



**Pre-feasibility Study**

# **GUEST HOUSE**

**April 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 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.

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## 2. EXECUTIVE SUMMARY

A Guest House is aimed at providing accommodation facilities to tourists and outstation corporate visitors at affordable prices. The boom of tourism industry in Pakistan has led to a rapid increase in number of guest houses in several cities/towns in the country. The competitive edge of this proposed business is providing clients the required services at lowest possible rates. Satisfactory provision of services as per the customers' expectations is a key success factor to generate repeat business for the guest house. The guest house business model proposed in this study offers to its clients' multiple categories of rooms; including simple single bed and double bed rooms as well as high-priced executive rooms.

This "Pre-feasibility Document" provides details for establishing "Guest House" to offer decent accommodation facilities to its customers at affordable prices. The proposed facility will have 19 rooms which translate into 6,840 room-days capacity on the basis of 360 operative days per year. The facility is assumed to operate with service capacity utilization of 60% during the first year of its operations. The service capacity is assumed to increase at a rate of 10% per annum with a cap at 95% of total capacity.

This proposed venture is to be ideally located in large cities like Lahore, Karachi and Islamabad. This enables the corporate visitors to get services of the guest houses during their official visits, meetings and conferences. A large city like Lahore, Karachi, Islamabad, Multan, and Faisalabad attracts a large share of visitors because of vocational, employment, business and other opportunities. Currently there are limited accommodation facilities to cater to the influx of businessmen, tourists and others looking for a better accommodation.

The proposed project will be set up in a rented building having an area of 4,950 sq. ft. (22 Marla). The project requires a total investment of PKR 14.19 million. This includes capital investment of PKR 13.46 million and working capital of PKR 0.73 million. The project will be established using 100% equity financing. The Net Present Value (NPV) of project is PKR 26.59 million with an Internal Rate of Return (IRR) of 41% and a Payback period of 3.34 years. Further, the proposed project is expected to generate Gross Annual Revenues of PKR 28.30 million in 1<sup>st</sup> year of operations, Gross Profit (GP) ratio ranging from 41% to 51% and Net Profit (NP) ratio ranging from 5% to 23% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 47% (3,187 room-days) with gross revenue of PKR 21.97 million in a year.

The proposed project may also be established using leveraged financing. At 50% debt financing at a cost of KIBOR+3%, the proposed project provides Net Present Value (NPV) of PKR 31.14 million, Internal Rate of Return (IRR) of 41% and Payback Period of 3.32 years. Further, this project is expected to generate Net Profit (NP) Ratio ranging from 5% to 20% estimated breakeven point at capacity of 51% (3,490 room days) with annual revenue of PKR 24.06 million.

The proposed project will provide employment opportunities to 17 persons including the owner. High return on investment and steady growth of business is expected with the entrepreneur having some prior experience in or education in hospitality industry. The legal business status of this project is proposed as "Sole proprietorship".

Business for guest houses might be competitive as there are multiple numbers of local and multinational organizations, which have started this business. The low cost would be the determining factor to make this business, a long-lasting success.

### **3. INTRODUCTION TO SMEDA**

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with the 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 'sectorial 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.

National Business Development Program for SMEs (NBDP) is a project of SMEDA, funded through Public Sector Development Program of Government of Pakistan.

The NBDP envisages provision of handholding support / business development services to SMEs to promote business startup, improvement of efficiencies in existing SME value chains to make them globally competitive and provide conducive business environment through evidence-based policy-assistance to the Government of Pakistan. The Project is objectively designed to support SMEDA's capacity of providing an effective handholding to SMEs. The proposed program aimed at facilitating around 314,000 SME beneficiaries over a period of five years.

### **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 establishing a Guest House by providing a general understanding of the business with the intention of supporting them in 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 setup and its successful management.

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

## **5. BRIEF DESCRIPTION OF PROJECT & SERVICES**

This document provides details for setting up a “Guest House”. It is proposed to provide accommodation facilities for tourists and outstation corporate clients travelling for their work-related activities. The proposed business is assumed to operate for 360 days a year. The market for guest houses has grown at a fast rate due to increase in tourism and the CPEC-related activities.

According to the World Travel and Tourism Council, the tourism industry will contribute PKR 1 trillion (US\$6.2 billion) to the Pakistani economy by the end of 2025, this highlights the potential of expansion of hospitality industry in Pakistan.

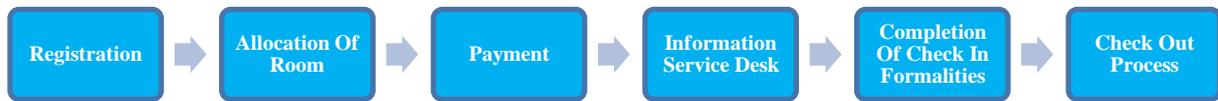
The Guest House business will be started in a rented house to reduce capital cost. For a guest house, medium size houses can be easily found in the identified cities. Therefore, no land and building cost has been added in the project cost.

This project mainly focuses on the potential investment opportunity in the hospitality sector. The success of proposed business depends upon getting repeat business which is derived from the clients’ satisfaction from the delivered services.

## 5.1 Service Process

The service process of guest houses is as follows:

**Figure 1 Guest Houses – Process Flow Diagram**



Brief description of service process for “Guest House” is provided hereunder.

### Registration

The person coming for stay is registered by the guest house. This normally involves the following steps:

- Welcome the guest promptly with a cheerful and pleasant smile.
- Request for the reservation details (guest last name, confirmation number, booking source etc.)
- Request for the guest ID card or passport. Verify the information on the registration against the reservation ensuring the accuracy of name, date, and payment mechanism.
- Stamp check-in time on the registration card and show check-in in the system.
- Carry out the final check of the registration card for the guest signature.
- Discuss room preference with guest as per the availability, or select an available room which is "ready to let" and allocate the room.

