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DETAILED TECHNO-ECONOMIC  
CUM PRE-INVESTMENT PROJECT  
REPORT

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

ON

(VILLAGE RESORTS AND ADVENTURE TOURISM)

FOR

***M/S PLANET LIFE***

**(KATRA DISTRICT REASI)**

*(Prop. RAJEEV SHARMA S/O SHIV NATH SHARMA)*

*R/o AHAHTA AMAR SING OPP. CTO, OLD ASSEMBLY PANJITIRTHI JAMMU*

APRIL, 2011

**INTRODUCTION**

The State of Jammu & Kashmir is geographically located in the northern most part of India. The State is bordered to the north and east by China, to the west by Pakistan and has to its south the Indian States of Punjab and Himachal Pradesh. Jammu & Kashmir lies between 32°17' to 36°58' north latitude and 37°26' to 80°30' east longitude with an altitude varying from 1000 ft. to 28250 ft. above the sea level. The State is spread over an area of 2.22 lakh sq. km. including 0.78 lakh sq.km. under the illegal occupation of Pakistan and 0.43 lakh sq. km. under that of China.



The State has four geographical zones, namely

- (i) Sub-mountain and semi-mountain plain known as kandi or dry belt,
- (ii) The Shivalik ranges,
- (iii) The high mountain zone constituting the Kashmir Valley, Pir Panjal range and its off-shoots including Doda, Poonch and Rajouri districts and part of Kathua and Udhampur districts
- (iv) The middle run of the Indus river comprising Leh and Kargil.

The State comprises of three distinct climatic regions viz. Arctic cold desert areas of Ladakh, temperate Kashmir valley and sub-tropical region of Jammu. The climate varies from tropical in Jammu plains to semi-arctic cold in Ladakh with Kashmir and Jammu

mountainous tracts having temperate climatic conditions. As such, the temperature in the State varies from a low of - 40° C in Ladakh region to a high of above 43°C in Jammu region. The annual rainfall also varies from region to region with about 93 mm in Ladakh, 650 mm in Kashmir and 1116 mm in Jammu. A large part of the State forms part of the Himalayan mountains and is geologically constituted of rocks varying from the oldest period of the earth's history to the youngest present day river and lake deposits.

The people of Jammu, Kashmir Valley and Ladakh regions live in radically different environments, speak different languages, worship different Gods and think along separate cultural lines.

- Jammu is the home of the Dogras, Hindus and Sikhs whose forefathers rode out of their foothill villages to conquer the Kingdoms of the high Himalayas.
- The beautiful land of Kashmir has been settled since very early times with excavations dating from 2500 B.C. The earlier religion in Kashmir Valley was Buddhism which was replaced by Hinduism, and later, largely by Islam. Kashmir is famous for its art such as weaving of carpets and shawls, manufacture of exquisite papermachi handicrafts and wood carving, in particular, the making of beautiful walnut furniture. Kashmir is also appreciated for its distinctive cuisine viz. 'Wazwan' consisting of about 36 different meat preparations served with rice.
- Ladakh is reached by crossing the 11480 feet Zoji-La Pass and is like stepping into another world. The mighty Himalayan range forces its rare shadow on the lands to the north, isolating them from the influence of the south. This barrier, effective from the cultural as well as the geographical perspective, has ensured that the various people of Ladakh – the animist Dards, the Shia Baltis, and the Buddhist Ladakhis – have retained their traditions, unchanged, over the centuries. The Baltis have central Asian features. The Dards, who also inhabit Dras and a number of secluded villages to the northeast are distinctly Caucasian in their features. The Ladakhi Buddhists are a happy, spontaneous and friendly people and enjoy dancing, archery, polo and their strong barley beer, known as 'chang'.

The State of Jammu & Kashmir has Srinagar as its summer Capital and Jammu as its winter Capital. The present population of the State is around 78 lakh with population

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density of 34 persons per sq.km. and sex ratio of 923 females per 1000 males. The population of Jammu & Kashmir is primarily a mix of Muslims, Hindus, Buddhists and Sikhs with predominantly Muslims (95%) in Kashmir, Hindus (66%) in Jammu and Buddhists (50%) in Ladakh. The literacy rate in the State is at around 30%, much lower than most of the other States of India and the languages used include Urdu, Kashmiri, Dogri, Pahari, Ladakhi, Hindi and English. The State ranks 6<sup>th</sup> in area and 17<sup>th</sup> in population among the States and Union Territories of India. The State consists of 14 districts, 59 tehsils, 119 blocks, 3 municipalities, 54 towns and notified area committee, 6477 inhabited villages and 281 uninhabited villages.

The State is well connected with rest of the country by air, rail and road. The Indian and private airlines operate regular flights to Srinagar, Jammu and Leh. The National Highway 1-A connects the capital cities of Srinagar and Jammu with rest of the country. There are daily passenger trains connecting Jammu with most of the major cities of the country.

The economy of the State is mainly agrarian with about 80 percent of the population depending directly or indirectly on agriculture for their livelihood. However, tourism, handicrafts and industrial activities are also emerging economic activities in the State.

The number of tourist arrivals in the State exceeds 68 lakh per annum with a potential to grow many fold but due to separatist disturbances in Kashmir Valley most of the tourists in the recent past limit their travel to Jammu region with special emphasis on Mata Vasihno Devi pilgrimage. However, with improvement in situation in the last two years, the tourist traffic to Kashmir has shown major growth with over 2 lakh tourists in the calendar year 2005 which is expected to improve further in near future.

