

COMPUTER TRAINING CENTRE



1.0 INTRODUCTION

Computers have changed complete global scenario of work and business. Today computers are widely used in every aspect of life. The computer software is divided into two groups, viz, System Software and Application Software. The system software is used for application development. The application software operates and interfaces with the system software. Application software has wide scope for development than system software.

Application software falls into two general categories - horizontal applications and vertical applications. Horizontal applications are the most popular and widespread in departments or companies. Vertical applications are niche products, designed for a particular type of business or division in a company.

1.1 Application software classification

There are many types of application software:

- An application suite consists of multiple applications bundled together. They usually have related functions, features, user interfaces and may be able to interact with each other, e.g. open each other's files. Business applications often come in suites, e.g. Microsoft Office, which bundle together a word processor, a spreadsheet, etc.; but suites exist for other purposes, e.g. graphics or music.
- Enterprise software addresses the needs of organization processes and data flow, often in a large distributed environment. (Examples include customer relationship management (CRM) systems and supply chain management software).
- Enterprise infrastructure software provides common capabilities needed to support enterprise software systems. (Examples include email servers, and systems for managing networks and security.)
- Information worker software lets users create and manage information, often for individual projects within a department, in contrast to enterprise management. Examples include resource management and documentation tools. Word processors, spreadsheets, email and blog clients, personal information system, and individual media editors may aid in multiple information worker tasks.
- Content access software is used primarily to access content without editing, but may include software that allows for content editing. Such software addresses the needs of individuals and groups to consume digital entertainment and published digital content. (Examples include media players and web browsers).
- Educational software is related to content access software, but has the content and/or features adapted for use in by educators or students. For example, it may deliver evaluations (tests), track progress through material, or include collaborative capabilities.
- Simulation software simulates physical or abstract systems for research, training or entertainment purposes.
- Media development software generates print and electronic media for others to consume, most often in a commercial or educational setting. This includes graphic-art software, desktop publishing software, multimedia

development software, HTML editors, digital-animation editors, digital audio and video composition and many others.

- Product engineering software is used in developing hardware and software products. This includes computer-aided design (CAD), computer language editing and compiling tools, etc.

The widely used application softwares are word processors, spreadsheets and databases. Word processors are now used in all modern offices as a tool for written communications. Software like spreadsheets has simplified the task of budgeting, financial analysis, forecasting, etc. The database software has revolutionised the data management of storing, organising and retrieving information from large source of data.

This project profile is for setting up of a Computer Training Institute for offering courses in common application softwares like word processors, spreadsheets, database management, etc with intake capacity of 15 students per batch.

2.0 MARKET POTENTIAL

Information processing has become one of the most significant industries in the world in recent years. In view of its tremendous potentialities for information processing, data management, design, production, management and other applications in business and offices, there is a growing need for trained work force in this area. As such, there is potential for setting up training centres to impart such skills.

3.0 COST OF THE PROJECT

The estimated project cost is given below.

Particulars	Amount (Rs lakh)
Land & Site Development	-
Building & Civil Works	1.10
Equipments	8.53
Misc. Fixed Assets	0.50
Preliminary & Pre-operative Expenses	0.47
Contingencies & Escalation @ 3%	0.30
Working Capital Margin	0.55
TOTAL	11.46

3.1 Land & Site Development: No cost has been considered for land & site development. It is assumed that the unit will be set up on a leased premise.

3.2 Building & Civil Works: The unit will be set up on a leased premise. Details of renovation works, etc is given below.

Particulars	Area (Sqm)	Rate (Rs)	Amount (Rs)
Renovation of premise	100	1000	100000
Add: Electrification, water supply, etc @ 10%			10000
TOTAL			110000
Say (Rs. in lacs)			1.10

3.3 Equipment : Details of equipment are given below.

Particulars	Quantity	Rate (Rs)	Amount (Rs)
Computer (Administrative)	2	35000	70000
Computer (Student Terminals)	15	35000	525000
Online UPS (2 kva)	1	20000	20000
Overhead Projector	1	40000	40000
Laser Printer	1	15000	15000
Computer Table & Chair	15	3000	45000
Softwares	LS	LS	50000
Miscellaneous items	LS	LS	10000
Sub-total			775000

