

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

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DETAILED TECHNO-ECONOMIC  
CUM PRE-INVESTMENT PROJECT  
REPORT

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

**ON**

(CEMENT MIXER AND METAL SHEET/PLYWOOD SHELTERING FOR  
LANTERNS AND RCC WORKS)

**FOR**

***M/S R C BUILDING MATERIAL***

**(SAMBA)**

***(Prop. RABAN SINGH S/O UTTAM CHAND)***

***R/o GURA KALYAL BILLAWAR KATHUA***

**MARCH, 2011**

**INTRODUCTION**

**Real estate market in the state of Jammu and Jammu & Kashmir is fast growing sector whether it is the organizational constructions or the privately owned residential houses. The demand for the man machinery and the material has shown an ever increasing trend. The real estates sector is growing at a rate of 25% annually. Now the Government is also showing interest in the development of modernized official complexes and private parties have also shown an increasing trend. The growth factor is to a large extend attributed to the easy finance for 20 years given by the banks and financial institutions.**

**The RCC construction is not possible without the sheltering metal sheets which every body has to arrange from external sources. People here has to wait for months in order to construct lanterns due to the scarcity of sheltering providers.**

**There is a lot of potential for these sheltering material**

**BACKGROUND OF THE PROJECT**

M/S R C BUILDING MATERIAL is a proprietorship concern of RABAN SINGH S/O UTTAM CHAND R/O GURA KALYAL BILLAWAR KATHUA. 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 unit. The promoters are assisted by trained technicians/managerial persons in carrying out the day to day activities of the concern. The promoter has been brought up in Jammu & Kashmir Valley from their early childhood and is fully aware of nature, culture and social economic background of Jammu & Kashmir. Keeping this into consideration the promoter will not face any difficulty for successful running of the unit. 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 SHELTERING SHEETS FOR LANTERNS 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 unit is working on single shift basis of 8 hours day for 300 working days in a year. It has been assumed in the project report that the unit 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 unit will be able to operate at higher production level than what has been envisaged in the report.

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## PROJECT HIGHLIGHTS

S.No	PARTICULARS	DESCRIPTION
1	NAME OF THE UNIT	M/S R C BUILDING MATERIAL
2	LINE OF ACTIVITY	CEMENT MIXER AND LANTERN SHELTERING
3	LOCATION	SAMBA
4	CONSTITUTION	PROPRIETORSHIP
5	NAME OF PROMOTER	RABAN SINGH
6	<i>TOTAL PROJECT COST</i>	<i>8.57 LACS</i>
7	<i>TOTAL FIXED INVESTMENT</i>	<i>7.57 LACS</i>
8	SEED CAPITAL	3.00 LACS
9	BANK LOAN (TERM)	4.92 LACS
10	WORKING CAPITAL REQUIREMENT	1.00 LACS
11	MANPOWER REQUIREMENT	4 PERMANENT AND 2500 LABOR DAYS ON NEED BASIS
12	DEBT SERVICE COVERAGE RATIO	7.19 : 1
13	PAY BACK PERIOD	1 YEARS 8 MONTHS APPROX.
14	BREAK EVEN POINT	58.20 % @ 60% CAPACITY UTILIZATION
15	REPAYMENT PERIOD	<b>5 YEARS</b>
16	YEARLY INSTALMENT	0.98 LACS
17	MORATORIUM PERIOD	12 MONTHS

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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 (SHOP RENTED)		NIL
3	Plant & Machinery		0.75
4	Miscellaneous Fixed Assets		6.25
5	Preliminary & Preoperative expenses		0.57
6	Working Capital Requirement		1.00
			<b>8.57</b>
<b>MEANS OF FINANCE</b>			
1	Seed Capital (Maximum for this Category)		3.00
2	Loan from Bank (65 %)		5.57
<b>DETAILS OF LOANS</b>			
<b>A</b>	<b>Long Term Investment</b>		<b>7.57</b>
1	Seed Money		2.65
2	Term Loan From Bank		4.92
<b>B</b>	<b>Working Capital Requirement</b>		<b>1.00</b>
1	Seed Money		0.35
2	Working Capital Finance From Bank		0.65

**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 4 numbers of persons permanently and 2500 LABOR DAYS ON need 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 R C BUILDING MATERIAL**. It will be provided with all possible facilities in order to check the emissions and particulate matters within the prescribed norms.

