

Pre-Feasibility Study

DIGITAL MARKETING AGENCY



Small and Medium Enterprises Development Authority
Ministry of Industries and Production
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1. DISCLAIMER

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2. EXECUTIVE SUMMARY

Digital marketing is a technique which uses modern digital technology to market goods or services by pulling website traffic and/or attracting attention of potential customers through social media sites. This is achieved by creating content that attracts attention and encourages readers to share it across their social network platforms.

Digital Marketing Agency provides services which include Search Engine Optimization (SEO), Pay per Click (PPC) and Social Media Marketing services. The agency will use digital marketing channels such as social media, mobile application, email and web for delivering the above-mentioned services. The agency will also design complete digital marketing campaigns for its clients. The major steps involved in delivery of the services include research, strategy building, campaign designing, launching, optimizing, refining, tracking, promoting and publishing.

This “Pre-feasibility Document” provides details for setting up Digital Marketing Agency. Nowadays, due to the increasing use of communication technology and social media, both corporate and individual clients require the services and support of a standard digital marketing agency; to enable them to effectively reach out their target market. The increasing use of technology increases the success prospects of the proposed project. Digital Marketing Agency may be established in major cities such as Lahore, Karachi, Islamabad, Faisalabad, Peshawar, Rawalpindi, Quetta, Gujranwala, Sialkot, Multan and Hyderabad.

The proposed agency is assumed to provide services for maximum of 10,080 hours in a year. During the first year of operations, the project is estimated to provide services at 55% of its total service capacity, which is equal to 5,544 service hours. The service capacity is assumed to increase at a rate of 5% per annum with a cap at 90% of total capacity. High return on investment and steady growth of business is expected with the entrepreneur having some prior experience or education in the related field of business.

The proposed project will be set up in a rented building having an area of 1,125 sq. ft. The project requires a total investment of PKR 5.40 million. This includes capital investment of PKR 4.80 million and working capital of PKR 0.61 million. The project will be established using 100% equity financing. The Net Present Value (NPV) of project is PKR 21.74 million with an Internal Rate of Return (IRR) of 56% and a Payback period of 2.63 years. Further, the proposed agency is expected to generate Gross Annual Revenues of PKR 12.47 million in 1st year after coming into operations, Gross Profit (GP) ratio ranging from 55% to 74% and Net Profit (NP) ratio ranging from 5% to 31% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 48% (4,804 service hours) with gross revenue of PKR 10.81 million in a year.

The proposed project may also be established using leveraged financing. At 50% debt financing at a cost of KIBOR+3%, the proposed agency provides Net Present Value (NPV) of PKR 24.84 million, Internal Rate of Return (IRR) of 56% and Payback period

of 2.61 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from 3% to 32% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 51% (5,120 hours) with breakeven revenue of PKR 11.52 million.

The project will generate direct employment opportunity for 10 people. The legal business status of this project is proposed as “Sole Proprietorship”.

3. INTRODUCTION TO SMEDA

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with the 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 'sectorial 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.

National Business Development Program for SMEs (NBDP) is a project of SMEDA, funded through Public Sector Development Program of Government of Pakistan.

The NBDP envisages provision of handholding support / business development services to SMEs to promote business startup, improvement of efficiencies in existing SME value chains to make them globally competitive and provide conducive business environment through evidence-based policy-assistance to the Government of Pakistan. The Project is objectively designed to support SMEDA's capacity of providing an effective handholding to SMEs. The proposed program aimed at facilitating around 314,000 SME beneficiaries over a period of five years.

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 establishing a Digital Marketing Agency by providing a general understanding of the business with the intention of supporting them in 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 setup and its successful management.

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

5. BRIEF DESCRIPTION OF PROJECT & SERVICES

This document provides details for setting up a Digital Marketing Agency. This agency will help corporate and individual clients to reach out their target market. It aims to maximize the coverage of marketing campaign of the clients by using digital technology platforms. These platforms will include internet, mobile phones, display advertising, and other digital media.

Digital marketing industry has benefited from the rapid switch from traditional print advertising to digital advertisements. As more consumers generate website traffic through the use of smart phones and tablets, businesses are purchasing digital advertising services to build brand awareness across multiple screens and platforms.

The digital ad revenue generated in Pakistan increased from PKR 10.5 billion in 2018-19 to PKR 13.65 billion in 2019-20, witnessing an increase of 30%. This trend clearly shows that digital advertising business is experiencing a high growth in Pakistani market. The total advertising business generated in Pakistan from all the media was PKR 67.15 billion in 2018-219 and it decreased to PKR 58.6 billion in 2019-20(87% decrease).¹

This business involves providing promotion and advertising services through use of Search Engine Optimization (SEO), Pay per Click (PPC) and Social Media Marketing. The proposed agency intends to use digital marketing channels such as social media, mobile application, email and web for delivery of the above-mentioned services.

The proposed project includes rented office space, office equipment, furniture and fixtures, vehicles, security against building and pre-operating cost. The main capital costs of the project will include the costs of office equipment, furniture and fixtures and vehicle. The proposed agency is assumed to operate for 9 hours a day round the year.

Based, on the results of market surveys, following three services have been identified as the main digital marketing services which are in demand in Pakistani market.

5.1. Three Major Digital Marketing Services

5.1.1. SEO

SEO stands for “Search Engine Optimization.” In simple terms, it means the process of supporting a site to increase its visibility in the results of the relevant searches made on the internet. If the web pages have better visibility in search results, then the chances of getting attention and attracting the prospective and existing customers to the business will be more. It is pertinent to mention here that search engines cannot be paid to get higher organic search rankings, therefore search engine optimization mainly depends on the skills and efforts of SEO.

