

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

(BOUTIQUE)

## **INTRODUCTION**

BOUTIQUE, from the French word for "shop," is a small shopping outlet, especially one that specializes in elite and fashionable items such as clothing and jewellery.

The term entered into everyday English use in the late 1960s when, for a brief period, London, UK was the centre of the fashion trade. Carnaby Street and the Kings Road were the focus of much media attention as home to the most fashionable LADIES BOUTIQUEs of the era.

A feature of most humans societies is the wearing of clothing, a category encompassing a wide variety of materials that cover the body. The primary purpose of clothing is functional, as a protection from the elements. Clothes also enhance safety during hazardous activities such as hiking and cooking, by providing a barrier between the skin and the environment. Further, clothes provide a hygienic barrier, keeping toxins away from the body and limiting the transmission of germs.

Clothing performs a range of social and cultural functions, such as individual, occupational and sexual differentiation, and social status.<sup>[1]</sup> A uniform, for example, may identify civil authority figures, such as police and military personnel, or it may identify team, group or political affiliations. In many societies, norms about clothing reflect standards of modesty, religion, gender, and social status. Clothing may also function as a form of adornment and an expression of personal taste or style.

Throughout history, many materials have been used for clothes. Materials have ranged from leather and furs, to woven materials, to elaborate and exotic natural and synthetic fabrics. Recent scientific research estimates that humans have been wearing clothing for as long as 650,000 years. Others claim that clothing probably did not originate until the Neolithic Age (the "New Stone Age").

Articles carried rather than worn (such as purses), worn on a single part of the body and easily removed (scarves), worn purely for adornment (jewelry), or those that serve a function other than protection (eyeglasses), are normally considered accessories rather than clothing

### **Spread of western styles**

By the early years of the 21st century, western clothing styles had, to some extent, become international styles. This process began hundreds of years earlier, during the

periods of European colonialism. The process of cultural dissemination has perpetuated over the centuries as Western media corporations have penetrated markets throughout the world, spreading Western culture and styles. Fast fashion clothing has also become a global phenomenon. These garments are less expensive, mass-produced Western clothing. Donated used clothing from Western countries are also delivered to people in poor countries by charity organizations.

### **Future trends**

The world of clothing is always changing, as new cultural influences meet technological innovations. Researchers in scientific labs have been developing prototypes for fabrics that can serve functional purposes well beyond their traditional roles, for example, clothes that can automatically adjust their temperature, repel bullets, project images, and generate electricity. Some practical advances already available to consumers are bullet-resistant garments made with kevlar and stain-resistant fabrics that are coated with chemical mixtures that reduce the absorption of liquids

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 labour-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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<b>PROJECT COST SUMMARY</b>			
<b>S.NO</b>	<b>PARTICULARS</b>		<b>AMOUNT(LACS)</b>
1	LAND		NIL
2	Civil Works		NIL
3	Plant & Machinery		1.06
4	Miscellaneous Fixed Assets		1.70
5	Preliminary & Preoperative expenses		0.26
6	Working Capital Requirement		6.98
			<b>10.00</b>
<b>MEANS OF FINANCE</b>			
1	Seed Capital		3.00
2	Promoters Contribution		0.50
2	Loan from Bank (65 %)		6.50
<b>DETAILS OF LOANS</b>			
<b>A</b>	<b>Long Term Investment</b>		<b>3.02</b>
1	Seed Money/Promoters Contribution		1.06
2	Term Loan From Bank		1.96
<b>B</b>	<b>Working Capital Requirement</b>		<b>6.98</b>
1	Seed Money/Promoters Contribution		2.44
2	Working Capital Finance From Bank		4.54

**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 8 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**

<b>Sl.</b>	<b>Description</b>	<b>Nos.</b>	<b>Rate</b>	<b>Amount</b>
		<b>No.</b>	<b>(Rs.)</b>	<b>(Rs.)</b>
1.	Power operated cutting machine	1	35,000	35,000
2.	Power operated SNLS stitching machine	3	5,000	15,000
3.	Overlock stitching machine with motor and accessories	1	6,000	6,000
7.	Potable steam press	1	20,000	20,000
8.	Usha/singer embroidery Machine	1	25,000	25,000
9.	Other miscellaneous Tools	LS	5,000	5,000
				<b>Total 106,000</b>

