



Pre-feasibility Study

SECURITY AGENCY

June 2021

“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 PROJECT PROFILE

1.1 Purpose of the Document

This document is developed to provide the entrepreneur with a potential investment opportunity in setting up and operating a Security Agency. This pre-feasibility gives insights into various aspects of how to setup a security agency and outlines the basic process involved in running an enterprise as a profitable business. The document is designed to provide relevant details to facilitate the entrepreneur in making the correct decision providing various technical, legal and business details. The document also allows flexibility in change of various parameters to suit the customized needs of the entrepreneur.

1.2 Project Brief

Organizations providing security for the protection of resources and assets is certainly not new. Civilizations have found a need to provide privately hired additional security to support a government provided paid military or local police type agency. Government supplied security has the populace at large to protect, and seldom can concentrate their resources on securing a private entity. Old world businesses involved in trade and commerce often found it necessary to hire former soldiers to escort their cargo from one destination to another, or simply prevent pilferage in their towns and cities. At the time, the only requirement for the security provider was experience in wielding a sword, a staff, or being a good bow marksman.

After the introduction of capitalism and commercialization of the most unimaginable businesses of the personal interests, the revolution of industrialization has not left even the personal security of the public a domain of state's responsibility. Companies providing security to the institutions and individuals including government and non-government interests has become an industry all over the world.

Operating a security agency as a commercial unit generating revenues and providing security services to the institutions and individuals is not very old in Pakistan. It was started during 80s by the arrival of Brinks Security—an American company with local partners started its operations of providing armored car services for cash transit to the financial institutions. Through the years since its beginning, the business has become more competitive and diverse in terms of service operations and technology solutions.

The security agencies now working as contract security companies offering services to the corporate sector and individuals. Different services offered by the security agencies in Pakistan include: Security Guard, Security/Burglar Alarm, Vehicle Tracking, Armored Car Services and Cash-in-Transit Services etc. The proposed project envisaged the business of operating a Security Guards agency which will provide services to protect property, maintain security, and enforce regulations and standards of conduct in the client establishments. While building a business offering contract Security Guard Services, the services may include on-site security, periodic business monitoring, transportation and

event security etc. Security staff will provide the security services to the clients and the prospective entrepreneur will undertake the recruitment, training and deployment of the staff on the locations desired by the prospective clients. The entrepreneur will also negotiate security packages with the clients in order to make business more successful.

In this new era, contract security must be cognizant of current rules and regulations of today's society, both criminal and civil. Laws and statutes on Power of Authority, and Use of Force change from province to province. Often federal laws set precedence for other statutes, and this also must be adhered to by the security agency.

1.3 Opportunity Rationale

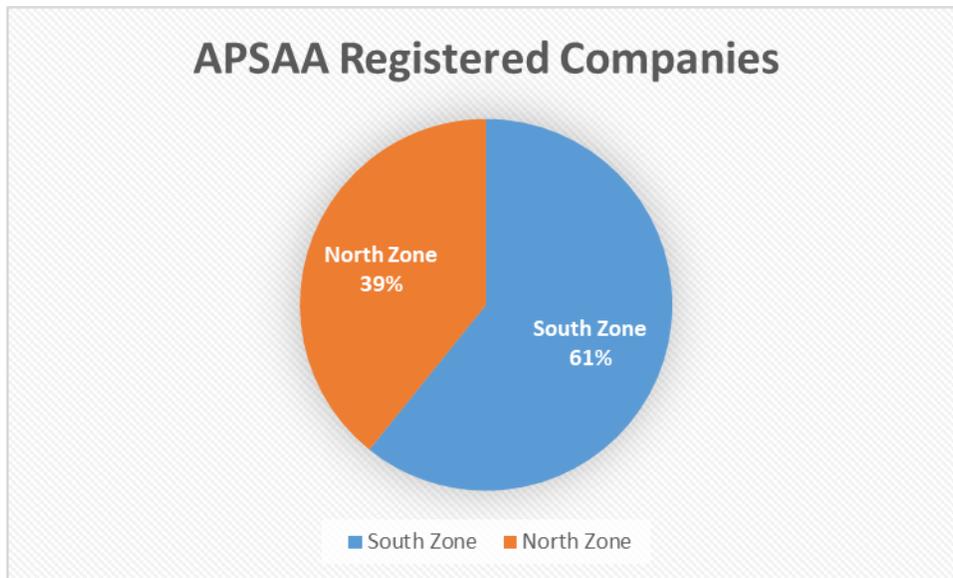
Over the last two decades law and order situation of the country, particularly of the metro cities like Karachi and Lahore has become complex. Karachi—the economic hub of Pakistan has been facing severe security problems for businesses and individuals. Religious, racial and political conflicts have resulted in damages to the private and government assets and signal a desperate need for extra security. Law enforcement agencies do not have resources to provide security to each individual and private organization as government institutions and officials draw much of their attention. Rising wave of terrorism after 9/11 has caused a multiplying affect on the need of more protection for the government machinery particularly the bureaucratic, political and civilian arms. In the scene of growing sense of insecurity by the civilians and drawn attention of government employed security services on the governmental infrastructure has raised a considerable demand of private security for the industry, individuals and institutions for the protection of their lives and assets.

