

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

MANUFACTURE OF HAND-EMBROIDERED (NEEDLE WORK /
'SOZNI' AND HOOK WORK) ITEMS IN TRADITIONAL KASHMIRI
PATTERNS)

INTRODUCTION

HANDICRAFTS

Handicraft, more precisely expressed as artisanic handicraft, sometimes also called *artisanry*, is a type of work where useful and decorative devices are made completely by hand or by using only simple tools. It is a traditional main sector of craft. Usually the term is applied to traditional means of making goods. The individual artisanship of the items is a paramount criterion, such items often have cultural anS/Or religious significance. Items made by mass production or machines are not handicraft goods.

Usually, what distinguishes the term **handicraft** from the frequently used category *arts and crafts* is a matter of intent: handicraft items are intended to be used, worn, etc, having a purpose beyond simple decoration. Handicraft goods are generally considered more traditional work, in traditional non-industrial and transitional societies created as a somewhat more necessary part of daily life (in comparison to industrial societies), while *arts and crafts* implies more of a hobby pursuit and a demonstration/perfection of a creative technique. In Britain in the late nineteenth century, however, the Arts and Crafts Movement was not a matter of hobbies, but of creating useful as well as creative work for people, using natural materials and traditional techniques. In practical terms, the categories have a great deal of overlap.

Handicrafts in the Indian subcontinent

The history of handicrafts in areas generally now comprising India and Pakistan is an old saga. To peep in to the traces of Indian handicrafts we need to go back almost 5000 years. The first references to handicrafts in the Indian subcontinent can be found from the Indus Valley Civilization (3000 BC-1700 BC). The craft tradition in India has revolved around religious beliefs, local needs of the commoners, as well as the special needs of the patrons and royalty, along with an eye for foreign and domestic trade. These craft traditions have withstood the ravages of time and numerous foreign invasions and continue to flourish till date owing to the assimilative nature of Indian culture and broadmindedness of the handicraftsmen to accept and use new ideas.

The Indus valley civilization had a rich craft tradition as well as a high degree of technical excellence in the field of pottery making, sculpture (metal, stone and terracotta), jewelry, weaving, etc. A lot of material information from excavations at Harappa, Mohen-jo-daro, etc. substantiate the craft tradition of the Indus valley civilization. The craftsmen not only

catered to all the local needs but surplus items were sent to ancient Arabian cultures via ancient sea routes.

Handicraft is the art of creating products using raw and indigenous materials. It develops the skills and creative interests of students towards a particular craft or trade. The basic training provided in a specific craft prepares the students to become competent craftsmen and artists who can contribute to the establishment of cottage industries, thus contributing to the economic growth of the country.

Needlework

Needlework is a broad term for the handicrafts of decorative sewing and textile arts. Anything that uses a needle for construction can be called needlework. The definition may expand to include related textile crafts such as a crochet hook or tatting shuttles.

Similar abilities often transfer well between different varieties of needlework, such as fine motor skill and a knowledge of textile fibers. Some of the same tools may be used in several different varieties of needlework. For instance, a needle threader is useful in nearly all needlecrafts.

MARKET POTENTIAL

There is a huge potential for Kashmiri Handicrafts in the state and outside the state and also in the International Market.. The craftsmanship required in this trade is available in the local market and most of the house hold wives in the particular areas of the down town and other districts of the Kashmir does this job.

The exporters and manufacturers of expensive shawls in the valley are out sourcing this work to an organised sector and this unit is with the intention of making this work in an organised sector. Thus there is a real good market potential in this work which is being outsourced by the manufacturers and exporters of the Kashmiri Handicrafts.

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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	Promoters Contribution		0.00
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

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 33 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		0.02
2	Printing & Stationary		0.02
3	Professional Charges		0.02
5	Misc. Expenses including start up expenses		0.07
6	Interest During Moratorium		0.07
			0.20

DETAILS OF MISCELLANEOUS FIXED ASSETS			
S.NO	PARTICULARS	QNT	AMOUNT(LACS)
1	STEEL LOCKER, TABLE, CHAIRS	1 set	0.10
2	FIRE EXTINGUISHER	4	0.20
3	GENERATOR	1	0.30
4	Working Benches and Tools	LS	0.40
	TOTAL		1.00

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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:-

