



Pre-feasibility Study

SALT PRODUCTS MANUFACTURING UNIT

January 2022

“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

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Document Control

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2 EXECUTIVE SUMMARY

The salt products manufacturing project entails production of rock salt crystal products ranging from lamps, tiles, candle stands, salt soaps and various decorative shapes / pieces. There is a growing demand of salt products in western countries due to its healing properties for their natural curative properties and distinctive color composition of decorative items.

Pakistan's salt products are well known all over the world for their distinctive composition and craftsmanship. Pakistan holds one of the largest reserves of salt deposits in the world. Growing international demand for salt products, availability of cheap and skilled labour coupled with abundant raw material offers new start-ups a very promising opportunity to venture into salt products manufacturing.

This pre-feasibility provides details for setting up a Salt Products Manufacturing Unit, which has a capacity of manufacturing around 655 pieces of different salt products in a day and 196,500 products in a year. The initial starting capacity in year one is assumed at 60%, while maximum capacity utilization is 95%. The salt products manufacturing unit is proposed to be ideally located in any adjoining industrial areas of Khewra, Warcha, Mianwali, Kalabagh and Mianwali districts. These areas are preferred due to their proximity to raw material and availability of skilled labor.

The proposed salt products manufacturing unit entails a total investment of about Rs. 4.69 million. This includes capital investment of Rs. 3.01 million and Rs. 1.68 million as initial working capital. The project is financed through 100% equity. The Net Present Value (NPV) of the project is around Rs. 15.37 million with an Internal Rate of Return (IRR) of 54% and a payback period of 2.99 years.

The project will provide employment opportunities to 33 people including owner manager. Higher return on investment and a steady growth of business is expected with the entrepreneur having some prior experience or education in the related field of business. The legal business status of this project is proposed as 'Sole Proprietorship'.

3 INTRODUCTION TO SMEDA

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

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectoral

research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

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

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

4 PURPOSE OF THE DOCUMENT

The objective of the pre-feasibility study is primarily to facilitate potential entrepreneurs in project identification for investment. The project pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document/study covers various aspects of project concept development, start-up, and production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Salt Products Manufacturing Unit** by providing them with a general understanding of the business with the intention of supporting potential investors in crucial investment decisions.

The need to come up with pre-feasibility reports for undocumented or minimally documented sectors attains greater imminence as the research that precedes such reports reveal certain thumb rules; best practices developed by existing enterprises by trial and error, and certain industrial norms that become a guiding source regarding various aspects of business set-up and it's successful management.

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

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

There are a number of factors for which salt products are sought worldwide, however, therapeutic and decorative, are two distinct reasons for which, salt products are bought all over the world.

This pre-feasibility details information about investment opportunities for the production of rock salt crystal products such as salt lamps, candle stand, salt soap, salt spa products, salt inhalers, salt bricks, tiles and blocks etc. The proposed salt products manufacturing unit will primarily focus on indirect export (middlemen /

traders). The rock salt crystal products are highly suitable for decorative and natural curative purposes in homes, offices and restaurants, etc.

The proposed project is based on a unit with 2 lathe machines (5ft capacity), 2 cutter (18" and 32" length), grinders, drills and blowers with a capacity of manufacturing 196,500 units (i.e. different types of salt products) per annum. Total employment required for this unit would be 33 persons including owner / manager. Total area required for the unit would be approximately 2.25 kanals that will be acquired on rent. The legal business status of this project is proposed as 'Sole Proprietorship'.

Growing international demand for salt products, especially in western countries due to its healing properties for a number of ailments, availability of cheap and skilled labor coupled with abundant raw material offers new start-ups a very promising opportunity to venture into salt products manufacturing.

5.1 Production Process

Blocks of salt are cut into small pieces by cutters. Lathe machines are used to shape and size salt pieces into lamps and candle stands etc. Finishing operations are carried out on a grinder and drill machine. Natural profile products (natural shape) are made on grinders and hand drills.