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<b>DETAILS OF PRELIMINARY &amp; PRE-OPERATIVE EXPENSES</b>			
<b>S.NO</b>	<b>PARTICULARS</b>		<b>AMOUNT(LACS)</b>
1	Traveling & Conveyance		0.02
2	Printing & Stationary		0.02
3	Professional Charges		0.04
5	Misc. Expenses		0.02
6	Interest during Moratorium Period		0.16
			<b>0.26</b>

<b>DETAILS OF MISCELLANEOUS FIXED ASSETS</b>			
<b>S.NO</b>	<b>PARTICULARS</b>	<b>QNT</b>	<b>AMOUNT(LACS)</b>
1	STEEL LOCKER, TABLE, CHAIRS	L S	0.10
2	FIRE EXTINGUISHER	2	0.10
3	ALIMUNIUM WORKS AND ELECTRIC FITTINGS	LS	0.40
4	GLASS WORK	LS	0.20
5	SHELVES, TABLES AND OTHER FIXTURES	LS	0.30
6	COMPUTER WITH UPS AND PRINTER	1	0.30
7	GENERATOR	1	0.30
	<b>TOTAL</b>		<b>1.70</b>

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## **INSTALLED CAPACITY AND PRODUCTION PROGRAMME**

Keeping in view the climatic conditions and other factors prevailing in the Jammu & Kashmir into consideration, the operational hours shall be assumed as:-

### **MATERIAL REQUIREMENT AT 100% INSTALLED CAPACITY**

**NO. OF WORKING DAYS IN A YEAR**

**300 DAYS**

#### **Production Capacity (per annum) AND REVENUE**

S.NO	PRODUCT	Quantity	RATE (RS.)	AMOUNT IN RS. LACS
1	LADIES/GENTS	1800	500.00	9.00
2	KIDS	1800	500.00	9.00
TOTAL REVENUE FROM SALES OF SELF MADE READY MADE GARMENTS				18.00

#### **Raw Material Requirement**

Sl. No.	Description	Qty. (mts.)	Rate/unit	Amount (Rs.)
1.	Cotton popline/ terrycot fabric in different colours, design and shades	5400	89	480600
2.	Cotton popline/ Rubia or fancy fabric in different colours, design and shades	9000	78	702000
3.	Lining cloth collars/stripes etc.	LS		10,000
4.	Button, Hooks, Plastic etc.	LS		3,000
5.	Sewing thread,	LS		1,000
6.	Packing materials	LS		5,000

**Total 12,01,600**

**J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)**[www.jkedi.org](http://www.jkedi.org)**STATEMENT OF CALCULATION OF SALES AND PURCHASES OF BOUTIQUE ITEMS**

S.NO	PARTICULARS	PURCHASES	PROFIT MARGIN	PROFIT	SALE
1.	TOPS	0.50	22.00%	0.11	0.61
2.	Casual	1.00	25.00%	0.25	1.25
3.	Sweaters	1.50	23.00%	0.35	1.85
4.	T-Shirts	0.80	20.00%	0.16	0.96
5.	Shirts & Blouses	1.00	20.00%	0.20	1.20
6.	Vests & Hoodies	1.00	25.00%	0.25	1.25
7.	Jeans	1.33	25.00%	0.33	1.66
8.	Pants & Leggings	1.00	20.00%	0.20	1.20
9.	Skirts	0.30	20.00%	0.06	0.36
10.	Shorts	0.30	20.00%	0.06	0.36
11.	Jumpers	0.30	20.00%	0.06	0.36
12.	Coats	1.00	25.00%	0.25	1.25
13.	Jackets	2.00	25.00%	0.50	2.50
14.	Faux Leather Jackets	1.00	25.00%	0.25	1.25
15.	ACCESSORIES	0.25	20.00%	0.05	0.30
16.	BAGS & PURSES	0.60	30.00%	0.18	0.78
17.	SUNGLASSES	0.50	25.00%	0.13	0.63
18.	JEWELRY	2.00	25.00%	0.50	2.50
19.	TIGHTS & SOCKS	0.30	20.00%	0.06	0.36
	<b>TOTAL</b>	<b>16.68</b>		<b>3.94</b>	<b>20.62</b>

