

# Pre-Feasibility Study

## MOBILE PHONE FRANCHISE SHOP



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**December, 2016**

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Document No.	PREF-6
Revision	2
Prepared by	SMEDA-Sindh
Approved by	Provincial Chief - Sindh
Issue Date	December, 2016
Issued by	Library Officer

# **1 PROJECT PROFILE**

## **1.1 Purpose of the Document**

This document is developed to provide the Investor with a potential investment opportunity in setting up and operating a Mobile Phone Franchise. This pre-feasibility give insights into various aspects of how to setup a mobile phone franchise shop and outlines the basic process from obtaining the franchise to running the enterprise as a profitable business. The document is designed to provide relevant details to facilitate the Investor in making the correct decision providing various technical as well as business details. The document also allows flexibility in change of various parameters to suit the customized needs of the Investor.

## **1.2 Project Brief**

Historically the telecom access / teledensity (considered to be a measure of development of a country) has remained low in Pakistan. However in recent years this sector, despite being under the domination of PTCL, has seen double digit growth in new connections coupled with a turnaround time for installation of less than 24 hours. This has improved further as the sector has adopted the deregulation policy. Under this policy new players will not only increase the service choice for customers at competitive rates but also provide services in under served areas.

The cellular phone sector is one of the fastest growing sector of the telecom industry which has been given the status of an industry by the Government. The number of cellular phone subscribers have surpassed the fixed line users.

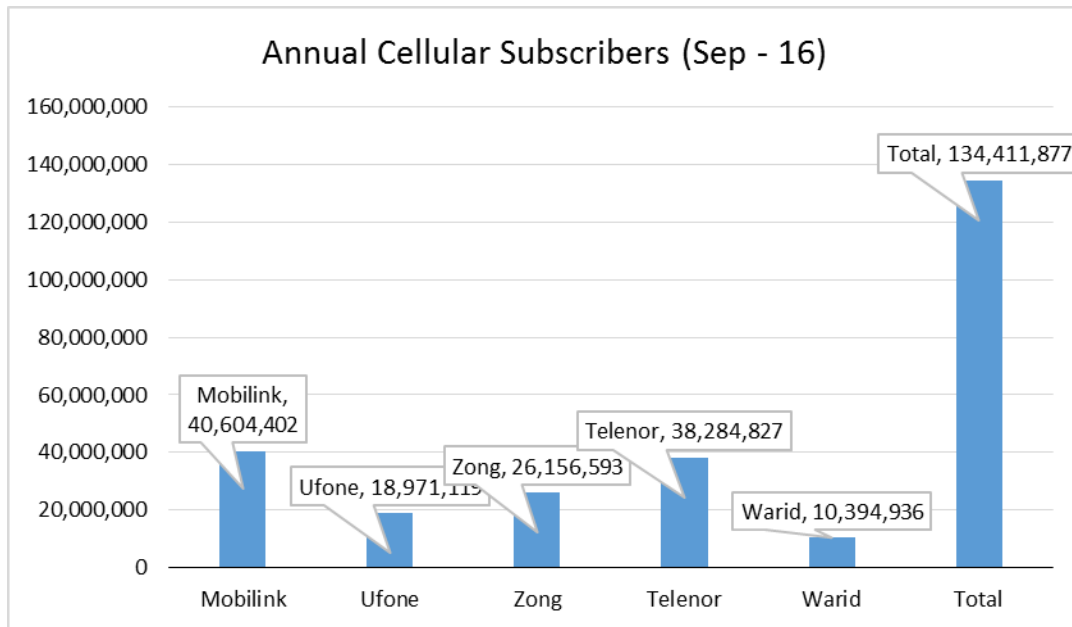
## **1.3 Opportunity Rationale**

Considering the current market situation with the growing number of cellular mobile subscribers and the anticipated entry of new cellular companies, there is a great opportunity for Investors to invest in the franchise business with existing and upcoming cellular companies. The mobile service as well as the mobile set and its related accessories are becoming cheaper day by day making it affordable for every person to avail the service. The benefit to cost ratio of this service is very high wherein the utilities derived from this service considerably excel the costs associated in subscribing and maintaining a mobile phone. Thus the increasing competition amongst the cellular companies to retain existing clientele and to be the first one to access untapped markets has created a pressing need for opening up of franchise outlets to maximize penetration and outreach amongst the masses. Thus a lucrative opportunity exists for Investors to establish their business with the growing cellular phone market.

## **1.4 Industry & Market Overview**

The Telecom Industry of Pakistan has flourished by leaps and bounds in the recent years and overall teledensity, subscriber base, technology advancements and influx of Foreign Direct Investment (FDI) are indicators for the growth of telecom sector of Pakistan.