Although, it is not a good sign for economic and business environment, yet, it substantiates the demand for security agencies. In the developing countries, where governments have limited resources to provide security to the private entities, only private security agency is the option left available to them.

1.4 Industry & Market Overview

The concept of operating a private security agency as a commercial business was first introduced during 80s when American company Brinks Security with local partnership started providing cash transit services to the financial institutions. Later on, a number of security service providers entered in this business due to growing demand and easy availability of trained staff—mostly ex-servicemen from the Armed forces. According to an estimate, currently there are 278 private security agencies registered with All Pakistan Security Agency Association (APSAA) in two regions South and North. The registered guards as per APSAA are 12472¹.

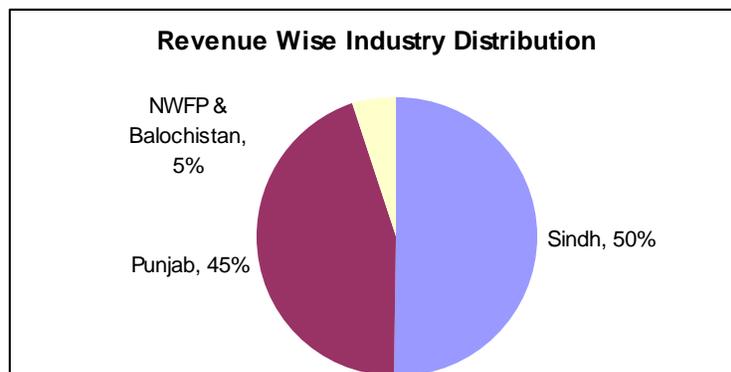
¹ APSAA website (www.apsaa.com.pk) retrieved on 19-11-2020



Although a number of private security companies are operating, following are considered to be the big players in the market providing various types of security solutions:

1. SMS Security
2. Phoenix Security
3. Mustang Security
4. Security 2000
5. Askari Security
6. Dogma Security
7. ADT (burglar alarm)
8. Police Foundation

As the sector is mostly undocumented, data on industry size in terms of revenue is not available. However, after discussion with the existing players it was found to be of more than one billion. Revenue wise geographic distribution of the industry suggests that almost 50% of the total industry is based in Karachi. This is perhaps due to the reason of its economic activity base and unstable security environment.



Brinks Security Agency started business in Pakistan in the early 80s with a joint venture between a Pakistani and a US company, known primarily for its Cash-in-Transit (CIT) services. This company was the only one around for about two years. Few years back the company has been acquired by SMS Security Agency and provides full scale security solutions i.e. security alarm systems, security guards, cash in transit etc. Besides SMS, Phoenix Security also provides same security solutions. All other security companies listed above are mainly providing security guard services except for ADT who specializes in sophisticated security systems for major commercial facilities such as banking institutions, airports and large corporations as well as protecting homes and small businesses.

According to estimates of the existing players, the industry is growing at 5% to 6% annually. However, its growth rate seems directly related to the growth in economic activities and increase in perception of insecurity. A simple measure that can be used to assess demand would be increase in crime rate. Growth of the private security business also hints at declining performance of the government operated security agencies responsible for the protection of general public and their assets.

All private security companies are required to register with the SECP and obtain an NOC from Federal Interior Ministry. Whereas, before commencement of operations, license from the Home Department of the respective province is also a pre-requisite, however, provincial level legislation to regulate such organizations was delayed and only NOC is necessary for the operations.

Types of Services Offered by the industry

Guard Service

Generally the guards employed by the security agencies are ex-servicemen and are managed by a senior officer with vast experience in the intelligence, counter-terrorism and security fields. The personnel are in good physical condition and are given basic training in security and counter-terrorist tactics, as well as, any industry specific training that they need to fulfill client needs. All personnel are ensured to have exemplary character and undergo rigorous security checks before being inducted into the company. Generally all levels of personnel are provided, from general guarding personnel to security supervisory staff and officers. More than 70% of security agencies are providing only guard services.

Although all security guards perform many of the same duties, their specific duties vary with whether the guard works in a “static” security position or on a mobile patrol. Guards assigned to static security positions usually serve the client at one location for a specified length of time. These guards must become closely acquainted with the property and people associated with it and must often monitor alarms and closed-circuit TV cameras. In contrast, guards assigned to mobile patrol duty drive or walk from location to location and conduct security checks within an assigned geographical zone. They may detain or arrest criminal violators, answer service calls concerning criminal activity or problems, and issue traffic violation warnings within the security zone of responsibility.

The security guard's job responsibilities also vary with the size, type, and location of the employer. In department stores, guards protect people, records, merchandise, money, and equipment. They often work with undercover store detectives to prevent theft by customers or employees, and they help apprehend shoplifting suspects prior to the arrival of the police. Some shopping centers and theaters have officers who patrol their parking lots to deter car thefts and robberies. In office buildings, banks, and hospitals, guards maintain order and protect the institutions' property, staff, and customers. At air, sea, and rail terminals and other transportation facilities, guards protect people, freight, property, and equipment. Using metal detectors and high-tech equipment, they may screen passengers and visitors for weapons and explosives, ensure that nothing is stolen while a vehicle is being loaded or unloaded, and watch for fires and criminals.

