



Pre-feasibility Study

FURNITURE SHOWROOM

September 2023

“The figures and financial projections are approximate due to fluctuations in exchange rates, energy costs, and fuel prices etc. Users are advised to focus on understanding essential elements such as production processes and capacities, space, machinery, human resources, and raw material etc. requirements. Project investment, operating costs, and revenues can change daily. For accurate financial calculations, utilize financial calculators on SMEDA’s website and consult financial experts to stay current with market conditions”

Small and Medium Enterprises Development Authority
Ministry of Industries and Production
Government of Pakistan

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1 DISCLAIMER

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. Although, the material included in this document is based on data/information gathered from various reliable sources; however, it is based upon certain assumptions, which may differ from case to case. The information has been provided on as is where is basis without any warranties or assertions as to the correctness or soundness thereof. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision, including taking professional advice from a qualified consultant/technical expert before taking any decision to act upon the information.

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2 EXECUTIVE SUMMARY

The project involves establishing a Furniture Showroom at a central location of any big city of Pakistan. The showroom will cater to the needs of the domestic market, selling quality wooden furniture for household and office use. The furniture will be outsourced from local manufacturers in Gujrat and Chiniot. The showroom will provide its own designs as well as take orders for customized furniture. The outlet will offer a product mix of household furniture including bedroom sets, dining room, common room and drawing room furniture. Additionally office furniture will also be available in the showroom.

Pakistan is one of the oldest furniture manufacturing industries. The furniture industry is divided into two main types: cottage and small scale industries. The industry is aiming at developing a system designed to incorporate its tradition with modern functional demands, coupled with a quality of the material and aesthetic values. The medium sized and the small sized units have their showrooms and some micro sized manufacturers don't have their own showrooms, so they are dependent on outlets set up in cities like Lahore, Sialkot, Gujranwala, Rawalpindi, Islamabad, Peshawar, Karachi, Quetta etc. In Lahore there are many clusters of furniture showrooms in central locations like Fortress Stadium, Gulberg, DHA, Allama Iqbal Town, Ferozepur Road and Multan Road.

The total project cost for setting up the showroom is estimated at Rs. 16.38 million out of which Rs. 5.69 million is capital cost and Rs. 10.69 million as working capital. The project is financed through 100% equity. The project NPV is around Rs. 1.85 million with an IRR of 28% and payback period of 3.66 years. The legal business status of this project is proposed as 'Sole Proprietorship'.

The showroom will be open for 11 hours on daily basis. Given the business type a fixed sales capacity cannot be determined. It is assumed that 475 sets of furniture would be sold in the first year from among the product mix defined. The projected sales are proposed to increase at a rate of 5% each year. The projected sale figures given in the project are only an approximation and actual sales may vary significantly depending on how well the showroom caters to the market requirement and how strong is its marketing strategy.

3 INTRODUCTION TO SMEDA

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with an objective to provide fresh impetus to the economy through development of Small and Medium Enterprises (SMEs).

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectoral research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

Preparation and dissemination of prefeasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the prefeasibility studies, a broad spectrum of business development services is also offered to the SMEs by SMEDA. These services include identification of experts and consultants and delivery of need based capacity building programs of different types in addition to business guidance through help desk services.

4 PURPOSE OF THE DOCUMENT

The objective of this proposed Pre-feasibility is primarily to facilitate potential entrepreneurs with the investment information and provide an overview about the "Furniture Show Room Business". 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 marketing, finance and business management. The document also provides sectoral information and international scenario, which have some bearing on the project itself.

The purpose of this document is to facilitate potential investors of the Furniture Showroom business by providing them a macro and micro view of the business with the hope that the information provided herein will aid the potential investors in crucial investment decisions.

This particular Pre-feasibility is regarding setting up "Furniture Show Room". Our report is based on the information obtained by us from industry sources as well as our discussions with businessmen. For financial model, since the forecast / projections relate to the future periods, actual results are likely to differ because of the events and circumstances that don't occur as frequently as expected.

