PROJECT REPORT

Of

RUBBER BALLOONS

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding **Rubber Balloons.**

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.

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PROJECT REPORT

ON

RUBBER BALLOONS

Introduction: Rubber balloons are thin gauge rubber products produced from suitable latex compound. It is considered as cheapest of all toys and hence it is extremely popular in all segments of population. Toy balloons have no formal specification. Toy Rubber Balloons are perhaps the most popular toy of children. As it is made primarily with Natural Rubber latex it is a resource-based industry

Market: Toy Rubber balloons are not only the most popular toy of children; it is also used in Birth-day celebrations, decoration of shops & restaurants. It is also used for target –practice and decorations to show festivities. Thus from demand aspect also Toy Rubber Balloons have good scope.

Installed Capacity: Operating single shift of 8 hours per day for 300 working days per annum the unit shall have an installed capacity to produce 1,80,000 packets of 100 balloons each per annum.

Suggested Capacity: The minimum economic capacity of a unit manufacturing balloons is 1 million pcs. Per annum based on 30 days working schedule in a year.

Raw Materials: 97.32 percent of Rubber balloon comprise of Ammonia reduced Latex. Casein, Potasium hydroxide, Sulphur, Zinc oxide, colour pigments and chemicals like vulcanax SP, Vulkacit LDA forms the remaining 2.68 percent of raw materials. Rubber-chemicals are available from ICI (India) Pvt. Ltd. Gesent House, Bollard Estate, Mumbai-1 and Munsanto chemicals of Indian (P)Ltd; Vakefield House, Sprott Road, Mumbai Latex is available locally.

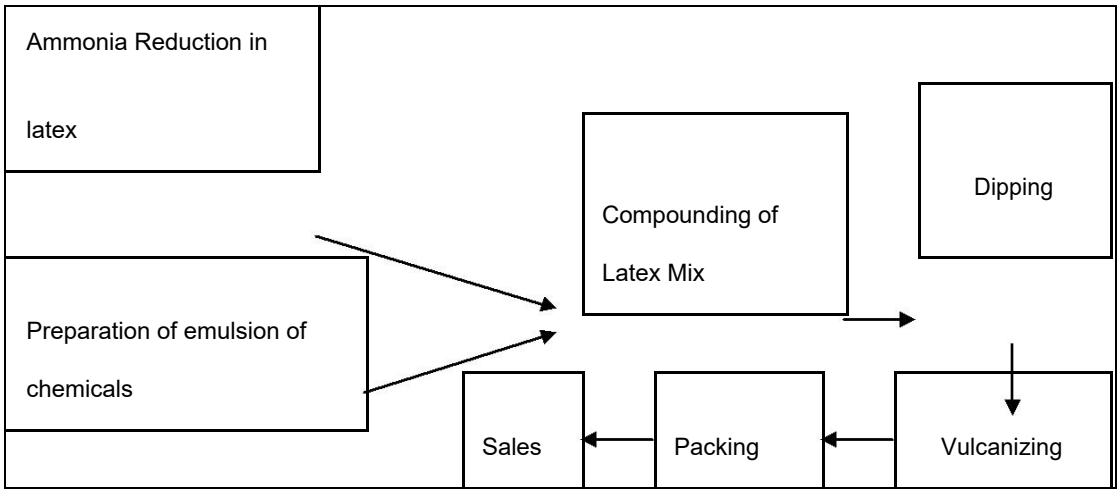
Process of Manufacture:

Although rubber can be made synthetically, natural latex is preferred for its great elasticity. It can be stretched to seven or eight times its original length and still return to its former shape. Synthetic rubber has not proven to be as elastic and resilient as natural latex.

Raw, natural latex is a white or yellowish opaque liquid, similar in appearance to milk.

Latex must be mixed with additives before it can be used in industrial processes. Certain chemicals are mixed in to achieve a desired thickness, rate of drying, and other properties. Other chemicals (collectively known as antidegradants) are added to slow the oxidation and decomposition of the rubber. To give it color, pigments are mixed into the latex. The pigments may be fine metal oxide powders or organic dyes.

