

Pre-Feasibility Study

HANDLOOMS WEAVING UNIT

(WOOLEN SHAWLS)



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

www.smeda.org.pk

HEAD OFFICE

4th Floor, Building No. 3, Aiwan e Iqbal, Egerton Road, Lahore
Tel 92 42 111 111 456, Fax 92 42 36304926-7
helpdesk@smeda.org.pk

**REGIONAL OFFICE
PUNJAB**

3rd Floor, Building No. 3,
Aiwan e Iqbal, Egerton Road
Lahore,
Tel: (042) 111-111-456
Fax: (042)6304926-7
helpdesk.punjab@smeda.org.pk

**REGIONAL OFFICE
SINDH**

5TH Floor, Bahria
Complex II, M.T. Khan Road,
Karachi.
Tel: (021) 111-111-456
Fax: (021) 5610572
helpdesk-khi@smeda.org.pk

**REGIONAL OFFICE
KPK**

Ground Floor
StateLifeBuilding
The Mall, Peshawar.
Tel: (091) 9213046-47
Fax: (091) 5286908
helpdesk-pew@smeda.org.pk

**REGIONAL OFFICE
BALOCHISTAN**

Bungalow No. 15-A
Chaman Housing Scheme
Airport Road, Quetta.
Tel: (081) 831623, 831702
Fax: (081) 831922
helpdesk-qla@smeda.org.pk

September 2016

Table of Contents

1. DISCLAIMER	3
2. EXECUTIVE SUMMARY	3
3. INTRODUCTION TO SMEDA	4
4. PURPOSE OF THE DOCUMENT	4
5. BRIEF DESCRIPTION OF PROJECT AND PRODUCT	5
5.1) PRODUCTION PROCESS FLOW:.....	6
5.2) INSTALLED AND OPERATIONAL CAPACITIES.....	7
6. CRITICAL FACTORS	7
7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT	8
8. POTENTIAL TARGET CUSTOMER/MARKETS	8
9. PROJECT COST SUMMARY	8
9.1) PROJECT ECONOMICS.....	9
9.2) PROJECT FINANCING	9
9.3) PROJECT COST.....	10
9.4) SPACE REQUIREMENT	10
9.5) MACHINERY AND OTHER EQUIPMENT	11
9.6) LIST FURNITURE AND FIXTURES.....	11
9.7) OFFICE EQUIPMENT REQUIREMENT	12
9.8) RAW MATERIAL REQUIREMENT	12
9.9) HUMAN RESOURCE REQUIREMENT.....	13
9.10) UTILITIES AND OTHER EXPENSES	13
9.11) REVENUE GENERATION.....	14
10. IMPORTANT CONTACTS	15
11. USEFUL WEB LINKS	16
12. ANNEXURES	17
12.1) INCOME STATEMENT.....	17
12.2) BALANCE SHEET	18
12.3) CASH FLOW STATEMENT.....	19
13. KEY ASSUMPTIONS	20
13.1) OPERATING COST ASSUMPTIONS	20
13.2) PRODUCTION COST ASSUMPTIONS.....	20
13.3) REVENUE ASSUMPTIONS.....	20
13.4) ECONOMY RELATED ASSUMPTIONS.....	21
13.5) FINANCIAL ASSUMPTIONS.....	21

1. DISCLAIMER

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

For more information on services offered by SMEDA, please contact our website: www.smeda.org.pk

2. EXECUTIVE SUMMARY

Weaving is one of the oldest skills known to humans dating back to prehistory. Weaving in the subcontinent dates back to 3,000 B.C and some historians are of the view that it may have been the original home of textile weaving and printing. Paksitan has a glorious past and till now known for production of high quality textiles and printed textiles.

Weaving through handlooms is considered the oldest most skill of Khyber Pakhtunkhwa spread across the province in shape of small geographical clusters. The handloom industry has the capacity to create a lot more jobs, directly and indirectly that too at a very low cost compared to the mechanized sector. This industry is also providing income sources to thousands of men & women as the products are hand woven and specialized.

This document provides details regarding setting up Handlooms Weaving Unit. Product of this unit is a specialized wool shawl woven on handlooms. The unit will be capable of producing on average 1850 products/shawls per month; however the initial capacity utilization is kept at 75%.

