

## Unit-5

# Preparation of Project Report and Business plan:-

Meaning :- The general or dictionary meaning of Project is "Scheme or design or proposal".

Project can be defined as "Scientifically evolved work plan which is devised to achieve a specific objectives within a specific period of time".

(or) Project is a whole of complex activities. & Utilizing the resource to gain the benefits.

(or) Project is an unique, non repetitive activity which systematically coordinates all the inputs in order to achieve intended objectives.

A project may differ in its size, nature, complexity, aims, time etc. But three basic attributes are common in any project those are  
1) Specific objectives 2) course of action 3) specified time period.

### Classification of Projects :-

Projects are classified on various ways but popularly classified as follows.

- ① Quantifiable & Non Quantifiable project.
- ② Sectoral project
- ③ Techno-Economic based project.
  - i) Factor intensity oriented: 1) Labour 2) Capital Inten.
  - ii) Magnitude oriented: 1) Low 2) Medium 3) High Inv.
  - iii) Cause oriented: 1) Raw Material Based 2) Demand Based

### Project Identification :-

For any business or to start any enterprises or venture choosing a good project is very much essential. There is a requirement of project identification. Generally any entrepreneur choose a project which has demand in market as a project. There many ways which helps individuals to identifying the good projects those are as follows.

### 1) Observation :-

2) Trade & Magazine & Journal :

3) Government R & D Bulletins

4) Exhibition & Expo :

5) Customer Inputs :-

6) Distribution Channel :

7) Friends & Colleagues :

8) Relatives & Competitors :

The above ways are self explanatory and can be explained in two or three sentences.

## Project Selection:-

The project selection process begins when project identification ends. The identified projects has to be checked in the light of existing economic conditions, government policy, technology required, skill required etc.

Hence to select the project an individual or Entrepreneur has to make use of "SWOT" tool which is nothing but Strengths, weaknesses, opportunities & threats related to the individual or enterprise.

An individual should make a list of his strength Capital, technology available, labour, skill etc, then need to think of weakness area & those weakness should be addressed.

Entrepreneur should also think on opportunities available along with the project, products, byproducts, shares, market, incentives etc.

Threats like Competition, foreign goods, govt. regulation, technical obsolescence etc has to be considered.

Individual should consider following points also while selecting the projects.

① Technology:- The technology should be available indigenously to start enterprise easily. Foreign technology makes project costly and delay.

② Equipment:- Knowledge related to equipment is required to use it effectively. Suppliers & alternative equipment has to be considered.

③ Location:- Choosing a location for any enterprise play vital role. Location should be very near to the raw material available or near to the market which reduces the transportation cost. Also individual should think of government notified area in order to avail the benefit or concessions or incentives from the government.

④ Investment:- Approximate estimation has to be done considering Capital investment, working investment, Marketing investment etc. Wrong estimation of investment leads to shortage of funds in the middle or towards the end of project which poses some problems.

## Project Report :- Need & Significance

Project report is written document pertaining to any investment proposal. It consists relevant data related to project which covers course of actions to be carried out. It plays very important role in order to carrying out any project work. Which tells about the input utilization, process and o/p to be obtained.

Essentially project report serves following functions. these

- 1) It serve as a road map (blue print) for particular project to carry out work efficiently.
- 2) A well project report attracts the investor, lenders financial institutions which gives value to the project.
- 3) It helps entrepreneurs to determine the viability of the venture.

Project report is <sup>mainly</sup> required to ~~those entrepreneurs~~ seeking financial benefits from the financial institutes.

## Contents of Project Report :-

A project report should contains all the relevant data related to project those are as follows.

### 1) Promoters Details :-

It should consist name, address, qualification, experience of the promoter (entrepreneurs).

### 2) Product details :-

It provides details related to product manufacturing / service rendering.

### 3) Location :-

Exact location / Site to be presented, Site own/lease, dimension or size has to be mentioned along with the advantages of Site / Location.

### 4) Technology :-

Required technology, its availability, Supplier, Cost etc has to be mentioned.

### 5) Equipment :-

Equipment / machinery required, its rating, quantity, suppliers, alternate suppliers details has to be given in the report.



⑥ Process :- Production process, chart, methods etc has to be presented in detail.

⑦ Product :- Product of, by product, product mix, product quality has to be mentioned.

⑧ Raw Materials :- Raw material required, quantity, quality, suppliers, alternative suppliers, cost etc has to be presented in the report.

⑨ Man Power :- Number of workers required, Skilled, Semiskilled, labours, training etc details has to be given in the report.

⑩ Market :- Target users, distribution channels, Selling price, trade practices, Sales promotion are to be included.

⑪ Economic Analysis :- Profits, ROI, market share etc are made & included.

⑫ Capital & Working Capital :- Costs of all items including initial source of capital, nature etc are to be provided.

## Business plan :-

### Need of business plan :-

For any project, programme, task, planning is very essential to get success. Planning provides answers for various questions like what, when, whom, why, how etc hence individual get idea about future course of action & it leads to success.

Similarly business plan plays vital role in setting up & running the business smoothly. It gives various information to the individual before starting business by considering those information if individual sets the business then there is very less chance of failure.

"Failing to plan is planning to fail"

### Anatomy of business plan :-

Any business plan should consist following

parts

- i) Executive Summary
- ii) Business description
- iii) Business environment
- iv) Feasibility study.

