



**Pre-feasibility Study**

# **AUTOMOBILE DIAGNOSTIC & CAR DETAILING**

**May 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 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

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

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## Document Control

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## 2 EXECUTIVE SUMMARY

**Automobile Diagnostic & Car Detailing** is a service facility where a blend of essential services for automobiles will be provided such as Diagnostic Service through Scanners to assess mechanical and electrical faults, Alignment & Balancing Services for Wheels and Detailing Service for restoration of the car into a presentable condition.

The core target market of the proposed services will be all the variants of motor vehicles for the transport of not more than 10 persons, which includes locally manufactured and imported vehicles. The proposed diagnostic service will be targeted to the variants of motor vehicles having On-board diagnostics connections (OBD). The OBD is a built-in connector which became essential for all carmakers because it gives mechanics access to key information about the car for repair and maintenance. The On-board diagnostics connections became compulsory in America in 1996 and Europe in 2001 later adopted by all the countries. Presently, latest vehicles are fully compliant with OBD2 protocol.

In Pakistan there is a surge of new generation vehicles plying on the roads with latest technology, and roadside mechanics using conventional methods of diagnostic and repair cannot easily detect the mechanical and electrical faults. As per the published statistics<sup>1</sup> in year 2018-19 alone, 209,255 units of cars were locally produced and around 70,000 were imported. In last five years, from 2015-16 to 2018-19, annual local production of cars have been in between 152,524-209,255 units and on the other hand, annual import of foreign manufactured cars was in between 50,000-70,000 units<sup>2</sup>.

The service facility 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 corporate sector.

Installed capacity is **6,120** cars per year and initial capacity utilization of **50%**.

Total Cost Estimates is **Rs.1,963,475** with fixed investment **Rs.1,206,000** and working capital **Rs.757, 475**.

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<sup>1</sup> <https://www.automark.pk>

<sup>2</sup> Pakistan Automotive Manufacturers Association



Given the cost assumptions, IRR, NPV and payback are **35%, Rs. 948,085** and **3.58 years** respectively.

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

- **Most Important factors**

- Selection of Equipments for Diagnostic and Alignment and Balancing Services.
- Relevant work experience.
- Quality of services provided to the customers.
- Location of the business facility.

- **Equally important factors**

- Marketing Skill required for attracting customers from residential and corporate sector to help maintain customer base.
- Growing and maintaining a referral network of customers.

### **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 investors 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 **Automobile Diagnostic & Car Detailing** business 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 & PRODUCT

The Automobile Diagnostic & Car Detailing, for this proposed prefeasibility study, is a facility that would provide three major essential services for a vehicle: Diagnostic Services, Alignment and Balancing Services and Detailing Services.

**Car Diagnostic Service:** The Car is a giant machine which uses programmed system to regulate everything going on internally. When a customer brings the Car to a mechanic while experiencing problem, the mechanic would attach a diagnostic scanner to the car, in order to determine the issues going on. The diagnostic scanner uses a software which accesses vehicle's reporting and programmed system, which is where all faults and errors are logged. Performing this test can tell the mechanic a lot about the condition of engine and can help to point areas that require repair and maintenance.



**Alignment and Balancing Service:** Wheel alignment refers to tuning or adjusting the angles of the wheels so that they are perpendicular to the ground and parallel to each other. These adjustments maximize tyre life and while driving along a straight and plane road, vehicle tracks straight and true. Wheel Balancing, on the other hand, lets the tyre and wheels to spin without causing any vibrations.

**Car detailing service:** This is the additional service which the business will be offering to capitalize on investment. Car detailing is the act of performing a thorough exterior and interior cleaning, restoration, and finishing of a car, to bring into a presentable condition.

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

- **Technology:** The proposed automobile diagnostic and car detailing facility will have a modern programmed diagnostic system for automobiles fault assessment, a computer added Alignment and Balancing system and tools and equipments for car detailing services.
- **Location:** The location is the important factor in the success of this kind of project. This setup can be established on main roads or prime locations to target maximum customers in commercial areas of cities like Karachi, Hyderabad, Sukkur, Lahore, Rawalpindi, Faisalabad, Multan, Peshawar and Quetta etc. Since, this proposed project provides only diagnostic services; therefore proximity to other repair and maintenance workshops is highly recommended so that customers can easily get their vehicles fixed after the fault being diagnosed.
- **Product:** The proposed automobile diagnostic & car detailing facility will provide the following services:
  - Diagnostic Services for automobiles.
  - Computerized Alignment and Balancing Services.
  - Car Detailing Services.
- **Target Market:** The proposed target market for automobile diagnostic and car detailing facility would be all the variants of motor vehicles for the transport of not more than 10 persons irrespective of the local or imported ones, provided having On-board diagnostics connection (OBD) for the diagnostic service.





