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# Pre-Feasibility Study

## Net Manufacturing Unit



### Small and Medium Enterprises Development Authority

#### Ministry of Industries & Production

#### Government of Pakistan

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## 1 DISCLAIMER

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### ***Document Control***

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## 2 EXECUTIVE SUMMARY

The proposed project is about establishing a **Net Manufacturing Unit or Fishing net**. The subject project is strongly recommended to be established in the adjoining of the major cities or urban areas. The prevalence of such facility would add economic benefits in the country and would number of direct and indirect employment. Moreover, features like low cost & less complexity associated with installation of **Net Manufacturing Unit** make it more attractive project. Currently the project is being designed / proposed for major cities adjoin the costal belt with potential industrial growth but the same can be proposed for other cities which can fulfill input and logistic requirements of the project.

Initially project focus would be on customers from neighboring communities, whereas at maturity domestic market would be preferred. The main feature of the project would include safe and on time service, processed according to international quality and standards.

The unit has the capacity of producing approximately **21,000** nets annually with the production capacity of 70% and will be operational for **300 days** a year and **8 hours** in 1 shifts a day. Initially the Proposed unit will be operated at **70%** of capital utilization and will increase it by **5%** annually. The Maximum capacity utilization will be **95%**.

The total project investment is **Rs. 11,257,019/-** with an Internal Rate of Return (IRR) of **21%** and Net Present Value (NPV) of **5,564,725/-**. The total project investment would be paid back in **4.66** years.

### 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 **fishing sector** by providing them with a general understanding of the business with the intention of supporting potential investors in crucial investment decisions.

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

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

## 5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

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

- **Technology:** This proposed unit with modern equipment's, manufacturers nylon fishing nets such as monofilament fish nets, multifilament fish net, and nylon co polymer fish net in different colors, sizes with new and modern techniques and diameters depending on demand of target customers. for making good quality of Nets.
- **Location:** The subject project is strongly recommended to be established in the major cities with high potentials of customers.
- **Product:** Keeping in view the market demand and characteristics "only properly establish and well protected systems" is recommended to be the final product of the proposed prefeasibility.
- **Target Market:** The target customers for the proposed product would primarily be Individuals and companies,
- **Employment Generation:** The proposed project will provide direct employment to 12 people.

## 5 INSTALLED AND OPERATIONAL CAPACITIES

The project is about starting the business of manufacturing fishing nets. This may include nylon fishing nets such as monofilament fish nets, multifilament fish net, and nylon co polymer fish net in different colors, sizes and diameters depending on demand of target customers.

Compared with modern fishing techniques these early methods were all very primitive. Nowadays, nets are used all over the world, from very small-scale fishing as canoes, to the very large-scale operations such as deep sea trawling, which require a large vessel.

Fish catching net is one of the most important and crucial element in the overall production of fish. The entire success or failure of an individual fisherman lies in the efficient utilization of both his boat and nets. Customization of nets has change the scenario of fishing, and has increased efficiency in terms of more specific catch with respect to their sizes and species.

## 6 PROCESS

Different species of fish are available and are caught in different seasons. Fishing within the coastal belt is conducted throughout the year except in June and July, when the monsoon is in full swing. The mechanized gill netter and trawlers, however, conduct fishing even during monsoon period but in restricted areas not far from the shore.

**(Table 3.3) – Fish Catching Seasons**

Months	Type of Fish
January – May	Mackerel, Tuna, Jew Fish
July – December	Black Pomfret
August – May	Shrimps
September/October – February	Indian Salmon, Beckti, Sole, Butter Fish
October – December	Sea Bream
December – June/July	White Pomfret, Shark, Eel
Throughout the Year	Cat Fish

The above mentioned facts<sup>1</sup> depict that different types of nets can be used throughout the year and net manufacturing business can be started any time during the year.

<sup>1</sup> Source: Fisheries Department

## 7 CRITICAL FACTORS

- Selection of proper location, equipment and staff would be required to run project successfully.
- Utmost care should be taken while selecting Machinery and Security equipment
- Continuous efforts should be made for up-gradation of the processing techniques.
- To attract large number of customers the Service must be on quality standards.
- Government rule and policies
- Availability of skilled workers
- Natural Disasters
- High competition

## 8 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Net manufacturing industry is infant in Balochistan, despite huge demand for fish catching nets (according to fisheries department survey, annual demand of nets for Balochistan cost is approximately 1000 tons), there is no single net manufacturing unit in the province. Fishermen rely on imported nets from various Asian countries such as China, Thailand, Japan etc. Balochistan has one of the most fertile coasts for marine fisheries backed with ideal climatic conditions, but due to lack of resources and skilled persons net manufacturing industry has not been developed at par with other sectors of the economy.

