

UP MSME 1-Connect

PROJECT REPORT

PROJECT:

PAPER CUP

PROJECT REPORT

Of

PAPER CUP

PURPOSE OF THE DOCUMENT

This particular pre-feasibility is regarding **Paper Cup 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.]

PROJECT AT A GLANCE

- 1** Name of the Entrepreneur **XXXXXXX**
- 2** Constitution (legal Status) **XXXXXXX**
- 3** Father's/Spouse's Name **XXXXXXXX**
- 4** Unit Address : **XXXXXXXX**
- Taluk/Block: **XXXXXX**
- District : **XXXXXX**
- Pin: **XXXXXX** State: **XXXXXX**
- E-Mail : **XXXXXX**
- Mobile **XXXXXX**
- 5** Product and By Product : **Paper Cup**
- 6** Name of the project / business activity proposed : Fully Automatic Paper Cup Unit
- 7** Cost of Project : **Rs 21.03 Lacs**
- 8 Means of Finance**
- Term Loan **Rs. 13.92 Lacs**
- KVIC Margin Money **As per Project Eligibility**
- Own Capital **Rs. 2.11 Lacs**
- 9** Debt Service Coverage Ratio : **2.24**
- 10** Pay Back Period : **5** Years
- 11** Project Implementation Period : **6** Months
- 12** Break Even Point : **44.00%**
- 13** Employment : **10**
- 14** Power Requirement : **5 KW**
- 15** Major Raw materials : **Paper Roll and Cut size**
- 16** Estimated Annual Sales Turnover : **Rs 37.80 Lacs**
- 16** Detailed Cost of Project & Means of Finance

COST OF PROJECT

(Rs. In Lacs)

Particulars	Amount
Land	Owned/ Rented
Building / Civil Work	5.00
Plant & Machinery	7.97
Furniture & Fixtures	2.50
Working Capital	5.56
Total	21.03

MEANS OF FINANCE

Particulars	Amount
Own Contribution	2.11
Term Loan	13.92
Working Capital Loan	5.00
Total	21.03

Introduction

A paper cup is a disposable made out of paper and after lined with plastic or wax prevent liquid from leakage out or soaking by paper. Paper cups are made from renewable resources. The cups should be made from food grade paper which is hygienic in nature. It is capable for holding both hot & cold liquid for longer time. The uses of paper cups have wide range. Give the rapid changes in life style; it is the right time to enter the consumer segment to popularize the home consumption of paper cups.

There are several inherent advantages in using Paper Cups as compared to cups of other materials. These Paper Cups are gaining popularity all across the globe as a beautiful and stylish way of minimizing exposure to food borne infections.

Paper Cups have numerous advantages like; they are manufactured in a very simple process using Food Grade Raw Materials with least waste and are easiest to recycle. They are ideal for individual servings at all kinds of parties, functions, picnic occasions, marriages, chat, tea & food joints, etc. Non-toxic in nature, the shapes and surface designs on these paper cups are attractive and present an inviting look. These paper cups can also be custom printed with an outlet's logo, brand punch line or advertising message.

This paper cups are being used of drinking Tea and Cool Drinks. The paper cup finds extensive use in Railways, Functions, Festivals, Hotels, Meetings, household appliances, and domestic applications. Our product ranges from 50 ml to 250 ml, this cup manufacturing unit will be set-up as a small-scale unit.

Now our people and government have the awareness to control the pollution and all are engaged to use the eco-friendly products. Each plastic cup can take 50-80 years to decompose and that are ruining the nature as well human lifetime. As there is a good production of instead of plastic cups, weight less as well as easy to carry all vendors, mainly no environment pollution, increase the demand of paper cups, user customer are to be encouraged in the modern days.





Fully Automatic Paper cup machine

Output: 50-60 pieces/minute

Cup size: 50 ml to 340 ml

Bottom diameter 52.80 mm & 45 mm

Weight of Machine: 2000 kg

Power Requirement: 3.5 kw three phase

Paper thickness-150 gsm to 350 gsm

Paper used- Single side pre coated paper

Machine dimension- 2800mm*1400mm*1700mm

Market Potential

A wide range of paper cups are now produced and marketed in India. The paper cups are reckoned to be a high potential business for India. Manufacturing Paper Cups is the purpose of satisfying needs and wants of Consumers is the market place. Developing a strategy for delivering an effective combination of food grade quality and cost-effective features for consumers within the target market is done.

