
Pre-Feasibility Study

SOCKS MANUFACTURING UNIT



Small and Medium Enterprises Development Authority

Ministry of Industries & 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

Socks are a commodity of daily use for an individual. It is a footwear product that is used in all seasons. The major types of socks used are Cotton Socks, Woolen Socks and Nylon Socks. The socks production in general has been a tradition since inception of Pakistan. Karachi and Faisalabad have been leading cities having family trade of socks manufacturing and marketing within Pakistan. Mostly socks in Pakistan are produced and supplied to local distributors for local consumption.

Socks Manufacturing Unit is proposed to be located in industrial zones of Karachi and Faisalabad. Knitted socks are an item of general use. These have a sizeable domestic market and also have an export potential. Further, due to higher rate of urbanization, local demand has also increased manifold in recent years. This validates the opportunity to set up a new sock manufacturing unit to capture the need of expanding market. The proposed unit will produce cotton, nylon and woolen socks.

The total production capacity of the unit will be 760,320 dozen pair per year, however, capacity utilization during the 1st year will be 60%. The proposed socks manufacturing business involves a total investment of about Rs. 106.831 million. This includes capital investment of Rs. 92.742 million and Rs. 14.089 million as initial working capital. The project is financed through 50% debt and 50% equity. The Net Present Value (NPV) of the project is around Rs. 105.254 million with an Internal Rate of Return (IRR) of 30% and a payback period of 4.33 years.

The project will provide employment opportunities to 38 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 **Socks 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

A sock is an item of clothing worn on the feet and often covering the ankle and some part of the calf. Some types of shoes or boots are typically worn over socks. Socks help to absorb sweat and draw it to areas where air can evaporate the perspiration. In cold environments, socks made from wool insulate the foot and decrease the risk of frostbite. In addition to the numerous practical uses of socks, they are also a fashion item, and they are available in myriad colours and patterns.

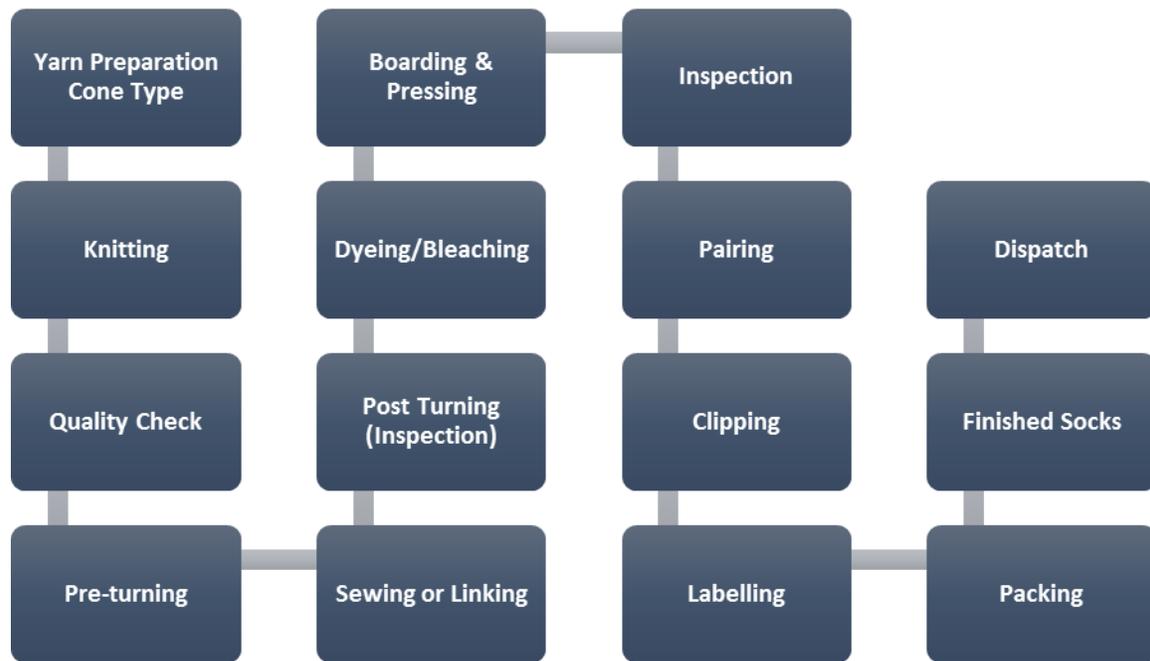
This particular pre-feasibility provides information for setting up a socks manufacturing unit on a medium-scale that will supply to wholesalers and retailers

