

### **7.13. Financial Indicators**

#### **Internal Rate of Return (IRR):**

The project internal rate of return should be more than 10% as per the current financial scenario of the country. The project IRR is 10.31% therefore it is clearly indicating that the project is feasible for investment.

#### **Break Even Point:**

The average break-even percentage is 40.36% and as per financial standards it should be below 60%.

#### **Payback Period:**

The Payback period for the project is 5 years and 4 Months. It should be less than 6 to 7 years therefore the project payback periods are within the limit.

#### **Net Present Value:**

With a discount rate of 10% and a span of 7 years, the projected cash inflows are worth Rs.2,24,41,104 today, which is greater than the initial cash outflow of Rs.2,21,70,379. The resulting positive NPV of the above project is Rs.2,70,725 which indicates that pursuing the above project may be optimal.

#### **Return on Capital Employed:**

The return on capital employed for the project is 15.13% which is above the expected financial standards.

#### **Debt Services Coverage Ratio**

Debt Service Coverage Ratio: The average Debt Service Coverage Ratio is 1.96 and as per financial standards it should be above 1.5.

### 9.1 Internal Rate of Return

Particular	Y0	Y1	Y2	Y3	Y4	Y5	Y6	Y7
Profit after Tax & Dividend		7,88,555.05	17,21,820.52	25,48,644.91	32,69,434.53	40,80,682.98	50,28,408.98	60,36,061.46
<b>Add: Deprecation</b>		15,34,887.65	15,34,887.65	15,34,887.65	15,34,887.65	15,34,887.65	15,34,887.65	15,34,887.65
Add: Preliminary expense written off		55,720.00	55,720.00	55,720.00	55,720.00	55,720.00	0.00	0.00
Net Cash Accrual (A)		23,79,162.70	33,12,428.16	41,39,252.56	48,60,042.18	56,71,290.63	65,63,296.63	75,70,949.11
Initial Investment/ Net Cash Accrual	(2,21,70,378.8662)	23,79,162.70	33,12,428.16	41,39,252.56	48,60,042.18	56,71,290.63	65,63,296.63	75,70,949.11
IRR	<b>10.31%</b>							
Present Value Equivalent		0.91	0.82	0.75	0.68	0.61	0.56	0.50
Present Value of Future Inflows		21,56,820.35	27,22,238.24	30,83,837.02	32,82,459.39	34,72,410.47	36,43,015.48	38,09,597.92
Operating Net Cash Inflow					2,21,70,378.87			

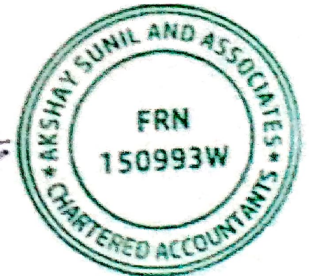
Present Capital Outflow

2,21,70,378.87

0.00

The internal rate of return (IRR) is a ratio used in financial analysis to estimate the profitability of potential investments. IRR is a discount rate that makes the net present value (NPV) of all cash flows equal to zero in a discounted cash flow analysis.

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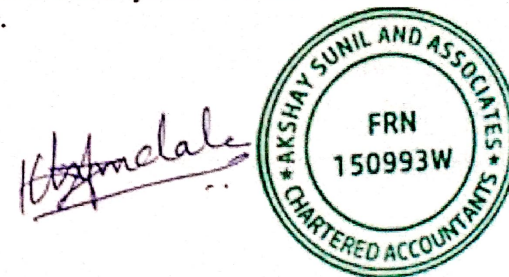


## 9.2 Break even Point

Particulars	Y1	Y2	Y3	Y4	Y5	Y6	Y7
Gross Receipts							
Activity 1 - Cleaning & Grading	6,83,75,884	7,83,54,265	8,77,63,934	9,79,18,684	10,88,69,499	12,06,70,599	13,33,79,635
Activity 2 - Warehouse	19,35,360	21,77,280	24,38,554	27,20,511	30,24,569	33,52,230	37,05,096
Total Receipts	7,03,11,244	8,05,31,545	9,02,02,488	10,06,39,195	11,18,94,068	12,40,22,829	13,70,84,732
Total Variable Exp	6,41,49,953	7,34,28,552	8,22,09,984	9,16,85,987	10,19,04,067	11,29,14,739	12,47,71,718
Contribution	61,61,292	71,02,994	79,92,504	89,53,208	99,90,001	1,11,08,090	1,23,13,013
Total Fixed exp	30,70,608	31,44,608	32,22,308	33,03,893	33,89,557	34,23,784	57,19,525
BEP	50%	44%	40%	37%	34%	31%	46%

**Average BEP** **40.36%**

**Break-even point (BEP)** is a term in accounting that refers to the situation where a company's revenues and expenses were equal within a specific period. It means that there were no net profits or no net losses for the company. The main purpose of break-even analysis is to determine the minimum output that must be exceeded for a business to profit.

