

# Kamyab Jawan

## Youth Entrepreneurship Scheme

### Pre-Feasibility Study

(Meat Shop)



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Government of Pakistan**  
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## Table of Contents

|   |           |
|---|-----------|
| <b>1. DISCLAIMER.....</b>                                 | <b>2</b>  |
| <b>2. PURPOSE OF THE DOCUMENT.....</b>                    | <b>2</b>  |
| <b>3. INTRODUCTION TO SMEDA.....</b>                      | <b>2</b>  |
| <b>4. INTRODUCTION TO SCHEME.....</b>                     | <b>2</b>  |
| <b>5. EXECUTIVE SUMMARY.....</b>                          | <b>2</b>  |
| <b>6. BRIEF DESCRIPTION OF PROJECT &amp; PRODUCT.....</b> | <b>3</b>  |
| <b>7. CRITICAL FACTORS.....</b>                           | <b>3</b>  |
| <b>8. INSTALLED &amp; OPERATIONAL CAPACITIES.....</b>     | <b>3</b>  |
| <b>9. GEOGRAPHICAL POTENTIAL FOR INVESTMENT.....</b>      | <b>4</b>  |
| <b>10. POTENTIAL TARGET MARKETS.....</b>                  | <b>4</b>  |
| <b>11. PROJECT COST SUMMARY.....</b>                      | <b>4</b>  |
| <b>11.1 PROJECT ECONOMICS.....</b>                        | <b>4</b>  |
| <b>11.2 PROJECT COST.....</b>                             | <b>5</b>  |
| <b>11.3 SPACE REQUIREMENT.....</b>                        | <b>5</b>  |
| <b>11.4 FURNITURE AND FIXTURE.....</b>                    | <b>6</b>  |
| <b>11.5 MACHINERY AND EQUIPMENT.....</b>                  | <b>6</b>  |
| <b>11.6 OFFICE EQUIPMENT.....</b>                         | <b>7</b>  |
| <b>11.7 RAW MATERIAL REQUIREMENTS.....</b>                | <b>7</b>  |
| <b>11.8 HUMAN RESOURCE REQUIREMENT.....</b>               | <b>7</b>  |
| <b>11.9 REVENUE GENERATION.....</b>                       | <b>8</b>  |
| <b>11.10 OTHER COSTS.....</b>                             | <b>8</b>  |
| <b>12. CONTACTS OF SUPPLIERS AND CONSULTANTS.....</b>     | <b>9</b>  |
| <b>13. ANNEXURE.....</b>                                  | <b>10</b> |
| <b>13.1 PROFIT &amp; LOSS STATEMENT.....</b>              | <b>10</b> |
| <b>13.2 BALANCE SHEET.....</b>                            | <b>11</b> |
| <b>13.3 CASH FLOW STATEMENT.....</b>                      | <b>12</b> |
| <b>13.4 USEFUL PROJECT MANAGEMENT TIPS.....</b>           | <b>13</b> |
| <b>13.5 USEFUL LINKS.....</b>                             | <b>14</b> |
| <b>14. KEY ASSUMPTION.....</b>                            | <b>16</b> |

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## 1. DISCLAIMER

This information memorandum is to introduce the subject matter and provide a general idea and information on the subject. 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 exercised 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. 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 meat shop business 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.

## **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, institutional collaboration and networking initiatives.

Preparation and dissemination of prefeasibility studies in key areas of investment has been a 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. INTRODUCTION TO SCHEME**

Prime Minister's 'Kamyab Jawan – Youth Entrepreneurship Scheme', for young entrepreneurs between the age group of 21 - 45 years, is designed to provide subsidized financing through the National Bank of Pakistan, Bank of Punjab and Bank of Khyber under the guidance and supervision of the State Bank of Pakistan.

The loans will be disbursed to SME beneficiaries across Pakistan, covering; Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan, Gilgit Baltistan and Azad Jammu & Kashmir. The Program aims to provide 25% of the loans to women entrepreneurs.

