

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

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DETAILED TECHNO-ECONOMIC
CUM PRE-INVESTMENT PROJECT
REPORT

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

ON

(MOBILE SALE, REPAIRING AND SERVICE STATION)

INTRODUCTION



A **mobile phone** or **mobile** (also called **cellphone** and **handphone**,^[1] as well as **cell phone**, **wireless phone**, **cellular phone**, **cellular device**, **cell**, **cellular telephone**, **mobile telephone** or **cell telephone**) is a long-range, electronic device used for mobile telecommunications (mobile telephony, text messaging or data transmission) over a cellular network of specialized base stations known as cell sites.

Most current cell phones connect to a cellular network consisting of switching points and base stations (cell sites) owned by a mobile network operator (the exception is satellite phones, which are mobile but not cellular). In addition to the standard voice function, current mobile phones may support many additional services, and accessories, such as SMS for text messaging, email, packet switching for access to the Internet, gaming, Bluetooth, infrared, camera with video recorder and MMS for sending and receiving photos and video, MP3 player, radio and GPS.

As opposed to a radio telephone, a cell phone offers full duplex communication, automatised calling to and paging from a public switched telephone network (PSTN), and handoff (American English)/handover (British/European English) during a phone call when the user moves from one cell (base station coverage area) to another. A mobile phone offers wide area service, and should not be confused with a cordless telephone, which also is a **wireless phone**, but only offer telephony service within a limited range, e.g. within a home or an office, through a fixed line and a base station owned by the subscriber.

Software and applications

Mobile phone subscribers per 100 inhabitants 1997–2007

The most commonly used data application on mobile phones is SMS text messaging, with 74% of all mobile phone users as active users (over 2.4 billion out of 3.3 billion total subscribers at the end of 2007). SMS text messaging was worth over 100 billion dollars in annual revenues in 2007 and the worldwide average of messaging use is 2.6 SMS sent per day per person across the whole mobile phone subscriber base (source Informa 2007). The first SMS text message was sent from a computer to a mobile phone in 1992 in the UK, while the first person-to-person SMS from phone to phone was sent in Finland in 1993.

The other non-SMS data services used by mobile phones were worth 31 Billion dollars in 2007, and were led by mobile music, downloadable logos and pictures, gaming, gambling, adult entertainment and advertising (source: Informa 2007). The first downloadable mobile content was sold to a mobile phone in Finland in 1998, when Radiolinja (now Elisa) introduced the

downloadable ringing tone service. In 1999 Japanese mobile operator NTT DoCoMo introduced its mobile internet service, i-Mode, which today is the world's largest mobile internet service and roughly the same size as Google in annual revenues.

The first mobile news service, delivered via SMS, was launched in Finland in 2000. Mobile news services are expanding with many organisations providing "on-demand" news services by SMS. Some also provide "instant" news pushed out by SMS. Mobile telephony also facilitates activism and public journalism being explored by Reuters and Yahoo!^[14] and small independent news companies such as Jasmine News in Sri Lanka.

Market

Mobile phone manufacturers' market share in Q3/2008

In Q3/2008, Nokia was the world's largest manufacturer of mobile phones, with a global device market share of 39.4%, followed by Samsung (17.3%), Sony Ericsson (8.6%), Motorola (8.5%) and LG Electronics (7.7%). These manufacturers accounted for over 80% of all mobile phones sold at that time

Other manufacturers include Apple Inc., Audiovox (now UTStarcom), BenQ-Siemens, CECT, High Tech Computer Corporation (HTC), Fujitsu, Kyocera, Mitsubishi Electric, NEC, Neonode, Panasonic, Palm, Matsushita, Pantech Wireless Inc., Philips, Qualcomm Inc., Research in Motion Ltd. (RIM), Sagem, Sanyo, Sharp, Siemens, Sendo, Sierra Wireless, SK Teletech, T&A Alcatel, Huawei, Trium and Toshiba.^[citation needed] There are also specialist communication systems related to (but distinct from) mobile phones.

