



**Pre-feasibility Study**

# **BREAD, RUSK, AND BISCUIT MANUFACTURING UNIT**

**December 2020**

*“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 SMEIDA’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**

The bread, rusk and biscuit industry in Pakistan has seen many changes in the last twenty-five years. It has emerged as a small-scale bakery processing industry to numerous industrial bread, rusk and biscuit making units all over Pakistan.

This particular pre-feasibility study is for setting up a 'Bread, Rusk and Biscuit Manufacturing Unit'. The focus of the business would be to provide quality baked bread products and to be sold to wholesalers, retailers and restaurants in major cities of Pakistan. The proposed unit has capacity to produce 468,000 packs of bread, 132,000 packs of rusk and 65,000 kg biscuits annually. However, starting operational capacity is assumed at 50% with gradual increase of 5% in subsequent years up to maximum capacity utilization of 90%. This production capacity is estimated to be economically viable and justifies the capital as well as operational cost of the project. However, entrepreneur's knowledge of industry, competitive pricing and strong linkage with suppliers and wholesalers network are key factors for the success of this business.

The estimated total cost of the proposed 'Bread, Rusk and Biscuit Manufacturing Unit' is estimated at Rs. 7.941 million out of which Rs. 6.841 million is the capital cost and Rs. 1.100 million is for working capital. The project is based on 100% equity model. The project NPV is around Rs. 24.251 million, with an IRR of 53% and Payback Period of 2.61 years. The project will provide employment opportunities to 12 people including the Owner. The legal business status of this project is assumed to be '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 **Bread, Rusk, and Biscuit Manufacturing Unit** 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, which form basis of any Investment Decision.

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

The bread, rusk and biscuit industry in Pakistan is flourishing very quickly and baked bread products has been accepted as a popular substitute of rice, naan, chapati, paratha etc.

The proposed project envisages the setup of a 'Bread, Rusk and Biscuit Manufacturing Unit. Bread, rusk and biscuit is a staple food that is generally prepared by the baking of dough, although steaming or frying are alternative techniques. The dough for bread and rusk primarily comprises of flour, water, salt, yeast and sugar, whereas for biscuits some additional ingredient and flavors are also added.

The unit will be equipped with basic baking, dough mixing, cutting, bread loaf pans, rusk / biscuit pans, oven trays and shaping equipment. The baking Oven of 10X12 feet size, Spoiler Machine (for dough mixing) of 120 kg capacity and 20 liter capacity Spoiler Machine is suggested for the proposed venture. The product mix will mainly comprises of different types and sizes of bread, rusk and biscuits. The varieties of bread will comprise of Plain, Milky, Sandwich and Brown in small, medium and large

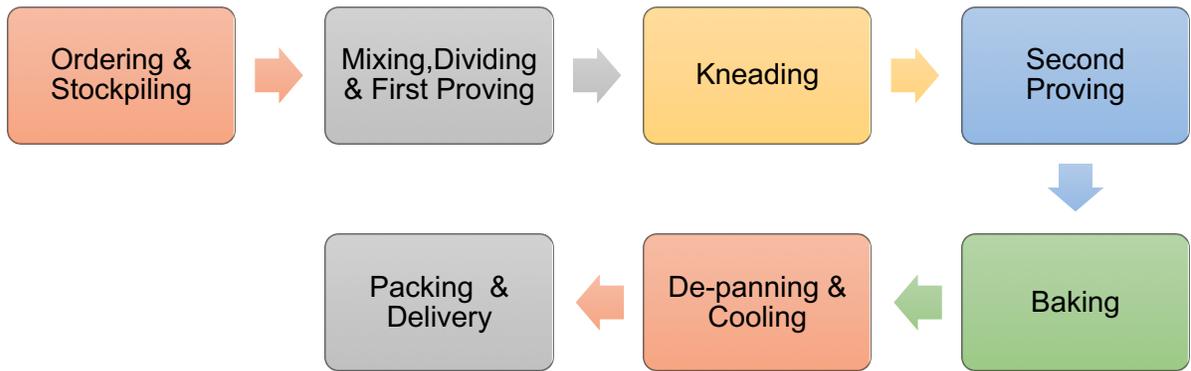
size packaging. Whereas two types of rusk (i.e. Round and Large) and different flavor of biscuits will also be produced as per the demand. The proposed merchandise will be prepared and acquired according to the demand of local customers and in quantities directly proportional to expected sales. The produced bread, rusk and biscuit will be sold in the market through wholesale distributors and retailers. The legal status is proposed to be ‘Sole Proprietorship’.

**5.1 Production Process Flow**

The production process flow of Bread, Rusks and Biscuits manufacturing is exhibited in the below diagrams:

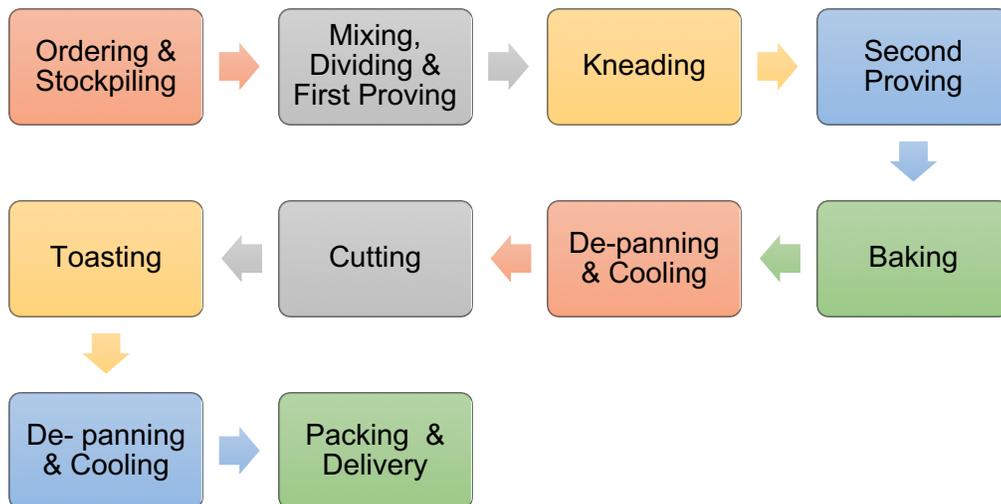
Bread has been baked for hundreds of years, and the same basic process is still used by the baking industry today.

