



**Pre-feasibility Study**

# **BED LINEN STITCHING UNIT**

**September 2023**

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

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

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## 1 DISCLAIMER

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## **2 EXECUTIVE SUMMARY**

Bed Linen is one of the key value added product of textile sector, particularly fall in product category of textile made-ups / home textiles. The product range of bed linen mainly includes bed sheets, pillow covers, quilts etc. Bed Linen has highest share in terms of production and export amongst all the made-ups in Pakistan.

This business has great potential in the export as well as in the local market. This particular pre-feasibility study provides information on key aspects of setting up a “Bed Linen Stitching Unit” in any metropolitan city of Pakistan, especially Lahore, Karachi and Faisalabad. The proposed unit will cater for export market, mainly US and Europe.

In order to reduce initial capital investment, the unit is proposed to be established on a rented building. The unit will have an installed capacity of stitching / producing 308,880 pieces of Bed Linen sets annually, on single shift basis for 312 operational days. The starting operational capacity is assumed at 55% (i.e. 169,884 sets). Maximum capacity utilization is assumed at 95% (i.e. 293,436 sets). This production capacity is estimated to be economically viable and justifies the capital as well as operational costs of the project. Continuous flow of export orders through aggressive marketing and establishing good working relations for repeat orders are extremely important for the success of the proposed venture.

Total project cost is estimated at Rs. 26.978 million with capital investment of Rs. 7.505 million and working capital Rs. 19.473 million. Given the cost assumptions IRR, Payback and Net Present Value are 33%, 3.81 years and Rs. 3.103 million respectively. The project will provide employment opportunities to 40 people directly including owner as CEO. The legal 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 'sectorial 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 **Bed Linen Stitching 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

Bed Linen is an important value added sub-sector of Textile, commonly known as part of textile made-ups / home textile. The products include bed sheets, pillow covers, quilts, etc. Bed Linen is among the largest sector in terms of production and exports amongst all the made ups in Pakistan. Pakistan is a major exporter of Bed Linen in the world. The main reason for the development of this industry in Pakistan is the existence of well-established weaving sector both at large and small scale.

Most of the products in Bed Linen are made from low-density fabrics of wider widths. This fabric can be easily manufactured on Power & Auto Looms, which forms the major chunk of weaving industry of Pakistan. The competitive edge in cotton has also played an important role in development of this sector.

This particular pre-feasibility study provides basic information for setting up a bed linen stitching unit. The proposed unit will mainly target export markets, as profit margin is much higher compared to the local market. The proposed project is primarily based on the stitching of bed linen set. The product mix of the proposed unit mainly comprised:

**Table 1: Product Description**

Description	No	Items	Measurement
Twin Set	1	Flat	168x244 cm
	1	Fitted	178x230 + 20 cm
	1	Pillow	51x76 + 15 cm
Full Set	1	Flat	206x244 cm
	1	Fitted	178x230 + 20 cm
	2	Pillows	51x76 + 15 cm
Queen Set	1	Flat	229x257 cm
	1	Fitted	196x241 + 20 cm
	2	Pillows	51x76 + 15 cm
King Set	1	Flat	274x257cm
	1	Fitted	244x244 + 20cm
	2	Pillows	51x76 + 15 cm

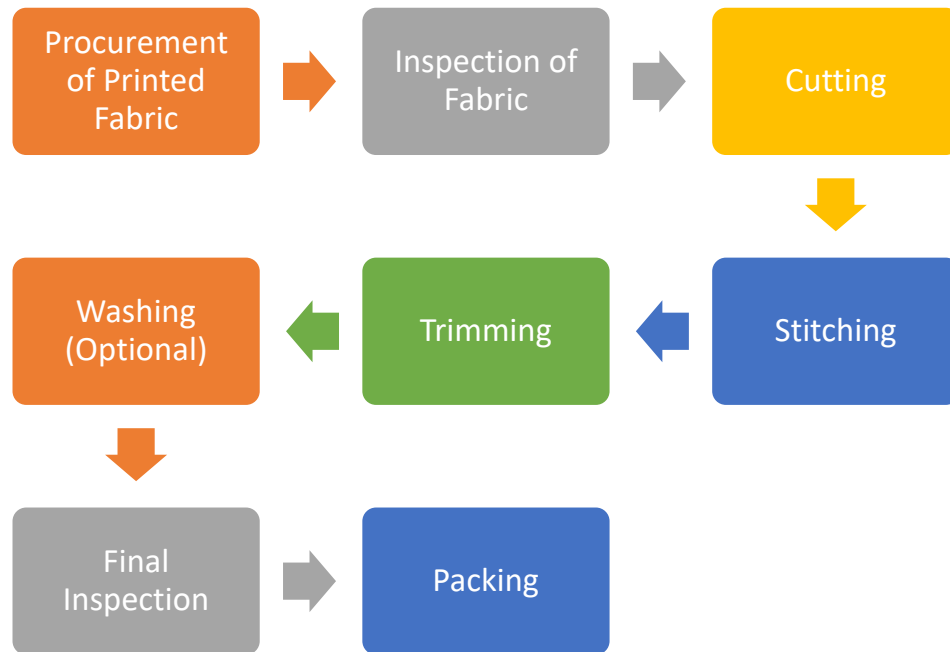
The unit will operate on order manufacturing basis, particularly from exporters, traders and international buyers. The unit is assumed to operate as a sole-proprietorship.

