



**Pre-feasibility Study**

# **MINI FLOUR MILL**

**November 2020**

*“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

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. Although, the material included in this document is based on data/information gathered from various reliable sources; however, it is based upon certain assumptions, which may differ from case to case. The information has been provided on as is where is basis without any warranties or assertions as to the correctness or soundness thereof. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision; including taking professional advice from a qualified consultant/technical expert before taking any decision to act upon the information.

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### ***Document Control***

|                        |                      |
|------------------------|----------------------|
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## **2 EXECUTIVE SUMMARY**

The proposed project is about establishing a Mini Flour Mill. The subject project is strongly recommended to be established in the adjoining of the major cities or urban areas with high wheat production/consumption. The prevalence of such facility would add economic benefits in the country and would number of direct and indirect employment. Moreover, features like low cost & less complexity associated with installation of Mini flour mill makes it more attractive project as compare to normal sized flourmill. Currently the project is being designed / proposed for major cities with potential wheat production but the same can be proposed for other cities which can fulfill input and logistic requirements of the project.

Initially project focus would be on customers from neighboring communities, whereas at maturity domestic market would be preferred. The main feature of the project would include hygienically produced flour processed according to international quality and standards.

The Mini Flour Mill has the capacity of producing approximately 900,000 kg annually and will be operational for 300 days a year and 8 hours a day. Initially the mini flour mill will be operated at 75% of capital utilization and will increase it by 5% annually. The Maximum capacity utilization will be 85%.

The total project investment is Rs. **13,872,377/-** with an Internal Rate of Return (IRR) of **35%** and Net Present Value (NPV) of **21,294,976/-**. The total project investment would be paid back in **4.40** years.

## 4 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.

## 5 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 **Mini 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.

## 6 BRIEF DESCRIPTION OF PROJECT & PRODUCT

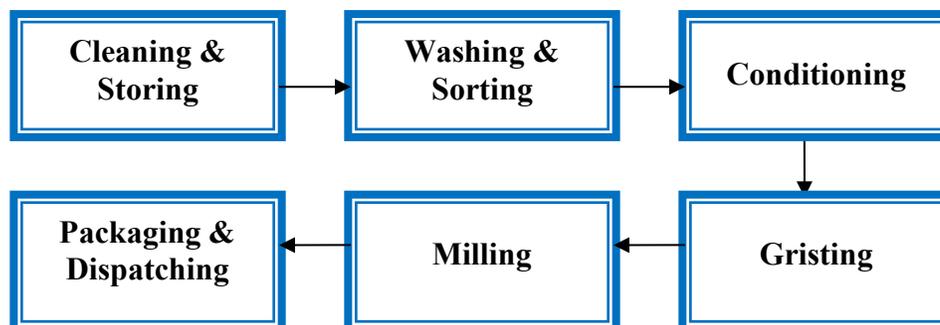
Following key parameters must be addressed as per pre-feasibility study under preparation

- **Technology:** This proposed unit with modern production plant includes mini flour mill complete line, a generator and a transformer that will set up a mini flour mill unit.
- **Location:** The subject project is strongly recommended to be established in the adjoining of the major cities or urban areas with high wheat production/consumption.
- **Product:** Keeping in view the market demand and characteristics “All purpose flour” is recommended to 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 direct employment to 10 people.

## 7 PRODUCTION PROCESS

The production process of flour is mainly subjected to machine/method used particular to the desired output product.

### 7.1 Flour Production Process Flow



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

### 7.1.1 Cleaning & Storing

As wheat arrives in the mill it is passed through a cleaning process to remove coarse impurities and is then stored according to its quality. This is mainly determined by the hardness, protein content and gluten quality of the wheat.

### 7.1.2 Washing & Sorting

Washing begins with screening to remove coarse, fine materials and the grain is separated by size, shape and weight. The finished product is then passed into conditioning bins.

### 7.1.3 Conditioning

Conditioning takes place before milling to produce uniform moisture content throughout the grain. Moistening helps to prevent break-up of the bran (hard outer layer) during milling and improves separation from the floury endosperm (the mass that forms the white flour of the grain).

### 7.1.4 Gristing

After conditioning, different batches of wheat grain are blended together (gristed) to make a mixture capable of producing the desired flour.

### 7.1.5 Milling

In the Milling step, flour is produced by a sequence of breaking, grinding and separating operations until the desired flour type is produced. Milling is simply the separation of the bran and germ from the endosperm and the grinding for producing flour. The quality & type of the wheat grain going into the mill will determine the types of flour to be produced. The whole process is divided into grinding and purification.

In addition to flour, many by products such as Suji, maida can be produced by further processing through installation of required machinery.

### 7.1.6 Packaging & Dispatching

The final product is packaged in standard bags of 20, 50 & 100 kgs. Then it is forwarded for either storage or transportation.