- **Employment Generation:** The proposed project will provide direct employment to 07 people.

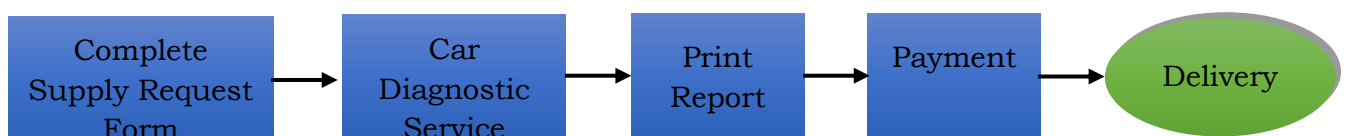
## 5.1 Process Flow

### Car Diagnostic Service

The Car is giant machine which uses programmed system to regulate everything going on internally. When a customer brings the car to a mechanic while experiencing problem, the mechanic would attach a diagnostic scanner to the car, in order to determine the issues going on. The diagnostic scanner uses a software which accesses vehicle's reporting and programmed system, which is where all faults and errors are logged. Performing this test can tell the mechanic a lot about the condition of engine and can help to point areas that require repair and maintenance.



The below diagram illustrates the basic process flow for diagnostic service:





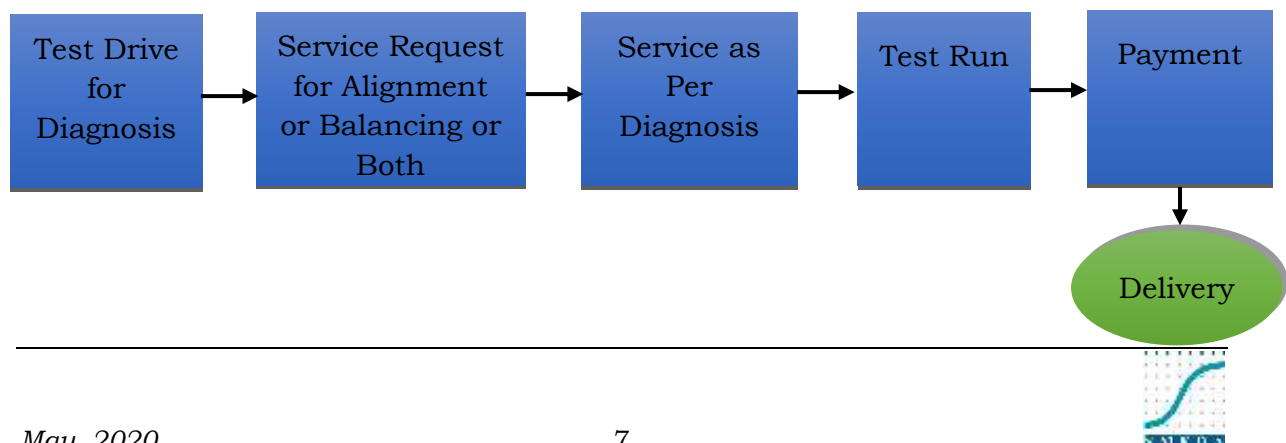
## Alignment & Balancing Service

Wheel Balancing and Wheel Alignment are two quite different things. In brief, wheel alignment refers to tuning the angles of the wheels so that they are perpendicular to the ground and parallel to each other. These adjustments maximize tyre life and while driving along a straight and level road, vehicle tracks straight and true. Wheel Balancing, on the other hand, lets the tyres and wheels to spin without causing any vibrations. This is attained by inspecting for any heavy spots on the wheel-tyre combination and compensating for it by placing a measured lead weight on the opposite site of the wheel having the heavy spot.

When a car is out of alignment, the general indications are: Uneven or rapid tyre wear, pulling or drifting away from a straight line, wandering on a straight level road and spokes of the steering wheel off to one side while driving on a straight and plane road. Likewise, the indications of a wheel that is out of balance are: Vibration in the steering wheel at some highway speeds, vibration in the seat or floorboard at some highway speeds and cupped wear pattern on the tyres.



The below diagram illustrates the basic process flow for Alignment and Balancing Service



## Car Detailing Service

Car detailing is the service for performing a thorough cleaning, restoration, and finishing of a car, to produce a show-quality cleanliness and polish. Detailing can be performed on exterior and/or interior of a vehicle.

