

---

# Pre-Feasibility Study

## Furniture Show Room



### Small and Medium Enterprises Development Authority

#### Ministry of Industries & Production

#### Government of Pakistan

[www.smeda.org.pk](http://www.smeda.org.pk)

##### 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  
[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>

June 2017

---

## Table of Contents

<b>1</b>	<b>DISCLAIMER.....</b>	<b>4</b>
<b>2</b>	<b>EXECUTIVE SUMMARY .....</b>	<b>5</b>
<b>3</b>	<b>INTRODUCTION TO SMEDA.....</b>	<b>6</b>
<b>4</b>	<b>PURPOSE OF THE DOCUMENT.....</b>	<b>6</b>
<b>5</b>	<b>BRIEF DESCRIPTION OF PROJECT &amp; PRODUCT.....</b>	<b>7</b>
5.1	INSTALLED AND OPERATIONAL CAPACITIES.....	7
<b>6</b>	<b>CRITICAL FACTORS .....</b>	<b>8</b>
6.1	SWOT ANALYSIS .....	8
6.1.1	Strengths.....	9
6.1.2	Weaknesses.....	9
6.1.3	Opportunities.....	9
6.1.4	Threats.....	9
6.2	KEY SUCCESS FACTORS .....	10
6.2.1	Quality of raw material.....	10
6.2.2	Attractive Design and Quality Finishing.....	10
6.2.3	Sales promotion.....	10
6.2.4	Other Success Factors.....	10
<b>7</b>	<b>GEOGRAPHICAL POTENTIAL FOR INVESTMENT .....</b>	<b>11</b>
<b>8</b>	<b>POTENTIAL TARGET CUSTOMERS / MARKETS.....</b>	<b>11</b>
<b>9</b>	<b>PROJECT COST SUMMARY.....</b>	<b>11</b>
9.1	PROJECT ECONOMICS.....	11
9.2	PROJECT FINANCING .....	12
9.3	PROJECT COST .....	12
9.4	SPACE REQUIREMENT.....	13
9.5	TOOLS & EQUIPMENT REQUIREMENT .....	13
9.6	FURNITURE & FIXTURES REQUIREMENT .....	13
9.7	OFFICE EQUIPMENT REQUIREMENT .....	14
9.8	HUMAN RESOURCE REQUIREMENT .....	14
9.9	UTILITIES AND OTHER COSTS .....	15
9.10	REVENUE GENERATION.....	15
<b>10</b>	<b>CONTACT DETAILS.....</b>	<b>16</b>
10.1	FURNITURE SHOWROOMS .....	16
10.2	TECHNICAL EXPERTS / CONSULTANTS.....	16
<b>11</b>	<b>USEFUL WEB LINKS.....</b>	<b>17</b>
<b>12</b>	<b>ANNEXURES .....</b>	<b>18</b>
12.1	INCOME STATEMENT .....	18
12.2	BALANCE SHEET.....	19
12.3	CASH FLOW STATEMENT .....	20
<b>13</b>	<b>KEY ASSUMPTIONS.....</b>	<b>21</b>
13.1	OPERATING COST ASSUMPTIONS.....	21
13.2	PRODUCTION COST ASSUMPTIONS .....	21
13.3	REVENUE ASSUMPTIONS .....	21

13.4 FINANCIAL ASSUMPTIONS ..... 21

## 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. 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.

For more information on services offered by SMEDA, please contact our website: [www.smeda.org.pk](http://www.smeda.org.pk)

### ***Document Control***

Document No.	PREF-NO 99
Revision	No. 3
Prepared by	SMEDA-Punjab
Revision Date	June, 2017
For information	janjua@smeda.org.pk

## 2 EXECUTIVE SUMMARY

The project involves establishing a Furniture Showroom at a central location of any big city of Pakistan. The showroom will cater to the needs of the domestic market, selling quality wooden furniture for household and office use. The furniture will be outsourced from local manufacturers in Gujrat and Chiniot. The showroom will provide its own designs as well as take orders for customized furniture. The outlet will offer a product mix of household furniture including bedroom sets, dining room, common room and drawing room furniture. Additionally office furniture will also be available in the showroom.

