



Pre-feasibility Study

HOME MADE FOOD PRODUCTS-PIZZA AND CAKES

June 2019

“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

Homemade Food Products (Pizza & Cakes) have gained popularity over the past few years due to the general belief that it has good taste, quality and hygiene. Taking this true perception as an opportunity the business is proposed to be located in the city residential areas while considering other mandatory inputs i.e. availability of human resource, utilities and easy delivery etc. The objective is to promote home based businesses, boosting women entrepreneurship, create employment and economic activity generation. Products in this pre-feasibility include pizza & cakes. Installed capacity of the business is 111,360 units of cakes and Pizza combined with 63,360 units of Pizza and 48,000 units of cake. The business unit will start operations at a capacity utilization of 70%, producing 77,952 units combined with 33,600 units of cakes and 44,352 units of pizza. While the yearly capacity utilization yearly growth rate is assumed to be 5%.

Total Cost Estimates is **Rs. 4.96** with fixed investment **Rs. 3.080 Million** and working capital **Rs. 1.882 million**.

Given the cost assumptions IRR and payback are 46% and 2.92 years respectively. NPV of the project is Rs. 13.942 million approximately.

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

- Home Made Food Products are recommended to be established in their homes by people living within city residential areas considering other mandatory inputs i.e. availability of human resource, utilities and easy delivery etc.
- Easy access to the consumer market is advised to be studied thoroughly and made a key consideration while setting up the project.
- Online order booking and sale will be an innovation / customer facility and is important to boost sales along with media exposure of the business.

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, and production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Home Made Food Products (Pizza & Cakes)** 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

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

- **Technology:** The proposed project is about Homemade Food Products (Pizza & Cakes). Its processing for pizza includes dough making, preparing topping ingredients, application of the toppings and Baking. For cakes it includes mixing the batter, filling the molds, Baking, Cooling down and finally stripping, decorating and packing. The entire process flow is suggested to be manual

requiring skilled workers using specialised mixing and baking equipments. An interactive website is proposed to be developed for taking online orders of pizza & cakes. The website will host design catalogue of fresh cream cakes for various events that can be baked upon ordering online.

- **Location:** The business is proposed to be located in the city residential areas while considering other mandatory inputs i.e. availability of human resource, utilities and easy delivery etc.
- **Product:** The business proposes manufacturing of Pizza of four sizes i.e. 8, 11, 13 and 16 Inches and Cakes of following types: Pound, dry fruit, & cream cake & market them through media exposure and through own website. The Pizza varieties includes Chicken Tikka, Chicken Fajita, Chicken Tandoori, B.B.Q pizza, grilled chicken, veggie feast, Hawaiian, Italiano pizza etc. Whereas cakes section would produce pound cake, cheese cake, various dry fruit cakes, plain & fruits cakes and fresh cream cakes of different flavours etc.
- **Target Market:** The target market for the products is local i.e. Quetta, Karachi, Lahore, KPK and Islamabad.
- **Employment Generation:** The proposed project will provide employment to 11 people.

5.1 Production Process Flow

PIZZA:

1. Dough Making

The first step in the process is making the dough. Good quality pizza dough is definitely critical to insuring a pizza which is light and flavorful. To save time while making a homemade crust, a bread maker can be a good tool. To improve the taste of your dough, consider incorporating a few herbs such as basil or rosemary and garlic.

2. Preparing the Crust

One big step many people skip in the pizza-making process is **pre-baking the pizza crust**. Baking your crust in the preheated oven to 425°F for six minutes or so before putting on toppings prevents the dreaded “doughy crust” that often is the downfall of an otherwise delicious homemade pizza.

3. Making the Sauce & Topping Ingredients

Sauces are important ingredient for pizza making and it can also be made at home instead of buying readymade expensive sauces. However the choice depends on the chief. The sauce is then applied on to the pizza crest. We may sprinkle cheese in this stage as per the requirement of recipe.

The topping ingredients as per the flavor of pizza are then filled in on the top of the sauce and distributed evenly for uniform texture and taste.

