



Pre-feasibility Study

RETAIL STORE FOR SPORTING AND RECREATIONAL GOODS AND SUPPLIES

November 2019

“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 have 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 to be obtained by the user. 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 making any decision to act upon the information.

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2 EXECUTIVE SUMMARY

Sports and other recreational activities help maintain physical and mental well-being. Sports and recreation retail stores sell equipment, apparel, and supplies needed for various indoor and outdoor sports and recreational activities. These stores sell these products to individual consumers as well as to sports teams and recreational facilities/gyms. Since more and more people are aiming to be fit and active nowadays, opening up a sports and recreation equipment store can be a profitable and rewarding venture.

The proposed retail store will sell sports and recreational goods and supplies. Cricket, football, table tennis, hockey, badminton, carrom, basketball, tennis, volleyball, golf, squash and cycling are covered in sports goods and supplies. Treadmill, yoga accessories, dumbbells, weights & bars, Abs exercise machines, fishing and camping equipment are covered in recreational goods and supplies. Major suppliers of sports goods and supplies are located at Sialkot from where the major share of supplies of goods is purchased. Recreational goods and supplies are purchased from Lahore, Karachi, Gujranwala and Multan. The shop sells sports goods and recreational goods of both local and imported origins.

The retail store should be ideally located in large cities like Karachi, Lahore, Islamabad, Peshawar, Rawalpindi, Quetta, Faisalabad, Sialkot, Hyderabad, Gujranwala, Multan, Sukkur, Gilgit, Muzaffarabad, Mardan or any other medium city/town of Pakistan. These locations are preferred because majority of the population in such large cities have interest to participate in sport and recreational activities. The potential of operating a retail store for sports and recreational items is evident from the fact that all the provincial governments of Pakistan have allocated a specific budget for building new sports facilities throughout the provinces. Such projects are expected to directly generate demand for projects like the proposed retail store.

The proposed retail store is planned to be open for 12 hours every day for 300 days a year. The proposed retail store will have 100% capacity of selling 60,269 units of sports items and 24,923 units of recreational items. During the 1st year of operations, it is assumed that the retail store will operate at 50% of its total capacity, which is 30,135 units of sports items and 12,461 units of recreational items. The capacity utilization is assumed to increase at a rate of 5% per annum with the maximum sales capacity of 95% will be achieved in 10th year of operations.

The business of “Retail store for Sporting and Recreational Goods and Supplies” (hereinafter referred to as retail store) will be set up in a rented building with an area of 1,235 sq. ft. (5.5 Marla). The project requires a total investment of PKR 9.87 million. This includes a capital investment of PKR 4.67 million and working capital of PKR 5.2 million. The project is financed through 100% equity. The Net Present Value (NPV) of the project is PKR. 14.79 million, with an Internal Rate of Return (IRR) of 47% and a payback period of 2.52 years. Further, this project is expected to generate Gross Annual Revenue of PKR 37.50 million during 1st year, with Gross Profit (GP) ratio

ranging from 27% to 30% and Net Profit (NP) ratio ranging from 6% to 11% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 66% at breakeven revenue of PKR 24.91 million during first year.

The proposed project may also be established using leveraged financing. At 50% debt at a cost of KIBOR+3%, the proposed project provides Net Present Value (NPV) of PKR 20.34 million, Internal Rate of Return (IRR) of 47% and Payback period of 2.56 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from 5% to 11% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 70% with annual revenue of PKR 26.23 million.

As evident from the above financial figures, the proposed project for “Retail Store for Sporting and Recreational Goods and Supplies” shows reasonable profitability and is economically and financially viable.

The proposed project will provide employment opportunities to 10 people having some prior experience of the retail business. The legal form of this project is proposed as “Sole Proprietorship”.

3 INTRODUCTION TO SMEDA

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

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectorial 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 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 business of "Retail store for Sporting and Recreational Goods and Supplies". 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 setup 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 & PRODUCTS

According to the COMPASS project carried out by European Union Sports Federations in 2003, "Sports represent all forms of physical activity which, through casual or organized participation, aim at expressing or improving physical fitness and mental well-being, forming social relationships or obtaining results in competition at all levels".

Retail business is the sale of goods to general public in relatively smaller volumes. The proposed project is based on Business-to-Consumer (B2C) model. B2C is the retail model in which the businesses sell products, services, or information directly to consumers; unlike B2B model where the products, services, or information are sold to other businesses instead of final consumers. The proposed project targets to sell sporting and recreational goods and supplies. These products will be sold to different segments of the market; defined by different demographic factors; such as age, income, or specific interests of different types of customers.

In retail business, margin concept is used to calculate profit percentages on selling price. Margin is an accounting concept that is applied to the selling price of an item to assist the retailer to determine the best-selling price of the product.

According to the primary market research, for sports items, the margin ranges from 25% to 35%; whereas for recreational items, the margin ranges from 35% to 45%. In the proposed project, the margin for sports items has been assumed to be 30% and for recreational items to be 40%.

Pakistan is a sport-loving country and sports activity in Pakistan is a significant part of the local culture. Pakistan participates in all the major international sports events; like Olympic Games, Commonwealth games, Asian games, Islamic games, South Asian games, etc. While the National game of Pakistan is Field Hockey, Cricket holds the status of the most popular sport in Pakistan. Over recent years, there has been an increase in sporting activity in Pakistan, with Pakistani sportsmen and women participating at many national and international events.

Over times, changing lifestyles, introduction of new techniques and methods for relaxation and meditation, introduction of new recreational activities and need to keep oneself physically fit and active has also created a vibrant demand for recreational items in Pakistan.

Sports Considered in the Proposed Project

For the proposed project, the following sports have been considered, based on the popularity of these sports in Pakistan.

Cricket

Cricket is the most popular sport of Pakistan. Both tape ball and hardball cricket are equally popular in all parts of the country. Hardball cricket requires more safety equipment (batting pads, helmets, gloves, wicket keeping items, etc.) than that required for tape ball cricket.

Hockey

Hockey is the national sport of Pakistan. Pakistan has been one of the most successful teams in international competitions, having won Hockey World Cup title four times. Hockey is popular mainly in the province of Punjab and Sindh.

Badminton

Badminton is popular in Pakistan as it is a sport which is a low-cost sport and can be played anywhere requiring just two players. The sport is played in tournaments in the schools, colleges and universities of Pakistan.

Table Tennis

Table tennis is a popular sport enjoyed worldwide. Table tennis matches may be played between two players (single) or four players (doubles). This sport is equally popular among teenagers and old age people. This sport is commonly played in colleges and universities.

