



**Pre-feasibility Study**

# **DESERT SAFARI- THARPARKAR ADVENTURES**

**June 2022**

*“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</b>	<b>DISCLAIMER .....</b>	<b>1</b>
<b>2</b>	<b>EXECUTIVE SUMMARY .....</b>	<b>2</b>
<b>3</b>	<b>INTRODUCTION TO SMEDA.....</b>	<b>3</b>
<b>4</b>	<b>PURPOSE OF THE DOCUMENT .....</b>	<b>3</b>
<b>5</b>	<b>BRIEF DESCRIPTION OF PROJECT &amp; PRODUCT.....</b>	<b>4</b>
5.1	SERVICES & PROCESS FLOW.....	5
5.2	INSTALLED AND OPERATIONAL CAPACITIES .....	6
<b>6</b>	<b>CRITICAL FACTORS.....</b>	<b>6</b>
<b>7</b>	<b>GEOGRAPHICAL POTENTIAL FOR INVESTMENT .....</b>	<b>8</b>
<b>8</b>	<b>POTENTIAL TARGET CUSTOMERS / MARKETS.....</b>	<b>9</b>
<b>9</b>	<b>PROJECT COST SUMMARY .....</b>	<b>9</b>
9.1	PROJECT ECONOMICS .....	10
9.2	PROJECT FINANCING.....	10
9.3	PROJECT COST .....	10
9.4	DECORATION EQUIPMENT REQUIREMENT .....	11
9.5	OFFICE EQUIPMENT REQUIREMENT .....	12
9.6	OFFICE VEHICLE REQUIREMENT .....	13
9.7	HUMAN RESOURCE REQUIREMENT .....	13
9.8	UTILITIES AND OTHER COSTS .....	14
9.9	REVENUE GENERATION.....	14
<b>10</b>	<b>CONTACT DETAILS.....</b>	<b>16</b>
10.1	INDUSTRY EXPERTS / CONSULTANTS / TOUR OPERATORS.....	16
<b>11</b>	<b>USEFUL WEB LINKS .....</b>	<b>17</b>
<b>12</b>	<b>ANNEXURES .....</b>	<b>19</b>
12.1	INCOME STATEMENT .....	19
12.2	BALANCE SHEET .....	20
12.3	CASH FLOW STATEMENT .....	21
<b>13</b>	<b>KEY ASSUMPTIONS.....</b>	<b>22</b>
13.1	PRODUCTION COST ASSUMPTIONS .....	22
13.2	REVENUE ASSUMPTIONS.....	22
13.3	FINANCIAL ASSUMPTIONS.....	22

## 1 DISCLAIMER

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### *Document Control*

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## 2 EXECUTIVE SUMMARY

In Pakistan, the tourism industry has, more recently, been on fire for the past decade with a key focus on the development of new tourists spots and the transformation of deserts in to tropical tourist destinations during monsoon season. As Tharparkar enjoys the unique landscape of fertile desert island, there are many opportunities to promote tourism in this region. Deserts of Tharparkar, has the potential to attract tourists.

Rationale for Dessert Safari Tourism: District Tharparkar holds the unique geographical feature of being a fertile desert island. This gives the tourism industry ample opportunity to transform many *talluqas/tehsils* of the district into an exotic tourist destination.

The business will cater to around 60 events/groups in the first year of operation and will generate estimated revenue of 27 million.

Total estimated cost of starting this business is **Rs. 27,852,500** with fixed investment of **Rs. 26,120,000** and working capital of **Rs.1,732,500**. Given the cost assumptions, **IRR** and **payback** are **31%** and around **5.34** years respectively. It will require the businessperson to possess an effective combination of artistic and entrepreneurial skill set to run a business such as this successfully. Other than that, few of the most critical considerations or factors for success of the project are:

### Most significant considerations

- Quality of services offered; both the equipment as well as the staff
- Competitive pricing
- Basic business knowledge, project management skills, prior experience in the field and professional awareness
- Proper marketing of the tours

### Equally important factors

- Operating with good business ethics and integrity
- Considering competition and being aware of their strengths and weaknesses
- Maintaining strong relationships with local event planners

### **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.

### **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 facilitate potential investors in Desert Safari/Tours business by providing them with a general understanding of the business with the intention of supporting potential investors in crucial 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 it's successful management.