### 5.1 Production Process Flow

The process of bed linen stitching starts with the receipt of specification / sample from the customer and / or design developed by the designing department. These

specifications include quality and specifications of fabric, design details, stitching styles, packing instructions and all other necessary information. Based on the specifications received, a sample of bed linen is prepared and sent to customer for approval.

**Figure 1: Production Process Flow**



Once the sample is approved, based on the specifications, pattern master first prepares the pattern on chart paper, which will then be used for cutting fabric of confirmed order. By using the patterns prepared, cutters cut the fabric for stitching. Stitching is the next process after cutting.

After the completion of stitching process, quality inspection is carried out. In this process a thorough inspection is made pertaining to the quality, stitching, accessories, lining, etc. to ensure it is according to the specifications of buyers. Moreover, extra threads and fibres are also trimmed during this process. Afterwards, the product is packed and dispatched to buyers.

## 5.2 Installed And Operational Capacities

Proposed unit is based on 18 lock stitching machines (Single Needle) and will have installed capacity of stitching 990 sets per day on 8 hours shift basis (i.e. 308,880 sets per annum). Initial operational capacity will be 55% (i.e. 169,884 pieces) with an annual growth of 5%. Maximum capacity utilization of the project is assumed at 95%. Installed and operational capacities according to product mix of the proposed unit are provided below:

**Table 2: Installed and Operational Capacities**

Description	Product Mix	Installed Capacity	Operational Capacity 55% (Year-1)	Maximum Operational Capacity (95%)
Twin Set	20%	61,776	33,977	58,687
Full Set	40%	123,552	67,954	117,374
Queen	25%	77,220	42,471	73,359
King	15%	46,332	25,483	44,015
<b>Total</b>	<b>100%</b>	<b>308,880</b>	<b>169,884</b>	<b>293,436</b>

## 6 CRITICAL FACTORS

- ⇒ Formation of organizational system especially for operations department in order to maintain international quality standards.
- ⇒ Develop strong linkages with raw material suppliers for sourcing quality material on time at economical prices.
- ⇒ Time management is very important in export base business. Delay in delivery can cost as high as losing a customer.
- ⇒ Continuous flow of export orders through aggressive marketing and establishing good working relations for repeat orders.
- ⇒ Efficient management of stock to keep inventory cost at the minimum.
- ⇒ Knowledge about the latest market trends is critical.
- ⇒ Induction of trained human resource for the handling of business operations especially in operations and sales.

## 7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Karachi, Lahore, Faisalabad, Multan and Sialkot are the main hubs of textile industry in Pakistan. Availability of skilled labor is vital while selecting a location; all the above cities have adequate availability of skilled labor, raw material and other necessary infrastructure. Therefore, proposed stitching unit should ideally be established in the suburbs / peripheral areas of these cities.

## 8 POTENTIAL TARGET CUSTOMERS / MARKETS

Export of Textile made-ups is on top in Pakistan's export commodities. Countries like USA, UK, Germany, Netherlands, and Italy are the biggest buyers of Pakistani textile goods. Therefore, it is proposed to target these countries as Pakistani textile products have a good reputation in these countries due to high quality. However, it



is also suggested to find new export markets, for instance, countries like France, UAE and others also have great potential for export.

