



Inspiring Excellence

## **BRAC UNIVERSITY**

### **Internship Report**

**On**

**Balancing, Modernizing, Rehabilitation & Expansion On**

**SQ Celsius Limited**

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## Letter of Transmittal

**January, 2018**

Suman Paul Chowdhury  
Assistant Professor  
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Subject: **Submission of Internship Report.**

Dear Sir,

I am highly delighted to submit my internship report on, “Balancing Modernization Rehabilitation & Expansion of SQ Celsius Limited” to you, as a requirement for the fulfillment of MBA program. It is a great achievement to work under your active supervision and guidance

I have tried my level best to put sincere effort for the preparation of this report. The whole report has prepared based on my experiences gathered during internship period along with academic knowledge acquired at the time of MBA program course work. Preparation of this report has been a huge learning opportunity for me.

I beg your kind excuse for the unintentional errors that may take place in the report in spite of my best efforts. I strongly hope and believe that you will be kind enough to approve to this report and bless me heartily.

Sincerely Yours,

Subrina Ali  
ID: 13264102

## Acknowledgement

The writing of the report is really a difficult task and of course, preparation for writing is even harder. As such, I must be grateful to those who helped me during the process. I also acknowledge their sincere guidance and praiseworthy cooperation, which they extended to me at the time of preparing this report.

I would like to express my special gratitude to Dr. Suman Paul Chowdhury for his motivating inspiration, kind direction, valuable suggestions, advices and thoughtful comments throughout the entire period of work and preparation of this report. No word is sufficient to express my indebtedness to him.

I was placed in SQ Celsius Ltd, Head office to work as an intern. The members and management were very co-operative and helpful. I am grateful to them for their co-operation and necessary support. Apart from my effort, this report has been made possible by the contribution of a number of persons whose assimilation induced me a lot to fulfill this internship report. I would like to express my sincere thanks to Mr. Ferdous Alam, Deputy Manager, SQCL for his valuable guidance and advice.

I also would like to pay my gratitude to all of the faculty members of BUBT for their constant guidance and cooperation.

Finally, I want to express my special thanks Dr. Suman Paul Chowdhury, my internship supervisor. He had given me scholastic supervision, kind and valuable guidance. Without his proper guidance and suggestions it would not be possible to prepare this report.

## Executive Summary

This report is the result of my internship, which I have done, as a requirement of MBA program. It contains the, Modernization, Rehabilitation & Expansion project of SQ Celsius Ltd. The Ready Made Garment (RMG) Industries of Bangladesh is the major foreign exchange earning sector. The RMG sector of Bangladesh tells an impressive story about the leadership of private enterprises in the successful conversion of the country to a major export oriented economy. SQCL is one of the sweaters readymade garments which is standing at leading position in their export performance, marketing mechanisms and financial strengths Ensuring highest standard quality of their readymade garments product through the best application of latest technology and operation management, making due contribution to the national economy and establishing themselves firmly at home and abroad as a front ranking garment of the country have been their cherished vision. So to keep the harmony with their vision SQCL trying to improve its manpower skill through various ways, because they believe in ensuring the optimum performance through the skilled workforce. At The Company's overview, history, its vision, strategies, core values, ownership structure etc. that provide an insight about their activities.

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# **Chapter: 01**

## **INTRODUCTION**

## **1.1 RATIONALE OF THIS REPORT**

The ever increasing demand for Ready Made Garments (RMG) has been growing sharply in the world and Bangladesh is by far one of the best exporter countries. In Bangladesh one of the pioneers in the sweater industry is SQ Group. SQ Celsius Limited (SQCL) a concern of SQ Group established with state of the art factory with existence of all compliance and other facility. The industry now gone big and SQCL may not be the biggest, but by far it is one of the best and stands tall from others. The demand for SQCL product is increasing and to cope with the situation SQCL wants to enter a new arena by implementing Auto Knit Machines. This will expand the present capacity in a modernized way.

The production and export of knitted sweaters has always been an extremely important area of business for the Bangladesh textile industry and the recent shift in global fortunes, coupled with the emergence of more professional and far sighted international businessmen, has seen higher levels of investment and the resultant access to larger customers in the USA and Europe.

This investment has been utilized to equip newly built factories and employ and train local staff, in order to make the products that these larger, more professional retailers are demanding. The world market is a very volatile place and fashion dictates the requirement of product type and volumes, but the more flexible suppliers are finding that they are able to fill their order books when other more traditional producers have factories with no work. The concept of the SQ Celsius is to forge strong links with a few key European customers and build brand loyalty through a safe and secure trading partnership. The SQ Celsius will ensure that through extensive and thorough market research we anticipate the fashion trends, adapt our product offer and have the flexibility to fulfill the need when it arises. To this end we shall secure the best materials supply base, and train all our operatives to be multi-skilled on all machinery. We will support the factory with training from ex-patriot sources and make sure that our managers are fully equipped to utilize their full capabilities.

In this way we shall stay ahead of the competition from whichever country, and retain the maximum benefit for our project and the Bangladesh textile industry, which SQ is practicing for last decade.

## **1.2 Objectives of the Study**

### **1.2.1 Primary objective:**

The primary objective of this report is to prepare a report on "BMRE OF SQ CELSIUS LIMITED" as the partial requirement of MBA program.

### **1.2.2 Secondary objectives:**

The study was conducted to achieve the following secondary objectives

- To present an overview of SQ Celsius Limited.
- To know about the overall general financing system of BMRE project
- To present the financial analysis of SQ Celsius Limited.

## **1.3 Methodology**

In order to make the report more meaningful and presentable, from two sources SQ Celsius data and information has been collected. These are

### **1.3.1 Data Collection:**

#### **❖ Primary sources**

- Face to face conversation with the institutions project related officers.
- Study of different files of different section of the institution.
- Practical deskwork.

#### **❖ Secondary sources**

- Unpublished data from the organization
- Website.
- SQ Group Database



**Chapter: 02**

**ABOUT THE**

**ORGANIZATION**

## **2.1 Background of The Company**

Knitwear, the foundation of SQ, still forms the core business of the Group. The name/brand SQ is closely associated with knitwear in the minds of the retailers and other stake holders. The knitwear factory SQ Celsius Ltd, set up in 2002, is aptly named to portray the warmth of the product. The facility is regarded as most preferred suppliers to renowned high-end retailers. Because of its size and reputation, Celsius has been mandated to be the entity that would spearhead all future excellence in the Group's knitwear initiatives. Accordingly, the other two facilities, SQ Sweaters Ltd and Sweaters Boutique Ltd, are in the process of acquisition by Celsius.

Celsius, the only manufacturing facility of the Group located outside SQ Station, is set up on the Dhaka-Mymensingh highway in Maona - about 55 km north of Dhaka. The business operates from a ten bigha free hold property with a purposely built state-of-the-art facility of 200,000 sft. Celsius generates its own power to support adequately the entire operation of the business. It has an ETP to treat toxic waste before it is released to the nature. Combined with its acquired strength, Celsius currently operates 1,200 semi-auto and manual knitting machines producing about 450,000 pieces per month.

The knitwear product ranges from coarser to finer, acrylic to cashmere, yarn dyed to piece dyed and from kids to adults. Having the luxury of backward service integration, Celsius offers its clientele the flexibility in delivery from one month to four months cycles.

The productivity push, driven by the demand for higher wages, customer price pressure, and for the introduction of complex structured value added product range, the Group has decided to invest in costly fully-automated German (Stoll) and Japanese (Shima Seiki) knitting machines. A new Green factory building, measuring about 375,000 sft, is partly completed, and currently under production since June 2014. On completion, the building will house 1,200 automated knitting machines producing 1 million pieces per month. The initial batch of 750 such automated machines has already been acquired and is in operation. The rest of the 450 machines will be put into operation in phases spreading up to the first quarter of 2017.

Automation is also planned in linking to finishing areas. The entire process has been switched to a single product flow line assembly system from the traditional sectional build up and movement process. The latest high tech European machines have been installed to ensure superior quality, higher efficiency and easier traceability of produce.

Bangladesh is recognized as one of the likely pretenders to China's crown as the ultimate high-growth apparel sourcing destination. We want to align with the prospect, and brand Celsius as a suitable alternative to China for high value fashionable knitwear.

