



Pre-feasibility Study

SETTING-UP GUARD AND ARMORED CAR SERVICES UNIT

September 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

Table of Contents

1. EXECUTIVE SUMMARY	6
2. INTRODUCTION TO SMEDA	8
3. PURPOSE OF THE DOCUMENT	8
4. BRIEF DESCRIPTION OF PROJECT & Services	9
4.1. Security Company License and Registration.....	12
4.2. Service Flow.....	15
4.3. Installed and Operational Capacities	16
5. CRITICAL FACTORS	19
6. GEOGRAPHICAL POTENTIAL FOR INVESTMENT	19
7. POTENTIAL TARGET MARKETS.....	19
8. PROJECT COST SUMMARY	21
8.1. Project Economics	21
8.2. Project Cost.....	21
8.2.1. Land.....	22
8.2.2. Building.....	22
8.2.3. Furniture & Fixtures	23
8.2.4. Office Equipment	23
8.2.5. Vehicles	24
8.2.6. Pre-Operating Cost.....	25
8.2.7. Security against Building.....	25
8.2.8. Arms and Detective Equipment	25
8.2.9. Legal, Licensing, and Training costs	26
8.3. Financial Feasibility Analysis.....	26
8.4. Financial Feasibility Debt Financing.....	26
8.5. Breakeven Analysis	27
8.6. Revenue Generation.....	28
8.7. Variable Cost.....	29
8.7.1. Fuel Cost	32
8.8. Fixed Costs	32
8.9. Human Resource	33
9. CONTACT DETAILS.....	34
10. USEFUL LINKS	36
11. ANNEXURES.....	37
11.1. Income Statement	37
11.2. Balance Sheet	38

11.3. Cash Flow Statement	39
12. KEY ASSUMPTIONS	40
12.1. Operating Cost Assumptions.....	40
12.2. Variable Cost Assumptions.....	40
12.3. Fixed Cost Assumptions	40
12.4. Revenue Assumptions	41
12.5. Financial Assumptions	41
12.6. Debt Related Assumptions	41
12.7. Cash Flow Assumptions.....	41

Table of Tables

Table 1: Installed and Operational Capacity – Armored Cars	17
Table 2: Capacity Assumptions-For Armored Cars	17
Table 3: Installed and Operational Capacity – Security Guards.....	18
Table 4: Capacity Assumptions-For Guards Services	18
Table 5: Project Cost	21
Table 6: Breakup of Required Land Area.....	22
Table 7: Renovation Cost Details	22
Table 8: Furniture and Fixtures	23
Table 9: Office Equipment	23
Table 10: Armored Vehicles	24
Table 11: Office Vehicles	25
Table 12: Pre-Operating Cost	25
Table 13 Security against Building	25
Table 14: Arms and Detective Equipment.....	25
Table 15: Legal, Licensing, and Training costs	26
Table 16: Financial Feasibility Analysis	26
Table 17: Financial Feasibility Debt Financing.....	26
Table 18: Breakeven Analysis-Rental Services	27
Table 19: Breakeven Analysis-Guard Services.....	27
Table 20: Revenue Generation.....	28
Table 21: Revenue - Armored Car Services.....	28
Table 22: Revenue - Guards Services.....	28
Table 23: Variable Cost.....	29
Table 24: Consumables	29
Table 25: Ammunition.....	30
Table 26: Armored Vehicle Running and Maintenance Cost.....	30
Table 27: Oil Change Cost	31
Table 28: Office Vehicle Running and Maintenance Cost.....	31
Table 29: Fixed Costs.....	32
Table 30: Human Resource Requirement.....	33
Table 31: Service Providers	34
Table 32: Contact Details.....	35
Table 33: Useful Links	36
Table 34: Operating Cost Assumptions.....	40
Table 35: Variable Cost Assumptions.....	40
Table 36: Fixed Cost Assumptions.....	40
Table 37: Revenue Assumptions.....	41
Table 38: Financial Assumptions.....	41
Table 39: Debt Related Assumptions	41
Table 40: Cash Flow Assumptions.....	41

Table of Figures

Figure 1: Armored Vehicle Specifications	11
Figure 2: Service Flow.....	15
Figure 3: Crime Index in Different Cities of Pakistan.....	20

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.

For more information on services offered by SMEDA, please contact our website:

www.smeda.org.pk

Document Control

Document No.	213
Prepared by	SMEDA-Punjab
Revision Date	September, 2021
For information	helpdesk.punjab@smeda.org.pk

1. EXECUTIVE SUMMARY

Security is a basic need of every human being. People want to have their lives, money and assets secured from any potential threats. In developed societies, the emergence of professional private security agencies has given birth to the 'pluralization of the police' and has built partnership between public and private sectors.¹ Private security has not only reduced the state's monopoly on security coverage, but has also contributed towards reducing the financial burden of the state to provide security to its citizens. In countries where private security sector has attained professional maturity, such agencies are being integrated with state's security institutions.

Private security primarily consists of two components: manned security and hardware security. Since Pakistani private security industry is in its embryonic stage, it is still operating as a human resource-intensive industry; in the process of being transformed from the traditional 'chowkidar' (watchman) system into a modern security system. Apart from these two components of private security, in some countries, professionally qualified private companies are also entrusted with the investigation function. While developed societies have outsourced certain policing functions to the private sector, the real challenge of the state here is not to allow such companies to be involved in violence and that their personnel should only be hired for security purposes.

In Pakistan, the private security companies are regulated under numerous federal and provincial legislations; including Private Security Companies Ordinance of Islamabad Capital Territory (ICT) issued by the Ministry of Interior (MOI) in 1988, the Sindh Private Security Agencies (Regulation & Control) Ordinance 2000, the Punjab Private Security Companies (Regulation & Control) Ordinance 2002, the Khyber Pakhtunkhwa Private Security Companies Ordinance 2002 and the Procedure for Private Security Companies in Balochistan 2001.

The proposed "Guard and Armored Car Service Unit" provides two types of services. The first one is the provision of uniformed armed and unarmed security guards, who are professionally trained and have performed security protocol duties with high profile personnel and executives. The second service is for providing bullet proof luxury cars to private people, government officials and state guests.

A "Guard and Armored Car Service Unit" is proposed to be ideally located in metropolitan cities of Karachi, Lahore, Islamabad, Quetta, Peshawar, Faisalabad Hyderabad, Multan, Sialkot, etc. These areas are preferred because of a high demand for such services. Larger cities are the centers of major economic activity where potential customers for such services are found in large number. Moreover, qualified professionals and well-trained staff are also easily available in such big cities.

¹ Private police or special police are law enforcement bodies that are owned or controlled (or owned and controlled) by non-governmental entities. Additionally, the term can refer to an off-duty police officer while working for a private entity, providing security, or otherwise law enforcement-related services.

This pre-feasibility document provides details for “Setting up Guard and Armored Car service unit”. The proposed project has an annual capacity of 1,956 annual vehicle days for armored car rental service and 10,050 man-days for security guard service. The starting capacity utilization in the first year of operations is assumed to be 50%, having 978 annual vehicle days for armored car rental service and 5,025 man-days for security guard service. The maximum capacity utilization of the proposed project is assumed to be 90%.

The proposed project requires a total investment of PKR 166.98 million. This includes capital investment of PKR 162.09 million and working capital of PKR 4.9 million. This project is financed through 100% equity. The Net Present Value (NPV) of project is PKR 74.95 million with an Internal Rate of Return (IRR) of 23% and a Payback period of 5.08 years. Further, this project is expected to generate Gross Profit (GP) ratio ranging from of 64% to 81% and Net Profit (NP) ratio ranging from 2% to 43% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 48% (943 days) with breakeven revenue of PKR 46.36 million for armored car rental services and estimated breakeven point at capacity of 40% (4,060 day) with breakeven revenue of PKR 6.77 million for guard services.

