
Pre-Feasibility Study

COMMERCIAL EMBROIDERY UNIT



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

www.smeda.org.pk

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

helpdesk@smeda.org.pk

REGIONAL OFFICE PUNJAB	REGIONAL OFFICE SINDH	REGIONAL OFFICE KHYBER PAKTUNKHWA	REGIONAL OFFICE BALOCHISTAN
3 rd Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road, Lahore. Tel: (042) 111 111 456, Fax: (042) 36304926-7 helpdesk.punjab@smeda.org.pk	5 th Floor, Bahria Complex II, M.T. Khan Road, Karachi. Tel: (021) 111-111-456 Fax: (021) 35610572 helpdesk-khi@smeda.org.pk	Ground Floor State Life Building The Mall, Peshawar. Tel: (091)111 111 456, 9213046-7 Fax: (091) 5286908 helpdesk-pew@smeda.org.pk	Bungalow No. 15-A Chamn Housing Scheme Airport Road, Quetta. Tel: (081) 2831623, 2831702 Fax: (081) 2831922 helpdesk-qta@smeda.org.pk

June 2018

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1 DISCLAIMER

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DOCUMENTCONTROL

Document No.	PREF-NO. 42
Revision	No. 3
Prepared by	SMEDA-Punjab
Revision Date	June 2018
For Information	Provincial Chief (Punjab) ianjua@smeda.org.pk

2 EXECUTIVE SUMMARY

The demand for commercial embroidery is continually rising due to urbanized population and changing life styles. Although there are a number of local manufacturers producing good quality of embroidered cloths but still a huge demand exists for potential investment in the embroidery business in Pakistan.

This particular pre-feasibility study is for setting up a commercial embroidery unit. The focus of the business would be to provide quality embroidery services to garments and fabric manufacturers and traders. The proposed business venture should preferably be located in any of the major urban cities of Pakistan; to reduce initial capital investment, the proposed unit is to be established at rental premises.

The proposed machine can stitch 37,500 stitches in 1 hour. This unit will stitch 25,920 million stitches in 300 working days with 4 embroidery machines on 24 operational hours per day, however, initial operational capacity is assumed at 80%, whereas, maximum operational capacity utilization is at 100%. This production capacity is estimated to be economically viable and justifies the capital as well as operational cost of the project. However, entrepreneur's knowledge of embroidered clothing industry, attractive designing, competitive pricing and strong linkage with suppliers and wholesalers network are factors for the success of this project.

The estimated total cost of the proposed commercial embroidery unit is Rs. 21.29 million out of which Rs. 17.94 million is the capital cost and Rs. 3.36 million is for working capital. The project is to be financed through 50% debt and 50% equity. The project NPV is around Rs. 1.71 million, with an IRR of 24% and Payback Period of 3.16 years. The project will provide employment opportunities to 27 individuals including owner / manager. The legal business status of this project is proposed as 'Sole Proprietorship'.

3 INTRODUCTION TO SMEDA

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with an objective to provide fresh impetus to the economy through development of Small and Medium Enterprises (SMEs).

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs" , SMEDA has carried out 'sectoral research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

Preparation and dissemination of prefeasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the prefeasibility studies, a broad spectrum of business development services is also offered to the SMEs by SMEDA. These services include identification of experts and consultants and delivery of need based capacity building programs of different types in addition to business guidance through help desk services.

4 PURPOSE OF THE DOCUMENT

The objective of the pre-feasibility study is primarily to facilitate potential entrepreneurs in project identification for investment. The project pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document / study covers various aspects of project concept development, start-up, production, marketing, finance, and business management.

The purpose of this document is to facilitate potential investors in **Commercial Embroidery 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 its successful management.

Apart from carefully studying the whole document, one must consider critical aspects provided later on, which shall form the basis of any investment decision.

5 BRIEF DESCRIPTON OF PROJECT & PRODUCT

The proposed project is designed as a small scale commercial embroidery unit. This unit will be capable of providing its services to local garments and fabric manufacturers as well as those garment manufacturers who are dealing in exports and require embroidery work on their garments.

This sort of project is quite flexible in a way that there is no processing of raw materials required and each machine is independent in its working. The project can be started even with a single machine. However, keeping in view the potential and industry norms, the project will be more feasible and economical with two or four embroidery machines.

