



Pre-feasibility Study

HERBAL COSMETICS MANUFACTURING UNIT

June 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

TABLE OF CONTENTS

1	DISCLAIMER	2
2	EXECUTIVE SUMMARY	3
3	INTRODUCTION TO SMEDA	3
4	PURPOSE OF THE DOCUMENT.....	4
5	BRIEF DESCRIPTION OF PROJECT AND PRODUCT	4
5.1	Production Process Flow.....	5
5.2	Proposed Product Mix.....	5
5.3	Installed and Operational Capacity	7
6	CRITICAL SUCCESS FACTORS.....	8
7	GEOGRAPHICAL POTENTIAL FOR INVESTMENT	8
8	POTENTIAL TARGET CUSTOMERS / MARKETS.....	8
9	PROJECT COST SUMMARY	9
9.1	Project Economics	9
9.2	Project Cost	10
9.3	Land and Building Requirement	11
9.4	Machinery and Equipment Requirement.....	12
9.5	Furniture and Fixtures Requirement.....	12
9.6	Office Equipment Requirement	13
9.7	Vehicles Requirement	13
9.8	Raw Material Requirement.....	14
9.9	Human Resource Requirement.....	14
9.10	Utilities and Other Cost	15
9.11	Revenue Generation	15
10	CONTACT DETAILS.....	16
11	USEFUL WEB LINKS	16
12	ANNEXURES.....	18
12.1	Income Statement.....	18
12.2	Balance Sheet.....	19
12.3	Cash Flow Statement.....	20
12.4	Machinery Details.....	21
12.5	Raw material Details	21
13	KEY ASSUMPTIONS	29
13.1	Operating Cost Assumptions.....	29
13.2	Production Cost Assumptions	30
13.3	Revenue Assumptions	30

1 DISCLAIMER

The objective of 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 have been taken to compile this document, the contained information may vary due to any of the concerned factors. The future is uncertain, 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 to be obtained by the user. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information necessary for making an informed decision, including taking professional advice from a qualified consultant/technical expert before making any decision to act upon the information.

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

Document Control

Document No.	PREF-NO 189
Prepared by	SMEDA Punjab – OS
Revision Date	June, 2021
For information	helpdesk.punjab@smeda.org.pk

2 EXECUTIVE SUMMARY

Herbal cosmetics are natural and free from all harmful synthetic chemicals. Herbal cosmetics have medicinal benefits and are intended to improve the skin's health and beauty as well as to cure various skin ailments, such as acne-control, skin wrinkles and sun protection etc. Compared to other beauty products, natural cosmetics are safe to use.

This particular pre-feasibility study is for setting up a Herbal Cosmetics manufacturing Unit. The focus of the business would be to provide quality Herbal Cosmetic Products, mainly Herbal Creams (i.e. Cold Cream, Cleansing Cream, Night Whitening Cream and Massage Cream), Moisturizing Lotion, and Beauty Soaps. The produced products will be offered in different sized packing. The produced herbal cosmetics will be sold through wholesalers and retailers in major cities of Pakistan.

The proposed unit has an installed capacity to produce 450,000 liters of different types of Herbal Creams and 300,000 kgs. of Beauty Soap per annum, based on a single shift of 10 hours and 300 operational days. However, starting operational capacity is assumed at 60% (i.e. 270,000 liters. of Cream and 180,000 kgs. of Soap) with a gradual increase of 5% in subsequent years up to maximum capacity utilization of 95% in 8th year. This production capacity is estimated to be economically viable and justifies the capital and operational cost of the project. However, entrepreneur's knowledge of the cosmetics and natural herbs along with product quality, competitive pricing and strong linkage with suppliers and wholesalers' network are key factors for the success of this business.

The total cost of the proposed 'Herbal Cosmetics Manufacturing Unit' is estimated at Rs. 69.08 million out of which Rs. 38.07 million is the capital cost and Rs. 31.01 million is for working capital. The project is to be financed through 100% equity. The project NPV is around Rs. 87.44 million, with an IRR of 34% and a Payback Period of 4.02 years. The project will provide employment opportunities to 21 individuals, including the owner. 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 the development of Small and Medium Enterprises (SMEs).

With a mission "to assist in employment generation and value addition to the national income, through the 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 investment areas have 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 SMEs by SMEDA. These services include the 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, production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in the **Herbal Cosmetics Manufacturing Unit** 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 the basis of an informed Investment Decision.

5 BRIEF DESCRIPTION OF PROJECT AND PRODUCT

Herbal cosmetics are formulated, using different herbal and natural ingredients to form the base of beauty products, which possess desirable physiological activity such as healing, smoothing appearance, enhancing and conditioning properties. Instead of traditional synthetic products or chemicals, different plant parts and extracts are used in herbal products, which affect the biological functioning of skin depending upon type of functional ingredients they contain. These are primarily cosmetic products that are not just used for beautification but for different skin ailments. Herbal cosmetics improve the functioning / texture of the skin by boosting collagen growth by eradicating harmful effects of free radicals, maintains keratin

structure in good condition and making the skin healthier. There are numerous herbs available naturally having different uses in cosmetic preparations for skincare, hair care and as antioxidants.

The demand for herbal cosmetics is increasing rapidly due to their skin-friendliness, benefits and lack of side effects. The global herbal beauty products market size was estimated at 78.5 billion in 2019 and is expected to reach USD 117.3 billion in 2027, depicting a huge growth potential.

There is a huge range of herbal cosmetics, however this particular pre-feasibility is based on manufacturing of various types of Herbal Creams and Beauty Soap. The unit is based on a fully automatic mixing machine having the capacity to make cream of 300 liters per batch of 2 hours and 100 kg of soap per hour and will have an in-house filling, capping, labelling and packing facility. According to the proposed business model, the unit will procure raw materials, such as mineral oil, glycerin, aloe vera gel, herbal extracts, coconut oil, olive oil etc., from the local market and produced cosmetics will be sold through wholesalers and retailers in the local market.

