



Pre-feasibility Study

AUTO REPAIR & SERVICE WORKSHOP

June 2022

“The figures and financial projections are approximate due to fluctuations in exchange rates, energy costs, and fuel prices etc. Users are advised to focus on understanding essential elements such as production processes and capacities, space, machinery, human resources, and raw material etc. requirements. Project investment, operating costs, and revenues can change daily. For accurate financial calculations, utilize financial calculators on SMEDA’s website and consult financial experts to stay current with market conditions.”

Small and Medium Enterprises Development Authority
Ministry of Industries and Production
Government of Pakistan

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1 DISCLAIMER

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Document Control

| | |
|-----------------|--|
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2 EXECUTIVE SUMMARY

Auto Repair & Service Workshop is a service facility where automobiles are repair and overhauled by auto mechanics and electricians, it also offer paintwork repairs to scratches, scuffs and dents to vehicle damage as well as damage caused by collision and major accidents.

It is proposed to be located on main roads or prime locations of urban as well as semi-urban areas to target maximum walk-in customers as well as customers coming in from contacts, referrals and companies.

Installed capacity is **4,164** cars per year and initial utilization of **60%**

Total Cost Estimates is **Rs.4,337,571** with fixed investment **Rs.2,577,500** and working capital **Rs.1,760,571**.

Given the cost assumptions, IRR and payback are **42%** and **3.79 years** respectively

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

- **Most significant consideration**
 - Relevant work experience required in repairing, body touchups etc of cars.
 - Technical Skill required of repair and maintenance of cars.
 - Growing and Maintaining a Referral Network of Customers

- **Equally important factor**
 - Marketing Skill required to attract customers from residential and corporate sector to help maintain customer base
 - An adequate inventory for denting and painting based on prior experience and business volume is required for quick services

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 **Auto Repair & Service Workshop** 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

Auto Repair and Service Workshop is a service facility where auto mechanics repair automobiles, provide basic and extensive auto related services as well as schedule maintenances. It also offer paintwork repairs to scratches, scuffs and dents to vehicle damage as well as damage caused by collision and major accidents.

The auto repair industry is highly competitive. Each workshop within this field has high capital costs, low margins, and a high intensity of competition, but thanks to the increase in sales of cars in Pakistan, which drives the need and demand of high quality auto repair and service workshop.

The details of locally produced and imported cars from 2017-2023 are as follows:

| Description | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--|---------|---------|---------|---------|---------|---------|
| Cars (Local Production)¹ | 217,774 | 209,255 | 94,325 | 151,794 | 226,433 | 101,984 |

Following key parameters must be address as per this pre-feasibility study:

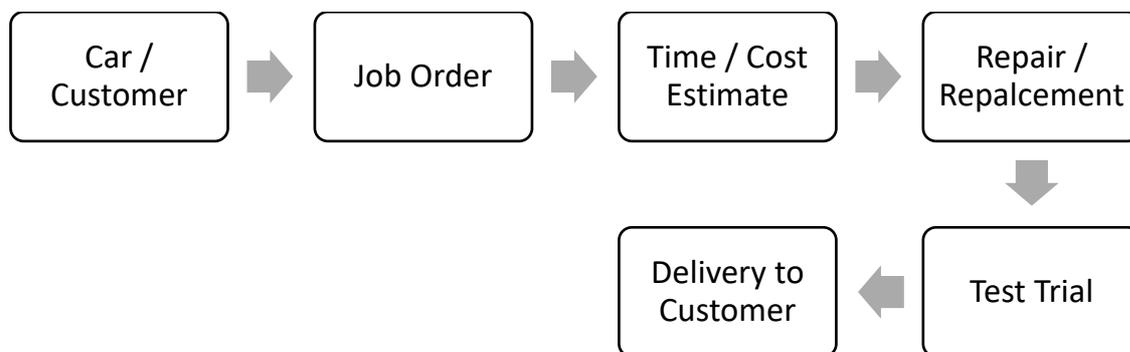
- **Technology:** This proposed workshop with computerized diagnostic system uses a number of tools including scanners, mechanical repairs tools box, denting tools box and tools for painting to provide services to the customer's car.
- **Location:** The Auto Workshop business is very much dependent on the location of its setup. Auto Workshops located on main roads or prime locations to target maximum walk-in customers as well as customers coming in from contacts, referrals and companies. This setup can be established in cities like Karachi, Lahore, Rawalpindi, Hyderabad, Faisalabad, Multan, Peshawar and Quetta etc. This business can also be undertaken in all small 2nd tier towns in addition to suburban towns of large cities.
- **Product:** The proposed workshop addresses the unmet need of having a quality auto repair workshop that provides:
 - Quick, quality repair and maintenance services
 - Denting and Painting services

¹ www.pama.org.pk (Pakistan Automotive Manufacturers Association)

- Easy access to new and used retail parts from nearby shops to meet the demand of the customer
- **Target Market:** The proposed location for an Auto Workshop considering the factors mentioned earlier would be in a medium to high-income locality area where almost all of the nearby residents are expect to own at least one car.
- **Employment Generation:** The proposed project will provide direct employment to 18 people. Financial analysis shows the unit shall be profitable from the very first year of operation.

