

# Project Report on Note Book Manufacturing

National Institute of Micro, Small and Medium Enterprises (ni-msme)

[an Organisation of Ministry of MSME, Govt. of India Yousufguda, HYDERABAD – 500 045]

## PROJECT AT A GLANCE

Product Name Note books, Note pads, Record Books

Project Cost 1688500

Term loan 365000

Working Capital loan 900000

Own contribution 423500

Net profit (1st year) 721000

Net Profit Ratio (1st year) 12.22

BEP (1st year) 35.40

DSCR (1st year) 2.06

## INTRODUCTION

Stationery items like note books, Record books, note pads, etc are always in demand for school and college students. The demand for note books is more in the months of June to August in every year. Similarly, Record books are essential in every office, institutions, organizations, etc. The size of the products will be decided as per the local market demands. Book production is the process of assembling a book from a number of folded or unfolded sheets of paper or other material. It usually involves attaching a book cover to the resulting texts-block.

Details of the products are given below

Item	size	pages	rate
Note book	8"x10"	160	22.5
Record book	8.5"x11"	100	32

Courtesy :



Note pads      4"x5"    50      3

### **MARKET POTENTIAL**

Basic raw materials for book binding are white sheets of paper ruled and unrolled, outer cover, stitching wire, jute twin, gum which are available in common market. To set up such units the only requirement is skilled labor. With the rise in economic activities and literate activities the market potential for book, binding is continuously increasing. Now the students prefer to use binding, rolling books or plain exercise books and left the idea to stitch papers in their homes. These products are largely sold through school societies, retail outlets and supermarkets.

### **MANUFACTURING PROCESS**

First of all the papers are arranged in order. Required number of Pages are perforated as desired and stitched with cover page and gummed .After cutting the pages uniformly they are bound and packed. White paper and card board of different weights are required for binding of books. Binding cloth, flowered colored sheets, glue and thread etc, are required. Sheets of paper and paper boards are purchased from the market. The paper and paper board are then cut to size in the cutting machine. The papers are then stitched and bound with the help of glue and thread etc.

### **QUALITY SPECIFICATIONS**

The bounded book must have the finish and look with good pressing and secured stitching done.

### **CAPACITY**

2,00,000 books , 40000 records and 40000 note pads per year in 4 cycles for the first year and additional 5% in the subsequent years.

### **IMPLEMENTATION SCHEDULE**

The major activities in the implementation of the project has been listed and the average time for implementation of the project is estimated at 5 months:

Time in		
Sl no	Activity	months
1	Preparation of project report	1
2	Registration and other formalities	1
3	Sanction of loan	2
	plant and machinery procurement and	

Courtesy :



- |   |   |     |
|---|---|-----|
| 4 | installation                            | 1   |
| 5 | Electricity connection and installation | 1   |
| 6 | procurement of raw materials            | 1/2 |
| 7 | Recruitment of staffs                   | 1/2 |
| 8 | commercial production                   | 1   |

Many of the above activities shall be initiated concurrently and the production can be started from 5th month onwards.

### **ECONOMICS OF THE PROJECTS**

#### **ASSUMPTIONS**

The statement of production and profitability is based on the following assumption.

- |   |                         |                           |
|---|-------------------------|---------------------------|
| 1 | Number of working days  | 300                       |
| 2 | Number of shifts        | 1                         |
| 3 | Capacity utilization    | 5% addition in every year |
| 4 | Depreciation            | 10% on fixed assets       |
| 5 | Repairs and maintenance | 2% on equipments          |
| 6 | interest on bank loan   | 13%                       |
| 7 | Administrative expenses | 1% of sale                |
| 8 | selling expenses        | 2% of sale                |
| 9 | Wage increases          | 5% in annum               |

#### **FIXED CAPITAL**

##### **1. Land and Building**

The proposed unit is going to set up in a rented building with a rent of Rs.2000/ per month.

##### **2. Machineries and Equipments**

The machineries required for the production are paper cutting machine, binding machine, numbering machine etc. The details of machineries and equipments with their costs are given below.

Courtesy :  

Sl No	Item	No	Rate	Amount
1	Paper cutting machine 32" with 1 HP motor	1	88000	88000
2	Perfect Binding Machine Automatic Model 950Z up to 310mm BindingLength	1	285000	285000
3	Numbering machine	1	5000	5000
4	Manual Spiral/comb/wiro/press Binder WR310	1	15000	15000
5	Hand tools	1 set	1500	
	Total			394500

### 3.Furnitures and fittings

sl.no	Item	No	Rate	Amount
1	Decoration and fittings	1	25000	25000
2	Stools	4	600	2400
3	Shelf fitted on wall	2	5000	10000
4	Table	2	1500	3000
5	Others		5000	5000
	Total			45400

### 4.Pre-operative expenses

Pre operative expenses include the cost of preparation of project report, license fee, Travelling expenses etc. It is estimated as Rs.13600/-.

### 5.Cost of Electrification

The cost of electrification is estimated as Rs 35000/- which includes the purchasing of materials, installation charge, connection charge etc.

