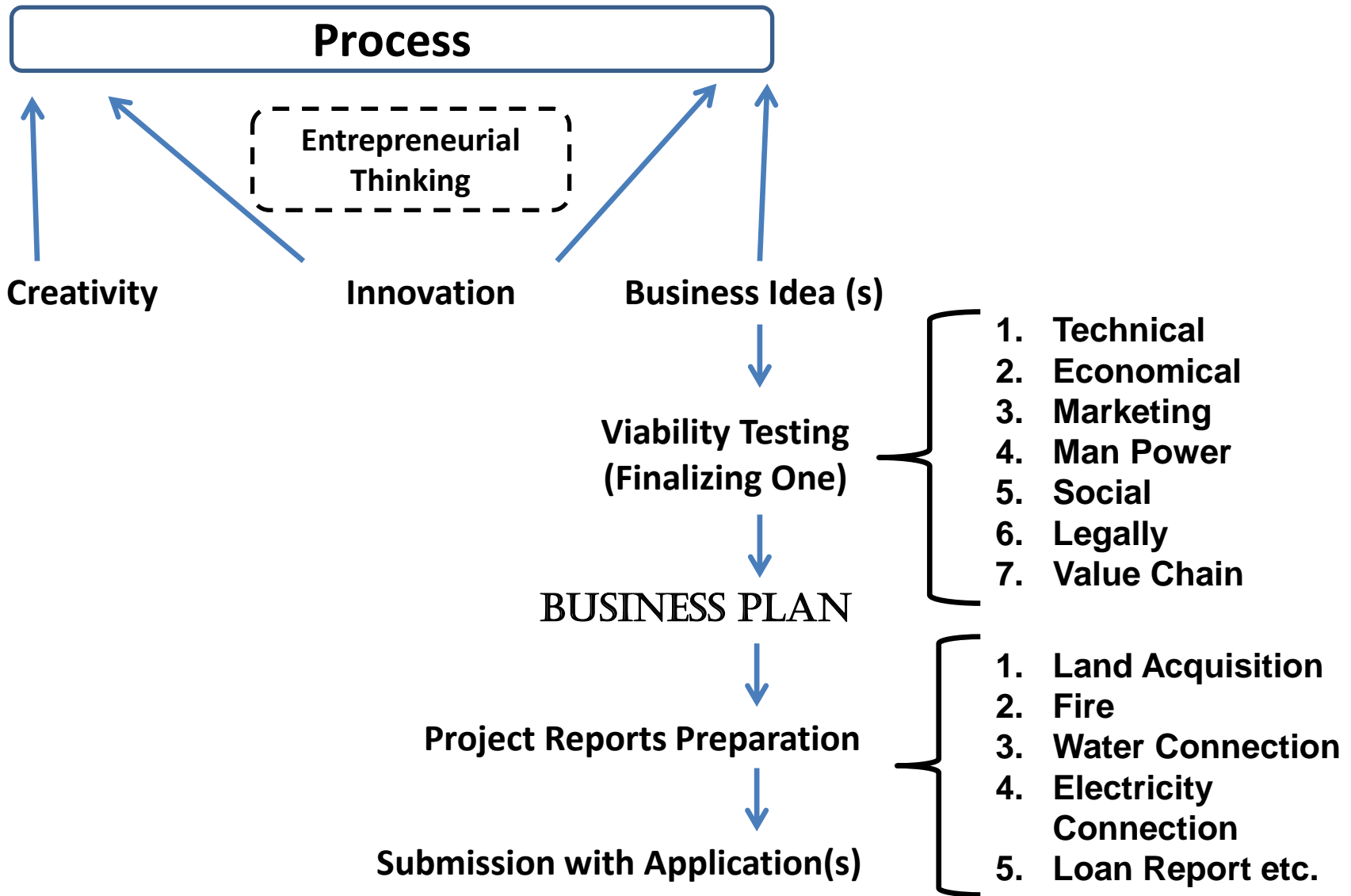


# Project Report Preparation

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**IGDTUW Anveshan Foundation**  
**INDIRA GANDHI DELHI TECHNICAL UNIVERSITY FOR WOMEN**