5.1 Process Flow

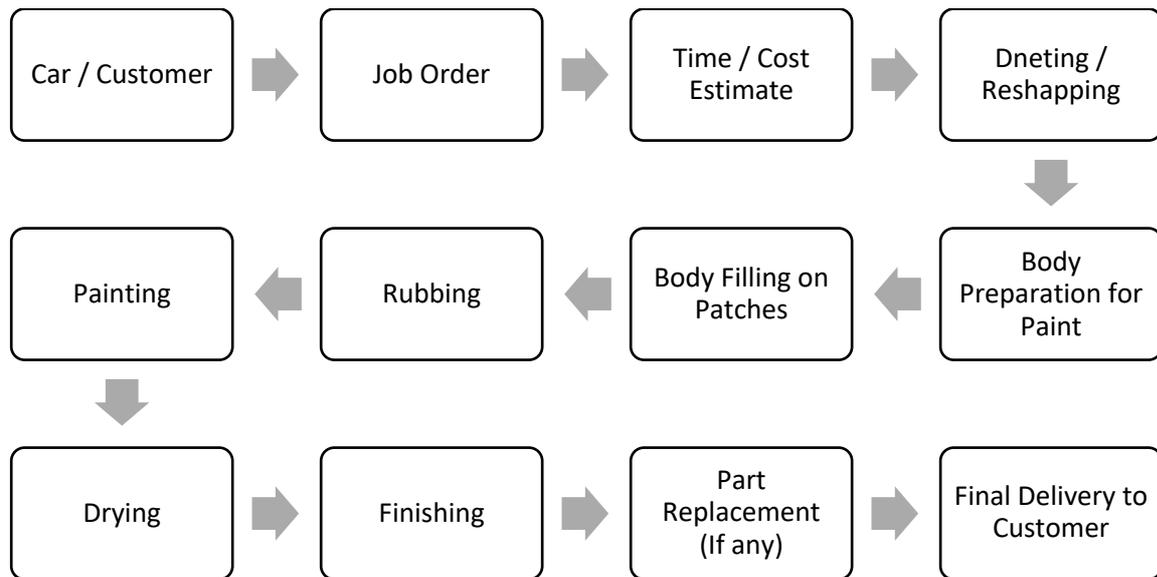
Mechanical Services



The above diagram illustrates the basic process flow for mechanical repairs.

1. The customers comes in with the mechanical problems of his car
2. Wherein a job card is prepared based on the problems faced by the customer. The foreman then further run the diagnostic checks of the car for any additional problems.
3. The customer is then provided with time and cost estimates depending on whether the parts need to be repaired or replaced. On agreement of the customer, the job is allocated by foreman to the concerned mechanic.
4. It is necessary to test run the car by the foreman before it finally delivered to the customer, for quality assurance.

Denting and Painting



The above diagram illustrates the basic process flow for denting and painting.

1. The customers comes in with their damaged cars
2. Wherein a job card is prepared based on the problems faced by the customer. The foreman then further run the diagnostic checks of the car for any additional problems.
3. After the estimation of time and cost, the car is given to the Head Denter who reshapes the car back into form and hands it over to the painter.
4. Initially the reshaped body is prepared for painting by applying coating and patch filling, which are then smoothed by rubbing.
5. The body is then painted and left for drying after which waxing are applied to ensure proper shine.
6. In case of accidents, irreparable parts are replaced before making the final delivery to the customer.

5.2 Installed and Operational Capacities

The operational capacity of this workshop is 347 cars per month. The assumed operational capacity during the first year of operations is 60% with annual increase of 5%.

6 CRITICAL FACTORS

The main critical success factors that affect the decision to invest in the proposed business are:

- **Hands on Experience:** Having a thorough knowledge and hands on experience of all the relevant technical details is necessary for entry into this business. Relevant work experience is the most important pre-requisite because it has a direct impact on the successful management of the business.
- **Marketing Skill:** Another critical factor is that the entrepreneur must have effective PR & marketing skills. These marketing skills should enable the entrepreneur to carryout business development activities to target his potential customers and to maintain his existing client base.
- **Technical Skill:** The third critical factor relates mostly to technical skills which are mandatory, in the absences of technical skills and knowhow there will be loss of time, energy and above all unsatisfactory service would lead to customer dissatisfaction.
- **Growing and Maintaining a Referral Network of Customers:** The main factor is to attract and maintain a loyal customer base through a customer-oriented focus on business rather than concentrating on volume and losing out old customers. All the workers at the workshop need to be trained and held responsible for providing superior service and developing long lasting trust bond with the customers. This is very important in this industry, where trust and honesty reflect on the image of repair and service facilities. This would help in maintaining a consistent revenue base, to ensure stability of business on the long run.
- **Inventory for denting and painting:** An adequate inventory based on prior experience and business volume needs to be maintained in order to give quick service and prevent any inconvenience caused to the customer.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The Auto Workshop business is very much dependent on the location of its setup. Auto Workshops located on main roads or prime locations to target maximum walk-in customers as well as customers coming in from contacts, referrals and companies.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

The proposed location for an Auto Workshop considering the factors mentioned earlier would be in a medium to high-income locality area where almost all of the nearby residents are expected to have at least one car. As well as nearby offices are also important to have increasing number of customers.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of this project. Various costs and revenue related assumptions along with results of the analysis are outlined in this section.

9.1 Project Economics

All the figures in this financial model have been calculated for estimated revenue of Rs.7.15 million in the year one. The capacity utilization during year one is work out at 60% with 5% increase in subsequent years up to the maximum capacity utilization of 85%.

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

Table 9.1 : Project Economics

| DESCRIPTION | DETAILS |
|-------------------------------|--------------|
| INTERNAL RATE OF RETURN (IRR) | 42% |
| PAYBACK PERIOD | 3.79 years |
| NET PRESENT VALUE | Rs.4,894,349 |

9.2 Project Financing

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

Table 9.2 : Project Financing

| DESCRIPTION | DETAILS |
|---------------------|--------------|
| Total Equity (100%) | Rs.4,337,571 |

9.3 Project Cost

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

Table 9.3 : Project Cost

| DESCRIPTION | AMOUNT (Rs.) |
|--------------------------------|------------------|
| Capital Cost | |
| Machinery & Equipment | 1,430,000 |
| Furniture & Fixtures | 171,000 |
| Office Vehicles | 101,000 |
| Office Equipment | 175,000 |
| Pre-operating Costs | 700,000 |
| Total Capital Cost | 2,577,000 |
| Working Capital | |
| Equipment Spare Part Inventory | 19,953 |
| Raw Material Inventory | 264,069 |
| Upfront Building Rent | 1,200,000 |
| Upfront Insurance Payment | 76,550 |
| Cash | 200,000 |
| Total Working Capital | 1,760,571 |
| TOTAL PROJECT COST | 4,337,571 |

9.4 Space Requirement

Details of space requirement and cost related to building rent is given below:

Table 9.4 : Space Requirement

| DESCRIPTION | ESTIMATED AREA (Sq.ft.) | TOTAL RENT (Monthly) (Rs.) | TOTAL RENT (Yearly) (Rs.) |
|--------------|-------------------------------|----------------------------------|---------------------------------|
| Rented Space | 2,500 | 100,000 | 1,200,000 |
| TOTAL | | | 1,200,000 |

9.5 Machinery & Equipment Requirement

Machinery and equipment for the proposed project are stated below:

Table 9.5 : Machinery & Equipment

| DESCRIPTION | QUANTITY | UNIT COST (Rs.) | TOTAL COST (Rs.) |
|---------------------------------------|----------|-----------------|------------------|
| MECHANICAL REPAIRS | | | |
| Complete Mechanical Toolbox with Jack | 02 | 150,000 | 300,000 |
| Computerized Diagnostic System | 01 | 600,000 | 600,000 |
| Work Bench | 02 | 15,000 | 30,000 |
| Battery Charger | 01 | 25,000 | 25,000 |
| Compression Gauge | 01 | 15,000 | 15,000 |
| Others | - | | 50,000 |
| | | Total | 1,020,000 |
| DENTING | | | |
| Denting Toolbox with Welding Kit | 02 | 40,000 | 80,000 |
| Pressure Jack (Large) | 01 | 40,000 | 40,000 |
| Oxygen Cylinder | 01 | 15,000 | 15,000 |
| Carbide Tank | 01 | 25,000 | 25,000 |
| Drill Machine and Grinder (Hand) | 02 | 20,000 | 20,000 |
| Others | - | | 25,000 |
| | | Total | 225,000 |
| PAINTING | | | |
| Painting Compressor | 01 | 70,000 | 70,000 |
| Spray Gun (Small) | 01 | 5,000 | 5,000 |
| Spray Gun (Large) | 01 | 10,000 | 10,000 |
| Pipe | 01 | 5,000 | 5,000 |
| Others | - | | 25,000 |
| | | Total | 115,000 |
| Genset (03 KVA) | 01 | 70,000 | 70,000 |
| | | | |
| TOTAL | | | 1,430,000 |

