

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

DETAILED TECHNO-ECONOMIC
CUM PRE-INVESTMENT PROJECT
REPORT

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

ON

(CREWEL/NAMDA/GABBA)

INTRODUCTION

Crewel embroidery

Crewel Embroidery, or **Crewelwork**, is a decorative form of surface embroidery using wool and a variety of different embroidery stitches to follow a design outline applied to the fabric. The technique is at least a thousand years old. It was used in the Bayeux Tapestry, in Jacobean embroidery and in the Quaker tapestry.

The origin of the word **crewel** is unknown but is thought to come from an ancient word describing the curl in the staple, the single hair of the wool. Crewel wool has a long staple; it is fine and can be strongly twisted. Modern crewel wool is a fine, 2-ply or 1-ply yarn available in many different colours.

Description of the technique

The crewel technique is not a counted-thread embroidery (like canvas work), but a style of free embroidery. It is usually worked on a closely woven ground fabric, typically linen or cotton. More recently crewel is being made on Matka silk, cotton velvet, rayon velvet, silk organza, net fabric and also jute. A firm fabric is required to support the weight of the stitching. Special crewel needles or chenille needles are required, with large eyes and sharp points.

The outlines of the design to be worked are often screen printed onto the fabric or can be transferred to plain fabric using modern transfer pens, containing water soluble ink or air soluble ink, or iron-on designs applied using transfer sheets. The old fashioned "pinprick and chalk" or "prick and pounce" methods also work well. This is where the design outlines on paper are pricked with a needle to produce perforations along the lines. Powdered chalk or pounce material is then forced through the holes onto the fabric using a felt pad in order to replicate the design on the material.

Designs range from the traditional to more contemporary patterns. The traditional design styles are often referred to as Jacobean embroidery featuring highly stylised floral and animal designs with flowing vines and leaves.

Many different embroidery stitches are used in crewelwork to create a textured and colourful effect. Unlike silk or cotton embroidery threads, crewel wool is thicker and creates a raised, dimensional feel to the work. Some of the techniques and stitches include:

- Outlining stitches such as stem stitch, chain stitch and split stitch
- Satin stitches to create flat, filled areas within a design
- Couched stitches, where one thread is laid on the surface of the fabric and another thread is used to tie it down. Couching is often used to create a trellis effect within an area of the design.
- Seed stitches, applied randomly in an area to give a lightly shaded effect
- French knots are commonly used in floral and fruit motifs for additional texture

Crewel embroidery is most often used to decorate cushions, curtains, clothing and wall hangings.

Unlike canvas work, crewel embroidery requires the use of an embroidery hoop or frame on which the material is stretched taut and secured prior to stitching. This ensures an even amount of tension in the stitches, so that designs do not become distorted. Although nowadays, crewel and free embroidery is generally executed with a small portable hoop, early embroidery was executed on large free standing frames. Such free standing frames were common parlor furniture in most homes. The rectangular canvas mount could tilt and pivot over so that the needleworker could also access the back of the canvas with ease.

NAMDA

A namdha is a felted wool carpet. Much cheaper than the other woolen carpets, they are warm and stylish. In India it is said that a person named Nubi created the first namda to protect emperor Akbar's horse from cold. That namda was very intricately decorated and thus impressed the emperor. The craft of Namda making is followed in very limited areas in Kashmir, Himachal Pradesh and parts of Rajasthan. They can be termed as woolen druggets. The craft is said to have originated in Iran and Turkey. Apart from the carpets different other things like clothing, caps and hats etc. may be formed of the namda. The quality is that all the namda products are seamless.

Material

The material used is different types of wools. Camel and goat wool is commonly used in Rajasthan and sheep and goat wool as used in Kashmir. The finer the wool the better the Namda. Jute or hessian may be requires as a base cloth. In Kashmir mats are used as base and jute or sack cloth in Rajasthan.

Process

- To form a namda raw wool is first cleaned of the impurities.
- Wool is mixed with some quantities of cotton.
- It is then evenly spread on a mat or jute cloth.
- It is continually moistened with a special solution.
- The wool is pressed into felt by beating, treading or applying pressure.
- Patterns are created using embroidery or applique work.

Patterns and styles

Most namdas are made out of white, beige, brown, gray, or black natural wool. They may be dyed using special techniques before felting. The patterning is in terms of shapes and the embroidery and applique.

