mill Consumption | 270.20 | 262.70 | 280.11 | 270.78 | 233.70 |
| S.S.I Consumption | 27.08 | 26.21 | 26.18 | 22.43 | 20.33 |
| NonTextile Consumption | 18.00 | 21.50 | 12.77 | 18.00 | 15.00 |
| **Total consumption** | **315.28** | **310.41** | **319.06** | **311.21** | **269.03** |
| Exports | 69.07 | 58.21 | 67.59 | 43.55 | 47.04 |
| **Total Demand** | **384.35** | **368.62** | **386.65** | **354.76** | **316.07** |
|  |  |  |  |  |  |
| **Closing Stock** | **36.44** | **43.76** | **42.91** | **56.52** | **120.95** |
| Source: Meeting of Committee on Cotton Production and Consumption (COCPC) held on 25-01-2021 Cotton Consumption:By Organized Sector Textile Mills (Non-SSI Mills) and Small Scale Spinning Mills (SSI) Units  |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Qty.in Lakh Bales** | | | | | | **Year** | **Non-SSI mills** | | **SSI mills** | | | **Avg Consumption** | | | | | **Cotton Consumption** | **Monthly Consumption** | **Cotton Consumption** | **Monthly Consumption** | | **2015-16** | 270.20 | 22.50 | 27.08 | 2.26 | | **2016-17** | 262.70 | 22.00 | 26.21 | 2.18 | | **2017-18** | 280.11 | 23.33 | 26.18 | 2.18 | | **2018-19** | 270.78 | 22.57 | 22.43 | 1.87 | | **2019-20(P)\*** | 233.70 | 19.48 | 20.33 | 1.69 | | Source: Meeting of Committee on Cotton Production and Consumption (COCPC)held on 25.01.2021 | | | | |   **Global Rank of Cotton Producing Countries:**  India ranks amongst Top 2 Cotton Producing countries and when compared to per Hectare Yields are still behind many countries. The future growth prospects for Cotton production in India is expected to bephenomenal. Making abundant raw material availability in India for future.   |  |  |  | | --- | --- | --- | | ****Rank**** | ****Country**** | ****Cotton Production****  ****(Thousand Metric Tons)**** | | 1 | China | 6,532 | | 2 | India | 6,423 | | 3 | United States | 3,553 | | 4 | Pakistan | 2,308 | | 5 | Brazil | 1,524 | | 6 | Uzbekistan | 849 | | 7 | Turkey | 697 | | 8 | Australia | 501 | | 9 | Turkmenistan | 332 | | 10 | Mexico | 297 | | | | | | | |

* + Capacity utilization increased swiftly to reach over 90% during third quarter of fiscal2021andisexpected tosustain at healthylevelsnext fiscaltoo.
  + Yarn realizations expected to remain healthy supported by both domestic and export demand primarily driven by ban on Chinese cotton by US.
  + Higher surge in yarn prices vis-à-vis cotton prices resulted in high cotton-yarn spreads in fiscal 2021; should sustain in fiscal 2022 with expectation of continued high demand.
  + Speedy recovery in export demand coupled with higher operating leverage will lead to improvement in profitability of exporters in fiscal 2022.
  + Recovery in profitability of domestic RMG (Rady Made Garment) players to lag levels seen in earlier years, due to second wave of Covid-19 infections and phased demand step-up.
  + Revenues of all three segments are returning to pre-Covid levels in fiscal 2022 driven by knitted garments and home textile segments.
  + Cotton-Yarn spreads to remain high as yarn prices likely to stay firm vis a vis cotton prices due to sustained demand which should result in operating profitability increasing by 200-250 bps.
  + RMG firms and home textile firms’ revenues to report strong growth of 20-25% in fiscal 2022; home textile also recovered faster in fiscal 2021.
  + Credit outlook positive for cotton spinners in fiscal 2022; Outlook “Stable” for RMG and home textile players.
  + Increasing Covid-19 cases and subsequent restriction on activities and localized lockdowns in various states pose downside risk to the domestic demand and will remain a key monitorable.