9.6 Furniture & Fixtures Requirement

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

Table 9.6 : Furniture & Fixture

| DESCRIPTION | QUANTITY | UNIT COST (Rs.) | TOTAL COST (Rs.) |
|------------------------------|----------|--------------------|---------------------|
| Stools | 10 | 2,000 | 20,000 |
| Chairs | 06 | 5,000 | 30,000 |
| Table | 01 | 25,000 | 25,000 |
| Electric wiring and lighting | 12 | 3,000 | 36,000 |
| Fans | 10 | 6,000 | 60,000 |
| TOTAL | | | 171,000 |

9.7 Office Equipment Requirement

Following office equipment will be required for Auto Repair and Service Workshop:

Table 9.7 : Office Equipment

| DESCRIPTION | QUANTITY | UNIT COST (Rs.) | TOTAL COST (Rs.) |
|-----------------------|----------|--------------------|---------------------|
| Computer | 01 | 70,000 | 70,000 |
| Printer | 01 | 25,000 | 25,000 |
| Telephones/Mobile Set | 02 | 40,000 | 80,000 |
| TOTAL | | | 175,000 |

9.8 Human Resource Requirement

In order to run operations of Auto Repair Workshop smoothly, details of human resources required along with number of employees and monthly salary are recommended as under:

Table 9.8 : Human Resource Requirement

| DESCRIPTION | NO. OF EMPLOYEES | MONTHLY SALARY PER PERSON (Rs.) | YEARLY SALARY (Rs.) |
|---------------|---------------------|---------------------------------------|---------------------------|
| CEO / Owner | 01 | 100,000 | 1,200,000 |
| Head Mechanic | 01 | 70,000 | 840,000 |

| | | | |
|---------------------|-----------|--------|------------------|
| Assistant Mechanics | 01 | 40,000 | 480,000 |
| Helpers | 04 | 30,000 | 1,440,000 |
| Head Dentor | 01 | 70,000 | 840,000 |
| Assistant Dentors | 01 | 40,000 | 480,000 |
| Helpers | 03 | 30,000 | 1,080,000 |
| Head Painter | 01 | 70,000 | 840,000 |
| Assistant Painter | 01 | 40,000 | 480,000 |
| Helpers | 01 | 30,000 | 360,000 |
| Guard | 01 | 30,000 | 360,000 |
| TOTAL | 16 | | 8,400,000 |

9.9 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity and generator fuel expense. The electricity expenses are estimated to be around Rs.410,400 for the first year, whereas, generator fuel expenses are estimated to be Rs.683,100 for the first year. Furthermore, promotional expense being essential for marketing of Auto Repair and Service Workshop is estimated as 0.15% of revenue.

9.10 Revenue Generation

Based on the approx. capacity utilization of **93%** and **07%** for **Mechanical Repairs** and **Denting and Painting** respectively, repairing revenue during the first year of operations is estimated as under:

Table 9.10 : Revenue Generation – Year 1

| DESCRIPTION | NO. OF CARS REPAIRED (No.) | FINISHED GOODS INVENTORY (No.) | CARS AVAIL ABLE (No.) | REPAIRING CHARGES / CAR (Rs.) | REVENUE (Rs.) |
|-----------------|----------------------------|--------------------------------|-----------------------|-------------------------------|-------------------|
| Combine Revenue | 2,498 | 104 | 2,394 | 5,980 | 14,316,120 |
| TOTAL | | | | | 14,316,120 |

10 CONTACT DETAILS

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project are given below:

10.1 Machinery Suppliers

The machinery suppliers easily available in the areas like Shershah and Plaza in Karachi and in different parts of Pakistan.

10.2 Raw Material Suppliers

Raw material required for auto repair and service workshop includes diesel, grease, oil and cloth / towel are easily available in the local markets anywhere in Pakistan, rest of the spare parts required for mechanical repairs and denting and painting are purchase as per customer from nearby shops.