According to the latest figures compiled by Pakistan Telecommunication Authority (PTA), the overall teledensity in the country has declined to 60.8 percent at the end of 2014-2015 compared to 79.8 percent last year due to blockage of millions of unauthorized/unverified SIMs. The government collected almost Rs. 73.22 billion from Telecom sector in the form of taxes during (July-Dec, 2014-2015). The total revenues of telecom sector in 2014-15 reached to Rs. 449 billion whereas total investment has reached to US \$ 1 billion of which mobile operators constitute US\$ 977.6 million.



#### 1.4.1 Market Players

Overall cellular mobile tele density increased by 70.93% in August 2016 to 71.08% in September 2016. Total number of mobile users increased to 134,411,877<sup>1</sup> across Pakistan as the five operators combined in September 2016

Mobilink dominated the industry in terms of net addition to its cellular subscribers by 472,471 its network till September 2016.

Mobilink also maintained the top position with 40.6 million subscribers at the end of September 2016

Telenor, the second largest operator in terms of subscriber base, remained number two with 38.28 million subscribers. It added 206,627 new subscribers to its network in September 2016.

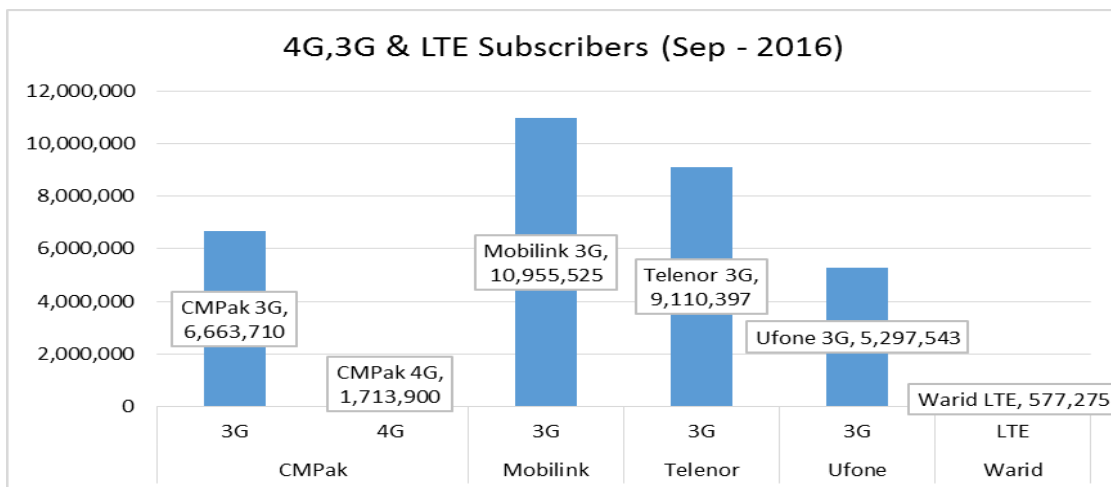
The stiff competition is forcing the current operators to come out with new packages like lowering of the tariff and other charges. Many industry experts are expecting that the tariff

<sup>1</sup> <http://www.pta.gov.pk/index.php?Itemid=599>

will further go down and companies would play on volume rather than or margins. Realizing an increasing wave in acquisition of services - the companies have gone aggressive in attracting as many subscribers. The customer-preference towards mobile phone can be gauged from the fact that around \$635.342<sup>2</sup> imported mobile phone sets find way into the markets per month till last year. It is important to note that franchise outlets have served as the main interface through which the customers and general public subscribe to cellular services.

### 1.5 Arrival of 3G/4G in Pakistan

In Pakistan 3G and 4G together launch in Pakistan on April 24, 2014 through a SMRA (Simultaneous Multiple Round Auction). Two companies got 3G licenses which includes Ufone, Telenor and Mobilink and one company got both 3G & 4G license named Zong. LTE license only offered to Warid Telecom. Recently Telenor also got the 4G license in Pakistan. Arrival of 3G & 4G in Pakistan increase the interest of people in smartphones and mobile internet. PTA annual report shows that around 25% of total Subscriber is using the 3G & 4G LTE services in Pakistan. Below graph shows the subscribers of 4G, 3G & LTE subscribers till Sep -2016<sup>3</sup>



<sup>2</sup> <https://propakistani.pk/2016/05/23/mobile-phone-imports-increased-by-6-64-in-current-financial-year-2015-16/>

<sup>3</sup> <http://www.pta.gov.pk/index.php?Itemid=599>

## **1.6 Key Success Factors/Practical Tips for Success**

The three critical success factors that affect the decision to invest in the proposed business setup are:

### **i) Background Experience**

Background experience plays an important role in operating a mobile phone franchise specially when dealing with customers and deciding on the business development activities to be carried out on behalf of the franchise's platform.

