



Pre-feasibility Study

RETAIL STORE FOR MEDICAL, DENTAL AND HOSPITAL EQUIPMENT AND SUPPLIES

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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2. 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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3. EXECUTIVE SUMMARY

Pakistan has a vibrant and forward looking health sector. With the increase of population in Pakistan, health services are also increasing rapidly to meet the growing demand. This is being catered for by establishment of new hospitals, medical laboratories, clinics, diagnostic centres, medical colleges and universities. All such institutions require medical, dental and hospital equipment and supplies to run their operations.

The size of global medical supplies market is projected to grow from USD 132.6 billion in 2020 to USD 133.5 billion by 2025, at a CAGR of 4.6%. The global hospital supplies market is projected to grow from USD 39.36 billion in 2021 to USD 68.76 billion in 2026 at a CAGR of 11.8%¹. Dental equipment market of the world was valued at USD 8.236 billion in 2018 and expected to reach USD 9.28 billion at CAGR of 5.20% by 2025² and the global durable medical equipment market is expected to grow from USD 61.78 billion in 2020 to USD 88.68 billion in 2026 with a CAGR of 6.2%³.

Pakistan's medical devices market was estimated to be of USD 537.5 million in 2020⁴. There are promising trends in global as well as local healthcare and medical devices market; offering attractive investment opportunities for potential investors.

This "Pre-feasibility document" provides details for setting up a "Retail Store for Medical, Dental and Hospital Equipment and Supplies" (the store). The product range offered in the proposed store would include the locally manufactured as well as imported products. The store will be remain open for 12 hours a day for 270 days a year.

The proposed business will ideally be located in large to medium cities like Karachi, Lahore, Peshawar, Islamabad, Multan, Quetta, Sailkot, Mardan, Gujranwala, Hyderabad, Gilgit, Muzaffabad, Sahiwal, Rawalpindi, Sukkur, etc. Setting up the proposed store in such cities would bring competitive advantages like being close to medical universities, hospitals and other healthcare facilities.

The store will be set up in a rented building with area of 1,880 square feet. The project requires a total investment of PKR 13.29 million. This includes capital investment of PKR 5.66 million and working capital of PKR 7.63 million. Working capital requirement is more than capital investment because of higher inventory requirements. It has been assumed that one month's average inventory will be maintained. It is proposed that the project shall be financed through 100% equity. The Net Present Value (NPV) of project is PKR 56.66 million with an Internal Rate of Return (IRR) of 30% and a Payback period of 2.67 years. This project is expected to generate Gross Annual Revenues of PKR 93.79 million during 1st year, with Gross

¹ <https://www.marketdataforecast.com/market-reports/hospital-supplies-market>

² <https://www.marketresearchfuture.com/reports/dental-equipment-market-8225>

³ <https://www.mordorintelligence.com/industry-reports/durable-medical-equipment-market>

⁴ <https://www.trade.gov/country-commercial-guides/pakistan-healthcare-and-medical-equipment>

Profit (GP) ratio ranging from 14% to 15% and Net Profit (NP) ratio ranging from 5% to 8% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 24% (3,304 orders) with breakeven revenue of PKR 45.9 million.

The proposed project may also be established using leveraged financing. At 50% financing at a cost of KIBOR+3%, the proposed unit provides Net Present Value (NPV) of PKR 66.04 million, Internal Rate of Return (IRR) of 54% and Payback period of 2.79 years. The project is expected to generate Gross Annual Revenues of PKR 93.79 million during 1st year of operations, and Net Profit (NP) ratio ranging from 5% to 8% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 27% i.e. (3,712 orders) with breakeven revenue of PKR 51.57 million.

The proposed business will provide employment opportunities to 14 people. The human resource include a procurement incharge, store incharge, sales staff, a cashier, office boy, security guard, drivers and loaders. High return on investment and steady growth is expected having prior experience in the relevant field. The legal form of this project is proposed as "Sole Proprietor"; however, the business may also be established as "Partnership Concern".

4. 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.

5. 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 Store for Medical, Dental and Hospital Equipment and Supplies". The document provides a general understanding of the business to facilitates 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.

6. BRIEF DESCRIPTION OF PROJECT & SERVICES

The proposed project is a retail outlet providing wide range of medical, dental, hospital equipment and supplies under single roof.

5.1 Product Mix

The store will provide variety of medical, dental and hospital equipment and supplies. The main categories of equipment and supplies 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 four product categories.

Table 1: Product Mix

Items Category	Share of Orders	Gross Margin (%)
Hospital Equipment	10%	17%
Medical Equipment	5%	17%
Dental Equipment	5%	18%
Medical, Dental & Hospital Supplies	80%	25%
Total	100%	

The products would be procured both from national and international sources. Most of the medical, dental and hospital supplies and instruments are procured locally from wholesalers or directly from the manufacturers, in case of bulk purchase, from cities like Karachi, Faisalabad, Sialkot and Lahore. Sophisticated and advanced equipment is procured from international markets including USA, China, and different European countries. Some of the products may also be imported directly by the retailer or through a third party. Keeping the demand and lead time in view, the products shall be procured well in time so as to make those readily available to the customers.

