

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

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DETAILED TECHNO-ECONOMIC
CUM PRE-INVESTMENT PROJECT
REPORT

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

ON

(MANUFACTURE OF READY MADE GARMENTS)

INTRODUCTION

Readymade garment industry has occupied a unique place in the industrial scenario of our country by generating substantial export earnings and creating lot of employment. Its contribution to industrial production, employment and export earnings is very significant. This industry provides one of the basic necessities of life. The employment provided by it is a source of livelihood for millions of people. It also provides maximum employment with minimum capital investment. Since this industry is highly labor-intensive, it is ideally suited to Indian condition. This project report is prepared for the manufacture of gents shirts, gents trousers as they find wide acceptance in local and international markets. Such establishments can be easily set up by any person having the knowledge of cutting and stitching operations.

MARKET POTENTIAL

Readymade garments are the choice of urban people. It is also gaining wider acceptance in semi-urban and rural areas. The huge charges made by tailors and delay in delivery have made people to switch over to readymade garments. In domestic market and export market, it has made spectacular progress in the last decade. This industry is becoming very vibrant and lot of foreign investment pouring in this industry because of low risk and high earning nature of this industry. As these products are fashion oriented, entrepreneurs should always keep in mind the changing fashion styles. Considering its advantageous position, it is assumed that there will be no constraint in marketing of readymade garments

Process of Manufacture

Procurement and Inspection of Fabric Raw material basically consists of fabric and accessories like buttons, threads, elastic, tags, labels, polybags are to be procured locally. Suitable suppliers for these items would have to be identified for regular supply. After the purchase, fabric is inspected to check and remove any weaving defects, colour variation etc.

Cutting and Sewing

The inspected fabric piece is laid on the cutting table for cutting. After cutting of fabric, individual components are sorted out like front, back, collar, pocket, cuff, etc. and proper bundles of different sizes like small, medium, large etc. are made separately for identification. Different components are made by tailors and after this, required components are sewn together to make a complete garment.

Labelling

Labels like brand name, washing instruction, size of the garments are sewn at the respective places of the garments. Washing, Checking, Pressing and

Packing

All garments are charged into washing machine containing mild detergent and washed for 4 hours in order to remove dirt and stains acquired during the manufacturing process. After washing, the garments are hydroextracted to remove excess water and after this, they are dried in the tumbler dryer. Final checking is done before pressing and packing on the checking table so that any fault in the piece can be removed and protruding thread may be eliminated. The individual pieces are pressed by steam presses to remove any wrinkle marks.

Finishing and Packing

After completion of steam pressing, the garments are packed as per the buyers' requirements.

Quality Control and Standards

Since the garments are made on specific design, there is no Indian standard specification on children garments. As a general rule, the product should be clean from oil stain, cuts and holes etc.

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PROJECT COST SUMMARY			
S.NO	PARTICULARS		AMOUNT(LACS)
1	Land		NIL
2	Civil Works		NIL
3	Plant & Machinery		1.86
4	Miscellaneous Fixed Assets		1.10
5	Preliminary & Preoperative expenses		0.50
6	Working Capital		5.54
			9.00
MEANS OF FINANCE			
1	Seed Capital (Maximum for this Category)		3.00
2	Promoters Contribution		0.15
3	Loan from Bank		5.85
DETAILS OF LOANS			
A	Long Term Investment		3.46
1	Seed Money		1.21
2	Term Loan From Bank		2.25
B	Working Capital Requirement		5.54
1	Seed Money		1.94
2	Working Capital Finance From Bank		3.60

Energy Conservation

With the growing energy needs and shortage coupled with rising energy cost, a greater thrust in energy efficiency in industrial sector has been given by the Govt. of India since 1980s. The Energy Conservation Act, 2001 has been enacted on 18th August 2001, which provides for efficient use of energy, its conservation and capacity building of Bureau of Energy Efficiency created under the Act.

