



Pre-feasibility Study

SUGARCANE JUICE SHOP

September 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

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1 DISCLAIMER

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Document Control

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2 EXECUTIVE SUMMARY

Sugarcane juice is the juice extracted from pressed sugarcane. It is consumed as a beverage worldwide, and especially in regions where sugarcane is commercially grown such as Southeast Asia, South Asia. Sugar cane juice is the national drink of Pakistan, where it is called Roh and more commonly referred to as “gunney ka rus”. It is sold by roadside vendors, and is always fresh, as the juice begins turning black very quickly due to oxidation. It is sold in glasses with or without ice.

Sugarcane shop is proposed to be located in metro-Politian cities with higher population density and higher temperatures.

The finished Product would be **Sugarcane juice glass**.

The installed unit would have the Capacity to produce **244,200 glasses** of the product and will initially operate at **80%** capacity utilization.

Total Cost Estimates is **Rs. 2,533,288 with** fixed investment **Rs. 677,000** and working capital **Rs. 1,856,288**.

Given the cost assumptions IRR and payback are **64%** and **2.73 years** respectively

The most critical considerations or factors for success of the project are:

- The product should be produced in accordance with International standards and quality
- Location of the unit would play vital role in this projects success.
- Procurement of raw material from trusted suppliers and below market rates.
- Human resource would play vital role in manufacturing therefore well trained staff will be required to run the project successfully.
- Market research should be done to identify market gaps moreover most recent trends may be identified and product may be reshaped in accordance to demand.
- Availability of water and electricity should be ensured.

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 **Sugarcane Juice Shop** 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 its successful management.

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

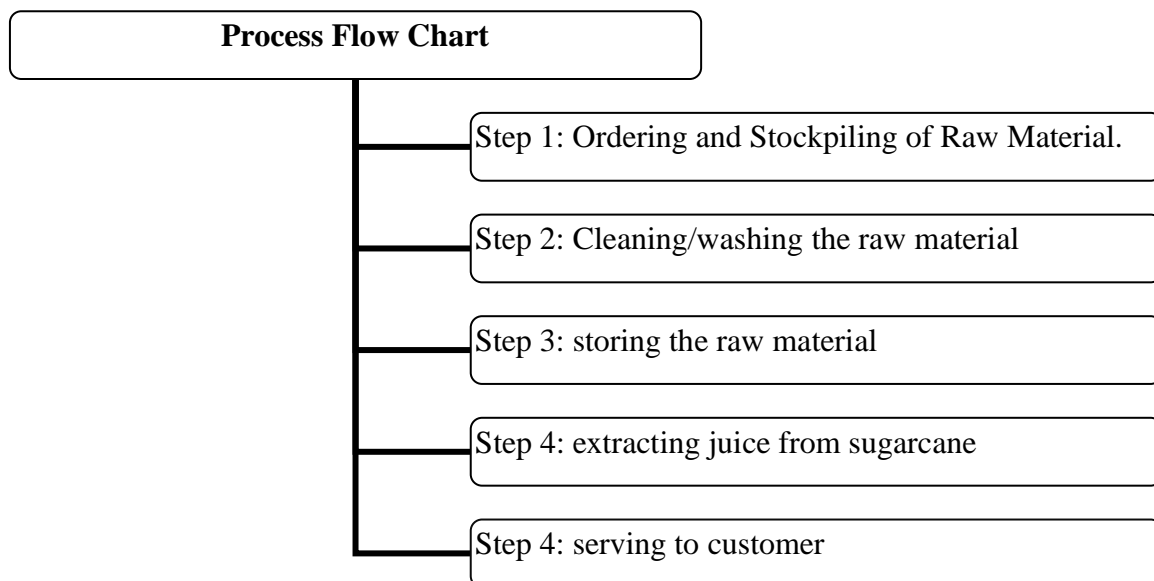
5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

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

- **Technology:** The proposed manufacturing unit is likely to be equipped with modern equipment.
- **Location:** The proposed shop is to be located in any metro-Politian city of Pakistan where there is high population density and high temperature in summers. Cities likewise Karachi, Lahore, Quetta, and Peshawar are the most favourable cities for this proposed project.
- **Product:** The product would be sugarcane juice which would be produced in accordance with international hygiene standards.
- **Target Market:** Market for sugarcane juice exists all over Pakistan, in cities like Karachi, Lahore, Quetta, Peshawar and Islamabad.
- **Employment Generation:** The proposed project will provide employment opportunity to 7 people. Financial analysis shows the unit would be profitable from the very first year of operation.