4. Baking the Pizza

The pizza is baked at 450°F (230°C) for about 15 minutes or until the cheese is bubbling. The pan or stone is removed from the oven with the peel. The pizza is allowed to sit for approximately five minutes before cutting it into slices with a pizza wheel. Slice shapes, like the placement of the mozzarella cheese, differs from region to region.

CAKE:

There are countless cake recipes; some are bread-like, some rich and elaborate and many are centuries old. Most standard commercial cakes use a batter made from wheat flour, fat, eggs, sugar, milk powder, water, flavorings, preservatives such as sulphur dioxide and raising agents such as sodium carbonate. The ingredients are combined in either the sugar batter or flour batter methods. In the sugar batter method, the fat and sugar are creamed together, followed by the liquid then the flour. In the flour batter method, the fat is blended with the flour before being gradually mixed with the eggs and sugar. Increasingly, the "all-in-one" method is being used, which combines all the ingredients except fruit simultaneously.

1. Mixing the Batter

The batter is mixed in a commercial mixer. Once all the ingredients are combined, the mixer continues to beat the mixture for a further 10 minutes in order to trap in air and allow the cake to rise properly. The air works in conjunction with the added raising ingredient and the cake will grow in size during the baking process. Once the mixing is completed, the batter is turned into a mold for baking.

2. Filling the Mold

The baking mold is sprayed with a thin layer of oil, which prevents the batter from sticking to the mold during the baking process. The mold is then filled with batter according to the shape, weight and level of the batter.

3. Baking

Once full, the molds are taken to an automatic oven. The temperature and humidity of the oven are carefully regulated to produce the best result for the cake type so that it cooks evenly and thoroughly. To prevent the surface of the cake from cracking during the initial rising process, the crust is sprayed with water to make it more flexible. Once the cake has fully risen, the crust is allowed to dry and take on its baked coloring.

4. Cooling Down

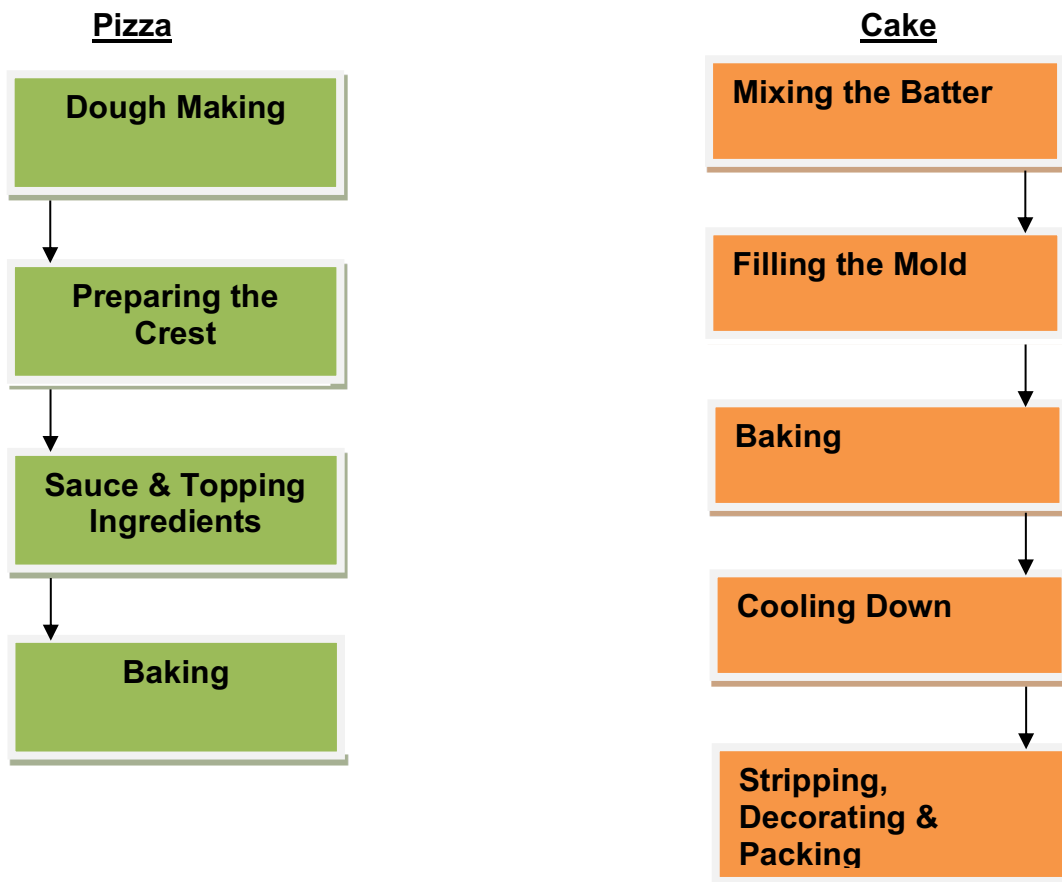
After baking, the cake must be thoroughly and carefully cooled so that it does not collapse. As the cake cools, it releases moisture into the air that is removed by powerful suction fans in the kitchen so that no condensation forms.