Process Flow



By blowing air and reacting the latex with formaldehyde the Ammonia content of Latex is reduced to about 0.1 percent. In this latex casein, Polassium hydroxide, Vulkanox SP, Sulphur, Vulkacit LDA, Zinc Oxide, Colour pigments, etc. are added. Moulds or formers are dipped in this latex compound. Formed balloons are vulcanized is a hot-air-oven. Balloons are then slupped off formers. Balloons are then packed in polythene bags manually for sales.

QUALITY CONTROL

The balloon manufacturing environment must be strictly controlled in order to achieve high quality and consistency. Throughout the manufacturing process, computer-based instrumentation records and controls air humidity, air temperature, latex tank temperature, the temperature in the ovens, dryers, and other parameters.
The latex and other chemicals used in the process must be carefully formulated for specific properties, and carefully maintained. For example, the latex must have certain viscosity and speed of drying. The tanks in which it is held must have devices to keep the latex circulating to avoid forming a "skin," and to prevent ingredients from settling.

BYPRODUCTS/WASTE

It is in the manufacturers' best interests to waste as little rubber as possible because the cost of latex is high compared to the selling price of individual balloons. Balloon makers also reclaim much of the coagulant that ends up in the leaching solution. Unfortunately, what is not reclaimed ends up as liquid waste in the environment. The amount of chemical waste that can be released by a factory is regulated by government laws. Balloons also result in some waste after they are manufactured because they are invariably thrown away after they deflate or pop. However, because latex is natural, it eventually breaks down into other substances.

Toy balloons can be a source of joy, but they can also be unexpectedly hazardous. Young children have been known to die from accidentally choking on balloons

PROJECT AT A GLANCE

1	Name of the Entreprenuer		XXXXXXX	
2	Constitution (legal Status)	:	XXXXXXX	
3	Father's/Spouce's Name		XXXXXXXX	
4	Unit Address	:	XXXXXXXX	
			Taluk/Block:	
			District : XXXXX	
			Pin: XXXXX	State:
			E-Mail : XXXXX	
			Mobile XXXXX	
5	Product and By Product	:	**Rubber Balloons**	
6	Name of the project / business activity proposed :		**Rubber Balloons**	
7	Cost of Project	:	Rs16.44lac	
8	Means of Finance			
	Term Loan		Rs.9.75 Lacs	
	KVIC Margin Money	-	As per Project Eligibility	
	Own Capital		Rs.1.69 Lacs	
	Working Capital		Rs.5.47 Lacs	
9	Debt Service Coverage Ratio	:	4.98	
10	Pay Back Period	:	5	Years
11	Project Implementation Period	:	8	Months
12	Break Even Point	:	23%	
13	Employment	:	7	Persons
14	Power Requirement	:	5.00	HP
15	Major Raw materials	:	60% DRC Natural Rubber latex,Vulkanex casein ZnO etc	
16	Estimated Annual Sales Turnover	:	43.74	Lacs

16 Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lacs)

Particulars	Amount
Land	Rented/Owned
Building /shed 1000 Sq Ft)	4.80
Plant & Machinery	4.20
Furniture & Fixtures	1.23
Pre-operative Expenses	0.60
Working Capital Requiremer	6.08
Total	**16.90**

MEANS OF FINANCE

Particulars	Amount
Own Contribution @10%	1.69
Term Loan	9.75
Workign Capital Finance	5.47
Total	**16.89**

	General	**Special**
Beneficiary's Margin Money (% of Project Cost)	10%	5%

PLANT & MACHINERY

PARTICULARS	QTY.	RATE	AMOUNT IN RS.
100 liter capacity De-ammonizing vessel with stirrer & 0.5HP Motor	1		90,000.00
4 Jar Pot Mill with 1 HP Motor	1		45,000.00
3 liter capacity Paddle mixer with 0.5 HP Motor	1		35,000.00
Two Nos. of 100 Liter Capacity Dipping vats with covers	1		30,000.00
5¢x3¢x4¢ Electric Hot Air Oven	1		120,000.00
Formers, Testing equipments, weighing balance & tools	1		100,000.00
Total			420,000.00

