



Final report
Summer Internship -2021

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Pendyla & Co

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Acknowledgment

The internship opportunity I had with Pendyala & Co was a great chance for learning and professional development. Therefore, I consider myself as a very lucky individual as I was provided with an opportunity to be a part of it. I am also grateful for having a chance to meet so many wonderful people and professionals who led me through this internship period. I am thankful for their guidance, support and advice during the project work.

I am thankful to Prof. Rajesh Kumar Jain Faculty Mentor, IMNU) for his benign guidance, constructive criticism and friendly counsel during the project work. His kind coordination, valuable inputs and proper guidance played a crucial role in the completion of the project.

Overview

In the category Tax Consultants in Hyderabad, Pendyala & Co in Vengal Rao Nagar is a prominent player. This well-known establishment serves consumers both locally and from other regions of Hyderabad as a one-stop shop. This company has built a strong presence in its field during its existence. The concept that client pleasure is just as vital as their products and services has helped this company build a large customer base that is growing by the day. This organisation hires people that are passionate about their jobs and put forth a lot of effort to fulfil the company's overall vision and objectives. This company plans to extend its product and service offerings soon to serve a broader clientele.

Products offered.

- Tax Consultancy
- Online Tax Return Filing
- Bookkeeping services
- Audit services (Both statutory & tax audit)
- Stock and receivables audit
- BG Audit
- GST Filing
- TDS Filing
- Company projection reports
- Consultancy services

Company Sector

The audit market in India is defined by three characteristics: Big 4 auditor dominance, increasing non-audit fee share, and lobbying for joint audit. The Big 4 audit firms' dominance in the Indian audit sector is nothing new. Since 1991, they have been expanding in the Indian market. The Big 4 multinational audit firms, on the other hand, are not allowed to audit accounts in their own names, so they forged partnerships with local Indian audit businesses to undertake audits in India.

During 2015-16, the top ten audit firms audited 36 percent of the NSE's listed companies. The Big 4 Auditors dominated the Nifty 500 subgroup by a wide margin. They completed 234 audits in the fiscal year 2015-16. A vast number of tiny single-location audit firms dominate India's entire audit sector. In 2015-16, for example, 830 audit firms audited 1519 NSE-listed companies, averaging less than two auditees per auditor.

During the 2015-16 fiscal year, firms paid a total of Rs. 19,000 million in audit fees. This was a 9% increase over the Rs. 17,460 million distributed in the preceding fiscal year 2014-15. 1400 NSE-listed businesses paid an average audit fee of Rs. 13.7 million. The average audit charge collected by Big 4 auditors was Rs. 1,197 million, about 90 times the industry's average audit charge in 2015-16. The audit fees paid by large and small cap corporations are vastly different. Non-audit services accounted for around a quarter of the fees received by Big 4 auditors. Non-Big 4 auditors pay 10% of their total fees for other services. As a result, non-Big 4 auditors rely more on audit fees.

Challenges faced by Accounting and Audit firms in India.

1. Problems with retaining clients

Previously, businesses that wanted to ensure full compliance had to rely on the assistance of an accountant. Most accounting firms made money by preparing tax returns. But now many people file taxes without any assistance.

Accounting cloud services are increasingly allowing businesses and individuals to stack their information in an orderly format, with accountants only performing a few final quick checks before sending returns. E-filing, on the other hand, will allow clients to send information with just a few mouse clicks.

2. Staffing Problems

The Annual Accounting Operations and Technology Survey discovered a concerning trend. Over 60% of practises worldwide reported that keeping and finding suitable talent in the accounting domain was becoming difficult. For the last 10-15 years, the demand for accounting graduates has outstripped supply, and statistics show that two out of every three qualified accountants will retire in the next 20 years.

3. Automation and Artificial Intelligence's Presence

Accounting processes are already automated to some level, but with the advent of AI and virtual reality technology, key accounting tasks like collecting transactions and converting bills into financial statements have been automated. Operations can save 25,000 hours of work and enhance efficiency by introducing a robotic procedure in accounting. This may be wonderful news for businesses, but it has put accounting professionals' careers in jeopardy.

