

PROJECT REPORT (17MBAPR407)
ON
A STUDY ON COST ANALYSIS
AT
ESTEEM POWER EQUIPMENTS (INDIA) PVT LTD
BY
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1AZ17MBA53
Submitted to

VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI



In partial fulfilment of the requirements for the award of the degree of
MASTER OF BUSINESS ADMINISTRATION
Under the guidance of

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March 2019

Date: 18/02/2019

TO WHOMSOEVER IT MAY CONCERN

This is to certify that **THEJUS.T.ANAND (Registration No:1AZ17MBA53)** a student of MBA from **ACHARYA INSTITUTE OF TECHNOLOGY, BANGALORE**, affiliated to **VISVESVARAYA TECHNOLOGICAL UNIVERSITY** has successfully completed his **“Internship”** at **ESTEEM POWER EQUIPMENTS (I) PVT. LTD.** dated from 03rd January 2019 to 16th February 2019.

During the project he was governed by the rules and regulations of the organization, he showed an excellent degree of sincerely and dedication towards his work.

We wish him all the best for future endeavours.

For. Esteem Power Equipments (I) Pvt.Ltd
For Esteem Power Equipments Pvt. Ltd



H.R. Manager

HR- Manager



ACHARYA INSTITUTE OF TECHNOLOGY

(Affiliated to Visvesvaraya Technological University, Belagavi, Approved by AICTE, New Delhi and Accredited by NBA and NAAC)


Date: 04/04/2019

CERTIFICATE

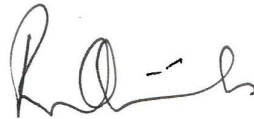
This is to certify that **Mr. Thejus T Anand** bearing USN **1AZ17MBA53** is a bonafide student of Master of Business Administration course of the Institute 2017-19 batch, affiliated to Visvesvaraya Technological University, Belagavi. Project report on “**A Study on Cost Analysis at ESTEEM Power Equipments (I) Pvt. Ltd, Pune**” is prepared by him under the guidance of **Prof. Ayub Ahamed K S** in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belagavi, Karnataka.

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DECLARATION

I, **THEJUS T ANAND**, hereby declare that the Project report entitled "**A STUDY ON COST ANALYSIS**" with reference to "**ESTEEM POWER EQUIPMENTS INDIA PVT. LTD. PUNE**" prepared by me under the guidance of **Prof. AYUB AHAMED K S**, faculty of M.B.A Department, (Acharya Institute of Technology) and external assistance by **Mr RAHUL RAJ, HR MANAGER, ESTEEM POWER EQUIPMENTS INDIA PVT. LTD. PUNE**. I also declare that this Project work is towards the partial fulfilment of the university Regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belagavi. I have undergone a summer project for a period of six weeks. I further declare that this Project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University / Institution.

Place: Bangalore

Date: 04/04/2019



Signature of the student

ACKNOWLEDGEMENT

I wish to express my sincere thanks to our respected Principal, **Dr. PRAKASH M R**, beloved Dean-Academics, **Dr. DEVARAJAIAH R M**, and deep sense of gratitude to **Dr. M BAGALI**, HOD, Acharya Institute of Technology, Bengaluru for their kind support and encouragement in completion of the Internship Report.

I would like to thank **Prof. AYUB AHAMED K S**, Asst. Professor, Department of MBA, Acharya Institute of Technology, Bengaluru and external guide **Mr. RAHUL RAJ**, HR Manager, ESTEEM POWER EQUIPMENTS INDIA PVT. LTD., Pune, who gave me golden opportunity to do this wonderful Project in the esteemed organization, which helped me to learn various concepts.

Finally, I express my sincere thanks to my Parents, Friends and all the Staff of MBA department of AIT for their valuable suggestions in completing this Project Report.

Place: Bangalore

Date: 04/04/2019

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EXECUTIVE SUMMARY

The MBA course offered by the VISVESVARAYA TECHNOLOGICAL UNIVERSITY has its own unique syllabus which requires its MBA students to undertake an internship with any of the leading entities or corporations for a period of 6 weeks during the third semester starting from 03.01.2019 till 16.02.2019. This project was prepared on “A Study on cost analysis at ESTEEM POWER EQUIPMENTS INDIA PVT. LTD. helps to understand the market which deals in selling and servicing of heat and power equipment. Study is helpful to top level management to improve the present cost control technique of ESTEEM POWER EQUIPMENT INDIA PVT. LTD. The project was carried out as per the terms and conditions prescribed by the guidelines of VTU. The well supportive objectives were set for the study.

This particular report includes the profile of the company along with the information on the industry profile and the future growth and the prospects of the economy in the financial sector, company’s vision, mission and quality policy. The report also consists of the data interpretation and the research conducted with respect to the research and findings of the whole organization. The project also reflects SWOT analysis of the company which refers to the strength and weakness of the company as well as the opportunities and the threats in the external environment. It also includes the cost analysis of the company that helps one define the weakness and the strength of the company. This report has organization’s financial statement that is the balance sheet and cost sheet. The research study consists of the different cost incurred by the company and its analysis. At the end it also has findings, suggestions, conclusion and bibliography.

CHAPTER 1
INTRODUCTION

1.1 INTRODUCTION

Project is a part of academic curriculum of VTU MBA programme. It works as a bridge between fulfilling the gap of knowledge and its practical application. It helps the students to understand the corporate world and gain knowledge about the industry. The duration of the study is 6 weeks which starts immediately after completion of 3rd semester.

The project titled “A study on Cost Analysis at Esteem Power Equipments (India) Pvt Ltd” was done in Esteem Power Equipments (India) Pvt. Ltd. This Project Study is about the performance of the Cost Analysis at ESTEEM POWER EQUIPMENTS (INDIA) PVT LTD.

The main objective of the project is to acquire the practical knowledge about the real corporate world. Students are required to develop their ability to cop up with the personal difficulties within in an organization while working there as an employee. The ability of the students to overcome those problem can be considered as a tool to analyze the real potential of the student. Cost analysis is an important one for any company because the cost will determine the performance of the company. Higher cost means lower profit and efficiency. And lower cost means higher profit and efficiency. Increasing and uncontrollable cost is the biggest head ache for most of the managers. So here is the important of cost analysis and cost control techniques. The right approach to the cost will allow the management to control the cost.

It is a situation where students learn about how to apply their theories in practical and help them to gain the insight knowledge and experience. During the internship students expand their knowledge and understand how to work in different organizational structure with different kinds of relationship.

The project offered us great opportunity to share insights to describing our academic preparation and our field effort and to help the students developing and carrying out the key research report.

1.2 INDUSTRY PROFILE

In this era, we can say that, power is one of the most important thing in the fast growing and developing world. We can't even think a world without power, because everything runs in the world with the power. For a consistent development and growth of the country the power is very important. Power is also an important and key part of country's infrastructure development. For the growing Indian economy power will play an important role since the production and consumption in the country is large compared to most other countries.

Indian power sector has increased its size and became one of the most expanded in the world. This is because the Government of India realized that the power consumption in India is increasing rapidly because of over population and growth of industrialization. So the Government understood the need and important of becoming a country that efficiently producing power, reducing the wastage of power and recovering power. Here is the importance of the companies that manufacture the power and heat equipment. These companies mainly produce the power generators like heat waste recovery machines, hot water generator, steam generator etc.

Due to the increased demand for the power, the country now focusing on generation of power through the non-conventional source like wind, steam power, agricultural waste, heat power, and solar. Hence the country has to invest huge money for installation of those plants.

India's power equipment sector has enjoyed a great growth during the last few years because of the infrastructure investment and increased industrial production. The infrastructure and manufacturing sector and power industry are related each other.

India on its way to become the super power of the world, has made very important efforts towards the development and growth of the power industry. The Indian Government has assigned the Engineering Export promotion Council (EEPC) to promote the export of power equipment goods, engineering goods, product and service from India. India exports power and heat equipments, capital goods, other machinery equipments to various countries. The exports of power equipment for the period of financial year is increased than previous year.

The main players in the heat and power equipment industry India are Esteem Power Equipment India Pvt Ltd, Thermax Pvt Ltd, Saz Boilers, Thermotech System Pvt Ltd and Suntech Energy System.

Size of Market

The power equipment industry is expanding rapidly in India because of the high demand for the alternative power of electricity. The high growth of Indian economy is also a reason for the rapid growth of power equipment industry since the demand for power generation equipment is higher than before. When it comes to the power consumption rank of 2018, India is in the 4th position out of 25 other countries in the Asian region. To achieve the mission power to everyone, the Indian government is speeding up the power capacity. So it is clear that the market size of power equipment industry is expanding and players in the industry will be enjoying the growth for sure. So we can say that the Indian power sector is passing through an important and crucial stage.

Investment Scenario

The power sector of India has a good potential, therefore the foreign direct investment is increasing in the industry. That is a good sign for the country so that we can acquire more foreign capital which will reflect the economic condition of the country. During the period of May 2001 to July 2018 the power sector industry has acquired around 13.96 billion US dollars as foreign direct investment. That is a very good number for the country and the industry for sure.

Following are the key investments and acquisitions in the sector:

- Renew Power Limited acquired Ostro Energy Ltd for 1669.33 million US dollars in 2018. This was one of the giant mergers and acquisitions in the country.
- Recently, Renascent Power Venture Ltd bought the seventy-five percentage of shares of Prayag Raj Power Ltd for the amount of 855 million US dollars.
- Ramky Enviro Engineering Limited is acquired by Kohlberg Kravis Roberts & Co for the amount of 1668 million US dollars during 2018 September.

From the above data, we can understand that foreign players are showing a positive interest to invest in the power sector of India. The above figures are promising about the future investment and acquisition of more power-producing companies. Investment in the sector is positively increasing and it is a good sign because it will help the country to find the solution for adequate power as well as economic growth.

Initiative by Government

The Indian Govt. found how important is the power sector for the fast growing economy of India for achieving the sustained infrastructure facilities.

- Since the power sector industry create pollutions the Govt. implemented some criteria to reduce the pollution.
- In order to uplift the State owned power companies' performance and financial strength, the Govt. of India introduced the UDAY yojana.
- The Government set the new power tariff caps of solar which is 2.50 rupees for the developers who are using the solar cell.
- The Government also implemented automatic approval of foreign direct investment in power sector.
- Indian Government signed in the agreement with Ministry of coal India ltd for supplying fuel to the industrial needs.
- The Government has announced mega solar power project in some states of India with the aim of reducing the electricity consumption.

Achievement

Some important achievements are as follows

- Wastage of energy is reduced with the help various waste recovery system that produced by manufactures.
Example: Hot water generator works with the waste heat.
- For the past few years the power deficit is reduced from four percentage to less than one percentage.
- In so many areas of production process, powers like heat power and steam power could use instead of electricity.

1.3 COMPANY PROFILE

Esteem Power Equipments (India) Pvt. Ltd.

EPEIPL is a company which manufactures various type of power heat equipment. The company is founded in 2007 by the board of directors with objective of becoming the number one manufacture that supply modern and innovative power equipment. The company is located in Pune, Maharashtra, India.

The company is ISO 9001:2008 certified and produce good quality products that ensure customer satisfaction. One of the main goal of the company is to reduce the wastage of power by re using it with modern power equipment. One of the products of the company is hot water generator, which basically works by using the waste heat to boil the water. The company has similar products like air heater, thermic fluid heater, steam generator etc.

Company sell their products to all over India as well as foreign countries. They are known for the quality products along with the innovative and modern technology. This is the reason why the company developed its presence in the overseas market. The quality policy that followed by the Esteem is the one and only reason for their success and smooth running in the industry. Even though the company has only experience of 11 years, the company could become an important player in the industry. The goal of Esteem is to become the leading supplier of modern and innovative power equipment in a short span of time.

Company's main business is manufacturing of different power equipment and other power plant and its accessories. This include various products like low power heater, high power heater, economizer, dereators, steam blow etc.

When it comes to the boiler and power field equipment, the company's design and system of products are outstanding and with this they could also reduce the wastage and cost during the production process. According to the budget of the customer the company will reduce cost by cutting some extra features in the equipment. That will be so convenience for the customer that they will get customized product according to their need and want. The company takes feedback from the customer and commissioner in order to design their products better than the previous

one. All the products go to the shop only after the strict and careful checkup process which ensure the maximum quality delivering.