A car detailing service is a lot more in depth and time consuming exercised than a typical car wash. There are many contaminants that cannot be removed with a regular car wash. Generally, car wash refers to an inside-out wash which involves basic external shampoo and internal cleaning including a vacuum and wipe down of hard surfaces.

The basic required items for detailing are: Application pads, Microfiber towels & Mitts, Water Hose, Pressure Washer, Foam Cannon, Wet & Dry Vacuum cleaner, & Detailing products.

Following are the services that can be offered based on the price ranges

1. Jet Foam Wash
2. Rim Extensive Cleaning
3. Wheel Arches/Wells Cleaning
4. Hard Water Spot Removal
5. Iron Out and Tar Removal
6. Door Jams Cleaning
7. Clay Treatment
8. Odor Elimination
9. Mats Foam Wash
10. Dashboard Cleaning & Reconditioning
11. Upholstery/Seats Cleaning
12. Leather Seats/Dash Lining
13. Carpet Cleansing
14. Interior Spot Removal
15. Headliner Cleaning
16. Lime Scale Removal
17. Engine Degreasing and Dressing
18. Headlight Rejuvenation
19. Machine Paint Compounding
20. Machine Paint Polishing

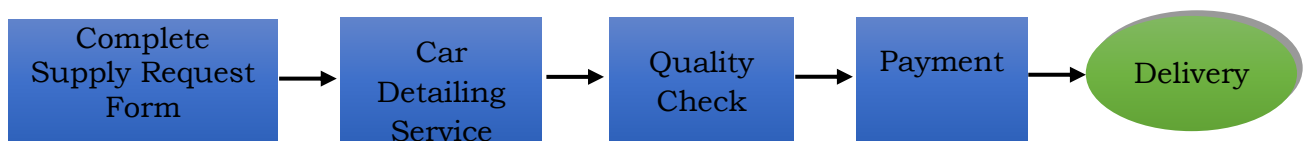
Since, car detailing service is a lot more in depth and time consuming exercised than a typical car wash. The time required for a detailing service is proportional to the number of services required and the condition of the car. A car can be detailed in as little as half an hour and as much as a full day. It is estimated on average that, detailing crew of three people can detail thoroughly five cars a day. For this proposed service, the recommended employment is three people.





In addition to detailing at the workshop, based on market trend and increasing customers' demands for detailing their vehicles at home, this proposed business model has also incorporated the detailing service at home.

The below diagram illustrates the basic process flow for detailing service.



## 5.2 Installed and Operational Capacities

The operational capacity of this facility is 510 cars per month. The assumed operational capacity during the first year of operations is 50 percent with annual increase of 5 percent.

## 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 to have effective PR & marketing skills. These marketing skills 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.

## 7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The Automobile diagnostic & Car detailing business is very much dependent on the location of its setup. The location on main roads or prime locations is recommended to target maximum walk-in customers as well as customers coming in from contacts, referrals and corporate sector. This setup can be established on main roads or prime locations to target maximum customers in cities like Karachi, Hyderabad, Sukkur, Lahore, Rawalpindi, Faisalabad, Multan, Peshawar and Quetta etc





## **8 POTENTIAL TARGET CUSTOMERS**

The proposed target market for an Automobile diagnostic & Car detailing business would be in a medium to high-income vicinity, where more or less all of the nearby residents and working class are expected to have vehicles. To be precise, Motor vehicles for the transport of not more than 10 persons will be the core target market irrespective of the local or imported ones, having On-board diagnostics connections.

### **8.1 MARKETING STRATEGIES TO ATTRACT CUSTOMERS**

It's been observed that these types of businesses are heavily depending upon the referrals through positive word of mouth. Traditional Marketing channels are very expensive option for a small business to approach the target customers. Hence, it is recommended for small businesses like this to focus on non-traditional approaches of marketing to generate referrals. The following are recommended:

#### **8.1.1 Email Newsletters**

Email newsletter is one of the best ways to stay in front of the customers. Sharing of relevant content having a piece helpful advice through email is for better than sending a 10% coupon to the customer.

#### **8.1.2 Thank customers for their business**

This is really a simple idea, but its impacts go a long way. Remember, the focus of the business should be on making sure that the existing customer tells a good word of mouth to his/her social circle. It is a general principle, the more comfortable a customer is with the service, and the more comfortable the customer will be to recommend others.

