



Pre-feasibility Study

SMALL SIZE CORPORATE LAW PRACTICING FIRM

May 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

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Document Control

Document No.	196
Revision	
Prepared by	SMEDA-Punjab
Revision Date	
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2 EXECUTIVE SUMMARY

Corporate law includes those laws, rules, regulations and practices that govern the formation and operation of corporations.¹ This section of law is aimed at regulating the legal entities that exist to conduct business. Corporate law protects the rights and obligations of the people involved in forming, owning, operating and managing a corporation.

This Pre-feasibility document provides details for setting up a Small Size Corporate Practicing Law Firm (herein referred as corporate law firm). The proposed firm has a 100% capacity of handling 440 cases per year during 280 operating days in a year. During the first year of operation, the capacity utilization is assumed to be 60% which translates into 264 cases per year.

The Corporate Law Firm may be established in major cities such as Karachi, Lahore, Islamabad, Quetta, Peshawar, Hyderabad, Faisalabad, Sialkot, Multan, Gujranwala, Rawalpindi, etc. These cities are preferred because majority of businesses exist in these cities. Additionally, legal professionals also prefer to practice in big cities. However, there is a market for corporate law firm in smaller cities as well, where small and cottage businesses also need opinion on their legal issues.

The proposed project has a total investment of PKR 5.25 million. This includes capital investment of PKR 4.65 million and working capital of PKR 0.60 million. This project is financed through 100% equity. The Net Present Value (NPV) of project is PKR 13.92 million with an Internal Rate of Return (IRR) of 46% and a Payback period of 3.10 years. Further, the proposed project is expected to generate Gross Annual Revenues of PKR 8.31 million in 1st year after coming into operations, Gross Profit (GP) ratio ranging from of 52% to 74% and Net Profit (NP) ratio ranging from 3% to 34% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 54% (238 cases) with breakeven revenue of PKR 7.48 million.

The proposed project may also be established using leveraged financing. At 50% financing at a cost of KIBOR+3%, the proposed unit provides Net Present Value (NPV) of PKR 16.07 million, Internal Rate of Return (IRR) of 46% and Payback period of 3.09 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from 8% to 34% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 59% (261 cases) with breakeven revenue of PKR 8.20 million.

The proposed project will provide employment opportunities to 12 people. High return on investment and steady growth of business is expected with the professionals having some prior experience and expertise in the related field of business. The legal business status of this project is proposed as "Partnership Concern".

¹ A corporation is a legal entity that exists to conduct business.

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.

National Business Development Program for SMEs (NBDP) is a project of SMEDA, funded through Public Sector Development Program of Government of Pakistan.

The NBDP envisages provision of handholding support / business development services to SMEs to promote business startup, improvement of efficiencies in existing SME value chains to make them globally competitive and provide conducive business environment through evidence-based policy-assistance to the Government of Pakistan. The Project is objectively designed to support SMEDA's capacity of providing an effective handholding to SMEs. The proposed program is aimed at facilitating around 314,000 SME beneficiaries over a period of five years.

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 provide information to the potential investors about establishing a "Small Size Corporate Law Practicing Firm". The document provides a general understanding of the business to facilitate potential investors in crucial and effective 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 any investment decision.

5 BRIEF DESCRIPTION OF PROJECT & SERVICES

Corporate law includes those laws, rules, regulations and practices which govern the rights, relations, and conduct of persons, companies, organizations and businesses. A corporate lawyer represents different types of corporate entities. These include large corporations, associations, joint ventures, partnerships and sole proprietorships.

A number of services are provided by corporate law firm to its clients. These services usually relate to legal authorities and institutions of federal and/or provincial governments; such as SECP (Securities and Exchange Commission of Pakistan), Courts of Law, Department of Labor, Federal Board of Revenue (FBR), etc.

The proposed Small Sized Corporate Law Practicing Firm will be established by entrepreneurs that are practicing lawyers. The proposed corporate law firm should be established by the entrepreneur only if he/she has reasonable number of current clients to cover the overhead costs of the proposed business. A corporate law firm provides diverse services to its client. Such a firm:

- advises its clients about their rights, responsibilities and duties under the law.
- represents its clients in any legal dispute in court of law.
- advises its clients regarding labor or labor contract disputes, compensation issues, harassment suits or other workplace conflicts.
- provides services of drafting and negotiating contracts with third parties.
- provides help to its clients in compliance of national and international laws.
- provides services regarding restructuring, mergers and acquisitions. It provides guidance about the required documentation, explanation of the related laws and rules and any industry specific requirements.
- helps its clients in listing the client on the stock exchange.
- provides services related to registration of intellectual property.
- provides company formation and registration services to its clients.
- provides services to companies to achieve compliance to SECP requirements; such as filing of annual accounts, etc.
- provides sales and income tax filling services to its clients; represents its clients in FBR (Federal Board of Revenue) and in civil courts in tax related cases.

