

PROJECT REPORT

Of

HANDMADE PAPER

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Handmade Paper Making unit.

The objective of the pre-feasibility report is primarily to facilitate potential entrepreneurs in project identification for investment and in order to serve his objective; the document covers various aspects of the project concept development, start-up, marketing, finance and management.

[We can modify the project capacity and project cost as per your requirement. We can also prepare project report on any subject as per your requirement.]



Lucknow Office: Sidhivinayak Building ,
27/1/B, Gokhley Marg, Lucknow-226001

Delhi Office : Multi Disciplinary Training
Centre, Gandhi Darshan Rajghat,
New Delhi 110002

Email : info@udyami.org.in
Contact : +91 7526000333, 444, 555

PROJECT AT A GLANCE

- 1 Name of the Entrepreneur : xxxxxxxxxxx
- 2 Constitution (legal Status) : xxxxxxxxxxx
- 3 Father / Spouse Name : xxxxxxxxxxxxxx
- 4 Unit Address : xxxxxxxxxxxxxxxxxxxxxxxx
- District : xxxxxxxx
- Pin: xxxxxxxx State: xxxxx
- Mobile xxxxxxxx
- 5 Product and By Product : **HANMADE PAPER**
- 6 Name of the project / business activity proposed : **HANDMADE PAPER MANUFACTURING UNIT**
- 7 Cost of Project : Rs.14.67 Lakhs
- 8 Means of Finance
- Term Loan Rs.8.37 Lakhs
- Own Capital Rs.1.47 Lakhs
- Working Capital Rs.4.83 Lakhs
- 9 Debt Service Coverage Ratio : 3.88
- 10 Pay Back Period : 5 Years
- 11 Project Implementation Period : 5-6 Months
- 12 Break Even Point : 31%
- 13 Employment : 10 Persons
- 14 Power Requirement : 10.00 HP
- 15 Major Raw materials : Waste Paper, Water, CMC Powder Granules, Colour, Chemicals, Packing material etc.
- 16 Estimated Annual Sales Turnover (Max Capacity) : 95.48 Lakhs
- 17 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lakhs)

| Particulars | Amount |
|----------------------|--------------|
| Land | Own/Rented |
| Plant & Machinery | 9.00 |
| Furniture & Fixtures | 0.30 |
| Working Capital | 5.37 |
| Total | 14.67 |

MEANS OF FINANCE

| Particulars | Amount |
|--------------------------|--------------|
| Own Contribution | 1.47 |
| Working Capital(Finance) | 4.83 |
| Term Loan | 8.37 |
| Total | 14.67 |

HANDMADE PAPER MAKING UNIT

Introduction:

The historical backdrop of paper goes back to the historical backdrop of human culture and civilization. The antiquated Egyptians, Greeks and Romans utilize an alternate sort of paper called 'papyrus'. Paper is for the most part characterized as a solitary handle, level material, shifting in thickness and material substance as per end use. Paper is a cellulose material revised with various added substances, which structure a firm sheet with alluring paper characteristics. Paper can be produced using various plants, which contain sufficient measures of cellulose strands. Board is characterized as an increase bound material, which typically has a more noteworthy thickness than the paper. Paper can be produced using various plants which contain sufficient measure of cellulose-strands. In paper manufacturing the stringy bit of the plants are decreased to mash by compound or natural activity followed by mechanical cycle of granulating. Paper is made by affidavit, from a weakened water suspension of mash, an even layer of cellulose fiber on fine screen that allows the water to deplete through yet holds the blended particles of cellulose. This layer of strands, taken out from the screen lastly squeezed and dried, turns into a sheet with durable strength and related properties that we perceive as paper. The trademark nature of the paper created relies upon the tone, length, width, adaptability, strength and other related properties of the strands utilized. The art of making high quality paper from squander paper and material strings is noticeable in Kalpinagar, arranged on the banks of Yamuna River in the region. This paper is used to make an assortment of items, for example, office records, convey sacks, ingestion papers, visiting cards and the sky is the limit from there. The nature of creation can be improved by utilizing current innovation and strategies. Jalaun is known for its specialization in giving Handmade Paper various plans and examples in various thicknesses and sizes which are appropriate for an assortment of beautiful purposes.



Uses & Market Potential:

Handmade paper is utilized for office fixed, composing cushions, gathering envelopes, PC printouts, drawing and documentation sheets. It can likewise be utilized as extravagant items like – office table adornments, welcoming cards, embellishing wraps and convey sacks. It additionally has some significant mechanical application like – channel paper for vehicles, protecting paper and so on.