Courtesy :  **मूद्रा**

## WORKING CAPITAL RQUIRMENTS

### 1.Raw material

Paper, cover pages, jute twine, iron wire, cloth etc. are the raw materials required and they are cheaply available in the local market

Sl

No	Item	Qty	Unit	Rate	Amount
1	Paper	275	ream	600	165000
2	Cover Page for record book	10000	nos	5	50000
3	Cover Page	50000	nos	2.5	125000
4	jute twine	100	kg	25	2500
5	Iron wire	100	kg	50	5000
6	White flour	50	kg	20	1000
7	Cloth	50	m	40	2000
Total				350500	

### 2.Salaries and wage

Courtesy :



The proposed unit will provide employment to 4 persons including 2 unskilled workers their salary and wage details are given below.

Sl No	Designation/Category	No	Monthly salary	Amount
1	Manager	1	10000	10000
2	Skilled workers	1	8000	8000
3	unskilled workers	2	7000	14000
Total		32000		

### 3.Other Monthly Expenses

Electricity ,Rent, phone bill, employee insurances ,transport. Etc are the other expenses. The unit will provide insurance facilities to the employees.

Sl No	Item	Amount
1	Power	2500
2	Rent	2000
3	Phone bill	500
4	stationery	500
5	Insurance to employees	1000
6	Transport and conveyance	12000
Total		18500

Courtesy :



#### 4. Working capital calculation(one cycle=3 months)

Sl No	Item	period in days	Total amount
1	Stock of raw materials	30	420600
2	Work in progress	10	140200
3	Stock of finished goods	15	210300
4	Receivables	20	280400
	Total		1051500

ROUNDED TO 1050000

One cycle expenses 1050000

salary for 3 months 96000

other exp for 3 months 55500

W C for one cycle 1201500

Rounded to 1200000

#### PROJECT COST AND MEANS OF FINANCE

The total project cost is Rs. 1688500/- and 75% of the cost is taken as loan from bank and the 25% is the contribution of the proprietor.

#### PROJECT COST

SI

Courtesy :



No	Particulars	Amount
1	Land and building	Rented
3	Machineries & equipments	394500
4	Electrification	35000
5	Furniture and fittings	45400
5	Prelim. & pre-operative expenses	13600
7	Working capital	1200000
	Total	1688500

#### **MEANS OF FINANCE**

SI

No	Particulars	Amount
1	Term Loan	365000
2	Working Capital Loan	900000
3	Promoters contribution	423500

Courtesy :





Total	1688500
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**SALES PER CYCLE**

Sl No	Item	Qty	Unit	Rate	Amount
1	Note books	50000	nos	22.5	1125000
2	Record Books	10000	nos	32	320000
3	Note pads	10000	nos	3	30000
Total				1475000	

SALES FOR 1ST YEAR , 14.75\*4=59 LAKH

**COST OF PRODUCTION & PROFITABILITY STATEMENT(in lakhs)**

Particulars	1st Year	2nd Year	3rd Year	4th Year	5th Year
No. of working days	300	300	300	300	300

Courtesy :



No. of shifts	1	1	1	1	1
Capacity utilization	60	65	70	75	80
Production	59	64	69	72	77
SALES	59	64	69	72	77
COST OF PRODUCTION					
Raw materials	42	44.1	46.31	48.63	51.06
Salaries	2.16	2.27	2.38	2.5	2.63
Wages	1.68	1.76	1.85	1.94	2.04
Power charges	0.3	0.33	0.36	0.4	0.44
Repairs & maintenance	0.08	0.09	0.1	0.11	0.12
Insurance	0.08	0.09	0.1	0.11	0.12
Depreciation	0.47	0.47	0.47	0.47	0.47
TOTAL	46.77	49.11	51.57	54.16	56.88
GROSS OPERATING PROFIT	12.23	14.89	17.43	17.84	20.12
EXPENSES					
Administrative & selling expenses	1.77	1.95	2.15	2.37	2.61
Other Financial expenses	1.56	1.72	1.89	2.08	2.29
Interest on bank Loan	1.52	1.2	0.88	0.52	0.2
TOTAL EXPENSES	4.85	4.87	4.92	4.97	5.1
Net operating profit	7.38	10.02	12.51	12.87	15.02
Income tax	0.17	0.3	0.43	0.44	0.55

Courtesy :  **मूद्रा**

Net profit	7.21	9.72	12.08	12.43	14.47
Add depreciation	0.47	0.47	0.47	0.47	0.47
Cash surplus	7.68	10.19	12.55	12.9	14.94

#### CASH FLOW STATEMENT(amounts in lakhs)

Particulars	1st	2nd	3rd	4th	5th
	Year	Year	Year	Year	Year

#### SOURCE OF FUNDS

Share capital	1.22				
Profit before taxation	7.38	10.02	12.51	12.87	15.02
Depreciation	0.47	0.47	0.47	0.47	0.47
Increase in bank loan	12.65	0	0	0	0
Total	21.72	10.49	12.98	13.34	15.49

#### DEPOSITION OF FUNDS

Prelim & pre-operative expenses	0.14	0	0	0	0
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Courtesy :