The following steps may help for conservation of electrical energy:

- i) Adoption of energy conserving technologies, production aids and testing facilities.
- ii) Efficient management of process/ manufacturing machineries and systems, QC and testing equipments for yielding maximum Energy Conservation.
- iv) Periodical maintenance of motors, compressors etc.
- v) Use of power factor correction capacitors. Proper selection and layout of lighting system; timely switching on-off of the lights; use of compact fluorescent lamps wherever possible etc.

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 18, Including those required under administrative categories. The break up of requirement, monthly salary, annual salary as well as total cost on manpower. Necessary provision of perks and annual increase in salaries made in the estimates. It may be mentioned that except for the technical staff all the manpower will be recruited from local sources, if need arises, the same could be recruited from the neighboring states.

DETAILS AND ESTIMATED COST ON PLANT AND MACHINERY

While arriving at the requirement of various types of equipment and machinery required for the plant, due consideration has been given to the following points.

- Minimum wastage.
- High productivity.
- Maximum flexibility in operation.
- Adequate stand by provision where ever necessary.

The production plant and equipment proposed have been selected for the envisaged production capacity and incorporates features that permit smooth operation of the plant. After making a preliminary study of the source of supply of such equipment it has been identified that all the equipments will be available indigenously and no imports will be necessary.

The concern is expected to purchase the requisite machinery from reputed authorized dealer, who would also assist in the installation of plant and machinery. For estimating the cost on plant and machinery the quotations provided to us by the promoter has been taken into account.

The details of plant & machinery is as follows: –

Machinery and Equipments

Sl.	Description	Nos.	Rate	Amount
		No.	(Rs.)	(Rs.)
1.	Power operated cutting machine	1	35,000	35,000
2.	Power operated SNLS stitching machine	8	5,000	40,000
3.	Overlock stitching machine with motor and accessories	1	6,000	6,000
4.	Garment washing machine 15kg capacity	1	25,000	25,000
5.	Hydro extractor 15 kg. capacity	1	25,000	25,000
6.	Tumbler dryer 15 kg. capacity	1	25,000	25,000
7.	Potable steam press	1	20,000	20,000
9.	Other miscellaneous assets	LS	20,000	10000
			Total	186000.00

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DETAILS OF PRELIMINARY & PRE-OPERATIVE EXPENSES			
S.NO	PARTICULARS		AMOUNT(LACS)
1	Traveling & Conveyance		0.05
2	Printing & Stationary		0.05
3	Professional Charges		0.05
4	Misc. Expenses including fee etc.		0.15
5	Interest during Moratorium Period		0.20
			0.50

DETAILS OF MISCELLANEOUS FIXED ASSETS			
S.NO	PARTICULARS	QNT	AMOUNT(LACS)
1	STEEL LOCKER, TABLE, CHAIRS for 12 persons	L S	0.50
2	FIRE EXTINGUISHER	4	0.20
3	Electric Fitting and Lighting		0.30
	TOTAL		1.10

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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 and SALES AT 100% INSTALLED CAPACITY

S.no	particulars	Qnt. Req per item in meters	No. of items produced per day	No. of items produced per annum	Total quantity of material required per annum	Rate per meter	Amount in Rs.	Sale price per piece Rs.	Revenue per annum Rs.
A)	LADIES SUITS								
1	COTTON	5.00	10	3000	15000	53.00	795000	490	1470000
B)	CHILDREN SETS								
1	COTTON	1.5	12	3600	5400	65	351000	200	720000
2	WOOLEN	1.5	12	3600	5400	125	675000	300	1080000
C)	SHIRTS								
1	COTTON	2.25	10	3000	6750	90	607500	320	960000
2	TERI WOOL	2.25	10	3000	6750	130	877500	335	1005000
	MISCELLANEOUS ITEMS LINING MATERIAL, EMBROIDERY, THREAD, BUTTONS, PACKING, STICKERS, ZIPS ETC.						100000		
	TOTAL AMOUNT IN RS.							3406000	5235000
	SAY IN RS. LACS							34.06	52.35