5.1 Production Process Flow

Sugarcane juice is very simple juice to produce and contains the following steps.



The following steps describe the production of lightweight roofing tiles in detail.

1. Ordering and Stockpiling of Raw Material.

Raw material required for the production of sugar cane juice e.g sugarcane, lemon and black salt will be ordered and stored as per the production requirement. It is recommended to store raw materials for one week's production requirements for efficient running of project and orders fulfillment on time.

2. Cleaning/washing the Raw Material.

Sugarcane is washed and cleaned thoroughly; around 25kg of sugarcane is suitable for juicing out of the 40kg.

3. Storing the Raw Material.

Raw material likewise sugarcane is stored in drums after washing and made sure it is kept clean.

4. Extracting Juice from Sugarcane

Juice is extracted from sugarcane through sugarcane juice extracting machine.

5. Serving to Customer.

After extraction of juice from sugarcane fresh is served to the customer.

5.2 Installed And Operational Capacities

The proposed production unit is set to operate at 80% at capacity utilization initially and shall increase its production by 5% yearly.

The proposed unit has the capacity to produce 244,200 glasses of sugarcane juice per year. The proposed project is set to operate for 8 hours per day however production can be increased if needed.

6 CRITICAL FACTORS

- Trained and human resource should be hired which would play vital role in project's success.
- Continuous efforts should be made to upgrade technology.
- Price may be adjusted in accordance to the segment targeted moreover price would play vital role in success of the project.
- Purchase of raw material from trusted suppliers and below market prices would play a vital role in projects success and may provide competitive advantage over competitors
- Location of the unit would play a vital role in projects success.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Big cities with growing middle income group such as Karachi, Islamabad, Quetta, Lahore, Peshawar, Sukkur and Hyderabad are some of the prospective cities for setting up this

business. Cities like Lahore and Karachi with high population density and higher temperatures are more favorable for this project.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Sugarcane juice is considered a national the national drink of Pakistan. People from all age groups and financial backgrounds tend to consume sugarcane juice in summers. Considering its nutrition value it is recommended in summer and winters or throughout the year. Since sugarcane juice is served in its natural state and no additives are added therefore it's preferred by most of the people in Pakistan.

9 PROJECT COST SUMMARY

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 17.582 million in the year one. The capacity utilization during year one is worked out at 80% with 5% increase in subsequent years up to the maximum capacity utilization of 100%.

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

Table 1: Project Economics

Description	Details
Internal Rate of Return (IRR)	64%
Payback Period (yrs.)	2.73
Net Present Value (Rs.)	8,443,866

9.2 Project Financing

Following table provides details of the equity required and variables related to bank loan;

Table 2: Project Financing

Description	Details
Total Equity (100%)	Rs. 2,533,288
Bank Loan (0%)	Rs. 0
Markup to the Borrower (%age / annum)	19.66%
Tenure of the Loan (Years)	0

9.3 Project Cost

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

Table 3: Project Cost

Description	Amount Rs.
Capital Cost	
Land	-
Building/Infrastructure	Rented
Machinery & equipment	260,000
Furniture & Fixture	428,000
Office Equipment	5,000
Pre-operating Cost	-
Total Capital Cost	677,000
Working Capital	
Raw Material Inventory	156,288
Upfront building rent	1,200,000
Cash	500,000
Total Working Capital	1,856,288

Total Project Cost	2,533,288
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9.4 Space Requirement

The space requirement for the proposed **sugarcane juice shop** is estimated considering various facilities including shop and sitting area, store etc. Details of space requirement and cost related to land & building is given below;

Table 4: Space Requirement

Description	Estimated Area (Sq.ft)	Monthly rent	Yearly rent (Rs.)
Shop and sitting area	650	81,250	975,000
Store	150	18,750	225,000
Total	800	100,000	12,00,000

9.5 Machinery & Equipment Requirement

Plant, machinery and equipment for the proposed project are stated below.