4. Changes in the Tax Code

Accounting teams are frequently concerned about how to apply changes in tax regulations. Navigating the tax code changes effectively will help you have more finances available to deal with other upcoming business difficulties. Accounting software will help you manage a complicated tax year by digitising, accurate, and easy-to-access records.

Project Description

Project Brief

An audit firm reviews and verifies all financial and non-financial activity of its client's company and provides them with an audit report at the conclusion of the review for the company's fairness, which is a crucial document for a business.

Project Objective

To learn about various bookkeeping practices in India. To learn more about the audit process.
To learn various budgeting and cash flow techniques.

Scope of the study

To use my knowledge of corporate finance and accounting for preparation of reports for different kinds of companies in different kind of sectors and improve my interpersonal skills.

Key Deliverables

- Assisting personnel of the various department in the course of their work.
- Assist with research, filing, data entry, and keeping accurate and full financial records.
- Assist many types of clients with tax planning.
- Assist with payroll tax reporting preparation.
- Honesty and integrity in the handling of sensitive or confidential information.
- Learning how to compile and evaluate data, track information, and provide help to the firm or clients as part of the team.
- Taking on additional responsibilities or initiatives to gain a better understanding of Taxation & audit and office operations.

Introduction

Businesses require working capital daily to make normal payments, cover unforeseen costs, and purchase basic materials used in the manufacturing of commodities.

Working capital management that is effective can assist a company maintain smooth operations while also increasing earnings and profitability. Inventory management, as well as accounts receivables and payables management, are all part of working capital management. The basic goals of working capital management are to maintain the working capital operating cycle and ensure that it runs smoothly, as well as to reduce the cost of capital spent on working capital and to maximise the return on current asset investments.

Small business difficulties may occur because of having so much responsibility, and many of them will require additional finance (such as a term loan or a business line of credit) to be resolved. This is when extra working capital comes in handy! Having extra funding available can assist your company in overcoming obstacles and securing a brighter future.

Need for Financing for Small Businesses

Small firms take out commercial bank loans in the hopes of increasing their profits by leveraging borrowed funds. Loans can come from sources other than banks, such as credit unions, public funds, or private investors, and small businesses can use inventory or accounts receivable as collateral.

Borrowing money can be dangerously expensive depending on where and how the loan originates, as interest and fees are associated with nearly every loan. Before accepting a loan, businesses can and should calculate the total interest that will be paid.

Reasons

To Expand Operations:

Banks are more inclined to lend money to existing businesses that seek to expand their operations by purchasing real estate. Expansion usually occurs when a company is profitable, has increasing cash flow, and has strong future predicting numbers. This is a scenario that increases the likelihood of a bank approving a small company loan. Mortgages are the most common type of bank financing for real estate. Long-term bank loans will require monthly or

quarterly payments from earnings or cash flow and will be secured by firm assets. The loan length can range from three to twenty-five years, with an interest rate attached to it.

Equipment Installation:

Businesses have two options when it comes to purchasing equipment: they may buy it or lease it. If a company borrows money to buy equipment, the first year's tax write-off is \$25,000, and the rest of the equipment is depreciated throughout its economic life. When the equipment is outdated or no longer functional, it might be sold for salvage value. To decide whether it is better to buy or lease equipment for a certain organisation, a cost-benefit analysis is required. When a bank makes an equipment loan, it's normally for a short period of time (less than three years) and is paid back in monthly payments.

Working Capital Management:

Working capital is the money utilised to run a firm on a day-to-day basis. Small firms can borrow money to cover operating costs until they achieve a particular revenue level. A bank loan can provide short-term funding for a firm to get off the ground and flourish if the debtor has strong credit and a viable business plan. Working capital loans have a higher interest rate than real estate loans because banks consider them riskier; if the firm is mishandled at a critical point during its early stages, or if the company's earning assets never create a profit, the company will go bankrupt.

To acquire inventory:

Small businesses that have built a trusting connection with their bank may be eligible for short-term loans. Making timely payments and maintaining a good balance in a checking or savings account are two strategies to earn a bank's trust. Retail, hotel, and agricultural industries are examples of seasonal small businesses. If a company's sales peak over the holiday season, it can take out a short-term loan to buy most of its inventory ahead of time. Bank loans for inventory purchases are often short-term in nature; corporations plan to return them after the season is over, using earnings from seasonal revenue.