5. Stripping, Decorating and Packaging

Once the cake is completely cool, it is released from its mold and packaged so that it will be ready for transportation. The cake must be completely cool before packaging, or condensation will form and damage the product. Commercial cakes are normally wrapped in plastic packaging, possibly with the additional of a cardboard tray.

For cream cakes, after stripping from its molds, it is decorated with flavored cream and other ingredients and packed in boxes or kept open and placed in refrigerator to cool before dispatching.

General processes are shown in the flow diagram.



5.2 Installed and Operational Capacities

Installed capacity of the business is 111,360 units of cakes and Pizza combined with 63,360 units of Pizza and 48,000 units of cake. The business unit will start operations at a capacity utilization of 70%, producing 77,952 units combined with 33,600 units of cakes and 44,352 units of pizza. The Pizza varieties includes Chicken Tikka, Chicken Fajita, Chicken Tandoori, B.B.Q pizza, grilled chicken, veggie feast, Hawaiian, Italiano pizza etc. Whereas cakes section would produce pound cake, cheese cake, various dry fruit cakes, plain & fruits cakes and fresh cream cakes of different flavours etc. Projected Capacity utilization will be 70% in the first year and will increase at a rate of 5% annually and will maximum utilization of 95%.

6 CRITICAL FACTORS

An analysis of the Strengths, Weaknesses, Opportunities and Threats is detailed as follows:

2.1. **Strengths:**

- Availability of raw material
- Need no rental space or extra construction cost
- Little competition in home based food products
- High reliability on quality of homemade food products
- Capacity to enhance product line & profitability
- E-business

2.2. **Weaknesses:**

- Business expansion may be difficult at home.
- Limited production capacity
- Home may not be a good sale point/outlet

2.3. **Opportunities:**

- Increasing demand of hygienically baked homemade pizza & cakes in the local market

- High demand of cakes throughout the year with exceptionally high demand in occasions like Eid, Easter etc
- Free home delivery service & online order & sales
- Proper Management with expert human resource will lead to higher results & Profits

2.4. **Threats:**

- Poor hygiene or miss handling of cakes/pizza both in raw & baked form may lead to bacteria or fungus accumulation and destroy the entire stock
- Strong competition from the commercial bakeries
- Timely delivery & sale is vital to maintain quality

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The business is proposed to be located in the residential areas of cities like Quetta, Karachi, Lahore, Peshawar and Islamabad etc while considering other mandatory inputs i.e. availability of human resource and utilities etc.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Middle income groups living in cities like Quetta, Karachi, Lahore, Peshawar and Islamabad are the main target for the homemade food products (Pizza & cakes) throughout the year. The online booking and free delivery service will help capture its market share in little time.

