

Guidelines for Preparing a Detailed Project Report (DPR)/ Techno Economic feasibility Report (TEFR)

Your company seeking financial assistance for implementation of its business idea is required to prepare a Project Report covering certain important aspects of the project as detailed below:

- **Promoters background/experience**
- **Product with capacity to be built up and processes involved**
- **Project location**
- **Cost of the Project and Means of financing thereof**
- **Availability of utilities**
- **Technical arrangements**
- **Market Prospects and Selling arrangements**
- **Environmental aspects**
- **Profitability projections and Cash flows for the entire repayment period of financial assistance**

Spreadsheets formats attached with this document will help you prepare a Detailed Project Report for your Bank. You may omit the manufacturing related information in case you are applying for a non-manufacturing project.

Since the appraisal of the Project involves evaluation of the Project in the following areas, your company/you would be required to submit certain documents/information in the matter.

Management Evaluation

- Memorandum and Articles of Association : Object, authorized and paid-up share capital, promoter's contribution, borrowing powers, list of directors on the Board, terms of appointment of directors
- Your company as the Promoter : Corporate plan of the Company, projects promoted/implemented/under implementation, Bankers' report on dealings and repayment of past loan assistance, details of group companies, operations, balance sheet and profit & loss account of the promoter company

- New Promoters: Educational background, any industrial experience, family background, sources of income, details of personal properties, banker's reference, and income tax / wealth tax returns.
- Management and Organization set up: Broad composition of the Board, details of full time directors and their responsibilities, details of Chief executive and functional executives including qualification, experience, and organization set-up for existing company and during project implementation for new company.

Technical Feasibility

- Technology and manufacturing process : Proven/new technology, basis of selection of technology, competing technologies, performance data of plants based on the technology, details of licensor of technology, process flow chart and description
- Location of the Project : Locational advantage, availability of raw material and other utilities, infrastructure facilities, availability of labour, environmental aspects
- Plant and Machinery : List of machinery & equipment, details of suppliers, competitive quotations, technical & commercial evaluation of major equipment
- Raw material, Utilities and Manpower: Details of raw materials and suppliers, electricity and water supply, basis of manpower estimates, details of manpower eg. managerial, supervisory, skilled/unskilled, training needs
- Contracts : Agreement with contractors detailing on know-how, engineering, procurement, construction, financial soundness and experience of contractors
- Project monitoring and implementation: 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 disposal arrangements, compliance with national and International Standards, Clearances and No objection certificates required and obtained etc.

Commercial Viability

- Existing and potential market demand and supply for the proposed product in respect of volume and pattern
- Share of the proposed product of the company in the total market through marketing strategy
- Selling price of the product and export potential, if any.
- Buy-back arrangements, if any.

Financial Appraisal

- **Cost of the Project:** This includes the cost of land & site development, building, plant & machinery, technical know-how & engineering fees, miscellaneous fixed assets, preliminary & preoperative expenses, contingencies, margin money for working capital. Your company is expected to submit realistic estimates and reasonableness of the cost of the project will be examined with reference to various factors such as implementation period, inflation, various agreements, quotations etc.
- **Means of Financing:** Means of financing shall have to conform to proper mix of share capital and debt. This includes share capital, unsecured loans from Promoters/associates, internal accruals, term loans, Government subsidy/grant. Reasonableness of Promoters' contribution in the form of equity and interest-free unsecured loans, if any, is ascertained in view of commitment to the Project.
- **Profitability Projections:** Past records of financial performance of Your company will be examined. Your company needs to submit profitability estimates, cash flow and projected balance sheet for the project and for the Company as a whole. Based on the projections, various financial ratios such as Debt -Equity ratio, Current ratio, Fixed asset coverage ratio, Gross profit, Operating profit, Net profit ratios, Internal rate of return(over the economic life of the project), Debt Service Coverage ratio, Earning per share, Dividend payable etc. would be worked out to ascertain financial soundness of your Project.

Economic Viability

- Your company will have to take real value of input as against the value accounted in financial analysis for the purpose of economic evaluation of the project.
- Your company should carry out social cost benefit analysis as a measure of the costs and benefits of the project to Society and the Economy.
- Economic analysis is therefore aimed at inherent strength of the Project to withstand international competition on its own.