

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

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DETAILED TECHNO-ECONOMIC
CUM PRE-INVESTMENT PROJECT
REPORT

ON

(COMPUTER TRAINING INSTITUTE, CYBER CAFE AND
DTP CENTRE)

INTRODUCTION

CYBER CAFE

The fast growing of the IT sector there has raised great demand for Cyber Cafes for receiving and sending communication through Electronic mail. Apart from mails the clients can visit various sites to gather information on topics of interest, it is also a source of entertainment as movies can be watched and songs can be downloaded and online shopping. It very much addresses the needs of the more demanding generations.

Market potential:

A survey has indicated that Cyber Cafes have caught the imagination of the youth and these centres are the busiest due to the fact that information needs of the users today are fulfilled. They have users of all ages, genders and of various background, experience and interests. There are also creative uses of these centres like video conferencing, surfing the nets etc. Students find it specially useful.

COMPUTER TRAINING INSTITUTE

The computer software is divided into two groups viz. System software and Application Software. The system software is used for application development. It operates and interfaces with system software. Application software has wide scope for development than system software. The widely used application software are word processors, spread sheets and databases. Software like spreadsheets has simplified task of budgeting financial analysis, forecasting less time consuming, efficient, accuracy, simple and easy job. The database software has revolutionised the data management of storing, organizing and retrieving information from large source of data. Information processing has become one of the most significant industries in the world in the recent past. In view of its tremendous potentialities for information processing, data management, design, production, management and other numerous application for overall development of the economy. There is a growing need for trained manpower in this area. As such there may be a large potential for software experts in the coming years.

The programme being conducted by the centre are advertised regularly in the local newspapers, etc. The selected candidates are guided by professional counsellor for the course suitable for them depending on their background. They are also provided with the detailed programme indicating content of the course, duration, course fees, etc. The

course material will be given to the selected candidates. Students get normally 50% of the course time on computers. The institute will also provide additional computer time for undertaking projects. The centre may also offer placement assistance to the students in various corporate sectors. Besides the training, the centre can also undertake separately data processing work.

The centre can offer 4 to 12 weeks duration short term courses and long term courses like Certificate Course in Computers, Diploma in Computer Applications, Advanced Diploma in Computer Science, Post Graduate Diploma in Computer Science, etc.

DESK TOP PUBLISHING (DTP)

Desk top publishing (DTP) unit is an electronic system used for composing texts, designing layouts, preparing design and data processing for printing. The DTP is an improvement over Photo Type Setting (PTS) and has several advantages in terms of cost efficiency, time efficiency and variety. With rapid improvements in printing technology, modern printing presses with offset machines find it appropriate to have processed text for their printing machines. A DTP unit can be set up independently and it is not essential to install offset printing press along with a DTP unit.

Outsourcing tasks such as DTP is becoming commonplace in the localisation industry. Many large corporations are following this method of working because of the benefits that are achieved. Why keep a large number of staff in your company when you often find you have too many or too few? The sporadic workload that often occurs in this industry makes staff management a nightmare, and fixed overheads become a real problem when this happens.

Outsourcing to us also has other benefits:

never worry about training your staff

feel confident that quality will always be high

know that deadlines will always be met

scale your production ability with your workload but with no overheads

budget for work consistently

know that your work is being handled in the most efficient way possible

Cost benefits

The cost benefits of working at DTP Centres using efficiency, experience and expertise can far outstrip those of low-cost centres. Because of our process-driven approach, DTP Centres are able to compete with these companies — not on face-value price rates, but rather on the overall cost to deliver work. Efficiency, knowledge and experience are the keys.

BENEFITS OF WORKING WITH DTP CENTRES

no need to manage multiple DTP resources – deal directly with the experts know that deadlines will always be met without compromising on quality control overheads and budget for all your multilingual projects with confidence value-for-money DTP services for all clients large and small efficient solution-driven localisation processes independent consultancy services for foreign language dtp production strategy reviewing and optimisation whatever the scale an effective Proprietorship for short or long-term ROI improvements strict client-confidentiality and legislative compliance highly skilled and experienced specialist DTP staff global cultural awareness and sensitivity full scalability and total flexibility

Services and solutions

We provide professional DTP services and solutions to the localisation industry, safe in the knowledge that, because of our investment in hardware, software and technology, our resources match the same high standards as our customers.