The company is located in Pune, and engaged in production of heat and power equipment. The company accepts order from anywhere in India and from foreign country also. But the company's operation is mainly focused on Maharashtra and Bangalore. Because the products are not that is easy to deliver across the India since they are huge and giant in size. If there is any problem with the sold products Companies technician will come and solve the problem.

The company also produce and commission different kind of steam generators which uses fuel like fossils, biomass which are in solid form and gas fuel. The company also developed their own branded software for the purpose of designing hydraulic, thermal and mechanical items.



1.4 PROMOTERS

Vivek Murlidhar

Managing Director

He is a mechanical engineer with very good experience in the engineering sector. He is good in handling the materials that are used in the industry. He is an important guy for the company since he is the leading force of company to achieve its goals.

Shrikant Pawar

Company CEO

He is also a mechanical engineer and he has very good experience. He is good at handling of materials and he also has good knowledge about the technology.

1.5 VISION, MISSION AND QUALITY POLICY

❖ VISION

The company look forward to become the leading technology supplier in this field with customer care, innovation and joy of work.

❖ Mission

Design, Manufacture and supply heat transfer equipments for right specification, to appropriate cost with innovative technology for customers delight.

❖ The Manufacturing Quality Policy

- To keep the best quality of the product through good super vision, employees training and best commitment.
- To act in accordance with the requirement of customer about the design of the product.
- To supply good quality equipment to the customers without delay.

1.6 PRODUCT PROFILE

Thermal Fluid Heater

This is one of the important and popular product of the company. It works in a unique way. The machine will recover the heat waste from the flue gas. Then the recovered heat will be using for the purpose of thermic heating. This heat can be used for heating the water, steam, raw materials and the air.



Hot Water Generators

This machine works by recovering the heat waste and then used for the purpose of water heating. So there will be zero waste and power and we can re-use it for other purpose. The water that heated with the machine can be used for various industrial purpose. It is a very important product because we can avoid the waste of heat power and can re-use for other major process thereby saving a lot of power.



Air & Gas Pre Heater

This machine is used to pre heat the air before it entering into other major process. In some production process there will be a need for pre heating of the air that is going to use for other main process. The main focus of this product is that boosting the efficiency of thermal process during the production.



Steam Drum

This machine will produce heat for the various production process through steam generation. This steam can be used for boiling purpose in various production process. The machine produces saturated dry steam by connecting the machine with evaporator and keep it in a separate steam drum.



LP or HP Heater

This product just like the air pre heater. But the difference is that this product is in the form of a tube rather than a square type. This machine works by changing the heat pressure from low pressure to high pressure simultaneously. This product is based on the TEMA standard which ensuring the high quality and smooth functioning.



Direct Fire Hot Air Generator

This machine is used for generating the hot air for some industrial purpose. The company use liquid or gas fuel on this machinery. This machine is mainly used for making dry various items like pharmaceutical drugs and some other chemicals.



Steam Generator

This product works by recovering the heat wastes and generate and create steam. The heat wastes are recover from the flue gases. The steam that is generated through this machine can be used various manufacturing process and for creating the power.

So that with the help of this product we can avoid wastage of heat power and through that we can generate different power that can be used for various production process. This product has good demand since it eliminate the wastage of heat.



Indirect Fire Hot Air Generator

This product is mainly used for the purpose of making dry different things like chemical, drugs and other pharmaceutical items. The machine produce hot air for different industrial purpose. In order to eliminate the chance of contamination of product this machine uses fuel that are solid in nature. The flue gas usage may contaminate the products so they use solid gases instead of that. The product has good demand in the market since the quality and functioning is very good.

These are some of the main products of Esteem Power Equipments India Pvt. Ltd.

1.7 AREAS OF OPERATION

The Esteem Power Equipments India Pvt Ltd, located in Pune, manufacturing company engaged in production of heat and power equipment. The company accepts order from anywhere in India and from foreign country also.

But the companies operation is mainly focused on Maharashtra and Karnataka since the delivery of those giant machine to faraway places is risky and costly. If there is any problem with the sold products Companies technician will come and solve the problem

1.8 INFRASTRUCTURE FACILITIES

Esteem Power Equipments India Pvt. Ltd has developed a good infrastructure facilities for the smooth manufacturing process. The facility is suitable for both heavy and important works. For this purpose the company take some land for lease. The company made a covered shade for the production activity. And the company also have the plan to expand this covered shade for better manufacturing process.

Salient features of Factory

The company has in house tube bending facility. It is a great plus point in the company's infrastructure facilities. And the company also installed 21 ton crane. The crane has very good capacity and it can do the job without any hazel. And for heavy fabrication works the company also has plate rolling machines, which has good efficiency in rolling. And the company has some value adding production process like lathes, automatic cutting equipment, new and efficient welding equipment, drilling equipment etc.

Other than this, Company has following facilities

- Canteen
- Rest room
- Wash room

1.9 COMPETITORS INFORMATION

The main competitors of Esteem Power Equipments Pvt Ltd are as follows

- **Thermax Pvt Ltd**

It is a company that manufacture heat and power equipment. Thermax is one of the main competitor for the Esteem. Because they are popular and big company than Esteem. The main products of this company is cooling equipment, steam boilers, waste management equipment and water heating equipment. The company is located in Shehadripram, Bangalore.

- **Saz Boilers**

The company is founded in the year 1992 and it is located in Pune, Maharashtra. The company manufactures various types of heat and power equipment. Company sells their products to all over India and to the foreign countries also. The main strength of this company is that they have very good experience in the industry. Because they started their operation since 1992.

- **Thermotech System Ltd**

The company is an internationally renowned eco energy company from India. The company is formed in 1988 and established a rock solid foothold in the industry. The company produces steam generator, hot water equipment, hot air generating equipment, waste recovery equipment etc. The company has very good experience in the industry as they started their operation since 1998.

- **Suntech Energy System**

The company is established in 2007 for import and distribute solar pv modules and alternative energy accessories with the aim of development of energy sector. Their main products are solar pv, heat and steam generating equipment.

1.10 SWOT ANALYSIS

SWOT analysis is a method that is used by a company or organization to identify the company's internal strength and weakness and its external opportunity and threat. It will help the company to compete better in the industry.

Internal Environment	Strengths	Weaknesses
External Environment	Opportunities	Threats

STRENGTH

- Good experience in the heat power equipment field.
- Good system and product design.
- Varieties of products.
- Good infrastructure facilities.
- Adapting innovation and new technology.
- Good quality products.
- Proper attendance system for employees.
- The products are ISO certified.

WEAKNESS

- High operation expenses.
- Regular service and oiling of engineering equipment incur more expenses.
- No involvement of supervisors in product related decision.

- Increased price of raw materials include iron and steel.
- The area of operation is less.
- Lack of promotional activities.

OPPORTUNITIES

- Improvement in market penetration
- The company can increase the production to reduce the cost.
- The experience of the company can be used for further diversification.
- Various technological up gradation and modification project can be carried out.
- Scope of innovation and R&D.
- Company can expand their areas of operation.

THREATS

- Lack of brand image.
- Competition from other manufactures.
- High power tariff and increasing cost.
- Unexpected accidents during production process.
- Availability of skilled labours is less.

1.11 FUTURE GROWTH AND PROSPECTS

There is a lot of scope for the power and heat equipment industry in India as well as in the global economy. The company mainly focuses on reducing the cost by reducing wastage and effective utilization of raw materials. Future plans of the company are

- Development of modern power and heat equipment.
- New product development value addition, cost reduction and recognition of excellence.
- Adoption of latest technology.
- Expansion of areas of operation.

1.12 FINANCIAL STATEMENT

Balance sheet for the year ended 2015-2018:

(IN LAKHS)

PARTICULARS	2018	2017	2016	2015
EQUITIES & LIABILITIES				
SHAREHOLDER'S FUNDS				
Share Capital	3.790	3.790	3.790	3.790
Revaluation Reserve	0	2.810	2.820	2.860
Reserve and Surplus	62.280	66.710	68.40	57.080
Total Reserve and Surplus	62.280	69.520	71.220	59.940
Total Shareholders Fund	66.070	73.30	75.010	63.720
LIABILITIES				
NON-CURRENT LIABILITIES				
Long Term Borrowings	33.570	13.450	7.050	0.030
Deferred Tax Liabilities(Net)	0	1.770	2.580	2.830
Long Term Liability	0.30	0.340	0.540	0.340
Long Term Provision	7.720	7.780	6.970	6.270
Total Non-Current Liabilities	41.590	23.340	17.150	9.480
CURRENT LIABILITIES				
Short Term Borrowings	94.020	96.50	81.050	68.810
Trade Payables	156.880	161.820	164.340	131.580
Other Current Liabilities	32.280	26.190	27.470	21.410
Short Term Provision	0.050	0.10	1.690	8.230
Total Current Liabilities	283.230	284.610	274.550	230.030
TOTAL CAPITAL & LIABILITIES	390.890	381.250	366.710	303.230
ASSETS				
NON-CURRENT ASSETS				
Tangible Assets	64.870	29.470	30.680	30.290
Intangible Assets	2.570	1.90	1.20	1.90

Work-In-Progress	5.530	17.640	7.880	0.910
Fixed Assets	72.970	49.00	39.750	33.10
Non-Current Investments	0.850	0.850	0.81	0.80
Deferred Tax Assets (Net)	3.450	-	-	-
Long Term Loan & Advance	8.250	1.820	1.270	1.220
Total Non-Current Assets	85.530	51.680	41.830	35.110
CURRENT ASSETS				
Inventories	110.920	121.350	131.970	105.810
Trade Receivables	143.240	159.670	154.480	138.210
Cash	8.960	4.460	15.160	13.260
Short Term Loans & Advances	9.620	13.310	11.950	5.720
Other Current Assets	32.620	30.790	11.320	5.120
Total Current Assets	305.360	329.580	324.880	268.120
TOTAL ASSET	390.890	381.250	366.710	303.230

CHAPTER 2
CONCEPTUAL BACKGROUND & LITERATURE REVIEW

2.1 THEORETICAL BACKGROUND OF THE STUDY

COST ACCOUNTING

Cost Accounting is the process of recording, classifying and suitable allocation of expenses for the deduction of the prices of merchandise, offerings & for the presentation of suitability organized statistics for the cause of steering of management and control. Cost accounting consists of the ascertainment of the task settlement, cost of every order system, service or unit as can be suitable and additionally offers with the cost of distribution, promotion and manufacturing.

Definition of Cost Accounting

According to **Institute of Cost and Management Accountants of England**, **Cost Accounting** is defined as the process of accounting for cost. This process begins with the recording of income and expenditure or the bases on which they are calculated and ends with the preparation of periodical statements and reports for the purpose of ascertaining and controlling costs.

Benefit of Cost Accounting

- It helps the clients.
- It gives statistics about which tenders and estimates are based totally.
- Cost accounting helps to increase the profit.
- It discloses the profitable and unprofitable information.

What is Cost Sheet?

Cost sheet means a statement that is gathered all the expenses and costs related with a manufacturing process. This is mainly used for collecting together the margin of profit earned on a product and can form the supporting to set price on identical products in future. Cost sheet also can be used for the support for different cost control techniques and measures. A cost sheet can be created on paper as well as through computer.

Definition of Cost Sheet

CIMA London defined cost sheet as ‘a statement which provides for the assembly of the detailed cost of a Centre or a cost unit’

The costs are usually listed in cost sheet by following categories

- Direct labour
- Direct materials
- Administrative overhead
- Factory overhead
- Direct expenses
- Selling and distribution

Sometimes following costs also included in cost sheet

- Shipping & Handling
- Supplies
- Outsource cost

The costs that are listed on cost sheet include labour cost and actual material cost incurred. Anyway it is also possible that those costs are only listed in their standard cost. The development of cost sheet is very important, typically if it is prepared by hand.

