



Pre-feasibility Study

SETTING-UP COIN OPERATED LAUNDRY AND DRY CLEANING

August 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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2. EXECUTIVE SUMMARY

A coin laundry business involves providing a commercial, self-service laundry equipment at a convenient place where the customers can do the laundry themselves on machines, operated by coins. Dry cleaning is a process for cleaning clothes using a solvent other than water. Dry cleaning of clothes is done by the laundry staff and not by the customers. Currently, there are thousands of traditional laundries and dry cleaning businesses operating all over Pakistan; however, coin operated laundry business in Pakistan is a new concept. Due to growing trend of modernization, increasing number of working women and working parents, urbanization of population and busy schedules of daily life, there is an immense potential for this business.

This “Pre-feasibility Document” provides details for establishing a “Coin Operated Laundry and Dry Cleaning” business, hereinafter referred as “Coin-Operated Laundry”. The project may be established in any medium to large city of Pakistan such as Karachi, Lahore, Islamabad, Peshawar, Rawalpindi, Quetta, Faisalabad, Sialkot, Hyderabad, Gujranwala, Multan, Sukkur, Mardan or any other city.

The proposed business is assumed to have annual operational capacity of washing 126,720 kilograms of cloths for coin operated laundry and capacity of 15,576 clothing items for dry cleaning per year. It is assumed that during the first year of operations, the project will operate at 60% of its total service capacity, which is equal to 76,032 kilograms of laundry and 9,350 clothing items for dry cleaning. The service capacity is assumed to increase at a rate of 5% per annum with a cap at 90% of total capacity, achieved in the 7th year. High return on investment and steady growth of business is expected with the entrepreneur having some prior experience in the related field of business.

The proposed project will be set up in a rented building having an area of 1,350 sq. ft. (6 Marla). The project requires a total investment of PKR 4.57 million. This includes capital investment of PKR 4.19 million and working capital of PKR 0.38 million. This project will be established using 100% equity. The Net Present Value (NPV) of project is PKR 19.71 million with an Internal Rate of Return (IRR) of 68% and a Payback period of 2.02 years. Further, the proposed project is expected to generate Gross Annual Revenues of PKR 9.12 million in 1st year of operations, Gross Profit (GP) ratio ranging from 55% to 69% and Net Profit (NP) ratio ranging from 14% to 35% during the projection period of ten years. The proposed project will achieve its breakeven point at capacity of 40% (57,159 clothes) with gross revenue of PKR 6.11 million in a year.

The proposed project may also be established using leveraged financing. At 50% financing at a cost of KIBOR+3%, the proposed project provides Net Present Value (NPV) of PKR 22.04 million, Internal Rate of Return (IRR) of 66% and Payback period of 2.07 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from 14% to 35% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 41% (57,649 clothes) with gross annual revenue of PKR 6.16 million in a year. The proposed project will provide employment opportunities to 8 persons. The legal business status of this project is proposed as “Sole Proprietorship”.

3. INTRODUCTION TO SMEDA

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

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

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

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

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

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

4. PURPOSE OF THE DOCUMENT

The objective of the pre-feasibility study is primarily to facilitate potential entrepreneurs in project identification for investment. The project pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document/study covers various aspects of project concept development, start-up, and production, marketing, finance and business management.

The purpose of this document is to provide information to potential investors about establishing a business of "Setting-up Coin Operated Laundry and Dry Cleaning". The document provides a general understanding of the business to facilitate the potential investor 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

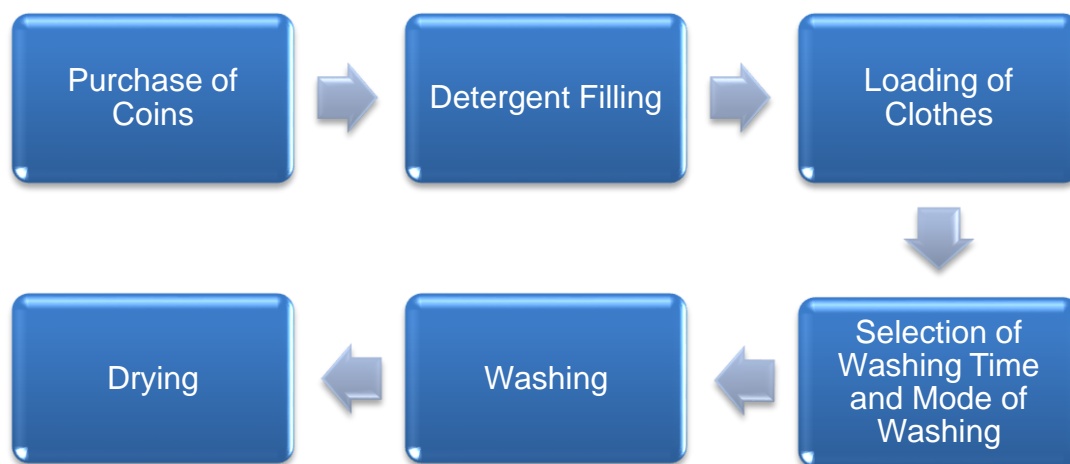
This document provides details for setting up a business for providing services of Coin-operated Laundry and Dry Cleaning services. The potential target customers for this project are general public, students, professional workers, etc., living in hostels, who live away from their homes and thus require the services to wash/clean their clothes. In today's busy life, people have less time to perform their routine household chores within their homes. This is especially true for laundry; which is considered to be a difficult job. This is especially more difficult for people living away from their homes for doing their studies or jobs. Even when living in a family, doing laundry is generally considered to be a cumbersome job. It is due to these reasons that commercial laundry services have gained popularity over the passing years. People prefer to outsource the laundry work instead of doing that in their homes. Additionally, most of the winter clothes are usually not washed or cleaned in the home to prevent those from any damage. Therefore, people prefer to get such clothes cleaned from dry cleaners. Coin-operated laundry is the fastest and a reliable source for cleaning clothes which saves time and also eliminates any danger of losing the clothes when given to the traditional laundry for washing. These factors contribute towards the growth of coin-operated laundry and dry-cleaning business in the country.