¹ Aurora Dawn–Addition of 2020. <https://aurora.dawn.com/news/1143946>

Search engine optimization is a long-term process, but it is a vital part of any digital marketing campaign. It provides a highly attractive benefit of improving a website's position in the search engines results pages (SERPs). Thus, SEO delivers targeted traffic in high volumes. Search is often the primary source of digital traffic for brands and complements other marketing channels. Greater visibility and higher ranking in search results of Search Engines can have a material impact on the outcome of advertising campaign. In order to explain this, consider if the customer is targeted by another medium of digital marketing i.e., mobile application ad. As a result of that customer starts searching for more information regarding the product advertised in the mobile application ad. The customer performs this search by using search engine. If the customer is not able to find any more details about the advertised product through search engine, it means that SEO work for search optimization failed to create higher visibility and higher ranking for the targeted ad. Because the work of SEO did not create the required results, therefore the whole marketing campaign can be counterproductive.

5.1.2. Pay per Click (PPC)

PPC stands for pay-per-click, a model of internet marketing in which advertisers pay a fee each time one of their ads is clicked. Essentially, it is a way of buying visits to the site, rather than attempting to "earn" those visits organically.

Apart from the search engine optimization done by the SEO, in PPC, the digital marketer places an ad over search engine. Whenever, any site visitor clicks on that ad, a certain amount is paid by the advertiser. It is a way of buying visits to a site, rather than attempting to "earn" those visits organically. Every time the ad placed by digital marketer is clicked, this clicking sends that visitor to the targeted website. Resultantly, the digital marketer has to pay the search engine a small fee. When PPC is working correctly, the fee is minimal, because the visit is worth more than what is paid for it.

5.1.3. Social Media Marketing

Social media marketing is the use of social media platforms to connect with the relevant audience to build a brand, increase sales and drive website traffic. This involves publishing content on the social media profiles, listening to and engaging the followers, analyzing the results, and running social media advertisements.

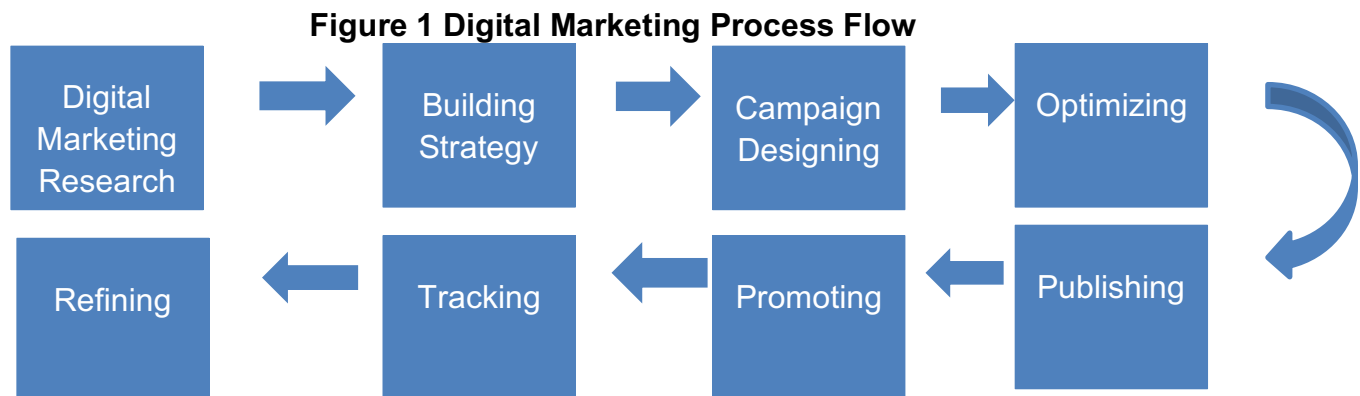
One of the major purposes of leveraging on social media in marketing is that it covers a wide range of target market compared to other marketing tools.

Current major social media platforms are Facebook, Instagram, Twitter, LinkedIn, Pinterest, YouTube, and Snapchat.

There is also a range of social media management tools that help businesses to get the most out of the social media platforms listed above. For example, Buffer is a platform of social media management tools, which can help to achieve success with social media marketing.

5.2. Process Flow

The service delivery mechanism of Digital Marketing Agency is shown in Figure 1



The digital marketing services offered by the proposed project are briefly discussed hereunder.

5.2.1. Digital Marketing Research

All the necessary information required for decision making in the next stages is collected and analyzed to develop a strategy and create the desired digital marketing campaign. Research is centered on the following areas:

- Business
- Target customers
- Product/service to be marketed
- Online competition

5.2.2. Building Strategy

Building a strategy involves the following two basic steps:

Digital Marketing Goals: Based on the discussions with the client and the information collected during the research phase, the agency sets goals to be achieved through the Digital Marketing Campaign. Every business has unique goals, driven by the nature of its strategic objectives and the product/service to be marketed. Campaigns without clearly defined goals usually fail to achieve the expected results for the businesses.

Digital Marketing Strategy: The agency develops a Digital Marketing Strategy to achieve the set goals. Key themes of the overall strategy include details related to product/service positioning, branding, advertising content and digital marketing channels to be used. The strategy development phase uses the information collected at the Digital Marketing Research Stage.

Digital Marketing Plan: A documented plan is prepared; which includes all the details about digital marketing activities; along with well-defined timelines. The purpose of this documented plan is to ensure a common understanding between the business and the Digital Marketing Agency.

5.2.3. Campaign Designing

This stage involves developing a strategy of an overall plan for the marketing campaign. It must consider the target audience. This strategy needs to be realistic, achievable and practical, based on customer's budget, available resources and business objectives. Successful marketing campaigns will become a source of bringing in more business for the agency. It is important to start by reflecting on the company's goals and company's mission.

5.2.4. Optimizing

Every marketing campaign has to be customized as per the nature of products/services, target customers and the time chosen for the campaign. Digital Optimization is the process to personalize the marketing message to the individual needs of a campaign. It is done to constantly improve the efforts that are made by the digital marketers to achieve and maximize the desired outcomes. Optimization is done to increase the leads (potential customers) and also to increase the profitability of the campaign.

