
Pre-Feasibility Study

PRIVATE HOSPITAL



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

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1 DISCLAIMER

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2 EXECUTIVE SUMMARY

Population of Pakistan has been increasing with the greater percentage. It has become very difficult for the Government to provide health facilities to large number of population. This arise a strong need of private hospitals with modern technology and better infrastructure.

This pre-feasibility study provides guidelines for setting up a private hospital. The project is having a capacity of 25 private rooms, 10 beds for general ward, 10 beds for labor ward, 5 bed for ICU / CCU, and 10 beds for emergency. The outdoor facilities would include a diagnostic clinic consisting of a complete medical laboratory and a radiology department. For this project it is recommended to construct or acquire a purpose built building at main location of the city, particularly in densely populated areas.

The total project cost is estimated at Rs. 135.83 million including a capital cost and working capital of Rs. 134.50 million and Rs. 1.33 million respectively. Projected IRR, NPV and Payback period for the proposed project are 40%, Rs. 223.52 million and 3.42 years respectively. The project will provide direct employment opportunities to 162 persons including medical and non-medical staffs.

Availability of reputed consultants play a major role in the success and popularity of private hospitals. It is suggested that consultants from a wide range of specialties should be attracted for the hospital. The key success factor in this business is the availability of renowned consultants in the hospital. The consultants are the main reason for good patient base of the hospital.

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 “**Private Hospital**” 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

5.1 Project Brief

The proposed project is for setting up a private hospital. This hospital would be a general hospital catering both, indoor and outdoor patients. The indoor facilities mainly include Emergency, ICU / CCU, Rooms, General Ward, and Labor Ward with a fully functional operation theatre capable of conducting major types of surgeries. The outdoor facilities would comprise of a diagnostic clinic consisting of a complete medical laboratory and a radiology department.

According to the stated medical facilities, proposed hospital mainly comprised of the following sections:

- ⇒ Emergency Department
- ⇒ Out Door Patient Department
- ⇒ ICU/CCU
- ⇒ Diagnostic Centre
- ⇒ Radiology Department
- ⇒ Surgical Consultancy
- ⇒ Medical Consultancy
- ⇒ Gynecology and Obstetrics

5.2 Installed & Operational Capacity

The proposed hospital will have an overall capacity of providing medical facilities to 27,300 patients in Year 1. The patient's occupancy in starting year is estimated at 60% with an annual increase of 10%. However, provision of medical services will vary in terms of different medical services. The details of beds in different sections are provided in table below:

Table 1: Proposed Capacity

Description	Details
No of Rooms	25
Emergency	10 Beds
ICU / CCU	5 Beds
General Ward	10 Beds
Labor Ward	10 Beds

The complete details of patient's operational capacity utilization of different sections are provided in annexure as key assumptions.

5.3 Project Regulations

The doctors working in the hospital should be registered with the Pakistan Medical and Dental Council (PMDC).

Prior sanction / approval from the government through Pakistan Atomic Energy Commission (PAEC) is also required in case of the equipment being installed in the hospital such as X Ray machines, as they emit radiation and has to be sanctioned / approved.

6 CRITICAL FACTORS

Following are the factors critical for the success of Private Hospital venture:

- ⇒ Engagement of well-reputed consultants from wide range of multidisciplinary diagnostic and medicinal areas
- ⇒ Appointment of trained, highly skilled and professional Paramedical Staff
- ⇒ Maintaining high standard of patient care, comfortability, and hygienic environment for the patients; trained and courteous nursing and other administrative staff is strongly required for customer satisfaction
- ⇒ Modern and reliable diagnostic services which would include a fully equipped Radiology Department consisting of X-Ray, ECG and Ultra Sound Equipment and a dependable Medical Laboratory for routine medical examinations.

- ⇒ Formation of organizational system especially for creating integration among different departments and diagnostic operations
- ⇒ Establishing strong linkages with suppliers for sourcing quality medical supplies on time couple with economical prices
- ⇒ Reasonable and competitive fees, positioned against competitors fees
- ⇒ Location considerations for easy access of the patients
- ⇒ Careful market analysis of the surrounding population should be carried out before determining the services to be provided in the hospital

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Growing number of patients and lack of maintained infrastructure has put tremendous pressure on public sector hospitals. This has resulted in a rising demand for health care services in the private sector across the country. Moreover, introduction of latest technology, hygienic environment and professional staff attitude at private sector hospitals has also contributed to the popularity of the hospitals in private sector. Investors in the private sector can therefore exploit this opportunity in all the major urban and peri-urban cities of Pakistan.