The proposed project may also be established using leveraged financing. At 50% financing at a cost of KIBOR+3%, the proposed unit provides Net Present Value (NPV) of PKR 201.47 million, Internal Rate of Return (IRR) of 22% and Payback period of 5.11 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from -14%² to 43% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 61% (1,194 days) with breakeven revenue of PKR 58.72 million for armored car rental services and estimated breakeven point at capacity of 51% (5,142 day) with breakeven revenue of PKR 8.57 million for guard services.

The proposed project will provide employment opportunities to 55 people. High return on investment and steady growth of business is expected with the professionals having some prior experience and expertise in the related field of business. The legal business status of this project is proposed as a private limited company.

² With 50% debt, the company will be in loss during the first year; however, the cash flows remain positive.

2. 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.

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 is aimed at facilitating around 314,000 SME beneficiaries over a period of five years.

3. 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 provide information to the potential investors about establishing "Guard and Armored car services unit" to commercially provide these services. The document provides a general understanding of the business to facilitate potential investors in crucial and effective investment decisions.

The need to come up with pre-feasibility reports for undocumented or minimally documented sectors attains greater imminence as the research that precedes such reports reveal certain thumb rules; best practices developed by existing enterprises

by trial and error, and certain industrial norms that become a guiding source regarding various aspects of business set-up and its successful management.

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

4. BRIEF DESCRIPTION OF PROJECT & SERVICES

Pakistan has been fighting the war on terror, as a front-line state, since September 2001. The war has brought huge destruction to Pakistan by slowing down the economic growth, devastating the social structure, and damaging the country socially, politically and economically. During this period, intensity of the war increased to spread into the settled areas of Pakistan. Khyber Pakhtunkhwa (KP) and Karachi suffered the most during this period.

According to government of Pakistan's report, the country paid the cost of this war in the shape of the lives of more than 35,000 citizens and 3,500 security personnel, besides the destruction of infrastructure and a direct economic loss of \$67.93 billion.³ During this period, terrorists attacked security forces, private citizens, educational institutions, religious places of Muslims and religious minorities, private properties, transport system, airports and other installations. Due to such a situation, the need for security increased and people became more and more security-conscious. The war on terror resulted in engaging a large percentage of Pakistan's armed forces, police and other security agencies.

In addition to the situation created by the war-on-terror, an overall deterioration in general law and order situation in the country also led to generating an increasing need for security services.

All these factors led the private sector coming forward and filling the demand-supply gap for security services; and also sharing the state's burden by providing private security services. A new business sector thus came into being.

Despite numerous challenges, Pakistan's economy is moving progressively and following a sustainable growth path due to government's targeted development policies. The local private sector is recovering from the setback of COVID-19 pandemic and entering a growth phase. Growing business and increasing incomes of the local people are also generating the threats of robbery, theft, kidnapping and homicide. Such factors are leading to create an increasing demand for private security services.

Over the previous decade, with the peace and order being restored in the northern areas of Pakistan, there has been a growing interest of local and international tourists to visit the country's tourism sites. Tourists' inflow into major tourism destinations of the country has increased manifold over the recent years. This boost in tourism activity has also created an additional demand for private security

³ http://www.finance.gov.pk/survey/chapter_11/Special%20Section_1.pdf

services. This becomes particularly relevant for the foreigners, including foreign dignitaries, celebrities and other famous personalities touring Pakistan.

The document provides details for setting up Guard and Armored car service unit. The proposed project focuses on the client's needs regarding professional security guards and armored car. The proposed project provides the services of rented armored vehicles and security guards.

Rented Armored vehicles

Rented armored vehicle services are provided to individuals, partnerships, or corporations to provide secured transportation and protection to their clients. Specially designed bullet-proof armored vehicles and armed guards are employed to provide for the safekeeping of clients and/or other valuables. Armored vehicles are used for transportation of people from one place to another.

Most of the foreign dignitaries, celebrities, politicians, and famous personalities demand to have special protection vehicles. It provides them the required security as well as well-protected transport to move from one place to another. Such vehicles include bullet-proof luxury cars, SUVs⁴, 4×4 vehicles, jeeps, etc. These cars are of premium quality and are purchased with the consideration of providing full security to the clients.

The core reason for using an armored car is protection. These cars are thus especially designed for provision of protection to the lives of the people using these. The first thing added to the frame of an armored car is ballistic-grade steel. This makes the body of an armored vehicle vastly different from that of a regular car, providing it a 360 degree perimeter protection as illustrated in Figure 1. The entire frame is covered in tempered steel and applied to the frame with no gaps remaining. This way, remodeled vehicles can keep their shape while gaining a higher level of security. The ballistic material is also used to provide protection to floor, ECM (Engine Control Module), battery, radiator etc.

Beneath the car, run-flat tires are installed which allow the car to be driven safely after a blowout. The brake and suspension systems are enhanced for optimal control, which can be vital during a high-speed situation.

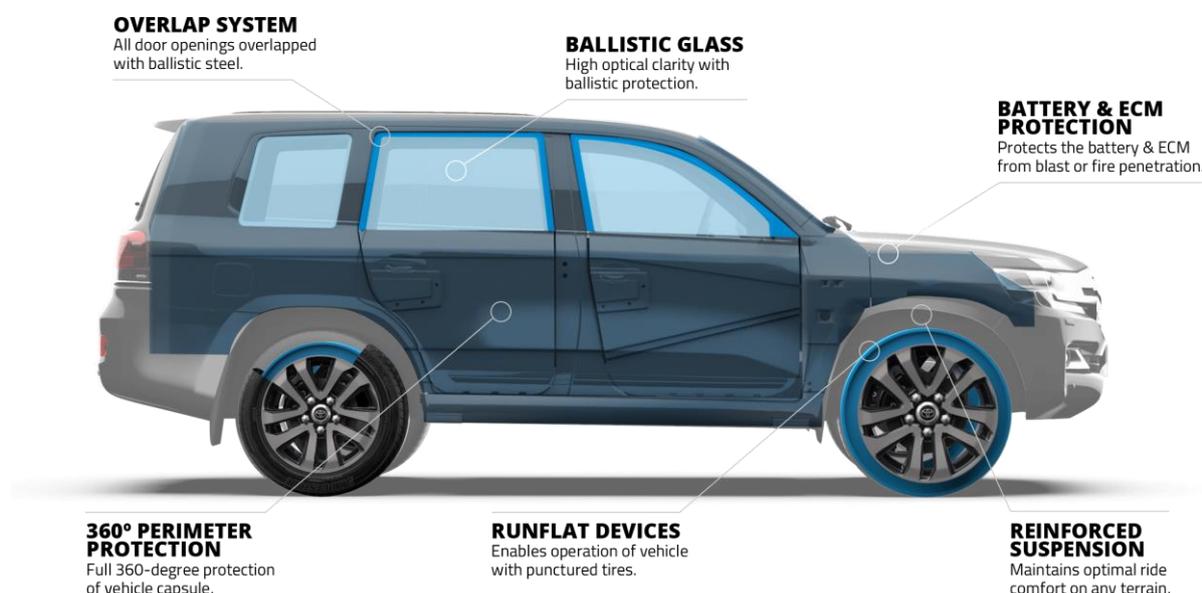
The bumpers on armored vehicles are built as strong enough to withstand repeated impacts. They are expected to run through just about anything. In the case of a dangerous event, armored vehicles are meant to get all the passengers to safety.

All the glass in an armored vehicle is different from a regular car. The windows are made up of a mix of leaded glass and a polycarbonate layer. This allows the windows, windshield, and rear window to absorb energy from assaults without

⁴ **SUV** stands for Sports Utility Vehicle, a car similar to a minivan or a station wagon, but with a much tougher look and a design suited for off-road driving.

breaking. The glass is often one to three inches thick and has to be completely reinstalled.

Figure 1: Armored Vehicle Specifications



There are not many companies in Pakistan which convert normal vehicles into armored vehicles. Some companies in Karachi and Islamabad offer these services.

