Term Loan

Applicable: Yes

i) Appraisal Memorandum for Term Loan/DPG	
Project Name: Fresh term loan for setting up new unit at Halol, Panchmahal, Gujarat	Facility Name: TL
Facility ID: F00024781014	Name: Term Loan- Halol Gujrat
Facility Currency: INR	Circle: LHO DELHI
Branch: SME BRANCH RANIPUR	Company: VARAHMURTI FLEXIRUB INDUSTRIES PVT LTD

Proposal

Fresh term loan of Rs. 7.60 Crore for setting up a new unit for manufacturing of Steel Spring of different types including Foam and Rebounded Mattress along with BED Stead, Quilts, Pillows, Bed sheets, Protectors etc with an installed capacity of 72000 pcs of Mattresses and 50000 pcs of Pillows per annum on single shift basis.

Project / Purpose:

Company has 2 manufacturing plants at Haridwar and Coimbatore. Both plants are running successfully. Now, Company has decided to set up new unit at Halol, Panchmahal, Gujarat to cater western and central part of India. The promoters have already a ready market in Western and Central India and the new unit is being established to cater the industry and market in all over India. Company reported that more than 40% sales are coming from Central part of India however due to delay in delivery from Haridwar/Coimbatore, company is not able to secure and tap the market. After set up a new unit at Halol Gujrat, the cost of transportation and delivery period will be reduced and will increase the sale manifolds in coming years.

ii) Key Project Parameters

Cost		Means of Finance	
Project Cost	10.20	LC Sub-Limit within Debt	
Debt	7.60	Bank Guarantee	
Equity	2.60	Our share in Debt	7.60
D/E ratio	2.92	Our share in LC	
Tenor of Loan	90 months including 12 months moratorium	Our share in BG	
Gross Avg. DSCR	4.41	Derivative limit	
Min. security	25	Our share in Total Exposure	100
Promoter's Contribution	2.60		
Details of Sponsor, having major stake in the SPV			
NAP			

iii) TEV study

TEV study waived : Yes

Details of TEV Study(if proposed for waiver, justifications to be given)	
Proposed for waiver:	Waiver of TEV study for setting up a new unit. Company is engaged in manufacturing of spring mattresses, quilts, pillows, duvets & rubberised coir products and new unit at Halol, Panchmahal, Gujarat is the expansion of existing business in order to cater western and central part of India.
Justification for waiver:	As per circular no NBG/SMEBU-CSC/35/2019-20 dated 06 Aug 2019, the units which are in the same line of activity for which Bank has extended finance previously not to be referred to CSCs for TEV studies unless the project also involves diversification into new product lines/change in production process. The unit has already been extended finance previously for Annur Plants therefore TEV study is not applicable as per Bank's extant guidelines.

iv) Cost of Project, Means of finance and Key Project Parameters

(Amount INR in Crore)

Cost		Means of Finance			
		A. Equity	Promoter (a)	Others (b)	Total (c=a+b)
Land		i) Equity Shares			
Building	5.00	ii) Pref. Shares			0.00
P & M	5.20	iii) Internal Accurals	2.60		2.60
Other Assets		Total Equity Contribution (i+ii+iii)	2.60	0.00	(A) 2.6
Prel. and Pre-op. expenses		B.Debt			
IDC @		iii) Debentures			
Contingencies		iv) Unsecured Loans			
WC Margin		v) Others, if any			7.60
		Total Debt (i+ii+iii)			(B) 7.6
Total Cost	10.20			Total (A + B)	10.20
Debt / Equity (B / A)	2.92				
Promoter's Contribution (a / A) %	100.00				

Note

@ IDC - interest during construction, as a component of preliminary & pre-operative expenses

i. Sources of Promotor's funds to be specified, e.g. details of assets, investments to be liquidated; in case of investments from Associates - their Cash Accruals to be examined over the project implementation period with reference to past performance, current trends, debt servicing requirements/ CAPEX, cash flow comfort and other requirements

Promoters will bring in the margins by way of fresh equity infusion during the FY

ii. Internal accruals: Details relating to availability/ adequacy of surplus to be commented upon
No parts of internal accruals will be used in this project

v) Remarks on Cost of project & Means of finance (in brief):

Company has sought fresh term loan of Rs. 7.60 Crore against project cost of Rs. 10.20 Crore and shall bring its own margin of Rs. 2.60 Crore which is 25.49% of total project cost. Company contribution shall come through internal cash accruals which is estimated and projected of Rs. 7.45 Crore and Rs. 9.55 Crore in FY 2021-22 and FY 2022-23 respectively. Promoters have already purchased land from their own sources which is not part of the project cost and taken separately under collateral security for all loans. Company is proposed to purchase new machines from the reputed suppliers. The make & model of the machines are of repute & already some of the machines are installed at existing plants from the proposed suppliers. We have verified the list of suppliers as submitted by the promoters and they are of repute & already in business relation with the company. We will ensure to obtain opinion report of major suppliers as a due diligence part before disbursement of term loan. We will remit direct payment to the supplier & will ensure end use of funds.