5.2 Installed and Operational Capacities

The proposed store shall, at maximum capacity of 100%, will entertain 13,500 orders annually. However, during initial year of operation, the proposed store is expected to obtain 50% of its installed capacity. The store would operate in a single shift of 12 hours per day for 270 days in a year. The store shall deliver 6,750 orders during first year of operation. The operations of proposed business have been assumed to increase at a rate of 10% annually, reaching at 90% capacity utilization during 5th year of its operations. depicts the installed and operational capacities of the proposed unit.

Table 2: Installed and Operational Capacity

Description	Numbers
Average No of Orders per day	50
Number of working days	270
Total Annual Capacity (no. of orders) (50*270)	13,500
Operational Capacity @ 50% (no. of orders)	6,750

7. CRITICAL FACTORS

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

- Maintaining wide range of inventory
- Location of the store in major markets or near hospitals, clinics, testing laboratories
- Availability of credit options for high end equipment
- Efficient inventory Management
- Well-mannered and trained staff
- Targeted and sustained marketing
- Expertise in controlling costs
- Maintaining good relationships with suppliers and customers

8. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The proposed business would ideally be located in large to medium cities like Karachi, Lahore, Peshawar, Islamabad, Multan, Quetta, Sialkot, Mardan, Gujranwala, Hyderabad, Gilgit, Muzaffabad, Sahiwal, Rawalpindi, Sukkur, etc. Locating the proposed business in these cities would provide advantage of being close to larger customer bases.

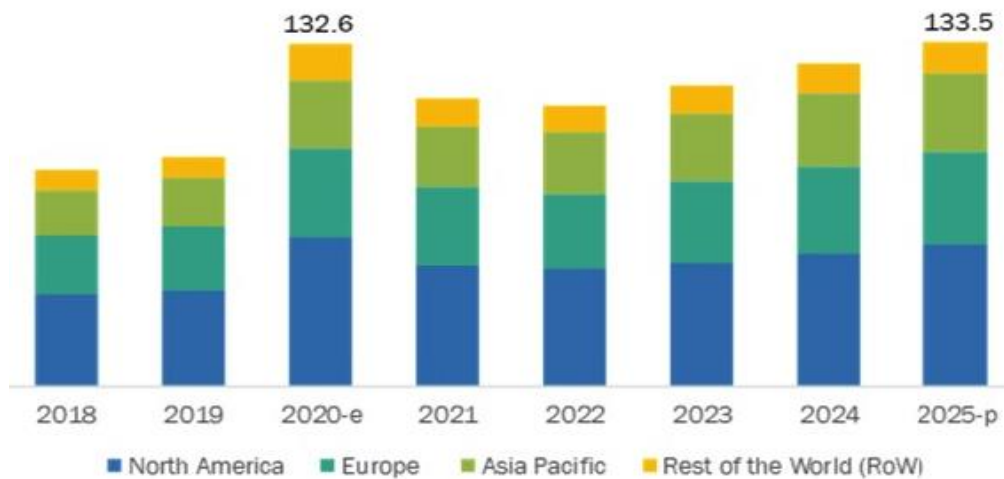
9. POTENTIAL TARGET CUSTOMERS / MARKETS

The major target customers for the proposed store are hospitals, medical and dental clinics, medical laboratories, medical universities and colleges. The market for medical, dental and hospital equipment and supplies in Pakistan has been growing steadily over the last years. A good potential is available to establish new stores, as population of big cities is increasing day by day and new hospitals, clinics, laboratories, medical colleges are being established.

An overview of the global and Pakistan's market is given below.

According to Markets and Markets⁵ the global medical supplies market is projected to grow from USD 133.5 billion by 2025 from USD 132.6 billion in 2020, at a CAGR of 4.6%. North America has the largest share of global market followed by Europe. Asia Pacific has the 3rd largest market share in medical supplies as shown in Figure 1.

Figure 1: Global Medical Supplies Market



The global hospital supplies market is projected to grow from USD 39.36 billion in 2021 to USD 68.76 billion in 2026 at a CAGR of 11.8%⁶. The market is expected to show a continuous growth due to development in IT and invention of new and enhanced medical devices. Geographically, North America has the leading share in this market; followed by Asia-Pacific and Europe.

The global dental equipment market was valued at USD 8.236 billion in 2018 and is expected to reach USD 9.28 billion at CAGR of 5.20% by 2025⁷. Leading markets in this category are North America and Europe; followed by Asia-Pacific and Middle East and Africa.