**BACK GROUND OF THE PROMOTER**

**M/S " R C BUILDING MATERIAL"** a proprietorship concern of Shri: RABAN SINGH S/O UTTAM CHAND R/O GURA KALYAL BILLAWAR KATHUA

The promoter is a potential 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 SHELTERING SHEETS FOR LANTERNS 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 unit 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 SHELTERING SHEETS FOR LANTERNS 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 SHELTERING SHEETS FOR LANTERNS is increasing at a faster rate and there exists few such unit 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 R C BUILDING MATERIAL** is in process of setting up a small-scale unit for PROVIDING of SHELTERING SHEETS FOR LANTERNS. The unit is proposed to be located at SAMBA on a rented Accommodation on a monthly rent of Rs. 100.00 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, rented accommodation is sufficient for carrying out the proposed line of activity.

It has been assumed in the project report that the unit 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 unit 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 assess the viability of the unit under not so favorable condition. However in case of excess capability utilization, the viability of the unit will improve accordingly. However, in case of excess capacity utilization of the plant, the viability of the unit will improve accordingly. The promoter is fully aware with the Industrial Culture.

**DETAILS AND ESTIMATED COST OF CIVIL WORKS**

NOT REQUIRED

<b>DETAILS OF PRELIMINARY &amp; PRE-OPERATIVE EXPENSES</b>			
<b>S.NO</b>	<b>PARTICULARS</b>		<b>AMOUNT(LACS)</b>
1	Traveling & Conveyance		0.03
2	Printing & Stationary		0.02
3	Professional Charges		0.04
4	Interest during Moratorium period		0.44
5	Misc. Expenses		0.04
	<b>TOTAL</b>		<b>0.57</b>

**DETAILS OF PLANT & MACHINERY**

<b>S.NO</b>	<b>Particulars</b>	<b>Qty</b>	<b>Amount(Rs)</b>
1	CEMENT MIXER WITH 5 HP MOTOR WITH ACCESSORIES	1	0.75
	<b>TOTAL</b>		<b>0.75</b>

**MISCELLANEOUS FIXED ASSETS**

**5000 SQUARE FEET OF METAL SHEETS/LAMINATED PLYWOOD AND BAMBOO PIPES @ RS. 125.00/SQUARE FOOT ON AN AVERAGE AMOUNTING TO RS. 625000.00 USED FOR SHELTERING**

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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:-

S.No	Particulars	PER ANNUM
		Total Value in LACS
1	DIESEL, OIL AND LUBES FOR MOTOR OF THE MIXER @ RS. 600 PER LANTERN FOR 100 LANTERNS A YEAR	0.60 LACS

## SALES REALIZATION AND PURCHASES IN PHASED MANNER

YEAR	CAPACITY UTILISATION	SAL/WAG	PURCHASE (Lacs)	UTILITIES	SALES (lacs)
1ST	50.00	5.25	0.30	0.00	12.00
2ND	55.00	5.78	0.33	0.00	13.20
3RD	60.00	6.30	0.36	0.00	14.40
4TH	65.00	6.83	0.39	0.00	15.60
5TH	70.00	7.35	0.42	0.00	16.80
6TH	75.00	7.88	0.45	0.00	18.00
7TH	80.00	8.40	0.48	0.00	19.20
8TH	80.00	8.40	0.48	0.00	19.20

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<b>STATEMENT OF CALCULATION OF MANPOWER REQUIREMENT &amp; THEIR REMUNERATION</b>				
<b>S.NO</b>	<b>PARTICULARS</b>	<b>Nos</b>	<b>Salary Per Month (RS.)</b>	<b>Total Per Annum</b>
1	MANAGER/ACCOUNTANT	1	10000	120000.00
2	SUPERVISOR	3	5000	180000.00
	<b>TOTAL</b>	<b>4</b>		
6	CASUAL WORKERS FOR 100 LANTERNS A YEAR @ 25 LABORS FOR EACH LANTERN	<b>2500 DAYS</b>	300/DAY	750000.00
	<b>TOTAL</b>			1050000.00
			<b>SAY RS. 10.50 LACS</b>	

