



**Pre-feasibility Study**

# **SOCIAL MEDIA MARKETING AGENCY**

**February 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 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

Social media marketing industry is emerging as one of the rapidly growing business ventures all over world as well as in Pakistan. There has been an increasing trend of establishing 'Social Media Marketing Agency' during the last decade, especially in urban cities. However, this trend is also spreading to small cities and towns due to increasing use of social media i.e. Facebook, Instagram, Twitter etc., as an easy, adorable and fast medium for business promotion and advertisement.

This pre-feasibility study provide basic information for setting up a 'Social Media Marketing Agency' that will engage and use various social media, social networks and search engine optimization platforms to market the product and services of different clients. The proposed agency will have the capacity to serve 64 clients, mainly categorized as 10 local clients, 26 international clients and 28 non-permanent clients annually. However, during the first year of operation agency will operate at 45% capacity utilization (i.e. around 29 clients) with a gradual increase of 5% in subsequent years. Background knowledge and technical qualification of the entrepreneur and key staff is extremely important in success of the proposed venture. The agency is assumed to be setup in any of the big city in Pakistan.

The estimated cost of the project is Rs. 4.026 million with capital investment of Rs. 3.446 million and working capital of Rs. 0.580 million. Based on an equity finance model, the project NPV is around Rs. 27.326 million, with an IRR of 68% and Payback Period of 2.90 years. The project will provide employment opportunities to 8 people including owner manager. 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, and production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in social media marketing 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, which form basis of any Investment Decision.

## **5 BRIEF DESCRIPTION OF PROJECT & PRODUCT**

Internet connectivity and accessibility has rapidly grown since the advent of 3G and 4G technology. It has closed the gaps of distance between the people across the globe. The world has now truly transformed into a global village. The use of digital media and internet has effectively replaced the traditional ways of communication and advertisement for businesses to reach out at larger customer base. The use of Social Media and Social Network Platform (predominantly, Facebook, Instagram, Twitter etc.) is considered as the fastest, easiest and most convenient way of marketing and promotion of the business now a days.

The term 'Social Media Marketing (SMM)' refers to the use of social media and social networks to market a company's products and services. A Social Media Marketing Agency basically provide the companies with a way to engage with existing customers and reach out to new ones while allowing them to promote their desired product and services. The market for social media marketing in Pakistan has been developing steadily over the last decade and a mushroom growth of social media industry is being observed in all the cities. But still a good potential exists for quality social media marketing services both for local and international clients.

The proposed Social Media Marketing Agency will comprises of a team of qualified experts and equipped with latest tools and technology to provide the quality services

to its clients. The agency office will be established in a rented place in any commercial plaza of big city with easy accessibility to target customers. The agency will provide full support and services to the clients for introducing and running a well-defined SMM Campaign as well as launching Search Engine Optimization (SEO) to improve their digital presence and reach out at maximum number of potential customers. The proposed services will be targeted for both local and international clients. The client base of proposed agency will be the business enterprises and can be categorized as regular or registered clients and one time activity-based clients.

The agency will offer three main packages (i.e. Silver, Gold and Platinum) comprising of different portfolio of services and pricing. The pricing of each package will vary according to the offered services. Apart from these three basic packages customized social media marketing packages may also be offered to the clients as per their specific business requirements. Financial analysis shows the unit shall be profitable from the very first year of operation. The legal status is proposed to be 'Sole Proprietorship'

### 5.1 Installed and Operational Capacities

The installed and operational capacity of Social Media Marketing (SMM) business venture mainly depends on the market size and potential clients. The proposed SSM agency is assumed to facilitate around 64 customers annually. However, the initial operating capacity of the project will be 45% with maximum service facilitation of 90%.

