



Pre-feasibility Study

FLOUR MILL

September 2023

“ The figures and financial projections are approximate due to fluctuations in exchange rates, energy costs, and fuel prices etc. Users are advised to focus on understanding essential elements such as production processes and capacities, space, machinery, human resources, and raw material etc. requirements. Project investment, operating costs, and revenues can change daily. For accurate financial calculations, utilize financial calculators on SMEDA’s website and consult financial experts to stay current with market conditions ”

Small and Medium Enterprises Development Authority
Ministry of Industries and Production
Government of Pakistan

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1 DISCLAIMER

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2 EXECUTIVE SUMMARY

The proposed project involves the establishment of a Flour Mill Plant strategically located in close proximity to major urban centers or areas with high wheat production and consumption. This endeavor is highly recommended, as it promises to yield significant economic advantages for the country while creating both direct and indirect employment opportunities. Additionally, the project's appeal is enhanced by its cost-effectiveness and relative simplicity in terms of installation.

During its initial phase, the project will focus on serving the needs of nearby communities, with the ultimate goal of transitioning to a mature domestic market. A key distinguishing feature of this initiative is the commitment to producing flour in a hygienic manner, strictly adhering to international quality and safety standards.

The Flour Mill has the capacity to produce flour approximately 4,320 tons annually and will operate for 330 days a year, 8 hours a day. Initially, the flour mill will run at 80% capacity utilization, increasing by 5% annually until reaching a maximum utilization of 100%.

The proposed business requires a total investment of Rs. 270.75 million. This includes capital investment of Rs. 207.64 million and working capital of Rs. 63.11 million. The project will be established using 100% equity financing. The Net Present Value (NPV) of project is Rs. 243.45 million with an Internal Rate of Return (IRR) of 40% and Payback period of 3.71 years. The proposed project may also be established using leveraged financing. At 50% financing at a cost of 28%, the proposed business provides Net Present Value (NPV) of Rs. 280.04 million, Internal Rate of Return (IRR) of 34% and Payback period of 4.32 years.

3 INTRODUCTION TO SMEDA

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with an objective to provide fresh impetus to the economy through development of Small and Medium Enterprises (SMEs).

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectoral research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

Preparation and dissemination of prefeasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the prefeasibility studies, a broad spectrum of business development services is also offered to the SMEs by SMEDA. These services include identification of experts and consultants and delivery of need based capacity building programs of different types in addition to business guidance through help desk services.

4 PURPOSE OF THE DOCUMENT

The objective of the pre-feasibility study is primarily to facilitate potential entrepreneurs in project identification for investment. The project pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document/study covers various aspects of project concept development, start-up, and production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Flour Mill** by providing them with a general understanding of the business with the intention of supporting potential investors in crucial investment decisions.

The need to come up with pre-feasibility reports for undocumented or minimally documented sectors attains greater imminence as the research that precedes such reports reveal certain thumb rules; best practices developed by existing enterprises by trial and error, and certain industrial norms that become a guiding source regarding various aspects of business set-up and its successful management.

Apart from carefully studying the whole document one must consider critical aspects provided later on, which form basis of any Investment Decision.

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

Wheat stands as an incredibly versatile and nutritious crop, finding its way into a multitude of food products across various cultures and cuisines. Its widespread appeal is attributed to its cost-effectiveness, adaptability, and nutritional richness. In Pakistan, wheat holds a position of prominence as a staple food due to the nation's favourable climate for wheat cultivation, the crop's adaptability, and its nutritional value. Wheat is cultivated extensively across the country, with Punjab province emerging as the leading wheat-producing region in Pakistan. Pakistan boasts an average annual wheat consumption rate of 125 kilograms per capita, ranking among the highest in the world. An astonishing 60-70% of the total caloric intake of the population is derived from wheat and wheat-based products, it is important to underscore that wheat will remain a primary source of sustenance, especially for the less affluent segments of the population. Therefore, the idea of establishing flour mill is considered to be feasible for the business purposes and overall, for the general population of the country. The proposed initiative will have the capacity to produce 4,320,000Kgs of all-purpose flour initially operating at 85% production capacity utilization.

Moreover, to formulize the aforementioned business, investor has to obtain food grain license from the Food directorate. An application is submitted to DG food at the food Directorate for obtaining food grain license. Which is later processed and an inspection officer makes sure that all the requirements suggested by food directorate are met. After license is granted the flour mill may formally be operated.

