

Pre-Feasibility Study

GAMING ZONE



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

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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 financial aspects, niche marketing, technology up gradation 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, urban 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.

¹ For more information on services offered by SMEDA, please visit our website: www.smeda.org.pk

1 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, finance and business management.

2 PROJECT PROFILE

The project is about starting the business of a Gaming Zone at Quetta, Balochistan. The proposed plan is to offer complete package of LAN gaming facilities for gamers, at both national and international level.

2.1 Project Brief

The proposed feasibility report focuses on establishment of a “Gaming Zone”. A LAN Gaming Center is a business where one can use a computer connected over a LAN to other computers, primarily for the purpose of playing multiplayer computer games. Use of these computers or game consoles costs a fee, usually per hour or minute; sometimes one can have un-metered access with a pass for a day or month, etc. It may or may not serve as a regular café as well, with food and drinks being served.

The project would serve as a place where game lovers could play and enjoy the LAN gaming at best. Initially the project is proposed to attract youngsters but after its maturity, LAN gaming tournaments at national level could also become a major part of its customer base.

The main features of the project would include lavish technology, clean environment, superlative sitting arrangements, refreshments and other basic entertainment facilities.

2.2 Opportunity Rationale

LAN gaming is becoming one of the most rapidly increasing industry in all over the world. By 2010, the online game market is expected to reach \$4.4 billion, up from \$1.1 billion in revenues last year. That figure is based on interviews and estimates of different segments of the game industry including publishers, distribution services, casual Web-based services, and also derivative revenues like in-game advertising and commodity exchange. Supporting these revenues are PC gamers who spend an average of 18.5 hours per week playing games, and 70 percent of PC gamers take part in multiplayer mode online. In comparison, console gamers play an average 13.6 hours per week, portable games are played 8.9 hours on average, and mobile games about 4.6 hours.

IT industry in Pakistan is characterized by low barriers to entry, a preponderance of small companies, an essentially deregulated environment and a highly competitive market place. Pakistan has a 2.8 billion dollar IT industry with annual IT exports worth USD 1.4 billion. IT industry consists of different sectors like Animation – Business process outsourcing – web & Gaming etc.

In the last few years, a tremendous growth in multiplayer gaming in Pakistan is observed with the support of gaming cafes establishing across the country. To promote internet gaming in Pakistan, a local DSL service provider introduced a value added service for all broadband users '3G Pavilion' a Multiplayer gaming network promoting free multiplayer gaming in Pakistan. Large gamer communities in Pakistan prefer playing at gaming cafe's local LAN parties rather than playing online due to non accessibility of high speed internet.

2.3 Market Entry Timing

Since gaming activities take place all around the year and Gaming Zones operate in a closed environment with controlled temperatures, therefore, there is no need to analyze market entry timings in any aspect. However, for such a business to take a boost-up start, the investor may launch the formal operations immediately after the start of the winter vacations.

2.4 Proposed Business Legal Status

Although the legal status of the business tends to play an important role in any setup, the Gaming Zone business is proposed to be operated on a sole proprietorship basis which may extend to partnership in case of future expansion. Also less complications and costs are involved in forming, administering and running such a setup and the tax rates applicable for such arrangement are lower than private or public limited.

2.5 Project Capacity and Rationale

The project is proposed to have twenty five (25) separate computers stations/game stations at start. After project's maturity and especially during the tournaments, the gaming zone could entertain a wider base as required.

2.6 Proposed Product Mix

The business setup is proposed to have the following products/services:

1. 25 computers with lavish sitting arrangement to provide a pleasurable experience to customers for LAN gaming.
2. Refreshment services including juices – soft drinks & fast food etc.
3. Internet facility.

To make the project's operations smooth and less hectic for the gamers, it is proposed that the kitchen (fast food and beverages) should be handed over to the second party on Theka basis through contractual arrangements. The second party contractee will be responsible for arranging experienced cooks and installing required kitchen machinery & equipments.

2.7 Project Investment

The total investment required for this project is 1.7 M. The investment mainly covers capital costs of 1.3 M and working capital requirement of 0.38 M.

