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SARAWAK ECONOMIC DEVELOPMENT CORPORATION

QUALITY PROCEDURE

FEASIBILITY STUDY FOR PROPOSED PROJECTS

DOCUMENT NO: QP-SEDC-03

CONTROLLED COPY

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SIGNATURE		
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DATE	30 June 2021	30 June 2021

ISSUED TO	IQD		
REVISION NO.	3	DATE	30 June 2021



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1. OBJECTIVE

The objective of this procedure is to provide guidelines on preparing feasibility study report for new projects

2. SCOPE

This procedure is applicable for evaluation of project proposals and possible business ventures from internal/external parties.

3. DEFINITION

- a) Approving Authority
 - Board More than RM5,000,000
 - TFIC Up to RM5,000,000
 - CCM Up to RM4,000,000
 - MEC Up to RM1,000,000
 - JSPT RM20,000 to RM100,000.00
- b) Project Proposal
 - Official proposal from internal and/or external parties for evaluation purposes.
- c) Project
 - Covers all projects under SEDC's purview.

4. ABBREVIATE

- CH - Chairman
- GM - General Manager
- DIR(ID) - Director, Initiating Division (PBD, AGRO, THD, PTY, ICT, ENG, ECD and all relevant Divisions involve in project implementation)
- FM - Finance Manager
- AO(ID) - Administrative Officers (PBD, AGRO, THD, PTY, ICT, ENG, ECD involve in project implementation)

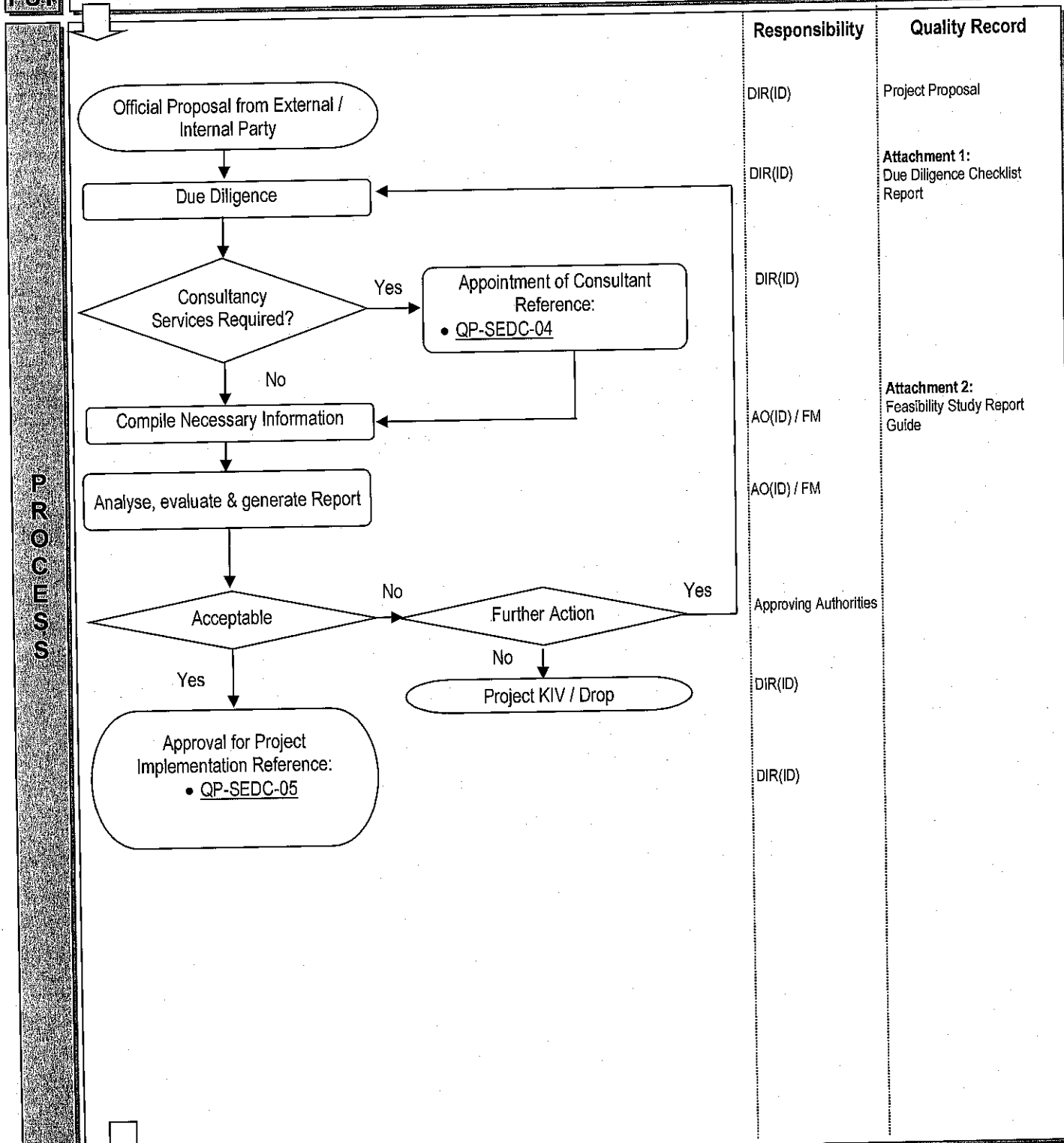
5. QUALITY RECORD

ATTACHMENT	TYPE	RETENTION	LOCATION
1	Due Diligence Checklist / Report	5 Years	ID
2	Feasibility Study Report Guide	5 Years	ID
-	Project Proposal	5 Years	ID