## 8 INSTALLED AND OPERATIONAL CAPACITIES

The mini flour mill has the capacity of producing approximately 900,000 kgs annually and will be operational for 300 days a year and 8 hours a day. Initially the mini flour mill will be operated at 75% of capital utilization and will increase it by 5% annually. The Maximum capacity utilization will be 85%.

## 9 CRITICAL FACTORS

- Selection of proper location, equipment and staff would be required to run project successfully.
- 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

## 10 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Flour has been made & eaten since the prehistoric times of Egyptian era over 6000 years before. The earliest method used for producing flour involved grinding grain between stones, which was usually operated by hands.

Pakistan has been characterized as densely populated country. Over the past years, people preference is changed towards more quality food. However, Roti & other wheat products remain essential items in daily diet. Hence factors like high demand, diversified uses and people preferences indicate a strong potential market for quality producers. Introduction of a Mini Flour Mill as compare to a traditional large scale structure would be much easier to manage for small scale investors due to low capital and operational cost.

The proposed project should be established in the adjoining of the major cities or urban areas with high wheat production/consumption. The prevalence of such facility would add economic benefits in the country and would number of direct and indirect employment. Moreover features like low cost & less complexity associated

with installation of Mini flour mill makes it more attractive project as compare to normal sized flourmill.

## 11 POTENTIAL TARGET CUSTOMERS / MARKETS

The target customers for the proposed product would primarily be individuals, whole sellers & retailers, confectionary and home users. Initially the project will be focusing on neighboring communities, and opportunity for expansion could be capitalize depending successful marketing of product.

## 12 PROJECT COST SUMMARY

### 12.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of **Rs. 37,125,000** in the year one. The capacity utilization during year one is worked out at **75%** with **5%** increase in subsequent years up to the maximum capacity utilization of **85%**.

The following table shows internal rate of return, payback period and net present value of the proposed venture.

**Table 1: Project Economics**

| Description                   | Details    |
|-------------------------------|------------|
| Internal Rate of Return (IRR) | 35%        |
| Payback Period (yrs.)         | 5          |
| Net Present Value (Rs.)       | 21,294,974 |

### 12.2 Project Financing

Following table provides details of the equity required and variables related to bank loan;

**Table 2: Project Financing**

| Description | Details |
|-------------|---------|
|-------------|---------|

|                                       |               |
|---------------------------------------|---------------|
| Total Equity (50%)                    | Rs. 6,936,188 |
| Bank Loan (50%)                       | Rs. 6,936,188 |
| Markup to the Borrower (%age / annum) | 16 %          |
| Tenure of the Loan (Years)            | 5             |

### 12.3 Project Cost

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

**Table 3: Project Cost**

| Description                        | Amount Rs.        |
|------------------------------------|-------------------|
| <b>Capital Cost</b>                |                   |
| Land                               | 600,000           |
| Building/Infrastructure            | 5,060,000         |
| Plant and Machinery                | 2,785,000         |
| Furniture & Fixture                | 120,000           |
| Vehicles                           | 1,905,500         |
| Office Equipment                   | 97,000            |
| Pre-operating Cost                 | 91,000            |
| <b>Total Capital Cost</b>          | <b>10,658,500</b> |
| <b>Working Capital</b>             |                   |
| Equipment and Spare Part Inventory | 4,352             |
| Raw Material Inventory             | 2,475,000         |
| Upfront Insurance Payment          | 234,525           |
| Cash                               | 500,000           |
| <b>Total Working Capital</b>       | <b>3,213,877</b>  |
| <b>Total Project Cost</b>          | <b>13,872,377</b> |

### 12.4 Space Requirement

The space requirement for the proposed mini flour mill is estimated considering various facilities including management building, factory, store and open space,

etc. Details of space requirement and cost related to land & building is given below;

**Table 4: Space Requirement**

| Description       | Estimated Area (Sqft) | Unit Cost (Rs.) | Total Cost (Rs.) |
|-------------------|-----------------------|-----------------|------------------|
| Management Office | 240                   | 1,500           | 360,000          |
| Factory           | 1000                  | 1900            | 1,900,000        |
| Store             | 1400                  | 2000            | 2,800,000        |
| <b>Total</b>      | <b>3000</b>           |                 | <b>5,060,000</b> |

## 12.5 Machinery & Equipment Requirement

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

**Table 5: Machinery & Equipment**

| Description      | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|------------------|----------|-----------------|------------------|
| Production plant | 1        | 1,785,000       | 1,785,000        |
| Generator        | 1        | 500,000         | 500,000          |
| Transformer      | 1        | 500,000         | 500,000          |
| <b>Total</b>     |          |                 | <b>2,785,000</b> |

