Pre-Feasibility Study

(Fast Food Restaurant)

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Ministry of Industries & Production
Government of Pakistan

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Note: All SMEDA Services / information related to PM's Youth Business Loan are Free of Cost

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1. DISCLAIMER

This information memorandum is to introduce the subject matter and provide a general idea and information on the subject. 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. 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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SMEDA

2. 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, production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Restaurant Cum Fast Food Restaurant (Take Away)** 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.

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 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. INTRODUCTION TO SCHEME

Prime Minister's Youth Business Loan for young entrepreneurs, with an allocated budget of Rs. 5.0 Billion for the year 2013-14, is designed to provide subsidised financing at 8% mark-up per annum for one hundred thousand (100,000) beneficiaries, by designated financial institutions, initially by National Bank of Pakistan (NBP) and First Women Bank Ltd. (FWBL).

Loans from Rs. 0.1 million to Rs. 2.0 million, with tenure up to 8 years, inclusive of 1 year grace period and a debt: equity of 90 : 10 will be disbursed to SME beneficiaries across Pakistan, covering; Punjab, Sindh, Khyber Pakhtunkhwah, Balochistan, Gilgit Baltistan, Azad Jammu & Kashmir and Federally Administered Tribal Areas (FATA).

5. EXECUTIVE SUMMARY

The fast food restaurant is proposed to be established at a location that has a continuous stream of traffic, convenient parking, and is in proximity to other businesses, preferably near densely populated middle income areas or flat complexes. Major cities like Karachi, Hyderabad, Sukkur, Larkana, Multan, Lahore, Gujranwala, Faisalabad, Sialkot, Gujrat, Rawalpindi, Peshawar, Hub and Quetta etc. are suitable to house the project. Common menu items at the proposed fast food outlet include sandwiches, burgers, fried chicken, Chinese soups, Chinese rice variants, French fries, salad and cold drinks.

The fast food restaurant will have an installed capacity to serve 335 clients per day; however, the restaurant would initially start business with 140-150 clients. 10 personnel would be required to manage the operations of fast food restaurant.

Total Cost Estimates are Rs. 2.20 million with a fixed investment of Rs. 1.88 million and an initial working capital requirement of Rs. 0.32 million.

Given the cost assumptions, internal rate of Return (IRR) and payback are 54% and 2.25 years respectively.

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

1. Choosing the right location for the fast food outlet
2. Creating the right menu and menu pricing
3. Hiring experienced cooks and staff
4. Knowing the competition

6. BRIEF DESCRIPTION OF PROJECT AND PRODUCT

Fast food is a name given to food which is prepared with preheated or pre-cooked ingredients and served to customers in a packaged form for take-away or dine in. Many fast-food restaurants operate chains or franchise operations, where standardized foodstuff is shipped to each restaurant from a central location. There are also simpler fast-food outlets, such as stands or kiosks, which may or may not provide seating arrangements for customers. As capital requirements to start a fast-food restaurant are relatively low, individually-owned fast-food restaurants have become popular and common throughout Pakistan. Market growth largely depends on demographics, urbanization, changing lifestyle patterns and demand for convenience. Thus all these variables determine the potential of fast food business.

- **Technology:** The proposed setup with used fast food cooking machinery including fryers, grilling machine, soup containers and pre-processing equipment would serve popular fast food and Chinese cuisine.
- **Location:** The business is envisaged to be established as a fast food take-away/outlet, with limited seating capacity on rented premises/shop of around 500 sqft., near a densely populated area suitable for fast food. Major cities like Karachi, Hyderabad, Sukkur, Larkana, Multan, Lahore, Gujranwala, Faisalabad, Sialkot, Gujrat, Rawalpindi, Islamabad, Peshawar, Hub or Quetta etc. are suitable to establish the business.
- **Product:** Four popular fast food items, including fried chicken, burgers, sandwiches, Chinese fried rice and soups, have been selected to be served separately or as combo meals through the outlet. The restaurant is proposed to have an installed capacity of serving 335 customer per day but is estimated to start with 140-150 customers per day.
- **Target Market:** The middle income segment of major cities such as Karachi, Hyderabad, Sukkur, Larkana, Multan, Lahore, Gujranwala, Faisalabad, Sialkot, Gujrat, Rawalpindi, Islamabad, Peshawar, Hub or Quetta etc. is the target market for the business.
- **Employment Generation:** The proposed project will provide direct employment to 10 people.