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

The proposed project is for setting up “Furniture Showroom”. This project is only concerned with Furniture Showroom and does not include manufacturing facility. The furniture is proposed to be outsourced from various local manufacturers. The showroom will provide its own designs as well as customized designs to its customers.

The products covered in this pre-feasibility are domestic or household furniture and office furniture in finished form. It specifically excludes the contract sector, which includes furniture for civil aviation, hospitals, schools, and other similar purposes. Antique, second-hand furniture and garden furniture has been excluded as well.

Furniture Showroom is a viable business if done properly on commercial basis. With the increase in the development of new housing schemes, increased demand of wooden furniture can be anticipated. Furniture is also given as part of the dowry which forms the major portion of sales of furniture in Pakistan. The demand for household furniture increases substantially in winter and spring season which is the wedding season in Pakistan. Domestic/office requirements and trend of dowry in the form of furniture considerably increases the need for quality furniture.

The demand for household furniture and accessories directly correlate with new residential construction, and office furniture follows trends in non-residential construction. A growing segment is the renovation, maintenance and improvement sector.

Some furniture manufacturers do not have their own showrooms and are dependent upon other sources for furniture sales. The medium sized and the small sized units have their showrooms. The micro sized manufacturers don't have their own showrooms, so they are dependent on the other categories for their furniture sales. Around 10% of the total furniture manufactured in Gujrat is sold within the city. The rest 90% of the furniture is sold in the other cities like Lahore, Sialkot, Gujranwala, Rawalpindi, Islamabad, Peshawar, Karachi, Quetta etc.

5.1 Installed And Operational Capacities

The proposed unit will sell 475 units of different types of furniture sets during first year and will sell a maximum of 737 units of different types of furniture sets in 10th year. Details of type and quantity of furniture sets sold during 1st year is shown in the following table:

Table 1: Installed & Operational Capacities

	Year - 1			
		Quality A	Quality B	Quality C
		30%	40%	30%
Bedroom set				
For Bachelors	50	15	20	15
For Married Couples	80	24	32	24
Dining room				
6 Seater	50	15	20	15
8 Seater	40	12	16	12
Common room	75	23	30	23
Drawing room	50	15	20	15
Office furniture				
Executive	50	15	20	15
General	80	24	32	24
Total	475	143	190	142

6 CRITICAL FACTORS

6.1 SWOT ANALYSIS

Wood is the main raw material used in furniture making and the entire finished product depends on quality of wood. The information and technical know how about the quality of wood and use of seasoned (dry) wood plays a vital role in the manufacturing of good quality furniture, which will ultimately reflect on the reputation of the furniture show room. Strong competition exists in the international and domestic market. Manufacturing and sale of high quality trendy designs and good marketing is essential to get a permanent place in the market. Real wood furniture is the most popular furniture in existence; it's been around for hundreds of years.

Before making the decision, whether to invest in setting up the Furniture Show Room or not, one should carefully analyze the associated risk factors. A SWOT analysis can help in analyzing these factors, which can play an important role in making the decision.

6.1.1 Strengths

1. Availability of high quality furniture to customers
2. Variety of traditional and modern designs of locally manufactured furniture will be available in the showroom.
3. A number of suppliers available in the local market, for instance the Chiniot and Gujrat furniture market.
4. Profit margins can be as high as 100%
5. Central location of the showroom in a big city, easily accessible to the target market.
6. The showroom is proposed to be open 11 hours a day.
7. A product mix that includes furniture for both household and official use.

6.1.2 Weaknesses

1. A number of competitors in the market.
2. Easy market entry
3. Seasonal sector (especially household furniture in the wedding season – November to March).
4. Heavy investment in the working capital.
5. Very strict quality check required.
6. Dependency on the supplier for timely delivery of orders.

6.1.3 Opportunities

1. High quality furniture being produced locally at competitive rates and in large quantities.
2. The life style of the people is improving and they are getting more quality conscious, thus preference for the high quality products is increasing.
3. With an overall increase in income levels people are willing to spend more on house renovation and decoration.
4. Continuous increase in construction and renovation of houses and offices create new opportunities.
5. Market share can be acquired from un-organized sector through high quality product and promotional activity.

