

Pre-Feasibility Study

DRIVING SCHOOL



Small and Medium Enterprises Development Authority

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Government of Pakistan

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DISCLAIMER

The purpose and scope of this information memorandum is to introduce the subject matter and provide a general idea and information on the said area. All the material included in this document is based on data/information gathered from various sources and is based on certain assumptions. 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 does not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information he/she feels necessary for making an informed decision.

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1 INTRODUCTION TO SMEDA

The Small and Medium Enterprise Development Authority (SMEDA) was established with the objective to provide fresh impetus to the economy through the launch of an aggressive SME Support Program.

Since its inception in October 1998, SMEDA had adopted a sectoral SME Development Approach. A few priority sectors were selected on the criterion of SME presence. In depth research was conducted and comprehensive development plans were formulated after identification of impediments and retardants. The all-encompassing sectoral development strategy involved recommending changes in the regulatory environment by taking into consideration other important aspects including Finance, Marketing, Technology and Human Resource Development.

SMEDA has so far successfully formulated strategies for sectors including, Fruits and Vegetables, Marble and Granite, Gems and Jewelry, Marine Fisheries, Leather and Footwear, Textiles, Surgical Instruments, Transport and Dairy. Whereas the task of SME development at a broader scale still requires more coverage and enhanced reach in terms of SMEDA's areas of operation.

Along with the sectoral focus a broad spectrum of Business Development Services is also offered to the SMEs by SMEDA. These services include identification of viable business opportunities for potential SME Investors. In order to facilitate these Investors, SMEDA provides business guidance through its help desk services as well as development of Project Specific Documents. These documents consist of information required to make well-researched investment decisions. Pre-feasibility Studies and Business Plan Development are some of the services provided to enhance the capacity of individual SMEs to exploit viable business opportunities in a better way.

This document is in the continuation of this effort to enable potential investors to make well-informed Investment Decisions.

2 PURPOSE OF THE DOCUMENT

The objective of this proposed Pre-feasibility study is primarily to facilitate potential entrepreneurs with the Investment information and provide an overview about the "Driving School". The proposed Pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document covers various aspects of Driving School Concept Development, Start-up, Production, Marketing, Finance and Business Management. This document also provides Sectoral Information, brief on Government Policies and International Scenario, which have some bearing on the Project itself.

The pre-feasibility is based on the information obtained from various industry sources as well as discussions with businessmen. For financial model, since the forecast/projections relate to the future periods, actual results are likely to differ because of the events and circumstances that don't occur frequently as expected.

Whilst due care and attention has been taken in performing the exercise, no liability can be inferred for any in-accuracy or omissions reported from the results thereof. It is

essential that our report be read in its entirety with financial model in order to fully comprehend the impact of key assumptions on the range of values determined.

This particular Pre-feasibility is regarding "Driving School". Before studying the whole document one must consider following critical aspects, which forms basis of any Investment Decision.

3 CRUCIAL FACTORS & STEPS IN DECISION MAKING FOR INVESTMENT

3.1 SWOT ANALYSIS

Before making the decision, whether to invest in the Driving School or not, one should carefully analyze the associated risk factors. A SWOT analysis can help in analyzing these factors, which can play important role in making the decision.

3.1.1 Strengths

- i-** Location of the project will play a pivotal role in the successful running of Driving School. The turnover of the trainees largely depends on this important factor
- ii-** The main competitors in the driving school business are the unregistered schools charging out almost half of the fee as compared to the registered schools but the registered schools have an advantage over the unregistered schools due to its legalized status and quality and standard.
- iii-** Serving tough competition in the market through high quality.
- iv-** The project shall be conducting proper driving classes where basic driving skills shall be taught including awareness about traffic rules and dealing with emergencies and accidents.

3.1.2 Weaknesses

- i-** High risk of capital loss on repair and maintenance due to major or minor accidents of the cars during the training processes. The however may be covered through insurance cover.
- ii-** Strict controls over the training need to be observed to reduce the risk level at the minimum.
- iii-** Expected loss at the initial stages of the project.
- iv-** High employment turnover rate.
- v-** Under the provisions of Motor Vehicles Rules 1969 a person running a school of motoring is required to get self registered with traffic police. However according to traffic police sources only four out of two hundred schools are registered charging almost half of the fee as compared to the registered school giving them competitive advantage.