Security Guards Services

The proposed project will provide two types of security guards, the ones with arms and the other ones without arms.

Security Guards (with arms) Service

Security guards with arms are usually the retired law enforcement and military personnel who are appointed in places like residential, retail shops, commercial properties, housing societies, commercial banks, hospitals, industrial units, shopping malls, etc. The appointed guards ensure the security of the place by maintaining a close watch on the movements of persons and goods into and out of the place being secured. In case of any emergency, the guards take all the appropriate measures to ensure the security of the people and assets at the location. In addition to their appointment at a specific place, these security guards are also provided to secure the lives and assets of individual persons which may include private people, government officials, politicians, foreign tourists, diplomats, celebrities, etc.

Security Guards (without arms) Service

Security guards without arms include gate-house officers, foot-patrol officers, control-room and CCTV⁵ monitoring officers. These are usually appointed for providing security watch at religious institutions, mosques, universities, sporting events, political rallies, concerts, hotels, public parks, shopping malls, etc. In such places, the usage of arms is usually prohibited to avoid any mishap or loss of lives. The duty of a security guard at such events/places is to maintain discipline and to keep people safe and under control.

4.1. Security Company License and Registration

As per the policy on establishment and functioning of private security companies 2018, of Ministry of Interior, Government of Pakistan, a Private Security business means a private limited company having at least 2 directors or single member company (SMC), registered with SECP and duly approved by Ministry of Interior (MOI) for providing private security services to private and public sector clients.⁶

Private Security Guard means a person, who is not a minor⁷ but not more than the age of 60 years, engaged with a private security company to do security work or watch and ward work.

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' (NOC) 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.

In Pakistan, the private security companies are regulated under numerous federal and provincial legislations; including Private Security Companies Ordinance of Islamabad Capital Territory (ICT) issued by the Ministry of Interior (MOI) in 1988, the Sindh Private Security Agencies (Regulation & Control) Ordinance 2000, the Punjab Private Security Companies (Regulation & Control) Ordinance 2002, the Khyber Pakhtunkhwa Private Security Companies Ordinance 2002 and the Procedure for Private Security Companies in Balochistan 2001.

⁵ **CCTV** stands for Closed Circuit Television. Unlike traditional television, CCTV is a closed-loop system where everything being broadcasted stays in-house. Nothing that is recorded with CCTV gets broadcasted over public airwaves. The main use case for CCTV is for security purposes

⁶ <https://interior.gov.pk/index.php/about-moi/policies-moi/private-security-companies-2>

⁷ A **minor** is a person who has not attained the age of majority i.e. 18 years. In case of an orphan, the age of majority is 21 years.

Key Points of the Private Security Companies Ordinance⁸

- Private Security Companies have been operating in the country under an administrative order issued by the Ministry of Interior in 1988.
- The Private Security Companies Ordinance of Islamabad Capital Territory (ICT) 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.
- Private Security Companies are required to register themselves with the Securities and Exchange Commission of Pakistan (SECP) under the Companies Ordinance, 1984.
- 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.
- Seven complete sets of documents are sent by the SECP to Ministry of Interior for an NOC. The process of issuance of NOC by Ministry of Interior normally takes from three to four months. A fee of PKR 10,000 is required to be paid in the bank as registration fee.
- 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 PKR 25,000 for the issuance of license for operation in the Province / ICT and renewal fee of PKR 5000 per annum.
- The affairs of the Private Security Companies will be regulated as per Ordinance and rules framed by the Provinces / ICT.
- Federal Government has prescribed 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.
- 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.

Eligibility for Fresh Applicant

A citizen of Pakistan can apply for establishing Private Security Company (PSC) subject to fulfillment of the following conditions:

- The applicant should be at least 25 years of age

⁸ Link: <https://interior.gov.pk/index.php/about-moi/policies-moi/private-security-companies-2>

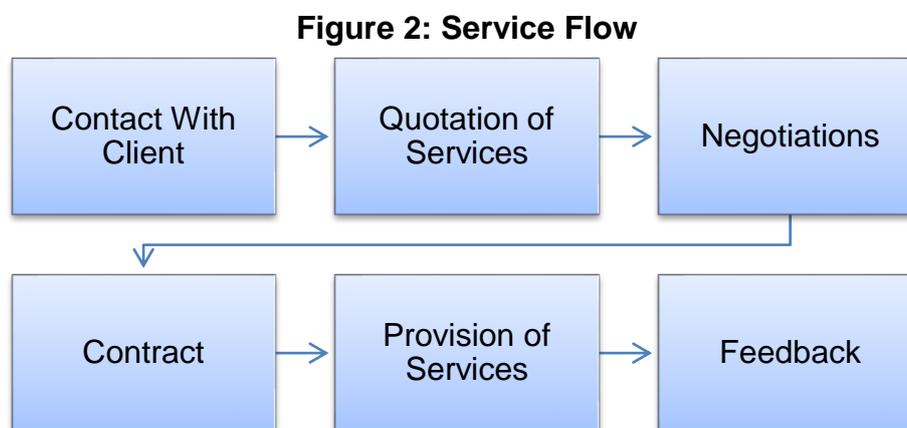
- Have a valid CNIC and National Tax Number
- Should be financially sound having more than PKR10 million in the account of the applicant for the last three months
- Not dual national, nor NRO beneficiary
- Never convicted for any offence other than minor offences (like traffic violation) by any court of law (affidavit to be attached)
- One of the Directors of the proposed PSC should be retired Officer of Armed Forces / LEAs
- Only one authorization / NOC will be allowed to an applicant
- Security clearance of all directors
- Certified trained manpower
- The person should not be working in any other business which may amount to conflict of interest

Standard Operating Procedures to be followed after issuance of NOC

- The subject Company will NOT establish any training institute/ establishment for provision of manpower to other agencies for commercial purpose.
- The company will NOT provide any cash and carry services without formal NOC.
- The Company will NOT act as an investigating/interrogating agency.
- The Company will NOT establish its commercial office in residential area.
- The Company will NOT sublet /change directors without prior approval/NOC from Ministry of Interior
- The Company will abide by the instructions issued on dress code by Ministry of Interior.
- Moreover, military pattern uniform will NOT be used by the employee/ security guards of the company
- The company will NOT use services color / pattern for vehicles of Company.
- The Company will NOT hire the services of any foreigners for security duties in Pakistan.
- The Company will NOT use prohibited bore weapon without formal approval of Ministry of Interior.
- Furthermore, NOC will be cancelled on receipt of any adverse report from any Agency/quarter concerned.
- The Company will NOT use armored/bullet proof vehicles without NOC from Ministry of Interior.

4.2. Service Flow

The serviceability of any system depends on the process it works on, which is an imperative factor in determining the assistance provided by a particular company. Following is a flow chart showing process on which a security company runs, providing a course to the clients for hiring.



A brief description of process flow is given as under:

Contact with Client

There are two ways of interaction with the client. Client may contact the company through website or advertisement. The other way is through legal tenders, in which the company applies through Public Procurement Regulatory Authority⁹ (PPRA).

Quotation of Services

After contact with the client, the next step is to consider a client's demanded services and provide an initial quotation to the client, including details of services to be provided and other services that the service provider offers. The client provides details of the required services to the security company.

Negotiation

After providing quotation, the service provider and the client negotiate to finalize the terms and conditions, mode of service provision, payment and other service-related schedules.

Contract

After successful negotiations, a detailed agreement is prepared mentioning all the requirements and protocols to be followed by both the client and the service provider. The contract includes, but is not limited to:

- Duration of service (Daily/ weekly/ monthly)
- Number of Guards/ Armored cars

⁹ <https://www.ppra.org.pk/>

- Payment details
- Food and accommodation of the guards

Provision of services

On start of the service period, the client shall receive the decided services that are provided by eligible and fully trained security guards and/or the armored cars.