Pakistan is one of the oldest furniture manufacturing industries. The furniture industry is divided into two main types: cottage and small scale industries. The industry is aiming at developing a system designed to incorporate its tradition with modern functional demands, coupled with a quality of the material and aesthetic values. The medium sized and the small sized units have their showrooms and some micro sized manufacturers don't have their own showrooms, so they are dependent on outlets set up in cities like Lahore, Sialkot, Gujranwala, Rawalpindi, Islamabad, Peshawar, Karachi, Quetta etc. In Lahore there are many clusters of furniture showrooms in central locations like Fortress Stadium, Gulberg, DHA, Allama Iqbal Town, Ferozepur Road and Multan Road.

The total project cost for setting up the showroom is estimated at Rs. 9.19 million out of which Rs. 2.44 million is capital cost and Rs. 6.74 million as working capital. The project is financed through 50% debt and 50% equity. The project NPV is around Rs. 6.43 million with an IRR of 37% and payback period of 2.96 years. The legal business status of this project is proposed as 'Sole Proprietorship'.

The showroom will be open for 11 hours on daily basis. Given the business type a fixed sales capacity cannot be determined. It is assumed that 475 sets of furniture would be sold in the first year from among the product mix defined. The projected sales are proposed to increase at a rate of 5% each year. The projected sale figures given in the project are only an approximation and actual sales may vary significantly depending on how well the showroom caters to the market requirement and how strong is its marketing strategy.

### **3 INTRODUCTION TO SMEDA**

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with an objective to provide fresh impetus to the economy through development of Small and Medium Enterprises (SMEs).

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectoral research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

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

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

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

The objective of this proposed Pre-feasibility is primarily to facilitate potential entrepreneurs with the investment information and provide an overview about the "Furniture Show Room Business". 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 marketing, finance and business management. The document also provides sectoral information and international scenario, which have some bearing on the project itself.

The purpose of this document is to facilitate potential investors of the Furniture Showroom business by providing them a macro and micro view of the business with the hope that the information provided herein will aid the potential investors in crucial investment decisions.

This particular Pre-feasibility is regarding setting up "Furniture Show Room". Our report is based on the information obtained by us from industry sources as well as our discussions with businessmen. For financial model, since the forecast / projections relate to the future periods, actual results are likely to differ because of the events and circumstances that don't occur as frequently as expected.

## 5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

The proposed project is for setting up “Furniture Showroom”. This project is only concerned with Furniture Showroom and does not include manufacturing facility. The furniture is proposed to be outsourced from various local manufacturers. The showroom will provide its own designs as well as customized designs to its customers.

The products covered in this pre-feasibility are domestic or household furniture and office furniture in finished form. It specifically excludes the contract sector, which includes furniture for civil aviation, hospitals, schools, and other similar purposes. Antique, second-hand furniture and garden furniture has been excluded as well.

Furniture Showroom is a viable business if done properly on commercial basis. With the increase in the development of new housing schemes, increased demand of wooden furniture can be anticipated. Furniture is also given as part of the dowry which forms the major portion of sales of furniture in Pakistan. The demand for household furniture increases substantially in winter and spring season which is the wedding season in Pakistan. Domestic/office requirements and trend of dowry in the form of furniture considerably increases the need for quality furniture.

The demand for household furniture and accessories directly correlate with new residential construction, and office furniture follows trends in non-residential construction. A growing segment is the renovation, maintenance and improvement sector.

Some furniture manufacturers do not have their own showrooms and are dependent upon other sources for furniture sales. The medium sized and the small sized units have their showrooms. The micro sized manufacturers don't have their own showrooms, so they are dependent on the other categories for their furniture sales. Around 10% of the total furniture manufactured in Gujrat is sold within the city. The rest 90% of the furniture is sold in the other cities like Lahore, Sialkot, Gujranwala, Rawalpindi, Islamabad, Peshawar, Karachi, Quetta etc.

