

# Pre-Feasibility Study

## HIGH SCHOOL (FRANCHISE)



### Small and Medium Enterprises Development Authority

### Ministry of Industries & Production Government of Pakistan

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## 1 DISCLAIMER

The objective of 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 as future is uncertain, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice to be obtained by the user. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision, including taking professional advice from a qualified consultant/technical expert before taking any decision to act upon the information.

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## 2 EXECUTIVE SUMMARY

Education plays a vital role in the progress of any nation and is the key contributor towards achieving success. This Pre-Feasibility Study is about setting up the venture of a High School (Franchise) in any city of Pakistan. The objective of the document is to provide guidance to the reader who wants to setup a similar venture. The proposed school will offer its services from the classes of primary to matriculation. The school will be catering to children of middle to low-income economic stratum as a high caliber yet affordable educational institute.

The proposed capacity of High School (Franchise) is 480 Students. Initial capacity utilization is estimated at 55% with a growth rate of 15% per annum. This capacity is estimated to be economically viable and justifies the capital as well as operational cost of the project. However, entrepreneur's knowledge of education sector, experienced management, qualified faculty and location of school are key factors for the success of this project.

Total project cost is estimated at Rs. 8.028 million with capital investment of Rs. 7.328 million and working capital Rs. 0.700 million. Considering all the assumptions on which the pre-feasibility has been built, the projected IRR, Payback and Net Present Value are 46%, 2.57 years and Rs. 11.659 million respectively. The project will provide employment opportunities to 28 people including the Owner. The legal business status of this project is assumed to be 'Sole Proprietorship'.

## 3 INTRODUCTION TO SMEDA

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

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out '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, production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **High School (Franchise)** business, by providing them with a general understanding of the business with the intention of supporting potential investors in crucial investment decisions.

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

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

## 5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

School industry is experiencing a rapid change in Pakistan. A lot of school chains are offering franchise opportunities in market with standardized curriculum, rules & regulations and extra curriculum activities. All school chains have an effective monitoring and evaluation systems, which conduct evaluation of franchises on regular basis. This ensures good quality education and standardized facilities for students in the whole network. Therefore, parents are showing more trust on these school chains instead of small schools operating in isolation.

The franchise networks advertise their business on national print and electronic media for brand recognition. These advertisements provide a competitive edge to the franchisee over the single branch schools. Keeping in the view the industry situation, it is suggested to buy the rights of a franchise instead of opening a school with new brand name.

This particular pre-feasibility study provides the basic information for setting up a franchise based High School in any small or major city of Pakistan. The proposed school will cater to the educational needs of the children belonging to middle and lower middle-income family group. Therefore, location of the school should be selected near the residents of middle-income group. The school covers a wide spectrum of starting classes from Nursery to Matriculation (as Secondary school). Providing education from primary level onwards ensures consistent quality of education from an early stage.

By offering quality education and modern facilities, the school is expected to earn early recognition and parent's trust and preference. The proposed project will provide employment generation to 28 peoples including owner himself as administrator of the business. The legal status of the business in this document has been kept as 'Sole Proprietorship'.

### 5.1 Installed and Operational Capacities

The total installed capacity of the project is assumed at 480 students in a year. However; initial operational capacity of the project will be 55% with an annual growth of 15%. Maximum capacity utilization of the project is assumed at 90%.

**Table 1: Installed and Operational Capacity**

Description	Total Capacity	Operational Capacity 55 % (Year 1)	Maximum Operational Capacity 90% (Year 10)
No. of Students	480	264	432

## 6 CRITICAL SUCCESS FACTORS

Following are critical success factors associated with this business:

- ⇒ Good working relationship with franchisor for timely dealing of official matters.
- ⇒ Experienced and well-qualified school-teachers including quality course content.
- ⇒ Effective and timely marketing campaign of franchise through different media like local newspapers, cable networks, billboards, transit posters and social media.
- ⇒ Campus location is the key to success for the franchisee reach out to the target audience and to meet its revenue targets.
- ⇒ Clear, positive, and consistent decorum of school campus should be set and communicated as it gives the first impression to parents and students.
- ⇒ Décor presentation of school campus and friendly behaviour of admission office staff are critical as it gives the first impression to parents and students.
- ⇒ Continuous extra-curricular activities play a vital role in student growth & development and parent's optimism on school.
- ⇒ Regular Parents teacher meeting regarding students' performance will provide confidence to parents.

