



Pre-feasibility Study

Establishment of Travel Agencies & Tour Operators

September 2021

“The figures and financial projections are approximate due to fluctuations in exchange rates, energy costs, and fuel prices etc. Users are advised to focus on understanding essential elements such as production processes and capacities, space, machinery, human resources, and raw material etc. requirements. Project investment, operating costs, and revenues can change daily. For accurate financial calculations, utilize financial calculators on SMEDA’s website and consult financial experts to stay current with market conditions”

Small and Medium Enterprises Development Authority
Ministry of Industries and Production
Government of Pakistan

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1. DISCLAIMER

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

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Document Control

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2. EXECUTIVE SUMMARY

Travel agencies and tour operators play a significant and crucial role in developing and promoting travel and tourism in a country. Travel Agencies & Tour Operators provide information about the available travel and tourism attractions and options. They provide services to plan and develop tour packages, make travelling and other arrangements and execute the planned tours as per the requirements of their customers. The potential tourists may be from any tourism segment; such as the people visiting their families and friends, tourists making excursion trips to different places to enjoy scenic beauty, history and heritage, cultural and sports events, people travelling for religious pilgrimages or the people traveling for their official businesses. Travel agencies and tour operators play an important role to build a positive image of a country.

The proposed Travel Agency and Tour Operator will be providing services under three categories: i) making only the travelling arrangements (booking tickets); ii) making both travelling and accommodation arrangements; and iii) planning complete tour packages for tourist groups. To operate in Pakistan, a travel agency is required to obtain license from the Department of Tourist Services (DTS). Furthermore, to provide international travel arrangements, a travel agency is required to be accredited by the International Air Transport Association (IATA).

The agency is proposed to be ideally located in metropolitan cities like Karachi, Lahore, Islamabad, Peshawar and Quetta or in medium cities such as Hyderabad, Faisalabad, Multan, Rawalpindi, Bahawalpur, Sargodha, Sukkur, Muzaffarabad, Sialkot, Gujranwala, Gilgit, Mardan, etc.

This “Pre-feasibility Document” provides details for establishment of a “Travel Agency and Tour Operator” business. The proposed project has a maximum capacity of serving 1,800 customers annually. The initial capacity utilization in Year One is assumed to be 50% of the total operational capacity, which translates into total number of as 934.¹ The operational capacity of the unit is expected to grow by 5% per annum to achieve the maximum capacity of 90% in the 9th year of operations.

The proposed Travel Agency and Tour Operator will be established in a rented building in an area of 675 sq. feet. The project requires a total investment of PKR 5.54 million. This includes a capital investment of PKR 4.54 million and working capital of PKR 1.0 million. It is proposed that the project shall be financed through 100% equity. The Net Present Value (NPV) of project is PKR 30.02 million with an Internal Rate of Return (IRR) of 80% and a Payback period of 1.54 years. Further, this project is expected to generate Gross Annual Revenues of PKR 101.03 million during 1st year of operation, Gross Profit (GP) ratio ranging from 11% to 13% and Net Profit (NP) ratio ranging from 1% to 4% during the projection period of ten years.

¹ The difference in number of customers at 50% capacity is due to rounding off while converting into groups.

The proposed project will achieve its estimated breakeven point at 41% capacity (744 customers) with breakeven revenue of PKR 80.43 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 37.63 million, Internal Rate of Return (IRR) of 79% and Payback period of 1.58 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from 1% to 4% from second year of operations to the projection period of ten years. The proposed project will achieve its estimated breakeven point at 41% capacity (744 customers), with breakeven revenue of PKR 80.44 million.

The proposed project will provide employment opportunities to 13 people. High return on investment and steady growth of business is expected with the entrepreneur having some prior experience or education in the related field of business. The legal business status of this project is proposed as a private limited company.

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 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 “Travel Agency & Tour Operator” business. 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

This project provides information about establishing a Travel Agency & Tour Operator business in Pakistan. These businesses facilitate tourists by making the desired travelling and accommodation arrangements for their customers and providing them all tourism-related services within or outside Pakistan. Such companies also assist and guide foreign tourists coming to Pakistan.

There can be many reasons for a person to travel. The visits may be for educational religious, recreational, business, or work-related purposes. People also travel to attend personal events, official events, or to simply meet family and friends. For all such purposes, people need travel agencies and tour operators to get the required services and guidance.

Services Offered by the Travel Agency and Tour Operator

Every travel agency provides various types of packages and services in different price ranges. The proposed Travel Agency and Tour Operator business offers the following services and packages:

- **Booking of Tickets**

Under this service, travel arrangements are made for the clients to reach their desired destinations. This means booking air tickets for the persons desiring to travel. Login IDs are provided by the airlines to the agents, who then book the tickets for their clients; for both domestic and international travelling.

- **Booking of Tickets and Accommodation**

Under this service, along with booking air tickets, the travel agency also provides services to arrange accommodation (hotel booking) for their customers. Depending on the customer's requirements, this service may or may not include food as part of the package. This is a separate type of service from a complete package, as some clients just want to have their travelling and accommodation arrangements sorted out, but want to plan the rest of the tour themselves.

- **Complete Package**

This service offers complete planned tour packages to the desired destination(s) of the tourists; and hence their duration, activities and charges may vary accordingly. These often include a complete itinerary depending upon the location(s) and needs of the clients. These packages include the services of travelling, accommodation and other requirements of the tourists. Such tourist trips are executed under a complete and comprehensive schedule for the entire planned duration; keeping in view the tourism attractions, trends and the customers' specific requirements.

Such tour packages may also include tours to some cultural/heritage sites, museums, scenic beauty sites, technological/scientific areas, conservation sites, etc. Further, the services may also be differentiated based on customer demand i.e. customized packages, standard packages to various areas like natural sites, expeditions or hikes, tourists spots in deserts, beaches, camping sites, cities, rural areas, exhibitions, festivals, or to attend some events, conferences, summits, etc.

Operations of a Travel Agency and Tour Operator

Broadly speaking, the travel agencies work in three categories:

- I. International Tours
- II. Domestic Tours
- III. Religious Tours
 - Umrah
 - Ziarat

For international tours, there is an agreement between local and international tour agencies. The international tour agencies are responsible for making all sorts of tour arrangements; including hotel bookings, tour planning with respect to tourist attractions of the target destinations, local transportation, tourist guides, etc.

For organizing domestic tours, there are agreements between domestic service providers and tour agencies. The interest of domestic tourists is mostly for visiting scenic northern areas of Khyber Pakhtunkhwa and Gilgit Baltistan but many people are also interested in visiting large cities of the country; such as Karachi, Lahore, Islamabad, Peshawar, Quetta, Multan, Bahawalpur, etc. Another important segment is that of the tourists interested in visiting historical cities like Mohenjo-daro (District

Larkana), Harappa (District Sahiwal), Takht Bhai (District Mardan), Taxila (District Rawalpindi), Butkara (District Swat), etc.