11 USEFUL WEB LINKS

| | Websites |
|--|--|
| Small & Medium Enterprises Development Authority (SMEDA) | www.smeda.org.pk |
| Government of Pakistan | www.pakistan.gov.pk |
| Ministry of Industries & Production | www.moip.gov.pk |
| Ministry of Education, Training & Standards in Higher Education | http://moptt.gov.pk |
| Government of Punjab | www.punjab.gov.pk |
| Government of Sindh | www.sindh.gov.pk |
| Government of Khyber Pakhtunkhwa | www.khyberpakhtunkhwa.gov.pk |
| Government of Balochistan | www.balochistan.gov.pk |
| Government of Gilgit Baltistan | www.gilgitbaltistan.gov.pk |
| Government of Azad Jamu Kashmir | www.ajk.gov.pk |
| Trade Development Authority of Pakistan (TDAP) | www.tdap.gov.pk |
| Security Commission of Pakistan (SECP) | www.secp.gov.pk |
| Federation of Pakistan Chambers of Commerce and Industry (FPCCI) | www.fpcci.com.pk |
| State Bank of Pakistan (SBP) | www.sbp.org.pk |
| Punjab Small Industries Corporation | www.psic.gop.pk |
| Sindh Small Industries Corporation | www.ssic.gos.pk |
| Pakistan Horticulture Development and Export Company (PHDEC) | www.phdec.org.pk |
| Punjab Vocational Training Council (PVTC) | www.pvtc.gop.pk |
| Technical Education and Vocational Training Authority (TEVTA) | www.tevta.org |
| Pakistan Readymade Garment Technical Training Institute | www.prgmea.org/prgtti/ |
| Livestock & Dairy Development Department, Government of Punjab. | www.livestockpunjab.gov.pk |
| Punjab Industrial Estates (PIE) | www.pie.com.pk |
| Faisalabad Industrial Estate Development and Management Company (FIEDMC) | www.fiedmc.com.pk |
| Pakistan Automotive Manufacturers Association | www.pama.org.pk |
| UN Comtrade Database | http://comtrade.un.org/ |

12 ANNEXURES

12.1 Income Statement

| Calculations | | | | | | | | | | |
|--|------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Income Statement | | | | | | | | | | |
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| Revenue | 14,317,500 | 17,746,438 | 21,027,531 | 24,787,379 | 29,088,922 | 34,002,899 | 37,495,089 | 41,244,597 | 45,369,057 | 49,905,963 |
| Cost of sales | | | | | | | | | | |
| Cost of goods sold 1 (Denting and Painting) | 2,042,400 | 2,416,470 | 2,733,098 | 3,075,347 | 3,444,988 | 3,843,905 | 4,046,017 | 4,248,318 | 4,460,733 | 4,683,770 |
| Cost of goods sold 2 (Mechanical Repairs) | 1,126,425 | 1,332,732 | 1,507,359 | 1,696,116 | 1,899,981 | 2,119,991 | 2,231,460 | 2,343,033 | 2,460,185 | 2,583,194 |
| Operating costs 1 (direct labor) | 6,555,000 | 7,481,895 | 8,212,228 | 9,013,576 | 9,892,872 | 10,857,723 | 11,944,121 | 13,107,018 | 14,383,136 | 15,783,498 |
| Operating costs 2 (machinery maintenance) | 119,715 | 141,641 | 160,200 | 180,261 | 201,927 | 225,310 | 237,157 | 249,015 | 261,465 | 274,539 |
| Operating costs 3 (direct electricity) | 410,400 | 451,440 | 496,584 | 546,242 | 600,867 | 660,953 | 727,049 | 799,753 | 879,729 | 967,702 |
| Operating costs 5 (genset) | 683,100 | 751,410 | 826,551 | 909,206 | 1,000,127 | 1,100,139 | 1,210,153 | 1,331,169 | 1,464,286 | 1,610,714 |