7. CRITICAL FACTORS

Whether an entrepreneur is opening a one-of-a-kind no-frills fast food restaurant or trying to expand an existing fast food outlet into a multi-unit chain, there are

winning principles that can improve the chances of success. Some key success factors are as follows:

- Selecting the right location and layout
- Hiring well experienced staff especially cooks and servers
- Quality & Hygiene
- Creating the right menu
- Menu pricing
- Operational food quality consistency
- Knowing the competition

8. INSTALLED AND OPERATIONAL CAPACITIES

In the fast food restaurant business, the installed capacities are mainly dependant on the location and layout of the outlet, service style, food concept and the target market. The proposed fast food business is envisaged to be established as a take-away outlet with limited seating capacity around it.

The restaurant is expected to serve around 335 customers in a day. At start up, the operational capacities are estimated to be around 140-150 clients. Once the fast food gains popularity and acceptance, sales are expected to increase with the same installed capacity.

9. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

In recent years, much of the expansion in the fast food business has been in the form of "satellite" outlets. These tend to be smaller in size, with little or no seating capacity, and are often in nontraditional locations, such as office buildings, department stores, airports, and gasoline stations i.e. locations chosen specifically to maximize convenience and consumer accessibility. It is important to find a location that has a continuous stream of traffic, convenient parking, and is in proximity to other businesses or densely populated middle income areas / apartment buildings, where the target market is available.

Here are some factors to consider when deciding on a location to establish a fast food outlet:

- **Anticipated sales volume.** Estimate the sales potential of a location.
- **Accessibility and visibility.** Consider how easy it will be for customers to get to the outlet. If an entrepreneur is relying on strong pedestrian traffic, it

should be considered whether or not nearby businesses will generate foot traffic.

- **The rent-paying capacity of the business.** Sales-and-profit projections give a fair idea of how much revenue can be generated. This information can be used to decide how much rent can be paid.
- **Restrictive ordinances.** Unusually restrictive ordinances can be encountered that make an otherwise strong site less than ideal.
- **Traffic density.** Two factors are especially important in this analysis: total pedestrian traffic during business hours and the percentage of it that is likely to patronize the food service business.
- **Customer parking facilities.** The site should provide convenient and adequate parking and easy access for customers.
- **Proximity to other businesses.** Neighboring businesses may influence the fast food's sales volume, and their presence can have both positive and negative implications.
- **History of the site.** The recent history of each site under consideration should be ascertained before making a final selection.
- **Terms of the lease.** All the details of the lease must be carefully read, as it is possible to encounter unacceptable lease terms for an otherwise excellent site.
- **Future development.** The local Development Authority / Planning Board should be consulted to check if any development is planned for the future that could affect the business, such as bridges, underpasses or any construction restricting accessibility.