**Adventure travel** is a type of tourism, involving exploration or travel to remote, exotic and possibly hostile areas. Adventure tourism is rapidly growing in popularity, as tourists seek different kinds of vacations. According to the Travel Trade Association, **adventure travel** may be any tourist activity, including two of the following three components: a physical activity, a cultural exchange or interaction and engagement with nature.

Adventure tourism gains much of its excitement by allowing its participants to step outside of their comfort zone. This may be from experiencing culture shock or through the performance of acts, that require significant effort and involve some degree of risk (real or perceived) and/or physical danger. This may include activities such as mountaineering, trekking, bungee jumping, mountain biking, rafting, zip-lining and rock

climbing. Some obscure forms of adventure travel include disaster and ghetto tourism.<sup>[1]</sup> Other rising forms of adventure travel include social and jungle tourism.

Access to inexpensive consumer technology, with respect to Global Positioning Systems, flashpacking, social networking and photography, have increased the worldwide interest in adventure travel. The interest in independent adventure travel has also increased as more specialist travel websites emerge offering previously niche locations and sports.

### ***Types of Adventure Travel***

#### **Accessible tourism**

There is a trend for developing tourism specifically for the disabled. Adventure travel for the disabled has become a \$13 billion USD a year industry in North America. Some adventure travel destinations offer diverse programs and job opportunities developed specifically for the disabled.

#### **Disaster tourism**

Disaster tourism is the act of traveling to a disaster area as a matter of curiosity. The behavior can be a nuisance if it hinders rescue, relief, and recovery operations. If not done because of pure curiosity, it can be cataloged as disaster learning.

#### **Ethno tourism**

Ethno tourism refers to visiting a foreign location for the sake of observing the indigenous members of its society for the sake of non-scientific gain. Some extreme forms of this include attempting to make first contact with tribes that are protected from outside visitors.

Two controversial issues associated with ethno tourism include bringing natives into contact with diseases they do not have immunities for, and the possible degradation or destruction of a unique culture and/or language.

#### **Ghetto tourism**

Ghetto tourism refers to the growing popularity of tourism in ghettos.

#### **Jungle tourism**

Jungle tourism is a rising subcategory of adventure travel defined by active multifaceted physical means of travel in the jungle regions of the earth. Although similar in many respects to adventure travel, jungle tourism pertains specifically to the context of region, culture and activity. According to the Glossary of Tourism Terms, jungle tours have become a major component of green tourism in tropical destinations and are a relatively recent phenomenon of Western international tourism.

### **Overland travel**

Overland travel or overlanding refers to an "overland journey" - perhaps originating with Marco Polo's first overland expedition in the 13th century from Venice to the Chinese court of Kublai Khan. Today overlanding is a form of extended adventure holiday, embarking on a long journey, often in a group. Overland companies provide a converted truck or a bus plus a tour leader, and the group travels together overland for a period of weeks or months.

Since the 1960s overlanding has been a popular means of travel between destinations across Africa, Europe, Asia (particularly India), the Americas and Australia. The "Hippie trail" of the 60s and 70s saw thousands of young westerners travelling through the Middle East to India and Nepal.

### **Urban exploration**

Urban exploration (often shortened as urbex or UE) is the examination of the normally unseen or off-limits parts of urban areas or industrial facilities. Urban exploration is also commonly referred to as infiltration, although some people consider infiltration to be more closely associated with the exploration of active or inhabited sites. It may also be referred to as "draining" (when exploring drains) "urban spelunking", "urban caving", or "building hacking".

The nature of this activity presents various risks, including both physical danger and the possibility of arrest and punishment. Many, but not all, of the activities associated with urban exploration could be considered trespassing or other violations of local or regional laws.

A **tour operator** typically combines tour and travel components to create a holiday. The most common example of a tour operator's product would be a flight on a charter airline plus a transfer from the airport to a hotel and the services of a local representative, all for one price. Niche tour operators may specialise in destinations, e.g. Italy, activities and experiences, e.g. skiing, or a combination thereof. The original *raison d'être* of tour operating was the difficulty of making arrangements in far-flung places, with problems of language, currency and communication. The advent of the internet has led to a rapid increase in self-packaging of holidays. However, tour operators still have their competence in arranging tours for those who do not have time to do DIY holidays, and specialize in large group events and meetings such as conferences or seminars. Also, tour operators still exercise contracting power with suppliers (airlines, hotels, other land arrangements, cruises, etc.) and influence over other entities (tourism boards and other government authorities) in order to create packages and special departures for destinations otherwise difficult and expensive to visit.

***Origins***

The British company Cox & Kings is sometimes said to be the oldest travel agency in the world, but this rests upon the services that the original bank, established in 1758, supplied to its wealthy clients. The modern travel agency first appeared in the second half of the 19th century. Thomas Cook, in addition to developing the package tour, established a chain of agencies in the last quarter of the 19th century, in association with the Midland Railway. They not only sold their own tours to the public, but in addition, represented other tour companies. Other British pioneer travel agencies were Dean and Dawson, the Polytechnic Touring Association and the Co-operative Wholesale Society. The oldest travel agency in North America is Brownell Travel; on July 4, 1887, Walter T. Brownell led ten travelers on a European tour, setting sail from New York on the SS Devonia.