Feedback

Feedback is received from the clients during the service delivery period and at the end of the agreement period to maintain/improve the quality of services. The company conducts regular performance reviews of the personnel on the basis of the client's feedback.

4.3. Installed and Operational Capacities

The proposed project will have maximum capacity of 1,956 annual vehicle days for armored cars rental service and 10,050 man-days for security guard's service. The proposed unit is assumed to operate with service capacity utilization of 50% during the first year of its operations. The service capacity is assumed to increase at a rate of 5% per annum with a cap at 90% of total capacity, which is expected to be achieved during the 9th year after commencement of operations. The proposed project allowed 30 annual leaves for guards including 2 leave per month and 6 annual religious leaves. During leave period of any guard, a substitute guard is deployed at the station. In normal course of business, reserved guards are hired to fill in this gap. In the proposed business, reserve guards have not been hired as it has been assumed that the business operates below the maximum capacity level. Any available person would be deployed in lieu of absentee.

The installed and operational capacities of the proposed agency for the initial year are shown in Table 1 and Table 3.

Table 1: Installed and Operational Capacity – Armored Cars

Fleet Vehicle	Number of Vehicles	Annual Working Days	Annual Vehicle Days	Un Occupied Vehicle Days Per Vehicle ¹⁰	Annual Unoccupied Vehicle Days	Net No. of Available days	Capacity @ 50% (days)
BMW 7 Series 740 Le	1	350	350	24	24	326	163
Toyota Land Cruiser VX 4.6	1		350	24	24	326	163
Honda Accord- 1.5L VTEC Turbo	1		350	24	24	326	163
Toyota Hilux Revo G Automatic 2.8	1		350	24	24	326	163
Honda Civic Oriel 1.8 i-VTEC CVT 2021 -1800 cc	2		700	24	48	652	326
Total						1,956	978

Table 2: Capacity Assumptions-For Armored Cars

Description	Number / Days
Number of Annual Maintenance per Vehicle (A)	12
Time Per Maintenance / Vehicle (Days) (B)	2
Number of Annual Unavailable Days Per Vehicle (Days) (C=A*B)	24

¹⁰ This are assumed to be 2 days per month. These are the days during which the vehicles are not available for service due to maintenance or other reasons.

Table 3: Installed and Operational Capacity – Security Guards

Services	Number of Guards	Annual Working Days	Annual Man Days	Capacity @ 50%
Guard - Without Arms	10	335	3,350	1,675
Guard- With Arms	20	335	6,700	3,350
Total	30		10,050	5,025

Table 4: Capacity Assumptions-For Guards Services

Description	Annual Guards Days
Annual Working Days (A)	365
Paid leaves for Guards Per Month (Days) (B)	2
Number of Months (C)	12
Annual Leaves (Days) (D=B*C)	24
Eid Leaves (E)	6
Total Leaves (Days) (F=D+E)	30
Annual Available Guard Days (A-F)	335

5. CRITICAL FACTORS

The following factors should be taken into account while making investment decision:

- Build contacts in the corporate sector
- Hire appropriate resources
- Provide adequate training or hire well-trained guards
- Pay reasonable compensation to the employees
- Maintain good working environment
- Advertise in relevant business publications

6. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Reliable security ensures satisfaction while lack of it makes any person and place prone to several damages and risks. Diminishing social relations and insufficient social cohesion, and growing urbanization, with an increase in crimes, are the reasons for needing public security. Ensuring the security of citizens against direct, indirect, veiled, and conditional threats in territories, organizations, and institutions is a much-needed service nowadays and it is required almost everywhere and by everyone.

This “Guard and Armored Car Service Unit” is proposed to be ideally located in metropolitan cities of Karachi, Lahore, Islamabad, Quetta, Peshawar, Faisalabad, Hyderabad, Multan, Sialkot, Gujranwala, etc., as these are the main cities of Pakistan in which crime rate, including robberies and homicides, is higher than other cities. Furthermore, larger cities constitute the center of major economic activity where potential customers for such services are found in large number. Moreover, qualified professionals and well-trained staff are also easily available in such big cities.

7. POTENTIAL TARGET MARKETS

According to ‘All-Pakistan Security Agency Association’ (APSAA), there are 305+ private security service companies registered with the association in two regions, South and North. The registered guards as per APSAA are 15344+.¹¹ Increased number of private security guards and agencies show that elite class, politicians and corporate sectors are becoming more and more security-conscious.

Pakistan’s homicide rate was at the level of 3.8 cases per 100,000 population in 2019, down from 3.9 cases per 100,000 population during the previous year. In 2018, robbery rate for Pakistan was 7 cases per 100,000 population.¹²

The crime statistics of 2019 in Pakistan were as follows:¹³

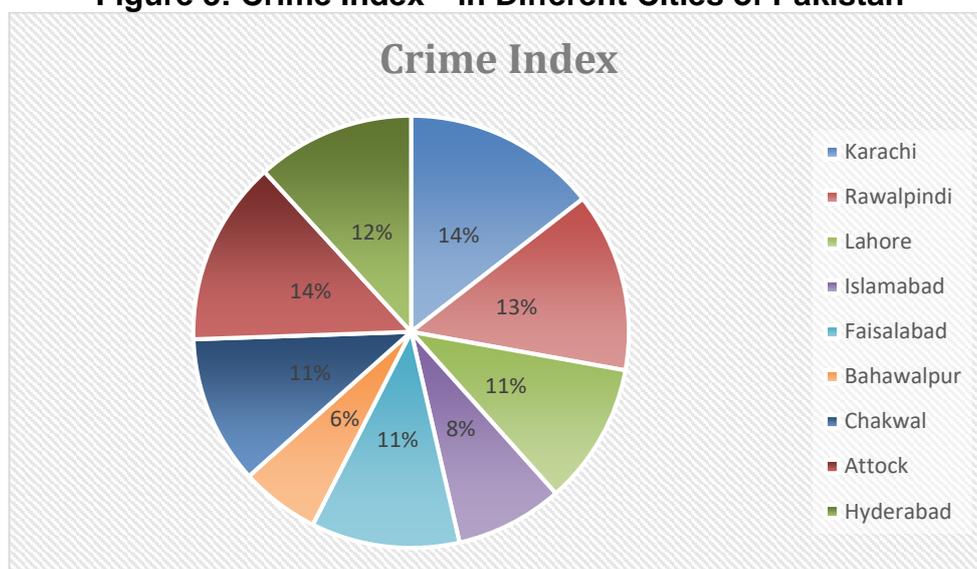
¹¹ <https://www.apsaa.com.pk/>

¹² <https://knoema.com/atlas/Pakistan/Homicide-rate>

- Assault rate of 12.5 cases per 100,000 population
- Kidnapping rate of 9.5 cases per 100,000 population
- Robbery rate of 7 cases per 100,000 population
- Burglary rate 6.9 of cases per 100,000 population
- Private car theft rate of 13.7 cases per 100,000 population

The following data, illustrated in Figure 3, is from past three years within different cities of Pakistan.

Figure 3: Crime Index¹⁴ in Different Cities of Pakistan



A crime index is based on the crime rate per 1,000 populations for all crimes in a specific area or city. It helps in identifying crime prone areas and hence measures can be taken accordingly to prevent or reduce the crime rates. In Figure 3, Karachi, Attock and Rawalpindi are the cities with high crime indices, whereas Lahore, Chakwal and Faisalabad having slightly lower crime indices. The crime index can be one measure to assess requirement for a Guard and Armored Car Services Unit.

Besides security, hiring private guards also act as a status symbol in the elite class of Pakistan. Target market for these security services is mostly based on the foreign dignitaries, celebrities, politicians, famous personalities, international sport teams, who wants to have special protection vehicles and other security services. Target market for placement of security guard includes places like shopping malls, religious institutions, universities, gated communities, parking lots, construction sites, industrial warehouses, apartment buildings, art galleries, and many more important

¹³ <https://knoema.com/atlas/Pakistan/Homicide-rate>

¹⁴ The Crime Index total is the sum of selected offenses used to measure crime rates and their fluctuations reported to law enforcement.

venues like schools, colleges, universities, religious institutes, shopping malls, houses, societies and commercial buildings.

8. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of the “Setting-up Guard and Armored Car services Unit”. Various costs and revenue related assumptions along with results of the analysis are outlined in this section.

The projected Income Statement, Cost of Goods Sold, Cash Flow Statement and Balance Sheet are attached as Annexure.

8.1. Project Economics

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

8.2. Project Cost

Total investment cost of the project has been calculated to be PKR 166.98 million. The project will be financed through 100% Equity.

Table 5 provides the detail of estimated cost for the proposed manufacturing unit.

Table 5: Project Cost

Description	Cost (PKR)	Reference
Land	-	8.2.1
Building / Infrastructure	652,270	8.2.2
Furniture & fixtures	745,000	8.2.3
Office equipment	2,164,500	8.2.4
Armored Vehicles	155,772,000	8.2.5
Office Vehicles	181,800	8.2.5
Pre-operating costs	521,418	8.2.6
Security against building	675,000	8.2.7
Arms and Detective Equipments	1,290,000	8.2.8
Legal, Licensing, and Permits	85,000	8.2.9
Total Capital Costs	162,086,988	
Working Capital		
Upfront insurance payment	3,894,300	
Cash	1,000,000	
Total Working Capital	4,894,300	
Total Project Cost	166,981,288	

8.2.1. Land

The proposed project will be started in a rented building with an area of 2,250 sq. ft. High land cost in urban areas and easy availability of suitable buildings on rent for setting up a business makes it economically rational to start a business in a rented space. Therefore, no land cost has been added to the project cost. A large parking area is required in order to park the armored cars that are not being used by the clients. The required space breakup is shown in Table 6.

Table 6: Breakup of Required Land Area

Breakup of Land Area	% Break-Up	Area (Sq. Ft).
Executive Office	10%	225
Accounts Department	4%	100
Admin & Operation Department	9%	195
Marketing Department	4%	100
Conference Room	6%	140
Waiting Area	7%	150
Kitchen	3%	70
Washroom	7%	160
Parking Area	49%	1,110
Total Area	100%	2,250

8.2.2. Building

There will be no cost of building construction as the proposed business will be started in a rented facility. However, there will be a renovation cost; required to make the building usable for the business. The proposed project requires electricity load of around 3 KW for which an electricity connection under the commercial supply tariff will be required. Building rent of PKR 225,000 per month has been included in the operating cost. Building renovation cost is shown in Table 7.

Table 7: Renovation Cost Details

Cost Item	Unit of Measurement	Total Units	Cost/Unit (PKR)	Total Cost (PKR)
Paint Cost	Liter	66	500	33,000
Labour Cost	Sq. Feet	6,642	10	66,420
Wall Racks	No.	14	15,000	210,000
Lockers	No.	4	30,000	120,000
Curtains	No.	9	3,000	27,000
Blinds	No.	3	5,000	15,000

Glass Door and Partition	Sq. Feet	147	550	80,850
Painting & Decorative				100,000
Total				652,270

8.2.3. Furniture & Fixtures

Table 8 provides details of the furniture and fixture requirement of the project.

Table 8: Furniture and Fixtures

Cost Item	Number of Items	Unit Cost (PKR)	Total Cost (PKR)
Executive Tables	5	35,000	140,000
Executive Chairs	5	20,000	80,000
Office Tables	3	25,000	125,000
Office Chairs	3	10,000	30,000
Chairs - Conference Room	6	20,000	120,000
Table - Conference Room	1	50,000	50,000
Sofa Sets	4	35,000	140,000
Chairs - Waiting area	6	10,000	60,000
Total Cost (PKR)			745,000

8.2.4. Office Equipment

Detail of office equipment required for the proposed project is provided in Table 9.

Table 9: Office Equipment

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Laptop	5	150,000	750,000
Desktop Computer	2	40,000	80,000
Telephone Sets	10	2,000	20,000
Air Conditioner	7	80,000	560,000
Ceiling Fan	7	4,500	31,500
Exhaust Fan	3	3,000	9,000
Bracket Fan	4	5,000	20,000
Water Dispenser	1	20,000	20,000
UPS System (3 KW)	1	150,000	150,000
CCTV Cameras	8	2,000	16,000

DVR	1	12,000	12,000
Wi-Fi	1	20,000	20,000
LED / LCD Monitor 23" (Surveillance)	1	30,000	30,000
Wireless-Walkie Talkie	36	10,000	360,000
LED Display	1	50,000	50,000
Whiteboard	1	1,000	1,000
Projector	1	35,000	35,000
Total Cost (PKR)			2,164,500

8.2.5. Vehicles

Detail of vehicles required for the project is provided in Table 10 and Table 11.

Table 10: Armored Vehicles

Cost Item	No. of Vehicles	Unit Cost (PKR)	Registration Rate	Registration Charges (PKR)	Total Cost (PKR)
BMW 7 Series 740 Le	1	60,000,000	4%	2,400,000	62,400,000
Toyota Land Cruiser VX 4.6	1	55,000,000	4%	2,200,000	57,200,000
Honda Accord- 1.5L VTEC Turbo	1	14,000,000	4%	560,000	14,560,000
Toyota Hilux Revo G Automatic 2.8	1	8,500,000	4%	340,000	8,840,000
Honda Civic Oriel 1.8 i-VTEC CVT 2021	2	6,200,000	3%	186,000	12,772,000
Total Cost (PKR)	6				155,772,000

Table 11: Office Vehicles

Cost Item	No. of Vehicles	Unit Cost (PKR)	Registration Rate	Registration Charges (PKR)	Total Cost (PKR)
Moter Bike (70 cc)	2	90,000	1%	900	181,800

8.2.6. Pre-Operating Cost

Details of pre-operating cost for the project are provided in Table 12.

Table 12: Pre-Operating Cost

Description	Months	Total (PKR)
Utilities expense	1	51,418
Owner / CEO	1	200,000
Marketing Officer		80,000
Manager Operation		100,000
Admin Manager		50,000
Office Boy		20,000
Security Gaurds-Office		20,000
Total		521,418

8.2.7. Security against Building

Detail of security against building is given in Table 13.

Table 13 Security against Building

Description	Months	Per month rent	Total Cost (PKR)
Security against Building	3	225,000	675,000

8.2.8. Arms and Detective Equipment

Details of Arms and Detective Equipment are given in Table 14.

Table 14: Arms and Detective Equipment

Description	Number	Unit Cost (PKR)	License Fee (PKR)	Total Cost (PKR)
Pistol (12 Bore)	10	25,000	13,000	380,000
Pistol (30 Bore)	10	20,000	13,000	330,000
Pistol (9 mm)	10	30,000	13,000	430,000

Metal Detector	15	10,000	-	150,000
Total				1,290,000

8.2.9. Legal, Licensing, and Training costs

Details of Legal, Licensing, and Training costs are given in Table 15.

Table 15: Legal, Licensing, and Training costs

Cost Item	First Time Fee (PKR)
License - From Ministry of Interior	10,000
License - From Home Department	25,000
SECP Registration Fee	50,000
Total	85,000

8.3. Financial Feasibility Analysis

Table 16 provides the information regarding projected IRR, NPV and payback period of the study based on 100% equity.

Table 16: Financial Feasibility Analysis

Description	Values
IRR	23%
NPV (PKR)	74,952,862
Payback Period (years)	5.08
Projection Years	10
Discount Rate used for NPV	15%

8.4. Financial Feasibility Debt Financing

The financial feasibility analysis shown in Table 17 provides the information regarding projected IRR, NPV and payback period of the study based on combination of equity (50%) and debt (50%) financing for the proposed project.