Working Capital Management Problems

Since the beginning of demonetization, MSMEs have been plagued by working cash issues, and your company could be next. The India SME Forum has conducted a poll to assess the impact of demonetization on MSMEs two years after it was implemented.

According to the report, MSMEs typically worked on a daily cash basis, which is their working capital. MSMEs were unable to withdraw cash from their accounts following demonetization. Several contract-based employees were laid off because of the owner's unwillingness to pay them in cash, resulting in job losses.

Demonetization, according to over 58 percent of MSMEs, was a main cause of the retrenchment that occurred at the time, due to the inability to pay in cash. Is that, however, the only explanation? This is where a grasp of working capital is critical. When it comes to unexpected financial decisions that could have an impact on the organisation, good working capital management can help. It is sometimes necessary to pay attention to the issues you are having with working capital. Here are a few examples:

- You cannot carry out your daily operations if you do not have enough working capital.
- Your business misses out on market opportunities like cash discounts and bulk goods discounts.
- Because you will be unable to pay off your commitments when they mature, your company's rating may suffer.
- Due to a lack of working money, you will miss out on great investment and expansion prospects.
- Your small firm will be unable to use fixed assets, and your assets will depreciate, resulting in higher costs in the future.

Objective of the Study

The objective of this study is to help the firm with proper working capital management and solve their problem which arise from lack of funds. Apart from that to prepare project proposal reports which future projections which will help the client to get external financing or bank loans.

Project Report

Company – 1

Introduction:

M/s. SUSANTH POLYTRON INDUSTRIES LLP is an LLP Company, registered No. AAT-5929, Dated 31-08-2020, established with view to manufacture the Water Storage Tanks with a capacity of 300, 500, 750 and 1000 litres.

Plastic tanks and water tanks store substances utilized in industrial processes, such as water, sewage, petroleum, and chemicals. They are utilized in numerous industries, such as the agricultural, oil/gas, water, waste treatment, medical, scientific, and pharmaceutical industries.

The unit is established under MSME SCHEME by

Mr. Bathula Sai Sushanth Reddy

Mrs. Prema Leela Bathula have experienced in this line by virtue of employment in different units of similar nature.

Market and Demand

Plastic tanks and water tanks store substances utilized in industrial processes, such as water, sewage, petroleum, and chemicals. They are utilized in numerous industries, such as the agricultural, oil/gas, water, waste treatment, medical, scientific, and pharmaceutical industries.

Plastic tanks have several advantages over the traditional steel tanks. Their seamless construction provides them with greater impact strength and superior resistance to rust, corrosion, and fuel additives. These virtually indestructible tanks have a longer lifespan than steel tanks, which can fracture and leak. Plastic tanks can easily be moulded to fit tank compartments, unlike metal tanks, and are simple to install. This characteristic provides savings in size, weight, and cost. Plastic tanks also cost less overall than steel tanks.

Hence considering the cost analysis, compatibility and convenience, the People are interested in using the Plastic water storage tanks. Considering the water scarcity, especially in the cities,

people are preferred storage the water in the tanks for the daily usage purpose and preferred to procure the Plastic tanks for this purpose.

Field investigations have revealed that due to increase in the house building activities and preference given by the Government to provide homes to the homeless people, the demand for plastic water storage tanks is likely to increase in the years to come. Hence there is good demand for water storage tanks.

The demand for the Product is consistent and is in increasing trend since the people residing in the flats are preferred to keep their individual water storage tanks to preserve the water. Though there are number of players, especially in the un-organized sectors, in the market the demand for the Product is always on increasing trend.

The Unit envisages to manufacture the Water Storage with a storing capacity level of:

- a). 250 Litres
- b). 500 litres
- c). 750 litres, 1000 litres, 1500 litres, 2000 litres & 5000 litres

The Unit has already contacted the customers in the market, and they are interested to place the orders on the Unit for their requirement. Some of the reputed Customers who have shown interest to place regular orders for their requirement as per Annexure.

Manufacturing Process

The LLDPE granules are mixed with granules of black Colour concentrates. These are extruded and strands are chopped as granules to achieve uniform distribution of carbon black. The granules are pulverized in a special pulverization system to 30 to 40 mesh powder. This powder is fed in the mould in the required quantity. The burners of the Roto Moulding Machine are fired with help of LPG or Diesel and the moulds are heated to 300°C to 350° C. Molten powders when rotated in the heated moulds form hollow storage tank. After proper time when the tank is ready, the mould is cooled and opened, and the tank is taken out. Finishing of the tanks is done manually.