## **2.2 Current Operations – SQ Celsius Ltd (former FS sweaters)**

The SQCL factory in Gazipur is a full compliance plant with ETI (Ethical Trade Initiative), SA8000 and Fair Trade, and ISO 9001 certification. The company was the first sweater manufacturer in the country to be awarded with the prestigious SA 8000 certificate. The company operates from a 3 acre freehold property in Gazipur, outside of Dhaka with a production facility area of 200,000 sqft, with a present capacity of 7.0 mn pieces per year. The company also has its own power generation capability with 2,500 knitting machines and 1,000 linking machines installed in a modern layout with current staff strength of 6,200 employees. SQCL is a model factory with a skilled workforce capable of meeting the demands of its reputed buyers. SQ Celsius' recognition for its quality of production and reliability has helped the company acquire high-end retail clients including M&S, H&M, New Look, Tom Tailor Sainsbury's, Bershka, ZAARA, and Esprit for the supply of sweaters. SQ Celsius Ltd continues to pay its employees above industry averages while welfare facilities provided to employees are superior to other manufacturers in Bangladesh. This has also helped the company market itself to high end buyers while also enabling the company to charge annual increases in prices of its production. The company's CSR activities also seek to improve the quality of life of employees, their families and the local community at large. Furthermore the company is planning to upgrade the SQ Celsius facility to a Green Production unit going forward.

Apart from the fact that the company benefits from the GSP facility the company continues to attract strong demand from reputed buyers as a result of its quality, its established reputation among a key client base along with tie ups with buying houses that are key suppliers to highend retailers. The professional management of the company and the relationships fostered between senior management and key clients over the years have also contributed to the growth of the business since inception. The company also benefits from its established reputation as the premier manufacturer of sweaters in the country.

The company has consistently upgraded its production facilities to meet the high standards demanded by its buyers in this niche market. The company also benefits from cost advantages through its backward linkages in yarn dyeing while retaining a greater control on quality across the value chain. Furthermore cost advantages are pronounced in comparison to other regional competitors as a result of its low cost wages as well as cheaper energy costs. SQ Celsius Ltd also benefits from synergies within the SQ Group. The company purchases yarn from its yarn dyeing plant SQ Hues while also outsourcing its production to sister companies SQ Sweaters Ltd and Sweaters Boutique Ltd giving it access to further capacity of 1,400 machines.

## 2.3 Mission

To remain a responsible apparel producer through adherence to internationally established codes of social accountability and ethical business practices are the main concern.

The mission includes-

- Enhancing the national economy through the best use of the workforce where quality is the main concern.
- To be a benchmarking sweater manufacturer and exporter of Bangladesh.
- Ethical business practice that renders the corporate social responsibility.

## 2.4 Vision

The vision of SQCL encompasses the successful continuation of the garments industry of Bangladesh in the post-MFA era, when free market will reign and demographic restraints and preferential treatment will become obsolete. Their post MFA strategy is based on quality and reliability supported by large production capacities, backward linkage, professional management, refined technology, and market-oriented value-added basics.

## 2.5 SQ Group

SQ group operates 3 main divisions, the Wet processing division, Lingerie division & the Sweater division. The wet processing & Lingerie division are based at SQ Station (former SQ Supply Chain City) which supplies all necessary infrastructure & utilities to all the plants based on a 56 bigha of land.

## 2.6 Product of SQCL

The main business of SQ Group is exporting sweaters. SQ Celcius Ltd is producing the sweater and it has been awarded ISO 9001:2000 for quality management system in manufacturing and exporting of sweaters. Sixty-five percent of SQ products is currently exported to Europe, mainly UK, Spain, Sweden and Germany. Thirty percent is exported to USA, and the rest to Canada and Japan. Sweater has been a winter wear only. But the view has changed recently. The traditional use of sweater as a provider of warmth and comfort remains undiminished. It has in recent times been manifesting itself as outerwear, casual wear and fashion wear. This has resulted in more refined and stylish sweater that is sophisticated in appearance and luxurious in feel.

## 2.7 SQ Station (SQ Supply Chain City)

SQ Station is based in Valuka on a 56 bigha plot land adjacent to the Dhaka SQ Mymensingh high way. The total area is fenced with barb wire & walls and the perimeter is provided with 24 hours security. The facility is developed with the vision of the chairman to make it a model industrial park, which provides all the services & raw material needed for the apparel industry, making it is one stop shopping for the present & future customers. At the moment there are 5 factories operating within Station.

SQ hues Ltd	- Wet Processing
SQ Birichina Ltd	- Lingerie
SQ Chroma Ltd	- Wet Processing

SQ Station provides all the under mentioned services at a reasonable price factories within the premises

Un interrupted Electricity ( 4 MgV)

Un interrupted supply of basic & treated Water

Un interrupted Steam

Effluent treatment plant ( ETP)

Central security including access points

Housing & accommodation facilities

Canteen / food arrangements

Medical center.

## 2.8 Diversification and Export Objectives

SQ Celsius has planned to diversify its business in other markets and has already approached different major brand buyers in EU countries. Encouraging responses have been received from some specific buyers like United Colors of Benetton, Little woods, Rags etc.

### 2.8.1 Total Quality Management

The term quality is synonymous with SQ Celsius. The company follows very stringent procedures and an Accepted Quality Level (A.Q.L) of 2.5. The quality assurance process in SQ Celsius is a continuous process, which begins from the moment the fabric enters the factory until the time the shipment of readymade garments leaves the factory. SQ Celsius have their own ISO 9001:2000 quality management manual that is available for review, which has been prepared under the guidelines of ISO 9001:2000

### 2.8.2 In house – Design & Development

SQCL operates a fully equipped design & development department alongside the marketing department. Both the departments are working as a single unit to deliver value for the exiting & potential buyers the department is headed by an expatriate designer who is very sound in technology and a proven record for delivering creativity. The current strength of the total department is 50 including management staff with all the utensils needed to turn around a sample within 2 days for any buyer with the value added features required by the buyers.

### 2.8.3 Capacity Utilization

**Sweater division:** Currently the full capacity of the entire sweater division is booked up to September 2018 & the balance 3 months is reserved based on the customer commitments. SQ Birichina is fully booked & in the process of opening up to other buyers (initially the plant supplied only to M&S).

**SQ Birichina (Lingerie):** The lingerie section is fully booked from April 2018 onwards & till April it utilizes 80% capacity. The plant was running full capacity, but due to strategic decision taken by the senior management to develop new buyers other than exclusive M&S & few orders was dropped to allow space for development & training on new products. The order has been received & will be running full capacity from April 2018 onwards. The shirt section is still fully booked & producing for Sainsbury's & K-MART for the moment.

**SQ Hues (Wet processing):** SQ Hues is running the full capacity for the cotton yarn dyeing throughout year with 65% of the capacity sold to sweater division & the balance for outside. At the moment there is set customer base who are buying from hues, but the capacity offered to outside is very less (3 tones). The demand from outside is very high due the reputation in the market for supplying high quality, consistent, speedy delivery however it cannot meet the demand from outside. The acrylic capacity is currently utilized around 50% & it will reach 100% from May onwards as the group has taken an initiative to develop acrylic products hence the full capacity will be initially utilized by the group & later to it will be balanced with in house outside capacities.

**SQ Chroma:** is having mixed capacity utilization on the seasonal demand & at any given time it covers 65% to 75% of capacity & touching 100% during the peak seasons. At the moment it only offers capacity to group, will be starting to offer capacity to the market as there is huge demand for piece dyeing & also it is a developing market in Bangladesh.

## 2.9 Promoters and their background:

The promoters of the project and their profile are given below

SL. No.	Name of the Director	Status	% Of Shareholding
1.	Mr. M. Ghulam Faruq	Chairman	18.25%
2.	Ms. Salima Bensaïd	Director	70.74%
3.	Ms. Boutaina Meryam Faruq	Director	7.74%
4.	Ms. Soukaina Zaynab Faruq	Director	3.15%

**a. M. GhulamFaruq:**

A master of science in Agricultural Economics. Mr. Faruq started his professional career in the World Bank in 1977. He became a Fellow of the Economic Development Institute of the World Bank in 1982. He worked for the Food and Agricultural Organization of the United Nations for the year of 1992 as a consultant.