The format of the cost sheet is typically a standard one that should be either setup within the computer accounting system or manually rolled from past reports when the report is printed. Another purpose of the cost sheet is that it can be used as the support for the quote to a customer, basically for the production of a custom product. In this situation cost sheet includes the best prediction of the company’s prediction for the requested product, with the details for each of the past indicated expense line items.

Advantage of Cost Sheet

- Cost sheet indicates the breakup of the total cost by each elements like labour, material, overhead etc.
- Cost sheet facilitates the comparison of each costs in different years.
- Cost sheet helps the management to fix the selling price.
- Cost sheet can act as a guide to the management to formulate the production policy.
- It helps the management to have control over the cost of production.

Direct Materials

In simple word, it is the material that is used during the production of a product and it can be directly identified with the product. Other names for the direct material are productive material, raw stock, store and raw materials. The cost of direct material can be easily found with the unit of production.

Step to estimate the Direct material cost

- Identify the total amount goods to be produced. This is called as order size.
- Estimate the total amount of raw material needed to produce the order size.
- Multiple that estimated amount by the cost related with the raw material.
- If there is scrap or waste its cost should be included in the step three.
- If the scrap or waste can be sold at scrap value, then this amount should be deducted from the cost in the step four.

Direct Labour

Direct labour is the employees or workers who are directly involved in the production process of goods. The cost which is assigned to a specific cost center or product is known as direct labor cost. This includes

- The cost of the fringes and wages given to the direct worker or employee.

- The cost of the temporary helper who work directly on the production or manufacturing process.

Factory Overhead

Other names for the factory overhead are work overhead and manufacturing overhead. Factory overhead is the total cost involved in an operation of all manufacturing facility in a production business that can't be discovered directly to a product. Factory overhead is usually applies to direct labour cost and indirect cost. It include all the cost included in production excluding the cost of raw material.

Example: production supervisor salary, factory rent, depreciation, equipment setup cost, factory utilities, fringe benefit etc.

Administration Overhead

It is the costs that are not involved in the production or development of goods or services. Administration overhead is considered as a period cost. It means the benefit of this kind of cost don't carry forward into future periods. It is also known as general overhead.

Example: office supplies, sales travel and entertainment, administration travel expenses, salary and commission, wages etc.

Selling and Distribution Overhead

These are the expenses that are normally incurred to enhance the service and sales to the customer. So normally the expenses like salesman salary, travel expenses, advertisement cost, commission, banner and billboard, brochure and catalogue, bad debt, showroom expenses, free gift etc. are included under this.

Distribution expense is the expenses which are sustained for storage and warehousing, making goods available to delivering to customer and packing of goods that are going to send.

So in general sense, distributing expense includes warehousing cost, cost of preparation of challan, storage cost, packing cost, delivery cost etc.

Prime Cost

Prime cost is the cost which is directly assigned to the production of each goods. It is direct cost which includes the cost of direct material and direct labour in production of goods. The companies use the prime cost to price their products.

Prime cost is calculated by adding the cost of labour to the cost of raw material that are directly related to the manufacturing process. The formula for prime cost only takes into account those variable expenses are directly associated to the production of each goods. The formula for prime cost is as follows

Prime cost = Raw material + Direct labour

Work Cost

Work cost is the aggregate cost of the direct resource involved in performing the work. It can be also said that sum of all expenses incurred by a contractor during the performance of a contract or work.

Main cost control techniques

- Inventory control
- Labour control
- Overhead control
- Budgetary control

2.2 LITERATURE REVIEW

- **Phill Carroll (How to Control Production Cost, 1953)** in his book describing the importance of reduction and control of cost for generating adequate profit by the companies. The book points out various wrong techniques of cost accounting that are used by different companies. He clearly mentioning that managers have to be aware of different cost and how those cost will affect the company's performance.
- **Boardman (Boardman, Greenberg, Vining, & Weimer, 1996)** identified 9 important steps of cost benefit analysis. He also explain the various demerits and problems of these steps. He has done this through expanding each steps. In this article he mentioned the report of a workshop. The workshop was conducted by Bank of England and it is about the topic cost benefit analysis. Members from central bank and other financial institutes were participated the workshop. According to this analysis, the top strategy is that achieve the goals and mission at a minimum cost. That means the company has to minimize their expenditure after that only they are supposed to make strategy for achieving the goal.
- **John Christian, Gillin, Amar Pandeya (Christian, Gillin, & Pandeya, 1997)** discuss the difficulties faced by facility managers in any company. He mentioned various problem and one of the important problem is that estimation of operating cost and maintenance cost in the upcoming years. It is very difficult to predict those cost even if they are nearest to the actual reality. The accuracy of those cost can be somehow managed by collecting previous year's records and analyzing the different factors that decide the cost effect. He analyzed eight government offices and 14 university facility and its operating cost and maintenance cost. And he developed cost prediction model by

using regression analysis and neural networks. And this can be used to help the system manager to predict the maintenance cost and operation cost

- **Roland T. Rust, Christine Moorman and Peter R. (Roland T. Rust, Oct 2002)**, states that cost reduction and revenue expansion can be used to increase the profit and cash flow of a company. In this literature state that operation and quality will give good foundation to reduce the cost. And at the same time the satisfaction of customer and market orientation will give foundation to increase the revenue of the company.
- **Compton and Brinker (Compton, J & Brinker, & Thomas M, 2005)** stated that all cost are not of same nature and all can't be used for evaluation for the purpose of decision making. Only some cost should be used for this purpose. Compton, Brinker and Thomson distinguished cost in a different way from others. They distinguished both marginal cost and sunk cost. Martin in 1992 distinguished direct cost, indirect cost and distributable cost.
- **Mikhail Chester and Chris Hendrickson (Chester & Hendrickson, 2005)**, made a finding that “construction cost goes up in a project with the seven different mismanagement scenarios. Those seven scenarios are (i) delay (ii) acceleration (iii) resequencing of work (iv) cost cutting (v) change of scope (rework) (vi) defective work (vii) strike”. So the management should consider these things and they should try to avoid these scenarios to reduce the construction cost.
- **Rajiv Bhatt (2006)** mentioned that “the cost overrun take place due to (i) late payment from client or contractor, (ii) late supply of materials and decisions, (iii) delayed possession of site, (iv) inflationary increase in material rates, (v) Revised estimate”.

These things will create the chance for cost overrun. So we should ensure that these things are not happening and it will prevent the cost overrun.

- **R K Uppal and Rimpi Kaur (Uppal & Kaur, 2009)** analyzed different aspect of reducing the cost in banking sector. The challenge faced by banks is that gaining good profit and reducing the cost. It is also compulsory for them to survive and compete successfully in the competitive business world. Banks get deposit from the public and that money will be used for the purpose of investing in different instruments and gives to the public as loan. From the investment they will get returns as dividend and interest and interest from the loan. The study states that the cost of deposit is just double of the cost of borrowing. And the study states that investing on different instrument is better than lending money to the public in the form of loan. This is because the interested charged from the public for the loan is lesser than the interest and dividend received from the investment in different instruments. This works only for public sector bank. For private sector banks and foreign banks it is better to lend money to the public. And the study also give suggestion to the bank to reduce the cost to increase the profit.
- **Stefania-Eliza and Florin (Stefania, Bana, & Sgardea, 2009)** examined that production cost can be used as a good cost for evaluation of the profit of a company. He says that cost of production is the best cost to evaluate the performance and profit. He also mentioned that cost of introducing a new product in to the industry also an important cost. The entry cost includes research cost, product development cost, product testing cost and cost that incurred for product marketing, advertising and distribution. These cost will play an important role to the performance of the company.

- **Keng, Tan Chin, Mansor Norizzati (An Exploration of Cost Overrun in Building Construction Projects, 2018)** stated that cost overrun in construction projects happen because of changes in design and delay of project. In order to avoid the cost overrun they should ensure the design of the project. It should not be changing often. And they should acquire in depth knowledge about the key project parts. And there should also a scheduled planning. The planning should be done according to the important and scope of each work. And it will avoid the chance for pre mature delivery of material to the project location. By taking care of these thing we can control the cost overrun in the building construction projects.
- **Dr. Atul Bansal (Bansal, 2014)** studied about determination of efficiency of the banks. He used cost benefit analysis for this study purpose. He says that banks can perform well with a good competition strategy. But one of the main problem is that it is not easy to predict the cost because of uncertainty. He also mentioned that banks should reduce the cost and increase the income to survive in the market and to successfully compete against the competitors.
- **Paul R. Garvey (Probability methods for cost uncertainty analysis: A system engineering perspective, 2000)** explain, to what extend the cost can over run. And he also states about different uncertainty and how the uncertainty will drive the cost. He also done cost uncertainty analysis. This will give an idea about costs that can be a danger or threat for the organization.
- **Hathaway Bruce R (Controlling New Facility Cost, 1975)** explains about management control of construction projects from the beginning of planning through job completion is the most important to cost control. In order to help in controlling construction cost,

important actions has to be taken include master planning all construction phases, using proven cost estimating techniques, matching to the concept of creative cost control in the design phase, using established contractor selection procedures.

- **Abdul Rahman, Hamza (Cost of Quality Failures in Civil Engineering, 1993)** provides an idea about the importance of cost reduction in civil engineering sector. He also mentioned the importance of the quality cost. Quality cost is the cost that are incurred by the company while maintaining the quality of their products.
- **Watson RB (Construction Cost Control Technique in UK, 1998)** in his book mentioning that in the case of industrial engineering, reference has to be made to sort of independent indices relating differently to material and labor, and it is not easy to establish a reliable combined index for labor and material as in the case of the other two categories. The cost indices for large industrial projects provided by Association of Cost Engineering (ACE) reflect the important changes in tender levels.
- **Ali Mohammed Alashwal (Simulation Techniques for Cost Management, 2017)** studied about the Malaysian construction sector. And he found that they are applying very low cost simulation techniques. And their knowledge of responding also low. And he also finds the problem of adopting this technique. Performance of cost, in Malaysian construction sector is adequate even though there is no matching between the technique and performance.
- **Christine Brian (Medical Cost Control Techniques 1993)** stated several suggestions from the survey results. Few management cost control techniques appear to be very famous among the operators of self-insured medical expense plans. These involves

continued stay reviews, pre-admission authorizations, HMOs as provider organizations, outpatient testing and EAPs.

- **Kim Yong Woo (Implication of New Production Paradigm for Project Cost Control, 2002)** in his book state that in the area of overhead cost control, current control uses resource-based costing and volume-based allocation, techniques based on the transformation view and manage-by-results (MBR) thinking. The research introduced a new overhead control method, profit point analysis (PPA), which take on activity-based costing from manufacturing. The case study is conducted to test the new method recommended that it belongs to the new production paradigm in that it conceptualizes production as a flow and adopts manage-by-means (MBM) thinking.
- **R Jayaraman (Project Cost Control)** has found that cost control which is restructured achieved a good result. And it worked better than actual expectation. And the result was , cold rolling mill did rolling of steel sheet completed fast and effectively.
- **Sudhakar, Samuel (Potential of IT to Improve Cost Control in Community College)** saying that, investment in IT has assisted institutions grow online enrollments (87.6%), improved efficiency (97.3%), and improved productivity (97.3%). 91% of the survey responders told that IT has enhanced their internal and external communications and 99.1 % said that IT provides a good return on investment (ROI) at their institution. The effect of the above results is that investments in IT have assisted institutions to increase their revenue streams and reduce operating expenses. It is suggested that CC's consider strategic investments in IT to make better efficiency and productivity, and to make better internal and external communications with their stakeholders. Further it is suggested that return on investment on IT investments be defined, analysed, measured, improved and controlled.

CHAPTER 3
RESEARCH DESIGN

3.1 STATEMENT OF THE PROBLEM

“A study on cost analysis in Esteem Power Equipments India Pvt Ltd”

This project identified problems and practices associated with cost analysis of Esteem Power Equipments India Pvt Ltd. In this organization so many studies are going on but only few has studied about cost analysis. So I tried to fill this gap of study beyond my best level.

The main problem of the Company is increasing cost of production. If they are not using effective cost techniques then it will become a huge problem for the company.

3.2 NEED FOR THE STUDY

Cost is an important thing for all the company and when it comes to the power generating company its important is much higher. In this era of power starving world, the need for the better performance of power generating company is crucial.