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

## 5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

The Tharparkar district is situated in the south east of Sindh. More than 90% of the population lives in approx. 250 villages scattered all over 07 *talluqas* of the district. The Headquarters of the Thar is known as Mithi. A very large area of Tharparkar constitutes of the Thar Desert. The thari life is full of adventures for visitors where they explore the indigenous cultures, traditions and lifestyles. It's a little paradise on earth. Visitors can meet and interact with community and enjoy local hospitality and enjoy the unique treasures. In prehistoric times, tourism was highly esteemed in the eyes of an average person. It was generally used to visit shrines, or be considered a source of relaxation or a means of informing different cultures and values. However, with the advent of the era of mixed marketing and the result of globalization, which almost melted local barriers and information, tourism gained a completely new facade, redesigning the global tourism industry. Today, tourism is gaining ground in almost every field of life, be it education, sports, recreation, entertainment, tourism, and the like. In schools and universities, we get tourism in the form of student exchange programs or travel tours, families plan big holidays in attractive places that are priced at reasonable rates due to the intense competition between tourism advertisers.

Tour service providers have a range of products to choose from and can choose to offer an integrated package which may include religious, cultural and desert tourism in Tharparkar. However, it has been recognized that tourism marketing is a profession, which is rarely exploited in Sindh. Although the development of a new product in tourism is not the solution to the district's economic problems, certain local resources can be built into world-class attractions. New product development can be defined as the process of introducing a new product or service to the market, which includes a variety of activities such as idea generation by identifying the gaps, product & services design, market research and marketing analysis. The development of a new tourism product helps the country achieve a global reputation as a tourist destination, and this, in turn, will contribute to Pakistan's economic development. Tourism product development involves coordinating all activities so that it will help transform the area into a successful and sustainable tourism destination.

Following key parameters must be addressed as per pre-feasibility study under preparation

- **Service:** As the Tharparkar desert is ideal for culture connoisseurs, this desert safari will feature Dune Bashing session, a Camel ride, Quad bike ride, Live cultural performances, a Photoshoot, and a BBQ buffet dinner in traditional Thari huts.
- **Target Market:** Desert safari would be a new tourist activity here in Pakistan with a lot of growth potential. Travelers love to visit unexplored and exotic places; this can be seen as an opportunity for the global desert safari travel market. Tapping unexplored regions, innovative approaches, and bringing in new concepts like ethno-tourism can propel the growth of the safari travel market. The proposed target markets for this business are the upper, upper-middle-, and middle-income groups of main cities of Pakistan as well as the international tourists visiting Pakistan.
- **Location:** The business will have one booking office/shop in a middle to high income locality, whereas the recommended place for dune bashing, cultural night and dinner would be in Mithi/Diplo *talluqa*. These places are ideal as they are near to Mithi city where hotels and basic civic facilities are available for the tourists.
- **Equipment:** Major investment for this business is in purchasing of 4x4 luxury vehicles, Quad Bikes. This business will require an investment in purchasing all the necessary decoration equipment from tents to tables and chairs to all crockery and cutlery, as well as equipment required for the day-to-day running of the management office.
- **Employment Generation:** The proposed project will provide direct employment to 19 people.

## 5.1 Services & Process Flow

The most important objective is to position the Desert Safari Company as the premier desert safari experience provider, serving the domestic market as well as the international market. The marketing mix strategy will seek to first create customer awareness concerning the product.

The desert safari is a great service that comes with small goods and services, For example, barbecue food, sheesha and camp grounds are accompanied by small tangible items, and what customers actually buy is a hobby - a luxurious desert experience. The desert safari service

includes a variety of packages to meet a variety of market needs. All packages will include going to the desert, spending time at camps, food and other recreational activities such as hiking, skiing, quad biking and camel rides.

- **Dune Bashing:** Dune bashing is a form of off-roading, using an off-road 4x4 vehicle to explore sand dunes in the desert.
- **Sand Skiing:** Sand skiing involves finding a dune, hill, or mountain, climbing to the top of it and skiing down it.
- **Quad Biking:** It involves exploring the desert in four-wheeled bikes called quad bikes.
- **Camel Trek:** Another popular activity in the desert is the camel trek. It is a more personal way to experience the desert environment, and get a glimpse of the desert vegetation and fauna.

## 5.2 Installed and Operational Capacities

A Desert Safari company can cater to 360 events annually at optimized level, but as per the industry statistics this business hosts 160-180 events/groups per year, therefore, we have assumed that projections would be based on 40% capacity utilization. Overall an average of 60 events will be catered during a year by this business. Average number of tourists in each group would be 75 approximately. Annual growth rate is assumed to be 5% and maximum capacity utilization for the events is assumed to be capped at 90%.