## 9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Bed Linen Stitching 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

To evaluate the project's financial viability, a 100% equity-based business model has been assumed. The following tables present the Internal Rate of Return, Payback Period, Net Present Value, and Breakeven analysis for the proposed venture:

**Table 3: Project Economics (100% Equity based)**

Description	Details
Internal Rate of Return (IRR)	33%
Payback Period (Years)	3.81
Net Present Value @ 30% (Rs.)	3,102,708

Calculation of break-even analysis is as follows:

**Table 4: Breakeven (100% Equity Based)**

BREAKEVEN ANALYSIS	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Break-Even Revenue	174,515,288	44,803,790	209,365,283	228,465,117	249,419,696	269,697,691	295,440,343	323,646,870	354,756,297	389,560,729
Break-Even (Units)	138,699	33,913	150,927	156,853	163,085	167,947	175,216	182,804	190,834	199,578
Margin of Safety	18%	82%	25%	27%	30%	32%	33%	34%	35%	32%

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

**Table 5: Project Economics Based on Debt (50%) : Equity (50%)**

Description	Details
Internal Rate of Return (IRR)	33%

Payback Period (Years)	3.81
Net Present Value @ 29% (Rs.)	4,493,149

The financial assumptions for Debt:Equity are as follows:

**Table 6: Financial Assumptions for Debt:Equity Model**

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	28.16%
Debt Tenure	5 Years
Debt Payment / Year	12

The projected Income Statement, Cash Flow Statement and Balance Sheet enclosed as annexures are based on 100% Equity Based Business Model.

## 9.2 Project Cost

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

**Table 7: Project Cost**

Description	Amount (Rs.)
<b>Capital Cost</b>	
Machinery & Equipment	2,567,600
Furniture & Fixtures	1,840,000
Office Vehicles	249,600
Office Equipment	447,000
Pre-operating Costs	2,401,000
Total Capital Costs	<b>7,505,200</b>
<b>Working Capital</b>	
Equipment spare part inventory	34,655
Raw material inventory	14,481,903
Upfront building rent	2,100,000
Upfront insurance payment	140,860
Cash	2,715,275
<b>Total Working Capital</b>	<b>19,472,694</b>
<b>Total Investment</b>	<b>26,977,894</b>

### 9.3 Space Requirement

The space requirement for the proposed Bed Linen stitching unit is estimated considering various facilities including management office, inventory store room, production area and finished garment store. Keeping in view the above mentioned requirements, it is suggested to acquire a building of 6,200 sq. ft. on rent. The Details of space requirement related to land and building is given below;

**Table 8: Space Requirement**

Description	Area Required (Sq.ft.)
Production Area	1,600
Cutting Area	500
Inspection room/packing room	1,600
Raw material store	400
Finished goods store	400
Management building	500
Kitchen	500
Free space	700
<b>Total</b>	<b>6,200</b>

It is proposed to use a rental building in order to avoid high capital cost and risk. The proposed monthly rent for the building is taken at Rs. 175,000/- month.

### 9.4 Machinery and Equipment Requirement

Machinery and equipment for the proposed project are stated below:

**Table 9: Machinery & Equipment Requirement**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Cutting Machine Jack CZM-8"	1	88,000	88,000
5 Thread Safety Over lock Machine Jack 798	2	155,000	310,000
Single Needle Lock Stitch Machine Jack A4 Automatic	18	86,500	1,557,000
GAS Steam Boiler (04 Spots of Steam iron)	1	135,000	135,000
Steam Irons (Large Size)	4	6,900	27,600
Factory fixture	1	250,000	250,000
Machine Installation & Electric wiring cost			200,000
<b>Total Machinery &amp; Equipment</b>			<b>2,567,600</b>

## 9.5 Furniture & Fixtures Requirement

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

**Table 10: Furniture & Fixture Requirement**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Table & Chair for CEO	1	50,000	50,000
Visitor Chairs	10	6,000	60,000
Chair & Table for Staff	2	30,000	60,000
File Racks	2	25,000	50,000
Small Cabinets	3	25,000	75,000
Cutting Table	1	30,000	30,000
Finishing Table	2	20,000	40,000
Trolleys for Stitching Department	25	15,000	375,000
Wooden Bench for Workers	35	5,000	175,000
Lighting & Fans			150,000
Air conditioners (1.5 ton)	3	175,000	525,000
Generator	1	250,000	250,000
<b>Total Furniture &amp; Fixtures</b>			<b>1,840,000</b>

## 9.6 Office Equipment Requirement

Following office equipment will be required for the proposed Bed Linen Stitching Unit.

**Table 11: Office Equipment Requirement**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Computers	3	75,000	225,000
Printer	1	30,000	30,000
UPS	1	100,000	100,000
Scanner	1	25,000	25,000
Security Cameras	1	60,000	60,000
Telephone Sets	2	3,500	7,000
<b>Total Office Equipment</b>			<b>447,000</b>

## 9.7 Office Vehicle Requirement

Two bikes will be purchased for travelling and other business operations. The cost of both the bikes is estimated at Rs. 240,400.

