ADVANCE MODULE-04

FPOs are growth engine
of Indian Agriculture

BIRD

BANKERS INSTITUTE OF RURAL DEVELOPMENT, LUCKNOW

(Designated Nodal Training Institution at Central Level by
GoI under CSS on Formation and Promotion of 10000 FPOs)

Training Program Design

Financial Plan

under

Central Sector Scheme on Formation &
Promotion of 10000 FPOs

NABARD

german cooperation
DEUTSCHE ZUSAMMENARBEIT

Implemented by

giz Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Master Training Program Design for Advanced Module on Financial Planning

under

Central Sector Scheme on Formation & Promotion of 10000 FPOs

Purpose of the Module

To equip the CEOs and Board of Directors of FPOs to understand, appreciate and undertake the financial planning for their identified business ideas/opportunities

Program Duration: 4 days

Program Mode: Online/Off-line

Broad Coverage of the Program

Recapping of elements of a good business plan and logical steps by step approach for finalisation of a Business Plan

Appreciating the need and importance of financial planning in creation of a successful business enterprise

Undertaking the capital budgeting - Fixed and working capital assessment

Profitability, Viability and Sustainability of FPO business.

Working with financial ratios and break-even analysis

Sourcing of funds for business - Equity, bank finance, convergence, etc.

Specific Learning Objectives of the Programme

At the end of the training programme, the participants will be able to:

- Describe the need for financial planning in an FPO
- Describe in brief the various parts of a Business Plan Document and where financial planning fits into the Business Plan
- Practically work out Capital Budgeting for their FPO - including - cash flows
- Calculate Break-Even Point under different scenarios
- Work out a Financial Appraisal using a case through financial measures like NPV, IRR
- Explore different financial opportunities available for their FPO and select a few to work on further
- Ask questions on specific financial planning issues related to their FPOs - for the trainers to answer
- Prepare an action plan for their FPO aimed at better Financial Planning.

Advanced Module on Financial Planning	
Objective	To equip the CEOs and Board of Directors of FPOs to understand, appreciate and undertake the financial planning for their identified business ideas/opportunities
Duration	4 Days
Course Highlights	▪ Business Planning - Elements of Business Plan - Logical step by step approach for Business Planning ▪ Need and importance of financial planning - to create a successful business enterprise ▪ Capital budgeting - Assessment of fixed and working capital ▪ Financial viability indicators of business - Financial measures like IRR, NPV, CBR ▪ Break-even concept and analysis ▪ Sourcing of funds for business - equity, bank finance, convergence, etc.
Target Participants	CEOs and BoDs of FPOs, CBBOs. A separate program for bank officials can also be conducted with greater emphasis on Project Appraisal of FPOs

Day-to-Day Schedule		
Day	**Session**	**Topic**
I		Formal Inauguration, Introductions
	1	Key Aspects of Business Planning of FPOs 1
	2	Key Aspects of Business Planning of FPOs 2
	3	Financial Planning – Role, importance and coverage
	4	Financial Planning: Project Approach 1
II	1	Financial Planning: Project Approach 2 (continued)
	2	Books of Accounts and Projected Financial Statements
	3	Working Capital Assessment
	4	Learning by Doing - Practical exercises working capital assessment 1
III	1	Learning by Doing - Practical exercises working capital assessment 2
	2	Capital Budgeting: Understanding project costing, fixed and variable costs, cash flow statement, etc.
	3	Learning by doing: Taking Business Decision using Financial Appraisal Tools 1
	4	Learning by doing: Taking Business Decision using Financial Appraisal Tools 2
IV	1	Break-even Analysis – A tool for financial planning
	2	Sources of Finance – Equity, Bank Finance, Convergence - 1
	3	Sources of Finance – Equity, Bank Finance, Convergence - 2
	4	Modalities for Borrowing from Financial Institutions and Programme Summary
		Action Planning, Feedback, Formal Valedictory

Note to the Organiser: Make adequate time for a formal inauguration and valedictory. Some sessions may be shortened especially when participants complete practical exercises quickly.