## 6 CRITICAL FACTORS

The main critical success factors for the proposed business setup are:

### *Environmental Factors*

An factor that could have a detrimental effect on the sustainability of the Desert Safari is extreme weather conditions. It is important to bear in mind that a desert possesses abnormal weather conditions ranging from extreme day heat to chilly cold nights. Depending on the season, certain desert activities such as Camel rides and outdoor barbeques would not be preferred by tourists during day time.

### *Social Factors*



Apart from the economic perspective of a desert safari, there also exist other tourism aspects that indirectly affect this project. The major obstacle that could likely affect this project could be the dominance of well-known tourist attractions on the island such as the sites near Karonjhar. However, the supremacy of these attractions could also be transformed into a plus point, if these attractions supported the marketing of the desert safari. For instance, one could adopt a dual marketing strategy of collaborating the Karonjhar visit and Desert Safari venture by offering the opportunity to enjoy the various location of the district.

**Competitive Pricing:** The tourism industry is highly competitive and people are willing to spend huge sums of money to ensure high quality experience. Therefore, the price of quality services provided can be a great benefit in making each event planned accordingly.

**Government Tourism Policy:** Although the tourism industry has the potential to develop in areas under the control of political regimes that may not have a clear tourism agenda, due to limited resources, government has an important role to play in initiating and sustaining tourism development. The government plans to restructure its tourism industry and a new tourism policy so far will be implemented in the near future. Sindh Tourism Development Corporation recognizes that in order to market Sindh to international tourists, it is important to develop tourism products, whether they are located in the cultural and cultural heritage or leisure and entertainment.

### **Economic Crisis Impact:**

The impact of the current economic crisis has spread its symptoms to every possible field of business, and tourism too has not been spared. As a majority of tourists have cut back largely on their leisure expenditures, it may not be surprising that the proposed safari would not be capable of generating sufficient revenues

### **People Strategies**

An essential ingredient of any tourism service is the use of qualified staff and people. Hiring the right staff and training them properly in delivering their work it is important if the organization wants to get some kind of competitive advantage. Employees must have appropriate interpersonal skills, competence, and knowledge of the service in order to provide the customer service they are paying for. The tourism industry, in particular, needs more staff and therefore, appropriate strategies should be developed to manage people.

The Desert Sands Safari Company will hire drivers with caution only after thoroughly testing their desert driving skills and their ability to repair equipment in SUVs in the event of any desert break. After the selection process has been completed, drivers will be given intensive training in the field of dune bashing as it is an important task in all packages. Also, drivers will undergo First Aid studies in the event of medical emergencies during Desert Safari. Apart from the drivers, staff will be hired to look after the needs of the customers at the camp grounds. Employees and drivers will be paid higher salaries to ensure they are motivated and focused on providing customer satisfaction.

### **Marketing & Branding:**

Due to the fact that Safari is a completely new product that is proposed to be used in Sindh, it is a well-known fact, that there will be no competition of any kind. This can be a major challenge in accurately identifying market needs. The solution lies in using comprehensive marketing and advertising campaigns and discounted services, educating consumers, and encouraging them to try out the product by offering discounts or free gifts. Certainly, the Desert Safari Company should have strong links with tour operators and spend huge sums to build a safari market. Another way to identify customer needs is to do a thorough research on the Customer's ideas, by disseminating a list of questions, however, the time and cost involved in this regard cannot be ignored. The basic need for the visitor, especially the leisure visitor, is to enjoy an undisturbed holiday at new and unexplored sites in Sindh.

## **7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT**

The dusty Sindh province, which borders India to the east, boasts a number of important cultural, religious and historical sites that draw tourists. Sindh has vast domestic tourism opportunities right from Karachi to the desert region of Tharparkar. Mithi is the capital city of Tharparkar district, where there is only fertile desert in the world exists and consists of barren tract of the sand dunes.

## 8 POTENTIAL TARGET CUSTOMERS / MARKETS

The markets in which the product, that is, the desert safari will be marketed in the leisure tourism market. Leisure travellers are classified according to the types of trips they take, income, or age. This market presents with the largest opportunities to boost tourism revenues as leisure and relaxation is the very reason for individuals to opt for a holiday. The three primary leisure travel groups are:

### **Travel Groups:**

Adventure, Special-Interest, Honeymoons & Sightseeing Trips : The Desert Safari, as a product can be categorized into sub-products that would take the form of seasonal packages, honeymoon packages and the like. Special interest groups would include ecotourist, archaeologists, researchers and environmentalists, principally interested in studying the natural desert environment of Tharparkar. Honeymooners, would like to spend quality time with each other, for which, the honeymoon safari package would suffice.

