



2/3 WHEELERS SPARE PARTS

Introduction

Auto accessories store is one of the most profitable automobile business ideas in the retail segment. After every purchase of vehicle regardless two-wheeler or three-wheelers, owners are used to visiting an auto accessories store. According to the local market demand, accommodating the right product range for the customers is the key concept. Spare parts industry has a huge potential in India.

Market Potential

The growth prospects for the Indian auto components sector are bright over the next two-three years. Emerging technologies such as automated manual transmission, anti-lock braking systems, electronic control units/sensors, and advanced engine designs will also support growth.

Domestic auto component production is projected to increase at 10-12 per cent CAGR between FY2018 and FY2023 to ₹522,300 crore, in line with the domestic automobile demand and exports. The auto-components industry expanded by a CAGR of 6% over FY16 to FY20 to reach US\$ 49.3 billion in FY20. The industry is expected to reach US\$ 200 billion by FY26. Due to high development prospects in all segments of the vehicle industry, the auto component sector is expected to rise by double digits in FY22.

Auto-components industry account for 2.3% of India's Gross Domestic Product (GDP) and employs as many as 1.5 million people directly and indirectly. A stable government framework, increased purchasing power, large domestic market, and an ever-increasing development in infrastructure have made India a favourable destination for investment.

Automobile component industry's revenue stood at US\$ 49.3 billion in FY20, up from US\$ 39.05 billion in FY16 and is expected to reach US\$ 200 billion by FY26. Export of auto components grew at a CAGR of 7.6% to reach Rs. 102,623 crore (US\$ 14.5 billion) during the same time. The Indian auto components industry is expected to reach US\$ 200 billion in revenue by 2026. Strong international demand and resurgence in the local original equipment and aftermarket segments are predicted to help the Indian auto component industry grow by 20-23% in FY22.

Assumptions

1. For SME unit having yearly turnover of 120 lakhs, the Nayak Committee recommendation has been implemented by all the banks. Hence, we have worked out the funding requirement accordingly.
2. Sales of such trading units is majorly impacted by the selection of business location. The entrepreneur should examine all business aspects while selecting this location. Normally, 2/3 wheelers spare parts unit is established in a prevalent market area. Thus, we have assumed that the unit has been set up in a market area.
3. The shop premises of this unit is taken on lease. 300 sq. ft. is the proposed area which shall be spacious for stock display and stock-keeping.
4. Computation of Closing Stock is done on the basis of Working Capital cycle which is assumed to be of 3.5 months.
5. DSCR is high because of the term loan component is lesser than working capital requirement. We have not considered repayment for working capital and it is running on a continuous basis.

Cost of Project

Particulars	Amount (Rs. in Lakhs)
Premises (Lease)	-
Interior Civil Work including False Ceiling, Wall Rack, Partition Rack, etc. 300 sq. ft. @ Rs. 300 per sq. ft. (Shop Premises)	0.90
Equipment	-
Furniture and Fixtures as per Annexure	1.80
Electrical Equipment	1.00
Desktop and Printer	0.50
Software Cost (Tally/SAP)	0.30
Inverter (5 Kv office inverter)	0.30
Preliminary & Preoperative Expenses	1.00
Sub-total (A)	5.80
Working Capital Margin @25% of Total WC Requirement	7.50
Total Project Cost	13.30
Total Working Capital Required (lump sum) (B)	30.00
MEANS OF FINANCE	
Total Funds Required (A+B)	35.80
Loan Component-	-
TERM LOAN (75% of A)	4.35
WORKING CAPITAL (75% of B)	22.50
Total	26.85
Equity	8.95
Total	35.80

Detailed Cost Element

Sl. No.	Particulars	Amount (Rs. in Lakhs)
	Electrical Equipment	
1	CCTV	0.50
2	Fan	0.30
3	Light	0.20
	Total	1.00
	Furniture and Fixtures	
1	Chairs	0.10
2	Racks, Display Counter	1.50
3	Cash Counter	0.20
	Total	1.80

Preliminary Expenses

Particulars	Amount (Rs. in Lakhs)
Incorporation Expenses	0.10
Project Report Preparation	0.10
Interior Designer's Fee	0.25
Legal Charges - Drafting for agreements, contracts, stamp paper, notary and affidavit cost	0.05
Salary (1 month)	0.32
Rent Expenses (1 month; Rs. 50/sq. ft.)	0.15
Interest Cost for BOTH TERM LOAN AND CC (period before commercial production)	0.03
Total	1.00

