

UNIT: 4
Project Development & Implementation

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| NAME | TOTAL MARKS | |
| CLASS | SUBJECT | 1 |
| ROLL NO. | DATE | |

* Project: Meaning:

Project is an Idea or a plan conceived by an entrepreneur to Achieve a Specific business objective, to earn profit.

* Gillinger Defines project "As the whole complex of Activities involved in using Resources to Gain benefits.

* Features of Project:

1. Project has clear & Specific objectives
2. Project has time limit
3. It is a Team Work
4. It has Uniqueness
5. It has Uncertainty
6. It is a Single entity
7. It has Elements of Risk.
8. It has life Cycle.

* Objectives of a Project:

- 1] To determine specific objectives
- 2] To estimate Cost & expenditure
- 3] To estimate production, Sales & Revenue.
- 4] To organise Resources & its Utilisation
- 5] To enhance profit & Wealth
- 6] To determine Sources of Capital
- 7] To determine Viability of the Venture

* Importance of project:

1. It helps in Increasing the production & employment
2. It helps for Economic Development
3. It helps to Increase the National Income
4. It helps for Future Activities of the Enterprise
5. It helps for Development of Infrastructure

* Guidelines for preparing Project Report

1. General Information.
2. Preliminary Analysis.
3. Project Description
4. Marketing plan.
5. Capital Requirement & Costs.
6. Assessment of Working Capital Requirement
7. Financial Analysis.
8. Economic Analysis
9. Project Implementation
10. Miscellaneous Aspects.

* Significance of Project Report

1. It serves as Master plan.
2. It Describes Direction.
3. It foresees Requirements
4. It Shows Feasibility
5. It Indicates profitability
6. It helps in Decision making
7. It Paves ways for Financial Assistance.
8. It ensures Survival.

* PROJECT APPRAISAL:

It is an Critical Assessment of the project, critical examination & Analytical evaluation of the project from Different Angles

* Aspects of Project Appraisal:

1. Economic
2. Technical
3. Market
4. Financial
5. Managerial
6. Social
7. Ecological.

* Classification of Projects:

- 1] Quantifiable & Non Quantifiable.
- 2] Sectorial.
- 3] Techno Economic
- 4] Classification by FI's
- 5] Service Projects.

* Project life Cycle: (3)

- 1] Pre Investment stage
- 2] Construction Stage.
- 3] Normalisation Stage.

→ PROJECT IDENTIFICATION:

Project Identification is concerned with the collection, compilation & Analysis of economic Data for the eventual purpose of locating possible opportunities for Investment.

* Steps in Project Identification

- 1] Conceiving Project Idea.
- 2] Choosing the Right line of Business
- 3] Opportunity Seeking
- 4] Decision making Process

→ PROJECT FORMULATION:

It is a process whereby an entrepreneur makes an objective & Independent assessment of various aspects of an Investment proposition of a project Idea for determining its Total Impact & also its liability.

* Stages or steps in Project Formulation

- 1] Feasibility Analysis.
- 2] Techno Economic Analysis.
- 3] Project Design & Network Analysis.
- 4] Input Analysis.
- 5] Financial Analysis.
- 6] Cost Benefit Analysis.
- 7] Pre Investment Analysis.

* PROJECT REPORT:

It is a written statement of what an entrepreneur proposes to Takeup.
 PR refers to a business plan of an entrepreneur that proposes to take up a particular Venture.

* Contents of Project Report:

1. Introduction
2. Need
3. Nature of Unit
4. Promoters
5. Description of the Product
6. Location
7. Plant & machinery
8. Land & building
9. Raw materials.
10. Transport & Communication
11. Manpower & Technical Skill.
12. Requirement of Working Capital.
13. Mode of Finance.
14. Profitability Analysis
15. Schedule of Implementation.

Project appraisal report
approve those projects that are not only economically viable and profitable but also
that contribute towards social welfare and development of the society.

MODEL PROJECT REPORT

A) Bio Data of Unit and Enterprise

1. SARASWATI PUBLICATIONS

2. Production and Publication of Text Books

3. Location : Factory : Industrial Estate, GADAG
Office : Udaynagar
Ist Cross, GADAG

4. Type of Ownership : Partnership

5. Date of Establishment : July 2005

6. Name and address of ^{owner} Managing Partner) : Miss Laxmi Saraswati
Udayanagar, Ist Cross
GADAG.

7. Qualification : M.Com

8. Experience : 07 years

B) Details of Project Report

| I. Fixed Assets | Cost (Rs.) |
|-----------------------|------------------|
| Land | 5,00,000 |
| Building | 15,00,000 |
| Plant & Machiner | 25,00,000 |
| Furniture and Fixture | 5,00,000 |
| Total | 50,00,000 |

| | | |
|------------------------|---------------|------------------|
| Less : a) Depreciation | 5,00,000 | |
| b) Interest | 4,50,000 | |
| c) tax | <u>50,000</u> | <u>10,00,000</u> |
| Net Profit | | <u>15,00,000</u> |

F. Return on Capital Employed (ROCE) - 30%
 $15,00,000 / 50,00,000$

G. Loan Repayment Schedule :
 Rs. 5,00,000 p.a. towards instalment and interest for 10 years.

| | | |
|-----------------------|------------|---------------|
| H. Security | : Type | Amount |
| a) Assets | : Building | Rs. 50,00,000 |
| b) Personal Guarantee | : - | Rs. 10,00,000 |

Marketing Strategy

DECLARATION

Regions

I / We certify that all information given by us is true and correct. As disclosed in the report, the venture has better prospects, kindly consider the proposal of the project.