Loans provided through Kamyab Jawan Program are segregated in two tiers: Tier 1 loans fall in the range of Rs. 100,000 to Rs. 500,000, with Debt: Equity 90:10 and 6% markup to borrower, and, Tier 2 loans are from Rs. 500,000 to Rs. 5 Million, with Debt: Equity 80:20 and 8% markup to borrower. Both loans are for a period of upto 8 years with a grace period of 1 year.

Application forms are available both in branches and dedicated websites of National Bank of Pakistan, Bank of Punjab and Bank of Khyber.

#### **5. EXECUTIVE SUMMARY**

The demand for meat is rising with growing population. A number of small shops are operating in almost every residential and commercial area. However, these shops seldom follow required cleanliness standards; except for those few recently introduced in high income group residential areas. With increasing public awareness of hygiene, the trend is shifting towards neat / clean hygienically maintained shops. The proposed outlet is expected to cash on this new trend.

The proposed meat shop would supply hygienically processed, quality mutton and beef. The shop is proposed to be located in a commercial market of residential area belonging to middle or upper middle income group. The projected products available in the shop will include mutton and beef (with bone and boneless) minced meat, supplied according to the customer's requirement.

The total initial project cost for setting up an outlet is estimated at Rs.1.42 million with capital investment of Rs.0.54 million and working capital of Rs. 0.88 million. The project is proposed to be financed through 80% debt and 20% equity. The Net Present Value (NPV) is projected around Rs. 2.30 million with Internal Rate of Return (IRR) of 52% and payback period of 2.76 years. The legal business status of this project will be 'Sole Proprietorship'.

## 6. BRIEF DESCRIPTION OF PROJECT & PRODUCT

In this pre-feasibility study, a meat shop is proposed to sell processed mutton and beef. Growing health concerns among consumers to purchase hygienic processed meat has opened up new vistas of opportunities for meat shops offering hygienically processed and packed meat.

This business involves purchase of mutton and beef carcass of small (goats & sheep) and large ruminants (cows & buffaloes) slaughtered through Halal method from a registered slaughterhouse. Contract procurement of beef and mutton carcass from reliable suppliers can be an economical alternative. Mutton is bought on 'number of carcass' basis; each assumed to have average dressed weight of around 12 kgs. Beef carcass is purchased in multiples of 'maunds' unit (40 kgs per maund) with the assumption of 100 kilograms' weight per carcass. Particular attention would be paid on the quality of meat purchased. The meat is then processed; cut into pieces or minced according to the customer's demand in shop. It is assumed that the project has the maximum capacity of selling 8 mutton carcasses and one beef carcasses daily for 280 working days in one year. Furthermore, it is assumed that 85% of beef would be sold as beef with bones and 15% as boneless. The shop will operate for 10 hours a day. The working days per year are 280 days. The legal status of the proposed project is recommended to be sole proprietorship.

## 7. CRITICAL FACTORS

To establish meat shop business successfully, following critical factors must be considered:

- Location of shop, preferably in commercial markets of populated areas.
- Ensure good quality of service & supply of clean meat from healthy animals.
- Carcass should have stamps of authorized veterinarians.
- Shop should be neat and clean with standard tools and equipment.
- The sale of products must be according to the prevailing market price.

## 8. INSTALLED & OPERATIONAL CAPACITIES

Generally, in this business, installed capacity is reflected by turnover potential in a given locality, while the shop should be able to store more than a day's inventory requirement. The project is assumed to start working in first year on 50% of installed capacity. The growth rate in production capacity utilization is 10 % per annum. The project will attain maximum capacity utilization of 90% in 8<sup>th</sup>

year of project which will be maintained onward. The inventory requirement is based on bulk purchase orders to cover daily transportation cost.

## 9. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The location of the shop recommended in this pre-feasibility is in a commercial market of middle or upper middle income group residential area. For example, in Lahore, localities such as Model Town, Defence, Cavalry, Gulberg, Johar Town, Garden Town, WAPDA Town, Faisal Town etc. may be considered for setting up a meat shop. Similarly, any major city of Pakistan including Peshawar, Rawalpindi, Quetta, Karachi and Faisalabad with similar demography is suitable for this business.

