

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

DETAILED TECHNO-ECONOMIC
CUM PRE-INVESTMENT PROJECT
REPORT

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

ON

(BEAUTY PARLOUR AND COSMETICS)

INTRODUCTION

Beauty parlour is a service oriented establishment in which women receive treatment to increase their beauty. Skin care, facial make up, hair nourishment and model hair cutting are the most important nourishing activities of a beauty parlour. The use of machinery, ayurvedic formulations and approved synthetic chemicals and medicines vary from person to person as per need. In present project the provision of different beauty therapy are present with use of limited number of machinery.

A **beauty salon** or **beauty parlor** (International spelling: **beauty parlour**) (or sometimes **beauty shop**) is an establishment dealing with cosmetic treatments for men and women.^[1] Other variations of this type of business include hair salons and spas.

There is a distinction between a beauty salon and a hair salon and although many small businesses do offer both sets of treatments; beauty salons provide more generalized services related to skin health, facial aesthetic, foot care, aromatherapy, — even meditation, oxygen therapy, mud baths, and innumerable other services.

MARKET DEMAND:

Beauty culture training is now-a-days, imparted by number private organizations and trained ladies try to set up their beauty par lour in medium and small towns through out. The easily availability of different herbal preparation, cosmetic items helps to maintain quality of service of these beauty par lour. The demand of attending beauty parlour centre is mostly found in age group 18-48 years. In population growth, the growth of this age group is now found to be highest in India. In good beauty par lour even the customers have to wait for days together with an advance

booking This type of service centres are also getting good orders to serve the bride, in marriage functions and in different similar occasions. Depending on work load, they appoint fresh trainees and also open branches in different towns. Punctuality in opening and closing the parlor everyday, customer dealing, serving and satisfaction of customers as a whole plays a vital role in improving the market demand of such service centre.

ENERGY CONSERVATION:

The workers must be aware of unnecessary utilization of electricity.

ENVIRONMENTAL POLLUTION:

This unit is no way linked with serious pollution hazards. However, the authority should provide gloves to handle chemicals and should maintain good working environment.

TECHNOLOGY:

The beauty therapy is basically classified in items like hair cutting, nourishment of hair, dyeing of hair, prevention of hair fall, facial, treatment of pimples, pedicure etc. Facial itself is a very vast subject in which eye brow shaping, cleaning of face to remove dirt, application of cream and herbal extracts to nullify the aging and to cover wrinkles etc. As per the demand, special application of natural color to increase the beauty or aesthetic sense, use of eye pencil in eyebrow, eye lashes also measure the quality of the service provided by the parlour. Hair colouring with natural herbs, nail shaping, colourings, pedicure, manicure are also some additional service activities from which the centre earns good profit as well as good name and fame.

All these activities are performed by experienced beauticians in respective fields. The authority should appoint experts in facial activities, in hair treatment, pimple treatment and pedicure, manicure, separately to improve the quality of servicing and to create confidence among the new customers. The technique of application of dye to hair, natural herbal extracts colors to chicks are all

scientifically regulated to impart best result. It also vary from training institute to training institute. The ultimate aim is the customer's satisfaction.

Beauty treatments

Massage for the body is a popular beauty treatment, with various techniques offering benefits to the skin (including the application of beauty products) and for increasing mental well-being and relaxation.

Facials refers to a treatment for the face.

Manicure refers to a treatment for the hands, incorporating the fingernails and cuticles and often involving the application of nail polish.

Pedicure refers to a treatment for the feet, incorporating the toenails and the softening or removal of calluses.

Manicures and pedicures take place at nail salons.

Beauty salons offer treatments such as **waxing** and **threading** for hair removal.

