

COIR SPINNING PROJECT PROPOSAL

for Credit facilities under the

Rejuvenation, Modernization & Technological
Upgradation of the Coir Industry

Name of the Unit:

Address:

Submitted to: Name of the Bank:

Branch:

Project Report of the Spinning Unit under the Rejuvenation, Modernization and Technological Up-gradation of the Coir Industry

SPINNING UNIT PROJECT

Abstract

Coir Board did conduct an intricate study to understand the dynamics of the Coir Industry. Many of the poorest people in Southern India work in the Coir Industry. Coir products are mainly agrarian in character and its basis raw material is Coconut fibre. Coconut plantations in southern India are in a state of flux, and to recover the lost ground, the Central Government in its 2008-9 budget has proposed a unique Rs 4700 Cr scheme to aid, about the Coconut replantation.

Coir Industry underwent a series of catastrophes. One sector which was badly hit by the tsunami was this sector. The dreaded Chicken Gunya, which struck by its devastating fury, took a heavy toll of the Coir worker.

Coir Board's study which explored the market dynamics that shaped the Coir Industry, both domestically and internationally, came to the conclusion that only an increased income through much-added augmented facilities, tools, and constructing a shed to enable the worker to concentrate on his work for more number of days than the pitiable 100 days in a year, would reduce the vulnerabilities. If the Coir Industry at the lower end of the pyramid has to grow, and sustain production, it needs to acquire skills, quality controls, networks and technology based machines and equipments. These series of measures would enable the industry to meet the market needs.

It is true that a large number of workmen in parts of Kerala, Tamilnadu, Andhra and Karnataka, Orissa, West Bengal, depend on the Coir Industry to earn a living. Furthermore, more than 80% of these workers are gender specific. The women: men ratio is of the order of 80:20. Most of the Coir industries are dotted in the rural areas. Coir, or coconut fibre, plays an important role in sustaining the livelihoods of a large number of people in the Southern, and North-Western provinces of India. . Coir fibre extraction, spinning, and weaving, and the processing of other coir products are a source of employment for many people – women in particular - who have few other options available to them. The coir industry is also an important source of income for women in the fishing communities along the western and southern coasts. The industry plays a unique role in expanding the national economy as well as in consolidating India's position within international markets for coir products. Furthermore, the industry has an indirect impact on the economy through its influence on the transportation, marketing, and financial businesses.

Recent research has shown that markets play an important role in livelihood development and poverty reduction. Markets and the relationships among stakeholders are therefore an important aspect of livelihood analysis, and recognition of the failure of markets to serve the interests of the poor is crucial in such an analysis. Given the significance of the coir industry to the income of the people in southern India, it is important to understand the market dynamics that shape the industry within local and global settings with a view toward bringing sustainable development to the whole sector.

REVIEW OF THE COIR INDUSTRY

In India, the coir industry is characterized by a traditional, labour-intensive, largely female, white-fibre industry in Kerala and the more modernized, mechanized, export-oriented, brown-fibre industry in the Tamilnadu and Karnataka. (Pliable white fibres are harvested from the husks of green coconuts and stiffer brown fibres are extracted from husks of mature nuts.) An estimated 40 percent of fibre comes from traditional coir areas in India, whereas much of the production and 85 percent of the fibre units are based in Kerala. There has been large concentration of coir pith manufacturing units in Tamilnadu, and Karnataka has sound Rubberized mattresses making units. The current India's annual production of coconut is around 12.4 billion nuts.

OVERVIEW OF GLOBAL COIR INDUSTRY MARKETS

Sri Lanka is the single largest supplier of brown coir fibre to the world market, and together with India accounts for almost 90 percent of global coir exports. An estimated 510,000 metric tons of coir fibre are produced each year around the world, according to the United Nations Food and Agriculture Organization (UNFAO). Global demand for coir products declined between the 1980s and 1990s, as synthetic fibres found widespread popularity as a substitute for natural coir products. Since the late 1990s, however, that trend has reversed, with coir products again finding favour among consumers.