5.1 Proposed Product Mix

The product mix would include creams of different volumes and types and beauty soap of two different sizes. Detailed production mix is given in the table below:

Table 1: Product Mix

Product Description	Production Percentage	Packing size
Cold Cream	12%	100 ml and 200 ml
Cleansing Cream	12%	80 ml and 150 ml
Night Whitening Cream	12%	50 ml and 100 ml
Massage Cream	12%	75 ml and 300 ml
Moisturizer	12%	125 ml and 300 ml
Beauty Soap	40%	100 gm and 300 gm
Total	100%	

5.2 Production Process Flow

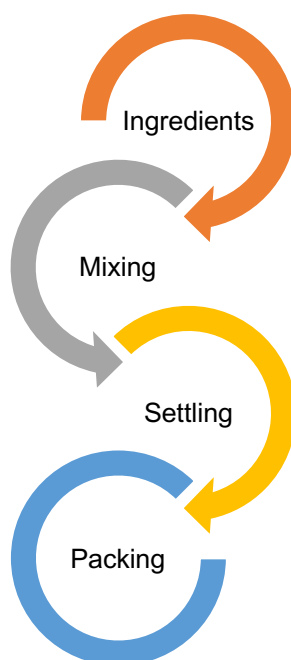
The manufacturing process of Herbal Creams and Beauty Soap is not complicated. However, formulation of different ingredients and production method for cream and

soap are slightly different. The brief overview of production processes is provided below:

Production Process Flow of Cream

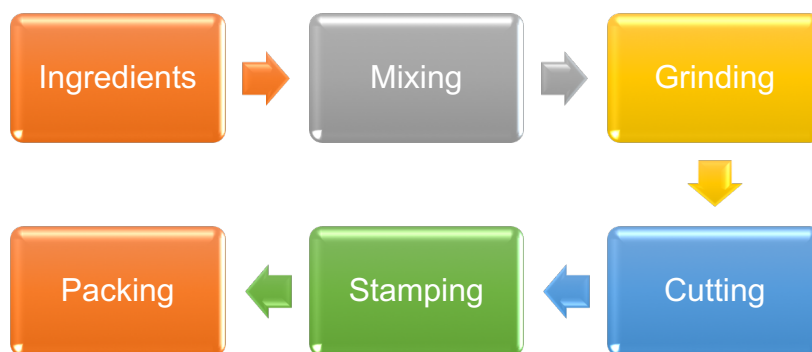
The production process of cream starts with the mixing of all the ingredients according to the standard formulation. The mixture is then heated and left for settling. Finally, the fragrance is added. The said mixture is then filled in the tube by using an automatic filling machine. The tubes are finally capped and labelled by an automated machine.

Figure 1: Production Process Flow (Cream)



Production Process Flow of Soap

All the ingredients are mixed in the mixing machine, then the fragrance is added. After mixing, the soaps are cut into the required size and stamped. In the final step, the soaps are packed into the desired wrapping.

Figure 2: Production Process Flow (Soap)

5.3 Installed and Operational Capacity

The project will have the capacity to produce 450,000 liters of creams and 300,000 kg of beauty soap per year based on a single shift of 10 hours with 300 working days. The maximum capacity utilization is assumed at 95%. However, during the 1st year of operation unit will operate at 60% capacity.

Table 2: Installed and Operational Capacity

Product Description	Packing Size	Total Installed Capacity (Tubes / Bars)	Operational Capacity 60 % - Year 1 (Tubes / Bars)	Max. Operational Capacity 95% - Year 8 (Tubes / Bars)
Cold Creme	100 ml	450,000	270,000	427,500
	200 ml	225,000	135,000	213,750
Cleansing Creme	80 ml	675,000	405,000	641,250
	150 ml	240,000	144,000	228,000
Night Whitening Cream	50 ml	1,080,000	648,000	1,026,000
	100 ml	360,000	216,000	342,000
Massage Cream	75 ml	720,000	432,000	684,000
	300 ml	120,000	72,000	114,000
Moisturizer / Lotion	125 ml	432,000	259,200	410,400
	300 ml	120,000	72,000	114,000
Beauty Soap	100 gm	1,200,000	720,000	1,140,000
	300 gm	600,000	360,000	570,000

6 CRITICAL SUCCESS FACTORS

Following are critical success factors associated with this business:

- ⇒ Technical know-how, relevant expertise and experience of the entrepreneur in the field of cosmetics and herbals.
- ⇒ Selection of high-quality raw materials and strong linkages with raw material suppliers for sourcing of material on time at economical prices..
- ⇒ Products certification from labs like Pakistan Council of Scientific and Industrial Research (PCSIR) will improve consumer confidence and repeat orders.
- ⇒ Selection of appropriate location with easy accessibility of raw materials, skilled labour force and required infrastructure.
- ⇒ The entrepreneur should be aware of the supply and demand conditions of the market.
- ⇒ Induction of trained human resource for the handling of business operations, especially in production and sales.
- ⇒ Stringent supervision of the production process at every level.
- ⇒ Sales and marketing management is very critical for the success of the business.
- ⇒ Higher return on investment and steady growth of the business is closely associated with regular training and capacity building of the entrepreneur and employees.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Since majority of potential target customers are based in metropolitan cities, therefore it is recommended to establish the proposed unit in any major city like Lahore, Islamabad, Karachi, Rawalpindi, Peshawar, Quetta etc. It is crucial to find a location with adequate electricity, labour, raw material and other infrastructure.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

The proposed project shall cater to the needs of the domestic market of Pakistan. It will target both men and women ranging from youth aged between 15-35 years to old generation Potential target customers of herbal cosmetics and soap can be approached through Supermarkets, Pharmacies, Departmental Stores, Beauty Spa / Salons etc. The produced herbal cosmetics will be supplied in the market through network of wholesalers and retailers.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of the Herbal Cosmetics Manufacturing Unit. Various cost and revenue related assumptions, along with the results of the analysis, are outlined in this section.