### 5.1 Installed And Operational Capacities

The proposed unit will sell 475 units of different types of furniture sets during first year and will sell a maximum of 737 units of different types of furniture sets in 10th year. Details of type and quantity of furniture sets sold during 1st year is shown in the following table:

**Table 1: Installed & Operational Capacities**

	Year - 1			
		Quality A	Quality B	Quality C
		30%	40%	30%
<b>Bedroom set</b>				
For Bachelors	50	15	20	15
For Married Couples	80	24	32	24
<b>Dining room</b>				
6 Seater	50	15	20	15
8 Seater	40	12	16	12
<b>Common room</b>	75	23	30	23
<b>Drawing room</b>	50	15	20	15
<b>Office furniture</b>				
Executive	50	15	20	15
General	80	24	32	24
<b>Total</b>	<b>475</b>	<b>143</b>	<b>190</b>	<b>142</b>

## 6 CRITICAL FACTORS

### 6.1 SWOT ANALYSIS

Wood is the main raw material used in furniture making and the entire finished product depends on quality of wood. The information and technical know how about the quality of wood and use of seasoned (dry) wood plays a vital role in the manufacturing of good quality furniture, which will ultimately reflect on the reputation of the furniture show room. Strong competition exists in the international and domestic market. Manufacturing and sale of high quality trendy designs and good marketing is essential to get a permanent place in the market. Real wood furniture is the most popular furniture in existence; it's been around for hundreds of years.



Before making the decision, whether to invest in setting up the Furniture Show Room or not, one should carefully analyze the associated risk factors. A SWOT analysis can help in analyzing these factors, which can play an important role in making the decision.

#### 6.1.1 Strengths

1. Availability of high quality furniture to customers
2. Variety of traditional and modern designs of locally manufactured furniture will be available in the showroom.
3. A number of suppliers available in the local market, for instance the Chiniot and Gujrat furniture market.
4. Profit margins can be as high as 100%
5. Central location of the showroom in a big city, easily accessible to the target market.
6. The showroom is proposed to be open 11 hours a day.
7. A product mix that includes furniture for both household and official use.

#### 6.1.2 Weaknesses

1. A number of competitors in the market.
2. Easy market entry
3. Seasonal sector (especially household furniture in the wedding season – November to March).
4. Heavy investment in the working capital.
5. Very strict quality check required.
6. Dependency on the supplier for timely delivery of orders.

#### 6.1.3 Opportunities

1. High quality furniture being produced locally at competitive rates and in large quantities.
2. The life style of the people is improving and they are getting more quality conscious, thus preference for the high quality products is increasing.
3. With an overall increase in income levels people are willing to spend more on house renovation and decoration.
4. Continuous increase in construction and renovation of houses and offices create new opportunities.
5. Market share can be acquired from un-organized sector through high quality product and promotional activity.

#### 6.1.4 Threats

1. Lack of tree plantation resulted in lack of raw material (wood.)
2. The prices of all raw materials such as chipboard, timber, foam, polish chemical materials, colour paints and hard ware have increased
3. Heavy imports of furniture particularly from China
4. Local furniture manufacturers face high costs and poor output due to obsolete machinery, inadequate tools and manual labour.

5. Furniture trends and designs change rapidly.
6. Several established competitors enjoy a good market share.

## 6.2 KEY SUCCESS FACTORS

### 6.2.1 Quality of raw material

The furniture industry in Pakistan is dependent on the quality of the raw material available. The high quality wood is scarce in Pakistan and customer complaints arise due to the use of cheap and low quality wood by the manufacturers. It has to be ensured that furniture displayed in the showroom and manufactured on orders must be of high quality raw material.

### 6.2.2 Attractive Design and Quality Finishing

The life style of the people is improving and they are getting more quality conscious. Contemporary and chic designs are better liked by people these days. Special attention should be given to present latest designs according to the current market demands and requirements.

Tastefully designed and knockdown furniture items, made of superior quality wood and light weighted are more suitable for sale purposes. New designs and styles with durability can build brand equity for the business. As there is high competition in market, creation of up-to-date designs and styles, and introducing new trends is vital.

As this proposed showroom business is expected to target middle to upper middle class, the furniture should be able to fulfil their special requirements. It is therefore more important that furniture should be aiming to cater the traditions with modern functional demands, coupled with quality of the material and aesthetic sense. It is of utmost importance that furniture should be durable and of the latest style and fashion at an economical cost so as to attract the relevant class of the society.

### 6.2.3 Sales promotion

Another critical success factor of this proposed pre-feasibility is the Marketing and Promotion of the Furniture. Sales promotion activity is necessary for market penetration.

This involves dedication and hard work from the marketing personnel and advertisement through print media along with the use of other marketing techniques.

### 6.2.4 Other Success Factors

1. Advance orders for sale can ensure the success of the business.
2. Assurance to customers that furniture is made of seasoned (dry) wood. Properly seasoned (dry) wood guarantees high quality as it minimizes deformation of wood due to dampness.

