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# Pre-Feasibility Study

## CAD FOR FURNITURE DESIGN



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**Ministry of Industries & Production**  
**Government of Pakistan**  
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## 1 DISCLAIMER

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

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### ***Document Control***

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## 2 EXECUTIVE SUMMARY

The proposed project is for setting up a Computer Aided Designing Facility for Wooden Furniture. This business is service oriented and will cater to the growing requirements of sleek and modern furniture pattern designing requirements of local wooden furniture manufactures and fixtures. Equipped with latest CAD software applications, the proposed unit will be capable of developing unique furniture designs specifically for use in home as well as in office spaces.

Furniture industry in Pakistan is mainly confined in major cities including Karachi, Lahore, Gujrat, Faisalabad, Rawalpindi and Peshawar. Therefore, furniture clusters in these big cities are suitable locations to setup this project. Establishment of new housing societies with growing urbanization has tremendously increased the scope of this sector.

The project is assumed to provide services of developing 600 CAD designs of different furniture and furnishing items per year, as per the requirement of furniture manufacturers. However, in the starting year unit will operate at 60% capacity and will develop 360 CAD designs. About, 10 personnel would be required to manage the operations, including the owner manager. Relevant prior experience of entrepreneur in furniture industry along with knowledge of CAD software applications is most critical factor for success of this project.

The Total estimated cost for setting up the proposed CAD for Furniture Design unit is Rs. 4.03 million with fixed investment Rs. 2.53 million and working capital Rs. 1.50 million. The project NPV is around Rs. 19.73 million, with an IRR of 73% and Payback Period of 2.13 years. The legal business status of this project is proposed as 'Sole Proprietorship'.

## 3 INTRODUCTION TO SMEDA

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

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out '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 **CAD for Furniture Design** setup 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**

Today furniture manufacturers face the challenge of how to satisfy increasing requirement of customers for exclusive and at the same time more and more complex furniture. Similarly, the execution of "Just In Time" orders is also becoming extremely important for furniture manufacturers. In order to abreast with these emerging challenges, CAD computer based software is being commonly used in the furniture industry to help manage the manufacturing process; which is described as, the use of computer systems to aid in the creation, modification, analysis, or optimization of a design. CAD output is often in the form of electronic files for print, machining, or other manufacturing operations. In simple words, computerized furniture designing pattern is an art of arranging the group of furniture pieces through computer application, which is likely to contain similar

stylistics elements. Each one needs individual development by engineering and its own set of manufacturing documentation.

This fairly recent revolution in the furniture industry has greatly improved the precision, creativity, customization, speed, and arrangement of furniture designed specifically for use in home as well as in office spaces.

The basic idea for a computerized furniture designing is to provide quality and stylish products with qualified staff and skilled craftsmen, but it requires planning and arrangements, which would meet the requirements of the potential customers. Computerized furniture designing eliminates the error of measurement and also gives the accurate methodology of fixation of the different parts of the furniture with defined styles. There is a large-scale opportunity available in the local market for the computerized designed furniture because local showrooms are importing such kind of furniture from Malaysia, Italy, Spain and USA. Subsequently, due to increase in population and need of constructing new houses it is expected that demand for furniture business will keep on rising.

This study provides basic information for setting-up a CAD furniture designing facility, which will provide designing services to various customers, mainly wooden furniture manufacturers, carpenters, interior designers, design studios, technical training institutions and offices, etc. It will comprise of complete furniture designing software (i.e PRO 100, Board Based Furniture Version 5.0) along with accessories. This independent application works with a program to create real furniture –the user operates on furniture elements (pieces), arranging them in virtual spaces as if they were real. A complete software is an all purpose tool for designing and producing any kind of furniture such as, office furniture, house furniture, non standard furniture and garden furniture.

The proposed facility is assumed to operate as a sole proprietorship.