**Table 1: Installed and Operational Capacity**

Description	Total Capacity (No of Clients)	Operational Capacity 45 % (Year 1)	Maximum Operational Capacity 90% (Year 10)
<b>Local Clients – SMM Services</b>			
Silver Package	4	2	4
Gold Package	4	2	4
Platinum Package	2	1	2
<b>International Clients – SMM Services</b>			
Silver Package	4	2	4
Gold Package	4	2	4
Platinum Package	2	1	2
<b>SEO Service</b>			
Local Clients	8	4	7
International Clients	8	4	7

<b>Individual Clients (Non-permanent)</b>			
Event Marketing One Day	12	5	11
SMM Campaign One Week	8	4	7
SMM Campaign Two Weeks	8	4	7
<b>Total</b>	<b>64</b>	<b>31</b>	<b>59</b>

## 6 CRITICAL FACTORS

Following are the factors critical for the success of this business venture;

- ⇒ Background knowledge and technical qualification of the entrepreneur and key staff.
- ⇒ Hiring and retention of competent and qualified staff.
- ⇒ Higher return on investment and a steady growth of business is closely associated with regular training and capacity building of the entrepreneur and key staff.
- ⇒ Selection of an appropriate location with accessibility of high speed internet connectivity.
- ⇒ Maintaining a clean, hygienic, and healthy office environment.
- ⇒ Marketing and promotion through various channels i.e. outdoor advertisement, TV & cable ads, and promotion through social media (Facebook etc.).
- ⇒ Thorough understanding of international regulations related to piracy and copyright protection. Formulation and implementation of customer follow up and feedback systems.
- ⇒ Make effective use of facilitation agencies like P@SHA, PITB and PESB etc.

## 7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The recommended location for establishing a software house is a commercial plaza of any large metropolitan city of Pakistan due to the easy availability of required labor and IT infrastructure.

In this regard, Pakistan Software Export Board (PSEB) has established Software Technology Parks (STPs) in Islamabad, Karachi, and Lahore to facilitate the IT and IT enabled Services (ITeS) companies operating in Pakistan. Designed with a view to getting business ventures up and running in the shortest possible time, these STPs provide office space with all the modern conveniences in prime business locations in these major cities. These dedicated premises provide a comfortable working environment, high-speed international data connectivity, and an uninterrupted power

supply, with minimal regulatory overheads and paperwork, to its registered companies. Additionally, there are lot co-working spaces and Business Incubation Centers operating in all major cities across Pakistan. These spaces are equipped with adequate facilities and security arrangements. Investors can rent out office space in these designated spaces and commercial plaza's for the proposed venture.

## 8 POTENTIAL TARGET CUSTOMERS / MARKETS

In local market there is an increasing trend towards the use of social media marketing tools and platforms. A lot of small, medium and large enterprises are shifting towards SMM for performance-driven marketing results at affordable pricing.

Potential target customers for the social media marketing service will mainly comprise of clients from local corporate and business sector as well as international business enterprises. As majority of the target local customer belongs to business segments, therefore, the business clients operating in major big cities, such as Lahore, Karachi, Peshawar, Islamabad, Quetta, Faisalabad, Multan, Rawalpindi and Hyderabad will be key potential markets for the proposed venture.

## 9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Social Media Marketing Agency. Various cost 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 attached as annexures.

### 9.1 Project Economics

All the figures in this financial model have been calculated for estimated revenue of Rs. 8.249 million in the year one. The capacity utilization during year one is worked out at 45%.

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

**Table 2: Project Economics**

Description	Details
Internal Rate of Return (IRR)	68%
Payback Period (Yrs.)	2.90
Net Present Value (Rs.)	27,326,213

Calculation of break-even analysis is as follows:



**Table 3 :Breakeven (100% Equity Based)**

Break-Even Analysis	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Break-Even Revenue	7,035,822	7,028,999	7,127,454	6,873,418	6,462,748	6,574,927	7,004,456	7,540,425	8,131,150	8,978,343
Break-Even Units	83	75	69	61	52	48	46	45	45	45
Margin of Safety	15%	27%	37%	52%	68%	74%	79%	81%	83%	86%

However, for the purposes of further explanation the Project Economics based on Debt:Equity (i.e. 50:50) Model has also been computed. Based on 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 4: Project Economics Based on Debt (50%) : Equity (50%)**

Description	Details
Internal Rate of Return (IRR)	68%
Payback Period (Yrs.)	2.90
Net Present Value (Rs.)	33,005,263

The financial assumptions for Debt: Equity are as follows:

**Table 5: Financial Assumptions for Debt:Equity Model**

Description	Details
Debt (50%)	2,013,390
Equity (50%)	2,013,390
Interest Rate on Debt	12%
Debt Tenure	5
Debt Payment / Year	2