## 7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

All the urban areas of Pakistan are the potential areas for investment in high school business as education is a basic necessity for every kid. It is suggested to open the school in the surrounding of populated residential areas so that target market could easily access the school. Additionally, it is important to identify a location aligned to the targeted income group.

Entrepreneur also needs to investigate the market dynamics like market competition, current market growth rate and purchasing power of target market. Reasons to propose a small city is that all school chains have already entered in metropolitan cities and the school market of metropolitan cities have already become saturated. Beside this as per the policy of franchisers they don't offer franchise within the radius of 4 Kilometres in order to provide a fair chance of profit making for their franchisee.

## 8 POTENTIAL TARGET CUSTOMERS / MARKETS

The target market for this particular business is the middle and lower middle economic class of the cities of Pakistan. The age group of target customer is young generation (i.e. 03 to 17 years) as this segment requires the school education from nursery to matriculation.

The private sector enrolment in schools is estimated to be close to 40% of the total enrolment under schools in Pakistan. Due to shortage of public sector schools, and because many existing public sector schools are non-functional, on account of shortage of school teachers and/or lack of funds to pay for running the school expenses, some parents like to send their children to private schools. Schools in private sector are somewhat costlier than the public sector schools, but offer better knowledge to children.

## 9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of High School (Franchise Model). Various cost and revenue related assumptions along with results of the analysis are outlined in this section.

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

### 9.1 Project Economics

In order to financially appraise the project, a 100% Equity Based Business Model has been assumed. The following tables show Internal Rate of Return, Payback Period Net Present Value and Breakeven of the proposed venture:

**Table 2: Project Economics (Equity Financed)**

Description	Details
Internal Rate of Return (IRR)	46%
Payback Period (Yrs.)	2.57
Net Present Value (Rs.)	11,659,005

Calculation of break-even analysis is as follows:

**Table 3: Breakeven (100% Equity Based)**

BREAKEVEN ANALYSIS	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Break-Even Revenue	12,404,384	11,673,113	11,347,771	13,094,907	14,046,638	13,910,713	16,390,181	17,724,531	17,647,892	20,104,869
Break-Even Students	317	271	240	251	245	221	236	233	210	218
Margin of Safety	-17%	15%	35%	32%	32%	37%	31%	30%	36%	32%

However, for the purposes of further explanation the Project Economics based on Debt:Equity (i.e. 50:50) Model has also been computed. On the basis of Debt:Equity model the Internal Rate of Return, Payback Period and Net Present Value of the proposed project are provide in the table below:

**Table 4: Project Economics Based on Debt (50%) : Equity (50%)**

Description	Details
Internal Rate of Return (IRR)	45%
Payback Period (Yrs.)	2.57
Net Present Value (Rs.)	14,014,023

The financial assumptions for Debt:Equity are as follows:

**Table 5: Financial Assumptions for Debt:Equity Model**

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	15%
Debt Tenure	5 Years
Debt Payment / Year	Annual



The projected Income Statement, Cash Flow Statement and Balance Sheet enclosed as annexures are based on 100% Equity Based Business Model.

