

FILE COVER AND FILE BOARD



1.0 INTRODUCTION

File Cover/File Board making units comes under traditional industry and is one of the oldest industry related to printing and stationery. With the increasing need to classify and preserve documents in proper form as well as transfer of papers from one desk to another especially in government offices, the demand for stationery is constantly increasing. Most stationery items are not manufactured in the north east although one or two tiny units manufacturing file board and file cover do exist.

This project profile is for setting up of a File Cover and File Boards making unit, based on 300 working days per annum and 8 working hours per day. The installed production capacity of the unit per annum is as follows;

File Cover	-	60,000 Nos.
File Board	-	60,000 Nos.

2.0 MARKET POTENTIAL

There are numerous offices and institutions of varying sizes in the north eastern region. Small business establishments also need file cover and file board for preserving official documents. There is increasing demand for File Cover and File Boards from such establishments.

3.0 PROCESS DETAILS

The main process steps involved in making file covers, file boards are –

- i) Cutting boards and paper to required size
- ii) Printing of file cover sheet
- iii) Greasing and binding
- iv) Attaching clips and hooks
- v) Packaging in bundles

4.0. COST OF THE PROJECT

The estimated project cost is given below:

		(Rs. in lacs)
Particulars	Amount (Rs)	
Land & Site Development	Rented	
Building & Civil works	Rented	
Plant & Machinery		1.54
Misc. Fixed assets		0.61
Preliminary & pre-operative expenses		0.49
Contingencies & escalation @ 3%		0.06
Working capital		0.26
TOTAL		2.97

4.1 Land & Site Development: Nil. Covered Area: 750 Sq. Ft.

4.2 Building & Civil Works: Nil.

4.3 Plant & Machinery: Details of plant & machinery are given below.

Particulars	Qty	Amount (Rs)
Foot Operated Board Cutter	1	120000
Vertical bending Machine	1	
Platform Size Printing Machine	1	
Gumming Machine	1	
Corner Cutting machine	1	
Miscellaneous items	LS	20000
Sub total		140000
Add: Installation, transportation, etc @ 10%		14000
TOTAL		154000
Say (Rs. in lacs)		1.54

4.4 Misc. Fixed assets: Details of miscellaneous fixed assets are given below.

Particulars	Qty	Rate (Rs)	Amount (Rs)
Electrification	LS	--	10000
Furniture & fixtures	LS	--	25000
Miscellaneous items	LS	--	20000
Sub total			55000
Add: Installation, transportation, etc @ 10%			5500
TOTAL			60500
Say (Rs. in lacs)			0.61

4.5 Contingencies & escalation: Contingencies & escalation has been assumed at 3% of the cost of land & site development, building & civil works, plant & machinery and miscellaneous fixed assets.**4.6 Preliminary & pre-operative expenses:** Details of preliminary & pre-operative expenses are given below.

Particulars	(Rs. In lacs)
Travelling expenses	10000
Professional & other fees	15000
Interest during implementation	4290
Miscellaneous expenses	20000
TOTAL	49290
Say (Rs. in lacs)	0.49

4.7 Working capital: Details of working capital are given below.

	Period (Days)	Total Current Assets		
		Year 1	Year 2	Year 3
Raw materials	15	0.07	0.08	0.09
Power & utility	30	0.01	0.01	0.01
Salary	30	0.19	0.19	0.19
Finished Goods	15	0.18	0.20	0.21
Receivables	15	0.21	0.24	0.28
Total		0.66	0.72	0.79
Working capital margin in Year 1 (40%)	0.26			

5.0 MEANS OF FINANCE

The means of finance for the project is estimated as below.

(Rs. in lacs)

Particulars	Percent	Amount
EQUITY		
A. Equity from Promoters	40%	1.19
B. Subsidy from Central/State Govt.	-	
DEBT		
Term Loan from Banks/Financial Institutions	60%	1.78
TOTAL	100%	2.97

6.0 PROFITABILITY STATEMENT

(Rs. in lacs)

