



**Pre-feasibility Study**

# **VIRTUAL REALITY GAMING ZONE**

**January 2021**

*“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

Gaming industry in Pakistan is developing incredibly in the last few years. For young adults and teen aged children gaming zones are virtually becoming a commonplace for entertainment purpose. Virtual Reality (VR) Gaming Zones are specifically setup to provide an innovative and aesthetically vibrant place to play online games with friends, family and co-workers.

This particular pre-feasibility study provides basic information for setting up a 'Virtual Reality Gaming Zone'. The proposed VR Gaming Zone will be equipped with 38 gaming stations and will operate for a period of 14 hours on daily basis. The gaming stations will comprises of 4 Xbox, 4 Play Stations and 30 Desktop Computers and will offer a wide range of popular PC games as well as latest VR online games. Proposed locations are Lahore, Islamabad, Karachi, Peshawar, Quetta and other cities with good internet access. The gaming facility has installed capacity of around 175,560 gaming hours per annum, however initial capacity utilization during first year of operation will 105,680 gaming hours with an annual growth rate of 5%. High speed and up to date computer servers and networking equipment, variety of games for all ages and easy accessibility and suitable location are the key factors for the success of this venture.

The total cost estimates of the project are Rs. Rs. 17.900 million with a capital cost of Rs. 16.651 million and a working capital of Rs. 1.250 million. The project is based on 100% equity finance model. Considering all the assumptions on which the pre-feasibility has been built, the project generates an IRR, Payback and Net Present Value of 31%, 4.04 years and Rs. 12.862 million respectively. The project will provide employment opportunities to 6 people including the Owner.

## 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 **Virtual Reality Gaming Zone** by providing them with a general understanding of the business with the intention of supporting potential investors in crucial investment decisions.

The need to come up with pre-feasibility reports for undocumented or minimally documented sectors attains greater imminence as the research that precedes such reports reveal certain thumb rules; best practices developed by existing enterprises by trial and error, and certain industrial norms that become a guiding source regarding various aspects of business set-up and its successful management.

Apart from carefully studying the whole document one must consider critical aspects provided later, which form basis of any Investment Decision.

## 5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

VR Gaming is the term used to describe a new generation of computer games involving Virtual Reality (VR) technology, which provides simulation of a three-dimensional image or environment that can be interacted with in a seemingly real or physical way by the players using special electronic equipment. Participants can both experience and influence the game environment through a variety of gaming devices and accessories, including VR headsets, sensor-equipped gloves and hand controllers.

The proposed VR Gaming Zone will an advanced and lively place to play latest online VR and non-VR games with friends, family and co-workers. It will comprise of total 38 Gaming Stations equipped with different varieties of gaming tools. The VR Gaming stations will mainly comprise of 04 Xbox and 04 PlayStation Consoles and 05 PCs along with VR Heads and other accessories. Whereas, 25 PCs will be dedicated for non-VR based games with both multi players and single options. The

proposed gaming setup can be initiated in any major city with significant population and high-speed internet connectivity.

The project is designed in such a way that it will be able to cater to the demand of customers who want best VR and computer gaming experience. Financial analysis shows the unit shall be profitable from the very first year of operation. The legal status is proposed to be 'Sole Proprietorship'.

### 5.1 Installed and Operational Capacities

The proposed gaming zone will operate 14 hours per day with 330 operational days in a year. Accordingly, the project has an installed capacity of around 175,560 gaming hours per annum, however initial capacity utilization during first year of operation will be 105,680 gaming hours with an annual growth rate of 5%.

**Table 1: Installed and Operational Capacity**

Description	Total Capacity of Gaming Hours	Operational Capacity (Year 1) Gaming Hours	Max. Capacity (90%) Gaming Hours
<b>Weekday</b>			
PS VR	10,640	4,560	9,348
X Box VR	10,640	4,560	9,348
PC Gaming	79,800	45,600	71,820
<b>Weekend</b>			
PS VR	7,840	4,480	7,056
X Box VR	7,840	4,480	7,056
PC Gaming	58,800	42,000	52,920
<b>Total</b>	<b>175,560</b>	<b>105,680</b>	<b>157,548</b>

## 6 CRITICAL FACTORS

Following are the factors critical for the success of this business venture;

- ⇒ Background knowledge, interest and related experience of the entrepreneur in virtual reality gaming.
- ⇒ Variety of games for every age group
- ⇒ Suitable location to attract maximum customers.
- ⇒ Effective marketing of the product.

