



Pre-feasibility Study

DEPARTMENTAL STORE

December 2021

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

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

TABLE OF CONTENTS

1	DISCLAIMER	2
2	EXECUTIVE SUMMARY	3
3	INTRODUCTION TO SMEDA	3
4	PURPOSE OF THE DOCUMENT	4
5	BRIEF DESCRIPTON OF PROJECT	4
5.1	Installed & Operational Capacities	5
6	CRITICAL FACTORS	5
7	GEOGRAPHICAL POTENTIAL FOR INVESTMENT	6
8	POTENTIAL TARGET MARKETS	6
9	PROJECT COST SUMMARY	7
9.1	Project Economics	7
9.2	Project Financing	8
9.3	Project Cost.....	8
9.4	Store Amenities and Equipment.....	9
9.5	Office Equipment Requirements	10
9.6	Furniture and Fixture Requirements.....	11
9.7	Space Requirement	11
9.8	Offive Vehicles	12
9.9	Inventory Requirements	12
9.10	Human Resource Requirement.....	12
9.11	Other Costs	13
9.12	Revenue Generation	13
10	CONTACT DETAILS	14
10.1	Equipment Suppliers	14
11	USEFUL LINKS	16
12	ANNEXURES	17
12.1	Income Statement	17
12.2	Balance Sheet.....	18
12.3	Cash Flow Statement.....	19
13	KEY ASSUMPTIONS	20
13.1	Operating Assumptions	20
13.2	Economy Related Assumptions	20
13.3	Expense Assumptions.....	21

1 DISCLAIMER

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2 EXECUTIVE SUMMARY

Departmental Stores are emerging as one of the good business ventures in Pakistan as it provides all the basic merchandise under one roof. A departmental store is a retail establishment offering a wide range of consumer goods in different areas of the store, each area (department) specializing in a product category. Some store are one of many within a larger retail chain, while others are independent retailers.

In Pakistan, the concept of Departmental Store has gained popularity in late eighties after the emergence of Utility Stores by the government. The same concept has been used by Canteen Department Store (CSD). Keeping in view the consumer's needs and requirements, large investment has been made in these stores by few multinational companies. i.e. Hyper Star, Metro, Macro, Al-Fatah, HKB, Cosmo Cash & Carry, etc, and thousands of shopping stores in almost all cities of Pakistan.

The proposed "Departmental Store" requires an area of approx. 3,120 sq. ft. and is recommended to be started at a rented premise. Location of the store is an important factor with any retail organization. Spending time and money wisely in the process of site selection is of primary importance. In this pre-feasibility study, it has been assumed that the proposed "Departmental Store" is opened in an area where there are approximately 3,500 households.

Total project cost is estimated as Rs. 24.38 million with capital investment of Rs. 7.48 million and working capital Rs. 16.90 million. The projected IRR, Payback and Net Present Value of the said project are 42%, 3.29 years and Rs. 26.18 million respectively. 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 for investing in a **Departmental Store** 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 DESCRIPTON OF PROJECT

The proposed Departmental Store will provide a variety of goods ranging from grocery items to garments under one roof. The proposed project is a single floor departmental Store on an area of approximately 3,120 sq. ft. The project will offer following broad categories of goods to its customers:

- Groceries and food items
- Baby garments and baby products
- Crockery and plastic items
- Soaps, detergents and chemicals
- Cosmetics and artificial jewelry
- Ice-cream and beverages
- Stationery, greeting cards and gifts items
- Watches and clocks
- Electronics / electrical products
- General items

- Bakery Items

Location of Departmental Store is of primary concern with any retail organization. The Store should be centrally and conveniently located within a developing or a newly developed residential town in any of the big cities like Lahore, Islamabad, Rawalpindi, Faisalabad, Sargodha, etc. The proposed Departmental Store is feasible in any area where there are approximately 3,500 houses / family units. The proposed project will provide direct employment resources to 24 employees.

