



**Pre-feasibility Study**

# **HEAVY CONSTRUCTION EQUIPMENT RENTAL AND LEASING SERVICES**

**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

<b>1. DISCLAIMER .....</b>	<b>5</b>
<b>2. EXECUTIVE SUMMARY .....</b>	<b>6</b>
<b>3. INTRODUCTION TO SMEDA .....</b>	<b>8</b>
<b>4. PURPOSE OF THE DOCUMENT .....</b>	<b>8</b>
<b>5. BRIEF DESCRIPTION OF PROJECT &amp; SERVICES .....</b>	<b>9</b>
5.1. Installed and Service Capacities .....	14
<b>6. CRITICAL FACTORS .....</b>	<b>15</b>
<b>7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT .....</b>	<b>15</b>
<b>8. POTENTIAL TARGET MARKETS .....</b>	<b>16</b>
<b>9. PROJECT COST SUMMARY .....</b>	<b>18</b>
9.1. Project Cost .....	18
9.1.1. Land .....	18
9.1.2. Building .....	19
9.1.3. Machinery & Equipment .....	20
9.1.4. Furniture & Fixtures .....	21
9.1.5. Office Equipment .....	21
9.1.6. Office Vehicles .....	22
9.1.7. Security against Building .....	22
9.1.8. Pre-operating Cost .....	22
9.1.9. Working Capital .....	23
9.2. Financial Feasibility Analysis .....	23
9.3. Financial Feasibility Debt Financing .....	23
9.4. Breakeven Analysis .....	24
9.5. Revenue Generation .....	24
9.6. Variable Cost Estimate .....	28
9.7. Fixed Cost Estimate .....	28
9.8. Human Resource Requirement .....	29
<b>10. CONTACT DETAILS .....</b>	<b>31</b>
<b>11. USEFUL LINKS .....</b>	<b>32</b>
<b>12. ANNEXURES .....</b>	<b>33</b>
12.1. Income Statement .....	33
12.2. Balance Sheet .....	34

12.3. Cash Flow Statement .....	35
<b>13. KEY ASSUMPTIONS.....</b>	<b>36</b>
13.1. Operating Cost Assumptions.....	36
13.2. Revenue Assumptions .....	36
13.3. Financial Assumptions .....	36
13.4. Debt Related Assumptions .....	37

## Table of Tables

Table 1: Service Capacity .....	14
Table 2: Project Cost .....	18
Table 3: Breakup of Space Requirement .....	19
Table 4: Building Renovation Cost .....	19
Table 5: Boundary Wall and Gate Cost .....	20
Table 6: Gate Cost .....	20
Table 7: Machinery & Equipment .....	20
Table 8: Furniture & Fixtures .....	21
Table 9: Office Equipment .....	21
Table 10: Office Vehicles .....	22
Table 11: Security against Building .....	22
Table 12: Pre-operating cost .....	22
Table 13: Working Capital .....	23
Table 14: Financial Feasibility Analysis .....	23
Table 15: Financial Feasibility Debt Financing .....	23
Table 16: Breakeven Analysis .....	24
Table 17: Revenue Generation .....	24
Table 18: Rental Charges (All Costs in PKR) .....	26
Table 19: Other Direct Costs .....	27
Table 20: Variable Cost Estimate .....	28
Table 21: Variable Cost Assumptions .....	28
Table 22: Fixed Cost Estimate .....	28
Table 23: Human Resource Requirement .....	29
Table 24: Suppliers of Machinery and Equipment .....	31
Table 25: Useful Links .....	32
Table 26: Operating Cost Assumptions .....	36
Table 27: Revenue Assumptions .....	36
Table 28: Financial Assumptions .....	36
Table 29: Debt Related Assumptions .....	37

## Table of Figures

Figure 1: Dump Truck.....	9
Figure 2: Mobile Crane.....	10
Figure 3: Static Tower Crane .....	11
Figure 4: Excavator.....	11
Figure 5: Motor-Grader.....	12
Figure 6: Road Roller .....	12
Figure 7: Wheel Loader.....	13
Figure 8: Concrete Self-Loading Truck.....	13
Figure 9: Construction Industry Value Projections.....	17

## 1. DISCLAIMER

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## 2. EXECUTIVE SUMMARY

Heavy construction machinery and equipment is very expensive due to which the construction companies usually are not willing to make this large investment. Such machinery and equipment is therefore commonly acquired on rent from specialized rental companies. Such companies maintain a pool of different types of the required machinery and equipment which can be made available to the construction companies on rent for specified period of time. Although, such machinery and equipment may be required by different industries, the construction industry is the most common client of such rental companies. More commonly demanded rental equipment includes dump trucks, cranes, excavators, motor graders, road rollers, wheel loaders and concrete self-load trucks. The equipment is provided to the client as per the agreed terms and conditions between the equipment's owner (the rental company) and the equipment user (the construction company). The rental period extends from the day of picking the equipment by the construction company to the day it is returned back to the rental company. Rent is usually charged on daily basis. The rental rate is determined by variety of factors; including the equipment's price and the market demand and supply situation.

This "pre-feasibility document" provides details for setting-up a business of "Heavy Construction Equipment Rental and Leasing Services", which has a total capacity of 72,000 machine hours in a year. The initial capacity utilization in "Year One" is assumed to be 70%, which translates into 50,400 machine hours.

A rental service business may be established in large cities like Karachi, Lahore, Islamabad, Peshawar, Rawalpindi, Quetta, Faisalabad, Sialkot, Hyderabad, Gujranwala, Multan, Muzaffarabad, Gilgit, etc. Cities/towns where significant construction activity takes place, offers good market potential for such a business. Gwadar is an important example in this regard where currently, large-scale CPEC-related activities are being carried out. Federal and provincial governments are undertaking major construction initiatives in the country; including China Pakistan Economic Corridor (CPEC), Naya Pakistan Housing Scheme, Ravi Riverfront Urban Development Project, M-9 Karachi-Hyderabad motorway, M-8 Gwadar-Ratodero motorway and many large dams including Mohmand Dam, Dasu Dam and Diamer Bhasha Dam. Similarly, One Belt One Road (OBOR) is an initiative of China in which mega construction activity is involved. Such construction projects generate a high demand for heavy construction machinery and equipment which provides rationale for the propose equipment rental business.

The proposed project has a total investment of PKR 153.42 million. This includes capital investment of PKR 147.1 million and working capital of PKR 6.36 million. This project is financed through 100% equity. The Net Present Value (NPV) of project is PKR 58.96 million with an Internal Rate of Return (IRR) of 22% and a Payback period of 4.8 years. Further, this project is expected to generate Gross Profit (GP) ratio ranging from of 52% to 67% and Net Profit (NP) ratio ranging from 2% to 29% during the projection period of ten years. The proposed project will achieve its estimated

breakeven point at capacity of 65% (50,400 machine hours) with breakeven revenue of PKR 28.95 million.