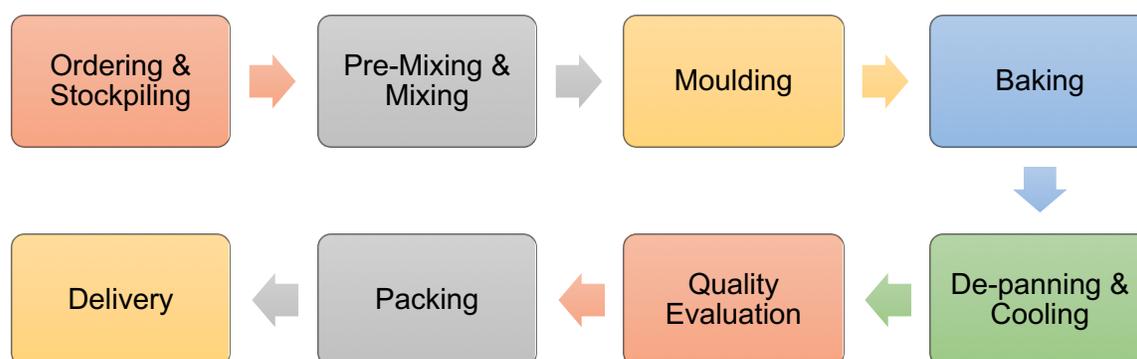
**Figure 1: Production Process Flow – Bread**



Process flow for rusks manufacturing is similar to that of bread making apart from one additional step of toasting of rusks to the final form.

**Figure 2: Production Process Flow – Rusks**



**Figure 3: Production Process Flow – Biscuits**

## 5.2 Installed and Operational Capacities

Following table provides the details of installed and operational capacities of Bread, Rusk and Biscuits manufacturing by the proposed unit. The initial operational capacity of the project will be 50% with an annual growth of 5%. Maximum capacity utilization of the project is assumed at 90%

**Table 1: Installed and Operational Capacity**

| Description           | Installed Capacity (Units) | Operational Capacity 50 % (Year 1) | Maximum Capacity 95% (Year 10) |
|-----------------------|----------------------------|------------------------------------|--------------------------------|
| <b>Bread (Packs)</b>  |                            |                                    |                                |
| Bread Plain (Large)   | 120,000                    | 60,000                             | 108,000                        |
| Bread Plain (Small)   | 180,000                    | 90,000                             | 162,000                        |
| Bread Milky           | 138,000                    | 69,000                             | 124,200                        |
| Sandwich Bread        | 24,000                     | 12,000                             | 21,600                         |
| Brown Bread           | 6,000                      | 3,000                              | 5,400                          |
| <b>Rusk (Packs)</b>   |                            |                                    |                                |
| Rusk (Round)          | 66,000                     | 33,000                             | 59,400                         |
| Rusk (Long)           | 66,000                     | 33,000                             | 59,400                         |
| <b>Biscuits (Kgs)</b> |                            |                                    |                                |
| Biscuits              | 65,000                     | 32,500                             | 58,500                         |

## 6 CRITICAL FACTORS

- ⇒ Background knowledge and experience of the entrepreneur in the baking and confectionary business.
- ⇒ Induction of trained human resource for production of requisite items.
- ⇒ Maintenance of quality and hygiene standards.
- ⇒ Pricing strategy & understanding requirements of the target customers.
- ⇒ Compliance with standards and obtaining license from Food Authorities and Pakistan Standards & Quality Control Authority (PSQCA).
- ⇒ Develop strong linkages with raw material suppliers for sourcing quality material on time at economical prices.
- ⇒ Efficient promotion of product through various marketing and promotional activities.

## 7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Proposed location for setting up a baking unit largely depends on the availability of labour and transportation of finished goods to the retailers at low cost. Moreover, factors like availability of raw material, utilities and easy access to the target markets should also be carefully examined. Therefore, major cities and urban centres with significant population such as Karachi, Hyderabad, Lahore, Rawalpindi, Islamabad, Multan, Peshawar, Gilgit and Quetta are the most suitable locations for the proposed 'Bread, Rusk and Biscuit Manufacturing Unit'.

## 8 POTENTIAL TARGET CUSTOMERS / MARKETS

Areas having presence of middle-income groups in the above stated cities will be an ideal location for the proposed business. In bigger cities, designated wholesalers may sell to some smaller retail shops if they do not overlap with an existing distribution agent. In smaller cities, the designated wholesaler acts as a de facto distribution agent. The potential target customers will mainly comprises of general household consumers, bakery shops, retailers and restaurants.

## 9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of 'Bread, Rusk and Biscuit Manufacturing Unit'. Various costs and revenue related assumptions along with results of the analysis are outlined in this section.

The projected Income Statement, Cash Flow Statement and Balance Sheet are also attached as annexure

### 9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 27.538 million in the year one. 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 2: Project Economics**

| Description                   | Details    |
|-------------------------------|------------|
| Internal Rate of Return (IRR) | 53%        |
| Payback Period (Yrs.)         | 2.61       |
| Net Present Value (Rs.)       | 24,251,110 |

Calculation of break-even analysis is as follows:

**Table 3: Breakeven (100% Equity Based)**

| Break-Even Analysis | Year 1     | Year 2     | Year 3     | Year 4     | Year 5     | Year 6     | Year 7     | Year 8     | Year 9     | Year 10    |
|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Break-Even Revenue  | 18,675,576 | 18,960,921 | 19,607,564 | 20,557,239 | 21,747,775 | 24,918,843 | 26,529,705 | 28,380,788 | 30,502,092 | 33,126,154 |
| Break-Even Units    | 185,596    | 188,432    | 194,858    | 204,296    | 216,127    | 247,641    | 263,649    | 282,045    | 303,126    | 329,204    |
| Margin of Safety    | 32%        | 43%        | 51%        | 57%        | 61%        | 63%        | 66%        | 69%        | 71%        | 72%        |

