

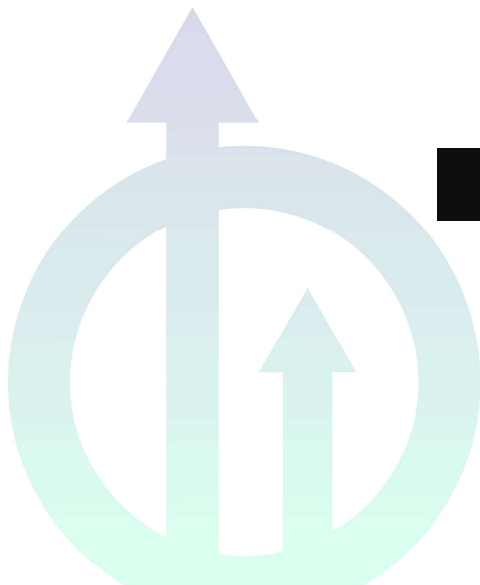
# Project Report

On



**A Trading concern for Seconds Four-Wheeler**

By



Numerio<sup>®</sup>  
Advisors  
Located At



**Debt Requirement**

**Rs. 5 Lacs in form of Mudra Loan**

## 1. Company Particulars and Promoter Profile

██████████ is proprietary firm of ██████████ located at ██████████. The firm deals in sale and purchase of second hand Four Wheelers of Maruti Suzuki, Honda, Ford and Hyundai make.

## 2. Industry Overview

The Indian used car market was valued at USD 24.24 billion in 2019, and it is expected to register a CAGR of 15.12% during the forecast period (2020-2025).

Recently, the used car market has evolved in the country, with the growth of the organized and semi-organized sector. The pre-owned car or used car market crossed the 4 million units mark in FY 2018, which states that the used car market is 1.3 times of the new car market. One of the key growth drivers of the market is the revision of the GST rate on used cars from 28% to 12-18%.

As the Indian auto industry is entering the BS-VI era from April 2020, the value proposition of used cars can grow more robust, as new cars are expected to become expensive due to additional technology costs. Additionally, according to the MD and CEO of Mahindra First Choice Wheels (MFCW), the companies' focus on reducing the production of diesel cars, like Maruti Suzuki's decision to exit the diesel car segment by April 2020, is also expected to increase the demand for compact diesel cars in the used car market, unless there is a backlash against diesel cars.

Factors, such as standardized dealership experience, good price experience, and high financing cost for used cars, may hinder the growth of the used car market. Some of the major players dominating the market are OLX, Mahindra First Choice Wheels, Cars24, Maruti True Value, and Hyundai H Promise, among others.

## 3. Debt Requirement

The proprietor is looking to raise Cash Credit Limit of Rs. 5 Lacs so as to purchase four-wheelers at a deep discount and create good working capital buffer.

## 4. Risk Factor & Mitigation

### a. Competition from Online Players

Platforms like OLX and Cars 24 have emerged as potent competitors. But having good knowledge of vehicle condition helps the promoter in getting good rates also as the second-hand market is all about personal relationships.

### b. Low Entry Barriers

The entry barriers are very low as investment in business is not very high. However, if the promoter is able to leverage his experience in industry together with technical knowledge, he will be able to handle new entrants.

## 5. SWOT Analysis

### a. Strength

- i. Loads of industry experience
- ii. Very low indirect cost
- iii. Low or no dependency on others

### b. Weakness

- i. Second-hand market is cash-driven market and bringing it into mainstream will be a difficult task

### c. Opportunity

- i. Optimum utilization of Vehicle Scrappage Policy
- ii. Create a brand in itself
- iii. Leverage own business acumen

### d. Threat

- i. Stiff competition from online selling platforms

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**Projected Profit & Loss Account Statement**

