

# Draft Detailed Project Report

## Sirsa Furniture Cluster

### Submitted To:

Department of Industries and Commerce,  
Government of Haryana  
*(for assistance under Mini Cluster Scheme)*

November 2019

### Submitted by:

Ellanabad Modular Furniture Pvt. Ltd.

### Prepared by:

Ernst & Young LLP

*Under the project: MSME Ecosystem  
Transformation in Haryana*



Building a better  
working world

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25 November 2019

Director

Department of Industries & Commerce,

Government of Haryana

1st Floor, 30 Bays Building,

Sector 17, Chandigarh

Dear Sir/Madam,

As part of our engagement for providing consulting services for 'MSME Ecosystem Transformation in the State of Haryana', we hereby submit the Draft Detailed Project Report (DPR) for setting up of Common Facility Centre (CFC) at Furniture Cluster, Sirsa for your kind perusal. The deliverable has been prepared in accordance with our engagement agreement with Directorate of Industries, Govt. of Haryana dated 3 January 2017, and our procedures were limited to those described in that agreement.

This Detailed Project Report is based on studies of and discussions with

- ▶ Directorate of Industries, Govt. of Haryana
- ▶ DIC Sirsa
- ▶ Furniture units located in and around Sirsa
- ▶ Industry experts
- ▶ Secondary research

Our work has been limited in scope and time and we stress that more detailed procedures may reveal other issues not captured here. The procedures summarized in our Draft Detailed Project Report do not constitute an audit, a review or other form of assurance in accordance with any generally accepted auditing, review or other assurance standards, and accordingly we do not express any form of assurance. This draft Detailed Project Report is intended solely for the information and use of the Office of Director Industries-Haryana and is not intended to be used by anyone other than specified party.

We appreciate the cooperation and assistance provided to us during the preparation of this report. If you have any questions, please contact the undersigned.

Sincerely,

Amar Shankar, Partner - Advisory Services

## **Disclaimer**

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## Abbreviations

<b>AoA</b>	Article of Association
<b>BDS</b>	Business Development Services
<b>BEP</b>	Break Even Point
<b>BoD</b>	Board of Directors
<b>CAGR</b>	Compound Annual Growth Rate
<b>CDCC</b>	Cluster Development Coordination Committee
<b>CEO</b>	Chief Executive Officer
<b>CFC</b>	Common Facility Centre
<b>CLDSIET</b>	Ch. Devi Lal State Institute of Engineering & Technology
<b>CNC</b>	Computerized Numerical Control
<b>DIC</b>	District Industries Centre
<b>DIPP</b>	Department of Industrial Policy and Promotion
<b>DPR</b>	Detailed Project Report
<b>DSR</b>	Diagnostic Study Report
<b>EM</b>	Entrepreneur Memorandum
<b>EPP</b>	Enterprise Promotion Policy
<b>FDI</b>	Foreign Direct Investment
<b>FI</b>	Financial Institution
<b>GDP</b>	Gross domestic product
<b>GoH</b>	Government of Haryana
<b>GOI</b>	Government of India
<b>GSDP</b>	Gross state domestic product
<b>GST</b>	Goods and Service Tax
<b>HFC</b>	Haryana Financial corporation
<b>HR</b>	Haryana
<b>HSIIDC</b>	Haryana State Industrial & Infrastructure Development Corporation Limited
<b>HSVP</b>	Haryana Shahari Vikas Pradhikaran
<b>HUDA</b>	Haryana Urban Development Authority
<b>IDBI</b>	Industrial Development Bank of India
<b>INR</b>	Indian National Rupee
<b>IRR</b>	Internal Rate of Return

<b>ISO</b>	International Organization for Standardisation
<b>ITI</b>	Industrial Training Institute
<b>LAMEA</b>	Latin America, Middle East and Africa
<b>LLP</b>	Limited Liability Partnership
<b>LMCS</b>	Lean Manufacturing Competitiveness Scheme
<b>MDF</b>	Medium Density Fiberboard
<b>MoA</b>	Memorandum of Association
<b>MSME</b>	Micro, Small and Medium Enterprises
<b>MSMECCIA</b>	MSME Chamber of Commerce and Industries Association
<b>MSME-DI</b>	MSME - Development Institute
<b>NCR</b>	National Capital Region
<b>NH</b>	National Highway
<b>NPV</b>	Net Present Value
<b>NSDP</b>	National State Domestic Product
<b>NSIC</b>	National Small Industries Corporation
<b>PMC</b>	Project Management Committee
<b>PPP</b>	Public Private Partnership
<b>PVC</b>	Polyvinyl chloride
<b>R&amp;D</b>	Research and Development
<b>ROCE</b>	Return on Capital Employed
<b>SCVT</b>	State Council Vocational Training
<b>SEBI</b>	Securities and Exchange Board of India
<b>SIDBI</b>	Small Industries Development Bank of India
<b>SLPSC</b>	State Level Project Steering Committee
<b>SME</b>	Small, Medium Enterprise
<b>SPV</b>	Special Purpose Vehicle
<b>SWOT</b>	Strength, Weaknesses, Opportunities and Threats
<b>UAE</b>	United Arab Emirates
<b>UAM</b>	Udyog Aadhar Memorandum

## Table of Contents

Executive summary .....	12
1. Introduction .....	19
1.1 Overview of the cluster .....	19
1.2 About the State & District .....	19
1.3 Industrial Scenario of Sirsa District .....	20
1.4 Geographical Traits .....	21
1.5 Demographic Trends and Economic Structure .....	21
2. Sector Overview .....	24
2.1 Brief Global Scenario .....	24
2.2 India Scenario .....	24
2.3 Cluster Scenario .....	27
3. Diagnostic Study Findings .....	30
3.1 Cluster Actors and their role .....	30
3.2 Cluster Turnover, Market and Employment .....	32
3.3 Production Process .....	33
3.4 Value Chain Analysis .....	35
3.5 Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis .....	37
3.6 Major Issues / Problem Areas of the Cluster .....	40
3.7 Key Technologies Missing .....	40
3.8 Cluster growth potential .....	42
4. Diagnostic Study Recommendations .....	44
4.1 Soft Interventions Recommended and Action Taken .....	44
4.2 Hard Interventions (Machines / Technology in the proposed CFC) .....	45
5. SPV for Project Implementation .....	52
5.1 Shareholder profile and Shareholding mix .....	52
5.2 Initiatives undertaken by the SPV .....	56
5.3 SPV Roles and Responsibilities .....	56
6. Project Economics .....	59
6.1 Project Cost .....	59
6.1.1 Building .....	59
6.1.2 Plant and Machinery .....	60
6.1.3 Miscellaneous Fixed Assets .....	61
6.1.4 Preliminary and Pre-operative Expenses .....	62
6.1.5 Provision for Contingencies .....	62
6.1.6 Margin Money for Working Capital .....	62
6.1.7 Summary Project Cost .....	63



6.2	Means of Finance .....	64
6.2.1	Share Capital .....	64
6.2.2	Grant-in-Aid .....	65
6.3	Expenditure Estimates.....	65
6.3.1	Consumables .....	66
6.3.2	Manpower Requirement .....	68
6.3.3	Utilities .....	69
6.3.4	Annual Repairs and Maintenance Expenses .....	70
6.3.5	Insurance and miscellaneous Administrative Expenses .....	70
6.4	Working Capital Requirements .....	72
6.5	Depreciation Estimates.....	73
6.6	Income/Revenue estimates.....	74
6.7	Estimation of profitability: Income and Expenditure Statement.....	77
6.8	Cash flow statement.....	79
6.9	Projected Balance Sheets .....	80
6.10	Break-even analysis .....	82
6.11	Feasibility analysis summary and sustainability indicators.....	85
6.12	Additional revenue sources.....	87
6.13	Risk Analysis & Sensitivities .....	87
6.14	Assumptions for financial calculations:.....	88
7.	Project Implementation and Monitoring .....	91
7.1	Envisaged Implementation Framework .....	91
7.2	Monitoring Mechanism.....	92
8.	Conclusion .....	95
9.	Annexures .....	97
	Annexure 1: DSR Approval Letter .....	97
	Annexure 2 (a): SPV Certificate of Incorporation .....	98
	Annexure 2 (b): Copy of Memorandum of Association (MoA) .....	99
	Annexure 2 (c): Copy of Article of Association (AoA) .....	103
	Annexure 3: Verification of units by DIC, Sirsa .....	115
	Annexure 4: Building Availability Proof .....	116
	Annexure 5: Machinery Quotations .....	117

## List of Figures

Figure 1: GSDP Composition 2015-16.....	19
Figure 2: District map of Sirsa .....	20
Figure 3: State Wise distribution of the Persons employed in Furniture Industry in India .....	25
Figure 4: Economic activity wise distribution of persons employed in furniture industry in India ...	26
Figure 5: Key Cluster Actors .....	32
Figure 6: Flow Chart of Production Process for furniture manufacturing process .....	34
Figure 7: Organisational Structure of Proposed CFC .....	57

## List of Tables

<b>Table 1: Industry at a Glance</b> .....	21
Table 2: Sourcing of Raw Material by Sirsa Units .....	33
Table 3: Value Chain Analysis of Door .....	35
Table 4: SWOT analysis of the cluster.....	37
Table 5: Rationale for hard interventions.....	41
Table 6: List of SPV Directors.....	52
Table 7: Details of SPV Members of Sirsa Furniture Cluster .....	54
Table 8: Building - Lease basis.....	59
Table 9: Building - Other Particulars .....	59
Table 10: Building - Rent Chart for 10 years @ 10% yearly increase .....	59
Table 11: List of Proposed Plant & Machinery .....	60
Table 12: Miscellaneous Fixed Assets.....	62
Table 13: Preliminary and Pre-Operative Expenses .....	62
Table 14: Total Project Cost.....	63
Table 15: Means of Finance.....	64
Table 16: Consumables.....	66
Table 17: Expenditure Related to Salary (direct manpower - machine operators and helpers).....	68
Table 18: Expenditure Related to Salary (indirect manpower - administrative and support staff) ..	68
Table 19: Machine & Equipment (facility) wise power requirement .....	69
Table 20: Annual Expenditure Statement vis-à-vis Power Charges .....	70
Table 21: Annual Repairs and Maintenance Expenditure .....	70
Table 22: Insurance and Miscellaneous Administrative Expenses .....	70
Table 23: Calculation of Working capital requirement .....	72
Table 24: Depreciation based on WDV .....	73
Table 25: User Charges for Machinery.....	75
Table 26: Income and Expenditure Statement.....	77
Table 27: Cash Flow Statement .....	79
Table 28: Balance Sheet .....	81
Table 29: Break Even Estimates .....	83
Table 30: Financial Analysis .....	85
Table 31: Calculation of Return on Capital Employed .....	86
Table 32: Sensitivity Analysis.....	87
Table 33: Project Implementation Schedule .....	91

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## **Executive summary**

The Government of Haryana through the Department of Industries and Commerce intends to transform the MSME sector of the state and put it on a growth path. Several incentives have been offered under the state's ambitious 'Enterprise Promotion Policy (EPP) 2015' to provide an impetus to growth of the MSME sector. Towards this, the state aims to strengthen the technology infrastructure as well as enhance productivity and competitiveness of various MSME clusters across the state by leveraging funding under the State Mini Cluster Scheme providing grant under its EPP 2015.

In this context, this Detailed Project Report (DPR) has been prepared to seek grant-in-aid assistance under the State Mini Cluster Scheme to set up a state-of-the art Common Facility Centre (CFC) in Furniture cluster at Sirsa District, Haryana.

### **About the Sirsa Furniture Cluster**

Global furniture market size is estimated to surpass \$750 billion by 2024. Asia Pacific including India and China is expected to dominate the global furniture market, accounting at over USD 400 billion by 2024. China, India, Japan, and South Korea are the leading furniture markets in the region.

The Indian furniture market is 14th largest furniture market in world, driven largely by the substantial middle-class population. It is anticipated to reach USD 32.61 billion by 2018 by registering a CAGR of 13.38 per cent during the forecast period of 2018-2023. Moreover, the market is expected to garner USD 61.09 billion by the end of 2023. Further, the India furniture market is anticipated to achieve a year-over-year growth rate of 14.3 per cent in 2023 as compared to the previous year.

In last couple of years, Sirsa has noticed a strong growth in wooden furniture market. This is only because of easy availability of raw material i.e. shisham or teak wood. Historically, Sirsa region has the maximum number of shisham trees which is commonly used timber for manufacturing of wooden furniture. Also, its primary alluvial soil along with long summer growth season is very suitable for shisham. The other wood mainly used for furniture is 'Teak wood' which is supplied by timber suppliers in Sirsa and mainly imported from Indonesia, Burma, Malaysia, Thailand, etc.

All the industries in Sirsa are small scale industries. These industries are engaged in the manufacturing of various items such as Seed Processing, Cotton textile, Jute & Jute based products, Milk Chilling, Chemicals, Rice Shelling, Iron & Sheet Fabrication, Wrapping Papers, Agriculture Implements, Leather bases goods & products, Electrical machinery and transport equipment, etc. Sirsa's major exportable products is Shella rice, Cotton, Shella plant & Dryer plant.

The Sirsa Furniture cluster has about 140 units, out of which 124 are micro units and 16 are small units across the value chain. The cluster units are located at various industrial estates in Sirsa, and manufacture wooden doors, wooden goods such as beams, rafters, roof struts, glue-laminated and metal connected, pre-fabricated wooden roof trusses,

doors, windows, wooden beadings and mouldings, shingles, shakes and all type of wooden furniture etc.

### **Diagnostic Study and Interventions**

A diagnostic study was undertaken by the cluster members in October 2019 to map the existing business processes in the cluster, identify the gaps, and understand the requirements of the cluster. The diagnostic study report (DSR) was compiled by the cluster stakeholders in close coordination with the District Industries Centre, Sirsa. It was observed that most of the cluster units deploy obsolete technologies and are unable to meet the requirements of the market due to lack of availability of modern machines/equipment. The finishing of products is ordinary and non-uniform due to dependence on manual techniques and conventional machines. Due to non-availability of seasoning facilities, units are dependent on private services providers for seasoning of wood which results in high cost and production delay. These were the major pain areas that necessitated an urgent intervention. In this context, the units decided to establish a CFC.

The DSR was presented to Director of Industries and Commerce and was subsequently approved on 08.11.2019. The SPV was granted permission to go ahead with preparation of Detailed Project Report (DRP) for the cluster.

### **Proposed Common Facility Centre**

The proposed CFC will facilitate:

- ▶ Drying facility for seasoning/ drying of wood
- ▶ Designing facility for designing requirement of cluster units
- ▶ Finishing facility for finishing of end products/furniture items
- ▶ Advanced Machining facility for other activities related to furniture manufacturing processes

Such a common facility will both supplement and complement the activities of firms in the cluster, and there is no similar facility available in the district for use by cluster micro enterprises. The proposed common facilities will be utilized by the SPV members and will also be available to non-members units within and outside the cluster. The facility will provide a much needed infrastructural push to the cluster units and will enable them to become more competitive.

### **Special Purpose Vehicle for Project Implementation**

After the diagnosis study, the cluster units came together to form a Special Purpose Vehicle (SPV) by the name and style of '**Ellanabad Modular Furniture Pvt. Ltd.**' The SPV has been set up as a private limited company under Companies Act, 2013 (18 of 2013). DIC, Sirsa has played an important role in SPV formation by cluster stakeholders. The SPV already includes about 14 members who are subscribing to the necessary equity base of the company. The proposed CFC will be implemented on public-private partnership basis through the SPV '**Ellanabad Modular Furniture Private Limited**' by availing support from Government of Haryana (under EPP 2015).

The SPV members have a track record of cooperative initiatives. Cluster members have been autonomously undertaking several soft interventions to enhance knowledge and exposure of the cluster units on new trends in furniture industry and enhancing productivity of their units. This includes exposure visit to trade fairs, registration under UAM, awareness programs on new trends in furniture manufacturing, design interventions and new technologies.

### Project Parameters, Viability and Sustainability

The Ellanabad Modular Furniture Pvt. Ltd. with support from State Government (under the Mini Cluster Scheme) is planning to set up a Common Facility Centre having state-of-the-art furniture manufacturing facilities to undertake job work of cluster units with a total project cost of about **INR 223.01 lakhs**. However, the maximum eligible project cost as per the scheme guidelines is Rs 200 lakhs, with government of Haryana's grant restricted to 90% of max eligible project cost i.e. to Rs 180 lakhs. Hence, the SPV members have proposed to contribute entire amount beyond Rs. 179.96 lakhs, taking their overall contribution to about **19.31% of the total project cost**. The total contribution of SPV members will amount to **INR 43.05 lakhs**. Support from State Government is envisaged for **INR 179.96 Lakhs**.

The cost of the project and proposed means of finances is tabulated below:

S. No.	Particulars	Actual Total Project Cost (Rs. Lakhs)	Eligible Project Cost as per guidelines (Rs. lakhs)	Remarks
1.	<b>Land &amp; Building</b>			
	(a) Building total covered area (9000 sq. ft.) single storied building including electrification & plumbing charges	0.00	0.00	Building on lease for 10-years
2.	<b>Plant &amp; Machinery</b>			
	(a) Primary Machines	194.76	194.76	Eligible
	(b) Secondary Machines	5.19	5.19	
3.	<b>Miscellaneous fixed assets</b> (fixture, furniture, fire-fighting equipment, etc.)	7.38	0.00	Not eligible for grant
4.	<b>Preliminary and Preoperative Expenses</b> (legal & administrative expenses, registration, civil engineering drawings)	2.47	0.00	

S. No.	Particulars	Actual Total Project Cost (Rs. Lakhs)	Eligible Project Cost as per guidelines (Rs. lakhs)	Remarks
	with estimates & tender forms, telephone, stationery, machinery testing etc.)			
5.	<b>Contingency</b>			
	<b>(a) Plant &amp; Machinery @ 5%</b>	10.00	0.00	
6.	<b>Margin money for working capital</b> (Working capital required @ 75% C.U.)	3.22	0.00	
	<b>Total</b>	<b>223.01</b>	<b>199.95</b>	

The actual total project cost is estimated to be INR 223.01 lakhs. As indicated above, assistance to the project from the Govt. of Haryana is envisaged to the tune of INR 179.96 lakhs i.e. 80.69 percent of the project cost, SPV contribution is to the tune of INR 43.05 lakhs i.e. 19.31 percent of the total project cost. The means of financing are presented below:

S. No.	Source of finance	Project cost up to INR 200.00 lakhs (max eligible as per scheme)		Project cost over INR 200.00 lakhs		Total Amount (INR in lakhs)
		Percentage Contribution	Amount (INR in lakhs)	Percentage Contribution	Amount (INR in lakhs)	
1	Grant-in-aid under Mini Cluster Scheme (Govt. of Haryana)	90%	179.96	0%	0	179.96
2	Contribution of SPV	10%	20.00	100%	23.06	43.05
	<b>Total</b>	<b>100</b>	<b>199.95</b>	<b>100</b>	<b>23.06</b>	<b>223.01</b>

The viability and sustainability of the project is evident from the project economics as well as the cooperative spirit and profile of the SPV. Some indicators of the viability are as follows:



**Project's financial indicators**

S. No.	Particulars	Estimates
1.	BEP (cash BEP at operating capacity of 75%)	55.90%
2.	Av. ROCE (PAT/CE)	31.02%
3.	Internal Rate of Return (IRR)	26.21%
4.	Net Present Value (at a discount rate of 10 per cent) - incorporating viability gap funding (grant) by GoH	NPV is positive and high (INR 206.13 lakhs) at a conservative project life of 10 years
5.	Payback period	4.5 years with Grant-in-aid assistance from GOH
6.	DSCR	Not Applicable (non-availment of term loan in this project)

As evident from the financials above, with viability gap funding under Mini Cluster Scheme of GoH, the project is highly viable and sustainable.

**Project Implementation**

Project implementation is envisaged to involve a time-frame of about 7 months upon receipt of approval of grant-in-aid assistance from the Government of Haryana under State Mini Cluster Scheme. The project will be implemented by the SPV in close association with DIC, Sirsa.

In addition, for implementing this CFC project, a Project Management Committee (PMC) comprising of the GM, DIC Sirsa, and representatives of the SPV and EY experts shall be constituted to directly oversee effective monitoring and implementation. The project will be implemented through the SPV, and the PMC will report progress of implementation to the State Level Steering Committee and DIC, Sirsa.

The potential for the Sirsa Furniture cluster to grow is enormous, with an increasing demand of furniture products in the region. The strengths of Sirsa furniture cluster lie in its location (both geographically & industrially), with easy availability of raw material i.e. shisham wood which is commonly used for manufacturing of furniture. However, the cluster units are unable to effectively cater to market demand due to lack of technological capacities, low production scales and outdated machinery.

This cluster has the ability to increase its output and market share by manufacturing high quality products. The proposed facility will be open to all cluster firms to enable them to get job work done in order to cater to the furniture requirements of the market. The facility will also provide an opportunity to micro units to increase their capacity utilization and profitability. The facility will provide a major infrastructural push to the units reeling under high competition. The CFC will also enhance the co-operation and joint action among cluster stakeholders to improve their competitiveness to meet the demands of the domestic as well as international markets.

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## 1. Introduction

### 1.1 Overview of the cluster

There are about 140 wooden furniture manufacturing units in Sirsa district, Haryana, with 14 units registered under Employment Memorandum or UAM (Udoyag Aadhar Memorandum) which have come together to form an SPV. The cluster comprises of mainly micro and small units. The annual turnover of the cluster (micro and small units) is about INR 100 Crore. The cluster units are engaged in the manufacturing of wooden furniture which includes Door, Door Frames, Table, Chair, Bed, Sofa, Dining Table, Dressing Table, Almirah, Modular Kitchen, etc.

### 1.2 About the State & District

Haryana is 11th state in the country in terms of GSDP, with growth rate of around 6.5%. Haryana contributes to nearly 3.4% of the India's GDP. With just 1.37% of the country's geographical area and 1.97% of country's total population, the state is counted among the top few states with the highest per capita income. The state economy is predominantly agriculture.

The industry sector contributes about 18% of the total GSDP of the state. Haryana is fast emerging as one of the most favoured investment destinations in India. The globalization of markets and a resilient economy have given an incredible drive to the industrial sector in Haryana, which already has a competitive advantage in terms of strategic location, basic infrastructure, and a large skilled, educated and young workforce.

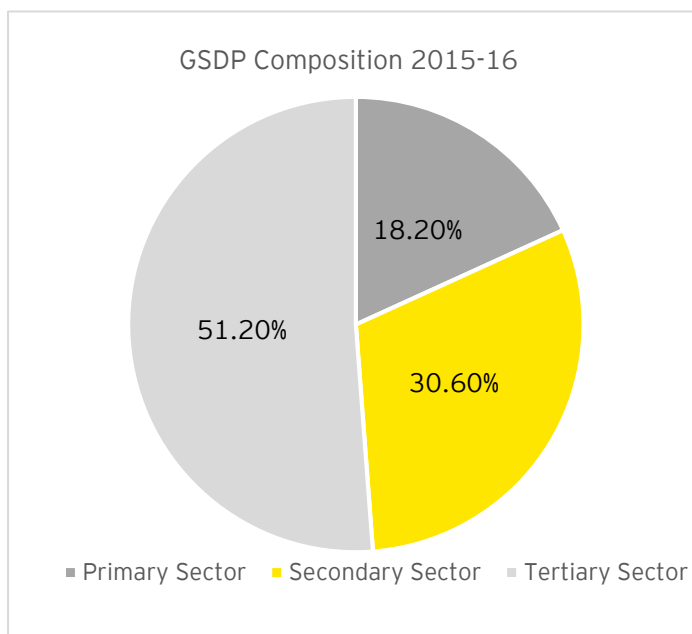


Figure 1: GSDP Composition 2015-16

Besides, the State has an investor-friendly policy and regulatory environment. It is one of the leading states in terms of industrial production, especially passenger cars, mobile cranes, two-wheelers & tractors. It is the 2nd largest contributor of food grains to India's central pool, accounts for more than 60% of the export of basmati rice in the country and is 3rd largest exporter of software.

The state is gradually transforming from an agrarian economy to an industrial economy. To boost the growth rate further and make Haryana a favourable investment destination, the State has developed the Enterprise Promotion Policy in 2015. With the Enterprise Promotion Policy-2015, the state has envisaged a sustainable industrial spectrum in the state with a special focus on MSMEs in its endeavour for effecting a balanced regional and sustainable development. In order to accelerate the industrial growth in the state, the focus of the government is on holistic development, i.e., by encompassing initiatives for resource

efficiency improvement, smarter technology, and environment friendly methods which reduce resource consumption.

Sirsa district is the part of Western Haryana Plain. It is surrounded by Rajasthan from western and southern sides and is bounded by Punjab State in the North. The primary economy of this place depends on agriculture and wide array of MSME industries. The main resource of economy of the district is agro product and primary occupation of inhabitants of Sirsa is agriculture, owing to which it has gained the popular name “**Cotton Belt of Haryana**”. Following the two crops system, crops like bajra, paddy and cotton are sown in kharif season whereas crops like barley, wheat and gram are grown in rabi season.