Travel agencies became more commonplace with the development of commercial aviation, starting in the 1920s. Originally, travel agencies largely catered to middle and upper class customers, but the post-war boom in mass-market package holidays resulted in travel agencies on the main streets of most British towns, catering to a working-class clientele, looking for a convenient way to book overseas beach holidays.

***Operations***

As the name implies, a travel agency's main function is to act as an agent, that is to say, selling travel products and services on behalf of a supplier. Consequently, unlike other retail businesses, they do not keep a stock in hand. A package holiday or a ticket is not purchased from a supplier unless a customer requests that purchase. The holiday or ticket is supplied to them at a discount. The profit is therefore the difference between the advertised price which the customer pays and the discounted price at which it is supplied to the agent. This is known as the commission. A British travel agent would consider a 10-12% commission as a good arrangement. In Australia, all individuals or companies that sell tickets are required to be licensed as a travel agent.<sup>[1]</sup>

**BACKGROUND OF THE PROJECT**

M/S PLANET LIFE is a proprietorship concern of Mr. RAJEEV SHARMA S/O SHIV NATH SHARMA R/o AHAHTA AMAR SING OPP. CTO, OLD ASSEMBLY PANJTIRTHI JAMMU. The promoter is young person with a qualification and with enthusiasm and energy to excel and a sound support from the family to run the business efficiently.

The promoters will be the overall incharge of the BUSINESS ESTABLISHMENT. The promoter has been brought up in Kashmir Valley from their early childhood and is fully aware of nature, culture and social economic background of Kashmir. Keeping this into consideration the promoter will not face any difficulty for successful running of the BUSINESS ESTABLISHMENT. The promoter has been very keen in starting their independent business since past many years and has therefore studied and surveyed many options and avenues with the objective in their minds. Finding that the demands for VILLAGE RESORTS AND ADVENTURE TOURISM is increasing at a faster rate and there exists a gap in the demand and supply curve therefore the promoter has found tremendous potential on concentrating on the proposed activity and has conceived the present project as envisaged herein after.

The promoter belongs to cultured family with sound background. He has the financial strength and capability to withstand the unforeseen streams of promoting an industrial venture. The promoter have already constructed the required civil structures for the proposed line of activity.

The BUSINESS ESTABLISHMENT is working on single shift basis of 10 hours day for 300 working days in a year. It has been assumed in the project report that the BUSINESS ESTABLISHMENT will operate at 50% of the installed capacity during the first operating year which will subsequently increase to 60% in the 3<sup>rd</sup> Year so on.

Depending upon the efficiency of the promoter and his marketing ability the BUSINESS ESTABLISHMENT will be able to operate at higher production level than what has been envisaged in the report.

**PROJECT HIGHLIGHTS**

<u>S.No</u>	<u>PARTICULARS</u>	<u>DESCRIPTION</u>
1	NAME OF THE BUSINESS ESTABLISHMENT	M/S PLANET LIFE
2	LINE OF ACTIVITY	VILLAGE RESORTS AND ADVENTURE TOURISM
3	LOCATION	KATRA DISTRICT REASI
4	CONSTITUTION	PROPRIETORSHIP
5	NAME OF PROMOTER	RAJEEV SHARMA
6	PARENTAGE	SHIV NATH SHARMA
7	RESIDENT OF	AHAHTA AMAR SING OPP. CTO, OLD ASSEMBLY PANJTIRTHI JAMMU
8	AGE	33 YEARS
9	DATE OF BIRTH	28-08-1977
10	QUALIFICATION	B.COM
11	ANY KIND OF SUBSIDY AVAILED	NIL
12	JKEDI TRAINING DATE	22-02-2011
13	SCREENING COMMITTEE ACTIVITY ALLOTTED	VILLAGE RESORTS AND ADVENTURE TOURISM
14	SEED CAPITAL	RS. 3.00 LACS
15	CATEGORY	PROSPECTIVE ENTREPRENEUR

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<b>S.No</b>	<b>PARTICULARS</b>	<b>DESCRIPTION</b>
1	NAME OF THE BUSINESS ESTABLISHMENT	M/S PLANET LIFE
2	PRIMARY SECURITY	HYPOTHECATION OF ASSETS CREATED OUT OF BANK FINANCE
3	COLLATERAL SECURITY	GUARANTEE COVER UNDER CREDIT GUARANTEE SCHEME OF CGFTMSE
4	MAXIMUM REPAYMENT SCHEME	5 YEARS
5	MORATORIUM PERIOD	1 YEAR
6	<i>TOTAL PROJECT COST</i>	8.57 LACS
7	<i>TOTAL FIXED INVESTMENT</i>	6.55 LACS
8	EQUITY (SEED CAPITAL)	3.00 LACS
9	BANK LOAN (TERM)	4.26 LACS
10	WORKING CAPITAL REQUIREMENT	2.02 LACS
11	MANPOWER REQUIREMENT	6
12	BREAK EVEN POINT	36.97 % @ 60 % CAPACITY UTILIZATION
13	DSCR	7.97 : 1
14	PAYBACK PERIOD	1 YEARS 7 MONTHS APPROX