## 9.2 Project Cost

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

**Table 6: Project Cost**

Description	Amount Rs.
<b>Capital Cost</b>	
Machinery & Equipment	266,000
Furniture & Fixture	3,107,700
Office equipment	1,114,000
I.T equipment	930,000
Building Security Deposit	450,000
Pre-operating costs	410,000
Licensing & Legal Fee	1,050,000
<b>Total Capital Cost</b>	<b>7,327,700</b>
<b>Working Capital</b>	
Cash	250,000
Up-front Building Rent	450,000
<b>Total Working Capital</b>	<b>700,000</b>
<b>Total Project Cost</b>	<b>8,027,700</b>

## 9.3 Space Requirement

The space requirement for the proposed high school (franchise) is estimated considering various facilities including management office, staff room, class rooms, store room and open space, etc. It is compulsory to have a campus of minimum 2 Kanals for a high school from most of the franchisers. Franchisers normally check the map of building before granting the permission to start business in order to make sure that the building is suitable for a school campus. The Details of space requirement related to land & building is given below:

**Table 7: Space Requirement**

Description	Estimated Area (Sqft)
Principal Office	250
Admin Office	250
Staff Room	400
Computer Lab	500
Science Lab	400
Class Rooms	3,600
Canteen + Kitchen	200
Wash Rooms	216
Store Room	500
Open / Playing Area	2,684
<b>Total</b>	<b>9,000</b>

In order to avoid the initial high cost for Building and Infrastructure development, a purpose-built building will be acquired on rent. The estimated rent is assumed at Rs. 150,000 per month for this Pre-feasibility study.

#### 9.4 Machinery & Equipment Requirement

Machinery and equipment for the proposed project are stated below:

**Table 8: Machinery & Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Electric Water Cooler	2	33,000	66,000
Security Equipment	1	200,000	200,000
<b>Total</b>			<b>266,000</b>

#### 9.5 Furniture & Fixtures Requirement

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

**Table 9: Furniture & Fixture**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
<b>Principal Office</b>			
Table & Chairs	1	35,000	35,000
Visitor Chairs	4	8,000	32,000
Sofa Set	1	60,000	60,000
Cupboard	1	15,000	15,000
<b>Admin Office</b>			
Table & Chairs	3	18,000	54,000
Visitor Chairs	6	6,000	36,000
Cupboard	2	12,000	24,000
<b>Staff Room</b>			
Long Table	1	20,000	20,000
Chairs	12	6,000	72,000
Cupboard	2	12,000	24,000
<b>Class Room</b>			
Table & Chairs	12	6,000	72,000
Nursery to Prep	80	1,400	112,000
Class 1 to 5	100	3,000	300,000
Class 6 to 10	100	4,000	400,000
White Board	14	4,000	56,000
Soft board	2	2,000	4,000
Fans	37	4,500	166,500
Exhaust Fans	27	2,200	59,400
LED Bulbs (18 Watts)	86	300	25,800
Air conditioners (1.5 ton Split)	6	90,000	540,000
Renovation	1	1,000,000	1,000,000
<b>Total Furniture &amp; Fixtures</b>			<b>3,107,700</b>

### 9.6 Office Equipment Requirement

Following office equipment will be required for High School (Franchise);

**Table 10: Office Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Generator	1	980,000	980,000
Telephones	3	1,500	4,500

Fridge	1	51,500	51,500
Water Dispenser	2	19,000	38,000
Microwave Oven	1	7,500	7,500
LED for Lab	1	32,500	32,500
<b>Total Office Equipment</b>			<b>1,114,000</b>

### 9.7 I.T Equipment Requirement

Following I.T equipment will be required for High School (Franchise);

**Table 11: I.T Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Laptop	1	70,000	70,000
Main Computer	1	25,000	25,000
Computer for staff and lab	44	15,000	660,000
UPS for computers	1	95,000	95,000
Computer printer (s)	4	20,000	80,000
<b>Total Office Equipment</b>			<b>930,000</b>

### 9.8 Human Resource Requirement

In order to run the operations of High School (Franchise) smoothly, details of human resources required along with number of employees and monthly salary are recommended as under:

**Table 12: Human Resource Requirement**

Description	No. of Employees	Monthly Salary per person (Rs.)
Principal	1	55,000
Operations/Admin Manager	1	22,000
Accounts Officer	1	25,000
Admission Officer	1	20,000
Teachers	15	20,000
Office Boys	3	17,500
Security Guards	2	17,500
Maid	1	17,500
IT Lab In charge	1	20,000
Science Lab In charge	1	20,000

Electrician + Care Taker	1	17,500
<b>Total</b>	<b>28</b>	<b>252,000</b>

### 9.9 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity. The electricity expenses are estimated to be around Rs. 69,808 per month and the cost of diesel consumed for generator, per month will be Rs. 351,455 during the first year of operations. Furthermore, promotional expense being essential for marketing of High School (Franchise) is estimated as 03% of revenue.