3.1.3 Opportunities

- i-** Increasing preference of public towards adherence to the traffic laws and regulations.

- ii-** Since the Government is taking positive steps towards the traffic laws and has made it compulsory for a person to obtain a license for running school of motoring. Unregistered driving school will face the problem of forced closer of business according to the provisions of Motor Vehicles Rules 1969.

3.1.4 Threats

- i-** The unregistered driving schools also offer to provide driving licenses to the trainees after paying additional charges. These school owners usually have links with dishonest traffic police officials and obtain license without driving tests. Avoiding the cumbersome process of getting the driving license, many people opt to use the unregistered school service in getting license.
- ii-** In order to fulfill the requirements of the traffic rules, the registered schools have to charge 3,000/- to 3,500/- per student while the unregistered schools are only charging Rs. 1,500/- to 2,000/- giving them the competitive edge. Moreover many students do not demand certificates because the licensing authority does not require them.

4 PROJECT PROFILE

4.1 Opportunity Rationale

Driving is a skilful task that needs proper training and knowledge of Traffic laws but unfortunately in Pakistan there is no proper system to learn driving. Most of the driving schools lack trained staff and vehicles but they advertise that they could teach driving in 12 to 15 days.

According to the traffic police sources, out of more than 85 driving schools in Lahore affluent localities only two in Gulberg are registered. The other two registered schools of the city are on Ravi Road and in the Railway station area. There is only one government driving school at the Motor transport wing of the police on Ferozepur road which is training 100 to 150 drivers annually with three months courses. The students at about 200 unregistered driving schools do not fulfill the requirements of the law.

The number of motor vehicles on the roads is increasing day by day resulting in more and more traffic problems requiring people to get proper training and driving licenses. This creates an opportunity for setting up new registered driving schools.

4.2 Project Brief

The School shall operate in batches of 15 students per batch with 3 batches per day for a 20 days training course divided into 2 parts; classes and practical training. During the classes people shall be taught the basics of driving that includes function of the clutch, accelerator, gears and other important things such as double steering cars, traffic signal system awareness about the traffic rules and dealing with emergencies and accidents. Moreover the project shall comprise of 5 vehicles.

4.3 Proposed Business Legal Status

The said project can be a sole proprietorship or a partnership and even it can be registered under the Companies Ordinance, 1984 with the Securities & Exchange Commission of Pakistan. The selection totally depends upon the choice of the entrepreneur. This pre-feasibility assumes the legal status of a sole proprietorship.

4.4 Market Entry Time

The proposed business do not get affected with seasons, changing trends and emerging attributes therefore the proposed business can be started any time during the year. However at the commencement of the proposed business, it is important that the entrepreneur must have good public relations.

4.5 Proposed Location

The said project can be started in any posh area of Lahore, Karachi, and Islamabad because of the fact that there is a huge development and increase in the cars on the roads in these big cities. The location of this proposed Pre-feasibility is however recommended at Lahore, Gulberg or Defense area. The life style of the people residing in these areas considerably increases the scope for establishment of the project.

4.6 Project Capacity

Selection of Project Size is really critical. After doing thorough Market Research and information obtained from the Traffic department it is recommended to start the project with 5 cars. In today's era, the law and order situation in Pakistan is deteriorating day by day. Whether the matter is concerning human right's violation, or related to ethics and etiquettes, the general attitudes of people and the underlying reason for this continual decline is illiteracy and social problems, that are rampant in our country. Since the government is taking steps to control the situation, and making it compulsory for the driving schools to get them selves registered with Traffic police, the registered schools will have an edge over other un-organized schools in future.

4.7 Project Investment

Total Project cost is Rs. 2.67 million.

Table 1 Total project cost is worked out in the table below:-

Capital Investment	1,896,000
Working Capital Requirement	853,080
Total Investment	2,673,924

4.8 Recommended Project Parameters

Table 2: Project Parameters

Capacity / month	Human Resource	Technology	Location
45 trainees	12	Local	Lahore
Financial Summary			
Project Cost	IRR	NPV (Million Rs.)	Payback period
2.67 million	28.60%	1.75	4.77 Yrs

5 SECTOR CHARACTERISTICS

5.1 Ignorance of Traffic Rules – Main cause of Accidents

Around 50,000 people killed in 98,000 accidents in the past 10 years mainly due to poor traffic knowledge of traffic rules. 3,212 people had died in 5,731 accidents in Punjab since January, 2006.