## ① Executive Summary:-

It is a summary of business plan. It should consist key words related to the business. It tells about the company & product. It gives information about the individual (owner) who you are? what your company is? what are your objectives? where you want to go? (vision) etc.

→ This above details can be put in following points

- ① Biodata of promoter.: Name, Address, qualifications etc.
- ② Industry profile: past performance, present status, its advantages etc.
- ③ Constitution & organization.: organization structure, partnership firm, registration, application for getting registration certificate from DIC.

- ④ Mission Statement
- ⑤ Company information
- ⑥ products & service
- ⑦ Financial information

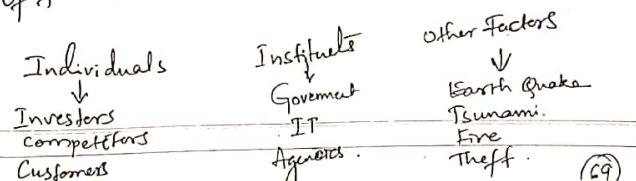
## ② Business Description:-

It should start with a few sentences that give a capsule view of the company, its product and its position in the industry in which it competes.

It should cover type of business structure, Corporation, partnership etc.  
Information about the product & services sold by the company, potential customer, supply and distribution channel.

## ③ Business Environment:-

→ The sum of total of all individuals, institutions & other forces that are outside the control of a business enterprise but the business still depends upon them as they affect the overall performance & sustainability of the business.



The forces which constitute the business environment are its suppliers, competitors, consumer groups, media, government, customers, economic conditions, market conditions, investor technologies, trends, & multiple other institutions working externally of a business constitute its business environment. These forces influence the business even though they are outside the business boundaries.

Examples:-

Reliance Q Jio → 5/GB changed the communication business.

GST → Gross Service Tax changed the market.

Just deal app → As for the requirement of customer business has to be updated.

## ④ Feasibility Study: or Background Information

- 1) Market feasibility study
- 2) Technical feasibility study
- 3) Financial feasibility study
- 4) Social feasibility study.

Before starting any business or any project, enterprise an entrepreneur has to study feasibility of market, technical, financial & social. Out of these feasibility study we have discussed already in previous units.

In this we will discuss only about social feasibility study which includes

- ① Location: Location is in such a place that it should not have objection from neighbours.
- ② Social problem: The enterprise should not create any nuisance to the public.

### ⑤ Pollution:-

There should not have any sort of noise or other pollution objectionable Society. Suitable measures are to be taken for Controlling pollution.

### ④ Other problem:-

Any other problems related to the Society & people are to be studied.

## Venture Capital - VC

Meaning:- Venture Capital is a type of private equity, a form of financing that is provided by firms to small, early stage, emerging firms that are deemed to have high growth potential.

### Features of VC:-

- 1) New business investment.
- 2) High financial risk
- 3) Continue involvement
- 4) The objectives is not <sup>to</sup> get interest, rather want to Capital gain.
- 5) ~~It is~~ They are not creditor, become partner.

### Advantages:-

- 1) They provide equity type finance to the new business.
- 2) They attract new ventures.
- 3) Provides economic growth to the country.
- 4) Promote innovative ideas.



### Disadvantages :-

- ① High risk
- ② Become partner
- ③ Complex process.

### Types / Stages in venture Capital.

- ① Early stage
- ② Expansion stage
- ③ Buyout stage.

In first type / stage, for potential ideas these VC will provide the finance to start the work it is also called Seed Capital. Generally for start up this finance will be used.

In second stage (expansion stage) after growing the start up (ventures), these people will finance for starting new project, product or expansion of branch is called expansion stage.

In third stage, a particular individual who is already started and grown his business and now interested to buy some other project or business which is already exist in the market. Then venture capital will finance to buy that business is called Buyout stage.

### Process involved in VC :-

- ① Deal origination
- ② Screening
- ③ Evaluating.
- ④ Deal negotiation
- ⑤ Post investment activity
- ⑥ Exit plan.

Deal origination is usually done by referral system, here some known person who knows the both parties will arrange for meeting is called deal origination.

After deal origination venture capitalists screen the idea (potential) by conducting face to face interaction.

If an idea is found one (good) then VC evaluate the plan in terms of market, investment, potential growth, customer etc then based on the result they will finance.

After evaluation, negotiation takes place between an individual & VC in order to investment, shares, partnership etc.

Once the investment is done then VC will be involved in the business & they will assist the individual for management & technical assistance.

After sufficient growth of the firm or company, VC will plan to exit the company by selling the shares to the individuals or some other parties and they will leave the company.

## Venture Capitals India :-

In India many Venture Capital Companies are existing to finance, promote, develop new, innovative ideas, start up, business etc.

Government as well as private Companies are existing to finance the innovative ideas. Examples are 1) SBI 2) ICICI 3) IDBI

### Some other VC

1) ACCEL partners

Start up funded: Flipkart, Myntra, Bookmyshow.

2) Canaan Partners (Canaan)

Start up funded: Naaptol, Pohara Matrimony, Happiest mind.

3) Lodius Capital:

Start up funded: Bigbasket, Culture Machine.

4) Sequoia Capital India:

Start up funded: Just dial, Bank Bazaar etc.