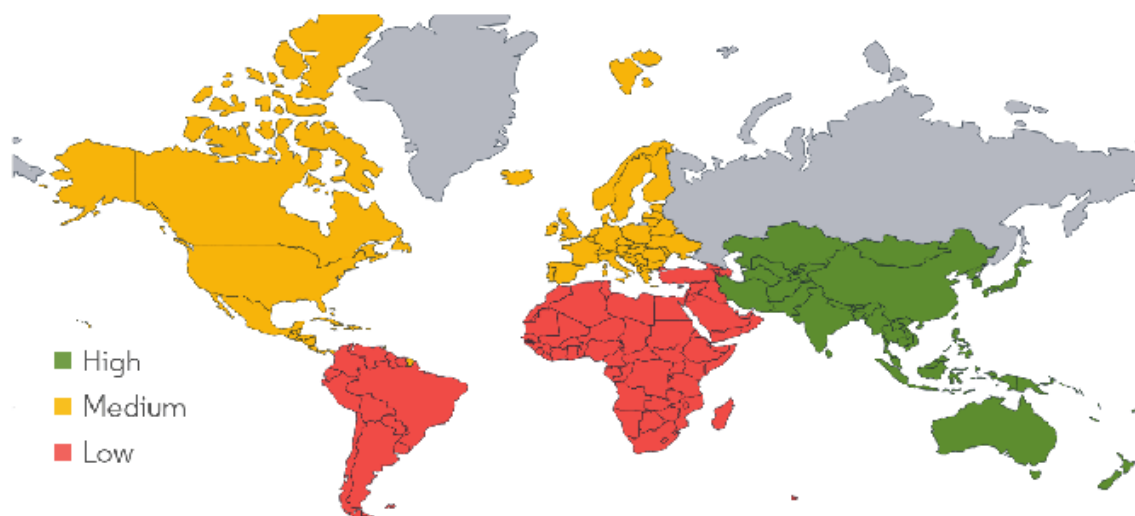
The global durable medical equipment market is expected to grow from USD 61.78 billion (2020) to USD 88.68 billion in 2026 with a CAGR of 6.2%⁸. These equipment include wheelchairs (manual and electric), hospital beds, traction equipment, canes, crutches, walkers, kidney machines, ventilators, oxygen, monitors, pressure mattresses, lifts, nebulizers, etc. By region, Asia Pacific is the leading market; followed by Europe, North America, Middle East, Africa and South America. Figure 2 shows durable equipment market growth.

⁵ <https://www.marketsandmarkets.com/Market-Reports/medical-supplies-market-64344238.html>

⁶ <https://www.marketdataforecast.com/market-reports/hospital-supplies-market>

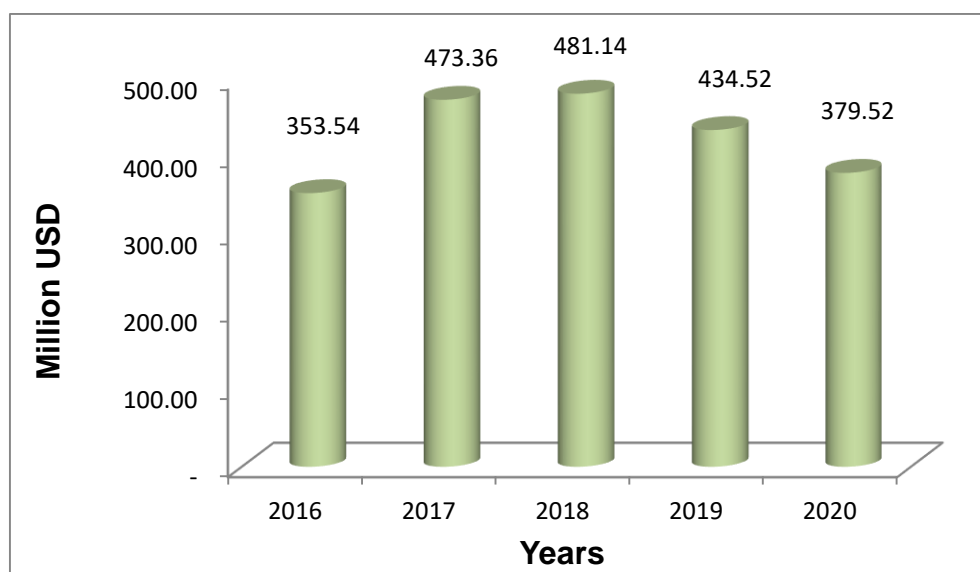
⁷ <https://www.marketresearchfuture.com/reports/dental-equipment-market-8225>

⁸ <https://www.mordorintelligence.com/industry-reports/durable-medical-equipment-market>

Figure 2: Durable Medical Equipment Market Growth

With the advancement of technology, Pakistan's market is also growing, the country's healthcare and medical equipment market was estimated to USD 457.1 million in 2019 and USD 537.5 million in 2020 with a growth rate of 6.2%⁹.

Further, based on the UN Comtrade data, Pakistan imported medical, dental and hospital equipment and supplies worth USD 2.1 billion during the period from 2016 to 2020 which shows a huge demand in the local market. The imports increased by 34% and 2% in 2017 and 2018 respectively as shown in Figure 3. During 2019 and 2020 the imports reduced due to restrictions in wake of COVID-19 pandemic.

Figure 3: Pakistan's Imports of Medical, Dental and Hospital Equipment and Supplies

⁹ <https://www.trade.gov/country-commercial-guides/pakistan-healthcare-and-medical-equipment>

According to economic survey of Pakistan 2020-21¹⁰, by the year 2020, Pakistan's health infrastructure comprised of 1,282 hospitals, 5,472 BHUs, 670 RHCs, 5,743 Dispensaries, 752 Maternity & Child Health Centres and 412 TB centres, while the total availability of beds in these health facilities was estimated at 133,707.

Currently there are 72 private medical colleges, 45 public medical colleges, 17 and 42 dental colleges working in public and private sector respectively¹¹.

The above data shows that there is an attractive opportunity to start the business of medical, dental and hospital equipment and supplies.

10. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of "Retail Store for Medical, Dental and Hospital Equipment and Supplies". Various costs and revenue related assumptions along with results of the analysis are outlined in this section.