The prospects of paper cups depend on the value of customers who utilize it. But in our country paper cups are used by all the people as it is easy to use, hygienic and eco-friendly. Hence, the per capita consumption has increased and the demand for it is recognized.

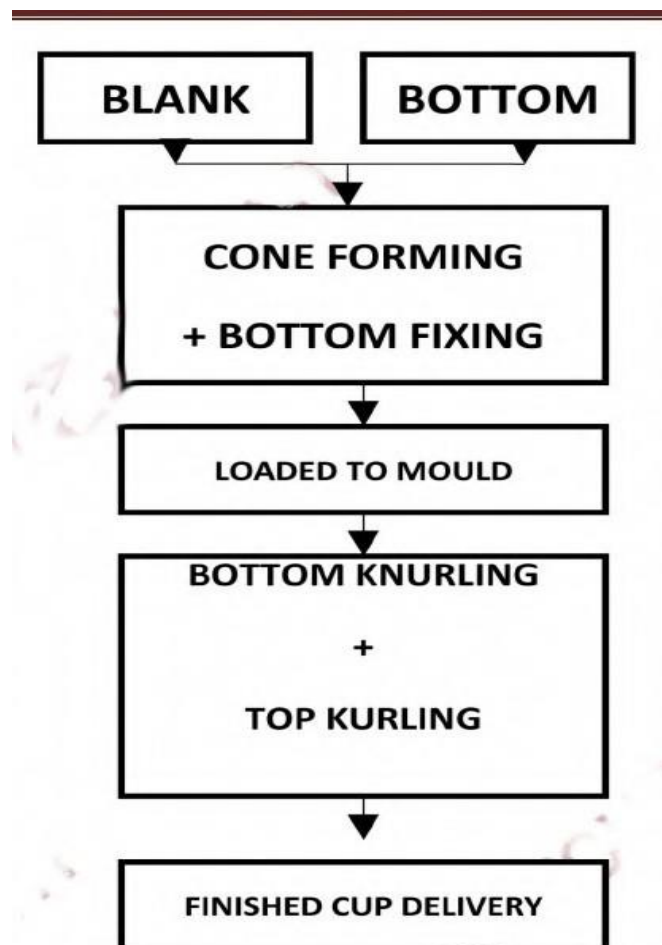
As paper cups are a product of daily consumption and necessity, their marketing will not be a problem as the consumers are aware of the advantages of using the paper cups. The raw materials are indigenously available and the manufacturing process is simple.

Manufacturing Process

The general structure of paper cup manufacturing is composed of three stages. They are:

1. The First stage: mainly finishes transmission of the paper cup's side wallpaper, shaping side wall and transferring them to the second stage after shaped.
2. The Second stage: transmission of the cup-bottom paper, shaping cup-bottom, joining the shaped side wall and cup bottom, automatic transmission and discharging of the shaped cup and curling the shaped cup's edge.
3. The third stage: mainly includes 45 degree angles separating, preheating, curling bottom, curling rim and so on mechanisms, which are the important parts in finishing paper cup.

MANUFACTURING PROCESS



Paper cup License Registration

- First of all, determination of form of business. And accordingly, register the business.
- Apply for the Trade License/ Factory license from the Municipal Authority.
- Additionally, apply for MSME Udyog Aadhaar online registration.
- Obtain the GST registration.
- Fire /Pollution Registration as required
- Choice of a brand name of the product and secure the name with Trademark if required

Implementation Schedule

The project can be implemented in 3 to 4 months' time as detailed below:

Sr.No.	Activity	Time Required (in months)
1	Acquisition of premises	1
2	Construction (if applicable)	1-2 Months
3	Procurement & installation of Plant & Machinery	1
4	Arrangement of Finance	1
5	Recruitment of required manpower	1
	Total time required (some activities shall run concurrently)	3-4 Months