2.8 Recommended Project Parameters

Capacity	Human Resource	Location
25 Game Stations	6	Quetta, Balochistan

Financial Summary				
Project Cost	IRR	NPV	Payback Period	Cost of Capital
1.7 million	83%	11,436,803	1.6 Yrs	12%

2.9 Proposed Location

The proposed location for the project could be in any of the following areas in Quetta such as Masjid road, Jinnah road, Samunli road, Kanvari road, and Alamdar road etc. But due to the availability of infrastructure and comparatively high traffic rate, it is highly recommended to establish such a project near Masjid road to increase its viability. However, such a project could also be established on Satellite town and adjacent areas after careful analysis of market demand and project viability.

2.10 Key Success Factors/Practical Tips for Success

- Location plays the most important role for such a project to attract maximum gamers.
- Trained personnel like Computer administrator, for the project would add towards the success of the project.
- Awareness amongst the general people would attract more customers therefore; use of proper marketing techniques is important
- Quality of refreshment services and cleanliness of the vicinity would attract more gamers.
- Arrangements of regular tournaments
- Variety of games for every age group
- Use of up-to-date game stations with latest equipments

3 CURRENT DOMESTIC GAMING ZONE INDUSTRY STRUCTURE

Gaming market in Pakistan is developed incredibly in the last few years. For one segment of the population, youth market (school and college students) gaming zones are virtually becoming a commonplace. This increase has been observed because of the latest inclusion of technology at reasonable prices and availability of the cheap CD copies at every corner of the country.

In Pakistan, the leading name in gaming zone market is “Wired up Gaming Zone” with two major sponsors “Wateen” and “Djuice” for establishing of LAN gaming tournaments at national and international level. Computer, video and online games are woven into the fabric of everyday life for youth market. A recent announcement of 'Electronic Sports World Cup (ESWC) Paris' for the year 2007 that the winners of ESWC Pakistan qualifiers 2007 will be sent to Paris to participate in the Grand Finals of the ESWC 2007 is a great step for the up comings of Pakistan electronic sports.

Different tournaments of LAN gaming are held all over the world which includes both national and international status. Internationally “world cyber games (WCG)” & “Electronic Sports World Cup (ESWC)” acquire the highest names when it comes to international gaming tournaments. Different game tournaments are played including War craft 3, Star Craft, Counter strike 1.6, FIFA, Need for speed and Age of empire etc, in which members from all over the world participates.

In Pakistan LAN gaming is increasing very rapidly and major cities like Karachi, Islamabad & Lahore conducts different tournaments at national level under “Wired up Gaming Zone”. There are approximately 20 – 25 gaming zones only in Quetta City and the majority are found near Mariabad. The biggest names on the list that supports LAN gaming at provisional & national level are Raider Gaming Zone on Toghi Road and Mega Gaming Zone in Serena Hotel.

Others Include:

- Iqra Gaming zone on mission road
- Pirana Gaming zone on Samungli road near Shehbaz Town
- Universal Gaming zone, Mariabad & etc.

The major games played in Gaming zones in Quetta are:

- ✓ Counter Strike
- ✓ Dota
- ✓ Warcraft
- ✓ Call of duty 4
- ✓ FIFA
- ✓ Need for Speed

4 MARKETING STRATEGY

4.1 Target Customers

The target customers for gaming zones mainly are students falling in the age group of 12-25. However, older age participants/players are also observed in gaming zones in different parts of the country.

4.2 Promotional Strategies

The trend of Gaming zones is increasing day by day in the upper and middle class and now they are spreading from big cities to smaller ones. This demand can be properly tapped by utilizing the following strategies.

4.2.1 Promotion through media

The most important issue when having a LAN party is getting the word out. Using a web page is a popular way of doing this. Popular web sites like Blue's News and LAN party.com publish information about LAN parties. It is good to get a party listed here for more visibility. Other web resources are some of the banner ad organizations. Local newspapers and the news media are also used as publicity draws.

4.2.2 Prizes from sponsors

Sponsors are necessary for large-scale events. The more prizes that sponsors give to the games, the more interest you have for people to come to the event. It is a win-win situation for both the gaming zone owner and the sponsor as the sponsors get publicity and visibility in the community for their specific products/services.

4.2.3 Location

Finding a location is an extremely important step in getting a LAN party set up and running. The location should be so chosen which is easily accessible to the people.