However, for the purposes of further explanation the Project Economics based on Debt:Equity (i.e. 50:50) Model has also been computed. Based on Debt:Equity model the Internal Rate of Return, Payback Period and Net Present Value of the proposed project are provide in the table below:

**Table 4: Project Economics Based on Equity: Debt (50%: 50%)**

| Description                   | Details |
|-------------------------------|---------|
| Internal Rate of Return (IRR) | 53%     |
| Payback Period (Yrs.)         | 2.58    |

|                         |            |
|-------------------------|------------|
| Net Present Value (Rs.) | 24,276,823 |
|-------------------------|------------|

The financial assumptions for Debt:Equity are as follows:

**Table 5: Financial Assumptions for Debt:Equity Model**

| Description           | Details   |
|-----------------------|-----------|
| Debt 50%              | 3,970,629 |
| Equity 50%            | 3,970,629 |
| Interest Rate on Debt | 12%       |
| Debt Tenure (Years)   | 5         |
| Debt Payment / Year   | 2         |

The projected Income Statement, Cash Flow Statement and Balance Sheet enclosed as annexures are based on 100% Equity Based Business Model.

## 9.2 Project Cost

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

**Table 6: Project Cost**

| Description                   | Amount Rs.       |
|-------------------------------|------------------|
| <b>Capital Cost</b>           |                  |
| Plant and Machinery           | 4,132,220        |
| Furniture & Fixture           | 1,230,050        |
| Motor Vehicles                | 1,040,890        |
| Building Security             | 240,000          |
| Pre-operating Cost            | 135,000          |
| Computer and Office Equipment | 62,600           |
| <b>Total Capital Cost</b>     | <b>6,840,760</b> |
| <b>Working Capital</b>        |                  |
| Raw Material Inventory        | 641,751          |
| Cash                          | 377,024          |
| Up-front Building Rent        | 80,000           |

|                                |                  |
|--------------------------------|------------------|
| Equipment Spare Part Inventory | 1,722            |
| <b>Total Working Capital</b>   | <b>1,100,497</b> |
| <b>Total Project Cost</b>      | <b>7,941,257</b> |

### 9.3 Space Requirement

Approximately 1 kanal (4,500 sq. ft.) of land would be required for establishment of the proposed unit. In order to reduce the initial capital expenditure, it is recommended that required land may be acquired on rental basis in the nearby areas of residential society or commercial markets.

The infrastructural requirement is estimated considering various facilities including Management Office, Production Hall and Storage Space etc. Details of space requirement / allocation are as follows.

**Table 7: Space Requirement**

| Description                     | Estimated Area (Sq. ft.) |
|---------------------------------|--------------------------|
| Owner/Manager Office            | 100                      |
| Accounts/Supervisor             | 72                       |
| Rusk and Bread Department Rooms | 768                      |
| Biscuit Department Room         | 360                      |
| Oven / Baking Area              | 360                      |
| Store Raw Material              | 360                      |
| Store Finished Goods            | 576                      |
| Stores and Spares Room          | 64                       |
| Washrooms                       | 108                      |
| Staff Rest Room                 | 288                      |
| Car Parking                     | 80                       |
| Open Area                       | 1,364                    |
| <b>Total</b>                    | <b>4,500</b>             |

The estimated monthly rent of the purpose-built building is assumed as Rs. 80,000 per month. In addition to monthly rent, 3 months' rent as security deposit will be required for acquiring the space.

## 9.4 Machinery & Equipment Requirement

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

**Table 8: Machinery & Equipmen**

| Description                                    | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|--|----------|-----------------|------------------|
| Oven 10 ft*12ft                                | 1        | 1,200,000       | 1,200,000        |
| Generator                                      | 1        | 980,000         | 980,000          |
| Spoiler Machine (120 kg Capacity)              | 1        | 300,000         | 300,000          |
| Baking Pans for Bread                          | 288      | 830             | 239,040          |
| Cutter (Bread)                                 | 1        | 200,000         | 200,000          |
| Steel Trolleys                                 | 3        | 60,000          | 180,000          |
| Baking Pans for Rusk                           | 192      | 830             | 159,360          |
| Spoiler Machine (20 Ltr Capacity for Biscuits) | 1        | 150,000         | 150,000          |
| Cutter (Rusk)                                  | 1        | 140,000         | 140,000          |
| Steel Shelves                                  | 30       | 4,500           | 135,000          |
| Miscellaneous items                            | 1        | 100,000         | 100,000          |
| Trays (for round rusk)                         | 288      | 240             | 69,120           |
| AC(1 Ton)                                      | 1        | 60,000          | 60,000           |
| Fridge   | 1        | 51,500          | 51,500           |
| Security Equipment                             | 1        | 45,000          | 45,000           |
| Deep Freezer                                   | 1        | 47,000          | 47,000           |
| LED TVs  | 1        | 33,200          | 33,200           |
| Water Filter (Purifier)                        | 1        | 24,000          | 24,000           |
| Water Dispenser                                | 1        | 19,000          | 19,000           |
| <b>Total</b>                                   |          |                 | <b>4,132,220</b> |

## 9.5 Furniture & Fixtures Requirement

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

**Table 9: Furniture & Fixture**

| Description | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|-------------|----------|-----------------|------------------|
|-------------|----------|-----------------|------------------|

|                                       |    |           |                  |
|---------------------------------------|----|-----------|------------------|
| Initial Renovation                    | 1  | 1,000,000 | 1,000,000        |
| Bracket Fans                          | 11 | 3,750     | 41,250           |
| Table Steel Mixing room               | 4  | 8,200     | 32,800           |
| Table & Chairs                        | 1  | 25,000    | 25,000           |
| Table & Chairs (Account/Admin office) | 1  | 20,000    | 20,000           |
| Exhaust Fans                          | 7  | 2,200     | 15,400           |
| Visitor Chairs (Manager Office)       | 2  | 3,500     | 7,000            |
| Visitor Chairs (Admin/Manager Office) | 2  | 3,500     | 7,000            |
| LED Bulbs (18 Watts)                  | 22 | 300       | 6,600            |
| Shelf for Files                       | 1  | 6,000     | 6,000            |
| Miscellaneous Furniture               |    | 69,000    | 69,000           |
| <b>Total</b>                          |    |           | <b>1,230,050</b> |

## 9.6 Office Equipment Requirement

Following office equipment will be required for the project are given below.

