
Pre-Feasibility Study

FOOTWEAR RETAIL OUTLET

(Ladies and Children)



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

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

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

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1 DISCLAIMER

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2 EXECUTIVE SUMMARY

This SME venture entails setting up Footwear Retail outlets in Lahore, the second largest city of Pakistan. The outlet is proposed to cater to the demand of ladies' and children's footwear, belonging to middle to upper middle economic stratum. The focus of the business would be to provide casual, semi-formal and formal, quality footwear at affordable prices. Footwear retail outlet is a project of trading nature; shoes are assumed to be purchased from different subcontract manufacturers and sold at the retail outlet under a brand name.

The demand for footwear is constantly rising and there are a number of local manufacturers in the industry producing quality footwear to cater to the demand of the growing population. Some of these local manufacturers are now focusing on retail side of the business adjusting to the shopping habits of consumers nowadays. In this day and age consumers are becoming increasingly brand conscious and seek value for money products. This trend has led to strong growth in retail chains around Pakistan. Companies are now more aware of the importance of retailing in business. Some of the successfully established ladies' and men's brands of Pakistan are Stylo, Ehsan Chappal Store (ECS), Metro, Soul, Milli shoes, English Boot House (EBH), Servis, Urbansole etc. Other relatively small, but famous designer brands in Lahore and Karachi are, Walkease, Marie Claire, Kumfurt shoes and Panache. These and numerous other local brands have developed a strong presence by opening up multiple outlets in the same city or in various cities.

The total initial project cost for setting up a single outlet in first year is estimated at Rs. 5.75 million. The project is proposed to be financed through 50% debt and 50% equity. The project NPV is projected around Rs. 20.42 million, with an IRR of 64% and payback period of 2.80 years. The legal business status of this project is proposed as 'Sole Proprietorship'.

It is proposed that the project start its operations with opening of one outlet in the first year and would expand business by setting up one additional outlet in the third year. The outlets are planned to be open 12 hours every day. The proposed project assumes to sell around 10,367 pairs in the first year of operation and gradually sell out a maximum of 18,288 pairs in ninth year and by tenth year of operation the brand is projected to sell a total of 35,592 pairs through both the outlets.

3 INTRODUCTION TO SMEDA

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

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

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

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

4 PURPOSE OF THE DOCUMENT

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

The purpose of this document is to facilitate potential investors in **Footwear Retail Outlet** by providing them with a general understanding of the business with the intention of supporting potential investors in crucial investment decisions.

The need to come up with pre-feasibility reports for undocumented or minimally documented sectors attains greater imminence as the research that precedes such reports reveal certain thumb rules; best practices developed by existing enterprises by trial and error, and certain industrial norms that become a guiding source regarding various aspects of business set-up and it's successful management.

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

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

This document provides details for setting up a Footwear Retail Outlet selling ladies' and children's shoes. A total of two outlets are proposed; the project would start with a single outlet and opening of one additional outlet is proposed in third year.

The proposed business involves purchase of ladies' and children's shoes from a local manufacturer and selling it through retail outlets, under a brand name, in any big city of Pakistan. The shop is assumed to operate for 12 hours on weekdays.

5.1 Proposed Product Mix

The product mix would include ladies' and children's shoes in all the sizes. This product mix is divided into further categories: casual, semi-formal and formal footwear which include pumps, heels, coat shoes, sandals, slippers etc. made of leather and other materials. The three categories among ladies' and children's shoes are further classified by three different proposed selling prices, ranging between Rs. 1,000 – Rs. 3,000 for ladies' shoes and Rs. 1,000 – Rs. 2,000 for children's shoes.

5.2 Installed and Operational Capacities

The proposed project assumes to sell around 10,367 pairs in the first year of operation and gradually sell out a maximum of 35,592 pairs out of two outlets. However, planned venture is estimated to operate at 55% capacity in the initial year and with 5% gradual increase will attain the maximum capacity utilization of 95%.

