



Pre-feasibility Study

RETAIL /WHOLESALE OUTLET FOR USED MOTOR VEHICLE PARTS - COMMERCIAL CARRIAGE VEHICLES

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

Table of Contents

1. DISCLAIMER	4
2. EXECUTIVE SUMMARY	5
3. INTRODUCTION TO SMEDA	7
4. PURPOSE OF THE DOCUMENT	8
5. BRIEF DESCRIPTION OF PROJECT & Services	8
5.1 Service Flow	10
5.2 Product Mix	11
5.3 Installed and Operational Capacities.	14
6. CRITICAL FACTORS	14
7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT	14
8. POTENTIAL TARGET CUSTOMERS / MARKETS	15
9. PROJECT COST SUMMARY	16
9.1. Initial Project Cost Estimates	16
9.1.1. Land.....	17
9.1.2. Building.....	18
9.1.3. Shop Equipment	18
9.1.4. Furniture and Fixture.....	19
9.1.5. Office Vehicles.....	19
9.1.6. Pre-Operating Cost.....	20
9.1.7. Security against Building.....	20
9.1.8. Working Capital	20
9.2. Breakeven Analysis	20
9.3. Revenue Generation.....	21
9.4. Variable Cost	33
9.5. Fixed Cost Estimate.....	34
9.6. Financial Feasibility Analysis	34
9.7. Financial Feasibility Analysis with 50% Debt	35
9.8. Human Resource	35
10. CONTACT DETAILS.....	36
11. USEFUL LINKS and contacts	37
12. ANNEXURES	38
12.1. Income Statement.....	38
12.2. Balance Sheet.....	39
12.3. Cash Flow Statement.....	40
13. KEY ASSUMPTIONS	41
13.1. Operating Cost Assumptions	41

13.2. Revenue Assumptions	41
13.3. Financial Assumptions	41
13.4. Debt Related Assumptions.....	42
13.5. Cash Flow Assumptions	42

Table of Tables

Table 1: Product Mix.....	11
Table 2: Installed and Operational Capacity	14
Table 3: Initial Project Cost Estimate	16
Table 4: Land Area Breakup	17
Table 5: Renovation Cost Details	18
Table 6: Shop Equipment	18
Table 7: Furniture and Fixtures.....	19
Table 8: Office Vehicles	19
Table 9: Pre-Operating Cost	20
Table 10: Security against Building.....	20
Table 11: Working Capital	20
Table 12: Breakeven Analysis.....	20
Table 13: Revenue Generation.....	22
Table 14: Weighted Average Revenue per Order of Suzuki Pickup used Spare Parts	22
Table 15: Weighted Average Revenue per Order of Suzuki Bolan used Spare parts	25
Table 16: Weighted Average Revenue per Order of Mazda used spare parts	27
Table 17: Weighted Average Revenue per Order of Hyundai Shahzore used spare parts.....	29
Table 18: Weighted Average Revenue per Order of FAW Carrier used spare parts	31
Table 19: Variable Cost.....	33
Table 20: Inventory Cost.....	33
Table 21: Direct Human Resource Cost.....	33
Table 22: Fixed Cost Estimate	34
Table 23: Financial Feasibility Analysis.....	34
Table 24: Financial Feasibility Analysis with 50% Debt.....	35
Table 25: Human Resource Requirement	35

Table 26: Suppliers of Equipment & Supplies	36
Table 27: Useful Links	37
Table 28: Operating Cost Assumptions.....	41
Table 29: Revenue Assumptions.....	41
Table 30: Financial Assumptions.....	41
Table 31: Debt Related Assumptions	42
Table 32: Cash Flow Assumptions.....	42

Table of Figures

Figure 1: Service Flow.....	10
Figure 2: Suzuki Pickup	12
Figure 3: Suzuki Bolan	12
Figure 4: Mazda B series	13
Figure 5: Hyundai Shahzore.....	13
Figure 6: Faw Carrier.....	13
Figure 7: Number of LCVs Produced in Pakistan	15
Figure 8: Number of LCVs Sold in Pakistan	16

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

Commercial carriage vehicles are the ones which are used for transporting goods from one place to another. Common commercial carriage vehicles include pickups, vans, semi-trucks, trailers, trucks, etc. Carriage vehicles are further classified as Light Commercial Vehicles (LCVs) and Heavy Commercial Vehicles (HCVs).

Heavy Commercial Vehicle is the one which is used for the carriage of goods and has a maximum gross weight exceeding 7 tons. Whereas, Light Commercial Vehicle is that motor vehicle which is used for carriage of goods and its gross weight varies between 3.5 and 7 tons.¹

Over the last two decades, with an increasing use of vehicles and increasing industrialization rate, demand for vehicles for mobility of people and transport of goods has also been increasing. Automobiles are made up of thousands of parts and accessories which give them their shapes and make them functional. Compared to passenger vehicles, commercial carriage vehicles are more expensive and have a longer useful life. This creates a higher demand for the vehicle parts, required for repair and maintenance of those vehicles.

The proposed project provides details to establish and operate on a retail/wholesale store for used parts for Light Commercial Carriage Vehicles (LCVs). LCVs are used commercially to carry goods from one place to another conveniently. Due to continued use of these vehicles, they need regular maintenance and frequent change of different types of parts. The carriage vehicles used in Pakistan are mostly older models. Some companies stop manufacturing vehicle parts of their older models after certain time due to which there is no other option but to use the old/used parts. As per the market, many customers prefer the used genuine parts over the new local parts. Genuine new parts of the vehicles are usually very expensive and are not preferred by many customers. The second option is the local copies of those parts. These parts are new, and cheaper than the genuine new parts; however their service quality is rated lower than the new genuine parts. Another option is that of the used local parts which are also considered to be a cheaper option. The fourth option is that of the used genuine parts which mostly are obtained from the disposed/accident vehicles. Sometimes, these genuine used parts are also imported. These are commonly known as 'Kabli' parts in the local market. These parts are cheaper than the new genuine parts and their service quality is also generally considered good; compared to that of local new or used parts.

The LCV sector has a large demand in many industries; such as pharmaceutical, food and confectionery, and many others. The global light commercial vehicle market is expected to grow from \$440.87 billion at a compound annual growth rate (CAGR) of 7.8%, to reach \$652.34 billion in 2025 at a CAGR of 8.2%.² Pakistan's Automobile

¹ <https://www.oica.net/wp-content/uploads/stats-definition1.pdf>

² <https://www.businesswire.com/news/home/20210823005335/en/Global-650-Bn-Light-Commercial-Vehicle-Markets-Analysis-Forecasts-2015-2020-2020-2025F-2030F---ResearchAndMarkets.com>

industry contributes 2.8% to the country's total GDP and PKR 30 billion to the national exchequer in terms of taxes and duties. Pakistan's automobile industry is one of the fastest-growing in Asia owing to growing domestic demand. The production and sales grew by 171% and 172.5% respectively between 2014 and 2018, much of which was fueled by the Automotive Development Policy introduced in 2016.³

The after-market of auto parts in Pakistan is estimated at \$750 million including imports and local production.⁴ The production of Light Commercial Vehicles (LCVs) witnessed an 82.7% increase during the first three months of the financial year 2021-22 against the output of the same period of the last fiscal year. According to Pakistan Bureau of Statistics (PBS)⁵ 6,775 LCVs were manufactured during July-September (2021-22) as compared to the production of 3,708 LCVs manufactured during July-September (2020-21), showing a growth of 82.71%. This can be taken as a direct measure of the growth of LCV spare parts market.

This "Pre-feasibility document" provides details for setting up a "Retail/ Wholesale Outlet for Used Motor Vehicle Parts - Commercial Carriage Vehicles". The store will be open for 12 hours a day for 300 days a year. The product range offered in the proposed store includes the used, locally manufactured as well as imported parts of light commercial vehicles. The spare parts of the LCVs covered under this study include Suzuki Pickup, Suzuki Bolan, Mazda B Series, Hyundai Shahzore and Faw Carrier.