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

## 9.2 Project Cost

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

**Table 6: Project Cost**

Description	Amount Rs.
<b>Capital Cost</b>	
Furniture & Fixtures	1,596,900
Computer Equipment	1,002,000
Pre-Operating Costs	437,500
Office Equipment	144,900
Building Security	240,000
Machinery & Equipment	25,000
<b>Total Capital Cost</b>	<b>3,446,300</b>
Cash	500,000
Upfront Building Rent	80,000
<b>Total Working Capital</b>	<b>580,000</b>
<b>Total Project Cost</b>	<b>4,026,300</b>

### 9.3 Space Requirement

The proposed Social Media Marketing Company will be established in rented premises. In this regard space may be acquired in a technology park, commercial plaza or at co-working space facility. The amount of rent will depend on the vicinity of the office as well as the floor on which it would be located. The office can also be established in an independent house unit that can be used for commercial purposes. If the required office space is acquired on rent on 2nd or 3rd floor of any plaza the cost will be slightly lower.

An estimated covered area of 800 sq. ft. will be required for the proposed venture. This space requirement has been based on the No. of staff required to facilitate the estimated clients. The monthly rent of the above area is estimated at Rs. 80,000 per month. Three months advance will be given as security for acquiring the proposed area.

### 9.4 Furniture & Fixtures Requirement

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

**Table 7: Furniture & Fixture**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Table & Chairs (Owner Office)	1	35,000	35,000

Visitor Chairs (Owner Office)	2	8,000	16,000
Sofas (Owner Office)	4	20,000	80,000
Table & Chairs (BDM)	21	35,000	35,000
Visitor Chairs (BDM)	2	8,000	16,000
Workstations and Chairs (SMM & SEO Manager)	2	23,500	47,000
Visitor Chairs	2	6,000	12,000
Workstations and Chairs Accountant	1	23,500	23,500
Cupboard	1	15,000	15,000
Workstations and Chairs	8	23,500	188,000
Visitor Chairs	3	6,000	18,000
Long Table	1	80,000	80,000
Chairs	12	6,000	72,000
Bracket Fans	6	3,800	22,800
Exhaust Fans	3	2,200	6,600
SMD Bulbs (24 Watts)	30	1,000	30,000
Air Conditioners (1 Ton Split)	5	60,000	300,000
Renovation	1	600,000	600,000
<b>Total</b>			<b>1,596,900</b>

### 9.5 Office Equipment Requirement

Following office equipment will be required for the project are given below.

**Table 8: Office Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
LED for Office	1	77,000	77,000
Fridge	1	39,900	39,900
Security Equipment's	1	25,000	25,000
Water Dispenser	1	19,000	19,000
Microwave Oven	1	7,500	7,500

Telephones	1	1,500	1,500
<b>Total</b>			<b>169,900</b>

## 9.6 Computer Equipment Required

Following office computer equipment will be required for the project are given below.

**Table 9: Computer Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Laptops	7	125,000	875,000
Computer printer (s)	1	23,000	23,000
Scanner	1	14,000	14,000
UPS with Batteries	1	90,000	90,000
<b>Total</b>			<b>1,002,000</b>

## 9.7 Human Resource Requirement

In order to run operations of Social Media Marketing smoothly, details of human resources required along with number of employees and monthly salaries are recommended as under.

**Table 10: Human Resource Requirement**

Description	No. of Employees	Monthly Salary per person (Rs.)
Owner / Manager	1	100,000
Accounts Officer and HR	1	35,000
Social Media Manager	1	75,000
SEO Manager	1	75,000
Content Writer	1	50,000
Designer	1	50,000
Business Development Executive	1	35,000
Office Boys	1	17,500
<b>Total</b>	<b>8</b>	<b>437,500</b>

## 9.8 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.13,375 (Direct and In direct) per month. Furthermore, promotional expense being essential for marketing of Social Media Marketing Agency is estimated as 1% of revenue.

## 9.9 Revenue Generation

Based on the capacity utilization of 45%, sales revenue during the first year of operations is provided in the table below.