4.2.4 Proper arrangement

The key to having a good LAN party is organization. Arrangement in a row is much preferable. A poor arrangement is a major downfall of most medium to large LAN parties.

4.2.5 Games

As mentioned in the prior section, make sure each of the games that require setup is ready to go. Try to keep all the games that have market and demand.

4.2.6 Tournaments

Tournaments are popular ways of attracting teenagers and are the main source of earning for the owners. Tournaments require a great deal of organization.

Registering for LAN gaming tournaments is described in the following steps:

- Check the tournament at website of Wired-up gaming zone
- Register with wired up at respective tournament, to be held in your city
- Choose the described gaming zone of your city
- Pay the registration fees at respective gaming zone. The normal charges for registration fee are:
 - Rs. 200/- as registration fee
 - Rs. 60/- per game
- In Quetta Raider & Mega gaming zones conducts the tournaments.
- For conducting tournaments, respective gaming zone must contact with Wired-up gaming zone.

4.2.7 Fun

Remember that LAN parties are to have fun. Make sure that everyone does, and they will keep coming back for more next time.

4.2.8 Free Internet Access

Free of charge internet access would certainly increase the inflow of gamers where they could play games and use internet side by side at the same cost.

4.3 Pricing Strategy

The price charges for the gaming zones are between Rs. 15/- to Rs. 60. But incase of national/city level tournaments under “wired up gaming zon” the charges are

- Rs. 200/- as registration fee
- Rs. 60/- per game

4.3.1 Additional Revenue

Additional revenue can be earned through providing internet and refreshment services. However, in this proposal, it is recommended earlier to provide internet services free of cost to attract customers. It is proposed to give the refreshment services on Theka Basis to any second party on contract.

5 SYSTEMS LAYOUT

Basically there are two types of networking which are:

- 1 Peer-to-Peer based networking
- 2 Client-Server based networking

In gaming zones mostly Client-Server networking is used. The major characteristics of Client-Server networking are:

Advantages of Client/Server Based Networking

Centralized Resources

- ✓ All data stored in one location
- ✓ Easier to backup files and data
- ✓ Easier to find files and data

Efficient

- ✓ Software optimized for multiple users
- ✓ Hardware optimized for multiple users

Security

- ✓ One machine can secure entire network
- ✓ One central login

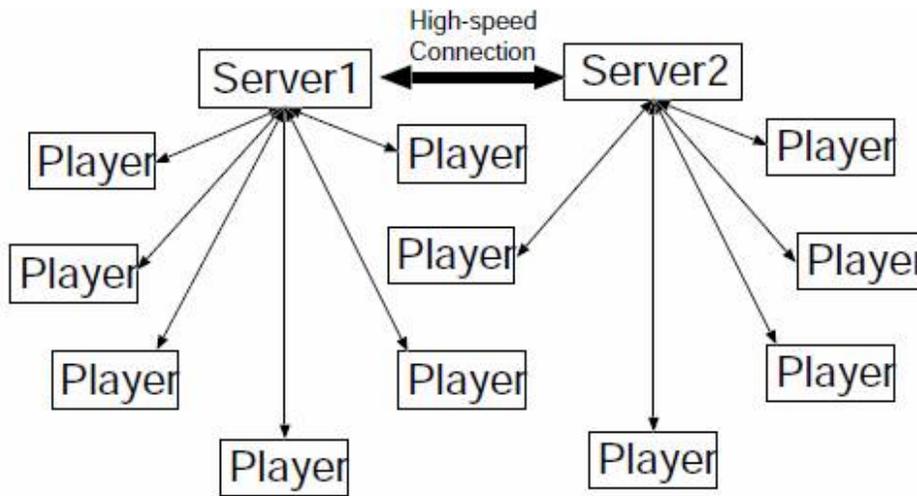
Scalability

- ✓ Easy to add new resources

Disadvantages of Client/Server

- ❖ If the server goes down, it takes part or the whole network with it.
- ❖ It is more expensive to install.
- ❖ Needs to be maintained by staff with high IT skills.
- ❖ Can have a single point of failure.
- ❖ Server can get overloaded.
- ❖ Generally more expensive and difficult to set up initially.