Football

Football is another sport, popular among the local youth. This sport is popular among teenagers. The sport is played in schools, colleges and universities of Pakistan. Pakistan is also ranked as one of the largest football manufacturers and exporters in the world.

Carrom Board

Carrom Board is a popular indoor game in Pakistan. Two or four people can play carrom board. Clubs and cafés hold regular tournaments of Carrom. Carrom is commonly played by families and is equally popular in persons of all ages.

Basketball

Basketball was introduced in the Punjab by the early 1900s. Basketball is a much liked sports by young people in Pakistan.

Volley ball

Volleyball is a team sport in which two teams of six players play the game from across two sides of a net. This game is most popular in semi urban and rural areas.

Tennis

Tennis is a racket sport that can be played individually against a single opponent or between two teams of two players each. Tennis is popular among the urban class of Pakistan.

Golf

Golf is a club-and-ball sport in which players use various clubs¹ to hit balls into a series of holes on a course, in as few strokes as possible. Golf is popular among elite class of Pakistan.

Squash

Squash is a racket and ball sport played by two players in a four-walled court with a small, hollow rubber ball. Since 1967, Pakistan has won 23 World Squash Team Open titles.²

Cycling

Cycling, also known as biking, is a popular leisure activity. Cycling is mainly an aerobic activity, which means that the heart, blood vessels and lungs all get a workout.

Recreational Products

The recreational products/items for the proposed project are selected in accordance with the results of market research. These items include treadmills, yoga accessories, dumbbells, weights and bars, abs exercise machines, fishing and camping equipment.

¹ A golf club is a club used to hit a golf ball in a game of golf.

²https://en.wikipedia.org/wiki/Squash_in_Pakistan#:~:text=Although%20hockey%20is%20the%20national,best%20part%20of%205%20decades.

Procurement of Sports and Recreational Items

The proposed retail shop will procure sports items from the manufacturers and wholesalers of sports items which are located mostly in Sialkot, Lahore, Gujranwala, Multan, Quetta, Peshawar and Karachi.

The recreational items will be procured from the local traders. These traders are located in all the major cities of Pakistan. The procured sports and recreational items will be transported to the retail store by using rented transportation facilities. The received items will be checked by the store staff and in case any item is found to be damaged, it is returned to the supplier. The proposed retail shop will maintain inventory of sports and recreational items for a period of 2 months. The shop is assumed to operate for 12 hours during weekdays.

The procurement for sports and recreational items is done on an average credit period of 30 days.

Advertisements of the Shop

Advertisement of the proposed retail shop is necessary to attract customers. Ads are placed in sports related websites. Local sport teams are sponsored to get business and to increase word of mouth advertisement.³

Storing of Items Received

The store staff will allocate unique item codes to the purchased items. These item codes will be entered in the inventory and sale management software, used by the retail store for maintaining inventory and recording sales.

Display of Items at the Retail Shop

A sample item of each category of sports and recreational item is displayed in the proposed retail store for the purpose of showcasing and attracting the attention of the customer towards the item. Sports and recreational items will be displayed in two separate sections of the shop.

Customer Dealing

The salesperson will provide advice and assistance to the customers at every stage of the buying process. After understanding the customer's requirements, the salesperson presents the customer with the available product options and guides her to make the right product choice.

Commission on Sales

The proposed retail store will have a policy of sales commission for its sales staff. According to the market norms, the sales staff will be given 5% commission on sale of recreational items and 2% on sale of sports items. There will be two sales persons for recreational items and two for sports items.

³ Word-of-mouth marketing (WOM marketing) is when a consumer's interest in a product or service is reflected in their daily dialogues.

Recording of Sales

The product unique item code placed on the sports/recreations item will be scanned by a barcode scanner which displays the item details and its price on the computer system of the cashier. After payment of the product, the cashier will record the sale in the cash register. The sale will also be recorded in the inventory management software, used for maintaining the required inventory levels of sports and recreational items. As per the market norms, the sales persons for recreational items will be paid more as compared to the sales person for sports items.

Payment and Delivery

All the sales will be made on a cash basis and only recreational items will be delivered to the customer premises through the retail store's carry van.

Return and Exchange

To meet the customer's expectations and to build goodwill among the customers, the proposed project will offer free return and exchange options to its customers.

5.1 Installed and Operational Capacities

The proposed retail store will operate for 12 hours a day for 300 days in a year. As per the primary market research, for a store of the assumed size, the sports items average daily sales ranges between PKR 100,000-120,000 and recreational goods average sales ranges between PKR 150,000-170,000. Higher sales of recreational goods are due to their higher prices. At the assumed 50% capacity utilization during the first year of operations, the proposed project is expected to generate per day sales of PKR 50,000 for sport items and PKR 75,000 for recreational goods. Sales is expected to increase 5% per year. Table 1 shows sales assumptions for the proposed project.

The data regarding the units sold is not available. The assumptions regarding the sales proportion of the products of sports and recreation in the proposed model is based on the results of primary market research.

As per the response received from the market research, the retail store whose size and structure match with the proposed retail store, can achieve daily sales volumes as mentioned in Table 1. Table 2 shows the sales ratio of sports and Table 3 recreational items which are also assumed on the basis of results of market research.

Table 1 Sale Assumptions

Items	Sports Items	Recreational Goods
Expected Sales per day (PKR)	50,000	75,000
No. of Days per year	300	300
Annual Sales in year 1 (PKR)	15,000,000	22,500,000
Assumed Margin	30%	40%
Cost of sales	70%	60%

Table 2: Sales Proportion of Sports Goods

Items	Margin (%)	Sales Proportion (%)	Annual Sales (PKR)
Cricket equipment	30%	25%	3,750,000
Foot ball		5%	750,000
Table Tennis		10%	1,500,000
Hockey		5%	750,000
Badminton		12%	1,800,000
Carrom		8%	1,200,000
Basketball		5%	750,000
Volley Ball		5%	750,000
Tennis		5%	750,000
Golf		5%	750,000
Squash		5%	750,000
Cycling		10%	1,500,000
Total (PKR)		100%	15,000,000

Table 3: Sales Proportion of Recreational Goods

Items	Margin (%)	Sales Proportion (%)	Annual Sales (PKR)
Treadmills	40%	25%	5,625,000
Yoga Accessories		25%	5,625,000
Dumbbells, Weights & Bars		20%	4,500,000
Ab Exercices		20%	4,500,000
Camping		7%	1,575,000
Fishing Equipment		3%	675,000
Total (PKR)		100%	22,500,000

6 CRITICAL FACTORS

The most critical considerations/factors for the success of this project are as follows:

- Competition from online e-commerce platforms
- Induction of trained sales personnel for effective customer handling
- Knowledge about the latest market trends
- Efficient management of stock
- Buying from reputable and trusted suppliers and;
- Local market competition

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The demand for setting up “Retail Store for Sporting and Recreational Goods and Supplies” will be higher in large cities because majority of the sporting indoor and outdoor facilities, grounds, sports clubs, stadiums more commonly exist in larger cities. Different types of leisure and sporting activities are becoming popular in the social circles of larger cities of Pakistan.