Due to the increase in number of commercial embroidery units and competition, there are chances that the market rates may reduce. However, this can be tackled by providing different value added services to customers.

Another major threat to the business is credit factor. This is also related to the competition. The customers may ask for credit facility for a longer period, and this can disturb the cash

cycles of the unit. This can be avoided by making a similar policy for all customers, so there will be no complaints from customers and cash cycle will not be disturbed.

5.1 Production Process Flow

The production process flow of commercial embroidery unit starts with the purchasing of fabric from the market, depending whether customer provides the fabric or not. Then comes the designing and tracing phase.

The designs are developed either in house by employing a full time designer or can be out sourced. After the completion of designing stage the designs are loaded on the machines and then embroidery work is done by the machines on the fabrics with the help of embroidery threads. Finally embroidered cloths are to be packed and dispatched to the customers.

Figure 1: Production Process Flow



5.2 Installed & Operational Capacities

The installed and operational capacities of the commercial embroidery unit mainly depends upon the 04 installed machinery.

The pre-feasibility study is based on an installed capacity of 86,400,000 stitches per day on 24 hours basis while maximum capacity utilization of the unit is assumed at 100%. However, during 1st year of operation unit will operate at 80% capacity and will stitch 69,120,000 stitches per day.

The details of operational and installed capacity is provided in the table below:

Table 1: Installed and Operational Capacities

Description	Product Mix	Total Installed Production Capacity (Stitches)	Operation Capacity year 1 @ 80% (Stitches)
Local Design	75%	19,440,000,000	15,552,000,000
Foreign Design	25%	6,480,000,000	5,184,000,000
Total	100%	25,920,000,000	20,736,000,000

6 CRITICAL FACTORS

Following points should also be ensured to make the business successful:

- ⇒ 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 or local orders. Delay in delivery can cost as high as losing a customer.
- ⇒ Continuous flow of 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

According to the estimate given by the industry and machine sellers, there are thousands of embroidery machines operational in Pakistan. Most of embroidery factories are located in Karachi, Lahore, Faisalabad and Sialkot. A few factories are also located in Hyderabad, Multan and Rawalpindi.

Therefore, any of the above cities would be a suitable location for setting up a commercial embroidery unit. Raw material and labor is easily accessible in these cities.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Demand of Pakistani embroidery is gaining momentum globally. Orders are being placed from Saudi Arabia, United Arab Emirates, United Kingdom, United States, Belgium and

Oman. Pakistan has a great potential to compete in the global market, particularly in the Middle East markets. With little effort it can gain a reasonable share.

According to industry estimates, about 75% of the embroidered products are used in local (Pakistani) market. The products include women / men suits, table & sofa cover, bed sheets, badges, logos, T-shirt, caps, etc. About 25% of the embroidered products are exported to different countries. These products include T-shirts, caps, badges, logos, women / men suits, etc.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyse the commercial viability of the proposed Commercial Embroidery Unit. Various costs and revenue related assumptions along with results of the analysis are outlined in this section.

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

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 22.81 million in the year one. The capacity utilization during year one is worked out at 80% with 5% increase in subsequent years up to the maximum capacity utilization of 100%.

The following table shows Internal Rate of Return, Payback Period and Net Present Value:

Table 2: Project Economics

Description	Details
IRR	24%
NPV	Rs. 1,708,373
Pay Back Period (years)	3.16

9.2 Project Financing

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

Table 3: Project Financing

Description	Details
Total Equity	Rs. 10,646,483
Debt financing	Rs. 10,646,483
Interest rate	12%
Debt tenure (years)	5

9.3 Project Cost

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

Table 4: Project Cost

Description	Amount Rs.
Capital Investment	
Machinery & Equipment	17,250,000
Furniture & Fixtures	265,000
Office Equipment	110,000
Pre-operating Costs	312,776
Total Capital Costs	17,937,776
Working Capital	
Equipment Spare Part Inventory	4,000
Raw Material Inventory	495,566
Upfront Building Rent	1,200,000
Upfront Insurance Payment	690,000
Cash	965,623
Total Working Capital	3,355,189
Total Investment	21,292,965

9.4 Space Requirement

In order to reduce the initial capital expenditure, the proposed Commercial Embroidery Unit will be established on a rental premises. Therefore, space may be acquired in the industrial state or in outskirts of big cities where skilled workers are available. The rent of the building will depend on the area and geographical location of the unit. An estimated area of 3,700 sq. ft. will be required for the proposed venture.