PROJECTED BALANCE SHEET

PARTICULARS	I	II	III	IV	V
	Proj	Proj	Proj	Proj	Proj
<u>SOURCES OF FUND</u>					
<u>Capital A/c</u>					
Opening Balance	-	5.90	8.61	12.30	16.33
Add: Addition	2.11	-	-	-	
Add: Net Profit after tax	3.79	4.21	5.69	6.54	8.11
Less : Drawings	-	1.50	2.00	2.50	3.00
	5.90	8.61	12.30	16.33	21.45
Term Loan	12.36	9.24	6.12	3.00	-
<u>Current Liabilities</u>					
Working Capital Limit	5.00	5.00	5.00	5.00	5.00
Sundry Creditors	2.72	3.60	3.96	4.32	4.80
Other Current Liabilities	1.00	1.10	1.21	1.33	1.46
TOTAL :	26.98	27.55	28.59	29.98	32.71
<u>APPLICATION OF FUND</u>					
Fixed Assets (Gross)	16.23	16.23	16.23	16.23	16.23
Gross Dep.	1.91	3.56	4.99	6.22	7.30
Net Fixed Assets	14.32	12.67	11.24	10.01	8.93
Stock	4.27	6.50	9.25	11.75	15.08
Sundry Debtors	4.05	4.50	5.00	5.50	6.10
Cash and Bank	4.34	3.87	3.09	2.73	2.59
TOTAL :	26.98	27.55	28.59	29.98	32.72
	-	-	-	-	-

PROJECTED PROFITABILITY STATEMENT

PARTICULARS	I Proj	II Proj	III Proj	IV Proj	V Proj
<u>SALES</u>					
Revenue from Operations	40.50	45.00	50.00	55.00	61.00
Total (A)	40.50	45.00	50.00	55.00	61.00
Raw Material Purchase	27.25	30.00	33.00	36.00	40.00
Salary & Wages	2.50	2.75	3.03	3.33	3.66
Power	2.50	2.75	3.03	3.33	3.66
Other Direct Expenses	1.01	1.13	1.25	1.38	1.53
	33.26	36.63	40.30	44.03	48.85
Add: Opening Stock	-	2.00	4.00	6.50	8.75
Less: Closing Stock	2.00	4.00	6.50	8.75	11.75
	31.26	34.63	37.80	41.78	45.85
GROSS PROFIT	9.24	10.38	12.20	13.22	15.15
	22.8%	23.1%	24.4%	24.0%	24.8%
Selling & Administrative Expenses	0.53	0.86	1.10	1.43	1.59
Depreciation	1.91	1.65	1.43	1.24	1.07
Interest on Term loan	0.77	1.23	0.89	0.54	0.20
Interest on Working Capital limit	0.55	0.55	0.55	0.55	0.55
	3.75	4.29	3.96	3.76	3.41
NET PROFIT BEFORE TAX	5.49	6.09	8.24	9.46	11.74
TAX	1.70	1.88	2.54	2.92	3.63
NET PROFIT AFTER TAX	3.79	4.21	5.69	6.54	8.11
ADD : DEPRECIATION	1.91	1.65	1.43	1.24	1.07
CASH ACCRUALS	5.70	5.86	7.12	7.77	9.19

PROJECTED CASH FLOW STATEMENT

PARTICULARS	I	II	III	IV	V
	Proj	Proj	Proj	Proj	Proj
<u>SOURCES OF FUND</u>					
Incr. in Capital	2.11	-	-	-	-
Net Profit after tax	3.79	4.21	5.69	6.54	8.11
Depriciation & Exp. W/off	1.91	1.65	1.43	1.24	1.07
Incr. in Term loan	13.92	-	-	-	-
Incr. in working Capital limit	5.00	-	-	-	-
Incr. in Creditors	2.72	0.88	0.36	0.36	0.48
Incr. in Provisions	1.00	0.10	0.11	0.12	0.13
TOTAL :	30.45	6.83	7.59	8.25	9.80
<u>APPLICATION OF FUND</u>					
Incr. in Fixed Assets	16.23	-	-	-	-
Incr. in Debtors	4.05	0.45	0.50	0.50	0.60
Incr. in Stock	4.27	2.23	2.75	2.50	3.33
Repayment of Term loan	1.56	3.12	3.12	3.12	3.00
Drawings	-	1.50	2.00	2.50	3.00
TOTAL :	26.11	7.30	8.37	8.62	9.93
Opening Cash & Bank Balance	-	4.34	3.87	3.09	2.73
Add : Surplus	4.34	(0.47)	(0.78)	(0.37)	(0.13)
Closing Cash & Bank Balance	4.34	3.87	3.09	2.73	2.59

