



**Pre-feasibility Study**

# **INTERIOR DESIGNING AND LANDSCAPING**

**August 2018**

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

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

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## 1 DISCLAIMER

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### **DOCUMENT CONTROL**

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## **2 EXECUTIVE SUMMARY**

Interior Designing and Landscaping is a service oriented business and carries a healthy potential for profit. Due to increase in population, continuous changes in fashion and lifestyle and development of formal construction sector, it is expected that demand for the services of interior designers and landscapers will continue to grow.

The cost for setting up an interior designing and landscaping business is estimated at Rs. 4.92 million out of which Rs. 3.47 million is the capital cost and Rs. 1.45 million is for working capital. The project is proposed to be financed through 50% debt and 50% equity. The project IRR is projected at 44% with a payback period of 2.92 years and net present value of Rs. 9.10 million.

However, the pre-feasibility of the project is highly dependent on design innovation, quality of services and efficient utilization of resources and time. The revenue potential of the project varies according to the type of service and market segmentation. This project can be started as a sole proprietorship, partnership or a limited company. However, proposed status for this venture is sole proprietorship. The project will provide direct employment opportunity to 8 individuals including the owner manager.

## **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, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Interior Designing and Landscaping** business by providing them a general understanding of the business with 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 form the basis of any investment decision.

## **5 BRIEF DESCRIPTION OF PROJECT & PRODUCT**

This pre-feasibility report describes the investment opportunity for setting up a business of interior designing and landscaping services to a variety of clients including but not limited to corporate customers and households etc.

The project is proposed to be established in a rented office having covered area of 900 sq. ft. preferably in plazas in proximity of housing societies that are in the development phase. The business will have the capacity to handle 30 projects and will provide services to 19 clients in the first year. Services would be offered in two categories i.e. Standard and Premium. Under standard service the only task would be to design the project and guidance in its implementation. While in premium service, all the labor would be arranged by the business at an additional cost equal to 11% of the budget.

### **5.1 Installed & Operational Capacities**

The proposed business may be run by 8 member team of professionals / support staff led by the owner / manager with additional outsourced labor for premium projects. The proposed business is expected to handle 19 projects in the first year while the total handling capacity with the specified human resource is 30 projects. A table with Product Mix of Services is as follows:

**Table 1: Product Mix of Services**

<b>Product Mix</b>	<b>Ratio</b>	<b>Premium (50%)</b>	<b>Standard (50%)</b>
10 Marla House	20%	3.0	3.0
1 Kanal House	10%	2.0	2.0
2 Kanal House	10%	2.0	2.0
2 Kanal House Double Story	10%	2.0	2.0
4 Kanal House	5%	1.0	
8 Kanal Farm House	5%	1.0	
1 Kanal Office/Bank	40%	5.0	5.0
<b>Total</b>		<b>16.0</b>	<b>14.0</b>

## 6 CRITICAL FACTORS

Following critical factors are to be taken care of, for a successful interior designing and landscaping business.

- Entrepreneur's knowledge and background in the field of interior designing and landscaping.
- Location considerations; proximity of office to develop and newly developing housing schemes.
- Efficient utilization of resources to manage service delivery within specified financial resources and timeframe.
- Reasonable marketing and awareness creation to showcase portfolio of services.
- Quality of services and post transaction ancillary services.

## 7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Developed or newly developing housing societies in urban centers would be an ideal choice for setting up an office due to greater demand of such service. Requisite raw materials, infrastructure facilities, etc. would also be easily available in such areas.

## 8 POTENTIAL TARGET MARKETS

Households in middle and upper middle income group and firms in the corporate sector are the major potential clients for this business. Metropolitan cities and locations with large urban base would be more suitable for this type of business.

## 9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyse the commercial viability of Interior Designing and Landscaping. 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 annexures.

### 9.1 Project Economics

All the figures in this financial model have been calculated for a total capacity of 30 projects in a year, whereby, it is assumed that 19 projects will be serviced by the proposed set-up of interior designing and landscaping services during first year of operation.

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

**Table 2: Project Economics**

Description	Details
Internal Rate of Return (IRR)	44%
Pay Back Period (Years)	2.92
Net Present Value (NPV)	Rs. 9,097,161

Returns on the investment and sales revenues are based on the budget of the assignment, because, service fee is calculated as a percentage of the total budget of the assignment.

