



TOGETHER
for a sustainable future

OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.



TOGETHER
for a sustainable future

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org

United Nations
Centre for Industrial Development

Original: English

Inter-Regional Symposium on Industrial
Project Evaluation

CID/IPE/D.16
Survey of Country Experience

Prague, Czechoslovakia
11 - 29 October, 1965

07706

APPRAISING AN INDUSTRIAL PROJECT IN INDIA

Prepared by:

THE INDUSTRIAL CREDIT AND INVESTMENT
CORPORATION OF INDIA LTD.
Bombay,
INDIA.

This paper cannot be reproduced without permission from the Centre for Industrial Development, United Nations, New York. The views expressed in this paper are those of the author.

INTRODUCTION

India has adopted a system of planning for achieving economic development. Industrial programming forms an inherent part of the system of planning, and a development bank operates within the framework of industrial programming so determined.

Under the Industrial Policy Resolution of the Government of India, a part of the industrial sector, mainly basic industries, is reserved for development in the public sector. Under various laws, licences are required to set up an industrial unit, to raise capital on the market, and to import capital and current goods.

In India, even before planning commenced, certain industries, particularly consumer-goods industries like cotton textiles and sugar, were well developed. Under planning, the strategy of economic development adopted is to foster the growth of heavy industries, mainly in the engineering and chemical fields, to act as a dynamic element in the process of economic growth. These industries are treated preferentially in the matter of various Government permissions and fiscal concessions, and an attempt is made through these means to induce private entrepreneurs to enter these industries.

A development bank is only one element in the system of industrial planning. It takes as parameters the framework of industrial planning and the permissions required under it: for example, it accepts the entrepreneur, the location of the industrial unit, the scale and (where laid down) the method of production allowed to the industrial unit, as determined under the industrial licensing system. Within the framework, its function is to determine the viability of the industrial unit under the local conditions and, in the process, to strengthen any weak links (for example, the capital structure, the technical collaboration terms, the marketing arrangements) in the project, and, on this basis, to provide a part of the finance required to carry out the project.

A development bank has its own policy framework within which it seeks to operate. For example, in the case of ICICI, policy objectives seek to favour the financing of non-traditional industries and of new entrepreneurs: in both these respects, ICICI objectives are in conformity with the aims of the industrial licensing policy in India.

Context of Industrial Financing

The entry of new entrepreneurs in the industrial system is an essential part of the development process through which a country passes. It is necessary because it helps to widen the industrial base of the country. In this respect, India today is in the same position in which today's advanced countries were in the nineteenth century - depending upon new entrants into industry and individual enterprise for industrial growth.

As the industrial base in India is small, it cannot be expected that all projects would be taken up within existing industrial enterprises or by existing industrialists (through new units). Lack of industrial experience of the promoter, while an additional hazard in industrial financing, has to be accepted. This involves making an additional judgement on the industrial capacity of the promoter - his ability both to promote and to manage the concern. Of the 269 companies financed by ICICI during 1960-64, 39 have been promoted by new entrepreneurs. These entrepreneurs have come from varying backgrounds - engineers, civil servants, architects, trading, landlords and so on.

Many of the problems listed below need particular attention from a development bank, mainly because the entrepreneurs are new, though they also remain, with varying degrees, in the case of existing entrepreneurs taking up new projects.

*

When ICICI commenced operations, while stock exchanges had been operating in India for about 80 years, the availability of underwriting facilities was limited. One of the main considerations in setting up ICICI was to help develop the capital market by taking up the underwriting function. This is, therefore, one of the broader objectives which ICICI seeks to achieve through its operations. According to official figures, ICICI's underwriting operations form between 10 to 15 per cent of total underwriting done in India.

It is with the same object - the development of capital market - that ICICI generally prefers to undertake financing operations with other development banks, both in India and abroad. For example, so far, ICICI has had ten joint financing operations with the Commonwealth Development Finance Company of the U.K. and four operations with the International Finance Corporation.

*

An essential aspect of development is to bridge the technological gap existing in relation to an advanced country. One of the means of doing so is through resort to technical collaboration with a foreign company for the supply of know-how.