Having the right software is only a small part of being able to work effectively in the localisation industry. Being able to use the software properly helps, but it is only by fully understanding the unique problems posed by localisation that a company can work effectively.

We ensure that we are up-to-date with all professional DTP software but also retain many legacy versions so that we can offer full support for your needs.

MARKET POTENTIAL

Market Potential:

The potential for DTP is directly linked with the volume of printing activities and the awareness regarding the excellent quality of DTP material. For instance, the output of printed material comprising text books, journals, magazines, reports etc. in the State of JK .

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In the present scenario every organization is reducing its costs to compete with the other competitors. The first and the foremost thing the organizations and other businessmen do is the reduction of the staff and the expenses relating there to. This is the time of outsourcing say from big gaint organizations to small homely company. The people prefer to outsource the DTP work rather than keeping the employee on the regular rolls of the organization. Every work from Photostat to preparation of project reports and their typing to binding and laminating is outsourced by 90% of the people. Keeping into consideration the concept of outsourcing by the organization we see a lot of potential in the professionally run dtp centre with the modern technological edge.

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PROJECT COST SUMMARY			
S.NO	PARTICULARS		AMOUNT(LACS)
1	LAND		-----
2	Civil Works		NIL
3	Plant & Machinery		5.37
4	Miscellaneous Fixed Assets		2.35
5	Preliminary & Preoperative expenses		0.86
6	Working Capital Requirement		1.42
			10.00
MEANS OF FINANCE			
1	Seed Capital (Maximum for this Category)		3.00
2	Loan from Bank (65 %)		6.50
DETAILS OF LOANS			
A	Long Term Investment		8.58
1	Seed Money/PC		3.00
2	Term Loan From Bank		5.58
B	Working Capital Requirement		1.42
1	Seed Money/PC		0.50
2	Working Capital Finance From Bank		0.92

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 19th July 2000.

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 promoters are 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.
- 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.

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 4 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.

DETAILS OF PRELIMINARY & PRE-OPERATIVE EXPENSES			
S.NO	PARTICULARS		AMOUNT(LACS)
1	Traveling & Conveyance		0.03
2	Printing & Stationary		0.02
3	Professional Charges		0.03
4	Legal & Mortgage Expenses		0.03
5	Interest during Moratorium Period		0.50
6	Advance Rent		0.25
	TOTAL		0.86

DETAILS OF MISCELLANEOUS FIXED ASSETS			
S.NO	PARTICULARS	QNT	AMOUNT(LACS)
1	Furniture and Cabins	L S	1.50
2	FIRE EXTINGUISHER	4	0.20
3	Generators @ 40000.00	1	0.40
4	Electrical Fittings and Net Working	LS	0.25
	TOTAL		2.35

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: –

SR	DESCRIPTION	QTY	PRICE	AMOUNT
1	Multimedia Desktop Computer Including all accessories	9	0.35	3.15
2	Servers (CORE 2 DUO 1GHz, 128 MB PC, 2 GB RAM, 20GB, ATA/100 HDD, 15" colour monitor	1	0.40	0.40
3	Scanner	1	0.08	0.08
4	Laser Jet Colour Printer	1	0.25	0.25
5	Laser Jet Black and white Printer	1	0.10	0.10
6	Xerox machine with accessories	1	1.25	1.25
7	Lamination machine	1	0.05	0.05
8	Thermal Binding Machine	1	0.05	0.05
9	Spiral Binding Machine	1	0.04	0.04
	Total			5.37

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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:-

S.NO	PARTICULARS	CAPACITY	RATE (RS.)	AMOUNT IN RS. LACS
1.	NETTING CYBER CAFÉ 4 HOURS OF NETTING ON EACH COMPUTER EACH DAY	9600 HOURS	25.00	2.40
2.	STUDENTS 20 STUDENTS EACH MONTH	240 STUDENTS	2000.00	4.80
3.	XEROX	60000 PAGES	1.50	0.90
4.	COLOR PRINTING	3000 PAGES	20.00	0.60
5.	BLACK AND WHITE PRINTING	6000 PAGES	10.00	0.60
6.	LAMINATION	1500 NOS	10.00	0.15
7.	BINDING	1500 NOS	20.00	0.30
8.	SCANNING	3000 PAGES	10.00	0.30
	TOTAL			10.05