Add: Transportation, installation, etc @ 10%	77500
TOTAL	852500
Say (Rs. in lacs)	8.53

3.4 Misc. Fixed Assets: Details of miscellaneous fixed assets are given below.

Particulars	Qty	Rate (Rs)	Amount (Rs)
Furniture & fixtures	LS	LS	20000
Electricity & phone connection	LS	LS	20000
Miscellaneous items	LS	LS	10000
TOTAL			50000
Say (Rs. in lacs)			0.50

3.5 Preliminary & Pre-operative Expenses: Details of preliminary & pre-operative expenses are given below.

Particulars	Amount (Rs lacs)
Travelling expenses	0.20
Professional & other fees	0.15
Interest during implementation	0.07
Miscellaneous expenses	0.05
TOTAL	0.47

3.6 Contingencies & Escalation: Contingencies & escalation has been assumed at 3% of the cost of building & civil works, equipments and miscellaneous fixed assets.

3.7 Working Capital: Details of working capital are given below.

	Period (Days)	Amount (Rs lacs)		
		Year 1	Year 2	Year 3
Consumables	30	0.02	0.02	0.02
Power	30	0.02	0.02	0.03
Lease Rent	30	0.10	0.10	0.10
Salary	30	0.41	0.42	0.42
Total		0.55	0.56	0.56
Working Capital Margin in Year 1 (100%)	0.55			

4.0 MEANS OF FINANCE

The means of finance for the project is estimated as below.

Particulars	Percent	Amount (Rs lacs)
EQUITY		
A. Equity from Promoters	40%	4.58
B. Subsidy from Central/State Govt.	-	
DEBT		
Term Loan from Banks/FIs	60%	6.87
TOTAL	100%	11.46

5.0 PROFITABILITY STATEMENT

(Rs. in lacs)

Particulars	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
A. INCOME					
Intake capacity (No. of enrolments/annum)	120	120	120	120	120
Capacity utilisation	60%	70%	80%	80%	80%
Total enrolment at capacity utilisation	72	84	96	96	96
Fee (Rs/student)	12000	12000	12000	12000	12000
Income from fees/annum	8.64	10.08	11.52	11.52	11.52
B. OPERATING EXPENSES					
Consumables	0.19	0.22	0.25	0.25	0.25
Power	0.24	0.28	0.32	0.32	0.32
Lease Rent	1.20	1.20	1.20	1.20	1.20
Salary	5.04	5.07	5.09	5.12	5.14
Repair & Maintenance	0.19	0.21	0.23	0.25	0.28
Selling Expenses	0.09	0.10	0.12	0.12	0.12
Miscellaneous Expenses	0.04	0.05	0.06	0.06	0.06
Total Operating Expenses	6.99	7.12	7.26	7.31	7.36
Less: Working expenses capitalised	0.55	0.00	0.00	0.00	0.00
Operating profit	2.20	2.96	4.26	4.21	4.16
C. FINANCIAL EXPENSES					
Depreciation	0.52	0.52	0.52	0.52	0.52
Interest on Term Loan	0.55	0.46	0.33	0.20	0.07
Net Profit	1.14	1.98	3.41	3.49	3.57
Net cash accruals	1.66	2.50	3.93	4.01	4.09
Principal Repayment	0.40	1.62	1.62	1.62	1.62

5.1 Intake Capacity: Total enrolment of students at installed capacity is estimated as below.

No. of students per batch (Nos)	15
Duration per batch (hrs)	2
Hrs per day	8
Course duration (days)	150
Days per annum	300
Total enrolment per annum at installed capacity (Nos)	120

5.2 Consumables: Expenses on consumables at installed capacity is estimated as below.

Particulars	Unit	Qty/annum	Rate (Rs)	Total (Rs)
Papers	Bundles	20	300	6000
Print Toner	Nos	5	4000	20000
Other consumables	LS	LS	LS	5000
Expenses on consumables per annum at installed capacity (Rs)				31000

