



**Pre-feasibility Study**

# **TRUCKING COMPANY**

**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

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## 1. DISCLAIMER

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. Although, the material included in this document is based on data/information gathered from various reliable sources; however, it is based upon certain assumptions, which may differ from case to case. The information has been provided on, as is where is basis without any warranties or assertions as to the correctness or soundness thereof. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice to be obtained by the user. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision, including taking professional advice from a qualified consultant/technical expert before taking any decision to act upon the information.

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## 2. EXECUTIVE SUMMARY

Logistics is the process of planning and executing efficient transportation and storage of goods from the point of origin to the point of delivery. It represents an essential link in the supply chains of business enterprises. Logistics refer to the process of coordinating and moving resources, including people, materials, inventory, and equipment, from one location to another desired destination. The goal of a logistics business is to meet customer requirements timely, safely and cost-effectively.

In Pakistan, the logistics sector comprises of three sub-sectors: freight forwarding/clearing, goods transport services (through long/short haul trucking) and warehousing. This study provides information about establishing the business of a trucking company which involves providing goods transport services by moving goods from a loading point to an unloading point efficiently, safely and within the specified time period. These services may be provided to corporate customers, government institutions or general public.

Goods transport service includes carriage of different types of goods using variety of carriage vehicles. Truck is the most common carriage vehicle used for transporting goods. Local and long-distance carriage routes are usually identified separately. Local carriage routes are the ones where the recipient or the destination (unloading point) is at a shorter distance from where the truck can return back to its starting station during the same day. On the other hand, the long-distance transportation usually takes more than one day for the truck to complete the cycle which means the time involved between leaving from the loading point to reach the unloading point and returning back to the starting point. Loading points may be a trucking company's station, truck adda or a point of customer's choice. Unloading points may be trucking company's station, truck adda or customer's place.

This "Pre-feasibility Document" provides details for setting up business of Trucking Company. The unit is proposed to be located in Karachi, Lahore, Islamabad, Peshawar, Quetta, Faisalabad, Multan, Sukkur, Gwadar, Sialkot, Gujranwala, Jhang, Bahawalpur, Hyderabad, Mardan, Gilgit, Muzaffarabad or any other major city of Pakistan. These cities are preferred because majority of industrial zones and local markets are located there. Some specific cities (Karachi, Quetta, Peshawar, Gwadar) are located near the borders or at the seaports where the demand of goods transportation services is even higher and it can be expected that such a service delivery business will grow in these cities.

The proposed project will consist of a head office and five branch offices. They will be set up in the rented buildings in five different cities having the total area of 3,600 sq. ft. (1,800 sq. ft. for head office and 360 sq ft for each of five branch offices). The proposed project requires a total investment of PKR 135.48 million. This includes capital investment of PKR 129.12 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 20.47 million with an Internal Rate of Return (IRR) of 28% and a

Payback period of 4.20 years. Further, the proposed project is expected to generate Gross Annual Revenues of PKR 137.98 million in 1<sup>st</sup> year of operations, Gross Profit (GP) ratio ranging from of 27% to 37% and Net Profit (NP) ratio ranging from 6% to 18% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 42% (1,615 trips) with breakeven revenue of PKR 97.31 million in a year.

The proposed project may also be established using leveraged financing. At 50% financing at a cost of KIBOR+3%, the proposed unit provides Net Present Value (NPV) of PKR 40.74 million, Internal Rate of Return (IRR) of 28% and Payback period of 4.18 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from 2% to 18% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 43% (1,655 trips) with breakeven revenue of PKR 99.71 million.

The proposed project will provide employment opportunities to 71 people. The legal form 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 'sectorial research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

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

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

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

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



#### 4. PURPOSE OF THE DOCUMENT

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

The purpose of this document is to provide information to the potential investors about establishing a business of “Trucking Company”. 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 setup and its successful management.

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

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

Logistics sector has a very important role in the economy of any country since it is a major employment generator, thereby directly contributing towards increasing gross national income. The sector holds a central position in any economy since it moves the entire economy by acting as the service provider for all other sectors. Slowing down of logistics sectors leads to slowing down the whole economy.

The term logistics commonly refers to the planning, management and control of goods flow between different locations. This transport of goods may be within any particular business or between suppliers and end consumers.

Logistics is all about the delivery of the right quantity of the right inventory, at the right place, with the specified time, at the right price, while maintaining the quality of the transported goods.

The logistics sector comprises of three sub-sectors: freight forwarding/clearing, goods transport services (through long/short haul trucking) and warehousing. This study provides information about establishing the business of a trucking company which involves providing goods transport services by moving goods from a loading point to an unloading point efficiently, safely and within the specified time period.

Transportation service may involve delivery of finished goods for the final consumers, delivery of raw materials to the manufacturing sites, delivery of machinery and equipment or for any other transportation service required by the



clients. Effective transportation system has a direct impact on economic and social development which contributes to GDP and creates new jobs. Besides its role in economic development, modern and effective transport services also enable smooth flow of goods within and across international borders.

In goods transportation business, the trucking companies generally operate in one or more cities and usually have multiple offices countrywide, the location and number of which may vary. The proposed trucking company will use six offices one of which will be the head office and the other five branch offices. These offices can be located in any major city of Pakistan. In the proposed project, the head office will be located at Lahore while the branches will be located at Karachi, Gwadar, Sukkur, Quetta and Peshawar.

According to market survey, the business does not need a large parking area since most of the time, the trucks are on road. Even when some parking is required, the common practice is to use the area on roadside to temporarily park the vehicles. Moreover, the business does not need any kind of loading/unloading equipment since loading/unloading of goods is usually done by labor manually.

According to the survey, the charges for good transportation by major trucking companies are decided not on the basis of weight and volume of shipment, since it is difficult to do so due to wide variety of merchandise to be shipped. Transportation charges are therefore, usually determined on the basis of destination, the particular route to be followed and the kind of vehicle to be used for any particular shipment. Common practice is to charge a fixed amount for a particular trucking trip. These charges take care of all the expenses of the trucking company (fuel cost, toll tax, any challan, etc.).

Trucking business is very competitive in which marketing plays an important role to attract the customers. The companies thus need to use different promotional techniques to attract walk-in-customers. A useful business development technique is maintaining continuous contact with the brokers in truck adda who serve as the agents to bring in customers. These brokers work on commission basis which ranges between PKR 500-3,000 per order, depending upon the size and nature of the order. Retention of customers depends upon service quality, timely and safe delivery of goods at an affordable price.

Usually, the trucking company business maintains goods in transit insurance policy.<sup>1</sup> This covers any risk of loss, damage and destruction of goods during transporting goods. It also serves to increase customer's satisfaction and trust.

### **Vehicle Types**

In the proposed project, the trucking company will use the following four types of vehicles to transport goods:

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<sup>1</sup>Goods in Transit insurance covers items from theft, loss or damage while they are being transported by vehicle from one place to another in the course of business.

**Hino SG1J Prime Mover 14-Wheeler Truck**

Hino SG1J Prime Mover 14-wheeler truck is a loading vehicle used for transporting goods and material over larger distances. It is more commonly used for transporting goods between different provinces. It has an engine of 7,961 cc providing power of 260 HP @ 2,500 RPM with an average mileage of 3.5 km per liter. In certain cases, 14-wheeler truck can also be privately altered from 6 or 10-wheeler to 14-wheeler as need may arise as they are not accessible locally. The proposed project will use two such trucks, one of which will operate between Karachi and Lahore and the other between Lahore and Gwadar. Figure 1 shows Hino SG1J prime mover 14-Wheeler truck.