In view of this, the geographical potential of investment in this business is in the cities of Karachi, Lahore, Islamabad, Peshawar, Rawalpindi, Quetta, Faisalabad, Sialkot, Hyderabad, Gujranwala, Sukkur, Multan, Gilgit, Muzaffarabad, Bahawalpur, Mardan or any other major city of Pakistan. The reason for selecting these cities is their large populations and higher shares of upper-middle- and upper-income segments. Additionally, majority of sporting and recreational facilities like sports stadiums, play grounds, gyms, swimming pools, etc. are present in these cities. An important target market segment for such shops is represented by the people working in large multinational and local companies which also exist in these cities and their employees are interested in sports and recreations activities. The presence of a large number of schools and college students in these cities also makes it favorable to establish the proposed business in such large cities.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Revenue in sports and recreational activities in Pakistan is projected to reach US\$ 16 million in 2021. This revenue is expected to show an annual growth rate of 7.33% resulting in a projected market volume of 21 million US\$ by 2025. In sports and recreational segment, the number of users is expected to amount to 7.4 million users

by 2025. User penetration will be 2.2% in 2021 and is expected to hit 2.8% by 2025. The average revenue per user (ARPU) is expected to amount 3.18 US \$.⁴

The potential of retail store for sporting and recreational goods is evident from the following facts:

- 107 schemes have been approved for the development of sports facilities in different parts of Khyber Pakhtunkhwa.⁵
- Construction of sports complexes in 27 districts of Balochistan has been initiated.⁶
- PKR 700 million has been proposed for the establishment of sports facilities by the government of Sindh.⁷
- 25 new sports complexes are planned in Punjab in next financial year (2022-2023). As per the sports policy of Government of Punjab, as many as 1,400 grounds have been selected for building top-class sports infrastructure across the province.⁸

Currently, Pakistan's sport manufacturing industry is fulfilling country's sports and recreational equipment needs as well as exporting these products throughout the world. The retail facilities operating in Pakistan has no formal structure. It purchases goods and equipment from the manufacturers and sell them to end consumers.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of "Retail Store for Sporting and Recreational Goods and Supplies" Various costs 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 Annexure.

Project is proposed to be financed through 100% equity. Total project cost has been estimated to be PKR 9,868,061 which comprises of capital investment of PKR 4,668,061 and working capital of PKR 5,200,000.

⁴ <https://www.statista.com/outlook/dmo/ecommerce/toys-hobby-diy/sports-outdoor/pakistan>

⁵ <https://nation.com.pk/13-Aug-2020/ddwp-approves-107-uplift-schemes-worth-rs-748m-in-kp>

⁶ <https://tribune.com.pk/story/2315975/construction-of-sports-complexes-begins>

⁷ <https://www.thenews.com.pk/amp/848500-rs2-280m-sindh-package-proposed-for-sports-infrastructure>

⁸ <https://www.thenews.com.pk/print/832673-25-new-sports-complexes-planned-in-punjab-in-next-financial-year>

9.1 Initial Project Cost

The details of the initial project cost calculated for the Retail Store for Sporting and Recreational Goods and Supplies are shown in Table 4.

Table 4: Initial Project Cost Estimates

Particulars	Cost (PKR)	Reference
Land	-	9.1.1
Building / Infrastructure	366,415	9.1.2
Furniture & fixtures	890,000	9.1.3
Office vehicles	1,167,250	0
Office equipment	1,358,000	9.1.5
Pre-operating costs	286,396	9.1.6
Advance Against Building Rent	600,000	9.1.7
Total Capital Cost – (A)	4,668,061	
Stock in trade	4,000,000	
Building Rent	200,000	
Cash	1,000,000	
Working Capital Requirement - (B)	5,200,000	
Total Project Cost - (A+B)	9,868,061	

9.1.1 Land

As per the local industry norms, the retail store for sporting and recreational goods and supplies will be established in a rented shop. Therefore, no land cost has been added to the project cost. The total space required for the proposed project has been estimated as 1,235 sq. feet (5.5 Marla). The breakup of the space requirement is provided in Table 5.

Table 5: Breakup of Space Requirement

Break-up of Area	No.	% Break-up	Area (Sq. feet.)
Sports Goods Display Area	1	31%	380
Recreational Goods Display Area	1	47%	575
Cash and Customer Counter	1	6%	80
Owner's Office	1	8%	100

Washrooms	2	8%	100
Total		100%	1,235

9.1.2 Building and Renovation Cost

There will be no cost of building since the business will be started in the rented shop. However, there will be a renovation cost required to make the shop ready to use for the business. The proposed shop requires estimated electricity load of 3-4 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 included in the Project Cost, since electricity connection is generally available in such buildings, which are offered for rent. Building rent of PKR 200,000 per month has been included in the operating cost. Table 6 provides details of building renovation cost.

Table 6: Renovation Cost Details

Cost Item	Unit of Measurement (UOM)	Total Units	Cost / Unit (PKR)	Total Cost (PKR)
Paint Cost	Liter	38	500	18,775
Labor Cost	Sq. Feet	3,755	8	30,040
Tiles-Floor	Sq. Feet	1,235	120	148,200
Labor Cost-Tile fixation	Sq. Feet	1,235	40	49,400
Wall Rack-Concrete (Recreational)	Sq. Feet	300	400	120,000
Total (PKR)				366,415

9.1.3 Office Equipment Cost Details

Table 7 provides details of office equipment required for the proposed project.

Table 7: Office Equipment Cost Details

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Air Conditioners	3	90,000	270,000
Cash Register	1	30,000	30,000
UPS-Inverter (3KW)	1	70,000	70,000
UPS Battery	2	45,000	90,000
Laptop / Computer	3	80,000	240,000
Inventory and sale mangement software	1	350,000	350,000

Bar code Reader	2	25,000	50,000
Printer	2	40,000	80,000
LED / LCD 32"	1	40,000	40,000
Water Dispenser	2	20,000	40,000
Ceiling Fan	10	4,500	45,000
Wi-Fi Router and Connection	1	5,000	5,000
CCTV System	1	48,000	48,000
Total (PKR)	30		1,358,000

9.1.4 Furniture and Fixture Requirements

Table 8 provides details of furniture and fixtures.