**Table 11: Revenue Generation – Year 1**

Description	No. of Customers	Sale Price / Clients (Rs.)	Sales Revenue (Rs.)
<b>Local Clients – SMM Services</b>			
Silver Package	2	216,000	432,000
Gold Package	2	312,000	624,000
Platinum Package	1	408,000	408,000
<b>International Clients – SMM Services</b>			
Silver Package (USD)	2	3,900	1,237,470
Gold Package (USD)	2	4,500	1,427,850
Platinum Package (USD)	1	5,100	809,115
<b>SEO Service</b>			
Local Clients	4	264,000	1,056,000
International Clients (USD)	4	3,300	2,094,180
<b>Individual Clients (Non-permanent)</b>			
Event Marketing One Day	5	8,000	40,000
SMM Campaign One Week	4	10,000	40,000
SMM Campaign Two Weeks	4	20,000	80,000
<b>Total</b>	<b>31</b>		<b>8,248,615</b>

## 10 CONTACT DETAILS

In order to facilitate potential investors, the contact details of machinery suppliers are provided below.

**Table 12: Machinery Suppliers**

Name of Supplier	Address	Phone	E-mail
Mega Computer	GF-19 Ground Floor, Techno City, Hasrat Mohani Road, I.I. Chundrigar Road Karachi	(0313)- 2212988  (0313)- 4537591	kashif@megacomputer.pk
Indus Tech	Suit # 106, 1st Floor, Uni Center, I.I Chundrigar Road Karachi 75400	0336- 2275332	info@industech.pk

## 11 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>
Government of Punjab	<a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>
Government of Sindh	<a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>
Government of Khyber Pakhtunkhwa	<a href="http://www.khyberpakhtunkhwa.gov.pk">www.khyberpakhtunkhwa.gov.pk</a>
Government of Baluchistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
Government of Gilgit Baltistan	<a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>
Government of Azad Jammu Kashmir	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
Trade Development Authority of Pakistan (TDAP)	<a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>
Security Commission of Pakistan (SECP)	<a href="http://www.secp.gov.pk">www.secp.gov.pk</a>
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	<a href="http://www.fpcci.com.pk">www.fpcci.com.pk</a>

State Bank of Pakistan (SBP)	<a href="http://www.sbp.org.pk">www.sbp.org.pk</a>
Punjab Small Industries Corporation	<a href="http://www.psic.gop.pk">www.psic.gop.pk</a>
Sindh Small Industries Corporation	<a href="http://www.ssic.gos.pk">www.ssic.gos.pk</a>
Pakistan Software Export Board	<a href="http://www.pseb.org.pk">www.pseb.org.pk</a>
Pakistan Software Houses Association for IT and ITEs	<a href="http://www.pasha.org.pk">www.pasha.org.pk</a>
Information, Science & Technology Department Sindh	<a href="http://www.istd.sindh.gov.pk/">www.istd.sindh.gov.pk/</a>
Cyber Vision International	<a href="http://www.cybervision.com.pk">www.cybervision.com.pk</a>
AT&R Social Media Marketing	<a href="http://www.atnr.pk">www.atnr.pk</a>
iCreativez	<a href="http://www.icreativez.com/">www.icreativez.com/</a>