The proposed business will ideally be located in large to medium cities like Karachi, Lahore, Peshawar, Faisalabad, Multan, Quetta, Sialkot, Gujranwala, Hyderabad, Peshawar, Rawalpindi, Muzaffarabad, Gilgit, Sukkur, Mardan, etc. Setting up the proposed store in such cities is expected to bring increased business activity due to the higher number of commercial carriage vehicles required for manufacturing and trading activities.

The store will be set up in a rented building with an area of 4,200 square feet including a warehouse of 2,000 square feet. The project requires a total investment of PKR 14.31 million. This includes a capital investment of PKR 7.78 million and working capital of PKR 6.52 million. It is proposed that the project shall be financed through 100% equity. The Net Present Value (NPV) of the project is PKR 49.61 million with an Internal Rate of Return (IRR) of 55% and a payback period of 2.64 years. This project is expected to generate Gross Annual Revenues of PKR 77.79 million during 1st year, with Gross Profit (GP) ratio ranging from 14% to 18% and Net Profit (NP) ratio ranging from 2% to 8% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at a capacity 38% (6,806 orders) with a breakeven revenue of PKR 58.83 million.

³ <https://invest.gov.pk/sites/default/files/inline-files/Auto.pdf>

⁴ https://smeda.org/phocadownload/Punjab/cluster_profiles/auto%20parts%20-%20lahore.pdf

⁵ <https://pakobserver.net/output-of-lcvs-increase-82-71-in-1st-quarters/>

The proposed project may also be established using leveraged financing. At 50% financing at KIBOR+3%, the proposed unit provides Net Present Value (NPV) of PKR 58.54 million, Internal Rate of Return (IRR) of 55%, and Payback period of 2.62 years. The proposed project is expected to generate Gross Annual Revenues of PKR 77.79 million during 1st year of operations, and a Net Profit (NP) ratio ranging from 1% to 8% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at the capacity of 41% i.e. (7,459 orders) with breakeven revenue of PKR 64.47 million.

The proposed business will provide employment opportunities to 17 people. The human resource includes the owner who will be the overall incharge of the shop. Other staff includes a procurement officer, procurement assistants, store incharge, store assistant, sales persons, cashier, security guard, driver, and loaders. High return on investment and steady growth are expected having prior experience in the relevant field. The legal form of this project is proposed as "Sole Proprietor".

3. INTRODUCTION TO SMEDA

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

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectoral research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

Preparation and dissemination of prefeasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the prefeasibility studies, a broad spectrum of business development services is also offered to the SMEs by SMEDA. These services include identification of experts and consultants and delivery of need-based capacity building programs of different types in addition to business guidance through help desk services.

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

The NBDP envisages provision of handholding support / business development services to SMEs to promote business startup, improvement of efficiencies in existing SME value chains to make them globally competitive and provide conducive business environment through evidence-based policy-assistance to the Government of Pakistan. The Project is objectively designed to support SMEDA's capacity of providing an effective handholding to SMEs. The proposed program 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 setting-up a “Retail/ Wholesale Outlet for Used Motor Vehicle Parts - Commercial Carriage Vehicles”. 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 & SERVICES

A commercial carriage vehicle is any vehicle used to transport goods for individuals or businesses from one place to another. Common commercial carriage vehicles include pickups, vans, semi-trucks, trailers, trucks, etc. Carriage vehicles are further classified into Light commercial vehicles (LCVs) and Heavy Commercial Vehicles (HCVs). Heavy Commercial Vehicle is any vehicle which is used for carriage of goods and has a maximum gross weight exceeding 7 tons. Whereas, Light Commercial Vehicle is any motor vehicle with at least four wheels, used for the carriage of goods; having a gross weight between 3.5 and 7 tons. LCVs have a wide application in different industries, which creates an ever increasing demand for efficient and powerful light commercial vehicles. Numerous companies have introduced their vehicles across the globe, which has led to a rapid growth of the global market of carriage vehicles.

The LCVs are mostly used for Intra-city transportation. The LCV sector has experienced a huge demand in the pharmaceutical, food and confectionery and many other industries. One commonly sees these LCVs moving around on roads, transporting variety of goods. The e-commerce has provided automobile companies with a new business model that has further increased demand for LCVs.

The proposed project is a retail outlet providing a wide range of used spare parts for carriage vehicles; specifically the Light Commercial Vehicles. Average useful life of parts of carriage vehicles is 4-6 years; after which, there arises a need for replacement; which generates demand for spare parts. Another component of this demand is generated by road accidents due to which the damaged parts of vehicles have to be

replaced. Some companies stop manufacturing vehicle parts of their older models after certain time due to which there is no other option but to use the old/used parts. As per the local market trends, many customers prefer the used genuine parts over the new local parts. Genuine new parts of the vehicles are usually very expensive and are not preferred by many customers. The second option is the local copies of those parts. These parts are new, and cheaper than the genuine new parts; however their service quality is rated lower than the new genuine parts. The used genuine parts are mostly obtained from the disposed/accident vehicles. Sometimes, these genuine used parts are also imported. These are commonly known as 'Kabli' parts in the local market. These parts are cheaper than the new genuine parts and their service quality is also generally considered good; when compared with the local new or used parts.

Most of these used spare parts are procured from dealers from cities like Karachi, Lahore, Peshawar, Faisalabad, Multan, Quetta, Sialkot, Gujranwala, Hyderabad, Rawalpindi, Peshawar, etc. These dealers obtain these used spare parts from the disposed/accident vehicles or directly import the parts from different international markets; such as Japan, China, etc. as per the local market demand.

Every automobile is made from thousands of parts. The individual auto parts can be broadly categorized according to their different functions in the automobile. Key categories are listed below:

- **The Chassis:** The chassis is a basic frame that supports engine, power transmission, and the whole body of the automobile. The chassis itself is supported on wheels and axles through springs.
- **The Engine:** It includes, engine block, pistons, cylinder head, timing belt, shafts, piston rings, engine valves, cooling system and an exhaust system. As engine is the primary source of power in an automobile, its efficiency determines the operational efficiency.
- **The Suspension System:** The suspension system consists of tires, springs, shock absorbers, struts, arms, bars, linkages, bushings, and joints. The suspension system components are located between the frame of the vehicle and the road.
- **The Transmission System:** The transmission system transmits power developed by the engine to the wheels; located at the ends of the axle. The motion is transmitted through these parts. This system includes parts like clutch, gearbox, propeller shaft, differential and axle, live axle, etc.
- **The Body:** It consists of the external structure usually made from steel, aluminum or plastic,. Different body parts include the bumpers, doors, roof, mirrors, windshield, etc. The body and the chassis frame are attached to form a complete automobile.
- **The Control System:** consists of the steering system and the braking system. The steering system provides the directional change in the movement of an

automobile. This system converts the rotary movement of the steering wheel into the angular movement of the front wheels. The braking system is an arrangement of various links and components; including brake lines or mechanical linkages, brake drum, brake disc, master cylinder, fulcrums, etc.

- **The Auxiliaries:** These are the components that are not essential but add driving convenience and comfort for the passengers; such as the air-conditioning system, windshield wiper, sun roof, seat adjustment controls, mirror adjustment controls, etc.

5.1 Service Flow

Figure 1: Service Flow



Procurement and Transportation

The purchasing of used spare parts is a complex procedure which makes it necessary that the business hires an experienced procurement team for this task. The procurement persons maintain links all over the country for procurement of spare parts. The used spare parts are procured from the local traders as well as directly from the parts importers. These traders are located in all the major cities of Pakistan. The procured spare parts from different cities are transported to the retail store by using rented transport. Depending on the distance, on average, freight cost falls in the range 1-1.5% of the parts cost. The inventory cost used in the proposed business model is inclusive of freight charges. For the purchases made within the city, business-owned loader is used. Inspection is carried out by the experienced store staff to ensure that the procured parts are received according to the specifications mentioned in the demand draft. A visual assessment of the parts is done in most cases for checking any physical damage. The damaged parts, or the parts not found in compliance of the demand draft, are returned to the supplier. The procurement for spare parts is mostly done on cash basis.