The laundry services are required round the year; however, the demand for dry cleaning services are usually higher during winter season. The demand of dry cleaning services also increases during wedding season. This project focuses on the potential investment opportunity in the coin-operated laundry and dry-cleaning sector. The success of proposed business depends upon getting repeat business which is derived from the clients' satisfaction by timely delivery of quality services at reasonable price.

5.1. Coin Operated Laundry Process

The process of coin-operated laundry is shown in Figure 1.

Figure 1 Process Flow Diagram – Coin Operated Laundry



Brief descriptions of the key processes involved in the business of “Coin Operated Laundry” are provided below:

Purchase of Coins:

At the laundry shop, the customer first purchases coins at the reception counter. For that, the laundry shop representative weighs the clothes of the customer and inquires him about the required number of wash cycles. Depending upon the number of wash cycles and the weight of the clothes, the shop representative issues coins to the customer and collects cash. The shop representative records the amount received in the invoice book.

The shop representative guides the customer about the whole process to facilitate him/her in using the automatic washing machines.

Detergent Filling

The customer fills the machine detergent tray with the washing detergent, fabric softener or bleach as per the preferred cleaning solution. The detergent and other cleaning products allow water to penetrate into stains and lift the dirt particles off the fabric to clean it. Detergent, fabric softener or bleach will be brought by the customers themselves; so as to allow them use these inputs as per their specific choices.

Loading of Clothes

When the detergent is filled in the tray, the weighed clothes are loaded in the washing machine until the drum is around 75 to 80 percent full; leaving enough room for the detergent to reach all of the clothes and space for the clothes to properly soak and spin.

Selection of Washing Time and Mode of Washing

The purchased coins are inserted in the machine coin slot by the customer which turns the machine on. He then feeds the washing time, rinsing and drying time in the machine command panel and selects the types of clothes to be washed (clothes may be wool, cotton, etc.) The washing process may take from 15 minutes to 1 hour depending on the type of options selected by the customer.

Washing

During the wash cycle, a large, electric powered, plastic agitator rotates in the tub, causing agitation in the water. During the spin cycle, the same electric motor turns the inner drum at high speed, throwing water through its holes into the outer drum.

Figure 2 Coin Operated Laundry Washing Machine



Drying

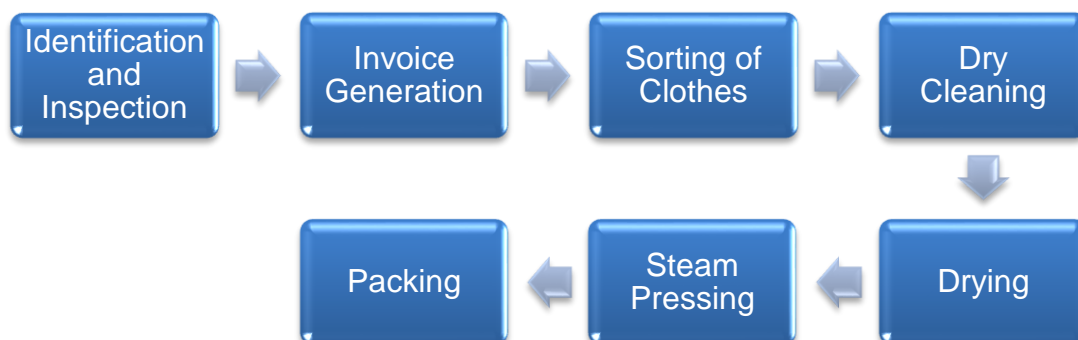
After washing, the clothes are automatically dried by the same machine. It takes around 15 minutes to dry the clothes; however, the time may vary depending on the customer requirements. In drying process, the machine drum moves a high speed to remove water from the clothes. Some machines also use heat to speed up the drying process. The dried clothes are removed from the machine by the customer. The above-mentioned processes of washing and drying are performed by the same automatic machine.

When the coin slot of the machine is full, the shop representative removes the coins from the machine by opening the coin slot through a key.

