About Us

M/s K.K. & Company is a partnership firm of Chartered Accountants engaged in the area of Audit, Direct Tax, Indirect Tax, Company Law and Finance Consultancy. The firm is rendering its professional service to the Public Ltd. Companies, MSMEs, Banks, Insurance Companies, Trust & various other Government & Semi Government undertakings. The firm is Category 1 firm empanelled with Reserve Bank of India for conducting statutory audits of public sector banks.

This document contains basics of Project financing. In Indian Chartered Accountant / finance terminology, Project Financing means arranging and structuring funds for a specific business project instead of funding the company generally. Think of it like building a financial “capsule” around one project

Sr. No.	PROJECT COMPONENTS
1	COST OF PROJECT
2	CAPITAL REQUIRED
3	PROJECTED PROFITABILITY STATEMENT
4	PROFITABILITY PROJECTION
5	REPAYMENT OF LOAN
6	IMPORTANT RATIOS TO BE KEPT IN MIND
7	APPROACH
8	ROLE OF PROFESSIONALS

BASICS OF PROJECT FINANCING

COST OF PROJECT

S.NO	PARTICULARS	TOTAL
1	Land	00.00
2	Building	00.00
2	Plant & Machinery	00.00
3	Computer System & Networking	00.00
5	Furniture & Fixture	00.00
6	Misc Fixed Assets	00.00
7	Margin for Working Capital	00.00
8	Provision of Contingencies	00.00
9	Preliminary & Preoperative Expenses	00.00
	Total Rs.	**00.00**

#Items to be included based on quotations & architect estimates.

#Freight, import duty, Installation charges, Trial run period, GST & other charges added to the cost of project

#Vetting of vendors of Plant & Machinery suppliers

#D&B report in case of import of machines

#Interest during implementation period to be added to the preoperative expenses

#Environment Clearance, Pollution Control Board consent, requirement of STP/ ETP plant to be ascertained.

#Power back up / DG set cost to be included

#Building to be planed looking to the criteria of subsidy

Margin for working capital is cost of project

#Provision for contingency

#Preliminary & Pre-Operative Expenses

1	Share Capital	00.00
2	Unsecured loan from promoters	00.00
3	Term Loan from Bank	00.00
	Total Rs.	**00.00**

#Breakupof promoter's contribution into capital & unsecured loan

#Sourceoffund to be established

#Internalaccruals

#Seed Capital

#Margin to be taken as per scheme

#Subsidy not to be taken as means of finance

#Foreign LCs to be inbuilt

ABC Ltd.

PROJECTED PROFITABILITY STATEMENT

S.NO.	PARTICULARS	YEARS OF OPERATION I	II	III	IV	V	VI
	Capacity Utilisation	**60%**	**70%**	**80%**	**80%**	**80%**	**80%**
A	**INCOME**	-					
i)	Sales	273.30	311.85	356.40	356.40	356.40	356.40
	Total	**273.30**	**311.85**	**356.40**	**356.40**	**356.40**	**356.40**
B	**EXPENDITURE**	-					
i)	Raw Material Cost	180.00	210.00	240.00	240.00	240.00	240.00
ii)	Wages & Salaries	24.69	26.84	28.99	28.99	28.99	28.99
iii)	Power & Fuel Charges	3.24	3.78	4.32	4.32	4.32	4.32
iv)	Administrative Exp.	0.96	1.08	1.20	1.20	1.20	1.20
vii)	Repairs & Maintenance	2.40	3.60	4.80	4.80	4.80	4.80
vii)	Interest on Term Loan	13.05	11.85	9.24	6.63	4.02	0.09
viii)	Interest on Working Capital	1.35	1.62	1.89	1.89	1.89	1.89
ix)	Depreciation	12.55	12.55	12.55	12.55	12.55	12.55
	Total	**238.24**	**271.32**	**302.99**	**300.38**	**297.77**	**293.84**
C	PROFIT BEFORE TAX	35.06	40.53	53.41	56.02	58.63	62.56
D	PROVISION FOR TAX	8.75	11.20	15.75	17.12	18.40	20.01
E	PROFIT AFTER TAX	26.31	29.33	37.66	38.90	40.23	42.55

PROFITABILITY PROJECTION

Capacity utilization to be increased gradually & to be capped at 80%.

#Assumptions to be correctly spelled out

#Projections to be realistic

#Interest & depreciation rate to be correctly taken

#Tax calculation to be appropriate (Sec 115BAA, 115BAB,115BAC,115BAD,115BAE)

#Profit should be on increasing trend

#GP & NP margin to be on increasing trend.

REPAYMENT OF LOAN

#Capitalization of interest payment

#Balloning for new projects

#Uniform for existing units

#Moratorium period to be fixed up

#DCCO to be carefully decided

Higher repayment period for projects like school, hospital, hotels & other infrastructure projects

IMPORTANT RATIOS TO BE KEPT IN MIND

#Current Ratios

#Debt Equity Ratio

#Sensitivity Analysis

#DSCR

#IRR

Break-Even Analysis

APPROACH

#Understanding the promoter & their resources capabilities & vision

#Understanding the project

#Co - relating the need with bank guidelines

#Understanding the availability of raw material, power, water, skilled labour, manufacturing process, marketing of the product & peer comparison #Competition

#Prepare a brief profile / pitch deck for presentation before the bank.

ROLE OF PROFESSIONALS

#Knowledge of GST/ Income Tax / Companies Act helps /

#Prepare application correctly

#Prepare net worth certificate correctly

#Advice on form of business (Proprietor/Firm/Company)

#Acqutaince with government policies

#Capital structuring

#Replying to queries

#Assistance in credit rating

Assistance in preparation of TEV reports

Assistance in preparation of search report

#Drafting of resolution

#Negotiation on pricing

#Information & process of availability of subsidy

#B/s of associate concern

#All sanction letter & repayment track records

#Documentation & coordination in case of consortium finance

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