3. New designs and styles can build brand equity for business. As there is high competition in market, to make the project commercially viable, creation of new designs and styles and setting new trends is vital .
4. The location of the showroom is an important factor for success. The showroom should be located in heavily populated or developed cities and its location within the city should be decided keeping the target market in mind.
5. Responsiveness to customers' demands and requirements is very important to stay in market and retain market share.
6. Better customer service and after sale service to promote business goodwill.
7. Competitive prices should be offered.

## 7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The said project can be started in any central area of developed cities like Lahore, Peshawar, Karachi, Islamabad, Sialkot or Faisalabad etc. It is however assumed that this showroom is established at Lahore – Main Boulevard DHA. Most successfully running furniture shops are located in areas like Gulberg, Cavalry, Fortress, Main Boulevard DHA, Allama Iqbal town, Township, Ferozpur road, Multan road and Bedian road. The demand in these areas is influenced by the number of new houses / offices built and old houses / offices renovated.

## 8 POTENTIAL TARGET CUSTOMERS / MARKETS

The target market proposed for this project is middle to upper middle class. Nowadays the demand is for quality furniture at a reasonable cost. Given the current situation of the market, the high income group also searches for good bargains. Therefore, the focus of this showroom will be to present good quality furniture at an economical price range.

## 9 PROJECT COST SUMMARY

### 9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 32.37 million in the year one. The capacity utilization during year one is worked out at 64% with 5% increase in subsequent years up to the maximum capacity utilization of 100%.

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

**Table 2: Project Economics**

Description	Details
Internal Rate of Return (IRR)	37%
Payback Period (yrs.)	2.96
Net Present Value (Rs.)	6,434,265

## 9.2 Project Financing

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

**Table 3: Project Financing**

Description	Details
Total Equity (50%)	4,593,106
Bank Loan (50%)	4,593,106
Markup to the Borrower (%age / annum)	14%
Tenure of the Loan (Years)	5 Years

## 9.3 Project Cost

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

**Table 4: Project Cost**

Description	Amount Rs.
<b>Capital Cost</b>	
Tools & equipment	150,000
Furniture & fixture	1,668,000
Office equipment	85,000
Pre-operating cost	489,000
Legal, licensing and training cost	50,000
<b>Total Capital Cost</b>	<b>2,442,000</b>
<b>Working Capital</b>	
Stocks and spares inventory	42,080
Furniture inventory	4,208,035
Freight and carriage expense	24,547
Upfront building rental	900,000
Upfront insurance payment	7,500
Cash	1,562,049
<b>Total Working Capital</b>	<b>6,744,211</b>
<b>Total Project Cost</b>	<b>9,186,212</b>

#### 9.4 Space Requirement

The space requirement for the proposed Furniture Show Room is estimated considering various facilities including management office, production hall, storage, open space, etc. Details of space requirement and cost related to Show Room building is given below;

**Table 5: Space Requirement**

Description	Estimated Area (sq. ft.)
Display Hall	4,000
Store room	220
Management Office	200
Kitchen	50
Washroom	30
<b>Total Covered Area</b>	<b>4,500</b>

The proposed building for Show Room will be acquired on rent @ Rs. 150,000 per month.

#### 9.5 Tools & Equipment Requirement

Details of tools of equipment required for the project are given below;

**Table 6: Tools & Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Misc. Tools & Equipment	Lump sum	150,000	150,000
<b>Total</b>			<b>150,000</b>

#### 9.6 Furniture & Fixtures Requirement

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

**Table 7: Furniture & Fixture**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Office Furniture - including tables, chairs, cabinets, almirahs etc.	Lump sum	200,000	200,000
Carpeting	4,000	85	340,000
Electric wiring & lighting	4,500	50	225,000
Ceiling Fans	8	3,500	28,000

Generator	1	200,000	200,000
Fancy Lights	50	1,000	50,000
Other decoration expenses - sign Board, antiques, wall paintings etc.			250,000
Air conditioners (1.5 ton split)	5	75,000	375,000
<b>Total</b>			<b>1,668,000</b>

### 9.7 Office Equipment Requirement

Following office equipment will be required for Furniture Show Room;