However it is pertinent to highlight that, large public sector hospitals are mainly concentrated in major cities of the country. Therefore, it is suggested that new hospital should be opened up either in smaller cities, peripheral areas or in those areas of the larger cities where there is little presence of existing medical facilities. In this regard newly developed or developing housing societies could be most appropriate locations for the hospitals. But selected location should be easily accessible and has considerable population concentration.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

From 1981 to 2013, the estimated population of Pakistan has grown from 85 million to 180 million¹ making Pakistan the seventh most populous country in the world. This growth rate of population has posed tremendous challenge to the existing infrastructure for basic health facilities in the country. Growing population, increasing industrialization, resultant high level of environmental pollution, and increased healthcare awareness has specially stretched the existing public health care system in the country. This has given rise to high demand of private sector health care facilities to complement its public sector counterpart.

The major target market for the facility consists of residential areas in the vicinity of the hospital. The basic services that will be provided will also be determined by the need of the locality and its adjacent areas.

¹ Pakistan Bureau of Statistics (2012-13)

9 PROJECT COST SUMMARY

9.1 Project Economics

All the figures in this financial model have been calculated for providing different medical care facility to around 27,300 patients in the year one, followed by a subsequent increase of 10% annually. The patient occupancy in year 1 is estimated at 60%.

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)	40%
Payback Period (Yrs.)	3.42
Net Present Value (Rs.)	223,515,834

9.2 Project Financing

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

Table 3: Project Financing

Description	Details
Total Equity (50%)	Rs. 67,916,875
Bank Loan (50%)	Rs. 67,916,875
Markup to the Borrower (%age / annum)	14%
Tenure of the Loan (Years)	5

9.3 Project Cost

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

Table 4: Project Cost

Description	Amount Rs.
Capital Costs	
Land	30,000,000
Building	57,531,600

Machinery and Equipment	22,667,800
Office Equipment	915,000
Furniture and Fixture	12,954,600
Vehicles	2,400,000
Pre-operating costs ²	8,037,063
Total Capital Costs	134,506,063
Working Capital	
Raw Material Cost ³	445,125
Insurance Payment	240,000
Machine Maintenance	142,525
Minimum Cash Required	500,000
Total Working Capital	1,327,650
Total Project Costs	135,833,713

9.4 Land and Building Requirement

Approximately 1.5 kanal of land would be required for establishment of the proposed size of hospital; it is recommended that required land should be procured in the vicinity of populated residential societies. The cost of land is estimated at a rate of Rs. 20.00 million per kanal, therefore total cost of required land is Rs. 30.00 million.

The infrastructural requirements of the project mainly comprises of the construction of Emergency, ICU / CCU, Diagnostic Centre, Radiology Department, Surgical Consultancy, Medical Consultancy, Gynecology and Obstetrics, Canteen, Pharmacy, waiting areas, parking space and open space, etc.

The cost of construction of building for the proposed facilities are provided in the table below:

Table 5: Infrastructure and Building requirement

Building	No	Area (Sq. ft.)	Unit Rate (Rs. / Sq. ft.)	Total Cost (Rs.)
Basement				
Canteen	1	400	1,800	720,000
Pharmacy	1	300	1,800	540,000
Diagnostic	1	1,050	2,500	2,625,000

² These include salaries of administration staff during the period of construction; incorporation charges and interest accrued during first year.

³ This represents chemicals, radiology films and other disposable items used in diagnostic department and Operation Theatre.