5.2 Installed and Operational Capacities

The proposed unit is based on 2 lathe machines and 2 cutting machine with a capacity of manufacturing 655 salt products per 8 hours shift. The total employment required for this unit would be 33 persons. Total number of salt products produced in year 1 would be 117,900 reaching 60% of the total installed capacity with gradual 5% increase, while maximum capacity 95% will be achieved with production reaching at 186,675 pieces in year 8 of the project.

Table 1: Insalled and Operational Capacities

| Product Mix | Percent of Production | Installed Capacity (No of Units) | Starting Capacity Year 1 | Maximum Capacity Utilization |
|-------------------------|-----------------------|----------------------------------|--------------------------|------------------------------|
| Salt Lamps 2-12 kg | 50% | 98,250 | 58,950 | 93,337 |
| Candle Stand 1-2 kg | 10% | 19,650 | 11,790 | 18,668 |
| Salt Soap 0.4-0.6 kg | 10% | 19,650 | 11,790 | 18,668 |
| Natural Profiles 3-4 kg | 30% | 58,950 | 35,370 | 56,002 |

| | | | | |
|--------------|--|----------------|----------------|----------------|
| Total | | 196,500 | 117,900 | 186,676 |
|--------------|--|----------------|----------------|----------------|

6 CRITICAL FACTORS

Before making the decision, whether to invest in setting up the salt products manufacturing business or not, one should carefully analyze the associated risk factors. The most critical considerations or factors for success of the project are:

- ⇒ Awareness / knowledge of international markets and the demand trends for salt products.
- ⇒ Availability of skilled labor and good quality raw material.
- ⇒ Strict management / supervision controls to minimize wastage.
- ⇒ Regular training and capacity building of the entrepreneur and employees.
- ⇒ Prior experience / education in the related field of business.
- ⇒ Ventilation and adequate safety measures.
- ⇒ The production process is highly manual and requires high involvement of manpower, therefore, strong management control in production operation is required.
- ⇒ Ability to generate work orders through networking, direct marketing and negotiating long term contracts.
- ⇒ The most important factor for the success of the project would be the quality products and customer satisfaction in order to get a comparative advantage.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The said project can be started near any adjoining industrial areas of Khewra, Jhelum, Warcha, Mianwali, Kalabagh, Mianwali districts. The availability of raw material in these regions considerably increases the scope for establishment of the proposed project.

Additionally, proposed unit may also be setup at any geographical location, where access to raw material (i.e. rock salt) and skilled labor (craftsman) is easily available, for instance, Lahore, Gujranwala, Sargodha and etc.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Salt products manufactured in this unit will be sold to exporters for European countries such as UK, Germany, France, Italy, and Spain. In addition to these countries, Korea, Japan and Australia are also potential markets of salt products.

It is suggested that proposed unit would primarily focus on indirect exports through local export traders, which will reduce the risks and costs for initial startups.

9 PROJECT COST SUMMARY

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 23.66 million in the year one. The capacity utilization during year one is worked out at 60% with 5% increase in subsequent years up to the maximum capacity utilization of 95%.

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

Table 2: Project Economics

| Description | Details |
|-------------------------------|------------|
| Internal Rate of Return (IRR) | 54% |
| Payback Period (Years) | 2.99 |
| Net Present Value (Rs.) | 15,368,827 |

Calculation of break-even analysis is as follows:

Table 3: Breakeven (100% Equity Based)

| Break Even Analysis | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|----------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Break-Even Revenue (In Millions) | 22.2 | 23.9 | 26.2 | 28.8 | 31.6 | 34.1 | 37.4 | 41.1 | 45.1 | 49.6 |
| Breakeven Unit (in Thousands) | 110.4 | 108.1 | 107.9 | 107.6 | 107.4 | 105.4 | 105.3 | 105.1 | 104.9 | 104.8 |
| Margin of Safety | 6% | 15% | 22% | 27% | 32% | 37% | 40% | 44% | 44% | 44% |

9.2 Project Financing

Following table provides details of the equity required and variables related to bank loan:

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

| Description | Details |
|-------------------------------|------------|
| Internal Rate of Return (IRR) | 53% |
| Payback Period (Years) | 3.00 |
| Net Present Value (Rs.) | 15,326,664 |

Table 4: Project Financing

| Description | Details |
|---------------------------------------|--------------|
| Total Equity (50%) | Rs.2,344,587 |
| Bank Loan (50%) | Rs.2,344,587 |
| Markup to the Borrower (%age / annum) | 14% |
| Tenure of the Loan (Years) | 5 years |

9.3 Project Cost

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

Table 3: Project Cost

| Description | Amount Rs. |
|---------------------------------|------------------|
| Capital Cost | |
| Plant and Machinery | 2,078,000 |
| Furniture & Fixture | 640,000 |
| Office Equipment | 130,000 |
| Office Vehicles | 80,000 |
| Pre-operating Cost | 80,000 |
| Total Capital Cost | 3,008,000 |
| Working Capital | |
| Equipment spare parts inventory | 49,125 |
| Raw Material Inventory | 1,092,049 |

| | |
|------------------------------|------------------|
| Cash | 300,000 |
| Total Working Capital | 1,681,174 |
| Total Project Cost | 4,689,174 |

9.4 Space Requirement

The space requirement for the proposed salt products manufacturing unit is 2.25 Kanals estimated considering various facilities including management office, production hall, storage, open space, etc. The building will be acquired on rental basis to avoid the high cost of land. The rent will be Rs. 80,000 per month. Details of space requirement and cost related to land & building is given below:

Table 4: Space Requirement

| Description | Estimated Area (Sq. ft) |
|----------------------------------|-------------------------|
| Management Office | 1,000 |
| Production Hall | 2,500 |
| Store – Finished Goods | 1,500 |
| Store – Raw Material (open plot) | 2,000 |
| Loading / Unloading Open Space | 2,000 |
| Grounds | 1,125 |
| Total | 10,125 |

9.5 Machinery & Equipment Requirement

Plant, machinery and equipment required for the proposed project are stated below:

Table 5: Machinery & Equipment Requirement

| Description | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|------------------|----------|-----------------|------------------|
| Cutter 32 Inches | 1 | 300,000 | 300,000 |
| Cutter 18 Inches | 1 | 60,000 | 60,000 |
| Lathe Machines | 2 | 700,000 | 1,400,000 |
| Grinders | 8 | 10,000 | 80,000 |

| | | | |
|---------------------------------------|----|--------|------------------|
| Drill Machines 8 Fit with special Bit | 2 | 80,000 | 160,000 |
| Hand Drills | 10 | 5,000 | 50,000 |
| Blowers | 4 | 7,000 | 28,000 |
| Total | | | 2,078,000 |

9.6 Furniture & Fixture Requirement

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

Table 6: Furniture & Fixture Requirement

| Description | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|--|----------|-----------------|------------------|
| Office Tables | 3 | 15,000 | 45,000 |
| Sofa Set | 1 | 30,000 | 30,000 |
| Sitting Benches | 27 | 5,000 | 135,000 |
| Chair | 10 | 4,000 | 40,000 |
| Cupboard Steel | 2 | 20,000 | 40,000 |
| Working Table | 5 | 10,000 | 50,000 |
| Air conditioners (1.5 ton Split) | 1 | 100,000 | 100,000 |
| Total Energy Savers, Fans, Electric wiring | Lump sum | 100,000 | 100,000 |
| Total | | | 640,000 |

9.7 Office Equipment Requirement

Following office equipment will be required for Salt Products Manufacturing Unit:

Table 7: Office Equipment Requirement

| Description | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|-------------------|----------|-----------------|------------------|
| Computer with LCD | 2 | 35,000 | 70,000 |
| UPS | 2 | 15,000 | 30,000 |

| | | | |
|--------------|---|--------|----------------|
| Printer | 1 | 15,000 | 15,000 |
| Scanner | 1 | 15,000 | 15,000 |
| Total | | | 130,000 |

