



DETAILED PROJECT REPORT

POTATO CHIPS UNIT

UNDER PMFME SCHEME



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1. PROJECT SUMMARY

1. Name of the proposed project	:	Potato Chips Unit
2. Nature of proposed project	:	Proprietorship/Company/Partnership
3. Proposed project capacity	:	96,000 Kg/annum (45,50,55,60&65% capacity utilization in 1 st to 5 th Year respectively)
4. Raw material	:	Potato, edible oil and spices.
5. Major product outputs	:	Potato Chips
6. Total project cost	:	Rs. 20.76 Lakh
• Land development, building & Civil Construction	:	Nil
• Machinery and equipment's	:	Rs. 12.70 Lakh
• Furniture and Fixtures	:	Rs. 1.00 Lakh
• Misc Assets	:	Rs. 1.50 Lakh
• Working capital	:	Rs. 5.56 Lakh
7. Means of Finance		
• Subsidy (max 10lakhs)	:	Rs. 7.26 Lakh
• Promoter's contribution (min10%)	:	Rs. 2.08 Lakh
• Term loan	:	Rs. 6.42 Lakh
• Working Capital Requirement	:	Rs. 5.00 Lakh
8. Profit after Depreciation, Interest & Tax		
• 1 st year	:	Rs. 1.92 Lakh
• 2 nd year	:	Rs. 3.38 Lakh
• 3 rd year	:	Rs. 4.99 Lakh
• 4 th year	:	Rs. 6.30 Lakh
• 5 th year	:	Rs. 7.76 Lakh
9. Average DSCR	:	4.21
10. Term loan repayment	:	5 Years with 6 months moratorium period

2. ABOUT THE PRODUCT

2.1. PRODUCT INTRODUCTION:

Potato chips (often just chips) (North American English), or crisps (British English), are thin slices of potato that have been deep fried or baked until crunchy. They are commonly served as a snack, side dish, or appetizer. The basic chips are cooked and salted; additional varieties are manufactured using various flavourings and ingredients including herbs, spices, cheeses, other natural flavours, artificial flavours, and additives.

Potato chips form a large part of the snack food and convenience food market in Western countries.

In the 20th century, potato chips spread beyond chef-cooked restaurant fare and began to be mass-produced for home consumption.

2.2. MARKET POTENTIAL:

The global potato chips market size was worth US\$ 29 Billion in 2018. The market is further projected to reach a value of US\$ 35 Billion by 2024, growing at a CAGR of 3.3% during 2019-2024. Potato chips represent one of the most popular snack foods consumed across the globe. These are thin slices of potato which are seasoned after being fried until crisp. At the time of frying, the sugar present in potatoes combine with amino acids and turns brown which results in the yellowish- brown colour of potato chips. In addition to this, potato chips are processed and stored in such a way that they are inert towards any microbiological spoilage, chemical and enzymatic activities as well as moisture or other vapour migration. The taste, texture and colour of the chips remain unaltered for a long period of time. Apart from this, potato chips are generally packed and sold in air-tight plastic bags which significantly increases the longevity of the products.

2.3. RAW MATERIAL DESCRIPTION:

The major consumables you require are potato, oil, spices etc.

3. PROCESS FLOW CHART

- When the potatoes arrive at the plant, they are examined and tasted for quality. A half dozen or so buckets are randomly filled. Some are punched with holes in their cores so that they can be tracked through the cooking process. The potatoes are examined for green edges and blemishes. The pile of defective potatoes is weighed; if the weight exceeds a company's preset allowance, the entire truckload can be rejected.
- The potatoes move along a conveyer belt to the various stages of manufacturing. The conveyer belts are powered by gentle vibrations to keep breakage to a minimum.

Destoning and peeling

- The potatoes are loaded into a vertical helical screw conveyer which allows stones to fall to the bottom and pushes the potatoes up to a conveyer belt to the automatic peeling machine. After they have been peeled, the potatoes are washed with cold water.