Other Uses

Mobile phones are used for a variety of reasons including keeping in touch with family members, conducting business, or used in the event of an emergency. Some individuals keep multiple cell phones in some cases for legitimate reasons such as having one phone for business and another for personal use, though a second cell phone may also be used to covertly conduct an affair or illicit business transaction. Child predators are able to take advantage of cell phones to secretly communicate with children without the knowledge of their parents or teachers, which has raised concerns

Organizations that aid victims of domestic violence offer a secret cell phone to potential victims. These devices are often old phones that are donated and refurbished to meet the victim's emergency needs. The victim can then have the phone handy when necessary and without the abuser knowing

A study by Motorola found that one in ten cell phone subscribers have a second phone that often is kept secret from other family members. These phones are used to engage in activities including extramarital affairs or clandestine business dealings

The advent of widespread text messaging has resulted in the cell phone novel; the first literary genre to emerge from the cellular age via text messaging to a website that collects the novels as a whole.^[23] Paul Levinson, in *Information on the Move* (2004), says "...nowadays, a writer can write just about as easily, anywhere, as a reader can read" and they are "not only personal but portable".

Privacy

Cell phones have numerous privacy issues associated with them, and are regularly used by governments to perform surveillance.

Law enforcement and intelligence services in the UK and the US possess technology to remotely activate the microphones in cell phones in order to listen to conversations that take place nearby the person who holds the phone

Mobile phones are also commonly used to collect location data. The geographical location of a mobile phone can be determined easily (whether it is being used or not), using a technique known as trilateration to calculate the differences in time for a signal to travel from the cell phone to each of several cell towers near the owner of the phone.

Health risks

Main article: Mobile phone radiation and health

Because mobile phones emit electromagnetic radiation, concerns have been raised about cancer risks that may pose when used for long periods of time.^[28] This radiation is non-ionizing, but localized heating can occur.

The current consensus view of the scientific and medical communities is that health effects are very unlikely to be caused by cellular phones or their base stations.

Cellular phones became widely available only relatively recently, while tumors can take decades to develop. For this reason, some health authorities have urged that the precautionary principle be observed, recommending that use and proximity to the head be minimized, especially by children.

Raw materials

Many mobile phones, along with other electronic products, have high quality capacitors in them, which contain tantalum. Typically, a mobile phone may have 40 milligrams of tantalum. One major source of tantalum is the coltan ore. Mines at Wodgina in the Pilbara region near Perth, Western Australia.^[34] are amongst many fully legal and identifiable sources of this raw material, although there have also been reports that illegal mines in the Democratic Republic of Congo have been used to obtain the ore, operated by rebel groups to get money to fund their civil war

MARKET POTENTIAL

Service stations and repairing centers of cellular phones have a great market potential. 30% of the population in the state is using mobile phones and frequently requires servicing, downloading and at times repairing the hardware and software of the mobile phones.

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PROJECT COST SUMMARY			
S.NO	PARTICULARS		AMOUNT(LACS)
1	LAND		-----
2	Civil Works		NIL
3	Plant & Machinery		1.54
4	Miscellaneous Fixed Assets		0.80
5	Preliminary & Preoperative expenses		0.25
6	Working Capital Requirement		5.98
			8.57
MEANS OF FINANCE			
1	Seed Capital (Maximum for this Category)		3.00
2	Promoters Contribution		0.00
3	Loan from Bank (65 %)		5.57
DETAILS OF LOANS			
A	Long Term Investment		2.59
1	Promoters Contribution/Seed Money		0.91
2	Term Loan From Bank		1.68
B	Working Capital Requirement		5.98
1	Promoters Contribution/Seed Money		2.09
2	Working Capital Finance From Bank		3.89

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 3 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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DETAILS OF PRELIMINARY & PRE-OPERATIVE EXPENSES		
S.NO	PARTICULARS	AMOUNT(LACS)
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 period	0.15
		0.25

DETAILS OF MISCELLANEOUS FIXED ASSETS			
S.NO	PARTICULARS	QNT	AMOUNT(LACS)
1	STEEL LOCKER, TABLE, CHAIRS	L S	0.10
2	GLASS CABINET AND SHELVES		0.40
3	FIRE EXTINGUISHER	2	0.10
4	GENERATOR (PORTABLE)	1	0.20
	TOTAL		0.80