Guards who work in public buildings such as museums or art galleries protect paintings and exhibits by inspecting people and packages entering and leaving the building. In factories, laboratories, government buildings and data processing centers, security officers protect information, products, computer codes and check the credentials of people and vehicles entering and leaving the premises. Guards working at universities, parks, and sports stadiums perform crowd control, supervise parking and seating, and direct traffic.

Armored car guards protect money and valuables during transit. In addition, they protect individuals responsible for making commercial bank deposits from theft or bodily injury. When the armored car arrives at the door of a business, an armed guard enters, signs for the money, and returns to the truck with the valuables in hand. Carrying money between the truck and the business can be extremely hazardous; because of this risk, armored car guards usually wear bulletproof vests.

Executive Protection

Under this type of service, security personnel work as bodyguards who have a background of Special Services Group (Commandos) of the Pakistan Army. They are generally well schooled in the latest close protection techniques and had the experience of protecting local and foreign dignitaries in their military careers. They possess good physical fitness and are experts in counter-terrorist tactics, unarmed combat and covert surveillance. Security agencies develop detailed risk profiles of their clients to tailor and implement packages that protect their lives and property before deploying executive protection guards.

Electronic Access Control (EAC)

Under this security solution agencies offer a full range of electronic access control systems for protecting sensitive areas in offices, industrial complexes and government installations. The systems incorporate state-of-the-art devices like close and long range proximity card readers and biometrics such as fingerprint or retinal scan devices.

Close Circuit Television (CCTV)

CCTV services now have become very common. In this security solution, agencies provide a complete range of CCTV systems for both normal and covert installation of the clients.

They can work as stand alone devices or be integrated with larger systems to provide a higher level of security. For large commercial, industrial and residential applications, control rooms can be set up for central monitoring of all areas. Though the systems are easy to use, trained operators are also supplied if the need arises.

Beside above mentioned services, security companies also provide the following:

- Glass Armoring
- Asset tracking and recovery
- Corporate and key personnel threat assessment
- Risk management training
- Disaster recovery planning and execution
- Security personnel training and management
- Security planning and surveys
- Business intelligence and investigative services
- Crises management
- Copyright and brand infringement protection
- Safe custody of valuables and documents

TRAINING AND OTHER QUALIFICATIONS FOR GUARDS

Individuals must usually be at least 18 years old, pass a background check, and complete training in such subjects as property rights, emergency procedures, and detention of suspected criminals. Drug testing often is required and may be random and ongoing.

Many employers of unarmed guards do not have any specific educational requirements. For armed guards, employers usually prefer individuals who are high school graduates or who hold an equivalent certification. Many jobs require a driver's license. For positions as armed guards, employers often seek people who have had responsible experience in other occupations.

Armed guard positions have more stringent background checks and entry requirements than those of unarmed guards because of greater insurance liability risks. Compared with unarmed security guards, armed guards typically enjoy higher earnings and benefits, greater job security, and more potential for advancement. Usually, they also are given more training and responsibility.

The amount of training guards receive varies. Training requirements are higher for armed guards because their employers are legally responsible for any use of force. Armed guards receive formal training in areas such as weapons retention and laws covering the use of force. Elite Police Force Training School Lahore and All Pakistan Security Agencies Association provide training to the guards of its member agencies. According to their data published on website, there are 12,472 trained guards in 28 years and conducted 3,962 trainings to equip guards with up to date knowledge.

Many employers give newly hired guards instruction before they start the job and provide on-the-job training. Guards may receive training in protection, public relations, crisis

deterrence, and first aid, as well as specialized training relevant to their particular assignment.

Because many people do not stay long in this occupation because of low pay levels, opportunities for advancement may turnout to be good for those who are career security officers. Most large organizations use a military type of ranking that offers the possibility of advancement in both position and salary. Some guards may advance to supervisor or security manager positions. Pay rates vary substantially with the security level of the establishment and individual's physical and mental condition so there is also the opportunity to move to higher paying jobs with increased experience and training.

SECURITY AGENCY REGISTRATION AND LICENCING

Private Security Companies have been operating in the country under an administrative order issued by the Ministry of Interior in 1988. No private security company can be registered in the country without first obtaining a 'no objection certificate' from the Federal Ministry of Interior. The company's financial affairs are regulated by the Securities and Exchange Commission of Pakistan (SECP) under the Companies Ordinance 1984, while the licenses are issued by the respective provincial government that is also responsible for investigating complaints against any company.

After an application for a license is submitted to the SECP (that also contains bio-data of the director(s) of the company) it is sent to the ISI (Inter Services Intelligence), Intelligence Bureau, Federal Ministry of Defence and Special Branch Police of the respective area for security screening of the directors. It's only when all these departments have cleared the directors that the file is put up with the additional secretary of the ministry for issuance of the NOC. The process takes three to four months.

According to the criteria, the director(s) should have a solid financial background and must not be involved in any criminal or anti-state activity. The company is authorized to retain arms, ammunition and other equipment under license from the government; special transporting vehicles; radio or wireless communication equipment or any other gadget etc. The NOC paves the way for the directors to get a license from the respective provincial government.

In Pakistan, maintenance of law and order is the domain of the provincial governments while the federal government issues the policy. As regard to the registration of the private security companies, the federal interior ministry had issued the policy guidelines in 1988 through an administrative order. The federal government has also prescribed the uniform for the guards of the company that has to be different from the uniform of the Pakistan armed forces and law enforcement agencies.

