
Pre-Feasibility Study

BED LINEN STITCHING UNIT



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

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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.

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2 EXECUTIVE SUMMARY

Bed Linen is one of the key value added product of textile sector, particularly fall in product category of textile made-ups / home textiles. The product range of bed linen mainly includes bed sheets, pillow covers, quilts etc. Bed Linen has highest share in terms of production and export amongst all the made-ups in Pakistan.

This business has great potential in the export as well as in the local market. This particular pre-feasibility study provides information on key aspects of setting up a “Bed Linen Stitching Unit” in any metropolitan city of Pakistan, especially Lahore, Karachi and Faisalabad. The proposed unit will cater for export market, mainly US and Europe.

In order to reduce initial capital investment, the unit is proposed to be established on a rented building. The unit will have an installed capacity of stitching / producing 308,880 pieces of Bed Linen sets annually, on single shift basis for 312 operational days. The starting operational capacity is assumed at 55% (i.e. 169,884 sets). Maximum capacity utilization is assumed at 95% (i.e. 293,436 sets). This production capacity is estimated to be economically viable and justifies the capital as well as operational costs of the project. Continuous flow of export orders through aggressive marketing and establishing good working relations for repeat orders are extremely important for the success of the proposed venture.

Total project cost is estimated at Rs. 18.89 million with capital investment of Rs. 4.39 million and working capital Rs. 14.51 million. Given the cost assumptions IRR, Payback and Net Present Value are 39%, 3.28 years and Rs. 21.54 million respectively. The project will provide employment opportunities to 47 people directly including owner as CEO. The legal 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 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 '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.

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 **Bed Linen Stitching Unit** 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

Bed Linen is an important value added sub-sector of Textile, commonly known as part of textile made-ups / home textile. The products include bed sheets, pillow covers, quilts, etc. Bed Linen is among the largest sector in terms of production and exports amongst all the made ups in Pakistan. Pakistan is a major exporter of Bed Linen in the world. The main reason for the development of this industry in Pakistan is the existence of well-established weaving sector both at large and small scale.

Most of the products in Bed Linen are made from low-density fabrics of wider widths. This fabric can be easily manufactured on Power & Auto Looms, which forms the major chunk of weaving industry of Pakistan. The competitive edge in cotton has also played an important role in development of this sector.

This particular pre-feasibility study provides basic information for setting up a bed linen stitching unit. The proposed unit will mainly target export markets, as profit margin is much higher compared to the local market. The proposed project is primarily based on the stitching of bed linen set. The product mix of the proposed unit mainly comprised:

Table 1: Product Description

Description	No	Items	Measurement
Twin Set	1	Flat	168x244 cm
	1	Fitted	178x230 + 20 cm
	1	Pillow	51x76 + 15 cm
Full Set	1	Flat	206x244 cm
	1	Fitted	178x230 + 20 cm
	2	Pillows	51x76 + 15 cm
Queen Set	1	Flat	229x257 cm
	1	Fitted	196x241 + 20 cm
	2	Pillows	51x76 + 15 cm
King Set	1	Flat	274x257cm
	1	Fitted	244x244 + 20cm
	2	Pillows	51x76 + 15 cm

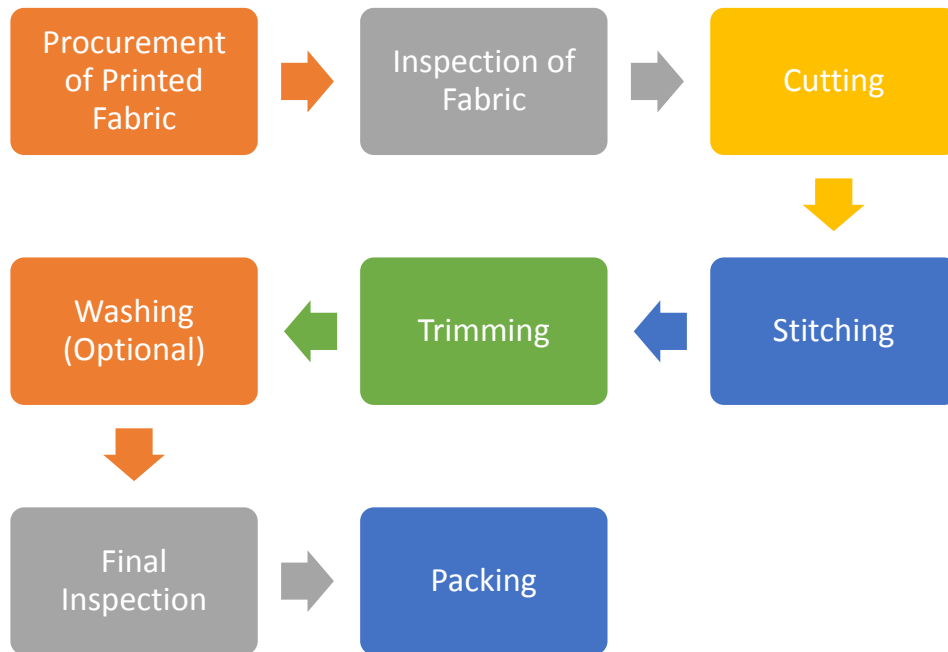
The unit will operate on order manufacturing basis, particularly from exporters, traders and international buyers. The unit is assumed to operate as a sole-proprietorship.