5.2.5. Publishing

Publishing is the process of releasing the designed content on different platforms i.e. websites, blogs, social networking mobile applications, emails, etc. As a result of publishing the content is made available on different platforms; delivering the message of the content to the visitors/users of those platforms. This content is used to attract traffic and also to convert potential visitors into customers.

5.2.6. Promoting

After publishing of the content on different digital platforms, the digital marketers will promote the published content. Promoting means the digital marketers will bring traffic to the platforms where the content was published. The more traffic the content gets, more are the chances of converting the visitors into customers. There are multiple platforms available to promote the content; some of these are given as under:

- Search Engines
- Display Network
- Ecommerce Portals
- Social Media
- Email
- Messaging
- Affiliate

The above-mentioned Digital Marketing Channels are explained as under:

Search Engine: A search engine or internet search engine is a software system that is designed to carry out web searches. They search the World Wide Web (internet) in a systematic way for particular information specified in a text web search query.

Display Networks: Display networks advertising is graphic advertising on internet websites, apps or social media through banners or other advertising formats made of text, images, flash, video, and audio. The main purpose of display advertising is to deliver advertisements and brand messages to site visitors.

Ecommerce Portals: Ecommerce portals are platforms that help businesses to develop an online store from which all the business activities (selling services and goods) can be conducted without the need for physical infrastructure.

Social Media: social media are interactive technologies that allow the creation or sharing/exchange of information, ideas, career interests, and other forms of expression via virtual communities and networks.

Email: Email marketing is the act of sending a commercial message, typically to a group of people, using email. In its broadest sense, every email sent to a potential or current customer may be considered email marketing. It involves using email to send advertisements, request business, or solicit sales.

Messaging: Messaging means sending the marketing message through mobile messages or by sending messages through mobile apps.

Affiliate: Affiliate marketing is an advertising model in which the marketer compensates third-party publishers to generate traffic or leads to the targeted company's products and services. The third-party publishers are affiliates, and the commission fee incentivizes them to find ways to promote the targeted company's products and services.

5.2.7. Tracking

The digital marketers continuously assess the results/response of marketing campaigns. They analyze whether the campaign content is able to influence the visitor by converting a visitor into a potential customer or at least converting the visitor into a potential lead. This whole process is called Conversion Tracking which can also help to determine the platforms working best for reaching and engaging the customers, and which also offer good return on investment.

For this purpose, various methods are used, which are as under:

- Google ads
- Google analytics
- Facebook Ads manager
- Pinterest

The above methods are explained as under:

Google Ads: Google Ads is an online advertising platform developed by Google. In this platform, advertisers bid to display brief advertisements, service offerings, product listings, or videos to web users. It can place ads both in the results of search engines like Google Search and on non-search websites, mobile apps, and videos.

Good Analytics: Google Analytics is a web analytics service offered by Google that tracks and reports website traffic.

Facebook Ads Manager: Ads Manager is a Facebook tool that lets users create and manage their Facebook ads. The users can view, make changes and see results for all their Facebook campaigns and ads.

Pinterest: Pinterest is an American image sharing and social media service designed to enable saving and discovery of information on the internet using images, animated images and videos.

5.2.8. Refining

If the current digital marketing strategy isn't generating the required results, it is crucial to analyze past performance and identify the reasons. Even the best digital marketing strategy in the world will fail if it is pitched to the wrong audience. Buyer ²personas are crucial to understanding the audience.

5.3. Installed and Operational Capacities

The proposed advertising agency will have maximum operational capacity of 10,080 hours in a year. It is assumed to operate at 55% capacity utilization for 5,544 service hours in the first year of operations. The operational capacity will increase at the rate of 5% per annum to reach a maximum of 90% in the 8th year after commencement of operations. Table 1 shows details of capacity calculations.

² It is reflection of characteristics of target audience

Table 1: Installed and Operational Capacity

| Personnel | No of Persons | Status | Max Operational Hours Per day | Annual Working Days | Max Operational Hours Per Year | Initial Operational Capacity @ 55% |
|---------------------|----------------------|---------------|--------------------------------------|----------------------------|---------------------------------------|---|
| SEO Expert | 2 | Full Time | 9 | 280 | 5,040 | 2,772 |
| PPC Expert | 1 | Full Time | 9 | 280 | 2,520 | 1,386 |
| Social Media Expert | 1 | Full Time | 9 | 280 | 2,520 | 1,386 |
| Total | 4 | | | | 10,080 | 5,544 |

6. CRITICAL FACTORS

Before making the decision to invest in Digital Marketing business, one should carefully analyze the associated risk factors. The important considerations in this regard include:

- Choice of the right channels
- Use of non-digital channels
- Determining the right frequency
- Communicating the right content
- Content of the marketing campaign
- Eye catching video marketing content
- Relatable video content
- Consistent marketing of the business
- Choosing the correct audience
- Off-page and On Page optimization

7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

For a digital marketing agency to succeed, it is necessary to determine the target market. The proposed agency has potential to provide good entrepreneurship opportunity if the business is established in metropolitan cities of Pakistan. Main reasons of proposing metropolitan cities for setting up of this business is because majority of business are located in these cities and the required human resource can be easily available from these cities. Big cities like Lahore, Karachi, Islamabad, Faisalabad, Peshawar, Rawalpindi, Quetta, Gujranwala, Sialkot, Multan, Hyderabad, etc. are suitable locations to establish the proposed agency.

8. POTENTIAL TARGET MARKETS

The potential target markets for this particular business are any business or venture seeking the services of a digital market agency. Now-a-days, all businesses of all types and sizes require marketing agencies for promotion of their products or services or for the purpose of lead generation.

The digital marketing business does not require a formal company to start its operations. Most of the digital marketing professionals are working as free lancers. However, a large number of digital marketing agencies are also working in Pakistan. There are around 700-750 digital marketing agencies working in Pakistan. Majority of these agencies are providing one to two digital marketing services and only some of these are providing all of the services.