10. POTENTIAL TARGET MARKETS / CUTOMERS

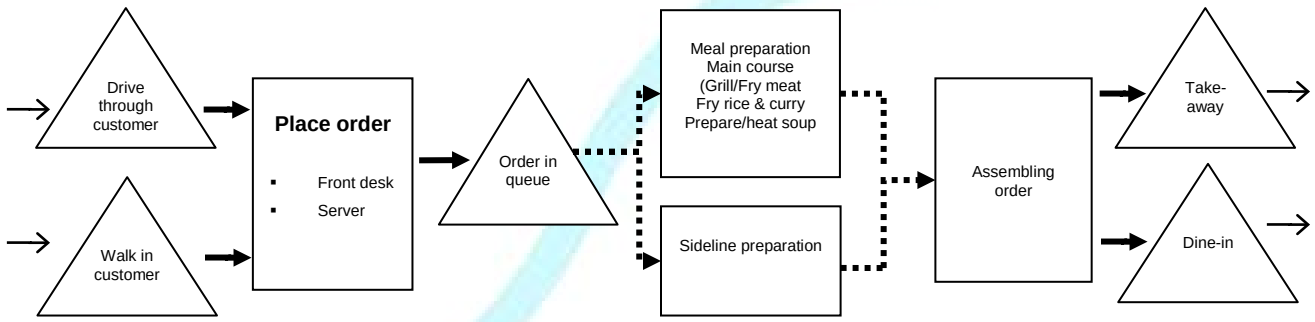
The fast food restaurant market is a growing segment in Pakistan relying heavily on the changing lifestyle patterns, population growth of the target age group and increase in employment of women. The fast food consumption has also increased due to increase in the employment rate of male / female population aged between 20 to 45 years (fast food goers). In today's hectic urban lifestyles, demand for convenience dominates all other preferences. People want quick and convenient meals. They do not want to spend a lot of time preparing meals, traveling to pick up meals, or waiting for meals in restaurants. As a result, consumers rely on fast food. However, the major chunk of fast-food goers, the middle income segment, prefers visiting outlets that offer fast food at affordable prices. Fast Food outlets tend to focus on the "work while you eat" or "shop while

you eat" philosophy and fast food restaurants are rapidly becoming the eateries "everyone can agree on", with many featuring menu combos for children, play areas and fancy branding campaigns, designed to appeal to younger customers.

11. PROCESS FLOW

The service delivery diagram of the proposed fast food restaurant is as follows.

Service Process



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12. 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.

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

12.1 Project Economics

The following table shows internal rates of return and payback period for fast-food restaurant starting operations with 140-150 clients.

Table 1 - Project Economics

Description	Details
Internal Rate of Return (IRR)	54%
Payback Period (yrs)	2 .25 years
Net Present Value (NPV)	Rs 6,997,879

Returns on the project and its profitability are highly dependent on the location, quality of food and service, efficiency of the service team, interest of the owner manager and competition.

12.2 Project Financing

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

Table 2 - Project Financing

Description	Details
Total Equity (10%)	Rs.219,936
Bank Loan (90%)	Rs. 1,979,428
Markup to the Borrower (%age/annum)	08%
Tenure of the Loan (Years)	08
Grace period (Year)	1

12.3 Project Cost

Following requirements have been identified for operations of the proposed business.

Table 3: Capital Investment for the Project

Capital Investment	Amount (Rs.)
Renovation Cost	233,000
Furniture & fixtures	181,250
Machinery & Equipment	933,500
Advance Rent and Gas Security Deposit (GSD)	505,000
Preliminary Expenses	25,000
Total Capital Cost	**1,877,750**
Initial Working Capital	321,615
Total Project Cost	**2,199,365**

12.4 Space Requirement

The land requirement is around 500 sqft. It is recommended that the fast food outlet be opened on the ground floor of flat complexes or shopping malls or any other area with high retail consumer traffic. As per the proposed service style, the floor space needs to be carefully allocated to allow for maximum space for food preparation and store. The allocation of space between different sections would be as follows:

Table 4: Space Requirement

Space Requirement (in ft.)	Area (Sqft.)	Cost of Renovation Amount (Rs.)
Kitchen and preparation	350	175,000
Store	100	30,000
Front desk/reception	25	20,500
Waiting area	25	7,500
Total Area	**500**	**233,000**

The proposed premise would be acquired on rental basis with 3 months deposit and 3 months advance rent after which, rent will be payable every month. The monthly rent is estimated at approximately Rs. 85 / Sq. feet amounting to Rs. 42,500 per month for the proposed fast food outlet (500 Sq Ft.). The premise renovation costs of Rs. 233,000/- would be depreciated at the rate of 10% per annum using diminishing balance method.