- ⇒ Use of up-to-date gaming stations with latest equipment.
- ⇒ High speed and uninterrupted internet connectivity and back up electricity arrangement.

## 7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

As the major customers of Virtual Reality Gaming Zone are youngsters, so the unit can be established in any major city. Therefore, cities like Islamabad, Karachi, Lahore, Peshawar, Quetta, Faisalabad, Sialkot, Sargodha, Multan, Rawalpindi and Hyderabad can be suitable locations for setting up unit. Special considerations shall also be given to the uninterrupted availability of electricity and good quality internet while finalizing any location for this project.

## 8 POTENTIAL TARGET CUSTOMERS / MARKETS.

Teen agers and young adults between the age group of 14 – 26 year, are the potential target customers of the proposed VR gaming zone. However, with the inclusion of gaming tournaments the target market will widen. Hence, Major urban centres and cities are the major potential market for this kind of venture.

## 9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Virtual Reality Gaming Zone 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 attached as annexures.

### 9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs 17,660,000 in the year one. The capacity utilization during year one is worked out at around 60%.

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)	31%
Payback Period (Yrs.)	4.04

Net Present Value (Rs.)	12,861,768
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Calculation of break-even analysis is as follows:

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

Break-Even Analysis	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Break Even Revenue	10,996,899	11,282,260	11,675,998	15,381,461	15,843,481	16,422,702	20,772,431	21,579,194	22,641,075	28,083,324
Break-Even Units	281	262	247	295	277	261	300	283	270	304
Margin of Safety	38%	44%	49%	40%	45%	48%	40%	42%	42%	33%

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

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

Description	Details
Internal Rate of Return (IRR)	32%
Payback Period (Yrs.)	3.95
Net Present Value (Rs.)	17,853,743

The financial assumptions for Debt: Equity are as follows:

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

Description	Details
Debt (50%)	8,990,127
Equity (50%)	8,990,127
Interest Rate on Debt	12%
Debt Tenure	5
Debt Payment / Year	2

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



## 9.2 Project Cost

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

**Table 6: Project Cost**

Description	Amount Rs.
<b>Capital Cost</b>	
Machinery and Equipment	11,997,451
Furniture and Fixtures	4,129,635
Office Equipment	323,500
Pre-Operating Costs	200,000
<b>Total Capital Cost</b>	<b>16,650,586</b>
Upfront Insurance Payment	599,873
Cash	500,000
Up-Front Building Rent	150,000
<b>Total Working Capital</b>	<b>1,249,873</b>
<b>Total Project Cost</b>	<b>17,900,459</b>

## 9.3 Space Requirement

Approximately 2,700 sq. ft. covered area would be required for setting up the proposed VR Gaming Zone. In order to reduce the initial capital investment, it is recommended to start the project on a rented space.

The place may be acquired in any commercial market and plaza nearby to residential societies for easy accessibility of customers. The estimated monthly rent of Rs. 150,000 payable in advance is assumed for this project.

## 9.4 Machinery & Equipment Requirement

Machinery and equipment for the proposed project are stated below.

**Table 7: Machinery & Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
PlayStation	4	83,000	332,000
Xbox	4	70,000	280,000

Desktop PCs	30	250,000	7,500,000
Desktop LEDs	31	15,000	465,000
LEDs	8	30,000	240,000
<b>VR Equipment</b>			
For Desktop PC	5	140,999	704,995
For PlayStation	4	60,000	240,000
For Xbox	4	140,999	563,996
Ps Move Controllers	4	14,000	56,000
PS Aim Controller	4	15,000	60,000
Headsets	40	9,999	399,960
Miscellaneous Equipment	1	500,000	500,000
Ups	1	180,000	180,000
Software for Login, Access Timing	1	125,000	125,000
Laptops	1	60,500	60,500
Computers	1	20,000	20,000
Computer Printer (s)	1	20,000	20,000
Computer Server	1	250,000	250,000
<b>Total</b>			<b>11,997,451</b>