Mr. Faruq established SQ Sweaters Limited, a 100% export oriented sweater manufacturer in 1993. This company achieved remarkable growth and brand recognition over the years. Today he is chairman of the SQ Group comprising 3 sweater manufacturing units and a yarn dyeing, a piece dyeing unit, and a light knit woven unit. Pursuit of high quality manufacturing has led the SQ Group to become the largest exporter of Bangladesh employing some 8,000 people including ex-patriots and with a turnover of some US\$200m.

Mr. Faruq has perfected the ethos of “no compromise with quality, ethics and service standards” throughout this business enterprise, which has a high level of respect and credibility in the textile industry and international markets. His aim has been to go from small to big and big to corporate.

Mr. Faruq was a director of the Bangladesh Garments Exporter and Manufacturers Association (BGMEA) and the chairman of the BGMEA standing committee on sweaters. He is a life member of the Institute of Agriculturists of Bangladesh and an active member of the France-Bangladesh Chamber of Commerce. He has been enjoying the status of Commercially Important Person since 1998.

**b. Salima Bensaid:**

A Master of Economics from the University of Paris, Ms. Bensaid is a Moroccan by birth and a citizen of Bangladesh. She is a linguist and fluent in English, French, Spanish, Arabic and Bengali. After completing her studies from France, she started her career with the Moroccan Ministry of Finance in 1980, thereafter she went on a Fellowship with the International Monetary Fund. She changed careers to become an educationalist and served for many years as the Vice Principal of BIT, an international school in Dhaka. The linguistic capabilities of MsBensaid have allowed her to actively promote SQ Sweaters (Flagship Company of SQ Group) in Europe during the formative years of the company. The long term outcome of her efforts is reflected in the sustained market reputation and the business success that the company enjoys today both at home and abroad. She actively takes part in the company today as head of Human Resources, Administration and Establishment.

**c. Boutaina Meryam Faruq:**

With outstanding results in her A levels and O levels, Ms. Boutaina Faruq adopted a strong foothold over a vast number of subjects such as finance, economics and mathematics as well as undertaking three different languages. She subsequently completed four years in the

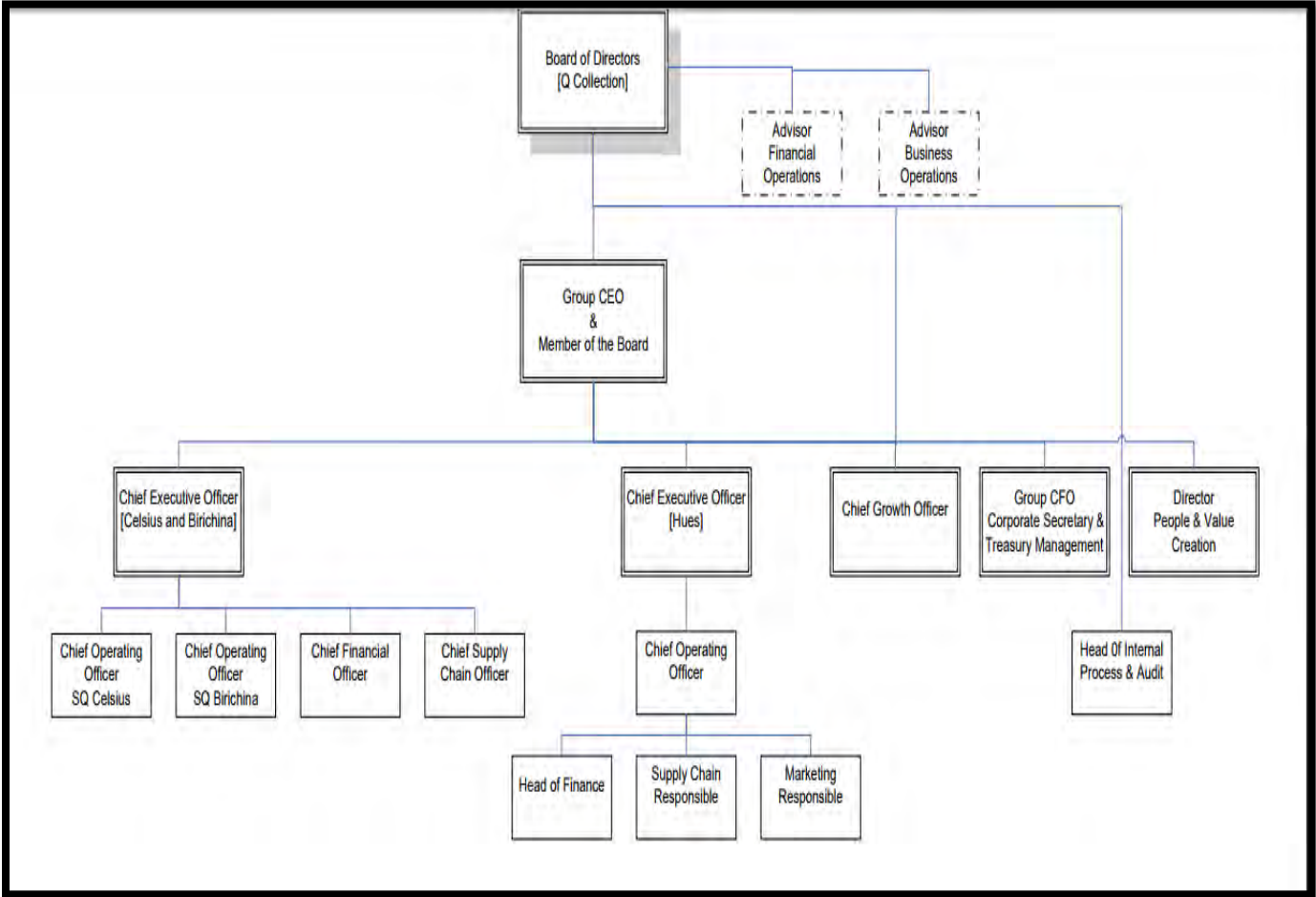


London School of Economics mastering in finance and accounting. Post graduating, Boutaina moved to SQ group where she now works as a Business Development Analyst moving from Singapore to Bangladesh demonstrating her devotion to the company's progress. Her position in SQ allows her to constantly learn and develop her skills helping the company grow along with her. Being brought up by a Moroccan and Bangladeshi parent has developed her aptitude for culture and understanding of foreign relations which has made her a very valuable asset to the company. She represents the youth of the company and is slowly opening new doors presenting fresh concepts adapted through her background experiences. Through her expertise, SQ can emerge with a more modern spin.

**d. Soukaina Zaynab Faruq:**

Soukaina Zaynab Faruq comes from a multi-cultural background. Being brought up by a Moroccan and Bangladeshi parent has developed her aptitude for culture and understanding of foreign relations which has made her a very valuable asset to the company. She has a strong command on English, Bengali, Arabic and French. She is currently learning Swedish also. Ms. Soukaina just completed her International Baccalaureate and has started her university applications. Coming from a business oriented family, her preferred subject for university are courses related to business management. She has really good writing skills and has already played a role in doing a few write-ups for SQ Group.

**Organization Structure:**



**Organization Structure of SQ Group**

# **Chapter: 03**

## **JOB OVERVIEW**

### **3.1 Job Description**

Position: During my Internship period, I have successfully done the following jobs

As an intern I observe the SQ Group's mission, vision & Back ground & growth prospection of the company in Garments & Textile industry. I focus towards the cash management, of the SQ Celsius Limited.

### **3.2 Responsibilities:**

- Background Study of SQ Celsius Limited
- To know the nature and functions of SQCL
- To know SQCL's BMRE Project
- To evaluate the process & financial analysis of BMRE project
- To identify the problems of the training program.
- To recommend measures to make it more effective

### **3.3 Requirements**

To apply the theoretical knowledge in the practical working arena internship program plays a crucial role. It is an integral part of Master in Business Administration (MBA) program. This program creates a unique opportunity for the student to apply their theoretical knowledge into practice and gain valuable practical business experiences. In this connection, SQ Celsius Ltd. (SQCL) gave me the opportunity to complete the internship program there. As a part of MBA course requirement, I was assigned to conduct my internship in this organization for a period of two months. Here my concentration on "BMRE (Balancing, Modernization, Rehabilitation & Modernization of SQ Celsius Ltd (SQCL)". I have learnt a lot there about the organization training programs, which will be very much useful to my career development in future.

