

PROJECT PROFILE

ON

INTERNET BOOTH

Month & Year

July 2010

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

Supported by

Friedrich Naumann
STIFTUNG **FÜR DIE FREIHEIT**

INTERNET BOOTH

INTRODUCTION

The Internet is a global electronic community of over several thousand inters connected computer networks. Over 50 million people are linked together, computing. This has been aptly termed by Mr. Al Gore former Vice President of U.S. as the Information Super Highway.

The internet originated in 1969 in the hands of U.S. military as a doomsday communication system impervious to nuclear war. By the late 1980's it had become an important peoples' computer network for a variety of academic researchers from English professors to Physicists and had crossed the periphery academic institutions and the border of U.S. Today the internet has users in more than 50 countries. It is continuing to expand rapidly, with thousands of systems adopting internet standards every month. In 1993, when commercial providers were first permitted to sell internet connections to individuals, millions of new users came on within months and a new era of computer communications began.

From a small net work set up by the U.S. Defence department, the Internet has grown into a truly international super network. The internet has added a new dimension to our existence by placing within our easy reach a wide range of information.

The internet offers a wealth of business opportunities. It serves as an advertising media for business community for offering their services to customers. For up-to-date information and assistance to business, stock market, education, medical advances etc., Internet is undoubtedly an invaluable resource. Also the internet is invaluable resource for communication and sharing information across any organisation.

The internet is a boon to home too. Most networks on the internet make files available on data base for easy access of those on networks for which several Internet Service Providers provide connections to paid members for a wide range of services – information / programme downloads; online conferencing; e-mails; online booking for travel and entertainment to mention a few. They also provide information to specific users' groups, such as sports , musicians, help from expert group, market or sell make friends etc.

SERVICE USAGE & SPECIFICATIONS.

Internet and its use:

- Electronic Mail (e-mail): Sending and receiving communications through computer network
- Information sourcing: Electronic Commerce - Commercial dealings through electronic media, Selling Business information.
- Data Transfer

The customer can be a:

- Student - seeking to go abroad for his/her higher studies would like to gather information about Foreign Universities
- Doctor – needing to update his/her professional knowledge, access medical journals, consult with experts around the world and any information related to Health and Medicine.
- Computer professionals – to update his/her knowledge in the ever changing Information Technology (IT) field - download software, IT news, knowledge bases, post queries etc.
- Lawyers – to know the details of the latest case laws etc.
- House wife – wishing to know about the new recipes

The amazing assemblage of material - from information on trade and commerce science and technology, and whatever else from electronic books to catalogs to free

software, - exists in one file or another, in the FTP (File Transfer Protocol) and WWW (World Wide Web) servers or machines somewhere out there on the Internet.

Internet is undoubtedly a Information Super Highway.

MARKET POTENTIAL

Indian internet market space has been witnessing a phenomenal growth since November 1998, when the new internet policy opened the sector for private internet service providers.

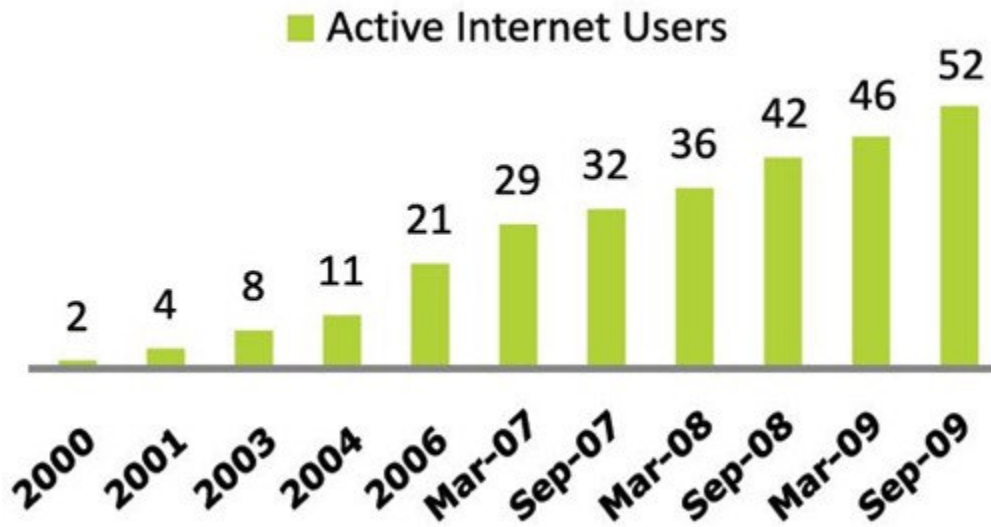
We are a country of Billion People and we have measly 52 million active users according the yearly report – I-Cube – released jointly by Internet & Mobile Association of India(IAMAI) and IMRB.