## 12.6 Furniture & Fixtures Requirement

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

**Table 6: Furniture & Fixture**

| Description     | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|-----------------|----------|-----------------|------------------|
| Air-conditioner | 1        | 120,000         | 120,000          |
| <b>Total</b>    |          |                 | <b>120,000</b>   |

## 12.7 Office Equipment Requirement

Following office equipment will be required for mini flour mill;

**Table 7: Office Equipment**

| Description  | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|--------------|----------|-----------------|------------------|
| Computer     | 1        | 50,000          | 50,000           |
| Printer      | 1        | 20,000          | 20,000           |
| Telephones   | 2        | 1,000           | 2,000            |
| Fax Machine  | 1        | 25,000          | 25,000           |
| <b>Total</b> |          |                 | <b>97,000</b>    |

## 12.8 Human Resource Requirement

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

**Table 8: Human Resource Requirement**

| Description    | No. of Employees | Monthly Salary per person (Rs.) |
|----------------|------------------|---------------------------------|
| Plant Manager  | 1                | 30,000                          |
| Plant Operator | 2                | 25,000                          |
| Technician     | 1                | 20,000                          |
| Helper         | 3                | 18,000                          |
| Guard          | 1                | 18,000                          |
| Sweeper        | 1                | 18,000                          |
| Driver         | 1                | 18,000                          |
| <b>Total</b>   | <b>10</b>        |                                 |

## 12.9 Utilities and other costs

An essential cost to be borne by the project is the cost of utilities. The administrative expenses are Rs. 160,636 per month which includes the utilities. Furthermore, promotional expense being essential for marketing of mini flour mill is estimated as 1% and that is Rs. 371,250 for year 1.

### 12.10 Revenue Generation

Based on the capacity utilization of 75%, sales revenue during the first year of operations is estimated as under;

**Table 9: 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 | 900,000                     | 675,000                        | 675,000                        | 55                      | 37,125,000          |

### 13 CONTACT DETAILS

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

#### 13.1 Machinery Suppliers

| Name of Supplier                                    | Address  | Phone            | Fax              | E-mail   | Website  |
|---|--|------------------|------------------|--|--|
| Chand Engineering Works                             | Chaman colony shahdrah, Lahore   | 0321 6895871     | +92 42 35473777  | <a href="mailto:yasirsweet12@gmail.com">yasirsweet12@gmail.com</a> | -  |
| Anyang Best Complete Machinery Engineering Co., Ltd | 19F, Suite B, Global Trade Mansion, Wenfeng Avenue, Anyang, Henan, China | 0086-372-5965148 | 0086-372-5951936 | <a href="mailto:info@abcmach.com">info@abcmach.com</a>             | <a href="http://www.abcmach.com">www.abcmach.com</a> |

### 14 USEFUL WEB LINKS

|  |  |
|--|--|
| Small & Medium Enterprises Development Authority (SMEDA) | <a href="http://www.smeda.org.pk">www.smeda.org.pk</a>       |
| Government of Pakistan                                   | <a href="http://www.pakistan.gov.pk">www.pakistan.gov.pk</a> |
| Ministry of Industries & Production                      | <a href="http://www.moip.gov.pk">www.moip.gov.pk</a>         |

|   |  |
|---|--|
| <b>Ministry of Education, Training &amp; Standards in Higher Education</b>      | <a href="http://moptt.gov.pk">http://moptt.gov.pk</a>                          |
| <b>Government of Punjab</b>   | <a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>                       |
| <b>Government of Sindh</b>  | <a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>                         |
| <b>Government of Khyber Pakhtunkhwa</b>   | <a href="http://www.khyberpakhtunkhwa.gov.pk">www.khyberpakhtunkhwa.gov.pk</a> |
| <b>Government of Balochistan</b>  | <a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>             |
| <b>Government of Gilgit Baltistan</b>   | <a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>     |
| <b>Government of Azad Jamu Kashmir</b>  | <a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>                             |
| <b>Trade Development Authority of Pakistan (TDAP)</b>                           | <a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>                           |
| <b>Security Commission of Pakistan (SECP)</b>                                   | <a href="http://www.secp.gov.pk">www.secp.gov.pk</a>                           |
| <b>Federation of Pakistan Chambers of Commerce and Industry (FPCCI)</b>         | <a href="http://www.fpcci.com.pk">www.fpcci.com.pk</a>                         |
| <b>State Bank of Pakistan (SBP)</b>   | <a href="http://www.sbp.org.pk">www.sbp.org.pk</a>                             |
| <b>Punjab Small Industries Corporation</b>                                      | <a href="http://www.psic.gop.pk">www.psic.gop.pk</a>                           |
| <b>Sindh Small Industries Corporation</b>                                       | <a href="http://www.ssic.gos.pk">www.ssic.gos.pk</a>                           |
| <b>Pakistan Horticulture Development and Export Company (PHDEC)</b>             | <a href="http://www.phdec.org.pk">www.phdec.org.pk</a>                         |
| <b>Punjab Vocational Training Council (PVTC)</b>                                | <a href="http://www.pvtc.gop.pk">www.pvtc.gop.pk</a>                           |
| <b>Technical Education and Vocational Training Authority (TEVTA)</b>            | <a href="http://www.tevta.org">www.tevta.org</a>                               |
| <b>Pakistan Readymade Garment Technical Training Institute</b>                  | <a href="http://www.prgmea.org/prgtti/">www.prgmea.org/prgtti/</a>             |
| <b>Livestock &amp; Dairy Development Department, Government of Punjab.</b>      | <a href="http://www.livestockpunjab.gov.pk">www.livestockpunjab.gov.pk</a>     |
| <b>Punjab Industrial Estates (PIE)</b>  | <a href="http://www.pie.com.pk">www.pie.com.pk</a>                             |
| <b>Faisalabad Industrial Estate Development and Management Company (FIEDMC)</b> | <a href="http://www.fiedmc.com.pk">www.fiedmc.com.pk</a>                       |

