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# Pre-Feasibility Study

## WATER AND FIRE PROOF CLOTH MANUFACTURING 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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### Document Control

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## 2 EXECUTIVE SUMMARY

Water and fire proof cloth falls in technical textiles category, which is specially engineered to meet the requirement of water-resistant and fireproofing. Predominantly, water and fire proof cloths are made of Polychloride Vinyl (PVC) Polymer and used across a broad variety of applications, including sports, camping tents, rain protection items and fire fighters. PVC made fabrics are very durable and have superior ability to withstand abrasion and distortion.

This particular pre-feasibility study is for setting up a 'Water and Fire Proof PVC Resin Cloth Manufacturing Unit' in any major industrial city in Pakistan. The proposed unit will be equipped with latest extrusion line and coating machines to produce the high-quality PVC resin cloth that will be sold to wholesalers and retail outlets in major cities of Pakistan. Additionally, the proposed business will also operate on order manufacturing basis for sportswear, rain protection wear, firefighters uniform and camping tent manufacturers.

The business will have the capacity to produce 7.2 million meters of PVC resin cloth per annum based on 300 working days on 8 hours single shift bases. However, starting operational capacity is assumed at 50% with an annual increase of 5%, it will attain a maximum capacity utilization of 85% in 8<sup>th</sup> year of operation. This production capacity is estimated to be economically viable and justifies the capital as well as operational cost of the project. Entrepreneur's knowledge of the chemicals and technical textile industry, competitive pricing, and strong linkage with industrial buyers and wholesalers are key factors for the success.

Total project cost is estimated as Rs. 54.013 million with capital investment of Rs. 41.584 million and working capital Rs. 12.429 million. Based on an equity finance model, the project NPV is around Rs. 78.868 million, with an IRR of 38% and Payback Period of 3.33 years. The project will provide employment opportunities to 21 people including the Owner. The legal business status of this project is assumed to be 'Sole Proprietorship'.

## 3 INTRODUCTION TO SMEDA

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

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

identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

Preparation and dissemination of prefeasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the prefeasibility studies, a broad spectrum of business development services is also offered to the SMEs by SMEDA. These services include identification of experts and consultants and delivery of need based capacity building programs of different types in addition to business guidance through help desk services.

#### **4 PURPOSE OF THE DOCUMENT**

The objective of the pre-feasibility study is primarily to facilitate potential entrepreneurs in project identification for investment. The project pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document/study covers various aspects of project concept development, start-up, and production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Water and Fire Proof PVC Resin Cloth Manufacturing 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 its successful management.

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

#### **5 BRIEF DESCRIPTION OF PROJECT & PRODUCT**

PVC Resin cloth is a PVC coated fabric, which is processed by using the Polyvinyl Chloride (PVC) Polymer on fabrics. It is also recognized as 'Polyester Fabric'. This coated cloth is very durable and hold strong resistance against water and fire. Therefore it is widely used in various application related to sports, outdoor adventures, firefighting & safety called and protective for rain. The water and fire proof cloth manufacturing is a major sub sector of technical textiles and hold significance economic value in terms of its uses and applications.

This particular pre-feasibility study is based on an automated PVC Coating and Laminating Machine imported from China. Production line will mainly comprise of

Winding, Coating, Dry Oven, Traction and Cooling and Electronic Control components. For the purpose of making fabric, melting of PVC Resin will be done through extrusion process and afterwards melted resins will be applied as coating on the fabric as per desired thickness.

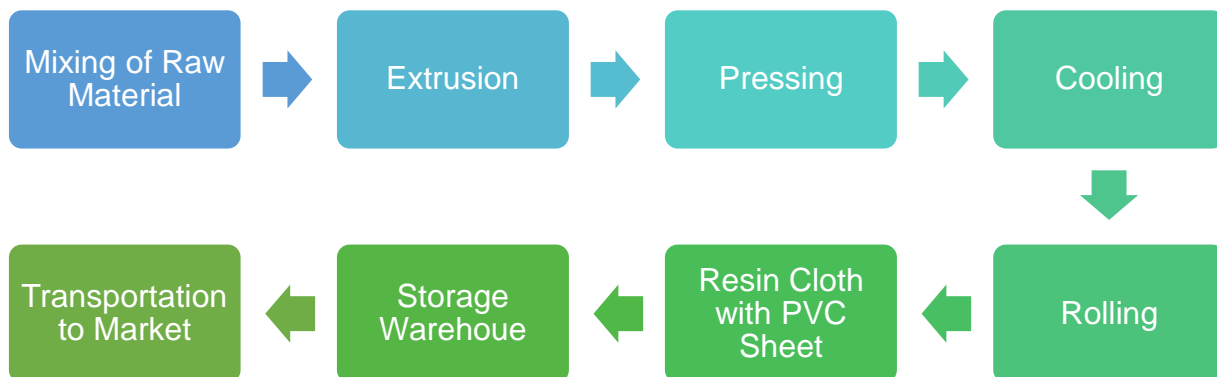
According to the proposed business model, the unit will procure the fabric sheets and PVC Resin granules from the local market and after treating the fabric with PVC coat it will become water and fire resistant. The produced water and fire proof fabric will be sold to wholesalers and retailers. Additionally, proposed unit will also produce the fabric on order manufacturing basis from the industrial buyers i.e. manufacturers of water & fire proof sportswear, rain protective wear manufacturers, firefighters uniform makers and camping tent manufacturers etc.

The ideal location for the proposed project is any major industrial city across Pakistan, however, it can also be established in other areas with availability of required infrastructural support, skilled labour and easy access to markets. Financial analysis shows the unit shall be profitable from the very first year of operation. The proposed project will provide direct employment to 21 people and the legal business status of this project is assumed to be 'Sole Proprietorship'.

