

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

PASHMINA (SHAWL/STOLE/MUFFLER/BLANKET)

INTRODUCTION

Pashmina is considered as diamond among fibers. Pashmina is the Cashmere wool of the highest grade. Pashmina is probably made from the finest wool in the world. Pashmina is a fine trendiest fashion fabric of this modern era. Pashmina wool is also known for the softest, most luxurious and the best pashm wool in the world.

Pashmina is the name given to the wool shorn from the underbelly of goats indigenous to remote and frigid Himalayan regions of Nepal, Tibet and Central Asia at a height of 12,000 to 14,000 feet or even higher, a desolate place with little vegetation and extremely cold conditions. But the Nature has blessed these animals with a very short inner coat of hair, which has been found to be the best natural insulation in the whole world. The inner coat of hair is called pashmina. In fact, the "Pashm" which is Persian word for "wool", refers to the inner coat of fur of certain Tibetan animals, particularly goats.

The elegance of pashmina is incomparable to the other fibers. Combine the beauty of pashmina and the warmth it provides, and there can be no better choice for outerwear. It is strong yet flexible, light in weight, warm and luxurious wrap or wear for evening and daytime wear in every season. Pashmina has been valued for centuries throughout Asia and the Middle East Asia, and the wonderful qualities of pashmina are making it just as popular in the West. Nepal is also known for its finely woven pashmina products, pashmina is an indigenous and unique product of Nepal. Pashmina is hand made from the wool sheared off from mountain goats Chyangra (*Capra Hircus*) that are found in the Himalayan regions of Nepal and Tibet. Let us assure that no animals are harmed during the making of pashmina. Our pashmina shawls are remarkably soft, light and comfortable, considering how much warmth they provided. We have been receiving great response from our customers through mails and phone calls how much they love and appreciate their pashmina shawls, pashmina stoles and other pashmina products and we are pretty glad that you have been enjoying comfort, warmth and softness for all kinds of season when you wear them.

Now the pashmina is considered as the royal luxury and is being offered in wide variety of pashmina shawls, pashmina stoles, pashmina, mufflers, pashmina scarves, pashmina sweaters, pashmina blankets and other pashmina products. This luxurious pashmina products are hand woven by traditional weavers of Kathmandu valley whose families have been in the business from generations and they inherit this art from their ancestors. The tradition of this art continues from generation to generation. Pashmina Stores.Com presents pashmina shawls, pashmina stoles, pashmina scarves, pashmina sweaters, pashmina blankets, and other pashmina products in pure pashmina wool and in silk blended pashmina in all possible colors, patterns, sizes and qualities in reasonable price. Increasingly sought by stylish women of all ages who recognize the elegance of these pashmina products a well chosen pashmina can

transform the simplest attire into the most stylish ensemble and appreciate their practicality and versatility as a snug shawl, stole, muffler or sweater

A pashmina is worn close to the face and the color must suit each person's skin tone. The colors of pashmina that are particularly fashionable this season are shades of purple; from pale lilac to a deep violet shade of prune. Pashmina trends this year are slightly ethnic embroidery and pleats. Due to the timeless and season less versatility of the pashmina, many women opt for a classic color that can be worn season after season, perennial favorites include pink - shades through to bright fuchsia - butter, yellow, white and of course jet black. It takes the wool from four and over 200 men hours (spinning, weaving, dying and decorating) to make just one pashmina shawl. Hand spinning the wool for a single pashmina takes 15 days, so naturally the labor - intensive production is reflected in the price.

Pashmina is all about warmth, sophistication, elegance, softness, luxurious and timelessness in fashion. Original and exclusive Pashmina cashmere is always in demand.

To be more clear about the term pashmina, let us define pashmina more clearly;

You have every right to know about pashmina before purchasing pashmina products. The following description and definition will help you to understand pashmina term more clearly. So please follow the headings and find your answers regarding the term pashmina.

What is Pashmina?