Kashmiri namdas are famous for chain stitch embroidery. The embroidery is so intricate and detailed that the namda almost resembles an Oriental rug despite that it is not knotted. The Rajasthani namdas of Bikaner, Malpura(chakma and ghogi namda) and pure wool un woven namdas of Tonk are famous for applique patterns supported by embroidery.

They can be used as floor coverings, sofa and chair throws and accent rugs. They are considered most suitable for the chilling winters.

Quality

Namdass are much less expensive than the other knotted rugs and carpets. The quality is judged by the felting and amount of wool. A nicely felted namda does not have loose wool and is durable. Namdas with more percentage of wool than cotton are considered better. Embroidery and applique enhance the richness as well as the quality.

Far less expensive are these colorful floor coverings made from woolen and cotton fiber which has been manually pressed into shape. Prices vary with the percentage of wool - a namda containing 80 percent wool being more expensive than one containing 20 percent wool. Embroidery is also done on namdas to make it more beautiful.

Namda And Gabba

Namdass are a kind of mattress, originally from state of Jammu and Kashmir. These are made by felting the wool rather than weaving it. A low quality wool mixed with a small quality of cotton is used to manufacture namdass. They are usually of two types, plain and embroidered. Formerly, woolen yarn was used for embroidery, but now acrylic yarn is in use. Namdass and gabbass are embroidered with thread which gives color, beauty and strength to them.

Prices of namdass depend upon their quality of wool, pattern(plain or embroidery), size of the product and neatness in designs. Far less expensive are these colorful floor coverings made from woolen and cotton fiber which has been manually pressed into shape. Prices may vary with the percentage of wool- a Namda containing 80% wool being more expensive than one containing 20% wool. Chain stitch embroidery in woolen and cotton thread is worked on these rugs

Basis and assumptions:

- 1 The production has been done on the basis of efficiency of the Artisans**
- 2 For crewel it has been assumed that a single expert artisan will work for 34.90 sq. feet per month which has been assumed on conservative basis. The Normal standard of expert artisan is 45 sq. feet per month.**
- 3 ONE SQ. METER = 3.28 SQ. FT**
- 4 The namda/gabba has been calculated on average rate and sizes.**

MARKET

The Kashmiri handicrafts have large and vast market in the state, national and international market. There will be no problem in selling the quality items as specified above.

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)www.jkedi.org

PROJECT COST SUMMARY			
S.NO	PARTICULARS		AMOUNT(LACS)
1	LAND		NIL
2	Civil Works		NIL
3	Plant & Machinery		NIL
4	Miscellaneous Fixed Assets		1.00
5	Preliminary & Preoperative expenses		0.20
6	Working Capital Requirement		7.37
			8.57
MEANS OF FINANCE			
1	Seed Capital (Maximum for this Category)		3.00
2	Loan from Bank		5.57
DETAILS OF LOANS			
A	Long Term Investment		1.20
1	Promoters Contribution/Seed Money		0.42
2	Term Loan From Bank		0.78
B	Working Capital Requirement		7.37
1	Promoters Contribution/Seed Money		2.58
2	Working Capital Finance From Bank		4.79

SEED CAPITAL ASSISTANCE

The Promoter is setting up the unit under Sher-E-Kashmir Employment & Welfare Programme for the Youth (SKEWPY), an initiative of Government of Jammu and Kashmir for unemployed youth of J&K State. Under the Scheme, the Promoter, being a 10+2, will be eligible for Seed Capital equivalent to 35% of the Project Cost of Rs. 8.57 lakhs upto a maximum of Rs.3.00. The Seed Capital Scheme is implemented through J&K Entrepreneurship Development Institute (JKEDI). Loan assistance of Rs.5.57 lakhs at 65% of the Project Cost is proposed to be sanctioned by J&K Bank Ltd. at 9.00% rate of Interest.

CONCLUSION

On critical examination and analysis of various indicators, it may be stated that the proposed unit is a bankable proposition, deserving the support and favourable consideration of Institution/Bank(s)

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** 34 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.