PROJECTED BALANCE SHEET

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
SOURCES OF FUND					
Capital Account	1.69	1.69	1.69	1.69	1.69
Retained Profit	9.13	20.60	33.18	48.07	65.19
Term Loan	9.75	7.31	4.87	2.44	0.12
Cash Credit	5.47	5.47	5.47	5.47	5.47
Sundry Creditors	2.41	2.81	3.21	3.61	4.02
Provisions & Other Liab	0.36	0.40	0.44	0.48	0.53
TOTAL :	**28.80**	**38.28**	**48.86**	**61.76**	**77.01**
APPLICATION OF FUND					
Fixed Assets (Gross)	10.23	10.23	10.23	10.23	10.23
Gross Dep.	1.17	2.26	3.20	4.04	4.77
Net Fixed Assets	9.06	7.97	7.03	6.19	5.46
Current Assets					
Sundry Debtors	2.19	2.79	3.20	3.60	4.01
Stock in Hand	6.30	7.35	8.40	9.45	10.50
Cash and Bank	8.76	17.41	27.22	39.19	53.38
Deposits & Advances	2.50	2.75	3.03	3.33	3.66
TOTAL :	**28.80**	**38.28**	**48.86**	**61.76**	**77.01**
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
A) SALES					
Gross Sale	43.74	55.89	63.99	72.09	80.19
Total (A)	**43.74**	**55.89**	**63.99**	**72.09**	**80.19**
B) COST OF SALES					
Raw Mateiral Consumed	24.09	28.11	32.12	36.14	40.15
Elecricity Expenses	0.43	0.50	0.57	0.64	0.72
Repair & Maintenance	-	0.56	0.64	0.72	0.80
Labour & Wages	4.75	5.23	5.75	6.32	6.96
Depriciation	1.17	1.08	0.95	0.83	0.73
Consumables,packaging and Other Expenses	2.19	2.79	3.20	3.60	4.01
Cost of Production	32.63	38.27	43.23	48.26	53.36
Add: Opening Stock /WIP	-	3.89	4.54	5.18	5.83
Less: Closing Stock /WIP	3.89	4.54	5.18	5.83	6.48
Cost of Sales (B)	28.74	37.62	42.58	47.61	52.72
C) GROSS PROFIT (A-B)	15.00	18.27	21.41	24.48	27.47
	34%	**33%**	**33%**	**34%**	**34%**
D) Bank Interest (Term Loan)	0.84	1.02	0.74	0.46	0.18
Bank Interest (C.C. Limit)	0.63	0.63	0.63	0.63	0.63
E) Salary to Staff	2.51	2.76	3.03	3.34	3.67
F) Selling & Adm Expenses Exp.	0.87	1.12	1.28	1.44	1.60
TOTAL (D+E)	**4.85**	**5.52**	**5.68**	**5.86**	**6.08**
H) NET PROFIT	10.15	12.75	15.73	18.61	21.39
I) Taxation	1.01	1.27	3.15	3.72	4.28
J) PROFIT (After Tax)	9.13	11.47	12.58	14.89	17.11

