



Project Report Preparation

8.1. PROJECT REPORT

Having decided upon the product and organization, the entrepreneur has to put his ideas and other information sought in black and white. This should be done so efficiently that it provides all the required information in reference to the project. The details gathered from feasibility studies are presented in various tables ; reports and statements are consolidated into one master report, which is called as 'Project report'. This report contains the background information about the industry to which the project belongs and the enterprise submitting the report. The main objective of preparing the report is to provide information for the project appraisal.

The project report preparation encompasses information under various heads. Necessary documents, quotations and enquiry should be attached with the details under the given heads to form a project report. The project report should be prepared by the entrepreneur himself, as it saves his money and clarifies many doubts and makes him more optimistic of the success of the project. However, a detailed project report may be commissioned with the help of well known consultants in the field.

Project report is also compulsory for the registration of small scale industry. This is formed at two levels.

(a) **Preliminary Project Report (PPR)** : Preliminary project report is a simple data sheet made for registration before the starting of project, which gives the brief outline of the project that tells about the viability of the project so as to help the entrepreneur to decide whether it is worth pursuing further or not.

(b) **Detailed Project Report (DPR)** : Once the project is approved by requisite authorities, detailed project report is prepared by the entrepreneur with the help of experts like economist, marketing personnel, techno-engineers etc.

8.1.1. Preliminary Project Report

Preliminary project report is a simple data sheet that gives an insight into the following :

- (a) How much manpower, material and money would be required to set up the project ?
- (b) What types of machines would be required ?

- (c) What are the sources of technology that would be required ?
- (d) What would be the economic gains from the project ?

So, preliminary project report is a brief outline of the project that quickly tells about the viability of the project, so as to help entrepreneur to decide whether the project is worth pursuing or not.

■ 8.1.2. Significance of a Project Report

An objective without plan is just a dream. The preparation of a project report is of great significance for an entrepreneur. The project report serves the following purposes :

- (a) The project report is similar to a road map. It describes the direction in which enterprise is going, what its goals are, where it wants to be and the way it is going to get there. It also enables the entrepreneur to know whether he is proceeding in the right direction.
- (b) It facilitates the entrepreneur in getting provisional/permanent registration of the project from the District Industries Centre.
- (c) It facilitates in the allotment of industrial plot of shed for the project from State Industrial Development Corporation.
- (d) It facilitates the entrepreneur in obtaining working capital loan or term loan from Banks/State Financial Corporation/other financial institutions.
- (e) It facilitates in securing supply of raw materials required for the product to be manufactured.
- (f) It facilitates the entrepreneur in establishing techno-economic viability of the project.

Therefore, 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. An important aspect of the project report is determining the profitability of the project and minimizing the risks in execution of the project.

■ 8.1.3. Contents of a Project Report

A well prepared project report is necessary for the success of the proposed project. Therefore, the project report needs to be prepared with great care and consideration. A good project report should contain the following :

- (a) **Objective and Scope of the Report** : It contains main objectives and the scope of the project undertaken.
- (b) **Promoter's Profile** : It contains family background, educational qualification, past experience of service, business or industry, project related experience etc.
- (c) **Location** : It shows exact location of the project, lease or freehold, locational advantages etc.

(d) Land and Building : It indicates land area, constructed area, type of construction, cost of construction, detailed plans and estimates along with plant layout.

(e) Plant and Machinery : It contains details of machinery and equipments required, electric loads, capacity, suppliers, cost, various alternatives available, laboratory equipments and other infrastructure etc.

(f) Production Process : It contains details of production process, process chart, technical knowhow, technology used, alternatives available, production schedule etc.

(g) Other Utilities : Requirement of water, power, steam, compressed air requirements, sources of these utilities and their cost estimates etc. comes under this head.

(h) Raw Materials : Requirement of raw materials, sources, prices, properties of raw materials, alternative raw materials, if any. Tie-up arrangements, if any, for procurement of raw materials is also well clarified.

(i) Market Potential : It contains market position and trends, installed capacity, present production and anticipated demand, end-users of product, sales promotion devices, proposed market research.