"Pashmina" is derived from the Persian word "Pashm" meaning finest wool fiber, the "soft gold" king of fibers. Pashmina wool is also known as the softest, most luxurious and the best "pashm" wool in the world. It comes from high Himalayan region of Nepal, Tibet, Mongolia and Kashmir also Cashmere which is derived at the altitude of 12000 to 14000 feet where temperature drops below 40 degree centigrade. Every summer, Himalayan farmers climb the mountains to comb the fine woolen undercoat from the neck and chest of Chyangra (Capra Hircus), a Himalayan mountain goat, not to be confused with the endangered Tibetan Antelope that is killed to produce Shahtoosh shawls. THE THERMOCONDUCTIVITY OF THE WOOL IS BEST IN THE WORLD as it survives the animal at below 40 degree centigrade far below zero degree temperature in pollution free climate of the world. Blessed by nature with a unique very thin short inner coat of hair which is the best insulation in the world and this inner coat of hair is PASHMINA. The animal in such a freezing temperature survives because of its nature gifted hair. Pashmina fiber is 15 - 19 microns in diameter making it very soft where as human hair is 75 microns in diameter. Because it is only 15 to 19 microns in diameter , it can not be spun by machines, so the downy wool is hand woven into shawls, stoles, mufflers or other

pashmina products for export, predominantly to America, Europe, Japan and Korea. One goat produces 3 to 8 ounces of Pashmina per year. Origin of pashmina dates back to ancient civilization. Earlier in olden days pashmina shawls found favor with EMPERORS, KINGS, PRINCES, RULLERS and NOBELS. This precious fabric was known as FIBER FOR KINGS. Now this royal luxury is being offered in wide variety of shawls, stoles, mufflers, scarves, sweaters, blanket, throws and wraps in pure pashmina wool and in silk blended pashmina in all possible colors, styles, sizes, patterns in plain, with embroidery work, bead work and in printed designs. Although Pashmina have been popular with aristocracy in Southern Asia since the 15th century, pashmina sales in the West suddenly took off in 1998 when designers in London, Paris and New York started to include them in their fashion collections. Since then the demand for pashmina is growing day by day and it has helped to push the price of pashmina down to an affordable level.

MANUFACTURING PROCESS

The pashmina making process undergoes pain staking process and the entire process is done completely by hand. The pashmina wool is collected every spring from the Mountain goat "Chyangra" (Capra Hircus). Pashmina is the goat's soft underbelly down, which lies under the coarse and thick outer hair. Each goat produces only about 3 ounces or 80 grams of pashmina wool each year. One woven pashmina shawl require wool from about three goats, and is basically spun by hand. The yarn is spun on a spinning wheel locally known as 'Charkha'. Hand-spinning is extremely painstaking and time consuming task. It requires immense patience, dexterity and dedication of experienced and expert weavers.

Pashmina yarn is too fragile for the vibration caused by power looms, the weaving of the traditional 100% pashmina shawls are therefore done on hand-looms. The weaving process is in itself an art, which has been passed down over generations to give you the fabulous pashmina shawls and other pashmina products.

The making of the distinctive pashmina fringe and design is perhaps one of the most interesting stages of shawl making. It takes hours to fringe each pashmina shawl, pashmina stole or pashmina scarf or pashmina sweater or pashmina blanket.

Dyeing is also done by hand. Dyers with immense patience and generations of experience are the one who dye the pashmina shawls, as even the smallest negligence reflects on the quality of the product. Only natural dyes are used, making the shawls completely eco-friendly.

Thus pashmina production process includes:

Fiber Collection >>

Fiber Spinning >>

Weaving in Hand-looms >>

Mending White Pieces >>

Washing White Pieces to Remove Spot, Blots, etc. >>

Dyeing >>

Fringe and Designs Making >>

Embroidery >>

Ironing and finally Packing.

The entire process of manufacturing pashmina products like pashmina shawls, pashmina sweaters, pashmina scarves, pashmina stoles, pashmina mufflers and pashmina blankets etc. are similar.

How is Pashmina Made?

Origin of Pashmina dates back to ancient civilization. In olden days though the pashmina making process was same as today, pashmina were made by hands, collecting pashmina fibers, spinning the pashmina wool, no extra colors were added and there were no dyeing system and the pashmina products were woven for their own use. As time changed the pashmina products found favor with the royal families, emperors, rulers, kings, etc. This precious fabric was known as the ROYAL FIBERS. Now this royal luxury is being offered in wide variety of shawls, stoles, scarves, mufflers, sweaters and blankets. These luxurious pashmina products are hand woven by traditional weavers whose families have been in the occupation since ages and they inherit this art from their ancestors, and tradition of this art continues from one generation to another generation.

