



Pre-feasibility Study

MINERAL WATER DISTRIBUTION MODEL

May 2022

“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

Table of Contents

1	DISCLAIMER.....	3
2	EXECUTIVE SUMMARY	4
3	INTRODUCTION TO SMEDA.....	5
4	PURPOSE OF THE DOCUMENT.....	5
5	BRIEF DESCRIPTION OF PROJECT & PRODUCT.....	6
5.1	PROCESS FLOW.....	7
5.2	INSTALLED AND OPERATIONAL CAPACITIES	7
6	CRITICAL FACTORS	8
7	GEOGRAPHICAL POTENTIAL FOR INVESTMENT	8
8	POTENTIAL TARGET CUSTOMERS / MARKETS.....	8
9	PROJECT COST SUMMARY.....	9
9.1	PROJECT ECONOMICS.....	9
9.2	PROJECT FINANCING	9
9.3	PROJECT COST	10
9.4	SPACE REQUIREMENT	10
9.5	BOTTLES REQUIREMENT	11
9.6	FURNITURE & FIXTURE REQUIREMENT.....	11
9.7	OFFICE EQUIPMENT REQUIREMENT	12
9.8	OFFICE VEHICLE REQUIREMENT	12
9.9	HUMAN RESOURCE REQUIREMENT	12
9.10	UTILITIES AND OTHER COSTS	13
9.11	REVENUE GENERATION.....	13
10	CONTACT DETAILS.....	14
10.1	RAW MATERIAL SUPPLIERS	14
11	USEFUL WEB LINKS.....	15
12	ANNEXURES	16
12.1	INCOME STATEMENT	16
12.2	BALANCE SHEET	17
12.3	CASH FLOW STATEMENT	18
13	KEY ASSUMPTIONS.....	19
13.1	OPERATING ASSUMPTIONS	19
13.2	DISTRIBUTION ASSUMPTIONS.....	19
13.3	REVENUE ASSUMPTIONS	19
13.4	EXPENSE ASSUMPTIONS	19

1 DISCLAIMER

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Document Control

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2 EXECUTIVE SUMMARY

This proposed Pre-feasibility study presents an investment opportunity for establishing a Mineral Water Distribution Model set up with a capacity to distribute **109,421** bottles per year for providing pure drinking water. Water will be procured from processing facility of any Registered & Licensed Mineral Water Supplier and will be distributed to the target market from the same facility. For this Pre-feasibility it is recommended that Distribution or Franchise rights should be acquired from any registered brand. The proposed product line will consist Jumbo bottles of **19 litres**. Total distribution of purified bottled water is **54,711** bottles per year at **50%** initial capacity utilization.

The total project cost for setting up a Mineral Water Distribution Model is estimated at **Rs. 2,806,350** out of which **Rs. 2,210,000** is capital cost and **Rs. 596,350** is working capital. The NPV is projected around **Rs. 708,220**, with an IRR of **34%** and a Payback Period of **2.83 years**. The legal business status of this project is proposed as a 'Sole Proprietorship'.

The most critical considerations or factors for success of the project are:

- Most significant considerations
 - Selection of a central location based on the target market.
 - Compliance with standards & obtaining license from (PSQCA) Pakistan Standards & Quality Control Authority.
 - Linkages development with the local market & households.
- Equally important factors
 - Efficient & skilled sales personnel's can bring more business.
 - Reasonable & competitive prices.

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 Pre-feasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the Pre-feasibility 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 **Mineral Water Distribution Model** by providing them with a general understanding of the business with the intention of supporting potential investors in crucial investment decisions.

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

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

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

The initial stage in Mineral Water Distribution Model process flow is the source of mineral water. Water will be procured directly from processing facility of any Registered & Licensed Mineral Water Supplier. For this Pre-feasibility, it is suggested that Distribution agreement should be made with any Registered Brand and water should be marketed and distributed to the household and corporate clients directly from the factory premises. This business model is less capital intensive and it also fulfils the regulatory requirements as the Brand already holds the licence and mandatory registration. As per current market trend, it is estimated that 19 litres of Jumbo water filled bottles are available at Rs. 35 per bottle, with washing, filling & capping services. After this, bottles can be distributed to the customer directly from the supplier's facility.