for local consumer market. Socks are manufactured in different sizes and colours depending upon the demand. The most common type of socks used in the local market are cotton socks while there is also a reasonable demand of woollen and nylon socks. Accordingly, the proposed unit will mainly cater to all three major types of socks with an installed capacity of producing around 760,320 dozen pairs annually on 8 hours single shift basis. Since, socks are a product of daily use for all age groups and genders, hence, the target market is easy to define. The proposed project would mainly cater to the wholesalers and retailers for following types of socks:

- Cotton Socks
- Woolen Socks
- Nylon Socks

Presently, socks manufacturing units in Pakistan are predominantly concentrated in the districts of Faisalabad and Karachi with some concentration in Lahore as well. Therefore, the ideal location for proposed socks manufacturing unit is the industrial estates / clusters in these cities mainly due to easy availability of raw material and skilled labor force. The socks manufacturing business is assumed to operate as a sole proprietorship, however, partnership opportunities may be explored if further investment is required.

5.1 Production Process Flow



5.2 Installed and Operational Capacities

This pre-feasibility is based on a combination of different types of machines related to above stated production operations. According to the capacity of installed machines the proposed unit can manufacture 2,304 dozen pairs per day on 8 hours single shift basis. The details of overall installed, operational and maximum capacity utilization of the proposed unit is provided below:

Table 1: Installed and Operational Capacities

Description / Product Mix	Percentage of Production	Total Production Capacity (Annually)	Operational Capacity 60% (Year 1)	Maximum Operational Capacity 95%
Cotton Socks	50%	380,160	228,096	361,152
Woolen Socks	30%	228,096	136,858	216,691
Nylon Socks	20%	152,064	91,238	144,461
Total	100%	760,320	456,192	722,304

6 CRITICAL FACTORS

The commercial viability of the proposed socks manufacturing unit depends on the following critical factors:

- Technical know-how and relevant experience of entrepreneur.
- Availability of skilled labor having technical knowledge.
- Ability to generate work orders through industrial networking, direct marketing and negotiating long term contracts.
- Selection of appropriate machinery, technology and human resources would be required to run project successfully.
- Stringent supervision of the production process at every level; utilization of job costing and job card with technical specifications sheet.
- Higher return on investment and a steady growth of business is closely associated with regular training and capacity building of the entrepreneur and employees.

- 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

For the success of the project, it is important to find a location preferably in an industrial cluster where utilities especially electricity and other infrastructure are conveniently available. Presently, Faisalabad, Karachi and Lahore are at the center of socks manufacturing in Pakistan.

Establishing the unit in stated cities would offer an advantage of being close to large buyers, which may lead to consistent orders and referrals. Additionally, these cities have adequate availability of skilled labor, raw material and other support infrastructure.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Major target market for proposed unit includes wholesalers and retailers of different types of socks namely cotton, woolen and nylon based all over the country. However, targeting the city where the unit is based first will result in higher profits.

The cotton socks are the most in demand, as most of the use of socks in summers comprises cotton socks. Additionally, woolen socks are also in high demand in winter season while nylon socks also have good demand especially when it comes to ladies. Additionally, dress socks manufactured in Pakistan have reasonable export potential.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Socks Manufacturing Unit. Various cost and revenue related assumptions along with results of the analysis are outlined in this section.