## 9.5 Furniture & Fixtures Requirement

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

**Table 8: Furniture & Fixture**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Interior Decoration	1	2,699,500	2,699,500
Gaming Stations	12	40,000	480,000
Air conditioners (2 ton split)	5	90,000	450,000
Cable Networking and Installation Cost	1	300,000	300,000

Carpeting	2,000	33	66,000
Fans	9	2,915	26,235
Guest Chairs	4	5,800	23,200
Owner's Office Chair	1	22,000	22,000
Gaming Supervisor Chair	2	7,600	15,200
Table for Owner's Office	1	15,000	15,000
Tube Lights	15	800	12,000
Table for Gaming Executive	1	7,500	7,500
Exhaust Fans	2	3,000	6,000
Office Chair for Cafeteria	1	5,800	5,800
Telephones	1	1,200	1,200
<b>Total</b>			<b>4,129,635</b>

## 9.6 Office Equipment Requirement

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

**Table 9: Office Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Laptop	1	60,500	60,500
Computer	1	20,000	20,000
Printer	1	20,000	20,000
Generator	1	185,000	185,000
Dispenser	2	19,000	38,000
<b>Total</b>			<b>323,500</b>

## 9.7 Human Resource Requirement

In order to run operations of Virtual Reality Gaming zone smoothly, details of human resources required along with number of employees and monthly salaries are recommended as under.

**Table 10: Human Resource Requirement**

Description	No. of Employees	Monthly Salary per person (Rs.)	Salaries per Month (Rs.)
Owner / Manager	1	100,000	100,000
Gaming Executive / Accountant	1	40,000	40,000
Network Administrator	1	30,000	30,000
Office Boy	2	18,000	36,000
Security Guard	1	17,500	17,500
<b>Total</b>			<b>223,500</b>

### 9.8 Utilities and Other Costs

An essential cost to be borne by the project is the cost of electricity. The electricity expenses are estimated to be around Rs.185,402 per month. Furthermore, promotional expense being essential for marketing of VR gaming zone is estimated as 2% of revenue.

### 9.9 Revenue Generation

Based on the capacity utilization of 60%, sales revenue during the first year of operations is provided in the table below.

**Table 11: Revenue Generation – Year 1**

Description	Operational Hours Available	Sale Price / Hour (Rs.)	Sales Revenue (Rs.)
<b>Weekday</b>			
PS VR	4,560	250	1,140,000
X Box VR	4,560	250	1,140,000
PC Gaming	45,600	150	6,840,000
<b>Weekend</b>			
PS VR	4,480	250	1,120,000
X Box VR	4,480	250	1,120,000

PC Gaming	42,000	150	6,300,000
<b>Total</b>			<b>17,660,000</b>

## 10 CONTACT DETAILS

In order to facilitate potential investors, contact detail of machinery supplier is provided below.

**Table 12: Machinery Supplier**

Name of Supplier	Address	Website
Game Master	L.G 8, Palace Arcade Plaza, Sunfort Hotel Lahore. 0321-1110067 0300-9149651	<a href="http://www.gamemasterpak.com">www.gamemasterpak.com</a>

## 11 USEFUL WEB LINKS

Small & Medium Enterprises Development Authority (SMEDA)	<a href="http://www.smeda.org.pk">www.smeda.org.pk</a>
Government of Pakistan	<a href="http://www.pakistan.gov.pk">www.pakistan.gov.pk</a>
Ministry of Industries & Production	<a href="http://www.moip.gov.pk">www.moip.gov.pk</a>
Government of Punjab	<a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>
Government of Sindh	<a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>
Government of Khyber Pakhtunkhwa	<a href="http://www.khyberpakhtunkhwa.gov.pk">www.khyberpakhtunkhwa.gov.pk</a>
Government of Baluchistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
Government of Gilgit Baltistan	<a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>
Government of Azad Jammu Kashmir	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
Trade Development Authority of Pakistan (TDAP)	<a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>
Security 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.gov.pk">www.psic.gov.pk</a>