Wash Rooms	5	180	1,500	270,000
Laboratory	1	1,050	2,500	2,625,000
ICU/CCU	1	500	2,500	1,250,000
Store Room	1	300	1,500	450,000
Lounge	1	500	2,500	1,250,000
Space for Stairs and Elevator	1	300	1,500	450,000
Sub Total		4,580		1,018,000
Ground Floor				
Reception and Waiting Room	1	2,500	2,500	6,250,000
Emergency	1	600	2,500	15,00,000
Wash Rooms	5	180	1,500	270,000
Consultants Rooms	4	576	2,500	14,40,000
General Ward	1	600	2,500	15,00,000
Nursing Centers	1	120	2,500	300,000
Doctors' Room	3	360	2,500	900,000
Lounge	1	500	2,500	1,250,000
Nurses' Room	1	180	2,500	450,000
Space for Stairs and Elevator	1	300	1,500	450,000
Sub Total		5,916		1,431,000
1stFloor				
Bed Rooms	12	2,352	2,500	5,880,000
Wash Rooms	5	180	1,500	270,000
Consultants Rooms	4	576	2,500	14,40,000
Labor Ward	1	600	2,500	15,00,000
Nursing Centers	1	120	2,500	300,000
Lounge	1	500	2,500	1,250,000
C1phild Nursery and Labor Room	1	625	2,500	1,562,500
Space for Stairs and Elevator	1	300	1,500	450,000
Store room	1	300	1,500	450,000
Sub Total		5,553		10,202,529
2nd Floor				
Bed rooms	13	2,548	2,500	6,370,000
Wash rooms	5	180	1,500	270,000
Operation theatre	1	900	2,500	2,250,000
Sterilization room	1	225	2,500	562,500

Surgeons room	1	120	2,500	300,000
Recovery room	1	180	2,500	450,000
Nursing centers	1	120	2,500	300,000
Lounge	1	500	2,500	1,250,000
Admin block	1	500	2,500	1,250,000
Space for Stairs and Elevator	1	300	1,500	450,000
Sub Total		5,573		1,300,2500
Circulation Space 20% of Covered Area		4,324	1,500	6,486,600
Grand Total				57,531,600

9.5 Machinery & Equipment Requirement

The major cost involved in establishing a well-equipped hospital is the cost of machinery, equipment and furnishing. The proposed hospital is providing basic in-house diagnostic and radiology services to its patients.

Accordingly, the required machinery and equipment for the proposed hospital is provided below:

Table 6: Machinery & Equipment Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs)
Radiology Department			
X-Ray Apparatus with Motorized Tilting Table	1	2,500,000	2,500,000
Dark Room X-Ray Accessories	1	150,000	150,000
ECG Machine	2	120,000	240,000
Ultrasound Machine	1	150,000	150,000
Printer for Ultrasound	1	65,000	65,000
Sub Total			3,105,000
Diagnostic Center			
Blood Analyzer	1	570,000	570,000
ELISA for Hormone Analysis Fully Automatic	1	2,500,000	2,500,000
Binocular Microscope	1	145,000	145,000
Centrifuge Machine	1	65,000	65,000

Clinical Water Bath	1	10,000	10,000
Photo Calorimeter	1	22,000	22,000
Lab Incubator	1	150,000	150,000
Miscellaneous Lab Equipment	1	500,000	500,000
Chemistry Analyzer	1	190,000	190,000
Sub Total			4,152,000
Operation Theatre			
Operation Theatre Shadow less Light	1	420,000	420,000
Electric suction apparatus	1	15,000	15,000
Surgical Diathermy	1	45,000	45,000
Anesthesia Apparatus	1	420,000	420,000
Trolley for Anesthesia	1	10,000	10,000
Cardiac Resuscitation Trolley	1	75,000	75,000
Cardiac Monitor	1	55,000	55,000
Hydraulic Operation Table	1	55,000	55,000
Horizontal and Vertical Autoclave	1	65,500	65,500
Operation Table	1	95,000	95,000
Emergency Oxygen Kit	3	150,000	450,000
Sub Total			1,705,500
Gynecology, Obstetrics & Pediatrics			-
Operation Theatre Shadow-less Light	1	420,000	420,000
Electric Suction Apparatus	1	15,000	15,000
Delivery Table	2	20,000	40,000
Computerized Baby Incubator	3	475,000	1,425,000
Phototherapy Apparatus	2	24,000	48,000
Baby Cot with Side Protection	5	8,500	42,500
Sub Total			1,990,500
ICU/CCU (5 Beds)			-
Ventilator	2	1,950,000	3,900,000
Cardiac Monitors	5	55,000	275,000
Arterial Blood Gas Analyzer	5	850,000	4,250,000
Sub Total			8,425,000
Other Equipment's			
Electricity Generator (200kwa)	2	235,000	470,000
Elevator	1	2,000,000	2,000,000