The area requirement has been calculated on the basis of space requirement for production, management and storage. However, the units operating in the industry do not follow any set pattern. Following table shows calculations for project space requirement:

Table 5: Space Requirement

Description	Area Required (Sq. Ft.)
Management Room	200
Wash Room	50
Machine Hall space requirement	2,250
Raw Material & Finished Garment Store	1,000

Designing Room	200
Total Area Required	3,700

For this particular pre-feasibility the rent amount has been determined at Rs. 100,000 per month.

9.5 Machinery and Equipment Requirement

Following table provides list of plant and machinery required for an average size Commercial Embroidery Unit:

Table 6: Machinery and Equipment Requirement

Description	Quantity	Cost per Unit	Amount Rs.
Commercial Embroidery Machine (24 Heads)	4	3,840,000	15,360,000
Designing Software Cost	1	50,000	50,000
Factory Fixture Cost			40,000
UPS for Machines (5KW)	4	200,000	800,000
Generator - 25 KW			1,000,000
Total Machinery and Equipment			17,250,000

9.6 Furniture and Fixture Requirement

The details of required furniture and fixture for the proposed Commercial Embroidery unit are provided in the following table:

Table 7: Furniture and Fixture Requirement

Description	Quantity	Cost per Unit	Amount Rs.
Furniture	1	50,000	50,000
Electric wiring & lighting	1	75,000	75,000
Air Conditioners	2	70,000	140,000
Total Furniture & Fixtures			265,000

9.7 Office Equipment Requirement

Following office equipment will be required for the proposed venture:

Table 8: Office Equipment Requirement

Description	Quantity	Cost per Unit	Amount Rs.
Computers	2	40,000	80,000
Computer printer (s)	1	25,000	25,000
Telephones	2	2,500	5,000

Total Office Equipment			110,000
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9.8 Human Resource Requirement

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

Table 9: Human Resource Requirement

Description	No. of Employees	Salary per Employee per Month
CEO	1	50,000
Shift Incharge	2	25,000
Admin Officer	1	20,000
Security Guard	2	16,000
Sweeper	1	15,000
Designer/Tracer	1	30,000
Supervisor	1	30,000
Machine Operator	8	20,000
Helper	8	15,000
Clippers	2	15,000
Total	27	

It is assumed that the owner would have prior experience or knowledge about the Commercial Embroidery Business. Salaries of all employees are estimated to increase at 10% annually.

9.9 Raw Material Requirement

Main raw materials required are thread and sequence which is readily available in the markets. Following are the details of raw material required for embroidery fabrics.

Table 10: Raw Material Requirement

Description	Cost Per 1,000 stitches (Rs.)	
	Local Design	Foreign Design
Thread	0.22	0.22
Fusing Paper	0.05	0.10

9.10 Other Costs

An essential cost to be borne by the business is the cost of electricity; the annual electricity expenses are estimated as Rs. 1,068,480 in year 1. This project also requires

marketing and promotional activities; for which approximately Rs. 500,000 will be spent on marketing and promotion. Similarly, during 1st year of operation communication and office expenses are estimated at Rs. 60,000 and Rs. 432,000 respectively. The cost of maintenance of machinery is assumed as Rs. 48,000 per annum.

9.11 Revenue Generation

Following tables provide assumption for revenues and costs of the proposed Commercial Embroidery Unit during first year of operation:

Table 11: Revenue Generation in First Year

Description	Product Mix Percentage	Number of Stitches (000)	Sales Price per 1,000 Stitches (Rs.)	Revenue (Rs.)
Local Design	75%	15,552,000	0.80	12,441,600
Foreign Design	25%	5,184,000	2.00	10,368,000
Total	100%			22,809,600

10 CONTACT DETAILS

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project are given in table below:

10.1 Machinery Suppliers

Name of Supplier	Address	Phone	E-mail / Website
Rehman Enterprises	13-Westwood Colony, Canal Bank Road, Lahore	0423-74992113 0323-4301330	infoswmmachines@gmail.com www.swmmachines.com
AL MURTAZA Machinery (Pvt.) Ltd.	84 J-1, M. A. Johar Town, Lahore.	042-35316171	www.al-murtazamachines.com