## 15 ANNEXURES

### 15.1 Income Statement

| <b>Statement Summaries</b>                           |                    |                  |                  |                  |                  |                   |                   |                   |                   | <b>SMEDA</b>      |
|--|--------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Income Statement</b>                              |                    |                  |                  |                  |                  |                   |                   |                   |                   |                   |
|  | Year 1             | Year 2           | Year 3           | Year 4           | Year 5           | Year 6            | Year 7            | Year 8            | Year 9            | Year 10           |
|  | Rs. in actuals     |                  |                  |                  |                  |                   |                   |                   |                   |                   |
| Revenue  | 37,125,000         | 43,560,000       | 50,910,750       | 56,001,825       | 61,602,008       | 67,762,208        | 74,538,429        | 81,992,272        | 90,191,499        | 99,210,649        |
| Cost of goods sold                                   | 34,389,938         | 38,010,085       | 41,869,918       | 43,545,774       | 45,313,420       | 47,179,722        | 49,152,159        | 51,238,886        | 53,448,791        | 55,791,574        |
| Gross Profit   | 2,735,063          | 5,549,915        | 9,040,832        | 12,456,051       | 16,288,587       | 20,582,487        | 25,386,270        | 30,753,386        | 36,742,708        | 43,419,075        |
| <i>General administration &amp; selling expenses</i> |                    |                  |                  |                  |                  |                   |                   |                   |                   |                   |
| Administration expense                               | 148,320            | 162,761          | 178,607          | 195,997          | 215,079          | 236,020           | 258,999           | 284,215           | 311,887           | 342,253           |
| Rental expense                                       | -                  | -                | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Utilities expense                                    | -                  | -                | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Travelling & Comm. expense (phone, fax, etc.)        | 2,880              | 3,160            | 3,468            | 3,806            | 4,176            | 4,583             | 5,029             | 5,519             | 6,056             | 6,646             |
| Office vehicles running expense                      | 57,165             | 62,882           | 69,170           | 76,087           | 83,695           | 92,065            | 101,271           | 111,398           | 122,538           | 134,792           |
| Office expenses (stationary, etc.)                   | 1,440              | 1,580            | 1,734            | 1,903            | 2,088            | 2,291             | 2,515             | 2,759             | 3,028             | 3,323             |
| Promotional expense                                  | 371,250            | 435,600          | 509,108          | 560,018          | 616,020          | 677,622           | 745,384           | 819,923           | 901,915           | 992,106           |
| Insurance expense                                    | 234,525            | 201,545          | 168,565          | 135,585          | 102,605          | 223,066           | 178,453           | 133,840           | 89,227            | 44,613            |
| Professional fees (legal, audit, etc.)               | 185,625            | 217,800          | 254,554          | 280,009          | 308,010          | 338,811           | 372,692           | 409,961           | 450,957           | 496,053           |
| Depreciation expense                                 | 934,300            | 934,300          | 934,300          | 934,300          | 934,300          | 1,166,965         | 1,166,965         | 1,166,965         | 1,166,965         | 1,166,965         |
| Amortization expense                                 | 18,200             | 18,200           | 18,200           | 18,200           | 18,200           | -                 | -                 | -                 | -                 | -                 |
| Property tax expense                                 | -                  | -                | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Miscellaneous expense                                | 1,113,750          | 1,306,800        | 1,527,323        | 1,680,055        | 1,848,060        | 2,032,866         | 2,236,153         | 2,459,768         | 2,705,745         | 2,976,319         |
| Subtotal   | 3,067,455          | 3,344,628        | 3,665,028        | 3,885,959        | 4,132,234        | 4,774,290         | 5,067,462         | 5,394,349         | 5,758,319         | 6,163,071         |
| Operating Income                                     | (332,393)          | 2,205,287        | 5,375,804        | 8,570,092        | 12,156,353       | 15,808,197        | 20,318,808        | 25,359,037        | 30,984,389        | 37,256,004        |
| Other income   | 25,000             | -                | 65,369           | 186,313          | 459,617          | 1,218,911         | 1,296,403         | 2,860,365         | 3,172,722         | 5,837,817         |
| Gain / (loss) on sale of assets                      | -                  | -                | -                | -                | 762,200          | -                 | -                 | -                 | -                 | -                 |
| Earnings Before Interest & Taxes                     | (307,393)          | 2,205,287        | 5,441,172        | 8,756,405        | 13,378,170       | 17,027,108        | 21,615,211        | 28,219,402        | 34,157,111        | 43,093,820        |
| Interest expense                                     | 1,129,258          | 901,029          | 623,273          | 418,029          | 224,497          | 51,995            | 44,435            | 35,664            | 25,491            | 13,689            |
| Earnings Before Tax                                  | (1,436,650)        | 1,304,258        | 4,817,899        | 8,338,376        | 13,153,673       | 16,975,113        | 21,570,777        | 28,183,737        | 34,131,620        | 43,080,131        |
| Tax  | -                  | -                | 1,921,058        | 3,418,734        | 5,393,006        | 6,735,070         | 9,093,969         | 11,255,065        | 14,362,105        | 17,210,658        |
| <b>NET PROFIT/(LOSS) AFTER TAX</b>                   | <b>(1,436,650)</b> | <b>1,304,258</b> | <b>2,896,841</b> | <b>4,919,642</b> | <b>7,760,667</b> | <b>10,240,043</b> | <b>12,476,808</b> | <b>16,928,673</b> | <b>19,769,515</b> | <b>25,869,473</b> |
| Balance brought forward                              |                    | (1,436,650)      | (132,392)        | 1,382,225        | 3,150,933        | 10,911,600        | 10,189,402        | 34,488,035        | 13,614,575        | 72,452,268        |
| Total profit available for appropriation             | (1,436,650)        | (132,392)        | 2,764,449        | 6,301,866        | 10,911,600       | 21,151,643        | 22,666,210        | 51,416,708        | 33,384,090        | 98,321,741        |
| Dividend   | -                  | -                | 1,382,225        | 3,150,933        | -                | -                 | 11,333,105        | -                 | 16,692,045        | -                 |
| Balance carried forward                              | (1,436,650)        | (132,392)        | 1,382,225        | 3,150,933        | 10,911,600       | 21,151,643        | 11,333,105        | 51,416,708        | 16,692,045        | 98,321,741        |