PROJECTED CASH FLOW STATEMENT

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
SOURCES OF FUND					
Share Capital	1.69	-			
Reserve & Surplus	10.15	12.75	15.73	18.61	21.39
Depriciation & Exp. W/off	1.17	1.08	0.95	0.83	0.73
Increase in Cash Credit	5.47	-	-	-	-
Increase In Term Loan	9.75	-	-	-	-
Increase in Creditors	2.41	0.40	0.40	0.40	0.40
Increase in Provisions	0.36	0.04	0.04	0.04	0.05
TOTAL :	**30.99**	**14.27**	**17.12**	**19.89**	**22.57**
APPLICATION OF FUND					
Increase in Fixed Assets	10.23	-	-	-	-
Increase in Stock	6.30	1.05	1.05	1.05	1.05
Increase in Debtors	2.19	0.61	0.41	0.41	0.41
Increase in Deposits & Adv	2.50	0.25	0.28	0.30	0.33
Repayment of Term Loan	-	2.44	2.44	2.44	2.32
Taxation	1.01	1.27	3.15	3.72	4.28
TOTAL :	**22.23**	**5.62**	**7.31**	**7.92**	**8.38**
Opening Cash & Bank Balance	-	8.76	17.41	27.22	39.19
Add : Surplus	8.76	8.65	9.81	11.97	14.19
Closing Cash & Bank Balance	**8.76**	**17.41**	**27.22**	**39.19**	**53.38**

COMPUTATION OF MANUFACTURING OF Rubber Balloon

Items to be Manufactured Rubber Balloons

Manufacturing Capacity per day		600	Packets	1 Packet with 100 Balloons
No. of Working Hour		8		
No of Working Days per month		25		
No. of Working Day per annum		300		
Total Production per Annum		180,000	Packets	
Year		Capacity Utilisation	Packets	
IST YEAR		60%	108,000.00	
IIND YEAR		70%	126,000.00	
IIIRD YEAR		80%	144,000.00	
IVTH YEAR		90%	162,000.00	
VTH YEAR		100%	180,000.00	

COMPUTATION OF RAW MATERIAL

Item Name		Quantity of Raw Material	Recovery	Unit Rate of	Total CostPer Annum (100%)
60% DRC Natural Rubber latex					3,000,000.00
Vulkanex SP					135,000.00
Casein					175,000.00
Potasium hydroxide					145,000.00
Sulphur					174,000.00
Vulkacit LDA					95,000.00
Zinc Oxide					100,000.00
Pigments					100,000.00
Polythene bags & cartoons					91,000.00
Total					4,015,000.00

Total Raw material in Rs lacs 40.15

Raw Material Consumed	Capacity Utilisation	Amount (Rs.)
IST YEAR	60%	24.09
IIND YEAR	70%	28.11
IIIRD YEAR	80%	32.12
IVTH YEAR	90%	36.14
VTH YEAR	100%	40.15

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
Finished Goods					
(30Days requirement)	3.89	4.54	5.18	5.83	6.48
Raw Material					
(30 Days requirement)	2.41	2.81	3.21	3.61	4.02
Closing Stock	**6.30**	**7.35**	**8.40**	**9.45**	**10.50**

COMPUTATION OF WORKING CAPITAL REQUIREMENT

Particulars			**Total**
			Amount
Stock in Hand			6.30
Sundry Debtors			2.19
		Total	8.48
Sundry Creditors			2.41
Working Capital Requirement			**6.08**
Margin			0.61
Working Capital Finance			**5.47**

BREAK UP OF LABOUR

Particulars		Wages Per Month	No of Employees	Total Salary
Skilled Worker		8,000.00	3	24,000.00
Unskilled Worker		6,000.00	2	12,000.00
				36,000.00
Add: 10% Fringe Benefit				3,600.00
Total Labour Cost Per Month				39,600.00
Total Labour Cost for the year (In Rs. Lakhs)			5	4.75

BREAK UP OF SALARY

Particulars		Salary Per Month	No of Employees	Total Salary
Manager		self		
Accountant cum store keeper		9,000.00	1	9,000.00
Sales		10,000.00	1	10,000.00
Total Salary Per Month				19,000.00
Add: 10% Fringe Benefit				1,900.00
Total Salary for the month				20,900.00
Total Salary for the year (In Rs. Lakhs)			2	2.51