9 PROJECT COST SUMMARY

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 31.145 million in year one. The capacity utilization during year one is worked out at 70% 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 1: Project Economics

Description	Details
Internal Rate of Return (IRR)	46%

Payback Period (yrs.)	2.92 Years
Net Present Value (Rs.)	13.942 Million

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 (20%)	0.9924 Million
Bank Loan (80%)	3.969 Million
Markup to the Borrower (%age / annum)	8 %
Tenure of the Loan (Years), with 1 year grace period	8

9.3 Project Cost

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

Table 3: Project Cost

Capital Investment	Rs. in actuals
Building/Infrastructure	459,200
Machinery & equipment	1,330,000
Furniture & fixtures	851,800
*Office vehicles	151,500
Office equipment	103,200
Pre-operating costs	184,435
Total Capital Costs	3,080,135
Working Capital	Rs. in actuals
Raw material inventory	994,840
Upfront building rent	622,080
Upfront insurance payment	74,075

Cash	191,044
Total Working Capital	1,882,039
Total Investment	4,962,174
Initial Financing	Rs. in actuals
Debt	3,969,739
Equity	992,435

*03 motorbikes will be required to purchase & deliver raw material & finished products

9.4 Space Requirement

The space requirement for the proposed **Homemade Food Product** is estimated to be 224 sq.ft of kitchen and its renovation / modification cost is estimated to Rs. 1,600 per sq.ft considering various facilities including shelves, processing tables, lighting, exhaust, open space covering, etc. and management building renovation is estimated to be 288 sqft at a cost of 350 per sqft Details of space requirement and cost related to building are given below;

Table 4: Space Requirement

Description	Estimated Area (Sq. ft)	Unit Cost (Rs.)	Total Cost (Rs.)
Management Building Renovation	288	350	100,800
Kitchen Renovation / Modification	224	1600	358,400
Total			459,200

9.5 Machinery & Equipment Requirement

Plant, machinery and equipment for the proposed project are stated below.

Table 5: Machinery & Equipment

Description	Quantity	Unit cost in Rs.	Total
Pizza convection Oven	2	220,000	440,000
Proofing oven/cabinets	1	60,000	60,000
Flour / batter Mixer	1	30,000	30,000

Spice Grinder	1	12,000	12,000
Spice Blender	1	10,000	10,000
Cooking pans (ss304)	6	12,000	72,000
Flour sifter	2	2,500	5,000
Pizza Baking Pans	20	3,500	70,000
Cake Baking Pans	20	1,500	30,000
Food Blender	1	15,000	15,000
Cake Convection Oven	1	250,000	250,000
Egg beater	1	45,000	45,000
Misc cake & pizza utensils	1	20,000	20,000
Refrigerators	1	60,000	60,000
Misc Tools & Eqpt	1	75,000	75,000
Software Development	1	45,000	45,000
Tables for Production	3	8,000	24,000
Freezer	1	40,000	40,000
Weighing Scales	2	6,500	13,000
Microwave Oven	1	14,000	14,000
Total			1,330,000

9.6 Furniture & Fixtures Requirement

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

Table 6: Furniture & Fixture

S.No	Description	Qty	Unit cost	Total
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1	Chairs & Other Furniture	1	40,000	40,000
2	Air Conditioner	1	84,000	84,000
3	Sign Board	1	30,000	30,000
4	Lightings & cabling	1	45000	45000
5	Generator (15 KVA)	1	625,000	625,000
6	Exhaust Fans	2	6,400	12,800
7	Miscellaneous	1	15000	15000
	Total			851,800

9.7 Office Equipment Requirement

Following office equipment will be required for homemade food products business;

Table 7: Office Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Laptop	1	58,000	58,000
Printer	1	13,200	13,200
Billing machine	1	8,000	8,000
Telephone Sets	2	2,000	4,000
Misc. Equipment	Lump sum	20,000	20,000
Total			103,200

9.8 Human Resource Requirement

In order to run operations of the homemade food product business smoothly, details of human resources required along with number of employees and monthly salary are recommended as under;