## 5.1 Product Mix

The proposed project will be capable of developing patterns for numerous wooden furnishing and fixture items, mainly including office furniture, bedroom furniture, dining, drawing and common room furniture, cabinets, racks, shelves, etc. The composition of product mix is assumed as follow:

**Table 1: Proposed Product Mix**

Product Mix	Details
<b>Office Furniture</b>	<b>45%</b>
General Office Furniture	75%
Executive Office Furniture	25%
<b>Home Furniture</b>	<b>45%</b>

Double Bed	25%
Single Bed	15%
Common Room, Drawing & Dining	30%
Kitchen	30%
<b>Miscellaneous</b>	<b>10%</b>
Almirahs	40%
Cabinets	30%
Racks and Shelves	30%

## 5.2 Installed and Operational Capacities

The installed and operational capacity of pattern designing facility mainly depends on installation of software along with operational hours and working days. This pre-feasibility study is based on single CAD Software with 8 hours operational per day and 300 working days per year. Accordingly, proposed setup has the capacity to produce 600 design patterns of different items per annum. The maximum capacity utilization of the facility is assumed at 95% (i.e. 571) however, during first year of operation it will operate at 60% capacity (i.e. 360).

Capacity utilization growth rate of 5% is considered for subsequent years. This production capacity is estimated to be economically viable and justifies the capital as well as operational costs of the project.

## 6 CRITICAL FACTORS

The commercial viability of the proposed CAD furniture design facility depends on the following critical factors:

- ⇒ Technical know-how and relevant experience of entrepreneur.
- ⇒ Availability of skilled labour having technical knowledge.
- ⇒ Ability to generate work orders through industrial networking, direct marketing and negotiating long term contracts.
- ⇒ Selection of expert designer is an important factor; it is recommended that specialized designer is hired for this business.
- ⇒ Higher return on investment and a steady growth of business is closely associated with regular training and capacity building of the entrepreneur and employees.
- ⇒ Selection of appropriate machinery, technology and human resources would be required to run project successfully.

- ⇒ The most important factor for the success of the project would be the quality services and customer satisfaction in order to get a comparative advantage.
- ⇒ Creation of new designs and styles is vital for setting new trends as the market is quite competitive.

## **7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT**

For the success of this project, it is important to find a location preferably in a wooden furniture-manufacturing cluster to easily access the potential clients of furniture designs. Presently, Gujrat and Lahore is the wooden furniture-manufacturing center of the country, followed by Karachi, Peshawar, Chiniot and Rawalpindi.

Therefore, all furniture manufacturing clusters in Lahore, Gujrat, Karachi, Hub / Lasbela, Hyderabad, Gujranwala, Multan, Rawalpindi, Quetta, Chiniot, Abbotabad and Peshawar etc. are suitable to house the project. Establishing the unit in large cities would have an advantage of being close to large customer base, which may lead to consistent orders and referrals.

## **8 POTENTIAL TARGET CUSTOMERS / MARKETS**

In Pakistan, business of computerized furniture designing is growing from last few years. Computerized designing enhances the durability and stylish patterns of the furniture as compared to standardized pattern of designing and production. Due to increase in population and need for constructing new houses it is expected that demand for furniture business will rise ultimately.

Major target market for proposed designing facility includes wooden furniture manufacturers, craftsmen, design studios, interior designers, furniture traders and training institutions based in all the major cities of Pakistan.

## **9 PROJECT COST SUMMARY**

### **9.1 Project Economics**

All the figures in this financial model have been calculated for estimated sales of Rs. 2.87 million (i.e. 360 pattern designs of different furnishing and fixture items) in the year one. The operation capacity during year one is worked out at 60% with 5% increase in subsequent years up to the maximum capacity of 95%.

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

**Table 2: Project Economics**

Description	Details
Internal Rate of Return (IRR)	73%
Payback Period (Yrs.)	2.13
Net Present Value (Rs.)	19,730,976

## 9.2 Project Financing

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

**Table 3: Project Financing**

Description	Details
Total Equity (50%)	Rs. 2,016,651
Bank Loan (50%)	Rs. 2,016,651
Markup to the Borrower (%age / annum)	14%
Tenure of the Loan (Years)	5

