LESSON – 5
FEASIBILITY ANALYSIS, PROJECT REPORT AND BUSINESS PLAN

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STRUCTURE

5.0 INTRODUCTION

The process of setting up a business is preceded by the decision to choose entrepreneurship as a career and identification of promising business ideas upon a careful examination of the entrepreneurial opportunities. Generation of ideas is not enough; the business ideas must stand the scrutiny from techno-economic, financial and legal perspectives. That is, after the initial screening of the ideas that do not seem promising *prima facie,* you should conduct an in-depth examination of the chosen three-four before settling for the one where you would like to exert your time, money and energies. You should prepare a business plan that will serve as the road map for effective venturing, whether you may require institutional funding (in which case it is necessary to do so) or not. Setting up of new business enterprises is a very challenging task; you are likely to encounter many problems *en route.* It's advisable to be aware of these problems as to forewarn means to fore arm!

5.1 OBJECTIVES

After going through this lesson you should be able to

- Conduct a feasibility analysis of the proposed business ideas in regard to
  Marketability
  Technical viability
  Funding
  Legalities
- Prepare a business plan
- Understand basic startup problems.

5.2 PROJECT FEASIBILITY STUDY

Feasibility literally means whether some idea will work or not. It knows before hand whether there exists a sizeable market for the proposed product/service, what would be the investment requirements and where to get the funding from, whether and wherefrom the necessary technical know-how to convert the idea into a tangible product may be available, and so on. In other words, feasibility study involves an examination of the operations, financial, HR and marketing aspects of a business on *ex ante* (Before the venture comes into existence) basis. Thus, you may simultaneously read this lesson and the lessons on marketing, finance etc. to have a better idea of the issues involved. What we present hereunder is a brief outline of the issues impinging upon the various aspects of the feasibility of the proposed project.

By now, you would have understood that feasibility is a multivariate concept; that is, a project has to be viable not only in technical terms but also in economic and commercial terms too. Moreover, there always is a possibility that a project that is technically possible may not be economically viable. For instance, you can construct a dust free factory in Rajasthan, but it is more economically sensible to do so in Chandigarh/ Bangalore. So even as we take up the various aspects of feasibility one-by-one, it must not mislead into believing that there is a sequence and that there are no interdependencies.

Examination of the feasibility requires skills that you may fall short of. You may take the help of the Technical Consultancy Organisations (TCOs) such as HARDICON (Haryana-Delhi Industrial Consultancy Organisation) towards this purpose. There are district-wise industrial potential surveys available with the SISIs and DICs that may serve as a good starting point. You may also make use of the Project Reports published by the directorate of industries and private consulting firms. Obviously, as you use these off-the- shelf project reports, you need to re-validate their assumptions and findings and resist the temptation of jump-starting. Whether you use the already published project reports or wish to start afresh, you need to examine all the facets of the feasibility of the proposed project idea, viz., marketing, technical, financial, economic and legal.

5.2.1 MARKET ANALYSIS

A market, whether a place or not, is the arena for interaction among buyers and sellers. From seller's point of view, market analysis is primarily concerned with the aggregate demand of the proposed product/service in future and the market share expected to be captured. Success of the proposed project clearly hinges on the continuing support of the customers. However, it is very difficult to identify the market for one's product/service. After all, the whole universe cannot be your market. You have to carefully segment the market according to some criteria such as geographic scope, demographic and psychological profile of the potential customers etc. It is a study of knowing who all comprise your customers, for this you require information on:

- Consumption trends.
- Past and present supply position
- Production possibilities and constraints
- Imports and Exports
  Competition
- Cost structure
- Elasticity of demand
- Consumer behaviour, intentions, motivations, attitudes, preferences and requirements
- Distribution channels and marketing policies in use
- Administrative, technical and legal constraints impinging on the marketing of the product

5.2.2 FINANCIAL ANALYSIS

The objective of financial analysis is to ascertain whether the proposed project will be financially viable in the sense of being able to meet the burden of servicing debt and whether the proposed project will satisfy the return expectations of those who provide the capital. While conducting a financial appraisal certain aspects has to be looked into like:

- Investment outlay and cost of project
- Means of financing
- Projected profitability
- Break- even point
- Cash flows of the project
- Investment worthiness judged in terms of various criteria of merit
- Projected financial position

5.2.3 TECHNICAL ANALYSIS

The issues involved in the assessment of technical analysis of the proposed project may be classified into those pertaining to inputs, throughputs and outputs.