### 9.10 Revenue Generation

Based on the capacity utilization of 55%, sales revenue during the first year of operations is provided in the table below. Student drop out ratio is estimated at 5%.

**Table 13: Revenue Generation (Year 1)**

<b>Revenue Generation from Admission Fee</b>			
<b>Description</b>	<b>No. of Students Admitted</b>	<b>Admission Fee</b>	<b>Total Revenue (Rs.)</b>
No of Students get Admission	253	10,000	<b>2,530,000</b>
<b>Revenue Generation from Tuition Fee</b>			
<b>Description</b>	<b>No. of Students</b>	<b>Tuition Fee</b>	<b>Total Revenue (Rs.)</b>
Nursery to Prep	44	2,600	1,372,800
Class 1 to Class 3	66	3,000	2,376,000
Class 4 to Class 5	44	3,200	1,689,600
Class 6 to Class 8	66	3,500	2,772,000
Class 9 to Cass 10	22	4,000	1,056,000
<b>Total Revenue</b>			<b>11,796,400</b>
<b>Share of Franchiser (@ 10%)</b>			<b>1,179,640</b>
<b>Net Revenue</b>			<b>10,616,760</b>

## 10 CONTACT DETAILS

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

Name of Supplier	Address	Phone
Interwood Mobil	117-E-1, Gulberg-III, Lahore	+92-42-35870222-6549123
Woodpecker		0331-8999222, 0331-7151566
Koncept Furniture	Dheerkay By Pass, G.T. Road, Gujrat	+92-300-6233455

## 11 USEFUL WEB LINKS

<b>Small &amp; Medium Enterprises Development Authority (SMEDA)</b>	<a href="http://www.smeda.org.pk">www.smeda.org.pk</a>
Government of Pakistan	<a href="http://www.pakistan.gov.pk">www.pakistan.gov.pk</a>
Ministry of Industries & Production	<a href="http://www.moip.gov.pk">www.moip.gov.pk</a>
Ministry of Professional and Technical Training	<a href="http://mofept.gov.pk">http://mofept.gov.pk</a>
School Education Department, Government of the Punjab	<a href="https://schools.punjab.gov.pk">https://schools.punjab.gov.pk</a>
Elementary & Secondary Education Department Khyber Pakhtunkhwa	<a href="https://kpese.gov.pk">https://kpese.gov.pk</a>
The Education Department of Balochistan	<a href="http://www.emis.gob.pk">http://www.emis.gob.pk</a>
Sindh Education and Literacy Department	<a href="http://www.sindheducation.gov.pk/">http://www.sindheducation.gov.pk/</a>
The Punjab Educational Endowment Fund (PEEF)	<a href="https://www.peef.org.pk/">https://www.peef.org.pk/</a>
Government of Punjab	<a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>
Government of Sindh	<a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>
Government of Khyber Pakhtunkhwa	<a href="http://www.khyberpakhtunkhwa.gov.pk">www.khyberpakhtunkhwa.gov.pk</a>
Government of Balochistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>

Government of Gilgit Baltistan	<a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>
Government of Azad Jamu Kashmir	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
Trade Development Authority of Pakistan (TDAP)	<a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>
Security and Exchange Commission of Pakistan (SECP)	<a href="http://www.secp.gov.pk">www.secp.gov.pk</a>
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	<a href="http://www.fpcci.com.pk">www.fpcci.com.pk</a>
State Bank of Pakistan (SBP)	<a href="http://www.sbp.org.pk">www.sbp.org.pk</a>
Punjab Vocational Training Council (PVTC)	<a href="http://www.pvtc.gop.pk">www.pvtc.gop.pk</a>
Technical Education and Vocational Training Authority (TEVTA)	<a href="http://www.tevta.org">www.tevta.org</a>