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

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 702.4 million in year one. In order to financially appraise the project, a 100% Equity-Based Business Model has been assumed. The following table shows the Internal Rate of Return, Payback Period and Net Present Value of the proposed venture:

Table 3: Project Economics (Equity Financed)

Description	Details
Internal Rate of Return (IRR)	34%
Payback Period (Yrs.)	4.02
Net Present Value (Rs.)	87,446,958

Calculation of break-even analysis is as follows:

Table 4: 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	605,260,845	592,542,156	582,572,480	575,138,179	570,265,971	598,245,617	597,623,396	599,799,339	604,539,106	612,156,650
Break-Even Units	3,082,598	2,874,116	2,691,198	2,530,338	2,389,431	2,387,302	2,271,256	2,170,977	2,083,936	2,009,709
Margin of Safety	14%	29%	38%	46%	52%	55%	59%	63%	65%	66%

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

Table 5: Project Economics Based on Debt 50%:Equity 50%

Description	Details
Internal Rate of Return (IRR)	34%
Payback Period (Yrs.)	3.96
Net Present Value (Rs.)	122,685,719

The financial assumptions for Debt: Equity as follows:

Table 5.1: Financial Assumptions for Debt: Equity Model

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	12%
Debt Tenure (Years)	5
Debt Payment / Year	1

The projected Income Statement, Balance Sheet and Cash Flow Statement enclosed as annexures are based on a 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.
Capital Cost	
Machinery and Equipment	16,781,673
Building / Infrastructure	12,365,850
Land	4,000,000
Pre-Operating Costs	1,805,800
Office Vehicles	1,290,219
Office Equipment	1,028,350

Furniture and Fixtures	499,100
Legal, Licensing and Training Costs	300,000
Total Capital Cost	38,070,992
Working Capital	
Raw Material Inventory	26,013,032
Cash	4,017,603
Up-Front Insurance Payment	839,084
Equipment Spare Parts Inventory	143,750
Total Working Capital	31,013,469
Total Project Cost	69,084,461

9.3 Land and Building Requirement

One Kanal of land would be required for setting up the proposed herbal cosmetics manufacturing unit. The cost of land is estimated at Rs. 4.0 million. The project's infrastructural requirements mainly comprise Warehouse, Production and Packing Area, Management Building and Lab etc.

Details of infrastructure requirement and cost of construction for the proposed unit is provided in the table below:

Table 7: Infrastructure

Description	Area (Sq. Ft.)	Unit Cost (Rs.)	Total Cost (Rs.)
Mixing Area	900	3,000	2,700,000
Packing Area	900	3,000	2,700,000
Warehouse	1,275	2,000	2,550,000
Management building	625	2,500	1,562,500
Masjid	350	2,500	875,000
Lab Area	225	3,000	675,000
Design Cost			588,850
Boundary Wall	290 Running Ft	1,300	377,000
Cafeteria	225	1,500	337,500
Total			12,365,850

9.4 Machinery and Equipment Requirement

Machinery and equipment for the proposed project are stated below:

Table 8: Machinery and Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Machinery*		10,101,641	10,101,641
Custom Duty, Sale Tax, Clearance Charges		4,480,032	4,480,032
Generator (Hyundai HDG50 50KVA)	1	1,100,000	1,100,000
Installation Cost (Fabrication cost)	1	500,000	500,000
Lab Equipment Cost			350,000
Turbine (Water Pump)	1	250,000	250,000
Total			16,781,673

*Details of 'Machinery' is provided as Annexure 12.4.

9.5 Furniture and Fixtures Requirement

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

Table 9: Furniture and Fixture

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Table	8	20,000	160,000
Sitting Chairs	18	7,839	141,100
Sofas	3	25,000	75,000
Guest Chairs	16	4,563	73,000
Miscellaneous			50,000
Total			499,100

9.6 Office Equipment Requirement

Following office equipment will be required for Herbal Cosmetics Manufacturing Unit:

Table 10: Office Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
AC	3	83,000	249,000
Laptop	3	65,000	195,000
Computers	6	25,000	150,000
Industrial Exhaust Fan	3	38,650	115,950
Computer Printer	4	16,000	64,000
Fridge	1	51,500	51,500
Water Cooler	1	45,000	45,000
Fans	10	4,500	45,000
Led	1	32,500	32,500
Exhaust Fans	11	2,700	29,700
Tube Lights	34	800	27,200
Water Dispenser	1	16,000	16,000
Microwave Oven	1	7,500	7,500
Total			1,028,350

9.7 Vehicles Requirement

Vehicles are required for the transportation of raw material and finished goods. One carry van and one motorcycle are recommended to ensure smooth transportation requirements of the proposed unit. Details of the vehicles required for the project are given below:

Table 11: Vehicles

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Carry Van (Euro II)	1	1,174,740	1,174,740

Motorcycle (70cc)	1	77,900	77,900
Registration Fee		37,579	37,579
Total			1,290,219

9.8 Raw Material Requirement

Herbal Cosmetics are formulated using various permissible cosmetic ingredients to form the base in which one or more herbal ingredients are used to treat different skin ailments and for the beautification. Instead of traditional synthetic products different plant parts and plant extracts are used in these products, e.g. aloe-vera gel and coconut oil. Details regarding formulation and raw material costs are provided in annexure 12.5.

9.9 Human Resource Requirement

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

Table 12: Human Resource Requirement

Description	No. of Employees	Monthly Salary per Person (Rs.)
Owner / Manager	1	100,000
Herbalist	1	100,000
Admin and Finance manager	1	75,000
Sales and Marketing manager	1	65,000
Finance Officer	1	50,000
Production Foreman	1	45,000
Salesman	4	40,000
Lab Technician	1	30,000
Driver	1	25,000
Workers	6	20,000
Office Boy	1	20,000
Guard	2	20,000
	21	

9.10 Utilities and Other Cost

An essential cost to be borne by the project is the cost of electricity, estimated to be Rs. 2.12 million in the first year of operations. The promotional expense essential for marketing herbal cosmetics is calculated as 4.50% of total revenue, i.e. Rs. 31.6 million.