## 9.3 Project Cost

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

**Table 4: Project Cost Summary**

Description	Amount Rs.
<b>Capital Cost</b>	
CAD Software and Allied Accessories	333,275
Furniture and Fixture	520,000
Office Equipment	1,183,000
Office Vehicle (Honda CD 70)	68,250
Pre-operating Cost	427,336
<b>Total Capital Cost</b>	<b>2,531,861</b>
<b>Working Capital</b>	

Upfront Building Rent	420,000
Upfront Insurance Payment	20,076
Cash	1,061,364
<b>Total Working Capital</b>	<b>1,501,440</b>
<b>Total Project Cost</b>	<b>4,033,302</b>

#### 9.4 Space Requirement

The proposed CAD furniture design facility is recommended to be set-up in a rented place preferably close to furniture manufacturing clusters, furniture markets and show rooms. An estimated covered area of 500 sq. ft. will be required, this space requirement has been assumed on the basis of acquired software technology, manpower, other official engagement.

The rent of required office space in an industrial / commercial plaza in any large city is assumed at Rs. 35,000 per month. Three months advance rent along with security deposit of minimum amount equaling to three months will be required to obtain the space. The renovation of acquired space will be carried out, which is included in furniture and fixture cost section.

#### 9.5 CAD Software & Office Equipment Requirement

The machinery and equipment including Software's and Allied Hardware Accessories' required for the proposed project are stated below:

**Table 5: CAD Software & Office Equipment Required**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Pro 100 (Upgraded V5) Software	1	56,050	56,050
Pro V4 Software	1	224,200	224,200
Auto CAD Software	1	25,000	25,000
Laser Jet Color Printer	1	90,000	90,000
Laser Jet B&W Printer	1	20,000	20,000
Computers	9	70,000	630,000
Computer Server	1	125,000	125,000
UPS	9	15,000	135,000
Generator	1	150,000	150,000
Scanner	1	15,000	15,000
Telephones	9	2,000	18,000

Miscellaneous		10%	28,025
<b>Total Cost</b>			<b>1,516,275</b>

## 9.6 Furniture & Fixtures and Office Vehicle 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.)
Table and Chair for Staff	9	20,000	180,000
Visitors Chairs	4	5,000	20,000
Wooden Racks / Cabinets	4	15,000	60,000
Split AC	2	55,000	110,000
Renovation of Space			100,000
Electric Wiring & Lighting			50,000
<b>Total</b>			<b>520,000</b>

## 9.7 Human Resource Requirement

In order to run operations of CAD Furniture Design facility, details of human resources required along with monthly salary are recommended as under:

**Table 7: Human Resource Requirement**

Description	Number of Personnel	Monthly Salary / Person (Rs.)	Annual Salaries (Rs.)
CEO / Owner Manager	1	60,000	720,000
Senior Designer	1	50,000	600,000
Junior Designer	2	30,000	720,000
Drafts Man	4	25,000	1,200,000
Sales Executive	1	25,000	300,000
Office Boy	1	13,000	156,000
Security Guard	1	14,000	168,000
<b>Total</b>	<b>9</b>		<b>3,864,000</b>

## 9.8 Utilities and Other Costs

An essential cost to be borne by the project is the cost of electricity. The electricity expense is estimated to be around Rs. 297,360 for the year one. Furthermore, promotional expense being essential for the project is estimated as 10% of Revenue i.e. Rs. 777,300.

## 9.9 Revenue Generation

Based on the 60% operational capacity, sales revenue during the first year of operations is estimated as under:

**Table 8: Revenue Generation – Year 1**

Product Mix	Year 1 Production (No Designs)	Year 1 Sale Price / Design	Sales Revenue (Rs.)
<b>Office Furniture</b>	<b>162</b>		
General Office Furniture	122	25,000	3,050,000
Executive Office Furniture	40	35,000	1,400,000
<b>Home Furniture</b>	<b>162</b>		
Double Bed Room	41	20,000	820,000
Single Bed Room	25	12,000	300,000
Common Room, Drawing & Dining	48	20,000	960,000
Kitchen	48	20,000	960,000
<b>Miscellaneous</b>	<b>36</b>		
Almirahs	15	10,000	150,000
Cabinets	11	10,000	110,000
Racks and Shelves	10	10,000	100,000
<b>Total</b>			<b>7,850,000</b>