Net manufacturing and production is an upcoming opportunity for Balochistan and must be availed for lifting the impoverished economy to some extent. This industry can play an important role in the economy of Balochistan and can become an important industry.

Locally manufactured nets can serve both marine and inland fishery sector, customized nets can be produced through this facility, furthermore in this particular unit nets can be manufactured for inland fishery sector also, which is ignore till yet.



As discussed earlier, almost 0.4 million people are associated with fishery industry, huge potential exist in net manufacturing business.

Before making any investment decision, it is advisable to evaluate the associated risk factors by taking into consideration certain key elements. These may include availability of resources, academic knowledge, past experience and specific managerial and technical skills. Following are some of the key success factors for a Fishing Nets Manufacturing unit:

- Location of the Unit will play important role in success and failure of the enterprise, coastal regions of Balochistan such as Gwadar, Pasni, Ormara, Sonmiani and Gaddani will be prime business locations.
- Technical and efficient labor in supervision of professional of related fields will help in the overall success of venture.
- Proper Marketing tools like advertisement on local cable and newspaper must be used to influence the demand of the fishermen.

## 9 POTENTIAL TARGET CUSTOMERS / MARKETS

Fishing is the main source of livelihood for the people living in the coastal areas of Pakistan. The fisheries sector as a whole contributes to about 1percent to the country's GDP and provides jobs for about 1percent of the country's labour force. It is estimated that around 400000 people are directly engaged in this sector and in addition another 400000 people are employed in the subsidiary industry. There are a large number of fishermen's villages all along Pakistan's coast line where fishing is primary source of earnings for centuries; these fishermen provide sea food products both at national consumption and for export purpose.

The fish production depicts a rising trend. It increased from 0.57 million tones in 2002-03 to 0.61 million tones in 2006-07<sup>2</sup>. In accordance with the statistics following table contains the database shows the total production of Fishery in Pakistan for the year 2006-07.

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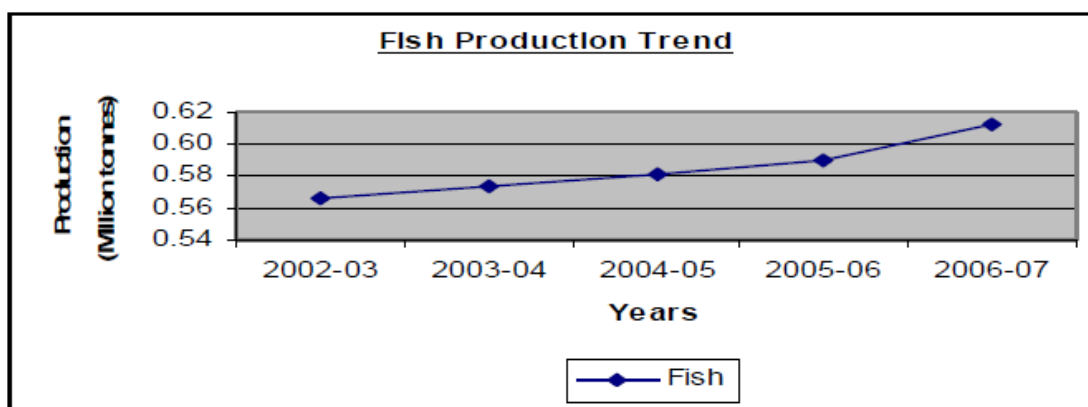
<sup>2</sup> Source: Federal Bureau of Statistics & MINFAL

**(Table 6.1) - Production of Fisheries in Pakistan**

Fish Production	Units	2005-06	2006-07	Percentage Change Over 2005-06	2007-08
Inland	(000	241.0	250.	3.7	275.0
Marine	(000	349.4	362.	3.6	383.0
<b>Total</b>	<b>(000</b>	<b>590.4</b>	<b>612.</b>	<b>3.7</b>	<b>658.0</b>

Source: Federal Bureau of Statistics and MINFAL

In light of the statistics provided by Federal Bureau of Statistics and MINFAL, the fishery production of Pakistan can be explained graphically as