**Table 12: Office Vehicle Requirement**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Motor Cycle (New / Used)	2	120,000	240,000
Registration / Transfer Fee			9,600
<b>Total Office Vehicles cost</b>			<b>249,600</b>

## 9.8 Raw Material Requirements

Basic raw material for stitching of bed linen is printed fabric, stitching threads, accessories and packing material. Cost and consumptions of raw material are given in annexure.

## 9.9 Human Resource Requirement

In order to run operations smoothly, details of human resources required along with number of employees and monthly salaries are recommended as under:

**Table 13: Human Resource Requirement**

Description	No. of Employees	Per Month Salary (Rs.)
CEO	1	120,000
Production In-charge	1	70,000
Technician/Electrician	1	35,000
Cutting Master	1	40,000
Cutting Helper	2	35,000
Stitching Operators	18	35,000
Store Keeper	1	16,000
Marketing Executives	1	80,000
Clippers	3	35,000
Stain Remover	1	35,000
Packing Staff	2	35,000
Final table inspector	2	35,000
Purchase Officer	1	50,000
Accounts Officer	1	50,000
Security Guard	2	35,000
Sweeper	2	25,000
<b>Total</b>	<b>40</b>	

### 9.10 Utilities and Other Costs

An essential cost to be borne by the project is the cost of electricity. The electricity expenses are estimated to be around Rs. 5.290 million per annum. Furthermore, promotional expense, being essential for marketing of bed linen stitching unit, is estimated as Rs. 1.00 million in year 1.

### 9.11 Revenue Generation

Based on the capacity utilization of 55%, sales revenue during the first year of operations is estimated in below table.

**Table 14: Revenue Generation – Year 1**

Description	Sale in Year 1	Sale Price Per Unit (Rs.)	Revenue (Rs.)
Twin Set	33,977	1,174	39,889,952
Full Set	67,954	1,301	88,388,946
Queen	42,471	1,206	51,207,603
King	25,483	1,345	34,266,389
<b>Total</b>	<b>169,884</b>		<b>213,752,890</b>

## 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

<b>M. Ramzan Industrial Sewing Machine Co.</b> 92-B, Mcleod Road, Lahore Ph: +92 42 37223762 Fax: +92 42 37353548 <a href="http://www.mramzan.com">http://www.mramzan.com</a>	<b>Abbas Apparel Machinery Co.</b> 35, Sherpao Bridge Colony, Cant, Lahore Tele : (92 42 ) 36663639 , 36674643 Fax : (92 42 ) 36652400 <a href="http://www.abbasapparel.com">www.abbasapparel.com</a>
<b>Crown Enterprises</b> 1st Floor, Room no. 4, Pearl Plaza, 174, Ferozpur Road, Ichra, Lahore. Tele: +92 42 37420121 Fax: +92 42 37420121 <a href="http://www.cro-ent.com">http://www.cro-ent.com</a>	<b>Al-Murtaza Machinery Co. Pvt. Ltd</b> Address: 84-J/1, Shahrah Nazaria-e-Pakistan, M.A. Johar Town, Lahore. Phone: +92 42 35316171-73 Fax: +92 42 35316174 Email: <a href="mailto:amcl-l@almurtaza.com">amcl-l@almurtaza.com</a> <a href="http://www.almurtaza.com">www.almurtaza.com</a>

## 11 USEFUL WEB LINKS

Small & Medium Enterprises Development Authority (SMEDA)	<a href="http://www.smeda.org.pk">www.smeda.org.pk</a>
Government of Pakistan	<a href="http://www.pakistan.gov.pk">www.pakistan.gov.pk</a>
Ministry of Industries & Production	<a href="http://www.moip.gov.pk">www.moip.gov.pk</a>
Ministry of Federal Education and Professional Training	<a href="http://moent.gov.pk">http://moent.gov.pk</a>
Government of Punjab	<a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>
Government of Sindh	<a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>
Government of Khyber Pakhtunkhwa	<a href="http://www.khyberpakhtunkhwa.gov.pk">www.khyberpakhtunkhwa.gov.pk</a>
Government of Baluchistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
Government of Gilgit Baltistan	<a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>
Government of Azad Jamu Kashmir	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
Trade Development Authority of Pakistan (TDAP)	<a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>
Security Commission of Pakistan (SECP)	<a href="http://www.secp.gov.pk">www.secp.gov.pk</a>
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	<a href="http://www.fpcci.com.pk">www.fpcci.com.pk</a>
State Bank of Pakistan (SBP)	<a href="http://www.sbp.org.pk">www.sbp.org.pk</a>
National Textile University, Faisalabad	<a href="http://www.ntu.edu.pk/">www.ntu.edu.pk/</a>
All Pakistan Textile Mills Association	<a href="http://www.apتما.org.pk">www.apتما.org.pk</a>
Pakistan Institute of Fashion Design.	<a href="http://www.pifd.edu.pk">www.pifd.edu.pk</a>
Pakistan Hosiery Manufacturers & Exporters Association	<a href="http://www.phmaonline.com/">http://www.phmaonline.com/</a>
Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA)	<a href="http://www.prgmea.org/">www.prgmea.org/</a>