5.2. Dry Cleaning

Dry Cleaning is a process that cleans clothes without using water. Instead, the garments are cleaned by immersing them in a liquid solvent. Dry cleaning helps to bring garments into a spotless condition without any chance of shrinkage, loss of color, or change of texture or finish; which may be the case with simple washing.

Figure 3 Process Flow Diagram – Dry Cleaning



Identification and Inspection

As a customer comes to the laundry shop for getting dry cleaning services, the staff receives the clothes, inspect those and attach identification tags with the clothes, which stay with the clothes until they are returned to the customer.

Invoice Generation

The laundry shop representative generates invoice for the services required by the customer and a copy is given to the customer after collecting cash.

Sorting the clothes

The laundry staff sorts the clothes for cleaning by category and color with consideration given to nature and composition of the fabric and keeping in view, the recommendation of the clothes manufacturer (given on clothes label). This is done to prevent the clothes from any damage.

Dry Cleaning

For dry cleaning, non-water based chemical solvents¹ are used to remove dirt and stains from the clothes. During the wash cycle, a large plastic agitator turns around, moving the clothes through the chemical solvent. The agitator is powered by an electric motor using a rubber belt. During the spin cycle, the same electric motor turns the inner drum at high speed, throwing chemical solvents through its holes into the outer drum.

Figure 4 Dry Cleaning Machine



Drying

After dry cleaning, the clothes are transferred to the dryer. The dryer uses heat to speed up the drying process. The dryer drum moves and tumbles the clothes which helps in the removing of solvent from them. After drying, the clothes are removed from the dryer.

Steam Pressing

The dried clothes are then steam pressed. In steam pressing, high pressure is applied directly on the clothing, which instantly removes any wrinkles and helps in quick drying. It has multiple settings that allows the best options for the fabrics ironing.

Packing

After steam pressing, the clothes are completely dried and properly ironed. The clothes are hanged on hangers and covered with the plastic bag. The reference number of customer invoice is written on the plastic cover or a copy of customer invoice is attached with the plastic cover. This is important for identification and avoid mixing of ready clothes.

¹ Solvents are a heterogeneous group of structurally diverse chemicals that can be used to dilute, dissolve, or disperse other compounds. Key solvents used for dry cleaning are baking soda, starch, bleach, sulfuric acid (gandhak ka taizab), bluing liquid (neel) and liquid shine.

5.3. Installed and Operational Capacities

The proposed Coin-Operated Laundry will have maximum operational capacity of 126,720 kilograms for laundry and 15,576 clothing items for dry cleaning in a year. It is assumed to operate at 60% (76,032 kilograms for laundry and 9,350 clothing items for dry cleaning) capacity in first year of operations. The operational capacity will increase at the rate of 5% per annum. Maximum operational capacity is assumed to be 90%. Maximum operational capacity is expected to be achieved during 7th year after commencement of operations.

Table 1 shows details of maximum annual capacity and operational capacity for coin operated laundry and Table 2 shows details of maximum annual capacity and operational capacity for dry cleaning; utilized during first year of operations.

Table 1 Service and Operational Capacity - Coin Operated Laundry

Particulars	No of Machines	Time consumption per cycle (Hours)	Max Operational Hours Per Year	Annual Service Capacity (Number of cycles)	Capacity per Cycle (KG)	Annual Service Capacity (KG)	Initial Capacity per Year @60%
Coin Operated Laundry	3	0.75	7,920	10,560	12	126,720	76,032

Table 2 Service and Operational Capacity – Dry Cleaning

Particulars	No of Machines	Ratios	No of Suits per cycle	Time consumption per cycle (Hours)	Max Operational Hours Per Year	Annual Service Capacity (Number of suits)	Initial Capacity per Year @60%
Ladies Fancy Suit	2	10%	1	1	5,280	528	317
Bridal Suits		5%	1			264	159
Three Piece Suit		10%	3			1,584	951
Two Piece Suit		20%	3			3,168	1,901
Waist Coat		10%	4			2,112	1,268
Sweaters		10%	1			528	317
Pants		5%	6			1,584	951
Coats		20%	4			4,224	2,535
Jackets		10%	3			1,584	951
Total	2			1	5,280	15,576	9,350

6. CRITICAL FACTORS

Before making the decision to invest in “Coin-Operated Laundry and Dry Cleaning” business, it is important to carefully analyze the associated risk factors. The important considerations in this regard include:

- Business location in a high traffic area
- Affordable service charges
- Regular inspection and maintenance of machines
- Technically trained labor
- Regular supervision of process
- Timely delivery of clothes
- Effective advertisement on traditional and digital media

7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The geographical potential for investment in this business is in larger cities like Karachi, Lahore, Islamabad, Peshawar, Rawalpindi, Quetta, Faisalabad, Sialkot, Hyderabad, Gujranwala, Multan, Sukkur, Sahiwal, Muzaffarabad, Gilgit, etc. However, the proposed business may also be established in a smaller city.

For successful operation of a coin-operated laundry and dry-cleaning business, the selection of location for establishing the business will be of utmost importance. The proposed business needs to be established in cities that have a sizeable population, cities where more women are involved in jobs, cities with public sector construction projects and cities that attract people from smaller cities for education. Suitable location will be near hostels, hospital and commercial hubs.

