

Chapter 7 - Preparation of a Project report

Meaning of Project Report

A Project Report is a document which **provides details on the overall picture of the proposed business**. The project report gives an account of the project proposal to ascertain the prospects of the proposed plan/activity.

Project Report is a **written document** relating to any investment. It contains data on the basis of which the project has been appraised and found feasible. It consists of information on economic, technical, financial, managerial and production aspects. It enables the entrepreneur to know the inputs and helps him to obtain loans from banks or financial Institutions.

The project report contains detailed information about Land and buildings required, Manufacturing Capacity per annum, Manufacturing Process, Machinery & equipment along with their prices and specifications, Requirements of raw materials, Requirements of Power & Water, Manpower needs, Marketing Cost of the project, production, financial analyses and economic viability of the project.

Contents of a Project Report

Following are the contents of a project report.

1. General Information

A project report must provide information about the details of the industry to which the project belongs to. It must give information about the past experience, present status, problems and future prospects of the industry. It must give information about the product to be manufactured and the reasons for selecting the product if the proposed business is a manufacturing unit. It must spell out the demand for the product in the local, national and the global market. It should clearly identify the alternatives of business and should clarify the reasons for starting the business.

2. Executive Summary

A project report must state the objectives of the business and the methods through which the business can attain success. The overall picture of the business with regard to capital, operations, methods of functioning and execution of the business must be stated in the project report. It must mention the assumptions and the risks generally involved in the business.

3. Organization Summary

The project report should indicate the organization structure and pattern proposed for the unit. It must state whether the ownership is based on sole

proprietorship, partnership or Joint Stock Company. It must provide information about the bio data of the promoters including financial soundness. The name, address, age qualification and experience of the proprietors or promoters of the proposed business must be stated in the project report.

4. Project Description

A brief description of the project must be stated and must give details about the following:

- Location of the site,
- Raw material requirements,
- Target of production,
- Area required for the work shed,
- Power requirements,
- Fuel requirements,
- Water requirements,
- Employment requirements of skilled and unskilled labour,
- Technology selected for the project,
- Production process,
- Projected production volumes, unit prices,
- Pollution treatment plants required.

If the business is service oriented, then it must state the type of services rendered to customers. It should state the method of providing service to customers in detail.

5. Marketing Plan

The project report must clearly state the total expected demand for the product. It must state the price at which the product can be sold in the market. It must also mention the strategies to be employed to capture the market. If any, after sale service is provided that must also be stated in the project. It must describe the mode of distribution of the product from the production unit to the market. Project report must state the following:

- Type of customers,
- Target markets,
- Nature of market,
- Market segmentation,
- Future prospects of the market,
- Sales objectives,
- Marketing Cost of the project,
- Market share of proposed venture,
- Demand for the product in the local, national and the global market,
- It must indicate potential users of products and distribution channels to be used for distributing the product.

6. Capital Structure and operating cost

The project report must describe the total capital requirements of the project. It must state the source of finance; it must also indicate the extent of owners' funds and borrowed funds. Working capital requirements must be stated and the source of supply should also be indicated in the project. Estimate of total project cost, must be broken down into land, construction of buildings and civil works, plant and machinery, miscellaneous fixed assets, preliminary and preoperative expenses and working capital.

Proposed financial structure of venture must indicate the expected sources and terms of equity and debt financing. This section must also spell out the operating cost

7. Management Plan

The project report should state the following.

- a. Business experience of the promoters of the business,
- b. Details about the management team,
- c. Duties and responsibilities of team members,
- d. Current personnel needs of the organization,
- e. Methods of managing the business,
- f. Plans for hiring and training personnel,
- g. Programs and policies of the management.

8. Financial Aspects

In order to judge the profitability of the business a projected profit and loss account and balance sheet must be presented in the project report. It must show the estimated sales revenue, cost of production, gross profit and net profit likely to be earned by the proposed unit. In addition to the above, a projected balance sheet, cash flow statement and funds flow statement must be prepared every year and at least for a period of 3 to 5 years.

The income statement and cash flow projections should include a three-year summary, detail by month for the first year, and detail by quarter for the second and third years. Break even point and rate of return on investment must be stated in the project report. The accounting system and the inventory control system will be used is generally addressed in this section of the project report. The project report must state whether the business is financially and economically viable.

9. Technical Aspects

Project report provides information about the technology and technical aspects of a project. It covers information on Technology selected for the project, Production process, capacity of machinery, pollution control plants etc.

10. Project Implementation

Every proposed business unit must draw a time table for the project. It must indicate the time within the activities involved in establishing the enterprise can be completed. Implementation schemes show the timetable envisaged for project preparation and completion.

11. Social responsibility

The proposed unit draws inputs from the society. Hence its contribution to the society in the form of employment, income, exports and infrastructure. The output of the business must be indicated in the project report.