## **Contents of a Project Report**

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- B. Fund Flow Statements**
- C. Balance Sheets**
- D. Ratios**

### **Notes**

## 1. PROJECT AT A GLANCE, PROJECT COST AND MEANS OF FINANCING

1. Name of the Promoter	:	<b>You</b>
2. Qualification of the Promoter	:	B.E./ MBA or any program
3. Name of Proposed Unit	:	XYZ Electronics Private Limited
4. Corresponding Address	:	***** Greater Noida
5. Telephone Numbers	:	(0120) *****
6. Constitution	:	Proposed Private Limited
7. Products to be manufactured	:	Electronic Educational Kits Research-based Electronics Goods Power Sensing and Controlling Equipments
8. Capital Cost of Project	:	<i>(in Lacs)</i>
Land	:	9.00
Building	:	8.50
Machinery	:	4.00
Other Fixed Assets	:	1.50
<i>Capital Cost</i>	:	<i>23.00</i>
Working Capital Reqd.:	:	2.80
<b>Total Cost of Project</b>	:	<b>25.80</b>

9. Means of Financing (in lacs)

Promoter's Capital	:	09.80
Long term Loan	:	14.00
Short term Loan	:	02.00
<i>Debt Equity Ratio</i>	:	<i>1.63:1</i>

**Total amount** : **25.80**

10. Details of Working Capital Reqd.

<b>Particulars</b>	<b>Period (in days)</b>	<b>Amount (in Rs.)</b>
Raw Materials & Consumable	60	2,04,000.00
Monthly Wages and Salaries	30	46,000.00
Power and Fuel (Power Bill)	30	5150.00
Monthly Repairs & Maintenance	30	3000.00
Monthly Administrative Exps	30	10,000.00
Other Misc. Expenses	30	10,500.00
Total amount:		2,78,650.00

*Say Rs. 2.80 lacs.*

## **2. NATURE OF PROJECT**

### **Electronic Educational Kits**

*(write-up)*

### **Research-based Electronics Goods**

*(write-up)*

### **Power Sensing and Controlling Equipments**

*(write-up)*

### **3. PAST EXPERIENCE AND BACKGROUND OF THE PROMOTER** (details of all the promoters)

**Name of the Promoter :**

**Aadhaar Card Number :**

**Cibil Score :**

**Father's Name :**

**Residential Address :**

**Telephone Numbers :**

**Fax Number :**

**Email ID :**

**Qualification :**

**Institution Membership :**

**Experience :**

**Future Plans :**

## **4. QUALITY STANDARDS**

## **5. MARKET PROSPECTS AND TIE UPS**

## **6. RAW MATERIALS, MANPOWER AND UTILITIES**

### **6.1 Raw Materials**

The basic materials required in manufacturing these electronics items are as follows,

Various ICs

Diodes, Transistors, MOSFETs, SCRs

Passive components like resistor, capacitor and inductors.

Coke, coils, wires, buses

Display driver, screen and units

Relays, Division multipliers, Slope and Slab detectors

Heat sinks, temperature, pressure controllers

Soldering tin and flux

Amplifiers, speakers, paper walls and timers

Piezo, Quartzes, vibrator and oscillators

Metallic and Wooden Cabinet

*All these items are generally readily available in the market.* 8



## 6.2 Manpower Requirements

Duties	Admin. (Nos)	Technical (Nos)	Total monthly Salary (Rs)	Annual Salary/ Wages (Rs)
Managerial	01	--	8000	96,000
Supervisory	--	02	4500	1,08,000
Skilled	01	03	2500	1,20,000
Semi Skilled	01	01	2200	52,800
Unskilled	02	--	1600	38,400
<i>Total Rs.</i>				4,15,200
<i>Add benefits @ 33% of Total Rs.</i>				1,37,016
<b>Grand Total for Salary &amp; Wages (with benefits) in Rs.</b>				<b>5,52,216</b>

## 6.3 Utilities

### Power

The firm shall be running a power load of 6 kW (7.5 HP) through U.P.P.C.L.