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: –

Sl.No.	Particulars	Qty.	Rate(Rs.)	Amount (Rs.)
1.	Computer with accessories	2	30,000/-	60,000/-
2.	Software	2 Set	20,000/-	20,000/-
3.	Digital oscilloscope	2 Nos.	10,000/-	20,000/-
4.	SMD circuit maker	2 Nos.	9,000/-	18,000/-
5.	Data Code Kit	2 Nos.	7000/-	14,000/-
6.	Shouldering Iron	4 Nos.	3000/-	12,000/-
7.	Digital Multi meter	2 Nos.	2500/-	5,000/-
8.	Tool Kit	2 Nos.	1500/-	3,000/-
9.	Misc. tools	L.S.		2,000/-
	Total:			1,54,000/-

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INSTALLED CAPACITY AND PRODUCTION PROGRAMME

PLANT CAPACITY

Annual Production:		
Mobile Repairing	Minor	3000 Sets
	Major	1500 Sets
Selling Mobile Covers and casings		4200 Nos.
Selling of Mobile Set		600 Nos.
Song Downloading		15000 Nos.
Working Days/year		300 Days

RAW MATERIALS (Per month)

Items	Quantity	Total Amount (Rs.)
Diode transistor and resistant	L.S.	500/-
Shouldering paste	3 Pkts	500/-
Extra Circuit	2 Sets	4,000/-
Manuals	2 Sets	5,000/-
Mobile covers (plastic)	250 Nos. @Rs.20/-	5,000/-
Mobile Covers (leather)	50 Nos. @ Rs.100/-	5,000/-
Mobile casing	50 Nos. @ Rs.100/-	5,000/-
Mobile	100 Sets @Rs2000/-	2,00,000/-
Total:		2,25,000/-
Total annual requirement		27,00,000/-

Say Rs. 27.00 Lacs

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SALES REALISATION (MONTHLY)

Sl.No.	Particulars	Qty.	Rate(Rs.)	Amount(Rs.)
1.	Minor Repair of Mobile	250 Nos.	@ 100/-	25,000/-
2.	Major Repairing	125 Nos.	@ 400/-	50,000/-
3.	Selling of Mobile covers(Plastic)	250 Nos.	@ 40/-	10,000/-
4.	Selling of Mobile (leather)covers	50 Nos.	@ 125/-	6,250/-
5.	Mobile casing	50 Nos.	@ 125/-	5,200/-
6.	Downloading songs	1000 songs	@ Re.3/-	3,000/-
7.	Mobile Sets	100 Nos	@ 2500/-	250,000/-
Total:				3,49,500/-

Total annual sales realization

41,93,400/-

SAY RS. 41.93 LACS

SALES REALIZATION AND PURCHASES IN PHASED MANNER

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES
	UTILISATION		(Lacs)		(lacs)
1ST	50.00	0.66	13.50	0.06	20.97
2ND	55.00	0.73	14.85	0.07	23.06
3RD	60.00	0.79	16.20	0.07	25.16
4TH	65.00	0.86	17.55	0.08	27.25
5TH	70.00	0.92	18.90	0.08	29.35
6TH	75.00	0.99	20.25	0.09	31.45
7TH	80.00	1.06	21.60	0.10	33.54
8TH	80.00	1.06	21.60	0.10	33.54

STATEMENT OF CALCULATION OF MANPOWER REQUIREMENT & THEIR				
REMUNERATION				
S.NO	PARTICULARS	Nos	Salary Per Month	Total Per Annum (lacs)
1	Supervisor (self)	1	5000	0.60
2	Skilled Staff	2	3000	0.72
	Total	3		1.32

UTILITIES

RS. 1000.00 PER MONTH ON AN AVERAGE

TOTAL 0.12 LACS PER YEAR

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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	1.54	0.80	2.34	0.05
2nd	3%	0.00	1.54	0.80	2.34	0.07
3rd	4%	0.00	1.54	0.80	2.34	0.09
4th	5%	0.00	1.54	0.80	2.34	0.12
5th	5%	0.00	1.54	0.80	2.34	0.12
6th	6%	0.00	1.54	0.80	2.34	0.14
7th	6%	0.00	1.54	0.80	2.34	0.14
8th	6%	0.00	1.54	0.80	2.34	0.14