## 10. POTENTIAL TARGET MARKETS

The target market is primarily customers belonging to middle and upper middle income group, specifically health conscious individuals who are particular about purchasing processed meat from hygienic shops.

## 11. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of meat shop. 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 appendix

### 11.1 PROJECT ECONOMICS

The following table shows Internal Rate of Return, NPV and payback period;

**Table 1 - Project Economics**

| Description                   | Detail          |
|-------------------------------|-----------------|
| Internal Rate of Return (IRR) | 52%             |
| Payback Period (yrs)          | 2.76            |
| Net Present Value (NPV)       | (Rs.) 2,300,674 |

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

**Table 2: Project Financing**

| Description                          | Details (Rs.) |
|--------------------------------------|---------------|
| Total Equity (20%)                   | 285,160       |
| Bank Loan (80%)                      | 1,140,640     |
| Mark-up to the Borrower (%age/annum) | 8%            |
| Tenure of the Loan (Years)           | 8             |
| Grace Period (Years)                 | 1             |

## 11.2 PROJECT COST

Following requirements have been identified for operations of the proposed business.

**Table 3: Capital Investment of the Project**

| Description                   | Amount in Rs.    |
|-------------------------------|------------------|
| Shop/ Building renovation     | 169,000          |
| Machinery                     | 150,000          |
| Furniture & fixtures          | 155,500          |
| Office equipment (Incl. UPS)) | 35,000           |
| Pre-operating costs           | 35,000           |
| <b>Total Capital Cost</b>     | <b>544,500</b>   |
| Raw material inventory*       | 473,900          |
| Upfront building rent         | 183,600          |
| Cash                          | 223,800          |
| <b>Total Working Capital</b>  | <b>881,300</b>   |
| <b>Total Investment</b>       | <b>1,425,800</b> |

The raw material inventory is for five days.

## 11.3 SPACE REQUIREMENT

Following table shows project space requirements and monthly rent;

**Table 4: Space Requirement**

| Description                  | Space (sq. ft) | Rent (Rs./ Sq.ft) | Rent (Rs./ Month) |
|------------------------------|----------------|-------------------|-------------------|
| Building rental cost / month | 180            | 170               | 30,600            |
| <b>Total</b>                 |                |                   | <b>30,600</b>     |



The shop is required to be renovated at the following cost;

**Table 5: Building Renovation Cost**

| Description          | Space (sq. ft.) | Cost (Rs.) | Cost (Rs.)     |
|----------------------|-----------------|------------|----------------|
| Shop renovation cost | 180             | 800        | 144,000        |
| Neon sign board      | -               | 25,000     | 25,000         |
| <b>Total</b>         |                 |            | <b>169,000</b> |

#### 11.4 FURNITURE AND FIXTURE

Following table provides list of furniture and fixture for the proposed meat shop;

**Table 6: List of Furniture and Fixture**

| Description                      | Units (No.) | Rate (Rs./ Unit) | Amount (Rs.)   |
|----------------------------------|-------------|------------------|----------------|
| Benches                          | 2           | 5,000            | 10,000         |
| Ceiling fans and lights          | 1           | 20,500           | 20,500         |
| Freezer                          | 1           | 50,000           | 50,000         |
| Air-conditioners (1.5 ton split) | 1           | 75,000           | 75,000         |
| <b>Total</b>                     |             |                  | <b>155,500</b> |

#### 11.5 MACHINERY AND EQUIPMENT

Following table provides list of machinery, tools and equipment for the proposed meat shop;

**Table 7: List of Machinery, Tools and Equipment**

| Description           | Units (No.) | Rate (Rs./ Unit) | Amount (Rs.)   |
|-----------------------|-------------|------------------|----------------|
| Mincing machine       | 1           | 45,000           | 45,000         |
| Cutting tools         | Lump sum    | 30,000           | 30,000         |
| Weighing machine      | 1           | 10,000           | 10,000         |
| Generator set (6 KVA) | 1           | 65,000           | 65,000         |
| <b>Total</b>          |             |                  | <b>150,000</b> |