### 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 (50%)	Rs. 2,459,888
Bank Loan (50%)	Rs. 2,459,888
Tenure of the Loan (Years)	5
Interest Rate	12%

### 9.3 Project Cost

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

**Table 4: Project Investment**

<b>Capital Investment</b>	<b>Amount Rs.</b>
Furniture & Fixtures	1,420,000
Office Equipment	997,400
Office Vehicles	832,000
Pre-operating Expenses	225,000
<b>Total Capital Cost</b>	<b>3,474,400</b>
<b>Working Capital Requirements</b>	
Building Rent	500,000
Cash	945,376
<b>Total Working Capital</b>	<b>1,445,376</b>
<b>Total Investment</b>	<b>4,919,776</b>

#### 9.4 Office Equipment Requirement

Following table provides list of equipment required for the proposed service based venture of interior designing and landscaping:

**Table 5: Office Equipment Required**

<b>Description</b>	<b>Quantity</b>	<b>Unit Cost (Rs.)</b>	<b>Total Cost (Rs.)</b>
Laptop	3	100,000	300,000
Computer	1	40,000	40,000
Multipurpose Machine	1	35,000	35,000
Pro Land Scape Version 20	1	179,400	179,400
Chief Architect Interior Design Software	1	288,000	288,000
Digital Camera	1	100,000	100,000
UPS for Office	1	45,000	45,000
Telephone Sets	4	2,500	10,000
<b>Total</b>			<b>997,400</b>

#### 9.5 Furniture and Fixture Requirements

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



**Table 6: Furniture and Fixture Required**

<b>Description</b>	<b>Quantity/Area</b>	<b>Unit Cost (Rs.)</b>	<b>Total Cost (Rs.)</b>
Furniture for Manager Office	1	125,000	125,000
Furniture for Architect Office	2	200,000	200,000
Reception	1	115,000	115,000
Fixtures	1	50,000	50,000
Office Renovation	700	1,000	700,000
Air Conditioners (1.5 Ton split)	3	70,000	210,000
Fans	5	4,000	20,000
<b>Total</b>			<b>1,420,000</b>

## 9.6 Space Requirement

The space requirement for the proposed interior designing and landscaping business mainly consists of management office and presentation hall. For this purpose it is recommended that 900 sq. ft. area is acquired on rental basis in the vicinity of newly developing housing societies in major cities.

The monthly rent of the building is estimated as Rs. 125,000 per month. The available space may be divided in the following main areas:

<b>Description</b>	<b>Area (sq. ft.)</b>
Manager Room	100
Architect Room	100
Other Staff	200
Reception and Sitting Area	150
Presentation Room	150
Kitchen	100
Washrooms	100
<b>Total Area</b>	<b>900</b>

## 9.7 Office Vehicle

A pickup will be purchased for office staff and material mobility which will cost 832,000 Rupees.

## 9.8 Human Resource Requirement

Following table provides details of human resource required for the project along with monthly salaries:

**Table 7: Human Resource Requirement**

Description	No. of Employees	Monthly Salary per Employee (Rs.)
Owner- Manager	1	100,000
Architect	1	75,000
Interior Designer	1	60,000
Project Supervisor	2	30,000
Admin and Accounts Officer	1	30,000
Security Guard	1	16,000
Office Boy	1	15,000
<b>Total</b>	<b>8</b>	

The Interior Designer (Owner / Manager) shall formulate policies and take operational decisions of the business. Appropriate experience along with creativity and aesthetics will be the key requirements for the team. Along with this outsourced labor would be required for completion of premium projects.

## 9.9 Other Costs

An essential cost to be borne by the business is the fuel cost incurred by staff visits to client locations. It is estimated that 5% of annual expenses will be incurred on account of travelling and conveyance expenses. Similarly, electricity expenses are estimated to be around 35,000 per month with an annual increase of 10%. This service oriented project requires heavy marketing and promotional activities; for which approximately Rs. 1.24 million per annum will be spent on marketing and promotion of the proposed business.

