

---

# Pre-Feasibility Study

## Poultry Breeder Farm



### Small and Medium Enterprises Development Authority

### Ministry of Industries & Production

### Government of Pakistan

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

#### HEAD OFFICE

4th Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road,  
Lahore

Tel: (92 42) 111 111 456, Fax: (92 42) 36304926-7  
[helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

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

June 2020

---

## Table of Contents

<b>1</b>	<b>DISCLAIMER</b> .....	<b>3</b>
<b>2</b>	<b>EXECUTIVE SUMMARY</b> .....	<b>4</b>
<b>3</b>	<b>INTRODUCTION TO SMEDA</b> .....	<b>5</b>
<b>4</b>	<b>PURPOSE OF THE DOCUMENT</b> .....	<b>5</b>
<b>5</b>	<b>BRIEF DESCRIPTION OF PROJECT &amp; PRODUCT</b> .....	<b>6</b>
5.1	PRODUCTION PROCESS FLOW .....	6
5.2	INSTALLED AND OPERATIONAL CAPACITIES .....	9
<b>6</b>	<b>CRITICAL FACTORS</b> .....	<b>9</b>
<b>7</b>	<b>GEOGRAPHICAL POTENTIAL FOR INVESTMENT</b> .....	<b>9</b>
<b>8</b>	<b>POTENTIAL TARGET CUSTOMERS / MARKETS</b> .....	<b>10</b>
<b>9</b>	<b>PROJECT COST SUMMARY</b> .....	<b>10</b>
9.1	PROJECT ECONOMICS .....	10
9.2	PROJECT FINANCING .....	11
9.3	PROJECT COST .....	11
9.4	SPACE REQUIREMENT .....	12
9.5	MACHINERY & EQUIPMENT REQUIREMENT .....	12
9.6	FURNITURE & FIXTURES REQUIREMENT .....	<b>ERROR! BOOKMARK NOT DEFINED.</b>
9.7	OFFICE EQUIPMENT REQUIREMENT .....	13
9.8	HUMAN RESOURCE REQUIREMENT .....	13
9.9	UTILITIES AND OTHER COSTS .....	13
9.10	REVENUE GENERATION .....	14
<b>10</b>	<b>CONTACT DETAILS</b> .....	<b>14</b>
10.1	MACHINERY SUPPLIERS .....	14
<b>11</b>	<b>USEFUL WEB LINKS</b> .....	<b>15</b>
<b>12</b>	<b>ANNEXURES</b> .....	<b>16</b>
12.1	INCOME STATEMENT .....	16
12.2	BALANCE SHEET .....	17
12.3	CASH FLOW STATEMENT .....	18
<b>13</b>	<b>KEY ASSUMPTIONS</b> .....	<b>19</b>
13.1	OPERATING COST ASSUMPTIONS .....	19
13.2	PRODUCTION COST ASSUMPTIONS .....	19
13.3	REVENUE ASSUMPTIONS .....	19
13.4	FINANCIAL ASSUMPTIONS .....	19

## 1 DISCLAIMER

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. Although, the material included in this document is based on data/information gathered from various reliable sources; however, it is based upon certain assumptions, which may differ from case to case. The information has been provided on as is where is basis without any warranties or assertions as to the correctness or soundness thereof. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision, including taking professional advice from a qualified consultant/technical expert before taking any decision to act upon the information.

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

### ***Document Control***

Document No.	PREF-NO
Revision	No.
Prepared by	SMEDA-Balochistan
Revision Date	June, 2020
For information	shakoor@smeda.org.pk

## 2 EXECUTIVE SUMMARY

**Poultry Breeder Farm** is proposed to be located at Sub-urban and rural areas around the major cities are recommended for starting such a farm. Setting up a farm at an isolated place will minimize the risk of diseases

In poultry breeder farm day old chicks (DOCs) of commercial parent breeders are reared to laying stage of eggs production. These farmhouse birds produce fertile eggs for hatching. At the end of their productive life, approximately 67 weeks, the birds are removed for chicken meat processing. After each breeding cycle, the used litter and manure is also removed from the breeder sheds. estimated sales of Rs. 12.30 million in the year one. The capacity utilization during year one is worked out at 90% with 5% increase in subsequent years up to the maximum capacity utilization of 100%.