### Allocation of Room

Allocation of the room means assigning a vacant and ready (VR) room to the guest for staying. For repeating guests, rooms are assigned on the basis of their preferences. In order to allocate a guest room, accurate room’s status information is required which is obtained from a room status board or room rack at the reception. When the room is allocated, the receptionist blocks or codes the room as sold. The next step is to prepare key card of related room number by entering the arrival and departure date, rate and offer it to the guest for signature. The room key is then given to either the guest or the bellboy. Recording the guest’s arrival on daily arrival list is mandatory.

### Advance Payment

Advance payment is to be made for security purposes. It is usually done by accepting a cash deposit or taking a credit/debit card. While handling advance deposit, whether cash/ cheque, it is recommended to issue a receipt for cash/

cheque and record the payment in the guests' ledger. For credit cards' payment, it is required to get the imprint of the card after evaluating its credit limit and obtaining a guest signature. Also, there is a need to get a pre-authorization from the Credit Card Company or EDC (Electronic Data Capture) machine for the required amount and to record the same to the reservation.

### **Information Service Desk**

The receptionist is responsible for informing guest about the facilities and services offered by the guest house. This helps the guest to familiarize with the guest house facilities. The receptionist is also responsible for performing check in and check out process of the guests.

### **Complete the check in process**

After the check-in formalities are completed, the bellboy escorts the guest up to the allocated room. Other departments/sections of the guest house are informed about the guest arrival by arrival notification slip.

### **Check out Process**

Guest requests checkout to the receptionist present at the Information Services Desk and returns the key to the receptionist. Receptionist generates the folio<sup>1</sup> of guest from the system. Then receptionist checks for any remaining charges on accounts of room charge, food charges, laundry charges, etc. and informs the guest about the remaining payment amount. The guest informs the receptionist about method of payment and settles the due amount, if any. After receiving the payment, the receptionist provides a signed copy of folio to the departing guest.

## **5.2 Service and Operational Capacities**

The proposed facility will have 19 rooms (6 single bed, 6 double bed, 4 master bed and 3 suite room) which translate into 6,840 room-days capacity on the basis of 360 operative days per year. The facility is assumed to operate with service capacity utilization of 60% during the first year of its operations. The service capacity is assumed to increase at a rate of 10% per annum with a cap at 95% of total capacity, which is expected to be achieved during the 5<sup>th</sup> year after commencement of operations.

Table 1 shows details of maximum annual capacity and operational capacity utilized during first year of operations.

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<sup>1</sup> Folio is invoice of charges in hotel terminology

**Table 1: Installed and Operational Capacity**

Room Category	Number of Rooms (A)	Annual Working Days (B)	Annual Room-Days Capacity C=(A*B)	Initial Occupancy @ 60%
Single Bed Room (1 Single Bed)	6	360	2160	1,296
Double Bed Room (2 single Beds)	6	360	2160	1,296
Master Bed Room (1 Double Bed)	4	360	1440	864
Suite Rooms (1 Double Bed)	3	360	1080	648
<b>Total</b>	<b>19</b>		<b>6840</b>	<b>4,104</b>

## 6. CRITICAL FACTORS

Before making the decision to invest in Guest House business, one should carefully analyze the associated risk factors. The important considerations in this regard may include:

### Price

Price is the determining factor in the success of this industry. The client is more inclined towards availing the best service experience in low cost. This suits best for the proposed target market of the corporate clients who make frequent visits.

### Location

The hotel industry has traditionally focused on location as the most important critical success factor. In this proposed venture, the large cities are selected due to their immense demand for guest houses.

### Ambience

Getting a serene, pollution free, noise free environment is an important factor for the customers selecting a guest house.

### Room Facilities

The room facilities, including air conditioner, television, internet facility, room furniture and decent toiletry, are the key drivers of clients' perceived expectations.

### Safety

The guest house management should have a thorough understanding of safety rules and the ability to stay calm in an emergency situation. Ability to keep the guests safe and secure is a very important factor in evaluating the services of guest houses by

their clients. The guest houses should be equipped with sprinklers and smoke detectors in good working condition.

## 7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The metro cities represent the biggest market for this proposed venture. Lahore, Karachi, Faisalabad, Islamabad and Rawalpindi are suitable locations for such an investment. Increased economic activity in such large urban centers increases the demand for guest houses. Moreover, tourists during their visits to Pakistan prefer to stay in large cities.

## 8. POTENTIAL TARGET MARKETS

The potential target markets are the corporate clients seeking guest house services for their official and personal purposes. The target market of the proposed venture is categorized into two major groups of corporate visitors and tourists; though the target market is not limited to these two categories. In fact, any other person which may include professionals like lawyers, doctors or students can avail the accommodation facilities.

According to Government of Pakistan, the GDP growth rate in 2020-21 has been approximately 4% and the target for 2021-22 has been set as 4.5%. The large-scale manufacturing of Pakistan experienced 22% year-on-year growth rate in March. The momentum of CPEC projects is also increasing. All these factors point towards economic recovery and growth of Pakistan. Increased economic activity will increase the number of business trips in larger cities of Pakistan, since majority of businesses is concentrated in these areas. There will be increase in number of Chinese visitors in the large cities of Pakistan due to increased activity of CPEC projects.

Increasing economic activities highlights the potential of setting up guest houses in large cities of Pakistan. The private guest houses can easily serve the requirements of business community.

Rapid growth in tourism industry is also contributing to raise the demand for guest houses. Government predicts that the tourism industry will contribute PKR 1 trillion (US\$6.2 billion) to the Pakistani economy by the end of 2025. Government is actively promoting 'religious tourism,' as it is one of the most significant revenue-generating businesses in the world. e.g., Nankana-Kartarpur Corridor. In the past, only 3,000 visas were issued to Sikh pilgrims. The initiative of Kartarpur corridor has drawn the attention of the Sikh community from around the world. A recent survey data<sup>2</sup> revealed that 83 percent of the eight million diaspora Sikhs living outside India had shown interest in visiting Pakistan. Also, 79 percent of the 20 million Indian Sikhs expressed an interest in visiting Pakistan.