### 9.10 Revenue Generation

Following table provides details of first year revenue of the business from interior designing and landscaping services:

**Table 8: Capacity of the Projects**

Description	Premium	Standard
10 Marla House	3	3
1 Kanal House	2	2
2 Kanal House (Single Story)	2	2
2 Kanal House Double Story)	2	2
4 Kanal House	1	-
8 Kanal Farm House	1	-
Banks / Offices	5	5
<b>Total</b>	<b>16</b>	<b>14</b>
<b>Total Projects</b>	<b>30</b>	

**Table 9: Revenue Generation in First Year @ 60% capacity**

Product Mix	Estimated Budget (Rs.)	%age Margin for Services	Service Charges for the Project	WAP <sup>1</sup> Service Charges (Premium) <sup>2</sup>	WAP Service Charges (Standard)
<b>Interior Designing</b>					
10 Marla House	850,000	10%	85,000	33,469	18,214
1 Kanal House	2,300,000	10%	230,000	60,375	32,857
2 Kanal House (Single Story)	3,250,000	12%	390,000	93,438	55,714
2 Kanal House Double Story)	3,750,000	12%	450,000	107,813	64,286
4 Kanal House	5,250,000	10%	525,000	68,906	0
8 Kanal Farm House	3,250,000	10%	325,000	42,656	0
Banks / Offices	4,250,000	15%	637,500	345,313	227,679
<b>Total Interior Designing</b>				<b>751,970</b>	<b>398,750</b>
<b>Landscaping</b>					
10 Marla House	50,000	10%	5,000	1,696	955
1 Kanal House	150,000	10%	15,000	1,615	909
2 Kanal House (Single Story)	225,000	12%	27,000	4,423	2,727
2 Kanal House Double Story)	250,000	12%	30,000	4,423	2,727
4 Kanal House	500,000	10%	50,000	8,077	0
8 Kanal Farm House	2,250,000	10%	250,000	40,385	0
Banks / Offices	500,000	15%	75,000	30,000	20,455
<b>Total Landscaping</b>				<b>96,281</b>	<b>38,143</b>
No. of Projects				10	9
Revenue from Interior Designing				7,519,690	3,588,750
Revenue from Landscaping				962,810	343,287
<b>Total Revenue for First Year</b>					<b>12,414,536</b>

<sup>1</sup> Weighted Average Price (WAP)<sup>2</sup> 11% extra will be charged to Premium Clients

## 10 CONTACT DETAILS

Contact Details of Institutions	
<p>Association of Consulting Engineers Pakistan - ACEP</p> <p>C-84, Block 8, Gulshan-e-Iqbal, University Road, Karachi- Pakistan</p> <p>Tel: +92-21-34980871</p> <p>Fax: +92-21-34985907</p> <p>E-mail: <a href="mailto:info@acep.org.pk">info@acep.org.pk</a></p> <p>URL: <a href="http://www.acep.org.pk">www.acep.org.pk</a></p>	<p>Parks and Horticulture Authority</p> <p>Gate No-4 Jillani Park, 2 Jail Rd, Lahore</p> <p>Tel: +92-42-99200908</p> <p>URL: <a href="http://www.pha.gop.pk">www.pha.gop.pk</a></p>
<p>Pakistan Institute of Fashion and Design</p> <p>51-J/3, Johar Town, Lahore, Pakistan</p> <p>TEL: +92-42-35315401-08</p> <p>FAX: +92-42-35303998 / 35315420</p> <p>URL: <a href="http://www.pifd.edu.pk">www.pifd.edu.pk</a></p>	<p>National College of Arts</p> <p>Shahrah-e-Qauid-e-Azam, 4 Mall Rd, Lahore 54000</p> <p>Tel: +92-42-99210601</p> <p>URL: <a href="http://www.nca.edu.pk">www.nca.edu.pk</a></p>