The projected Income Statement, Cash Flow Statement and Balance Sheet are attached as annexure.

10.1. Initial Project Cost Estimates

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

Table 3: Initial Project Cost Estimate

Description	Cost	Reference
Land	-	9.1.1
Building / Infrastructure	442,023	9.1.2
Office equipment	1,083,500	9.1.3
Furniture & fixtures	988,000	9.1.4
Office Vehicles	2,323,000	9.1.5
Pre-operating costs	261,759	9.1.6
Security Against Building	564,000	9.1.7
Total Capital Cost	5,662,282	
Working capital	7,626,189	9.1.8
Total Investment	13,288,471	

¹⁰ https://www.finance.gov.pk/survey/chapters_21/11-Health.pdf

¹¹ <https://www.pmc.gov.pk/Colleges>

9.1.1. Land

The proposed retail store will be established in a rented building to avoid high cost of land. Suitable locations for setting up a retail store like this can be easily found on rent. Therefore, no land cost has been added to the project cost. Total space requirement for the proposed store has been estimated as 1,880 sq. feet. The required space breakup is shown in Table 4.

Table 4: Land Area Breakup

Description	Number	Area Sq. Ft.	Area %
Retail Outlet	1	900	48%
Store Room	1	900	48%
Washroom	2	80	4%
Total		1,880	100%

9.1.2. Building

There will be no cost of building construction as the proposed retail store will be started in a rented facility. However, there will be a renovation cost; required to make the building usable for the business. The proposed facility requires electricity load of approximately 8 KW for which an electricity connection under the commercial supply tariff will be required. Building rent of PKR 188,000 per month has been included in the operating cost. Building renovation cost is shown in Table 5.

Table 5: Renovation Cost Details

Cost Item	Unit of Measurement	Total Liter / Area / Number	Cost/Unit/ Sq.feet	Total Cost (PKR)
Paint Cost	Ltr	45.7	500	22,874
Labor Cost	Sq. Feet	4,575	10	45,749
Curtains	No.	6	5,000	30,000
Blinds	No.	10	2,000	20,000
Tiles	Sq. Feet	980	300	294,000
Labor Cost	Sq. Feet	980	30	29,400
Total (PKR)				442,023

9.1.3. Office Equipment

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

Table 6: Office Equipment

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
1.5 ton Inverter AC	4	90,000	360,000
Laptop	2	80,000	160,000
Desktop	3	50,000	150,000
Printer	2	40,000	80,000
LED TV	1	40,000	40,000
Water Dispenser	2	20,000	40,000
Ceiling Fan	7	4,500	31,500
Exhaust Fan	6	2,000	12,000
Wi-Fi Router and Connection	2	5,000	10,000
CC TV Cams (2 MP)	8	2,000	16,000
DVR	2	12,000	24,000
UPS - Inverter (3 KW)	1	70,000	70,000
UPS - Dry Batteries	2	45,000	90,000
Total Cost (PKR)			1,083,500

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)
Office Tables	2 ¹²	25,000	50,000
Executive Tables	1 ¹³	30,000	30,000
Executive Chairs	1 ¹⁴	20,000	20,000
Outlet - Wall Mounted Racks (6x6x2) ft.	16	13,000	208,000
Outlet - Centre Racks (6x6x4) ft.	10	15,000	150,000
Store Room Racks -Wall mounted (6x6x2) ft.	14	10,000	140,000
Store Room Racks - Centre (6x6x4) ft.	15	12,000	180,000

¹² For Store Incharge and Procurement Officer

¹³ For Owner

¹⁴ For Owner

Cash Counter	1	60,000	60,000
Customer Counter	1	150,000	150,000
Total Cost (PKR)			988,000

9.1.5. Office Vehicles

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

Table 8: Office Vehicles

Cost Item	Number of Vehicles	Unit Cost (PKR)	Total
Loader Pickups	2	1,150,000	2,323,000

9.1.6. Pre-Operating Cost

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

Table 9: Pre-Operating Cost

Description	No.	Hiring Before Year 0 (1 Months)	Monthly salary (PKR)	Total (PKR)
Utilities expenses				21,759
Owner's Salary	1	2	80,000	160,000
Procurement Incharge	1	1	40,000	40,000
Security Guards' Salary	2	1	40,000	40,000
Total				261,759

9.1.7. Security against Building

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

Table 10: Security against Building

Description	Months	Rent per Month (PKR)	Total (PKR)
Security against Building	3	188,000	564,000

9.1.8. Working Capital

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

Table 11: Working Capital

Cost Item	Total Cost (PKR)
Inventory	6,403,344

Upfront bulding rent	188,000
Upfront insurance payment	34,845
Cash	1,000,000
Total Initial Working Capital Cost	7,626,189

9.1.9. Breakeven Analysis

Table 12 shows calculation of breakeven analysis.

Table 12 : Breakeven Analysis

Description	Amount First Year (PKR)	Ratios
Sales (PKR) – A	93,791,762	100%
Variable Cost (PKR) – B	81,199,237	87%
Contribution (PKR) (A-B) = C	12,592,525	13%
Fixed Cost (PKR) – D	6,164,053	7%
Contribution Margin	13%	
Breakeven Revenue (PKR)	45,911,156	
Number of orders at Breakeven	3,304	
Breakeven Capacity	24%	

9.1.10. Revenue Generation

The revenue has been calculated based on average number of orders per day and weighted average prices of products. The weighted average prices have been calculated based on the proportionate number of orders for each product and their respective average market price per unit of that product. Table 13, Table 14, Table 15 and Table 16 shows calculations of the revenue generation for hospital equipment, medical equipment, dental equipment and supplies respectively.