The district comprises of four tehsils - Sirsa, Dabwali, Rania and Ellenabad. These tehsils are further sub-divided into 7 blocks - Baragudha, Dabwali, Ellenabad, Nathusary Chopta, Odhan, Rania and Sirsa.

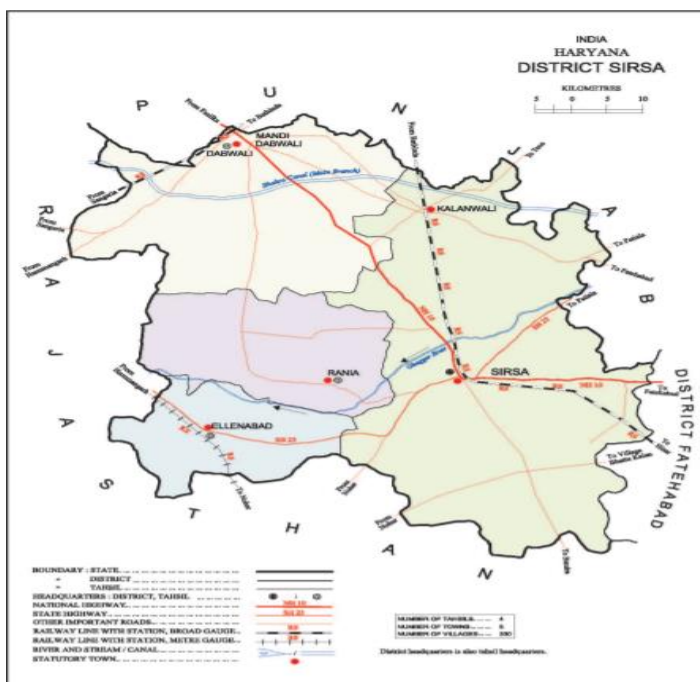


Figure 2: District map of Sirsa

### 1.3 Industrial Scenario of Sirsa District

During the middle of 19th Century, Sirsa was an important trading centre as it was located on Delhi-Sirsa Road which was the major trade route between the districts around Delhi and Rajasthan. Most of the trade of Bikaner and the then Rajasthan States used to pass through the district<sup>1</sup>. The onset of the green revolution, progress in dairy farming, and expansion of agro-based & agriculture-oriented industries provided an impetus to the growth of the region. Subsequently, the region witnessed a transition from agriculture to industrialization.

The Haryana government also undertook several initiatives to promote industrial development in the region. The state ensured creation of massive infrastructure in terms of complete electrification, provision of road transport, expansion of administrative, educational and health facilities in small towns, and establishment of many new industrial townships and urban estates.

At present, there are many types of industries in the district which are engaged in the manufacturing of various items such as Seed Processing, Wrapping Papers, Milk Chilling, Rice Shelling, Chemicals, Iron and Steel Fabrication, Agriculture Implements, Leather Good, Hard and Straw Board etc. In the district, there are exporting units also. They export their

<sup>1</sup> Source: [http://censusindia.gov.in/2011census/dchb/DCHB\\_A/06/0611\\_PART\\_A\\_DCHB\\_SIRSA.pdf](http://censusindia.gov.in/2011census/dchb/DCHB_A/06/0611_PART_A_DCHB_SIRSA.pdf)

products i.e. Paddy Parboiling and Sella Rice to the Countries namely Saudi Arabia and other countries.

Table 1: Industry at a Glance<sup>2</sup>

S. No	Head	Unit	Particulars
1.	Registered Industrial Unit	No.	324
2.	Total Industrial Unit	No.	535
3.	Registered Medium & Large Unit	No.	3
4.	Estimated average no. of daily workers employed in small scale industries	No.	1596
5.	Employment in Large & Medium Industries	No.	127
6.	No. of Industrial Area	No.	6
7.	Turnover of Small-Scale Industries	In lacs	4930.65
8.	Turnover of Medium and large-Scale Industries	In lacs	5100

#### 1.4 Geographical Traits

Sirsa is located 29.53'N 72.02'E occupying the extreme west corner of Haryana. It has an average elevation of 205 Meters or 672 feet. Sirsa is bounded by the districts of Faridkot and Bathinda of Punjab in the north and north east, Sirganga Nagar district of Rajasthan in the west and south and Hisar district in the east. Thus, it touches the interstate boundaries on three sides and is connected with its own state only in the eastern side. The terrain of Sirsa district can be broadly divided into three parts namely Haryana Plain, Alluvial bed of Ghaggahar or Nali and the sand dune track.

#### 1.5 Demographic Trends and Economic Structure

Sirsa is a city and municipal council in the Sirsa district of the Indian state of Haryana. It is a town in the westernmost region of the state, bordering Punjab and Rajasthan. Its history dates back to the time of the writing of the Mahabharata. Sirsa district is the largest district of Haryana state, after the creation of Charkhi Dakhri out of Bhiwani district. Sirsa is the district headquarters and is located on National Highway 9 and 250 kilometers (160 mi) from the capital, Delhi. According to the 2011 census, Sirsa district has a population of 1,295,189 roughly. This gives it a ranking of 378th in India (out of total of 640). The district has a population density of 303 inhabitants per square kilometer (780/sq mi). As of the 2011 census, its population growth rate over the decade 2001-2011 was 15.99%, with a sex ratio of 897 females for every 1000 males and a literacy rate of 68.82%.

In 2011, Sirsa had population of 1,634,445 of which male and female were 866,672 and 767,773 respectively. In 2001 census, Sirsa had a population of 1,425,022 of which males were 758,253 and remaining 666,769 were females. There was a change of 14.70 percent in the population compared to population as per 2001. In the previous census of India 2001, Sirsa District recorded increase of 22.49 percent to its population compared to 1991.

<sup>2</sup> Source: <http://dcmsme.gov.in/dips/sirsa.pdf>

In 2011 census, the percentage of cultivators to total workers in 2011 in the district was 32.7% whereas during 2001 it was 37.4%. This implies that people have moved away from farming due to lower profits. However, the district's economy is still predominantly agriculture based, owing to the existence of good irrigation systems across the district. Industrial activities have started increasing in the district due to the pro-business environment in the state. This had led to generation of employment in secondary and tertiary sectors.

The existing area under industrial use is approximately 76 hectares including the major industrial estate of HSIIDC in Sirsa. In view of a strategic location, available infrastructure, topography and drainage, Government of Haryana has allocated an industrial area of 30.35 hectare in Sirsa district.





## **2. Sector Overview**

The furniture sector plays a vital role in the development of other industrial sectors of the economy. It is closely linked with the manufacturing, infrastructure, textile and real estate sectors. So, a boom in any of these sectors would in turn accelerate the growth of furniture sector. The furniture industry consists of businesses that manufacture and sell furniture and related goods to residences, offices, hotels and others in commercial spaces.

Broadly the furniture is classified into two categories - Office Furniture and Household Furniture. Furniture is manufactured using a variety of materials and is available in different designs. Depending on end use, furniture designs can be modified through machine-based processes and handcrafting. Some of the raw materials used for building furniture include wood, metal, and plastics. Wood accounts for 65% of all furniture made in India, followed by metal and plastic at 25% and 10%.

The market is driven by various factors such as rise in disposable incomes, growth of real estate and hospitality industries, and demand for luxury and premium furniture from certain consumer sections. In addition, emerging new alternate of wood like particle board, Medium Density Fibreboard (MDF), etc. for furniture manufacturing and marketing through internet are some of the factors that are expected to contribute to the growth of the market across the globe. In addition, increase in government investments in infrastructural development boosts the furniture market demand in the residential and commercial sector in near future. The development in manufacturing technology has substantially reduced the cost of furniture, which fuelled the use of furniture products.

### **2.1 Brief Global Scenario**

Global furniture market size is estimated to surpass \$750 billion by 2024. Asia Pacific including India and China is expected to dominate the global furniture market, accounting at over USD 400 billion by 2024. China, India, Japan, and South Korea are the leading furniture markets in the region.

The global furniture market is segmented based on type, distribution channel, and region. Based on type, it is classified into residential, and commercial. The distribution channel comprises supermarkets & hypermarkets, specialty stores, e-commerce, and others. Based on region, the market is analyzed across North America (U.S., Canada, and Mexico), Europe (Germany, Spain, UK, Italy, France, and rest of Europe), Asia-Pacific (China, India, Japan, Australia, South Korea, and rest of Asia-Pacific), and LAMEA (Brazil, South Africa, Saudi Arabia, UAE, and rest of LAMEA).

The global furniture market is projected to grow at the rate of 5.2% during the forecast period 2018 to 2023. Growing brand consciousness and increasing expenditure for furniture goods among millennial is supporting the market growth from last few years. Additionally, easy availability of furniture in various regions through the online platform is influencing the sales of domestic furniture products from last few years.

### **2.2 India Scenario**

Indian wood work has been appreciated worldwide, due to its wonderful and artistic work. It has been appreciated and accepted by people worldwide for its trendiness, rich look,



compactness, design and its supreme quality. All this result in a product of elegant look with traditional as well as modern aspect attached to it.

The Indian furniture market is 14th largest furniture market in world, driven largely by the substantial middle-class population. It is anticipated to reach USD 32.61 billion by 2018 by registering a CAGR of 13.38 per cent during the forecast period of 2018-2023. Moreover, the market is expected to garner USD 61.09 billion by the end of 2023. Further, the India furniture market is anticipated to achieve a year-over-year growth rate of 14.3 per cent in 2023 as compared to the previous year.

Figure 3 shows India's top 10 states in terms of Persons Employed in furniture industry<sup>3</sup>. The state wise distribution of the persons employed in furniture industry shows that West Bengal is the state which has the largest persons employed in the industry (16.58%), followed by Uttar Pradesh (11.14%) and Maharashtra (9.49%), while Bihar and Gujarat account for 7.05% and 6.45% of the persons employed in the industry, respectively.

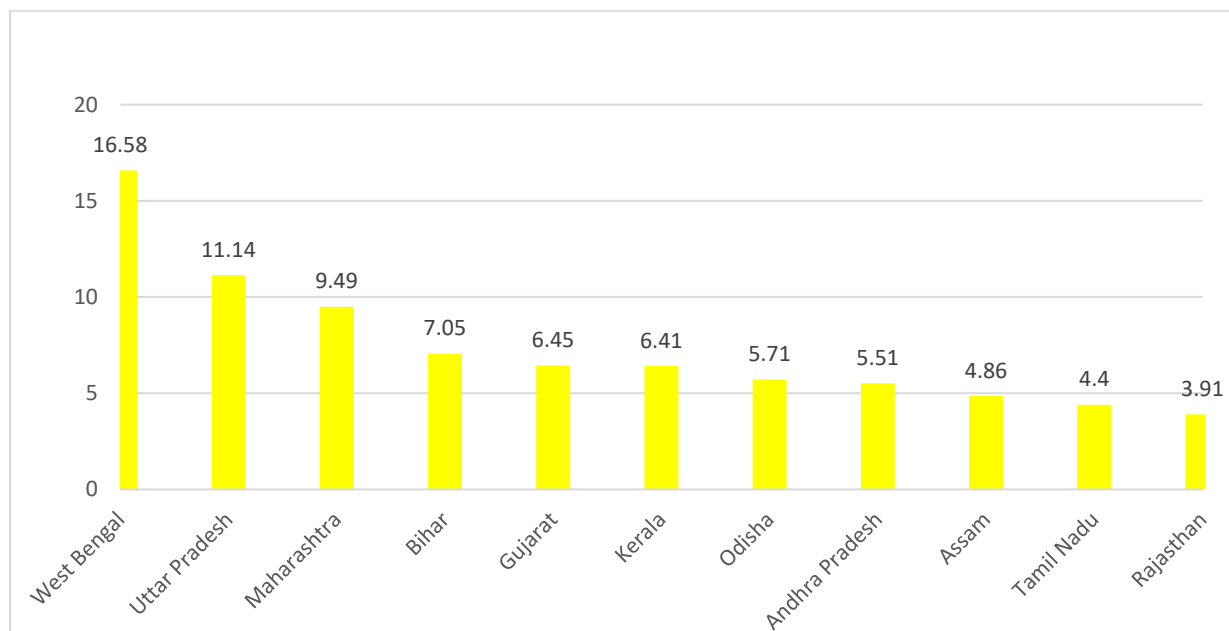


Figure 3: State Wise distribution of the Persons employed in Furniture Industry in India

Figure 4 represents the distribution of persons employed in furniture industry as per the economic activity they are engaged. The economic activity wise distribution of the persons employed in the furniture industry in India shows that manufacture of furniture made of wood accounts for 89% of the employed persons in the industry, while manufacture of furniture of metal emerges as the second largest employer (6.5%). Rest of the persons employed fall in the remaining activities such as manufacturing of plastic furniture, pillows, and mattress carpets and so on.<sup>4</sup>

<sup>3</sup> **Source:** A report published by NSDC "Human Resource and Skill Requirements in Furniture and Furnishing Sector, Vol 11"

<sup>4</sup> **Source:** A case study of furniture industry in India - "Inter Linkages between Technology and Livelihood"

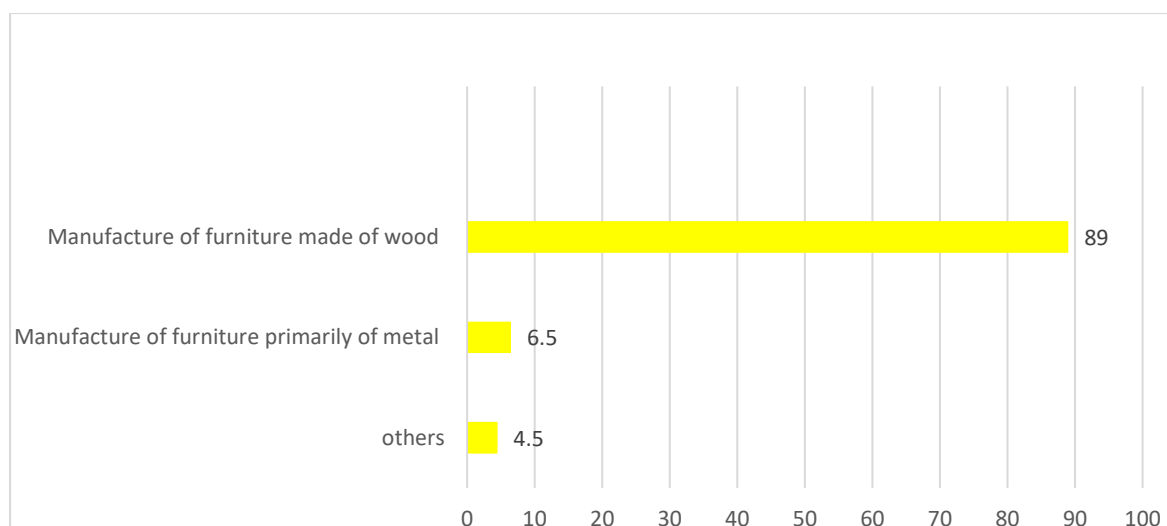


Figure 4: Economic activity wise distribution of persons employed in furniture industry in India

The Indian furniture market has experienced a substantial growth in last few years. There are several factors which have led to this growth such as surge in real estate and housing activity, increasing growth in information technology and services sector, growing affluence both in rural and urban areas and higher proportion of middle-class Indians aspiring for better life style. With a healthy economy and increased household and institutional spending, the market is growing steadily. There are as many as 12000 companies listed in the online furniture directory in India.

The major part of the Indian furniture market of approximately 85% is in the unorganized sector. The remaining 15% comprises of organized players including Godrej & Boyce Manufacturing Co. Ltd., Nilkamal, Wipro Furniture, IKEA, Durian, BP Ergo, Featherlite, Haworth, Style Spa, Yantra, Renaissance, Millennium Lifestyles, Durian, Kian, Tangent Furniture Concepts, Furniturewala, Zuari, Truzo, N R Jasani & Company, V3 Engineers, PSL Modular Furniture, etc.

The largest segment in the Indian Furniture Industry is the Home Furniture segment which accounts for about 65% of the total furniture sales. While office furniture segment comprises 20 per cent share and the remaining 15% comprised by the contract segment.

According to a World Bank study, the organised furniture industry is expected to grow by 20 per cent every year. A large part of this growth is expected to come from the rapidly growing consumer markets of Asia, implying significant potential for growth in the Indian furniture sector.

India furniture market growth is driven by various attributes such as rising trend for modular and state of the art furniture among the population living in urban cities, growing urbanization in Indian states, rising demand for durable and hybrid seating furniture. Moreover, the rising growth of wood industry in India further compensates the price of furniture. On the back of these factors the furniture industry is expected to propel in India.

Further, the rising trend of online and mobile shopping in India is envisioned to bolster the demand for furniture through online channels. Various furniture companies such as Pepperfry, Urban ladder and others are creating huge demand from these online channels.

Further, growth of real estate sector in India is anticipated to boost the demand for furniture in urban areas in India. Apart from this, rising investment in retail sector by various national and international entities is anticipated to foster the growth of furniture market in India. Apart from this, 100 percent FDI policy for townships and settlements development project is attracting more foreign investors in the real estate sector which increase the quality of residential apartments. Further, rising demand for high-end and western style furniture is envisioned to bolster the growth of India furniture market by the end of 2024.

### **2.3 Cluster Scenario**

In last couple of years, Sirsa has noticed a strong growth in wooden furniture market. This is only because of easy availability of raw material i.e. shisham or teak wood. Historically, Sirsa region has the maximum number of shisham trees which is commonly used timber for manufacturing of wooden furniture. Also, its primary alluvial soil along with long summer growth season is very suitable for shisham. The other wood mainly used for furniture is 'Teak wood' which is supplied by timber suppliers in Sirsa and mainly imported from Indonesia, Burma, Malaysia, Thailand, etc.



All the industries in Sirsa are small scale industries. These industries are engaged in the manufacturing of various items such as Seed Processing, Cotton textile, Jute & Jute based products, Milk Chilling, Chemicals, Rice Shelling, Iron & Sheet Fabrication, Wrapping Papers, Agriculture Implements, Leather bases goods & products, Electrical machinery and transport equipment, etc. Sirsa's major exportable products is Shella rice, Cotton, Shella plant & Dryer plant.

The Sirsa Furniture cluster has about 140 units, out of which 124 are micro units and 16 are small units across the value chain. The cluster units are located at various industrial estates in Sirsa, and manufacture wooden doors, wooden goods such as beams, rafters, roof struts, glue-laminated and metal connected, pre-fabricated wooden roof



trusses, doors, windows, wooden beadings and mouldings, shingles, shakes and all type of wooden furniture etc.

The furniture industry is characterized by a large number of micro manufacturing units with low level of research & development. This is because the MSMEs in the industry have poor technological base in many cases and do not have the scale of production to increase spend on R & D.

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### 3. Diagnostic Study Findings

The diagnostic study was undertaken in the cluster during October 2019 to map the existing business processes in the cluster, identify the gaps, and understand the requirements of the cluster. The diagnostic study report (DSR) was compiled with inputs from cluster SPV in close coordination with the DIC, Sirsa. Most of the cluster units deploy obsolete technologies and are unable to meet the requirements of the market due to lack of availability of modern machines / equipment. The finishing of products is ordinary due to dependence on manual techniques and conventional machines.

The DSR was approved by Director, Industries and Commerce, Govt. of Haryana. The approval of DSR and permission to undertake the Detailed Project Report (DPR) is provided in **Annexure 1**. The SPV was granted permission to go ahead with preparation of DPR for the cluster. The major findings of the DSR are presented below:

#### 3.1 Cluster Actors and their role

Many support institutions and agencies such as industry associations, government agencies, academic/ R&D institutes, financial institutions, BDS providers etc. situated within and outside the cluster play a key role in developing the cluster as well in complementing initiatives of the cluster SPV. The key stakeholders of Sirsa Furniture Cluster are:

##### A. Government Bodies

###### ► District Industries Centre (DIC), Sirsa

DIC is the most important government stakeholder for the cluster. The office of DIC comes under the Dept. of Industries and is headed by the General Manager who is assisted by functional managers and technical field officers. DIC promotes and routes subsidy to micro and small enterprises in the region. The State Mini Cluster Scheme under which the furniture units want to set up a CFC will also be implemented through the DIC office. The Sirsa DIC is actively promoting cluster development in the district and also helps the local units register under UdyogAadhar Memorandum (UAM). It would play a key role in formulation of the furniture units SPV.

###### ► MSME-Development Institute (MSME-DI), Karnal

MSME-Development Institute, Karnal is a field office of the Development Commissioner (MSME), Ministry of MSME, New Delhi, which is an apex body for formulating, coordinating and monitoring the policies and programmes for promotion and development of MSMEs in the country. MSME-DI provides a wide range of extension / support services to the MSMEs in the state.

###### ► Haryana State Infrastructure & Industrial Development Corporation (HSIIDC)

HSIIDC is an autonomous body set up by the Government of Haryana in 1967, headquartered at Panchkula. HSIIDC has been playing a progressive role in the industrial development of various districts of Haryana. Over the years, it has greatly accelerated the pace of its activities by facilitating land allocation to industries, creating industrial areas and developing required infrastructure.

Entrusted fundamentally with the task of establishing industrial areas, HSIIDC has also taken the responsibility of providing continued assistance to the units which come up in these industrial areas. HSIIDC provides a total package of assistance at a single point to the entrepreneurs and disburses incentives of behalf of State Government.

▶ **Haryana Shehri Vikas Pradhikara (HSVP)**

HSVP is the urban planning agency of the state of Haryana in India. It was established in 1967. It plays a key role in land development and execution of development works like roads, water supply, sewage, and drainage etc.

▶ **National Small Industries Corporation (NSIC)**

National Small Industries Corporation (NSIC) was established in the year 1955 with a view to promote, aid and foster growth of small industries in the country. Sirsa industry is served by the NSIC branch office in Sirsa. It provides diverse services to MSMEs in Sirsa such as:

- Helps entrepreneurs in purchasing machinery and equipment
- Equipment leasing and working capital finance
- Information on technological up gradation
- Composite loan scheme and export assistance

## **B. Industry Associations**

▶ **MSME Chamber of Commerce and Industry Association (MSMECCIA), Sirsa**

MSME Chamber of Commerce and Industry, established in October 2015, is a proactive and dynamic organisation working at the grass-root level with strong National and International linkages. At present 90 industrial units are the members of the association. Chamber acts as a catalyst in the promotion of industry, trade and entrepreneurship. Chamber located in Sirsa is a story of an institution dedicated to serve the interest of Commerce, Industry and Profession in particular and the economic development of the Country in general. MSME CCIA has cultivated a flair for service orientation which made it a matter of substance for business enterprises to seek membership and the benefit from such services that they derive. With the in-house expertise, it gives business and legal advice to local companies on most aspects of their business.

## **C. Educational Institutes**

▶ **Government Industrial Training Institute (ITI) Sirsa**

I.T.I. Sirsa (Industrial Training Institute) is situated in 13-acre area at a distance of 4.5 km. from Main Bus Stand and 3 km. from Railway Station of the Sirsa city in the vicinity of Industrial Area & F-Block. I.T.I. is itself a benchmark place. This institute started functioning during the session 1963 under Directorate of Industrial Training Deptt. Vocational Education Haryana, Chandigarh.

Directorate General of Employment & Training run under National Council Vocational Training (NCVT) scheme approves the Courses and some courses are run under State Council Vocational Training (SCVT) Scheme. All admission seekers

to NCVT approved various trades (Engineering / Non-Engineering) are advised in their own interest that they should confirm and satisfy themselves before seeking admission in any trade that the trade in I.T.I. is affiliated to NCVT.

#### D. Banks / FIs

##### ► **Small Industries Development Bank of India (SIDBI)**

SIDBI is the apex financial institution responsible for the growth and development of the MSME sector. Almost all the government subsidy schemes and bilateral lines of credit are implemented through SIDBI. SIDBI also undertakes numerous programs for development of the MSME sector. It plays a pivotal role in enhancing awareness of entrepreneurs on various financial aspects. SIDBI is also conducting awareness programs on GST across Haryana.

##### ► **Punjab National Bank, Sirsa**

Punjab National Bank is the lead bank of the Sirsa district and many local manufacturing units have a banking relationship with PNB.

#### E. Leading Manufacturers

Some of the leading furniture manufacturers in Sirsa include J.P Woods, Shree Ram Furniture House, Harman Furniture, etc.