- assists its clients in formation and registration of partnerships.

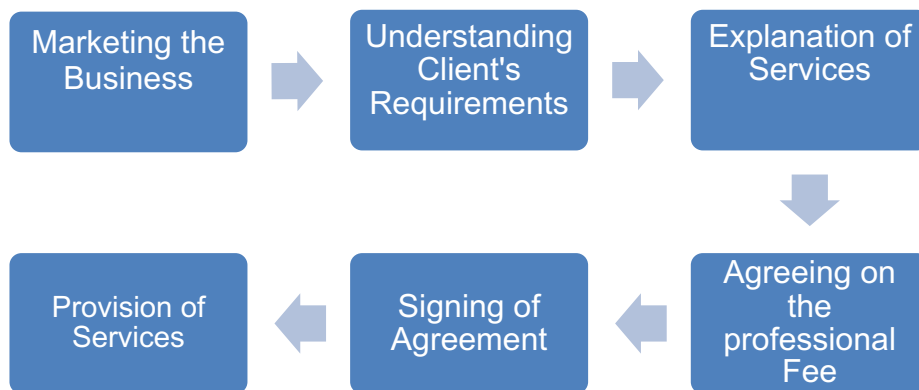
Demand for such services offer professionals an attractive opportunity to establish this business in the country with one of the highest ratios of pending litigation cases.

This document provides details for setting up a “Corporate Law Firm”. This business will involve resolving legal cases of clients and also providing compliance and corporate support services to the clients. The corporate law firm will hire qualified lawyers/advocates/barrister and trainees for provision of targeted services. The proposed corporate law firm can be established in any rented commercial building. The corporate law firm will employ 14 persons to manage the operations.

5.1 Process Flow

Small Size Corporate Law Practicing Firm service process flow is shown in Figure 1.

Figure 1: Process Flow



Marketing the Business

In the first step, the proposed business will be marketed to attract potential clients. Effective networking is the most important factor to get more and more clients. Considering the nature of services of corporate law firm, the entrepreneurs should focus on networking with key business officials, members of chamber of commerce. This networking helps in marketing the corporate law firm and attracting new clients.

Understanding Client's Requirements

After the potential client contacts the proposed law practicing firm, the lawyers undertake detailed discussions with the clients to understand their requirements and the legal issues faced by them.

Explanation of Services

The lawyers inform the potential client about the nature of legal services that can be provided to resolve the legal issues faced him. They also explain the process of providing those services, the scope of the services, the expected timeframe and the documentation or evidence required from the client.

Agreeing on the Professional Charges

After assessing the scope of services, the firm informs the client about its professional fees. The firm's representative negotiates with the client to agree on the professional fees for the required services.

Signing of Agreement for Appointing the Lawyer

After agreement on professional fees, the designated lawyer shares a contract with the client for signing. By signing this document, the client legally authorizes the lawyer to represent him in a court of law.

Provision of Legal Services

After formal appointment of lawyer, the corporate law firm will proceed with the provision of the required legal services.

5.2 Installed and Operational Capacities

The proposed Corporate Law Firm will have maximum operational capacity of handling 440 corporate cases in a year. It is assumed to deal with 264 cases in the first year of operation. The operational capacity will increase by 5% per year. Maximum operational capacity is estimated at 100% which is expected to be achieved during 9th year after commencement of operations.

The Corporate Law Firm would operate for 8 hours per day, working in one shift per day for 280 days in a year. Based on the calculations, the firm will attain a capacity of 60% during the initial year of operations.

The Installed and Operational Capacity of propose project based on working hours of Senior Attorney. Since Senior Attorney has the less working hours in the whole service process, he acts as the bottleneck and service capacity of firm based on his working hours which is 2,240 hours.

Table 1 depicts the service capacity of the proposed unit for the initial year.

