

MODULE 7

Financial Requirement

Financial Requirement

- *Initial Investment Requirement*
- *Subsequent Cost Requirement*
- *Contingency Requirement*

Initial Investment Requirement

- *Capital requirement for equipment and structures necessary to start the business*
- *Working capital financial requirements in the form of raw materials, related supplies and people before a sale is made*

Working Capital Financial Requirement

- *Recruiting a management team*
- *Preparing product specifications*
- *Preparing product prototype design*
- *Product testing*
- *Initial Production costs*
- *Initial Marketing costs*
- *Initial Administrative costs*

Subsequent Cost Requirement

- *Working capital cycle of the business*

- *Revenue inflow of the business*
- *Matching of revenue inflow to cost requirement*
- *Excess funding required*

Contingency Requirement

- *Contingent factors that are likely to affect the business*
- *The cost related to these contingent factors*

Ownership Pattern

- *Equity Holding*
- *Debt Structure*
- *Venture Capital*

Equity Holding

- *Percentage of Equity contribution in the total financial requirement*
- *Extent of long term control of business*
- *Possible equity allocation to employees of the business*

Basis For Arriving At The Sources Of Finance

- *Forecasts for every quarter for the forthcoming year*
- *Forecasts for a five year duration*

Forecast Statements Used For Deciding The Sources Of Finance

- *Sales*
- *Production*

- *Remuneration*
- *Accounts Receivable, Accounts Payable*
- *Overhead Expenses*
- *Capital Expenditures and Depreciation*
- *Start-up costs, fixtures, equipment, etc*

Explanations Appended To Forecast Statements

- *Assumptions made for forecasting the above for a five year duration*
- *Deviation of forecasts from industry average*

Debt Structure

- *Financial Institutions*
- *Private Known Sources*
- *Business houses such as suppliers and*

Schemes Of Refinance Assistance

Project Finance Scheme

- *For setting up new units; preference given to units with export orientation, import substitution, hi-tech and those promoted by entrepreneurs with a good track record.*
- *Modernization, technology up gradation, diversification and expansion of existing well run units.*
- *For setting up of hotels and other tourism related activities as well as hospitals & nursing homes.*

Scheme For Financing Activities Relating To Marketing

Assistance under the scheme may be availed of for undertaking various marketing related activities such as:

- *Marketing research.*
- *R & D, product up gradation and standardization.*
- *Preparation of strategic marketing plan*
- *Advertising, branding, catalogue preparation, production of audio-visual aids, etc.*
- *Participation in trade fairs and exhibitions, undertaking sales promotion tours, etc.*
- *Establishing distribution network including showrooms/retail outlets and warehousing facilities.*
- *Training of personnel in activities relevant to marketing etc*

For setting up new showrooms and/or renovation of existing showrooms for marketing. Such show-rooms could be set up within country or abroad.

Development of infrastructure like permanent exhibition centers, industrial parks e.g. garment and software parks, marketing emporia, design and fashion forecasting studios, auction houses (say for floriculture products), container depots and container freight stations and trade centers (within India and abroad).

Setting up of facilities for providing marketing support to, e.g. data bank, libraries, internet services, etc. , and assistance to facilitate setting up and expansion of such services by service providers as may be relevant.

Working capital term loan requirements and bills discounting facility for service providers in respect of purchases to be made either directly or through an intermediary engaged in sourcing such supplies.

Equipment Finance Scheme

- *For acquisition of machinery / equipment, both indigenous and imported which are not may or may not be related to any specific project.*
- *Additional need based civil work at existing location, miscellaneous fixed assets, additional margin money for working capital may also be considered.*

Iso 9000 Scheme

- *To meet the expenses on consultancy, documentation, audit, certification fee, equipment and calibrating instruments required for obtaining ISO 9000 certification.*

Micro Credit Scheme Mfis, Interallia May Include

- *Societies registered under Societies Act , 1860 or similar State Acts;*
- *Trusts Registered under Public Trusts Act, 1920 or similar Acts;*
- *Companies registered under the Companies Act, 1956 including Section 25 Companies;*
- *Non Banking Finance Companies providing financial services to the poor;*
- *Specialized and other Co-operatives such as Mutually Aided Co-operative Societies etc.; other co-operatives and new type of institutions with focus on banking e.g. Local area banks.*
- *Any other type of institutions that offer micro finance and related services may be considered on merit.*