Every summer, Himalayan farmers climb the high Himalayan regions to comb the fine woolen undercoat from the underbelly of, Himalayan mountain goat 'Chyangra' the Capra Hircus goat which is the source of pashmina, and which lives at elevations of 14500 feet (4500 meters) and above, where temperatures rarely rise above minus 40 degree centigrade in winter. Not to be confused with the endangered Tibetan antelope, chiru that is killed to produce Shahtoosh shawls, some also call these Chyangra goat as the Cashmere Goats. To survive the freezing environment at 14000 feet altitude, it grows a unique, incredibly soft

pashm, inner coat, six times finer than human hair. Because it is only 15 - 19 microns in diameter, it can not be spun by machines, so the wool is hand-woven into pashmina products including shawls, stoles, scarves, mufflers, sweaters, wraps, throws, blankets, etc. to export worldwide.

With the coming of summer, the Himalayan goats shed their warm winter coats, Their underbellies are covered with two different types of wool: 1) The fine soft inner coat which is called pashmina and 2) a thick coarse outer layer. The wool is gathered by local women, who comb it thoroughly to separate the pashmina from the thicker, less luxuriant wool.

Each fiber is about one sixth the width of a human hair, and one shawl requires about 24 ounces of wool, the annual output of about 4 goats. The wool is too delicate for mechanical looms, and must therefore be spun and woven by hand. The techniques for producing fine pashmina products have been handed down through the generations, and sometimes the women in a family have carried out the practice since the days of the Mughal Empire.

The Pashmina Making Process includes following steps:

1. Wool Collection

First of all the wool from Chyangra (Capra Hircus) goat is collected. The pashmina wool is collected every spring. Then the soft fine pashmina is separated from the thick coarse hair. And both the soft pashmina and the thick coarse hair is taken for their further process.

2. Spinning

The pashmina wool is collected every spring and is basically spun by hand. The yarn is spun on a spinning wheel locally known as 'Charkha'. Prior to spinning, the raw material is treated by stretching and cleaning it to remove any dirt and soaked for a few days in a mixture of rice and water to make it softer. Hand-spinning is an extremely painstaking task. It requires immense patience, dexterity and dedication and is amazing process to watch.

3. Weaving

Pashmina yarn is too fragile for the vibration caused by power looms, the weaving of the traditional 100% pashmina shawls are therefore done on hand- looms. It is essential for the weaver to have a uniform hand. for par excellence fabric. Weaving here is done with a shuttle carrying the soft pashmina yarn through the fine yet strong silk warp. The weaving process is in itself an art, which has been passed down over generations, to give you the fabulous shawls, which we offer. It

takes about four days to weave a single pashmina shawl. The weaving of pashmina products differ according to the nature of pashmina products. Different looms are required to weave different pashmina products. For pashmina shawls, pashmina stoles, pashmina mufflers, pashmina scarves, pashmina blankets and pashmina sweaters are woven in different looms and they takes different amount of pashmina fibers and takes time accordingly.

4. Fringes and Designs

The attractive and excellent fringes and beautiful designs in pashmina shawl will be different than the others. Fringe and designs add extra beauty to pashmina shawls and other pashmina products. The making of the distinctive pashmina fringe and designs is an interesting stage of shawl making. Because the fringe and design making process is artistic and delicate process it takes hours to fringe and design each pashmina shawl or any other pashmina product by the expert.

5. Dyeing

Dyeing is also done by hand, and each piece individually. Dyers with immense patience and generations of experience are the one who dye the pashmina shawls, Pashmina stoles, pashmina mufflers, pashmina scarves, pashmina sweaters, pashmina blankets and other pashmina products, as even the smallest negligence reflects on the quality of the product. Only metal and azo free dyes are used, making the shawls and other pashmina products completely eco-friendly. The pure water used for dyeing is pumped up from deep beneath the surface. Dyeing is done at a temperature just below boiling point for nearly an hour. Pashmina wool is exceptionally absorbent, and dyes easily and deeply.

In this way a fabulous pashmina shawl, pashmina stole, pashmina scarf, pashmina muffler, pashmina sweater, pashmina blanket and other pashmina product is made. Since making of pashmina products is an pain staking, artistic and time consuming process therefore the quality and the price of pashmina products are incomparable to other garments or fibers

PASHMINA SHAWL/STOLE/MUFFLER/BLANKET

has a superbly textural feel, drapes beautifully, feels soft, warm and light to the touch and will serve a user well for years. Pashmina shawl is the best way to express your love and care to your beloved ones. This high quality of pashmina shawl is perfect gift to one whom you love and you care. It has a great market potential. The intending activity of this unit holder is only weaving on the looms.