Internationally, the world is split up into regions; each region is hosted by a different server as described by the following figure

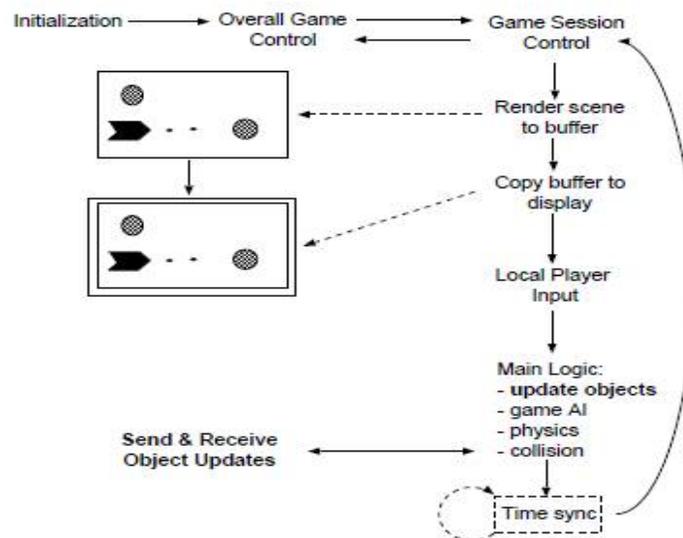


5.1 Distribute Computing Model

Usually your game company will have its preferred computing model and would provide high-level libraries to implement the model

5.1.1 Distributed objects:

- Characters and environment maintained as objects
- Player inputs are applied to objects (at server)
- Changes to objects propagated to all players at end of game loop
- Object update usually implemented as one or more library calls



5.1.2 Message

passing:

6 PROJECT REQUIREMENTS

6.1 Main Project Requirements

The basic requirements for a Gaming zone include appropriate space, human resource, game stations, computers, support equipments, air conditioners, telephone/fax, electric generator and basic utilities. These equipments are easily and readily available in the local markets.

6.2 Equipment Details

The details of the different machinery and equipment required for the project are given as below:

Table 6.2.1 Equipment & Machinery Details

Description	Units	Price/Unit	Total Price (PKR)
* Server – P4	1	20,000	20,000
* Computers including 128MB APP-ASUS 9550, Keyboard & Mouse	25	7,700	192,500
New LCD Monitors (17”)	26	9,600	249,600
Headphones & Mic	25	300	7,500
Webcam	25	500	12,500
AMP box	1	3,100	3,100
Generator	1	350,000	350,000
Total			835,200

*These prices are of branded second hand computer systems

Table 6.2.2 Office Equipment Details

Description	Qty	Price/Unit	Total Cost (PKR)
Air-conditioners	2	30,000	60,000
Telephone/intercom sets	1	1,000	1,000
Total			61,000

Table 6.2.3 Furniture & Fixture Details

Description	Qty	Price/Unit	Total Cost (PKR)
Computer workstations/Game stations	25	10,000	250,000
Office furniture			30,000
Renovation Cost			100,000
Total			380,000

6.3 Furniture and Equipment Maintenance

The furniture and equipment maintenance process will be conducted on yearly basis.

6.4 Human Resource Requirement

The manpower required for operating the project is as follows:

Table 5.4-1 Human Resource Requirement Details

Description	Qty	Monthly Salary/Person	Total Monthly Salary (PKR)
Manager/Accounts and Admin Officer	1	30,000	30,000
Network Administrator	1	15,000	15,000
Office Peon	2	4,500	9,000
Sweepers	1	3,500	3,500
Guard	1	4,000	4,000
Total			61,500

Note: The staff salaries are estimated according to the market trends; however, the investor may set different pay scales.

6.5 Space Required

It is recommended that the proposed project should be established in a rental premises on any of the above specified locations. However, the investor may establish such a setup on a purchased/constructed building. According to the recommended mode, following is the estimated space required along with the monthly rental expenses for the project:

Table 6-1 Space Requirement and Estimated Monthly Rental Details

Description	Area Required	Estimated Monthly Rental Charges (PKR)
Gaming Zone Space	1,000 Sq.Ft.	20,000
Total		20,000

6.6 Utilities and Infrastructure Requirement

Basic utilities like electricity, gas and water are required for operating the project.