The policy stipulates that weapons cannot be displayed by these guards outside the premises being guarded by them. And that the guards of private security companies are required to be properly trained and equipped. Towards this end, the provincial governments have already established around four institutions. In Punjab the security

company has to make arrangements for the training and refresher courses of the guards through training schools such as the Elite Police Force Training School, Lahore. The Punjab Private Security Companies Ordinance binds security companies not to employ any person who has been convicted of any offence involving fraud or moral turpitude or dismissed from government service on charges of misconduct. Before employment as a security guard, he should be registered at the local police station.

The security agency is also duty-bound to make arrangements for insurance of every security guard in respect of serious injury sustained resulting in possible disability or death of security guard in the discharge of his duties.

Although the law specifies that it does not confer on the security guards any power similar to that of a police officer or officers of customs, immigration, prisons, or any other public officer, it provides that, "...all licensed private security companies including their directors, security supervisors and security guards shall have a right to defend their own bodies and the bodies of other persons and lawful property for which the Private Security Company has entered into an agreement to protect against any offence affecting the human body or such property."

THE PRIVATE SECURITY COMPANIES ORDINANCE – KEY POINTS

1. The Private Security Companies Ordinance has been issued by the Federal Government. Necessary rules for the Companies functioning in Islamabad Capital Territory are being framed by the Federal Government. The Private Security Companies shall function in the Provinces under Provincial Ordinance / rules being framed in the light of the Ordinance issued by the Federal Government.
2. Private Security Companies are required to register themselves with the Securities and Exchange Commission of Pakistan (SECP) under the Companies Ordinance, 1984.
3. Individuals / group of individuals who intend to establish a private security company may approach the Securities and Exchange Commission of Pakistan at Islamabad / Provincial Capitals. The SECP will register the company after meeting the formalities.
4. Seven complete sets of documents are sent by the SECP to Ministry of Interior for NOC. The process of issuance of NOC by Ministry of Interior normally takes three to four months. A fee of Rs. 10,000 is required to be paid in the bank as registration fees.
5. For operation in the Provinces / Islamabad Capital Territory, the Company is required to approach the concerned Home Secretary / Chief Commissioner, Islamabad for grant of license for operation in the respective jurisdiction. Provincial Governments / ICT will charge Rs. 25,000/- for the issuance of license for operation in the Province / ICT and renewal fee of Rs. 25000/- per annum.

6. The affairs of the Private Security Companies will be regulated as per Ordinance and rules framed by the Provinces / ICT.
7. Federal Government is prescribing a standard uniform for the guards of Private Security Companies which may not resemble with the uniforms of Pakistan Armed Forces and other Law enforcement agencies.
8. The guards of Private Security Companies are required to be properly trained and equipped. Weapons cannot be displayed by these guards outside the premises being guarded by them.

Security Service Contract

Private security companies generally sign one year contract with detailed terms and conditions which include number of security guards to be deployed, armed and un-armed guards ratio, their placement locations, duty switchover timings, physical and health criteria for guards etc. The contract is generally renewable after one year.

1.5 Key Success Factors/Practical Tips for Success

Based on our discussions with the industry stakeholders and internal research, following guidelines can assist the prospective entrepreneur in building good name in the market:

1. Build contacts in the corporate sector
2. Hire appropriate resources
3. Provide adequate training
4. Pay reasonable compensation
5. Keep appropriate working environment
6. Advertise in relevant business publications

Hiring the best people possible will be the key to success in this business. The prospective entrepreneur would be placing customers' security in the hands of the staff, therefore, he would need to perform adequate background checks before hiring employees. The entrepreneur would also need to provide ongoing coaching to the employees to ensure that they have the skills they supposed to have; and present themselves in the most professional way possible.

It has been observed during discussions with the existing players that generally security guards are not treated well and cared of, which becomes the reason for their leaving without notice. Providing comfortable accommodation to the security guards and an effort to make them feel homely would certainly increase their performance and behavior. It is also recommended for the prospective entrepreneur to pay them above market salary in order to retain valuable staff members. A policy of paid leave in place against market

practice will also help employee retention which is the biggest problem of the industry. The entrepreneur should also focus on making working conditions comfortable for the security guards so that they are in their nerves during duty hours.

It has been noted during the discussions that low salary is the biggest retention problem as most of the guards come from remote areas on their own expense. Under such condition if there is an opportunity for them to join some other company near to their residence, they prefer it and most of the time do not even inform their company.

Similar to the legal profession, the best clients of a security agency are derived through the referral system. Targeting corporate sector companies through advertising in business magazines, newspapers, and other publications will help the company in business promotion and service value proposition.

1.6 Proposed Business Legal Status

As it is mandatory for operating a Security Agency to be registered with Securities & Exchange Commission of Pakistan (SECP), the company must be a Private Limited Company; however, referring to the new amendment in the Companies ordinance, the company may operate with one director as a Single Man Company (SMC).

1.7 Project Investment

A total of Rs. 13.18 million will be required to setup and operate the proposed Private Security Agency.

1.8 Proposed Service Mix

Referring to the types of security services provided by different security agencies in the market, it is suggested that the company would provide only security guard services to the corporate sector during the initial phase of the operations. All guards are considered to be armed.