Table 13: Total Revenue from Hospital Equipment

Hospital Equipment	Sales Ratio	Number of Orders	Average Market Price per Unit (PKR)	Total Revenue (PKR)
Hospital Bed	5%	34	66,400	2,257,600
Over Bed Table	6%	41	7,500	307,500
Baby Cot	2%	14	20,750	290,500
Wheel Chair	10%	68	16,600	1,128,800
Adjustable Stool	15%	102	30,000	3,060,000
Oxygen Concentrator	5%	34	124,500	4,233,000
ECG Trolley	8%	54	5,500	297,000

Suction Pump	5%	34	30,000	1,020,000
Patient Monitor ICU	1%	7	70,000	490,000
Stretcher	10%	68	8,000	544,000
Crutches / Cane	8%	54	3,000	162,000
X-Ray Viewer	15%	101	4,500	454,500
Patient Trolley	10%	68	8,500	578,000
Total		679		14,822,900
		A		B
Average Revenue Per Order (PKR) (B/A)=C				21,830

Table 14: Total Revenue from Medical Equipment

Medical Equipment	Sales Ratio	Number of Orders	Average Price per Unit (PKR)	Total Revenue (PKR)
A V Fistula Set	10%	33	16,600	547,800
Basic Ear Instrument	10%	34	14,110	479,740
Eye DCR Set	15%	50	16,600	830,000
General Instrument	25%	84	21,600	1,814,400
General Surgery Set	20%	67	16,600	1,112,200
Intestinal Surgery Set	5%	17	18,200	309,400
Hernia Surgery Set	15%	51	7,200	367,200
Total		336		5,460,740
		A		B
Average Revenue Per Order (PKR) (B/A)=C				16,252

Table 15: Total Revenue from Dental Equipment

Dental Equipment	Sales Ratio	Number of Orders	Average Price per Unit (PKR)	Total Revenue (PKR)
Physiodispenser	10%	34	225,000	7,650,000
Dental Unit (China)	20%	68	500,000	34,000,000
Ultrasonic Scaler	10%	34	80,000	2,720,000
Dental X-Ray (China)	25%	84	249,000	20,916,000
Dental CAD/CAM	20%	68	50,000	3,400,000

Amalgamator	15%	50	20,000	1,000,000
Total		338		69,686,000
		A		B
Average Revenue Per Order (PKR) (B/A)=C				206,172

Table 16: Total Revenue from Hospital, Medical & Dental Supplies

Hospital, Medical & Dental Supplies	Sales Ratio	Number of Orders	Average Price per Unit (PKR)	Total Revenue (PKR)
Thermometer	10%	540	75	40,500
Dissection Kit	5%	270	1,500	405,000
Hepatitis B, C Kit	5%	270	40	10,800
Waste Wheel Bins	2%	108	7,500	810,000
Air Mattress With Pump	2%	108	3,370	363,960
Syringe Destroyer	1%	54	170	9,180
Filling Machine	4%	216	1,760	380,160
Impression Gun	2%	108	1,725	186,300
Dental Unit Cover	1%	54	335	18,090
Excavator	4%	216	380	82,080
Cupland Elavator	2%	108	280	30,240
Disposable Examination Kit	1%	54	37	1,998
Dental RTS	2%	108	675	72,900
Disposable Saliva Ejector	2%	108	350	37,800
Disposable Hand Piece	1%	54	560	30,240
Farlin Disposable Floss	3%	162	260	42,120
Dental Floss	2%	108	75	8,100
Examination Sterile	5%	270	53	14,310
Denture Box	4%	216	38	8,208
Dental Injection	5%	270	38	10,260
Cling Film	2%	108	185	19,980
Micro Applicator	2%	108	360	38,880
Sling	3%	162	330	53,460

Syringes	5%	270	750	202,500
Gypsona Plaster	3%	162	150	24,300
Pulse Oximeter	4%	216	750	162,000
Oxygen Mask	3%	162	82	13,284
Nebulizing Kit	2%	108	135	14,580
Wrist Support	2%	108	75	8,100
Body Warmer	4%	216	1,230	265,680
Joint Heat Wraps	5%	270	1,125	303,750
Cervical Traction Unit	2%	108	1,950	210,600
Total		5400		3,879,360
		A		B
Average Revenue Per Order (PKR) (B/A)=C				718

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 17.