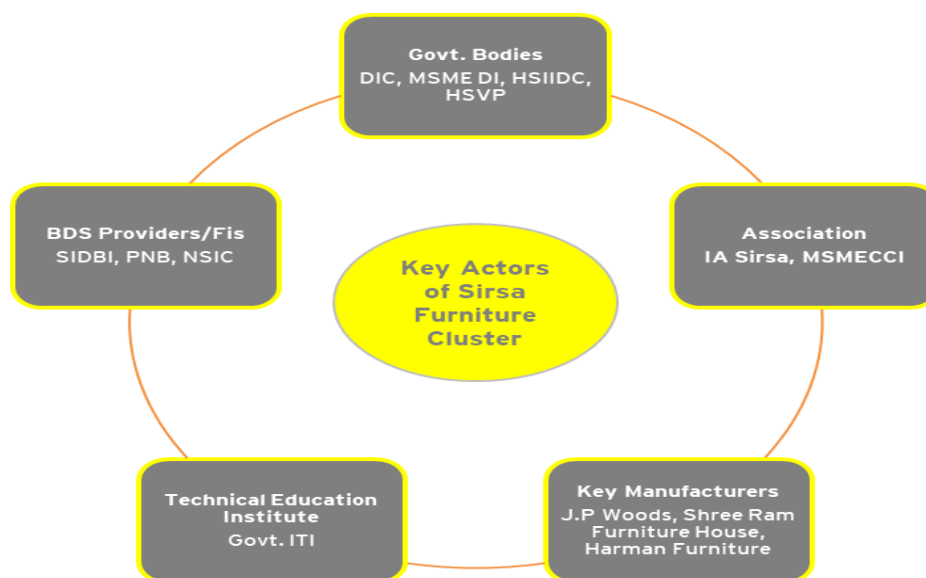


Figure 5: Key Cluster Actors

### 3.2 Cluster Turnover, Market and Employment

The Sirsa Furniture cluster has about 140 units, out of which 124 are micro units and 16 are small units across the value chain. The cluster units are mainly concentrated in Ellenabad town and manufacture wooden doors, wooden goods such as beams, rafters, roof struts, glue-laminated and metal connected, pre-fabricated wooden roof trusses, doors, windows, wooden beadings and mouldings, shingles, shakes and all type of wooden furniture etc. The annual turnover of this cluster units is estimated to be around INR 100 crores.



The units in the cluster are catering to markets of Sirsa, Punjab, Rajasthan, Delhi etc. They supply to domestic market only. Manufacturing is predominantly done to order and is usually based on the buyer's given drawings & specifications.

Presently, this cluster provides employment to 2000 people directly & indirectly. On an average, micro units employ approximately 12 persons, and small units in the cluster employ approximately 8 persons. On an average, micro and small-scale furniture units employ approximately 10-12 people. The average wages of the industry workforce are of Rs. 9000 per month for workers operating on 8-10-hour shift. The average wages of skilled labor for precision activities such as wood carving, finishing etc. is around Rs. 12,000-15,000 per month.

The proposed facility will be open to all cluster firms to enable them to get job work done in order to cater the requirements of the market. The proposed CFC will provide an opportunity to micro units to get job work done on modern machines and manufacture high quality products, thereby increasing their individual capacity utilization and profitability. The CFC will also lead to creation of several jobs for supervisors, machine operators and unskilled workers like helpers both within the CFC and at an individual unit level due to enhanced capacity utilization.

### 3.3 Production Process

The units in the cluster are engaged in production of various products. The units in the cluster are engaged in various activities across the value chain of manufacturing process. From selection of raw materials, to the finished products, various activities are involved in this process. Raw materials used by the furniture units can be classified into primary and secondary. The primary raw materials used in basic process. The secondary ones are used for assembly and customization. The cluster units need basic raw material such as teak or shisham wood, ply board, mica, adhesive (D-3), polish, paint, hardware accessories, moulding etc. as per the specification of consumer or as per end product. The other consumables for the production are fibreboard, stainless steel, acrylic board/sheet, glass, chemicals (for termite), packaging material etc. The quantity of raw materials to be used depends upon specifications provided by the buyer.

Table 2: Sourcing of Raw Material by Sirsa Units

Input	Material	Supplier
Primary Raw Material	Teak or Shisham Wood, Ply Board, Mica, Adhesive (D-3), Polish, Paint, Hardware Accessories, Moulding	<ul style="list-style-type: none"> <li>▶ Local suppliers from Sirsa for Shisham wood</li> <li>▶ Domestic suppliers from Gujarat, Punjab, Delhi &amp; Rajasthan.</li> </ul>
Secondary Raw Material	Fiberboard, Stainless Steel, Acrylic Sheet/Board, Glass, Chemicals, Packaging material	<ul style="list-style-type: none"> <li>▶ Domestic suppliers from Punjab &amp; Delhi</li> </ul>

The flow chart of the production process followed by furniture units is shown in figure 6.

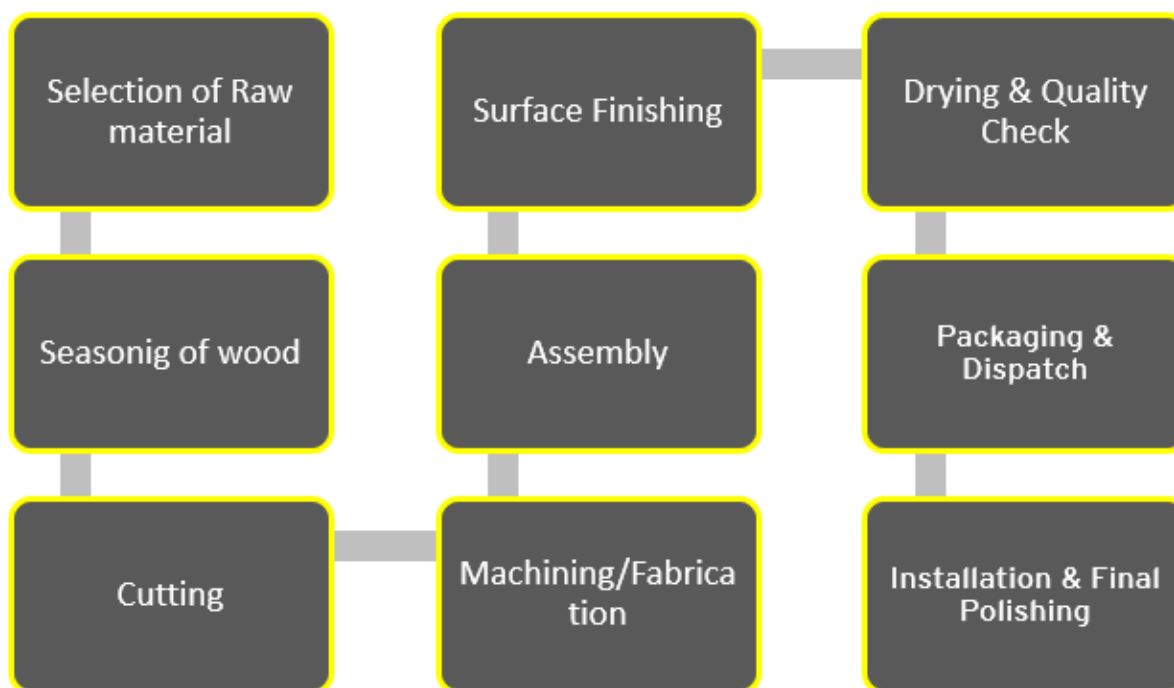


Figure 6: Flow Chart of Production Process for furniture manufacturing process

1. **Selection of Raw Material:** After receiving the order from customer and as per customer's requirement, type of timber and other material is selected and checked properly.
2. **Seasoning of Wood:** This process is used to reduce the moisture content of wood before its use. In this method wood is subjected to hot air in air tight chamber. The hot air circulates in between the wooden logs and reduces the moisture content.
3. **Cutting:** Once the wood is seasoned, it is sawed into the part of furniture part as per the requirement.
4. **Machining/Fabrication:** After initial cutting, the wooden parts are processed by different wood working machines depending upon its shape and design to obtain its features. It also includes hand carved/worked with variety of hand tools like chisels, rasps, files, hand saws, sandpaper. After this, wooden parts are sanded properly to round all the sharp edges and to smooth its surface.
5. **Assembly:** This process involves assembly of each part/component according to design & drawing. All joints are glued together to form a strong bond. In some cases, wooden dowel pin is used to join two parts of furniture. After assembly, the furniture part is examined to ensure a smooth surface for finishing. Wood furniture can either be finished and then assembled, or the reverse. Furniture made of irregularly shaped components is usually assembled and then finished.
6. **Surface finishing:** Surface finishing may involve the use of a large variety of coatings. These coatings are applied after the product is assembled or in a flat line operation before assembly. Coatings could normally include fillers, stains, glazes, sealers,

lacquers, paints, varnishes and other finishes. The coatings may be applied by spray, brush, pad, dip, roller or flow-coating machine.

7. **Drying and Quality Check:** After surface finishing, the furniture product is kept for drying and then a quality check has been done to find out any defects in the furniture product.
8. **Packaging & Dispatch:** If the furniture product is found ok in quality check then packed according and shipped to customer's premises.
9. **Installation & Final Polishing:** This process is required only if the installation of furniture is required at customer's premises. It involves final installation and touch-up/polishing at customer's premises.

### 3.4 Value Chain Analysis

Value chain analysis of the most commonly produced cluster product (Door) has been conducted to ascertain the major cost areas and identify suitable interventions. The value chain analysis of Door (Size 7'X3') is provided in table 3<sup>5</sup>

Table 3: Value Chain Analysis of Door

Particulars	Before Intervention			After Intervention		
	Value Added	Total Value (INR)	% of cost of production	Value Added	Total Value (INR)	% of cost of production
Wood (Raw material)	27000	27000	58.70%	27000	27000	65.22%
Manpower Charges (Cutting, Finishing)	6000	33000	13.04%	5000	32000	12.08%
Electricity charges	500	33500	1.09%	500	32500	1.21%
Designing Cost (out sourced)	7000	40500	15.22%	3400	35900	8.21%
Polishing/Painting Cost	4000	44500	8.70%	4000	39900	9.66%
Installation Charges	1500	46000	3.26%	1500	41400	3.62%
<b>Total Production Cost</b>	<b>46000</b>		<b>100</b>	<b>41400</b>		<b>100</b>
<b>Profit Margin (10% before intervention and expected 20% after intervention)</b>	<b>4600</b>			<b>9108</b>		

<sup>5</sup> Source: Stakeholder Consultation inputs

	Before Intervention			After Intervention		
Particulars	Value Added	Total Value (INR)	% of cost of production	Value Added	Total Value (INR)	% of cost of production
Selling Price	50600			50508		

The value chain analysis has been prepared based on the stakeholder consultation. It can be observed that the raw materials amount to over **58.70%** of total cost of production. The industry is labour intensive, with labour costs accounting for approximately **13.04%** of total production cost of a door. The designing is outsourced whose costs around **15.22%** of the total production cost. The painting/polishing cost is around **8.70%** of the total production cost. The competitiveness of the cluster units can be increased by targeting the major cost area and providing common facilities to the units in order to undertake process at a lower cost. At present the cluster units are getting the **10%** profit margin. Post implementation of CFC, there will be reduction in designing cost and thereby resulting in significant reduction of cost of production and rise in profit margin by more than **20%**.

### 3.5 Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

A SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of the furniture units in the cluster has been carried out keeping in mind the technology, marketing, product quality, skills, inputs, innovation, business environment and energy/environment compliance of the units. The SWOT analysis provided in table 4:

Table 4: SWOT analysis of the cluster

Area	Current situation		Future	
	Strengths	Weaknesses	Opportunities	Threats
<b>Market</b>	<ul style="list-style-type: none"> <li>▶ Steady local demand for cluster products</li> <li>▶ Cluster located nearby Sirsa &amp; Dabwali, which is well connected with Punjab &amp; Rajasthan</li> <li>▶ Cluster located in the proximity of Delhi which is a major supply hub</li> <li>▶ Presence of a large number of buyers in the region</li> </ul>	<ul style="list-style-type: none"> <li>▶ Limited market area with no international presence</li> <li>▶ Lack of exposure</li> <li>▶ Lack of online market reach</li> </ul>	<ul style="list-style-type: none"> <li>▶ Rising income levels and increasing urbanisation are driving growth of the domestic market</li> <li>▶ Huge opportunity for international market</li> <li>▶ Potential to price products competitively with acquisition of technology</li> <li>▶ Potential to develop an online portal for cluster products</li> <li>▶ Encourage buyer-supplier contacts through fairs, meets, web portal etc.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Intense competition from global markets</li> <li>▶ Competition from other major players like Godrej, IKEA, etc.</li> </ul>
<b>Technology/ Product Quality</b>	<ul style="list-style-type: none"> <li>▶ Practical know how and conventional tricks</li> <li>▶ Each unit undertakes inspection of products at each stage in their manufacturing process</li> </ul>	<ul style="list-style-type: none"> <li>▶ Lack of modern technology</li> <li>▶ Lack of awareness</li> <li>▶ Using outdated machineries</li> <li>▶ No sophisticated testing facility</li> </ul>	<ul style="list-style-type: none"> <li>▶ Setting up of CFC with modern machinery, resulting in units being able to obtain these services both timely and at lower costs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Higher cost of production</li> <li>▶ Increase in awareness of customers on quality certifications shall lead to losing out to business / requirement for more stringent testing procedures</li> </ul>

Area	Current situation		Future	
	Strengths	Weaknesses	Opportunities	Threats
		<ul style="list-style-type: none"> <li>▶ Using of Conventional operational methods</li> <li>▶ Non-uniformity in products due to manual interventions</li> </ul>		<ul style="list-style-type: none"> <li>▶ Competition from vendors manufacturing products at lower costs</li> <li>▶ Rapid technology obsolescence</li> </ul>
<b>Skill/ Manpower</b>	<ul style="list-style-type: none"> <li>▶ Skilled and Knowledgeable workers</li> <li>▶ Presence of technical institutes such as ITI with carpenter as a trade</li> </ul>	<ul style="list-style-type: none"> <li>▶ High labour costs</li> <li>▶ Lack of interaction between MSMEs and technical institutes for providing technical training</li> <li>▶ No mechanism to mobilize regional youth for training in the sector</li> </ul>	<ul style="list-style-type: none"> <li>▶ Customized training programs on required skills (operations, soft skills etc.)</li> <li>▶ Engage technical institutes for skill development programs</li> </ul>	<ul style="list-style-type: none"> <li>▶ Youth interested to work in other lucrative sectors</li> <li>▶ Working conditions discourage youth to come in this business</li> </ul>
<b>Inputs</b>	<ul style="list-style-type: none"> <li>▶ Availability of raw materials from local dealers</li> <li>▶ Preference of consumers in selecting raw material locally for manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>▶ Challenge in getting quality in raw material</li> </ul>	<ul style="list-style-type: none"> <li>▶ Set up for raw material banks</li> <li>▶ Joint procurement</li> </ul>	<ul style="list-style-type: none"> <li>▶ Cost of power is on higher side, which leads to higher cost of production</li> <li>▶ Increase in rate of raw material</li> </ul>
<b>Innovation</b>	<ul style="list-style-type: none"> <li>▶ Ability to manufacture products as per the customer's specifications</li> <li>▶ Some units create their own designs (using conventional methods at present) and sell these</li> </ul>	<ul style="list-style-type: none"> <li>▶ Low investment in development of designs</li> <li>▶ Outsource design work</li> <li>▶ Lack of process automation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Structured processes for information sharing among MSMEs in the cluster</li> </ul>	<ul style="list-style-type: none"> <li>▶ Could lose business to other more price competitive manufacturers from neighbouring states</li> </ul>
<b>Business Environment</b>	<ul style="list-style-type: none"> <li>▶ Steady growth in domestic demand</li> </ul>	<ul style="list-style-type: none"> <li>▶ Lack of knowledge of regulatory frameworks</li> </ul>	<ul style="list-style-type: none"> <li>▶ Establish CFC with latest technologies</li> </ul>	<ul style="list-style-type: none"> <li>▶ Change in policies and regulatory environment</li> </ul>

Area	Current situation		Future	
	Strengths	Weaknesses	Opportunities	Threats
	<ul style="list-style-type: none"> <li>▶ Cluster well known in local and neighbouring states</li> </ul>	<ul style="list-style-type: none"> <li>and government schemes among micro level units</li> <li>▶ Limited to local area</li> <li>▶ High cost of industrial land in the cluster</li> <li>▶ Lack of common infrastructure/CFC facilities</li> <li>▶ No long-term vision of manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>▶ Create better awareness of government schemes and regulations</li> <li>▶ Encourage the use of locally produced wooden furniture products</li> </ul>	

### 3.6 Major Issues / Problem Areas of the Cluster

The key problems cluster related problems identified are:

- ▶ **Absence of Modern Machinery for production:** The major problem of the cluster is lack of modern machinery. The units are using conventional machines and methods for processes which are too old and need to be upgraded, particularly for designing and finishing of furniture products. These machineries are out-dated and cannot match the quality and standard of modern age. The machines are slow and consume time and energy. Cluster units are dependent on private players for designing and other work.
- ▶ **Lack of Space:** Units are very small. They cannot stock bulk quantity of raw material in their place. So, they cannot purchase raw material in bulk to realize benefits of economies of scale.
- ▶ **Marketing:** 100% market for the cluster is within Delhi, Haryana, Punjab & Rajasthan. Therefore, there is scope for expansion of the market. They have to increase their capacity and capability in terms of technology, buying power, manufacturing etc. to meet the customer's expectations.
- ▶ **Technology:** Sirsa furniture cluster units are dominated by low technology and very rare technological innovation. However, in recent years, the demand of automatic and semi-automatic production systems is rising. This made them to look for modernisation and adaptation of latest machine and technology.
- ▶ **Lack of skilled manpower:** Lack of skilled manpower is responsible for wastage of raw material, higher production time, low accuracy and low productivity results.
- ▶ **Limited access to markets:** The cluster units are small in size with low production capacity. Individually, they have not been able to garner bulk orders. Moreover, they have been unable to diversify their production capacity to lack of technological capacities, which has led to limited access to market. In order to increase the production capacity as well as produce new products, units require modern efficient machinery. Lack of capital to purchase these machines has limited the production capacity of these units.

Due to inexistence of these facilities, cluster units face higher costs, production delays, material wastages thereby reducing their competitiveness, especially compared to other competitive areas. These facilities, if provided through a CFC in the cluster with government support, will help the units become more competitive and enable them to dramatically move up the value chain.

### 3.7 Key Technologies Missing

The key technological gaps on various fronts that the CFC proposes to target, along with scope and illustration of major facilities is provided in table 5.



Table 5: Rationale for hard interventions

Rationale for proposed hard interventions under CFC mode	
Critical technology gaps in the cluster	Proposed technology interventions to enhance cluster's competitiveness through CFC mode
<b>Drying Facility</b>	
Drying or Seasoning of wood is the process to reduce the moisture content of wood before its use. Absence of seasoning plant is one of the primary challenges in the furniture industry. Units are dependent on private service providers which results in higher costs and production delays. Some units have in house small obsolete seasoning plant whose capacity is very low and takes much time for drying/seasoning of wood.	<p>Presence of seasoning plant in the cluster shall reduce the production cost &amp; time. This shall also reduce the dependency of private service providers for drying/seasoning of wood.</p> <p>With the facility of <b>Boiler and Wood Seasoning Plant</b>, cluster units will be able to season the wood locally which will help them to increase their production and profitability.</p>
<b>Designing Facility</b>	
Clusters units do not have in house designing facility. They are totally dependent on private players for designing work. These private players are situated in Delhi and units pay transportation amount which finally increases the product cost and is also time consuming.	<p>By establishing this facility in the CFC, units will be able to do designing work locally in short time and at low cost. This will also help them to increase their production and meet the market demand.</p> <p>Following machines will be installed under this facility:</p> <ul style="list-style-type: none"> <li>▶ Computerized Numerical Control (CNC)</li> <li>▶ Moulder with Tilting</li> </ul>
<b>Finishing Facility</b>	
Finishing is the final step of the manufacturing process that gives wood surfaces desirable characteristics, including enhanced appearance and increased resistance to moisture and other environmental agents. At present stage, units deploy outdated machines for finishing of end products which results in low quality, less productivity and consumes a lot of time.	<p>With the availability of this facility, the cluster units will be able to finish the end products with good quality in lesser time and at low cost. Following machines will be installed under this facility:</p> <ul style="list-style-type: none"> <li>▶ Thru Feed Machine with PVC Wood &amp; Edge Banding Machine</li> <li>▶ Pannel Saw Altendorf</li> <li>▶ Thicknesser Planer</li> <li>▶ Wide Belt Sander with Tilting Left &amp; Right with Polishing</li> <li>▶ Cold Press with 6 Pump</li> <li>▶ Randa Machine</li> </ul>
<b>Advanced Machining Facility</b>	

**Rationale for proposed hard interventions under CFC mode**

Critical technology gaps in the cluster	Proposed technology interventions to enhance cluster's competitiveness through CFC mode
<p>The major problem of the cluster is lack of modern machinery. The units are using conventional machines and methods for processes which are too old and need to be upgraded. These machineries are out-dated and cannot match the quality and standard of modern age. The machines are slow and consume time and energy.</p>	<p>This facility in the CFC will help the cluster units to innovate and develop new products. This will also lead to increase their productivity with required perfection and in lesser time. Following machines will be installed under this facility:</p> <ul style="list-style-type: none"> <li>▶ Six Head Multiple Drill Machine</li> <li>▶ Four Head Drill</li> <li>▶ Three Head Multiple Drill Machine</li> <li>▶ Finger Joint</li> <li>▶ Door Frame Assembler</li> <li>▶ Door Assembler</li> </ul>

**3.8 Cluster growth potential**

The potential for the Sirsa furniture cluster to grow is enormous, owing to the increasing demand of furniture products in the region. The furniture market witnessed tremendous growth in last few years. The progress in real estate sector, housing activity and other service sector also provided an impetus to furniture demand in the region. The Haryana government has also undertaken several initiatives to promote industrial development in the region. The state has ensured creation of massive infrastructure in terms of complete electrification, provision of road transport, expansion of administrative, educational and health facilities in small towns, and establishment of many new industrial townships and urban estates.

There are also some industries in the region which are engaged in the manufacturing of items such as Seed Processing, Cotton textile, Jute & Jute based products, Milk Chilling, Chemicals, Rice Shelling, Iron & Sheet Fabrication, Wrapping Papers, Agriculture Implements, Leather bases goods & products, Electrical machinery and transport equipment, etc. However, the cluster units are unable to effectively cater to these market segments due to lack of technological capacities and low production scales.

Against this backdrop, if modern job work manufacturing facilities are provided to micro-units of the cluster under CFC mode, their production costs will reduce, and they will be able to cater the requirements of market in an efficiently manner. This will also provide an opportunity to micro units to get job work done on modern machines and manufacture high quality products. The CFC will also lead to creation of several jobs for skilled and unskilled workers.

# Diagnostic Study Recommendations



## 4. Diagnostic Study Recommendations

Based upon the diagnostic study report and subsequent discussions with various cluster stakeholders and members of Ellanabad Modular Furniture Pvt. Ltd. during formulation of this Detailed Project Report (DPR), a mix of hard and soft interventions are being proposed to enhance the competitiveness of the cluster units. These have to be undertaken with government support to ensure the survival and growth of the furniture units in Sirsa. The recommendations for both soft and hard interventions have been elaborated in subsequent sections.

Cluster enterprises have also been undertaking several soft interventions (before, during and after the DSR) on their own and have been active in enhancing their awareness and exposure. They have also conducted exposure visits to other developed clusters, participated in national and international exhibitions.

### 4.1 Soft Interventions Recommended and Action Taken

- 1. Capacity Building and Awareness Generation:** One of the primary recommendations for soft interventions was to build the capacities of cluster units and generate awareness among stakeholders regarding cluster development (collective approach to address their issues) and benefits available to them in the form of cluster. In this regard, the cluster units had organized a meeting, the details of which are provided below:

▶ **Member Meetings:**

Cooperation and trust building among members is foremost condition for smooth functioning of the cluster and SPV. A meeting was organized by cluster members during the month of October 2019 in Ellenabad to enhance cooperation among member units and to obtain inputs for the DSR. Members of the cluster were informed about the registration of company for the cluster and identification of land for the CFC. Members of the cluster raised their concerns during the meeting which were resolved by other members of the cluster.



- 2. Participation in Trade Fairs:** Cluster members have participated in trade fairs held in Noida, Bangalore and china. The aim was to gather technical knowledge and expertise required for developing the cluster. Additionally, participation in trade fairs and exhibitions were made to provide a platform to cluster units to promote their products as well as witness innovative products being brought out in the market.



- **Participation in China Trade fair:** Some cluster members participated in china trade fair to gain the technical knowledge related to new machinery in the furniture manufacturing segment. Some glimpse of china Trade Fair:



## 4.2 Hard Interventions (Machines / Technology in the proposed CFC)

The furniture units in the Sirsa need technological support to enhance their competitiveness and ensure their survival. The units are reeling under bitter competition and low margins and require modern high capacity automatic machines and other related equipment to get their job work done and reduce their production costs.

The following common infrastructural facilities are being proposed for the CFC, with support from Department of Industries & Commerce, Government of Haryana.