Table 8: Furniture & Fixtures Cost Details

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Office Tables	3	25,000	75,000
Executive Tables	1	35,000	35,000
Executive Chairs	1	25,000	25,000
Office Chairs	6	10,000	60,000
Wall Racks (20 ft. Length by 1.5 ft. Width)	12	20,000	240,000
Cash counter (6 Feet L x 3 Feet x 4 feet H)	1	60,000	60,000
Customer counter (10 ft. L x 3 ft. W x 4 ft. H)	2	150,000	300,000
Outer Sign Board	1	25,000	25,000
Sofa Sets	2	35,000	70,000
Total (PKR)	29		890,000

9.1.5 Vehicle Requirement

Table 9 provides details of the vehicles required along with their cost for the proposed project.

Table 9: Office Vehicle Cost Details

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Carry Van	1	1,075,000	1,075,000

Motorcycle	1	80,000	80,000
Registration Fee - Motorcycle		1500	1,500
Registration Fee- Carry Van		1%	10,750
Total	2		1,167,250

9.1.6 Pre-Operating Costs

Table 10 provides details of estimated pre-operating costs.

Table 10: Pre-Operating Cost Details

Costs Item	No.	Hiring Months Before in Year 0	Cost (PKR)
Sales Persons-Sports	2	1	70,000
Sales Persons-Recreational	2	1	80,000
Cashier	1	1	30,000
Accounts Officer	1	1	60,000
Utilities expense	1		46,396
Total Cost (PKR)			286,396

9.1.7 Security against Building

Table 11 provides details of security against rented building.

Table 11: Security against Building Details

Cost item	Unit of Measurement (UOM)	No.	Unit Cost (PKR)	Cost (PKR)
Security against Building Rent	Months	3	200,000	600,000
Total Cost (PKR)				600,000

9.2 Breakeven Analysis

Table 12 shows calculation of break-even analysis.

Table 12: Breakeven Analysis

Description	First Year Values (PKR)	Ratios
Sales (PKR) – A	37,500,000	100%

Variable Cost (PKR) – B	29,171,210	78%
Contribution (PKR) (A-B) = C	8,328,790	22%
Fixed Cost (PKR) – D	5,532,447	15%
Contribution Margin	22%	
Breakeven		
Breakeven Revenue (PKR)	24,909,592	
Breakeven Units	28,295	
Breakeven Capacity	66%%	

9.3 Revenue Generation

The details for revenue generation of the retail store for sporting and recreational goods and supplies during the first year of operations are shown in the following tables. The difference between the price of product 1 and product 2 is due to the quality of the products. The prices used for sports and recreational item listed in the following tables are derived from primary market research and secondary desktop research results.

Table 13 shows revenue details of cricket items.

Table 14 shows revenue details of football items.

Table 15 shows revenue details of table tennis items.

Table 16 shows revenue details of hockey items.

Table 17 shows revenue details of badminton items.

Table 18 shows revenue details of carrom board items.

Table 19 shows revenue details of basketball items.

Table 20 shows revenue details of tennis items.

Table 21 shows revenue details of cycling items.

Table 22 shows revenue details of volley ball items.

Table 23 shows revenue details of golf items.

Table 24 shows revenue details of squash items.

Table 25 shows revenue details of treadmills.

Table 26 shows revenue details of yoga accessories.

Table 27 shows revenue details of dumbbells, weights, & bars.

Table 28 shows revenue details of Ab exercise items.

Table 29 shows revenue details of camping items.

Table 30 shows revenue details of fishing equipment.

Revenue Details – Sports Goods

Table 13: Revenue Details-Cricket Items

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Cricket Helmet 1	39	2,850	112,500
Cricket Helmet 2	107	1,050	112,500
Thigh Pad	100	750	75,000
Batting Gloves 1	268	700	187,500
Batting Gloves 2	125	900	112,500
Batting Pads 1	139	1,350	187,500
Batting Pads 2	48	1,560	75,000
Abdominal Guard 1	94	400	37,500
Abdominal Guard 2	94	200	18,750
Cricket Kit Bag 1	23	3,250	75,000
Cricket Kit Bag 2	29	2,550	75,000
Tennis Cricket Ball 1 Piece	1,125	200	225,000
Tennis Cricket Ball 3 Piece	273	550	150,000
Test Cricket Ball	83	900	75,000
Fibre Cricket Bat	83	2,250	187,500
Tape Ball Bat-1	94	1,600	150,000
Tape Ball Bat-2	188	1,200	225,000
Hard Ball Cricket Bat- 1	24	6,200	150,000
Hard Ball Cricket Bat- 2	28	8,000	225,000
Cricket Kit 1	75	1,500	112,500
Cricket Kit 2	120	1,250	150,000
Rubber Gripper Cricket Shoes	47	2,400	112,500
Cricket Shoes	28	4,000	112,500
Cricket Practice Net 1	13	3,000	37,500

Cricket Practice Net 2	5	7,000	37,500
Wicket Keeping Inner Gloves	65	1,150	75,000
Wicket Keeping Gloves	36	2,100	75,000
Wicket Set	150	1,000	150,000
Wicket Keeping Pads	65	1,450	93,750
Wicket Spring Back	55	2,750	150,000
Hard Ball	234	800	187,500
Total	3,857		3,750,000

Table 14: Revenue Details- Football Items

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Foot Ball 1	60	1,500	90,000
Foot Ball 2	23	1,600	37,500
Foot Ball Shoes 1	15	5,000	75,000
Foot Ball Shoes 2	5	7,000	37,500
Football Socks 1	375	200	75,000
Football Socks 2	129	350	45,000
Football Bag 1	75	500	37,500
Football Bag 2	17	1,300	22,500
Arm Band	240	250	60,000
Gum Shield	250	300	75,000
Referee Whistle	120	250	30,000
Chin Pad 1	36	1,050	37,500
Chin Pad 2	15	1,500	22,500
Portable Football Air Pump	64	700	45,000
Goal Keeper Gloves 1	25	600	15,000
Goal Keeper Gloves 2	23	1,000	22,500
Goal Post Net	8	3,000	22,500
Total	1,480		750,000