5.1 Installed & Operational Capacities

With respect to the available capacity of the departmental Store, it will offer the following broad categories of goods to its customer:

Table 1: Installed Capacity

Category of Items	Proportion	Average Gross Margin
Groceries and Food Items	55%	15%
Baby Garments and Baby Products	5%	35%
Crockery and Plastic Items	4%	30%
Soaps Detergents and Chemicals	15%	10%
Cosmetics and Artificial Jewelry	5%	30%
Ice cream and Beverages	5%	10%
Stationery and Greeting Cards/Gifts Items	1%	20%
Watches and Clocks	1%	30%
Electronic and Electrical Appliances	2%	30%
General Items	2%	15%
Bakery Items	5%	20%
Total	100%	

6 CRITICAL FACTORS

The factors that make this project viable in Pakistan are:

- ⇒ Customer card system can be one of the best strategies for the retention of existing customers and for developing new customers. Card System maintains data base of customers which can be later on used for permanent promotional

and marketing activities. Customer Card System is one of the best CRM practices used globally.

- ⇒ Un-interrupted supply / availability of Inventory
- ⇒ Plentiful availability of resources / salesman
- ⇒ Variety of products under one roof
- ⇒ To obtain a good average of profits it is necessary to provide state of art facilities to customers.
- ⇒ There should be regular and sustained marketing through flier's distribution and Cable TV.
- ⇒ The store should have an ample space for car parking. It is advisable to maintain a parking space whereby around 15-20 cars can be parked
- ⇒ The hired staff should be well mannered and well trained in dealing with the customers.
- ⇒ Free gift schemes and valuable customer dinner can be additional success factors.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Departmental store business is emerging as one of the good business ventures in Pakistan as it provides all the basic merchandise under one roof. In the late eighties a paradigm shift in grocery store science occurred. The concept of "Self-Serving Store" was started. Customers entered the revolutionary store and walked through a narrow maze of shelves containing groceries. They selected their goods as they continued through the maze to a cashier.

This phenomenon grew rapidly; and today thousands of stores exist in the big cities. These stores also began to offer products beyond the normal scope of the dry-good grocery store. They added meat, dairy, fruit and vegetables, and breads to their offerings (which had formerly been offered by individual stores such as butchers, bakeries, and the milk man). Over the decades, Departmental stores have evolved even further. Now, one sees that they offer greeting cards, flowers, video rental, fast food, childcare, and much more.

There are thousands of Departmental stores in Lahore, Rawalpindi, Faisalabad, Multan, Gujranwala and this number is increasing day by day.

8 POTENTIAL TARGET MARKETS

The target customer for Departmental stores is the population / family units of big cities. The market for Departmental stores in Pakistan has been developing steadily over the

last decade and a mushroom growth of large stores is observed in all big cities. Still a good potential is available for new stores, as population of big cities is increasing day by day and new societies and residential towns are being developed. Location and amenities are some of the most vital factors in the success of a store.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyse the commercial viability of Departmental Store. Various costs and revenues 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. 204.75 million in the year one. The capacity utilization during year one is worked out at 75% with 5% increase in subsequent years up to the maximum capacity utilization of 90 %.

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

Table 2: Project Economics (Equity Financed)

Description	Details
Internal Rate of Return (IRR)	42%
Payback Period (Yrs.)	3.29
Net Present Value (Rs.)	Rs. 26,182,988

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)	104.7	114.8	126	138.3	151.8	165.6	182	200	219.8	241.6
Margin of Safety	49%	52%	55%	58%	58%	58%	58%	58%	58%	58%

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

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

Description	Details
Internal Rate of Return (IRR)	37%
Pay Back Period (Years)	3.76
Net Present Value (NPV)	Rs. 36,276,045

9.2 Project Financing

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

Table 5: Project Financing

Description	Details
Total Equity (50%)	Rs. 12,260,989
Bank Loan (50%)	Rs. 12,260,989
Annual Markup to the Borrower	15%
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 6: Project Cost

Description	Amount Rs.
Capital Cost	
Machinery & Equipment	2,990,000
Furniture & Fixtures	2,902,500

Office Vehicle (motorcycle with delivery cabin)	60,000
Pre-Operating Cost	920,000
Staff Training Costs	14,000
Security Deposit	500,000
Office Equipment	92,000
Total Capital Cost	7,478,500
Working Capital	
Initial Stock, Raw material inventory	14,144,813
Up front building rent	1,500,000
Cash in hand needed for three month expenses (Admin, etc.)	1,252,720
Total Working Capital	16,897,533
Total Project Cost	24,376,033

9.4 Store Amenities and Equipment

Following is the detail of equipment required for this project.