The proposed Handlooms weaving business involves a total investment of about Rs. 8.01 million. This includes capital investment of Rs. 5.22 million and Rs. 2.78 million as initial working capital. The project is financed through 50% debt and 50% equity (combination of project loan & working capital loan). The Net Present Value (NPV) of the project is around Rs. 18.69 million with an Internal Rate of Return (IRR) of 48% and a payback period of 2.95 years.

The suitable locations for setting up the proposed unit include Mardan, Nowshera, Charsadda, Sawabi, Mohmand Agency, Bannu and Swat. The unit will provide direct employment opportunities to 48 people including owner/manager, skilled, semi-skilled and support staff. Higher return on investment and a steady growth of business is expected with the entrepreneur having some prior experience or education in the related field of business. The legal business status of this project is proposed as Sole Proprietorship.

3. INTRODUCTION TO SMEDA

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

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs" , SMEDA has carried out 'sectoral research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

Preparation and dissemination of pre feasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the pre feasibility studies, a broad spectrum of business development services is also offered to the SMEs by SMEDA. These services include identification of experts and consultants and delivery of need based capacity building programs of different types in addition to business guidance through help desk services.

4. PURPOSE OF THE DOCUMENT

The objective of the pre-feasibility study is primarily to facilitate potential entrepreneurs in project identification for investment. The project pre-feasibility may form the basis of an important investment decision and in order to serve this

objective, the document/study covers various aspects of project concept development, start-up, and production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Handlooms Weaving 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 on, which form basis of any Investment Decision.

5. BRIEF DESCRIPTION OF PROJECT AND PRODUCT

The Khyber Pakhtunkhwa can be termed as the hub for weaving variety of traditional products through handlooms concentrated in small clusters e.g. matta mughal khel, rajjar, islampur, and, etc. The product range of these clusters depends on area, type of target market and skills. Among all the products produced on handlooms, pure wool shawls are the most articulated and highly demanded in domestic and national key markets.

The proposed project is a Handlooms Weaving Unit, primarily producing hand woven **Woolen shawls** only. This will be a full fledged facility from raw material transformation into cones to pressed and packed Woolen shawls at one place. The proposed unit involve handlooms and allied tools for producing Woolen shawls however moderate machinery and equipments will also be required in the shape of warper machine, bobbin machine, dyeing, washing facility, dryer and pressing.

The proposed unit will produce hand woven traditional and specialized shawls, thus the target market cannot be generalized; despite of high demand the target market is also specific for this product. The unit will sell Woolen shawls to key wholesalers and exporters based in KPK (Peshawar, Swat) and Punjab (Lahore, Faisalabad) and Sindh (Karachi).

Presently, handloom weaving activities are predominantly concentrated in the districts of Swat and Charsadda. Therefore, the ideal location for proposed

Handlooms weaving unit is these two cities mainly due to easy availability of skilled labour force. However due to presence of similar nature activities and geographical advantage district Sawabi, Mardan, Noshehra and Bannu are equally suitable for setting such handloom weaving units.

The proposed unit will generate direct employment opportunity for 48 skilled, semi skilled individuals and management staff. The Handlooms weaving business is assumed to operate as a sole proprietorship, however, partnership opportunities may be explored.

5.1) Production Process Flow:

Production process for Handlooms weaving unit producing Woolen shawls is comprised of interlinking sub activities. In general, weaving involves the interlacing of two sets of threads at right angles to each other: the warp and the weft.