1.9 Recommended Project Parameters

Revenue Capacity	Human Resource	Equipment	Location	
3.17 million / month	105	Pistol, Repeater, NP Gun	Major Cities	
Financial Summary				
Project Cost	IRR	NPV	Payback Period	Cost of Capital (WACC)
Rs. 13.18	41%	Rs.10.14 million	2 Year 9 months	20.0%

1.10 Proposed Location

Unlike other businesses, location for a security agency business largely depends on the type of security services provided to the client. Most of the security agencies station their emergency operation office in the vicinity of the area where most of its clients are located. For a security company providing cash in transit service, the best location would be the heart of the city where most of the financial institutions are located and economic activity is high. This would help keeping operations cost lower and efficient service delivery. Whereas, a security guard service providing company may station away from clients using latest communication equipment to stay in touch with the client and field staff.

The location for the proposed project will be Major Cities of Pakistan and operational offices at regional level.

1.11 Field Force Management & Technology

Integrating logistics data can help improve service delivery operations of the security agency which in turn, will reduce costs and increase revenue. Acquiring field force management solutions include applications i.e. wireless frequency, satellite network devices to monitor field force activities and mobilization while working with client. It would help enhance dispatcher productivity for jump guard* deployment and improve customer service. Tactful management of the field staff (security guards) and vehicles using technology products may result in the following:

Raise Productivity:

- Improve productivity for drivers and field force management
- Integrate data with enterprise systems to help automate billing and payroll
- Reduce out-of-route miles

Increase Asset Utilization:

- Improve route and operational planning
- Provide quick communication enabling more immediate, informed decision-making
- Increase backhaul opportunities

Improve Customer Service:

- Provide accurate ETAs (Expected Time of Arrival) and up-to-date load location and status to internal or external customers
- Manage staff deployment to respond to problems or meet changing customer demands
- Improved on-time delivery

*Reserve guards

2 MANPOWER REQUIREMENT

The manpower requirement depends on the anticipated business opportunities and can be adjusted accordingly after the commencement of the operations. The following table presents the manpower requirement for the proposed security agency setup:

Staff	Number	Monthly Salary (Rs.)	Total Monthly Salary (Rs.)
Owner/CEO/General Manager	1	80,000	80,000
Manager Operations	1	75,000	75,000
Manager Coordination	1	30,000	30,000
Supervisor	3	25,000	75,000
Special Guards (Commandos)	25	28,000	700,000
General Guards	80	17,500	1,400,000
Administration and other staff			
Driver	1	17,500	17,500
Accountant	1	30,000	30,000
Support staff	2	17,500	35,000
Total	115		2,442,500

- **Owner/CEO/General Manager:** Due to sensitivity of the security agency business, company director has critical responsibilities. GM of a security agency has overall responsibility of the activities of the agency, therefore, his close interaction with the staff and monitoring of the agency's day to day activities will be necessary.
- **Manager Operations:** Manager Operations is responsible to supervise operations on the field locations assigned to him. Generally two to five locations are supervised by a manager; however, it depends on the level and span of operations that the company is carrying out on the location. In case where a large number of staff is deployed on one location, there may be one manager operations looking after one location. Manager Operations is a Major or Captain level ex-serviceman.
- **Manager Coordination:** Manager Coordination is responsible for the overall field operations of the security agency. He supervises Supervisors and facilitates them in their day to day activities on the location they are deployed. Generally an ex-serviceman of Colonel or Major level is appointed at this position who reports to the company director or CEO.
- **Supervisor:** All supervisors are the operational Incharge of the location. They report to Manager Operations and assign duties and monitor performance of the guards.
- **Guard/Special Guard:** Guard is a Sipahi level person and reports to supervisor. He guards entrance, exit of the premises, checks vehicles movement and carryout physical and baggage search.

Special Guard is commando level ex-serviceman generally escort executives and responsible for his/her security. Retired SSGC commandos are recruited for this category.

It has been observed during the discussions with the existing players that armed guards comprise 40% of the total while 60% of the security staff serve duties where no weapon is required.

Arms issuance Process

All arms used by the security guards are licensed to the security agency individually. When a requisition is received from the client for the deployment of an armed guard, the security company issues an authority letter to the guard which entitles him for the custody of the weapon during duty hours. However, the guard is responsible to follow guidelines provided by federal interior ministry and the provincial home department.

3 LAND & BUILDING REQUIREMENT

3.1 Land Requirement

Accommodation for the guards (boarding facility) and a field operations office will be required for smooth operations of the security agency. Besides, space for the vehicle parking and a store room for weapons and other equipment will also be required. Place for field operations office and guards' accommodation will be obtained on rent. Space requirement will be as follows:

- Guards Accommodation 120 yards house. The space will also be used for parking purpose.
- Field Operations Office 600 Sq. Ft.

Monthly rent of the accommodation would be Rs.65,000. Office will also be acquired on rent which will cost around Rs. 25,000 a month. For both of the facilities, 6 months advance rent and six month fixed deposit will be required.