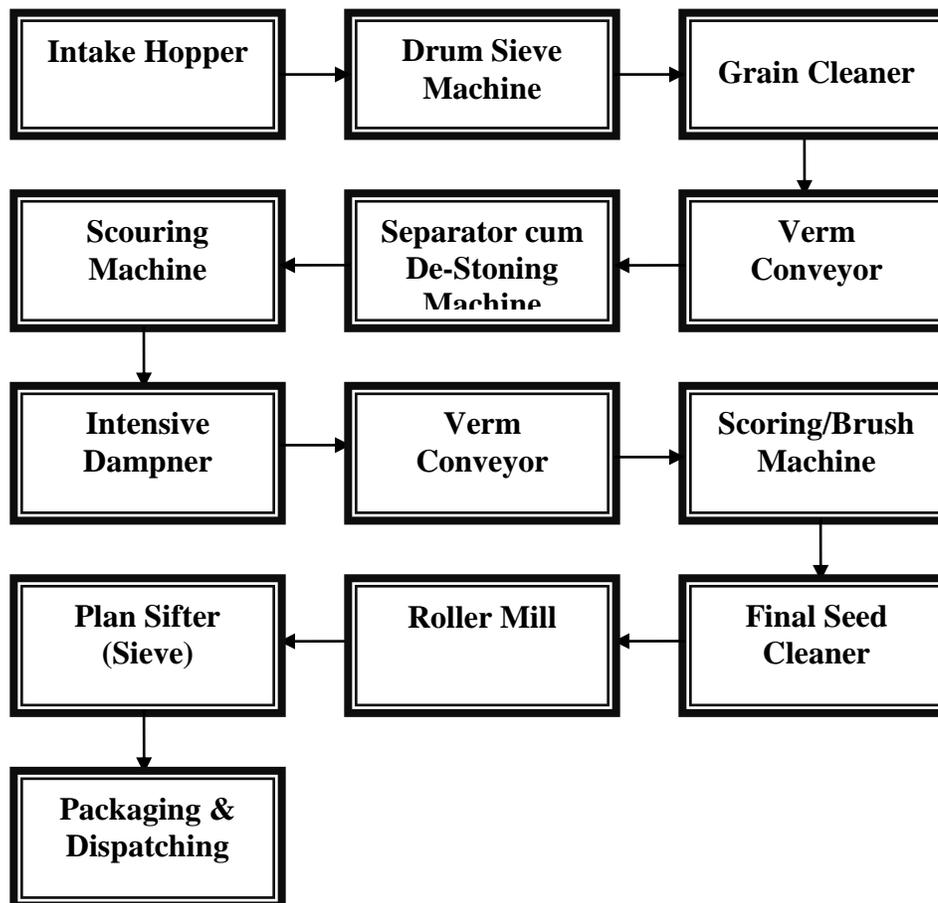
- **Technology:** The proposed facility incorporates a state-of-the-art production plant encompassing a full-fledged flour mill production line. This comprehensive line encompasses roller bodies, purification systems, washing machinery, airlocks, and a generator, all integral components for the establishment and operation of a flour mill unit.
- **Location:** The proposed project is strongly recommended to be established in the adjoining of the major cities or urban areas where there is high flour consumption likewise in Quetta, Lahore, Peshawar, and Karachi.
- **Product:** Keeping in view the market demand and characteristics “All-purpose flour” will be the final product of the proposed prefeasibility. All-Purpose Flour is white flour, milled from hard wheat or a blend of hard and soft wheat.
- **Target Market:** The target customers for the proposed product would primarily be individuals, whole sellers & retailers, confectionary and home users.

- **Employment Generation:** The proposed project will provide employment to 46 people.

6 PRODUCTION PROCESS

The production process of flour is mainly subjected to machine/method used particular to the desired output product. Following is the process flow of a flour mill:

6.1 Flour Production Process Flow



However a brief summary of the general operations in any particular production line can be illustrated under the following headings:

6.1.1 Intake Hopper

The intake hopper is constructed using a combination of materials, including concrete, steel, and cement. Below ground level, a pit is excavated to a depth of approximately 2 to 2.5 meters. This pit is then secured with a 10 mm round steel

mesh, expertly welded and spaced at specific intervals. It has the capacity to accommodate up to 5,000 kilograms of weight at any given time.

6.1.2 Drum Sieve Machine

A controlled mechanical mechanism is in place to facilitate the controlled opening of the gate connecting the Intake Hopper to the first Elevator. The first single Bucket Elevator is responsible for vertically conveying the grain, directing it into the Drum Sieve machine. This particular sieving apparatus is of the rotary drum type and possesses an aspiration system that operates under negative pressure. Through this system, it effectively separates fine dust particles, while concurrently sieving out unwanted contaminants such as debris, jute sutli, and lumps.

6.1.3 Grain Cleaner

Following the sieving process in the Drum Sieve, the grain is channeled into a Vibro-type Seed Cleaner via gravitational force. Within this apparatus, impurities that deviate in size from the grains are effectively separated through a sieving process involving various-sized screens. Furthermore, the lighter impurities are meticulously extracted via an Aspiration System and subsequently collected in a dedicated Dust Cyclone.