5.3 Power: Expenses on power at installed capacity is estimated as below.

Particulars	Quantity	Power (Kw)	Total (Kw)	Hrs/day	kwh/day
Computers	17	0.16	2.72	8	21.76
UPS	1	0.20	0.20	24	4.80
Overhead Projector	1	0.36	0.36	1	0.36
Laser Printer	1	0.50	0.50	5	2.50

General Lighting	5	0.10	0.50	8	4.00
Total power requirement/day (Kwh)					33.42
Days/annum			300		
Rate per unit (Rs)			4.00		
Expenses on power per annum at installed capacity (Rs)			40104		

5.4 Lease Rent: Lease rent is assumed to be Rs 10,000/- per month.

5.5 Salary: Expenses on salary in the 1st year is estimated as given below. It is assumed that salary expenses will increase @ 0.5% every subsequent year.

Particulars of Employees	Numbers	Salary/Month (Rs)	Cost/annum (Rs)
Manager (Self)	-	-	-
Course Instructors	4	8000	384000
Administrative staff	2	3000	72000
Helpers	2	2000	48000
Expenses on salary in the 1st year (Rs)			504000

5.6 Repair & Maintenance: Expenses on repair & maintenance in the 1st year is estimated as given below. It is assumed that expenses on repair & maintenance will increase @ 10% every subsequent year.

Particulars	Cost (Rs)	Rate	Amount (Rs lacs)
Building & Civil Works	1.10	1%	0.01
Equipment	8.53	2%	0.17
Misc. Fixed Assets	0.50	2%	0.01
Expenses on repair & maintenance in year 1			0.19

5.7 Selling Expenses: Selling expenses has been assumed at 1% of sales.

5.8 Miscellaneous Expenses: Miscellaneous expenses have been assumed at 0.5% of sales.

5.9 Depreciation: Depreciation has been calculated by straight line method. The details of calculation are given below.

Description	Cost (Rs)	Rate	Amount/ annum (Rs lacs)
Building & Civil Works	1.10	3.34%	0.04
Equipment	8.53	5.28%	0.45
Misc. Fixed Assets	0.50	6.33%	0.03
TOTAL			0.52

5.10 Interest on Term Loan & Principal Repayment: Interest rate has been assumed at 8%. Duration of Loan repayment has been considered for a period of 5 years including moratorium period of 9 months with equal monthly instalments. The details of calculation are given below.

(Rs in lacs)						
Month	Year	1	2	3	4	5
Month 1	Opening balance	6.87	6.47	4.85	3.23	1.62
	Repayment	0.00	0.13	0.13	0.13	0.13
	Interest (8%)	0.05	0.04	0.03	0.02	0.01
	Closing balance	6.87	6.33	4.72	3.10	1.48
Month 2	Opening balance	6.87	6.33	4.72	3.10	1.48
	Repayment	0.00	0.13	0.13	0.13	0.13
	Interest	0.05	0.04	0.03	0.02	0.01
	Closing balance	6.87	6.20	4.58	2.97	1.35
Month 3	Opening balance	6.87	6.20	4.58	2.97	1.35