- **Input Analysis:** Input analysis is mainly concerned with the identification, quantification and evaluation of project inputs, that is, machinery and

materials. You have to ensure that the right kind and quality of inputs would be available at the right time and cost throughout the life of the project. You have to enter into long-term contracts with the potential suppliers; in many cases you have to cultivate your supply sources. When Macdonald entered India, they developed sustainable sources of supply of potatoes, lettuce and other ingredients for their burgers. The activities involved in developing and retaining supply sources are referred to as supply chain management.

- **Throughput Analysis:** It refers to the production/operations that you would perform on the inputs to add value. Usually, the inputs received would undergo a process of transformation in several stages of manufacture. Where to locate the facility, what would be the sequence, what would be the layout, what would be the quality control measures, etc. are the issues that you would learn in greater details in subsequent lessons.
- **Output Analysis:** this involves product specification in terms of physical features- colour, weight, length, breadth, height; functional features; chemical-material properties; as well as standards to be complied with such as BIS, ISI, and ISO etc.

5.2.4 ECONOMIC ANALYSIS

Economics is the study of costs- and- benefits. In regard to the feasibility of the study the entrepreneur is concerned whether the capital cost as well as the cost of the product is justifiable vis-à-vis the price at which it will sell at the market place. For example, technically, silver can be extracted from silver bromide, (a chemical used for processing the X-ray and photo films); but, the cost of extraction is so high that it would not be economically feasible to do so. Likewise, until recently cost of harnessing solar power was prohibitively high. This cost-benefit analysis goes into financial calculations for profitability analysis that we discussed under financial analysis. At this stage it is also useful to distinguish between the economic and commercial feasibility; whereas economic feasibility leads one to the unit cost of the product, commercial feasibility informs whether enough units would sell.

Apart from the cost-benefit analysis as above, which we also refer to as private cost-benefit analysis, it is also useful to do what is known as social- cost-benefit- analysis (SCBA). For example, the entrepreneur may be getting subsidized electricity in which case private cost would be less than social cost. Likewise, exporting units earn precious foreign exchange resulting into social benefits being more than private earnings. Many a time, a project that is worthy on SCBA may find greater favour with the support agencies.

5.2.5 ECOLOGICAL ANALYSIS

In recent years, environmental concerns have assumed a great deal of significance especially for projects, which have significant ecological implications like power plants and irrigation schemes, and for environment polluting industries (like bulk drugs, chemicals and leather processing). The concerns that are usually addressed include the following:

- What is the likely damage caused by the project to the environment?
- What is the cost of restoration measures required to ensure that the damage to the environment is contained within acceptable limits?

Check your progress
Match the following

	Issues	Type of Analysis
1.	Availability of know how with the entrepreneur Or to be procured	Economic
2.	Ability to meet the burden of servicing debt	Technical
3.	The impact of the project on the level of social costs-benefits	Ecological
5.	Identification, quantification and evaluation of project inputs	Financial
6.	Likely damage caused by the project to the environment	Input

5.2.6 LEGAL AND ADMINISTRATIVE

Think of the plight of the entrepreneur who worked on the idea of a laundry to cater to hotels and hospitals, finds it eminently feasible only to learn subsequently that 'laundry' does not figure as an industry within the administrative definition of SSI as applicable on that date. Another entrepreneur in Kalyani (West Bengal) developed an Ayurvedic preparation only to find that the office of DIC did not have an expert to validate the project; the product had to be marketed as a confectionary item! What is implied from these examples is that the entrepreneur has to be sure also of the administrative and legal issues involved in the project. These include, choice of the form of business organisation, registration and clearances and approvals from the diverse authorities.