RAW MATERIAL REQUIREMENT AT 100% INSTALLED CAPACITY	
NO. OF WORKING DAYS	300
NO. OF SHIFTS	ONE
NO. OF WORKING HOURS	8

INSTALLED CAPACITY OF THE UNIT AT 100% CAPACITY UTILIZATION

	PARTICULRS	NO.S
	HAND EMBROIDERED	
1	COTTON SUMMER COOL	200
2	BEZI LEZZE	200
3	WHITE COTTON	200
4	HANDLOOM COTTON SUITS	200
5	SPUN SUITS	200
6	CRAPE SILK SUITS	200
7	GORGETTE SUITS	200
8	GORGETTE JACKETS	100
9	DUPIEN SILK JACKETS	100
10	RAW SILK SUITS	200
11	MUTKA SILK SUITS	200
12	MUTKA SILK JACKETS	100
13	WOOLEN SHAWL	200
14	WOOLEN SUITS	200
15	PASHMINA SHAWLS	50
16	PASHMINA STOLES	50
17	CRAPE SILK DUPPATTA	500

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STATEMENT SHOWING PURCHASES AT 100% CAPACITY UTILIZATION

	PURCHASES				
	PARTICULARS	NO.S	RATE/ METRE	PER UNIT	AMOUNT IN RS.
1	COTTON SUMMER COOL	200	50	4.50	45000.00
2	BEZI LEZZE	200	42	5.00	42000.00
3	WHITE COTTON	200	38	5.00	38000.00
4	HANDLOOM COTTON SUITS	200	35	5.00	35000.00
5	SPUN SUITS	200	55	5.00	55000.00
6	CRAPE SILK SUITS	200	260	5.00	260000.00
7	GORGETTE SUITS	200	260	5.00	260000.00
8	GORGETTE JACKETS	100	260	2.50	65000.00
9	DUPIEN SILK JACKETS	100	350	2.50	87500.00
10	RAW SILK SUITS	200	110	5.00	110000.00
11	MUTKA SILK SUITS	200	160	5.00	160000.00
12	MUTKA SILK JACKETS	100	160	2.50	40000.00
13	WOOLEN SHAWLS (PER PIECE)	200	450	1.00	90000.00
14	WOOLEN SUITS (PER kg)	200	1350	1.00	270000.00
15	PASHMINA SHAWLS (PP)	50	6000	1.00	300000.00
16	PASHMINA STOLES	50	3500	1.00	175000.00
17	CRAPE SILK DUPPATTA	500	180	2.00	180000.00
					2212500.00

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	PARTICULRS	NO.S	RATE IN RS.	AMOUNT IN RS.
	HAND EMBROIDERED			
1	COTTON SUMMER COOL	200	600	120000
2	BEZI LEZZE	200	650	130000
3	WHITE COTTON	200	700	140000
4	HANDLOOM COTTON SUITS	200	700	140000
5	SPUN SUITS	200	650	130000
6	CRAPE SILK SUITS	200	1600	320000
7	GORGETTE SUITS	200	1700	340000
8	GORGETTE JACKETS	100	900	90000
9	DUPIEN SILK JACKETS	100	1150	115000
10	RAW SILK SUITS	200	1100	220000
11	MUTKA SILK SUITS	200	1150	230000
12	MUTKA SILK JACKETS	100	650	65000
13	WOOLEN SHAWL	200	800	160000
14	WOOLEN SUITS	200	900	180000
15	PASHMINA SHAWLS	50	30000	1500000
16	PASHMINA STOLES	50	6000	300000
17	CRAPE SILK DUPPATA	500	450	225000
18	THREADS AND OTHER MISCELLANEOUS ITEMS	LS	LS	25000
				4430000.00

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SALES REALIZATION AND PURCHASES IN PHASED MANNER

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES
	UTILISATION		(Lacs)		(lacs)
1ST	50.00	6.18	11.06	0.06	22.15
2ND	55.00	6.80	12.17	0.07	24.37
3RD	60.00	7.42	13.27	0.07	26.58
4TH	65.00	8.03	14.38	0.08	28.80
5TH	70.00	8.65	15.48	0.08	31.01
6TH	75.00	9.27	16.59	0.09	33.23
7TH	80.00	9.89	17.70	0.10	35.44
8TH	80.00	9.89	17.70	0.10	35.44

STATEMENT OF CALCULATION OF MANPOWER REQUIREMENT & THEIR REMUNERATION				
S.NO	PARTICULARS	Nos	Salary Per Month	Total Per Annum IN RS, LACS
1	Manager/Accountant	1	10000	1.20
2	Skilled Workers	14	3500	5.88
3	Un Skilled Workers	14	2500	4.20
4	Washers	2	3000	0.72
5	Orderly	2	1500	0.36
				12.36
		33		