- *To create a national network of strong, viable and sustainable Micro Finance Institutions (MFIs) from the informal and formal sector to provide micro finance services to the poor, especially women*
- *Financial support was extended to well managed Micro Finance Institutions (MFIs) for on lending to (individuals/groups) with emphasis on women, for taking up industrial activities at the micro level.*

Foreign Currency Term Loans(FctI) Scheme

Fixed Assets

For setting up new projects as well as for expansion, diversification, technology up gradation and modernization of existing units with good track record covering both indigenous and imported. The units should preferably be export-oriented.

Working Capital

For working capital purposes which include both indigenous and import requirements.

Foreign Currency Term Loans(FctI) Scheme

Pre-Shipment Credit

To enable industries to raise finance at internationally competitive rates as per Reserve Bank of India guidelines to fulfill their export commitments.

Scheme For Export Bills Financing

To provide post-shipment credit in foreign currency at internationally competitive rates of interest by discounting of usance export bills / purchase of sight/demand export bills and negotiation of bills under LCs. Of exporters as also Export / Trading houses sourcing their requirements for exports.

Opening Of Foreign Letters Of Credit(Flc)

To enable industries to import capital equipment for new projects, expansion, diversification, technology up gradation and modernizations of existing units.

Technology Development And Modernization Fund(Tdmf) Scheme

- *For purchase of capital equipment, need-based civil works and acquisition of additional land and need based additional margin money for working capital.*
- *Acquisition of technical know-how, designs, drawings and fashion forecast where considered relevant to specific product group.*
- *Up gradation of process technology and products with thrust on quality improvement comparable with acceptable domestic and international standards.*
- *Improvement in packaging;*
- *Cost of TQM and acquisition of ISO 9000 Series Certification.*

Vendor Development Scheme

To encourage vendors / sub contracting units to acquire capital equipment, as also the requisite technology (including know how, designs, drawings, etc) for building up of export capabilities / import substitution including the cost of TQM and acquisition of ISO 9000 series certification and for expansion of capacity inclusive of need based additions / modifications to existing building and additional margin money for working capital requirement for execution of bulk orders etc.

Working Capital Team Loan Scheme

To help entrepreneurs in starting their commercial production without difficulty and during their upscaling of operations.

Scheme For Domestic Factoring

To provide factoring service to the manufacturers by supplying their products on credit terms to various purchasers in the domestic market with a view to assisting them in their receivable management as also providing them with finance against the receivables factored.

Bills Schemes

Bills Rediscounting Schemes(Brs)

BREquipment

For sale / acquisition of machinery on deferred payment terms for setting up of new units as also for expansion, diversification, modernizations, replacement, addition of balancing equipment etc.

BRS(Inland Supply Bills)

- To encourage bills culture as a method of working capital financing so as to ensure timely payment. Trade bills arising out of supply of goods by units and discounted with commercial banks either by the drawer (seller) or the drawee (buyer) are rediscounted by the banks.*