9.11 Revenue Generation

Based on the assumed capacity utilization for the Herbal Cosmetics unit, sales revenue during the first year of operations is estimated as under:

Table 13: Revenue Generation (Year 1)

Description	Quantity Sold	Rate per Unit (Rs.)	Total Revenue (Rs.)
Cold Cream			
100 ml	258,750	180	46,575,000
200 ml	129,375	305	39,459,375
Cleansing Cream			
80 ml	388,125	350	135,843,750
150 ml	138,000	545	75,210,000
Night Whitening Cream			
50 ml	621,000	280	173,880,000
100 ml	207,000	450	93,150,000
Massage Cream			
75 ml	414,000	45	18,630,000
300 ml	69,000	190	13,110,000
Moisturizer/Lotion			
125 ml	248,400	75	18,630,000
300 ml	69,000	150	10,350,000
Beauty Soap			
100 gm	690,000	45	31,050,000
300 gm	345,000	135	46,575,000
			702,463,125

10 CONTACT DETAILS

In order to facilitate potential investors, contact details of suppliers relevant to the proposed project are given below.

Table 14: Suppliers

Name of Supplier	Type of Supplies	Contact Details
Lanzhou LIMAC Machinery Co., Ltd.	Machinery	limac0001@vip.163.com +86 18298387015
Guangzhou Topcn Machinery Co.,LTD	Machinery	topcnpackage.com +86 18565183517
Daraz	Generator	www.daraz.pk/products/jasco-diesel-generator-30-kva-i110242924.html
High Tech Office Furniture	Furniture	apnafurniture.pk Gulberg III, Lahore 0322-4927264
Razia Sultana	Herbalist	crea8ive.safia@gmail.com 0300-4711932

11 USEFUL WEB LINKS

Small and Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
Government of Pakistan	www.pakistan.gov.pk
Ministry of Industries and Production	www.moip.gov.pk
Ministry of Education, Training and Standards in Higher Education	www.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 Jammu Kashmir	www.ajk.gov.pk
Trade Development Authority of Pakistan (TDAP)	www.tdap.gov.pk
Security and Exchange Commission of Pakistan (SECP)	www.secp.gov.pk
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpcci.com.pk
State Bank of Pakistan (SBP)	www.sbp.org.pk
Punjab Vocational Training Council (PVTC)	www.pvtc.gov.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org
Pakistan Cosmetics Manufacturers Association	www.pcma.com.pk/
Faisalabad Industrial Estate Development and Management Company (FIEDMC)	www.fiedmc.com.pk
Punjab Industrial Estate Development and Management Company (PIEDMC)	www.pie.com.pk
Punjab Small Industries Corporation	www.psic.gov.pk
Sundar Industrial Estate	www.sie.com.pk
Quaid-e-Azam Industrial Estate	www.qie.com.pk
Sindh Small Industries Corporation	www.ssic.gos.pk
Drug Regulatory Authority of Pakistan	www.dra.gov.pk
Pakistan Council of Scientific and Industrial Research (PCSIR)	www.pcsir-lhr.gov.pk

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	702,463,125	831,120,773	940,021,646	1,057,734,805	1,184,869,225	1,322,072,750	1,470,034,455	1,629,487,148	1,714,721,860	1,800,457,953
<i>Cost of sales</i>										
Cost of goods sold-RM	624,312,778	738,657,020	835,442,466	940,059,813	1,053,050,289	1,174,989,663	1,306,490,349	1,448,203,630	1,523,955,820	1,600,153,611
Operation costs 1 (direct labor)	3,392,500	3,881,519	4,270,652	4,698,652	5,169,417	5,687,232	6,256,809	6,883,330	7,588,304	8,347,135
Operating costs 2 (machinery maintenance)	1,725,000	2,040,938	2,308,359	2,597,421	2,909,618	3,246,541	3,609,883	4,001,442	4,210,748	4,421,285
Operating costs 3 (direct electricity)	1,760,004	1,956,964	2,197,630	2,461,565	2,751,771	3,071,621	3,424,897	3,815,844	4,053,702	4,315,347
Operating costs 4 (direct water)	431,250	534,531	633,359	746,608	876,172	1,024,184	1,193,036	1,385,416	1,527,307	1,680,038
Total cost of sales	631,621,532	747,070,972	844,852,466	950,564,059	1,064,757,268	1,188,019,241	1,320,974,974	1,464,289,661	1,541,335,881	1,618,917,416
Gross Profit	70,841,593	84,049,801	95,169,180	107,170,746	120,111,957	134,053,509	149,059,481	165,197,486	173,385,979	181,540,538
<i>General administration & selling expenses</i>										
Administration expense	6,420,000	7,062,000	7,768,200	8,545,020	9,399,522	10,339,474	11,373,422	12,510,764	13,761,840	15,138,024
Administration benefits expense	642,000	706,200	776,820	854,502	939,952	1,033,947	1,137,342	1,251,076	1,376,184	1,513,802
Electricity expense	368,928	405,821	446,403	491,043	540,147	594,162	653,578	718,936	790,830	869,913
Water expense	321,000	353,100	388,410	427,251	469,976	516,974	568,671	625,538	688,092	756,901
Gas expense	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Travelling expense	321,000	353,100	388,410	427,251	469,976	516,974	568,671	625,538	688,092	756,901
Communications expense (phone, fax, mail, internet, etc.)	192,600	211,860	233,046	256,351	281,986	310,184	341,203	375,323	412,855	454,141
Office vehicles running expense	645,110	709,621	780,583	858,641	944,505	1,038,955	1,142,851	1,257,136	1,382,850	1,521,135
Office expenses (stationary, entertainment, janitorial services, etc)	321,000	353,100	388,410	427,251	469,976	516,974	568,671	625,538	688,092	756,901
Promotional expense	31,610,841	30,030,299	28,528,784	27,102,344	25,747,227	24,459,866	23,236,873	22,075,029	20,971,278	19,922,714
Insurance expense	839,084	755,175	671,267	587,359	503,450	1,490,449	1,299,450	1,108,451	917,452	726,453
Professional fees (legal, audit, consultants, etc.)	1,404,926	1,662,242	1,880,043	2,115,470	2,369,738	2,644,146	2,940,069	3,258,974	3,429,444	3,600,916
Depreciation expense	2,810,084	2,810,084	2,810,084	2,810,084	2,810,084	5,166,259	5,166,259	5,166,259	5,166,259	5,166,259
Amortization of pre-operating costs	361,160	361,160	361,160	361,160	361,160	-	-	-	-	-
Amortization of legal, licensing, and training costs	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Bad debt expense	14,049,263	13,346,799	12,679,459	12,045,486	11,443,212	10,871,052	10,327,499	9,811,124	9,320,568	8,854,539
Miscellaneous expense 1	642,000	706,200	776,820	854,502	939,952	1,033,947	1,137,342	1,251,076	1,376,184	1,513,802
Subtotal	61,038,994	59,922,760	58,980,498	58,273,574	57,808,710	60,659,993	60,598,194	60,807,686	61,128,634	61,723,878
Operating Income	9,802,599	24,127,041	36,188,682	48,897,172	62,303,247	73,393,516	88,461,287	104,389,800	112,257,345	119,816,660
Other income (interest on cash)	103,648	293,893	621,709	950,326	1,334,312	1,712,740	2,112,068	2,626,769	3,167,065	4,936,341
Gain / (loss) on sale of machinery & equipment	-	-	-	-	6,712,669	-	-	-	-	-
Gain / (loss) on sale of office equipment	-	-	-	-	411,340	-	-	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	516,088	-	-	-	-	-
Earnings Before Interest & Taxes	9,906,247	24,420,934	36,810,391	49,847,497	71,277,656	75,106,256	90,573,354	107,016,569	115,424,410	124,753,000
Earnings Before Tax	9,906,247	24,420,934	36,810,391	49,847,497	71,277,656	75,106,256	90,573,354	107,016,569	115,424,410	124,753,000
Tax	2,587,186	7,667,327	12,003,636	16,566,624	24,067,179	25,407,189	30,820,674	36,575,799	39,518,543	42,783,550
NET PROFIT/(LOSS) AFTER TAX	7,319,061	16,753,607	24,806,754	33,280,874	47,210,477	49,699,067	59,752,681	70,440,770	75,905,867	81,969,451