### **ii) Marketing Skill**

Critical to the business' success is that the Investor must have effective PR & marketing skills. These marketing skills should enable the Investor to carryout business development activities to target his potential customers and also to maintain his existing client base. It is advisable that the Investor should have contacts in companies where a single contact can generate multiple subscribers for the franchisee. Such referral network is an important asset for the Investor.

### **iii) Strong Dealer Network**

A strong dealer network also plays an important role in generating additional business for the franchisee. Such a network is imperative in developing a strong customer base for the franchisee which might remain restricted if operated singly. An Investor having a background experience in cellular markets is able to quickly develop a dealer network while it takes time for an Investor who is comparatively new to the business.

## **1.7 Proposed Business Legal Status**

Although the legal status of business tends to play an important role in any setup, the proposed Mobile Phone Franchise Workshop is assumed to operate on a sole proprietorship basis which may extend to partnership in case of addition of significant business to the existing setup.

## 1.8 Project Investment

This section will provide the total cost of the project.

ITEM	COST (RS.)
Application Fee	10,000
Security Deposit with Franchiser	200,000
Shop Furniture	540,000
Shop Renovation	333,000
Pre Operating Costs	100,000
Working Capital (3 Months)	495,000
Rent Deposit ( 3 Months)	105,000
<b>Total Cost</b>	<b>1,783,000</b>

## 1.9 Proposed Product Mix

A mobile phone franchise is required to work solely for one particular franchiser and is not authorized to sell the services of any other cellular company. The franchisee is however allowed to sell mobile sets and other related accessories to the customers through its outlet.

The following are the main services / product portfolio of a typical mobile phone franchise outlet:

- i. Post Paid Connection Sales
- ii. Prepaid Connection Sales
- iii. Billing Services
- iv. Duplicate Sim
- v. Money Transfer
- vi. Easy Load
- vii. Mobile Accessories
- viii. Internet Connection

Some mobile phone franchisees also provide additional services to the customers like mobile repair and second hand mobile purchases. The main purpose of these additional services is to attract the customer and build a relationship that adds considerable business to the outlet's business.

### 1.10 Recommended Project Parameters

Revenue Capacity	Human Resource	Equipment	Location	
174,200 / Month	5	Franchiser Provided	Medium – High Income Locality	
Financial Summary				
Project Cost	IRR	NPV	Payback Period	Cost of Capital (WACC)
Rs. 1,783,000	56 %	Rs. \$5,227,378	3.02 Years	20%

### 1.11 Proposed Location

The location of the mobile phone shop has strategic importance for the business. The location of the shop is usually determined by the Investor based on various factors which is then subsequently decided in consultation with the franchiser during the franchise application process. However, franchisee should consider the following when choosing a location for the shop (franchisers also assist the franchisee in determining the best possible location):

- **Anticipated Source of Business:**

The mobile phone franchise mostly relies on two main sources for business generation - referrals and location. Some franchisees choose highly frequented areas like shopping malls, main market areas or locate themselves on the main road. These shops mostly target walk in customers who either happen to pass by that shop or those who live in the nearby residential localities. Some shops are strategically located in business areas like in an office building where majority of employees working in the offices have mobile sets. Thus in this case billing services and sale of scratch cards is usually very high.

- **Existing Competition**

Crucial to selecting a location for the mobile phone shop is the presence of competition in the selected area. In case the franchiser does not have a presence in a selected location where other competitors are present the franchisee can easily opt for that particular area. Usually customer traffic is divided where two or more franchises of the same franchiser are located in close proximity, therefore there is a need to ensure that a reasonable radius is maintained to avoid unnecessary competition. The franchisers also advise on maintaining a minimum radius and usually assist franchisee in selecting the best location where potential business exists.



- **Quick Accessibility to Dealer Network**

Referrals and connections are the key to develop and retain customers and play an important role in the business development services. Many mobile franchisees make use of their dealer network to obtain further contacts and keep abreast of the demand and supply situation in the market to identify opportunities for further business. A dealer network is created when the franchisee enters into an agreement with small mobile phone outlets (which are usually generic outlets having no franchise arrangement) in various / nearby locations whereby the franchisee supplies services / products of the particular franchiser to the dealers. The agreement between the franchisee and the dealers is done with the consent of the franchiser and the commission margins etc. are decided between the franchisee and the dealers by themselves. While such an association benefits the franchiser by enabling it to have a greater outreach, it also helps the franchisee in generating more business through the dealer network and lastly the dealers also benefits from additional business support from the franchisee.