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

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 386.121 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)	30%
Payback Period (yrs.)	4.33
Net Present Value (Rs.)	105,254,154

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. 53,415,658
Bank Loan (50%)	Rs. 53,415,658
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 Cost	
Land	10,000,000
Building / Infrastructure	9,318,600
Plant and Machinery	67,267,000

Furniture, Fixtures and Vehicle	1,823,000
Office Equipment	215,000
Pre-operating Cost	4,268,581
Total Capital Cost	92,742,181
Working Capital	
Raw Material Inventory	13,406,976
Equipment spare part inventory	182,160
Cash	500,000
Total Working Capital	14,089,136
Total Project Cost	106,831,317

9.4 Space Requirement

The space requirement for the proposed socks manufacturing unit is estimated considering various facilities including management office, production hall, storage, open space, etc. The total area required for this project is 2 kanals. Details of space requirement and cost related to land & building are given below;

Table 5: Space Requirement

Description	Estimated Area (Sqft)	Unit Cost (Rs.)	Total Cost (Rs.)
Ground Floor			
Socks Knitting area	1,680	800	1,344,000
Drying Area	240	800	192,000
Pressing Area	150	800	120,000
Boiler Area	1,800	1,000	1,800,000
Generator Area	600	800	480,000
Air Compressor Room	600	1,000	600,000
Packing area	150	1,000	150,000
Accessories Store	150	1,000	150,000
Yarn Store	400	1,000	400,000
Dyes and Chemical Store	150	1,000	150,000
Finished Goods Store	500	1,000	500,000

Toilets	180	800	144,000
Loading, unloading Bay	1,800	125	225,000
Grounds	600	50	30,000
Total Ground Floor	9,000	11,175	6,285,000
First Floor			
Management Office	1,000	2,000	2,000,000
Bleaching & Dying area	532	800	425,600
Boundary Wall (Running Feet)	380	1,600	608,000
Total First Floor	1,912	4,400	3,033,600
Total Infrastructure			9,318,600

9.5 Machinery & Equipment Requirement

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

Table 6: Machinery & Equipment Requirement

Description	Quantity	Unit Price	Total Price(Rs)
Sangiaco Single Cylinder 2 Feed Machine	30	1,746,000	52,380,000
Rosow Automatic Linear Linking Machine	2	1,000,000	2,000,000
Air Compressor	1	500,000	500,000
Bleaching Machine	2	1,000,000	2,000,000
Hydro Extractor	2	200,000	400,000
Dryer	2	1,000,000	2,000,000
Boiler	3	2,000,000	6,000,000
Diesel Generator	1	1,400,000	1,400,000
Transformer	1	437,000	437,000
Air conditioners (1.5 ton window)	6	25,000	150,000
Total			67,267,000

9.6 Furniture, Fixtures & Vehicle Requirement

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

Table 7: Furniture, Fixture and Vehicle Requirement

Description	Quantity	Unit Price	Total Price (Rs.)
Table for Director	1	12,000	12,000
Chair for Director	1	7,000	7,000
Table	5	3,500	17,500
Chair	14	2,500	35,000
File Cabinet	1	6,500	6,500
Sofa Set	1	15,000	15,000
Miscellaneous Furniture	1	50,000	50,000
Air Conditioner (1.5 Ton Split)	3	60,000	180,000
Lightening, Fans Etc.	1	300,000	300,000
Vehicle			1,200,000
Total Furniture, Fixtures and Vehicle Requirement			1,823,000

9.7 Office Equipment Requirement

Following office equipment will be required for Socks Manufacturing Unit;

Table 8: Office Equipment Requirement

Description	Quantity	Unit Price	Total Price (Rs.)
Laptop	1	50,000	50,000
Computers with UPS	4	25,000	100,000
Computer Printer (s)	3	15,000	45,000
Telephones	5	1,000	5,000
Fax Machines	1	15,000	15,000
Total Office Equipment	14	106,000	215,000

9.8 Human Resource Requirement

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

Table 9: Human Resource Requirement

Description	No. of Employees	Monthly Salary per Person (Rs.)
Director	1	80,000
Finance Officer	1	35,000
Production Manager	1	35,000
Bleaching Master	1	22,000
Boiler Master	1	22,000
Knitting Master	1	22,000
Technical Supervisor	1	20,000
Quality In Charge	1	25,000
Compressor Operator	1	14,000
Knitting Machine Operator	8	14,000
Socks Linking/Pressing/Packing Staff	12	14,000
Bleaching Assistant	2	14,000
Purchase Officer	1	30,000
Store Supervisor	1	20,000
Store Assistant	1	14,000
Admin Officer	1	25,000
Office Boy	1	18,000
Security Guard	1	14,000
Sweeper	1	14,000
Total	38	

9.9 Utilities and Other Costs

An essential cost to be borne by the project is the cost of electricity and gas. The electricity expenses (dire) are estimated to be around Rs. 518,942 per month, whereas, gas expenses are estimated to be Rs. 3,083,438 per year (including both natural gas and LPG). Furthermore, promotional expense being essential for marketing of socks manufacturing unit is estimated as 0.25% of revenue.

