

PROJECT REPORT FOR  
**AGARBATTI MANUFACTURING**



**PROMOTER:**

XXXXXXXXXXXXXXXXXXXXXX

**PREPARED BY:**

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## I. PROJECT AT A GLANCE

1. About the Promoter : **XXXXXXXXXXXXXXXXXXXXX**  
Address: xxxxxxxxxxxxxxx
  
2. Project Cost : Rs.3.00 Lakhs
  
3. Mean of Finance
  - A) T. L. facility from Bank : Rs.2.00 Lakhs
  - B) Beneficiary contribution : Rs.0.15 Lakhs
  - C) C.C. Facility from Bank : Rs.0.86 Lakhs
  - D) Subsidy : Rs.1.05 Lakhs
  
4. Rate of Interest : 11.00% Per Annum
  
5. Repayment :60 monthly installments, EMI @ 0.04 Lakhs
  
6. Nature of Project : Agarbatti Manufacturing
  
7. Employment Potential : 3 Nos.
  
8. Nature of the Firm : Proprietary Firm
  
9. Average Debt Coverage ratios : **2.74**

## **II. ABOUT THE PROJECT**

### **Introduction**

India is a vast country and the Indian people follow various religions, speak different languages and follow different customs and traditions. In spite of this diversity, all people use Agarbatti (Incense sticks) at all the places of worship, religious functions, festive occasions, weddings. This itself speaks volumes of the paramount importance Agarbatti has. Besides, it is also used as air- freshener.

Agarbatti Industry is a real employment generator and is capable of providing employment to the weaker sections of both the urban and rural populace. Most of the persons engaged in fashioning Agarbattis are women.

A salient feature of Agarbatti Industry is that raw materials are provided by Agarbatti units to artisans who do the job of rolling of Agarbatti at their home besides looking after their children and household work. This largely helps them to supplement their recent family income. Agarbatti has become a significant foreign exchange earner because of its demand in overseas markets.

### **Significant Characteristics of the Agarbatti Industry**

1. Technical-know- how is simple.
2. Sophisticated equipment are not required.
3. Implements/tools used are simple, portable and not costlier.
4. Large capital investment is not required.
5. Initially the industry can be started with a small investment even at the residence of the artisans.
6. Eco- friendly
7. Highly labour- intensive industry
8. No dependence on power supply.
9. No work related hazards.

### **Market Outlook**

India is largest incense stick maker and currently the export market for the sector is about Rs 450 crore. With the demand for branded agarbatti (incense sticks) growing at nearly 15 per cent every year.

Agarbatti, mostly a handmade product [in India], is exported to almost the entire known world from India. While many countries are known for selling unscented or raw incense sticks, India is known for its perfumed versions.

In India, a wide variety of agarbattis are available in different shapes, colours and fragrances at very competitive prices, from sandalwood to lavender, and rose to mogra.

Project For : <b>Agarbatti Manufacturing</b>
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### III. ECONOMICS OF THE PROJECT

#### A. COST OF PROJECT

(Rs. Lacs)

S.No.	Particulars	Total	Spent	Bal. To be spent
1	Plant & Machinery Agarbatti Making Machine, Weighing Scale	2.00	0.00	2.00
2	Furniture & Electricals	0.10	0.00	0.10
3	Working Capital	0.90	0.00	0.90
		<b>3.00</b>	<b>0.00</b>	<b>3.00</b>

#### Means of Finance :

a) Own Contribution (5%)	0.15
b) T L facility from Bank (95%)	2.00
c) C.C. Facility from Bank (95%)	0.86
<hr/>	
	<b>3.00</b>
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d) Subsidy Entitlement Under PMEGP scheme @ 35%	1.05

## B. PROFITABILITY STATEMENT

(Rs. Lacs)