In Lahore Division 826 people died in 1,559 accidents while 1,849 were injured. In Lahore city 349 people died and 536 were injured in 861 accidents. In Sheikhupura district, 272 people died while 874 people were injured in 370 accidents. In Okara District 101 people died while 204 were injured in 166 accidents. In Kasur, 104 people died and 235 were injured in 162 accidents. In Gujranwala Division 484 people died while 991 were injured in 749 accidents. In Faisalabad division 499 people died while 612 were injured in 399 accidents. In Multan Division 424 people died and 849 were injured in 321 accidents.

5.2 Illegal driving schools driving city up the wall

Lahore Driving Licensing authority is issuing licenses to incompetent drivers ignoring rules that require applicant to have a formal driving education certificate from a registered school. Only four out of 200 driving schools of Lahore are registered with the traffic police. According to traffic police sources licensing authority had issued more than 90% of the licenses without seeking registered driving schools' certificate for years. Drivers trained at unrecognized schools are killing innocent people. Sources said that not a single bus driver of any private company have any formal driving education although most of them have licenses. Informal driving education is a major reason behind accidents in the country.

5.3 All four driving training institutes of Sindh closed for 8 years

As the fatal road accidents are on the rise, all the four commercial driving training schools in Sindh have been lying closed for the last eight years due to the bureaucratic labyrinth giving a free hand to untrained commercial drivers to play with citizens' lives. According to details out of the four schools, three were operated by the defunct Sindh Road Transport Corporation (SRTC) in Hyderabad, Khairpur and Larkana, while one was operating in Karachi under the Karachi Transport Corporation (KTC).

It was told that the schools were closed in 1998 following the abandonment of the two corporations. Sources in the Sindh Transport Department said the department had decided two years ago to hand over these schools to the Motorway Police but so far no progress had been made in this regard due to shortage of funds. Earlier, the former Governor Sindh Mohammad Mian Soomro had directed the provincial government to hand over the KTC driving training school to the city government Karachi, but his directives could not be implemented due to bureaucratic hurdles. Later, the Sindh government had changed the policy and decided under a mutual understanding with the Ministry of Communication that motorway police would be responsible to re-activate these schools. It was decided that in the first phase, the KTC driver training school would be re-opened, while in the second phase, the remaining three would be re-activated, sources added. They said the Federal Minister for Communication had promised to release Rs 4.5

million to the Motorway Police to renovate the KTC school building located in SITE area but no funds had so far been released. The Motorway Police had also demanded of the provincial government to hand over the KTC workshop, and Model Bus Depot to it.

It opined that the existing covered area of the school is only 1.5 acres, while for making it a model school, about 30-acre area would be required. However, the Sindh government had refused this demand and announced to hand over the depot and the workshop to the city government for establishment of an inter-city bus terminal under the cabinet decision in 2001-02. This issue too is yet to be resolved, sources maintained.

In line with the motor vehicle ordinance 1969, commercial licenses cannot be issued to the drivers until they acquire proper training about traffic rules and regulations from the government training schools. But, ironically, the license branch of the traffic police, in clear violation of the ordinance, has been issuing commercial licenses to untrained drivers for last eight years posing serious threats to the citizens' lives.

5.4 Traffic distress

In today's era, the law and order situation in Pakistan is deteriorating day by day. Whether the matter is concerning human right's violation, or related to ethics and etiquettes, the general attitudes of people and the underlying reason for this continual decline is illiteracy and social problems, that are rampant in our country. The question is as to who is to be blamed for all this?

One can come up with many answers; but still the question remains unanswered for people lack a justified outlet. This, whatsoever is resulting in an intense frustration that is apparent in the face of public. One of the leading problems that is becoming vigilant day by day is violation of traffic rules.

Since there is lack of law and order in the country and whatever that has been written in the constitution has never been implemented in a rightful way, one of the most leading issues that remain unaddressed is: traffic and its consequent hazards.

The Pakistani youth does not follow traffic rules and this is very justified because the fault does not lie in their attitude but because they have seen their parents and forefathers doing the same. They have the same pattern to look up to. The teenagers of today are the future of our country, thus playing a very important role in our society.