Cosmetics

Cosmetics are substances used to enhance the appearance or odor of the human body. Cosmetics include skin-care creams, lotions, powders, perfumes, lipsticks, fingernail and toe nail polish, eye and facial makeup, towelettes, permanent waves, colored contact lenses, hair colors, hair sprays and gels, deodorants, hand sanitizer, baby products, bath oils, bubble baths, bath salts, butters and many other types of products. A subset of cosmetics is called "make-up," which refers primarily to colored products intended to alter the user's appearance. Many manufacturers distinguish between decorative cosmetics and care cosmetics. The word *cosmetics* derives from the Greek κοσμητική τέχνη (*kosmetikē tekhnē*), meaning "art of dress and ornament", from κοσμητικός

(*kosmētikos*), "skilled in ordering or arranging" and that from κόσμος (*kosmos*), meaning amongst others "order" and "ornament".

Makeup types

- Lipstick, lip gloss, lip liner, lip plumper, lip balm, lip conditioner, lip primer, and lip boosters.
- Foundation, used to smooth out the face and cover spots or uneven skin coloration. Usually a liquid, cream, or powder.^[3] Foundation primer can be applied before to get a smoother finish.
- Powder, used to set the foundation, giving a matte finish, and also to conceal small flaws or blemishes.
- Rouge, blush or blusher, cheek coloring used to bring out the color in the cheeks and make the cheekbones appear more defined. This comes in powder, cream, and liquid forms.^[3]
- Bronzer, used to give skin a bit of color by adding a golden or bronze glow.^[3]
- Mascara is used to darken, lengthen, and thicken the eyelashes. It is available in natural colors such as brown and black, but also comes in bolder colors such as blue, pink, or purple. There are many different formulas, including waterproof for those prone to allergies or sudden tears. Often used after an eyelash curler and mascara primer.
- Eyelid glue, eye liner, eye shadow, eye shimmer, and glitter eye pencils as well as different color pencils used to color and emphasize the eyelids (larger eyes give a more youthful appearance)
- Eyebrow pencils, creams, waxes, gels and powders are used to color and define the brows.
- Nail polish, used to color the fingernails and toenails.
- Concealer, Makeup used to cover any imperfections of the skin.

Cosmetics can also be described by the form of the product, as well as the area for application.

Cosmetics can be liquid or cream emulsions; powders, both pressed and loose; dispersions; and anhydrous creams or sticks.

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)www.jkedi.org

PROJECT COST SUMMARY			
S.NO	PARTICULARS		AMOUNT(LACS)
1	LAND		-----
2	Civil Works		NIL
3	Plant & Machinery		1.86
4	Miscellaneous Fixed Assets		1.20
5	Preliminary & Preoperative expenses		0.30
6	Working Capital Requirement		5.21
			8.57
MEANS OF FINANCE			
1	Seed Capital (Maximum for this Category)		3.00
2	Loan from Bank (65 %)		5.57
DETAILS OF LOANS			
A	Long Term Investment		3.36
1	Seed Money		1.18
2	Term Loan From Bank		2.18
B	Working Capital Requirement		5.21
1	Seed Money		1.82
2	Working Capital Finance From Bank		3.39

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 5 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.

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

Machinery:

1.	Facial machine (Galvanic)	4 nos.	20,000
2.	Ozonizer	2 nos.	10,000
3.	Ultra sonic facial	1 no.	8,000
4.	Moving chair with neck adjustment	4 nos.	26,000
5.	Bed with folding arrangement	4 nos.	24,000
6.	Hair Drier	5 nos.	7,500
7.	Pedicure/manicure machine	4 nos.	10,000
8.	Other necessary eqpts. for hair nourishing	L.S	5,000
9.	Air Conditioner – 2 ton cap.	2 nos.	40,000
10.	Refrigerator -285 ltr. cap.	1 no.	10,000
11.	Office furniture & interior decoration	L.S	10,000
11.	Installation charge @10%		<u>16,050</u>
			1,86,550