**Table 10: Office Equipment**

| Description        | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|--------------------|----------|-----------------|------------------|
| Computers          | 2        | 18,000          | 36,000           |
| Printer            | 1        | 23,000          | 23,000           |
| Telephone Exchange | 3        | 1,200           | 3,600            |
| <b>Total</b>       |          |                 | <b>62,600</b>    |

## 9.7 Office Vehicle Requirement

Following office vehicle will be required for Bread, Rusk and Biscuit Manufacturing Unit.

**Table 11: Office Vehicle**

| Description | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|-------------|----------|-----------------|------------------|
| Pickup      | 01       | 1,040,890       | 1,040,890        |

|              |           |                  |
|--------------|-----------|------------------|
| <b>Total</b> | <b>01</b> | <b>1,040,890</b> |
|--------------|-----------|------------------|

### 9.8 Raw Material Requirements

White flour is the main raw material required for manufacturing of Bread, Rusks and Biscuits, which will be procured from local markets. In addition to the white flour, other material such as sugar, salt, yeast, and ghee etc., will also be required. Variability in flour prices is the biggest threat while working in food industry. This risk can be minimized by making long term supply contracts with the flour mills/suppliers which is a common practice of large-scale industrial consumers of flour.

According to the estimated installed and operational capacity of the proposed unit, the quantities of raw material required during first year of operation is provided as Annexure 12.4. The raw material requirement in subsequent years will be determined according to the capacity utilization of the unit. The purchasing cost of raw material is assumed to increase at 10% annually.

### 9.9 Human Resource Requirement

In order to run operations of Bread, Rusk and Biscuit Manufacturing Unit smoothly, details of human resources required along with number of employees and monthly salary is recommended as under.

**Table 12: Human Resource Requirement**

| Description       | No. of Employees | Monthly Salary per Person (Rs.) |
|-------------------|------------------|---------------------------------|
| Owner/ Manager    | 1                | 60,000                          |
| Head Baker        | 1                | 50,000                          |
| Bakery Assistants | 8                | 25,000                          |
| Accounts          | 1                | 25,000                          |
| Driver            | 1                | 25,000                          |
| <b>Total</b>      | <b>12</b>        |                                 |

### 9.10 Utilities and Other Costs

An essential cost to be borne by the project is the cost of electricity and gas. The electricity expenses are estimated to be around Rs. 92,180 per month, whereas gas expenses are estimated to be Rs. 33,000 / year (including both natural gas and LPG). Furthermore, promotional expense being essential for marketing of Bread, Rusk and Biscuit Manufacturing Unit is estimated as 10% of administrative expenses.

### 9.11 Revenue Generation

Based on the capacity utilization of 50%, sales revenue during the first year of operations is estimated as under.

**Table 13 Revenue Generation – Year 1**

| Description               | No. of Units Produced | Units available for Sale (No.) | Sale Price / unit (Rs.) | Sales Revenue (Rs.) |
|---------------------------|-----------------------|--------------------------------|-------------------------|---------------------|
| Biscuits (Kgs.)           | 32,500                | 32,500                         | 380                     | 12,350,000          |
| Bread Plain (Large Packs) | 60,000                | 60,000                         | 65                      | 3,900,000           |
| Bread Plain (Small Packs) | 90,000                | 90,000                         | 30                      | 2,700,000           |
| Bread Milky (Packs)       | 69,000                | 69,000                         | 35                      | 2,415,000           |
| Rusk – Round (Packs)      | 33,000                | 33,000                         | 70                      | 2,310,000           |
| Rusk – Long (Packs)       | 33,000                | 33,000                         | 70                      | 2,310,000           |
| Sandwich Bread (Packs)    | 12,000                | 12,000                         | 115                     | 1,380,000           |
| Brown Bread (Packs)       | 3,000                 | 3,000                          | 40                      | 120,000             |
| Wastage (2% of Rusk)*     | 1,320                 | 1,320                          | 40                      | 52,800              |
| <b>Total</b>              | <b>333,820</b>        | <b>333,820</b>                 |                         | <b>27,537,800</b>   |

\* Broken rusks are sold separately as wastage.

## 10 CONTACT DETAILS

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project be given.

**Table 14: Machinery Suppliers**

| Name of Supplier                    | Address                   | Phone       |
|-------------------------------------|---------------------------|-------------|
| Sons of Imam Din Group of Companies | Ferozwal Road, Gujranwala | 055-4241982 |

|   |   |              |
|---|---|--------------|
| Rizwan Dhudhi<br>Bhalwal Bakers<br>Bhalwal. | Tehsil Bhalwal, Main Colony Adda,<br>Noor Hayat Colony, Sargodha,<br>Punjab | 0300-6039602 |
|---|---|--------------|

**Table 15: Raw Material Suppliers**

| Name of Supplier                        | Address   | Phone           |
|---|---|-----------------|
| Inam Traders                            | Mohammadi Bazar Rd, Mohammadi<br>Bazar, Block 1, 1 Block, Sargodha,<br>Punjab | (048) 3712240   |
| Adil Zafar /<br>Novozymes<br>Industries | F-80/1, Block F. North Nazimabad,<br>Karachi, Pakistan.                       | +92-300-9257055 |