Pakistan had a population of 223.0 million in January 2021. There were 61.34 million internet users, 46 million social media users and 173.2 million mobile connections in Pakistan. These figures represent the potential market that can be easily targeted by digital marketers. Ease of access is one of the biggest advantages of digital advertising

over tradition advertising. A recent forecast by the WPP³ media agency suggests that by 2023, 49% of total advertising spending in Pakistan will be through digital medium.

9. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of the Digital Marketing Agency. Various assumptions relevant to revenue and costs along with the results of the analysis are outlined in this section.

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

All the figures in this financial model have been calculated after carefully taking into account the relevant assumptions and target market.

9.1. Project Cost

The financial feasibility analysis provides the information regarding projected Internal Rate of Return (IRR), Net Present Value (NPV) and Payback period of the study, which is shown in Table 2.

Table 2: Financial Feasibility Analysis

| Description | Project |
|----------------------------|------------|
| IRR | 56% |
| NPV (PKR) | 21,742,848 |
| Payback Period | 2.63 |
| Projection Years | 10 |
| Discount rate used for NPV | 15% |

9.1.1 Financial Feasibility Analysis with 50% Debt

The financial feasibility analysis provides the information regarding projected IRR, NPV and payback period of the study on the basis of Debt: Equity Model (50:50), which is shown in Table 3.

Table 3: Financial Feasibility Analysis With 50% Debt

| Description | Project |
|----------------------------|------------|
| IRR | 56% |
| NPV (PKR) | 24,843,996 |
| Payback Period | 2.61 |
| Projection Years | 10 |
| Discount rate used for NPV | 13% |

³ WPP is a notable advertising agency company of UK

9.2. Project Cost

The 'Digital Marketing Agency' business will be started in a rented office to reduce capital costs. Corporate offices / buildings of required area are easily available in the market. Therefore, no land and building cost has been added to the project's total cost. Table 4 provides fixed and working capital requirements for establishment and operations of the proposed project.

Table 4: Project Cost

| Cost Item | Cost (PKR) |
|------------------------------------|------------------|
| Space Requirement | - |
| Building Renovation cost | 294,250 |
| Office Equipment | 1,205,500 |
| Furniture & Fixtures | 955,000 |
| Vehicles | 1,596,000 |
| Security against building | 202,500 |
| Pre-Operating Cost | 474,034 |
| Total Capital Cost – (A) | 4,727,284 |
| Working Capital | |
| Computer Accessories | 7,417 |
| Upfront Office Rent | 67,500 |
| Upfront insurance payment | 31,920 |
| Cash | 500,000 |
| Total Working Capital – (B) | 606,837 |
| Total Project Cost – (A+B) | 5,404,121 |

9.2.1. Space Requirement

The proposed project will be established in a rented building. Suitable location for setting up of business like this can be easily available on rent. Total space requirement for the proposed project has been estimated as 1,125 sq. feet (5 Marla).

The breakup of the space requirement is provided in Table 5.

Table 5: Breakup of Space Requirement

| Break-up of Area | % Break-up | Area (Sq. ft.) |
|---------------------|------------|----------------|
| Executive Office | 11% | 120 |
| Staff Work Stations | 36% | 400 |
| Conference Room | 15% | 165 |

| | | |
|------------------------|-------------|--------------|
| Reception/Waiting Area | 13% | 150 |
| Admin and finance | 9% | 100 |
| Kitchen | 8% | 90 |
| Washrooms | 9% | 100 |
| Total Area | 100% | 1,125 |

9.2.2. Building Renovation Cost

There will be no cost of building construction since the business will be started in the rented premises. However, there will be a renovation cost required to make the building ready to be used by the business. The proposed agency requires estimated electricity load of 2 KW for which an electricity connection under the General Supply Tariff-Commercial single phase will be required. Cost of such electricity connection has not been considered in this document since electricity connection is generally available in such buildings, which are offered for rent. Building rent of PKR 67,500 per month has been included in the operating cost.

Table 6 provides details of building renovation cost.

Table 6: Building Renovation Cost Detail

| Cost Item | Unit of Measurement | Total Litre / Area / Number | Cost / Unit / sq. ft (PKR). | Total Cost (PKR) |
|--------------|---------------------|-----------------------------|-----------------------------|------------------|
| Paint Cost | Litre | 113 | 500 | 56,250 |
| Labour Cost | Feet | 11,250 | 8 | 90,000 |
| Wall Racks | Units | 8 | 15,000 | 120,000 |
| Curtains | Units | 4 | 5,000 | 20,000 |
| Blinds | Units | 4 | 2,000 | 8,000 |
| Total | | | | 294,250 |

9.2.3. Office Equipment

Table 7 provides details of office equipment required for the proposed project.

Table 7: Office Equipment

| Cost Item | No. | Unit Cost (PKR) | Total Cost (PKR) |
|----------------------------------|-----------|-----------------|------------------|
| 1.5-ton Inverter AC | 5 | 90,000 | 450,000 |
| Laptop Computers | 4 | 80,000 | 320,000 |
| Desktop Computers | 5 | 25,000 | 125,000 |
| Printer | 2 | 40,000 | 80,000 |
| LED/LCD 32" | 1 | 40,000 | 40,000 |
| Water Dispenser | 1 | 20,000 | 20,000 |
| Ceiling Fan | 7 | 4,500 | 31,500 |
| Exhaust Fan | 2 | 2,000 | 4,000 |
| WIFI Router and Connection | 2 | 5,000 | 10,000 |
| CC Tv System | 1 | 40,000 | 40,000 |
| Multimedia Projector (235 Watts) | 1 | 85,000 | 85,000 |
| UPS 3 KW(Inverter) | 1 | 70,000 | 70,000 |
| UPS Battery | 2 | 45,000 | 90,000 |
| Total | 34 | | 1,275,500 |

9.2.4. Furniture & Fixtures

Details of furniture and fixtures are provided in Table 8.