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PROJECT COST SUMMARY			
S.NO	PARTICULARS		AMOUNT(LACS)
1	LAND		NIL
2	Civil Works (Rented Halls)		NIL
3	Plant & Machinery		1.63
4	Miscellaneous Fixed Assets		0.60
5	Preliminary & Preoperative expenses		0.50
6	Working Capital Requirement		7.27
			10.00
MEANS OF FINANCE			
1	Seed Capital (Maximum for this Category)		3.00
2	Promoters Contribution		0.50
2	Loan from Bank		6.50
DETAILS OF LOANS			
A	Long Term Investment		2.73
1	Promoters Contribution/Seed Money		0.96
2	Term Loan From Bank		1.77
B	Working Capital Requirement		7.27
1	Promoters Contribution/Seed Money		2.54
2	Working Capital Finance From Bank		4.73

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 form the neighboring states.

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DETAILS OF PRELIMINARY & PRE-OPERATIVE EXPENSES			
S.NO	PARTICULARS		AMOUNT(LACS)
1	Traveling & Conveyance		0.04
2	Printing & Stationary		0.04
3	Professional Charges		0.05
4	Advance rent paid for the hall		0.30
5	Misc. Expenses including		0.07
			0.50

DETAILS OF PLANT AND MACHINERY			
S.NO	PARTICULARS	AMOUNT IN RS	AMOUNT(RS. LACS)
01	WEAVING LOOMS		
	SHAWLS (36"X80")	4 @12000	0.48
	STOLES (28"X80")	4 @ 10000	0.40
	MUFFLERS (12"X88")	4 @ 8000	0.32
	BLANKETS (52"X54")	2 @ 14000	0.28
02	HAND TOOLS	L.S.	0.15
			1.23

DETAILS OF MISCELLANEOUS FIXED ASSETS			
		QNT	
S.NO	PARTICULARS		AMOUNT(LACS)
1	STEEL LOCKER, TABLE, CHAIRS	1 set	0.10
2	FIRE EXTINGUISHER	4	0.20
3	GENERATOR	1	0.30
	TOTAL		0.60

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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

S.NO	PARTICULARS	NO. OF DAYS FOR WEAVING	NO. OF LOOMS	NO. OF ITEMS	PASHMINA GRAMS PER ITEM	TOTAL GRAMS
01	PASHMINA SHAWLS (36"X80")	5 DAYS	4	240	200	48000
02	PASHMINA STOLES (28"X80")	3 DAYS	4	400	150	60000
03	PASHMINA MUFFLERS (12"X88")	3 DAYS	4	400	80	32000
04	PASHMINA BLANKETS (52"X54")	6 DAYS	2	100	310	31000
	TOTAL					171000

RAW MATERIAL COST OF HAND SPINNED PASHMINA YARN

RS. 1800.00 FOR 100 GRAMS

TOTAL COST OF RAW MATERIAL RS. 30.78 LACS

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ANTICIPATED SALES PER YEAR

THE ANTICIPATED SALES HAVE BEEN CALCULATED ON THE BASIS OF CURRENT MARKET PRICE OF 100% PASHMINA SHAWLS IN THE MARKET.

S.NO	PARTICULARS	NO. OF ITEMS	CURRENT MARKET RATE PER PIECE (RS.)	TOTAL SALES IN RS. LACS
01	PASHMINA SHAWLS (36"X80")	240	6500.00	15.60
02	PASHMINA STOLES (28"X80")	400	4000.00	16.00
03	PASHMINA MUFFLERS (12"X88")	400	2800.00	11.20
04	PASHMINA BLANKETS (52"X54")	100	10000.00	10.00
	TOTAL			52.80

SALES REALIZATION AND PURCHASES IN PHASED MANNER

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES
	UTILISATION		(Lacs)		(lacs)
1ST	50.00	6.18	15.39	0.06	26.40
2ND	55.00	6.80	16.93	0.07	29.04
3RD	60.00	7.42	18.47	0.07	31.68
4TH	65.00	8.03	20.01	0.08	34.32
5TH	70.00	8.65	21.55	0.08	36.96
6TH	75.00	9.27	23.09	0.09	39.60
7TH	80.00	9.89	24.62	0.10	42.24
8TH	80.00	9.89	24.62	0.10	42.24

STATEMENT OF CULCATION 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
		33		
				12.36

PER MONTH @ RS. 500/- ELECTRICITY

TOTAL ELECTRICITY :- 6000.00

GENERATOR : RS. 6000.00 PER YEAR

TOTAL UTILITY PER YEAR : - 0.12 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.

