

Preparation of Business plan... Project Report...

- Whenever any organisation / firm approaches any Bank / Financial Institution (FI) for any assistance they need to present their strengths in an acceptable manner. They need to submit entire data of the organisation to the Bank / FIs. Every time, it is not possible to present in person, the organisation's view / requirement and justification to all the persons / officials involved in the process. Thus, the project report plays a vital role in the process of accessing financial assistance by interacting with the Banks / FIs. In short, the purpose of project report is that it should talk and clear all the doubts about the organisation in accessing the financial assistance from any Bank / FIs.
- The Project report should be justifiable and near to reality. It should be based on reality only but not on theory. Further, the most effective project report is the report which is prepared / comes from the experience / research of the key person (Proprietor / Partner(s) / Directors etc.). It is expected that the key person knows everything about the unit, process and anticipate future of the unit. Therefore, he / she should be able to justify what was written in the project report.
- Please remember, each Bank / Financial Institution has its own set of rules and guidelines for processing the proposals. Further, each project is unique (even if, these are of same activity) and it depends on promoter's ability in,
 - ◆ raising the required margin (their contribution),
 - ◆ borrowing at fine interest rates,
 - ◆ providing security,
 - ◆ executing the project,
 - ◆ generating adequate revenue,
 - ◆ meeting any unforeseen developments,

Therefore, any two projects cannot be compared. Thus, each project is treated separately and will be judged independently.

- Each Bank / Financial Institutions may have different formats for project reports. However, the contents are more or less same for almost all banks / financial institutes. This article is aimed at providing an overview of the project report. These are some of the important points normally, one should cover while preparing a project report. There may be additions / deletions to the points mentioned here.

- What should be written in a project report? and how it should be presented?
 - Generally, the project report should contain a Cover page, Index / Content page, Executive Summary and Detailed Project report section.
 - ◆ The Executive summary will contain all the important points / factors in a project report in brief.
 - ◆ The detailed project report will contain all the details like, details of the enterprise, constitution of the firm, activity, availability of market, the USPs of the firm, financial details etc.

- Some of the areas to be mentioned in the proposed Project report and the suggested format are:

Index

S No	Content	Page Nos
1	Executive Summary	
2	Detailed Project report	
3	Introduction	
4	Profile of the unit	
5	Details of the Key person(s)	
6	About the activity, USP of the unit etc.	
7	Production details	
8	Cost of project and means of finance	
9	Ability to raise the margin / contribution	
10	Financial calculations / projections	
11	Assessment of limits (Working Capital / Term Loan / Non-Fund based limits etc.)	
10	Manufacturing, Trading, Profit & Loss Accounts, Balance Sheet	
12	Key Indicators	
13	Conclusion	

Executive Summary

- In this section present briefly about the project and the requirement. This section should be brief and cover important points briefly.
- This is the summary of the entire project report. The purpose of this section is that, instead of reading the entire report, if, one goes through this section one should understand everything about the unit.
- Some will compile this section once the detailed part is completed and some will compile this first and elaborate those points in the detailed section / main report. Either of these methods can be adopted.
- Please remember, your project report should contain information on
 - All the required permissions
 - Management capabilities of the key person (s)
 - Financial strength of the key person(s) / promoters
 - Operational advantages
 - Industry outlook
 - Credit history of the key person (s) / Promoters / Directors etc

Detailed Project Report

1. Introduction:

- In this section, talk about the unit, who is proposing to start / if it is an existing unit how long it is in existence, constitution of the firm products / service they deal in etc to be mentioned here. This is introduction part only.

2. Profile of the unit {Company (Public /Private) / Partnership / Proprietorship}:

1. Name of the Firm:
2. Type of Organisation: (Proprietor / Partnership / Company etc...)
3. Established on:
4. Address:
5. Activity location:
6. List of permissions / approvals

3. Personal Details (Proprietor/Partners/Directors/Key Persons):

- ✓ Name:
- ✓ Age: Date of Birth:
- ✓ PAN No:
- ✓ Educational Qualifications:
- ✓ Other qualifications (if any)
- ✓ Past employment / occupation if any:

4. Family Details:

- This is important especially in case of family concern, i.e. proprietorship / partnership among family members / other family members are directly / indirectly associated with the activity of the applicant etc.

5. About the activity, unit's capability /strengths / marketing capability/ Availability funds etc to be mentioned here.

- This section is important section of the report. This will contain all vital information of the unit.

- Some of the points to be covered are:

1. What is the activity of the unit?
2. Who are the customers of the product?
3. What is the available market for the product? Scope for expansion of market? (how many villages / persons can cover what is their purchasing power etc.)
4. Existing Competition (How many units of such type are in existence in the market, what is the demand for that product, what is the demand-supply gap etc.
5. Marketing strategy (how the unit plans to market? if possible, compare with existing units.)
6. Experience of the key person(s) implementing the project and his / her capabilities
7. Production process
8. Technical expertise of key person or hired persons
9. Availability of technical people, funds, Technical arrangements etc.
10. Total Project Cost, Margin, Required funds from Bank.
11. Capital to be raised and sources of capital.