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<b>PROJECT COST SUMMARY</b>			
<b>S.NO</b>	<b>PARTICULARS</b>		<b>AMOUNT(LACS)</b>
1	LAND		-----
2	Civil Works		NIL
3	Plant & Machinery		NIL
4	Miscellaneous Fixed Assets		5.95
5	Preliminary & Preoperative expenses		0.60
6	Working Capital Requirement		2.02
			<b>8.57</b>
<b>MEANS OF FINANCE</b>			
1	Seed Capital (Maximum for this Category)		3.00
2	Promoters Contribution		0.00
3	Loan from Bank (65 %)		5.57
<b>DETAILS OF LOANS</b>			
<b>A</b>	<b>Long Term Investment</b>		<b>6.55</b>
1	Promoters Contribution/Seed Money		2.29
2	Term Loan From Bank		4.26
<b>B</b>	<b>Working Capital Requirement</b>		<b>2.02</b>
1	Promoters Contribution/Seed Money		0.71
2	Working Capital Finance From Bank		1.31

**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 BUSINESS ESTABLISHMENT would provide employment opportunities to 6 numbers of persons including those required under administrative categories on permanent basis. 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.

**NAME, STYLE & STATUS**

The venture shall be set-up under the name and style of **M/S PLANET LIFE** . It will be provided will all possible facilities in order to check the emissions and particulate matters within the prescribed norms.

**BACK GROUND OF THE PROMOTER**

**M/S " PLANET LIFE "** a proprietorship concern of Shri: RAJEEV SHARMA S/O SHIV NATH SHARMA *R/o AHAHTA AMAR SING OPP. CTO, OLD ASSEMBLY PANJTIRTHI JAMMU*

The promoter is a potential young entrepreneur having business background and is a qualified Person. At present, He has an experience of at least **5 years**, now associated with relevant venture. Having gained a vast experience cultivated in this business in terms of the transitions and interactions with the various departments. The promoter has gained in-depth knowledge of VILLAGE RESORTS AND ADVENTURE TOURISM Industry. Being enterprising, experienced, enthusiastic, believer of self-made personality... The reasons behind his successful entrepreneurship, as he believes in determination, will, singleness of a purpose and hard work. As one of the key factors to any industrial venture for its success is its marketing cell and a well-planned and organized marketing division of a particular industrial BUSINESS ESTABLISHMENT makes it rise and shine. The promoter has gained a lot of experience in the field of marketing, decided to manufacture the Quality products and exploit his own experience to fetch institutional market. The idea for undertaking proposed VILLAGE RESORTS AND ADVENTURE TOURISM Manufacture venture was conceived after undergoing into the details of the market potential and its growing demand in the Domestic market, the entrepreneur intends to give a new dimension to the proposed venture with modern facilities available at present in the valley and to bring the product cost effective, marketable, therefore, the proposed products would be taken over by the modern technology to increase the production quantitatively as well as qualitatively with minimum processing losses . On the other hand, for the production of the proposed item, he will be assisted by trained technical / managerial and skilled work force to be recruited to give the quality produce. He also believes in strong teams by selecting talented people, providing coaching and feed back, empowerment / growth assignments, learning and self development. Owing to the above facts, his venture into the above said field is justified and hence recommended. Finding that the demand for VILLAGE RESORTS AND ADVENTURE TOURISM is increasing at a faster rate and their exists few such BUSINESS ESTABLISHMENT in the State, therefore, the promoter has found tremendous potential on concentrating on the proposed activity, therefore conceived the present project as envisaged herein after. The financial strength and capability of the promoter is expected to be encouraged by the financial institutions to provide the quantum of financial assistance as worked out in the project report for undertaking the proposed program.

**BACKGROUND OF THE PROJECT**

**M/S PLANET LIFE** is in process of setting up a small-scale BUSINESS ESTABLISHMENT for VILLAGE RESORTS AND ADVENTURE TOURISM . The BUSINESS ESTABLISHMENT is proposed to be located at KATRA DISTRICT REASI ON A LEASED LAND, Where all the basic infrastructural facilities viz.: water distribution network with overhead tank, main and internal link roads, power distribution network with all electrical peripherals etc has already been provided by J&K Govt.. The proposed project as such would not face any difficulty for its smooth operation, The requirement of land for the envisaged program could be worked out on the basis of covered area besides marginal area for future expansions and internal infrastructural facilities to ensure the proposed venture to operate prompt and smoothly, therefore, the available SPACE is sufficient for carrying out the proposed line of activity.

It has been assumed in the project report that the BUSINESS ESTABLISHMENT will operate at 50% of the installed capacity during the first operating year which will subsequently increase to 60% in the 3rd year and so on. Depending upon the efficiency of the promoter and his marketing ability, the BUSINESS ESTABLISHMENT may be able to operate at higher production level than what has been envisaged in the report. Low capacity utilization of 50 % during the first year has been assumed to access the viability of the BUSINESS ESTABLISHMENT under not so favorable condition. However in case of excess capability utilization, the viability of the BUSINESS ESTABLISHMENT will improve accordingly. However, in case of excess capacity utilization of the plant, the viability of the BUSINESS ESTABLISHMENT will improve accordingly. The promoter is fully aware with the Industrial Culture.