Different jobs in a tour agency are performed by different departments. The proposed tour agency has two departments to deal with two market sectors:

Walk-in-Customers and Corporate Sector

For handling walk-in-customers and corporate sector, there are three to four customer representative officers. Corporate sector clients include the employees, directors, owners, of private businesses, government departments, etc. who have to travel frequently. Such customers usually maintain contact with a travel agency on a regular basis due to their frequent travelling for carrying out their official businesses.

Tourist Sector

The tourist sector deals with the tourists who desire to plan their visits for specific purposes which are not part of their everyday routine. Common types of tours include:

- International Tours
- Domestic Tours
- Umrah Tour
- Ziaraat²

For this study, the costs have been based on the assumption that all the domestic tours depart from Lahore; whereas the tour to Lahore is assumed to depart from Karachi. The domestic tours by the proposed agency are assumed to be to the following destinations:

Islamabad

It is the capital city of Pakistan and the ninth largest city of the country. It is known for its high maintenance and posh city life. Islamabad mainly focuses on the culture of Pakistan, it holds it in great esteem, from The Lok Virsa Museum to the Monument Museum, from the Faisal Mosque to the shrine of Pir Meher Ali Shah, from Parhwala Fort to Rawaat Fort. Islamabad combines the cycle of modern, traditional, and archeological in one. The Pakistan Monument is a national monument and heritage museum located on the western Shakarparian Hills in Islamabad. Faisal Mosque is the sixth largest mosque in the world, located at the foothills of Margalla Hills. Figure 1 shows two of the most visited places of the city.

² Ziarat is an Islamic salutatory prayer to Allah. The prayer is part of the pilgrimages to the shrines of nobles.

Figure 1: Islamabad*Pakistan Monument**Faisal Mosque***Lahore**

It is the country's second largest city and capital of the province of Punjab. The city hosts much of Pakistan's tourist industry, with major attractions including the Walled City, Minar e Pakistan, the famous Badshahi and Wazir Khan mosques, Lahore Fort, and several Sikh and Sufi shrines. The Badshahi Mosque is a Mughal-era congregational mosque. It is widely considered to be one of the city's most iconic landmarks. Minar-e-Pakistan is a national monument, built from 1960 and 1968 at the site where the All-India Muslim League passed the Pakistan Resolution. Figure 2 shows the most iconic places of Lahore.

Figure 2: Lahore*Badshahi Mosque**Minar-e Pakistan***Karachi**

Karachi is the largest city of Pakistan and the 12th largest city in the world. It is the capital of the Sindh province and is located on the coastline of the Arabian Sea. It is Pakistan's premier Industrial and financial center. The city's major tourist attractions include Jinnah's Mausoleum, Clifton Beach, Mohatta Palace, Port Grand, Hawks Bay, Do Darya, Frere Hall, Empress Market, PAF Museum, etc. Tourists also travel to Manora island near Karachi to see its beautiful beach. The city is also characterized by presence of modern shopping malls. Figure 3 shows the two most visited places of Karachi.

Figure 3: Karachi*Mazar-e-Quaid/ Jinnah's Mausoleum**Clifton Beach***Kaghan & Naran**

The Kaghan Valley is an alpine valley located in the Mansehra District of Khyber Pakhtunkhwa province. Naran is a town and the most popular tourist destination in the upper Kaghan Valley. Their most visited places are shown in Figure 4.

Figure 4: Naran & Kaghan*Lake Saif ul Mulook**Kaghan Valley***Swat**

Swat is a district in the Malakand Division of Khyber Pakhtunkhwa province. It is famous for its majestic mountains located among the foothills of the Hindukush Mountain range where tourists can go hiking, trekking, walking, and even meditating. The elevation of the Swat River valley, at the southern boundaries of the district, is over 600 meter. The British Queen Elizabeth II, during her visit to Swat in 1961, called Swat “Switzerland of the east (Pakistan/Asia)” due to its landscape similarities and likeness in scenic beauty with Switzerland.³ In winter, sports activities in Swat make it the most famous and enjoyable tourist destination in Pakistan. National and international tourists visit Swat valley in winter to enjoy skiing, ice skating, sledding,

³ <https://www.visitswatvalley.com/>

ice hockey, bandy, snowboarding, speed skating, curling, etc. Figure 5 shows the Swat Valley and the Malam Jabba Ski Resort.

Figure 5: Swat



Swat Valley



Malam Jabba Ski Resort

Azad Jammu & Kashmir

Northern Azad Kashmir comprises foothills of the Himalayas rising to Jamgarh Peak (15,531 feet); south of which are the northwestern reaches of the Pir Panjal Range, which has an average crest line of 12,500 feet. Some of its major attractions are Neelum Valley and Rawalakot. The Neelum Valley is located in the 200 km arched area of Azad Kashmir. Rawalakot is considered as the pearl of Kashmir which itself is known as “heaven on earth”. It carries extreme natural beauty and is a popular choice of tourists. Figure 6 shows the Neelum valley and Rawalakot located in Azad Jammu & Kashmir.

Figure 6: Azad Jammu & Kashmir



Neelum Valley



Rawalakot

Skardu

It is the largest city and administrative capital of Baltistan region. Skardu is one of the best destinations in the world with respect to every kind of tourism. There are sky-rising mountains and cliffs, surrounding the 10 kilometers wide by 40 kilometers long Skardu Valley, with rivers flowing on each flank along with beautiful flora and fauna.

There is a whole desert between the lush green valleys, lakes, waterfalls, and rivers. Furthermore, paths to some of the world's highest mountains like K2 and Gasherbrum; all are connected through this valley. Figure 7 shows two of the most visited places of Skardu.

Figure 7: Skardu



Tour Agency Operations

The agencies are responsible for managing the tickets of the clients' by using software such as, Galileo and Abacus. It may also be managed through cloud-based portals of the respective airlines. The airlines provide access of their portals to the registered agencies for booking tickets. In this study, it has been assumed that the agent is using the cloud-based portal which is available free of cost.

The travel agencies are required to obtain a license from the Department of Tourists Services (DTS) in Pakistan and International Air Transport Association (IATA) that has to be backed by a guarantee which may be provided in the form of cash or any other asset. The guarantee is to be provided by the bank, and in case of any default, the license may be cancelled and the guarantee may be forfeited.

The IATA accredited agencies have the following main benefits:

- Access to approximately 250 IATA airline members using a single standard Sales Agency Agreement.
- Authorization to sell international and/or domestic tickets on behalf of the airlines.
- Global travel industry recognition through an IATA Numeric Code that provides a unique identifier for the agency.
- Global consumer confidence due to IATA Travel Agents meeting industry standards identifiable by the IATA logo and branding displayed on Travel Agents' premises and websites. Those provide standard procedures which ensure fair and uniform standards in all dealings with the airlines.