Date :

Place :

Enclosures :

1. Photo Copies of Audited Balance Sheets, Financial Statements, Registration Certificate etc.

II. Current Assets (Average Working Capital)

| | | |
|-------------------------------|----------|------------------|
| 1. Stock | | |
| a) Raw Material | 5,00,000 | 10,00,000 |
| b) Work in Progress | 3,00,000 | |
| c) Finished Goods | 2,00,000 | |
| 2. Man Power / Labour | | |
| a) Unskilled | | |
| Rs. 5,000 p.m. × 10 = | 1,00,000 | |
| b) Semi Skilled | | |
| Rs. 10,000 pm × 5 = | 50,000 | |
| c) Skilled | | |
| Rs. 25,000 pm. × 2 = | 50,000 | |
| for one year | | 2,00,000 |
| 3. Over heads <i>Expenses</i> | | |
| Electricity | 1,00,000 | |
| Oil & Lubricants | 50,000 | |
| Administrative Expenses | 50,000 | |
| Selling and Distributor | 2,00,000 | 4,00,000 |
| Total | | 16,00,000 |

| C. Total Costs of Project | Amount |
|-------------------------------------|------------------|
| 1. Fixed Assets | 50,00,000 |
| 2. Current Assets / Working Capital | 16,00,000 |
| Total | 66,00,000 |

| D. Source of Investment | Amount |
|-------------------------|------------------|
| 1. Owners Investment | 20,00,000 |
| 2. Term Loan | 30,00,000 |
| 3. Current liabilities | 16,00,000 |
| Total | 66,00,000 |

| E. Project Profitability Analysis | | Amount |
|-----------------------------------|---------------------------|-----------|
| S.No. | Particulars | 40,00,000 |
| 1. | Sales | |
| | Less : Expenses | 6,00,000 |
| | a) Manufacturing | 3,00,000 |
| | b) Administrative | 6,00,000 |
| | c) Selling & Distributors | 15,00,000 |
| | Gross Profit <i>N/P</i> | 25,00,000 |

Unit: V Financing of SSI's.

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Finance: can be defined as provision of Cash & Credit

* → Financing: It means raising of adequate finance and investment of finance in proper Assets without allowing for shortage of Capital.

* Need of Financial Assistance.

- 1] Limitation of Capacity.
- 2] Rural & Semi-Urban Background
- 3] Organisation Structure.
- 4] Economic Development
- 5] Encouragement to Tradition & Culture
- 6] Reduce pressure on Urban Centres.
- 7] Curtail over Dependence on Agriculture.
- 8] Finance is life blood of Business.

* Types of Assistance.

- 1] Investment in Fixed Assets
- 2] Investment in Current Assets

* Sources of SSI Finance.

- A] Short Term
- B] Long Term
- C] Medium.

* Institutional & Non Institutional Finance to SSI

- 1] State Finance Corporation [SFC]
- 2] Small Industries Development Bank of India [SIDBI]
- 3] Industrial Development Bank of India [IDBI]
- 4] National Small Industries Corporation [NSIC]

- VI] Non Banking Financial Companies [NBFC]
- VII] Commercial Banks.

* Sickness in SSIs

Industrial Sickness usually refers to a situation when an industrial firm performs poorly, incurs losses for several years and often defaults in its debt repayment obligations.

→ An industry is referred as sick when it cannot make adequate profits & it is unable to pay its liabilities.

→ Definition:

According to RBI, A sick unit is that which has incurred a Cash loss for one year and is likely to continue incurring losses for the current year as well as in the following year.

* Symptoms of Industrial Sickness:

- 1] Low Current Ratio
- 2] High Cost of Capital.
- 3] Huge stock
- 4] Default in payment of loans & Interest
- 5] Operating below Break even point
- 6] Decrease in Working Capital
- 7] Frequent breakdowns in plants & equipments
- 8] Weak financial position.

* Cause for Industrial Sickness:

I] Internal Causes:

- 1] Wrong Selection of project (Plant location)
- 2] Improper Utilisation of funds.
- 3] In appropriate plant & Machinery
- 4] Excessive Investment
- 5] Under Utilisation of Capacity
- 6] Marketing problems [Market Research]
- 7] Outdated Technology.
- 8] low wage & Salaries.
- 9] Lack of managerial Experience & Poor management
- 10] Lack of Research & Development
- 11] Problems of Raw materials
- 12] Bad Labour Relations.

* External Causes

- 1] Power Cut
- 2] Shortage of Raw materials.
- 3] Competition
- 4] Government Policies.
- 5] Lack of Infrastructure facility
- 6] Credit Control.
- 7] Excessive Taxation Policy.
- 8] Non-availability of Skilled labour
- 9] Frequent Industrial strike & Labour Unrest
- 10] Extraneous factors.

* Effects & Causes of Industrial Sickness:

- 1] loss of Employment
- 2] Industrial Unrest
- 3] Wastage of Resources.
- 4] Adverse Effect on Investors.
- 5] Burden or loss to Financial Institutions.
- 6] Loss of Revenue to Government

* Remedial Measures.

- 1] Sick Industry policy [1978]
- 2] Sick Industries Companies Act [1985]
- 3] RBI
- 4] ICI
- 5] Industrial Reconstruction Bank of India.
- 6] Single Window Scheme.
- 7] Board for Industrial & Financial Reconstruction
- 8] Excise loan to Sick units.