Table 8: Furniture and Fixtures

| Cost Item | No. | Unit Cost (PKR) | Total Cost (PKR) |
|----------------------------|-----|-----------------|------------------|
| Office Tables | 4 | 25,000 | 100,000 |
| Workstations | 5 | 40,000 | 200,000 |
| Executive Table | 4 | 30,000 | 120,000 |
| Executive Chairs | 4 | 20,000 | 80,000 |
| Office Chairs | 13 | 10,000 | 130,000 |
| Sofa Sets | 3 | 35,000 | 105,000 |
| Chairs for Conference Room | 8 | 10,000 | 80,000 |
| Table for Conference Room | 2 | 70,000 | 140,000 |
| Total | | | 955,000 |

9.2.5. Vehicle Requirement

Details of vehicle are provided in Table 9.

Table 9: Vehicle

| Cost Item | Number | Unit Cost (PKR) | Registration Cost (PKR) | Total Cost (PKR) |
|-------------------------|--------|-----------------|-------------------------|------------------|
| Car (1000 cc) | 1 | 1,500,000 | 15,000 | 1,515,000 |
| Motorcycle | 1 | 80,000 | 1,000 | 80,000,000 |
| Total Cost (PKR) | | | | 1,596,000 |

9.2.6. Security against Building

Details regarding building security are provided in Table 10.

Table 10: Security against Building

| Cost Item | No. of Months | Rent per Month (PKR) | Total Cost (PKR) |
|-------------------------|---------------|----------------------|------------------|
| Security | 3 | 67,500 | 202,500 |
| Total Cost (PKR) | | | 202,500 |

9.2.7. Pre-Operating Cost

Details of pre-operating cost are provided in Table 11.

Table 11: Pre-Operating Cost

| Particulars | No. | Hiring Before Year 0 (Months) | Unit Cost (PKR) | Total (PKR) |
|-------------------------|-----|-------------------------------|-----------------|----------------|
| Owner/SEO Expert | 1 | 2 | 150,000 | 300,000 |
| SEO Expert | 1 | 1 | 100,000 | 100,000 |
| Content Writer | | | | 50,000 |
| Utilities Charges | | | | 24,034 |
| Total Cost (PKR) | | | | 474,034 |

9.3. Breakeven Analysis

Table 12 shows calculation of break-even analysis.

Table 12: Breakeven Analysis

| Particulars | Amount First Year (PKR) | Share of Sales |
|---------------------------------------|-------------------------|----------------|
| Sales (PKR) – A | 12,474,000 | 100% |
| Variable Cost (PKR) – B | 7,111,847 | 57% |
| Contribution (PKR) (A-B) = C | 5,362,153 | 43% |
| Fixed Cost (PKR) – D | 4,646,097 | 37% |
| Services Provided (Hours) – E | 5,544 | |
| Contribution Margin Per Hour | 967 | |
| Breakeven | | |
| Break-Even Hours | 4,804 | |
| Breakeven Revenue | 10,808,237 | |
| Break-Even %age of Installed Capacity | 48% | |

9.3.1. Revenue Generation

Table 13 provides details for revenue generation of the Digital Marketing Agency during the first year of operations.

Table 13: Revenue Details

| Description | Maximum Capacity (Hours) | Initial Year Operational Capacity@ 55 %(A) | Average Charges Per Hour (PKR) (B) | Total Revenue Annual (PKR) (A*B) =C |
|-------------|--------------------------|--|------------------------------------|-------------------------------------|
| Revenue | 10,080 | 5,544 | 2,250 | 12,474,000 |

Table 14: Weighted Average Rate Details

| Description | Number of Persons (A) | Operational Hours per day (B) | Annual Working Days (C) | Maximum Operational Capacity per Annum D=(A*B*C) | Charges per Hour (PKR) (E) | Total Revenue (PKR) F=(D*E) | Weighted Average rate per hour (PKR) |
|---------------------|-----------------------|-------------------------------|-------------------------|--|----------------------------|-----------------------------|--------------------------------------|
| SEO Expert | 2 | 9 | 280 | 5,040 | 3,000 | 15,120,000 | 2,250 (22,680,000/10,080) |
| PC Expert | 1 | 9 | | 2,520 | 2,000 | 5,040,000 | |
| Social Media Expert | 1 | 9 | | 2,520 | 1,000 | 2,520,000 | |
| Total | | | | 10,080 | | 22,680,000 | |

9.4. Variable Costs

Variable costs of the project have been provided in Table 15.

Table 15: Estimated Variable Costs

| Description Costs | Amount (PKR) |
|--|------------------|
| Utilities | 242,847 |
| Direct Labour | 5,280,000 |
| Computer accessories | 89,000 |
| Travelling expense | 162,000 |
| Communications expense (phone, fax, mail, internet, etc.) | 324,000 |
| Office vehicles running expense | 528,000 |
| Office expenses (stationery, entertainment, janitorial services, etc.) | 486,000 |
| Total | 7,111,847 |

Table 16: Variable Costs Assumptions

| Description Costs | Rate | Rationale |
|--|------|---------------------------|
| Travelling expense | 10% | of administration expense |
| Communications expense (phone, fax, mail, internet, etc.) | 20% | of administration expense |
| Office vehicles running expense | | Number of vehicles used |
| Office expenses (stationery, entertainment, janitorial services, etc.) | 30% | of administration expense |

9.5. Fixed Cost Estimate

Table 17 shows the estimated fixed cost of the project.

Table 17: Estimated Fixed Costs

| Fixed Cost | Amount (PKR) |
|---------------------------------|--------------|
| Management Staff | 1,620,000 |
| Administration benefits expense | 1,035,000 |
| Building rental expense | 810,000 |
| Indirect Utilities | 45,565 |
| Promotional expense | 374,220 |
| Insurance (@1.5%) | 31,920 |

| | |
|-------------------------------------|------------------|
| Depreciation expense | 603,400 |
| Amortization of pre-operating costs | 94,807 |
| Bad debt expense | 31,185 |
| Total | 4,646,097 |

9.6. Human resource

The proposed agency shall require the workforce as provided in Table 18.