CALCULATION OF SALE AND PRODUCTION

Cost of Raw Material

*Manufacturing of Paper cup requires consumption of Paper roll(for bottom part of cup) and Cut size (for upper part of cup)

*It is assumed that production of 1000 pieces of 100ml of cups require 500 gm of Paper roll(bottom) and 1.785 kg of Cut size(Blank)

Cost of 1kg paper roll (bottom)	70.00	Rs per kg
	or Rs 35/-	500 gm

Cost of 1.785 kg Cut size paper(blank)	150.00	Rs.
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Project details

Size of Cup	65-100	ml
Production Capacity	50.00	Pieces per minute
Per hour Capacity	3,000	Pieces per hour
No.of working hours per day	10	hours
Production per day	30,000	Pieces
No. of working days per year	300	days
Annual Production	9,000,000.00	Pieces per annum

Consumption of Raw Material

Production Capacity	9,000,000.00	pieces per annum
Quantity of Paper roll(bottom) required	<u>4,500.00</u>	kg
Cost of Paper roll(bottom)	<u>315,000.00</u>	Rs.
Total Annual cost		
Quantity of Cut size(blank) required	<u>16,065.00</u>	kg
Cost of Cut size(blank)	<u>2,409,750.00</u>	Rs.

Computation of Sales

Production Capacity	9,000,000.00	pieces per day
Selling prices of cups	<u>Rs. 45/100 pieces</u>	
Sales realized	<u>4,050,000.00</u>	Rs.

CALCULATION OF CLOSING STOCK

PARTICULARS	I	II	III	IV	V
Raw Material (15Days)	2.27	2.50	2.75	3.00	3.33
Finished Goods(20 Days)	2.00	4.00	6.50	8.75	11.75
	<u>4.27</u>	<u>6.50</u>	<u>9.25</u>	<u>11.75</u>	<u>15.08</u>

CALCULATION OF WORKING CAPITAL REQUIREMENT

(i) Projected Sales(2019-20)	40.50 Lacs
(ii) Working Capital requirement 25% of Projected Sales	10.13 Lacs
(iii) Margin 5% of projected Sales	2.03 Lacs
(iv) MPBF	8.1 Lacs
Working Capital Limit Required	<u>5.00 Lacs</u>

11%

Year	Particulars	Amount	Addition	Total	Interest	Repayment	CI Balance
I	Opening Balance						
	Ist Quarter	-	13.92	13.92	0.38	-	13.92
	IIInd Quarter	13.92	-	13.92	0.38	-	13.92
	IIIrd Quarter	13.92	-	13.92	0.38	0.78	13.14
	IVth Quarter	13.14	-	13.14	0.36	0.78	12.36
			13.92		0.77	1.56	
II	Opening Balance						
	Ist Quarter	12.36	-	12.36	0.34	0.78	11.58
	IIInd Quarter	11.58	-	11.58	0.32	0.78	10.80
	IIIrd Quarter	10.80	-	10.80	0.30	0.78	10.02
	IVth Quarter	10.02	-	10.02	0.28	0.78	9.24
					1.23	3.12	
III	Opening Balance						
	Ist Quarter	9.24	-	9.24	0.25	0.78	8.46
	IIInd Quarter	8.46	-	8.46	0.23	0.78	7.68
	IIIrd Quarter	7.68	-	7.68	0.21	0.78	6.90
	IVth Quarter	6.90	-	6.90	0.19	0.78	6.12
					0.89	3.12	
IV	Opening Balance						
	Ist Quarter	6.12	-	6.12	0.17	0.78	5.34
	IIInd Quarter	5.34	-	5.34	0.15	0.78	4.56
	IIIrd Quarter	4.56	-	4.56	0.13	0.78	3.78
	IVth Quarter	3.78	-	3.78	0.10	0.78	3.00
					0.54	3.12	
V	Opening Balance						
	Ist Quarter	3.00	-	3.00	0.08	0.78	2.22
	IIInd Quarter	2.22	-	2.22	0.06	0.78	1.44
	IIIrd Quarter	1.44	-	1.44	0.04	0.78	0.66
	IVth Quarter	0.66	-	0.66	0.02	0.66	(0.00)
					0.20	3.00	