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Sales	5.70	6.84	7.98	9.12	9.69	10.26
	Add : Increase in Cl.Stock	0.66	0.38	0.43	0.49	0.49	0.51
	Total Turnover	6.37	7.22	8.42	9.61	10.18	10.78
2	RM Consumption	3.39	4.07	4.74	5.42	5.76	6.10
3	Overheads						
	a) Direct	1.45	1.59	1.75	1.92	2.11	2.32
	b) Indirect	0.21	0.21	0.21	0.21	0.21	0.21
4	Balance	1.32	1.36	1.71	2.06	2.10	2.15
5	Interest on TL & CC	0.31	0.27	0.23	0.18	0.13	0.10
6	Depreciation	0.31	0.26	0.22	0.19	0.16	0.14
7	Preliminary expenses W/off	-	-	-	-	-	-
8	Profit after Interest & Dep.	0.71	0.83	1.26	1.68	1.80	1.91
9	Income Tax	-	-	-	-	-	-
10	<b>Profit after Tax</b>	<b>0.71</b>	<b>0.83</b>	<b>1.26</b>	<b>1.68</b>	<b>1.80</b>	<b>1.91</b>
11	Add: Depreciation & Pre Exp.	0.31	0.26	0.22	0.19	0.16	0.14
12	Add : Interest on TL	0.31	0.27	0.23	0.18	0.13	0.10
13	Cash Accruals	1.32	1.36	1.71	2.06	2.10	2.15
14	Instalments of TL & Interest	0.62	0.62	0.62	0.62	0.62	0.10
15	DSCR	2.12	2.18	2.75	3.30	3.37	-
16	Average DSCR	2.74					
17	N.P. to Total receipts	12.37	12.06	15.78	18.46	18.61	18.58

Project For :  
**Agarbatti Manufacturing**

### C. CASH FLOW STATEMENT

(Rs. Lacs)

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>A CASH INFLOW :</b>							
1	Collection from Debtors	5.47	6.56	7.65	8.74	9.29	9.84
2	T.L. from Bank	2.00					
3	CC from bank	0.86					
4	Capital	0.15	-	-	-	-	-
5	Subsidy	1.05	-				
	<b>TOTAL (A)</b>	<b>9.52</b>	<b>6.56</b>	<b>7.65</b>	<b>8.74</b>	<b>9.29</b>	<b>9.84</b>
<b>B CASH OUTFLOW :</b>							
1	Fixed Assets	2.10			-		
2	Payments to creditors	2.82	3.39	3.95	4.52	4.80	5.08
3	Direct overheads	1.45	1.59	1.75	1.92	2.11	2.32
4	Indirect Overheads	0.21	0.21	0.21	0.21	0.21	0.21
5	Interest on Bank Loan	0.31	0.27	0.23	0.18	0.13	0.10
6	Income Tax	-	-	-	-	-	-
7	Term Loan Repayment	0.32	0.35	0.39	0.44	0.49	-
8	Drawings	0.25	0.28	0.30	0.33	0.37	0.40
	<b>TOTAL (B)</b>	<b>7.45</b>	<b>6.09</b>	<b>6.84</b>	<b>7.61</b>	<b>8.11</b>	<b>8.12</b>
<b>SUMMARY:</b>							
	Op. Cash & Bank Balance.	-	2.06	2.54	3.35	4.49	5.67
	Add : Surplus / (Deficit)	2.06	0.47	0.81	1.14	1.18	1.72
	Cl. Cash & Bank Balance.	2.06	2.54	3.35	4.49	5.67	7.38

Project For :  
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**D. BALANCE SHEET**

(Rs. Lacs)

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>A</b>	<b>ASSETS :</b>						
1	Fixed Assets	1.79	1.53	1.30	1.11	0.95	0.81
2	Investments	-	-	-	-	-	-
3	Current Assets	2.97	4.10	5.68	7.69	9.76	12.42
4	Loans & Advances	-	-	-	-	-	-
5	Pre Exp. Not written off	-	-	-	-	-	-
	<b>TOTAL (A)</b>	<b>4.76</b>	<b>5.63</b>	<b>6.98</b>	<b>8.80</b>	<b>10.71</b>	<b>13.23</b>
<b>B</b>	<b>LIABILITIES:</b>						
1	Capital	1.66	2.21	3.16	4.51	5.95	7.46
2	Secured loans						
	Term Loan	1.68	1.32	0.93	0.49	0.00	-
3	Unsecured Loans	-	-	-	-	-	-
4	Current Liabilities						
	Cash Credit	0.86	0.86	0.86	0.86	0.86	0.86
	Sundry Creditors	0.56	1.24	2.03	2.94	3.90	4.91
	<b>TOTAL (B)</b>	<b>4.76</b>	<b>5.63</b>	<b>6.98</b>	<b>8.80</b>	<b>10.71</b>	<b>13.23</b>