9.10 Raw Material Requirement

The cotton, wool and nylon yarn are the major raw materials that are required for manufacturing of dress socks of three types. Additionally, elastic or lycra is also required in small quantity for manufacturing each type of socks. Furthermore, packing material is also required. The details of raw material required for socks

manufacturing are given below:

Table 10: Raw Material Requirement

Description	Details
Per Dozen Pair Cost – Cotton Socks	Raw Material Cost: Rs. 732 Per Dozen Cotton: 60% Nylon: 36% Elastic:4% Linking Cost: Rs. 240 Packing Cost: Rs. 60
Per Dozen Pair Cost – Woolen Socks	Raw Material Cost: Rs. 804 Per Dozen Woolen: 60% Nylon: 36% Elastic:4% Linking Cost: Rs. 240 Packing Cost: Rs. 60
Per Dozen Pair Cost – Nylon Socks	Raw Material Cost: Rs. 644 Per Dozen Nylon: 96% Elastic:4% Linking Cost: Rs. 240 Packing Cost: Rs. 60

9.11 Revenue Generation

Based on the capacity utilization of 60% for cotton, woolen and nylon socks, sales revenue during the first year of operations is estimated as under;

Table 11: Revenue Generation – Year 1

Description	No. of Units Produced (Dozen Pair)	Finished Goods Inventory (Dozen Pair)	Units available for Sale (Dozen Pair)	Sale Price / unit (Dozen Pair)	Sales Revenue (Rs.) (Dozen Pair)
Cotton Socks	380,160	(9,504)	370,656	878.4	192,011,213
Woolen Socks	228,096	(5,702)	222,394	964.8	126,538,537

Nylon Socks	152,064	(3,802)	148,262	772.8	67,571,159
Total	760,320	(19,008)	741,312		386,120,909

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 Machinery Suppliers

Name of Supplier	Address	Contact Details	E-mail
SKS Brothers	Suite No. 10-11, Floor-5 Shan Arcade, Barket Market, New Garden Town Lahore. Pakistan	+(92)-(42)-35830680, 0300-8449192	info@sksbrothers.com
Kohala (SMC-PVT) Ltd	343-A-1 New Bhabara, Main Ferozpur Road, Lahore. Pakistan	+(92)-(42)-35858584	info@kohala.com.pk

