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# **Workshop On Project Finance Sources of Long & Short Term Finance**

**ICAI Tower  
BKC - Mumbai  
27th February, 2016**

# Background

***“Half of all ventures fail  
because of poor  
management of funds.”***

*- Dun & Bradstreet*

# Topics Covered



# Objectives

A decorative horizontal arrow graphic pointing to the right. The main body of the arrow is dark blue, and the arrowhead is a lighter, lime green color. The word "Objectives" is centered in white text within the dark blue section.

# Evaluation



# Evaluation

- Determine the project size
- Identify the business model
- Select the source of funding
- Sustainability
- Road map to repay / exit

# Short Term Finance

- Generally required for working capital requirements.
- To maintain liquidity in business.
- Reasonable cost.

# Short Term Finance





# Over Draft / CC

- Secured funding in most cases
- Annual review / Compliance
- Reasonable rate of interest
- Flexibility

# Inter Corporate Deposits

- To bridge working capital requirements.
- Period less than 6 months.
- Companies Act, 2013 – Section 186.

# Factoring (Discounting)

Factoring is an agreement in which receivables arising out of sale are sold by the client to the bank or financial institution.

# Factoring (Discounting)

- Factoring is an agreement in which receivables arising out of sale are sold the client to the bank or financial institution.
- Foreign bill discounting against LC.
- Reduced rate of interest – LIBOR
- Lease rent discounting

# Medium Term Finance

# Lease Financing

- It is a contract in which the asset is purchased initially by the lessor (leasing company) and thereafter leased to the user (leasee company) who pays a specified rent at periodical intervals.
- Eg. Purchase of laptops.

# Lease Financing

- Higher fixed cost per month.
- More expensive than outright purchase of the asset.
- Better liquidity.



# Hire Purchase

- Hire purchase transaction, the goods are delivered by the owner to another person on such terms that the person pays the agreed amount in the periodical installment.
- Ownership transfers only after last installment is paid.
- High risk.



# ECBs

## External Commercial Borrowings:

- Foreign currency loan
- Non-resident lender
- Fixed maturity
- Risk of un-hedged foreign currency

# Long Term Finance



# Shares

- Equity Shares: IPO / FPO
- Preference Shares: RPS – Allowed as per Companies Act, 2013.
- Practical aspects towards issuing RPS.

# Debentures

- A document containing acknowledgement of indebtedness issued by a company and giving an undertaking to repay the debt at a specified date.
- Higher rate of interest.
- No dilution of shareholding in the company.

# GDR & IDR

GDR: Global Depository Receipts:

- A negotiable certificate held in the bank of one country representing no. of shares traded on the exchange of another country.

IDR: Indian Depository Receipts:

- It allows foreign companies to raise the funds from Indian markets.

# Current Scenario

- Angel Investors
- Venture Capitalists
- Private Equity Investors

# Current Scenario

## Angel Investors

- Wealthy individuals
- Seed funding
- High risk appetite
- Start-up businesses
- Ticket size upto 1 Cr.



# Current Scenario

## Venture Capitalists

- Fund developed ideas
- Growth capital
- Expansion capital
- Ticket size above 1-1.5 Cr.



# Current Scenario

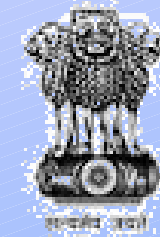
## Private Equity Investors

- Scaling up operations
- Creating entry barriers
- Value multiplication
- Cross selling between ventures

# Current Scenario

## Micro Small & Medium Enterprises Development Act (MSMED Act, 2006)

- Awareness
- Benefits
- Registration process
- **Bank funding**
- **CGTMSE Scheme**



**MSME**

सूक्ष्म लघु एवं मध्यम उद्यम  
MICRO, SMALL & MEDIUM ENTERPRISES

# Professional Opportunities

To be discussed with the esteemed members.

# Questions



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It's all about Money!



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