7 STARTING A SUCCESSFUL GAMING ZONE BUSINESS

From the last few years, information technology has spread in the country with fast pace and more and more IT related ventures and businesses are popping up in different cities of the country. Computer gaming has received popularity amongst the game lovers in the recent times and therefore, many gaming zones are established in major cities of the country to take the advantage of the supply gape. Since gaming zones are becoming a common business venture and with less capital induction and higher returns, people must also enjoy running them. However, all of those advantages come at a price – building/establishing and operating such a structure from scratch and that too for the first time is not an easy task. It is a hard process and the reality is that many gaming zones fail in their first year of business due to improper planning and forecasting. But rest assured there are ways to reduce the risk of becoming another statistic. Following are some of the handy tips that can help run a successful gaming zone establishment in Quetta City.

7.1 Work in a Similar or Related Business Venture

One of the best ways to reduce the risk of owning a failed gaming zone is to have some experience of a similar business activity before you start your own. Many successful business owners have said that the best way to prepare for owning a similar setup is by working in one. Working in the IT industry and learning the basics is an important first step to becoming a successful owner.

7.2 Know Your Target Market

Who does the investor see as client/game player in his/her setup? Is he targeting youngsters, seniors, or corporate people? Knowing the target market before starting planning will not only help the investor solidify his/her overall services but it will also help determine the location, decor and the overall atmosphere of the gaming zone.

7.3 Develop a Business Plan

Like any other type of company/venture/business, a gaming zone will need a concise business plan. This plan should include but is not limited to: the overall concept and goal of the business, specific financial information and projections, a description of the target market, the services, and pricing, equipment and employee details, advertising and marketing plan, and a potential exit strategy.

7.4 Choose a Location & Layout

It is important to find a location that has a continuous stream of traffic, convenient parking, and is in proximity to other businesses. The investor should also keep in view its easy proximity for the other visitors such as students etc from the main town/city. In addition, if the investor acquires the premises on rental basis, he/she should make sure that the monthly rent is in-line with the business plan's projections. Once the location is selected, the layout and design of the interior should be taken into account. Investor should already have a concept of a typical gaming zone in the business plan and bring the concept into the design of the overall structure with additional modifications as per his/her own requirements.

7.5 Getting the Appropriate Funding

The business plan will help the investor recognize how much money he/she will need to start a gaming zone. If unsure about how much money will be needed upfront, talking to other similar business owners can help project the expected start-up costs.

7.6 Hiring Employees

One of the biggest challenges any business venture faces is the lack of quality and qualified human resource. In order to get and retain good employees, the investor should make sure that the pay scales relate clearly to the job's duties and responsibilities. In addition, finding out what other similar setups are paying their employees would help the investor to stay competitive in the job market, without spending too much on payroll. However the investor should try linking the payroll with the bottom line and see how much money can be squeezed out for the employees. Similarly, giving priority of hiring the local people in the staff gives another advantage as they might be more aware of the local customs/traditions and would help develop such atmosphere to attract/satisfy customers. In case of difficulty in finding trained/educated staff, investor may want to train the staff after hiring them according to the business needs and requirements.

7.7 Advertise & Market

Every business needs a comprehensive marketing plan and such a setup that never has been well promoted before certainly would need a lot of concentration for its proper introduction in the market. After determining marketing budget, price out billboard advertising, flyers in newspapers, and local cable TV advertising. Ask the customers how they found out about your setup and service, so that you can record where the advertising and marketing money could be best spent.

8 PROJECT ECONOMICS

8.1 Project Cost

Description	Amount in (Rs.)
Land	-
Building & Infrastructure	-
Machinery & Equipment	835,200
Furniture & Fixtures	380,000
Office Equipment	61,000
Pre-operating costs	47,306
Total Capital Cost	1,323,506
Working Capital	
Upfront Building Rent	240,000
Upfront Insurance Payment	41,760
Cash	100,000
Total Working Capital	381,760
Total Project Cost	1,705,266

8.2 Project Returns

Description	Equity	Project
IRR	109%	83%
MIRR	39%	33%
Pay Back Period (Yrs)	1.23	1.59
Net Present Value (NPV)	9,342,129	11,436,803

8.3 Project Financing

Description	Percentage	Amount in Rs
Equity Financing	60%	1,022,999
Debt Financing	40%	682,267
Total		1,705,266

