
Pre-Feasibility Study

GARMENTS STITCHING UNIT

(Men's Dress Trousers)



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

www.smeda.org.pk

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1 DISCLAIMER

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

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2 EXECUTIVE SUMMARY

Men's Dress Trouser is a sub category of textile garments industry which mainly comprises of the garments specifically to be worn in the formal working environment. This business has great potential in the export as well as in the local Pakistani market. This particular pre-feasibility study provides information on key aspects of setting up a "Garments Stitching Unit (Men's Dress Trouser)" in any metropolitan city of Pakistan, especially Lahore, Karachi and Faisalabad. The proposed unit will cater for export market, mainly US and Europe.

In order to reduce initial capital investment, the unit is proposed to be established on a rented building. The unit will have an installed capacity of stitching / producing 250,400 pieces of Men's Dress Trouser annually, on single shift basis for 313 operational days. The starting operational capacity is assumed at 60% (i.e. 150,240 pieces), while maximum capacity utilization is assumed at 95% (i.e. 237,880 pieces). This production capacity is estimated to be economically viable and justifies the capital as well as operational costs of the project. However, continuous flow of export orders through aggressive marketing and establishing good working relations for repeat orders are extremely important for the success of the proposed venture.

Total project cost is estimated at Rs. 20.89 million with capital investment of Rs. 6.81 million and working capital Rs. 14.08 million. Given the cost assumptions IRR, Payback and Net Present Value are 37%, 3.33 years and Rs. 20.35 million respectively. The project will provide employment opportunities to 26 people directly including owner as CEO. The legal status of this project is proposed as 'Sole Proprietorship'.

3 INTRODUCTION TO SMEDA

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

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

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

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

4 PURPOSE OF THE DOCUMENT

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

The purpose of this document is to facilitate potential investors in **Garments Stitching Unit (Men's Dress Trouser)** by providing them with a general understanding of the business with the intention of supporting potential investors in crucial investment decisions.

The need to come up with pre-feasibility reports for undocumented or minimally documented sectors attains greater imminence as the research that precedes such reports reveal certain thumb rules; best practices developed by existing enterprises by trial and error, and certain industrial norms that become a guiding source regarding various aspects of business set-up and it's successful management.

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

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

Men's dress trouser stitching is a sub sector of textile garments, which is one of the leading export oriented sector in Pakistan. Easy and sustained access to raw material coupled with availability of skilled labor puts men's dress trouser stitching an attractive export oriented opportunity for local entrepreneurs.

Men's dress trousers specifically refers to the garments to be worn in the formal working environment. It includes a vast variety of dress pants on the basis of quality of material used, style, stitching techniques etc.

This particular document provides basic information for setting up a men's dress trouser stitching unit. The proposed unit will mainly target export markets, as profit margin is much higher compared to the local market. The proposed project is primarily based on the stitching of standard 'Men's Dress Trouser', which is also capable of producing other similar garments i.e. twill and denim with minor modification of process.