Table 17: Financial Feasibility Debt Financing

Description	Project
IRR	22%
NPV (PKR)	201,468,291
Payback Period (years)	5.11

Projection Years	10
Discount Rate used for NPV	8%

8.5. Breakeven Analysis

Breakeven analysis is provided in Table 18 and Table 19.

Table 18: Breakeven Analysis-Rental Services

Particulars	Amount First Year (PKR)	Ratios
Sales (PKR) – A	48,085,000	100%
Variable Cost (PKR) – B	19,577,997	41%
Contribution (PKR) (A-B) = C	28,507,003	59%
Fixed Cost (PKR) – D	27,487,063	57%
Breakeven for Rental Services		
Break-Even (Days)		943
Breakeven Revenue (PKR)		46,364,588
Breakeven Capacity		48%

Table 19: Breakeven Analysis-Guard Services

Particulars	Amount First Year (PKR)	Ratios
Sales (PKR) – A	8,375,000	100%
Variable Cost (PKR) – B	2,449,363	29%
Contribution (PKR) (A-B) = C	5,925,637	71%
Fixed Cost (PKR) – D	4,787,442	57%
Breakeven for Rental Services		
Break-Even (Days)		4,060
Breakeven Revenue (PKR)		6,766,332
Breakeven Capacity		40%

8.6. Revenue Generation

Based on the assumption of the first-year capacity utilization of 50%, sales revenue during the first year of operations is shown in Table 20.

Table 20: Revenue Generation

Services	Revenue (PKR)
Rental Service (Table 21)	48,085,000
Guards (Table 22)	8,375,000
Total Revenue	56,460,000

Table 21: Revenue - Armored Car Services

Fleet	Annual Vehicle Days ¹⁵	Working Days Per Vehicle @ 50% capacity	Charges per Day (PKR)	Revenue (PKR)
BMW 7 Series 740 Le	326	163	100,000	16,300,000
Toyota Land Cruiser VX 4.6	326	163	75,000	12,225,000
Honda Accord- 1.5L VTEC Turbo	326	163	40,000	6,520,000
Toyota Hilux Revo G Automatic 2.8	326	163	30,000	4,890,000
Honda Civic Oriel 1.8 i-VTEC CVT 2021 -1800 cc	652	326	25,000	8,150,000
Total	1,956	978		48,085,000

Table 22: Revenue - Guards Services

Services	No. of Guards	Annual Man Days ¹⁶	Annual Man Days @ 50% capacity	Charges per Day (PKR)	Revenue (PKR)
Guard - Without Arms	10	3,350	1,675	1,000	1,675,000
Guard- With Arms	20	6,700	3,350	2,000	6,700,000
Total	30	10,050	4,320		8,375,000

¹⁵ The days are calculated in Table 1.

¹⁶ The days are calculated in Table 3.

8.7. Variable Cost

Variable costs of the project have been provided with detail in Table 23.

Table 23: Variable Cost

Description	Rental Services (PKR)	Guard Services (PKR)	Total Cost (PKR)
Staff salaries-Direct Labor	1,532,997	267,003	1,800,000
Staff salaries- Security Guard	10,219,979	1,780,021	12,000,000
Staff salaries- Driver	4,200,000		4,200,000
Utilities	321,090	55,925	377,015
Armored Vehicle maintenance expenses	1,315,000		1,315,000
Operating costs 2- Consumables (Table 24)	429,852	74,868	504,720
Travelling expense	293,824	51,176	345,000
Communications expense (phone, mail, internet, etc.)	293,824	51,176	345,000
Office vehicles running and maintenance expense	89,957	15,668	105,625
Office expenses (stationery, entertainment, janitorial services)	881,473	153,527	1,035,000
Total Variable Cost	19,577,997	2,449,363	22,027,360

Table 24: Consumables

Cost Item	No. of Items	Unit Cost (PKR)	Total Cost (PKR)
Ammunition (Table 25)			18,720
Uniform (2 per guard)	72	3,500	252,000
Hat (2 per guard)	72	250	18,000
Shoes (2 per guard)	72	3,000	216,000
Total			504,720

Table 25: Ammunition

Description	No. of Arms (Units)	Rounds Consumption Per Arms (Units)	Monthly Consumption (Units)	Cost per Unit (PKR)	Monthly Cost (PKR)
Ammunition Test Cost					
Pistol (12 Bore)	10	1	10	52	520
Pistol (30 Bore)	10	1	10	30	300
Pistol (9 mm)	10	1	10	48	480
Total Monthly Cost					1,300
Yearly Testing Cost (A)					15,600
Contingency cost (20%) (Used in emergency) (B)					3,120
Total Cost (A+B)					18,720

Table 26: Armored Vehicle Running and Maintenance Cost

Vehicle Maintenance Cost	Vehicle
No of vehicles (A)	6
General maintenance Per Month per vehicle (B)	15,000
General maintenance Per Month(C=A*B)	90,000
Annual General maintenance (D=C*12)	1,080,000
Annual Oil change services (E) (Table 27)	235,000
Annual Maintenance (F=D+E)	1,315,000
Fuel Cost	-
Total	1,315,000

Table 27: Oil Change Cost

Description	No.	Oil Change Charges (PKR)	Average Distance Annually Per Vehicle (km)	Distance after Oil Change Required (km)	No. of Oil Changes Service Required	Annual Cost (PKR)
BMW 7 Series 740 Le	1	20,000	35,000	10,000	4	80,000
Toyota Land Cruiser VX 4.6	1	12,000	35,000	20,000	2	24,000
Honda Accord- 1.5L VTEC Turbo	1	12,000	35,000	5,000	7	84,000
Toyota Hilux Revo G Automatic 2.8	1	6,000	35,000	20,000	2	12,000
Honda Civic Oriel 1.8 i-VTEC CVT 2021	2	5,000	35,000	5,000	7	35,000
Annual Cost						235,000

Table 28: Office Vehicle Running and Maintenance Cost

Vehicle Maintenance Cost	Bike
No of vehicles (A)	2
General maintenance Per Month per vehicle (B)	1,000
General maintenance Per Month(C=A*B)	2,000
Annual General maintenance (D=C*12)	24,000
Annual Oil change services (E)	5,500
Annual Maintenance (F=D+E)	29,500
Running Cost	76,125
Total	105,625

8.7.1. Fuel Cost

The fuel cost of armored vehicles is borne by the client; hence it is not included in the variable cost.

8.8. Fixed Costs

Details of fixed costs for the project are provided in Table 29.

Table 29: Fixed Costs

Description	Rental Services (PKR)	Guard Services (PKR)	Total Cost (PKR)
Staff Salaries	5,876,488	1,023,512	6,900,000
Administration benefits expense	636,194	110,806	747,000
Building rental expense	2,299,495	400,505	2,700,000
Promotional expense	480,850	83,750	564,600
Insurance expense	3,316,639	577,661	3,894,300
Professional fees (legal, audit, licenses renewal fee, etc.)	961,700	167,500	1,129,200
Depreciation expense	13,826,883	2,408,239	16,235,122
Amortization of pre-operating costs	88,815	15,469	104,284
Total Fixed Cost	27,487,063	4,787,442	32,274,506

8.9. Human Resource

For the first year of operations, the human resource requirements are projected in Table 30.

Table 30: Human Resource Requirement

Description	No. of Employees	Monthly Salary per employee (PKR)	Total Monthly Salary (PKR)	Total Annual Salary (PKR)
Owner / CEO	1	200,000	200,000	2,400,000
Marketing Officer	1	75,000	80,000	960,000
Manager Operation	1	100,000	100,000	1,200,000
Assisstant Manager Operation	1	50,000	50,000	600,000
Security Guard-Without Arms	10	30,000	300,000	3,600,000
Security Guard-With Arms	20	35,000	700,000	8,400,000
Drivers	10	35,000	350,000	4,200,000
Accounts Officer	1	50,000	50,000	600,000
Admin. Manager	1	50,000	50,000	600,000
Admin. Assistant	1	35,000	35,000	420,000
Office Boy	2	20,000	40,000	480,000
Security Gaurds-Office	6	20,000	120,000	1,440,000
Total	55			24,900,000

9. CONTACT DETAILS

Details of proposed service providers are provided in Table 31. Furthermore, contact details of armored cars, arms and uniform suppliers are provided in Table 32.