### 5.1 Production Process Flow

The key steps involved in the manufacturing of Water and Fire Proof PVC Coated Cloth Manufacturing are Mixing, Warming, Melting, Pressing, Cooling, Inspecting and Rolling operations. The production process flow diagram is as follows.

**Figure 1: Production Process Flow**



### 5.2 Installed and Operational Capacity

The proposed unit has an installed capacity of producing 7.20 million meter of PVC Coated Water and Fire Proof Cloth per annum. The unit is proposed to operate on 8 hours single shift basis with 300 operational days in a years.

However, the initial operating capacity of the project will be 50% (i.e. 3.60 million meter fabric) with an annual increase of 5% and will achieve a maximum operational capacity of 85% (i.e. 6.12 million meter fabric) in 8<sup>th</sup> year.

## 6 CRITICAL FACTORS

Following are the factors critical for the success of this business venture;

- ⇒ Background knowledge and related experience of the entrepreneur in the field of technical textile and chemical industry.
- ⇒ Selection of quality PVC granules and fabric on the basis of best analysis of cost and revenues; cost efficiency through better management.
- ⇒ Selection of appropriate plant and machinery.
- ⇒ Exceed customer expectations by offering high quality products at reasonable prices with quick turnaround times.
- ⇒ Business location is the key to success, in order to have greater reach to its customers to meet its revenue targets.
- ⇒ Time management is very important in completing orders. Delay in delivery can cost as high as losing a customer.
- ⇒ Continuous flow of orders through aggressive marketing and establishing good working relations for repeat orders.
- ⇒ Induction of trained human resources for the handling of business operations especially in production and distribution.
- ⇒ Employ careful financial and accounting analysis to ensure efficiency and proper controls.

## 7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Location selection is critical to the success of the project. It is important to find a location preferably in an industrial cluster where utilities especially electricity and other infrastructure are conveniently available. Presently, Karachi, Lahore, Gujranwala, Faisalabad, Multan, Rawalpindi and Peshawar can be considered as these cities have adequate availability of skilled labor, raw material, and infrastructure. Additionally, majority of associated industries with PVC coated water and fire proof cloth manufacturing plant are also located in these cities.

## 8 POTENTIAL TARGET CUSTOMERS / MARKETS

Potential target customers for the produced water and fire proof cloth will mainly comprise of water & fire proof sportswear manufacturers, rain protective wear and items manufacturers, firefighters uniform makers and camping tent manufacturers etc.

Since, majority of the target customer belongs to the business segments, therefore, above identified metropolitan cities will be the potential markets for the produced PVC coated fire and water proof cloth. The business buyers will be targeted through order manufacturing basis as well as through wholesalers.

## 9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyse the commercial viability of Water and Fire Proof PVC Resin Cloth Manufacturing 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 attached as annexures.

### 9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 327.750 million in the year one. The capacity utilization during year one is worked out at 50% with 5% increase in subsequent years up to the maximum capacity utilization of 85%.

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) | 38%        |
| Payback Period (Yrs.)         | 3.33       |
| Net Present Value (Rs.)       | 78,867,758 |

Calculation of break-even analysis is as follows:

**Table 2: Breakeven (100% Equity Based)**

| Break-Even Analysis | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | Year 8 | Year 9 | Year 10 |
|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
|                     |        |        |        |        |        |        |        |        |        |         |



|                    |             |             |             |             |             |             |             |             |             |             |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Break-Even Revenue | 117,940,565 | 129,855,639 | 141,554,492 | 154,547,810 | 168,609,756 | 184,210,780 | 201,220,989 | 219,592,435 | 235,139,247 | 252,053,690 |
| Break-Even Units   | 1,241,480   | 1,301,811   | 1,351,517   | 1,405,307   | 1,460,165   | 1,519,305   | 1,580,571   | 1,642,739   | 1,675,279   | 1,710,274   |
| Margin of Safety   | 64%         | 67%         | 69%         | 70%         | 71%         | 72%         | 72%         | 73%         | 73%         | 72%         |

However, for the purposes of further explanation the Project Economics based on Debt:Equity (i.e. 50:50) Model has also been computed.

Based on Debt:Equity model the Internal Rate of Return, Payback Period and Net Present Value of the proposed project are provide in the table below.

**Table 3: Project Economics Based on Debt (50%):Equity (50%)**

| Description                   | Details    |
|-------------------------------|------------|
| Internal Rate of Return (IRR) | 36%        |
| Payback Period (Yrs.)         | 3.59       |
| Net Present Value (Rs.)       | 93,319,699 |

The financial assumptions for Debt: Equity are as follows:

**Table 4: Financial Assumptions for Debt:Equity Model**

| Description           | Details |
|-----------------------|---------|
| Debt                  | 50%     |
| Equity                | 50%     |
| Interest Rate on Debt | 12%     |
| Debt Tenure           | 5       |
| Debt Payment / Year   | 2       |

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

## 9.2 Project Cost

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

**Table 5: Project Cost**

| Description                    | Amount Rs.        |
|--------------------------------|-------------------|
| <b>Capital Cost</b>            |                   |
| Land                           | 8,000,000         |
| Building / Infrastructure      | 9,982,393         |
| Machinery & Equipment          | 16,991,725        |
| Furniture & Fixtures           | 1,749,000         |
| Office Vehicles                | 2,525,000         |
| Office Computer Equipment      | 504,000           |
| Wapda Security                 | 201,000           |
| Pre-Operating Costs            | 1,430,000         |
| Licensing & Legal Fee          | 201,000           |
| <b>Total Capital Cost</b>      | <b>41,584,118</b> |
| Equipment Spare Part Inventory | 718,750           |
| Raw Material Inventory         | 10,292,500        |
| Cash                           | 1,417,309         |
| <b>Total Working Capital</b>   | <b>12,428,559</b> |
| <b>Total Project Cost</b>      | <b>54,012,677</b> |

### 9.3 Land and Infrastructure Requirement

Approximately 1 Kanal of land would be required for the establishment of the proposed unit, it is recommended that required land should be procured in the industrial estates of any major industrial city. The cost of land is estimated at the rate of Rs. 8 million per kanal.