## 12 ANNEXURES

### 12.1 Income Statement

Calculations											SMEDA
Income Statement											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Revenue	10,616,760	13,693,248	17,508,527	19,357,555	20,545,019	22,074,955	23,719,309	25,486,651	27,386,195	29,427,847	
<i>Cost of sales</i>											
Operation costs 1 (direct labor)	4,740,000	5,095,500	5,477,663	5,888,487	6,330,124	6,804,883	7,315,249	7,863,893	8,453,685	9,087,711	
Operating costs 3 (direct electricity)	670,156	737,172	810,889	891,978	981,176	1,079,293	1,187,223	1,305,945	1,436,540	1,580,194	
Total cost of sales	5,410,156	5,832,672	6,288,552	6,780,465	7,311,300	7,884,176	8,502,472	9,169,838	9,890,225	10,667,905	
Gross Profit	5,206,604	7,860,576	11,219,975	12,577,089	13,233,719	14,190,779	15,216,836	16,316,812	17,495,970	18,759,942	
<i>General administration &amp; selling expenses</i>											
Administration expense	2,274,000	2,444,550	2,627,891	2,824,983	3,036,857	3,264,621	3,509,468	3,772,678	4,055,629	4,359,801	
Administration benefits expense	68,220	73,337	78,837	84,749	91,106	97,939	105,284	113,180	121,669	130,794	
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	
Electricity expense	167,539	184,293	202,722	222,995	245,294	269,823	296,806	326,486	359,135	395,048	
Water expense	22,740	24,446	26,279	28,250	30,369	32,646	35,095	37,727	40,556	43,598	
Education Department Fee	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
Travelling expense	22,740	24,446	26,279	28,250	30,369	32,646	35,095	37,727	40,556	43,598	
Communications expense (phone, fax, mail, internet, etc.)	22,740	24,446	26,279	28,250	30,369	32,646	35,095	37,727	40,556	43,598	
Office expenses (stationary, entertainment, janitorial services, etc.)	22,740	24,446	26,279	28,250	30,369	32,646	35,095	37,727	40,556	43,598	
Promotional expense	318,503	410,797	525,256	580,727	616,351	662,249	711,579	764,600	821,586	882,835	
Professional fees (legal, audit, consultants, etc.)	53,084	68,466	87,543	96,788	102,725	110,375	118,597	127,433	136,931	147,139	
Depreciation expense	755,670	755,670	755,670	813,345	804,045	804,045	870,811	860,045	860,045	937,336	
Amortization of pre-operating costs	82,000	82,000	82,000	82,000	82,000	-	-	-	-	-	
Amortization of legal, licensing, and training costs	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	
Repair and maintenance expenses	212,335	273,865	350,171	387,151	410,900	441,499	474,386	509,733	547,724	588,557	
Miscellaneous expense 1	181,920	195,564	210,231	225,999	242,949	261,170	280,757	301,814	324,450	348,784	
Subtotal	6,119,231	6,681,324	7,318,436	7,942,536	8,504,080	9,056,223	9,811,877	10,549,568	11,362,854	12,323,992	
Operating Income	(912,627)	1,179,252	3,901,539	4,634,554	4,729,639	5,134,555	5,404,960	5,767,245	6,133,117	6,435,950	
Other income (interest on cash)	36,773	103,539	170,249	227,997	273,583	296,759	314,338	340,430	355,634	386,448	
Gain / (loss) on sale of computer equipment	-	-	651,000	-	-	1,125,614	-	-	1,535,539	1,298,462	
Earnings Before Interest & Taxes	(875,855)	1,282,791	4,722,788	4,862,551	5,003,222	6,556,928	5,719,297	6,107,675	8,024,290	8,120,859	
Earnings Before Tax	(875,855)	1,282,791	4,722,788	4,862,551	5,003,222	6,556,928	5,719,297	6,107,675	8,024,290	8,120,859	
Tax	-	82,419	836,836	878,765	920,966	1,414,925	1,135,789	1,257,686	1,928,501	2,312,301	
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>(875,855)</b>	<b>1,200,372</b>	<b>3,885,951</b>	<b>3,983,786</b>	<b>4,082,255</b>	<b>5,142,003</b>	<b>4,583,508</b>	<b>4,849,989</b>	<b>6,095,788</b>	<b>5,808,558</b>	