12.5 Machinery and Equipment

Fast-food machines are easily available in the local market but the entrepreneur also has the choice to select from international brands such as Spinzer, Frymaster, Henny Penny, Lincoln, Ayrking, Keating, Mirror, Carpigiani, Lincat, Morretti, Ilsa, Round-Up, Sanyo, Elettrobar etc. Chinese brands have gained popularity over the years and can also be considered. The machines can be purchased through international vendors with a minimum delivery period of 3 months while refurbished / reconditioned machines are also available. There is also an option to procure used machines from closing outlets but the durability and reliability factor must be taken into consideration while buying such machines.

The typical fast food restaurant as outlined above would require the following machine / equipment for its operations:

Table 5: List of Machinery and Equipment

Description	Quantity	Cost Rs/unit	Total Rs.
Freezers (12 cf.)	2	40,000	80,000
Broast Machine (15 Pound Capacity)	1	615,000	615,000
Deep Well Fryer (Single Valve With 2 Baskets)	1	40,000	40,000
Hot Plate for Burgers, Kebab, Sandwiches (30"x22")	1	33,000	33,000
Bin Marry Soup Container (2 Valve With Steel Cabinet)	1	50,000	50,000
Potato Cutter (8mm)	1	3,500	3,500
Peeler (4.5 Kg Potato Peeling Capacity)	1	7,000	7,000
Microwave	1	10,000	10,000
Generator 1.5 kva	1	75,000	75,000
Keg rack and others	2	10,000	20,000
Total			**933,500**

12.6 Furniture and Fixtures

The project is envisaged to operate as a take-away fast food; however a limited seating arrangement around the outlet, similar to existing local fast foods, would be provided to entertain a maximum of 40 customers at a time. The following

table gives the details of the furniture and fixtures requirement for the front and back-house operations.

Table 6: Furniture and Fixtures Costs

Description	Quantity	Cost (Rs.)	Amount (Rs.)
Dining Table – Square	10	3,500	35,000
Chairs (Standard 14")	40	1,500	60,000
Kitchen Cutlery Set	2	2,500	5,000
Dining Cutlery (Plate, Fork, Knife, Spoon, Glass)	60	150	9,000
Hot Water Geyser Large	1	20,000	20,000
Lights / CFLs	15	250	3,750
Wall Lights (Large)/ Tube lights	6	750	4,500
Portable Emergency Light	4	2,500	10,000
Working tables/counter	1	15,000	15,000
Counter Chairs	2	1,500	3,000
Office Counter & Chair Set	1	10,000	10,000
Waiting Chairs for Take Away Customers	4	1,500	6,000
Total			**181,250**

12.7 Raw Material Requirements

It is assumed that material inventory for 5-6 days would be kept at the restaurant. The cost of material required is as under.

Table 7: Cost of Raw Material

Description	Cost (Rs.)
Material for fried chicken	20,324
Material for burgers	21,165
Material for sandwiches	9,772
Material for Chinese food	19,323
Soft drinks and fries etc.	15,397
Packaging material	1,134
Total Raw Material Cost	**87,115**

The raw material cost is estimated to increase by 12% annually.

12.8 Human Resource Requirement

The human resource requirement is as follows:

Table 9: Human Resource Requirement

Description	No. of Employees	Salary per month (Rs.)	Total monthly salary (Rs.)
Owner Manager	1	28,000	28,000
Kitchen Supervisor	1	15,000	15,000
Cook	3	12,000	36,000
Servers	3	10,000	30,000
Dishwasher	1	10,000	10,000
Cleaner	1	10,000	10,000
Total Staff	**10**		**129,000**

Considering the size of the proposed establishment, it is assumed that the owner would be managing the overall affairs of the fast food setup. Owner will process and check bills, invoices, cash and also maintain accounts etc.

It is essential to hire experienced cooks, trained in operating fast food machinery for the project. The proposed project would need a total of 10 persons to handle the fast food operations. Salaries of all employees are estimated to increase at the rate of 10% annually.

12.9 Revenue Generation

The Sales are expected to increase by 12% every year. The 12% annual increase in revenue is expected to result from a part increase in customer traffic and part increase in product price. The prices used to calculate the gross revenue earned are based on the billing rate at which the entrepreneur will charge the customer.