Table 5: Machinery & Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Sugarcane Juice Extractor SXZ-80	2	120,000	240,000
Misc. equipment knife etc.	1	20,000	20,000
Total			260,000

9.6 Furniture & Fixtures Requirement

Details of the furniture and fixture required for the project are given below;

Table 6: Furniture & Fixture

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Counter	1	30,000	30,000
Tables and chairs(lump sum)	1	150,000	150,000
Electric wiring & lighting(lump sum)	1	200,000	200,000

Fans with stands	4	8,000	32,000
Total			412,000

9.7 Office Equipment Requirement

Following office equipment will be required for **Sugarcane juice shop**;

Table 7: Office Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Telephone set	1	5,000	5,000
Total			5,000

9.8 Human Resource Requirement

In order to run operations of **Sugarcane juice shop** smoothly, details of human resources required along with number of employees and monthly salary are recommended as under;

Table 8: Human Resource Requirement

Description	No. of Employees	Monthly Salary per person (Rs.)
Supervisor	1	32,000
Machine operator	2	30,000
Waiters	3	25,000
Cleaning person	1	25,000
Total	07	

9.9 Revenue Generation

Based on the capacity utilization of 70%, respectively, sales revenue during the first year of operations is estimated as under;

Table 9: Revenue Generation – Year 1

Description	No. of Units Produced (No.)	Finished Goods Inventory (No.)	Units available for Sale (No.)	Sale Price / unit (Rs.)	Sales Revenue (Rs.)
Sugarcane juice	195,360	-	195,360	90	17,582,400
Total					17,582,400

10 CONTACT DETAILS

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project be given.

10.1 Machinery Suppliers

Name of Supplier	Address	Phone
Yasir electronics	Hashoo Centre, Shop 61, Abdullah Haroon Road Saddar, Karachi	+923368576084
Hatimi Engineering works	Shop No. 1 & 2, 12C South Park Avenue, Phase II (ext.), DHA, Karachi, Pakistan	+92-213-5395253 - 6676390

11 USEFUL WEB LINKS

Small & Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
Government of Pakistan	www.pakistan.gov.pk
Ministry of Industries & Production	www.moip.gov.pk
Ministry of Education, Training & Standards in Higher Education	http://moptt.gov.pk
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Khyber Pakhtunkhwa	www.khyberpakhtunkhwa.gov.pk

Government of Balochistan	www.balochistan.gov.pk
Government of Gilgit Baltistan	www.gilgitbaltistan.gov.pk
Government of Azad Jamu Kashmir	www.ajk.gov.pk
Trade Development Authority of Pakistan (TDAP)	www.tdap.gov.pk
Security Commission of Pakistan (SECP)	www.secp.gov.pk
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpcci.com.pk
State Bank of Pakistan (SBP)	www.sbp.org.pk
Punjab Small Industries Corporation	www.psic.gop.pk
Sindh Small Industries Corporation	www.ssic.gos.pk
Pakistan Horticulture Development and Export Company (PHDEC)	www.phdec.org.pk
Punjab Vocational Training Council (PVTC)	www.pvtc.gop.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org
Pakistan Readymade Garment Technical Training Institute	www.prgmea.org/prgtti/
Livestock & Dairy Development Department, Government of Punjab.	www.livestockpunjab.gov.pk
Punjab Industrial Estates (PIE)	www.pie.com.pk
Faisalabad Industrial Estate Development and Management Company (FIEDMC)	www.fiedmc.com.pk