#### **8.1.3 Use Social Media**

It is highly recommended that there should be a dedicated business page on all available social media platforms particularly Facebook. The page should regularly share helpful, interesting and relevant contents. People often check in on Facebook when they visit a physical location. This will give more exposure of the business, as the whole friend circle of that person will see name of the business being checked in. Additionally, people can easily recommend to other on social media platforms.



#### **8.1.4 Get reviewed**

Don't hesitate to ask for customers' feedback. The reviews help new potential customers in deciding to avail the services. The reviews also act indirectly as a word of mouth referrals.

#### **8.1.5 Ask for referrals**

Don't hesitate to ask existing customer for referrals. Make sure to share business cards having contact details to existing customers. When a new customer is referred, make sure to say a thank you to the person who made that referral.

#### **8.1.6 Service Reminders**

The little stickers on customers' windshields are great reminders for them to come back for the next schedule service. Apart from this, digital service reminders like emails, texts and social media contents. These service reminders can also include discount coupons for the service, links to the business website or a way to confirm an appointment without actually having called the service provider.

#### **8.1.7 Subscription and loyalty programs**

For regular customers, a subscription based pricing may yield a good business especially in case of corporate clients. Big corporations normally maintain fleets and buy subscription plans for the repair and maintenance of their vehicles. A loyalty program for regular visitor is another way to keep the existing customers loyal with your business.

### **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.4.47 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 70%.





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)	35%
PAYBACK PERIOD	3.58 years
NET PRESENT VALUE	Rs.948,085

## 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. 1,963,475

## 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	855,000
Furniture & Fixtures	74,000
Office Vehicle	70,000
Office Equipment	65,000
Pre-operating Costs	142,000
Total Capital Cost	<b>1,206,000</b>
Working Capital	
Equipment Spare Part Inventory	10,200
Raw Material Inventory	19,500
Upfront Building Rent	720,000
Upfront Insurance Payment	7,775
Total Working Capital	<b>757,475</b>
<b>TOTAL PROJECT COST</b>	<b>1,963,475</b>



## 9.4 Space Requirement

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

**Table 9.4 : Space Requirement**

DESCRIPTION	ESTIMATED AREA (Sq.ft.)	TOTAL RENT (Monthly) (Rs.)	TOTAL RENT (Yearly) (Rs.)
Rented Space	2,500	60,000	720,000
<b>TOTAL</b>			<b>720,000</b>

## 9.5 Machinery & Equipment Requirement

Machinery and equipment for the proposed project are stated below:

**Table 9.5 : Machinery & Equipment**

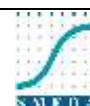
DESCRIPTION	QUANTITY	UNIT COST (Rs.)	TOTAL COST (Rs.)
Computerized Diagnostic System	01	220,000	220,000
Computerized Alignment & Balancing System	01	450,000	450,000
Pressure Washer	01	20,000	20,000
Wet & Dry Vacuum Cleaner	01	18,000	18,000
Foam Spray Cannon	01	2,000	2,000
Other (Application pads, Water Hose & Mitts, Cleaning Products i.e. Shampoo, polish etc)	01	20,000	20,000
		<b>Total</b>	<b>730,000</b>
Genset (03 KVA)	01	125,000	<b>125,000</b>
<b>TOTAL</b>			<b>855,000</b>

## 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.)
Working Chairs	10	2,000	20,000



Visiting Chairs	06	3,000	18,000
Table	01	10,000	10,000
Electric (Wiring and Lighting)	12	1,500	18,000
Fans	02	4,000	8,000
<b>TOTAL</b>			<b>74,000</b>

## 9.7 Office Equipment Requirement

Following office equipment will be required for the project:

**Table 9.7 : Office Equipment**

DESCRIPTION	QUANTITY	UNIT COST (Rs.)	TOTAL COST (Rs.)
Laptop	01	50,000	50,000
Printer	01	15,000	15,000
<b>TOTAL</b>			<b>65,000</b>

## 9.8 Human Resource Requirement

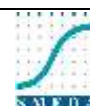
In order to run operations of Automobile Diagnostic & Car Detailing business smoothly, details of human resources required along with number of employees and monthly salary are recommended as under:

**Table 9.8 : Human Resource Requirement**

DESCRIPTION	NO. OF EMPLOYEES	MONTHLY SALARY PER PERSON (Rs.)	MONTHLY SALARY (Rs.)
CEO / Owner	01	70,000	70,000
Scanning Operator	01	35,000	35,000
Alignment& Bal. Operator	02	18,000	36,000
Detailing Supervisor	01	35,000	35,000
Detailing Assistant	02	18,000	36,000
<b>TOTAL</b>	<b>07</b>		<b>212,000</b>

## 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.142,560/- for the first year, whereas, generator fuel expenses are estimated to be Rs.75,900/- for the first year. Furthermore, promotional



expense being essential for marketing of the project is estimated as 02% of revenue.