The broad terms of a collaboration agreement, whether technical or technical-cum-financial, are subject to Government approval in India. The viability of a project depends upon the nature of services provided by a collaborator and the cost at which they are provided. A development bank, therefore, examines the collaboration agreement to check that adequate services, for example, supply of know-how and of results of further research, are provided by the collaborator and that suitable guarantees are given for performance. Very often, the local entrepreneur is not adequately backed by his own staff (engineers and legal experts) to obtain a satisfactory collaboration agreement. A development bank, therefore, goes into the shortcomings in a collaboration agreement and seeks to obtain their removal before it undertakes the financing of the project. In India, besides the fact that Government approval is required for a collaboration agreement, a semi-official body, the Indian Investment Centre, has been set up, among other things, to provide advice on negotiations for collaboration agreements.

Collaboration agreements help not only to bridge the technological gap but also to strengthen the competitive position of a small or new entrepreneur in the local market. Of the 328 companies assisted by ICICI, 176 have obtained collaboration with foreign firms. The following Table shows the distribution of these collaboration agreements.

Foreign Participation and Collaboration in ICICI Projects

Foreign Equity Participation

Wholly owned	-
Foreign majority	17
Equal share	5
Foreign minority	80

Foreign Collaboration

Project report	50
Machinery supply:	
(a) Turnkey	42
(b) No turnkey	144
Continued technical assistance	152
Training facilities	170

Because of the above factors the various elements which receive emphasis in the process of project appraisal differ in India from those in other countries. These are mentioned below.

Appraisal Procedures

ICICI is essentially a financing institution; its function is not to prepare project reports or set up projects but to assess the viability of a project presented to it by a private entrepreneur in order to arrive at a financing decision. In order to carry out this function, ICICI has a small and experienced staff of engineers, financial analysts and economists who examine the technical, financial and economic aspects of a project. Essentially, the job of assessment differs from, say, the engineer's job on the shop floor or the accountant's in framing accounts. The job is more akin to management engineering and management accounting, and a capacity to judge a project from these points of view is required of the engineer or the financial analyst working in a development bank. At the same time, a vision is required from the staff to anticipate the changing problems of a developing economy and their implications for the projects financed by the development bank.

In the specific situation prevailing in India, after a project is conceived by an entrepreneur and Government approval obtained for setting it up, it is necessary, where foreign exchange is required, to arrange for it as a basis for carrying out the further arrangements for a project, for example, the preparation of the project report, the placing of orders for imported equipment and the arrangement of local finance. Of the financing institutions, ICICI is a major provider of foreign currency loans, particularly of untied loans, and, therefore, ICICI approval of the financing of a project becomes the starting point for the sequence of project execution.

The essential factor in project evaluation is to arrive at an independent assessment of the viability of the project, and, on this basis, to arrive at a financing decision. For example, all items which go to constitute the cost of a project need to be independently examined and assessed rather than the development bank accepting the cost estimates as given by the entrepreneur. In making cost estimates for equipment, it is necessary to check first that the list of equipment is complete and that no piece of equipment, required for the production of the item to be manufactured in the volume required, is omitted; machine capacities need to be rated against planned output; competitive quotations of equipment should be required to be produced and need to be evaluated against expected performance; in estimating the market, particularly in a seller's market situation (like the one that prevailed in India immediately

after the foreign exchange crisis of 1957-58), it is necessary to take into account, besides the likely growth of demand, the additional capacity under construction and its impact in normalising prices when the additional production comes about. The viability of the project, therefore, has to be judged in a competitive and price situation which might be completely different from the one existing at the time the financing proposal is being examined.

Cost of Project *

When a promoter approaches a development bank like ICICI for finance, many elements of cost are uncertain and need to be firmed up. A major function of a development bank is to scrutinise the cost of the project and to ensure its adequate financing. The major elements of cost are land and site development and building costs, machinery, ancillary facilities like railway and power connections, and intangible items like preliminary and pre-operative expenses.

While land, except in metropolitan areas, is cheap in India, site development (as also the supply of ancillary facilities referred to below) poses many problems and raises the total cost of land outside metropolitan areas. The Government has favoured a policy of geographical dispersal of industry, and not many ICICI projects are located within the four metropolitan cities of Bombay, Calcutta, Madras and Delhi. Building costs depend upon the nature of structure required and tend also to vary with the location of the factory. In India, the supply of major building materials like steel and cement is subject to Governmental allocation. In the case of projects financed by ICICI in the last five years, this item has formed about 13 per cent of the total cost (including working capital requirement) of the projects.