Production of Handmade Paper requires low capital investment, can easily set up in rural areas and thus can be used to encourage local entrepreneurship. These units can be used as a means to create employment opportunities in the rural areas. This paper making has been a traditional art which has been passed through generation by craftsmen known as 'Kagzis'. The production of handmade paper does not require skilled labour and local population especially women can be absorbed in this industry. Handmade paper making in India began in 3rd Century B.C. The demand for handmade paper and its product is fast growing in the domestic as well as international market. There has been phenomenal growth in the export market for Indian handmade paper and its products especially in developed countries like USA, Germany, Europe, Australia etc. One estimate shows that in India only about 20% of waste paper is being currently recycled annually which is very low in comparison to 73% in Germany, 69% in Sweden, 60% in Japan, 49% in USA and 45% in Italy. The countries like Indonesia, Malaysia and Philippines have already emerged as "Handmade Paper Giants". The location of major handmade paper industries in India are Rajasthan, New Delhi, Tamil Nadu, Pondicherry etc. Hyderabad is also home for several small and medium sized handmade paper industries.

Product:

HANDMADE PAPER

Raw Material:

1. Waste papers
2. Water
3. CMC powder granules
4. Colour
5. Chemicals
6. Packing material

Manufacturing Process:

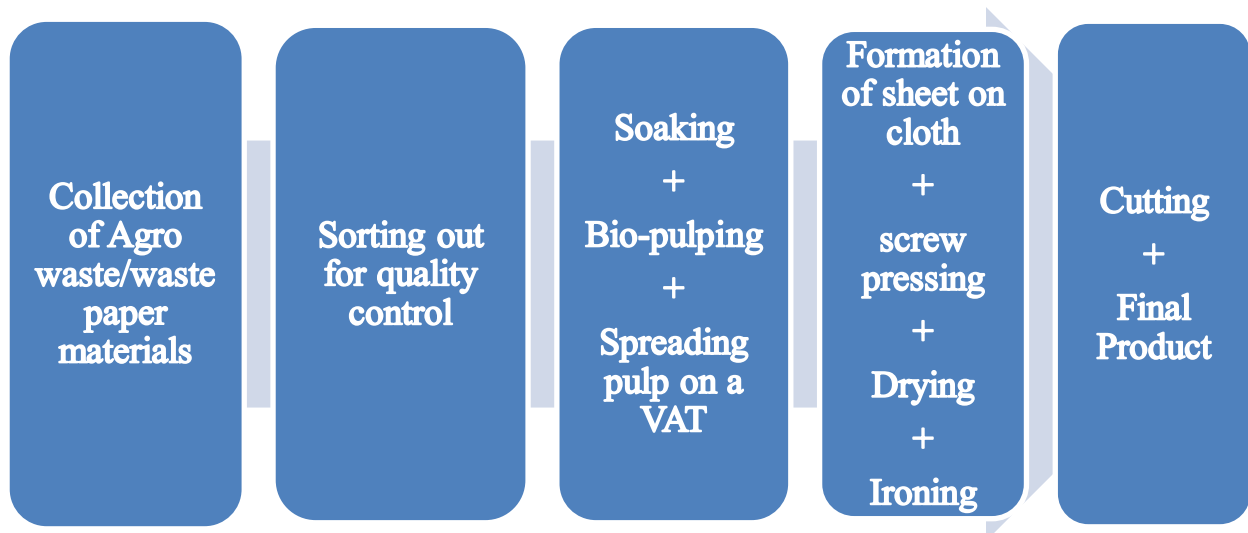


Fig. 1 – Process Flowchart

Area:

The industrial setup requires space for Inventory, workshop or manufacturing area, space for power supply utilities and polishing area. Also, some of the area of building is required for office staff facilities, office furniture, etc. Thus, the approximate total area required for complete industrial setup is 1000-1500Sqft

Cost of Machines:

| S No. | Machine | Unit | Price |
|--------------|------------------------|-------------|-------------------|
| 1. | Paper Shredder Machine | 1 | 20,000/- |
| 2. | Paper Pulper Machine | 1 | 70,000/- |
| 3. | Deinking Machine | 1 | 2,50,000/- |
| 4. | Papervats | 1 | 60,000/- |
| 5. | Hydraulic Press | 1 | 1,50,000/- |
| 6. | Calendaring Machine | 1 | 2,00,000/- |
| 7. | Paper Cutting Machine | 1 | 1,50,000/- |
| | Total | | 9,00,000/- |