Slicing

- The potatoes pass through a revolving impaler/presser that cuts them into paper-thin slices, between 0.066-0.072 in (1.7-1.85 mm) in thickness. Straight blades produce regular chips while rippled blades produce ridged potato chips.
- The slices fall into a second cold-water wash that removes the starch released when the potatoes are cut. Some manufacturers, who market their chips as natural, do not wash the starch off the potatoes.

Colour treatment

- If the potatoes need to be chemically treated to enhance their colour, it is done at this stage. The potato slices are immersed in a solution that has been adjusted for pH, hardness, and mineral content.

Frying and salting

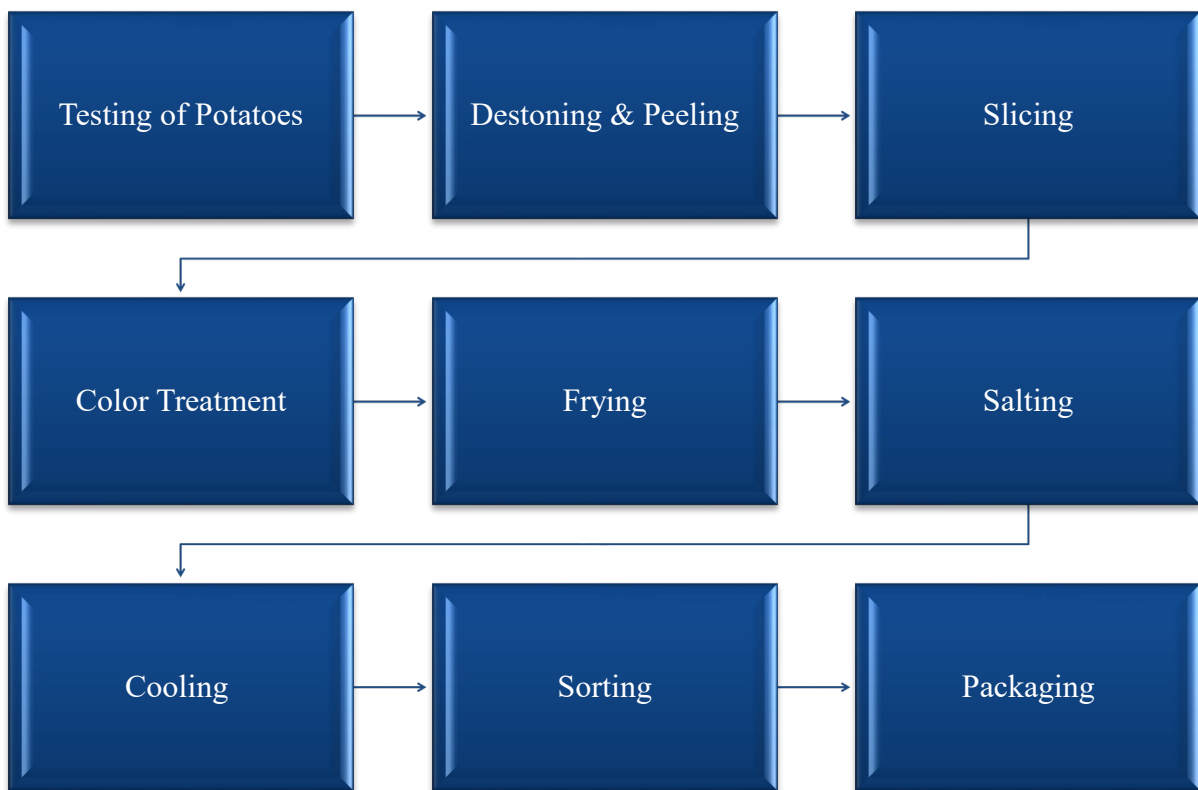
- The slices pass under air jets that remove excess water as they flow into 40-75 ft (12.2-23 m) troughs filled with oil. The oil temperature is kept at 350-375°F (176.6-190.5°C). Paddles gently push the slices along. As the slices tumble, salt is sprinkled from receptacles positioned above the trough at the rate of about 1.75 lb (0.79 kg) of salt to each 100 lb (45.4 kg) of chips.
- Potato chips that are to be flavoured pass through a drum filled with the desired powdered seasonings.