10.2 Raw Material Suppliers

Name of Supplier	Address	Phone	E-mail
Rafique Ibrahim Yarn Trading	Gole Bazaar, Opposite Sitara Depot Faisalabad.	+(92)-321-8661667	
Town Crier International Labels, Stickers, packaging material	P-3, Fazal Centre Malik Road. Opp Banking Court Faisalabad. Pakistan	+(92)-(41)-2631555	info@towncrier.com.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
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
All Pakistan Textile Manufacturing Association	www.aptma.org.pk
Pakistan Hosiery Manufacturers & Exporters Association	www.phmaonline.com
Punjab Industrial Estates (PIE)	www.pie.com.pk
Faisalabad Industrial Estate Development and Management Company (FIEDMC)	www.fiedmc.com.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	386,120,909	478,594,068	567,080,110	668,477,419	784,483,389	917,005,779	1,068,187,813	1,240,436,196	1,367,478,672	1,504,226,539
<i>Cost of sales</i>										
Cost of goods sold 1	321,767,424	398,828,390	472,566,758	557,064,516	653,736,158	764,171,483	890,156,511	1,033,696,830	1,139,565,560	1,253,522,116
Operation costs 1 (direct labor)	6,118,000	6,999,892	7,701,650	8,473,501	9,322,474	10,256,296	11,283,466	12,413,328	13,684,671	15,053,138
Operating costs 2 (machinery maintenance)	4,371,840	5,418,864	6,420,744	7,568,811	8,882,285	10,382,765	12,094,518	14,044,794	15,483,228	17,031,550
Operating costs 3 (direct electricity)	5,422,788	6,721,507	7,964,229	9,388,281	11,017,500	12,878,681	15,001,923	17,421,027	19,205,246	21,125,771
Operating costs 5 (direct gas)	3,083,438	3,821,898	4,528,520	5,338,246	6,264,632	7,322,913	8,530,205	9,905,725	10,920,245	12,012,270
Total cost of sales	340,763,490	421,790,552	499,181,901	587,833,355	689,223,049	805,012,138	937,066,622	1,087,481,703	1,198,858,950	1,318,744,845
Gross Profit	45,357,419	56,803,517	67,898,209	80,644,065	95,260,341	111,993,641	131,121,191	152,954,493	168,619,722	185,481,694
<i>General administration & selling expenses</i>										
Administration expense	2,232,000	2,455,200	2,700,720	2,970,792	3,267,871	3,594,658	3,954,124	4,349,537	4,784,490	5,262,939
Administration benefits expense	334,800	368,280	405,108	445,619	490,181	539,199	593,119	652,430	717,674	789,441
Electricity expense	6,227,304	804,516	884,967	973,464	1,070,810	1,177,892	1,295,681	1,425,249	1,567,774	1,897,006
Water expense	518,941.99	120,000	132,000	145,200	159,720	175,692	193,261	212,587	233,846	282,954
Travelling expense	334,800	368,280	405,108	445,619	490,181	539,199	593,119	652,430	717,674	789,441
Communications expense (phone, fax, mail, internet, etc.)	558,000	613,800	675,180	742,698	816,968	898,665	988,531	1,087,384	1,196,123	1,315,735
Office vehicles running expense	480,000	528,000	580,800	638,880	702,768	773,045	850,349	935,384	1,028,923	1,131,815
Office expenses (stationary, entertainment, janitorial services, etc)	334,800	368,280	405,108	445,619	490,181	539,199	593,119	652,430	717,674	789,441
Promotional expense	965,302	1,196,485	1,417,700	1,671,194	1,961,208	2,292,514	2,670,470	3,101,090	3,418,697	3,760,566
Professional fees (legal, audit, consultants, etc.)	386,121	478,594	567,080	668,477	784,483	917,006	1,068,188	1,240,436	1,367,479	1,504,227
Depreciation expense	7,501,430	7,501,430	7,501,430	7,501,430	7,501,430	7,647,952	7,647,952	7,647,952	7,647,952	7,647,952
Amortization of pre-operating costs	853,716	853,716	853,716	853,716	853,716	-	-	-	-	-
Bad debt expense	1,930,605	2,392,970	2,835,401	3,342,387	3,922,417	4,585,029	5,340,939	6,202,181	6,837,393	7,521,133
Miscellaneous expense 1										
Subtotal	16,836,090	18,142,003	19,466,015	20,956,961	22,634,988	23,815,407	25,937,745	28,322,876	30,415,859	32,692,649
Operating Income	28,521,330	38,661,514	48,432,194	59,687,103	72,625,353	88,178,234	105,183,446	124,631,617	138,203,863	152,789,045
Gain / (loss) on sale of office vehicles	-	-	-	-	480,000	-	-	-	-	-
Earnings Before Interest & Taxes	28,521,330	38,661,514	48,432,194	59,687,103	73,105,353	88,178,234	105,183,446	124,631,617	138,203,863	152,789,045
Interest on short term debt	1,010,068	1,010,068	-	-	-	-	-	-	-	-
Interest expense on long term debt (Project Loan)	6,491,953	5,509,827	4,390,204	3,113,833	1,658,771	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	545,569	-	-	-	-	-	-	-	-	-
Subtotal	8,047,590	6,519,895	4,390,204	3,113,833	1,658,771	-	-	-	-	-
Earnings Before Tax	20,473,739	32,141,619	44,041,990	56,573,270	71,446,582	88,178,234	105,183,446	124,631,617	138,203,863	152,789,045
Tax	6,388,308	10,472,066	14,637,196	19,023,144	24,228,803	30,084,881	36,036,705	42,843,565	47,593,851	52,698,665
NET PROFIT/(LOSS) AFTER TAX	14,085,431	21,669,553	29,404,794	37,550,126	47,217,779	58,093,353	69,146,740	81,788,051	90,610,012	100,090,380