<b>DETAILS OF PRELIMINARY &amp; PRE-OPERATIVE EXPENSES</b>		
<b>S.NO</b>	<b>PARTICULARS</b>	<b>AMOUNT(LACS)</b>
1	Traveling & Conveyance	0.04
2	Printing & Stationary	0.03
3	Professional Charges	0.03
4	Misc. Expenses	0.12
5	Interest during Moratorium	0.38
		<b>0.60</b>

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<b>DETAILS OF MISC. FIXED ASSETS</b>			
<b>S.No.</b>	<b>Particulars</b>		<b>Amount(Lacs)</b>
1	Office Furniture (Sofa, Chairs, Tables, Lockers etc.)		0.30
2	Fire Fighting Equipments	2 No. @ Rs. 5000	0.10
3	Generator (Silent)		0.50
4	Laptop with photon	1	0.35
5	Trekking Tents of different sizes	6	2.20
6	Trekking and fishing Equipments	LS	0.50
7	Utensils	LS	0.50
8	Investment on land where the facility will be provided		1.50
			5.95

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## STATEMENT OF SALES MADE DURING THE YEAR AT 100% CAPACITY

S.NO	PARTICULARS	QUANTITY	RATE	AMOUNT IN RS. LACS
1)	TOUR BOOKING FOR TREKKING AND OTHER TOURS DURING A SEASON OF 300 DAYS	300	11000	33.00
2)	COMMISSION FROM HOTELS, NATIONAL TOUR OPERATORS, CAR RENTALS ETC	LS	LS	3.65
3)	Other Miscellaneous income from food served while on tour			1.00
	TOTAL SALES AT 100% CAPACITY			37.65

## STATEMENT OF EXPENDITURES

EXPENDITURE ON TRKING AND OTHER TOURS @ 63.64% ON AN AVERAGE

= RS. 21.00 LACS

## SALES REALIZATION AND PURCHASES IN PHASED MANNER

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES
	UTILISATION		(Lacs)		(lacs)
1ST	50.00	1.59	10.50	0.12	18.83
2ND	55.00	1.75	11.55	0.13	20.71
3RD	60.00	1.91	12.60	0.14	22.59
4TH	65.00	2.07	13.65	0.16	24.47
5TH	70.00	2.23	14.70	0.17	26.36
6TH	75.00	2.39	15.75	0.18	28.24
7TH	80.00	2.54	16.80	0.19	30.12
8TH	80.00	2.54	16.80	0.19	30.12

**STATEMENT OF CALCULATION OF MANPOWER REQUIREMENT & THEIR REMUNERATION**

<b><u>S.No</u></b>	<b><u>Description</u></b>	<b><u>No</u></b>	<b><u>Salary PM Rs</u></b>	<b><u>Salary PA lacs</u></b>
<b>a)</b>	<b><u>Administrative staff</u></b>			
1.	Marketing Manager (SELF)	1	10,000	1.20
2.	Tour Guides on Rolls	3	5000	1.80
4	Orderly	1	5500	0.18
	Total			3.18

**ESTIMATED COST OF UTILITIES PER ANNUM**

**RS. 200.00 AVERAGE MONTHLY including generator fuel**

RS. 0.24 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, 5<sup>th</sup>, 6th, 7<sup>th</sup> and 8th year to keep the fixed assets in working conditions.

## **REPAIRS AND MAINTENANCE PER ANNUM.**

<b>Year</b>	<b>Percentage</b>	<b>Building</b>	<b>P&amp;M</b>	<b>MFA</b>	<b>Total</b>	<b>R &amp; M</b>
1st	2%	0.00	0.00	5.95	5.95	0.12
2nd	3%	0.00	0.00	5.95	5.95	0.18
3rd	4%	0.00	0.00	5.95	5.95	0.24
4th	5%	0.00	0.00	5.95	5.95	0.30
5th	5%	0.00	0.00	5.95	5.95	0.30
6th	6%	0.00	0.00	5.95	5.95	0.36
7th	6%	0.00	0.00	5.95	5.95	0.36
8th	6%	0.00	0.00	5.95	5.95	0.36

## **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:

<b>Year</b>	<b>Capacity Utilization</b>	<b>Sales</b>	<b>%</b>	
1 <sup>st</sup>	<b>50.00</b>	18.83	1	<b>0.19</b>
2 <sup>nd</sup>	<b>55.00</b>	20.71	1	<b>0.21</b>
3 <sup>rd</sup>	<b>60.00</b>	22.59	1	<b>0.23</b>
4 <sup>th</sup>	<b>65.00</b>	24.47	1	<b>0.24</b>
5 <sup>th</sup>	<b>70.00</b>	26.36	1	<b>0.26</b>
6 <sup>th</sup>	<b>75.00</b>	28.24	1	<b>0.28</b>
7 <sup>th</sup>	<b>80.00</b>	30.12	1	<b>0.30</b>
8 <sup>th</sup>	<b>80.00</b>	30.12	1	<b>0.30</b>

**DETAILS OF SELLING EXPENSES PER ANNUM**

It is taken as 3.00 % of net sales in every year, which includes sales promotion expenses, advertising expenses, commission to intermediaries, carriage outwards, discount, brokerage AND ANNUAL LEASE RENT etc.