Cooling and sorting

- At the end of the trough, a wire mesh belt pulls out the hot chips. As the chips move along the mesh conveyer belt, excess oil is drained off and the chips begin to cool. They then move under an optical sorter that picks out any burnt slices and removes them with puffs of air.

Packaging

- The chips are conveyed to a packaging machine with a scale. As the pre-set weight of chips is measured, a metal detector checks the chips once more for any foreign matter such as metal pieces that could have come with the potatoes or been picked up in the frying process.



Flow Chart of Potato Chips Unit

4. ECONOMICS OF THE PROJECT

4.1. BASIS & PRESUMPTIONS

1. Production Capacity of Potato Chips is 40 kg per hr. First year, Capacity has been taken @ 45%.
2. Working shift of 8 hours per day has been considered.
3. Raw Material stock is for 15 days and Finished goods Closing Stock has been taken for 15 days.
4. Credit period to Sundry Debtors has been given for 15 days.
5. Credit period by the Sundry Creditors has been provided for 10 days.
6. Depreciation and Income tax has been taken as per the Income tax Act, 1961.
7. Interest on working Capital Loan and Term loan has been taken at 11%.
8. Salary and wages rates are taken as per the Current Market Scenario.
9. Power Consumption has been taken at 10 KW.
10. Increase in sales and raw material costing has been taken @ 5% on a yearly basis.

4.2. CAPACITY, UTILIZATION, PRODUCTION & OUTPUT

<u>COMPUTATION OF PRODUCTION OF POTATO CHIPS</u>		
Items to be Manufactured		
Potato Chips		
Machine capacity Per hour	40	Kg
Total working Hours	8	
Machine capacity Per Day	320	Kg
Working days in a month	25	Days
Working days per annum	300	
Wastage Considered	10%	
Raw material requirement	1,06,667.00	Kg
Final Output per annum after wastage	96,000	Kg

Production of Potato Chips		
Production	Capacity	KG
1st year	45%	43,200
2nd year	50%	48,000
3rd year	55%	52,800
4th year	60%	57,600
5th year	65%	62,400

Raw Material Cost			
Year	Capacity Utilisation	Rate (per Kg)	Amount (Rs. in lacs)
1st year	45%	80.00	38.40
2nd year	50%	84.00	44.80
3rd year	55%	88.00	51.63
4th year	60%	92.00	58.88
5th year	65%	97.00	67.25

<u>COMPUTATION OF SALE</u>					
Particulars	1st year	2nd year	3rd year	4th year	5th year
Op Stock	-	2,160	2,400	2,640	2,880
Production	43,200	48,000	52,800	57,600	62,400
Less : Closing Stock	2,160	2,400	2,640	2,880	3,120
Net Sale	41,040	47,760	52,560	57,360	62,160
sale price per kg	140.00	147.00	154.00	162.00	170.00
Sales (in Lacs)	57.46	70.21	80.94	92.92	105.67

4.3. PREMISES/INFRASTRUCTURE

The approximate total area required for complete factory setup is 800 – 1000 Sq. ft. for smooth production including storage area. It is expected that the premises will be on rental.

4.4. MACHINERY & EQUIPMENTS

S.no	Plant & Machinery Name	Amount
1.	Circular fryer 36 inch	6,00,000.00
2.	Potato peeler	80,000.00
3.	Potato Slicer	90,000.00
4.	Centrifugal dryer	74,000.00
5.	Coating pan and batch mixer	1,20,000.00
6.	Packaging machine	1,56,000.00
7.	Other equipment's	1,50,000.00
	Total	12,70,000.00

Note: Total Machinery cost shall be Rs 12.70 lakh including equipment's but excluding GST and Transportation Cost.