## 11 USEFUL LINKS

Small & Medium Enterprises Development Authority (SMEDA)	<a href="http://www.smeda.org.pk">www.smeda.org.pk</a>
Government of Pakistan	<a href="http://www.pakistan.gov.pk">www.pakistan.gov.pk</a>
Ministry of Industries & Production	<a href="http://www.moip.gov.pk">www.moip.gov.pk</a>
Government of Punjab	<a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>
Government of Sindh	<a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>
Government of Khyber Pakhtunkhwa	<a href="http://www.khyberpakhtunkhwa.gov.pk">www.khyberpakhtunkhwa.gov.pk</a>
Government of Balochistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
Government of GilgitBaltistan	<a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>
Government of Azad Jamu Kashmir	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
Trade Development Authority of Pakistan (TDAP)	<a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>
Security & Exchange Commission of Pakistan (SECP)	<a href="http://www.secp.gov.pk">www.secp.gov.pk</a>
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	<a href="http://www.fpcci.com.pk">www.fpcci.com.pk</a>
State Bank of Pakistan (SBP)	<a href="http://www.sbp.org.pk">www.sbp.org.pk</a>
Pakistan Institute of Fashion Design (PIFD)	<a href="http://www.pifd.edu.pk">www.pifd.edu.pk</a>
Pakistan Fashion Design Council (PFDC)	<a href="http://www.pfdc.org">www.pfdc.org</a>
The Pakistan Council of Architects and Town Planners	<a href="http://www.pcatp.org.pk">www.pcatp.org.pk</a>
Pakistan Institute of Interior Designers (PIID)	<a href="http://www.piid.com.pk">www.piid.com.pk</a>
Parks and Horticulture Authority	<a href="http://www.pha.gop.pk">www.pha.gop.pk</a>
National College of Arts	<a href="http://www.nca.edu.pk">www.nca.edu.pk</a>

## 12 ANNEXURES

### 12.1 Income Statement

Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenue</b>	<b>12,414,536</b>	<b>14,589,064</b>	<b>16,576,611</b>	<b>19,363,293</b>	<b>21,939,277</b>	<b>24,133,205</b>	<b>28,049,252</b>	<b>31,705,558</b>	<b>36,694,413</b>	<b>40,363,854</b>
<i>Cost of sales</i>										
Salaries	3,540,000	3,894,000	4,283,400	4,711,740	5,182,914	5,701,205	6,271,326	6,898,459	7,588,304	8,347,135
Wages on Premium Projects	2,370,000	2,867,700	3,154,470	3,785,364	4,163,900	4,580,290	5,458,179	6,003,997	7,112,428	7,823,670
Electricity Expense	420,000	462,000	508,200	559,020	614,922	676,414	744,056	818,461	900,307	990,338
Total cost of sales	6,330,000	7,223,700	7,946,070	9,056,124	9,961,736	10,957,910	12,473,561	13,720,917	15,601,039	17,161,143
<b>Gross Profit</b>	<b>6,084,536</b>	<b>7,365,364</b>	<b>8,630,541</b>	<b>10,307,169</b>	<b>11,977,541</b>	<b>13,175,295</b>	<b>15,575,691</b>	<b>17,984,641</b>	<b>21,093,373</b>	<b>23,202,711</b>
<i>General administration &amp; selling expenses</i>										
Administration expense	372,000	409,200	450,120	495,132	544,645	599,110	659,021	724,923	797,415	877,157
Administration benefits expense	195,600	215,160	236,676	260,344	286,378	315,016	346,517	381,169	419,286	461,215
Rent expense	1,500,000	1,650,000	1,815,000	1,996,500	2,196,150	2,415,765	2,657,342	2,923,076	3,215,383	3,536,922
Training & Development	100,000	110,000	121,000	133,100	146,410	161,051	177,156	194,872	214,359	235,795
Office Vehicle Running Expenses	372,436	437,672	497,298	580,899	658,178	723,996	841,478	951,167	1,100,832	1,210,916
Travelling expense	620,727	682,799	751,079	826,187	908,806	999,687	1,099,655	1,209,621	1,330,583	1,463,641
Internet and Communications expense (phone, mail, etc.)	84,000	92,400	101,640	111,804	122,984	135,283	148,811	163,692	180,061	198,068
Printing & Stationary	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Entertainment	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Promotional expense (News Papers, Periodicals, etc.)	1,241,454	1,117,308	1,005,577	905,020	814,518	733,066	659,759	593,783	534,405	480,965
Consultancy Charges & Audit Fee	100,000	110,000	121,000	133,100	146,410	161,051	177,156	194,872	214,359	235,795
Depreciation expense	241,740	241,740	241,740	241,740	241,740	241,740	241,740	241,740	241,740	241,740
Amortization of pre-operating costs	45,000	45,000	45,000	45,000	45,000	-	-	-	-	-
Janitorial Expenses	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Miscellaneous expense	248,291	291,781	331,532	387,266	438,786	482,664	560,985	634,111	733,888	807,277
<b>Subtotal</b>	<b>5,301,247</b>	<b>5,601,061</b>	<b>5,935,463</b>	<b>6,355,671</b>	<b>6,813,543</b>	<b>7,647,645</b>	<b>8,277,826</b>	<b>8,953,119</b>	<b>9,757,483</b>	<b>10,563,244</b>
<b>Operating Income</b>	<b>783,289</b>	<b>1,764,303</b>	<b>2,695,078</b>	<b>3,951,498</b>	<b>5,163,997</b>	<b>5,527,650</b>	<b>7,297,865</b>	<b>9,031,521</b>	<b>11,335,890</b>	<b>12,639,467</b>
<i>Earnings Before Interest &amp; Taxes</i>	<b>783,289</b>	<b>1,764,303</b>	<b>2,695,078</b>	<b>3,951,498</b>	<b>5,163,997</b>	<b>5,527,650</b>	<b>7,297,865</b>	<b>9,031,521</b>	<b>11,335,890</b>	<b>12,639,467</b>
Interest expense on long term debt (Project Loan)	193,946	159,733	121,180	77,738	28,786	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	94,463	78,434	60,012	38,839	14,504	-	-	-	-	-
<b>Subtotal</b>	<b>288,409</b>	<b>238,167</b>	<b>181,193</b>	<b>116,577</b>	<b>43,290</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Earnings Before Tax</b>	<b>494,880</b>	<b>1,526,136</b>	<b>2,513,885</b>	<b>3,834,920</b>	<b>5,453,507</b>	<b>5,527,650</b>	<b>7,297,865</b>	<b>9,031,521</b>	<b>11,335,890</b>	<b>12,639,467</b>
Tax	9,488	152,727	350,971	681,230	1,158,552	1,180,795	1,776,752	2,383,532	3,190,061	3,646,313
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>485,392</b>	<b>1,373,409</b>	<b>2,162,914</b>	<b>3,153,691</b>	<b>4,294,955</b>	<b>4,346,855</b>	<b>5,521,113</b>	<b>6,647,990</b>	<b>8,145,829</b>	<b>8,993,154</b>