In our male dominated society, young men tend to drive much more than young women, therefore there are more men violating traffic law than women, which leads them to have violent and socially unacceptable behavior. On the other hand, when the traffic in the busier cities of Pakistan, like Lahore, Karachi and Faisalabad is out of control, they make it further more vulnerable to accidents and anger amongst other members of the society.

Everyday in the above-mentioned cities, hundreds of young motorists are held for having tinted glasses, flashlights, blue headlights, sirens, and fancy number plates on their respective vehicles. Most of these motorists get away by giving bribe to the traffic police. Some of the youngsters that belong to rich and influential families get away by blackmailing the police and flaunting off their contacts with senior officials in the police or army. Some of the young boys are the children of very prominent personalities of the country and they are overwhelmed with the thought of it that they can get away with things regarding violation of any sort. Many are held for driving when they are drunk and

are a cause of the most disastrous of accidents. However, the situation is getting worse and barely any efforts are taken towards improving it. Alone in Karachi, it has been reported that 1,359 four-wheelers and 527 two-wheelers during a single week in January 2006 have violated traffic laws. Around 74 traffic violation cases are registered, among them 58 cases are registered against those whose vehicles have tinted glasses.

It is observed that the vehicles of some ministers, advisers, secretaries and even the vehicle of the home minister had tinted glasses, which had not been removed so far. The Section 279 of the Pakistan Penal Code reads: "Whoever drives any vehicle, or rides, on any public way in a manner so rash or negligent is to endanger human life, or likely to cause hurt or injury to any other person, shall be punished with imprisonment of either description for a term which may extend to two years or with fine which may extend to one thousand rupees, or with both."

This and other regulations exist in the law, but most of our fancy driven youth are not willing to retain this in their minds while they drive rashly. Violating traffic rules and not abiding by them has become a source of entertainment for them. It's not only about being a menace on road but setting up a bad example for the generations to come whose growing minds are heavily and adversely influenced by all this. In Lahore, more than 100,000 cases of traffic violations registered under the previous system still await their disposal by courts. The previous traffic violation system was replaced with the new ticket system in the first week of January 2006, leaving some 110,029 cases of traffic violations with courts. A few thousand of them have been disposed off in the last couple of months. More than 50% of the violators are teenagers under the age of nineteen. The numbers of fines (challans) done annually are also on an increase and therefore the condition continues to deteriorate.

Recently, duties on cars have been decreased by the government and therefore many upper and middle upper class families are purchasing expensive imported cars. Such cars are not suitable for the traffic conditions in Pakistan where the roads are narrow and small. Therefore, this is worsening the traffic conditions in Pakistan, especially in cities, where the country's elite resides. The core of the issue is that the rule of law is not respected in Pakistan. The solution lies in the strengthening and proper implementation of the rule of law; ensuring that there would be no exceptions for the strong, the rich or the politically connected. Only then can one come down to traffic rules and ensure that everyone respects them. In a culture of law-violation, why should anyone need traffic rules?

6 LEGAL REQUIREMENTS

Under the Provisions of the Motor Vehicles Rules, 1969, certain requirements have to be complied with in order to engage in the business of Schools of Motoring. These include;

- a) No person shall engage in the business of giving instructions in the driving of the motor vehicles nor shall any person advertise or otherwise publicly undertake to give such instructions without a license and constituting the said person as a school of monitoring.

- b) Any person desiring to obtain a license for enabling him to engage in the business referred to in sub-rule (a) shall make an application for the purpose to the licensing authority of the area in which he has his place of business.
- c) The licensing authority may, on receipt of an application under sub-rule(b), grant a license in Form M.S., to the applicant for engaging in the business of giving instruction in the driving of motor vehicles or for advertising or otherwise publicly undertaking to give such instructions as may be specified in the application and subject to compliance with such conditions, if any, as may be specified in the license and constitute the applicant a school of motoring or may refuse to grant a license. Where a license is refused, the licensing authority shall furnish the applicant an order in writing setting forth the reasons of such refusal.
- d) A license granted under sub-rule (c) shall be valid for a period of three years and may be like-wise renewed from time to time.
- e) The licensing authority shall in exercising its powers in granting or renewing or refusing a license under this rule have regard to the following factors, that is to say, that:--