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)www.jkedi.org

DETAILS OF PRELIMINARY & PRE-OPERATIVE EXPENSES			
S.NO	PARTICULARS		AMOUNT(LACS)
1	Traveling & Conveyance		0.04
2	Printing & Stationary		0.04
3	Professional Charges		0.02
5	Misc. Expenses including interest during moratorium		0.10
			0.20

DETAILS OF MISCELLANEOUS FIXED ASSETS			
S.NO	PARTICULARS	QNT	AMOUNT(LACS)
1	STEEL LOCKER, TABLE, CHAIRS	1 set	0.20
2	FIRE EXTINGUISHER	4	0.20
3	GENERATOR	1	0.30
4	Working Tables and Benches	1s	0.10
5	Miscellaneous tools and Equipments		0.20
	TOTAL		1.00

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

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:-

RAW MATERIAL REQUIREMENT AT 100% INSTALLED CAPACITY

NO. OF WORKING DAYS

300

NO. OF SHIFTS

ONE

NO. OF WORKING HOURS

8

ANTICIPATED SALES PER YEAR

THE ANTICIPATED SALES HAVE BEEN CALCULATED ON THE BASIS OF CURRENT MARKET PRICE OF CREWEL/NAMDA/GABBA IN THE MARKET.

S.NO	PARTICULARS	NO. OF ARTISANS	QUANTITY	RATE RS.	AMOUNT IN RS. LACS
01	CREWEL	10	6000 SQ. FEET	396.50	23.79
02	NAMDA OF DIFFERENT SPECIFICATIONS	10	500 NOS	1500	7.50
03	GABBA OF DIFFERENT SPECIFICATIONS	10	500 NOS	1000	5.00
	TOTAL SALES				36.29

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)www.jkedi.org**RAW MATERIAL CONSUMPTION AT 100% CAPACITY**

S.NO	PARTICULARS	QUANTITY	RATE IN RS.	AMOUNT IN RS. LACS
01	CREWEL CLOTH	6000 SQ. FT	30.48	1.83
02	SLET OF DIFFERENT SPECIFICATIONS	500	400	2.00
03	BLANKET BLACK OF DIFEERENT SPECIFICATIONS	500	300	1.50
04	YARN	1000	250 PER KG	2.00
05	COLORS FOR PRINTING AND LAUNDRY SOAP, CHEMICALS ETC	L.S.	L.S.	0.50
	TOTAL			7.83

SALES REALIZATION AND PURCHASES IN PHASED MANNER

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES
	UTILISATION		(Lacs)		(lacs)
1ST	50.00	7.08	3.92	0.06	18.15
2ND	55.00	7.79	4.31	0.07	19.96
3RD	60.00	8.50	4.70	0.07	21.77
4TH	65.00	9.20	5.09	0.08	23.59
5TH	70.00	9.91	5.48	0.08	25.40
6TH	75.00	10.62	5.87	0.09	27.22
7TH	80.00	11.33	6.26	0.10	29.03
8TH	80.00	11.33	6.26	0.10	29.03

STATEMENT OF CALCULATION OF MANPOWER REQUIREMENT & THEIR REMUNERATION				
S.NO	PARTICULARS	Nos	Salary Per Month(MINIMUM WAGES)	Total Per Annum IN RS, LACS
1	Manager (SELF)	1	10000	1.20
2	ARTISANS	30	3300	11.88
3	CHOWKIDAR	1	3000	0.36
4	Washers	2	3000	0.72
		34		
				14.16

PER MONTH @ RS. 500/- ELECTRICITY

TOTAL ELECTRICITY : - 6000.00

GENERATOR : RS. 6000.00 PER YEAR

TOTAL UTILITY PER YEAR : - 0.12 LACS

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.

Year	Percentage	Building	P&M	MFA	Total	R & M
1st	2%	0.00	0.00	1.00	1.00	0.02
2nd	3%	0.00	0.00	1.00	1.00	0.03
3rd	4%	0.00	0.00	1.00	1.00	0.04
4th	5%	0.00	0.00	1.00	1.00	0.05
5th	5%	0.00	0.00	1.00	1.00	0.05
6th	6%	0.00	0.00	1.00	1.00	0.06
7th	6%	0.00	0.00	1.00	1.00	0.06
8th	6%	0.00	0.00	1.00	1.00	0.06

DETAILS OF ADMINISTRATIVE EXPENSES PER ANNUM

It is taken as 1.00 % 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 including printing both for the basic program shall be worked out as:

Year	Capacity Utilization	Sales	%	
1 st	50.00	18.15	1	0.18
2 nd	55.00	19.96	1	0.20
3 rd	60.00	21.77	1	0.22
4 th	65.00	23.59	1	0.24
5 th	70.00	25.40	1	0.25
6 th	75.00	27.22	1	0.27
7 th	80.00	29.03	1	0.29
8 th	80.00	29.03	1	0.29

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 and annual rent etc.

