

“A detailed project report (DPR) is drawn up based on the data and results obtained from the varied detailed studies. The DPR is not very much different from a feasibility report; the difference is only in respect of detail and degree of accuracy. DPR is generally prepared from a feasibility report with additional information: (a) deviations, if any, from feasibility report, (b) physical topographical information, (c) rates for various cost estimations, (d) guarantees from concerned authorities for the supply of power, water, etc., (e) estimates covering all aspects of a project in sufficient detail, (f) general — import duty rates, insurance, freight, etc. The preparation of the DPR is the final and most important stage of pre-investment phase of the project.”

INTRODUCTION

Soon after the identification of a project and its implementation, the project report is formulated after examining various relevant aspects. Usually, the entrepreneur gets a project report prepared before a project or investment is undertaken. That project report prepared before a project of investment is undertaken. That project report assesses the demand of the proposed product to be produced, works out the costs of investment as well as operational costs and thus estimates the expected profitability of the proposed investment. It is on this basis that not only the entrepreneur takes his decision on whether to proceed on the proposed project, but also financial backers, banks and state departments involved in the project base their decisions on the ways and the extent to which the help should be provided. If the entrepreneur has to go to the money market to raise some risk capital for his venture, the project report may serve as his main instrument in convincing the investors about the profitability of his venture.

In fact, the state financing and nationalised banks in India over the years have been insisting on first getting such a project report from the entrepreneur before taking any action on his application for financial and other support. This strategy has been in operation for several decades. However, the number of the closing down of comparatively new businesses, and the emergence of large number of ‘sick’ mills give a cause of concern about the strategies adopted at the time of project appraisal. These issues not only adversely affect the involved entrepreneurs, but also the financing institutions. Thus it is not only a serious setback to the budding entrepreneurs of a newly developing country; it wastes the scarce investable funds of the nation, and as the banks have to break-even, this situation hikes up the real interest rate in the economy, making development costly.

A Project Report

A project report incorporating relevant data in respect of a project serves as a guide to management and records merits and demerits in allocating resources to production of specific goods or services. A project report is prepared for analysing the extent of opportunities in the contemplated project.

A project report is prepared by an expert after detailed study and analysis of the various aspects of a project. It gives a complete analysis of the inputs and outputs of the project. It enables the entrepreneur to understand, at the initial stage, whether the project is sound on technical, commercial, financial and economic parameters.

Parties Interested in Project Report

Financial institutions and commercial bankers are the interested parties in the project report which is prepared for direct submission to financial corporations, banks for getting loans. It does not contribute substantially to future operations.

The entrepreneur gets the report prepared by a consultant. As such, these parties providing term loans go for the report because it spells out how production should be organised to yield maximum results.

Scope of a Project Report

Project report includes information on the following aspects:

1. *Economic Aspects:* The project report should be able to present economic justification for investment. It should present analysis of the market for the product to be manufactured. Market analysis basically pertains to the following issues: (a) How big is the present market? (b) How much is it likely to grow? (c) How much of the future market the proposed project can capture after allowing a margin for future entrants? It provides an analysis of the economics of production.
2. *Technical Aspects:* The appropriate report should give details about the technology needed, equipments and machinery required and the sources of availability.
3. *Financial Aspects:* The report should indicate the total investment required including sources of finance and the entrepreneur's contribution. It should present a comparison of cost of capital with the return on capital.
4. *Production Aspects:* It should contain a description of the product selected for manufacture and the reasons for such selection. The report should also bring out the fact whether the product is exportworthy. It should also give details of the design of the product.
5. *Managerial Aspects:* The report should contain qualifications and experience of the persons to be put on the management of the job. If the entrepreneur will look after management, the report must emphasise as to how he is qualified to manage the venture.

Feasibility Reports Setting

A feasibility report or a project report of a new enterprise or of an expansion provides, in general, primary economic information, financial data and technical details which serve a finite number of discrete economic processes or cost structures of the industry concerned. Here, the economic processes are defined as combinations of vectors of material inputs and fuels (distinguished by supplying sectors), labour (by types and skills), capital (by types of function and capacities of categories), permitting different levels of output with varying costs of production but subject to the constraint of industrial capacities of the enterprise. The "*industrial profile*" is a similar document which also presents a brief history and technical descriptions of processes in terms of technical inputs coefficients for small-scale or medium or large-scale manufacturers. Given these details, an entrepreneur is concerned with the local market prices and relative prices of substitutes and complements as to guide decision-making for sales and purchases; and to enable to compute and check for profitability (social or private) of the enterprise expansion or of a new plant.

A researcher is, however, concerned with the computation of input, capital and labour vectors, based on the generally available contents of the project report. Further, he examines from the report three aspects: (i) Preparation of a number of possible alternative solutions to attain a production target; (ii) Comparison of the alternatives and final selection of them; (iii) Implementation of the project and scope for economies of scale.