## 12.2 Balance Sheet

Calculations											SMEDA
Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	250,000	2,691,815	5,591,299	8,028,622	10,211,167	11,675,482	12,065,217	13,081,786	14,152,619	14,298,107	16,617,723
Pre-paid building rent	450,000	495,000	544,500	598,950	658,845	724,730	797,202	876,923	964,615	1,061,076	-
<b>Total Current Assets</b>	<b>700,000</b>	<b>3,186,815</b>	<b>6,135,799</b>	<b>8,627,572</b>	<b>10,870,012</b>	<b>12,400,212</b>	<b>12,862,419</b>	<b>13,958,709</b>	<b>15,117,234</b>	<b>15,359,183</b>	<b>16,617,723</b>
<i>Fixed assets</i>											
Building Security	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Machinery & equipment	266,000	239,400	212,800	186,200	159,600	133,000	106,400	79,800	53,200	26,600	-
Furniture & fixtures	3,107,700	2,796,930	2,486,160	2,175,390	1,864,620	1,553,850	1,243,080	932,310	621,540	310,770	-
Computer equipment	930,000	623,100	316,200	1,085,891	721,316	366,041	1,257,055	835,014	423,738	1,455,198	966,633
Office equipment	1,114,000	1,002,600	891,200	779,800	668,400	557,000	445,600	334,200	222,800	111,400	-
<b>Total Fixed Assets</b>	<b>5,867,700</b>	<b>5,112,030</b>	<b>4,356,360</b>	<b>4,677,281</b>	<b>3,863,936</b>	<b>3,059,891</b>	<b>3,502,135</b>	<b>2,631,324</b>	<b>1,771,278</b>	<b>2,353,968</b>	<b>1,416,633</b>
<i>Intangible assets</i>											
Pre-operation costs	410,000	328,000	246,000	164,000	82,000	-	-	-	-	-	-
Legal, licensing, & training costs	1,050,000	945,000	840,000	735,000	630,000	525,000	420,000	315,000	210,000	105,000	-
<b>Total Intangible Assets</b>	<b>1,460,000</b>	<b>1,273,000</b>	<b>1,086,000</b>	<b>899,000</b>	<b>712,000</b>	<b>525,000</b>	<b>420,000</b>	<b>315,000</b>	<b>210,000</b>	<b>105,000</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>8,027,700</b>	<b>9,571,845</b>	<b>11,578,159</b>	<b>14,203,853</b>	<b>15,445,948</b>	<b>15,985,103</b>	<b>16,784,554</b>	<b>16,905,032</b>	<b>17,098,512</b>	<b>17,818,151</b>	<b>18,034,356</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
<b>Total Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Other liabilities</i>											
Security (Refundable)		2,420,000	3,388,200	4,152,048	4,414,302	4,414,302	4,414,302	4,414,302	4,414,302	4,414,302	4,414,302
<b>Total Long Term Liabilities</b>	<b>-</b>	<b>2,420,000</b>	<b>3,388,200</b>	<b>4,152,048</b>	<b>4,414,302</b>	<b>4,414,302</b>	<b>4,414,302</b>	<b>4,414,302</b>	<b>4,414,302</b>	<b>4,414,302</b>	<b>4,414,302</b>
<i>Shareholders' equity</i>											
Paid-up capital	8,027,700	8,027,700	8,027,700	8,027,700	8,027,700	8,027,700	8,027,700	8,027,700	8,027,700	8,027,700	8,027,700
Retained earnings		(875,855)	162,259	2,024,105	3,003,945	3,543,100	4,342,552	4,463,030	4,656,509	5,376,149	5,592,354
<b>Total Equity</b>	<b>8,027,700</b>	<b>7,151,845</b>	<b>8,189,959</b>	<b>10,051,805</b>	<b>11,031,645</b>	<b>11,570,800</b>	<b>12,370,252</b>	<b>12,490,730</b>	<b>12,684,209</b>	<b>13,403,849</b>	<b>13,620,054</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>8,027,700</b>	<b>9,571,845</b>	<b>11,578,159</b>	<b>14,203,853</b>	<b>15,445,948</b>	<b>15,985,103</b>	<b>16,784,554</b>	<b>16,905,032</b>	<b>17,098,512</b>	<b>17,818,151</b>	<b>18,034,356</b>

