Unit-2

Agro-Industries and Agro-Based Industries

- Agro- Industries can be defined as the agencies supporting agriculture by designing and manufacturing of inputs.

- Agro- Based Industries are those industries which depend on agricultural products as raw material.

Agro-industries	Agro-based industry
• Agricultural implements • Seed industries, • Pumpsets • Fertilizer and • Pesticide units	• Food products & Beverages • Tobacco products • Textiles • Leather Products • Paper & Paper Products

Project

- A group of activities that have to be performed in a logical sequence to meet preset objectives outlined by the client" OR " Temporary endeavors undertaken to create unique products, services or results
- Series of activities with purpose of accomplishment of clear defined goals within specific time frame and budget.
- Characteristics of a Typical Project

 All projects are concerned with Change – creating something new

 These activities must be performed in a logical order

 All projects have clear and measurable objectives, targets or goals. These objectives must be achieved within specific constraints, especially time and costs (budget)

 Each project is a new and unique process.

Project Management

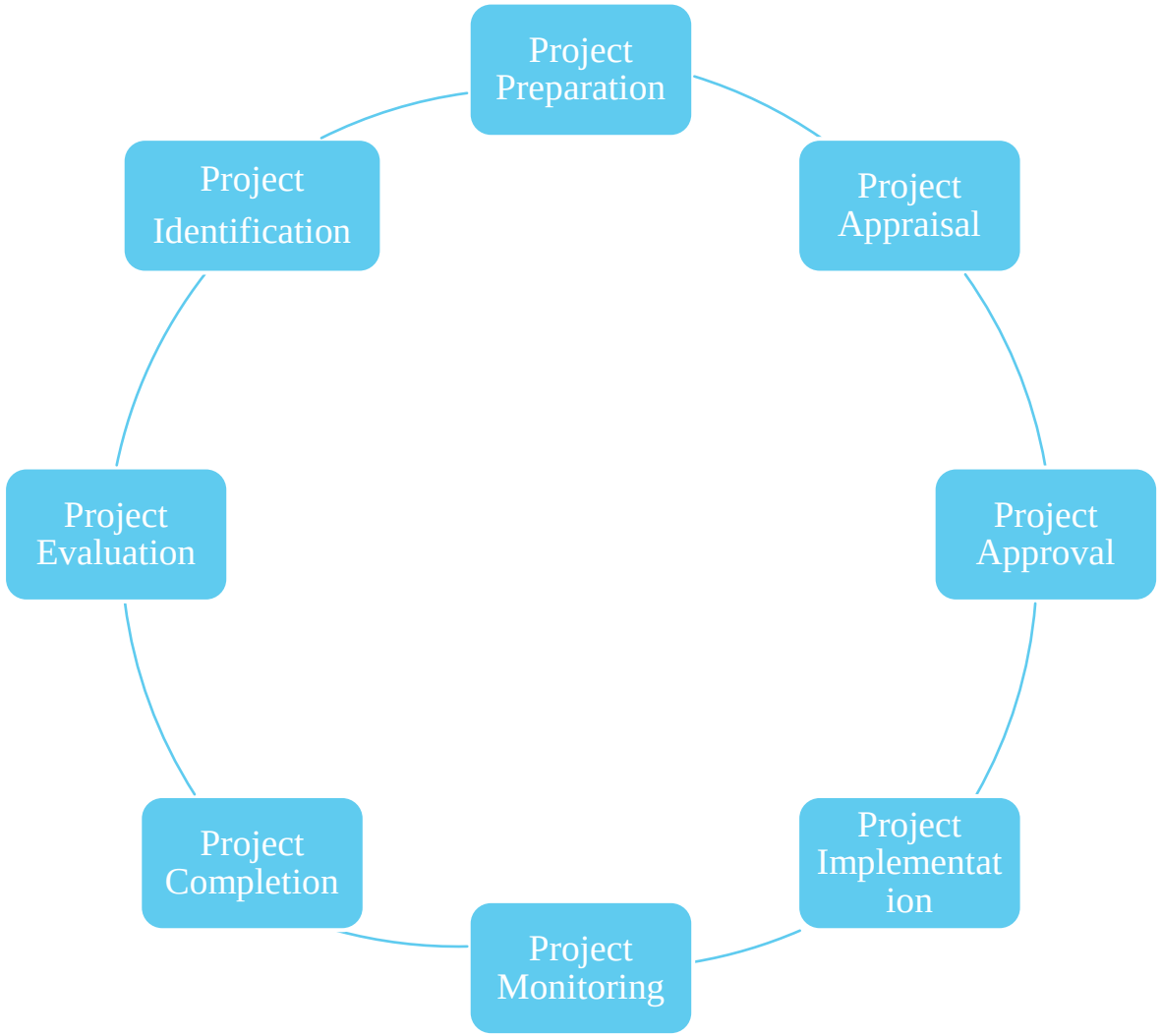
- Project Management is the application of knowledge, skills, tools and techniques to project activities in order to meet or exceed stakeholder needs and expectations from the project. Purpose of Project Management.
- The purpose of Project Management is to identify, establish, coordinate and monitor activities, tasks and resources necessary for a project to produce a product and/or service meeting the agreed requirements.