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	50.00	20.97	1	0.21
2 nd	55.00	23.06	1	0.23
3 rd	60.00	25.16	1	0.25
4 th	65.00	27.25	1	0.27
5 th	70.00	29.35	1	0.29
6 th	75.00	31.45	1	0.31
7 th	80.00	33.54	1	0.34
8 th	80.00	33.54	1	0.34

DETAILS OF SELLING EXPENSES PER ANNUM

It is taken as 2 % of net sales in every year, which includes sales promotion expenses, advertising expenses, commission to intermediaries, carriage outwards, discount, brokerage and Annual Rent of Rs. 6000 etc.

<u>Year</u>	<u>Cap. Utiliz</u>	<u>Sales</u>	<u>%</u>	<u>Selling expenses/annum</u>
1 st	50.00	20.97	2	0.42
2 nd	55.00	23.06	2	0.46
3 rd	60.00	25.16	2	0.50
4 th	65.00	27.25	2	0.55
5 th	70.00	29.35	2	0.59
6 th	75.00	31.45	2	0.63
7 th	80.00	33.54	2	0.67
8 th	80.00	33.54	2	0.67

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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.		
1ST	50.00	0.66	13.50	0.06	20.97	0.05	0.21	0.42	14.22	14.85
2ND	55.00	0.73	14.85	0.07	23.06	0.07	0.23	0.46	15.64	16.33
3RD	60.00	0.79	16.20	0.07	25.16	0.09	0.25	0.50	17.06	17.82

<u>S.no</u>	<u>Particulars</u>		<u>1st Year</u>		<u>2nd year</u>		<u>3rd year</u>	
			50.00		55.00		60.00	
		<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	40	1.80	0.00	1.98	0.00	2.16	0.00
2	Stock of work in progress	6	0.28	0.00	0.31	0.00	0.34	0.00
3	Stock of finished goods	20	0.99	0.00	1.09	0.00	1.19	0.00
4	Sundry debtors	40	2.80	0.00	3.07	0.00	3.35	0.00
5	Working expenses	30	0.11	0.11	0.11	0.11	0.11	0.11
6	Sundry Creditors	0	0.00		0.00		0.00	
7	Working capital requirement		5.98		6.57		7.15	
8	Margin money			2.09		2.09		2.09
9	Working capital limit		3.89		4.48		5.06	

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	1.68

A: Equity

The share capital of the unit has been fixed at Rs.3.00 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 Scheme for the purpose of availing long term borrowings.

B: Term loan

Term loan requirement to the extent of Rs. 1.68 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.

INTEREST CALCULATION

It is proposed to raise the sum of Rs 1.68 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>
		1.68
01.	Long term borrowings	
02.	Rate of interest	9.00%
03.	Installment	Rs. 0.34 LACS
04	Moratorium Period	12 Months
05	Repayment schedule	5 years

YEAR	INT T/Loan	T.Loan	Decrease	Yr.Term	Rem. Term
		Payment	Term Loan	Loan Paym.	Loan
1	0.15	0.00	0.00	0.00	1.68
2	0.15	0.34	0.34	0.34	1.34
3	0.12	0.34	0.67	0.34	1.01
4	0.09	0.34	1.01	0.34	0.67
5	0.06	0.34	1.34	0.34	0.34
6	0.03	0.34	1.68	0.34	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	0.35	3.89	5.98	5.98	3.89
2	0.40	0.59	0.59	6.57	4.48
3	0.46	0.59	0.59	7.15	5.06
4	0.46	0.00	0.00	7.15	5.06
5	0.46	0.00	0.00	7.15	5.06
6	0.46	0.00	0.00	7.15	5.06
7	0.46	0.00	0.00	7.15	5.06
8	0.46	0.00	0.00	7.15	5.06

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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