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<sup>2</sup> Source: [invest.gov.pk](https://invest.gov.pk)

In KP, which is dotted with sacred Buddhist sites, the government is working with the World Bank to develop a Buddhist trail to attract Buddhist tourists, and in particular, the monks from across the globe.

In 2013, 565,212 tourists visited Pakistan<sup>3</sup>, contributing \$298 million; these figures have since risen to over 6.6 million tourists in 2018.while Pakistan's domestic tourism industry is estimated at 50 million tourists who travel in the country on short trips usually between May to August.

According to Pakistan Tourism Development Corporation (PTDC), currently in Pakistan, there are over 600 guest houses (Govt. and privately owned) located in different areas of Pakistan. Looking at the rising tourism trends, these existing guest houses are not enough to accommodate the all visitors. Thus, investment in this sector is not only necessary but is a good opportunity for investors. As of now, there is no record available of the guest houses operating in the private sector, there is no central body that is controlling the private sector guest houses. Therefore, data related to private guest houses is not available.

As per government of Punjab from 2016 onwards, 1.2 <sup>4</sup>million hotel check-ins have been recorded in the Province of Punjab.

## 9. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of the guest house. Various assumptions relevant to revenue and cost, along with the results of the analysis, are outlined in this section.

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

All the figures in this financial model have been calculated after carefully taking into account the relevant assumptions and the target market.

### 9.1 Project Economics

The financial feasibility analysis provides the information regarding projected Internal Rate of Return (IRR), Net Present Value (NPV) and Payback period of the study, which is shown in Table 2.

**Table 2: Financial Feasibility Analysis**

Description	Values
IRR	41%
NPV (PKR)	26,597,409
Payback Period (years)	3.34

<sup>3</sup> Source: [www.dawn.com](http://www.dawn.com) article published at 17 Oct, 2019

<sup>4</sup> [https://www.pitb.gov.pk/hotel\\_eye](https://www.pitb.gov.pk/hotel_eye)

Projection Years	10
Discount Rate used for NPV	15%

### 9.1.1. Financial Feasibility Analysis Debt Financing

The financial feasibility analysis provides the information regarding projected IRR, NPV and payback period of the study on the basis of Debt: Equity Model (50:50), which is shown in Table 3.

**Table 3: Financial Feasibility Debt Financing**

Description	Project
IRR	41%
NPV (PKR)	31,136,317
Payback Period (years)	3.32
Projection Years	10
Discount Rate used for NPV	13%

## 9.2 Initial Project Cost

Table 4 provides fixed and working capital requirements for establishment and operations of the Guest House business.

**Table 4: Initial Project Cost estimates**

Cost Item	Cost (PKR)
Land	-
Building /Renovation Cost	2,074,000
Equipment	5,533,600
Furniture & Fixtures	3,750,500
Vehicle	162,000
Pre-Operating Cost	1,131,632
Upfront Building Rent	810,000
<b>Total Capital Cost</b>	<b>13,461,732</b>
<b>Working Capital</b>	
Consumable's inventory	227,430
Cash	500,000
<b>Total Working Capita Costl</b>	<b>727,430</b>
<b>Total Project Cost</b>	<b>14,189,162</b>

### 9.2.1 Land

The guest house will be established in a rented building to avoid the high cost of land. Suitable location for setting up of guest house like this can be easily found on rent. Therefore, no land cost has been added to the project cost. Total space requirement for the proposed project has been estimated as 4,950 sq. feet (22 Marla).

The breakup of the space requirement is provided in Table 5.

**Table 5: Breakup of Space Requirement**

Cost Item	% Break-Up	Area Sq. Feet
Single Bed Room (inclusive of wash room)	19%	960
Double Bed Room (inclusive of wash room)	29%	1,440
Master Bed Room (inclusive of wash room)	18%	900
Reception	4%	180
Waiting Area	3%	130
Dining Area	4%	210
Laundry Area	2%	120
Kitchen	3%	140
Lawn	6%	320
Parking	7%	360
Lobby	4%	190
Ground Floor (A)	<b>100%</b>	<b>4,950</b>
GM Office	3%	140
Accounts & Finance	2%	120
Marketing Office	2%	100
Single Bed Room (inclusive of wash room)	10%	480
Double Bed Room (inclusive of wash room)	15%	720
Master Bed Room (inclusive of wash room)	6%	300
Suite Rooms (inclusive of wash room)	36%	1,800
Corridor	7%	360

Stairs	7%	330
Terrace	12%	600
First Floor (B)	<b>100%</b>	<b>4,950</b>
Total (A+B)		<b>9,900</b>

### 9.2.2 Building

There will be no cost of building since the guest house will be started in the rented premises. However, there will be a renovation cost required to make the building ready to use for the business. The proposed business requires estimated electricity load of 8-10 KW for which an electricity connection under the General Supply Tariff-Commercial single phase will be required. Cost of such electricity connection has not been included in the capital cost since such connections are normally already available in such rented premises. Building rent of PKR 270,000 per month has been included in the operating cost.

Table 6 provides details of building renovation cost.

**Table 6: Renovation Cost**

Cost Item	UOM	Total Litres or Area	Unit Cost (PKR)	Total Cost (PKR)
Paint Cost	Litre	840	500	420,000
Labour Cost	Feet	84,000	8	672,000
Carpet	Sq. Feet	6,600	70	462,000
Wall Clocks		20	1,000	20,000
Decorative				300,000
Painting				200,000
Total				<b>2,074,000</b>

### 9.2.3 Equipment Requirement

Table 7 provides details of the equipment required for the proposed project.