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

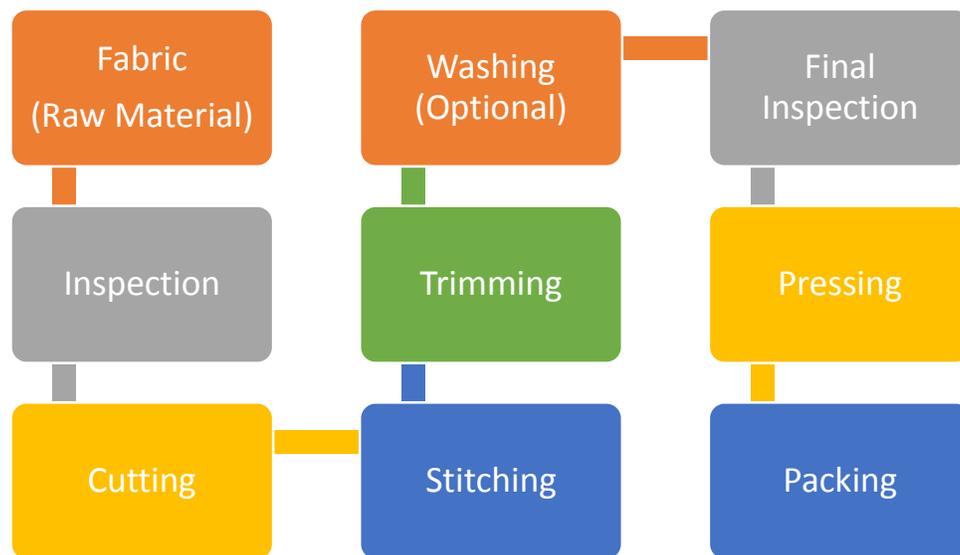
5.1 Production Process Flow

The process of men's dress trouser stitching starts with the receipt of specification / sample from the customer and / or design developed by the designing department. These specifications include quality and specifications of fabric, accessories to be used, design details, stitching styles, packing instructions and all other necessary information. Based on the specifications received, a sample of men's dress trouser is prepared and sent to customer for approval.

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

Stitching is the next process after cutting. The fabric is stitched by stitchers using stitching machines. During the stitching process, accessories are added which mainly include lining / interlining material, foam, Velcro, hooks / clips, and labels.

After the completion of stitching process, quality inspection is carried out. In this process a thorough inspection is made pertaining to the quality, stitching, accessories, lining, etc. to ensure it is according to the specifications of buyers. Moreover, extra threads and fibres are also trimmed during this process. Afterwards, each men's dress trouser is labelled, tagged and packed in a carton for their onward dispatch.



5.2 Installed And Operational Capacities

Proposed unit is based on 35 lock stitching machines (Single Needle) and will have installed capacity of stitching 800 pieces per day on 8 hours shift basis (i.e. 250,400 pieces per annum) with 30% and 70% mix of civil style and ready-made style. Initial operational capacity will be 60% (i.e. 150,240 pieces) with an annual growth of 5%. Maximum capacity utilization of the project is assumed at 95%. Installed and operational capacities of the proposed unit are provided below.

Table 1: Installed and Operational Capacities

Description	Product Mix	Installed Capacity	Operational Capacity 60% (Year 1)	Maximum Operational Capacity (95%)
Civil Style	30%	75,120	45,072	71,364
Ready Made Style	70%	175,280	105,168	166,516
Total	100%	250,400	150,240	237,880

6 CRITICAL FACTORS

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

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

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

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Export of ready-made garment is ranked at 4th place in Pakistan's export commodities¹. Countries like USA, UK, Spain, Germany, Belgium and Netherlands are the biggest buyers of Pakistani Readymade Garments. Therefore, it is proposed to target these countries as Pakistani garments already have good reputation in these countries due to high quality. However, it is also suggested to find new export markets. For instance, countries like France, Italy and UAE also have great potential for export.

¹ Trade Development Authority of Pakistan (TDAP)
www.tdap.gov.pk/tdap-statistics.php

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Men's Dress Trouser Stitching Unit. Various cost and revenue related assumptions along with results of the analysis are outlined in this section.

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

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 98.70 million in the year one. The capacity utilization during year one is worked out at 60% with 5% increase in subsequent years up to the maximum capacity utilization of 95%.

The following table shows internal rate of return, payback period and net present value of the proposed venture.

Table 2: Project Economics

Description	Details
Internal Rate of Return (IRR)	37%
Payback Period (Years)	3.33
Net Present Value (Rs.)	20,350,707

9.2 Project Financing

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

Table 3: Project Financing

Description	Details
Total Equity (50%)	Rs. 10,443,196
Bank Loan (50%)	Rs. 10,443,196
Markup to the Borrower (%age / annum)	12%
Tenure of the Loan (Years)	5

9.3 Project Cost

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

Table 4: Project Cost

Description	Amount (Rs.)
Capital Cost	
Machinery & equipment	3,793,000
Furniture & fixtures	1,210,000
Office vehicles	590,200
Office equipment	242,500
Pre-operating costs	970,000
Total Capital Costs	6,805,700
Working Capital	
Equipment spare part inventory	61,296
Raw material inventory	10,548,100
Upfront building rent	1,800,000
Upfront insurance payment	219,160
Cash	1,452,137
Total Working Capital	14,080,693
Total Investment	20,886,393

