

PROJECT REPORT

Of

**ENVELOPE MANUFACTURING
UNIT**

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding Envelope Manufacturing 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.]



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PROJECT AT GLANCE

1 Name of Proprietor/Director	XXXXXXXXXX
2 Firm Name	XXXXXXXXXX
3 Registered Address	XXXXXXXXXX
4 Nature of Activity	XXXXXXXXXX
5 Category of Applicant	XXXXXXXXXX
6 Location of Unit	XXXXXXXXXX
7 Cost of Project	22.47 Rs. In Lakhs
8 Means of Finance	
i) Own Contribution	2.25 Rs. In Lakhs
ii) Term Loan	14.40 Rs. In Lakhs
iii) Working Capital	5.82 Rs. In Lakhs
9 Debt Service Coverage Ratio	3.07
10 Break Even Point	57%
11 Power Requirement	40 KW
12 Employment	7 Persons
13 Major Raw Materials	Paper,glue,printing ink and packaging

14 Details of Cost of Project & Means of Finance

Cost of Project	Amount in Lacs
Particulars	Amount
Land and building	Owned/Leased
Plant & Machinery	14.00
Furniture & Fixture	-
Other Misc Assets	2.00
Working Capital Requirement	6.47
Total	22.47

Means of Finance	
Particulars	Amount
Own Contribution	2.25
Term Loan	14.40
Working capital Loan	5.82
Total	22.47

1. INTRODUCTION



An envelope is a common packaging item, usually made of thin, flat material. It is designed to contain a flat object, such as a letter or card. Traditional envelopes are made from sheets of paper cut to one of three shapes: a rhombus, a short-arm cross or a kite. An envelope has only two purposes, according to Grant Johnson, President and CEO of Johnson Direct, a successful and well-known marketing company. One is to securely carry its contents from origin to destination, and its other purpose. An envelope is a form of packing. Envelopes are used for sending letters or documents using regular postal mail. Envelopes are usually made of paper or hardened paper. An envelope may be small enough to make you need to fold the paper going into it, or it can be as large as the paper so that you do not need to fold it. Used widely in the postal world to send a variety of correspondence such as magazines, brochures, catalogs and newspapers, plastic envelopes are an alternate option to shipping these items in rigid cartons or cardboard boxes, and are also known as poly mailers or poly mailer bags.

2. PRODUCT DESCRIPTION

2.1 PRODUCT USES

- Envelopes are widely used for direct mail and transactional mail (e.g., monthly statements or bills). A #10 envelope is the popular business envelope size, and is used for both direct mail and transactional mail.
- Booklets are open-side, double side seam envelopes that come in many standard sizes. Learn more about open-side envelopes, and the difference between an open-side and open-end envelope in our popular blog
- Catalogs are open-end, center-seam or single side seam envelopes with the seal flap on the short dimension. They are often used for policy mailers and/or insurance information that is not meant to be folded. Below are three standard sizes of catalog envelopes.

2.2 MANUFACTURING PROCESS

This process can be broken down into the following steps-

- **Raw material procurement**
- **Production Process**

- **Raw Material Procurement:** The major raw material you need is craft paper role for producing envelope. First of all, cut the paper into required sizes. Then, feed the cut papers into the envelope making machine in blocks of 150 to 200 sheets depending on the thickness of the paper. The fold and apply glue to form the required envelope. Finally, pack the envelopes and distribute to retail stationery shops. For making fancy envelopes, you may need different types of decorative items like colourful threads, beads, buttons etc

✓ **Steps involved in the manufacturing of envelope manufacturing unit:**

- **Preparation of paper die making:** Paper is cut according to the specification. The initial step of preparation of paper into required dimension with the help of multiple die shape. Press the die on the blank and get the sheet ready for feeding into the machine
- **Feeding of raw paper on the automatic machine:** The blank paper can be feed into the one end of the machine and the process of marking, pressing and envelope take place take place inside the fully automatic Machine. The need of semi-skilled labour requires for whole the operation. The capacity of machine 8000envelope per hour.
- **Paste of envelope to get the desired shape using Glue:** The molten metal is poured in to the mold through the smaller front Centre hole which fills the mold from bottom back up to the top through the risers, which can be seen as 8 large holes. When the casting is cooling down the molten metal in the riser is drawn back down in to the casting. The risers act a main part in the casting process by supplying required molten envelope pasting take place inside the fully automatic during shrinkage.
- **Packaging of envelope:** The rough aluminum block casting is shown above after the removal of the sand mold. The sand is removed by applying vibrating on the casting. The casting has to be machined to get correct dimensions and smooth surfaces of the engine cylinder.