 - i) the applicant and staff are of good moral character and qualified to give instruction.
 - ii) The premises where the school is proposed to be conducted is either owned by the applicant or hired in his name and consists of at least one room commodious enough to accommodate the students under training and sufficient to provide for amenities such as water-taps and lavatories;
 - iii) The financial resources of the proposed school are sufficient to provide for its continued maintenance;
 - iv) The applicant maintains at least two motor cycles, two motor cars, two light transport vehicles and one heavy motor vehicle of each of these categories of motor vehicle for which he desires a license:

Provided that the vehicle required to be maintained are all registered in the name of applicant, or available exclusively for training purposes, and except for motor cycles, are fitted with dual control;

- v) the applicant maintains the following apparatus and equipment, namely:---

 - a) Black-board ;
 - b) Road plan board with necessary Toy Signals and charts;
 - c) Traffic sign chart ;
 - d) Road signals chart ;
 - e) Service Chart detail view of all components of motor vehicles ;
 - f) Engine assembly, rear axle assembly, sectionalized as to reveal Gear box assembly ; of one of the well the working parts, known makes such as Chevrolet or ; Ford V-8, Dodge, Fargo, except where the applicant ; desires to give instructions in riding of motor cycles only ;

- g) Chassis assembly of (one of the well-known makes, such as Ford Chevrolet, Leyland, Bed Ford, Dodge, Austin) complete steering mechanism, suspension axles and brake drum shoes, except where the applicant desires to give instructions in riding of motor cycles only ;
- h) Puncture repair kit with tyre lever, wheel brake, jack, tyre-pump and tyre pressure gauge ;
- i) Spanners (a set each of fixed spanners, box spanners, pliers, screw drivers, screw spanners and a hammer);
- j) Driving Instructions Manual ;
- k) The Pakistan Highway Code ;
- l) Desks for students and work benches ;
- m) Complete electrical equipment on a bench to demonstrate the working of lights, self-starter dynamo cutout-battery and switches ;
- vi) the applicant or any member of the paid staff employed by him for giving instructions possesses the following qualifications, namely:---
- a) at least 5 years driving experience in addition to a certificate in motor mechanics course or any other equivalent qualification from an institution recognized by Government
- b) a thorough knowledge of traffic signs specified in the Ninth Schedule to the Ordinance, and of the driving regulations, specified in the Tenth Schedule to the Ordinance, so as to be able to impart instructions therein to the satisfaction of the licensing authority ;
- c) ability to demonstrate and explain the functions of different components parts of the vehicle in this possession, to the satisfaction of the licensing authority.
- d) Adequate knowledge of either English or Urdu or a regional language of the region in which the school is established so as to be able to impart all the instructions in the said language ;
- e) An Adult First Aid Certificate issued by the St. John Ambulance Association (Pakistan) ;
- vii) the applicant maintains fully equipped first-aid sets for use in emergencies at the premises of the training school and in each of the vehicles used for training ;
- viii) the need of a school of motoring in the particular locality ;

Provided the before passing an order of refusal to renew the Authority shall to the license an opportunity of showing cause against the proposed order.

- f) the applicant shall maintain a record with photographs of the students attending the school from time to time, the duration of their instructions and the date on which they passed the test in driving specified in the Ordinance.

- g) The licensee shall submit to the licensing authority such information and such returns as may be called for by it.
 - h) the licensee shall ---
 - (a) not alter the place of business of the school of motoring mentioned in the license without the prior approval of the licensing authority obtained in writing;
 - (b) keep the premises of the school at reasonable times for inspection by any person deputed by the licensing authority.
 - i) It shall be lawful for licensing authority by an order in writing to approve the nature and duration of courses of instruction and the number of pupils to be instructed at any one time.
 - j) the fees to be charged by a license shall be at such rates as may be fixed by the licensing authority and the fees so fixed shall not be varied without the prior approval of such authority. Special fees may subject to the approval of the licensing authority, be charged for special courses.
 - k) The licensing authority may by order in writing suspend or cancel a license granted under sub-rule (3) if a licensee:
 - a) fails to maintain the equipment, vehicles and other matters referred to in sub-rule 95) in accordance with the standard envisaged by that sub-rule, or fails to comply with the provisions of that sub-rule or any other provisions of this rule; or
 - b) fails to maintain the vehicles of the school in accordance with the provisions of rule; or
 - c) does not impart proper instructions as indicated by the results of driving tests or otherwise ; or
 - d) for any other reason considered sufficient :
- Provided that no such order shall be made unless:---
- a) the reasons for suspension or cancellation of license are recorded in the order and the copy of the order is furnished to the licensee; and
 - b) the licensee has been given an opportunity of showing cause against the order which the licensing authority proposes to make.
- l) where the license is cancelled or suspended under sub-rule (11), Form M.S. shall be surrendered to the licensing authority by the holder thereof.