**Table 7: Equipment Cost Detail**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Laptop / Desktop	3	80,000	240,000
Air Conditioners	20	90,000	1,800,000
Printer	3	40,000	120,000
Security System (8 Cams)	8	2,000	16,000

Security System (1 DVR)	1	12,000	12,000
LED / LCD 32"	19	40,000	760,000
Kitchen Utensils		(Ref. Table 8 )	724,000
Water Dispensers	3	20,000	60,000
Water Filter	2	30,000	60,000
Deep Freezer	2	60,000	120,000
WIFI / Internet Router	6	5,000	30,000
Telephone Exchange	1	60,000	60,000
Room Refrigerator	16	40,000	640,000
Washing Machine	3	60,000	180,000
Microwave Oven	3	25,000	75,000
Toaster	4	10,000	40,000
Coffee/Tea-maker	4	15,000	60,000
Ceiling Fan	24	4,500	108,000
Exhaust Fan	20	2,000	40,000
Bracket Fan	9	4,000	36,000
Tandoor (Steel)	1	20,000	20,000
Pump Motor (1.5 HP)	1	15,000	15,000
Refrigerator	2	17,000	34,000
Juicer	2	5,000	10,000
Blender	2	35,000	70,000
Chiller	1	200,000	200,000
Mincer Machine	2	1,800	3,600
<b>Total</b>			<b>5,533,600</b>

Table 8: Kitchen Utensils List

Cost Item	Number of Items	Unit Cost (PKR)	Total Cost (PKR)
<b>Dinner set</b>			
Dinner set	5	25,000	125,000
<b>Tea set</b>			
Coffee and Tea set	20	2,500	50,000
Soup set			

Soup set	4	9,000	36,000
Sweet & desserts set			
Sweet & desserts set	10	4,000	40,000
<b>Water set</b>			
Water set	10	4,000	40,000
<b>Cutlery</b>			
Cutlery Set	10	2,500	25,000
Buffet Set			
Buffet set	6	10,000	60,000
<b>General</b>			
Tray set	10	2,500	25,000
Plates and Bowls set	10	2,000	20,000
Salt Cellar (Namak dani)	25	300	7500
Sugar pot	25	500	12500
Ash Tray	30	300	9000
Hot pot set	5	6,000	30,000
Thermos	5	1,000	5,000
<b>Cookware</b>			
Frying Pan	3	1,000	3,000
Sauce pan	3	1,000	3,000
Tawa Pan	3	1,500	4,500
Cooking set	2	8,500	17,000
Strainer	3	1,500	4,500
Parat	6	600	3600
Pressure cooker	4	7,000	28,000
Steamer	2	12,000	24,000
Non-Stick set	2	12,000	24,000
<b>Kitchen Tools</b>			
Food Processor	2	10,000	20,000
Cutting Board	4	500	2000
Knife set	2	1,000	2,000
Strainer	3	200	600

Milk/Cream Beater	3	300	900
Tongs	3	300	900
Non-stick cooking spoon	6	500	3000
Non-Stick Rice Spoon	4	500	2000
Mortar & Pestle	2	1,000	2,000
Potato masher	2	500	1000
Masala Box Set	4	2,000	8,000
Blender Grinder	2	5,000	10,000
Oven	1	15,000	15,000
Kitchen Hob	3	20,000	60,000
<b>Total</b>			<b>724,000</b>

### 9.2.4 Furniture and Fixture Requirement

Details regarding furniture and fixtures of guest houses are given in Table 9.

**Table 9: Furniture & Fixtures**

Cost Item	Number of Items	Unit Cost (PKR)	Total Cost (PKR)
<b>Room Furniture</b>			
Single Bed	18	30,000	540,000
Double Bed	7	50,000	350,000
Side Tables	50	8,000	400,000
Room Chairs	38	7,000	266,000
Mattresses-Single Bed	18	20,000	360,000
Mattresses-Double Bed	7	40,000	280,000
Sofa Set for Suite Room	3	35,000	105,000
Dressing Table	19	15,000	285,000
Cupboards	19	25,000	475,000
Curtain (Per room)	19	20,000	380,000
Bed side lamp (For Suite Room)	6	15,000	90,000
Blankets	25	4,500	112,500
Quilts	25	3,000	75,000
Pillows with Cushions	32	1,000	32,000
<b>Waiting Area</b>			

Sofa Set	3	35,000	105,000
Chairs	4	10,000	40,000
Table	1	15,000	15,000
<b>Reception Area</b>			
Counter	1	50,000	50,000
Chairs	3	10,000	30,000
<b>Dining Hall</b>			
Chairs	20	10,000	200,000
Table	5	12,000	60,000
<b>Laundry</b>			
Cupboards	1	30,000	30,000
<b>Kitchen</b>			
Counter	2	25,000	50,000
Chairs	2	10,000	20,000
Cupboards	4	30,000	120,000
<b>Total</b>			<b>3,750,500</b>

**Table 10: Bedroom Furniture Detail**

Particulars	Number of Rooms	Beds per room	Total Beds	Side tables
<b>Single Beds</b>				
Single Bed Room	6	1	6	12
Double Bed Room	6	2	12	24
Total Single Beds	<b>12</b>		<b>18</b>	<b>36</b>
<b>Double Beds</b>				
Master Bed Room	4	1	4	8
Suite Rooms	3	1	3	6
Total Double Beds	<b>7</b>		<b>7</b>	<b>14</b>
<b>Total</b>	<b>19</b>		<b>25</b>	<b>50</b>

**Table 11: Bedroom Other Furniture Detail**

Particulars	Room Chairs	Mattresses	Blankets	Quilts	Pillows
Single Bed Room	12	6	6	6	6
Double Bed Room	12	12	12	12	12
<b>Sub Total (A)</b>	<b>24</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>
Master Bed Room	8	4	4	4	8
Suite Rooms	6	3	3	3	6
<b>Sub Total (B)</b>	<b>14</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>14</b>
<b>Total(A+B)</b>	<b>38</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>32</b>

### Office Vehicle Requirement

Table 12 provides details of the vehicles required along with their cost for the proposed project.

**Table 12: Vehicles Cost**

Cost Item	No.	Unit Cost (PKR)	Vehicles Registration Cost @ 1% of Unit Cost	Cost (PKR)
Motorcycle	2	80,000	2,000*	162,000
<b>Total</b>				<b>162,000</b>

\* Federal Excise Department Registration Cost of PKR 1000 for each motorcycle.