9.8 Office Vehicle

Table 9: Vehicles Requirement

| Description | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|-------------|----------|-----------------|------------------|
| Motor Bike | 1 | 80,000 | 80,000 |

9.9 Raw Material Requirement

Table 10: Raw Material Requirement

| Description | Finished Weight (Kgs) | Wastage | Raw Material Requirements Kgs / Piece |
|-------------------------|-----------------------|---------|---------------------------------------|
| Salt Lamp 2-12 kg | 7.00 | 30% | 9.1 |
| Candle Stand 1-2 kg | 1.50 | 30% | 2.0 |
| Salt Soap 0.4-0.6 kg | 0.50 | 30% | 0.7 |
| Natural Profiles 3-4 kg | 3.50 | 30% | 4.6 |

9.10 Human Resource Requirement

In order to run operations of Salt Products Manufacturing Unit smoothly, details of human resources required along with number of employees and monthly salary are recommended as under:

Table 8: Human Resource Requirement

| Description | No. of Employees | Monthly Salary per person | Annual Salary |
|----------------------|------------------|---------------------------|---------------|
| Owner Manager | 1 | 50,000 | 600,000 |
| Production In charge | 1 | 30,000 | 360,000 |
| Accountant | 1 | 30,000 | 360,000 |

| | | | |
|------------------------------|-----------|--------|------------------|
| Cutter Operator | 3 | 22,000 | 792,000 |
| Lathe Machine Operator | 2 | 22,000 | 528,000 |
| Grinder Operators | 8 | 22,000 | 2,112,000 |
| Drill Machine Operator | 2 | 22,000 | 528,000 |
| Un-skilled Labor (helpers) | 12 | 22,000 | 3,168,000 |
| Security Guard, Gate Keepers | 2 | 25,000 | 600,000 |
| Sweeper | 1 | 22,000 | 264,000 |
| Total | 33 | | 9,312,000 |

9.11 Utilities and Other Costs

An essential cost to be borne by the project is the cost of electricity. The direct electricity expenses are estimated to 530,543 in year 1. Furthermore, promotional expense being essential for marketing of Salt Products Manufacturing Unit is estimated as 5% of revenue.

9.12 Revenue Generation

Based on the capacity utilization of 60% for salt products, sales revenue during the first year of operations is estimated as Rs. 23,661,056.

Table 9: Revenue Generation Year 1

| Category of Jobs | Average Price | Percentage of Production | No of Jobs | Production Capacity in Year 1 | Revenue * |
|-------------------------|---------------|--------------------------|----------------|-------------------------------|-------------------|
| Salt Lamps 2-12 kg | 296 | 50% | 98,250 | 58,950 | 17,449,200 |
| Candle Stand 1-2 kg | 63 | 10% | 19,650 | 11,790 | 742,770 |
| Salt Soap 0.4-0.6 kg | 21 | 10% | 19,650 | 11,790 | 247,590 |
| Natural Profiles 3-4 kg | 148 | 30% | 58,950 | 35,370 | 5,237,760 |
| Total | | 100% | 196,500 | 117,900 | 23,677,320 |

*Difference is due to rounding off.

10 CONTACT DETAILS

In order to facilitate potential investors, contact details of few prominent salt mines are provided below:

| Name of Supplier | Address | Phone | Fax | Website |
|---|---------------------------------|-----------------|-----------------|--|
| Project Manager Khewra Salt Mines | Khewra, District Jehlum | 0544- 231137 | 0544- 231125 | www.pmdc.gov.pk |
| Project Manager Warcha Salt Mines | Warcha, District Mianwali | 0454- 923000 | 0454- 395704 | www.pmdc.gov.pk |
| Project Manager Kalabagh Salt Mines | Kalabagh, Distt. Mianwali | 0459- 395704 | 0459- 206183 | www.pmdc.gov.pk |
| Project Manager Jatta Salt Mines | Jatta, Distt. Karak | 0927- 222009 | | www.pmdc.gov.pk |