Table 15: Revenue Details- Table Tennis Items

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Retractable Table Tennis Net Rack	180	1,000	180,000
Table Tennis Plain Net	750	300	225,000
Nylon Net	88	1,200	105,000
Table Tennis Racket 1 Pc	33	4,550	150,000
Table Tennis Racket Pair	32	7,000	225,000
Table Tennis Ball Pack Of 6	300	400	120,000
Table Tennis Ball 1 Pc	3214	70	225,000
Racket Cover	200	600	120,000
Professional Racket Case Cover	75	1,000	75,000
Table Tennis Table	2	21,000	45,000
Table Tennis Table	1	27,000	30,000
Total	4,875		1,500,000

Table 16: Revenue Details-Hockey

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Hockey Stick 1	113	1,000	112,500
Hockey Stick 2	58	1,300	75,000
Hockey Stick 3	30	2,500	75,000
Hockey Ball 1	200	300	60,000
Hockey Ball 2	117	450	52,500
Hockey Ball 3	54	700	37,500
Hockey Shin Pad	125	600	75,000
Hockey Stick Grip	625	300	187,500
Goal Keeper Helmet 1	16	2,400	37,500

Goal Keeper Helmet 2	13	3,000	37,500
Total	1349	27,000	750,000

Table 17: Revenue Details-Badminton

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Badmitton String 1	108	500	54,000
Badmitton String 2	51	700	36,000
Badmintton Net 1	360	500	180,000
Badmintton Net 2	225	400	90,000
Badmintton Net 3	27	2,000	54,000
Pair Of Badmintton Racket 1	41	2,200	90,000
Pair of Badmintton Racket 2	225	1,200	270,000
Badmintton Racket	138	1,300	180,000
Premium 12 Badminton Shuttlecock Set	83	1,080	90,000
Pack Of 6 Shuttlecock	432	500	216,000
Shuttle Cock 16*4*4 Pack Of 6	35	5,200	180,000
Feather Shuttle Cock Pack Of 12	46	5,900	270,000
Professional Badmintton Racket With Bag 1	4	14,000	54,000
Professional Badmintton Racket With Bag 2	2	15,000	36,000
Total	1,778		1,800,000

Table 18: Revenue Details-Carrom Board

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Carrom Board Powder 200 G	960	250	240,000
Sliding Chemical for Carrom Board	400	150	60,000

Carrom Board Coin Set 1	360	500	180,000
Carrom Board Coin Set 2	343	350	120,000
Carrom Board 24 Inches	40	1,500	60,000
Rosewood Carrom Board 42 Inch*42 Inch	13	4,500	60,000
Carrom Board 30	30	2,000	60,000
Carrom Board 18 Inch*18 Inch	40	1,500	60,000
Carrom Board Striker Plastic	720	250	180,000
Carrom Board Striker	360	500	180,000
Total	3,266		1,200,000

Table 19: Revenue Details-Basketball

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Basket Ball	150	1,500	225,000
Jersyes	75	1,500	112,500
Shoes	19	4,000	75,000
Basket Ball Shorts	75	1,000	75,000
Basket Ball Socks	375	300	112,500
Shooting Sleeves	375	300	112,500
Whistles	1250	30	37,500
Total	2,319		750,000

Table 20: Revenue Details-Tennis

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Grip Tape	1250	60	75,000
Tennis Shoes 1	9	4,000	37,500
Arm Sleeves	125	300	37,500
Tennis Hats	107	350	37,500
Knee Brace	125	300	37,500

Tennis Nets	25	3,000	75,000
Tennis Bag	19	2,000	37,500
Tennis Ball	563	200	112,500
Tennis Rackets	19	4,000	75,000
Tennis Rackets Grip	125	300	37,500
Tennis Shoes 2	11	3,500	37,500
Tennis Shirts	50	1,500	75,000
Tennis Shorts	75	1,000	75,000
Total	2,502		750,000

Table 21: Revenue Details-Cycling

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Air Pump	563	400	225,000
Cycle Lock	1250	300	375,000
Cycle Chain Oil	300	50	15,000
Cycling Gloves	300	500	150,000
Cycling Jersey	100	1,500	150,000
Cycling Pant	75	1,000	75,000
Shirts	200	1,500	300,000
Shoes	60	3,500	210,000
Total	2,848		1,500,000

Table 22: Revenue Details-Volley Ball

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Ankle Braces	125	300	37,500
Arm Sleeves	175	300	52,500
Volley Ball Backpacks	15	2,500	37,500
Volley Balls	38	2,000	75,000

Ball Air Pump	250	300	75,000
Elbow Pads	375	200	75,000
Finger Tape	375	100	37,500
Knee Pads	188	200	37,500
Jerseys	50	1,500	75,000
Volley Ball Nets	25	3,000	75,000
Penalty Cards	750	30	22,500
Shoes	21	3,500	75,000
Shorts	75	1,000	75,000
Total	2,461		750,000

Table 23: Revenue Details-Golf

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Golf Ball Marker	1500	50	75,000
Ball Retrievers	42	900	37,500
Club Head Covers	8	5,000	37,500
Club Scrubber	750	50	37,500
Golf Drivers	6	6,000	37,500
Golf Gloves	75	500	37,500
Golf Bag	4	10,000	37,500
Golf Hats	125	300	37,500
Golf Hybrids	1	35,000	37,500
Golf Irons (Group)	8	4,500	37,500
Pants	25	1,500	37,500
Shirts	19	2,000	37,500
Golf Pull Carts	9	4,000	37,500
Golf Putters	15	2,500	37,500
Golf Range Finder	5	8,000	37,500
Golf Shoes	6	6,000	37,500

Golf Stroke Counter	75	500	37,500
Golf Tee (100 Pieces)	29	1,300	37,500
Golf Wedges	63	600	37,500
Total	2,764		750,000

Table 24: Revenue Details-Squash

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Squash Ball	375	400	150,000
Squash Racket	10	15000	150,000
Shoes	19	6000	112,500
Shirts	50	1500	75,000
Bag	14	8000	112,500
Shorts	75	1000	75,000
Squash Racket String	94	800	75,000
Total	637		750,000

Revenue Details - Recreational Goods**Table 25: Revenue Details-Treadmills**

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Foldable Motorized Treadmill	17	100,000	1,687,500
1.50 HP DC Motorized Treadmill	18	95,000	1,687,500
1.50 HP DC 6-in-1 Treadmill with Belt Massager	18	125,000	2,250,000
Total	53		5,625,000

