

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)  
SEMPORE PAMPORE 191101

DETAILED TECHNO-ECONOMIC  
CUM PRE-INVESTMENT PROJECT  
REPORT

(SHER – E – KASHMIR EMPLOYMENT AND WELFARE  
PROGRAMME FOR THE YOUTH (SKEWPY)

ON

(ASSEMBLING OF COMPUTERS AND  
SERVICING/REPAIR OF COMPUTERS/LAPTOPS  
AND PRINTERS)

## **INTRODUCTION**

Information Technology (IT) has become the chief determinant of progress of nation, communities and individuals. IT is the fastest growing industry in the world and is poised to become the largest global industry in the world. IT also acts as genetic technology as it reduces the cost of production, response time and quality of a product. The key component of IT industry include software, Hardware, peripheral training, maintainance and networking. IT is considered as technology which provide all information about any phenomenon or event taking place anywhere in the universe at any time to any person anywhere in the world, considering information as root cause of development of society. The scope of net working of IT related activities is increasing in various fields which include Education, Railway, Communication, P&T, Medicines, sports and Entertainment etc. With the help of information provided by internet, quality of teaching increases as internet provides information correctly and as comprehensive as possible in different possible example. IT provide chat facilities so that learner can make use of it and can exchange their ideas and views and can get clarification on any subject with the help of different experts. It will be helping the learner to broaden information base. IT provide variety in the presentation in the content which help learner in better understanding and long retention of information which is not possible otherwise. The Promoter intends to set up a unit for Servicing/Repairs of Computers/Laptops, Printers and Refilling of Cartridges & Toners keeping in view the demand for these items in and around KASHMIR from different areas/sections which is expected to increase in the Coming years. The unit will be using marketing strategy of personal approach, Newspaper ads.banners, posters, kiosks, local media for publicity and advertisement. The unit is mainly expected to get the work from Individuals, Offices both Governments and Private, Factories, Schools, Hotels, Hospitals, Railways, Banks, Industrial/trading centres and other IT related potential sectors.

ASSEMBLING OF COMPUTERS AND SERVICING/REPAIR OF COMPUTERS/LAPTOTS AND PRINTERS are widely used these days in office automation in Business/trade, Industries, Banks, Insurance Establishments,

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Hospitals, Hotels, Railway, Air-lines and Transport services etc. Personal Computer hardware consists of CPU, Memory, Direct memory access, Peripheral controllers and interfaces, Floppy disk drives and hard disk drives. The peripherals consists of Keyboard, CRT Monitor, Printer, Modem and Mouse etc. and connected to the main PC through cables and interfaces. Switched Mode Power Supply (SMPS) are used to power the personal computer for different dc voltage: +5V, -5V, +12V and -12V. The SMPS is housed in the PC cabinet . The CRT Monitor and Printer have their own power supply units.

*A desktop computer* is a personal computer (PC) in a form intended for regular use at a single location, as opposed to a mobile laptop or portable computer. Prior to the wide spread of microprocessors a computer that could fit on a desk was considered remarkably small. Desktop computers come in a variety of types ranging from large vertical tower cases to small form factor models that can be tucked behind an LCD monitor. "Desktop" can also indicate a horizontally-oriented computer case usually intended to have the display screen placed on top to save space on the desk top. Most modern desktop computers have separate screens and keyboards. Tower cases are desktop cases in the former sense, though not in the latter. Cases intended for home theater PC systems are usually considered to be desktop cases in both senses, regardless of orientation and placement.

### **MARKET POTENTIAL**

The market for personal computer is expanding day by day due to rapid computerisation of offices for accounts, inventory, sales, correspondence and communication etc., in business/trade, industry, banks, insurance establishments, hotels, tourism sector, hospitals etc., and also due to rapid computerisation of reservations in railways, air-lines and other transport services.

The demand for personal computer (PCs) continues to grow and will continue to account for a large share of the total computer and peripherals spending in India.

According to the Manufacturers Association of Information Technology (MAIT), during 2000-01, more than 1.88 million desktops were sold in India, registering a 34 per cent increase over the previous year. Over 135 small, medium and large firms manufacture computer in India. Many multinational companies such as HP, IBM, Compaq and ACER have a strong presence and manufacturing facilities in India. Dell has a marketing, sales and service operation in the country, providing PCs to the market from its facilities in Malaysia. Together, the MNC brands have garnered a 27 per cent market share. Local Indian brands have a market share of 20 per cent, with the 53 per cent balance dominated by PCs assembled by Small Indian firms. The small manufacturers have to face tough competition from multinationals in terms of price, quality supply schedules and after sales services.

### **Process of Manufacture**

The manufacture of personal computer involves the assembly of Electronics and Electromechanical sub- assemblies, peripherals and integrating them into a compact unit. As per the design the motherboard, VGA card (Display card) are procured/assembled depending upon the volume of production. The other sub-

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assemblies Hard disk drives, floppy disk drive, cabinet with SMPS are procured from outside alongwith the peripherals i.e. Monitor (colour) Computer Keyboard, mouse etc. The mother-board alongwith other subassemblies are mounted in the cabinet and the interconnection done. The completed assembly i.e. compact unit is tested for various performance parameters by the help of dedicated software.