The firm shall purchase a Generator set as a stand by arrangement.

### Water

Drinking water is required only for day to day consumption.

Keeping in view of the employment on an average 5-6 Kl water on monthly basis would be required.

## 7. DETAILS OF LAND COST

Financial aspects for 200 Sq. meters.

<u>Particulars</u>	<u>Total Area of PlotRate</u>		<u>Amount (Rs.)</u>
200 Sq.m.	200	4000	8,00,000.00
Add registration charges @12.5 %			1,00,000.00
Add other charges			2000.00
		<u>Total</u>	<u>9,02,000.00</u>
			<i>Say 9.0 lacs.</i>

## 8. DETAILS OF BUILDING COVERING AREA AND ITS COST

Particulars	Nature of construction	Total Covered Area (60%)	Rate (per sq.mtr)	Amount (in Rs.)
<b>Ground Floor (120 Sq.mtr.)</b>				
Working hall	First Class brick work with cement, mortar, RCC roofing, Column, Plain roofing wall plaster, Iron doors and Windows	90.00	3000.00	2,70,000.00
Raw Material Store		15.00	3000.00	45,000.00
Finished Goods Store		15.00	3000.00	45,000.00
<b>First Floor (100 Sq.mtrs)</b>				
Administrative Office	Same as Ground Floor	50.00	2800.00	1,40,000.00
Packing Department		50.00	2800.00	1,40,000.00
<b>Second Floor (50 Sq.mtrs)</b>				
Tool Room	Second Class Construction	15.00	2200.00	33,000.00
Toilet		10.00	2200.00	22,000.00
Guard Room		30.00	2200.00	44,000.00
<b>Total</b>				<b>7,39,000.00</b>
Boundary Wall	Simple Construction			1,00,000.00
Main Gate	Iron fabricated			10,000.00
<b>Grand Total</b>				<b>8,49,000.00</b>

## 9. DETAILS OF EXISTING AND PROPOSED MACHINERY

### 9.1 Proposed Machinery

<b>Particulars</b>	<b>Qty. (in Nos.)</b>	<b>Rate</b>	<b>Amount (in Rs.)</b>
<b>Computer (for DTP)</b>	<b>01</b>	<b>15,000</b>	<b>15,000</b>
<b>Computer (for Designing)</b>	<b>02</b>	<b>25,000</b>	<b>50,000</b>
<b>PLC unit</b>	<b>01</b>	<b>90,000</b>	<b>90,000</b>
<b>Software for designing (CADD)</b>	<b>01</b>	<b>1,60000</b>	<b>1,60000</b>
<b>CRO, dual trace (for Waveform)</b>	<b>01</b>	<b>17,000</b>	<b>17,000</b>
<b>Frequency Generator Sinusoidal, Square, Triangular</b>	<b>02</b>	<b>5,000</b>	<b>10,000</b>
<b>Transformer winding machine and complete unit</b>	<b>01</b>	<b>12,000</b>	<b>12,000</b>
<b>PCB Unit, UV machine, dryer, etcher, driller</b>	<b>01</b>	<b>40,000</b>	<b>40,000</b>
<b>Soldering, pasting and testing equipments</b>	<b>as required</b>	<b>5,000</b>	<b>5,000</b>
<b>Boxes and other necessities</b>	<b>as required</b>	<b>5,000</b>	<b>5,000</b>
<b>Total</b>			<b>4,04,000</b>