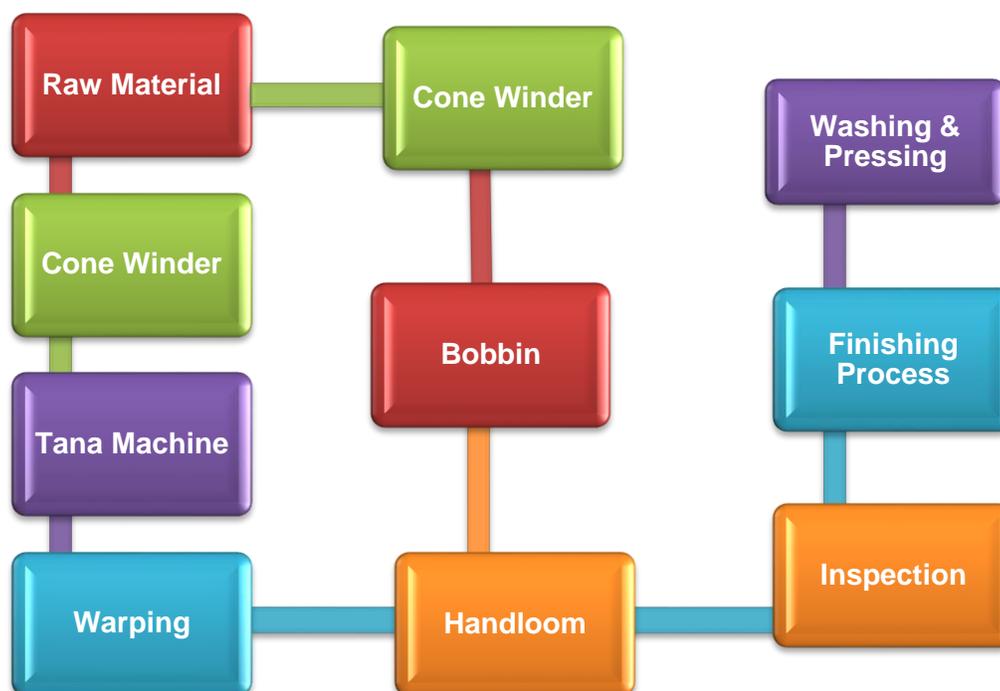
Raw material/wool is in the form of bundles thus thread is encircled roughly and loosely to make a bundle with the help of winding machine. This process transforms the bundles to more refine yarns, as the thread is wined over cones then fitted over cone winder.

The cones are then adjusted over hangers on tana machine that consists of two parts. One is the warping stand for cones', and the other is warping wheel to wind these cones to form "Tana"; that is, the length-wise part of the fabric. The warping wheel has beam ruler fitted in it that simultaneously coils the tana over itself.

Concurrently, another procedure is maintained to provide the "Bana"; that is, width-wise part of the fabric. Similar to the process of tana raw threads are first wrapped over cones and then adjusted over bobbin machine that reduces the cones to the size that can be fitted in the shuttle of hand loom. Tana or length-wise fabric over beam ruler, and the reduced cones from bobbin machine for Bana are then fitted in hand loom to prepare the fabric.

According to the need and demand the fabric (shawl or suit) will be washed, dyed, pressed, and then packed to be sent to the trader.

Key activities in the production process flow are illustrated through the following diagram;



5.2) Installed and Operational Capacities

This pre-feasibility is based on a combination of handlooms and different types of machines/equipments related to above stated production operations. According to the capacity of handlooms the proposed unit can manufacture 75 woolen shawls per day on 8 hours single shift basis. The details of overall installed, operational and maximum capacity utilization of the proposed unit is provided below:

Table 1- Installed and Operational Capacity¹

Description	Total Production Capacity Annually	Capacity Utilization Year 1	Maximum Capacity Utilization (Yr 4-10)
Hand Woven Wool Shawls	23,400	17,550	22,230

6. CRITICAL FACTORS

The commercial viability of the proposed Handlooms Unit depends on the following critical factors:

- Technical know-how and relevant experience of entrepreneur.

¹ These figures are calculated for 100% capacity without taking into account wastage at this stage.

- Suitable location where raw material and skilled labor having relevant technical know-how is easily available.
- Ability to generate work orders through appropriate networking, direct marketing and negotiating long term contracts.
- Higher return on investment and a steady growth of business is closely associated with regular training and capacity building of the entrepreneur and employees.
- The most important factor for the success of the project would be the quality products and customer satisfaction in order to get a comparative advantage.

7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The hand woven shawls weavers are scattered across Khyber Pakhtunkhwa and mostly reside in clustered form in rural areas. These clusters have developed a complete chain over time in the shape of inputs, skilled work force, weaving, retail and wholesale markets. One of the key factors for proposed set-up is that it should be located in area where skilled workers, raw material and other supportive inputs are easily available.

Thus the potential areas for setting up Handlooms Weaving Unit are; various central districts of KPK like Charsadda, Mardan, Peshawar, Sawabi, Mohmand Agency, Bannu and Swat.

8. POTENTIAL TARGET CUSTOMER/MARKETS

Though the product of the proposed unit is specialized in nature (traditional product) and one specific market could not be ascertained. However Woolen shawls have also grabbed huge demand in local, national and export market over time. The proposed potential target markets for the proposed unit includes; domestic market and foreign market.