Table 7 : Machinery & Equipment Requirements

Description	No. of Units	Cost per unit Rs.	Total Cost Rs.
Shelves and Racks @ Rs 500 per sq ft for 1500 sq ft	1	1,125,000	1,125,000
Cash drawers	3	10,000	30,000
Handy scanners	2	6,000	12,000
Barcode scanner	1	20,000	20,000

Computers + barcode readers	3	45,000	135,000
Printers for bills printing	3	20,000	60,000
Software (sales + stocks + Purchase management)	1	125,000	125,000
Fax machine	1	15,000	15,000
Service Trolleys	20	10,000	200,000
U.P.S for Computers	1	40,000	40,000
Security cameras with DVR recording + installation	24	9,500	228,000
Generator (25 KVA)	1	1,000,000	1,000,000
Total			2,990,000

9.5 Office Equipment Requirements

Following is the detail of office equipment required for this project.

Table 8: Office Equipment Requirements

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Computer	1	45,000	45,000
Printer	1	20,000	20,000
Telephone Connection Sets	2	3,500	7,000
Water Dispenser	1	20,000	20,000
Total			92,000

9.6 Furniture and Fixture Requirements

Following is the detail of furniture and fixtures required for this project.

Table 9: Furniture and Fixture Requirements

Description	No. of Units	Cost per Unit Rs.	Total Cost Rs.
Chairs	10	5,500	55,000
Tables	3	15,000	45,000
Sofa Set for Office	1	40,000	40,000
Energy Savers for Office	500	500	250,000
Electric Fittings and Installation	1	350,000	350,000
Renovations	2,535	500	1,267,500
Ceiling Fans	2	5,000	10,000
Air Conditioner (1.5 tons)	8	95,000	760,000
Sign Board for Outside with Lights	1	125,000	125,000
Total			2,902,500

9.7 Space Requirement

The proposed Departmental store requires an area of approx. 3,120 sq. ft. It is recommended that the store should be started at a rented premises. The main investment in this business is of land and building, which is very high due to very expensive land in the proposed locations and high construction cost. The rent cost of a commercial building situated in a well-populated housing society will be ranging from Rs. 100,000 to Rs. 250,000 per month. In this pre-feasibility the rent cost of 3,120 sq. ft. land is taken Rs. 250,000. Following table shows the covered area requirement for the proposed store:

Table 10: Space Requirement

Description	Area (Sq. ft)
Owner's Office	120
Accounts & Procurement. Office	120
Wash rooms for Gents and ladies	120
Warehouse	225
Display / Shopping Area	2,535
Total	3,120

9.8 Offive Vehicles

Vehicles required for delivery of products are:

Table 10: Vehicles Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Motor Bike with Cabin	1	60,000	60,000

9.9 Inventory Requirements

Inventory could be purchased from any whole sale market in the city.

9.10 Human Resource Requirement

Skilled salesmen are easily available at competitive wage rates. Number of workers required for each department of Store is given below:

Table 12: Human Resource Requirement

Positions	Number	Salary/Month (Rs.)	Annual salary (Rs.)
Store Manager	1	75,000	900,000

Sales Staff*	12	35,000	5,040,000
Purchase Officer	1	45,000	540,000
Asst. Purchase Officer	1	30,000	360,000
Cashiers*	3	35,000	1,260,000
Helpers/Cleaners*	2	25,000	600,000
Accounts Officer	1	40,000	480,000
Warehouse Keeper	1	30,000	360,000
Security Guards*	2	25,000	600,000
Total	24		101,140,000

* These people will work in two shifts: 5 Salesmen work in the morning, 7 will work in the evening; 2 Cashier & Helpers/Cleaners in morning, 2 in evening; 1 security guard in morning and 1 in evening shift will work.

9.11 Other Costs

The necessary utilities are electricity, telephone and water. A three-phase commercial electricity connection is required. Electricity expense are estimated as Rs. 207,720 per month in year 1. At least two telephone connections are required; one solely used for home delivery service calls.