Table 8: Human Resource Requirement

Description	No. of Employees	Monthly Salary/wages per person (Rs.)	Total
Owner/Manager	1	50,000	50,000
Main Chef	1	70,000	70,000

Sales/Delivery man	3	20,000	60,000
Assistant cook	2	25000	50,000
Helpers	2	22,000	44,000
Sweepers	2	18,000	36,000
Total	11		310,000

The Human Resource is divided in Direct and Indirect labor. The direct labor includes the following:

Description	No. of Employees	Monthly Salary/wages per person (Rs.)	Total
Main Chef	1	70,000	70,000
Assistant cook	2	25000	50,000
Helpers	2	22,000	44,000
Total Direct Labour Salaries	5		164,000

Whereas the indirect labor includes the following:

Description	No. of Employees	Monthly Salary/wages per person (Rs.)	Total
Owner/Manager	1	50,000	50,000
Sales/Delivery man	3	20,000	60,000
Sweepers	2	18,000	36,000
Total indirect Labour Salaries	6		146,000

*Additionally, as a human resource requirement a driver will be needed 4 times a month for his services to transport grocery from markets to the unit. (8,000 is the rate for driver's 4 trips a month, not a monthly salary/wage and is included in cost of goods sold as a monthly overhead).

9.9 Utilities and other Costs

An essential cost to be borne by the project is the cost of electricity, gas and water. The electricity expenses are estimated to be around Rs. 50,000 per month, gas expense is estimated to be Rs. 42,001 whereas, and Water expenses are estimated to be Rs. 2,000 per month. Furthermore, promotional expense being very essential

for marketing of homemade food products is estimated as 1% of Revenue i.e. Rs. 173,246 per month which may include online marketing, printing banners, brochures & cable adds etc.

9.10 Revenue Generation

Based on the capacity utilization of 70% for production of pizza & cakes respectively, sales revenue during the first year of operations is estimated as under;

Table 9: Revenue Generation – Year 1

Description	No of Pizza & cakes	Avg. Sales price/unit	Sales Revenue (Rs.)
Pizza	44352	328	14,547,456
Cakes	33600	494	16,598,400
Total *			31,145,856

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 Equipment Suppliers

Name of Supplier	Address	Phone	website
Henan Brimful Shine Commerce And Trade Co., Ltd.	No. 201, Floor 2, Henan Free Fashion Hotel) 400m West To Crossing Of Garden Rd. And Guoji Road, Jinshui District, Zhengzhou, Henan, China (Mainland)	0086-371-55158837 0086-15803863877	http://www.okmachinery.cn
Dastgir Engineering Co.	12-A Lahore road, Saddar cantt. Lahore Pakistan.	+92-301-8420186 +923018420186	http://pk1044440076.fm.alibaba.com/contactinfo.html

10.2 Raw Material Suppliers

Name of Supplier	Address	Phone	E-mail
Whole sellers & departmental stores	Pakistan		

10.3 Technical Experts / Consultants

Name of Expert / Organization	Address	Phone	E-mail
Kamran Nadeem – M/s S.N. Foods	37-Rohail Khund Society, Karachi- 75400	+92-300- 2219877	snimpexglobal@gmail.com

11 USEFUL WEB LINKS

Government of Pakistan	www.pakistan.gov.pk
Small & Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
Kamyab Jawan Youth Entrepreneurship Scheme	www.kamyabjawan.gov.pk
State Bank of Pakistan	www.sbp.org.pk
Bank of Punjab	www.bop.com.pk
Bank of Khyber	www.bok.com.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 Balochistan	www.balochistan.gov.pk
Government of KPK	www.khyberpakhtunkhwa.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
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpcci.org.pk
Quetta Chamber of Commerce & Industry	www.qcci.com.pk/