6.1.4 Threats

1. Lack of tree plantation resulted in lack of raw material (wood.)
2. The prices of all raw materials such as chipboard, timber, foam, polish chemical materials, colour paints and hard ware have increased
3. Heavy imports of furniture particularly from China
4. Local furniture manufacturers face high costs and poor output due to obsolete machinery, inadequate tools and manual labour.

5. Furniture trends and designs change rapidly.
6. Several established competitors enjoy a good market share.

6.2 KEY SUCCESS FACTORS

6.2.1 Quality of raw material

The furniture industry in Pakistan is dependent on the quality of the raw material available. The high quality wood is scarce in Pakistan and customer complaints arise due to the use of cheap and low quality wood by the manufacturers. It has to be ensured that furniture displayed in the showroom and manufactured on orders must be of high quality raw material.

6.2.2 Attractive Design and Quality Finishing

The life style of the people is improving and they are getting more quality conscious. Contemporary and chic designs are better liked by people these days. Special attention should be given to present latest designs according to the current market demands and requirements.

Tastefully designed and knockdown furniture items, made of superior quality wood and light weighted are more suitable for sale purposes. New designs and styles with durability can build brand equity for the business. As there is high competition in market, creation of up-to-date designs and styles, and introducing new trends is vital.

As this proposed showroom business is expected to target middle to upper middle class, the furniture should be able to fulfil their special requirements. It is therefore more important that furniture should be aiming to cater the traditions with modern functional demands, coupled with quality of the material and aesthetic sense. It is of utmost importance that furniture should be durable and of the latest style and fashion at an economical cost so as to attract the relevant class of the society.

6.2.3 Sales promotion

Another critical success factor of this proposed pre-feasibility is the Marketing and Promotion of the Furniture. Sales promotion activity is necessary for market penetration.

This involves dedication and hard work from the marketing personnel and advertisement through print media along with the use of other marketing techniques.

6.2.4 Other Success Factors

1. Advance orders for sale can ensure the success of the business.
2. Assurance to customers that furniture is made of seasoned (dry) wood. Properly seasoned (dry) wood guarantees high quality as it minimizes deformation of wood due to dampness.
3. New designs and styles can build brand equity for business. As there is high competition in market, to make the project commercially viable, creation of new designs and styles and setting new trends is vital .
4. The location of the showroom is an important factor for success. The showroom should be located in heavily populated or developed cities and its location within the city should be decided keeping the target market in mind.
5. Responsiveness to customers' demands and requirements is very important to stay in market and retain market share.
6. Better customer service and after sale service to promote business goodwill.
7. Competitive prices should be offered.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The said project can be started in any central area of developed cities like Lahore, Peshawar, Karachi, Islamabad, Sialkot or Faisalabad etc. It is however assumed that this showroom is established at Lahore – Main Boulevard DHA. Most successfully running furniture shops are located in areas like Gulberg, Cavalry, Fortress, Main Boulevard DHA, Allama Iqbal town, Township, Ferozpur road, Multan road and Bedian road. The demand in these areas is influenced by the number of new houses / offices built and old houses / offices renovated.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

The target market proposed for this project is middle to upper middle class. Nowadays the demand is for quality furniture at a reasonable cost. Given the current situation of the market, the high income group also searches for good bargains. Therefore, the focus of this showroom will be to present good quality furniture at an economical price range.

9 PROJECT COST SUMMARY

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales revenue of Rs. 51.25 million. The following table shows Internal Rate of Return, Payback Period and Net Present Value of the proposed venture.