The infrastructural requirements of the project mainly comprise of the construction of Production Hall, Warehouse, Store, Management Office and Open Space. The cost of construction of building for the proposed unit is provided in the table below.

**Table 6: Infrastructure Requirement**

| Description         | Estimated Area (Sq. ft.) | Unit Cost (Rs.) | Total Cost (Rs.) |
|---------------------|--------------------------|-----------------|------------------|
| Management Building | 400                      | 2,500           | 1,000,000        |

|                                |       |       |                   |
|--------------------------------|-------|-------|-------------------|
| Production Hall                | 1,200 | 2,000 | 2,400,000         |
| FG And RM Store                | 1,500 | 2,500 | 3,750,000         |
| Cafeteria                      | 125   | 2,500 | 312,500           |
| Guard And Labour Room          | 450   | 1,500 | 675,000           |
| Washroom                       | 108   | 2,500 | 270,000           |
| Testing Room                   | 100   | 2,500 | 250,000           |
| Electric Room                  | 100   | 2,500 | 250,000           |
| Pavement / Driveway            | 225   | 750   | 168,750           |
| Open Area                      | 292   | 50    | 14,600            |
| Design Fee                     |       |       | 454,543           |
| Boundary Wall                  |       |       | 437,000           |
| <b>Total Construction Cost</b> |       |       | <b>9,982,393</b>  |
| Cost of Land                   |       |       | 8,000,000         |
| <b>Total Cost</b>              |       |       | <b>17,982,383</b> |

#### 9.4 Machinery & Equipment Requirement

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

**Table 7: Machinery & Equipment**

| Description  | Quantity | Unit Cost (Rs.) | Total Cost (Rs.)  |
|--|----------|-----------------|-------------------|
| PVC Fabric Coating Machine   | 1        | 12,065,160      | 12,065,160        |
| Generator  | 1        | 2,075,000       | 2,075,000         |
| Transformer  | 1        | 1,050,000       | 1,050,000         |
| Machinery Installation Supervisory Charges                         |          |                 | 160,050           |
| Boarding Lodging and Other Costs Of Supervisor From Plant Supplier |          |                 | 350,000           |
| Installation   |          |                 | 1,206,516         |
| Electric Room Equipment  | 1        | 85,000          | 85,000            |
| <b>Total</b>   |          |                 | <b>16,991,726</b> |

## 9.5 Furniture & Fixtures Requirement

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

**Table 8: Furniture & Fixture**

| Description                    | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|--------------------------------|----------|-----------------|------------------|
| Table & Chairs                 | 15       | 23,667          | 355,000          |
| Visitor Chairs                 | 20       | 6,250           | 125,000          |
| Sofas                          | 4        | 12,000          | 48,000           |
| Cupboard / Racks               | 8        | 10,625          | 85,000           |
| Miscellaneous Furniture        |          | 150,000         | 150,000          |
| Fans                           | 20       | 3,800           | 76,000           |
| Industry Fans                  | 2        | 35,000          | 70,000           |
| Exhaust Fans                   | 5        | 2,200           | 11,000           |
| Led Bulbs (18 Watts)           | 34       | 1,000           | 34,000           |
| Air Conditioners (1 Ton Split) | 3        | 65,000          | 195,000          |
| Interior / Renovation          |          | 600,000         | 600,000          |
| <b>Total</b>                   |          |                 | <b>1,749,000</b> |

## 9.6 Office vehicles Requirement

Details of the office vehicles required for the project are given below.

**Table 9: Office Vehicles**

| Description  | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|--------------|----------|-----------------|------------------|
| Mini Truck   | 1        | 2,525,000       | 2,525,000        |
| <b>Total</b> |          |                 | <b>2,525,000</b> |

## 9.7 Office Equipment Requirement

Following office equipment will be required for the project are given below.

**Table 10: Office and Computer Equipment**

| Description        | Quantity | Unit Cost (Rs.) | Total Cost (Rs.) |
|--------------------|----------|-----------------|------------------|
| Computers          | 5        | 35,000          | 175,000          |
| Computer printers  | 2        | 23,000          | 46,000           |
| UPS with Batteries | 1        | 50,000          | 50,000           |
| Security Equipment | 1        | 65,000          | 65,000           |
| Telephones         | 3        | 1,500           | 4,500            |
| Fridge             | 1        | 51,500          | 51,500           |
| Water Dispenser    | 3        | 19,000          | 57,000           |
| Microwave Oven     | 1        | 13,500          | 13,500           |
| LED for Office     | 1        | 41,500          | 41,500           |
| <b>Total</b>       |          |                 | <b>504,000</b>   |

### 9.8 Human Resource Requirement

In order to run operations of Water and Fire Proof PVC Resin Cloth Manufacturing Unit smoothly, details of human resources required along with number of employees and monthly salary are recommended as under.