Lahore Chamber of Commerce & Industry	www.lcci.com.pk/
Karachi Chamber of Commerce & Industry	www.kcci.com.pk/
Khyber Pakhtunkhwa Chamber of Commerce & Industry	www.kpcci.org.pk/
Punjab Small Industries Corporation	www.psic.gop.pk
Sindh Small Industries Corporation	www.ssic.gos.pk
Pakistan Horticulture Development and Export Company (PHDEC)	www.phdec.org.pk
Punjab Vocational Training Council (PVTC)	www.pvtc.gop.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org
Punjab Industrial Estates (PIE)	www.pie.com.pk
Balochistan Technical Education & Vocational Training Authority	btevta.gob.pk/
Lasbela Industrial Estates Development Authority	www.lieda.gov.pk/
Sindh Industrial & trading Estate	www.site.com.pk/
KPK Small Industries Development Board	www.khyberpakhtunkhwa.gov.pk/Departments/SIDB/Introductions.php
Ministry of National Food Security & Research	www.mnfsr.gov.pk

12 ANNEXURES

12.1 Income Statement

Statement Summaries										SMEDA
Income Statement										
	Rs. in actuals									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	31,145,856	36,707,616	43,070,269	50,338,377	58,629,404	68,075,253	74,882,778	82,371,056	90,608,161	99,668,978
Cost of goods sold	26,763,756	31,386,645	36,666,485	42,688,436	49,548,124	57,352,879	63,082,423	69,384,362	76,315,881	83,939,879
Gross Profit	4,382,100	5,320,971	6,403,785	7,649,941	9,081,280	10,722,374	11,800,355	12,986,694	14,292,280	15,729,099
General administration & selling expenses										
Administration expense	1,752,000	1,922,577	2,109,762	2,315,171	2,540,580	2,787,934	3,059,371	3,357,236	3,684,101	4,042,791
Rental expense	622,080	684,288	752,717	827,988	910,787	1,001,866	1,102,053	1,212,258	1,333,484	1,466,832
Utilities expense	4,800	5,280	5,808	6,389	7,028	7,730	8,503	9,354	10,289	11,318
Travelling & Comm. expense (phone, fax, etc.)	24,000	26,400	29,040	31,944	35,138	38,652	42,517	46,769	51,446	56,591
Office vehicles running expense	7,575	8,333	9,166	10,082	11,091	12,200	13,420	14,762	16,238	17,861
Office expenses (stationary, etc.)	24,000	26,400	29,040	31,944	35,138	38,652	42,517	46,769	51,446	56,591
Promotional expense	155,729	183,538	215,351	251,692	293,147	340,376	374,414	411,855	453,041	498,345
Insurance expense	74,075	66,668	59,260	51,853	44,445	121,910	106,015	90,121	74,226	58,331
Professional fees (legal, audit, etc.)	62,292	73,415	86,141	100,677	117,259	136,151	149,766	164,742	181,216	199,338
Depreciation expense	270,290	270,290	270,290	270,290	270,290	440,035	440,035	440,035	440,035	440,035
Amortization expense	36,887	36,887	36,887	36,887	36,887	-	-	-	-	-
Property tax expense	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-	-	-	-	-	-
Subtotal	3,033,728	3,304,076	3,603,462	3,934,917	4,301,790	4,925,507	5,338,612	5,793,901	6,295,523	6,848,033
Operating Income	1,348,372	2,016,895	2,800,323	3,715,024	4,779,490	5,796,867	6,461,743	7,192,793	7,996,758	8,881,065
Other income	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of assets	-	-	-	-	-	-	-	-	-	-
Earnings Before Interest & Taxes	1,348,372	2,016,895	2,800,323	3,715,024	5,311,490	5,796,867	6,461,743	7,192,793	7,996,758	8,881,065
Interest expense	317,546	288,196	253,994	216,982	176,928	133,584	86,677	35,917	-	-
Earnings Before Tax	1,030,826	1,728,699	2,546,329	3,498,042	5,134,562	5,663,283	6,375,066	7,156,876	7,996,758	8,881,065
Tax	77,124	193,240	359,082	597,010	1,062,868	1,221,485	1,453,772	1,727,406	2,021,364	2,330,872
NET PROFIT/(LOSS) AFTER TAX	953,702	1,535,460	2,187,247	2,901,032	4,071,693	4,441,799	4,921,293	5,429,470	5,975,393	6,550,193
Balance brought forward		953,702	2,489,162	4,676,409	7,577,441	11,649,135	16,090,934	21,012,227	26,441,697	32,417,090
Total profit available for appropriation	953,702	2,489,162	4,676,409	7,577,441	11,649,135	16,090,934	21,012,227	26,441,697	32,417,090	38,967,283
Dividend	-	-	-	-	-	-	-	-	-	-
Balance carried forward	953,702	2,489,162	4,676,409	7,577,441	11,649,135	16,090,934	21,012,227	26,441,697	32,417,090	38,967,283