1. **Drying Facility:** By establishment of this facility in CFC, cluster units will be able to season/dry the wood locally which will help them to increase their production and profitability. Currently, some units are using obsolete seasoning plant and rest are dependent on other service providers for drying/seasoning of wood. Seasoning/drying is the process to reduce the moisture content of wood before its use. Following machines will installed under this facility of CFC:

### Drying Facility

**(a) Boiler and Wood Seasoning plant:** A boiler and wood seasoning plant will be installed in the CFC to overcome this challenge. This machine contains a chamber in which wood is stacked and then heat exchanges in the chamber at pressure through air blower. Wood is kept in this chamber for 6 to 12 days as per its fiber property.



2. **Designing Facility:** This facility in CFC will cater the designing requirements of the cluster units. Currently, cluster units are totally dependent on other service providers for designing work. Following machines will be installed under this facility:

### Designing Facility

**(a) Computerized Numerical Control Machine (CNC):** This computer controlled cutting machine will be used in the production of different items such as door carving, wood panels, wooden frames, mouldings and furniture items. This CNC machine will provide consistent and high-quality work which will help cluster units to enhance their productivity.



**(b) Moulder with Tilting:** This machine will be used for variety of wood designing work like shaping, profiling, grooving and tenoning, etc. Mostly, it will be used to make the profiles and designs on the edge of table tops, kitchen shutters, drawer fronts, etc.



3. **Finishing facility:** At present stage, units deploy outdated machines for finishing of end products which results in low quality, less productivity and consumes a lot of time. With establishment of this facility in CFC, the cluster units will be able to finish the end products with good quality in lesser time and at low cost. Following machines will be installed under this facility:

Finishing Facility	
(a) <b>Thru Feed Machine with PVC Wood &amp; Edge Banding Machine:</b> This machine will be used for edge banding, scrapping, corner-rounding, end cutting, trimming, buffing, etc.	
(b) <b>Pannel Saw Altendorf:</b> This machine will be used to cut panels, plywood and solid wood in right angle and straight cutting in exact dimensions.	
(c) <b>Thicknesser Planer:</b> This machine will be used for surface and thickness finishing jobs with maximum accuracy and speed.	

Finishing Facility	
<p>(d) <b>Wide Belt Sander with Tilting Left &amp; Right with Polishing:</b> This machine will be used to sand, buffing and polishing the surface of wood, plywood, MDF, etc.</p>	
<p>(e) <b>Cold Press with 6 Pump:</b> This machine will be used to press furniture plate, wooden door, as well as furniture leveling. This machine will provide good pressing quality with high speed and high efficiency.</p>	
<p>(f) <b>Randa Machine:</b> This machine will be used for multipurpose carpentry work in furniture manufacturing process. This machine is easy to use with low maintenance feature. The solid cast iron structure of this machine gives long life. This machine will be used for the work like Surface Planning, Thicknessing, Grooving, Rebating, Blade Grinding, Cutting, Drilling, Moulding, etc.</p>	

#### 4. Advanced Machining Facility:

Advanced Machining Facility	
<p>(a) <b>Six Head Multiple Drill Machine:</b> This machine will be used to drill multi rows holes on wood, MDF panel, Plywood board, Chipboard, ABS board, PVC board and other boards. This machine can drill 6 rows holes on panel at one time processing and it is</p>	



Advanced Machining Facility	
widely used machine in furniture industry.	
<p><b>(b) Four Head Drill:</b> This machine will be used to drill hinge holes on wood, MDF, chipboard, ABS board, PVC board and other boards. Fix with 4 heads, it can process 4 hinge holes together with side pins at one time processing.</p>	
<p><b>(c) Three Head Multiple Drill Machine:</b> This machine will be used to drill holes on wood, MDF panel, chipboard, ABS board, PVC board and other boards. This machine can drill 3 rows holes on the panel at one time processing.</p>	
<p><b>(d) Finger Joint:</b> This machine will be used to make finger grooves on wood, which will be further combines using glue and pneumatic press.</p>	
<p><b>(e) Door Frame Assembler:</b> This machine will be used to assemble solid wood frames like door, window, cabinet door, etc.</p>	

### Advanced Machining Facility

(f) **Door Assembler:** This machine will be used for assembling of solid wood panel door and window. With the use of this facility in the CFC, cluster units will be able to enhance their production.



[illegible]

## 5. SPV for Project Implementation

The micro units at Sirsa Furniture Cluster came together to form a Special Purpose Vehicle (SPV) as a private limited company under section 7 of the Companies Act, 2013 and rule 8 of the Companies (Incorporation) Rules, 2014. The SPV is named as '**Ellanabad Modular Furniture Pvt. Ltd.**' with CIN U74999HR2019PTC083589. The SPV was registered on 15<sup>th</sup> November 2019. The certificate of registration along with Memorandum of Association (MoA) and Articles of Association (AoA) of the SPV are provided in **Annexure - 2**. The company has an authorized paid up capital of Rs. 1.00 Lakh which shall be enhanced in the near future. The members are micro-sized firms (registered units) involved in furniture related activities, predominately based in Ellenabad and Rania area of Sirsa.

DIC, Sirsa and state government both played an important role in SPV formation by cluster stakeholders. The SPV includes about 14 members who are subscribing to the necessary equity base of the company. The SPV shall be open for new members to join and for the existing members to leave while maintaining a minimum member base of at least 10 at all times. The proposed CFC will be implemented on public-private partnership basis through SPV 'Ellanabad Modular Furniture Pvt. Ltd. by availing support from Government of Haryana (under EPP 2015) state mini cluster scheme.

Cluster members have been autonomously undertaking several soft interventions to enhance knowledge and exposure of the cluster units on new trends in furniture industry and enhancing productivity of their units as mentioned in the previous sections. These include exposure visits to trade fairs, registration under UAM and awareness programs on new trends in furniture industry, design interventions and new technologies.

The SPV has conducted a series of stakeholder consultations (with various members, DIC, Sirsa and EY experts) during finalization of project components, selection of technologies and development of Detailed Project Report. The SPV has been instrumental in spreading awareness about cluster development under state mini-cluster scheme in Sirsa and has also helped in validation of findings and recommendations. It has kept the state government and the DIC Sirsa engaged during the entire period of development of DSR and DPR.

### 5.1 Shareholder profile and Shareholding mix

**List of Directors:** The SPV has two directors. The details of the directors are furnished in the table 7. Other than these directors, the SPV will have provision of having one director each from the state government. The SPV comprises members from micro furniture manufacturing units. It is homogeneous in nature due to similar products and activities performed by the cluster units.

Table 6: List of SPV Directors

S. No.	Director Name	Name of the unit	Unit address
1	Gyan Singh	Preet Furnitures	Main Road, Near Gurdwara, Rania
2	Jai Prakash	J.P Woods	Opposite Auto Market, Sirsa Road, Ellenabad, Sirsa

The lead promoters/ shareholders have several years of successful experience in production of furniture products and are also well versed with the benefits of cluster development initiatives. These units are financially viable in nature.

Members of the SPV have been engaged in production of furniture products in Sirsa for several years. SPV directors/ members of the SPV also have considerable experience in marketing and manufacturing of furniture products. Directors/members have been in close interactions with technical experts, government institutions and machinery suppliers. Post the DSR validation, the DIC Sirsa also acknowledged the genuineness and enthusiasm of the SPV members to undertake project initiatives under state mini cluster scheme as well as verified the existence of the SPV members. The verified list is provided in **Annexure 3**.

The SPV was formed with the objective of taking up cluster level activity in a joint and coordinated manner, wherein all units have equal say. The shareholding pattern of members of the registered SPV includes the contribution from every member of SPV and no individual shareholder holds more than 10% equity stake in the capital of the company. Details of SPV members along with their contact persons, unit details, UAM numbers and products manufactured are provided in table 7.

Table 7: Details of SPV Members of Sirsa Furniture Cluster

S. No	Contact Person	Company Name	Contact No.	Address of Unit	UAM No.	Products
1.	Jai Parkash	J.P Woods	9416253648	Opposite Auto Market, Sirsa Road, Ellenabad, Sirsa	HR17B0005526	Doors, Modular Kitchen and Other Furniture items
2.	Sanjay Singla	Shree Ram Furniture House	8059632000	Main Bazar, Near Dr. Purshottam Godara, Ellenabad	HR17A0005552	Bed, Sofa, Almirah, Dining Table, Dressing Table, etc.
3.	Amar Singh	Harman Furniture	9215584571	Mastangarh Road, Near State Bank, Santnagar	HR17A0005542	Bed, Sofa, Chair, Table, etc.
4.	Daya Ram	Godara Wood Works	9053642150	Near J.P Furniture Works, Sirsa Road, Ellenabad	HR17A0005573	Doors, Door Frames, Windows and other furniture items
5.	Harvel Singh	Shree Pratap Furniture House	9416258372	Mastangarh Road, Near State Bank, Santnagar	HR17A0005547	Almirah, Dining Table, Dressing Table, etc.
6.	Hanuman Parsad	Guru Kirpa Furniture Works	9416298310	Mamera Road, Near Namaste Chownk, Ellenabad	HR17A0005549	Bed, Sofa, Almirah, Dining Table, Dressing Table, etc.
7.	Satinder Singh	Gurudev Trunk House	9466916133	Main Bazar, Near SBI Bank, Ellenabad, Sirsa	HR17A0005541	Bed, Sofa, Almirah, Dining Table, Dressing Table, etc.
8.	Gyan Singh	Preet Furnitures	9463377880	Bypass Road, Ellenabad	HR17A0005543	Bed, Sofa, Almirah, Dining Table, Dressing Table, etc.
9.	Shyam Sunder	Durga Furnitures	9416490675	Circular Road, Sirsa	HR17A0005551	Bed, Sofa, Almirah, Dining Table, Dressing Table, etc.

S. No	Contact Person	Company Name	Contact No.	Address of Unit	UAM No.	Products
10.	Vinod Kumar	Jalwal Wooden Crafts	9416490929	Hanumangarh Road, Nimla, Sirsa	HR17A0005546	Doors, Door Frames, Windows and other furniture items
11.	Het Ram	Shiv Timber	9416090929	Hanumangarh Road, Nimla, Sirsa	HR17A0005540	Doors, Door Frames, Windows and other furniture items
12.	Manpreet Singh	Malwa Industries	9729355754	Bypass Road, Sirsa	HR17A0005550	Doors, Door Frames, Windows and other furniture items
13.	Umesh Yadav	Yadav Wooden Works	9416153646	Ward No. 6, Old Chakki Road, Ellenabad	HR17A0006307	Bed, Sofa, Almirah, Dining Table, Dressing Table, etc
14.	Govind Singh	G.S Furnitures	9416924448	Sirsa Road, Ellenabad	HR17A0006308	Bed, Sofa, Almirah, Dining Table, Dressing Table, etc

## **5.2 Initiatives undertaken by the SPV**

As mentioned in detail in section 4.1 (Soft interventions recommended, and action taken), the SPV members have proactively undertaken a lot of capacity building initiatives to promote the cooperation among cluster units and enhance knowledge and exposure of the units. The major initiatives are:

- ▶ Exposure visits to trade fairs and machinery fairs for furniture in Noida, Bangalore and China to understand the technology, market requirement and available opportunities.
- ▶ Conducting various programs for capacity building, awareness generation and technological advancement in the cluster as well as participation in similar programs organized by stakeholders.

## **5.3 SPV Roles and Responsibilities**

The SPV will play an important guiding role in the overall management and operations of the CFC. It will provide direction to the management of the CFC and will monitor usage and performance of the CFC. The SPV will constantly report to the state government about the performance of the CFC. The major roles and responsibilities that are envisaged to be performed by the SPV post the submission of this DPR are mentioned below:

- ▶ Coordinating with the state industry department for DPR approvals in the SLSC
- ▶ Accompanying EY experts to various meetings at the state government departments
- ▶ Execution of lease deed registration in SPV name
- ▶ Garnering the SPV project contribution from the members
- ▶ Formation of purchase committees for procurement of goods and services
- ▶ Establishing, operating and maintaining all common facilities as mentioned in the DPR
- ▶ Obtain any statutory approvals/clearances from various government departments
- ▶ Recruit appropriate professionals to ensure smooth execution of the CFC
- ▶ Collection of user charges from members and other users of the facilities as per the decided rates so as to meet the recurring expenses and future expansions of the CFC. While various estimates on user charges / service fee are presented in this DPR, all decisions including usage priority of facilities by members will be made on the basis of decision by members of SPV.
- ▶ Preparation and submission of progress reports to state industry department

The Memorandum and by-laws of the Cluster SPV indicates the democratic process in terms of decision making on the basis of votes. All members of SPV will meet once every fortnight/month to discuss/resolve operational issues. The management of the CFC will be a two-tier structure for smooth and uninterrupted functioning. The executive body i.e. Board of Directors (BoD) will include office bearers elected/nominated from time to time, including one nominee of State Government (DIC). They will also remain present during meetings.

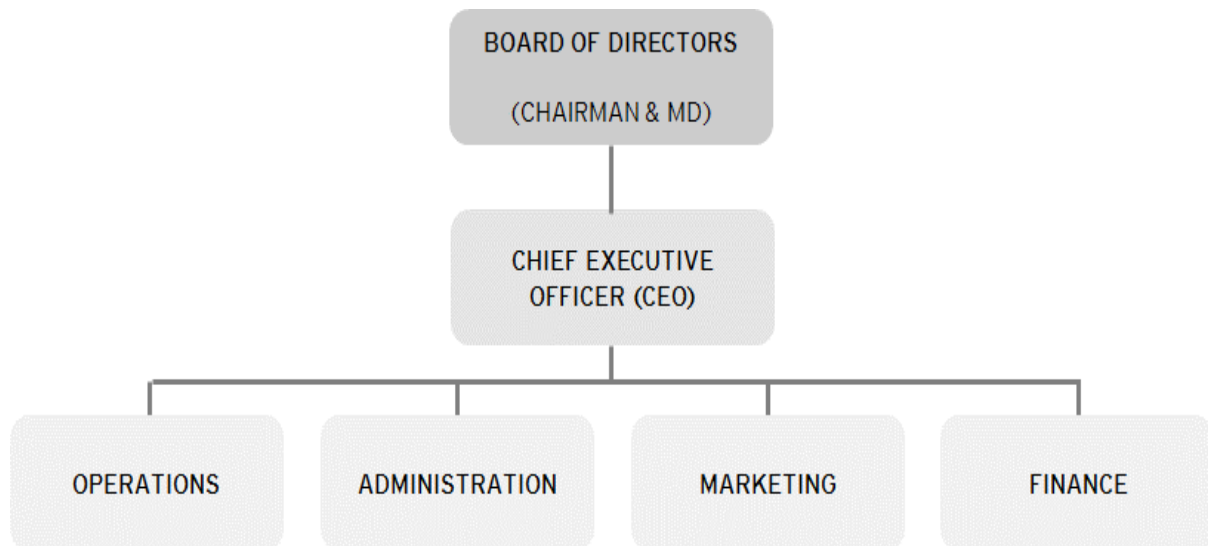
While various estimates on user charges/ service fees are presented in this DPR, all decisions including usage priority of facilities by members will be made by unanimous decision of the members. The CFC will seek direction and guidance from the SPV BoD, and



the day-to-day administration will be taken care of by the management that shall be appointed by the SPV BoD. Their role is detailed below:

1. **Board of Directors:** The BoD will be the main body and will oversee the operations of the CFC. They will have the decision-making power in terms of fixing user fees (for members and non-members) and usage of reserves etc. for future expansion. The Chairman and Managing Director will oversee the entire operations; each Director will be entrusted with specific responsibility like marketing, technical, finance, public relations etc. based on their interests and experience.
2. **Managerial, Technical and Administrative staff:** A competent and well qualified professional with a background in the furniture industry will be appointed as the Chief Executive Officer (CEO), who will look after day-to-day operations of the CFC and shall be directly reporting to the Board of Directors. Each facility (Drying, Designing, Finishing & Advanced Machining Facility) will have its own expert staff (supervisors, operations and helpers) as per the requirement. The details of manpower and other requirements are already mentioned in the DPR in the Project Economics section. There shall be provisions for administrative staff such as accounts personnel, marketing professional, store-keepers etc. to ensure effective functioning of the CFC. The proposed organizational structure of the CFC is given in figure 7:

Figure 7: Organisational Structure of Proposed CFC



# Project Economics



## 6. Project Economics

### 6.1 Project Cost

The actual total cost of setting up a CFC Furniture Cluster, Sirsa is estimated at **INR 223.01 Lakhs**. The total cost estimation includes the following project components:

1. Building
2. Machinery and equipment
3. Miscellaneous fixed assets
4. Preliminary & Pre-operative expenses
5. Contingency
6. Margin money for working capital

The detail of each project component is provided below:

#### 6.1.1 Building

The SPV shall lease a single storied building on a 10-year irrevocable lease. The SPV has identified the building which is located at #278, Ward No. 10, Ellenabad, Sirsa, Haryana-125102. The available area is 9000 Sq. ft. and monthly rent for first year would be Rs. 1.80 lakhs, with an annual increase of 10%. The detailed estimate is provided in table-8, 9 & 10.

Table 8: Building - Lease basis

BUILDING - LEASE BASIS		
S.No.	Particulars	Actual Cost
1	Building Area (sq. ft.)	9000
2	Monthly Rent (INR lakh)	0.15
3	Rent for first year (INR lakh)	1.80
4	Year on year increase in rent @	10.00%

Table 9: Building - Other Particulars

BUILDING - OTHER PARTICULARS		
S.No.	Particulars	Actual Cost
1	Lease Deed Reg Cost (Rs. In lakh)	0.43
2	Security Deposit (Rs. In lakh)	0.30

Table 10: Building - Rent Chart for 10 years @ 10% yearly increase

BUILDING - RENT CHART FOR 10 YRS @ 10% YEARLY INCREASE										
Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rent per year (Rs. in Lakhs)	1.80	1.98	2.18	2.40	2.64	2.90	3.19	3.51	3.86	4.24

BUILDING - RENT CHART FOR 10 YRS @ 10% YEARLY INCREASE										
Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Rent per month (Rs. in Lakhs)	0.15	0.17	0.18	0.20	0.22	0.24	0.27	0.29	0.32	0.35

### 6.1.2 Plant and Machinery

As detailed in section 4.2 (Hard interventions) several modern automatic and high capacity machines have been recommended to enable cluster units enhance their competitiveness. The machines have been categorized as primary and secondary. The machines that shall be used primarily for job work have been categorized as primary, whereas, the auxiliary/supporting machines have been categorized as secondary machines. The major facilities proposed at the CFC are Drying/Seasoning, Designing, Finishing and Advanced Machining Facility. The total cost of plant and machinery including secondary machine has been estimated at Rs. 199.95 lakhs.

The details of the proposed machinery items are presented in the table 10. The detailed quotations of the machines are provided in **Annexure 5**. The SPV has considered quotations for machinery from suppliers based on the manufacturer's reputation, service support, price and quality. However, an open online tendering system shall be followed for procurement of these machines during project execution, and selected vendors will be further invited to negotiate.

Table 11: List of Proposed Plant & Machinery

S. No.	Machine Name	Quantity	Basic Price	Total Basic Price	GST as Applicable	Total Price
<b>A</b>	<b>Primary Machinery</b>					
<b>A1</b>	<b>Drying Facility</b>					
1	Boiler and Wood Seasoning Plant	1	12.50	12.50	2.25	14.75
	<b>Sub Total (A1)</b>	<b>1</b>	<b>12.50</b>	<b>12.50</b>	<b>2.25</b>	<b>14.75</b>
<b>A2</b>	<b>Designing Facility</b>					
2	Computerized Numerical Machine (CNC)	1	18.50	18.50	3.33	21.83
3	Moulder with Tilting	1	6.00	6.00	1.08	7.08
	<b>Sub Total (A2)</b>	<b>2</b>	<b>24.50</b>	<b>24.50</b>	<b>4.41</b>	<b>28.91</b>
<b>A3</b>	<b>Finishing Facility</b>					

S. No.	Machine Name	Quantity	Basic Price	Total Basic Price	GST as Applicable	Total Price
4	Thru Feed Machine with PVC Wood & Edge Banding Machine	1	38.00	38.00	6.84	44.84
5	Pannel Saw Altendorf	1	7.00	7.00	1.26	8.26
6	Thicknesser Planner	1	6.50	6.50	1.17	7.67
7	Wide Belt Sender with Tilting Left & Right with Polishing	1	19.30	19.30	3.47	22.77
8	Cold Press with 6 Pump	1	6.50	6.50	1.17	7.67
9	Randa Machine	1	0.95	0.95	0.17	1.12
	<b>Sub Total (A3)</b>	<b>6</b>	<b>78.25</b>	<b>78.25</b>	<b>14.09</b>	<b>92.34</b>
<b>A4</b>	<b>Advanced Machining Facility</b>					
10	Six Head Multiple Drill Machine	1	18.00	18.00	3.24	21.24
11	Four Head Drill	1	8.50	8.50	1.53	10.03
12	Three Head Multiple Drill Machine	1	6.80	6.80	1.12	8.02
13	Finger Joint	1	6.50	6.50	1.17	7.67
14	Door Frame Assembler	1	4.50	4.50	0.81	5.31
15	Door Assembler	1	5.50	5.50	0.99	6.49
	<b>Sub Total (A4)</b>	<b>6</b>	<b>49.80</b>	<b>49.80</b>	<b>8.96</b>	<b>58.76</b>
	<b>Sub Total (A=A1+A2+A3+A4)</b>	<b>15</b>	<b>165.05</b>	<b>165.05</b>	<b>29.71</b>	<b>194.76</b>
<b>B</b>	<b>Secondary Machinery</b>					
1	Generator Set	1	4.40	4.40	0.79	5.19
	<b>Sub Total (B)</b>	<b>1</b>	<b>4.40</b>	<b>4.40</b>	<b>0.79</b>	<b>5.19</b>
	<b>Grand Total (A+B)</b>	<b>16</b>	<b>169.45</b>	<b>169.45</b>	<b>30.50</b>	<b>199.95</b>

### 6.1.3 Miscellaneous Fixed Assets

The CFC would also require fixed assets such as furniture, fixtures, firefighting equipment, first-aid equipment, vehicle for pickup and drop facility, etc. for smooth running of operations. The total estimated capital expenditure for purchase of miscellaneous fixed assets is estimated to be INR 7.38 Lakhs. Details are provided in the table 12.

Table 12: Miscellaneous Fixed Assets

Miscellaneous fixed assets Particulars	Amount (INR in Lakhs)
Office items and allied items, furniture, fixtures, firefighting equipment, Vehicle for pickup and drop facility, etc.	7.38
<b>Total</b>	<b>7.38</b>

#### 6.1.4 Preliminary and Pre-operative Expenses

Another major component of the project cost is the preliminary and pre-operative expenses. The preliminary expenses are envisaged as expenses incurred for registration of SPV, legal and administrative expenses, lease deed registration charges, tendering forms, and tendering cost etc.

Pre-operative expenses include expenses for administrative establishment, travelling, bank charges, overhead expenses during machinery testing period such as salaries, machine testing cost, bank charges, traveling, etc. The total expenditure for preliminary and pre-operative expenses are estimated at INR 2.47 Lakhs (details provided in the table 13).

Table 13: Preliminary and Pre-Operative Expenses

S. No.	Particulars	Amount Rs. in lakhs
1.	Company Registration Charges	0.50
2.	Tender forms & tendering cost	0.10
3.	Project Report Preparation (DSR & DPR)	Nil
4.	Project Management Charges	Nil
5.	Travelling Cost	0.50
6.	Machine testing cost	0.35
7.	Lease deed registration charges	0.43
8.	Bank Appraisal Charges	0.59
	<b>Total</b>	<b>2.47</b>

#### 6.1.5 Provision for Contingencies

Provision for contingencies has to be made on plant and machinery. Contingencies on plant and machinery have been estimated at 5% that amounts to INR 10.00 lakh.

#### 6.1.6 Margin Money for Working Capital

The total working capital requirement during the first year of operation at 75% capacity utilization is estimated at INR 12.86 lakh with margin money requirement of INR 3.22 lakh (25% of working capital requirement as margin). The working capital requirement has been

calculated based on requirement of one month of operational expenses and the calculation has been provided in the subsequent section

### 6.1.7 Summary Project Cost

A summary of total estimated project cost as per actuals and as per mini cluster scheme is presented in the table 14.