Year	Percentage	Building	P&M	MFA	Total	R & M
1st	2%	0.00	1.63	0.60	2.23	0.04
2nd	3%	0.00	1.63	0.60	2.23	0.07
3rd	4%	0.00	1.63	0.60	2.23	0.09
4 th	5%	0.00	1.63	0.60	2.23	0.11
5 th	5%	0.00	1.63	0.60	2.23	0.11
6 th	6%	0.00	1.63	0.60	2.23	0.13
7 th	6%	0.00	1.63	0.60	2.23	0.13
8 th	6%	0.00	1.63	0.60	2.23	0.13

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:

Year	Capacity Utilization	Sales	%	
1 st	50.00	26.40	1	0.26
2 nd	55.00	29.04	1	0.29
3 rd	60.00	31.68	1	0.32
4 th	65.00	34.32	1	0.34
5 th	70.00	36.96	1	0.37
6 th	75.00	39.60	1	0.40
7 th	80.00	42.24	1	0.42
8 th	80.00	42.24	1	0.42

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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 of Rs. 30,000 etc.

<u>Year</u>	<u>Cap. Utiliz</u>	<u>Sales</u>	<u>%</u>	<u>Selling expenses/annum</u>
1 st	50.00	26.40	3	0.79
2 nd	55.00	29.04	3	0.87
3 rd	60.00	31.68	3	0.95
4 th	65.00	34.32	3	1.03
5 th	70.00	36.96	3	1.11
6 th	75.00	39.60	3	1.19
7 th	80.00	42.24	3	1.27
8 th	80.00	42.24	3	1.27

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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	6.18	15.39	0.06	26.40	0.04	0.26	0.79	21.63	22.69
2ND	55.00	6.80	16.93	0.07	29.04	0.07	0.29	0.87	23.79	24.95
3RD	60.00	7.42	18.47	0.07	31.68	0.09	0.32	0.95	25.96	27.22

<u>S.no</u>	<u>Particulars</u>		<u>1st</u> <u>Year</u>		<u>2nd</u> <u>year</u>		<u>3rd year</u>	
			<u>50.00</u>		<u>55.00</u>		<u>60.00</u>	
		<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	60	3.08	0.00	3.39	0.00	3.69	0.00
2	Stock of work in progress	5	0.36	0.00	0.40	0.00	0.43	0.00
3	Stock of finished goods	15	1.13	0.00	1.25	0.00	1.36	0.00
4	Sundry debtors	30	2.64	0.00	2.90	0.00	3.17	0.00
5	Working expenses	30	0.06	0.06	0.10	0.10	0.10	0.10
6	Sundry Creditors	0	0.00		0.00		0.00	
7	Working capital requirement		7.27		8.03		8.76	
8	Margin money @5%			2.54		2.54		2.54
9	Working capital limit		4.73		5.49		6.22	

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	Promoters contribution	0.50
2	Seed Capital	3.00
3	Long term borrowings	1.77

A: Equity

The share capital of the unit has been fixed at Rs.10.00 Lakhs comprising Rs. 0.50 Lacs Promoters Contribution and Rs. 3.00 Lacs Seed Capital of the total project cost. The unit has to raise share capital within this limit. The promoter shall arrange equity from the ancestral resources and from the established business of the family for the purpose of availing long term borrowings.