The proposed business 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 91.45 million, Internal Rate of Return (IRR) of 22% and Payback period of 4.66 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from 6% to 29% during the projection period of ten years, except for the first year of operations during which there is a loss of 10% due to interest expense. The proposed project will achieve its estimated breakeven point at capacity of 83% (60,022 machine hours) with breakeven revenue of PKR 36.85 million.

The proposed project will provide employment opportunities to 30 to 40 people. High return on investment and steady growth of business is expected with the persons having some prior experience and expertise in the related field of business. 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 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 is aimed at facilitating around 314,000 SME beneficiaries over a period of five years.

### **4. PURPOSE OF THE DOCUMENT**

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

The purpose of this document is to provide information to the potential investors about setting up a business of "Heavy Construction Equipment Rental and Leasing Services". The document provides a general understanding of the business to facilitate potential investors in crucial and effective investment decisions.

The need to come up with pre-feasibility reports for undocumented or minimally documented sectors attains greater imminence as the research that precedes such reports reveal certain thumb rules; best practices developed by existing enterprises by trial and error, and certain industrial norms that become a guiding source regarding various aspects of business set-up and its successful management.

Apart from carefully studying the whole document one must consider critical aspects provided later on, which form the basis of any investment decision.

## **5. BRIEF DESCRIPTION OF PROJECT & SERVICES**

Construction businesses require heavy equipment for several tasks and it is not always possible to purchase this expensive equipment for a business due to large capital investment. So instead, they prefer to rent the equipment and return it to the company once their job is done. Hence, more and more construction businesses are looking for companies that can provide them the requisite equipment on a rental basis. The proposed business targets to fulfil the needs of those customers by providing them the required heavy construction equipment on rental basis.

Most commonly used machinery and equipment used in the construction industry include Dump Trucks, Mobile Cranes, Static Tower Cranes, Excavators, Motor Graders, Road Rollers, Wheel Loaders and Concrete Self loaders. Brief descriptions of the suggested heavy equipment to be rented by the business are provided below.

### **Dump Truck**

Dump trucks are typically used for transportation of soil, stones, sand or minerals; excavated and collected by other construction machinery. The material is loaded in the truck which transports it from that location and dumps it at some other location. The key feature of a dump truck is the dump box, which is powered by hydraulics, allowing operators to lift and tip loads. Hydraulic hoist systems are used to lift the dump box when it needs to be emptied. Figure 1 shows a dump truck being loaded using an excavator.

**Figure 1: Dump Truck**



## Mobile Crane

Cranes in construction sector are used to lift or lower heavy objects and/or move them from one place to another. Either way, all the cranes are equipped with pulleys and cables that are useful when it comes to moving objects around.

Mobile cranes are mounted on tires and offer greater mobility than standard cranes. Some mobile cranes can even be driven on the highway. Their ability to navigate around job sites and carry large amounts of weight makes mobile cranes a very popular addition to many construction projects.

**Figure 2: Mobile Crane**



## Static Tower Cranes

Static tower cranes are mainly fixed on construction sites. Construction sites use tower cranes to lift heavy equipment, generators, and a variety of other construction materials like concrete slabs, steel structures, bulk sand bags, etc.

To lift a load, the rope is lowered down along with the hook so that the load can be attached. The workers on ground attach the load to the hook; while ensuring that the load remains stable while lifting. The crane operator performs a series of moves, including hoists, which raise the load with the rope; and rotations, which spin the crane; and trolley travel, which moves the load along the jib (horizontal working arm). Figure 3 shows a static tower crane at work.

**Figure 3: Static Tower Crane****Excavator**

An excavator is a large, diesel-powered construction machine made for digging with its bucket to create trenches, holes and foundations. It is a basic equipment of large construction jobsites. By swapping out the bucket for another attachment, this excavation equipment can also drive piles, clear brush, load and dump, grade a jobsite (leveling field) and perform other heavy-duty jobsite tasks. Excavator is a multi-task machine; especially designed for construction sector. The other major user of this machine is the mines and minerals sector.

**Figure 4: Excavator****Motor Grader**

A motor grader is a construction machine with long blades used to create a flat surface. Motor-graders are mostly used in road construction and maintenance. The grader



typically consists of blades at the front end of the vehicle and in between the tires as seen in Figure 5.

**Figure 5: Motor-Grader**



### **Road Roller**

A road roller is a compactor type engineering vehicle, which is used to compact soil, gravel, concrete, or asphalt in the construction of roads and foundations. The rolling process ensures that foundations are compacted thoroughly so the materials are compact, and do not become loose. Rollers are equipped with basic features such as diesel engine, canopy to protect the driver, drum, tires and a compaction meter to measure the level of compaction and a water system.

**Figure 6: Road Roller**



## Wheel Loader

A wheel loader is a four-wheeled machine used for earthmoving. Generally, it features a front-mounted bucket designed to scoop, hold and transport loosely packed materials, such as sand, dirt, soil or stones.

Wheel loaders work with the aid of a mechanized lift-arm that moves that bucket higher or lower, depending on the need and input of the operator.

**Figure 7: Wheel Loader**



## Concrete Self-load truck

The self-loading concrete mixer makes full use of the function of concrete mixer and mixing station which automatically loads, measures, mixes and discharges concrete. The function of the drum is to mix the raw materials homogenously. The steering options enable the concrete mixer to operate in confined spaces and over tough site conditions.

**Figure 8: Concrete Self-Loading Truck**



### 5.1. Installed and Service Capacities

The proposed rental service business shall, at maximum capacity of 100%, will provide service of 72,000 machine rental hours annually.

The proposed rental business would provide the equipment as well as its operators. The operators will be working in 2 shifts of 10 hours in a day and 300 working days in a year. It has been assumed that, the business will attain a capacity of 70% during the first year of operations. It is projected that, during the period of 10 years, the firm shall continue to serve with 10% annual increase in capacity utilization each year. Table 1 represents the service capacities of the proposed business for the initial year.