(j) Personnel : It contains manpower requirements (managerial, skilled and semi-skilled), sources of manpower supply, wage structure, requirements of training, if required and its total cost etc.

(k) Financial Implications : It contains fixed and working capital investment, break-up of project cost in terms of cost of land, building, machinery, miscellaneous assets, preliminary expenses, contingencies etc.

(l) Sources of Finances : It contains contributions of the promoters, funds raised from banks or other financial institutions and their terms and conditions.

(m) Financial Viability of the Project : In order to access the profitability of the project to be set up, a projected profit and loss account showing likely sales revenue, cost of production, allied cost and profit should be prepared. A projected balance sheet and cash flow statement should also be prepared to highlight the financial position and requirements at various stages of the project.

In addition, the break-even analysis should also be presented in the project report. Break-even point is the level of production/sales, where the industrial enterprise shall be at par.

(n) Schedule of Project Implementation : Every entrepreneur should work out an implementation schedule or a time-table for his project to make sure the timely completion of all activities involved in setting up an enterprise.

8.2. TECHNO-ECONOMIC FEASIBILITY REPORT

A project report is prepared with the purpose of analyzing all the opportunities for the implementation of the project. It requires the combination of relevant data of a project to serve the management as a guide. It is useful in analyzing the merits and demerits before allocating

resources to specific goods. For the preparation of project report ; economic, technical, managerial, production and financial inputs and their output are considered.

(a) **Economic Aspect** : The report clearly shows the latest position of the firm. It indicates how much investment should be made in the project under consideration. Complete market analysis is provided in the report, which deals with the life cycle of the product *i.e.* ;

- (i) Introduction of the product
- (ii) Establishment
- (iii) Growth
- (iv) Maturity
- (v) Decline.

(b) **Financial Aspect** : The analysis of financial aspects before preparation of a project report includes determining the amount to be invested, from where to get finance, production cost and idea of the net profit.

(c) **Managerial Aspects** : The project report sets the terms and conditions of eligibility for the post of managers and executives.

(d) **Production Aspects** : The report provides specifications regarding selection of the product, its design, its purpose etc.

(e) **Technical Aspects** : The report also specifies regarding technology, equipment, tools, machinery and plant to be used.

8.3. DETAILED PROJECT REPORT (D.P.R.)

Detailed project report is nothing but a complete document for investment decision making, approval, planning, whereas feasibility study report is a base document for investment decision making. Detailed project report is a base document for planning the project and implementing the project. While, preparing detailed project report, an entrepreneur may take the help of experts to do the job. Preparation of detailed project report requires a lot of time. Detailed analysis of each and every item is necessary in a detailed project report. Detailed project reports are also available with the consultants and can be purchased by an entrepreneur.

A detailed project generally covers the following aspects :

1. **Introduction** : Brief introduction of the proposed project :
 - (a) Objective of report
 - (b) Scope of report.
2. **Need** : Need for deciding the setup of the project.
3. **Unit** : Constitution of the unit indicating proprietorship, partnership, corporate body etc.

4. **Promoters :** The details of promoters and other key personnel should be furnished. The bio-data must give details on their
 - (a) Education
 - (b) Jobs held
 - (c) Business activities undertaken.
5. **Product :** This should contain information on the following :
 - (a) Description of the product to be manufactured
 - (b) Types of products to be manufactured
 - (c) Specifications (design, shape and size)
 - (d) Standards (dimensional, raw material, performance and symbols, code of practices)
 - (e) Chemistry of product
 - (f) Quality
 - (g) Applications and uses of final products.
6. **Market potential :** This should disclose information on general :
 - (a) Market trends
 - (b) Predicted demand of product
 - (c) Market segments proposed to be covered
 - (d) Projected sales for first three years
 - (e) Extent of competition prevailing in the market
 - (f) Details of own showrooms
 - (g) Sales force, middlemen and terms and conditions offered to them
 - (h) Pricing policy
 - (i) Prospects for export
 - (j) Information regarding import of raw material (if required).
7. **Manufacturing process and know-how :** This should provide details about the following :
 - (a) Process flow chart
 - (b) Sequence of the operations
 - (c) Time taken for each operation
 - (d) Input-output ratios between material and finished products
 - (e) Selection of suitable know-how for the project
 - (f) Prospective collaborator and terms and conditions.