**STATEMENT OF TOTAL SALES AND PURCHASES (RS. IN LACS)**

S.NO	ACTIVITY	PURCHASES	SALES
01	EMBROIDERY WORKS	0.10	1.70
02	SELF MADE READY MADE ITEMS OF LADIES AND KIDS	12.02	18.00
03	MISCELLANEIUS BOUTIQUE ITEMS	16.68	20.62
	<b>TOTAL</b>	<b>28.80</b>	<b>40.32</b>

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## SALES REALIZATION AND PURCHASES IN PHASED MANNER

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES
	UTILISATION		(Lacs)		(lacs)
1 <sup>ST</sup>	60.00	2.09	17.28	0.14	24.19
2 <sup>ND</sup>	60.00	2.09	17.28	0.14	24.19
3 <sup>RD</sup>	70.00	2.44	20.16	0.17	28.22
4 <sup>TH</sup>	70.00	2.44	20.16	0.17	28.22
5 <sup>TH</sup>	80.00	2.78	23.04	0.19	32.26
6 <sup>TH</sup>	80.00	2.78	23.04	0.19	32.26
7 <sup>TH</sup>	80.00	2.78	23.04	0.19	32.26
8 <sup>TH</sup>	80.00	2.78	23.04	0.19	32.26

## STATEMENT OF MANPOWER REQUIREMENT & THEIR REMUNERATION

<u>S.No.</u>	<u>PARTICULARS</u>	<u>SALARY PER MONTH</u>	<u>Nos.</u>	<u>TOTAL(PA)</u>
1	Manager (SELF)	5000.00	1	60000.00
2	Skilled Workers (Cutters)	4000.00	1	48000.00
3	Tailors	3500.00	3	126000.00
4	Embroidery worker	4000.00	1	48000.00
7	Salesman	3000	1	36000.00
8	Helper	2500	1	30000.00
<b>Total</b>			<b>8</b>	<b>348000.00</b>

**PER MONTH @ RS. 1000/- ELECTRICITY**

**TOTAL ELECTRICITY : - Rs. 12000.00**

**GENERATOR : - RS. 12000.00**

**TOTAL UTILITY PER YEAR : - Rs. 0.24 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, 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><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>
1 <sup>st</sup>	2%	0.00	1.06	1.70	2.76	0.06
2 <sup>nd</sup>	3%	0.00	1.06	1.70	2.76	0.08
3 <sup>rd</sup>	4%	0.00	1.06	1.70	2.76	0.11
4 <sup>th</sup>	5%	0.00	1.06	1.70	2.76	0.14
5 <sup>th</sup>	5%	0.00	1.06	1.70	2.76	0.14
6 <sup>th</sup>	6%	0.00	1.06	1.70	2.76	0.17
7 <sup>th</sup>	6%	0.00	1.06	1.70	2.76	0.17
8 <sup>th</sup>	6%	0.00	1.06	1.70	2.76	0.17

## **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>60.00</b>	24.19	1	<b>0.24</b>
2 <sup>nd</sup>	<b>60.00</b>	24.19	1	<b>0.24</b>
3 <sup>rd</sup>	<b>70.00</b>	28.22	1	<b>0.28</b>
4 <sup>th</sup>	<b>70.00</b>	28.22	1	<b>0.28</b>
5 <sup>th</sup>	<b>80.00</b>	32.26	1	<b>0.32</b>
6 <sup>th</sup>	<b>80.00</b>	32.26	1	<b>0.32</b>
7 <sup>th</sup>	<b>80.00</b>	32.26	1	<b>0.32</b>
8 <sup>th</sup>	<b>80.00</b>	32.26	1	<b>0.32</b>