3 PROJECT COMPONENTS

3.1 Land & Building

The land required for this manufacturing unit will be approx. around 3000 square feet. Land Purchase and Building Civil Work Cost have not been considered as part of the cost of project. It is expected that the premises will be on rental and approximate rentals assumed of the same will be Rs.15,000 per month.

- Workshop Area- This area includes the setup and foundation space for all equipment's, work floor area, etc. Total workshop area is approx.1500 Sq ft.
- Inventory Area- This area includes the storage space for all the raw materials and finished goods. Total inventory area is approx. 1000 Sq ft.
- Office Area – This space includes staff working region, their accommodation space. Total workshop area is approx. 300 Sq ft. This may be considered above the ground floor.
- Parking Space, Electric Mounting Space, and Others. This could be approx. 200 Sq ft.

Land and building requirement may vary depending on the size of project.

3.2 Plant & Machinery

This is a semi-automatic type of plant and the production capacity is set to be 20400 Units of Envelope per day.

Machines-

- ✓ **Die-Punch Machining:** Provided machine is available in numerous models and is widely used in various industries for cutting card, felt, foam, paper and even thin plastics.



- ✓ **Automatic Envelope Making Machine:** The Rialto envelope making machine is a **light envelope making** (70g – 120g paper), folding and gluing machine, is designed to produce office envelopes previously die cut or ram punched. One operator feeds the machine and also packs the finished product. It can be used for making envelopes in one or two passes depending on the configuration of the machine.



Sr No.	Plant & Machinery	Quantity	Amount
1	Die Punch Machine	1	2,50,000
2	Fully automatic envelope making machine	1	11,50,000
	TOTAL		14,00,000

4 LICENSE & APPROVALS

Basic registration required in this project:

- Company registration
- GST registration
- Trade license
- Factory license.
- MSME Udyam registration
- BIS certification
- NOC from the Pollution Department

Projected Profitability

<u>PROJECTED PROFITABILITY STATEMENT</u>					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
Capacity Utilisation %	80%	85%	90%	95%	100%
<u>SALES</u>					
Gross Sale					
ENVELOPE					
MANUFACTURING UNIT	119.54	136.37	151.62	168.05	185.76
Total	119.54	136.37	151.62	168.05	185.76
<u>COST OF SALES</u>					
Raw Material Consumed	85.68	95.59	106.27	117.78	130.18
Electricity Expenses	7.68	8.16	8.64	9.12	9.60
Depreciation	2.40	2.04	1.73	1.47	1.25
Wages & labour	7.80	8.50	9.35	9.45	9.63
Repair & maintenance	1.79	2.05	2.27	2.52	2.79
Packaging	1.20	1.36	1.52	1.68	1.86
Cost of Production	106.55	117.70	129.79	142.02	155.31
Add: Opening Stock	-	2.49	2.75	3.03	3.31
Less: Closing Stock	2.49	2.75	3.03	3.31	3.62
Cost of Sales	104.06	117.44	129.50	141.74	155.00
GROSS PROFIT	15.48	18.93	22.11	26.32	30.75
	12.95%	13.88%	14.58%	15.66%	16.56%
Salary to Staff	5.40	6.48	7.13	7.84	9.02
Interest on Term Loan	1.42	1.25	0.89	0.54	0.19
Interest on working Capital	0.64	0.64	0.64	0.64	0.64
Rent	1.80	2.34	2.81	3.51	3.86
Selling & Administrative Exp.	1.20	1.36	1.52	1.68	1.86
TOTAL	10.45	12.07	12.99	14.21	15.57
NET PROFIT	5.03	6.86	9.13	12.10	15.19
	4.21%	5.03%	6.02%	7.20%	8.18%
Taxation	0.01	0.39	0.86	0.97	1.93
PROFIT (After Tax)	5.02	6.47	8.27	11.13	13.26