### **1.12 Key Success Factors/Practical Tips for Success**

The main objective of a Mobile Phone Franchise Shop is to offer a quick and prompt service to eliminate waiting on part of the customer and help to offer value added services to the customer. The following factors need a continuous focus for making the proposed setup a successful business venture:

- **Corporate Customers**

It is imperative that the franchisee maintains a strong corporate referral network. This means that the franchisee should be acquainted with people who are involved in decision making at the corporate level. A considerable number of employees are given mobile sets and connections on behalf of the companies. The franchisee should tap these decision makers and try to offer a package which benefits the companies in terms of cost and also the franchisee in terms of volume. The franchisee can also offer billing services at the doorstep by employing a corporate sales person who goes to such companies to collect bills and offer hassle free service to the company employees.

- **Walk In Customers**

Customer Support Service is the main interface through which the franchisee should be able to generate considerable revenue. Most of the mobile franchisees in order to retain and attract customers offer bill collection services and scratch card sales at doorstep.

- **Skilled & Experienced Manpower**

The knowledge and experience of the Investor is not sufficient to run the business smoothly. A major proportion of the business development activities and accounts receivables are managed by sales personnel employed by the franchisee to operate on behalf of the shop's platform. Therefore it is crucial for the franchisee to hire experienced and skilled sales staff that can bring in new business with them and retain the existing customer base.

## **2 FRANCHISING PROCESS**

The mobile phone franchising process is a simple process whereby the Investor (franchisee) undergoes an evaluation process conducted by the cellular company (franchiser). The following gives the details of the franchising process:

### **2.1 Initial Application & Screening**

The process starts off with the Investor obtaining an application form by depositing a non-refundable amount of approximately Rs. 10,000/- with the cellular company with which it seeks franchising arrangement. Some companies give added benefit to the applicant by taking this amount only if the initial application is approved by the concerned authorities. In case of non approval at the initial stages, these companies don't charge any amount.

The application requires the Investor to provide the relevant personal details along with the details of the existing setup, if any. A list of documents is also printed on the application form, which are to be provided by the applicant (for example NIC copy etc.).

Once the application form is completely filled, it is submitted to the regional office of the concerned company along with the necessary documents. The cellular company conducts scrutiny of the application form and the concerned party and after a particular time period informs the applicant regarding the status of the application.

### **2.2 Detailed Scrutiny**

Once the initial application is approved, a detailed scrutiny of the potential franchisee starts. This includes subsequent site visits by the sales team to the shop (in case the applicant already has a shop for the franchise arrangement). The company also carries out background checks on the party credibility and financial status. The applicant undergoes a series of interviews with the company representatives (like the sales team, zonal sales manager, area sales manager and the head of marketing). Once the interview process is successfully completed and all background checks have been conducted by the company, the applicant is asked for a refundable security deposit of Rs. 200,000.

On successful completion of the detailed scrutiny exercise, the location is finalized in consultation with the franchisee. In most of the cases the cellular company proposes a location for the franchise shop keeping in view the anticipated business and its market presence in that particular region. The applicant is asked to sign a franchise contract with

the cellular company on agreed terms and conditions as outlined in the contract after which the applicant becomes the franchisee and is allocated a franchisee number which acts as a reference point between the franchisee and the franchiser for the future.

### **2.3 Franchiser Assistance**

Once the franchising agreement is signed, the franchisee is assigned to a zonal sales manager of that particular region with which future coordination is to be carried out. The franchiser then assists the franchisee in setting up the mobile phone shop. The franchisee, on acquisition of shop premises (either on rent or on purchase) informs the zonal sales manager after which the sales team visits the premises and inspects the location. The sales team then assists the franchisee in developing the layout of the shop and provides all details and specifications regarding flooring, false ceiling, wall paper, furniture wood and design specifications, display centers specifications, manager room specifications, billing area, customer service area etc.

Once all these details and specifications are determined according to the standard franchise requirements, the franchisee is required to carryout shop development and renovation activities according to these standards. On completion of the shop renovation, the franchisee informs the concerned zonal manager who visits and inspects the shop to check for uniformity and adherence to the desired standards.

### **2.4 Shop Setup**

Once the shop's infrastructural activities are completed, the franchisee hires competent staff to operate the franchise business. The operational staff is hired according to the minimum requirements specified by the franchiser keeping in view the anticipated business. The franchisee is then required to print stationery including order forms, letter heads etc. with name and franchisee reference number specifically mentioned on each item to be used for correspondence.

The manager/owner installs the computerized reporting system that remains continuously online with the company's office. The company's manager/owner then trains the customer representative staff who are supposed to enter all sales transactions. Once all staff is properly trained and all systems are properly in place, the franchisee uses the order form to purchase cards from the company before commencing operations.