Particulars	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
A. INCOME					
Production Capacity (Nos./annum)	120000	120000	120000	120000	120000
Capacity utilisation	60%	70%	80%	80%	80%
Production/annum at capacity utilisation	72000	84000	96000	96000	96000
Total income/annum	5.04	5.88	6.72	6.72	6.72
B. OPERATING EXPENSES					
Raw Materials	1.71	1.99	2.28	2.28	2.28
Power & Utility	0.14	0.16	0.18	0.18	0.18
Salary	2.28	2.29	2.30	2.31	2.33
Repair & Maintenance	0.04	0.04	0.04	0.04	0.04
Other Expenses	0.25	0.29	0.34	0.34	0.34
Total Operating Expenses	4.42	4.78	5.14	5.15	5.17
Operating profit	0.62	1.10	1.58	1.57	1.55
C. FINANCIAL EXPENSES					
Depreciation	0.12	0.12	0.12	0.12	0.12
Interest on Term Loan	0.14	0.11	0.08	0.05	0.02
Interest on Working Capital Loan	0.03	0.03	0.04	0.04	0.04
Net Profit	0.33	0.83	1.34	1.36	1.38
Net cash accruals	0.45	0.95	1.46	1.48	1.50
Principal Repayment	0.20	0.40	0.40	0.40	0.40

6.1 Production capacity and Sales Realisation: Total production of File Cover and File Boards at 100% capacity utilization is estimated as below.

File Cover	60000 Nos.
File Board	60000 Nos.
Total production per annum at 100% capacity (in Nos.)	120000 Nos.

Products	Qty (In Nos.)	Average Rate Per Unit (Rs.)	Amount (Rs)
File Cover	60000	9	540000
File Board	60000	5	300000
Total Sale Turnover per annum at 100% capacity			840000

6.2 Raw materials: Total expenses on raw materials at 100% capacity utilization are estimated as below.

Products	Qty	Average Rate Per Unit (Rs.)	Amount (Rs)
Mill Board (In Ton)	3.8 Ton	30200	114760
Card Board	10000 Nos.	5	50000
Consumables like Gum, Clips, Hooks and others	LS	LS	120000
Expenses on raw material per annum at 100% capacity			284760

6.3 Power & Utility: Total expenses on power & utility at 100% capacity utilization is estimated as below.

Particulars	Quantity	Power (Kw)	Total (Kw)
Plant & Machinery	--	1.50	1.50
General Lighting	5	0.10	0.50
Total power requirement/ day (Kw)			2.00
No. of hrs/day	8		
No. of days/annum	300		
Annual power requirement (kwh)	4800		
Rate per unit (Rs)	3.50		
Expenses on power (Rs)	16800		
Expenses on other Utility (Rs)	6000		
Expenses on power & utility at 100% capacity (Rs)	22800		

6.4 Salary: Total expenses on salary in the 1st year are estimated as given below. It is assumed that salary expenses will increase @ 0.5% every subsequent year.

Particulars of Employees	Numbers	Salary/ Month (Rs)	Cost/ annum (Rs)
Manager	1	5000	60000
Skilled Workers	2	4000	96000
Unskilled workers	2	3000	72000
Expenses on salary in the 1st year (Rs)			228000

6.5 Repair & Maintenance: Total expenses on repair & maintenance in the 1st year is estimated as given below. It is assumed that expenses on repair & maintenance will increase @ 2% every subsequent year.

(Rs. in lacs)			
Particulars	Cost (Rs)	Rate	Amount (Rs)
Building & Civil works	0.00	1.00%	0.00
Plant & Machinery	1.54	2.00%	0.03
Misc. Fixed assets	0.61	1.50%	0.01
Expenses on repair & maintenance in year 1			0.04

6.6 Other Expenses: Other expenses have been assumed at 5% of sales realisation.

6.7 Depreciation: Depreciation has been calculated by straight line method. The details of calculation are given below.

(Rs in lacs)			
Description	Cost (Rs)	Rate	Amount/ annum (Rs)
Building & Civil works	0.00	3.34%	0.00
Plant & Machinery	1.54	5.28%	0.08
Misc. Fixed assets	0.61	6.33%	0.04
TOTAL			0.12

6.8 Interest on term loan & principal repayment: Interest rate has been assumed at 8%. Duration of Loan repayment has been considered for a period of 5 years including moratorium period of 6 Months with equal monthly instalments. The details of calculation are given below.