In the past before 2010, much of the mineral water was being imported. But today the demand is being met by local producers / distributors. According to PSQCA, the numbers of licensed brands available in the market are showing a substantial growth by the industry. It is also estimated that there are hundreds of unregistered brands being supplied in the market.

Following key parameters must be addressed as per Pre-feasibility study under preparation:

- **Location:** Distribution Model can be set-up in any major city with significant population such as Karachi, Hyderabad, Lahore, Rawalpindi, Multan, Islamabad, Peshawar and Quetta.
- **Product:** Pakistan's Bottled Water Market comprises of two main segments i.e. retail market and bulk market. For this particular Pre-feasibility, proposed product line will be consist of 19 litres bottles which will target both the markets.
- **Target Market:** The target markets for Bottled / Mineral water consist of Households, Hotel Industry, Hospitals, Offices, Homes, Educational Institutions, Commercial Markets and Hygiene conscious people. Moreover, the Bottled / Mineral water has been emerging as a daily preference of Upper, Middle & Lower Middle class due to unavailability of clean / pure drinking water.
- **Employment Generation:** The proposed project will provide direct employment to 04 people. Financial analysis shows the unit shall be profitable from the very first year of operation.

5.1 Process Flow

The process flow diagram is as under:



- **Stage 1:** Demand from clients analyzed.
- **Stage 2:** Empty bottles are to be placed at supplier's facility for re-filling.
- **Stage 3:** Empty bottles are then washed, filled and sealed at supplier's facility.
- **Stage 4:** Collection of bottles from the supplier's facility.
- **Stage 5:** Distribution to the clients.
- **Stage 6:** Collection of empty bottles from the clients.

5.2 Installed and Operational Capacities

Following table provides details of installed capacity and capacity utilization for the first year of operations @ 50%:

Product	Unit	Installed Capacity	First Year Distribution
19 litre Bottles	Bottles	109,421	54,711

6 CRITICAL FACTORS

The market for mineral water distribution is a growing market, but offers tough competition. Critical success factors that affect the decision to invest in the proposed business are:

- Selection of a central location based on the target market.
- Linkages development with the local market & households.
- The sale price must be according to the prevailing market price.
- Efficient marketing of the brand and bulk supply to the retailers.
- Efficient & skilled sales personnel's can bring more business.
- Maintenance of quality and hygiene standards.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The market for Mineral Water has been showing a mushroom growth trend over the last few years due to the increasing population in a country, less availability of clean drinking water in majority of areas and awareness of hygiene with respect to drinking water. The demand of clean-fresh water is increasing year after year. Keeping this situation in mind many individuals and companies have set up Mineral Water Distribution Model. Therefore, proposed Distribution Model can be set-up in any major city with significant population such as Karachi, Hyderabad, Lahore, Quetta, Rawalpindi, Islamabad, Multan, Faisalabad and Peshawar.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Pakistan has a domestic market of above 185 million consumers with growing incomes & changing consumption habits. Population growth, increase in per capita income, and urbanization have led to demand of Distribution Models. Consumerism and introduction of new products have fuelled demand. The potential markets for Bottled / Mineral Water consist of Households, Hotel Industry, Hospitals, Offices, Homes, Educational Institutions, Commercial Markets and

Hygiene conscious people. Moreover, the Bottled / Mineral water has been emerging as a daily preference of Upper, Middle & Lower Middle class due to unavailability of clean / pure drinking water.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyse the commercial viability of Mineral Water Distribution Model. 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 attached in appendices.

9.1 Project Economics

The capacity utilization during year one is worked out at **50%** with **5%** increase in subsequent years up to the maximum capacity utilization of **90%**.