5.1 Production Process Flow

The process of bed linen stitching starts with the receipt of specification / sample from the customer and / or design developed by the designing department. These

specifications include quality and specifications of fabric, design details, stitching styles, packing instructions and all other necessary information. Based on the specifications received, a sample of bed linen is prepared and sent to customer for approval.

Figure 1: Production Process Flow



Once the sample is approved, based on the specifications, pattern master first prepares the pattern on chart paper, which will then be used for cutting fabric of confirmed order. By using the patterns prepared, cutters cut the fabric for stitching. Stitching is the next process after cutting.

After the completion of stitching process, quality inspection is carried out. In this process a thorough inspection is made pertaining to the quality, stitching, accessories, lining, etc. to ensure it is according to the specifications of buyers. Moreover, extra threads and fibres are also trimmed during this process. Afterwards, the product is packed and dispatched to buyers.

5.2 Installed And Operational Capacities

Proposed unit is based on 18 lock stitching machines (Single Needle) and will have installed capacity of stitching 990 sets per day on 8 hours shift basis (i.e. 308,880 sets per annum). Initial operational capacity will be 55% (i.e. 169,884 pieces) with an annual growth of 5%. Maximum capacity utilization of the project is assumed at 95%. Installed and operational capacities according to product mix of the proposed unit are provided below:

Table 2: Installed and Operational Capacities

Description	Product Mix	Installed Capacity	Operational Capacity 55% (Year-1)	Maximum Operational Capacity (95%)
Twin Set	20%	61,776	33,977	58,687
Full Set	40%	123,552	67,954	117,374
Queen	25%	77,220	42,471	73,359
King	15%	46,332	25,483	44,015
Total	100%	308,880	169,884	293,436

6 CRITICAL FACTORS

- ⇒ Formation of organizational system especially for operations department in order to maintain international quality standards.
- ⇒ Develop strong linkages with raw material suppliers for sourcing quality material on time at economical prices.
- ⇒ Time management is very important in export base business. Delay in delivery can cost as high as losing a customer.
- ⇒ Continuous flow of export orders through aggressive marketing and establishing good working relations for repeat orders.
- ⇒ Efficient management of stock to keep inventory cost at the minimum.
- ⇒ Knowledge about the latest market trends is critical.
- ⇒ Induction of trained human resource for the handling of business operations especially in operations and sales.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Karachi, Lahore, Faisalabad, Multan and Sialkot are the main hubs of textile industry in Pakistan. Availability of skilled labor is vital while selecting a location; all the above cities have adequate availability of skilled labor, raw material and other necessary infrastructure. Therefore, proposed stitching unit should ideally be established in the suburbs / peripheral areas of these cities.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Export of made-ups garment is ranked at 4th place in Pakistan's export commodities¹. Countries like USA, UK, Spain, Germany, Belgium and Netherlands

¹ Trade Development Authority of Pakistan (TDAP)

are the biggest buyers of Pakistani textile goods. Therefore, it is proposed to target these countries as Pakistani textile products have a good reputation in these countries due to high quality. However, it is also suggested to find new export markets, for instance, countries like France, Italy and UAE also have great potential for export.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Bed Linen Stitching Unit. 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 also attached as annexure.

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 157.39 million in the year one. The capacity utilization during year one is worked out at 55% with an increase of 5% in subsequent years up to the maximum capacity utilization of 95%.