DETAILS OF PRELIMINARY & PRE-OPERATIVE EXPENSES		
S.NO	PARTICULARS	AMOUNT(LACS)
1	Traveling & Conveyance	0.02
2	Printing & Stationary	0.02
3	Professional Charges	0.03
4	Misc. Expenses	0.03
5	Interest During Moratorium Period	0.20
		0.30

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

DETAILS OF MISC. FIXED ASSETS			
S.No.	Particulars		Amount(Lacs)
2	Fire Fighting Equipments	1 No. @ Rs. 5000	0.05
3	Fixtures (Wooden Shelves Etc)	L.S.	0.30
4	Generator		0.50
4	Air conditioner		0.35
	Total		1.20

Raw material (P.M.):

1.	Ayurvedic extract/medicines, synthetic permitted chemicals, colours etc.	L.S	50,000
2.	Cotton, gauge, paper napkin, etc.	L.S	2,000
3.	Rectified spirit/Dettol/Savlon	10 ltrs.	1,000
4.	Talcum Powder, Lipstick, Toilet Soap, Liquid detergent, shampoo etc.	L.S	5,000
5.	Specific chemicals, herbal preparation for pedicure and manicure	L.S.	5,000
6.	Olive oil, A.D. Oil for massage	L.S	1,000
7.	Nail polish, eye brow pencil, other facial materials	L.S	5,000
8.	Hydrogen peroxide, mehendi, hair colour and other hair treatment chemicals	L.S	4,000
9.	Magnetic chain, battery with belt etc.	L.S	2,000
10.	Other necessary equipments and chemicals	L.S	5,000
			80,000
	RAW MATERIAL PER YEAR		9.60 LACS

Turnover (Per annum):

By providing service on facial, hair cutting, manicure, pedicure, herbal therapy, massage, marriage orders etc. in an average 20 customers per day @Rs.250/per customer, the annual turnover in 300 days is Rs.15,00,000/-.

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)www.jkedi.orgSTATEMENT OF PURCHASES AND SALES MADE DURING THE YEAR AT
100% CAPACITY**(RS. IN LACS)**

S.NO	PARTICULARS	TOTAL PURCHASES (IN RS. LACS)	PROFIT MARGIN	TOTAL SALES IN RS. LACS
1	LIPSTICK, LIP GLOSS, LIP LINER, LIP PLUMPER, LIP BALM	4.00	20.00%	4.80
2	FOUNDATION	4.00	20.00%	4.80
3	POWDER	4.00	20.00%	4.80
4	ROUGE, BLUSH OR BLUSHER,	4.00	20.00%	4.80
5	MASCARA	2.00	20.00%	2.40
6	EYELID GLUE, EYE LINER, EYE SHADOW	3.00	20.00%	3.60
7	EYEBROW PENCILS, CREAMS, WAXES, GELS AND POWDERS	4.40	13.00%	4.60
8	NAIL POLISH	3.00	20.00%	3.60
9	CONCEALER, MAKEUP USED TO COVER ANY IMPERFECTIONS OF THE SKIN	3.00	20.00%	3.60
	TOTAL	31.40		37.00

TOTAL PURCHASES AT 100% CAPACITY DURING THE YEAR

- A) RAW MATERIAL FOR BEAUTY PARLOUR **RS. 9.60 LACS**
 B) COSMETIC PURCHASES FOR SALES **RS. 31.40 LACS**

TOTAL PURCHASES RS. 41.00 LACS**TOTAL SALES AT 100% CAPACITY UTILIZATION DURING THE YEAR**

- A) BEAUTY PARLOUR **RS. 15.00 LACS**
 B) COSMETIC SALES **RS. 37.00 LACS**

TOTAL SALES OF THE UNIT RS. 52.00 LACSSEMPORE PAMPORE 191101/JLN UDYOG BHAWAN JAMMU 180012/LEH, LADAKH

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

SALES REALIZATION AND PURCHASES IN PHASED MANNER

YEAR	CAPACITY	SAL/WAG	PURCHASE	UTILITIES	SALES
	UTILISATION		(Lacs)		(lacs)
1ST	50.00	1.56	20.50	0.12	26.00
2ND	55.00	1.72	22.55	0.13	28.60
3RD	60.00	1.87	24.60	0.14	31.20
4TH	65.00	2.03	26.65	0.16	33.80
5TH	70.00	2.18	28.70	0.17	36.40
6TH	75.00	2.34	30.75	0.18	39.00
7TH	80.00	2.50	32.80	0.19	41.60
8TH	80.00	2.50	32.80	0.19	41.60