6.1.4 Verm Conveyor

Following the sieving process in the Seed/Grain cleaner, the untreated wheat undergoes a gravity-driven transfer into the second single Bucket Elevator. This elevator vertically raises the material and directs it into the Verm Conveyor, positioned atop the first and second Concrete Bins. Within these bins, the purified material is stored, and the design includes multiple hoppers at the bottom for versatile material flow control. To manage the material's discharge, a variable pocket feeder is employed, enabling precise control over the output flow. Subsequently, the wheat is transferred to the Worm Conveyor, which transports it from the first and second bins and feeds it into Elevator No. 3, all accomplished through the force of gravity.

6.1.5 Separator cum De-stoning Machine

Elevator No. 3 lifts the material vertically and feeds it to the Gravity Separator cum destoning machine. In this machine we can separate out heavy metals, stones, glass pieces and also the light impurities from the wheat. Thereafter, the wheat will go to scouring machine by gravity.

6.1.6 Scouring Machine

Within the scouring machine, the removal of dust from the uppermost layer of wheat is accomplished through frictional forces. Through sieving, the dust and a portion of bran are effectively separated from the wheat. Additionally, an aspiration channel is integrated into the scouring machine, harnessing negative air pressure to further enhance the wheat's cleaning process.

6.1.7 Intensive Dampner

From the Scourer Aspiration channel the wheat goes to Intensive Dampner through Bucket Dampner by gravity system with the help of Bucket Dampner where measured quantity of water will be added in the wheat. Water will be mixed immediately with the help of Intensive Dampner. From Intensive Dampner wheat will go to single Bucket Elevator No. E1- 4 by gravity.

6.1.8 Verm Conveyor

Elevator No. 4 lifts the material vertically and feeds it into Verm conveyor No. W3 and feeds the wheat in Bin No.III, IV, V & VI for conditioning. The wheat is kept in the conditioning for 16-24 hours depending upon the variety of wheat and atmospheric temperature. After conditioning, the wheat is taken out from the multiple hoppers. This wheat is feeded in the Elevator No. E1-5 through Verm Conveyor W4. Elevator E1-5 lifts the material vertically and puts it in the second Intensive Dampner through Bucket Dampner. Desired moisture is added here and the material is put in Bin No.VII & VIII for about 4 to 6 hours. Material is taken out from the Bin No. VII & VIII through the conveyor and is fed into the Elevator E1-6 by gravity.

6.1.9 Scouring/Brush Machine

Elevator E1-6 plays a pivotal role in the vertical transportation of the material, facilitating its transfer into the Scouring/Brush Machine. This step is crucial for the removal of bran from the uppermost layer of wheat. The separated bran undergoes a dual separation process involving sieving and an aspiration channel. Subsequently, this material is directed to the final Seed Cleaner through gravity-based conveyance.

6.1.10 Seed Cleaner

The Seed cleaner finally performs the cleaning of the seed and keeps the material in Worm conveyor and then it goes to Elevator E1-7.

Bucket Elevator E1-7 lifts the material vertically and feeds it into Milling Bin. From Milling Bin it goes to 1st break of Roller Mill.

6.1.11 Roller Mill

In Roller Mill material is grind with the help of Chilled Cast Iron Rolls. After grinding, the material is lifted vertically by pneumatic conveying system and feeded into the Plan Sifter through Pneumatic cyclone and air Lock.

6.1.12 Plan Sifter (sieve)

In the Plan Sifter (sieve) we can sieve the material into many segments. The final product goes to Worm conveyor and then packed. Intermediate product goes to Purifier machine for further purification. Desired quantity of Sujji is taken out for packing and the remaining material goes to Roller Mill for further grinding and

sieving. Coarse material also goes to further grinding and sieving. This process is continued in sequence up-to desired product.

In the whole process we grind the wheat in grooved rolls softly, so that purest form of Bran can be obtained. In this process by separating the bran we can get Samolina, Sujji in the purest form. In the intermediate product where we cannot separate out the bran from Semoline, the Semoline obtained at this stage is called 'Atta'.

6.1.13 Packaging & Dispatching

The final product is packaged in standards bags. Then it is forwarded for either storage or transportation.

7 INSTALLED AND OPERATIONAL CAPACITIES

The flour mill has the capacity of producing approximately 4,320,000 kgs annually and will be operational for 330 days a year and 8 hours a day. Initially the flour mill will be operated at 80% of capital utilization and will increase it by 5% annually. The Maximum capacity utilization will be 100%.

8 CRITICAL FACTORS

- Selection of proper location, equipment and staff would be required to run project successfully.
- Utmost care should be taken while selecting wheat. Only the best quality wheat should be used.
- Continuous efforts should be made for up-gradation of the processing techniques.
- To attract large number of customers the product must be processed on quality standards.
- Government rule and policies
- Availability of skilled workers
- Natural Disasters
- High competition

9 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The production and consumption of flour date back to ancient times, with a history spanning over 6,000 years, notably during the Egyptian era. Initially, the process involved manual grinding of grains using stone implements.