**(Source: Crisil Research)**

1. **Marketing**
   * SIPL propose to target different market segments for different types of cotton yarn. The details of SIPL’s products and their respective areas to be targeted for marketing is given as under:

|  |  |  |  |
| --- | --- | --- | --- |
| S. No. | Product | Market segment | Area to be targeted |
| 1 | Single combed yarn | Knitting | Delhi NCR, Ludhiana, Kolkata and Tirupur |
| 2 | Double combed yarn | Home furnishing | Meerut and Modinagar |
| 3 | Single woven yarn | Suiting & Shirting | Ludhiana, Kolkata and Mumbai |

* + Initially SIPL propose to sell their combed cotton yarn to the nearby traders/ clients situated at Meerut and Muradnagar. These traders are presently procuring cotton yarn from Panipat and Ludhiana. SIPL may have an advantage to supply cotton yarn to these clients at a competitive price.The list of such traders/ clients is given as under:

|  |  |
| --- | --- |
| **List of proposed buyers** | **Tentative Qty to be sold (MT/month)** |
| Ajit Textile, Muradnagar | 20 |
| Bhagwan Trading Co. Muradnagar | 25 |
| Sandeep Enterprises, Muradnagar | 20 |
| Bahubali Trading Co., Meerut | 20 |
| Geeta Yarn Traders, Meerut | 25 |
| M/s Prabhash Chand and Sons (HUF), Meerut | 75 |
| Shanti Swaroop & Sons, Meerut | 50 |
| Shri Paras Yarn Traders, Meerut | 50 |
| S S Enterprises, Meerut | 50 |
| **Total** | **335** |

* + SIPL also proposes to employ Yarn Agents / Dealers in prominent markets of Delhi NCR and Ludhiana to gradually increase market share.
  + In case of exports, SIPL would be in touch withYarn agents situated at Ludhiana, Delhi, Ahmedabad, Indore and Mumbai who will facilitate SIPL in export of cotton yarn on commission basis.
  + SIPL would also utilize experience of Shri Jasvir Singh (VP) for exporting combed cotton yarn directly to the countries like Egypt, Peru, Morocco, Portugal and Columbia.

1. **Manufacturing Process**

The manufacturing process has been described as under:-

**Blow room**: The 1stSequence of a Spinning Unit. This area will be having a series of machines. The Bale Plucker will open the Bales (Cotton Compressed form) automatically and through suction cotton will pass through a series of Opening, Cleaning, and Mixingmachines. The job of this process is to make the cotton Opened, Cleaned and smaller in tuft size and to make it ready prior to the next process called Carding.

**Carding**: The 2nd Sequence in Spinning is Carding, a Spinning mill will have number of Cards based on the production requirement. In Cards the clean cotton from Blow roomis further cleaned and Cotton fibres are Individualized- a very special technical condition – and will form a continuous rope like structure called Silver. In carding Machines major quality of final yarn will be produced. This is known as the Heart of Spinning – It’s said “Well Carded is Half Spun”

**Drawing (Breaker):** – 3rd Sequencein Spinning is called Drawing. In this process the Carding machine’s output in the form of Silver are being fed to Drawing machines Called Draw Frames. Around 6-8 no. of such Card Silver are fed &will pass through the machine and convert into one silver. In this process doubling& Drafting takes place, making the cotton fibers aligned& parallelization takes place in one direction.

**Lapforming**: 4th Sequence in the Combed Yarn manufacturing process. In this process a sheet of Lap is formed by putting 18-24 Nos. of Breaker Draw Frame OutputSliver in a machine called Lap Former which assembles these Slivers in the form of a Sheet called Lap which is the prerequisite for the next stage called Combing process. Lap is the feed material to a comber.

**Comber**: 5th Sequence in the Combed Yarn manufacturing process is called Combing. Feed material is a lap and the delivery product is again a Sliver. In this machine mostly Shortfibersin cotton are removed. The discharged portion of thefibersare known as Noil. The noil elimination ranges 16% - 18% for the yarn count range of 30 – 40s, based on Fiber property and desired quality of yarn. Removal of these short fibers ensures uniformity in sliver to produce good quality yarn

**Drawing (Finisher):**6thSequence in the Combed yarn manufacturing process is called Finisher Drawing. In this process 8 nos. Combed slivers gets attenuation / drafting and form again a single Sliver. In this machine the mass variation per unit length is being controlled very minutely electronically by employing anauto-leveler device in the Draw Frame.

**Roving**: In the 7th Sequence the auto-levelled combed sliver of finisher drawframe pass through Roving Making machine called Speed Frame / Simplex. In this stage the Sliver cans from Finisher draw frame are feed & this machine further drafts the sliver into a thick strand called Roving which is woundin the form a package called Roving Bobbin. Roving is the feeding material tothe final spinning Machine.