Machinery cost is a major element in the total cost of a project. With limited availability of indigenous machinery fabrication facilities, a substantial portion of machinery has to be imported; import duty on these items has been raised and is now almost at a rate twice that prevailing in 1962-63. Import of machinery is subject to licensing system, and is determined on the basis of indigenous availability of equipment. In recent years, fabrication facilities have increased in India, and a larger part of the machinery requirements is obtained indigenously. On an average, imported machinery cost forms 26 per cent of total project cost, indigenous machinery 11 per cent, and import duty, freight, insurance and transportation 6 per cent.

* See Annexure A for a note on the sample of projects referred to in the tables in the text.

As the projects financed by ICICI have been in non-traditional industries, their dependence on imports on capital goods account has been large as machine-fabricating industry for the capital goods required for these projects has not so far been developed in India. Of the total capital cost of ICICI-financed projects, between 40 and 60 per cent was required in foreign exchange for a little less than half the projects, and between 20 and 40 per cent for about two-fifths of the projects, as shown below:

Ratio of Foreign Currency Cost to Total Capital Cost: 1960-1964

<u>Percentage</u>	<u>Number of Projects</u>					<u>Total</u>
	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	
Less than 20	6	2	1	6	6	21
20 but less than 40	9	17	18	17	33	94
40 but less than 60	17	18	17	26	23	101
More than 60	4	3	1	1	3	12
Total	36	40	37	50	65	228

Note:- Foreign Currency Cost includes cost of imported plant and machinery, engineering fees and technical know-how fees. Capital cost does not include working capital requirement.

A project needs ancillary facilities like railway siding, power and water. The farther a location is away from a metropolitan town, the less the likelihood of the availability of these facilities at a close distance. Consequently, the cost of these facilities to the project becomes high. The average cost of these items for ICICI-financed projects is 6 per cent.

In addition to the above, there are certain other items of project expenditure which need to be provided for. These items relate to preliminary expenses like legal fees, underwriting commission and so on. Moreover, before a project goes into commercial production, personnel has to be employed to carry on

office work and for training and working on equipment as it arrives, and interest has to be paid on borrowed funds; this group of items is covered under pre-operative expenses. These items form about 5 per cent of total project cost in the case of ICICI-finance projects.

Taking the various intangible items like import duty, transportation cost, erection expenses and preliminary and pre-operative expenses - items which do not lead to tangible assets as such -, it would be noted that they form about 22 per cent of total project cost (or 30 per cent of capital cost). In the original build-up of capital cost, these items tend to be omitted or under-estimated, and require major revision at the appraisal stage.

Necessarily, the estimates of the cost of these items made at the initial stages are tentative. An entrepreneur's estimates are often not complete in the items covered or tend to under-estimate certain costs, for example, cost of buildings and structures. ICICI has tried to improve its own machinery for estimating costs and, with experience of financing a large number of projects, often in the same industry, is now able to estimate project costs within reasonable limits. In addition, ICICI allows for a contingency margin to provide for unforeseen items or rises in expenditure. This is allowed at the rate of 10 per cent on local currency expenditure, and forms about 5 per cent of total project cost.

Annexure B gives a division of project costs under the above items for new projects financed by ICICI in the last five years.

Gestation Period

ICICI finances what may be called medium-scale industry. The gestation period of projects financed by ICICI is about 2 to 3 years. Almost half the projects financed by ICICI have a gestation period of 12 to 24 months and about 40 per cent have a gestation period of 24 to 36 months. This represents the period during which there is great pressure on construction resources. As a project goes into production, it increases the output in the economy, easing thereby the strain on resources.

Means of Financing

In arranging the capital structure of a company, it is necessary to take into account the resources of the entrepreneur, the requirements of the project, the likely development of the project, and the nature of the local capital market. ICICI has, as a general rule, preferred a strong equity base for a project, both to keep the burden of interest payments low in the construction phase of the project and to enable the project to have a reserve borrowing capacity in case the financial requirements of the project increase.

Where the capital requirements of a project are high, as in the case of nitrogenous fertiliser, aluminium and petro-chemical projects, it is not possible to require a high equity base, and it becomes necessary to allow a larger portion of the financing to be covered by debt than in other cases.