The tested units are then packed well in cardboard packing cases to withstand shock and vibration during transportation and handling. Quality Control and Standards Intel pentium IV processor (1.9 GHZ) 128 MB-RAM AGP-8MB (VGA memory on board) Hard Disk Drive 40 GB Key Board (111 Key) 36 cm (14") colour monitor (Digital) Modem Inbuilt 56 Kbps Scroll Mouse Window 2000 XP Home edition 48/52x CD ROM

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<b>PROJECT COST SUMMARY</b>			
<b>S.NO</b>	<b>PARTICULARS</b>		<b>AMOUNT(LACS)</b>
1	Land		NIL
2	Civil Works		NIL
3	Plant & Machinery		2.97
4	Miscellaneous fixed Assets		0.30
4	Preliminary & Preoperative expenses		0.30
5	Working Capital Requirement		5.43
			<b>9.00</b>
<b>MEANS OF FINANCE</b>			
1	Seed Capital (Maximum for this Category)		3.00
2	Promoters Contribution		0.15
3	Loan from Bank (65 %)		5.85
<b>DETAILS OF LOANS</b>			
<b>A</b>	<b>Long Term Investment</b>		<b>3.57</b>
1	Promoters Contribution/Seed Money		1.25
2	Term Loan From Bank		2.32
<b>B</b>	<b>Working Capital Requirement</b>		<b>5.43</b>
1	Promoters Contribution/Seed Money		1.90
2	Working Capital Finance From Bank		3.53

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**POLLUTION NORMS**

The Govt. accords utmost importance to control environmental pollution. The small-scale entrepreneurs should have an environmental friendly attitude and adopt pollution control measures by process modification and technology substitution. India having acceded to the Montreal Protocol in Sept. 1992, the production and use of Ozone Depleting Substances (ODS) like Chlorofluoro Carbon (CFC), Carbon Tetrachloride, Halons and Methyl Chloroform etc. need to be phased out immediately with alternative chemicals/solvents. A notification for detailed Rules to regulate ODS phase out under the Environment Protection Act, 1986 have been put in place with effect from 19<sup>th</sup> July 2000.

The following steps are suggested which may help to control pollution in electronics industry wherever applicable:

i) In electronic industry fumes and gases are released during hand soldering/wave soldering/Dip soldering, which are harmful to people as well as environment and the end products. Alternate technologies may be used to phase out the existing polluting technologies. Numerous new fluxes have been developed containing 2-10% solids as opposed to the traditional 15-35% solids.

ii) Electronic industry uses CFC, Carbon Tetrachloride and Methyl Chloroform for cleaning of printed circuit boards after assembly to remove flux residues left after soldering, and various kinds of foams for packaging. Many alternative solvents could replace CFC-113 and Methyl Chloroform in electronics cleaning. Other Chlorinated solvents such as Trichloroethylene, Perchloroethylene and Methylene Chloride have been used as effective cleaners in electronics industry for many years. Other organic solvents such as Ketones and Alcohols are effective in removing both solder fluxes and many polar contaminants.

1: Apart from the other recommendations, the promoter has agreed in principle that he will strictly adhere pollution norms as and when shall be implemented and shall use all possible devices to prevent pollution measures.

2: The machines provided in the project report shall be housed in acoustic proof room and shall be provided with anti –vibration mounting/pads in order to reduce the pitch of the noise within the prescribed norms, therefore, the promoter is advised to purchase machinery from the approved manufacture having BIS certifications both for quality as well as safety measures, while as the captive power i.e. D'G set as and when installed shall be provided with canopies and other certified equipment's, which would reduce the emission level within the prescribed norms, therefore, the cost to be incurred for such equipment's has been worked out and is provided under Misc.fixed head of the project report.

3: Adequate provisions of toilets, septic and soakage pit has been made to take care of human wastage and the waste water before discharging in the main drainage system, hence, there is no effluents discharged in the form of solid, liquid and gaseous and the plant, thus is considered free from the pollution aspects.

### **Energy Conservation**

With the growing energy needs and shortage coupled with rising energy cost, a greater thrust in energy efficiency in industrial sector has been given by the Govt. of India since 1980s. The Energy Conservation Act, 2001 has been enacted on 18th August 2001, which provides for efficient use of energy, its conservation and capacity building of Bureau of Energy Efficiency created under the Act.

The following steps may help for conservation of electrical energy:

- i) Adoption of energy conserving technologies, production aids and testing facilities.
- ii) Efficient management of process/ manufacturing machineries and systems, QC and testing equipments for yielding maximum Energy Conservation.
- iii) Optimum use of electrical energy for heating during soldering process can be obtained by using efficient temperature controlled soldering and desoldering stations.
- iv) Periodical maintenance of motors, compressors etc.
- v) Use of power factor correction capacitors. Proper selection and layout of lighting system; timely switching on-off of the lights; use of compact fluorescent lamps wherever possible etc.

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**Manpower**

The category wise break-up manpower including salary as shown at Annexure. A Manager who would be assisted by his selected staff member to look after accounts as well as procurement of raw material and sale of the product would look after the operations of the factory. Regarding technical staff, the production function would be looked after by a production foreman/supervisor who would be assisted by machine and other skilled operators to look after various jobs. The unit would provide employment opportunities to 6 number of persons including those required under administrative categories. The break up of requirement, monthly salary, annual salary as well as total cost on manpower. Necessary provision of perks and annual increase in salaries made in the estimates. It may be mentioned that except for the technical staff all the manpower will be recruited from local sources, if need arises, the same could be recruited from the neighboring states.

