

Capital Expenditure Proposal Document

Document Reference: CAPEX-2024-001

Date: 2024-06-19

1. Project Overview

Project Title: Expansion of Production Facility

Department: Operations

Prepared by: Jane Smith, Operations Manager

Purpose:

To increase the manufacturing capacity by constructing an additional production line, enabling the company to meet rising demand and improve delivery timelines.

2. Project Justification

- Current facility is operating at 95% capacity, causing delays in order fulfillment.
- Forecasted customer demand will exceed existing capacity within the next 12 months.
- Additional line will support planned introduction of new product variants.
- Expected to reduce unit production cost by 8% through improved efficiency.

3. Project Scope

- Construction of new production line infrastructure (4,000 sq ft).
- Acquisition and installation of automated machinery.
- Integration with inventory and quality systems.
- Staff recruitment and training.

4. Cost Breakdown

Item	Estimated Cost (USD)
Construction & Building Modifications	600,000
Machinery & Equipment	950,000
Installation & Commissioning	100,000
Staff Recruitment & Training	80,000
Contingency (10%)	173,000
Total	1,903,000

5. Expected Benefits & ROI

- Increase in production capacity by 30%.
- Ability to fulfill 98% of orders on time.
- Reduction in costs due to labor efficiency and economies of scale.
- Projected payback period: 3.5 years.

6. Risk Assessment

- Construction Delays:** Mitigated by appointing experienced contractors and regular site supervision.
- Cost Overruns:** Controlled through detailed budget tracking and contingency allocation.
- Integration Issues:** Addressed by involving IT and operations early in the planning phase.

7. Approval Sign-Off

Name	Title	Signature	Date
John Doe	Chief Financial Officer		
Angela Lee	CEO		

Important Notes about Capital Expenditure Proposal Documents:

- Ensure all cost estimates are supported by quotes or historical data.
- Clearly specify project objectives, risks, and expected returns.
- Obtain approvals from all relevant stakeholders prior to implementation.
- Review and update the proposal if project scope or costs substantially change.
- Maintain copies of all supporting documentation for audit and compliance purposes.