The item-wise estimated revenue for the restaurant is as follows

Table 10: Revenue

Item Description	Unit	Sales Price (Rs./Unit)	First Year Sales (No.)	First Year Sales Revenue (Rs.)
Chicken Broast (Qtr.)	No	145	4,320	626,400
Chicken Broast (Half)	No	290	2,880	835,200
Chicken Broast (Full)	No	550	1,440	792,000
Chicken Burger	No	120	4,320	518,400

Chicken Cheese Burger	No	140	3,600	504,000
Beef Burger	No	100	3,600	360,000
Beef Cheese Burger	No	120	3,600	432,000
Zinger Burger	No	140	4,320	604,800
Chicken Sandwich	No	120	3,600	432,000
Egg Sandwich	No	100	1,440	144,000
Beef Sandwich	No	110	720	79,200
Club Sandwich	No	140	3,600	504,000
Hot & Sour Soup (2 Servings)	No	150	1,440	216,000
Hot & Sour Soup (4 Servings)	No	280	720	201,600
Chicken Corn Soup (2 Servings)	No	150	1,440	216,000
Chicken Corn Soup (4 Servings)	No	280	720	201,600
Plain Rice	No	100	720	72,000
Chicken Fried Rice	No	160	2,880	460,800
Vegetable Fried Rice	No	110	1,080	118,800
Egg Fried Rice	No	130	720	93,600
Beef Fried Rice	No	150	720	108,000
Beef Chili (w/o rice)	No	230	1,440	331,200
Chicken Chili (w/o rice)	No	250	1,800	450,000
French Fries (per plate)	No	50	1,440	72,000
Cole Slaw	No	25	1,440	36,000
Soft Drinks (Large)	No	80	2,160	172,800
Soft Drinks (Regular 250ml)	No	20	74,880	1,497,600
Total Sales Revenue				**10,080,000**

12.10 Other Costs

Machinery Maintenance: All machines require routine cleaning and maintenance after every three months and an annual service which costs around 1% to 5% of the total cost depending upon the use of the machine and operator's skill. The maintenance cost for machinery is assumed at 2.5% of the depreciated cost of machinery and equipment.

- **Rent and deposits:** The proposed premises will be acquired on a rental basis with 3 month deposit and 3 months advance rent after which rent will be payable on a monthly basis. The rent is estimated to be Rs. 85/ Sqft / month amounting to Rs. 42,500 per month for the proposed fast food outlet (500 Sq Ft.). A fixed Gas Security amounting to Rs. 250,000/- for gas connection (GSD) would have to be deposited with the local utility agency.
- **Utilities Requirements:** The following table presents the estimated breakup of utilities on a monthly basis:

Table 11: Utilities

Description	Monthly Charges (Rs.)
Electricity	35,000
Gas	22,000
Water	3,000
Telephone	3,000
Total	**63,000**

- **Working Capital Requirements:** It is estimated that an additional amount of Rs. 321,615 will be required as cash in hand to meet the initial working capital requirements / contingency cash. The requirement is based on the rent, utilities and salaries expenses for at least one month and 5-6 days' raw material inventory. The following table gives the break up.

Table 10: Working Capital

Description	Days	Charges (Rs.)
Utilities	30	63,000
Salaries	30	129,000
Raw Material	6	87,115
Rent	30	42,500
Total		**321,615**

- **Preliminary Expenses:** The provision for preliminary expenses is assumed to be Rs. 25,000, which will be amortized equally over a 5 year period.
- **Miscellaneous Expenses:** A monthly figure of Rs. 30,000 (1,000 per day) is assumed to be incurred for miscellaneous expenses which are expected to increase at the rate of 10% per annum for the projected period.
- **Taxation:** The business is assumed to be run as a sole proprietorship. Therefore, tax rates applicable on the income of a non salaried individual taxpayer are used for purpose income tax calculation.
- **Cost of Capital:** The cost of capital is explained in the following table:

Table 10: Cost of Capital

Particulars	Rate
Required return on equity	20.0 %
Cost of finance	08.0 %
Weighted average cost of capital	09.2 %

The weighted average cost of capital is based on debt / equity ratio of 90:10.