vi) Project Implementation & Disbursement Schedule

1. Location
Block No. 26/1, Village- Ujeti, Tehsil-Halol, Distt-Panchmahal, Gujarat Pin 389350.
2. Land
The company has already acquired Industrial land admeasuring 10609.61 Sq. Mt in Block No. 26/1, Village- Ujeti, Tehsil-Halol, Distt-Panchmahal, Gujarat on the outskirts of Baroda and close to NH-8 (connects to Delhi to Mumbai) in the name of Varahamurthi Flexirub Industries Pvt Ltd.
3. Production factors / Technical Aspects
Company is already running a manufacturing plant at Annur and Coimbatore and the proposed loan for setting up a new unit for the same line of activity at Halol, Gujarat.
4. Lender's Independent Engineer / Insurance Consultant / Legal Consultant
NAP
5. Marketing & Selling Arrangements
The promoters have already established market for steel spring mattress throughout India under their two-divisions situated at Haridwar and Coimbatore. The products are being marketed under the brand name of SPRINGFIT which is well accepted in the market. The products are marketed directly as well as through Dealers. The company shall use the existing network of dealers and distributors of SPRINGFIT Mattresses throughout the country. The company also cater the high end customer through online channels using different online portals i.e Amazon (Cloudtail India Pvt Ltd) Flipkart, Snapdeal, Pepperfry and Homeship18. Company is also selling the mattress in its own website www.springfit.com. Company is also supplying the products to different big brands some of them are Lifestyle International Pvt Ltd, Praxis Home Retail Ltd, Godrej & Boyce MFG Co. Ltd, HSIL Limited (Evok) etc.
6. Any Other Factors
MANUFACTURING PROCESS: The major raw materials to manufacture Steel Spring Mattresses is Steel Wire, Cloth, Foam and Felt. The Steel Wire is converted into coils with the help of the coiling machine and then the coils are moved to the assembling machine where the coils are fixed with felt. Simultaneously cloth and foam are moved

into Quilting Machine where they are converted into Quilted Cloth cover. The coils covered with felt covering and quilted cloth cover stitching are joined together by quilted cloth coverage. The edges are taped with the tape edge machine. The mattresses are than moved in the finished goods godown. The manufacturing process of Quilts and pillows involves cutting of Cloth, stitching, filling and covering which is done on fully automatic machine.
7. Utilities
RAW MATERIALS REQUIREMENT: The basic raw materials for manufacturing of Steel Spring Mattresses is Steel Wire which springs are formed, coir sheets, cloth for covering, PU Foam Sheets etc. All the raw materials are available indigenously from open market through traders or directly from manufacturers which is very good for Springfit Mattress. The raw materials for manufacturing of Quilts and pillows comprises of cloth, thread, fiber and polyfill which are available indigenously from open market through traders or directly from manufacturers. SITE: The site shall be having all the infrastructure facilities in the shape of availability of power, labor and well- connected roads. WATER: Water is not required in the manufacturing process. However, the requirement of Drinking Water and for other human consumption shall be met from the Govt Supply. MAN POWER REQUIREMENTS: Man power requirements are estimated at 75 persons and the same would be recruited from the local state.

8. Approvals and Clearances

Industrial License: Not Obtained
Company submitted that industrial, clearance from PCB and Environment Clearance shall be given by the concerned department after inspecting the running unit. The department check the level of pollution and then allotted the licence to the company. However, the company has applied for the same which shall be obtained in due course. Undertaking from the borrower to submit the required licence shall be obtained.
Technical Collaboration Agreement: Not Required
Import License for P&M: Not Required
Approval from SEBI for Capital Issues: Not Required
Clearances from PCB: Not Obtained
Company submitted that industrial, clearance from PCB and Environment Clearance shall be given by the concerned department after inspecting the running unit. The department check the level of pollution and then allotted the licence to the company. However, the company has applied for the same which shall be obtained in due course. Undertaking from the borrower to submit the required licence shall be obtained.
Clearances from Forest Department: Not Required
Clearances from Municipalities: Not Required
Clearances from Local Bodies: Not Required
Environmental Clearance: Not Obtained

Other Clearance/ Approvals Required

9. Implementation Schedule:

Status Of Implementation Schedule and Disbursement Schedule:

The company intends to construct building at proposed location. Company has estimated construction cost of Rs. 5.00 Crore for construction of factory building at the rate quoted which is mentioned in annexure-10 including site development. This estimate is tentative. The rate quoted by the company is reasonable & will ensure to compare the rate with the market at the time of disbursement of term loan.

1) Implementation Schedule: a) Acquisition: Company has already acquired land and building (Area 10609.61 Sq. Mt) at Block No. 26/1, Village- Ujeti, Tehsil-Halol, Distt-Panchmahal, Gujarat.

b) Construction of Civil work: Site development and Construction of Civil work will be completed by 30.11.2022.

c) Plant and Machines: Company will order the machines from January 2022 onwards and installation and commissioning of plant and machines is expected to complete by 31.12.2022.

d) Startup/trial runs: Trail runs are expected to complete by January 2023.

e) DCCO of new unit: DCCO is expected to start from February 2023 after initially moratorium of 12 months for construction and installation of machines at the proposed site.

2) Disbursement schedule: a) Disbursement of Term loan of Rs. 7.60 Crore is expected to start from January 2022 in multiple tranches in line with the implementation schedule after receiving proportionate promoter's contribution.

b) Repayment Schedule as under: a) February 2022 to January 2023: 12 months moratorium for construction & installation of machines and trail runs. b) No moratorium for income generation as company is already running 2 plants at profitable line.

c) February 2023 to July 2029: Monthly principal repayment of Rs. 9,74,359/- per month for 77 months and last instalment of Rs. 9,74,357/- Interest will be paid as & when applied and during moratorium period.

vii) Commercial viability

(Amount INR in Crore)

Commercial Viability (Company as a whole / SPV)

Start Year : 2022-23	**End Year : 2029-30**

DSCR