Table 18: Human Resource

| Designation | Qualification | Number | Salary Per Month (PKR) | Annual Salary (PKR) |
|-------------------------|-------------------|-----------|------------------------|---------------------|
| Owner/SEO Expert | Software Engineer | 1 | 150,000 | 1,800,000 |
| SEO Expert | Software Engineer | 1 | 100,000 | 1,200,000 |
| Content Writer | | 1 | 50,000 | 600,000 |
| PPC Expert | | 1 | 50,000 | 600,000 |
| Social Media Expert | | 2 | 45,000 | 1,080,000 |
| Graphic Designer | | 1 | 35,000 | 420,000 |
| Admin & Finance Officer | | 1 | 60,000 | 720,000 |
| Office Boy | | 1 | 20,000 | 240,000 |
| Security | | 1 | 20,000 | 240,000 |
| Total | | 10 | | 6,900,000 |

10. LICENSES AND PERMITS

No license or permit is required to establish a digital marketing agency.

11. CONTACT DETAILS

In order to facilitate the potential investors, contact details of some of digital marketing agency are given in Table 19.

Table 19: Contact Details

| Name of services supplier | Location | Email/ Website | Contact Number |
|--|------------|---|----------------|
| ARCO - Digital Marketing Agency | Lahore | https://www.arcoseo.com | 0307-4717219 |
| Mad Digital Agency | Lahore | https://www.maddigitalagency.com | 0322-4724080 |
| Prime media | Lahore | https://www.primemedia.pk | 0321-8883377 |
| Mega Marketing Network | Karachi | www.megamarketingnetwork.com | 021-34812368 |
| Shoutify Me - Digital Marketing Agency | Multan | www.shoutifyme.com | 0303-6300085 |
| Digital Marvels Pvt ltd | Islamabad | | 051-8445797 |
| Adziv Digital (Pvt) Ltd | Faisalabad | www.calendly.com/adziv | 0302-1001000 |
| Internet Marketing Peshawar | Peshawar | | 0347-9119110 |
| Stocktoc | Lahore | | 0300-0242107 |
| Digital Marcos | Hunza | | 0312-9708979 |

12. USEFUL LINKS

Table 20: Useful Links

| Name of Organization | E-mail address |
|---|---|
| Small and Medium Enterprises Development Authority (SMEDA) | www.smeda.org.pk |
| National Business Development Program (NBDP) | www.nbdp.org.pk |
| Technical Education and Vocational Training Authority (TEVTA) | www.tevta.org |
| Punjab Vocational Training Council (PVTC) | www.pvtc.gop.pk |
| Media Blog | https://www.rouge-media.com/blog/what-are-the-most-important-factors-for-successful-digital-marketing/ |
| Forbes | https://www.forbes.com/ |
| Facebook/Google/Instagram | - |

13. ANNEXURES

13.1. 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 | 12,474,000 | 14,737,464 | 17,290,730 | 20,166,311 | 23,400,123 | 27,031,822 | 31,105,180 | 35,668,493 | 38,628,978 | 41,835,183 |
| <i>Cost of sales</i> | | | | | | | | | | |
| Direct Utilities | 242,847 | 264,113 | 287,240 | 312,393 | 339,748 | 369,499 | 401,854 | 437,043 | 475,314 | 516,936 |
| Direct Labor | 5,280,000 | 5,667,200 | 6,082,795 | 6,528,866 | 7,007,650 | 7,521,544 | 8,073,124 | 8,665,153 | 9,300,598 | 9,982,642 |
| Computer accessories | 89,000 | 96,387 | 104,387 | 113,051 | 122,435 | 132,597 | 143,602 | 155,521 | 168,429 | 182,409 |
| Total cost of sales | 5,611,847 | 6,027,700 | 6,474,422 | 6,954,310 | 7,469,832 | 8,023,639 | 8,618,580 | 9,257,718 | 9,944,341 | 10,681,986 |
| Gross Profit | 6,862,153 | 8,709,764 | 10,816,308 | 13,212,001 | 15,930,291 | 19,008,183 | 22,486,599 | 26,410,775 | 28,684,637 | 31,153,197 |
| <i>General administration & selling expenses</i> | | | | | | | | | | |
| Management Staff | 1,620,000 | 1,738,800 | 1,866,312 | 2,003,175 | 2,150,074 | 2,307,746 | 2,476,981 | 2,658,627 | 2,853,592 | 3,062,856 |
| Administration benefits expense | 1,035,000 | 1,110,900 | 1,192,366 | 1,279,806 | 1,373,659 | 1,474,394 | 1,582,516 | 1,698,567 | 1,823,129 | 1,956,825 |
| Building rental expense | 810,000 | 891,000 | 980,100 | 1,078,110 | 1,185,921 | 1,304,513 | 1,434,964 | 1,578,461 | 1,736,307 | 1,909,938 |
| Indirect Utilities | 45,565 | 49,555 | 53,895 | 58,614 | 63,747 | 69,329 | 75,399 | 82,002 | 89,183 | 96,992 |
| Travelling expense | 162,000 | 173,880 | 186,631 | 200,317 | 215,007 | 230,775 | 247,698 | 265,863 | 285,359 | 306,286 |
| Communications expense (phone, fax, mail, internet, etc.) | 324,000 | 347,760 | 373,262 | 400,635 | 430,015 | 461,549 | 495,396 | 531,725 | 570,718 | 612,571 |
| Office vehicles running expense | 528,000 | 571,824 | 619,285 | 670,686 | 726,353 | 786,640 | 851,931 | 922,642 | 999,221 | 1,082,156 |
| Office expenses (stationery, entertainment, janitorial services, etc) | 486,000 | 521,640 | 559,894 | 600,952 | 645,022 | 692,324 | 743,094 | 797,588 | 856,078 | 918,857 |
| Promotional expense | 374,220 | 442,124 | 518,722 | 604,989 | 702,004 | 810,955 | 933,155 | 1,070,055 | 1,158,869 | 1,255,055 |
| Insurance expense | 31,920 | 27,132 | 22,344 | 17,556 | 12,768 | 7,980 | 3,192 | 64,822 | 55,099 | 45,375 |
| Depreciation expense | 603,400 | 603,400 | 603,400 | 603,400 | 603,400 | 603,400 | 412,075 | 1,048,275 | 1,048,275 | 1,048,275 |
| Amortization of pre-operating costs | 94,807 | 94,807 | 94,807 | 94,807 | 94,807 | - | - | - | - | - |
| Bad debt expense | 31,185 | 36,844 | 43,227 | 50,416 | 58,500 | 67,580 | 77,763 | 89,171 | 96,572 | 104,588 |
| Miscellaneous expense 1 | | | | | | | | | | |
| Subtotal | 6,146,097 | 6,609,666 | 7,114,245 | 7,663,464 | 8,261,277 | 8,817,184 | 9,334,166 | 10,807,797 | 11,572,403 | 12,399,774 |
| Operating Income | 716,056 | 2,100,099 | 3,702,063 | 5,548,537 | 7,669,014 | 10,190,999 | 13,152,433 | 15,602,978 | 17,112,234 | 18,753,423 |
| Gain / (loss) on sale of office equipment | - | - | - | - | - | - | 318,875 | - | - | - |
| Gain / (loss) on sale of office vehicles | - | - | - | - | - | - | 399,000 | - | - | - |
| Earnings Before Interest & Taxes | 716,056 | 2,100,099 | 3,702,063 | 5,548,537 | 7,669,014 | 10,190,999 | 13,870,308 | 15,602,978 | 17,112,234 | 18,753,423 |
| Subtotal | - | - | - | - | - | - | - | - | - | - |
| Earnings Before Tax | 716,056 | 2,100,099 | 3,702,063 | 5,548,537 | 7,669,014 | 10,190,999 | 13,870,308 | 15,602,978 | 17,112,234 | 18,753,423 |
| Tax | 35,803 | 205,015 | 545,515 | 1,084,561 | 1,804,154 | 2,686,849 | 3,974,607 | 4,581,042 | 5,109,281 | 5,683,697 |
| NET PROFIT/(LOSS) AFTER TAX | 680,253 | 1,895,084 | 3,156,547 | 4,463,976 | 5,864,860 | 7,504,150 | 9,895,701 | 11,021,936 | 12,002,953 | 13,069,725 |