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

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

<b><u>Year</u></b>	<b><u>Percentage</u></b>	<b><u>Building</u></b>	<b><u>P&amp;M</u></b>	<b><u>MFA</u></b>	<b><u>Total</u></b>	<b><u>R &amp; M</u></b>
1st	2%	0.00	0.75	6.25	7.00	0.14
2nd	3%	0.00	0.75	6.25	7.00	0.21
3rd	4%	0.00	0.75	6.25	7.00	0.28
4th	5%	0.00	0.75	6.25	7.00	0.35
5th	5%	0.00	0.75	6.25	7.00	0.35
6th	6%	0.00	0.75	6.25	7.00	0.42
7th	6%	0.00	0.75	6.25	7.00	0.42
8th	6%	0.00	0.75	6.25	7.00	0.42

## **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:

<b><u>Year</u></b>	<b><u>Capacity Utilization</u></b>	<b><u>Sales</u></b>	<b><u>%</u></b>	
1 <sup>st</sup>	<b>50.00</b>	12.00	1	<b>0.12</b>
2 <sup>nd</sup>	<b>55.00</b>	13.20	1	<b>0.13</b>
3 <sup>rd</sup>	<b>60.00</b>	14.40	1	<b>0.14</b>
4 <sup>th</sup>	<b>65.00</b>	15.60	1	<b>0.16</b>
5 <sup>th</sup>	<b>70.00</b>	16.80	1	<b>0.17</b>
6 <sup>th</sup>	<b>75.00</b>	18.00	1	<b>0.18</b>
7 <sup>th</sup>	<b>80.00</b>	19.20	1	<b>0.19</b>
8 <sup>th</sup>	<b>80.00</b>	19.20	1	<b>0.19</b>

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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. 6000 etc.

<b><u>Year</u></b>	<b><u>Cap. Utiliz</u></b>	<b><u>Sales</u></b>	<b><u>%</u></b>	<b><u>Selling expenses/annum</u></b>
1 <sup>st</sup>	50.00	12.00	3	<b>0.36</b>
2 <sup>nd</sup>	55.00	13.20	3	<b>0.40</b>
3 <sup>rd</sup>	60.00	14.40	3	<b>0.43</b>
4 <sup>th</sup>	65.00	15.60	3	<b>0.47</b>
5 <sup>th</sup>	70.00	16.80	3	<b>0.50</b>
6 <sup>th</sup>	75.00	18.00	3	<b>0.54</b>
7 <sup>th</sup>	80.00	19.20	3	<b>0.58</b>
8 <sup>th</sup>	80.00	19.20	3	<b>0.58</b>

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## 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.	
<b>1ST</b>	<b>50.00</b>	<b>5.25</b>	<b>0.30</b>	<b>0.00</b>	<b>12.00</b>	<b>0.14</b>	<b>0.12</b>	<b>0.36</b>	<b>6.03</b>
<b>2ND</b>	<b>55.00</b>	<b>5.78</b>	<b>0.33</b>	<b>0.00</b>	<b>13.20</b>	<b>0.21</b>	<b>0.13</b>	<b>0.40</b>	<b>6.63</b>
<b>3RD</b>	<b>60.00</b>	<b>6.30</b>	<b>0.36</b>	<b>0.00</b>	<b>14.40</b>	<b>0.28</b>	<b>0.14</b>	<b>0.43</b>	<b>7.24</b>

<u>S.no</u>	<u>Particulars</u>	-	<u>1st</u> <u>Year</u>		<u>2<sup>nd</sup></u> <u>Year</u>		<u>3rd 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>	<u>Margin</u>
1	Stock of Raw Material	0	0.00	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	0.00
3	Stock of finished goods	0	0.00	0.00	0.00	0.00	0.00	0.00
4	Sundry debtors	24	0.96	0.00	1.06	0.00	1.15	0.00
5	Working expenses	30	0.04	0.04	0.04	0.04	0.04	0.04
6	Sundry Creditors	0	<b>0.00</b>		<b>0.00</b>		<b>0.00</b>	
7	Working capital requirement		<b>1.00</b>		<b>1.10</b>		<b>1.19</b>	
8	Margin money			<b>0.35</b>		<b>0.35</b>		<b>0.35</b>
9	Working capital limit		<b>0.65</b>		<b>0.75</b>		<b>0.84</b>	