## 10 PROJECT COST SUMMARY

### 10.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of **Rs. 22,260,000/-** in the year one. The capacity utilization during year one is worked out at **70%** with **5%** increase 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 1: Project Economics**

Description	Details
-------------	---------

Internal Rate of Return (IRR)	21%
Payback Period (yrs.)	4.66
Net Present Value (Rs.)	5,564,725

## 10.2 Project Financing

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

**Table 2: Project Financing**

Description	Details
Total Equity (60%)	Rs. 6,791,761
Bank Loan (40%)	Rs. 4,465,259
Markup to the Borrower (%age / annum)	18 %
Tenure of the Loan (Years)	5

### 10.3 Project Cost

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

**Table 3: Project Cost**

<b>Capital Investment</b>	<b>Rs. in actuals</b>
Machinery & equipment	7,128,000
Furniture & fixtures	248,030
Office vehicles	2,040,000
Pre-operating costs	108,840
<b>Total Capital Costs</b>	<b>9,524,870</b>

<b>Working Capital</b>	<b>Rs. in actuals</b>
Equipment spare part inventory	17,500
Raw material inventory	656,250
Upfront building rent	300,000
Upfront insurance payment	458,400
Cash	300,000
<b>Total Working Capital</b>	<b>1,732,150</b>

<b>Total Investment</b>	<b>11,257,019.908</b>
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<b>Initial Financing</b>	<b>Rs. in actuals</b>
Debt	4,465,259
Equity	6,791,761

### 10.4 Space Requirement

The space requirement for the proposed unit is estimated considering various facilities including management office, Machinery processing area, open space, store etc. the Space would be rent per month 25000 Details of space requirement is given below;

**Table 4: Space Requirement**

<b>Description</b>	<b>Estimated Area (Sq Ft)</b>
Management Building	2000
Factory	5000
Store	500
Cafeteria	500
Pavement/Driveway	1000

Ground	4000
<b>Total</b>	<b>13000</b>

### 10.5 Machinery & Equipment Requirement

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

The Total Machinery and Equipment cost of Proposed Pre-Feasibility is **7,128,000**

### 10.6 Furniture & Fixtures Requirement

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

**Table 5: Furniture & Fixture**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Office Furniture	1	200,000	200,000
Air conditioners (1.5 ton split)	1	24000	24,000
Air conditioners (2 ton split)	1	24000	24,000
<b>Total</b>			<b>248,000/-</b>

### 10.7 Human Resource Requirement

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

**Table 6: Human Resource Requirement**

Description	No. of Employees	Monthly Salary per person (Rs.)
CEO		40,000
Manager/Spervisor	1	25,000
Finance and Admin	1	25,000
Machine Operator	2	18,000
Helper	2	18,000
Sami Skilled worker	4	18,000
Guard	1	18,000

Sweeper	1	15,000
<b>Total</b>	<b>12</b>	<b>260,000/-</b>

### 10.8 Utilities and other costs

An essential cost to be borne by the project is the cost of utilities. The administrative expenses are Rs.300,000 per month which includes the utilities. Furthermore, promotional expense being essential for marketing of Vehicle Tracking company is estimated as 1% of Revenue that for year 1.

### 10.9 Revenue Generation

Based on the capacity utilization of **70%**, sales revenue during the first year of operations is estimated as under;

**Table 7: Revenue Generation – Year 1**

Description	No. of Individuals Facilitated (No.)	No. of Customers (No.)	No. of Customers entertained (No.)	Sale Price / unit (Rs.)	Sales Revenue (Rs.)
All-purpose Printing	21000	21000	21000	1060	<b>22,260,000/-</b>

## 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>
Ministry of Education, Training & Standards in Higher Education	<a href="http://moptt.gov.pk">http://moptt.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 Balochistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
Government of Gilgit Baltistan	<a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>
Government of Azad Jamu Kashmir	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
Trade Development Authority of Pakistan (TDAP)	<a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>
Security 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>
Pakistan Horticulture Development and Export Company (PHDEC)	<a href="http://www.phdec.org.pk">www.phdec.org.pk</a>
Punjab Vocational Training Council (PVTC)	<a href="http://www.pvtc.gop.pk">www.pvtc.gop.pk</a>
Technical Education and Vocational Training Authority (TEVTA)	<a href="http://www.tevta.org">www.tevta.org</a>
Pakistan Readymade Garment Technical Training Institute	<a href="http://www.prgmea.org/prgtti/">www.prgmea.org/prgtti/</a>
Livestock & Dairy Development Department, Government of Punjab.	<a href="http://www.livestockpunjab.gov.pk">www.livestockpunjab.gov.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>