Table 26: Revenue Details-Yoga Accessories

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Weighted Ball	482	1,750	843,750
Sit Up Bar	394	1,000	393,750
Medicine Ball (2 Kg)*	80	3,500	281,250
Latex Strap	469	600	281,250
Fitness Waist Belt	750	750	562,500
Exercise Yoga Mat	750	1,500	1,125,000
Commercial Aerobic Step	45	10,000	450,000
Ankle / Wrist Weight – 2 lbs(Pair)	662	850	562,500
Ankle / Wrist Weight – 5 lbs(Pair)	592	950	562,500
Ankle / Wrist Weight – 7 lbs(Pair)	417	1,350	562,500
Total	4,641		5,625,000

Table 27: Revenue Details-Dumbbells, Weights & Bars

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Vinyl Kettlebells-4 Kg	94	2,400	225,000
Vinyl Kettlebells-6 Kg	50	3,600	180,000
Vinyl Kettlebells-8 Kg	47	4,800	225,000
Dipped Kettlebells- 2.25 Kg	263	1,200	315,000
Dipping Dumbbells- 1 kg	225	600	135,000
Dipping Dumbbells- 2 Kg	75	1,200	90,000
Rubber Hexa Dumbbells-4 Kg	94	2,400	225,000
Rubber Hexa Dumbbells-8 Kg	28	4,800	135,000
Rubber Coated Olympic Weight Plates-5 kg	164	2,750	450,000
Rubber Coated Olympic Weight Plates-10 kg	65	5,550	360,000

Regular Spring Collars(Pair)	1,500	300	450,000
Olympic Spring Collars (Pair)	333	1,350	450,000
7ft 10 Kg Olympic Bar without Collars	13	17,900	225,000
Olympic 4ft EZ Curl Bar without Collars	19	12,000	225,000
Dumbbell Rod 14'	300	1,200	360,000
Cast Iron Weight Plate- 1 Kg	400	450	180,000
7' Regular one inch Bar	60	4,500	270,000
Total	3,728		4,500,000

Table 28: Revenue Details-Ab Exercise Items

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Flat Adjustable Bench	53	17,000	900,000
Curve Sit-Up Bench	56	16,000	900,000
Anti-Burst Gymnastic Ball	900	1,500	1,350,000
Adjustable Abdominal Bench	23	39,000	900,000
Chest Expander	300	1,500	450,000
Total	1,332		4,500,000

Table 29: Revenue Details-Camping

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Outdoor Camping Tent	63	2,500	157,500
parachute Camping Tent - Water Resistant	53	3,000	157,500
Folding Camouflage Chair for Hiking	49	1,600	78,750
Camping Folding Stool	41	1,900	78,750
Sleeping Bag-Large	38	4,200	157,500
Sleeping Bag – Small	41	3,800	157,500
Hiking Stick	263	900	236,250
Aluminium Hiking Stick	225	700	157,500

Anti-Shock Hiking Pole	66	1,200	78,750
Self Inflating Pillow	210	750	157,500
Pouch Bag	315	500	157,500
Total	1,363		1,575,000

Table 30: Revenue Details-Fishing Equipment

Cost Item	Unit Sold in Year 1	Sale Price/Unit (PKR)	Amount (PKR)
Fishing Hooks (8Pcs)	169	400	67,500
Fishing Hooks (6 Pcs)	338	200	67,500
Fishing Line 1	236	200	47,250
Fishing Line 2	174	350	60,750
Fishing Sinkers (2 Pcs)	68	500	33,750
Fishing Floats (8 Pcs)	84	400	33,750
Fishing Rod	56	1200	67,500
Fishing Reels	90	600	54,000
Fishing Net 28" Length	24	1,400	33,750
Fishing Gaff	27	1,000	27,000
Fishing Net Shrimp Cage	11	1,800	20,250
Fishing Chest Waders	6	5,500	33,750
Fishing Tackle Box 1	38	1,800	67,500
Fishing Tackle Box 2	24	2,500	60,750
Total	1,344		675,000

9.4 Variable Cost Estimate

Variable costs of the project have been provided in Table 31.

Table 31: Variable Cost Estimate

Description of Costs	Amount (PKR)
Total Cost of Goods Sold	
Sports Items	10,500,000

Recreational Items	13,500,000
Direct Labor	2,760,000
Sales Commission (Sports)	450,000
Sales Commission (Recreation)	750,000
Utilities Cost	460,510
Vehicle Fuel Expense	313,900
Travelling expense	100,800
Communications expense (phone, fax, mail, internet, etc.)	168,000
Office expenses (stationery, entertainment, janitorial services)	168,000
Total Variable Cost (PKR)	29,171,210

Table 32: Cost of Goods Sold

Description	Sales (PKR)	Margin	Cost of Sales (PKR)
Cost of Goods Sold- Sports	15,000,000	30%	10,500,000
Cost of Goods Sold- Recreational	22,500,000	40%	13,500,000
Total (PKR)			24,000,000

Table 33: Direct Labor

Personnel	Number of Personnel	Salary Per Month Per-Person (PKR)	Annual Salaries (PKR)
Sales Person(s)-Sports	2	35,000	840,000
Sales Person(s)-Recreational	2	40,000	960,000
Procurement Staff	2	40,000	960,000
Total	6		2,760,000

9.5 Fixed Cost Estimate

Table 34 shows the estimated fixed cost of the project.

Table 34: Fixed Cost Estimate

Description of Costs	Amount (PKR)
Management Staff	1,680,000
Building rental expense	2,400,000
Utilities Expense	96,239
Promotional expense	750,000
Depreciation expense	548,929
Amortization of pre-operating costs	57,279
Total (PKR)	5,532,447

Table 35: Management Staff

Personnel	Number of Personnel	Salary Per Month Per-Resource (PKR)	Annual Salaries (PKR)
Cashier	1	30,000	360,000
Accounts Officer	1	60,000	720,000
Security Guard(s)	2	25,000	720,000
Total (PKR)			1,800,000

9.6 Financial Feasibility Analysis

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 36.

Table 36: Financial Feasibility Analysis

Description	Project
IRR	47%
NPV (PKR)	14,786,819
Payback Period (years)	2.52
Projection Years	10
Discount rate used for NPV	20%

9.7 Financial Feasibility Analysis with 50% Debt

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 Table 37.

Table 37: Financial Feasibility Analysis with 50% Debt

Description	Project
IRR	47%
NPV (PKR)	20,338,134
Payback Period (years)	2.56
Projection Years	10
Discount rate used for NPV	16%

9.8 Human Resource Requirement

The proposed project shall require the workforce as provided in Table 38.

Table 38: Human Resource

Personnel	Number of Personnel	Salary Per Month Per-Resource (PKR)	Annual Salaries (PKR)
Sales Person(s)-Sports	2	35,000	840,000
Sales Person(s)-Recreational	2	40,000	960,000
Cashier	1	30,000	360,000
Procurement Officer	2	40,000	960,000
Accounts Officer	1	60,000	720,000
Security Guard	2	35,000	600,000
Total	10		4,440,000

10 CONTACT DETAILS

The contact details of the suppliers of sports and recreational goods and supplies are given in Table 39.