## 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>                           |
| Ministry of Education, Training & Standards in Higher Education  | <a href="http://moptt.gov.pk">http://moptt.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 Baluchistan  | <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 Jammu 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 and Exchange Commission of Pakistan (SECP)              | <a href="http://www.secp.gov.pk">www.secp.gov.pk</a>                           |
| Federation of Pakistan Chambers of Commerce and Industry (FPCCI) | <a href="http://www.fpcci.com.pk">www.fpcci.com.pk</a>                         |
| State Bank of Pakistan (SBP)                                     | <a href="http://www.sbp.org.pk">www.sbp.org.pk</a>                             |
| Punjab Vocational Training Council (PVTC)                        | <a href="http://www.pvtc.gov.pk">www.pvtc.gov.pk</a>                           |
| Technical Education and Vocational Training Authority (TEVTA)    | <a href="http://www.tevta.org">www.tevta.org</a>                               |
| Punjab Food Department   | <a href="http://food.punjab.gov.pk">food.punjab.gov.pk</a>                     |
| Ministry of National Food Security & Research                    | <a href="http://www.mnfsr.gov.pk">www.mnfsr.gov.pk</a>                         |
| Pakistan Standards and Quality Control Authority                 | <a href="http://updated.psqca.com.pk">updated.psqca.com.pk</a>                 |
| Sindh Food Authority (SFA)                                       | <a href="http://www.sfa.gos.pk">www.sfa.gos.pk</a>                             |
| Punjab Food Authority (PFA)                                      | <a href="http://www.pfa.gop.pk">www.pfa.gop.pk</a>                             |

## 12 ANNEXURES

### 12.1 Income Statement

| Calculations  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   | SMEDA |
|---|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------|
| Income Statement  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |       |
|   | Year 1           | Year 2           | Year 3           | Year 4           | Year 5           | Year 6           | Year 7            | Year 8            | Year 9            | Year 10           |       |
| Revenue   | 27,537,800       | 33,320,738       | 39,984,886       | 47,648,655       | 56,445,330       | 66,524,853       | 78,055,828        | 91,227,749        | 106,253,496       | 116,878,845       |       |
| <i>Cost of sales</i>  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |       |
| Raw Material Cost   | 15,402,031       | 18,636,458       | 22,363,749       | 26,650,134       | 31,570,159       | 37,207,688       | 43,657,020        | 51,024,142        | 59,428,119        | 65,370,931        |       |
| Direct labor  | 3,000,000        | 3,300,000        | 3,630,000        | 3,993,000        | 4,392,300        | 4,831,530        | 5,314,683         | 5,846,151         | 6,430,766         | 7,073,843         |       |
| Machinery Maintenance   | 41,322           | 45,454           | 50,000           | 55,000           | 60,500           | 66,550           | 73,205            | 80,525            | 88,578            | 97,436            |       |
| Direct Electricity  | 774,309          | 851,740          | 936,914          | 1,030,605        | 1,133,666        | 1,247,032        | 1,371,735         | 1,508,909         | 1,659,800         | 1,825,780         |       |
| Direct Water  | 137,689          | 166,604          | 199,924          | 238,243          | 282,227          | 332,624          | 390,279           | 456,139           | 531,267           | 584,394           |       |
| Direct Gas  | 1,772,188        | 1,949,406        | 2,144,347        | 2,358,782        | 2,594,660        | 2,854,126        | 3,139,538         | 3,453,492         | 3,798,841         | 4,178,725         |       |
| Total cost of sales   | 21,127,539       | 24,949,662       | 29,324,934       | 34,325,764       | 40,033,511       | 46,539,550       | 53,946,461        | 62,369,359        | 71,937,372        | 79,131,109        |       |
| Gross Profit  | 6,410,261        | 8,371,076        | 10,659,952       | 13,322,891       | 16,411,819       | 19,985,304       | 24,109,367        | 28,858,390        | 34,316,124        | 37,747,737        |       |
| <i>General administration &amp; selling expenses</i>                  |                  |                  |                  |                  |                  |                  |                   |                   |                   |                   |       |
| Administration expense  | 1,320,000        | 1,452,000        | 1,597,200        | 1,756,920        | 1,932,612        | 2,125,873        | 2,338,461         | 2,572,307         | 2,829,537         | 3,112,491         |       |
| Building rental expense   | 960,000          | 1,056,000        | 1,161,600        | 1,277,760        | 1,405,536        | 1,546,090        | 1,700,699         | 1,870,768         | 2,057,845         | 2,263,630         |       |
| Electricity expense   | 331,847          | 365,031          | 401,534          | 441,688          | 485,857          | 534,442          | 587,887           | 646,675           | 711,343           | 782,477           |       |
| Water expense   | 33,000           | 36,300           | 39,930           | 43,923           | 48,315           | 53,147           | 58,462            | 64,308            | 70,738            | 77,812            |       |
| Travelling expense  | 413,067          | 499,811          | 599,773          | 714,730          | 846,680          | 997,873          | 1,170,837         | 1,368,416         | 1,593,802         | 1,753,183         |       |
| Communications expense (phone, fax, mail, internet, etc.)             | 39,600           | 43,560           | 47,916           | 52,708           | 57,978           | 63,776           | 70,154            | 77,169            | 84,886            | 93,375            |       |
| Office vehicles running expense                                       | 83,271           | 91,598           | 100,758          | 110,834          | 121,917          | 134,109          | 147,520           | 162,272           | 178,499           | 196,349           |       |
| Office expenses (stationary, entertainment, janitorial services, etc) | 39,600           | 43,560           | 47,916           | 52,708           | 57,978           | 63,776           | 70,154            | 77,169            | 84,886            | 93,375            |       |
| Promotional expense Year 1-5  | 132,000          | 145,200          | 159,720          | 175,692          | 193,261          | -                | -                 | -                 | -                 | -                 |       |
| Promotional expense Year 6-10   | -                | -                | -                | -                | -                | 106,294          | 116,923           | 128,615           | 141,477           | 155,625           |       |
| Professional fees (legal, audit, consultants, etc.)                   | 137,689          | 166,604          | 199,924          | 238,243          | 282,227          | 332,624          | 390,279           | 456,139           | 531,267           | 584,394           |       |
| Depreciation expense  | 764,235          | 764,235          | 764,235          | 767,894          | 767,304          | 1,421,786        | 1,426,022         | 1,425,339         | 1,425,339         | 1,430,242         |       |
| Amortization of pre-operating costs                                   | 27,000           | 27,000           | 27,000           | 27,000           | 27,000           | -                | -                 | -                 | -                 | -                 |       |
| Miscellaneous expense 1   | 66,000           | 72,600           | 79,860           | 87,846           | 96,631           | 106,294          | 116,923           | 128,615           | 141,477           | 155,625           |       |
| Subtotal  | 4,347,309        | 4,763,499        | 5,227,367        | 5,747,945        | 6,323,296        | 7,486,084        | 8,194,320         | 8,977,793         | 9,851,098         | 10,698,577        |       |
| Operating Income  | 2,062,952        | 3,607,577        | 5,432,584        | 7,574,946        | 10,088,523       | 12,499,220       | 15,915,048        | 19,880,597        | 24,465,026        | 27,049,160        |       |
| Other income (interest on cash)                                       | 21,020           | 63,932           | 130,120          | 205,710          | 274,174          | 341,225          | 433,140           | 550,786           | 694,674           | 892,741           |       |
| Other income 2  | -                | -                | -                | -                | 1,652,888        | -                | -                 | -                 | -                 | -                 |       |
| Gain / (loss) on sale of machinery & equipment                        | -                | -                | -                | -                | -                | -                | -                 | -                 | -                 | -                 |       |
| Gain / (loss) on sale of computer equipment                           | -                | -                | 14,750           | -                | -                | 31,825           | -                 | -                 | 51,591            | 41,188            |       |
| Gain / (loss) on sale of office vehicles                              | -                | -                | -                | -                | 416,356          | -                | -                 | -                 | -                 | -                 |       |
| Earnings Before Interest & Taxes                                      | 2,083,972        | 3,671,509        | 5,577,455        | 7,780,656        | 12,431,941       | 12,872,270       | 16,348,187        | 20,431,384        | 25,211,292        | 27,983,088        |       |
| Earnings Before Tax   | 2,083,972        | 3,671,509        | 5,577,455        | 7,780,656        | 12,431,941       | 12,872,270       | 16,348,187        | 20,431,384        | 25,211,292        | 27,983,088        |       |
| Tax   | 202,596          | 537,877          | 1,093,236        | 1,843,229        | 3,471,179        | 3,625,294        | 4,841,865         | 6,270,984         | 7,943,952         | 8,914,081         |       |
| <b>NET PROFIT/(LOSS) AFTER TAX</b>                                    | <b>1,881,376</b> | <b>3,133,632</b> | <b>4,484,218</b> | <b>5,937,427</b> | <b>8,960,762</b> | <b>9,246,976</b> | <b>11,506,322</b> | <b>14,160,400</b> | <b>17,267,340</b> | <b>19,069,008</b> |       |