In domestic market, the finished product could be sold to various local retailers in different tourist spots of KP, Major cities/hubs of Punjab, Sindh and Balochistan. Similarly, the product could also be exported to various international markets such as Afghanistan, Middle East and Pakistani community residing all around the world.

9. PROJECT COST SUMMARY

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

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

9.1) Project Economics

All the figures in this financial model have been calculated for estimated sale of Rs 33.34 million in the first year. The capacity utilization for year one is worked out at 75% with 5% increase in subsequent years up to the maximum capacity utilization of 95%. The 5% of wastage is assumed for per unit of production. Thus total production in year 1 is estimated at 16,673 shawls.

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)	48%
Payback Period (Yrs)	2.95
Net Present Value (NPV) Rs.	18,692,833

9.2) Project Financing

Total cost of the proposed unit is Rs. 8.01 million including half of the contribution from equity and half from bank borrowings. Following table provides details of the equity required and variables related to bank loan;

Table 3 - Project Financing

Description	Details
Total Equity (50%)	4,005,306
Bank Loan (50%)	4,005,306
Mark up to the Borrower (%age / year) ²	
Long term loan (5 years)	13 %
Working capital loan (1 year)	16%

² Interest rates on project loan and working capital loan are averaged based on different interest rates of commercial banks e.g. SME Bank and Bank of Khyber and may vary over time.

9.3) Project Cost

The proposed unit will be started at a rented building thus there is no requirement for land and infrastructure development. Total capital costs and working capital requirements for operations of the proposed unit have been identified and outlined below;

Table 4: Project Cost

Description	Amount Rs.
Capital Cost	
Land	-
Infrastructure Development	-
Machinery and Equipment	3,540,000
Furniture and Fixtures	214,500
Office Vehicles	959,500
Office Equipment	200,000
Pre Operating Costs	309,084
Training Costs	-
Total Capital Cost	5,223,084
Working Capital	
Equipments and Spare Parts Inventory	29,250
Raw Material Inventory	1,490,288
Upfront Building Rent	720,016
Upfront Insurance Payment	47,975
Cash	500,000
Total Working Capital	2,787,528
Total Project Cost	8,010,612

9.4) Space Requirement

After the discussion with market players, around 9,000 sq ft. area will be sufficient for installation of 25 looms. The area has been calculated on the basis of space requirement for production area, management office and stores.

The total area/building will be acquired on monthly rental. Estimated monthly rent is proposed to be Rs. 60,000 for the unit.

Table 5: Space Requirement

Space Requirement (in ft.)	Units
Management Building (Sq. Ft)	400
Production Area (Sq. Ft)	5,000
Store for Raw Material (Sq. Ft)	2,000
Grounds (Sq. Ft)	1,600
Total (Sq. Ft)	9,000

9.5) Machinery and Other Equipment

Machinery and equipment for the proposed project are stated below:

Table 6: List of Machinery and Equipment

Description	Units	Cost Rs/unit	Total Rs.
Hand Looms	25	25,000	625,000
Warper Machine (Tana Machine)	1	200,000	200,000
Babin Machine	2	75,000	150,000
Cone Winder	2	75,000	150,000
Dyeing Machine	1	300,000	300,000
Washing Machine	1	300,000	300,000
Dryer	1	300,000	300,000
Boiler & Steam Press System	1	1,500,000	1,500,000
Water Pump	1	15,000	15,000
Total Cost of Machinery and Equipment			3,540,000

9.6) List Furniture and Fixtures

Following office equipment will be required for the proposed project:

Table 7: List of Furniture and Fixture

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Executive chair	1	7,000	7,000
Office chairs	5	5,000	25,000
Visitors Chairs	6	3,000	18,000
Executive table	1	8,000	8,000

Office tables	5	5,000	25,000
File Cabinet	1	6,500	6,500
Small tables	3	2,500	7,500
Sofa set	1	15,000	15,000
Air Conditioner (1.5 tons)	1	70,000	70,000
Fans	5	3,500	17,500
Exhaust Fans	5	3,000	15,000
Total Furniture and Fixtures Cost			214,500

9.7) Office Equipment Requirement

Following office equipment will be required for the proposed project:

Table 8: List of Office Equipments

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Desktop Computer	50,000	2	100,000
Office Printer	20,000	1	20,000
Telephone Sets	2,500	2	5,000
Photocopier	75,000	1	75,000
Total			200,000