B: Term loan

Term loan requirement to the extent of Rs. 1.77 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 1.77 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>
		1.77
01.	Long term borrowings	
02.	Rate of interest	9.00%
03.	Installment	Rs. 0.35 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	0.16	0.00	0.00	0.00	1.77
2	0.16	0.35	0.35	0.35	1.42
3	0.13	0.35	0.71	0.35	1.06
4	0.10	0.35	1.06	0.35	0.71
5	0.06	0.35	1.42	0.35	0.35
6	0.03	0.35	1.77	0.35	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	4.73	7.27	7.27	4.73
2	0.49	0.76	0.76	8.03	5.49
3	0.56	0.72	0.72	8.76	6.22
4	0.56	0.00	0.00	8.76	6.22
5	0.56	0.00	0.00	8.76	6.22
6	0.56	0.00	0.00	8.76	6.22
7	0.56	0.00	0.00	8.76	6.22
8	0.56	0.00	0.00	8.76	6.22

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	1.63	0.60	2.23
2	Preliminary & Preoperative exp.	0.00	0.37	0.13	0.50
	Total	0.00	2.00	0.73	2.73

Depreciation under WDV method

BUILDING

		Cost	Dep	WDV
	Rate of depreciation		6.25%	
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

		Cost	Dep	WDV
	Rate of depreciation		10%	
1st	Year	2.00	0.20	1.80
2nd	year	1.80	0.18	1.62
3rd	Year	1.62	0.16	1.45

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4th	Year	1.45	0.15	1.31
5th	Year	1.31	0.13	1.18
6th	Year	1.18	0.12	1.06
7th	Year	1.06	0.11	0.95
8th	Year	0.95	0.10	0.86

Depreciation under WDV method

Misc. Fixed Assets

Rate of depreciation		15%		
		Cost	Dep	WDV
1st	Year	0.73	0.11	0.62
2nd	Year	0.62	0.09	0.53
3rd	Year	0.53	0.08	0.45
4th	Year	0.45	0.07	0.38
5th	Year	0.38	0.06	0.33
6th	Year	0.33	0.05	0.28
7th	Year	0.28	0.04	0.24
8th	Year	0.24	0.04	0.20

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	0.20	0.11	0.31
2nd	Year	0.00	0.18	0.09	0.27
3rd	Year	0.00	0.16	0.08	0.24
4th	Year	0.00	0.15	0.07	0.21
5th	Year	0.00	0.13	0.06	0.19
6th	Year	0.00	0.12	0.05	0.17
7th	Year	0.00	0.11	0.04	0.15
8th	Year	0.00	0.10	0.04	0.13

Depreciation under SL Method

Rate of depreciation	5.00%	15%	10%	Total
Amount of depreciation	0.00	0.30	0.07	0.37

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	26.40	29.04	31.68	34.32	36.96	39.60	42.24	42.24
A:	Cost of production								
1	Raw Material	15.39	16.93	18.47	20.01	21.55	23.09	24.62	24.62
2	Salary & wages	6.18	6.80	7.42	8.03	8.65	9.27	9.89	9.89
03..	Utilities	0.06	0.07	0.07	0.08	0.08	0.09	0.10	0.10
4	Repairs & Maintenance	0.04	0.07	0.09	0.11	0.11	0.13	0.13	0.13
5	Administrative expenses	0.26	0.29	0.32	0.34	0.37	0.40	0.42	0.42
6	Selling expenses	0.79	0.87	0.95	1.03	1.11	1.19	1.27	1.27
7	Total	22.73	25.02	27.31	29.60	31.87	34.16	36.43	36.43
8	Gross profit	3.67	4.02	4.37	4.72	5.09	5.44	5.81	5.81
B:	Financial expenses								
1	Interest on term loan	0.16	0.16	0.13	0.10	0.06	0.03	0.00	0.00
2	Interest on WCL	0.43	0.49	0.56	0.56	0.56	0.56	0.56	0.56
3	Depreciation (SLM)	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37
4	Total	0.96	1.03	1.06	1.03	1.00	0.96	0.93	0.93
5	Profit before tax	2.71	2.99	3.31	3.69	4.09	4.47	4.88	4.88
6	Taxation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Profit after tax	2.71	2.99	3.31	3.69	4.09	4.47	4.88	4.88
8	Withdrawals	0.00	0.00	1.00	1.00	2.00	2.00	3.00	3.00
9	Profit carried to B/S	2.71	2.99	2.31	2.69	2.09	2.47	1.88	1.88
10	Cumulative profit	2.71	5.70	8.01	10.70	12.79	15.27	17.14	19.02
11	Add back depreciation	0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37
12	Total cash surplus	3.08	6.08	8.38	11.07	13.17	15.64	17.51	19.39
C:	Less payment								
1	Term Loan	0.00	0.35	0.35	0.35	0.35	0.35	0.00	0.00
2	Withdrawals	0.00	0.00	1.00	1.00	2.00	2.00	3.00	3.00
3	Total payments	0.00	0.35	1.35	1.35	2.35	2.35	3.00	3.00
4	Net Cash accruals	3.08	5.72	7.03	9.72	10.81	13.28	14.51	16.39