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

Table 3: Project Economics

Description	Details
Internal Rate of Return (IRR)	39%
Payback Period (Years)	3.28
Net Present Value (Rs.)	21,544,196

9.2 Project Financing

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

Table 4: Project Financing

Description	Details
Total Equity (50%)	Rs. 9,446,232
Bank Loan (50%)	Rs. 9,446,232

www.tdap.gov.pk/tdap-statistics.php

Markup to the Borrower (%age / annum)	12%
Tenure of the Loan (Years)	5

9.3 Project Cost

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

Table 5: Project Cost

Description	Amount (Rs.)
Capital Cost	
Machinery & Equipment	1,372,500
Furniture & Fixtures	1,120,000
Office Vehicles	140,400
Office Equipment	325,000
Pre-operating Costs	1,428,000
Total Capital Costs	4,385,900
Working Capital	
Equipment spare part inventory	34,655
Raw material inventory	10,750,472
Upfront building rent	1,800,000
Upfront insurance payment	75,645
Cash	1,845,792
Total Working Capital	14,506,564
Total Investment	18,892,464

9.4 Space Requirement

The space requirement for the proposed Bed Linen stitching unit is estimated considering various facilities including management office, inventory store room, production area and finished garment store. Keeping in view the above mentioned requirements, it is suggested to acquire a building of 6,200 sq. ft. on rent. The Details of space requirement related to land and building is given below;

Table 6: Space Requirement

Description	Area Required (Sq.ft.)
Production Area	1,600
Cutting Area	500
Inspection room/packing room	1,600
Raw material store	400
Finished goods store	400

Management building	500
Kitchen	500
Free space	700
Total	6,200

It is proposed to use a rental building in order to avoid high capital cost and risk. The proposed monthly rent for the building is taken at Rs. 150,000/- month.

9.5 Machinery and Equipment Requirement

Machinery and equipment for the proposed project are stated below:

Table 7: Machinery & Equipment Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Cutting Machine Jack CZM-8"	1	33,500	33,500
5 Thread Safety Over lock Machine Jack 798	2	41,500	83,000
Single Needle Lock Stitch Machine Jack A4 Automatic	18	53,500	963,000
GAS Steam Boiler (04 Spots of Steam iron)	1	75,000	75,000
Steam Irons (Large Size)	4	4,500	18,000
Factory fixture	1	100,000	100,000
Machine Installation & Electric wiring cost			100,000
Total Machinery & Equipment			1,372,500

9.6 Furniture & Fixtures Requirement

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

Table 8: Furniture & Fixture Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Table & Chair for CEO	1	50,000	50,000
Visitor Chairs	10	5,000	50,000
Chair & Table for Staff	2	30,000	60,000
File Racks	2	20,000	40,000
Small Cabinets	3	15,000	45,000
Cutting Table	1	25,000	25,000
Finishing Table	2	7,500	15,000

Trolleys for Stitching Department	25	10,000	250,000
Wooden Bench for Workers	35	3,000	105,000
Lighting & Fans			50,000
Air conditioners (1.5 ton)	3	60,000	180,000
Generator	1	250,000	250,000
Total Furniture & Fixtures			1,120,000

9.7 Office Equipment Requirement

Following office equipment will be required for the proposed Bed Linen Stitching Unit.

Table 9: Office Equipment Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Computers	5	35,000	175,000
Printer	2	15,000	30,000
UPS	1	50,000	50,000
Scanner	1	15,000	15,000
Security Cameras	1	50,000	50,000
Telephone Sets	2	2,500	5,000
Total Office Equipment			325,000

9.8 Office Vehicle Requirement

Two bikes will be purchased for travelling and other business operations. The cost of both the bikes is estimated at Rs. 140,400.

Table 10: Office Vehicle Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Motor Cycle	2	70,200	140,400
Total Office Vehicles cost			140,400

9.9 Raw Material Requirements

Basic raw material for stitching of bed linen is printed fabric, stitching threads, accessories and packing material. Cost and consumptions of raw material are given in annexure.