## 10 CONTACT DETAILS

In order to facilitate potential investors, web link of companies selling CAD for Furniture Design Software are provided below:

Name of Supplier	Address	E-mail / Website
Ecru Oprogramowanie	ul. Wenecja 2b/7-8 31-117 Kraków Polska	<a href="mailto:ecru@ecru.pl">ecru@ecru.pl</a> <a href="http://www.pro100.eu">www.pro100.eu</a>
Blum	Head Office: Plant 2, Industriestr. 1 - 6973 Hoechst - Austria Tel: +43 5578 705-0	<a href="http://www.blum.com">www.blum.com</a> <a href="mailto:info.sg@blum.com">info.sg@blum.com</a>

	Fax: +43 5578 705-44  Blum S.E.A., Singapore 150 Ubi Avenue 4 # 02-01 Ubi Biz-Hub SINGAPORE 408825 Tel: +65 6 547 1760 Fax: +65 6 547 1761	
Archi Expo		<a href="http://www.archiexpo.com">www.archiexpo.com</a>
CAD International		<a href="http://www.cad.com.au">www.cad.com.au</a>

## 11 USEFUL WEB 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 Gilgit Baltistan	<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 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>
Punjab Small Industries Corporation	<a href="http://www.psic.gop.pk">www.psic.gop.pk</a>
Sindh Small Industries Corporation	<a href="http://www.ssic.gos.pk">www.ssic.gos.pk</a>
Punjab Vocational Training Council (PVTC)	<a href="http://www.pvtc.gop.pk">www.pvtc.gop.pk</a>
Technical Education and Vocational Training Authority (TEVTA)	<a href="http://www.tevta.org">www.tevta.org</a>
Punjab Industrial Estates (PIE)	<a href="http://www.pie.com.pk">www.pie.com.pk</a>
Faisalabad Industrial Estate Development and Management Company (FIEDMC)	<a href="http://www.fiedmc.com.pk">www.fiedmc.com.pk</a>
Furniture Pakistan	<a href="http://www.furniturepakistan.org.pk">www.furniturepakistan.org.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
Revenue	7,850,000	9,387,400	11,087,230	13,093,047	15,337,912	17,970,071	20,867,217	24,302,451	26,732,696	29,405,966
<i>Cost of sales</i>										
Direct Labor	2,520,000	2,772,000	3,049,200	3,354,120	3,689,532	4,058,485	4,464,334	4,910,767	5,401,844	5,942,028
Machinery Maintenance	59,150	65,065	71,572	78,729	86,602	95,262	104,788	115,267	126,793	139,473
Direct Electricity	297,360	354,354	419,773	494,733	580,486	678,443	790,187	917,495	1,009,244	1,110,169
Total cost of sales	2,876,510	3,191,419	3,540,545	3,927,581	4,356,620	4,832,190	5,359,309	5,943,529	6,537,882	7,191,670
Gross Profit	4,973,490	6,195,981	7,546,685	9,165,466	10,981,292	13,137,880	15,507,908	18,358,922	20,194,814	22,214,296
<i>General administration &amp; selling expenses</i>										
Administration expense	1,344,000	1,478,400	1,626,240	1,788,864	1,967,750	2,164,525	2,380,978	2,619,076	2,880,983	3,169,082
Administration benefits expense	134,400	147,840	162,624	178,886	196,775	216,453	238,098	261,908	288,098	316,908
Building rental expense	420,000	462,000	508,200	559,020	614,922	676,414	744,056	818,461	900,307	990,338
Water expense	60,000	63,000	66,150	69,458	72,930	76,577	80,406	84,426	88,647	93,080
Travelling expense	120,000	132,000	145,200	159,720	175,692	193,261	212,587	233,846	257,231	282,954
Communications expense (phone, fax, mail, internet, etc.)	268,800	295,680	325,248	357,773	393,550	432,905	476,196	523,815	576,197	633,816
Office vehicles running expense	2,048	2,252	2,477	2,725	2,998	3,298	3,627	3,990	4,389	4,828
Office expenses (stationary, entertainment, janitorial services, etc.)	268,800	295,680	325,248	357,773	393,550	432,905	476,196	523,815	576,197	633,816
Promotional expense	785,000	706,500	635,850	572,265	515,039	463,535	417,181	375,463	337,917	304,125
Insurance expense	20,076	17,727	15,379	13,030	10,681	8,595	6,823	5,311	4,048	3,026
Professional fees (legal, audit, consultants, etc.)	157,000	187,748	221,745	261,861	306,758	359,401	417,344	486,049	534,654	588,119
Depreciation expense	493,311	493,311	493,311	555,468	555,468	606,336	678,291	678,291	678,291	761,587
Amortization of pre-operating costs	85,467	85,467	85,467	85,467	85,467	-	-	-	-	-
Subtotal	4,158,902	4,367,606	4,613,139	4,962,309	5,291,580	5,660,706	6,155,162	6,634,450	7,143,329	7,794,179
Operating Income	814,588	1,828,375	2,933,547	4,203,156	5,689,712	7,477,174	9,352,746	11,724,472	13,051,485	14,420,117
Other income (interest on cash)	83,005	166,927	362,649	673,963	1,138,102	1,772,212	2,643,279	3,782,104	5,156,692	6,807,794
Gain / (loss) on sale of machinery & equipment	-	-	-	-	133,310	-	-	-	-	-
Gain / (loss) on sale of office equipment	-	-	709,800	-	-	1,176,582	-	-	1,539,491	-
Gain / (loss) on sale of office vehicles	-	-	-	-	27,300	-	-	-	-	-
Earnings Before Interest & Taxes	897,593	1,995,303	4,005,995	4,877,119	6,988,424	10,425,968	11,996,026	15,506,576	19,747,668	21,227,911
Interest expense on long term debt (Project Loan)	165,470	137,393	105,124	68,035	25,407	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	62,385	-	-	-	-	-	-	-	-	-
Subtotal	227,855	137,393	105,124	68,035	25,407	-	-	-	-	-
Earnings Before Tax	669,739	1,857,909	3,900,872	4,809,084	6,963,017	10,425,968	11,996,026	15,506,576	19,747,668	21,227,911
Tax	26,974	219,082	697,718	965,225	1,659,555	2,871,588	3,421,108	4,649,801	6,134,183	6,652,268
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>642,765</b>	<b>1,638,828</b>	<b>3,203,154</b>	<b>3,843,859</b>	<b>5,303,462</b>	<b>7,554,380</b>	<b>8,574,917</b>	<b>10,856,775</b>	<b>13,613,485</b>	<b>14,575,643</b>