COMPUTATION OF DEPRECIATION

Description	Land	Building/shed	Plant & Machinery	Furniture	**TOTAL**
Rate of Depreciation		**10.00%**	**15.00%**	**10.00%**	
Opening Balance	Leased	-	-	-	-
Addition	-	4.80	4.20	1.23	10.23
	-	4.80	4.20	1.23	10.23
Less : Depreciation	-	0.48	0.63	0.06	1.17
WDV at end of Ist year	-	4.32	3.57	1.17	9.06
Additions During The Year	-	-	-	-	-
	-	4.32	3.57	1.17	9.06
Less : Depreciation	-	0.43	0.54	0.12	1.08
WDV at end of IInd Year	-	3.89	3.03	1.05	7.97
Additions During The Year	-	-	-	-	-
	-	3.89	3.03	1.05	7.97
Less : Depreciation	-	0.39	0.46	0.11	0.95
WDV at end of IIIrd year	-	3.50	2.58	0.95	7.03
Additions During The Year	-	-	-	-	-
	-	3.50	2.58	0.95	7.03
Less : Depreciation	-	0.35	0.39	0.09	0.83
WDV at end of IV year	-	3.15	2.19	0.85	6.19
Additions During The Year	-	-	-	-	-
	-	3.15	2.19	0.85	6.19
Less : Depreciation	-	0.31	0.33	0.09	0.73
WDV at end of Vth year	-	2.83	1.86	0.77	5.46

REPAYMENT SCHEDULE OF TERM LOAN 11.5%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	Cl Balance
IST YEAR	Opening Balance						
	Ist Quarter	-	9.75	9.75	-	-	9.75
	Iind Quarter	9.75	-	9.75	0.28	-	9.75
	IIIrd Quarter	9.75	-	9.75	0.28	-	9.75
	Ivth Quarter	9.75	-	9.75	0.28	-	9.75
					0.84	-	
IIND YEAR	Opening Balance						
	Ist Quarter	9.75	-	9.75	0.28	0.61	9.14
	Iind Quarter	9.14	-	9.14	0.26	0.61	8.53
	IIIrd Quarter	8.53	-	8.53	0.25	0.61	7.92
	Ivth Quarter	7.92		7.92	0.23	0.61	7.31
					1.02	2.44	
IIIRD YEAR	Opening Balance						
	Ist Quarter	7.31	-	7.31	0.21	0.61	6.70
	Iind Quarter	6.70	-	6.70	0.19	0.61	6.09
	IIIrd Quarter	6.09	-	6.09	0.18	0.61	5.48
	Ivth Quarter	5.48		5.48	0.16	0.61	4.87
					0.74	2.44	
IVTH YEAR	Opening Balance						
	Ist Quarter	4.87	-	4.87	0.14	0.61	4.26
	Iind Quarter	4.26	-	4.26	0.12	0.61	3.66
	IIIrd Quarter	3.66	-	3.66	0.11	0.61	3.05
	Ivth Quarter	3.05		3.05	0.09	0.61	2.44
					0.46	2.44	
VTH YEAR	Opening Balance						
	Ist Quarter	2.44	-	2.44	0.07	0.61	1.83
	Iind Quarter	1.83	-	1.83	0.05	0.61	1.22
	IIIrd Quarter	1.22	-	1.22	0.04	0.55	0.67
	Ivth Quarter	0.67		0.67	0.02	0.55	0.12
					0.18	2.32	

CALCULATION OF D.S.C.R

PARTICULARS	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
CASH ACCRUALS	10.30	12.56	13.53	15.72	17.84
Interest on Term Loan	0.84	1.02	0.74	0.46	0.18
Total	11.14	13.57	14.27	16.18	18.02
REPAYMENT					
Instalment of Term Loan	2.44	2.44	2.44	2.32	2.32
Interest on Term Loan	0.84	1.02	0.74	0.46	0.18
Total	3.28	3.45	3.17	2.77	2.50
DEBT SERVICE COVERAGE RATIO	**3.40**	**3.93**	**4.50**	**5.83**	**7.22**
AVERAGE D.S.C.R.			**4.98**		