**Chapter: 04**

**BMRE OF SQ CELSIUS**

**LIMITED**

#### **4.1 Introduction**

In the world market, the demand for knitted outwear is increasing every day. This is also reflected in the recent market position in Ready Made Garments Sector of Bangladesh. The garments exports per year have increased significantly over last few decades and so is the demand for knit garments. By understanding this, the sponsor directors have planned to expand the knit garment capacity in the same name of **"SQ Celsius Limited"**.

#### **4.2 Name of the Project:**

The name of the project is **'BMRE (Balancing, Modernization, Rehabilitation& Expansion) OF SQ CELSIUS LIMITED'**

#### **4.3 Scope of the Project:**

The project is capacity expansion using modern technology which will gain competitive advantage in the market.

#### **4.4 Location of the Project:**

The project will be located at Beraiderchala, Keowa, Mawna, Sreepur, Gazipur, Bangladesh.

#### **4.5 Address of Corporate Head Office:**

The Corporate Head Office of SQ Celsius Limited is situated at Concord IK Tower (4th Floor), Plot# 2, Block# CEN-(A), North Avenue, Gulshan-2, Dhaka-1212, Bangladesh.

#### **4.6 Estimated Cost of Project:**

The total project cost is estimated at **USD 10,371,782 equivalent of BDT 850,486,110 (Eighty five crore Four lac Eighty six thousand one hundred and ten)**

#### 4.7 Implementation Period:

The project is expected to start normal operation within next 05 months and the expected commencement is by June, 2018. Within this period opening of letter of credit for machinery, machinery installation will be completed and commercial operation will be started.

#### 4.7.1 Proposal:

The proposal is to import 300 no of auto knit machines value of USD 9,000,000 equivalent of BDT 738,000,000 other local machinery of USD 319,415 equivalent of BDT 26,192,030, furniture/fixtures/equipment along with mechanical & electrical works of USD 1,052,367 equivalent of BDT 86,294,080 which summarize a total cost of **USD 10,371,782 equivalent of BDT 850,486,110 (Eighty five crore four lac eighty six thousand one hundred and ten)**. All the auto knit machines are importing at suppliers credit where SQCL will make down payment of 20% and rest amount will be paid to supplier by quarterly installment basis up to 4.5 years with a 6 months grace period.

#### 4.7.2 Capacity:

The annual full capacity of the project, based on double shift operation per day and 342 days a year and average FOB price/piece estimates at USD 8.5 will be as under:

Item	Piece/Day	Value/Day	Value/Annum
Sweaters	9,000 pc	USD 76,500	USD 26.47 million

#### 4.7.3 Management:

- a. The Chairman/Managing Director of the company, Mr. M. Ghulam Faruq, will be responsible for overall administration and operation of the project. He will be directly assisted by the other director, who will be responsible for day to day operation, administration and management of the project. The management structure of the company is well defined and is headed by group of professionals who have vast experience and exposure in their respective fields.

- b. To ensure efficient management, the office will be fully automated with computers along with the required software for pay rolls, accounts, inventories etc.
- c. Policy decisions will be taken by the Board of Directors, who will meet frequently depending upon specific needs. The Chairman/Managing Director will have the full authority hiring and firing of personnel.

#### **4.7.4 Land, Building and Other Civil Construction:**

The project will be located at Beraiderchala, Keowa, Mawna, Sreepur, Gazipur where the SQCL factory is already running in full swing. There is enough space available in the factory to install 300 no's of auto knit machine. Therefore land and building is readily available for the project and no civil works is required.

#### **4.7.5 Imported Machinery:**

The project will be equipped with the brand machineries. These Machines will be imported from Germany. The cost of imported machinery will be **USD 9,000,000 equivalent of BDT 738,000,000 (say: Seventy three core eighty lac)**

#### **4.7.6 Local Machinery:**

In addition to imported machinery the project will require some local machinery which will cost approximately **USD 319,415 equivalent of BDT 26,192,030 (say: two crore sixty one lac ninety two thousand and thirty)**

#### **4.7.7 Electrical & Mechanical Works (Erection & Installation):**

The machinery and equipment of the project will be installed, commissioned and put under trial-run under the direct supervision of the foreign and local skilled erectors for which an amount of **USD 375,000 equivalent of BDT 30,750,000 (say: three crore seven lac fifty thousand)**

#### **4.7.8 Office Equipment and Other Assets:**

The project will require number of Vehicles, furniture, fixture, air conditioner, ceiling fans, lights and office equipment like telephone, fax/telex, personal computer etc. for which an amount of **USD 677,367 equivalent of BDT 55,544,080 (say: five crore fifty five lac forty four thousand and eighty)**



Technological know-how for knit garments is already available in the SQCL. The related textile technologist and experts of the company are fully conversant and familiar with the technology involved knit garments.

#### **4.7.9 Raw Materials:**

Being a 100% export oriented industry, required raw materials of the project to the extent of 45% of the net FOB export price will be imported / procured from abroad and local market under back to back L/C using bonded warehouse license.

#### **Utilities:**

Following utility services will be required for operation of the project:

<b>Item</b>	<b>Source</b>
Water	Own Source
Power	Own Source
Diesel / Petrol	Local Market
Lubricant – Machine Oil	

#### **Transportation:**

Hired transport will be used for carrying raw materials and delivery of finished goods. However, to meet exigencies the proposed project may use 2-3 vehicles which will be provided by the concerns of SQ Group.

#### **Marketing:**

The production and export of knitted sweaters has always been an extremely important area of business for the Bangladesh textile industry and the recent shift in global fortunes, coupled with the emergence of more professional and far sighted international businessmen, has seen higher levels of investment and the resultant access to larger customers in the USA and Europe.

#### **Employment Opportunity:**

Overall employment generation and alleviation of poverty highlighting the creation of income generating activities for the target group both men and women.

The project will create employment opportunity during the operation period. Government rules and regulations will be followed for the employment in this project. On completion and commissioning, the project will create job opportunities for 1,624 persons and thereby about 6,496 persons would be directly benefited (taking 4 persons per family) on linkage effect of employment out of this project.

### **Health, Safety, Environment, Natural Resources and Culture Issues:**

SQCL is a fully compliance factory with SA 8000 certified for its lawful, human and ethical manufacturing. This project is designed in such a way that, there will be no adverse effect on the environment. Apart from that, the project will not affect the values and cultural activities in any ways. Moreover, SQ Group has developed and followed the rule of using top class professional team, capable of completing jobs in the shortest possible time with minimum cost but highest attention to quality and Health, Safety and Environment (HSE) issues, to its entire work.

### **4.8 Project Cost:**

The total project cost estimate is **USD 10,371,782 equivalent of BDT 850,486,110 (Eighty five crore four lac eighty six thousand one hundred and ten) which is summarized below:**

<b>Particulars:</b>	<b>Amount (in BDT)</b>
Plant & Machinery	764,192,030
Equipment	24,600,000
Fixtures & Fitting	8,564,080
IT equipment	9,380,000
Building	30,750,000
Other Assets:	13,000,000
<b>Total:</b>	<b>850,486,110</b>

#### **4.8.1 Scope of the Project:**

- a. In order to create job opportunities, particularly for the poor and neglected women of the society, as well as to increase earning of valuable of foreign exchange for the country, the sponsors of **“SQ Celsius Limited”**, a proposed for further expansion in capacity in the 100% export oriented readymade knit garments industry. The investment is justified due to cheapest labor source and infrastructural facilities and also increase in cost of production in other competing countries. Scope for further development of ready-made garments sector continues to exist in Bangladesh.
- b. The project has been designed for production of 3.11 million pc per annum of sweaters per day on double shift operation per day, 29 days a month and 346 working days a year with provision of making sweaters.
- c. As a 100% export-oriented industry all the required raw and packing materials will be imported under back to back import facilities using bonded warehouse license to be issued by customs authority.
- d. The sponsors will import world class machinery in order to ensure production of international standard. The project will be located in its own building located at Beraiderchala, Keowa, Mawna, Sreepur, Gazipur, Bangladesh.
- e. Considering the profitability, debt-servicing capacity, fixed assets coverage ratio, debt-equity relation and other relevant aspects, the company is seeking for a suppliers credit of USD 9,000,000 equivalent of BDT 738,000,000 (say: seventy three core eighty lac) for importing capital machinery from Germany. The sponsors will import world class machinery in order to ensure production of international standard.