Formal Inauguration of the Programme on Financial Planning
Objective: Formal inauguration, introduction to the programme, participants get to know each other
Duration: 90 Minutes

Session Outline				
S.No.	Session plan	Objective	Duration **minutes**	Methodology
i	Formal Inauguration	Formal start to the programme	30	Formal Ceremony
ii	Introduction to the Programme	Overview of the Training Programme - objectives, schedule, norms	20	Presentation
iii	Personal Introductions and expectations	Participants and Facilitators get to know each other and facilitators collect participants learning expectations	30	Introduction Games and Plenary Discussion
iv	Levelling expectations	Levelling expectations with the objectives of the programme	10	Discussions
v	Summing up	Summing up and link to the next session	10	Discussions
Reference Material: Objectives of the Course and Programme Schedule				

Session – I & II: Key Aspects of Business Planning of FPOs

Objectives: At the end of the session, participants will be able to:

- describe key elements of business planning and components of a Business Plan Document
- describe how to scope for viable business activities

Duration: 180 Minutes

Session Outline

Session Outline				
S. No.	**Session plan**	**Objective**	**Duration in minutes**	**Methodology**
i	What is business and business planning	Describing the key elements of business and business planning in general; Understanding uniqueness of FPO businesses	30	Brainstorming and Presentation
ii	Identification and shortlisting of business opportunities by FPOs	Delineating the process of shortlisting of business opportunities for a FPO – Diagnostic study & feasibility analysis	40	Brainstorming, presentation and discussions
iii	Mapping value chains of select commodities along with participants	Understanding the value chains of identified commodities for scoping business potential for FPOs	30	
iv	Developing realistic marketing & production plans	Understanding viable economic activities for the FPOs	30	
vi	Formulating a prospective business plan for a FPO	Understanding the components of a good business plan including requisite licensing and permission for undertaking the business activities	30	
	Discussion & Feedback		20	Discussions
Relevant pages in Reading Material: Session I and II - Key Aspects of Business Planning of FPOs				

Session - III: Financial Planning – importance and coverage

Objectives: At the end of the session, participants will be able to:

- define terms like budgeting, fixed and variable costing, working capital and fixed capital in practical ways
- describe cash flow statements and their importance

Duration: 90 Minutes

Session Outline				
S. No.	**Session plan**	**Objective**	**Duration** minutes	**Methodology**
i	What is financial planning – Its role and importance	Understanding the concept of financial planning and it's role and importance in business planning	30	Brainstorming, presentation and discussions
ii	Capital budgeting	Becoming familiar with key financial concepts like budgeting, fixed & variable costing, working capital & fixed capital, etc.	30	Presentation, black board calculations, discussions
iii	Preparing cash flow and fund flow statement	Understanding the cash flow and fund flow statements and their importance in financial planning	20	Presentation, black board calculations, discussions
	Discussion & Feedback		10	Discussion
Relevant sections in Reading Material: Session - III: Financial Planning – importance and coverage				

Session – IV & V: The Project Approach

Objectives: At the end of the session, participants will be able to:

- describe the concept of a project and project appraisal using financial viability
- define financial – including NPV, IRR, BCR and DSCR in simple terms
- identify viable and non-viable projects based on the NPV, IRR, BCR value ranges

Duration: 180 Minutes

Session Outline				
S. No.	**Session plan**	**Objective**	Duration in mins	Methodology
i	Undertaking financial appraisal	Describing the concept of 'project' and project appraisal – Its importance in assessing financial viability and ranking of projects	60	Brief presentation followed by discussions
iii	Financial ratios	Understanding and calculating the key financial measures viz. NPV, BCR, IRR, DSCR through example	60	Brief presentation followed by discussions and Calculation using information from a case
iii	Interpretation of the financial ratios	Deciphering financial ratios for taking business decisions	30	Discussions with clarifications using presentations and quizzes
	Discussion and Feedback		30	Discussion
Relevant sections in Reading Material: Session – IV & V: The Project Approach				

Note: Since participants may not be familiar with concepts like Present Value, IRR, BCR, the facilitator needs to help participants with calculations. Some "blackboard and chalk" style calculations may be helpful. Quizzes may be conducted to identify viable/viable project based on the financial measures

Session - VI: Projected Financial Statements

Objectives: At the end of the session, participants will be able to:

- describe key features and uses of financial statements – Balance Sheet, P&L Statement, Cash Flow Statement

Duration: 90 Minutes

Session Outline				
S. No.	**Session plan**	**Objective**	**Duration in mins**	**Methodology**
i	Annual Financial Statements (Income-expenditure statement & balance sheet)	Understanding a company's balance sheet and profit and loss account	45	Brainstorming, brief presentation, discussions
ii	Preparation of year-wise project cash flow statements	Describing the process of preparation of year-wise project cash flow statements of the business activity through example	30	Presentation and discussion
	Discussion & Feedback		15	Discussion
Relevant sections in Reading Material: Session - VI: Projected Financial Statements				

Session – VII & VIII: Working Capital Assessment

Objectives: At the end of the session, participants will be able to:

- describe the term working capital with practical examples and its importance
- describe how to calculate working capital using Operating Cycle and Sales Turnover Methods