9.8) Raw Material Requirement

The key raw material required in Handlooms weaving unit producing woolen shawls is wool. Wool for production of shawls can be acquired from major wholesalers in Peshawar, and, can also be purchased from Lahore and Faisalabad. The details of raw material required for production of woolen shawls is provided below:

Table 9: Cost of Raw Material

Description	Unit	Rate/ Unit (Rs)	Qty (Yr 1)	Total Cost (Yr 1), Rs
Wool	No. of Shawls	1,053 ³	16,673	17,556,669
Dyeing	No. of Shawls	20 ⁴	16,673	333,360
Total Cost				17,890,129

³ Raw material (wool) comes in 45 kg bags (45,000 gm) and cost Rs. 100,000 per bag. Considering the 5% wastage about 42.75 kg (42,750 gm) of wool is available for production. Each shawls weighs 450 gm thus 95 shawls are produced from this much wool. So per unit/shawl raw material cost comes out to be Rs. 1,053.

⁴ Dyeing cost is taken as per unit of production due to the fact that shawls are dyed after initial weaving process.

9.9) Human Resource Requirement

Following table provides details of human resource required for the proposed venture:

Table 10: Human Resource Requirements

Description	Unit	Monthly Salary/ Person (Rs)	Total /Month (Rs)	First Year Salaries (Rs)
CEO/Owner	1	40000	40,000	480,000
Hand Looms Operators	25	15,000	375,000	4,500,000
Warper Machine (Tana Machine) Operators	1	20,000	20,000	240,000
Babin Machine Operators	2	12,000	24,000	288,000
Cone Winder Operators	2	12,000	24,000	288,000
Dyeing Machine Operators	3	15,000	45,000	540,000
Washing Machine Operators	3	15,000	45,000	540,000
Dryer Operators	2	15,000	30,000	360,000
Boiler & Steam Press Operators	3	15,000	45,000	540,000
Knotting & Finishing Operators	2	12,000	24,000	288,000
Packing Workers	1	12,000	12,000	144,000
Admin Officer	1	20,000	20,000	240,000
Accountant	1	20,000	20,000	240,000
Supervisor (Technical)	1	25,000	25,000	300,000
Guard	1	12,000	12,000	144,000
Total Cost	48			9,132,000

9.10) Utilities and Other Expenses

An essential cost to be borne by the project is the total electricity expenses, which are calculated as direct electricity consumption in production and indirect electricity consumption other than production, based on tariff rates of PESCO. Total electricity cost is estimated to be Rs. 549,170 in year one, with 10% increase in subsequent years. Direct gas consumption charges are estimated at Rs. 174,410 (consumed during steam press process).

Other expenses such as machine maintenance, communication, office stationery and travelling are calculated as percent of total admin expenses. Furthermore,

promotional expense being essential for marketing of the proposed unit is estimated as 1% of revenues.

Table 11: Utilities & Other Expenses

Description	Rs./Production Cycle
Electricity	549,170
Gas	174,410
Machinery Maintenance	175,500
Communication Expenses	67,200
Travelling Expense (Vehicle)	191,900
Office Stationery	96,000
Promotional Expenses	333,450
Total Cost	1,587,630

9.11) Revenue Generation

Hand woven woolen shawls are specialized products thus selling price mainly depends upon the season, type of product and volume. Per unit price may varies, however based on variation in prices due to seasonal influence, the average price per product/Shawl is estimated to be Rs. 2,000. The first year the revenues are as under:

Table 12: Revenue Generation

Product	Unit	Sales Price (Rs./Unit)	First Year Production	First Year Sales Revenue (Rs)
Woolen Shawls	Number	2,000	16,673	33,346,000
Total Revenue				33,346,000

Note: In calculation the amount of Revenue at the end of year 1 is 33,345,000, this minor difference occurs due to rounding of some amounts.