## 12 ANNEXURES

### 12.1 Income Statement

Calculations	SMEDA									
Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	213,752,890	244,844,220	278,510,300	314,930,878	354,297,238	396,812,906	442,694,399	492,172,008	545,490,642	572,765,174
<i>Cost of sales</i>										
Cost of Raw Material	121,467,060	139,134,996	158,266,058	178,962,389	201,332,687	225,492,610	251,565,193	279,681,302	309,980,110	325,479,116
Stitching Cost	34,231,626	39,210,772	44,602,253	50,434,855	56,739,212	63,547,917	70,895,645	78,819,276	87,358,031	91,725,933
Packing Cost	8,494,200	9,729,720	11,067,557	12,514,852	14,079,209	15,768,714	17,591,972	19,558,133	21,676,931	22,760,777
Over heads	3,397,680	3,891,888	4,427,023	5,005,941	5,631,684	6,307,486	7,036,789	7,823,253	8,670,772	9,104,311
Wastages	3,644,012	4,174,050	4,747,982	5,368,872	6,039,981	6,764,778	7,546,956	8,390,439	9,299,403	9,764,373
Freight	2,548,260	2,918,916	3,320,267	3,754,456	4,223,763	4,730,614	5,277,591	5,867,440	6,503,079	6,828,233
Direct Labor	13,218,750	14,824,219	16,308,822	17,941,761	19,737,898	21,713,575	23,886,765	26,277,232	28,906,718	31,832,294
Machinery Maintenance	831,724	971,283	1,104,982	1,249,623	1,405,965	1,574,818	1,757,041	1,953,550	2,165,316	2,276,078
Direct Electricity & Generator	4,990,343	5,827,697	6,629,892	7,497,737	8,435,793	9,448,909	10,542,248	11,721,298	12,991,897	13,656,466
Total cost of sales	192,823,654	220,683,540	250,474,835	282,730,486	317,626,191	355,349,421	396,100,199	440,091,923	487,552,259	513,427,581
Gross Profit	20,929,236	24,160,680	28,035,466	32,200,392	36,671,047	41,463,485	46,594,200	52,080,085	57,938,383	59,337,593
<i>General administration &amp; selling expenses</i>										
Administration expense	5,232,000	5,755,200	6,330,720	6,963,792	7,660,171	8,426,188	9,268,807	10,195,688	11,215,257	12,336,782
Administration benefits expense	156,960	172,656	189,922	208,914	229,805	252,786	278,064	305,871	336,458	370,103
Building rental expense	2,100,000	2,310,000	2,541,000	2,795,100	3,074,610	3,382,071	3,720,278	4,092,306	4,501,537	4,951,690
Electricity expense	300,000	330,000	363,000	399,300	439,230	483,153	531,468	584,615	643,077	707,384
Water expense	36,000	39,600	43,560	47,916	52,708	57,978	63,776	70,154	77,169	84,886
Gas expense	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Travelling expense	600,000	660,000	726,000	798,600	878,460	966,306	1,062,937	1,169,230	1,286,153	1,414,769
Communications expense (phone, fax, mail, internet, etc.)	240,000	264,000	290,400	319,440	351,384	386,522	425,175	467,692	514,461	565,907
Office vehicles running expense	180,000	198,000	217,800	239,580	263,538	289,892	318,881	350,769	385,846	424,431
Office expenses (stationary, entertainment, janitorial services, etc.)	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
Promotional expense	1,000,000	900,000	810,000	729,000	656,100	590,490	531,441	478,297	430,467	387,420
Insurance expense	140,860	125,526	110,192	94,858	79,524	84,289	67,431	50,573	33,716	16,858
Professional fees (legal, audit, consultants, etc.)	250,000	275,000	302,500	332,750	366,025	402,628	442,890	487,179	535,897	589,487
Depreciation expense	639,680	639,680	639,680	663,166	663,166	693,643	720,831	720,831	720,831	752,305
Amortization of pre-operating costs	480,200	480,200	480,200	480,200	480,200	-	-	-	-	-
Bad debt expense	2,137,529	2,448,442	2,785,103	3,149,309	3,542,972	3,968,129	4,426,944	4,921,720	5,454,906	5,727,652
Subtotal	15,053,229	16,314,304	17,717,677	19,298,285	21,021,889	22,496,471	24,622,559	26,934,924	29,479,773	32,008,073
Operating Income	5,876,008	7,846,376	10,317,789	12,902,108	15,649,157	18,967,014	21,971,641	25,145,160	28,458,610	27,329,520
Gain / (loss) on sale of office equipment	-	-	268,200	-	-	444,575	-	-	581,701	-
Gain / (loss) on sale of office vehicles	-	-	-	-	99,840	-	-	-	-	-
Earnings Before Interest & Taxes	5,876,008	7,846,376	10,585,989	12,902,108	15,748,997	19,411,589	21,971,641	25,145,160	29,040,311	27,329,520
Interest expense on long term debt (Project Loan)	-	-	-	-	-	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	5,876,008	7,846,376	10,585,989	12,902,108	15,748,997	19,411,589	21,971,641	25,145,160	29,040,311	27,329,520
Tax	1,421,602	2,111,231	3,070,095	3,880,737	4,877,148	6,159,056	7,055,074	8,165,805	9,529,108	8,930,331
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>4,454,406</b>	<b>5,735,145</b>	<b>7,515,894</b>	<b>9,021,371</b>	<b>10,871,849</b>	<b>13,252,534</b>	<b>14,916,567</b>	<b>16,979,355</b>	<b>19,511,203</b>	<b>18,399,189</b>