Duration: 180 Minutes

Session Outline				
S. No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
i	Defining working capital and its importance	Understanding the meaning of working capital in financial terms along with its importance	20	Presentation
ii	Methods of working capital assessment	Listing out the various methods of assessment of working capital	20	Brief presentation of method followed by discussions and blackboard calculations
iii	Working capital assessment using Operating Cycle Method	Understanding Operating Cycle Method for working capital assessment with example	60	
iv	Working capital assessment using Sales Turnover Methods	Understanding Sales Turnover Methods for working capital assessment with example	60	
	Discussion & Feedback		20	Discussion
Relevant sections in Reading Material: Session – VII & VIII: Working Capital Assessment				

Session – IX: Learning by Doing - Practical exercises working capital assessment

Objectives: At the end of the session, participants will be able to:

- accurately calculate working capital for the given Case Study

Duration: 180 Minutes

Session Outline				
S. No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
i	Participants to be divided into groups for practising assessment of working capital using case exercise method Presentation in Plenary	Learning by doing	160	Group Activity followed by a brief presentation; facilitator to clarify where necessary
	Discussion & Feedback		20	Discussion
Relevant sections in Reading Material: Session – IX: Practical Exercise on Working Capital Assessment				

Materials Required:

Chart paper, market pens, calculator, laptop with spreadsheet software

Handout with Formats and instructions for the exercise

Case: ABC FPO

Session - X: Capital Budgeting: Understanding project costing, fixed and variable costs, cash flow statement, etc.

Objectives: At the end of the session, participants will be able to:

- describe what is Capital Budgeting, its uses and importance
- correctly identify fixed and variable costs in a business
- calculate projected financial statements including a cash flow statement

Duration: 90 Minutes

Session Outline				
S.No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
i	Mapping of activity related technical parameters	Identifying and listing out the technical parameters for project costing	20	Presentation
ii	Project costing exercise	Undertaking year-wise costing exercise – Mapping of fixed and variable cost	20	Small Group Activity followed by quick presentations
iii	Estimation of revenue streams	Working out the year-wise revenue generation from the project/business	20	
iv	Cash flow statement	Explaining preparation of cash flow statement for assessing the periodic surplus/gap	20	
	Discussion & Feedback		10	Discussion
Relevant sections in Reading Material: Session - X: Capital Budgeting				

Materials Required:

Chart paper, market pens, calculator, laptop with spreadsheet software

Handout with Formats and Case Details

Session – XI & XII: Learning by doing: Taking Business Decisions Using Financial Appraisal Tools

Objectives: At the end of the session, participants will be able to:

- work out the financial implications of the ABC FPO's investment decision

Duration: 180 Minutes

Session Outline				
S.No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
i	Participants to be divided into groups for practising the appraisal methodology using case exercise method	Learning by doing	160	Small Group Activity followed by brief plenary presentations
	Discussion & Feedback		20	Discussion
Relevant sections in Reading Material: Session XI & XII: Learning by doing: Practice exercises on Taking Business Decisions Using Financial Appraisal Tools				

Materials Required:

Chart paper, market pens, calculator, laptop with spreadsheet software

Handout with Formats and Case Details of ABC FPO establishing a Custom Hiring Centre

Session - XIII: Break-Even Analysis – A Financial Planning Tool

Objectives: At the end of the session, participants will be able to:

- describe the concept of Break-Even using practical examples
- calculate BEP under various case situations (BEP in rupees, quantity, capacity utilisation, margin of safety)

Duration: 90 minutes

Session Outline				
S.No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
i	Concept of breakeven analysis	Describing the theoretical aspects of breakeven analysis	10	Discussions
ii	Uses and application of break-even analysis	Describing key applications of Breakeven analysis viz. determination of selling price for desired profits, sales volume to cover a given return on capital employed and forecasting costs and profit as a result of change in volume.	30	Presentation and discussions
iii	Practical session	Learning by doing – Questions to be attempted by participants on Break-even concept Plenary Presentation	40	Small Group Activity and brief presentation
	Discussion & Feedback		10	Open house
Relevant sections in Reading Material: Session - XIII: Break-Even Analysis – A Financial Planning Tool				

Materials Required:

Chart paper, market pens, calculator, laptop with spreadsheet software; handout with Formats and Case Details

Session – XIV & XV: Sources of finance - Equity, bank finance, convergence, etc.