Greater demand for woven coir mats in India in recent years has fueled a steady rise in the global coir market. Tufted Mats are also posting steady growth. Growth of the global market has also been driven by growing demand for natural fibre products from consumers in developed countries as well as in China and other emerging markets. In addition, there is growing global demand for natural geotextiles (erosion-control materials), good quality twine for horticultural products, and coir pith as a substitute for peat. Yet

synthetic fibres continue to threaten the coir industry globally, despite rising awareness of the health and environmental benefits of natural fibres. Stagnating international coir prices have also eroded the profitability of coir production

India produces four main categories of coir fibre: bristle, mat, mixed, and mattress. These fibres are either sold as raw material in the international market or processed into products such as brooms, brushes, rope, twine, matting, woven and stitched geotextiles, rubberized coir mattresses, and upholstery. Coir-related exports accounted for 10 percent of Indian agricultural exports, over 0.12 percent of all exports, and 0.001 percent of GDP in India in 2008. Total export earnings of the entire coconut and coir industry in 2008 were \$141 million in 2006-7. Fibre export earnings increased by 24 percent in 2006-7, while fibre pith exports increased by 113 percent between 2002-7. The Indian Inland market has a turnover of coir products over Rs 1300 Cr in 2006-7, a major chunk coming from the Coir mattresses industry which has been growing with an effective growth rate of 20%+. The basis raw material required is the Coir Yarn, which is supplemented by the Spinning industry.

Coir Industry's Paradigm shift:

Coir industry underwent a paradigm shift during the third millennium. In order to understand this shift, we need to have better understanding of the existing local and global market channels for coir products at different levels of production, including small-, medium-, and relatively large-scale producers and cooperatives; further, we need to analyze the current policies pursued by the government and international agencies, including the World Trade Organization, and their effect on the coir industry, and to identify strategies that can help ensure that poor workers benefit as the coir industry increases its capacity to serve a global marketplace.

Coir Board came to the conclusion that there was a need to bring in the smaller players who were at the lower orb, and through methodic steps, these Coir workers needed financial support to first, acquire new machinery by throwing away the dilapidated, useless, worn-out ones which has served more than 80 years of life, help them construct a roof over their workplace so that rain or shine, they could carry on with their occupation undeterred, throughout the year. With the present penury situation that they are placed in, they have no way of augmenting their existing savings to buy even an ordinary tool, much less invest in buying machineries. Coir Board's present scheme, will help the vital sector, to augment his capacity, increase his production, expand his business boundary, establish market links with the help and support of Coir Board so that he is assured of a decent income.

Capital infusion is an inevitability at the lower fulcrum of the industry; skill upgradation, technological upgradation, innovative tools very necessary for Coir Industry's orderly growth; entrepreneur development a must if the spinning worker has to graduate to a producer in his own right; and, market linkages between the spinner and the intermediary manufacturer, if the industry has to achieve its higher productivity, fetching him higher income.

Rejuvenation, Modernization & Technology Up-gradation Scheme specifics:

- To modernize the spinning unit by providing it with new machineries to supplement their dilapidated/old ones;
- To assist the spinner unit members to acquire proficiency in the operation of modern machines through training schemes;
- To enable the Coir worker to upgrade their status to a "producer" of goods and earning wages and profits as against their earning 'wages' alone;
- To achieve higher utilization of husk from the general 40%;

- To increase utilization of Raw materials abundantly available for effective use by the processing industry;
- To beget value for the materials producer by the spinner/tiny-household sectors;
- To promote opportunities for technological innovation, development, knowledge creation, market access amongst the various stakeholders in the Coir sector;
- To create a cadre of specialized group of Coir employees, upgrading their skills, raising their standard of living;
- To provide social security to the workforce;
- To create inclusive growth for the vulnerable sections of society like SC/ST and development of the NER;
- To undertake periodic social auditing; etc.

Spinning Unit project

The spinning of Coir fibre into yarn takes place exclusively in coastal villages as Household cottage industry. Unlike the other textile fibres, the Coir yarn is normally spun into a 2-ply and in certain cases to 3-ply yarn. The spinning of Coir fibre is done either by the hand or by the use of the spinning wheels or ratt or char'ka, motorized traditional ratt, motorized ratt or automatic spinning machine. The motorized Ratt reduces drudgery of the workers involved in the spinning of Coir yarn. The motorized ratt can yield Coir yarn of uniform twist and runnage. It has a linear output of 2400 meters/day, easy to maintain and requires less working space.