STATEMENT OF CALCULATION OF MANPOWER REQUIREMENT & THEIR REMUNERATION

S.No	Description	No	Salary PM Rs	Salary PA lacs
a)	Administrative staff			
1.	Marketing Manager (SELF)	1	10,000	1.20
2	SKILLED BEAUTICIANS	2	5000	1.20
3.	UN SKILLED	2	3000	0.72
	Total	5		3.12

ESTIMATED COST OF UTILITIES PER ANNUM

RS. 1000.00 AVERAGE MONTHLY (PDD DEPTT.)

GENERATOR : RS. 1000.00 MONTHLY

RS. 0.24 LACS PER YEAR

SEMPORE PAMPURE 191101/JLN UDYOG BHAWAN JAMMU 180012/LEH, LADAKH

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

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.

<u>Year</u>	<u>Percentage</u>	<u>Building</u>	<u>P&M</u>	<u>MFA</u>	<u>Total</u>	<u>R & M</u>
1st	2%	0.00	1.86	1.20	3.06	0.06
2nd	3%	0.00	1.86	1.20	3.06	0.09
3rd	4%	0.00	1.86	1.20	3.06	0.12
4th	5%	0.00	1.86	1.20	3.06	0.15
5th	5%	0.00	1.86	1.20	3.06	0.15
6th	6%	0.00	1.86	1.20	3.06	0.18
7th	6%	0.00	1.86	1.20	3.06	0.18
8th	6%	0.00	1.86	1.20	3.06	0.18

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:

<u>Year</u>	<u>Capacity Utilization</u>	<u>Sales</u>	<u>%</u>	
1 st	50.00	26.00	0.5	0.13
2 nd	55.00	28.60	0.5	0.14
3 rd	60.00	31.20	0.5	0.16
4 th	65.00	33.80	0.5	0.17
5 th	70.00	36.40	0.5	0.18
6 th	75.00	39.00	0.5	0.20
7 th	80.00	41.60	0.5	0.21
8 th	80.00	41.60	0.5	0.21

DETAILS OF SELLING EXPENSES PER ANNUM

It is taken as 0.50 % of net sales in every year, which includes sales promotion expenses, advertising expenses, commission to intermediaries, carriage outwards, discount, brokerage and annual rent etc.

<u>Year</u>	<u>Cap. Utiliz</u>	<u>Sales</u>	<u>%</u>	<u>Selling expenses/annum</u>
1 st	50.00	26.00	0.5	0.13
2 nd	55.00	28.60	0.5	0.14
3 rd	60.00	31.20	0.5	0.16
4 th	65.00	33.80	0.5	0.17
5 th	70.00	36.40	0.5	0.18
6 th	75.00	39.00	0.5	0.20
7 th	80.00	41.60	0.5	0.21
8 th	80.00	41.60	0.5	0.21

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

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	1.56	20.50	0.12	26.00	0.06	0.13	0.13	22.44
2ND	55.00	1.72	22.55	0.13	28.60	0.09	0.14	0.14	24.68
3RD	60.00	1.87	24.60	0.14	31.20	0.12	0.16	0.16	26.93