4 FINANCIAL ANALYSIS & KEY ASSUMPTIONS

The project cost estimates for setting up a security agency has been formulated on the basis of discussions with relevant industry experts and stakeholders. The cost projections cover the cost of premises, office equipment, manpower costs etc. The specific assumptions relating to individual cost components are given as under:

4.1 Revenue & Cost Projections

Revenue projections for the proposed distribution company set-up include sales streams from the following services:

Service	Percentage	Charge out Rate/Guard
• Income from General Security Services	50%	Salary X 1.20
• Income from Executive Security Services	20%	Salary X 1.20
• Income from Events Security Services	30%	Salary X 1.50

Based on our discussions with the industry players, client charge out rates largely depend on clients' financial and market position & the quality of guard / services required. Although reliability is the top most criteria for the selection, yet, physical appearance, health condition, qualification and communication skills are the factors which decide what would be the actual charge out rate.

The revenue is expected to grow at a rate of 5% per annum, which means that at least one new client will be added to the existing list of contract clients. However, it is possible that at the time of annual renewal of security service contract, some clients may decline to extend it further. It has been assumed that any expired contract will either be extended or be replaced by a new one.

4.2 Security Gadgets, Uniforms, Shoes and Arms Required

Following arms and equipment will be required for the field operations of the security agency:

Item	Number	Cost/Unit (Rs.)	Total Cost
Metal Detector	30	5,000	100,000
Repeater (Durra Made)	40	12,000	240,000
Pistol (0.30 Caliber)	15	14,000	280,000
NP Guns	10	16,000	160,000
Radio Communication System			
Hand/Portable Units	10	15,000	150,000
Mobile Unit	2	25,000	50,000
Uniforms (2/guard)	222	3,250	656,500
Total			1,636,500

4.3 Licensing Fee

	First time	At the time of renewal/unit (annual)
Security Agency License (Licence from Interior Ministry Rs.10,000 and NOC from Home Department Rs.25,000)	35,000	25,000
Weapons	3,000	1,000
Radio Frequency	20,000	
Hand/Portable Unit	-	1,000
Mobile Unit (Fixed in Vehicle)	-	2,500

4.4 Furniture & Equipment

A total of Rs 300,000 is required for purchase of office furniture, boarding facility furniture and related equipment.

4.5 Rent Cost

The rent for the required facilities will be Rs.90,000/- per month. It is assumed that Rs. 900,000 will be given in advance before possession of premises. This will include 6 months deposit and 6 month advance rent. The rent would be payable on a monthly a basis and is expected to increase at the rate of 10% per annum for the projected period.

4.6 Office Renovation

It is expected that a total of Rs. 100,000 would be incurred to renovate the office before commencement of operations. For office renovation, it would include wall paint, board partition, air conditioner, fancy lights, carpet, etc.

4.7 Boarding Facility Renovation

It is expected that a total of Rs. 100,000 would be incurred to repair and customize the boarding premises before commencement of operations. It would include wall paint and Fumigation etc.

It is expected that at least two renovations will be carried out, during the projected period of 10 years. The costs would be approximately 50% of the initial value.

4.8 Utilities Requirement

The following table presents the assumed breakup of utilities on a monthly basis:

UTILITY	MONTHLY CHARGES (RS.)
Electricity	35,000
Gas	15,000
Water	5,000
Telephone	20,000
Total	75,000

It is assumed that utilities expenses will increase by 10% every year.

4.9 Depreciation

The treatment of depreciation on all equipment, premises renovation and furniture would be on a diminishing balance method at the rate of 10%. This method is also expected to provide accurate tax treatment.

4.10 Working Capital & Pre Operating Costs

It is estimated that an approximate amount of Rs. 8.6 million will be required as working capital to meet the cash requirements for the initial stages. The requirement is based on the utilities and salaries expenses for 3 months and 6month advance rent and 6 month fixed deposit of the office and boarding facility.

4.11 Account Receivables

General market practice suggests that 2 months of revenue is tied-up in receivables; the same assumption has been taken for the proposed project.

4.12 Vehicles

Vehicle will be used by the security agency for the transportation of guards and the deployment of jump guards². It has been assumed that for the purpose of transportation and deployment of guards, two Bolan (high roof) would be purchased which will cost around Rs. 2,500,000 with registration. Depreciation on vehicle will be charged @ 10% annually.

4.13 Fuel and Maintenance Expense

Fuel and maintenance of vehicle will draw considerable expenses for which a monthly amount of Rs. 50,000/- has been assumed which will increase by 10% annually.

² Guard who take position of an absent guard or fills urgent requirement

4.14 Field Force Life and Accidental Insurance Expense

Due to high risk factor and life threat in the security agency business, life and accidental insurance for the company staff is a must and hence embedded in the business itself. For this purpose it has been assumed that all staff members of the company would be provided with comprehensive group life and accidental insurance which will cost around Rs. 300,000/- annually.

4.15 Miscellaneous Office Expenses

A monthly figure of Rs. 25,000 is assumed to be incurred for traveling and stationery printing expenses and other office purchases which are expected to increase at the rate of 10% per annum for the projected period.

4.16 Cost of Capital

The cost of capital is explained in the following table:

Particulars	Rate
Required return on equity	20.0 %
Weighted average cost of capital	20.0 %

The weighted average cost of capital is based on the 100%equity.

4.17 Owner's Withdrawal

It is assumed that the owner will withdraw from the business once the desired profitability is reached from the start of operations. The amount would depend on business sustainability and availability of funds for future growth.