**Table 1: Service Capacity**

<b>Machinery and Equipment</b>	<b>Rental Hours per day</b>	<b>No of Machinery/ Equipment</b>	<b>Annual Machine Hours @ 300 Days</b>	<b>Machine Hours at 70% Capacity</b>
Dump Truck 10-wheeler 420 HP	20	3	18,000	12,600
Mobile Crane 25 Ton	20	1	6,000	4,200
Static Tower Crane 5 Ton	20	1	6,000	4,200
Excavator 22 Ton	20	1	6,000	4,200
Motor Grader 220 HP	20	1	6,000	4,200
Road Roller 20 Ton	20	1	6,000	4,200
Wheel Loader 5 Ton	20	2	12,000	8,400
Concrete Self load Truck (3.5 cubic meter)	20	2	12,000	8,400
<b>Total</b>		<b>12</b>	<b>72,000</b>	<b>50,400</b>

## 6. CRITICAL FACTORS

Before making the decision to invest in “Heavy Construction Equipment Rental and Leasing Services” business, a careful analysis of the associated risk factors should be undertaken. The management of heavy construction equipment is a difficult task. Equipment managers are often called upon to make complex economic decisions involving the machines in their charge. These decisions include those concerning acquisitions, maintenance, repairs, rebuilds, replacements, and retirements. The equipment manager must also be able to determine internal rental rates for their machinery.

Repair and maintenance expenditures can have significant impact on these economic decisions and forecasts. Rental and leasing of heavy construction equipment is a capital-intensive business. In addition to purchase cost, repair and maintenance, and machinery tools and parts are other major costs.

Following factors must also be considered while making the investment decision:

- Excellent knowledge of the business
- Good technical knowledge of heavy machinery and equipment
- Well maintained equipment
- Knowledge about civil construction requirements
- The ability to build and maintain strong client relationships to promote client loyalty
- Establishment of clear business strategy
- Strict compliance to the code of ethics

## 7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Growing construction sector has led to an increasing demand for heavy construction equipment; which creates the primary rationale for this project. A rental service business may be established in large cities such as Karachi, Lahore, Islamabad, Peshawar, Rawalpindi, Quetta, Faisalabad, Sialkot, Hyderabad, Gujranwala, Multan, Gilgit, Muzaffarabad, etc. The reason of selecting these cities is the rapid growth in construction sector. Hundreds of new housing and commercial construction projects are being implemented to meet the demand of the rapidly growing population. The proposed business may be established in cities/towns where significant developmental work is being carried out. The most important example in this regard is Gwadar where extensive developmental work is being carried out as part of CPEC Project. Some examples of the currently operational major projects which involve extensive construction and developmental activities include CPEC Project, M-9 Karachi-Hyderabad motorway, M-8 Gwadar-Ratodero motorway, the Orchid, a high-end residential and commercial project in Karachi, Crescent Bay, an oceanfront



development project in Karachi, LDA CITY project in Lahore, G.T. Road Expressway, Ravi Riverfront Urban Development Project in Lahore, number of mining and mineral extraction projects in Khyber Pakhtunkhwa and Balochistan. Similarly, One Belt One Road (OBOR) is an initiative of China in which mega construction activity is involved.

## 8. POTENTIAL TARGET MARKETS

According to the Economic Survey of Pakistan 2020-21, Pakistan is the fifth most populous country in the world, with 215.25 million people, having 9<sup>th</sup> largest labor force and a growing middle class. There is a growing demand for houses due to a 1.8% annual population growth rate.<sup>1</sup> Further, the country's construction industry accounts for 2.53% of Gross Domestic Product (GDP) The sector employs 7.61% of the employed Pakistani labor force. Private sector Gross Fixed Capital Formation (GFCF) amounted over 95% of the total.

China Pakistan Economic Corridor (CPEC) has given a boost to the construction sector through the influx of infrastructural projects including highways, power plants, special economic zones and large dams.

The potential of this project is directly linked to the growth in construction industry. Industry growth is expected to improve, registering annual growth in the range of 4.8-5.3% between 2022 and 2025; supported by investment in China-Pakistan Economic Corridor (CPEC) infrastructure projects. To support the construction sector, and boost employment and economic output, Prime Minister announced a construction stimulus package in April 2020. The package includes a fixed tax rate for the construction industry, a subsidy worth PKR 30 billion (US\$191.5 million) for the Naya Pakistan Housing Scheme, a decrease in sales tax and incentives for builders to construct affordable housing.<sup>2</sup>

This increase in construction sector triggers demand for Heavy equipment rental and leasing services. The number of cities and towns are growing and there is an ongoing addition to new housing and commercial schemes. It appears very likely that the current growth in construction sector is going to continue in the coming years.

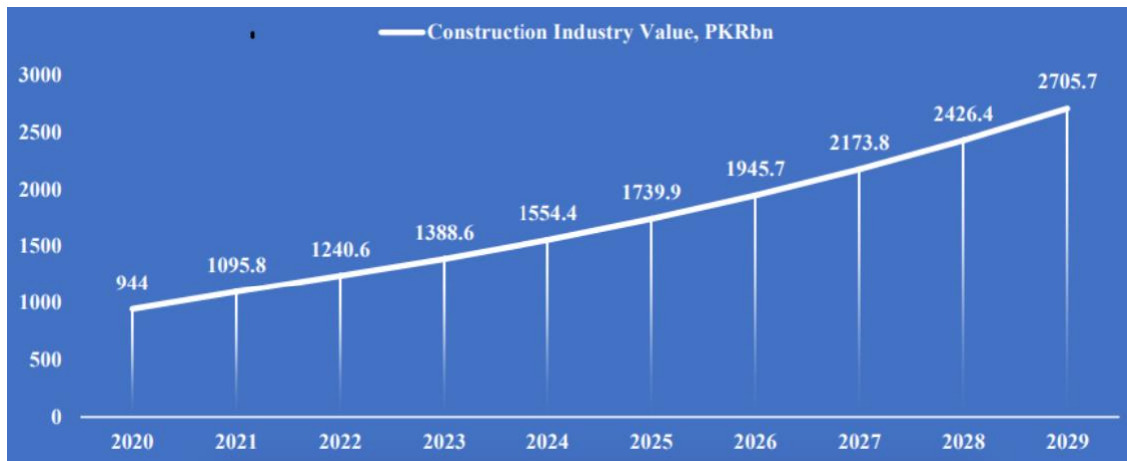
Furthermore, the Government of Pakistan and the Asian Development Bank (ADB) have signed a \$300 million agreement to finance the development of the Balakot Hydropower Project. The total cost of the project is estimated at \$755 million. For now, Diamer-Bhasha Dam, Naulong Dam, Kurram Tangi Dam, Nai Gaj Dam, and Darawat Dam are in the initial stages of development. Growth in Pakistan construction sector can be seen in Figure 9.<sup>3</sup>

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<sup>1</sup> [https://www.finance.gov.pk/survey/chapters\\_21/12-Population.pdf](https://www.finance.gov.pk/survey/chapters_21/12-Population.pdf)

<sup>2</sup> <https://www.businesswire.com/news/home/20210505005865/en/Pakistan-Construction-Market-Trends-and-Opportunities-Report-2021>