Forms of Organisation

Sole Proprietor: At the time of startup the entrepreneur usually has to handle all functional responsi- bilities of the venture and handles production, marketing, personnel, finance himself. As a result the vast majority of new businesses start as sole proprietors. This form has the added merit of being free from formalities regarding incorporation or maintenance of accounts or auditing etc.

Partnership: As the business grows the requirements for funds and management will also increase which might lead him to enter into partnership with one or more persons. It is always preferable to have a written agreement in the form of a partnership deed which clearly indicates the names and addresses of the partners, their ages, contribution to capital, profit sharing ratio etc. This form also makes for pooling of skills and responsibilities and spread of risk.

Company: A company can be a private limited company, in which case it can have a minimum of 2 and a maximum of 50 members. It can be a public limited company,

which has to have a minimum of 7 members, and there is no maximum limit. This form of organisation provides vast amounts of capital as they, unlike the private limited company, invite the general public to subscribe to its shares and also provide limited liability. The Companies Act of 1956 governs the companies.

Co-operative: A co-operative is an enterprise owned and controlled by people working in it. Generally they are formed for some specific purpose like a housing co-operative society.

Clearances and Approvals: Setting up of an industrial unit requires the entrepreneur to obtain a number of clearances and approvals regarding land use, pollution control and safety. In this regard, you would be required to interact with the local government authorities such as the municipalities/ village panchayats and state pollution control boards. In case, you wish to avail the incentives accruing to the firms registered under Export Processing Zone/Special Economic Zone (SEZ), Software Technology Park (STP), or 100% Export Oriented Unit you would be required to register as such. Besides, certain products may require specific clearances from the relevant departments/authorities. Box entitled 'Product-Specific Clearances' illustrates a few examples of the necessary clearances and approvals vis-à-vis specific products.

Box 5.1: Product Specific Clearances

- For established a printing press-District Magistrate
- For pesticides – Central / State Agricultural Department Ministry of Agriculture
- For safety matches / fireworks – licence under Explosives Act from Directorate of Explosives
- For household electrical appliances – licence from the Bureau of Indian Standards
- Wood working industry within 8 km from forest – District Forest Officer
- For Drugs and Pharmaceuticals – drug license from State Drug Controller.

Check your Progress

From where SSIs will take the final clearances for

1. Pesticides - _____
2. Household electrical appliance - _____
3. Drugs and Pharmaceuticals - _____
4. Printing Press - _____
5. Registration as a 100% export oriented unit - _____
6. Pollution Control - _____

5.3 PROJECT REPORT

The findings of the feasibility analysis may be compiled in a project report. See Annexure 5.1 'Specimen Pro forma of Project Report.' These findings may be vetted by the independent consultants/experts. Funding agencies have their own set-up for the appraisal of these reports. The idea is that the optimist entrepreneur may have overlooked certain aspects that may have a bearing on the ultimate feasibility of the proposed business idea. It is often felt that financial institutions tend to over-emphasise the financial feasibility of the project and do not pay adequate attention to its commercial and economic viability. This security-driven approach is forwarded as one of the reasons why some promising ventures are turned down despite their sound techno-economic viability.

5.4 REGISTRATION

It is not mandatory for you to register as a SSI; in fact Census of the Small Scale Industries in India shows that _-- % of the SSI are not registered. However, registration entitles you to avail of the privileges available for the small-scale industries and facilitates easy access to land, utilities and other facilities. The point of contact in this regard is the District Industry Centres (DICs) or the Directorate of Industries (DIs) of the concerned State Government.

The registration of Small Scale units is done in two stages

(a) Provisional registration –This is made before the unit is set up
(b) Permanent registration-This is given when the unit goes into production

(a) <u>Provisional Registration Certificate (PRC)</u>

A provisional Registration Certificate is the initial registration for starting a small scale industry. The entrepreneur should make an application in the prescribed application form (in duplicate) along with prescribed court fee stamp, copy of the project profile, Partnership Deed/Memorandum and Articles of Association, Affidavit, as per format on appropriate stamp paper. The PRC will be normally issued immediately, across the table on submission of the application. The initial validity of the PRC is for two years and it can be renewed subsequently, if needed.

