

Annexure 2

Format of Detailed Proposal for CFC	
1.	The basic details/documentation
i.	Name and location of the cluster
ii.	Nature of activity and products
iii.	Number and size (also in terms of installed capacity) of units
iv	Scale of investment (also in terms of net fixed and important current assets)
V	Value of output in the last 5 years (different enterprise segment - wise), including export output, if any
Vi	Projected performance of the cluster after proposed intervention (in terms of production, export/domestic sales and direct/indirect employment, etc.)
Vii	Diagnostic study/comparative advantage benchmark survey (main findings)
viii	Information on nature of critical gaps identified (such as poor storage facility, poor testing and quality control facilities-item-wise cost estimates)
ix	Implementation schedule; structuring of the SPV, such as copy of certificate of incorporation, articles of association and letter of agreement with stakeholders
x	Revenue generation mechanism for sustainability of assets (service/user charges to be levied, any other-to be specified)
xi	Project highlights--total cost of project, contribution from cluster enterprises/stakeholders, average contribution by individual enterprises, grant in aid under MSE-CDP, term loans, debt-equity ratio, repayment schedule and estimated debt service coverage ratio (DSCR), annual estimated income, expenditure, gross and net profit at expected/optimal levels of operations, break even (BE)/internal rate of return (IRR) calculations, payback period, etc.
xii	In-principle sanction of loan from a bank, if applicable
xiii	Previous track record of co-operative initiatives pursued by SPV members need to be highlighted with support documentation
xiv	CFC may be utilised by SPV members as also others in a cluster. However, evidence should be furnished with regard to SPV member ability to utilise at least 60 per cent of installed capacity.

1. Elements of DPR

1.1 Plant and machinery

(a) List of Plant and Machinery

Sl.No	Particulars of plant and machinery	No.	Power requirement (KW/HP)	F.O.R. Price (Rs)	Name of proposed suppliers	Delivery Schedule (month wise)

Note: Add GST, packing and forwarding charges (2%), transit insurance (1%), and freight (2%) to costs or actual.

(b) Capacity of plant and machinery on single shift basis

(c) Production pattern

1.2 Annual requirement of raw materials and consumables at 100% capacity Utilization

Sl.No	Particulars of raw material	Specifications/ indigenous/ imported	Quantity required at full capacity	Unit price (Rs.)	Total Value (Rs)

1.3 Utilities and services at full capacity utilization

(a) Power for industrial purpose

Sl.No	Particulars of the machinery	KW	No. of working hrs. per month	KW/month	Rs./ KWH	Total

(b) Power requirement for commercial/ domestic purpose

(c) Water

(d) Gas/Oil/ Other utilities

1.4 Site Development and civil construction

Sl.No	Particulars	Quantity/ nos	Rate	Cost
i	Cost of land			
ii	Development cost of land			
iii	Cost of compound wall			
iv	Cost of fabricated gates & grills			
v	Cost of shed			
vi	Cost of laboratory			
vii	Other RCC construction			
viii	Water tank/ Overhead water tank			
	Total			

1.5 Organizational set up and man power requirement

Sl.No	Category/ Designation	No. of persons	Salary per month (Rs)	Total salary (PM)

Note: Add 25% towards fringe benefits and 5% annual increment

1.6 Project cost

Sl.No	Particulars of cost	Amount (Rs.)
(i)	Land & site development	
(ii)	Building	
(iii)	Plant and machinery (cost of plant and machinery, 10% installation, electrification and commissioning)	
(iv)	Misc. fixed assets (fixture, furniture, fire fighting equipment, first aid equipment, backup power supply, etc.)	
(v)	Preliminary expenses (diagnostic study, DPR, legal & administrative expenses, telephone, stationery etc.)	
(vi)	Pre-operative expenses (establishment, travel, interest on borrowings, committed charges during construction period, start up expenses, etc.)	
(vii)	Provision for contingencies (2% building and 5% on plant and machinery)	
(viii)	Margin money for working capital	
	Total	

1.7 Means of finance

Sl.No	Agency	Amount (Rs. lakh)	% of the project cost
1.	SPV		
2.	GoK		
3.	LSG Institution		
4.	Bank Borrowings		
5.	Others		
	Total		