Power Requirement- - The estimated Power requirement is taken at 10 HP

Manpower Requirement- Following manpower is required:

- Machine operator-2
- Skilled/unskilled worker-2
- Helpers-4
- Accountant-1
- Sales Personnel-1

FINANCIALS

PROJECTED BALANCE SHEET

| PARTICULARS | I | II | III | IV | V |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| | | | | | |
| | | | | | |
| <u>SOURCES OF FUND</u> | | | | | |
| <u>Capital Account</u> | | | | | |
| Opening Balance | - | 1.37 | 2.94 | 4.56 | 6.39 |
| Add: Additions | 1.47 | - | - | - | - |
| Add: Net Profit | 5.01 | 6.27 | 7.02 | 7.94 | 8.80 |
| Less: Drawings | 5.10 | 4.70 | 5.40 | 6.10 | 6.80 |
| Closing Balance | 1.37 | 2.94 | 4.56 | 6.39 | 8.39 |
| CC Limit | 4.83 | 4.83 | 4.83 | 4.83 | 4.83 |
| Term Loan | 7.44 | 5.58 | 3.72 | 1.86 | - |
| Sundry Creditors | 1.91 | 2.14 | 2.38 | 2.63 | 2.89 |
| | | | | | |
| TOTAL : | 15.55 | 15.49 | 15.49 | 15.71 | 16.11 |
| | | | | | |
| | | | | | |
| <u>APPLICATION OF FUND</u> | | | | | |
| | | | | | |
| Fixed Assets (Gross) | 9.30 | 9.30 | 9.30 | 9.30 | 9.30 |
| Gross Dep. | 1.38 | 2.55 | 3.55 | 4.41 | 5.13 |
| Net Fixed Assets | 7.92 | 6.75 | 5.75 | 4.89 | 4.17 |
| | | | | | |
| Current Assets | | | | | |
| Sundry Debtors | 2.89 | 3.43 | 3.85 | 4.30 | 4.77 |
| Stock in Hand | 4.39 | 4.95 | 5.51 | 6.11 | 6.73 |
| Cash and Bank | 0.36 | 0.37 | 0.38 | 0.41 | 0.43 |
| | | | | | |
| TOTAL : | 15.55 | 15.49 | 15.49 | 15.71 | 16.11 |
| | - | - | - | - | - |

PROJECTED PROFITABILITY STATEMENT

| PARTICULARS | I | II | III | IV | V |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| <u>A) SALES</u> | | | | | |
| Gross Sale | 57.71 | 68.52 | 77.03 | 86.01 | 95.48 |
| Total (A) | 57.71 | 68.52 | 77.03 | 86.01 | 95.48 |
| <u>B) COST OF SALES</u> | | | | | |
| Raw Material Consumed | 38.14 | 42.77 | 47.63 | 52.65 | 57.83 |
| Electricity Expenses | 1.12 | 1.23 | 1.34 | 1.45 | 1.57 |
| Repair & Maintenance | 1.15 | 2.06 | 2.31 | 2.67 | 3.06 |
| Labour & Wages | 7.81 | 8.98 | 10.33 | 11.88 | 13.66 |
| Depreciation | 1.38 | 1.17 | 1.00 | 0.85 | 0.72 |
| Cost of Production | 49.60 | 56.21 | 62.61 | 69.50 | 76.84 |
| Add: Opening Stock /WIP | - | 2.48 | 2.81 | 3.13 | 3.48 |
| Less: Closing Stock /WIP | 2.48 | 2.81 | 3.13 | 3.48 | 3.84 |
| Cost of Sales (B) | 47.12 | 55.88 | 62.29 | 69.16 | 76.48 |
| C) GROSS PROFIT (A-B) | 10.59 | 12.63 | 14.74 | 16.86 | 19.00 |
| | 18.35% | 18.44% | 19.13% | 19.60% | 19.90% |
| D) Bank Interest i) (Term Loan) | 0.91 | 0.74 | 0.54 | 0.33 | 0.13 |
| ii) Interest On Working Capital | 0.53 | 0.53 | 0.53 | 0.53 | 0.53 |
| E) Salary to Staff | 3.40 | 3.91 | 4.50 | 5.40 | 6.48 |
| F) Selling & Adm Expenses Exp. | 0.58 | 0.69 | 1.46 | 1.72 | 1.91 |
| G) TOTAL (D+E+F) | 5.42 | 5.87 | 7.03 | 7.98 | 9.05 |
| H) NET PROFIT | 5.17 | 6.76 | 7.71 | 8.87 | 9.96 |
| | 9.0% | 9.9% | 10.0% | 10.3% | 10.4% |
| I) Taxation | 0.17 | 0.50 | 0.69 | 0.94 | 1.16 |
| J) PROFIT (After Tax) | 5.01 | 6.27 | 7.02 | 7.94 | 8.80 |