RAW MATERIAL REQUIREMENT AND EXPENDITURE AT 100% CAPACITY

S.NO	PARTICULARS		RATE (RS.)	AMOUNT IN RS. LACS
1	Internet Connection Charges	Broad Band	5000 per Month	0.60
2	Paper of various sizes	132 reams	200/ ream	0.27
3	Film Rolls for Lamination	200 rolls of various sizes	30.00	0.06
4	Cartridges/Toner	LS	500	0.50
	TOTAL			1.43

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SALES REALIZATION AND PURCHASES IN PHASED MANNER

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES
	UTILISATION		(Lacs)		(lacs)
1 ST	60.00	1.66	0.86	0.16	6.03
2ND	60.00	1.66	0.86	0.16	6.03
3RD	70.00	1.93	1.00	0.18	7.04
4TH	70.00	1.93	1.00	0.18	7.04
5TH	80.00	2.21	1.14	0.21	8.04
6TH	80.00	2.21	1.14	0.21	8.04
7TH	90.00	2.48	1.29	0.23	9.05
8TH	90.00	2.48	1.29	0.23	9.05

STATEMENT OF CALCULATION OF MANPOWER REQUIREMENT & THEIR REMUNERATION				
S.NO	PARTICULARS	Nos	Salary Per Month	Total Per Annum
1	Manager (SELF)	1	10000	1.20
2	Teachers	2	5000	1.20
3	Orderly	1	3000	0.36
		4		2.76

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 /
	Total	= Rs 25632/

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) 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, 5th, 6th, 7th 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&M</u>	<u>MFA</u>	<u>Total</u>	<u>R & M</u>
1st	2%	0.00	5.37	2.35	7.72	0.15
2nd	3%	0.00	5.37	2.35	7.72	0.23
3rd	4%	0.00	5.37	2.35	7.72	0.31
4th	5%	0.00	5.37	2.35	7.72	0.39
5th	5%	0.00	5.37	2.35	7.72	0.39
6th	6%	0.00	5.37	2.35	7.72	0.46
7th	6%	0.00	5.37	2.35	7.72	0.46
8th	6%	0.00	5.37	2.35	7.72	0.46

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 st	60.00	6.03	1	0.06
2 nd	60.00	6.03	1	0.06
3 rd	70.00	7.04	1	0.07
4 th	70.00	7.04	1	0.07
5 th	80.00	8.04	1	0.08
6 th	80.00	8.04	1	0.08
7 th	90.00	9.05	1	0.09
8 th	90.00	9.05	1	0.09

DETAILS OF SELLING EXPENSES PER ANNUM

It is taken as 3 % of net sales in every year, which includes sales promotion expenses, advertising expenses, commission to intermediaries, carriage outwards, discount, brokerage etc. and annual rent of Rs. 48000.

<u>Year</u>	Cap. Utiliz	Sales	%	Selling expenses/annum	
1 st	60.00	6.03	3	0.18	
2 nd	60.00	6.03	3	0.18	
3 rd	70.00	7.04	3	0.21	
4 th	70.00	7.04	3	0.21	
5 th	80.00	8.04	3	0.24	
6 th	80.00	8.04	3	0.24	
7 th	90.00	9.05	3	0.27	
8 th	90.00	9.05	3	0.27	

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DETAILS OF WORKING CAPITAL REQUIREMENT AT DIFFERENT LEVELS.