*Depreciation @ 15 % = Rs. 60,000.00*

## 9.2 Other Assets

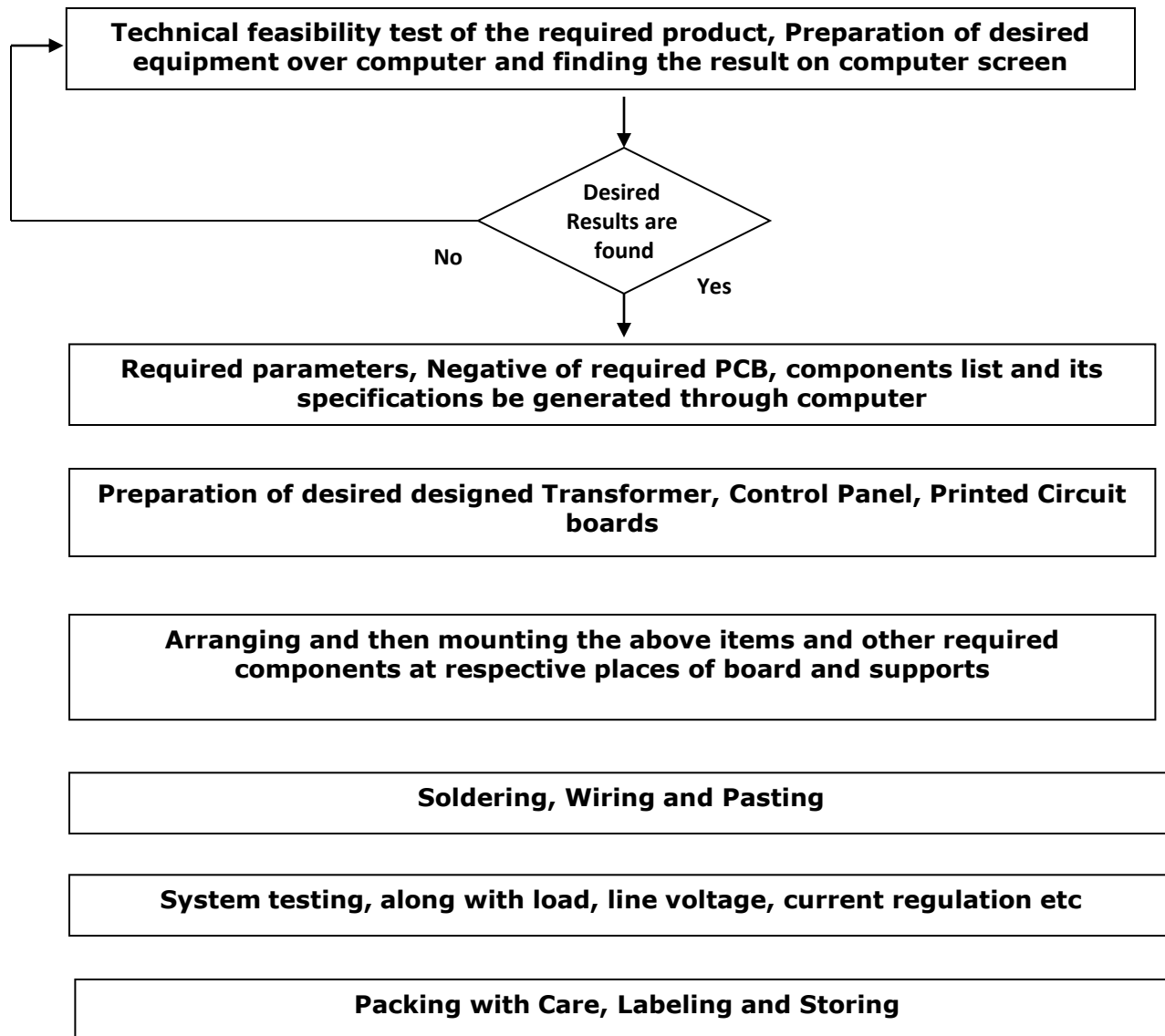
<b>Particulars</b>	<b>Amount (in Rs.)</b>
<b>Fire Fighting System</b>	<b>20,000</b>
<b>Furniture and Fixtures</b>	<b>50,000</b>
<b>Electric Fitting</b>	<b>30,000</b>
<b>Generator</b>	<b>50,000</b>
<b>Total</b>	<b>1,50,000</b>

*Depreciation @ 10 % = Rs. 15,000.00*

## 10. MANUFACTURING PROCESS

Details (add annexure, if required)