### 9.2.5 Pre-Operating Cost Requirement

The details regarding pre-operating expenses are provided in Table 13.

**Table 13: Pre-Operating Expenses**

Cost Item	No. of Months	Unit Cost (PKR)	Total Cost (PKR)
General Manager	2	60,000	120,000
House-keeping Supervisor	2	80,000	160,000
Reception	2	50,000	100,000
Kitchen Staff	2	112,000	224,000
Kitchen Staff-Helper	1	88,000	88,000

Room Service	1	80,000	80,000
Security Guard	1	80,000	80,000
Laundry	2	40,000	80,000
Admin and Finance Officer	2	30,000	60,000
Utilities expense			139,632
<b>Total</b>			<b>1,131,632</b>

### 9.2.6 Upfront Building Rent

The details regarding upfront building rent are provided in Table 14.

**Table 14: Upfront Building Rent**

Cost Item	Number of Months	Average Rent Per Month (PKR)	Total Cost (PKR)
Upfront Building Rent	3	270,000	810,000
<b>Total</b>			<b>810,000</b>

### 9.2.7 License, Permits, etc.

For establishing a Guest House, a No Objection Certificate (NOC) is required from the relevant police station. Further, details of every resident are required to be furnished / registered at Hotel Eye website. ([https://www.pitb.gov.pk/hotel\\_eye](https://www.pitb.gov.pk/hotel_eye)). Establishment of Guest House also requires registration with following departments of Government.

- Local area Police Station
- Punjab Food Authority
- Punjab Revenue Authority (PRA)
- Federal Board of Revenue (FBR)

It is mandatory for hotels to use the hotel eye website to record guest details. The registration fee of this website is zero. For registration of guest house in other provinces local department of the that government is to be consulted.

### 9.3 Breakeven Analysis

Calculation of Product wise break-even analysis is provided in Table 15.

**Table 15: Break Even Analysis**

Particulars	Amount First Year (PKR)	Ratio
Revenue	28,296,000	100%
Variable Cost	17,263,185	61%
Contribution	11,032,815	39%
Fixed Cost	8,568,001	30%
Break Even Room Days	3,187	
Break Even Sales (PKR)	21,974,461	
Break Even Capacity	47%	

### 9.4 Revenue Generation

Table 16 provides details for expected revenue generation of the proposed guest houses during the first year of operations.

**Table 16: Revenue Generation**

Room Category	Number of Rooms (A)	Annual Working Days (B)	Annual Room Day Capacity C=(A*B)	Initial Occupancy @ 60%	Charges per Room (PKR)	Annual Revenue (PKR)
Single Bed Room (1 Single Bed)	6	360	2160	1,296	5,500	7,128,000
Double Bed Room (2 single Bed)	6	360	2160	1,296	6,500	8,424,000
Master Bed Room (1 Double Bed)	4	360	1440	864	8,000	6,912,000
Suite Rooms	3	360	1080	648	9,000	5,832,000
<b>Total</b>	<b>19</b>		<b>6840</b>	<b>4,104</b>		<b>28,296,000</b>

## 9.5 Variable Cost Estimate

Details regarding variable cost estimate are given in Table 17.

**Table 17: Variable Cost**

Cost Item	Total Cost (PKR)
Direct Cost of Services - 1 (Kitchen Expense)	4,008,960
Direct Cost of Services - 2 (Utilities Expense)	1,675,586
Direct Cost of Services - 3 (Consumables)	5,458,320
Direct Cost of Services - 4 (Other Consumables)	500,000
Direct Labour Salaries	4,320,000
Repair and Maintenance Charges	798,143
Travelling expense	124,800
Communications expense (phone, fax, mail, internet, etc.)	93,600
Office vehicles running expense	127,776
Office expenses (stationery, entertainment, janitorial services, etc.)	156,000
<b>Total Variable Cost</b>	<b>17,263,185</b>

**Table 18: Direct Cost of Services – Kitchen Expense**

Breakfast Cost Per Room	Average number per room	Per Person Cost (PKR)	Total Cost (PKR)
Milk Shake	2	150	253
Cheese Sandwiches/Paratha	2	150	253
Omelette/ Half Fry	2	80	134
Stuffed bread	2	120	202
Tea/ Coffee	2	80	135
<b>Total</b>			<b>977</b>
Total Occupancy for the Year (seats)			4,104
<b>Kitchen Expenses</b>			<b>4,008,960</b>

**Table 19: Direct Cost of Services–Consumables**

Particulars	Number	Unit Cost (PKR)	Amount (PKR)
Per day consumables Per Room consumables			
Water	3	60	180
Cold drink	3	120	360
Shampoo	6	10	60
Soap	3	60	180
Detergents			200
Tissue Box	2	100	200
Tissue Toilet Roll	3	50	150
<b>Total</b>			<b>1,330</b>
Total Occupancy for the Year (seats)			4,104
<b>Total Consumable Cost</b>			<b>5,458,320</b>

**Table 20: Direct Cost of Services–Other Consumables**

Cost Item	Number (units)	Cost per unit (PKR)	Total Cost (PKR)
Bed linens	100	2,000	200,000
Towels	100	800	80,000
Prayer Mats	50	2,000	100,000
Cloth Hangers	300	400	120,000
<b>Total</b>			<b>500,000</b>

**Table 21: Direct Labor Salaries**

Post	No. of Personnel	Monthly Salary (PKR)	Annual Salary (PKR)
Housekeeping Supervisor	1	40,000	960,000
Kitchen Staff	4	28,000	1,344,000
Kitchen Staff-Helper	4	22,000	1,056,000
Room Service	4	20,000	960,000
<b>Total</b>	<b>7</b>		<b>4,320,000</b>

**Table 22: Repair and Maintenance**

Cost Item	Cost of goods sold	Repair and Maintenance Charges	Total Cost (PKR)
Repair and Maintenance Cost	14,762,866	5%	738,143
<b>Total</b>			<b>738,143</b>

## 9.6 Fixed Cost Estimate

Details regarding fixed cost estimate are given in Table 23.