**Figure 1: Hino SG1J Prime Mover 14-Wheeler Truck**

**Hino FM8J 10-Wheeler Truck**

Hino FM8J 10-Wheeler truck is a popular load carrying truck. It is widely used in goods transportation, mining and construction industry. It is a 10-wheeler vehicle having average mileage of 5 km per Liter and engine of 7684 cc which provides power of 247HP @ 2,500 RPM. In this purposed business model, it is used for transportation of goods across provinces. The proposed project will use 3 of these trucks; one between Lahore and Quetta, the second between Lahore and Peshawar and the third between Lahore and Sukkur. Figure 2 shows Hino FM8J 10-Wheeler Truck.

**Figure 2: Hino FM8J 10-Wheeler Truck****Hino FG8J 6-Wheeler Truck**

Hino FG8J is a 6-wheeler truck with engine of 7,684 cc and power of 231 HP @ 2,500 RPM. It has average mileage of 7 km per Liter. It is commonly used as a main load carrying vehicle by different industrial sectors for transporting finished goods and raw materials. In this purposed business model, it is used for transportation of goods within the same province. The proposed project will use 3 of these trucks which will operate on 4 routes, including Lahore-Multan, Lahore-Faisalabad, Lahore-Jhang and Lahore-Islamabad. Figure 3 shows Hino FG8J 6-Wheeler Truck.

**Figure 3: Hino FG8J 6-Wheeler Truck**



### Hyundai Shehzore 4-Wheeler Pickup Truck

Hyundai Shehzore is an affordable and compact 4-wheeler load carrying commercial vehicle having engine power of 85 HP @ 4,000 RPM, 2,600 cc and average mileage of 8 km per Liter. In Pakistan, it is widely used for goods transportation. In this purposed business model, it is being used for goods transportation services within the city for a shorter service cycle. The proposed project will use 2 of these trucks which will cover 3 routes with respect to kilometer radius: 10 km, 20 km and 40 km within the city. Figure 4 shows Hyundai Shehzore 4-Wheeler Pickup Truck.

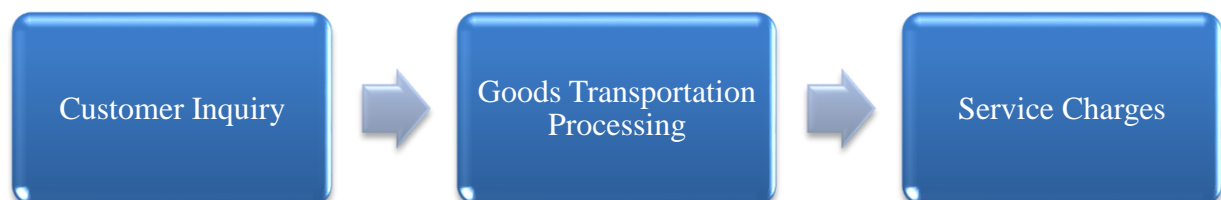
**Figure 4: Hyundai Shehzore 4-Wheeler Pickup Truck**



#### 5.1. Process Flow for Trucking Company

The process flow for providing goods transportation service is shown in Figure 5.

**Figure 5: Process Flow for Goods Transportation Service**



Brief description of process flow is as follows:

### **Customer Inquiry**

The process of trucking company business starts with the customer placing an inquiry to transport his goods from one location to another. The inquiry provides information about the goods specifications, their nature and quantity, goods pickup and delivery points and the time of pickup and delivery. The inquiry of a walk-in customer may be received on telephone call or by visiting the truck adda. For repeat customers, the trucking company usually has prior information on the details of the order (loading unloading points, nature and specification of goods, carriage routes, etc.). However, in some cases, even such repeat customers may provide some additional instructions for their specific orders. In case of an order received through broker, he contacts the trucking company and inquires with reference to the necessary details of the order and the carriage routes. If found suitable, the trucking company books the order of goods transportation and communicates with the customer to ask for other necessary details. The trucking company informs the customer about the availability of vehicles, the possible routes and the schedules under which the goods may be transported. Once the customer agrees, the inquiry proceeds to the next processing step.

### **Goods Transportation Process**

After the inquiry, the trucking company processes the order according to the nature and specification of goods, their carriage routes and destination of goods. These factors play an important role in the selection of the suitable vehicle. A 4-wheeler pickup truck is usually used for goods transportation within city, 6-wheeler truck is used for goods transportation between cities within a province and 10 and 14-wheeler trucks are used for transportation between provinces.

During this processing phase, the loading point is also important and at this point the business generates a 'Bilti'<sup>2</sup> document which includes the name and address of the transporter, name of the consignee (receiver of goods), consignor's (sender of the goods), booking time, places of origin and the destination, description of goods and freight charges. The consignor usually makes 4 copies of this receipt: for consignee, driver, consigner, and for record of the transporter.

For walk-in customer, usually the customer delivers the goods to the trucking company adda. However, depending upon the size and nature of the order, some trucking companies may also load goods from the customer's place.

For permanent clients, the trucking company usually loads the goods from the client's premises/warehouse. However, the practice of the client itself bringing goods to the trucking company premises is also followed sometimes.

For an order coming through broker, he informs about the loading point, which may be the transport adda or the customer's place.

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<sup>2</sup> A vehicle receipt, known as Bilti in Urdu, is a consignment note or receipt issued by the logistics company or any packers and movers firm offering services of transportation from one location to another.

After loading of goods from the loading points, the truck heads towards its destination. Usually, the goods unloading point is the trucking company station or the transport adda from where the receiver of goods shows his Bilti documents which he gets from consigner in soft/picture form. It is then matched with the transporter's Bilti document, and after the confirmation, the receiver takes possession of goods.

After unloading, the trucking company organizes new order through its connections with brokers or permanent customers. After handling and affirmation of another order, the truck is reloaded with goods and sent back to its original destination. During that time, the truck may need to wait for 2-3 days until the company confirms the new order.

### **Service Charges**

In trucking company business, service charges for transporting the goods within the province and across the province are decided as per market norms which are based on the specification of goods, distance to the location where the customer wants to deliver the goods and the vehicle to be used. However, in the proposed project, for movement of goods within a city the service charges have been based on fixed charges with respect to kilometer radius: 10 km, 20 km and 40 km.

## **5.2. Installed and Operational Capacities**

The total service capacity is based on the number of trips of trucks on different allocated routes. The proposed business will have maximum capacity of 3,816 trips in a year which includes 216 trips of Hino SG1J Prime Mover 14-wheeler truck, 720 trips of Hino FM8J10-wheeler truck, 1,440 trips of Hino FG8J 6-wheeler truck and 1,440 trips of Hyundai Shehzore 4-wheeler truck. However, during 1<sup>st</sup> year of operation, the proposed business is expected to operate at 60% of its installed capacity of 2,290 trips which includes 130 trips of Hino SG1J Prime Mover 14-wheeler truck, 432 trips of Hino FM8J 10-wheeler truck, 864 trips of Hino FG8J 6-wheeler truck and 864 trips of Hyundai Shehzore 4-wheeler truck. The business will operate in a single shift of 24 hours per day. Based on 330 working days in a year, the business unit shall complete 2,290 trips during first year at 60% capacity utilization.

The trips taken in the proposed project includes the waiting time lapse of 2 to 3 days which can be occur due to any reason such as delay in the order etc.

Table 1 shows installed and operational capacity of Hino SG1J Prime Movers 14-Wheeler Trucks.

Table 2 shows installed and operational capacity of Hino FM8J 10-wheeler truck.

Table 3 shows installed and operational capacity of Hino FG8J 6-wheeler truck.

Table 4 shows the installed and operational capacities of the Hyundai Shehzore 4-wheeler truck.