<u>Year</u>	<u>Cap. Utiliz</u>	<u>Sales</u>	<u>%</u>	<u>Selling expenses/annum</u>
1 st	50.00	18.15	3	0.54
2 nd	55.00	19.96	3	0.60
3 rd	60.00	21.77	3	0.65
4 th	65.00	23.59	3	0.71
5 th	70.00	25.40	3	0.76
6 th	75.00	27.22	3	0.82
7 th	80.00	29.03	3	0.87
8 th	80.00	29.03	3	0.87

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.		
1ST	50.00	7.08	3.92	0.06	18.15	0.02	0.18	0.54	11.06	11.78
2ND	55.00	7.79	4.31	0.07	19.96	0.03	0.20	0.60	12.16	12.96
3RD	60.00	8.50	4.70	0.07	21.77	0.04	0.22	0.65	13.27	14.14

<u>S.no</u>	<u>Particulars</u>		<u>Margin</u>	<u>1st</u> <u>Year</u>		<u>2nd</u> <u>year</u>		<u>3rd year</u>	
			%	50.00		55.00		60.00	
		Days		Amount	Margin	Amount	Margin	Amount	Margin
1	Stock of Raw Material	30	0%	0.39	0.00	0.43	0.00	0.47	0.00
2	Stock of work in progress	90	0%	3.32	0.00	3.65	0.00	3.98	0.00
3	Stock of finished goods	30	0%	1.18	0.00	1.30	0.00	1.41	0.00
4	Sundry debtors	40	0%	2.42	0.00	2.66	0.00	2.90	0.00
5	Working expenses	30	100%	0.16	0.16	0.16	0.16	0.16	0.16
6	Sundry Creditors	7	0%	0.09		0.10		0.11	
7	Working capital requirement			7.37		8.10		8.82	
8	Margin money				2.58		2.58		2.58
9	Working capital limit			4.79		5.52		6.24	

FUNDING OF CAPITAL EXPENDITURE

The total capital investment cost of the project is estimated at Rs.8.57 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	Long term borrowings	0.78

A: Equity

The share capital of the unit has been fixed at Rs.8.57 Lakhs comprising of Rs. 3.00 Lacs Seed Capital 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. 0.78 Lakhs for the purpose of construction of 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.

INTEREST CALCULATION

It is proposed to raise the sum of Rs 0.78 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>
		0.78
01.	Long term borrowings	
02.	Rate of interest	9.00%
03.	Installment	Rs. 0.16 Lacs + Interest
04	Moratorium Period	12 Months
04.	Repayment schedule	5 years

YEAR	INT T/Loan	T.Loan	Decrease	Yr.Term	Rem. Term
		Payment	Term Loan	Loan Paym.	Loan
1	0.07	0.00	0.00	0.00	0.78
2	0.07	0.16	0.16	0.16	0.62
3	0.06	0.16	0.31	0.16	0.47
4	0.04	0.16	0.47	0.16	0.31
5	0.03	0.16	0.62	0.16	0.16
6	0.01	0.16	0.78	0.16	0.00

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%
-------------------------	--------------

YEAR	INT W/C	Increase w/ Cap	Increase Curr. Asse	Current Assets	Working Capital
1	0.43	4.79	7.37	7.37	4.79
2	0.50	0.72	0.72	8.10	5.52
3	0.56	0.72	0.72	8.82	6.24
4	0.56	0.00	0.00	8.82	6.24
5	0.56	0.00	0.00	8.82	6.24
6	0.56	0.00	0.00	8.82	6.24
7	0.56	0.00	0.00	8.82	6.24
8	0.56	0.00	0.00	8.82	6.24

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&M</u>	<u>MFA</u>	<u>Total</u>
1	Cost Price	0.00	0.00	1.00	1.00
2	Preliminary & Preoperative exp.	0.00	0.00	0.20	0.20
	Total	0.00	0.00	1.20	1.20