9 FINANCIAL ANALYSIS

Financial Evaluation of Gaming Zone Pre-feasibility										SMEDA
Key Variables										
Total Investment in Project										1,705,266
Equity	60%									1,022,999
Debt	40%									682,267
Lease	0%									-
Interest Rate										18%
Debt Tenure										5
Total Number of Employees										6
Rs. in actuals										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Free Cash Flow to Equity (FCFE)	774,761	1,061,485	1,512,259	2,025,684	2,454,164	2,969,877	3,308,007	3,676,953	4,084,828	4,586,855
Free Cash Flow to Firm (FCFF)	965,917	1,256,418	1,711,648	2,230,331	2,665,016	2,969,877	3,308,007	3,676,953	4,084,828	4,707,843
Profit margin on sales	26%	34%	39%	44%	47%	48%	50%	51%	52%	52%
ROE	37%	38%	36%	33%	29%	25%	22%	20%	18%	17%
Times interest earned	7.18	13.02	22.95	43.07	96.69	-	-	-	-	-
		Equity		Project						
Internal Rate of Return (IRR)		109%		83%						
Modified Internal Rate of Return (MIRR)*		39%		33%						
Payback Period (yrs)		1.23		1.59						
Net Present Value (NPV)	@ 16%	9,342,129	@ 12%	11,436,803						
*Re-investment rate has been taken to be the interest on cash in bank, which in this case is 2%										

9.1 Projected Income Statement

Statement Summaries										SMEDA
	Rs. in actuals									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	2,299,500	2,951,025	3,709,860	4,590,952	5,330,605	5,863,666	6,450,032	7,095,035	7,804,539	8,584,993
Cost of goods sold	704,250	801,446	910,551	1,032,962	1,150,883	1,260,744	1,381,232	1,513,382	1,658,331	1,817,325
Gross Profit	1,595,250	2,149,579	2,799,309	3,557,989	4,179,722	4,602,922	5,068,800	5,581,653	6,146,208	6,767,668
<i>General administration & selling expenses</i>										
Administration expense	198,000	217,278	238,432	261,646	287,120	315,075	345,751	379,414	416,354	456,891
Rental expense	240,000	264,000	290,400	319,440	351,384	386,522	425,175	467,692	514,461	565,907
Utilities expense	1,500	1,625	1,761	1,910	2,072	2,249	2,442	2,652	2,882	3,134
Comm. expense (phone & internet.)	31,680	34,764	38,149	41,863	45,939	50,412	55,320	60,706	66,617	73,103
Office expenses (stationary, etc.)	19,800	21,728	23,843	26,165	28,712	31,507	34,575	37,941	41,635	45,689
Promotional expense	137,970	177,062	222,592	275,457	319,836	351,820	387,002	425,702	468,272	515,100
Insurance expense	41,760	35,496	29,232	22,968	16,704	10,440	4,176	-	-	-
Professional fees (legal, audit, etc.)	57,488	73,776	92,747	114,774	133,265	146,592	161,251	177,376	195,113	214,625
Depreciation expense	169,380	169,380	169,380	169,380	169,380	169,380	127,620	44,100	44,100	44,100
Amortization expense	9,461	9,461	9,461	9,461	9,461	-	-	-	-	-
Subtotal	907,039	1,004,569	1,115,997	1,243,064	1,363,874	1,463,997	1,543,311	1,595,584	1,749,435	1,918,548
Operating Income	688,211	1,145,010	1,683,313	2,314,925	2,815,848	3,138,925	3,525,489	3,986,070	4,396,773	4,849,120
Income from Kitchen Theka and Cash at Bank	194,148	230,510	276,048	333,207	401,963	482,558	574,326	676,063	788,758	914,059
Earnings Before Interest & Taxes	882,359	1,375,520	1,959,360	2,648,132	3,217,812	3,621,482	4,099,815	4,662,133	5,185,531	5,763,179
Interest expense	122,808	105,642	85,387	61,485	33,281	-	-	-	-	-
Earnings Before Tax	759,551	1,269,877	1,873,973	2,586,648	3,184,531	3,621,482	4,099,815	4,662,133	5,185,531	5,763,179
Tax	167,101	279,373	412,274	569,062	700,597	796,726	901,959	1,025,669	1,140,817	1,267,899
NET PROFIT/(LOSS) AFTER TAX	592,450	990,504	1,461,699	2,017,585	2,483,934	2,824,756	3,197,856	3,636,464	4,044,714	4,495,280
Balance brought forward		592,450	1,582,954	3,044,653	5,062,238	7,546,172	10,370,929	13,568,784	17,205,248	21,249,962
Total profit available for appropriation	592,450	1,582,954	3,044,653	5,062,238	7,546,172	10,370,929	13,568,784	17,205,248	21,249,962	25,745,242
Dividend	-	-	-	-	-	-	-	-	-	-
Balance carried forward	592,450	1,582,954	3,044,653	5,062,238	7,546,172	10,370,929	13,568,784	17,205,248	21,249,962	25,745,242