#### **4.8.2 Objective and Target:**

Proposal for setting up 300 no's of auto knit machine for capacity expansion in a modernize way. The principle objective and target of this proposed project is to maximize the wealth of the sponsors.

### **4.8.3 Justification of the Project:**

- a. The proposal envisages setting up 300 no's of auto knit machines for 100% export oriented readymade sweater garments industry that will have the capacity to produce 9,000 pieces of sweaters with all preparatory and finishing works. The sponsors of this proposed project have strong capital base, sound business knowledge in the same field and other infrastructural facilities to start such project. The project is planned to starts with internationally standard machinery which will be imported from Germany. Therefore, it is expected that, the proposed project can give high productivity and superior quality with the aim to cater the customers whose quality standard are very high. Naturally the realization and thus the profit would be higher.
- b. The proposed project will employ 1,624 persons who will be recruited from local source thus improving the economy in the locality. The project will also help the overall economy, as total earning will be in precious foreign currencies.
- c. The sponsor directors of the project are Mr. M Ghulam Faruq, Chairman of the Group, Ms. Salima Bensaid, Vice-Chairman of the Group, Ms. Boutaina Meryam Faruq, Director of the company, Ms. Soukaina Zaynab Faruq, Director of the Company. SQ Group is in the sweater manufacturing business for more than a decade and a trend setter in the industry of Bangladesh.

### **4.8.4 Management and Organizational Setup:**

The promoters are going to setup 300 no's of auto knit machines to implement and operate the proposed project. The overall management of the company's business will be vested in its Board of Directors. The Chairman will be the head of all departments, who will assume the overall responsibility of the day to day operation of the Company. Other members will closely assist him for efficient management of the company.

The organizational structure of the company will be based on line and staff method. The job responsibilities of the management and technical personnel will be clearly by the management of the company.

The personnel of the company will be organized on the basis of functional structure of the company. Progress of activities will be discussed in the monthly board meetings. Participatory management principles will principle will be followed for all functional decision making purposes.

Adequate financial authority needs to be vested on the Chief Executive Officer for efficient management of the company. Financial aspects of the company will be managed through budgetary control. Comprehensive Management System (MIS) is developed in the company. Monthly MIS reports will be submitted to the management for monitoring and reviewing of the activities of the project. Monthly meetings will be held to discuss and examine the progress of activities. Activities will be evaluated at the end of every three (3) months and necessary corrective action may be taken for correcting any deviation from the plan.

## 4.9 Marketing Aspects of the Project

### 4.9.1 DEMAND ANALYSIS FOR RMG (Knitted Sweaters)

There is little international information available for the previous trends and expected future uptake of knitted sweater but a likely guide to past and current demand can be gleaned from the following documentary evidence found in the detail published by the EPB and BGMEA

Comparative Statement on Export of RMG and Total Export of Bangladesh

#### COMPARATIVE STATEMENT ON EXPORT OF RMG AND TOTAL EXPORT OF BANGLADESH

YEAR	EXPORT OF RMG (IN MILLION US\$)	TOTAL EXPORT OF BANGLADESH (IN MILLION US\$)	% OF RMG'S TO TOTAL EXPORT
1985-86	131.48	819.21	16.05
1986-87	298.67	1076.61	27.74
1987-88	433.92	1231.2	35.24
1988-89	471.09	1291.56	36.47
1989-90	624.16	1923.70	32.45
1990-91	866.82	1717.55	50.47
1991-92	1182.57	1993.90	59.31
1992-93	1445.02	2382.89	60.64
1993-94	1555.79	2533.90	61.40
1994-95	2228.35	3472.56	64.17
1995-96	2547.13	3882.42	65.61
1996-97	3001.25	4418.28	67.93
1997-98	3781.94	5161.20	73.28
1998-99	4019.98	5312.86	75.67
1999-00	4349.41	5752.20	75.61
2000-01	4859.83	6467.30	75.14
2001-02	4583.75	5986.09	76.57
2002-03	4912.09	6548.44	75.01
2003-04	5686.09	7602.99	74.79
2004-05	6417.67	8654.52	74.15
2005-06	7900.80	10526.16	75.06
2006-07	9211.23	12177.86	75.64
2007-08	10699.80	14110.80	75.83
2008-09	12347.77	15565.19	79.33
2009-10	12496.72	16204.65	77.12
2010-11	17914.46	22924.38	78.15
2011-12	19089.73	24301.90	78.55

2012-13	21515.73	27027.36	79.61
2013-14	24491.88	30186.62	81.13
2014-15	25491.40	31208.94	81.68
2015-16	28094.16	34257.18	82.01
2016-17	28149.84	34655.92	81.23

Data Source Export Promotion Bureau Compiled by BGMEA

**BANGLADESH'S RMG EXPORTS TO WORLD, FY 2015-16 & 2016-17**

Month	ALL COUNTRIES								
	Woven		Growth Rate	Knit		Growth Rate	Total (Woven+Knit)		Growth Rate
	Year			Year			2015/16	2016/17	
	2015/16	2016/17	2015/16	2016/17					
July	1087.79	1040.35	-4.36	1127.37	1077.23	-4.45	2215.16	2117.58	-4.41
August	1138.68	1330.68	16.86	1131.19	1395.61	23.38	2269.87	2726.29	20.11
September	962.65	894.08	-7.12	991.55	927.95	-6.41	1954.20	1822.03	-6.76
October	878.82	1021.19	16.20	920.31	1134.35	23.26	1799.13	2155.54	19.81
November	1158.09	1212.31	4.68	1066.31	1097.60	2.93	2224.40	2309.91	3.84
December	1477.50	1397.51	-5.41	1195.32	1180.84	-1.21	2672.82	2578.35	-3.53
January	1456.00	1456.81	0.06	1169.70	1246.72	6.58	2625.71	2703.53	2.96
February	1324.69	1209.70	-8.68	1041.66	1015.95	-2.47	2366.35	2225.65	-5.95
March	1281.54	1222.65	-4.60	1030.91	1067.30	3.53	2312.45	2289.95	-0.97
April	1133.62	1097.86	-3.15	1063.14	1110.62	4.47	2196.76	2208.48	0.53
May	1264.04	1236.69	-2.16	1182.74	1250.77	5.75	2446.78	2487.46	1.66
June	1575.32	1272.76	-19.21	1435.22	1252.31	-12.74	3010.54	2525.07	-16.13
<b>Total:</b>	<b>14738.74</b>	<b>14392.59</b>	<b>-2.35</b>	<b>13355.42</b>	<b>13757.25</b>	<b>3.01</b>	<b>28094.17</b>	<b>28149.84</b>	<b>0.20</b>

Source: EPB

## **4.9.2 THE GROWTH OF THE INDUSTRY**

The initial growth of the industry in Bangladesh can be attributed to a number of key factors, which are in common with all areas of the Bangladesh textile industry as a whole. These are –

- Low capital investment for a normal production facility
- An abundant availability of suitable labor that can quickly be trained to the required skill level to produce efficiently at the required quality standard
- Easy to manage operations that can be taught to the local management available
- Hi-technological requirement is not required except in those operations that can be computerized.
- Opportunities in other countries are becoming increasingly limited due to high labor costs, lack of suitable labor, and unfavorable political concerns

Last 10 years Bangladesh managed to capitalize on above mentioned advantage and grow the business to a great extent. As thinking is changing again in the global markets Bangladesh will have to align with the global trends to stay competitive with the other manufacturing countries in the region. SQ's new project is planned and focused towards this to stay ahead or in par with the global manufacturing leaders.

## **4.9.3 TRADING PATTERNS AND REQUIREMENTS IN THE WORLD MARKETS**

Over the past few years there have been quite remarkable changes in the purchasing patterns of the major key retailers in Europe and the USA. The trends so prevalent until maybe 15 years ago were simply a matter of a supplier offering their product and the buyers selecting their preferences, placing contracts that would be produced over a lengthy lead-time, finished goods collected into huge factory warehouses until the Irrevocable Letter of Credit was lodged in the bank, and shipment made in time for the required delivery to suit the retail sale plan.