**Table 1: Installed and Operational Capacity-Hino SG1J Prime Mover 14-Wheeler Truck**

Services	No. of Vehicles	Average Trips per vehicle/month	Average Trips per vehicle/year @100%	Current Operational Capacity per Year @60%
Lahore to Karachi	1	6	72	43
Karachi to Lahore			72	43
Lahore to Gwadar	1	3	36	22
Gwadar to Lahore			36	22
<b>Total</b>			<b>216</b>	<b>130</b>

**Table 2: Installed and Operational Capacity -Hino FM8J 10-Wheeler Truck**

Services	No. of Vehicles	Average Trips per vehicle/month	Average Trips per vehicle/year @100%	Current Operational Capacity per Year @60%
Lahore to Sukkur	1	10	120	72
Sukkur to Lahore			120	72
Lahore to Quetta	1	8	96	58
Quetta to Lahore			96	58
Lahore to Peshawar	1	12	144	86
Peshawar to Lahore			144	86
<b>Total</b>			<b>720</b>	<b>432</b>



**Table 3: Installed and Operational Capacity -Hino FG8J 6-wheeler truck**

<b>Services</b>	<b>No. of Vehicles</b>	<b>Average Trips per vehicle/month</b>	<b>Average Trips per year</b>	<b>Average Trips per vehicle/year</b>	<b>Average Trips per vehicle/year @100%</b>	<b>Current Operational Capacity per Year @60%</b>
Lahore to Multan	1	40	480	480	240	144
Multan to Lahore					240	144
Lahore to Faislabad	1	40	480	240	120	72
Faislabad to Lahore				240	120	72
Lahore to Jhang					120	72
Jhang to Lahore				240	120	72
Lahore to Islamabad	1	40	480	480	240	144
Islamabad to Lahore					240	144
<b>Total</b>				<b>1,440</b>	<b>1,440</b>	<b>864</b>



**Table 4: Installed and Operational Capacity - Hyundai Shehzore 4-wheeler truck**

Services	No. of Vehicles	Average Trips per vehicle/month	Average total trips per month	Average total trips per year	Ratio of trips	Average Trips per vehicle/year @100%	Current Operational Capacity per Year @60%
Within 10km	2	60	120	1,440	45%	648	389
Within 20km					30%	432	259
Within 40km					25%	360	216
<b>Total</b>						<b>1,440</b>	<b>864</b>

## 6. CRITICAL FACTORS

Following factors should be considered while making the investment decision:

- Right selection of location and resources, the area selected for business must have central location and have proper roads infrastructure/ links
- Selection of trained human resources, such as skilled drivers
- Ability to generate work orders through networking, direct marketing and negotiating long term contracts
- Offering competitive prices and ensuring the delivery of quality services on agreed terms and conditions
- Marketing and promotion through various channels
- Efficient Transportation Management System

## 7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The demand for setting up the trucking company will be higher in larger cities like includes Karachi, Lahore, Islamabad, Peshawar, Quetta, Faisalabad, Islamabad, Multan, Hyderabad, Sukkur, Jhang, Lasbela, Gwadar, Mardan, Bahawalpur, Gilgit, Gujranwala, Sialkot, Muzaffarabad or any other major city of Pakistan.

Considering the fact that majority of industrial zones, public and private businesses are located in these cities, establishing the proposed business of trucking company in these cities will help in capturing the larger share of market. Additionally, some specific cities located near the borders and ports which includes Karachi, Quetta, Peshawar and Gwadar also have huge geographical potential for investment in the business of trucking company.

## 8. POTENTIAL TARGET CUSTOMERS / MARKETS

The potential target customers can be big factories, local manufacturers, traders, wholesalers, retailers, agriculture sector (except perishable goods), construction industry, furniture industry (includes raw wood), steel industry, automobile industry, government institutions or general public. The target market also includes the border and port cities where there is a larger movement of goods.

As per economic survey of Pakistan, the economy of Pakistan have showed encouraging growth patterns over past years. The manufacturing sector showed an increasing annual growth of 10.52% during the year 2020-2021 and wholesale and retail trading sector, showed an increasing annual growth of 10.58% during the year 2020-2021.

The agriculture sector's performance during 2020-21<sup>3</sup> was encouraging as it grew by 2.77% against the target of 2.8%. The growth of important crops (wheat, rice, sugarcane, maize and cotton) during the year was 4.65%.

The construction industry<sup>4</sup> in Pakistan grew by 5.3% in real terms in 2021, following a 7.1% growth in 2020. This is an upwards revision of previous projection of 3% growth this year.

During the fiscal year 2021, the cargo handling activities at Karachi Port Trust (KPT) and Port Qasim Authority (PQA)<sup>5</sup> recorded an impressive growth of 25% and 13.72% with respect to growth of exports (18%) and imports (26%) of country respectively in fiscal year 2021. Transport, storage and communication sectors also showed an increasing annual growth of 5.06% during the year 2020-2021. Growing economic indicators show good potential for investment in this business.

Road and infrastructure development plays a key role in growth of this business, open new routes and markets. Government is taking significant interest in development of road infrastructure. NHA is committed to provide safe, modern and efficient transportation system. The present NHA network comprises of 48 national highways, motorways and strategic roads. Current length of this network is 14,480 km.

NHA portfolio in PSDP FY2022 consists of a total of 68 projects. Out of these, 68 projects, 47 are on-going PSDP FY2022. Further, 15 new schemes are in PSDP FY2022. In addition to that, 06 BOT Schemes are also in PSDP FY2022.

The recent development of NHA shows a good transport infrastructure development in Pakistan which will have direct influence on the proposed project for investment point of view.

## 9. PROJECT COST SUMMARY

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

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

Project is proposed to be financed through 100% equity. Total project cost has been estimated to be PKR 135,483,341 which comprises of capital investment of PKR 129,120,913 and working capital of PKR 6,362,427.

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<sup>3</sup> [https://www.finance.gov.pk/survey/chapters\\_21/02-Agriculture.pdf](https://www.finance.gov.pk/survey/chapters_21/02-Agriculture.pdf)

<sup>4</sup> <https://www.businesswire.com/news/Pakistan-Construction-Market-Trends-and-Opportunities-Report-2021>.

<sup>5</sup> <https://www.dawn.com/news/1643248>

### 9.1. Initial Project Cost

The details of initial project cost calculated for the Trucking Company are shown in Table 5.

**Table 5: Initial Project Cost Estimates**

Particulars	Cost (PKR)	Reference
Land	-	9.1.1
Building / Infrastructure Renovation	469,478	9.1.2
Office equipment	1,988,200	9.1.3
Furniture & fixtures	1,556,000	9.1.4
Trucks	124,161,830	9.1.5
Pre-operating costs	385,656	9.1.6
Security against building	547,200	9.1.7
Vehicle Fitness Certificate	12,550	9.1.8
<b>Total Capital Cost – (A)</b>	<b>129,120,913</b>	
Upfront Vehicle insurance payment	1,862,427	
Cash	4,500,000	
<b>Working Capital Requirement - (B)</b>	<b>6,362,427</b>	
<b>Total Project Cost - (A+B)</b>	<b>135,483,341</b>	

#### 9.1.1. Land

In the purposed business model, six offices of the Trucking Company will be established across six different cities in the rented buildings. One will be operating as head office of company and other five will be the branch offices of the company. As the offices are established on rented premises, therefore no land cost has been added to the project cost. Total space requirement for the proposed project has been estimated as 3,600 sq. feet (16 Marla) and for head office area requirement is 1,800 sq ft (8 Marla) and for each of the five branch offices, space requirement would be 360 sq. feet (1.6 Marla). The breakup of the space requirement is provided in Table 6 and Table 7.