7 HUMAN RESOURCE REQUIREMENT

Following table shows the requirements of Human Recourses in the Driving school.

Table 3: Human Resource Requirement

Description	Number of Employees	Monthly Salary	Annual Salary Rupees
Staff Required			
Admin. & Finance Manager	1	15,000	180,000
Accounts Officer	1	6,000	72,000
Moter vehicle Mechanic	1	5,000	60,000
Lecturers	2	8,000	192,000
Driving Instructors	5	4,500	270,000
Security Guard, Gate Keepers	1	4,500	54,000
Sweeper	1	1,500	18,000
Total Administrative Salaries	12		846,000

8 LAND & BUILDING REQUIREMENT

Land & building for the proposed business may be acquired on rent because price of land & construction cost are so high especially in posh areas like Gulberg, which is suggestible place for this project.

Table 4: Area Required

	Monthly Rent (Rs.)	Annual Rent (Rs.)
Total Rent	50,000	600,000
Inflation rate of rent	10%	

9 FIXED ASSETS

9.1 Tools & Equipments

Following fittings & installations are required for Class Rooms and management offices.

Table 5: Tools & Equipments

Items	Total Rupees
These include parts of the vehicles, other tools & equipments for class rooms to Train the students.	100,000

9.2 Office Equipment

Following office equipments would be required for management offices.

Table 6: Office Equipment

Items	No. of Items	Unit Cost	Total
		Rupees	Rupees
Computers	2	30,000	60,000
Printers	1	25,000	25,000
Overhead Projectors	2	100,000	200,000
Fax Machine	1	10,000	10,000
Telephone Sets	2	500	1,000
Total			296,000

9.3 Furniture & Fixtures

Total cost of furniture & fixtures required for Class Rooms and offices including tables, chairs, white boards chart, almarahs etc. is taken as Rs. 150,000.

9.4 Fittings & Installations

Following fittings & installations would be required:

Table 7: Fittings & Installation

Items	No. of Items	Unit cost	Total
		Rupees	Rupees
Air Conditioners	3	20,000	60,000
Generator 165 KVA - Local	1	50,000	50,000
Electric Installations			25,000
Water Pump (2 Hp) including boring 150	1	15,000	15,000
Total			150,000

9.5 Vehicles

The proposed project will be using Four Mehran cars (2nd hand) one Toyota Corolla 86 Model car (2nd hand). The schedule is presented below:

Table 8: Vehicles Required

Vehicles	Quantity	Cost	Total
		Rupees	Rupees
Suzuki Mehran	4	200,000	800,000
Toyota Corolla	1	400,000	400,000
Total			1,200,000

Three vehicles (2 Mehran & 1 Corolla) will be added every 3 years.