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<b>DETAILS OF PRELIMINARY &amp; PRE-OPERATIVE EXPENSES</b>		
<b>S.NO</b>	<b>PARTICULARS</b>	<b>AMOUNT(LACS)</b>
1	Traveling & Conveyance	0.02
2	Printing & Stationary	0.01
3	Professional Charges	0.02
4	Legal & Mortgage Expenses	0.02
5	Misc. Expenses	0.03
6	Interest during Moratorium	0.20
		<b>0.30</b>

<b>DETAILS OF MISCELLANEOUS FIXED ASSETS</b>			
		<b>QNT</b>	
<b>S.NO</b>	<b>PARTICULARS</b>		<b>AMOUNT(LACS)</b>
1	STEEL LOCKER, TABLE, CHAIRS	L S	0.10
2	FIRE EXTINGUISHER	2	0.10
3	NETWORKING AND ELECTRIC FITTINGS		0.10
	<b>TOTAL</b>		<b>0.30</b>

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**DETAILS AND ESTIMATED COST ON PLANT AND MACHINERY**

While arriving at the requirement of various types of equipment and machinery required for the plant, due consideration has been given to the following points.

- Minimum wastage.
- High productivity.
- Maximum flexibility in operation.
- Adequate stand by provision where ever necessary.

The production plant and equipment proposed have been selected for the envisaged production capacity and incorporates features that permit smooth operation of the plant. After making a preliminary study of the source of supply of such equipment it has been identified that all the equipments will be available indigenously and no imports will be necessary.

The concern is expected to purchase the requisite machinery from reputed authorized dealer, who would also assist in the installation of plant and machinery. For estimating the cost on plant and machinery the quotations provided to us by the promoter has been taken into account.

The details of plant & machinery is as follows: –

**Plant and Machinery, Testing Equipments**

<b>Description</b>	<b>Ind./ Imp</b>	<b>Qty. Nos.</b>	<b>Amount (Rs.)</b>
<b>1. Oscilloscope (0-100 MHZ) (dual trace storage type)</b>	<b>Ind.</b>	<b>1</b>	<b>80,000</b>
<b>2. Computer testing system (consisting of CPU, Monitor, Keyboard, FDD, HDD, Communication Driver, Modem, Mouse, Printer and dedicated test software)</b>	<b>Ind.</b>	<b>2</b>	<b>80,000</b>
<b>3. LCR-Q Meter (Digital)</b>	<b>Ind.</b>	<b>1</b>	<b>15,000</b>
<b>4. D.C. Power Supply 30V, 2A</b>	<b>Ind.</b>	<b>3</b>	<b>10,000</b>
<b>5. 4½ digit digital Multimeter</b>	<b>Ind.</b>	<b>2</b>	<b>17000</b>
<b>6. Analog Multimeter</b>	<b>Ind.</b>	<b>5</b>	<b>5000</b>
<b>7. Lap top</b>	<b>Ind</b>	<b>1</b>	<b>35000</b>
<b>8. BGA Machine</b>	<b>Ind</b>	<b>1</b>	<b>35000</b>
<b>9. Soldering Station</b>	<b>Ind</b>	<b>2</b>	<b>20000</b>

**Total 2,97,000**

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**INSTALLED CAPACITY AND PRODUCTION PROGRAMME**

Keeping in view the climatic conditions and other factors prevailing in the valley into consideration, the operational hours shall be assumed as:-

**INSTALLED CAPACITY AT 100% CAPACITY UTILIZATION PER ANNUM**

<b>WORKING DAYS PER YEAR</b>	<b>300</b>
<b>WORKING HOURS PER DAY</b>	<b>8</b>
<b>NO. OF SHIFTS</b>	<b>1</b>
<b>01 ASSEMBLING OF COMPUTERS</b>	<b>150</b>
<b>02 SALE OF PRINTERS</b>	<b>150</b>
<b>03 SERVICE/REPAIRING OF COMP.</b>	<b>300</b>
<b>04 AMC</b>	<b>50</b>

**STATEMENT OF MATERIAL UTILIZED AT 100% CAPACITY UTILIZATION**

1. Intel Pentium IV Processors 1.9 GHz/Chipset/845 GL with Mother Board , 2. Monitor Colour (14") SVGA, 3. Key Board (111 Keys) , 4. 40 GB Hard Disk Drive, 5. 52 × CD ROM , 6. Modem Internet Card, 7. 10/100 Ether Net Card, 8. 1.44 MB Floppy Disk Drive, 9. Scroll Mouse 3 button  
10. SMPS with Cabinet and other accessories, 11. Cables and Power Cords , 12. Consumables (Solders and Packing Materials), 13. Multimedia Speakers

<b>01. ASSEMBLING OF COMPUTERS@RS. 17000.00</b>	<b>RS. 25.50 LACS</b>
<b>02. PRINTERS</b>	<b>RS. 6.07 LACS</b>
<b>03. SERVICING PARTS AND COMPONENTS</b>	
<b>@RS. 500/COMPUTER/PRINTER</b>	<b>RS. 1.50 LACS</b>
<b>TOTAL CONSUMPTION</b>	<b>RS. 33.07 LACS</b>

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**STATEMENT SHOWING SALES AT 100% CAPACITY UTILIZATION**

S.NO	PARTICULARS	QUANTITY	RATE IN RS.	AMOUNT IN RS. LACS
01	PERSONAL COMPUTERS ASSEMBLES	150	25000	37.50
02	PRINTERS	150	4500	6.75
03	SERVICE/REPAIRING OF COMP.	300	1000	3.00
04	ANNUAL MAINTENANCE CONTRACTS	50	2000	1.00
	<b>TOTAL SALES</b>			<b>48.25</b>