Total Cost Estimates is **Rs. 4,842,483** with fixed investment **Rs. 3,349,500** and working capital **Rs. 1,492,983**.

Given the cost assumptions IRR and payback are **21%** and **5.86 years** respectively

The most critical considerations or factors for success of the project are: Market Price, Availability of electricity and water, Roads, Diseases and Environment.

### **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 **Poultry Breeder Farm** 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

Following key parameters must be addressed as per pre-feasibility study under preparation

- **Technology:** This proposed breeder farm will be setup by using the current and available technology.
- **Location:** Sub-urban and rural areas around the major cities are recommended for starting such a farm. Setting up a farm at an isolated place will minimize the risk of diseases.
- **Product:** In poultry breeder farm day old chicks (DOCs) of commercial parent breeders are reared to laying stage of eggs production. These farmhouse birds produce fertile eggs for hatching. At the end of their productive life, approximately 67 weeks, the birds are removed for chicken meat processing. After each breeding cycle, the used litter and manure is also removed from the breeder sheds.
- **Target Market:** In addition to local markets of Karachi, Lahore, Quetta, Peshawar and Islamabad, the suburbs areas are also the target market.
- **Employment Generation:** The proposed project will provide direct employment to 3 people.

### 5.1 Production Process Flow

There are two phases in the breeder farm production system. Hens will be reared for 7 months after which their production period of 9 months will start.

#### Rearing

Breeders are reared in deep litter houses that have the controlled facilities of lighting, temperature and ventilation. Houses are normally sub-divided into pens containing about 1000 birds. Body weights are carefully monitored on a weekly basis and the body condition physically assessed by trained personnel. To achieve recommended body weights throughout the rearing period, feed intake is controlled and to ensure that all birds receive a fair share, great emphasis is placed on feed distribution methods. Birds are grouped by weight and it is necessary to transfer some individuals between groups periodically so as to adjust their feed intake and body weight to the target growth path.

## Laying

Breeder houses generally provide about two third of their floor area as litter and one third as a raised, slatted area. In recent years it has become common practice to provide separate feeders for the hens and the cockerels to control feed intakes, and hence body weights, of each separately. Controlling the weight of hens prevents too-rapid growth and deposition of fat which seriously affects their longevity and egg-laying performance. Controlling the cockerels' weight improves their mating behavior, semen count and foot and leg health.

Male and female birds are subject to different feeding levels and they have different feed access. Cockerel feeders are suspended out of reach of the hens. Hen feeders deny access to the cockerels by the use of metal grills set with a gap which allow for the differences in head dimensions between the sexes. As in the rearing houses, the feeding space must be adequate, and feed must be distributed rapidly and evenly to ensure minimum competition at feeding time. Pan feeders offer a more sophisticated means of separating male and female feed supply. Whichever system is used, a high standard of stockmanship is essential

## Housing and Environment

Breeder birds are reared in houses in which temperature, humidity, ventilation rates, light levels and photo-periods are carefully regulated. A well designed house will incorporate insulation and heaters, ventilation fans and vents, effective light-proofing, and a lighting system providing controllable light levels with uniform distribution.

Nests and perches: Naturally clean eggs maintain a greater potential hatchability and chick quality than soiled or contaminated eggs, regardless of the disinfection procedures used on the shell surface. Hens are more likely to use nests that satisfy the requirements of their natural laying behavior (i.e. clean, dry, dimly lit and, secluded), and nest boxes should be of appropriate design. Nest boxes should be located where the birds will use them and should be at a height where they will not become contaminated with floor litter, or provide a refuge for females avoiding the males. Birds should be trained to use the nests prior to lay. Provision of perches during rearing assists in this training.