Instrument sterilizers	2	2,500	5,000
Baby Weighing Machine	1	3,800	3,800
Instrument cabinets	2	20,000	40,000
Stethoscope	12	750	9,000
IV Stands	40	1,250	50,000
Blood Pressure apparatus	6	2,000	12,000
Miscellaneous	1	700,000	700,000
Sub Total			3,289,800
Grand Total			22,667,800

Alternative Chinese machines are available for Radiology and Diagnostic Departments and for the Operation Theatre. However, their prices are 2 to 3 times lower than Japanese equipment. A mix of Japanese and Korean machinery is proposed for the project.

9.6 Furniture & Fixtures Requirement

Details of the furniture and fixture required for furnishing hospital rooms, laboratories, and visiting area are provided below:

Table 7: Hospital Furniture Requirement

Description	No.	Cost Per Unit (Rs)	Total Amount (Rs.)
Single Side Lift-able Beds	71	12,500	887,500
Examination Couch	13	4,000	52,000
Sofa Set 3 Seat	57	12,000	684,000
Chairs	69	3,944	272,100
Office Table	24	12,000	288,000
Bed Side Cabinets	60	3,500	210,000
Mobile Stretcher Trolleys	8	5,500	44,000
Wheel Chairs	8	6,500	52,000
Instrument Trolley	10	6,500	65,000
Total			2,554,600

Table 8: Fixtures Requirement

Description	No	Unit Cost (Rs)	Total Amount (Rs.)
Air conditioner Split Units (1.5 tons)	99	55,000	5,445,000

Refrigerators	30	30,000	900,000
LCDs for Rooms	25	25,000	625,000
LCDs for Reception & Lounges	05	50,000	250,000
File Cabinets	15	12,000	180,000
Electric Wirings and Fixtures (Lump sum)	-	-	3,000,000
Total			10,400,000

9.7 Office Furniture & Equipment Requirement

Following office equipment will be required for proposed Hospital:

Table 9: Office Equipment Required

Description	No	Unit Cost (Rs.)	Total Cost (Rs.)
Lap Tops	04	65,000	260,000
Computers with UPS	06	30,000	180,000
Printers	07	15,000	105,000
Telephone Exchange	01	150,000	150,000
Telephone Sets	40	1,500	60,000
Fire Extinguishers	20	8,000	160,000
Total			915,000

9.8 Vehicle Requirements

Along with the above-mentioned machinery and equipment the proposed hospital will also be using two ambulances:

Table 10: Vehicle Requirements

Description	QTY	Unit Cost (Rs.)	Total Amount (Rs.)
Used Ambulances with Medical Equipment's	2	1,200,000	2,400,000

9.9 Consultants & Human Resource Requirement

Consultant services for the following specialized areas would be made available in the hospital:

- Gastroenterology Specialist
- Pediatric Physician
- General Surgeon
- General Physician (Chest & TB)

- Diabetes & Endocrinologist
- Cardiologist
- Orthopedic Surgeon
- Gynecologist
- Pathologist
- Dentist

In this pre-feasibility study the consultants and surgeon will get 50% and 60% of the professional fee charged to the patient respectively as their share. Apart from the consultants following Paramedical and Non-paramedical staff would be required for the proposed hospital:

Table 11: Human Resource Requirement

Description	No. Of Employees	Monthly Salary per Person (Rs.)
Chief Executive	1	100,000
Admin & Finance Manager	1	75,000
Admin Officers	2	35,000
Medical Officers	24	45,000
Nursing Staff	45	18,000
Laboratory Technicians	9	18,000
Operation Theater Assistant.	6	15,000
Mid Wives	6	13,000
Radiology Technicians	6	15,000
Receptionist	6	15,000
Accountant	2	25,000
Accounts clerk / Cashier	3	17,000
Security Guards	6	15,000
Electrician/technician	3	15,000
Room Cleaners	6	13,000
Ward Boy /Office Boy	15	13,000
Male Nurse	18	15,000
Store Keeper	3	13,000
Total	162	

9.10 Other costs

An essential cost to be borne by the project is the cost of electricity, water and gas. The electricity expenses are estimated to be around Rs. 1.70 million per month, whereas, gas and water expenses are estimated to be Rs. 25,000 and Rs. 10,000 per month respectively. Furthermore, promotional expense being essential for marketing of Private Hospital is estimated as 0.5% of revenue.