Projected Balance Sheet

<u>PROJECTED BALANCE SHEET</u>					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>Liabilities</u>					
Capital					
Opening balance		5.37	7.89	10.46	13.33
<i>Add: - Own Capital</i>	2.25				
Add: - Retained Profit	5.02	6.47	8.27	11.13	13.26
Less: - Drawings	1.90	3.95	5.70	8.26	10.33
Closing Balance	5.37	7.89	10.46	13.33	16.26
Term Loan	12.80	9.60	6.40	3.20	-
Working Capital Limit	5.82	5.82	5.82	5.82	5.82
Sundry Creditors	2.00	2.23	2.48	2.75	3.04
Provisions & Other Liability	0.40	0.48	0.58	0.80	0.96
TOTAL :	26.39	26.03	25.74	25.90	26.08
<u>Assets</u>					
Fixed Assets (Gross)	16.00	16.00	16.00	16.00	16.00
Gross Dep.	2.40	4.44	6.17	7.65	8.90
Net Fixed Assets	13.60	11.56	9.83	8.35	7.10
Current Assets					
Sundry Debtors	3.98	4.55	5.05	5.60	6.19
Stock in Hand	4.49	4.98	5.51	6.06	6.66
Cash and Bank	0.02	0.04	0.05	0.09	0.13
Loans & Advances /Other Current Assets	4.30	4.90	5.30	5.80	6.00
TOTAL:	26.39	26.03	25.74	25.90	26.08

Projected Cash Flow Statement

<u>PROJECTED CASH FLOW STATEMENT</u>					(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
<u>SOURCES OF FUND</u>					
Own Margin	2.25				
Net Profit	5.03	6.86	9.13	12.10	15.19
Depreciation & Exp. W/off	2.40	2.04	1.73	1.47	1.25
Increase in Cash Credit	5.82	-	-	-	-
Increase In Term Loan	14.40	-	-	-	-
Increase in Creditors	2.00	0.23	0.25	0.27	0.29
Increase in Provisions & Other labilities	0.40	0.08	0.10	0.22	0.16
	-				
TOTAL:	32.30	9.21	11.20	14.07	16.89
<u>APPLICATION OF FUND</u>					
Increase in Fixed Assets	16.00				
Increase in Stock	4.49	0.49	0.53	0.55	0.60
Increase in Debtors	3.98	0.56	0.51	0.55	0.59
Repayment of Term Loan	1.60	3.20	3.20	3.20	3.20
Loans & Advances /Other Current Assets	4.30	0.60	0.40	0.50	0.20
Drawings	1.90	3.95	5.70	8.26	10.33
Taxation	0.01	0.39	0.86	0.97	1.93
TOTAL:	32.28	9.19	11.20	14.03	16.85
Opening Cash & Bank Balance	-	0.02	0.04	0.05	0.09
Add: Surplus	0.02	0.02	0.01	0.04	0.04
Closing Cash & Bank Balance	0.02	0.04	0.05	0.09	0.13

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PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
CASH ACCRUALS	7.42	8.51	10.00	12.61	14.51
Interest on Term Loan	1.42	1.25	0.89	0.54	0.19
Total	8.84	9.76	10.90	13.15	14.70
REPAYMENT					
Instalment of Term Loan	1.60	3.20	3.20	3.20	3.20
Interest on Term Loan	1.42	1.25	0.89	0.54	0.19
Total	3.02	4.45	4.09	3.74	3.39
DEBT SERVICE COVERAGE RATIO	2.93	2.19	2.66	3.51	4.34
AVERAGE D.S.C.R.	3.07				