Table 31: Service Providers

Service Providers	Location	Contact Number	Email/ Website
All Pakistan Security Agency Association (APSAA)	Karachi	+92-21-35393041 +92-21-35393042	info@apsaa.com.pk https://www.apsaa.com.pk/
Zims Security Pvt Ltd	Islamabad	051-111 111 946	www.zims.com.pk
Bravo Security Services	Lahore	0323 6666605	www.bravosecurity.com.pk
Dogma Security	Hyderabad	+92-22-32908714 +92-22-32782661	info@dogma.com.pk http://www.dogma.com.pk/
Indus Security Services (ISS)	Karachi	+92-022-2720161 +92-022-2783920	
Armored Vehicles Pakistan	Karachi	+92 21 34386031-3 +92 21 34544096	sales@armored.com.pk http://armored.com.pk/
AR-Raheem Security Services	Multan	0300 8264342	https://ar-raheem-security-services-multan.business.site/
Askari Guards Pvt Ltd & CIT	Faisalabad	0300 4282741	https://askari-guards-pvt-ltd-cit.business.site/
Zamzama Security Company	Sialkot	0345 6759906	http://www.zamzama.pk/
Mak Security Agency Pvt. Ltd	Peshawar	+92-91-9218447-8	http://www.maksecurity.net/
Strategic Guards and Security Solutions	Quetta	0334 3573213	

Table 32: Contact Details

Service Providers	Location	Contact Number	Email/ Website
Armored Vehicles Pakistan	Karachi	+92 21 34386031	https://armored.com.pk/
Armor max	USA	1-801-393-1075	https://www.armormax.com/location/pakistan/
Ghani Arms	Rahimyar Khan	0300-8770558	https://ghani-arms.business.site/
Afridi Arms Company	Lahore	(042) 35249388	https://afridi-arms-company.business.site/
Famous Arms Stockists & Dealer	Karachi	(021) 32783268	http://famouspvt.com/
Buksh Elahi & Co Pvt Ltd	Quetta	(042) 37324827	
Kashif & Company Licensed Guns/Arms	Peshawar	(091) 5851234	
Multi Wear Private Limited Workwear uniform supplier	Lahore	0315 9006661	http://www.mwgarments.com.pk/
Eastern Uniforms (Corporate & Industrial Uniforms Manufacturer)	Karachi	0331 0282824	http://www.eastern-uniforms.com/

10. USEFUL LINKS

Table 33: Useful Links

Organization	Website
Small and Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
National Business Development Program (NBDP)	www.nbdp.org.pk
Government of Pakistan	www.pakistan.gov.pk
Ministry of Industries and Production	www.moip.gov.pk
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Balochistan	https://balochistan.gov.pk
Government of Khyber Pakhtunkhwa	http://kp.gov.pk
Government of Gilgit Baltistan	https://gilgitbaltistan.gov.pk
Government of Azad Jammu & Kashmir	https://ajk.gov.pk
Ministry of Interior (MOI)	www.interior.gov.pk
Securities and Exchange Commission of Pakistan	https://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
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpcci.com.pk
Home Department Peshawar	http://armslicensepk.com/
Home Department Punjab	https://punjab.gov.pk/procedure_for_issuance_of_arms_license
Home Department Sindh	www.home.sindh.gov.pk
Home Department Balochistan	http://dcquetta.gob.pk/issuance-of-arms-license/
All Pakistan Security Agency Association (APSAA)	www.apsaa.com.pk

11. ANNEXURES

11.1. Income Statement

Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue- Armored Car Rental Services	48,085,000	58,148,220	70,016,742	83,392,179	98,714,311	116,712,379	136,898,096	159,916,209	186,235,189	204,982,865
Revenue- Guard Service	8,375,000	10,139,892	12,175,244	14,517,626	17,208,226	20,293,415	23,825,372	27,862,779	32,471,611	35,740,420
Total Revenue	56,460,000	68,288,112	82,191,986	97,909,805	115,922,538	137,005,795	160,723,468	187,778,988	218,706,800	240,723,285
<i>Cost of sales</i>										
Staff salaries-Direct Labor	1,800,000	1,974,600	2,166,136	2,376,251	2,606,748	2,859,602	3,136,984	3,441,271	3,775,074	4,141,257
Staff salaries- Security Guard	12,000,000	13,164,000	14,440,908	15,841,676	17,378,319	19,064,016	20,913,225	22,941,808	25,167,163	27,608,378
Staff salaries- Driver	4,200,000	4,607,400	5,054,318	5,544,587	6,082,412	6,672,405	7,319,629	8,029,633	8,808,507	9,662,932
Utilities	263,910	287,759	313,763	342,117	373,033	406,742	443,498	483,576	527,275	574,923
Consumables Cost	504,720	550,330	600,061	654,287	713,413	777,881	848,176	924,823	1,008,396	1,099,521
Armoured Vehicle maintenance expenses	1,315,000	1,407,050	1,505,544	1,610,932	1,723,697	1,844,356	1,973,460	2,111,603	2,259,415	2,417,574
Total cost of sales	20,083,630	21,991,139	24,080,730	26,369,849	28,877,620	31,625,002	34,634,972	37,932,713	41,545,830	45,504,585
Gross Profit	36,376,370	46,296,973	58,111,256	71,539,956	87,044,918	105,380,792	126,088,496	149,846,275	177,160,970	195,218,700
<i>General administration & selling expenses</i>										
Staff Salaries	6,900,000	7,569,300	8,303,522	9,108,964	9,992,533	10,961,809	12,025,104	13,191,540	14,471,119	15,874,817
Administration benefits expense	747,000	819,459	898,947	986,144	1,081,800	1,186,735	1,301,848	1,428,128	1,566,656	1,718,622
Building rental expense	2,700,000	2,970,000	3,267,000	3,593,700	3,953,070	4,348,377	4,783,215	5,261,536	5,787,690	6,366,459
Utilities	113,104	123,325	134,470	146,621	159,871	174,318	190,071	207,247	225,975	246,395
Travelling expense	345,000	378,465	415,176	455,448	499,627	548,090	601,255	659,577	723,556	793,741
Communications expense (phone, mail, internet, etc.)	345,000	378,465	415,176	455,448	499,627	548,090	601,255	659,577	723,556	793,741
Office vehicles running and maintenance expense	105,625	116,258	127,961	140,843	155,021	170,626	187,803	206,708	227,517	250,420
Office expenses (stationery, entertainment, janitorial services, e	1,035,000	1,135,395	1,245,528	1,366,345	1,498,880	1,644,271	1,803,766	1,978,731	2,170,668	2,381,223
Promotional expense	564,600	682,881	821,920	979,098	1,159,225	1,370,058	1,607,235	1,877,790	2,187,068	2,407,233
Insurance expense	3,894,300	3,504,870	3,115,440	2,726,010	2,336,580	1,947,150	1,557,720	1,168,290	778,860	389,430
Professional fees (legal, audit, licenses renewal fee, etc.)	1,129,200	1,365,762	1,643,840	1,958,196	2,318,451	2,740,116	3,214,469	3,755,580	4,374,136	4,814,466
Depreciation expense	16,235,122	16,235,122	16,235,122	16,235,122	16,235,122	16,235,122	16,080,557	16,650,412	16,650,412	16,650,412
Amortization of pre-operating costs	104,284	104,284	104,284	104,284	104,284	-	-	-	-	-
Amortization of Licenses and permits	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500
Subtotal	34,226,735	35,392,086	36,736,885	38,264,723	40,002,590	41,883,263	43,962,798	47,053,615	49,895,712	52,695,458
Operating Income	2,149,635	10,904,887	21,374,371	33,275,233	47,042,327	63,497,529	82,125,698	102,792,660	127,265,258	142,523,242
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	45,450	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	-	-	-	15,577,200
Earnings Before Interest & Taxes	2,149,635	10,904,887	21,374,371	33,275,233	47,042,327	63,497,529	82,171,148	102,792,660	127,265,258	158,100,442
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	2,149,635	10,904,887	21,374,371	33,275,233	47,042,327	63,497,529	82,171,148	102,792,660	127,265,258	158,100,442
Tax	705,750	2,936,710	6,601,029	10,766,331	15,584,814	21,344,134	27,879,901	35,097,430	43,662,840	54,455,154
NET PROFIT/(LOSS) AFTER TAX	1,443,885	7,968,177	14,773,342	22,508,902	31,457,513	42,153,395	54,291,247	67,695,230	83,602,418	103,645,288