## 12.3 Cash Flow Statement

Calculations											SMEDA
Cash Flow Statement											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit		(875,855)	1,200,372	3,885,951	3,983,786	4,082,255	5,142,003	4,583,508	4,849,989	6,095,788	5,808,558
Add: depreciation expense		755,670	755,670	755,670	813,345	804,045	804,045	870,811	860,045	860,045	937,336
amortization of pre-operating costs		82,000	82,000	82,000	82,000	82,000	-	-	-	-	-
amortization of training costs		105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000
Pre-paid building rent	(450,000)	(45,000)	(49,500)	(54,450)	(59,895)	(65,885)	(72,473)	(79,720)	(87,692)	(96,461)	1,061,076
<b>Cash provided by operations</b>	<b>(450,000)</b>	<b>21,815</b>	<b>2,093,542</b>	<b>4,774,171</b>	<b>4,924,236</b>	<b>5,007,416</b>	<b>5,978,575</b>	<b>5,479,599</b>	<b>5,727,342</b>	<b>6,964,372</b>	<b>7,911,970</b>
<i>Financing activities</i>											
Security Refundable		2,420,000	968,200	763,848	262,254	-	-	-	-	-	-
Issuance of shares	8,027,700	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
<b>Cash provided by / (used for) financing activities</b>	<b>8,027,700</b>	<b>2,420,000</b>	<b>968,200</b>	<b>763,848</b>	<b>262,254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Investing activities</i>											
Capital expenditure	(7,327,700)	-	-	(1,076,591)	-	-	(1,246,289)	-	-	(1,442,735)	-
Acquisitions											
<b>Cash (used for) / provided by investing activities</b>	<b>(7,327,700)</b>	<b>-</b>	<b>-</b>	<b>(1,076,591)</b>	<b>-</b>	<b>-</b>	<b>(1,246,289)</b>	<b>-</b>	<b>-</b>	<b>(1,442,735)</b>	<b>-</b>
<b>NET CASH</b>	<b>250,000</b>	<b>2,441,815</b>	<b>3,061,742</b>	<b>4,461,428</b>	<b>5,186,490</b>	<b>5,007,416</b>	<b>4,732,286</b>	<b>5,479,599</b>	<b>5,727,342</b>	<b>5,521,637</b>	<b>7,911,970</b>

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

Description	Details
Administration Benefit Expenses	3% of Administration Cost
Office Expenses (Stationery, Entertainment etc.)	1% of Administration expenses
Communication Expenses	1% of Administration Cost
Promotional Expenses	3% of Revenue
Professional Fee	0.5% of Revenues
Depreciation Method	Accelerated depreciation
Depreciation Rate	10% on Machinery 10% on Office Equipment 10% on Furniture & Fixture
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Wage Growth Rate	8%

### 13.2 Capacity Utilization Assumptions

Description	Details
Maximum Operational Capacity	480 Students
Production Capacity in First Year	55%
Percentage Increase in Production Capacity every Year	15%
Maximum Production Capacity	90%
Student Drop Out Ratio	05%

### 13.3 Revenue Assumptions

Description	Details
Growth in Sales Price	10%
Days Operational / Year	234