## 12.2 Balance Sheet

<b>Balance Sheet</b>											
	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	1,061,364	1,013,767	3,159,420	5,906,797	10,942,271	17,510,285	26,795,006	39,286,976	55,265,633	73,651,656	96,543,193
Accounts receivable		322,603	354,193	420,712	496,855	584,198	684,411	798,026	928,144	1,048,667	1,153,534
Pre-paid building rent	420,000	462,000	508,200	559,020	614,922	676,414	744,056	818,461	900,307	990,338	-
Pre-paid insurance	20,076	17,727	15,379	13,030	10,681	35,095	30,203	25,311	20,418	15,526	-
<b>Total Current Assets</b>	<b>1,501,441</b>	<b>1,816,097</b>	<b>4,037,192</b>	<b>6,899,558</b>	<b>12,064,728</b>	<b>18,805,992</b>	<b>28,253,676</b>	<b>40,928,775</b>	<b>57,114,503</b>	<b>75,706,188</b>	<b>97,696,727</b>
<i>Fixed assets</i>											
Machinery & equipment	333,275	299,948	266,620	233,293	199,965	591,990	516,127	440,265	364,402	288,539	212,676
Furniture & fixtures	520,000	468,000	416,000	364,000	312,000	260,000	208,000	156,000	104,000	52,000	-
Office vehicles	68,250	54,600	40,950	27,300	13,650	109,917	87,934	65,950	43,967	21,983	-
Office equipment	1,183,000	788,667	394,333	1,369,470	912,980	456,490	1,585,333	1,056,889	528,444	1,835,221	1,223,481
<b>Total Fixed Assets</b>	<b>2,104,525</b>	<b>1,611,214</b>	<b>1,117,903</b>	<b>1,994,063</b>	<b>1,438,595</b>	<b>1,418,398</b>	<b>2,397,394</b>	<b>1,719,104</b>	<b>1,040,813</b>	<b>2,197,744</b>	<b>1,436,157</b>
<i>Intangible assets</i>											
Pre-operation costs	427,336	341,869	256,402	170,935	85,467	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>427,336</b>	<b>341,869</b>	<b>256,402</b>	<b>170,935</b>	<b>85,467</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>4,033,302</b>	<b>3,769,180</b>	<b>5,411,497</b>	<b>9,064,555</b>	<b>13,588,791</b>	<b>20,224,390</b>	<b>30,651,070</b>	<b>42,647,879</b>	<b>58,155,316</b>	<b>77,903,932</b>	<b>99,132,885</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable		4,862	5,348	5,883	6,471	7,118	7,830	8,613	9,474	10,421	11,464
<b>Total Current Liabilities</b>	<b>-</b>	<b>4,862</b>	<b>5,348</b>	<b>5,883</b>	<b>6,471</b>	<b>7,118</b>	<b>7,830</b>	<b>8,613</b>	<b>9,474</b>	<b>10,421</b>	<b>11,464</b>
<i>Other liabilities</i>											
Deferred tax		26,974	246,056	943,773	1,908,998	3,568,553	6,440,142	9,861,250	14,511,051	20,645,234	27,297,502
Long term debt (Project Loan)	1,265,931	1,077,929	861,850	613,502	328,065	-	-	-	-	-	-
Long term debt (Working Capital Loan)	750,720	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Liabilities</b>	<b>2,016,651</b>	<b>1,104,903</b>	<b>1,107,906</b>	<b>1,557,275</b>	<b>2,237,063</b>	<b>3,568,553</b>	<b>6,440,142</b>	<b>9,861,250</b>	<b>14,511,051</b>	<b>20,645,234</b>	<b>27,297,502</b>
<i>Shareholders' equity</i>											
Paid-up capital	2,016,651	2,016,651	2,016,651	2,016,651	2,016,651	2,016,651	2,016,651	2,016,651	2,016,651	2,016,651	2,016,651