13. CONTACTS DETAILS OF SUPPLIERS, EXPERTS / CONSULTANTS

There are many local suppliers of fast food machinery working in Karachi and other cities that may be contacted for quotes or procurement.

- **Director General**

  National Institute of Food Science and Technology

  University of Agriculture, Faisalabad

  Phone**:** 041-9200161-70/3011

14. ANNEXURE

14.1 Income Statement

FAST FOOD RESTAURANT										
Projected Income Statement (Rs.)	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Revenue	**10,080,000**	**11,289,600**	**12,644,352**	**14,161,674**	**15,861,075**	**17,764,404**	**19,896,133**	**22,283,669**	**24,957,709**	**27,952,634**
Net Sales	**10,080,000**	**11,289,600**	**12,644,352**	**14,161,674**	**15,861,075**	**17,764,404**	**19,896,133**	**22,283,669**	**24,957,709**	**27,952,634**
Raw Material Cost	6,110,640	6,843,917	7,665,187	8,585,009	9,615,210	10,769,036	12,061,320	13,508,678	15,129,720	16,945,286
Labor & Salaries	1,548,000	1,702,800	1,873,080	2,060,388	2,266,427	2,493,069	2,742,376	3,016,614	3,318,275	3,650,103
Utilities	756,000	831,600	914,760	1,006,236	1,106,860	1,217,546	1,339,300	1,473,230	1,620,553	1,782,608
Cost of Sales	**8,414,640**	**9,378,317**	**10,453,027**	**11,651,633**	**12,988,497**	**14,479,651**	**16,142,996**	**17,998,522**	**20,068,548**	**22,377,997**
Gross Profit	**1,665,360**	**1,911,283**	**2,191,325**	**2,510,041**	**2,872,578**	**3,284,754**	**3,753,136**	**4,285,146**	**4,889,161**	**5,574,636**
General Administrative & Selling Expenses										
Rent Expense	510,000	561,000	617,100	678,810	746,691	821,360	903,496	993,846	1,093,230	1,202,553
Office & Miscellaneous Expenses	360,000	396,000	435,600	479,160	527,076	579,784	637,762	701,538	771,692	848,861
Amortization Expenses	5,000	5,000	5,000	5,000	5,000	-	-	-	-	-
Depreciation Expense	134,775	121,298	109,168	98,251	88,426	79,583	71,625	64,462	58,016	52,215
Maintenance Expense	21,004	18,903	17,013	15,312	13,781	12,403	11,162	10,046	9,041	8,137
Subtotal	***1,030,779***	***1,102,201***	***1,183,881***	***1,276,533***	***1,380,973***	***1,493,129***	***1,624,045***	***1,769,892***	***1,931,980***	***2,111,766***
Operating Income	**634,581**	**809,082**	**1,007,444**	**1,233,508**	**1,491,605**	**1,791,624**	**2,129,091**	**2,515,254**	**2,957,181**	**3,462,870**
Financial Charges (08% Per Annum)	158,354	150,411	132,166	112,408	91,009	67,835	42,737	15,556	-	-
Earnings Before Taxes	**476,227**	**658,672**	**875,278**	**1,121,100**	**1,400,596**	**1,723,789**	**2,086,354**	**2,499,698**	**2,957,181**	**3,462,870**
Tax	7,623	25,867	53,792	90,665	132,589	192,258	264,771	347,440	461,795	588,218
Net Profit	**468,604**	**632,805**	**821,486**	**1,030,435**	**1,268,006**	**1,531,531**	**1,821,583**	**2,152,258**	**2,495,385**	**2,874,653**
Monthly Profit After Tax	**39,050**	**52,734**	**68,457**	**85,870**	**105,667**	**127,628**	**151,799**	**179,355**	**207,949**	**239,554**