S.no	Particulars		1st Year		2 nd year		3rd year	
			50.00		55.00		60.00	
		Days	Amount	Margin	Amount	Margin	Amount	Margin
1	Stock of Raw Material	30	2.05	0.00	2.26	0.00	2.46	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	30	2.24	0.00	2.47	0.00	2.69	0.00
4	Sundry debtors	15	1.30	0.00	1.43	0.00	1.56	0.00
5	Working expenses	30	0.09	0.09	0.09	0.09	0.09	0.09
6	Sundry Creditors	7	0.48		0.53		0.57	
7	Working capital requirement		5.21		5.72		6.23	
8	Margin money			1.82		1.82		1.82
9	Working capital limit		3.39		3.90		4.41	

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:

S.no	Particulars	Amt.(Lacs)
1	Seed Capital	3.00
2	Long term borrowings	2.18

A: Equity

The share capital of the unit has been fixed at Rs.3.00 Lakhs comprising Rs. 3.00 Lacs as Seed Capital of the total project cost. The unit has to raise share capital within this limit. The promoter shall arrange equity from the seed capital.

B: Term loan

Term loan requirement to the extent of Rs. 2.18 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 2.18 lacs as long term loans from financial institutions to meet the capital cost of the project. For the purpose of calculating the interest on long-term loans an interest rate of 9.00% per annum is taken into consideration in the project report.

A: Interest on long term loan

<u>S.no</u>	<u>Particulars</u>	<u>Amt.(Lacs)</u>
		2.18
01.	Long term borrowings	
02.	Rate of interest	9.00%
03.	Installment	Rs. 0.44 Lacs + Interest
04	Moratorium Period	12 Months
04.	Repayment schedule	5 years

YEAR	INT T/Loan	T.Loan	Decrease	Yr.Term	Rem. Term
		Payment	Term Loan	Loan Paym.	Loan
1	0.20	0.00	0.00	0.00	2.18
2	0.20	0.44	0.44	0.44	1.74
3	0.16	0.44	0.87	0.44	1.31
4	0.12	0.44	1.31	0.44	0.87
5	0.08	0.44	1.74	0.44	0.44
6	0.04	0.44	2.18	0.44	0.00

INTEREST ON WORKING CAPITAL LIMIT

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

RATE OF INTEREST	9.00%
-------------------------	--------------

YEAR	INT W/C	Increase w/ Cap	Increase Curr. Asse	Current Assets	Working Capital
1	0.30	3.39	5.21	5.21	3.39
2	0.35	0.51	0.51	5.72	3.90
3	0.40	0.51	0.51	6.23	4.41
4	0.40	0.00	0.00	6.23	4.41
5	0.40	0.00	0.00	6.23	4.41
6	0.40	0.00	0.00	6.23	4.41
7	0.40	0.00	0.00	6.23	4.41
8	0.40	0.00	0.00	6.23	4.41

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

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	1.20	3.06
2	Preliminary & Preoperative exp.	0.00	0.18	0.12	0.30
	Total	0.00	2.04	1.32	3.36

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	2.04	0.20	1.84
2nd	year	1.84	0.18	1.65
3rd	Year	1.65	0.17	1.49
4th	Year	1.49	0.15	1.34
5th	Year	1.34	0.13	1.21

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

6th	Year	1.21	0.12	1.09
7th	Year	1.09	0.11	0.98
8th	Year	0.98	0.10	0.88

Depreciation under WDV method

Misc. Fixed Assets

	Rate of depreciation		15%	
		Cost	Dep	WDV
1st	Year	1.32	0.20	1.12
2nd	Year	1.12	0.17	0.95
3rd	Year	0.95	0.14	0.81
4th	Year	0.81	0.12	0.69
5th	Year	0.69	0.10	0.58
6th	Year	0.58	0.09	0.50
7th	Year	0.50	0.07	0.42
8th	Year	0.42	0.06	0.36