**Table 6: Breakup of Space Requirement – Head Office**

Break-up of Area	% Break-up	Area (Sq. ft.)
Office Building	11%	200
Parking Area	38%	690
Warehouse	45%	810
Kitchen	3%	50
Washrooms	3%	50

<b>Total Area</b>	<b>100%</b>	<b>1,800</b>
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**Table 7: Breakup of Space Requirement – Branch Office**

<b>Break-up of Area</b>	<b>% Break-up</b>	<b>Area (Sq. ft.)</b>
Office Building of one Branch	38%	135
Warehouse of one Branch	63%	225
<b>Total Area of one Branch</b>	<b>100%</b>	<b>360</b>
<b>No. of Branches</b>		<b>5</b>
<b>Total Area of Branches</b>		<b>1,800</b>

### 9.1.2. Building and Renovation Cost

There will be no cost of building since the business will be started in the rented premises. However, there will be a renovation cost required to make the building ready to use for the business. The proposed business requires estimated electricity load of 3.3 KW for which electricity connections under the General Supply Tariff-Commercial single phase will be required. Cost of such electricity connection has not been included in the Project Cost, since electricity connection is generally available in such buildings, which are offered for rent. Total building rents of PKR 182,400 per month (for head office and all branches) has been included in the operating cost. Table 8, Table 9 and Table 10 provide details of building rent and renovation cost of head office and branches respectively.

**Table 8: Building Rent – Head Office and Branch Office**

<b>Category</b>	<b>Area (Marla)</b>	<b>Rent per Month per Marla (PKR)</b>	<b>Average Rent per Month (PKR)</b>	<b>Rent per Month per Sq. Feet (PKR)</b>
Head office	8	12,000	96,000	53
Karachi branch	1.6	13,000	20,800	58
Gwadar branch	1.6	10,000	16,000	44
Sukkur branch	1.6	9,000	14,400	40
Quetta branch	1.6	10,000	16,000	44
Peshawar branch	1.6	12,000	19,200	53
<b>Total (PKR)</b>			<b>182,400</b>	

**Table 9: Renovation Cost Details – Head Office**

Cost Item	Unit of Measurement (UOM)	Total Liter / Area / Number	Cost / Unit / sq. ft. (PKR)	Total Cost (PKR)
Paint Cost	Liter	50	800	39,600
Labor Cost- Paint	Feet	4,950	15	74,250
Tiles Cost	Sq. Feet	600	120	72,000
Labor Cost- Tiles	Sq. Feet	600	40	24,000
<b>Total (PKR)</b>				<b>209,850</b>

**Table 10 : Renovation Cost Details – Branch Office**

Cost Item	Unit of Measurement (UOM)	Total Liter / Area / Number	Cost / Unit / sq. ft. (PKR)	Total Cost (PKR)
Paint Cost	Liter	66	800	52,740
Labor Cost- Paint	Feet	6,593	15	98,888
Tiles Cost	Sq. Feet	675	120	81,000
Labor Cost- Tiles	Sq. Feet	675	40	27,000
<b>Total (PKR)</b>				<b>259,628</b>

### 9.1.3. Office Equipment Cost Details

Table 11 provides details of office equipment required for the proposed project.

**Table 11: Office Equipment Cost Details**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
1.5 ton Inverter AC	6	105,000	630,000
Laptop Computer	3	150,000	450,000
Desktop Computer	2	75,000	150,000
Laser Printer	2	51,500	103,000
LED TV 32"	6	36,000	216,000
Water Dispenser	6	24,000	144,000
Ceiling Fan	6	8,000	48,000
Exhaust Fan	6	4,500	27,000
WIFI Router and Connection	6	3,500	21,000
Security Cameras – 2MP	48	2,400	115,200



Digital Video Recorder (DVR)	6	14,000	84,000
<b>Total</b>			<b>1,988,200</b>

#### 9.1.4. Furniture and Fixture Requirements

Table 12 provides details of furniture and fixtures.

**Table 12: Furniture & Fixtures Cost Details**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Executive Table	1	60,000	60,000
Executive Chairs	1	30,000	30,000
Staff Table	16	45,000	720,000
Staff Chairs	28	17,000	476,000
Sofa Sets	6	45,000	270,000
<b>Total (PKR)</b>			<b>1,556,000</b>

### 9.1.5. Trucks

Table 13 provides details of the vehicles required along with their costs for the proposed project.

**Table 13: Trucks Cost Details**

Vehicle	No.	Cost Per Vehicle (PKR)	Total Cost (PKR)	Registration fee <sup>6</sup>	Plate Charges <sup>7</sup>	Data Embedded card (Smart Card) Charges <sup>8</sup>	Total Cost (PKR)
Hino SG1J Prime Mover 14-wheeler truck	2	18,000,000	36,000,000	1,440,000	4,000	1,060	37,445,060
Hino FM8J 10-wheeler truck	3	14,000,000	42,000,000	1,680,000	6,000	1,590	43,687,590
Hino FG8J 6-wheeler truck	3	10,000,000	30,000,000	1,200,000	6,000	1,590	31,207,590
Hyundai Shehzore 4-wheeler truck	2	5,000,000	10,000,000	400,000	4,000	1,060	10,405,060
Suzuki Pickup	1	1,400,000	1,400,000	14,000	2,000	530	1,416,530
<b>Total (PKR)</b>	<b>11</b>		<b>119,400,000</b>				<b>124,161,830</b>

<sup>6</sup> Registration fee for trucks will be 4% of trucks cost and for suzuki pickup it will be 1%.

<sup>7</sup> Plate Charges for trucks and Suzuki pickup will be PKR 2,000 per truck and Suzuki pickup

<sup>8</sup> Data Embedded card (Smart Card) Charges for each vehicle will be Rs. 530

### 9.1.6. Pre-Operating Costs

Table 14 provides details of estimated pre-operating costs.

**Table 14: Pre-Operating Cost Details**

Costs Item	Hiring Months Before in Year 0	Unit Cost (PKR)	Cost (PKR)
Driver-4 Wheeler	1	30,000	30,000
Driver-6 Wheeler	1	35,000	35,000
Driver-10 Wheeler	1	40,000	40,000
Driver-14 Wheeler	1	50,000	50,000
Technical Mechanic	1	30,000	30,000
Helpers	1	25,000	25,000
Loader	1	25,000	25,000
Warehouse Keeper	1	35,000	35,000
Office Boy	1	25,000	25,000
Security Guard	1	25,000	25,000
Sweeper	1	25,000	25,000
Utilities expenses			40,656
<b>Total Cost (PKR)</b>			<b>385,656</b>

### 9.1.7. Security against Building

Table 15 provides details of security against rented building.

**Table 15: Security against Building Details**

Cost item	No. of Months	Unit Cost (PKR)	Cost (PKR)
Security against building rent	3	182,400	547,200
<b>Total Cost (PKR)</b>			<b>547,200</b>

### 9.1.8. Vehicle Fitness Certificate

Table 16 provides details of vehicle fitness certificate.

**Table 16: Vehicle Fitness Certificate**

Vehicles	One time cost	Renewal Cost (semi-annually)	Renewal Cost (annually)
Hino SG1J Prime Mover 14-wheeler truck	2,510	650	2,600

Hino FM8J-10 wheeler truck	3,765	650	3,900
Hino FG8J-6 wheeler truck	3,765	650	3,900
Hyundai Shehzore-4 wheeler truck	2,510	650	2,600
<b>Total Cost (PKR)</b>	<b>12,550</b>		<b>13,000</b>

## 9.2. Breakeven Analysis

Table 17 shows calculation of breakeven analysis.

**Table 17: Breakeven Analysis**

Description	First Year Values (PKR)	Ratios
Sales (PKR)	137,983,000	100%
Variable Cost (PKR)	103,209,822	75%
Contribution (PKR)	34,773,178	25%
Fixed Cost (PKR)	24,523,442	18%
Contribution Margin	25%	
<b>Breakeven</b>		
Breakeven Revenue (PKR)		97,311,157
Breakeven trips		1,615
Breakeven Capacity		42%

## 9.3. Revenue Generation

Table 18 shows revenue of Hino SG1J Prime Mover 14-wheeler truck.