In the contemporary context, Pakistan's agricultural sector is a significant contributor, constituting 24% of the total GDP as reported by Pakistan Bureau of statistics. However, the agriculture sector faces challenges exacerbated by a

burgeoning population. This demographic surge places immense pressure on the sector's productivity, making it challenging to meet the escalating food demands. Furthermore, the lack of infrastructure compounds these issues, intensifying the demand for food products, particularly impacting both public and private sector Flour Mills.

Pakistan is characterized by a high population density. In recent years, there has been a noticeable shift in consumer preferences towards higher-quality food products. Nevertheless, staples like Roti and other wheat-based products remain integral to the daily diet. Consequently, factors such as substantial demand, versatile usage, and evolving consumer preferences collectively signify a robust potential market for high-quality flour producers.

Introducing a Flour Mill, especially when compared to traditional large-scale structures, offers a more manageable option for small-scale investors. This is attributable to the project's lower capital requirements and operational costs. The proposed project's optimal location lies in close proximity to major cities or urban areas characterized by significant wheat production and consumption. Establishing such a facility not only promises economic benefits but also creates numerous direct and indirect employment opportunities. Moreover, the inherent cost-efficiency and simplified installation process of this flour mill project enhance its attractiveness when contrasted with conventional larger-scale flour mills.

10 POTENTIAL TARGET CUSTOMERS / MARKETS

The intended target customer for the proposed product primarily includes individuals, wholesale distributors, retailers, confectionery businesses, and households. During the initial phase of the project, the primary focus will be on serving nearby communities. Expansion prospects will be contingent upon the successful marketing and reception of the product within these communities.

11 PROJECT COST SUMMARY

11.1 Project Economics

All the figures in this financial model have been calculated for estimated sales revenue of Rs. 443.52 million in the year one. The capacity utilization during year one is worked out at 80% with 5% increase in subsequent years up to the maximum capacity utilization of 100%.

The following table shows Internal Rate of Return, Payback Period and Net Present Value of the proposed venture.

Table 1: Project Economics (100% Equity Based)

Description	Details
Internal Rate of Return (IRR)	40%
Payback Period (Yrs.)	3.71
Net Present Value (Rs.)	243,450,968

Calculation of break-even analysis is as follows:

Table 2: Breakeven (100% Equity Based)

BREAKEVEN ANALYSIS	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Break-Even Revenue	219,525,671	163,460,511	133,647,674	116,753,825	106,577,483	109,422,544	102,741,340	98,180,482	95,199,129	93,457,726
Break-Even (Units)	1,568,041	1,061,432	790,815	627,709	519,890	486,322	414,280	359,635	317,330	283,205
Margin of Safety	51%	71%	80%	85%	88%	89%	90%	92%	93%	93%

However, for the purposes of further explanation the Project Economics based on Debt: Equity (i.e. 50:50) Model has also been computed. On the basis of Debt: Equity model the Internal Rate of Return, Payback Period and Net Present Value of the proposed project are provide in the table below:

Table 3: Project Economics Based on Debt (50%) : Equity (50%)

Description	Details
Internal Rate of Return (IRR)	34%
Payback Period (Yrs.)	4.32
Net Present Value (Rs.)	280,047,978

The financial assumptions for Debt:Equity are as follows:

Table 4: Financial Assumptions for Debt (50%) :Equity (50%) Model

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	28
Debt Tenure	10 Years

The projected Income Statement, Cash Flow Statement and Balance Sheet enclosed as annexures are based on 100% Equity Based Business Model.

11.2 Project Cost

Following fixed and working capital requirements have been identified for operations of the proposed business.

Table 5: Project Cost

Description	Amount Rs.
Capital Cost	
Land	15,000,000
Building/Infrastructure	104,413,200
Plant and Machinery	56,554,700
Furniture & Fixture	9,590,000
Vehicles	20,394,000
Office Equipment	340,000
Pre-operating Cost	1,353,000
Total Capital Cost	207,644,900
Working Capital	
Equipment and Spare Part Inventory	264,000
Raw Material Inventory	60,192,000
Upfront Insurance Payment	2,150,794
Cash	500,000
Total Working Capital	63,106,794
Total Project Cost	270,751,694

11.3 Space Requirement

The space requirement for the proposed flour mill is estimated considering various facilities including management office, power house, godown and open space, etc. Details of space requirement and cost related to land & building is given below;

Table 6: Space Requirement

Description	Estimated Area (Sqft)	Unit Cost (Rs.)	Total Cost (Rs.)
Area for Plant	18,000	3,500	63,000,000
Management Office	255	4,000	1,020,000
Power House	500	3,500	1,750,000
Godown	10,500	3,200	33,600,000
Masjid	500	4,000	2,000,000
Guard Room	80	3,400	272,000
7 Washrooms	280	3,200	896,000
4 Labor Rooms	480	3,400	1,632,000
Kitchen	64	3,800	243,200
Driveway/Open Area	12901		
Total			104,413,200

11.4 Machinery & Equipment Requirement

Plant, machinery and equipment for the proposed project are stated below.