### **2.5 Operational & Sales Reporting**

The company's sales force visits each outlet almost every day. When a new setup commences its operations usually a company sales representative remains in the shop for a majority of the time for the initial couple of days to provide onsite guidance. Once the sales representative is satisfied with the work, he reverts back to the regular visits according to the visit schedule

All sales activities during the day are to be recorded and entered into the computer before day end and should be submitted to the company's regional office electronically via the computerized sales reporting system before midnight. The shops usually operate from 9:00 am to 6:00 pm the staff works on one shift it is recommended that all details pertaining to the sale be entered into the computerized system as soon as the transaction is conducted. However this method gets delayed in case the customer traffic is very high therefore making it difficult for the billing staff to manage the workload. Thus many shops enter the day's transactions into the computer in evening when the customer traffic is comparatively low. It is suggested that the billing staff enter data as soon as they find time during the course of the day so that they are able to manage the workload properly.

### **3 FRANCHISE AGREEMENT**

Although the franchise agreements tend to be similar across almost all companies some terms and conditions tend to differ as negotiated between the franchiser and the franchisee. The following are some of the topics that are usually covered in a standard franchise agreement:

#### **3.1 Exclusive Business**

The franchisee is restrained to engage itself directly or indirectly in any business or commercial activities with any other third party that directly or indirectly competes with the franchiser. The franchisee cannot introduce business policy, scheme, strategy, bonus, incentive, gift, gimmick, and lottery or luck draw of the third party, the violation of which would result into the termination of the contract.

#### **3.2 Confidentiality**

The franchisee is required to observe strict confidentiality in all correspondence, technical know-how, statistical data, market information, company's internal business policy, future business plans as entrusted by the franchiser to the franchisee.

#### **3.3 Staff**

The franchisee is required to hire employees in consultation with the franchiser as per qualification and experience prescribed by the franchiser.

#### **3.4 Sales Target**

Value-wise, units wise, time scaled business targets are specifically designed and defined by the franchiser which can be increased and decreased based on various factors.

### 3.5 Exclusive Rights

The franchiser enjoys all the exclusive rights over all its marks, trademarks, trade names, market brands, monograms, insignias, approved color schemes, patents and designs, intellectual and non intellectual property rights including goodwill the use of which cannot be made unless specifically expressed by the franchiser.

### 3.6 Capital & Operational Expenditure

The franchisee is required to establish, maintain and run the mobile shop franchise along with its appropriate staff at its own cost including all taxes and deal with all government departments, labor institutions and law courts independently. The franchiser does not bear the liability of the

### 3.7 Time Period

The franchise agreement is usually enforced / effective for one year from the date of its execution, unless terminated and can be extended at the sole discretion of the franchiser for the next one year.

### 3.8 Commission

The franchiser will pay commission to franchisee as per the current commission structure in place, which could be revised according to the franchiser's discretion.

## 4 MANPOWER REQUIREMENT

The manpower requirement depends on the anticipated customer traffic and can be adjusted accordingly after the commencement of the operations. The following table presents the manpower requirement for the proposed mobile phone franchise:

STAFF	NUMBER	MONTHLY SALARY (RS)
Owner / Manager	01	35,000
Customer Service (Male) / (Female)	02	20,000
24 Hour Security Guard Service	02	18,000
<b>Total</b>	<b>05</b>	<b>111,000</b>

- **Owner / Manager:** It is recommended that the franchise owner should act as a shop manger for some time to establish staff credibility and to ensure smooth workflow.

- **Customer Service Representative:** During the day operations from 9 am to 6 pm one female or male customer service staff is needed to cater to walk in customer needs and manage customer traffic.

## 5 LAND & BUILDING REQUIREMENT

### 5.1 Land Requirement

The minimum spatial requirements for a shop varies from franchiser to franchiser; however for the proposed mobile phone franchise setup a shop of approximately 20 x 24 feet is required. The total shop area of 480 Sq. Ft. would be divided into four parts as follows:

• Customer Service	65 %	312 Sq. Ft.
• Manager / Owner's Room	15 %	072 Sq. Ft.
• Billing Area	15 %	072 Sq. Ft.
• Store / Locker	05 %	024 Sq. Ft.

### 5.2 Recommended Mode for Shop Acquisition

The rent of the shop would depend on the location chosen for setting up the mobile phone shop. For the purpose of this study it is assumed that the locality should cater to a medium to high income level area. The proposed shop will be acquired on a rental basis of Rs. 30,000 per month with 3 months advance rent deposit after which rent will be payable on a monthly basis. The shop can then be acquired over a period after ensuring business sustainability.