Overall, 71 million users accessed Internet in year 2009, with 52 Million “active” users who accessed it at least once in a month.

Internet Subscriber Growth

Although, the growth shows a healthy 20% increase from September 2008 to September 2009- from 57 million users to 71 million Internet users, in larger perspective this is really nothing to boast of.

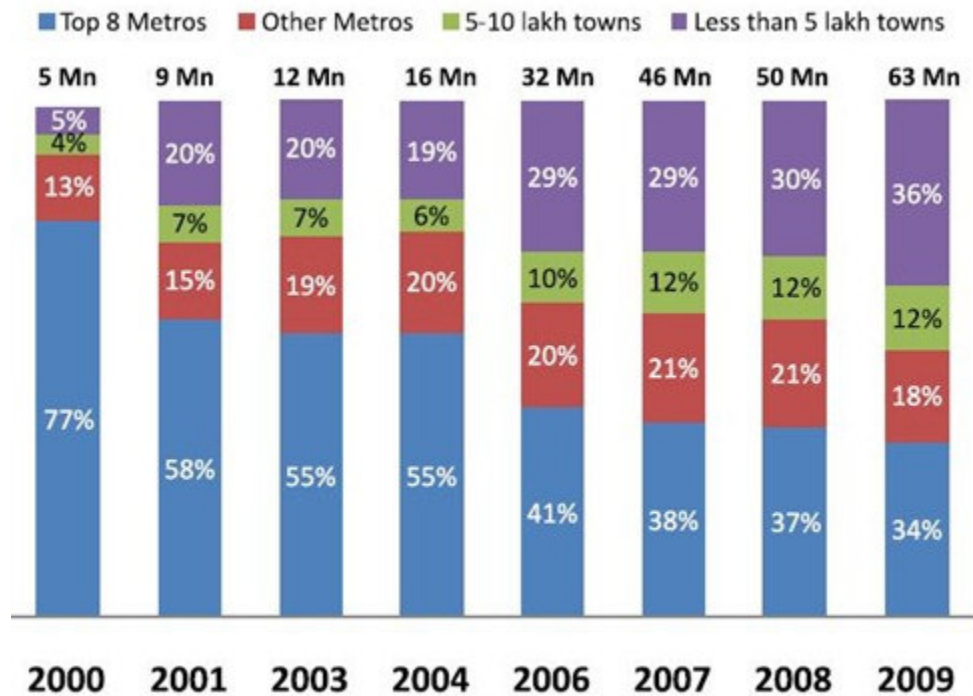
To put things in perspective, we are adding close to **15 million mobile users on average in a month, while in case of Internet it is 14 million users a year.** Off course, it is not fair to compare the two, but this will just tell you how slowly Internet is gaining traction.



Geographical Internet Growth Distribution

he only silver lining in this iCube report is the growth of Internet is taking place in rural areas.

Small towns contributed to only 5% of internet usage in year 2000, which over a period of 9 years has grown to healthy 36% and **for the first time has overtaken the Internet usage in Urban areas !**