Of 228 new projects financed by ICICI in the last five years, debt was less than equity in the case of almost 90 per cent of the projects, and debt exceeded twice equity only in one case.

Debt-Equity Ratio

Debt/Equity	Number of Projects					Total
	1960	1961	1962	1963	1964	
Less than 1	29	39	34	44	57	203
Between 1 and 2	7	1	3	5	8	24
More than 2	-	-	-	1	-	1
Total	36	40	37	50	65	228

Note: Equity includes reserves. Debt excludes short-term debt for working capital purposes. Debt and equity are calculated as at the time of the completion of the project.

Market

In a mixed economy, an enterprise is subject to internal competition, even though, as in India, imports are heavily restricted owing to shortage of foreign exchange. An assessment of market is, therefore, an important aspect of a development bank's function.

Under the system of industrial licensing prevailing in India, industrial licences are given generally within the targets of requirements of a product, based on calculations of internal and export demand. Demand targets are, however, inter-related, and a development bank needs to make its own estimates of demand, based on its own assumptions.

In addition, it is necessary to determine the competitive ability of an enterprise. This generally depends upon its cost conditions, its being a multi-product producer, the versatility of its equipment,

and its selling arrangements. Where a company makes many products or its equipment is versatile, it is able to withstand a temporary recession in the market for a product with greater ease than otherwise.

An estimate of market, even in a semi-controlled economy like India, is difficult because of the large number of variables involved. This is one area where effort needs to be devoted to an assessment of the over-all working of an economy to determine the financing decision in a project.

Cost of Production and Profitability

In determining cost of production, technical co-efficients are taken for the production of goods, and allowance is made for initial lower productivity of labour and, in case of products requiring high skill, of higher wastage. In calculating prices of the product, the impact of the higher production in future on prices is taken into account.

In making profitability estimates, account has to be taken of various tax incentives. India has a system of accelerated depreciation provision, and a development rebate is given on new capital assets installed. A tax holiday is allowed on profit up to 6 per cent of capital employed for a period of 5 years. Moreover, under recent budgetary changes, a rebate in tax is allowed to certain defined industries considered to be essential. The main effect of these provisions is both to reduce the tax liability of a company in the initial years of the project and to raise its internal cash generation.

In an underdeveloped economy, particularly one insulated from foreign competition owing to foreign exchange shortage, the return on capital employed is likely to be high. In the case of ICICI-financed projects, almost half the projects show a return of 10 to 20 per cent on capital employed and another one-third between 20 and 30 per cent. Less than one-tenth of the projects showed a return of less than 10 per cent, and a little more than 10 per cent showed a return above 30 per cent.

Return on Capital Employed

	Number of Projects					Total
	1960	1961	1962	1963	1964	
Less than 10 %	7	1	1	-	9	18
Between 10 and 20 %	16	17	19	26	28	106
Between 20 and 30%	8	15	14	17	18	72
More than 30%	5	7	3	7	10	32
Total	36	40	37	50	65	228

Note: Return is defined as the sum of operating profit and interest paid.
Capital employed is the sum of equity and fixed debt.

This high profitability is also evidenced by the ratio of the return to total sales. In the case of ICICI-financed projects, the average return on sales is in the range of 10 to 20 per cent, about 60 per cent of ICICI-financed projects getting that return, and 25 per cent getting less than 10 per cent.

	Number of Projects					Total
	1960	1961	1962	1963	1964	
Less than 10%	11	7	4	11	20	53
Between 10 and 20%	20	26	28	32	35	141
More than 20%	5	7	5	7	10	34
Total	36	40	37	50	65	228

Note: Operating profit is defined as profit before development rebate reserve and taxation.

Sometimes, on a consideration of internal and international prices of comparable products, the local currency appears to be over-valued. However, in a planned economy like India, imports are determined on the basis of physical allocation, and are allowed on considerations of essentiality and indigenous non-availability. In addition, allowance has to be made for the levy of import duties which act as protection on the local market.

In determining the viability of a project on an internationally competitive basis, it is necessary to take into account the likely period over which exchange protection through quota restrictions and import duties would be available as also cost reductions over a period as a result of increasing scale of operations and growth of the economy. In the short run, in the context of under-development of an economy and foreign exchange shortage, projects undertaken locally are intended to be import-saving, and their commercial viability determined on the local price situation.

