



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 it's 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

| Product Mix | Ratio | Premium (50%) | Standard (50%) |
|----------------------------|-------|---------------|----------------|
| 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 |
| Total | | 16.0 | 14.0 |

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

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

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

| Description | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|--|-----------------|------------------------|-------------------------|
| 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 |
| Total | | | 997,400 |

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

| Description | Quantity/Area | Unit Cost (Rs.) | Total Cost (Rs.) |
|----------------------------------|---------------|-----------------|------------------|
| 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 |
| Total | | | 1,420,000 |

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:

| Description | Area (sq. ft.) |
|----------------------------|----------------|
| Manager Room | 100 |
| Architect Room | 100 |
| Other Staff | 200 |
| Reception and Sitting Area | 150 |
| Presentation Room | 150 |
| Kitchen | 100 |
| Washrooms | 100 |
| Total Area | 900 |

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 |
| Total | 8 | |

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 |
| Total | 16 | 14 |
| Total Projects | | 30 |

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

| Product Mix | Estimated Budget (Rs.) | %age Margin for Services | Service Charges for the Project | WAP ¹ Service Charges (Premium) ² | WAP Service Charges (Standard) |
|-------------------------------------|------------------------|--------------------------|---------------------------------|---|--------------------------------|
| Interior Designing | | | | | |
| 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 |
| Total Interior Designing | | | | 751,970 | 398,750 |
| Landscaping | | | | | |
| 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 |
| Total Landscaping | | | | 96,281 | 38,143 |
| No. of Projects | | | | 10 | 9 |
| Revenue from Interior Designing | | | | 7,519,690 | 3,588,750 |
| Revenue from Landscaping | | | | 962,810 | 343,287 |
| Total Revenue for First Year | | | | | 12,414,536 |

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

10 CONTACT DETAILS

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

11 USEFUL LINKS

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

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 |
| Revenue | 12,414,536 | 14,589,064 | 16,576,611 | 19,363,293 | 21,939,277 | 24,133,205 | 28,049,252 | 31,705,558 | 36,694,413 | 40,363,854 |
| <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 |
| Gross Profit | 6,084,536 | 7,365,364 | 8,630,541 | 10,307,169 | 11,977,541 | 13,175,295 | 15,575,691 | 17,984,641 | 21,093,373 | 23,202,711 |
| <i>General administration & 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 |
| Subtotal | 5,301,247 | 5,601,061 | 5,935,463 | 6,355,671 | 6,813,543 | 7,647,645 | 8,277,826 | 8,953,119 | 9,757,483 | 10,563,244 |
| Operating Income | 783,289 | 1,764,303 | 2,695,078 | 3,951,498 | 5,163,997 | 5,527,650 | 7,297,865 | 9,031,521 | 11,335,890 | 12,639,467 |
| <i>Earnings Before Interest & Taxes</i> | 783,289 | 1,764,303 | 2,695,078 | 3,951,498 | 5,163,997 | 5,527,650 | 7,297,865 | 9,031,521 | 11,335,890 | 12,639,467 |
| 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 | - | - | - | - | - |
| Subtotal | 288,409 | 238,167 | 181,193 | 116,577 | 43,290 | - | - | - | - | - |
| Earnings Before Tax | 494,880 | 1,526,136 | 2,513,885 | 3,834,920 | 5,453,507 | 5,527,650 | 7,297,865 | 9,031,521 | 11,335,890 | 12,639,467 |
| 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 |
| NET PROFIT/(LOSS) AFTER TAX | 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 |

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 |
| Assets | | | | | | | | | | | |
| <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 | - |
| Total Current Assets | 1,445,376 | 1,840,411 | 3,073,223 | 5,038,565 | 7,930,068 | 11,889,549 | 16,867,469 | 23,019,646 | 30,298,701 | 39,075,595 | 48,699,814 |
| <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 |
| Total Fixed Assets | 3,249,400 | 3,007,660 | 2,765,920 | 2,524,180 | 2,282,440 | 7,273,891 | 6,642,827 | 6,011,762 | 5,380,697 | 4,749,632 | 4,118,568 |
| <i>Intangible assets</i> | | | | | | | | | | | |
| Pre-operation costs | 225,000 | 180,000 | 135,000 | 90,000 | 45,000 | - | - | - | - | - | - |
| Total Intangible Assets | 225,000 | 180,000 | 135,000 | 90,000 | 45,000 | - | - | - | - | - | - |
| TOTAL ASSETS | 4,919,776 | 5,028,071 | 5,974,143 | 7,652,745 | 10,257,508 | 19,163,440 | 23,510,295 | 29,031,408 | 35,679,398 | 43,825,227 | 52,818,381 |
| Liabilities & Shareholders' Equity | | | | | | | | | | | |
| <i>Current liabilities</i> | | | | | | | | | | | |
| Accounts payable | - | - | - | - | - | - | - | - | - | - | - |
| Total Current Liabilities | - | - | - | - | - | - | - | - | - | - | - |
| <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 | - | - | - | - | - | - |
| Total Long Term Liabilities | 2,459,888 | 2,082,792 | 1,655,454 | 1,171,142 | 622,214 | - | - | - | - | - | - |
| <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 |
| Total Equity | 2,459,888 | 2,945,279 | 4,318,689 | 6,481,603 | 9,635,293 | 19,163,440 | 23,510,295 | 29,031,408 | 35,679,398 | 43,825,227 | 52,818,381 |
| TOTAL CAPITAL AND LIABILITIES | 4,919,776 | 5,028,071 | 5,974,143 | 7,652,745 | 10,257,508 | 19,163,440 | 23,510,295 | 29,031,408 | 35,679,398 | 43,825,227 | 52,818,381 |

12.3 Cash Flow Statement

| 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 | | 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) | - | - | - | - | - |
| NET CASH | 945,376 | 106,949 | 1,156,960 | 1,864,932 | 2,779,173 | 3,834,853 | 4,851,656 | 6,005,011 | 7,109,007 | 8,586,816 | 10,720,168 |

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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