**SALES REALIZATION AND PURCHASES IN PHASED MANNER**

YEAR	CAPACITY UTILISATION	SAL/WAG	PURCHASE (Lacs)	UTILITIES	SALES (lacs)
1 <sup>ST</sup>	50.00	2.19	16.54	0.13	24.13
2 <sup>ND</sup>	55.00	2.41	18.19	0.14	26.54
3 <sup>RD</sup>	60.00	2.63	19.84	0.16	28.95
4 <sup>TH</sup>	65.00	2.85	21.50	0.17	31.36
5 <sup>TH</sup>	70.00	3.07	23.15	0.18	33.78
6 <sup>TH</sup>	75.00	3.29	24.80	0.20	36.19
7 <sup>TH</sup>	80.00	3.50	26.46	0.21	38.60
8 <sup>TH</sup>	80.00	3.50	26.46	0.21	38.60

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<b>STATEMENT OF CALCULATION OF MANPOWER REQUIREMENT &amp; THEIR REMUNERATION</b>				
<b>S.NO</b>	<b>PARTICULARS</b>	<b>Nos</b>	<b>Salary Per Month IN RS.</b>	<b>Total Per Annum IN RS. LACS</b>
1	Manager (Self)	1	10000	1.20
2	Service Engineers	2	8000	1.92
3	Skilled Helpers	2	4000	0.96
4	Orderly	1	2500	0.30
	<b>TOTAL</b>	<b>6</b>		<b>4.38</b>

**ESTIMATED COST OF UTILITIES PER ANNUM**

The main utilities for running the unit successfully are water and electricity.

- **Power**
- **Water**

1	Total connected load	= 5 hp or 3.75 KW
2.	Total power load after taking load factor (0.89)	= 3.33 KW
3.	Power consumption per annum	= 8010 Kwhr
4.	From PDD (80%) @ 2.50 Kwhr	= Rs 16020 /
5.	From own generator	= Rs 9612 /
	<b>Total</b>	<b>= Rs 25632/</b>

**B) Water**

The PHE departmental supply shall mostly be utilized for drinking and sanitation purposes, which is available at cheaper rates from P.H.E Department. However under certain unfavorable conditions Rs 500 / annum has been kept on account of water

**Total cost on Utilities (A + B + C) Rs 26132 / Say Rs 0.26 Lacs**

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**REPAIRS AND MAINTENANCE PER ANNUM.**

On the basis of norms available from similar plants in actual operation provision has been made for annual cost of maintenance and repairs for the proposed items of fixed out lay. It has been taken as 2%, 3%, 4%, 5%, 5%, 6%, 6% and 6% for 1st, 2nd, 3rd, 4th, 5<sup>th</sup>, 6th, 7<sup>th</sup> and 8th year to keep the fixed assets in working conditions.

**REPAIRS AND MAINTENANCE PER ANNUM.**

<u>Year</u>	<u>Percentage</u>	<u>Building</u>	<u>P&amp;M</u>	<u>MFA</u>	<u>Total</u>	<u>R &amp; M</u>
1st	2%	0.00	2.97	0.30	3.27	0.07
2nd	3%	0.00	2.97	0.30	3.27	0.10
3rd	4%	0.00	2.97	0.30	3.27	0.13
4th	5%	0.00	2.97	0.30	3.27	0.16
5th	5%	0.00	2.97	0.30	3.27	0.16
6th	6%	0.00	2.97	0.30	3.27	0.20
7th	6%	0.00	2.97	0.30	3.27	0.20
8th	6%	0.00	2.97	0.30	3.27	0.20

**DETAILS OF ADMINISTRATIVE EXPENSES PER ANNUM**

It is taken as 1% of net sales in every year which includes printing, traveling, telegraph, petty expenses, audit fee, telephone bills, legal fee, bank charges and other sundry expenses both for the basic program shall be worked out as:

<u>Year</u>	<u>Capacity Utilization</u>	<u>Sales</u>	<u>%</u>	
1 <sup>st</sup>	<b>50.00</b>	24.13	1	<b>0.24</b>
2 <sup>nd</sup>	<b>55.00</b>	26.54	1	<b>0.27</b>
3 <sup>rd</sup>	<b>60.00</b>	28.95	1	<b>0.29</b>
4 <sup>th</sup>	<b>65.00</b>	31.36	1	<b>0.31</b>
5 <sup>th</sup>	<b>70.00</b>	33.78	1	<b>0.34</b>
6 <sup>th</sup>	<b>75.00</b>	36.19	1	<b>0.36</b>
7 <sup>th</sup>	<b>80.00</b>	38.60	1	<b>0.39</b>
8 <sup>th</sup>	<b>80.00</b>	38.60	1	<b>0.39</b>

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**DETAILS OF SELLING EXPENSES PER ANNUM**

It is taken as 4 % of net sales in every year, which includes sales promotion expenses, advertising expenses, commission to intermediaries, carriage outwards, discount, brokerage and annual rent etc.

<b><u>Year</u></b>	<b><u>Cap. Utiliz</u></b>	<b><u>Sales</u></b>	<b><u>%</u></b>	<b><u>Selling expenses/annum</u></b>
1 <sup>st</sup>	50.00	24.13	4	<b>0.97</b>
2 <sup>nd</sup>	55.00	26.54	4	<b>1.06</b>
3 <sup>rd</sup>	60.00	28.95	4	<b>1.16</b>
4 <sup>th</sup>	65.00	31.36	4	<b>1.25</b>
5 <sup>th</sup>	70.00	33.78	4	<b>1.35</b>
6 <sup>th</sup>	75.00	36.19	4	<b>1.45</b>
7 <sup>th</sup>	80.00	38.60	4	<b>1.54</b>
8 <sup>th</sup>	80.00	38.60	4	<b>1.54</b>