<u>Year</u>	<u>Cap. Utiliz</u>	<u>Sales</u>	<u>%</u>	<u>Selling expenses/annum</u>
1 <sup>st</sup>	50.00	18.83	3	<b>0.56</b>
2 <sup>nd</sup>	55.00	20.71	3	<b>0.62</b>
3 <sup>rd</sup>	60.00	22.59	3	<b>0.68</b>
4 <sup>th</sup>	65.00	24.47	3	<b>0.73</b>
5 <sup>th</sup>	70.00	26.36	3	<b>0.79</b>
6 <sup>th</sup>	75.00	28.24	3	<b>0.85</b>
7 <sup>th</sup>	80.00	30.12	3	<b>0.90</b>
8 <sup>th</sup>	80.00	30.12	3	<b>0.90</b>

**DETAILS OF WORKING CAPITAL REQUIREMENT AT DIFFERENT LEVELS.**

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES	Repair	Admn.	Selling	F.Goods
	UTILISATION		(Lacs)		(lacs)	Maint.	Expen.	Expen.	
1ST	50.00	1.59	10.50	0.12	18.83	0.12	0.19	0.56	12.96
2ND	55.00	1.75	11.55	0.13	20.71	0.18	0.21	0.62	14.26
3RD	60.00	1.91	12.60	0.14	22.59	0.24	0.23	0.68	15.56

<u>S.no</u>	<u>Particulars</u>	-	<u>1st</u> <u>Year</u>		<u>2<sup>nd</sup></u> <u>year</u>		<u>3rd</u> <u>year</u>
			<b>50.00</b>		<b>55.00</b>		<b>60.00</b>
		<u>Days</u>	<u>Amount</u>	<u>Margin</u>	<u>Amount</u>	<u>Margin</u>	<u>Amount</u>
1	Stock of Raw Material	0	0.00	0.00	0.00	0.00	0.00
2	Stock of work in progress	0	0.00	0.00	0.00	0.00	0.00
3	Stock of finished goods	0	0.00	0.00	0.00	0.00	0.00
4	Sundry debtors	30	1.88	0.00	2.07	0.00	2.26
5	Working expenses	30	0.14	0.14	0.14	0.14	0.14
6	Sundry Creditors	0	<b>0.00</b>		<b>0.00</b>		<b>0.00</b>
7	Working capital requirement		<b>2.02</b>		<b>2.21</b>		<b>2.40</b>
8	Margin money			<b>0.71</b>		<b>0.71</b>	
9	Working capital limit		<b>1.31</b>		<b>1.50</b>		<b>1.69</b>

**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:

<b>S.no</b>	<b>Particulars</b>	<b>Amt.(Lacs)</b>
<b>1</b>	<b>Seed Capital</b>	<b>3.00</b>
<b>2</b>	<b>Long term borrowings</b>	<b>4.26</b>

**A: Equity**

The share capital of the unit has been fixed at Rs.8.57 Lakhs comprising 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. 4.26 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 4.26 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**

<b><u>S.no</u></b>	<b><u>Particulars</u></b>	<b><u>Amt.(Lacs)</u></b>
		<b>4.26</b>
01.	Long term borrowings	
02.	Rate of interest	<b>9.00%</b>
03.	Installment	<b>Rs. 0.85 Lacs + Interest</b>
04	Moratorium Period	<b>12 Months</b>
04.	Repayment schedule	<b>5 years</b>

<b>YEAR</b>	<b>INT T/Loan</b>	<b>T.Loan</b>	<b>Decrease</b>	<b>Yr.Term</b>	<b>Rem. Term</b>
		<b>Payment</b>	<b>Term Loan</b>	<b>Loan Paym.</b>	<b>Loan</b>
<b>1</b>	<b>0.38</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4.26</b>
<b>2</b>	<b>0.38</b>	<b>0.85</b>	<b>0.85</b>	<b>0.85</b>	<b>3.41</b>
<b>3</b>	<b>0.31</b>	<b>0.85</b>	<b>1.70</b>	<b>0.85</b>	<b>2.56</b>
<b>4</b>	<b>0.23</b>	<b>0.85</b>	<b>2.56</b>	<b>0.85</b>	<b>1.70</b>
<b>5</b>	<b>0.15</b>	<b>0.85</b>	<b>3.41</b>	<b>0.85</b>	<b>0.85</b>
<b>6</b>	<b>0.08</b>	<b>0.85</b>	<b>4.26</b>	<b>0.85</b>	<b>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 bank.

<b>RATE OF INTEREST</b>	<b>9.00%</b>
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<b>YEAR</b>	<b>INT W/C</b>	<b>Increase w/ Cap</b>	<b>Increase Curr. Asse</b>	<b>Current Assets</b>	<b>Working Capital</b>
<b>1</b>	<b>0.12</b>	<b>1.31</b>	<b>2.02</b>	<b>2.02</b>	<b>1.31</b>
<b>2</b>	<b>0.14</b>	<b>0.19</b>	<b>0.19</b>	<b>2.21</b>	<b>1.50</b>
<b>3</b>	<b>0.15</b>	<b>0.19</b>	<b>0.19</b>	<b>2.40</b>	<b>1.69</b>
<b>4</b>	<b>0.15</b>	<b>0.00</b>	<b>0.00</b>	<b>2.40</b>	<b>1.69</b>
<b>5</b>	<b>0.15</b>	<b>0.00</b>	<b>0.00</b>	<b>2.40</b>	<b>1.69</b>
<b>6</b>	<b>0.15</b>	<b>0.00</b>	<b>0.00</b>	<b>2.40</b>	<b>1.69</b>
<b>7</b>	<b>0.15</b>	<b>0.00</b>	<b>0.00</b>	<b>2.40</b>	<b>1.69</b>
<b>8</b>	<b>0.15</b>	<b>0.00</b>	<b>0.00</b>	<b>2.40</b>	<b>1.69</b>