13.2. 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 |
| Assets | | | | | | | | | | | |
| <i>Current assets</i> | | | | | | | | | | | |
| Cash & Bank | 500,000 | 765,333 | 2,117,718 | 3,695,847 | 5,399,889 | 7,202,573 | 9,066,721 | 12,291,024 | 24,114,008 | 37,002,554 | 51,763,544 |
| Accounts receivable | - | 668,250 | 789,507 | 926,289 | 1,080,338 | 1,253,578 | 1,448,133 | 1,666,349 | 1,910,812 | 2,069,410 | 1,653,373 |
| Pre-paid building rent | 67,500 | 74,250 | 81,675 | 89,843 | 98,827 | 108,709 | 119,580 | 131,538 | 144,692 | 159,161 | - |
| Total Current Assets | 606,837 | 1,543,270 | 3,020,544 | 4,739,949 | 6,603,485 | 8,585,901 | 10,652,252 | 14,170,111 | 26,242,951 | 39,297,038 | 53,416,917 |
| <i>Fixed assets</i> | | | | | | | | | | | |
| Land | - | - | - | - | - | - | - | - | - | - | - |
| Furniture & fixtures | 955,000 | 811,750 | 668,500 | 525,250 | 382,000 | 238,750 | 95,500 | 1,939,382 | 1,648,474 | 1,357,567 | 1,066,660 |
| Office vehicles | 1,596,000 | 1,356,600 | 1,117,200 | 877,800 | 638,400 | 399,000 | 159,600 | 3,241,103 | 2,754,937 | 2,268,772 | 1,782,607 |
| Office equipment | 1,275,500 | 1,084,175 | 892,850 | 701,525 | 510,200 | 318,875 | 127,550 | 1,611,849 | 1,370,071 | 1,128,294 | 886,517 |
| Security against building | 202,500 | 202,500 | 202,500 | 202,500 | 202,500 | 202,500 | 202,500 | 202,500 | 202,500 | 202,500 | 202,500 |
| Total Fixed Assets | 4,323,250 | 3,719,850 | 3,116,450 | 2,513,050 | 1,909,650 | 1,306,250 | 702,850 | 7,083,108 | 6,034,833 | 4,986,558 | 3,938,283 |
| <i>Intangible assets</i> | | | | | | | | | | | |
| Pre-operation costs | 474,034 | 379,228 | 284,421 | 189,614 | 94,807 | - | - | - | - | - | - |
| Total Intangible Assets | 474,034 | 379,228 | 284,421 | 189,614 | 94,807 | - | - | - | - | - | - |
| TOTAL ASSETS | 5,404,121 | 5,642,348 | 6,421,415 | 7,442,613 | 8,607,941 | 9,892,151 | 11,355,102 | 21,253,219 | 32,277,784 | 44,283,597 | 57,355,200 |
| Liabilities & Shareholders' Equity | | | | | | | | | | | |
| <i>Current liabilities</i> | | | | | | | | | | | |
| Accounts payable | - | 18,222 | 19,811 | 21,538 | 23,416 | 25,459 | 27,681 | 30,098 | 32,727 | 35,586 | 37,465 |
| Total Current Liabilities | - | 18,222 | 19,811 | 21,538 | 23,416 | 25,459 | 27,681 | 30,098 | 32,727 | 35,586 | 37,465 |
| <i>Other liabilities</i> | | | | | | | | | | | |
| Total Long Term Liabilities | - | (120,122) | (120,122) | (120,122) | (120,122) | (120,122) | (120,122) | (120,122) | (120,122) | (120,122) | (120,122) |
| <i>Shareholders' equity</i> | | | | | | | | | | | |
| Paid-up capital | 5,404,121 | 5,404,121 | 5,404,121 | 5,404,121 | 5,404,121 | 5,404,121 | 5,404,121 | 5,404,121 | 5,404,121 | 5,404,121 | 5,404,121 |
| Retained earnings | - | 340,126 | 1,117,605 | 2,137,076 | 3,300,526 | 4,582,693 | 6,043,421 | 15,939,122 | 26,961,058 | 38,964,011 | 52,033,737 |
| Total Equity | 5,404,121 | 5,744,247 | 6,521,726 | 7,541,197 | 8,704,647 | 9,986,814 | 11,447,542 | 21,343,243 | 32,365,179 | 44,368,132 | 57,437,858 |
| TOTAL CAPITAL AND LIABILITIES | 5,404,121 | 5,642,348 | 6,421,415 | 7,442,613 | 8,607,941 | 9,892,151 | 11,355,102 | 21,253,219 | 32,277,784 | 44,283,597 | 57,355,200 |