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 0.50% 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:

Year	Capacity Utilization	Sales	%	
1 st	50.00	22.15	0.5	0.11
2 nd	55.00	24.37	0.5	0.12
3 rd	60.00	26.58	0.5	0.13
4 th	65.00	28.80	0.5	0.14
5 th	70.00	31.01	0.5	0.16
6 th	75.00	33.23	0.5	0.17
7 th	80.00	35.44	0.5	0.18
8 th	80.00	35.44	0.5	0.18

DETAILS OF SELLING EXPENSES PER ANNUM

It is taken as 2.00 % 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. 12000 etc.

<u>Year</u>	Cap. Utiliz	Sales	%	Selling expenses/annum
1 st	50.00	22.15	2	0.44
2 nd	55.00	24.37	2	0.49
3 rd	60.00	26.58	2	0.53
4 th	65.00	28.80	2	0.58
5 th	70.00	31.01	2	0.62
6 th	75.00	33.23	2	0.66
7 th	80.00	35.44	2	0.71
8 th	80.00	35.44	2	0.71

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	6.18	11.06	0.06	22.15	0.02	0.11	0.44	17.30	17.85
2ND	55.00	6.80	12.17	0.07	24.37	0.03	0.12	0.49	19.03	19.64
3RD	60.00	7.42	13.27	0.07	26.58	0.04	0.13	0.53	20.76	21.42

<u>S.no</u>	<u>Particulars</u>		<u>1st</u> <u>Year</u>		<u>2nd</u> <u>year</u>		<u>3rd</u> <u>year</u>	
			50.00		55.00		60.00	
		Days	Amount	Margin	Amount	Margin	Amount	Margin
1	Stock of Raw Material	30	1.11	0.00	1.22	0.00	1.33	0.00
2	Stock of work in progress	60	3.46	0.00	3.81	0.00	4.15	0.00
3	Stock of finished goods	12	0.71	0.00	0.79	0.00	0.86	0.00
4	Sundry debtors	30	2.22	0.00	2.44	0.00	2.66	0.00
5	Working expenses	30	0.10	0.10	0.10	0.10	0.10	0.10
6	Sundry Creditors	6	0.22		0.24		0.27	
7	Working capital requirement		7.37		8.10		8.83	
8	Margin money			2.58		2.58		2.58
9	Working capital limit		4.79		5.52		6.25	

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.3.00 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. 0.13 Lacs + Interest
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	0.07	0.00	0.00	0.00	0.78
2	0.07	0.13	0.13	0.13	0.65
3	0.06	0.13	0.26	0.13	0.52
4	0.05	0.13	0.39	0.13	0.39
5	0.04	0.13	0.52	0.13	0.26
6	0.02	0.13	0.65	0.13	0.13
7	0.01	0.13	0.78	0.13	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%
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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	0.73	0.73	8.10	5.52
3	0.56	0.73	0.73	8.83	6.25
4	0.56	0.00	0.00	8.83	6.25
5	0.56	0.00	0.00	8.83	6.25
6	0.56	0.00	0.00	8.83	6.25
7	0.56	0.00	0.00	8.83	6.25
8	0.56	0.00	0.00	8.83	6.25

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

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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

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

		<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	0.00	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

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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	22.15	24.37	26.58	28.80	31.01	33.23	35.44	35.44
A:	<u>Cost of production</u>								
1	Raw Material	11.06	12.17	13.27	14.38	15.48	16.59	17.70	17.70
2	Salary & wages	6.18	6.80	7.42	8.03	8.65	9.27	9.89	9.89
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	0.11	0.12	0.13	0.14	0.16	0.17	0.18	0.18
6	Selling expenses	0.44	0.49	0.53	0.58	0.62	0.66	0.71	0.71
7	Total	17.87	19.67	21.46	23.26	25.05	26.84	28.63	28.63
8	Gross profit	4.28	4.70	5.12	5.54	5.96	6.38	6.81	6.81
B:	<u>Financial expenses</u>								
1	Interest on term loan	0.07	0.07	0.06	0.05	0.04	0.02	0.01	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	0.73	0.72	0.71	0.69	0.68
5	Profit before tax	3.65	4.01	4.37	4.81	5.25	5.68	6.12	6.13
6	Taxation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Profit after tax	3.65	4.01	4.37	4.81	5.25	5.68	6.12	6.13
8	Withdrawals	0.00	0.00	0.00	0.50	1.00	1.00	2.00	2.00
9	Profit carried to B/S	3.65	4.01	4.37	4.31	4.25	4.68	4.12	4.13
10	Cumulative profit	3.65	7.66	12.04	16.34	20.59	25.27	29.39	33.52
11	Add back depreciation	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12
12	Total cash surplus	3.77	7.78	12.16	16.46	20.71	25.39	29.51	33.64
C:	<u>Less payment</u>								
1	Term Loan	0.00	0.13	0.13	0.13	0.13	0.13	0.13	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	0.13	0.13	0.63	1.13	1.13	2.13	2.00
4	Net Cash accruals	3.77	7.65	12.03	15.83	19.58	24.26	27.38	31.64