## 6 FINANCIAL ANALYSIS & KEY ASSUMPTIONS`

The project cost estimates for setting up a franchise mobile phone shop has been formulated on the basis of discussions with relevant industry experts and stakeholders. The cost projections cover the cost of shop, office equipment, manpower costs etc. The specific assumptions relating to individual cost components are given as under:

## 6.1 Revenue & Cost Projections

Revenue projections for the proposed Franchise Mobile Phone Shop include sales streams from the following six main sources:

- i. Billing Services
- ii. Postpaid Connection Sales
- iii. Prepaid Connection Sales
- iv. Duplicate Sim
- v. Money Transfer
- vi. Sale of Mobile Phone & Accessories + Internet Connections

Local roaming was also a revenue stream but since it has been offered as a free service it has not been included in the revenue stream.

The sales are expected to grow at a real rate of 10% per annum for the ten years which reflect on the anticipated boom in the number of cellular phone subscribers in the near future and then the saturation of the market thereof. However at the same time due to increased competition margins are also expected to go down hence the sales growth in the later years will be a reflection of this phenomenon. Similarly the cost of sales are assumed to increase by 7.5% for 10 years signifying the margin incentives introduced by cellular companies to gain market share.

### 6.1.1 Gross Margins

The following table gives the Gross Margins for the proposed services<sup>4</sup>:

SERVICE	GROSS MARGIN	ANTICIPATED SALES
Billing Services	3 % of the Billing Collected	Rs. 780,000 / Month
Postpaid Connection Services	Rs. 200 / Connection (Avg.)	52 Connections / Month
Prepaid Connection Services	Rs. 150 / Connection	156 Connections / Month
Money Transfer	3 % on overall amount	650,000 Month
Mobile Sets & Accessories + Internet Connections	Rs. 1000 / Unit	Rs. 260,000 / Month
Duplicate Sim	Rs. 50	104 Sim / Month
Easy Load	1%	Rs. 1,170,000 / Month

<sup>4</sup> Based on the estimates of the industry experts keeping in view the future demand

The margin on the sales of mobile phone accessories and internet connections varies therefore an average margin has been used to depict the income of the franchisee. These retention sales continue to the time till the customer terminates using the connection and / or changes the SIM from some other franchise outlet.

## 6.2 Office Furniture & Equipment

A total of Rs 540,000 is required for purchase of office furniture and related equipment. The following table gives an assumed breakup:

ITEM	NUMBER	ASSUMED COST (RS.)
Waiting Chairs	10	50,000
Office Table / Chair	02	70,000
Retail Counter Desk (Glass)	01	60,000
Sofa Set (Elegant)	01	50,000
Laptop & Printer	02	150,000
Display Shelves	02	100,000
Mobile Decoration Stands	02	60,000
<b>Total</b>	<b>20</b>	<b>540,000</b>

## 6.3 Rent Cost

The rent for the assumed premises will be Rs. 35,000/- per month. It is assumed that Rs. 105,000 will be given in advance before possession of premises. This will include 3 month advance rent deposit. The rent would be payable on a monthly a basis and is expected to increase at the rate of 10% per annum for the projected period.

## 6.4 Shop Renovation

It is expected that a total of Rs. 333,000 would be incurred to renovate the shop before commencement of operations. This would include wall paint, tile- flooring, false ceiling, , glass partitions for billing section, board partition for manager's room, air conditioner, display shelves, fancy lights, panaflex signboard etc.

It is expected that at least two renovations will be carried out, during the projected period of 10 years to maintain shop décor Rs 200,000 and would be incurred in Year 5 and Year 10 subsequently.

The initial cost of shop renovation is assumed to be under the following heads:



<b>ITEM</b>	<b>ASSUMED COST (RS.)</b>
Shop Whitewash & Paint	40,000
False Ceiling	25,000
Fancy Lights & Fittings	30,000
Panaflex Sign Board	15,000
Air Conditioner	65,000
Marble Flooring	50,000
Glass Windows & Shop Shutters	50,000
Ceiling Fans (2)	8,000
Others	50,000
<b>Total</b>	<b>333,000</b>

The assumed breakup for recurring shop renovation (Rs. 200,000) in Year 5 and Year 10 is as follows:

### **6.5 Utilities Requirement**

The following table presents the assumed breakup of utilities on a monthly basis:

<b>UTILITY</b>	<b>MONTHLY CHARGES (RS.)</b>
Electricity	10,000
Water	2,000
Telephone	2,000
Entertainment	5,000
<b>Total</b>	<b>19,000</b>

It is assumed that utilities expenses will increase by 10% every year.

