

Typical
Feasibility study

UNDER
SAMAN BANK

EXECUTIVE VP CREDIT

PROJECT FINANCE & MANAGEMENT office

Note: But for each project and purpose some changes may be applied

I. The Economy.

- Economic and financial system
- GDP and GDP growth rate
- Unemployment rate
- Consumer prices/inflation Current account
- Exchange rate

II. The Market

a) The product.

- Clear description of the product(s) to be accompanied by samples or photographs of the product

b) Historical demand-supply analysis (over past 5 years)

c) Demand-supply projections

- Demand/supply projects over the next 5 to 8 years and the basis for projections.
- Local production, if any
- Imports
- Production of the proposed project
- Demand and supply gap
- Export potential, if any

III. marketing strategy

- Various aspects of marketing strategy (competition, pricing, market share etc
- Indicate names, addresses, telephone and fax numbers of the competitors
- Current importers in the market and their addresses telephone and fax numbers
- Related Government policies, pricing, quality control, licensing requirements, etc
- Proposed pricing plan for each product.
- Details of prevailing market prices, wholesale and retail.
- Pricing plans for the sales on the basis of FOB and CIF,
- Proposed channels of distribution.
- Organizational structure of the marketing and sales department, including the qualifications and experience of its working staff
- Sales promotion plan proposed for distributors and consumers.

IV. The Project

a) Objectives and Scope:

- Rationale, concept and objective of the project
- Project scope, including existing facilities, if any

b) Product(s)

- Technical description of the product
- Components of the product(s)
- Means for getting rid of left over stocks.

c) Project Location

- Geographical location - advantages and disadvantages
- Infrastructure support facilities: water, electricity and communication facilities.
- Environmental assessment
- Social assessment

d) Procurement plan with disbursement plan

V- Raw Materials:

- Source of supply, price of raw materials procured, semi-manufactured products (different stages) and the packaging material.
- Expected fluctuations with respect to the availability of raw materials and their prices.
- Percentage of waste of the raw materials during manufacturing and supply
- Description of mode or procuring raw materials

VI- Equipment and Machinery:

- List of equipment and machinery
- Detailed information on equipment and machinery
- Procurement procedure, international or restrictive competitive bidding/selection, direct shopping etc.

e) Production Process (to be mentioned briefly).

- Process flow involved.
- Technical know-how arrangements and rationale for choice of a particular technology and/or technical partner, if applicable

f) Project Components

- Description of major equipment and machinery components and means of transportation
- Detailed description of machinery and equipment, including name of manufacturing company, type, model, brochures, catalogues from the manufacturing company.

g) Project Cost and Financing Plan.

VII -Project Cost

- Detailed item-wise breakdown of cost estimates in local and in Euro equivalent.
- Basis of cost estimates and provision for contingency

VIII- Financing structure

- Equity, loan, leasing/installment sale
- Details of funds committed and their terms and conditions.
- Existing financing gap, if any
- financing structure
- Debt-equity ratio

h) Implementation.

- Project implementation schedule
- Erection and installation arrangements with machinery supplier(s), if any

i) Buildings

- Layout of the location of the project describing clearly the location of buildings, roads, boundaries of the location and its connection to main utilities such as water, sewerage and electricity
- drawing of building including areas, heights and sectors
- Detailed specifications of construction work of buildings

j) Manpower

- Comprehensive list of manpower requirements by skill indicating name, designation, their duties, etc
- List of wages and salaries and additional benefits to the staff
- Source of supply of labor
- Training plan for the manpower
- Production capacity during the initial production stage until the maximum production capacity of the plant is reached.
- as regard the expansion and modernization of the project is concerned; a detailed historical description of the production is required.

k) Concession Agreement or Franchise Licenses.

- Provide a copy of any technical agreement or contract for getting the technical expertise or concession of franchise agreements.
- Explain the basis on which the fee and expenses were calculated.

l) Establishment Expenses during Pre-Production Stage.

- Expenses due to consultants, legal advisors, Engineers, Architects and other professional staff.
- Travel expenses, salaries and other expenses during and before production.

m) The Beneficiary

- Background
- Legal status
- Organization structure including list of members of the board of directors
- Main sponsors including main shareholders and their shareholding.
- Key management and their background
- Operating performance over the past 5 years (for existing companies)
- Bank references

n) Financial Justification

- Project implementation schedule
- Project income statement, balance sheet and cash flow statement in both local currency and in Euro
- Financial Internal Rate of Return, Break-even analysis and cash playback period calculations under various scenarios
- Basic assumptions underlying financial projections (Selling prices, main raw material prices, capacity utilization, number of working days, depreciation rates, inflation rates, etc)
- Brief commentary on projected income statement, balance sheet and cash flow Statement with specific reference to the repayment capacity of the project amounts to be mentioned in local currency as well as in US Dollar equivalent

- Trend of ratios such as operating profit/sales, current ratio, debt-equity ratio, debt-service coverage, etc to be mentioned
- Financial Internal Rate of Return (FIRR)
- Sensitivity analysis under four scenarios:
 - Decrease in sale prices by %
 - Increase in raw material costs by %
 - Increase in project cost by %
 - A combination of (i), (ii) and (iii) above,

o) Risk Analysis.

Potential risks and ways and means, if any, to mitigate them.

P) Social and environmental assessment,

IX. Conclusion and Recommendations.

- financial viability of the project,
- Justification for financing
- Recommendations