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SALES REALIZATION AND PURCHASES IN PHASED MANNER

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES
	UTILISATION		(Lacs)		(lacs)
1ST	50.00	2.22	17.03	0.13	26.18
2ND	55.00	2.44	18.73	0.14	28.79
3RD	60.00	2.66	20.44	0.16	31.41
4TH	65.00	2.89	22.14	0.17	34.03
5TH	70.00	3.11	23.84	0.18	36.65
6TH	75.00	3.33	25.55	0.20	39.26
7TH	80.00	3.55	27.25	0.21	41.88
8TH	80.00	3.55	27.25	0.21	41.88

STATEMENT OF MANPOWER REQUIREMENT & THEIR REMUNERATION				
S.No.	PARTICULARS	SALARY PER MONTH	Nos.	TOTAL(PA)
1	Manager	5000.00	1	60000.00
2	Skilled Workers (Cutters)	4000.00	1	48000.00
3	Tailors	3000.00	8	288000.00
4	Sales/Marketing Executive	2500.00	1	30000.00
5	Chokidar	1500	1	18000.00
		Total	12	444000.00
		Say		4.44 Lacs

ESTIMATED COST OF UTILITIES PER ANNUM

The main utilities for running the unit successfully are water and electricity.

• **Power**

• **Water**

1	Total connected load	= 5 hp or 3.75 KW
2.	Total power load after taking load factor (0.89)	= 3.33 KW
3.	Power consumption per annum	= 8010 Kwhr
4.	From PDD (80%) @ 2.50 Kwhr	= Rs 16020 /
5.	From own generator	= Rs 9612 /
	Total	= Rs 25632/

B) Water

The PHE departmental supply shall mostly be utilized for drinking and sanitation purposes, which is available at cheaper rates from P.H.E Department. However under certain unfavorable conditions Rs 500 / annum has been kept on account of water

Total cost on Utilities (A + B) Rs 26132 / Say Rs 0.26 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	1.86	1.10	2.96	0.06
2nd	3%	0.00	1.86	1.10	2.96	0.09
3rd	4%	0.00	1.86	1.10	2.96	0.12
4th	5%	0.00	1.86	1.10	2.96	0.15
5th	5%	0.00	1.86	1.10	2.96	0.15
6th	6%	0.00	1.86	1.10	2.96	0.18
7th	6%	0.00	1.86	1.10	2.96	0.18
8th	6%	0.00	1.86	1.10	2.96	0.18

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	26.18	1	0.26
2 nd	55.00	28.79	1	0.29
3 rd	60.00	31.41	1	0.31
4 th	65.00	34.03	1	0.34
5 th	70.00	36.65	1	0.37
6 th	75.00	39.26	1	0.39
7 th	80.00	41.88	1	0.42
8 th	80.00	41.88	1	0.42

DETAILS OF SELLING EXPENSES PER ANNUM

It is taken as 4 % 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. 0.30 Lacs etc.

<u>Year</u>	<u>Cap. Utiliz</u>	<u>Sales</u>	<u>%</u>	<u>Selling expenses/annum</u>
1 st	50.00	26.18	4	1.05
2 nd	55.00	28.79	4	1.15
3 rd	60.00	31.41	4	1.26
4 th	65.00	34.03	4	1.36
5 th	70.00	36.65	4	1.47
6 th	75.00	39.26	4	1.57
7 th	80.00	41.88	4	1.68
8 th	80.00	41.88	4	1.68

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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	2.22	17.03	0.13	26.18	0.06	0.26	1.05	19.38	20.69
2ND	55.00	2.44	18.73	0.14	28.79	0.09	0.29	1.15	21.32	22.76
3RD	60.00	2.66	20.44	0.16	31.41	0.12	0.31	1.26	23.26	24.83

<u>S.no</u>	<u>Particulars</u>		<u>1st</u> <u>Year</u>		<u>2nd</u> <u>year</u>		<u>3rd</u> <u>year</u>	
		<u>Days</u>	<u>Amount</u>	<u>Margin</u>	<u>Amount</u>	<u>Margin</u>	<u>Amount</u>	<u>Margin</u>
			50.00		55.00		60.00	
1	Stock of Raw Material	30	1.70	0.00	1.87	0.00	2.04	0.00
2	Stock of work in progress	3	0.19	0.00	0.21	0.00	0.23	0.00
3	Stock of finished goods	28	1.93	0.00	2.12	0.00	2.32	0.00
4	Sundry debtors	28	2.44	0.00	2.69	0.00	2.93	0.00
5	Working expenses	30	0.12	0.12	0.12	0.12	0.12	0.12
6	Sundry Creditors	15	0.85		0.94		1.02	
7	Working capital requirement		5.54		6.08		6.62	
8	Margin money			1.94		1.94		1.94
9	Working capital limit		3.60		4.14		4.68	