9.4 Space Requirement

The space requirement for the proposed Men's Dress Trouser stitching unit is estimated considering various facilities including management office, inventory store room, production area and finished garment store. Keeping in view the above mentioned requirements, it is suggested to acquire a building of 5,838 sq. ft. on rent. The Details of space requirement related to land and building is given below;

Table 5: Space Requirement

Description	Area Required (Sq.ft.)
Management Building	300
Fabric and Accessories inventory Room	938
Cutting Room	350
Stitching Room	2,050
Inspection Room	300
Packing Room	300

Finishing Hall	600
Finished Garments Store	500
Kitchen	500
Total Area Requirement	5,838

It is proposed to use a rental building in order to avoid high capital cost and risk. The proposed monthly rent for the building is taken at Rs. 150,000/- month. A total amount of Rs. 500,000 estimated as renovation cost of Management building and factory as per the above mentioned area required.

9.5 Machinery & Equipment Requirement

Machinery and equipment for the proposed project are stated below;

Table 6: Machinery & Equipment Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Cutting Machine Jack CZM-8"	1	33,500	33,500
5 Thread Safety Overlock Machine Jack 798	3	41,500	124,500
Single Needle Lock Stitch Machine Jack A4 Automatic	35	53,500	1,872,500
Button Holling Machine Jack JK781D	1	142,500	142,500
Button Stitching Machine Juki 1377	1	63,000	63,000
Belt Loop Making Machine Cansai Special B 2000 C	1	120,000	120,000
Waist Band Making Machine Cansai Special 1508	2	115,000	230,000
Feed Off Arm Amchine With Puller Jack JK 9280	2	142,000	284,000
Bartaking Machine Computerized (Jack JK T1900 BH	1	240,000	240,000
2 Needle Lock Stitch Machine	2	120,000	240,000
GAS Steam Boiler (04 Spots of Steam iron)	1	75,000	75,000
Steam Irons (Large Size)	4	4,500	18,000
Factory fixture	1	100,000	100,000

Machine Installation & Electric wiring cost			250,000
Total Machinery & Equipment			3,793,000

9.6 Furniture & Fixtures Requirement

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

Table 7: Furniture & Fixture Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Table & Chair for CEO	1	50,000	50,000
Visitor Chairs	10	5,000	50,000
Chair & Table for Staff	2	30,000	60,000
File Racks	2	20,000	40,000
Small Cabinets	3	15,000	45,000
Cutting Table	1	25,000	25,000
Finishing Table	2	7,500	15,000
Trolleys for Stitching Department	8	10,000	80,000
Wooden Bench for Workers	50	2,500	125,000
Lighting & Fans			50,000
Air conditioners (1.5 ton)	2	60,000	120,000
Renovation Cost	1	500,000	500,000
Miscellaneous	1	50,000	50,000
Total Furniture & Fixtures			1,210,000

9.7 Office Equipment Requirement

Following office equipment will be required for the proposed Men's Dress Trouser Stitching Unit.

Table 8: Office Equipment Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Computers	2	35,000	70,000
Printer	1	20,000	20,000
UPS	1	30,000	30,000
Scanner	1	15,000	15,000
Security Cameras	1	100,000	100,000
Telephone Sets	3	2,500	7,500
Total Office Equipment			242,500

9.8 Office Vehicle Requirement

A bike and a Suzuki Bolan will be purchased for travelling and other business operations. The cost of both the vehicles is estimated at Rs. 590,200.

Table 9: Office Vehicle Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Motor Cycle	1	67,500	67,500
Suzuki Bolan (2nd Hand)	1	500,000	500,000
Office vehicles cost			567,500
Registration fee			22,700
Total Office Vehicles cost			590,200

9.9 Raw Material Requirements

Basic raw material of Men's Dress Trouser stitching is fabric. Along with fabric, a lot of accessories are also used in production. Major raw material required for stitching men's dress trouser cloth is as follows;

- Fabric
- Stitching Thread
- Pocket Lining
- Buttons
- Zipper
- Hooks
- Fusing called 'Buckram' (in the local language)
- Label
- Tags

Cost and consumptions of raw material are given in annexure.