12 ANNEXURES

12.1 Income Statement

Statement Summaries										SMEDA
Income Statement										
	Rs. in actuals									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	17,582,400	20,549,430	23,934,042	27,790,082	32,177,990	35,395,789	38,935,368	42,828,904	47,111,795	51,822,974
Cost of goods sold	10,097,280	11,251,628	12,497,783	13,842,197	15,291,752	16,105,788	16,965,341	17,873,154	18,832,156	19,845,470
Gross Profit	7,485,120	9,297,802	11,436,259	13,947,885	16,886,238	19,290,000	21,970,027	24,955,750	28,279,639	31,977,505
<i>General administration & selling expenses</i>										
Administration expense	6,168,000	6,768,525	7,427,518	8,150,672	8,944,233	9,815,056	10,770,664	11,819,311	12,970,056	14,232,839
Rental expense	1,200,000	1,320,000	1,452,000	1,597,200	1,756,920	1,932,612	2,125,873	2,338,461	2,572,307	2,829,537
Utilities expense	-	-	-	-	-	-	-	-	-	-
Travelling & Comm. expense (phone, fax, etc.)	-	-	-	-	-	-	-	-	-	-
Office vehicles running expense	-	-	-	-	-	-	-	-	-	-
Office expenses (stationary, etc.)	-	-	-	-	-	-	-	-	-	-
Promotional expense	-	-	-	-	-	-	-	-	-	-
Insurance expense	-	-	-	-	-	-	-	-	-	-
Professional fees (legal, audit, etc.)	-	-	-	-	-	-	-	-	-	-
Depreciation expense	67,700	67,700	67,700	67,700	67,700	67,700	67,700	67,700	67,700	67,700
Amortization expense	-	-	-	-	-	-	-	-	-	-
Property tax expense	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-	-	-	-	-	-
Subtotal	7,435,700	8,156,225	8,947,218	9,815,572	10,768,853	11,815,368	12,964,237	14,225,472	15,610,062	17,130,076
Operating Income	49,420	1,141,577	2,489,041	4,132,313	6,117,385	7,474,632	9,005,790	10,730,278	12,669,576	14,847,429
Other income	180,150	243,534	373,393	601,641	954,383	1,429,300	2,019,255	2,743,579	3,622,796	4,719,605
Gain / (loss) on sale of assets	-	-	-	-	-	-	-	-	-	-
Earnings Before Interest & Taxes	229,570	1,385,110	2,862,434	4,733,955	7,071,768	8,903,932	11,025,044	13,473,857	16,292,373	19,567,034
Interest expense	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	229,570	1,385,110	2,862,434	4,733,955	7,071,768	8,903,932	11,025,044	13,473,857	16,292,373	19,567,034
Tax	94,124	567,895	1,173,598	1,940,921	2,899,425	3,650,612	4,520,268	5,524,281	6,679,873	8,022,484
NET PROFIT/(LOSS) AFTER TAX	135,447	817,215	1,688,836	2,793,033	4,172,343	5,253,320	6,504,776	7,949,576	9,612,500	11,544,550
Balance brought forward		135,447	952,662	2,641,497	5,434,531	9,606,874	14,860,194	21,364,970	29,314,546	38,927,046
Total profit available for appropriation	135,447	952,662	2,641,497	5,434,531	9,606,874	14,860,194	21,364,970	29,314,546	38,927,046	50,471,596
Dividend	-	-	-	-	-	-	-	-	-	-
Balance carried forward	135,447	952,662	2,641,497	5,434,531	9,606,874	14,860,194	21,364,970	29,314,546	38,927,046	50,471,596

12.2 Balance Sheet

Statement Summaries											SMEDA
Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Rs. in actuals Year 10
Assets											
<i>Current assets</i>											
Cash & Bank	1,600,000	2,003,007	2,867,665	4,600,200	7,432,629	11,655,036	16,930,961	23,454,136	31,417,440	41,038,487	53,353,619
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Finished goods inventory	-	-	-	-	-	-	-	-	-	-	-
Equipment spare part inventory	-	-	-	-	-	-	-	-	-	-	-
Raw material inventory	156,288	183,077	213,715	248,711	288,636	318,221	350,838	386,799	426,446	470,157	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	100,000	110,000	121,000	133,100	146,410	161,051	177,156	194,872	214,359	235,795	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid insurance	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	1,856,288	2,296,084	3,202,380	4,982,011	7,867,674	12,134,308	17,458,956	24,035,807	32,058,245	41,744,439	53,353,619
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Machinery & equipment	260,000	234,000	208,000	182,000	156,000	130,000	104,000	78,000	52,000	26,000	-
Furniture & fixtures	412,000	370,800	329,600	288,400	247,200	206,000	164,800	123,600	82,400	41,200	-
Office vehicles	-	-	-	-	-	-	-	-	-	-	-
Office equipment	5,000	4,500	4,000	3,500	3,000	2,500	2,000	1,500	1,000	500	-
Total Fixed Assets	677,000	609,300	541,600	473,900	406,200	338,500	270,800	203,100	135,400	67,700	-
<i>Intangible assets</i>											
Pre-operation costs	-	-	-	-	-	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
Total Intangible Assets	-	-	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	2,533,288	2,905,384	3,743,980	5,455,911	8,273,874	12,472,808	17,729,756	24,238,907	32,193,645	41,812,139	53,353,619
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	183,349	204,731	227,825	252,755	279,346	293,634	308,669	324,492	341,145	348,735
Export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Short term debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	183,349	204,731	227,825	252,755	279,346	293,634	308,669	324,492	341,145	348,735
<i>Other liabilities</i>											
Lease payable	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	53,300	53,300	53,300	53,300	53,300	42,640	31,980	21,320	10,660	0
Long term debt	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Liabilities	-	53,300	53,300	53,300	53,300	53,300	42,640	31,980	21,320	10,660	0
<i>Shareholders' equity</i>											
Paid-up capital	2,533,288	2,533,288	2,533,288	2,533,288	2,533,288	2,533,288	2,533,288	2,533,288	2,533,288	2,533,288	2,533,288
Retained earnings	-	135,447	952,662	2,641,497	5,434,531	9,606,874	14,860,194	21,364,970	29,314,546	38,927,046	50,471,596
Total Equity	2,533,288	2,668,735	3,485,950	5,174,785	7,967,819	12,140,162	17,393,482	23,898,258	31,847,834	41,460,334	53,004,884
TOTAL CAPITAL AND LIABILITIES	2,533,288	2,905,384	3,743,980	5,455,911	8,273,874	12,472,808	17,729,756	24,238,907	32,193,645	41,812,139	53,353,619