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	3.08		3.08
2nd	3.36		6.45
3rd	3.68		10.13
4th	4.06		14.19
5th	4.46		18.66
6th	4.85		23.50
7th	5.25		28.75
8th	5.25		34.00
<u>2 year</u>	<u>+</u>	<u>11</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		2.71	2.99	3.31	3.69	4.09	4.47
2	Depreciation		0.37	0.37	0.37	0.37	0.37	0.37
3	Interest on term loan		0.16	0.16	0.13	0.10	0.06	0.03
	Total A		3.24	3.52	3.81	4.16	4.53	4.88
<u>B</u>	<u>Disposition of funds</u>							
4	Repayment of term loan		0.00	0.35	0.35	0.35	0.35	0.35
	Total B (3+4)		0.16	0.51	0.48	0.45	0.42	0.39
C	Debt service coverage ratio		20.36	6.87	7.91	9.25	10.84	12.64
<u>D</u>	<u>Average DSCR</u>		<u>11.31</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	31.68	
B	Variable cost		
1	Raw material	18.47	
2	Utilities	0.07	
3	Selling expenses	0.95	
4	Interest on WCL	0.56	
	Total	20.05	
C	Contribution (A-B)	11.63	
D	Semi-variable/ fixed costs		
1	Salary & wages	7.42	
2	Repairs & maintenance	0.09	
3	Administrative expenses	0.32	
4	Interest on term loan	0.13	
5	Depreciation	0.37	
	Total	8.32	
	B. E. P.	%	71.56

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PROJECTED CASH FLOW STATEMENT

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

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.		3.30	3.65	3.99	4.34	4.72	5.06	5.44	5.44
2	Depreciation		0.37	0.37	0.37	0.37	0.37	0.37	0.37	0.37
3	Increase in Share Capital	3.50								
4	Increase in Term loan	1.77								
5	Increase in WCL		4.73	0.76	0.72	0.00	0.00	0.00	0.00	0.00
	Total (A)	5.27	8.40	4.78	5.09	4.72	5.09	5.44	5.81	5.81
B	Application of funds									
1	Capital expenditure	2.73								
2	Prelim / Pre-operative expenses									
3	Increase in current assets		7.27	0.76	0.72	0.00	0.00	0.00	0.00	0.00
4	Decrease in term loan		0.00	0.35	0.35	0.35	0.35	0.35	0.00	0.00
5	Interest on term loan		0.16	0.16	0.13	0.10	0.06	0.03	0.00	0.00
5a	Interest on WCL		0.43	0.49	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	1.00	1.00	2.00	2.00	3.00	3.00
	Total (B)	2.73	7.86	1.77	2.76	2.01	2.98	2.95	3.56	3.56
C	Opening Balance		2.54	3.08	6.09	8.42	11.13	13.24	15.73	17.98
D	Net Surplus	2.54	0.54	3.01	2.33	2.71	2.11	2.49	2.25	2.25
E	Closing Balance	2.54	3.08	6.09	8.42	11.13	13.24	15.73	17.98	20.23

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
A:	<u>Liabilities</u>								
1	Seed Money		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
3	Reserves & Surplus		2.71	5.70	8.01	10.70	12.79	15.27	17.14
4	Term Loan		1.77	1.42	1.06	0.71	0.35	0.00	0.00
5	WCL		4.73	5.49	6.22	6.22	6.22	6.22	6.22
	Total		12.71	16.11	18.79	21.12	22.86	24.98	26.86
B:	<u>Assets</u>								
1	Gross Block		2.73	2.36	1.98	1.61	1.24	0.87	0.49
2	Depreciation		0.37	0.37	0.37	0.37	0.37	0.37	0.37
3	Net Block		2.36	1.98	1.61	1.24	0.87	0.49	0.12
4	Current Assets		7.27	8.03	8.76	8.76	8.76	8.76	8.76
5	Cash and bank Balance		3.08	6.09	8.42	11.13	13.24	15.73	17.98
	Total		12.71	16.11	18.79	21.12	22.86	24.98	26.86