Table 39: Contact Details

Name of Supplier	Category	City	Address	Contact
Ihsan International	Sports	Sialkot	Haji Pura Rd, Fatehgarh, Sialkot, Punjab	(052) 3552370
Worldtex sports	Sports	Lahore	Multan Rd, Gopi Rai, Lahore, Punjab 54000	0333-4333982
Kashif Sports	Sports	Karachi	Sector 37 C Landhi Town, Karachi, Karachi City, Sindh	0335 3451725
Sunny Sports	Sports	Gujranwala	Near Pace Shopping Mall, GT Rd, Gujranwala	0300-9647166
Track fit	Recreational	Lahore	56 E, Commercial Area Gulberg III, Lahore	0333-4701102
I Fitness	Recreational	Lahore	I.Fitness Opposite HBL, Nilla Gumbad Bank Square Lahore	0321 4184941
Waheed sports	Sports and Recreational	Quetta	Gurdat Singh Rd, Quetta	0335 3831294
Sports Centre, Mirpur	Sports	Azad Jammu and Kashmir	Quaid-e-Azam stadium, Sector F 1 New Mirpur City, AJK	0345 5472777
Madyan sports center swat	Sports and Recreational	Swat	cricket ground, near madyan, Madyan, Swat, Khyber Pakhtunkhwa	0340 9491110
Tangibal sports	Sports	Sialkot	14/162 waqass street Hajipura, Sialkot	0342 4864341
Safa sports	Sports	Sialkot	Karim Street, Model Town, Sialkot	0323 5855576

11 USEFUL LINKS

Table 40: 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
Trade Development Authority of Pakistan	www.tdap.gov.pk
Pakistan Tourism Development Corporation	www.tourism.gov.pk
Federal Board of Revenue	www.fbr.gov.pk
Youth affairs and Sports Department Punjab	www.yas.punjab.gov.pk
Sports and Youth Affairs Department Sindh	www.sindhgames.com
Directorate General of Sports & Youth Affairs Khyber Pakhtunkhwa	www.sports.kp.gov.pk
Environment, Sports and Youth Affairs Balochistan	www.balochistan.gov.pk
Government of Azad Jammu and Kashmir	www.ajk.gov.pk
Government of Gilgit Baltistan	www.gilgitbaltistan.gov.pk
Pakistan Cricket Board	www.pcb.com.pk
Pakistan Sports Board	www.sports.gov.pk
Pakistan Olympic Association	www.nocpakistan.org
Pakistan Hockey Federation	www.pakhockey.org
Punjab Sports Board	www.sportsboard.punjab.gov.pk
Pakistan Industrial and Industrial Associations Front	www.piaf.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										
Sport Items	15,000,000	17,287,538	19,889,092	22,867,325	26,322,965	30,143,601	34,470,601	39,419,996	45,073,138	51,399,370
Recreational Items	22,500,000	26,079,526	30,118,042	34,480,012	39,673,291	45,493,274	51,912,907	59,403,348	67,913,055	77,230,009
Total Revenue	37,500,000	43,367,065	50,007,133	57,347,337	65,996,256	75,636,875	86,383,508	98,823,344	112,986,193	128,629,379
Cost of sales										
Sports	10,500,000	12,101,277	13,922,364	16,007,127	18,426,076	21,100,521	24,129,421	27,593,997	31,551,196	35,979,559
Recreational	13,500,000	15,647,716	18,070,825	20,688,007	23,803,974	27,295,964	31,147,744	35,642,009	40,747,833	46,338,005
Total Cost	24,000,000	27,748,993	31,993,189	36,695,134	42,230,050	48,396,485	55,277,165	63,236,006	72,299,029	82,317,564
Utilities Cost	460,510	502,125	547,500	596,976	650,922	709,744	773,881	843,814	920,067	1,003,210
Direct Labor	2,760,000	3,027,720	3,321,409	3,643,585	3,997,013	4,384,724	4,810,042	5,276,616	5,788,448	6,349,927
Sales Commission (Sports)	450,000	521,591	602,361	689,600	793,466	909,865	1,038,258	1,188,067	1,358,261	1,544,600
Sales Commission (Recreation)	750,000	864,377	994,455	1,143,366	1,316,148	1,507,180	1,723,530	1,971,000	2,253,657	2,569,969
Gross Profit	9,079,490	10,702,260	12,548,220	14,578,675	17,008,656	19,728,877	22,760,632	26,307,841	30,366,731	34,844,109
<i>General administration & selling expenses</i>										
Management Staff	1,680,000	1,842,960	2,021,727	2,217,835	2,432,965	2,668,962	2,927,852	3,211,853	3,523,403	3,865,173
Vehicle Fuel Expense	313,900	345,499	380,280	418,561	460,696	507,073	558,118	614,302	676,142	744,207
Building rental expense	2,400,000	2,640,000	2,904,000	3,194,400	3,513,840	3,865,224	4,251,746	4,676,921	5,144,613	5,659,074
Utilities	96,239	104,936	114,418	124,758	136,032	148,325	161,728	176,343	192,279	209,654
Travelling expense	100,800	110,578	121,304	133,070	145,978	160,138	175,671	192,711	211,404	231,910
Communications expense (phone, fax, mail, internet, etc.)	168,000	184,296	202,173	221,783	243,296	266,896	292,785	321,185	352,340	386,517
Office expenses (stationery, entertainment, janitorial services, etc)	168,000	184,296	202,173	221,783	243,296	266,896	292,785	321,185	352,340	386,517
Depreciation expense	548,929	548,929	548,929	548,929	548,929	548,929	378,167	942,605	942,605	942,605
Amortization of pre-operating costs	57,279	57,279	57,279	57,279	57,279	-	-	-	-	-
Subtotal	6,283,147	6,886,114	7,552,425	8,285,345	9,102,237	9,945,180	10,766,522	12,433,573	13,654,850	14,998,246
Operating Income	2,796,343	3,816,146	4,995,795	6,293,330	7,906,420	9,783,697	11,994,109	13,874,268	16,711,881	19,845,863
Gain / (loss) on sale of machinery & equipment	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	339,500	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	291,813	-	-	-
Earnings Before Interest & Taxes	2,796,343	3,816,146	4,995,795	6,293,330	7,906,420	9,783,697	12,625,422	13,874,268	16,711,881	19,845,863
Interest expense on long term debt (Project Loan)	-	-	-	-	-	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	2,796,343	3,816,146	4,995,795	6,293,330	7,906,420	9,783,697	12,625,422	13,874,268	16,711,881	19,845,863
Tax	468,750	574,036	918,739	1,322,665	1,887,247	2,544,294	3,538,898	3,975,994	4,969,158	6,066,052
NET PROFIT/(LOSS) AFTER TAX	2,327,593	3,242,109	4,077,057	4,970,664	6,019,173	7,239,403	9,086,524	9,898,274	11,742,722	13,779,811