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## ANTICIPATED SALES REALIZATION PER ANNUM

S.No	Particulars	NO.	TOTAL SQ. FEET	Selling Price	Total AMOUNT IN RS. LACS
1	LANTERNS ON AN AVERAGE 1200 SQ. FEET	100 LANTERNS	120000 SQ. FEET	RS. 20/SQ. FT	24.00

## SALES REALIZATION AND PURCHASES IN PHASED MANNER

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES
	UTILISATION		(Lacs)		(lacs)
1ST	50.00	5.25	0.30	0.00	12.00
2ND	55.00	5.78	0.33	0.00	13.20
3RD	60.00	6.30	0.36	0.00	14.40
4TH	65.00	6.83	0.39	0.00	15.60
5TH	70.00	7.35	0.42	0.00	16.80
6TH	75.00	7.88	0.45	0.00	18.00
7TH	80.00	8.40	0.48	0.00	19.20
8TH	80.00	8.40	0.48	0.00	19.20

**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>Percentage break up</b>
1	Seed Capital	3.00	35%
2	Long term borrowings	4.92	65%

**A: Equity**

The share capital of the unit has been fixed at Rs.3.00 Lakhs comprising 35 % of the total project cost as seed capital. The unit has to raise share capital within this limit.

**B: Term loan**

Term loan requirement to the extent of Rs. 4.92 Lakhs for the purpose of purchases of plant & machinery and misc. fixed assets shall be made available from the financial institutions or commercial banks well operating in the valley on the basis that the unit being proven technically feasible and financially viable. As the policies are liberal for such type of ventures to avail packages/incentives to encourage the entrepreneurs to promote industrial culture in the backward area of the country. The state Govt. is equally eager to give all possible support to the development of industry in the area, where the unit is being established more so when the promoter share is about 35% of the capital formulation, which is higher than the normal requirement of funding, insisted upon by the bankers.

**INTEREST CALCULATION**

It is proposed to raise the sum of Rs 4.92 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>S.no</b>	<b>Particulars</b>	<b>Amt.(Lacs)</b>
		4.92
01.	Long term borrowings	
02.	Rate of interest	<b>9.00%</b>
03.	Installment	Rs. 0.98 Lacs/Annum
04.	Repayment schedule	5 years
05	Moratorium Period	12 Months

<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>0.44</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>4.92</b>
<b>2</b>	<b>0.44</b>	<b>0.98</b>	<b>0.98</b>	<b>0.98</b>	<b>3.94</b>
<b>3</b>	<b>0.35</b>	<b>0.98</b>	<b>1.97</b>	<b>0.98</b>	<b>2.95</b>
<b>4</b>	<b>0.27</b>	<b>0.98</b>	<b>2.95</b>	<b>0.98</b>	<b>1.97</b>
<b>5</b>	<b>0.18</b>	<b>0.98</b>	<b>3.94</b>	<b>0.98</b>	<b>0.98</b>
<b>6</b>	<b>0.09</b>	<b>0.98</b>	<b>4.92</b>	<b>0.98</b>	<b>0.00</b>

**B: INTEREST ON WORKING CAPITAL LIMIT**

To meet the working capital requirements of the project, the promoters will have to make arrangements for cash credit facilities with the nationalized bank.

<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>0.06</b>	<b>0.65</b>	<b>1.00</b>	<b>1.00</b>	<b>0.65</b>
<b>2</b>	<b>0.07</b>	<b>0.10</b>	<b>0.10</b>	<b>1.10</b>	<b>0.75</b>
<b>3</b>	<b>0.08</b>	<b>0.10</b>	<b>0.10</b>	<b>1.19</b>	<b>0.84</b>
<b>4</b>	<b>0.08</b>	<b>0.00</b>	<b>0.00</b>	<b>1.19</b>	<b>0.84</b>
<b>5</b>	<b>0.08</b>	<b>0.00</b>	<b>0.00</b>	<b>1.19</b>	<b>0.84</b>
<b>6</b>	<b>0.08</b>	<b>0.00</b>	<b>0.00</b>	<b>1.19</b>	<b>0.84</b>
<b>7</b>	<b>0.08</b>	<b>0.00</b>	<b>0.00</b>	<b>1.19</b>	<b>0.84</b>
<b>8</b>	<b>0.08</b>	<b>0.00</b>	<b>0.00</b>	<b>1.19</b>	<b>0.84</b>