In order to get accreditation from IATA, the travel agents must have experience of at least two years in providing such services.⁴

To become eligible for the IATA license, it is proposed that the business should initially enter into an agreement with an already IATA accredited agency. As a sub-agent, it will provide services on commission basis. After gaining experience, the business may proceed for required accreditations.

5.1. Service Process Flow

Figure 8 shows process flow of travelling services provided by travel agencies & tour operators.

Figure 8: Process Flow for Travel



A brief description of process flow is given below:

Client Inquiry

The first step of travelling through a travel agency starts with the client's inquiry. The client, according to their desired destination and purpose of visit, approaches the agency for inquiry. The agency provides all the required information with proper guidance and recommendations about the pricing and other details regarding tickets, accommodation and complete packages.

Inspection of Documents Required

The second step is to acquire all necessary documents from the client. Commonly required documents are listed below:

- Passport
- CNIC
- Passport sized photographs

In addition to the above, other documents may be required according to the destination and purpose of visit.

Receipt of Payment

The agency receives the payment from the client and formally starts the process. The amount of payment depends on factors like the travelling destination(s), number

⁴ <https://www.iatan.org/en/accreditation/become-accredited/requirements--fees/>

of days of stay and other related plans. The mode of payment may be bank transfer or cash.

Booking Tickets

The next step is to book tickets as per the client's preferences and availability constraints.

Intimation to Customer

The agency calls the client to intimate about the process completion. The ticket is either collected by the client from the agency's office or the agency mails the tickets to the client. Figure 9 shows process flow of tour package services provided by travel agencies & tour operators.

Figure 9: Process Flow for Tour Packages



Client Inquiry

The client inquiries about the available packages to their desired destination(s) and provides the agent with their special requirements and needs, if any.

Creating or Revising Packages

The agency creates/plans a customized tour package or revises its existing tour package accordingly to accommodate the changes required by the client. These packages are tailored according to customer's specific demands.

Inspection of the Required Documents

Furthermore, required documents are received by the tour operator and inspected according to the destination(s) and duration of the tour.

Receipt of Payment

The payment is received in advance for booking of tickets, hotels and, vehicles etc.

Contacting Vendors and Booking

For domestic tours, the agency maintains contacts with vendors at all the locations for ease of booking of hotels, vehicles, tour guides and arrangement of different activities for the client.

For international tours, agreements are already in place with foreign tour operators to use their packages and services and in return, they charge a commission percentage accordingly.

Intimation to Customer

The agency calls the client to intimate about the process completion and either the client comes and receives the tickets or the agency mails the tickets to the client.

5.2. Installed and Operational Capacities

Based on the market survey, an agency, on an average, entertains around 150 customers on monthly basis. The agency would operate in a single shift of 8 hours for 300 days a year. On this basis, the proposed agency, at 100% capacity, will service 1,800 customers annually. During the first year of operation, the proposed agency is expected to achieve 50% of its overall capacity which translates into 934⁵ customers. The calculations are based on the assumptions given in Table 1 to Table 6.

⁵ The difference in number of customers at 50% capacity is due to rounding off while converting into groups.

Table 1: Service-Related Assumptions

Description	Total Customers per Month	Total Customers / Annum A	Service Ratio B	Maximum No. of Customers C=A*B	No. of Customers @ 50% Initial Capacity Utilization
Domestic	150	1,800	40%	720	394 ⁶
International			10%	180	90
Umrah			30%	540	270
Ziarat			20%	360	180
Total			100%	1,800	934

Table 2: Number of Customers – Domestic

Description	Service Ratio	Number of Customers	Number of Customers @ ~50% Initial Year Capacity
	A	$B=A*(\text{Total No. of Customers in Domestic})$	$C=B*50\%$
Tickets Only (Number of Individuals)	40%	288	144

Table 3: Number of Groups – Domestic

Description	Service Ratio	Number of Customers	Number of Groups	Number of Groups @ ~50% Initial Year Capacity
	A	$B=A*(\text{Total No. of Customers in Domestic})$	$C=B/10(\text{Number of Persons / Group})$	$D=C*50\%$

⁶ The difference in number of customers at 50% capacity is due to rounding off while converting into groups.

Complete Package	60%	432	45	25
Islamabad	15%	65	7	4
Lahore	15%	65	7	4
Karachi	10%	43	4	2
Naran	15%	65	7	4
Skardu	20%	86	9	5
Kashmir	10%	43	4	2
Swat	15%	65	7	4
Total		720		

Table 4: Number of Customers – International

Description	No. of Customers Per annum (Table 1)	Number of Customers @ 50% Initial Year Capacity
Number of Customers	180	90
Total		

Table 5: Number of Customers – Umrah

Description	Number of Customers (Annually)	Number of Customers @ 50% Initial Year Capacity
Complete Package	540	270

Table 6: Number of Customers – Ziarat

Description	Service Ratio	Number of Customers (Annually)	Number of Customers @ 50% Capacity
Iran			
Complete Package	50%	180	90
Iraq			
Complete Package	50%	180	90
Total	100%	360	180

6. CRITICAL FACTORS

Following factors should be taken into account while making investment decision:

- Good knowhow of the sector
- High service quality
- Operational efficiency
- Good conflict resolution mechanism
- Variety of tour packages
- Quality of transportation and accommodation facilities
- Depends highly on seasons

7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

In Pakistan, the travel agency industry has grown significantly during the previous years. Travel Agencies and their branches are operating all over Pakistan. Today's digital marketing operations have made it easier for potential clients to explore the services and packages offered by the tour operators. The number of foreign tourists visiting Pakistan has risen significantly during the previous five years. Many Pakistanis undertook the tour of the Northern areas of Pakistan (Azad Kashmir, Gilgit Baltistan, Swat, Naran, Chitral, etc.). Hence the agency is proposed to be ideally located in cities like Karachi, Lahore, Islamabad, Peshawar, Quetta, Hyderabad, Faisalabad, Multan, Rawalpindi, Bahawalpur, Sargodha, Sukkur, Sialkot, Gujranwala, Muzaffarabad, etc.

8. POTENTIAL TARGET MARKETS

According to Invest Pakistan,⁷ Travel and Tourism contributed 5.9% to the total GDP of Pakistan with a growth rate of 4.7%, providing 6.2% of total employment. Figure 10 shows key data related to 2019 of Travel and Tourism in Pakistan.