10 FINANCIAL ANALYSIS

10.1 Projected Income Statement

	<u>Year I</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>	<u>Year 6</u>	<u>Year 7</u>	<u>Year 8</u>	<u>Year 9</u>	<u>Year 10</u>
INCOME	2,160,000	3,024,000	3,969,000	5,000,940	6,126,152	7,351,382	8,683,820	10,131,123	11,701,447	13,403,476
EXPENDITURES										
Salaries & wages	846,000	930,600	1,023,660	1,141,686	1,255,855	1,381,440	1,537,674	1,691,441	1,860,586	2,067,569
Utility Charges	64,800	68,040	71,442	75,014	78,765	82,703	86,838	91,180	95,739	100,526
Telephone Fax and Postage	21,600	22,680	23,814	25,005	26,255	27,568	28,946	30,393	31,913	33,509
Building Rent	600,000	660,000	726,000	798,600	878,460	966,306	1,062,937	1,169,230	1,286,153	1,414,769
Vehicle Running Expenses	241,800	253,890	266,585	452,522	475,148	498,905	922,634	968,766	1,017,204	1,759,985
Repair & Maintenance	300,000	315,000	330,750	364,688	382,922	402,068	422,168	443,276	465,440	511,962
Promotional Expenses *	92,000	96,600	101,430	106,502	111,827	117,418	123,289	129,453	135,926	142,722
Traveling & Conveyance	8,640	9,072	9,526	10,002	10,502	11,027	11,578	12,157	12,765	13,403
Printing & Stationary	12,960	13,608	14,288	15,003	15,753	16,541	17,368	18,236	19,148	20,105
Entertainment	17,280	18,144	19,051	20,004	21,004	22,054	23,157	24,315	25,530	26,807
Vehicle Insurance	32,160	21,547	14,437	62,176	41,658	27,911	100,554	67,371	45,139	149,544
Repair & Maintenance	35,920	37,716	39,602	41,582	43,661	45,844	48,136	50,543	53,070	55,724
Depreciation	465,600	327,960	234,140	816,338	558,617	384,776	1,275,148	862,857	585,771	1,868,364
	2,738,760	2,774,857	2,874,725	3,929,120	3,900,425	3,984,560	5,660,427	5,559,220	5,634,384	8,164,989
Profit before Taxation	(578,760)	249,143	1,094,275	1,071,820	2,225,727	3,366,821	3,023,393	4,571,903	6,067,063	5,238,486
Taxation	-	-	93,230	375,137	779,004	1,178,387	1,058,187	1,600,166	2,123,472	1,833,470
Profit after Taxation	(578,760)	249,143	1,001,045	696,683	1,446,722	2,188,434	1,965,205	2,971,737	3,943,591	3,405,016
Accumulated Profit B/F	-	(578,760)	(329,617)	671,428	1,368,111	2,814,833	5,003,267	6,968,472	9,940,209	13,883,800
Accumulated Profit Carried to Balance Sheet	(578,760)	(329,617)	671,428	1,368,111	2,814,833	5,003,267	6,968,472	9,940,209	13,883,800	17,288,816

10.2 Projected Balance Sheet

	Year-1	Year-2	Year-3	Year-4	Year-5	Year-6	Year-7	Year-8	Year-9	Year-10
Tangible Fixed Assets	1,430,400	1,102,440	868,300	2,011,046	1,452,429	1,067,653	2,846,735	1,983,878	,398,107	3,981,280
Long Term Deposits										
Building Security	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Current Assets:										
Stores & Spares	27,610	28,990	30,440	33,392	35,062	36,815	38,655	40,588	42,617	46,659
Advances, Deposits & Other Receivables	325,770	354,750	387,744	437,989	474,979	517,832	586,902	634,680	690,742	784,520
Cash in Hand / Bank	86,840	515,115	1,533,991	1,059,372	3,157,669	5,814,563	5,850,636	10,196,812	15,212,299	15,729,475
Total Current Assets	440,220	898,856	1,952,175	1,530,752	3,667,710	6,369,210	6,476,193	10,872,080	15,945,659	16,560,654
Total Assets	2,170,620	2,301,296	3,120,474	3,841,798	5,420,139	7,736,863	9,622,928	13,155,958	17,643,766	20,841,934
Owners Equity:										
Capital Introduced	1,336,372	1,336,372	1,336,372	1,336,372	1,336,372	1,336,372	1,336,372	1,336,372	1,336,372	1,336,372
Accumulated Profits	(578,760)	(329,617)	671,428	1,368,111	2,814,833	5,003,267	6,968,472	9,940,209	13,883,800	17,288,816
Total Owners Equity	757,612	1,006,755	2,007,800	2,704,483	4,151,205	6,339,639	8,304,844	11,276,581	15,220,172	18,625,188
Long Term Loan	1,069,098	801,823	534,549	267,274						
Current Liabilities:										
Current Portion of Long Term Loan	267,274	267,274	267,274	267,274	267,274	-	-	-	-	-
Accrued Charges	76,636	141,252	152,139	180,857	194,591	209,482	259,896	279,211	300,122	383,275
Mark - up payable	-	84,191	65,482	46,773	28,064	9,355				
Provision for Taxation	-	-	93,230	375,137	779,004	1,178,387	1,058,187	1,600,166	2,123,472	1,833,470
Total Current Liabilities	343,910	492,718	578,126	870,041	1,268,934	1,397,224	1,318,084	1,879,377	2,423,594	2,216,746
Total Liabilities & Equity	2,170,620	2,301,296	3,120,474	3,841,798	5,420,139	7,736,863	9,622,928	13,155,958	17,643,766	20,841,934