10.2 Raw Material Suppliers

Suppliers Available In	Address
Azam Cloth Market	Lahore
Rang Mahal	Lahore
Madina Market	Karachi
Ghanta Ghar Chowk	Faisalabad

Hussain Agahi Bazar	Multan
Ganj Bazar	Bahawalpur

11 USEFUL LINKS

Small & Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
Government of Pakistan	www.pakistan.gov.pk
Ministry of Industries & Production	www.moip.gov.pk
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 Baluchistan	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 & Exchange 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
Punjab Industrial Estates (PIE)	www.pie.com.pk
Faisalabad Industrial Estate Development and Management Company (FIEDMC)	www.fiedmc.com.pk
Pakistan Institute of Fashion Design (PIFD)	www.pifd.edu.pk
Pakistan Fashion Design Council (PFDC)	www.pfdc.org
Ministry of Textile Industry	www.textile.gov.pk
PREGMEA (Pakistan Readymade Garment Manufacturers and Exporters Association)	www.prgmea.org

12 ANNEXURES

12.1 Income Statement

Calculations										
Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	22,809,600	26,052,840	29,654,262	33,649,350	38,076,896	40,932,663	44,002,613	47,302,809	50,850,520	54,664,309
<i>Cost of sales</i>										
Raw Material Cost	5,946,789	6,634,386	7,375,876	8,174,929	9,035,448	9,487,221	9,961,582	10,459,661	10,982,644	11,531,776
Direct Labor	4,440,000	4,872,285	5,346,657	5,867,215	6,438,456	7,065,313	7,753,202	8,508,064	9,336,421	10,245,429
Machinery Maintenance	48,000	50,400	52,920	55,566	58,344	61,262	64,325	67,541	70,918	74,464
Direct Electricity	779,520	911,064	1,061,122	1,232,080	1,426,619	1,569,281	1,726,209	1,898,830	2,088,713	2,297,584
Generator running cost	945,000	1,039,500	1,143,450	1,257,795	1,383,575	1,521,932	1,674,125	1,841,538	2,025,691	2,228,261
Total cost of sales	12,159,309	13,507,635	14,980,025	16,587,586	18,342,442	19,705,008	21,179,442	22,775,634	24,504,388	26,377,513
Gross Profit	10,650,291	12,545,205	14,674,237	17,061,764	19,734,454	21,227,655	22,823,171	24,527,175	26,346,132	28,286,795
<i>General administration & selling expenses</i>										
Administration expense	2,004,000	2,199,112	2,413,221	2,648,176	2,906,006	3,188,938	3,499,418	3,840,126	4,214,006	4,624,288
Building rental expense	1,200,000	1,320,000	1,452,000	1,597,200	1,756,920	1,932,612	2,125,873	2,338,461	2,572,307	2,829,537
Electricity expense	288,960	337,722	393,347	456,719	528,833	581,716	639,888	703,877	774,264	851,691
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
Generator maintenance expense	100,000	110,000	121,000	133,100	146,410	161,051	177,156	194,872	214,359	235,795
Office expenses (stationary, entertainment, janitorial services, etc.)	432,000	475,200	522,720	574,992	632,491	695,740	765,314	841,846	926,030	1,018,633
Promotional expense	500,000	450,000	405,000	364,500	328,050	295,245	265,721	239,148	215,234	193,710
Insurance expense	690,000	621,000	552,000	483,000	414,000	345,000	276,000	207,000	138,000	69,000
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	1,788,167	1,788,167	1,788,167	1,793,946	1,793,946	1,793,946	1,800,637	1,800,637	1,800,637	1,808,382
Amortization of pre-operating costs	62,555	62,555	62,555	62,555	62,555	-	-	-	-	-
Subtotal	7,225,682	7,539,756	7,903,610	8,327,148	8,803,467	9,251,931	9,833,457	10,477,761	11,197,811	12,008,308
Operating Income	3,424,610	5,005,449	6,770,627	8,734,616	10,930,987	11,975,724	12,989,714	14,049,414	15,148,321	16,278,487
Other income (interest on cash)	-	-	-	-	-	-	-	-	-	-
Earnings Before Interest & Taxes	3,424,610	5,005,449	6,836,627	8,734,616	10,930,987	12,085,128	12,989,714	14,049,414	15,291,469	16,278,487
Interest expense on long term debt (Debt facility : Bank 1)	1,188,607	978,927	750,731	483,527	182,271	13,789	11,078	7,832	15,962	12,824
Subtotal	1,188,607	978,927	750,731	483,527	182,271	13,789	11,078	7,832	15,962	12,824
Earnings Before Tax	2,236,003	4,026,522	6,085,897	8,251,089	10,748,716	12,071,339	12,978,636	14,041,582	15,275,506	16,265,663
Taxable earnings for the year	2,236,003	4,026,522	6,085,897	8,251,089	10,748,716	12,071,339	12,978,636	14,041,582	15,275,506	16,265,663
Tax	291,700	727,456	1,349,563	2,107,380	2,981,550	3,444,468	3,762,022	4,134,053	4,565,927	4,912,481
NET PROFIT/(LOSS) AFTER TAX	1,944,303	3,299,065	4,736,334	6,143,708	7,767,166	8,626,871	9,216,614	9,907,529	10,709,580	11,353,182