9.10 Human Resource Requirement

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

Table 10: Human Resource Requirement

Description	No. of Employee	Monthly Salary per Person (Rs.)
CEO	1	70,000
Production Incharge	1	22,000
Technician/Electrician	1	18,000
Cutting Master	1	22,000
Cutting Helper	2	15,000

Stitching Supervisor	1	20,000
Store Keeper	1	18,000
Cutting Helper	2	15,000
Clippers	3	15,000
Stain Remover	2	15,000
Packing Staff	2	15,000
Final table inspector	1	20,000
Finishing Supervisor	1	20,000
Purchase Officer	1	20,000
Accounts Officer	1	25,000
Security Guard	2	15,000
Driver	1	15,000
Sweeper	2	15,000
Total	26	

As per industry practice labor force for stitching will be hired on daily wages. This work force normally work on per piece rate. On average Rs.700 and Rs.250 will be charged by stitcher to stitch civil style and ready-made style respectively.

9.11 Utilities and Other Costs

An essential cost to be borne by the project is the cost of electricity. The electricity expenses are estimated to be around Rs. 3.92 million per annum. Furthermore, promotional expense, being essential for marketing of Men's Dress Trouser Stitching Unit, is estimated as Rs. 1.00 million in year 1.

9.12 Revenue Generation

Based on the capacity utilization of 60%, sales revenue during the first year of operations is estimated in below table:

Table 11: Revenue Generation – Year 1

Description	Operational Capacity @ 60% - Year 1 (No.)	Sale Price / Piece (Rs.)	Sales Revenue (Rs.)
Civil Style	45,072	1,575	70,988,400
Ready Made Style	105,168	750	78,876,000
Total	150,240		149,864,400

10 CONTACT DETAILS

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project be given.