14.2 Statement of Cash Flow

FAST FOOD RESTAURANT

Projected Statement of Cash Flows (Rs.)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Flow From Operating Activities											
Net Profit	-	468,604	632,805	821,486	1,030,435	1,268,006	1,531,531	1,821,583	2,152,258	2,495,385	2,874,653
Add: Depreciation Expense	-	134,775	121,298	109,168	98,251	88,426	79,583	71,625	64,462	58,016	52,215
Amortization Expense	-	5,000	5,000	5,000	5,000	5,000	-	-	-	-	-
(Increase) / Decrease in RM Inventory	-	(10,454)	(11,708)	(13,113)	(14,687)	(16,449)	(18,423)	(20,634)	(23,110)	(25,883)	(28,989)
Net Cash Flow From Operations	**-**	**597,926**	**747,394**	**922,541**	**1,119,000**	**1,344,983**	**1,592,691**	**1,872,574**	**2,193,611**	**2,527,519**	**2,897,878**
Cash Flow From Financing Activities											
Receipt of Long Term Debt	1,979,428										
Repayment of Long Term Debt		-	(219,811)	(238,055)	(257,814)	(279,212)	(302,386)	(327,484)	(354,665)	-	-
Owner's Equity	219,936										
Net Cash Flow From Financing Activities	**2,199,365**	**-**	**(219,811)**	**(238,055)**	**(257,814)**	**(279,212)**	**(302,386)**	**(327,484)**	**(354,665)**	**-**	**-**
Cash Flow From Investing Activities											
Construction Cost	(233,000)										
Office Furniture	(933,500)										
Equip & M/C	(181,250)										
Advance Rent	(505,000)										
Preliminary Expenses	(25,000)										
Raw Material Inventory	(87,115)										
Net Cash Flow From Investing Activities	**(1,964,865)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
NET CASH FLOW	**234,500**	**597,926**	**527,583**	**684,486**	**861,186**	**1,065,771**	**1,290,305**	**1,545,090**	**1,838,945**	**2,527,519**	**2,897,878**
Cash at the Beginning of the Period	**-**	**234,500**	**832,426**	**1,360,009**	**2,044,494**	**2,905,680**	**3,971,451**	**5,261,756**	**6,806,846**	**8,645,791**	**11,173,310**
Cash at the End of the Period	**234,500**	**832,426**	**1,360,009**	**2,044,494**	**2,905,680**	**3,971,451**	**5,261,756**	**6,806,846**	**8,645,791**	**11,173,310**	**14,071,188**

14.3 Balance Sheet

FAST FOOD RESTAURANT

Projected Balance Sheet (Rs.)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
Current Assets											
Cash & Bank Balance	234,500	832,426	1,360,009	2,044,494	2,905,680	3,971,451	5,261,756	6,806,846	8,645,791	11,173,310	14,071,188
Raw Material Inventory	87,115	97,568	109,277	122,390	137,076	153,526	171,949	192,583	215,692	241,576	270,565
Prepaid Rent and GSD	505,000	505,000	505,000	505,000	505,000	505,000	505,000	505,000	505,000	505,000	505,000
Total Current Assets	**826,615**	**1,434,994**	**1,974,285**	**2,671,884**	**3,547,757**	**4,629,977**	**5,938,705**	**7,504,428**	**9,366,484**	**11,919,885**	**14,846,752**
Fixed Assets											
Fast Food Machinery	933,500	840,150	756,135	680,522	612,469	551,222	496,100	446,490	401,841	361,657	325,491
Shop	233,000	209,700	188,730	169,857	152,871	137,584	123,826	111,443	100,299	90,269	81,242
Office Fixtures	181,250	163,125	146,813	132,131	118,918	107,026	96,324	86,691	78,022	70,220	63,198
Total Fixed Assets	**1,347,750**	**1,212,975**	**1,091,678**	**982,510**	**884,259**	**795,833**	**716,250**	**644,625**	**580,162**	**522,146**	**469,931**
Preliminary Expenses	**25,000**	**20,000**	**15,000**	**10,000**	**5,000**	**-**	**-**	**-**	**-**	**-**	**-**
Total Assets	**2,199,365**	**2,667,969**	**3,080,963**	**3,664,394**	**4,437,015**	**5,425,810**	**6,654,954**	**8,149,053**	**9,946,646**	**12,442,031**	**15,316,684**
Owner's Equity	219,936	688,541	1,321,345	2,142,832	3,173,267	4,441,273	5,972,804	7,794,388	9,946,646	12,442,031	15,316,684
Long Term Liability	1,979,428	1,979,428	1,759,617	1,521,562	1,263,748	984,536	682,150	354,665	-	-	-
Total Equity & Liabilities	**2,199,365**	**2,667,969**	**3,080,963**	**3,664,394**	**4,437,015**	**5,425,810**	**6,654,954**	**8,149,053**	**9,946,646**	**12,442,031**	**15,316,684**