## 11.6 OFFICE EQUIPMENT

Following office equipment is required;

**Table 8: Office Equipment**

| Description  | Units (No.) | Rate (Rs./ Unit) | Total Amount (Rs.) |
|--------------|-------------|------------------|--------------------|
| Telephone    | 1           | 5,000            | 5,000              |
| UPS set      | 1           | 30,000           | 30,000             |
| <b>Total</b> |             |                  | <b>35,000</b>      |

## 11.7 RAW MATERIAL REQUIREMENTS

Raw material required for meat shop is as follow;

**Table 9: Raw Material Requirements in Year 1**

| Description                | Unit | Quantity (Kg) | Rate (Rs./Kg) | Amount (Rs.)      |
|----------------------------|------|---------------|---------------|-------------------|
| Purchase of Mutton carcass | Kgs  | 13,440        | 1,000         | 13,440,000        |
| *Purchase of beef carcass  | Kgs  | 14,000        | 380           | 5,320,000         |
| Packaging cost of meat     | Rs.  |               |               | 196,000           |
| <b>Total</b>               |      |               |               | <b>18,956,000</b> |

\*including 3% wastage in total beef procurement.

## 11.8 HUMAN RESOURCE REQUIREMENT

Following human resources are required to run a meat shop;

**Table 10: Human Resource Requirement**

| Description    | Employees (No.) | Monthly Salary (Rs.) | Total Salary (Rs./ year) |
|----------------|-----------------|----------------------|--------------------------|
| Owner/ Manager | 1               | 30,000               | 360,000                  |
| Labour         | 2               | 17,500               | 420,000                  |
| <b>Total</b>   | <b>3</b>        |                      | <b>780,000</b>           |

## 11.9 REVENUE GENERATION

**Table11: Revenue Generation in Year 1**

| Description                  | Sale Price (Rs./Kg) | Quantity sold (Kgs.) | Revenue- Year 1 (Rs.) |
|------------------------------|---------------------|----------------------|-----------------------|
| Sale of Mutton               | 1,100               | 13,440               | 14,784,000            |
| *Sale of Beef boneless(15%)  | 600                 | 2,037                | 1,222,200             |
| *Sale of Beef with bone(85%) | 480                 | 11,543               | 5,540,640             |
| <b>Total</b>                 |                     |                      | <b>21,546,840</b>     |

\* Revenues from beef sales are estimated after excluding the 3% wastage.

## 11.10 OTHER COSTS

The essential cost to be borne by the shop is direct electricity which is assumed to be Rs. 40,000 per month. The expense on water consumption is Rs. 2,000 per month.

The expense on daily travelling/ transportation of carcass from slaughterhouse to shop is Rs. 1,000 per day.

The expense for business promotion is estimated at 0.4% of revenue which is Rs. 86,187 in first year of project.

The expense on day to day communication is assumed to be Rs. 2,000 per month. Similarly, machinery and equipment maintenance would require expenditures of Rs. 5,000 per month.

The packaging cost comprising of polythene bags and packing of meat for customer take away is assumed to be Rs. 700 per day, hence, Rs. 196,000 in first year of project.

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**12. CONTACTS OF SUPPLIERS AND CONSULTANTS****Table 12: Contacts of Suppliers and Consultants**