<sup>3</sup> <https://www.adb.org/news/signing-ceremony-ADB-300-million-loan-pakistan-balakot-hydropower-project>

**Figure 9: Construction Industry Value Projections**

When we are talking about roads, Pakistan has a total of 263,775 km of national roads network<sup>4</sup>. According to Economic Survey of Pakistan 2021<sup>5</sup>, the present National Highway Authority (NHA) network comprises of 39 national highways, motorways, expressways and strategic roads. The length of this network is 12,131 km. NHA's existing portfolio consists of 32 on-going projects with an allocation of PKR 88.95 billion in PSDP 2020-21. There are 24 new schemes in PSDP 2020-21 with a total estimated cost of PKR 520 billion. In addition to these, one new scheme on Build-Operate-Transfer (BOT) basis is also included in PSDP 2020-21 at an estimated cost of PKR 1.12 billion. Further, the future major road construction projects are:

- Dualization of 210 KM Yarik – Sagu – Zhob including Zhob Bypass Western Route
- 305 km Zhob to Kuchlak Road CPEC Western Corridor
- 306 km Sukkur-Hyderabad Motorway (M-6)
- 369 km Gilgit-Shandor-Chitral Road Project (alternate route to KKH under CPEC)
- 146 km Construction of Hoshab- Awaran Section of M-8
- 168 km Construction of Awaran – Naal Section of M-8
- 250 km KKH Thakot-Raikot Section (realignment)
- 200.45 km Mangla – Mirpur – Muzaffarabad – Mansehra road

<sup>4</sup> <https://nha.gov.pk/>

<sup>5</sup> [http://www.finance.gov.pk/survey/chapters\\_21/13-Transport.pdf](http://www.finance.gov.pk/survey/chapters_21/13-Transport.pdf)

## 9. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of “Heavy Construction Equipment Rental and Leasing Services”. Various costs and revenue related assumptions along with results of the analysis are outlined in this section.

The projected Income Statement, Cost of Goods Sold, Cash Flow Statement and Balance Sheet are attached as Annexure.

### 9.1. Project Cost

Total investment of the project has been calculated to be PKR 153.42 million. The project will be financed through 100% Equity. Table 2 provides the detail of cost calculated for the proposed business.

**Table 2: Project Cost**

Description	Cost (PKR)	Reference
Land	-	9.1.1
Building Renovation Cost	800,895	9.1.2
Machinery & Equipment	138,700,000	9.1.3
Furniture & fixtures	434,000	9.1.4
Office equipment	5,740,950	9.1.5
Office vehicles	789,500	9.1.6
Security against building	197,732	9.1.7
Pre-operating costs	392,700	9.1.8
Total Capital Costs	<b>147,055,777</b>	
Working Capital	<b>6,360,090</b>	9.1.9
Total Investment	<b>153,415,867</b>	

#### 9.1.1. Land

The business will be established in a rented building to avoid the high cost of land. Suitable units for setting up a business like this can be easily found on rent. Therefore, no land cost has been added to the project cost. The required space breakup is shown Table 3. In addition to the office, an area of 2 kanals would be required to park equipment and machinery during unoccupied and idle time. The machines will also be parked at the area during repair and maintenance. The suitable area would be near the construction site or a barren or non-commercial area. The rental cost of parking area has been added in operational cost.

**Table 3: Breakup of Space Requirement**

Description	% Break-Up	Number	Area Sq. Ft.
Executive Office	11%	1	150
Rentals Office	17%	1	225
Admin and Accounts Office	11%	1	144
Reception	8%	1	100
Waiting Area	9%	1	120
Washrooms	5%	2	70
Store Room	38%	1	500
<b>Total</b>	<b>100%</b>		<b>1,309</b>

### 9.1.2. Building

There will be no cost of building construction, as the proposed business will be started in a rented facility. However, there will be a renovation cost required to make the building usable for the business. The proposed project requires electricity load of 2 KW for which an electricity connection under the commercial supply tariff will be required. Building rent of PKR 130,900 per month has been included in the operating cost. Building renovation cost is shown in Table 4.

**Table 4: Building Renovation Cost**

Cost Item	Unit of Measurement	Total Units	Cost/Unit/ Sq.feet	Total Cost (PKR)
Paint Cost	Liter	41	500	22,565
Labor Cost - Paint	Sq. Feet	4,114	10	45,130
Curtains	No.	6	5,000	30,000
Blinds	No.	4	2,000	8,000
Racks	No.	8	15,000	120,000
Boundary wall and Gate (Table 5)				575,200
<b>Total</b>				<b>800,895</b>

**Table 5: Boundary Wall and Gate Cost**

Description	Length (Ft)	Running Feet (Rft)	Cost/Rft (PKR)	Cost (PKR)
Length (Rft)	100	200	1,400	280,000
Width (Rft)	90	168	1,400	235,200
Gate (Table 6)				60,000
<b>Total</b>				<b>575,200</b>

**Table 6: Gate Cost**

Description	Length (Ft)	Height (Ft)	Total Area (Sq.ft.)	Cost/ Sq. ft (PKR)	Cost (PKR)
Gate (sq. ft.)	12	10	120	500	<b>60,000</b>
<b>Total</b>					

### 9.1.3. Machinery & Equipment

Table 7 provides details of the machinery and equipment available for rental.

**Table 7: Machinery & Equipment**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Dump Truck 10-wheeler 420 HP	3	10,500,000	31,500,000
Mobile Crane 25 Ton	1	36,800,000	36,800,000
Static Tower Crane 5 Ton	1	6,000,000	6,000,000
Excavator 22 Ton	1	11,700,000	11,700,000
Motor Grader 220 HP	1	13,500,000	13,500,000
Road Roller 20 Ton	1	14,000,000	14,000,000
Wheel Loader 5 Ton	2	7,000,000	14,000,000
Concrete Self load Truck (3.5 cbm <sup>6</sup> )	2	5,600,000	11,200,000
<b>Total</b>			<b>138,700,000</b>

<sup>6</sup> Cubic meter

#### 9.1.4. Furniture & Fixtures

Table 8 provides details of the furniture and fixture requirement of the project.

**Table 8: Furniture & Fixtures**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Executive Tables	2	30,000	60,000
Office Table	3	25,000	75,000
Executive Chairs	2	10,000	20,000
Reception Counter	1	40,000	40,000
Sofa Set (Waiting Area)	2	35,000	70,000
Waiting Area Table	1	15,000	15,000
Office Chairs	3	10,000	30,000
Visitor Chairs	8	8,000	64,000
Cabinets	5	12,000	60,000
<b>Total</b>			<b>434,000</b>

#### 9.1.5. Office Equipment

Detail of office equipment required for the project is provided in Table 9.