### **6.6 Depreciation on Shop Furniture & Renovation**

The treatment of depreciation on shop renovation and furniture would be on a diminishing balance method at the rate of 10%. This method is also expected to provide accurate tax treatment.

### **6.7 Working Capital & Pre Operating Costs**

It is estimated that an additional amount of approximately Rs. 495,000 will be required as cash in hand to meet the working capital requirements / contingency cash for the initial stages. The requirement is based on the utilities, salaries, rent and office expenses for at least three months. The following table gives the break up.

<b>ITEM</b>	<b>3 MONTHS COST (RS.)</b>
Utilities	42,000
Salaries	333,000
Rent	105,000
Office Expense	15,000
<b>Total</b>	<b>495,000</b>

The provision for pre operating costs is assumed to be Rs. 100,000 which will be amortized equally over a 5 year period.

### **6.8 Taxation**

The tax rate applicable to sole proprietorship is the same as that of the salaried individual. Therefore, we are assuming that the tax rate would be the same for the proposed photo lab setup.

### **6.9 Cost of Capital**

The cost of capital is explained in the following table:

<b>Particulars</b>	<b>Rate</b>
Internal Rate of Return	52.0%
Weighted average cost of capital	20.0 %

### **6.10 Owner's Withdrawal**

It is assumed that the owner will withdraw from the business once the desired profitability is reached from the start of operations. For this Prefeasibility we have assumed that owner will withdraw Rs. 35,000 in the form of salary. The amount would depend on business sustainability and availability of funds for future growth.

### 6.11 Key Assumptions

Item	Assumption(s)
Sales Increase	10 % (Year 1- 10),
Increase in Cost of Sales	8 % (Year 1-10)
Increase in Staff Salaries	10 % per year
Increase in Utilities	10 % per year
Increase in Rent	10 % per year
Increase in Office Expenses	10 % per year
Debt / Equity Ratio	0 : 100
Depreciation	
o Shop Renovation	10 % per annum (Diminishing Balance)
o Shop Furniture	10 % per annum (Diminishing Balance)
Tax Rate	Income Tax on Salaried Individuals

# PROJECTED BALANCE SHEET

MOBILE PHONE FRANCHISE SHOP											
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
<b>Assets</b>											
<b>Current Assets</b>											
Cash & Bank Balance	505,000	615,400	1,166,423	2,260,250	3,915,351	5,997,837	8,967,087	12,702,617	17,293,116	22,806,801	29,167,769
Account Receivable	0	0	0	0	0	0	0	0	0	0	0
Security Deposit	200000	200000	200000	200000	200000	200000	200000	200000	200000	200000	200000
Prepaid Rent	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000
Pre Operating Costs	100,000	80,000	60,000	40,000	20,000	0	0	0	0	0	0
<b>Total Current Assets</b>	<b>910,000</b>	<b>1,000,400</b>	<b>1,531,423</b>	<b>2,605,250</b>	<b>4,240,351</b>	<b>6,302,837</b>	<b>9,272,087</b>	<b>13,007,617</b>	<b>17,598,116</b>	<b>23,111,801</b>	<b>29,472,769</b>
<b>Fixed Assets</b>											
Furniture & Fixtures	540,000	486,000	437,400	393,660	354,294	318,865	286,978	258,280	232,452	209,207	188,286
Shop Fixtures	333,000	299,700	269,730	242,757	218,481	396,633	356,970	321,273	289,146	260,231	434,208
<b>Total Fixed Assets</b>	<b>873,000</b>	<b>785,700</b>	<b>707,130</b>	<b>636,417</b>	<b>572,775</b>	<b>715,498</b>	<b>643,948</b>	<b>579,553</b>	<b>521,598</b>	<b>469,438</b>	<b>622,494</b>
<b>Total Assets</b>	<b>1,783,000</b>	<b>1,786,100</b>	<b>2,238,553</b>	<b>3,241,667</b>	<b>4,813,126</b>	<b>7,018,335</b>	<b>9,916,035</b>	<b>13,587,170</b>	<b>18,119,714</b>	<b>23,581,239</b>	<b>30,095,264</b>
<b>Owner's Equity</b>	1,783,000	1,786,100	2,238,553	3,241,667	4,813,126	7,018,335	9,916,035	13,587,170	18,119,714	23,581,239	30,095,264
<b>Total Equity &amp; Liabilities</b>	<b>1,783,000</b>	<b>1,786,100</b>	<b>2,238,553</b>	<b>3,241,667</b>	<b>4,813,126</b>	<b>7,018,335</b>	<b>9,916,035</b>	<b>13,587,170</b>	<b>18,119,714</b>	<b>23,581,239</b>	<b>30,095,264</b>
Difference	0	0	0	0	0	0	0	0	0	0	0