Storage of Spare Parts

After procurement of spare parts, the store staff allocates unique item codes to the purchased items. These item codes are entered in the Inventory and Sale Management Software maintained by the retail store for inventory control and sales

records. The spare parts are stored in their designated locations in the warehouse. The proposed retail shop maintains inventory of spare parts for a period of at least 30 days.

Customer Dealing

As customers come to the shop, the salesperson provides advice and assistance to them for buying of spare parts. After understanding the customers' requirements, the salesperson presents them with the available products and their prices, and guides them to select right product.

Recording of Sales

The selected item is brought to the customer counter by the sales staff. The product's unique item code shown on the part, is scanned by a barcode scanner at the customer counter; which displays the item details on the computer system. After payment of the sold product, the cashier records the sale in the cash register. The software automatically updates the inventory levels. All the sales are done on cash basis.

Payment and delivery

The products may also be delivered to the customers' premises on request. Delivery charges are received from buyers for this service.

5.2 Product Mix

The vehicles selected in the proposed project are the commonly used LCVs in Pakistan. The parts selected for the proposed model are the most regularly sold parts in the local market. The variety of used spare parts for carriage vehicles in the proposed store are shown in Table 1. The table also shows the shares of orders and the average gross margins for each of the product categories.

Table 1: Product Mix

Category	Proportion of Orders (%)	Gross Margin (%)
Suzuki Pickup	35%	20%
Suzuki Bolan	40%	20%
Mazda B Series	10%	20%
Hyundai Shahzore	10%	25%
Faw Carrier	5%	25%
Total	100%	
Kabli Parts		
Suzuki Pickup	35%	25%
Suzuki Bolan	40%	25%
Mazda B Series	10%	20%
Hyundai Shahzore	10%	25%

Faw Carrier	5%	25%
Total	100%	

The light commercial vehicles considered in the proposed project are shown in Figure 2, Figure 3, Figure 4, Figure 5 and Figure 6.

Figure 2: Suzuki Pickup



Figure 3: Suzuki Bolan



Figure 4: Mazda B series



Figure 5: Hyundai Shahzore



Figure 6: Faw Carrier



5.3 Installed and Operational Capacities.

Based on the local market averages, the proposed store, at a maximum capacity of 100%, is assumed to entertain 18,000 orders annually; based on 60 orders per day for 300 days a year; operating in a single shift of 12 hours per day. During the initial year of operation, the proposed store is expected to attain 50% of its selling capacity which means 9,000 orders. The operations of the proposed business have been assumed to increase at a rate of 10% annually, reaching 90% selling capacity in the 5th year of operations. Table 2 depicts the total and operational capacities of the proposed outlet.

Table 2: Installed and Operational Capacity

Category	Details
No. of orders per day (A)	60
Number of working days in a year (B)	300
Total Annual Selling Capacity (A*B)	18,000
Selling Capacity Utilization at 50% (A*B*50%)	9,000

6. CRITICAL FACTORS

The following factors should be taken into account while making the investment decision:

- location of the store in major markets
- maintaining a wide range of inventory
- hiring highly skilled procurement team
- well-mannered and well-trained sales staff efficient inventory management maintaining pleasant and long-term relationships with the customers

7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The proposed business would ideally be located in large to medium cities like Karachi, Lahore, Peshawar, Faisalabad, Multan, Quetta, Sialkot, Gujranwala, Hyderabad, Rawalpindi, Peshawar, Muzaffarabad, Gilgit, etc. Locating the proposed business in these cities would provide the advantage of being close to larger customer base. Most of the spare parts outlets are located in Badami Bagh, Mecleod Road, and Bilal Ganj in Lahore, Shafiq Mor market in Karachi, Shobha bazar auto market in Peshawar, Sadar bazar market in Rawalpindi, Zarghoon market in Quetta and auto market in Islamabad.

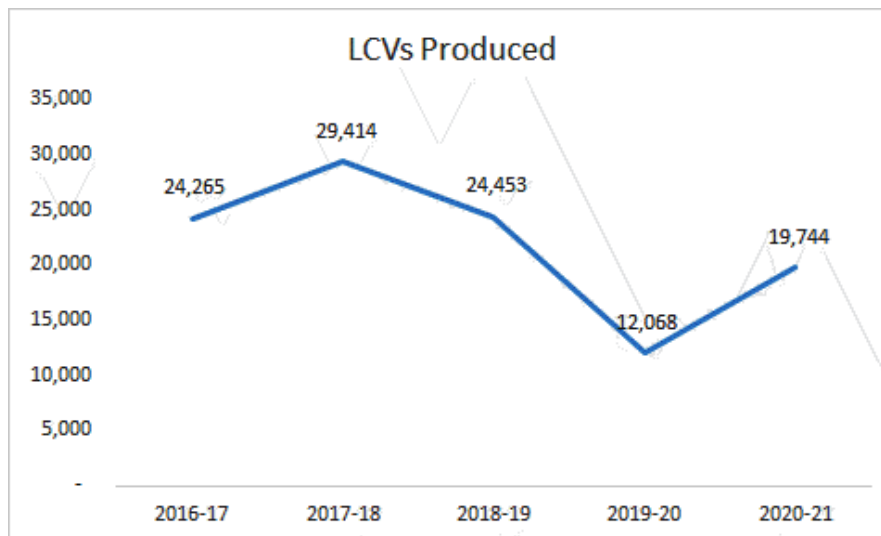
8. POTENTIAL TARGET CUSTOMERS / MARKETS

Pakistan's transport system is primarily dependent on road transport, which makes 90 percent of national passenger traffic and around 96 percent of freight traffic. Over the past several years, road traffic, both passenger and freight, has grown much faster than the country's overall economic growth.⁶ Increasing production and sales of LCVs and HCVs serve as a good indicator of rising economic activity.

Factors such as the development of the automotive industry, increase in industrial activities, and development of the e-commerce industry accelerate the growth of the global light commercial vehicle (LCV) market across the globe.

The automobile manufacturers intend to take full advantage of the China-Pakistan Economic Corridor (CPEC) project which is considered to be a game-changer in the region. According to the Pakistan Automotive Manufacturers Association (PAMA)⁷ 19,744 light commercial vehicles were produced in Pakistan during 2020-21 which showed 64% increase over the production in 2019-20. Following the decline in market due to the COVID-19 pandemic, the market is showing recovery and sales trends are becoming positive. Figure 7 shows LCVs produced in Pakistan during the last five years.

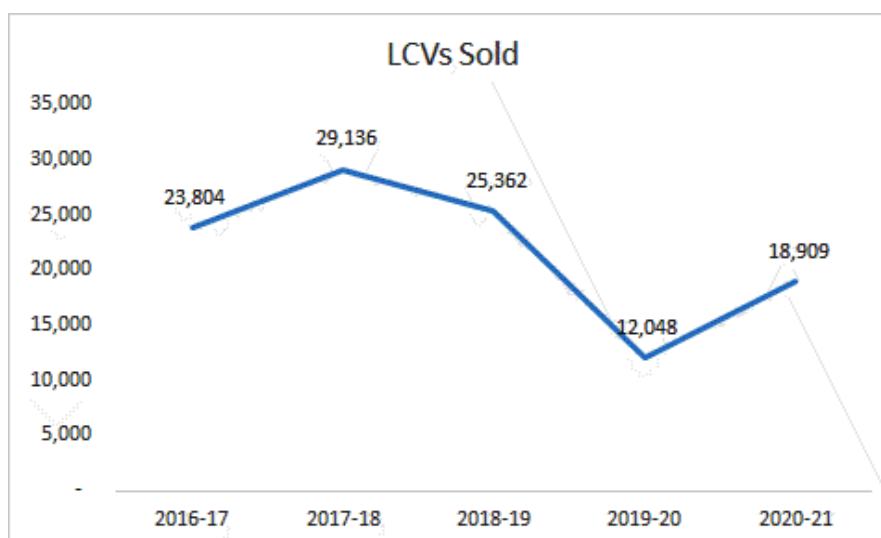
Figure 7: Number of LCVs Produced in Pakistan



18,909 LCVs were sold during 2020-21 with an increase of 57% as compared to that of 2019-20. Figure 8 shows number of LCVs sold in Pakistan during last five years.