The PRC will enable the small scale unit:

1. To obtain the term loans and working capital from financial institutions / banks under priority sector lending
2 To obtain facilities for accommodation, land, other approvals etc.
3 To obtain various necessary No Objection Certificate (NOC) and clearances from regulatory bodies such as Pollution Control Board, Labour Regulation and so on.
4 To apply for power and water connections
5 To apply for procuring machinery on hire purchase basis.

(b) Permanent Registration Certificate (PMT)

When the unit goes into production, PRC would be converted to PMT. The PMT registration will help SSI units in many ways like:

1. To apply for scarce raw materials and for imported raw materials.
2. To get working capital from banks /financial institutions
3. To obtain Central excise duty concessions
4. To apply for registration under the Government Stores Purchase Programme/Ancillary Development Programme /Export Promotion Programme and to get purchase and price preference.
5. To apply for incentives including sales tax exemption.

The application for permanent registration should be made in the prescribed form. Along with the application, the following of documents need to be submitted

(a) Rent receipt or NOC from landlord
(b) If the power is not in the name of the unit then NOC from the connection holder
(c) Photocopy of sale bill of each item.
(d) Photocopy of purchase invoice of machinery
(e) Photocopy of purchase invoice of raw materials
(f) Photocopy of partnership deed, if the unit is a partnership.
(g) Photocopy of memorandum of association and certificate of in corporation, if the unit is a company
(h) Photocopy of approved scheme and project report if the unit is assembling / manufacturing
(i) An affidavit in the prescribed proforma duty attested by Notary Public.

A SSI can get itself registered with Director General of Supplies and Disposal (DGS&D) or National Small Industries Corporation (NSIC) if it wants to avail of the benefit of purchases made for government offices.

Check your progress

1. Pick up two keywords from the following 4 keywords, which are used in the above section and explain them.

   PMT, PMC, PRC, PRT

   1. _____

      _____

   2. _____

      _____

2. What is the full form of?

   NOC _____

   DGS&D _____

5.5 BUSINESS PLAN

The feasibility analysis of the chosen 3-4 project ideas would help you zero in on to the one where you would like to commit yourself. Now, is the time to decide in advance on how you intend to go about everything related to the launch of your business and its subsequent operations? The difference between the feasibility report and business plan essentially lies in 'action orientation.' As such, a business plan is a blue print of entrepreneurial intentions.

The business plan is a written document that serves as a road map in the entrepreneur s journey from start-up to project implementation. It describes all the relevant elements involved in starting a new business enterprise. It is often an integration of functional plans such as marketing, finance, manufacturing and human resources. Potential investors and suppliers too are interested in a business plan, as it can prove helpful in taking decisions.

5.5.1 NEED FOR A BUSINESS PLAN

The depth and detail of the business plan depends upon the size of the market, nature of business [manufacturing/trading/service] and degree of competition. For, e.g., an entrepreneur planning to market a new washing machine will need a comprehensive business plan. On the other hand, an entrepreneur who plans to open a general

provisions corner store will not need such a comprehensive business plan. Business plan is important due to the following reasons:

(i) It helps the entrepreneur to decide where he wants to go.

(ii) It helps him to determine the viability of the venture.

(iii) It provides guidance to the entrepreneur in planning realistic goals and targets, in organizing and even in identifying possible roadblocks.

(iv) It is a pre-requisite to obtain finance.

While outlining a business plan, you should start with describing about your business and product or services. Then indicate the market you are targeting and the stage of development your company is in. If you get stuck at a particular part of the plan, leave it for a while and get back to it later and finish it. You cannot make a perfect first draft. So just get some thoughts down to start the process. You can always come back and change it or polish it up later. While making a business plan keep the following points in mind.

1. **The target audience:** While working your business plan, keep in mind the intended audience and why you are writing plan. For example, if you are trying to get debt financing, the emphasis should not be on the huge profit potential but on the certainty that the debt can be repaid.
2. **Business strategy**: The first part of the business plan should be geared towards helping develop and support solid business strategy. The plan should explain the market, the industry, target customers and competitors.

