



Pre-feasibility Study

LAUNDRY AND DRY CLEANING

December 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

TABLE OF CONTENTS

1	DISCLAIMER	2
2	EXECUTIVE SUMMARY	3
3	INTRODUCTION TO SMEDA	3
4	PURPOSE OF THE DOCUMENT	4
5	BRIEF DESCRIPTION OF PROJECT & PRODUCT	4
5.1	Production Process Flow	5
5.2	Installed and Operational Capacities	6
5.3	Product Mix Wise Installed and Operational Capacity	7
6	CRITICAL SUCCESS FACTORS	8
7	GEOGRAPHICAL POTENTIAL FOR INVESTMENT	8
8	POTENTIAL TARGET CUSTOMERS / MARKETS	9
9	PROJECT COST SUMMARY	9
9.1	Project Economics	9
9.2	Project Cost	10
9.3	Space Requirement	11
9.4	Machinery & Equipment Requirement	12
9.5	Furniture & Fixtures Requirement	12
9.6	Office Equipment Requirement	13
9.7	Raw Material Requirement	13
9.8	Human Resource Requirement	14
9.9	Utilities and Other Costs	15
9.10	Revenue Generation	15
10	CONTACT DETAILS	16
11	USEFUL WEB LINKS	16
12	ANNEXURES	18
12.1	Income Statement	18
12.2	Balance Sheet	19
12.3	Cash Flow Statement	20
13	KEY ASSUMPTIONS	21
13.1	Operating Cost Assumptions	21
13.2	Production Cost Assumptions	21
13.3	Revenue Assumptions	21

1 DISCLAIMER

The objective of 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 as future is uncertain, 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 to be obtained by the user. 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.

For more information on services offered by SMEDA, please explore our website: www.smeda.org.pk

Document Control

Document No.	PREF-NO 78
Revision	No. 5
Prepared by	SMEDA Punjab - OS
Revision Date	December, 2020
For information	helpdesk.punjab@smeda.org.pk

2 EXECUTIVE SUMMARY

The Importance of Laundry and Dry Cleaning is often underestimated by the business community of Pakistan. This business is service-oriented and carries large potential for investment in the metropolitan cities. The lifestyle of people in Pakistan has changed over the years. Now a day, people are more conscious about their clothes and use more sophisticated measures for cleaning clothes. Beside households, Commercial business, such as Hotel Industry, Restaurants and other office's also needs the services of laundry and dry-cleaning services on day-to-day basis.

This particular pre-feasibility is intended to provide general information for setting up an integrated laundry and dry-cleaning unit. It provides a range of services related to domestic and commercial sector consumers. These services range from washing, drying and pressings of fabric wears to complex and more professional services like cleaning sensitive stuff, blankets, curtains, sherwanis and other home accessories.

The proposed 'Laundry and Dry Cleaning' unit will have an installed capacity of washing and dry cleaning of 81,180 units per annum. However, initial operational capacity is assumed to be 60% during first year with a gradual increase of 5% in the subsequent years up to maximum capacity utilization of 80%. It is suggested to open the shop in a populated and developed area or nearby to newly developing housing societies.

The proposed business venture entails a total investment of about Rs 5.158 million. This includes a capital investment of Rs. 4.598 million and working capital Rs. 0.560 million. The project is assumed as an equity financed business. The project NPV is around Rs 13.817 million, with an IRR of 56 % and payback period of 2.57 years. The project will provide employment opportunities to 15 people including the Owner. The legal business status of this project is assumed to be 'Sole Proprietorship'.

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, production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Laundry and Dry Cleaning** business, 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 an informed Investment Decision.

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

Due to growing number of working parents, changing lifestyles of urbanized population and busy schedules of daily life in metropolitan cities, families prefer to utilize outsourced dry cleaning and laundry services. Additionally, most of the cloths of winter season cannot be washed or cleaned inside home due to their stuff. Therefore, people always prefer to get those cloths washed from dry cleaners. Beside households, Commercial business also needs the services of laundry and dry-cleaning business. Business like Hotel Industry, Restaurants and other office's require the laundry services on day-to-day basis. These factors have attributed significantly towards the growth of laundry and dry-cleaning businesses in the country.