Table 1: Service Capacity

Personnel	No of Persons (A)	Working Hours per day (B)	Annual Working Days (C)	Annual Working Hours (D=A*B*C)
Partners	2	8	280	4,480
Senior Attorney	1	8	280	2,240

Table 2: Service Capacity

Designation	Owner/ Partner			Senior Attorney			Junior Attorney			Support Staff			Time per Case	Total Charges per case
	Time ²	Charges per hour	Total	Time	Charges per hour	Total	Time	Charges per hour	Total	Time	Charges pr hour	Total	Hours	
Incorporation/ Registration of Businesses	2	3,500	7,000	4	2,000	8,000	4	1,500	6,000	9	500	4,500	19	25,500
Licencing and Statutory Approvals	2	4,000	8,000	4	2,000	8,000	4	1,500	6,000	9	500	4,500	19	26,500
Corporate Compliance and Filing	1	3,500	3,500	3	2,000	6,000	6	1,500	9,000	8	500	4,000	18	22,500
Contract management	4	4,000	16,000	8	2,000	16,000	6	1,500	9,000	11	500	5,500	29	46,500
Litigation Support	2	4,500	9,000	5	2,500	12,500	4	1,500	6,000	6	500	3,000	17	30,500
Taxation management Services	3	4,000	12,000	8	2,000	16,000	6	1,500	9,000	15	500	7,500	32	44,500

² Time spent per Case

Table 3: Service Capacity

Service Line	Share in Total Cases (A)	Available Working Hours (B) (Table 1)	Time Spent (Hours) (C=A*B)	Senior Attorney Time Per Case (D)	Maximum Annual Capacity (No. of cases) (E=C/D)	Annual Capacity@ 60%	Average Fees per Case (PKR)
Incorporation/ Registration of Businesses	10%	2,240	224	4	56	34	33,000
Licencing and Statutory Approvals	10%		224	4	56	34	33,000
Corporate Compliance and Filing	15%		336	3	112	67	28,500
Contract management	15%		336	8	42	25	56,000
Litigation Support	20%		448	5	90	54	32,500
Taxation management Services	30%		672	8	84	50	56,000
Total			2,240		440	264	

Maximum service capacity is defined in terms of the total number of hours available with the Senior Attorney. It is because he/she is the main link in the process. Every case has to be reviewed by him/her before partners may take a final decision on that.

6 CRITICAL FACTORS

Before making the decision to invest in Corporate Law Firm, careful analysis of the associated risk factors is required. Following factors are to be considered:

- Excellent knowledge of local corporate laws and regulations³
- Employment of qualified partners and attorney
- Awareness of current trends and legislative developments
- Ability to build and maintain strong client relationships
- Establishment of clear business strategy
- Strict compliance of code of ethics
- Good working atmosphere

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The cities of Karachi, Lahore, Islamabad, Quetta, Peshawar, Hyderabad, Faisalabad, Sialkot, Multan, Gujranwala, Rawalpindi, etc. have the potential for investment in the business of corporate law firm. These cities are preferred because existence of majority of businesses in these cities. The corporate law firm can also be established in smaller cities, where small and cottage businesses also require legal services.

Sialkot and Faisalabad are other metropolitan cities that have significant potential for establishing a corporate law firm because these are industrial cities. Well reputed professionals prefer these cities for doing legal practice.

8 POTENTIAL TARGET MARKETS

The potential target markets include the businessmen, public and private companies and partnership businesses. All of these businesses require services of corporate law firms to register and launch their businesses. There are many legal issues faced by these businesses which require the law specialists.

The potential of the proposed business can be easily assessed by large number of companies registered in Pakistan, along with a growth in the number of new companies. Total number of registered companies in 2021 was 143,416. During May 2021, 1,597 new companies were registered in Pakistan which was 107% higher compared to the corresponding period of last year. The newly registered companies

³ These include Companies Act, Income Tax Ordinance (Amended) 2001, Customs Act, Sales Tax Act, Partnership Act and sales tax laws of all the provinces of Pakistan.

included 519 in Islamabad, 513 in Lahore, 250 in Karachi, 116 in Peshawar, 88 in Multan, 62 in Faisalabad, 36 in Gilgit Baltistan, 11 in Quetta and 2 in Sukkur⁴.

In addition to companies, there were 64,336 registered AOPs (Association of Persons, or partnerships businesses) registered in Pakistan.⁵

9 PROJECT COST SUMMARY

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

The projected Income Statement, Cost of Goods Sold, Cash Flow Statement and Balance Sheet are attached as annexure of this document.