12. Collateral security

13. Required permissions / Approval their present status (Obtained or not etc.)

6. Production workings:

● This should as per the line of activity of the unit. Some of the basic things / indicators that should be mentioned are as below). However, these may vary from unit to unit.

1. Number of working days per month
2. Annual working days
3. Installed capacity (per day)
4. Operating capacity (per day)
5. No. of working hours per day
6. No. of shifts required to be operated
7. No. of employees required per shift
8. Total no. of employees required
9. Input costs per day
10. Sales value per day

Capacity Utilisation:

Particulars	Year 1	Year 2	Year 3
Installed capacity			
Utilisation			
Proposed Out put			
Actual output			

7. Cost of project and Means of Finance:

- In this section talk about the requirement of funds and your contribution (margin). Talk about each facility i.e., Working Capital, Term Loan(s), Non-Fund Based limits etc

<u>Cost of project:</u>		
S. No	Particulars	Cost
1	Land & Building	
2	Plant & Machinery	
3	Other deposits (statutory etc)	
4	Working capital required	
	TOTAL	

<u>Means of finance:</u>			
S. No	Particulars	Already raised	Yet to
1	Proprietor/ Partner's etc contribution		
2	Bank loan (Term Loan)		
3	Working Capital required.		
	TOTAL		

8. Proprietor / Partner's etc. capability in raising the contribution:

- In this section talk about the ability of the proprietor / Partners/ Directors etc. ability in generating the capital, their margin.

9. Financial calculations:

- This section should present the financials. It should contain all the financial details (of past, if the unit is an existing one, if it is a new unit then the projections). Wherever required, justification may be added.
- If the unit is approaching for a term loan then, the projections should be for a period till the proposed loan is repaid in full.
- If the unit approaching for a working capital, then normally for next two years projections should be assessed.
- Normally, the following points should be covered:

9.1. Raw material (RM) purchases:

S No	Particulars	Year 1	Year 2	Year 3
1	Required RM in nos.			
2	Opening stock			
3	Purchases			
4	Less: closing stock			
5	Net			
6	Rate per no.			
7	Total purchase cost			

<u>Sales revenue:</u>				
1	Opening stock			
2	Less: Closing stock			
3	Sales			
4	Rate per no.			
5	Total sales revenue			
6	Other income (if any)			
	TOTAL Income			

9.2 Power (Electricity) and fuel

S No	Particulars	Year 1	Year 2	Year 3
1	Permitted capacity			
2	Utilized capacity			
3	Rate per unit			
4	Total Power expenses			
5	Other exp (fuel etc, if any)			
	TOTAL Power Expenses			

9.3 Labour and wages:

S No	Particulars	Year 1	Year 2	Year 3
1	No. of persons			
2	Details (technical, labour, marketing etc)			
3	Salary			
4	Total Labour and Wages			

9.4 Repairs, maintenance and other manufacturing expenses:

S No	Particulars	Year 1	Year 2	Year 3

Depreciation:

S No	Particulars	Year 1	Year 2	Year 3
1	Building			
	Dep @			
	WDV			

2	Plant & Machinery			
	Dep @			
	WDV			
3				

9.5 Bank Interest:

Term Loan

Particulars	Year 1	Year 2	Year 3
Opening Balance			
Addition			
Interest @			
Repayment			
Closing Balance			

Working capital

Particulars	Year 1	Year 2	Year 3
Interest @			
Others if any			
Total Interest expenses			

9.6 Sales and administrative expenses:

S No	Particulars	Year 1	Year 2	Year 3
1	Advertisement			
2	Audit & legal fee			
3	Insurance			
4	Stationery & printing			
5	Telephone			
6	Travelling exp			
7	Other expenses			
	TOTAL			

9.7 Assessment of Working capital:

- Assess the working capital requirements in this section.

9.8 List of machinery required

- This section is required if the unit is proposing to purchase any fixed assets by availing a Term Loan. Write the details of the machinery / fixed assets to be acquired. Normally, the details should include,

1. Name of the machine
2. Make and other details
3. Supplier name
4. Quotation details and cost

Total Cost:

9.9. Calculation of Debt Service Coverage ratio, if, proposing any term loans)

- In this section explain about Debt Service Coverage Ratio. This needs to be explained only when you are going for a Term Loan

10. Consolidated Manufacturing, Trading, Profit and Loss and Balance Sheets

- Here in this section write the consolidated accounts (projected)

11. Key indicators (financial indicators derived from projections ex: Current ratio, DSCR etc...):

- In this section mention the key indicators of the financial performance of the unit.

12. Conclusion:

- Finally conclude with a positive note in this section.