Objectives: At the end of the session, participants will be able to:

- identify the potential sources of finances for their FPO – from financial institutions, convergence
- list out the modalities for applying for funding

Duration: 180 Minutes

<table>
<tr><th colspan="5">Session Outline</th></tr>
<tr><th>S.No.</th><th>Session plan</th><th>Objective</th><th>Time minutes</th><th>Methodology</th></tr>
<tr><td>i</td><td>Sources of finance</td><td>Delineating the various sources of finance available to FPOs and their use in order of priority</td><td>40</td><td>Presentation</td></tr>
<tr><td>ii</td><td>Availing bank finance including loans from NABKISAN</td><td>Understanding modalities in availing bank finance in general and NABKISAN specifically</td><td>50</td><td rowspan="3">Sub Group Activity – of studying each scheme and presenting the same to the plenary. Facilitator to clarify where needed</td></tr>
<tr><td>iii</td><td>Preparation of convergence plans</td><td>Scoping for convergence for financial benefits</td><td>20</td></tr>
<tr><td>iv</td><td>Preparation and use of Self-Assessment Rating tools for FPO</td><td>Internal Monitoring and Evaluating/Enhancing credit worthiness of FPOs for availing credit from formal banking system</td><td>15</td></tr>
<tr><td></td><td colspan="2">Discussion & Feedback</td><td>10</td><td>Discussion</td></tr>
<tr><td colspan="5">Relevant sections in Reading Material: Sessions XIV & XV: Sources of finance - Equity, bank finance, convergence</td></tr>
</table>

Handouts with details of sources and modalities for availing bank finance (a part of session XVI can also be merged with this session). The topics can be distributed between different groups where possible to make presentations to other participants – this will make the session less tedious.

Session XVI: Modalities for Borrowing from Financial Institutions

Objective: Understanding the importance of financial discipline

Duration: 90 Minutes

Session Outline				
S.No.	**Session plan**	**Objective**	**Time minutes**	**Methodology**
i	Permissions/licenses/ registrations required for undertaking the business activities	Understanding the legal compliances in order to undertake a business activity	20	Presentation and Discussions
ii	Documents to be submitted to financial institutions	Understanding the lender's perspective - Listing of the type of documents to be submitted to bank with business proposal	20	Presentation and Discussions
iii	Summing up the Module	Recap and summing up the four day programme and d	10	Open house
iv	Action Planning	Describing the Action Planning Activity Each FPO will develop an action plan to prepare and implement most the learning from the Financial Planning Module. A ready format may be provided	20	Individual work with Facilitator's Instruction
v	Discussion & Feedback		20	Open House
Relevant sections in Reading Material: Session XVI Modalities for Borrowing from Financial Institutions and an Action Planning Format				

Tasks i and ii can be combined with the previous session to provide more time for feedback and action planning.

Note: The Action Planning Format helps participants answer the question***: "What steps will I take to improve Financial Planning of my FPO once I return to work? What, Why, Where, by When, by Whom and How"***

Feedback and Valedictory Session

Objective: At the end of the session participants will be able to:

- Articulate their feedback for the programme
- Complete any written feedback form

Duration: 90 Minutes

Session Outline				
S.No.	**Session plan**	**Objective**	**Duration minutes**	**Methodology**
i	Written feedback	Facilitator describes sections of the Feedback form Participants fill in the written feedback form	15	Instruction by Facilitator and Individual work
ii	Oral Feedback by Participants and Facilitators	Free Flowing Feedback given by all participants, facilitators and other organisers	30	Open House
iii	Vote of Thanks	Facilitators and Organisers propose the Vote of thanks	20	Speech
iv	Closing Ceremony	Formal Valedictory, distribution of certificates and closure	25	Formal Ceremony

Facilitators to use feedback form template regularly used for such activities.

Bankers Institute of Rural Development (BIRD), Lucknow is an autonomous institute promoted by National Bank for Agriculture and Rural Development, the Development Bank of the country. It is a premier institute for providing training research and consultancy services in the field of agriculture and rural development banking in India and abroad. The Institute was established in 1983, for addressing the capacity building needs of stakeholders. BIRD, Lucknow is an ISO 9001: 2015 certified training Institute.

Clients

All Banks, Government agencies, MFIs, NBFCs, Financial Sector, NGOS and Civil Societies.

Coverage (Training, Consultancy, Research)

Project Lending-Agriculture and MSME, Climate Finance, Rural Banking, Farmer Producer Organization, Micro Finance, Human Resource, Financial Inclusion, Training of Trainers, Executive Development, Management Development Programme, IT based Banking, Green Finance, Responsible CSR, Group approach to Development, Women Empowerment, Organizational Development, Investment & Treasury Management, Risk Management.

Faculty

Faculty are drawn from NABARD, banks and scholars of respective fields and have pan-India level field experience. The faculty have specialization in Banking Finance, Financial Inclusion, Agriculture & Allied sector, Fisheries, Forestry and Human Resources, etc.

Infrastructure

43 acre green campus has world class infrastructure in terms of class rooms, simulation and AV Rooms, Board Room, Conference Hall, Auditorium, Library, Gym, Air-conditioned Hostel Rooms, Local and International cuisine.