The spun yarn in lengths of 15 to 25 meters is reeled into hanks. Depending on the quality of the Yarn, the production of a ratt is estimated at about 10 to 18 Kg yarn per day for 3 persons working for 8 hours. The Coir Yarn produced by the unit in the form of re-hanked or spools are in great demand in the processing units. The selling price of Yarn is Rs 28/Kg. At present, the yarn produced by

the Spinners is collected by middlemen who convert them to spools and supply to the processing units.

The spinning activities in the Coir Industry provide and generate employment for the common workers by setting up Household units. Gender employment is one of the direct results achieved by this sector. The Scheme envisages providing financial assistance and technical support leading to further empowerment of women. The wage sector in the sector is very low to the low productivity and low working hours put by the existing worker (5 hrs/ a day). They do not get work for a minimum of 100 days (they do not have roof over their working places; hence during horrid summer and inclement monsoons, they cannot work). Due to low wage structure, new workers are not attracted; drudgery also inhibits new comers.

By acquiring machineries, and equipments, through financial assistance, the worker is enabled to become a "producer", through direct and indirect support, he is put on course to beget orders; with continuous uninterrupted raw material supply he can make quality products which fetch him a decent price. The improvements in infrastructure enable him to work for more number of days (250 days in a year).

Aside from the cost of machines, the construction of a shed is in-built into the out-lay of the Scheme.

One single unit provides jobs for 8 skilled workers and at least 2 unskilled workers.

The Individual Outlay for the Spinning Unit is given below:

Sl No.	Description	Total Outlay
1.	Machinery	Rs 1,10,000
2.	Work shed	Rs. 80,000
3.	Accessories	Rs. 10,000
4.	Total:	Rs 2,00,000

Capital Outlays for the Spinning category:

Sl No.	Description	Total Outlay
1.	Grant from Government	Rs 80,000
2.	Individual Investment	Rs 10,000
3.	Term Loan from Bank	Rs 1,10,000
4.	Total:	Rs 2,00,000

Periodicity of the Term Loan : 5 years

Release of subsidy by

Banks:

Back ended subsidy

Term Loan:

8.5 % to 9.5%

The term loan is covered under the Credit Guarantee Fund Trust for Small Industries under the Office/of the Development Commissioner, Ministry Of Micro Small Medium Enterprises. The one time guarantee fee (1% of the term loan) of Rs 1100/- for this sector, upfront and an annual premium (0.5% of this term loan) of Rs 550/- need to be paid. The premium is collected on the outstanding amount which shall reduce on the diminishing returns of the loan amount. This has to be borne by the beneficiary. The Bank which is granting the loan shall debit the beneficiary for the one time fee as well as for the annual premia, as the conditions of the Credit Guarantee Trust Fund

Scheme envisage that an agreement to be signed between the lending institution with the Trust. The subsidy retained by the Bank shall command no interest.

The Schedule of Return of Term loan by the beneficiary:

Total Loan:Rs 1.10 lakhs	Instalment Repayable	CGFSI Service Fees payable by beneficiary*	Interest Payable on diminishing Balance (Interest @ 8.5%)
I Year	Rs 22,000.00	Rs 550-00	Rs 9,350
II Year	Rs 22,000.00	Rs 440-00	Rs 7,480
III Year	Rs 22,000.00	Rs 330-00	Rs 5,610
IV Year	Rs 22,000.00	Rs 220-00	Rs 3,740
V Year	Rs 22,000.00	Rs 110.00	Rs 1,870
Total:	Rs 1,10,000.00	Rs 1650-00	Rs 28,050

(* One-time Guarantee fee of Rs 1100/- upfront need to be paid

Eligibility:

Units/ any entrepreneur/SHG/NGO/group of workers engaged in the production of traditional Coir products like Coir Mats, Matting, Carpets, rope, rubber backed Coir products, Coir pith processing industries etc registered with Coir Board under R&L Rules, 1958/Coir Co-operatives, and new entrepreneurs are eligible for assistance.