Importance of a project report

- It highlights the practicability of a project in terms of different factors like economy, finance, technology and social desirability
- It provides readymade data and detailed information about the project. This data & information is used to fill up the form for obtaining the provisional SSI (Small Scale Industry) registration
- While preparing the project report, entrepreneur collects the brochures , invoices, price-lists for machinery, equipment, raw materials, etc. This helps to understand the requirement for infrastructure and also apply for the supply of electricity, water, etc. It helps him to avail these facilities at the right time
- It is needed by the entrepreneur for carrying out expansion or starting a new production line
- It helps in determining the profitability of the project and minimizing risks in the execution of the project
- Project report helps the entrepreneur to visualize his enterprise
- Project report is a foundation for constructing the structure of a successful venture
- The project report must contain the various detailed information which ultimately helps in the decision making process of whether or not to encourage the project conceived
- The financial institutions insist upon such a project report in order to be sure about the feasibility of the project
- Since the financial commitments would be huge it is necessary that before they advance the money sufficient precautions should be taken or else it would result in a huge loss in case an unprofitable project is financed

- It is ascertained from the report the possibility of generation of funds by the project itself and whether or not it would be substantial enough to pay the amount advanced within the stipulated period
- The report indicates the economic and commercial viability of the project and whether or not adequate managerial competence required for successful running of the enterprise is available.

Preliminary Project Report [PPR]

Preliminary Project Report is a document which describes the progress at every stage of the project

It consists of the following constituents

- i) The composition and organization of the enterprise
- ii) Description of the enterprise
- iii) Description of the product and the production process
- iv) Requirements of the machinery and equipment
- v) Available alternative technologies
- vi) Quality and quantity of the required factors of production
- vii) Names and addresses of the suppliers
- viii) Prices of the factors / inputs
- ix) Requirement of fuel and other utilities
- x) Labour requirement
- xi) Place and premises
- Xii) Cost of production (fixed and variable cost)
- xiii) Sales revenue to be obtained from the production programme
- xiv) Means of raising finance
- xv) Profitability analysis
- xvi) Cash flow

Additional inputs given in the project report are as follows:

- a) Introduction of an entrepreneur and his firm
- b) Market survey report

- c) Break even analysis
- d) Plant layout (wherever applicable)
- e) Product design (wherever applicable)
- f) Supplement documents
- 9. Marketing channels (Trading practices and marketing strategy)
- 10. Personnel (requirement of staff , labour and expenses on wage payment)

Proforma of a project report

Proforma for a project scheme for the manufacture of

1. Introduction

- a) Title / Name of the firm
- b) Scope
- c) Product (give specification , viz)
- d) Process
- e) Marketability
- f) Location
- g) Sources of finance / repayment schedule:

2. Scheme

- a) Land and building (owned/ rented or leased) :
Rs.

- b) Machinery and equipment (Give detailed specification / Capacity/ indigenous or imported): Rs.

- c) Testing equipment:
Rs.

- d) Other fixed investments

- Packaging and forwarding charges
Rs.

- Electrification & installation charges
Rs.

- Cost of tools / fixtures
RS.

- Cost of office equipment
Rs.

e) Total Non- recurring expenditure (a+b+c+d)

Rs.

f) Staff and labour

i) Indirect labour nos. & wages / p.m.

Rs.

ii) Direct labour nos. & wages / p.m.

Rs.

Total Salaries p.m.(i + ii)

Rs.

g) Raw materials and consumables (per month on single shift basis with specification)

i) Indigenous

Rs.

ii) Imported

Rs.

Total (i + ii)

Rs.

h) Other items of expenditure (per month on a single shift basis)

i) Power and water charges

Rs.

ii) Advertising and travelling

Rs.

iii) Transport

Rs.

iv) Commission to distributors / agents

Rs.

i) Total recurring expenditure (f+g+h)

Rs.

j) Working capital for 3 months: 3* recurring expenditure

Rs.

K) Total investment required

i) Non – recurring expenditure

Rs.

ii) Working capital for 3 months

Rs.

Total(i + ii)

Rs.

l) Total cost of production :

i) Total recurring expenditure	Rs.
ii) Depreciation on machinery & equipment	Rs.
iii) Depreciation on building	Rs.
iv) Maintenance charges	Rs.
v) Interest on total investment	Rs.
vi) Welfare for staff	Rs.
vii) Office stationery & postage etc	Rs.
Total (i) + ii + iii + iv + v + vi + vii)	
Rs.	

m) Profit and loss account

i) By sale of _____ quantity of _____ @ RS.	
ii) Cost of production	Rs.
iii) Profit i – ii Approx. percentage of the total capital employed	
Rs.	
Total	Rs.

3 Profitability and Projections (generally for about 5 to 10 years)

Phase of activity

Profitability of phases

4 Infrastructure

i) Location advantage	
ii) Availability of material / power / water/ labour	
iii) Government policy	Rs.

Break-even point

i) Fixed cost:(Executive salaries/depreciation/rent/interest on investment & admin cost) Rs.

ii) Variable costs: (direct labour/ direct material/ Income- tax/ commission and admin cost)Rs.

Item of cost	Fixed	+	Variable	=	Total
Materials	Rs.	+	Rs.		Rs.
Labour	Rs.	+	Rs.		=
Rs.					
Other Expenditure	Rs.	+	Rs.	=	Rs.

$$Q = \frac{F}{P - V}$$

Where Q = Break even quantity

F= Fixed cost

V= Variable cost per unit

P= Sales price per unit

5 Names and addresses of suppliers

i) Raw materials

ii) Machinery and equipment

6 Remarks

Seal and Date

Signature of the consultant