**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, 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>	60.00	24.19	3	<b>0.73</b>
2 <sup>nd</sup>	60.00	24.19	3	<b>0.73</b>
3 <sup>rd</sup>	70.00	28.22	3	<b>0.85</b>
4 <sup>th</sup>	70.00	28.22	3	<b>0.85</b>
5 <sup>th</sup>	80.00	32.26	3	<b>0.97</b>
6 <sup>th</sup>	80.00	32.26	3	<b>0.97</b>
7 <sup>th</sup>	80.00	32.26	3	<b>0.97</b>
8 <sup>th</sup>	80.00	32.26	3	<b>0.97</b>

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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.		
<b>1ST</b>	<b>60.00</b>	<b>2.09</b>	<b>17.28</b>	<b>0.14</b>	<b>24.19</b>	<b>0.06</b>	<b>0.24</b>	<b>0.73</b>	<b>19.51</b>	<b>20.48</b>
<b>2ND</b>	<b>60.00</b>	<b>2.09</b>	<b>17.28</b>	<b>0.14</b>	<b>24.19</b>	<b>0.08</b>	<b>0.24</b>	<b>0.73</b>	<b>19.51</b>	<b>20.48</b>
<b>3RD</b>	<b>70.00</b>	<b>2.44</b>	<b>20.16</b>	<b>0.17</b>	<b>28.22</b>	<b>0.11</b>	<b>0.28</b>	<b>0.85</b>	<b>22.76</b>	<b>23.89</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>60.00</b>		<b>60.00</b>		<b>70.00</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	30	1.73	0.00	1.73	0.00	2.02	0.00
2	Stock of work in progress	3	0.20	0.00	0.20	0.00	0.23	0.00
3	Stock of finished goods	35	2.39	0.00	2.39	0.00	2.79	0.00
4	Sundry debtors	30	2.53	0.00	2.53	0.00	2.95	0.00
5	Working expenses	30	0.13	0.13	0.13	0.13	0.13	0.13
6	Sundry Creditors	0	<b>0.00</b>		<b>0.00</b>		<b>0.00</b>	
7	Working capital requirement		<b>6.98</b>		<b>6.98</b>		<b>8.12</b>	
8	Margin money/Seed Capital			<b>2.44</b>		<b>2.44</b>		<b>2.44</b>
9	Working capital limit		<b>4.54</b>		<b>4.54</b>		<b>5.68</b>	

**FUNDING OF CAPITAL EXPENDITURE**

The total investment cost of the project is estimated at Rs.10.00 Lakhs, which shall be financed for term loan as per the projections made in the report subject to furnishing of latest cost comparative quotations from the authorized dealers besides contribution from the promoters during the implementation of the project, the specific details interalia as:

<b>S.no</b>	<b>Particulars</b>	<b>Amt.(Lacs)</b>
1	Seed Capital	3.00
2	Promoters Contribution	0.50
3	Long term borrowings	1.96

**A: Equity**

The share capital of the unit has been fixed at Rs.3.50 Lakhs comprising 35 % of the total project cost and Seed Capital forms Rs. 3.00 Lacs and Promoters Contribution will be Rs. 0.50 Lacs. The unit has to raise share capital within this limit.

**B: Term loan**

Term loan requirement to the extent of Rs. 1.96 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 Jammu & Kashmir 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.

**INTEREST CALCULATION**

It is proposed to raise the sum of Rs 1.96 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>
		1.96
01.	Long term borrowings	
02.	Rate of interest	<b>9.00%</b>
03.	Installment	Rs. 0.33 Lacs/Annum + Interest
04	Moratorium Period	6 months
04.	Repayment schedule	6 years