	Repayment	0.00	0.13	0.13	0.13	0.13
	Interest	0.05	0.04	0.03	0.02	0.01
	Closing balance	6.87	6.07	4.45	2.83	1.21
Month 4	Opening balance	6.87	6.07	4.45	2.83	1.21
	Repayment	0.00	0.13	0.13	0.13	0.13
	Interest	0.05	0.04	0.03	0.02	0.01
	Closing balance	6.87	5.93	4.31	2.70	1.08
Month 5	Opening balance	6.87	5.93	4.31	2.70	1.08
	Repayment	0.00	0.13	0.13	0.13	0.13
	Interest	0.05	0.04	0.03	0.02	0.01
	Closing balance	6.87	5.80	4.18	2.56	0.94
Month 6	Opening balance	6.87	5.80	4.18	2.56	0.94
	Repayment	0.00	0.13	0.13	0.13	0.13
	Interest	0.05	0.04	0.03	0.02	0.01
	Closing balance	6.87	5.66	4.04	2.43	0.81
Month 7	Opening balance	6.87	5.66	4.04	2.43	0.81
	Repayment	0.00	0.13	0.13	0.13	0.13
	Interest	0.05	0.04	0.03	0.02	0.01
	Closing balance	6.87	5.53	3.91	2.29	0.67
Month 8	Opening balance	6.87	5.53	3.91	2.29	0.67
	Repayment	0.00	0.13	0.13	0.13	0.13
	Interest	0.05	0.04	0.03	0.02	0.00
	Closing balance	6.87	5.39	3.77	2.16	0.54
Month 9	Opening balance	6.87	5.39	3.77	2.16	0.54
	Repayment	0.00	0.13	0.13	0.13	0.13
	Interest	0.05	0.04	0.03	0.01	0.00
	Closing balance	6.87	5.26	3.64	2.02	0.40
Month 10	Opening balance	6.87	5.26	3.64	2.02	0.40
	Repayment	0.13	0.13	0.13	0.13	0.13
	Interest	0.05	0.04	0.02	0.01	0.00
	Closing balance	6.74	5.12	3.50	1.89	0.27
Month 11	Opening balance	6.74	5.12	3.50	1.89	0.27
	Repayment	0.13	0.13	0.13	0.13	0.13
	Interest	0.04	0.03	0.02	0.01	0.00
	Closing balance	6.60	4.99	3.37	1.75	0.13
Month 12	Opening balance	6.60	4.99	3.37	1.75	0.13
	Repayment	0.13	0.13	0.13	0.13	0.13
	Interest	0.04	0.03	0.02	0.01	0.00
	Closing balance	6.47	4.85	3.23	1.62	0.00
Principal Repayment		0.40	1.62	1.62	1.62	1.62
Interest		0.55	0.46	0.33	0.20	0.07

6.0 DEBT SERVICE COVERAGE RATIO (DSCR)

(Rs. in lacs)

Year	1	2	3	4	5	Total
Profit After Tax (Net Profit)	1.14	1.98	3.41	3.49	3.57	
Depreciation	0.52	0.52	0.52	0.52	0.52	
Interest	0.55	0.46	0.33	0.20	0.07	
Total	2.20	2.96	4.26	4.21	4.16	17.79
Interest	0.55	0.46	0.33	0.20	0.07	
Loan repayment	0.40	1.62	1.62	1.62	1.62	
Total	0.95	2.08	1.95	1.82	1.69	8.48
DSCR	2.31	1.43	2.19	2.32	2.47	

Average DSCR = 2.10

7.0 BREAK EVEN POINT (BEP)

(Rs. in lacs)

Year	1	2	3
A. Net sales (Rs. lakh)	8.64	10.08	11.52
B. Variable cost			
Consumables	0.19	0.22	0.25
Power	0.24	0.28	0.32
Selling Expenses	0.09	0.10	0.12
Miscellaneous Expenses	0.04	0.05	0.06
Total variable cost	0.56	0.65	0.74
C. Contribution (A-B)	8.08	9.43	10.78
D. Fixed & Semi-fixed Costs			
Salary	5.04	5.07	5.09
Repair & maintenance	0.19	0.21	0.23
Interest on Term Loan	0.55	0.46	0.33
Depreciation	0.52	0.52	0.52
Total fixed cost	6.30	6.25	6.17
E. BREAK EVEN POINT	77.87%	66.27%	57.22%
F. BEP at operating capacity	46.72%	46.39%	45.77%
G. Cash BEP	42.87%	42.54%	41.92%

8.0 INTERNAL RATE OF RETURN (IRR)

(Rs. in lacs)

Year	0	1	2	3	4	5
CASH OUTFLOW						
Capital Expenditure	10.43	0.00	0.00	0.00	0.00	0.00
Working Capital	0.00	0.55	0.01	0.01	0.00	0.00
Total (A)	10.43	0.55	0.01	0.01	0.00	0.00
CASH INFLOW						
Profit After Tax		1.14	1.98	3.41	3.49	3.57
Add: Depreciation		0.52	0.52	0.52	0.52	0.52
Add: Interest		0.55	0.46	0.33	0.20	0.07
Add: Salvage Value						
Total (B)	0.00	2.20	2.96	4.26	4.21	4.16
NET FLOW (B-A)	-10.43	1.65	2.95	4.25	4.21	4.16

IRR = 17%