**Table 9: Office Equipment**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Laptop Computers	2	80,000	160,000
Desktop Computers	2	35,000	70,000
Printers	1	40,000	40,000
Security System (4 Cameras 2MP)	4	2,500	10,000
DVR	1	12,000	12,000
LED TV	1	40,000	40,000
Air Conditioners (1.5 ton Inverter)	4	100,000	400,000
Ceiling Fan	5	5,000	25,000
Exhaust Fan	3	2,500	7,500
Water Dispensers	1	20,000	20,000
Wi-Fi / Internet Routers	1	5,000	5,000
<b>Total</b>			<b>789,500</b>

### 9.1.6. Office Vehicles

Detail of office vehicle required for the project is provided in Table 10.

**Table 10: Office Vehicles**

Cost Item	No. of Vehicles	Unit Cost (PKR)	Total Cost (PKR)
Car - Corolla Altis 1.6	1	3,500,000	3,500,000
Car - Suzuki Swift 1.3	1	2,000,000	2,000,000
Motorcycle	1	80,000	95,000
Registration Cost - Car - Corolla Altis 1.6		3%	105,000
Registration Cost - Car - Suzuki Swift 1.3		2%	40,000
Registration Cost - Motorcycle		1%	950
<b>Total</b>			<b>5,740,950</b>

Registration fee for vehicles has been taken from Excise and Taxation Department Punjab.<sup>7</sup> For registration in other provinces and federal capital the registration fee may differ.

### 9.1.7. Security against Building

Detail of security against building is given in Table 11.

**Table 11: Security against Building**

Description	Months	Per month rent	Total Cost (PKR)
Security against Building	3	130,900	<b>392,700</b>

### 9.1.8. Pre-operating Cost

Detail of pre-operating cost for the purposed project is shown in Table 12.

**Table 12: Pre-operating cost**

Description	Months Before Operations	Total Cost (PKR)
Utility bills	1	25,732
Owner's salary	1	150,000
Office Boy's salary	1	22,000
<b>Total</b>		<b>197,732</b>

<sup>7</sup> [https://excise.punjab.gov.pk/vehicle\\_registration](https://excise.punjab.gov.pk/vehicle_registration)

### 9.1.9. Working Capital

Table 13 provides details of working capital requirements for the project.

**Table 13: Working Capital**

Description	No. of Months	Unit Cost (PKR)	Total Coat (PKR)
Parts, Tools and Spares Inventory	2	1,155,833	2,311,666
Upfront building rent	1	112,500	130,900
Upfront insurance payment			2,917,524
Cash			1,000,000
<b>Total</b>			<b>6,360,090</b>

### 9.2. Financial Feasibility Analysis

The financial feasibility analysis given in Table 14 provides the information regarding projected IRR, NPV and payback period of the study based on 100% equity.

**Table 14: Financial Feasibility Analysis**

Description	Values
IRR	22%
NPV (PKR)	58,961,178
Payback Period (years)	4.80
Projection Years	10
Discount Rate used for NPV	15%

### 9.3. Financial Feasibility Debt Financing

The financial feasibility analysis given is shown in Table 15. It provides the information regarding projected IRR, NPV and payback period of the study based on combination of equity (50%) and debt (50%) financing for the proposed project.

**Table 15: Financial Feasibility Debt Financing**

Description	Equity	Project
IRR	27%	22%
NPV (PKR)	72,657,643	91,447,050
Payback Period (years)	5.06	4.53
Projection Years	10	10
Discount Rate used for NPV	15%	13%



#### 9.4. Breakeven Analysis

Breakeven analysis is provided in Table 16.

**Table 16: Breakeven Analysis**

Particulars	Amount First Year (PKR)	Ratios
Revenue (PKR) – A	65,318,400	100%
Variable Cost (PKR) – B	34,373,740	53%
Contribution (PKR) (A-B) = C	30,944,660	47%
Fixed Cost (PKR)	28,951,172	44%
Breakeven		
Breakeven Machine Hours		47,153
Breakeven Revenue (PKR)		28,951,172
Breakeven Capacity		65%

#### 9.5. Revenue Generation

Based on the 70% capacity utilization of the firm, services revenue during the first year of operations is shown in Table 17.

**Table 17: Revenue Generation**

Machinery and Equipment	Basis	Rental Charges / Hour (PKR)	Machine Hours Rented	Revenue (PKR)
Dump Truck 10 wheeler 420 HP	Per Hour	2,006	12,600	25,275,600
Mobile Crane 25 Ton	Per Hour	2,161	4,200	9,076,200
Static Crane 5 ton	Per Hour	657	4,200	2,759,400
Excavator Machine 22 Ton	Per Hour	935	4,200	3,927,000
Motor Grader 220 HP	Per Hour	1,023	4,200	4,296,600
Road Roller 20 Ton	Per Hour	840	4,200	3,528,000
Wheel Loader 5 Ton	Per Hour	1,048	8,400	8,803,200
Concrete Selfload 3.5 cbm Truck	Per Hour	911	8,400	7,652,400
<b>Total</b>			<b>50,400</b>	<b>65,318,400</b>

**The rental charges have been determined by adding markup after considering operators' costs, machinery wear and tear and other incidental costs. Table 18 and**

Table 19 shows rental charges and other direct costs respectively. The other direct costs have been allocated on the basis of depreciation of each machinery.

**Table 18: Rental Charges (All Costs in PKR)**

<b>Machinery and Equipment</b>	<b>Depreciation @10% of Cost</b>	<b>Operators Salaries</b>	<b>Other Direct Cost</b>	<b>Annual Cost</b>	<b>Per Day Cost</b>	<b>Per Hour Cost</b>	<b>Rental Charges/Hr @ 30% Markup</b>
<i>Calculation</i>	<i>A</i>	<i>B</i>	<i>C</i>	<i>D=A+B+C</i>	<i>E=D/300</i>	<i>F=E/20</i>	<i>G=F*1.3</i>
Dump Truck 10-wheeler 420HP	3,150,000	2,160,000	3,947,970	9,257,970	30,860	1,543	2,006
Mobile Crane 25 Ton	3,680,000	1,680,000	4,612,231	9,972,231	33,241	1,662	2,161
Static Tower Crane 5 Ton	600,000	1,680,000	751,994	3,031,994	10,107	505	657
Excavator 22 Ton	1,170,000	1,680,000	1,466,389	4,316,389	14,388	719	935
Motor Grader 220 HP	1,350,000	1,680,000	1,691,987	4,721,987	15,740	787	1,023
Road Roller 20 Ton	1,400,000	720,000	1,754,653	3,874,653	12,916	646	840
Wheel Loader 5 Ton	1,400,000	1,680,000	1,754,653	4,834,653	16,116	806	1,048
Concrete Self load Truck (3.5 cubic meter)	1,120,000	1,680,000	1,403,723	4,203,723	14,012	701	911
<b>Total (PKR)</b>	<b>13,870,000</b>	<b>12,960,000</b>	<b>17,383,600</b>	<b>44,213,600</b>			

**Table 19: Other Direct Costs**

<b>Cost</b>	<b>Amount (PKR)</b>
Machinery Repair & Maintenance	13,870,000
Direct Human Resource Cost (Rental In-charge and Assistant)	1,920,000
Equipment Operators' Accommodation cost	1,593,600
<b>Total</b>	<b>17,383,600</b>

## 9.6. Variable Cost Estimate

Variable costs of the project have been provided in detail in Table 20.