12.2 Balance Sheet

Calculations											SMEDA
Balance Sheet											
Assets	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Current assets</i>											
Cash & Bank	4,017,603	4,274,222	19,237,187	30,499,540	45,526,512	61,218,460	75,800,758	93,164,657	116,976,865	136,388,360	258,518,897
Accounts receivable		57,736,695	63,023,996	72,786,675	82,099,580	92,161,809	103,025,013	114,744,132	127,377,600	137,433,247	144,459,444
Finished goods inventory		27,461,806	31,228,047	35,307,267	39,717,161	44,480,721	49,622,425	55,168,328	61,146,162	64,222,328	67,454,892
Equipment spare part inventory	143,750	178,582	212,081	250,570	294,722	345,292	403,132	469,203	518,433	571,572	-
Raw material inventory	26,013,032	32,316,245	38,378,138	45,343,198	53,332,884	62,484,068	72,950,918	84,906,997	93,815,701	103,431,810	-
Pre-paid insurance	839,084	755,175	671,267	587,359	503,450	1,490,449	1,299,450	1,108,451	917,452	726,453	-
Total Current Assets	31,013,469	122,722,724	152,750,715	184,774,609	221,474,309	262,180,800	303,101,696	349,561,767	400,752,212	442,773,771	470,433,234
<i>Fixed assets</i>											
Land	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Building/Infrastructure	12,365,850	11,747,558	11,129,265	10,510,973	9,892,680	9,274,388	8,656,095	8,037,803	7,419,510	6,801,218	6,182,925
Machinery & equipment	16,781,673	15,103,506	13,425,338	11,747,171	10,069,004	29,808,976	25,988,995	22,169,014	18,349,032	14,529,051	10,709,070
Furniture & fixtures	499,100	449,190	399,280	349,370	299,460	249,550	199,640	149,730	99,820	49,910	-
Office vehicles	1,290,219	1,032,175	774,132	516,088	258,044	2,077,911	1,662,329	1,246,747	831,164	415,582	-
Office equipment	1,028,350	822,680	617,010	411,340	205,670	1,312,464	1,049,971	787,478	524,986	262,493	-
Total Fixed Assets	35,965,192	33,155,108	30,345,024	27,534,941	24,724,857	46,723,288	41,557,030	36,390,771	31,224,512	26,058,253	20,891,994
<i>Intangible assets</i>											
Pre-operation costs	1,805,800	1,444,640	1,083,480	722,320	361,160	-	-	-	-	-	-
Legal, licensing, & training costs	300,000	270,000	240,000	210,000	180,000	150,000	120,000	90,000	60,000	30,000	-
Total Intangible Assets	2,105,800	1,714,640	1,323,480	932,320	541,160	150,000	120,000	90,000	60,000	30,000	-
TOTAL ASSETS	69,084,460	157,592,473	184,419,220	213,241,869	246,740,326	309,054,088	344,778,725	386,042,538	432,036,724	468,862,024	491,325,228
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		81,188,951	96,076,624	108,905,498	122,829,638	137,932,923	154,305,648	172,045,040	190,669,217	201,226,432	197,824,302
Total Current Liabilities	-	81,188,951	96,076,624	108,905,498	122,829,638	137,932,923	154,305,648	172,045,040	190,669,217	201,226,432	197,824,302
<i>Shareholders' equity</i>											
Paid-up capital	69,084,460	69,084,460	69,084,460	69,084,460	69,084,460	69,084,460	69,084,460	69,084,460	69,084,460	69,084,460	69,084,460
Retained earnings		7,319,061	19,258,135	35,251,911	54,826,228	102,036,705	121,388,617	144,913,038	172,283,047	198,551,131	224,416,465
Total Equity	69,084,460	76,403,521	88,342,595	104,336,372	123,910,688	171,121,165	190,473,077	213,997,499	241,367,507	267,635,592	293,500,926
TOTAL CAPITAL AND LIABILITIES	69,084,460	157,592,473	184,419,220	213,241,869	246,740,326	309,054,088	344,778,725	386,042,538	432,036,724	468,862,024	491,325,228