This pre-feasibility study focuses on establishing a laundry and dry-cleaning unit in any metropolis of Pakistan. The proposed unit will provide a wide range of washing, dry cleaning and pressing services for fabric wears to complex and more professional services like cleaning sensitive stuff, blankets, curtains, sherwanis and other home accessories to both the domestic. Target customers of these services will comprise of

The above diagram shows two separate processes: laundry and dry cleaning. Both processes are briefly explained below:

The clothes are firstly tagged with a specific number, mentioned in the invoice given to customers. This procedure is used for identification of clothes for customers. After tagging the clothes are arranged in different sets. Some people sort by color, others sort by fabric type. The clothes are washed in a washing machine using detergents such as, detergents, washing powders, soaps and etc. This procedure is only applied for the laundry services. In this process, the sensitive, expensive and only dry clean recommended clothes are cleaned. For this purpose, chemical is used to clean the clothes, which is known as Perclon.

The clothes washed in a laundry procedure are dried using dryers. In this process both the clothes either washed or dry-cleaned are pressed and shaped using steam press equipment. Once pressed, the clothes are properly hanged and covered in the plastic wrap and then tagged so that they can be easily identified.

5.2 Installed and Operational Capacities

The proposed dry clean will have an installed capacity of processing around 246 kg of clothes per day. Accordingly, the unit will have an overall installed capacity processing 81,180 units per annum. Maximum utilization of the unit is assumed to be 80%, whereas capacity utilization during first year of operation is worked out at 60% with gradual increase of 5% annually up to 80% in 5th year of operation. Details of the project capacity are as follows:

Table 1: Installed and Operational Capacity

Description	Details
Working hours per day	12 hours
Operating shift per day	1
Working days per annum	330 days
Maximum clothes dry clean per day	246 kgs of clothes
Maximum weight of clothes per day	246 Kgs of clothes
Maximum weight of clothes per batch	60 kgs
Hours utilized per batch (Laundry & Dry cleaning)	1.5 to 2 hours

5.3 Product Mix Wise Installed and Operational Capacity

Weight wise and unit wise distribution of product mix per day of the proposed laundry and dry-cleaning shop is as follows:

Table 2: Weight / Unit Wise Distribution of Product Mix per Day

Description	Average Weight Per Unit (Kgs)	Average Number of Units Per Day	Average Weight Per Day (Kg)
Trousers	0.80	30	24
Coats (all Kinds)(winter)	2.25	15	33.75
Shirts	0.35	40	14
Jackets / Sweater	2.50	15	37.50
Dupatta	0.05	20	1
Shalwar Qameez	0.75	20	15
Shalwar Qameez (Boski, Krundi, Resham)	0.75	20	15
Blankets	3.00	8	24
Bed sheets	1.00	20	20
Curtain	1.25	8	10
Others (Avg.)	2.25	50	112.5
Total	14.95	246	306.75

The proposed distribution of product mix is determined on average basis, which will be affected through seasonal variations.

Details of product mix wise operational and installed capacities are provided in the table below:

Table 3: Product Mix Wise Installed and Operational Capacity

Items Description	% of Total Production	Total Production Capacity in Units (Annually)	Operational Capacity 60 % (Year 1)	Maximum Operational Capacity 80 %
Trouser	12.20	9,900	5,940	7,920
Coats (All Kinds)	6.10	4,950	2,970	3,960
Shirts	16.26	13,200	7,920	10,560
Jacket/Sweater	6.10	4,950	2,970	3,960

Dupatta	8.13	6,600	3,960	5,280
Shalwar Qameez(Boski, Krundi, Resham)	8.13	6,600	3,960	5,280
Shalwar Qameez	8.13	6,600	3,960	5,280
Blankets	3.25	2,640	1,584	2,112
Bed Sheets	8.13	6,600	3,960	5,280
Curtain	3.25	2,640	1,584	2,112
Others (Avg)	20.33	16,500	9,900	13,200
Total	100 %	81,180	48,708	64,944

6 CRITICAL SUCCESS FACTORS

Following are critical success factors associated with this business:

- ⇒ Warranty of clothes from damages and any type of color fading.
- ⇒ Prime business location for proposed dry cleaning.
- ⇒ Reasonable and competitive charges positioned against competitors.
- ⇒ On time delivery of clothes can leave good impression on the customers.
- ⇒ Technical and efficient labor
- ⇒ Right product mix, proper inventory management, emphasis on customer services.
- ⇒ Employing and retaining skilled labor.
- ⇒ Advertisement on local cable and banners. Existing dry cleaners are not advertising for their services.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The recommended location for setting up the proposed laundry and dry-cleaning shop will be a commercial market of developed or developing housing societies having a considerable population concentration.

Considering to that, major cities for instance Karachi, Lahore, Peshawar, Quetta, Rawalpindi, Islamabad, Multan, Sialkot, Faisalabad, Hyderabad and etc., with large urban base would be the potential investment areas for the proposed business.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

The major target market for the dry-cleaning services will depend on the location where dry-cleaning business is situated. The target customers for proposed business will not only be general public but also the commercial sector i.e. hostels, catering companies, film industry and hospitals.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Laundry and Dry-Cleaning shop. Various costs and revenue related assumptions along with results of the analysis are outlined in this section.

The projected Income Statement, Cash Flow Statement and Balance Sheet are also attached as annexure.

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 11.880 Million in the year one. The capacity utilization during year one is worked out at 60%. To financially appraise the project, a 100% Equity Based Business Model has been assumed. The following tables show Internal Rate of Return, Payback Period Net Present Value and Breakeven of the proposed venture:

Table 4: Project Economics (Equity Finance)

Description	Details
Internal Rate of Return (IRR)	56%
Payback Period (Yrs.)	2.57
Net Present Value (Rs.)	13,816,548

Calculation of break-even analysis is as follows.

Table 5: 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	9,288,905	9,341,352	9,440,307	9,710,490	10,079,349	10,855,823	11,779,138	12,771,152	13,866,811	15,105,920
Break-Even Unit	38,085	34,818	31,988	29,912	28,226	27,637	27,261	26,870	26,523	26,266
Margin of Safety	22%	34%	44%	51%	57%	57%	58%	59%	59%	60%

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 6: Project Economics Based on Debt (50%) : Equity (50%)

Description	Details
Internal Rate of Return (IRR)	55%
Payback Period (Yrs.)	2.60
Net Present Value (Rs.)	16,217,383

The financial assumptions for Debt:Equity are as follows:

Table 7: Financial Assumptions for Debt:Equity Model

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	12%
Debt Tenure	5 Years
Debt Payment / Year	Annual

9.2 Project Cost

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

Table 8: Project Cost

Description	Amount (Rs)
Capital Cost	
Machinery & Equipment	3,745,000
Furniture & Fixture	358,500
Office Equipment	182,200
Building Security Deposit	240,000
Pre-operating Costs	72,000

Total Capital Cost	4,597,700
Working Capital	
Equipment Spare Part Inventory	40,590
Raw Material Inventory	139,553
Upfront Building Rent	80,000
Cash	300,000
Total Working Capital	560,143
Total Project Cost	5,157,843

9.3 Space Requirement

In order to reduce the initial capital expenditure, the proposed laundry and dry clean shop is proposed to be set-up on a rental premise. The space should be rented in a commercial market to ensure the easy accessibility of customers.

For the proposed machinery, office, furniture & fixture and other equipment's, approximately 1,000 square feet area is required. Following is the covered area requirement split into various sections. It is recommended that customer dealing office area should be separate from the machine and working area.

Table 9: Space Requirement

Description	Estimated Area (Sq.ft)
Customer Dealing Counter and Management Office Area	300
Working, Machine Area and Store	700

The above-mentioned area will be taken on Rs. 80,000 per month rent.