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES	Repair	Admn.	Selling	F.Goods
	UTILISATION		(Lacs)		(lacs)	Maint.	Expen.	Expen.	
1ST	60.00	1.66	0.86	0.16	6.03	0.15	0.06	0.18	2.91
2ND	60.00	1.66	0.86	0.16	6.03	0.23	0.06	0.18	2.91
3RD	70.00	1.93	1.00	0.18	7.04	0.31	0.07	0.21	3.40

<u>S.no</u>	<u>Particulars</u>		<u>1st</u> <u>Year</u>		<u>2nd</u> <u>year</u>		<u>3rd year</u>	
			60.00		60.00		70.00	
		<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	0.09	0.00	0.09	0.00	0.10	0.00
2	Stock of work in progress	0	0.00	0.00	0.00	0.00	0.00	0.00
3	Stock of finished goods	5	0.05	0.00	0.05	0.00	0.06	0.00
4	Sundry debtors	60	1.21	0.00	1.21	0.00	1.41	0.00
5	Working expenses	30	0.08	0.08	0.08	0.08	0.08	0.08
6	Sundry Creditors	0	0.00		0.00		0.00	
7	Working capital requirement		1.42		1.42		1.64	
8	Margin money			0.50		0.50		0.50
9	Working capital limit		0.92		0.92		1.14	

FUNDING OF CAPITAL EXPENDITURE

The total capital investment cost of the project is estimated at Rs.10.00 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:

S.no	Particulars	Amt.(Lacs)
1	Seed Capital	3.00
2	Promoters Contribution	0.50
3	Long term borrowings	5.58

A: Equity

The share capital of the unit has been fixed at Rs.3.50 Lakhs comprising 35 % of the total project cost .The unit has to raise share capital within this limit.

B: Term loan

Term loan requirement to the extent of Rs. 5.58 Lakhs for the purpose of 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 Seed Capital is about 35% of the capital formulation, which is higher than the normal requirement of funding, insisted upon by the bankers.

INTEREST CALCULATION

It is proposed to raise the sum of Rs 5.58 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

<u>S.no</u>	<u>Particulars</u>	<u>Amt.(Lacs)</u>
		5.58
01.	Long term borrowings	
02.	Rate of interest	9.00%
03.	Installment	0.93 Lacs
04	Moratorium Period	12 months
04.	Repayment schedule	6 years

YEAR	INT T/Loan	T.Loan	Decrease	Yr.Term	Rem. Term
		Payment	Term Loan	Loan Paym.	Loan
1	0.50	0.00	0.00	0.00	5.58
2	0.50	0.93	0.93	0.93	4.65
3	0.42	0.93	1.86	0.93	3.72
4	0.33	0.93	2.79	0.93	2.79
5	0.25	0.93	3.72	0.93	1.86
6	0.17	0.93	4.65	0.93	0.93
7	0.08	0.93	5.58	0.93	0.00
8	0.00	0.00	5.58	0.00	0.00

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.

RATE OF INTEREST	9.00%
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YEAR	INT W/C	Increase w/ Cap	Increase Curr. Asse	Current Assets	Working Capital
1	0.08	0.92	1.42	1.42	0.92
2	0.08	0.00	0.00	1.42	0.92
3	0.10	0.22	0.22	1.64	1.14
4	0.10	0.00	0.00	1.64	1.14
5	0.10	0.00	0.00	1.64	1.14
6	0.10	0.00	0.00	1.64	1.14
7	0.10	0.00	0.00	1.64	1.14
8	0.10	0.00	0.00	1.64	1.14

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

S.no	Particulars	Building	P&M	MFA	Total
1	Cost Price	0.00	5.37	2.35	7.72
2	Preliminary & Preoperative exp.	0.00	0.60	0.26	0.86
	Total	0.00	5.97	2.61	8.58

Depreciation under WDV method

BUILDING

Rate of depreciation		6.25%		
		Cost	Dep	WDV
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

Plant & Machinery

Rate of depreciation		10%		
		Cost	Dep	WDV
1st	Year	5.97	0.60	5.37
2nd	year	5.37	0.54	4.83
3rd	Year	4.83	0.48	4.35
4th	Year	4.35	0.44	3.92
5th	Year	3.92	0.39	3.52
6th	Year	3.52	0.35	3.17
7th	Year	3.17	0.32	2.85
8th	Year	2.85	0.29	2.57

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Depreciation under WDV method

Rate of depreciation		Cost	15% Dep	WDV
1st	Year	2.61	0.39	2.22
2nd	Year	2.22	0.33	1.89
3rd	Year	1.89	0.28	1.60
4th	Year	1.60	0.24	1.36
5th	Year	1.36	0.20	1.16
6th	Year	1.16	0.17	0.99
7th	Year	0.99	0.15	0.84
8th	Year	0.84	0.13	0.71