## 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
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	2,715,275	7,986,390	14,353,151	21,792,582	31,534,752	43,073,320	56,937,491	73,182,137	91,688,809	115,281,742	203,176,931
Accounts receivable		8,784,365	9,423,228	10,753,860	12,193,997	13,751,263	15,433,770	17,250,150	19,209,584	21,321,835	22,977,859
Finished goods inventory		4,102,631	4,605,570	5,226,602	5,898,997	6,626,416	7,412,765	8,262,213	9,179,206	10,168,488	10,696,408
Equipment spare part inventory	34,655	42,494	50,760	60,275	71,207	83,746	98,108	114,535	133,298	147,123	-
Raw material inventory	14,481,903	17,417,780	20,803,361	24,699,990	29,176,864	34,311,992	40,193,281	46,919,745	54,602,854	60,199,646	-
Pre-paid building rent	2,100,000	2,310,000	2,541,000	2,795,100	3,074,610	3,382,071	3,720,278	4,092,306	4,501,537	4,951,690	-
Pre-paid insurance	140,860	125,526	110,192	94,858	79,524	84,289	67,431	50,573	33,716	16,858	-
<b>Total Current Assets</b>	<b>19,472,694</b>	<b>40,769,185</b>	<b>51,887,262</b>	<b>65,423,266</b>	<b>82,029,949</b>	<b>101,313,097</b>	<b>123,863,125</b>	<b>149,871,659</b>	<b>179,349,003</b>	<b>212,087,382</b>	<b>236,851,198</b>
<i>Fixed assets</i>											
Machinery & equipment	2,567,600	2,310,840	2,054,080	1,797,320	1,540,560	1,283,800	1,027,040	770,280	513,520	256,760	-
Furniture & fixtures	1,840,000	1,656,000	1,472,000	1,288,000	1,104,000	920,000	736,000	552,000	368,000	184,000	-
Office vehicles	249,600	199,680	149,760	99,840	49,920	401,983	321,587	241,190	160,793	80,397	-
Office equipment	447,000	298,000	149,000	517,458	344,972	172,486	599,023	399,349	199,674	693,444	462,296
<b>Total Fixed Assets</b>	<b>5,104,200</b>	<b>4,464,520</b>	<b>3,824,840</b>	<b>3,702,618</b>	<b>3,039,452</b>	<b>2,778,269</b>	<b>2,683,649</b>	<b>1,962,818</b>	<b>1,241,988</b>	<b>1,214,600</b>	<b>462,296</b>
<i>Intangible assets</i>											
Pre-operation costs	2,401,000	1,920,800	1,440,600	960,400	480,200	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>2,401,000</b>	<b>1,920,800</b>	<b>1,440,600</b>	<b>960,400</b>	<b>480,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>26,977,894</b>	<b>47,154,505</b>	<b>57,152,702</b>	<b>70,086,285</b>	<b>85,549,602</b>	<b>104,091,366</b>	<b>126,546,774</b>	<b>151,834,478</b>	<b>180,590,990</b>	<b>213,301,982</b>	<b>237,313,494</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable		14,300,604	16,452,425	18,800,018	21,361,228	24,153,995	27,197,814	30,513,876	34,125,228	37,795,909	34,477,901
Short term debt	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>14,300,604</b>	<b>16,452,425</b>	<b>18,800,018</b>	<b>21,361,228</b>	<b>24,153,995</b>	<b>27,197,814</b>	<b>30,513,876</b>	<b>34,125,228</b>	<b>37,795,909</b>	<b>34,477,901</b>
<i>Other liabilities</i>											
Deferred tax		1,421,602	3,532,833	6,602,928	10,483,665	15,360,814	21,519,869	28,574,943	36,740,748	46,269,857	55,200,188
Long term debt (Project Loan)	-	-	-	-	-	-	-	-	-	-	-
Long term debt (Working Capital Loan)	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Liabilities</b>	<b>-</b>	<b>1,421,602</b>	<b>3,532,833</b>	<b>6,602,928</b>	<b>10,483,665</b>	<b>15,360,814</b>	<b>21,519,869</b>	<b>28,574,943</b>	<b>36,740,748</b>	<b>46,269,857</b>	<b>55,200,188</b>
<i>Shareholders' equity</i>											
Paid-up capital	26,977,894	26,977,894	26,977,894	26,977,894	26,977,894	26,977,894	26,977,894	26,977,894	26,977,894	26,977,894	26,977,894
Retained earnings		4,454,406	10,189,551	17,705,444	26,726,815	37,598,664	50,851,198	65,767,765	82,747,120	102,258,323	120,657,512
<b>Total Equity</b>	<b>26,977,894</b>	<b>31,432,299</b>	<b>37,167,444</b>	<b>44,683,338</b>	<b>53,704,709</b>	<b>64,576,558</b>	<b>77,829,091</b>	<b>92,745,659</b>	<b>109,725,014</b>	<b>129,236,217</b>	<b>147,635,405</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>26,977,894</b>	<b>47,154,505</b>	<b>57,152,702</b>	<b>70,086,285</b>	<b>85,549,602</b>	<b>104,091,366</b>	<b>126,546,774</b>	<b>151,834,478</b>	<b>180,590,990</b>	<b>213,301,982</b>	<b>237,313,494</b>