## 11. PROCESS FLOW CHART



## 12. IMPLEMENTATION SCHEDULE

<u>Activity</u>	<u>Start</u>	<u>Finish</u>
Possession of Land after execution of legal documents	0th Week	3rd Week
Commencement & Completion of Building construction	7th Week	40th Week
Plant & Machinery and its Delivery (New)	38th Week	40th Week
Commencement of trail to commercial Production	41st Week	44th Week

## 13. Break Even Point

**Installed Capacity:** is the Maximum capacity of the Plant (Units of production)  
**Capacity Utilized i.e. Utilized capacity:** actually produced in particular time frame.

**Note:**

- a) If Installed capacity is 100 % (say), utilized capacity is x % (varying each month)
- b) Utilized capacity depends upon BEP
- c) BEP is shown in percentage of capacity utilized
- d) High BEP means high risk
- e) Ideal BEP is between 20 to 30 percentage

<i>A general perception</i>	I	II	III	IV	V
<b>Capacity Installed</b>	50000	50000	50000	50000	50000
<b>Capacity Utilized</b>	65 %	70 %	80 %	85 %	90 %
<b>Profit</b>	3.0 %	3.5 %	4.5 %	5.0 %	5.5 %

**Important Note:**

- a) If Profit is in negative, business is in loss.
- b) If Profit is ZERO, Capacity Utilization is known as BEP
- c) Entrepreneur and banker both want to get BEP at earliest utilization therefore
- d) If BEP (as explained above) is less, business is less risky.



## 14. PROFITABILITY STATEMENTS

	Amount (in Lacs)
<b>Annual Sales</b>	36.00
(of various kits, equipments and units)	
An avg. of Rs. 3 lacs per month.	
<b>Less: Cost of production</b>	
Raw Materials	12.24
Power	00.62
Wages	05.53
Repairs & Maintenance	00.36
Other Administrative Exps.	01.20
Other Misc. Exps.	01.25
<b>Total cost of production</b>	21.20
Gross Profit:	14.80
Less: Administrative, Selling & Financial Exps	
Interest on term loans (75%)	01.40
Interest on W.C. loan	00.25
Total:	01.65
Less: Depreciation	
Factory Building (10%)	00.85
Plant & Machinery (15%)	00.60
Other Assets (10%)	00.15
Total	01.60
Profit Before Taxation	<b>10.75</b>
Provision for Taxation	04.25
Profit after tax	06.50
Drawing	02.00
Retained Profits	<b>04.50</b>

## **15. STATEMENT OF IMMOVABLE AND MOVABLE PROPERTIES OF PROMOTERS**

**(Your Net Worth, Promoter (s) of the unit)**

***Market Value  
(in Lacs)***

### **Immovable Assets**

- 1. Properties**

### **Movable Assets**

- 1. Bank Balance and FDRs**
- 2. Personal Assets**
- 3. Vehicles (Cars)**

### **Loans**

***If any***

**Net Worth**

## **Annexure**

A. Working Capital

B. Fund Flow Statement(s)

C. Balance Sheet(s)

D. Important Ratios

## **Cash flow statement (Previously fund flow statement)**

Fund flow may include non-cash items, whereas, cash flow only has cash items.

Cash flow includes cash inflows and outflows – cash receipts and cash payments during a period.

A cash flow statement is a statement which portrays the changes in cash position between two accounting periods.

It helps in taking short term financial decisions and also in the preparation of cash budget for the next year.

**Just about inflow, outflow and net surplus.**

## Capital—Fixed, Working

### Fixed

Plot

Plant

Building

Machinery

Fixed Assets

Other Misc.

