

Pre-Feasibility Study

Beauty Clinic



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

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Table of Contents

1. DISCLAIMER.....	3
2. EXECUTIVE SUMMARY	4
3. INTRODUCTION TO SMEDA.....	5
4. PURPOSE OF THE DOCUMENT.....	5
5. BRIEF DESCRIPTION OF PROJECT & PRODUCT.....	6
5.1 BEAUTY PRODUCTS USED:.....	6
5.2 MARKETING	7
5.3 EMPLOYMENT GENERATION:	7
5.4 INSTALLED AND OPERATIONAL CAPACITIES	8
6. CRITICAL FACTORS	9
7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT	9
8. POTENTIAL TARGET CUSTOMERS / MARKETS.....	10
9. PROJECT COST SUMMARY.....	10
9.1 PROJECT ECONOMICS.....	10
9.2 PROJECT FINANCING	10
9.3 PROJECT COST	11
9.4 SPACE REQUIREMENT	11
9.5 BEAUTY CLINIC EQUIPMENT REQUIREMENT	12
9.6 FURNITURE & FIXTURES REQUIREMENT	12
9.7 OFFICE EQUIPMENT REQUIREMENT	13
9.8 HUMAN RESOURCE REQUIREMENT	13
9.9 UTILITIES AND OTHER COSTS	13
9.10 REVENUE GENERATION.....	14
10. CONTACT DETAILS.....	15
10.1 COSMETIC SUPPLIERS	15
10.2 TECHNICAL EXPERTS / CONSULTANTS.....	15
11. USEFUL WEB 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

1. DISCLAIMER

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

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2. EXECUTIVE SUMMARY

The proposed project entails setting up a Beauty Clinic. Being one of the major players in service sector, s provide a wide range of services relating to beauty treatment for women and men. These services range from threading, facial and haircut to complex and more professional services like electrolysis, permanent make-up, diet and skin related consultations provided by qualified dieticians and dermatologists (skin specialists). The proposed will provide all these services under one roof.

The clusters of beauty clinics exist predominantly in Lahore, Karachi and Islamabad. As most of the clinics are based in these major cities, it is recommended that the project should be located in anyone of these cities. However, the basic criteria for the selection of location within these cities should be the prime business area and easy approach for customers.

The proposed Beauty Clinic will handle maximum 13 customers per day. The capacity utilization during year one is worked out at 84% with 2% increase in subsequent years up to the maximum capacity utilization of 100%. The total cost estimate is Rs. 7.90 million with fixed investment Rs. 4.29 million and working capital Rs. 3.61 million with the project IRR, NPV and payback period are 43%, Rs. 12.67 million and 2.84 years respectively.

A high turnover is likewise seen in qualified and student staff, as they tend to leave for setting up their own magnificence parlors in their homes. Another essential danger to a wonder center is breaking the "trust" of the customer. As the facility is included in skin treatment and hair treatment and so forth the customer puts stock in the beautician to utilize most noteworthy quality items, which can be broken by second rate nature of administration or excellence items utilized. There are no particular exchange directions pertinent on this industry and there is additionally no administrative body shaped in that capacity to oversee the exercises of Beauty Clinics.

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 setting up a Beauty Clinic 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

The proposed project entails setting up a beauty clinic. Being one of the major players in service sector, Beauty Clinics provide a wide range of services relating to beauty treatment for women and men. These services range from threading, facial and haircut to complex and more professional services like electrolysis, permanent make-up, diet and skin related consultations provided by qualified dieticians and dermatologists (skin specialists). The proposed Beauty clinic will provide all these services under one roof.

The clusters of Beauty Clinics exist predominantly in Lahore, Karachi and Islamabad. As most of the clinics are based in these major cities, it is recommended that the project should be located in anyone of these cities. However, the basic criteria for the selection of location within these cities should be the prime business area and easy approach for customers.

The following services would be offered at the proposed:

Table 1: Details of Services Offered

Types of Services	Particulars of Services
Body treatment	Diet consultation
	Application of body scrubs, face masks and body masks
	Massaging
	Manicure – hands washing & massaging
	Pedicure – feet washing & massaging
	Nail extension and extrusion
Beauty treatment	Facial
	Bleaching of body hair
	Waxing of body hair
	Makeup (bridal and party)
	Threading of body hair
Hair treatment	Skin consultations
	Hair cut
	Hair dressing
	Hair coloring
	Hair streaking

5.1 Beauty products used:

Following products would be used in the proposed beauty clinic. The table also mentions the treatments in which these products would be used: For this feasibility report their total expense for the year is assumed to be 10% of the revenue.