Financial Assistance Required

Term Loan:

The Unit is proposed to acquire the required Machinery and other Electrical installations as per the detailed statement attached herewith. The Value of the proposed capital equipment and the proposed Term loan particulars are as follows:

Particulars	Total	Loan from	Promoters' Margin	
	Cost	Bank	Rate	Amount
Plant and Machinery	109.89	82.00	25%	27.89
Building - Additions	20.00	0	100%	20.00
Deposits	2.00	0	100%	2.00
Preliminary Exp.	1.00	0	100%	1.00
W.C Margin	38.17	0.00		38.17
	<u>171.06</u>	<u>82.00</u>		<u>89.06</u>

Proposed Term Loan : Rs 82.00 Lacs

Repayment Program : 74 EMI @ Rs 1.10/- lacs p.m.

Initial Moratorium : 9 months

Working Capital

The requirement of Working Capital is determined at Rs 30 lacs basing on the estimated / projected turn overs in the project. The norms adopted for assessing the Working capital on the estimated / projected turnovers are as follows:

1. Raw Material : 45 days
2. WIP : 14 days
3. Book Debts : 60 Days.

The working capital is required for following purposes:

1. To hold the stock of Raw Material for un-interrupted production.
2. To hold the WIP as per the Operation Cycle.
3. To hold the finished goods to meet the customer requirement.
4. To maintain the Book Debts, since the credit period is to be extended to the Customers.

The Summary of the Financial Requirement is as follows:

1. Term Loan	: Rs 82 Lacs
2. Working Capital	: Rs 150 Lacs
Total	: Rs 232 Lacs

Company – 2

Introduction

AS METAL CANS is a Sole Proprietorship Firm, registered under Small Scale Industries Act reference no. UDYAM-TS-09-0009366.

The Proprietorship Firm is engaged in the manufacturing of Tins and components and Metal printing. It produces 114-gram wrapper roll tins, 114-gram butter cookie tins, 340-gram butter cookie tins and 454-gram butter cookie tins.

Tin cans are ideal for packaging food products. They helped to preserve food for longer period and keeps the nutritive value. They are also flexible to transport for longer distances and have high demand because of good protection and long conservation. Keeping in view these points, AS Metal Cans manufactures a wide range of general purposes tins for variety of uses and cater the needs of the following industries:

1. Biscuit manufacturers.
2. Protein powder packers.
3. Other Processed food industries.

Infrastructural Facilities

(a). Land & Building:

AS Metal Cans has taken the premises of 3000 sq. feet area located at Plot No.81, Kattedan, Hyderabad- 500007. It has the locational advantages like availability of Power, Water, Transportation, Labor etc., and the existing premises is owned by AS Metal Cans and are sufficient for present and future requirements.

(b). AVAILABLE OF RAW MATERIAL:

The main raw materials required for manufacturing of tins and components are M.S, Chemicals, Colors –Asian Paints (PPG), Wood grade like varnish, Gas, Consumables etc. The Proprietor has already identified the suppliers and it did not have procurement restrictions etc., and do not have any scarcity.

(C) Manpower:

The unit requires following Manpower:

Skilled Workers	8 Members
Semi-skilled	5 Members
Unskilled	7 Members

The required manpower is available and are recruited from the nearby area of Kattedan where the unit is situated.

(d) Utilities:

- 1). POWER:** The required power of 49 HP is already available in the premises.
- 2). WATER:** There is no requirement of water in manufacturing process of the production. However, the required water for other / domestic purposes is available in the premises.
- 3). EFFLUENTS:** The process will not produce any effluents.

(e) Managerial abilities: The Proprietor has commitment to the work and enthusiastic to achieve the goal. He is adaptable to change and making strategies according to the market scenarios. Being an MBA, he is good at marketing and supported by both skilled and unskilled workers.