**Ring frame**: 8th Sequence is the final yarn Spinning Process. The roving finally is convertedinto yarn in this machine through two very special mechanical operations as Drafting, Twisting& Winding.Megatronics is used to control the fineness of yarn which decides the Yarn count. Automatic doffing in this machines removes the full cops of yarn from the machine and are automatically transported to the next stage.

**Automatic winding (Linkwinding)**: After Yarn production, there is a need to create suitable bigger package before it goes to the next process of weaving or knitting. In link-windingmachine this bigger package of yarn called Cone is being formed. During this process some objectionable fault of yarn is also being eliminated at very high speeds. Being Link-winding it is directly connected with the Ring Frames and the full Cop (Output package of Spinning Machine) automatically gets transferred without any manual intervention, whereby eliminating need of manual labour.

1. **Technical Feasibility**
   * The undersigned visited plant site of SIPL on 16/09/2021, his observations regarding technical feasibility of the project are given as under:

* **Land**
* The land measuring 27,613 m2 is situated at 8 Km, Khasra no. 71, 72, 73, 83, 84, 85 and 86 Village Humayupur, Pargana & Tehsil Distt. Muzaffarnagar UP.
* The land is adjacent to the existing Kraft paper manufacturing unit of Siddheshwari Industries Pvt. Ltd. which is connected to the Panipat- Khatima Highway.
* The land is agricultural and has been acquired in the name of SIPL. The CLU of the land (conversion into industrial land) is under process.
* The area of land is considered adequate for the proposed project.
* The cost of land including stamp duty and registration charges is Rs. 1.89cr.
* Building & Civil Works
* The civil works includes cost of work sheds, raw materials section, blow room & card section, preparatory & ring frame section, finishing house, H - plant, Gen Set Room, Administrative Office, lab, time office, stores, workshop, electric room, canteenetc. The details are as under: -

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Sr. No.** | **Description** | **Length/ Width** | **Area**  **(m2)** | **Rate** | **Amt in Crore** |
| 1 | Machinery Hall with Galvalume Sheet Roof raw materials section, blow room & card section, preparatory & ring frame section, finishing house, H - plant, Gen Set Room, Administrative Office, lab, time office, stores, workshop, electric room, canteen,(Including Underground Trenches, False Ceiling, RCC Ground Flooring) | 185X40 | 7400 | 5500 | 4.07 |
| 2 | Stock Godown with Galvalume Sheet Roof | 30X40 | 1200 | 4000 | 0.48 |
| 3 | Compound Wall with Iron Gates |  |  |  | 0.15 |
| 4 | Internal Roads & Drainage System |  |  |  | 0.20 |
| 5 | Site Developments |  |  |  | 0.10 |
|  | **Total** |  | **8600** |  | **5.00** |