## 9.10 Revenue Generation

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

**Table 9.10 : Revenue Generation – Year 1**

DESCRIPTION	NO. OF CARS (No.)	AVERAGES CHARGES / CAR (Rs.)	REVENUE (Rs.)
Combine Revenue (Diagnostic, Alignment & Balancing and Detailing services)	3,060	1,461	4,470,000
<b>TOTAL</b>			<b>4,470,000</b>

## 10 CONTACT DETAILS

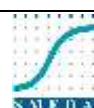
In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project are given below. However, a number of machinery suppliers are easily available in the Automobile parts markets in Karachi and in auto parts markets of different major cities of Pakistan.

### 10.1 Machinery Suppliers

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

#### Machinery Supplier - 1

Name of Supplier /Organization	OBD2 Cartools Pakistan
Address	Shop G-140, The Central Mall, Behind Gul Plaza, Saddar
Phone	0320-4966522 0313-2904122
Website	<a href="http://www.obd2cartools.com">www.obd2cartools.com</a>



**Machinery Supplier - 2**

<b>Name of Supplier /Organization</b>	<b>United Equipment</b>
<b>Address</b>	Shan Heights, Ground Floor, Sharifabad TyreMarket F. B. Area Block 1, Karachi - Pakistan
<b>Phone</b>	+92 21 36825348 +92 21 36825500
<b>Website</b>	www.obd2cartools.com

**Machinery Supplier - 3**

<b>Name of Supplier /Organization</b>	<b>Alfa Traders</b>
<b>Address</b>	Main Rashid Minhas Road Near Askari-IV, Karachi
<b>Phone</b>	+923342221884
<b>E-mail</b>	info@alfatraders.com.pk harry97@hotmail.com
<b>Website</b>	http://www.alfatraders.com.pk

**10.2 Raw Material Suppliers**

Raw material required for car detailing services and other services includes diesel, grease, oil and cloth / towel are easily available in the local markets.

**11 USEFUL WEB LINKS**

	<b>Websites</b>
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	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
Trade Development Authority of Pakistan (TDAP)	<a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>
Security Commission of Pakistan (SECP)	<a href="http://www.secp.gov.pk">www.secp.gov.pk</a>
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	<a href="http://www.fpcci.com.pk">www.fpcci.com.pk</a>
State Bank of Pakistan (SBP)	<a href="http://www.sbp.org.pk">www.sbp.org.pk</a>
Punjab Small Industries Corporation	<a href="http://www.psic.gop.pk">www.psic.gop.pk</a>
Sindh Small Industries Corporation	<a href="http://www.ssic.gos.pk">www.ssic.gos.pk</a>
Pakistan Horticulture Development and Export Company (PHDEC)	<a href="http://www.phdec.org.pk">www.phdec.org.pk</a>
Punjab Vocational Training Council (PVTC)	<a href="http://www.pvtc.gop.pk">www.pvtc.gop.pk</a>
Technical Education and Vocational Training Authority (TEVTA)	<a href="http://www.tevta.org">www.tevta.org</a>
Pakistan Readymade Garment Technical Training Institute	<a href="http://www.prgmea.org/prgtti/">www.prgmea.org/prgtti/</a>
Livestock & Dairy Development Department, Government of Punjab.	<a href="http://www.livestockpunjab.gov.pk">www.livestockpunjab.gov.pk</a>
Punjab Industrial Estates (PIE)	<a href="http://www.pie.com.pk">www.pie.com.pk</a>
Faisalabad Industrial Estate Development and Management Company (FIEDMC)	<a href="http://www.fiedmc.com.pk">www.fiedmc.com.pk</a>
Pakistan Automotive Manufacturers Association	<a href="http://www.pama.org.pk">www.pama.org.pk</a>
UN Comtrade Database	<a href="http://www.comtrade.un.org/">www.comtrade.un.org/</a>
National Institute of Electronics	<a href="http://www.nie.gov.pk">www.nie.gov.pk</a>
The Aman Foundation (Aman Tech)	<a href="http://www.theamanfoundation.org">www.theamanfoundation.org</a>