⁶ <https://www.finance.gov.pk/survey/chapters/14-Transport%20final08.pdf>

⁷ <https://www.pama.org.pk/>

Figure 8: Number of LCVs Sold in Pakistan

The above data shows that there is an attractive opportunity to start the business of used spare parts for light commercial carriage vehicles.

9. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of “Retail/ Wholesale Outlet for Used Motor Vehicle Parts - Commercial Carriage Vehicles”. 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 annexures.

9.1. Initial Project Cost Estimates

The details of the initial project cost calculated for the proposed business are shown in Table 3.

Table 3: Initial Project Cost Estimate

Description	Cost (PKR)
Land	
Building / Infrastructure	412,130
Office equipment	1,467,000
Furniture & fixtures	1,830,000
Office vehicles	2,656,300
Security against building	1,212,000
Pre-operating costs	207,030
Total Capital Cost	7,784,460

Working Capital Cost	
Inventory	5,081,136
Upfront building rent	404,000
Upfront insurance payment	39,845
Cash	1,000,000
Total Working Capital Cost	6,524,981
Total Investment	14,309,441

9.1.1. Land

The proposed retail store will be established in a rented shop to avoid the high cost of land. Suitable shops for setting up a retail/wholesale store like this can be easily found on rent. Therefore, no land cost has been added to the project cost. The total space required for the proposed store has been estimated as 4,200 square feet. This includes 2,200 square feet of a retail outlet and 2,000 Square feet of warehouse. The required space breakup is shown in Table 4.

Table 4: Land Area Breakup

Description	Number	Area Square Feet.	Area Break Up (%)
Spare Parts Outlet	1	1,200	29%
Office Area	1	320	8%
Counter	1	300	7%
Washrooms	2	80	2%
Parking Area	1	300	7%
Warehouse	1	2,000	48%
Total		4,200	100%

9.1.2. Building

There will be no cost of building construction as the proposed retail store will be started in a rented shop. However, there will be a renovation cost; required to make the outlet usable for the business. The proposed facility requires an electricity load of approximately 3 KW for which an electrical connection under the commercial supply tariff will be required. Monthly rent of PKR 264,000 and PKR 140,000 have been included in the operating cost against outlet and warehouse respectively. The building renovation cost is shown in Table 5.

Table 5: Renovation Cost Details

Cost Item	Unit of Measurement	Total Unit	Cost/Unit (PKR)	Total Cost (PKR)
Paint Cost	Liter	47.6	500	23,810
Paint Labor Cost	Square Feet	4,762	10	47,620
Curtains	Number	2	5,000	10,000
Blinds	Number	2	2,000	4,000
Glass Partitions and Doors	Square Feet	594	550	326,700
Total (PKR)				412,130

9.1.3. Shop Equipment

The equipment requirement proposed for the store is given in Table 6.

Table 6: Shop Equipment

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
1.5 ton Inverter AC	6	90,000	540,000
Laptop	2	80,000	160,000
Desktop Computer	5	50,000	250,000
Electronic Cash Register	1	30,000	30,000
Bar Code Reader with Thermal Printer	5	15,000	75,000
Printer	2	40,000	80,000
LED TV	1	40,000	40,000
Water Dispenser	1	20,000	20,000
Ceiling Fan	8	4,500	36,000
Exhaust Fan	3	2,000	6,000
Wi-Fi Router and Connection	1	5,000	5,000
CC TV Cams 2 mp	14	2,000	28,000

DVR	1	12,000	12,000
UPS - Inverter (2KW)	1	60,000	60,000
UPS - Dry Batteries	2	45,000	90,000
Sales/Purchase Software	1	35,000	35,000
Total Cost (PKR)			1,467,000

9.1.4. Furniture and Fixture

Table 7 gives details of the furniture and fixture required for the project.

Table 7: Furniture and Fixtures

Cost Item	Number of Items	Unit Cost (PKR)	Total Cost (PKR)
Executive Tables	1	30,000	30,000
Executive Chairs	1	20,000	20,000
Outlet - Wall Mounted Racks (6x6x2) feet	15	30,000	450,000
Outlet - Centre Racks (6x6x4) feet	15	20,000	300,000
Store Room Racks -Wall mounted (6x6x3) feet	20	15,000	300,000
Store Room Racks - Centre (6x6x2) feet	25	20,000	500,000
Cabinets	5	20,000	100,000
Cash Counter	1	50,000	50,000
Customer Counter	1	80,000	80,000
Total Cost (PKR)			1,830,000

9.1.5. Office Vehicles

Details of vehicles required for the project are given in Table 8.

Table 8: Office Vehicles

Cost Item	Number of Vehicles	Unit Cost (PKR)	Total
Loader Pickup	1	1,150,000	1,150,000
600 cc Car	1	1,400,000	1,400,000
Motorcycle	1	80,000	80,000
Registration Charges		1%	26,300
Total Cost (PKR)			2,656,300

9.1.6. Pre-Operating Cost

Details of the pre-operating cost of the retail outlet are given in Table 9.

Table 9: Pre-Operating Cost

Description	No.	Hiring Before Year 0 (1 Month)	Monthly salary (PKR)	Total (PKR)
Administration Expenses	1	1	149,000	149,000
Utilities Expense	1	1	58,030	58,030
Total				207,030

9.1.7. Security against Building

Details of security against the rented building for the project are given in Table 10.

Table 10: Security against Building

Description	Months	Rent per Month (PKR)	Total (PKR)
Security	3	404,000	1,212,000

9.1.8. Working Capital

Details of the working capital required for the project are given in Table 11.

Table 11: Working Capital

Cost Item	Total Cost (PKR)
Inventory	5,081,136
Upfront building rent	404,000
Upfront insurance payment	39,845
Cash	1,000,000
Total Initial Working Capital Cost	6,524,981

9.2. Breakeven Analysis

Table 12 shows the calculation of breakeven analysis.

Table 12: Breakeven Analysis

Description	Amount First Year (PKR)	Ratios
Revenue		
Local Parts	19,573,515	
Kabli Parts	58,218,930	
Total Sales (PKR) – A	77,792,445	100%
Variable Cost (PKR) – B	67,629,194	87%
Contribution (PKR) (A-B) = C	10,163,251	13%

Fixed Cost (PKR) – D	7,685,740	10%
Contribution Margin		13%
Breakeven Revenue (PKR)		58,828,862
Number of orders at Breakeven		6,806
Breakeven Capacity		38%

9.3. Revenue Generation

The revenue has been calculated based on the proportionate number of orders and weighted average prices of products. The weighted average prices have been calculated based on the proportionate number of orders for each product and the respective average market price per unit of that product. Table 13 show the calculation of revenue from local and kabli used spare parts.

Table 14, Table 15, Table 16, Table 17, and Table 18 show calculations of the weighted average price per order for used spare parts of Suzuki Pickup, Suzuki Bolan, Mazda B Series, Hyundai Shehzore, and Faw Carrier, respectively.

Based on the number of orders and weighted average sale price per order sales revenue during the first year of operations is shown in Table 13.