10.3 Projected Cash Flow Statement

	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5	Year - 6	Year - 7	Year - 8	Year - 9	Year - 10
Profit before Taxation	(578,760)	249,143	1,094,275	1,071,820	2,225,727	3,366,821	3,023,393	4,571,903	6,067,063	5,238,486
Depreciation	465,600	327,960	234,140	816,338	558,617	384,776	1,275,148	862,857	585,771	1,868,364
	(113,160)	577,103	1,328,416	1,888,158	2,784,343	3,751,597	4,298,541	5,434,760	6,652,833	7,106,851
Stores & Spares	(27,610)	(1,380)	(1,450)	(2,952)	(1,670)	(1,753)	(1,840)	(1,933)	(2,029)	(4,042)
Advances, Deposits & Other Receivables	(325,770)	(28,980)	(32,994)	(50,245)	(36,990)	(42,854)	(69,070)	(47,778)	(56,062)	(93,777)
Accrued Charges	76,636	64,616	10,887	28,718	13,735	14,891	50,415	19,314	20,912	83,153
Mark - up payable	-	84,191	(18,709)	(18,709)	(18,709)	(18,709)	(9,355)	0	0	0
	(276,744)	118,447	(42,266)	(43,188)	(43,634)	(48,425)	(29,850)	(30,397)	(37,179)	(14,666)
<u>Cash from other Sources</u>										
Sponsors' Equity	1,336,372	-	-	-	-	-	-	-	-	-
Debt Financing	1,336,372	-	-	-	-	-	-	-	-	-
	2,672,744	-	-	-	-	-	-	-	-	-
Total Sources	2,282,840	695,550	1,286,150	1,844,970	2,740,709	3,703,172	4,268,691	5,404,363	6,615,654	7,092,185
<u>Applications:</u>										
Fixed Assets	1,896,000	-	-	1,959,084	-	-	3,054,230	-	-	4,451,537
Income Tax paid	-	-	-	93,230	375,137	779,004	1,178,387	1,058,187	1,600,166	2,123,472
Long Term Deposits	300,000	-	-	-	-	-	-	-	-	-
Re -Payment of Loan	-	267,274	267,274	267,274	267,274	267,274	-	-	-	-
	2,196,000	267,274	267,274	2,319,589	642,411	1,046,279	4,232,617	1,058,187	1,600,166	6,575,009
Cash Increase/(Decrease)	86,840	428,275	1,018,876	(474,619)	2,098,298	2,656,893	36,073	4,346,176	5,015,488	517,176
Opening Balance	-	86,840	515,115	1,533,991	1,059,372	3,157,669	5,814,563	5,850,636	10,196,812	15,212,299
Closing Balance	86,840	515,115	1,533,991	1,059,372	3,157,669	5,814,563	5,850,636	10,196,812	15,212,299	15,729,475

11 KEY ASSUMPTIONS

Project Assumptions	
Projected Life of The Project in Years	10
Sponsors' Equity	50%
Debt Financing	50%
Annual Mark Up Rate (Short Term & Long Term)	14%
Debt Tenure in Years	5
General Inflation Rate	5%

Operating Assumptions	
Total No. of Days in One Year	365
Total No. of Months in One Year	12
No of Working Days in One Year	300
No. of Batches	3

Depreciation Rate Assumptions	
Items	% age of Written Down Value
Tools & Equipment	10%
Fittings & Installations	10%
Office Equipments	10%
Furniture & Fixtures	10%
Vehicles	33%

Revenue Assumptions	
Fee income per Student (Rs.)	4,000
Number of Batches	3
Students per Batch	15
Expected Number of Students per month	45
Expected increase per Month per each succeeding year	15

Working Capital Turnover Assumptions

	Days	
Stores and Spares	30	Stores & Spares Consumption
Accounts Payable		
Expenses	30	Of Total Annual Expenditure