**Table 23: Fixed Cost**

Cost Item	Total Cost (PKR)
Management staff Salaries	3,120,000
Administration benefits expense	74,400
Building rental expense	3,240,000
Promotional expense	282,960
Depreciation expense	1,624,315
Amortization of pre-operating costs	226,326
<b>Total</b>	<b>8,568,001</b>

## 9.7 Human Resource Requirement

For the 1<sup>st</sup> year of operations, the Guest House shall require the workforce and salary cost as projected in Table 24.

**Table 24: Human Resource Requirement**

Cost Item	Number	Hiring Before Year 0	Monthly Salary (PKR)	Annual Salary (PKR)
General Manager	1	2	60,000	720,000
Housekeeping Supervisor	1	2	40,000	960,000
Receptionist	2	2	25,000	600,000
Kitchen Staff	2	2	28,000	1,344,000
Kitchen Staff- Helper	2	1	22,000	1,056,000
Room Service	2	1	20,000	960,000
Security Guard	4	1	20,000	960,000
Laundry Boy	2	2	20,000	480,000
Admin and Finance Officer	1	2	30,000	360,000
<b>Total</b>				<b>7,440,000</b>

## 10. CONTACT DETAILS

In order to facilitate the potential investors, contact details of some relevant vendors to the proposed project is given in Table 25.

**Table 25 Contact Details**

Name of supplier	Type of supplies	Email/ Website	Contact Number
Focus Interiors	Office Furniture	<a href="http://www.focusinteriors.com.pk/">www.focusinteriors.com.pk/</a>	0301-8480553
Metro store	Toiletry and other consumables	<a href="http://www.metro.pk">www.metro.pk</a>	
OLX	Furniture at low cost	<a href="http://www.olx.com.pk">www.olx.com.pk</a>	-
Molty Foam	Mattress	<a href="http://www.moltyfoam.com.pk">www.moltyfoam.com.pk</a>	042-111666555
Advance Kitchen Equipment	Kitchen equipments		0316-5708686
RAK Porcelain Pakistan	Utensils		0300 8696598
Eagle motorcycle industries	Motor vehicle	<a href="http://www.pagespak.com">www.pagespak.com</a>	042-111386666