Project Cycle Management

- A logical sequence in which the projects are identified, prepared, approved and implemented is called project cycle.
- It is an approach in project management used to guide management activities and decision-making procedures during the life-cycle of a project, from the first idea until the last ex-post evaluation.

Project cycle management (PCM) is the process of planning, organizing, coordinating, and controlling of a project effectively and efficiently throughout its phases, from planning through execution then completion and review to achieve pre-defined objectives or satisfying the project stakeholders by producing the right deliverable at the right time, cost and quality

Project Cycle



- Project Identification:

The possible sources of project identification are

- Development Plans
- Sector Surveys
- Elected Representatives
- Immediate Nature/Calamity Projects
- Expansion of On-going Programmes

- Project Preparation

Projects are usually prepared by the executing organizations/ agencies and it consists of two stages:

- Feasibility Study
- Project Document

Important Considerations:

- Survey of the area
- Availability of resources
- Yearly allocation
- Capacity of Implementing agency

- Project Appraisal

 Critical examination of the project from all aspects is called appraisal.

 Analysis of prospective costs and benefits that leads to desirability for committing resources.

 It is carried out at two stages: Internal Appraisal External Appraisal

- Project Implementation

 Project implementation entails intense activities and a variety of physical work.

 Implementation of activities and financial management should be undertaken in accordance with all the established guidelines, procedures and regulations guiding the project.

 Implementation of the project is the responsibility of executing agencies through

 Organization Staff

 Project Staff

- Project Monitoring

It is the systematic review of development projects at appropriate intervals during implementation through well defined indicators.

Benefits of Monitoring

- Effective Implementation
- Timely Completion
- Completion within approved cost

Types of Monitoring

- Financial Monitoring
- Physical/Quantitative Monitoring
- Qualitative Monitoring

✓ Levels of Monitoring

- Internal Monitoring
- External Monitoring

✓ Key Monitoring Indicators

- Allocation of Funds
- Release of Funds
- Time Scheduling
- Technical Parameters
- Physical Progress

- Project Completion

It is a report submitted immediately after the completion of the project.

Major emphasis of the report is on the following:

 Achievements against Targets/Results of the project;

 Actual expenses vs. budgeted for the project;

 Reasons for: Under achievement if the desired targets are not achieved;

Delay if there is time over run in the project.

- Project Evaluation

Project evaluation examines all aspects of the project design and assess the overall progress towards the ultimate objectives.

Types of Evaluation

 End of project evaluation

 Post project completion evaluation

Project appraisal and evaluation techniques

- Economic Analysis
- Financial Analysis
- Market Analysis
- Technical Feasibility
- Management Competence

Undiscounted & Discounted measures

- There are two types of measures of project worth i.e. undiscounted and discounted. The basic underlying difference between these two lies in the consideration of time value of money in the project investment. Undiscounted measures **do not take into account the time value of money**, while discounted measures do

Undiscounted measures

Payback period

- The term payback period refers to **the amount of time it takes to recover the cost of an investment**.

$$\text{Payback Period} = \frac{\text{Initial Investment}}{\text{Net Cash Flow per Period}}$$

- **Proceeds per rupee of outlay**
- This is measured by dividing the total proceeds by the total investment.
- The projects are tanked by the highest by the higher magnitude of the parameter.

Discounted measures

NPV

- Net present value (NPV) is **the difference between the present value of cash inflows and the present value of cash outflows over a period of time**. NPV is used in capital budgeting and investment planning to analyze the profitability of a projected investment or project.

$$\mathrm{NPV} = \frac{R_t}{(1+i)^t}$$

NPV- Net Present Value

R_t- Net cash flow at time t

i- discount rate

t- Time of the cash flow

BCR

- A benefit-cost ratio (BCR) is **an indicator showing the relationship between the relative costs and benefits of a proposed project, expressed in monetary or qualitative terms**.

Value Range of Benefit Cost Ratio	Generic Interpretation
BCR < 1	Investment option generates losses.
BCR = 1	Investment option is neither profitable nor lossy.
BCR > 1	Investment option is profitable

IRR

- The internal rate of return (IRR) is **a metric used in financial analysis to estimate the profitability of potential investments**

$$NPV = \sum_{n=0}^{N} \frac{C_n}{(1+r)^n}$$

NPV- Net Present Value

N- Total no. of periods

N- Non- negative integer

C_n Cash flow

r- Internal Rate of Return

Net benefit investment(N/K) ratio

- The ratio between the present worth of net benefits and the present worth of an investment