4.5. MISCELLANEOUS FIXED ASSETS

- Water Supply Arrangements
- Furniture & Fixtures
- Computers & Printers

4.5. TOTAL COST OF PROJECT

COST OF PROJECT	
	(in Lacs)
PARTICULARS	Amount
Land & Building	Owned/Rented
Plant & Machinery	12.70
Misc Assets	1.50
Furniture & Fixtures	1.00
Working capital	5.56
Total	20.76

4.6. MEANS OF FINANCE

MEANS OF FINANCE	
PARTICULARS	AMOUNT
Own Contribution (min 10%)	2.08
Subsidy @35%(Max. Rs 10 Lac)	7.26
Term Loan	6.42
Working Capital (Bank Finance)	5.00
Total	20.76

4.8. TERM LOAN: Term loan of Rs.6.42 Lakh is required for project cost of Rs. 20.76 Lakh.

4.9. TERM LOAN REPAYMENT& INTEREST SCHEDULE

REPAYMENT SCHEDULE OF TERM LOAN							
						Interest	11.00%
Year	Particulars	Amount Addition	Total	Interest	Repaymen	Closing Balance	
1st	Opening Balance						
	1st month	-	6.42	6.42	-	-	6.42
	2nd month	6.42	-	6.42	0.06	-	6.42
	3rd month	6.42	-	6.42	0.06	-	6.42
	4th month	6.42	-	6.42	0.06	-	6.42
	5th month	6.42	-	6.42	0.06	-	6.42
	6th month	6.42	-	6.42	0.06	-	6.42
	7th month	6.42	-	6.42	0.06	0.12	6.30
	8th month	6.30	-	6.30	0.06	0.12	6.18
	9th month	6.18	-	6.18	0.06	0.12	6.06
	10th month	6.06	-	6.06	0.06	0.12	5.94
	11th month	5.94	-	5.94	0.05	0.12	5.82
	12th month	5.82	-	5.82	0.05	0.12	5.70
					0.63	0.71	
2nd	Opening Balance						
	1st month	5.70	-	5.70	0.05	0.12	5.58
	2nd month	5.58	-	5.58	0.05	0.12	5.47
	3rd month	5.47	-	5.47	0.05	0.12	5.35
	4th month	5.35	-	5.35	0.05	0.12	5.23
	5th month	5.23	-	5.23	0.05	0.12	5.11
	6th month	5.11	-	5.11	0.05	0.12	4.99
	7th month	4.99	-	4.99	0.05	0.12	4.87
	8th month	4.87	-	4.87	0.04	0.12	4.75
	9th month	4.75	-	4.75	0.04	0.12	4.63
	10th month	4.63	-	4.63	0.04	0.12	4.51
	11th month	4.51	-	4.51	0.04	0.12	4.40
	12th month	4.40	-	4.40	0.04	0.12	4.28
					0.56	1.43	

3rd	Opening Balance						
	1st month	4.28	-	4.28	0.04	0.12	4.16
	2nd month	4.16	-	4.16	0.04	0.12	4.04
	3rd month	4.04	-	4.04	0.04	0.12	3.92
	4th month	3.92	-	3.92	0.04	0.12	3.80
	5th month	3.80	-	3.80	0.03	0.12	3.68
	6th month	3.68	-	3.68	0.03	0.12	3.56
	7th month	3.56	-	3.56	0.03	0.12	3.45
	8th month	3.45	-	3.45	0.03	0.12	3.33
	9th month	3.33	-	3.33	0.03	0.12	3.21
	10th month	3.21	-	3.21	0.03	0.12	3.09
	11th month	3.09	-	3.09	0.03	0.12	2.97
	12th month	2.97	-	2.97	0.03	0.12	2.85
					0.40	1.43	
4th	Opening Balance						
	1st month	2.85	-	2.85	0.03	0.12	2.73
	2nd month	2.73	-	2.73	0.03	0.12	2.61
	3rd month	2.61	-	2.61	0.02	0.12	2.49
	4th month	2.49	-	2.49	0.02	0.12	2.38
	5th month	2.38	-	2.38	0.02	0.12	2.26
	6th month	2.26	-	2.26	0.02	0.12	2.14
	7th month	2.14	-	2.14	0.02	0.12	2.02
	8th month	2.02	-	2.02	0.02	0.12	1.90
	9th month	1.90	-	1.90	0.02	0.12	1.78
	10th month	1.78	-	1.78	0.02	0.12	1.66
	11th month	1.66	-	1.66	0.02	0.12	1.54
	12th month	1.54	-	1.54	0.01	0.12	1.43
					0.24	1.43	
5th	Opening Balance						
	1st month	1.43	-	1.43	0.01	0.12	1.31
	2nd month	1.31	-	1.31	0.01	0.12	1.19
	3rd month	1.19	-	1.19	0.01	0.12	1.07
	4th month	1.07	-	1.07	0.01	0.12	0.95
	5th month	0.95	-	0.95	0.01	0.12	0.83
	6th month	0.83	-	0.83	0.01	0.12	0.71
	7th month	0.71	-	0.71	0.01	0.12	0.59
	8th month	0.59	-	0.59	0.01	0.12	0.48
	9th month	0.48	-	0.48	0.00	0.12	0.36
	10th month	0.36	-	0.36	0.00	0.12	0.24
	11th month	0.24	-	0.24	0.00	0.12	0.12
	12th month	0.12	-	0.12	0.00	0.12	-
					0.08	1.43	
	DOOR TO DOOR	60	MONTHS				
	MORATORIUM PERIOD	6	MONTHS				
	REPAYMENT PERIOD	54	MONTHS				