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**DETAILS OF WORKING CAPITAL REQUIREMENT AT DIFFERENT LEVELS.**

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES	Repair	Admn.	Selling	WIP	F.Goods
	UTILISATION		(Lacs)		(lacs)	Maint.	Expen.	Expen.		
<b>1ST</b>	<b>50.00</b>	<b>2.19</b>	<b>16.54</b>	<b>0.13</b>	<b>24.13</b>	<b>0.07</b>	<b>0.24</b>	<b>0.97</b>	<b>18.86</b>	<b>20.06</b>
<b>2ND</b>	<b>55.00</b>	<b>2.41</b>	<b>18.19</b>	<b>0.14</b>	<b>26.54</b>	<b>0.10</b>	<b>0.27</b>	<b>1.06</b>	<b>20.74</b>	<b>22.07</b>
<b>3RD</b>	<b>60.00</b>	<b>2.63</b>	<b>19.84</b>	<b>0.16</b>	<b>28.95</b>	<b>0.13</b>	<b>0.29</b>	<b>1.16</b>	<b>22.63</b>	<b>24.07</b>

<u>S.no</u>	<u>Particulars</u>		<u>1st</u> <u>Year</u>		<u>2<sup>nd</sup></u> <u>year</u>		<u>3rd</u> <u>year</u>	
			<b>50.00</b>		<b>55.00</b>		<b>60.00</b>	
		<u>Days</u>	<u>Amount</u>	<u>Margin</u>	<u>Amount</u>	<u>Margin</u>	<u>Amount</u>	<u>Margin</u>
1	Stock of Raw Material	30	1.65	0.00	1.82	0.00	1.98	0.00
2	Stock of work in progress	2	0.13	0.00	0.14	0.00	0.15	0.00
3	Stock of finished goods	18	1.20	0.00	1.32	0.00	1.44	0.00
4	Sundry debtors	30	2.41	0.00	2.65	0.00	2.90	0.00
5	Working expenses	30	0.03	0.03	0.03	0.03	0.03	0.03
6	Sundry Creditors	0	<b>0.00</b>		<b>0.00</b>		<b>0.00</b>	
7	Working capital requirement		<b>5.43</b>		<b>5.96</b>		<b>6.50</b>	
8	Margin money			<b>1.90</b>		<b>1.90</b>		<b>1.90</b>
9	Working capital limit		<b>3.53</b>		<b>4.06</b>		<b>4.60</b>	

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**FUNDING OF CAPITAL EXPENDITURE**

The total capital investment cost of the project is estimated at Rs.9.00 Lakhs, which shall be financed for term loan as per the projections made in the report subject to furnishing of latest cost comparative quotations from the authorized dealers besides contribution from the promoters during the implementation of the project, the specific details interalia as:

<b>S.no</b>	<b>Particulars</b>	<b>Amt.(Lacs)</b>
1	Promoters contribution	0.15
2	Seed Capital	3.00
2	Long term borrowings	2.32

**A: Equity**

The share capital of the unit has been fixed at Rs.3.15 Lakhs comprising 35 % of the total project cost. The unit has to raise share capital within this limit. The promoter shall arrange equity from the Seed Capital and ancestral resources and from the established business of the family for the purpose of availing long term borrowings.

**B: Term loan**

Term loan requirement to the extent of Rs.2.32 Lakhs for the purpose of construction of civil structures and purchases of plant & machinery and misc. fixed assets shall be made available from the financial institutions or commercial banks well operating in the valley on the basis that the unit being proven technically feasible and financially viable. As the policies are liberal for such type of ventures to avail packages/incentives to encourage the entrepreneurs to promote industrial culture in the backward area of the country. The state Govt. is equally eager to give all possible support to the development of industry in the area, where the unit is being established more so when the promoter share is about 35% of the capital formulation, which is higher than the normal requirement of funding, insisted upon by the bankers.

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**INTEREST CALCULATION**

It is proposed to raise the sum of Rs 2.32 lacs as long term loans from financial institutions to meet the capital cost of the project. For the purpose of calculating the interest on long-term loans an interest rate of 9.00% per annum is taken into consideration in the project report.

**A: Interest on long term loan**

<b><u>S.no</u></b>	<b><u>Particulars</u></b>	<b><u>Amt.(Lacs)</u></b>
		2.32
01.	Long term borrowings	
02.	Rate of interest	<b>9.00%</b>
03.	Installment	Rs. 0.46 Lacs
04.	Repayment schedule	6 years
05.	Moratorium Period	12 Months

<b>YEAR</b>	<b>INT T/Loan</b>	<b>T.Loan</b>	<b>Decrease</b>	<b>Yr.Term</b>	<b>Rem. Term</b>
		<b>Payment</b>	<b>Term Loan</b>	<b>Loan Paym.</b>	<b>Loan</b>
<b>1</b>	<b>0.21</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>2.32</b>
<b>2</b>	<b>0.21</b>	<b>0.46</b>	<b>0.46</b>	<b>0.46</b>	<b>1.86</b>
<b>3</b>	<b>0.17</b>	<b>0.46</b>	<b>0.93</b>	<b>0.46</b>	<b>1.39</b>
<b>4</b>	<b>0.13</b>	<b>0.46</b>	<b>1.39</b>	<b>0.46</b>	<b>0.93</b>
<b>5</b>	<b>0.08</b>	<b>0.46</b>	<b>1.86</b>	<b>0.46</b>	<b>0.46</b>
<b>6</b>	<b>0.04</b>	<b>0.46</b>	<b>2.32</b>	<b>0.46</b>	<b>0.00</b>

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**B: INTEREST ON WORKING CAPITAL LIMIT**

To meet the working capital requirements of the project, the promoters will have to make arrangements for cash credit facilities with the nationalized bank.

