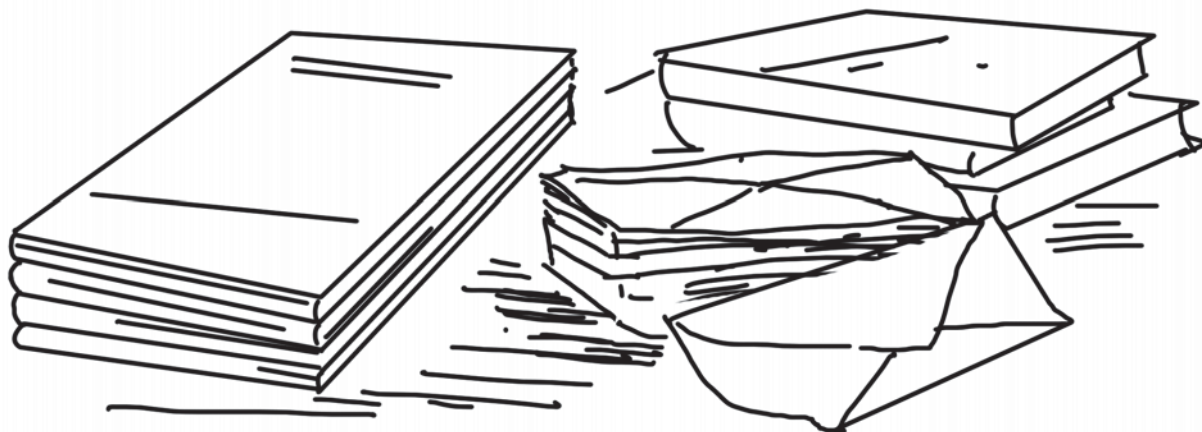


EXERCISE BOOK, PAPER ENVELOP AND REGISTER



1.0 INTRODUCTION

Stationery items like note books, exercise books, log books, paper envelopes etc are always in demand for students as well as for offices. The demand for note books is more in the months of June to August in every year due to new admission season. Similarly, registers are essential in every office, institutions, organisations, etc. The sizes of the products are normally decided as per the local market demands.

This project profile is for setting up of Exercise Book, Paper Envelop and Register 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;

Exercise Book	-	84,000 Nos.
Paper Envelop	-	2,40,000 Nos.
Register	-	84,000 Nos.

2.0 MARKET POTENTIAL

There is increasing demand for note books as stationery items in view of rapid growth in educational institutions.

The product finds placement in all “A”, and “B” class outlets, self service, departmental stores and supermarkets. The product has a lot of market potential if reasonably priced. Keeping in view of above factors the demand of this product is likely to increase in the coming years.

3.0 PROCESS DETAILS

The manufacturing process of note books, registers, etc is quite simple. In this process, first of all white papers are ruled with the help of ruling machine as per the local requirement. The ruled paper sheets are folded into the required size of note book (92/192 pages) and then after binding it with grey boards, labels and covers are pasted on it. These labels can also be printed by the entrepreneur in his own unit and various multi colour attractive covers can be purchased from the market. After pasting the covers, cutting is done to give them the finishing touch. The same procedure is followed for making the registers also.

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	1.27
Misc. Fixed assets	0.61
Preliminary & pre-operative expenses	0.49
Contingencies & escalation @ 3%	0.06
Working capital	0.38
TOTAL	2.80

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

4.2 Building & Civil Works: Details of building & civil works are given below.

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

Particulars	Qty	Amount (Rs)
Disk rulling machine - 36" with motor	1	95000
Paper cutting machine - 32" with motor	1	
Stitching machine with motor 0.5 HP	1	
Perforating machine - manual 18"	1	
Press - manual - 15 x 20"	1	
Miscellaneous items	LS	20000
Sub total		115000
Add: Installation, transportation, etc @ 10%		11500
TOTAL		126500
Say (Rs. in lacs)		1.27

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

Particulars	Qty	Rate (Rs)	Amount (Rs)
Electrification	1	10000	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.