A number of possible alternative solutions of attaining a production target is the result of studying available production techniques, of which choice for the best, singly or in combination can be made. For comparison of alternative solutions among a number of feasible alternatives to the project, a criterion has to be chosen to achieve substantial rate of return with a unique solution, sufficiently profitable to justify the decision to carry on the enterprise. However, the search for such a choice depends on a number of studies of the individual projects or of their combinations.

Tabular data which would appear in the feasibility reports and be of considerable use for estimation and refinement, of input-output coefficients, capital coefficients and labour coefficients vectors of the different processes or sectors are available for reference in Fig. 21.1.

The feasibility report should contain the following details: (a) promoter(s) of the project, (b) product(s) of the project, (c) the level of output, (d) the raw materials used and the sources of supply, (e) the technical production method selected and the location of the plant, (f) the total cost of the project (in local currency and foreign currencies), (g) the proposed method of financing (proportions of the various sources of capital) and legal structure of the future enterprise, (h) the unit cost of the manufacture compared to those at FOB or CIF prices, (i) the size of the market (and the expected trading profits), (j) the effects of the projects on the economy, public finances and the labour market, (k) the existence of the market: trend of demand, the structure of competing firms and the proposed methods of distribution, trends in imports, exports, income, prices, local producers etc., (l) possibility of producing at reasonable cost, alternative methods and brief reasons for selecting, (m) initial costs and costs of conversion: (i) investment costs and (ii) operating costs, (n) commercial profitability to ensure repayment of loans and a return on capital investment, (o) general information.

Contents of a Project Report

The following are the contents of a project report:

1. Objective and scope of the report.
2. Product characteristics (specifications, product uses and application, standards and quality).
3. Market position and trends (installed capacity, production and anticipated demand, export prospects and information on import and export, price structure and trends).
4. Raw materials (requirement of raw materials, prices, sources and properties of raw materials).
5. Manufacture (processes of manufacture, selection of process, production schedule and production technique).
6. Plant and Machinery (equipments and machinery, instruments, laboratory equipments, electric load and water supply and the essential infrastructure).
7. Land and building (requirement of land area, building, construction schedule).
8. Financial implications (fixed and working capital investment, project cost and profitability).
9. Marketing channels (trading practices and marketing strategy).
10. Personnel (requirements of staff, labour and expenses on wage payment).

The project report is prepared for submission to the financial institutions for the grant of land and other financial concessions. An entrepreneur can himself prepare the report, otherwise assistance from experts can be sought. There are several organisations which help entrepreneurs in the preparation of reports. The Small Industries Service Institute (SISI) and Small Industries Development Organisation (SIDO) help the entrepreneur in this regard. State Government also help the entrepreneur in matters of financial assistance towards this end.

Importance of a Project Report

Project report is of great importance. It highlights the practicability of a project in terms of different factors like economy, finance, technology and social desirability. It is needed by the entrepreneur for carrying out expansion or starting a new production line. These may be carried on by individuals like engineers and scientists, bankers or institutions, consultancy services and development banks.

An important aspect of the report lies in determining the profitability of the project and minimising risks in the execution of the project.

Proforma of a Project Report

We give here a proforma of the Project report.

Proforma for a Project Scheme for the Manufacture of

Title/Name of the firm

1. Introduction

- (a) Scope
- (b) Product (give specification, viz., ISS/BSS/ASS)
- (c) Process
- (d) Marketability
- (e) Location
- (f) Sources of finance/repayment schedule.

2. Scheme

- | | |
|---|---|
| (a) Land and Buildings:
(owned/rented or leased) | ₹ |
| (b) Machinery and Equipment
(give detailed specification/capacity/imported or indigenous). For imported machine allowances (for duty on imported items, dock clearance charges, freight and insurance and local freight) | ₹ |
| Total: | ₹ |
| (c) Testing Equipment | ₹ |
| (d) Other fixed investments: | |
| (i) Packing and forwarding charges | ₹ |
| (ii) Electrification and installation charges | ₹ |
| (iii) Cost of tools/jigs/fixtures | ₹ |
| (iv) Cost of office equipment | ₹ |
| (e) Total Non-recurring expenditure (a) + (b) + (c) + (d) | ₹ |
| (f) Staff and Labour: | ₹ |
| (i) Indirect labour nos. and wages/p.m. | ₹ |
| (ii) Direct labour nos. and wages/p.m. | ₹ |
| Total salaries p.m. [(i) + (ii)] | ₹ |
| (g) Raw Materials and Consumables:
(Per month on single shift basis with specifications) | ₹ |
| (i) Indigenous | ₹ |
| (ii) Imported | ₹ |
| Total: | ₹ |
| (h) Other items of expenditure:
(Per month on a single shift basis) | ₹ |
| (i) Power and water charges | ₹ |
| (ii) Advertising and travelling | ₹ |
| (iii) Transport | ₹ |
| (iv) Commission to distributors/agents | ₹ |
| (i) Total recurring expenditure: (f) + (g) + (h) | ₹ |
| (j) Working capital for 3 months $3 \times$ recurring expenditure | ₹ |
| (k) Total Investment required: | |

- (i) Non-recurring expenditure
- (ii) Working capital for 3 months

Total:

₹
₹
₹

(l) Total Cost of Production:

- (i) Total recurring expenditure
- (ii) Depreciation on machinery and equipment
- (iii) Depreciation on building
- (iv) Maintenance charges
- (v) Interest on total investment
- (vi) Welfare for staff
- (vii) Office stationery and postage, etc.