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	3.77		3.77
2nd	4.13		7.90
3rd	4.49		12.40
4th	4.93		17.32
5th	5.37		22.69
6th	5.80		28.49
7th	6.24		34.73
8th	6.25		40.98
<u>2 year</u>	<u>+</u>	<u>5</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>A</u>	<u>Source of funds</u>								
1	Profit after tax		3.65	4.01	4.37	4.81	5.25	5.68	6.12
2	Depreciation		0.12	0.12	0.12	0.12	0.12	0.12	0.12
3	Interest on term loan		0.07	0.07	0.06	0.05	0.04	0.02	0.01
	Total A		3.84	4.20	4.55	4.97	5.40	5.82	6.25
<u>B</u>	<u>Disposition of funds</u>								
4	Repayment of term loan		0.00	0.13	0.13	0.13	0.13	0.13	0.13
	Total B (3+4)		0.07	0.20	0.19	0.18	0.17	0.15	0.14
C	Debt service coverage ratio		54.77	20.97	24.15	28.13	32.72	37.95	44.12
<u>D</u>	<u>Average DSCR</u>		34.69						

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	26.58	
B	Variable cost		
1	Raw material	13.27	
2	Utilities	0.07	
3	Selling expenses	0.53	
4	Interest on WCL	0.56	
	Total	14.44	
C	Contribution (A-B)	12.14	
D	Semi-variable/ fixed costs	-	
1	Salary & wages	7.42	
2	Repairs & maintenance	0.04	
3	Administrative expenses	0.13	
4	Interest on term loan	0.06	
5	Depreciation	0.12	
	Total	7.77	
	B. E. P.	%	63.97

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.		4.16	4.58	5.00	5.42	5.84	6.26	6.69	6.69
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	0.73	0.73	0.00	0.00	0.00	0.00	0.00
	Total (A)	3.78	9.07	5.42	5.84	5.54	5.96	6.38	6.81	6.81
B	Application of funds									
1	Capital expenditure	1.20								
2	Prelim / Pre-operative expenses									
3	Increase in current assets		7.37	0.73	0.73	0.00	0.00	0.00	0.00	0.00
4	Decrease in term loan		0.00	0.13	0.13	0.13	0.13	0.13	0.13	0.00
5	Interest on term loan		0.07	0.07	0.06	0.05	0.04	0.02	0.01	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	0.00	0.00	0.00
7	Withdrawal		0.00	0.00	0.00	0.50	1.00	1.00	2.00	2.00
	Total (B)	1.20	7.88	1.42	1.48	1.24	1.73	1.72	2.70	2.56
C	Opening Balance		2.58	3.77	7.77	12.14	16.43	20.67	25.34	29.45
D	Net Surplus	2.58	1.19	4.00	4.36	4.30	4.24	4.67	4.11	4.25
E	Closing Balance	2.58	3.77	7.77	12.14	16.43	20.67	25.34	29.45	33.70

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	8.75	3.00	3.00	
2	Reserves & Surplus	3.65	7.66	12.04	16.34	20.59	25.27	29.39	33.52	
3	Term Loan	0.78	0.65	0.52	0.39	0.26	0.13	0.00	0.00	
4	WCL	4.79	5.52	6.25	6.25	6.25	6.25	6.25	6.25	
	Total	12.23	16.83	21.81	25.98	30.10	40.40	38.64	42.77	
B:	<u>Assets</u>									
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	
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	8.83	8.83	8.83	8.83	8.83	8.83	
5	Cash and bank balance	3.77	7.77	12.14	16.43	20.67	25.34	29.45	33.70	
	Total	12.23	16.83	21.81	25.98	30.10	34.65	38.64	42.77	