Table 2: Details of Beauty Products used

Beauty Products	Used In
Foundation, eye shadows, lipsticks, lip pencils and blushers	Makeup – bridal and party
Scrubs	Manicure/pedicure, facial and body scrubs
Toners	Facial
Moisturizers	Manicure/pedicure, facial, masks and massaging
Face masks	Facial and masks
Bleach cream	Bleaching
Hot wax	Waxing
Hair colour	Hair coloring and streaking

5.2 Marketing

Proper marketing is essential to attract clients for a newly established. Once a reasonable clientele is achieved, the stress on marketing can be decreased as it is automatically done through recommendations from existing clients to potential clients. It at least takes a year to establish and achieve a reasonable clientele for a new .

Major marketing effort can be done through advertisement. This includes putting up billboards, giving advertisements in fashion magazines and newspapers, publishing photo shoots in magazines, flyers, etc. The distinguished features of the business, for example, modern technology and foreign qualified staff, can be highlighted in the advertisements. In the beginning, discounts on different services can also be provided as well as some complementary services can be offered. In additions to this summer deals and winter packages can also be introduced.

An effective marketing campaign plays a key role in the initial and successive success of a . A lot of importance should be given to a proper launching as initial impression on general public will benefit in the long run. For this purpose, the electronic as well as print media should be effectively used. Other marketing tactics should include the use of celebrities in advertisements, free memberships for initial customers without any charge, and regular reminders through phone and letters about the next due date of their treatment. As part of the overall marketing strategy of the proposed , customers will be requested to fill feedback forms. This will act as an effective tool for translating customers' requirements into better service.

5.3 Employment Generation:

The proposed project will provide direct employment to 19 people. Financial analysis shows the unit shall be profitable from the very first year of operation.

5.4 Installed and Operational Capacities

Customers handle by the Beauty Clinic are worked out as follows:

Table 3: Maximum clients entertained

	Facial Beds	Hair Styling Chairs	Makeup Chairs
Number	8	3	4
Working hours per day	8	8	8
Effective hours per day	64	24	32
Hours utilized by one client	2	1	2
Maximum clients entertained per day	32	24	16

The capacity utilization for the first year was 84% with an increase of 2% in the subsequent years, the maximum 100 % capacity is utilized and during 1st year the number of customers taking particular services are shown in the following table:

Table 4: Services Wise Number of Customer

	Year 1
Services	
Facial	325
Skin Polish	325
Mani cure	325
Pedicure	325
Massage	150
Waxing	200
Threading	600
Hair cut	300
Hair color	250
Hair streaks	200
Hair dressing	300
Hair rebonding	120
Bridal makeup	100
Party makeup	300
Capacity Utilization	3,820

6. CRITICAL FACTORS

6.1 KEY SUCCESS FACTORS

The ever-growing population of marriageable aged girls and boys, and consequent constant growth in demand for the services to be offered by the proposed is the basic rationale for setting up such an enterprise. Although, this proposed project promises a good return on investment and reasonable profit potential, but it requires regular and proper attention from the entrepreneur. To run a professional is a full time job and requires continuous hard work and attention. Anyone who is not qualified and is not prepared to put in best possible effort; concentration and hardworking should not attempt to enter in this business. A requires about a time period of one year to establish itself properly, which requires very aggressive marketing efforts at the entrepreneur's end. Another important success factor of this business in Pakistan would be consistency of service. If one customer leaves the clinic unsatisfied, the reputation of the place is adversely affected, as marketing is mostly done through word of mouth after the first few months.

Following are other key points that can be taken as key success factors:

- 1) Qualified staff
- 2) Know-how and knowledge of the services
- 3) Continuous training of staff
- 4) Ambience of the place
- 5) Personalized Customer service

6.2 Threats for the business

Finding qualified staff in Pakistan is quite difficult as there are no local colleges giving any degrees or certifications in this field. A high turnover is also observed in qualified and trainee staff, as they tend to leave for establishing their own beauty parlors in their homes. Another important threat to a is breaking the “trust” of the client. As the clinic is involved in skin treatment and hair treatment etc. the client trusts the beautician to use highest quality products, which can be broken by inferior quality of service or beauty products used.