(Rs. In lacs)

Particulars	Amount (Rs)
Travelling expenses	10000
Professional & other fees	15000
Interest during implementation	3740
Miscellaneous expenses	20000
TOTAL	48740
Say (Rs. in lacs)	0.49

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

(Rs. in lacs)

	Period (Days)	Total Current Assets		
		Year 1	Year 2	Year 3
Raw materials	15	0.17	0.19	0.22
Power & utility	30	0.01	0.01	0.01
Salary	30	0.19	0.19	0.19
Finished Goods	15	0.28	0.31	0.34
Receivables	15	0.30	0.35	0.40
Total		0.94	1.05	1.17
Working capital margin in Year 1 (40%)	0.38			

5.0 MEANS OF FINANCE

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

(Rs. in lacs)

Particulars	Percent	Amount
<u>EQUITY</u>		
A. Equity from Promoters	40%	1.12
B. Subsidy from Central/State Govt.	-	
<u>DEBT</u>		
Term Loan from Banks/Financial Institutions	60%	1.68
TOTAL	100%	2.80

6.0 PROFITABILITY STATEMENT

(Rs. in lacs)

Particulars	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
<u>A. INCOME</u>					
Production Capacity (Nos./annum)	168000	168000	168000	168000	168000
Capacity utilisation	60%	70%	80%	80%	80%
Production/annum at capacity utilisation	100800	117600	134400	134400	134400
Total income/annum	7.27	8.48	9.70	9.70	9.70
<u>B. OPERATING EXPENSES</u>					
Raw Materials	4.02	4.69	5.36	5.36	5.36
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	0.03	0.04	0.04	0.04	0.04
Other Expenses	0.36	0.42	0.48	0.48	0.48
Total Operating Expenses	6.83	7.60	8.36	8.37	8.39
Operating profit	0.44	0.89	1.33	1.32	1.31
<u>C. FINANCIAL EXPENSES</u>					
Depreciation	0.11	0.11	0.11	0.11	0.11
Interest on Term Loan	0.13	0.11	0.08	0.05	0.02
Interest on Working Capital Loan	0.05	0.05	0.06	0.06	0.06
Net Profit	0.16	0.63	1.10	1.11	1.13
Net cash accruals	0.26	0.73	1.20	1.22	1.24
Principal Repayment	0.19	0.37	0.37	0.37	0.37

6.1 Production capacity and Sales Realisation: Total annual output of **Exercise Book, Envelop and Registers** at 100% capacity utilization is estimated as below.

Exercise Note Book	84000 Nos.
Envelop	240000 Nos.
Register	84000 Nos.
Total production per annum at 100% capacity	168000 Nos.

Products	Qty	Average Rate Per Unit (Rs.)	Amount (Rs)
Exercise Note Book	84000 Nos.	5	420000
Envelop (Rs. 50 Per 100)	240000 Nos.	50	120000
Register	84000 Nos.	8	672000
Total Sale Turnover per annum at 100% capacity			1212000

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)
White Sheets	2100 Reams	275	577500
Grey Board Sheets	22000	2	44000
Consumables like Printing ink, level cover sheets, gum, binding cloth thread, stitching-ware, consumables, etc	LS	--	48000
Expenses on raw material per annum at 100% capacity			669500

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	1.27	2.00%	0.03
Misc. Fixed assets	0.61	1.50%	0.01
Expenses on repair & maintenance in year 1			0.03

- 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	1.27	5.28%	0.07
Misc. Fixed assets	0.61	6.33%	0.04
TOTAL			0.11

- 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	1.68	1.49	1.12	0.75	0.37
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest (8%)	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.68	1.46	1.09	0.71	0.34
Month 2	Opening balance	1.68	1.46	1.09	0.71	0.34
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.68	1.43	1.06	0.68	0.31
Month 3	Opening balance	1.68	1.43	1.06	0.68	0.31
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00