9.10 Human Resource Requirement

In order to run operations smoothly, details of human resources required along with number of employees and monthly salaries are recommended as under:

Table 11: Human Resource Requirement

Description	No. of Employees	Per Month Salary (Rs.)
CEO	1	70,000
Production In-charge	1	35,000
Technician/Electrician	1	18,000
Cutting Master	1	22,000
Cutting Helper	2	15,000
Stitching Operators	18	20,000
Store Keeper	1	16,000
Marketing Executives	2	25,000
Clippers	3	15,000
Stain Remover	2	15,000
Packing Staff	3	15,000
Final table inspector	3	20,000
Finishing Supervisor	1	25,000
Purchase Officer	1	20,000
Accounts Officer	2	25,000
Security Guard	2	16,000
Driver	1	16,000
Sweeper	2	15,000
Total	47	

9.11 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. 2.74 million per annum. Furthermore, promotional expense, being essential for marketing of bed linen stitching unit, is estimated as Rs. 1.00 million in year 1.

9.12 Revenue Generation

Based on the capacity utilization of 55%, sales revenue during the first year of operations is estimated in below table.

Table 12: Revenue Generation – Year 1

Description	Sale in Year 1	Sale Price Per Unit (Rs.)	Revenue (Rs.)
Twin Set	33,977	877	29,814,132
Full Set	67,954	940	63,897,789
Queen	42,471	909	38,601,892
King	25,483	984	25,073,095
Total	169,885		157,386,908

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 Suppliers

<p>M. Ramzan Industrial Sewing Machine Co. 92-B, Mcleod Road, Lahore Ph: +92 42 37223762 Fax:+92 42 37353548 http://www.mramzan.com</p>	<p>Abbas Apparel Machinery Co. 35,Sherpao Bridge Colony, Cant, Lahore Tele : (92 42) 36663639 , 36674643 Fax : (92 42) 36652400 www.abbasapparel.com</p>
<p>Crown Enterprises 1st Floor, Room no. 4, Pearl Plaza, 174, Ferozpur Road, Ichra, Lahore. Tele: +92 42 37420121 Fax: +92 42 37420121 http://www.cro-ent.com</p>	<p>Al-Murtaza Machinery Co. Pvt. Ltd Address: 84-J/1, Shahrah Nazaria-e-Pakistan, M.A. Johar Town, Lahore. Phone: +92 42 35316171-73 Fax: +92 42 35316174 Email: amcl-l@almurtaza.com www.almurtaza.com</p>

11 USEFUL WEB LINKS

Small & Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
Government of Pakistan	www.pakistan.gov.pk
Ministry of Industries & Production	www.moip.gov.pk
Ministry of Federal Education and Professional Training	http://moent.gov.pk
Government of Punjab	www.punjab.gov.pk
Government of Sindh	www.sindh.gov.pk
Government of Khyber Pakhtunkhwa	www.khyberpakhtunkhwa.gov.pk
Government of Baluchistan	www.balochistan.gov.pk
Government of Gilgit Baltistan	www.gilgitbaltistan.gov.pk
Government of Azad Jamu Kashmir	www.ajk.gov.pk
Trade Development Authority of Pakistan (TDAP)	www.tdap.gov.pk
Security Commission of Pakistan (SECP)	www.secp.gov.pk
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpcci.com.pk
State Bank of Pakistan (SBP)	www.sbp.org.pk
National Textile University, Faisalabad	www.ntu.edu.pk/
All Pakistan Textile Mills Association	www.aptma.org.pk
Pakistan Institute of Fashion Design.	www.pifd.edu.pk
Pakistan Hosiery Manufacturers & Exporters Association	http://www.phmaonline.com/
Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA)	www.prgmea.org/