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	-	2,582,069	20,502,658	43,233,925	69,325,724	115,775,663	168,859,484	234,112,509	305,451,984	526,671,769
Accounts receivable		15,867,983	17,768,116	21,486,456	25,388,168	29,855,359	34,962,106	40,791,649	47,437,480	53,587,292	59,007,641
Finished goods inventory		14,815,804	17,631,116	20,861,333	24,561,282	28,792,608	33,624,586	39,135,033	45,411,324	49,952,456	54,947,702
Equipment spare part inventory	182,160	237,075	294,953	365,077	449,853	552,139	675,325	823,435	953,157	1,100,897	-
Raw material inventory	13,406,976	18,279,635	23,825,241	30,893,870	39,880,630	51,279,409	65,706,940	83,932,612	101,781,666	123,155,816	-
Total Current Assets	14,089,136	49,200,496	62,101,494	94,109,394	133,513,858	179,805,239	250,744,620	333,542,213	429,696,136	533,248,445	640,627,113
<i>Fixed assets</i>											
Land	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Building/Infrastructure	9,318,600	8,852,670	8,386,740	7,920,810	7,454,880	6,988,950	6,523,020	6,057,090	5,591,160	5,125,230	4,659,300
Machinery & equipment	67,117,000	60,405,300	53,693,600	46,981,900	40,270,200	33,558,500	26,846,800	20,135,100	13,423,400	6,711,700	-
Furniture & fixtures	623,000	560,700	498,400	436,100	373,800	311,500	249,200	186,900	124,600	62,300	-
Office vehicles	1,200,000	960,000	720,000	480,000	240,000	1,932,612	1,546,090	1,159,567	773,045	386,522	-
Office equipment	215,000	193,500	172,000	150,500	129,000	107,500	86,000	64,500	43,000	21,500	-
Total Fixed Assets	88,473,600	80,972,170	73,470,740	65,969,310	58,467,880	52,899,062	45,251,110	37,603,157	29,955,205	22,307,252	14,659,300
<i>Intangible assets</i>											
Pre-operation costs	4,268,581	3,414,865	2,561,149	1,707,432	853,716	-	-	-	-	-	-
Total Intangible Assets	4,268,581	3,414,865	2,561,149	1,707,432	853,716	-	-	-	-	-	-
TOTAL ASSETS	106,831,317	133,587,531	138,133,383	161,786,136	192,835,454	232,704,301	295,995,730	371,145,370	459,651,341	555,555,697	655,286,413
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		14,163,944	17,604,142	20,969,032	24,861,526	29,360,959	34,559,035	40,561,935	47,279,854	52,574,199	52,214,534
Short term debt	-	12,566,590	-	-	-	-	-	-	-	-	-
<i>Other liabilities</i>											
Total Current Liabilities	-	26,730,534	17,604,142	20,969,032	24,861,526	29,360,959	34,559,035	40,561,935	47,279,854	52,574,199	52,214,534
<i>Other liabilities</i>											
Long term debt (Project Loan)	46,371,090	39,355,907	31,358,599	22,241,667	11,848,365	-	-	-	-	-	-
Long term debt (Working Capital Loan)	7,044,568	-	-	-	-	-	-	-	-	-	-
Total Long Term Liabilities	53,415,658	39,355,907	31,358,599	22,241,667	11,848,365	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	53,415,658	53,415,658	53,415,658	53,415,658	53,415,658	53,415,658	53,415,658	53,415,658	53,415,658	53,415,658	53,415,658
Retained earnings		14,085,431	35,754,984	65,159,778	102,709,905	149,927,684	208,021,036	277,167,777	358,955,828	449,565,840	549,656,220
Total Equity	53,415,658	67,501,090	89,170,643	118,575,437	156,125,563	203,343,342	261,436,695	330,583,435	412,371,487	502,981,499	603,071,878
TOTAL CAPITAL AND LIABILITIES	106,831,317	133,587,531	138,133,383	161,786,136	192,835,454	232,704,301	295,995,730	371,145,370	459,651,341	555,555,697	655,286,413