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(Rs. Lacs)

**E. CAPITAL ACCOUNT**

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Op. Balance	-	1.66	2.21	3.16	4.51	5.95
2	Additions	1.20	-	-	-	-	-
3	Net Profit for the year.	0.71	0.83	1.26	1.68	1.80	1.91
	Sub Total	1.91	2.48	3.47	4.85	6.32	7.86
4	Less : Drawings	0.25	0.28	0.30	0.33	0.37	0.40
5	Cl. Balance	1.66	2.21	3.16	4.51	5.95	7.46

**F. PRODUCTION AND SALES**

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
	<b>Capacity utilisation</b>	<b>0.50</b>	<b>0.60</b>	<b>0.70</b>	<b>0.80</b>	<b>0.85</b>	<b>0.90</b>
1	Production per annum (MT) Agarbatti	9.02	10.82	12.62	14.43	15.33	16.23
2	Cl.Stock of Finished Goods (MT) Agarbatti	0.75	0.90	1.05	1.20	1.28	1.35
3	Sales per annum (MT) (Tot Production less Cl. Stock) Agarbatti	8.26	9.92	11.57	13.22	14.05	14.88
4	Sales per annum Agarbatti ( Selling Price @ 69,000 per MT)	5.70	6.84	7.98	9.12	9.69	10.26
	Total Sale	<u>5.70</u>	<u>6.84</u>	<u>7.98</u>	<u>9.12</u>	<u>9.69</u>	<u>10.26</u>
5	Sundry Debtors (Credit period allowed 15 days)	0.24	0.29	0.33	0.38	0.40	0.43
6	Collection from Debtors	5.47	6.56	7.65	8.74	9.29	9.84
7	Total cost of Production	4.83	5.66	6.49	7.34	7.87	8.42
8	Cost per MT	0.54	0.52	0.51	0.51	0.51	0.52
9	Value of Closing Stock	0.40	0.47	0.54	0.61	0.66	0.70

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**PRODUCTION**

S.No.	Particulars	Installed capacity (MT)	Year 1 0.50	Year 2 0.60	Year 3 0.70	Year 4 0.80	Year 5 0.85	Year 6 0.90
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1	Production of Agarbatti	18.03	9.02	10.82	12.62	14.43	15.33	16.23
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Installed Capacity Kg/ Hrs	8.00
Per Day Working Hours	8.00
Less: Lunch Hours	1.00
Net	<u>7.00</u>

Total Production per day	0.06 MT
Total production per annum	18.03 MT

Total Working Days	365.00
Weekly off	26.00
Holidays	7.00
Machine Break down	10.00
Net Working days	<u>322.00</u>

Project For :  
**Agarbatti Manufacturing**

(Rs. Lacs)

**G. RAW MATERIAL CONSUMPTION AND INVENTORY**

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Production (MT) ( Output)	9.02	10.82	12.62	14.43	15.33	16.23
2	RM Purchases	3.13	3.75	4.38	5.01	5.32	5.63

**Raw Material requirement ( Input)**

S.No.	Items	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Requirement of Raw Material	9.02	10.82	12.62	14.43	15.33	16.23
2	Requirement of Bamboo Sticks (@ 30 % ) MT	2.70	3.25	3.79	4.33	4.60	4.87
3	Purchase of Bamboo Sticks (@ Rs.69 per Kg )	1.87	2.24	2.61	2.99	3.17	3.36
4	Requirement of Premix Masala (@ 70 % ) MT	6.31	7.57	8.84	10.10	10.73	11.36
5	Purchase of Premix Masala (@ Rs.20 per Kg )	1.26	1.51	1.77	2.02	2.15	2.27
6	Total cost of R.M	3.13	3.75	4.38	5.01	5.32	5.63