8. POTENTIAL TARGET MARKETS/CUSTOMERS

The demand drivers for laundry and dry cleaning services are the changing life styles of general public, increasing number of working women, presence of large number of students and increasing working class in big cities. All these target customers will use the services of the proposed project due to limitation of time due to nature of their work and the preference of these people to save time by performing these tasks at home. Due to changing lifestyles, even the women who are not working (housewives) also prefer to get clothes washed from laundry shops. Target customers will also include students and working class males and females from other cities or towns who do not have access to cloth washing and drying facilities in their accommodations.

Currently, there are thousands of traditional laundry and dry cleaning businesses working in all the cities of Pakistan. However, coin operated laundry facility does not exist; even in big cities of Pakistan. Whereas, coin operated laundry businesses are operating for nearly three decades in all the developed countries of the world. Considering the adaptability of the Pakistani society, changing working lifestyle trends of Pakistani population, there is a high probability that the proposed business will be easily accepted by the Pakistanis and a vast portion of population of Pakistan will quickly adopt this new concept and use the services of the proposed business.

9. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of “Coin-Operated Laundry and Dry Cleaning” business. Various assumptions relevant to revenue and costs along with the results of the analysis are outlined in this section.

The projected Income Statement, Cash Flow Statement and Balance Sheet are attached as annexures of this document. All the figures in this financial model have been calculated after carefully taking into account the relevant assumptions and target market.

9.1. Initial Project Cost

Table 3 provides fixed and working capital requirements for establishment and operations of the “Coin-Operated Laundry and Dry Cleaning” business.

Table 3 Project Cost estimates

Cost Item	Cost (PKR)	Reference
Land	-	9.1.1
Building / Infrastructure	191,720	9.1.2
Machinery & equipment	2,612,000	9.1.3
Furniture & fixtures	250,000	9.1.4
Office vehicles	80,800	9.1.5
Office equipment	460,000	9.1.6
Security against building	360,000	9.1.7
Pre-Operating Expenses	235,114	9.1.8
Total Capital Cost – (A)	4,189,634	
Total Working Capital Requirement - (B)	383,816	9.1.9
Total Project Cost - (A+B)	4,573,450	

9.1.1. Land

The coin operated laundry and dry-cleaning business will be established in a rented building to avoid the high cost of land. Suitable location for setting up the coin operated laundry and dry cleaning unit can be easily found on rent. Therefore, no land cost has been added to the project cost. Total space requirement for the proposed coin operated laundry and dry-cleaning services has been estimated as 1,350 sq. feet (6 Marla).

The breakup of space requirement is provided in Table 4.

Table 4 Breakup of Space Requirement

Description	% Break-Up	Area Sq. Ft.
Shop Area	15%	200

Laundry Area	33%	440
Waiting Area	16%	210
Dry Cleaning Area	30%	400
Washrooms	7%	100
Total	100%	1,350

9.1.2. Building / Civil Works

There will be no cost of building since the business will be started in rented premises. However, there will be a renovation cost; required to make the building usable for the business. The proposed project requires electricity load of 11-12 KW for which an electricity connection under the general supply tariff - commercial three phase will be required. Building rent of PKR 120,000 is included in the operating cost. Building renovation cost is shown in Table 5.

Table 5 Renovation Cost

Cost Item	Unit of Measurement	Total Liter / Area / Number	Cost/Unit/ Sq. Feet	Total Cost (PKR)
Paint Cost	Liter	42	500	21,240
Labour Cost- Paint	Feet	4,248	10	42,480
Tiles Cost	Sq. Feet	300	120	36,000
Labour Cost- Tiles	Sq. Feet	300	40	12,000
Labour Cost for Electric Work				30,000
Plumber Material plus Labour Cost				50,000
Total Renovation Cost (PKR)				191,720

9.1.3. Machinery and Equipment Requirements

Details of the machinery and equipment required for the project along with their cost are given in Table 6.

Table 6 Machinery and Equipment

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Coin Operated Laundry Machine (12 KG)	3	350,000	1,050,000
Dry Cleaning Machine (12 KG)	2	300,000	600,000
Steam Presser (20 KG/H)	2	320,000	640,000

Generator (10 KW)	1	250,000	250,000
Water Pump (2.5 HP)	1	12,000	12,000
Electric Geyser (25 Gallon)	1	20,000	20,000
Digital Weigh Scale (200 KG)	1	12,500	12,500
Tag Gun	1	2,500	2,500
Voltage Stabilizer	5	5,000	25,000
Total	13		2,612,000

9.1.4. Furniture and Fixture Requirements

Details of the furniture and fixture required for the project along with their cost are given in Table 7.

Table 7 Furniture and Fixtures

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Executive Tables	1	30,000	30,000
Executive Chairs	1	20,000	20,000
Staff Chairs	4	10,000	40,000
Sofa Sets	2	35,000	70,000
Wall racks for Suits	3	30,000	90,000
Total			250,000

9.1.5. Office Equipment Requirement

Table 8 provides details of office equipment.