Figure 10: Contribution in National Growth



⁷ <https://invest.gov.pk/tourism-and-hospitality>

The target market for tour agencies will be the following:

- From world's famous mountain ranges and glaciers in the north to lush green plains in center and vast deserts and deep waters in the south, Pakistan has abundance of beautiful and attractive places. Hence the tourists arrive in large numbers from abroad and within Pakistan to take the trips.
- The students pursuing higher studies abroad need guidance as for most of them, it is their first time going abroad and they may not have any relatives or family in that respective country.
- Newly-wed couples like to have specific honeymoon packages for them and would like to get all the arrangements and bookings done for them.
- Businessmen, very often, need to go on business trips. Due to their busy schedule, they need the processes of tickets and accommodation booking to be quick and smooth which an agency can provide.
- Pilgrims need assistance from agencies regarding bookings of tickets and accommodation as they mostly go during particular and busy days of pilgrimages.

The northern areas of Pakistan include the famous Himalayas, Karakoram and the Hindu Kush Mountain ranges. The country is gifted with 5 of the 14 highest peaks in the world, making it one of its kind. The highest peak of Pakistan is K2 (8,611 meters), which is the second-highest peak in the world. Climbers from all around the world arrive in the country from April to September. Figure 11 shows different terrains of Pakistan from the highest mountains of the world in the north to the third deepest ocean in the south. Among these, Pakistan offers a rich and diverse range of choices for different types of tourists. The country is home to one of the oldest civilizations in the world, has innumerable locations of scenic beauty, many religious and historic places, unique arts and crafts and, rich culture and heritage.

Figure 11: Map of Pakistan



Presence of tourist attractions in Pakistan has boosted the local tourism industry. The industry possesses a very high growth potential. According to the Diplomat Magazine,⁸ one million foreign tourists visited Pakistan in 2015. In 2019, The International Tourism Monitoring Agency recorded that more than 2 million tourists visited Pakistan.

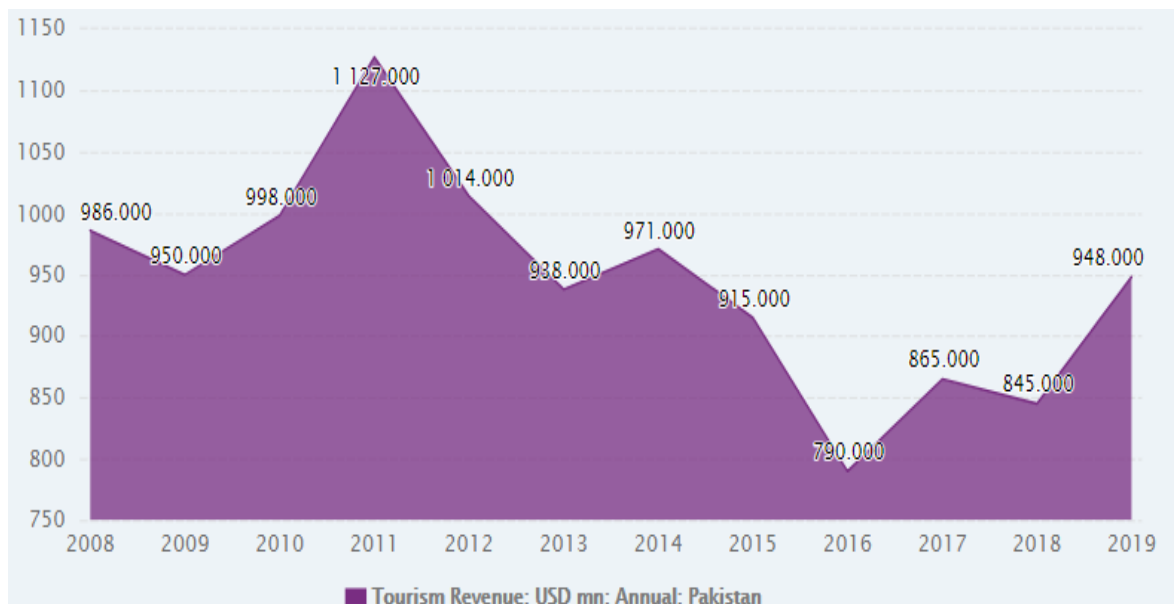
An idea of the world's view of the potential of Pakistan's tourism industry can be obtained from the following accolades and appreciations:

- The British Backpacker Society ranked Pakistan as the world's third best potential adventure destination. In 2018, it ranked Pakistan as the top adventure travel destination describing the country as "one of the friendliest countries on earth, with mountain scenery that is beyond anyone's wildest imagination".
- Pakistan ranked first in the "Condé Nast Travel" list of the top 20 resorts in 2020.
- Lonely Planet called Pakistan "the next big thing in tourism" in 2020
- "Forbes" named Pakistan as one of the "Top Ten Attractions in 2019"

Travel Agencies in Pakistan have amassed a sizable clientele through Umrah Packages, inbound tourism packages, international trip packages, selling flight tickets, etc. which is also a contribution to the economy of Pakistan.

Each year, the tourism industry adds billions of US dollars to the GDP of Pakistan. Figure 12 depicts Pakistan's revenue from tourism from 2008 to 2019.⁹ A positive trend can be seen from 2016 onwards.

Figure 12: Tourism Revenue



⁸ diplomatmagazine.com/pakistans-tourist-attractions/

⁹ <https://www.ceicdata.com/en/indicator/pakistan/tourism-revenue>

The global tourism is expected to boost after the normalization of pandemic situation around the world. Furthermore, there are numerous opportunities for prospective investors in the travel and tourism sector. Since the industry is growing at a rapid pace and there are still many unexplored areas and tourist attractions in the country that could assist in enhancing the revenue of the tourism industry.

9. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of the proposed Travel Agency and Tour Operator business. 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.

9.1. Project Economics

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

9.2. Project Cost

Total investment cost of the project has been calculated to be PKR 5.54 million. The project will be financed through 100% Equity. Table 7 provides the detail of estimated cost for the proposed manufacturing unit.

Table 7: Project Cost

Description	Cost (PKR)	References
Land	-	9.2.1
Building / Infrastructure	727,715	9.2.2
Furniture & fixtures	876,000	9.2.3
Office equipment	1,167,000	9.2.4
Office vehicles	80,800	9.2.5
Pre-operating costs	148,646	9.2.6
Bank guarantee	1,050,000	9.2.7
Security against building	283,500	9.2.8
Legal, Registration costs	207,000	9.2.9
Total Capital Costs	4,540,661	
Working Capital		
Cash	1,000,000	
Total Investment	5,540,661	

9.2.1. Land

The proposed business of Travel Agency and Tour Operator will be established in a rented building to avoid the high cost of land. Therefore, no land cost has been added to the project cost. The required space breakup is shown in Table 8.