12 ANNEXURES

12.1 Income Statement

Calculations										
Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	157,386,908	180,279,549	205,067,987	231,884,570	260,870,142	292,174,559	325,957,242	362,387,757	401,646,431	421,728,753
<i>Cost of sales</i>										
Cost of Raw Material	87,065,550	99,729,630	113,442,454	128,277,237	144,311,891	161,629,318	180,317,708	200,470,864	222,188,540	233,297,968
Stitching Cost	25,737,426	29,481,052	33,534,696	37,920,003	42,660,003	47,779,203	53,303,674	59,261,143	65,681,100	68,965,155
Packing Cost	8,494,200	9,729,720	11,067,557	12,514,852	14,079,209	15,768,714	17,591,972	19,558,133	21,676,931	22,760,777
Over heads	3,397,680	3,891,888	4,427,023	5,005,941	5,631,684	6,307,486	7,036,789	7,823,253	8,670,772	9,104,311
Wasteges	2,611,967	2,991,889	3,403,274	3,848,317	4,329,357	4,848,880	5,409,531	6,014,126	6,665,656	6,998,939
Freight	1,698,840	1,945,944	2,213,511	2,502,970	2,815,842	3,153,743	3,518,394	3,911,627	4,335,386	4,552,155
Direct Labor	7,872,500	8,828,646	9,712,810	10,685,316	11,755,015	12,931,640	14,225,895	15,649,552	17,215,557	18,957,899
Machinery Maintenance	831,724	971,283	1,104,982	1,249,623	1,405,965	1,574,818	1,757,041	1,953,550	2,165,316	2,276,078
Direct Electricity & Generator	2,495,171	2,913,848	3,314,946	3,748,869	4,217,896	4,724,455	5,271,124	5,860,649	6,495,949	6,828,233
Total cost of sales	140,205,058	160,483,900	182,221,252	205,753,127	231,206,862	258,718,256	288,432,128	320,502,896	355,095,208	373,741,516
Gross Profit	17,181,851	19,795,650	22,846,736	26,131,443	29,663,280	33,456,302	37,525,114	41,884,862	46,551,223	47,987,237
<i>General administration & selling expenses</i>										
Administration expense	3,408,000	3,748,800	4,123,680	4,536,048	4,989,653	5,488,618	6,037,480	6,641,228	7,305,351	8,035,886
Administration benefits expense	102,240	112,464	123,710	136,081	149,690	164,659	181,124	199,237	219,161	241,077
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	240,000	264,000	290,400	319,440	351,384	386,522	425,175	467,692	514,461	565,907
Water expense	36,000	39,600	43,560	47,916	52,708	57,978	63,776	70,154	77,169	84,886
Gas expense	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477
Travelling expense	600,000	660,000	726,000	798,600	878,460	966,306	1,062,937	1,169,230	1,286,153	1,414,769
Communications expense (phone, fax, mail, internet, etc.)	240,000	264,000	290,400	319,440	351,384	386,522	425,175	467,692	514,461	565,907
Office vehicles running expense	180,000	198,000	217,800	239,580	263,538	289,892	318,881	350,769	385,846	424,431
Office expenses (stationary, entertainment, janitorial services, etc.)	1,710,000	1,881,000	2,069,100	2,276,010	2,503,611	2,753,972	3,029,369	3,332,306	3,665,537	4,032,091
Promotional expense	1,000,000	900,000	810,000	729,000	656,100	590,490	531,441	478,297	430,467	387,420
Insurance expense	75,645	67,379	59,112	50,846	42,579	45,618	36,495	27,371	18,247	9,124
Professional fees (legal, audit, consultants, etc.)	250,000	275,000	302,500	332,750	366,025	402,628	442,890	487,179	535,897	589,487
Depreciation expense	385,663	385,663	385,663	402,739	402,739	419,882	439,650	439,650	439,650	462,534
Amortization of pre-operating costs	285,600	285,600	285,600	285,600	285,600	-	-	-	-	-
Bad debt expense	1,573,869	1,802,795	2,050,680	2,318,846	2,608,701	2,921,746	3,259,572	3,623,878	4,016,464	4,217,288
Subtotal	11,947,017	12,930,301	14,028,806	15,268,556	16,625,398	17,870,382	19,549,069	21,379,297	23,395,941	25,416,588
Operating Income	5,234,833	6,865,349	8,817,930	10,862,887	13,037,882	15,585,920	17,976,046	20,505,565	23,155,283	22,570,649
Gain / (loss) on sale of office equipment	-	-	195,000	-	-	323,237	-	-	422,937	-
Gain / (loss) on sale of office vehicles	-	-	-	-	56,160	-	-	-	-	-
Earnings Before Interest & Taxes	5,234,833	6,865,349	9,012,930	10,862,887	13,094,042	15,909,157	17,976,046	20,505,565	23,578,220	22,570,649
Interest expense on long term debt (Project Loan)	244,828	201,638	152,971	98,132	36,338	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	948,077	787,209	602,317	389,813	145,573	-	-	-	-	-
Subtotal	1,192,905	988,848	755,289	487,945	181,911	-	-	-	-	-
Earnings Before Tax	4,041,928	5,876,501	8,257,641	10,374,942	12,912,132	15,909,157	17,976,046	20,505,565	23,578,220	22,570,649
Tax	732,078	1,282,450	2,109,674	2,850,729	3,738,745	4,787,704	5,511,115	6,396,447	7,471,876	7,119,226
NET PROFIT/(LOSS) AFTER TAX	3,309,850	4,594,051	6,147,968	7,524,213	9,173,386	11,121,453	12,464,930	14,109,118	16,106,344	15,451,422