## 11. USEFUL LINKS

**Table 26: Useful Links**

Name of Organization	Website
Small and Medium Enterprises Development Authority (SMEDA)	<a href="http://www.smeda.org.pk">www.smeda.org.pk</a>
National Business Development Program (NBDP)	<a href="http://www.nbdp.org.pk">www.nbdp.org.pk</a>
Government of Pakistan	<a href="http://www.pakistan.gov.pk">www.pakistan.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 Balochistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
Government of Azad Jammu and Kashmir	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
Government of Gilgit Baltistan	<a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>
Tourism Development Corporation of Punjab (TDCP)	<a href="http://www.tdcp.gop.pk">www.tdcp.gop.pk</a>
Pakistan Hotels Association	<a href="http://www.pha.org.pk">www.pha.org.pk</a>
Pakistan Tourism Development Corporation	<a href="http://www.tourism.gov.pk">www.tourism.gov.pk</a>
AJK Tourism Department	<a href="http://www.ajktourism.gov.pk">www.ajktourism.gov.pk</a>
Khyber Pakhtunkhwa Culture & Tourism Authority	<a href="http://www.kptourism.com">www.kptourism.com</a>
Sindh Tourism Development Corporation	<a href="http://www.stdc.gos.pk">www.stdc.gos.pk</a>
Visit Gilgit Baltistan	<a href="http://www.visitgilgitbaltistan.gov.pk">www.visitgilgitbaltistan.gov.pk</a>
Bureau of Statistics Punjab	<a href="http://bos.gop.pk/">http://bos.gop.pk/</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	
<b>Revenue</b>	<b>28,296,000</b>	<b>30,373,200</b>	<b>35,980,560</b>	<b>42,405,660</b>	<b>49,755,974</b>	<b>58,152,295</b>	<b>67,730,320</b>	<b>74,503,352</b>	<b>81,953,687</b>	<b>90,149,056</b>	
<i>Cost of sales</i>											
Direct Cost of Services - 1 ( Kitchen Expense )	4,008,960	4,703,512	5,485,743	6,365,421	7,353,334	8,461,389	9,702,725	10,508,051	11,380,219	12,324,778	
Direct Cost of Services - 2 ( Utilities Expense )	1,675,586	1,823,037	1,983,464	2,158,009	2,347,914	2,554,531	2,779,329	3,023,910	3,290,014	3,579,536	
Direct Cost of Services - 3 (Consumables)	5,458,320	6,403,974	7,469,004	8,666,712	10,011,786	11,520,437	13,210,553	14,307,029	15,494,512	16,780,557	
Direct Cost of Services - 4 (Other Consumables)	500,000	541,500	586,445	635,119	687,834	744,925	806,753	873,714	946,232	1,024,769	
Direct labor Salaries	4,320,000	4,635,360	4,973,741	5,336,824	5,726,413	6,144,441	6,592,985	7,074,273	7,590,695	8,144,815	
Repair and Maintenance Charges	798,143	905,369	1,024,920	1,158,104	1,306,364	1,471,286	1,654,617	1,789,349	1,935,084	2,092,723	
<b>Total cost of sales</b>	<b>16,761,009</b>	<b>19,012,753</b>	<b>21,523,317</b>	<b>24,320,190</b>	<b>27,433,645</b>	<b>30,897,008</b>	<b>34,746,962</b>	<b>37,576,326</b>	<b>40,636,756</b>	<b>43,947,177</b>	
<b>Gross Profit</b>	<b>11,534,991</b>	<b>11,360,447</b>	<b>14,457,243</b>	<b>18,085,470</b>	<b>22,322,330</b>	<b>27,255,287</b>	<b>32,983,358</b>	<b>36,927,027</b>	<b>41,316,931</b>	<b>46,201,879</b>	
<i>General administration &amp; selling expenses</i>											
Management staff Salaries	3,120,000	3,347,760	3,592,146	3,854,373	4,135,742	4,437,652	4,761,600	5,109,197	5,482,168	5,882,367	
Administration benefits expense	74,400	79,831	85,659	91,912	98,622	105,821	113,546	121,835	130,729	140,272	
Building rental expense	3,240,000	3,508,920	3,800,160	4,115,574	4,457,166	4,827,111	5,227,761	5,661,665	6,131,584	6,640,505	
Travelling expense	124,800	133,910	143,686	154,175	165,430	177,506	190,464	204,368	219,287	235,295	
Communications expense (phone, fax, mail, internet, etc.)	93,600	100,433	107,764	115,631	124,072	133,130	142,848	153,276	164,465	176,471	
Office vehicles running expense	127,776	138,381	149,867	162,306	175,777	190,367	206,167	2,980,134	3,227,485	3,495,366	
Office expenses (stationary, entertainment, janitorial services,	156,000	167,388	179,607	192,719	206,787	221,883	238,080	255,460	274,108	294,118	
Promotional expense	282,960	303,732	359,806	424,057	497,560	581,523	677,303	745,034	819,537	901,491	
Depreciation expense	1,624,315	1,624,315	1,624,315	1,624,315	1,624,315	1,624,315	1,152,010	1,679,447	1,679,447	1,679,447	
Amortization of pre-operating costs	226,326	226,326	226,326	226,326	226,326	-	-	-	-	-	
<b>Subtotal</b>	<b>9,070,177</b>	<b>9,630,997</b>	<b>10,269,337</b>	<b>10,961,388</b>	<b>11,711,798</b>	<b>12,299,307</b>	<b>12,709,780</b>	<b>16,910,415</b>	<b>18,128,810</b>	<b>19,445,331</b>	
<b>Operating Income</b>	<b>2,464,814</b>	<b>1,729,450</b>	<b>4,187,906</b>	<b>7,124,082</b>	<b>10,610,532</b>	<b>14,955,980</b>	<b>20,273,578</b>	<b>20,016,612</b>	<b>23,188,122</b>	<b>26,756,548</b>	
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	2,213,440	-	-	-	
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	40,500	-	-	-	
<b>Earnings Before Interest &amp; Taxes</b>	<b>2,464,814</b>	<b>1,729,450</b>	<b>4,187,906</b>	<b>7,124,082</b>	<b>10,610,532</b>	<b>14,955,980</b>	<b>22,527,518</b>	<b>20,016,612</b>	<b>23,188,122</b>	<b>26,756,548</b>	
<b>Subtotal</b>	<b>-</b>										
<b>Earnings Before Tax</b>	<b>2,464,814</b>	<b>1,729,450</b>	<b>4,187,906</b>	<b>7,124,082</b>	<b>10,610,532</b>	<b>14,955,980</b>	<b>22,527,518</b>	<b>20,016,612</b>	<b>23,188,122</b>	<b>26,756,548</b>	
Tax	262,963	149,417	676,371	1,613,428	2,833,685	4,354,592	7,004,630	6,125,813	7,235,842	8,484,791	
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>2,201,851</b>	<b>1,580,033</b>	<b>3,511,534</b>	<b>5,510,654</b>	<b>7,776,846</b>	<b>10,601,388</b>	<b>15,522,887</b>	<b>13,890,798</b>	<b>15,952,280</b>	<b>18,271,757</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	2,804,779	4,578,285	7,373,517	10,576,118	14,104,754	17,824,520	24,422,351	39,698,736	57,020,365	78,849,666
Accounts receivable		387,616	401,844	454,478	536,892	631,244	739,098	862,210	974,203	1,071,624	1,178,786
Consumables inventory	227,430	288,979	365,013	458,700	573,871	715,155	888,138	1,041,687	1,221,784	1,433,017	-
Pre-paid building rent		292,410	316,680	342,964	371,431	402,259	435,647	471,805	510,965	553,375	-
<b>Total Current Assets</b>	<b>727,430</b>	<b>3,773,785</b>	<b>5,661,822</b>	<b>8,629,659</b>	<b>12,058,311</b>	<b>15,853,412</b>	<b>19,887,403</b>	<b>26,798,054</b>	<b>42,405,688</b>	<b>60,078,380</b>	<b>80,028,452</b>
<i>Fixed assets</i>											
Renovation Cost	2,074,000	1,866,600	1,659,200	1,451,800	1,244,400	1,037,000	829,600	622,200	414,800	207,400	-
Furniture & fixtures	3,750,500	3,187,925	2,625,350	2,062,775	1,500,200	937,625	375,050	-	-	-	-
Office vehicles	162,000	137,700	113,400	89,100	64,800	40,500	16,200	330,026	280,522	231,018	181,514
Office equipment	5,533,600	4,703,560	3,873,520	3,043,480	2,213,440	1,383,400	553,360	9,483,618	8,061,075	6,638,533	5,215,990
Advance against Building Rent	810,000	810,000	810,000	810,000	810,000	810,000	810,000	810,000	810,000	810,000	810,000
<b>Total Fixed Assets</b>	<b>12,330,100</b>	<b>10,705,785</b>	<b>9,081,470</b>	<b>7,457,155</b>	<b>5,832,840</b>	<b>4,208,525</b>	<b>2,584,210</b>	<b>11,245,844</b>	<b>9,566,398</b>	<b>7,886,951</b>	<b>6,207,504</b>
<i>Intangible assets</i>											
Pre-operation costs	1,131,632	905,306	678,979	452,653	226,326	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>1,131,632</b>	<b>905,306</b>	<b>678,979</b>	<b>452,653</b>	<b>226,326</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>14,189,162</b>	<b>15,384,875</b>	<b>15,422,271</b>	<b>16,539,467</b>	<b>18,117,477</b>	<b>20,061,937</b>	<b>22,471,613</b>	<b>38,043,898</b>	<b>51,972,086</b>	<b>67,965,331</b>	<b>86,235,956</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable		185,525	213,615	245,283	280,970	321,172	366,448	415,845	453,235	494,201	493,069
<b>Total Current Liabilities</b>	<b>-</b>	<b>185,525</b>	<b>213,615</b>	<b>245,283</b>	<b>280,970</b>	<b>321,172</b>	<b>366,448</b>	<b>415,845</b>	<b>453,235</b>	<b>494,201</b>	<b>493,069</b>
<i>Other liabilities</i>											
Deferred tax		(90,737)	(320,985)	(320,985)	(320,985)	(320,985)	(320,985)	(320,985)	(320,985)	(320,985)	(320,985)
<b>Total Long Term Liabilities</b>	<b>-</b>	<b>(90,737)</b>	<b>(320,985)</b>								
<i>Shareholders' equity</i>											
Paid-up capital	14,189,162	14,189,162	14,189,162	14,189,162	14,189,162	14,189,162	14,189,162	14,189,162	14,189,162	14,189,162	14,189,162
Retained earnings		1,100,926	1,340,479	2,426,007	3,968,330	5,872,588	8,236,988	23,759,875	37,650,673	53,602,953	71,874,710
<b>Total Equity</b>	<b>14,189,162</b>	<b>15,290,088</b>	<b>15,529,641</b>	<b>16,615,169</b>	<b>18,157,493</b>	<b>20,061,750</b>	<b>22,426,150</b>	<b>37,949,037</b>	<b>51,839,836</b>	<b>67,792,115</b>	<b>86,063,872</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>14,189,162</b>	<b>15,384,875</b>	<b>15,422,271</b>	<b>16,539,467</b>	<b>18,117,477</b>	<b>20,061,937</b>	<b>22,471,613</b>	<b>38,043,898</b>	<b>51,972,086</b>	<b>67,965,331</b>	<b>86,235,956</b>