11.2. Balance Sheet

Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
<i>Current assets</i>											
Cash & Bank	1,000,000	18,968,318	39,376,341	61,379,852	84,648,958	109,160,288	135,065,258	156,429,183	185,596,444	216,706,256	251,443,329
Pre-paid building rent	-	247,500	272,250	299,475	329,423	362,365	398,601	438,461	482,307	530,538	-
Pre-paid insurance	3,894,300	3,504,870	3,115,440	2,726,010	2,336,580	1,947,150	1,557,720	1,168,290	778,860	389,430	-
Total Current Assets	4,894,300	22,720,688	42,764,031	64,405,337	87,314,960	111,469,803	137,021,579	158,035,935	186,857,611	217,626,224	251,443,329
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	652,270	587,043	521,816	456,589	391,362	326,135	260,908	195,681	130,454	65,227	-
Furniture & fixtures	745,000	633,250	521,500	409,750	298,000	186,250	74,500	1,412,230	1,200,395	988,561	776,726
Armoured vehicles	155,772,000	140,194,800	124,617,600	109,040,400	93,463,200	77,886,000	62,308,800	46,731,600	31,154,400	15,577,200	-
Office vehicles	181,800	154,530	127,260	99,990	72,720	45,450	18,180	344,622	292,929	241,235	189,542
Office equipment	2,164,500	1,839,825	1,515,150	1,190,475	865,800	541,125	216,450	4,103,049	3,487,592	2,872,135	2,256,677
Arms and Detective Equipments	1,290,000	1,161,000	1,032,000	903,000	774,000	645,000	516,000	387,000	258,000	129,000	-
Security against building	675,000	675,000	675,000	675,000	675,000	675,000	675,000	675,000	675,000	675,000	675,000
Total Fixed Assets	161,480,570	145,245,448	129,010,326	112,775,204	96,540,082	80,304,960	64,069,838	53,849,182	37,198,770	20,548,358	3,897,946
<i>Intangible assets</i>											
Pre-operation costs	521,418	417,134	312,851	208,567	104,284	-	-	-	-	-	-
Liscense and petmits	85,000	76,500	68,000	59,500	51,000	42,500	34,000	25,500	17,000	8,500	-
Total Intangible Assets	606,418	493,634	380,851	268,067	155,284	42,500	34,000	25,500	17,000	8,500	-
TOTAL ASSETS	166,981,288	168,459,771	172,155,208	177,448,608	184,010,326	191,817,263	201,125,417	211,910,617	224,073,381	238,183,082	255,341,275
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	756,540	828,860	908,120	994,986	1,090,193	1,194,541	1,308,911	1,434,269	1,571,673	1,722,282
Total Current Liabilities	-	756,540	828,860	908,120	994,986	1,090,193	1,194,541	1,308,911	1,434,269	1,571,673	1,722,282
<i>Other liabilities</i>											
Total Long Term Liabilities	-										
<i>Shareholders' equity</i>											
Paid-up capital	166,981,288	166,981,288	166,981,288	166,981,288	166,981,288	166,981,288	166,981,288	166,981,288	166,981,288	166,981,288	166,981,288
Retained earnings	-	721,942	4,345,060	9,559,201	16,034,051	23,745,782	32,949,588	43,620,418	55,657,824	69,630,121	86,637,704
Total Equity	166,981,288	167,703,230	171,326,348	176,540,489	183,015,339	190,727,070	199,930,876	210,601,706	222,639,112	236,611,409	253,618,992
TOTAL CAPITAL AND LIABILITIES	166,981,288	168,459,771	172,155,208	177,448,608	184,010,326	191,817,263	201,125,417	211,910,617	224,073,381	238,183,082	255,341,275

11.3. Cash Flow Statement

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		1,443,885	7,968,177	14,773,342	22,508,902	31,457,513	42,153,395	54,291,247	67,695,230	83,602,418	103,645,288
Add: depreciation expense		16,235,122	16,235,122	16,235,122	16,235,122	16,235,122	16,235,122	16,080,557	16,650,412	16,650,412	16,650,412
amortization of pre-operating costs		104,284	104,284	104,284	104,284	104,284	-	-	-	-	-
Pre-paid building rent	-	(247,500)	(24,750)	(27,225)	(29,948)	(32,942)	(36,236)	(39,860)	(43,846)	(48,231)	530,538
Accounts payable		756,540	72,320	79,259	86,867	95,206	104,348	114,371	125,358	137,404	150,609
Cash provided by operations	(3,894,300)	18,690,261	24,753,083	31,562,712	39,303,157	48,257,113	58,854,558	70,844,244	84,825,084	100,739,933	121,374,777
<i>Financing activities</i>											
Issuance of shares	166,981,288	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activitie	166,981,288	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(162,086,988)	-	-	-	-	-	-	(5,859,901)	-	-	-
Acquisitions											
Cash (used for) / provided by investing activitie	(162,086,988)	-	-	-	-	-	-	(5,859,901)	-	-	-
NET CASH	1,000,000	18,690,261	24,753,083	31,562,712	39,303,157	48,257,113	58,854,558	64,984,343	84,825,084	100,739,933	121,374,777

12. KEY ASSUMPTIONS

12.1. Operating Cost Assumptions

Table 34: Operating Cost Assumptions

Description	Rate/ Percentage/ Details
Furniture and fixture depreciation	15%
Machinery & equipment depreciation	15%
Building & infrastructure depreciation	10%
Vehicle depreciation	10%
Office equipment depreciation	15%
Inflation rate	10.1%
Wage growth rate	9.7%
Electricity price growth rate	9.0%
Office equipment price growth rate	9.6%
Office vehicle price growth rate	6.2%

12.2. Variable Cost Assumptions

Table 35: Variable Cost Assumptions

Description	Details
Office expenses (stationery, entertainment, janitorial services, etc.)	15% of administration expense
Travelling expenses	5% of revenue
Communication expense	5% of administration expense
Promotional expense	1% of revenue

12.3. Fixed Cost Assumptions

Table 36: Fixed Cost Assumptions

Description	Details
Promotional Expenses	1% of revenue
Administration benefits expense	3% of administration expense
Professional fees (legal, audit, consultants, etc.)	2% of revenue

12.4. Revenue Assumptions**Table 37: Revenue Assumptions**

Description	Details
Sale price growth rate	10.1%
Initial capacity utilization	50%
Capacity growth rate	5%
Maximum capacity utilization	90%

12.5. Financial Assumptions**Table 38: Financial Assumptions**

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

12.6. Debt Related Assumptions**Table 39: Debt Related Assumptions**

Description of Cost	Details
Project Life (Years)	10
Debt: Equity	50:50
Discount Rate	8%
Debt Tenure	5 years
Grace Period	1 Year
Interest Rate (KIBOR+3%)	10.3%

12.7. Cash Flow Assumptions**Table 40: Cash Flow Assumptions**

Description of Cost	Details
Accounts Receivable (days)	-
Accounts Payable (days)	10

Small and Medium Enterprises Development Authority

HEAD OFFICE

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

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

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