Table 13: Revenue Generation

Spare Parts Category	Total Orders	Weighted Average Sale Price per Order (PKR)	Revenue (PKR)	Total Orders	Weighted Average Sale Price per Order (PKR)	Revenue (PKR)	Reference
	Local Parts			Kabli Parts			
Suzuki Pickup	945	6,066	5,732,370	2,205	7,775	17,143,875	Table 14
Suzuki Bolan	1,080	6,019	6,500,520	2,520	7,686	19,368,720	Table 15
Mazda B Series	270	23,165	6,254,550	630	29,207	18,400,410	Table 16
Hyundai Shahzore	270	2,153	581,310	630	2,776	1,748,880	Table 17
Faw Carrier	135	3,739	504,765	315	4,943	1,557,045	Table 18
Total	2,700		19,573,515	6,300		58,218,930	

Table 14: Weighted Average Revenue per Order of Suzuki Pickup used Spare Parts

Suzuki Pick up	Sales Ratio	Average Price per Unit (PKR)	No. of Orders/ Year	Revenue (PKR)	Average Price per Unit (PKR)	No. of Orders/ Year	Revenue (PKR)	Total Revenue (PKR)
		Local Parts (30%)			Kabli Parts (70%)			

Complete Roof	2%	12,500	19	237,500	15,000	44	660,000	897,500
Front (Body) Complete	4%	17,000	38	646,000	22,000	89	1,958,000	2,604,000
Back Body and Frame Complete	4%	16,500	38	627,000	20,000	89	1,780,000	2,407,000
Back Trolley	7%	16,000	67	1,072,000	20,000	155	3,100,000	4,172,000
Steering Box (Complete)	3%	3,600	28	100,800	4,500	67	301,500	402,300
Front Screen	1%	5,500	9	49,500	7,000	23	161,000	210,500
Bumper (Front)	10%	1,000	95	95,000	1,500	220	330,000	425,000
Axle (Front)	2%	2,200	19	41,800	2,800	44	123,200	165,000
Axle (Back)	2%	3,000	19	57,000	3,500	44	154,000	211,000
Safety Guard Bumper	2%	3,500	19	66,500	4,200	44	184,800	251,300
Gear Box (Complete)	4%	12,000	38	456,000	15,000	88	1,320,000	1,776,000
Shocks (Front Set)	4%	7,000	38	266,000	10,000	88	880,000	1,146,000
Shocks (Back Set)	4%	25,000	38	950,000	32,000	88	2,816,000	3,766,000
Suspension Set (Chimtay)	5%	2,500	47	117,500	3,500	110	385,000	502,500

Engine Complete	1%	36,000	9	324,000	45,000	22	990,000	1,314,000
Side Mirrors (Set)	3%	450	28	12,600	600	66	39,600	52,200
Front Grill (New shape)	2%	2,000	19	38,000	2,500	44	110,000	148,000
Wiper Blades (Set)	2%	600	19	11,400	900	44	39,600	51,000
Head Light (Set)	6%	1,500	57	85,500	2,000	132	264,000	349,500
Indicators (Set)	5%	650	47	30,550	900	110	99,000	129,550
Back Lights (Set)	5%	800	47	37,600	1,200	110	132,000	169,600
Front Door (Left)	2%	5,000	19	95,000	6,500	44	286,000	381,000
Front Doors (Right)	2%	5,000	19	95,000	6,500	44	286,000	381,000
Radiator EFI Silver	2%	3,500	19	66,500	5,000	44	220,000	286,500
Radiator EFI Copper	1%	6,000	9	54,000	9,000	22	198,000	252,000
Radiator Cap	2%	300	19	5,700	500	44	22,000	27,700
Air filter	2%	400	19	7,600	700	44	30,800	38,400
Oil filter	2%	350	19	6,650	600	44	26,400	33,050
Clutch cable	2%	950	19	18,050	1,200	44	52,800	70,850
Advance rear brake set	2%	1,750	19	33,250	2,200	44	96,800	130,050
Bumper indicator light	3%	250	28	7,000	300	66	19,800	26,800

Battery Box	1%	350	9	3,150	500	22	11,000	14,150
Fuel tank	1%	2,000	9	18,000	3,000	22	66,000	84,000
Total	100%		945	5,732,150		2,205	17,143,300	22,875,450
Average Revenue Per Order				6,066			7,775	7,262

Table 15: Weighted Average Revenue per Order of Suzuki Bolan used Spare parts

Bolan	Orders Ratio	Average Price per Unit (PKR)	Number of Orders/ Year	Revenue (PKR)	Average Price per Unit	Number of Orders/ Year	Revenue (PKR)	Total Revenue (PKR)
		Local Parts (30%)			Kabli Parts (70%)			
Roof (Complete)	2%	7,500	22	165,000	10,000	50	500,000	665,000
Steering Box (Complete)	4%	3,600	43	154,800	4,500	101	454,500	609,300
Front (Body)	4%	16,500	43	709,500	22,000	101	2,222,000	2,931,500
Front Screen	2%	5,200	21	109,200	7,000	51	357,000	466,200
Bumper (Front)	8%	1,000	86	86,000	1,150	202	232,300	318,300
Bumper (Back)	4%	700	43	30,100	750	101	75,750	105,850
Axle (Front)	2%	2,200	22	48,400	2,800	50	140,000	188,400
Axle (Back)	2%	3,000	22	66,000	3,500	50	175,000	241,000
Safety Guard	3%	3,300	32	105,600	4,200	76	319,200	424,800

Gear Box (Complete)	5%	12,000	54	648,000	15,000	126	1,890,000	2,538,000
Cabin Glass	2%	1,200	22	26,400	1,500	50	75,000	101,400
Shocks (Front)	3%	8,000	32	256,000	9,000	76	684,000	940,000
Shocks (Back)	4%	25,000	43	1,075,000	32,000	101	3,232,000	4,307,000
Suspension Set (Chimtay)	3%	2,500	32	80,000	3,200	76	243,200	323,200
Engine	4%	36,000	43	1,548,000	45,000	101	4,545,000	6,093,000
Head Lights (Set)	5%	750	54	40,500	950	126	119,700	160,200
Indicator (Set)	6%	650	65	42,250	850	151	128,350	170,600
Back Lights (Set)	5%	350	54	18,900	450	126	56,700	75,600
Back Doors (Both)	5%	10,000	54	540,000	13,000	126	1,638,000	2,178,000
Front Doors (Both)	3%	13,000	32	416,000	17,000	76	1,292,000	1,708,000
Radiator EFI Silver	2%	3,500	22	77,000	4,500	50	225,000	302,000
Radiator EFI Copper	1%	6,000	11	66,000	8,000	25	200,000	266,000
Radiator Cap	3%	300	32	9,600	410	76	31,160	40,760
Air filter	2%	400	22	8,800	500	50	25,000	33,800
Oil filter	2%	350	22	7,700	450	50	22,500	30,200
Clutch cable	2%	950	22	20,900	1,200	50	60,000	80,900
Advance rear brake set	5%	1,700	54	91,800	2,200	126	277,200	369,000
Bumper indicator light(Set)	4%	550	43	23,650	650	101	65,650	89,300



Fuel tank	1%	2,000	11	22,000	2,450	25	61,250	83,250
Battery Box	2%	350	22	7,700	450	50	22,500	30,200
Total	100%		1,080	6,500,800		2,520	19,369,960	25,870,760
Average Revenue Per Order				6,019			7,686	7,186