10. IMPORTANT CONTACTS

S. No	Name	Business	Address	Contact
	Mr. Gohar Ali	Weaver	Matta Mughal Khel Charsadda	0332-9987124 0300-5894476
	Tahir Ud Din	Handloom Manufacturer	Matta Mughal Khel Charsadda	

11. USEFUL WEB LINKS

Small & Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
Government of Pakistan	www.pakistan.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
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

12. ANNEXURES

12.1) Income Statement

SMEDA										
Rs. in actuals										
Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	33,345,000	39,124,800	45,727,110	53,258,634	61,839,192	68,023,111	74,825,422	82,307,964	90,538,761	99,592,637
Cost of goods sold	26,643,588	30,446,183	34,955,070	40,061,334	45,839,368	50,392,588	55,398,139	60,900,964	66,950,469	73,600,974
Gross Profit	6,701,412	8,678,617	10,772,040	13,197,300	15,999,824	17,630,523	19,427,283	21,407,000	23,588,291	25,991,663
<i>General administration & selling expenses</i>										
Administration expense	960,000	1,053,467	1,156,034	1,268,587	1,392,099	1,527,635	1,676,368	1,839,581	2,018,686	2,215,228
Rental expense	720,016	792,018	871,219	958,341	1,054,175	1,159,593	1,275,552	1,403,107	1,543,418	1,697,760
Utilities expense	166,942	183,636	201,999	222,199	244,419	268,861	295,747	325,322	357,854	393,640
Travelling & Comm. expense (phone, fax, etc.)	67,200	73,743	80,922	88,801	97,447	106,934	117,346	128,771	141,308	155,066
Office vehicles running expense	191,900	211,090	232,199	255,419	280,961	309,057	339,963	373,959	411,355	452,490
Office expenses (stationary, etc.)	96,000	105,347	115,603	126,859	139,210	152,764	167,637	183,958	201,869	221,523
Promotional expense	333,450	391,248	457,271	532,586	618,392	680,231	748,254	823,080	905,388	995,926
Insurance expense	47,975	38,380	28,785	19,190	9,595	77,264	61,811	46,359	30,906	15,453
Professional fees (legal, audit, etc.)	250,088	293,436	342,953	399,440	463,794	510,173	561,191	617,310	679,041	746,945
Depreciation expense	587,350	587,350	587,350	587,350	587,350	704,507	704,507	704,507	704,507	704,507
Amortization expense	61,817	61,817	61,817	61,817	61,817	-	-	-	-	-
Property tax expense	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense	1,000,350	1,173,744	1,371,813	1,597,759	1,855,176	2,040,693	2,244,763	2,469,239	2,716,163	2,987,779
Subtotal	4,483,087	4,965,274	5,507,967	6,118,348	6,804,434	7,537,713	8,193,138	8,915,192	9,710,493	10,586,316
Operating Income	2,218,325	3,713,343	5,264,073	7,078,951	9,195,390	10,092,810	11,234,144	12,491,808	13,877,798	15,405,346
Other income	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of assets	-	-	-	-	383,800	-	-	-	-	-
Earnings Before Interest & Taxes	2,218,325	3,713,343	5,264,073	7,078,951	9,579,190	10,092,810	11,234,144	12,491,808	13,877,798	15,405,346
Interest expense	1,973,370	287,111	227,910	161,013	85,420	-	-	-	-	-
Earnings Before Tax	244,956	3,426,232	5,036,163	6,917,938	9,493,769	10,092,810	11,234,144	12,491,808	13,877,798	15,405,346
Tax	-	576,058	1,030,349	1,640,778	2,542,319	2,751,983	3,151,450	3,591,632	4,076,729	4,611,371
NET PROFIT/(LOSS) AFTER TAX	244,956	2,850,174	4,005,814	5,277,160	6,951,451	7,340,827	8,082,695	8,900,176	9,801,069	10,793,976
Balance brought forward		244,956	1,547,565	2,776,690	4,026,925	5,489,188	6,415,007	7,248,851	8,074,513	8,937,791
Total profit available for appropriation	244,956	3,095,130	5,553,379	8,053,850	10,978,376	12,830,015	14,497,702	16,149,027	17,875,583	19,731,767
Dividend	-	1,547,565	2,776,690	4,026,925	5,489,188	6,415,007	7,248,851	8,074,513	8,937,791	9,865,884
Balance carried forward	244,956	1,547,565	2,776,690	4,026,925	5,489,188	6,415,007	7,248,851	8,074,513	8,937,791	9,865,884