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
Assets											
<i>Current assets</i>											
Cash & Bank	1,845,792	3,737,297	6,682,794	10,545,357	16,235,111	23,447,117	35,085,278	48,641,522	64,044,171	83,408,992	151,438,562
Accounts receivable		6,467,955	6,938,352	7,918,100	8,978,477	10,125,097	11,363,932	12,701,338	14,144,075	15,699,333	16,918,668
Finished goods inventory		2,983,086	3,349,229	3,802,370	4,292,912	4,823,509	5,396,991	6,016,376	6,684,881	7,405,937	7,786,282
Equipment spare part inventory	34,655	42,494	50,760	60,275	71,207	83,746	98,108	114,535	133,298	147,123	-
Raw material inventory	10,750,472	12,929,886	15,443,132	18,335,750	21,659,104	25,471,107	29,837,014	34,830,326	40,533,791	44,688,505	-
Pre-paid building rent	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	-
Pre-paid insurance	75,645	67,379	59,112	50,846	42,579	45,618	36,495	27,371	18,247	9,124	-
Total Current Assets	14,506,564	28,208,096	34,701,379	43,108,497	53,914,770	66,895,112	85,006,628	105,839,158	129,416,924	155,603,319	176,143,511
<i>Fixed assets</i>											
Machinery & equipment	1,372,500	1,235,250	1,098,000	960,750	823,500	686,250	549,000	411,750	274,500	137,250	-
Furniture & fixtures	1,120,000	1,008,000	896,000	784,000	672,000	560,000	448,000	336,000	224,000	112,000	-
Office vehicles	140,400	112,320	84,240	56,160	28,080	226,116	180,892	135,669	90,446	45,223	-
Office equipment	325,000	216,667	108,333	376,228	250,819	125,409	435,531	290,354	145,177	504,182	336,121
Total Fixed Assets	2,957,900	2,572,237	2,186,573	2,177,138	1,774,399	1,597,775	1,613,424	1,173,773	734,123	798,655	336,121
<i>Intangible assets</i>											
Pre-operation costs	1,428,000	1,142,400	856,800	571,200	285,600	-	-	-	-	-	-
Total Intangible Assets	1,428,000	1,142,400	856,800	571,200	285,600	-	-	-	-	-	-
TOTAL ASSETS	18,892,464	31,922,733	37,744,752	45,856,835	55,974,769	68,492,887	86,620,051	107,012,932	130,151,047	156,401,974	176,479,632
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		10,406,061	11,973,358	13,683,136	15,548,809	17,583,511	19,801,517	22,218,352	24,850,902	27,523,610	25,030,619
Short term debt	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	10,406,061	11,973,358	13,683,136	15,548,809	17,583,511	19,801,517	22,218,352	24,850,902	27,523,610	25,030,619
<i>Other liabilities</i>											
Deferred tax		732,078	2,014,528	4,124,202	6,974,931	10,713,676	15,501,381	21,012,496	27,408,943	34,880,819	42,000,046
Long term debt (Project Loan)	2,192,950	1,852,406	1,468,673	1,036,273	549,034	-	-	-	-	-	-
Long term debt (Working Capital Loan)	7,253,282	6,176,105	4,938,060	3,515,123	1,879,682	-	-	-	-	-	-
Total Long Term Liabilities	9,446,232	8,760,589	8,421,261	8,675,598	9,403,646	10,713,676	15,501,381	21,012,496	27,408,943	34,880,819	42,000,046
<i>Shareholders' equity</i>											
Paid-up capital	9,446,232	9,446,232	9,446,232	9,446,232	9,446,232	9,446,232	9,446,232	9,446,232	9,446,232	9,446,232	9,446,232
Retained earnings		3,309,850	7,903,901	14,051,869	21,576,082	30,749,468	41,870,921	54,335,851	68,444,969	84,551,313	100,002,735
Total Equity	9,446,232	12,756,082	17,350,133	23,498,101	31,022,314	40,195,700	51,317,153	63,782,083	77,891,201	93,997,545	109,448,968
TOTAL CAPITAL AND LIABILITIES	18,892,464	31,922,733	37,744,752	45,856,835	55,974,769	68,492,887	86,620,051	107,012,932	130,151,047	156,401,974	176,479,632