   The second half of the business plan should explain how to execute your selected business strategy. Your products, services, marketing and operations should all closely tie in with your strategy.
3. **Competition:** As an entrepreneur, you need to identify where you will do things in a manner similar to your competitors and where you will do things differently, what will be your real strengths and real weaknesses. Focus your plan on being different than your competitors'. Think over the points-Can you find a unique strategy? Can you position your products differently? Can you use different sales or marketing vehicles? Your business plan should be able to answer these questions.
4. **Be realistic:** So many business plans do not work in the real life as there are always going to be some unseen expenditures, cost overruns, expensive problems and items that you simply overlooked. So forecast realistically and try to have a contingency reserve.
5. **Involvement of people for creating the business plan** In seeking funds from banks, venture capitalists or other outside investors, the chances of success are greater if your management team includes a person whose name carries some weight, to get the plan in synchronized fashion, and to get any disagreements, out in the open. The more input people have in creating the plan, the more responsibility they will feel towards it.
6. **You should keep your business plan factual and brief.**

5.5.2 Outline of a Business Plan

1 **Introductory Page**
- (a) Name and address of business
- (b) Name(s) and address (es) of principals
- (c) Nature of business
- (d) Statement of financing needed
- (e) Statement of confidentiality of report

2 **Executive Summary** – Three to four pages summarizing the complete business plan.

3 **Industry Analysis**
- (a) Future outlook and trends
- (b) Analysis of competitors
- (c) Market segmentation
- (d) Industry forecasts

4 **Description of Venture**
- (a) Product (s)
- (b) Services (s)
- (c) Size of business
- (d) Office equipment and personnel
- (e) Background of entrepreneurs

5 **Production Plan**
- (a) Manufacturing process (amount subcontracted)
- (b) Physical plant
- (c) Machinery and equipment
- (d) Names of suppliers of raw materials

6 **Marketing Plan**
- (a) Pricing
- (b) Distribution
- (c) Production
- (d) Product forecasts
- (e) Controls

7 **Organisational Plan**
- (a) Form of ownership
- (b) Identification of partners or principal shareholders
- (c) Authority of principals
- (d) Management-team background
- (e) Roles and responsibilities of members of organization

8 **Assessment of Risk**
- (a) Evaluate weakness of business
- (b) New technologies
- (c) Contingency plans

9 **Financial Plan**

(a) Pro forma income statement
(b) Cash flow projection
(c) Pro forma balance sheet
(d) Break-even analysis
(e) Sources and application of funds

10 **Appendix (contains backup material)**

(a) Letters
(b) Market research data
(c) Leases or contracts
(d) Price lists from suppliers

Source: Hisrich and Peters-Entrepreneurship, Tata McGraw Hill 2000 page 237

You would have noticed that both Project Report and Business Plan appear similar in content. Difference between the two at times lies in the phraseology, some funding agencies prefers to use the latter term to the other. Essentially the difference lies in the action orientation as noted earlier.

5.6 BASIC START UP PROBLEMS

There are many problems involved in the establishment of a small scale enterprise which is given below:

(i) **Selection of the Industry**: Once a person has decided to start his own business, the first major problem is to select the line of business. This problem can be solved by analyzing the person's aptitudes, propensity to take risk, organizational ability, skills and experience, family background, financial position, Government policy and incentives, infrastructural facilities, advice of consultants etc.

(ii) **Product Selection**: Another start up problem is the choice of the particular product to be manufactured. This can be decided through a comparative analysis of a few product items with special reference to:

(a) Size and structure of the market
(b) Future demand pattern
(c) Competitive position
(d) Life cycle of the product
(e) Availability of raw materials
(f) Technical aspects of production
(f) Availability of required labour
(g) Government policy and controls

(iii) **Choice of Factory Site:** The next main problem is to find out a suitable location for the factory. This has already been described under section 5.2.2.

(iv) **Form of Organisation**: The proprietor has to select an appropriate form of business organisation for his unit. This has been described earlier in this chapter under section 5.3.

(v) **Problem of Construction**: Construction of factory building involves several problems e.g.

(a) Acquisition of land in the chosen locality.

(b) Architectural design of the building

(c) Appointment of engineers and contractors

(d) Civil work like obtaining power and water connection

(e) Supervision of construction work

(f) Acquisition and installation of machinery and equipment

(vi) **Supply of Raw Materials**: Appropriate suppliers of raw materials have to be selected. Agreements need to be made with the concerned suppliers.