| Total cost of sales | 10,937,040 | 12,575,588 | 13,936,019 | 15,420,748 | 17,040,761 | 18,808,022 | 20,395,957 | 22,078,306 | 23,909,534 | 25,903,417 |
| Gross Profit | 3,380,460 | 5,170,850 | 7,091,512 | 9,366,632 | 12,048,161 | 15,194,877 | 17,099,131 | 19,166,292 | 21,459,523 | 24,002,546 |
| | 24% | 29% | 34% | 38% | 41% | 45% | 46% | 46% | 47% | 48% |
| General administration & selling expenses | | | | | | | | | | |
| Administration expense | 1,560,000 | 1,711,884 | 1,878,555 | 2,061,454 | 2,262,160 | 2,482,407 | 2,724,098 | 2,989,320 | 3,280,364 | 3,599,745 |
| Administration benefits expense | 46,800 | 51,357 | 56,357 | 61,844 | 67,865 | 74,472 | 81,723 | 89,680 | 98,411 | 107,992 |
| Building rental expense | 1,200,000 | 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 |
| Communications expense (phone, fax, mail, internet, etc.) | 78,000 | 85,594 | 93,928 | 103,073 | 113,108 | 124,120 | 136,205 | 149,466 | 164,018 | 179,987 |
| Office vehicles running expense | 90,900 | 99,990 | 109,989 | 120,988 | 133,087 | 146,395 | 161,035 | 177,138 | 194,852 | 214,337 |
| Office expenses (stationary, entertainment, janitorial services, etc.) | 31,200 | 34,238 | 37,571 | 41,229 | 45,243 | 49,648 | 54,482 | 59,786 | 65,607 | 71,995 |
| Promotional expense / Signage etc | 21,476 | 26,620 | 31,541 | 37,181 | 43,633 | 51,004 | 56,243 | 61,867 | 68,054 | 74,859 |
| Insurance expense | 76,550 | 68,390 | 60,230 | 52,070 | 43,910 | 34,883 | 26,330 | 17,553 | 8,777 | |
| Professional fees (legal, audit, consultants, etc.) | 28,635 | 35,493 | 42,055 | 49,575 | 58,178 | 68,006 | 74,990 | 82,489 | 90,738 | 99,812 |
| Depreciation expense | 197,800 | 197,800 | 197,800 | 197,800 | 197,800 | 210,132 | 210,132 | 210,132 | 210,132 | 210,132 |
| Amortization of pre-operating costs | 140,000 | 140,000 | 140,000 | 140,000 | 140,000 | - | - | - | - | - |
| Bad debt expense | 429,525 | 532,393 | 630,826 | 743,621 | 872,668 | 1,020,087 | 1,124,853 | 1,237,338 | 1,361,072 | 1,497,179 |
| Miscellaneous expense 1 | 350,000 | 385,000 | 423,500 | 465,850 | 512,435 | 563,679 | 620,046 | 682,051 | 750,256 | 825,282 |
| Subtotal | 4,250,886 | 4,688,758 | 5,154,352 | 5,671,885 | 6,247,007 | 6,766,446 | 7,404,786 | 8,104,058 | 8,873,365 | 9,719,635 |
| Operating Income | (870,426) | 482,092 | 1,937,160 | 3,694,747 | 5,801,154 | 8,428,430 | 9,694,345 | 11,062,234 | 12,586,159 | 14,282,911 |
| Gain / (loss) on sale of office vehicles | - | - | - | - | 40,400 | - | - | - | - | - |
| Earnings Before Interest & Taxes | (870,426) | 482,092 | 1,937,160 | 3,694,747 | 5,841,554 | 8,428,430 | 9,694,345 | 11,062,234 | 12,586,159 | 14,282,911 |
| Earnings Before Tax | (870,426) | 482,092 | 1,937,160 | 3,694,747 | 5,841,554 | 8,428,430 | 9,694,345 | 11,062,234 | 12,586,159 | 14,282,911 |
| Tax | - | - | 635,018 | 1,514,846 | 2,395,037 | 3,455,656 | 3,974,681 | 4,535,516 | 5,160,325 | 5,855,994 |
| NET PROFIT/(LOSS) AFTER TAX | (870,426) | 482,092 | 1,302,141 | 2,179,901 | 3,446,517 | 4,972,774 | 5,719,664 | 6,526,718 | 7,425,834 | 8,426,918 |