**Table 20: Variable Cost Estimate**

Description	Cost (PKR)
Machinery Repair & Maintenance	13,870,000
Direct Human Resource Cost	15,936,000
Equipment Operators' Accommodation Cost	1,593,600
Parking Charges	1,188,000
Utilities (Water, Gas, Internet)	135,300
Travelling expense	432,960
Communications expense (phone, internet etc.)	108,240
Office vehicles running and maintenance expense	297,840
Office expenses (stationery, entertainment, janitorial services, etc.)	811,800
<b>Total Variable Cost</b>	<b>34,373,740</b>

**Table 21: Variable Cost Assumptions**

Description	Assumption
Machinery Repair & Maintenance	10% of machinery cost
Equipment Operators' Accommodation cost	10% of direct labor cost
Travelling expense	8% of administrative expenses
Cost of goods sold growth rate	10.1%

## 9.7. Fixed Cost Estimate

Details of fixed cost for the project are provided in Table 22.

**Table 22: Fixed Cost Estimate**

Description	Amount per annum
Administration expense	5,412,000
Administration benefits expense	2,134,800
Building rental expense	1,570,800
Electricity	248,784
Promotional expense	326,592

Insurance expense	2,917,524
Professional fees (legal, audit, consultants, etc.)	653,184
Depreciation expense	14,994,757
Amortization of pre-operating costs	39,546
Bad debt expense	653,184
<b>Total Fixed Cost</b>	<b>28,951,171</b>

### 9.8. Human Resource Requirement

For the 1<sup>st</sup> year of operations, the human resource requirements are projected in Table 23.

**Table 23: Human Resource Requirement**

Description	Number of Employees	Monthly Salary (PKR)	Annual Salary (PKR)
Owner/CEO	1	150,000	1,800,000
Rentals Incharge	1	80,000	960,000
Rentals Assistant	2	80,000	960,000
Admin & Accounts Officer	1	50,000	600,000
Accounts Assistant	1	30,000	360,000
Receptionist	1	30,000	360,000
Security Guard	2	40,000	528,000
Office Boy	1	20,000	264,000
Marketing Officer	1	40,000	480,000
Marketing Assistant	1	25,000	300,000
Store Keeper	1	35,000	420,000
Assistant Store Keeper	1	22,000	300,000
<b>Machinery/ Equipment Operators</b>			
Dump Truck 10 wheeler 420 HP – Operators	6	90,000	2,160,000
Mobile Crane 25 Ton- Operators	2	180,000	1,680,000
Static Tower Crane 5 Ton- Operators	2	140,000	1,680,000
Excavator Machine 22 Ton- Operators	2	140,000	1,680,000

Motor Grader 220 HP- Operators	2	140,000	1,680,000
Road Roller 20 Ton- Operators	2	140,000	720,000
Wheel Loader 5 Ton- Operators	4	60,000	1,680,000
Concrete Selfload 3.5 cbm Truck- Operators	4	140,000	1,680,000
Security Guards at Parking site	4	20,000	1,056,000
<b>Total</b>	<b>40</b>		<b>21,348,000</b>



## 10. CONTACT DETAILS

Details of suppliers of Machinery and Equipment are provided in Table 24.

**Table 24: Suppliers of Machinery and Equipment**

Suppliers	Origin	Contact Number	Email
Hitachi Construction Machinery	Pakistan	021- 34311596,	<a href="https://www.hitachiconstruction.com/">https://www.hitachiconstruction.com/</a>
Terex Machinery	Pakistan	1-888-908-3739	<a href="https://www.terex.com/">https://www.terex.com/</a>
XCMG Pakistan	Pakistan	0331-4279463	<a href="http://www.xcmgpk.com/">http://www.xcmgpk.com/</a>
Gandhara Nissan	Pakistan	021-32556924-5	<a href="https://gandharanissan.com.pk/">https://gandharanissan.com.pk/</a>
Dysin Automobiles Ltd.	Pakistan	0300-333-33-12	<a href="https://www.dysin.com.pk/">https://www.dysin.com.pk/</a>
Shanghai Super Above Industry Holdings Co. Ltd.	China	86-18121013795	<a href="http://www.super-above.com/">http://www.super-above.com/</a>
Oriemac Industrial Powers	China	86-21-62770028	<a href="https://www.oriemac.com/">https://www.oriemac.com/</a>
Shandong Lingong Construction Machinery Co. Ltd.	China	0531-66590966-8029	<a href="http://www.sdlg.com/">http://www.sdlg.com/</a>
Caterpillar	UK	1 (309) 675-2337	<a href="https://www.cat.com/">https://www.cat.com/</a>
Terex Machinery	Pakistan	1-888-908-3739	<a href="https://www.terex.com/">https://www.terex.com/</a>

## 11. USEFUL LINKS

**Table 25: Useful Links**

Name of Organization	Website
Small and Medium Enterprises Development Authority (SMEDA)	<a href="http://www.smeda.org.pk">www.smeda.org.pk</a>
National Business Development Program (NBDP)	<a href="http://www.nbdp.org.pk">www.nbdp.org.pk</a>
Ministry of Industries and Production	<a href="http://www.moip.gov.pk">www.moip.gov.pk</a>
Government of Punjab	<a href="http://punjab.gov.pk/">punjab.gov.pk/</a>
Government of Sindh	<a href="http://sindh.gov.pk/">sindh.gov.pk/</a>
Government of Balochistan	<a href="http://balochistan.gov.pk/">balochistan.gov.pk/</a>
Government of KPK	<a href="http://kp.gov.pk/">kp.gov.pk/</a>
Government of Gilgit Baltistan	<a href="http://gilgitbaltistan.gov.pk/">gilgitbaltistan.gov.pk/</a>
Government of Azad Jammu & Kashmir	<a href="http://ajk.gov.pk/">ajk.gov.pk/</a>
Security and Exchange Commission of Pakistan	<a href="http://www.secp.gov.pk">www.secp.gov.pk</a>
State Bank of Pakistan	<a href="http://www.sbp.gov.pk">www.sbp.gov.pk</a>
China Pakistan Economic Corridor (CPEC)	<a href="http://cpec.gov.pk/">http://cpec.gov.pk/</a>
Gwadar Development Authority	<a href="http://www.gda.gov.pk/">www.gda.gov.pk/</a>
Ravi Urban Development Authority (RUDA)	<a href="https://ruda.gov.pk/">https://ruda.gov.pk/</a>
Pakistan water and Power Development Authority (WAPDA)	<a href="http://www.wapda.gov.pk/">http://www.wapda.gov.pk/</a>
Naya Pakistan Housing and Development Authority	<a href="https://naphda.gov.pk/">https://naphda.gov.pk/</a>
Constructors Association of Pakistan	<a href="https://cappak.org/">https://cappak.org/</a>