PROJECTED CASH FLOW STATEMENT

| PARTICULARS | I | II | III | IV | V |
|-----------------------------------|--------------|-------------|-------------|-------------|--------------|
| | | | | | |
| | | | | | |
| <u>SOURCES OF FUND</u> | | | | | |
| | | | | | |
| Own Contribution | 1.47 | - | - | - | - |
| Reserve & Surplus | 5.17 | 6.76 | 7.71 | 8.87 | 9.96 |
| Depriciation & Exp. W/off | 1.38 | 1.17 | 1.00 | 0.85 | 0.72 |
| Increase In Cash Credit | 4.83 | - | - | - | - |
| Increase In Term Loan | 8.37 | - | - | - | - |
| Increase in Creditors | 1.91 | 0.23 | 0.24 | 0.25 | 0.26 |
| | | | | | |
| TOTAL : | 23.12 | 8.17 | 8.95 | 9.97 | 10.94 |
| | | | | | |
| | | | | | |
| <u>APPLICATION OF FUND</u> | | | | | |
| | | | | | |
| Increase in Fixed Assets | 9.30 | - | - | - | - |
| Increase in Stock | 4.39 | 0.56 | 0.56 | 0.60 | 0.63 |
| Increase in Debtors | 2.89 | 0.54 | 0.43 | 0.45 | 0.47 |
| Repayment of Term Loan | 0.93 | 1.86 | 1.86 | 1.86 | 1.86 |
| Taxation | 0.17 | 0.50 | 0.69 | 0.94 | 1.16 |
| Drawings | 5.10 | 4.70 | 5.40 | 6.10 | 6.80 |
| TOTAL : | 22.77 | 8.16 | 8.94 | 9.94 | 10.92 |
| | | | | | |
| Opening Cash & Bank Balance | - | 0.36 | 0.37 | 0.38 | 0.41 |
| | | | | | |
| Add : Surplus | 0.36 | 0.01 | 0.01 | 0.03 | 0.02 |
| | | | | | |
| Closing Cash & Bank Balance | 0.36 | 0.37 | 0.38 | 0.41 | 0.43 |

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

| PARTICULARS | I | II | III | IV | V |
|------------------------------|-------------|-------------|-------------|-------------|-------------|
| | | | | | |
| | | | | | |
| <u>Finished Goods</u> | | | | | |
| (15 Days requirement) | 2.48 | 2.81 | 3.13 | 3.48 | 3.84 |
| <u>Raw Material</u> | | | | | |
| (15 Days requirement) | 1.91 | 2.14 | 2.38 | 2.63 | 2.89 |
| | | | | | |
| | | | | | |
| Closing Stock | 4.39 | 4.95 | 5.51 | 6.11 | 6.73 |

COMPUTATION OF WORKING CAPITAL REQUIREMENT

| Particulars | Amount | Margin(10%) | Net Amount |
|------------------------------------|---------------|--------------------|-----------------------|
| Stock in Hand | 4.39 | | |
| Less: | | | |
| Sundry Creditors | 1.91 | | |
| Paid Stock | 2.48 | 0.25 | 2.23 |
| | | | |
| Sundry Debtors | 2.89 | 0.29 | 2.60 |
| Working Capital Requirement | | | 4.83 |
| | | | |
| Margin | | | 0.54 |
| | | | |
| MPBF | | | 4.83 |
| Working Capital Demand | | | 4.83 |