12.3 Cash Flow Statement

Statement Summaries										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
											Rs. in actuals
Operating activities											
Net profit	-	135,447	817,215	1,688,836	2,793,033	4,172,343	5,253,320	6,504,776	7,949,576	9,612,500	11,544,550
Add: depreciation expense	-	67,700	67,700	67,700	67,700	67,700	67,700	67,700	67,700	67,700	67,700
amortization expense	-	-	-	-	-	-	-	-	-	-	-
Deferred income tax	-	53,300	-	-	-	-	(10,660)	(10,660)	(10,660)	(10,660)	(10,660)
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Finished good inventory	-	-	-	-	-	-	-	-	-	-	-
Equipment inventory	-	-	-	-	-	-	-	-	-	-	-
Raw material inventory	(156,288)	(26,789)	(30,638)	(34,996)	(39,925)	(29,585)	(32,618)	(35,961)	(39,647)	(43,711)	470,157
Pre-paid building rent	(100,000)	(10,000)	(11,000)	(12,100)	(13,310)	(14,641)	(16,105)	(17,716)	(19,487)	(21,436)	235,795
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Advance insurance premium	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	183,349	21,381	23,095	24,930	26,591	14,288	15,035	15,823	16,654	7,590
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(256,288)	403,007	864,658	1,732,535	2,832,429	4,222,408	5,275,925	6,523,175	7,963,305	9,621,047	12,315,132
Financing activities											
Change in long term debt	-	-	-	-	-	-	-	-	-	-	-
Change in short term debt	-	-	-	-	-	-	-	-	-	-	-
Change in export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Add: land lease expense	-	-	-	-	-	-	-	-	-	-	-
Land lease payment	-	-	-	-	-	-	-	-	-	-	-
Change in lease financing	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares	2,533,288	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares	-	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financ	2,533,288	-	-	-	-	-	-	-	-	-	-
Investing activities											
Capital expenditure	(677,000)	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by invest	(677,000)	-	-	-	-	-	-	-	-	-	-
NET CASH	1,600,000	403,007	864,658	1,732,535	2,832,429	4,222,408	5,275,925	6,523,175	7,963,305	9,621,047	12,315,132
Cash balance brought forward		1,600,000	2,003,007	2,867,665	4,600,200	7,432,629	11,655,036	16,930,961	23,454,136	31,417,440	41,038,487
Cash available for appropriation	1,600,000	2,003,007	2,867,665	4,600,200	7,432,629	11,655,036	16,930,961	23,454,136	31,417,440	41,038,487	53,353,619
Dividend	-	-	-	-	-	-	-	-	-	-	-
Cash carried forward	1,600,000	2,003,007	2,867,665	4,600,200	7,432,629	11,655,036	16,930,961	23,454,136	31,417,440	41,038,487	53,353,619

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Operational days per year	330
Operational hours per day	8
Shifts per day	1

13.2 Production Cost Assumptions

Description	Details
Production capacity utilization in year 1	80%
Production capacity growth rate	5%
Maximum capacity utilization	100%

13.3 Revenue Assumptions

Description	Details
Production Units	244,200
Sale price per unit	90
COGs	48

13.4 Financial Assumptions

Description	Details
Interest rate	19.66%
Debt : Equity Ratio	0:100
Project Life (Years)	10

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