Table 8: Space Breakup

Break Up of Land Area	% Break-Up	Area Sq. Ft.
Executive office	22%	150
Customer Service and Waiting Area	59%	400
Reception	7%	45
Washroom	12%	80
Total	100%	675

9.2.2. Building

There will be no cost of building construction as the proposed business will be started in a rented facility. However, there will be a renovation cost; required to make the building usable for the business. The proposed project requires electricity load of around 2 KW for which an electricity connection under the commercial supply tariff will be required. Building rent of PKR 94,500 per month has been included in the operating cost. Building renovation cost is shown in Table 9.

Table 9: Renovation Cost Details

Cost Item	Unit of Measurement	Total Units	Cost/Unit (PKR)	Total Cost (PKR)
Paint Cost	Liter	23	500	11,655
Labor Cost	Sq. Feet	2,331	10	23,310
Wall Racks	No.	11	15,000	165,000
Curtains	No.	4	3,000	12,000
Blinds	No.	1	5,000	5,000
Tiles	Sq. Feet	675	300	202,500
Labor Cost	Sq. Feet	675	30	20,250
Front Glass Wall and Door	Sq. Feet	360	800	288,000
Total				727,715

9.2.3. Furniture & Fixtures

Table 10 provides details of the furniture and fixture requirements of the project.

Table 10: Furniture and Fixtures

Cost Item	Number of Items	Unit Cost (PKR)	Total Cost (PKR)
Executive Tables	3	30,000	90,000
Office Tables	3	25,000	75,000
Executive Chairs	4	20,000	80,000
Office Chairs	7	10,000	70,000
Visitors Chairs	14	20,000	280,000
Sofa Set	3	35,000	105,000
Tables with sofa set	3	12,000	36,000
Customer Service Desk	1	100,000	100,000
Reception Counter	1	40,000	40,000
Total			876,000

9.2.4. Office Equipment

Detail of office equipment required for the proposed project is provided in Table 11.

Table 11: Office Equipment

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Laptop	3	80,000	240,000
Desktop Computer	8	40,000	320,000
Ceiling Fan	6	5,000	30,000
Exhaust Fan	2	4,000	8,000
Bracket Fan	2	4,500	9,000
Water Dispenser	2	20,000	40,000
Laser Printer	2	40,000	80,000
CCTV Cameras	4	2,000	8,000
DVR	1	12,000	12,000
Wi-Fi	2	5,000	10,000
LED/LCD Monitor (32")	2	40,000	80,000
1.5 ton Inverter AC	4	90,000	330,000
Total			1,167,000

9.2.5. Office Vehicles

Detail of office vehicle required for the project is provided in Table 12.

Table 12: Office Vehicle

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Motorcycle	1	80,000	80,000
Registration Charges – Motorcycle		1%	800
Total			80,800

9.2.6. Pre-Operating Cost

Details of pre-operating cost for the project are provided in Table 13.

Table 13: Pre-Operating Cost

Costs Item	Cost (PKR)
Administration expenses	124,000
Utilities expenses	24,646
Total	148,646

9.2.7. Bank Guarantee and Renewal Fee

According to Travel Agencies Rules 1977, for conducting travel agency business in Pakistan, the agency needs a license from Department of Tourist Services along with bank guarantee of PKR 1.05 million. Table 14 provides details of bank guarantee to be provided to Department of Tourist Services for establishing travel agency and tour operator's business.

Table 14: Bank Guarantee

Description	Total
Bank Guarantee – Department of Tourist Services ¹⁰	1,050,000
Total	1,050,000

9.2.8. Security against Building

Detail of security against building is given in Table 15.

Table 15: Security against Building

Description	Months	Per month rent	Total Cost (PKR)
Security against Building	3	94,500	283,500

¹⁰ <http://dts.gov.pk/Detail/NWNhM2ZkYTgtYjNjYS00OTdlLWJiNzUtMDg4ZWYwYWZiNTAx>

9.2.9. Legal and Registration Charges

Detail of Legal fees associated with setting up of company and registration charges with Department of Tourism Services (DTS) is given in Table 16.

Table 16: Legal and Registration Charges

Description	Total Cost (PKR)
Legal fees associated with setting up of company	150,000
Head Office Registration fee - DTS ¹¹	57,000
Total Cost (PKR)	207,000

9.3. Financial Feasibility Analysis

The financial feasibility analysis given in Table 17 provides the information regarding projected IRR, NPV and payback period of the study based on 100% equity.

Table 17: Financial Feasibility Analysis

Description	Values
IRR	80%
NPV (PKR)	30,023,805
Payback Period (years)	1.54
Projection Years	10
Discount Rate used for NPV	15%

9.4. Financial Feasibility Debt Financing

The financial feasibility analysis given is shown in Table 18 provides the information regarding projected IRR, NPV and payback period of the study based on combination of equity (50%) and debt (50%) financing for the proposed project.

Table 18: Financial Feasibility Debt Financing

Description	Project
IRR	79%
NPV (PKR)	37,625,650
Payback Period (years)	1.58
Projection Years	10
Discount Rate used for NPV	11%

¹¹ <http://dts.gov.pk/Detail/NWNhM2ZkYTgtYjNjYS00OTdlLWJiNzUtMDg4ZWYwYWZiNTAx>

9.5. Breakeven Analysis

Breakeven analysis is provided in Table 19.

Table 19: Breakeven Analysis

Particulars	Amount First Year (PKR)	Ratios
Sales (PKR) – A	101,025,000	100%
Variable Cost (PKR) – B	90,650,711	90%
Contribution (PKR) (A-B) = C	10,374,289	10%
Fixed Cost (PKR) – D	8,260,011	8%
Breakeven		
Breakeven no. of customers		744
Breakeven Revenue (PKR)		80,436,121
Breakeven Capacity		41%

9.6. Revenue Generation

Based on the assumption of the first-year capacity utilization of 50%, sales revenue and revenue assumptions during the first year of operations are shown in Table 20 to Table 28. In the proposed project average number of persons per group are assumed to be 10. However, in this sector, the tourists / travelers may be categorized into small and large groups of 3-6 or 12-15 persons respectively. Small groups may include families' or friends' trips. Whereas the large groups may include university, colleges or corporate trips.