Table 16: Weighted Average Revenue per Order of Mazda used spare parts

Mazda B Series	Orders Ratio	Average Price per Unit (PKR)	Number of Orders/ Year	Revenue (PKR)	Average Price per Unit	Number of Orders/ Year	Revenue (PKR)	Total Revenue (PKR)
		Local Parts (30%)			Kabli Parts (70%)			
Dashboard	4%	62,000	11	682,000	80,000	25	2,000,000	2,682,000
Engine	1%	420,000	3	1,260,000	550,000	6	3,300,000	4,560,000
Side Mirror (with Box)	10%	11,000	27	297,000	12,500	63	787,500	1,084,500
Steering box	5%	13,000	13	169,000	15,000	31	465,000	634,000
Side Doors Japanese	2%	40,000	5	200,000	50,000	12	600,000	800,000
Side Doors Local	3%	21,000	8	168,000	25,000	18	450,000	618,000
Head Lights	15%	2,400	41	98,400	3,000	94	282,000	380,400
Complete Cabin	2%	360,000	5	1,800,000	450,000	13	5,850,000	7,650,000

Tube Cup	5%	53,000	14	742,000	70,000	32	2,240,000	2,982,000
Indicators	13%	3,200	35	112,000	4,000	82	328,000	440,000
Small Shocks (adjust in Cabin)	6%	1,700	16	27,200	2,000	38	76,000	103,200
Front and Back Shocks	5%	4,900	14	68,600	6,000	32	192,000	260,600
Thin Pipe Shaft	4%	18,500	11	203,500	23,000	25	575,000	778,500
Thick Pipe Shaft	4%	21,000	11	231,000	26,000	25	650,000	881,000
Gear Lever	5%	5,500	14	77,000	7,000	32	224,000	301,000
Battery Box (Small)	2%	800	5	4,000	1,100	13	14,300	18,300
Battery Box (Large)	2%	550	5	2,750	700	13	9,100	11,850
Steering	2%	12,000	5	60,000	15,000	13	195,000	255,000
Ring/ Jali	2%	3,800	5	19,000	4,800	13	62,400	81,400
Front Small Mirror	8%	1,500	22	33,000	2,000	50	100,000	133,000
Total	100%		270	6,254,450		630	18,400,300	24,654,750
Average Revenue Per Order				23,165			29,207	27,394



Table 17: Weighted Average Revenue per Order of Hyundai Shahzore used spare parts

Hyundai Shahzore	Orders Ratio	Average Price per Unit (PKR)	Number of Orders/ Year	Revenue (PKR)	Average Price per Unit (PKR)	Number of Orders/ Year	Revenue (PKR)	Total Revenue (PKR)
		Local Parts (30%)			Kabli Parts (70%)			
Dashboard	2%	9,600	5	48,000	12,000	13	156,000	204,000
Roof (Front Cabin)	1%	17,600	3	52,800	22,000	6	132,000	184,800
Side Mirror (Set)	5%	680	14	9,520	850	31	26,350	35,870
Speedo meter	2%	4,800	6	28,800	6,000	12	72,000	100,800
Steering box	5%	6,800	14	95,200	8,500	31	263,500	358,700
Headlight Fog light 1 piece	3%	960	8	7,680	1,200	18	21,600	29,280
Parking light	2%	640	5	3,200	800	12	9,600	12,800
Wiper blades	7%	960	19	18,240	1,200	44	52,800	71,040
Asuki OEM Front brake pad	1%	2,960	3	8,880	3,700	6	22,200	31,080
Asuki Advanced Front brake pad	2%	2,880	5	14,400	3,600	13	46,800	61,200
Ultima master brake cylinder	2%	2,640	5	13,200	3,300	13	42,900	56,100
Asuki Advanced Rear brake shoe	3%	4,136	8	33,088	5,170	19	98,230	131,318
MK Front brake pad	2%	2,840	5	14,200	3,550	13	46,150	60,350

Air filter	7%	960	19	18,240	1,500	44	66,000	84,240
Oil filter	8%	800	22	17,600	1,200	50	60,000	77,600
Plug wire	3%	1,160	8	9,280	1,450	19	27,550	36,830
Upper Clutch Cylinder	1%	920	3	2,760	1,300	6	7,800	10,560
Parking light	5%	640	14	8,960	900	32	28,800	37,760
Bumper (Front)	5%	1,600	14	22,400	2,000	32	64,000	86,400
Axle (2 Front)	2%	2,400	5	12,000	3,500	13	45,500	57,500
Axle (2 Back)	3%	3,200	8	25,600	4,500	19	85,500	111,100
Shocks (Front)	2%	3,200	5	16,000	4,000	13	52,000	68,000
Shocks (Back)	3%	2,400	8	19,200	3,000	19	57,000	76,200
Back Lights (Pair)	7%	2,400	19	45,600	3,000	44	132,000	177,600
Head Lights	4%	720	11	7,920	1,000	25	25,000	32,920
Indicators	4%	1,040	11	11,440	1,500	25	37,500	48,940
Battery Box (Small)	2%	800	5	4,000	1,200	13	15,600	19,600
Battery Box (Large)	2%	1,500	5	7,500	2,500	13	32,500	40,000
Steering (Only)	2%	800	5	4,000	1,200	13	15,600	19,600
Front Small Mirror	3%	200	8	1,600	350	19	6,650	8,250
Total	100%		270	581,308		630	1,749,130	2,330,438
Average Revenue Per Order				2,153			2,776	2,589

Table 18: Weighted Average Revenue per Order of FAW Carrier used spare parts

FAW Carrier	Orders Ratio	Average Price per Unit (PKR)	Number of Orders/ Year	Revenue (PKR)	Average Price per Unit (PKR)	Number of Orders/ Year	Revenue (PKR)	Total Revenue (PKR)
		Local Parts (30%)		Kabli Parts (70%)				
Dashboard	6%	2,800	8	22,400	3,500	19	66,500	88,900
Side Mirror (with Box)	7%	1,360	9	12,240	1,700	22	37,400	49,640
Steering box	6%	4,400	8	35,200	5,500	19	104,500	139,700
Bumper (Front)	7%	3,200	9	28,800	4,000	22	88,000	116,800
Bumper (Back)	5%	3,200	7	22,400	4,000	16	64,000	86,400
Axle Set	9%	4,000	12	48,000	5,000	28	140,000	188,000
Shocks (Front)	7%	6,000	9	54,000	7,500	22	165,000	219,000
Shocks (Back)	8%	1,600	11	17,600	2,000	26	52,000	69,600
Back Lights (Set)	10%	2,640	14	36,960	3,300	32	105,600	142,560
Side Doors (Both)	3%	17,600	5	88,000	25,000	9	225,000	313,000
Head Lights Set	6%	11,200	8	89,600	18,000	19	342,000	431,600
Indicators (Set)	8%	2,240	11	24,640	3,500	25	87,500	112,140
Gear Lever	4%	2,800	5	14,000	3,600	13	46,800	60,800
Battery Box 12 V	3%	320	4	1,280	600	9	5,400	6,680
Battery Box 24 V	5%	400	7	2,800	500	16	8,000	10,800
Steering (Only)	3%	760	4	3,040	950	9	8,550	11,590

Front Small Mirror	3%	960	4	3,840	1,200	9	10,800	14,640
Total	100%		135	504,800		315	1,557,050	2,061,850
Average Revenue Per Order				3,739			4,943	4,582



9.4. Variable Cost

Variable costs of the project have been provided in Table 19.

Table 19: Variable Cost

Description of Costs	Amount (PKR)
Inventory Cost	60,973,634
Utilities	696,360
Direct Labor	5,148,000
Communications expense (phone, internet etc.)	249,600
Vehicles running expense	312,000
Office expenses (stationery, entertainment, janitorial services, etc.)	249,600
Total Variable Cost (PKR)	67,629,194

Inventory costs of the project have been provided in Table 20.

Table 20: Inventory Cost

Products	Revenue (PKR)	Margin ⁸	Inventory Cost (PKR)
	<i>A</i>	<i>B</i>	$C=A*(1-B)$
Pick Up Vehicle	22,876,245	25%	17,157,184
Suzuki Bolan	25,869,240	20%	20,695,392
Mazda	24,654,960	20%	19,723,968
Hyundai Shahzore	2,330,190	25%	1,747,643
Faw Carrier	2,061,810	20%	1,649,448
Total Inventory Cost (PKR)	77,792,445		60,973,634

Direct human resource costs of the project has been shown in Table 21.