Table 14: Total Project Cost

S. No.	Particulars	Actual Total Project Cost (Rs. Lakhs)	Eligible Project Cost as per guidelines (Rs. lakhs)	Remarks
1.	<b>Land &amp; Building</b>			
	(a) Building total covered area (9000 sq. ft.) single storied building including electrification & plumbing charges	0.00	0.00	Building on lease for 10-years
2.	<b>Plant &amp; Machinery</b>			
	(b) Primary Machines	194.76	194.76	Eligible
	(c) Secondary Machines	5.19	5.19	
3.	<b>Miscellaneous fixed assets</b> (fixture, furniture, fire-fighting equipment, etc.)	7.38	0.00	Not eligible for grant
4.	<b>Preliminary and Preoperative Expenses</b> (legal & administrative expenses, registration, civil engineering drawings with estimates & tender forms, telephone, stationery, machinery testing etc.)	2.47	0.00	
5.	<b>Contingency</b>			
	(b) Plant & Machinery @ 5%	10.00	0.00	
6.	<b>Margin money for working capital</b> (Working capital required @ 75% C.U.)	3.22	0.00	

S. No.	Particulars	Actual Total Project Cost (Rs. Lakhs)	Eligible Project Cost as per guidelines (Rs. lakhs)	Remarks
	<b>Total</b>	<b>223.01</b>	<b>199.95</b>	

## 6.2 Means of Finance

The project will be financed from two sources: equity from SPV, and grant-in-aid from Govt. of Haryana (under state mini cluster scheme, EPP 2015). The assistance to the project from Govt. of Haryana under state mini cluster scheme is envisaged to the tune of 90% of max project cost of 200 lakhs. The SPV will be required to contribute 10% of the eligible project cost for project cost up to INR 199.95 lakh and any amount in excess of 199.95 lakhs. The total contribution of SPV members will amount to INR 43.05 lakhs. Support from State Government is envisaged for INR 179.96 Lakhs.

Table 15: Means of Finance

S. No.	Source of finance	Project cost up to INR 200.00 lakhs (max eligible as per scheme)		Project cost over INR 200.00 lakhs		Total Amount (INR in lakhs)
		Percentage Contribution	Amount (INR in lakhs)	Percentage Contribution	Amount (INR in lakhs)	
1	Grant-in-aid under Mini Cluster Scheme (Govt. of Haryana)	90%	179.96	0%	0	179.96
2	Contribution of SPV	10%	20.00	100%	23.06	43.05
	<b>Total</b>	<b>100</b>	<b>199.95</b>	<b>100</b>	<b>23.06</b>	<b>223.01</b>

### 6.2.1 Share Capital

The contribution of the SPV members will be by way of subscription to shares in the SPV registered as a Private Limited Company. The extent of paid-up share capital/equity contribution would be INR 43.05 lakhs contributed by the cluster SPV.

The authorized share capital of the company is Rs. 1 lakh at present which shall be increased in due course. The extent of share capital/equity contribution by each member will be restricted to a maximum of 10% of total contribution to the share capital of the company.



### **6.2.2 Grant-in-Aid**

Grant-in-aid of INR 179.96 lakh is expected from the Government of Haryana. The amount received by the way of grant under state mini cluster scheme will be utilized to procure plant and machinery for the project.

### **6.3 Expenditure Estimates**

In this section, a detailed estimate of expenditure of the CFC has been given on eight-hour single shift operation basis. This has been estimated based upon extensive inputs by the cluster members and the prevalent rates of consumables, utilities and manpower in the cluster. This section considers annual cost of undertaking job work and expenditure estimates. The critical components related to expenditure comprise consumables, manpower, electricity and also expenditure on repair and maintenance of assets, insurance and administrative overheads.

Other elements comprise expenditures by the way of interest toward working capital loans, miscellaneous expenses and non-cash depreciation expenditure.

### 6.3.1 Consumables

Machines installed in the CFC shall require consumables during operations and completion of the job work. Consumables are critical components of project facilities and may be understood in terms of hydraulic oil, grease and others etc.

Table 16: Consumables

S. No.	Machine Name	No. of Machines	Particulars	Total monthly Amt (Rs.)	Consumables required annually (Rs. In Lakh)	Amount (in Rs. Lakh)	Amount (in Rs. Lakh)	Amount (in Rs. Lakh)	Amount (in Rs. Lakh)	Amount (in Rs. Lakh)	Amount (in Rs. Lakh)
						Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
						75%	80%	85%	90%	95%	100%
1	Boiler and Wood Seasoning Plant	1	Grease & Wood Residual	50000.00	6.00	4.50	4.80	5.10	5.40	5.70	6.00
2	Computerized Numerical Machine (CNC)	1	Oil & Grease	400.00	0.05	0.04	0.04	0.04	0.04	0.05	0.05
3	Moulder with Tilting	1	Oil & Grease	500.00	0.06	0.05	0.05	0.05	0.05	0.06	0.06
4	Thru Feed Machine with PVC Wood & Edge Banding Machine	1	Oil & Grease	400.00	0.05	0.04	0.04	0.04	0.04	0.05	0.05
5	Pannel Saw Altendorf	1	Oil & Grease	400.00	0.05	0.04	0.04	0.04	0.04	0.05	0.05
6	Thicknesser Planner	1	Oil & Grease	400.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00

S. No.	Machine Name	No. of Machines	Particulars	Total monthly Amt (Rs.)	Consumables required annually (Rs. In Lakh)	Amount (in Rs. Lakh)	Amount (in Rs. Lakh)	Amount (in Rs. Lakh)	Amount (in Rs. Lakh)	Amount (in Rs. Lakh)	Amount (in Rs. Lakh)
7	Wide Belt Sender with Tilting Left & Right with Polishing	1	Oil & Grease	400.00	0.05	0.04	0.04	0.04	0.04	0.05	0.05
8	Cold Press with 6 Pump	1	Oil & Grease	500.00	0.06	0.05	0.05	0.05	0.05	0.06	0.06
9	Randa Machine	1	Oil & Grease	300.00	0.04						
10	Six Head Multiple Drill Machine	1	Oil & Grease	500.00	0.06	0.05	0.05	0.05	0.05	0.06	0.06
11	Four Head Drill	1	Oil & Grease	400.00	0.05	0.04	0.04	0.04	0.04	0.05	0.05
12	Three Head Multiple Drill Machine	1	Oil & Grease	300.00	0.04	0.03	0.03	0.03	0.03	0.03	0.04
13	Finger Joint	1	Oil & Grease	400.00	0.05	0.04	0.04	0.04	0.04	0.05	0.05
14	Door Frame Assembler	1	Oil & Grease	400.00	0.05	0.04	0.04	0.04	0.04	0.05	0.05
15	Door Assembler	1	Oil & Grease	400.00	0.05	0.04	0.04	0.04	0.04	0.05	0.05
<b>Total</b>					<b>6.68</b>	<b>4.95</b>	<b>5.28</b>	<b>5.61</b>	<b>5.94</b>	<b>6.27</b>	<b>6.60</b>
<b>Consumables per month</b>					<b>0.56</b>	<b>0.41</b>	<b>0.44</b>	<b>0.47</b>	<b>0.50</b>	<b>0.52</b>	<b>0.55</b>

### 6.3.2 Manpower Requirement

Another major expenditure head is the manpower. Therefore, the facilities installed in the CFC will require manpower to function effectively as mentioned in section 5.3 of the report. The total manpower requirement for the project would be about 16 persons. The manpower required under project has been divided under two categories: Direct & Indirect. Direct manpower is required for operation of machines while indirect manpower is required for administrative purposes. The annual expenditure on salary component for direct manpower is estimated at INR 19.14 lakh and for indirect at INR 5.94 lakhs. The total expense on manpower is projected at INR 25.08 lakh per annum. The details of monthly and yearly expenses for manpower required for running the project is provided in table 17:

Table 17: Expenditure Related to Salary (direct manpower - machine operators and helpers)

Category	No. of Manpower Required	Salary per month per person (INR)	Total Salary Per Month (INR)	Total salary & wages per Year (INR lakh)
Supervisor	1	20,000.00	20,000.00	2.40
Operator	6	11,000.00	66,000.00	7.92
Designer	1	11,000.00	11,000.00	1.32
Painter	1	10,000.00	10,000.00	1.20
Helper	4	9,500.00	38,000.00	4.56
	<b>13</b>	<b>0.62</b>	<b>1.45</b>	<b>17.40</b>
<b>Add: Perquisites/Fringe Benefits @ 10%</b>				<b>1.74</b>
<b>Total Direct Manpower</b>				<b>19.14</b>

Table 18: Expenditure Related to Salary (indirect manpower - administrative and support staff)

Category	No. of Manpower Required	Salary per month per person (INR)	Total Salary Per Month (INR)	Total salary & wages per Year (INR lakh)
Cluster Development Executive	1	25,000.00	25,000.00	3.00
Watchman	1	10,500.00	10,500.00	1.26
Peon	1	9,500.00	9,500.00	1.14
	<b>3</b>	<b>0.45</b>	<b>0.45</b>	<b>5.40</b>
<b>Add: Perquisites/Fringe Benefits @ 10%</b>				<b>0.54</b>
<b>Total Indirect Manpower</b>				<b>5.94</b>

### 6.3.3 Utilities

The most important utilities required in the project is power supply. Proposed CFC requires power for operation of machinery as well as other supporting equipment for smooth operations. The total connected load requirement has been estimated at 135.33 kW. The table below depicts the machine and equipment wise power requirement in the CFC. The drawn power is conservatively assumed at 60% of the connected load in the case of operating facilities.

Table 19: Machine & Equipment (facility) wise power requirement

S. No.	Machine & Equipment	Power Requirement (kW)/ Connected Load	Total power requirement (60% of drawn power) kWh
1.	Boiler and Wood Seasoning Plant	15.00	9.00
2.	Computerized Numerical Machine (CNC)	3.00	1.80
3.	Moulder with Tilting	3.67	2.20
4.	Thru Feed Machine with PVC Wood & Edge Banding Machine	2.94	1.76
5.	Pannel Saw Altendorf	4.41	2.65
6.	Thicknesser Planner	7.35	4.41
7.	Wide Belt Sander with Tilting Left & Right with Polishing	63.70	38.22
8.	Cold Press with 6 Pump	3.67	2.20
9.	Randa Machine	1.47	0.88
10.	Six Head Multiple Drill Machine	4.10	2.46
11.	Four Head Drill	6.00	3.60
12.	Three Head Multiple Drill Machine	2.05	1.23
13.	Finger Joint	2.20	1.32
14.	Door Frame Assembler	2.00	1.20
15.	Door Assembler	1.47	0.88
<b>Total</b>		<b>123.03</b>	<b>73.82</b>
	Buffer Connected Load (10% of Total Connected Load)	<b>12.30</b>	
<b>Total Connected load for CFC</b>		<b>135.33</b>	

The power requirement for operation of core machinery and equipment is 123.03 kWh. The facility is heavily based on electricity for operations and will also require 10% connected

load as a buffer to get the electricity connection. The total connected load for the CFC is estimated to be 135 kW.

Fixed charges for connection of 135 kW @ INR 175 per kW = INR 23,683 and monthly consumption charge @ 135 kW yields a consumption of 14763 units which amounts to INR 1.18 lakh. This has been calculated based on the prevalent rates of the power provider.

The table below presents the envisaged annual expenditure in terms of power related charges.

Table 20: Annual Expenditure Statement vis-à-vis Power Charges

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
	75%	80%	85%	90%	95%	100%
Fixed (in INR lakhs)	2.84	2.84	2.84	2.84	2.84	2.84
Variable (in INR lakhs)	10.63	11.34	12.05	12.76	13.46	14.17
<b>Total (in INR lakhs)</b>	<b>13.47</b>	<b>14.18</b>	<b>14.89</b>	<b>15.60</b>	<b>16.31</b>	<b>17.02</b>
<b>Per month (in INR lakhs)</b>	<b>1.12</b>	<b>1.18</b>	<b>1.24</b>	<b>1.30</b>	<b>1.36</b>	<b>1.42</b>

#### 6.3.4 Annual Repairs and Maintenance Expenses

The annual repair and maintenance expenses have been estimated to be INR 6.10 lakhs. The details are presented in the table below:

Table 21: Annual Repairs and Maintenance Expenditure

ANNUAL REPAIR AND MAINTENANCE EXPENSES	
Repair & Maintenance of Building (in INR lakhs)	0.10
Repair & Maintenance of Plant and Machineries @ 3% (in INR lakhs)	6.00
<b>Total</b>	<b>6.10</b>

#### 6.3.5 Insurance and miscellaneous Administrative Expenses

Insurance is a critical component of asset protection at the CFC. Insurance is computed on the basis of 0.5 % on the fixed assets. Cost of insurance shall remain as a fixed cost. Miscellaneous administrative expenses are estimated at a lump-sum of Rs. 0.60 lakh per year. The cost of miscellaneous expenses is also considered to be fixed irrespective of scale of operation. The details are presented in the table below:

Table 22: Insurance and Miscellaneous Administrative Expenses

S.No.	Expenditure component	Particulars	Amount per annum (@ 100% C.U. in Rs. Lakh)
1	Insurance	Estimate @ 0.5% on fixed assets (such as buildings, civil works,	1.05

S.No.	Expenditure component	Particulars	Amount per annum (@ 100% C.U. in Rs. Lakh)
		and Plant & machinery, including related contingency expenses	
2	Miscellaneous administrative expenditure	Stationery, communication, travelling, and other misc. overheads	0.60
<b>Total</b>			<b>1.65</b>

## 6.4 Working Capital Requirements

Working capital has been calculated in terms of one month's operating expenses required for the CFC. The operating expenses include consumables, salaries, utilities, repair & maintenance, insurance and miscellaneous administrative expenses. The details are presented in the table below.

Table 23: Calculation of Working capital requirement

S. No.	Particulars	Period	As per Capacity Utilisation									
			Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
			75%	80%	85%	90%	95%	100%	100%	100%	100%	100%
1	Consumables	1 month	0.41	0.44	0.47	0.50	0.52	0.55	0.55	0.55	0.55	0.55
2	Utilities (Power)	1 month	1.12	1.18	1.24	1.30	1.36	1.42	1.42	1.42	1.42	1.42
3	Working Expenses (Manpower)	1 month	1.69	1.77	1.85	1.93	2.01	2.09	2.09	2.09	2.09	2.09
4	Sundry Debtors (Sales Value)	1 month	9.64	20.56	21.85	23.13	24.42	25.70	25.70	25.70	25.70	25.70
5	Working capital (Total expenses)		12.86	23.95	25.40	26.86	28.31	29.76	29.76	29.76	29.76	29.76
6	Working Capital Margin		3.22	14.30	15.76	17.21	18.66	20.11	20.11	20.11	20.11	20.11
7	Working Capital Loan		9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65
8	Interest on Working capital loan @11% p.a.		1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06
9	Working Cap Margin %age		25.00%	59.72%	62.02%	64.07%	65.92%	67.58%	67.58%	67.58%	67.58%	67.58%

(Note: All prices in INR lakhs)

The working capital requirement of the project for the one month of operation has been considered for consumables and expenses. The SPV will contribute the margin money for working capital and rest of working capital will be borrowed from local bank. While calculating the project cost 25% of working capital is shown as margin for working capital and the remaining will be borne by SPV as borrowings. The margin money



required for working capital is estimated to INR 12.86 lakh during the first year of operation (75% C.U.). Further, total working capital required at an operating capacity of 80% comes out to INR 23.95 lakh. The corresponding margin money for working capital requirement at 75% & 80% capacity utilization in the first 2 years amounts to INR 3.22 lakh and INR 14.30 lakh respectively, and the corresponding loan amounts at INR 9.65 lakh and INR 9.65 lakh respectively.

## 6.5 Depreciation Estimates

Estimates of depreciation are non-cash expenditure and presented in this section on the basis of Written Down Value (WDV) methods. Accounting for depreciation would facilitate sustainability of operations in terms of developing a fund for replacement of assets. The relevant fund that is accumulated could facilitate the replacement of such assets toward the end of the envisaged asset life of 10 years. Depreciation of plant and machinery at 15% a year (envisaged project life of 10 years prior to replacement of assets), depreciation of furniture at the rate of 10% per year and depreciation of miscellaneous fixed assets at the rate of 15% a year. The computation of depreciation as per WDV method is provided in the table below:

Table 24: Depreciation based on WDV

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Land</b>										
Opening Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Depreciation	-	-	-	-	-	-	-	-	-	-
Closing Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Building and Civil work</b>										
Opening Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Depreciation @ 10%	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Closing Balance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Plant &amp; Machinery</b>										

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Opening Balance	209.95	178.46	151.69	128.93	109.59	93.16	79.18	67.30	57.21	48.63
Less: Depreciation @ 15%	31.49	26.77	22.75	19.34	16.44	13.97	11.88	10.10	8.58	7.29
Closing Balance	178.46	151.69	128.93	109.59	93.16	79.18	67.30	57.21	48.63	41.33
<b>Furniture</b>										
Opening Balance	0.42	0.38	0.34	0.31	0.28	0.25	0.22	0.20	0.18	0.16
Less: Depreciation @ 10%	0.04	0.04	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02
Closing Balance	0.38	0.34	0.31	0.28	0.25	0.22	0.20	0.18	0.16	0.15
<b>Other Misc. Fixed Assets</b>										
Opening Balance	6.96	5.91	5.32	4.79	4.31	3.88	3.49	3.14	2.83	2.55
Less: Depreciation @ 15%	1.04	0.59	0.53	0.48	0.43	0.39	0.35	0.31	0.28	0.25
Closing Balance	5.91	5.32	4.79	4.31	3.88	3.49	3.14	2.83	2.55	2.29
<b>Total Depreciation</b>	<b>32.58</b>	<b>27.40</b>	<b>23.32</b>	<b>19.85</b>	<b>16.90</b>	<b>14.39</b>	<b>12.25</b>	<b>10.43</b>	<b>8.88</b>	<b>7.56</b>
<b>Depreciated value</b>	<b>184.75</b>	<b>157.35</b>	<b>134.03</b>	<b>114.18</b>	<b>97.28</b>	<b>82.90</b>	<b>70.65</b>	<b>60.22</b>	<b>51.34</b>	<b>43.77</b>

(Note: All prices in INR lakhs)

## 6.6 Income/Revenue estimates

The CFC is expected to generate revenue by way of user charges that shall be levied based upon the hours a machine is operated for a particular job. The user charges shall vary based upon the user i.e. the SPV members and non SPV members. The user charges will be less for the SPV members as compared to non SPV members. Firms based outside Sirsa shall be charged a premium for availing the CFC services. The major income sources for the CFC are envisaged by the way of providing drying facilities, finishing facility, designing facility and advanced machining facility.

The user charges have been estimated based upon the operational expenses of the CFC and the prevalent market rates in Sirsa. User charges for service machineries have not been considered as a part of revenue. Estimation of user charges for availing services at CFC has been done on a conservative basis.

The relevance and appropriateness of user charges is also evident from the fact that the rates fixed help meet operating expenditures and provide sustainable replacement of assets. It is also envisaged that the CFC will generate enough income to sustain and grow, making it an absolutely viable project. The estimated user charges for various machineries are presented in table below:

Table 25: User Charges for Machinery

S. No.	Machine Name	No. of Machines	User Charge per hour (Rs.)	No. Of Working hours per day	No. Of Working days per month	Revenue per month (Rs. lakh)	Annual Revenue generation (in Rs. lakh)	Amount in Rs. Lakh)	Amount in Rs. Lakh)	Amount in Rs. Lakh)	Amount in Rs. Lakh)	Amount in Rs. Lakh)	Amount in Rs. Lakh)
								Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
							1	75%	80%	85%	90%	95%	100%
1	Boiler and Wood Seasoning Plant	1	500	8	25	1.00	12.00	9.00	9.60	10.20	10.80	11.40	12.00
2	Computerized Numerical Machine (CNC)	1	800	8	25	1.60	19.20	14.40	15.36	16.32	17.28	18.24	19.20
3	Moulder with Tilting	1	400	8	25	0.80	9.60	7.20	7.68	8.16	8.64	9.12	9.60
4	Thru Feed Machine with PVC Wood & Edge Banding Machine	1	700	8	25	1.40	16.80	12.60	13.44	14.28	15.12	15.96	16.80

S. No.	Machine Name	No. of Machines	User Charge per hour (Rs.)	No. Of Working hours per day	No. Of Working days per month	Revenue per month (Rs. lakh)	Annual Revenue generation (in Rs. lakh)	Amount in Rs. Lakh)	Amount in Rs. Lakh)	Amount in Rs. Lakh)	Amount in Rs. Lakh)	Amount in Rs. Lakh)	Amount in Rs. Lakh)
5	Pannel Saw Altendorf	1	250	8	25	0.50	6.00	4.50	4.80	5.10	5.40	5.70	6.00
6	Thicknesser Planner	1	350	8	25	0.70	8.40	6.30	6.72	7.14	7.56	7.98	8.40
7	Wide Belt Sender with Tilting Left & Right with Polishing	1	700	8	25	1.40	16.80	12.60	13.44	14.28	15.12	15.96	16.80
8	Cold Press with 6 Pump	1	400	8	25	0.80	9.60	7.20	7.68	8.16	8.64	9.12	9.60
9	Randa Machine	1	150	8	25	0.30	3.60	2.70	2.88	3.06	3.24	3.42	3.60
10	Six Head Multiple Drill Machine	1	650	8	25	1.30	15.60	11.70	12.48	13.26	14.04	14.82	15.60
11	Four Head Drill	1	450	8	25	0.90	10.80	8.10	8.64	9.18	9.72	10.26	10.80
12	Three Head Multiple Drill Machine	1	325	8	25	0.65	7.80	5.85	6.24	6.63	7.02	7.41	7.80
13	Finger Joint	1	250	8	25	0.50	6.00	4.50	4.80	5.10	5.40	5.70	6.00
14	Door Frame Assembler	1	200	8	25	0.40	4.80	3.60	3.84	4.08	4.32	4.56	4.80
15	Door Assembler	1	300	8	25	0.60	7.20	5.40	5.76	6.12	6.48	6.84	7.20
	<b>Total</b>						<b>154.20</b>	<b>115.65</b>	<b>123.36</b>	<b>131.07</b>	<b>138.78</b>	<b>146.49</b>	<b>154.20</b>

## 6.7 Estimation of profitability: Income and Expenditure Statement

The projections for income and expenditures of the CFC has been conducted for ten years. The projections have been undertaken based upon the income and expenditure heads mentioned in previous sections. The projected statements highlight income, expenses, profits earned, income tax and net profit etc. The details are presented in the table below:

The total gross revenue is estimated to be INR 115.65 lakhs per annum on an operating capacity of 75%. For projection purposes, operating capacity of 75% is considered during first year, 80% during next year and 100% capacity from 6th year onwards.

The income tax rates have been considered depending upon the announcements made in the Budget 2017 and the tax applicable on a company. Income tax has been considered at 25.75 per cent on taxable profit inclusive of all the tax components. The incidence of tax ranges from INR 9.04 lakhs in the first year to INR 22.07 lakhs in Year 10.

Table 26: Income and Expenditure Statement

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Number of working days	300	300	300	300	300	300	300	300	300	300
Number of shifts	1	1	1	1	1	1	1	1	1	1
Capacity Utilisation in %	75%	80%	85%	90%	95%	100%	100%	100%	100%	100%
<b>A. Income</b>										
(User/ Service Charge)	115.65	123.36	131.07	138.78	146.49	154.20	154.20	154.20	154.20	154.20
<b>B. Cost of Production:</b>										
1. Utilities Power (Fixed + Variable)	13.47	14.18	14.89	15.60	16.31	17.02	17.02	17.02	17.02	17.02
2. Direct labour and wages	14.36	15.31	16.27	17.23	18.18	19.14	19.14	19.14	19.14	19.14
3. Consumable	4.95	5.28	5.61	5.94	6.27	6.60	6.60	6.60	6.60	6.60
4. Repair and Maintenance	4.57	4.88	5.18	5.49	5.79	6.10	6.10	6.10	6.10	6.10
5. Depreciation	32.58	27.40	23.32	19.85	16.90	14.39	12.25	10.43	8.88	7.56

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Total Cost of production</b>	<b>69.93</b>	<b>67.05</b>	<b>65.27</b>	<b>64.10</b>	<b>63.45</b>	<b>63.24</b>	<b>61.10</b>	<b>59.29</b>	<b>57.74</b>	<b>56.42</b>
<b>C. Administrative expenses:</b>										
6. Manpower (Indirect)	5.94	5.94	5.94	5.94	5.94	5.94	5.94	5.94	5.94	5.94
7. Rent	1.80	1.98	2.18	2.40	2.64	2.90	3.19	3.51	3.86	4.24
8. Insurance	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
9. Misc. Expenses	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
<b>Total Administrative Expenses</b>	<b>9.39</b>	<b>9.57</b>	<b>9.77</b>	<b>9.99</b>	<b>10.23</b>	<b>10.49</b>	<b>10.78</b>	<b>11.10</b>	<b>11.45</b>	<b>11.83</b>
<b>D. Financial expenses:</b>										
10. Interest on Working capital loan @ 11% per annum	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06
<b>Total Financial Expenses</b>	<b>1.06</b>	<b>1.06</b>	<b>1.06</b>	<b>1.06</b>	<b>1.06</b>	<b>1.06</b>	<b>1.06</b>	<b>1.06</b>	<b>1.06</b>	<b>1.06</b>
<b>E. Total Expenses B+C+D</b>	<b>80.38</b>	<b>77.68</b>	<b>76.10</b>	<b>75.15</b>	<b>74.74</b>	<b>74.79</b>	<b>72.94</b>	<b>71.44</b>	<b>70.25</b>	<b>69.32</b>
<b>F. Profit A - E</b>	<b>35.27</b>	<b>45.68</b>	<b>54.97</b>	<b>63.63</b>	<b>71.75</b>	<b>79.41</b>	<b>81.26</b>	<b>82.76</b>	<b>83.95</b>	<b>84.88</b>
<b>G. P&amp;P Expenses written off</b>	<b>0.49</b>	<b>0.49</b>	<b>0.49</b>	<b>0.49</b>	<b>0.49</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>H. Income before Tax (F-G)</b>	<b>34.77</b>	<b>45.18</b>	<b>54.47</b>	<b>63.13</b>	<b>71.26</b>	<b>79.41</b>	<b>81.26</b>	<b>82.76</b>	<b>83.95</b>	<b>84.88</b>
<b>I. Adjustment of Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>J. Income Tax (@26% for company)</b>	<b>9.04</b>	<b>11.75</b>	<b>14.16</b>	<b>16.42</b>	<b>18.53</b>	<b>20.65</b>	<b>21.13</b>	<b>21.52</b>	<b>21.83</b>	<b>22.07</b>
<b>K. Net Profit /Loss for the year</b>	<b>25.73</b>	<b>33.44</b>	<b>40.31</b>	<b>46.72</b>	<b>52.73</b>	<b>58.76</b>	<b>60.13</b>	<b>61.24</b>	<b>62.12</b>	<b>62.81</b>
<b>L. Cumulative Surplus</b>	<b>25.73</b>	<b>59.17</b>	<b>99.48</b>	<b>146.20</b>	<b>198.93</b>	<b>257.69</b>	<b>317.82</b>	<b>379.06</b>	<b>441.18</b>	<b>504.00</b>

As evident from the table above, the project is financially viable. A cumulative surplus of about INR 504.00 Lakh shall be earned by the SPV even after accounting for taxation and depreciation at the end of ten years. This surplus generated shall be used for further addition in the machinery or improvement and up-gradation of facilities. Additionally, the SPV intends to conduct a lot of other development activities in the cluster that shall be funded through the surplus earned at the CFC.