This study is very relevant because it shows the impact of fluctuation of cost on the performance of the company. The need for reducing the cost of a company is very important and we can't just under estimate its impact. If a company wants to perform well, compete successfully and make good profit, then the company should reduce its cost. High cost incurred means there will be less profit and lower performance. And low cost incurred means good profit and better performance.

If a company is performing badly and losing the profit then it has to generate more cash. For this the company and management have to decide, in which area we can reduce the cost. And it should be done effectively and efficiently. And if the company wants to cut the cost immediately, they should not cut the expenses that are directly attached to the production process. Because, sudden reduction of cost of production may leads to bad quality of products and it will affect the company negatively. So the cost reduction should be planned on some other cost which are not directly related to the production.

To achieve the high competitive edge, the company needs high performance with less cost. Then only they can compete successfully against the competitors. Company can overcome the competitor's new offers with the help of cost reduction by providing goods and services for a low price to the customers. In order to cop up with the new technology and changes, the cost

reduction is very important. If the company could not cop up with the new changes in technology and methods, then the company will be out performed by the competitors.

So it is clear that need for cost analysis and cost reduction is very important for any company. It will enables the company to perform well, increase the profit and compete successfully against the competitors.

3.3 OBJECTIVES OF THE STUDY

- To understand the cost structure of the company.
- To understand how the cost will affect performance and profit of the company.
- To evaluate each cost of the company and suggest them what are the changes they have to implement.

3.4 SCOPE OF THE STUDY

Cost analysis has a wide scope in the companies operation. The cost incurred by the company will determine the performance of the company. For a good budgeting program the cost analysis plays an important role. The manager can fix the price for a product by understanding the cost incurred for each products. Less cost means good performance and good profit. The study can help the managers to make changes in their cost structure.

- The study helps to identify and classify various cost overheads, which will helps the management to fix the selling price of products effectively and efficiently.
- The study cover the effect of cost control techniques.
- Main areas of the study are labor, material, sales and fixed overheads.

3.5 RESEARCH METHODOLOGY

The research type used for this project is descriptive in nature. The important data for this report has been collected from the secondary sources.

The project is mainly focuses on analysis of each cost. For the report the trend analysis has been used. The data are collected by informal interview and direct observation. The collected data is analyzed and interpreted.

For this project both primary and secondary data are used. For analysis and interpretation Charts, Tables and Graphs are used.

SOURCE OF DATA

Primary data

Primary data are the first hand data or fresh data that are directly collected from the primary sources.

The primary data is collected by interacting with the finance manager and other concerned executives at the administrative office of the company. All the data collection process has been carried out through the constitutions with the staff members concerned in the department of finance in the organization. Direct interactions with the manager, the accountants and the related staff concern helped me in gathering of the required data. Took the help of the management from the other departments and the guidance from the internal guide.

Secondary data

Secondary Data are the second hand information. It is already available and the same collected from the existing records.

Data collected from secondary sources are.

- Website of the Company
- Magazines.
- Journals.
- Company's financial statement

3.6 LIMITATION OF THE STUDY

- Because of the restrained information furnished by the Esteem, it was not possible to have a depth observe.
- Due to the compatibility of the facts provided by the company, simplest variances evaluation has been decided for the study, even though there are different cost analysis techniques available.
- Problem to get crucial corner of the company records due to corporate secrecy.
- This study doesn't clearly show how the company is moving on in this vast world with large number of competitors.
- This study totally depends upon the data given in the yearly reports and recorded information and all the audited financial report statement of the company.

3.7 CHAPTER SCHEME

Chapter 1: Introduction

This chapter includes Introduction, Industry profile, company profile, Promoters, Vision, Mission, Manufacturing Quality Policy, Product profile, Areas of operation, Infrastructure facility, Competitors' information, SWOT Analysis, Future growth and prospects and Financial statement.

Chapter 2: Conceptual background and Literature review

This chapter describes the Theoretical background of the study& Literature review

Chapter 3: Research Design

This chapter includes Statements of problem, Need for the study, Objectives, scope of the study, Research methodology, Limitation and Chapter scheme.

Chapter 4: Analysis and Interpretation

This chapter contains the cost sheet of the company and comparison of each cost in different years.

Chapter 5: Findings, Suggestions and Conclusion

This chapter contains Findings, Suggestions and Conclusions.

CHAPTER 4

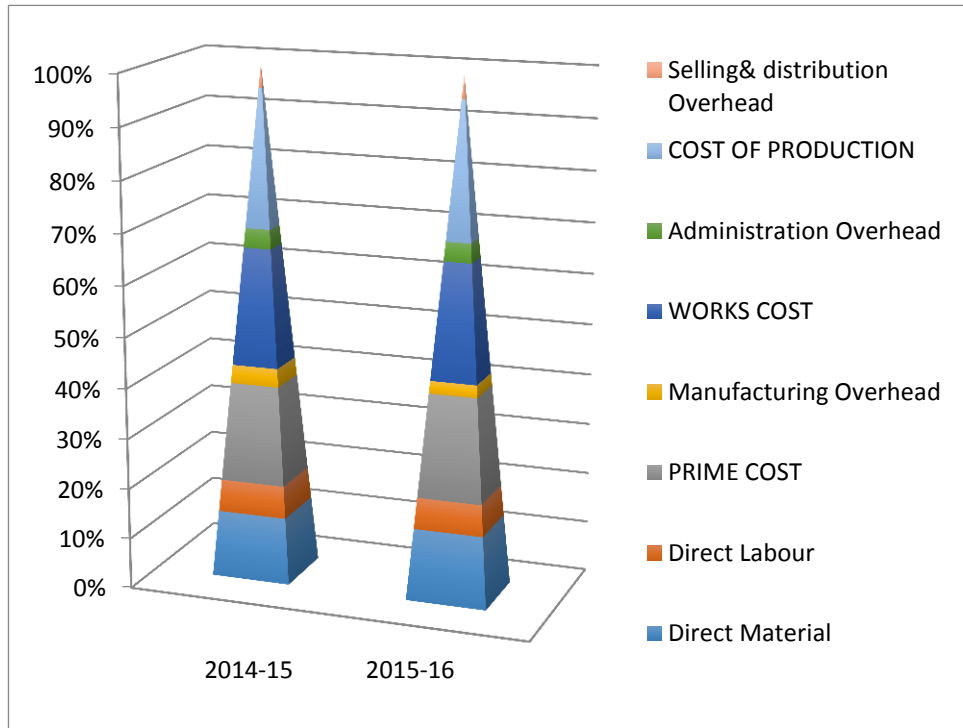
ANALYSIS AND INTERPRETATION

Table No. 4.1**COST SHEET FOR THE YEAR 2014-15 & 2015-16****Amount in Rupees**

PARTICULARS	2014-15	2015-16
Direct Material	30,713,383	35,125,919
Direct Labour	14,842,242	15,222,877
Direct Expenses	-	-
PRIME COST	45,555,625	50,348,796
Manufacturing Overhead	8,432,665	6,064,001
WORKS COST	53,988,290	56,412,797
Administration Overhead	8,787,414	9,155,459
COST OF PRODUCTION	62,775,704	65,568,256
Selling & distribution Overhead	10,620,473	10,963,526
TOTAL COST	73,396,177	76,531,782
Net SALES	80,160,360	85,677,188
Less Total Cost	73,396,177	76,531,782
PROFIT	6,764,183	9,145,406

Chart No. 4.1

Chart showing Cost Sheet for the Year 2014-15 & 2015-16



Interpretation:

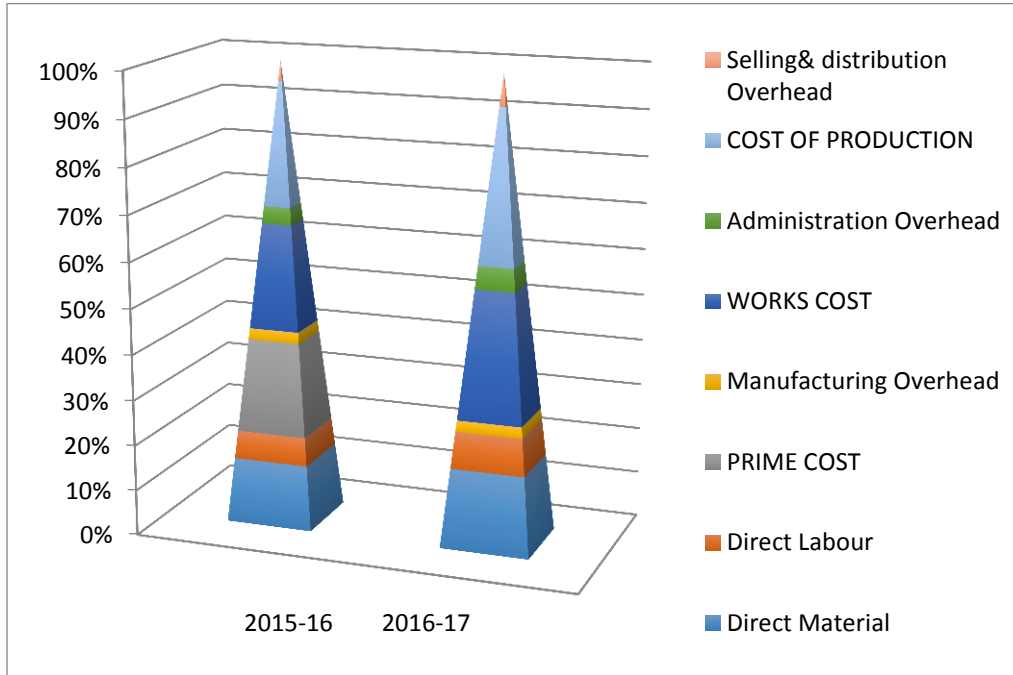
In the year 2014-15 the total cost was **73,396,177** but in the year 2015-16 it was increased to **76,531,782** because company increased production capacity. Even though the company need to take certain measures to increase its profit level by decreasing its production cost .But the company reach its desired goal as there is a more sales.

Table No. 4.2**COST SHEET FOR THE YEAR 2015-16 & 2016-17****Amount in Rupees**

PARTICULARS	2015-16	2016-17
Direct Material	35,125,919	33,425,395
Direct Labour	15,222,877	15,411,622
Direct Expenses	-	-
PRIME COST	50,348,796	48,837,017
Manufacturing Overhead	6,064,001	4,625,388
WORKS COST	56,412,797	53,462,405
Administration Overhead	9,155,459	9,511,719
COST OF PRODUCTION	65,568,256	62,974,124
Selling & distribution Overhead	10,963,526	13,424,753
TOTAL COST	76,531,782	76,398,877
Net SALES	85,677,188	78,910,159
Less Total Cost	76,531,782	76,398,877
PROFIT	9,145,406	2,511,282

Chart No. 4.2

Chart showing Cost Sheet for the Year 2015-16 & 2016-17



Interpretation:

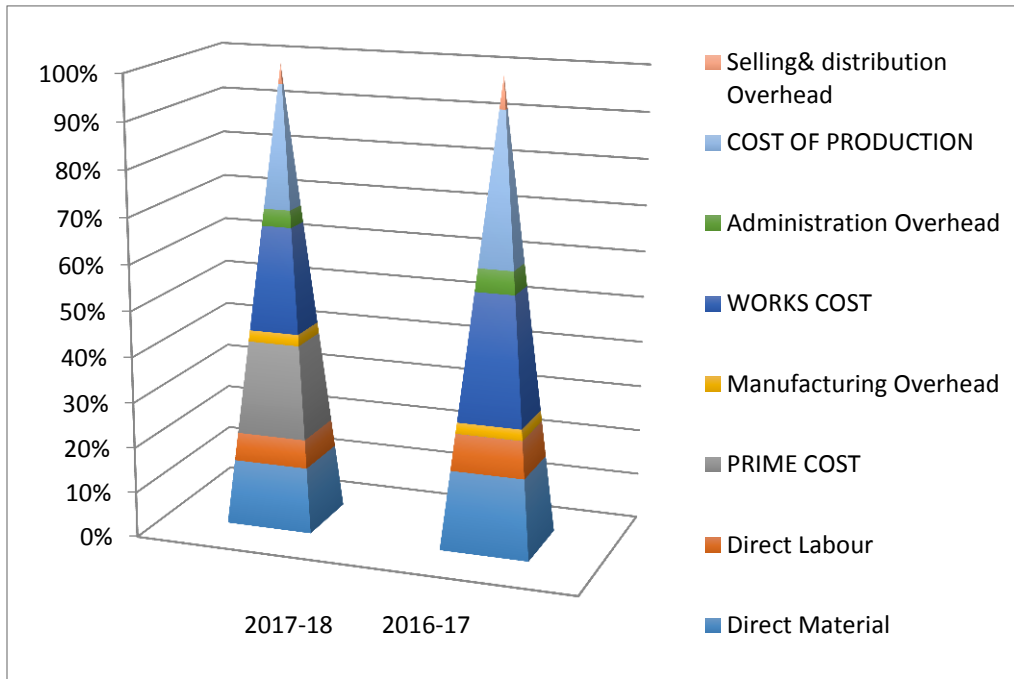
In the year 2015-16 & 2016-17 there is a small changes in the total cost. But profits reduced drastically because of the less net sale in 2016-17 that is **78,910,159** compared to **85,677,188** in 2015-16. Because lesser turnover compared to the previous year. And in this year real estate fall down it affect the house construction it indirectly affect this industry also.