S.no	Particulars	Building	P&M	MFA	Total
1	Cost Price	0.00	1.54	0.80	2.34
2	Preliminary & Preoperative exp.	0.00	0.16	0.09	0.25
	Total	0.00	1.70	0.89	2.59

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	1.70	0.17	1.53
2nd	year	1.53	0.15	1.38

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3rd	Year	1.38	0.14	1.24
4th	Year	1.24	0.12	1.12
5th	Year	1.12	0.11	1.01
6th	Year	1.01	0.10	0.91
7th	Year	0.91	0.09	0.82
8th	Year	0.82	0.08	0.73

Depreciation under WDV method

Misc. Fixed Assets

Rate of depreciation		15%		
		Cost	Dep	WDV
1st	Year	0.89	0.13	0.75
2nd	Year	0.75	0.11	0.64
3rd	Year	0.64	0.10	0.54
4th	Year	0.54	0.08	0.46
5th	Year	0.46	0.07	0.39
6th	Year	0.39	0.06	0.33
7th	Year	0.33	0.05	0.28
8th	Year	0.28	0.04	0.24

Depreciation under WDV method

		<u>Building</u>	<u>P&M</u>	<u>M F A</u>	<u>Total</u>
Rate of depreciation		6.25%	10%	15%	
1st	Year	0.00	0.17	0.13	0.30
2nd	Year	0.00	0.15	0.11	0.27
3rd	Year	0.00	0.14	0.10	0.23
4th	Year	0.00	0.12	0.08	0.21
5th	Year	0.00	0.11	0.07	0.18
6th	Year	0.00	0.10	0.06	0.16
7th	Year	0.00	0.09	0.05	0.14
8th	Year	0.00	0.08	0.04	0.12

Depreciation under SL Method

Rate of depreciation	5.00%	15%	10%	Total
Amount of depreciation	0.00	0.26	0.09	0.34

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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 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	20.97	23.06	25.16	27.25	29.35	31.45	33.54	33.54
	A:								
1	Purchases	13.50	14.85	16.20	17.55	18.90	20.25	21.60	21.60
2	Salary & wages	0.66	0.73	0.79	0.86	0.92	0.99	1.06	1.06
3	Utilities	0.06	0.07	0.07	0.08	0.08	0.09	0.10	0.10
4	Repairs & Maintenance	0.05	0.07	0.09	0.12	0.12	0.14	0.14	0.14
5	Administrative expenses	0.21	0.23	0.25	0.27	0.29	0.31	0.34	0.34
6	Selling expenses	0.42	0.46	0.50	0.55	0.59	0.63	0.67	0.67
7	Total	14.90	16.40	17.91	19.42	20.91	22.41	23.90	23.90
8	Gross profit	6.07	6.66	7.25	7.83	8.45	9.03	9.65	9.65
	B: Financial expenses								
1	Interest on term loan	0.15	0.15	0.12	0.09	0.06	0.03	0.00	0.00
2	Interest on WCL	0.35	0.40	0.46	0.46	0.46	0.46	0.46	0.46
3	Depreciation (SLM)	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34
4	Total	0.85	0.90	0.92	0.89	0.86	0.83	0.80	0.80
5	Profit before tax	5.22	5.76	6.32	6.94	7.59	8.20	8.85	8.85
6	Taxation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Profit after tax	5.22	5.76	6.32	6.94	7.59	8.20	8.85	8.85
8	Withdrawals	0.00	0.00	0.00	0.50	1.00	1.00	2.00	2.00
9	Profit carried to B/S	5.22	5.76	6.32	6.44	6.59	7.20	6.85	6.85
10	Cumulative profit	5.22	10.98	17.31	23.75	30.34	37.54	44.38	51.23
11	Add back depreciation	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34
12	Total cash surplus	5.57	11.33	17.65	24.10	30.68	37.88	44.73	51.57
	C: Less payment								
1	Term Loan	0.00	0.34	0.34	0.34	0.34	0.34	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	0.34	0.34	0.84	1.34	1.34	2.00	2.00
4	Net Cash accruals	5.57	10.99	17.32	23.26	29.34	36.55	42.73	49.57