Table 2: Project Economics (100% Equity Based)

Description	Details
Internal Rate of Return (IRR)	28%
Payback Period (Yrs.)	3.66
Net Present Value (Rs.)	1,853,223

Calculation of break-even analysis is as follows:

Table 3: Breakeven (100% Equity Based)

BREAKEVEN ANALYSIS	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Break-Even Revenue	45,139,868	48,316,853	51,482,277	56,466,522	61,839,575	67,339,831	73,966,333	81,109,881	88,965,068	97,775,972
Break-Even (Sale of Furniture Set)	418	426	433	453	472	490	512	535	559	585
Margin of Safety	12%	14%	17%	18%	18%	19%	19%	20%	20%	21%

However, for the purposes of further explanation the Project Economics based on Debt:Equity (i.e. 50:50) Model has also been computed. On the basis of Debt:Equity model the Internal Rate of Return, Payback Period and Net Present Value of the proposed project are provide in the table below:

Table 4: Project Economics Based on Debt (50%) : Equity (50%)

Description	Details
Internal Rate of Return (IRR)	29%
Payback Period (Yrs.)	3.66
Net Present Value (Rs.)	1,024,587

The financial assumptions for Debt:Equity are as follows:

Table 5: Financial Assumptions for Debt:Equity Model

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	28.16%
Debt Tenure	5 Years
Debt Payment / Year	12

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

9.2 Project Cost

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

Table 6: Project Cost

Description	Amount Rs.
Capital Cost	
Tools & equipment	350,000
Furniture & fixture	4,298,000
Office equipment	317,000
Pre-operating cost	680,000
Legal, licensing and training cost	50,000
Total Capital Cost	5,695,000
Working Capital	
Stocks and spares inventory	61,500
Furniture inventory	6,150,000
Freight and carriage expense	35,875
Upfront building rental	1,500,000
Upfront insurance payment	17,500
Cash	2,921,434
Total Working Capital	10,686,309
Total Project Cost	16,381,309

9.3 Space Requirement

The space requirement for the proposed Furniture Show Room is estimated considering various facilities including management office, production hall, storage, open space, etc. Details of space requirement and cost related to Show Room building is given below;

Table 7: Space Requirement

Description	Estimated Area (sq. ft.)
Display Hall	4,000
Store room	220
Management Office	200
Kitchen	50
Washroom	30
Total Covered Area	4,500

The proposed building for Show Room will be acquired on rent @ Rs. 250,000 per month.

9.4 Tools & Equipment Requirement

Details of tools of equipment required for the project are given below;

Table 8: Tools & Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Misc. Tools & Equipment	Lump sum	350,000	350,000
Total			350,000

9.5 Furniture & Fixtures Requirement

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

Table 9: Furniture & Fixture

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Office Furniture - including tables, chairs, cabinets, almirahs etc.	Lump sum	200,000	200,000
Carpeting	4,000	220	880,000
Electric wiring & lighting	4,500	150	675,000
Ceiling Fans	8	8,500	68,000
Generator	1	300,000	300,000
Fancy Lights	50	1,000	50,000
Other decoration expenses - sign Board, antiques, wall paintings etc.			250,000
Air conditioners (1.5 ton split)	5	175,000	875,000
Renovation			1,000,000
Total			4,298,000

9.6 Office Equipment Requirement

Following office equipment will be required for Furniture Show Room;

Table 10: Office Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Computer	1	80,000	80,000
Printer	1	30,000	30,000
Telephone Sets	2	3,500	7,000
Fire Fighting Equipment	4	50,000	200,000
Total			317,000

9.7 Human Resource Requirement

In order to run operations of Furniture Show Room smoothly, details of human resources required along with number of employees and monthly salary are recommended as under;

Table 11: Human Resource Requirement

Description	No. of Employees	Monthly Salary per person (Rs.)
Store Manager	1	65,000
Store Supervisor	2	45,000
Workshop Labour	1	35,000
Office boy	1	35,000
Guard	3	45,000
Indoor Sales person	1	35,000
Outdoor Sales person	1	65,000
Total	10	

9.8 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity. The electricity expenses are estimated to be around Rs 226,842 per month. Furthermore, promotional expense being essential for marketing of Furniture Show Room is estimated as Rs. 870,000 during the first year