## 12 ANNEXURES

### 12.1 Income Statement

Calculations										SMEDA
Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	8,248,615	9,654,639	11,275,131	14,467,301	20,453,917	25,736,124	33,318,677	39,153,393	48,883,368	65,534,619
<i>Cost of sales</i>										
Direct Labour	4,620,000	5,082,000	5,590,200	6,149,220	6,764,142	7,440,556	8,184,612	9,003,073	9,903,380	10,893,718
SEO tool AH REF for boosting	188,476	226,696	271,208	324,460	388,169	464,386	555,570	664,657	795,163	951,295
Operating costs 2 (Internet)	123,729	144,820	169,127	217,010	306,809	386,042	499,780	587,301	733,251	983,019
Operating costs 3 (direct electricity)	80,249	88,274	97,102	106,812	117,493	129,242	142,167	156,383	172,022	189,224
Total cost of sales	5,012,455	5,541,790	6,127,637	6,797,502	7,576,613	8,420,227	9,382,128	10,411,414	11,603,816	13,017,256
Gross Profit	3,236,160	4,112,849	5,147,494	7,669,799	12,877,304	17,315,897	23,936,549	28,741,979	37,279,553	52,517,363
<i>General administration &amp; selling expenses</i>										
Administration expense	630,000	693,000	762,300	838,530	922,383	1,014,621	1,116,083	1,227,692	1,350,461	1,485,507
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	80,249	88,274	97,102	106,812	117,493	129,242	142,167	156,383	172,022	189,224
Water expense	69,300	76,230	83,853	92,238	101,462	111,608	122,769	135,046	148,551	163,406
Travelling expense	6,300	6,930	7,623	8,385	9,224	10,146	11,161	12,277	13,505	14,855
Repair and maintenance expense	25,200	27,720	30,492	33,541	36,895	40,585	44,643	49,108	54,018	59,420
Communications expense (phone, fax, mail, internet, etc.)	69,300	76,230	83,853	92,238	101,462	111,608	122,769	135,046	148,551	163,406
Office expenses (stationary, entertainment, janitorial services, etc)	46,200	50,820	55,902	61,492	67,641	74,406	81,846	90,031	99,034	108,937
Promotional expense	82,486	96,546	112,751	144,673	204,539	257,361	333,187	391,534	488,834	655,346
Professional fees (legal, audit, consultants, etc.)	164,972	193,093	225,503	289,346	409,078	514,722	666,374	783,068	977,667	1,310,692
Depreciation expense	507,340	507,340	507,340	569,480	559,460	562,651	634,586	622,987	622,987	706,261
Amortization of pre-operating costs	87,500	87,500	87,500	87,500	87,500	-	-	-	-	-
Miscellaneous expense 1	31,500	34,650	38,115	41,927	46,119	50,731	55,804	61,385	67,523	74,275
Subtotal	2,760,348	2,994,334	3,253,934	3,643,923	4,068,794	4,423,772	5,032,088	5,535,324	6,200,997	7,194,959
Operating Income	475,812	1,118,515	1,893,560	4,025,876	8,808,510	12,892,125	18,904,461	23,206,654	31,078,556	45,322,403
Other income (interest on cash)	22,922	45,989	59,641	82,025	137,882	194,893	263,913	355,208	442,659	581,453
Other income 2	-	-	-	-	10,000	-	-	-	-	-
Gain / (loss) on sale of machinery & equipment	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of computer equipment	-	-	250,500	-	-	540,485	-	-	876,179	699,494
Earnings Before Interest & Taxes	498,734	1,164,504	2,203,701	4,107,901	8,956,392	13,627,503	19,168,375	23,561,862	32,397,394	46,603,350
Earnings Before Tax	498,734	1,164,504	2,203,701	4,107,901	8,956,392	13,627,503	19,168,375	23,561,862	32,397,394	46,603,350
Tax	4,937	66,450	220,555	652,370	2,254,737	3,889,626	5,828,931	7,366,652	10,459,088	15,431,172
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>493,797</b>	<b>1,098,054</b>	<b>1,983,146</b>	<b>3,455,531</b>	<b>6,701,655</b>	<b>9,737,877</b>	<b>13,339,444</b>	<b>16,195,211</b>	<b>21,938,307</b>	<b>31,172,178</b>