<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>0.18</b>	<b>0.16</b>	<b>0.16</b>	<b>0.16</b>	<b>1.80</b>
<b>2</b>	<b>0.16</b>	<b>0.33</b>	<b>0.49</b>	<b>0.33</b>	<b>1.47</b>
<b>3</b>	<b>0.13</b>	<b>0.33</b>	<b>0.82</b>	<b>0.33</b>	<b>1.14</b>
<b>4</b>	<b>0.10</b>	<b>0.33</b>	<b>1.14</b>	<b>0.33</b>	<b>0.82</b>
<b>5</b>	<b>0.07</b>	<b>0.33</b>	<b>1.47</b>	<b>0.33</b>	<b>0.49</b>
<b>6</b>	<b>0.04</b>	<b>0.33</b>	<b>1.80</b>	<b>0.33</b>	<b>0.16</b>
<b>7</b>	<b>0.01</b>	<b>0.16</b>	<b>1.96</b>	<b>0.16</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>0.41</b>	<b>4.54</b>	<b>6.98</b>	<b>6.98</b>	<b>4.54</b>
<b>2</b>	<b>0.41</b>	<b>0.00</b>	<b>0.00</b>	<b>6.98</b>	<b>4.54</b>
<b>3</b>	<b>0.51</b>	<b>1.14</b>	<b>1.14</b>	<b>8.12</b>	<b>5.68</b>
<b>4</b>	<b>0.51</b>	<b>0.00</b>	<b>0.00</b>	<b>8.12</b>	<b>5.68</b>
<b>5</b>	<b>0.51</b>	<b>0.00</b>	<b>0.00</b>	<b>8.12</b>	<b>5.68</b>
<b>6</b>	<b>0.51</b>	<b>0.00</b>	<b>0.00</b>	<b>8.12</b>	<b>5.68</b>
<b>7</b>	<b>0.51</b>	<b>0.00</b>	<b>0.00</b>	<b>8.12</b>	<b>5.68</b>
<b>8</b>	<b>0.51</b>	<b>0.00</b>	<b>0.00</b>	<b>8.12</b>	<b>5.68</b>

# J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

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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	1.06	1.70	2.76
2	Preliminary & Preoperative exp.	0.00	0.10	0.16	0.26
	Total	0.00	1.16	1.86	3.02

### Depreciation under WDV method

### BUILDING

Rate of depreciation

6.25%

		<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

### Plant & Machinery

Rate of depreciation

10%

		<b>Cost</b>	<b>Dep</b>	<b>WDV</b>
1st	Year	1.16	0.12	1.04
2nd	year	1.04	0.10	0.94
3rd	Year	0.94	0.09	0.85
4th	Year	0.85	0.08	0.76
5th	Year	0.76	0.08	0.68
6th	Year	0.68	0.07	0.62

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7th	Year	0.62	0.06	0.55
8th	Year	0.55	0.06	0.50

<b>Depreciation under WDV method</b>		<b>Misc. Fixed Assets</b>		
Rate of depreciation		<b>15%</b>		
		<b>Cost</b>	<b>Dep</b>	<b>WDV</b>
1st	Year	1.86	0.28	1.58
2nd	Year	1.58	0.24	1.34
3rd	Year	1.34	0.20	1.14
4th	Year	1.14	0.17	0.97
5th	Year	0.97	0.15	0.83
6th	Year	0.83	0.12	0.70
7th	Year	0.70	0.11	0.60
8th	Year	0.60	0.09	0.51

<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	0.12	0.28	0.40
2nd	Year	0.00	0.10	0.24	0.34
3rd	Year	0.00	0.09	0.20	0.30
4th	Year	0.00	0.08	0.17	0.26
5th	Year	0.00	0.08	0.15	0.22
6th	Year	0.00	0.07	0.12	0.19
7th	Year	0.00	0.06	0.11	0.17
8th	Year	0.00	0.06	0.09	0.14

<b>Depreciation under SL Method</b>					
Rate of depreciation		5.00%	15%	10%	Total
Amount of depreciation		0.00	0.17	0.19	0.36