Table 20: Revenue Generation

Particulars	Revenue (PKR)	Reference
Domestic	9,585,000	(Table 21)
International	720,000	(Table 23)
Umrah	50,220,000	(Table 25)
Ziarat	40,500,000	(Table 27)
Total	101,025,000	

Table 21: Revenue Generation - Domestic

Services	Number of Customers/Groups (A) @50%	Service Charges / Charges(B)	Revenue (PKR) (A*B)
	(Table 2)		
Tickets only	144	2,000	288,000

Complete Package		(Table 22)	
Islamabad	4	330,000	1,320,000
Lahore	4	352,000	1,408,000
Karachi	2	352,000	704,000
Naran	4	385,250	1,541,000
Skardu	5	425,500	2,127,500
Kashmir	2	304,750	609,500
Swat	4	396,750	1,587,000
Total Revenue (PKR)			9,585,000

Table 22: Revenue Assumptions - Domestic

Destination	Tickets Value	Accommodation Charges / Day	Meal Charges / Person / Day	Tour Guidance Charges / Person	Total Packages Cost / Person(PKR)	Margin (%)	Total Packages Price / Person(PKR)	Total Packages Price / Group(PKR)
	A	B	C	D	$E=A+B+C+D$	F	$G=E*F$	$H=G*10$ (Number of Persons/Group)
Islamabad	2,500	3,500	1,000	5,000	30,000	10%	33,000	330,000
Lahore	7,000	3,000	1,000	5,000	32,000	10%	35,200	352,000
Karachi	7,000	3,000	1,000	5,000	32,000	10%	35,200	352,000
Naran	6,000	3,500	1,000	5,000	33,500	15%	38,525	385,250
Skardu	7,000	4,000	1,000	5,000	37,000	15%	42,550	425,500
Kashmir	4,000	2,500	1,000	5,000	26,500	15%	30,475	304,750
Swat	7,000	3,500	1,000	5,000	34,500	15%	39,675	396,750
Average Rate	5,786	3,286	1,000	5,000	32,214			

Table 23: Revenue Generation - International

Services	Number of Customers (A) @50%	Average Service Charges (B)	Revenue (PKR) (A*B)
	(Table 4)	(Table 24)	
International	90	8,000	720,000

Table 24: Revenue Assumptions - International

International	Annual Capacity	Service Ratio	Number of Customer	Ticket Value (PKR)	Revenue 5%* of ticket Value (PKR)	Weieghted average charges per Customer (PKR)
	A	B	$C=A*B$	D	$E=(D*0.05) *C$	$F=E/C$
Turkey	180	20%	36	150,000	270,000	8,000
Maldives		10%	18	200,000	180,000	
Sri Lanka		10%	18	100,000	90,000	
Malaysia		20%	36	100,000	180,000	
Thailand		15%	27	100,000	135,000	
USA		10%	18	350,000	315,000	
UK		15%	27	200,000	270,000	
Total		100%	180		1,440,000	

***Note:** In the proposed project, only ticket booking is being considered for international and a 5% of the ticket value is assumed to be the revenue for the agency.

Table 25: Revenue Generation - Umrah

Services	Number of Groups(A) @50%	Charges / Group(B)	Revenue (PKR) (A*B)
	(Table 5)	(Table 26)	
Complete Package	27	1,860,000	50,220,000

Table 26: Revenue Assumptions - Umrah

Description	Ticket s Value (PKR)	Accommodation Charges / Person / Day		Meal Charges / Person / Day		Local Travelling Chages / Person	Total Package Cost / Person (PKR)	Margin (%)	Total Packages Price / Person(PKR)	Total Packages Price / Group(PKR)
	A	B	C	D	E	F	$G=A+B+C+D+E+F$	H	$I=G*H$	$J=I*10(\text{Number of Persons / Group})$
	75,000	Makkah 4,000	Madina 4,000	Makkah 2,000	Madina 2,000	20,000	155,000	20%	186,000	1,860,000
Tour duration (Days)		5	5	5	5					
Total Charges (PKR)	75,000	20,000	20,000	10,000	10,000	20,000				

Table 27: Revenue Generation - Ziarat

Services	Number of Customers/Groups(A) @50%	Charges / Group(B)	Revenue (PKR) (A*B)
	(Table 6)	(Table 28)	
Iran			
Complete Package	9	1,980,000	17,820,000
Iraq			
Complete Package	9	2,520,000	22,680,000
Total Revenue (PKR)			40,500,000

Table 28: Revenue Assumptions - Ziarat

Description	Tickets Value (PKR)	Accommodation Charges / Person / Day	Meal Charges / Person / Day	Local Travelling	Total Package Cost / Person (PKR)	Margin (%)	Total Packages Price / Person (PKR)	Total Packages Price / Group (PKR)
	A	B	C	D	$E=A+B+C+D$	F	$G=E \times F$	$H=G \times 10$ (Number of Persons / Group)
Iran								
Cost (PKR)	95,000	2,500	2,000	25,000	165,000	20%	198,000	1,980,000
Tour duration (Days)		10	10					
Total Charges (PKR)	95,000	25,000	20,000	25,000				
Iraq								
Cost (PKR)	140,000	2,500	2,000	25,000	210,000	20%	252,000	2,520,000
Tour duration (Days)		10	10					
Total Charges (PKR)	140,000	25,000	20,000	25,000				

9.7. Variable Cost

Variable costs of the project have been provided in detail in Table 29.

Table 29: Variable Cost

Description	Cost (PKR)
Cost of sale - Domestic	8,220,000
Cost of sale - Umrah	41,850,000
Cost of sale - Ziarat	33,750,000
Utilities	209,714
Staff salaries	3,900,000
Travel/Tour planning expense	2,020,500
Communications expense (phone, fax, mail, internet, etc.)	314,400
Office vehicles running and maintenance expense	74,097
Office expenses (stationery, entertainment, janitorial services, etc.)	312,000
Total Variable Cost (PKR)	90,650,711

9.8. Fixed Costs

Details of fixed costs for the project are provided in Table 30.

Table 30: Fixed Costs

Description	Amount per annum (PKR)
Staff Salaries - Tickets only	1,572,000
Building rental expense	1,134,000
Annual registration renewal fee (DTS)	60,990
Promotional expense	4,041,000
Professional fees (legal, audit, consultants, etc.)	1,010,250
Depreciation expense	391,342
Amortization of pre-operating costs	29,729
Amortization of legal, registration and other charges	20,700
Total Fixed Cost (PKR)	8,260,011

9.9. Human Resource

For the first year of operations, the human resource requirements are projected in Table 31.

Table 31: Human Resource Requirement

Description	Number of Employees	Monthly Salary per employee (PKR)	Total Monthly Salary (PKR)	Total Annual Salary (PKR)
Admin & Accounts Officer	1	40,000	40,000	480,000
Manager Services	1	80,000	80,000	960,000
Customer Representative Officers	4	35,000	140,000	1,680,000
Tour Planners	3	35,000	105,000	1,260,000
Receptionist	1	25,000	25,000	300,000
Security Guard	2	22,000	44,000	528,000
Office Boy	1	22,000	22,000	264,000
Total	13			5,472,000

10. CONTACT DETAILS

Details of Travel and Tours service providers are provided in Table 32.