In today's world markets fast flexible supply is demanded and expected by retailers, wherever the production site and delivery point may be situated. The preferred contracting method is now for a planned intake of different styles, sizes and colors nearer to the point of sale time rather than one or two dispatches made, the customer plans the intake of goods over 4 seasonal periods of some 12 weeks each. This means weekly dispatches of numerous options of which the supplier



has to guarantee dispatch and quality. The old method of ILC payment guarantee has been largely replaced by open credit trading. Reputable retailers take great pride in their ethical trading initiatives and are building their supplier relationships and loyalty bonds with few but important and trusted suppliers. The project we have outlined has a first class relationship with the largest retailer in the Europe/USA – and as such will prosper and grow as a result of this project.

The Government of Bangladesh has recently announced changes in policy to aid such projects

- Simplifying export procedures to aid exporting companies
- Helping companies to have access to facilities designed to increase efficiency, productivity, and quality aspects to aid world class trading of Bangladesh industry
- Encouraging the use of local materials in exported products
- Aiding participation in international fairs to encourage export links with new customers in new locations
- Aiding companies keen on exporting high value products, and the creation of a Fashion Institution
- Provision of a bond facility for imported raw material product for use in high value export garments
- Providing availability of world class raw materials at true market values
- Organizing Bangladesh trade fairs geared to both internal and external interests
- Developing export friendly facilities
- Creating training opportunities for the provision of specific work skills
- Sourcing of World Trade Organization aid for least developed country status
- Provision of aid in technical and marketing areas for export oriented companies

#### **4.9.4 Specific to the textile industry are the following initiatives –**

##### Area 1

- Incentives for industries exporting 80% of their product in sector other than leather.
- Financial incentives and facilities to include bank credit as 100% export oriented, but the custom and excise taxation facilities allowable to 100% export oriented industries will not be applicable to them
- These industries will be allowed to sell 20% of their product in the local market subject to normal duties and taxes

## **Area 2**

Presently there are provisions for export risk under the Export Credit Guarantee Scheme (ECGS). This insurance covers pre-shipment and comprehensive guarantee. These measures are not effective in covering loss of profit for any loss incurred and claimed for by the inspector. There will be a re-organization of this scheme.

## **Area 3**

Previously a 15% income tax rebate was paid for incomes accruing from export activities under the Financial Act. This will henceforth become an exempted tax for 50% of income accrued from export activities through incorporation of a new provision in the Income Tax Act instead of the Financial Act

## **Area 4**

To make the export product more competitive in the international markets, payment mechanism of duty drawback has been further simplified. All duties paid can now be drawn back immediately on repatriation of sale proceeds in the form of foreign exchange for all export other than deemed export through the commercial bank on the basis of the flat rates fixed by the board of revenue.

## **Area 5**

Bonded warehouse facilities for export industries have been introduced effectively and will be further simplified to aid 100% export oriented industry

## **Area 6**

Research and development will be aided by the introduction of measures to reduce tax and duties on machinery and accessories needed to sustain constant advances in this vital area of competition for world business share. The research institute will also enjoy this facility on recommendation of the EPB.

## **Area 7**

Provision exists for 0.5% deduction of income tax at source from most export products. Recently the National Board of Revenue (NBR) has reduced this rate to 0.25%.

## **Area 8**

A Fashion Institute will be set up in the private sector in co-operation with the EPB for the improvement of quality and design

### **4.9.5 PRODUCT QUALITY**

Quality is vital in the drive to be successful in international sales, and buyers do not sacrifice quality for a lower price. The delivery of correct quality depends upon the use of the correct raw materials, machinery, operative skills, specification and method of production. The project places the utmost importance on achieving the correct quality standards and will ensure this vital area is controlled from the onset of trading.

### **4.9.6 PRODUCT PROMOTION**

Product promotion is the key vital point for the marketing tool. This is the area where we can closely promote our new product categories and our capabilities with the new technology that we are bringing in. We have a right partnership with the customer and working very closely with their Product development team so, new kind of innovations and product promotions already been communicated and marketed very effectively with our listed customers and a sheer plan of execution on product development and business placements are carrying out by the marketing team with this automatic project.

We have set partnership/collaboration with all major customer SQ works with, **H&M**- SQ is the single listed platinum grade vendor for H&M globally. We are their most preferred partner and we have the most close channel to drive and plan business with H&M, we have a set business plan with this customer for 5 years and in line with it, they want to just double their buying with us what we are today. The major part of this focus will go to automatic machine, the correct marketing strategy and product development can ensure a fully booked situation for all the machine we will have with H&M orders only! **Esprit**-The most value driven and fashionable customer of SQ clientele line. This high end fashion Guru brand is immensely offering sweaters which are made out of automatic and they insist always for us to go in this area. We have signed preferential partnership with Esprit in 2010 which ensures a minimum of 150,000 pcs per month. Aggressive marketing strategy as well as right product mix made from automatic

machine will give us an immense return on the investment. Right at this moment, this is the one of the most focused customer for automatic project.

**Promod/Sainsbury's/Kohl's/Newlook:** Although SQ is not so bigger with them due to our capacity constraint but, these customers also no less in terms of size in business in global market. The growth plan which SQ is working with automatic project can tally in right way to offer capacity and do right amount of business with these customers.

## **4. 10 Technical Aspects of The Project**

In setting up of the proposed project, following concepts have been carefully considered:

Prices that have been set for the product will be competitive on the world markets and allow for continual winning of the contracts for profitable and long term sustainable volumes.

The international quality requirement for the product that is intended for manufacture will be constantly achieved.

Machinery will be sourced that will be capable and best suited to use in Bangladesh.

Imported machinery will have a need of constant for servicing, parts and control by experts. These will be chosen from within the textile community here in Bangladesh and trained by ex-patriot staff until fully competent.

Operatives for these imported machines will be trained by fully qualified and competent trainers – initially these shall be ex-patriot but later replaced by fully trained local staff.

### **4.10.1 PRODUCT MIX AND PRODUCTION CAPACITY**

While it is difficult to predict world fashion trends, it can be stated that the product capacity and mix will remain in the parameters of the machinery and operative capability. Based on double shift operation 346 working days per year the production capacity of the unit will be approximately 3.1 million pieces per annum of differing types of knitted sweater

Product type	Total pieces/year	Avg Rate /Pc	Total sales/yr	Total sales/yr
Sweaters	3.11 million	USD 8.50	USD 26.47	BDT 217.05 crore

## 4.10.2 TECHNOLOGY AND MANUFACTURING PROCESS

Most of the technical knowledge to produce sweater is already resident in the local textile community here in Bangladesh and will be the basis of recruitment and normal operational requirement of the company. SQCL however will bring their knowledge of world class techniques, machinery, and best in class management to the project.

## 4.10.3 LAND

The project will be located at Beraiderchala, Keowa, Mawna, Sreepur, Gazipur, Bangladesh

## 4.10.4 BUILDING

The building is already there and SQCL factory running in full swing.

## 4.10.5 IMPORTED MACHINERY

The project will be equipped computerized flat knitting machine. More details are:

Sl. No.	Particulars of Machinery/Equipment	Quantity	Price USD
1	Brand New Computerized Flat Knitting Machine CMS 502 HP Multi Gauge E7.2, 2 Systems, working width 45", controlled sinkers, 14 yarn control units, 12 slack tensioners right side, 8 slack tensioners left side with brake, 8 yarn feeders, friction feed wheel with 8 trackers, right side, thread clamp and cutting device, 8 right side, fabric take-down system and take-down comb, Stoll-touch control, battery back-up, complies with CE regulations with Software license-package M1 Plus Smart Card, pl.yarn-carrier carriage 4+5 & 3+6.	s	9,000,000.00

## 4.10.6 LOCAL MACHINERY

Beside above equipment, the project will require some local equipment like: Pipes & Fittings for water, gas, compressed air, steam connection; electrical cables & fittings, knitting machine stand, inspection table etc.