**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&amp;M</u>	<u>MFA</u>	<u>Total</u>
1	Cost Price	0.00	0.00	5.95	5.95
2	Preliminary & Preoperative exp.	0.00	0.00	0.60	0.60
	<b>Total</b>	<b>0.00</b>	<b>0.00</b>	<b>6.55</b>	<b>6.55</b>

**Depreciation under WDV method**

		<b>BUILDING</b>		
Rate of depreciation		<b>6.25%</b>		
		<b>Cost</b>	<b>Dep</b>	<b>WDV</b>
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**

		<b>Plant &amp; Machinery</b>		
Rate of depreciation		<b>10%</b>		
		<b>Cost</b>	<b>Dep</b>	<b>WDV</b>
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**

		<b>Misc. Fixed Assets</b>		
Rate of depreciation		<b>15%</b>		

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		<b>Cost</b>	<b>Dep</b>	<b>WDV</b>
1st	Year	6.55	0.98	5.57
2nd	Year	5.57	0.84	4.73
3rd	Year	4.73	0.71	4.02
4th	Year	4.02	0.60	3.42
5th	Year	3.42	0.51	2.91
6th	Year	2.91	0.44	2.47
7th	Year	2.47	0.37	2.10
8th	Year	2.10	0.31	1.78

<b>Depreciation under WDV method</b>		<b><u>Building</u></b>	<b><u>P&amp;M</u></b>	<b><u>M F A</u></b>	<b><u>Total</u></b>
	Rate of depreciation	<b>6.25%</b>	<b>10%</b>	<b>15%</b>	
1st	Year	0.00	0.00	0.98	0.98
2nd	Year	0.00	0.00	0.84	0.84
3rd	Year	0.00	0.00	0.71	0.71
4th	Year	0.00	0.00	0.60	0.60
5th	Year	0.00	0.00	0.51	0.51
6th	Year	0.00	0.00	0.44	0.44
7th	Year	0.00	0.00	0.37	0.37
8th	Year	0.00	0.00	0.31	0.31
<b>Depreciation under SL Method</b>					
	Rate of depreciation	5.00%	15%	10%	Total
	Amount of depreciation	0.00	0.00	0.66	0.66

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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 <sup>st</sup>	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	18.83	20.71	22.59	24.47	26.36	28.24	30.12	30.12
	<b>A:</b>								
1	Expenditures	10.50	11.55	12.60	13.65	14.70	15.75	16.80	16.80
2	Salary & wages	1.59	1.75	1.91	2.07	2.23	2.39	2.54	2.54
3	Utilities	0.12	0.13	0.14	0.16	0.17	0.18	0.19	0.19
4	Repairs & Maintenance	0.12	0.18	0.24	0.30	0.30	0.36	0.36	0.36
5	Administrative expenses	0.19	0.21	0.23	0.24	0.26	0.28	0.30	0.30
6	Selling expenses	0.56	0.62	0.68	0.73	0.79	0.85	0.90	0.90
7	Total	13.08	14.44	15.79	17.15	18.45	19.80	21.10	21.10
8	Gross profit	5.74	6.27	6.80	7.32	7.91	8.44	9.02	9.02
	<b>B: Financial expenses</b>								
1	Interest on term loan	0.38	0.38	0.31	0.23	0.15	0.08	0.00	0.00
2	Interest on WCL	0.12	0.14	0.15	0.15	0.15	0.15	0.15	0.15
3	Depreciation (SLM)	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66
4	Total	1.16	1.17	1.11	1.04	0.96	0.88	0.81	0.81
5	Profit before tax	4.59	5.10	5.68	6.29	6.95	7.55	8.22	8.22
6	Taxation	0.00	0.00	0.00	0.00	0.00	0.76	1.64	1.64
7	Profit after tax	4.59	5.10	5.68	6.29	6.95	6.80	6.57	6.57
8	Withdrawals	<b>0.00</b>	0.00	1.00	1.00	<b>2.00</b>	2.00	3.00	3.00
9	Profit carried to B/S	4.59	5.10	4.68	5.29	4.95	4.80	3.57	3.57
10	Cumulative profit	4.59	9.68	14.37	19.65	24.60	29.40	32.97	36.54
11	Add back depreciation	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66
12	<b>Total cash surplus</b>	5.24	10.34	15.02	20.31	25.26	30.05	33.62	37.20
	<b>C: Less payment</b>								
1	Term Loan	0.00	0.85	0.85	0.85	0.85	0.85	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	0.85	1.85	1.85	2.85	2.85	3.00	3.00
4	Net Cash accruals	5.24	9.49	13.17	18.45	22.40	27.20	30.62	34.20

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## **PAY BACK PERIOD**

Pay back period is the length of time in which, the unit recovers its initial investment. It may also be defined as the number of months or years required for the unit to generate commutative gross operating surplus equal to the fixed capital investment in the project. The payback period of the unit is estimated in the following table.