11 USEFUL WEB LINKS

| | |
|---|--|
| Small & Medium Enterprises Development Authority (SMEDA) | www.smeda.org.pk |
| Government of Pakistan | www.pakistan.gov.pk |
| Ministry of Industries & Production | www.moip.gov.pk |
| Ministry of Education, Training & Standards in Higher Education | http://moptt.gov.pk |
| Government of Punjab | www.punjab.gov.pk |
| Government of Sindh | www.sindh.gov.pk |
| Government of Khyber Pakhtunkhwa | www.khyberpakhtunkhwa.gov.pk |
| Government of Balochistan | www.balochistan.gov.pk |
| Government of Gilgit Baltistan | www.gilgitbaltistan.gov.pk |
| Government of Azad Jamu Kashmir | www.ajk.gov.pk |
| Trade Development Authority of Pakistan (TDAP) | www.tdap.gov.pk |
| Security Commission of Pakistan (SECP) | www.secp.gov.pk |

| | |
|--|--|
| Federation of Pakistan Chambers of Commerce and Industry (FPCCI) | www.fpcci.com.pk |
| State Bank of Pakistan (SBP) | www.sbp.org.pk |
| Punjab Small Industries Corporation | www.psic.gop.pk |
| Sindh Small Industries Corporation | www.ssic.gos.pk |
| Punjab Vocational Training Council (PVTC) | www.pvtc.gop.pk |
| Technical Education and Vocational Training Authority (TEVTA) | www.tevta.org |
| Pakistan Mineral Development Corporation (PMDC) | www.pmdc.gov.pk |
| Mines and Minerals | mnm.punjab.gov.pk |