	Closing balance	1.68	1.40	1.03	0.65	0.28
Month 4	Opening balance	1.68	1.40	1.03	0.65	0.28
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.68	1.37	0.99	0.62	0.25
Month 5	Opening balance	1.68	1.37	0.99	0.62	0.25
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.68	1.34	0.96	0.59	0.22
Month 6	Opening balance	1.68	1.34	0.96	0.59	0.22
	Repayment	0.00	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.68	1.30	0.93	0.56	0.19
Month 7	Opening balance	1.68	1.30	0.93	0.56	0.19
	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	1.27	0.90	0.53	0.16
Month 8	Opening balance	1.65	1.27	0.90	0.53	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	1.62	1.24	0.87	0.50	0.12
Month 9	Opening balance	1.62	1.24	0.87	0.50	0.12
	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	1.21	0.84	0.47	0.09
Month 10	Opening balance	1.58	1.21	0.84	0.47	0.09
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.55	1.18	0.81	0.43	0.06
Month 11	Opening balance	1.55	1.18	0.81	0.43	0.06
	Repayment	0.03	0.03	0.03	0.03	0.03
	Interest	0.01	0.01	0.01	0.00	0.00
	Closing balance	1.52	1.15	0.78	0.40	0.03
Month 12	Opening balance	1.52	1.15	0.78	0.40	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	1.49	1.12	0.75	0.37	0.00
Principal Repayment		0.19	0.37	0.37	0.37	0.37
Interest		0.13	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)	0.16	0.63	1.10	1.11	1.13
Depreciation	0.11	0.11	0.11	0.11	0.11
Interest	0.13	0.11	0.08	0.05	0.02
Total	0.39	0.84	1.28	1.27	1.25
Interest	0.13	0.11	0.08	0.05	0.02

Loan repayment	0.19	0.37	0.37	0.37	0.37
Total	0.32	0.48	0.45	0.42	0.39
DSCR	1.24	1.75	2.85	3.02	3.22

Average DSCR = 2.45

8.0 BREAK EVEN POINT (BEP)		(Rs. in lacs)		
Year	1	2	3	
A. Net sales	7.27	8.48	9.70	
B. Variable cost				
Raw Materials	4.02	4.69	5.36	
Power & Utility	0.14	0.16	0.18	
Other expenses	0.36	0.42	0.48	
Interest on Working Capital Loan	0.05	0.05	0.06	
Total variable cost	4.56	5.32	6.08	
C. Contribution (A-B)	2.71	3.16	3.62	
D. Fixed & Semi-fixed Costs				
Salary	2.28	2.29	2.30	
Repair & maintenance	0.03	0.04	0.04	
Interest on Term Loan	0.13	0.11	0.08	
Depreciation	0.11	0.11	0.11	
Total fixed cost	2.55	2.54	2.52	
E. BREAK EVEN POINT	94.15%	80.22%	69.67%	
F. BEP at operating capacity	56.49%	56.16%	55.74%	
G. Cash BEP	54.16%	53.83%	53.41%	

9.0 INTERNAL RATE OF RETURN (IRR)

		(Rs. in lacs)					
Year	0	1	2	3	4	5	
CASH OUTFLOW							
Capital Expenditure	1.93	0.00	0.00	0.00	0.00	0.00	
Working Capital	0.00	0.94	0.11	0.11	0.00	0.00	
Total (A)	1.93	0.94	0.11	0.11	0.00	0.00	
CASH INFLOW							
Profit After Tax		0.16	0.63	1.10	1.11	1.13	
Add: Depreciation		0.11	0.11	0.11	0.11	0.11	
Add: Interest		0.13	0.11	0.08	0.05	0.02	
Add: Salvage Value							
Total (B)	0.00	0.39	0.84	1.28	1.27	1.25	
NET FLOW (B-A)	-1.93	-0.55	0.72	1.17	1.27	1.25	

IRR = 32%

Sl. No.	Name of the Machinery Suppliers	Communication Address
1.	M/s SUMACO MACHINERY COMPANY	2434/1-23, Cheel Mandi, Amritsar - 143001, Punjab.
2.	M/s LINE O MATIC GRAPHIC INDUSTRIES	D/62, DIAMOND PARK, GIDC, NARODA, OPP. TOYOTA SHOWROOM, N.H. NO. 8, NARODA, Ahmedabad - 382330, Gujarat