## 12.2 Balance Sheet

Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	945,376	1,052,324	2,209,284	4,074,216	6,853,389	10,688,242	15,539,897	21,544,908	28,653,915	37,240,731	47,960,899
Accounts receivable		238,087	258,939	298,849	344,629	396,052	441,791	500,380	572,991	655,890	738,915
Pre-paid building rent	500,000	550,000	605,000	665,500	732,050	805,255	885,781	974,359	1,071,794	1,178,974	-
<b>Total Current Assets</b>	<b>1,445,376</b>	<b>1,840,411</b>	<b>3,073,223</b>	<b>5,038,565</b>	<b>7,930,068</b>	<b>11,889,549</b>	<b>16,867,469</b>	<b>23,019,646</b>	<b>30,298,701</b>	<b>39,075,595</b>	<b>48,699,814</b>
<i>Fixed assets</i>											
Furniture & fixtures	1,420,000	1,278,000	1,136,000	994,000	852,000	2,996,924	2,626,232	2,255,539	1,884,847	1,514,155	1,143,462
Cafe equipment	997,400	897,660	797,920	698,180	598,440	2,105,023	1,844,650	1,584,278	1,323,906	1,063,534	803,161
<b>Total Fixed Assets</b>	<b>3,249,400</b>	<b>3,007,660</b>	<b>2,765,920</b>	<b>2,524,180</b>	<b>2,282,440</b>	<b>7,273,891</b>	<b>6,642,827</b>	<b>6,011,762</b>	<b>5,380,697</b>	<b>4,749,632</b>	<b>4,118,568</b>
<i>Intangible assets</i>											
Pre-operation costs	225,000	180,000	135,000	90,000	45,000	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>225,000</b>	<b>180,000</b>	<b>135,000</b>	<b>90,000</b>	<b>45,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>4,919,776</b>	<b>5,028,071</b>	<b>5,974,143</b>	<b>7,652,745</b>	<b>10,257,508</b>	<b>19,163,440</b>	<b>23,510,295</b>	<b>29,031,408</b>	<b>35,679,398</b>	<b>43,825,227</b>	<b>52,818,381</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Other liabilities</i>											
Deferred tax	-	-	-	-	-	-	-	-	-	-	-
Long term debt (Project Loan)	1,737,200	1,467,430	1,163,446	820,909	434,931	-	-	-	-	-	-
Long term debt (Working Capital Loan)	722,688	615,362	492,008	350,233	187,284	-	-	-	-	-	-
<b>Total Long Term Liabilities</b>	<b>2,459,888</b>	<b>2,082,792</b>	<b>1,655,454</b>	<b>1,171,142</b>	<b>622,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Shareholders' equity</i>											
Paid-up capital	2,459,888	2,459,888	2,459,888	2,459,888	2,459,888	7,693,079	7,693,079	7,693,079	7,693,079	7,693,079	7,693,079
Retained earnings		485,392	1,858,801	4,021,715	7,175,405	11,470,361	15,817,216	21,338,329	27,986,319	36,132,148	45,125,302
<b>Total Equity</b>	<b>2,459,888</b>	<b>2,945,279</b>	<b>4,318,689</b>	<b>6,481,603</b>	<b>9,635,293</b>	<b>19,163,440</b>	<b>23,510,295</b>	<b>29,031,408</b>	<b>35,679,398</b>	<b>43,825,227</b>	<b>52,818,381</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>4,919,776</b>	<b>5,028,071</b>	<b>5,974,143</b>	<b>7,652,745</b>	<b>10,257,508</b>	<b>19,163,440</b>	<b>23,510,295</b>	<b>29,031,408</b>	<b>35,679,398</b>	<b>43,825,227</b>	<b>52,818,381</b>