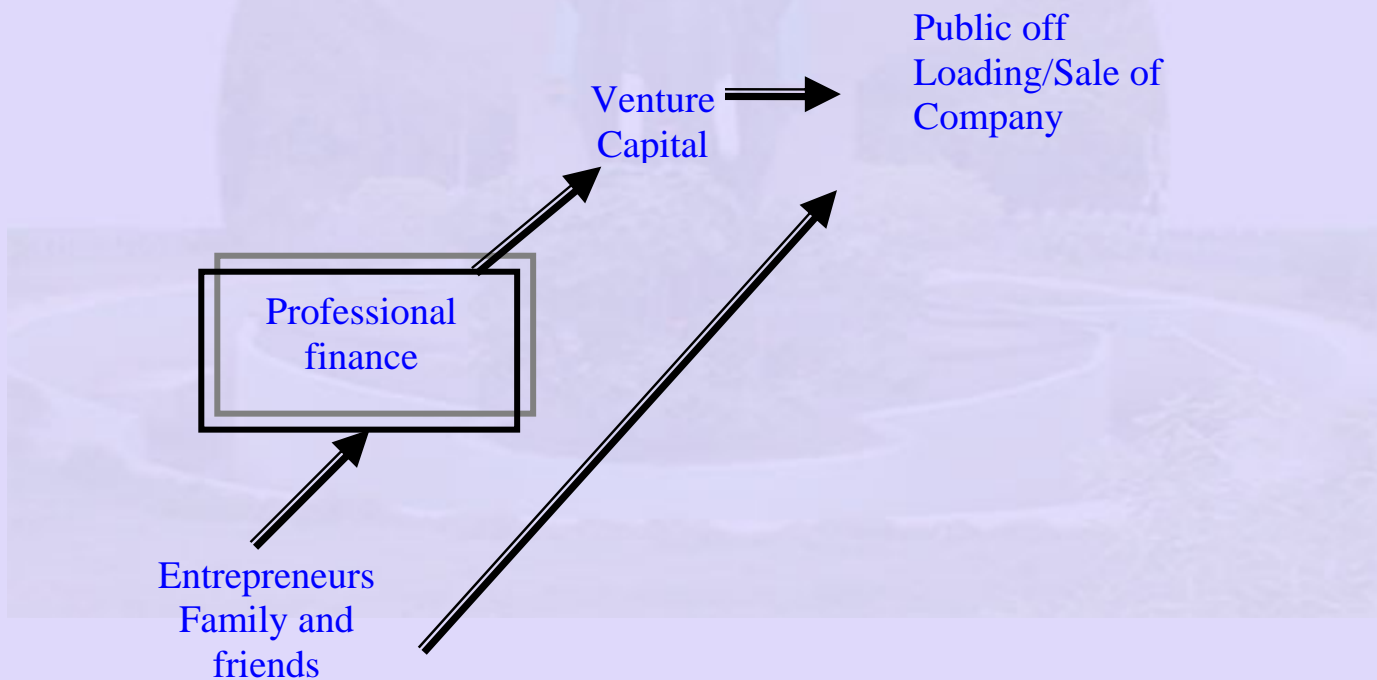
Direct Discounting Scheme - Components (Dds-C)

To enable SSI units selling components, parts, etc., to realize the sale proceeds quickly.

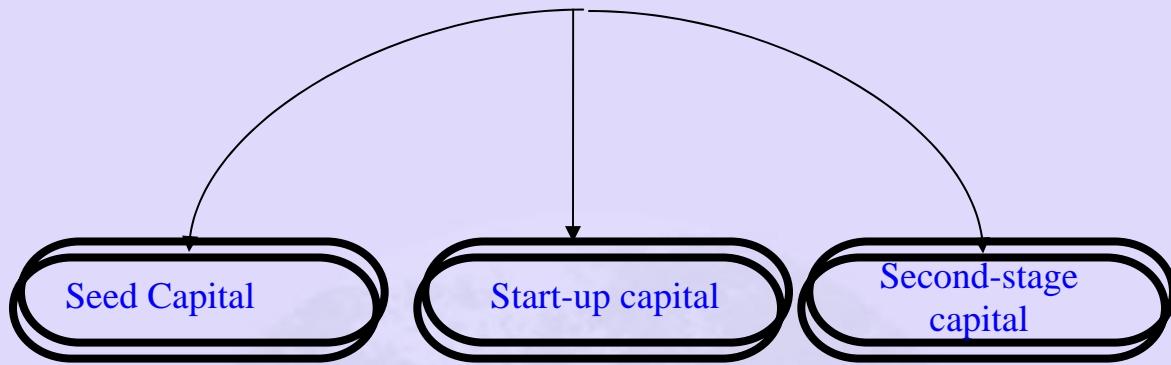
Direct Discounting Scheme – Equipment(Dds-E)

To enable manufacturers - sellers to offer deferred payment terms for credit sales and realize sale proceeds by discounting bills of exchange / promissory notes arising out of such sales.

Sequencing The Financing



Types Of Venture Capital Assistance



Public Off Loading