(vii) **Financing the Unit**: The funds required for both fixed capital and working capital have to be estimated. Appropriate sources of required funds have to be decided. Arrangements are then made to collect the necessary finance.

(viii) **Recruitment and Training of Staff**: Staffing of the new unit is another major problem. First of all the quantity and quality of staff required are judged. Then people with required skills are selected. Necessary training arrangements are made for preparing the selected people to handle their jobs efficiently.

(ix) **Trial Run**: Production is then started on an experimental basis. The difficulties and constraints experienced during the trial run are tackled before starting commercial production.

(x) **Marketing**: Through necessary prospecting markets for the product are decided. Test marketing is done to judge the acceptability of the product. The experience gained through test marketing is used to make necessary improvements in the product. After that the product is launched in the market.

(xi) **Gestation Period**: Great care and efforts are required to successfully overcome the problems and risks during the gestation period. Effective control over expenses, time and cost overruns, sales pattern etc. is necessary to ensure that the unit survives the initial expenses and losses. Once the unit starts generating profits the start up problems are by and large over.

5.7 SUMMARY

In case you decide to set up a small – scale industry, it is desirable that have to initially make a project feasibility study which examines various aspects of the venture like marketing, finance, technology, legal, ecological etc. Next the entrepreneur has to prepare a business plan. Depending on the type of project, location and investment involved, the entrepreneur has to proceed to take further steps in establishing the unit, about which you will learn more about in the next couple of lessons.

5.8 GLOSSARY

Share Capital – It is the contributed capital of a company that reckons investors' interests in terms of shares.

Income Statement – Also, earnings report, operating statement, profit and loss statement. It is a summary of the revenues and expenses of a business firm or other organisation for a particular period of time, generally one year.

Cash Flows – In investments, it represents earnings before depreciation amortization and non-cash charges. Sometimes called cash earnings.

Aggregate Demand – Is the flow of money and expenditures for goods and services during a given time period. The expectations of aggregate demand influence the aggregate supply.

Lease – A contractual agreement that transfers possession and use of property for a limited period under specified terms and conditions.

Shadow (efficiency) prices – The project's impact on the levels of production and consumption in the national economy would provide the basis for shadow pricing.

Margin Money – Resources that a borrower has to possess in order to be able to get credit from the bank.

Balance Sheet – Statement of financial position of a firm on a specified date. It shows the total value of the firm's assets & liabilities.

Elasticity of demand – Demand is considered elastic when a decrease in price results in an increase in total revenue.

5.9 Self Assessment Questions

1. What are the important facets of a project feasibility study?
2. What factors are to be kept in mind while deciding on product/service?
3 Describe the various forms of business organization.
4 Explain legal considerations in the establishment of a small scale enterprise.
5. What is the role of Single Window Agencies in the development of small-scale industries?
6. What kind of final clearances and from whom, the entrepreneurs are required to take as soon as the unit goes into production?
7. Describe the different stages involved in setting up a small-scale enterprises.

5.10 FURTHER READINGS AND SOURCES

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3. www.pipdic.com
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Annexure 5.1

SPECIMEN PROFORMA OF PROJECT REPORT

I. Particulars of The Enterprise

i) Name of the Product(s) _____Product Code_____

ii) Name of the Unit and Address _____

_____

iii) Telephone No. (if any), Office_____ Factory_____

iv) Name(s) and addresses of the
Promoters in Block Letters _____

v) Constitution of the Firm Proprietary/Partnership
Pvt. Ltd. Coop. Society_____

vi) Qualification both Academic/Professional of the Entrepreneur(s)
Name _____
Qualification _____

vii) Production/Working experience of the Entrepreneur(s)
Name of the Organisation _____
Items Manufactured _____
Period _____

viii) Family background (Please give details of close relations who are in industry/Business).
Name & Address of the units & Items
manufactured _____

ix) Location/Proposed locations _____

x) Name & Address of the bank with
which you want to deal with _____

II. Economic Viability & Marketability

i) Introduction
(Basic & Presumptions)

ii) Scope _____

iii) Marketability (Please give proposed selling arrangements & list of places where the products will be mainly sold & likely buyers).