Nest Box Design: Nest boxes are usually assembled in 2- or 3-tier units allowing 1 nest/4 birds. The nest dimensions should be approximately 30cm (12in) wide x 35cm (14in) deep x 25cm (10in) high. The design should allow for good ventilation with freedom from draughts. Depending upon the design and

used material the cost of nests can vary greatly from Rs. 600,000 to Rs. 1200,000.

to train and stimulate females in nesting behavior. Sufficient numbers of perches to provide 3cm/bird (sufficient for 20% of the birds to roost) should be placed in the females' rearing pens from 4-6 weeks of age.

### **Stocking Density**

The existing practice for breeder farming requires provision of sufficient space to allow freedom of movement so that the birds can, without difficulty, stand normally, turn round and stretch their wings. Birds should also have access to sufficient space for normal movements such as preening and wing-flapping. Such space is routinely provided to breeders. As the birds grow stocking densities will rise steadily. Because body weights during the laying period increase only slowly, and a significant number of males are culled, the gross stocking densities will change little after this time.

Housing space of at least 2.5 sq feet per female should be provided to the breeder stock. The calculation should be on the basis of all birds within the house, including males.

### **Hygiene and disinfection**

It is essential to provide all birds with an environment that minimizes the potential for disease and its spread. Bio-security is a key part of breeder farming, particularly at pedigree level, and the breeding companies go to great lengths to ensure a high health status. All those in contact with breeders should practice strict hygiene and disinfection procedures. Ideally, birds kept on any one site should be of a similar age. This will facilitate effective cleaning, disinfection and disinfestation procedures across the site because all houses are empty simultaneously. This will also provide a period when there are no birds on site as a disease break. Further, it is important that the buildings preclude entry of rodents and wild birds.

When houses are emptied and cleaned, old litter should be removed from the site so as to reduce the carry over of disease.

### **Disease Control**

A disease challenge may be first noticed by a change in water consumption or a reluctance to eat. It is, therefore, good management practice to keep daily records of feed and water intake. If a disease problem is suspected, a



veterinarian or poultry husbandry expert should be consulted. Early, appropriate treatment of a disease incident will minimize the adverse effects on the birds' welfare, health and reproductive performance and also minimize the effects on the welfare, health and quality of the progeny.

Though the vaccination programme will control all the major infectious diseases, yet some mortality may occur which is generally due to a variety of miscellaneous conditions. These include peritonitis, heart failure, tumors, joint infections and injuries.

## 5.2 Installed And Operational Capacities

The Farm housing 5,000 birds of parent line in each cycle of 16 months will produce 648,000 day old broiler chicks for sale to broiler units and its initial capital utilization is 90%.

## 6 CRITICAL FACTORS

- Market Price
- Availability of electricity and water
- Roads
- Diseases
- Environment

## 7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The demand for poultry meat and poultry eggs, especially chickens and chicken eggs has expanded considerably over the last decades. The poultry industry has grown from a home industry to a large scale commercial industry in which thousands of chickens and eggs are produced daily at single poultry farms. Some eggs are produced for eating and some eggs are produced for hatching.

In poultry breeder farm day old chicks (DOCs) of commercial parent breeders are reared to laying stage of eggs production. These farmhouse birds produce fertile eggs for hatching. At the end of their productive life, approximately 67 weeks, the birds are removed for chicken meat processing. After each breeding cycle, the used litter and manure is also removed from the breeder sheds. Laid fertile eggs are transported to a hatchery, where they are artificially incubated. Hatched day old chicks are then provided to commercial farms for raising broiler meat.

Demand for the livestock products has increased greatly in past two decades. The major causes in increase of demand of livestock products is continuing population growth, increase in per capita income, degree of urbanization and change in food consumption patterns. Despite the fact that the production has increased with increasing demand, due to high rate of population growth. In our country per capita consumption of meat is only 7.20 kilo grams and 88 eggs annually. Whereas developed world is consuming about 40 kilo grams meat and over 300 eggs per capita per year.

## 8 POTENTIAL TARGET CUSTOMERS / MARKETS

Quetta, Lasbella, Mastung and Pishin are the major poultry rearing areas of Balochistan. Due to dry weather and colder temperature theses districts provides the best areas for Breeders poultry farming in the province and these markets can also serve as target markes

The marketing channels of poultry include producers (Breeder farms, Broilers farms, Layer Farms), wholesaler and commission agents, poultry shops and consumers. Birds are mostly sold on live-weight basis. There are only few processing plants in the country they distribute frozen chicken as whole or cut-ups to the consumers through retail shops.