4.18 Contact Details

Name of Private Security Agency	Dogma Security		
Address	Mezzanine Floor, Office Gul Centre, Thandi Sarak Hyderabad.		
Phone	+92-22-32908714 +92-22-32782661	Fax	
E-mail	info@dogma.com.pk		
Website	http://www.dogma.com.pk/		

Name of Private Security Agency	All Pakistan Security Agency Association (APSAA)		
Address	South Zone: 1st Floor, 8-C, 24th Commercial Street, Phase-II, Ext. DHA, Karachi, Pakistan. North Zone: House No.3, Haji Aslam Chaudhry Street, Allama Iqbal International Air Port, Lahore Cantt., Pakistan.		
Phone	+92-21-35393041 +92-21-35393042	Fax	
E-mail	info@apsaa.com.pk , apsaa.khi@gmail.com		
Website	https://www.apsaa.com.pk/		

Name of Private Security Agency	Indus Security Services (ISS)		
Address	B-7, Block B, Gulshan-e-Jamal, Main Rashid Minhas Road, Karachi, Sindh 75260, PK 21 Shelter Plaza, 2nd Floor. Saddar, Cantt Hyderabad.		
Phone	+92-022-2720161 +92-022-2783920	Fax	+92-22-3812542
E-mail			
Website			

4.19 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

5 ANNEXURES

5.1 Revenue and Cost Calculations

REVENUE & COST SHEET - SECURITY AGENCY				
REVENUE CALCULATION				
Total Guards	105			
		Total no. of guards	Charge out rate	Revenue from service
Income from general security guard services		80	21,000	1,680,000
Income from executive security services		25	33,600	840,000
Income from events security services		25	26,250	656,250
Total Monthly Revenue				3,176,250
Total Annual Revenue				38,115,000
COST CALCULATION				
		Total no. of guards	Monthly salary/guard	Revenue from service
General security guards salaries		80	17,500	1,400,000
Executive security guards salaries (Commandos)		25	28,000	700,000
Supervisors' salaries		3	25,000	75,000
Manager coordination's salary		1	30,000	30,000
Manager operations' salary		1	60,000	60,000
General Manager Salary		1	80,000	80,000
Annual renewal of licences (Arms and communication system) - from 2nd year			80,000	
Annual purchase of guards uniform (@2/guard-once in a year)				721,500
Total Monthly Cost				2,345,000
Total Annual Cost				28,861,500

5.2 Income Statement

Projected Income Statement (Rs.)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	38,115,000	41,926,500	46,119,150	50,731,065	55,804,172	61,384,589	67,523,048	74,275,352	81,702,887	89,873,176
Service Income	38,115,000	41,926,500	46,119,150	50,731,065	55,804,172	61,384,589	67,523,048	74,275,352	81,702,887	89,873,176
Cost of services provided	28,861,500	31,747,650	34,922,415	38,414,657	42,256,122	46,481,734	51,129,908	56,242,899	61,867,188	68,053,907
Gross Profit	9,253,500	10,178,850	11,196,735	12,316,409	13,548,049	14,902,854	16,393,140	18,032,454	19,835,699	21,819,269
General & Administrative Expenses										
Salaries	990,000	1,089,000	1,197,900	1,317,690	1,449,459	1,594,405	1,753,845	1,929,230	2,122,153	2,334,368
Utilities Expense	900,000	990,000	1,089,000	1,197,900	1,317,690	1,449,459	1,594,405	1,753,845	1,929,230	2,122,153
Rent Expense	1,080,000	1,188,000	1,306,800	1,437,480	1,581,228	1,739,351	1,913,286	2,104,614	2,315,076	2,546,584
Licenses renewal charges	80,000	88,000	96,800	106,480	117,128	128,841	141,725	155,897	171,487	188,636
Accidental and Life Insurance Expense	300,000	330,000	363,000	399,300	439,230	483,153	531,468	584,615	643,077	707,384
Office & Miscellaneous Expenses	300,000	330,000	363,000	399,300	439,230	483,153	531,468	584,615	643,077	707,384
Amortization	70,000	70,000	70,000	70,000	70,000	-	-	-	-	-
Depreciation Expense	420,000	378,000	340,200	306,180	275,562	278,006	250,205	225,185	202,666	182,400
Subtotal	4,140,000	4,463,000	4,826,700	5,234,330	5,689,527	6,156,367	6,716,403	7,338,002	8,026,765	8,788,909
Operating Income	5,113,500	5,715,850	6,370,035	7,082,078	7,858,522	8,746,487	9,676,737	10,694,452	11,808,934	13,030,360
Earnings Before Taxes	5,113,500	5,715,850	6,370,035	7,082,078	7,858,522	8,746,487	9,676,737	10,694,452	11,808,934	13,030,360
Tax	954,050	1,134,755	1,349,512	1,598,727	1,870,483	2,181,270	2,506,858	2,863,058	3,253,127	3,680,626
Net Profit	4,159,450	4,581,095	5,020,523	5,483,351	5,988,040	6,565,217	7,169,879	7,831,394	8,555,807	9,349,734
Monthly Profit After Tax	346,621	381,758	418,377	456,946	499,003	547,101	597,490	652,616	712,984	779,145