12.2 Balance Sheet

Statement Summaries											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	760,788	1,498,665	2,551,848	4,121,473	6,240,961	7,549,685	11,132,776	14,993,186	19,123,228	24,240,629	38,918,092
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Finished goods inventory	-	-	-	-	-	-	-	-	-	-	-
Equipment spare part inventory	-	-	-	-	-	-	-	-	-	-	-
Raw material inventory	994,840	1,289,739	1,664,623	2,140,081	2,741,822	3,501,915	4,237,318	5,127,154	6,203,857	7,506,667	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	51,840	57,024	62,726	68,999	75,899	83,489	91,838	101,021	111,124	122,236	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid insurance	74,075	66,668	59,260	51,853	44,445	121,910	106,015	90,121	74,226	58,331	-
Total Current Assets	1,881,543	2,912,096	4,338,458	6,382,406	9,103,126	11,257,000	15,567,947	20,311,483	25,512,435	31,927,863	38,918,092
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	532,800	506,160	479,520	452,880	426,240	399,600	372,960	346,320	319,680	293,040	266,400
Machinery & equipment	1,330,000	1,197,000	1,064,000	931,000	798,000	2,362,454	2,059,709	1,756,964	1,454,218	1,151,473	848,727
Furniture & fixtures	851,800	766,620	681,440	596,260	511,080	425,900	340,720	255,540	170,360	85,180	-
Office vehicles	151,500	136,350	121,200	106,050	90,900	75,750	60,600	45,450	30,300	15,150	-
Office equipment	103,200	92,880	82,560	72,240	61,920	51,600	41,280	30,960	20,640	10,320	-
Total Fixed Assets	2,969,300	2,699,010	2,428,720	2,158,430	1,888,140	3,315,304	2,875,269	2,435,234	1,995,198	1,555,163	1,115,127
<i>Intangible assets</i>											
Pre-operation costs	184,436	147,549	110,662	73,774	36,887	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
Total Intangible Assets	184,436	147,549	110,662	73,774	36,887	-	-	-	-	-	-
TOTAL ASSETS	5,035,279	5,758,654	6,877,839	8,614,610	11,028,153	14,572,304	18,443,216	22,746,716	27,507,633	33,483,026	40,033,219
Liabilities & Shareholders' Equity											
Long term debt	3,969,343	3,739,016	3,322,741	2,872,265	2,384,776	1,857,234	1,286,347	668,554	-	-	-
Total Long Term Liabilities	3,969,343	3,739,016	3,322,741	2,872,265	2,384,776	1,857,234	1,286,347	668,554	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	992,336	992,336	992,336	992,336	992,336	992,336	992,336	992,336	992,336	992,336	992,336
Retained earnings	-	953,702	2,489,162	4,676,409	7,577,441	11,649,135	16,090,934	21,012,227	26,441,697	32,417,090	38,967,283
Total Equity	992,336	1,946,038	3,481,498	5,668,745	8,569,777	12,641,471	17,083,269	22,004,563	27,434,033	33,409,426	39,959,619
TOTAL CAPITAL AND LIABILITIES	4,961,679	5,685,054	6,804,239	8,541,010	10,954,553	14,498,704	18,369,616	22,673,116	27,434,033	33,409,426	39,959,619