## 15.2 Balance Sheet

| Statement Summaries                           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   | SMEDA                     |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------------|
| Balance Sheet                                 |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                           |
|   | Year 0            | Year 1            | Year 2            | Year 3            | Year 4            | Year 5            | Year 6            | Year 7            | Year 8            | Year 9            | Rs. in actuals<br>Year 10 |
| <b>Assets</b>                                 |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                           |
| <i>Current assets</i>                         |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                           |
| Cash & Bank                                   | 500,000           | -                 | -                 | 1,307,373         | 2,418,887         | 6,773,443         | 6,642,545         | 31,478,206        | 11,081,891        | 70,330,635        | 24,367,382                |
| Accounts receivable                           | -                 | 1,525,685         | 1,657,911         | 1,941,180         | 2,196,834         | 2,416,517         | 2,658,169         | 2,923,986         | 3,216,384         | 3,538,023         | 3,891,825                 |
| Finished goods inventory                      | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                         |
| Equipment spare part inventory                | 4,352             | 5,117             | 5,995             | 6,609             | 7,286             | 8,033             | 8,857             | 9,765             | 10,765            | 11,869            | -                         |
| Raw material inventory                        | 2,475,000         | 2,855,160         | 3,280,847         | 3,548,236         | 3,837,417         | 4,150,166         | 4,488,405         | 4,854,210         | 5,249,828         | 5,677,689         | -                         |
| Pre-paid annual land lease                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                         |
| Pre-paid building rent                        | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                         |
| Pre-paid lease interest                       | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                         |
| Pre-paid insurance                            | 234,525           | 201,545           | 168,565           | 135,585           | 102,605           | 223,066           | 178,453           | 133,840           | 89,227            | 44,613            | -                         |
| <b>Total Current Assets</b>                   | <b>3,213,877</b>  | <b>4,587,507</b>  | <b>5,113,317</b>  | <b>6,938,982</b>  | <b>8,563,029</b>  | <b>13,571,226</b> | <b>13,976,429</b> | <b>39,400,006</b> | <b>19,648,095</b> | <b>79,602,829</b> | <b>28,259,207</b>         |
| <i>Fixed assets</i>                           |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                           |
| Land  | 600,000           | 600,000           | 600,000           | 600,000           | 600,000           | 600,000           | 600,000           | 600,000           | 600,000           | 600,000           | 600,000                   |
| Building/Infrastructure                       | 5,060,000         | 4,807,000         | 4,554,000         | 4,301,000         | 4,048,000         | 3,795,000         | 3,542,000         | 3,289,000         | 3,036,000         | 2,783,000         | 2,530,000                 |
| Machinery & equipment                         | 2,785,000         | 2,506,500         | 2,228,000         | 1,949,500         | 1,671,000         | 1,392,500         | 1,114,000         | 835,500           | 557,000           | 278,500           | -                         |
| Furniture & fixtures                          | 120,000           | 108,000           | 96,000            | 84,000            | 72,000            | 60,000            | 48,000            | 36,000            | 24,000            | 12,000            | -                         |
| Office vehicles                               | 1,905,500         | 1,524,400         | 1,143,300         | 762,200           | 381,100           | 3,068,827         | 2,455,061         | 1,841,296         | 1,227,531         | 613,765           | -                         |
| Office equipment                              | 97,000            | 87,300            | 77,600            | 67,900            | 58,200            | 48,500            | 38,800            | 29,100            | 19,400            | 9,700             | -                         |