Depreciation under WDV method

		<u>Building</u>	<u>P&M</u>	<u>M F A</u>	<u>Total</u>
	Rate of depreciation	6.25%	10%	15%	
1st	Year	0.00	0.20	0.20	0.40
2nd	Year	0.00	0.18	0.17	0.35
3rd	Year	0.00	0.17	0.14	0.31
4th	Year	0.00	0.15	0.12	0.27
5th	Year	0.00	0.13	0.10	0.24
6th	Year	0.00	0.12	0.09	0.21
7th	Year	0.00	0.11	0.07	0.18
8th	Year	0.00	0.10	0.06	0.16

Depreciation under SL Method

	Rate of depreciation	5.00%	15%	10%	Total
	Amount of depreciation	0.00	0.31	0.13	0.44

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

Projected Profitability Statement

The annual cost of sales and profitability during the first eight years of operation of the Unit 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	26.00	28.60	31.20	33.80	36.40	39.00	41.60	41.60
	A:								
1	Purchases	20.50	22.55	24.60	26.65	28.70	30.75	32.80	32.80
2	Salary & wages	1.56	1.72	1.87	2.03	2.18	2.34	2.50	2.50
3	Utilities	0.12	0.13	0.14	0.16	0.17	0.18	0.19	0.19
4	Repairs & Maintenance	0.06	0.09	0.12	0.15	0.15	0.18	0.18	0.18
5	Administrative expenses	0.13	0.14	0.16	0.17	0.18	0.20	0.21	0.21
6	Selling expenses	0.13	0.14	0.16	0.17	0.18	0.20	0.21	0.21
7	Total	22.50	24.78	27.05	29.33	31.57	33.84	36.09	36.09
8	Gross profit	3.50	3.82	4.15	4.48	4.83	5.16	5.51	5.51
	B: Financial expenses								
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	0.30	0.35	0.40	0.40	0.40	0.40	0.40	0.40
3	Depreciation (SLM)	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
4	Total	0.94	0.99	0.99	0.95	0.91	0.87	0.83	0.83
5	Profit before tax	2.56	2.84	3.16	3.52	3.92	4.28	4.68	4.68
6	Taxation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Profit after tax	2.56	2.84	3.16	3.52	3.92	4.28	4.68	4.68
8	Withdrawals	0.00	0.00	0.00	0.50	1.00	1.00	2.00	2.00
9	Profit carried to B/S	2.56	2.84	3.16	3.02	2.92	3.28	2.68	2.68
10	Cumulative profit	2.56	5.40	8.56	11.58	14.50	17.78	20.46	23.13
11	Add back depreciation	0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
12	Total cash surplus	3.00	5.84	8.99	12.02	14.93	18.22	20.89	23.57
	C: Less payment								
1	Term Loan	0.00	0.44	0.44	0.44	0.44	0.44	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	0.44	0.44	0.94	1.44	1.44	2.00	2.00
4	Net Cash accruals	3.00	5.40	8.56	11.08	13.50	16.78	18.89	21.57

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

PAY BACK PERIOD

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

<u>Year</u>	<u>CFAT</u>	<u>Cumulative Cash inflow</u>	
1st	3.00		3.00
2nd	3.28		6.28
3rd	3.60		9.87
4th	3.96		13.83
5th	4.36		18.19
6th	4.72		22.91
7th	5.12		28.02
8th	5.12		33.14
<u>2 year</u>	<u>±</u>	<u>8</u>	<u>Months</u>

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

DETAILED DEBT SERVICE COVERAGE:

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

<u>S.no</u>	<u>Particulars</u>		<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>	<u>5th</u>	<u>6th</u>
<u>A</u>	<u>Source of funds</u>							
1	Profit after tax		2.56	2.84	3.16	3.52	3.92	4.28
2	Depreciation		0.44	0.44	0.44	0.44	0.44	0.44
3	Interest on term loan		0.20	0.20	0.16	0.12	0.08	0.04
	Total A		3.19	3.47	3.75	4.08	4.43	4.76
<u>B</u>	<u>Disposition of funds</u>							
4	Repayment of term loan		0.00	0.44	0.44	0.44	0.44	0.44
	Total B (3+4)		0.20	0.63	0.59	0.55	0.51	0.48
C	Debt service coverage ratio		16.28	5.49	6.33	7.37	8.62	10.02
<u>D</u>	<u>Average DSCR</u>		<u>9.02</u>					