12 ANNEXURES

12.1 Income Statement

| Calculations | SMEDA | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Income Statement | | | | | | | | | | |
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| Revenue | 23,661,056 | 28,196,092 | 33,401,524 | 39,366,082 | 46,189,537 | 53,984,021 | 62,875,507 | 73,005,449 | 80,305,994 | 88,336,594 |
| <i>Cost of sales</i> | | | | | | | | | | |
| Raw Material Cost | 8,736,390 | 10,410,865 | 12,332,871 | 14,535,169 | 17,054,598 | 19,932,562 | 23,215,572 | 26,955,858 | 29,651,444 | 32,616,588 |
| Operation costs 1 (direct labor) | 7,488,000 | 8,236,800 | 9,060,480 | 9,966,528 | 10,963,181 | 12,059,499 | 13,265,449 | 14,591,994 | 16,051,193 | 17,656,312 |
| Operating costs 2 (machinery maintenance) | 589,500 | 702,488 | 832,178 | 980,781 | 1,150,783 | 1,344,977 | 1,566,503 | 1,818,884 | 2,000,772 | 2,200,849 |
| Operating costs 3 (direct electricity) | 530,543 | 632,231 | 748,950 | 882,691 | 1,035,691 | 1,210,464 | 1,409,835 | 1,636,975 | 1,800,672 | 1,980,740 |
| Total cost of sales | 17,344,433 | 19,982,383 | 22,974,478 | 26,365,169 | 30,204,253 | 34,547,502 | 39,457,358 | 45,003,711 | 49,504,082 | 54,454,490 |
| Gross Profit | 6,316,623 | 8,213,709 | 10,427,046 | 13,000,913 | 15,985,284 | 19,436,519 | 23,418,149 | 28,001,739 | 30,801,913 | 33,882,104 |
| <i>General administration & selling expenses</i> | | | | | | | | | | |
| Administration expense | 1,824,000 | 2,006,400 | 2,207,040 | 2,427,744 | 2,670,518 | 2,937,570 | 3,231,327 | 3,554,460 | 3,909,906 | 4,300,897 |
| Building rental expense | 960,000 | 1,056,000 | 1,161,600 | 1,277,760 | 1,405,536 | 1,546,090 | 1,700,699 | 1,870,768 | 2,057,845 | 2,263,630 |
| Electricity expense | 175,167 | 192,684 | 211,952 | 233,147 | 256,462 | 282,108 | 310,319 | 341,351 | 375,486 | 413,035 |
| Travelling expense | 473,221 | 563,922 | 668,030 | 787,322 | 923,791 | 1,079,680 | 1,257,510 | 1,460,109 | 1,606,120 | 1,766,732 |
| Communications expense (phone, fax, mail, internet, etc.) | 236,611 | 20,064 | 22,070 | 24,277 | 26,705 | 29,376 | 32,313 | 35,545 | 39,099 | 43,009 |
| Office vehicles running expense | 189,000 | 207,900 | 228,690 | 251,559 | 276,715 | 3,865 | 4,252 | 4,677 | 5,145 | 5,659 |
| Office expenses (stationary, entertainment, janitorial services, etc) | 182,400 | 200,640 | 220,704 | 242,774 | 267,052 | 293,757 | 323,133 | 355,446 | 390,991 | 430,090 |
| Promotional expense | 1,183,053 | 1,409,805 | 1,670,076 | 1,968,304 | 2,309,477 | 2,699,201 | 3,143,775 | 3,650,272 | 4,015,300 | 4,416,830 |
| Depreciation expense | 331,133 | 331,133 | 331,133 | 337,964 | 337,964 | 347,732 | 355,639 | 355,639 | 355,639 | 364,792 |
| Amortization of pre-operating costs | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Subtotal | 5,562,585 | 5,996,548 | 6,729,297 | 7,558,852 | 8,482,220 | 9,227,380 | 10,366,967 | 11,636,268 | 12,763,530 | 14,012,673 |
| Operating Income | 754,038 | 2,217,161 | 3,697,749 | 5,442,062 | 7,503,064 | 10,209,139 | 13,051,181 | 16,365,471 | 18,038,382 | 19,869,431 |
| Gain / (loss) on sale of office equipment | - | - | 78,000 | - | - | 129,295 | - | - | 169,175 | - |
| Gain / (loss) on sale of office vehicles | - | - | - | - | 32,000 | - | - | - | - | - |
| Earnings Before Interest & Taxes | 754,038 | 2,217,161 | 3,775,749 | 5,442,062 | 7,535,064 | 10,338,434 | 13,051,181 | 16,365,471 | 18,207,557 | 19,869,431 |
| Earnings Before Tax | 754,038 | 2,217,161 | 3,775,749 | 5,442,062 | 7,535,064 | 10,338,434 | 13,051,181 | 16,365,471 | 18,207,557 | 19,869,431 |
| Tax | 25,404 | 222,574 | 563,937 | 1,052,618 | 1,757,272 | 2,738,452 | 3,687,913 | 4,847,915 | 5,492,645 | 6,074,301 |
| NET PROFIT/(LOSS) AFTER TAX | 728,634 | 1,994,587 | 3,211,812 | 4,389,443 | 5,777,792 | 7,599,982 | 9,363,268 | 11,517,556 | 12,714,912 | 13,795,130 |