9.2 Projected Balance Sheet

Statement Summaries											SMEDA
											Rs. in actuals
	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	320,000	1,094,761	2,156,246	3,668,505	5,694,189	8,148,353	11,118,231	14,426,237	18,103,190	22,188,018	26,774,873
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	20,000	22,000	24,200	26,620	29,282	32,210	35,431	38,974	42,872	47,159	-
Pre-paid insurance	41,760	35,496	29,232	22,968	16,704	10,440	4,176	-	-	-	-
Total Current Assets	381,760	1,152,257	2,209,678	3,718,093	5,740,175	8,191,003	11,157,838	14,465,212	18,146,062	22,235,177	26,774,873
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Machinery & equipment	835,200	709,920	584,640	459,360	334,080	208,800	83,520	-	-	-	-
Furniture & fixtures	380,000	342,000	304,000	266,000	228,000	190,000	152,000	114,000	76,000	38,000	-
Office equipment	61,000	54,900	48,800	42,700	36,600	30,500	24,400	18,300	12,200	6,100	-
Total Fixed Assets	1,276,200	1,106,820	937,440	768,060	598,680	429,300	259,920	132,300	88,200	44,100	-
<i>Intangible assets</i>											
Pre-operation costs	47,306	37,845	28,384	18,922	9,461	-	-	-	-	-	-
Total Intangible Assets	47,306	37,845	28,384	18,922	9,461	-	-	-	-	-	-
TOTAL ASSETS	1,705,266	2,296,922	3,175,502	4,505,075	6,348,316	8,620,303	11,417,758	14,597,512	18,234,262	22,279,277	26,774,873
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	2,700	3,308	3,969	4,688	5,196	5,456	5,729	6,015	6,316	6,632
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	2,700	3,308	3,969	4,688	5,196	5,456	5,729	6,015	6,316	6,632
<i>Other liabilities</i>											
Deferred tax	-	91,872	91,872	91,872	73,498	45,936	18,374	(0)	(0)	(0)	(0)
Long term debt	682,267	586,901	474,370	341,582	184,893	-	-	-	-	-	-
Total Long Term Liabilities	682,267	678,773	566,242	433,454	258,391	45,936	18,374	(0)	(0)	(0)	(0)
<i>Shareholders' equity</i>											
Paid-up capital	1,022,999	1,022,999	1,022,999	1,022,999	1,022,999	1,022,999	1,022,999	1,022,999	1,022,999	1,022,999	1,022,999
Retained earnings	-	592,450	1,582,954	3,044,653	5,062,238	7,546,172	10,370,929	13,568,784	17,205,248	21,249,962	25,745,242
Total Equity	1,022,999	1,615,448	2,605,953	4,067,652	6,085,237	8,569,171	11,393,927	14,591,783	18,228,247	22,272,961	26,768,241
TOTAL CAPITAL AND LIABILITIES	1,705,266	2,296,922	3,175,502	4,505,075	6,348,316	8,620,303	11,417,758	14,597,512	18,234,262	22,279,277	26,774,873