## 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		4,454,406	5,735,145	7,515,894	9,021,371	10,871,849	13,252,534	14,916,567	16,979,355	19,511,203	18,399,189
Add: depreciation expense		639,680	639,680	639,680	663,166	663,166	693,643	720,831	720,831	720,831	752,305
amortization of pre-operating costs		480,200	480,200	480,200	480,200	480,200	-	-	-	-	-
Deferred income tax		1,421,602	2,111,231	3,070,095	3,880,737	4,877,148	6,159,056	7,055,074	8,165,805	9,529,108	8,930,331
Accounts receivable		(8,784,365)	(638,863)	(1,330,632)	(1,440,137)	(1,557,266)	(1,682,507)	(1,816,380)	(1,959,434)	(2,112,252)	(1,656,024)
Finished goods inventory		(4,102,631)	(502,939)	(621,032)	(672,395)	(727,419)	(786,349)	(849,448)	(916,993)	(989,283)	(527,920)
Equipment inventory	(34,655)	(7,838)	(8,266)	(9,515)	(10,932)	(12,540)	(14,362)	(16,427)	(18,763)	(13,824)	147,123
Raw material inventory	(14,481,903)	(2,935,877)	(3,385,581)	(3,896,630)	(4,476,873)	(5,135,128)	(5,881,290)	(6,726,464)	(7,683,108)	(5,596,792)	60,199,646
Pre-paid building rent	(2,100,000)	(210,000)	(231,000)	(254,100)	(279,510)	(307,461)	(338,207)	(372,028)	(409,231)	(450,154)	4,951,690
Advance insurance premium	(140,860)	15,334	15,334	15,334	15,334	(4,765)	16,858	16,858	16,858	16,858	16,858
Accounts payable		14,300,604	2,151,821	2,347,593	2,561,209	2,792,767	3,043,819	3,316,062	3,611,352	3,670,681	(3,318,008)
Cash provided by operations	(16,757,418)	5,271,114	6,366,762	7,956,888	9,742,170	11,940,552	14,463,193	16,244,646	18,506,673	24,286,376	87,895,190
<i>Financing activities</i>											
Project Loan - principal repayment		-	-	-	-	-	-	-	-	-	-
Working Capital Loan - principal repayment		-	-	-	-	-	-	-	-	-	-
Additions to Project Loan	-	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares	26,977,894	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	26,977,894	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(7,505,200)	-	-	(517,458)	-	(401,983)	(599,023)	-	-	(693,444)	-
Cash (used for) / provided by investing activities	(7,505,200)	-	-	(517,458)	-	(401,983)	(599,023)	-	-	(693,444)	-
NET CASH	2,715,275	5,271,114	6,366,762	7,439,430	9,742,170	11,538,569	13,864,170	16,244,646	18,506,673	23,592,932	87,895,190