7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The number of Beauty Clinics in Pakistan has increased at a fast pace over the last few years. The size of this sector of service industry is still growing. Due to very low amount of investment that is required to start a beauty parlour, the number of such establishments has cropped up in houses all over the country. In Lahore, more professional and large clinics have been set up in commercial areas like M. M. Alam Road, Defence, and Main Boulevard Gulberg. Professional experts are currently operating approximately 15 large Beauty Clinics in Lahore. Similarly, large Beauty Clinics have also been opened in prime business locations in Karachi and Islamabad.

8. POTENTIAL TARGET CUSTOMERS / MARKETS

The potential market of beauty clinic services is the female of all age groups starting from age 15 years to onwards, this includes college going girls, house wives and working women and these female are mostly from middle class to upper middle class

9. PROJECT COST SUMMARY

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 13.62 million in the year one. The capacity utilization during year one is worked out at 80% with 2% 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 5: Project Economics

Description	Details
Internal Rate of Return (IRR)	43%
Payback Period (yrs.)	2.84
Net Present Value (Rs.)	12,660,392

9.2 Project Financing

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

Table 6: Project Financing

Description	Details
Total Equity (50%)	3,947,511
Bank Loan (50%)	3,947,511
Markup to the Borrower (%age / annum)	12%
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 7: Project Cost

Description	Amount Rs.
Capital Cost	
Beauty clinic Equipment	1,005,950
Furniture & Fixture	2,957,000
Office Equipment	169,000
Pre-operating Cost	153,484
Total Capital Cost	4,285,434
Working Capital	
Raw Material Inventory	681,000
Up-front Building Rent	1,504,800
Cash	1,373,490
Upfront insurance payment	50,298
Total Working Capital	3,609,587
Total Project Cost	7,895,021

9.4 Space Requirement

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

Table 8: Space Requirement

Description	Estimated Area (sq. ft.)
Hair dressing area	200
Facial area	400
Manicure / Pedicure area	300
Makeup room	200
Waiting area	400
Reception	300
Store	120
Office	100

Kitchen	120
Washroom	140
Total Infrastructure	2,280

9.5 Beauty clinic Equipment Requirement

Equipment for the proposed project are stated below.

Table 9: Beauty Clinic Equipment

Description	Quantity	Unit Cost	Total Cost
Make up chairs	4	15,000	60,000
Hair styling tools (scissors & hair clips)	3	30,000	90,000
Other Supplies (towels, aprons, gloves and hair products)	8	30,000	240,000
Hair styling chairs	3	21,000	63,000
Facial beds	8	32,000	256,000
Hair steamer/ processors	3	8,000	24,000
Hood dryer	3	6,000	18,000
Shampoo unit	2	20,000	40,000
Straightener	6	12,000	72,000
Curling tones	3	3,450	10,350
Hair brushes & combs	3	4,200	12,600
Manicure & pedicure unit	6	20,000	120,000
Total Beauty Clinic Equipment			1,005,950

9.6 Furniture & Fixtures Requirement

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

Table 10: Furniture & Fixture

Description	Unit	Qty	Unit Cost	Total Cost
Tiles	sq. ft.	2,280	250	570,000
Sofa sets	No.	5	40,000	200,000
Display counter	No.	1	15,000	15,000
Main door	No.	1	50,000	50,000
LED	No.	2	35,000	70,000
Parlor façade	lump sum			150,000
False ceiling	sq. ft.	1,900	140	266,000
Electric wiring & lighting	lump sum			100,000
Fans	No.	14	4,500	63,000
Generator 20 KVA	No.	1	1,053,000	1,053,000

Split ACs	No.	7	60,000	420,000
Total Furniture & Fixtures				2,957,000

9.7 Office Equipment Requirement

Following office equipment will be required for Beauty Clinic:

Table 11: Office Equipment

Description	Quantity	Unit	Total Cost
Laptop	1	60,000	60,000
Software	1	50,000	50,000
Telephones sets	3	3,000	9,000
Digital Camera	1	30,000	30,000
Printer	1	20,000	20,000
Total Office Equipment			169,000

9.8 Human Resource Requirement

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

Table 12: Human Resource Requirement

Description	No. of Employees	Monthly Salary per person (Rs.)
Manager	1	30,000
Qualified beautician	1	25,000
Local qualified beautician	4	20,000
Support staff (trainee beauticians)	8	16,000
Customer support staff	1	18,000
Office girl	2	15,000
Guard	2	15,500
Sweeper	2	15,000
Total Monthly salary		372,000

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 are estimated to be around Rs.1.16 million per annum, whereas, gas expenses are estimated to be Rs 30,000 year. Furthermore, promotional expense being essential for marketing of is estimated to be Rs. 500,000 during first year.

