

## Project Profile on Lead Pencils

### Introduction

Lead pencils are commonly used by school children, colleges, artists, civil engineers and architects as well as office staff. An extremely popular product, pencils are used extensively by all categories of persons. Depending on the type of carbon used, pencils are classified as soft, medium and hard. There is no doubt about the acceptability of the product and lead pencils still command a respectful demand. There is also ample export potential. Considering the vastness of this country and ever increasing population, quantity of requirements of this item is enormous. Moreover with increase in activities in the field of construction and industry requirement of drawings is also increasing and so that of pencils. Hence there is a good demand for this product.

**Process of Manufacture:** High grade graphite powder is mixed with ball clay and water and charged into ball mill. After thorough grinding, excess water is drained from the mixture, filter pressed and oven dried. Then the mixture is pressed to form billets and fed through an extrusion machine to get lead slip of required size. This extruded slip is then placed in refractory furnace and fired to form the pencil lead. Meanwhile, the wooden slats are formed/shaped on the slat machine and grooved to accommodate the lead slip. The slats are then fitted with the lead slip and glued together, allowed to set and cut and shaped to the required dimensions. Finishing, painting and marking is done on the pencils.

**1 Name of the Product : Lead Pencils**

**2 Project Cost :**

a	Capital Expenditure			
	Land	:		Own
	Workshs sq.mtrs			
	Equipment	:	Rs.	700,000.00
	Ball mill, Filter press, Kneading Machine.			
	Total Capital Expenditure		Rs.	700,000.00
b	Working Capital		Rs.	175,000.00
	<b>TOTAL PROJECT COST :</b>		<b>Rs.</b>	<b>875,000.00</b>

**3 Estimated Annual Production Capacity:**

(Rs. in 000)

Sr.No.	Particulars	Capacity in tons	Rate	Total Value
1	Lead Pencils			1071.00
<b>TOTAL</b>		<b>0.00</b>	<b>0.00</b>	<b>1071.00</b>

**4 Raw Material : Rs. 240,000.00**

**5 Labels and Packing Material : Rs. 30,000.00**

**6 Wages (3-Skilled & 4-Unskilled) Rs. 400,000.00**

**7 Salaries Manager-1 Rs. 120,000.00**

8	Administrative Expenses	:	Rs.	75,000.00
9	Overheads	:	Rs.	60,000.00
10	Miscellaneous Expenses	:	Rs.	25,000.00
11	Depreciation	:	Rs.	70,000.00
12	Insurance	:	Rs.	7,000.00
13	Interest (As per the PLR)			
	a. C.E.Loan	:	Rs.	91,000.00
	b. W.C.Loan	:	Rs.	22,750.00
	Total Interest		Rs.	113,750.00
14	Working Capital Requirement	:		
	Fixed Cost		Rs.	318,000.00
	Variable Cost		Rs.	752,750.00
	Requirement of WC per Cycle		Rs.	178,458.00

#### 15 Cost Analysis

Sr.No.	Particulars	Capacity Utilization(Rs in '000)			
		100%	60%	70%	80%
1	Fixed Cost	318.00	190.80	222.60	254.40
2	Variable Cost	753.00	451.80	527.10	602.40
3	Cost of Production	1071.00	642.60	749.70	781.50
4	Projected Sales	1350.00	810.00	945.00	1080.00
5	Gross Surplus	279.00	167.40	195.30	223.20
6	Expected Net Surplus	209.00	97.00	125.00	153.00

- Note :
- All figures mentioned above are only indicative.
  - If the investment on Building is replaced by Rental then
    - Total Cost of Project will be reduced.
    - Profitability will be increased.
    - Interest on C.E.will be reduced.