Table 32 Service Providers

Service Providers	Location	Contact Number	Email/ Website
Travel Waljis (Pvt) Ltd	Islamabad	051-2624701-11	www.waljis.com
Butt Tour Organizer	Islamabad	0321 8557730	www.butttourorganizer.com
Sufa International Travel and Tours (Pvt) Ltd	Lahore	042-35761770	www.sufaint.com
Travel Channel Int'l (Pvt).Ltd	Lahore	03111147111	www.faremakers.com
Aroma Travel Services (Pvt) Ltd	Karachi	(021) 99205704	www.aromatravel.com
Gerry's Travel	Karachi	(021) 35170951	www.gerrystravel.com
Greens Tourism Services	Peshawar	03074414444	-
Travel Times Tourism	Quetta	(081) 2865675	www.traveltimes.com.pk
Adventure Tours Pakistan	Hunza, Gilgit, Skardu	0347-4100004	www.atp.com.pk
KK Travels and Tours	Mirpur	0332 3562630	-

11. USEFUL LINKS

Table 33: Useful Links

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
National Heritage & Culture Division	https://heritage.pakistan.gov.pk
Pakistan Tourism Development Corporation (PTDC)	https://tourism.gov.pk/
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Balochistan	https://balochistan.gov.pk
Government of Khyber Pakhtunkhwa	http://kp.gov.pk
Government of Gilgit Baltistan	https://gilgitbaltistan.gov.pk
Government of Azad Jammu & Kashmir	https://ajk.gov.pk
Tourism Development Corporation of Punjab	https://tdcp.gop.pk/
Sindh Tourism Development Corporation	https://stdc.gos.pk/
Khyber Pakhtunkhwa Culture and Tourism Authority	https://kptourism.com/
Balochistan Tourism Department	https://culturebalochistan.gob.pk
Gilgit Baltistan Tourism Department	https://visitgilgitbaltistan.gov.pk/
AJ&K Tourism & Archaeology Department	https://ajktourism.gov.pk/
International Air Transport Association	https://www.iata.org/
Department of Tourist Services	http://dts.gov.pk/
Ministry of Religious Affairs and Inter-faith Harmony	http://www.mora.gov.pk/
Trade Development Authority of Pakistan	www.tdap.gov.pk
Securities and Exchange Commission of Pakistan	www.secp.gov.pk
State Bank of Pakistan	www.sbp.gov.pk
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpcci.com.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										
Domestic	9,585,000	10,580,709	11,682,177	16,290,743	17,974,708	20,516,744	25,234,891	28,666,617	33,027,344	36,352,097
International	720,000	871,728	1,046,708	1,248,082	1,479,394	1,744,628	2,048,271	2,395,367	2,791,589	3,072,609
Umrah	50,220,000	61,417,200	72,106,522	86,805,737	103,733,683	123,190,118	142,205,464	167,440,871	196,315,928	216,078,398
Ziarat	40,500,000	49,530,000	59,967,622	72,004,759	85,857,675	101,769,964	112,014,807	132,097,462	155,088,291	170,700,512
Total	101,025,000	122,399,637	144,803,029	176,349,323	209,045,459	247,221,454	281,503,433	330,600,317	387,223,152	426,203,616
Cost of sales										
Cost of sale - Domestic	8,220,000	9,047,480	9,958,260	13,967,590	15,373,661	17,518,972	21,593,966	24,491,848	28,217,453	31,058,010
Cost of sale - Umrah	41,850,000	51,181,000	60,088,769	72,338,115	86,444,736	102,658,432	118,504,554	139,534,059	163,596,607	180,065,332
Cost of sale - Ziarat	33,750,000	41,275,000	49,973,018	60,003,966	71,548,062	84,808,303	93,345,672	110,081,218	129,240,242	142,250,427
Electricity	146,800	160,066	174,530	190,302	207,499	226,250	246,696	268,989	293,296	319,800
Staff salaries	3,900,000	4,278,300	4,693,295	5,148,545	5,647,954	6,195,805	6,796,798	7,456,088	8,179,328	8,972,723
Travel/Tour planning expense	2,020,500	2,447,993	2,896,061	3,526,986	4,180,909	4,944,429	5,630,069	6,612,006	7,744,463	8,524,072
Total cost of sales	89,887,300	108,389,838	127,783,933	155,175,504	183,402,821	216,352,192	246,117,754	288,444,208	337,271,390	371,190,364
Gross Profit	11,137,700	14,009,798	17,019,097	21,173,819	25,642,639	30,869,262	35,385,679	42,156,109	49,951,763	55,013,252
General administration & selling expenses										
Staff Salaries	1,572,000	1,724,484	1,891,759	2,075,260	2,276,560	2,497,386	2,739,632	3,005,377	3,296,898	3,616,698
Building rental expense	1,134,000	1,247,400	1,372,140	1,509,354	1,660,289	1,826,318	2,008,950	2,209,845	2,430,830	2,673,913
Utilities	62,914	68,600	74,799	81,558	88,928	96,964	105,727	115,281	125,698	137,057
Travelling expense	-	-	-	-	-	-	-	-	-	-
Communications expense (phone, fax, mail, internet, etc.)	314,400	344,897	378,352	415,052	455,312	499,477	547,926	601,075	659,380	723,340
Annual registration renewal fee (DTS)	60,990	65,259	69,827	74,715	79,945	85,542	91,530	97,937	104,792	-
Office vehicles running and maintenance expense	74,097	79,283	84,833	90,771	97,125	103,924	111,199	118,983	127,312	136,224
Office expenses (stationery, entertainment, janitorial services, etc.)	312,000	342,264	375,464	411,884	451,836	495,664	543,744	596,487	654,346	717,818
Promotional expense	4,041,000	4,895,985	5,792,121	7,053,973	8,361,818	9,888,858	11,260,137	13,224,013	15,488,926	17,048,145
Professional fees (legal, audit, consultants, etc.)	1,010,250.00	1,223,996.37	1,448,030.29	1,763,493.23	2,090,454.59	2,472,214.54	2,815,034.33	3,306,003.17	3,872,231.52	4,262,036.16
Depreciation expense	391,342	391,342	391,342	391,342	391,342	391,342	285,152	672,147	672,147	672,147
Amortization of pre-operating costs	29,729	29,729	29,729	29,729	29,729	-	-	-	-	-
Amortization of legal, registration and other charges	20,700	20,700	20,700	20,700	20,700	20,700	20,700	20,700	20,700	20,700
Subtotal	9,023,422	10,433,940	11,929,096	13,917,831	16,004,040	18,378,390	20,529,731	23,967,848	27,453,261	30,008,077
Operating Income	2,114,279	3,575,859	5,090,001	7,255,988	9,638,599	12,490,872	14,855,948	18,188,261	22,498,502	25,005,175
Other income										
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	291,750	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	20,200	-	-	-
Earnings Before Interest & Taxes	2,114,279	3,575,859	5,090,001	7,255,988	9,638,599	12,490,872	15,167,898	18,188,261	22,498,502	25,005,175
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	2,114,279	3,575,859	5,090,001	7,255,988	9,638,599	12,490,872	15,167,898	18,188,261	22,498,502	25,005,175
Tax	1,262,813	1,529,995	1,810,038	2,204,367	2,613,068	3,491,804	4,428,764	5,485,891	6,994,475	7,871,811
NET PROFIT/(LOSS) AFTER TAX	851,466	2,045,863	3,279,963	5,051,622	7,025,530	8,999,067	10,739,134	12,702,371	15,504,027	17,133,365