10.1 Machinery Suppliers

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

11 USEFUL WEB LINKS

Small & Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
Government of Pakistan	www.pakistan.gov.pk
Ministry of Industries & Production	www.moip.gov.pk
Ministry of Federal Education and Professional Training	http://moent.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 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
National Textile University, Faisalabad	www.ntu.edu.pk/
All Pakistan Textile Mills Association	www.aptma.org.pk
Pakistan Institute of Fashion Design.	www.pifd.edu.pk
Pakistan Hosiery Manufacturers & Exporters Association	http://www.phmaonline.com/
Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA)	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	149,864,400	183,583,890	220,300,668	260,230,164	288,421,765	302,842,853	317,984,996	333,884,246	350,578,458	368,107,381
<i>Cost of sales</i>										
Cost of Raw Material	61,222,800	74,997,930	89,997,516	106,309,566	117,826,435	123,717,757	129,903,645	136,398,827	143,218,769	150,379,707
Stitching Cost	57,842,400	70,856,940	85,028,328	100,439,712	111,320,681	116,886,715	122,731,051	128,867,604	135,310,984	142,076,533
Overheads Cost including Pressing Cost	7,512,000	9,202,200	11,042,640	13,044,119	14,457,231	15,180,093	15,939,098	16,736,052	17,572,855	18,451,498
Direct Labor	3,583,750	4,004,389	4,395,902	4,825,293	5,301,556	5,824,109	6,391,153	7,013,404	7,696,239	8,445,556
Machinery Maintenance	1,471,100	1,834,963	2,202,777	2,602,785	2,888,276	3,036,019	3,187,820	3,347,210	3,514,571	3,690,300
Direct Electricity & Generator	3,677,750	4,587,406	5,506,942	6,506,962	7,220,690	7,590,046	7,969,549	8,368,026	8,786,428	9,225,749
Total cost of sales	135,309,800	165,483,828	198,174,104	233,728,436	259,014,870	272,234,740	286,122,315	300,731,124	316,099,845	332,269,342
Gross Profit	14,554,600	18,100,062	22,126,564	26,501,728	29,406,896	30,608,114	31,862,681	33,153,121	34,478,613	35,838,039
<i>General administration & selling expenses</i>										
Administration expense	2,280,000	2,501,984	2,745,581	3,012,894	3,306,234	3,628,134	3,981,374	4,369,006	4,794,379	5,261,166
Administration benefits expense	68,400	75,060	82,367	90,387	99,187	108,844	119,441	131,070	143,831	157,835
Building rental expense	1,800,000	1,980,000	2,178,000	2,395,800	2,635,380	2,898,918	3,188,810	3,507,691	3,858,460	4,244,306
Electricity expense	240,000	264,000	290,400	319,440	351,384	386,522	425,175	467,692	514,461	565,907
Water expense	36,000	39,600	43,560	47,916	52,708	57,978	63,776	70,154	77,169	84,886
Gas expense	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Travelling expense	300,000	330,000	363,000	399,300	439,230	483,153	531,468	584,615	643,077	707,384
Communications expense (phone, fax, mail, internet, etc.)	240,000	264,000	290,400	319,440	351,384	386,522	425,175	467,692	514,461	565,907
Office vehicles running expense	90,000	99,000	108,900	119,790	131,769	144,946	159,440	175,385	192,923	212,215
Office expenses (stationary, entertainment, janitorial services, etc.)	1,080,000	1,188,000	1,306,800	1,437,480	1,581,228	1,739,351	1,913,286	2,104,614	2,315,076	2,546,584
Promotional expense	1,000,000	900,000	810,000	729,000	656,100	590,490	531,441	478,297	430,467	387,420
Insurance expense	219,160	194,293	169,426	144,559	119,692	142,351	113,881	85,411	56,940	28,470
Professional fees (legal, audit, consultants, etc.)	250,000	275,000	302,500	332,750	366,025	402,628	442,890	487,179	535,897	589,487
Depreciation expense	699,173	699,173	699,173	711,915	711,915	783,979	798,729	798,729	798,729	815,804
Amortization of pre-operating costs	194,000	194,000	194,000	194,000	194,000	-	-	-	-	-
Bad debt expense	1,498,644	1,835,839	2,203,007	2,602,302	2,884,218	3,028,429	3,179,850	3,338,842	3,505,785	3,681,074
Subtotal	10,055,377	10,905,949	11,859,714	12,936,833	13,968,299	14,878,876	15,981,030	17,183,300	18,510,271	19,989,923
Operating Income	4,499,223	7,194,113	10,266,850	13,564,895	15,438,597	15,729,238	15,881,652	15,969,821	15,968,342	15,848,116
Gain / (loss) on sale of office equipment	-	-	145,500	-	-	241,184	-	-	315,576	-
Gain / (loss) on sale of office vehicles	-	-	-	-	236,080	-	-	-	-	-
Earnings Before Interest & Taxes	4,499,223	7,194,113	10,412,350	13,564,895	15,674,677	15,970,423	15,881,652	15,969,821	16,283,918	15,848,116
Interest expense on long term debt (Project Loan)	379,905	312,887	237,369	152,274	56,387	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	920,244	764,099	584,635	378,369	141,299	-	-	-	-	-
Subtotal	1,300,149	1,076,986	822,004	530,643	197,686	-	-	-	-	-
Earnings Before Tax	3,199,074	6,117,127	9,590,346	13,034,253	15,476,991	15,970,423	15,881,652	15,969,821	16,283,918	15,848,116
Tax	519,268	1,360,494	2,576,120	3,781,488	4,636,446	4,809,147	4,778,077	4,808,937	4,918,871	4,766,340
NET PROFIT/(LOSS) AFTER TAX	2,679,805	4,756,633	7,014,225	9,252,765	10,840,545	11,161,275	11,103,574	11,160,884	11,365,047	11,081,776