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	5.57		5.57
2nd	6.10		11.67
3rd	6.67		18.34
4th	7.29		25.63
5th	7.93		33.56
6th	8.55		42.10
7th	9.19		51.29
8th	9.19		60.48
<u>1 year</u>	<u>+</u>	<u>7</u>	<u>Months</u>

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		5.22	5.76	6.32	6.94	7.59	8.20
2	Depreciation		0.34	0.34	0.34	0.34	0.34	0.34
3	Interest on term loan		0.15	0.15	0.12	0.09	0.06	0.03
	Total A		5.72	6.25	6.79	7.38	7.99	8.58
<u>B</u>	<u>Disposition of funds</u>							
4	Repayment of term loan		0.00	0.34	0.34	0.34	0.34	0.34
	Total B (3+4)		0.15	0.49	0.46	0.43	0.40	0.37
C	Debt service coverage ratio		37.83	12.84	14.86	17.29	20.15	23.42
<u>D</u>	<u>Average DSCR</u>		<u>21.06</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	25.16	
B	<u>Variable cost</u>		
1	Raw material	16.20	
2	Utilities	0.07	
3	Selling expenses	0.50	
4	Interest on WCL	0.46	
	Total	17.23	
C	Contribution (A-B)	7.93	
D	<u>Semi-variable/ fixed costs</u>		
1	Salary & wages	0.79	
2	Repairs & maintenance	0.09	
3	Administrative expenses	0.25	
4	Interest on term loan	0.12	
5	Depreciation	0.34	
	Total	1.60	
	<u>B. E. P.</u>	%	20.21

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	Const period	1st	2nd	3rd	4th	5th	6th	7th	8th
	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.		5.73	6.31	6.90	7.49	8.10	8.69	9.30	9.30
2	Depreciation		0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34
3	Increase in Share Capital	3.00								
4	Increase in Term loan	1.68								
5	Increase in WCL		3.89	0.59	0.59	0.00	0.00	0.00	0.00	0.00
	Total (A)	4.68	9.96	7.24	7.83	7.83	8.45	9.03	9.65	9.65
B	Application of funds									
1	Capital expenditure	2.59								
2	Prelim / Pre-operative expenses									
3	Increase in current assets		5.98	0.59	0.59	0.00	0.00	0.00	0.00	0.00
4	Decrease in term loan		0.00	0.34	0.34	0.34	0.34	0.34	0.00	0.00
5	Interest on term loan		0.15	0.15	0.12	0.09	0.06	0.03	0.00	0.00
5a	Interest on WCL		0.35	0.40	0.46	0.46	0.46	0.46	0.46	0.46
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	0.50	1.00	1.00	2.00	2.00
	Total (B)	2.59	6.48	1.48	1.50	1.38	1.85	1.82	2.46	2.46
C	Opening Balance		2.09	5.57	11.34	17.67	24.12	30.71	37.92	45.11
D	Net Surplus	2.09	3.48	5.77	6.33	6.45	6.59	7.21	7.19	7.19
E	Closing Balance	2.09	5.57	11.34	17.67	24.12	30.71	37.92	45.11	52.30

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	3.00
2	Reserves & Surplus	5.22	10.98	17.31	23.75	30.34	37.54	44.38	51.23	
3	Term Loan	1.68	1.34	1.01	0.67	0.34	0.00	0.00	0.00	0.00
4	WCL	3.89	4.48	5.06	5.06	5.06	5.06	5.06	5.06	5.06
	Total	13.79	19.80	26.38	32.49	38.74	45.60	52.45	59.29	
B:	<u>Assets</u>									
1	Gross Block	2.59	2.25	1.90	1.56	1.21	0.87	0.52	0.18	
2	Depreciation	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34	0.34
3	Net Block	2.25	1.90	1.56	1.21	0.87	0.52	0.18	-0.16	
4	Current Assets	5.98	6.57	7.15	7.15	7.15	7.15	7.15	7.15	7.15
5	Cash and bank balance	5.57	11.34	17.67	24.12	30.71	37.92	45.11	52.30	
	Total	13.79	19.80	26.38	32.49	38.74	45.60	52.45	59.29	