9.11 Revenue Generation

Total 10 consultants will be performing their duties at hospital on daily basis. Revenue during the first year of operations is estimated as under:

Table 12: Revenue Generation – Year 1

Description	No of Patient / Operations in Year 1	Average Charges per Patient	Total Revenue in Year 1 (Rs.)
Consultation fee			
Consultants (10 No.)	60,000	1,500	90,000,000
Surgery			
General Surgery	360	35,000	12,600,000
Gynecology & Obstetrics	540	35,000	18,900,000
Room Rent (25 No.)			
Occupancy Days (50%)	4,500	5,000	22,500,000
Emergency (10 Beds)			
Occupancy Days (60%)	2,160	1,500	3,240,000
Labor Ward (10 Beds)			
Occupancy Days (40%)	1,440	1,500	2,160,000
ICU / CCU (5 Beds)			
Occupancy Days (60%)	1,080	3,000	3,240,000
General Ward (10 Beds)			
Occupancy Days (65%)	2,340	1,500	3,510,000
Diagnostic center			
Ultra-Sound	4,800	1,000	4,800,000
X-Ray	4,800	550	2,640,000
ECG	4,800	750	3,600,000
Complete Blood Test / Urine Test	6,000	500	3,000,000
Pharmacy Rent			480,000
Canteen Rent			360,000
Total Revenue			171,030,000

10 CONTACT DETAILS

In order to facilitate the potential investors, contact details of suppliers of Hospital machinery is provided below:

Table 13: Hospital Machinery Suppliers

Name of Supplier	Address	Contact Person
Noorani Surgical (Pvt) Ltd.	NooraniMension, Bank square, Near NilaGunbed, Lahore. Tel:042-37234000, 37235000, Fax: 042- 37233000 info@nooranisurgical.com www.nooranisurgical.com	M. Adeel (Manager Sales)
MedicuiPs Pvt Ltd	30- Shakra-e-Quaideazam, Lahore. Tel: 042-37233241, 37236475, Fax: 042- 37232302 akhtar@medequips.org www.medequips.org	M. Akhtar (G.Manager Sales) 0345-8444372

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
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 Vocational Training Council (PVTTC)	www.pvtc.gop.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org
Medicuipts Pvt Limited	www.medequips.org
Pakistan Medical and Dental Association	www.pmdc.org
Pakistan Medical Forum	www.pakmedinet.com
World Health Organization	www.who.com
University of Health Sciences	www.uhs.edu.pk