## 6.8 Cash flow statement

Cash flow statement indicates the cash balance and the liquidity position of the project over the years. The table below presents the sources and disposal/uses of funds statement of the project

Table 27: Cash Flow Statement

Particulars	Construction Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>A. Source Funds:</b>											
1. Cash Accruals (Net Profit + Interest Paid)		36.33	46.74	56.03	64.69	72.81	80.47	82.32	83.82	85.01	85.95
2. Increase in capital	43.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Depreciation		32.58	27.40	23.32	19.85	16.90	14.39	12.25	10.43	8.88	7.56
4. Increase in WC Loan		9.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Change in Expenses Payable		3.38	0.18	0.18	0.18	0.19	0.19	0.02	0.03	0.03	0.03
5. Increase in Grant-in-aid from GoH	179.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Sources of Funds</b>	<b>223.01</b>	<b>81.93</b>	<b>74.32</b>	<b>79.53</b>	<b>84.72</b>	<b>89.90</b>	<b>95.04</b>	<b>94.59</b>	<b>94.27</b>	<b>93.93</b>	<b>93.54</b>
<b>B. Use of Funds:</b>											

Particulars	Construction Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
1. P&P Expenses	2.47	-	-	-	-	-	-	-	-	-	-
2. Increase in fixed assets	217.32	-	-	-	-	-	-	-	-	-	-
3. Increase in other Assets	3.22	0.30	11.12	1.48	1.49	1.49	1.50	0.05	0.05	0.06	0.06
4. Increase in Sundry Debtors		9.64	10.92	1.28	1.29	1.29	1.29	0.00	0.00	0.00	0.00
5. Interest		1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06	1.06
6. Taxation		9.04	11.75	14.16	16.42	18.53	20.65	21.13	21.52	21.83	22.07
<b>Total Use of Funds</b>	<b>223.01</b>	<b>20.04</b>	<b>34.85</b>	<b>17.99</b>	<b>20.25</b>	<b>22.36</b>	<b>24.49</b>	<b>22.24</b>	<b>22.63</b>	<b>22.95</b>	<b>23.20</b>
<b>C. Net Surplus (A -B)</b>		<b>61.89</b>	<b>39.47</b>	<b>61.54</b>	<b>64.48</b>	<b>67.53</b>	<b>70.56</b>	<b>72.35</b>	<b>71.64</b>	<b>70.98</b>	<b>70.35</b>
<b>D. Cumulative Surplus</b>		<b>61.89</b>	<b>101.36</b>	<b>162.90</b>	<b>227.37</b>	<b>294.90</b>	<b>365.46</b>	<b>437.81</b>	<b>509.46</b>	<b>580.43</b>	<b>650.78</b>

The cash flow statement showcases the available net surplus for 10 years of the CFC operations. As most of the capital expenditure is being supported as grant under the Mini Cluster scheme, EPP 2015, therefore it does not have any negative effect on the Cash flow, in terms of interest, etc.

## 6.9 Projected Balance Sheets

The annual balance sheets for the CFC have been projected based upon estimates in the earlier sub-sections with regard to various current and fixed liabilities and also current and fixed assets. As evident from the projections, a considerable amount of reserves and surplus gets accumulated. These shall also be utilized for expansion of the CFC and undertaking other cluster development activities. Decision on deployment of reserves and surplus accumulated will be based on the performance of the project and requirements of cluster firms and members of the SPV. The projected balance sheets are provided in the table below:



Table 28: Balance Sheet

Particulars	At the end of impl. Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>1. Fixed Assets:</b>											
Gross Block	217.32	217.32	184.75	157.35	134.03	114.18	97.28	82.90	70.65	60.22	51.34
Less: Depreciation (WDV)		32.58	27.40	23.32	19.85	16.90	14.39	12.25	10.43	8.88	7.56
Net Block	217.32	184.75	157.35	134.03	114.18	97.28	82.90	70.65	60.22	51.34	43.77
<b>Total Fixed Assets (A)</b>	<b>217.32</b>	<b>184.75</b>	<b>157.35</b>	<b>134.03</b>	<b>114.18</b>	<b>97.28</b>	<b>82.90</b>	<b>70.65</b>	<b>60.22</b>	<b>51.34</b>	<b>43.77</b>
<b>2. Current Assets:</b>											
Cash & bank Surplus (B.F)		61.89	101.36	162.90	227.37	294.90	365.46	437.81	509.46	580.43	650.78
Sundry Debtors		9.64	20.56	21.85	23.13	24.42	25.70	25.70	25.70	25.70	25.70
Margin Money for WC Loan	3.22	3.22	14.30	15.76	17.21	18.66	20.11	20.11	20.11	20.11	20.11
Other Current Assets		0.30	0.33	0.36	0.40	0.44	0.48	0.53	0.58	0.64	0.71
P&P Exp	2.47	1.98	1.48	0.99	0.49	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total current Assets (B)</b>		<b>77.02</b>	<b>138.04</b>	<b>201.85</b>	<b>268.60</b>	<b>338.42</b>	<b>411.75</b>	<b>484.16</b>	<b>555.85</b>	<b>626.89</b>	<b>697.30</b>
<b>Total Assets (A+B)</b>	<b>223.01</b>	<b>261.77</b>	<b>295.39</b>	<b>335.88</b>	<b>382.78</b>	<b>435.70</b>	<b>494.65</b>	<b>554.80</b>	<b>616.07</b>	<b>678.22</b>	<b>741.07</b>

Particulars	At the end of impl. Period	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>3. Current Liabilities:</b>											
Working Capital Loan		9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65	9.65
Expenses Payable		3.38	3.56	3.74	3.93	4.11	4.30	4.32	4.35	4.38	4.41
<b>Total Current Liabilities (C)</b>		<b>13.02</b>	<b>13.21</b>	<b>13.39</b>	<b>13.57</b>	<b>13.76</b>	<b>13.95</b>	<b>13.97</b>	<b>14.00</b>	<b>14.03</b>	<b>14.06</b>
<b>4. Fixed Liabilities</b>											
Shareholders' Contribution	43.05	43.05	43.05	43.05	43.05	43.05	43.05	43.05	43.05	43.05	43.05
Grant from GoH	179.96	179.96	179.96	179.96	179.96	179.96	179.96	179.96	179.96	179.96	179.96
Reserves and Surplus		25.73	59.17	99.48	146.20	198.93	257.69	317.82	379.06	441.18	504.00
<b>Total Fixed Liabilities (D)</b>	<b>223.01</b>	<b>248.74</b>	<b>282.18</b>	<b>322.49</b>	<b>369.21</b>	<b>421.94</b>	<b>480.70</b>	<b>540.83</b>	<b>602.07</b>	<b>664.20</b>	<b>727.01</b>
<b>Total Liabilities (C+D)</b>	<b>223.01</b>	<b>261.77</b>	<b>295.39</b>	<b>335.88</b>	<b>382.78</b>	<b>435.70</b>	<b>494.65</b>	<b>554.80</b>	<b>616.07</b>	<b>678.22</b>	<b>741.07</b>

### 6.10 Break-even analysis

The break-even (BE) estimates of the project indicate the level of activity at which the total revenues of the project equal the total costs. From this point, a project is expected to start generating profits. As per the calculations, the CFC achieves break even in the first year itself as no major interest costs are being incurred. Hence, BE estimates at level of activity relevant to the first year and subsequent years of activity are provided in the table below:

Table 29: Break Even Estimates

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Capacity Utilization	75%	80%	85%	90%	95%	100%
<b>A. Total Earning by way of user charges</b>	<b>115.65</b>	<b>123.36</b>	<b>131.07</b>	<b>138.78</b>	<b>146.49</b>	<b>154.20</b>
<b>B. Variable costs</b>						
Consumables	4.95	5.28	5.61	5.94	6.27	6.60
Utilities (Power- variable charge)	10.63	11.34	12.05	12.76	13.46	14.17
Interest on WC Loan	1.06	1.06	1.06	1.06	1.06	1.06
Repair & Maintenance	4.57	4.88	5.18	5.49	5.79	6.10
Manpower (Direct)	14.36	15.31	16.27	17.23	18.18	19.14
Misc. Expenditure (90% variable)	0.41	0.43	0.46	0.49	0.51	0.54
<b>Total Variable Cost (B)</b>	<b>35.57</b>	<b>37.87</b>	<b>40.17</b>	<b>42.47</b>	<b>44.77</b>	<b>47.08</b>
<b>C. Contribution (A-B)</b>	<b>80.08</b>	<b>85.49</b>	<b>90.90</b>	<b>96.31</b>	<b>101.72</b>	<b>107.12</b>
<b>D. Fixed Overheads (Cash)</b>						
Manpower (Indirect)	5.94	5.94	5.94	5.94	5.94	5.94
Utilities (Power - fixed charges)	2.84	2.84	2.84	2.84	2.84	2.84

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
<b>Capacity Utilization</b>	<b>75%</b>	<b>80%</b>	<b>85%</b>	<b>90%</b>	<b>95%</b>	<b>100%</b>
Rent	1.80	1.98	2.18	2.40	2.64	2.90
Insurance	1.05	1.05	1.05	1.05	1.05	1.05
Misc. Expenditure (10% fixed)	0.06	0.06	0.06	0.06	0.06	0.06
<b>Sub-total (D)</b>	<b>11.69</b>	<b>11.87</b>	<b>12.07</b>	<b>12.29</b>	<b>12.53</b>	<b>12.79</b>
<b>E. Fixed Overheads (Non-cash)</b>						
Depreciation	32.58	27.40	23.32	19.85	16.90	14.39
Preliminary & Pre-operative expenses written off	0.49	0.49	0.49	0.49	0.49	0.00
<b>Sub-total (E)</b>	<b>33.07</b>	<b>27.89</b>	<b>23.81</b>	<b>20.34</b>	<b>17.39</b>	<b>14.39</b>
<b>F. Total Fixed Overheads (D+E)</b>	<b>44.76</b>	<b>39.76</b>	<b>35.88</b>	<b>32.63</b>	<b>29.92</b>	<b>27.18</b>
<b>Break-even point (F/C)</b>	<b>55.90%</b>	<b>46.51%</b>	<b>39.48%</b>	<b>33.88%</b>	<b>29.41%</b>	<b>25.37%</b>

Book break-even is achieved at 55.90% (of operational capacity at 75 percent), 46.51% (of operational capacity at 80 percent), 39.48% (of operational capacity at 85 percent), 33.88% (of operational capacity at 90 percent), 29.41% (of operational capacity at 95 percent) and at 25.37% (of operational capacity at 100 percent). The operation of the CFC is expected to break-even and realize profit from 1st year of operations. Therefore, very low risk is involved in the project.

Moreover, the SPV members have the potential to run the facility for longer than one shift resulting in enhanced capacity utilization and generation of more revenues. In that case, project will break even earlier than estimated. Additionally, the approach has been to develop projections based upon conservative estimates (costs on a higher side and user charge/ revenues on a lower side) whereas, in real the revenues may be far higher.

### 6.11 Feasibility analysis summary and sustainability indicators

A summary of the financial analysis in terms of key financial indicators such as Return on Capital Employed (ROCE), Net Present Value (NPV), Break Even Point (BEP) and the Internal Rate of Return (IRR) is presented in the table below. The indicators validate the financial viability and sustainability potential of the proposed project.

Table 30: Financial Analysis

S. No.	Particulars	Estimates
1.	BEP (cash BEP at operating capacity of 75%)	55.90%
2.	Av. ROCE (PAT/CE)	31.02%
3.	Internal Rate of Return (IRR)	26.21%
4.	Net Present Value (at a discount rate of 10 per cent) - incorporating viability gap funding (grant) by GoH	NPV is positive and high (Rs. 185.90 lakhs) at a conservative project life of 10 years
5.	Payback period	4.5 years with Grant-in-aid assistance from GOH
6.	DSCR	Not Applicable (non-avilment of term loan in this project)

The annual estimates in the context of ROCE are presented in the table below:

Table 31: Calculation of Return on Capital Employed

Particulars	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	AVERAGE
Earnings Before Interest and Tax (EBIT)	35.84	46.25	55.54	64.20	72.32	80.47	82.32	83.82	85.01	85.95	69.17
Capital Employed (with grant)	223.01	223.01	223.01	223.01	223.01	223.01	223.01	223.01	223.01	223.01	223.01
<b>ROCE = EBIT/Captial Employed</b>	16.07%	20.74%	25%	28.79%	32.43%	36.08%	36.91%	37.58%	38.12%	38.54%	<b>31.02%</b>

The average value of ROCE (with grant-in-aid) is 31.02%. This indicates the high techno-economic viability of the project should the government contribute a significant portion of the project cost as grant.

The Net Present Value is estimated at a discount rate of 10%. However, as reflected from the high values of NPV, it is positive at even 10.0%, the rate at which bank offers debt capital facility and even at higher discount rates. Project IRR is high at over 26.21% (at a conservative project life of 10 years). This substantiates the viability of the project.

## 6.12 Additional revenue sources

Additional sources of revenue shall also be explored by the SPV by offering procurement and marketing services in future to more enterprises. The SPV members are strong believers of the cluster concept and would like to explore the potential of undertaking cluster initiatives to improve the backward and forward linkages of the cluster units.

However, in order to ensure conservativeness in income estimates, in the initial years, the income earning possibilities of such revenues are not captured in this DPR.

## 6.13 Risk Analysis & Sensitivities

Risk in the project is relatively low in the context of the following:

- ▶ **Promoters are experienced:** Risk in the project is quite low given the strength and profile of the SPV members. They have considerable experience not only in the furniture industry but also in undertaking cluster developmental initiatives.
- ▶ **Facility is pre-marketed:** Evidently, complete capacity of the core facility to be established in terms of various facilities may be easily availed by members of the SPV themselves, thus the facility would already have a captive market.
- ▶ **Sustainability indicators in terms of the strength of the SPV and the economics of the project:** Evidence of cooperative initiatives of SPV members as articulated in previous chapters; for instance, in terms of pursuing several joint efforts, registering the SPV, proceeding towards procurement of building, and securing commitment from members, vis-à-vis progressively mobilizing necessary paid up capital, all reflect the strength of the SPV.

High economic viability indicators upon considering the benefits of grant-in-aid under the state mini cluster scheme and EPP 2015 also serve as evidence of techno-economic viability and sustainability of the project. A sensitivity analysis has been carried out to ascertain the impact on the project, should there be any loss of revenue. This has been calculated assuming drop in user charges. Major financial parameters are still attractive. The important parameters related to the sensitivity analysis are presented in the table below:

Table 32: Sensitivity Analysis

S. No.	Particulars	Base case	With 5% decline in user charge	With 10% decline in user charge	With 15% decline in user charge
1	BEP (cash BEP at operating capacity of 80%)	55.90%	60.22%	65.26%	71.22%
2	Av. ROCE (PAT/CE)	26.21%	23.75%	21.21%	18.56%
3	Internal Rate of Return (IRR)	31.02%	27.83%	24.65%	21.46%
4	Net Present Value (at a discount rate of 10%) - incorporating viability gap funding (grant) by GoH	185.90	154.59	123.28	91.98

Even assuming a fall in user charge, ROCE is favourable. From the above it is evident that the project is very viable even under (unlikely) risky environment circumstances.

#### **6.14 Assumptions for financial calculations:**

The financial statements and project profitability estimate in this DPR are based on the following assumptions:

1. The total project cost is pegged @ INR 223.01 Lakhs on the basis of estimates and quotations.
2. To finance the project, a total of INR 223.01 Lakhs is required. The financing will consist of grant from Government to Haryana and contribution by SPV.
3. In the financial projections and analysis, year 2019 is the envisaged period of project implementation also involving installation of plant, machinery and other equipment. This period will commence from the date of final approval by the State Level Project Steering Committee under Mint-Cluster Scheme. The financial projections thereafter are prepared for 10 years of operation starting 2020.
4. The Registered SPV will manage CFC, and these services are to be used by the SPV to member as well as non-member units. The common facility will benefit registered SPV as well as non-member firms who (in some cases) may not afford to contribute to necessary equity capital.
5. The CFC will operate for 25 days a month, that is, for 300 days a year on an eight-hour single shift basis. Operation on single shift basis is assumed for purposes of projecting income estimates.
6. Capacity utilization is assumed at 75% in the first year; 80% for second, 85% for third, 90% for fourth, 95% for fifth year and 100% thereafter. Machines will operate for 1 shift.
7. The workings with regard to expenses related to the project have been tabulated and categorized in terms of those related to consumables, manpower, electricity, and miscellaneous administrative expenditures.
8. Repairs and maintenance are provided @ 3% of plant and machinery cost at varying capacity utilization.
9. Insurance is provided @ 0.5% on fixed assets including building, machinery, contingency as fixed cost at all capacity utilization.
10. Electricity connection required for the CFC shall cost at Rs. 1100 as security deposit and Rs. 2000 as service charge per kW connected load as per the regulatory norms in Haryana.
11. Fixed charges per kW of electric connection shall be charged @ Rs. 175 and variable charges @ Rs. 8 per unit consumed.



12. Income estimates have been projected most conservatively. The prescribed user charges are competitive vis-à-vis charges for similar services in other regions.
13. Depreciation on fixed assets is calculated on written down value (WDV) method for all purposes.
14. Provision for income tax has been made @ 25.75% including surcharge. This is the rate prescribed for Private Limited Companies as per the recent Budget 2017.
15. Profitability estimates in terms of ROCE, NPV, IRR are computed considering operating results for first 10 years of operation.

[illegible]

## 7. Project Implementation and Monitoring

### 7.1 Envisaged Implementation Framework

1. **Time frame:** Project implementation is envisaged to involve a time-frame of about 7 months upon receipt of final approval of grant-in-aid assistance from the Government of Haryana under mini cluster scheme.
2. **User Base:** The facilities may be used by SPV members and non-members. However, the charges will vary. The SPV will also be open for new entrants subject to them subscribing to the shareholding of the SPV, and them being genuinely pro-active and interested in cluster initiatives. The BoD of the SPV can decide on same or differential user charges for both members and non-members or based upon the volume of the output.
3. **Project implementation schedule:** The project implementation schedule envisaged over a period of 7 months involves several activities. The schedule is elaborated in the table below:

Table 33: Project Implementation Schedule

Activity/Month	1	2	3	4	5	6	7
Collecting Contribution from SPV members							
Receipt of final sanction from GoH							
Building on lease in the name of SPV							
Refurbishment of Building							
Formation of purchase committee							
Inviting E tenders for purchase of machines							
Obtaining statutory clearances and approvals							
Purchase of machinery and equipment							
Installation and trial run of machinery and equipment							
Arrangement of working capital							
Monitoring of the project by BoD							
Monitoring of the project by PMC							
Commencement of operations of the facility							

4. **Contractual agreements/ MoU with member units:** Agreements have been indicatively finalized in terms of utilization of assets in respect of shareholders. A total of 15 units are participating in the SPV and all these units have agreed to contribute towards the SPV share of the project cost. The utilization of the common facility will be in line with the proposed shareholding pattern. The consent letter wherein the member units agree for payments of 10% share of cost of CFC will be submitted in due course of time and as per final approval from Government of Haryana.

5. **Memorandum and By-Law of Registered Company:** MOA, AOA and bye laws are indicative of the management and decision-making structure of the SPV. All the members of SPV have paid an advance and are members of the Registered Private Entity. Few other units are also willing to be members of the SPV and once the CFC is approved and sanctioned from government of Haryana, many more members will be interested to subscribe to the shares of the SPV.
6. **Availability of Building & Status of Acquisitions:** A building will be leased by the SPV for the proposed CFC at Ellenabad in Sirsa district. A building of area 9000 sq. ft has already been identified by the SPV and a letter establishing the proof of availability of the building has been acquired and attached in **Annexure 4**
7. **Availability of Requisite Clearances:** A building with all required clearances will be leased by the SPV. Electricity is already available in the area and the proposed CFC can easily be connected to the grid. The other required clearances (environment, labor etc.) shall be obtained in due course.
8. **O & M Plan:** The revenue stream for O&M is dependent on realization of user charges from the SPV members and other users/MSMEs in the case of various facilities. As detailed in the financial section, the cash incomes are sufficient to meet operating expenditures, overheads as well as depreciation for sustainable replacement of assets. The SPV will also have to keep a track of maintenance of assets through collection of user charges from the members/ users.

## 7.2 Monitoring Mechanism

As mentioned in the implementation schedule, the following key activities shall be conducted during establishment of the CFC:

- ▶ Purchase of machinery & commissioning
- ▶ Trial production
- ▶ Commercial production

The successful implementation of above activities will depend on the following aspects:

- ▶ Implementation of above within the time frame
- ▶ Supervising and overseeing the implementation of the proposals and fine tuning and advocating more measures if needed, depending on the site conditions
- ▶ Project level monitoring indicators to evaluate the implementation of the CFC proposal at recommended intervals
- ▶ Suitable purchase mechanisms for proposed plant & machinery
- ▶ Periodical reporting of the status of implementation and monitoring of the results of key performance indicators, and
- ▶ Constant evaluation of the measures implemented based on the data available from project level monitoring and status reports and providing directions accordingly.

The members of the SLSC comprise of the following members:

- i. Secretary Industries & Commerce (Chairman)
- ii. Director, Industries and Commerce, Government of Haryana
- iii. Director, MSME-DI, Karnal

- iv. Concerned Joint Director, Department of Industries and Commerce
- v. President of related industry association
- vi. Directors of related SPV
- vii. EY Cluster Development Expert under MSME project

In addition, for implementing the Sirsa Furniture Cluster CFC project, a Project Management Committee (PMC) comprising the GM, DIC, Sirsa, and representatives of SPV and EY experts shall be constituted to directly oversee effective monitoring and implementation.

The project will be implemented through SPV and PMC will report progress of implementation to the State Level Steering Committee and DIC Sirsa.

# Conclusion





## 8. Conclusion

The micro furniture units of Sirsa are dependent on manual, low capacity and obsolete technologies for production and are barely surviving due to intense competition from large firms. The increasing costs of raw materials coupled with high production costs is driving many micro players out of the market. The micro units do not have these machines and hence are unable to cater the market demand and deliver quality furniture products.

Against this backdrop, it is inevitable to support the micro furniture units in Sirsa to adopt modern drying, designing, finishing and advanced machining facilities. This will reduce their processing costs significantly while increasing the quality of their produce.

The future of furniture industry is bright due to growth in real estate and other housing activities in the region. The only constraint is the lack of technologies and related infrastructure which can be removed by setting up a CFC. The cluster firms have not been able to obtain bulk orders from large customers due to lack of quality, production capacity and poor quality of products. The technologies required for upgradation are extremely expensive and the same cannot be adopted by any individual units in the cluster. Hence, the following facilities have been proposed in the CFC:

- ▶ Drying/Seasoning Facility
- ▶ Designing Facility
- ▶ Finishing Facility
- ▶ Advanced Machining Facility

The total project cost (including plant/machinery and buildings) is estimated to be **INR 223.01 Lakhs**. The project shall be implemented by the SPV '**Ellanabad Modular Furniture Private Limited**' which has been constituted by the cluster firms.