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											
Current assets											
Cash & Bank	1,000,000	4,097,775	5,321,910	6,406,151	7,365,044	8,351,075	9,328,918	11,957,482	21,903,034	33,620,640	38,034,851
Inventory	4,000,000	4,624,832.15	5,332,198.20	6,115,855.72	7,038,341.60	8,066,080.78	9,212,860.79	10,539,334.38	12,049,838.23	13,719,594.05	-
Pre-paid building rent	200,000	220,000	242,000	266,200	292,820	322,102	354,312	389,743	428,718	471,590	-
Total Current Assets	5,200,000	8,942,607	10,896,108	12,788,206	14,696,206	16,739,257	18,896,091	22,886,560	34,381,590	47,811,824	38,034,851
Fixed assets											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	366,415	329,774	293,132	256,491	219,849	183,208	146,566	109,925	73,283	36,642	-
Furniture & fixtures	890,000	756,500	623,000	489,500	356,000	222,500	89,000	1,687,093	1,434,029	1,180,965	927,901
Office vehicles	1,167,250	992,163	817,075	641,988	466,900	291,813	116,725	1,778,425	1,511,661	1,244,897	978,134
Office equipment	1,358,000	1,154,300	950,600	746,900	543,200	339,500	135,800	2,574,239	2,188,103	1,801,968	1,415,832
Advance Against Building Rent	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Total Fixed Assets	4,381,665	3,832,736	3,283,807	2,734,878	2,185,949	1,637,020	1,088,091	6,749,682	5,807,077	4,864,472	3,921,867
Intangible assets											
Pre-operation costs	286,396	229,117	171,837	114,558	57,279	-	-	-	-	-	-
Total Intangible Assets	286,396	229,117	171,837	114,558	57,279	-	-	-	-	-	-
TOTAL ASSETS	9,868,061	13,004,460	14,351,753	15,637,643	16,939,434	18,376,277	19,984,182	29,636,242	40,188,667	52,676,296	41,956,718
Liabilities & Shareholders' Equity											
Current liabilities											
Accounts payable		1,972,603	2,280,739	2,629,577	3,016,038	3,470,963	3,977,793	4,543,329	5,197,480	5,942,386	6,765,827
Other liabilities											
Total Current Liabilities	-	1,972,603	2,280,739	2,629,577	3,016,038	3,470,963	3,977,793	4,543,329	5,197,480	5,942,386	6,765,827
Other liabilities											
Total Long Term Liabilities	-	-	-	-	-	-	-	-	-	-	-
Shareholders' equity											
Paid-up capital	9,868,061	9,868,061	9,868,061	9,868,061	9,868,061	9,868,061	9,868,061	9,868,061	9,868,061	9,868,061	9,868,061
Retained earnings		1,163,797	2,202,953	3,140,005	4,055,335	5,037,254	6,138,328	15,224,853	25,123,127	36,865,849	25,322,830
Total Equity	9,868,061	11,031,857	12,071,014	13,008,066	13,923,395	14,905,314	16,006,389	25,092,913	34,991,187	46,733,910	35,190,891
TOTAL CAPITAL AND LIABILITIES	9,868,061	13,004,460	14,351,753	15,637,643	16,939,434	18,376,277	19,984,182	29,636,242	40,188,667	52,676,296	41,956,718

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
Operating activities											
Net profit		2,327,593	3,242,109	4,077,057	4,970,664	6,019,173	7,239,403	9,086,524	9,898,274	11,742,722	13,779,811
Add: depreciation expense		548,929	548,929	548,929	548,929	548,929	548,929	378,167	942,605	942,605	942,605
amortization of pre-operating costs		57,279	57,279	57,279	57,279	57,279	-	-	-	-	-
Inventory	(4,000,000)	(624,832)	(707,366)	(783,658)	(922,486)	(1,027,739)	(1,146,780)	(1,326,474)	(1,510,504)	(1,669,756)	13,719,594
Pre-paid building rent	(200,000)	(20,000)	(22,000)	(24,200)	(26,620)	(29,282)	(32,210)	(35,431)	(38,974)	(42,872)	471,590
Accounts payable		1,972,603	308,136	348,838	386,461	454,925	506,830	565,535	654,151	744,906	823,441
Other liabilities		-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(4,200,000)	4,261,572	3,427,088	4,224,245	5,014,228	6,023,284	7,116,172	8,668,321	9,945,552	11,717,606	29,737,041
Financing activities											
Issuance of shares	9,868,061	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activities	9,868,061	-	-	-	-	-	-	-	-	-	-
Investing activities											
Capital expenditure	(4,668,061)	-	-	-	-	-	-	(6,039,758)	-	-	-
Cash (used for) / provided by investing activities	(4,668,061)	-	-	-	-	-	-	(6,039,758)	-	-	-
NET CASH	1,000,000	4,261,572	3,427,088	4,224,245	5,014,228	6,023,284	7,116,172	2,628,564	9,945,552	11,717,606	29,737,041

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Table 41: Operating Cost Assumptions

Description	Details
Operating costs growth rate	10.1%
Communication expenses	10% of administration expense
Office expenses (stationery, janitorial, etc.)	10% of administration expense

13.2 Revenue Assumptions

Table 42: Revenue Assumptions

Description	Details
Sale price growth rate	10.1%
Growth rate	5%

13.3 Financial Assumptions

Table 43: Financial Assumptions

Description	Details
Project life (Years)	10
Debt: Equity	0:100
Discount Rate with Equity	20%
Discount Rate with Debt: Equity (50:50)	16%

13.4 Debt Related Assumptions

Table 44: Debt Related Assumptions

Description of Cost	Details
Project Life (Years)	10
Debt: Equity	50:50
Discount Rate	16%
Debt Tenure	5 years

Grace Period	1 Year
Interest Rate (KIBOR+3%)	11.3%

13.5 Cash Flow Assumptions

Table 45: Cash Flow Assumptions

Description	Details
Accounts receivable cycle (in days)	-
Accounts payable cycle (in days)	30

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