Table 7: Machinery & Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Roller body	8	1,085,000	8,680,000
Plant shifter 6 sections	3	720,000	2,160,000
Purifier	2	1,440,000	2,880,000
Grooving machine	1	1,152,000	1,152,000
Battery cyclone 4 pieces	1	525,000	525,000
Battery cyclone 8 pieces	2	720,000	1,440,000
High pressure fan	2	332,000	664,000
Low pressure fan	2	168,000	336,000
Packing drum	7	216,000	1,512,000
Airlock	26	68,000	1,768,000

Airlock gears	6	64,800	388,800
Airlock cyclone with headwalls	26	32,000	832,000
Pneumatic pipes	45 feet	4,500	202,500
Airlock table	90 feet		300,000
Brawn finishing machine	2	350,000	700,000
Verm conveyer 10x12 inches	350 feet	5,300	1,855,000
Roller body hopper	17	21,000	357,000
Divider wall	20	17,200	344,000
Lift receiver (3/4)	26	15,900	413,400
Motor stand cast iron	16	27,000	432,000
Airlock coupling	26	4,500	117,000
Washing machine	1	2,250,000	2,250,000
Separator (10 ton)	1	2,200,000	2,200,000
Separator (7.5 ton)	2	1,500,000	3,000,000
Scroller machine	2	1,080,000	2,160,000
Dust cyclone 9x35 feet	4	174,000	696,000
Elevator head bottom	5	450,000	2,250,000
Elevator pipe	500 feet	4,500	2,250,000
Dew separator machine	2	375,000	750,000
Magnetic column	1	250,000	250,000
Accessories rubber etc.		432,000	432,000
Fine net-nylone		1,368,000	1,368,000
Body roll	16 set	360,000	5,760,000
Channels, Angle patti, Tools etc.		2,350,000	2,350,000
Lift pipe, production pipe, etc.		2,300,000	2,300,000
Boarding/Lodging		750,000	750,000
Transportation of machinery		730,000	730,000
Total			56,554,700/-

11.5 Furniture & Fixtures Requirement

Details of the furniture and fixture required for the project are given below;

Table 8: Furniture & Fixture

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Office chairs	6	25,000	150,000
Office tables	2	50,000	100,000
Plastic chairs	20	2,000	40,000
Generator (500 KVA)	1	8,000,000	8,000,000
Air conditioners (1.5 ton split)	2	150,000	300,000
Electric wiring etc.	1	1,000,000	1,000,000
Total			9,590,000/-

11.6 Office Equipment Requirement

Following office equipment will be required for flour mill;

Table 9: Office Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Laptops	2	120,000	240,000
3-in-1 printer	1	80,000	80,000
Telephones	2	10,000	20,000
Total			340,000/-

11.7 Human Resource Requirement

In order to run operations of flour mill smoothly, details of human resources required along with number of employees and monthly salary are recommended as under;

Table 10: Human Resource Requirement

Description	No. of Employees	Monthly Salary per person (Rs.)
Miller	1	50,000
Accountant	1	55,000
Mill mistri	1	32,000
Rollman (body)	2	30,000
Washing man (wheat)	2	30,000
Skilledman (shifter)	2	30,000
Fitter (maintenance)	1	30,000
Machinery helpers	10	28,000
Godown keeper	2	28,000
Sweepers	2	28,000
Unskilled labor	20	28,000
Guards	2	27,000
Total	46	1,353,000 /-

11.8 Utilities and other costs

An essential cost to be borne by the project is the administrative expense which is Rs. 1,999,800 for the first year of business operations which also includes the utilities expense. Furthermore, promotional expense being essential for marketing of flour mill is estimated as 1% and that is Rs. 4,435,200 for year 1.

11.9 Revenue Generation

Based on the capacity utilization of **80%**, sales revenue during the first year of operations is estimated as under;

Table 11: Revenue Generation – Year 1

Description	No. of Units Produced (No.)	Finished Goods Inventory (No.)	Units available for Sale (No.)	Sale Price / unit (Rs.)	Sales Revenue (Rs.)
All-purpose Flour	3,456,000	288,000	3,168,000	140	443,520,000

12 CONTACT DETAILS

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project be given.