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	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

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

8th	Year	0.00	0.00	0.00
-----	------	------	------	------

Depreciation under WDV method

Misc. Fixed Assets

	Rate of depreciation		15%	
		Cost	Dep	WDV
1st	Year	1.20	0.18	1.02
2nd	Year	1.02	0.15	0.87
3rd	Year	0.87	0.13	0.74
4th	Year	0.74	0.11	0.63
5th	Year	0.63	0.09	0.53
6th	Year	0.53	0.08	0.45
7th	Year	0.45	0.07	0.38
8th	Year	0.38	0.06	0.33

Depreciation under WDV method

	Rate of depreciation	<u>Building</u>	<u>P&M</u>	<u>M F A</u>	<u>Total</u>
		6.25%	10%	15%	
1st	Year	0.00	0.00	0.18	0.18
2nd	Year	0.00	0.00	0.15	0.15
3rd	Year	0.00	0.00	0.13	0.13
4th	Year	0.00	0.00	0.11	0.11
5th	Year	0.00	0.00	0.09	0.09
6th	Year	0.00	0.00	0.08	0.08
7th	Year	0.00	0.00	0.07	0.07
8th	Year	0.00	0.00	0.06	0.06

Depreciation under SL Method

Rate of depreciation	5.00%	15%	10%	Total
Amount of depreciation	0.00	0.00	0.12	0.12

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

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 (%)	50.00	55.00	60.00	65.00	70.00	75.00	80.00	80.00
3	Sales realization	18.15	19.96	21.77	23.59	25.40	27.22	29.03	29.03
A:	Cost of production								
1	Raw Material	3.92	4.31	4.70	5.09	5.48	5.87	6.26	6.26
2	Salary & wages	7.08	7.79	8.50	9.20	9.91	10.62	11.33	11.33
3	Utilities	0.06	0.07	0.07	0.08	0.08	0.09	0.10	0.10
4	Repairs & Maintenance	0.02	0.03	0.04	0.05	0.05	0.06	0.06	0.06
5	Administrative expenses	0.18	0.20	0.22	0.24	0.25	0.27	0.29	0.29
6	Selling expenses	0.54	0.60	0.65	0.71	0.76	0.82	0.87	0.87
7	Total	11.80	12.99	14.18	15.37	16.54	17.73	18.91	18.91
8	Gross profit	6.34	6.97	7.60	8.22	8.86	9.49	10.12	10.12
B:	Financial expenses								
1	Interest on term loan	0.07	0.07	0.06	0.04	0.03	0.01	0.00	0.00
2	Interest on WCL	0.43	0.50	0.56	0.56	0.56	0.56	0.56	0.56
3	Depreciation (SLM)	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
4	Total	0.62	0.69	0.74	0.72	0.71	0.70	0.68	0.68
5	Profit before tax	5.72	6.28	6.86	7.50	8.15	8.79	9.44	9.44
6	Taxation	0.00	0.00	0.00	0.00	0.00	0.88	1.42	1.89
7	Profit after tax	5.72	6.28	6.86	7.50	8.15	7.91	8.03	7.55
8	Withdrawals	0.00	0.00	0.00	0.50	1.00	1.00	2.00	2.00
9	Profit carried to B/S	5.72	6.28	6.86	7.00	7.15	6.91	6.03	5.55
10	Cumulative profit	5.72	12.01	18.87	25.87	33.02	39.93	45.95	51.51
11	Add back depreciation	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
12	Total cash surplus	5.84	12.13	18.99	25.99	33.14	40.05	46.07	51.63
C:	Less payment								
1	Term Loan	0.00	0.16	0.16	0.16	0.16	0.16	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	0.16	0.16	0.66	1.16	1.16	2.00	2.00
4	Net Cash accruals	5.84	11.97	18.83	25.33	31.98	38.89	44.07	49.63

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	5.84		5.84
2nd	6.40		12.25
3rd	6.98		19.23
4th	7.62		26.85
5th	8.27		35.12
6th	8.03		43.15
7th	8.15		51.29
8th	7.67		58.97
<u>1 year</u>	<u>+</u>	<u>6</u>	<u>Months</u>