6 CRITICAL FACTORS

The most critical considerations / factors for the success of this project are as follows:

- ⇒ Development of attractive designs and good quality shoes at competitive prices.
- ⇒ Develop strong linkages with suppliers for obtaining good quality products at competitive prices. Networking with shoes wholesaler / retailers for the sale of the product.
- ⇒ Efficient management of stock to keep inventory cost at the minimum.
- ⇒ Knowledge about the latest market trends.
- ⇒ Induction of trained sales personnel for efficient customer handling.
- ⇒ Quality standards should be strictly followed.

- ⇒ Strong presence in the domestic market.
- ⇒ Increasing competition from Chinese products and strong competition with similar type of manufacturers.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Lahore is the footwear centre of the country, followed by Karachi, Faisalabad, Multan, Peshawar, Hyderabad, Sahiwal, Gujranwala and Rawalpindi. All the shoe manufacturing units and numerous shoe stores are established in these cities. Therefore, selecting any of the above cities would be a profitable option for setting up a footwear retail outlet.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Target customer for the proposed project would be children and females of ages 14 years and above, belonging to middle and upper economic stratum. The middle and upper middle family income groups dominate the overall population in Pakistan. This phenomenon provides an ample opportunity for the investment in this sector.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Footwear Retail Outlet. 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 also attached as Annexure

9.1 Project Economics

All the figures in this financial model have been calculated. The following table shows Internal Rate of Return, Payback Period and Net Present Value of the project:

Table 1: Project Economics

Description	Details
Internal Rate of Return (IRR)	64%
Payback Period (Yrs.)	2.80
Net Present Value (Rs.)	20,424,674

9.2 Project Financing

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

Table 2: Project Financing

Description	Details
Total Equity (50%)	Rs. 2,876,175
Bank Loan (50%)	Rs. 2,876,175
Markup to the Borrower (%age / annum)	14%
Tenure of the Loan (Years)	5

9.3 Project Cost

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

Table 3: Project Cost

Description	Amount Rs.
Capital Cost	
Furniture and Fixture	2,020,500
Office Equipment	239,000
Pre-operating Cost	218,000
Training Cost	50,000
Total Capital Cost	2,527,500
Working Capital	
Repair Material Inventory	1,907
Upfront Building Rent	900,000
Opening Inventory	1,168,344
Cash	1,154,600
Total Working Capital	3,224,851
Total Project Cost	5,752,350

9.4 Space Requirement

For the proposed project, in the first year a 2-storey building, built on 900 sq feet area on each floor is assumed to be acquired on rental basis. The rent in this pre-feasibility is taken to be about Rs. 150,000/- per month. Following table shows the total area requirements for the admin office and outlet. One additional 1,500 sq feet shop on different location would be acquired on rent in the third year

Table 4: Space Requirement

Room	Space Required. (Sq. ft)
Display hall (ground floor)	900
Admin office (first floor)	320
Washrooms	60
Raw material store (first floor)	520
Total area	1,800

9.5 Furniture & Fixtures Requirement

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

Table 5: Furniture & Fixture Requirement Year-1

Items	Qty	Unit Cost (Rs.)	Total Cost (Rs.)
Furniture			
Executive Chairs	1	10,000	10,000
Counter	1	25,000	25,000
Seating for customers	16	2,000	32,000
Floor equipment (baskets, mirrors etc.)	1	10,000	10,000
Interior Designing			
Shoe racks with glass	630	550	346,500
False ceiling, door & paint	900	600	540,000
Flooring	900	250	225,000
Electric Equipment			
Air conditioner (1.5 Ton)	6	55,000	330,000
Generator	1	150,000	150,000
Lighting & wiring			100,000
Bracket fans	6	3,000	18,000

Store room			
Shoe racks (Iron & wood)	560	300	168,000
Lighting & wiring			30,000
Wooden stools	4	1,500	6,000
Admin Office			
Desk & chair	2	15,000	30,000
Total Cost			2,020,500