Market Demand

Tin is one of the basic chemical elements. When refined, it is a silvery -white metal known for its resistance to corrosion and its ability to coat other metals. It is most used as a plating on the steel sheets used to form cans for food containers which is used for storage of food items. Being so soft tin is rarely used a pure metal, instead it is combined with other metals to make alloys that possess tin's numerous beneficial properties. These include a low toxicity level and highest resistance to corrosion.

Tin plate packaging is the best recyclable packaging material. It is perfectly suited for an age in which commercial success can depend on sound environmental credentials. Tin plate containers are believed to be the best eco-friendly packaging solution when compared with any other medium of packaging.

Tin plate is globally preferred as the best packaging solution due to certain advantages: longer shelf-life, non-toxic, protection from ultraviolet rays and bacteria, aroma, and flavor retention, pilfer and tamper proof, and excellent printability. Tin cans upgrade the desirability of a product and are collectibles. Tin can give the product a premium image. Tin plate packaging is totally recyclable, and it can be recycled multiple times without any change in its properties.

Tins cans has mass market when the industrial revolution made biscuits one of the first industrially made food product. Biscuits were durable, could be made on a large scale by bakers equipped with new machines and as a relatively clean product, could use a new resource of cheap labor – women living in the rapidly growing cities, whose population also provide a ready market.

The following are the customers from whom we have orders and supplying the products.

1. PARAGON CONSUMER CARE PVT LTD.
2. DUKES CONSUMER CARE PVT LTD.
3. RAVI FOOD.

FINANCIAL ASSISTANCE REQUIRED:

a). **TERM LOAN:**

The Unit is proposed to acquire the required Machinery and other Electrical installations as per the detailed statement attached herewith. The Value of the proposed capital equipment and the proposed Term loan particulars are as follows:

Rs in Lacs

Particulars	Total Cost	Loan from Bank	Promoters' Margin Rate	Amount
Plant and Machinery	41.08	0.00	100%	41.08
Building	8.83	0.00	100%	8.83
Land	24.00	0.00	100%	24.00
Plant and Machinery - Additions	40.00	30.00	25%	10.00
W.C Margin	21.24	0.00	100%	21.24

	135.15	30.00	105.15
Proposed Term Loan	: Rs 30.00 Lacs		

Repayment Program : 60 EMI @ Rs 0.50/- lacs p.m.

Initial Moratorium : 1 month starting from 1st April 2021.

Note: Actual Cost of Machinery = 40 lacs

Promoter's Margin = 10 lacs

Unsecured Loans = 30 lacs

Cost of Machinery = 40 lacs

Promoter paid 30 lacs advances to imported machinery by taking loans as follows.

- Srinivasan = 10 lacs
- Standard Electricals = 10 lacs
- Choi technical = 5 lacs
- Lucky Electricals = 5 lacs

Total 30 lacs

b). WORKING CAPITAL:

The requirement of Working Capital is determined at Rs 50 lacs basing on the estimated / projected turn overs in the project. The norms adopted for assessing the Working capital on the estimated / projected turnovers are as follows:

1. Raw Material : 45 days
2. WIP : 30 days
3. Book Debts : 60 Days.
4. Overheads : 30 Days.
5. Creditors : 20 Days.

The working capital is required for following purposes:

5. To hold the stock of Raw Material for un-interrupted production.
6. To hold the WIP as per the Operation Cycle.

7. To hold the finished goods to meet the customer requirement.
8. To maintain the Book Debts, since the credit period is to be extended to the Customers.

The Summary of the Financial Requirement is as follows:

3. Term Loan	: Rs 30 Lacs
4. Working Capital	: Rs 50 Lacs
Total	: Rs 80 Lacs

SECURITY:

- 1). Term Loan: Hypothecation of Proposed Plant & Machinery.
- 2). Working Capital: Hypothecation of Raw material, SIP & Finished Goods and Bills Receivables.

COLLATERAL SECURITY:

E.M of Commercial land and building property situated at Plot No.81, Kattedan, Hyderabad - 500007, admeasuring 300 sq yards.

Company - 3

Introduction

Hyderabad is one of the cities which has rapid development in south India. It has become the hospitality center for all the states since it has rapid development in the areas of Software, trade, and commerce. People from all the other states are started settling down in twin cities due to their occupation in the employment, especially in software and other trades. The cost of living in Hyderabad is also low when compared to other cities in south India besides its advantage of quality life in Hyderabad.