**Table 8: Office Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Computer	1	30,000	30,000
Printer	1	15,000	15,000
Fax Machine	1	15,000	15,000
Telephone Sets	2	2,500	5,000
Fire Fighting Equipment	4	5,000	20,000
<b>Total</b>			<b>85,000</b>

### 9.8 Human Resource Requirement

In order to run operations of Furniture Show Room smoothly, details of human resources required along with number of employees and monthly salary are recommended as under;

**Table 9: Human Resource Requirement**

Description	No. of Employees	Monthly Salary per person (Rs.)
Store Manager	1	42,000
Store Supervisor	1	30,000
Workshop Labour	2	16,000
Office boy	1	15,000
Guard	1	15,000
Indoor Sales person	3	20,000
Outdoor Sales person	2	25,000
<b>Total</b>		<b>2,928,000</b>

### 9.9 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity and gas. The electricity expenses are estimated to be around Rs 66,540 per month, whereas, gas expenses are estimated to be Rs 18,000 per year. Furthermore, promotional expense being essential for marketing of Furniture Show Room is estimated as Rs. 870,000 during the first year

### 9.10 Revenue Generation

Based on the capacity utilization of Bedroom set, Dining room, common room , Drawing room and office furniture respectively, sales revenue during the first year of operations is estimated as under;

**Table 10: Revenue Generation – Year 1**

SALES PRICE - YEAR WISE	YEAR – 1		
	Quality A	Quality B	Quality C
<b>Bedroom set</b>			
For Bachelors	75,000	58,000	42,000
For married couples	105,000	85,000	62,000
<b>Dining room</b>			
6 Seater	68,000	55,000	40,000
8 Seater	82,000	73,000	65,000
<b>Common room</b>	110,000	92,000	85,000
<b>Drawing room</b>	108,000	98,000	90,000
<b>Office furniture</b>			
Executive	65,000	45,000	42,000
General	37,000	32,500	23,500

## 10 CONTACT DETAILS

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

### 10.1 Furniture Showrooms

Name of Supplier	Address	Phone
M/s Trend Line Furnishers	G.T.Road, Gujrat	053-3517120
National Furnishers	G.T.Road, Gujrat	053-3514967
GEO Furnishers	G.T.Road, Gujrat	053-3515186
Highlite Furniture	G.T.Road, Gujrat	0476-335090
Galaxy Furniture	G.T.Road, Gujrat	0476-332213

### 10.2 Technical Experts / Consultants

Name of Expert / Organization	Address	Phone	Fax	E-mail	Website
Furniture Pakistan	4-A Lawrence Road Lahore, Pakistan.	+92-42- 99205271-2	+92-42- 99205276	info@furnitur epakistan.org .pk	www.furniturepa kistan.org.pk



## 11 USEFUL WEB LINKS

Links of Federal & Provincial Government, Semi Government and other (sector & Cluster based) Development organizations are to be given under this heading so to enable potential investors to get benefit from the services offered. Web links of various organizations are given as example however, links of only relevant organizations should be given;