9.12 Revenue Generation

Based on the capacity utilization of 75%, for 11 categories of the grocery items sales for the shopping mall, the sales revenue during the first year of operations is estimated as under;

Table 13: Revenue Generation (First Year)

Description of items	Proportion	Capacity Utilization	Avg. Gross Margin	Sales Revenue (Rs.)
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Groceries & Food items	55%	75%	15%	112,612,500
Baby Products	5%	75%	35%	10,237,500
Crockery	4%	75%	30%	8,190,000
Soaps detergents	15%	75%	10%	30,712,500
Cosmetics	5%	75%	30%	10,237,500
Beverages	5%	75%	10%	10,237,500
Stationary	1%	75%	20%	2,047,000
Watches	1%	75%	30%	2,047,000
Electronics	2%	75%	30%	4,095,000
General Items	2%	75%	15%	4,095,000
Bakery items	5%	75%	20%	10,237,500
Total	100%			204,750,000

10 CONTACT DETAILS

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

10.1 Equipment Suppliers

Name of Supplier	Address	Contact
Machinery Supplier		

Rahman Business Systems	E, 425, Main Boulevard DHA Cant Lahore	(+92-42) 6612139, 6621458 (+92-333) 4234931 www.rehmansgroup.com info@rehmansgroup.com
Racks & Shelves Suppliers		
Mr. Javaid Sheikh	Shekhupura Road behind Kohe Noor Mill, Rawalpindi	(+92-300) 5145266
Mashood Alam	Gulshan Iqbal, Karachi	(+92-333) 2307246
Software Designers		
Mr. Rashid Jamil	Khalid Consultants, Rawalpindi	(+92-51) 5857225
Danyal Siddiqui	Johar Software House, Walton, Karachi	(+92-323) 2344403
SMEDA SMAP free Download	http://smap.smeda.org/	(+92-42) 111 111 456

11 USEFUL 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
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 GilgitBaltistan	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 Board of Information Technology	www.pbit.gop.pk
List of Retail Companies in Pakistan	www.companylist.org/retails

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	204,750,000	240,240,000	280,780,500	327,026,700	359,729,370	395,702,307	435,272,538	478,799,791	526,679,771	579,347,748
<i>Cost of sales</i>										
Raw Material Cost	169,737,750	199,158,960	232,767,035	271,105,134	298,215,648	328,037,213	360,840,934	396,925,027	436,617,530	480,279,283
Operation costs 1 (direct labor)	6,300,000	6,930,000	7,623,000	8,385,300	9,223,830	10,146,213	11,160,834	12,276,918	13,504,610	14,855,070
Operating costs 3 (direct electricity)	2,492,640	2,741,904	3,016,094	3,317,704	3,649,474	4,014,422	4,415,864	4,857,450	5,343,195	5,877,515
Total cost of sales	178,530,390	208,830,864	243,406,129	282,808,138	311,088,952	342,197,847	376,417,632	414,059,395	455,465,335	501,011,868
Gross Profit	26,219,610	31,409,136	37,374,371	44,218,562	48,640,418	53,504,460	58,854,906	64,740,396	71,214,436	78,335,880
<i>General administration & selling expenses</i>										
Administration expense	3,840,000	4,224,000	4,646,400	5,111,040	5,622,144	6,184,358	6,802,794	7,483,074	8,231,381	9,054,519
Administration benefits expense	384,000	422,400	464,640	511,104	562,214	618,436	680,279	748,307	823,138	905,452
Building rental expense	3,000,000	3,300,000	3,630,000	3,993,000	4,392,300	4,831,530	5,314,683	5,846,151	6,430,766	7,073,843
Office refreshment expense	96,000	105,600	116,160	127,776	140,554	154,609	170,070	187,077	205,785	226,363
Communications expense (phone, fax, mail, internet, etc.)	120,000	132,000	145,200	159,720	175,692	193,261	212,587	233,846	257,231	282,954
Office expenses (stationary, entertainment, janitorial services, etc.)	384,000	422,400	464,640	511,104	562,214	618,436	680,279	748,307	823,138	905,452
Promotional expense	1,023,750	1,201,200	1,403,903	1,635,134	1,798,647	1,978,512	2,176,363	2,393,999	2,633,399	2,896,739
Professional fees (legal, audit, consultants, etc.)	511,875	600,600	701,951	817,567	899,323	989,256	1,088,181	1,196,999	1,316,699	1,448,369
Depreciation expense	308,650	308,650	308,650	308,650	308,650	313,734	313,734	313,734	313,734	313,734
Amortization of pre-operating costs	184,000	184,000	184,000	184,000	184,000	-	-	-	-	-
Amortization of legal, licensing, and training costs	2,800	2,800	2,800	2,800	2,800	-	-	-	-	-
Subtotal	9,855,075	10,903,650	12,068,344	13,361,894	14,648,539	15,882,131	17,438,971	19,151,495	21,035,271	23,107,424
Operating Income	16,364,535	20,505,486	25,306,027	30,856,668	33,991,879	37,622,329	41,415,935	45,588,902	50,179,165	55,228,455
Gain / (loss) on sale of office equipment	-	-	-	-	36,800	-	-	-	-	-
Gain / (loss) on sale of Furniture & Fixtures	-	-	-	-	-	-	232,200	-	-	-
Earnings Before Interest & Taxes	16,364,535	20,505,486	25,306,027	30,856,668	34,052,679	37,622,329	41,648,135	45,588,902	50,179,165	55,228,455
Earnings Before Tax	16,364,535	20,505,486	25,306,027	30,856,668	34,052,679	37,622,329	41,648,135	45,588,902	50,179,165	55,228,455
Tax	4,847,587	6,296,919	7,977,109	9,919,833	11,038,437	12,287,814	13,696,847	15,076,115	16,682,707	18,449,959
NET PROFIT/(LOSS) AFTER TAX	11,516,948	14,208,567	17,328,918	20,936,835	23,014,242	25,334,514	27,951,288	30,512,787	33,496,458	36,778,497