Growth in the core sector has necessitated improvement and increase in infrastructure facilities like Housing, Transport, Communication etc., during the past two decades. This has increased the potential market in the real estate/ construction field.

Like any other developing city, there is an acute housing problem in Hyderabad too and demand for housing always outstrips its supply/ availability.

The demand for the residential houses, Apartments has been increasing substantially and the firm wishes to capitalize the market need, hence it has identified and acquired the land at Hyderabad to establishing its project.

SANJANAS COURTYARD is a partnership firm established on 3rd July of 2018, registered office firm is situated at Villa No: 160, SA Palm Meadows, Kompally, Hyderabad – 500100. The firm is established with a view to construct the residential apartments, commercial complexes.

Infrastructural Facilities

1. Location:

The project proposed for the construction of the flats is situated at SY NO.191 & 204, Kandlakoya village, Hyderabad 36, Telangana. The required land of 31208 square yards has already been acquired by the firm from its own resources. Further it also

obtained the required permission from the respective statutory departments to commence the construction activity.

The firm has already started construction activity.

2. Raw Materials :

The construction material, which is used for construction like cement, sand, steel, tiles etc., are locally available. There is no necessity of imported material.

3. Utilities

- i) Power: Necessary loaded power can be obtained
- ii) Water: Bore well and municipal water is available
- iii) Effluents: The construction of apartments does not yield any effluents.

4. Workforce:

All the labor work force like skilled workers, unskilled workers, supervisors, engineers, and other necessary consultants' engineers working for construction are locally available.

Hence there is no problem for employing necessary workforce.

5. Marketing

Price trends in Hyderabad real estate market: As per data available with proptiger.com show that property price in Hyderabad increases 17% in current financial year i.e., 2019-20 on a year-on-year basis. This happening at a time when rates either fall or increases marginally in other major cities.

Now overall sales in India wise key property markets fall 11% in the quarter ending June, 2019 on a year-on-year basis but Hyderabad defied the trend by clocking a 10% increase in sales.

Hyderabad's infra growth adds to its real estate:

Investors continuously invest in Hyderabad for the fact that Hyderabad has planned infrastructure development. The Metro Rail project has certainly act as a game changer. With a 56 kilometers operational stretch, the Hyderabad metro has become second largest metro rail network, next to Delhi as it expands its network in city. It would work its magic on emerging localities too while the actual value of property in such areas have begun to grow then rental value would appreciate as soon as they get an operational metro link.

Quality life in Hyderabad:

The growing popularity of the city could also be explained by the fact that quality life in Hyderabad is one of the best in India. Mercer's quality of living survey ranks shows that Hyderabad as the best city to live in India. Hyderabad's global ranking is 143. In the local survey also, Hyderabad has been ranked as the 27th best city to live in India. In the government clean city survey 2019, Greater Hyderabad is ranked as 35th. Also, according to a report by IQ Air visual, Hyderabad is comparatively cleaner than most megacities in India.

Hyderabad real estate's market trend- defying growth:

The slowdown in real estate that goes all the way back to 2014, does not show signs of turnaround yet. In such a slow market however, Hyderabad has continued to show steady growth and surprised many analysts.

Affordability works in favor of Hyderabad real estate:

Not every realty hotspot has the luxury to afford price increase. In the national capital Delhi, for instance, which has been ranked as 'overvalued' in a Reuters poll, property prices are predicted to fall two per cent this year. The poll, in fact, says rates across the country would 'barely rise this year, after nearly tripling in the past decade and rising for many years at a double-digit rate.'

For the southern cities of Chennai and Bengaluru, the poll, however, forecasts a price rise of 2-3 per cent this and the following year. In such a scenario, the 17 per cent increase in property rates in Hyderabad could be attributed to its affordability at a time when excessively overvalued markets in India are on their way down, rate-wise.

A composite assessment price of the property in both, Chennai and Bengaluru are Rs 6,900 as per the National Housing Bank's Residents while it is Rs 4,500 in the City of Nizams. Comparing the prices with the overvalued markets of Delhi and Mumbai, gives Hyderabad a distinct advantage since the composite assessment price of property in Mumbai is Rs 23,400 psf and Rs 9,700 psf in Delhi, as per the Residex.