<b>Particulars</b>	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2023-24</b>	<b>FY 2024-25</b>
<b>Revenues</b>					
Sales of Car	5,400,000	5,778,000	6,182,460	6,615,232	7,078,298
<b>Total Revenue</b>	<b>5,400,000</b>	<b>5,778,000</b>	<b>6,182,460</b>	<b>6,615,232</b>	<b>7,078,298</b>
<b>Expenses</b>					
<b>Direct Expenses</b>					
Opening Stock	0	900,000	1,008,000	1,128,960	1,264,435
Purchase	5,616,000	5,084,640	5,440,565	5,821,404	6,228,903
Closing Stock	900,000	1,008,000	1,128,960	1,264,435	1,416,167
<b>Consumption</b>	<b>4,716,000</b>	<b>4,976,640</b>	<b>5,319,605</b>	<b>5,685,929</b>	<b>6,077,170</b>
<b>Gross Profit</b>	<b>684,000</b>	<b>801,360</b>	<b>862,855</b>	<b>929,303</b>	<b>1,001,128</b>
<b>GP Ratio</b>	<b>12.67%</b>	<b>13.87%</b>	<b>13.96%</b>	<b>14.05%</b>	<b>14.14%</b>
<b>Indirect Cost</b>					
Salary	60,000	66,000	72,600	79,860	87,846
Electricity Expenses	12,000	13,200	14,520	15,972	17,569
Rental	42,000	46,200	50,820	55,902	61,492
Other G&A Expenses	108,000	115,560	123,649	132,305	141,566
Interest Expense on CC	47,500	47,500	47,500	47,500	47,500
<b>Total Indirect Expenses</b>	<b>269,500</b>	<b>288,460</b>	<b>309,089</b>	<b>331,539</b>	<b>355,973</b>
<b>Net Profit</b>	<b>414,500</b>	<b>512,900</b>	<b>553,766</b>	<b>597,764</b>	<b>645,155</b>
<b>NP Ratio</b>	<b>7.68%</b>	<b>8.88%</b>	<b>8.96%</b>	<b>9.04%</b>	<b>9.11%</b>

Projected Balance Sheet

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<b>Liabilities</b>					
<b>Capital</b>					
Opening Capital	0	464,500	797,400	1,135,166	1,473,730
Profit During the Year	414,500	512,900	553,766	597,764	645,155
Contribution During the Year	100,000				
Withdrawal During the Year	50,000	180,000	216,000	259,200	311,040
Closing Capital	464,500	797,400	1,135,166	1,473,730	1,807,845
<b>Total Liabilities</b>	<b>464,500</b>	<b>797,400</b>	<b>1,135,166</b>	<b>1,473,730</b>	<b>1,807,845</b>
<b>Assets</b>					
Non-Current Assets	51,432	224,053	450,734	664,040	857,005
<b>Net Current Assets</b>					
<b>Current Asset</b>					
Stock in Hand	900,000	1,008,000	1,128,960	1,264,435	1,416,167
Cash & Bank	100,000	150,000	150,000	150,000	150,000
<b>Total Current Assets</b>	<b>1,000,000</b>	<b>1,158,000</b>	<b>1,278,960</b>	<b>1,414,435</b>	<b>1,566,167</b>
<b>Current Liabilities</b>					
Cash Credit Limit	500,000	500,000	500,000	500,000	500,000
Sundry Creditors	76,932	69,653	74,528	79,745	85,327
Provisions for Expenses	10,000	15,000	20,000	25,000	30,000
<b>Total Current Liabilities</b>	<b>586,932</b>	<b>584,653</b>	<b>594,528</b>	<b>604,745</b>	<b>615,327</b>
<b>Net Current Assets</b>	<b>413,068</b>	<b>573,347</b>	<b>684,432</b>	<b>809,690</b>	<b>950,840</b>
<b>Total Assets</b>	<b>464,500</b>	<b>797,400</b>	<b>1,135,166</b>	<b>1,473,730</b>	<b>1,807,845</b>

**Projected Ratio Analysis**

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<b>Profitability Ratio</b>					
GP Ratio	13%	14%	14%	14%	14%
NP Ratio	8%	9%	9%	9%	9%
<b>Short Term Ratios</b>					
Current Ratio	1.70	1.98	2.15	2.34	2.55
Inventory Turnover Ratio	50	52	55	57	60
Debtor Turnover Ratio	NA	NA	NA	NA	NA
Creditor Turnover Ratio	4	4	4	4	4
<b>Maximum Permissible Banking Finance</b>					
<b>MPBF-I</b> [(Current Asset- Current Liabilites)* 75%]	684,801	805,011	888,324	982,267	1,088,130
<b>MPBF-II</b> [(Current Asset * 75%)- Current Liabilites]	683,068	813,847	904,692	1,006,081	1,119,298