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		7,319,061	16,753,607	24,806,754	33,280,874	47,210,477	49,699,067	59,752,681	70,440,770	75,905,867	81,969,451
Add: depreciation expense		2,810,084	2,810,084	2,810,084	2,810,084	2,810,084	5,166,259	5,166,259	5,166,259	5,166,259	5,166,259
amortization of pre-operating costs		361,160	361,160	361,160	361,160	361,160	-	-	-	-	-
amortization of training costs		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Accounts receivable		(57,736,695)	(5,287,301)	(9,762,679)	(9,312,905)	(10,062,229)	(10,863,203)	(11,719,119)	(12,633,468)	(10,055,647)	(7,026,197)
Finished goods inventory		(27,461,806)	(3,766,241)	(4,079,220)	(4,409,894)	(4,763,560)	(5,141,704)	(5,545,903)	(5,977,833)	(3,076,167)	(3,232,564)
Equipment inventory	(143,750)	(34,832)	(33,498)	(38,489)	(44,152)	(50,570)	(57,841)	(66,070)	(49,230)	(53,139)	571,572
Raw material inventory	(26,013,032)	(6,303,212)	(6,061,894)	(6,965,059)	(7,989,686)	(9,151,185)	(10,466,849)	(11,956,080)	(8,908,703)	(9,616,109)	103,431,810
Advance insurance premium	(839,084)	83,908	83,908	83,908	83,908	(986,999)	190,999	190,999	190,999	190,999	726,453
Accounts payable		81,188,951	14,887,673	12,828,873	13,924,140	15,103,286	16,372,724	17,739,392	18,624,178	10,557,215	(3,402,130)
Cash provided by operations	(26,995,866)	256,619	19,777,499	20,075,332	28,733,529	40,500,463	44,929,452	53,592,158	66,882,970	69,049,278	178,234,653
<i>Financing activities</i>											
Issuance of shares	69,084,460	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	69,084,460	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(38,070,992)	-	-	-	-	(24,808,515)	-	-	-	-	-
Cash (used for) / provided by investing activities	(38,070,992)	-	-	-	-	(24,808,515)	-	-	-	-	-
NET CASH	4,017,603	256,619	19,777,499	20,075,332	28,733,529	15,691,948	44,929,452	53,592,158	66,882,970	69,049,278	178,234,653

12.4 Machinery Details

Sr. No	Machine Name	Quantity	Price per Unit (Rs.)	Cost (Rs.)
1	Soap Finishing Line	1	3,165,875	3,165,875
2	300L Vacuum Hydraulic Emulsifying Mixer	1	2,582,688	2,582,688
3	B·GFN-401Inner-heating Filling and Sealing Machine	1	2,332,750	2,332,750
4	300L Storage Tank	5	231,609	1,158,044
5	Packaging Machine	1	728,984	728,984
6	Stamping Die	1	133,300	133,300
	Total			10,101,641

12.5 Raw material Details

Raw Material (Cold Cream)

Sr. No.	Ingredients	Formula %	RM Required (Packing 100 ml)	RM Required (Packing 200 ml)	Annual Raw Material Requirement (Packing 100 ml)	Annual Raw Material Requirement (Packing 200 ml)	RM Price /ml	RM Cost (Packing 100 ml)	RM Cost (Packing 200 ml)
1	Mineral Oil	8.00%	8	16	2,070,000	2,070,000	4.00	8,280,000	8,280,000
2	Carbopol 934 (2% Aqueous)	5.00%	5	10	1,293,750	1,293,750	5.00	6,468,750	6,468,750
3	Beeswax	1.56%	1.56	3.12	403,650	403,650	10.25	4,137,413	4,137,413

4	Peg-100 Stearate	1.50%	1.5	3	388,125	388,125	8.59	3,333,994	3,333,994
5	Ceresin Wax	1.00%	1	2	258,750	258,750	10.25	2,652,188	2,652,188
6	Butylene Glycol	1.50%	1.5	3	388,125	388,125	6.00	2,328,750	2,328,750
7	Petrolatum (2.5 Soft)	1.00%	1	2	258,750	258,750	8.26	2,137,275	2,137,275
8	Glycerin	0.90%	0.9	1.8	232,875	232,875	5.13	1,194,649	1,194,649
9	Sorbitan Sesquioleate	0.90%	0.9	1.8	232,875	232,875	3.71	863,966	863,966
10	Sodium Behenoyl Lactylate	2.00%	2	4	517,500	517,500	1.25	646,875	646,875
11	Stearic Acid	0.30%	0.3	0.6	77,625	77,625	8.00	621,000	621,000
12	Cetyl Alcohol	0.30%	0.3	0.6	77,625	77,625	7.00	543,375	543,375
13	Glyceral Stearate	0.50%	0.5	1	129,375	129,375	4.00	517,500	517,500
14	Lavender Fragrance	0.20%	0.2	0.4	51,750	51,750	9.25	478,688	478,688
15	Triethanolamine	0.10%	0.1	0.2	25,875	25,875	10.00	258,750	258,750
16	Glydant Plus	0.10%	0.1	0.2	25,875	25,875	2.50	64,688	64,688
17	Vitamin E Acetate	0.01%	0.01	0.02	2,588	2,588	20.75	53,691	53,691
18	Dimethicone	0.10%	0.1	0.2	25,875	25,875	1.45	37,519	37,519
19	Glycolic Acid	0.02%	0.02	0.04	5,175	5,175	1.62	8,384	8,384
20	Hydroxycaprylic Acid	0.01%	0.01	0.02	2,588	2,588	1.26	3,260	3,260
21	Ascorbyl Palmitate	0.01%	0.01	0.02	2,588	2,588	1.15	2,976	2,976
22	Water	75.00%	74.99	149.98	19,403,663	19,403,663	-	-	-
								34,633,688	34,633,691
						Loss in production	2.00%	692,674	692,674
						Total Production Cost		35,326,362	35,326,365

Raw Material (Cleansing Cream)