Total:

₹
₹
₹
₹
₹
₹
₹

(m) Profit and Loss Account:

- (i) By sale of... (qty.) of ... @
ex-factory exclusive of applicable taxes
- (ii) Cost of production (1)
- (iii) Profit (i) – (ii) Approx. percentage of the total
Capital employed

Total:

₹
₹
₹
₹
₹

3. Profitability and Projections

(generally for about 5 to 10 years)

Phase of activity

Profitability of phases

4. Infrastructure

- (i) Locational advantage
- (ii) Availability of material/power/water/labour
- (iii) Government policy

₹

Break-Even Point

- (i) Fixed Costs:
(Executive salaries/depreciation/rent/interest
on investment and administration costs)
- (ii) Variable costs (direct labour/direct material/income-tax/
commission and administration costs)

₹

₹

Item of Cost

Fixed +

Variable

Total

Materials

₹

₹

₹

Labour

₹

₹

₹

Other Expenditure

₹

₹

₹

$$Q = \frac{F}{P - V}$$

Where Q = Break-even Quantity

F = Fixed Cost

V = Variable Cost per unit

P = Sales Price per unit

5. Names and Addresses of Suppliers

- (i) Raw Materials
- (ii) Machinery and Equipment

6. Remarks

Seal and Date

(Signature of the Consultant)

Project profile is a plan which enables a new entrepreneur to choose a suitable line of manufacture.

An entrepreneur usually finds it difficult to prepare this report due to heavy consultancy charges. In such circumstances, a project profile which is in the form of blueprints of different business ventures come to his rescue. It gives full information about the business opportunity of different projects.

Proforma of a Project Profile on a small printing press is given below:

Product Introduction

A printing press can be started as a small business. The demand for job printing is increasing rapidly as the publicity through advertisements in papers, cartons, pamphlets and booklets is needed in marketing of almost every product.

The various educational institutions and other establishments also require printing facilities.

Process of Printing

The following is the process of printing:

- (i) The material to be printed is first of all composed by the compositor.
- (ii) The composed material is then fed into the printing machine and impression are got on the paper by mechanical operation of the printing press.

Accommodation Required

Floor Space

$65 \times 16 = 1040$ square feet

Machinery and Equipment

The following machinery and equipments are required for a printing press:

- | | |
|---|---|
| (i) Chandeller type printing press (17" × 22") | ₹ |
| (ii) 2 H.P. Motor 3 Phase = 1 | ₹ |
| (iii) Rubber Roller = 1 | ₹ |
| (iv) Paper Cutting machine (42") = 1 | ₹ |
| (v) Proof Press (Roller) = 1 | ₹ |
| (vi) Types, spacing materials, stars, monograms, etc. | ₹ |
| (vii) Wooden type cases, racks, galleys, etc. | ₹ |
| (viii) Type = 100 Kgs. | ₹ |

Manpower Required

- | | |
|--------------|---|
| Supervisor 1 | ₹ |
| Compositor 1 | ₹ |
| Machinemen 1 | ₹ |
| Helper 1 | ₹ |

Raw Materials

- | | |
|-----------------|---|
| (i) Papers | ₹ |
| (ii) Cards | ₹ |
| (iii) Inks | ₹ |
| (iv) Gums, etc. | ₹ |

Investment

- (i) Machinery and Equipment
- (ii) Working Capital for 3 months
- (iii) Total cost of production per year

₹
₹
₹

Total Production Per Year

- (i) Value
- (ii) Profit
- (iii) Rate of return

₹
₹
₹

A project profile specifies all the requirements such as raw materials, process of production, cost estimates, marketing facilities, expenditures which may be incurred if the industrial unit is to be established for operation. Project profiles can be prepared by different agencies. The Small Industries Development Organisation has been publishing model schemes on certain specific lines of production which provide immediate scope for development as small-scale industries as well as other enterprises.

CONCLUSION

The project report is the blue print of a project. The report strives to accomplish the vital task of providing a bird's-eye-view of project activity. The project report must contain the various detailed information which ultimately helps in the decision making process of whether or not to encourage the project conceived. The financial institutions insist upon such a project report in order to be sure about the feasibility of the project. Since the financial commitments would be huge in many cases, it is necessary that before they advance the money sufficient precaution should be taken or else it would result in a huge loss in case an unprofitable project is financed. Also they ascertain from the report the possibility of generation of funds by the project itself and whether or not it would be substantial enough to repay the amount advanced within the stipulated period also indicates the technical feasibility and on the proper verification of the information supplied, a conclusion can be drawn about the appropriateness of such feasibility. The report also indicates technical feasibility, economic and commercial viability, financial implications of the project and whether or not adequate managerial competence required for successful running of the enterprise is available. In short, the project report is the summary of varied activities of a project — a very vital document.