### **Highly Income Group:**

This group of travellers includes upper class with a keen interest in five-star treatment. These travellers include successful businessmen, celebrities and business executives and their families.

### **Families and Students:**

This section forms a large group of travellers comprising middle- and middle-income families that can be further divided into local and foreign people as well as school and university students. Schools planning tours and field trips can view Desert Safari as an exciting and amazing program for high school students especially the attractive Dune Bashing.

## 9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of this project. Various costs and revenue related assumptions along with results of the analysis are outlined in this section.

## 9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 27 million in the year one. The capacity utilization during year one is worked out at 50% with 5% increase in subsequent years up to the maximum capacity utilization of 90%.

The following table shows internal rate of return, payback period and net present value of the proposed venture:

**Table 9.1: Project Economics**

Description	Details
Internal Rate of Return (IRR)	31%
Payback Period (yrs.)	5.34
Net Present Value (Rs.)	7,157,299

## 9.2 Project Financing

Following table provides details of the equity required:

**Table 9.2: Project Financing**

Description	Details
Total Equity (100%)	Rs. 27,852,500

## 9.3 Project Cost

Following fixed and working capital requirements have been identified for operations of the proposed business:

**Table 9.3: Project Cost**

Description	Amount Rs.
<b>Capital Cost</b>	

Renovation Cost	2,000,000
Cultural Night Area	3,250,000
Furniture & Fixtures	300,000
Vehicles (4X4) & Quad Bikes	19,400,000
Office Equipments	320,000
Pre-operating Cost	639,000
Training Cost	200,000
<b>Total Capital Cost</b>	<b>26,109,000</b>
<b>Working Capital</b>	
Up Front – City Office Rent	600,000
Up Front Insurance Payment	1,132,500
<b>Total Working Capital</b>	<b>1,732,500</b>
<b>Total Project Cost</b>	<b>27,841,500</b>

Table 9.3 (b): Cost break-up per event

Description	Unit Cost (Rs.)	Number	Total Price (Rs.)
Complimentary Drinks	100	75	7,500
Meal (Standard)	800	75	60,000
Fuel for SUVs	4,000	18.75 (Trips)	75,000
<b>Total</b>			<b>142,500</b>

#### 9.4 Decoration Equipment Requirement

Equipment, which includes decoration items and cutlery & crockery, required for the proposed project are stated below:

**Table 9.4 (a): Decoration Equipment**

Description	Total Cost (Rs.)
Traditional Huts / Dera	1,000,000
Traditional Furniture	500,000
Sound System & Lights	250,000
Surveillance system	150,000
Buffet Tables & Covers	100,000
Cutlery & Crockery	50,000
Misc. Decoration Items	500,000
<b>Total</b>	<b>2,550,000</b>

It is to be noted that a considerable investment will be made in the business from the owner's equity in every third year since its inception to change or update the above-mentioned equipment.

## 9.5 Office Equipment Requirement

Following office equipment will be required for the Desert Safari / Tour operating Business.

**Table 9.5: Office Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
-------------	----------	-----------------	------------------

Laptop	02	150,000	300,000
Printer	01	20,000	20,000
<b>Total</b>			<b>320,000</b>

## 9.6 Vehicle Requirement

Following vehicles will be required for the Tour Operations:

**Table 9.6: Vehicles**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
SUVs (4x4) - Used	02	9,000,000	18,000,000
ATV Quad Bikes	04	350,000	1,400,000
<b>Total</b>			<b>19,400,000</b>

## 9.7 Human Resource Requirement

In order to run operations of the tour operating business smoothly, details of human resources required along with number of employees and monthly salary are recommended as under:

**Table 9.7: Human Resource Requirement**

Description	No. of Employees	Monthly Salary per person (Rs)
Owner/Manager	01	100,000
Event Manager	01	75,000

Electrician	01	25,000
Helpers	10	25,000
Driver	02	35,000
Singer	01	30,000
DJ / Sound System In charge	01	30,000
Guard	02	25,000
<b>Total</b>	<b>19</b>	

### 9.8 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity and fuel for genset. The fuel expense for genset is estimated at Rs. 3 million per year. Furthermore, promotional expense for marketing of the Tour business is estimated as 2% of Sales revenue.