12.2 Balance Sheet

Calculations											SMEDA
Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
<i>Current assets</i>											
Cash & Bank	965,623	2,895,333	6,590,647	12,175,456	19,618,339	29,267,150	42,826,723	57,261,708	72,718,612	89,382,241	111,749,791
Accounts receivable		114,048	244,312	278,536	316,518	358,631	395,048	424,676	456,527	490,767	527,574
Finished goods inventory		253,319	281,409	312,084	345,575	382,134	410,521	441,238	474,492	510,508	549,532
Equipment spare part inventory	4,000	4,410	4,862	5,360	5,910	6,516	7,183	7,920	8,731	9,626	-
Raw material inventory	495,566	580,509	677,659	788,625	915,220	1,009,030	1,112,456	1,226,483	1,352,197	1,490,797	-
Pre-paid building rent	1,200,000	1,320,000	1,452,000	1,597,200	1,756,920	1,932,612	2,125,873	2,338,461	2,572,307	2,829,537	-
Pre-paid insurance	690,000	621,000	552,000	483,000	414,000	345,000	276,000	207,000	138,000	69,000	-
Total Current Assets	3,355,189	5,788,619	9,802,889	15,640,261	23,372,482	33,301,073	47,153,804	61,907,485	77,720,867	94,782,477	112,826,896
<i>Fixed assets</i>											
Machinery & equipment	17,250,000	15,525,000	13,800,000	12,075,000	10,350,000	8,625,000	6,900,000	5,175,000	3,450,000	1,725,000	-
Furniture & fixtures	265,000	238,500	212,000	185,500	159,000	132,500	106,000	79,500	53,000	26,500	-
Office equipment	110,000	73,333	36,667	127,339	84,893	42,446	147,411	98,274	49,137	170,646	113,764
Total Fixed Assets	17,625,000	15,836,833	14,048,667	12,387,839	10,593,893	8,799,946	7,153,411	5,352,774	3,552,137	1,922,146	113,764
<i>Intangible assets</i>											
Pre-operation costs	312,776	250,221	187,666	125,110	62,555	-	-	-	-	-	-
Total Intangible Assets	312,776	250,221	187,666	125,110	62,555	-	-	-	-	-	-
TOTAL ASSETS	21,292,965	21,875,673	24,039,221	28,153,211	34,028,929	42,101,019	54,307,215	67,260,259	81,273,004	96,704,623	112,940,660
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Total Current Liabilities	-										
<i>Other liabilities</i>											
Deferred tax		291,700	1,019,157	2,368,720	4,476,100	7,457,650	10,902,118	14,664,140	18,798,193	23,364,120	28,276,601
Long term debt (Debt facility : Bank 1)	10,646,483	8,993,188	7,130,214	5,094,637	2,719,267	42,641	103,792	78,200	49,362	120,152	90,526
Total Long Term Liabilities	10,646,483	9,284,888	8,149,370	7,463,357	7,195,367	7,500,291	11,005,910	14,742,340	18,847,555	23,484,272	28,367,127
<i>Shareholders' equity</i>											
Paid-up capital	10,646,483	10,646,483	10,646,483	10,710,152	10,710,152	10,710,152	10,783,857	10,783,857	10,783,857	10,869,180	10,869,180
Retained earnings		1,944,303	5,243,368	9,979,702	16,123,410	23,890,576	32,517,447	41,734,062	51,641,591	62,351,171	73,704,353
Total Equity	10,646,483	12,590,785	15,889,851	20,689,854	26,833,562	34,600,728	43,301,305	52,517,919	62,425,448	73,220,351	84,573,533
TOTAL CAPITAL AND LIABILITIES	21,292,965	21,875,673	24,039,221	28,153,211	34,028,929	42,101,019	54,307,215	67,260,259	81,273,004	96,704,623	112,940,660