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

Table 1: Project Economics

Description	Details
Internal Rate of Return (IRR)	34%
Payback Period (yrs.)	2.83
Net Present Value (Rs.)	708,220

Returns on the business and its profitability are highly dependent on effective management of logistics, general reputation of distributor and its sales force.

9.2 Project Financing

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

Table 2: Project Financing

Description	Details
Total Equity (100%)	Rs. 2,806,350
Tenure of the Loan (Years)	2.83

9.3 Project Cost

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

Table 3: Project Cost

Description	Amount Rs.
Capital Cost	
Bottles Requirement (500 Bottles)	350,000
Furniture & Fixtures	40,000
Office Vehicles (Hyundai Shehzore Pickup H-100)-used	1,545,000
Office Equipment	55,000
Pre-operating Costs	155,000
Legal, Licensing & Training Costs	40,000
Total Capital Costs	2,210,000
Working Capital	
Up-front Building Rental	300,000
Up-front Insurance Payment	46,350
Cash	250,000
Total Working Capital	596,350
Total Project Cost	2,806,350

9.4 Space Requirement

The space requirement for the proposed Mineral Water Distribution Model is estimated considering various facilities including Management building, Store,

Ground, etc. However, the units, operating in the industry do not follow any set pattern. Estimated rent for the proposed facility would be Rs. 25,000 per month. Following table shows calculations for project space requirement:

Table 4: Space Requirement

Description	Total Estimated Area (Sq. ft.)	Total Cost (Rs.)
Space Requirement	1500	25,000

9.5 Bottles Requirement

Bottles requirement for the proposed project is stated below:

Table 5: Equipment

Description	Unit	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
19 Litres Bottles (Incl. Printing)	Bottles	500	700	350,000
Total				350,000

9.6 Furniture & Fixture Requirement

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

Table 6: Furniture & Fixture

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Furniture Set for Office	1	20,000	20,000
Electric Wiring & Lighting	1	20,000	20,000
Total			40,000

9.7 Office Equipment Requirement

Following office equipment will be required for Mineral Water Distribution Model:

Table 7: Office Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Computer	1	40,000	40,000
Printer	1	15,000	15,000
Total			55,000

9.8 Office Vehicle Requirement

Office vehicle required for the project is as follows:

Table 8: Office Vehicles

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Hyundai Shehzore Pickup H-100 (With Deck and Side Wall) - Used	1	1,500,000	1,500,000
Registration Fee	1	3%	45,000
Total			1,545,000

9.9 Human Resource Requirement

In order to run operations of Mineral Water Distribution Model smoothly, details of human resources required along with number of employees and monthly salary are recommended as under:

Table 9: Human Resource Requirement

Description	No. of Employees	Monthly Salary (Rs.)	Annual Salary (Rs.)
Owner / Manager	1	35,000	420,000
Area Sales Manager	1	30,000	360,000
QC Officer / Production Officer	1	25,000	300,000

Driver / Loader	1	25,000	300,000
Total	4	115,000	1,380,000

The above table provides details of human resource required to run the proposed unit. Owner / Manager will look after the financial, marketing and distribution matters. Area sales manager will distribute Mineral Water in the market under the supervision of the Owner / Manager.

9.10 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity and promotional expense. The electricity expenses are estimated to be around Rs. 5,258 per month and promotional expense being essential for marketing of Mineral Water is estimated as 4% of Total Revenue.