9.9 Revenue Generation

Based on the capacity utilization of Bedroom set, Dining room, common room , Drawing room and office furniture respectively, sales revenue during the first year of operations is estimated as under;

Table 12: Revenue Generation – Year 1

Description	Number of Units Sold	Sale Price Per Unit (Rs.)	Total Sale (Rs.)
A- Quality Furniture			
Bedroom set			
For Bachelors	15	100,000	1,500,000
For married couples	24	250,000	6,000,000
Dining room			-
6 Seater	15	150,000	2,250,000
8 Seater	12	175,000	2,100,000
Common room	23	250,000	5,625,000
Drawing room	15	150,000	2,250,000
Office furniture			-
Executive	15	140,000	2,100,000
General	24	80,000	1,920,000
Total A Quality Furniture	143		23,745,000
B- Quality Furniture			
Bedroom set			
For Bachelors	20	70,000	1,400,000
For married couples	32	125,000	4,000,000
Dining room			-
6 Seater	20	90,000	1,800,000
8 Seater	16	105,000	1,680,000
Common room	30	115,000	3,450,000
Drawing room	20	115,000	2,300,000
Office furniture			-
Executive	20	65,000	1,300,000
General	32	50,000	1,600,000
Total B Quality Furniture	190		17,530,000
C- Quality Furniture			
Bedroom set			
For Bachelors	15	42,000	630,000
For married couples	24	100,000	2,400,000
Dining room			-
6 Seater	15	55,000	825,000
8 Seater	12	65,000	780,000

Common room	23	100,000	2,250,000
Drawing room	15	100,000	1,500,000
Office furniture			-
Executive	15	50,000	750,000
General	24	35,000	840,000
Total C Quality Furniture	143		9,975,000
Grand Total (A+B+C)	475		51,250,000

10 CONTACT DETAILS

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

10.1 Furniture Showrooms

Name of Supplier	Address	Phone
M/s Trend Line Furnishers	G.T.Road, Gujrat	053-3517120
National Furnishers	G.T.Road, Gujrat	053-3514967
GEO Furnishers	G.T.Road, Gujrat	053-3515186
Highlite Furniture	G.T.Road, Gujrat	0476-335090
Galaxy Furniture	G.T.Road, Gujrat	0476-332213

10.2 Technical Experts / Consultants

Name of Expert / Organization	Address	Phone	Fax	E-mail	Website
Furniture Pakistan	4-A Lawrence Road Lahore, Pakistan.	+92-42- 99205271-2	+92-42- 99205276	info@furnitur epakistan.org .pk	www.furniturepa kistan.org.pk

11 USEFUL WEB LINKS

Links of Federal & Provincial Government, Semi Government and other (sector & Cluster based) Development organizations are to be given under this heading so to enable potential investors to get benefit from the services offered. Web links of

various organizations are given as example however, links of only relevant organizations should be given;

Small & Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
Government of Pakistan	www.pakistan.gov.pk
Ministry of Industries & Production	www.moip.gov.pk
Ministry of Education, Training & Standards in Higher Education	http://moptt.gov.pk
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Khyber Pakhtunkhwa	www.khyberpakhtunkhwa.gov.pk
Government of Balochistan	www.balochistan.gov.pk
Government of Gilgit Baltistan	www.gilgitbaltistan.gov.pk
Government of Azad Jamu Kashmir	www.ajk.gov.pk
Trade Development Authority of Pakistan (TDAP)	www.tdap.gov.pk
Security Commission of Pakistan (SECP)	www.secp.gov.pk
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpcci.com.pk
State Bank of Pakistan (SBP)	www.sbp.org.pk
Punjab Small Industries Corporation	www.psic.gop.pk
Sindh Small Industries Corporation	www.ssic.gos.pk
Pakistan Horticulture Development and Export Company (PHDEC)	www.phdec.org.pk
Punjab Vocational Training Council (PVTC)	www.pvtc.gop.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org
Punjab Industrial Estates (PIE)	www.pie.com.pk
Faisalabad Industrial Estate Development and Management Company (FIEDMC)	www.fiedmc.com.pk
Furniture Pakistan	www.furniturepakistan.org.pk