All the figures in this financial model have been calculated after carefully taking into account the relevant assumptions and target market.

9.1 Project Economics

The financial feasibility analysis provides the information regarding projected Internal Rate of Return (IRR), Net Present Value (NPV) and Payback period of the study, which is shown in Table 4.

Table 4: Financial Feasibility Analysis

Description	Values
IRR	46%
NPV (PKR)	13,916,894
Payback Period (years)	3.10
Projection Years	10
Discount Rate used for NPV	15%

9.1.1. Financial Feasibility with 50% Debt Financing

The financial feasibility analysis provides the information regarding projected IRR, NPV and payback period of the study on the basis of Debt: Equity Model (50:50), which is shown in in Table 5.

⁴<https://www.secp.gov.pk/wp-content/uploads/2021/06/Press-Release-June-4-SECP-witnesses-over-100-growth-in-company%E2%80%99s-incorporation.pdf>

⁵ <https://fbr.gov.pk/Categ/income-tax-directory/742>

Table 5: Financial Feasibility Debt Financing

Description	Values
IRR	46%
NPV (PKR)	16,071,303
Payback Period (years)	3.09
Projection Years	10
Discount Rate used for NPV	13%

9.1 Project Cost

Table 6 provides fixed and working capital requirements for establishment and operations of small size corporate law practicing firm.

Table 6: Project Cost

Description	Cost
Land	-
Building Renovation Cost	192,888
Furniture & fixtures	700,000
Office equipment	1,408,000
Office vehicles	1,596,500
Library Books	300,000
Security against building	228,000
Pre-operating costs	120,563
Incorporation costs	100,000
Total Capital Costs	4,645,951
Working Capital	
Upfront building rent	76,000
Upfront insurance payment	31,930
Cash	500,000
Total Working Capital	607,930
Total Project Cost	5,253,881

9.1.1 Land

This “Small Size Corporate Practicing Law Firm” will be established in a rented building to avoid the high cost of land. Suitable location for setting up a corporate law

firm can be easily found on rent. Therefore, no land cost has been added to the project cost. Total space requirement for the proposed center has been estimated as 1,272 sq. ft. (6 Marla).

Breakup of the space requirement is provided in Table 7.

Table 7: Breakup of Space Requirement

Description	% Break-Up	Number	Area Sq. Ft.
Partners' Office	19%	2	240
Senior Attorney's Office	6%	1	80
Attorney's Office	11%	1	144
Associate Lawyer's Work Station	12%	1	150
Trainees' Work Station	8%	1	100
Conference Room	12%	1	150
Waiting Area	6%	1	80
Reception/Admin/ Washrooms	15%	1	192
Kitchen	5%	1	64
Corridor	6%	1	72
Total	100%	11	1,272

9.1.2 Building and Renovation Cost

There will be no cost of building since the proposed business will be started in the rented premises. However, there will be a renovation cost required to make the building ready to use for the business. The proposed project requires electricity load of 2-3 KW for which an electricity connection under the General Supply Tariff-Commercial single phase will be required. Cost of such electricity connection has not been considered in this document since electricity connection is generally available in such buildings, which are offered for rent. Building rent of PKR 76,000 per month has been included in the operating cost.

Building renovation cost is shown in Table 8.

Table 8: Building Renovation Cost

Cost Item	UOM	Total Liter / Area / Number	Cost/Unit/ Sq.feet	Total Cost (PKR)
Paint Cost	Liter	14	500	6,880
Labour Cost	Feet	1,376	8	11,008

Wall Racks	Units	10	15,000	150,000
Curtains	Units	3	5,000	15,000
Blinds	Units	5	2,000	10,000
TOTAL (PKR)				192,888

9.1.3 Furniture & Fixtures Requirement

Table 9 provides details of the furniture and fixture requirement of the project.

Table 9: Furniture and Fixtures Requirement

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Executive Tables	3	30,000	90,000
Executive Chairs	3	20,000	60,000
Office Tables	2	25,000	50,000
Workstations	8	10,000	80,000
Office Chairs	10	10,000	100,000
Sofa Sets	3	35,000	105,000
Table for Guests	1	15,000	15,000
Conference Room Furniture	1	150,000	150,000
Fixture for Library and Record	1	50,000	50,000
Total			700,000

9.1.4 Office Equipment Requirement

Details of office equipment required for the project is provided in Table 10.