4.10. WORKING CAPITAL CALCULATIONS

COMPUTATION OF CLOSING STOCK & WORKING CAPITAL						(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year	
<u>Finished Goods</u>						
	2.42	2.77	3.15	3.56	4.03	
<u>Raw Material</u>						
	1.92	2.24	2.58	2.94	3.36	
Closing Stock	4.34	5.01	5.73	6.50	7.39	

COMPUTATION OF WORKING CAPITAL REQUIREMENT						
TRADITIONAL METHOD						(in Lacs)
Particulars	Amount	Own Margin		Bank Finance		
Finished Goods & Raw Material	4.34					
Less : Creditors	1.28					
Paid stock	3.06	10%	0.31	90%	2.75	
Sundry Debtors	2.87	10%	0.29	90%	2.59	
	5.93		0.59			5.34
MPBF						5.34
WORKING CAPITAL LIMIT DEMAND (from Bank)						5.00

4.11. SALARY & WAGES

<u>BREAK UP OF LABOUR CHARGES</u>			
Particulars	Wages	No of	Total
	Rs. per Month	Employees	Salary
Skilled (in thousand rupees)	11,000	1	11,000
Unskilled (in thousand rupees)	9,000	2	18,000
Total salary per month			29,000
Total annual labour charges	(in lacs)		3.48

<u>BREAK UP OF STAFF SALARY CHARGES</u>			
Particulars	Salary Rs. per Month	No of Employees	Total Salary
Manager	14,000	1	14,000
Accountant	12,000	1	12,000
Total salary per month			26,000
Total annual Staff charges	(in lacs)		3.12

4.12 POWER REQUIREMENT

Utility Charges (per month)		
Particulars	value	Description
Power connection required	10 KWH	
consumption per day	80 units	
Consumption per month	2,000 units	
Rate per Unit	8 Rs.	
power Bill per month	16,000 Rs.	

4.13. DEPRECIATION CALCULATION

COMPUTATION OF DEPRECIATION				(in Lacs)
Description	Plant & Machinery	Furniture & Fixtures	Misc Assets	TOTAL
Rate of Depreciation	15.00%	10.00%	15.00%	
Opening Balance	-	-		-
Addition	12.70	1.00	1.50	15.20
Total	12.70	1.00	1.50	15.20
Less : Depreciation	1.91	0.10	0.23	2.23
WDV at end of Year	10.80	0.90	1.28	12.97
Additions During The Year	-	-		-
Total	10.80	0.90	1.28	12.97
Less : Depreciation	1.62	0.09	0.19	1.90
WDV at end of Year	9.18	0.81	1.08	11.07
Additions During The Year	-	-		-
Total	9.18	0.81	1.08	11.07
Less : Depreciation	1.38	0.08	0.16	1.62
WDV at end of Year	7.80	0.73	0.92	9.45
Additions During The Year	-	-		-
Total	7.80	0.73	0.92	9.45
Less : Depreciation	1.17	0.07	0.14	1.38
WDV at end of Year	6.63	0.66	0.78	8.07
Additions During The Year	-	-		-
Total	6.63	0.66	0.78	8.07
Less : Depreciation	0.99	0.07	0.12	1.18
WDV at end of Year	5.64	0.59	0.67	6.89