FUNDING OF CAPITAL EXPENDITURE

The total investment cost of the project is estimated at Rs.9.00 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	0.15
2	Seed Capital	3.00
2	Long term borrowings	2.25

A: Equity

The share capital of the unit has been fixed at Rs.3.15 Lakhs comprising 35 % of the total project cost. The unit has to raise share capital within this limit. The promoter shall arrange equity from the ancestral resources and from the Seed Capital.

B: Term loan

Term loan requirement to the extent of Rs. 2.25 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 2.25 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

S.no	Particulars	Amt.(Lacs)
		2.25
01.	Long term borrowings	
02.	Rate of interest	9.00%
03.	Installment	Rs. 0.45 Lacs/Annum + Interest
04.	Repayment schedule	7 years
05	Moratorium Period	12 Months

YEAR	INT T/Loan	T.Loan	Decrease	Yr.Term	Rem. Term
		Payment	Term Loan	Loan Paym.	Loan
1	0.20	0.00	0.00	0.00	2.25
2	0.20	0.45	0.45	0.45	1.80
3	0.16	0.45	0.90	0.45	1.35
4	0.12	0.45	1.35	0.45	0.90
5	0.08	0.45	1.80	0.45	0.45
6	0.04	0.45	2.25	0.45	0.00

B: INTEREST ON WORKING CAPITAL LIMIT

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

RATE OF INTEREST	9.00%
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YEAR	INT W/C	Increase w/ Cap	Increase Curr. Asse	Current Assets	Working Capital
1	0.32	3.60	5.54	5.54	3.60
2	0.37	0.54	0.54	6.08	4.14
3	0.42	0.54	0.54	6.62	4.68
4	0.42	0.00	0.00	6.62	4.68
5	0.42	0.00	0.00	6.62	4.68
6	0.42	0.00	0.00	6.62	4.68
7	0.42	0.00	0.00	6.62	4.68
8	0.42	0.00	0.00	6.62	4.68

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	1.86	1.10	2.96
2	Preliminary & Preoperative exp.	0.00	0.31	0.19	0.50
	Total	0.00	2.17	1.29	3.46

Depreciation under WDV method

		BUILDING		
Rate of depreciation		6.25%		
		Cost	Dep	WDV
1st	Year	0.00	0.00	0.00
2nd	Year	0.00	0.00	0.00
3rd	Year	0.00	0.00	0.00
4th	Year	0.00	0.00	0.00
5th	Year	0.00	0.00	0.00
6th	Year	0.00	0.00	0.00
7th	Year	0.00	0.00	0.00
8th	Year	0.00	0.00	0.00

Depreciation under WDV method

		Plant & Machinery		
Rate of depreciation		10%		
		Cost	Dep	WDV
1st	Year	2.17	0.22	1.96
2nd	year	1.96	0.20	1.76
3rd	Year	1.76	0.18	1.58
4th	Year	1.58	0.16	1.43

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5th	Year	1.43	0.14	1.28
6th	Year	1.28	0.13	1.16
7th	Year	1.16	0.12	1.04
8th	Year	1.04	0.10	0.94

Depreciation under WDV method

Misc. Fixed Assets

Rate of depreciation		15%		
		Cost	Dep	WDV
1st	Year	1.29	0.19	1.09
2nd	Year	1.09	0.16	0.93
3rd	Year	0.93	0.14	0.79
4th	Year	0.79	0.12	0.67
5th	Year	0.67	0.10	0.57
6th	Year	0.57	0.09	0.48
7th	Year	0.48	0.07	0.41
8th	Year	0.41	0.06	0.35