## 12 ANNEXURES

### 12.1 Income Statement

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenue</b>	4,470,000	5,261,190	6,141,244	7,118,725	8,202,961	8,777,169	9,391,571	10,048,980	10,752,409	11,505,078
<i>Cost of sales</i>										
Cost of goods sold 1 (Diagnostics)	378,000	436,590	500,094	568,857	643,246	675,408	709,179	744,638	781,869	820,963
Cost of goods sold 2 (Detailing)	90,000	103,950	119,070	135,442	153,154	160,811	168,852	177,295	186,159	195,467
Operation costs 1 (direct labor)	2,274,000	2,495,400	2,738,356	3,004,966	3,297,533	3,618,586	3,970,897	4,357,509	4,781,762	5,247,321
Operating costs 2 (machinery maintenance)	122,400	141,372	161,935	184,201	208,289	218,704	229,639	241,121	253,177	265,836
Operating costs 3 (direct electricity)	142,560	156,816	172,498	189,747	208,722	229,594	252,554	277,809	305,590	336,149
Operating costs 5 (genset)	75,900	83,490	91,839	101,023	111,125	122,238	134,461	147,908	162,698	178,968
<b>Total cost of sales</b>	3,082,860	3,417,618	3,783,791	4,184,236	4,622,070	5,025,341	5,465,581	5,946,278	6,471,256	7,044,704
<b>Gross Profit</b>	1,387,140	1,843,572	2,357,452	2,934,489	3,580,892	3,751,828	3,925,989	4,102,702	4,281,153	4,460,374
	31%	35%	38%	41%	44%	43%	42%	41%	40%	39%
<i>General administration &amp; selling expenses</i>										
Administration expense	210,000	230,446	252,882	277,503	304,522	334,170	366,705	402,408	441,588	484,581
Administration benefits expense	6,300	6,913	7,586	8,325	9,136	10,025	11,001	12,072	13,248	14,537
Building rental expense	720,000	792,000	871,200	958,320	1,054,152	1,159,567	1,275,524	1,403,076	1,543,384	1,697,722
Communications expense (phone, fax, mail, internet, etc.)	10,500	11,522	12,644	13,875	15,226	16,709	18,335	20,120	22,079	24,229
Office vehicles running expense	35,000	38,500	42,350	46,585	51,244	56,368	62,005	68,205	75,026	82,528
Office expenses (stationary, entertainment, janitorial services, etc.)	4,200	4,609	5,058	5,550	6,090	6,683	7,334	8,048	8,832	9,692
Promotional expense / Signage etc	89,400	105,224	122,825	142,374	164,059	175,543	187,831	200,980	215,048	230,102
Insurance expense	7,775	6,648	5,520	4,393	3,265	7,774	6,219	4,665	3,110	1,555
Professional fees (legal, audit, consultants, etc.)	8,940	10,522	12,282	14,237	16,406	17,554	18,783	20,098	21,505	23,010
Depreciation expense	113,400	113,400	113,400	113,400	113,400	121,947	121,947	121,947	121,947	121,947
Amortization of pre-operating costs	28,400	28,400	28,400	28,400	28,400	-	-	-	-	-
Bad debt expense	22,350	26,306	30,706	35,594	41,015	43,886	46,958	50,245	53,762	57,525
Miscellaneous expense	100,000	110,000	121,000	133,100	146,410	161,051	177,156	194,872	214,359	235,795
<b>Subtotal</b>	1,356,265	1,484,490	1,625,854	1,781,657	1,953,324	2,111,278	2,299,800	2,506,737	2,733,887	2,983,224
<b>Operating Income</b>	30,875	359,082	731,598	1,152,832	1,627,568	1,640,549	1,626,190	1,595,966	1,547,267	1,477,150
Gain / (loss) on sale of office vehicles	-	-	-	-	28,000	-	-	-	-	-
<b>Earnings Before Interest &amp; Taxes</b>	30,875	359,082	731,598	1,152,832	1,655,568	1,640,549	1,626,190	1,595,966	1,547,267	1,477,150
Interest expense on long term debt (Project Loan)	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	-	-	-	-	-	-	-	-	-	-
<b>Earnings Before Tax</b>	30,875	359,082	731,598	1,152,832	1,655,568	1,640,549	1,626,190	1,595,966	1,547,267	1,477,150
Tax	6,175	71,816	146,320	230,566	331,114	328,110	325,238	319,193	309,453	295,430
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>24,700</b>	<b>287,266</b>	<b>585,278</b>	<b>922,265</b>	<b>1,324,454</b>	<b>1,312,439</b>	<b>1,300,952</b>	<b>1,276,772</b>	<b>1,237,813</b>	<b>1,181,720</b>
Balance brought forward		8,645	103,569	241,097	407,177	606,071	671,479	690,351	688,493	674,207
Total profit available for appropriation	24,700	295,911	688,847	1,163,362	1,731,631	1,918,510	1,972,430	1,967,123	1,926,306	1,855,927
Dividend	16,055	192,342	447,751	756,185	1,125,560	1,247,032	1,282,080	1,278,630	1,252,099	1,206,353
Balance carried forward	8,645	103,569	241,097	407,177	606,071	671,479	690,351	688,493	674,207	649,575