4.14. PROJECTIONS OF PROFITABILITY ANALYSIS

PROJECTED PROFITABILITY STATEMENT						(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year	
Capacity Utilisation %	45%	50%	55%	60%	65%	
<u>SALES</u>						
Gross Sale						
Potato Chips	57.46	70.21	80.94	92.92	105.67	
Total	57.46	70.21	80.94	92.92	105.67	
<u>COST OF SALES</u>						
Raw Material Consumed	38.40	44.80	51.63	58.88	67.25	
Electricity Expenses	1.92	2.11	2.32	2.56	2.81	
Depreciation	2.23	1.90	1.62	1.38	1.18	
Wages & labour	3.48	3.83	4.21	4.63	5.10	
Consumables & Packaging	2.30	2.81	3.24	3.72	4.23	
Cost of Production	48.33	55.45	63.02	71.17	80.56	
Add: Opening Stock /WIP	-	2.42	2.77	3.15	3.56	
Less: Closing Stock /WIP	2.42	2.77	3.15	3.56	4.03	
Cost of Sales	45.91	55.09	62.64	70.76	80.09	
GROSS PROFIT	11.54	15.11	18.30	22.17	25.58	
	20.09%	21.53%	22.61%	23.85%	24.20%	
Salary to Staff	3.12	3.59	4.13	4.75	5.46	
Interest on Term Loan	0.63	0.56	0.40	0.24	0.08	
Interest on working Capital	0.55	0.55	0.55	0.55	0.55	
Rent	3.60	3.96	4.36	4.79	5.27	
selling & adm exp	1.72	2.95	3.72	4.37	5.28	
TOTAL	9.62	11.60	13.15	14.70	16.65	
NET PROFIT	1.92	3.51	5.15	7.47	8.93	
Taxation	-	0.13	0.16	1.17	1.17	
Profit(After Tax)	1.92	3.38	4.99	6.30	7.76	
	3.34%	4.82%	6.16%	6.78%	7.35%	

4.15. BREAK EVEN POINT ANALYSIS

BREAK EVEN POINT ANALYSIS					
Year	I	II	III	IV	V
Net Sales & Other Income	57.46	70.21	80.94	92.92	105.67
Less : Op. WIP Goods	-	2.42	2.77	3.15	3.56
Add : Cl. WIP Goods	2.42	2.77	3.15	3.56	4.03
Total Sales	59.87	70.56	81.32	93.33	106.14
Variable & Semi Variable Exp.					
Raw Material Consumed	38.40	44.80	51.63	58.88	67.25
Electricity Exp/Coal Consumption at 85%	1.63	1.80	1.97	2.17	2.39
Wages & Salary at 60%	3.96	4.45	5.00	5.63	6.33
Selling & administrative Expenses 80%	1.38	2.36	2.98	3.49	4.23
Interest on working Capital	0.55	0.55	0.55	0.55	0.55
Consumables & Packaging	2.30	2.81	3.24	3.72	4.23
Total Variable & Semi Variable Exp	48.22	56.76	65.37	74.44	84.98
Contribution	11.65	13.80	15.95	18.89	21.16
Fixed & Semi Fixed Expenses					
Electricity Exp/Coal Consumption at 15%	0.29	0.32	0.35	0.38	0.42
Wages & Salary at 40%	2.64	2.97	3.33	3.75	4.22
Interest on Term Loan	0.63	0.56	0.40	0.24	0.08
Depreciation	2.23	1.90	1.62	1.38	1.18
Selling & administrative Expenses 20%	0.34	0.59	0.74	0.87	1.06
Rent	3.60	3.96	4.36	4.79	5.27
Total Fixed Expenses	9.73	10.29	10.80	11.42	12.23
OPERATING PROFIT	1.92	3.51	5.15	7.47	8.93
BREAK EVEN POINT	84%	75%	68%	60%	58%
BREAK EVEN SALES	50.01	52.61	55.07	56.43	61.35