Misc. Fixed Assets

Depreciation under WDV method

Rate of depreciation		<u>Building</u>	<u>P&M</u>	<u>M F A</u>	<u>Total</u>
1st	Year	0.00	0.60	0.39	0.99
2nd	Year	0.00	0.54	0.33	0.87
3rd	Year	0.00	0.48	0.28	0.77
4th	Year	0.00	0.44	0.24	0.68
5th	Year	0.00	0.39	0.20	0.60
6th	Year	0.00	0.35	0.17	0.53
7th	Year	0.00	0.32	0.15	0.46
8th	Year	0.00	0.29	0.13	0.41

Depreciation under SL Method

Rate of depreciation	5.00%	10%	10%	Total
Amount of depreciation	0.00	0.60	0.26	0.86

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 st	2nd	3rd	4th	5th	6th	7th	8th
1	Year of operation								
2	Capacity Utilization (%)	60.00	60.00	70.00	70.00	80.00	80.00	90.00	90.00
3	Sales realization	6.03	6.03	7.04	7.04	8.04	8.04	9.05	9.05
A:									
1	Purchases	0.86	0.86	1.00	1.00	1.14	1.14	1.29	1.29
2	Salary & wages	1.66	1.66	1.93	1.93	2.21	2.21	2.48	2.48
3	Utilities	0.16	0.16	0.18	0.18	0.21	0.21	0.23	0.23
4	Repairs & Maintenance	0.15	0.23	0.31	0.39	0.39	0.46	0.46	0.46
5	Administrative expenses	0.06	0.06	0.07	0.07	0.08	0.08	0.09	0.09
6	Selling expenses	0.18	0.18	0.21	0.21	0.24	0.24	0.27	0.27
7	Total	3.07	3.14	3.71	3.78	4.27	4.34	4.83	4.83
8	Gross profit	2.96	2.89	3.33	3.25	3.77	3.70	4.22	4.22
B:	Financial expenses								
1	Interest on term loan	0.50	0.50	0.42	0.33	0.25	0.17	0.08	0.00
2	Interest on WCL	0.08	0.08	0.10	0.10	0.10	0.10	0.10	0.10
3	Depreciation (SLM)	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
4	Total	1.44	1.44	1.38	1.30	1.21	1.13	1.04	0.96
5	Profit before tax	1.52	1.44	1.95	1.96	2.56	2.57	3.17	3.25
6	Taxation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Profit after tax	1.52	1.44	1.95	1.96	2.56	2.57	3.17	3.25
8	Withdrawals	0.00	0.00	0.00	0.00	1.00	2.00	2.00	2.00
9	Profit carried to B/S	1.52	1.44	1.95	1.96	1.56	0.57	1.17	1.25
10	Cumulative profit	1.52	2.97	4.92	6.87	8.43	9.00	10.17	11.42
11	Add back depreciation	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
12	Total cash surplus	2.38	3.82	5.77	7.73	9.29	9.86	11.03	12.28
C:	Less payment								
1	Term Loan	0.00	0.93	0.93	0.93	0.93	0.93	0.93	0.00
2	Withdrawals	0.00	0.00	0.00	0.00	1.00	2.00	2.00	2.00
3	Total payments	0.00	0.93	0.93	0.93	1.93	2.93	2.93	2.00
4	Net Cash accruals	2.38	2.89	4.84	6.80	7.36	6.93	8.10	10.28

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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.

<u>Year</u>	<u>CFAT</u>	<u>Cumulative Cash inflow</u>	
1st	2.38		2.38
2nd	2.30		4.68
3rd	2.81		7.49
4th	2.81		10.30
5th	3.42		13.72
6th	3.42		17.15
7th	4.03		21.18
8th	4.11		25.29
<u>3 year</u>	<u>+</u>	<u>11</u>	<u>Months</u>

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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>	<u>7th</u>	<u>8th</u>
<u>A</u>	<u>Source of funds</u>									
1	Profit after tax		1.52	1.44	1.95	1.96	2.56	2.57	3.17	3.25
2	Depreciation		0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
3	Interest on term loan		0.50	0.50	0.42	0.33	0.25	0.17	0.08	0.00
	Total A		2.88	2.80	3.23	3.15	3.67	3.59	4.11	4.11
<u>B</u>	<u>Disposition of funds</u>									
4	Repayment of term loan		0.00	0.93	0.93	0.93	0.93	0.93	0.93	0.00
	Total B (3+4)		0.50	1.43	1.35	1.26	1.18	1.10	1.01	0.00
C	Debt service coverage ratio		5.74	1.96	2.39	2.49	3.11	3.27	4.06	
<u>D</u>	<u>Average DSCR</u>		<u>3.29</u>							

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BREAK EVEN ANALYSIS AT 70% 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.