12.2 Balance Sheet

| Calculations | | | | | | | | | | | SMEDA |
|---|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Balance Sheet | | | | | | | | | | | |
| | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| Assets | | | | | | | | | | | |
| <i>Current assets</i> | | | | | | | | | | | |
| Cash & Bank | 300,000 | 464,218 | 2,321,414 | 5,029,367 | 8,904,845 | 13,960,968 | 20,417,212 | 28,499,373 | 38,753,102 | 49,702,117 | 73,742,278 |
| Accounts receivable | | 972,372 | 1,065,558 | 1,265,704 | 1,495,225 | 1,757,992 | 2,058,361 | 2,401,223 | 2,792,074 | 3,150,235 | 3,465,259 |
| Equipment spare part inventory | 49,125 | 61,468 | 76,456 | 94,615 | 116,565 | 143,047 | 174,939 | 213,279 | 246,338 | 284,520 | - |
| Raw material inventory | 1,092,049 | 1,431,494 | 1,865,347 | 2,418,289 | 3,121,205 | 4,012,699 | 5,140,975 | 6,566,168 | 7,945,063 | 9,613,526 | - |
| Pre-paid building rent | 240,000 | 264,000 | 290,400 | 319,440 | 351,384 | 386,522 | 425,175 | 467,692 | 514,461 | 565,907 | - |
| Total Current Assets | 1,681,174 | 3,193,552 | 5,619,175 | 9,127,415 | 13,989,223 | 20,261,228 | 28,216,661 | 38,147,735 | 50,251,038 | 63,316,305 | 77,207,536 |
| <i>Fixed Assets</i> | | | | | | | | | | | |
| Machinery & equipment | 2,078,000 | 1,870,200 | 1,662,400 | 1,454,600 | 1,246,800 | 1,039,000 | 831,200 | 623,400 | 415,600 | 207,800 | - |
| Furniture & fixtures | 640,000 | 576,000 | 512,000 | 448,000 | 384,000 | 320,000 | 256,000 | 192,000 | 128,000 | 64,000 | - |
| Office vehicles | 80,000 | 64,000 | 48,000 | 32,000 | 16,000 | 128,841 | 103,073 | 77,304 | 51,536 | 25,768 | - |
| Office equipment | 130,000 | 86,667 | 43,333 | 150,491 | 100,328 | 50,164 | 174,212 | 116,142 | 58,071 | 201,673 | 134,448 |
| Total Fixed Assets | 2,928,000 | 2,596,867 | 2,265,733 | 2,085,091 | 1,747,128 | 1,538,005 | 1,364,485 | 1,008,846 | 653,207 | 499,241 | 134,448 |
| <i>Intangible assets</i> | | | | | | | | | | | |
| Pre-operation costs | 80,000 | 72,000 | 64,000 | 56,000 | 48,000 | 40,000 | 32,000 | 24,000 | 16,000 | 8,000 | - |
| Total Intangible Assets | 80,000 | 72,000 | 64,000 | 56,000 | 48,000 | 40,000 | 32,000 | 24,000 | 16,000 | 8,000 | - |
| TOTAL ASSETS | 4,689,174 | 5,862,418 | 7,948,908 | 11,268,506 | 15,784,351 | 21,839,233 | 29,613,146 | 39,180,581 | 50,920,246 | 63,823,546 | 77,341,985 |
| Liabilities & Shareholders' Equity | | | | | | | | | | | |
| <i>Current liabilities</i> | | | | | | | | | | | |
| Accounts payable | | 444,610 | 536,513 | 644,299 | 770,701 | 918,950 | 1,092,882 | 1,297,049 | 1,519,157 | 1,707,545 | 1,430,854 |
| Total Current Liabilities | - | 444,610 | 536,513 | 644,299 | 770,701 | 918,950 | 1,092,882 | 1,297,049 | 1,519,157 | 1,707,545 | 1,430,854 |
| <i>Shareholders' equity</i> | | | | | | | | | | | |
| Paid-up capital | 4,689,174 | 4,689,174 | 4,689,174 | 4,689,174 | 4,689,174 | 4,818,015 | 4,818,015 | 4,818,015 | 4,818,015 | 4,818,015 | 4,818,015 |
| Retained earnings | | 728,634 | 2,723,221 | 5,935,033 | 10,324,476 | 16,102,268 | 23,702,250 | 33,065,518 | 44,583,074 | 57,297,987 | 71,093,117 |
| Total Equity | 4,689,174 | 5,417,808 | 7,412,395 | 10,624,207 | 15,013,650 | 20,920,283 | 28,520,265 | 37,883,533 | 49,401,089 | 62,116,001 | 75,911,131 |
| TOTAL CAPITAL AND LIABILITIES | 4,689,174 | 5,862,418 | 7,948,908 | 11,268,506 | 15,784,351 | 21,839,233 | 29,613,146 | 39,180,581 | 50,920,246 | 63,823,546 | 77,341,985 |