Salary

Designation	Manpower	Amount (Rs. in Lakhs)
Cashier	1	1.20
Staff	2	3.60

Profitability Statement

Particulars	Amount (Rs. in lakhs)				
	Year- 1	Year- 2	Year- 3	Year- 4	Year- 5
<u>A. INCOME</u>					
Total Working Days in a Year	300	300	300	300	300
Estimated Sales per Day (Rs.)	0.40	0.44	0.48	0.53	0.59
Annual Sales (Rs.)	120.00	132.00	145.20	159.72	175.69
Total income during the year	120.00	132.00	145.20	159.72	175.69
<u>B. OPERATING EXPENSES</u>					
Stock Consumed (75% of Sales)	90.00	99.00	108.90	119.79	131.77
Salary	4.80	5.04	5.29	5.56	5.83
Rent	1.80	1.89	1.98	2.08	2.19
Power & utilities	3.60	3.67	3.75	3.82	3.90
Depreciation and Amortization	0.78	0.78	0.78	0.61	0.61
Administrative and General Expenses	2.40	2.64	2.90	3.19	3.51
Total Operating Expenses	103.38	113.03	123.61	135.05	147.81
Operating Profit (A-B)	16.62	18.97	21.59	24.67	27.88
<u>C. FINANCIAL EXPENSES</u>					
Interest on Term Loan	0.34	0.26	0.19	0.11	0.04
Interest on WC Loan	1.91	1.91	1.91	1.91	1.91
Total Expenses	2.25	2.17	2.10	2.03	1.95
Profit Before Tax	14.37	16.80	19.49	22.64	25.93
Provision for Tax	3.59	4.20	4.87	5.66	6.48
Profit after Tax (PAT)	10.78	12.60	14.62	16.98	19.45

Breakeven Point

Break Even Point (BEP)		Amount (Rs. In Lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
A.	Net Sales	120.00	132.00	145.20	159.72	175.69
B.	Variable Cost					
	Stock Consumed	90.00	99.00	108.90	119.79	131.77
	Power and Utility	3.60	3.67	3.75	3.82	3.90
	Total Variable Cost	93.60	102.67	112.65	123.61	135.67
C.	Contribution (A-B)	26.40	29.33	32.55	36.11	40.03
D.	Fixed cost					
	Salary	4.80	5.04	5.29	5.56	5.83
	Rent Expenses	1.80	1.89	1.98	2.08	2.19
	Interest on Term Loan	0.34	0.26	0.19	0.11	0.04
	Interest on WC Loan	1.91	1.91	1.91	1.91	1.91
	Depreciation and Amortization	0.78	0.78	0.78	0.61	0.61
	Total Fixed Cost	9.63	9.89	10.16	10.28	10.58
E.	Breakeven Point	36%	34%	31%	28%	26%
F.	Cash BEP	34%	31%	29%	27%	25%

Debt-Service Coverage Ratio

		Amount (Rs. In lakhs)				
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5
i	Profit	10.78	12.60	14.62	16.98	19.45
ii	Depreciation	0.78	0.78	0.78	0.61	0.61
iii	Interest	0.34	0.26	0.19	0.11	0.04
A	Total (i + ii + iii)	11.90	13.65	15.59	17.70	20.10
i	Interest on term loan	0.34	0.26	0.19	0.11	0.04
ii	Principal repayment on term loan	0.87	0.87	0.87	0.87	0.87
B	Total (i + ii)	1.21	1.13	1.06	0.98	0.91
	DSCR (A / B)	9.87	12.06	14.75	18.00	22.10

Interest on Term Loan and Principal Repayment

Refer Annexure I for Loan Repayment Schedule.

We have assumed the repayment tenure of term loan for a period of 5 years, Rate of interest being 8.5% p.a.

Address of Vendors

Name of the Vendor	Address and Contact Number
Two Wheeler Spare Parts (National Auto)	48c, New Tangra Rd, Tangra, Kolkata, West Bengal 700046
Durga Distributors (TVS Authorized Spares Distributor)	54/6, Kashi Nath Dutta Road, Kolkata, West Bengal 700036

ANNEXURE-1

Year	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Annually
I													
Principal													
Opening	4.35	4.27	4.20	4.13	4.06	3.98	3.91	3.84	3.77	3.69	3.62	3.55	
Repaid	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.87
Closing	4.27	4.20	4.13	4.06	3.98	3.91	3.84	3.77	3.69	3.62	3.55	3.48	
Interest	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.34
II													
Principal													
Opening	3.48	3.41	3.33	3.26	3.19	3.12	3.04	2.97	2.90	2.83	2.75	2.68	
Repaid	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.87
Closing	3.41	3.33	3.26	3.19	3.12	3.04	2.97	2.90	2.83	2.75	2.68	2.61	
Interest	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.26
III													
Principal													
Opening	2.61	2.54	2.46	2.39	2.32	2.25	2.17	2.10	2.03	1.96	1.88	1.81	
Repaid	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.87
Closing	2.54	2.46	2.39	2.32	2.25	2.17	2.10	2.03	1.96	1.88	1.81	1.74	
Interest	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.19
IV													
Principal													
Opening	1.74	1.67	1.59	1.52	1.45	1.38	1.30	1.23	1.16	1.09	1.01	0.94	
Repaid	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.87
Closing	1.67	1.59	1.52	1.45	1.38	1.30	1.23	1.16	1.09	1.01	0.94	0.87	
Interest	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.11
V													
Principal													
Opening	0.87	0.80	0.72	0.65	0.58	0.51	0.43	0.36	0.29	0.22	0.14	0.07	
Repaid	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.87
Closing	0.80	0.72	0.65	0.58	0.51	0.43	0.36	0.29	0.22	0.14	0.07	0.00	
Interest	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.04