

FILE COVER AND FILE BOARD

Introduction:

Stationery includes a host of items like file cover, file board, letter pad, gem clip, alpin. 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.

Market Potential:

There are more than 5000 offices of varying sizes in Assam. Besides, the state governments in the other 7 states are large buyers of stationery. There are several other institutional buyers apart from schools and colleges. Small business establishments also need file cover and file board for preserving official documents.

The government of Assam buys stationery items worth Rs 10 crore every year for its different departments. Assuming that 5% of this is constituted by file boards, file covers and envelopes, the total volume of purchase would be around Rs 50 lakhs. Apart from a few binders who also make file boards and file covers whose volume of production is very low, bulk of the demand is being met by purchases from Kolkata.

Considering a capacity of about 3 lakh pieces per unit, and assuming that 30% of the demand would be met by these units in tiny sector, there is scope for 5 units in the region.

Plant Capacity:

A typical unit would make file covers, file boards, envelopes and letter pads. File covers will be of two types namely, paper based and plastic based. The suggested product-mix is –

<u>Item</u>	<u>Production Nos/year</u>
File cover (paper)	84,000
File board (paper)	84,000
File cover (plastic)	42,000
Envelopes (assorted type and size)	2,10,000
Letter pad (assorted size)	2,10,000

Raw Materials:

The raw materials required are mill board sheets, grey board sheets, white and coloured plastic sheets, gumming tape, plastic clips and holders which are available from the open market. The annual requirements are –

Mill board	:	4.3 tonne.
Grey board	:	14,000 sheets
White paper	:	350 kg.
Plastic sheets	:	35,000 sheets
Plan paper	:	175 kg.
Tap	:	700 Nos.

Process:

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

Machinery:

The main equipment required are –

- i) Foot operated board cutter
- ii) Vertical bending machine
- iii) Platform size printing machine
- iv) Gumming machine
- v) Corner cutting machine

Infrastructure:

The main infrastructure require are –

Shed	:	750 sq.ft.
Power	:	1 KW
Water	:	Nominal

Location:

The suggested locations are –

Assam	:	Guwahati, Tinsukia, Jorhat, Sibsagar, Silchar, Tezpur.
Manipur	:	Imphal,
Nagaland	:	Kohima
Meghalaya	:	Shillong
Arunachal Pradesh	:	Itanagar,
Mizoram	:	Aizawl,
Tripura	:	Agartala
Sikkim	:	Dist. H.Q

Total Capital Requirement:

The total capital requirement including fixed capital and working capital is estimated at Rs 4.01 lakhs as follows. Of this, the project cost comprising fixed capital and margin money on working capital is Rs 2.46 lakhs.

			(Amount Rs lakh)
A.	<u>Fixed Capital:</u>		
	Land and building		On rent
	Machinery		1.04
	Misc. Fixed Assets		0.50
	Preliminary & pre-op. expenses		<u>0.30</u>
	Total (A)		1.84
B.	<u>Working Capital:</u>		
	Raw materials and packing materials	1 month	0.61
	Stock of finished goods	1 week	0.21
	Working expenses	1 month	0.10
	Receivable	1 month	<u>1.25</u>
		Total (B)	2.17
		Total (A + B)	4.01
Note: Working capital may be financed as –			
	Bank Finance	:	1.55
	Margin money	:	<u>0.62</u>
			2.17
Means of Finance:			
	Promoter's contribution(35%)	:	0.86
	Term loan(35%)	:	<u>1.60</u>
			2.46

Operating Expenses:

The annual operating expenses are estimated at Rs 11.87 lakhs as below:

	Amount (Rs lakh)
Raw materials	
Mill board 4.20 tonne	
@ Rs 30,800 per sheet	1.29
Card board 14,000 sheets	
@ Rs 4/- per sheet.	0.56
White paper 350 kg.	
@ Rs 36,400 per tonne.	0.13
Plastic sheets 3500 Nos.	
@ Rs 90/- per sheets	3.15
Plain thin paper for envelope	
175 kg @ Rs 25/kg.	0.04
Fitting @ Rs 1.00 per file for 1,68,000 files	1.68
Misc. Tape, gum, ink etc.	0.30
Warping paper	0.14
Utilities	0.12
Wages & salaries	1.12
Rent	0.24
Other overheads	0.29
Selling expenses @ 10% on annual sales	2.24
Interest on Term Loan	0.19
Interest on bank finance for working capital	0.23
Depreciation	<u>0.15</u>
	<u>11.87</u>

Sales Realization:

The ex-factory annual sales realization will be Rs 14.95 lakh as follows:

<u>Item</u>	<u>Annual</u> <u>Production.</u>	<u>Units Price</u> <u>(Rs)</u>	<u>Total Sales</u> <u>(Rs lakhs)</u>
File cover (paper)	84,000	6.00	5.04
File board (paper)	84,000	3.00	2.52
File cover (plastic)	42,000	12.00	5.04
Envelop	2,10,000	60 per 100 pcs	1.26
Letter pad	84,000	100 per 100 pcs	<u>1.09</u>
			14.95

Profitability:

Based on the sales realization and the operating expenses, the pre-tax profit at working capacity (70% of rated capacity) would be Rs 3.08 lakhs per year. This works out to a return on investment of 77%. The plant would break even at about 29% of the rated capacity.

Highlights:

The major highlights of the project are as follows:

Total Capital requirement	Rs. 4.01 lakhs
Promoter's contribution	Rs 0.86 lakhs
Annual Sales realization	Rs. 14.95 lakhs
Annual Operating Expenses	Rs. 11.87 lakhs
Annual Profit (pre-tax)	Rs. 3.08 lakhs
Pre-tax return on sales	21%
Break-even point	28%
No. of person employed (direct)	6 Nos.

Machinery Suppliers:

M/s Akemo Paper Machiners,
D-23, NDSE Part-I,
New Delhi – 110 001

M/s Gunvantrai & Co.,
41, Tamarind Lane,
Fort,
Mumbai – 400 001

M/s Indo –Europe Trading Co. Pvt. Ltd.,
9, Dalal Street,
Fort,
Mumbai – 400 023

M/s Shri Krishna Engineering Works,
Begumpura Kinkabawali Wadi,
Near Vanker Road,
Siang, SURAT

M/s Nagpal Industries
Bartan Market,
Sadar Bazar,
Delhi – 110 006