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		1,944,303	3,299,065	4,736,334	6,143,708	7,767,166	8,626,871	9,216,614	9,907,529	10,709,580	11,353,182
Add: depreciation expense		1,788,167	1,788,167	1,788,167	1,793,946	1,793,946	1,793,946	1,800,637	1,800,637	1,800,637	1,808,382
amortization of pre-operating costs		62,555	62,555	62,555	62,555	62,555	-	-	-	-	-
Deferred income tax		291,700	727,456	1,349,563	2,107,380	2,981,550	3,444,468	3,762,022	4,134,053	4,565,927	4,912,481
Accounts receivable		(114,048)	(130,264)	(34,223)	(37,983)	(42,113)	(36,417)	(29,629)	(31,851)	(34,240)	(36,807)
Finished goods inventory		(253,319)	(28,090)	(30,675)	(33,491)	(36,560)	(28,387)	(30,717)	(33,254)	(36,016)	(39,025)
Equipment inventory	(4,000)	(410)	(452)	(498)	(549)	(606)	(668)	(736)	(812)	(895)	9,626
Raw material inventory	(495,566)	(84,943)	(97,150)	(110,967)	(126,595)	(93,810)	(103,426)	(114,027)	(125,714)	(138,600)	1,490,797
Pre-paid building rent	(1,200,000)	(120,000)	(132,000)	(145,200)	(159,720)	(175,692)	(193,261)	(212,587)	(233,846)	(257,231)	2,829,537
Advance insurance premium	(690,000)	69,000	69,000	69,000	69,000	69,000	69,000	69,000	69,000	69,000	69,000
Cash provided by operations	(2,389,566)	3,583,005	5,558,287	7,684,056	9,818,252	12,325,437	13,572,127	14,460,577	15,485,742	16,678,162	22,397,176
<i>Financing activities</i>											
Debt facility : Bank 1 - principal repayment		(1,653,295)	(1,862,974)	(2,099,246)	(2,375,370)	(2,676,626)	(12,554)	(25,592)	(28,838)	(14,533)	(29,626)
Additions to Debt facility : Bank 1	10,646,483	-	-	63,669	-	-	73,705	-	-	85,323	-
Issuance of shares	10,646,483	-	-	63,669	-	-	73,705	-	-	85,323	-
Cash provided by / (used for) financing activities	21,292,965	(1,653,295)	(1,862,974)	(1,971,907)	(2,375,370)	(2,676,626)	134,856	(25,592)	(28,838)	156,113	(29,626)
<i>Investing activities</i>											
Capital expenditure	(17,937,776)	-	-	(127,339)	-	-	(147,411)	-	-	(170,646)	-
Cash (used for) / provided by investing activities	(17,937,776)	-	-	(127,339)	-	-	(147,411)	-	-	(170,646)	-
NET CASH	965,623	1,929,710	3,695,313	5,584,810	7,442,882	9,648,811	13,559,573	14,434,985	15,456,904	16,663,629	22,367,550

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Communication Expense	Rs. 60,000
Office Expenses	Rs. 432,000
Promotional Expense	Rs. 500,000
Professional Fees (legal, audit, consultants, etc.)	Rs. 100,000

13.2 Revenue Assumptions

Description	Details
Growth in Sales Price	7.5%
Days Operational / Year	300
Production Capacity / Year (No. of Stitches)	25,920,000,000
Production Capacity in First Year	80%
Percentage Increase in Production Capacity every Year	5%
Maximum Production Capacity	100%

13.3 Financial Assumptions

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	12%
Debt Tenure	5 Years