Table 17: Revenue Generation

Products Category	Total Orders	Weighted Average Sale Price per Order (PKR)	Revenue (PKR)	Reference
Hospital Equipment	679	21,830	14,735,250	Table 13
Medical Equipment	336	16,252	5,493,176	Table 14
Dental Equipment	338	206,172	69,686,136	Table 15
Medical, Dental & Hospital Supplies	5,400	718	3,877,200	Table 16
Total	6,753		93,791,762	

9.1.11. Variable Cost

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

Table 18 : Variable Cost

Description of Costs	Amount (PKR)
Inventory Cost (Table 19)	76,840,125
Utilities	261,112
Direct Labor (Table 20)	3,180,000

Communications expense (phone, internet etc.)	204,000
Vehicles running expense	306,000
Office expenses (stationery, entertainment, janitorial services, etc.)	408,000
Total Variable Cost (PKR)	81,199,237

Table 19: Inventory Cost

Products	Revenue (PKR)	Margin ¹⁵	Inventory Cost (PKR)
Hospital Equipment	14,735,250	17%	12,230,258
Medical Equipment	5,493,176	17%	4,559,336
Dental Equipment	69,686,136	18%	57,142,632
Medical, Dental & Hospital Supplies	3,877,200	25%	2,907,900
Total Inventory Cost (PKR)	93,791,762		76,840,125

Table 20: Direct Human Resource Cost

Staff	No.	Salary Per Month (PKR)	Annual Salary (PKR)
Procurement Incharge	1	40,000	480,000
Store Incharge	1	35,000	420,000
Store Assistants	2	25,000	600,000
Sales Staff	2	30,000	720,000
Cashier	1	40,000	480,000
Loaders	2	40,000	480,000
Total			3,180,000

9.1.12. Fixed Cost Estimate

Table 21 shows the estimated fixed cost of the project.

¹⁵ Margins have been considered on the basis of primary research.

Table 21: Fixed Cost Estimate

Description of Costs	Annual cost (PKR)
Management Staff	2,040,000
Administration benefits expense	783,000
Retail Management System (Point of Sale Software)	60,000
Building rental expense	2,255,999
Promotional expense	234,479
Insurance expense	34,845
Depreciation expense	703,377
Amortization of pre-operating costs	52,352
Total Fixed Cost (PKR)	6,164,053

9.1.13. Financial Feasibility Analysis

The financial feasibility analysis provides the information regarding projected IRR, NPV and payback period of the study, which is shown in Table 22.

Table 22: Financial Feasibility Analysis

Description	Project
IRR	56%
NPV (PKR)	56,656,490
Payback Period (years)	2.67
Projection Years	10
Discount rate used for NPV	15%

9.1.14. Financial Feasibility Analysis with 50% Debt

The financial feasibility analysis provides the information regarding projected IRR, NPV and payback period of the study on the basis of Debt: Equity Model (50:50), which is shown in Table 23.

Table 23: Financial Feasibility Analysis with 50% Debt

Description	Project
IRR	54%
NPV (PKR)	66,046,289
Payback Period (years)	2.79
Projection Years	10

Discount rate used for NPV	13%
----------------------------	-----

9.1.15. Human Resource

For the 1st year of operations, the retail store shall require the workforce at a salary cost shown in Table 24.

Table 24: Human Resource Requirement

Post	No. of Employees	Monthly Salary (PKR)	Total Salary per Month	Annual Salary (PKR)
Owner	1	80,000	80,000	960,000
Procurement Incharge	1	40,000	40,000	480,000
Store Incharge	1	35,000	35,000	420,000
Store Assistants	2	25,000	50,000	600,000
Sales Staff	2	30,000	60,000	720,000
Cashier	1	40,000	40,000	480,000
Security	2	20,000	40,000	480,000
Drivers	2	25,000	50,000	600,000
Loaders	2	20,000	40,000	480,000
Total	14		435,000	5,220,000

11. CONTACT DETAILS

Names of some relevant suppliers of medical, dental and hospital equipment and supplies are provided in Table 25.

Table 25: Suppliers of Equipment & Supplies

Name	Item	Contact No	E.mail/Website
Advance Systems – Karachi, Islamabad, Lahore	Dental Equipment	02134553632 0512854026 04237429665	www.advancesystems.com.pk
Ibrahim Dental Supplies – Quetta	Dental Supplies	0812842719/ 0812840494	www.ibrahimdental supplies.enic.pk
Medco – Peshawar	Medical	091-2212702	www.medco.net.pk

	Equipment		
Strongman Medical Products – Faisalabad	Medical Supplies	0418810078	www.strongmanonline.com
Smile Corporation, Sialkot	Dental Supplies	03013070845	www.smilecorpo.com
Health Care Supplies - Karachi	Hospital Supplies	02134820375	www.healthcaresupplies.com.pk
Medtronic - Ireland	Medical Solutions	+35314381700	www.medtronic.com
Johnson & Johnson - USA	Medical Devices	+17325240400	www.jnj.com
B. Braun Melsungen AG, Germany	Therapy Products	02135810230	www.bbraun.pk
Sirona Dental Systems, USA	Dental Equipment	+18448480137	www.dentsplysirona.com
Terumo Corporation, Japan	Medical Tools and Equipment	+81333748111	www.terumo.com
Abbot Laboratories, Pakistan	Diagnostic Tools	042 35854141	www.pk.abbott
Coloplast Group , Denmark	Medical Devices	+4549111111	www.coloplast.com

12. USEFUL LINKS AND CONTACTS

Table 26: Useful Links

Name of Organization	Website
Small and Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
National Business Development Program (NBDP)	www.nbdp.org.pk
Ministry of National Health Services Regulations and Coordination	www.nhsrsc.gov.pk/
Government of Punjab	punjab.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/
Ministry of National Health Services Regulations and Coordination	www.nhsrsc.gov.pk
World Health Organization	www.who.int
Pakistan Medical Commission	www.pmc.gov.pk
Pakistan Dental Association	https://www.pda.org.pk
Security and Exchange Commission of Pakistan	www.secp.gov.pk
State Bank of Pakistan	www.sbp.gov.pk