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

## 12 ANNEXURES

### 12.1 Income Statement

Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	32,369,500	35,687,374	39,345,330	43,321,559	47,762,019	52,657,626	58,055,032	64,005,673	70,566,255	77,799,296
<i>Cost of sales</i>										
Cost of furniture	21,040,175	23,196,793	25,574,464	28,159,013	31,045,312	34,227,457	37,735,771	41,603,688	45,868,065	50,569,542
Freight and carriage	1,052,009	1,159,840	1,278,723	1,407,951	1,552,266	1,711,373	1,886,789	2,080,184	2,293,403	2,528,477
Stocks and spares	420,804	463,936	511,489	563,180	620,906	684,549	754,715	832,074	917,361	1,011,391
Total cost of sales	22,512,987	24,820,568	27,364,677	30,130,144	33,218,484	36,623,379	40,377,275	44,515,946	49,078,830	54,109,410
Gross Profit	9,856,513	10,866,805	11,980,653	13,191,415	14,543,535	16,034,247	17,677,757	19,489,727	21,487,425	23,689,886
<i>General administration &amp; selling expenses</i>										
Administrative salaries	1,608,000	1,768,800	1,945,680	2,140,248	2,354,273	2,589,700	2,848,670	3,133,537	3,446,891	3,791,580
Administration benefits expense	160,800	176,880	194,568	214,025	235,427	258,970	284,867	313,354	344,689	379,158
Marketing staff salaries	1,320,000	1,452,000	1,597,200	1,756,920	1,932,612	2,125,873	2,338,461	2,572,307	2,829,537	3,112,491
Marketing staff benefits	132,000	145,200	159,720	175,692	193,261	212,587	233,846	257,231	282,954	311,249
Building rental expense	1,800,000	1,980,000	2,178,000	2,395,800	2,635,380	2,898,918	3,188,810	3,507,691	3,858,460	4,244,306
Deisel expense	249,000	273,900	301,290	331,419	364,561	401,017	441,119	485,231	533,754	587,129
Electricity expense	798,485	878,333	966,166	1,062,783	1,169,061	1,285,967	1,414,564	1,556,020	1,711,622	1,882,785
Water expense	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Gas expense	18,000	19,800	21,780	23,958	26,354	28,989	31,888	35,077	38,585	42,443
Travelling expense	321,600	353,760	389,136	428,050	470,855	517,940	569,734	626,707	689,378	758,316
Communications expense (phone, fax, mail, internet, etc.)	240,000	252,000	264,600	277,830	291,722	306,308	321,623	337,704	354,589	372,319
Office expenses (stationary, entertainment, janitorial etc.)	321,600	353,760	389,136	428,050	470,855	517,940	569,734	626,707	689,378	758,316
Promotional expense	870,000	565,500	113,100	118,755	124,693	130,927	137,474	144,347	151,565	159,143
Insurance expense (Machinery/tools and vehicle)	7,500	6,750	6,000	5,250	4,500	3,750	3,000	2,250	1,500	750
Professional fees (legal, audit, consultants, etc.)	50,000	55,000	60,500	66,550	73,205	80,526	88,578	97,436	107,179	117,897
Depreciation expense	210,133	210,133	210,133	219,512	219,512	219,512	231,994	231,994	231,994	248,609
Amortization of pre-operating costs	97,800	97,800	97,800	97,800	97,800	-	-	-	-	-
Amortization of legal, licensing, and training costs	10,000	10,000	10,000	10,000	10,000	-	-	-	-	-
Subtotal	8,274,918	8,665,616	8,977,410	9,832,501	10,761,915	11,675,555	12,810,655	14,044,516	15,400,691	16,907,967
Operating Income	1,581,595	2,201,189	3,003,243	3,358,914	3,781,620	4,358,692	4,867,102	5,445,211	6,086,734	6,781,919
Gain / (loss) on sale of office equipment	-	-	51,000	-	-	93,381	-	-	137,040	160,340
<b>Earnings Before Interest &amp; Taxes</b>	<b>1,581,595</b>	<b>2,201,189</b>	<b>3,054,243</b>	<b>3,358,914</b>	<b>3,781,620</b>	<b>4,452,073</b>	<b>4,867,102</b>	<b>5,445,211</b>	<b>6,223,774</b>	<b>6,942,259</b>
Interest expense on long term debt (Project Loan)	159,597	132,517	101,393	65,620	24,505	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	261,154	-	-	-	-	-	-	-	-	-
Subtotal	420,751	132,517	101,393	65,620	24,505	-	-	-	-	-
Earnings Before Tax	1,160,844	2,068,672	2,952,851	3,293,294	3,757,114	4,452,073	4,867,102	5,445,211	6,223,774	6,942,259
Tax	96,626	261,234	460,712	545,823	661,778	858,122	982,630	1,156,063	1,400,820	1,652,290
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>1,064,217</b>	<b>1,807,438</b>	<b>2,492,138</b>	<b>2,747,471</b>	<b>3,095,336</b>	<b>3,593,952</b>	<b>3,884,472</b>	<b>4,289,148</b>	<b>4,822,954</b>	<b>5,289,969</b>