Table No. 4.3**COST SHEET FOR THE YEAR 2016-17 & 2017-18****Amount in Rupees**

PARTICULARS	2016-17	2017-18
Direct Material	33,425,395	26570749
Direct Labour	15,411,622	16201006
Direct Expenses	-	-
PRIME COST	48,837.017	42771755
Manufacturing Overhead	4,625,388	5057248
WORKS COST	53,462,405	47829003
Administration Overhead	9,511,719	7411014
COST OF PRODUCTION	62,974,124	55240017
Selling & distribution Overhead	13,424,753	8321817
TOTAL COST	76,398,877	63561834
Net SALES	78,910,159	7136052
Less Total Cost	76,398,877	63561834
PROFIT	2,511,282	7574218

Chart No. 4.3

Chart showing Cost Sheet for the Year 2016-17 & 2017-18



Interpretation:

In the year 2016-17 & 2017-18 there is a changes in the total cost. But profits increased in 2017-18 compared to 2016-17 even though the net sale decreased in 2017-18. The main reason for increasing profit is that company could reduce the total cost in 2017-18 that is **63,56,1834** compared to **76,398877** in 2016-17. That was a great positive sign for the company.

Table No. 4.4

Table showing % of increase/decrease of Direct Material

Amount in Rupees

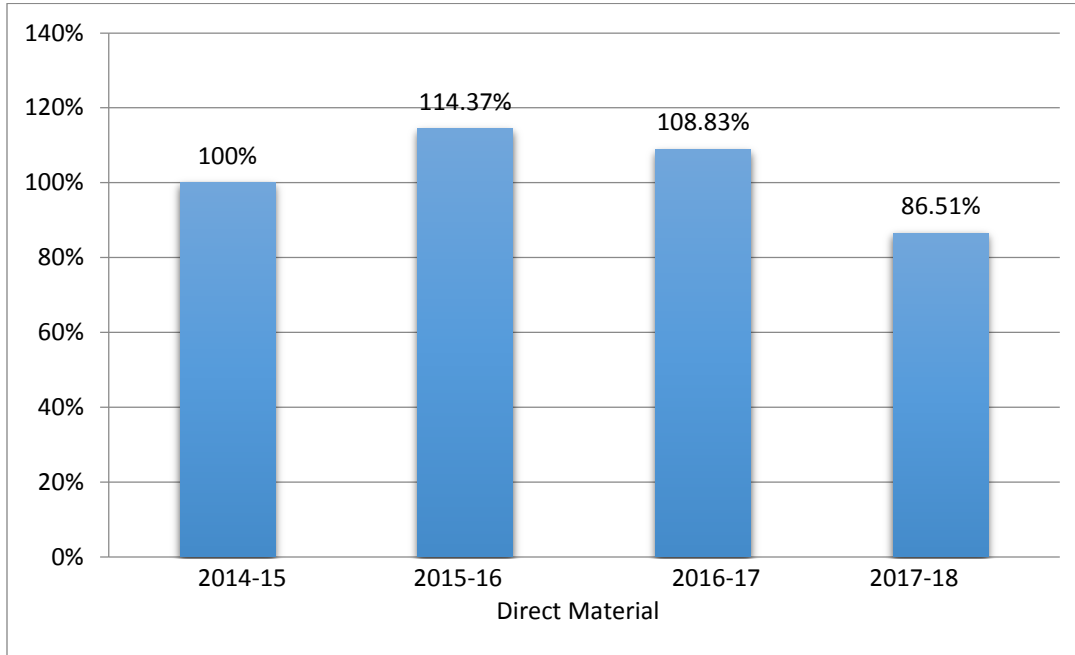
Particulars	Year	Amount	Percentage to Base Year
Direct Material	2014-15	30,713,383	100%
	2015-16	35,125,919	114.37%
	2016-17	33,425,395	108.83%
	2017-18	26,570,749	86.51%

Analysis:

In the year 2014-15 direct material shows 100 % (as basic year) but in the year 2015-16 it is increase to 114.37%. And in the year 2016-17 direct material increase to 108.83% and in the year 2017-18 it was decrease to 86.51%.

Chart No. 4.4

Chart showing % of increase/decrease of Direct Material



Interpretation:

From the above graph we can observe that the percentage of direct material in the year 2014-15 is considered as 100% (as base year) then it has been increased to 114.37% in the year 2015-16. But in 2016-17 and 2017-18 it has been decreased to 108.83% and 86.51%.

So, we can observe that there is increased in direct material when compared to the base year 2014-15 in the 2015-16. After that direct material cost decreased gradually. It's a good sign to the company.

Table No. 4.5

Table showing % of increase/decrease of Direct Labor cost

Amount in Rupees

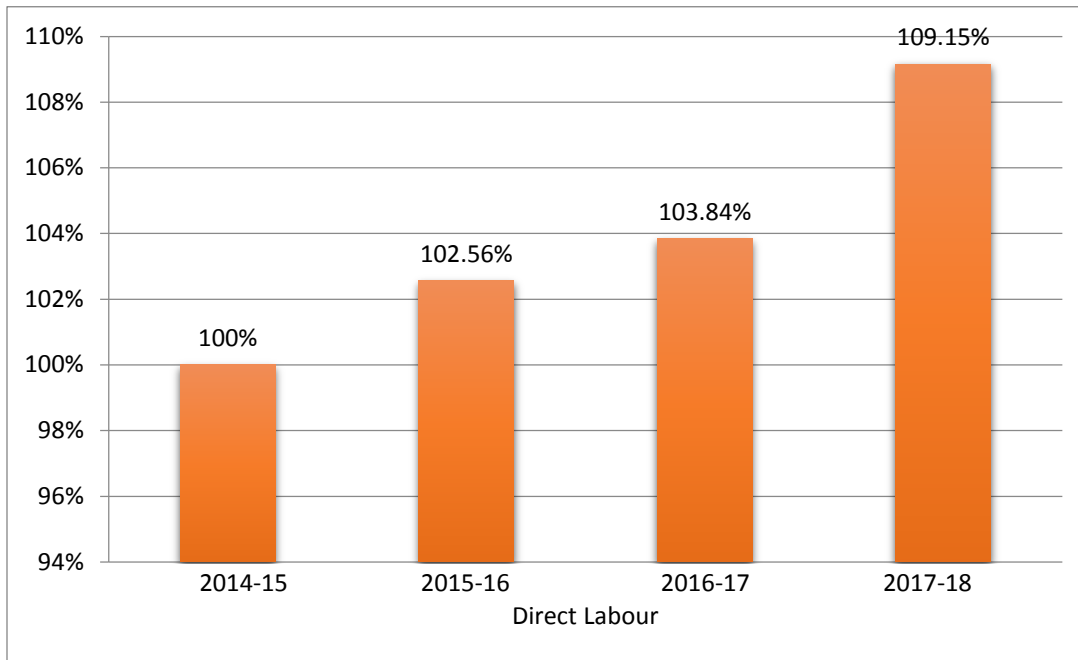
Particulars	Year	Amount	Percentage to Base Year
Direct Labour cost	2014-15	14,842,242	100%
	2015-16	15,222,877	102.56%
	2016-17	15,411,622	103.84%
	2017-18	16,201,006	109.15%

Analysis:

From the above table direct labour cost in the base year 2014-15 is 100%. Then it has been increased to 102.56% in the year 2015-16 and again in the year 2016-17 and 2017-18 it has been increased to 103.84% and 109.15% respectively.

Chart No. 4.5

Chart showing % of increase/decrease of Direct Labour cost



Interpretation:

From the above graph we can observe that the percentage of Direct Labour in the base year 2014-15 is 100%. Then it has been increased to 102.56% in the year 2015-16 and again in the year 2016-17 and 2017-18 it has been increased to 103.84% and 109.15% respectively.

So, we can say that there is a gradual increase in Direct Labour when compare to the base year 2014-15 because in the company fell that workers are the assets of the company so year by year they added the workers. And a negative impact by adding workers is that it will increase cost of labour that will not good for company if they do not extract the work.

Table No. 4.6

Table showing % of increase/decrease of Manufacturing Overhead

Amount in Rupees

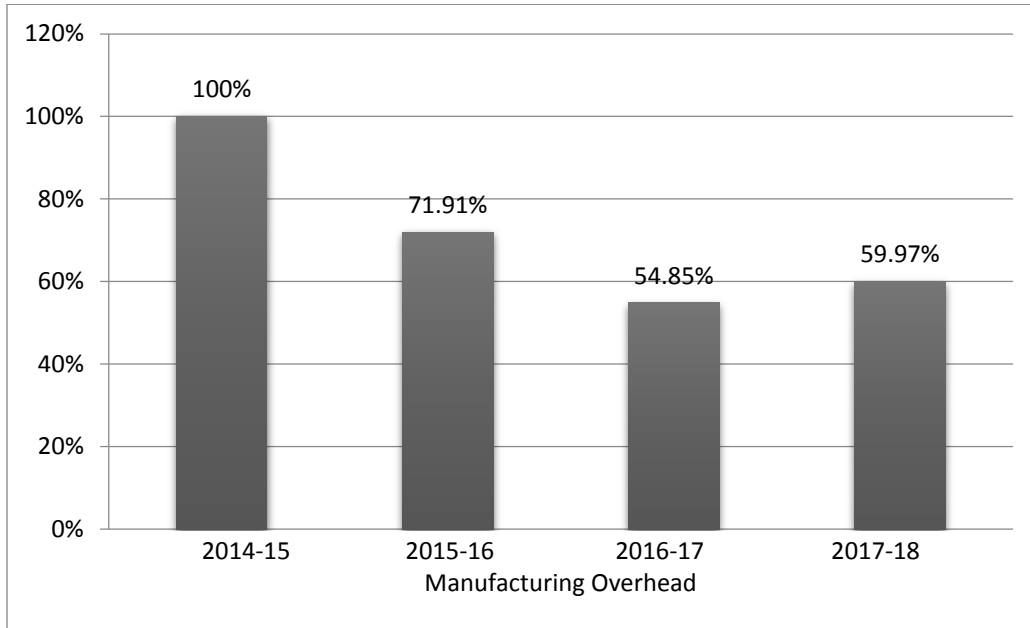
Particulars	Year	Amount	Percentage to Base Year
Manufacturing Overhead	2014-15	8,432,665	100%
	2015-16	6,064,001	71.91%
	2016-17	4,625,388	54.85%
	2017-18	5,057,248	59.97%

Analysis:

In the above table in the base year 2014-15 is 100%, that has been decreased in the year 2015-16 is 71.91%. In the year 2016-17 is 54.85% that has been decreased, but in the year 2017-18 it has been increased in 59.97% respectively.