Table 8 Office Equipment

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
1.5-ton Inverter AC	2	90,000	180,000
Laptop Computer	1	80,000	80,000
Printer	1	40,000	40,000
LED 32"/LCD	2	40,000	80,000
Water Dispenser	2	20,000	40,000
Ceiling Fan	3	5,000	15,000
Wi-Fi Router and Connection	1	5,000	5,000

Security Cameras - 2MP	4	2,000	8,000
Digital Video Recorder (DVR)	1	12,000	12,000
Total			460,000

9.1.6. Vehicles Required

Details of the motorcycle required along with their cost for the proposed project are shown in Table 9.

Table 9 Vehicles Cost

Cost Item	No	Unit cost (PKR)	Total cost (PKR)
Motorcycle	1	80,000	80,800

9.1.7. Security against Building

Table 10 provides the detail of security against building.

Table 10 Security against Building

Cost Item	No. of Months	Rent per Month (PKR)	Total Cost (PKR)
Security	3	120,000	360,000
Total Cost (PKR)			360,000

9.1.8. Pre-Operating Cost

Details of pre operating cost for the project is given in Table 11.

Table 11 Pre-Operating Cost Requirement

Description	Total (PKR)
Administration expense	110,000
Utilities Cost for One month	125,114
Total	235,114

9.1.9. Initial Working Capital

Table 12 provides details of working capital requirements for the project.

Table 12 Initial Working Capital

Particulars	Total Cost (PKR)
Equipment spare part inventory	32,650
Raw Material Inventory	101,166

Cash	250,000
Total Initial Working Capital (PKR)	383,816

9.2. Breakeven Analysis

Table 13 shows calculation of break-even analysis.

Table 13: Breakeven Analysis

Particulars	Amounts (PKR) / %	Profitability Ratios
Sales (PKR)	9,123,840	100%
Variable Cost (PKR)	4,863,569	53%
Contribution (PKR)	4,260,271	47%
Fixed Cost (PKR)	2,852,210	31%
Breakeven Revenue (PKR)	6,108,322	
Contribution per unit	50	
Breakeven Units	57,159	
Breakeven Capacity	40%	

9.3. Revenue Generation

Table 14 provides details for expected revenue generation of the proposed coin operated laundry and dry cleaning during the first year of operations.

Table 14 Revenue Generation

Particulars	Annual Service Capacity (Number of kgs/suits)	Initial Capacity per Year @60%	Average Charges Per Cycle/suit (PKR)	Revenue
Coin Operated Laundry				
Coin-Operated Laundry	126,720	76,032	80	6,082,560
Dry Cleaning				
Ladies Fancy Suit	528	317	800	253,440
Bridal Suits	264	158	1,200	190,080
Three Piece Suit	1,584	950	500	475,200
Two Piece Suit	3,168	1,901	400	760,320
Waist Coat	2,112	1,267	250	316,800

Sweaters	528	317	250	79,200
Pants	1,584	950	100	95,040
Coats	4,224	2,534	250	633,600
Jackets	1,584	950	250	237,600
Sub-total of Dry Clean	15,576	9,346		3,041,280
Grand Total	142,296	85,378		9,123,840

9.4. Variable Cost Estimate

The details regarding variable cost estimate are given in Table 15.

Table 15 Variable Cost Estimate

Description Costs	Amount (PKR)
Raw Material Cost – Dry Cleaning	1,213,993
Utilities Cost	977,775
Direct Labor	1,560,000
Machinery Maintenance Cost	391,800
Water expense	180,000
Telephone expense	144,000
Communications expense (mail, internet, etc.)	72,000
Office vehicles running expense	216,000
Office expenses (stationery, entertainment, etc.)	180,000
Total	4,863,569

Table 16 Raw Material Cost – Dry Cleaning

Cost Item	Cost per KG/Litre/Unit (PKR)	Per Unit Consumption (Litre/KG/Unit)	Total Cost (PKR)
Baking Soda	60	0.300	18
Starch	120	0.075	9
Liquid (for Shine)	1,200	0.045	54
Sulphuric acid	130	0.030	4
Bleach	100	0.15	15
Packing Bag	10	1	10
Tag Cost	5	1	5
Hanger's cost	15	1	15

*Per Unit Cost			130
Dry Cleaning Services (Suits)			9,346
Annual Cost			1,213,993

* As per the results of market research, the dry cleaning mix costs PKR 130 per unit or per clothing item. This is the industry average cost used by the dry cleaning business. The composition of this mix will change depending upon the type, fabric and color of cloth. Because there are many types of clothes that are dry cleaned, therefore, we can not specify the mix for each type of cloth to determine the price per cloth for dry cleaning. Therefore, the industry average is used in this study to determine the cost for dry cleaning of clothes.