| <b>Total Fixed Assets</b>                     | <b>10,567,500</b> | <b>9,633,200</b>  | <b>8,698,900</b>  | <b>7,764,600</b>  | <b>6,830,300</b>  | <b>8,964,827</b>  | <b>7,797,861</b>  | <b>6,630,896</b>  | <b>5,463,931</b>  | <b>4,296,965</b>  | <b>3,130,000</b>          |
| <i>Intangible assets</i>                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                           |
| Pre-operation costs                           | 91,000            | 72,800            | 54,600            | 36,400            | 18,200            | -                 | -                 | -                 | -                 | -                 | -                         |
| Legal, licensing, & training costs            | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                         |
| <b>Total Intangible Assets</b>                | <b>91,000</b>     | <b>72,800</b>     | <b>54,600</b>     | <b>36,400</b>     | <b>18,200</b>     | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>                  |
| <b>TOTAL ASSETS</b>                           | <b>13,872,377</b> | <b>14,293,507</b> | <b>13,866,817</b> | <b>14,739,982</b> | <b>15,411,529</b> | <b>22,536,053</b> | <b>21,774,290</b> | <b>46,030,902</b> | <b>25,112,026</b> | <b>83,899,794</b> | <b>31,389,207</b>         |
| <b>Liabilities &amp; Shareholders' Equity</b> |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                           |
| <i>Current liabilities</i>                    |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                           |
| Accounts payable                              | -                 | 2,684,771         | 2,961,716         | 3,237,964         | 3,350,376         | 3,467,400         | 3,589,273         | 3,716,251         | 3,848,605         | 3,986,623         | 3,624,845                 |
| Export re-finance facility                    | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                         |
| Short term debt                               | -                 | 1,554,871         | 445,888           | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                         |
| Other liabilities                             | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                         |
| <b>Total Current Liabilities</b>              | <b>-</b>          | <b>4,239,642</b>  | <b>3,407,604</b>  | <b>3,237,964</b>  | <b>3,350,376</b>  | <b>3,467,400</b>  | <b>3,589,273</b>  | <b>3,716,251</b>  | <b>3,848,605</b>  | <b>3,986,623</b>  | <b>3,624,845</b>          |
| <i>Other liabilities</i>                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                           |
| Lease payable                                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                         |
| Deferred tax                                  | -                 | -                 | -                 | 570,925           | 570,925           | 570,925           | 456,740           | 342,555           | 228,370           | 114,185           | -                         |
| Long term debt                                | 6,936,188         | 4,554,327         | 3,655,416         | 2,612,680         | 1,403,106         | 324,970           | 277,716           | 222,902           | 159,317           | 85,559            | -                         |
| <b>Total Long Term Liabilities</b>            | <b>6,936,188</b>  | <b>4,554,327</b>  | <b>3,655,416</b>  | <b>3,183,605</b>  | <b>1,974,031</b>  | <b>895,895</b>    | <b>734,456</b>    | <b>565,457</b>    | <b>387,687</b>    | <b>199,744</b>    | <b>-</b>                  |
| <i>Shareholders' equity</i>                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                   |                           |
| Paid-up capital                               | 6,936,188         | 6,936,188         | 6,936,188         | 6,936,188         | 6,936,188         | 7,261,158         | 7,261,158         | 7,261,158         | 7,261,158         | 7,261,158         | 7,261,158                 |
| Retained earnings                             | -                 | (1,436,650)       | (132,392)         | 1,382,225         | 3,150,933         | 10,911,600        | 21,151,643        | 11,333,105        | 51,416,708        | 16,692,045        | 98,321,741                |
| <b>Total Equity</b>                           | <b>6,936,188</b>  | <b>5,499,538</b>  | <b>6,803,796</b>  | <b>8,318,413</b>  | <b>10,087,121</b> | <b>18,172,758</b> | <b>28,412,801</b> | <b>18,594,263</b> | <b>58,677,866</b> | <b>23,953,203</b> | <b>#####</b>              |
| <b>TOTAL CAPITAL AND LIABILITI</b>            | <b>13,872,377</b> | <b>14,293,507</b> | <b>13,866,817</b> | <b>14,739,982</b> | <b>15,411,529</b> | <b>22,536,053</b> | <b>32,736,530</b> | <b>22,875,972</b> | <b>62,914,159</b> | <b>28,139,571</b> | <b>#####</b>              |