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## COMPUTATION OF DEPRECIATION CALCULATION

For the purpose of claiming extra depreciation and amortization, the preoperative expenses and contingencies will be capitalized with the cost of fixed assets. The distribution of pre-operative expenses and contingencies has been done approximately in proportion to the cost of all the fixed assets (except land and site development). In the estimation of cost of sales and in books of accounts of the firm the normally adopted practice is to depreciate the various assets by straight-line method.

For income tax purposes, the depreciation of depreciable assets (all fixed assets except land and site development) is carried out by written down value method.

## COMPUTATION OF DEPRICIATION

<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	0.75	6.25	7.00
2	Preliminary & Preoperative exp.	0.00	0.06	0.51	0.57
	Total	0.00	0.81	6.76	7.57

### Depreciation under WDV method

#### BUILDING

	Rate of depreciation	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	Cost	Dep	WDV
1st	Year	0.81	0.08	0.73
2nd	Year	0.73	0.07	0.66
3rd	Year	0.66	0.07	0.59
4th	Year	0.59	0.06	0.53
5th	Year	0.53	0.05	0.48

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6th	Year	0.48	0.05	0.43
7th	Year	0.43	0.04	0.39
8th	Year	0.39	0.04	0.35

**Depreciation under WDV method**

**Misc. Fixed Assets**

	Rate of depreciation		<b>15%</b>	
		<b>Cost</b>	<b>Dep</b>	<b>WDV</b>
1st	Year	6.76	1.01	5.75
2nd	Year	5.75	0.86	4.88
3rd	Year	4.88	0.73	4.15
4th	Year	4.15	0.62	3.53
5th	Year	3.53	0.53	3.00
6th	Year	3.00	0.45	2.55
7th	Year	2.55	0.38	2.17
8th	Year	2.17	0.33	1.84

**Depreciation under WDV method**

		<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	0.08	1.01	1.09
2nd	Year	0.00	0.07	0.86	0.93
3rd	Year	0.00	0.07	0.73	0.80
4th	Year	0.00	0.06	0.62	0.68
5th	Year	0.00	0.05	0.53	0.58
6th	Year	0.00	0.05	0.45	0.50
7th	Year	0.00	0.04	0.38	0.43
8th	Year	0.00	0.04	0.33	0.36

**Depreciation under SL Method**

Rate of depreciation	5.00%	15%	10%	Total
Amount of depreciation	0.00	0.12	0.68	0.80

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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	12.00	13.20	14.40	15.60	16.80	18.00	19.20	19.20
	<b>A:</b>								
1	Purchases	0.30	0.33	0.36	0.39	0.42	0.45	0.48	0.48
2	Salary & wages	5.25	5.78	6.30	6.83	7.35	7.88	8.40	8.40
3	Utilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Repairs & Maintenance	0.14	0.21	0.28	0.35	0.35	0.42	0.42	0.42
5	Administrative expenses	0.12	0.13	0.14	0.16	0.17	0.18	0.19	0.19
6	Selling expenses	0.36	0.40	0.43	0.47	0.50	0.54	0.58	0.58
7	Total	6.17	6.84	7.52	8.19	8.79	9.47	10.07	10.07
8	Gross profit	5.83	6.36	6.88	7.41	8.01	8.54	9.13	9.13
	<b>B: Financial expenses</b>								
1	Interest on term loan	0.44	0.44	0.35	0.27	0.18	0.09	0.00	0.00
2	Interest on WCL	0.06	0.07	0.08	0.08	0.08	0.08	0.08	0.08
3	Depreciation (SLM)	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
4	Total	1.30	1.31	1.23	1.14	1.05	0.96	0.87	0.87
5	Profit before tax	4.53	5.05	5.66	6.27	6.96	7.57	8.26	8.26
6	Taxation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Profit after tax	4.53	5.05	5.66	6.27	6.96	7.57	8.26	8.26
8	Withdrawals	<b>0.00</b>	0.00	0.00	0.50	<b>1.00</b>	1.00	2.00	2.00
9	Profit carried to B/S	4.53	5.05	5.66	5.77	5.96	6.57	6.26	6.26
10	Cumulative profit	4.53	9.58	15.24	21.01	26.97	33.54	39.80	46.06
11	Add back depreciation	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
12	<b>Total cash surplus</b>	5.33	10.38	16.03	21.81	27.76	34.34	40.60	46.85
	<b>C: Less payment</b>								
1	Term Loan	0.00	0.98	0.98	0.98	0.98	0.98	0.00	0.00
2	Withdrawals	0.00	0.00	0.00	0.50	1.00	1.00	2.00	2.00
3	Total payments	0.00	0.98	0.98	1.48	1.98	1.98	2.00	2.00
4	Net Cash accruals	5.33	9.39	15.05	20.32	25.78	32.35	38.60	44.85