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	1,452,137	2,767,975	5,511,183	9,975,057	18,475,465	28,553,158	41,955,461	55,611,569	69,037,693	82,050,734	140,215,134
Accounts receivable		6,158,811	6,851,677	8,298,998	9,873,921	11,273,670	12,149,273	12,756,737	13,394,573	14,064,302	14,767,517
Finished goods inventory		2,878,932	3,457,871	4,139,407	4,880,640	5,402,066	5,671,557	5,960,882	6,265,232	6,585,413	6,922,278
Equipment spare part inventory	61,296	80,280	101,190	125,544	146,280	161,451	177,999	196,244	216,359	238,536	-
Raw material inventory	10,548,100	13,567,494	17,095,042	21,203,194	24,675,217	27,204,427	29,992,881	33,067,151	36,456,534	40,193,329	-
Pre-paid building rent	1,800,000	1,980,000	2,178,000	2,395,800	2,635,380	2,898,918	3,188,810	3,507,691	3,858,460	4,244,306	-
Pre-paid insurance	219,160	194,293	169,426	144,559	119,692	142,351	113,881	85,411	56,940	28,470	-
Total Current Assets	14,080,693	27,627,784	35,364,389	46,282,559	60,806,595	75,636,041	93,249,862	111,185,684	129,285,792	147,405,090	161,904,929
<i>Fixed assets</i>											
Machinery & equipment	3,793,000	3,413,700	3,034,400	2,655,100	2,275,800	1,896,500	1,517,200	1,137,900	758,600	379,300	-
Furniture & fixtures	1,210,000	1,089,000	968,000	847,000	726,000	605,000	484,000	363,000	242,000	121,000	-
Office vehicles	590,200	472,160	354,120	236,080	118,040	950,523	760,418	570,314	380,209	190,105	-
Office equipment	242,500	161,667	80,833	280,724	187,149	93,575	324,973	216,649	108,324	376,197	250,798
Total Fixed Assets	5,835,700	5,136,527	4,437,353	4,018,904	3,306,989	3,545,598	3,086,592	2,287,863	1,489,134	1,066,602	250,798
<i>Intangible assets</i>											
Pre-operation costs	970,000	776,000	582,000	388,000	194,000	-	-	-	-	-	-
Total Intangible Assets	970,000	776,000	582,000	388,000	194,000	-	-	-	-	-	-
TOTAL ASSETS	20,886,393	33,540,311	40,383,742	50,689,463	64,307,585	79,181,639	96,336,453	113,473,547	130,774,926	148,471,692	162,155,727
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		11,028,828	13,552,279	16,319,783	19,247,142	21,320,652	22,505,044	23,760,486	25,092,044	26,504,892	24,340,811
Short term debt	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	11,028,828	13,552,279	16,319,783	19,247,142	21,320,652	22,505,044	23,760,486	25,092,044	26,504,892	24,340,811
<i>Other liabilities</i>											
Deferred tax		519,268	1,879,762	4,455,882	8,237,370	12,873,816	17,682,963	22,461,041	27,269,977	32,188,848	36,955,188
Long term debt (Project Loan)	3,402,850	2,874,421	2,278,973	1,608,008	851,948	-	-	-	-	-	-
Long term debt (Working Capital Loan)	7,040,346	5,994,792	4,793,093	3,411,929	1,824,499	-	-	-	-	-	-
Total Long Term Liabilities	10,443,196	9,388,481	8,951,828	9,475,819	10,913,817	12,873,816	17,682,963	22,461,041	27,269,977	32,188,848	36,955,188
<i>Shareholders' equity</i>											
Paid-up capital	10,443,196	10,443,196	10,443,196	10,443,196	10,443,196	10,443,196	10,443,196	10,443,196	10,443,196	10,443,196	10,443,196
Retained earnings		2,679,805	7,436,439	14,450,664	23,703,429	34,543,974	45,705,249	56,808,824	67,969,708	79,334,755	90,416,531
Total Equity	10,443,196	13,123,002	17,879,635	24,893,861	34,146,626	44,987,170	56,148,446	67,252,020	78,412,904	89,777,952	100,859,728
TOTAL CAPITAL AND LIABILITIES	20,886,393	33,540,311	40,383,742	50,689,463	64,307,585	79,181,639	96,336,453	113,473,547	130,774,926	148,471,692	162,155,727