Chart No. 4.6

Chart showing % of increase/decrease of Manufacturing Overhead



Interpretation:

The above Graph shows that manufacturing overhead for 3 years from 2014-15 to 2016-17, there is a continuous decrease in the manufacturing cost as the company is having good control over its but in the year 2017-18 slightly increased it is not a good sign to the company. Company need to use more machine power than the man power as the result the process will be faster and there is a decrease in the training cost to the workers. This helps the company to invest the saved amount in implementing some advertisement programmers to increase sales.

Table No. 4.7

Table showing % of increase/decrease of Administration overhead

Amount in Rupees

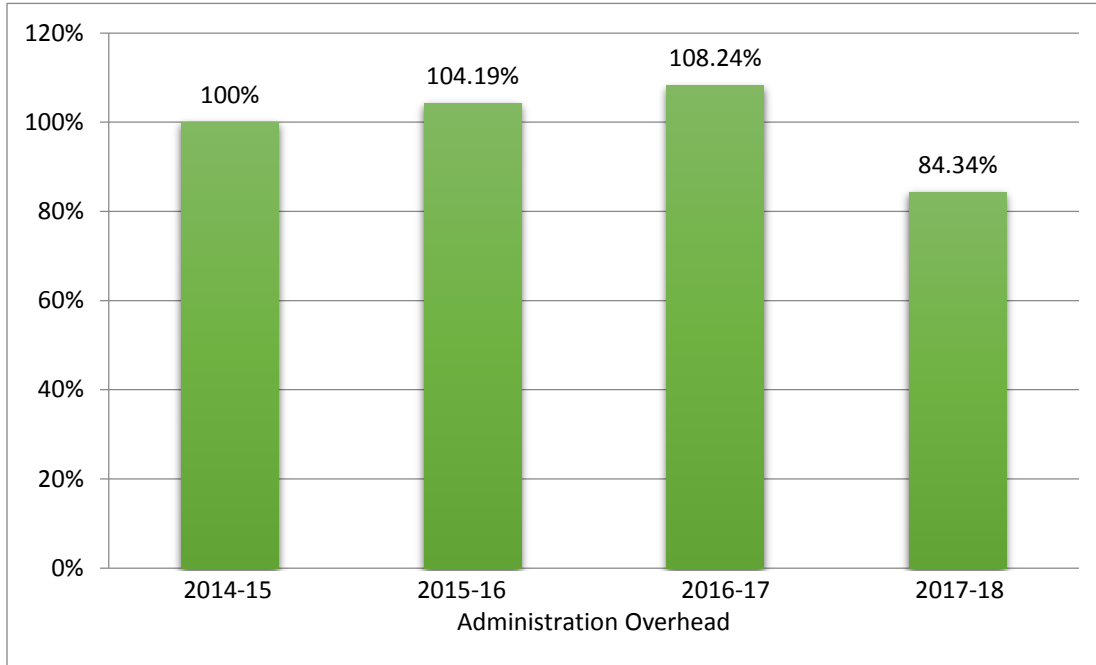
Particulars	Year	Amount	Percentage to Base Year
Administration overhead	2014-15	8,787,414	100%
	2015-16	9,155,459	104.19%
	2016-17	9,511,719	108.24%
	2017-18	7,411,014	84.34%

Analysis:

In the above table the year 2014-15 is considered as 100% then administration expense has been increased to 104.19% and 108.24% in the year 2015-16 and 2016-17 respectively. And in 2017-18 it has been decreased to 84.34%.

Chart No. 4.7

Chart showing % of increase/decrease of Administration overhead



Interpretation:

In the above graph Administration overhead in the year 2014-15 is considered as 100%. Then it has been increased to 104.19% and 108.24% in the year 2015-16 and 2016-17 respectively and 2017-18 it has been decreased to 84.34%.

So, we can say that there are more fluctuations when compared to the base year 2014-15 but in the year 2017-18 it decreased its cost. It is a good sign, the company should maintain same thing.

Table No. 4.8

Table showing % of increase/decrease of Selling & Distribution Overhead

Amount in Rupees

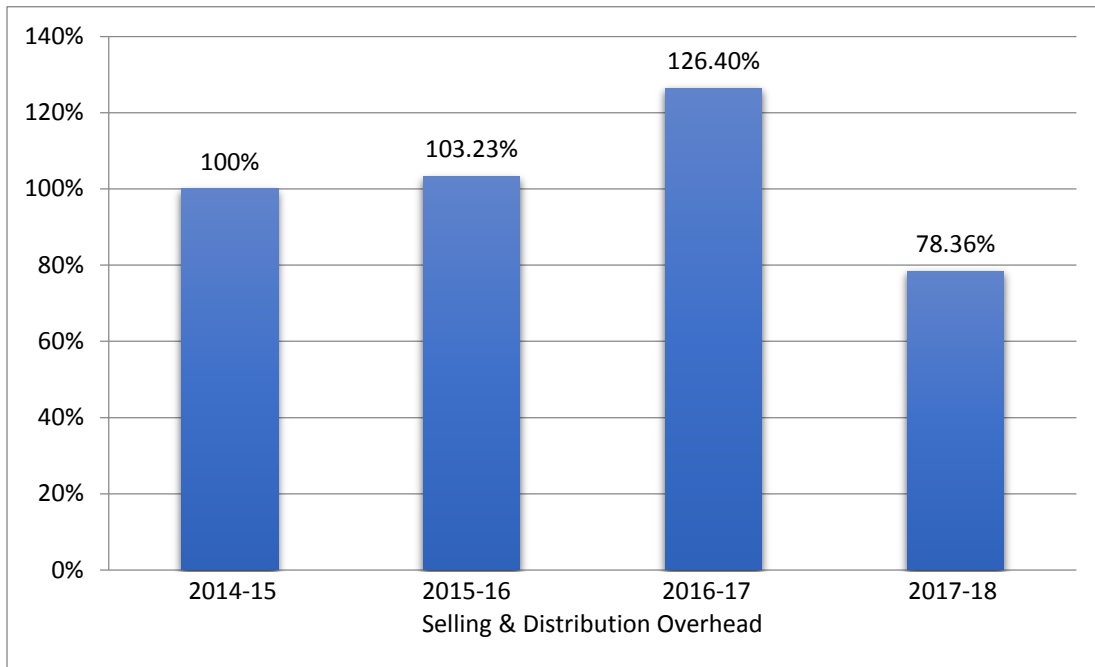
Particulars	Year	Amount	Percentage to Base Year
Selling & Distribution Overhead	2014-15	10,620,473	100%
	2015-16	10,963,526	103.23%
	2016-17	13,424,753	126.40%
	2017-18	8,321,817	78.36%

Analysis:

In the above table in the year 2014-15 is 100%, then it has been increase to 10,620,473 i.e., 103.23% in the year 2015-16 and in the year 2016-17 the Selling & Distribution amount increased to 13,424,753 i.e., 126.40% then in the year 2017-18 the Selling & Distribution decreased to 8,321,817 i.e., 78.36% respectively.

Chart No. 4.8

Chart showing % of increase/decrease of Selling & Distribution Overhead



Interpretation:

From the above graph we can observe that the percentage of Selling & Distribution Over head in the year 2014-15 is 100%, then it has been increase to 10,620,473 i.e., 103.23% in the year 2015-16 and in the year 2016-17 the Selling & Distribution amount increased to 13,424,753 i.e., 126.40% then in the year 2017-18 the Selling & Distribution decreased to 8,321,817 i.e., 78.36% respectively.

So, we can say that there are some fluctuations when compared to the base year 2014-15 but last year well controlled expenses and achieved good sales also it is good achievement to the company.

Table No. 4.9

Table showing % of increase/decrease of Total Cost

Amount in Rupees

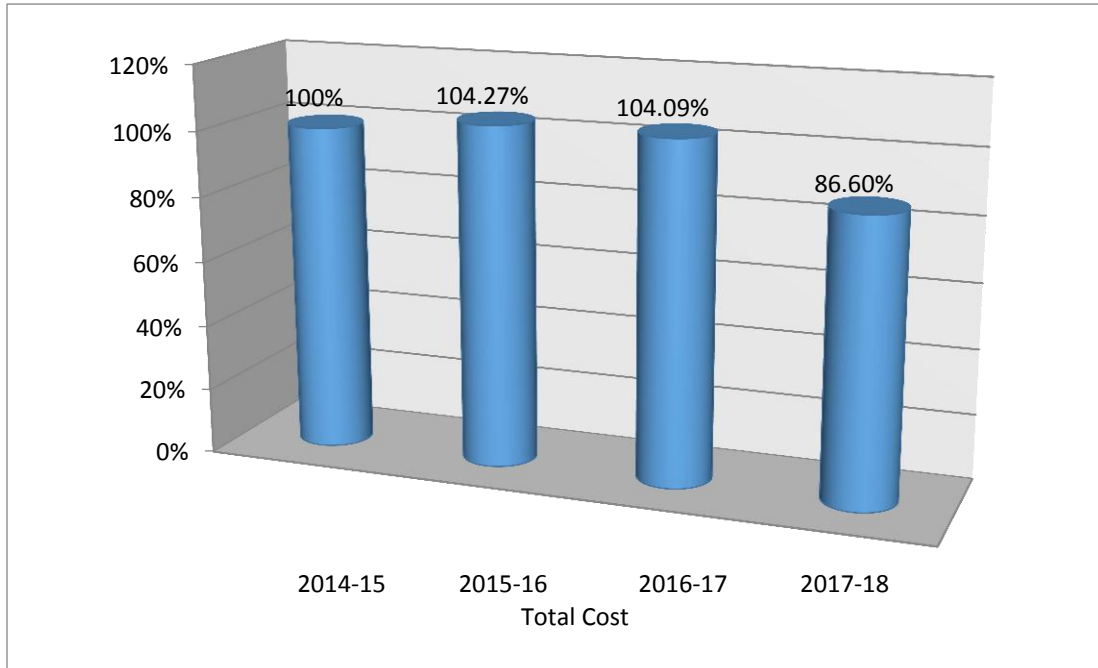
Particulars	Year	Amount	Percentage to Base Year
Total Cost	2014-15	73,396,177	100%
	2015-16	76,531,782	104.27%
	2016-17	76,398,877	104.09%
	2017-18	63,561,834	86.60%

Analysis:

In the above table in the year 2014-15 is 100% then it has been increased to 104.27 % in the year 2015-16. In the year 2016-17it has been decreased to 104.09% but again it decreased to 86.60% in the year 2017-18.

Chart No. 4.9

Chart showing % of increase/decrease of Total Cost



Interpretation:

Form the above graph we can observe that the % of Total Cost from in the year 2014-15 is 100% then it has been increased to 104.27 % in the year 2015-16. But in the year 2016-17 it has been decreased to 104.09% but again it decreased to 86.60% in the year 2017-18.

So, there is a fluctuation in total cost when compare to the base year 2014-15. But last two years Total Cost decreasing it is good sign to the company it helps to increase the company profit in 2017-18.

Table No. 4.10

Table showing % of increase/decrease of Prime Cost

Amount in Rupees

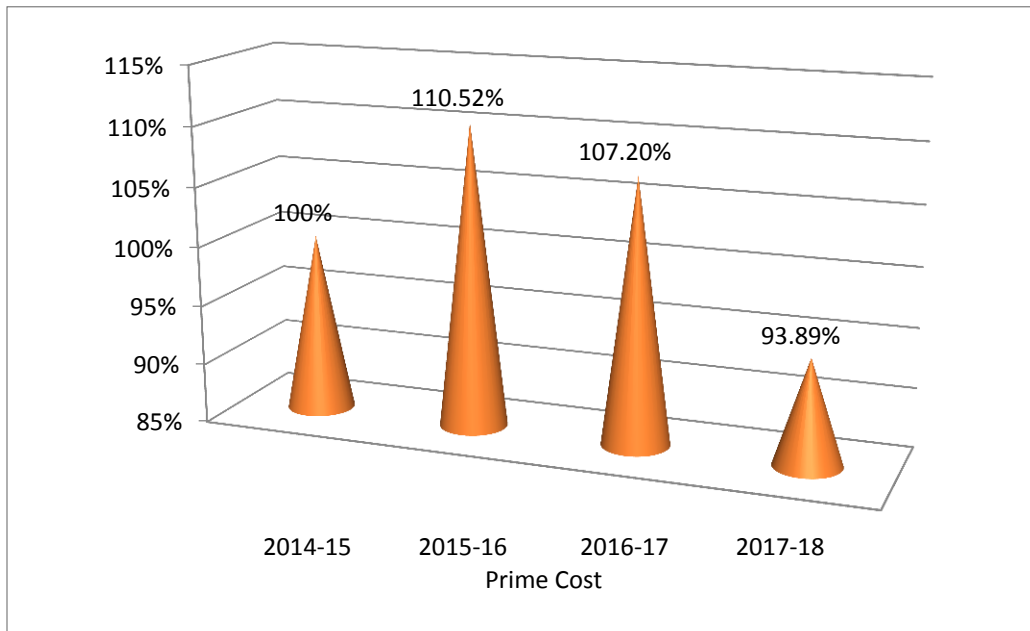
Particulars	Year	Amount	Percentage to Base Year
Prime Cost	2014-15	45,555,625	100%
	2015-16	50,348,796	110.52%
	2016-17	48,837,017	107.20%
	2017-18	42,771,755	93.89%

Analysis:

In the above table in the year 2014-15 is 100%. In the year 2015-16 it has been increased to 110.52% and in the year 2016-17 and 2017-18 it has been decreased to 107.20% and 93.89% respectively.