Sindh Small Industries Corporation	<a href="http://www.ssic.gos.pk">www.ssic.gos.pk</a>
Lockdown Gaming Zone	<a href="http://www.lockdown.pk">www.lockdown.pk</a>
Pak Gamers	<a href="http://www.pakgamers.com">www.pakgamers.com</a>
Karachi Gaming Zone	<a href="http://www.karachigamingzone.webs.com">www.karachigamingzone.webs.com</a>
Pakistan Software Houses Association (PASHA)	<a href="http://www.pasha.org">www.pasha.org</a>
Pakistan Software Export Board (PSEB)	<a href="http://www.pseb.org.pk">www.pseb.org.pk</a>
Punjab Information Technology Board (PITB)	<a href="http://www.pitb.gov.pk">www.pitb.gov.pk</a>
Information Science and Technology Department, Government of Sindh	<a href="http://www.istd.sind.gov.pk">www.istd.sind.gov.pk</a>
Khyber Pakhtunkhwa Information Technology Board (KPITB)	<a href="http://www.kpitb.gov.pk">www.kpitb.gov.pk</a>
Science and Information Technology Department, Govt of Baluchistan	<a href="http://www.baluchistan.gov.pk">www.baluchistan.gov.pk</a>

## 12 ANNEXURES

### 12.1 Income Statement

Calculations	SMEDA									
Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	17,660,000	20,119,575	22,780,958	25,658,179	28,613,017	31,397,165	34,388,194	37,120,716	39,369,755	41,750,896
<i>Cost of sales</i>										
Gaming CDs	2,502,500	2,627,625	2,759,006	2,896,957	3,041,804	3,193,895	3,353,589	3,521,269	3,697,332	3,882,199
Internet	360,000	378,000	396,900	416,745	437,582	459,461	482,434	506,556	531,884	558,478
PS Plus Annual Subscription	38,412	40,333	42,349	44,467	46,690	49,025	51,476	54,050	56,752	59,590
X Box Gold Annual Subscription	38,412	40,333	42,349	44,467	46,690	49,025	51,476	54,050	56,752	59,590
Direct labour	840,000	924,000	1,016,400	1,118,040	1,229,844	1,352,828	1,488,111	1,636,922	1,800,615	1,980,676
Machinery Maintenance	1,056,800	1,201,809	1,358,677	1,528,227	1,701,125	1,860,691	2,031,960	2,186,915	2,311,981	2,444,087
Direct Electricity	2,224,822	2,447,304	2,692,034	2,961,238	3,257,361	3,583,097	3,941,407	4,335,548	4,769,103	5,246,013
Total cost of sales	7,060,946	7,659,403	8,307,716	9,010,140	9,761,097	10,548,022	11,400,454	12,295,310	13,224,419	14,230,632
Gross Profit	10,599,054	12,460,172	14,473,242	16,648,040	18,851,920	20,849,143	22,987,740	24,825,406	26,145,336	27,520,264
<i>General administration &amp; selling expenses</i>										
Administration expense	1,842,000	2,026,200	2,228,820	2,451,702	2,696,872	2,966,559	3,263,215	3,589,537	3,948,491	4,343,340
Administration benefits expense	55,260	60,786	66,865	73,551	80,906	88,997	97,896	107,686	118,455	130,300
Building rental expense	1,800,000	1,980,000	2,178,000	2,395,800	2,635,380	2,898,918	3,188,810	3,507,691	3,858,460	4,244,306
Electricity expense										
Water expense	36,300	39,930	43,923	48,315	53,147	58,462	64,308	70,738	77,812	85,594
Gas expense										
Travelling expense	92,100	101,310	111,441	122,585	134,844	148,328	163,161	179,477	197,425	217,167
Communications expense (phone, fax, mail, internet, etc.)	36,840	40,524	44,576	49,034	53,937	59,331	65,264	71,791	78,970	86,867
Office expenses (stationary, entertainment, janitorial services, etc.)	55,260	60,786	66,865	73,551	80,906	88,997	97,896	107,686	118,455	130,300
Promotional expense	353,200	402,392	455,619	513,164	572,260	627,943	687,764	742,414	787,395	835,018
Insurance expense	599,873	539,885	479,898	1,114,338	984,908	855,478	1,529,935	1,320,116	1,110,298	1,831,078
Professional fees (legal, audit, consultants, etc.)	44,150	50,299	56,952	64,145	71,533	78,493	85,970	92,802	98,424	104,377
Depreciation expense	1,645,059	1,645,059	1,645,059	3,033,914	3,033,914	3,033,914	4,641,687	4,641,687	4,641,687	6,502,885
Amortization of pre-operating costs	40,000	40,000	40,000	40,000	40,000	-	-	-	-	-
Subtotal	6,600,041	6,987,170	7,418,018	9,980,099	10,438,607	10,905,420	13,885,907	14,431,625	15,035,870	18,511,232
Operating Income	3,999,013	5,473,002	7,055,224	6,667,940	8,413,313	9,943,723	9,101,834	10,393,782	11,109,466	9,009,033
Other income (interest on cash)	66,917	177,479	258,683	325,578	419,938	493,493	541,167	611,151	704,349	784,269
Other income 2										
Gain / (loss) on sale of machinery & equipment	-	-	7,198,471	-	-	11,932,365	-	-	15,612,821	
Earnings Before Interest & Taxes	4,065,930	5,650,480	14,512,378	6,993,518	8,833,251	22,369,581	9,643,000	11,004,933	27,426,637	9,793,302
Earnings Before Tax	4,065,930	5,650,480	14,512,378	6,993,518	8,833,251	22,369,581	9,643,000	11,004,933	27,426,637	9,793,302
Tax	639,779	1,115,144	4,199,332	1,567,731	2,211,637	6,949,353	2,495,050	2,971,726	8,719,323	2,547,655
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>3,426,151</b>	<b>4,535,336</b>	<b>10,313,046</b>	<b>5,425,787</b>	<b>6,621,613</b>	<b>15,420,228</b>	<b>7,147,951</b>	<b>8,033,207</b>	<b>18,707,314</b>	<b>7,245,647</b>