Table 19 shows revenue of Hino FG8J 10-wheeler truck.

Table 20 shows revenue of Hino FM8J 6-wheeler truck.

Table 21 shows revenue Hyundai Shehzore 4-wheeler truck.

Table 22 provides details for revenue generation of the Trucking Company during the first year of operations.

As per the market survey, the transportation fares are lower for the routes from Lahore to cities like Karachi, Gwadar, Quetta and Peshawar, than those for the return routes to Lahore. The reason for this is the location of these cities at port or at border, which means a higher demand for trucking services. This also has to do with the nature of the country's trade balance in which the imports are higher than the exports. This means a higher demand for transporting goods from ports and/or borders to other parts of the country, compared to the demand for transporting goods

from other parts of the country to ports and/or borders. A higher demand for trucking services translates into higher fares.

For routes from Lahore to cities like Sukkur, Multan, Faisalabad, Jhang and Islamabad, the transportation fares are higher, compared to those for the return routes to Lahore.

**Table 18: Revenue Details-Hino SG1J Prime Mover 14-Wheeler Truck**

Services	Average Trips per vehicle/ year @100%	Current Operational Capacity per Year @60%	Average Bilti Price Per Trip (PKR)	Revenue (PKR)
Lahore to Karachi	72	43	190,000	8,170,000
Karachi to Lahore	72	43	247,000	10,621,000
Lahore to Gwadar	36	22	280,000	6,160,000
Gawadar to Lahore	36	22	364,000	8,008,000
<b>Total</b>	<b>216</b>	<b>130</b>		<b>32,959,000</b>

**Table 19: Revenue Details-Hino FM8J 10-Wheeler Truck**

Services	Average Trips per Vehicle / Year @100%	Current Operational Capacity per Year @60%	Average Bilti Price Per Trip (PKR)	Revenue (PKR)
Lahore to Sukkur	120	72	150,000	10,800,000
Sukkur to Lahore	120	72	135,000	9,720,000
Lahore to Quetta	96	58	170,000	9,860,000
Quetta to Lahore	96	58	221,000	12,818,000
Lahore to Peshawar	144	86	90,000	7,740,000
Peshawar to Lahore	144	86	108,000	9,288,000
<b>Total</b>	<b>720</b>	<b>432</b>		<b>60,226,000</b>

**Table 20: Revenue Details-Hino FG8J 6-Wheeler Truck**

Services	Average Trips per vehicle/year @100%	Current Operational Capacity per Year @60%	Average Bilti Price Per Trip (PKR)	Revenue (PKR)
Lahore to Multan	240	144	60,000	8,640,000
Multan to Lahore	240	144	54,000	7,776,000
Lahore to Faislabad	120	72	35,000	2,520,000
Faislabad to Lahore	120	72	30,000	2,160,000
Lahore to Jhang	120	72	45,000	3,240,000
Jhang to Lahore	120	72	38,000	2,736,000
Lahore to Islamabad	240	144	50,000	7,200,000
Islamabad to Lahore	240	144	44,000	6,336,000
<b>Total</b>	<b>1,440</b>	<b>864</b>		<b>40,608,000</b>

**Table 21: Revenue Details- Hyundai Shehzore 4-Wheeler Truck**

Services	Average Trips per vehicle/year @100%	Current Operational Capacity per Year @60%	Average Bilti Price Per Trip (PKR)	Revenue (PKR)
Within 10km	648	389	3,000	1,167,000
Within 20km	432	259	5,000	1,295,000
Within 40km	360	216	8,000	1,728,000
<b>Total</b>	<b>1,440</b>	<b>864</b>		<b>4,190,000</b>

**Table 22: Total Revenue**

Services	Revenue (PKR)
Hino SG1J Prime Mover 14-wheeler truck	32,959,000
Hino FM8J 10-wheeler truck	60,226,000
Hino FG8J 6-wheeler truck	40,608,000
Hyundai Shehzore 4-wheeler truck	4,190,000
<b>Total</b>	<b>137,983,000</b>

#### 9.4. Variable Cost Estimate

Variable costs of the project have been provided in Table 23.

**Table 23: Variable Cost Estimate**

Description of Costs	Amount (PKR)
Fuel Cost	42,718,830
Toll Tax	6,689,650
Challan Cost	4,013,790
Other Expenses <sup>9</sup>	13,379,300
Direct Labor	22,080,000
Vehicle Maintenance –Cost	12,416,183
Utilities	487,869
Renewal License Cost	13,000
Communications expense (phone, fax, mail, internet, etc.)	588,000
Office vehicles running expense	411,600
Office expenses (stationary, entertainment, janitorial services, etc.)	411,600
<b>Total</b>	<b>103,209,822</b>

<sup>9</sup> Other Expense may include entertainment expense, minor repair expense etc



**Table 24: Cost Details-Hino SG1J Prime Mover 14-Wheeler Truck**

Services	Distance (Km)	Average Truck Mileage per Liter (Km)	Total Consumption in Liters	Diesel Price (PKR)	Total Diesel Cost (PKR)	Toll Tax (PKR) 5% of revenue	Challan Cost (PKR) 3% of revenue	Other Expenses (PKR) 10% of revenue	Total Cost per Trip (PKR)	Total Cost (PKR)
Lahore to Karachi	1,260	3.5	360	264	95,040	9,500	5,700	19,000	129,240	5,557,320
Karachi to Lahore			360		95,040	12,350	7,410	24,700	139,500	5,998,500
Lahore to Gwadar	1,850		529		139,543	14,000	8,400	28,000	189,943	4,178,743
Gwadar to Lahore			529		139,543	18,200	10,920	36,400	205,063	4,511,383
Total										20,245,946

**Table 25: Cost Details-Hino FM8J-10 wheeler truck**

Services	Distance (Km)	Average Truck Mileage per Liter (Km)	Total Consumption in Liters	Diesel Price (PKR)	Total Diesel Cost (PKR)	Toll Tax (PKR) 5% of revenue	Challan Cost (PKR) 3% of revenue	Other Expenses(PKR) 10% of revenue	Total Cost per Trip (PKR)	Total Cost (PKR)
Lahore to Sukkur	780	5	156	264	41,184	7,500	4,500	15,000	68,184	4,909,248
Sukkur to Lahore			156		41,184	6,750	4,050	13,500	65,484	4,714,848
Lahore to Quetta	1,000		200		52,800	8,500	5,100	17,000	83,400	4,837,200
Quetta to Lahore			200		52,800	11,050	6,630	22,100	92,580	5,369,640
Lahore to Peshawar	540		108		28,512	4,500	2,700	9,000	44,712	3,845,232
Peshawar to Lahore			108		28,512	5,400	3,240	10,800	47,952	4,123,872
Total										27,800,040

**Table 26: Cost Details-Hino FG8J-6 wheeler truck**

Services	Distance (Km)	Average Truck Mileage per Liter (Km)	Total Consumption in Liters	Diesel Price (PKR)	Total Diesel Cost (PKR)	Toll Tax (PKR) 5% of revenue	Challan Cost (PKR) 3% of revenue	Other Expenses (PKR) 10% of revenue	Total Cost per Trip (PKR)	Total Cost (PKR)
Lahore to Multan	400	7	57	264	15,086	3,000	1,800	6,000	25,886	3,727,543
Multan to Lahore			57		15,086	2,700	1,620	5,400	24,806	3,572,023
Lahore to Faislabad	200	7	29		7,543	1,750	1,050	3,500	13,843	996,686
Faislabad to Lahore			29		7,543	1,500	900	3,000	12,943	931,886
Lahore to Jhang	280		40		10,560	2,250	1,350	4,500	18,660	1,343,520
Jhang to Lahore			40		10,560	1,900	1,140	3,800	17,400	1,252,800
Lahore to Islamabad	360		7		51	13,577	2,500	1,500	5,000	22,577
Islamabad to Lahore		51			13,577	2,200	1,320	4,400	21,497	3,095,589
Total										18,171,154