9.4 Machinery & Equipment Requirement

Following tables provides list of machinery and equipment required for an average size laundry and dry-cleaning shop:

Table 10: Machinery and Equipment Required

Description	No.	Cost Per Unit (Rs.)	Total Cost (Rs.)
Dry Clean Machine 30*18 (10kg)	1	1,200,000	1,200,000
Washing Machine 42"*60" (60kg)	1	500,000	500,000
Generator	1	500,000	500,000
Cotton Press	1	450,000	450,000
Boiler	1	425,000	425,000
Dryer Machine 48*42 (60kg)	1	335,000	335,000
Steam Press	1	150,000	150,000
Hydro Extractor 24*12 (25kg)	1	110,000	110,000
Form Finisher Recondition	1	75,000	75,000
Total			3,745,000

The required machinery and equipment is manufactured and easily available in Pakistan. These machines can also be imported from Italy, Germany, China and Japan. However, the prices of new imported machinery are 2 to 3 times higher than local machinery. The normal market trend is to use second hand imported machines, which are easily available. The price of second-hand imported machine and first hand local made machine is almost equal. Accordingly, the machinery cost estimates in this pre-feasibility study are based on second hand imported machines.

9.5 Furniture & Fixtures Requirement

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

Table 11: Furniture & Fixtures Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Iron Racks (10/15ft)	10	10,000	100,000
Air conditioners (1 ton)	1	60,000	60,000

Fridge	1	50,000	50,000
Fan	8	4,000	32,000
Sofa Set (2 seater & 3 seater)	1	20,000	20,000
Counter Table	1	20,000	20,000
Chairs	8	2,500	20,000
Electric wiring & lighting	1	20,000	20,000
Water Dispenser	1	15,000	15,000
Air Cooler for Workshop	1	10,000	10,000
Exhaust Fan	2	2,500	5,000
Stole	4	1,000	4,000
Telephone	1	2,500	2,500
Total	40		358,500

9.6 Office Equipment Requirement

Following office equipment will be required dry cleaning shop.

Table 12: Office Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Personal Computers	2	30,000	60,000
UPS	1	22,500	22,500
Batteries	2	11,700	23,400
Printer	1	20,000	20,000
LED Bulbs	18	350	6,300
POS Software	1	50,000	50,000
Total	25		182,200

9.7 Raw Material Requirement

Raw material used for the purpose of dry cleaning of clothes is Perclon chemical. Perchloroethylene, or Perclon, is the dominant chemical solvent used in dry cleaning.

Perclon (Perchloroethylene) is a liquid chemical that consists of 40% alcohol, 50% kerosene oil and 10% liquid used to save the color fading of clothes. Perclon (Perchloroethylene) is a clear, colorless liquid and evaporates quickly.

Bleach is also used especially for white clothes. Detergent is used for simple washing i.e. washing soap and surf. The main raw materials required along with their usage are listed below. The annual requirement of each raw material is based on an assumption of 100 kg fabric weight.

Table 13: Raw Material Requirement

Description	Quantity Required Per Day	Rate Per Liter (Rs.)	Total Cost Per Day (Rs.)	Total Cost Per Annum (Rs.)
Perclon	20 Liter	250	5,000	1,650,000
Tar Pine Oil	10 Liter	180	1,800	594,000
Sulphonic Acid	3 Kg	200	600	198,000
Bleach	2 Liter	100	200	66,000
Soda Ash	1 Kg	100	100	33,000
Total				2,541,000

9.8 Human Resource Requirement

In order to run operations of laundry and dry cleaning smoothly, details of human resources required along with number of employees and monthly salary are recommended as under:

Table 14: Human Resource Requirement

Description	No. of Employees	Monthly Salary per person (Rs.)
Shop Manager	1	36,000
Shop boy	2	17,500
Workshop Manager	1	36,000
Technical Staff (Machine Operator)	3	20,000
Helper (Machine Operator)	2	18,000
Press Operator	5	18,000

Packing Staff	1	17,500
Total	15	163,000

9.9 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity. The electricity expenses are estimated to be around Rs. 123,546 per month. Furthermore, promotional expense being essential for marketing of Laundry dry Cleaners is estimated as 1.25% of revenue.

9.10 Revenue Generation

In order to run operations of laundry and dry cleaning smoothly, details of human resources Based on the capacity utilization of 60%, sales revenue during the first year of operations is provided in the table below.