## 12.2 Balance Sheet

| Calculations                                  |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   | 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           |
| <b>Assets</b>                                 |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <i>Current assets</i>                         |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Cash & Bank                                   | 377,024          | 1,304,567        | 3,810,028         | 6,599,605         | 9,857,215         | 12,076,728        | 15,221,287        | 19,429,894        | 24,633,014        | 30,940,911        | 40,478,376        |
| Accounts receivable                           |                  | 1,131,690        | 1,250,518         | 1,506,280         | 1,800,689         | 2,138,918         | 2,526,785         | 2,970,836         | 3,478,430         | 4,057,834         | 4,584,911         |
| Equipment spare part inventory                | 1,722            | 1,989            | 2,297             | 2,653             | 3,064             | 3,539             | 4,088             | 4,721             | 5,453             | 6,298             | -                 |
| Raw material inventory                        | 641,751          | 776,519          | 931,823           | 1,110,422         | 1,315,423         | 1,550,320         | 1,819,043         | 2,126,006         | 2,476,172         | 2,723,789         | -                 |
| Pre-paid building rent                        | 80,000           | 88,000           | 96,800            | 106,480           | 117,128           | 128,841           | 141,725           | 155,897           | 171,487           | 188,636           | -                 |
| <b>Total Current Assets</b>                   | <b>1,100,497</b> | <b>3,302,765</b> | <b>6,091,466</b>  | <b>9,325,440</b>  | <b>13,093,520</b> | <b>15,898,346</b> | <b>19,712,927</b> | <b>24,687,354</b> | <b>30,764,555</b> | <b>37,917,468</b> | <b>45,063,287</b> |
| <i>Fixed assets</i>                           |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Building Security                             | 240,000          | 240,000          | 240,000           | 240,000           | 240,000           | 240,000           | 240,000           | 240,000           | 240,000           | 240,000           | 240,000           |
| Machinery & equipment                         | 4,132,220        | 3,718,998        | 3,305,776         | 2,892,554         | 2,479,332         | 7,339,986         | 6,399,377         | 5,458,767         | 4,518,157         | 3,577,548         | 2,636,938         |
| Furniture & fixtures                          | 1,230,050        | 1,107,045        | 984,040           | 861,035           | 738,030           | 615,025           | 492,020           | 369,015           | 246,010           | 123,005           | -                 |
| Office vehicles                               | 1,040,890        | 832,712          | 624,534           | 416,356           | 208,178           | 1,676,364         | 1,341,091         | 1,005,818         | 670,546           | 335,273           | -                 |
| Computer equipment                            | 59,000           | 39,530           | 20,060            | 68,890            | 45,761            | 23,222            | 79,749            | 52,974            | 26,882            | 92,319            | 61,324            |
| Office equipment                              | 3,600            | 3,240            | 2,880             | 2,520             | 2,160             | 1,800             | 1,440             | 1,080             | 720               | 360               | -                 |
| <b>Total Fixed Assets</b>                     | <b>6,705,760</b> | <b>5,941,525</b> | <b>5,177,290</b>  | <b>4,481,355</b>  | <b>3,713,461</b>  | <b>9,896,397</b>  | <b>8,553,676</b>  | <b>7,127,654</b>  | <b>5,702,315</b>  | <b>4,368,504</b>  | <b>2,938,262</b>  |
| <i>Intangible assets</i>                      |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Pre-operation costs                           | 135,000          | 108,000          | 81,000            | 54,000            | 27,000            | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Total Intangible Assets</b>                | <b>135,000</b>   | <b>108,000</b>   | <b>81,000</b>     | <b>54,000</b>     | <b>27,000</b>     | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          | <b>-</b>          |
| <b>TOTAL ASSETS</b>                           | <b>7,941,257</b> | <b>9,352,290</b> | <b>11,349,756</b> | <b>13,860,795</b> | <b>16,833,981</b> | <b>25,794,742</b> | <b>28,266,603</b> | <b>31,815,008</b> | <b>36,466,870</b> | <b>42,285,972</b> | <b>48,001,549</b> |
| <b>Liabilities &amp; Shareholders' Equity</b> |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| <i>Shareholders' equity</i>                   |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Paid-up capital                               | 7,941,257        | 7,941,257        | 7,941,257         | 7,941,257         | 7,941,257         | 7,941,257         | 7,941,257         | 7,941,257         | 7,941,257         | 7,941,257         | 7,941,257         |
| Retained earnings                             |                  | 1,411,032        | 3,408,498         | 5,919,537         | 8,892,723         | 17,853,485        | 20,325,346        | 23,873,751        | 28,525,613        | 34,344,715        | 40,060,292        |
| <b>Total Equity</b>                           | <b>7,941,257</b> | <b>9,352,290</b> | <b>11,349,756</b> | <b>13,860,795</b> | <b>16,833,981</b> | <b>25,794,742</b> | <b>28,266,603</b> | <b>31,815,008</b> | <b>36,466,870</b> | <b>42,285,972</b> | <b>48,001,549</b> |
| <b>TOTAL CAPITAL AND LIABILITIES</b>          | <b>7,941,257</b> | <b>9,352,290</b> | <b>11,349,756</b> | <b>13,860,795</b> | <b>16,833,981</b> | <b>25,794,742</b> | <b>28,266,603</b> | <b>31,815,008</b> | <b>36,466,870</b> | <b>42,285,972</b> | <b>48,001,549</b> |