Table 6: Furniture & Fixture Requirement Year-3

Items	Qty	Unit Cost (Rs.)	Total Cost (Rs.)
Furniture			
Executive Chairs	1	12,100	12,100
Counter	1	30,250	30,250
Seating for customers	16	2,420	38,720
Floor equipment (baskets, mirrors etc.)	1	12,100	12,100
Interior Designing			
Shoe racks with glass	630	666	419,265
False ceiling, door & paint	900	726	653,400
Flooring	900	303	272,250
Electric Equipment			
Air conditioner (1.5 Ton)	6	66,550	399,300
Generator	1	181,500	181,500
Lighting & wiring			121,000
Bracket fans	6	3,630	21,780
Store room			
Shoe racks (Iron & wood)	560	363	203,280
Lighting & wiring			36,300
Wooden stools	4	1,815	7,260
Total Cost			2,408,505

9.6 Office Equipment Requirement

Following tables present the office equipment requirement proposed for footwear retail outlets.

Table 7: Office Equipment Requirement Year-1

Items	Qty	Unit Cost (Rs.)	Total Cost (Rs.)
Computers	2	30,000	60,000
UPS	2	10,000	20,000
Printers	1	10,000	10,000
Bar code reader	1	15,000	15,000
Inventory Management/ Accounting software	1	50,000	50,000
Security camera	4	20,000	80,000
Telephone Sets	2	2,000	4,000
Total Cost			239,000

Table 8: Office Equipment Requirement Year-3

Items	Qty	Unit Cost (Rs.)	Total Cost (Rs.)
Computers	2	36,300	72,600
UPS	2	12,100	24,200
Printers	1	12,100	12,100
Bar code reader	1	18,150	18,150
Security camera	4	24,200	96,800
Telephone Sets	2	2,420	4,840
Total Cost			228,690

9.7 Human Resource Requirement

In order to run operations of Footwear Retail Outlet smoothly, details of human resources required along with monthly salary are recommended as under:

Table 9: Human Resource Requirement

Employees	No.	Salary/Month (Rs.)	Annual Salary (Rs.)
Administration Staff			
Store Manager	1	30,000	360,000
Purchaser	1	20,000	240,000
Accountant	1	20,000	240,000

Sales men	4	18,000	864,000
Guard	2	14,000	336,000
Helper	3	15,000	540,000
Total			2,580,000

9.8 Utilities and Other Costs

An essential cost to be borne by the project is the cost of electricity. The direct electricity expenses are estimated to be around Rs. 667,044 annually. Furthermore, promotional expense being essential for marketing of Footwear Retail Outlet is estimated as Rs. 300,000 annually.

9.9 Revenue Generation

Based on the 55% capacity utilization, sales revenue during the first year of operations is estimated as under:

Table 10: Revenue Generation Year 1

Shoes	Percentage	Quantity	Sale Price	Total Sales
Ladies Shoes				
Pair A	20%	1,452	3,000	4,356,000
Pair B	50%	3,629	2,000	7,258,000
Pair C	30%	2,178	1,000	2,178,000
Children Shoes				
Pair A	20%	623	2,000	1,246,000
Pair B	50%	1,556	1,500	2,334,000
Pair C	30%	934	1,000	934,000
Revenue Generation				18,306,000

Table 11: Cost of Goods Calculation

Shoes	Percentage	Quantity	Purchase Price	Total Purchases
Ladies Shoes				

Pair A	20%	1,483	1,500	2,224,500
Pair B	50%	3,706	1,000	3,706,000
Pair C	30%	2,224	500	1,112,000
Children Shoes				
Pair A	20%	636	1,000	636,000
Pair B	50%	1,589	750	1,191,750
Pair C	30%	953	500	476,500
Shoes Cost				9,346,750

10 CONTACT DETAILS

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

Company Name	Address	Contact
Milli Shoes	The Mall, 30, Shahrah-e-Quaid-e-Azam, Lahore	92-42-37242834
Starlet Products Pvt. Ltd.	316 Pak Block Allama Iqbal Town, Lahore	03-111-333-124
Sangla Fashions	E-2042, Samran Centre, 3-rd Floor, Shoe Market, Shahalam, Lahore	+92-42-37666839
Waheed Shoes Company	Bank Square Yasir Cloth Market, Gujranwala.	+92-55-4448620