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INPUT • Official proposal that required feasibility study



OUTPUT

PROCESS OUTPUT:

- Feasibility Study Report

REFERENCE DOCUMENTATION:

- QP-SEDC-04 (Appointment of Consultant)
- QP-SEDC-05 (Approval for Project Implementation)

DUE DILIGENCE CHECK LIST / REPORT:

- Company background
 - *Provide a summary of the business operations: owner(s), director(s), CEO etc., products/services, location of main operations and other relevant information that would be deemed necessary to be known to SEDC**

- Track Record (Projects/Achievements/Failures)
 - *List and attach supporting sources**

- Financials (Min. 3 years of Income Statement, Financial Position, Cash Flow)
 - *Attach and comment (if applicable)**

- Controversies
 - *List and attach supporting sources**

REFERENCE DATA*:

- Financial Statements
- Company profile / website
- Third party data / sources (ie: news, announcements)
- Market data (ie: Products / Services / Sectors)
- Business Proposal paper(s)

Note:

**Not limited to the above / Varies with different business / project proposals*

FEASIBILITY STUDY REPORT GUIDE

TABLE OF CONTENT

SCOPE OF STUDY

- Define the areas

DEFINITIONS AND TERMINOLOGY

- List down definition and terminology as different organisation or business sectors may use similar or different meaning.

FEASIBILITY STUDY

Part A: Pre-Feasibility Studies

1. PROJECT BACKGROUND AND OUTLINE

- Summary of project
- Outline the aim or goal
- Concept/Business Model
- Reason(s) to consider the project
 - o SWOT Analysis

2. PRE-MARKET RESEARCH

- Research, analyse and compare with similar projects success / failure.
- Assess demand of product(s) / service(s), target market, competitor
- Speciality / Unique point(s)

Part B: Feasibility Study

1. MARKET RESEARCH

- Detailed research in addition to the pre-market research.

2. LOCATION, SITE AND ENVIRONMENT

- Suitable location. Verify with relevant agencies (eg: SEB on future power corridor, DOE on buffer zone.)
- Impact to surrounding.

3. RAW MATERIALS AND SUPPLY CHAIN

- Materials / supplies needed
- Are they easily accessible / sourced?
- Quality and characteristics of input needed?
- Logistic

4. ECONOMICS / SOCIO-ECONOMICS

- Will the people around be affected?
- Does it create and offer job opportunities?
- Spill over effect
- Contribution towards Sarawak or National GDP
- Attract Foreign Direct Investments (FDIs)

5. ENGINEERING AND TECHNOLOGY

- What facilities and equipment are needed?
- Are they easily accessible / sourced?
- Are they serviceable?

6. HUMAN CAPITAL

- Relevant skills / expertise required

7. LEGAL

- Are relevant laws, regulations and requirements by the country, state, municipal restricting such business?
- Are laws and requirements complied with?
- Is it in line with Sarawak's / Nation's policy

8. PLANNING, BUDGETING, FINANCIAL ANALYSIS AND INVESTMENT APPRAISAL

- Company Financial Analysis (Appendix 1)
- Business Proposal Financial Analysis (Appendix 2)
- Viability of the business proposal?

EXPECTED OUTCOME(S) OF FEASIBILITY STUDY:

- Identify potential risks and new opportunities
- Provides information for decision making

Appendix 1

Company Financial Analysis (Health)			
No.	METRICS	RANGE	NOTES
1	Balance Sheet – Liquidity (Current Ratio)	2:1	<ul style="list-style-type: none"> • Current Asset/Current Liability • Does the co. have enough cash to cover its short-term obligation in the short term?
2	Growth Rate (Revenue and Profit)	-	<ul style="list-style-type: none"> • Revenue and Profit growth should be corelated. • If Revenue is declining but profits are growing, it triggers questions. Investigate.
3	Return on Assets	>10%	<ul style="list-style-type: none"> • Measures efficient use of assets to generate income. • Profit / Total Assets
4	Cash Flow Statement	-	<ul style="list-style-type: none"> • Equation: Operating Cashflow – Purchase of Equipment/CAPEX = Owners Cashflow or FCF • This is cash to reinvest into the company or “take home”.

*Not restricted and limited to the above.

Appendix 2:

Business Proposal Financial Analysis			
No.	METRICS	RANGE	NOTES
1	NPV	> 0	Higher better
2	IRR	IRR > WACC	Should always be greater than cost of capital for the project.
3	Payback Period	-	Shorter payback preferred
4	ROI	> 12%	Higher better

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