# PROJECTED INCOME STATEMENT

MOBILE PHONE FRANCHISE SHOP										
Projected Income Statement (Rs.)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Revenue</b>	26,083,200	28,691,520	31,560,672	34,716,739	38,188,413	42,007,254	46,207,980	50,828,778	55,911,656	61,502,821
<i>Receivables</i>		-	-	-	-	-	-	-	-	-
<b>Net Sales</b>	26,083,200	28,691,520	31,560,672	34,716,739	38,188,413	42,007,254	46,207,980	50,828,778	55,911,656	61,502,821
<b>Cost of Sales</b>	23,992,800	25,912,224	27,985,202	30,224,018	32,641,940	35,253,295	38,073,558	41,119,443	44,408,998	47,961,718
<b>Gross Profit</b>	2,090,400	2,779,296	3,575,470	4,492,721	5,546,474	6,753,960	8,134,422	9,709,335	11,502,657	13,541,103
	8%	10%	11%	13%	15%	16%	18%	19%	21%	22%
<b>General Administrative &amp; Selling Expenses</b>										
Salaries	1,332,000	1,465,200	1,611,720	1,772,892	1,950,181	2,145,199	2,359,719	2,595,691	2,855,260	3,140,786
Utilities Expense	168,000	184,800	203,280	223,608	245,969	270,566	297,622	327,384	360,123	396,135
Rent Expense	420,000	462,000	508,200	559,020	614,922	676,414	744,056	818,461	900,307	990,338
Office & Miscellaneous Expenses	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Amortization	20,000	20,000	20,000	20,000	20,000					
Depreciation Expense	87,300	78,570	70,713	63,642	57,278	71,550	64,395	57,955	52,160	46,944
<b>Subtotal</b>	2,087,300	2,276,570	2,486,513	2,719,022	2,976,196	3,260,360	3,572,086	3,916,415	4,296,466	4,715,680
<b>Operating Income</b>	3,100	502,726	1,088,957	1,773,699	2,570,278	3,493,600	4,562,336	5,792,920	7,206,192	8,825,423
<b>Earnings Before Taxes</b>	3,100	502,726	1,088,957	1,773,699	2,570,278	3,493,600	4,562,336	5,792,920	7,206,192	8,825,423
Tax	-	50,273	85,844	202,240	365,070	595,900	891,201	1,260,376	1,744,667	2,311,398
<b>Net Profit</b>	3,100	452,453	1,003,114	1,571,460	2,205,209	2,897,700	3,671,135	4,532,544	5,461,525	6,514,025
<b>Yearly Profit After Tax</b>	3,100	452,453	1,003,114	1,571,460	2,205,209	2,897,700	3,671,135	4,532,544	5,461,525	6,514,025

# PROJECTED CASH FLOW STATEMENT

MOBILE PHONE FRANCHISE SHOP											
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
<b>Cash Flow From Operating Activities</b>											
Net Profit	0	3,100	452,453	1,003,114	1,571,460	2,205,209	2,897,700	3,671,135	4,532,544	5,461,525	6,514,025
Add: Depreciation Expense	0	87,300	78,570	70,713	63,642	57,278	71,550	64,395	57,955	52,160	46,944
Amortization Expense	0	20,000	20,000	20,000	20,000	20,000	0	0	0	0	0
Increase In Receivables	0	0	0	0	0	0	0	0	0	0	0
<b>Net Cash Flow From Operations</b>	<b>0</b>	<b>110,400</b>	<b>551,023</b>	<b>1,093,827</b>	<b>1,655,101</b>	<b>2,282,486</b>	<b>2,969,250</b>	<b>3,735,530</b>	<b>4,590,499</b>	<b>5,513,684</b>	<b>6,560,969</b>
<b>Cash Flow From Financing Activities</b>											
Owner's Equity	1,783,000										
<b>Net Cash Flow From Financing Activities</b>	<b>1,783,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash Flow From Investing Activities</b>											
Security Deposit - Franchiser	(200,000)										
Security Deposit - Shop	(105,000)										
Renovation	(333,000)					(200,000)					(200,000)
Preoperating Costs	(100,000)										
Office Furniture	(540,000)										
	(1,278,000)	0	0	0	0	(200,000)	0	0	0	0	(200,000)
<b>NET CASH FLOW</b>	<b>505,000</b>	<b>110,400</b>	<b>551,023</b>	<b>1,093,827</b>	<b>1,655,101</b>	<b>2,082,486</b>	<b>2,969,250</b>	<b>3,735,530</b>	<b>4,590,499</b>	<b>5,513,684</b>	<b>6,360,969</b>