12.3 Cash Flow Statement

| Calculations | | | | | | | | | | | SMEDA |
|---|--------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| Cash Flow Statement | | | | | | | | | | | |
| | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| <i>Operating activities</i> | | | | | | | | | | | |
| Net profit | | 728,634 | 1,994,587 | 3,211,812 | 4,389,443 | 5,777,792 | 7,599,982 | 9,363,268 | 11,517,556 | 12,714,912 | 13,795,130 |
| Add: depreciation expense | | 331,133 | 331,133 | 331,133 | 337,964 | 337,964 | 347,732 | 355,639 | 355,639 | 355,639 | 364,792 |
| amortization of pre-operating costs | | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Accounts receivable | | (972,372) | (93,186) | (200,147) | (229,520) | (262,767) | (300,369) | (342,862) | (390,851) | (358,161) | (315,024) |
| Equipment inventory | (49,125) | (12,343) | (14,989) | (18,158) | (21,951) | (26,482) | (31,891) | (38,341) | (33,058) | (38,182) | 284,520 |
| Raw material inventory | (1,092,049) | (339,445) | (433,853) | (552,942) | (702,916) | (891,494) | (1,128,276) | (1,425,193) | (1,378,895) | (1,668,463) | 9,613,526 |
| Pre-paid building rent | (240,000) | (24,000) | (26,400) | (29,040) | (31,944) | (35,138) | (38,652) | (42,517) | (46,769) | (51,446) | 565,907 |
| Accounts payable | | 444,610 | 91,903 | 107,786 | 126,401 | 148,250 | 173,931 | 204,167 | 222,108 | 188,388 | (276,691) |
| Cash provided by operations | (1,381,174) | 164,218 | 1,857,196 | 2,858,444 | 3,875,477 | 5,056,123 | 6,630,457 | 8,082,161 | 10,253,729 | 11,150,687 | 24,040,161 |
| Issuance of shares | 4,689,174 | - | - | - | - | 128,841 | - | - | - | - | - |
| Cash provided by / (used for) financing activities | 4,689,174 | - | - | - | - | 128,841 | - | - | - | - | - |
| <i>Investing activities</i> | | | | | | | | | | | |
| Capital expenditure | (3,008,000) | - | - | (150,491) | - | (128,841) | (174,212) | - | - | (201,673) | - |
| Cash (used for) / provided by investing activities | (3,008,000) | - | - | (150,491) | - | (128,841) | (174,212) | - | - | (201,673) | - |
| NET CASH | 300,000 | 164,218 | 1,857,196 | 2,707,953 | 3,875,477 | 5,056,123 | 6,456,244 | 8,082,161 | 10,253,729 | 10,949,015 | 24,040,161 |

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

| Description | Details |
|---|---|
| Operating Cost Growth Rate | 10% |
| Office Expenses (Stationery, Entertainment etc) | 10% of Administration expenses |
| Communication Expenses | 1.0% of Revenue |
| Promotional Expenses | 5% of Revenue |
| Travelling Expense | 2% of Admin Expense |
| Depreciation Rate | 10% on Machinery & Equipment 33% on Office Equipment 10% on Furniture & Fixture 20% on Office Vehicles |
| Inflation Growth Rate | 10% |
| Electricity Price Growth Rate | 10% |
| Salaries Growth Rate | 10% |

13.2 Production Cost Assumptions

| Description | Details |
|---|---------|
| Production Cost Per Unit (Raw Material) | |
| Salt Lamp 2-12 kg | Rs. 109 |
| Candle Stand 1-2 kg | Rs. 23 |
| Salt Soap 0.4-0.6 kg | Rs. 8 |
| Natural Profiles 3-4 kg | Rs. 55 |
| Salt Average Cost / kg | Rs. 12 |
| Cost of Goods Sold Growth Rate | 10% |

13.3 Revenue Assumptions

| Description | Details |
|-----------------------------------|---------|
| Growth in Sales Price | 10% |
| Days Operational / Year | 300 |
| Per Day Production Capacity | 655 |
| Production Capacity in First Year | 60% |

| | |
|---|-----|
| Percentage Increase in Production Capacity every Year | 05% |
| Maximum Production Capacity | 95% |

Small and Medium Enterprises Development Authority

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