Table 10: Office Equipment Requirement

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Air Conditioners	5	90,000	450,000
Laptop / Computer	10	80,000	800,000
Printer	1	40,000	40,000
Multimedia Projector	1	50,000	50,000
Water Dispenser	1	20,000	20,000
Wi-Fi Router/ Internet Connection	1	5,000	5,000
Ceiling Fan	6	4,500	27,000

Exhaust Fan	2	2,000	4,000
Bracket Fan	3	4,000	12,000
Total	10		1,408,000

9.1.5 Office Vehicle Requirement

Details of office vehicle required for the project is provided in Table 11.

Table 11: Office Vehicle Requirement

Cost Item	Number of Vehicles	Unit Cost (PKR)	Registration Cost (PKR)	Total Cost (PKR)
Car	1	1,500,000	15,000	1,515,000
Motorcycle	1	80,000	1,500	81,500
Total	2			1,596,500

9.1.6 Library Books

Details for library books are provided in Table 12.

Table 12: Library Books

Particulars	No.	Unit Cost (PKR)	Cost (PKR)
Books ⁶	100	3000	300,000
Total Cost (PKR)			300,000

9.1.7 Security against building

Details of security against building in provided in Table 13.

Table 13: Security against Building

Description	Months	Per month rent	Total
Security against Building	3	76,000	228,000
Total			228,000

⁶ Books include corporate law books, Bare Acts, PSX ordinance and related material

9.1.8 Pre-operating Cost

Details of pre-operating cost for the proposed project are shown in Table 14.

Table 14: Pre-operating cost

Description	Per Month	Months Before operating	Total
Senior Attorney	75,000	1	75,000
Office Boy	20,000	1	20,000
Electricity			25,563
Total			120,563

9.1.9 Incorporation Cost

Details of incorporation cost for the project is shown in Table 15.

Table 15: Incorporation Cost

Description	Frequency	Number	Unit Cost	Total
Court License	One Time	2	40,000	80,000
Bar Council Membership	Annual	2	10,000	20,000
Total				100,000

9.2 Breakeven Analysis

Breakeven analysis is provided in Table 16.

Table 16: Breakeven Analysis

Particulars	Amount First Year (PKR)	Ratios
Sales	8,310,000	100%
Variable Cost	4,881,830	59%
Contribution	3,428,170	41%
Fixed Cost	3,085,930	37%
Breakeven Cases	238	
Breakeven Revenue	7,480,399	
Breakeven Capacity	54%	

9.3 Revenue Generation

Based on the 60% capacity utilization of the firm, services revenue during the first year of operations is estimated in Table 17.

Table 17: Revenue Generation

Service Line	Cases Entertained at Capacity of 60%(A)	Charges per case(B)	Revenue (PKR) (A*B)
Incorporation/ Registration of Businesses	34	25,500	856,800
Licencing and Statutory Approvals	34	26,500	890,400
Corporate Compliance and filling	67	22,500	1,512,000
Contract management	25	46,500	1,171,800
Litigation Support	54	30,500	1,647,000
Taxation management Services	50	44,500	2,242,800
Total	264		8,320,800

9.4 Variable Cost Estimate

Variable costs of the project have been provided in detail in Table 18.

Table 18: Variable Cost Estimate

Description	Cost
Direct Labor	3,840,000
Utilities – Direct	123,830
Library expense	60,000
Communications expense (phone, mail, internet, etc.)	132,000
Office vehicles running expense	330,000
Office expenses (stationery, entertainment, janitorial services, etc.)	396,000
Total Variable Cost	4,881,830

Table 19: Direct Labor

Description	Number of Employees	Monthly Salary (PKR)	Annual Salary (PKR)
Senior Attorney	1	75,000	900,000
Attorney	2	45,000	1,080,000
Associate Lawyer	3	35,000	1,260,000
Trainee	2	25,000	600,000
Total			3,840,000

Table 20: Variable Cost Assumptions

Description	Assumption
Library expense	20% of library books cost
Communications expense (phone, mail, internet, etc.)	10% of administration expenses
Office vehicles running expense	25% of administration expense %
Office expenses (stationery, entertainment, janitorial services, etc.)	30% of administration expense %

9.5 Fixed Cost Estimate

Details of fixed cost for the project are provided in Table 21.