4.16. PROJECTED BALANCE SHEET

PROJECTED BALANCE SHEET						(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year	
<u>Liabilities</u>						
Capital						
Opening balance		9.76	10.27	11.42	12.89	
Add:- Own Capital	2.08					
Add:- Retained Profit	1.92	3.51	5.15	7.47	8.93	
Less:- Drawings	1.50	3.00	4.00	6.00	8.00	
Subsidy/grant	7.26					
Closing Balance	9.76	10.27	11.42	12.89	13.82	
Term Loan	5.70	4.28	2.85	1.43	-	
Working Capital Limit	5.00	5.00	5.00	5.00	5.00	
Sundry Creditors	1.28	1.49	1.72	1.96	2.24	
Provisions & Other Liab	0.40	0.50	0.60	0.72	0.86	
TOTAL :	22.14	21.54	21.59	22.00	21.93	
<u>Assets</u>						
Fixed Assets (Gross)	15.20	15.20	15.20	15.20	15.20	
Gross Dep.	2.23	4.13	5.75	7.13	8.31	
Net Fixed Assets	12.97	11.07	9.45	8.07	6.89	
Current Assets						
Sundry Debtors	2.87	3.51	4.05	4.65	5.28	
Stock in Hand	4.34	5.01	5.73	6.50	7.39	
Cash and Bank	1.96	1.95	2.36	2.78	2.36	
TOTAL :	22.14	21.54	21.59	22.00	21.93	

4.17. CASH FLOW STATEMENT

<u>PROJECTED CASH FLOW STATEMENT</u>						(in Lacs)
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year	
<u>SOURCES OF FUND</u>						
Own Margin	2.08					
Net Profit	1.92	3.51	5.15	7.47	8.93	
Depriciation & Exp. W/off	2.23	1.90	1.62	1.38	1.18	
Increase in Cash Credit	5.00	-	-	-	-	
Increase In Term Loan	6.42	-	-	-	-	
Increase in Creditors	1.28	0.21	0.23	0.24	0.28	
Increase in Provisions & Oth lib	0.40	0.10	0.10	0.12	0.14	
Sunsidy/grant	7.26					
TOTAL :	26.59	5.73	7.10	9.21	10.53	
<u>APPLICATION OF FUND</u>						
Increase in Fixed Assets	15.20					
Increase in Stock	4.34	0.68	0.72	0.77	0.89	
Increase in Debtors	2.87	0.64	0.54	0.60	0.64	
Repayment of Term Loan	0.71	1.43	1.43	1.43	1.43	
Drawings	1.50	3.00	4.00	6.00	8.00	
TOTAL :	24.62	5.74	6.68	8.79	10.95	
Opening Cash & Bank Balance	-	1.96	1.95	2.36	2.78	
Add : Surplus	1.96	-0.01	0.41	0.42	-0.42	
Closing Cash & Bank Balance	1.96	1.95	2.36	2.78	2.36	

4.18. DEBT SERVICE COVERAGE RATIO

<u>CALCULATION OF D.S.C.R</u>					
PARTICULARS	1st year	2nd year	3rd year	4th year	5th year
CASH ACCRUALS	4.15	5.28	6.61	7.68	8.94
Interest on Term Loan	0.63	0.56	0.40	0.24	0.08
Total	4.78	5.84	7.01	7.92	9.02
<u>REPAYMENT</u>					
Instalment of Term Loan	0.71	1.43	1.43	1.43	1.43
Interest on Term Loan	0.63	0.56	0.40	0.24	0.08
Total	1.34	1.98	1.82	1.67	1.51
DEBT SERVICE COVERAGE RATIO	3.56	2.95	3.84	4.75	5.97
AVERAGE D.S.C.R.	4.21				