**Table 27: Cost Details- Hyundai Shehzore-4 wheeler truck**

Distance	Average Truck Millage per Liter (Km)	Total Consumption in Liters	Diesel Price (PKR)	Total Diesel Cost (PKR)	Other Expenses(PKR) 15% of revenue	Total Cost per Trip (PKR)	Total Cost (PKR)
Within 10 km	8	1	264	330	450	780	303,420
Within 20 km		3		660	750	1,410	365,190
Within 40 km		5		1,320	1,200	2,520	544,320
<b>Total</b>							<b>1,212,930</b>

**Table 28: Vehicle Maintenance Cost**

Cost Item	Percentage (%)	Vehicle Cost (PKR)	Total Cost (PKR)
Vehicle Maintenance Cost	10%	124,161,830	12,416,183
<b>Total Cost (PKR)</b>			<b>12,416,183</b>

**Table 29: Utilities**

Cost Item	Total Cost (PKR)
Head Office-Lahore	139,288
Branch Office-Karachi	86,818
Branch Office-Peshawar	56,843
Branch Office-Sukkur	83,313
Branch Office-Quetta	60,804
Branch Office-Gwadar	60,804
<b>Total Cost (PKR)</b>	<b>487,869</b>

**Table 30 Direct Labor**

Personnel	Number of Personnel	Salary Per Month Per-Resource (PKR)	Annual Salaries (PKR)
Driver-4 Wheeler	4	30,000	1,440,000
Driver-6 Wheeler	5	35,000	2,100,000
Driver-10 Wheeler	8	40,000	3,840,000
Driver-14 Wheeler	6	50,000	3,600,000
Technical Mechanic	3	30,000	1,080,000
Truck Helpers	20	25,000	6,000,000
Loader	5	25,000	1,500,000
Warehouse Keeper	6	35,000	2,520,000
<b>Total</b>	<b>57</b>		<b>22,080,000</b>

**Table 31: Variable Cost Assumptions**

Description of Costs	%	Rationale
Communications expense (phone, fax, mail, internet, etc.)	10%	% of administration expense
Office vehicles running expense	7%	% of Management

		staff expense
Office expenses (stationary, entertainment, janitorial services, etc.)	7%	of administration expense

### 9.5. Fixed Cost Estimate

Table 32 shows the estimated fixed cost of the project.

**Table 32: Fixed Cost Estimate**

Description of Costs	Amount (PKR)
Management Staff	5,880,000
Building rental expense	2,188,800
Promotional expense	137,983
Vehicle Insurance expense	1,862,427
Goods in Transit Insurance	1,379,830
Amortization of Vehicle Fitness Certificate	2,510
Depreciation expense	12,994,761
Amortization of pre-operating costs	77,131
<b>Total</b>	<b>24,523,442</b>

**Table 33 Management Staff**

Personnel	Number of Personnel	Salary Per Month Per-Resource (PKR)	Annual Salaries(PKR)
Supervisor	6	40,000	2,880,000
Finance & Accounts Officer	1	45,000	540,000
Sales & Marketing Officer	2	40,000	960,000
Office Boy	2	25,000	600,000
Security Guard	2	25,000	600,000
Sweeper	1	25,000	300,000
<b>Total</b>	<b>14</b>		<b>5,880,000</b>

**Table 34: Fixed Cost Assumptions**

Description of Costs	%	Rationale
Vehicle Insurance expense	1.5%	of Cost / WDVV

Goods in Transit Insurance	1%	of revenue
Promotional expense	0.1%	of revenue
<b>Depreciation Rate</b>		
Building/ Infrastructure	10%	of renovation cost
Office Equipment/ Furniture Fixtures	15%	of cost
Office Vehicles	10%	of cost

### 9.6. Financial Feasibility Analysis

The financial feasibility analysis provides the information regarding projected Internal Rate of Return (IRR), Net Present Value (NPV) and Payback period of the study, which is shown in Table 35.

**Table 35: Financial Feasibility Analysis**

Description	Project
IRR	28%
NPV (PKR)	20,471,866
Payback Period (years)	4.20
Projection Years	10
Discount rate used for NPV	25%

### 9.7. Financial Feasibility Analysis with 50% Debt

The financial feasibility analysis provides the information regarding projected IRR, NPV and payback period of the study on the basis of Debt: Equity Model (50:50), which is shown in Table 36.

**Table 36: Financial Feasibility Analysis with 50% Debt**

Description	Project
IRR	28%
NPV (PKR)	40,744,866
Payback Period (years)	4.18
Projection Years	10
Discount rate used for NPV	22%



### 9.8. Human Resource Requirement

The proposed project shall require the workforce as provided in Table 37

**Table 37: Human Resource**

Personnel	Number of Personnel	Salary Per Month Per-Resource (PKR)	Annual Salaries
Supervisor	6	40,000	2,880,000
Finance & Accounts Officer	1	45,000	540,000
Sales & Marketing Officer	2	40,000	960,000
Driver 4-Wheeler	4	30,000	1,440,000
Driver 6-Wheeler	5	35,000	2,100,000
Driver 10-Wheeler	8	40,000	3,840,000
Driver 14-Wheeler	6	50,000	3,600,000
Technical Mechanic	3	30,000	1,080,000
Truck Helpers	20	25,000	6,000,000
Loader	5	25,000	1,500,000
Warehouse Keepers	6	35,000	2,520,000
Office Boy	2	25,000	600,000
Security Guard	2	25,000	600,000
Sweeper	1	25,000	300,000
<b>Total</b>	<b>71</b>		<b>27,960,000</b>

## 10. CONTACT DETAILS

The contact details of all the major suppliers of machinery and equipment used in proposed project is given in Table 38.

**Table 38: Contact Details**

Name of Supplier	City	Address	Contact
Bismillah Logistics Lahore	Lahore	Patiala Ground, Anarkali Bazaar Lahore, Punjab 54000	0323-4354281
Pak-Afghan Logistics	Lahore	Al-Madad Pak Colony, Behind General Truck Stand, Ravi Link Road, Lahore	042-37532577
NSK Goods Transporter	Karachi	Mauripur Rd, Mauripur, Karachi, Karachi City, Sindh	021-32350818
Mehmood Goods Transport company	Karachi	Hawks Bay Truck Stand,, Hawks Bay Road, Mauripur Rd, Mauripur, Karachi	021-32354155
Ittefaq Goods Transport Company	Peshawar	2J7C+WJ6, Gulbahar, Peshawar, Khyber Pakhtunkhwa,	0336-1111271
M-Akram Goods Transport Company	Quetta	G6GP+H3F, Dera Murad Jamali, Nasirabad, Balochistan	0838-710508
Gulshan Goods Transport company	Quetta	3WQM+W44, Hazarganji, Quetta, Balochistan	0337-7103626
Hinopak Motors Limited	Karachi	D-2, S.I.T.E., Manghopir Road, P.O. Box No. 10714,Karachi	(92-21) 111-252525
Ghandara Nissan Limited	Karachi		021-32556942