Table 21: Direct Human Resource Cost

Staff	No.	Salary Per Month (PKR)	Annual Salary (PKR)
Procurement Officer	1	60,000	720,000
Procurement Assistants	2	40,000	960,000
Store Incharge	1	50,000	600,000

⁸ Margins have been considered on the basis of primary research.

Store Assistants	2	35,000	840,000
Sales Staff	4	25,000	1,200,000
Driver	1	25,000	300,000
Loaders	2	22,000	528,000
Total			5,148,000

9.5. Fixed Cost Estimate

Table 22 shows the estimated fixed cost of the project.

Table 22: Fixed Cost Estimate

Description of Costs	Annual cost (PKR)
Management Staff	1,248,000
Administration benefits expense	319,800
Retail Management System (Point of Sale Software)	60,000
Building rental expense	4,848,000
Promotional expense	194,481
Insurance expense	39,845
Depreciation expense	934,208
Amortization of pre-operating costs	41,406
Total Fixed Cost (PKR)	7,685,740

9.6. Financial Feasibility Analysis

The financial feasibility analysis provides information regarding the projected IRR, NPV, and payback period of the study, which is shown in Table 23.

Table 23: Financial Feasibility Analysis

Description	Project
IRR	55%
NPV (PKR)	49,605,350
Payback Period (years)	2.64
Projection Years	10
Discount rate used for NPV	15%

9.7. Financial Feasibility Analysis with 50% Debt

The financial feasibility analysis provides the information regarding the projected IRR, NPV, and payback period of the study based on the Debt: Equity Model (50:50), which is shown in Table 24.

Table 24: Financial Feasibility Analysis with 50% Debt

Description	Project
IRR	55%
NPV (PKR)	58,544,353
Payback Period (years)	2.62
Projection Years	10
The discount rate used for NPV	13%

9.8. Human Resource

For the 1st year of operations, the retail store shall require the workforce at a salary cost shown in Table 25.

Table 25: Human Resource Requirement

Post	No. of Employees	Monthly Salary (PKR)	Total Monthly Salary (PKR)	Annual Salary (PKR)
Procurement Officer	1	60,000	60,000	720,000
Procurement Assistants	2	40,000	80,000	960,000
Store Incharge	1	50,000	50,000	600,000
Store Assistants	2	35,000	70,000	840,000
Sales Staff	4	25,000	100,000	1,200,000
Cashier	1	40,000	40,000	480,000
Security	2	22,000	44,000	528,000
Driver	1	25,000	25,000	300,000
Loaders	2	22,000	44,000	528,000
Office Boy	1	20,000	20,000	240,000
Total	17		533,000	6,396,000

10. CONTACT DETAILS

Names of some relevant suppliers of medical, dental, and hospital equipment and supplies are provided in Table 26.

Table 26: Suppliers of Equipment & Supplies

Name	Address	Contact No
Abbas Enterprise	8-Hamza Maket, Stadium Road, Rawalpindi	0300-4691081
Ahmad And Son Gear	Shop No.9, Shahjehan Road Street No.1, Bilal Gunj, Lahore	042-37225071 0301-8435187
Ayyub Autos	3-japan Plaza, M.A Jinnah Road, Saddar, Karachi	0300 8312520
Al-Maidah Trading	Shop No.214-G, Block-L, Model Town Extension, Lahore	0321-9479535
Awais Auto	Shop No.330, Opp: Sports Complex, Iqbal Park, Badami Bagh, Lahore	042-37700158
Imtiaz Autos	Assan Plaza, Shop No.8 Bilal Gunj Lahore	042-36863039
Falak Niaz and Company	8 yousaf plaza, sarai natak bajouri gate shoba bazar, Peshawar	0312 9118377
Bashir Autos	Hussain Market G T Road, Peshawar, Khyber Pakhtunkhwa	091-2264863
Atif Shehzad Autos	Shop # 8 Near Naz Cinema, Peshawar	091-2214175
Khalid Brothers	Ali Bhai Road, Balochistan, Quetta	0303-7258616

11. USEFUL LINKS AND CONTACTS

Table 27: 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
Securities and Exchange Commission of Pakistan	www.secp.gov.pk
State Bank of Pakistan	www.sbp.gov.pk
Government of Punjab	punjab.gov.pk/
Federation of Pakistan Chambers of Commerce & Industry	http://fpcci.org.pk
National Vocational and Technical Training Commissio	http://navttc.gov.pk/
Government of Sindh	sindh.gov.pk/
Government of Balochistan	balochistan.gov.pk/
Government of KPK	kp.gov.pk/
Government of Gilgit Baltistan	gilgitbaltistan.gov.pk/
Government of Azad Jammu & Kashmir	ajk.gov.pk/
Punjab Small Industries Corporation	www.psic.gop.pk
Sindh Small Industries Corporation	www.ssic.gos.pk/
Khyber Pakhtunkhwa Small Industries Corporation	www.small_industries_de.kp.gov.pk/
Azad Kashmir Small Industries Corporation	www.sic.ajk.gov.pk/
Industries and Commerce Department for Balochistan	www.dgicd.gob.pk/
Pakistan Automotive Manufacturers Association	www.pama.org.pk/
Pakistan Association of Automotive Parts and Accessories Manufacturing	www.paapam.com/

12. ANNEXURES

12.1. Income Statement

Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Local Parts	19,573,515	25,852,699	33,197,738	41,759,592	51,708,815	56,914,169	62,643,529	68,949,644	75,890,575	83,530,226
Kabli Parts	58,218,930	76,895,563	98,742,447	124,208,594	153,801,291	169,283,954	186,325,206	205,081,943	225,726,859	248,450,029
Total Revenue	77,792,445	102,748,261	131,940,184	165,968,186	205,510,106	226,198,123	248,968,735	274,031,587	301,617,434	331,980,255
Cost of sales										
Inventory Cost	60,973,634	80,533,976	103,414,574	130,085,685	161,078,599	177,293,844	195,141,425	214,785,662	236,407,418	260,205,765
Utilities	696,360	759,288	827,902	902,717	984,292	1,073,239	1,170,225	1,275,974	1,391,279	1,517,005
Direct Labor	5,148,000	5,647,356	6,195,150	6,796,079	7,455,299	8,178,463	8,971,774	9,842,036	10,796,713	11,843,994
Total cost of sales	66,817,994	86,940,620	110,437,625	137,784,480	169,518,190	186,545,547	205,283,423	225,903,671	248,595,411	273,566,764
Gross Profit	10,974,451	15,807,642	21,502,559	28,183,705	35,991,916	39,652,577	43,685,312	48,127,916	53,022,023	58,413,491
General administration & selling expenses										
Management Staff	1,248,000	1,369,056	1,501,854	1,647,534	1,807,345	1,982,658	2,174,975	2,385,948	2,617,385	2,871,271
Administration benefits expense	319,800	350,821	384,850	422,181	463,132	508,056	557,337	611,399	670,705	735,763
Retail Management System (Point of Sale Software)	60,000	66,040	72,688	80,005	88,059	96,924	106,681	117,420	129,240	142,250
Building rental expense	4,848,000	5,332,800	5,866,080	6,452,688	7,097,957	7,807,752	8,588,528	9,447,381	10,392,119	11,431,330
Communications expense (phone, internet etc.)	249,600	273,811	300,371	329,507	361,469	396,532	434,995	477,190	523,477	574,254
Vehicles running expense	312,000	343,408	377,978	416,027	457,908	504,004	554,740	610,584	672,049	739,702
Office expenses (stationery, entertainment, janitorial services,)	249,600	273,811	300,371	329,507	361,469	396,532	434,995	477,190	523,477	574,254
Promotional expense	194,481	256,871	329,850	414,920	513,775	565,495	622,422	685,079	754,044	829,951
Insurance expense	39,845	33,868	27,891	21,914	15,938	9,961	3,984	60,707	51,601	42,495
Depreciation expense	934,208	934,208	934,208	934,208	934,208	934,208	636,543	1,426,969	1,426,969	1,426,969
Amortization of pre-operating costs	41,406	41,406	41,406	41,406	41,406	-	-	-	-	-
Subtotal	8,496,940	9,276,099	10,137,548	11,089,898	12,142,666	13,202,121	14,115,201	16,299,865	17,761,065	19,368,240
Operating Income	2,477,511	6,531,542	11,365,011	17,093,807	23,849,250	26,450,456	29,570,111	31,828,051	35,260,958	39,045,251
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	366,750	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	664,075	-	-	-
Earnings Before Interest & Taxes	2,477,511	6,531,542	11,365,011	17,093,807	23,849,250	26,450,456	30,600,936	31,828,051	35,260,958	39,045,251
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	2,477,511	6,531,542	11,365,011	17,093,807	23,849,250	26,450,456	30,600,936	31,828,051	35,260,958	39,045,251
Tax	972,406	1,406,039	3,097,753	5,102,832	7,467,237	8,377,659	9,830,327	10,259,817	11,461,335	12,785,837
NET PROFIT/(LOSS) AFTER TAX	1,505,106	5,125,503	8,267,258	11,990,975	16,382,013	18,072,797	20,770,609	21,568,234	23,799,623	26,259,414