**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	5.33		5.33
2nd	5.85		11.18
3rd	6.45		17.63
4th	7.07		24.70
5th	7.76		32.45
6th	8.37		40.83
7th	9.06		49.88
8th	9.06		58.94
<b><u>1 year</u></b>	<b><u>±</u></b>	<b><u>8</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>3<sup>rd</sup></u>	<u>4th</u>	<u>5th</u>	<u>6<sup>th</sup></u>
<b><u>A</u></b>	<b><u>Source of funds</u></b>							
1	Profit after tax		4.53	5.05	5.66	6.27	6.96	7.57
2	Depreciation		0.80	0.80	0.80	0.80	0.80	0.80
3	Interest on term loan		0.44	0.44	0.35	0.27	0.18	0.09
	<b>Total A</b>		<b>5.77</b>	<b>6.29</b>	<b>6.81</b>	<b>7.34</b>	<b>7.93</b>	<b>8.46</b>
<b><u>B</u></b>	<b><u>Disposition of funds</u></b>							
4	Repayment of term loan		0.00	0.98	0.98	0.98	0.98	0.98
	Total B (3+4)		0.44	1.43	1.34	1.25	1.16	1.07
C	Debt service coverage ratio		13.03	4.41	5.09	5.87	6.83	7.89
<b><u>D</u></b>	<b><u>Average DSCR</u></b>		<b><u>7.19</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.

<b>BREAK EVEN ANALYSIS</b>		<b>60.00</b>	<b>PERCENT</b>
<b>S.no</b>	<b>Particulars</b>	<b>Amount.(Lacs)</b>	
A	Sales realization	14.40	
<b>B</b>	<b><u>Variable cost</u></b>		
1	Raw material	0.36	
2	Utilities	0.00	
3	Selling expenses	0.43	
4	Interest on WCL	0.08	
	Total	0.87	
C	Contribution (A-B)	13.53	
<b>D</b>	<b><u>Semi-variable/ fixed costs</u></b>		
1	Salary & wages	6.30	
2	Repairs & maintenance	0.28	
3	Administrative expenses	0.14	
4	Interest on term loan	0.35	
5	Depreciation	0.80	
	Total	7.88	
	<b>B. E. P.</b>	<b>%</b>	<b>58.20</b>

**J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)**[www.jkedi.org](http://www.jkedi.org)**PROJECTED CASH FLOW STATEMENT**