In a developing country where capital and resources are small, very often it is not possible to start projects on an optimum scale. The cost of production, therefore, appears high, because labour skills are not developed, the waste rate is high, or by-products fail to be utilised. A development bank finances such projects because these are transient phases through which a project has to pass before developing to the optimum scale.

Impact of Operations

Development is a cumulative process, and at any point of time it implies an input of resources in projects in the construction phase and output of materials from those in production phase. Generally capital/output ratio tends to be less than one in chemical and allied industries (chemicals, paper, cement), and above one in engineering industries (engineering shops, forge shops). In the case of ICICI, whose activities are heavily concentrated in these two groups of industries, it is found that the capital to sales ratio is less than one in the case of about 55 per cent of its projects and between one and two in the case of 30 per cent of the projects, as shown below:

Capital to Sales Ratio

	Number of Projects					Total
	1960	1961	1962	1963	1964	
Less than 1	24	24	21	29	35	133
Between 1 and 2	6	16	13	21	24	80
More than 2	6	-	3	-	6	15
Total	36	40	37	50	65	228

Note: Capital is defined as gross fixed assets

The ratio of capital per unit of labour is high in process industries like chemicals, and comparatively lower in engineering industries. ICICI has financed medium-scale industry, and the requirement of capital per unit of labour has been between ₹25,000 and ₹50,000 for one-third of the projects and between ₹50,000 and ₹100,000 for another one third of the projects financed by ICICI, as shown in the following Table:

Capital Labour Ratio

	Number of Projects					Total
	1960	1961	1962	1963	1964	
Investment per job						
Less than ₹25,000	6	7	4	10	8	35
Between ₹25,000 and ₹50,000	13	15	6	15	30	79
Between ₹50,000 and ₹100,000	16	10	19	14	20	79
More than ₹100,000	1	8	8	11	7	35
Total	36	40	37	50	65	228

Note: Investment per job is defined as total cost of project divided by number of jobs created.

As Annexure C shows, 34.9 per cent of ICICI's finance to 1964-end is devoted to engineering and chemical industries, while 7.9 per cent of funds are provided to traditional industry-groups like textiles and sugar.

It is estimated that ICICI-financed projects, when completed, would produce 150,000 tons/year paper, 3,657,000 tons/year cement, 173,000 tons/year steel tubes, 118,000 tons/year cast iron spun pipes, 20,000 tons/year wire ropes, 217,000 tons/year superphosphate, 3,400 miles/year power cables and 243,000 numbers/year electric meters. As an example of the impact of these operations, it might be mentioned that in 1960 there were only two producers of ERW tubes with a total capacity of 127,000 tonnes/year tubes. Tubes were in such short supply that delivery period had lengthened to ten years and one company had stopped booking orders. In 1960, ICICI agreed to provide finance to three new tube mills to be set up. At the beginning of 1965, there were 7 producers of tubes with a capacity of 247,000 tonnes/year, three of them with a capacity of 73,000 tonnes/year being financed by ICICI. As a result, the shortage of tubes has disappeared, and it is possible to obtain tubes readily on the market. This is also true of a large number of other products - wire ropes, sheet glass, sanitaryware, electric cables, electric meters - in which gradually shortages have ceased with the increase of supplies.

Role of Other Factors in a Financing Decision

The basic consideration for a privately-owned development bank, operating in a mixed economy and financing enterprises in the private sector, in assessing the viability of a project, is to determine its commercial profitability in the market situation prevailing in the economy. However, the range of commercial profitability can be considerably wide, and enables the development bank to take into account other factors in determining its financing decision. These considerations can be illustrated by reference to individual financing decisions taken by ICICI.

For example, some States in India are industrially more advanced than others. Given commercial profitability of a project, ICICI favours financing in a relatively under-developed State, by either relaxing the criteria for investment or increasing the limits of investment. ICICI had in 1960 proportionately large investment in paper industry, in view of which it was ICICI's policy not to undertake large additional financing

in the industry; moreover, investment in shares of paper companies did not appear very profitable. However, where a promoter proposed setting up a pulp project in an underdeveloped State, ICICI agreed to underwrite a substantial part of its share capital on the ground that, despite initial lower profitability, the project was based on local raw material and had substantial growth prospects, that it was desirable to promote the growth of independent pulp capacity which did not exist in India, and the project would be the basis of the industrial development of an underdeveloped part of India.