### 9.9 Revenue Generation

Based on the capacity utilization of 50%, sales revenue during the first year of operations is estimated as under:

**Table 9.9: Revenue Generation – Year 1**

Description	Sales Revenue (Rs.)
Revenue	27,000,000
<b>Total</b>	<b>27,000,000</b>

Description	Details
-------------	---------



Number of events in a year (40% Capacity Utilisation)	60
Estimated number of tourists per event/group	75
Estimated revenue per event	450,000
Estimated Revenue generated in a year	27,000,000

## 10 CONTACT DETAILS

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project are given below:

### 10.1 Industry Experts / Consultants / Tour Operators

#### Industry Expert / Consultant

<b>Name of Expert /Organization</b>	Mr. Shiraz Mughal / Bukhari Travel & Tourism Co.
<b>Address</b>	Office 01, Lacson Square Building No 3, Sarwar Shaheed Road, Karachi
<b>Phone</b>	0300-8276794

#### Industry Expert / Consultant

<b>Name of Expert /Organization</b>	Mr. Ismal Kodvavi / Tour Finder Pakistan
<b>Address</b>	University Road Block 13, Gulshan-e-Iqbal, Karachi <a href="http://www.tourfinder.pk">www.tourfinder.pk</a>
<b>Phone</b>	0332-3219474

## 11 USEFUL WEB LINKS

<b>Small &amp; Medium Enterprises Development Authority (SMEDA)</b>	<a href="http://www.smeda.org.pk">www.smeda.org.pk</a>
<b>Government of Pakistan</b>	<a href="http://www.pakistan.gov.pk">www.pakistan.gov.pk</a>
<b>Ministry of Industries &amp; Production</b>	<a href="http://www.moip.gov.pk">www.moip.gov.pk</a>
<b>Ministry of Education, Training &amp; Standards in Higher Education</b>	<a href="http://moptt.gov.pk">http://moptt.gov.pk</a>
<b>Government of Punjab</b>	<a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>
<b>Government of Sindh</b>	<a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>
<b>Government of Khyber Pakhtunkhwa</b>	<a href="http://www.khyberpakhtunkhwa.gov.pk">www.khyberpakhtunkhwa.gov.pk</a>
<b>Government of Balochistan</b>	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
<b>Government of Gilgit Baltistan</b>	<a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>
<b>Government of Azad Jamu Kashmir</b>	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
<b>Trade Development Authority of Pakistan (TDAP)</b>	<a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>
<b>Security Commission of Pakistan (SECP)</b>	<a href="http://www.secp.gov.pk">www.secp.gov.pk</a>
<b>Federation of Pakistan Chambers of Commerce and Industry (FPCCI)</b>	<a href="http://www.fpcci.com.pk">www.fpcci.com.pk</a>
<b>State Bank of Pakistan (SBP)</b>	<a href="http://www.sbp.org.pk">www.sbp.org.pk</a>
<b>Sindh Small Industries Corporation</b>	<a href="http://www.ssic.gos.pk">www.ssic.gos.pk</a>
<b>Pakistan Horticulture Development and Export Company (PHDEC)</b>	<a href="http://www.phdec.org.pk">www.phdec.org.pk</a>
<b>Sindh Tourism Development Corporation</b>	<a href="https://stdc.gos.pk">https://stdc.gos.pk</a>
<b>Technical Education and Vocational Training Authority (TEVTA)</b>	<a href="http://www.tevta.org">www.tevta.org</a>

<b>Pakistan Tourism Development Corporation</b>	<a href="https://tourism.gov.pk">https://tourism.gov.pk</a>
<b>Pakistan Association of Tour Operators</b>	<a href="https://www.pato.org.pk">https://www.pato.org.pk</a>
<b>Ministry of Foreign Affairs</b>	<a href="https://mofa.gov.pk/list-of-designated-tour-operators-in-pakistan/">https://mofa.gov.pk/list-of-designated-tour-operators-in-pakistan/</a>