## 12.3 Cash Flow Statement

<b>Cash Flow Statement</b>											
	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		485,392	1,373,409	2,162,914	3,153,691	4,294,955	4,346,855	5,521,113	6,647,990	8,145,829	8,993,154
Add: depreciation expense		241,740	241,740	241,740	241,740	241,740	631,065	631,065	631,065	631,065	631,065
amortization of pre-operating costs		45,000	45,000	45,000	45,000	45,000	-	-	-	-	-
Accounts receivable		(238,087)	(20,852)	(39,910)	(45,780)	(51,423)	(45,739)	(58,589)	(72,612)	(82,899)	(83,025)
Pre-paid building rent	(500,000)	(50,000)	(55,000)	(60,500)	(66,550)	(73,205)	(80,526)	(88,578)	(97,436)	(107,179)	1,178,974
Cash provided by operations	(500,000)	484,045	1,584,298	2,349,244	3,328,100	4,457,067	4,851,656	6,005,011	7,109,007	8,586,816	10,720,168
<i>Financing activities</i>											
Project Loan - principal repayment		(269,770)	(303,984)	(342,537)	(385,979)	(434,931)	-	-	-	-	-
Additions to Project Loan	1,737,200	-	-	-	-	-	-	-	-	-	-
Issuance of shares	2,459,888	-	-	-	-	5,233,191	-	-	-	-	-
Cash provided by / (used for) financing activities	4,919,776	(377,096)	(427,338)	(484,312)	(548,928)	4,610,977	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(3,474,400)	-	-	-	-	(5,233,191)	-	-	-	-	-
Acquisitions											
Cash (used for) / provided by investing activities	(3,474,400)	-	-	-	-	(5,233,191)	-	-	-	-	-
<b>NET CASH</b>	<b>945,376</b>	<b>106,949</b>	<b>1,156,960</b>	<b>1,864,932</b>	<b>2,779,173</b>	<b>3,834,853</b>	<b>4,851,656</b>	<b>6,005,011</b>	<b>7,109,007</b>	<b>8,586,816</b>	<b>10,720,168</b>

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

Description	Details
Administration Benefit Expenses	5% of admin expenses
Travelling Expenses	5% of Sales
Communication Expenses	Rs. 7,000 per month
Promotional Expenses	10% of revenue
Depreciation Method	Straight Line
Operating Cost Growth Rate	10%

### 13.2 Production Cost Assumptions

No. of Projects in a year	30
Premium Projects	16
Standard Projects	14
Starting Capacity Utilization	60%
Annual Growth Rate in Capacity Utilization	3%
Maximum Capacity Utilization for the Project	85%
Days Operational Per Year	300

### 13.3 Financial Assumptions

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

### 13.4 Capacity utilization Assumption

Description	Details
Number of Projects in a year	30
Starting Capacity	60%
Annual Growth Rate in capacity utilization	3%

Maximum Capacity Utilization	85%
Fee Based on Budget of Project	11% of Budget
Designing and Planning fees	4% of Budget

# Small and Medium Enterprises Development Authority

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