11 USEFUL WEB LINKS

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

12 ANNEXURES

12.1 Income Statement

Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	18,306,000	21,373,800	44,487,529	51,053,578	57,738,370	64,962,732	72,760,493	81,179,141	90,260,708	97,461,420
<i>Cost of sales</i>										
Cost of purchasing shoes	9,346,750	10,703,963	22,475,289	25,568,463	28,910,512	32,526,036	36,425,140	40,640,226	45,180,587	48,758,246
Direct labor	1,404,000	1,544,400	3,397,680	3,737,448	4,111,193	4,522,312	4,974,543	5,471,998	6,019,197	6,621,117
Fixing and repair material	45,765	53,435	111,219	127,634	144,346	162,407	181,901	202,948	225,652	243,654
Direct Electricity	667,044	733,748	1,614,246	1,775,671	1,953,238	2,148,562	2,363,418	2,599,760	2,859,736	3,145,710
Transport rental expense	233,669	267,599	561,882	639,212	722,763	813,151	910,628	1,016,006	1,129,515	1,218,956
Generator expense	525,000	577,500	1,270,500	1,397,550	1,537,305	1,691,036	1,860,139	2,046,153	2,250,768	2,475,845
Total cost of sales	12,222,228	13,880,644	29,430,817	33,245,978	37,379,357	41,863,503	46,715,770	51,977,090	57,665,456	62,463,527
Gross Profit	6,083,772	7,493,156	15,056,712	17,807,600	20,359,013	23,099,229	26,044,723	29,202,051	32,595,252	34,997,892
<i>General administration & selling expenses</i>										
Administration expense	1,176,000	1,293,600	1,829,520	2,012,472	2,213,719	2,435,091	2,678,600	2,946,460	3,241,106	3,565,217
Sales commission	366,120	427,476	889,751	1,021,072	1,154,767	1,299,255	1,455,210	1,623,583	1,805,214	1,949,228
Building rental expense	1,800,000	1,980,000	4,356,000	4,791,600	5,270,760	5,797,836	6,377,620	7,015,382	7,716,920	8,488,612
Communications expense (phone, fax, mail, internet, etc.)	120,000	132,000	290,400	319,440	351,384	386,522	425,175	467,692	514,461	565,907
Office expenses (stationary, entertainment, janitorial services, etc.)	240,000	264,000	580,800	638,880	702,768	773,045	850,349	935,384	1,028,923	1,131,815
Promotional expense	300,000	315,000	330,750	347,288	364,652	382,884	402,029	422,130	443,237	465,398
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	281,717	281,717	281,717	611,355	611,355	611,355	651,817	651,817	651,817	684,747
Amortization of pre-operating costs	43,600	43,600	43,600	43,600	43,600	-	-	-	-	-
Amortization of legal, licensing, and training costs	10,000	10,000	10,000	10,000	10,000	-	-	-	-	-
Subtotal	4,387,437	4,802,393	8,673,037	9,862,256	10,796,210	11,766,514	12,929,377	14,159,884	15,508,857	16,968,823
Operating Income	1,696,336	2,690,763	6,383,675	7,945,344	9,562,803	11,332,715	13,115,346	15,042,167	17,086,395	18,029,069
Gain / (loss) on sale of office equipment	-	-	143,400	-	-	374,917	-	-	563,508	-
Earnings Before Interest & Taxes	1,696,336	2,690,763	6,527,075	7,945,344	9,562,803	11,707,632	13,115,346	15,042,167	17,649,904	18,029,069
Interest expense on long term debt (Project Loan)	165,185	137,157	104,943	166,893	107,545	62,880	40,695	15,197	-	-
Interest expense on long term debt (Working Capital Loan)	133,992	-	-	-	-	-	-	-	-	-
Subtotal	299,177	137,157	104,943	166,893	107,545	62,880	40,695	15,197	-	-
Earnings Before Tax	1,397,159	2,553,606	6,422,132	7,778,451	9,455,258	11,644,753	13,074,651	15,026,970	17,649,904	18,029,069
Tax	132,074	360,901	1,470,245	1,944,957	2,531,840	3,298,163	3,798,627	4,481,939	5,399,966	5,532,674
NET PROFIT/(LOSS) AFTER TAX	1,265,085	2,192,705	4,951,886	5,833,494	6,923,418	8,346,590	9,276,024	10,545,031	12,249,938	12,496,396