## 12 ANNEXURES

### 12.1 Income Statement

Calculations										SMEDA
Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	27,000,000	32,197,500	37,921,500	44,216,469	51,130,317	58,714,647	67,025,028	76,121,282	86,067,796	96,933,855
<i>Cost of sales</i>										
Cost of goods sold 1	8,550,000	10,099,688	11,782,969	13,609,329	15,588,868	17,732,337	20,051,181	22,557,579	25,264,488	28,185,695
Operation costs (direct labor)	6,360,000	6,979,219	7,658,725	16,808,779	18,445,305	20,241,166	14,584,401	16,004,359	17,562,566	19,272,482
Operating costs (genset)	3,000,000	3,300,000	3,630,000	3,993,000	4,392,300	4,831,530	5,314,683	5,846,151	6,430,766	7,073,843
Total cost of sales	14,910,000	17,078,906	19,441,694	30,418,108	34,034,173	37,973,503	34,635,582	38,561,937	42,827,054	47,458,177
Gross Profit	12,090,000	15,118,594	18,479,806	13,798,361	17,096,144	20,741,144	32,389,446	37,559,344	43,240,742	49,475,679
	45%	47%	49%	31%	33%	35%	48%	49%	50%	51%
<i>General administration &amp; selling expenses</i>										
Administration expense	1,200,000	1,316,834	1,445,042	3,171,468	3,480,246	3,819,088	4,190,920	4,598,954	5,046,714	5,538,070
Administration benefits expense	120,000	131,683	144,504	317,147	348,025	381,909	419,092	459,895	504,671	553,807
Land lease rental expense	-	-	-	-	-	-	-	-	-	-
Travelling expense	180,000	197,525	216,756	475,720	522,037	572,863	628,638	689,843	757,007	830,710
Communications expense (phone, fax, mail, internet, etc.)	144,000	158,020	173,405	380,576	417,630	458,291	502,910	551,874	605,606	664,568
Office vehicles running expense	194,000	213,400	234,740	258,214	284,035	312,439	343,683	378,051	415,856	457,442
Office expenses (stationary, entertainment, janitorial services, etc.)	96,000	105,347	115,603	253,717	278,420	305,527	335,274	367,916	403,737	443,046
Promotional expense	540,000	643,950	758,430	884,329	1,022,606	1,174,293	1,340,501	1,522,426	1,721,356	1,938,677
Insurance expense	1,132,500	881,625	630,750	576,114	316,274	1,618,629	1,467,521	1,078,864	690,208	564,530
Professional fees (legal, audit, consultants, etc.)	135,000	160,988	189,608	221,082	255,652	293,573	335,125	380,606	430,339	484,669
Depreciation expense	5,079,500	5,079,500	4,917,000	5,258,798	5,258,798	7,439,463	7,835,138	7,835,138	7,617,372	8,075,415
Amortization of pre-operating costs	130,000	130,000	130,000	130,000	130,000	-	-	-	-	-
Amortization of legal, licensing, and training costs	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Bad debt expense	270,000	321,975	379,215	442,165	511,303	587,146	670,250	761,213	860,678	969,339
Miscellaneous expense 1	1,000,000	1,100,000	1,210,000	1,331,000	1,464,100	1,610,510	1,771,561	1,948,717	2,143,589	2,357,948
Subtotal	10,841,000	11,120,846	11,291,054	14,518,931	15,187,586	19,560,037	20,923,549	21,762,728	22,503,287	24,312,988
Operating Income	1,249,000	3,997,748	7,188,752	(720,570)	1,908,558	1,181,107	11,465,897	15,796,616	20,737,456	25,162,690
Other income (interest on cash)	413,684	1,250,236	2,214,557	3,098,463	2,623,279	2,127,218	3,537,974	5,841,180	8,523,984	11,884,315
Other income 2										
Gain / (loss) on sale of machinery & equipment	-	-	1,300,000	-	-	2,317,413	-	-	3,007,695	-
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	7,760,000	-	-	-	-	-
Earnings Before Interest & Taxes	1,662,684	5,247,983	10,703,309	2,377,893	12,291,836	5,625,737	15,003,871	21,637,797	32,269,134	37,047,005
Earnings Before Tax	1,662,684	5,247,983	10,703,309	2,377,893	12,291,836	5,625,737	15,003,871	21,637,797	32,269,134	37,047,005
Tax	332,537	1,049,597	2,140,662	475,579	2,458,367	1,125,147	3,000,774	4,327,559	6,453,827	7,409,401
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>1,330,147</b>	<b>4,198,387</b>	<b>8,562,647</b>	<b>1,902,315</b>	<b>9,833,469</b>	<b>4,500,590</b>	<b>12,003,097</b>	<b>17,310,237</b>	<b>25,815,307</b>	<b>29,637,604</b>
	5%	13%	23%	4%	19%	8%	18%	23%	30%	31%
Balance brought forward	1,330,147	5,528,534	14,091,181	15,993,495	25,826,964	30,327,554	42,330,651	59,640,888	85,456,195	115,093,800
Total profit available for appropriation	1,330,147	5,528,534	14,091,181	15,993,495	25,826,964	30,327,554	42,330,651	59,640,888	85,456,195	115,093,800
Dividend	-	-	-	-	-	-	-	-	-	-
Balance carried forward	1,330,147	5,528,534	14,091,181	15,993,495	25,826,964	30,327,554	42,330,651	59,640,888	85,456,195	115,093,800