## 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	Year 10
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	500,000	1,333,739	2,345,356	2,425,911	4,136,103	6,894,436	8,697,034	12,416,034	16,000,608	19,412,152	27,104,052
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	580,000	1,421,739	2,442,156	2,532,391	4,253,231	7,023,276	8,838,759	12,571,932	16,172,095	19,600,787	27,104,052
<i>Fixed assets</i>											
Building Security	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000	240,000
Machinery & equipment	25,000	22,500	20,000	17,500	15,000	44,407	38,716	33,026	27,335	21,644	15,954
Furniture & fixtures	1,596,900	1,437,210	1,277,520	1,117,830	958,140	798,450	638,760	479,070	319,380	159,690	-
Computer equipment	1,002,000	671,340	340,680	1,169,960	777,160	394,380	1,354,375	899,660	456,544	1,567,859	1,041,469
Office equipment	144,900	130,410	115,920	101,430	86,940	72,450	57,960	43,470	28,980	14,490	-
Total Fixed Assets	3,008,800	2,501,460	1,994,120	2,646,720	2,077,240	1,549,687	2,329,812	1,695,225	1,072,239	2,003,683	1,297,422
<i>Intangible assets</i>											
Pre-operation costs	437,500	350,000	262,500	175,000	87,500	-	-	-	-	-	-
Total Intangible Assets	437,500	350,000	262,500	175,000	87,500	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>4,026,300</b>	<b>4,273,199</b>	<b>4,698,776</b>	<b>5,354,111</b>	<b>6,417,971</b>	<b>8,572,963</b>	<b>11,168,570</b>	<b>14,267,157</b>	<b>17,244,334</b>	<b>21,604,470</b>	<b>28,401,474</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Shareholders' equity</i>											
Paid-up capital	4,026,300	4,026,300	4,026,300	4,026,300	4,026,300	4,026,300	4,026,300	4,026,300	4,026,300	4,026,300	4,026,300
Retained earnings		246,899	672,476	1,327,811	2,391,671	4,546,663	7,142,270	10,240,857	13,218,034	17,578,170	24,375,174
Total Equity	4,026,300	4,273,199	4,698,776	5,354,111	6,417,971	8,572,963	11,168,570	14,267,157	17,244,334	21,604,470	28,401,474
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>4,026,300</b>	<b>4,273,199</b>	<b>4,698,776</b>	<b>5,354,111</b>	<b>6,417,971</b>	<b>8,572,963</b>	<b>11,168,570</b>	<b>14,267,157</b>	<b>17,244,334</b>	<b>21,604,470</b>	<b>28,401,474</b>

## 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	Year 10
<i>Operating activities</i>											
Net profit		493,797	1,098,054	1,983,146	3,455,531	6,701,655	9,737,877	13,339,444	16,195,211	21,938,307	31,172,178
Add: depreciation expense		507,340	507,340	507,340	569,480	559,460	562,651	634,586	622,987	622,987	706,261
amortization of pre-operating costs		87,500	87,500	87,500	87,500	87,500	-	-	-	-	-
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
Cash provided by operations	(80,000)	1,080,637	1,684,094	2,568,306	4,101,863	7,336,903	10,287,644	13,959,857	16,802,608	22,544,145	32,067,074
<i>Financing activities</i>											
Issuance of shares	4,026,300	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	4,026,300	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(3,446,300)	-	-	(1,159,940)	-	(31,907)	(1,342,776)	-	-	(1,554,431)	-
Cash (used for) / provided by investing activities	(3,446,300)	-	-	(1,159,940)	-	(31,907)	(1,342,776)	-	-	(1,554,431)	-
NET CASH	500,000	1,080,637	1,684,094	1,408,366	4,101,863	7,304,996	8,944,868	13,959,857	16,802,608	20,989,714	32,067,074

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

Description	Details
Travelling Expense	1% of Administration Expense
Communication Expenses	1.5 % of Direct Staff Salaries
Promotional Expenses	1 % of Revenue
Depreciation Method	Straight Line
Depreciation Rate	33% on Office Equipment 10% on Furniture & Fixture
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Salaries Growth Rate	10%

### 13.2 Production Cost Assumptions

Description	Details
Maximum Clients	64
Clients in First Year	31
Percentage Increase in Clients	5%
Internet Expense	1.5% of Revenue
SEO Tool for Boosting	US \$ 99 per Month

### 13.3 Revenue Assumptions

Description	Details
Sale Price Growth Rate	10%
Hours Operational / Day	10
Days Operational / Year	300

<b>Social Media Marketing SMM Local:</b>	
Silver Package	Rs. 18,000 per Month
Gold Package	Rs. 26,000 per Month
Platinum Package	Rs. 34,000 per Month
<b>Social Media Marketing SMM International:</b>	
Silver Package	US \$ 325 per Month
Gold Package	US \$ 375 per Month
Platinum Package	US \$ 425 per Month
SEO Local	Rs. 22,000 per Month
SEO International	US \$ 275 per Month
<b>Non-Permanent Clients:</b>	
Event Marketing One Day	Rs. 8,000
SMM Campaign One Week	Rs. 10,000
SMM Campaign Two Weeks	Rs. 20,000

# Small and Medium Enterprises Development Authority

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