

Project Appraisal

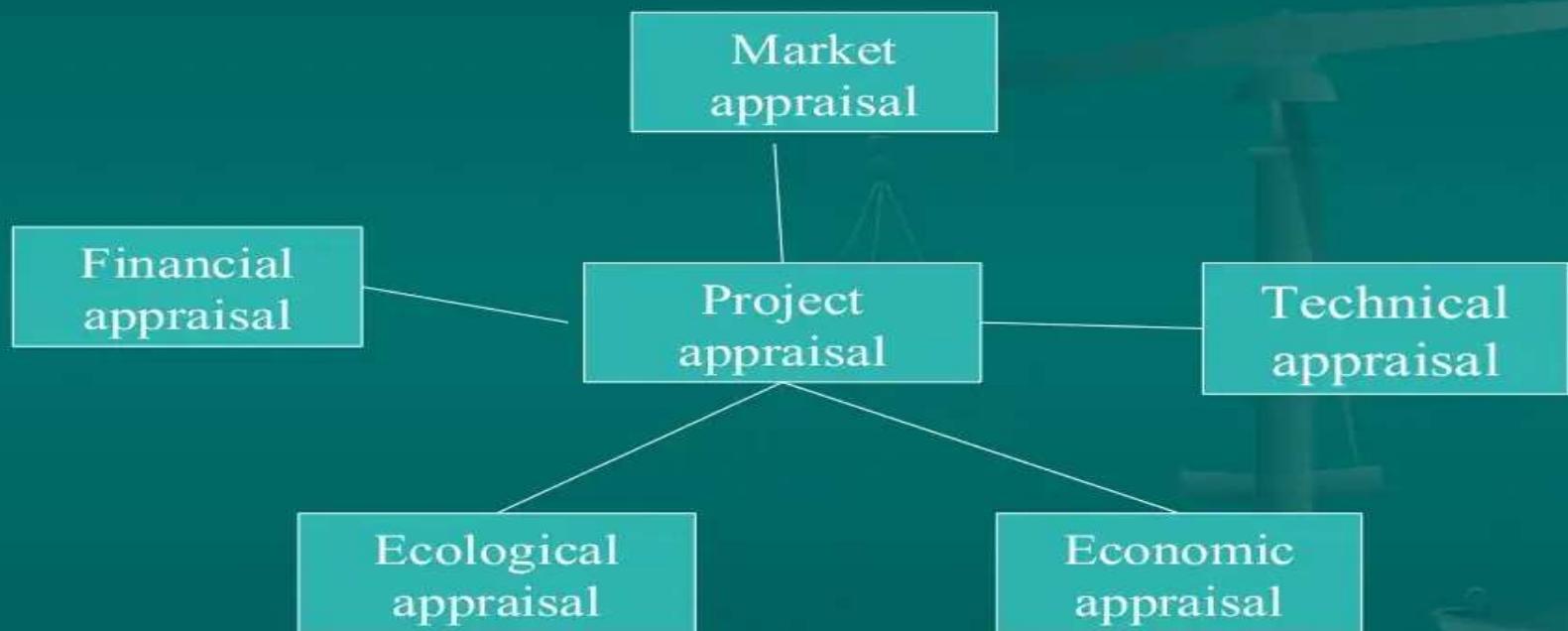
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Definition

- Pre investment analysis of a project with a view to determining the overall feasibility and measures its investment worth which provides a comprehensive review /assessment of all aspects of project that lays the foundation for implementation and evaluation when it is completed.

ASPECTS OF PROJECT APPRAISAL



Market appraisal

It is one of the major areas of introducing of any products in market . In that case , must be considered this things before launching in a market.

- What would be the aggregate demand of the proposed product or service?
- What would be the market share of the project under appraisal?

Market appraisal (Issues)

- Past and current demand trends
- Past and current supply position
- Production possibilities and constraints
- Imports and exports
- Nature of competition
- Cost structure
- Elasticity of demand

Market appraisal (Issues contd.)

- Consumer behavior
 - motivation, attitudes,
 - preferences, requirements
- Distribution channels
 - marketing policies

Technical appraisal

- Whether prerequisites for the success of project considered ?
- Good choices with regard to location , size, process, machines etc.

Technical appraisal (Issues)

- Preliminary tests and studies
- Availability of raw materials, power and other inputs
- Optimal scale of operations
- Choice of suitable production process
- Choice of appropriate machines and equipment
- Effluents and waste disposal

Technical appraisal (Issues contd.)

- Proper layout of plant and buildings
- Realistic work schedules
- Socially acceptable technology

Economic appraisal

- Social cost –benefit analysis
- Impact on level of savings and investments in society
- Impact on fulfilment of national goals
 - Self sufficiency
 - Employment
 - Social order

Ecological appraisal

- Impact of project on quality of
 - ✓ Air
 - ✓ Water
 - ✓ Noise
 - ✓ Vegetation
 - ✓ Human life

Ecological appraisal (contd)

- Major projects such as these cause environmental damage
 - Power plants
 - Irrigation schemes
 - Industries like leather processing, chemicals etc.
- Likely damage & the cost of restoration

Financial appraisal

- Whether the project is financially viable ?
 - ❖ Servicing debt
 - ❖ Meeting return expectations
- Investment and phasing of the total cost
- Means of financing
- Break even point
- Cash flows in the project

Financial appraisal (contd)

- Investment worthwhile ?
 - Net present value
 - Internal rate of return
 - Pay back period
- Level of risk

LIMITATIONS OF THE PROJECT APPRAISAL

- Quality of project analysis depends on the quality of data and forecast made about costs and benefits. Over-estimation of benefits and underestimation of costs is quite common to get the project approved.
- In view of the uncertainty about the future it is impossible to quantify completely the risks.
- It is a useful device where benefits can be quantified.
- Project analysis is useful when there is a definite starting and finishing points.

Conclusion

- A project feasibility report includes
 - Market and demand analysis
 - Technical analysis
 - Financial analysis
 - Socio economic analysis
 - Ecological analysis
- This analysis helps the decision maker in making the right choice of the project.

thank you

again!