1.8 Working capital and margin money (actual capacity utilisation year wise)

Sl.No	Particulars	No. of months	Margin	as per capacity utilisation		
				1st year	2nd Year	3rd year
1.	Raw material and consumables					
2.	Utilities					
3.	Working expenses (salary of manpower)					
4.	Works in process (cost of raw material, utility and salary on actual)					
5.	Stock of finished goods (cost of raw material, utility, salary, factory overheads on actual)					
6.	Bills receivables (Sales value)					
	Total					

1.9 Cost of production (Projection for 10 years of operation in tabular form)

- i Raw materials and consumables Utilities
- ii Wages and salary
- iii Repairs and maintenance
- iv Insurance
- v Administrative and factory overheads
- vi Selling expenses

1.10 Estimation of profitability (projections for 10 years of operation in tabular form)

(i)	Installed capacity
(ii)	Number of working days (single shift basis)
(iii)	Capacity utilization
(iv)	Production (in single unit)
(v)	Sales realisation
(vi)	Cost of production
(vii)	Gross profit [(v)-(vi)]
(viii)	Financial expenses (a) Interest on bank borrowing

- (i) Installed capacity
- (ii) Number of working days (single shift basis)
- (iii) Capacity utilization
- (iv) Production (in single unit)
- (v) Sales realisation
- (vi) Cost of production
- (vii) Gross profit [(v)-(vi)]
- (viii) Financial expenses
(b) Interest on bank borrowing
- (ix) Depreciation on written down value method (as per separate schedule to be attached for different categories of fixed assets)
- (x) Preparatory expenses not written off
- (xi) Operating profit [(vii) - {(viii) + (ix) + (x)}]
- (xii) Tax vide separate schedule
- (xiii) Profit after tax [(xi) - (xii)]
- (xiv) Available surplus [(xiii) + (ix)]

1.11 Cash flow statement (projections for 10 years in tabular form)**(A) Sources of fund:**

- (a) Gross profit less depreciation
- (b) Term loan
- (c) Subsidy/Grant
- (d) Promoter's contribution
- (e) Increase in bank borrowings
- (f) Depreciation

(B) Disposal of funds:

- (a) Preliminary & pre-operative expenses
- (b) Capital expenditure
- (c) Increase in working capital

- (d) Interest on term loan
- (e) Interest on bank borrowings
- (f) Decrease in term loan
- (g) Taxes

(C) Opening balance of cash in hand or at bank [sum total of {(A)-(B)}]

(D) Net surplus/Deficit

(E) Closing balance of cash in hand or at bank

1.12 Debt Service coverage ratio (Projections for 10 years)

$DSCR = \frac{Net\ profit + Interest\ (TL) + Depreciation}{[instalment\ (TL) + Interest\ (TL)]}$

1.13 Balance sheet & P/L account (projection for 10 years)

1.14 Break Even Point = Variable Cost/ Contribution

2. Commercial Viability:

Following financial appraisal tools will be employed for assessing commercial viability of the project:

- (i) Return on Capital Employed (ROCE):** The total return generated by the project over its entire projected life will be averaged to find out the average yearly return. The simple acceptance rule for the investment is that the return (incorporating benefit of grant-in-aid assistance) is sufficiently larger than the interest on capital employed. Return in excess of 25% is desirable.
- (ii) Debt Service Coverage Ratio:** Acceptance rule will be cumulative DSCR of 3:1 during repayment period.
- (iii) Break-Even (BE) Analysis:** Break-even point should be below 60 per cent of the installed capacity.
- (iv) Sensitivity Analysis:** Sensitivity analysis will be pursued for all the major financial parameters/indicators in terms of a 5-10 per cent drop in user charges or fall in capacity utilisation by 10-20 per cent.
- (v) Net Present Value (NPV):** Net Present Value of the project needs to be positive and the Internal Rate of return (IRR) should be above 10 per cent. The rate of discount to be adopted for estimation of NPV will be 10 per cent. The project life may be considered to be a maximum of 10 years. The life of the project to be considered for this purpose needs to be supported by recommendation of a technical expert/institution.