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

Description	Details
Administration Benefit Expenses	3% of Administration Cost
Office Expenses (Stationery, Entertainment etc.)	Rs. 125,000 per month
Communication Expenses	Rs. 20,000 per month
Professional Fee	Rs. 250,000 per year
Depreciation Method	Straight Line depreciation
Depreciation Rate	10% on Machinery 33% on Office Equipment 10% on Furniture & Fixture
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Salaries Growth Rate	10%

### 13.2 Production Cost Assumptions

Description	Twin Set	Full Set	Queen	King
Fabric Cost	650	750	675	775
Stitching Material Cost	200	200	200	210
Packing Cost	50	50	50	50
Over heads	20	20	20	20
Wastages	20	23	20	23
Freight	15	15	15	15
<b>Cost per bed sheet</b>	<b>955</b>	<b>1,058</b>	<b>980</b>	<b>1,093</b>

### 13.3 Revenue Assumptions

Description	Details
Growth in Sales Price	5%
Days Operational / Year	312
Maximum Operational Capacity (Per Year)	308,880
Production Capacity in First Year	55%
Percentage Increase in Production Capacity every Year	5%
Maximum Production Capacity	95%

## Small and Medium Enterprises Development Authority

### HEAD OFFICE

4th Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road, Lahore  
Tel: (92 42) 111 111 456, Fax: (92 42) 36304926-7

[www.smeda.org.pk](http://www.smeda.org.pk), [helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

REGIONAL OFFICE PUNJAB	REGIONAL OFFICE SINDH	REGIONAL OFFICE KPK	REGIONAL OFFICE BALOCHISTAN
3 <sup>rd</sup> Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road Lahore, Tel: (042) 111-111-456 Fax: (042) 36304926-7 <a href="mailto:helpdesk.punjab@smeda.org.pk">helpdesk.punjab@smeda.org.pk</a>	5 <sup>TH</sup> Floor, Bahria Complex II, M.T. Khan Road, Karachi. Tel: (021) 111-111-456 Fax: (021) 5610572 <a href="mailto:helpdesk-khi@smeda.org.pk">helpdesk-khi@smeda.org.pk</a>	Ground Floor State Life Building The Mall, Peshawar. Tel: (091) 9213046-47 Fax: (091) 286908 <a href="mailto:helpdesk-pew@smeda.org.pk">helpdesk-pew@smeda.org.pk</a>	Bungalow No. 15-A Chaman Housing Scheme Airport Road, Quetta. Tel: (081) 831623, 831702 Fax: (081) 831922 <a href="mailto:helpdesk-qta@smeda.org.pk">helpdesk-qta@smeda.org.pk</a>

# Small and Medium Enterprises Development Authority

## HEAD OFFICE

4th Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road, Lahore  
Tel: (92 42) 111 111 456, Fax: (92 42) 36304926-7

[www.smeda.org.pk](http://www.smeda.org.pk), [helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

REGIONAL OFFICE PUNJAB	REGIONAL OFFICE SINDH	REGIONAL OFFICE KPK	REGIONAL OFFICE BALOCHISTAN
3 <sup>rd</sup> Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road Lahore, Tel: (042) 111-111-456 Fax: (042) 36304926-7 <a href="mailto:helpdesk.punjab@smeda.org.pk">helpdesk.punjab@smeda.org.pk</a>	5 <sup>TH</sup> Floor, Bahria Complex II, M.T. Khan Road, Karachi. Tel: (021) 111-111-456 Fax: (021) 5610572 <a href="mailto:helpdesk-khi@smeda.org.pk">helpdesk-khi@smeda.org.pk</a>	Ground Floor State Life Building The Mall, Peshawar. Tel: (091) 9213046-47 Fax: (091) 286908 <a href="mailto:helpdesk-pew@smeda.org.pk">helpdesk-pew@smeda.org.pk</a>	Bungalow No. 15-A Chaman Housing Scheme Airport Road, Quetta. Tel: (081) 831623, 831702 Fax: (081) 831922 <a href="mailto:helpdesk-qta@smeda.org.pk">helpdesk-qta@smeda.org.pk</a>