The unit members should prove that they have worked for a minimum of 3 years in any Coir manufacturing unit. They shall also satisfy to the Board that they have sufficient lands where they can put up a pucca shed. They have to obtain Invoices from reputed registered manufacturers, and these machineries shall be approved by the Technical experts in the Board and approved.

The Applicants will be selected by a Committee of the Coir Board which has expertise, along with additional members like SLBC representative, Industries Dept representative, etc. The selection will be on first-cum-first served basis.

The following documents are produced to the Bank Branch for availing the loan:

- a. A Copy of the title deed of the property on which the unit is proposed to be located/ already located
- b. The prescribed application form for Scheme assistance
- c. Proof of Coir Industry experience
- d. Any training facility availed from Coir Board
- e. Machineries proposed for purchase along with Invoice (must be endorsed by the technical experts of Coir Board)
- f. MSME acknowledgement issued by DIC
- g. Industrial Establishment Certificate issued by Coir Board
- h. Chartered Engineer's drawing with estimate for construction of shed
- i. Any other document to support the application like SC/ST/OBC certificate
- j. Any other supporting document
- k. Project profile

PROJECT ARITHMETIC

COST OF THE PROJECT

WORKSHED	80000.00
PLANT & MACHINERY	
4 Nos SPINNING RATT	16000.00
1 No FIBRE CLEANING MACHINE	34000.00
2 No COIR YARN REHANKINGEQUIPMENT	10000.00
MECHNISED COIR YARN BOBBIN WINDING MACHINE-2 HEADS	50000.00
TOOLS & ACCESSORIES	10000.00
WORKING CAPITAL REQUIREMENT	25000.00
TOTAL	<u>225000.00</u>

MEANS OF FINANCE

PROMOTER'S CONTRIBUTION	15000.00
TERM LOAN FROM BANK	110000.00
GRANT FROM COIR BOARD	80000.00
WORKING CAPITAL ASSISTANCE FROM BANK	20000.00
TOTAL	<u>225000.00</u>

Note: Promoter's contribution includes Rs 10000.00 towards term loan and Rs 5000.00 for working capital assistance.

PROJECTED BALANCE SHEET					
YEAR	1	2	3	4	5
LIABILITIES					
PROMOTER'S CAPITAL	43197.50	74055.00	104443.50	136206.75	171201.75
TERM LOAN FROM BANK	88000.00	66000.00	44000.00	22000.00	NIL
WORKING CAPITAL LOAN FROM BANK	20000.00	20000.00	20000.00	20000.00	20000.00
TOTAL	151197.50	160055.00	168443.50	178206.75	191201.75
ASSETS					
FIXED ASSETS	103600.00	89500.00	77371.00	66931.75	57941.75
CURRENT ASSETS					
SUNDRY DEBTORS	23520.00	17160.00	17610.00	18060.00	18510.00
CLOSING STOCK	31200.00	63600.00	99000.00	136800.00	177000.00
CASH IN HAND & AT BANK	7332.50	15632.50	2980.00	276.50	290.00
TOTAL (A)	62052.50	96392.50	119590.00	155136.50	195800.00
CURRENT LIABILITIES					
SUNDRY CREDITORS	14455.00	25837.50	28517.50	43861.50	62540.00
TOTAL (B)	14455.00	25837.50	28517.50	43861.50	62540.00
NET WORKING CAPITAL (A) -(B)	47597.50	70555.00	91072.50	111275.00	133260.00
TOTAL	151197.50	160055.00	168443.50	178206.75	191201.75

Note:

- 1 Promoters contribution includes promoters contribution for term loan and working capital loan and profit for each year.
2. Sundry Debtors is taken to be 7 days sales for year. Thereafter the credit period is kept at 50 days sales.
- 3.Sundry creditors is taken to be 7 days purchase on an average. Thereafter it is expected to get an average credit of 15 days from suppliers
- 4.Number of working days is taken to be 300.