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14.4 Useful Project Management Tips

Technology

- **Required spare parts & consumables:** Suppliers credit agreements and availability as per schedule of maintenance to be ensured before start of operations.
- **Energy Requirement:** The energy requirements should be properly assessed and alternate source of energy for critical operations must be arranged in advance.
- **Machinery Suppliers:** Suppliers should be asked for training and after sales services through a proper contract.
- **Quality Assurance Equipment & Standards:** Products' quality standards must be defined and a system to check them should be instituted to improve credibility.

Marketing

- **Product Development & Packaging:** Experts' help may be engaged for product / service and packaging design & development.
- **Ads & P.O.S. Promotion:** Business promotion and dissemination through banners and launch events is recommended. Product brochures should be developed from quality service providers.
- **Sales & Distribution Network:** Expert's advise and distribution agreements are required.
- **Price - Bulk Discounts, Cost plus Introductory Discounts:** Price should never be allowed to compromise quality. Price during introductory phase may be lower and used as a promotional tool. Product cost estimates should be carefully documented before price setting.

Human Resources

- **Adequacy & Competencies:** Skilled and experienced staff should be considered an investment even to the extent of offering share in business profit.
- **Performance Based Remuneration:** Attempt to manage human resource cost should be hired for greater productivity and efficiency.
- **Training & Skill Development:** Encouraging training and skill of self & employees through experts and exposure of best practices is route to success. Least cost options for Training and Skill Development (T&SD) may be linked with compensation benefits and awards.

14.5 Useful Links

- **Prime Minister's Office,** www.pmo.gov.pk
- **Small & Medium Enterprises Development Authority (SMEDA),** www.smeda.org.pk
- **National Bank of Pakistan (NBP),** www.nbp.com.pk
- **First Women Bank Limited (FWBL),** www.fwbl.com.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 Jammu & Kashmir,** www.ajk.gov.pk
- **Trade Development Authority of Pakistan (TDAP),** www.tdap.gov.pk
- **Federation of Pakistan Chambers of Commerce and Industry (FPCCI)** www.fpcci.com.pk
- **Pakistan Food Association (PFA),** http://pakistanfoodassociation.org/
- **Halal Products & Services Association of Pakistan,** http://www.halalpakistan.com/
- **Pakistan Hotel Association of Pakistan,** http://www.pha.org.pk/

15. KEY ASSUMPTIONS

Particulars	Assumption
Sales Increase	12 % per year
Increase in Cost of Raw Materials	12 % per year
Increase in Staff Salaries	10 % per year
Increase in Utilities (Electricity / Water / Gas)	10 % per year
Increase in Rent	10 % per year
Increase in Office Expenses	10 % per year
Debt / Equity Ratio	90 : 10
Depreciation	
o Plant Building	10 % per annum (Diminishing Balance)
o Machinery & Equipment	10 % per annum (Diminishing Balance)
o Office Furniture & Equipment	10 % per annum (Diminishing Balance)
Machine Annual Maintenance Cost	2.5% of Written Down Value
Raw Material Inventory	05-06 days
Loan Period	8 Years
Loan Grace Period	1 Year
Loan Installments	Monthly
Financial Charges (Loan Rate)	08 % per annum
Tax Rate	Tax rates for non-salaried individuals

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