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	0.22	0.19	0.41
2nd	Year	0.00	0.20	0.16	0.36
3rd	Year	0.00	0.18	0.14	0.32
4th	Year	0.00	0.16	0.12	0.28
5th	Year	0.00	0.14	0.10	0.24
6th	Year	0.00	0.13	0.09	0.21
7th	Year	0.00	0.12	0.07	0.19
8th	Year	0.00	0.10	0.06	0.17

Depreciation under SL Method

Rate of depreciation	5.00%	10%	10%	Total
Amount of depreciation	0.00	0.22	0.13	0.35

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	26.18	28.79	31.41	34.03	36.65	39.26	41.88	41.88
A:	<u>Cost of production</u>								
1	Raw Material	17.03	18.73	20.44	22.14	23.84	25.55	27.25	27.25
2	Salary & wages	2.22	2.44	2.66	2.89	3.11	3.33	3.55	3.55
3	Utilities	0.13	0.14	0.16	0.17	0.18	0.20	0.21	0.21
4	Repairs & Maintenance	0.06	0.09	0.12	0.15	0.15	0.18	0.18	0.18
5	Administrative expenses	0.26	0.29	0.31	0.34	0.37	0.39	0.42	0.42
6	Selling expenses	1.05	1.15	1.26	1.36	1.47	1.57	1.68	1.68
7	Total	20.75	22.85	24.94	27.04	29.11	31.21	33.28	33.28
8	Gross profit	5.43	5.95	6.47	6.98	7.53	8.05	8.60	8.60
B:	<u>Financial expenses</u>								
1	Interest on term loan	0.20	0.20	0.16	0.12	0.08	0.04	0.00	0.00
2	Interest on WCL	0.32	0.37	0.42	0.42	0.42	0.42	0.42	0.42
3	Depreciation (SLM)	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
4	Total	0.87	0.92	0.93	0.89	0.85	0.81	0.77	0.77
5	Profit before tax	4.55	5.02	5.54	6.10	6.68	7.24	7.83	7.83
6	Taxation	0.00	0.00	0.00	0.00	0.00	0.72	0.78	1.57
7	Profit after tax	4.55	5.02	5.54	6.10	6.68	6.52	7.05	6.27
8	Withdrawals	0.00	0.00	0.50	0.50	0.50	1.00	1.00	1.00
9	Profit carried to B/S	4.55	5.02	5.04	5.60	6.18	5.52	6.05	5.27
10	Cumulative profit	4.55	9.58	14.62	20.21	26.39	31.91	37.96	43.23
11	Add back depreciation	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
12	Total cash surplus	4.90	9.93	14.96	20.56	26.74	32.26	38.31	43.58
C:	<u>Less payment</u>								
1	Term Loan	0.00	0.45	0.45	0.45	0.45	0.45	0.00	0.00
2	Withdrawals	0.00	0.00	0.50	0.50	0.50	1.00	1.00	1.00
3	Total payments	0.00	0.45	0.95	0.95	0.95	1.45	1.00	1.00
4	Net Cash accruals	4.90	9.48	14.01	19.61	25.79	30.81	37.31	42.58

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	4.90		4.90
2nd	5.37		10.27
3rd	5.88		16.15
4th	6.44		22.59
5th	7.03		29.62
6th	6.87		36.49
7th	7.40		43.89
8th	6.61		50.50
<u>1 year</u>	<u>+</u>	<u>10</u>	<u>Months</u>

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DETAILED DEBT SERVICE COVERAGE:

The debt service coverage ratio shows the ability of the unit to repay interest and principal amount of composite loans.