**Table 11: Human Resource Requirement**

| Description             | No. of Employees | Monthly Salary per Person (Rs.) |
|-------------------------|------------------|---------------------------------|
| Owner / Manager         | 1                | 80,000                          |
| Plant Engineer          | 1                | 50,000                          |
| Accountant & Supervisor | 1                | 30,000                          |
| Machine Operators       | 3                | 25,000                          |
| Store Staff             | 2                | 20,000                          |
| Sales Executive         | 2                | 25,000                          |
| Electrician             | 1                | 25,000                          |
| Helpers                 | 6                | 18,000                          |
| Office Boys             | 1                | 20,000                          |
| Guards                  | 2                | 20,000                          |

|              |           |        |
|--------------|-----------|--------|
| Driver       | 1         | 25,000 |
| <b>Total</b> | <b>21</b> |        |

### 9.9 Utilities and Other Cost

An essential cost to be borne by the project is the cost of electricity and gas. The electricity and gas expenses for the first year are estimated to be around Rs. 266,462 and Rs. 55,000 per month respectively. Furthermore, promotional expense being essential for marketing of rubber tiles Unit is estimated as 0.5% of revenue.

### 9.10 Raw Material Requirement

Main raw materials required for manufacturing of water and fire proof resin cloth are plastic (PVC) granules and fabric. Other miscellaneous raw materials include glue and chemicals which will also be used in the processing. All these materials will be procured directly from the local market. The following table provides the details for the raw material requirements for first year of operations for the proposed Water and Fire Proof PVC Resin Cloth Manufacturing Unit.

**Table 12: Raw Material Requirements (Year 1)**

| Description                  | Quantity Required (Kg) | Unit Cost (Rs.) | Total Cost (Rs.)   |
|------------------------------|------------------------|-----------------|--------------------|
| PVC Granules (Kgs.)          | 345,000                | 216             | 74,520,000         |
| Fabric (Meters)              | 3,450,000              | 50              | 172,500,000        |
| Other Raw Materials (Meters) | 3,450,000              | 5.37            | 18,526,500         |
| <b>Total</b>                 |                        |                 | <b>265,546,500</b> |

### 9.11 Revenue Generation

Based on the capacity utilization of 50%, sales revenue during the first year of operations is provided in the table below.

**Table 13: Revenue Generation – Year 1**

| Description | No. of Units Produced (Meters) | Finished Goods Inventory (Meters) | Units for Sale (Meters) | Sale Price / Unit (Rs.) | Sales Revenue (Rs.) |
|-------------|--------------------------------|-----------------------------------|-------------------------|-------------------------|---------------------|
|             |                                |                                   |                         |                         |                     |

|                 |           |         |           |    |             |
|-----------------|-----------|---------|-----------|----|-------------|
| PVC Resin Cloth | 3,600,000 | 150,000 | 3,450,000 | 95 | 327,750,000 |
|-----------------|-----------|---------|-----------|----|-------------|

## 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 Suppliers

| Name of Supplier                                 | Address  | Phone / Email   |
|--|--|---|
| Ruian Ruihua Printing Packing Machinery Co. Ltd. | Beiyu Industrial Area, Shangwang Town, Ruian City, Zhejiang Province, China. | +86 577 6516 5355<br><a href="mailto:fern@rh-jx.net">fern@rh-jx.net</a> |

## 11 USEFUL WEB LINKS

|  |  |
|--|--|
| Small & Medium Enterprises Development Authority (SMEDA)         | <a href="http://www.smeda.org.pk">www.smeda.org.pk</a>                         |
| Government of Pakistan   | <a href="http://www.pakistan.gov.pk">www.pakistan.gov.pk</a>                   |
| Ministry of Industries & Production                              | <a href="http://www.moip.gov.pk">www.moip.gov.pk</a>                           |
| Government of Punjab   | <a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>                       |
| Government of Sindh  | <a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>                         |
| Government of Khyber Pakhtunkhwa                                 | <a href="http://www.khyberpakhtunkhwa.gov.pk">www.khyberpakhtunkhwa.gov.pk</a> |
| Government of Baluchistan  | <a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>             |
| Government of Gilgit Baltistan                                   | <a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>     |
| Government of Azad Jammu Kashmir                                 | <a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>                             |
| Trade Development Authority of Pakistan (TDAP)                   | <a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>                           |
| Security Commission of Pakistan (SECP)                           | <a href="http://www.secp.gov.pk">www.secp.gov.pk</a>                           |
| Federation of Pakistan Chambers of Commerce and Industry (FPCCI) | <a href="http://www.fpcci.com.pk">www.fpcci.com.pk</a>                         |
| State Bank of Pakistan (SBP)                                     | <a href="http://www.sbp.org.pk">www.sbp.org.pk</a>                             |
| Punjab Small Industries Corporation                              | <a href="http://www.psic.gop.pk">www.psic.gop.pk</a>                           |
| Sindh Small Industries Corporation                               | <a href="http://www.ssic.gos.pk">www.ssic.gos.pk</a>                           |

|   |  |
|---|--|
| Quaid-e-Azam Industrial Estate  | <a href="http://www.qie.com.pk">www.qie.com.pk</a>         |
| Punjab Vocational Training Council (PVTC)                                     | <a href="http://www.pvtc.gop.pk">www.pvtc.gop.pk</a>       |
| Punjab Industrial Estates (PIE)   | <a href="http://www.pie.com.pk">www.pie.com.pk</a>         |
| Faisalabad Industrial Estate Development and Management Company (FIEDMC)      | <a href="http://www.fiedmc.com.pk">www.fiedmc.com.pk</a>   |
| Pakistan Plastic Manufacturers Association                                    | <a href="http://www.pakplas.com.pk">www.pakplas.com.pk</a> |
| Pakistan Hosiery Manufacturers Association (PHMA)                             | <a href="http://www.phma.com.pk">www.phma.com.pk</a>       |
| Pakistan Ready Made Garments Manufacturers and Exporters Association (PRGMEA) | <a href="http://www.prgmea.com.pk">www.prgmea.com.pk</a>   |
| ALL Pakistan Textile Mills Association (APTMA)                                | <a href="http://www.aptma.com.pk">www.aptma.com.pk</a>     |