Demand and supply **fluctuate** during the year depending upon various social functions like marriage ceremonies where a large quantity of broiler meat, being comparatively cheaper and easily available, for preparing various dishes is consumed. Therefore, Poultry Breeder farm may be started at any season.

## 9 PROJECT COST SUMMARY

### 9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 12.30 million in the year one. The capacity utilization during year one is worked out at 90% with 5% increase in subsequent years up to the maximum capacity utilization of 100%.

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

**Table 1: Project Economics**

Description	Details
Internal Rate of Return (IRR)	21%
Payback Period (yrs.)	5.86
Net Present Value (Rs.)	1,606,465

## 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 (100%)	Rs. 4,842,483

## 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.
<b>Capital Cost</b>	
Plant and Machinery	1,571,500
Parent Stock	1,568,000
Office Equipment	115,000
Pre-operating Cost	95,000
<b>Total Capital Cost</b>	<b>3,349,500</b>
<b>Working Capital</b>	
Raw Material Inventory	392,983
Up-front Building Rent	900,000

Cash	200,000
<b>Total Working Capital</b>	<b>1,492,983</b>
<b>Total Project Cost</b>	<b>4,842,483</b>

#### 9.4 Space Requirement

The space requirement for the proposed Poultry Breeder Farm is estimated considering various facilities including management office, production hall, storage, open space, etc. Building is on rent.

**Table 4: Space Requirement**

Description	Estimated Area (Sqft)
Management Office	244
Farm	6000
Store	500
Eating place	500
Payment/driveway	500
Ground	3000
<b>Total</b>	<b>15,000</b>

#### 9.5 Machinery & Equipment Requirement

Plant, machinery and equipment for the proposed project are stated below.

**Table 5: Machinery & Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Electric Brooders	12	4,500	54,000
Drum Heater	3	7,500	22,500
Drinkers Small	60	300	18,000
Feeder Small	150	300	45,000
Feeder Large	200	1,000	200,000
Chick Guard	40	750	30,000
Automatic Drinker	70	1,100	77,000
Nests and Perches			1,050,000
Misc.			75,000

<b>Total</b>			<b>1,571,500</b>
--------------	--	--	------------------

## 9.6 Office Equipment Requirement

Following office equipment will be required for Poultry Breeder Farm

**Table 6: Office Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Furniture	1	75,000	75,000
Computer	1	35,000	35,000
Telephone	1	5,000	5,000
<b>Total</b>			<b>115,000</b>

## 9.7 Human Resource Requirement

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

**Table 7: Human Resource Requirement**

Description	No. of Employees	Monthly Salary per person (Rs.)
Supervisor	1	30,000
Helpers skilled	2	17,500
<b>Total</b>	<b>3</b>	

## 9.8 Utilities and other costs

An essential cost to be borne by the project is the administrative expense which is 420,000 per year. The electricity expenses are estimated to be around Rs. 6000 per month. Furthermore, promotional expense being essential for marketing of poultry breeder farm is estimated as 0.6%% of administrative / Cost of Sales expenses.

## 9.9 Revenue Generation

Based on the capacity utilization of 90%, sales revenue during the first year of operations is estimated as under;

**Table 8: Revenue Generation – Year 1**

Description	Sales Revenue (Rs.)
Poultry Breeder	12,300,000

## 10 CONTACT DETAILS

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

### 10.1 Machinery and Raw Material Suppliers

Name of Supplier	Address	Phone	Fax	E-mail	Website
Sabri's	10-Sher Shah Block New Garden Town Lahore, Pakistan, 54600	+92 42 35941101-10		info@sabirsgroup.com	<a href="https://sabirsgroup.com/">https://sabirsgroup.com/</a>
Big Bird Group	2-A, Ahmed Block, New Garden Town, Lahore, Pakistan.	042 111 111 220 04235837512-14	+92-4235860519	bigbird@bigbirdgroup.com.pk	<a href="https://www.bigbirdgroup.com.pk/">https://www.bigbirdgroup.com.pk/</a>
Eastern Veterinary Services	7, 2nd Floor, Allied Commercial Plaza, Chandni Chowk, Murree	+92-51-4927362-65	+92-51-4927361	estrnbio@dsl.net.pk	<a href="http://www.easterveterinaryservices.com/">http://www.easterveterinaryservices.com/</a>