Table 21: Fixed Cost Estimate

Description	Amount per annum
Management Staff salaries	1,320,000
Building rental expense	912,000
Utilities	182,924
Insurance expense	31,930
Depreciation expense	604,964
Amortization of pre-operating costs	24,113
Amortization of legal, licensing, and training costs	10,000
Total Fixed Cost	3,085,930

Table 22: Management Staff

Description	Number Of Employees	Monthly Salary	Annual Salary
Accounts & Admin officer	1	45,000	540,000
Receptionist	1	25,000	300,000
Security Guard	1	20,000	240,000
Office Boy	1	20,000	240,000
Total			1,320,000

Table 23: Fixed Cost Assumptions

Description	Assumption
Insurance expense	2% of vehicle cost
Depreciation expense	
Building Renovation Cost	10% of renovation cost
Office Equipment/Vehicle/Furniture and Fixture	15% of cost

9.6 Human Resource Requirement

For proposed project, professional staff include two partners, senior attorney, Junior attorney and support staff. The role of partners and senior attorney is to hold initial meeting with client, reaching an agreement, negotiation on fee, represent the client on legislative institution (FBR, Courts,). The role of junior attorney is reviewing the draft case prepared by support staff and support staff research and prepared the draft case. The partners will receive share in the profit; therefore, no salary expenses is added in operational cost for them. For the 1st year of operations, the human resource requirements are projected in Table 24.

Table 24: Human Resource Requirement

Description	Number Of Employees	Monthly Salary	Annual Salary
Senior Attorney	1	75,000	900,000
Attorney	2	45,000	1,080,000
Associate Lawyer	3	35,000	1,260,000
Trainee	2	25,000	600,000
Accounts & Admin officer	1	45,000	540,000
Receptionist	1	25,000	300,000
Security Guard	1	20,000	240,000
Office Boy	1	20,000	240,000
Total	12		5,160,000

10 CONTACT DETAILS

Details of Law firms, furniture & fixture and office equipment suppliers are provided in Table 25.

Table 25: Contact Details

Particulars	City	Contact Number	Email
Zafar & Associates-LLP	Lahore	0300-8443990	law@zallp.com
Hamza and Hamza Law Associates	Lahore	0300-8447469	info@hamzaandhamza.com
Frasat & Partners	Lahore	0321-4321202	info@fplawfirm.org
Law Society Pakistan	Lahore	0332 4722227	avaisilyas@aol.com
Pakistan Law House	Karachi	0300-8238931	
Federal Law House	Peshawar	0341-9016151	
Muneeb Law Book House	Lahore	0332-4659394	
Islamabad Law Book House	Islamabad	0322-8539366	
Furniture Edge	Lahore	(042)-37429292	
Office Chair Manufacturer	Karachi	0312-2413088	
Interwood Peshawar	Peshawar	(091)-5702847	