## 12 ANNEXURES

### 12.1 Income Statement

| Calculations   |                    |                    |                    |                    |                    |                    |                    |                    |                    | SMEDA              |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Income Statement   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
|  | Year 1             | Year 2             | Year 3             | Year 4             | Year 5             | Year 6             | Year 7             | Year 8             | Year 9             | Year 10            |
| Revenue  | 327,750,000        | 393,513,750        | 450,894,938        | 513,030,459        | 580,252,296        | 652,913,740        | 731,390,698        | 816,083,068        | 858,992,595        | 901,942,225        |
| <i>Cost of sales</i>   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Cost of goods sold 1   | 74,520,000         | 89,472,600         | 102,519,270        | 116,646,926        | 131,931,048        | 148,451,966        | 166,295,148        | 185,551,519        | 195,307,790        | 205,073,180        |
| Cost of goods sold 2 fabric sheets                                     | 172,500,000        | 207,112,500        | 237,313,125        | 270,016,031        | 305,395,945        | 343,638,811        | 384,942,473        | 429,517,404        | 452,101,366        | 474,706,434        |
| Miscellaneous raw materials  | 18,526,500         | 22,243,883         | 25,487,430         | 28,999,722         | 32,799,525         | 36,906,808         | 41,342,822         | 46,130,169         | 48,555,687         | 50,983,471         |
| Operation costs 1 (direct labor)                                       | 2,679,500          | 3,063,950          | 3,371,413          | 3,709,548          | 4,081,440          | 4,490,478          | 4,940,385          | 5,435,259          | 5,993,474          | 6,592,822          |
| Operating costs 2 (machinery maintenance)                              | 17,250,000         | 20,711,250         | 23,731,313         | 27,001,603         | 30,539,595         | 34,363,881         | 38,494,247         | 42,951,740         | 45,210,137         | 47,470,643         |
| Operating costs 3 (direct electricity)                                 | 3,000,480          | 3,300,528          | 3,630,581          | 3,993,639          | 4,393,003          | 4,832,303          | 5,315,533          | 5,847,087          | 6,431,795          | 7,074,975          |
| Direct gas   | 660,000            | 762,300            | 873,180            | 993,242            | 1,123,128          | 1,263,519          | 1,415,141          | 1,578,767          | 1,657,705          | 1,740,590          |
| Other packing cost   | 690,000            | 828,450            | 949,253            | 1,080,064          | 1,221,584          | 1,374,555          | 1,539,770          | 1,718,070          | 1,808,405          | 1,898,826          |
| <b>Total cost of sales</b>   | <b>289,826,480</b> | <b>347,495,461</b> | <b>397,875,563</b> | <b>452,440,775</b> | <b>511,485,267</b> | <b>575,322,321</b> | <b>644,285,519</b> | <b>718,730,014</b> | <b>757,066,359</b> | <b>795,540,941</b> |
| <b>Gross Profit</b>  | <b>37,923,520</b>  | <b>46,018,290</b>  | <b>53,019,374</b>  | <b>60,589,684</b>  | <b>68,767,029</b>  | <b>77,591,419</b>  | <b>87,105,179</b>  | <b>97,353,054</b>  | <b>101,926,236</b> | <b>106,401,284</b> |
| <i>General administration &amp; selling expenses</i>                   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| Administration expense   | 3,720,000          | 4,092,000          | 4,501,200          | 4,951,320          | 5,446,452          | 5,991,097          | 6,590,207          | 7,249,228          | 7,974,150          | 8,771,565          |
| Administration benefits expense  | 372,000            | 409,200            | 450,120            | 495,132            | 544,645            | 599,110            | 659,021            | 724,923            | 797,415            | 877,157            |
| Electricity expense  | 197,064            | 216,770            | 238,447            | 262,292            | 288,521            | 317,373            | 349,110            | 384,021            | 422,423            | 464,666            |
| Water expense  | 53,590             | 61,279             | 67,428             | 74,191             | 81,629             | 89,810             | 98,808             | 108,705            | 119,869            | 131,856            |