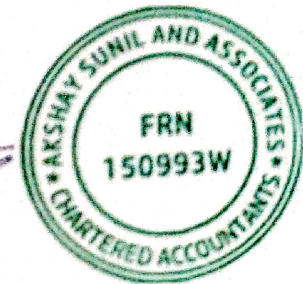


### 9.3 Net Present Value

Particular	Y1	Y2	Y3	Y4	Y5	Y6	Y7
Profit after Tax & Dividend	7,88,555	17,21,821	25,48,645	32,69,435	40,80,683	50,28,409	60,36,061
Add: Depreciation	15,34,888	15,34,888	15,34,888	15,34,888	15,34,888	15,34,888	15,34,888
Add: Preliminary exp Written off	55,720	55,720	55,720	55,720	55,720	0	0
Net Cash Accrual (A)	23,79,163	33,12,428	41,39,253	48,60,042	56,71,291	65,63,297	75,70,949
PV Factor @ 10 %	0.91	0.83	0.75	0.68	0.62	0.56	0.51
Disc Cash Flow	21,62,875	27,37,544	31,09,882	33,19,474	35,21,425	37,04,810	38,85,094

Total Discounted Cash Flows	2,24,41,104
Present Value of Outflow	2,21,70,379
NPV	2,70,725.29

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Net present value is the present value of the cash flows at the required rate of return of your project compared to your initial investment. If the NPV of a project or investment is positive, it means that the discounted present value of all future cash flows related to that project or investment will be positive.

### 9.4 Return On Investments

Particulars	Y1	Y2	Y3	Y4	Y5	Y6	Y7
Net Profit	7,88,555	17,21,821	25,48,645	32,69,435	40,80,683	50,28,409	60,36,061
Average net profit	3353372.63						
Total Project cost	22170378.87						
ROI	15.13%						

Return on investment (ROI) is a performance measure used to evaluate the efficiency or profitability of an investment

### 9.5 Payback Period (In years) - Project

Particulars	Y0	Y1	Y2	Y3	Y4	Y5	Y6	Y7
Initial Investment	2,21,70,379							
Profit after Tax & Dividend		7,88,555	17,21,821	25,48,645	32,69,435	40,80,683	50,28,409	60,36,061
Add: Depreciation		15,34,888	15,34,888	15,34,888	15,34,888	15,34,888	15,34,888	15,34,888
Add. Preliminary exp Written off		55,720	55,720	55,720	55,720	55,720	-	-
Net Cash Accrual (A)		23,79,163	33,12,428	41,39,253	48,60,042	56,71,291	65,63,297	75,70,949
Cashflow - Initial Investment		(1,97,91,216)	(1,64,78,788)	(1,23,39,535)	(74,79,493)	(18,08,203)	47,55,094	1,23,26,043

Payback period (in years)  
- Project

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The payback period refers to the amount of time it takes to recover the cost of an investment

### 9.6 Debt Service Coverage Ratio (DSCR)

Particulars	Y1	Y2	Y3	Y4	Y5	Y6	Y7
Net Operating Income	46,81,292	55,48,994	63,60,804	72,39,923	81,91,052	92,19,193	1,03,29,672
<b>Total</b>	<b>46,81,292</b>	<b>55,48,994</b>	<b>63,60,804</b>	<b>72,39,923</b>	<b>81,91,052</b>	<b>92,19,193</b>	<b>1,03,29,672</b>
Total Annual EMI	29,68,663	38,55,871	38,55,871	38,55,871	38,55,871	38,55,871	38,55,871
<b>Debt Service Coverage Ratio (DCSR)</b>	<b>1.58</b>	<b>1.44</b>	<b>1.65</b>	<b>1.88</b>	<b>2.12</b>	<b>2.39</b>	<b>2.68</b>

Average DSCR 1.96

the debt-service coverage ratio (DSCR) is a measurement of a firm's available cash flow to pay current debt obligations. The DSCR shows investors whether a company has enough income to pay its debts.