## 12.2 Balance Sheet

Calculations											SMEDA
Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	500,000	4,853,348	9,344,940	11,349,722	14,696,485	18,898,551	20,580,915	22,712,426	26,179,690	30,168,244	32,573,287
Pre-paid building rent	150,000	165,000	181,500	199,650	219,615	241,577	265,734	292,308	321,538	353,692	-
Pre-paid insurance	599,873	539,885	479,898	1,114,338	984,908	855,478	1,529,935	1,320,116	1,110,298	1,831,078	-
Total Current Assets	1,249,873	5,558,233	10,006,338	12,663,710	15,901,009	19,995,605	22,376,584	24,324,849	27,611,526	32,353,014	32,573,287
<i>Fixed assets</i>											
Machinery & equipment	11,997,451	10,797,706	9,597,961	22,286,765	19,698,165	17,109,565	30,598,697	26,402,323	22,205,950	36,621,561	30,563,990
Furniture & fixtures	4,129,635	3,716,672	3,303,708	2,890,745	2,477,781	2,064,818	1,651,854	1,238,891	825,927	412,964	-
Office equipment	323,500	291,150	258,800	226,450	194,100	161,750	129,400	97,050	64,700	32,350	-
Total Fixed Assets	16,450,586	14,805,527	13,160,469	25,403,959	22,370,046	19,336,132	32,379,951	27,738,264	23,096,577	37,066,875	30,563,990
<i>Intangible assets</i>											
Pre-operation costs	200,000	160,000	120,000	80,000	40,000	-	-	-	-	-	-
Total Intangible Assets	200,000	160,000	120,000	80,000	40,000	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>17,900,459</b>	<b>20,523,761</b>	<b>23,286,807</b>	<b>38,147,670</b>	<b>38,311,054</b>	<b>39,331,738</b>	<b>54,756,535</b>	<b>52,063,113</b>	<b>50,708,103</b>	<b>69,419,889</b>	<b>63,137,277</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable		53,689	57,636	61,844	66,328	70,966	75,535	80,383	85,133	89,605	94,312
Total Current Liabilities	-	53,689	57,636	61,844	66,328	70,966	75,535	80,383	85,133	89,605	94,312
<i>Shareholders' equity</i>											
Paid-up capital	17,900,459	17,900,459	17,900,459	22,444,068	22,444,068	22,444,068	22,444,068	22,444,068	22,444,068	22,444,068	22,444,068
Retained earnings		2,569,613	5,328,712	15,641,758	15,800,659	16,816,704	32,236,932	29,538,662	28,178,902	46,886,216	40,598,897
Total Equity	17,900,459	20,470,072	23,229,171	38,085,826	38,244,727	39,260,772	54,681,000	51,982,730	50,622,970	69,330,284	63,042,965
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>17,900,459</b>	<b>20,523,761</b>	<b>23,286,807</b>	<b>38,147,670</b>	<b>38,311,054</b>	<b>39,331,738</b>	<b>54,756,535</b>	<b>52,063,113</b>	<b>50,708,103</b>	<b>69,419,889</b>	<b>63,137,277</b>