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

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>A</u>	<u>Source of funds</u>							
1	Profit after tax		5.72	6.28	6.86	7.50	8.15	7.91
2	Depreciation		0.12	0.12	0.12	0.12	0.12	0.12
3	Interest on term loan		0.07	0.07	0.06	0.04	0.03	0.01
	Total A		5.91	6.47	7.04	7.66	8.30	8.05
<u>B</u>	<u>Disposition of funds</u>							
4	Repayment of term loan		0.00	0.16	0.16	0.16	0.16	0.16
	Total B (3+4)		0.07	0.23	0.21	0.20	0.18	0.17
C	Debt service coverage ratio		84.23	28.62	33.16	38.67	45.08	47.32
<u>D</u>	<u>Average DSCR</u>		<u>46.18</u>					

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.

BREAK EVEN ANALYSIS 60.00 PERCENT

S.no	Particulars	Amount.(Lacs)
A	Sales realization	21.77
B	<u>Variable cost</u>	
1	Raw material	4.70
2	Utilities	0.07
3	Selling expenses	0.65
4	Interest on WCL	0.56
	Total	5.98
C	Contribution (A-B)	15.79
D	<u>Semi-variable/ fixed costs</u>	
1	Salary & wages	8.50
2	Repairs & maintenance	0.04
3	Administrative expenses	0.22
4	Interest on term loan	0.06
5	Depreciation	0.12
	Total	8.93
	<u>B. E. P.</u>	<u>%</u> 56.56

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

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	<u>Const period</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>
	Capacity utilization (%)		50.00	55.00	60.00	65.00	70.00	75.00	80.00	80.00
A	Source of funds									
1	Profit before interest, tax but after depn.		6.22	6.85	7.48	8.10	8.74	9.37	10.00	10.00
2	Depreciation		0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
3	Increase in Share Capital	3.00								
4	Increase in Term loan	0.78								
5	Increase in WCL		4.79	0.72	0.72	0.00	0.00	0.00	0.00	0.00
	Total (A)	3.78	11.14	7.69	8.32	8.22	8.86	9.49	10.12	10.12
B	Application of funds									
1	Capital expenditure	1.20								
2	Prelim / Pre-operative expenses									
3	Increase in current assets		7.37	0.72	0.72	0.00	0.00	0.00	0.00	0.00
4	Decrease in term loan		0.00	0.16	0.16	0.16	0.16	0.16	0.00	0.00
5	Interest on term loan		0.07	0.07	0.06	0.04	0.03	0.01	0.00	0.00
5a	Interest on WCL		0.43	0.50	0.56	0.56	0.56	0.56	0.56	0.56
6	Taxation		0.00	0.00	0.00	0.00	0.00	0.88	1.42	1.89
7	Withdrawal		0.00	0.00	0.00	0.50	1.00	1.00	2.00	2.00
	Total (B)	1.20	7.88	1.44	1.49	1.26	1.75	2.61	3.98	4.45
C	Opening Balance		2.58	5.84	12.09	18.91	25.88	32.99	39.87	46.01
D	Net Surplus	2.58	3.26	6.25	6.82	6.96	7.11	6.88	6.15	5.67
E	Closing Balance	2.58	5.84	12.09	18.91	25.88	32.99	39.87	46.01	51.69

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

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:	Liabilities									
1	SEED Capital	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2	Reserves & Surplus	5.72	12.01	18.87	25.87	33.02	39.93	45.95	51.51	
3	Term Loan	0.78	0.62	0.47	0.31	0.16	0.00	0.00	0.00	0.00
4	WCL	4.79	5.52	6.24	6.24	6.24	6.24	6.24	6.24	6.24
	Total	14.30	21.15	28.57	35.42	42.41	49.17	55.19	60.74	
B:	Assets									
1	Gross Block	1.20	1.08	0.96	0.84	0.72	0.60	0.48	0.36	
2	Depreciation	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
3	Net Block	1.08	0.96	0.84	0.72	0.60	0.48	0.36	0.24	
4	Current Assets	7.37	8.10	8.82	8.82	8.82	8.82	8.82	8.82	8.82
5	Cash and bank balance	5.84	12.09	18.91	25.88	32.99	39.87	46.01	51.69	
	Total	14.30	21.15	28.57	35.42	42.41	49.17	55.19	60.74	