Similarly, ICICI agreed to finance a milk-product project promoted by a large international concern in an underdeveloped State in India on the ground that the project was located in one of the low per-capita income regions of India and that the improved dairying practices proposed to be introduced would help to improve husbandry and agricultural practices in the region.

Moreover, with the continuous stringency of foreign exchange resources in the economy, a project involving import substitution tends to receive preferential treatment even when the initial commercial profitability appears low. Thus, ICICI financed a project for the manufacture of intermediate chemicals as it was calculated that the project would reduce the import needs of the manufacturer and by making him independent of imports, would help him to stabilise his operations.

A development bank, even a privately-owned development bank, has to be responsive to the needs of the local economy. Its horizon of decision is much wider than that of a private investor, and its ability to take risk and to wait is greater. Where its procedures are satisfactory and, on these procedures, a project is determined to be viable, it can afford to take a calculated risk and to wait. Development is a long process, and, as it proceeds, it continually brings within the ambit of viability other projects. A development bank's function is, therefore, to take a long view of development. This would be a measure of its social utility.

ICICI-Financed Projects

ICICI provided in ten years to December-end 1964 finance in the aggregate of ₹1022.9 million; this comprised ₹489.7 million by way of foreign currency loans, ₹255.4 million by way of rupee loans, including guarantees and ₹277.8 million by way of underwriting and direct subscription to shares.

Of this, in the five years 1960 to 1964, ICICI provided to 241 new projects total finance of ₹693.4 million; these projects are referred to for each year in the ICICI Chairman's Statement to the shareholders. Of these projects, 13 projects have not been proceeded with by the promoters for various reasons. Therefore, 228 projects, accounting for a total finance of ₹659.2 million are active with ICICI. This total finance comprised ₹344.1 million by way of foreign currency loans, ₹208.9 million by way of rupee loans including guarantees and ₹106.2 million by way of underwriting and direct subscription to shares; this covers, therefore, 64 per cent of the total financing done by ICICI to December 31, 1964. This sample has been used throughout the text for illustrating the operations of ICICI.

The total cost of these projects and the proposed means of financing these projects are given in the following table:

		₹ in million	
Fixed Assets	3038.5	Share Capital	1209.1
Working Capital	1017.7	Long-term loans including deferred payments	1474.5
		Cash accruals and Bank borrowings	1372.6
		Total	<u>4056.2</u>
Total	<u>4056.2</u>		

The average size of these projects was ₹17.8 million and average ICICI-finance provided to them was ₹2.9 million.

The tables in the text are prepared with reference to the number of projects.

ANNEXURE B
Cost of Projects
(Rupees million)

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>Total</u>
No. of Projects	36	40	37	50	65	228
Land, site development & building	67.3	87.5	85.2	152.3	136.7	529.0
Machinery - Imported	175.7	141.8	195.7	287.4	275.4	1076.0
Indigenous	43.4	49.3	90.7	105.3	149.4	438.1
Import duty, freight, insurance & transportation	32.4	29.2	37.6	75.1	71.4	245.7
Erection expenses, engineering & technical know-how fees	24.4	18.2	30.3	101.8	63.0	237.7
Miscellaneous expenses	13.4	28.2	33.2	49.8	46.1	170.7
Preliminary & pre-operative expenses	23.1	20.1	27.2	74.4	51.3	196.1
Contingency margin	11.7	15.3=	27.5	52.0	38.7	145.2
Total Capital Cost	391.4	389.6	527.4	898.1	832.0	3038.5
Working Capital	96.3	152.9	197.5	303.1	267.9	1017.7
Grand Total	487.7	542.5	724.9	1201.2	1099.9	4056.2