COMPUTATION OF SALE

Particulars	IST YEAR	IIND YEAR	IIIRD YEAR	IVTH YEAR	VTH YEAR
Op Stock	-	10,800.00	12,600.00	14,400.00	16,200.00
Production	108,000.00	126,000.00	144,000.00	162,000.00	180,000.00
	108,000.00	136,800.00	156,600.00	176,400.00	196,200.00
Less : Closing Stock	10,800.00	12,600.00	14,400.00	16,200.00	18,000.00
Net Sale	97,200.00	124,200.00	142,200.00	160,200.00	178,200.00
Sale Price per MT	45.00	45.00	45.00	45.00	45.00
Sale (in Lacs)	**43.74**	**55.89**	**63.99**	**72.09**	**80.19**

COMPUTATION OF ELECTRICITY

(A) POWER CONNECTION				
Total Working Hour per day		Hours	8	
Electric Load Required		HP	5	
Load Factor			0.7460	
Electricity Charges		per unit	8.00	
Total Working Days			300	
Electricity Charges (8 Hrs Per day)				71,616.00
Add : Minimim Charges (@ 10%)				
(B) DG set				
No. of Working Days			300	days
No of Working Hours			-	Hour per day
Total no of Hour			-	
Diesel Consumption per Hour			8	
Total Consumption of Diesel			-	
Cost of Diesel			65.00	Rs. /Ltr
Total cost of Diesel			-	
Add : Lube Cost @15%			-	
Total			-	
Total cost of Power & Fuel at 100%				0.72
Year		**Capacity**		**Amount**
				(in Lacs)
IST YEAR		60%		0.43
IIND YEAR		70%		0.50
IIIRD YEAR		80%		0.57
IVTH YEAR		90%		0.64
VTH YEAR		100%		0.72

BREAK EVEN POINT ANALYSIS

Year	I	II	III	IV	V
Net Sales & Other Income	43.74	55.89	63.99	72.09	80.19
Less : Op. WIP Goods	-	3.89	4.54	5.18	5.83
Add : Cl. WIP Goods	3.89	4.54	5.18	5.83	6.48
Total Sales	**47.63**	**56.54**	**64.64**	**72.74**	**80.84**
Variable & Semi Variable Exp.					
Raw Material & Tax	24.09	28.11	32.12	36.14	40.15
Electricity Exp/Coal Consumption at 85%	0.37	0.43	0.49	0.55	0.61
Manufacturing Expenses 80%	1.75	2.68	3.07	3.46	3.85
Wages & Salary at 60%	4.36	4.79	5.27	5.80	6.38
Selling & adminstrative Expenses 80%	0.70	0.89	1.02	1.15	1.28
Intt. On Working Capital Loan	0.63	0.63	0.63	0.63	0.63
Total Variable & Semi Variable Exp	**31.89**	**37.53**	**42.60**	**47.72**	**52.90**
Contribution	**15.74**	**19.01**	**22.04**	**25.01**	**27.94**
Fixed & Semi Fixed Expenses					
Manufacturing Expenses 20%	0.44	0.67	0.77	0.87	0.96
Electricity Exp/Coal Consumption at 15%	0.06	0.08	0.09	0.10	0.11
Wages & Salary at 40%	2.90	3.19	3.51	3.87	4.25
Interest on Term Loan	0.84	1.02	0.74	0.46	0.18
Depreciation	1.17	1.08	0.95	0.83	0.73
Selling & adminstrative Expenses 20%	0.17	0.22	0.26	0.29	0.32
Total Fixed Expenses	**5.59**	**6.26**	**6.31**	**6.40**	**6.55**
Capacity Utilization	**60%**	**70%**	**80%**	**90%**	**100%**
OPERATING PROFIT	**10.15**	**12.75**	**15.73**	**18.61**	**21.39**
BREAK EVEN POINT	**21%**	**23%**	**23%**	**23%**	**23%**
BREAK EVEN SALES	**16.93**	**18.63**	**18.50**	**18.62**	**18.94**

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