## 12.2 Balance Sheet

Calculations											SMEDA
Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	550,000	7,723,673	17,281,043	27,010,092	34,959,173	17,506,402	25,037,965	45,721,521	71,102,086	99,377,585	138,308,719
Accounts receivable		73,973	81,092	96,053	112,518	130,612	150,473	172,246	196,091	222,177	250,687
Finished goods inventory		-	-	-	-	-	-	-	-	-	-
Equipment spare part inventory	-	-	-	-	-	-	-	-	-	-	-
Raw material inventory	-	-	-	-	-	-	-	-	-	-	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	50,000	55,000	60,500	66,550	73,205	80,526	88,578	97,436	107,179	117,897	-
Pre-paid machinery & equipment lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid office equipment lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid office vehicles lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid insurance	1,132,500	881,625	630,750	576,114	316,274	1,618,629	1,467,521	1,078,864	690,208	564,530	-
<b>Total Current Assets</b>	<b>1,732,500</b>	<b>8,734,270</b>	<b>18,053,385</b>	<b>27,748,810</b>	<b>35,461,170</b>	<b>19,336,169</b>	<b>26,744,537</b>	<b>47,070,068</b>	<b>72,095,564</b>	<b>100,282,189</b>	<b>138,559,406</b>
<i>Fixed assets</i>											
Land	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Building/Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Machinery & equipment	3,250,000	2,112,500	975,000	3,762,281	2,445,483	1,128,684	4,355,311	2,830,952	1,306,593	5,041,817	3,277,181
Furniture & fixtures	300,000	270,000	240,000	210,000	180,000	150,000	120,000	90,000	60,000	30,000	-
Office vehicles	19,400,000	15,520,000	11,640,000	7,760,000	3,880,000	31,243,894	24,995,115	18,746,336	12,497,558	6,248,779	-
Office equipment	320,000	288,000	256,000	224,000	192,000	160,000	128,000	96,000	64,000	32,000	-
<b>Total Fixed Assets</b>	<b>25,270,000</b>	<b>20,190,500</b>	<b>15,111,000</b>	<b>13,956,281</b>	<b>8,697,483</b>	<b>34,682,578</b>	<b>31,598,426</b>	<b>23,763,288</b>	<b>15,928,151</b>	<b>13,352,596</b>	<b>5,277,181</b>
<i>Intangible assets</i>											
Pre-operation costs	650,000	520,000	390,000	260,000	130,000	-	-	-	-	-	-
Legal, licensing, & training costs	200,000	180,000	160,000	140,000	120,000	100,000	80,000	60,000	40,000	20,000	-
<b>Total Intangible Assets</b>	<b>850,000</b>	<b>700,000</b>	<b>550,000</b>	<b>400,000</b>	<b>250,000</b>	<b>100,000</b>	<b>80,000</b>	<b>60,000</b>	<b>40,000</b>	<b>20,000</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>27,852,500</b>	<b>29,624,770</b>	<b>33,714,385</b>	<b>42,105,091</b>	<b>44,408,652</b>	<b>54,118,747</b>	<b>58,422,963</b>	<b>70,893,356</b>	<b>88,063,715</b>	<b>113,654,784</b>	<b>143,836,587</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable		117,123	138,352	161,411	186,429	213,546	242,909	274,674	309,008	346,089	386,105
Export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Short term debt	-	-	-	-	-	-	-	-	-	-	-
<i>Other liabilities</i>											
<b>Total Current Liabilities</b>	<b>-</b>	<b>117,123</b>	<b>138,352</b>	<b>161,411</b>	<b>186,429</b>	<b>213,546</b>	<b>242,909</b>	<b>274,674</b>	<b>309,008</b>	<b>346,089</b>	<b>386,105</b>
<i>Other liabilities</i>											
Deferred tax		325,000	195,000	-	376,228	225,737	-	435,531	261,319	-	504,182
Long term debt (Project Loan)	-	-	-	-	-	-	-	-	-	-	-
Long term debt (Working Capital Loan)	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Liabilities</b>	<b>-</b>	<b>325,000</b>	<b>195,000</b>	<b>-</b>	<b>376,228</b>	<b>225,737</b>	<b>-</b>	<b>435,531</b>	<b>261,319</b>	<b>-</b>	<b>504,182</b>
<i>Shareholders' equity</i>											
Paid-up capital	27,852,500	27,852,500	27,852,500	27,852,500	27,852,500	27,852,500	27,852,500	27,852,500	27,852,500	27,852,500	27,852,500
Retained earnings		1,330,147	5,528,534	14,091,181	15,993,495	25,826,964	30,327,554	42,330,651	59,640,888	85,456,195	115,093,800
<b>Total Equity</b>	<b>27,852,500</b>	<b>29,182,647</b>	<b>33,381,034</b>	<b>41,943,681</b>	<b>43,845,995</b>	<b>53,679,464</b>	<b>58,180,054</b>	<b>70,183,151</b>	<b>87,493,388</b>	<b>113,308,695</b>	<b>142,946,300</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>27,852,500</b>	<b>29,624,770</b>	<b>33,714,385</b>	<b>42,105,091</b>	<b>44,408,652</b>	<b>54,118,747</b>	<b>58,422,963</b>	<b>70,893,356</b>	<b>88,063,715</b>	<b>113,654,784</b>	<b>143,836,587</b>