## 12.2 Balance Sheet

<b>Balance Sheet</b>											
	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	2,312,049	2,357,581	4,300,654	6,966,250	10,022,693	13,475,890	17,649,794	22,366,199	27,621,477	33,411,640	50,679,637
Stocks and spares inventory	42,080	46,394	51,149	56,318	62,091	68,455	75,472	83,207	91,736	101,139	-
Furniture inventory	4,208,035	4,639,359	5,114,893	5,631,803	6,209,062	6,845,491	7,547,154	8,320,738	9,173,613	10,113,908	-
Freight and carriage rental	24,547	27,063	29,837	32,852	36,220	39,932	44,025	48,538	53,513	58,998	-
Prepaid rental expense	150,000	165,000	181,500	199,650	219,615	241,577	265,734	292,308	321,538	353,692	-
Pre-paid insurance	7,500	6,750	6,000	5,250	4,500	3,750	3,000	2,250	1,500	750	-
<b>Total Current Assets</b>	<b>6,744,212</b>	<b>7,242,146</b>	<b>9,684,033</b>	<b>12,892,123</b>	<b>16,554,181</b>	<b>20,675,095</b>	<b>25,585,179</b>	<b>31,113,239</b>	<b>37,263,377</b>	<b>44,040,127</b>	<b>50,679,637</b>
<i>Fixed assets</i>											
Machinery & equipment	150,000	135,000	120,000	105,000	90,000	75,000	60,000	45,000	30,000	15,000	-
Furniture & fixtures	1,668,000	1,501,200	1,334,400	1,167,600	1,000,800	834,000	667,200	500,400	333,600	166,800	-
Office equipment	85,000	56,667	28,333	113,135	75,423	37,712	150,583	100,388	50,194	200,426	133,617
<b>Total Fixed Assets</b>	<b>1,903,000</b>	<b>1,692,867</b>	<b>1,482,733</b>	<b>1,385,735</b>	<b>1,166,223</b>	<b>946,712</b>	<b>877,783</b>	<b>645,788</b>	<b>413,794</b>	<b>382,226</b>	<b>133,617</b>
<i>Intangible assets</i>											
Pre-operation costs	489,000	391,200	293,400	195,600	97,800	-	-	-	-	-	-
Legal, licensing, & training costs	50,000	40,000	30,000	20,000	10,000	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>539,000</b>	<b>431,200</b>	<b>323,400</b>	<b>215,600</b>	<b>107,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>9,186,212</b>	<b>9,366,213</b>	<b>11,490,166</b>	<b>14,493,458</b>	<b>17,828,204</b>	<b>21,621,806</b>	<b>26,462,962</b>	<b>31,759,028</b>	<b>37,677,171</b>	<b>44,422,353</b>	<b>50,813,254</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable	-	2,572,593	2,836,283	3,126,258	3,443,017	3,795,926	4,185,008	4,613,972	5,086,904	5,608,311	5,056,954
<b>Total Current Liabilities</b>	<b>-</b>	<b>2,572,593</b>	<b>2,836,283</b>	<b>3,126,258</b>	<b>3,443,017</b>	<b>3,795,926</b>	<b>4,185,008</b>	<b>4,613,972</b>	<b>5,086,904</b>	<b>5,608,311</b>	<b>5,056,954</b>
<i>Other liabilities</i>											
Deferred tax	-	96,626	357,861	818,573	1,364,396	2,026,175	2,884,296	3,866,927	5,022,990	6,423,810	8,076,100
Long term debt (Project Loan)	1,221,000	1,039,671	831,261	591,727	316,421	-	-	-	-	-	-
Long term debt (Working Capital Loan)	3,372,106	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Liabilities</b>	<b>4,593,106</b>	<b>1,136,297</b>	<b>1,189,122</b>	<b>1,410,300</b>	<b>1,680,817</b>	<b>2,026,175</b>	<b>2,884,296</b>	<b>3,866,927</b>	<b>5,022,990</b>	<b>6,423,810</b>	<b>8,076,100</b>
<i>Shareholders' equity</i>											
Paid-up capital	4,593,106	4,593,106	4,593,106	4,593,106	4,593,106	4,593,106	4,593,106	4,593,106	4,593,106	4,593,106	4,593,106
Retained earnings	-	1,064,217	2,871,655	5,363,793	8,111,264	11,206,600	14,800,552	18,685,024	22,974,172	27,797,126	33,087,095
<b>Total Equity</b>	<b>4,593,106</b>	<b>5,657,323</b>	<b>7,464,761</b>	<b>9,956,899</b>	<b>12,704,370</b>	<b>15,799,706</b>	<b>19,393,658</b>	<b>23,278,129</b>	<b>27,567,278</b>	<b>32,390,231</b>	<b>37,680,200</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>9,186,212</b>	<b>9,366,213</b>	<b>11,490,166</b>	<b>14,493,458</b>	<b>17,828,204</b>	<b>21,621,806</b>	<b>26,462,962</b>	<b>31,759,028</b>	<b>37,677,171</b>	<b>44,422,353</b>	<b>50,813,254</b>