Road,  
Rwp,  
Pakistan

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

## 12 ANNEXURES

### 12.1 Income Statement

Statement Summaries										SMEDA
Income Statement										
	Rs. in actuals									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	12,300,000	14,008,440	23,397,176	28,033,884	16,122,791	18,362,207	30,668,925	36,746,703	21,133,690	24,069,108
Cost of goods sold	12,536,500	13,415,660	16,774,502	16,503,167	15,870,463	16,981,395	21,987,951	21,632,285	20,802,939	22,259,145
Gross Profit	(236,500)	592,780	6,622,674	11,530,717	252,328	1,380,812	8,680,975	15,114,418	330,751	1,809,963
<i>General administration &amp; selling expenses</i>										
Administration expense	462,000	494,340	453,380	485,117	519,075	555,410	594,289	635,889	680,402	728,030
Rental expense	900,000	990,000	1,089,000	1,197,900	1,317,690	1,449,459	1,594,405	1,753,845	1,929,230	2,122,153
Utilities expense	6,000	6,300	6,615	6,946	7,293	7,658	8,041	8,443	8,865	9,308
Travelling & Comm. expense (phone, fax, etc.)	50,400	53,928	49,460	52,922	56,626	60,590	64,832	69,370	74,226	79,421
Office expenses (stationary, etc.)	105,000	112,350	103,041	110,254	117,972	126,230	135,066	144,520	154,637	165,461
Promotional expense	67,650	77,046	128,684	154,186	88,675	100,992	168,679	202,107	116,235	132,380
Professional fees (Visiting Veterinary etc.)	86,100	98,059	163,780	196,237	112,860	128,535	214,682	257,227	147,936	168,484
Depreciation expense	320,050	320,050	320,050	320,050	320,050	406,885	406,885	406,885	406,885	406,885
Amortization expense	19,000	19,000	19,000	19,000	19,000	-	-	-	-	-
Miscellaneous expense	61,500	70,042	116,986	140,169	80,614	91,811	153,345	183,734	105,668	120,346
Subtotal	2,077,700	2,241,116	2,449,997	2,682,781	2,639,855	2,927,571	3,340,223	3,662,020	3,624,084	3,932,468
Operating Income	(2,314,200)	(1,648,336)	4,172,677	8,847,936	(2,387,527)	(1,546,759)	5,340,751	11,452,398	(3,293,333)	(2,122,505)
Other income	20,500	-	57,872	263,527	348,034	265,403	363,421	673,637	822,503	788,154
Gain / (loss) on sale of assets	-	-	-	-	628,600	-	-	-	-	-
Earnings Before Interest & Taxes	(2,293,700)	(1,648,336)	4,230,549	9,111,463	(1,410,893)	(1,281,356)	5,704,172	12,126,035	(2,470,830)	(1,334,352)
Interest expense	14,033	163,581	149,548	-	-	-	-	-	-	-
Earnings Before Tax	(2,307,733)	(1,811,917)	4,081,001	9,111,463	(1,410,893)	(1,281,356)	5,704,172	12,126,035	(2,470,830)	(1,334,352)
Tax	-	-	-	1,996,019	-	-	662,623	2,667,728	-	-
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>(2,307,733)</b>	<b>(1,811,917)</b>	<b>4,081,001</b>	<b>7,115,444</b>	<b>(1,410,893)</b>	<b>(1,281,356)</b>	<b>5,041,549</b>	<b>9,458,307</b>	<b>(2,470,830)</b>	<b>(1,334,352)</b>
Balance brought forward		(2,307,733)	(4,119,650)	(38,649)	7,076,795	5,665,902	4,384,545	9,426,095	18,884,402	16,413,571
Total profit available for appropriation	(2,307,733)	(4,119,650)	(38,649)	7,076,795	5,665,902	4,384,545	9,426,095	18,884,402	16,413,571	15,079,220
Balance carried forward	(2,307,733)	(4,119,650)	(38,649)	7,076,795	5,665,902	4,384,545	9,426,095	18,884,402	16,413,571	15,079,220