## 12.3 Cash Flow Statement

Calculations											SMEDA
Cash Flow Statement											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit		1,330,147	4,198,387	8,562,647	1,902,315	9,833,469	4,500,590	12,003,097	17,310,237	25,815,307	29,637,604
Add: depreciation expense		5,079,500	5,079,500	4,917,000	5,258,798	5,258,798	7,439,463	7,835,138	7,835,138	7,617,372	8,075,415
amortization of pre-operating costs		130,000	130,000	130,000	130,000	130,000	-	-	-	-	-
amortization of training costs		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Deferred income tax		325,000	(130,000)	(195,000)	376,228	(150,491)	(225,737)	435,531	(174,212)	(261,319)	504,182
Accounts receivable		(73,973)	(7,120)	(14,961)	(16,464)	(18,094)	(19,861)	(21,774)	(23,845)	(26,086)	(28,510)
Advance insurance premium	(1,132,500)	250,875	250,875	54,636	259,840	(1,302,355)	151,108	388,657	388,657	125,678	564,530
Accounts payable		117,123	21,229	23,059	25,019	27,117	29,363	31,765	34,334	37,081	40,017
Cash provided by operations	(1,182,500)	7,173,673	9,557,370	13,491,331	7,949,080	13,791,124	11,886,873	20,683,556	25,380,565	33,317,315	38,931,134
<i>Financing activities</i>											
Issuance of shares	27,852,500	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	27,852,500	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(26,120,000)	-	-	(3,762,281)	-	(31,243,894)	(4,355,311)	-	-	(5,041,817)	-
Cash (used for) / provided by investing activities	(26,120,000)	-	-	(3,762,281)	-	(31,243,894)	(4,355,311)	-	-	(5,041,817)	-
NET CASH	550,000	7,173,673	9,557,370	9,729,049	7,949,080	(17,452,770)	7,531,563	20,683,556	25,380,565	28,275,498	38,931,134
Cash balance brought forward		550,000	7,723,673	17,281,043	27,010,092	34,959,173	17,506,402	25,037,965	45,721,521	71,102,086	99,377,585
Cash available for appropriation	550,000	7,723,673	17,281,043	27,010,092	34,959,173	17,506,402	25,037,965	45,721,521	71,102,086	99,377,585	138,308,719
Dividend		-	-	-	-	-	-	-	-	-	-
Cash balance	550,000	7,723,673	17,281,043	27,010,092	34,959,173	17,506,402	25,037,965	45,721,521	71,102,086	99,377,585	138,308,719
Cash carried forward	550,000	7,723,673	17,281,043	27,010,092	34,959,173	17,506,402	25,037,965	45,721,521	71,102,086	99,377,585	138,308,719

## 13 KEY ASSUMPTIONS

### 13.1 Production Cost Assumptions

Description	Details
Average Minimum Cost / Event	142,500
Total Variable Cost / Year	21,375,000

### 13.2 Revenue Assumptions

Description	Details
Average Revenue / Event	450,000
Average Number of Guests / Event	75
Total Revenue / Year	27,000,000

### 13.3 Financial Assumptions

Description	Details
Debt Equity Ratio	0:100



# Small and Medium Enterprises Development Authority

## HEAD OFFICE

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