* SIPL has engaged Steinberg Engineering Consultants, Gorakhpur for designing civil infrastructure. Steinberg Engineering Consultants was formed by the current director, Mr. Mohammad Yusuf, in the year 1994. This company has experience in a variety of projects which includes Industrial, Multi storey residential buildings and commercial mall. The List of projects executed by Steinberg Engineering Consultantsare given as Annexure-1.
* The construction area is estimated at 8,600 m2 and total cost is estimated at Rs. 5.00 cr.The average cost of construction is estimated at Rs. 540 per square feet which is considered on a lower side for such type of construction.
* Plant & Machinery
* Imported plant: SIPL propose to procure 457 nos. link winding Drums (19,584 Spindles) from M/s Saurer, Germany. The price of machine is 13,11,000 EUR.
* Saurer is a 150 year old, Switzerland based company engaged in manufacturing of Textile industry machines.The company has 2 segments i.e.Saurer Spinning Solution which offers machines for processing staple fibre into yarn and Saurer Technologies which specializes in manufacturing machine for twisting and embroidery. The company has presence in 60 countries. In India Saurerhas corporate office at Ahmedabad, Gujarat.
* In addition to that SIPL propose to purchase Contamination sorter machine from Uster, Switzerland. The price of machine is 2,21,375 CHF.
* Uster is 70 year old Switzerland based company engaged in providing textile quality solutions from fibre to fabric. The company’s quality standards are recognized as textile industry benchmark across the world. The company is serving 4,500 clients across 75 countries.Uster has installed 3.5 million systems worldwide.
* The operation functionaries are required to obtain report from D&B regarding due diligence of manufacturers from which imported machines are proposed to be procured.
* The exchange rate of Euro has been considered at Rs. 88.09 and exchange rate of CHF has been considered at Rs. 82.29 as per SBI forexcard rates dated 07/10/2021.
* The total cost of imported machines is estimated at Rs. 13.48cr.
* Indigenous Machines: Main plant machines from Blow room to Ring frame having capacity 19,584 spindlesincludes Blow room Line, Cards, Breaker Draw frame, Lap Former, Comber, Finisher Draw Frame, Speed frame, Ring Frames, Fire &Metal Protection system and other essential spares are proposed from M/s Lakshmi Machine Works Ltd (LMW), Coimbatore.
* In 1962, LMW was founded to provide Indian textile mills with the latest Spinning Technology. The company has technical collaboration with Swiss based textile machinery manufacturer Rieterand German based steel and ammunition major Krupp. LMWis a leading Textile Machinery manufacturer in India and one among the top three in the world to produce the entire range of Spinning Machinery. It caters to the domestic market as well as exports products to the Asian and Oceanic regions. LMW is engaged in manufacturing of textile spinning machinery, CNC machine tools, heavy castings and parts and components for aerospace industry.
* The company’s range of products includes card silver system, combing system, and ring spinning system. LMW operates primarily through 3 business segments such as textile machinery, machine tool, and foundry division. Its textile machinery division includes spinning preparatory machines, yarn making machines and its accessories and spares. The company’s machine tool division manufactures conventional and advanced CNC machine tools. LMW’s foundry division manufactures grey iron and ductile iron castings. The company has 4 manufacturing plants located in Perianaickenpalayam, Kaniyur, Arasur and Ganapathy in Tamil Nadu. Net revenue of the company during FY 2019-20 was Rs. 1543 cr. and profit was Rs. 45 cr.
* The detail of machinery is given as Annexure-2.
* The cost of indigenous machines including Insurance, Transportation, and Commissioning is estimated at Rs. 36.12cr.
* Hence, total cost of plant and machinery is estimated at Rs. 49.60 cr.
* Electrical equipments
* It includes 3.5 MVA transformer, electrical substation, electrical panels, cables etc. The cost of electrical equipments is estimated at Rs. 1.90 cr.
* Utilities
* Testing equipments like Top arm load gauges, Yarn count balance, Twist tester, Black board winder, Wrap reel, Trash analyser, Weighing machine and Package hardness meter are proposed to be procure from Techno Qualicon Solution Pvt. Ltd. which is a 20 year old Indian company supplying textile testing equipments to ginning and spinning mills across India.
* Other utilities like compressor, Drier, Cans, Buffing machines, Bobbins, Fire extinguishers, Scrapping machines, Roller, Pipe fitting, Tools etc. are proposed to be purchased from reputed suppliers.
* The total cost of utilities including Insurance, Transportation and Commissioning is estimated at Rs. 4.03cr.
* EPCG
* SIPL propose to avail duty exemption and GST exemption to the tune of Rs. 10.62cr. on imported and indigenous machines respectively under EPCG scheme. In lieu of this SIPL is liable to export goods worth of Rs. 52.59cr. Detailed calculation of export obligation is given as under:

|  |  |  |  |
| --- | --- | --- | --- |
| Type of machine | Duty/ GST saved  (Rs. in cr.) | Multiplication factor for Export obligation | Export Obligation amount  (Rs. in cr.) |
| Imported | 3.20 | 6.0 | 19.20 |
| Domestic | 7.42 | 4.5 | 33.39 |
| Total | 10.62 |  | 52.59 |

* Since SIPL is availing GST and duty exemption under EPCG scheme, therefore, it is required to give Bank guarantee to Custom authorities to the extent of 15% of total duty saved which is equal to Rs. 1.59cr.
* Accordingly, cost of margin money of BG at Rs. 0.40 cr. (@ 25%) has been considered in the cost of project. The particular of the scheme is given as Annexure-3.
* Contingency & Escalation:
* The major cost in cost of project is plant and machineries. The quotations of machines are basically budgetary cost estimates, which are negotiable. Hence, no additional contingencies have been provided in the cost of project.
* Preoperative Expenses
* Preoperative expenses include Consultancy fees, Salaries, Travelling expenses and other establishment expenses during construction period.Total Preoperative expenses are estimated at Rs. 1.75 Cr.
* Interest during Construction
* We have considered that project implementation will take 16 months after financial closure (considered in December 2021).
* Hence, IDC works out to be Rs. 2.00 Cr on Term loan of Rs. 43.00 Cr at rate of interest of 9% p.a.
* Installed capacity
* The daily production of cotton combed yarn from 19,584 spindles is translated to 16.60 MT per day. Accordingly, calculation of installed capacity of the unit considering 330 annual working days is given as under:

16.60 X 330 = 5478 MT say 5500 MT/ annum

* The same has been considered in the financial calculations.
* Water requirement
* The water requirement is estimated at 10,000 L/ day. The need of water shall be meet from tube wells which is to be installed at the site ensuring regular supply of water.
* Power requirement
* The power requirement for the unit is 2.60 MW for which SIPL has been sanctioned connected load of 3.50 MW from Pashchimanchal Vidyut Vitran Nigam Ltd. U.P.
* Statutory Approvals and permissions
* The status of various statutory approvals and permissions is given as under:

|  |  |  |
| --- | --- | --- |
| **Approvals Required** | **Authority to Accord** | **Status** |
| Change of Land Use (CLU) | Distt. Collector, Town Planning | Under process |
| CTE from Pollution Control Board | UP State Pollution Control Board | Obtained |
| Electricity Connection | PVVNL | Obtained |

* Implementation period
* We have considered that financial closure and disbursement would start by December 2021.The project implementation period has been considered at 16 months. The commercial operation would start from April 2023.The details of implementation period are given below:

|  |  |  |
| --- | --- | --- |
|  | **Commencement** | **Completion** |
| Acquisition of land |  | Acquired |
| Construction of civil work | Aug 2021 | April 2022 |
| Electrical works | Jan 2022 | May 2022 |
| Installation of machines | May 2022 | Feb 2023 |
| Trial operation | - | Mar 2023 |
| Commercial operation |  | Apr 2023 |

* Assessment of Working capital
* The working capital cycle is considered at 3 months. The Working capital gap is estimated at Rs. 32.37cr.and assessed bank finance is estimated at Rs. 24.28cr.Accordingly, working capital limit is estimated at Rs. 24.28 cr.

1. **Cost of Project & Means of Finance**

* The cost of project and means of finance is given below:

|  |  |  |
| --- | --- | --- |
| **S. No.** | **Particulars** | **Estimated cost**  **(Rs. in Cr.)** |
|  |
| **1** | Land and Development | 1.89 |  |
| **2** | Building & Civil Works | 5.00 |  |
| **3** | Plant & Machinery | 49.60 |  |
| **4** | Electrical Equipments | 1.90 |  |
| **5** | Utilities | 4.03 |  |
| **6** | Preoperative expenses | 1.75 |  |
| **7** | Margin for BG | 0.40 |  |
| **8** | Interest During Construction | 2.00 |  |
| **9** | Margin for Working capital requirement | 8.09 |  |
|  | **T O T A L** | 74.66 |  |
|  |  |  |  |
|  | **MEANS OF FINANCE** |  |  |
| **1** | Equity | 18.00 |  |
| **2** | Term Loan | 43.00 |  |
| **3** | Unsecured loan | 13.66 |  |
|  | **T O T A L** | 74.66 |  |
|  | Debt Equity Ratio | 1.36 |  |

1. Economic Viability

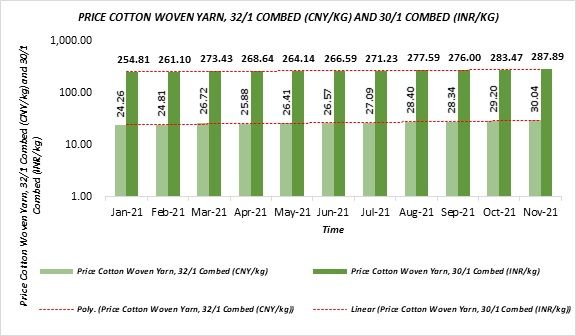
* Raw material
* The trend of average monthly procurement prices of cotton fibre has been obtained from fibre2fashion.com. The table depicting procurement price in Rs. per Kg is given as under:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Month | Jan 21 | Feb 21 | Mar 21 | Apr 21 | May 21 | Jun 21 | Jul 21 | Aug 21 |
| Price/Kg | 134.65 | 138.12 | 138.98 | 141.62 | 142.58 | 145.58 | 146.20 | 149.31 |