12.1 Machinery Suppliers

Name of Supplier	Address	Phone	Fax	E-mail	Website
Agro Rice and Flour Mills Engineering	54000, Lahore, Punjab	+92-323-4816935	92-315-6366456	-	www.arfmewebscom.bloombiz.com
Anyang Best Complete Machinery Engineering Co., Ltd	19F, Suite B, Global Trade Mansion, Wenfen Avenue, Anyang, Henan, China	0086-372-5965148	0086-372-5951936	info@abcmach.com	www.abcmach.com

13 USEFUL WEB LINKS

Small & Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
Government of Pakistan	www.pakistan.gov.pk
Ministry of Industries & Production	www.moip.gov.pk
Ministry of Education, Training & Standards in Higher Education	http://moptt.gov.pk
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Khyber Pakhtunkhwa	www.khyberpakhtunkhwa.gov.pk

Government of Balochistan	www.balochistan.gov.pk
Government of Gilgit Baltistan	www.gilgitbaltistan.gov.pk
Government of Azad Jamu Kashmir	www.ajk.gov.pk
Trade Development Authority of Pakistan (TDAP)	www.tdap.gov.pk
Security Commission of Pakistan (SECP)	www.secp.gov.pk
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpcci.com.pk
State Bank of Pakistan (SBP)	www.sbp.org.pk
Punjab Small Industries Corporation	www.psic.gop.pk
Sindh Small Industries Corporation	www.ssic.gos.pk
Pakistan Horticulture Development and Export Company (PHDEC)	www.phdec.org.pk
Punjab Vocational Training Council (PVTC)	www.pvtc.gop.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org
Pakistan Readymade Garment Technical Training Institute	www.prgmea.org/prgtti/
Livestock & Dairy Development Department, Government of Punjab.	www.livestockpunjab.gov.pk
Punjab Industrial Estates (PIE)	www.pie.com.pk
Faisalabad Industrial Estate Development and Management Company (FIEDMC)	www.fiedmc.com.pk

14 ANNEXURES

14.1 Income Statement

Statement Summaries										SMEDA
Income Statement										Rs. in actuals
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	443,520,000	562,716,000	655,578,000	761,385,240	881,798,148	974,036,448	1,071,440,093	1,178,584,102	1,296,442,512	1,426,086,764
Cost of goods sold	387,684,000	461,373,568	504,302,051	549,637,325	597,514,554	620,756,603	642,399,422	664,997,679	688,610,341	713,301,137
Gross Profit	55,836,000	101,342,432	151,275,949	211,747,915	284,283,594	353,279,845	429,040,671	513,586,423	607,832,172	712,785,627
<i>General administration & selling expenses</i>										
Administration expense	1,999,800	2,194,503	2,408,163	2,642,625	2,899,915	3,182,255	3,492,084	3,832,078	4,205,175	4,614,596
Rental expense	-	-	-	-	-	-	-	-	-	-
Utilities expense	-	-	-	-	-	-	-	-	-	-
Travelling & Comm. expense (phone, fax, etc.)	59,400	65,183	71,530	78,494	86,136	94,522	103,725	113,824	124,906	137,067
Office vehicles running expense	101,970	112,167	123,384	135,722	149,294	164,224	180,646	198,711	218,582	240,440
Office expenses (stationary, etc.)	9,900	10,864	11,922	13,082	14,356	15,754	17,288	18,971	20,818	22,845
Promotional expense	4,435,200	5,627,160	6,555,780	7,613,852	8,817,981	9,740,364	10,714,401	11,785,841	12,964,425	14,260,868
Insurance expense	2,150,794	1,833,745	1,516,695	1,199,646	882,596	2,207,784	1,766,227	1,324,670	883,114	441,557
Professional fees (legal, audit, etc.)	2,217,600	2,813,580	3,277,890	3,806,926	4,408,991	4,870,182	5,357,200	5,892,921	6,482,213	7,130,434
Depreciation expense	15,947,930	15,947,930	15,947,930	15,947,930	15,947,930	18,438,078	18,438,078	18,438,078	18,438,078	18,438,078
Amortization expense	270,600	270,600	270,600	270,600	270,600	-	-	-	-	-
Property tax expense	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense	443,520	562,716	655,578	761,385	881,798	974,036	1,071,440	1,178,584	1,296,443	1,426,087
Subtotal	27,636,714	29,438,448	30,839,471	32,470,263	34,359,598	39,687,200	41,141,090	42,783,678	44,633,752	46,711,971
Operating Income	28,199,286	71,903,984	120,436,477	179,277,652	249,923,995	313,592,645	387,899,581	470,802,745	563,198,419	666,073,655
Other income	2,912,522	9,987,890	19,091,221	29,624,560	37,982,351	47,862,564	63,202,114	80,181,750	98,810,708	135,592,022
Gain / (loss) on sale of assets	-	-	-	-	8,157,600	-	-	-	-	-
Earnings Before Interest & Taxes	31,111,808	81,891,873	139,527,698	208,902,211	296,063,947	361,455,209	451,101,695	550,984,495	662,009,127	801,665,678
Interest expense	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	31,111,808	81,891,873	139,527,698	208,902,211	296,063,947	361,455,209	451,101,695	550,984,495	662,009,127	801,665,678
Tax	12,755,841	33,575,668	57,206,356	85,649,907	121,386,218	148,196,636	184,951,695	225,903,643	271,423,742	328,682,928
NET PROFIT/(LOSS) AFTER TAX	18,355,967	48,316,205	82,321,342	123,252,305	174,677,729	213,258,573	266,150,000	325,080,852	390,585,385	472,982,750
Balance brought forward		9,177,983	28,747,094	55,534,218	89,393,261	132,035,495	172,647,034	219,398,517	272,239,685	331,412,535
Total profit available for appropriation	18,355,967	57,494,189	111,068,436	178,786,523	264,070,990	345,294,068	438,797,034	544,479,369	662,825,070	804,395,285
Dividend	9,177,983	28,747,094	55,534,218	89,393,261	132,035,495	172,647,034	219,398,517	272,239,685	331,412,535	402,197,642
Balance carried forward	9,177,983	28,747,094	55,534,218	89,393,261	132,035,495	172,647,034	219,398,517	272,239,685	331,412,535	402,197,642