BREAK EVEN ANALYSIS		70.00	PERCENT
S.no	Particulars	Amount.(Lacs)	
A	Sales realization	7.04	
B	Variable cost		
1	Raw material	1.00	
2	Utilities	0.18	
3	Selling expenses	0.21	
4	Interest on WCL	0.10	
	Total	1.50	
C	Contribution (A-B)	5.54	
D	Semi-variable/ fixed costs	-	
1	Salary & wages	1.93	
2	Repairs & maintenance	0.31	
3	Administrative expenses	0.07	
4	Interest on term loan	0.42	
5	Depreciation	0.86	
	Total	3.59	
	B. E. P.	%	64.78

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.

S.no	Particulars	Const period	1st	2nd	3rd	4th	5th	6th	7th	8th
	Capacity utilization (%)		60.00	60.00	70.00	70.00	80.00	80.00	90.00	90.00
A	Source of funds									
1	Profit before interest, tax but after depn.		2.11	2.03	2.47	2.39	2.91	2.84	3.36	3.36
2	Depreciation		0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
3	Increase in Share Capital	3.50								
4	Increase in Term loan	5.58								
5	Increase in WCL		0.92	0.00	0.22	0.00	0.00	0.00	0.00	0.00
	Total (A)	9.08	3.88	2.89	3.55	3.25	3.77	3.70	4.22	4.22
B	Application of funds									
1	Capital expenditure	8.58								
2	Prelim / Pre-operative expenses									
3	Increase in current assets		1.42	0.00	0.22	0.00	0.00	0.00	0.00	0.00
4	Decrease in term loan		0.00	0.93	0.93	0.93	0.93	0.93	0.93	0.00
5	Interest on term loan		0.50	0.50	0.42	0.33	0.25	0.17	0.08	0.00
5a	Interest on WCL		0.08	0.08	0.10	0.10	0.10	0.10	0.10	0.10
6	Taxation		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Withdrawal		0.00	0.00	0.00	0.00	1.00	2.00	2.00	2.00
	Total (B)	8.58	2.01	1.52	1.67	1.37	2.28	3.20	3.12	2.10
C	Opening Balance		0.50	2.38	3.75	5.63	7.51	9.00	9.50	10.60
D	Net Surplus	0.50	1.88	1.37	1.88	1.88	1.49	0.49	1.10	2.11
E	Closing Balance	0.50	2.38	3.75	5.63	7.51	9.00	9.50	10.60	12.71

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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	1st	2nd	3rd	4th	5th	6th	7th	8th
A:	<u>Liabilities</u>									
1	Seed Capital		3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2	Promoters Contribution		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3	Reserves & Surplus		1.52	2.97	4.92	6.87	8.43	9.00	10.17	11.42
4	Term Loan		5.58	4.65	3.72	2.79	1.86	0.93	0.00	0.00
5	WCL		0.92	0.92	1.14	1.14	1.14	1.14	1.14	1.14
	Total		11.52	12.04	13.28	14.31	14.94	14.57	14.81	16.07
B:	<u>Assets</u>									
1	Gross Block		8.58	7.72	6.86	6.01	5.15	4.29	3.43	2.57
2	Depreciation		0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86
3	Net Block		7.72	6.86	6.01	5.15	4.29	3.43	2.57	1.72
4	Current Assets		1.42	1.42	1.64	1.64	1.64	1.64	1.64	1.64
5	Cash and bank balance		2.38	3.75	5.63	7.51	9.00	9.50	10.60	12.71
	Total		11.52	12.04	13.28	14.31	14.94	14.57	14.81	16.07