Table 17 Direct Labor Cost

Description	No of personnel	Monthly Salary (PKR)	Annual Salary (PKR)
Labor Skilled-Dry Cleaning	2	30,000	720,000
Labor Skilled-Steam Presser	2	25,000	600,000
Attendant- Coin Operated Laundry	1	20,000	240,000
Total			1,560,000

Table 18 Vehicle Maintenance Cost

Cost Item	Machinery (PKR)	Maintenance Rate	Amount (PKR)
Maintenance Cost	2,612,000	15%	391,800
Total			391,800

Table 19 Variable Cost Assumptions

Description	Rate	Rationale
Telephone expense	15%	% of administration expense
Communications expense (mail, internet, etc.)	20%	% of Management staff expense
Office vehicles running expense	10%	% of Management staff expense
Office expenses (stationery, entertainment, etc.)	30%	% of Management staff expense

9.5. Fixed Cost Estimate

The details regarding fixed cost estimate are given in Table 20.

Table 20 Fixed Cost Estimate

Cost Item	Amount (PKR)
Management Staff	720,000
Building rental expense	1,440,000
Utilities	115,596
Depreciation expense	529,592
Amortization of pre-operating costs	47,023
Total	2,852,210

Table 21 Administration Expense Calculation

Post	No of Personnel	Monthly Salary (PKR)	Annual Salary (PKR)
Office Boy	1	20,000	240,000
Janitor	1	20,000	240,000
Security Guard	1	20,000	240,000
Total			720,000

Table 22 Fixed Cost Assumptions

Description	Rate	Rationale
Depreciation		
Building Renovation Cost	10%	% of Renovation Cost
Machinery/Office Equipment/Vehicle/Furniture & Fixture	15%	% of Cost

9.6. Financial Feasibility Analysis

The financial feasibility analysis provides the information regarding projected Internal Rate of Return (IRR), Net Present Value (NPV) and Payback period of the study, which is shown in Table 23.

Table 23 Financial Feasibility Analysis

Description	Project
IRR	68%
NPV (PKR)	19,706,265
Payback Period (years)	2.02

Projection Years	10
Discount rate used for NPV	15%

9.7. Financial Feasibility Analysis at 50% Debt

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

Table 24 Financial Feasibility Analysis with 50% Debt

Description	Project
IRR	66%
NPV (PKR)	22,037,745
Payback Period (years)	2.07
Projection year	10
Discount rate used for NPV	13%

9.8. Human Resource Requirement

For the 1st year of operations, the “Coin Operated Laundry and Dry Cleaning” business shall require the workforce at a salary cost shown in Table 25.

Table 25 Human Resource Requirement

Post	No. of Employees	Monthly Salary (PKR)	Annual Salary (PKR)
Labor Skilled-Dry Cleaning	2	30,000	720,000
Labor Skilled-Steam Presser	2	25,000	600,000
Attendant-Coin Operated Laundry	1	20,000	240,000
Office Boy	1	20,000	240,000
Janitor	1	20,000	240,000
Security Guard	1	20,000	240,000
Total	8		2,280,000

10. CONTACT DETAILS

In order to facilitate the potential investors, contact details of some relevant vendors to the proposed project is given in Table 26.

Table 26 Contact Details

Name of supplier	Type of supplies	Contact Number	Email/ Website
Shanghai Qiaohe Laundry Equipment Manufacturing Co Ltd	Coin Operated Machine	86-158-21855103	www.laundry-machine.net
Awais Engineering Works (Lahore)	Dry Cleaning Machine	0336-4350080	
Awais Engineering Works (Lahore)	Steam Presser	0336-4350080	
Shahzad Pumps (Muqadas Sanitary Store) (Lahore)	Water Motor	0321 4329901	shahzadpumps.com
Power zone Generators Pakistan (Lahore)	Generator	042-111-111-087	powerzone.com.pk
Admiral Home & Commercial Kitchen Appliances (Lahore)	Gas Geysers	0300-4156602	www.admiral-appliances.com.pk
Nagina Industry (Gujranwala)	Water Motor	055-3857891	www.naginapumps.com
Nasgas (Gujranwala)	Gas Geysers	0800-612-26	nasgas.com
Galaxy Geyser (Hafiz Amin Gas) (Karachi)	Gas Geysers	0311-2261525	galaxygeyser.com
Chaudhry Electro Gas (Rawalpindi)	Gas Geysers	051-5554570	
A to Z Electronics Center (Peshawar)	Machinery Supplier	0312-9126698	www.atozelectronics.pk
Zain Industrial Concern (Quetta)	Equipment Supplier	0334-4556661	www.zainic.pk
Loundry Chaine (Quetta)		0333-7113155	
Master Dry Cleaning system (Peshawar)	Equipment Supplier	0315-1432717	
Lucky Machinery Store (Rawalpindi)	Equipment Supplier	051-5557667	
Perkins & Cummins Generator Dealer in Pakistan (Islamabad)	Generator	0300-6729903	www.perkins-cummins-generator-dealer-in-pakistan.business.site

Perkins Karachi (Karachi)	Generator	0321-2308207	www.uhupower.com.pk
United Machineries (Karachi)	Equipment Supplier	0300-2032530	www.unitedmachineries.pk