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

<b>S.no</b>	<b>Particulars</b>	<b>Const period</b>	<b>1st</b>	<b>2nd</b>	<b>3rd</b>	<b>4th</b>	<b>5th</b>	<b>6th</b>	<b>7th</b>	<b>8th</b>
	<b>Capacity utilization (%)</b>		<b>50.00</b>	<b>55.00</b>	<b>60.00</b>	<b>65.00</b>	<b>70.00</b>	<b>75.00</b>	<b>80.00</b>	<b>80.00</b>
<b>A</b>	<b>Source of funds</b>									
<b>1</b>	<b>Profit before interest, tax but after depn.</b>		<b>5.03</b>	<b>5.56</b>	<b>6.09</b>	<b>6.61</b>	<b>7.21</b>	<b>7.74</b>	<b>8.33</b>	<b>8.33</b>
<b>2</b>	<b>Depreciation</b>		<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>	<b>0.80</b>
<b>3</b>	<b>Increase in Share Capital</b>	<b>3.00</b>								
<b>4</b>	<b>Increase in Term loan</b>	<b>4.92</b>								
<b>5</b>	<b>Increase in WCL</b>		<b>0.65</b>	<b>0.10</b>	<b>0.10</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	<b>Total (A)</b>	<b>7.92</b>	<b>6.48</b>	<b>6.45</b>	<b>6.98</b>	<b>7.41</b>	<b>8.01</b>	<b>8.54</b>	<b>9.13</b>	<b>9.13</b>
<b>B</b>	<b>Application of funds</b>									
<b>1</b>	<b>Capital expenditure</b>	<b>7.57</b>								
<b>2</b>	<b>Prelim / Pre-operative expenses</b>									
<b>3</b>	<b>Increase in current assets</b>		<b>1.00</b>	<b>0.10</b>	<b>0.10</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>4</b>	<b>Decrease in term loan</b>		<b>0.00</b>	<b>0.98</b>	<b>0.98</b>	<b>0.98</b>	<b>0.98</b>	<b>0.98</b>	<b>0.00</b>	<b>0.00</b>
<b>5</b>	<b>Interest on term loan</b>		<b>0.44</b>	<b>0.44</b>	<b>0.35</b>	<b>0.27</b>	<b>0.18</b>	<b>0.09</b>	<b>0.00</b>	<b>0.00</b>
<b>5a</b>	<b>Interest on WCL</b>		<b>0.06</b>	<b>0.07</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>	<b>0.08</b>
<b>6</b>	<b>Taxation</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>7</b>	<b>Withdrawal</b>		<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.50</b>	<b>1.00</b>	<b>1.00</b>	<b>2.00</b>	<b>2.00</b>
	<b>Total (B)</b>	<b>7.57</b>	<b>1.50</b>	<b>1.59</b>	<b>1.51</b>	<b>1.83</b>	<b>2.24</b>	<b>2.15</b>	<b>2.08</b>	<b>2.08</b>
<b>C</b>	<b>Opening Balance</b>		<b>0.35</b>	<b>5.33</b>	<b>10.19</b>	<b>15.66</b>	<b>21.25</b>	<b>27.02</b>	<b>33.41</b>	<b>40.46</b>
<b>D</b>	<b>Net Surplus</b>	<b>0.35</b>	<b>4.98</b>	<b>4.86</b>	<b>5.47</b>	<b>5.59</b>	<b>5.77</b>	<b>6.39</b>	<b>7.06</b>	<b>7.06</b>
<b>E</b>	<b>Closing Balance</b>	<b>0.35</b>	<b>5.33</b>	<b>10.19</b>	<b>15.66</b>	<b>21.25</b>	<b>27.02</b>	<b>33.41</b>	<b>40.46</b>	<b>47.52</b>

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## 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	8 <sup>th</sup>
A:	<b>Liabilities</b>									
1	Seed Capital		3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2	Reserves & Surplus		4.53	9.58	15.24	21.01	26.97	33.54	39.80	46.06
3	Term Loan		4.92	3.94	2.95	1.97	0.98	0.00	0.00	0.00
4	WCL		0.65	0.75	0.84	0.84	0.84	0.84	0.84	0.84
	<b>Total</b>		<b>13.10</b>	<b>17.26</b>	<b>22.03</b>	<b>26.82</b>	<b>31.79</b>	<b>37.38</b>	<b>43.64</b>	<b>49.90</b>
B:	<b>Assets</b>									
1	Gross Block		7.57	6.77	5.97	5.18	4.38	3.58	2.78	1.99
2	Depreciation		0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
3	Net Block		6.77	5.97	5.18	4.38	3.58	2.78	1.99	1.19
4	Current Assets		1.00	1.10	1.19	1.19	1.19	1.19	1.19	1.19
5	Cash and bank Balance		5.33	10.19	15.66	21.25	27.02	33.41	40.46	47.52
	<b>Total</b>		<b>13.10</b>	<b>17.26</b>	<b>22.03</b>	<b>26.82</b>	<b>31.79</b>	<b>37.38</b>	<b>43.64</b>	<b>49.90</b>