Note: Total assets value will differ from project cost due to first installment of leases paid at the start of year 0

## 15.3 Cash Flow Statement

| SMEDA                                   |                |                  |             |                  |                  |                  |                   |                   |                   |                   |                   |
|---|----------------|------------------|-------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Statement Summaries                     |                |                  |             |                  |                  |                  |                   |                   |                   |                   |                   |
| Cash Flow Statement                     |                |                  |             |                  |                  |                  |                   |                   |                   |                   |                   |
|   | Year 0         | Year 1           | Year 2      | Year 3           | Year 4           | Year 5           | Year 6            | Year 7            | Year 8            | Year 9            | Year 10           |
|   | Rs. in actuals |                  |             |                  |                  |                  |                   |                   |                   |                   |                   |
| <i>Operating activities</i>             |                |                  |             |                  |                  |                  |                   |                   |                   |                   |                   |
| Net profit                              | -              | (1,436,650)      | 1,304,258   | 2,896,841        | 4,919,642        | 7,760,667        | 10,240,043        | 12,476,808        | 16,928,673        | 19,769,515        | 25,869,473        |
| Add: depreciation expense               | -              | 934,300          | 934,300     | 934,300          | 934,300          | 934,300          | 934,300           | 1,166,965         | 1,166,965         | 1,166,965         | 1,166,965         |
| amortization expense                    | -              | 18,200           | 18,200      | 18,200           | 18,200           | 18,200           | -                 | -                 | -                 | -                 | -                 |
| Deferred income tax                     | -              | -                | -           | 570,925          | -                | -                | (114,185)         | (114,185)         | (114,185)         | (114,185)         | (114,185)         |
| Accounts receivable                     | -              | (1,525,685)      | (132,226)   | (283,269)        | (255,654)        | (219,683)        | (241,652)         | (265,817)         | (292,399)         | (321,638)         | (353,802)         |
| Finished good inventory                 | -              | -                | -           | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Equipment inventory                     | (4,352)        | (766)            | (877)       | (614)            | (677)            | (747)            | (823)             | (908)             | (1,001)           | (1,103)           | 11,869            |
| Raw material inventory                  | (2,475,000)    | (380,160)        | (425,687)   | (267,389)        | (289,181)        | (312,749)        | (338,239)         | (365,805)         | (395,618)         | (427,861)         | 5,677,689         |
| Pre-paid building rent                  | -              | -                | -           | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Pre-paid lease interest                 | -              | -                | -           | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Advance insurance premium               | (234,525)      | 32,980           | 32,980      | 32,980           | 32,980           | (120,461)        | 44,613            | 44,613            | 44,613            | 44,613            | 44,613            |
| Accounts payable                        | -              | 2,684,771        | 276,945     | 276,248          | 112,412          | 117,023          | 121,874           | 126,978           | 132,354           | 138,018           | (361,778)         |
| Other liabilities                       | -              | -                | -           | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Cash provided by operations             | (2,713,877)    | 326,990          | 2,007,893   | 4,178,222        | 5,472,021        | 8,176,549        | 10,878,596        | 13,068,650        | 17,469,403        | 20,254,324        | 31,940,844        |
| <i>Financing activities</i>             |                |                  |             |                  |                  |                  |                   |                   |                   |                   |                   |
| Change in long term debt                | 6,936,188      | (2,381,861)      | (898,911)   | (1,042,736)      | (1,209,574)      | (1,078,136)      | (47,254)          | (54,814)          | (63,585)          | (73,758)          | (85,559)          |
| Change in short term debt               | -              | 1,554,871        | (1,108,983) | (445,888)        | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Change in export re-finance facility    | -              | -                | -           | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Add: land lease expense                 | -              | -                | -           | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Land lease payment                      | -              | -                | -           | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Change in lease financing               | -              | -                | -           | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Issuance of shares                      | 6,936,188      | -                | -           | -                | -                | 324,970          | -                 | -                 | -                 | -                 | -                 |
| Purchase of (treasury) shares           | -              | -                | -           | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Cash provided by / (used for) financing | 13,872,377     | (826,990)        | (2,007,893) | (1,488,625)      | (1,209,574)      | (753,166)        | (47,254)          | (54,814)          | (63,585)          | (73,758)          | (85,559)          |
| <i>Investing activities</i>             |                |                  |             |                  |                  |                  |                   |                   |                   |                   |                   |
| Capital expenditure                     | (10,658,500)   | -                | -           | -                | -                | (3,068,827)      | -                 | -                 | -                 | -                 | -                 |
| Acquisitions                            | -              | -                | -           | -                | -                | -                | -                 | -                 | -                 | -                 | -                 |
| Cash (used for) / provided by investing | (10,658,500)   | -                | -           | -                | -                | (3,068,827)      | -                 | -                 | -                 | -                 | -                 |
| <b>NET CASH</b>                         | <b>500,000</b> | <b>(500,000)</b> | <b>-</b>    | <b>2,689,597</b> | <b>4,262,447</b> | <b>4,354,556</b> | <b>10,831,342</b> | <b>13,013,836</b> | <b>17,405,818</b> | <b>20,180,566</b> | <b>31,855,284</b> |
| Cash balance brought forward            | -              | 500,000          | -           | -                | 1,307,373        | 2,418,887        | 6,773,443         | 6,642,545         | 31,478,206        | 11,081,891        | 70,330,635        |
| Cash available for appropriation        | 500,000        | (0)              | -           | 2,689,597        | 5,569,820        | 6,773,443        | 17,604,786        | 19,656,381        | 48,884,024        | 31,262,457        | #####             |
| Dividend                                | -              | -                | -           | 1,382,225        | 3,150,933        | -                | -                 | 11,333,105        | -                 | 16,692,045        | -                 |
| Cash carried forward                    | 500,000        | -                | -           | 1,307,373        | 2,418,887        | 6,773,443        | 17,604,786        | 8,323,276         | 48,884,024        | 14,570,412        | #####             |

