



Feasibility Study Requirements

Qatar Development Bank

i. Feasibility Study Requirements

The Feasibility study should ideally encompass the following areas / sections

- A. Executive Summary.
- B. Project details
- C. Promoters / Shareholders & Key Management review
- D. Macroeconomic and Industry Analysis
- E. Government Regulations
- F. Demand Supply analysis
- G. Marketing & Sales strategy
- H. Technology Review
- I. Franchise Agreements
- J. Detailed Financial Model
- K. Project Milestones and Implementation Plan
- L. Project Risks and Mitigants
- M. Conclusion & Recommendations
- N. Sources of Information & References to the database captured in Feasibility

A detailed explanation / coverage of these elements provided in the following section. It is understood that all constituent parameters might not be applicable for all projects / sectors / businesses. The Service Provider / Consultant is expected to apply diligence in structuring the study appropriately as per applicability of guidelines / parameters relevant to the Project.

ii. Explanation of elements of the feasibility study report

A. Executive Summary

- a) Explanation of the concept / business idea (Description of the Project & Products, Quality, features etc)
- b) Reasons and rationale for selecting particular business concept/ idea
- c) Competitive Advantage of the Product when compared to the existing players in the market / imported products

B. Project details

- a) Site Location, Area, Land details, space requirements, layouts etc
- b) Description of the Machineries required, its sources, Cost, Specifications etc (provided Quotations for Machineries)
- c) Construction details like Area, Cost, Construction period etc
- d) Total Capacity of the Plant
- e) Components of the Raw Materials, Sources and how they will be sourced
- f) Working Capital Requirements
- g) Total Cost of the Project
- h) Debt requirement
- i) Shareholder's Capital & details regarding sources of Capital
- j) Key Financial Parameters of the Group (if any)

C. Promoters / Shareholders & Key Management review

- a) Names and details of the Promoters / shareholders
- b) Experience as an entrepreneur (including Proposed line of Business)
- c) Capabilities and educational / vocational qualifications
- d) Involvement in operations
- e) Key Staff Requirements & their capabilities / specializations
- f) Availability of Skilled Workers & their source of recruitment - Locally or Overseas (applicable for industries where highly skilled, technical, professional employees are required)
- g) Financial strength and Personal Net Worth of the Promoters

D. Macroeconomic and Industry Analysis

- a) Market Potential and expected market growth over a 5 year horizon (*based on realistic / grounded estimates*)
- b) Analysis of macroeconomic factors applicable to the project and impact of such factors on the sustainability / viability such as impact of foreign exchange regulation, interest rates, threat of imports
- c) Industry analysis including analysis on the following:
 - Key growth drivers and deterrents for the industry selected
 - Major trends & Market size
 - Threat of new Entrants & their Entry barriers
 - Threat of Substitutes, Bargaining Power of Buyers & Suppliers
 - Industry characteristics encompassing seasonality, industry life cycle etc

Industry Analysis Models like “Porter’s Five Forces model” may also be used as a tool for Industry Analysis.

E. Government Regulation

- a) Applicable government / market regulations (*permits, licenses and other regulatory requirements*) for set up / expansion
- b) Environment issues

F. Demand-Supply analysis

- a) Present Market demand & supply of the Product – quantitative details
- b) Import & Export quantitative details of the Product
- c) Projected growth in the market and the corresponding basis of projection
- d) Existing Suppliers in the Market (including Foreign suppliers), Capacity & their Market share for the Product
- e) Target Clients
- f) Export competitiveness of the firm
- g) Supplier and Customer credit terms

G. Marketing & Sales Strategy

- a) Marketing & Promotion
- b) Customer Retention policy
- c) Distribution channels

H. Technology review

- a) Details on proposed technology / machine / equipment to be used
- b) Details on Technology provider e.g. global leader / local / Chinese etc.
- c) Technology changes and risk of technology getting obsolete

- d) Risk of Inventory Obsolescence
- e) Plan for technical maintenance & upgradation (e.g. *Service Level Agreements*) and Degree of support available from technology collaborator (*troubleshooting / maintenance / SLAs*)
- f) Describe the manufacturing process

I. Details of Franchise arrangement

- a) Applicable franchising fees (*upfront fees and royalty*)
- b) Level of support from franchisor
 - Set up (*equipment, infrastructure, staff, capacity planning*)
 - Training
 - Marketing & Sales support
 - Quality Control

J. Detailed Financial Model

- a) Typically, the financial model would comprise the tabs as illustrated below. The forecast horizon is 10 years and must apply to all applicable items mentioned:
 - Revenue assumptions
 - Cost assumptions
 - Debt Repayment Schedule
 - Depreciation Schedule (include useful life of Assets)
 - Capital Investment Schedule (Project investment and additions) including Land, Buildings, Plant & Equipment, Furniture & Fixtures and Pre-operative Expenses
 - Dividend Policy

- Forecasted Financial Statements based on 10 year forecast horizon: Income Statement, Balance Sheet and Cash flows
- Project appraisal indicators (IRR, Payback Period, NPV)
- Forecasted Project Ratios (Performance, Liquidity, Solvency, Turnover, Leverage)
 - (The following ratios must be covered: Debt Service Coverage Ratio, Interest Cover Ratio, Total Liabilities to Net Worth, Interest Bearing Debt to Net Worth, Cash Conversion Cycle and Performance ratios)*
- Sensitivity analysis (Impact on gross profit ratio, net profit ratio, cash flows, IRR and payback period based on 5%, 10% and 15% variation in revenue, direct costs and indirect costs)
- Assumptions used in Financial model

b) The constituent revenue and cost estimates would need to be detailed out as follows:

- **Revenue estimates (assumptions and projections)**
 - (1) Define individual Revenue streams for the project
 - (2) Estimated volume of products to be sold and corresponding rationale
 - (3) Product wise Selling Price
 - (4) Growth in y-o-y volume
 - (5) Break up of Cash sales & Credit Sales
- **Expense assumptions and estimates**
 - (1) Direct costs
 - (a) Material cost/ Raw material cost (include volumes also)
 - (b) Stores and spares
 - (c) Employee cost (direct)
 - (d) Power and utilities
 - (e) Factory Land Rent etc
 - (2) Indirect costs

- (a) General and Admin
- (b) Salaries (list of employees needed, category, salary levels)
- (c) Office Rent etc.
- (3) Working capital requirement
 - (a) Inventory
 - (b) Debtors
 - (c) A/c payables

K. Project schedule and milestones/ implementation plan

- a) Detailed step wise implementation plan with defined timelines and in built contingencies.
- b) Key linkages and dependencies of different implementation steps

L. Project Risks and Mitigants

- a) Identify key risks for the project which could significantly impact the set up / commissioning and startup of the project
- b) Identify other risks applicable at market and operational level
- c) Define risk mitigants planned to overcome these risks

M. Conclusion & Recommendations

N. Sources of Information & References to the database captured in Feasibility