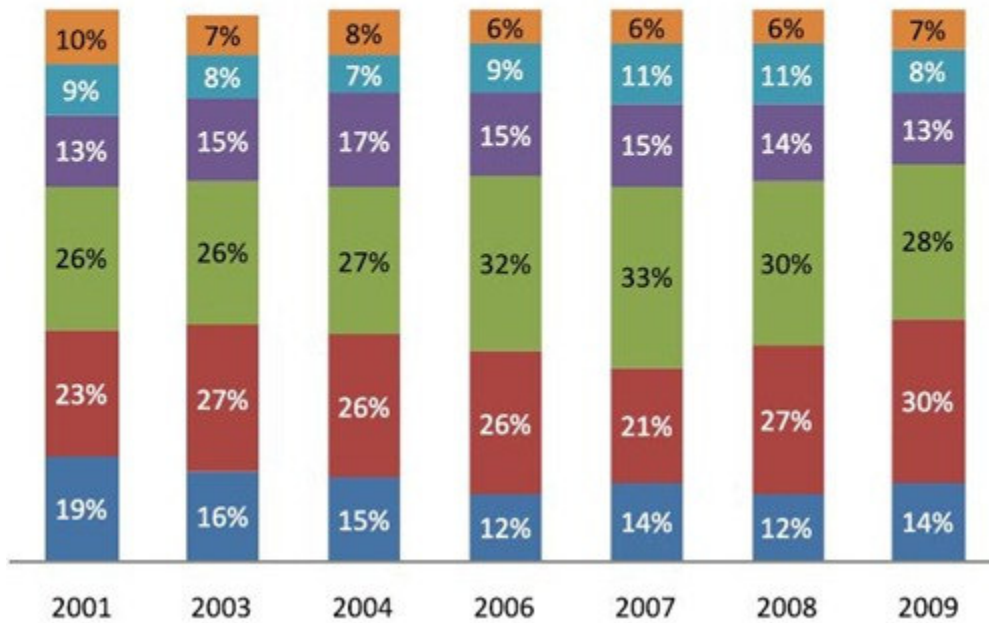
Young Population driving Internet Growth

There are no surprises here – Youth in India is getting hooked on to Internet – The older generation is not and are still staying away from it.

School & College students itself contribute to more than 44% of all Internet usage that happens in India – Overall 72% of young people access Internet on regular basis.

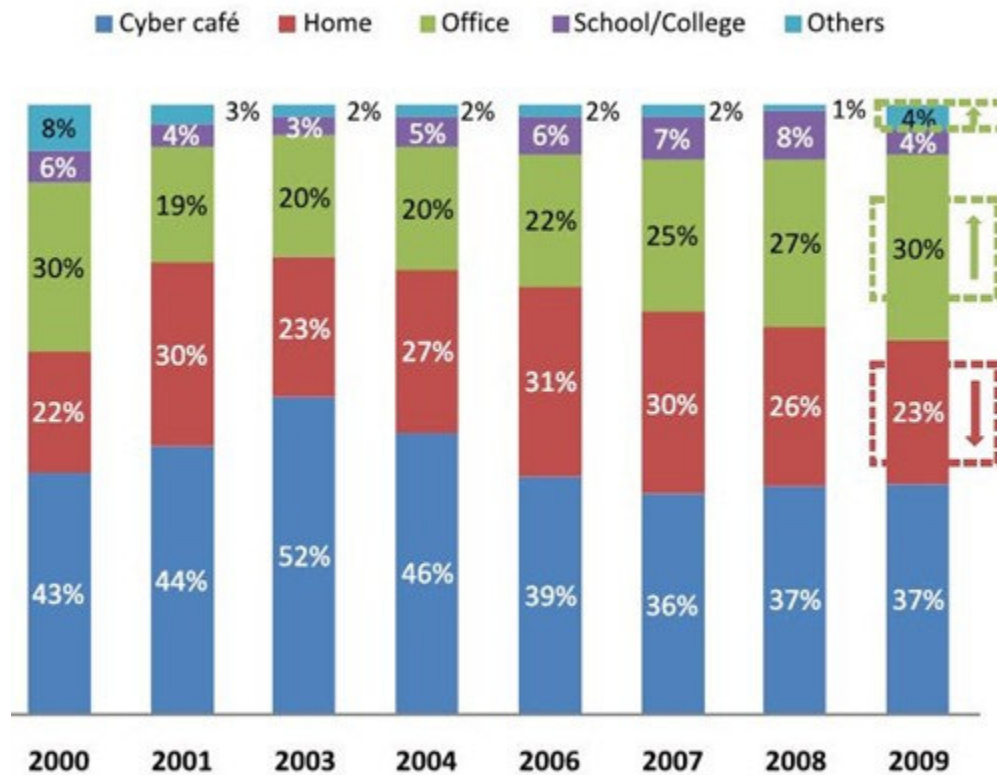
- School Going Kids
- Young Men
- Working Women
- College Going Students
- Older Men
- Non Working Women