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		3,309,850	4,594,051	6,147,968	7,524,213	9,173,386	11,121,453	12,464,930	14,109,118	16,106,344	15,451,422
Add: depreciation expense		385,663	385,663	385,663	402,739	402,739	419,882	439,650	439,650	439,650	462,534
amortization of pre-operating costs		285,600	285,600	285,600	285,600	285,600	-	-	-	-	-
Deferred income tax		732,078	1,282,450	2,109,674	2,850,729	3,738,745	4,787,704	5,511,115	6,396,447	7,471,876	7,119,226
Accounts receivable		(6,467,955)	(470,397)	(979,748)	(1,060,377)	(1,146,620)	(1,238,835)	(1,337,406)	(1,442,737)	(1,555,257)	(1,219,336)
Finished goods inventory		(2,983,086)	(366,143)	(453,140)	(490,542)	(530,597)	(573,482)	(619,385)	(668,505)	(721,057)	(380,344)
Equipment inventory	(34,655)	(7,838)	(8,266)	(9,515)	(10,932)	(12,540)	(14,362)	(16,427)	(18,763)	(13,824)	147,123
Raw material inventory	(10,750,472)	(2,179,414)	(2,513,247)	(2,892,617)	(3,323,355)	(3,812,002)	(4,365,907)	(4,993,312)	(5,703,466)	(4,154,714)	44,688,505
Pre-paid building rent	(1,800,000)	(180,000)	(198,000)	(217,800)	(239,580)	(263,538)	(289,892)	(318,881)	(350,769)	(385,846)	4,244,306
Advance insurance premium	(75,645)	8,267	8,267	8,267	8,267	(3,039)	9,124	9,124	9,124	9,124	9,124
Accounts payable		10,406,061	1,567,297	1,709,778	1,865,673	2,034,702	2,218,007	2,416,835	2,632,550	2,672,707	(2,492,990)
Cash provided by operations	(12,660,772)	3,309,226	4,567,275	6,094,129	7,812,435	9,866,837	12,073,692	13,556,244	15,402,649	19,869,003	68,029,569
<i>Financing activities</i>											
Project Loan - principal repayment		(340,544)	(383,733)	(432,400)	(487,239)	(549,034)	-	-	-	-	-
Working Capital Loan - principal repayment		(1,077,177)	(1,238,045)	(1,422,937)	(1,635,441)	(1,879,682)	-	-	-	-	-
Additions to Project Loan	2,192,950	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	7,253,282	-	-	-	-	-	-	-	-	-	-
Issuance of shares	9,446,232	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	18,892,464	(1,417,721)	(1,621,778)	(1,855,337)	(2,122,681)	(2,428,715)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(4,385,900)	-	-	(376,228)	-	(226,116)	(435,531)	-	-	(504,182)	-
Cash (used for) / provided by investing activities	(4,385,900)	-	-	(376,228)	-	(226,116)	(435,531)	-	-	(504,182)	-
NET CASH	1,845,792	1,891,505	2,945,497	3,862,563	5,689,754	7,212,006	11,638,161	13,556,244	15,402,649	19,364,822	68,029,569

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Administration Benefit Expenses	3% of Administration Cost
Office Expenses (Stationery, Entertainment etc.)	Rs. 142,500 per month
Communication Expenses	Rs. 20,000 per month
Professional Fee	Rs. 250,000 per year
Depreciation Method	Straight Line depreciation
Depreciation Rate	10% on Machinery 33% on Office Equipment 10% on Furniture & Fixture
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Salaries Growth Rate	10%

13.2 Production Cost Assumptions

Description	Twin Set	Full Set	Queen	King
Fabric Cost	475	525	500	550
Stitching Material Cost	150	150	150	160
Packing Cost	50	50	50	50
Over heads	20	20	20	20
Wastages	14	16	15	17
Freight	10	10	10	10
Cost per bed sheet	719	771	745	807

13.3 Revenue Assumptions

Description	Details
Growth in Sales Price	5%
Days Operational / Year	312
Maximum Operational Capacity (Per Year)	308,880
Production Capacity in First Year	55%
Percentage Increase in Production Capacity every Year	5%
Maximum Production Capacity	95%

13.4 Financial Assumptions

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	12%
Debt Tenure	5 Years
Debt Payment / Year	12