The CFC will be set up with support from DIC and the state government (Department of Industries) under PPP mode. The building for the project has already been identified by the SPV and shall be acquired on a lease basis upon in final approval by State Government. The state industry department is envisaged to provide grant for setting up of the modern machines under the Mini-Cluster scheme, Haryana EPP 2015. The SPV members have proposed to contribute **INR 43.05 lakhs** of the project cost. Support from the State Mini Cluster Development Scheme of Government of Haryana is envisaged for **INR 179.96 lakh**. The project is financially viable and is expected to generate enough revenue to ensure its sustainability.





## 9. Annexures

### Annexure 1: DSR Approval Letter

From

The Director of Industries & Commerce, Haryana,  
Chandigarh.

To


M/s Ernst & Young LLP,  
SCO-166-167, 1<sup>st</sup> Floor, Sector 9-C, Madhya Marg,  
Chandigarh.  
Email :- [upinder.dhingra@in.ey.com](mailto:upinder.dhingra@in.ey.com)

Memo No. Mini Cluster/Furniture Cluster/Sirsa/21008-A  
Dated Chandigarh, the 08-11-2019

**Subject:-** Regarding conducting Detailed Project Report (DPR) in case of Sirsa Furniture Cluster under the State Mini Cluster Development Scheme.

Kindly refer to the subject cited above.


In this connection, it is informed that the Diagnostic Study Report (DSR) in case of Sirsa Furniture Cluster under State Mini Cluster Development Scheme has been approved by the Director of Industries and Commerce, Haryana on 06.11.2019. You are, therefore, requested to prepare the Detailed Project Report (DPR) for the above said mini cluster.

  
Advisor (MSME-Development)  
for Director of Industries & Commerce, Haryana

Endst. No. Mini Cluster/Furniture Cluster/Sirsa/ 21009-A

Dated:- 08-11-2019

A copy of the above is forwarded to the SPV of the Furniture Cluster, Sirsa M/s JP Woods, Opposite Auto Market, Sirsa Road, Ellanabad, Sirsa, Haryana with a request to provide requisite documents and information as asked by Ernst & Young LLP immediately which are required for preparation of DPR. E-mail : [sales@jpdoors.com](mailto:sales@jpdoors.com).

  
Advisor (MSME-Development)  
for Director of Industries & Commerce, Haryana

## Annexure 2 (a): SPV Certificate of Incorporation



**GOVERNMENT OF INDIA**  
**MINISTRY OF CORPORATE AFFAIRS**  
Central Registration Centre

### Certificate of Incorporation

[Pursuant to sub-section (2) of section 7 and sub-section (1) of section 8 of the Companies Act, 2013 (18 of 2013) and rule 18 of the Companies (Incorporation) Rules, 2014]

I hereby certify that ELLANABAD MODERN FURNITURE PRIVATE LIMITED is incorporated on this Fifteenth day of November Two thousand nineteen under the Companies Act, 2013 (18 of 2013) and that the company is limited by shares

The Corporate Identity Number of the company is U74999HR2019PTC083589.

The Permanent Account Number (PAN) of the company is AAFCE7069K \*

The Tax Deduction and Collection Account Number (TAN) of the company is RTKE02846E \*

Given under my hand at Manesar this Fifteenth day of November Two thousand nineteen .

Digital Signature Certificate  
ALOK TANDON  
Deputy Registrar Of Companies  
For and on behalf of the Jurisdictional Registrar of Companies  
Registrar of Companies  
Central Registration Centre

Disclaimer: This certificate only evidences incorporation of the company on the basis of documents and declarations of the applicant(s). This certificate is neither a license nor permission to conduct business or solicit deposits or funds from public. Permission of sector regulator is necessary wherever required. Registration status and other details of the company can be verified on [www.mca.gov.in](http://www.mca.gov.in)

Mailing Address as per record available in Registrar of Companies office:

ELLANABAD MODERN FURNITURE PRIVATE LIMITED  
#278, WARD NO.10, ELLENABAD, SIRSA, ELLENABAD, Sirsa,  
Haryana, India, 125102



\* as issued by the Income Tax Department

## Annexure 2 (b): Copy of Memorandum of Association (MoA)

[Pursuant to Schedule I (see Sections 4 and 5) to the Companies Act, 2013)] FORM NO. INC-33

**SPICE MOA**

(e-Memorandum of Association)

MOA language: ☒ English ☐ Hindi

SRN of RUN

R11324506

Pre-fill

\* Table applicable to company as notified under schedule I of the companies Act, 2013

A

**Table A- MEMORANDUM OF ASSOCIATION OF A COMPANY LIMITED BY SHARES**

1. The Name of the Company is

ELLANABAD MODERN FURNITURE PRIVATE LIMITED

2. The Registered office of the company will be situated in the state of

Haryana-HR

3.(a) The objects to be pursued by the company on its incorporation are

(I) To function as Special Purpose Vehicle (SPV) and Set up Common Facilities Centre(CFC) and other infrastructure activities for all type of Furniture, solid wood, interior & allied products and for the benefits of its members and Industry/concerned stakeholders following the guidelines and notifications for State Mini Cluster Development Scheme of Govt. of Haryana.

(II) To undertake works/scheme/programs of Government relating to growth and development of Engineering & Allied Industry and carry out/conduct soft and hard intervention activities under State Mini Cluster Development Scheme of Govt. of Haryana.

(III) To act as a resource center for development and strengthening network as Business Development Services related to Furniture, solid wood, interior, Market, Capacity building and Hand holding support for the purpose of growth and development of the Engineering & Allied Industry under State Mini Cluster Development Scheme of Govt. of Haryana.

(IV) To make available raw and packing material to all members of Furniture, solid wood, interior & allied products at competitive rates by opening of raw and packing material bank.

(V) To arrange latest technology for upgrading all manufacturing units to provide Quality certificate to its members.

(VI) To render assistance and encouragement as may be necessary to persons engaged in Engineering and/or Manufacturing Industry.




(VII) To undertake job work, manufacturing, import, export of all type of Furniture, solid wood, interior & allied products and research work in connection with development of Engineering & allied Industry.



(VIII) To conduct training programs/seminars for capacity building and skill enhancement of workers in the engineering & allied industry.

(IX) No salary/interest/dividend shall be paid to any stakeholder of the company.

(X) No profit will be distributed amongst any member. All profit shall be ploughed back in the business & added to reserves & surplus. (ii) To carry on in India the business of marketing, promoting, franchising or dealing in any of the above activities, both in internal and external markets for any of the above purposes

3.(b) Matters which are necessary for furtherance of the objects specified in clause 3(a) are

S.No.	Subscriber Details					
	Name, Address, Description and Occupation	DIN/PAN/Passport Number	No. of shares taken		DSC	Dated
1	MR.GYAN SINGH S/O GURMEET SINGH R/O WARD NO.11 ELLENABAD SIRSA HARYANA 125102 BUSINESS	DHEPS6855P	5000	Equity		
2	MR. JAI PARKASH S/O SOHAN LAL R/O #278, WARD NO 10, ELLENABAD SIRSA HARYANA 125102	AGOPS0814N	5000	Equity		
						
Total Shares taken			10,000.0	Equity		

Signed before Me				
Name	Address, Description and Occupation	DIN/PAN/Passport Number/ Membership Number	DSC	Dated
FCS 	SOURABH PARNAMI	#396, GANPATI ENCLAVE, BATHINDA 151001 PB IN	9396 	

Modify

Check Form

4.The liability of the member(s) is limited and this liability is limited to the amount unpaid, if any, on the shares held by them.

5.The share capital of the company is 

100,000.00
------------

 rupees, divided into,

10.00	Equity	shares of	10,000.00	rupees each	
-------	--------	-----------	-----------	-------------	--

- 6     ☒ We, the several persons, whose names and addresses are subscribed, are desirous of being formed into a company in pursuance of this memorandum of association, and we respectively agree to take the number of shares in the capital of the company set against our respective names:

1. To receipt of contract amount in foreign currencies & repatriate the amount out side India.
2. To do all or any of the acts or things as mentioned in the main objects either as principals, contractors or otherwise and either alone or in conjunction with others.
3. To remunerate any firm, person or body corporate rendering services to the Company, including without limitation, in relation to the promotion or formation of the Company, either by cash payment or by allotment to him or them of shares and securities of the Company as paid-up in full or in part or otherwise.
4. To pay all costs, charges and expenses incurred or sustained in or about the formation, registration, promotion, incorporation, establishment and advertisement of the Company or which the Company shall consider to be preliminary including contracts entered into by the Company.
5. To recruit, train and develop staff, organize seminars, training programs and conferences for employees, customers and the general public.
6. To carry on the business of buying, selling, importing, exporting and dealing in computers, hardware and accessories, electrical and electronic goods, machines, tools, hardware items and domestic appliances.
7. To enter into contracts or arrangements or other dealings for more efficient conduct of the business of the Company or any part thereof and also to enter into any arrangement with any Government or Authorities or any persons or companies that may seem conducive to the main objects of the Company.
8. To lease, sub-lease, hire, purchase, license or otherwise acquire and/or sell, dispose of, construct, alter, modify, develop or otherwise deal in any properties, factories, shades, offices, guest houses, employee accommodation, godowns, warehouses, or other structures for housing and carrying on the businesses of the Company or for its employees, clients or other persons or for any other persons or for any other purpose as the Board of Directors may think expedient for the benefit of the Company.
9. To enter into, undertake and execute contracts or other arrangements with any parties for any transactions, including the provision and supply or use of materials, machinery, equipment, articles or other products and/or services necessary for or otherwise required for or incidental to carrying out the objectives of the Company.
10. To recruit, train and develop a pool of technical, managerial and administrative personnel including staff, employees, agents, for the Company or any subsidiary, affiliate or group companies or any other company, firm or other person, particularly where such companies, firms or persons are engaged in any business related to the business of the Company.
11. To employ, engage, appoint, retain or otherwise procure, suspend or terminate the services of professionals, consultants, engineers, design consultants, technicians, legal and financial advisors, or other experts and to imbibe innovation and modern management techniques in the functioning and businesses of the Company.
12. To retrench, lay-off, suspend, terminate the appointment of or dismiss executives, managers, assistants, support staff and other employees and to remunerate them at such rates as may be thought fit.
13. To appoint dealers, sub-dealers, agents, sub-agents, distributors, sole selling agents, sole concessionaires, either in India or any place in India, for the efficient conduct of the business of the Company, and remunerate them for their services.
14. To take and/or provide discounts or to approve other terms of payment or credit in relation to any sums owing to or due from the Company and to impose or agree to pay any interest thereon or to write off any such sums or parts thereof.
15. To undertake all types of technical, economic, and financial investigations and aid or assist or enter into partnership with any institution, university, company, partnership, firm or person or persons conducting such research or study and to subsidize, endow and assist workshops, libraries, meetings, lectures, and conferences and do such other acts to generally encourage, promote and reward studies, researches, investigations, experiments, tests and inventions of any kind that may be considered to assist any of the businesses of the Company.
16. To identify projects, project ideas, to prepare profiles, project reports, and undertake market research, feasibility studies, per-investment studies and investigation of industries on a micro and/or macro level and to render appropriate services, to identify scope and potential for economic and industrial development in any particular geographical area or location whether in India or abroad.
17. To acquire from any person, firm or body corporate, whether in India or elsewhere, technical information, know-how, processes, engineering and operating data, plans, lay-outs and blue-prints useful for the design, erection and operation of plant and machinery, required for any of the businesses of the Company and to pay remuneration thereof in any currency by way of lump-sum or installments or fees or royalties.
18. To apply for, purchase, or otherwise acquire, protect or prolong any patent, design, concessions, trademarks, copyrights and the like, conferring an exclusive or non-exclusive or limited right of use, or any secret or other information and/or systems, processes of the Company or which the Company may develop or acquire or propose to develop or acquire.
19. To develop and/or furnish to any person, firm or body corporate whether in India or elsewhere, technical information, know-how, processes, engineering, plans, lay-outs and blue-prints useful for the design, erection and operation of plant and machinery, required for any of the businesses of the Company and to obtain remuneration thereof in any currency by way of lump-sum or installments or fees or royalties or through any other arrangement.

f 4



## Annexure 2 (c): Copy of Article of Association (AoA)

[Pursuant to Schedule I (see Sections 4 and 5) to  
the Companies Act, 2013]] FORM NO. INC-34

**SPICE AOA**

(e-Articles of Association)

AOA language ☒ English ☐ Hindi

SRN of **RUN**

R11324506

Pre-fill

\*Table  as notified under schedule I of the companies Act, 2013 is applicable to the company

ELLANABAD MODERN FURNITURE PRIVATE LIMITED

A COMPANY LIMITED BY SHARES

Check if not applicable	Check if altered	Article No	Description
			<b>Interpretation</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	I	<p>(1) In these regulations --</p> <p>(a) "the Act" means the Companies Act, 2013,</p> <p>(b) "the seal" means the common seal of the company.</p> <p>(2) Unless the context otherwise requires, words or expressions contained in these regulations shall bear the same meaning as in the Act or any statutory modification thereof in force at the date at which these regulations become binding on the company.</p> <p style="text-align: center;">PRIVATE COMPANY</p> <p>(3) The Company is a "private company" which by its articles,—</p> <p>(i) restricts the right to transfer its shares;</p> <p>(ii) except in case of One Person Company, limits the number of its members to two hundred: Provided that where two or more persons hold one or more shares in a company jointly, they shall, for the purposes of this clause, be treated as a single member: Provided further that—</p> <p>(A) persons who are in the employment of the company; and</p> <p>(B) persons who, having been formerly in the employment of the company, were members of the company while in that employment and have continued to be members after the employment ceased, shall not be included in the number of members; and</p> <p>(iii) prohibits any invitation to the public to subscribe for any securities of the company;</p>
			<b>Share capital and variation of rights</b>
<input type="checkbox"/>	<input type="checkbox"/>	II 1	Subject to the provisions of the Act and these Articles, the shares in the capital of the company shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par and at such time as they may from time to time think fit.
<input type="checkbox"/>	<input type="checkbox"/>	2	<p>(i) Every person whose name is entered as a member in the register of members shall be entitled to receive within two months after incorporation, in case of subscribers to the memorandum or after allotment or within one month after the application for the registration of transfer or transmission or within such other period as the conditions of issue shall be provided, --</p> <p>(a) one certificate for all his shares without payment of any charges; or</p> <p>(b) several certificates, each for one or more of his shares, upon payment of twenty rupees for each certificate after the first.</p> <p>(ii) Every certificate shall be under the seal and shall specify the shares to which it relates and the amount paid-up thereon.</p> <p>(iii) In respect of any share or shares held jointly by several persons, the company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all such holders</p>

<input type="checkbox"/>	<input type="checkbox"/>	3	(i) If any share certificate be worn out, defaced, mutilated or torn or if there be no further space on the back for endorsement of transfer, then upon production and surrender thereof to the company, a new certificate may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, a new certificate in lieu thereof shall be given. Every certificate under this Article shall be issued on payment of twenty rupees for each certificate.  (ii) The provisions of Articles (2) and (3) shall mutatis mutandis apply to debentures of the company.
<input type="checkbox"/>	<input type="checkbox"/>	4	Except as required by law, no person shall be recognised by the company as holding any share upon any trust, and the company shall not be bound by, or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these regulations or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.
<input type="checkbox"/>	<input type="checkbox"/>	5	(i) The company may exercise the powers of paying commissions conferred by sub-section (6) of section 40, provided that the rate per cent or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by that section and rules made thereunder. (ii) The rate or amount of the commission shall not exceed the rate or amount prescribed in rules made under sub-section (6) of section 40. (iii) The commission may be satisfied by the payment of cash or the allotment of fully or partly paid shares or partly in the one way and partly in the other.
<input type="checkbox"/>	<input type="checkbox"/>	6	(i) If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of section 48, and whether or not the company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.  (ii) To every such separate meeting, the provisions of these regulations relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two persons holding at least one-third of the issued shares of the class in question.
<input type="checkbox"/>	<input type="checkbox"/>	7	The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking <i>pari passu</i> therewith.
<input type="checkbox"/>	<input type="checkbox"/>	8	Subject to the provisions of section 55, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are to be redeemed on such terms and in such manner as the company before the issue of the shares may, by special resolution, determine.
			<b>Lien</b>
<input type="checkbox"/>	<input type="checkbox"/>	9	(i) The company shall have a first and paramount lien -- (a) on every share (not being a fully paid share), for all monies (whether presently payable or not) called, or payable at a fixed time, in respect of that share; and (b) on all shares (not being fully paid shares) standing registered in the name of a single person, for all monies presently payable by him or his estate to the company: Provided that the Board of directors may at any time declare any share to be wholly or in part exempt from the provisions of this clause.  (ii) The company's lien, if any, on a share shall extend to all dividends payable and bonuses declared from time to time in respect of such shares.
<input type="checkbox"/>	<input type="checkbox"/>	10	The company may sell, in such manner as the Board thinks fit, any shares on which the company has a lien: Provided that no sale shall be made -- (a) unless a sum in respect of which the lien exists is presently payable; or (b) until the expiration of fourteen days after a notice in writing stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency.
<input type="checkbox"/>	<input type="checkbox"/>	11	(i) To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof  (ii) The purchaser shall be registered as the holder of the shares comprised in any such transfer.  (iii) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.



<input type="checkbox"/>	<input type="checkbox"/>	12	(i) The proceeds of the sale shall be received by the company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable. (ii) The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the shares before the sale, be paid to the person entitled to the shares at the date of the sale.
			<b><i>Calls on shares</i></b>
<input type="checkbox"/>	<input type="checkbox"/>	13	(i) The Board may, from time to time, make calls upon the members in respect of any monies unpaid on their shares (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times: Provided that no call shall exceed one-fourth of the nominal value of the share or be payable at less than one month from the date fixed for the payment of the last preceding call. (ii) Each member shall, subject to receiving at least fourteen days' notice specifying the time or times and place of payment, pay to the company, at the time or times and place so specified, the amount called on his shares. (iii) A call may be revoked or postponed at the discretion of the Board.
<input type="checkbox"/>	<input type="checkbox"/>	14	A call shall be deemed to have been made at the time when the resolution of the Board authorizing the call was passed and may be required to be paid by instalments.
<input type="checkbox"/>	<input type="checkbox"/>	15	The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
<input type="checkbox"/>	<input type="checkbox"/>	16	(i) If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at ten per cent per annum or at such lower rate, if any, as the Board may determine. (ii) The Board shall be at liberty to waive payment of any such interest wholly or in part.
<input type="checkbox"/>	<input type="checkbox"/>	17	(i) Any sum which by the terms of issue of a share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall, for the purposes of these regulations, be deemed to be a call duly made and payable on the date on which by the terms of issue such sum becomes payable. (ii) In case of non-payment of such sum, all the relevant provisions of these regulations as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.
<input type="checkbox"/>	<input type="checkbox"/>	18	The Board -- (a) may, if it thinks fit, receive from any member willing to advance the same, all or any part of the monies uncalled and unpaid upon any shares held by him; and (b) upon all or any of the monies so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate not exceeding, unless the company in general meeting shall otherwise direct, twelve per cent per annum, as may be agreed upon between the Board and the member paying the sum in advance.
			<b><i>Transfer of shares</i></b>
<input type="checkbox"/>	<input type="checkbox"/>	19	(i) The instrument of transfer of any share in the company shall be executed by or on behalf of both the transferor and transferee. (ii) The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the register of members in respect thereof.
<input type="checkbox"/>	<input type="checkbox"/>	20	The Board may, subject to the right of appeal conferred by section 58 decline to register -- (a) the transfer of a share, not being a fully paid share, to a person of whom they do not approve; or (b) any transfer of shares on which the company has a lien.
<input type="checkbox"/>	<input type="checkbox"/>	21	The Board may decline to recognise any instrument of transfer unless -- (a) the instrument of transfer is in the form as prescribed in rules made under sub-section (1) of section 56; (b) the instrument of transfer is accompanied by the certificate of the shares to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and (c) the instrument of transfer is in respect of only one class of shares.

<input type="checkbox"/>	<input type="checkbox"/>	22	<p>On giving not less than seven days' previous notice in accordance with section 91 and rules made thereunder, the registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine:</p> <p>Provided that such registration shall not be suspended for more than thirty days at any one time or for more than forty-five days in the aggregate in any year.</p>
			<b>Transmission of shares</b>
<input type="checkbox"/>	<input type="checkbox"/>	23	<p>(i) On the death of a member, the survivor or survivors where the member was a joint holder, and his nominee or nominees or legal representatives where he was a sole holder, shall be the only persons recognised by the company as having any title to his interest in the shares</p> <p>(ii) Nothing in clause (i) shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other persons.</p>
<input type="checkbox"/>	<input type="checkbox"/>	24	<p>(i) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided, elect, either --</p> <p>(a) to be registered himself as holder of the share; or</p> <p>(b) to make such transfer of the share as the deceased or insolvent member could have made.</p> <p>(ii) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had transferred the share before his death or insolvency.</p>
<input type="checkbox"/>	<input type="checkbox"/>	25	<p>(i) If the person so becoming entitled shall elect to be registered as holder of the share himself, he shall deliver or send to the company a notice in writing signed by him stating that he so elects.</p> <p>(ii) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.</p> <p>(iii) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice or transfer were a transfer signed by that member.</p>
<input type="checkbox"/>	<input type="checkbox"/>	26	<p>A person becoming entitled to a share by reason of the death or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meetings of the company:</p> <p>Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share, until the requirements of the notice have been complied with.</p>
			<b>Forfeiture of shares</b>
<input type="checkbox"/>	<input type="checkbox"/>	27	<p>If a member fails to pay any call, or instalment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.</p>
<input type="checkbox"/>	<input type="checkbox"/>	28	<p>The notice aforesaid shall --</p> <p>(a) name a further day (not being earlier than the expiry of fourteen days from the date of service of the notice) on or before which the payment required by the notice is to be made; and</p> <p>(b) state that, in the event of non-payment on or before the day so named, the shares in respect of which the call was made shall be liable to be forfeited.</p>
<input type="checkbox"/>	<input type="checkbox"/>	29	<p>If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.</p>

<input type="checkbox"/>	<input type="checkbox"/>	30	<p>(i) A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.</p> <p>(ii) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.</p>
<input type="checkbox"/>	<input type="checkbox"/>	31	<p>(i) A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, notwithstanding the forfeiture, remain liable to pay to the company all monies which, at the date of forfeiture, were presently payable by him to the company in respect of the shares.</p> <p>(ii) The liability of such person shall cease if and when the company shall have received payment in full of all such monies in respect of the shares.</p>
<input type="checkbox"/>	<input type="checkbox"/>	32	<p>(i) A duly verified declaration in writing that the declarant is a director, the manager or the secretary, of the company, and that a share in the company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share;</p> <p>(ii) The company may receive the consideration, if any, given for the share on any sale or disposal thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of;</p> <p>(iii) The transferee shall thereupon be registered as the holder of the share; and</p> <p>(iv) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.</p>
<input type="checkbox"/>	<input type="checkbox"/>	33	The provisions of these regulations as to forfeiture shall apply in the case of nonpayment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
			<b><i>Alteration of capital</i></b>
<input type="checkbox"/>	<input type="checkbox"/>	34	The company may, from time to time, by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as may be specified in the resolution.
<input type="checkbox"/>	<input type="checkbox"/>	35	<p>Subject to the provisions of section 61, the company may, by ordinary resolution, --</p> <p>(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;</p> <p>(b) convert all or any of its fully paid-up shares into stock, and reconvert that stock into fully paid-up shares of any denomination;</p> <p>(c) sub-divide its existing shares or any of them into shares of smaller amount than is fixed by the memorandum;</p> <p>(d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.</p>
<input type="checkbox"/>	<input type="checkbox"/>	36	<p>Where shares are converted into stock, --</p> <p>(a) the holders of stock may transfer the same or any part thereof in the same manner as, and subject to the same regulations under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit: Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so, however, that such minimum shall not exceed the nominal amount of the shares from which the stock arose.</p> <p>(b) the holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the company, and other matters, as if they held the shares from which the stock arose; but no such privilege or advantage (except participation in the dividends and profits of the company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage.</p> <p>(c) such of the regulations of the company as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" in those regulations shall include "stock" and "stock-holder" respectively.</p>