12 ANNEXURES

12.1 Income Statement

Calculations										
Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	171,030,000	208,008,900	251,268,237	302,960,633	370,520,241	449,884,026	541,773,559	657,859,863	788,010,578	941,286,324
Cost of Services	74,583,000	91,227,180	110,489,504	133,701,242	164,311,726	200,921,856	243,913,485	300,053,042	366,643,138	446,185,840
Surgeon's & Anaesthetist's Share	18,900,000	23,562,000	28,967,400	35,889,084	44,274,816	54,789,696	67,411,836	83,484,144	103,177,130	127,756,440
Consultants' Share	45,000,000	54,450,000	65,340,000	77,883,000	95,569,500	116,016,000	139,597,500	171,112,500	207,561,000	249,570,000
Direct diagnostic and Surgery costs	10,683,000	13,215,180	16,182,104	19,929,158	24,467,410	30,116,160	36,904,149	45,456,398	55,905,008	68,859,400
Operation costs 1 (direct labor)	34,236,000	37,659,600	41,425,560	45,568,116	50,124,928	55,137,420	60,651,162	66,716,279	73,387,906	80,726,697
Operating costs 2 (machinery maintenance)	1,710,300	2,080,089	2,512,682	3,029,606	3,705,202	4,498,840	5,417,736	6,578,599	7,880,106	9,412,863
Operating costs 3 (direct electricity)	16,201,456	18,091,938	20,228,238	22,646,861	25,388,591	28,358,978	31,556,423	35,058,399	38,692,564	42,717,093
Total cost of sales	126,730,756	149,058,807	174,655,985	204,945,825	243,530,447	288,917,095	341,538,806	408,406,318	486,603,714	579,042,493
Gross Profit	44,299,244	58,950,093	76,612,252	98,014,808	126,989,794	160,966,932	200,234,753	249,453,545	301,406,864	362,243,831
<i>General administration & selling expenses</i>										
Administration expense	7,320,000	8,052,000	8,857,200	9,742,920	10,717,212	11,788,933	12,967,827	14,264,609	15,691,070	17,260,177
Administration benefits expense	219,600	241,560	265,716	292,288	321,516	353,668	389,035	427,938	470,732	517,805
Electricity expense	4,050,364	4,522,984	5,057,059	5,661,715	6,347,148	7,089,745	7,889,106	8,764,600	9,673,141	10,679,273
Water expense	300,000	330,000	363,000	399,300	439,230	483,153	531,468	584,615	643,077	707,384
Gas expense	120,000	132,000	145,200	159,720	175,692	193,261	212,587	233,846	257,231	282,954
Travelling expense	292,800	322,080	354,288	389,717	428,688	471,557	518,713	570,584	627,643	690,407
Communications expense (phone, fax, mail, internet, etc.)	366,000	402,600	442,860	487,146	535,861	589,447	648,391	713,230	784,554	863,009
Office vehicles running expense	360,000	396,000	435,600	479,160	527,076	579,784	637,762	701,538	771,692	848,861
Office expenses (stationary, entertainment, janitorial services, etc.)	366,000	402,600	442,860	487,146	535,861	589,447	648,391	713,230	784,554	863,009
Promotional expense	855,150	1,040,045	1,256,341	1,514,803	1,852,601	2,249,420	2,708,868	3,289,299	3,940,053	4,706,432
Insurance expense	240,000	192,000	144,000	96,000	48,000	386,522	309,218	231,913	154,609	77,304
Professional fees (legal, audit, consultants, etc.)	855,150	1,040,045	1,256,341	1,514,803	1,852,601	2,249,420	2,708,868	3,289,299	3,940,053	4,706,432
Depreciation expense	7,010,320	7,010,320	7,010,320	7,010,320	7,010,320	7,303,365	7,303,365	7,303,365	7,303,365	7,303,365
Amortization of pre-operating costs	1,607,413	1,607,413	1,607,413	1,607,413	1,607,413	-	-	-	-	-
Subtotal	23,962,797	25,691,646	27,638,199	29,842,451	32,399,219	34,327,722	37,473,599	41,088,069	45,041,772	49,506,412
Operating Income	20,336,447	33,258,447	48,974,054	68,172,357	94,590,575	126,639,210	162,761,154	208,365,476	256,365,092	312,737,419
Gain / (loss) on sale of office vehicles	-	-	-	-	960,000	-	-	-	-	-
Earnings Before Interest & Taxes	20,336,447	33,258,447	48,974,054	68,172,357	95,550,575	126,639,210	162,761,154	208,365,476	256,365,092	312,737,419
Interest expense on long term debt (Project Loan)	9,415,424	7,991,026	6,367,211	4,516,062	2,405,753	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	86,769	72,046	55,124	35,676	13,323	-	-	-	-	-
Subtotal	9,502,193	8,063,072	6,422,335	4,551,738	2,419,076	-	-	-	-	-
Earnings Before Tax	10,834,254	25,195,376	42,551,718	63,620,619	93,131,499	126,639,210	162,761,154	208,365,476	256,365,092	312,737,419
Tax	3,011,488	8,037,881	14,112,601	21,486,716	31,815,524	43,543,223	56,185,903	72,147,416	88,947,281	108,677,596
NET PROFIT/(LOSS) AFTER TAX	7,822,766	17,157,495	28,439,118	42,133,903	61,315,975	83,095,987	106,575,251	136,218,060	167,417,810	204,059,823