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	4,173,615	6,400,728	8,954,361	11,865,787	16,821,812	19,808,991	31,156,457	53,319,169	77,628,515	128,831,522
Inventory	5,081,136	6,711,165	8,617,881	10,840,474	13,423,217	14,774,487	16,261,785	17,898,805	19,700,618	21,683,814	-
Pre-paid building rent	404,000	418,000	433,400	450,340	468,974	489,471	512,019	536,820	564,102	594,113	-
Pre-paid insurance	39,845	33,868	27,891	21,914	15,938	9,961	3,984	60,707	51,601	42,495	-
Total Current Assets	6,524,981	11,336,647	15,479,900	20,267,089	25,773,916	32,095,731	36,586,779	49,652,790	73,635,491	99,948,936	128,831,522
<i>Fixed Assets</i>											
Building/Infrastructure	412,130	370,917	329,704	288,491	247,278	206,065	164,852	123,639	82,426	41,213	-
Furniture & fixtures	1,830,000	1,555,500	1,281,000	1,006,500	732,000	457,500	183,000	2,881,390	2,449,181	2,016,973	1,584,764
Office vehicles	2,656,300	2,257,855	1,859,410	1,460,965	1,062,520	664,075	265,630	4,047,145	3,440,073	2,833,001	2,225,930
Office equipment	1,467,000	1,246,950	1,026,900	806,850	586,800	366,750	146,700	2,309,835	1,963,360	1,616,885	1,270,410
Security against building	1,212,000	1,212,000	1,212,000	1,212,000	1,212,000	1,212,000	1,212,000	1,212,000	1,212,000	1,212,000	1,212,000
Total Fixed Assets	7,577,430	6,643,222	5,709,014	4,774,806	3,840,598	2,906,390	1,972,182	10,574,009	9,147,041	7,720,072	6,293,104
<i>Intangible assets</i>											
Pre-operation costs	207,030	165,624	124,218	82,812	41,406	-	-	-	-	-	-
Total Intangible Assets	207,030	165,624	124,218	82,812	41,406	-	-	-	-	-	-
TOTAL ASSETS	14,309,441	18,145,493	21,313,132	25,124,707	29,655,920	35,002,121	38,558,961	60,226,799	82,782,532	107,669,008	135,124,626
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		3,083,500	4,064,663	5,212,124	6,549,420	8,103,145	8,918,354	9,815,582	10,803,082	11,889,935	13,086,138
Other liabilities											
Total Current Liabilities	-	3,083,500	4,064,663	5,212,124	6,549,420	8,103,145	8,918,354	9,815,582	10,803,082	11,889,935	13,086,138
<i>Long Term Liabilities</i>											
Total Long Term Liabilities	-	-	-	-	-	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	14,309,441	14,309,441	14,309,441	14,309,441	14,309,441	14,309,441	14,309,441	14,309,441	14,309,441	14,309,441	14,309,441
Retained earnings		752,553	2,939,028	5,603,143	8,797,059	12,589,536	15,331,167	36,101,776	57,670,009	81,469,632	107,729,046
Total Equity	14,309,441	15,061,993	17,248,469	19,912,584	23,106,500	26,898,977	29,640,607	50,411,216	71,979,450	95,779,073	122,038,487
TOTAL CAPITAL AND LIABILITIES	14,309,441	18,145,493	21,313,132	25,124,707	29,655,920	35,002,121	38,558,961	60,226,799	82,782,532	107,669,008	135,124,626

12.3. Cash Flow Statement

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		1,505,106	5,125,503	8,267,258	11,990,975	16,382,013	18,072,797	20,770,609	21,568,234	23,799,623	26,259,414
Add: depreciation expense		934,208	934,208	934,208	934,208	934,208	934,208	636,543	1,426,969	1,426,969	1,426,969
Amortization of pre-operating costs		41,406	41,406	41,406	41,406	41,406	-	-	-	-	-
Inventory	(5,081,136)	(1,630,028)	(1,906,716)	(2,222,593)	(2,582,743)	(1,351,270)	(1,487,298)	(1,637,020)	(1,801,813)	(1,983,196)	21,683,814
Pre-paid building rent	(404,000)	(14,000)	(15,400)	(16,940)	(18,634)	(20,497)	(22,547)	(24,802)	(27,282)	(30,010)	594,113
Advance insurance premium	(39,845)	5,977	5,977	5,977	5,977	5,977	5,977	(56,723)	9,106	9,106	42,495
Accounts payable		3,083,500	981,163	1,147,461	1,337,296	1,553,724	815,210	897,228	987,499	1,086,853	1,196,204
Other liabilities		-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(5,524,981)	3,926,167	5,166,141	8,156,777	11,708,485	17,545,561	18,318,346	20,585,836	22,162,712	24,309,345	51,203,007
Issuance of shares	14,309,441	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activities	14,309,441	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(7,784,460)	-	-	-	-	-	-	(9,238,370)	-	-	-
Cash (used for) / provided by investing activities	(7,784,460)	-	-	-	-	-	-	(9,238,370)	-	-	-
NET CASH	1,000,000	3,926,167	5,166,141	8,156,777	11,708,485	17,545,561	18,318,346	11,347,466	22,162,712	24,309,345	51,203,007

13. KEY ASSUMPTIONS

13.1. Operating Cost Assumptions

Table 28: Operating Cost Assumptions

Description	Details
Building rent growth rate	10%
Furniture and fixture depreciation	15%
Vehicle depreciation	15%
Office equipment depreciation	15%
Inflation rate	10.1%
Wage growth rate	9.7%
Electricity price growth rate	9%
Office equipment price growth rate	6.7%
Office vehicle price growth rate	6.2%

13.2. Revenue Assumptions

Table 29: Revenue Assumptions

Description	Details
Sale Price growth	10.1%
Initial year capacity utilization	50%
Capacity utilization growth rate	10%
Maximum capacity utilization	90%

13.3. Financial Assumptions

Table 30: Financial Assumptions

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

13.4. Debt Related Assumptions

Table 31: Debt Related Assumptions

Description of Cost	Details
Project Life (Years)	10
Debt: Equity	50:50
Discount Rate	13%
Debt Tenure	5 years
Grace Period	1 Year
Interest Rate (KIBOR+3%)	10.3%

13.5. Cash Flow Assumptions

Table 32: Cash Flow Assumptions

Description of Cost	Details
Account Recievable Days	Nil
Account Payable Days	15

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