## 12 ANNEXURES

### 12.1 Income Statement

Statement Summaries										SMEDA
Income Statement										
	Rs. in actuals									
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	22,260,000	25,042,500	28,047,600	31,290,604	34,787,789	38,556,466	40,484,289	42,508,504	44,633,929	46,865,625
Cost of goods sold	17,928,000	20,140,380	22,533,171	25,119,234	27,912,301	30,927,028	32,583,258	34,332,541	36,180,500	38,133,132
Gross Profit	4,332,000	4,902,120	5,514,429	6,171,370	6,875,488	7,629,438	7,901,032	8,175,963	8,453,429	8,732,494
<i>General administration &amp; selling expenses</i>										
Administration expense	1,428,000	1,567,032	1,719,601	1,887,023	2,070,747	2,272,357	2,493,597	2,736,377	3,002,795	3,295,151
Rental expense	300,000	330,000	363,000	399,300	439,230	483,153	531,468	584,615	643,077	707,384
Utilities expense	-	-	-	-	-	-	-	-	-	-
Travelling & Comm. expense (phone, fax, etc.)	42,840	47,011	51,588	56,611	62,122	68,171	74,808	82,091	90,084	98,855
Office vehicles running expense	163,200	172,992	183,372	194,374	206,036	218,398	231,502	245,392	260,116	275,723
Office expenses (stationary, etc.)	28,560	31,341	34,392	37,740	41,415	45,447	49,872	54,728	60,056	65,903
Promotional expense	-	-	-	-	-	-	-	-	-	-
Insurance expense	458,400	412,560	366,720	320,880	275,040	229,200	183,360	137,520	91,680	45,840
Professional fees (legal, audit, etc.)	55,650	62,606	70,119	78,227	86,969	96,391	101,211	106,271	111,585	117,164
Depreciation expense	941,603	941,603	941,603	941,603	941,603	941,603	941,603	941,603	941,603	941,603
Amortization expense	21,768	21,768	21,768	21,768	21,768	21,768	-	-	-	-
Subtotal	3,440,021	3,586,913	3,752,162	3,937,526	4,144,931	4,354,721	4,607,421	4,888,598	5,200,995	5,547,623
Operating Income	891,979	1,315,207	1,762,267	2,233,844	2,730,557	3,274,717	3,293,610	3,287,365	3,252,434	3,184,871
Other income	25,969	45,534	86,997	146,863	217,982	322,154	459,956	602,007	747,946	944,624
Gain / (loss) on sale of assets	-	-	-	-	-	-	-	-	-	-
Earnings Before Interest & Taxes	917,948	1,360,741	1,849,265	2,380,707	2,948,539	3,596,872	3,753,566	3,889,371	4,000,379	4,129,495
Interest expense	803,747	691,401	558,832	402,402	217,814	-	-	-	-	-
Earnings Before Tax	114,201	669,340	1,290,432	1,978,305	2,730,725	3,596,872	3,753,566	3,889,371	4,000,379	4,129,495
Tax	25,124	147,255	283,895	435,227	600,759	791,312	825,785	855,662	880,083	908,489
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>89,077</b>	<b>522,085</b>	<b>1,006,537</b>	<b>1,543,078</b>	<b>2,129,965</b>	<b>2,805,560</b>	<b>2,927,782</b>	<b>3,033,710</b>	<b>3,120,296</b>	<b>3,221,006</b>
Balance brought forward		89,077	611,163	1,617,700	3,160,778	5,290,743	8,096,303	11,024,084	14,057,794	17,178,090
Total profit available for appropriation	89,077	611,163	1,617,700	3,160,778	5,290,743	8,096,303	11,024,084	14,057,794	17,178,090	20,399,096
Dividend	-	-	-	-	-	-	-	-	-	-
Balance carried forward	89,077	611,163	1,617,700	3,160,778	5,290,743	8,096,303	11,024,084	14,057,794	17,178,090	20,399,096