<input type="checkbox"/>	<input type="checkbox"/>	37	The company may, by special resolution, reduce in any manner and with, and subject to, any incident authorised and consent required by law, -- (a) its share capital; (b) any capital redemption reserve account; or (c) any share premium account.
			<b>Capitalisation of profits</b>
<input type="checkbox"/>	<input type="checkbox"/>	38	(i) The company in general meeting may, upon the recommendation of the Board, resolve --  (a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the company's reserve accounts, or to the credit of the, profit and loss account, or otherwise available for distribution; and  (b) that such sum be accordingly set free for distribution in the manner specified in clause (ii) amongst the members who would have been entitled thereto, if distributed by way of dividend and in the same proportions.  (ii) The sum aforesaid shall not be paid in cash but shall be applied, subject to the provision contained in clause (iii), either in or towards -- (A) paying up any amounts for the time being unpaid on any shares held by such members respectively; (B) paying up in full, unissued shares of the company to be allotted and distributed, credited as fully paid-up, to and amongst such members in the proportions aforesaid; (C) partly in the way specified in sub-clause (A) and partly in that specified in sub-clause (B); (D) A securities premium account and a capital redemption reserve account may, for the purposes of this regulation, be applied in the paying up of unissued shares to be issued to members of the company as fully paid bonus shares; (E) The Board shall give effect to the resolution passed by the company in pursuance of this regulation.
<input type="checkbox"/>	<input type="checkbox"/>	39	(i) Whenever such a resolution as aforesaid shall have been passed, the Board shall --  (a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares if any; and (b) generally do all acts and things required to give effect thereto.  (ii) The Board shall have power --  (a) to make such provisions, by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit, for the case of shares becoming distributable in fractions; and (b) to authorise any person to enter, on behalf of all the members entitled thereto, into an agreement with the company providing for the allotment to them respectively, credited as fully paid-up, of any further shares to which they may be entitled upon such capitalisation, or as the case may require, for the payment by the company on their behalf, by the application thereto of their respective proportions of profits resolved to be capitalised, of the amount or any part of the amounts remaining unpaid on their existing shares;  (iii) Any agreement made under such authority shall be effective and binding on such members.
			<b>Buy-back of shares</b>
<input type="checkbox"/>	<input type="checkbox"/>	40	Notwithstanding anything contained in these articles but subject to the provisions of sections 68 to 70 and any other applicable provision of the Act or any other law for the time being in force, the company may purchase its own shares or other specified securities.
			<b>General meetings</b>
<input type="checkbox"/>	<input type="checkbox"/>	41	All general meetings other than annual general meeting shall be called extraordinary general meeting.
<input type="checkbox"/>	<input type="checkbox"/>	42	(i) The Board may, whenever it thinks fit, call an extraordinary general meeting.  (ii) If at any time directors capable of acting who are sufficient in number to form a quorum are not within India, any director or any two members of the company may call an extraordinary general meeting in the same manner, as nearly as possible, as that in which such a meeting may be called by the Board.
			<b>Proceedings at general meetings</b>

<input type="checkbox"/>	<input type="checkbox"/>	43	(i) No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. (ii) Save as otherwise provided herein, the quorum for the general meetings shall be as provided in section 103.
<input type="checkbox"/>	<input type="checkbox"/>	44	The chairperson, if any, of the Board shall preside as Chairperson at every general meeting of the company.
<input type="checkbox"/>	<input type="checkbox"/>	45	If there is no such Chairperson, or if he is not present within fifteen minutes after the time appointed for holding the meeting, or is unwilling to act as chairperson of the meeting, the directors present shall elect one of their members to be Chairperson of the meeting.
<input type="checkbox"/>	<input type="checkbox"/>	46	If at any meeting no director is willing to act as Chairperson or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present shall choose one of their members to be Chairperson of the meeting.
			<b>Adjournment of meeting</b>
<input type="checkbox"/>	<input type="checkbox"/>	47	(i) The Chairperson may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time and from place to place. (ii) No business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. (iii) When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. (iv) Save as aforesaid, and as provided in section 103 of the Act, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
			<b>Voting rights</b>
<input type="checkbox"/>	<input type="checkbox"/>	48	Subject to any rights or restrictions for the time being attached to any class or classes of shares, -- (a) on a show of hands, every member present in person shall have one vote; and (b) on a poll, the voting rights of members shall be in proportion to his share in the paid-up equity share capital of the company.
<input type="checkbox"/>	<input type="checkbox"/>	49	A member may exercise his vote at a meeting by electronic means in accordance with section 108 and shall vote only once.
<input type="checkbox"/>	<input type="checkbox"/>	50	(i) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. (ii) For this purpose, seniority shall be determined by the order in which the names stand in the register of members.
<input type="checkbox"/>	<input type="checkbox"/>	51	A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.
<input type="checkbox"/>	<input type="checkbox"/>	52	Any business other than that upon which a poll has been demanded may be proceeded with, pending the taking of the poll.
<input type="checkbox"/>	<input type="checkbox"/>	53	No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the company have been paid
<input type="checkbox"/>	<input type="checkbox"/>	54	(i) No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. (ii) Any such objection made in due time shall be referred to the Chairperson of the meeting, whose decision shall be final and conclusive.
			<b>Proxy</b>
<input type="checkbox"/>	<input type="checkbox"/>	55	The instrument appointing a proxy and the power-of-attorney or other authority, if any, under which it is signed or a notarised copy of that power or authority, shall be deposited at the registered office of the company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll; and in default the instrument of proxy shall not be treated as valid.

<input type="checkbox"/>	<input type="checkbox"/>	56	An instrument appointing a proxy shall be in the form as prescribed in the rules made under section 105
<input type="checkbox"/>	<input type="checkbox"/>	57	A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the shares in respect of which the proxy is given: Provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.
			<b>Board of Directors</b>
<input type="checkbox"/>	<input checked="" type="checkbox"/>	58	The number of the directors and the names of the first directors shall be determined in writing by the subscribers of the memorandum or a majority of them. 1. GYAN SINGH 2. JAI PARKASH
<input type="checkbox"/>	<input type="checkbox"/>	59	(i) The remuneration of the directors shall, in so far as it consists of a monthly payment, be deemed to accrue from day-to-day. (ii) In addition to the remuneration payable to them in pursuance of the Act, the directors may be paid all travelling, hotel and other expenses properly incurred by them -- (a) in attending and returning from meetings of the Board of Directors or any committee thereof or general meetings of the company; or (b) in connection with the business of the company.
<input type="checkbox"/>	<input type="checkbox"/>	60	The Board may pay all expenses incurred in getting up and registering the company.
<input type="checkbox"/>	<input type="checkbox"/>	61	The company may exercise the powers conferred on it by section 88 with regard to the keeping of a foreign register; and the Board may (subject to the provisions of that section) make and vary such regulations as it may think fit respecting the keeping of any such register.
<input type="checkbox"/>	<input type="checkbox"/>	62	All cheques, promissory notes, drafts, hundis, bills of exchange and other negotiable instruments, and all receipts for monies paid to the company, shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be, by such person and in such manner as the Board shall from time to time by resolution determine
<input type="checkbox"/>	<input type="checkbox"/>	63	Every director present at any meeting of the Board or of a committee thereof shall sign his name in a book to be kept for that purpose.
<input type="checkbox"/>	<input type="checkbox"/>	64	(i) Subject to the provisions of section 149, the Board shall have power at any time, and from time to time, to appoint a person as an additional director, provided the number of the directors and additional directors together shall not at any time exceed the maximum strength fixed for the Board by the articles. (ii) Such person shall hold office only up to the date of the next annual general meeting of the company but shall be eligible for appointment by the company as a director at that meeting subject to the provisions of the Act.
			<b>Proceedings of the Board</b>
<input type="checkbox"/>	<input type="checkbox"/>	65	(i) The Board of Directors may meet for the conduct of business, adjourn and otherwise regulate its meetings, as it thinks fit. (ii) A director may, and the manager or secretary on the requisition of a director shall, at any time, summon a meeting of the Board.
<input type="checkbox"/>	<input type="checkbox"/>	66	(i) Save as otherwise expressly provided in the Act, questions arising at any meeting of the Board shall be decided by a majority of votes. (ii) In case of an equality of votes, the Chairperson of the Board, if any, shall have a second or casting vote.
<input type="checkbox"/>	<input type="checkbox"/>	67	The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company, but for no other purpose.
<input type="checkbox"/>	<input type="checkbox"/>	68	(i) The Board may elect a Chairperson of its meetings and determine the period for which he is to hold office. (ii) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be Chairperson of the meeting.







<input type="checkbox"/>	<input type="checkbox"/>	69	(i) The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such member or members of its body as it thinks fit. (ii) Any committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board.
<input type="checkbox"/>	<input type="checkbox"/>	70	(i) A committee may elect a Chairperson of its meetings. (ii) If no such Chairperson is elected, or if at any meeting the Chairperson is not present within five minutes after the time appointed for holding the meeting, the members present may choose one of their members to be Chairperson of the meeting.
<input type="checkbox"/>	<input type="checkbox"/>	71	(i) A committee may meet and adjourn as it thinks fit. (ii) Questions arising at any meeting of a committee shall be determined by a majority of votes of the members present, and in case of an equality of votes, the Chairperson shall have a second or casting vote.
<input type="checkbox"/>	<input type="checkbox"/>	72	All acts done in any meeting of the Board or of a committee thereof or by any person acting as a director, shall, notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such directors or of any person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such director or such person had been duly appointed and was qualified to be a director.
<input type="checkbox"/>	<input type="checkbox"/>	73	Save as otherwise expressly provided in the Act, a resolution in writing, signed by all the members of the Board or of a committee thereof, for the time being entitled to receive notice of a meeting of the Board or committee, shall be valid and effective as if it had been passed at a meeting of the Board or committee, duly convened and held.
			<b>Chief Executive Officer, Manager, Company Secretary or Chief Financial Officer</b>
<input type="checkbox"/>	<input type="checkbox"/>	74	Subject to the provisions of the Act, -- (i) A chief executive officer, manager, company secretary or chief financial officer may be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit; and any chief executive officer, manager, company secretary or chief financial officer so appointed may be removed by means of a resolution of the Board; (ii) A director may be appointed as chief executive officer, manager, company secretary or chief financial officer
<input type="checkbox"/>	<input type="checkbox"/>	75	A provision of the Act or these regulations requiring or authorising a thing to be done by or to a director and chief executive officer, manager, company secretary or chief financial officer shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, chief executive officer, manager, company secretary or chief financial officer.
			<b>The Seal</b>
<input type="checkbox"/>	<input type="checkbox"/>	76	(i) The Board shall provide for the safe custody of the seal. (ii) The seal of the company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a committee of the Board authorised by it in that behalf, and except in the presence of at least two directors and of the secretary or such other person as the Board may appoint for the purpose; and those two directors and the secretary or other person aforesaid shall sign every instrument to which the seal of the company is so affixed in their presence.
			<b>Dividends and Reserve</b>
<input type="checkbox"/>	<input type="checkbox"/>	77	The company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Board.
<input type="checkbox"/>	<input type="checkbox"/>	78	Subject to the provisions of section 123, the Board may from time to time pay to the members such interim dividends as appear to it to be justified by the profits of the company.

<input type="checkbox"/>	<input type="checkbox"/>	79	<p>(i) The Board may, before recommending any dividend, set aside out of the profits of the company such sums as it thinks fit as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the company may be properly applied, including provision for meeting contingencies or for equalizing dividends; and pending such application, may, at the like discretion, either be employed in the business of the company or be invested in such investments (other than shares of the company) as the Board may, from time to time, thinks fit.</p> <p>(ii) The Board may also carry forward any profits which it may consider necessary not to divide, without setting them aside as a reserve</p>
<input type="checkbox"/>	<input type="checkbox"/>	80	<p>(i) Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but if and so long as nothing is paid upon any of the shares in the company, dividends may be declared and paid according to the amounts of the shares.</p> <p>(ii) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.</p> <p>(iii) All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.</p>
<input type="checkbox"/>	<input type="checkbox"/>	81	The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the company on account of calls or otherwise in relation to the shares of the company.
<input type="checkbox"/>	<input type="checkbox"/>	82	<p>(i) Any dividend, interest or other monies payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.</p> <p>(ii) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.</p>
<input type="checkbox"/>	<input type="checkbox"/>	83	Any one of two or more joint holders of a share may give effective receipts for any dividends, bonuses or other monies payable in respect of such share.
<input type="checkbox"/>	<input type="checkbox"/>	84	Notice of any dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.
<input type="checkbox"/>	<input type="checkbox"/>	85	No dividend shall bear interest against the company.
			<b>Accounts</b>
<input type="checkbox"/>	<input type="checkbox"/>	86	<p>(i) The Board shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and books of the company, or any of them, shall be open to the inspection of members not being directors.</p> <p>(ii) No member (not being a director) shall have any right of inspecting any account or book or document of the company except as conferred by law or authorised by the Board or by the company in general meeting.</p>
			<b>Winding up</b>
<input type="checkbox"/>	<input type="checkbox"/>	87	<p>Subject to the provisions of Chapter XX of the Act and rules made thereunder --</p> <p>(i) If the company shall be wound up, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Act, divide amongst the members, in specie or kind, the whole or any part of the assets of the company, whether they shall consist of property of the same kind or not.</p> <p>(ii) For the purpose aforesaid, the liquidator may set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.</p> <p>(iii) The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories if he considers necessary, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.</p>
			<b>Indemnity</b>



<input type="checkbox"/>	<input type="checkbox"/>	88	Every officer of the company shall be indemnified out of the assets of the company against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in which relief is granted to him by the court or the Tribunal.
<input type="checkbox"/>			

Subscriber Details						
S. NO	Name, Address, Description and Occupation	DIN/PAN/Passport Number	Place	DSC	Dated	
1	MR.GYAN SINGH S/O GURMEET SINGH R/O WARD NO.11 ELLENABAD SIRSA HARYANA 125102 BUSINESS	DHEPS6855P	SIRSA			
2	MR. JAI PARKASH S/O SOHAN LAL R/O #278, WARD NO 10, ELLENABAD SIRSA HARYANA 125102	AGOPS0814N	SIRSA			
						
Signed Before Me						
	Name	Address, Description and Occupation	DIN/PAN/Passport Number/ Membership Number	Place	DSC	Dated
FCS	SOURABH PARNAMI	#396, GANPATI ENCLAVE, BATHINDA 151001 PB IN	9396	BATHINDA		

Checkform

Modify

## Annexure 3: Verification of units by DIC, Sirsa

Sr No.	UAM	COMPANY	ADDRESS	PROP.	MOBILE	TURNOVER	SIGNATURE
1	HR17B0005526	J. P. WOODS	OPP. AUTO MARKET, SIRSA ROAD, ELLENABAD, SIRSA	JAI PARKASH	9416253648	50 LAKH	Jai Parkash
2	HR17A0005552	SHREE RAM FURNITURE HOUSE	MAIN BAZAAR, NEAR DR. PURSHOTTAM GODARA, ELLENABAD	SANJAY SINGLA	8059632000	32 LAKH	Sanjay Singla
3	HR17A0005542	HARMAN FURNITURE	MASTANGARH ROAD NEAR STATE BANK SANTNAGAR	AMAR SINGH	9215584571	28 LAKH	Amar Singh
4	HR17A0005573	GODARA WOOD WORKS	NEAR J. P. FURNITURE WORKS, SIRSA ROAD, ELLENABAD	DAYA RAM	9053642150	12 LAKH	Daya Ram
5	HR17A0005547	SHREE PRATAP FURNITURE HOUSE	MASTANGARH ROAD, NEAR STATE BANK, SANTNAGAR	HARVEL SINGH	9416258372	27 LAKH	Harvel Singh
6	HR17A0005549	GURU KIRPA FURNITURE WORKS	MAMERA ROAD, NEAR NAMASTE CHOWK, ELLENABAD	HANUMAN PARSAD	9416298310	15 LAKH	Hanuman Parsad
7	HR17A0005541	GURUDEV TRUNK HOUSE	MAIN BAZAAR NEAR SBI BANK, ELLENABAD, SIRSA	SATINDER SINGH	9466916133	32 LAKH	Satinder Singh
8	HR17A0005543	PREET FURNITURES	MAIN ROAD, NEAR GURUDWARA, RANIA	GYAN SINGH	9466377880	34 LAKH	Gyan Singh
9	HR17A0005551	DURGA FURNITURES	CIRCULAR ROAD, SIRSA	SHYAM SUNDER	9416490675	28 LAKH	Shyam Sunder
10	HR17A0005546	JALWAL WOODEN CRAFTS	HANUMANGARH ROAD, NIMLA	VINOD KUMAR	9416490929	35 LAKH	Vinod Kumar
11	HR17B0005540	SHIV TIMBER	HANUMANGARH ROAD, NIMLA, SIRSA	HET RAM	9416000929	70 LAKH	Het Ram
12	HR17A0005550	MALWA INDUSTRIES	BYPASS ROAD SIRSA	MANPREET SINGH	9729355754	22 LAKH	Manpreet Singh

All the units are jointly owned.

U.S. Singh

## Annexure 4: Building Availability Proof

GSTIN : 06AGOPS0814NZY      !!SHRI GANESHAY NAMAH!!      Mob : 9416253648

# JP WOODS

Sirsa Road, opp. Auto Market, Ellenabad-125102, Distt. Sirsa(Hry)

21<sup>st</sup> Nov., 2019

To,

The Director,  
Department of Industries & Commerce  
Govt. of Haryana  
Sector 17, Chandigarh

**Subject:** Regarding building lease for Centre of Wooden Furniture Cluster, Sirsa

**Reference:** Cluster project to establish Common Facility Centre (CFC) under State Mini Cluster development scheme of Government of Haryana

Dear Sir,

This is to confirm that I am JAI PARKASH willing to provide my building at Main Market Sirsa Road Dabwalia a 10 years irrevocable lease to the Centre of Wooden Furniture Cluster for the establishment of a Common Facility Centre, provided the cluster is approved by the Government of Haryana. The area which will be provided is 9000/00 square yards) and shall be provided on a lease basis with rent of Rs. 15,000 per month for the first year, with a standard annual increase as per the market norms.

Yours sincerely,


Name: Jai Parkash

Signature: For JP Woods  
Jai Parkash

Address: PROP.



## Annexure 5: Machinery Quotations



### Proforma Invoice

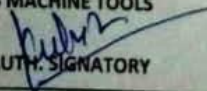
<b>M/s Ellenabad Modular Furniture Pvt. Ltd.</b> Ellenabad, Sirsa, Haryana, India. Contact ☎ +91 94162-53648 E Mail ✉	<b>Ref. No.</b>	<b>PI/00244/19-20</b>
	<b>Date:</b>	<b>8 November 2019</b>

Dear Sir


We thank you for your kind interest to our manufactured wood working machines. We hereby quote our lowest possible prices for your desired machines.

Sr. No.	Description	Discounted Price (Per M/c)	Qty.	Amount (Rs.)
1	THROUGHFEED MACHINE WITH PVC WOOD & EDGE BANDING MACHINE	38,00,000.00	1	38,00,000.00
2	SIX HEAD MULTIPLE DRILL MACHINE	18,00,000.00	1	18,00,000.00
3	COMPUTERIZED NUMERICAL CONTROL (C.N.C)	18,50,000.00	1	18,50,000.00
4	BOILER & WOOD SEASONING PLANT	12,50,000.00	1	12,50,000.00
5	PANEL SAW ALTENDORF	7,00,000.00	1	7,00,000.00
6	MOULDER WITH TILTING	6,00,000.00	1	6,00,000.00
7	THICKNESS PLANNER	6,50,000.00	1	6,50,000.00
8	WIDE BELT SENDER WITH TILTING LEFT & RIGHT WITH POLISHING	19,30,000.00	1	19,30,000.00
9	COLD PRESS WITH 6 PUMP	6,50,000.00	1	6,50,000.00
10	FOUR HEAD DRILL	8,50,000.00	1	8,50,000.00
11	RANDA MACHINE	95,000.00	1	95,000.00
12	THREE HEAD MULTIPLE DRILL MACHINE	6,80,000.00	1	6,80,000.00
13	FINGER JOINT	6,50,000.00	1	6,50,000.00
14	DOOR FRAME ASSEMBLER	4,50,000.00	1	4,50,000.00
15	DOOR ASSEMBLER	5,50,000.00	1	5,50,000.00
Total Amount (Rs.)				1,65,05,000.00
(+ GST 18%)				29,70,900.00
Grand Total Amount (Rs.)				1,94,75,900.00

• Delivery Period: 20 To 25 Days (Against Confirmed Order). Prices Are Ex-Works Ludhiana (Punjab).  
 • Please Refer Page 2 For Detailed Terms & Conditions.  
 • In Case Any Clarifications You Are Required, Please Email Us at [Info@nsmt.in](mailto:Info@nsmt.in) or contact us on our Mobile No.+91-9915167650.

Thanking you,  
 For N S MACHINE TOOLS  
  
 AUTH. SIGNATORY

**N S MACHINE TOOLS**  
 Street 6, Bachittar Nagar, Nr. GNE College, Gill Road, Ludhiana-141006 (Punjab)  
 Phone: +91 161 2813051 E-mail: [nirmalsingh@nsmt.in](mailto:nirmalsingh@nsmt.in) Website: [www.nsmt.in](http://www.nsmt.in)


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 CamScanner

Page 1 of 2



**Terms and Conditions:**

Ref. No. PI/00244/19-20

Date 8 November 2019

**Taxes:**

- (i) GST will be charge 18%.

**Payment Terms:**

- (i) 40% advance against confirmed order.
- (ii) 60% before delivery in Ludhiana (after successful trial).
- (iii) 100% advance for tooling.
- (iv) Payment will be in cash or by bank draft only.

**Transportation Terms & Conditions:**

- (i) Loading of Machines at Ludhiana will be done by N S MACHINE TOOLS and costs for loading of machines at Ludhiana will be borne by N S MACHINE TOOLS.
- (ii) N S Machine Tools can make the transportation arrangements, if requested, Cost of transportation of machines, as well as packing/forwarding, insurance are to be borne by M/s Ellenabad Modular Furniture.
- (iii) M/s Ellenabad Modular Furniture will arrange unloading of machine at the place of installation and its cost will be borne by M/s Ellenabad Modular Furniture.
- (iv) N S MACHINE TOOLS will not be responsible for any damage caused during transportation.

**Terms & Conditions for INstallation & Commissioning:**

- (i) No foundation is required for the machines.
- (ii) N S MACHINE TOOLS will do the commissioning & installation of the Machinery.
- (iii) N S MACHINE TOOLS can provide training to the concerned working staff in Ludhiana only.

**Other Terms & Conditions:**

- (i) These rates are valid to 45 days.
- (ii) Machines are guaranteed for 12 months under any manufacturing defect ( Any damage caused by mishandling is NOT included)
- (iii) While placing your order please provide us your CST/ TIN/ GST number & Delivery Address.

**BANK DETAIL:**

HDFC BANK  
N S MACHINE TOOLS  
A/C NO. 50200002505401  
IFSC CODE: - HDFC0001831

**N S MACHINE TOOLS**

Street 6, Bachittar Nagar, Nr. GNE College, Gill Road, Ludhiana-141006 (Punjab)  
Phone : +91 161 2813051 E-mail : nirmalsingh@nsmt.in Website : www.nsmt.in



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+91 80 6727 5000  
Fax: +91 80 2210 6000  
Fax: +91 80 2224 0695

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+91 44 6632 8400  
Fax: +91 44 2431 1450

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Fax: +91 40 2789 8851

Oval Office, 18, iLabs Centre,  
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Tel: +91 40 6736 2000  
Fax: +91 40 6736 2200

## Kochi

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NH-49, Maradu PO  
Kochi, Kerala 682304, India  
Tel: +91 484-3044000  
Fax: +91 484 2705393

## Kolkata

22, Camac Street  
Block 'C', 3rd floor  
Kolkata - 700 016  
Tel: +91 33 6615 3400  
Fax: +91 33 2281 7750

## Mumbai

6th floor & 18th floor  
Express Towers  
Nariman Point  
Mumbai - 400 021  
Tel: +91 22 6657 9200 (6th floor)  
+91 22 6665 5000 (18th floor)  
Fax: +91 22 22876401 (6th floor)  
+91 22 2282 6000 (18th floor)

Block B-2, 5<sup>th</sup> Floor,  
Nirlon Knowledge Park,  
Off Western Express Highway,  
Goregaon (E), Mumbai - 400 063  
Tel: +91 22 6749 8000  
Fax: +91 22 6749 8200

15th Floor, The Ruby, 29,  
Senapati Bapat Marg, Dadar (W), Mumbai  
- 400 028, India  
Tel: +91 22 6192 000

## NCR

Golf View Corporate Tower - B  
Near DLF Golf Course  
Sector 42  
Gurgaon - 122002  
Tel: +91 124 464 4000  
Fax: +91 124 464 4050

6th floor, HT House  
18-20 Kasturba Gandhi Marg  
New Delhi - 110 001  
Tel: +91 11 4363 3000  
Fax: +91 11 4363 3200

4th and 5th Floor, Plot No. 2B, Tower 2,  
Sector 126, NOIDA - 201 304  
Gautam Budh Nagar, UP, India  
Tel: +91 120 671 7000  
Fax: +91 120 671 7171

## Pune

C-401, 4th floor  
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Yerwada (Near Don Bosco School)  
Pune - 411 006  
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Fax: +91 20 6601 5900

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