12.3 Cash Flow Statement

Statement Summaries											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
	Rs. in actuals										
<i>Operating activities</i>											
Net profit	-	953,702	1,535,460	2,187,247	2,901,032	4,071,693	4,441,799	4,921,293	5,429,470	5,975,393	6,550,193
Add: depreciation expense	-	270,290	270,290	270,290	270,290	270,290	440,035	440,035	440,035	440,035	440,035
amortization expense	-	36,887	36,887	36,887	36,887	36,887	-	-	-	-	-
Raw material inventory	(994,840)	(294,899)	(374,884)	(475,458)	(601,740)	(760,094)	(735,402)	(889,837)	(1,076,702)	(1,302,810)	7,506,667
Pre-paid building rent	(51,840)	(5,184)	(5,702)	(6,273)	(6,900)	(7,590)	(8,349)	(9,184)	(10,102)	(11,112)	122,236
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Advance insurance premium	(74,075)	7,408	7,408	7,408	7,408	(77,465)	15,895	15,895	15,895	15,895	58,331
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(1,120,755)	968,204	1,469,458	2,020,101	2,606,976	3,533,722	4,153,978	4,478,203	4,798,596	5,117,401	14,677,463
<i>Financing activities</i>											
Change in long term debt	3,969,343	(230,327)	(416,275)	(450,477)	(487,489)	(527,542)	(570,887)	(617,793)	(668,554)	-	-
Change in short term debt	-	-	-	-	-	-	-	-	-	-	-
Change in export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Add: land lease expense	-	-	-	-	-	-	-	-	-	-	-
Land lease payment	-	-	-	-	-	-	-	-	-	-	-
Change in lease financing	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares	992,336	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares	-	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing ac	4,961,679	(230,327)	(416,275)	(450,477)	(487,489)	(527,542)	(570,887)	(617,793)	(668,554)	-	-
<i>Investing activities</i>											
Capital expenditure	(3,080,136)	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by investing ac	(3,080,136)	-	-	-	-	-	-	-	-	-	-
NET CASH	760,788	737,877	1,053,183	1,569,625	2,119,488	1,308,725	3,583,091	3,860,410	4,130,042	5,117,401	14,677,463
Cash balance brought forward		760,788	1,498,665	2,551,848	4,121,473	6,240,961	7,549,685	11,132,776	14,993,186	19,123,228	24,240,629
Cash available for appropriation	760,788	1,498,665	2,551,848	4,121,473	6,240,961	7,549,685	11,132,776	14,993,186	19,123,228	24,240,629	38,918,092
Dividend	-	-	-	-	-	-	-	-	-	-	-
Cash carried forward	760,788	1,498,665	2,551,848	4,121,473	6,240,961	7,549,685	11,132,776	14,993,186	19,123,228	24,240,629	38,918,092

KEY ASSUMPTIONS

12.4 Operating Cost Assumptions

Description	Details
Sales Price Growth Rate	10 % per year
Production Capacity Utilization Growth Rate	5 % per year
COGS growth rate	10 % per year
Wage growth rate	10 % per year
Operational cost growth rate	10 % per year
Administration benefits expense	10% of administration expense
Travelling expense	5%
Communication expense	5%
Office expenses (stationary, entertainment, janitorial services, etc.)	4% of administration expense
Promotional expense	1% of revenue

12.5 Production Cost Assumptions

Description	Details
COGS in Rs.	Rs.187 & 256
COGS growth rate	10%
Installed Capacity (Nos. of Pizza & Cakes)	124,800
Production Capacity utilization in Y1	70%
Production capacity (No. of Pizza & Cakes)	87,360
Maximum Capacity	95%

12.6 Revenue Assumptions

Description	Details
Sales price growth rate	10%
Total unit sales (No. of Pizza & Cakes)	118,313
Total revenue (Rs.)	34 Million

12.7 Financial Assumptions

Interest rate on long term debt	8%
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Project Debt	80%
Project Equity	20%
WACC	14%
Debt Tenure with 1 year grace period	8 Years

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