Chart No. 4.10

Chart showing % of increase/decrease of Prime Cost



Interpretation:

From the above graph, we can see that the Prime Cost in the year 2014-15 is 100% as base year. But during 2015-16 it has been increased to 110.52% and in the year 2016-17 and 2017-18 it has been decreased to 107.20% and 93.89% respectively.

So, we can say that decreasing prime cost is good but company should not reduce this cost by reducing output. Company must increase the production and reduce the prime cost through optimum utilization of recourses.

Table No. 4.11

Table showing % of increase/decrease of Work Cost

Amount in Rupees

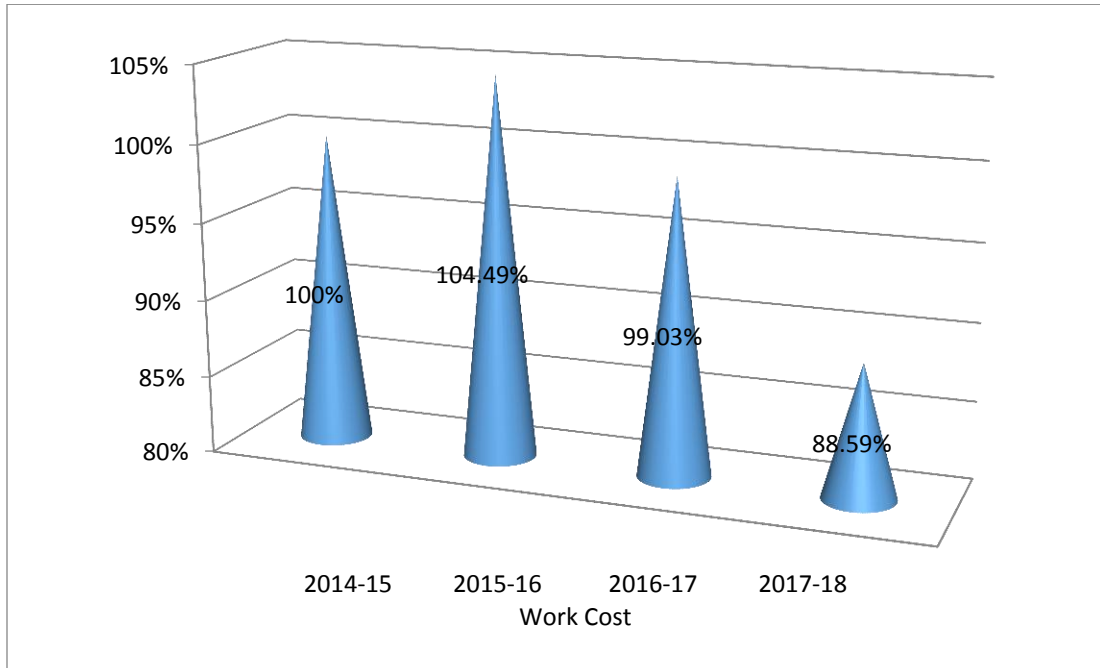
Particulars	Year	Amount	Percentage to Base Year
Work Cost	2014-15	53,988,290	100%
	2015-16	56,412,797	104.49%
	2016-17	53,462,405	99.03%
	2017-18	47,829,003	88.59%

Analysis:

In the above table during the year 2014-15 the Work Cost is 100%. The chart shows the continues decline in the Work Cost from year 2015-16 to 2017-18 that is 104.49%, 99.03% and 88.59% respectively.

Chart No. 4.11

Chart showing % of increase/decrease of Work Cost



Interpretation:

The above graph reveals that information about the Work Cost calculated from the last preceding 4 years. During the year 2014-15 the Work Cost is 100%. The chart shows the continues decline in the Work Cost from year 2015-16 to 2017-18 that is 104.49%, 99.03% and 88.59% respectively.

So, we see that there is decreasing trend of work cost after the year 2015-16 it is good sign for company, maintain this trend for better prosperity.

Table No. 4.12

Table showing % of increase/decrease of Cost of Production

Amount in Rupees

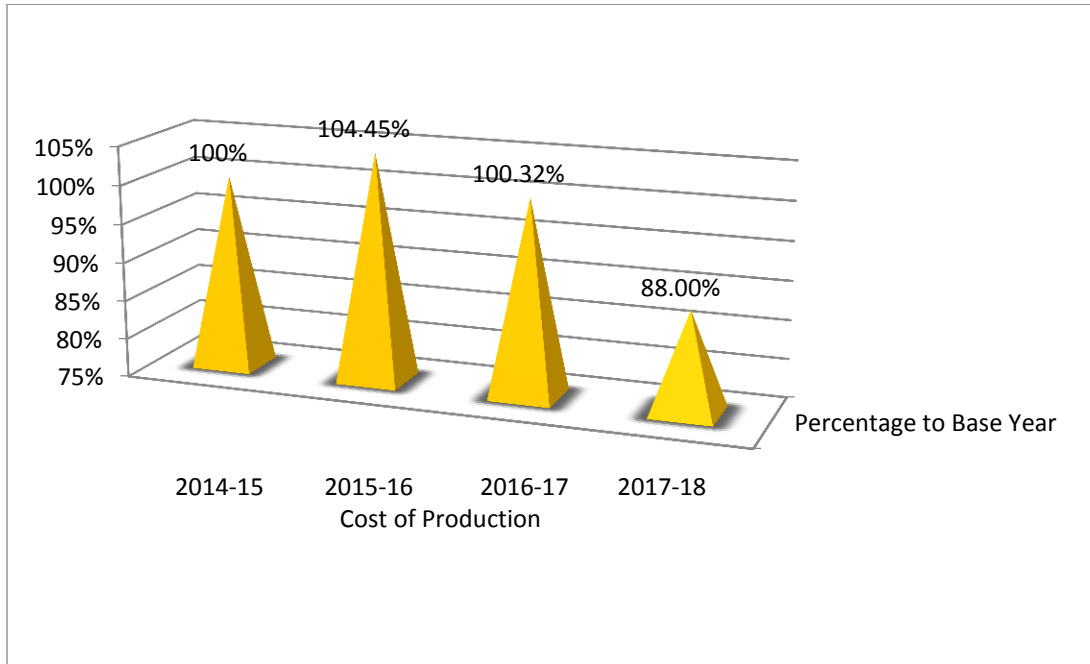
Particulars	Year	Amount	Percentage to Base Year
Cost of Production	2014-15	62,775,704	100%
	2015-16	65,568,256	104.45%
	2016-17	62,974,124	100.32%
	2017-18	55,240,017	88.00%

Analysis:

In the above table 2014-15 the company incurred Rs 62,775,704 cost of production but in the year 2015-16 it has been increased to Rs 65,568,256 but in the year 2016-17 and 2017-18 it has been decreased to Rs 62,974,124 and Rs 55,240,017 respectively.

Chart No. 4.12

Chart showing % of increase/decrease of Cost of Production



Interpretation:

The above graph helps us to determine the impact of Cost of Production on Net Profit of the company. In 2014-15 the company incurred Rs 62,775,704 cost of production but in the year 2015-16 it has been increased to Rs 65,568,256 but in the year 2016-17 and 2017-18 it has been decreased to Rs 62,974,124 and Rs 55,240,017 respectively.

So, we can observe that in the year 2016-17 and 2017-18 Company having well control over the cost of production.

Table No. 4.13

Table showing % of increase/decrease of Net Sales

Amount in Rupees

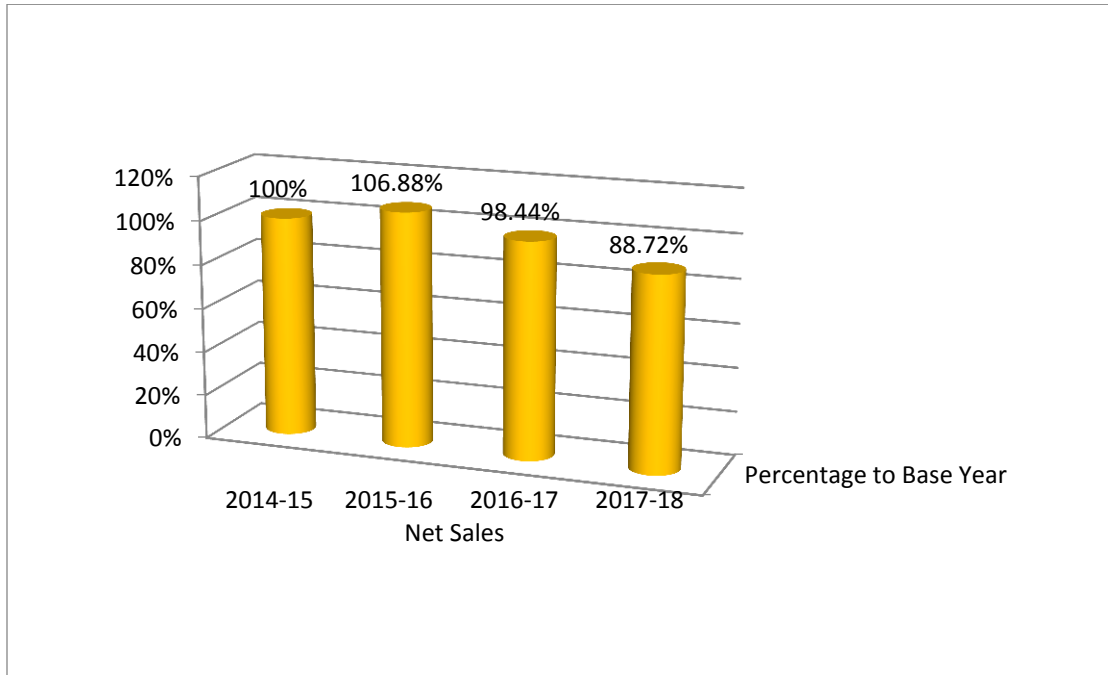
Particulars	Year	Amount	Percentage to Base Year
Net Sales	2014-15	80,160,360	100%
	2015-16	85,677,188	106.88%
	2016-17	78,910,159	98.44%
	2017-18	71,136,052	88.72%

Analysis:

In the above table in the year 2014-15 is considered as 100% then it has been increased to 106.88% in the year 2015-16. In 2016-17 and 2017-18 it has been decreased to 98.44% and 88.72%.

Chart No. 4.13

Chart showing % of increase/decrease of Net Sales



Interpretation:

From the above graph we can observe that the percentage of sale in the year 2014-15 is considered as 100% then it has been increased to 106.88% in the year 2015-16. In 2016-17 and 2017-18 it has been decreased to 98.44% and 88.72%.

So, we can observe that there is a increased in sales when compared to the base year 2014-15 in the 2015-16 after that sales decreased gradually because more competitors entered in the market their fore company need to focus more on their business to impure the sales.