7.14 Repayment schedule

REPAYMENT SCHEDULE OF TERM LOAN							
						Interest	11.00%
Year	Particulars	Amount	Addition	Total	Interest	Repayment	Closing Balance
1st	Opening Balance						
	1st month	-	14.40	14.40	-	-	14.40
	2nd month	14.40	-	14.40	0.13	-	14.40
	3rd month	14.40	-	14.40	0.13	-	14.40
	4th month	14.40	-	14.40	0.13		14.40
	5th month	14.40	-	14.40	0.13		14.40
	6th month	14.40	-	14.40	0.13		14.40
	7th month	14.40	-	14.40	0.13	0.27	14.13
	8th month	14.13	-	14.13	0.13	0.27	13.87
	9th month	13.87	-	13.87	0.13	0.27	13.60
	10th month	13.60	-	13.60	0.12	0.27	13.33
	11th month	13.33	-	13.33	0.12	0.27	13.07
	12th month	13.07	-	13.07	0.12	0.27	12.80
					1.42	1.60	
2nd	Opening Balance						
	1st month	12.80	-	12.80	0.12	0.27	12.53
	2nd month	12.53	-	12.53	0.11	0.27	12.27
	3rd month	12.27	-	12.27	0.11	0.27	12.00
	4th month	12.00	-	12.00	0.11	0.27	11.73
	5th month	11.73	-	11.73	0.11	0.27	11.47
	6th month	11.47	-	11.47	0.11	0.27	11.20
	7th month	11.20	-	11.20	0.10	0.27	10.93
	8th month	10.93	-	10.93	0.10	0.27	10.67
	9th month	10.67	-	10.67	0.10	0.27	10.40
	10th month	10.40	-	10.40	0.10	0.27	10.13
	11th month	10.13	-	10.13	0.09	0.27	9.87
	12th month	9.87	-	9.87	0.09	0.27	9.60
					1.25	3.20	
3rd	Opening Balance						
	1st month	9.60	-	9.60	0.09	0.27	9.33
	2nd month	9.33	-	9.33	0.09	0.27	9.07
	3rd month	9.07	-	9.07	0.08	0.27	8.80
	4th month	8.80	-	8.80	0.08	0.27	8.53
	5th month	8.53	-	8.53	0.08	0.27	8.27
	6th month	8.27	-	8.27	0.08	0.27	8.00
	7th month	8.00	-	8.00	0.07	0.27	7.73

	8th month	7.73	-	7.73	0.07	0.27	7.47
	9th month	7.47	-	7.47	0.07	0.27	7.20
	10th month	7.20	-	7.20	0.07	0.27	6.93
	11th month	6.93	-	6.93	0.06	0.27	6.67
	12th month	6.67	-	6.67	0.06	0.27	6.40
					0.89	3.20	
4th	Opening Balance						
	1st month	6.40	-	6.40	0.06	0.27	6.13
	2nd month	6.13	-	6.13	0.06	0.27	5.87
	3rd month	5.87	-	5.87	0.05	0.27	5.60
	4th month	5.60	-	5.60	0.05	0.27	5.33
	5th month	5.33	-	5.33	0.05	0.27	5.07
	6th month	5.07	-	5.07	0.05	0.27	4.80
	7th month	4.80	-	4.80	0.04	0.27	4.53
	8th month	4.53	-	4.53	0.04	0.27	4.27
	9th month	4.27	-	4.27	0.04	0.27	4.00
	10th month	4.00	-	4.00	0.04	0.27	3.73
	11th month	3.73	-	3.73	0.03	0.27	3.47
	12th month	3.47	-	3.47	0.03	0.27	3.20
					0.54	3.20	
5th	Opening Balance						
	1st month	3.20	-	3.20	0.03	0.27	2.93
	2nd month	2.93	-	2.93	0.03	0.27	2.67
	3rd month	2.67	-	2.67	0.02	0.27	2.40
	4th month	2.40	-	2.40	0.02	0.27	2.13
	5th month	2.13	-	2.13	0.02	0.27	1.87
	6th month	1.87	-	1.87	0.02	0.27	1.60
	7th month	1.60	-	1.60	0.01	0.27	1.33
	8th month	1.33	-	1.33	0.01	0.27	1.07
	9th month	1.07	-	1.07	0.01	0.27	0.80
	10th month	0.80	-	0.80	0.01	0.27	0.53
	11th month	0.53	-	0.53	0.00	0.27	0.27
	12th month	0.27	-	0.27	0.00	0.27	-
					0.19	3.20	
	DOOR TO DOOR	60	MONTHS				
	MORATORIUM PERIOD	6	MONTHS				
	REPAYMENT PERIOD	54	MONTHS				

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