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 |
| Assets | | | | | | | | | | | |
| <i>Current assets</i> | | | | | | | | | | | |
| Cash & Bank | 1,300,000 | 191,940 | 889,795 | 2,084,605 | 2,815,278 | 3,436,774 | 4,182,143 | 4,699,254 | 5,142,684 | 5,579,742 | 7,407,222 |
| Accounts receivable | | 39,226 | 43,923 | 53,115 | 62,760 | 73,803 | 86,427 | 97,942 | 107,863 | 118,649 | 130,514 |
| Finished goods inventory | | 475,523 | 525,668 | 582,401 | 644,321 | 711,886 | 785,593 | 849,832 | 919,929 | 996,231 | 1,079,309 |
| Equipment spare part inventory | 19,953 | 24,787 | 29,437 | 34,779 | 40,907 | 47,926 | 52,969 | 58,398 | 64,384 | 70,983 | - |
| Raw material inventory | 264,069 | 328,055 | 389,592 | 460,297 | 541,404 | 634,301 | 701,035 | 772,891 | 852,112 | 939,454 | - |
| Pre-paid building rent | 100,000 | 110,000 | 121,000 | 133,100 | 146,410 | 161,051 | 177,156 | 194,872 | 214,359 | 235,795 | - |
| Pre-paid insurance | 76,550 | 68,390 | 60,230 | 52,070 | 43,910 | 43,883 | 35,106 | 26,330 | 17,553 | 8,777 | - |
| Total Current Assets | 1,760,571 | 1,237,921 | 2,059,645 | 3,400,367 | 4,294,990 | 5,109,624 | 6,020,430 | 6,699,518 | 7,318,884 | 7,949,630 | 8,617,044 |
| <i>Fixed assets</i> | | | | | | | | | | | |
| Machinery & equipment | 1,430,000 | 1,287,000 | 1,144,000 | 1,001,000 | 858,000 | 715,000 | 572,000 | 429,000 | 286,000 | 143,000 | - |
| Furniture & fixtures | 171,000 | 153,900 | 136,800 | 119,700 | 102,600 | 85,500 | 68,400 | 51,300 | 34,200 | 17,100 | - |
| Office vehicles | 101,000 | 80,800 | 60,600 | 40,400 | 20,200 | 162,662 | 130,129 | 97,597 | 65,065 | 32,532 | - |
| Office equipment | 175,000 | 157,500 | 140,000 | 122,500 | 105,000 | 87,500 | 70,000 | 52,500 | 35,000 | 17,500 | - |
| Total Fixed Assets | 1,877,000 | 1,679,200 | 1,481,400 | 1,283,600 | 1,085,800 | 1,050,662 | 840,529 | 630,397 | 420,265 | 210,132 | - |
| <i>Intangible assets</i> | | | | | | | | | | | |
| Pre-operation costs | 700,000 | 560,000 | 420,000 | 280,000 | 140,000 | - | - | - | - | - | - |
| Total Intangible Assets | 700,000 | 560,000 | 420,000 | 280,000 | 140,000 | - | - | - | - | - | - |
| TOTAL ASSETS | 4,337,571 | 3,477,121 | 3,961,045 | 4,963,967 | 5,520,790 | 6,160,286 | 6,860,959 | 7,329,915 | 7,739,149 | 8,159,762 | 8,617,044 |
| Liabilities & Shareholders' Equity | | | | | | | | | | | |
| <i>Current liabilities</i> | | | | | | | | | | | |
| Accounts payable | | 9,976 | 11,808 | 13,413 | 15,162 | 17,066 | 19,022 | 20,126 | 21,252 | 22,446 | 20,662 |
| Other liabilities | | | | | | | | | | | |
| Total Current Liabilities | - | 9,976 | 11,808 | 13,413 | 15,162 | 17,066 | 19,022 | 20,126 | 21,252 | 22,446 | 20,662 |
| <i>Other liabilities</i> | | | | | | | | | | | |
| Deferred tax | | - | - | 293,150 | 293,150 | 293,150 | 234,520 | 175,890 | 117,260 | 58,630 | 0 |
| Total Long Term Liabilities | - | - | - | 293,150 | 293,150 | 293,150 | 234,520 | 175,890 | 117,260 | 58,630 | 0 |
| <i>Shareholders' equity</i> | | | | | | | | | | | |
| Paid-up capital | 4,337,571 | 4,337,571 | 4,337,571 | 4,337,571 | 4,337,571 | 4,337,571 | 4,337,571 | 4,337,571 | 4,337,571 | 4,337,571 | 4,337,571 |
| Retained earnings | | (870,426) | (388,334) | 319,832 | 874,907 | 1,512,498 | 2,269,845 | 2,796,328 | 3,263,066 | 3,741,115 | 4,258,811 |
| Total Equity | 4,337,571 | 3,467,145 | 3,949,237 | 4,657,404 | 5,212,478 | 5,850,069 | 6,607,416 | 7,133,899 | 7,600,637 | 8,078,686 | 8,596,383 |
| TOTAL CAPITAL AND LIABILITIES | 4,337,571 | 3,477,121 | 3,961,045 | 4,963,967 | 5,520,790 | 6,160,286 | 6,860,959 | 7,329,915 | 7,739,149 | 8,159,762 | 8,617,044 |
| | - | - | - | - | - | - | - | - | - | - | - |