## 12.2 Balance Sheet.

<b>SMEDA</b>											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Rs. in actuals Year 10
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	575,000	723,454	1,553,260	2,796,609	4,546,538	6,352,541	9,755,175	13,242,630	16,857,712	20,539,576	26,691,623
Accounts receivable	-	914,795	971,969	1,090,892	1,219,278	1,357,775	1,507,074	1,624,125	1,705,331	1,790,598	1,880,128
Finished goods inventory	-	-	-	-	-	-	-	-	-	-	-
Equipment spare part inventory	17,500	20,672	24,310	28,477	33,243	38,686	42,652	47,023	51,843	57,157	-
Raw material inventory	656,250	775,195	911,630	1,067,889	1,246,603	1,450,734	1,599,435	1,763,377	1,944,123	2,143,395	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	25,000	27,500	30,250	33,275	36,603	40,263	44,289	48,718	53,590	58,949	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid insurance	458,400	412,560	366,720	320,880	275,040	229,200	183,360	137,520	91,680	45,840	-
<b>Total Current Assets</b>	<b>1,732,150</b>	<b>2,874,175</b>	<b>3,858,139</b>	<b>5,338,022</b>	<b>7,357,304</b>	<b>9,469,199</b>	<b>13,131,984</b>	<b>16,863,393</b>	<b>20,704,279</b>	<b>24,635,515</b>	<b>28,571,751</b>
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	-	-	-	-	-	-	-	-	-	-	-
Machinery & equipment	7,128,000	6,415,200	5,702,400	4,989,600	4,276,800	3,564,000	2,851,200	2,138,400	1,425,600	712,800	-
Furniture & fixtures	248,030	223,227	198,424	173,621	148,818	124,015	99,212	74,409	49,606	24,803	-
Office vehicles	2,040,000	1,836,000	1,632,000	1,428,000	1,224,000	1,020,000	816,000	612,000	408,000	204,000	-
Office equipment	-	-	-	-	-	-	-	-	-	-	-
<b>Total Fixed Assets</b>	<b>9,416,030</b>	<b>8,474,427</b>	<b>7,532,824</b>	<b>6,591,221</b>	<b>5,649,618</b>	<b>4,708,015</b>	<b>3,766,412</b>	<b>2,824,809</b>	<b>1,883,206</b>	<b>941,603</b>	<b>-</b>
<i>Intangible assets</i>											
Pre-operation costs	108,840	87,072	65,304	43,536	21,768	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>108,840</b>	<b>87,072</b>	<b>65,304</b>	<b>43,536</b>	<b>21,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>11,257,020</b>	<b>11,435,674</b>	<b>11,456,267</b>	<b>11,972,779</b>	<b>13,028,690</b>	<b>14,177,214</b>	<b>16,898,396</b>	<b>19,688,202</b>	<b>22,587,485</b>	<b>25,577,118</b>	<b>28,571,751</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable	-	688,597	776,340	871,478	974,573	1,086,230	1,203,548	1,267,269	1,334,538	1,405,571	1,380,895
<b>Total Current Liabilities</b>	<b>-</b>	<b>688,597</b>	<b>776,340</b>	<b>871,478</b>	<b>974,573</b>	<b>1,086,230</b>	<b>1,203,548</b>	<b>1,267,269</b>	<b>1,334,538</b>	<b>1,405,571</b>	<b>1,380,895</b>
<i>Other liabilities</i>											
Lease payable	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	25,124	172,379	456,274	891,501	1,008,480	806,784	605,088	403,392	201,696	(0)
Long term debt	4,465,259	3,841,115	3,104,625	2,235,566	1,210,077	-	-	-	-	-	-
<b>Total Long Term Liabilities</b>	<b>4,465,259</b>	<b>3,866,239</b>	<b>3,277,004</b>	<b>2,691,840</b>	<b>2,101,578</b>	<b>1,008,480</b>	<b>806,784</b>	<b>605,088</b>	<b>403,392</b>	<b>201,696</b>	<b>(0)</b>
<i>Shareholders' equity</i>											
Paid-up capital	6,791,761	6,791,761	6,791,761	6,791,761	6,791,761	6,791,761	6,791,761	6,791,761	6,791,761	6,791,761	6,791,761
Retained earnings	-	89,077	611,163	1,617,700	3,160,778	5,290,743	8,096,303	11,024,084	14,057,794	17,178,090	20,399,096
<b>Total Equity</b>	<b>6,791,761</b>	<b>6,880,838</b>	<b>7,402,923</b>	<b>8,409,461</b>	<b>9,952,538</b>	<b>12,082,504</b>	<b>14,888,063</b>	<b>17,815,845</b>	<b>20,849,555</b>	<b>23,969,851</b>	<b>27,190,857</b>
<b>TOTAL CAPITAL AND LIAB:</b>	<b>11,257,020</b>	<b>11,435,674</b>	<b>11,456,267</b>	<b>11,972,779</b>	<b>13,028,690</b>	<b>14,177,214</b>	<b>16,898,396</b>	<b>19,688,202</b>	<b>22,587,485</b>	<b>25,577,118</b>	<b>28,571,751</b>