Table 27: Health Care Commissions - Contact Numbers

Name of Organization	Website	Contact
Islamabad Healthcare Regulatory Authority	https://ihra.gov.pk	051-9199902
Punjab Healthcare Commission	https://www.phc.org.pk	042-99333161
Sindh Healthcare Commission	http://shcc.org.pk	111-117-422
Khyber Pakhtunkhwa Healthcare Commission	http://hcc.kp.gov.pk	091-9213242
Balochistan Healthcare Commission	https://balochistan.gov.pk/departments/health/	081-9202287
Directorate of Health Services Gilgit Baltistan	-	05811-920280
Department of Health Services Azad Jammu & Kashmir	https://health.ajk.gov.pk	0582-2920015

13. ANNEXURES

13.1. Income Statement

Calculations	SMEDA									
Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	93,791,762	123,731,955	159,023,250	199,862,100	247,648,393	272,576,576	300,018,426	330,214,679	363,462,586	400,043,621
<i>Cost of sales</i>										
Inventory Cost	76,840,125	101,368,932	130,281,705	163,739,529	202,888,835	223,311,604	245,793,516	270,532,509	297,770,902	327,740,820
Utilities	261,112	284,707	310,435	338,489	369,077	402,429	438,795	478,447	521,683	568,826
Direct Labor	3,180,000	3,488,460	3,826,841	4,198,044	7,212,002	7,911,566	8,678,988	9,520,850	10,444,373	11,457,477
Total cost of sales	80,281,237	105,142,100	134,418,981	168,276,062	210,469,914	231,625,599	254,911,300	280,531,807	308,736,957	339,767,123
Gross Profit	13,510,525	18,589,855	24,604,269	31,586,038	37,178,479	40,950,977	45,107,126	49,682,872	54,725,629	60,276,498
<i>General administration & selling expenses</i>										
Management Staff	2,040,000	2,237,880	2,454,954	2,693,085	2,954,314	3,240,883	3,555,248	3,900,107	4,278,418	4,693,424
Administration benefits expense	783,000	858,951	942,269	1,033,669	1,524,947	1,672,867	1,835,136	2,013,144	2,208,419	2,422,635
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	2,255,999	2,481,599	2,729,759	3,002,735	3,303,009	3,633,310	3,996,641	4,396,305	4,835,935	5,319,529
Communications expense (phone, internet etc.)	204,000	223,788	245,495	269,308	295,431	324,088	355,525	390,011	427,842	469,342
Vehicles running expense	306,000	336,804	370,709	408,027	449,102	494,311	544,072	598,842	659,125	725,477
Office expenses (stationery, entertainment, janitorial se	408,000	447,576	490,991	538,617	590,863	648,177	711,050	780,021	855,684	938,685
Promotional expense	234,479	309,330	397,558	499,655	619,121	681,441	750,046	825,537	908,656	1,000,109
Insurance expense	34,845	29,618	24,392	19,165	13,938	8,711	3,485	53,090	45,126	37,163
Depreciation expense	703,377	703,377	703,377	703,377	703,377	703,377	483,652	1,064,347	1,064,347	1,064,347
Amortization of pre-operating costs	52,352	52,352	52,352	52,352	52,352	-	-	-	-	-
Subtotal	7,082,053	7,747,316	8,484,545	9,299,996	10,594,514	11,504,089	12,341,534	14,138,824	15,412,792	16,812,962
Operating Income	6,428,472	10,842,540	16,119,724	22,286,042	26,583,966	29,446,887	32,765,592	35,544,048	39,312,836	43,463,536
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	270,875	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	580,750	-	-	-
Earnings Before Interest & Taxes	6,428,472	10,842,540	16,119,724	22,286,042	26,583,966	29,446,887	33,617,217	35,544,048	39,312,836	43,463,536
Earnings Before Tax	6,428,472	10,842,540	16,119,724	22,286,042	26,583,966	29,446,887	33,617,217	35,544,048	39,312,836	43,463,536
Tax	1,369,965	2,914,888	4,761,903	6,920,114	8,424,387	9,426,410	10,886,025	11,560,416	12,879,492	14,332,237
NET PROFIT/(LOSS) AFTER TAX	5,058,508	7,927,651	11,357,821	15,365,928	18,159,579	20,020,477	22,731,192	23,983,632	26,433,344	29,131,299