Sr. No.	Ingredients	Formula %	RM Required (Packing 80 ml)	RM Required (Packing 150 ml)	Annual Raw Material Requirement (Packing 80 ml)	Annual Raw Material Requirement (Packing 150 ml)	RM Price /ml	RM Cost (Packing 80 ml)	RM Cost (Packing 150 ml)
1	Polyoxyethylene Sorbitan Mono Laurate	2.00%	1.6	3	621,000	414,000	98.67	61,277,091	40,851,394
2	Stearic Acid	5.00%	4	7.5	1,552,500	1,035,000	8.00	12,420,000	8,280,000
3	Isopropyl Myristate	3.00%	2.4	4.5	931,500	621,000	6.35	5,911,741	3,941,161
4	Glycerin	3.50%	2.8	5.25	1,086,750	724,500	5.13	5,575,028	3,716,685
5	Triethanolamine	1.50%	1.2	2.25	465,750	310,500	10.00	4,657,500	3,105,000
6	Sorbitan Monolaureate	2.00%	1.6	3	621,000	414,000	6.97	4,325,460	2,883,640
7	Mineral Oil	2.50%	2	3.75	776,250	517,500	4.00	3,105,000	2,070,000
8	Na-Lauryl SO4	2.00%	1.6	3	621,000	414,000	3.64	2,260,595	1,507,064
9	Lemon Peel	1.00%	0.8	1.5	310,500	207,000	5.79	1,797,595	1,198,397
10	Petrolatum	1.00%	0.8	1.5	310,500	207,000	3.34	1,035,859	690,573
11	Cetostearyl Alcohol	1.50%	1.2	2.25	465,750	310,500	1.68	781,243	520,829
12	Water	75.00%	60	112.5	23,287,500	15,525,000	-	-	-
								103,147,112	68,764,743
					Loss in production		1.50%	1,547,207	1,031,471
					Total Production Cost			104,694,319	69,796,214

Raw Material (Night Whitening Cream)

Sr. No.	Ingredient	Formula %	RM Required (Packing 50 ml)	RM Required (Packing 100 ml)	Annual Raw Material Requirement (Packing 50 ml)	Annual Raw Material Requirement (Packing 100 ml)	RM Price /ml	RM Cost (Packing 50 ml)	RM Cost (Packing 100 ml)
1	Helianthus Annuus (Sunflower) Seed Oil	4.00%	2	4	1,242,000	828,000	21.72	26,976,240	17,984,160
2	Corylus Avellana (Hazel) Seed Oil	4.00%	2	4	1,242,000	828,000	20.31	25,225,020	16,816,680
3	Butyrospermum Parkii (Shea) Butter	3.00%	1.5	3	931,500	621,000	19.57	18,231,318	12,154,212
4	Hydrogenated Lecithin (and) C12-16 Alcohols (and) Palmitic Acid	2.00%	1	2	621,000	414,000	25.63	15,916,230	10,610,820
5	Beeswax	2.10%	1.05	2.1	652,050	434,700	10.25	6,683,513	4,455,675
6	Glycerin	4.00%	2	4	1,242,000	828,000	5.13	6,371,460	4,247,640
7	Artocarpus Heterophyllus Seed Extract (and) Maltodextrin (and) Disodium Phosphate (and) Sodium Phosphate	1.00%	0.5	1	310,500	207,000	19.97	6,200,651	4,133,767

8	Glyceryl Caprylate	0.50%	0.25	0.5	155,250	103,500	30.46	4,728,915	3,152,610
9	Water (and) Glycerin (and) Cyathea Medullaris Leaf Extract	1.00%	0.5	1	310,500	207,000	14.92	4,631,729	3,087,819
10	Butylene Glycol (and) Vibrio Alginolyticus Ferment Filtrate	1.00%	0.5	1	310,500	207,000	13.72	4,261,414	2,840,943
11	Water (and) Glycerin (and) Rumex Occidentalis Extract	1.00%	0.5	1	310,500	207,000	11.51	3,573,147	2,382,098
12	Fragrance	0.40%	0.2	0.4	124,200	82,800	25.98	3,226,331	2,150,887
13	Tocopherol (and) Helianthus Annuus (Sunflower) Seed Oil	0.20%	0.1	0.2	62,100	41,400	28.27	1,755,789	1,170,526
14	Xanthan Gum	0.50%	0.25	0.5	155,250	103,500	7.77	1,205,842	803,895
15	Potassium Sorbate	0.30%	0.15	0.3	93,150	62,100	11.92	1,110,732	740,488
16	Water	75.00%	37.5	75	23,287,500	15,525,000	-	-	-
								130,098,331	86,732,220
						Loss in production	2.50%	3,252,458	2,168,305
						Total Production Cost		133,350,789	88,900,525

Raw Material (Massage Cream)

Sr. No.	Ingredients	Formula %	RM Required (Packing 75 ml)	RM Required (Packing 300 ml)	Annual Raw Material Requirement (Packing 75 ml)	Annual Raw Material Requirement (Packing 300 ml)	RM Price/ml	RM Cost (Packing 75 ml)	RM Cost (Packing 300 ml)
1	Ethylhexyl Palmitate	8.00%	6	24	2,484,000	1,656,000	1.84	4,570,560	3,047,040
2	Grapeseed Oil	3.60%	2.7	10.8	1,117,800	745,200	1.70	1,901,719	1,267,812
3	Cetyl Alcohol	3.25%	2.4375	9.75	1,009,125	672,750	1.62	1,637,810	1,091,873
4	Glycerin	1.00%	0.75	3	310,500	207,000	5.13	1,592,865	1,061,910
5	Cetearyl Alcohol (and) Cetareth-20	3.55%	2.6625	10.65	1,102,275	734,850	1.38	1,517,552	1,011,701
6	Caprylic/ Capric Triglycerides	2.00%	1.5	6	621,000	414,000	1.75	1,089,358	726,239
7	Distilled Water	75.00%	56.25	225	23,287,500	15,525,000	0.04	887,603	591,735
8	Sweet Almond Oil	1.50%	1.125	4.5	465,750	310,500	1.86	866,179	577,452
9	Glyceryl Stearate (and) PEG-100 Stearate	1.10%	0.825	3.3	341,550	227,700	1.52	518,507	345,671
10	Germaben II	1.00%	0.75	3	310,500	207,000	1.38	427,621	285,080
		100.00%						15,009,774	10,006,513
						Loss in production	2.00%	300,195	200,130
						Total Production Cost		15,309,969	10,206,643