### 12.3 Cash Flow Statements

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		2,201,851	1,580,033	3,511,534	5,510,654	7,776,846	10,601,388	15,522,887	13,890,798	15,952,280	18,271,757
Add: depreciation expense		1,624,315	1,624,315	1,624,315	1,624,315	1,624,315	1,624,315	1,152,010	1,679,447	1,679,447	1,679,447
amortization of pre-operating costs		226,326	226,326	226,326	226,326	226,326	-	-	-	-	-
Accounts receivable		(387,616)	(14,227)	(52,634)	(82,414)	(94,352)	(107,854)	(123,112)	(111,994)	(97,420)	(107,162)
Consumables inventory	(227,430)	(61,549)	(76,034)	(93,687)	(115,171)	(141,284)	(172,983)	(153,549)	(180,096)	(211,233)	1,433,017
Pre-paid building rent	-	(292,410)	(24,270)	(26,284)	(28,466)	(30,829)	(33,388)	(36,159)	(39,160)	(42,410)	553,375
Accounts payable		185,525	28,089	31,668	35,687	40,202	45,276	49,398	37,390	40,965	(1,131)
<b>Cash provided by operations</b>	<b>(227,430)</b>	<b>3,405,704</b>	<b>3,113,985</b>	<b>5,221,239</b>	<b>7,170,931</b>	<b>9,401,225</b>	<b>11,956,754</b>	<b>16,411,475</b>	<b>15,276,385</b>	<b>17,321,628</b>	<b>21,829,301</b>
<i>Financing activities</i>											
Issuance of shares	14,189,162	-	-	-	-	-	-	-	-	-	-
<b>Cash provided by / (used for) financing activi</b>	<b>14,189,162</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Investing activities</i>											
Capital expenditure	(13,461,732)	-	-	-	-	-	-	(9,813,644)	-	-	-
<b>Cash (used for) / provided by investing activi</b>	<b>(13,461,732)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,813,644)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CASH</b>	<b>500,000</b>	<b>3,405,704</b>	<b>3,113,985</b>	<b>5,221,239</b>	<b>7,170,931</b>	<b>9,401,225</b>	<b>11,956,754</b>	<b>6,597,831</b>	<b>15,276,385</b>	<b>17,321,628</b>	<b>21,829,301</b>

## 13. KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

**Table 27: Economic Rates**

Economic Rates	2020	2019	2018	Average
Inflation rate	11.2%	8.1%	5.6%	8.3%
Electricity growth rate	7.1%	14.3%	4.9%	8.8%
Water price growth rate	7.1%	14.3%	4.9%	8.8%
Gas price growth rate	7.1%	14.3%	4.9%	8.8%
Wage growth rate	11.2%	7.0%	3.8%	7.3%
Office equipment price growth rate	13.9%	6.7%	3.4%	8.0%
Office vehicles price growth rate	13.6%	8.1%	10.3%	10.7%

Source: Economic Survey of Pakistan

**Table 28: Operating Cost Assumptions**

Description	Details
Operating costs growth rate	8.3% of general inflation rate
Administration benefits expense	1% of administration expenses
Travelling expenses	4% of administration expenses
Communication expenses	3% of administration expenses
Office Vehicle running expenses	4% of administration expenses
Promotional expense	1% of revenue
Office expenses (stationery, janitor, etc.)	5% of administration expenses

### 13.2 Service Cost Assumptions

**Table 29: Service Cost Assumptions**

Description	Details
Direct Cost of Services Growth Rate	8.3%
Repair And Maintenance Charges	2% Cost of Goods Sold

### 13.3 Revenue Assumptions

**Table 30: Revenue Assumptions**

Description	Details
Sale price growth rate	8.3%
Service capacity utilization	60%
Service capacity utilization growth rate	10%
Maximum capacity utilization	90%

### 13.4 Financial Assumptions

**Table 31: Financial Assumptions**

Description	Details
Project life (Years)	10
Debt: Equity	0:100
Discount Rate used for NPV	15%
Discount Rate (50:50 Debt: Equity)	13%

### 13.5 Financial Assumptions

**Table 32: Financial Assumptions**

Description	Details
Accounts receivable cycle (in days)	5
Accounts payable cycle (in days)	10

# Small and Medium Enterprises Development Authority

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