<b>RATE OF INTEREST</b>	<b>9.00%</b>
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<b>YEAR</b>	<b>INT W/C</b>	<b>Increase w/ Cap</b>	<b>Increase Curr. Asse</b>	<b>Current Assets</b>	<b>Working Capital</b>
<b>1</b>	<b>0.32</b>	<b>3.53</b>	<b>5.43</b>	<b>5.43</b>	<b>3.53</b>
<b>2</b>	<b>0.37</b>	<b>0.54</b>	<b>0.54</b>	<b>5.96</b>	<b>4.06</b>
<b>3</b>	<b>0.41</b>	<b>0.54</b>	<b>0.54</b>	<b>6.50</b>	<b>4.60</b>
<b>4</b>	<b>0.41</b>	<b>0.00</b>	<b>0.00</b>	<b>6.50</b>	<b>4.60</b>
<b>5</b>	<b>0.41</b>	<b>0.00</b>	<b>0.00</b>	<b>6.50</b>	<b>4.60</b>
<b>6</b>	<b>0.41</b>	<b>0.00</b>	<b>0.00</b>	<b>6.50</b>	<b>4.60</b>
<b>7</b>	<b>0.41</b>	<b>0.00</b>	<b>0.00</b>	<b>6.50</b>	<b>4.60</b>
<b>8</b>	<b>0.41</b>	<b>0.00</b>	<b>0.00</b>	<b>6.50</b>	<b>4.60</b>

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**COMPUTATION OF DEPRECIATION CALCULATION**

For the purpose of claiming extra depreciation and amortization, the preoperative expenses and contingencies will be capitalized with the cost of fixed assets. The distribution of pre-operative expenses and contingencies has been done approximately in proportion to the cost of all the fixed assets (except land and site development). In the estimation of cost of sales and in books of accounts of the firm the normally adopted practice is to depreciate the various assets by straight-line method.

For income tax purposes, the depreciation of depreciable assets (all fixed assets except land and site development) is carried out by written down value method.

**COMPUTATION OF DEPRICIATION**

<u>S.no</u>	<u>Particulars</u>	<u>Building</u>	<u>P&amp;M</u>	<u>MFA</u>	<u>Total</u>
1	Cost Price	0.00	2.97	0.30	3.27
2	Preliminary & Preoperative exp.	0.00	0.27	0.03	0.30
	<b>Total</b>	<b>0.00</b>	<b>3.24</b>	<b>0.33</b>	<b>3.57</b>

**Depreciation under WDV method**

		<b>BUILDING</b>		
Rate of depreciation		6.25%		
		<b>Cost</b>	<b>Dep</b>	<b>WDV</b>
1st	Year	0.00	0.00	0.00
2nd	Year	0.00	0.00	0.00
3rd	Year	0.00	0.00	0.00
4th	Year	0.00	0.00	0.00
5th	Year	0.00	0.00	0.00
6th	Year	0.00	0.00	0.00
7th	Year	0.00	0.00	0.00
8th	Year	0.00	0.00	0.00

**Depreciation under WDV method**

		<b>Plant &amp; Machinery</b>		
Rate of depreciation		10%		
		<b>Cost</b>	<b>Dep</b>	<b>WDV</b>
1st	Year	3.24	0.32	2.92
2nd	Year	2.92	0.29	2.63
3rd	Year	2.63	0.26	2.36
4th	Year	2.36	0.24	2.13
5th	Year	2.13	0.21	1.91
6th	Year	1.91	0.19	1.72
7th	Year	1.72	0.17	1.55
8th	Year	1.55	0.16	1.40

**Depreciation under WDV method**

		<b>Misc. Fixed Assets</b>		
Rate of depreciation		15%		

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	<b>Cost</b>	<b>Dep</b>	<b>WDV</b>
1st Year	0.33	0.05	0.28
2nd Year	0.28	0.04	0.24
3rd Year	0.24	0.04	0.20
4th Year	0.20	0.03	0.17
5th Year	0.17	0.03	0.15
6th Year	0.15	0.02	0.12
7th Year	0.12	0.02	0.10
8th Year	0.10	0.02	0.09

**Depreciation under WDV method**

	<b>Building</b>	<b>P&amp;M</b>	<b>M F A</b>	<b>Total</b>
Rate of depreciation	<b>6.25%</b>	<b>10%</b>	<b>15%</b>	
1st Year	0.00	0.32	0.05	0.37
2nd Year	0.00	0.29	0.04	0.33
3rd Year	0.00	0.26	0.04	0.30
4th Year	0.00	0.24	0.03	0.27
5th Year	0.00	0.21	0.03	0.24
6th Year	0.00	0.19	0.02	0.21
7th Year	0.00	0.17	0.02	0.19
8th Year	0.00	0.16	0.02	0.17

**Depreciation under SL Method**

Rate of depreciation	5.00%	10%	10%	Total
Amount of depreciation	0.00	0.32	0.03	0.36

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**Projected Profitability Statement**

The annual cost of sales and profitability during the first eight years of operation of the plant is estimated in the following table.