## 12.2 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	660,000	794,898	1,089,851	1,360,140	1,649,246	1,855,125	2,008,215	2,113,743	2,196,589	2,264,861	2,586,073
Accounts receivable		12,247	13,330	15,620	18,164	20,989	23,260	24,889	26,631	28,495	30,490
Finished goods inventory		-	-	-	-	-	-	-	-	-	-
Equipment spare part inventory	10,200	12,370	14,878	17,770	21,098	23,261	25,645	28,273	31,171	34,367	-
Raw material inventory	19,500	23,649	28,443	33,971	40,335	44,469	49,027	54,052	59,592	65,701	-
Pre-paid building rent	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477	-
Pre-paid insurance	7,775	6,648	5,520	4,393	3,265	7,774	6,219	4,665	3,110	1,555	-
<b>Total Current Assets</b>	<b>757,475</b>	<b>915,811</b>	<b>1,224,622</b>	<b>1,511,753</b>	<b>1,819,954</b>	<b>2,048,248</b>	<b>2,218,660</b>	<b>2,342,544</b>	<b>2,445,709</b>	<b>2,536,455</b>	<b>2,616,563</b>
<i>Fixed assets</i>											
Machinery & equipment	855,000	769,500	684,000	598,500	513,000	427,500	342,000	256,500	171,000	85,500	-
Furniture & fixtures	74,000	66,600	59,200	51,800	44,400	37,000	29,600	22,200	14,800	7,400	-
Office vehicles	70,000	56,000	42,000	28,000	14,000	112,736	90,189	67,641	45,094	22,547	-
Office equipment	65,000	58,500	52,000	45,500	39,000	32,500	26,000	19,500	13,000	6,500	-
<b>Total Fixed Assets</b>	<b>1,064,000</b>	<b>950,600</b>	<b>837,200</b>	<b>723,800</b>	<b>610,400</b>	<b>609,736</b>	<b>487,789</b>	<b>365,841</b>	<b>243,894</b>	<b>121,947</b>	<b>-</b>
<i>Intangible assets</i>											
Pre-operation costs	142,000	113,600	85,200	56,800	28,400	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>142,000</b>	<b>113,600</b>	<b>85,200</b>	<b>56,800</b>	<b>28,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>1,963,475</b>	<b>1,980,011</b>	<b>2,147,022</b>	<b>2,292,353</b>	<b>2,458,754</b>	<b>2,657,984</b>	<b>2,706,448</b>	<b>2,708,386</b>	<b>2,689,603</b>	<b>2,658,402</b>	<b>2,616,563</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable		1,716	1,987	2,282	2,603	2,938	3,095	3,260	3,435	3,620	3,513
<b>Total Current Liabilities</b>	<b>-</b>	<b>1,716</b>	<b>1,987</b>	<b>2,282</b>	<b>2,603</b>	<b>2,938</b>	<b>3,095</b>	<b>3,260</b>	<b>3,435</b>	<b>3,620</b>	<b>3,513</b>
<i>Other liabilities</i>											
Deferred tax		6,175	77,991	85,500	85,500	85,500	68,400	51,300	34,200	17,100	(0)
Long term debt (Project Loan)	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Liabilities</b>	<b>-</b>	<b>6,175</b>	<b>77,991</b>	<b>85,500</b>	<b>85,500</b>	<b>85,500</b>	<b>68,400</b>	<b>51,300</b>	<b>34,200</b>	<b>17,100</b>	<b>(0)</b>
<i>Shareholders' equity</i>											
Paid-up capital	1,963,475	1,963,475	1,963,475	1,963,475	1,963,475	1,963,475	1,963,475	1,963,475	1,963,475	1,963,475	1,963,475
Retained earnings		8,645	103,569	241,097	407,177	606,071	671,479	690,351	688,493	674,207	649,575
<b>Total Equity</b>	<b>1,963,475</b>	<b>1,972,120</b>	<b>2,067,044</b>	<b>2,204,572</b>	<b>2,370,652</b>	<b>2,569,546</b>	<b>2,634,954</b>	<b>2,653,826</b>	<b>2,651,968</b>	<b>2,637,682</b>	<b>2,613,050</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>1,963,475</b>	<b>1,980,011</b>	<b>2,147,022</b>	<b>2,292,353</b>	<b>2,458,754</b>	<b>2,657,984</b>	<b>2,706,448</b>	<b>2,708,386</b>	<b>2,689,603</b>	<b>2,658,402</b>	<b>2,616,563</b>