9.3 Projected Cash Flow Statement

Statement Summaries											SMEDA
											Rs. in actuals
	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	-	592,450	990,504	1,461,699	2,017,585	2,483,934	2,824,756	3,197,856	3,636,464	4,044,714	4,495,280
Add: depreciation expense	-	169,380	169,380	169,380	169,380	169,380	169,380	127,620	44,100	44,100	44,100
amortization expense	-	9,461	9,461	9,461	9,461	9,461	-	-	-	-	-
Deferred income tax	-	91,872	-	-	(18,374)	(27,562)	(27,562)	(18,374)	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	(20,000)	(2,000)	(2,200)	(2,420)	(2,662)	(2,928)	(3,221)	(3,543)	(3,897)	(4,287)	47,159
Advance insurance premium	(41,760)	6,264	6,264	6,264	6,264	6,264	6,264	4,176	-	-	-
Accounts payable	-	2,700	608	662	719	508	260	273	286	301	316
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(61,760)	870,127	1,174,017	1,645,046	2,182,373	2,639,057	2,969,877	3,308,007	3,676,953	4,084,828	4,586,855
<i>Financing activities</i>											
Change in long term debt	682,267	(95,366)	(112,532)	(132,787)	(156,689)	(184,893)	-	-	-	-	-
Issuance of shares	1,022,999	-	-	-	-	-	-	-	-	-	-
Cash flow from financing activities	1,705,266	(95,366)	(112,532)	(132,787)	(156,689)	(184,893)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(1,323,506)	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Cash flow from investing activities	(1,323,506)	-	-	-	-	-	-	-	-	-	-
NET CASH	320,000	774,761	1,061,485	1,512,259	2,025,684	2,454,164	2,969,877	3,308,007	3,676,953	4,084,828	4,586,855
Cash balance brought forward		320,000	1,094,761	2,156,246	3,668,505	5,694,189	8,148,353	11,118,231	14,426,237	18,103,190	22,188,018
Cash available for appropriation	320,000	1,094,761	2,156,246	3,668,505	5,694,189	8,148,353	11,118,231	14,426,237	18,103,190	22,188,018	26,774,873
Dividend	-	-	-	-	-	-	-	-	-	-	-
Cash carried forward	320,000	1,094,761	2,156,246	3,668,505	5,694,189	8,148,353	11,118,231	14,426,237	18,103,190	22,188,018	26,774,873

10 KEY ASSUMPTIONS

10.1 Project Capacity Assumptions

Description	Calculation
Number of Game Stations	25
Assumed total No. of Business Days	365
Assumed Hours / Day of operations	12
Total Yearly Assumed Capacity (in Hours)	$12 * 365 * 25 = 109,500$ Hrs
Assumed Capacity Utilization 1 st Year	60%
Assumed Growth in Capacity Utilization	10%
Maximum Attainable Capacity	95%

10.2 Revenue Assumptions

Description	Calculation
Charge / Hour / Game Station	Rs. 35 / Hour
Charge Growth Rate / Year	10%
Yearly Income from Kitchen Theka/Contract in Year 1	Rs. 180,000 (Rs. 15,000/month)
1st Year Revenue	$35 * (109,500 * 0.60) = \text{Rs. } 2,299,500$
1st Year Additional Income	Rs. 180,000
Total Revenue in Year 1	Rs. 2,479,500

10.3 Economic Assumptions

Electricity Price Growth Rate	10%
Gas Price Growth Rate	10%
Water Price Growth Rate	5%
Salary Growth Rate	10%

10.4 Expense Assumptions

Telephone and Internet Expense	16% of administration expense
Office Expense	10% of administration expense
Promotional Expense	6% of revenue
Professional Fee (Legal, Audit etc)	2.5% of revenue

Machinery & Equipment Insurance Rate	5%
Operating Cost Growth Rate	5%

10.5 Depreciation Expense Assumptions

Depreciation Method	Straight Line
Machinery & Equipment	15%
Furniture & Fixtures	5%
Office Equipment	5%

10.6 Cost of Goods Sold

All the direct costs that directly affect the revenue of any project are called Cost of Goods Sold (COGS). For a Gaming Zone, following are the components and estimated value of COGS in the first year:

Description	Total 1 st Year's Cost (PKR)
Direct Labor Cost	540,000
Equipment Maintenance	32,850
Direct Electricity Cost	131,400
Total COGS	704,250

10.7 Cash flow Assumptions

Accounts Receivables Cycle (In Days)	0
Accounts Payable Cycle (In Days)	30
Initial Cash in Bank	100,000

10.8 Financing Assumptions

Debt	40%
Equity	60%
Long Term Debt Interest Rate	18%
Tax Treatment	Sole proprietorship
Discount Rate for NPV (WACC)	12 %