DEPRECIATION SCHEDULE

Description	Land & Building 5.00%	Plant & Machinery 15.00%	Total
Opening Balance	0.00	0.00	0.00
Addition	5.00	10.47	15.47
Add: IDCP	0.25	0.52	0.77
	5.25	10.98	16.23
Less : Depreciation	0.26	1.65	1.91
WDV at the end of 1st year	4.99	9.34	14.32
Addition	0.00	0.00	0.00
	4.99	9.34	14.32
Less : Depreciation	0.25	1.40	1.65
WDV at the end of 2nd year	4.74	7.94	12.67
Addition	0.00	0.00	0.00
	4.74	7.94	12.67
Less : Depreciation	0.24	1.19	1.43
WDV at the end of 3rd year	4.50	6.74	11.24
Addition	0.00	0.00	0.00
	4.50	6.74	11.24
Less : Depreciation	0.22	1.01	1.24
WDV at the end of 4th year	4.27	5.73	10.01
Addition	0.00	0.00	0.00
	4.27	5.73	10.01
Less : Depreciation	0.21	0.86	1.07
WDV at the end of 5th year	4.06	4.87	8.93

DEBT SERVICE COVERAGE RATIO

Particulars	I	II	III	IV	V
NET PROFIT AFTER TAX	3.79	4.21	5.69	6.54	8.11
Add : Depreciation	1.91	1.65	1.43	1.24	1.07
CASH ACCRUALS	5.70	5.86	7.12	7.77	9.19
ADD: INTEREST ON LOAN	0.77	1.23	0.89	0.54	0.20
TOTAL (A)	6.47	7.09	8.01	8.32	9.39
REPAYMENT OBLIGATIONS					
REPAYMENT OF LOAN	1.56	3.12	3.12	3.12	3.00
INTT. ON LOAN	0.77	1.23	0.89	0.54	0.20
TOTAL (B)	2.33	4.35	4.01	3.66	3.20
D.S.C.R.(A/B)	2.78	1.63	2.00	2.27	2.93
AVG. D.S.C.R.			2.24		

BREAK EVEN POINT ANALYSIS

Year	I	II	III	IV	V
Net Sales & Other Income	40.50	45.00	50.00	55.00	61.00
Less : Op. WIP Goods	-	2.00	4.00	6.50	8.75
Add : Cl. WIP Goods	2.00	4.00	6.50	8.75	11.75
Total Sales	42.50	47.00	52.50	57.25	64.00
Variable & Semi Variable Exp.					
Raw Material & Tax	27.25	30.00	33.00	36.00	40.00
Electricity Exp/Coal Consumption at 85%	2.13	2.34	2.57	2.83	3.11
Manufacturing Expenses 80%	0.81	0.90	1.00	1.10	1.22
Wages & Salary at 60%	1.50	1.65	1.82	2.00	2.20
Selling & administrative Expenses 80%	0.42	0.68	0.88	1.14	1.27
Intt. On Working Capital Loan	0.55	0.55	0.55	0.55	0.55
Total Variable & Semi Variable Exp	32.65	36.12	39.82	43.62	48.35
Contribution	9.85	10.88	12.68	13.63	15.65
Fixed & Semi Fixed Expenses					
Manufacturing Expenses 20%	0.20	0.23	0.25	0.28	0.31
Electricity Exp/Coal Consumption at 15%	0.38	0.41	0.45	0.50	0.55
Wages & Salary at 40%	1.00	1.10	1.21	1.33	1.46
Interest on Term Loan	0.77	1.23	0.89	0.54	0.20
Depreciation	1.91	1.65	1.43	1.24	1.07
Selling & administrative Expenses 20%	0.11	0.17	0.22	0.29	0.32
Total Fixed Expenses	4.36	4.79	4.45	4.17	3.91
Capacity Utilization	100%	100%	100%	100%	100%
OPERATING PROFIT	5.49	6.09	8.24	9.46	11.74
BREAK EVEN POINT	44%	44%	35%	31%	25%
BREAK EVEN SALES	18.81	20.69	18.41	17.52	15.99

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