11. USEFUL LINKS

Table 27: Useful Links

Name of Organization	E-mail Address
Small and Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
National Business Development Program (NBDP)	www.nbdp.org.pk
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Balochistan	www.balochistan.gov.pk
Government of Khyber Pakhtunkhwa	www.kp.gov.pk
Government of Azad Jammu and Kashmir	www.ajk.gov.pk
Government of Gilgit Baltistan	www.gilgitbaltistan.gov.pk
Punjab Small Industrial Corporation	www.psic.punjab.gov.pk
Sindh Small Industrial Corporation	www.ssic.gos.pk
Small Industrial Development Board Khyber Pakhtunkhwa	www.sidbcp.com
Aga Khan Development Networks Gilgit Baltistan	www.akdn.org
Department of Industries and Commerce Azad Jammu & Kashmir	www.industries.ajk.gov.pk

12. ANNEXURES

12.1. Income Statement

Calculations										
Income Statement										SMEDA
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue										
Coin Operated laundry	6,082,560	7,327,457	8,774,912	10,454,681	12,400,645	14,651,362	17,250,687	19,182,763	21,331,233	23,720,331
Dry cleaning	3,041,280	3,663,729	4,387,456	5,227,340	6,200,323	7,325,681	8,625,343	9,591,382	10,665,616	11,860,166
Total Revenue	9,123,840	10,991,186	13,162,368	15,682,021	18,600,968	21,977,044	25,876,030	28,774,145	31,996,849	35,580,497
Cost of sales										
Raw Material Cost-Dry Cleaning	1,213,993	1,447,991	1,716,871	2,025,295	2,378,507	2,782,407	3,243,632	3,571,238	3,931,933	4,329,059
Utilities Cost	977,775	1,066,133	1,162,476	1,267,525	1,382,067	1,506,960	1,643,139	1,791,624	1,953,527	2,130,061
Direct Labor	1,560,000	1,711,320	1,877,318	2,059,418	2,259,181	2,478,322	2,718,719	2,982,435	3,271,731	3,589,089
Machinery Maintenance - Cost	391,800	431,372	474,940	522,909	575,723	633,871	697,892	768,379	845,986	931,430
Total cost of sales	4,143,569	4,656,816	5,231,606	5,875,148	6,595,479	7,401,560	8,303,382	9,113,677	10,003,178	10,979,639
Gross Profit	4,980,271	6,334,370	7,930,762	9,806,873	12,005,489	14,575,484	17,572,648	19,660,468	21,993,672	24,600,857
General administration & selling expenses										
Management Staff	720,000	789,840	866,454	950,501	1,042,699	1,143,841	1,254,794	1,376,508	1,510,030	1,656,503
Building rental expense	1,440,000	1,584,000	1,742,400	1,916,640	2,108,304	2,319,134	2,551,048	2,806,153	3,086,768	3,395,445
Utilities	115,596	126,042	137,432	149,851	163,392	178,158	194,257	211,811	230,952	251,822
Water expense	180,000	196,266	214,002	233,341	254,427	277,418	302,488	329,823	359,628	392,126
Telephone expense	108,000	118,476	129,968	142,575	156,405	171,576	188,219	206,476	226,504	248,475
Communications expense (mail, internet, etc.)	144,000	157,968	173,291	190,100	208,540	228,768	250,959	275,302	302,006	331,301
Office vehicles running expense	72,000	79,248	87,226	96,006	105,671	116,309	128,017	2,877,415	3,167,074	3,485,893
Office expenses (stationery, entertainment, etc.)	216,000	236,952	259,936	285,150	312,810	343,152	376,438	412,953	453,009	496,951
Depreciation expense	529,592	529,592	529,592	529,592	529,592	529,592	529,592	982,221	982,221	982,221
Amortization of pre-operating costs	47,023	47,023	47,023	47,023	47,023	-	-	-	-	-
Subtotal	3,572,210	3,865,406	4,187,324	4,540,778	4,928,862	5,307,948	5,605,671	9,478,661	10,318,192	11,240,736
Operating Income	1,408,061	2,468,964	3,743,438	5,266,095	7,076,627	9,267,535	11,966,977	10,181,807	11,675,480	13,360,121
Other income 2										
Gain / (loss) on sale of machinery & equipment	-	-	-	-	-	-	653,000	-	-	-
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	115,000	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	20,200	-	-	-
Earnings Before Interest & Taxes	1,408,061	2,468,964	3,743,438	5,266,095	7,076,627	9,267,535	12,755,177	10,181,807	11,675,480	13,360,121
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	1,408,061	2,468,964	3,743,438	5,266,095	7,076,627	9,267,535	12,755,177	10,181,807	11,675,480	13,360,121
Tax	114,048	263,793	555,859	999,829	1,596,819	2,363,637	3,584,312	2,683,633	3,206,418	3,796,042
NET PROFIT/(LOSS) AFTER TAX	1,294,013	2,205,171	3,187,578	4,266,267	5,479,808	6,903,898	9,170,865	7,498,175	8,469,062	9,564,079