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	500,000	12,740,040	27,972,870	52,969,213	89,991,870	140,257,456	232,913,548	349,256,237	495,942,704	674,144,808	900,446,884
Equipment spare part inventory	142,525	190,675	253,362	336,034	452,066	603,786	799,821	1,068,319	1,407,642	1,849,587	-
Raw material inventory	445,125	605,696	815,848	1,105,238	1,492,614	2,020,932	2,724,081	3,690,903	4,993,223	6,765,286	-
Pre-paid insurance	240,000	192,000	144,000	96,000	48,000	386,522	309,218	231,913	154,609	77,304	-
Total Current Assets	1,327,650	13,728,411	29,186,080	54,506,485	91,984,550	143,268,696	236,746,668	354,247,372	502,498,178	682,836,985	900,446,884
<i>Fixed assets</i>											
Land	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Building/Infrastructure	57,531,600	54,655,020	51,778,440	48,901,860	46,025,280	43,148,700	40,272,120	37,395,540	34,518,960	31,642,380	28,765,800
Machinery & equipment	22,667,800	20,401,020	18,134,240	15,867,460	13,600,680	11,333,900	9,067,120	6,800,340	4,533,560	2,266,780	-
Furniture & fixtures	12,954,600	11,659,140	10,363,680	9,068,220	7,772,760	6,477,300	5,181,840	3,886,380	2,590,920	1,295,460	-
Office vehicles	2,400,000	1,920,000	1,440,000	960,000	480,000	3,865,224	3,092,179	2,319,134	1,546,090	773,045	-
Office equipment	915,000	823,500	732,000	640,500	549,000	457,500	366,000	274,500	183,000	91,500	-
Total Fixed Assets	126,469,000	119,458,680	112,448,360	105,438,040	98,427,720	95,282,624	87,979,259	80,675,894	73,372,530	66,069,165	58,765,800
<i>Intangible assets</i>											
Pre-operation costs	8,037,063	6,429,651	4,822,238	3,214,825	1,607,413	-	-	-	-	-	-
Total Intangible Assets	8,037,063	6,429,651	4,822,238	3,214,825	1,607,413	-	-	-	-	-	-
TOTAL ASSETS	135,833,713	139,616,742	146,456,678	163,159,350	192,019,683	238,551,320	324,725,927	434,923,266	575,870,708	748,906,150	959,212,684
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		6,233,123	7,627,548	9,243,820	11,193,566	13,765,207	16,843,827	20,465,915	25,195,297	30,812,928	37,059,639
Total Current Liabilities	-	6,233,123	7,627,548	9,243,820	11,193,566	13,765,207	16,843,827	20,465,915	25,195,297	30,812,928	37,059,639
<i>Other liabilities</i>											
Long term debt (Project Loan)	67,253,032	57,078,755	45,480,079	32,257,588	17,183,949	-	-	-	-	-	-
Long term debt (Working Capital Loan)	663,825	565,241	451,934	321,706	172,030	-	-	-	-	-	-
Total Long Term Liabilities	67,916,857	57,643,996	45,932,013	32,579,294	17,355,978	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	67,916,857	67,916,857	67,916,857	67,916,857	67,916,857	67,916,857	67,916,857	67,916,857	67,916,857	67,916,857	67,916,857
Retained earnings		7,822,766	24,980,261	53,419,379	95,553,282	156,869,257	239,965,244	346,540,495	482,758,555	650,176,365	854,236,188
Total Equity	67,916,857	75,739,623	92,897,118	121,336,235	163,470,138	224,786,113	307,882,101	414,457,351	550,675,412	718,093,222	922,153,045
TOTAL CAPITAL AND LIABILITIES	135,833,713	139,616,742	146,456,678	163,159,350	192,019,683	238,551,320	324,725,927	434,923,266	575,870,708	748,906,150	959,212,684