14.2 Balance Sheet

Statement Summaries										SMEDA	
Balance Sheet										Rs. in actuals	
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
<i>Current assets</i>											
Cash & Bank	500,000	20,303,729	51,038,339	85,327,527	126,276,472	145,026,037	196,849,418	254,594,253	318,132,530	387,658,240	580,856,206
Accounts receivable	-	6,075,616	6,892,027	8,344,479	9,705,228	11,254,681	12,711,196	14,010,113	15,411,125	16,952,237	18,647,461
Finished goods inventory	-	35,244,000	38,637,195	42,220,637	46,004,886	50,001,218	51,729,717	53,533,285	55,416,473	57,384,195	59,441,761
Equipment spare part inventory	264,000	322,922	362,703	406,115	453,453	482,899	512,114	543,097	575,954	610,799	-
Raw material inventory	60,192,000	72,223,868	79,575,937	87,403,286	95,732,280	100,006,986	104,037,268	108,229,970	112,591,638	117,129,081	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	-	-	-	-	-	-	-	-	-	-	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid insurance	2,150,794	1,833,745	1,516,695	1,199,646	882,596	2,207,784	1,766,227	1,324,670	883,114	441,557	-
Total Current Assets	63,106,794	136,003,880	178,022,897	224,901,690	279,054,915	308,979,605	367,605,940	432,235,389	503,010,833	580,176,108	658,945,428
<i>Fixed assets</i>											
Land	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
Building/Infrastructure	104,413,200	99,192,540	93,971,880	88,751,220	83,530,560	78,309,900	73,089,240	67,868,580	62,647,920	57,427,260	52,206,600
Machinery & equipment	56,554,700	50,899,230	45,243,760	39,588,290	33,932,820	28,277,350	22,621,880	16,966,410	11,310,940	5,655,470	-
Furniture & fixtures	9,590,000	8,631,000	7,672,000	6,713,000	5,754,000	4,795,000	3,836,000	2,877,000	1,918,000	959,000	-
Office vehicles	20,394,000	16,315,200	12,236,400	8,157,600	4,078,800	32,844,741	26,275,793	19,706,845	13,137,896	6,568,948	-
Office equipment	340,000	306,000	272,000	238,000	204,000	170,000	136,000	102,000	68,000	34,000	-
Total Fixed Assets	206,291,900	190,343,970	174,396,040	158,448,110	142,500,180	159,396,991	140,958,913	122,520,835	104,082,756	85,644,678	67,206,600
<i>Intangible assets</i>											
Pre-operation costs	1,353,000	1,082,400	811,800	541,200	270,600	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
Total Intangible Assets	1,353,000	1,082,400	811,800	541,200	270,600	-	-	-	-	-	-
TOTAL ASSETS	270,751,694	327,430,250	353,230,737	383,891,000	421,825,695	468,376,595	508,564,853	554,756,223	607,093,590	665,820,787	726,152,028
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	35,906,859	42,138,235	46,011,374	50,087,026	53,995,693	55,891,154	57,649,784	59,464,726	61,337,815	53,202,692
Export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Short term debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	35,906,859	42,138,235	46,011,374	50,087,026	53,995,693	55,891,154	57,649,784	59,464,726	61,337,815	53,202,692
<i>Other liabilities</i>											
Lease payable	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	11,593,714	11,593,714	11,593,714	11,593,714	11,593,714	9,274,971	6,956,228	4,637,485	2,318,743	0
Long term debt	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Liabilities	-	11,593,714	11,593,714	11,593,714	11,593,714	11,593,714	9,274,971	6,956,228	4,637,485	2,318,743	0
<i>Shareholders' equity</i>											
Paid-up capital	270,751,694	270,751,694	270,751,694	270,751,694	270,751,694	270,751,694	270,751,694	270,751,694	270,751,694	270,751,694	270,751,694
Retained earnings	-	9,177,983	28,747,094	55,534,218	89,393,261	132,035,495	172,647,034	219,398,517	272,239,685	331,412,535	402,197,642
Total Equity	270,751,694	279,929,677	299,498,788	326,285,912	360,144,955	402,787,189	443,398,728	490,150,211	542,991,379	602,164,229	672,949,336
TOTAL CAPITAL AND LIABILITY	270,751,694	327,430,250	353,230,737	383,891,000	421,825,695	468,376,595	508,564,853	554,756,223	607,093,590	665,820,787	726,152,028