| Travelling expense   | 186,000            | 204,600            | 225,060            | 247,566            | 272,323            | 299,555            | 329,510            | 362,461            | 398,708            | 438,578            |
| Miscellaneous expense  | 20,096             | 22,980             | 25,286             | 27,822             | 30,611             | 33,679             | 37,053             | 40,764             | 44,951             | 49,446             |
| Office vehicles running expense  | 378,750            | 416,625            | 458,288            | 504,116            | 554,528            | 609,981            | 670,979            | 738,077            | 811,884            | 893,073            |
| Office expenses (stationary, entertainment, janitorial services, etc.) | 133,975            | 153,198            | 168,571            | 185,477            | 204,072            | 224,524            | 247,019            | 271,763            | 299,674            | 329,641            |
| Promotional expense  | 1,638,750          | 1,967,569          | 2,254,475          | 2,565,152          | 2,901,261          | 3,264,569          | 3,656,953          | 4,080,415          | 4,294,963          | 4,509,711          |
| Professional fees (legal, audit, consultants, etc.)                    | 3,277,500          | 3,935,138          | 4,508,949          | 5,130,305          | 5,802,523          | 6,529,137          | 7,313,907          | 8,160,831          | 8,589,926          | 9,019,422          |
| Depreciation expense   | 2,990,922          | 2,990,922          | 2,990,922          | 3,007,729          | 3,005,019          | 3,313,326          | 3,332,782          | 3,329,644          | 3,329,644          | 3,352,167          |
| Amortization of pre-operating costs                                    | 286,000            | 286,000            | 286,000            | 286,000            | 286,000            | -                  | -                  | -                  | -                  | -                  |
| Amortization of legal, licensing, and training costs                   | 20,100             | 20,100             | 20,100             | 20,100             | 20,100             | 20,100             | 20,100             | 20,100             | 20,100             | 20,100             |
| Communications expense (phone, fax, mail, internet, etc.)              | 372,000            | 409,200            | 450,120            | 495,132            | 544,645            | 599,110            | 659,021            | 724,923            | 797,415            | 877,157            |
| <b>Subtotal</b>  | <b>13,646,747</b>  | <b>15,185,580</b>  | <b>16,644,965</b>  | <b>18,252,333</b>  | <b>19,982,328</b>  | <b>21,891,369</b>  | <b>23,964,470</b>  | <b>26,195,856</b>  | <b>27,901,123</b>  | <b>29,734,539</b>  |
| <b>Operating Income</b>  | <b>24,276,773</b>  | <b>30,832,710</b>  | <b>36,374,409</b>  | <b>42,337,351</b>  | <b>48,784,700</b>  | <b>55,700,050</b>  | <b>63,140,709</b>  | <b>71,157,198</b>  | <b>74,025,112</b>  | <b>76,666,745</b>  |
| Other income (interest on cash)  | 69,978             | 267,715            | 569,241            | 850,299            | 1,089,683          | 1,321,254          | 1,594,244          | 1,899,084          | 2,213,798          | 3,124,248          |
| Gain / (loss) on sale of computer equipment                            | -                  | -                  | 67,750             | -                  | -                  | 146,179            | -                  | -                  | 236,971            | 189,184            |
| Gain / (loss) on sale of office vehicles                               | -                  | -                  | -                  | -                  | 1,010,000          | -                  | -                  | -                  | -                  | -                  |
| <b>Earnings Before Interest &amp; Taxes</b>                            | <b>24,346,751</b>  | <b>31,100,425</b>  | <b>37,011,399</b>  | <b>43,187,650</b>  | <b>50,884,384</b>  | <b>57,167,483</b>  | <b>64,734,953</b>  | <b>73,056,283</b>  | <b>76,475,881</b>  | <b>79,980,177</b>  |
| Tax  | 7,641,362          | 10,005,149         | 12,073,989         | 14,235,677         | 16,929,534         | 19,128,619         | 21,777,233         | 24,689,699         | 25,886,558         | 27,113,062         |
| <b>NET PROFIT/(LOSS) AFTER TAX</b>                                     | <b>16,705,388</b>  | <b>21,095,277</b>  | <b>24,937,410</b>  | <b>28,951,973</b>  | <b>33,954,850</b>  | <b>38,038,864</b>  | <b>42,957,720</b>  | <b>48,366,584</b>  | <b>50,589,323</b>  | <b>52,867,116</b>  |