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	250,000	1,386,707	2,692,941	4,088,413	5,567,286	7,143,572	8,812,168	11,801,738	20,130,930	29,399,800	41,251,946
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Equipment spare part inventory	32,650	39,387	47,513	57,317	69,143	83,409	100,618	121,379	146,423	176,634	-
Consumables material inventory	101,166	132,853	173,433	225,252	291,254	375,125	481,475	583,645	707,495	857,626	-
Pre-paid building rent	-	132,000	145,200	159,720	175,692	193,261	212,587	233,846	257,231	282,954	-
Total Current Assets	383,816	1,690,947	3,059,087	4,530,702	6,103,375	7,795,367	9,606,849	12,740,608	21,242,079	30,717,015	41,251,946
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	191,720	172,548	153,376	134,204	115,032	95,860	76,688	57,516	38,344	19,172	-
Machinery & equipment	2,612,000	2,220,200	1,828,400	1,436,600	1,044,800	653,000	261,200	4,951,335	4,208,635	3,465,935	2,723,234
Furniture & fixtures	250,000	212,500	175,000	137,500	100,000	62,500	25,000	473,903	402,817	331,732	260,646
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	460,000	391,000	322,000	253,000	184,000	115,000	46,000	871,981	741,184	610,387	479,590
Security against building	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000
Total Fixed Assets	3,954,520	3,424,928	2,895,336	2,365,744	1,836,152	1,306,560	776,968	6,837,842	5,855,621	4,873,400	3,891,179
<i>Intangible assets</i>											
Pre-operation costs	235,114	188,091	141,069	94,046	47,023	-	-	-	-	-	-
Total Intangible Assets	235,114	188,091	141,069	94,046	47,023	-	-	-	-	-	-
TOTAL ASSETS	4,573,450	5,303,966	6,095,492	6,990,492	7,986,550	9,101,927	10,383,817	19,578,450	27,097,700	35,590,415	45,143,125
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	83,509	95,953	110,208	126,549	145,298	166,828	190,597	211,672	235,324	223,956
Total Current Liabilities	-	83,509	95,953	110,208	126,549	145,298	166,828	190,597	211,672	235,324	223,956
<i>Other liabilities</i>											
Total Long Term Liabilities	-	-	-	-	-	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	4,573,450	4,573,450	4,573,450	4,573,450	4,573,450	4,573,450	4,573,450	4,573,450	4,573,450	4,573,450	4,573,450
Retained earnings	-	647,007	1,426,089	2,306,834	3,286,550	4,383,179	5,643,538	14,814,403	22,312,578	30,781,640	40,345,719
Total Equity	4,573,450	5,220,457	5,999,539	6,880,284	7,860,000	8,956,629	10,216,989	19,387,854	26,886,028	35,355,090	44,919,169
TOTAL CAPITAL AND LIABILITIES	4,573,450	5,303,966	6,095,492	6,990,492	7,986,550	9,101,927	10,383,817	19,578,450	27,097,700	35,590,415	45,143,125

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		1,294,013	2,205,171	3,187,578	4,266,267	5,479,808	6,903,898	9,170,865	7,498,175	8,469,062	9,564,079
Add: depreciation expense		529,592	529,592	529,592	529,592	529,592	529,592	359,452	982,221	982,221	982,221
amortization of pre-operating costs		47,023	47,023	47,023	47,023	47,023	-	-	-	-	-
Equipment inventory	(32,650)	(6,737)	(8,127)	(9,803)	(11,826)	(14,266)	(17,210)	(20,761)	(25,044)	(30,211)	176,634
Consumables Inventory	(101,166)	(31,687)	(40,580)	(51,819)	(66,002)	(83,871)	(106,351)	(102,170)	(123,850)	(150,131)	857,626
Pre-paid building rent	-	(132,000)	(13,200)	(14,520)	(15,972)	(17,569)	(19,326)	(21,259)	(23,385)	(25,723)	282,954
Accounts payable		83,509	12,443	14,255	16,342	18,749	21,530	23,768	21,075	23,653	(11,368)
Cash provided by operations	(133,816)	1,783,714	2,732,323	3,702,306	4,765,423	5,959,465	7,312,134	9,409,896	8,329,192	9,268,870	11,852,146
<i>Financing activities</i>											
Issuance of shares	4,573,450	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	4,573,450	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(4,189,634)	-	-	-	-	-	-	(6,420,326)	-	-	-
Cash (used for) / provided by investing activities	(4,189,634)	-	-	-	-	-	-	(6,420,326)	-	-	-
NET CASH	250,000	1,783,714	2,732,323	3,702,306	4,765,423	5,959,465	7,312,134	2,989,571	8,329,192	9,268,870	11,852,146

13. KEY ASSUMPTIONS

13.1. Operating Cost Assumptions

Table 28 Operating Cost Assumptions

Description	Details
Operating costs growth rate	10.1% of general inflation rate
Telephone Expense	15% of administration expenses
Communication expenses	20% of administration expenses
Office Vehicle running expenses	10% of administration expenses
Office expenses (stationery, janitor, etc.)	30% of administration expenses
Machinery maintenance cost	15% of machinery cost

13.2. Revenue Assumptions

Table 29: Revenue Assumptions

Description	Details
Sale price growth rate	11.2%
Service capacity utilization	60%
Service capacity utilization growth rate	5%
Maximum capacity utilization	90%

13.3. Financial Assumptions

Table 30 Financial Assumptions

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

Small and Medium Enterprises Development Authority

HEAD OFFICE

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

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

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