Project For :  
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(Rs. Lacs)

**RAW MATERIAL CONSUMPTION AND INVENTORY**

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	RM cost for total production	3.13	3.75	4.38	5.01	5.32	5.63
2	Cl. Stock of RM ( assumed 30 days consumption)						
	O/p Stock	-	0.26	0.57	0.94	1.36	1.80
	Add : Addition	0.26	0.31	0.36	0.42	0.44	0.47
	Closing Stock	0.26	0.57	0.94	1.36	1.80	2.27
3	RM Purchases	3.39	4.07	4.74	5.42	5.76	6.10
4	Sundry Creditors (Credit period allowed 60 days)	0.56	0.68	0.79	0.90	0.96	1.02
5	Payment to creditors	2.82	3.39	3.95	4.52	4.80	5.08

Project For :  
**Agarbatti Manufacturing**

(Rs. Lacs)

**H. DIRECT OVERHEADS**

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Manpower						
a	Manager ( Self)	-	-	-	-	-	-
b	Skilled Worker 3 no.@ Rs. 3,000 per month	1.08	1.19	1.31	1.44	1.58	1.74
2	Electricity @ Rs. 630 per month	0.08	0.08	0.09	0.10	0.11	0.12
3	Transport @ Rs. 2,000 per month	0.24	0.26	0.29	0.32	0.35	0.39
4	Other Production Overheads	0.05	0.06	0.06	0.06	0.07	0.07
	Total	1.45	1.59	1.75	1.92	2.11	2.32



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(Rs. Lacs)

**J. TERM LOAN REPAYMENT AND INTEREST THEREON**

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	TL / Op. Bal.	2.00	1.68	1.32	0.93	0.49	-
2	Repayment during the year	0.32	0.35	0.39	0.44	0.49	-
3	Cl. Balance	1.68	1.32	0.93	0.49	0.00	-
4	Interest at 11 per cent p.a.	0.20	0.17	0.13	0.08	0.03	-
5	Total repayment with Interest	0.62	0.62	0.62	0.62	0.62	0.10
6	Interest on CC ( at 12 per cent p.a.)	0.10	0.10	0.10	0.10	0.10	0.10
	Total Interest	0.31	0.27	0.23	0.18	0.13	0.10

**Term Loan Repayment Schedule**

MONTHS	EMI	INTEREST	PRINCIPAL REPAYMENT	OST PRINCIPAL
0				1.995
1	0.04	0.02	0.03	1.97
2	0.04	0.02	0.03	1.94
3	0.04	0.02	0.03	1.92
4	0.04	0.02	0.03	1.89
5	0.04	0.02	0.03	1.87
6	0.04	0.02	0.03	1.84
7	0.04	0.02	0.03	1.81
8	0.04	0.02	0.03	1.79
9	0.04	0.02	0.03	1.76
10	0.04	0.02	0.03	1.73
11	0.04	0.02	0.03	1.71
12	0.04	0.02	0.03	1.68
<b>First Year</b>	<b>0.52</b>	<b>0.20</b>	<b>0.32</b>	
13	0.04	0.02	0.03	1.65
14	0.04	0.02	0.03	1.62
15	0.04	0.01	0.03	1.59
16	0.04	0.01	0.03	1.56
17	0.04	0.01	0.03	1.54
18	0.04	0.01	0.03	1.51
19	0.04	0.01	0.03	1.48