12.2) Balance Sheet

Statement Summaries										SMEDA	
Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Rs. in actuals										
Assets											
<i>Current assets</i>											
Cash & Bank	1,160,015	-	332,757	1,873,158	3,778,509	5,089,621	8,199,852	11,518,768	15,005,447	18,697,796	34,420,396
Accounts receivable	-	2,740,685	2,978,211	3,487,065	4,067,907	4,730,048	5,336,807	5,870,488	6,457,536	7,103,290	7,813,619
Finished goods inventory	-	-	-	-	-	-	-	-	-	-	-
Equipment spare part inventory	29,250	34	42	51	63	72	84	97	111	129	-
Raw material inventory	1,490,288	1,923,464	2,472,854	3,168,162	4,046,447	4,896,201	5,924,403	7,168,528	8,673,919	10,495,442	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	60,001	66,001	72,602	79,862	87,848	96,633	106,296	116,926	128,618	141,480	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid insurance	47,975	38,380	28,785	19,190	9,595	77,264	61,811	46,359	30,906	15,453	-
Total Current Assets	2,787,528	4,768,565	5,885,251	8,627,489	11,990,369	14,889,839	19,629,253	24,721,165	30,296,537	36,453,589	42,234,015
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Machinery & equipment	3,540,000	3,186,000	2,832,000	2,478,000	2,124,000	1,770,000	1,416,000	1,062,000	708,000	354,000	-
Furniture & fixtures	214,500	193,050	171,600	150,150	128,700	107,250	85,800	64,350	42,900	21,450	-
Office vehicles	959,500	767,600	575,700	383,800	191,900	1,545,284	1,236,227	927,171	618,114	309,057	-
Office equipment	200,000	180,000	160,000	140,000	120,000	100,000	80,000	60,000	40,000	20,000	-
Total Fixed Assets	4,914,000	4,326,650	3,739,300	3,151,950	2,564,600	3,522,534	2,818,027	2,113,521	1,409,014	704,507	-
<i>Intangible assets</i>											
Pre-operation costs	309,084	247,267	185,450	123,633	61,817	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
Total Intangible Assets	309,084	247,267	185,450	123,633	61,817	-	-	-	-	-	-
TOTAL ASSETS	8,010,612	9,342,482	9,810,001	11,903,072	14,616,786	18,412,373	22,447,280	26,834,685	31,705,551	37,158,096	42,234,015
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	1,642,393	1,927,918	2,276,105	2,680,292	3,128,377	3,485,482	3,887,593	4,341,165	4,853,703	4,390,159
Export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Short term debt	-	1,241,284	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	2,883,677	1,927,918	2,276,105	2,680,292	3,128,377	3,485,482	3,887,593	4,341,165	4,853,703	4,390,159
<i>Other liabilities</i>											
Lease payable	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	576,058	1,606,406	3,247,184	5,789,502	8,541,485	11,692,935	15,284,567	19,361,296	23,972,666
Long term debt	4,005,306	2,208,543	1,753,154	1,238,565	657,079	-	-	-	-	-	-
Total Long Term Liabilities	4,005,306	2,208,543	2,329,212	2,844,971	3,904,263	5,789,502	8,541,485	11,692,935	15,284,567	19,361,296	23,972,666
<i>Shareholders' equity</i>											
Paid-up capital	4,005,306	4,005,306	4,005,306	4,005,306	4,005,306	4,005,306	4,005,306	4,005,306	4,005,306	4,005,306	4,005,306
Retained earnings	-	244,956	1,547,565	2,776,690	4,026,925	5,489,188	6,415,007	7,248,851	8,074,513	8,937,791	9,865,884
Total Equity	4,005,306	4,250,262	5,552,871	6,781,996	8,032,231	9,494,494	10,420,313	11,254,157	12,079,819	12,943,097	13,871,190
TOTAL CAPITAL AND LIABILITH	8,010,612	9,342,482	9,810,001	11,903,072	14,616,786	18,412,373	22,447,280	26,834,685	31,705,551	37,158,096	42,234,015