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	1,000,000	4,470,847	6,292,290	8,351,459	10,942,016	13,934,295	17,169,293	25,043,270	39,710,485	57,362,457	76,432,116
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	-	103,950	114,345	125,780	138,357	152,193	167,413	184,154	202,569	222,826	-
Total Current Assets	1,000,000	4,574,797	6,406,635	8,477,238	11,080,374	14,086,488	17,336,705	25,227,424	39,913,055	57,585,283	76,432,116
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	727,715	654,944	582,172	509,401	436,629	363,858	291,086	218,315	145,543	72,772	-
Furniture & fixtures	876,000	744,600	613,200	481,800	350,400	219,000	87,600	1,660,555	1,411,472	1,162,388	913,305
Office vehicles	80,800	68,680	56,560	44,440	32,320	20,200	8,080	123,107	104,641	86,175	67,709
Office equipment	1,167,000	991,950	816,900	641,850	466,800	291,750	116,700	2,212,178	1,880,351	1,548,524	1,216,698
Security against building	283,500	283,500	283,500	283,500	283,500	283,500	283,500	283,500	283,500	283,500	283,500
Bank guarantee	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Total Fixed Assets	4,185,015	3,793,674	3,402,332	3,010,991	2,619,649	2,228,308	1,836,966	5,547,654	4,875,507	4,203,359	3,531,212
<i>Intangible assets</i>											
Pre-operation costs	148,646	118,917	89,188	59,458	29,729	-	-	-	-	-	-
Legal and Registration Cost	207,000	186,300	165,600	144,900	124,200	103,500	82,800	62,100	41,400	20,700	-
Total Intangible Assets	355,646	305,217	254,788	204,358	153,929	103,500	82,800	62,100	41,400	20,700	-
TOTAL ASSETS	5,540,661	8,673,688	10,063,754	11,692,587	13,853,952	16,418,296	19,256,471	30,837,178	44,829,961	61,809,343	79,963,328
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	2,707,293	3,287,295	3,894,046	4,658,540	5,537,494	6,546,206	7,387,778	8,678,191	10,153,546	11,174,166
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	2,707,293	3,287,295	3,894,046	4,658,540	5,537,494	6,546,206	7,387,778	8,678,191	10,153,546	11,174,166
<i>Other liabilities</i>											
<i>Shareholders' equity</i>											
Paid-up capital	5,540,661	5,540,661	5,540,661	5,540,661	5,540,661	5,540,661	5,540,661	5,540,661	5,540,661	5,540,661	5,540,661
Retained earnings	-	425,733	1,235,798	2,257,880	3,654,751	5,340,141	7,169,604	17,908,739	30,611,109	46,115,136	63,248,501
Total Equity	5,540,661	5,966,394	6,776,459	7,798,542	9,195,412	10,880,802	12,710,265	23,449,400	36,151,770	51,655,797	68,789,162
TOTAL CAPITAL AND LIABILITIES	5,540,661	8,673,688	10,063,754	11,692,587	13,853,952	16,418,296	19,256,471	30,837,178	44,829,961	61,809,343	79,963,328

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		851,466	2,045,863	3,279,963	5,051,622	7,025,530	8,999,067	10,739,134	12,702,371	15,504,027	17,133,365
Add: depreciation expense		391,342	391,342	391,342	391,342	391,342	391,342	285,152	672,147	672,147	672,147
amortization of pre-operating costs		29,729	29,729	29,729	29,729	29,729	-	-	-	-	-
amortization of legal, registration costs		20,700	20,700	20,700	20,700	20,700	20,700	20,700	20,700	20,700	20,700
Accounts receivable		-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	-	(103,950)	(10,395)	(11,435)	(12,578)	(13,836)	(15,219)	(16,741)	(18,415)	(20,257)	222,826
Accounts payable		2,707,293	580,002	606,751	764,494	878,954	1,008,712	841,573	1,290,413	1,475,355	1,020,620
Cash provided by operations	-	3,896,580	3,057,241	4,317,050	6,245,308	8,332,420	10,404,602	11,869,817	14,667,215	17,651,972	19,069,659
<i>Financing activities</i>											
Issuance of shares	5,540,661	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activities	5,540,661	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(4,540,661)	-	-	-	-	-	-	(3,995,840)	-	-	-
Acquisitions											
Cash (used for) / provided by investing activities	(4,540,661)	-	-	-	-	-	-	(3,995,840)	-	-	-
NET CASH	1,000,000	3,896,580	3,057,241	4,317,050	6,245,308	8,332,420	10,404,602	7,873,978	14,667,215	17,651,972	19,069,659

13. KEY ASSUMPTIONS

13.1. Operating Cost Assumptions

Table 34: Operating Cost Assumptions

Description	Rate/ Percentage/ Details
Furniture and fixture depreciation	15%
Machinery & equipment depreciation	15%
Building & infrastructure depreciation	10%
Vehicle depreciation	15%
Office equipment depreciation	15%
Inflation rate	10.1%
Wage growth rate	9.7%
Electricity price growth rate	9.0%
Office equipment price growth rate	9.6%
Office vehicle price growth rate	6.2%

13.2. Variable Cost Assumptions

Table 35 Variable Cost Assumptions

Description	Details
Office expenses (stationery, entertainment, janitorial services, etc.)	8% of administration expense
Communication expense	20% of administration expense
Promotional expense	4% of revenue

13.3. Fixed Cost Assumptions

Table 36 Fixed Cost Assumptions

Description	Details
Promotional Expenses	4% of revenue
Professional fees (legal, audit, consultants, etc.)	1.0% of revenue

13.4. Revenue Assumptions

Table 37: Revenue Assumptions

Description	Details
Sale price growth rate	10.1%

Initial capacity utilization	50%
Capacity growth rate	5%
Maximum capacity utilization	90%

13.5. Financial Assumptions

Table 38: Financial Assumptions

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

13.6. Debt Related Assumptions

Table 39 Debt Related Assumptions

Description of Cost	Details
Project Life (Years)	10
Debt: Equity	50:50
Discount Rate	11%
Debt Tenure	5 years
Grace Period	1 Year
Interest Rate (KIBOR+3%)	10.3%

13.7. Cash Flow Assumptions

Table 40: Cash Flow Assumptions

Description of Cost	Details
Accounts Receivable (in days)	-
Accounts Payable (in days)	10

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