9.10 Revenue Generation

Revenue generation calculations are given in the table below:

Table 13: Revenue Calculations

Sr. No.	Services	No. of Customers	Price per Service	Total Sales
1	Facial	325	3,500	1,137,500
2	Skin Polish	325	1,500	487,500
3	Mani cure	325	1,500	487,500
4	Pedicure	325	1,500	487,500
5	Massage	150	2,000	300,000
6	Waxing	200	1,500	300,000
7	Threading	600	200	120,000
8	Hair cut	300	2,000	600,000
9	Hair color	250	2,000	500,000
10	Hair streaks	200	7,000	1,400,000
11	Hair dressing	300	4,000	1,200,000
12	Hair rebonding	120	15,000	1,800,000
13	Bridal makeup	100	30,000	3,000,000
14	Party makeup	300	6,000	1,800,000
	Total Sale			13,620,000

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 Cosmetic Suppliers

Name of Supplier	Address	Phone	E-mail	Website
Medora Cosmetic	C-32/34, Liberty Market, Gulberg III, Lahore-Pakistan; Lahore, Pakistan.	042-3575 8001-3	info@enem stores.com	enemstores.com
L'oreal Cosmetic	C-32/34, Liberty Market, Gulberg III, Lahore-Pakistan; Lahore, Pakistan.	042-3575 8001-3	info@enem stores.com	enemstores.com
Lusicious Cosmetic	C-32/34, Liberty Market, Gulberg III, Lahore-Pakistan; Lahore, Pakistan.	042-3575 8001-3	info@enem stores.com	enemstores.com

10.2 Technical Experts / Consultants

Name of Expertise	Address	Phone	E-mail
Dr. Haroon	49-C2, Ghalib Road Gulberg-3, Lahore	042-35759993	haroonnabi@hotmail.com
Ather Shahzad	1-C,Block-P,Gulberg II,, Lahore.	042-35717264	athershazad@gmail.com

11. USEFUL WEB LINKS

Small & Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
Government of Pakistan	www.pakistan.gov.pk
Ministry of Industries & Production	www.moip.gov.pk
Ministry of Education, Training & Standards in Higher Education	http://moptt.gov.pk
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Khyber Pakhtunkhwa	www.khyberpakhtunkhwa.gov.pk
Government of Balochistan	www.balochistan.gov.pk
Government of Gilgit Baltistan	www.gilgitbaltistan.gov.pk
Government of Azad Jamu Kashmir	www.ajk.gov.pk
Trade Development Authority of Pakistan (TDAP)	www.tdap.gov.pk
Security Commission of Pakistan (SECP)	www.secp.gov.pk
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpcci.com.pk
State Bank of Pakistan (SBP)	www.sbp.org.pk
Punjab Small Industries Corporation	www.psic.gop.pk
Sindh Small Industries Corporation	www.ssic.gos.pk
Punjab Vocational Training Council (PVTC)	www.pvtc.gop.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org
Queens Beauty Center - Expert beauty consultation	http://www.expertslog.com