## 11. USEFUL LINKS

**Table 39: Useful Links**

Name of Organization	E-mail Address
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>
Government of Pakistan	<a href="http://www.pakistan.gov.pk">www.pakistan.gov.pk</a>
Trade Development Authority of Pakistan	<a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>
Federal Board of Revenue	<a href="http://www.fbr.gov.pk">www.fbr.gov.pk</a>
Government of Punjab	<a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>
Government of Sindh	<a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>
Government of Khyber Pakhtunkhwa	<a href="http://www.kp.gov.pk">www.kp.gov.pk</a>
Government of Balochistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
Government of Azad Jammu and Kashmir	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
Government of Gilgit Baltistan	<a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>
Excise and Taxation Department Government of Sindh	<a href="http://www.excise.punjab.gov.pk">www.excise.punjab.gov.pk</a>
Excise and Taxation Department Government of Punjab	<a href="http://www.excise.gos.pk">www.excise.gos.pk</a>
Excise and Taxation Department Government of Balochistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
Excise and Taxation Department Government of KPK	<a href="http://www.kpexcise.gov.pk">www.kpexcise.gov.pk</a>
Punjab Transport Department	<a href="https://transport.punjab.gov.pk/">https://transport.punjab.gov.pk/</a>
Sindh Transport Department	<a href="https://transport.sindh.gov.pk/">https://transport.sindh.gov.pk/</a>
KP Transport Department	<a href="http://transport.kpdata.gov.pk/">http://transport.kpdata.gov.pk/</a>
Balochistan Transport Department	<a href="https://balochistan.gov.pk/departments/provincial-transport-authority/">https://balochistan.gov.pk/departments/provincial-transport-authority/</a>
Pakistan Automotive Manufacturers Association	<a href="https://www.pama.org.pk">https://www.pama.org.pk</a>
National Logistic Cell	<a href="https://www.nlc.com.pk/index.htm">https://www.nlc.com.pk/index.htm</a>
Fleet Operators Association Of Pakistan	<a href="https://foap.com.pk/">https://foap.com.pk/</a>

## 12. ANNEXURES

### 12.1. Income Statement

Calculations										
Income Statement										SMEDA
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue (Hino SG1J Prime Movers 14-Wheeler Trucks)	32,959,000	38,992,153	46,170,312	54,999,922	65,158,611	76,113,054	88,260,089	102,513,078	113,071,926	124,718,334
Revenue (Hino FM8J-10 wheeler truck)	60,226,000	71,787,652	85,326,872	100,893,577	118,761,789	139,240,474	162,330,279	189,082,724	208,558,244	230,039,743
Revenue (Hino FG8J 6-Wheeler Trucks)	40,608,000	48,523,176	57,638,068	68,115,845	80,140,563	93,919,731	109,687,196	127,706,365	140,860,120	155,368,713
Revenue (Hyundai Shehzore 4-Wheeler Trucks)	4,190,000	5,007,620	5,946,785	7,028,976	8,271,008	9,691,064	11,319,505	13,176,621	14,533,813	16,030,796
<b>Total Revenue</b>	<b>137,983,000</b>	<b>164,310,601</b>	<b>195,082,037</b>	<b>231,038,319</b>	<b>272,331,971</b>	<b>318,964,322</b>	<b>371,597,069</b>	<b>432,478,788</b>	<b>477,024,103</b>	<b>526,157,586</b>
<i>Cost of sales</i>										
Fuel Cost	42,718,830	50,831,775	60,329,765	71,500,582	84,332,548	98,738,488	114,970,211	133,770,766	147,549,154	162,746,717
Toll Tax	6,689,650	7,965,149	9,456,763	11,200,467	13,203,048	15,463,663	18,013,878	20,965,108	23,124,515	25,506,339
Challan Cost	4,013,790	4,779,089	5,674,058	6,720,280	7,921,829	9,278,198	10,808,327	12,579,065	13,874,709	15,303,804
Other Expenses	13,379,300	15,930,298	18,913,525	22,400,934	26,406,096	30,927,326	36,027,756	41,930,217	46,249,029	51,012,679
Direct Labor	22,080,000	24,221,760	26,571,271	29,148,684	31,976,106	35,077,789	38,480,334	42,212,927	46,307,580	50,799,416
Vehicle Maintenance - Cost	12,416,183	13,446,726	14,562,804	15,771,517	17,080,553	18,498,239	20,033,593	21,696,381	23,497,181	25,447,447
<b>Total cost of sales</b>	<b>101,297,753</b>	<b>117,174,798</b>	<b>135,508,186</b>	<b>156,742,465</b>	<b>180,920,181</b>	<b>207,983,702</b>	<b>238,334,099</b>	<b>273,154,463</b>	<b>300,602,168</b>	<b>330,816,402</b>
<b>Gross Profit</b>	<b>36,685,247</b>	<b>47,135,803</b>	<b>59,573,851</b>	<b>74,295,855</b>	<b>91,411,791</b>	<b>110,980,620</b>	<b>133,262,970</b>	<b>159,324,325</b>	<b>176,421,935</b>	<b>195,341,184</b>
<i>General administration &amp; selling expenses</i>										
Management Staff	5,880,000	6,450,360	7,076,045	7,762,421	8,515,376	9,341,368	10,247,480	11,241,486	12,331,910	13,528,105
Building rental expense	2,188,800	2,407,680	2,648,448	2,913,293	3,204,622	3,525,084	3,877,593	4,265,352	4,691,887	5,161,076
Utilities										
<b>Head Office-Lahore</b>	<b>139,288</b>	<b>150,292</b>	<b>162,165</b>	<b>174,976</b>	<b>188,799</b>	<b>203,715</b>	<b>219,808</b>	<b>237,173</b>	<b>255,910</b>	<b>276,126</b>
<b>Branch Office</b>										
Karachi	86,818	93,676	101,077	109,062	117,677	126,974	137,005	147,828	159,507	172,108
Peshawar	56,843	61,334	66,179	71,407	77,048	83,135	89,703	96,789	104,436	112,686
Sukkur	83,313	89,895	96,996	104,659	112,927	121,848	131,474	141,861	153,068	165,160
Quetta	60,804	65,607	70,790	76,383	82,417	88,928	95,953	103,533	111,712	120,538
Gwadar	60,804	65,607	70,790	76,383	82,417	88,928	95,953	103,533	111,712	120,538
	487,869	526,411	567,997	612,869	661,286	713,528	769,896	830,718	896,345	967,156
Renewal License Cost	13,000	14,339	15,816	17,445	19,242	21,224	23,410	25,821	28,480	31,414
Communications expense (phone, fax, mail, internet, etc.)	588,000	645,036	707,604	776,242	851,538	934,137	1,024,748	1,124,149	1,233,191	1,352,811
Office vehicles running expense	411,600	453,995	500,756	552,334	609,225	671,975	741,188	817,530	901,736	994,615
Office expenses (stationary, entertainment, janitorial services, etc)	411,600	451,525	495,323	543,369	596,076	653,896	717,324	786,904	863,234	946,967
Promotional expense	137,983	164,311	195,082	231,038	272,332	318,964	371,597	432,479	477,024	526,158
Vehicle Insurance expense	1,862,427	1,676,185	1,489,942	1,303,699	1,117,456	931,214	744,971	558,728	372,485	186,243
Goods in Transit Insurance	1,379,830	1,643,106	1,950,820	2,310,383	2,723,320	3,189,643	3,715,971	4,324,788	4,770,241	5,261,576
Amortization of Vehicle Fitness Certificate	2,510	2,510	2,510	2,510	2,510	-	-	-	-	-
Depreciation expense	12,994,761	12,994,761	12,994,761	12,994,761	12,994,761	12,994,761	12,817,551	13,473,042	13,473,042	13,473,042
Amortization of pre-operating costs	77,131	77,131	77,131	77,131	77,131	-	-	-	-	-
<b>Subtotal</b>	<b>26,435,512</b>	<b>27,507,349</b>	<b>28,722,236</b>	<b>30,097,497</b>	<b>31,644,875</b>	<b>33,295,792</b>	<b>35,051,728</b>	<b>37,880,997</b>	<b>40,039,576</b>	<b>42,429,162</b>
<b>Operating Income</b>	<b>10,249,735</b>	<b>19,628,454</b>	<b>30,851,614</b>	<b>44,198,358</b>	<b>59,766,916</b>	<b>77,684,828</b>	<b>98,211,242</b>	<b>121,443,327</b>	<b>136,382,359</b>	<b>152,912,021</b>
Gain / (loss) on sale of machinery & equipment	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	497,050	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	-	-	-	-
<b>Earnings Before Interest &amp; Taxes</b>	<b>10,249,735</b>	<b>19,628,454</b>	<b>30,851,614</b>	<b>44,198,358</b>	<b>59,766,916</b>	<b>77,684,828</b>	<b>98,708,292</b>	<b>121,443,327</b>	<b>136,382,359</b>	<b>152,912,021</b>
<b>Earnings Before Tax</b>	<b>10,249,735</b>	<b>19,628,454</b>	<b>30,851,614</b>	<b>44,198,358</b>	<b>59,766,916</b>	<b>77,684,828</b>	<b>98,708,292</b>	<b>121,443,327</b>	<b>136,382,359</b>	<b>152,912,021</b>
Tax	2,578,677	5,618,536	9,726,774	14,064,466	24,838,421	31,109,690	38,467,902	46,425,165	51,653,826	57,439,207
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>7,671,058</b>	<b>14,009,918</b>	<b>21,124,840</b>	<b>30,133,892</b>	<b>34,928,495</b>	<b>46,575,138</b>	<b>60,240,390</b>	<b>75,018,163</b>	<b>84,728,533</b>	<b>95,472,814</b>