9.11 Revenue Generation

Based on the capacity utilization of 50% for Purified Bottled Water, sales revenue during the first year of operations is estimated as under:

Table11: Revenue Generation – Year 1

Description	No. of Units Sold (No.)	Sale Price / Unit (Rs.)	Sales Revenue (Rs.)
19 Litres Bottles	54,711	125	6,838,816

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 Raw Material Suppliers

Raw Material Supplier -1

Name of Supplier	Synthetic Products Enterprises Limited (SPEL)		
Address	127-S, Q.I.E. Township, Kotlakhpat, Lahore		
Phone	042-35115506-07	Fax	042-35118507
E-mail	synthetic@spelgroup.com		
Website	www.spelgroup.com		

Raw Material Supplier -2

Name of Supplier	TransPak Pvt. Ltd.		
Address	F-31-A, S.I.T.E, Karachi-75700, Pakistan.		
Phone	021-32576914-15 – 32564190	Fax	021-32564115
E-mail	info@transpakpvt.com		
Website	www.transpakpvt.com		

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 Education, Training & Standards in Higher Education	http://moptt.gov.pk
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Khyber Pakhtunkhwa	www.khyberpakhtunkhwa.gov.pk
Government of Balochistan	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
Punjab Small Industries Corporation	www.psic.gop.pk
Sindh Small Industries Corporation	www.ssic.gos.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org
Pakistan Standards and Quality Control Authority(PSQCA)	www.psqca.com.pk
Pakistan Council of Research in Water Resources	www.pcrwr.gov.pk