12. ANNEXURES

12.1 Income Statement

Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	13,620,000	15,281,640	17,146,000	19,237,812	21,584,825	24,218,174	27,172,791	30,487,872	34,207,392	38,380,694
<i>Cost of sales</i>										
Makeup Products Cost	2,724,000	3,056,328	3,429,200	3,847,562	4,316,965	4,843,635	5,434,558	6,097,574	6,841,478	7,676,139
Operation costs 1 (direct labor)	3,372,000	3,709,200	4,080,120	4,488,132	4,936,945	5,430,640	5,973,704	6,571,074	7,228,181	7,951,000
Operating costs 3 (direct electricity)	1,164,162	1,280,578	1,408,636	1,549,500	1,704,450	1,874,895	2,062,384	2,268,622	2,495,485	2,745,033
Operating costs 4 (direct water)	24,000	26,400	29,040	31,944	35,138	38,652	42,517	46,769	51,446	56,591
Operating costs 5 (direct gas)	30,000	33,000	36,300	39,930	43,923	48,315	53,147	58,462	64,308	70,738
Total cost of sales	7,314,162	8,105,506	8,983,296	9,957,068	11,037,421	12,236,137	13,566,310	15,042,501	16,680,898	18,499,501
Gross Profit	6,305,838	7,176,134	8,162,704	9,280,744	10,547,404	11,982,037	13,606,481	15,445,370	17,526,494	19,881,193
<i>General administration & selling expenses</i>										
Administration expense	1,092,000	1,201,200	1,321,320	1,453,452	1,598,797	1,758,677	1,934,545	2,127,999	2,340,799	2,574,879
Administration benefits expense	32,760	36,036	39,640	43,604	47,964	52,760	58,036	63,840	70,224	77,246
Building rental expense	1,504,800	1,655,280	1,820,808	2,002,889	2,203,178	2,423,495	2,665,845	2,932,429	3,225,672	3,548,240
Travelling expense	10,920	12,012	13,213	14,535	15,988	17,587	19,345	21,280	23,408	25,749
Communications expense (phone, fax, mail, internet, etc.)	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Office expenses (stationary, entertainment, janitorial services, etc)	300,000	330,000	363,000	399,300	439,230	483,153	531,468	584,615	643,077	707,384
Promotional expense	500,000	450,000	405,000	364,500	328,050	295,245	265,721	239,148	215,234	193,710
Insurance expense	50,298	45,268	40,238	35,208	30,179	25,149	20,119	15,089	10,060	5,030
Professional fees (legal, audit, consultants, etc.)	100,000	110,000	121,000	133,100	146,410	161,051	177,156	194,872	214,359	235,795
Depreciation expense	413,195	413,195	413,195	413,195	413,195	413,195	413,195	413,195	413,195	413,195
Amortization of pre-operating costs	30,697	30,697	30,697	30,697	30,697	-	-	-	-	-
Subtotal	4,094,669	4,349,687	4,640,711	4,970,339	5,341,533	5,726,943	6,191,724	6,709,391	7,284,642	7,922,705
Operating Income	2,211,169	2,826,446	3,521,993	4,310,405	5,205,871	6,255,094	7,414,757	8,735,979	10,241,851	11,958,488
Earnings Before Interest & Taxes	2,211,169	2,826,446	3,521,993	4,310,405	5,205,871	6,255,094	7,414,757	8,735,979	10,241,851	11,958,488
Interest on short term debt	-	-	-	-	-	-	-	-	-	-
Interest expense on long term debt (Project Loan)	239,220	197,019	149,467	95,884	35,506	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	129,597	-	-	-	-	-	-	-	-	-
Subtotal	368,817	197,019	149,467	95,884	35,506	-	-	-	-	-
Earnings Before Tax	1,842,352	2,629,427	3,372,526	4,214,521	5,170,365	6,255,094	7,414,757	8,735,979	10,241,851	11,958,488
Tax	215,970	379,856	565,631	786,856	1,073,609	1,411,782	1,817,664	2,280,092	2,807,147	3,407,970
NET PROFIT/(LOSS) AFTER TAX	1,626,382	2,249,570	2,806,895	3,427,665	4,096,756	4,843,312	5,597,093	6,455,887	7,434,704	8,550,518