### Working Capital

Raw Materials & Consumable

Monthly wages and salaries

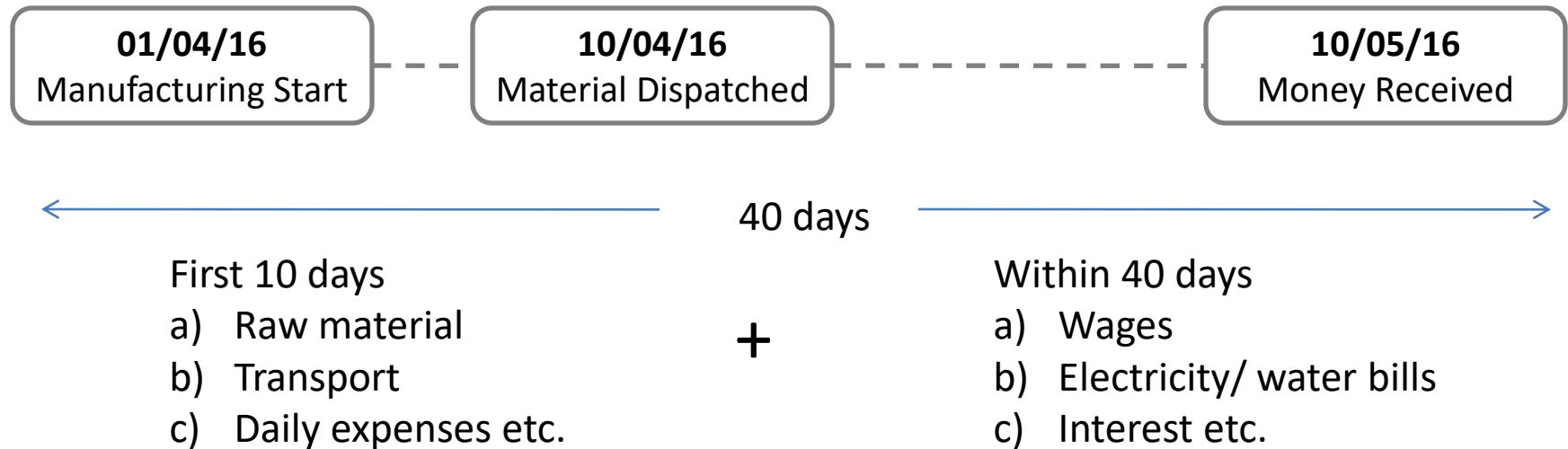
Power and Fuel

Monthly Repairs and Maintenance

Monthly Administrative Expenses

Other Misc. Expenses

## Working Capital



Now, say working capital required is Rs. 5 lacs (0.50 equity + 4.50 debt)  
Rs. 4.5 lacs is taken from bank with 14 % interest rate  
Amount is deposited with CC (Cash Credit account), cash credit limit 4.5 lacs

When the amount will be deposited and if amount is higher than 4.5 lacs, extra account will be transferred to the current account.

CC Limit may be increased or decrease depending upon the performance.

## *Important note*

### **'Amortization'**

The paying off of debt with a **fixed repayment schedule** in **regular installments over a period of time**.

### **'Amortization Schedule' (Principal – Interest – No. of returns)**

A complete table of periodic blended loan payments, showing the **amount of principal** and the **amount of interest** that comprise each payment so that the loan will be paid off at the end of its term. While each **periodic payment** is the same, early in the schedule, the majority of each periodic payment is interest.

The percentage of each payment that goes **toward interest diminishes a bit** with each payment, and the percentage that goes toward **principal increases**.

The last line of the schedule shows the borrower's total interest and principal payments for the entire loan term.

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## Profit and Loss Account

- i. Shows the flow of sales and costs over a period
- ii. Shows the level of profit or loss made
- iii. Shows what has been done with the profit or loss

Sales Revenue		
- Cost of Goods Sold		
= Gross Profit		
- Expenses: Wages		
Marketing		
Accountant		
Loan Interest		
= Total Expenses		
= Net Profit		

## Concept of Balance Sheet

The balance sheet equation is usually stated as:

$$\text{Assets} = \text{Debt (liabilities)} + \text{Equity}$$

*(uses of finance = sources of finance)*

### Assets

Cash at bank	881
Deferred charges	176
Receivables	973
Inventory	1,589
<i>Fixed assets:</i>	
Investments	213
Tangible assets	1,988
Intangible assets	943
<b>Total</b>	<b><u>6,763</u></b>