13.3. 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 | | 680,253 | 1,895,084 | 3,156,547 | 4,463,976 | 5,864,860 | 7,504,150 | 9,895,701 | 11,021,936 | 12,002,953 | 13,069,725 |
| Add: depreciation expense | | 603,400 | 603,400 | 603,400 | 603,400 | 603,400 | 603,400 | 412,075 | 1,048,275 | 1,048,275 | 1,048,275 |
| amortization of pre-operating costs | | 94,807 | 94,807 | 94,807 | 94,807 | 94,807 | - | - | - | - | - |
| Deferred income tax | | (120,122) | - | - | - | - | - | - | - | - | - |
| Accounts receivable | | (668,250) | (121,257) | (136,782) | (154,049) | (173,240) | (194,555) | (218,216) | (244,463) | (158,597) | 416,036 |
| Equipment inventory | (7,417) | (889) | (995) | (1,114) | (1,248) | (1,397) | (1,565) | (1,752) | (1,962) | (2,198) | 20,538 |
| Consumables Inventory | - | - | - | - | - | - | - | - | - | - | - |
| Pre-paid building rent | (67,500) | (6,750) | (7,425) | (8,168) | (8,984) | (9,883) | (10,871) | (11,958) | (13,154) | (14,469) | 159,161 |
| Advance insurance premium | (31,920) | 4,788 | 4,788 | 4,788 | 4,788 | 4,788 | 4,788 | (61,630) | 9,723 | 9,723 | 45,375 |
| Accounts payable | | 18,222 | 1,588 | 1,727 | 1,878 | 2,043 | 2,222 | 2,417 | 2,629 | 2,859 | 1,878 |
| Cash provided by operations | (106,837) | 605,459 | 2,469,990 | 3,715,206 | 5,004,568 | 6,385,377 | 7,907,569 | 10,016,636 | 11,822,984 | 12,888,546 | 14,760,990 |
| <i>Financing activities</i> | | | | | | | | | | | |
| Issuance of shares | 5,404,121 | - | - | - | - | - | - | - | - | - | - |
| Purchase of (treasury) shares | | | | | | | | | | | |
| Cash provided by / (used for) financing activities | 5,404,121 | - | - | - | - | - | - | - | - | - | - |
| <i>Investing activities</i> | | | | | | | | | | | |
| Capital expenditure | (4,797,284) | - | - | - | - | - | - | (6,792,333) | - | - | - |
| Acquisitions | | | | | | | | | | | |
| Cash (used for) / provided by investing activities | (4,797,284) | - | - | - | - | - | - | (6,792,333) | - | - | - |
| NET CASH | 500,000 | 605,459 | 2,469,990 | 3,715,206 | 5,004,568 | 6,385,377 | 7,907,569 | 3,224,303 | 11,822,984 | 12,888,546 | 14,760,990 |

14. KEY ASSUMPTIONS

14.1. Operating Cost Assumptions

Table 21: Operating Cost Assumptions

| Description | Details |
|---|----------------------------------|
| Operating costs growth rate | 8.3% of general inflation rate |
| Administration benefits expense | 15% of administration expenses |
| Travelling expenses | 10% of administration expenses |
| Communication expenses | 20% of administration expenses |
| Office Vehicle running expenses | PKR. 528,000 |
| Promotional expense | 3.0% of revenue |
| Office expenses (stationery, janitor, etc.) | 30.0% of administration expenses |
| Bad debt expense | 0.3% of revenue |
| Machinery & equipment insurance rate | 1.50% of Cost / WDV ⁴ |
| Office vehicle insurance rate | 2.0% of Cost / WDV |
| Depreciation - Machinery & equipment | 15% of Cost / WDV |

14.2. Production Cost Assumptions

Table 22: Production Cost Assumptions

| Description | Details |
|--------------------------------|---------|
| Cost of goods sold growth rate | 11.2% |

14.3. Revenue Assumptions

Table 23: Revenue Assumptions

| Description | Details |
|----------------------------------|---------|
| Sale price growth rate | 8.3% |
| Capacity utilization | 55% |
| Capacity utilization growth rate | 5% |
| Maximum capacity utilization | 90% |

⁴ Written-Down Value is the value of an asset after accounting for depreciation or amortization.

14.4. Financial Assumptions

Table 24: Financial Assumptions

| Description | Details |
|-------------------------------------|---------|
| Project Life (Years) | 10 |
| Debt: Equity | 0:100 |
| Discount Rate (100% Equity) | 15% |
| Discount Rate (50:50, Debt: Equity) | 13% |

14.5. Cash Flow Assumptions

Table 25: Cash Flow Assumptions

| Description | Details |
|-------------------------------------|---------|
| Accounts Receivable Cycle (in days) | 15 |
| Accounts Payable Cycle (in days) | 15 |