12 ANNEXURES

12.1 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	51,250,000	56,503,125	62,294,695	68,557,379	75,584,510	83,331,922	91,873,444	101,290,472	111,672,746	123,119,202
<i>Cost of sales</i>										
Cost of furniture	30,750,000	33,901,875	37,376,817	41,134,427	45,350,706	49,999,153	55,124,066	60,774,283	67,003,647	73,871,521
Freight and carriage	1,537,500	1,695,094	1,868,841	2,056,721	2,267,535	2,499,958	2,756,203	3,038,714	3,350,182	3,693,576
Stocks and spares	615,000	678,038	747,536	822,689	907,014	999,983	1,102,481	1,215,486	1,340,073	1,477,430
Total cost of sales	32,902,500	36,275,006	39,993,194	44,013,837	48,525,255	53,499,094	58,982,751	65,028,483	71,693,903	79,042,528
Gross Profit	18,347,500	20,228,119	22,301,501	24,543,542	27,059,255	29,832,828	32,890,693	36,261,989	39,978,843	44,076,674
<i>General administration & selling expenses</i>										
Administrative salaries	3,900,000	4,290,000	4,719,000	5,190,900	5,709,990	6,280,989	6,909,088	7,599,997	8,359,996	9,195,996
Administration benefits expense	390,000	429,000	471,900	519,090	570,999	628,099	690,909	760,000	836,000	919,600
Marketing staff salaries	2,040,000	2,244,000	2,468,400	2,715,240	2,986,764	3,285,440	3,613,984	3,975,383	4,372,921	4,810,213
Marketing staff benefits	204,000	224,400	246,840	271,524	298,676	328,544	361,398	397,538	437,292	481,021
Building rental expense	3,000,000	3,300,000	3,630,000	3,993,000	4,392,300	4,831,530	5,314,683	5,846,151	6,430,766	7,073,843
Deisel expense	372,000	409,200	450,120	495,132	544,645	599,110	659,021	724,923	797,415	877,157
Electricity expense	2,722,106	2,994,317	3,293,749	3,623,123	3,985,436	4,383,979	4,822,377	5,304,615	5,835,076	6,418,584
Water expense	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Gas expense	18,000	19,800	21,780	23,958	26,354	28,989	31,888	35,077	38,585	42,443
Travelling expense	780,000	858,000	943,800	1,038,180	1,141,998	1,256,198	1,381,818	1,519,999	1,671,999	1,839,199
Communications expense (phone, fax, mail, internet, etc.)	240,000	252,000	264,600	277,830	291,722	306,308	321,623	337,704	354,589	372,319
Office expenses (stationary, entertainment, janitorial etc.)	780,000	858,000	943,800	1,038,180	1,141,998	1,256,198	1,381,818	1,519,999	1,671,999	1,839,199
Promotional expense	870,000	565,500	113,100	118,755	124,693	130,927	137,474	144,347	151,565	159,143
Insurance expense (Machinery/tools and vehicle)	17,500	15,750	14,000	12,250	10,500	8,750	7,000	5,250	3,500	1,750
Professional fees (legal, audit, consultants, etc.)	50,000	55,000	60,500	66,550	73,205	80,526	88,578	97,436	107,179	117,897
Depreciation expense	570,467	570,467	570,467	605,442	605,442	605,442	651,995	651,995	651,995	713,956
Amortization of pre-operating costs	136,000	136,000	136,000	136,000	136,000	-	-	-	-	-
Amortization of legal, licensing, and training costs	10,000	10,000	10,000	10,000	10,000	-	-	-	-	-
Subtotal	16,160,073	17,297,434	18,430,655	20,215,015	22,138,568	24,107,660	26,479,947	29,037,338	31,849,494	35,003,798
Operating Income	2,187,427	2,930,685	3,870,846	4,328,527	4,920,687	5,725,169	6,410,746	7,224,651	8,129,349	9,072,876
Gain / (loss) on sale of office equipment	-	-	190,200	-	-	348,256	-	-	511,079	597,976
Earnings Before Interest & Taxes	2,187,427	2,930,685	4,061,046	4,328,527	4,920,687	6,073,425	6,410,746	7,224,651	8,640,428	9,670,852
Interest expense on long term debt (Project Loan)	-	-	-	-	-	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	2,187,427	2,930,685	4,061,046	4,328,527	4,920,687	6,073,425	6,410,746	7,224,651	8,640,428	9,670,852
Tax	272,485	447,671	786,365	879,984	1,087,240	1,490,698	1,608,760	1,893,627	2,389,149	2,749,797
NET PROFIT/(LOSS) AFTER TAX	1,914,942	2,483,014	3,274,680	3,448,543	3,833,447	4,582,727	4,801,985	5,331,024	6,251,279	6,921,054