### 12.3 Cash Flow Statement

Calculations											SMEDA
Cash Flow Statement											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit		3,426,151	4,535,336	10,313,046	5,425,787	6,621,613	15,420,228	7,147,951	8,033,207	18,707,314	7,245,647
Add: depreciation expense		1,645,059	1,645,059	1,645,059	3,033,914	3,033,914	3,033,914	4,641,687	4,641,687	4,641,687	6,502,885
amortization of pre-operating costs		40,000	40,000	40,000	40,000	40,000	-	-	-	-	-
Pre-paid building rent	(150,000)	(15,000)	(16,500)	(18,150)	(19,965)	(21,962)	(24,158)	(26,573)	(29,231)	(32,154)	353,692
Advance insurance premium	(599,873)	59,987	59,987	(634,440)	129,430	129,430	(674,457)	209,819	209,819	(720,781)	1,831,078
Accounts payable		53,689	3,947	4,208	4,484	4,638	4,569	4,848	4,750	4,472	4,706
Cash provided by operations	(749,873)	5,209,886	6,267,829	11,349,722	8,613,650	9,807,633	17,760,096	11,977,731	12,860,232	22,600,539	15,938,008
<i>Financing activities</i>											
Issuance of shares	17,900,459	-	-	4,543,609	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	17,900,459	-	-	4,543,609	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(16,650,586)	-	-	(13,888,549)	-	-	(16,077,732)	-	-	(18,611,984)	-
Cash (used for) / provided by investing activities	(16,650,586)	-	-	(13,888,549)	-	-	(16,077,732)	-	-	(18,611,984)	-
NET CASH	500,000	5,209,886	6,267,829	2,004,782	8,613,650	9,807,633	1,682,365	11,977,731	12,860,232	3,988,554	15,938,008

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

Description	Details
Travelling expense	5% of Administration Expense
Communication Expenses	2% of Administration Expense
Promotional Expenses	2% of revenue
Depreciation Method	Straight Line
Depreciation Rate	10% on Machinery 33% on Office Equipment 10% on Furniture & Fixture
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Salaries Growth Rate	10%

### 13.2 Production Cost Assumptions

Description	Details
Gaming CDs	385 CD Cost Per CD. Rs. 6,500
Internet Expense	30,000 Per Month
PS Plus Annual Subscription	9,603 per Subscription
X Box Gold Annual Subscription	9,603 per Subscription
Annual Increase in Cost	5%

### 13.3 Revenue Assumptions

Description	Details
Sale Price Growth Rate	10%
Maximum Operational Capacity in Hours	175,560

Sale Price Per Hour – Year 1	PS VR. Rs. 250 PS Xbox. Rs. 250 PC Gaming. R. 150
Capacity Utilization year 1	60%
Capacity Utilization Growth Rate	5%
Maximum Production Capacity	90%
No of Operational Hours in days	14
No of Operational Days	330
No. of Gaming Station	38

# Small and Medium Enterprises Development Authority

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