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	1,252,720	2,640,387	11,675,486	21,685,453	35,373,404	49,708,162	65,066,805	81,038,065	97,161,459	113,370,424	242,762,585
Accounts receivable		8,414,384	9,143,630	10,705,901	12,489,189	14,111,426	15,522,569	17,074,826	18,782,308	20,660,539	22,726,593
Finished goods inventory		5,674,703	6,658,318	7,781,910	9,063,636	9,969,999	10,966,999	12,063,699	13,270,069	14,597,076	16,056,784
Raw material inventory	14,144,813	18,256,238	23,470,676	30,070,078	36,384,794	44,025,601	53,270,977	64,457,882	77,994,038	94,372,785	-
Pre-paid building rent	1,500,000	1,650,000	1,815,000	1,996,500	2,196,150	2,415,765	2,657,342	2,923,076	3,215,383	3,536,922	-
Total Current Assets	16,897,533	36,635,711	52,763,111	72,239,841	95,507,173	120,230,953	147,484,692	177,557,548	210,423,257	246,537,746	281,545,962
<i>Fixed assets</i>											
Security Deposit for Rental Building	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Machinery & equipment	2,990,000	2,990,000	2,990,000	2,990,000	2,990,000	2,990,000	2,990,000	2,990,000	2,990,000	2,990,000	2,990,000
Furniture & fixtures	2,902,500	2,612,250	2,322,000	2,031,750	1,741,500	1,451,250	1,161,000	870,750	580,500	290,250	-
Office vehicles	60,000	60,000	60,000	60,000	60,000	156,631	156,631	156,631	156,631	156,631	156,631
Office equipment	92,000	73,600	55,200	36,800	18,400	117,418	93,934	70,451	46,967	23,484	-
Total Fixed Assets	6,544,500	6,235,850	5,927,200	5,618,550	5,309,900	5,215,299	4,901,565	4,587,831	4,274,098	3,960,364	3,646,631
<i>Intangible assets</i>											
Pre-operation costs	920,000	736,000	552,000	368,000	184,000	-	-	-	-	-	-
Legal, licensing, & training costs	14,000	11,200	8,400	5,600	2,800	-	-	-	-	-	-
Total Intangible Assets	934,000	747,200	560,400	373,600	186,800	-	-	-	-	-	-
TOTAL ASSETS	24,376,033	43,618,761	59,250,711	78,231,991	101,003,873	125,446,252	152,386,257	182,145,379	214,697,354	250,498,111	285,192,592
Liabilities & Shareholders' Equity											
Accounts payable		7,725,780	9,149,163	10,801,525	12,636,572	14,064,709	15,670,200	17,478,034	19,517,222	21,821,520	19,737,505
Total Current Liabilities	-	7,725,780	9,149,163	10,801,525	12,636,572	14,064,709	15,670,200	17,478,034	19,517,222	21,821,520	19,737,505
<i>Shareholders' equity</i>											
Paid-up capital	24,376,033	24,376,033	24,376,033	24,376,033	24,376,033	24,376,033	24,376,033	24,376,033	24,376,033	24,376,033	24,376,033
Retained earnings		11,516,948	25,725,515	43,054,434	63,991,268	87,005,510	112,340,025	140,291,313	170,804,100	204,300,558	241,079,055
Total Equity	24,376,033	35,892,981	50,101,548	67,430,466	88,367,301	111,381,543	136,716,057	164,667,346	195,180,133	228,676,591	265,455,087
TOTAL CAPITAL AND LIABILITIES	24,376,033	43,618,761	59,250,711	78,231,991	101,003,873	125,446,252	152,386,257	182,145,379	214,697,354	250,498,111	285,192,592