12.3) Cash Flow Statement

Statement Summaries											SMEDA
Cash Flow Statement											Rs. in actuals
	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	-	244,956	2,850,174	4,005,814	5,277,160	6,951,451	7,340,827	8,082,695	8,900,176	9,801,069	10,793,976
Add: depreciation expense	-	587,350	587,350	587,350	587,350	587,350	704,507	704,507	704,507	704,507	704,507
amortization expense	-	61,817	61,817	61,817	61,817	61,817	-	-	-	-	-
Deferred income tax	-	-	576,058	1,030,349	1,640,778	2,542,319	2,751,983	3,151,450	3,591,632	4,076,729	4,611,371
Accounts receivable	-	(2,740,685)	(237,526)	(508,854)	(580,842)	(662,140)	(606,759)	(533,681)	(587,049)	(645,754)	(710,329)
Finished good inventory	-	-	-	-	-	-	-	-	-	-	-
Equipment inventory	(29,250)	29,216	(8)	(9)	(11)	(10)	(11)	(13)	(15)	(17)	129
Raw material inventory	(1,490,288)	(433,177)	(549,390)	(695,308)	(878,285)	(849,754)	(1,028,202)	(1,244,125)	(1,505,391)	(1,821,523)	10,495,442
Pre-paid building rent	(60,001)	(6,000)	(6,600)	(7,260)	(7,986)	(8,785)	(9,663)	(10,630)	(11,693)	(12,862)	141,480
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Advance insurance premium	(47,975)	9,595	9,595	9,595	9,595	(67,669)	15,453	15,453	15,453	15,453	15,453
Accounts payable	-	1,642,393	285,525	348,187	404,187	448,085	357,105	402,112	453,571	512,539	(463,544)
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(1,627,514)	(604,536)	3,576,995	4,831,680	6,513,762	9,002,663	9,525,238	10,567,768	11,561,192	12,630,141	25,588,484
<i>Financing activities</i>											
Change in long term debt	4,005,306	(1,796,763)	(455,389)	(514,589)	(581,486)	(657,079)	-	-	-	-	-
Change in short term debt	-	1,241,284	(1,241,284)	-	-	-	-	-	-	-	-
Change in export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Add: land lease expense	-	-	-	-	-	-	-	-	-	-	-
Land lease payment	-	-	-	-	-	-	-	-	-	-	-
Change in lease financing	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares	4,005,306	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares	-	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing :	8,010,612	(555,479)	(1,696,673)	(514,589)	(581,486)	(657,079)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(5,223,084)	-	-	-	-	(1,545,284)	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by investing :	(5,223,084)	-	-	-	-	(1,545,284)	-	-	-	-	-
NET CASH	1,160,015	(1,160,015)	1,880,322	4,317,090	5,932,276	6,800,299	9,525,238	10,567,768	11,561,192	12,630,141	25,588,484
Cash balance brought forward		1,160,015	-	332,757	1,873,158	3,778,509	5,089,621	8,199,852	11,518,768	15,005,447	18,697,796
Cash available for appropriation	1,160,015	(0)	1,880,322	4,649,848	7,805,434	10,578,808	14,614,859	18,767,619	23,079,960	27,635,587	44,286,279
Dividend	-	-	1,547,565	2,776,690	4,026,925	5,489,188	6,415,007	7,248,851	8,074,513	8,937,791	9,865,884
Cash carried forward	1,160,015	-	332,757	1,873,158	3,778,509	5,089,621	8,199,852	11,518,768	15,005,447	18,697,796	34,420,396

13. KEY ASSUMPTIONS

13.1) Operating Cost Assumptions

Description	Details
Office Expenses (Stationery, Entertainment etc)	10% of Administration expenses
Communication Expenses	7% of Administration Cost
Travelling Expense (Vehicle Running)	20% of Administration Cost
Promotional Expenses	1% of Revenue
Depreciation Method	Accelerated depreciation
Depreciation Rate	10% on Machinery 10% on Office Equipment 10% on Furniture & Fixture 20% on Office Vehicle
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Salaries Growth Rate	10%

13.2) Production Cost Assumptions

Description	Details
Cost of Goods (wool) Per Unit (Rs)	1,053
Cost of Goods (dyeing) Per Unit (Rs)	20
Hours Operational Per Day	8
Days Operational Per Month	26
Days Operational Per Year	312
Operating Cost Growth Rate (per annum)	10%
COGS Annual Growth Rate	10%

13.3) Revenue Assumptions

Description	Details
Sales Price Growth Rate	10%
Per Day Production Capacity/No of Shawls (100%)	75
Initial Capacity Utilization	75%

Percentage Increase in Production Capacity/Year	5%
Maximum Capacity Utilization (Year 4 – 10)	95%

13.4) Economy Related Assumptions

Description	Details
Inflation Rate	10%
Electricity Price Growth Rate	10%
Wage Growth Rate	10%

13.5) Financial Assumptions

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	Project loan 14%
	Working Capital Loan 16%
Debt Tenure	Project loan 5 Years
	Working Capital Loan 1 Year
Debt Payment / Year	1