20	0.04	0.01	0.03	1.45
21	0.04	0.01	0.03	1.42
22	0.04	0.01	0.03	1.39
23	0.04	0.01	0.03	1.36
24	0.04	0.01	0.03	1.32
<b>Second Year</b>	<b>0.52</b>	<b>0.17</b>	<b>0.35</b>	
25	0.04	0.01	0.03	1.29
26	0.04	0.01	0.03	1.26
27	0.04	0.01	0.03	1.23
28	0.04	0.01	0.03	1.20
29	0.04	0.01	0.03	1.17
30	0.04	0.01	0.03	1.13
31	0.04	0.01	0.03	1.10
32	0.04	0.01	0.03	1.07
33	0.04	0.01	0.03	1.03
34	0.04	0.01	0.03	1.00
35	0.04	0.01	0.03	0.97
36	0.04	0.01	0.03	0.93
<b>Third Year</b>	<b>0.52</b>	<b>0.13</b>	<b>0.39</b>	
37	0.04	0.01	0.03	0.90
38	0.04	0.01	0.04	0.86
39	0.04	0.01	0.04	0.83
40	0.04	0.01	0.04	0.79
41	0.04	0.01	0.04	0.75
42	0.04	0.01	0.04	0.72
43	0.04	0.01	0.04	0.68
44	0.04	0.01	0.04	0.64
45	0.04	0.01	0.04	0.61
46	0.04	0.01	0.04	0.57
47	0.04	0.01	0.04	0.53
48	0.04	0.00	0.04	0.49
<b>Fourth Year</b>	<b>0.52</b>	<b>0.08</b>	<b>0.44</b>	
49	0.04	0.00	0.04	0.45
50	0.04	0.00	0.04	0.41
51	0.04	0.00	0.04	0.37
52	0.04	0.00	0.04	0.33
53	0.04	0.00	0.04	0.29
54	0.04	0.00	0.04	0.25
55	0.04	0.00	0.04	0.21
56	0.04	0.00	0.04	0.17
57	0.04	0.00	0.04	0.13
58	0.04	0.00	0.04	0.09
59	0.04	0.00	0.04	0.04
60	0.04	0.00	0.04	0.00
<b>Fifth Year</b>	<b>0.52</b>	<b>0.03</b>	<b>0.49</b>	

Project For :  
**Agarbatti Manufacturing**

(Rs. Lacs)

**K. WORKING CAPITAL**

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Total Inventory	0.66	1.05	1.48	1.97	2.45	2.97
2	Sundry Debtors	0.24	0.29	0.33	0.38	0.40	0.43
	Total	0.90	1.33	1.81	2.35	2.86	3.40
3	Bank C.C. (95 per cent)	0.86	1.26	1.72	2.23	2.72	3.23
4	Own Contribution (5%)	0.05	0.07	0.09	0.12	0.14	0.17

Project For :  
**Agarbatti Manufacturing**

(Rs. Lacs)

**L. CURRENT ASSETS**

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Cl. Stock of Materials	0.26	0.57	0.94	1.36	1.80	2.27
2	Cl. Stock of Finished Goods	0.40	0.47	0.54	0.61	0.66	0.70
	Total Inventory	0.66	1.05	1.48	1.97	2.45	2.97
3	Cash and bank Balance	2.06	2.54	3.35	4.49	5.67	7.38
4	Sundry Debtors	0.24	0.52	0.86	1.24	1.64	2.07
	Total	2.97	4.10	5.68	7.69	9.76	12.42

Project For :  
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**M. FIXED ASSETS AND DEPRECIATION**

(Rs. Lacs)

S.No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
1	Plant & Machinery						
	Op. Balance	-	1.70	1.45	1.23	1.04	0.89
	Additions	2.00	-				
	Total	2.00	1.70	1.45	1.23	1.04	0.89
	Less : Depreciation	0.30	0.26	0.22	0.18	0.16	0.13
	Cl. WDV	1.70	1.45	1.23	1.04	0.89	0.75
2	Furniture & Electricals						
	Op. Balance	-	0.09	0.08	0.07	0.07	0.06
	Additions	0.10	-				
	Total	0.10	0.09	0.08	0.07	0.07	0.06
	Less : Depreciation	0.01	0.01	0.01	0.01	0.01	0.01
	Cl. WDV	0.09	0.08	0.07	0.07	0.06	0.05
	Total Depreciation	0.31	0.26	0.22	0.19	0.16	0.14
	Cl. WDV	1.79	1.53	1.30	1.11	0.95	0.81