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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 (%)	60.00	60.00	70.00	70.00	80.00	80.00	80.00	80.00
3	Sales realization	24.19	24.19	28.22	28.22	32.26	32.26	32.26	32.26
<b>A:</b>	<b>Cost of production</b>								
1	Raw Material/ Purchases	17.28	17.28	20.16	20.16	23.04	23.04	23.04	23.04
2	Salary & wages	2.09	2.09	2.44	2.44	2.78	2.78	2.78	2.78
3	Utilities	0.14	0.14	0.17	0.17	0.19	0.19	0.19	0.19
4	Repairs & Maintenance	0.06	0.08	0.11	0.14	0.14	0.17	0.17	0.17
5	Administrative expenses	0.24	0.24	0.28	0.28	0.32	0.32	0.32	0.32
6	Selling expenses	0.73	0.73	0.85	0.85	0.97	0.97	0.97	0.97
7	Total	20.53	20.56	24.00	24.03	27.44	27.47	27.47	27.47
8	Gross profit	3.66	3.63	4.22	4.19	4.81	4.78	4.78	4.78
<b>B:</b>	<b>Financial expenses</b>								
1	Interest on term loan	0.18	0.16	0.13	0.10	0.07	0.04	0.01	0.00
2	Interest on WCL	0.41	0.41	0.51	0.51	0.51	0.51	0.51	0.51
3	Depreciation (SLM)	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
4	Total	0.94	0.93	1.00	0.97	0.94	0.92	0.89	0.87
5	Profit before tax	2.71	2.70	3.22	3.22	3.87	3.87	3.90	3.91
6	Taxation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Profit after tax	2.71	2.70	3.22	3.22	3.87	3.87	3.90	3.91
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	2.71	2.70	2.22	2.22	1.87	1.87	0.90	0.91
10	Cumulative profit	2.71	5.41	7.63	9.85	11.72	13.58	14.48	15.40
11	Add back depreciation	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
12	<b>Total cash surplus</b>	3.07	5.77	7.99	10.21	12.08	13.94	14.84	15.76
<b>C:</b>	<b>Less payment</b>								
1	Term Loan	0.16	0.33	0.33	0.33	0.33	0.33	0.16	0.00
2	Withdrawals	0.00	0.00	1.00	1.00	2.00	2.00	3.00	3.00
3	Total payments	0.16	0.33	1.33	1.33	2.33	2.33	3.16	3.00
4	Net Cash accruals	2.91	5.45	6.66	8.88	9.75	11.62	11.68	12.76

# **J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)**

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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	3.07		3.07
2nd	3.06		6.13
3rd	3.58		9.71
4th	3.58		13.29
5th	4.23		17.52
6th	4.23		21.74
7th	4.26		26.00
8th	4.27		30.28
<b><u>3 year</u></b>	<b><u>±</u></b>	<b><u>4</u></b>	<b><u>Months</u></b>

# **J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)**

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## **DETAILED DEBT SERVICE COVERAGE:**

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

<u>S.no</u>	<u>Particulars</u>		<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>	<u>6th</u>	<u>7th</u>	<u>8th</u>
<b><u>A</u></b>	<b><u>Source of funds</u></b>									
1	Profit after tax		2.71	2.70	3.22	3.22	3.87	3.87	3.90	3.91
2	Depreciation		0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
3	Interest on term loan		0.18	0.16	0.13	0.10	0.07	0.04	0.01	0.00
	<b>Total A</b>		<b>3.25</b>	<b>3.22</b>	<b>3.71</b>	<b>3.68</b>	<b>4.30</b>	<b>4.27</b>	<b>4.27</b>	<b>4.27</b>
<b><u>B</u></b>	<b><u>Disposition of funds</u></b>									
4	Repayment of term loan		0.16	0.33	0.33	0.33	0.33	0.33	0.16	0.00
	<b>Total B (3+4)</b>		<b>0.34</b>	<b>0.49</b>	<b>0.46</b>	<b>0.43</b>	<b>0.40</b>	<b>0.37</b>	<b>0.18</b>	<b>0.00</b>
C	Debt service coverage ratio		9.56	6.60	8.08	8.57	10.75	11.53	24.00	
<b><u>D</u></b>	<b><u>Average DSCR</u></b>		<b><u>11.30</u></b>							

# J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

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## **BREAK EVEN ANALYSIS AT 70% 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      70.00 PERCENT**