<b><u>Year</u></b>	<b><u>CFAT</u></b>	<b><u>Cumulative Cash inflow</u></b>	
1st	5.24		5.24
2nd	5.75		10.99
3rd	6.34		17.33
4th	6.94		24.27
5th	7.60		31.88
6th	7.45		39.33
7th	7.23		46.55
8th	7.23		53.78
<b><u>1 year</u></b>	<b><u>+</u></b>	<b><u>7</u></b>	<b><u>Months</u></b>

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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>
<b><u>A</u></b>	<b><u>Source of funds</u></b>							
1	Profit after tax		4.59	5.10	5.68	6.29	6.95	6.80
2	Depreciation		0.66	0.66	0.66	0.66	0.66	0.66
3	Interest on term loan		0.38	0.38	0.31	0.23	0.15	0.08
	<b>Total A</b>		<b>5.62</b>	<b>6.13</b>	<b>6.64</b>	<b>7.17</b>	<b>7.76</b>	<b>7.53</b>
<b><u>B</u></b>	<b><u>Disposition of funds</u></b>							
4	Repayment of term loan		0.00	0.85	0.85	0.85	0.85	0.85
	Total B (3+4)		0.38	1.24	1.16	1.08	1.01	0.93
C	Debt service coverage ratio		14.67	4.97	5.73	6.63	7.72	8.11
<b><u>D</u></b>	<b><u>Average DSCR</u></b>		<b><u>7.97</u></b>					

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## 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**

<u>S.no</u>	<u>Particulars</u>	<u>Amount.(Lacs)</u>	
A	Sales realization	22.59	
<b>B</b>	<b><u>Variable cost</u></b>		
1	Raw material	12.60	
2	Utilities	0.14	
3	Selling expenses	0.68	
4	Interest on WCL	0.15	
	Total	13.57	
C	Contribution (A-B)	9.02	
<b>D</b>	<b><u>Semi-variable/ fixed costs</u></b>		
1	Salary & wages	1.91	
2	Repairs & maintenance	0.24	
3	Administrative expenses	0.23	
4	Interest on term loan	0.31	
5	Depreciation	0.66	
	Total	3.33	
	<b><u>B. E. P.</u></b>	<b><u>%</u></b>	<b>36.97</b>

**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
<b>A</b>	<b>Source of funds</b>									
1	Profit before interest, tax but after depn.		5.09	5.61	6.14	6.67	7.25	7.78	8.37	8.37
2	Depreciation		0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66
3	Increase in Share Capital	3.00								
4	Increase in Term loan	4.26								
5	Increase in WCL		1.31	0.19	0.19	0.00	0.00	0.00	0.00	0.00
	Total (A)	7.26	7.06	6.46	6.98	7.32	7.91	8.44	9.02	9.02
<b>B</b>	<b>Application of funds</b>									
1	Capital expenditure	6.55								
2	Prelim / Pre-operative expenses									
3	Increase in current assets		2.02	0.19	0.19	0.00	0.00	0.00	0.00	0.00
4	Decrease in term loan		0.00	0.85	0.85	0.85	0.85	0.85	0.00	0.00
5	Interest on term loan		0.38	0.38	0.31	0.23	0.15	0.08	0.00	0.00
5a	Interest on WCL		0.12	0.14	0.15	0.15	0.15	0.15	0.15	0.15
6	Taxation		0.00	0.00	0.00	0.00	0.00	0.76	1.64	1.64
7	Withdrawal		0.00	0.00	1.00	1.00	2.00	2.00	3.00	3.00
	Total (B)	6.55	2.52	1.56	2.50	2.23	3.16	3.84	4.80	4.80
<b>C</b>	<b>Opening Balance</b>		0.71	5.24	10.14	14.63	19.72	24.47	29.07	33.29
<b>D</b>	<b>Net Surplus</b>	0.71	4.53	4.90	4.49	5.09	4.75	4.60	4.23	4.23
<b>E</b>	<b>Closing Balance</b>	0.71	5.24	10.14	14.63	19.72	24.47	29.07	33.29	37.52

**PROJECTED BALANCE SHEET**

The balance sheet of a BUSINESS ESTABLISHMENT is a very important feature of the working of the BUSINESS ESTABLISHMENT. In a healthy BUSINESS ESTABLISHMENT, 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:	<b><u>Liabilities</u></b>									
1	Share Capital	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2	Reserves & Surplus	4.59	9.68	14.37	19.65	24.60	29.40	32.97	36.54	
3	Term Loan	4.26	3.41	2.56	1.70	0.85	0.00	0.00	0.00	0.00
4	WCL	1.31	1.50	1.69	1.69	1.69	1.69	1.69	1.69	1.69
	<b>Total</b>	<b>13.16</b>	<b>17.59</b>	<b>21.61</b>	<b>26.04</b>	<b>30.14</b>	<b>34.09</b>	<b>37.66</b>	<b>41.23</b>	
B:	<b><u>Assets</u></b>									
1	Gross Block	6.55	5.90	5.24	4.59	3.93	3.28	2.62	1.97	
2	Depreciation	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66	0.66
3	Net Block	5.90	5.24	4.59	3.93	3.28	2.62	1.97	1.31	
4	Current Assets	2.02	2.21	2.40	2.40	2.40	2.40	2.40	2.40	2.40
5	Cash and bank balance	5.24	10.14	14.63	19.72	24.47	29.07	33.29	37.52	
	<b>Total</b>	<b>13.16</b>	<b>17.59</b>	<b>21.61</b>	<b>26.04</b>	<b>30.14</b>	<b>34.09</b>	<b>37.66</b>	<b>41.23</b>	