Table 15: Revenue Generation (Year 1)

Description of Items	No. Of Units Processed	Sale Price / Unit (Rs.)	Sales Revenue (Rs.)
Trousers	5,940	100	594,000
Coats (all Kinds)	2,970	450	1,336,500
Shirts	7,920	100	792,000
Jackets/sweater	2,970	450	1,336,500
Dupta	3,960	70	277,200
Shalwar Qameez	3,960	150	594,000
Shalwar Qameez (Boski, Krundi, Resham)	3,960	280	1,108,800
Blankets	1,584	450	712,800
Bed sheets	3,960	300	1,188,000
Curtain	1,584	300	475,200
Others(avg.)	9,900	350	3,465,000
Total	48,708		11,880,000

10 CONTACT DETAILS

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

Table 16: Names of Suppliers

Name of Supplier	Address	Phone
Ghafoor Engineering Services	20 KM Ferozpur road opposite MCB Bank Dullokur, Lahore	0321-9411971
AL-Jabbar - O-Machinery	Showroom No. 1, Rex mini market , 6 Allam Iqbal road Lahore	0321-4204064
Nacre Dry cleaners	Lahore – Jaranwala road, Al Rehman Gardens Phase II Lahore	0333-4575972

11 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
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 and Exchange 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 Vocational Training Council (PVTC)	www.pvtc.gop.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org

12 ANNEXURES

12.1 Income Statement

Calculations	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	11,880,000	14,157,000	16,770,600	19,765,350	23,191,344	25,510,478	28,061,526	30,867,679	33,954,447	37,349,891
<i>Cost of sales</i>										
Cost of goods sold 1	3,349,269	3,991,212	4,728,051	5,572,346	6,538,220	7,192,042	7,911,246	8,702,370	9,572,607	10,529,868
Operation costs 1 (direct labor)	2,874,000	3,161,400	3,477,540	3,825,294	4,207,823	4,628,606	5,091,466	5,600,613	6,160,674	6,776,742
Operating costs 2 (machinery maintenance)	243,540	277,027	313,253	352,410	394,699	414,434	435,156	456,914	479,759	503,747
Operating costs 3 (direct electricity)	1,336,920	1,470,612	1,617,673	1,779,441	1,957,385	2,153,123	2,368,435	2,605,279	2,865,807	3,152,387
Operating costs 4 (direct water)	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Operating costs 5 (direct gas)	120,000	132,000	145,200	159,720	175,692	193,261	212,587	233,846	257,231	282,954
Total cost of sales	7,983,729	9,098,251	10,354,318	11,769,071	13,361,665	14,678,096	16,125,184	17,715,945	19,464,694	21,387,175
Gross Profit	3,896,271	5,058,749	6,416,282	7,996,279	9,829,679	10,832,382	11,936,342	13,151,734	14,489,753	15,962,716
<i>General administration & selling expenses</i>										
Administration expense	852,000	937,200	1,030,920	1,134,012	1,247,413	1,372,155	1,509,370	1,660,307	1,826,338	2,008,971
Building rental expense	960,000	1,056,000	1,161,600	1,277,760	1,405,536	1,546,090	1,700,699	1,870,768	2,057,845	2,263,630
Electricity expense	145,629	160,192	176,211	193,832	213,216	234,537	257,991	283,790	312,169	343,386
Travelling expense	237,600	283,140	335,412	395,307	463,827	510,210	561,231	617,354	679,089	746,998
Communications expense (phone, fax, mail, internet, etc.)	63,900	70,290	77,319	85,051	93,556	102,912	113,203	124,523	136,975	150,673
Office expenses (stationary, entertainment, janitorial services, etc.)	127,800	140,580	154,638	170,102	187,112	205,823	226,405	249,046	273,951	301,346
Promotional expense Year 1-2	148,500	176,963	-	-	-	-	-	-	-	-
Promotional expense Year 3-10	-	-	159,266	143,340	129,006	116,105	104,495	94,045	84,641	76,177
Depreciation expense	471,083	471,083	471,083	480,656	480,656	480,656	491,738	491,738	491,738	504,567
Amortization of pre-operating costs	14,400	14,400	14,400	14,400	14,400	-	-	-	-	-
Miscellaneous expense	25,560	28,116	30,928	34,020	37,422	41,165	45,281	49,809	54,790	60,269
Subtotal	3,046,472	3,337,964	3,611,777	3,928,480	4,272,144	4,609,652	5,010,412	5,441,381	5,917,536	6,456,016
Operating Income	849,799	1,720,785	2,804,505	4,067,799	5,557,535	6,222,730	6,925,930	7,710,353	8,572,217	9,506,700
Other income (interest on cash)	19,261	51,387	98,053	160,708	243,972	337,341	433,265	535,358	643,703	775,058
Gain / (loss) on sale of office equipment	-	-	109,320	-	-	181,212	-	-	237,105	-
Earnings Before Interest & Taxes	869,060	1,772,172	3,011,878	4,228,506	5,801,507	6,741,283	7,359,195	8,245,711	9,453,025	10,281,758
Subtotal	3,064,117	3,442,402	3,886,694	4,456,325	5,188,624	5,751,759	6,272,865	6,912,021	7,702,392	8,399,573
Earnings Before Tax	869,060	1,772,172	3,011,878	4,228,506	5,801,507	6,741,283	7,359,195	8,245,711	9,453,025	10,281,758
Tax	36,906	155,826	372,969	688,552	1,160,452	1,479,449	1,695,718	2,005,999	2,428,558	2,718,615
NET PROFIT/(LOSS) AFTER TAX	832,154	1,616,347	2,638,908	3,539,954	4,641,055	5,261,834	5,663,477	6,239,713	7,024,466	7,563,143