12.2 Balance Sheet

Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
<i>Current assets</i>											
Cash & Bank	2,752,890	2,846,662	5,052,588	7,746,883	10,983,071	14,798,079	19,830,085	25,574,140	32,127,688	39,601,813	51,667,208
Raw material inventory	681,000	802,286	945,173	1,113,509	1,311,824	1,545,460	1,820,707	2,144,975	2,526,995	2,977,053	-
Pre-paid building rent	125,400	137,940	151,734	166,907	183,598	201,958	222,154	244,369	268,806	295,687	-
Pre-paid insurance	50,298	45,268	40,238	35,208	30,179	25,149	20,119	15,089	10,060	5,030	-
Total Current Assets	3,609,587	3,832,156	6,189,734	9,062,508	12,508,672	16,570,647	21,893,065	27,978,573	34,933,549	42,879,582	51,667,208
<i>Fixed assets</i>											
Machinery & equipment	1,005,950	905,355	804,760	704,165	603,570	502,975	402,380	301,785	201,190	100,595	-
Furniture & fixtures	2,957,000	2,661,300	2,365,600	2,069,900	1,774,200	1,478,500	1,182,800	887,100	591,400	295,700	-
Office equipment	169,000	152,100	135,200	118,300	101,400	84,500	67,600	50,700	33,800	16,900	-
Total Fixed Assets	4,131,950	3,718,755	3,305,560	2,892,365	2,479,170	2,065,975	1,652,780	1,239,585	826,390	413,195	-
<i>Intangible assets</i>											
Pre-operation costs	153,484	122,787	92,090	61,393	30,697	-	-	-	-	-	-
Total Intangible Assets	153,484	122,787	92,090	61,393	30,697	-	-	-	-	-	-
TOTAL ASSETS	7,895,021	7,673,698	9,587,384	12,016,266	15,018,539	18,636,622	23,545,845	29,218,158	35,759,939	43,292,777	51,667,208
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	289,832	328,891	373,373	424,059	481,843	547,754	622,975	708,869	807,003	630,916
Total Current Liabilities	-	289,832	328,891	373,373	424,059	481,843	547,754	622,975	708,869	807,003	630,916
<i>Other liabilities</i>											
Long term debt (Project Loan)	2,142,717	1,809,974	1,435,031	1,012,535	536,457	-	-	-	-	-	-
Long term debt (Working Capital Loan)	1,804,794	-	-	-	-	-	-	-	-	-	-
Total Long Term Liabilities	3,947,511	1,809,974	1,435,031	1,012,535	536,457	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	3,947,511	3,947,511	3,947,511	3,947,511	3,947,511	3,947,511	3,947,511	3,947,511	3,947,511	3,947,511	3,947,511
Retained earnings	-	1,626,382	3,875,952	6,682,847	10,110,512	14,207,268	19,050,580	24,647,673	31,103,560	38,538,264	47,088,782
Total Equity	3,947,511	5,573,892	7,823,463	10,630,357	14,058,022	18,154,778	22,998,090	28,595,183	35,051,070	42,485,774	51,036,292
TOTAL CAPITAL AND LIABILITIES	7,895,021	7,673,698	9,587,384	12,016,266	15,018,539	18,636,622	23,545,845	29,218,158	35,759,939	43,292,777	51,667,208

12.3 Cash Flow Statement

Cash Flow Statement											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit		1,626,382	2,249,570	2,806,895	3,427,665	4,096,756	4,843,312	5,597,093	6,455,887	7,434,704	8,550,518
Add: depreciation expense		413,195	413,195	413,195	413,195	413,195	413,195	413,195	413,195	413,195	413,195
amortization of pre-operating costs		30,697	30,697	30,697	30,697	30,697	-	-	-	-	-
Raw material inventory	(681,000)	(121,286)	(142,887)	(168,335)	(198,316)	(233,636)	(275,247)	(324,268)	(382,020)	(450,058)	2,977,053
Pre-paid building rent	(125,400)	(12,540)	(13,794)	(15,173)	(16,691)	(18,360)	(20,196)	(22,215)	(24,437)	(26,881)	295,687
Advance insurance premium	(50,298)	5,030	5,030	5,030	5,030	5,030	5,030	5,030	5,030	5,030	5,030
Accounts payable		289,832	39,059	44,483	50,686	57,784	65,911	75,221	85,893	98,134	(176,087)
Cash provided by operations	(856,698)	2,231,309	2,580,869	3,116,790	3,712,266	4,351,466	5,032,005	5,744,055	6,553,548	7,474,124	12,065,395
<i>Financing activities</i>											
Project Loan - principal repayment		(332,743)	(374,943)	(422,495)	(476,078)	(536,457)	-	-	-	-	-
Working Capital Loan - principal repayment		(1,804,794)	-	-	-	-	-	-	-	-	-
Additions to Project Loan	2,142,717	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	1,804,794	-	-	-	-	-	-	-	-	-	-
Issuance of shares	3,947,511	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	7,895,021	(2,137,537)	(374,943)	(422,495)	(476,078)	(536,457)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(4,285,434)	-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by investing activities	(4,285,434)	-	-	-	-	-	-	-	-	-	-
NET CASH	2,752,890	93,772	2,205,926	2,694,295	3,236,187	3,815,009	5,032,005	5,744,055	6,553,548	7,474,124	12,065,395

13. KEY ASSUMPTIONS

13.1 Operating Assumptions

	Facial Beds	Hair Styling Chairs	Make up Chairs
Number	8	3	4
Working hours per day	8	8	8
Effective hours per day	64	24	32
Hours utilization by one client	2	1	2
Max clients entertained per day	32	24	16

13.2 Economy Related Assumptions

Description	Cost Rate
Inflation rate	10%
Electricity growth rate	10%
Water price growth rate	10%
Gas price growth rate	10%
Wage growth rate	10%
Office equipment price growth rate	5%

13.3 Financial Assumptions

Project Life	10 Years
Debt Equity Ratio	50:50
Interest rate on Long Term Loan	12 %
Long Term Debt Tenure	5 years