

# Project Appraisal

The background is a solid blue color with a gradient. A thin, light blue curved line starts from the top left and curves towards the center. A larger, light blue shape, resembling a stylized arrow or a wedge, points from the center towards the bottom right.

# Project Appraisal

- Costs
  - Direct Costs: Incurred by the PIB
  - Indirect Costs: Incurred by other than PIB
  - Intangible Costs: Non-Quantifiable Costs
- Benefits
  - Direct Benefits: Benefits Accruing to PIB
  - Indirect Benefits: Accruing to Other than PIB
  - Intangible Benefits: Non-Quantifiable Benefits





# Different Scenarios

The background is a solid blue color. A thin, light blue curved line starts from the top left and arcs towards the right. On the right side, there is a blue wedge-shaped area that tapers towards the top right corner.

# Appraisal Criteria

- Pay-back Period
- Average Proceeds per unit of outlay
- Net Present Value
- Internal Rate of Return
- Benefit-Cost Ratio

# Hypothetical Projects

<b>Project</b>	<b>Year</b>	<b>Capital Cost</b>	<b>Operational Cost</b>	<b>Value of Output</b>	<b>Net Value</b>
A	1	50000	10000	30000	20000
	2		10000	35000	25000
	3		10000	30000	20000
B	1	50000	10000	30000	20000
	2		10000	35000	25000
	3		10000	30000	20000
	4		10000	30000	20000
C	1	50000	10000	0	-10000
	2	25000	10000	35000	25000
	3		10000	40000	30000
	4		10000	40000	30000
	5		10000	40000	30000

# Standing of the projects

	Pay Back Period	Average Proceeds	BCR	NPV	IRR
A	2.25	0.43	1.12	9256	33%
B	2.25	0.425	1.29	24282	54%
C	4	0.28	1.07	7823	15%



# Quantities at New Port

Quantities ('000 tons)										
	0	1	2	3	4	5	6	7	8	9
Fertilizer		0	360	380	415	450	485	520	555	590
Iron Pellets		0	770	770	770	770	770	770	770	770
Sponge Iron		0	275	275	275	275	275	275	275	275
Tobacco		0	50	50	50	50	50	50	50	50
Misc		0	20	20	20	20	20	20	20	20
Phosphoric Acid		0	570	570	570	570	570	570	570	570
Liquid Ammonia		0	70	70	70	70	70	70	70	70
Petroleum		0	378	397	417	438	459	482	507	532

# Investment and Returns – KPIC

## Appendix II. Investment and Returns Estimated by KPIC

### Commodity-wise Handling Charges

Commodity	Handling Charges (Rs. Per Ton)
Fertilizer	150
POL	50
Food Grains	120
Iron Ore	60
Iron Pellets	250
Sponge Iron	250
Tobacco	120
Miscellaneous	120
Phosphoric Acid	50
Liquid Ammonia	60

### Year-wise Investment

It is estimated that the total investment will be Rs. 990 million, of which Rs. 605 million will be incurred during the first year.

The port will be able handle the cargo after the completion of the investment.

It is estimated that the operating cost will be 20 percent of the revenue accrued from cargo handling.

KPIC has decided to use a depreciation rate of 10 percent using written down value method.

It is estimated that the annual maintenance cost will be 10 percent of the capital investment

Based on the current tax structure, the effective rate of tax for KPIC will be 20 percent.

# Revenue from Operations

Value in Rs. '000									
	Year								
	1	2	3	4	5	6	7	8	9
Fertilizer	0	54000	57000	62250	67500	72750	78000	83250	88500
Iron Pellets	0	192500	192500	192500	192500	192500	192500	192500	192500
Sponge Iron	0	68750	68750	68750	68750	68750	68750	68750	68750
Tobacco	0	6000	6000	6000	6000	6000	6000	6000	6000
Misc	0	2400	2400	2400	2400	2400	2400	2400	2400
Phosphoric Acid	0	28500	28500	28500	28500	28500	28500	28500	28500
Liquid Ammonia	0	4200	4200	4200	4200	4200	4200	4200	4200
Petroleum	0	18900	19850	20850	21900	22950	24100	25350	26600
<b>Total</b>	<b>0</b>	<b>375250</b>	<b>379200</b>	<b>385450</b>	<b>391750</b>	<b>398050</b>	<b>404450</b>	<b>410950</b>	<b>417450</b>





- Questions?