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	6,838,816	7,974,059	9,220,912	10,588,681	12,087,386	13,727,817	15,521,585	17,481,186	19,620,060	20,797,264
<i>Cost of sales</i>										
Cost of goods sold 1	1,914,868	2,211,673	2,533,371	2,881,709	3,258,548	3,665,867	4,105,771	4,580,501	5,092,439	5,347,061
Cost of goods sold 2	-	-	-	-	-	-	-	-	-	-
Operating costs 1 (direct labor)	300,000	329,208	361,261	396,433	870,062	954,772	1,047,730	1,149,738	1,261,679	1,384,517
Operating costs 2 (machinery maintenance)	-	-	-	-	-	-	-	-	-	-
Operating costs 3 (direct electricity)	-	-	-	-	-	-	-	-	-	-
Operating costs 4 (direct water)	-	-	-	-	-	-	-	-	-	-
Operating costs 5 (Fuel for Vehicle)	845,625	896,363	1,007,153	1,199,535	1,514,386	2,026,590	2,874,756	4,322,570	6,889,520	11,639,699
Total cost of sales	3,060,493	3,437,244	3,901,784	4,477,678	5,642,996	6,647,228	8,028,257	10,052,809	13,243,638	18,371,277
Gross Profit	3,778,322	4,536,815	5,319,128	6,111,003	6,444,391	7,080,589	7,493,329	7,428,376	6,376,423	2,425,986
	55%	57%	58%	58%	53%	52%	48%	42%	32%	12%
<i>General administration & selling expenses</i>										
Administration expense	1,080,000	1,185,150	1,300,538	1,427,160	1,740,123	1,909,544	2,095,460	2,299,477	2,523,357	2,769,035
Administration benefits expense	75,600	82,961	91,038	99,901	121,809	133,668	146,682	160,963	176,635	193,832
Building rental expense	300,000	315,000	330,750	347,288	364,652	382,884	402,029	422,130	443,237	465,398
Electricity expense	63,091	69,400	76,340	83,974	92,372	101,609	111,770	122,947	135,242	148,766
Fuel for Vehicles	481,453	529,598	577,743	625,888	674,034	722,179	770,324	818,469	866,615	866,615
Communications expense (phone, fax, mail, internet, etc.)	54,000	59,258	65,027	71,358	87,006	95,477	104,773	114,974	126,168	138,452
Office vehicles maintenance expense	154,500	169,950	186,945	205,640	226,203	248,824	273,706	301,077	331,184	364,303
Office expenses (stationary, entertainment, janitorial services, etc.)	43,200	47,406	52,022	57,086	69,605	76,382	83,818	91,979	100,934	110,761
Promotional expense	273,553	318,962	368,836	423,547	483,495	549,113	620,863	699,247	784,802	831,891
Insurance expense	46,350	41,715	37,080	32,445	27,810	23,175	18,540	13,905	9,270	4,635
Professional fees (legal, audit, consultants, etc.)	68,388	79,741	92,209	105,887	120,874	137,278	155,216	174,812	196,201	207,973
Depreciation expense	235,250	245,750	257,825	271,711	287,680	307,020	309,921	313,257	317,094	321,506
Amortization of pre-operating costs	31,000	31,000	31,000	31,000	31,000	-	-	-	-	-
Amortization of legal, licensing, and training costs	8,000	8,000	8,000	8,000	8,000	-	-	-	-	-
Bad debt expense	136,776	159,481	184,418	211,774	241,748	274,556	310,432	349,624	392,401	415,945
Miscellaneous expense 1	200,000	210,000	220,500	231,525	243,101	255,256	268,019	281,420	295,491	310,266
Subtotal	3,251,161	3,553,372	3,880,272	4,234,185	4,819,512	5,216,966	5,671,554	6,164,282	6,698,631	7,149,377
Operating Income	527,161	983,444	1,438,856	1,876,818	1,624,878	1,863,623	1,821,775	1,264,095	(322,208)	(4,723,391)
Other income (interest on cash)	-	-	-	-	-	-	-	-	-	-
Other income 2	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of machinery & equipment	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	-	-	-	-
Earnings Before Interest & Taxes	527,161	983,444	1,438,856	1,876,818	1,624,878	1,863,623	1,821,775	1,264,095	(322,208)	(4,723,391)
Interest on short term debt	-	-	-	-	-	-	-	-	-	-
Interest on export refinancing	-	-	-	-	-	-	-	-	-	-
Interest expense on machinery & equipment lease	-	-	-	-	-	-	-	-	-	-
Interest expense on office equipment lease	-	-	-	-	-	-	-	-	-	-
Interest expense on office vehicles lease	-	-	-	-	-	-	-	-	-	-
Interest expense on long term debt (Project Loan)	-	-	-	-	-	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	527,161	983,444	1,438,856	1,876,818	1,624,878	1,863,623	1,821,775	1,264,095	(322,208)	(4,723,391)
Tax	105,432	196,689	287,771	375,364	324,976	372,725	364,355	252,819	-	-
NET PROFIT/(LOSS) AFTER TAX	421,729	786,755	1,151,085	1,501,454	1,299,903	1,490,898	1,457,420	1,011,276	(322,208)	(4,723,391)
Balance brought forward	126,519	273,982	427,520	578,692	563,578	616,343	622,129	490,021	50,344	50,344
Total profit available for appropriation	421,729	913,274	1,425,067	1,928,974	1,878,595	2,054,477	2,073,763	1,633,405	167,813	(4,673,047)
Dividend	295,210	639,291	997,547	1,350,282	1,315,016	1,438,134	1,451,634	1,143,383	117,469	(3,271,133)
Balance carried forward	126,519	273,982	427,520	578,692	563,578	616,343	622,129	490,021	50,344	(1,401,914)
	6%	10%	12%	14%	11%	11%	9%	6%	-2%	-23%