5.3 Balance Sheet

Projected Balance Sheet (Rs.)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
Current Assets											
Cash & Bank Balance	7,552,500	12,201,950	16,811,045	21,701,768	26,781,299	31,614,900	36,458,123	41,378,207	45,934,785	50,193,258	53,925,392
Account Receivable	0	0	0	0	0	0	0	0	0	0	0
Prepaid Rent	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000
Pre Operating Costs	350,000	280,000	210,000	140,000	70,000	0	0	0	0	0	0
Total Current Assets	8,982,500	13,561,950	18,101,045	22,921,768	27,931,299	32,694,900	37,538,123	42,458,207	47,014,785	51,273,258	55,005,392
Fixed Assets											
Vehicle	2,500,000	2,250,000	2,025,000	1,822,500	1,640,250	1,476,225	1,328,603	1,195,742	1,076,168	968,551	871,696
Arms and Communication Equipment	1,200,000	1,080,000	972,000	874,800	787,320	708,588	637,729	573,956	516,561	464,905	418,414
Furniture & Fixtures	300,000	270,000	243,000	218,700	196,830	177,147	159,432	143,489	129,140	116,226	104,604
Premises Renovation	200,000	180,000	162,000	145,800	131,220	118,098	106,288	96,659	88,793	81,314	74,883
Total Fixed Assets	4,200,000	3,780,000	3,402,000	3,061,800	2,755,620	2,472,051	2,221,052	2,015,847	1,820,662	1,666,996	1,511,596
Total Assets	13,182,500	17,341,950	21,503,045	25,983,568	30,686,919	35,166,951	39,759,175	44,474,054	48,835,447	52,940,254	56,516,988
Owner's Equity	13,182,500	17,341,950	21,503,045	25,983,568	30,686,919	35,166,951	39,759,175	44,474,054	48,835,447	52,940,254	56,516,988
Long Term Liability	0	0	0	0	0	0	0	0	0	0	0
Total Equity & Liabilities	13,182,500	17,341,950	21,503,045	25,983,568	30,686,919	35,166,951	39,759,175	44,474,054	48,835,447	52,940,254	56,516,988

5.4 Cash Flow Statement

Projected Statement of Cash Flows (Rs.)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Flow From Operating Activities											
Net Profit	0	4,159,450	4,581,095	5,020,523	5,483,351	5,988,040	6,565,217	7,169,879	7,831,394	8,555,807	9,349,734
Add: Depreciation Expense	0	420,000	378,000	340,200	306,180	275,562	278,006	250,205	225,185	202,666	182,400
Amortization Expense	0	70,000	70,000	70,000	70,000	70,000	0	0	0	0	0
Net Cash Flow From Operations	0	4,649,450	5,029,095	5,430,723	5,859,531	6,333,602	6,843,222	7,420,084	8,056,578	8,758,473	9,532,134
Cash Flow From Financing Activities											
Receipt of Long Term Debt	0										
Repayment of Long Term Debt		0	0	0	0	0					
Owner's Equity	13,182,500		(420,000)	(540,000)	(780,000)	(1,200,000)	(2,000,000)	(2,500,000)	(3,500,000)	(4,500,000)	(5,500,000)
Net Cash Flow From Financing Activities	13,182,500	0	(420,000)	(540,000)	(780,000)	(1,200,000)	(2,000,000)	(2,500,000)	(3,500,000)	(4,500,000)	(5,500,000)
Cash Flow From Investing Activities											
Arms and Communication Eq. Purchase	(1,200,000)										
Renovation	(200,000)					(300,000)					(300,000)
Preoperating Costs	(250,000)										
Vehicles	(2,500,000)										
Furniture	(300,000)										
Preliminary Expenses	(100,000)										
Perpaid Rent	(1,080,000)										
	(5,630,000)	0	0	0	0	(300,000)	0	0	0	0	(300,000)
NET CASH FLOW	7,552,500	4,649,450	4,609,095	4,890,723	5,079,531	4,833,602	4,843,222	4,920,084	4,556,578	4,258,473	3,732,134
Cash at the Beginning of the Period	0	7,552,500	12,201,950	16,811,045	21,701,768	26,781,299	31,614,900	36,458,123	41,378,207	45,934,785	50,193,258
Cash at the End of the Period	7,552,500	12,201,950	16,811,045	21,701,768	26,781,299	31,614,900	36,458,123	41,378,207	45,934,785	50,193,258	53,925,392

5.5 Key Assumptions

SUMMARY OF ASSUMPTIONS			
Recurring Expenses			
Expenses on Monthly Basis			
Salary		2,442,500	per month
Rent		90,000	per month
Utilities		75,000	per month
Fuel & Vehicle Maintenance		50,000	per month
Office Expenses		25,000	per month
Accidental and life Insurance Expense		25,000	per month
Expenses on Annual Basis			
Annual purchase of guards uniform (@2/guard-once in a year)		721,500	
Annual licences renewal charges (Arms and Communication system)		80,000	
Fixed Investment			
Furniture		300,000	
Delivery Vehicles (Bolan/APV)		2,500,000	
Equipment and other Purchases (weapons & communication system)		1,200,000	
Renovation - Office and Boarding facility for guards		200,000	
Preoperating Licencing Expenses		250,000	
Working Capital		8,632,500	
Preliminary Expenses		100,000	
		13,182,500	

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 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