Retained earnings		642,765	2,281,593	5,484,747	9,328,606	14,632,068	22,186,448	30,761,365	41,618,140	55,231,625	69,807,268
<b>Total Equity</b>	<b>2,016,651</b>	<b>2,659,416</b>	<b>4,298,244</b>	<b>7,501,398</b>	<b>11,345,257</b>	<b>16,648,719</b>	<b>24,203,099</b>	<b>32,778,016</b>	<b>43,634,791</b>	<b>57,248,276</b>	<b>71,823,919</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>4,033,302</b>	<b>3,769,180</b>	<b>5,411,497</b>	<b>9,064,555</b>	<b>13,588,791</b>	<b>20,224,390</b>	<b>30,651,070</b>	<b>42,647,879</b>	<b>58,155,316</b>	<b>77,903,932</b>	<b>99,132,885</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		642,765	1,638,828	3,203,154	3,843,859	5,303,462	7,554,380	8,574,917	10,856,775	13,613,485	14,575,643
Add: depreciation expense		493,311	493,311	493,311	555,468	555,468	606,336	678,291	678,291	678,291	761,587
amortization of pre-operating costs		85,467	85,467	85,467	85,467	85,467	-	-	-	-	-
Deferred income tax		26,974	219,082	697,718	965,225	1,659,555	2,871,588	3,421,108	4,649,801	6,134,183	6,652,268
Accounts receivable		(322,603)	(31,590)	(66,518)	(76,143)	(87,343)	(100,213)	(113,616)	(130,117)	(120,524)	(104,867)
Pre-paid building rent	(420,000)	(42,000)	(46,200)	(50,820)	(55,902)	(61,492)	(67,641)	(74,406)	(81,846)	(90,031)	990,338
Advance insurance premium	(20,076)	2,349	2,349	2,349	2,349	(24,415)	4,892	4,892	4,892	4,892	15,526
Accounts payable		4,862	486	535	588	647	712	783	861	947	1,042
<b>Cash provided by operations</b>	<b>(440,076)</b>	<b>891,125</b>	<b>2,361,732</b>	<b>4,365,195</b>	<b>5,320,911</b>	<b>7,431,349</b>	<b>10,870,055</b>	<b>12,491,970</b>	<b>15,978,657</b>	<b>20,221,244</b>	<b>22,891,537</b>
<i>Financing activities</i>											
Project Loan - principal repayment		(188,002)	(216,079)	(248,348)	(285,437)	(328,065)	-	-	-	-	-
Working Capital Loan - principal repayment		(750,720)	-	-	-	-	-	-	-	-	-
Additions to Project Loan	1,265,931	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	750,720	-	-	-	-	-	-	-	-	-	-
Issuance of shares	2,016,651	-	-	-	-	-	-	-	-	-	-
<b>Cash provided by / (used for) financing activities</b>	<b>4,033,302</b>	<b>(938,722)</b>	<b>(216,079)</b>	<b>(248,348)</b>	<b>(285,437)</b>	<b>(328,065)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Investing activities</i>											
Capital expenditure	(2,531,861)	-	-	(1,369,470)	-	(535,270)	(1,585,333)	-	-	(1,835,221)	-
Acquisitions											
<b>Cash (used for) / provided by investing activities</b>	<b>(2,531,861)</b>	<b>-</b>	<b>-</b>	<b>(1,369,470)</b>	<b>-</b>	<b>(535,270)</b>	<b>(1,585,333)</b>	<b>-</b>	<b>-</b>	<b>(1,835,221)</b>	<b>-</b>
<b>NET CASH</b>	<b>1,061,364</b>	<b>(47,598)</b>	<b>2,145,654</b>	<b>2,747,376</b>	<b>5,035,474</b>	<b>6,568,014</b>	<b>9,284,721</b>	<b>12,491,970</b>	<b>15,978,657</b>	<b>18,386,023</b>	<b>22,891,537</b>

