

PREPARATION OF PROJECT REPORT

After the preparation of a business plan by evaluating a business idea, the next step is to garner financial support. For bringing in financial support an entrepreneur requires to submit a detailed project report which should cover the following basic aspect.

- Information about the promoters of the enterprise
- Information about the basic objective of the enterprise
- Information about the product and the processes involved
- Location of the enterprise
- Size of investments
- Estimated cost of the project and ability of financing thereof
- Technical arrangements
- Information about environmental concerns
- Profitability projections and cash flows

Management Evaluation

- Memorandum and Articles of Association: Object, authorized and paid-up share capital, promoter's contribution.
- Constitution and management of the industrial concern
- Present and proposed composition of the board of directors, borrowing powers, list of directors on the Board, terms of appointment of directors, details of full time directors and their responsibilities, details of Chief Executive and functional executives.

Technical Feasibility

1. Technology and manufacturing process:

- novel technology to be used,
- basis of selection of technology,
- competing technologies,
- performance data of plants based on the technology,
- licensor documents.

2. Location of the Project:

- advantages based on location,

- availability of inputs viz., raw material and other resources,
- labour availability,
- environmental clearances

3. Plant and Machinery:

- list of machinery & equipment,
- details of suppliers, competitive quotations, technical & commercial evaluation of major equipment

4. Raw material, Utilities and Manpower

5. Project monitoring and implementations:

- mode of implementation,
- details of monitoring team,
- detailed schedule of implementation.

Environmental Aspects

Air, Water and Soil Pollution, list of pollutants/hazardous substances, their safety, handling and affluent disposal arrangements, compliance with national and International Standards, clearances and no objection certificates required and obtained etc.

Commercial Viability

- Proposed products existing and potential market demand and supply
- Proposed products share forecasted and analysed with respect to the market
- Manufacturing cost analysis
- Sale price of the proposed product
- Export potential analysis

Financial Feasibility

- Project Cost Analysis
- Operating cost and profits
- Operational performance and financial evaluation
- Financing modes
- Working Capital requirements

- Projections of Profitability
 - Projected income statement and balance sheets
 - Cash flow estimates

PROJECT SUBMISSION/PRESENTATION

This is a very important step as it leads to successful delivery of information to external agencies and financial and non-financial institutions. There is always a limited amount of time available and there is a lot of information to be processed, so the project submission and the presentation should be crisp and to the point.

For a suitable submission review, the entrepreneur should ensure that the reason for bringing out the report, terms of references, expectation of project report, target audience of the report etc. are known and drafted very carefully. In order to maximize the effectiveness of the project submission maximum reader insight and minimum reader effort should be emphasized upon. In the presentation the speaker should demonstrate familiarity with the project emphasizing on the project goals, project submissions, and flow charts to maximize the impact on the audience. Project presentation should also include the benefits (social and economic) which could be derived from it for the region.

PROJECT APPRAISAL

Project appraisal is examined prima facie that whether the project is acceptable under certain rules which could be the experience and background of the applicant, the potential demand of the product, whether the project is meeting the governmental requirements and status etc.

1. Appraisal from External Agencies: Financial Agencies

The financial external agencies appraising the project, their point in contention is to look for credit appraisal. In this before a credit facility is provided to the entrepreneur, the proposal is checked rigorously. It involves in-depth study of all the feasibility aspects studied earlier viz., financial, technical, commercial, managerial etc. Generally, in order to sanction an amount it is prudent for the banks and other financial institutions to assess the data provided by the entrepreneur in an unbiased manner. This assessment can be further by financial institutions by outsourcing the data gathering exercise to independent agencies because the borrowers could tamper or favourably place the data to suit their needs.

Loan appraisal by financial institutions and banks require careful scrutiny of the highest level. Loan appraisal signifies the capability of the

borrower to repay the principal loan amount and the interest thereof in the period specified.

2. Appraisal from External Agencies: Non-Financial Agencies

Project appraisal done by non-financial agencies could require a checks and balances on all the aspects of feasibility testing which is carried out by the entrepreneur in the first step. It may involve a detailed estimation and research on the way of production of the product in offering, proposed way of marketing the final product after the launch etc. Project appraisal by non-financial institutions may also involve examining in a systematic manner proper i.e effective and efficient utilization of resources which could result into best results and ultimately ensuring product viability.

AREAS OF PROJECT APPRAISAL

- 1. Market/Marketing Appraisal:** In marketing appraisal the emphasis is on ascertaining the demand projections of the business under perusal. The examination of whether the demand projections are in tune with the ground reality is done. Further, the adequacy of the marketing infrastructure is assessed by evaluate the distribution network, transport facilitates, stock levels, promotional efforts etc. The key marketing managerial personnel are also judged for their level of competency and skills required to get the job done.
- 2. Technical Appraisal:** In this the focus is on the technical aspects. It is basically an appraisal of the technical feasibility ascertained by the entrepreneur. In this the overall appraisal of the technology and the manufacturing process, location decisions, decisions related to plant and machinery, and also the raw materials and other inputs is done.
- 3. Managerial Appraisal:**
 - Promoter's resourcefulness check
 - Credibility of the plan project
 - Assessment of the organizational structure
 - Estimated cost of the project
 - Commitment of the promoters towards the work

Managerial Competence

In managerial competence appraisal the focus is on evaluating the level of competence of the people at the helm of affairs. The question is whether the management has the insight and ability to pull off a project. The emphasis is on the determination of the ability of the project to implement and carry on the business in a manner desired.

- 4. Ecological Analysis:** Ecological analysis is a part of project appraisal and nowadays it has assumed specific importance. With the glaring problems like global warming, and climate change the attention is in those industries viz., pharmaceuticals, chemicals, leather processing etc. which do have an adverse impact on the environment. Also those industries that have a known history of creating detrimental effects on the environment are asked to correspond to mandatory norms and devise new techniques of production.