Raw Material (Moisturizer/ Lotion)

Sr. No.	Ingredient	Formula %	RM Required (Packing 125 ml)	RM Required (Packing 300 ml)	Annual Raw Material Requirement (Packing 125 ml)	Annual Raw Material Requirement (Packing 300 ml)	RM Price/ ml	RM Cost (Packing 125 ml)	RM Cost (Packing 300 ml)
1	Hydroxyethyl cellulose (2% aq)	6.00%	7.5	18	1,863,000	1,242,000	2.90	5,408,289	3,605,526
2	PG	3.00%	3.75	9	931,500	621,000	1.91	1,781,396	1,187,597
3	Quaternium-22	2.00%	2.5	6	621,000	414,000	1.89	1,172,085	781,390
4	Aloe Vera Gel	2.00%	2.5	6	621,000	414,000	1.51	937,157	624,772
5	Diisopropyl adipate	2.00%	2.5	6	621,000	414,000	1.36	847,566	565,044
6	Cetyl alcohol	1.50%	1.875	4.5	465,750	310,500	1.62	755,912	503,942
7	Perfume, preservative	1.00%	1.25	3	310,500	207,000	1.97	610,909	407,273
8	Glyceryl Stearate	3.00%	3.75	9	931,500	621,000	0.61	572,779	381,853
9	Myristyle myristate	1.00%	1.25	3	310,500	207,000	1.76	547,256	364,838
10	PEG 40 Stearate	1.00%	1.25	3	310,500	207,000	1.62	503,942	335,961
11	Isopropyl Linoleate	2.00%	2.5	6	621,000	414,000	0.30	185,617	123,745
12	Ceteareath-20	0.50%	0.625	1.5	155,250	103,500	0.73	113,215	75,477
13	Water	75.00%	93.75	225	23,287,500	15,525,000	-	-	-
		100.00%						13,436,123	8,957,418
						Loss in production	2.50%	335,903	223,935

						Total Production Cost		13,772,026	9,181,353
--	--	--	--	--	--	--------------------------------------	--	-------------------	------------------

Raw Material (Beauty Soap)

Sr. No.	Ingredient	Formula %	RM Required (Packing 100 gm)	RM Required (Packing 300 gm)	Annual Raw Material Requirement (Packing 100 gm)	Annual Raw Material Requirement (Packing 300 gm)	RM Price/gm	RM Cost (Packing 100 gm)	RM Cost (Packing 300 gm)
1	Soap making Lye/ Caustic Soda	10.00%	10	30	6,900,000	10,350,000	1.67	11,516,704	17,275,056
2	Distilled Water	12.00%	12	36	8,280,000	12,420,000	1.04	8,611,372	12,917,058
3	Shortening/Vegetable Oil	26%	26	78	17,940,000	26,910,000	0.34	6,057,553	9,086,330
4	Aloe Vera Gel	5.00%	5	15	3,450,000	5,175,000	1.51	5,206,430	7,809,644
5	Oil/ Fragrance	3.00%	3	9	2,070,000	3,105,000	1.52	3,144,434	4,716,650
6	Coconut Oil	23.00%	23	69	15,870,000	23,805,000	0.03	538,787	808,180
7	Olive Oil	21.00%	21	63	14,490,000	21,735,000	0.02	239,904	359,856
								35,315,184	52,972,774
						Loss in production	1.50%	529,728	794,592
						Total Production Cost		35,844,912	53,767,366

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Operating Costs Growth Rate	5%
License Obtained	Rs. 300,000
Administration Benefits Expense	10.0% of Admin Expense
Travelling Expense	5.0% of Admin Expense
Communication Expense	3.0% of Admin Expense
Office Expenses (Stationary, Entertainment, Janitorial Services, Etc.)	5.0% of Admin Expense
Promotional Expense	4.50% of Revenue
Bad Debt Expense	2.00% of Revenue
Machinery And Equipment Insurance Rate	5.0%
Office Vehicles Insurance Rate	0.0%
Professional Fees (Legal, Audit, Consultants, Etc.)	0.2%
Depreciation Method	Straight Line
Depreciation Rate	5% on Building & Infrastructure 10% on Machinery & Equipment 20% on Office Equipment 10% on Furniture & Fixture 20% on Vehicle
Inflation Rate	10%
Electricity Growth Rate	10%
Water Price Growth Rate	10%
Gas Price Growth Rate	10%
Wage Growth Rate	10%

13.2 Production Cost Assumptions

Description	Cost per unit (Rs.)
Cold cream	
100 ml	Rs. 142.67
200 ml	Rs. 285.39
Cleansing Cream	
80 ml	Rs. 275.91
150 ml	Rs. 516.10
Night Whitening Cream	
50 ml	Rs. 217.87
100 ml	Rs. 435.75
Massage Cream	
75 ml	Rs. 41.12
300 ml	Rs. 164.48
Moisturizer/Lotion	
125 ml	Rs. 62.63
300 ml	Rs. 149.48
Beauty Soap	
100 gm	Rs. 53.68
300 gm (3 in one)	Rs. 160.53
Cost of Goods Sold Growth Rate	5%

13.3 Revenue Assumptions

Description	Details
Sale Price Growth Rate	5%
Production Capacity Utilization Year 1	60%
Production Capacity Utilization Growth Rate	5%
Maximum Capacity Utilization	95%
Hours Operational / Day	10

No. of Shifts	1
Shift Length (Hours)	10
Days Operational / Year	300

Small and Medium Enterprises Development Authority

HEAD OFFICE

4th Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road, Lahore
Tel: (92 42) 111 111 456, Fax: (92 42) 36304926-7

www.smeda.org.pk, helpdesk@smeda.org.pk

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