12.2 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	4,171,434	10,171,540	13,472,331	17,459,393	22,112,160	27,320,553	32,926,479	39,425,371	46,680,305	54,539,763	79,718,622
Stocks and spares inventory	61,500	67,804	74,754	82,269	90,701	99,998	110,248	121,549	134,007	147,743	-
Furniture inventory	6,150,000	6,780,375	7,475,363	8,226,885	9,070,141	9,999,831	11,024,813	12,154,857	13,400,729	14,774,304	-
Freight and carriage rental	35,875	39,552	43,606	47,990	52,909	58,332	64,311	70,903	78,171	86,183	-
Prepaid rental expense	250,000	275,000	302,500	332,750	366,025	402,628	442,890	487,179	535,897	589,487	-
Pre-paid insurance	17,500	15,750	14,000	12,250	10,500	8,750	7,000	5,250	3,500	1,750	-
Total Current Assets	10,686,309	17,350,021	21,382,554	26,161,538	31,702,436	37,890,092	44,575,742	52,265,109	60,832,610	70,139,231	79,718,622
<i>Fixed assets</i>											
Machinery & equipment	350,000	315,000	280,000	245,000	210,000	175,000	140,000	105,000	70,000	35,000	-
Furniture & fixtures	4,298,000	3,868,200	3,438,400	3,008,600	2,578,800	2,149,000	1,719,200	1,289,400	859,600	429,800	-
Office equipment	317,000	211,333	105,667	421,927	281,285	140,642	561,585	374,390	187,195	747,469	498,313
Total Fixed Assets	4,965,000	4,394,533	3,824,067	3,675,527	3,070,085	2,464,642	2,420,785	1,768,790	1,116,795	1,212,269	498,313
<i>Intangible assets</i>											
Pre-operation costs	680,000	544,000	408,000	272,000	136,000	-	-	-	-	-	-
Legal, licensing, & training costs	50,000	40,000	30,000	20,000	10,000	-	-	-	-	-	-
Total Intangible Assets	730,000	584,000	438,000	292,000	146,000	-	-	-	-	-	-
TOTAL ASSETS	16,381,309	22,328,554	25,644,621	30,129,065	34,918,521	40,354,734	46,996,527	54,033,899	61,949,405	71,351,500	80,216,935
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	3,759,818	4,145,199	4,568,597	5,029,527	5,545,053	6,113,421	6,740,047	7,430,902	8,192,569	7,387,152
Total Current Liabilities	-	3,759,818	4,145,199	4,568,597	5,029,527	5,545,053	6,113,421	6,740,047	7,430,902	8,192,569	7,387,152
<i>Other liabilities</i>											
Deferred tax	-	272,485	720,156	1,506,522	2,386,505	3,473,745	4,964,443	6,573,203	8,466,831	10,855,980	13,605,777
Long term debt (Project Loan)	-	-	-	-	-	-	-	-	-	-	-
Long term debt (Working Capital Loan)	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Liabilities	-	272,485	720,156	1,506,522	2,386,505	3,473,745	4,964,443	6,573,203	8,466,831	10,855,980	13,605,777
<i>Shareholders' equity</i>											
Paid-up capital	16,381,309	16,381,309	16,381,309	16,381,309	16,381,309	16,381,309	16,381,309	16,381,309	16,381,309	16,381,309	16,381,309
Retained earnings	-	1,914,942	4,397,956	7,672,636	11,121,180	14,954,627	19,537,353	24,339,339	29,670,363	35,921,642	42,842,696
Total Equity	16,381,309	18,296,251	20,779,265	24,053,946	27,502,489	31,335,936	35,918,663	40,720,648	46,051,672	52,302,951	59,224,006
TOTAL CAPITAL AND LIABILITIES	16,381,309	22,328,554	25,644,621	30,129,065	34,918,521	40,354,734	46,996,527	54,033,899	61,949,405	71,351,500	80,216,935