12.2 Balance Sheet

Calculations											SMEDA
Balance Sheet											
Assets	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Current assets											
Cash & Bank	525,000	876,654	1,251,815	1,636,003	2,021,229	1,889,212	2,185,032	2,426,643	2,522,055	2,300,354	1,052,410
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Finished goods inventory	-	-	-	-	-	-	-	-	-	-	-
Equipment spare part inventory	-	-	-	-	-	-	-	-	-	-	-
Raw material inventory	-	-	-	-	-	-	-	-	-	-	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	25,000	26,250	27,563	28,941	30,388	31,907	33,502	35,178	36,936	38,783	38,783
Pre-paid machinery & equipment lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid office equipment lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid office vehicles lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid insurance	46,350	41,715	37,080	32,445	27,810	23,175	18,540	13,905	9,270	4,635	4,635
Total Current Assets	596,350	944,619	1,316,457	1,697,389	2,079,426	1,944,294	2,237,074	2,475,726	2,568,262	2,343,772	1,095,828
Fixed assets											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	25,000	23,750	22,500	21,250	20,000	18,750	17,500	16,250	15,000	13,750	12,500
Machinery & equipment	-	-	-	-	-	-	-	-	-	-	-
Bottles	350,000	332,500	312,375	289,231	262,616	586,884	512,119	444,503	385,110	335,172	296,108
Furniture & fixtures	40,000	36,000	32,000	28,000	24,000	20,000	16,000	12,000	8,000	4,000	-
Office vehicles	1,545,000	1,390,500	1,236,000	1,081,500	927,000	772,500	618,000	463,500	309,000	154,500	-
Office equipment	55,000	49,500	44,000	38,500	33,000	27,500	22,000	16,500	11,000	5,500	-
Total Fixed Assets	2,015,000	1,832,250	1,646,875	1,458,481	1,266,616	1,425,634	1,185,619	952,753	728,110	512,922	308,608
Intangible assets											
Pre-operation costs	155,000	124,000	93,000	62,000	31,000	-	-	-	-	-	-
Legal, licensing, & training costs	40,000	32,000	24,000	16,000	8,000	-	-	-	-	-	-
Total Intangible Assets	195,000	156,000	117,000	78,000	39,000	-	-	-	-	-	-
TOTAL ASSETS	2,806,350	2,932,869	3,080,332	3,233,870	3,385,042	3,369,928	3,422,693	3,428,479	3,296,371	2,856,694	1,404,436
Liabilities & Shareholders' Equity											
Current liabilities											
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
Export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Short term debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-	-	-	-	-	-
Other liabilities											
Machinery & equipment lease payable	-	-	-	-	-	-	-	-	-	-	-
Office equipment lease payable	-	-	-	-	-	-	-	-	-	-	-
Office vehicle lease payable	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	-	-	-	-	-
Long term debt (Project Loan)	-	-	-	-	-	-	-	-	-	-	-
Long term debt (Working Capital Loan)	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Liabilities	-	-	-	-	-	-	-	-	-	-	-
Shareholders' equity											
Paid-up capital	2,806,350	2,806,350	2,806,350	2,806,350	2,806,350	2,806,350	2,806,350	2,806,350	2,806,350	2,806,350	2,806,350
Retained earnings	126,519	273,982	427,520	578,692	563,578	616,343	622,129	490,021	50,344	(1,401,914)	
Total Equity	2,806,350	2,932,869	3,080,332	3,233,870	3,385,042	3,369,928	3,422,693	3,428,479	3,296,371	2,856,694	1,404,436
TOTAL CAPITAL AND LIABILITIES	2,806,350	2,932,869	3,080,332	3,233,870	3,385,042	3,369,928	3,422,693	3,428,479	3,296,371	2,856,694	1,404,436
	-	-	-	-	-	-	-	-	-	-	-