S.no	Particulars	Operating Years							
		1 <sup>st</sup>	2nd	3rd	4th	5th	6th	7th	8th
1	Year of operation								
2	Capacity Utilization (%)	50.00	55.00	60.00	65.00	70.00	75.00	80.00	80.00
3	Sales realization	24.13	26.54	28.95	31.36	33.78	36.19	38.60	38.60
<b>A:</b>	<b><u>Cost of production</u></b>								
1	Raw Material	16.54	18.19	19.84	21.50	23.15	24.80	26.46	26.46
2	Salary & wages	2.19	2.41	2.63	2.85	3.07	3.29	3.50	3.50
3	Utilities	0.13	0.14	0.16	0.17	0.18	0.20	0.21	0.21
4	Repairs & Maintenance	0.07	0.10	0.13	0.16	0.16	0.20	0.20	0.20
5	Administrative expenses	0.24	0.27	0.29	0.31	0.34	0.36	0.39	0.39
6	Selling expenses	0.97	1.06	1.16	1.25	1.35	1.45	1.54	1.54
7	Total	20.13	22.17	24.20	26.24	28.25	30.29	32.29	32.29
8	Gross profit	4.00	4.37	4.75	5.12	5.53	5.90	6.31	6.31
<b>B:</b>	<b><u>Financial expenses</u></b>								
1	Interest on term loan	0.21	0.21	0.17	0.13	0.08	0.04	0.00	0.00
2	Interest on WCL	0.32	0.37	0.41	0.41	0.41	0.41	0.41	0.41
3	Depreciation (SLM)	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
4	Total	0.88	0.93	0.94	0.90	0.85	0.81	0.77	0.77
5	Profit before tax	3.12	3.44	3.81	4.22	4.67	5.09	5.53	5.53
6	Taxation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Profit after tax	3.12	3.44	3.81	4.22	4.67	5.09	5.53	5.53
8	Withdrawals	<b>0.00</b>	0.00	0.00	0.50	<b>1.00</b>	1.00	2.00	2.00
9	Profit carried to B/S	3.12	3.44	3.81	3.72	3.67	4.09	3.53	3.53
10	Cumulative profit	3.12	6.56	10.36	14.09	17.76	21.84	25.38	28.91
11	Add back depreciation	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
12	<b>Total cash surplus</b>	3.47	6.91	10.72	14.44	18.11	22.20	25.73	29.27
<b>C:</b>	<b><u>Less payment</u></b>								
1	Term Loan	0.00	0.46	0.46	0.46	0.46	0.46	0.00	0.00
2	Withdrawals	0.00	0.00	0.00	0.50	1.00	1.00	2.00	2.00
3	Total payments	0.00	0.46	0.46	0.96	1.46	1.46	2.00	2.00
4	Net Cash accruals	3.47	6.45	10.26	13.48	16.65	20.74	23.73	27.27

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**PAY BACK PERIOD**

Pay back period is the length of time in which, the unit recovers its initial investment. It may also be defined as the number of months or years required for the unit to generate commutative gross operating surplus equal to the fixed capital investment in the project. The payback period of the unit is estimated in the following table.

<b><u>Year</u></b>	<b><u>CFAT</u></b>		<b><u>Cumulative Cash inflow</u></b>
1st	3.47		3.47
2nd	3.80		7.27
3rd	4.16		11.43
4th	4.58		16.01
5th	5.03		21.04
6th	5.44		26.48
7th	5.89		32.38
8th	5.89		38.27
<b><u>2 year</u></b>	<b><u>±</u></b>	<b><u>6</u></b>	<b><u>Months</u></b>

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**DETAILED DEBT SERVICE COVERAGE:**

The debt service coverage ratio shows the ability of the unit to repay interest and principal amount of composite loans.

<u>S.no</u>	<u>Particulars</u>		<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>	<u>6th</u>
<b>A</b>	<b><u>Source of funds</u></b>							
1	Profit after tax		3.12	3.44	3.81	4.22	4.67	5.09
2	Depreciation		0.36	0.36	0.36	0.36	0.36	0.36
3	Interest on term loan		0.21	0.21	0.17	0.13	0.08	0.04
	<b>Total A</b>		<b>3.68</b>	<b>4.01</b>	<b>4.33</b>	<b>4.70</b>	<b>5.11</b>	<b>5.49</b>
<b>B</b>	<b><u>Disposition of funds</u></b>							
4	Repayment of term loan		0.00	0.46	0.46	0.46	0.46	0.46
	Total B (3+4)		0.21	0.67	0.63	0.59	0.55	0.51
C	Debt service coverage ratio		17.63	5.95	6.86	7.98	9.34	10.85
<b>D</b>	<b><u>Average DSCR</u></b>		<b><u>9.77</u></b>					

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**BREAK EVEN ANALYSIS AT 60% UTILIZATION**

The break even point analysis of the plant is developed from the assumed plant efficiency, fixed cost of sales, variable cost of sales and sales revenue.

<b><u>BREAK EVEN ANALYSIS</u></b>		<b>60.00</b>	<b>PERCENT</b>
<b><u>S.no</u></b>	<b><u>Particulars</u></b>	<b><u>Amount.(Lacs)</u></b>	
A	Sales realization	28.95	
<b>B</b>	<b><u>Variable cost</u></b>		
1	Raw material	19.84	
2	Utilities	0.16	
3	Selling expenses	1.16	
4	Interest on WCL	0.41	
	Total	21.57	
C	Contribution (A-B)	7.38	
<b>D</b>	<b><u>Semi-variable/ fixed costs</u></b>		
1	Salary & wages	2.63	
2	Repairs & maintenance	0.13	
3	Administrative expenses	0.29	
4	Interest on term loan	0.17	
5	Depreciation	0.36	
	Total	3.57	
	<b><u>B. E. P.</u></b>	<b><u>%</u></b>	<b>48.41</b>

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**PROJECTED CASH FLOW STATEMENT**

The following table gives the cash flow analysis of 8 years of operation of the plant. A cash flow statement is basically an analysis of sources of availability of funds, extent of the utilization and availability of surplus funds or their deficit at the end of each year of operation.