## 12.2. Balance Sheet

Calculations	SMDA										
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	4,500,000	21,395,534	39,723,309	59,062,941	79,854,364	99,263,132	121,325,496	138,852,226	165,508,850	190,500,663	215,616,605
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	-	200,640	220,704	242,774	267,052	293,757	323,133	355,446	390,991	430,090	-
<b>Total Current Assets</b>	<b>6,362,427</b>	<b>23,272,359</b>	<b>41,433,955</b>	<b>60,609,415</b>	<b>81,238,872</b>	<b>100,488,103</b>	<b>122,393,600</b>	<b>139,766,400</b>	<b>166,272,326</b>	<b>191,116,996</b>	<b>215,616,605</b>
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	469,478	422,530	375,582	328,634	281,687	234,739	187,791	140,843	93,896	46,948	-
Furniture & fixtures	1,556,000	1,322,600	1,089,200	855,800	622,400	389,000	155,600	2,955,857	2,512,479	2,069,100	1,625,722
Trucks	124,161,830	111,745,647	99,329,464	86,913,281	74,497,098	62,080,915	49,664,732	37,248,549	24,832,366	12,416,183	-
Office equipment	1,988,200	1,689,970	1,391,740	1,093,510	795,280	497,050	198,820	3,776,887	3,210,354	2,643,821	2,077,288
Security against building	547,200	547,200	547,200	547,200	547,200	547,200	547,200	547,200	547,200	547,200	547,200
<b>Total Fixed Assets</b>	<b>128,722,708</b>	<b>115,727,947</b>	<b>102,733,186</b>	<b>89,738,425</b>	<b>76,743,665</b>	<b>63,748,904</b>	<b>50,754,143</b>	<b>44,669,336</b>	<b>31,196,294</b>	<b>17,723,252</b>	<b>4,250,209</b>
<i>Intangible assets</i>											
Pre-operation costs	385,656	308,525	231,393	154,262	77,131	-	-	-	-	-	-
Vehicle Fitness Certificate	12,550	10,040	7,530	5,020	2,510	-	-	-	-	-	31,387
<b>Total Intangible Assets</b>	<b>398,206</b>	<b>318,565</b>	<b>238,923</b>	<b>159,282</b>	<b>79,641</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,387</b>
<b>TOTAL ASSETS</b>	<b>135,483,341</b>	<b>139,318,870</b>	<b>144,406,064</b>	<b>150,507,122</b>	<b>158,062,178</b>	<b>164,237,007</b>	<b>173,147,743</b>	<b>184,435,737</b>	<b>197,468,620</b>	<b>208,840,247</b>	<b>219,898,201</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current 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>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	135,483,341	135,483,341	135,483,341	135,483,341	135,483,341	135,483,341	135,483,341	135,483,341	135,483,341	135,483,341	135,483,341
Retained earnings	-	3,835,529	8,922,723	15,023,782	22,578,837	28,753,666	37,664,402	48,952,396	61,985,279	73,356,906	84,414,860
<b>Total Equity</b>	<b>135,483,341</b>	<b>139,318,870</b>	<b>144,406,064</b>	<b>150,507,122</b>	<b>158,062,178</b>	<b>164,237,007</b>	<b>173,147,743</b>	<b>184,435,737</b>	<b>197,468,620</b>	<b>208,840,247</b>	<b>219,898,201</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>135,483,341</b>	<b>139,318,870</b>	<b>144,406,064</b>	<b>150,507,122</b>	<b>158,062,178</b>	<b>164,237,007</b>	<b>173,147,743</b>	<b>184,435,737</b>	<b>197,468,620</b>	<b>208,840,247</b>	<b>219,898,201</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		7,671,058	14,009,918	21,124,840	30,133,892	34,928,495	46,575,138	60,240,390	75,018,163	84,728,533	95,472,814
Add: depreciation expense		12,994,761	12,994,761	12,994,761	12,994,761	12,994,761	12,994,761	12,817,551	13,473,042	13,473,042	13,473,042
amortization of pre-operating costs		77,131	77,131	77,131	77,131	77,131	-	-	-	-	-
amortization of License Cost		2,510	2,510	2,510	2,510	2,510	-	-	-	-	-
Pre-paid building rent	-	(200,640)	(20,064)	(22,070)	(24,277)	(26,705)	(29,376)	(32,313)	(35,545)	(39,099)	430,090
Advance insurance premium	(1,862,427)	186,243	186,243	186,243	186,243	186,243	186,243	186,243	186,243	186,243	186,243
Cash provided by operations	(1,862,427)	20,731,063	27,250,498	34,363,414	43,370,259	48,162,435	59,726,766	73,211,870	88,641,903	98,348,719	109,562,188
<i>Financing activities</i>											
Issuance of shares	135,483,341	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	135,483,341	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(129,120,913)	-	-	-	-	-	-	(6,732,744)	-	-	(31,387)
Cash (used for) / provided by investing activities	(129,120,913)	-	-	-	-	-	-	(6,732,744)	-	-	(31,387)
NET CASH	4,500,000	20,731,063	27,250,498	34,363,414	43,370,259	48,162,435	59,726,766	66,479,126	88,641,903	98,348,719	109,530,801

## 13. KEY ASSUMPTIONS

### 13.1. Operating Cost Assumptions

**Table 40: Operating Cost Assumptions**

Description	Details
Operating costs growth rate	8.3%
Communication expenses	10% of administration expense
Office Vehicle running expenses	7% of management staff expenses
Office expenses (stationery, janitorial, etc.)	7% of administration expense

### 13.2. Revenue Assumptions

**Table 41: Revenue Assumptions**

Description	Details
Sale price growth rate	10.3%
Capacity utilization	60%
Capacity utilization growth rate	5%
Maximum capacity	95%

### 13.3. Financial Assumptions

**Table 42: Financial Assumptions**

Description	Details
Project life (Years)	10
Debt: Equity	0:100
Discount Rate with Equity	25%

### 13.4. Debt-Related Assumptions

**Table 43: Debt-Related Assumptions**

Description of Cost	Details
Project Life (Years)	10
Debt: Equity	50:50
Discount Rate with Debt: Equity (50:50)	22%
Debt Tenure	5 years
Grace Period	1 Year
Interest Rate (KIBOR+3%)	19%

# Small and Medium Enterprises Development Authority

## HEAD OFFICE

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

[www.smeda.org.pk](http://www.smeda.org.pk), [helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

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