### 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    |
| <i>Operating activities</i>                        |             |             |           |           |           |             |           |            |            |            |            |
| Net profit   |             | 1,881,376   | 3,133,632 | 4,484,218 | 5,937,427 | 8,960,762   | 9,246,976 | 11,506,322 | 14,160,400 | 17,267,340 | 19,069,008 |
| Add: depreciation expense                          |             | 764,235     | 764,235   | 764,235   | 767,894   | 767,304     | 1,421,786 | 1,426,022  | 1,425,339  | 1,425,339  | 1,430,242  |
| amortization of pre-operating costs                |             | 27,000      | 27,000    | 27,000    | 27,000    | 27,000      | -         | -          | -          | -          | -          |
| Accounts receivable                                |             | (1,131,690) | (118,827) | (255,762) | (294,409) | (338,228)   | (387,867) | (444,051)  | (507,594)  | (579,404)  | (527,077)  |
| Equipment inventory                                | (1,722)     | (267)       | (308)     | (356)     | (411)     | (475)       | (549)     | (634)      | (732)      | (845)      | 6,298      |
| Raw material inventory                             | (641,751)   | (134,768)   | (155,304) | (178,599) | (205,001) | (234,897)   | (268,722) | (306,963)  | (350,166)  | (247,617)  | 2,723,789  |
| Pre-paid building rent                             | (80,000)    | (8,000)     | (8,800)   | (9,680)   | (10,648)  | (11,713)    | (12,884)  | (14,172)   | (15,590)   | (17,149)   | 188,636    |
| Cash provided by operations                        | (723,473)   | 1,397,886   | 3,641,627 | 4,831,056 | 6,221,851 | 9,169,753   | 9,998,740 | 12,166,523 | 14,711,658 | 17,847,664 | 22,890,896 |
| <i>Financing activities</i>                        |             |             |           |           |           |             |           |            |            |            |            |
| Issuance of shares                                 | 7,941,257   | -           | -         | -         | -         | -           | -         | -          | -          | -          | -          |
| Cash provided by / (used for) financing activities | 7,941,257   | -           | -         | -         | -         | -           | -         | -          | -          | -          | -          |
| <i>Investing activities</i>                        |             |             |           |           |           |             |           |            |            |            |            |
| Capital expenditure                                | (6,840,760) | -           | -         | (68,300)  | -         | (6,950,240) | (79,066)  | -          | -          | (91,528)   | -          |
| Cash (used for) / provided by investing activities | (6,840,760) | -           | -         | (68,300)  | -         | (6,950,240) | (79,066)  | -          | -          | (91,528)   | -          |
| NET CASH   | 377,024     | 1,397,886   | 3,641,627 | 4,762,756 | 6,221,851 | 2,219,513   | 9,919,674 | 12,166,523 | 14,711,658 | 17,756,135 | 22,890,896 |