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		14,085,431	21,669,553	29,404,794	37,550,126	47,217,779	58,093,353	69,146,740	81,788,051	90,610,012	100,090,380
Add: depreciation expense		7,501,430	7,501,430	7,501,430	7,501,430	7,501,430	7,647,952	7,647,952	7,647,952	7,647,952	7,647,952
amortization of pre-operating costs		853,716	853,716	853,716	853,716	853,716	-	-	-	-	-
Accounts receivable		(15,867,983)	(1,900,133)	(3,718,340)	(3,901,713)	(4,467,191)	(5,106,747)	(5,829,543)	(6,645,830)	(6,149,812)	(5,420,350)
Finished goods inventory		(14,815,804)	(2,815,312)	(3,230,217)	(3,699,949)	(4,231,326)	(4,831,978)	(5,510,447)	(6,276,291)	(4,541,132)	(4,995,246)
Equipment inventory	(182,160)	(54,915)	(57,878)	(70,124)	(84,776)	(102,286)	(123,187)	(148,109)	(129,723)	(147,739)	1,100,897
Raw material inventory	(13,406,976)	(4,872,659)	(5,545,606)	(7,068,629)	(8,986,760)	(11,398,779)	(14,427,531)	(18,225,672)	(17,849,054)	(21,374,150)	123,155,816
Accounts payable		14,163,944	3,440,198	3,364,890	3,892,494	4,499,432	5,198,076	6,002,900	6,717,919	5,294,345	(359,664)
Cash provided by operations	(13,589,136)	993,161	23,145,967	27,037,522	33,124,569	39,872,776	46,449,939	53,083,821	65,253,025	71,339,475	221,219,785
<i>Financing activities</i>											
Project Loan - principal repayment		(7,015,183)	(7,997,309)	(9,116,932)	(10,393,302)	(11,848,365)	-	-	-	-	-
Working Capital Loan - principal repayment		(7,044,568)	-	-	-	-	-	-	-	-	-
Short term debt principal repayment		-	(12,566,590)	-	-	-	-	-	-	-	-
Additions to Project Loan	46,371,090	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	7,044,568	-	-	-	-	-	-	-	-	-	-
Issuance of shares	53,415,658	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activities	106,831,317	(14,059,751)	(20,563,898)	(9,116,932)	(10,393,302)	(11,848,365)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(92,742,181)	-	-	-	-	(1,932,612)	-	-	-	-	-
Acquisitions											
Cash (used for) / provided by investing activities	(92,742,181)	-	-	-	-	(1,932,612)	-	-	-	-	-
NET CASH	500,000	(13,066,590)	2,582,069	17,920,590	22,731,267	26,091,799	46,449,939	53,083,821	65,253,025	71,339,475	221,219,785

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Salaries, wages growth rates (as %age of annual Salaries and Wages)	10% of Salaries
Communication expense	25% of administration expense
Office expenses (stationary, entertainment, janitorial services, etc.)	15% of administration expense
Promotional expense	0.25% of revenue
Professional fees (legal, audit, consultants, etc.)	0.10% of revenue
Office Vehicle Running Expense	40% of Vehicle Cost
Depreciation rate on Machinery	10%
Depreciation rate on furniture and office equipment	10%

13.2 Revenue Assumptions

Description	Details
No of Working Days in One Year	330
No. of Shifts	1
No. of hours in one shift	8
Annual installed production capacity (dozen pairs)	760,320
Initial year capacity utilization	60%
Capacity growth rate	5%
Maximum capacity utilization	95%

13.3 Financial Assumptions

Description	Details
Projected Life of The Project in Years	10
Debt	50%
Equity	50%
Annual Mark Up Rate (Short Term & Long Term)	14%
Debt Tenure	5