

PROJECT PROFILE

ON

AUTOMOBILE SERVICING STATION

Month & Year

July 2010

**PREPARED BY
TANSTIA-FNF SERVICE CENTRE
B-22, INDUSTRIAL ESTATE
CHENNAI-600032**

Supported by

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STIFTUNG **FÜR DIE FREIHEIT**

AUTOMOBILE SERVICING STATION

INTRODUCTION:

For the past one and a half decade the passenger car population has been steadily increasing. This is mainly because the Indian economy is now considerably liberalised for all types of industries. India is having around 30 odd passenger car models on the roads developed indigenously and equal number of models in commercial vehicle segment. Even though there has been a decrease in sale of commercial vehicles, the sale of cars and other vehicles has been increasing.

All the international major passenger car manufacturers and two wheeler manufacturers are showing keen interest in the Indian market, and many have come out with new models.

The Indian industry with its cost advantage and fundamental engineering capabilities has become a major source. The manufacturer has to gear up to the expectations in the international market.

The car makers like Ford, GM, Hyundai, Mitsubishi, Peugeot have set up their plants in India with an investment aggregating over Rs.40,000 crores. Many of these plants are located in Chennai. Also the existing car makers - Maruti, Fiat, Hindustan Motors are also bringing new models on the road. Several new brands such as Zen, Alto, Wagon – R, Santro, Accent, Fiat, Palio, Siena, and Indica are popular brands.

The passenger car population in India is 6 cars per thousand which is very low when compared to even neighbouring countries like Pakistan and Srilanka. There is an immediate need to step up this figure to 7 per thousand. The attractive automobile financing schemes have also boosted the demand for cars in India.

The production of cars in the past few years had been as under:

Year	Production of No Cars
2001-02	500301
2002-03	557410
2003-04	782562
2004-05	960487
2005-06	1046133

The estimated Registered Population of the Cars & Jeeps as under:

Year	Registered Motor Vehicles-Cars & Jeeps
1990	2694000
2000	6314000
2001	6942000
2005	7548000

Source: Society of Indian 12000000 in to mobiles

PRODUCT USES & SPECIFICATIONS:

An automobile services station not having any specification, has to have minimum facilities to service the vehicles, such as necessary equipments facilitating regular washing, wheel balancing, door servicing etc.

MARKET POTENTIAL:

Increased productions of automobiles both in domestic market and world wide have boosted the confidence of auto ancillary units and automobile servicing sector. As the servicing of existing vehicles population is an essential activity, there is large scope in this area given the increasing number of vehicles on the road year after year.

The present car population is around 12 million. With an estimated addition of 10 lakhs cars per annum, automobile sector is gearing up to meet the escalating demands from the growing affluence among Indians.

TECHNICAL ASPECTS:

INSTALLED CAPACITY

The unit will be undertaking, servicing of cars, wheel alignment and wheel balancing:

No of cars to be serviced	3000 nos. p.a.
No of cars for wheel balancing	4800 nos. p.a.
No of cars for wheel alignment	4800 nos. p.a.

PLANT & MACHINERY:

	Nos.	Rs. lakhs.
Elgi air compressor Model TC500 with all standard fittings.	1	0.46
Elgi garage Hoist Model PU4 with all standard fittings	1	0.58
Elgi car washer Model 501TW with all standard fittings	1	0.46
Grease Pump Model AH4/STD with all standard fittings	1	0.22
Wall Guage stand	1	4.03
Elgi wall Model type inflator with all standard fittings		
Unipro 4 wheel alignment system	1	13.80
Balco Computerised wheel balancing	1	
Total		19.55

PROCESS OF SERVICING:

Door Servicing, Car Washing, Wheel Balancing & Wheel Alignment will be undertaken.

RAW MATERIALS & CONSUMABLES PER CAR

Black oil 0.75 litres

Diesel 0.75 litres

Grease 1 kg.

Soap water

Total consumables For 3000 cars Rs.6.00 lakhs. The service centre does not require any regular raw materials or consumables. The stocks of lubricants like grease, oil etc. will have to be maintained.

LAND & BUILDING:

Work Shed 500 sqft.

Service Station 300 sqft.

Addition shed for parking cars 300 sqft.

Office room 500 sqft.

Rent Rs. 10000 per month. Advance Rs. 1.00 lakhs

UTILITIES

Electricity:

As the servicing equipments are mainly hydraulically operated the power consumption is low. Connected power load will be 2.0 HP (1.5 KW) and a servicing per car 4 KW. (5.5 KW hrs x 8 hrs x 300 days) 13200 KWhrs.

Water: Water is required for car washing and human consumption.

Effluent treatment: Not required.