<u>S.no</u>	<u>Particulars</u>		<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>	<u>6th</u>
<u>A</u>	<u>Source of funds</u>							
1	Profit after tax		4.55	5.02	5.54	6.10	6.68	6.52
2	Depreciation		0.35	0.35	0.35	0.35	0.35	0.35
3	Interest on term loan		0.20	0.20	0.16	0.12	0.08	0.04
	Total A		5.10	5.57	6.04	6.56	7.11	6.91
<u>B</u>	<u>Disposition of funds</u>							
4	Repayment of term loan		0.00	0.45	0.45	0.45	0.45	0.45
	Total B (3+4)		0.20	0.65	0.61	0.57	0.53	0.49
C	Debt service coverage ratio		25.20	8.54	9.88	11.48	13.39	14.08
<u>D</u>	<u>Average DSCR</u>		13.76					

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	31.41
B	<u>Variable cost</u>	
1	Raw material	20.44
2	Utilities	0.16
3	Selling expenses	1.26
4	Interest on WCL	0.42
	Total	22.27
C	Contribution (A-B)	9.14
D	<u>Semi-variable/ fixed costs</u>	
1	Salary & wages	2.66
2	Repairs & maintenance	0.12
3	Administrative expenses	0.31
4	Interest on term loan	0.16
5	Depreciation	0.35
	Total	3.60
	B. E. P.	%
		39.44

PROJECTED CASH FLOW STATEMENT

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

S.no	Particulars	Const period	1st	2nd	3rd	4th	5th	6th	7th	8th
	Capacity utilization (%)		50.00	55.00	60.00	65.00	70.00	75.00	80.00	80.00
A	Source of funds									
1	Profit before interest, tax but after depn.		5.08	5.60	6.12	6.64	7.19	7.71	8.25	8.25
2	Depreciation		0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
3	Increase in Share Capital	3.15								
4	Increase in Term loan	2.25								
5	Increase in WCL		3.60	0.54	0.54	0.00	0.00	0.00	0.00	0.00
	Total (A)	5.40	9.03	6.49	7.01	6.98	7.53	8.05	8.60	8.60
B	Application of funds									
1	Capital expenditure	3.46								
2	Prelim / Pre-operative expenses									
3	Increase in current assets		5.54	0.54	0.54	0.00	0.00	0.00	0.00	0.00
4	Decrease in term loan		0.00	0.45	0.45	0.45	0.45	0.45	0.00	0.00
5	Interest on term loan		0.20	0.20	0.16	0.12	0.08	0.04	0.00	0.00
5a	Interest on WCL		0.32	0.37	0.42	0.42	0.42	0.42	0.42	0.42
6	Taxation		0.00	0.00	0.00	0.00	0.00	0.72	0.78	1.57
7	Withdrawal		0.00	0.00	0.50	0.50	0.50	1.00	1.00	1.00
	Total (B)	3.46	6.07	1.57	2.08	1.49	1.45	2.64	2.20	2.99
C	Opening Balance		1.94	4.90	9.82	14.75	20.24	26.32	31.74	38.14
D	Net Surplus	1.94	2.96	4.92	4.93	5.49	6.08	5.42	6.40	5.61
E	Closing Balance	1.94	4.90	9.82	14.75	20.24	26.32	31.74	38.14	43.75

PROJECTED BALANCE SHEET

The balance sheet of a unit is a very important feature of the working of the unit. In a healthy unit, there is always a growth in total assets and liabilities every year. In a projected balance sheet on the liabilities side the reserves and surplus and on the assets side the cash and bank balances should show healthy growth.

S.no	Particulars	Year	1st	2nd	3rd	4th	5th	6th	7th	8th
A:	Liabilities									
1	Promoters Contribution		0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
2	Share Capital		3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3	Reserves & Surplus		4.55	9.58	14.62	20.21	26.39	31.91	37.96	43.23
4	Term Loan		2.25	1.80	1.35	0.90	0.45	0.00	0.00	0.00
5	WCL		3.60	4.14	4.68	4.68	4.68	4.68	4.68	4.68
	Total		13.55	18.67	23.80	28.94	34.68	39.75	45.80	51.06
B:	Assets									
1	Gross Block		3.46	3.11	2.77	2.42	2.08	1.73	1.38	1.04
2	Depreciation		0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
3	Net Block		3.11	2.77	2.42	2.08	1.73	1.38	1.04	0.69
4	Current Assets		5.54	6.08	6.62	6.62	6.62	6.62	6.62	6.62
5	Cash and bank balance		4.90	9.82	14.75	20.24	26.32	31.74	38.14	43.75
	Total		13.55	18.67	23.80	28.94	34.68	39.75	45.80	51.06