13.2. 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	2,902,094	8,561,980	17,163,991	29,186,413	45,421,258	63,749,674	77,471,994	99,619,479	123,924,421	194,255,253
Accounts receivable	-	10,421,307	13,747,995	17,669,250	22,206,900	27,516,488	30,286,286	33,335,381	36,690,520	40,384,732	31,376,967
Inventory	6,403,344	8,447,411	10,856,809	13,644,961	16,907,403	18,609,300	20,482,793	22,544,376	24,814,242	27,311,735	-
Pre-paid building rent	188,000	206,800	227,480	250,228	275,251	302,776	333,053	366,359	402,995	443,294	-
Pre-paid insurance	34,845	29,618	24,392	19,165	13,938	8,711	3,485	53,090	45,126	37,163	-
Total Current Assets	7,626,189	22,007,230	33,418,655	48,747,595	68,589,905	91,858,534	114,855,291	133,771,199	161,572,361	192,101,345	225,632,220
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	442,023	397,820	353,618	309,416	265,214	221,011	176,809	132,607	88,405	44,202	-
Furniture & fixtures	988,000	839,800	691,600	543,400	395,200	247,000	98,800	1,555,636	1,322,290	1,088,945	855,600
Office vehicles	2,323,000	1,974,550	1,626,100	1,277,650	929,200	580,750	232,300	3,539,328	3,008,429	2,477,530	1,946,630
Office equipment	1,083,500	920,975	758,450	595,925	433,400	270,875	108,350	1,706,003	1,450,103	1,194,202	938,302
Security against building	564,000	564,000	564,000	564,000	564,000	564,000	564,000	564,000	564,000	564,000	564,000
Total Fixed Assets	5,400,523	4,697,145	3,993,768	3,290,391	2,587,013	1,883,636	1,180,259	7,497,574	6,433,226	5,368,879	4,304,532
<i>Intangible assets</i>											
Pre-operation costs	261,759	209,407	157,056	104,704	52,352	-	-	-	-	-	-
Total Intangible Assets	261,759	209,407	157,056	104,704	52,352	-	-	-	-	-	-
TOTAL ASSETS	13,288,471	26,913,782	37,569,479	52,142,689	71,229,270	93,742,170	116,035,550	141,268,773	168,005,588	197,470,224	229,936,752
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		8,566,804	11,294,849	14,510,238	18,230,891	22,584,212	24,857,115	27,359,146	30,112,329	33,143,621	36,478,850
Short term debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities											
Total Current Liabilities	-	8,566,804	11,294,849	14,510,238	18,230,891	22,584,212	24,857,115	27,359,146	30,112,329	33,143,621	36,478,850
Total Long Term Liabilities	-	-	-	-	-	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	13,288,471	13,288,471	13,288,471	13,288,471	13,288,471	13,288,471	13,288,471	13,288,471	13,288,471	13,288,471	13,288,471
Retained earnings		5,058,508	12,986,159	24,343,981	39,709,909	57,869,487	77,889,965	100,621,156	124,604,789	151,038,133	180,169,432
Total Equity	13,288,471	18,346,978	26,274,630	37,632,451	52,998,379	71,157,958	91,178,435	113,909,627	137,893,259	164,326,603	193,457,902
TOTAL CAPITAL AND LIABILITIES	13,288,471	26,913,782	37,569,479	52,142,689	71,229,270	93,742,170	116,035,550	141,268,773	168,005,588	197,470,224	229,936,752

13.3. 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		5,058,508	7,927,651	11,357,821	15,365,928	18,159,579	20,020,477	22,731,192	23,983,632	26,433,344	29,131,299
Add: depreciation expense		703,377	703,377	703,377	703,377	703,377	703,377	483,652	1,064,347	1,064,347	1,064,347
amortization of pre-operating costs		52,352	52,352	52,352	52,352	52,352	-	-	-	-	-
Accounts receivable		(10,421,307)	(3,326,688)	(3,921,255)	(4,537,650)	(5,309,588)	(2,769,798)	(3,049,094)	(3,355,139)	(3,694,212)	9,007,764
Inventory	(6,403,344)	(2,044,067)	(2,409,398)	(2,788,152)	(3,262,442)	(1,701,897)	(1,873,493)	(2,061,583)	(2,269,866)	(2,497,493)	27,311,735
Pre-paid building rent	(188,000)	(18,800)	(20,680)	(22,748)	(25,023)	(27,525)	(30,278)	(33,305)	(36,636)	(40,299)	443,294
Advance insurance premium	(34,845)	5,227	5,227	5,227	5,227	5,227	5,227	(49,605)	7,963	7,963	37,163
Accounts payable		8,566,804	2,728,045	3,215,389	3,720,653	4,353,322	2,272,902	2,502,031	2,753,183	3,031,292	3,335,229
Other liabilities		-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(6,626,189)	1,902,094	5,659,886	8,602,011	12,022,422	16,234,845	18,328,415	20,523,287	22,147,485	24,304,942	70,330,832
<i>Financing activities</i>											
Issuance of shares	13,288,471	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing acti	13,288,471	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(5,662,282)	-	-	-	-	-	-	(6,800,967)	-	-	-
Acquisitions											
Cash (used for) / provided by investing acti	(5,662,282)	-	-	-	-	-	-	(6,800,967)	-	-	-
NET CASH	1,000,000	1,902,094	5,659,886	8,602,011	12,022,422	16,234,845	18,328,415	13,722,320	22,147,485	24,304,942	70,330,832

14. KEY ASSUMPTIONS

14.1. 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	9.6%
Office vehicle price growth rate	6.2%

14.2. Revenue Assumptions

Table 29: Revenue Assumptions

Description	Details
Service charges growth	10.1%
Initial year capacity utilization	50%
Capacity utilization growth rate	10%
Maximum capacity utilization	90%

14.3. Financial Assumptions

Table 30: Financial Assumptions

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

14.4. 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%

Small and Medium Enterprises Development Authority

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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