## 12.2 Balance Sheet

| Calculations                                  |                   |                   |                   |                    |                    |                    |                    |                    |                    |                    | SMEDA              |
|---|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Balance Sheet                                 |                   |                   |                   |                    |                    |                    |                    |                    |                    |                    |                    |
|   | Year 0            | Year 1            | Year 2            | Year 3             | Year 4             | Year 5             | Year 6             | Year 7             | Year 8             | Year 9             | Year 10            |
| <b>Assets</b>                                 |                   |                   |                   |                    |                    |                    |                    |                    |                    |                    |                    |
| <i>Current assets</i>                         |                   |                   |                   |                    |                    |                    |                    |                    |                    |                    |                    |
| Cash & Bank                                   | 1,417,309         | 4,180,909         | 17,236,324        | 28,302,921         | 39,720,993         | 47,453,663         | 58,246,621         | 69,292,890         | 82,633,864         | 94,469,993         | 155,469,839        |
| Accounts receivable                           |                   | 13,469,178        | 14,820,488        | 17,350,863         | 19,806,686         | 22,464,714         | 25,339,028         | 28,444,612         | 31,797,406         | 34,419,363         | 36,183,592         |
| Finished goods inventory                      |                   | 12,601,151        | 14,534,031        | 16,635,912         | 18,912,315         | 21,375,504         | 24,038,537         | 26,915,322         | 30,020,664         | 31,544,432         | 33,147,539         |
| Equipment spare part inventory                | 718,750           | 906,117           | 1,090,157         | 1,302,405          | 1,546,711          | 1,827,416          | 2,149,416          | 2,518,226          | 2,783,165          | 3,068,440          | -                  |
| Raw material inventory                        | 10,292,500        | 12,975,598        | 15,611,051        | 18,650,446         | 22,148,904         | 26,168,599         | 30,779,631         | 36,060,989         | 39,854,924         | 43,940,054         | -                  |
| <b>Total Current Assets</b>                   | <b>12,428,559</b> | <b>44,132,953</b> | <b>63,292,051</b> | <b>82,242,548</b>  | <b>102,135,610</b> | <b>119,289,896</b> | <b>140,553,232</b> | <b>163,232,038</b> | <b>187,090,024</b> | <b>207,442,281</b> | <b>224,800,971</b> |
| <i>Fixed assets</i>                           |                   |                   |                   |                    |                    |                    |                    |                    |                    |                    |                    |
| Land  | 8,000,000         | 8,000,000         | 8,000,000         | 8,000,000          | 8,000,000          | 8,000,000          | 8,000,000          | 8,000,000          | 8,000,000          | 8,000,000          | 8,000,000          |
| Building/Infrastructure                       | 9,982,393         | 9,483,273         | 8,984,153         | 8,485,034          | 7,985,914          | 7,486,794          | 6,987,675          | 6,488,555          | 5,989,436          | 5,490,316          | 4,991,196          |
| Wapda Security                                | 201,000           | 201,000           | 201,000           | 201,000            | 201,000            | 201,000            | 201,000            | 201,000            | 201,000            | 201,000            | 201,000            |
| Machinery & equipment                         | 16,991,725        | 15,292,553        | 13,593,380        | 11,894,208         | 10,195,035         | 8,495,863          | 6,796,690          | 5,097,518          | 3,398,345          | 1,699,173          | 0                  |
| Furniture & fixtures                          | 1,749,000         | 1,574,100         | 1,399,200         | 1,224,300          | 1,049,400          | 874,500            | 699,600            | 524,700            | 349,800            | 174,900            | -                  |
| Office vehicles                               | 2,525,000         | 2,020,000         | 1,515,000         | 1,010,000          | 505,000            | 4,066,538          | 3,253,230          | 2,439,923          | 1,626,615          | 813,308            | -                  |
| Computer equipment                            | 271,000           | 181,570           | 92,140            | 316,426            | 210,190            | 106,664            | 366,303            | 243,321            | 123,476            | 424,042            | 281,675            |
| Office equipment                              | 233,000           | 209,700           | 186,400           | 163,100            | 139,800            | 116,500            | 93,200             | 69,900             | 46,600             | 23,300             | -                  |
| <b>Total Fixed Assets</b>                     | <b>39,953,118</b> | <b>36,962,196</b> | <b>33,971,274</b> | <b>31,294,068</b>  | <b>28,286,339</b>  | <b>29,347,858</b>  | <b>26,397,698</b>  | <b>23,064,917</b>  | <b>19,735,272</b>  | <b>16,826,038</b>  | <b>13,473,871</b>  |
| <i>Intangible assets</i>                      |                   |                   |                   |                    |                    |                    |                    |                    |                    |                    |                    |
| Pre-operation costs                           | 1,430,000         | 1,144,000         | 858,000           | 572,000            | 286,000            | -                  | -                  | -                  | -                  | -                  | -                  |
| Legal, licensing, & training costs            | 201,000           | 180,900           | 160,800           | 140,700            | 120,600            | 100,500            | 80,400             | 60,300             | 40,200             | 20,100             | -                  |
| <b>Total Intangible Assets</b>                | <b>1,631,000</b>  | <b>1,324,900</b>  | <b>1,018,800</b>  | <b>712,700</b>     | <b>406,600</b>     | <b>100,500</b>     | <b>80,400</b>      | <b>60,300</b>      | <b>40,200</b>      | <b>20,100</b>      | <b>-</b>           |
| <b>TOTAL ASSETS</b>                           | <b>54,012,677</b> | <b>82,420,049</b> | <b>98,282,124</b> | <b>114,249,316</b> | <b>130,828,549</b> | <b>148,738,255</b> | <b>167,031,331</b> | <b>186,357,255</b> | <b>206,865,496</b> | <b>224,288,419</b> | <b>238,274,841</b> |
| <b>Liabilities &amp; Shareholders' Equity</b> |                   |                   |                   |                    |                    |                    |                    |                    |                    |                    |                    |
| <i>Current liabilities</i>                    |                   |                   |                   |                    |                    |                    |                    |                    |                    |                    |                    |
| Accounts payable                              |                   | 11,701,984        | 14,028,916        | 16,094,286         | 18,340,411         | 20,781,329         | 23,432,164         | 26,309,210         | 29,331,257         | 30,987,034         | 30,537,506         |
| <b>Total Current Liabilities</b>              | <b>-</b>          | <b>11,701,984</b> | <b>14,028,916</b> | <b>16,094,286</b>  | <b>18,340,411</b>  | <b>20,781,329</b>  | <b>23,432,164</b>  | <b>26,309,210</b>  | <b>29,331,257</b>  | <b>30,987,034</b>  | <b>30,537,506</b>  |
| <i>Shareholders' equity</i>                   |                   |                   |                   |                    |                    |                    |                    |                    |                    |                    |                    |
| Paid-up capital                               | 54,012,677        | 54,012,677        | 54,012,677        | 54,012,677         | 54,012,677         | 54,012,677         | 54,012,677         | 54,012,677         | 54,012,677         | 54,012,677         | 54,012,677         |
| Retained earnings                             |                   | 16,705,388        | 30,240,532        | 44,142,354         | 58,475,461         | 73,944,249         | 89,586,490         | 106,035,368        | 123,521,562        | 139,288,708        | 153,724,659        |
| <b>Total Equity</b>                           | <b>54,012,677</b> | <b>70,718,065</b> | <b>84,253,209</b> | <b>98,155,030</b>  | <b>112,488,138</b> | <b>127,956,925</b> | <b>143,599,167</b> | <b>160,048,045</b> | <b>177,534,238</b> | <b>193,301,385</b> | <b>207,737,336</b> |
| <b>TOTAL CAPITAL AND LIABILITIES</b>          | <b>54,012,677</b> | <b>82,420,049</b> | <b>98,282,124</b> | <b>114,249,316</b> | <b>130,828,549</b> | <b>148,738,255</b> | <b>167,031,331</b> | <b>186,357,255</b> | <b>206,865,496</b> | <b>224,288,419</b> | <b>238,274,841</b> |