Evaluation of Technical Aspects:

The total area of land is 31208 square yards which comprises 5 blocks. The necessary permission has been obtained from the respective statutory departments and the particulars of floor wise areas are mentioned below:

Block	Number of flats	Total Floor Area (sft)
A	4 flats x 5 floors = 20 flats	19120
B	8 flats x 5 floors = 40 flats	38240
C	12flats x5floors =60 flats	57360
D	12 flats x 5 floors = 60 flats	57360
E	12 flats x 3 floors = 36 flats	34416
	216 flats	206496 sft

The estimates for completion of the project are prepared and estimated cost of construction is arrived at Rs. 2693.95 lakhs, excluding the administration and other overheads.

Need for Bank Finance:

The Real estate/ construction market is a capital-intensive project, and it always needs sufficient funds for smoothening the operations and to prevent interruptions of the work for need of funds, this is due to reason that lots of funds also required to identify/locate the project site and to meet construction until buyer pays the amount.

Further, unless major portion of the work is completed, it could not obtain the advances from the buyers. In general, the buyers may pay a small amount as token of advance since most of them depends on the finance from Banks/FIs for the acquisition of flats. The required funds are to be pooled up to complete the project, as such the builder must put in more funds from their own sources, almost up to the stage of completion.

So, the required funds are to be pooled by way of construction loan from bank. The banker as per draw down schedule give loan to the builder. The borrower continuous to take funds as they are needed, guided by the draw down schedule. The builder pays interest only on the amount that he has drawn as per drawdown schedule rather than payment on total loan sanctioned. At the end of the project, the builder repays the total loan which he has taken.

Borrowers are typically obligated to pay interest on any funds drawn till date until construction is completed and flats are sold/registered.

The firm has already invested the funds of Rs 512.26 lakhs from its own resources to acquire the land. It needs further funds to complete the construction and make the project saleable. As Stated earlier the total construction cost, excluding the other administrative and other overheads is estimated at Rs.2693.95 lakhs. Since the own resources are already used, the firm is in short of funds for construction, hence it is proposed to obtain a Construction loan of Rs 1600 lakhs from the bank.

The entire project is envisaged to complete with in the period of 44 months and the cash budget is estimated on quarterly basis. It is envisaged to sell the flats by the end of March,2023 and is proposed to repay the total loan from the sale proceeds of the flats.

Project at a Glance

1. Name of the unit	: SANJANAS COURTYARD
2. Status	: Partnership firm
3. Location of the Project	: Kandlakoya village, Hyderabad
4. Total area of land	:31208 square yards
5. Total no. of flats	: 216 flats
6. Total duration of project	:36-44 months
7. Total constructed area	:206496 square feet
8. Total construction cost	:3415.37 lakhs
9. No. of flats for landlord (Development portion)	: 15 flats
10. Saleable no. of flats	:201 flats
11. Total revenue expected	:6605 lakhs.
12. Total loan sought from bank	:1600 lakhs.

Notes on Accounts

1. Note on Cash Budget

- i) Repayment of construction loan of Rs.1600 lakhs is proposed for repayment at the end of the project.
- ii) As on ongoing concern it is proposed to invest an amount of Rs.3042.81 Lakhs in acquisition of land for further projects from the internal accruals of the firm in the year end.

2. Note on Profitability Statement

- i) The sale value is estimating at 30.37 lakhs plus 1 % GST per each flat.
- ii) Sale value is taken only for 201 flats because 15 flats belong to landowner under development portion.

3. Note of Stagewise Implementation

- i) The duration of the project, commencing from development work on site as starting point, to handing over the flats to the buyer as end point, will take 36-44 months and it is estimated to complete the project by the end of March 2023.

4. Other Notes

- i) Out of total land of 31208 square yards, 6413 square yards are of development portion and 24795 square yards are of own land.
- ii) Interest on construction loan is taken at 12% p.a.
- iii) Remuneration to partners is taken at 10% of profits before taxes.
- iv) Provision for taxes is to be created at 30%.

Learnings

This internship was a great learning experience for me. I assisted the team with preparations of various reports for different kind of clients. I learned data collection , working capital management , cash budgeting , report writing among other skills.

The above three companies are small enterprises which required bank loans and for that we made project proposals for them to get a loan from banks.