## 12.2 Balance Sheet

Statement Summaries										SMEDA	
Balance Sheet										Rs. in actuals	
	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	1,025,000	-	-	2,893,580	10,282,785	7,118,893	6,151,236	12,019,817	21,662,009	19,463,116	19,944,561
Accounts receivable	-	168,493	180,195	256,203	352,268	302,443	236,199	335,830	461,751	396,441	309,608
Raw material inventory	392,983	441,517	603,083	621,784	626,133	703,460	960,881	990,676	997,605	1,120,810	-
Pre-paid building rent	75,000	82,500	90,750	99,825	109,808	120,788	132,867	146,154	160,769	176,846	-
<b>Total Current Assets</b>	<b>1,492,983</b>	<b>692,510</b>	<b>874,028</b>	<b>3,871,392</b>	<b>11,370,993</b>	<b>8,245,584</b>	<b>7,481,183</b>	<b>13,492,476</b>	<b>23,282,135</b>	<b>21,157,213</b>	<b>20,254,170</b>
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Machinery & equipment	1,571,500	1,257,200	942,900	628,600	314,300	2,005,676	1,604,541	1,203,406	802,271	401,135	-
1 Parent Stock	1,568,000	1,568,000	1,568,000	1,568,000	1,568,000	1,568,000	1,568,000	1,568,000	1,568,000	1,568,000	1,568,000
Office equipment	115,000	109,250	103,500	97,750	92,000	86,250	80,500	74,750	69,000	63,250	57,500
<b>Total Fixed Assets</b>	<b>3,254,500</b>	<b>2,934,450</b>	<b>2,614,400</b>	<b>2,294,350</b>	<b>1,974,300</b>	<b>3,659,926</b>	<b>3,253,041</b>	<b>2,846,156</b>	<b>2,439,271</b>	<b>2,032,385</b>	<b>1,625,500</b>
<i>Intangible assets</i>											
Pre-operation costs	95,000	76,000	57,000	38,000	19,000	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>95,000</b>	<b>76,000</b>	<b>57,000</b>	<b>38,000</b>	<b>19,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>4,842,483</b>	<b>3,702,960</b>	<b>3,545,428</b>	<b>6,203,742</b>	<b>13,364,293</b>	<b>11,905,511</b>	<b>10,734,224</b>	<b>16,338,632</b>	<b>25,721,405</b>	<b>23,189,598</b>	<b>21,879,670</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable	-	1,005,289	1,086,398	1,399,907	1,375,869	1,327,980	1,438,049	1,849,430	1,818,021	1,757,044	1,781,467
Short term debt	-	162,921	1,736,196	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>1,168,210</b>	<b>2,822,595</b>	<b>1,399,907</b>	<b>1,375,869</b>	<b>1,327,980</b>	<b>1,438,049</b>	<b>1,849,430</b>	<b>1,818,021</b>	<b>1,757,044</b>	<b>1,781,467</b>
<i>Other liabilities</i>											
Deferred tax	-	-	-	-	69,146	69,146	69,146	220,624	176,500	176,500	176,500
<b>Total Long Term Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69,146</b>	<b>69,146</b>	<b>69,146</b>	<b>220,624</b>	<b>176,500</b>	<b>176,500</b>	<b>176,500</b>
<i>Shareholders' equity</i>											
Paid-up capital	4,842,483	4,842,483	4,842,483	4,842,483	4,842,483	4,842,483	4,842,483	4,842,483	4,842,483	4,842,483	4,842,483
Retained earnings	-	(2,307,733)	(4,119,650)	(38,649)	7,076,795	5,665,902	4,384,545	9,426,095	18,884,402	16,413,571	15,079,220
<b>Total Equity</b>	<b>4,842,483</b>	<b>2,534,750</b>	<b>722,833</b>	<b>4,803,834</b>	<b>11,919,278</b>	<b>10,508,385</b>	<b>9,227,029</b>	<b>14,268,578</b>	<b>23,726,885</b>	<b>21,256,055</b>	<b>19,921,703</b>
<b>TOTAL CAPITAL AND LIABILITY</b>	<b>4,842,483</b>	<b>3,702,960</b>	<b>3,545,428</b>	<b>6,203,742</b>	<b>13,364,293</b>	<b>11,905,511</b>	<b>10,734,224</b>	<b>16,338,632</b>	<b>25,721,405</b>	<b>23,189,598</b>	<b>21,879,670</b>
<i>Note: Total assets value will differ from project cost due to first installment of leases paid at the start of year 0</i>											