12.2 Balance Sheet

Calculations											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 Year 10
Assets											
<i>Current assets</i>											
Cash & Bank	300,000	1,240,898	2,870,089	4,974,139	7,882,471	11,635,307	15,352,009	19,309,205	23,519,423	27,976,781	34,027,879
Accounts receivable		227,836	249,670	296,566	350,345	411,914	467,004	513,704	565,075	621,582	683,740
Equipment spare part inventory	40,590	48,480	57,560	67,993	79,960	88,156	97,192	107,154	118,137	130,246	-
Raw material inventory	139,553	174,616	217,195	268,779	331,135	382,461	441,743	510,213	589,296	680,637	-
Pre-paid building rent	80,000	88,000	96,800	106,480	117,128	128,841	141,725	155,897	171,487	188,636	-
Total Current Assets	560,143	1,779,829	3,491,314	5,713,957	8,761,039	12,646,679	16,499,672	20,596,174	24,963,417	29,597,881	34,711,620
<i>Fixed assets</i>											
Security Deposit	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000
Machinery & equipment	3,745,000	3,370,500	2,996,000	2,621,500	2,247,000	1,872,500	1,498,000	1,123,500	749,000	374,500	-
Furniture & fixtures	358,500	322,650	286,800	250,950	215,100	179,250	143,400	107,550	71,700	35,850	-
Office equipment	182,200	121,467	60,733	210,919	140,613	70,306	244,165	162,777	81,388	282,652	188,435
Total Fixed Assets	4,525,700	4,054,617	3,583,533	3,323,369	2,842,713	2,362,056	2,125,565	1,633,827	1,142,088	933,002	428,435
<i>Intangible assets</i>											
Pre-operation costs	72,000	57,600	43,200	28,800	14,400	-	-	-	-	-	-
Total Intangible Assets	72,000	57,600	43,200	28,800	14,400	-	-	-	-	-	-
TOTAL ASSETS	5,157,843	5,892,046	7,118,047	9,066,126	11,618,152	15,008,735	18,625,237	22,230,001	26,105,506	30,530,883	35,140,054
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		73,182	87,126	103,141	121,509	141,986	156,213	171,908	189,225	208,336	211,604
Short term debt	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	73,182	87,126	103,141	121,509	141,986	156,213	171,908	189,225	208,336	211,604
<i>Other liabilities</i>											
Deferred tax		36,906	192,732	565,701	1,254,253	2,414,705	3,894,154	5,589,872	7,595,870	10,024,429	12,743,044
Total Long Term Liabilities	-	36,906	192,732	565,701	1,254,253	2,414,705	3,894,154	5,589,872	7,595,870	10,024,429	12,743,044
<i>Shareholders' equity</i>											
Paid-up capital	5,157,843	5,157,843	5,157,843	5,157,843	5,157,843	5,157,843	5,157,843	5,157,843	5,157,843	5,157,843	5,157,843
Retained earnings		624,115	1,680,346	3,239,441	5,084,547	7,294,201	9,417,027	11,310,378	13,162,568	15,140,276	17,027,564
Total Equity	5,157,843	5,781,958	6,838,189	8,397,284	10,242,389	12,452,044	14,574,870	16,468,221	18,320,411	20,298,118	22,185,407
TOTAL CAPITAL AND LIABILITIES	5,157,843	5,892,046	7,118,047	9,066,126	11,618,152	15,008,735	18,625,237	22,230,001	26,105,506	30,530,883	35,140,054