Rs in lacs)						
Month	Year	1	2	3	4	5
Month 1	Opening balance	1.78	1.58	1.19	0.79	0.40
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest (8%)	0.01	0.01	0.01	0.01	0.00
	Closing balance	1.78	1.55	1.15	0.76	0.36
Month 2	Opening balance	1.78	1.55	1.15	0.76	0.36
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.01	0.00
	Closing balance	1.78	1.52	1.12	0.72	0.33
Month 3	Opening balance	1.78	1.52	1.12	0.72	0.33
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.78	1.48	1.09	0.69	0.30
Month 4	Opening balance	1.78	1.48	1.09	0.69	0.30
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.78	1.45	1.05	0.66	0.26
Month 5	Opening balance	1.78	1.45	1.05	0.66	0.26
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.78	1.42	1.02	0.63	0.23
Month 6	Opening balance	1.78	1.42	1.02	0.63	0.23
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.78	1.38	0.99	0.59	0.20
Month 7	Opening balance	1.78	1.38	0.99	0.59	0.20
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.75	1.35	0.96	0.56	0.16
Month 8	Opening balance	1.75	1.35	0.96	0.56	0.16
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.71	1.32	0.92	0.53	0.13
Month 9	Opening balance	1.71	1.32	0.92	0.53	0.13
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.68	1.28	0.89	0.49	0.10
Month 10	Opening balance	1.68	1.28	0.89	0.49	0.10

	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.65	1.25	0.86	0.46	0.07
Month 11	Opening balance	1.65	1.25	0.86	0.46	0.07
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.61	1.22	0.82	0.43	0.03
Month 12	Opening balance	1.61	1.22	0.82	0.43	0.03
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.58	1.19	0.79	0.40	0.00
Principal Repayment		0.20	0.40	0.40	0.40	0.40
Interest		0.14	0.11	0.08	0.05	0.02

7.0 DEBT SERVICE COVERAGE RATIO (DSCR)

(Rs. in lacs)

Year	1	2	3	4	5
Profit After Tax (Net Profit)	0.33	0.83	1.34	1.36	1.38
Depreciation	0.12	0.12	0.12	0.12	0.12
Interest	0.14	0.11	0.08	0.05	0.02
Total	0.59	1.07	1.54	1.53	1.52
Interest	0.14	0.11	0.08	0.05	0.02
Loan repayment	0.20	0.40	0.40	0.40	0.40
Total	0.34	0.51	0.48	0.44	0.41
DSCR	1.76	2.10	3.24	3.44	3.68

Average DSCR = 2.87

8.0 BREAK EVEN POINT (BEP)

(Rs. in lacs)

Year	1	2	3
A. Net sales	5.04	5.88	6.72
B. Variable cost			
Raw Materials	1.71	1.99	2.28
Power & Utility	0.14	0.16	0.18
Other expenses	0.25	0.29	0.34
Interest on Working Capital Loan	0.03	0.03	0.04
Total variable cost	2.13	2.48	2.83
C. Contribution (A-B)	2.91	3.40	3.89
D. Fixed & Semi-fixed Costs			
Salary	2.28	2.29	2.30
Repair & maintenance	0.04	0.04	0.04
Interest on Term Loan	0.14	0.11	0.08
Depreciation	0.12	0.12	0.12
Total fixed cost	2.58	2.56	2.54
E. BREAK EVEN POINT	88.58%	75.44%	65.48%
F. BEP at operating capacity	53.15%	52.81%	52.38%
G. Cash BEP	50.68%	50.34%	49.92%

9.0 INTERNAL RATE OF RETURN (IRR)**(Rs. in lacs)**

Year	0	1	2	3	4	5
CASH OUTFLOW						
Capital Expenditure	2.21	0.00	0.00	0.00	0.00	0.00
Working Capital	0.00	0.66	0.06	0.06	0.00	0.00
Total (A)	2.21	0.66	0.06	0.06	0.00	0.00
CASH INFLOW						
Profit After Tax		0.33	0.83	1.34	1.36	1.38
Add: Depreciation		0.12	0.12	0.12	0.12	0.12
Add: Interest		0.14	0.11	0.08	0.05	0.02
Add: Salvage Value						
Total (B)	0.00	0.59	1.07	1.54	1.53	1.52
NET FLOW (B-A)	-2.21	-0.07	1.00	1.48	1.53	1.52

IRR = 41%

Sl. No.	Name of the Machinery Suppliers	Communication Address
1.	M/s Nagpal Industries	Bartan Market, Sadar Bazar, Delhi, Pin- 110 006
2.	M/s Indo-European Trading Co Pvt. Ltd.	9, Dalal Street, Fort, Mumbai, Maharashtra.
3.	M/s Shri Krishna Engineering Works	Brahmaputra Kinkabawali Wadi, Near Vanker Road, Siang, Surat.