Man Power Requirement:

Category	Nos.	Monthly Salary	Total monthly Salary
Supervisor	1	8000	8000
Skilled workers	2	6000	12000
Semi Skilled workers	2	5000	10000
Manager	1	10000	10000
Helper	2	4000	8000
			48000
Add : Benefits	20%		9600

Total			57600
Total wages per annum [Rs. lakhs]			Rs.6.91

IMPLEMENTATION SCHEDULE:

All the equipments required for setting up of automobile service stations are available locally from reputed suppliers and this can be procured within one month's period. When all the other infrastructural facilities are made ready project can be implemented within two months' time.

ASSUMPTION

- Installed capacity Car servicing 3000 nos Per Annum Wheel balancing 4800 nos Per Annum Wheel alignment 4800 nos Per Annum.
- Capacity utilization – Year – 1 – 60%, Year – 2 – 70%, Year – 3 – 80%.
- Service charges Car servicing (Inc. water wash) Rs. 500 Per car, Wheel bal. Rs.57.50 Per Wheel Rs.230 per car, Wheel alig. Rs.62.50 per wheel Rs 250 per car.
- Raw material and consumables cost Rs. 3.30 lakhs pa Rs. 27500 per month.
- Power cost Rs. 0.69 lakh per annum Rs. 5750 per month.
- Wages and salaries Rs.6.91 lakhs Per Annum as per breakup given above with annual increase of 5%.
- Repairs and maintenance Rs.0.36 lakh Per Annum Rs. 3000 per month with annual increase of 5%.
- Depreciation WDV method at 15% on machinery.

- General and administrative expense Rs.4.20 Lakhs Per Annum Rs. 35000 pm with annual increase of 5%.
- Interest on term loan 12% P.A.
- Income tax 33.22% P.A on taxable income.

FINANCIAL ASPECTS

1. COST OF PROJECT

	Rs. lakhs
Building (Advance)	1.60
Plant & Machinery	17.00
Contingencies	1.70
Other Misc. assets	0.50
Pre-Operative expenses	1.00
Margin for Working Capital	0.50
Total	22.30

2. MEANS OF FINANCE

Capital	8.30
Term Loan	14.00
Total	22.30

Term Loan is calculated at 75% of machinery with contingencies

3. COST OF PRODUCTION & PROFITABILITY STATEMENTS

Years	1	2	3
Installed Capacity (No.)			
- Car Servicing	3000	3000	3000
- Wheel Balancing	4800	4800	4800
- Wheel Alignment	4800	4800	4800
Utilisation	60%	70%	80%
Production/Service (No.)			
- Car Servicing	1800	2100	2400
- Wheel Balancing	2880	3360	3840
- Wheel Alignment	2880	3360	3840
Service charge per job			

- Car Servicing(Including Water wash)	Rs.500		
- Wheel Balancing Rs.57/Wheel	Rs.228		
- Wheel Alignment Rs.62/Wheel	Rs.248		
Total Value (Rs. lakhs)			
- Car Servicing	9.00	10.50	12.00
- Wheel Balancing	6.57	7.66	8.76
- Wheel Alignment	7.14	8.33	9.52
	22.71	26.49	30.28
Consumables	3.00	3.50	4.00
Power	0.40	0.46	0.53
Wages & Salaries	4.46	4.68	4.91
Repairs & Maintenance	0.24	0.26	0.29
Depreciation	2.81	2.38	2.03
Cost of Production	10.91	11.28	11.76
Admin. & General expenses	3.60	3.78	3.97
Interest on Term Loan	1.68	1.47	1.05
Interest on Working Capital	0.00	0.00	0.00
Total	16.19	16.53	16.78
Profit Before Tax	6.52	9.96	13.50
Provision for tax	2.22	3.39	4.59
Profit After Tax	4.30	6.57	8.91
Add: Depreciation	2.81	2.38	2.03
Cash Accruals	7.11	8.95	10.94

4. WORKING CAPITAL:

	Months	Values	%	Margin	Bank
	Consumptions			Amount	Finance
Expenses	0.50	0.50	100%	0.50	0.00
		0.50		0.50	0.00

6. PROFITABILITY RATIOS BASED ON 80% UTILISATION

<u>Profit after Tax</u>	<u>8.91</u>	29%
Sales	30.28	

<u>Profit before Interest and Tax</u>	<u>14.55</u>	65%
Total Investment	22.30	
<u>Profit after Tax</u>	<u>8.91</u>	107%
Promoters Capital	8.30	

7. BREAK EVEN LEVEL

Fixed Cost (FC):	Rs. lakhs
Wages & Salaries	4.91
Repairs & Maintenance	0.29
Depreciation	2.03
Admin. & General expenses	3.97
Interest on TL	1.05
	12.25
Profit Before Tax (P)	13.50
BEL	$\frac{FC \times 100}{FC + P}$
=	$\frac{12.25}{25.75} \times \frac{80}{100} \times 100$
	38% of installed capacity