Table No. 4.14

Table showing % of increase/decrease of Profit/Loss

Amount in Rupees

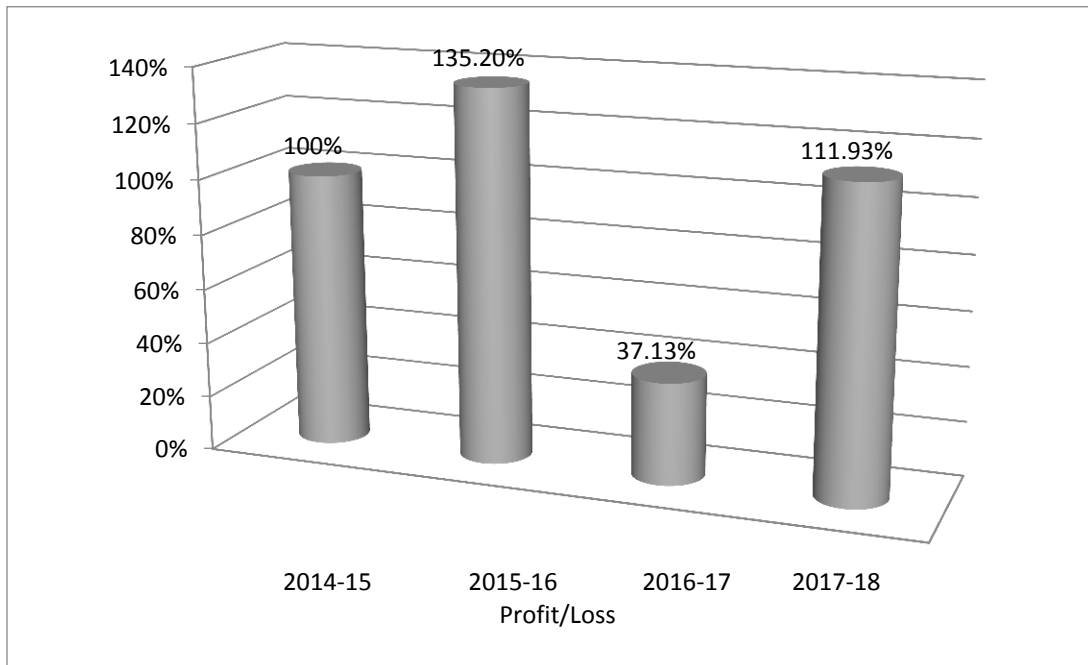
Particulars	Year	Amount	Percentage to Base Year
Profit/Loss	2014-15	6,764,183	100%
	2015-16	9,145,406	134.20%
	2016-17	2,511,282	37.13%
	2017-18	7,574,218	111.93%

Analysis:

In the above table shows in net profit 134.20% in the year 2015-16 compared to the base year 2014-15 i.e. 100% and 2016-17 suddenly profit decreased to 2,511,282 because the input cost is very high and sales is less and also slowdown of electrical industry but in the year 2017-18 it has been recovered to the large extent i.e. 7,574,218

Chart No. 4.14

Chart showing % of increase/decrease of Profit/Loss



Interpretation:

In the above graph we can see that there is a quantum jump in net profit 134.20% in the year 2015-16 compared to the base year 2014-15 i.e. 100% and 2016-17 suddenly profit decreased to 2,511,282 because the input cost is very high and sales is less and also slow down of electrical industry but in the year 2017-18 it has been recovered to the large extent i.e. 7,574,218

Ratio Analysis

1. Current ratio

Current ratio= Current asset/ Current liability

Table No. 4.15

Table showing Current Ratio

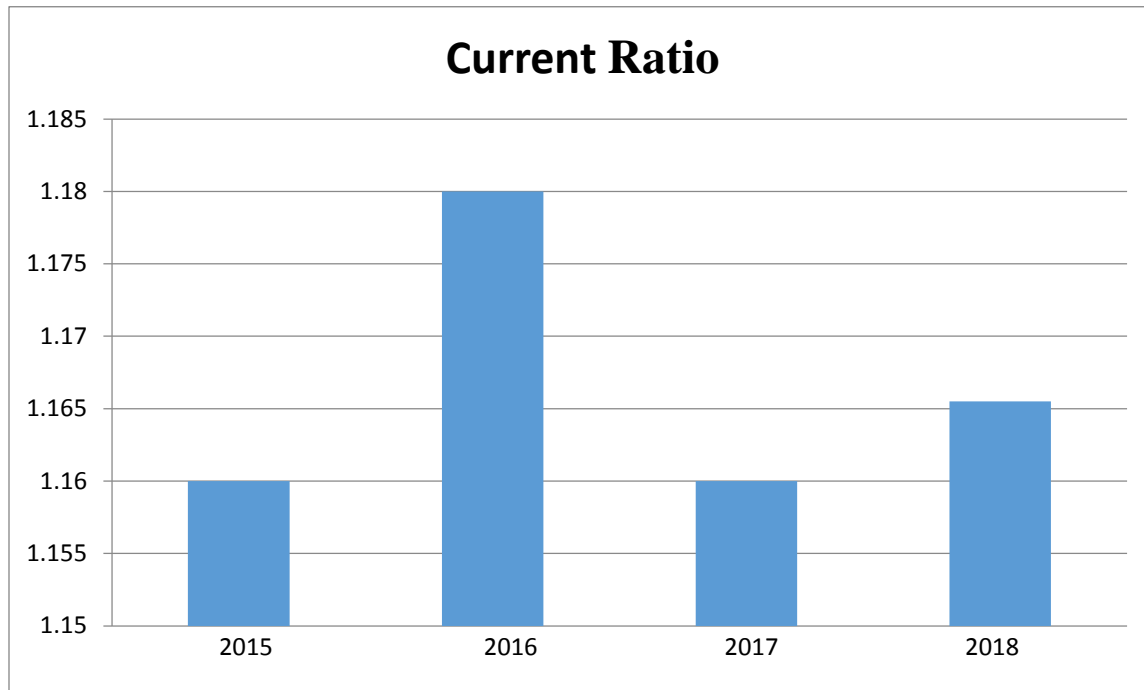
Year	Current Assets	Current Liability	Current Ratio
2015	268.120	230.030	1.16 : 1
2016	324.880	274.550	1.18 : 1
2017	329.580	284.610	1.16 : 1
2018	305.360	283.230	1.08 : 1

Analysis:

The table above shows the position of current asset and current liabilities has been shown from the year 2015 – 2018. Table indicates that the values of current asset and current liabilities changes every year. As in the current assets the value is increased from 2015 to 2017 but at the year 2018 the value decreased as shown in above table. And also the value of current liabilities also increase for the year 2015 – 2018, but there is a slightly change in last year. At the end of the 2018 there is a decrease in current assets and increase in current liabilities.

Chart No. 4.15

Chart showing Current Ratio



Interpretation:

The standard current ratio of the firm should be 2:1. From the above table it is observed that Current Ratio is instable and fluctuating. In the year 2015 the ratio is 1.165 times. In the year 2016 the ratio is 1.18 times. In the year 2017 the ratio is 1.16 times, 2018 the ratio is 1.078 times. But still it is not satisfactory.

CHAPTER 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS

In my study of Cost Analysis at EPEIPL, I came to find the following information.

- ❖ Profit of EPEIPL was increasing continuously but in 2016-17 the profit reduced. But in 2017-18 company again increased their profit.
- ❖ The company is supplying a good numbers of power equipment mainly in Maharashtra and Karnataka.
- ❖ The labour cost of the company is increasing every year because they are recruiting more and more employees.
- ❖ The net sale of the company decreased during the periods 2016-17 and 2017-18.
- ❖ The direct materials has increased in the year 2015-16 compared to 2014-15. But in 2016-17 and in 2017-18 it decreased due to the fluctuations in the cost of raw materials.
- ❖ The cost of manufacturing overhead is decreased continuously till 2016-17. But in the year 2017-18 it has been increased slightly.
- ❖ In Selling and distribution overhead there are some fluctuations over years when compared to the base year 2014-15. But in last year company controlled expense and it is a good achievement by the company.
- ❖ There is fluctuation in total cost when compare to the base year 2014-15. But in last two years we can see that total cost is decreasing and it is good sign to the company. And it helped the company to increase the profit in 2017-18.
- ❖ Prime cost is decreasing from the year 2016-17. But it is worth to mention that company should not reduce the prime cost by reducing the output.
- ❖ Cost of production has increased in the year 2015-16 but the company could reduce it during last two years.
- ❖ Net sales of the company increased in 2015-16 when compared to the base year 2014-15, but after that sales decreased gradually because of good performance of competitors. Even though in 2017-18 they could increase the profit because they could reduce the total cost.
- ❖ Profit of the company increased in the year 2015-16 compared to base year. But in the year 2016-17 it decreased, but again in the year 2017-18 profit increased up to double, compared to last year because they could reduce the total cost.

5.2 SUGGESTIONS

From Research and Study I submit the following Suggestions.

- ESTEEM should try to obtain more orders which will help the company to manufacture bulk products and thereby reduce the cost of production.
- ESTEEM should always purchase the high quality raw materials because it helps to attract more customers and expand its market.
- The company should purchase raw materials at reasonable price so that they can reduce cost.
- The company should adopt advance technology to improve their product quality and efficiency.
- It is recommended to ESTEEM take steps to reduce the overall costs that will enable the company to reduce the cost of product and its price.
- The Company should utilize all the available resources with it effectively to achieve its targets.
- Since the company's manufacturing expenses are not under control and not satisfactory during 2017 & 18, they should work on reduce manufacturing cost.
- Now it very badly needs different Cost reduction methods and Techniques.
- The Company also should try to reduce its selling and distribution cost while considering the current market demand, competitors strategies and changes in customers.
- Company should use more machine power than the man power in order to make the process faster and there should be a decrease in the training cost to the workers. This will help the company to invest the saved amount in doing some promotional and advertisement programmers to increase sales.
- Prime cost is decreasing from the year 2016-17. But it is worth to mention that the company should not reduce the prime cost by reducing the output.

5.3 CONCLUSION

ESTEEM is a company of producing different power equipments, and it supplying its products mainly to Maharashtra and Karnataka. Its adopted good quality checking instruments for inspection of each individual products in the organizations. It sells the products at reasonable price to the customers. In the current market situation all the industry compete the competitive market, ESTEEM manufactures and sells the products more economically.

From the above findings we can say that company should take effective remedies to control and reduce the cost. They should clearly observe and review the cost every time. Company can't simply ignore cost and cost analysis since it is important to achieve good sale and profit.

To earn more profit company should reduce the cost maximum as much as they can. To reduce the cost there should be effective utilization of resource. So the management should take steps to increase the utilization of capacity, at least to recover all the cash expenses. Otherwise company's cost of production will increase.

Company need to use more machine power than the man power as the result the process will be faster and there should be a decrease in the training cost to the workers. This will helps the company to invest the saved amount in implementing some advertisement programmers to increase sales.

Sufficient fund have to be allocated every year for repairs and maintenance. There should be fuller utilization of installed capacity and improved inventory polices which reduces the inventory carrying cost.

Finally concluded the company should be make efforts for increasing productivity and reducing cost.

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ACHARYA INSTITUTE OF TECHNOLOGY

DEPARTMENT OF MBA

PROJECT (17MBAPR407) -WEEKLY REPORT

NAME OF THE STUDENT: THEJUS T- ANAND

INTERNAL GUIDE: AYUB AHAMED K.S

USN: 1A217MBA53

COMPANY NAME: ESTEEM POWER EQUIPMENTS (I) Pvt. Ltd.

WEEK	WORK UNDERTAKEN	EXTERNAL GUIDE SIGNATURE	INTERNAL GUIDE SIGNATURE
3 rd Jan 2019 – 9 th Jan 2019	Industry Profile and Company Profile		
10 th Jan 2019 – 17 th Jan 2019	Preparation of Research instrument for data collection		
18 th Jan 2019 – 25 th Jan 2019	Data collection		
26 th Jan 2019 – 2 nd Feb 2019	Analysis and finalization of report		
3 rd Feb 2019 – 9 th Feb 2019	Findings and Suggestions		
10 th Feb 2019 – 16 th Feb 2019	Conclusion and Final Report		

For Esteem Power Equipments Pvt. Ltd.

H.R. Manager

Company Seal



College Seal

HOD Signature
9/4