## 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
Revenue	65,318,400	82,164,326	101,739,977	124,424,224	136,949,596	150,735,855	165,909,931	182,611,531	200,994,425	221,227,864
<i>Cost of sales</i>										
Machinery Repair & Maintenance	13,870,000	15,266,247	16,803,049	18,494,556	20,356,341	22,405,546	24,661,038	27,143,582	29,876,036	32,883,557
Direct Human Resource Cost	15,936,000	17,481,792	19,177,526	21,037,746	23,078,407	25,317,013	27,772,763	30,466,721	33,421,993	36,663,926
Equipment Operators' Accommodation cost	1,593,600	1,748,179	1,917,753	2,103,775	2,307,841	2,531,701	2,777,276	3,046,672	3,342,199	3,666,393
Total cost of sales	31,399,600	34,496,218	37,898,327	41,636,076	45,742,589	50,254,260	55,211,077	60,656,975	66,640,228	73,213,876
Gross Profit	33,918,800	47,668,109	63,841,650	82,788,148	91,207,007	100,481,595	110,698,854	121,954,556	134,354,197	148,013,988
	52%	58%	63%	67%	67%	67%	67%	67%	67%	67%
<i>General administration &amp; selling expenses</i>										
Administration expense	5,412,000	5,936,964	6,512,850	7,144,596	7,837,622	8,597,871	9,431,865	10,346,755	11,350,391	12,451,379
Administration benefits expense	2,134,800	2,341,876	2,569,038	2,818,234	3,091,603	3,391,488	3,720,463	4,081,348	4,477,238	4,911,530
Building rental expense	1,570,800	1,727,880	1,900,668	2,090,735	2,299,808	2,529,789	2,782,768	3,061,045	3,367,149	3,703,864
Parking charges	1,188,000	1,306,800	1,437,480	1,581,228	1,739,351	1,913,286	2,104,614	2,315,076	2,546,584	2,801,242
Electricity	248,784	271,266	295,780	322,508	351,652	383,430	418,079	455,860	497,054	541,971
Utilities (Water, Gas, Internet)	135,300	148,424	162,821	178,615	195,941	214,947	235,797	258,669	283,760	311,284
Travelling expense	432,960	474,957	521,028	571,568	627,010	687,830	754,549	827,740	908,031	996,110
Communications expense (phone, internet etc.)	108,240	118,739	130,257	142,892	156,752	171,957	188,637	206,935	227,008	249,028
Office vehicles running and maintenance expense	297,840	326,731	358,424	393,191	431,330	473,170	519,067	569,416	624,650	685,241
Office expenses (stationery, entertainment, janitorial services, etc.)	811,800	890,545	976,927	1,071,689	1,175,643	1,289,681	1,414,780	1,552,013	1,702,559	1,867,707
Promotional expense	326,592	410,822	508,700	622,121	684,748	753,679	829,550	913,058	1,004,972	1,106,139
Insurance expense	2,917,524	2,618,595	2,319,667	2,020,738	1,721,810	1,422,881	1,123,952	1,038,107	729,821	421,535
Professional fees (legal, audit, consultants, etc.)	653,184	821,643	1,017,400	1,244,242	1,369,496	1,507,359	1,659,099	1,826,115	2,009,944	2,212,279
Depreciation expense	14,994,757	14,994,757	14,994,757	14,994,757	14,994,757	14,994,757	14,646,535	15,483,814	15,483,814	15,483,814
Amortization of pre-operating costs	39,546	39,546	39,546	39,546	39,546	-	-	-	-	-
Bad debt expense	653,184	821,643	1,017,400	1,244,242	1,369,496	1,507,359	1,659,099	1,826,115	2,009,944	2,212,279
Subtotal	31,925,312	33,251,189	34,762,742	36,480,903	38,086,565	39,839,483	41,488,854	44,762,066	47,222,918	49,955,402
Operating Income	1,993,488	14,416,920	29,078,908	46,307,245	53,120,442	60,642,112	69,210,000	77,192,489	87,131,278	98,058,587
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	197,375	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	1,435,238	-	-	-
Earnings Before Interest & Taxes	1,993,488	14,416,920	29,078,908	46,307,245	53,120,442	60,642,112	70,842,613	77,192,489	87,131,278	98,058,587
Interest expense on long term debt (Project Loan)	-	-	-	-	-	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	1,993,488	14,416,920	29,078,908	46,307,245	53,120,442	60,642,112	70,842,613	77,192,489	87,131,278	98,058,587
Tax	816,480	4,165,921	9,297,617	15,327,535	17,712,154	20,344,739	23,914,914	26,137,371	29,615,947	33,440,505
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>1,177,008</b>	<b>10,250,999</b>	<b>19,781,291</b>	<b>30,979,710</b>	<b>35,408,288</b>	<b>40,297,374</b>	<b>46,927,699</b>	<b>51,055,119</b>	<b>57,515,332</b>	<b>64,618,082</b>