14.3 Cash Flow Statement

Statement Summaries											SMEDA
Cash Flow Statement											Rs. in actuals
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit	-	18,355,967	48,316,205	82,321,342	123,252,305	174,677,729	213,258,573	266,150,000	325,080,852	390,585,385	472,982,750
Add: depreciation expense	-	15,947,930	15,947,930	15,947,930	15,947,930	15,947,930	18,438,078	18,438,078	18,438,078	18,438,078	18,438,078
amortization expense	-	270,600	270,600	270,600	270,600	270,600	-	-	-	-	-
Deferred income tax	-	11,593,714	-	-	-	-	(2,318,743)	(2,318,743)	(2,318,743)	(2,318,743)	(2,318,743)
Accounts receivable	-	(6,075,616)	(816,411)	(1,452,452)	(1,360,748)	(1,549,453)	(1,456,515)	(1,298,917)	(1,401,011)	(1,541,112)	(1,695,224)
Finished good inventory	-	(35,244,000)	(3,393,195)	(3,583,442)	(3,784,249)	(3,996,332)	(1,728,499)	(1,803,568)	(1,883,188)	(1,967,722)	(2,057,566)
Equipment inventory	(264,000)	(58,922)	(39,781)	(43,412)	(47,337)	(29,446)	(29,215)	(30,983)	(32,857)	(34,845)	610,799
Raw material inventory	(60,192,000)	(12,031,868)	(7,352,070)	(7,827,348)	(8,328,994)	(4,274,707)	(4,030,282)	(4,192,702)	(4,361,668)	(4,537,443)	117,129,081
Pre-paid building rent	-	-	-	-	-	-	-	-	-	-	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Advance insurance premium	(2,150,794)	317,049	317,049	317,049	317,049	(1,325,188)	441,557	441,557	441,557	441,557	441,557
Accounts payable	-	35,906,859	6,231,376	3,873,139	4,075,652	3,908,667	1,895,461	1,758,630	1,814,942	1,873,089	(8,135,123)
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(62,606,794)	28,981,713	59,481,704	89,823,406	130,342,207	183,629,801	224,470,416	277,143,352	335,777,961	400,938,244	595,395,609
<i>Financing activities</i>											
Change in long term debt	-	-	-	-	-	-	-	-	-	-	-
Change in short term debt	-	-	-	-	-	-	-	-	-	-	-
Change in export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Add: land lease expense	-	-	-	-	-	-	-	-	-	-	-
Land lease payment	-	-	-	-	-	-	-	-	-	-	-
Change in lease financing	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares	270,751,694	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares	-	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financ	270,751,694	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(207,644,900)	-	-	-	-	(32,844,741)	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by invest	(207,644,900)	-	-	-	-	(32,844,741)	-	-	-	-	-
NET CASH	500,000	28,981,713	59,481,704	89,823,406	130,342,207	150,785,060	224,470,416	277,143,352	335,777,961	400,938,244	595,395,609
Cash balance brought forward		500,000	20,303,729	51,038,339	85,327,527	126,276,472	145,026,037	196,849,418	254,594,253	318,132,530	387,658,240
Cash available for appropriation	500,000	29,481,713	79,785,433	140,861,745	215,669,734	277,061,532	369,496,453	473,992,770	590,372,215	719,070,774	983,053,848
Dividend	-	9,177,983	28,747,094	55,534,218	89,393,261	132,035,495	172,647,034	219,398,517	272,239,685	331,412,535	402,197,642
Cash carried forward	500,000	20,303,729	51,038,339	85,327,527	126,276,472	145,026,037	196,849,418	254,594,253	318,132,530	387,658,240	580,856,206

15 KEY ASSUMPTIONS

15.1 Operating Cost Assumptions

Description	Details
Operational Days/ year	330
Hours operational/ days	8
Shift Length (Hours)	8

15.2 Production Cost Assumptions

Description	Details
Initial Capital utilization	80%
Annual Capital Utilization Growth	5%
Maximum Capital Utilization	100%

15.3 Revenue Assumptions

Description	Details
Revenue	443,520,000
Cost of goods sold	387,684,000
Sale Price/kg	140
Production per year (Kg)	3,456,000
Production Quantity sold (Kg)	3,168,000

Small and Medium Enterprises Development Authority

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