PROJECTED PROFIT & LOSS ACCOUNT

YEAR	1	2	3	4	5
INCOME (AS PER ANNEXURE 1)	1008000.00	1029600.00	1056600.00	1083600.00	1110600.00
TOTAL (A)	1008000.00	1029600.00	1056600.00	1083600.00	1110600.00
EXPENDITURE (AS PER ANNEXURE 2)					
RAW MATERIALS	538200.00	516750.00	503250.00	487350.00	469050.00
WAGES	384000.00	426000.00	468000.00	510000.00	552000.00
TRANSPORTATION LOADING & UNLOADING	15000.00	16500.00	18150.00	19965.00	21961.50
POWER CHARGES	10000.00	11000.00	12100.00	13310.00	14641.00
BANK INTEREST ON TERM LOAN	5520.00	5580.00	5640.00	5700.00	5760.00
ON WORKING CAPITAL LOAN	8882.50	7012.50	5142.50	3272.50	1402.50
DEPRECIATION	1800.00	1800.00	1800.00	1800.00	1800.00
TOTAL (B)	16400.00	14100.00	12129.00	10439.25	8990.00
NET PROFIT FOR THE YEAR	979802.50	998742.50	1026211.50	1051836.75	1075605.00
	28197.50	30857.50	30388.50	31763.25	34995.00

PROJECTED FUND FLOW STATEMENT

YEAR	1	2	3	4	5
INFLOW OF FUND					
PROMOTERS CONTRIBUTION	15000.00	NIL	NIL	NIL	NIL
FUND FROM OPERATION	44597.50	44957.50	42517.50	42202.50	43985.00
TERM LOAN FROM BANK	110000.00	NIL	NIL	NIL	NIL
GRANT FROM COIR BOARD	80000.00	NIL	NIL	NIL	NIL
WORKING CAPITAL LOAN FROM BANK	20000.00	NIL	NIL	NIL	NIL
TOTAL	269597.50	44957.50	42517.50	42202.50	43985.00
APPLICATION OF FUND					
CONSTRUCTION OF WORK SHED	80000.00	NIL	NIL	NIL	NIL
PURCHASE OF 4 Nos. SPINNING RATE	16000.00	NIL	NIL	NIL	NIL
PURCHASE OF 1 No. FIBRE CLEANING	34000.00	NIL	NIL	NIL	NIL
MACHINE					
PURCHASE OF 2 No. COIR REHANKING	10000.00	NIL	NIL	NIL	NIL
EQUIPMENT					
PURCHASE OF COIR YARN BOBBIN WINDING	50000.00	NIL	NIL	NIL	NIL
MACHINE					
PURCHASE OF TOOLS & ACCESSORIES	10000.00	NIL	NIL	NIL	NIL
REPAYMENT OF TERM LOAN	22000.00	22000.00	22000.00	22000.00	22000.00
INCREASE OF WORKING CAPITAL	47597.50	22957.50	20517.50	20202.50	21985.00
TOTAL	269597.50	44957.50	42517.50	42202.50	43985.00

PROJECTED DEBT SERVICE COVERAGE RATIO

YEAR	1	2	3	4	5
NET PROFIT	28197.50	30857.50	30388.50	31763.25	34995.00
DEPRECIATION ON FXED ASSETS	16400.00	14100.00	12129.00	10439.25	8990.00
INTEREST ON TERM LOAN	8882.50	7012.50	5142.50	3272.50	1402.50
INTEREST ON WORKING CAPITAL					
LOAN	1800.00	1800.00	1800.00	1800.00	1800.00
TOTAL (A)	55280.00	53770.00	49460.00	47275.00	47187.50
REPAYMENT OF TERM LOAN	22000.00	22000.00	22000.00	22000.00	22000.00
INTEREST ON TERM LOAN	8882.50	7012.50	5142.50	3272.50	1402.50
INTEREST ON WORKING CAPITAL					
LOAN	1800.00	1800.00	1800.00	1800.00	1800.00
TOTAL (B)	32682.50	30812.50	28942.50	27072.50	25202.50
DSCR (A)/(B)	1.69	1.75	1.71	1.75	1.87
AVERAGE DSCR	1.75				