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		7,822,766	17,157,495	28,439,118	42,133,903	61,315,975	83,095,987	106,575,251	136,218,060	167,417,810	204,059,823
Add: depreciation expense		7,010,320	7,010,320	7,010,320	7,010,320	7,010,320	7,303,365	7,303,365	7,303,365	7,303,365	7,303,365
amortization of pre-operating costs		1,607,413	1,607,413	1,607,413	1,607,413	1,607,413	-	-	-	-	-
Equipment inventory	(142,525)	(48,150)	(62,687)	(82,672)	(116,032)	(151,720)	(196,035)	(268,498)	(339,323)	(441,944)	1,849,587
Raw material inventory	(445,125)	(160,571)	(210,152)	(289,390)	(387,376)	(528,318)	(703,149)	(966,821)	(1,302,320)	(1,772,063)	6,765,286
Advance insurance premium	(240,000)	48,000	48,000	48,000	48,000	(338,522)	77,304	77,304	77,304	77,304	77,304
Accounts payable		6,233,123	1,394,424	1,616,273	1,949,745	2,571,641	3,078,620	3,622,088	4,729,382	5,617,632	6,246,710
Cash provided by operations	(827,650)	22,512,902	26,944,812	38,349,061	52,245,973	71,486,788	92,656,092	116,342,689	146,686,468	178,202,104	226,302,075
<i>Financing activities</i>											
Project Loan - principal repayment		(10,174,277)	(11,598,676)	(13,222,491)	(15,073,639)	(17,183,949)	-	-	-	-	-
Working Capital Loan - principal repayment		(98,584)	(113,307)	(130,228)	(149,677)	(172,030)	-	-	-	-	-
Additions to Project Loan	67,253,032	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	663,825	-	-	-	-	-	-	-	-	-	-
Issuance of shares	67,916,857	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activities	135,833,713	(10,272,861)	(11,711,983)	(13,352,719)	(15,223,316)	(17,355,978)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(134,506,063)	-	-	-	-	(3,865,224)	-	-	-	-	-
Acquisitions											
Cash (used for) / provided by investing activities	(134,506,063)	-	-	-	-	(3,865,224)	-	-	-	-	-
NET CASH	500,000	12,240,040	15,232,830	24,996,343	37,022,658	50,265,586	92,656,092	116,342,689	146,686,468	178,202,104	226,302,075

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Administration Benefit Expenses	3% of Admin Expense
Communication Expenses	5% of Admin Expense
Office Expenses (stationary, entertainment, janitorial services, etc.)	5% of Admin Expense
Office vehicles insurance rate	10%
Promotional expense % of admin expense	0.5% of Revenue
Depreciation on Building and Infrastructure	5%
Depreciation on Machinery	10%
Depreciation on Furniture and Fixture	10%
Depreciation on Office Equipment	10%
Depreciation on Office Vehicle	20%
Operating Costs Growth Rate	10%
Accounts Payable Cycle	15 Days
Raw Material Inventory	15 Days
Amortization Of Pre-Operating Expenses	5 Years

13.2 Diagnostic & Surgery Cost Assumptions

Description	Details
Diagnostic Material Cost	15% of Diagnostic Revenue
Surgery Material Cost	10% of Surgery Revenue

13.3 Revenue Assumptions

Description	Annual Growth Rate	Assumptions
Surgery		
- General Surgery		
- No of operations per month	15%	30
- Average fee per operation	10%	35,000
- Gynecology & Obstetrics		
- No of deliveries per month	10%	45
- Average fee per delivery	10%	35,000

Room Rent		
- No of Rooms		25
- Working Days		360
- Total Working Days (Weighted)		9,000
- Occupancy Rate	10%	50%
- Occupancy		4,500
- Room Rent per Day	10%	5,000
Emergency		
- No of Beds in Emergency		10
- Working Days		360
- Total Working Days (Weighted)		3,600
- Occupancy Rate	10%	60%
- Occupancy		2,160
- Bed Rent per Day	10%	1,500
Labor Ward		
- No of Beds in Labor Ward		10
- Working Days		360
- Total Working Days (Weighted)		3,600
- Occupancy Rate	10%	60%
- Occupancy		2,160
- Bed Rent per Day	10%	1,500
ICU/CCU		
- No of Beds in ICU/CCU		5
- Working Days		360
- Total Working Days (Weighted)		1,800
- Occupancy Rate	10%	60%
- Occupancy		1,080
- Bed Rent per Day	10%	3,000
General Ward		
- No of Beds in General Ward		10
- Working Days		360
- Total Working Days (Weighted)		3,600
- Occupancy Rate	10%	65%
- Occupancy		2,340
- Bed Rent per Day	10%	1,500
Diagnostic center		
- Ultra-Sound		
No of patients per month	10%	400
Ultrasound Fee per patient	10%	1000
- X-Ray		
No of patients per month	10%	400

X Ray Fee per patient	10%	550
- ECG		
No of patients per month	10%	450
ECG Fee per patient	10%	500
- Complete Blood Test/Urine Test		
No of patients per month	10%	400
Test Fee per patient	10%	750

13.4 Financial Assumptions

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	14%
Debt Tenure	5
Debt Payment / Year	12