12.2 Balance Sheet

Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
<i>Current assets</i>											
Cash & Bank	1,154,600	1,387,592	1,399,439	6,380,166	13,731,140	22,588,779	33,145,889	45,641,622	59,912,452	76,337,901	108,184,593
Finished goods inventory	-	260,047	289,683	619,596	693,736	779,897	873,369	974,514	1,084,185	1,202,756	1,302,057
Equipment spare part inventory	1,907	2,338	5,109	6,156	7,311	8,637	10,157	11,899	13,891	15,749	-
Raw material inventory	1,168,344	1,404,895	3,097,376	3,699,837	4,392,614	5,189,047	6,101,646	7,148,110	8,344,038	9,455,005	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	900,000	990,000	2,178,000	2,395,800	2,635,380	2,898,918	3,188,810	3,507,691	3,858,460	4,244,306	-
Total Current Assets	3,224,850	4,044,873	6,969,607	13,101,555	21,460,180	31,465,278	43,319,871	57,283,836	73,213,026	91,255,717	109,486,649
<i>Fixed assets</i>											
Furniture & fixtures	2,020,500	1,818,450	1,616,400	3,822,855	3,379,955	2,937,054	2,494,154	2,051,253	1,608,353	1,165,452	722,552
Office equipment	239,000	159,333	79,667	505,362	336,908	168,454	626,749	417,833	208,916	725,541	483,694
Total Fixed Assets	2,259,500	1,977,783	1,696,067	4,328,217	3,716,863	3,105,508	3,120,903	2,469,086	1,817,269	1,890,993	1,206,245
<i>Intangible assets</i>											
Pre-operation costs	218,000	174,400	130,800	87,200	43,600	-	-	-	-	-	-
Legal, licensing, & training costs	50,000	40,000	30,000	20,000	10,000	-	-	-	-	-	-
Total Intangible Assets	268,000	214,400	160,800	107,200	53,600	-	-	-	-	-	-
TOTAL ASSETS	5,752,350	6,237,056	8,826,474	17,536,973	25,230,643	34,570,786	46,440,774	59,752,922	75,030,295	93,146,710	110,692,895
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	887,651	1,139,168	2,161,027	2,473,646	2,815,277	3,189,061	3,597,292	4,043,926	4,510,438	4,027,553
Total Current Liabilities	-	887,651	1,139,168	2,161,027	2,473,646	2,815,277	3,189,061	3,597,292	4,043,926	4,510,438	4,027,553
<i>Other liabilities</i>											
Deferred tax	-	132,074	492,975	1,963,220	3,908,178	6,440,017	9,738,180	13,536,807	18,018,746	23,418,711	28,951,385
Long term debt	2,876,175	1,076,072	860,365	1,369,659	972,261	515,514	366,965	196,231	-	-	-
Total Long Term Liabilities	2,876,175	1,208,145	1,353,340	3,332,880	4,880,438	6,955,531	10,105,145	13,733,038	18,018,746	23,418,711	28,951,385
<i>Shareholders' equity</i>											
Paid-up capital	2,876,175	2,876,175	2,876,175	3,633,389	3,633,389	3,633,389	3,633,389	3,633,389	3,633,389	3,633,389	3,633,389
Retained earnings	-	1,265,085	3,457,790	8,409,676	14,243,170	21,166,589	29,513,179	38,789,202	49,334,233	61,584,171	74,080,567
Total Equity	2,876,175	4,141,260	6,333,965	12,043,066	17,876,559	24,799,978	33,146,568	42,422,592	52,967,622	65,217,560	77,713,956
TOTAL CAPITAL AND LIABILITIES	5,752,350	6,237,056	8,826,474	17,536,973	25,230,643	34,570,786	46,440,774	59,752,922	75,030,295	93,146,710	110,692,895