COMPUTATION OF BREAK
EVEN SALES

SALES	<u>1008000.00</u>
TOTAL (A)	<u>1008000.00</u>
VARIABLE COST	
RAW MATERIALS	538200.00
WAGES	384000.00
TRANSPORTATION	15000.00
LOADING & UNLOADING	10000.00
POWER CHARGES	5520.00
TOTAL (B)	<u>952720.00</u>
CONTRIBUTION (A)- (B)	55280.00
FIXED COST	
BANK INTEREST	10682.50
DEPRECIATION	16400.00
TOTAL FIXED COST	<u>27082.50</u>
BREAK EVEN SALES	493834.30

SCHEDULE 1: SCHEDULE OF INCOME

YEAR	1	2	3	4	5
SALES					
QUANTITY PER MONTH	3000	3000	3000	3000	3000
SELLING PRICE	28.00	28.60	29.35	30.10	30.85

SCHEDULE 2 : SCHEDULE OF EXPENDITURE

RAW MATERIAL (QUANTITY PER MONTH)

OPENING STOCK	NIL	200	400	600	800
PURCHASE	3650	3650	3650	3650	3650
PRODUCTION	3000	3000	3000	3000	3000
WASTAGE	450	450	450	450	450
CLOSING STOCK	200	400	600	800	1000
COST PER KG	13.00	13.25	13.75	14.25	14.75

COST OF RAW MATERIAL PER MONTH

44850.00	43062.50	41937.50	40612.50	39087.50
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POWER CHARGES PER MONTH

460	465	470	475	480
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WAGES

SKILLED LABOUR

NUMBER OF LABOURERS	10	10	10	10	10
LABOUR CHARGES PER DAY	100.00	110.00	120.00	130.00	140.00

UNSKILLED LABOURERS

NUMBER OF LABOURERS

LABOUR CHARGES PER DAY	4	4	4	4	4
	70.00	80.00	90.00	100.00	110.00

SCHEDULE 3: SCHEDULE OF FIXED ASSETS

YEAR	1	2	3	4	5
FACTORY SHED	28800.00	25920.00	23328.00	20995.20	18895.68
PLANT & MACHINERY	74800.00	63580.00	54043.00	45936.55	39046.07
TOTAL	<u>103600.00</u>	<u>89500.00</u>	<u>77371.00</u>	<u>66931.75</u>	<u>57941.75</u>

SCHEDULE 4: SCHEDULE OF DEPRECIATION

YEAR	1	2	3	4	5
FACTORY SHED	3200.00	2880.00	2592.00	2332.80	2099.52
PLANT & MACHINERY	13200.00	11220.00	9537.00	8106.45	6890.48
TOTAL	16400.00	14100.00	12129.00	10439.25	8990.00

Note:

1. Subsidy received from Coir Board has been reduced from the cost of Factory shed and Plant & Machinery in the ratio 28:72

2. Depreciation rates for Factory Shed is 10% and Plant & Machinery is 15%

SCHEDULE OF REPAYMENT OF TERM LOAN

YEAR	HALF	OPENING BALANCE	REPAYMENT	CLOSING BALANCE
1	1st	11000.00	11000.00	99000.00
	2nd	99000.00	11000.00	88000.00
2	1st	88000.00	11000.00	77000.00
	2nd	77000.00	11000.00	66000.00
3	1st	66000.00	11000.00	55000.00
	2nd	55000.00	11000.00	44000.00
4	1st	44000.00	11000.00	33000.00
	2nd	33000.00	11000.00	22000.00
5	1st	22000.00	11000.00	11000.00
	2nd	11000.00	11000.00	NIL

YEAR	HALF	SCHEDULE OF INTEREST	
		OPENING BALANCE	INTEREST
1	1st	110000.00	4675.00
	2nd	99000.00	4207.50
2	1st	88000.00	3740.00
	2nd	77000.00	3272.50
3	1st	66000.00	2805.00
	2nd	55000.00	2337.50
4	1st	44000.00	1870.00
	2nd	33000.00	1402.50
5	1st	22000.00	935.00
	2nd	11000.00	467.50

Note:

- 1. It is assumed that the term loan will be repaid on half yearly basis.
- 2. Interest on term loan is taken @8.5% and is calculated on the balance outstanding at the beginning of each half year.
- 3. Interest on Working Capital loan is taken @9% p.a

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