Base: Active Internet User(Urban)
 2009:31 Cities
 2008:30 Cities
 2006: 26 Cities
 2004 :22 Cities
 2000-2003 :16 Cities



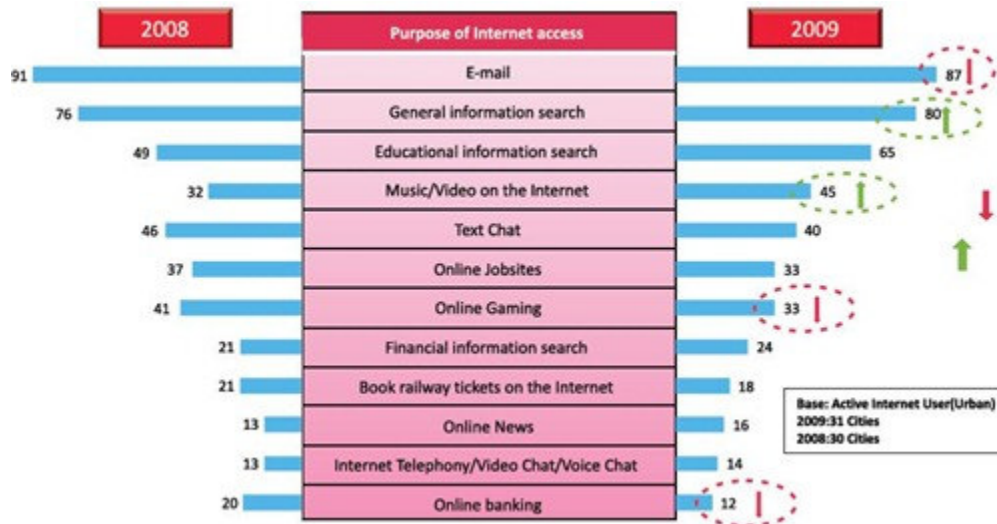
Internet Access Points: Cyber Cafe’s still popular

Contrary to my belief, the popularity of cyber cafe’s has not come down at all, in fact, Cyber cafes account for maximum Internet usage with over 37% of all users accessing Internet through cyber cafes.



Purpose of Accessing Internet

Even today majority of all Internet users log on to Internet to Check mail, or search for generic information – with over 87% users checking mail and 80% for general information search. Surprisingly, the report does not mention any statistics on social media usage.



The heartening factor here is that there is over 30% rise in users who log on to internet to view multimedia content (From 32% in 2008 to 45% in 2009), which indirectly also means that Internet speeds are getting better in India :)

Falling price of PC's, adoption of unlimited internet access model (a fixed fee for a period during which unlimited access is provided) and other developments will contribute to stimulating growth of internet subscribers.

TECHNICAL ASPECTS

CAPACITY PROPOSED

The Internet Booth proposed will have one server and 10 systems. The seating capacity will be 10 seats. The booth will work for 18 hours per day from 6 A.M. to 12 night. There will be 180 seat/hours per day. The hourly rate assumed at Rs.15.00. The annual income at 100% utilisation will be Rs.8.10 lakhs for 300 days. The viability calculation in this project is based on Internet connection through Dishnet DSL plan which has a faster speed.

EQUIPMENTS

The following items of machinery are proposed.

Item	Value
------	-------

		(Rs.lakhs)
1.	Computer systems. (10 systems)	2.00
2.	Furniture & Fittings	2.00
3.	UPS -10 nos.	0.20
4.	Air Conditioner – 3Nos.	0.60
5.	Deposit for VSNL	0.10
	Total	4.90

MATERIALS

There is no raw material for operating internet booth. Consumables such as printing stationery materials, computer printer and ribbons can be made available locally.

BUILDING

The total area required to start a small internet boot is 1000 sqft. This can be arranged on rental basis. A rent of Rs.8000 is considered per month. An advance of Rs.80,000 is taken into account for calculation of viability.

UTILITIES

POWER:

The power requirement is ordinary three phase connection for operating computer and air conditioners.

WATER:

Water is required only for human consumption .

TRANSPORT:

The site selected for internet booth should be easily accessible to common public

MAN POWER:

The internet booth proposes to employ the following persons.