| REPAYMENT SCHEDULE OF TERM LOAN | | | | | | | 11.0% |
|--|--------------------|---------------|-----------------|--------------|-----------------|------------------|-------------------|
| Year | Particulars | Amount | Addition | Total | Interest | Repayment | CI Balance |
| I | Opening Balance | | | | | | |
| | Ist Quarter | - | 8.37 | 8.37 | 0.23 | - | 8.37 |
| | Iind Quarter | 8.37 | - | 8.37 | 0.23 | - | 8.37 |
| | IIIrd Quarter | 8.37 | - | 8.37 | 0.23 | 0.47 | 7.91 |
| | Ivth Quarter | 7.91 | - | 7.91 | 0.22 | 0.47 | 7.44 |
| | | | | | 0.91 | 0.93 | |
| II | Opening Balance | | | | | | |
| | Ist Quarter | 7.44 | - | 7.44 | 0.20 | 0.47 | 6.98 |
| | Iind Quarter | 6.98 | - | 6.98 | 0.19 | 0.47 | 6.51 |
| | IIIrd Quarter | 6.51 | - | 6.51 | 0.18 | 0.47 | 6.05 |
| | Ivth Quarter | 6.05 | | 6.05 | 0.17 | 0.47 | 5.58 |
| | | | | | 0.74 | 1.86 | |
| III | Opening Balance | | | | | | |
| | Ist Quarter | 5.58 | - | 5.58 | 0.15 | 0.47 | 5.12 |
| | Iind Quarter | 5.12 | - | 5.12 | 0.14 | 0.47 | 4.65 |
| | IIIrd Quarter | 4.65 | - | 4.65 | 0.13 | 0.47 | 4.19 |
| | Ivth Quarter | 4.19 | | 4.19 | 0.12 | 0.47 | 3.72 |
| | | | | | 0.54 | 1.86 | |
| IV | Opening Balance | | | | | | |
| | Ist Quarter | 3.72 | - | 3.72 | 0.10 | 0.47 | 3.26 |
| | Iind Quarter | 3.26 | - | 3.26 | 0.09 | 0.47 | 2.79 |
| | IIIrd Quarter | 2.79 | - | 2.79 | 0.08 | 0.47 | 2.33 |
| | Ivth Quarter | 2.33 | | 2.33 | 0.06 | 0.47 | 1.86 |
| | | | | | 0.33 | 1.86 | |
| V | Opening Balance | | | | | | |
| | Ist Quarter | 1.86 | - | 1.86 | 0.05 | 0.47 | 1.40 |
| | Iind Quarter | 1.40 | - | 1.40 | 0.04 | 0.47 | 0.93 |
| | IIIrd Quarter | 0.93 | - | 0.93 | 0.03 | 0.47 | 0.47 |
| | Ivth Quarter | 0.47 | | 0.47 | 0.01 | 0.47 | 0.00 |
| | | | | | 0.13 | 1.86 | |
| Door to Door Period | | 60 | Months | | | | |
| Moratorium Period | | 6 | Months | | | | |
| Repayment Period | | 54 | Months | | | | |

CALCULATION OF D.S.C.R

| PARTICULARS | I | II | III | IV | V |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| | | | | | |
| | | | | | |
| | | | | | |
| <u>CASH ACCRUALS</u> | 6.39 | 7.44 | 8.02 | 8.79 | 9.52 |
| | | | | | |
| Interest on Term Loan | 0.91 | 0.74 | 0.54 | 0.33 | 0.13 |
| | | | | | |
| Total | 7.29 | 8.18 | 8.55 | 9.12 | 9.65 |
| | | | | | |
| <u>REPAYMENT</u> | | | | | |
| Repayment of Term Loan | 0.93 | 1.86 | 1.86 | 1.86 | 1.86 |
| Interest on Term Loan | 0.91 | 0.74 | 0.54 | 0.33 | 0.13 |
| | | | | | |
| Total | 1.84 | 2.60 | 2.40 | 2.19 | 1.99 |
| | | | | | |
| DEBT SERVICE COVERAGE RATIO | 3.97 | 3.15 | 3.57 | 4.16 | 4.85 |
| | | | | | |
| AVERAGE D.S.C.R. | | | 3.88 | | |

Assumptions:

1. Production Capacity of Handmade Paper unit is taken at 45 Rims (100 Papers per Rim) per day. First year, Capacity has been taken @ 50%.
2. Working shift of 10 hours per day has been considered.
3. Raw Material stock and Finished goods closing stock has been taken for 15 days.
4. Credit period to Sundry Debtors has been given for 15 days.
5. Credit period by the Sundry Creditors has been provided for 15 days.
6. Depreciation and Income tax has been taken as per the Income tax Act,1961.
7. Interest on working Capital Loan and Term loan has been taken at 11%.
8. Salary and wages rates are taken as per the Current Market Scenario.
9. Power Consumption has been taken at 6 HP.
10. Selling Prices & Raw material costing has been increased by 3% & 2% respectively in the subsequent years.

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