## 12.3 Cash Flow Statement

Statement Summaries											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
	Rs. in actuals										
<i>Operating activities</i>											
Net profit	-	(2,307,733)	(1,811,917)	4,081,001	7,115,444	(1,410,893)	(1,281,356)	5,041,549	9,458,307	(2,470,830)	(1,334,352)
Add: depreciation expense	-	320,050	320,050	320,050	320,050	320,050	406,885	406,885	406,885	406,885	406,885
amortization expense	-	19,000	19,000	19,000	19,000	19,000	-	-	-	-	-
Deferred income tax	-	-	-	-	69,146	-	-	151,478	(44,125)	-	-
Accounts receivable	-	(168,493)	(11,702)	(76,008)	(96,065)	49,825	66,244	(99,631)	(125,921)	65,310	86,833
Raw material inventory	(392,983)	(48,533)	(161,566)	(18,701)	(4,349)	(77,327)	(257,420)	(29,795)	(6,929)	(123,204)	1,120,810
Pre-paid building rent	(75,000)	(7,500)	(8,250)	(9,075)	(9,983)	(10,981)	(12,079)	(13,287)	(14,615)	(16,077)	176,846
Accounts payable	-	1,005,289	81,109	313,509	(24,039)	(47,889)	110,069	411,381	(31,409)	(60,977)	24,423
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(467,983)	(1,187,921)	(1,573,275)	4,629,776	7,389,205	(1,158,216)	(967,657)	5,868,581	9,642,192	(2,198,893)	481,445
<i>Financing activities</i>											
Change in long term debt	-	-	-	-	-	-	-	-	-	-	-
Change in short term debt	-	162,921	1,573,275	(1,736,196)	-	-	-	-	-	-	-
Issuance of shares	4,842,483	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financ	4,842,483	162,921	1,573,275	(1,736,196)	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(3,349,500)	-	-	-	-	(2,005,676)	-	-	-	-	-
Cash (used for) / provided by invest	(3,349,500)	-	-	-	-	(2,005,676)	-	-	-	-	-
<b>NET CASH</b>	<b>1,025,000</b>	<b>(1,025,000)</b>	<b>-</b>	<b>2,893,580</b>	<b>7,389,205</b>	<b>(3,163,892)</b>	<b>(967,657)</b>	<b>5,868,581</b>	<b>9,642,192</b>	<b>(2,198,893)</b>	<b>481,445</b>
Cash balance brought forward		1,025,000	-	-	2,893,580	10,282,785	7,118,893	6,151,236	12,019,817	21,662,009	19,463,116
Cash available for appropriation	1,025,000	-	-	2,893,580	10,282,785	7,118,893	6,151,236	12,019,817	21,662,009	19,463,116	19,944,561
Cash carried forward	1,025,000	-	-	2,893,580	10,282,785	7,118,893	6,151,236	12,019,817	21,662,009	19,463,116	19,944,561

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

Description	Details
Operational Day	364

### 13.2 Production Cost Assumptions

Description	Details
Capacity utilization	95%
Capacity growth rate	5%
Maximum capacity utilization	100%

### 13.3 Revenue Assumptions

Description	Details
Revenue	Rs. 12,300,000

### 13.4 Financial Assumptions

Description	Details
Equity Ratio	100%