<b><u>S.no</u></b>	<b><u>Particulars</u></b>	<b><u>Amount.(Lacs)</u></b>	
A	Sales realization	28.22	
<b>B</b>	<b><u>Variable cost</u></b>		
1	Raw material	20.16	
2	Utilities	0.17	
3	Selling expenses	0.85	
4	Interest on WCL	0.51	
	Total	21.69	
C	Contribution (A-B)	6.54	
<b>D</b>	<b><u>Semi-variable/ fixed costs</u></b>		
1	Salary & wages	2.44	
2	Repairs & maintenance	0.11	
3	Administrative expenses	0.28	
4	Interest on term loan	0.13	
5	Depreciation	0.36	
	Total	3.32	
	<b><u>B. E. P.</u></b>	<b><u>%</u></b>	<b>50.79</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.

S.no	Particulars	Const period	1st	2nd	3rd	4th	5th	6 <sup>th</sup>	7th	8th
	Capacity utilization (%)		60.00	60.00	70.00	70.00	80.00	80.00	80.00	80.00
<b>A</b>	<b>Source of funds</b>									
1	Profit before interest, tax but after depn.		3.30	3.27	3.86	3.83	4.45	4.42	4.42	4.42
2	Depreciation		0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
3	Increase in Share Capital	3.50								
4	Increase in Term loan	1.96								
5	Increase in WCL		4.54	0.00	1.14	0.00	0.00	0.00	0.00	0.00
	Total (A)	5.46	8.19	3.63	5.36	4.19	4.81	4.78	4.78	4.78
<b>B</b>	<b>Application of funds</b>									
1	Capital expenditure	3.02								
2	Prelim / Pre-operative expenses									
3	Increase in current assets		6.98	0.00	1.14	0.00	0.00	0.00	0.00	0.00
4	Decrease in term loan		0.16	0.33	0.33	0.33	0.33	0.33	0.16	0.00
5	Interest on term loan		0.18	0.16	0.13	0.10	0.07	0.04	0.01	0.00
5a	Interest on WCL		0.41	0.41	0.51	0.51	0.51	0.51	0.51	0.51
6	Taxation		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Withdrawal		0.00	0.00	1.00	1.00	2.00	2.00	3.00	3.00
	Total (B)	3.02	7.72	0.90	3.11	1.94	2.91	2.88	3.69	3.51
<b>C</b>	<b>Opening Balance</b>		2.44	2.91	5.64	7.89	10.15	12.05	13.95	15.04
<b>D</b>	<b>Net Surplus</b>	2.44	0.47	2.73	2.25	2.25	1.90	1.90	1.10	1.27
<b>E</b>	<b>Closing Balance</b>	2.44	2.91	5.64	7.89	10.15	12.05	13.95	15.04	16.32

# J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

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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	6 <sup>th</sup>	7th	8th
<b>A:</b>	<b><u>Liabilities</u></b>									
1	Seed Capital		3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2	Promoters Contribution		0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
3	Reserves & Surplus		2.71	5.41	7.63	9.85	11.72	13.58	14.48	15.40
4	Term Loan		1.80	1.47	1.14	0.82	0.49	0.16	0.00	0.00
5	WCL		4.54	4.54	5.68	5.68	5.68	5.68	5.68	5.68
	<b>Total</b>		<b>12.55</b>	<b>14.92</b>	<b>17.95</b>	<b>19.84</b>	<b>21.38</b>	<b>22.93</b>	<b>23.66</b>	<b>24.57</b>
<b>B:</b>	<b><u>Assets</u></b>									
1	Gross Block		3.02	2.66	2.30	1.94	1.58	1.22	0.86	0.50
2	Depreciation		0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
3	Net Block		2.66	2.30	1.94	1.58	1.22	0.86	0.50	0.14
4	Current Assets		6.98	6.98	8.12	8.12	8.12	8.12	8.12	8.12
5	Cash and bank balance		2.91	5.64	7.89	10.15	12.05	13.95	15.04	16.32
	<b>Total</b>		<b>12.55</b>	<b>14.92</b>	<b>17.95</b>	<b>19.84</b>	<b>21.38</b>	<b>22.93</b>	<b>23.66</b>	<b>24.57</b>