<b>S.no</b>	<b>Particulars</b>	<b>Const period</b>	<b>1st</b>	<b>2nd</b>	<b>3rd</b>	<b>4th</b>	<b>5th</b>	<b>6th</b>	<b>7th</b>	<b>8th</b>
	<b>Capacity utilization (%)</b>		<b>50.00</b>	<b>55.00</b>	<b>60.00</b>	<b>65.00</b>	<b>70.00</b>	<b>75.00</b>	<b>80.00</b>	<b>80.00</b>
<b>A</b>	<b><u>Source of funds</u></b>									
<b>1</b>	<b>Profit before interest, tax but after depn.</b>		<b>3.64</b>	<b>4.02</b>	<b>4.39</b>	<b>4.76</b>	<b>5.17</b>	<b>5.54</b>	<b>5.95</b>	<b>5.95</b>
<b>2</b>	<b>Depreciation</b>		<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>	<b>0.36</b>
<b>3</b>	<b>Increase in Share Capital</b>	<b>3.15</b>								
<b>4</b>	<b>Increase in Term loan</b>	<b>2.32</b>								
<b>5</b>	<b>Increase in WCL</b>		<b>3.53</b>	<b>0.54</b>	<b>0.54</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	<b>Total (A)</b>	<b>5.47</b>	<b>7.52</b>	<b>4.91</b>	<b>5.29</b>	<b>5.12</b>	<b>5.53</b>	<b>5.90</b>	<b>6.31</b>	<b>6.31</b>
<b>B</b>	<b><u>Application of funds</u></b>									
<b>1</b>	<b>Capital expenditure</b>	<b>3.57</b>								
<b>2</b>	<b>Prelim / Pre-operative expenses</b>									
<b>3</b>	<b>Increase in current assets</b>		<b>5.43</b>	<b>0.54</b>	<b>0.54</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>4</b>	<b>Decrease in term loan</b>		<b>0.00</b>	<b>0.46</b>	<b>0.46</b>	<b>0.46</b>	<b>0.46</b>	<b>0.46</b>	<b>0.00</b>	<b>0.00</b>
<b>5</b>	<b>Interest on term loan</b>		<b>0.21</b>	<b>0.21</b>	<b>0.17</b>	<b>0.13</b>	<b>0.08</b>	<b>0.04</b>	<b>0.00</b>	<b>0.00</b>
<b>5a</b>	<b>Interest on WCL</b>		<b>0.32</b>	<b>0.37</b>	<b>0.41</b>	<b>0.41</b>	<b>0.41</b>	<b>0.41</b>	<b>0.41</b>	<b>0.41</b>
<b>6</b>	<b>Taxation</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>7</b>	<b>Withdrawal</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.50</b>	<b>1.00</b>	<b>1.00</b>	<b>2.00</b>	<b>2.00</b>
	<b>Total (B)</b>	<b>3.57</b>	<b>5.95</b>	<b>1.58</b>	<b>1.58</b>	<b>1.50</b>	<b>1.96</b>	<b>1.92</b>	<b>2.41</b>	<b>2.41</b>
<b>C</b>	<b>Opening Balance</b>		<b>1.90</b>	<b>3.47</b>	<b>6.81</b>	<b>10.51</b>	<b>14.12</b>	<b>17.69</b>	<b>21.66</b>	<b>25.56</b>
<b>D</b>	<b>Net Surplus</b>	<b>1.90</b>	<b>1.57</b>	<b>3.33</b>	<b>3.70</b>	<b>3.62</b>	<b>3.56</b>	<b>3.98</b>	<b>3.89</b>	<b>3.89</b>
<b>E</b>	<b>Closing Balance</b>	<b>1.90</b>	<b>3.47</b>	<b>6.81</b>	<b>10.51</b>	<b>14.12</b>	<b>17.69</b>	<b>21.66</b>	<b>25.56</b>	<b>29.45</b>

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**PROJECTED BALANCE SHEET**

The balance sheet of a unit is a very important feature of the working of the unit. In a healthy unit, there is always a growth in total assets and liabilities every year. In a projected balance sheet on the liabilities side the reserves and surplus and on the assets side the cash and bank balances should show healthy growth.

S.no	Particulars	Year	Year							
			1st	2nd	3rd	4th	5th	6th	7th	8th
A:	<b><u>Liabilities</u></b>									
1	Share Capital		3.15	3.15	3.15	3.15	3.15	3.15	3.15	3.15
2	Reserves & Surplus		3.12	6.56	10.36	14.09	17.76	21.84	25.38	28.91
3	Term Loan		2.32	1.86	1.39	0.93	0.46	0.00	0.00	0.00
4	WCL		3.53	4.06	4.60	4.60	4.60	4.60	4.60	4.60
	<b>Total</b>		<b>12.11</b>	<b>15.63</b>	<b>19.51</b>	<b>22.77</b>	<b>25.97</b>	<b>29.60</b>	<b>33.13</b>	<b>36.67</b>
B:	<b><u>Assets</u></b>									
1	Gross Block		3.57	3.21	2.86	2.50	2.14	1.79	1.43	1.07
2	Depreciation		0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
3	Net Block		3.21	2.86	2.50	2.14	1.79	1.43	1.07	0.71
4	Current Assets		5.43	5.96	6.50	6.50	6.50	6.50	6.50	6.50
5	Cash and bank balance		3.47	6.81	10.51	14.12	17.69	21.66	25.56	29.45
	<b>Total</b>		<b>12.11</b>	<b>15.63</b>	<b>19.51</b>	<b>22.77</b>	<b>25.97</b>	<b>29.60</b>	<b>33.13</b>	<b>36.67</b>