* Accordingly, average procurement price of cotton fibre is considered at Rs. 149 per Kg. in our profitability calculations.
* SIPL propose to procure cotton fibre from traders/ dealers of Panipat and Karnal. The particulars of such trader/ dealers are given as under:

|  |  |
| --- | --- |
| **Name** | **Monthly Procurement Qty**  **(MT)** |
| RPG Industrial Product Pvt. Ltd, Meerut | 100 |
| Isha International, Panipat | 50 |
| Aalishan Traders, Panipat | 50 |
| Paras Industries, Panipat | 50 |
| M/s Paras Wool Corporation, Panipat | 75 |
| Sumit International, Panipat | 100 |
| H.R. Overseas, Panipat | 100 |
| Kailash Textile, Panipat | 50 |
| Shree Mahadev Textiles, Panipat | 75 |
| Tirupati Fibres, Panipat | 25 |
| Surya Fabrics, Karnal | 50 |
| Ganesha Ecosphere Ltd, U. S. Nagar | 50 |
| Aqua Fiber Industries, Mohali | 50 |
|  | **825** |

* Selling price
* The trend of average monthly procurement prices of 30/1 combed cotton yarn has been obtained from fibre2fashion.com. The table depicting procurement price in Rs. per Kg is given as under:



* Accordingly, procurement price of30/1 combed cotton yarn is considered at Rs. 277 per Kg. in our profitability calculations.
* Yield
* Finished products (Thread) produced from cottonhas been considered at 70%.
* EBIDTA
* The EBIDTA margin of the companies engaged in manufacturing of cotton yarn is given as under:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S. No. | Name of the company | **EBIDTA margin** | | |
| **2020** | **2019** | **2018** |
| 1 | Sportking India Ltd. | 10.00% | 11.20% | 10.60% |
| 2 | Rajapalayam Mills Ltd. | 9.70% | 12.60% | 13.70% |
| 3 | Tribhuvan Spintex Pvt Ltd | 9.60% | 10.60% | 13.80% |
| 4 | Ginni Filament Ltd. | 7.90% | 6.90% | 8.20% |
| 5 | Radiant Textile Ltd. | 6.00% | 7.80% | 8.20% |

* There is a decrease in EBIDTA margin for the last 3 years. Accordingly, we have considered EBIDTA margin of SIPL at 9% for all years in our profitability calculations.
* Rate of Interest
* The rate of Interest for Term Loan and Working capital have been considered at 9%.
* **Repayment**
* We have considered that disbursement of Term loan shall be made inDecember 2021. The commercial operation is considered to start in April 2023.
* Moratorium period of 6 months has been proposed and monthly repayment of Term Loanis proposed to commence from October 2023.
* The last installment of the Term loan would be paid in March2032. Door-to-Door tenor of Term loan has been considered for10 years.
* **DSCR**
* Based on the above assumptions, the average Gross DSCR works out to be1.39.

1. Key Financial Parameters

* Commercial viability has been calculated based on following assumptions:
* Project Cost of Rs. 74.66 cr.
* Term Loan of Rs. 43.00 cr.
* Promoter’s Contribution Rs. 18.00 cr. and Unsecured loan Rs. 13.66 cr.
* The profitability has been calculated on the basis of 330 working days in a year.
* Capacity utilization has been considered at 85% for 1st year and 90% for remaining years.
* The landed price of raw material is estimated at Rs. 1,49,000 per MT.
* The average selling price of cotton yarn is considered at Rs. 2,77,000 per MT.
* Rate of Interest for Term Loan and Working capital have been considered at 9% per annum respectively.
* Repayment of Term Loan has been considered for 8 years and 2 months and 6 monthsmoratorium is proposed.
* Depreciation has been taken as per SLM method, as per company law act 2013.
* Electricity consumption per ton has been taken as Rs. 3 per Kgi.e.3 units x Rs. 7per unit electricity drawn from the grid.
* Based on the above assumptions, the average Gross DSCR works out to be 1.39.
* For detailed financial calculations, please refer to the following Annexures:

|  |  |  |
| --- | --- | --- |
| **S. No.** | **Details of Calculation** | **Annexure** |
| 1 | Profitability Estimates | Fin-1 |
| 2 | Working Capital Assessment | Fin-2 |
| 3 | Depreciation | Fin-3 |

1. **CONCLUSION**

* In view of the above, the project is considered Technically feasible and Economically viable.

Ravi Kaushal Date: 08/10/2021

Chief Manager

Consultancy Services Cell