Category	Nos.	Monthly	Total
Assistants	2	3000	6000
Manager	1	4000	4000
			10000
Add : 20% benefits			2000
			12000
Total salary per annum (Rs.lakhs)			Rs.1.44 lakh

IMPLEMENTATION SCHEDULE

As the equipments are available easily and if financing arrangements are made, the project can be implemented in a month's time.

ASSUMPTIONS

- The Seat/hour is assumed at 54000 seat/hours per annum at 100% capacity utilisation (for 10 machines). During first year 60% capacity utilised. This will be increase to 70% and 80% in subsequent years.
- Charge per Seat/Hour is estimated at Rs.15.00 per hour, this works out to Rs. 8.10 lakhs per annum at 100% capacity utilisation.
- Rent is estimated at rate of Rs.96,000 per annum.
- Internet Monthly charge is estimated at Rs.12,000 (Rs.1.20 lakhs per annum). There is no separate Telephone charge.
- Power charge is estimated at the current rate which works out to Rs. 0.36 lakh per annum at 60% utilization. (Rs. 3000 per month)

- Wages & Salary is estimated at Rs. 1.44 lakh per annum as per breakup given above with annual increase of 5%.
- Maintenance expenses are estimated at Rs.12,000 per annum Rs. 1000 per month with annual increase of 5%.
- Business promotional expense such as advertising is estimated at Rs.12,000 per annum.
- Depreciation is calculated on WDV method at 60% on equipments.
- Administrative & General expense is Rs. 0.24 lakh per annum Rs. 2000 per month with annual increase of 5%.
- Interest on Term Loan borrowing is estimated at 12%. Per annum.

LIST OF SUPPLIERS

1. Videsh Sanchar Nigam Ltd., No.5, Swamy Sivananda Salai, Chennai 600 002.
2. BSNL Chennai
3. Sify Chennai
4. Air Tel
5. Reliance

COMPUTER SUPPLIERS

Any popular brands available in the local market.

FINANCIAL ASPECTS

1. COST OF PROJECT

	Rs. lakhs
Building (Advance)	0.80
Equipments	4.90
Pre-Operative expenses	0.30
Working Expenses	<u>0.10</u>

Total	<u>6.10</u>
2. MEANS OF FINANCE	
Capital	2.43
Term Loan	<u>3.68</u>
Total	<u>6.10</u>

3. COST OF SERVICE & PROFITABILITY STATEMENTS

Years	1	2	3
Installed capacity			
No. of Seating hours per annum at 100% (10 seatings/hour x 18 hr.x 300 days)	54000	54000	54000
Capacity Utilisation	60%	70%	80%
Toal Browsing hours per annum	32400	37800	43200
Charge per seat hour	Rs.15.00 per hour		
Income per annum (Rs.lakhs)	4.86	5.67	6.48
VSNL charges/Dishnet charges (incl.phone)	0.43	0.43	0.44
Rent	0.96	1.01	1.06
Electricity	0.36	0.42	0.48
Salaries	1.44	1.51	1.59
Maintenance	0.12	0.13	0.14
Business promotional expenses	0.12	0.13	0.14
Depreciation	3.60	1.44	1.30
Admin, & General expenses	0.24	0.25	0.26
Interest on Term Loan	0.44	0.39	0.28
Total expenses	7.71	5.71	5.68
Profit Before Tax	-2.85	-0.04	0.80
Provision for tax	0.00	0.00	0.00
Profit After Tax	-2.85	-0.04	0.80
Add: Depreciation	3.60	1.44	1.30
Cash accruals	0.75	1.40	2.10

4. PROFITABILITY RATIOS BASED ON 80% UTILISATION

<u>Profit after Tax</u>	<u>0.80</u>	12%
Income	6.48	
<u>Profit before Interest and Tax</u>	<u>1.08</u>	18%
Total Investment	6.10	
<u>Profit after Tax</u>	<u>0.80</u>	33%

Promoters
Capital

2.43

5. BREAK EVEN LEVEL

Fixed Cost (FC):

Rs. lakhs

Wages & Salaries	1.59
Rent	1.06
Electricity-50%	0.24
Maintenance	0.14
Business promotional expenses	0.14
Depreciation	1.30
Admin. & General expenses	0.26
Interest on TL	0.28
	5.00
Profit Before Tax (P)	0.80
BEL = $\frac{FC \times 100}{FC + P}$	$\frac{5.00 \times 80}{5.80} \times 100$
	69% of installed capacity