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

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	31.20	
B	<u>Variable cost</u>		
1	Raw material	24.60	
2	Utilities	0.14	
3	Selling expenses	0.16	
4	Interest on WCL	0.40	
	Total	25.30	
C	Contribution (A-B)	5.90	
D	<u>Semi-variable/ fixed costs</u>		
1	Salary & wages	1.87	
2	Repairs & maintenance	0.12	
3	Administrative expenses	0.16	
4	Interest on term loan	0.16	
5	Depreciation	0.44	
	Total	2.75	
	B. E. P.	%	46.51

PROJECTED CASH FLOW STATEMENT

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

S.no	Particulars	Const period	1st	2nd	3rd	4th	5th	6th	7th	8th
	Capacity utilization (%)		50.00	55.00	60.00	65.00	70.00	75.00	80.00	80.00
A	Source of funds									
1	Profit before interest, tax but after depn.		3.06	3.39	3.71	4.04	4.39	4.72	5.07	5.07
2	Depreciation		0.44	0.44	0.44	0.44	0.44	0.44	0.44	0.44
3	Increase in Share Capital	3.00								
4	Increase in Term loan	2.18								
5	Increase in WCL		3.39	0.51	0.51	0.00	0.00	0.00	0.00	0.00
	Total (A)	5.18	6.88	4.34	4.66	4.48	4.83	5.16	5.51	5.51
B	Application of funds									
1	Capital expenditure	3.36								
2	Prelim / Pre-operative expenses									
3	Increase in current assets		5.21	0.51	0.51	0.00	0.00	0.00	0.00	0.00
4	Decrease in term loan		0.00	0.44	0.44	0.44	0.44	0.44	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		0.30	0.35	0.40	0.40	0.40	0.40	0.40	0.40
6	Taxation		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7	Withdrawal		0.00	0.00	0.00	0.50	1.00	1.00	2.00	2.00
	Total (B)	3.36	5.71	1.49	1.50	1.45	1.91	1.87	2.40	2.40
C	Opening Balance		1.82	3.00	5.84	9.00	12.02	14.94	18.23	21.34
D	Net Surplus	1.82	1.18	2.84	3.16	3.02	2.92	3.28	3.12	3.12
E	Closing Balance	1.82	3.00	5.84	9.00	12.02	14.94	18.23	21.34	24.46

J & K ENTREPRENEURSHIP DEVELOPMENT INSTITUTE (JKEDI)

www.jkedi.org

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
A:	<u>Liabilities</u>								
1	Seed Capital		3.00	3.00	3.00	3.00	3.00	3.00	3.00
2	Reserves & Surplus		2.56	5.40	8.56	11.58	14.50	17.78	20.46
3	Term Loan		2.18	1.74	1.31	0.87	0.44	0.00	0.00
4	WCL		3.39	3.90	4.41	4.41	4.41	4.41	4.41
	Total		11.13	14.04	17.27	19.86	22.34	25.19	27.87
B:	<u>Assets</u>								
1	Gross Block		3.36	2.92	2.48	2.05	1.61	1.17	0.73
2	Depreciation		0.44	0.44	0.44	0.44	0.44	0.44	0.44
3	Net Block		2.92	2.48	2.05	1.61	1.17	0.73	0.29
4	Current Assets		5.21	5.72	6.23	6.23	6.23	6.23	6.23
5	Cash and bank balance		3.00	5.84	9.00	12.02	14.94	18.23	21.34
	Total		11.13	14.04	17.27	19.86	22.34	25.19	27.87