## 12.4 Raw Material Requirements

| Input Material                              | Rusk         |                 |            | Bread Plain (Large) |            |              | Bread Plain (Small) |              |            | Bread Milky   |            |              | Sandwich Bread |              |            | Brown Bread  |            |              | Biscuits     |              |        |
|---|--------------|-----------------|------------|---------------------|------------|--------------|---------------------|--------------|------------|---------------|------------|--------------|----------------|--------------|------------|--------------|------------|--------------|--------------|--------------|--------|
|   | Qty.         | Rate            | Amount     | Qty.                | Rate       | Amount       | Qty.                | Rate         | Amount     | Qty.          | Rate       | Amount       | Qty.           | Rate         | Amount     | Qty.         | Rate       | Amount       | Qty.         | Rate         | Amount |
| White Flour (Kg)                            | 84           | 49              | 4,100      | 100                 | 49         | 4,881        | 100                 | 49           | 4,881      | 100           | 49         | 4,881        | 100            | 49           | 4,881      | 5            | 49         | 244.05       | 7.5          | 49           | 366    |
| Yeast (Gm)                                  | 400          | 0.98            | 390        | 750                 | 1          | 731          | 750                 | 1            | 731        | 750           | 1          | 731          | 750            | 1            | 731        | 40           | 1          | 39.00        | 5.0          | 1            | 5      |
| Eka (Gm)                                    | 150          | 0.98            | 146        | 100                 | 1          | 98           | 100                 | 1            | 98         | 100           | 1          | 98           | 100            | 1            | 98         | 20           | 1          | 19.50        |              | 1            | -      |
| Sugar (Kg)                                  | 30           | 85              | 2,550      | 4                   | 85         | 340          | 4                   | 85           | 340        | 20            | 85         | 1,700        | 4              | 85           | 340        |              | 85         | -            |              | 85           | -      |
| Salt (Gm)                                   | 850          | 0.01            | 9          | 1,000               | 0          | 10           | 1,000               | 0            | 10         | 1,000         | 0          | 10           | 1,000          | 0            | 10         |              | 0          | -            |              | 0            | -      |
| Ghee (Kg)                                   | 5            | 206             | 1,030      | 8                   | 206        | 1,648        | 8                   | 206          | 1,648      | 8             | 206        | 1,648        | 8              | 206          | 1,648      | 0.40         | 206        | 82.40        | 1.0          | 206          | 206    |
| Till (Kg)                                   | -            | 350             | -          | -                   | 350        | -            | -                   | 350          | -          | 3             | 350        | 875          | -              | 350          | -          |              | 350        | -            |              | 350          | -      |
| Oil (Ltr)                                   | 2            | 215             | 430        | 1                   | 215        | 108          | 1                   | 215          | 108        | 1             | 215        | 108          | 0.50           | 215          | 108        | 0.25         | 215        | 53.75        |              | 215          | -      |
| CPC Powder (Gm)                             |              | 3.2             | -          | 20                  | 3          | 64           | 20                  | 3            | 64         | 20            | 3          | 64           | 20             | 3            | 64         |              | 3          | -            |              | 3            | -      |
| Chokker (Kg)                                | -            | 25              | -          |                     | 25         | -            | -                   | 25           | -          |               | 25         | -            | -              | 25           | -          | 0.5          | 25         | 12.50        |              | 25           | -      |
| Eggs (No.)                                  |              | 10              | -          |                     | 10         | -            | -                   | 10           | -          |               | 10         | -            | -              | 10           | -          | 3            | 10         | 30.00        | 12.0         | 10           | 120    |
| Essence + Food Colour                       | -            |                 | -          |                     | -          | -            | -                   | -            | -          |               | -          | -            | -              | -            | -          |              | -          | -            | 1.0          | 200          | 200    |
| Icing Sugar (Kg)                            |              | 85              | -          |                     | 85         | -            | -                   | 85           | -          |               | 85         | -            | -              | 85           | -          |              | 85         | -            | 2.0          | 85           | 170    |
| Frozen Ghee (Kg)                            |              | 206             | -          |                     | 206        | -            | -                   | 206          | -          |               | 206        | -            | -              | 206          | -          |              | 206        | -            | 4.0          | 206          | 824    |
| <b>Raw Material Cost</b>                    | <b>8,655</b> |                 |            | <b>7,879</b>        |            |              | <b>7,879</b>        |              |            | <b>10,114</b> |            |              | <b>7,879</b>   |              |            | <b>481</b>   |            |              | <b>1,891</b> |              |        |
| <b>Output (With above input magterials)</b> | <b>Qty</b>   | <b>Units</b>    | <b>Qty</b> | <b>Units</b>        | <b>Qty</b> | <b>Units</b> | <b>Qty</b>          | <b>Units</b> | <b>Qty</b> | <b>Units</b>  | <b>Qty</b> | <b>Units</b> | <b>Qty</b>     | <b>Units</b> | <b>Qty</b> | <b>Units</b> | <b>Qty</b> | <b>Units</b> | <b>Qty</b>   | <b>Units</b> |        |
|   | 218          | Packs (450 gms) | 186        | Breads              | 372        | Breads       | 435                 | Breads       | 145        | Breads        | 18         | Breads       | 12             | Kgs          |            |              |            |              |              |              |        |

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumption

| Description                                      | Details   |
|--|---|
| Machinery Maintenance                            | 1% of Machinery Cost  |
| Office Expenses (Stationery, Entertainment etc.) | 3% of Administration expenses   |
| Communication Expenses                           | 3% of Administration Cost   |
| Promotional Expenses                             | 10% of Administration Cost  |
| Vehicle Running Expenses                         | 8% of Vehicle Cost  |
| Depreciation Method                              | Accelerated depreciation  |
| Depreciation Rate                                | 10% on Machinery<br>20% on Office Vehicle<br>10% on Furniture & Fixture |
| Inflation Growth Rate                            | 10%   |
| Electricity Price Growth Rate                    | 10%   |
| Salaries Growth Rate                             | 10%   |

### 13.2 Revenue Assumptions

| Description                  | Details   |
|------------------------------|---|
| Growth in Sales Price        | 10%   |
| Days Operational / Year      | 360   |
| Maximum Operational Capacity | Bread 468,000 Packs<br>Rusk 132,000 Packs<br>Biscuits 65,000 kg |
| Rusk Wastage                 | 2%  |

### 13.3 Production Cost Assumptions

| Description                     | Details |
|---------------------------------|---------|
| Capacity Utilization First Year | 50%     |

|   |     |
|---|-----|
| Production Capacity Utilization Growth Rate | 5%  |
| Maximum Capacity Utilization                | 90% |
| Raw Material Cost Growth Rate               | 10% |

# Small and Medium Enterprises Development Authority

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