## 12.3 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
<b>Operating activities</b>											
Net profit		24,700	287,266	585,278	922,265	1,324,454	1,312,439	1,300,952	1,276,772	1,237,813	1,181,720
Add: depreciation expense		113,400	113,400	113,400	113,400	113,400	121,947	121,947	121,947	121,947	121,947
amortization of pre-operating costs		28,400	28,400	28,400	28,400	28,400	-	-	-	-	-
amortization of training costs		-	-	-	-	-	-	-	-	-	-
Deferred income tax		6,175	71,816	7,509	-	-	(17,100)	(17,100)	(17,100)	(17,100)	(17,100)
Accounts receivable		(12,247)	(1,084)	(2,289)	(2,545)	(2,824)	(2,272)	(1,628)	(1,742)	(1,864)	(1,995)
Finished goods inventory		-	-	-	-	-	-	-	-	-	-
Equipment inventory	(10,200)	(2,170)	(2,508)	(2,892)	(3,328)	(2,163)	(2,384)	(2,629)	(2,898)	(3,195)	34,367
Raw material inventory	(19,500)	(4,149)	(4,794)	(5,529)	(6,363)	(4,134)	(4,558)	(5,025)	(5,540)	(6,108)	65,701
Pre-paid building rent	(60,000)	(6,000)	(6,600)	(7,260)	(7,986)	(8,785)	(9,663)	(10,629)	(11,692)	(12,862)	141,477
Advance insurance premium	(7,775)	1,128	1,128	1,128	1,128	(4,509)	1,555	1,555	1,555	1,555	1,555
Accounts payable		1,716	271	295	321	336	157	165	175	185	(107)
<b>Cash provided by operations</b>	(97,475)	150,953	487,294	718,040	1,045,292	1,444,175	1,400,121	1,387,608	1,361,476	1,320,371	1,527,565
<b>Financing activities</b>											
Issuance of shares	1,963,475	-	-	-	-	-	-	-	-	-	-
<b>Cash provided by / (used for) financing activities</b>	1,963,475	-	-	-	-	-	-	-	-	-	-
<b>Investing activities</b>											
Capital expenditure	(1,206,000)	-	-	-	-	(112,736)	-	-	-	-	-
<b>Cash (used for) / provided by investing activities</b>	(1,206,000)	-	-	-	-	(112,736)	-	-	-	-	-
<b>NET CASH</b>	660,000	150,953	487,294	718,040	1,045,292	1,331,439	1,400,121	1,387,608	1,361,476	1,320,371	1,527,565
Cash balance brought forward		660,000	794,898	1,089,851	1,360,140	1,649,246	1,855,125	2,008,215	2,113,743	2,196,589	2,264,861
Cash available for appropriation	660,000	810,953	1,282,193	1,807,891	2,405,432	2,980,685	3,255,246	3,395,822	3,475,219	3,516,960	3,792,426
Dividend		16,055	192,342	447,751	756,185	1,125,560	1,247,032	1,282,080	1,278,630	1,252,099	1,206,353
Cash balance	660,000	794,898	1,089,851	1,360,140	1,649,246	1,855,125	2,008,215	2,113,743	2,196,589	2,264,861	2,586,073
Cash carried forward	660,000	794,898	1,089,851	1,360,140	1,649,246	1,855,125	2,008,215	2,113,743	2,196,589	2,264,861	2,586,073



## 13KEY 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

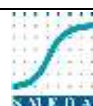
DESCRIPTION	Details
INCREASE IN COST PRICE	5% / year
REPAIRING CAPACITY	6,120 cars
CAPACITY UTILIZATION	50%

### 13.3 Revenue Assumptions

DESCRIPTION	Details
AVERAGE REVENUE (ALL THREE SERVICES)	Rs.1,461 / car
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

## HEAD OFFICE

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