#### **4.11 Economic Aspect & Employment Generation:**

The unit will contribute a significant amount to the Gross Domestic Product (GDP) of the country. On completion and commissioning, the project will create job opportunities for 1,624 persons and thereby about 6,496 persons would be directly benefited (taking 4 persons per family) on linkage effect of employment out of this project from this point of view the project will help to improve the distribution of income. Besides, additional employment opportunities will be created for production, supply and distribution of raw materials and final products. Apart from this the project will create employment opportunity during the prior commercial operation period. Government rules and regulations will be followed for the employment in this project.

#### **MEMBERSHIP AND EMPLOYMENT**

<b>YEAR</b>	<b>NUMBER OF GARMENT FACTORIES</b>	<b>EMPLOYMENT IN MILLION WORKERS</b>
1989-90	759	0.34
1990-91	834	0.40
1991-92	1163	0.58
1992-93	1537	0.80
1993-94	1839	0.83
1994-95	2182	1.20
1995-96	2353	1.29
1996-97	2503	1.30
1997-98	2726	1.50
1998-99	2963	1.50
1999-00	3200	1.60
2000-01	3480	1.80
2001-02	3618	1.80

2002-03	3760	2.00
2003-04	3957	2.00
2004-05	4107	2.00
2005-06	4220	2.20
2006-07	4490	2.40
2007-08	4743	2.80
2008-09	4925	3.50
2009-10	5063	3.60
2010-11	5150	3.60
2011-12	5400	4.00
2012-13	5876	4.00
2013-14	4222	4.00
2014-15	4296	4.00
2015-16	4328	4.00
2016-17	4482	4.00

**Source: BGMEA**

## **4.12 Financial Aspect**

**4.12.1 Cost of Project:** The total cost of the project has been estimated at **USD 10,371,782** equivalent of **BDT 850,486,110 (Eighty five crore four lac eighty six thousand one hundred and ten)**

<b>Category</b>	<b>Total USD</b>	<b>Total BDT</b>
<b>Plant &amp; Machinery</b>		
Automatic knitting machines	9,000,000	738,000,000
Linking machines	170,000	13,940,000
Exactor machine	24,000	1,968,000
Sewing machine	24,000	1,968,000
Linking fixtures / fitting	75,000	6,150,000
Iron table	22,500	1,845,000
Iron	3,915	321,030
	9,319,415	764,192,030
<b>Equipment</b>		
Air conditioning	300,000	24,600,000
	300,000	24,600,000
<b>Fixtures &amp; Fitting</b>		
Office table & chairs	4,440	364,080
Other fixtures & fittings	100,000	8,200,000
	104,440	8,564,080
<b>IT equipment</b>		
Computers	29,268	2,400,000
Printers	732	60,000
Software	60,000	4,920,000
Server & net working	24,390	2,000,000
	114,390	9,380,000
<b>Building</b>		
Electrical installation	150,000	12,300,000
Compliance installation	75,000	6,150,000
Civil Work	100,000	8,200,000
Steam line & Compressed air line	50,000	4,100,000
	375,000	30,750,000
<b>Other Assets:</b>		
Vehicles		
Cars	58,537	4,800,000
Covered van	36,585	3,000,000
Micro Van	63,415	5,200,000
	158,537	13,000,000
<b>Grand Total:</b>	<b>10,371,782</b>	<b>850,486,110</b>



#### **4.12.2 Financing Plan:**

The main cost of the project is machinery payment of BDT 738,000,000 from which 20% payment is done in the first year by SQCL and rest amount of payment will be done through suppliers credit. The credit facility is quarterly basis payment up to 4.5 years with a grace period of 6 month. Actual payment will start from middle of the year 2019 from the revenue generation. The project rest cost of 112,486,110 will be covered from own source of SQCL.

#### **4.12.3 Debt-Equity Ratio:**

Total Debt will be BDT 590,400,000 and equity part will be BDT 260,086,110. The debt equity ratio is 69:31. Therefore Debt is 69% and Equity is 31%

#### **4.12.4 Financial Evaluation:**

Profitability potential of the project has been estimated for five years of operation to assess the financial viability of the project. The financial projection includes estimated sales, operating cost, administrative and selling expenses and financial overheads.

The assumptions underlying the earning forecast are as under:-

- i. The project will operate for 342 days in a year on two shift
- ii. The capacity build-up has been assumed to be achieved full capacity
- iii. The entire annual requirement of raw materials of the project will be imported through Letter of Credit or locally at 100% attainable capacity;
- iv. Sales price of the proposed products have been assumed on the basis of FOB price of such products; the cost of raw material as well as sales have been assumed to remain constant throughout the projected years on the assumption that the increase in price of raw materials will be off-set by the proportional increase in the selling price of the output;
- v. Stock of work in process has been considered for 03 days;
- vi. Stock of finished goods has been estimated for 05 days;
- vii. Receivable has been considered for 21 days;
- viii. Annual increment of 5% for first year onward has been considered for calculation of wages and salaries and bonus of two month basic pay also been provided;
- ix. The project financials 0.80% source tax has been calculated as per Govt. rules;
- x. Economic life of the project has been assumed to be 12 (twelve) years without any major replacement;
- xi. Depreciation has been charged 10% on machinery & equipment.

- xii. General, administrative and selling expenses have been assumed keeping in view the trend/increase during the subsequent years;
- xiii. Since the project will be 100% export oriented one, sufficient provision have been made for meeting traveling and conveyance, advertising and promotion, communication and sample expenses;
- xiv. Other manufacturing expenses i.e. water, power & fuel, wages and salaries, interest etc. have been assumed keeping in view the prevailing market price;

Based on the above assumptions, the profitability forecast the following:

#### 4.12.5 Earnings Forecast:

a

##### Five years Projected Income Statement

figures in BDT

PARTICULARS	2019	2020	2021	2022	2023	Total
<b>OPERATING REVENUE</b>	<b>1,934,454,545</b>	<b>1,973,143,636</b>	<b>2,012,606,509</b>	<b>2,052,858,639</b>	<b>2,093,915,812</b>	<b>10,066,979,142</b>
<b>DIRECT COST</b>						
A. Direct Material cost	870,504,545	887,914,636	905,672,929	923,786,388	942,262,115	<b>4,530,140,614</b>
B. Labor cost	290,168,182	295,971,545	301,890,976	307,928,796	314,087,372	<b>1,510,046,871</b>
<i>Total:</i>	<b>1,160,672,727</b>	<b>1,183,886,182</b>	<b>1,207,563,905</b>	<b>1,231,715,184</b>	<b>1,256,349,487</b>	<b>6,040,187,485</b>
<b>GROSS MARGIN</b>	<b>773,781,818</b>	<b>789,257,455</b>	<b>805,042,604</b>	<b>821,143,456</b>	<b>837,566,325</b>	<b>4,026,791,657</b>
C. Factory & Production Overhead	270,823,636	276,240,100	281,764,911	287,400,209	293,148,214	<b>1,409,377,080</b>
D. Administrative expense	96,722,727	98,657,187	100,630,325	102,642,932	104,695,791	<b>503,348,957</b>
E. Selling & Distribution expense	58,033,636	59,194,309	60,378,195	61,585,759	62,817,474	<b>302,009,374</b>
F. Depreciation:	87,824,919	87,824,919	87,824,919	87,824,919	87,824,919	<b>439,124,595</b>
<i>Total:</i>	<b>513,404,919</b>	<b>521,916,519</b>	<b>530,598,351</b>	<b>539,453,820</b>	<b>548,486,398</b>	<b>2,653,860,006</b>
<b>OPERATING PROFIT</b>	<b>260,376,899</b>	<b>267,340,936</b>	<b>274,444,253</b>	<b>281,689,636</b>	<b>289,079,927</b>	<b>1,372,931,651</b>
G. Financial Cost	21,542,334	28,882,646	23,090,685	17,063,548	11,195,504	<b>101,774,718</b>
H. Tax	15,475,636	15,785,149	16,100,852	16,422,869	16,751,326	<b>80,535,833</b>
<b>NET PROFIT</b>	<b>223,358,928</b>	<b>222,673,141</b>	<b>235,252,715</b>	<b>248,203,219</b>	<b>261,133,096</b>	<b>1,190,621,099</b>
<b>CUMULATIVE</b>	<b>223,358,928</b>	<b>446,032,069</b>	<b>681,284,784</b>	<b>929,488,003</b>	<b>1,190,621,099</b>	