### Liabilities and equity

Trade payables	359
Debt	1,500
Provisions	520
<i>Equity</i>	
Ordinary stock	2,455
Reserves	982
Retained profit	947
<b>Total</b>	<b><u>6,763</u></b>

## Ratio Analysis

Balance Sheet Ratio	P&L Ratio or Income/Revenue Statement Ratio	Balance Sheet and Profit & Loss Ratio
Financial Ratio	Operating Ratio	Composite Ratio
Current Ratio Quick Asset Ratio Proprietary Ratio Debt Equity Ratio	Gross Profit Ratio Operating Ratio Expense Ratio Net profit Ratio Stock Turnover Ratio	Fixed Asset Turnover Ratio, Return on Total Resources Ratio, Return on Own Funds Ratio, Earning per Share Ratio, Debtors' Turnover Ratio

Bank is interested in 1) Current Ratio 2) Debt equity ratio 3) Gross Profit Ratio  
 4) Net Profit Ratio 5) Return on Investment and 5) DSCR Debt Service Coverage Ratio

**CURRENT RATIO** : It is the relationship between the current assets and current liabilities of a concern.

$$\text{Current Ratio} = \text{Current Assets} / \text{Current Liabilities}$$

*If the Current Assets and Current Liabilities of a concern are Rs.4,00,000 and Rs.2,00,000 respectively, then the Current Ratio will be :  $\text{Rs.4,00,000} / \text{Rs.2,00,000} = 2 : 1$*

**The ideal Current Ratio preferred by Banks is 1.33 : 1**

**DEBT EQUITY RATIO** : It is the relationship between borrower's fund (Debt) and Owner's Capital (Equity).

**GROSS PROFIT RATIO** : By comparing Gross Profit percentage to Net Sales we can arrive at the Gross Profit Ratio which indicates the manufacturing efficiency as well as the pricing policy of the concern.

$$\text{Gross Profit Ratio} = (\text{Gross Profit} / \text{Net Sales}) \times 100$$

**NET PROFIT RATIO** :

$$\text{Net Profit Ratio} = (\text{Net Profit} / \text{Net Sales}) \times 100$$

**DEBT SERVICE COVERAGE RATIO** : This ratio is one of the most important one which indicates the ability of an enterprise to meet its liabilities by way of payment of installments of Term Loans and Interest thereon from out of the cash accruals and forms the basis for fixation of the repayment schedule in respect of the Term Loans raised for a project. *(The Ideal DSCR Ratio is considered to be 2 i.e. double to the repayment to Bank)*

**Part I = PAT + Depreciation + Annual Interest on Long Term Loans & Liabilities**

**Part II = Annual interest on Long Term Loans & Liabilities + Annual Installments payable on Long Term Loans & Liabilities**

	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year	4 <sup>th</sup> year	5 <sup>th</sup> year
<b>Part I</b>					
Profit after tax	12.62	20.57	25.74	30.81	33.14
Depreciation added back	4.44	3.77	3.20	2.72	2.31
interest on loan	10.71	10.55	10.37	10.17	9.95
<b>Total</b>	<b>27.77</b>	<b>34.89</b>	<b>39.31</b>	<b>43.70</b>	<b>45.39</b>
<b>Part II</b>					
Repayment obligations					
(i) Principal repayment	4.41	4.41	4.41	4.41	4.41
(ii) Interest on loan	10.71	10.55	10.37	10.17	9.95
<b>Total</b>	<b>15.12</b>	<b>14.96</b>	<b>14.78</b>	<b>14.58</b>	<b>14.36</b>
<b>Debt Service Ratio (Part1 : Part 2)</b>	<b>1.84</b>	<b>2.33</b>	<b>2.66</b>	<b>3.00</b>	<b>3.16</b>

*Wish You the BEST for Your Entrepreneurial Journey*

## **Dr. V K Arora**

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**Trainer, Mentor, Advisor  
Entrepreneurship, Startups and Venture Development**