12.3 Cash Flow Statement

Cash Flow Statement											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit		1,265,085	2,192,705	4,951,886	5,833,494	6,923,418	8,346,590	9,276,024	10,545,031	12,249,938	12,496,396
Add: depreciation expense		281,717	281,717	281,717	611,355	611,355	611,355	651,817	651,817	651,817	684,747
amortization of pre-operating costs		43,600	43,600	43,600	43,600	43,600	-	-	-	-	-
amortization of training costs		10,000	10,000	10,000	10,000	10,000	-	-	-	-	-
Deferred income tax		132,074	360,901	1,470,245	1,944,957	2,531,840	3,298,163	3,798,627	4,481,939	5,399,966	5,532,674
Closing stock		(260,047)	(29,636)	(329,913)	(74,140)	(86,161)	(93,472)	(101,145)	(109,671)	(118,571)	(99,301)
Equipment inventory	(1,907)	(431)	(2,771)	(1,047)	(1,154)	(1,326)	(1,520)	(1,742)	(1,993)	(1,858)	15,749
Opening inventory	(1,168,344)	(236,551)	(1,692,481)	(602,461)	(692,777)	(796,434)	(912,599)	(1,046,464)	(1,195,928)	(1,110,967)	9,455,005
Pre-paid building rent	(900,000)	(90,000)	(1,188,000)	(217,800)	(239,580)	(263,538)	(289,892)	(318,881)	(350,769)	(385,846)	4,244,306
Accounts payable		887,651	251,518	1,021,859	312,618	341,632	373,784	408,230	446,635	466,512	(482,884)
Cash provided by operations	(2,070,251)	2,033,096	227,553	6,628,087	7,748,372	9,314,386	11,332,408	12,666,467	14,467,061	17,150,990	31,846,692
<i>Financing activities</i>											
Project Loan - principal repayment		(187,678)	(215,706)	(247,920)	(397,398)	(456,747)	(148,549)	(170,734)	(196,231)	-	-
Working Capital Loan - principal repayment		(1,612,425)	-	-	-	-	-	-	-	-	-
Additions to Project Loan	1,263,750	-	-	757,214	-	-	-	-	-	-	-
Additions to Working Capital Loan	1,612,425	-	-	-	-	-	-	-	-	-	-
Issuance of shares	2,876,175	-	-	757,214	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	5,752,350	(1,800,103)	(215,706)	1,266,508	(397,398)	(456,747)	(148,549)	(170,734)	(196,231)	-	-
<i>Investing activities</i>											
Capital expenditure	(2,527,500)	-	-	(2,913,867)	-	-	(626,749)	-	-	(725,541)	-
Cash (used for) / provided by investing activities	(2,527,500)	-	-	(2,913,867)	-	-	(626,749)	-	-	(725,541)	-
NET CASH	1,154,600	232,993	11,847	4,980,727	7,350,974	8,857,639	10,557,110	12,495,733	14,270,829	16,425,449	31,846,692

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Transport Rental	2.5 % of Purchasing Expense
Promotional Expenses	Rs. 25,000 per Month
Operating costs growth rate	5%
Communication expense	Rs. 10,000 per Month
Sales Commission	2% of Revenue
Office expenses (stationary, entertainment, janitorial services, etc.)	Rs. 20,000 per Month
Professional fees (legal, audit, consultants, etc.)	Rs. 50,000 per Annum
Furniture & fixtures depreciation	10%
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Salaries Growth Rate	10%

13.2 Revenue Assumptions

Description	Details
Sales Price Growth Rate	5%
Starting Capacity Utilization	55%
Capacity Growth Rate	5%
Maximum Capacity Utilization	95%

13.3 Financial Assumptions

Description	Details
Project Life (Years)	10
Debt: Equity	50:50
Interest rate on long term debt	14%