11 USEFUL LINKS

Table 26: Useful Links

Name of Organization	Website
Small and Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
National Business Development Program (NBDP)	www.nbdp.org.pk
Government of Pakistan	www.pakistan.gov.pk
Security and Exchange Commission of Pakistan	www.secp.gov.pk
State Bank of Pakistan	www.sbp.gov.pk
Lahore Bar Association	www.lahorebarassociation.pk/
Karachi Bar Association	www.supremecourt.gov.pk/delegation-of-karachi-bar-association-calls-on-hcjp/
Khyber Pakhtunkhwa Bar Council	www.kpbarcouncil.com/contact.php
Balochistan Bar Council	www.bbcq.org.pk
AJK Bar Council	www.ajkbarcouncil.com
Ministry of Law and Justice	www.molaw.gov.pk/
Punjab Law Department	law.punjab.gov.pk/
Law, Parliamentary Affairs & Criminal Prosecution Department	sindhlaws.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	8,310,000	9,765,411	11,351,806	13,260,658	15,302,250	17,603,312	20,155,924	23,038,086	26,244,692	28,423,002
<i>Cost of sales</i>										
Utilities - Direct	123,830	134,727	146,583	159,482	173,516	188,786	205,399	223,474	243,140	264,536
Direct Labor	3,840,000	4,120,320	4,421,103	4,743,844	5,090,145	5,461,725	5,860,431	6,288,242	6,747,284	7,239,836
Total cost of sales	3,963,830	4,255,047	4,567,686	4,903,326	5,263,661	5,650,511	6,065,830	6,511,716	6,990,424	7,504,372
Gross Profit	4,346,170	5,510,364	6,784,120	8,357,332	10,038,589	11,952,801	14,090,094	16,526,369	19,254,269	20,918,630
<i>General administration & selling expenses</i>										
Management Staff salaries	1,320,000	1,416,360	1,519,754	1,630,696	1,749,737	1,877,468	2,014,523	2,161,583	2,319,379	2,488,694
Building rental expense	912,000	987,696	1,069,675	1,158,458	1,254,610	1,358,742	1,471,518	1,593,654	1,725,927	1,869,179
Utilities	182,924	199,021	216,535	235,590	256,322	278,879	303,420	330,121	359,171	390,779
Library expense	60,000	64,200	68,694	73,503	78,648	84,153	90,044	96,347	103,091	110,308
Communications expense (phone, fax, mail, internet, etc.)	132,000	141,636	151,975	163,070	174,974	187,747	201,452	216,158	231,938	248,869
Office vehicles running expense	330,000	353,100	377,817	404,264	432,563	462,842	495,241	529,908	567,001	606,692
Office expenses (stationery, entertainment, janitorial services, etc)	396,000	424,908	455,926	489,209	524,921	563,240	604,357	648,475	695,814	746,608
Insurance expense	31,930	27,141	22,351	17,562	12,772	7,983	3,193	65,048	55,291	45,533
Depreciation expense	604,964	604,964	604,964	604,964	604,964	604,964	419,739	899,107	899,107	899,107
Amortization of pre-operating costs	24,113	24,113	24,113	24,113	24,113	-	-	-	-	-
Amortization of legal, licensing, and training costs	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Subtotal	4,003,930	4,253,138	4,521,804	4,811,428	5,123,623	5,436,018	5,613,487	6,550,401	6,966,719	7,415,768
Operating Income	342,240	1,257,226	2,262,316	3,545,905	4,914,966	6,516,784	8,476,607	9,975,969	12,287,550	13,502,862
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	352,000	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	399,125	-	-	-
Earnings Before Interest & Taxes	342,240	1,257,226	2,262,316	3,545,905	4,914,966	6,516,784	9,227,732	9,975,969	12,287,550	13,502,862
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	342,240	1,257,226	2,262,316	3,545,905	4,914,966	6,516,784	9,227,732	9,975,969	12,287,550	13,502,862
Tax	103,875	122,068	229,347	506,476	894,490	1,400,874	2,349,706	2,611,588	3,420,642	3,846,001
NET PROFIT/(LOSS) AFTER TAX	238,365	1,135,159	2,032,969	3,039,429	4,020,477	5,115,910	6,878,027	7,364,380	8,866,908	9,656,861