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
Operating activities											
Net profit		421,729	786,755	1,151,085	1,501,454	1,299,903	1,490,898	1,457,420	1,011,276	(322,208)	(4,723,391)
Add: depreciation expense		235,250	245,750	257,825	271,711	287,680	307,020	309,921	313,257	317,094	321,506
amortization of pre-operating costs		31,000	31,000	31,000	31,000	31,000	-	-	-	-	-
amortization of training costs		8,000	8,000	8,000	8,000	8,000	-	-	-	-	-
Deferred income tax		-	-	-	-	-	-	-	-	-	-
Accounts receivable		-	-	-	-	-	-	-	-	-	-
Finished goods inventory		-	-	-	-	-	-	-	-	-	-
Equipment inventory	-	-	-	-	-	-	-	-	-	-	-
Raw material inventory	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	(25,000)	(1,250)	(1,313)	(1,378)	(1,447)	(1,519)	(1,595)	(1,675)	(1,759)	(1,847)	-
Pre-paid machinery & equipment lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid office equipment lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid office vehicles lease interest	-	-	-	-	-	-	-	-	-	-	-
Advance insurance premium	(46,350)	4,635	4,635	4,635	4,635	4,635	4,635	4,635	4,635	4,635	-
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(71,350)	699,364	1,074,827	1,451,167	1,815,353	1,629,699	1,800,958	1,770,301	1,327,409	(2,326)	(4,401,885)
Financing activities											
Project Loan - principal repayment	-	-	-	-	-	-	-	-	-	-	-
Working Capital Loan - principal repayment	-	-	-	-	-	-	-	-	-	-	-
Add: land lease expense	-	-	-	-	-	-	-	-	-	-	-
Land lease payment	-	-	-	-	-	-	-	-	-	-	-
Machinery & equipment lease principal repayment	-	-	-	-	-	-	-	-	-	-	-
Office equipment lease principal repayment	-	-	-	-	-	-	-	-	-	-	-
Office vehicles lease principal repayment	-	-	-	-	-	-	-	-	-	-	-
Short term debt principal repayment	-	-	-	-	-	-	-	-	-	-	-
Export re-finance principal repayment	-	-	-	-	-	-	-	-	-	-	-
Additions to export refinancing	-	-	-	-	-	-	-	-	-	-	-
Additions to lease financing	-	-	-	-	-	-	-	-	-	-	-
Additions to Project Loan	-	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares	2,806,350	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares	-	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	2,806,350	-	-	-	-	-	-	-	-	-	-
Investing activities											
Capital expenditure	(2,210,000)	(52,500)	(60,375)	(69,431)	(79,846)	(446,699)	(67,005)	(77,055)	(88,614)	(101,906)	(117,192)
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by investing activities	(2,210,000)	(52,500)	(60,375)	(69,431)	(79,846)	(446,699)	(67,005)	(77,055)	(88,614)	(101,906)	(117,192)
NET CASH	525,000	646,864	1,014,452	1,381,735	1,735,507	1,183,000	1,733,953	1,693,245	1,238,795	(104,232)	(4,519,077)
Cash balance brought forward		525,000	876,654	1,251,815	1,636,003	2,021,229	1,889,212	2,185,032	2,426,643	2,522,055	2,300,354
Cash available for appropriation	525,000	1,171,864	1,891,106	2,633,550	3,371,511	3,204,229	3,623,166	3,878,277	3,665,439	2,417,823	(2,218,723)
Dividend		295,210	639,291	997,547	1,350,282	1,315,016	1,438,134	1,451,634	1,143,383	117,469	(3,271,133)
Cash balance	525,000	876,654	1,251,815	1,636,003	2,021,229	1,889,212	2,185,032	2,426,643	2,522,055	2,300,354	1,052,410
Cash carried forward	525,000	876,654	1,251,815	1,636,003	2,021,229	1,889,212	2,185,032	2,426,643	2,522,055	2,300,354	1,052,410

13 KEY ASSUMPTIONS

13.1 Operating Assumptions

Description	Details
No. of Working Days in One Year	330
No. of Working Hours in One Day	8

13.2 Distribution Assumptions

Starting Distribution Capacity Utilization	50%
Maximum Distribution Capacity Utilization	90%
Distribution Capacity Bottles Per Year (Bottles)	109,421
Distribution Capacity Bottles Per Day (1Day=8 hours)	332
Distribution of 19 Litres Bottles Per Year (50% Capacity Utilization)	54,711
Distribution Capacity Utilization Growth Rate / Yr.	5%

13.3 Revenue Assumptions

Sale Price of 19 Litre Bottle (Rs.)	125
Sale Price Growth Rate	5%

13.4 Expense Assumptions

Description	Cost / Rate
Cost of Goods Sold Growth Rate / Yr.	5.0%
Operating Costs Growth Rate / Yr.	7.0%
No. of Bottles Growth Rate / Yr.	10%
Price of Bottles Growth Rate / Yr.	5%

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