III. Technical Feasibility

i) Manufacturing process (Please give process flow chart).

ii) Please indicate the process which will get done from outside.

iii) Specifications (whether proposed to adopt ISI specifications or some other).

iv) Components to be purchased from outside.

	Name of the Components	**No.**	**Specifications**
v)	Installed Capacity	Qty.	Value
vi)	Proposed capacity to be utilized	Qty.	Value
vii)	Motive power requirements (HP) Approx.		

IV. Financial Projections

A. Fixed Capital

(i) a. Land, Area and Value
b. Building area, value owned/rented or leased
c. Please mention if some arrangements have been made in this respect.
(Please append the proposed layout plan)

(ii) Machinery & Equipment

S. No.	Description & Specification	Indigenous/ Imported	Qty.	Price	Sale Tax	Int.	Total	Name & address of the Suppliers
1	2	3	4	5	6	7	8	9

(iii) Testing equipment (with details as above)

(iv) Electrification & Installation Charges and Maximum 10% of cost of machinery & Equipment.

(v) Cost of Tools/Jigs./Fixtures/Mould/Working tables etc.

(vi) Cost of Office Equipments.

(vii) Pre-operative expenses if any (cost of project preparation, technical know-how expense, royalties etc.)

(viii) Total non-recurring expenditure
(i+ii+iii+iv+v+vi+vii)

B. Working Capital (per month)

i)

Staff & Labour	Designation	No.	Salary	Total
Technical				
Office				
Sales				
Others				
Salaries per month				
Perquisites (10 to 20% of Salaries)				
Total Salary				

ii) Raw materials (per month on single shift basis including packaging materials).

a)

Name with Specifications	Indigenous/ imported	Qty.	Rate	Total

iii) Other items of expenditure
(per month on single shift basis)

a) Utility

Power _____ KWH unit@_____ per unit cost Rs._____ Fuel (steam/furnace oil _____ tones @Rs._____
Per to water _____ kilolitres _____ per Kl._____
Total Cost of Utilities_____

b) Advertisement & Publicity
c) Transport
d) Commission to Distributors/agents
e) Consumable stores
f) Rent (if any where cost of land building is not given)
g) Taxes (other than Income tax)
h) Insurance
i) Stationery
j) Postage & Telephone etc.
k) Repair & Maintenance
l) Sales Expenses
m) Other miscellaneous (not give above)
n) Total overheads (a+b+c+d+e+f+g+h+I+j+k+l+m)
iv) Total recurring expenditure (per month) (i+ii+iii)

Working capital for two/three months (depending upon need or worked out on the bank system of assessment of working capital needs)
2/3 x (expenditure)

B. Total Investments

I) Fixed Capital
II) Working Capital

Total _____

_____

C. Cost of Production (per Year)

i) Total recurring expenditure (per year)
ii) Depreciation on building @5%
iii) Depreciation on machinery & equipments @10%
iv) Depreciation on fixtures/Jigs./Tools/Moulds @25%
v) Depreciation on office equipments @20%
vi) Depreciation on furnaces @25%
vii) Interest on total investment @_____
(Actual to be charged by Financial Institutions or Banks)

D. Total Cost of Production

E. Turnover Per Year

Sales	Qty.	Rate	Total

F. **Net Profit Per Year**
(before Taxes)

(E-D)

G. **Financial Assessments**

(i) Net profit Ratio :

$$\frac{\text{Profit (Per Year)} \times 100}{\text{Sales (Per Year)}}$$

(ii) Rate of Return :

$$\frac{\text{Profit (Per Year)} \times 100}{\text{Total Investment}}$$

(iii) Break Even Point (BEP)
Total Fixed Cost (FC) Per Year
(a) Depreciation
(b) Rent
(c) Interest on total Investment
(d) 40% of Salary & wages
(e) 40% of overheads
(f) Insurance

B.E.P. :

$$\frac{\text{FC} \times 100}{\text{FC + Profit}}$$

V. Name & Addresses of Suppliers