12.3 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		1,914,942	2,483,014	3,274,680	3,448,543	3,833,447	4,582,727	4,801,985	5,331,024	6,251,279	6,921,054
Add: depreciation expense		570,467	570,467	570,467	605,442	605,442	605,442	651,995	651,995	651,995	713,956
amortization of pre-operating costs		136,000	136,000	136,000	136,000	136,000	-	-	-	-	-
amortization of training costs		10,000	10,000	10,000	10,000	10,000	-	-	-	-	-
Deferred income tax		272,485	447,671	786,365	879,984	1,087,240	1,490,698	1,608,760	1,893,627	2,389,149	2,749,797
Equipment inventory	(61,500)	(6,304)	(6,950)	(7,515)	(8,433)	(9,297)	(10,250)	(11,300)	(12,459)	(13,736)	147,743
Furniture inventory	(6,150,000)	(630,375)	(694,988)	(751,522)	(843,256)	(929,689)	(1,024,983)	(1,130,043)	(1,245,873)	(1,373,575)	14,774,304
Freight and carriage rental	(35,875)	(3,677)	(4,054)	(4,384)	(4,919)	(5,423)	(5,979)	(6,592)	(7,268)	(8,013)	86,183
Prepaid building rent	(250,000)	(25,000)	(27,500)	(30,250)	(33,275)	(36,603)	(40,263)	(44,289)	(48,718)	(53,590)	589,487
Advance insurance premium	(17,500)	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750	1,750
Accounts payable		3,759,818	385,381	423,398	460,930	515,527	568,368	626,626	690,855	761,667	(805,417)
Cash provided by operations	(6,514,875)	6,000,106	3,300,791	4,408,989	4,652,767	5,208,394	6,167,511	6,498,892	7,254,934	8,606,927	25,178,859
<i>Financing activities</i>											
Project Loan - principal repayment		-	-	-	-	-	-	-	-	-	-
Working Capital Loan - principal repayment		-	-	-	-	-	-	-	-	-	-
Additions to Project Loan		-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan		-	-	-	-	-	-	-	-	-	-
Issuance of shares	16,381,309	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	16,381,309	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(5,695,000)	-	-	(421,927)	-	-	(561,585)	-	-	(747,469)	-
Cash (used for) / provided by investing activities	(5,695,000)	-	-	(421,927)	-	-	(561,585)	-	-	(747,469)	-
NET CASH	4,171,434	6,000,106	3,300,791	3,987,062	4,652,767	5,208,394	5,605,926	6,498,892	7,254,934	7,859,458	25,178,859

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Total no. of days operational in first year	300
Total no. of months in one year	12
Capacity (Sales) growth rate	5%

13.2 Production Cost Assumptions

Cost price - year wise	YEAR – 1		
	Quality A	Quality B	Quality C
Bedroom set			
For Bachelors	60,000	42,000	25,200
For married couples	150,000	75,000	60,000
Dining room			
6 Seater			
8 Seater	90,000	54,000	33,000
Common room	150,000	69,000	60,000
Drawing room	90,000	69,000	60,000
Office furniture			
Executive	84,000	39,000	30,000
General	48,000	30,000	21,000

13.3 Revenue Assumptions

Description	Details
Profit margin	30%
Sales growth rate	5%
Sales price growth rate	5%

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