12.3 Cash Flow Statement

| Calculations | | | | | | | | | | | SMEDA |
|--|------------------|--------------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash Flow Statement | | | | | | | | | | | |
| | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
| Operating activities | | | | | | | | | | | |
| Net profit | | (870,426) | 482,092 | 1,302,141 | 2,179,901 | 3,446,517 | 4,972,774 | 5,719,664 | 6,526,718 | 7,425,834 | 8,426,918 |
| Add: depreciation expense | | 197,800 | 197,800 | 197,800 | 197,800 | 197,800 | 210,132 | 210,132 | 210,132 | 210,132 | 210,132 |
| amortization of pre-operating costs | | 140,000 | 140,000 | 140,000 | 140,000 | 140,000 | - | - | - | - | - |
| amortization of training costs | | - | - | - | - | - | - | - | - | - | - |
| Deferred income tax | | - | - | 293,150 | - | - | (58,630) | (58,630) | (58,630) | (58,630) | (58,630) |
| Accounts receivable | | (39,226) | (4,697) | (9,192) | (9,645) | (11,043) | (12,624) | (11,515) | (9,920) | (10,786) | (11,865) |
| Finished goods inventory | | (475,523) | (50,144) | (56,733) | (61,920) | (67,565) | (73,707) | (64,238) | (70,098) | (76,301) | (83,078) |
| Equipment inventory | (19,953) | (4,835) | (4,650) | (5,342) | (6,128) | (7,019) | (5,042) | (5,429) | (5,986) | (6,599) | 70,983 |
| Raw material inventory | (264,069) | (63,986) | (61,537) | (70,705) | (81,107) | (92,897) | (66,734) | (71,856) | (79,221) | (87,342) | 939,454 |
| Pre-paid building rent | (100,000) | (10,000) | (11,000) | (12,100) | (13,310) | (14,641) | (16,105) | (17,716) | (19,487) | (21,436) | 235,795 |
| Advance insurance premium | (76,550) | 8,160 | 8,160 | 8,160 | 8,160 | 27 | 8,777 | 8,777 | 8,777 | 8,777 | 8,777 |
| Accounts payable | | 9,976 | 1,831 | 1,605 | 1,749 | 1,904 | 1,956 | 1,103 | 1,126 | 1,194 | (1,784) |
| Cash provided by operations | (460,571) | (1,108,060) | 697,856 | 1,788,784 | 2,355,500 | 3,593,083 | 4,960,796 | 5,710,291 | 6,503,410 | 7,384,843 | 9,736,701 |
| Financing activities | | | | | | | | | | | |
| Issuance of shares | 4,337,571 | - | - | - | - | - | - | - | - | - | - |
| Cash provided by / (used for) financing activities | 4,337,571 | - | - | - | - | - | - | - | - | - | - |
| Investing activities | | | | | | | | | | | |
| Capital expenditure | (2,577,000) | - | - | - | - | (162,662) | - | - | - | - | - |
| Cash (used for) / provided by investing activities | (2,577,000) | - | - | - | - | (162,662) | - | - | - | - | - |
| NET CASH | 1,300,000 | (1,108,060) | 697,856 | 1,788,784 | 2,355,500 | 3,430,421 | 4,960,796 | 5,710,291 | 6,503,410 | 7,384,843 | 9,736,701 |
| Cash balance brought forward | | 1,300,000 | 191,940 | 889,795 | 2,084,605 | 2,815,278 | 3,436,774 | 4,182,143 | 4,699,254 | 5,142,684 | 5,579,742 |
| Cash available for appropriation | 1,300,000 | 191,940 | 889,795 | 2,678,579 | 4,440,104 | 6,245,699 | 8,397,570 | 9,892,434 | 11,202,664 | 12,527,527 | 15,316,443 |
| Dividend | | - | - | 593,975 | 1,624,827 | 2,808,925 | 4,215,427 | 5,193,181 | 6,059,980 | 6,947,785 | 7,909,221 |
| Cash balance | 1,300,000 | 191,940 | 889,795 | 2,084,605 | 2,815,278 | 3,436,774 | 4,182,143 | 4,699,254 | 5,142,684 | 5,579,742 | 7,407,222 |
| Cash carried forward | 1,300,000 | 191,940 | 889,795 | 2,084,605 | 2,815,278 | 3,436,774 | 4,182,143 | 4,699,254 | 5,142,684 | 5,579,742 | 7,407,222 |

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

| DESCRIPTION | Details |
|---------------------------|----------|
| SIFT LENGTH | 12 hours |
| NUMBER OF SHIFTS | 01 |
| DAYS OPERATIONAL PER YEAR | 330 days |

13.2 Production Cost Assumptions

| DESCRIPTION | Details |
|------------------------|------------|
| INCREASE IN COST PRICE | 5% / year |
| REPAIRING CAPACITY | 4,164 cars |
| CAPACITY UTILIZATION | 60% |

13.3 Revenue Assumptions

| DESCRIPTION | Details |
|---|-----------------|
| AVERAGE REVENUE (INCLUDING DENTING & PAINTING AND MECHANICAL REPAIRS) | Rs.5,980 / c5ar |
| REVENUE GROWTH RATE | 5% / year |

13.4 Financial Assumptions

| DESCRIPTION | Details |
|-------------------|----------|
| PROJECT LIFE | 10 years |
| DEBT EQUITY RATIO | 00 : 100 |

Small and Medium Enterprises Development Authority

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4th Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road, Lahore
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|---|---|---|--|
| 3 rd Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road Lahore, Tel: (042) 111-111-456 Fax: (042) 36304926-7 helpdesk.punjab@smeda.org.pk | 5 TH Floor, Bahria Complex II, M.T. Khan Road, Karachi. Tel: (021) 111-111-456 Fax: (021) 5610572 helpdesk-khi@smeda.org.pk | Ground Floor State Life Building The Mall, Peshawar. Tel: (091) 9213046-47 Fax: (091) 286908 helpdesk-pew@smeda.org.pk | Bungalow No. 15-A Chaman Housing Scheme Airport Road, Quetta. Tel: (081) 831623, 831702 Fax: (081) 831922 helpdesk-qta@smeda.org.pk |