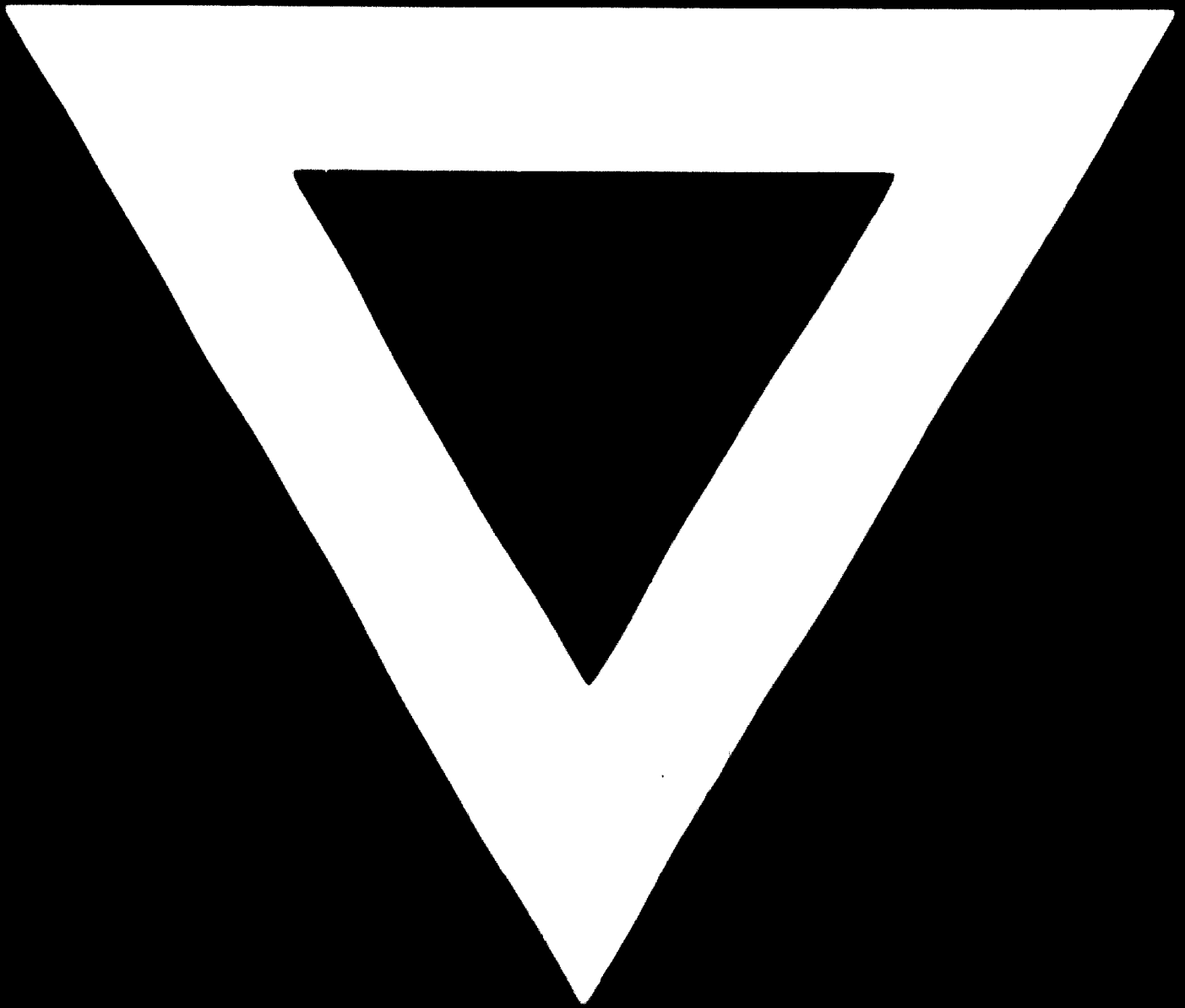
1
15
1

Annexure C

Industrywise Distribution of Financial Assistance

	<u>Total sanction</u> (₹million)	<u>Percentage of sanction to total</u>
Automobiles & Cycles	60.0	5.7
Cement	68.0	6.7
Chemicals & Chemical Products	147.9	14.5
Electrical Equipment	80.9	7.9
Electricity, Gas & Steam	33.2	3.3
Food Products (other than sugar)	12.1	1.2
Glass, Pottery, etc.	41.4	4.1
Iron and Steel	141.0	13.8
Metal products, ferrous & non-ferrous	97.2	9.5
Machinery manufacture (other than electrical)	118.0	11.5
Paper, Pulp & Paper Products	69.2	6.8
Rubber Products	13.5	1.3
Sugar	21.9	2.1
Textile	58.4	5.7
Wood, Cork & Hardboard	13.6	1.3
Miscellaneous	<u>46.6</u>	<u>4.6</u>
Total	<u>1022.9</u>	<u>100.0</u>

C-106



80.02.21