Note: Total assets value will differ from project cost due to first installment of leases paid at the start of year 0

## 12.3

## 12.4 Cash Flow Statement

<b>SMEDA</b>											
Rs. in actuals											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit	-	89,077	522,085	1,006,537	1,543,078	2,129,965	2,805,560	2,927,782	3,033,710	3,120,296	3,221,006
Add: depreciation expense	-	941,603	941,603	941,603	941,603	941,603	941,603	941,603	941,603	941,603	941,603
amortization expense	-	21,768	21,768	21,768	21,768	21,768	-	-	-	-	-
Deferred income tax	-	25,124	147,255	283,895	435,227	116,979	(201,696)	(201,696)	(201,696)	(201,696)	(201,696)
Accounts receivable	-	(914,795)	(57,175)	(118,923)	(128,386)	(138,497)	(149,299)	(117,051)	(81,206)	(85,267)	(89,530)
Finished good inventory	-	-	-	-	-	-	-	-	-	-	-
Equipment inventory	(17,500)	(3,172)	(3,638)	(4,167)	(4,766)	(5,443)	(3,965)	(4,372)	(4,820)	(5,314)	57,157
Raw material inventory	(656,250)	(118,945)	(136,434)	(156,259)	(178,714)	(204,131)	(148,700)	(163,942)	(180,746)	(199,273)	2,143,395
Pre-paid building rent	(25,000)	(2,500)	(2,750)	(3,025)	(3,328)	(3,660)	(4,026)	(4,429)	(4,872)	(5,359)	58,949
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Advance insurance premium	(458,400)	45,840	45,840	45,840	45,840	45,840	45,840	45,840	45,840	45,840	45,840
Accounts payable	-	688,597	87,743	95,138	103,095	111,657	117,318	63,720	67,269	71,033	(24,677)
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
<b>Cash provided by operations</b>	<b>(1,157,150)</b>	<b>772,598</b>	<b>1,566,297</b>	<b>2,112,407</b>	<b>2,775,418</b>	<b>3,016,080</b>	<b>3,402,634</b>	<b>3,487,455</b>	<b>3,615,082</b>	<b>3,681,864</b>	<b>6,152,047</b>
<i>Financing activities</i>											
Change in long term debt	4,465,259	(624,144)	(736,490)	(869,058)	(1,025,489)	(1,210,077)	-	-	-	-	-
Issuance of shares	6,791,761	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares	-	-	-	-	-	-	-	-	-	-	-
<b>Cash from financing activities</b>	<b>11,257,020</b>	<b>(624,144)</b>	<b>(736,490)</b>	<b>(869,058)</b>	<b>(1,025,489)</b>	<b>(1,210,077)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Investing activities</i>											
Capital expenditure	(9,524,870)	-	-	-	-	-	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
<b>Cash from investing activities</b>	<b>(9,524,870)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CASH</b>	<b>575,000</b>	<b>148,454</b>	<b>829,806</b>	<b>1,243,349</b>	<b>1,749,929</b>	<b>1,806,003</b>	<b>3,402,634</b>	<b>3,487,455</b>	<b>3,615,082</b>	<b>3,681,864</b>	<b>6,152,047</b>
Cash balance brought forward		575,000	723,454	1,553,260	2,796,609	4,546,538	6,352,541	9,755,175	13,242,630	16,857,712	20,539,576
Cash available for appropriation	575,000	723,454	1,553,260	2,796,609	4,546,538	6,352,541	9,755,175	13,242,630	16,857,712	20,539,576	26,691,623
Cash carried forward	575,000	723,454	1,553,260	2,796,609	4,546,538	6,352,541	9,755,175	13,242,630	16,857,712	20,539,576	26,691,623

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

Description	Details
Operational Days/ year	300
Hours operational/ days	8
Shift Length (Hours)	8

### 13.2 Production Cost Assumptions

Description	Details
Initial Capital utilization	70%
Annual Capital Utilization Growth	5%
Maximum Capital Utilization	95%

### 13.3 Revenue Assumptions

Description	Details
Revenue	22,260,000
Cost of goods sold per unit	750
Sale Price	1060
Production per year	21000
Production Quantity sold	21000