8. **Plant, Machinery and Equipments :** This should disclose details of the following :

- (a) Machinery required for the project
- (b) Capacity of each machine and power required for them, technical details and specifications
- (c) Details of suppliers
- (d) Price of each machine
- (e) Procurement time and availability in the market
- (f) Spare parts required and their availability
- (g) Lists of imported machinery if required
- (h) Instruments for inspection
- (i) Various equipments for laboratories
- (j) Arrangements for water supply
- (k) Machinery if not available, other options are considered.

9. **Location :** Actual site selected for the project, overall plot plan along with the building plan should be devised. This should also provide information regarding :

- (a) The total area and cost of the land required
- (b) Covered and uncovered areas
- (c) Estimate of building including utilities such as water, electricity and other infrastructure facilities
- (d) Schedule of construction.

10. **Raw materials :** This should give details of :

- (a) Various raw materials required
- (b) Specifications, availability, names of suppliers, source, whether quota, non-quota or imported items
- (c) Price at which they are available
- (d) Procurement time
- (e) Minimum order quantity
- (f) Terms and conditions offered by suppliers.

11. **General management and technical staff :** This should provide information on :

- (a) Management
- (b) Staff requirements (skilled, semi-skilled or unskilled)
- (c) Salary or wages
- (d) Incentives, bonus etc.,
- (e) Organisational structure.

12. Cost of the project : It should give information on project cost, which includes :

- (a) Cost of land
- (b) Building, plant and machinery
- (c) Working capital requirements etc.

13. Mode of finance : This includes information on :

- (a) Term loan from banks
- (b) Government subsidy
- (c) Deferred payments
- (d) Promoter's contribution
- (e) Loans from friends and relatives
- (f) Equity capital and loans from other financial institutions.

14. Working capital : This contains the details on requirements of working capital and loans. includes :

- (a) Anticipated monthly sales
- (b) Cost of raw material consumed per month
- (c) Total monthly production cost
- (d) Stock levels of materials
- (e) Average period of processing
- (f) Sales like cash or credit sales
- (g) Period of bill realization
- (h) Average credit available from market etc.

15. Manufacturing cost and profitability : This includes information regarding :

- (a) Raw material content for each item
- (b) Monthly expenses and their bifurcation into fixed and variable expenses
- (c) Item wise cost of production and total annual cost of production
- (d) Item wise annual sales turnover
- (e) Total annual profit
- (f) Projected cost of production for 10 years.

16. Financial analysis : This contains information on :

- (a) Profitability statement for 10 years
- (b) Break even analysis
- (c) Repayment schedule as desired by promoters

(d) Internal rate of return

(e) Projected balance sheet for 10 years and security offered to promoters etc.

17. Implementation schedule : This gives details on the time schedule for the implementation of the project.

Thus, the project report covers wide areas, which gives total information to the entrepreneurs for implementation of the proposed project.

Preliminary Project Report versus Detailed Project Report

| S. No. | Preliminary Project Report | Detailed Project Report |
|--------|---|---|
| 1. | It is a brief summary of project describing the expected inputs and outputs. | It is detailed and voluminous work on project. |
| 2. | It is prepared in pre-investment phase. | It is carried out after investment phase. |
| 3. | It is restricted to 10 – 15 pages. | It is in a book form. |
| 4. | It is to make initial investigations and comparisons between various options available for products, production, finance etc. | It is prepared to get all the guidelines and schedules for the implementation of project. |
| 5. | It is required for registration purposes from DICs and financial institutions. | It is required more for an entrepreneur himself and his team. |
| 6. | It is generally prepared by the entrepreneur himself. | It is prepared with the help of experts of different fields. |
| 7. | It considers just two phases of project viability i.e. technical and economical. | It considers all the phases of project viability. |

FORMAT OF FEASIBILITY REPORT

Ministry of Industry

Small Industries Service Institute Okhla, New Delhi-110020

I. The Enterprises and the Entrepreneurs

Project report for the manufacture of

(i) Name of the item/items

(ii) Name of the Unit and Address

(iii) Telephone No. : Office Factory