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		2,679,805	4,756,633	7,014,225	9,252,765	10,840,545	11,161,275	11,103,574	11,160,884	11,365,047	11,081,776
Add: depreciation expense		699,173	699,173	699,173	711,915	711,915	783,979	798,729	798,729	798,729	815,804
amortization of pre-operating costs		194,000	194,000	194,000	194,000	194,000	-	-	-	-	-
Deferred income tax		519,268	1,360,494	2,576,120	3,781,488	4,636,446	4,809,147	4,778,077	4,808,937	4,918,871	4,766,340
Accounts receivable		(6,158,811)	(692,866)	(1,447,321)	(1,574,923)	(1,399,749)	(875,603)	(607,464)	(637,837)	(669,729)	(703,215)
Finished goods inventory		(2,878,932)	(578,939)	(681,536)	(741,233)	(521,426)	(269,491)	(289,324)	(304,350)	(320,182)	(336,865)
Equipment inventory	(61,296)	(18,984)	(20,910)	(24,354)	(20,736)	(15,171)	(16,549)	(18,245)	(20,115)	(22,177)	238,536
Raw material inventory	(10,548,100)	(3,019,394)	(3,527,548)	(4,108,152)	(3,472,023)	(2,529,210)	(2,788,454)	(3,074,270)	(3,389,383)	(3,736,795)	40,193,329
Pre-paid building rent	(1,800,000)	(180,000)	(198,000)	(217,800)	(239,580)	(263,538)	(289,892)	(318,881)	(350,769)	(385,846)	4,244,306
Advance insurance premium	(219,160)	24,867	24,867	24,867	24,867	(22,659)	28,470	28,470	28,470	28,470	28,470
Accounts payable		11,028,828	2,523,451	2,767,504	2,927,359	2,073,510	1,184,392	1,255,442	1,331,558	1,412,848	(2,164,081)
Cash provided by operations	(12,628,556)	2,889,822	4,540,355	6,796,727	10,843,897	13,704,664	13,727,276	13,656,108	13,426,124	13,389,237	58,164,400
<i>Financing activities</i>											
Project Loan - principal repayment		(528,429)	(595,447)	(670,965)	(756,060)	(851,948)	-	-	-	-	-
Working Capital Loan - principal repayment		(1,045,554)	(1,201,699)	(1,381,164)	(1,587,430)	(1,824,499)	-	-	-	-	-
Additions to Project Loan	3,402,850	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	7,040,346	-	-	-	-	-	-	-	-	-	-
Issuance of shares	10,443,196	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	20,886,393	(1,573,984)	(1,797,147)	(2,052,129)	(2,343,490)	(2,676,447)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(6,805,700)	-	-	(280,724)	-	(950,523)	(324,973)	-	-	(376,197)	-
Cash (used for) / provided by investing activities	(6,805,700)	-	-	(280,724)	-	(950,523)	(324,973)	-	-	(376,197)	-
NET CASH	1,452,137	1,315,838	2,743,208	4,463,874	8,500,407	10,077,694	13,402,303	13,656,108	13,426,124	13,013,040	58,164,400

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Administration Benefit Expenses	3% of Administration Cost
Office Expenses (Stationery, Entertainment etc)	1% of Administration expenses
Communication Expenses	1% of Administration expenses
Professional Fee	0.50% of Revenues
Depreciation Method	Straight Line depreciation
Depreciation Rate	10% on Machinery 33% on Office Equipment 10% on Furniture & Fixture
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Salaries Growth Rate	10%

13.2 Production Cost Assumptions

Description	Cost per Piece (Rs.)	
	Civil Style	Ready Made Style
Raw Material		
Fabric	500	200
Buckles & Hooks	5	2
Zip Set	10	3
Thread stitching	10	10
Button snap	30	6
Labels	10	4
Fusing	15	15
Pocket lining	75	40
Packing material	15	15
Total	670	295
Stitching	700	250
Overheads & pressing	50	50
Total Cost	1,420	595

13.3 Revenue Assumptions

Description	Details
Growth in Sales Price	5%
Days Operational / Year	313
Maximum Operational Capacity (Per Year)	250,400
Production Capacity in First Year	60%
Percentage Increase in Production Capacity every Year	10%
Maximum Production Capacity	95%

13.4 Financial Assumptions

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	12%
Debt Tenure	5 Years
Debt Payment / Year	1