## 12.2. Balance Sheet

Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	1,000,000	12,206,720	31,498,910	52,318,034	74,886,120	95,341,498	115,138,856	124,405,276	143,751,045	163,571,081	188,182,954
Accounts receivable		5,368,636	6,060,934	7,557,711	9,294,419	10,741,390	11,822,690	13,012,841	14,322,800	15,764,628	17,351,601
Parts, Tools and Spares Inventory	2,311,667	2,544,374	2,800,508	3,082,426	3,392,724	3,734,258	4,110,173	4,523,930	4,979,339	5,480,593	-
Pre-paid building rent	130,900	143,990	158,389	174,228	191,651	210,816	231,897	255,087	280,596	308,655	-
Pre-paid insurance	2,917,524	2,618,595	2,319,667	2,020,738	1,721,810	1,422,881	1,123,952	1,038,107	729,821	421,535	-
<b>Total Current Assets</b>	<b>6,360,090</b>	<b>22,882,316</b>	<b>42,838,408</b>	<b>65,153,137</b>	<b>89,486,722</b>	<b>111,450,842</b>	<b>132,427,568</b>	<b>143,235,241</b>	<b>164,063,601</b>	<b>185,546,492</b>	<b>205,534,555</b>
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building / Infrastructure	800,895	720,806	640,716	560,627	480,537	400,448	320,358	240,269	160,179	80,090	1,822,559
Machinery & Equipment	138,700,000	124,830,000	110,960,000	97,090,000	83,220,000	69,350,000	55,480,000	41,610,000	27,740,000	13,870,000	-
Furniture & fixtures	434,000	368,900	303,800	238,700	173,600	108,500	43,400	622,640	529,244	435,848	342,452
Office vehicles	5,740,950	4,879,808	4,018,665	3,157,523	2,296,380	1,435,238	574,095	8,236,275	7,000,834	5,765,393	4,529,952
Office equipment	789,500	671,075	552,650	434,225	315,800	197,375	78,950	1,365,912	1,161,025	956,139	751,252
Security Against Building	392,700	392,700	392,700	392,700	392,700	392,700	392,700	392,700	392,700	392,700	392,700
<b>Total Fixed Assets</b>	<b>146,858,045</b>	<b>131,863,288</b>	<b>116,868,531</b>	<b>101,873,774</b>	<b>86,879,017</b>	<b>71,884,260</b>	<b>56,889,503</b>	<b>52,467,796</b>	<b>36,983,982</b>	<b>21,500,169</b>	<b>7,838,914</b>
<i>Intangible assets</i>											
Pre-operation costs	197,732	158,186	118,639	79,093	39,546	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>197,732</b>	<b>158,186</b>	<b>118,639</b>	<b>79,093</b>	<b>39,546</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>153,415,867</b>	<b>154,903,789</b>	<b>159,825,578</b>	<b>167,106,004</b>	<b>176,405,286</b>	<b>183,335,102</b>	<b>189,317,071</b>	<b>195,703,037</b>	<b>201,047,584</b>	<b>207,046,661</b>	<b>213,373,469</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable		899,418	989,959	1,089,615	1,199,303	1,320,033	1,452,916	1,599,176	1,760,160	1,937,350	1,801,839
<b>Total Current Liabilities</b>	<b>-</b>	<b>899,418</b>	<b>989,959</b>	<b>1,089,615</b>	<b>1,199,303</b>	<b>1,320,033</b>	<b>1,452,916</b>	<b>1,599,176</b>	<b>1,760,160</b>	<b>1,937,350</b>	<b>1,801,839</b>
<i>Other liabilities</i>											
<b>Total Long Term Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Shareholders' equity</i>											
Paid-up capital	153,415,867	153,415,867	153,415,867	153,415,867	153,415,867	153,415,867	153,415,867	153,415,867	153,415,867	153,415,867	153,415,867
Retained earnings		588,504	5,419,751	12,600,521	21,790,115	28,599,202	34,448,288	40,687,993	45,871,556	51,693,444	58,155,763
<b>Total Equity</b>	<b>153,415,867</b>	<b>154,004,371</b>	<b>158,835,619</b>	<b>166,016,389</b>	<b>175,205,983</b>	<b>182,015,069</b>	<b>187,864,155</b>	<b>194,103,861</b>	<b>199,287,424</b>	<b>205,109,311</b>	<b>211,571,630</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>153,415,867</b>	<b>154,903,789</b>	<b>159,825,578</b>	<b>167,106,004</b>	<b>176,405,286</b>	<b>183,335,102</b>	<b>189,317,071</b>	<b>195,703,037</b>	<b>201,047,584</b>	<b>207,046,661</b>	<b>213,373,469</b>

### 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		1,177,008	10,250,999	19,781,291	30,979,710	35,408,288	40,297,374	46,927,699	51,055,119	57,515,332	64,618,082
Add: depreciation expense		14,994,757	14,994,757	14,994,757	14,994,757	14,994,757	14,994,757	14,646,535	15,483,814	15,483,814	15,483,814
amortization of pre-operating costs		39,546	39,546	39,546	39,546	39,546	-	-	-	-	-
Accounts receivable		(5,368,636)	(692,298)	(1,496,777)	(1,736,708)	(1,446,971)	(1,081,300)	(1,190,151)	(1,309,959)	(1,441,829)	(1,586,973)
Parts, Tools and Spares Inventory	(2,311,667)	(232,708)	(256,134)	(281,918)	(310,298)	(341,534)	(375,915)	(413,757)	(455,409)	(501,253)	5,480,593
Pre-paid building rent	(130,900)	(13,090)	(14,399)	(15,839)	(17,423)	(19,165)	(21,082)	(23,190)	(25,509)	(28,060)	308,655
Advance insurance premium	(2,917,524)	298,929	298,929	298,929	298,929	298,929	298,929	85,845	308,286	308,286	421,535
Accounts payable		899,418	90,541	99,656	109,688	120,730	132,883	146,260	160,984	177,189	(135,511)
Other liabilities		-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(5,360,090)	11,795,224	24,711,941	33,419,645	44,358,201	49,054,580	54,245,646	60,179,241	65,217,325	71,513,479	84,590,195
<i>Financing activities</i>											
Issuance of shares	153,415,867	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	153,415,867	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(147,055,777)	-	-	-	-	-	-	(10,224,828)	-	-	(1,822,559)
Acquisitions											
Cash (used for) / provided by investing activities	(147,055,777)	-	-	-	-	-	-	(10,224,828)	-	-	(1,822,559)
<b>NET CASH</b>	<b>1,000,000</b>	<b>11,795,224</b>	<b>24,711,941</b>	<b>33,419,645</b>	<b>44,358,201</b>	<b>49,054,580</b>	<b>54,245,646</b>	<b>49,954,414</b>	<b>65,217,325</b>	<b>71,513,479</b>	<b>82,767,636</b>

## 13. KEY ASSUMPTIONS

### 13.1. Operating Cost Assumptions

**Table 26: Operating Cost Assumptions**

Description	Details
Building rent growth rate	10%
Furniture and fixture depreciation	15%
Vehicle depreciation	15%
Office equipment depreciation	15%
Machinery & Equipment depreciation	10%
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%

### 13.2. Revenue Assumptions

**Table 27: Revenue Assumptions**

Description	Details
Service charges growth	10.1%
Initial year capacity utilization	70%
Capacity utilization growth rate	10%
Maximum capacity utilization	100%

### 13.3. Financial Assumptions

**Table 28: Financial Assumptions**

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

**13.4. Debt Related Assumptions****Table 29: 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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