## 12.3 Cash Flow Statement

| Calculations                                       |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   | SMEDA             |
|--|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash Flow Statement                                |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
|  | Year 0           | Year 1           | Year 2            | Year 3            | Year 4            | Year 5            | Year 6            | Year 7            | Year 8            | Year 9            | Year 10           |
| <i>Operating activities</i>                        |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Net profit   |                  | 16,705,388       | 21,095,277        | 24,937,410        | 28,951,973        | 33,954,850        | 38,038,864        | 42,957,720        | 48,366,584        | 50,589,323        | 52,867,116        |
| Add: depreciation expense                          |                  | 2,990,922        | 2,990,922         | 2,990,922         | 3,007,729         | 3,005,019         | 3,313,326         | 3,332,782         | 3,329,644         | 3,329,644         | 3,352,167         |
| amortization of pre-operating costs                |                  | 286,000          | 286,000           | 286,000           | 286,000           | 286,000           | -                 | -                 | -                 | -                 | -                 |
| amortization of training costs                     |                  | 20,100           | 20,100            | 20,100            | 20,100            | 20,100            | 20,100            | 20,100            | 20,100            | 20,100            | 20,100            |
| Accounts receivable                                |                  | (13,469,178)     | (1,351,310)       | (2,530,375)       | (2,455,823)       | (2,658,028)       | (2,874,314)       | (3,105,584)       | (3,352,794)       | (2,621,957)       | (1,764,229)       |
| Finished goods inventory                           |                  | (12,601,151)     | (1,932,879)       | (2,101,881)       | (2,276,403)       | (2,463,188)       | (2,663,033)       | (2,876,785)       | (3,105,342)       | (1,523,768)       | (1,603,108)       |
| Equipment inventory                                | (718,750)        | (187,367)        | (184,040)         | (212,248)         | (244,306)         | (280,705)         | (321,999)         | (368,810)         | (264,940)         | (285,274)         | 3,068,440         |
| Raw material inventory                             | (10,292,500)     | (2,683,098)      | (2,635,453)       | (3,039,395)       | (3,498,458)       | (4,019,695)       | (4,611,031)       | (5,281,359)       | (3,793,935)       | (4,085,130)       | 43,940,054        |
| Accounts payable                                   |                  | 11,701,984       | 2,326,931         | 2,065,370         | 2,246,125         | 2,440,918         | 2,650,834         | 2,877,047         | 3,022,047         | 1,655,777         | (449,528)         |
| Cash provided by operations                        | (11,011,250)     | 2,763,600        | 20,615,549        | 22,415,902        | 26,036,937        | 30,285,270        | 33,552,747        | 37,555,111        | 44,221,365        | 47,078,716        | 99,431,011        |
| Issuance of shares                                 | 54,012,677       | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| Cash provided by / (used for) financing activities | 54,012,677       | -                | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 | -                 |
| <i>Investing activities</i>                        |                  |                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Capital expenditure                                | (41,584,118)     | -                | -                 | (313,716)         | -                 | (4,066,538)       | (363,166)         | -                 | -                 | (420,410)         | -                 |
| Cash (used for) / provided by investing activities | (41,584,118)     | -                | -                 | (313,716)         | -                 | (4,066,538)       | (363,166)         | -                 | -                 | (420,410)         | -                 |
| <b>NET CASH</b>                                    | <b>1,417,309</b> | <b>2,763,600</b> | <b>20,615,549</b> | <b>22,102,185</b> | <b>26,036,937</b> | <b>26,218,732</b> | <b>33,189,581</b> | <b>37,555,111</b> | <b>44,221,365</b> | <b>46,658,306</b> | <b>99,431,011</b> |

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

| Description                   | Details   |
|-------------------------------|---|
| Water Expense                 | 2% of Direct Staff Salaries   |
| Communication Expenses        | 10% of Administration Expense   |
| Promotional Expenses          | 0.5% of Revenue   |
| Depreciation Method           | Straight Line Depreciation  |
| Depreciation Rate             | 5% on Building / Infrastructure<br>10% on Machinery & Equipment<br>33% on Office Equipment<br>10% on Furniture & Fixture<br>20% on Vehicles |
| Inflation Growth Rate         | 10%   |
| Electricity Price Growth Rate | 10%   |
| Salaries Growth Rate          | 10%   |
| Gas Price Growth Rate         | 5%  |

### 13.2 Production Cost Assumptions

| Description   | Details   |
|---|-----------|
| Maximum Operational Capacity (Meters)                     | 7,200,000 |
| Cost Of PVC Granules Per Kgs.                             | Rs. 216   |
| Average Coverage Of Coating From Per Kgs. Of PVC (Meters) | Rs. 10    |
| Per Unit Cost PVC   | Rs. 21.60 |
| Per Unit Cost Fabric                                      | Rs. 50    |

|   |  |
|---|--|
| Other Miscellaneous Cost Per Unit (Glue Etc.) | Rs. 5.37<br>(7.5% of Main Raw Material Cost) |
| Cost of Production Growth Rate                | 5%   |
| Hours Operational / Day                       | 8  |
| Days Operational / Year                       | 300  |

### 13.3 Revenue Assumptions

| Description                      | Details |
|----------------------------------|---------|
| Sale Price Growth Rate           | 5%      |
| Average Price Per Meter Year 1   | Rs. 95  |
| Capacity Utilization             | 50%     |
| Capacity Utilization Growth Rate | 5%      |
| Max Capacity Utilization         | 85%     |
| Finished Goods Inventory         | 15 Days |