### Five years Projected Cash Flow

figures in BDT

PARTICULARS	2019	2020	2021	2022	2023	Total
	23,590,901	24,062,721	24,543,981	25,034,861	25,535,559	
<b>OPERATING REVENUE</b>	<b>1,934,454,545</b>	<b>1,973,143,636</b>	<b>2,012,606,509</b>	<b>2,052,858,639</b>	<b>2,093,915,812</b>	<b>10,066,979,142</b>
<b>DIRECT COST</b>						
A. Direct Material cost	870,504,545	887,914,636	905,672,929	923,786,388	942,262,115	<b>4,530,140,614</b>
B. Labor cost	290,168,182	295,971,545	301,890,976	307,928,796	314,087,372	<b>1,510,046,871</b>
C. Factory & Production Overhead	270,823,636	276,240,109	281,764,911	287,400,209	293,148,214	<b>1,409,377,080</b>
D. Administrative expense	96,722,727	98,657,182	100,630,325	102,642,932	104,695,791	<b>503,348,957</b>
E. Selling & Distribution expense	58,033,636	59,194,309	60,378,195	61,585,759	62,817,474	<b>302,009,374</b>
<b>OPERATIONAL CASH OUTFLOW</b>	<b>1,586,252,727</b>	<b>1,617,977,782</b>	<b>1,650,337,337</b>	<b>1,683,344,084</b>	<b>1,717,010,966</b>	<b>8,254,922,897</b>
						-
F. Financial Cost	21,542,334	28,882,646	23,090,685	17,063,548	11,195,504	<b>101,774,718</b>
G. Principal Repayment	216,821,505	142,645,034	148,436,994	154,464,131	79,568,335	<b>741,936,000</b>
H. Tax	15,475,636	15,785,149	16,100,852	16,422,869	16,751,326	<b>80,535,833</b>
<b>TOTAL CASH OUTFLOW</b>	<b>1,840,092,203</b>	<b>1,805,290,610</b>	<b>1,837,965,869</b>	<b>1,871,294,633</b>	<b>1,824,526,132</b>	<b>9,179,169,448</b>
<b>NET CASH SURPLUS/DEFICIT</b>	<b>94,362,342</b>	<b>167,853,026</b>	<b>174,640,640</b>	<b>181,564,006</b>	<b>269,389,680</b>	
<b>CUMULATIVE</b>	<b>94,362,342</b>	<b>262,215,368</b>	<b>436,856,008</b>	<b>618,420,014</b>	<b>887,809,694</b>	

### 4.12.6 Internal Rate of Return (IRR) :

The IRR is 32.72% which is very attractive as current market cost of capital is approximately 17% on average. The project is profitable in terms of visibility and all financial figures.

IRR Calculation:				32.72%	
Time line (years)	Cash flow	Depreciation	Actual cash inflow	PV	Cumulative
0	-741,936,000	0	0	-741,936,000	-741,936,000
1	223,358,928	87,824,919	311,183,847	234,461,223	-507,474,777
2	222,673,141	87,824,919	310,498,060	176,265,310	-331,209,468
3	235,252,715	87,824,919	323,077,634	138,187,523	-193,021,945
4	248,203,219	87,824,919	336,028,138	108,290,800	-84,731,145
5	261,133,096	87,824,919	348,958,015	84,731,145	0

#### 4.12.7 Break-Even Analysis:

The break even sales have been considered as below.

*Figure in BDT*

PARTICULARS	2019	2020	2021	2022	2023
OPERATING REVENUE	1,711,095,617	1,750,470,496	177,735,794	180,655,421	1,832,782,716

From the above analysis we can find the break even analysis, at this point company sales reached to cover its variable and fixed cost. No profit or loss in this sales.

#### 4.12.8 Pay-Back Period:

Total investment of the project is expected to be paid-back within 3 years of operation. This is very attractive considering the possibility of quick recovery of scarce capital and minimum risk associated with short gestation periods.

Pay back period:				
Time line (years)	inflow	Depreciation	Actual cash inflow	Cumulative
0	-741,936,000			-741,936,000
1	223,358,928	87,824,919	311,183,847	-430,752,153
2	222,673,141	87,824,919	310,498,060	-120,254,093
3	235,252,715	87,824,919	323,077,634	<b>202,823,541</b>
4	248,203,219	87,824,919	336,028,138	<b>538,851,679</b>
5	261,133,096	87,824,919	348,958,015	<b>887,809,694</b>

#### 4.12.9 Repayment Schedule:

The Credit Facility in this project is taken from Supplier, with 4.5 years tenor, 4.0% interest rate, 6 month grace period, quarterly installment payment. Payment starts from middle of year 2019. A detail repayment schedule given below:

Principal Amount		<b>590,400,000</b>			
6 month interest capitalized		<b>594,336,000</b>			
Interest Rate (p/a)		4.00%			
No of Payment		16			
Rent No	Rental Payment	Principal Payment	Interest Payment	Balance	Dates
1	40,381,920	34,438,560	5,943,360	559,897,440	2013
2	40,381,920	34,782,945	5,598,974	525,114,495	2013
3	40,381,920	35,130,775	5,251,145	489,983,720	2014
4	40,381,920	35,482,083	4,899,837	454,501,637	2014
5	40,381,920	35,836,904	4,545,016	418,664,733	2014
6	40,381,920	36,195,273	4,186,647	382,469,461	2014
7	40,381,920	36,557,225	3,824,695	345,912,236	2015
8	40,381,920	36,922,798	3,459,122	308,989,438	2015
9	40,381,920	37,292,026	3,089,894	271,697,413	2015
10	40,381,920	37,664,946	2,716,974	234,032,467	2015
11	40,381,920	38,041,595	2,340,325	195,990,872	2016
12	40,381,920	38,422,011	1,959,909	157,568,860	2016
13	40,381,920	38,806,231	1,575,689	118,762,629	2016
14	40,381,920	39,194,294	1,187,626	79,568,335	2016
15	40,381,920	39,586,237	795,683	39,982,099	2017
16	40,381,920	39,982,099	399,821	0	2017

Notes:

Repayment Period: 2019 to 2023  
 Grace Period: 6 month (in 2019)  
 Rate of Interest: 4.00% p/a  
 Installment: Quarterly  
 Total No of payment: 1

**Chapter: 05**  
**CONCLUSION**

## **5.1 FINDINGS OF THE STUDY:**

The elementary project risk will be economical risk and environmental risk. Also worker unrest is a common risk for the industry itself. But there are only few examples of factory hazards in the SQCL history, the factory is fully insured with all industrial risk. Confirmed orders are in the pipeline from some of the foreign buyers. Based on these orders the project will go into production from June 2018. For efficient management of the project, the factory location has been chosen in an area comparatively free from disturbance. Qualified staff is working with modern computer management tools for management of personnel, accounts and commercial activities.

## **5.2 Conclusion:**

SQ Celsius Ltd is the largest and most profitable entity within the SQ Group of companies which has been mandated by the promoters to be the entity that would spearhead future expansions within the Group. From the very inception it plays a vital role in the national economy. SQCL is determined to bring back the long forgotten taste of quality product. One of the most important aspects of SQCL is managing people that lies in helping employees by identifying which become more effective at their jobs and how can them able to adapt to that job or another job. This requires a high level of co-ordination between employees training and development, that SQCL always follow. But the Job descriptions of SQCL are not so much clear and concise but it serves as a major training tool for the identification of guidelines. Many organizations have mandated training hours per year for employees keeping in consideration the fact that technology is deskilling the employees at a very fast rate.

The detailed feasibility study reveals that the project is technically simple and sound, financially rewarding and will bring enormous economic benefits for the country. The sponsors are therefore, interested in implementing the project. However, in order to meet the financing gap they will need assistance from the bank in form of

- a. long term loan for meeting the cost of factory building and other constrsuction and imported machinery and part of other local costs of the project; and
- b. Back to Back (raw materials) import facilities to the extent of 45% of the FOB export price for meeting local cost of production against confirmed and irrevocable export letter of credit covering four months cycle for ensuring uninterrupted commercial operation of the project.

## References:

### Annual Reports, Prospectors and Published Documents:

- SQ Celsius Ltd. (SQCL), **Annual report 2008-2010.**
- Standard Operating Procedure.
- EPB Website
- BGMEA Website
- [www.sqgc.com](http://www.sqgc.com)