## 16 KEY ASSUMPTIONS

### 16.1 Operating Cost Assumptions

| Description             | Details |
|-------------------------|---------|
| Operational Days/ year  | 300     |
| Hours operational/ days | 8       |
| Shift Length (Hours)    | 8       |

### 16.2 Production Cost Assumptions

| Description                       | Details |
|-----------------------------------|---------|
| Initial Capital utilization       | 75%     |
| Annual Capital Utilization Growth | 5%      |
| Maximum Capital Utilization       | 85%     |

### 16.3 Revenue Assumptions

| Description                   | Details    |
|-------------------------------|------------|
| Revenue                       | 37,125,000 |
| Cost of goods sold            | 29,700,000 |
| Sale Price/kg                 | 55         |
| Production per year (Kg)      | 675,000    |
| Production Quantity sold (Kg) | 675,000    |

### 16.4 Financial Assumptions

| Description        | Details |
|--------------------|---------|
| Interest Rate      | 16%     |
| Debt: Equity Ratio | 50:50   |
| Debt Tenure        | 5 Years |

# Small and Medium Enterprises Development Authority

## HEAD OFFICE

4th Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road, Lahore  
Tel: (92 42) 111 111 456, Fax: (92 42) 36304926-7

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| REGIONAL OFFICE<br>PUNJAB   | REGIONAL OFFICE<br>SINDH  | REGIONAL OFFICE<br>KPK  | REGIONAL OFFICE<br>BALOCHISTAN   |
|---|---|---|--|
| 3 <sup>rd</sup> Floor, Building No. 3,<br>Aiwan-e-Iqbal Complex,<br>Egerton Road Lahore,<br>Tel: (042) 111-111-456<br>Fax: (042) 36304926-7<br>helpdesk.punjab@smeda.org.pk | 5 <sup>TH</sup> Floor, Bahria<br>Complex II, M.T. Khan Road,<br>Karachi.<br>Tel: (021) 111-111-456<br>Fax: (021) 5610572<br>helpdesk-khi@smeda.org.pk | Ground Floor<br>State Life Building<br>The Mall, Peshawar.<br>Tel: (091) 9213046-47<br>Fax: (091) 286908<br>helpdesk-pew@smeda.org.pk | Bungalow No. 15-A<br>Chaman Housing Scheme<br>Airport Road, Quetta.<br>Tel: (081) 831623, 831702<br>Fax: (081) 831922<br>helpdesk-qta@smeda.org.pk |