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		11,516,948	14,208,567	17,328,918	20,936,835	23,014,242	25,334,514	27,951,288	30,512,787	33,496,458	36,778,497
Add: depreciation expense		308,650	308,650	308,650	308,650	308,650	313,734	313,734	313,734	313,734	313,734
amortization of pre-operating costs		184,000	184,000	184,000	184,000	184,000	-	-	-	-	-
amortization of training costs		2,800	2,800	2,800	2,800	2,800	-	-	-	-	-
Accounts receivable		(8,414,384)	(729,247)	(1,562,271)	(1,783,288)	(1,622,237)	(1,411,143)	(1,552,257)	(1,707,483)	(1,878,231)	(2,066,054)
Finished goods inventory		(5,674,703)	(983,615)	(1,123,591)	(1,281,726)	(906,364)	(997,000)	(1,096,700)	(1,206,370)	(1,327,007)	(1,459,708)
Raw material inventory	(14,144,813)	(4,111,426)	(5,214,438)	(6,599,402)	(6,314,716)	(7,640,807)	(9,245,376)	(11,186,905)	(13,536,155)	(16,378,748)	94,372,785
Pre-paid building rent	(1,500,000)	(150,000)	(165,000)	(181,500)	(199,650)	(219,615)	(241,577)	(265,734)	(292,308)	(321,538)	3,536,922
Accounts payable		7,725,780	1,423,383	1,652,362	1,835,047	1,428,136	1,605,491	1,807,834	2,039,188	2,304,298	(2,084,015)
Cash provided by operations	(15,644,813)	1,387,667	9,035,100	10,009,967	13,687,951	14,548,806	15,358,643	15,971,260	16,123,393	16,208,966	129,392,161
Issuance of shares	24,376,033	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	24,376,033	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(7,478,500)	-	-	-	-	(214,049)	-	-	-	-	-
Cash (used for) / provided by investing activities	(7,478,500)	-	-	-	-	(214,049)	-	-	-	-	-
NET CASH	1,252,720	1,387,667	9,035,100	10,009,967	13,687,951	14,334,758	15,358,643	15,971,260	16,123,393	16,208,966	129,392,161

13 KEY ASSUMPTIONS

13.1 Operating Assumptions

Days operational per year	360 days
Stock inventory remain in store	No. of days
Category of item	
Groceries and food items	7
Baby garments and baby products	30
Crockery and plastic items	30
Soaps detergents and chemicals	15
Cosmetics and artificial jeweler	30
Ice cream and Beverages	7
Stationery and greeting cards/gifts	30
Watches and Clocks	30
Electronic and electrical appliances	30
General items	30
Bakery Items	3

13.2 Economy Related Assumptions

Description	Details
Electricity / Fuel Cost growth rate	10%
Salaries growth rate	10%

13.3 Expense Assumptions

Description	Details
Office Refreshment Expense	Rs. 8,000 / month
Communication Expense	Rs. 10,000 / month
Promotional Expense	0.5% of revenue
Cost of Goods Sold Growth Rate	10%
Capacity Utilization Growth Rate	5%
Administration Benefits Expense	10% of administration expense
Office Expenses	10% of administration expense
Operating Costs Growth Rate	10%

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