Increase in capital expenditure	4.89	0	0	0	0
Decrease in bank loan	2.53	2.53	2.53	2.53	2.53
Decrease in unsecured loans	0	0	0	0	0
Interest on bank loan to bank	1.52	1.2	0.88	0.52	0.2
Taxation	0.17	0.3	0.43	0.44	0.55
Dividend on equity	0	0	0	0	0
Total	9.25	4.03	3.84	3.49	3.28
Opening balance	0	12.47	18.93	28.07	37.92
Net surplus	12.47	6.46	9.14	9.85	12.21
Closing balance	12.47	18.93	28.07	37.92	50.13

#### BREAK EVEN ANALYSIS(amounts in lakhs)

	1st	2nd	3rd	4th	
Particulars	Year	Year	Year	Year	5th Year
Sales	59	64	69	72	77

Courtesy :



COST	Salaries	2.16	2.27	2.38	2.5	2.63
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Repairs &

Maintenance	0.08	0.09	0.1	0.11	0.12
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FIXED Administrative

Expenses	0.59	0.64	0.69	0.72	0.77
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Insurance	0.08	0.09	0.1	0.11	0.12
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Depreciation	0.47	0.47	0.47	0.47	0.47
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Interest on

bank Loan	1.52	1.2	0.88	0.52	0.2
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TOTAL	4.9	4.76	4.62	4.43	4.31
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COST

Raw materials	42	44.1	46.31	48.63	51.06
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VARIABLE	Wages	1.68	1.76	1.85	1.94	2.04
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Power charges	0.3	0.33	0.36	0.4	0.44
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Selling expenses	1.18	1.28	1.38	1.44	1.54
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TOTAL	45.16	47.47	49.9	52.41	55.08
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BEP in % of installed	35.40	28.8	24.2	22.6	19.7
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capacity

Courtesy :



PROJECTED BALANCE SHEET(amounts in lakhs)

Particulars	1st	2nd	3rd	4th	5th
Year	Year	Year	Year	Year	
LIABILITIES					
Share capital	1.22	1.22	1.22	1.22	1.22
Reserve & surplus		12.47	18.93	28.07	37.92 50.13
Bank loan	12.65	10.12	7.59	5.06	2.53
Total liabilities	26.34	30.27	36.88	44.2	53.88

ASSETS

Opening stock	0	12.47	18.93	28.07	37.92
Gross block	11.86	11.39	10.92	10.45	9.98
Less depreciation		0.47	0.47	0.47	0.47 0.47
Net block	11.39	10.92	10.45	9.98	9.51

Courtesy :



Investment	0	0	0	0	0
Current assets	11.39	23.39	29.38	38.05	47.43
Cash & Bank	14.95	6.88	7.5	6.15	6.45
balance					
Total assets	26.34	30.27	36.88	44.2	53.88

#### REPAYMENT SHEDULE OF BANK LOAN(amounts in lakhs)

Year	Installment	term	Installment	Balance	Interest
	no	loan			
	1	12.65	0.6325	12.018	0.41
1	2	12.0175	0.6325	11.385	0.39
	3	11.385	0.6325	10.753	0.37
	4	10.7525	0.6325	10.12	0.35
		2.53		1.52	

Courtesy :



	5	10.12	0.6325	9.4875	0.33
2	6	9.4875	0.6325	8.855	0.31
	7	8.855	0.6325	8.2225	0.29
	8	8.2225	0.6325	7.59	0.27
		2.53		1.2	
	9	7.59	0.6325	6.9575	0.25
3	10	6.9575	0.6325	6.325	0.23
	11	6.325	0.6325	5.6925	0.21
	12	5.6925	0.6325	5.06	0.19
		2.53		0.88	
	13	5.06	0.6325	4.4275	0.16
4	14	4.4275	0.6325	3.795	0.14
	15	3.795	0.6325	3.1625	0.12
	16	3.1625	0.6325	2.53	0.1
		2.53		0.52	
	17	2.53	0.6325	1.8975	0.08
5	18	1.8975	0.6325	1.265	0.06
	19	1.265	0.6325	0.6325	0.04
	20	0.6325	0.6325	0	0.02
		2.53		0.2	



PROJECTED DEBT SERVICE COVERAGE RATIO(amounts in lakhs)

Particulars	1st Year	2nd Year	3rd Year	4th Year	5th
Net profit	7.21	9.72	12.08	12.43	14.47
Depreciation	0.47	0.47	0.47	0.47	0.47
Rent	0.24	0.25	0.26	0.27	0.28
Interest on bank loan		1.52	1.2	0.88	0.52
					0.2
Repayment of loan		2.7	2.7	2.7	2.7
					2.7
DSCR	2.06	2.74	3.5	3.85	4.76
AVERAGE DSCR			3.39		

Courtesy :



## CONCLUSION

From the forgoing pages and the financial information sated in the subsequent pages, it can be seen that the project can generate sufficient funds to meet its financial commitments and to share an adequate return to the promoters. Thus, the project is technically feasible, economically viable and financially sound and hence it warrants a favorable consideration by the financial institution.