12.3 Cash Flow Statement

Calculations											SMEDA
Cash Flow Statement											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Rs. in actuals Year 10
Operating activities											
Net profit		832,154	1,616,347	2,638,908	3,539,954	4,641,055	5,261,834	5,663,477	6,239,713	7,024,466	7,563,143
Add: depreciation expense		471,083	471,083	471,083	480,656	480,656	480,656	491,738	491,738	491,738	504,567
amortization of pre-operating costs		14,400	14,400	14,400	14,400	14,400	-	-	-	-	-
Deferred income tax		36,906	155,826	372,969	688,552	1,160,452	1,479,449	1,695,718	2,005,999	2,428,558	2,718,615
Accounts receivable		(227,836)	(21,834)	(46,896)	(53,779)	(61,569)	(55,090)	(46,700)	(51,370)	(56,507)	(62,158)
Equipment inventory	(40,590)	(7,890)	(9,081)	(10,433)	(11,967)	(8,196)	(9,036)	(9,962)	(10,983)	(12,109)	130,246
Raw material inventory	(139,553)	(35,063)	(42,579)	(51,584)	(62,357)	(51,326)	(59,281)	(68,470)	(79,083)	(91,341)	680,637
Pre-paid building rent	(80,000)	(8,000)	(8,800)	(9,680)	(10,648)	(11,713)	(12,884)	(14,172)	(15,590)	(17,149)	188,636
Accounts payable		73,182	13,944	16,015	18,368	20,476	14,228	15,695	17,317	19,112	3,267
Cash provided by operations	(260,143)	1,148,937	2,189,306	3,394,783	4,603,181	6,184,236	7,099,876	7,727,323	8,597,740	9,786,769	11,726,953
Financing activities											
Issuance of shares	5,157,843	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	5,157,843	-	-	-	-	-	-	-	-	-	-
Investing activities											
Capital expenditure	(4,597,700)	-	-	(210,919)	-	-	(244,165)	-	-	(282,652)	-
Acquisitions											
Cash (used for) / provided by investing activities	(4,597,700)	-	-	(210,919)	-	-	(244,165)	-	-	(282,652)	-
NET CASH	300,000	1,148,937	2,189,306	3,183,864	4,603,181	6,184,236	6,855,710	7,727,323	8,597,740	9,504,117	11,726,953

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Communication Expenses	7.5% of Administration expenses
Office expenses (stationary, entertainment, janitorial services, etc.)	15% of Administration Cost
Promotional Expenses	1.25% of Revenue for initial 2 years 0.50% of Revenue for year 3 onwards
Miscellaneous expense	3% of Administration expenses
Travelling expenses	2% of Revenues
Office vehicles insurance rate	5% of Revenues
Depreciation Method	Accelerated depreciation
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Office vehicles price growth rate	10%
Gas price growth rate	10%
Wage growth rate	10%
Office equipment price growth rate	5%
Wage Growth Rate	10%

13.2 Production Cost Assumptions

Description	Details
Production capacity utilization first year	60%
Production capacity utilization growth rate	5%
Maximum capacity utilization	80%

13.3 Revenue Assumptions

Description	Details
Growth in Sales Price	10%
Days Operational / Year	330
Maximum Operational Capacity	64,944 units

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

www.smeda.org.pk, helpdesk@smeda.org.pk

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