12.2 Balance Sheet

Calculations	SMEDA										
Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
<i>Current assets</i>											
Cash & Bank	500,000	990,136	2,467,551	4,456,079	6,957,025	9,845,510	13,110,666	14,581,669	17,996,395	22,075,221	26,344,703
Accounts receivable		341,507	371,413	433,915	505,736	586,909	676,142	775,875	887,548	1,012,660	1,123,309
Pre-paid building rent	76,000	82,308	89,140	96,538	104,551	113,229	122,626	132,804	143,827	155,765	-
Pre-paid insurance	31,930	27,141	22,351	17,562	12,772	7,983	3,193	65,048	55,291	45,533	-
Total Current Assets	607,930	1,441,091	2,950,454	5,004,094	7,580,083	10,553,630	13,912,627	15,555,396	19,083,061	23,289,179	27,468,012
<i>Fixed assets</i>											
Building/Infrastructure	192,888	173,599	154,310	135,022	115,733	96,444	77,155	57,866	38,578	19,289	-
Furniture & fixtures	700,000	595,000	490,000	385,000	280,000	175,000	70,000	-	-	-	-
Office vehicles	1,596,500	1,357,025	1,117,550	878,075	638,600	399,125	159,650	3,252,387	2,764,529	2,276,671	1,788,813
Office equipment	1,408,000	1,196,800	985,600	774,400	563,200	352,000	140,800	2,413,065	2,051,105	1,689,145	1,327,186
Library Books	300,000	270,000	240,000	210,000	180,000	150,000	120,000	90,000	60,000	30,000	-
Security against building	228,000	228,000	228,000	228,000	228,000	228,000	228,000	228,000	228,000	228,000	228,000
Total Fixed Assets	4,425,388	3,820,424	3,215,460	2,610,497	2,005,533	1,400,569	795,605	6,041,318	5,142,212	4,243,105	3,343,999
<i>Intangible assets</i>											
Pre-operation costs	120,563	96,450	72,338	48,225	24,113	-	-	-	-	-	-
Legal, licensing, & training costs	100,000	90,000	80,000	70,000	60,000	50,000	40,000	30,000	20,000	10,000	-
Total Intangible Assets	220,563	186,450	152,338	118,225	84,113	50,000	40,000	30,000	20,000	10,000	-
TOTAL ASSETS	5,253,881	5,447,965	6,318,252	7,732,816	9,669,729	12,004,199	14,748,232	21,626,714	24,245,273	27,542,284	30,812,011
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		3,393	3,691	4,016	4,369	4,754	5,172	5,627	6,123	6,661	7,248
Total Current Liabilities	-	3,393	3,691	4,016	4,369	4,754	5,172	5,627	6,123	6,661	7,248
Total Long Term Liabilities	-	-	-	-	-	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	5,253,881	5,253,881	5,253,881	5,253,881	5,253,881	5,253,881	5,253,881	5,253,881	5,253,881	5,253,881	5,253,881
Retained earnings		190,692	1,060,680	2,474,919	4,411,478	6,745,564	9,489,179	16,367,206	18,985,269	22,281,742	25,550,882
Total Equity	5,253,881	5,444,573	6,314,561	7,728,800	9,665,359	11,999,445	14,743,060	21,621,087	24,239,150	27,535,623	30,804,763
TOTAL CAPITAL AND LIABILITIES	5,253,881	5,447,965	6,318,252	7,732,816	9,669,729	12,004,199	14,748,232	21,626,714	24,245,273	27,542,284	30,812,011

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		238,365	1,135,159	2,032,969	3,039,429	4,020,477	5,115,910	6,878,027	7,364,380	8,866,908	9,656,861
Add: depreciation expense		604,964	604,964	604,964	604,964	604,964	604,964	419,739	899,107	899,107	899,107
amortization of pre-operating costs		24,113	24,113	24,113	24,113	24,113	-	-	-	-	-
amortization of training costs		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Accounts receivable		(341,507)	(29,906)	(62,503)	(71,820)	(81,173)	(89,233)	(99,733)	(111,673)	(125,112)	(110,649)
Pre-paid building rent	(76,000)	(6,308)	(6,832)	(7,399)	(8,013)	(8,678)	(9,398)	(10,178)	(11,023)	(11,938)	155,765
Advance insurance premium	(31,930)	4,790	4,790	4,790	4,790	4,790	4,790	(61,855)	9,757	9,757	45,533
Accounts payable		3,393	299	325	353	385	418	455	495	539	586
Cash provided by operations	(107,930)	537,809	1,742,586	2,607,258	3,603,815	4,574,876	5,637,451	7,136,455	8,161,043	9,649,261	10,657,203
<i>Financing activities</i>											
Issuance of shares	5,253,881	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activities	5,253,881	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(4,645,951)	-	-	-	-	-	-	(5,665,452)	-	-	-
Acquisitions											
Cash (used for) / provided by investing activities	(4,645,951)	-	-	-	-	-	-	(5,665,452)	-	-	-
NET CASH	500,000	537,809	1,742,586	2,607,258	3,603,815	4,574,876	5,637,451	1,471,003	8,161,043	9,649,261	10,657,203

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Table 27: Operating Cost Assumptions

Description	Details
Building rent growth rate	10%
Furniture and fixture depreciation	15%
Vehicle depreciation	15%
Office equipment depreciation	15%
Inflation rate	8.3%
Wage growth rate	7.3%
Electricity price growth rate	8.8%
Office equipment price growth rate	8.0%
Office vehicle price growth rate	10.7%

13.2 Revenue Assumptions

Table 28: Revenue Assumptions

Description	Details
Price growth rate	8.3%
Initial capacity utilization	60%
Capacity growth rate	5%
Maximum capacity utilization	100%

13.3 Financial Assumptions

Table 29: Financial Assumptions

Description	Details
Project life (Years)	10
Debt: Equity	0:100
Discount Rate used for NPV	15%
Discount Rate used for NPV (50:50 Debt: Equity)	13%

13.4 Cash Flow Assumptions

Table 30: Cash Flow Assumptions

Description	Days
Accounts receivable	15
Accounts payable	10

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