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

Description	Details
Office Expenses (Printing, Stationery, Entertainment, Etc.)	20% Of Admin Expense
Administration Benefits Expense	10% Of Admin Expense
Promotional Expenses	10% Of Revenue
Communication Expense	10% Of Admin Expense
Travelling Expense	10,000 Per Month
Professional Fees (Audit, Legal Etc.)	2% Of Revenue
Accounts Receivable Cycle (In Days)	15
Accounts Payable Cycle (In Days)	30

### 13.2 Production Cost Assumptions

Description	Details
Electricity Growth Rate	10%
Salary Growth Rate	10%
Machinery Maintenance	5% Machine Maintenance Per Unit of Production
Raw Material Inventory (In Days)	30
Cost Of Goods Sold Growth Rate	10% Annually

### 13.3 Revenue Assumptions

Description	Details
<b>Office Furniture – Sale Price Estimation (Rs.)</b>	
General Office Furniture	25,000
Executive Office Furniture	35,000
<b>Home Furniture – Sale Price Estimation (Rs.)</b>	
Double Bed Room	20,000
Single Bed Room	12,000
Common Room, Drawing & Dining	20,000
Kitchen	20,000

<b>Miscellaneous – Sale Price Estimation (Rs.)</b>	
Almirahs	10,000
Cabinets	10,000
Racks and Shelves	10,000
Sales Price Growth Rate	10%
Maximum Production Capacity Utilization	95%
Production Capacity In First Year	60%
Capacity Growth Rate (Yearly)	5%
Hours Operational Per Day	8
Days Operational Per Month	25
Days Operational Per Year	300

#### 13.4 Financial Assumptions

<b>Description</b>	<b>Details</b>
Debt	50%
Equity	50%
Interest Rate on Debt	14%
Debt Tenure / Year	5
Debt Payment / Year	12
Project life (Years)	10