## 12.3 Cash Flow Statement

<b>Cash Flow Statement</b>											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit		1,064,217	1,807,438	2,492,138	2,747,471	3,095,336	3,593,952	3,884,472	4,289,148	4,822,954	5,289,969
Add: depreciation expense		210,133	210,133	210,133	219,512	219,512	219,512	231,994	231,994	231,994	248,609
amortization of pre-operating costs		97,800	97,800	97,800	97,800	97,800	-	-	-	-	-
amortization of training costs		10,000	10,000	10,000	10,000	10,000	-	-	-	-	-
Deferred income tax		96,626	261,234	460,712	545,823	661,778	858,122	982,630	1,156,063	1,400,820	1,652,290
Equipment inventory	(42,080)	(4,313)	(4,755)	(5,169)	(5,773)	(6,364)	(7,017)	(7,736)	(8,529)	(9,403)	101,139
Furniture inventory	(4,208,035)	(431,324)	(475,534)	(516,910)	(577,260)	(636,429)	(701,663)	(773,583)	(852,876)	(940,295)	10,113,908
Freight and carriage rental	(24,547)	(2,516)	(2,774)	(3,015)	(3,367)	(3,713)	(4,093)	(4,513)	(4,975)	(5,485)	58,998
Prepaid building rent	(150,000)	(15,000)	(16,500)	(18,150)	(19,965)	(21,962)	(24,158)	(26,573)	(29,231)	(32,154)	353,692
Advance insurance premium	(7,500)	750	750	750	750	750	750	750	750	750	750
Accounts payable		2,572,593	263,691	289,975	316,758	352,909	389,082	428,963	472,932	521,408	(551,357)
Cash provided by operations	(4,432,162)	3,598,967	2,151,483	3,018,265	3,331,749	3,769,618	4,324,487	4,716,405	5,255,277	5,990,589	17,267,998
<i>Financing activities</i>											
Project Loan - principal repayment		(181,329)	(208,409)	(239,534)	(275,306)	(316,421)	-	-	-	-	-
Working Capital Loan - principal repayment		(3,372,106)	-	-	-	-	-	-	-	-	-
Additions to Project Loan	1,221,000	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	3,372,106	-	-	-	-	-	-	-	-	-	-
Issuance of shares	4,593,106	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	9,186,212	(3,553,435)	(208,409)	(239,534)	(275,306)	(316,421)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(2,442,000)	-	-	(113,135)	-	-	(150,583)	-	-	(200,426)	-
Cash (used for) / provided by investing activities	(2,442,000)	-	-	(113,135)	-	-	(150,583)	-	-	(200,426)	-
<b>NET CASH</b>	<b>2,312,049</b>	<b>45,532</b>	<b>1,943,073</b>	<b>2,665,596</b>	<b>3,056,443</b>	<b>3,453,197</b>	<b>4,173,904</b>	<b>4,716,405</b>	<b>5,255,277</b>	<b>5,790,163</b>	<b>17,267,998</b>

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

Description	Details
Total no. of days operational in first year	300
Total no. of months in one year	12
Capacity (Sales ) growth rate	5%

### 13.2 Production Cost Assumptions

Cost price - year wise	YEAR – 1		
	Quality A	Quality B	Quality C
<b>Bedroom set</b>			
For Bachelors	48,750	37,700	27,300
For married couples	68,250	55,250	40,300
<b>Dining room</b>			
6 Seater	44,200	35,750	26,000
8 Seater	53,300	47,450	42,250
<b>Common room</b>	71,500	59,800	55,250
<b>Drawing room</b>	70,200	63,700	58,500
<b>Office furniture</b>			
Executive	42,250	29,250	27,300
General	24,050	21,125	15,275

### 13.3 Revenue Assumptions

Description	Details
Profit margin	35%
Sales growth rate	5%
Sales price growth rate	5%

### 13.4 Financial Assumptions

Description	Details
Project Assumptions	
Projected Life of The Project in Years	10
Sponsors' Equity	50%

---

Debt Financing	50%
Annual Mark Up Rate (Short Term & Long Term)	14%
Debt Tenure in Years	5
General Inflation Rate	10%