| <b>Experts</b>   | <b>Experts</b>  |
|--|---|
| Dr. Hayat Jaspal<br>Department of Meat Technology,<br>Faculty of Animal Production<br>University of Veterinary & Animal<br>Sciences, Lahore. Ph: 042 - 99211374  | Department of Livestock Management<br>Faculty of Animal Husbandry<br>University of Agriculture, Faisalabad.<br>Ph: 041-9200161-170                  |
| Mr. M. Younus Qureshi<br>Red Cow Meat Training Institute<br>Address: 125/13-B1, Township, Lahore<br>Ph: 042-35112603   | Director General (Extension)<br>Livestock & Dairy Development<br>Department (L&DD), Govt. Of Punjab,<br>16-Cooper Road, Lahore.<br>Ph: 042-99201117 |
| All Pakistan Meat Processors and<br>Exporters Association (APMEPA)<br>Address: 177-B, Johar Town, Lahore.<br>Ph: 042-35169450-51, Fax: 042-<br>35169449, Email: <a href="mailto:info@apmepa.com">info@apmepa.com</a> |   |
| <b>Suppliers</b>   |   |
| Punjab Agriculture and Meat Company<br>(PAMCO),<br>Lahore Meat Processing Complex,<br>18-Km, Multan Road, Lahore.<br>Ph: 042-35971430-33, Fax: 042-36370665  |   |



## 13. ANNEXURE

## 13.1 PROFIT &amp; LOSS 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   | 21,546,840     | 24,886,008       | 28,755,140       | 33,203,047       | 38,348,250       | 44,292,075       | 51,167,961       | 54,572,645       | 57,301,277       | 60,166,341       |       |
| <b>Cost of sales</b>                                      |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |       |
| Mutton procurement cost                                   | 13,440,000     | 15,523,200       | 17,939,880       | 20,712,227       | 23,921,163       | 27,628,943       | 31,921,078       | 34,040,573       | 35,742,602       | 37,529,732       |       |
| Beef procurement cost                                     | 5,320,000      | 6,144,600        | 7,097,432        | 8,197,490        | 9,467,870        | 10,935,487       | 12,630,589       | 13,474,394       | 14,148,113       | 14,855,519       |       |
| Packaging cost  | 196,000        | 215,600          | 237,160          | 260,876          | 286,964          | 315,660          | 347,226          | 381,949          | 420,143          | 462,158          |       |
| Direct Labour cost  | 780,000        | 858,000          | 943,800          | 1,038,180        | 1,141,998        | 1,256,198        | 1,381,818        | 1,519,999        | 1,671,999        | 1,839,199        |       |
| Transportation rental costs                               | 280,000        | 308,000          | 338,800          | 372,680          | 409,948          | 450,943          | 496,037          | 545,641          | 600,205          | 660,225          |       |
| Machinery maintenance                                     | 60,000         | 66,000           | 72,600           | 79,860           | 87,846           | 96,631           | 106,294          | 116,923          | 128,615          | 141,477          |       |
| Direct electricity  | 480,000        | 528,000          | 580,800          | 638,880          | 702,768          | 773,045          | 850,349          | 935,384          | 1,028,923        | 1,131,815        |       |
| Direct water  | 24,000         | 26,400           | 29,040           | 31,944           | 35,138           | 38,652           | 42,517           | 46,769           | 51,446           | 56,591           |       |
| Operating costs 5 (direct gas)                            | -              | -                | -                | -                | -                | -                | -                | -                | -                | -                |       |
| Total cost of sales                                       | 20,580,000     | 23,669,800       | 27,239,512       | 31,332,136       | 36,053,695       | 41,495,558       | 47,775,908       | 51,061,632       | 53,792,047       | 56,676,716       |       |
| <b>Gross Profit</b>                                       | <b>966,840</b> | <b>1,216,208</b> | <b>1,515,628</b> | <b>1,870,910</b> | <b>2,294,555</b> | <b>2,796,517</b> | <b>3,392,052</b> | <b>3,511,013</b> | <b>3,509,230</b> | <b>3,489,625</b> |       |
| <b>General administration &amp; selling expenses</b>      |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |       |
| Building rental expense                                   | 367,200        | 403,920          | 444,312          | 488,743          | 537,618          | 591,379          | 650,517          | 715,569          | 787,126          | 865,838          |       |
| Communications expense (phone, fax, mail, internet, etc.) | 24,000         | 26,400           | 29,040           | 31,944           | 35,138           | 38,652           | 42,517           | 46,769           | 51,446           | 56,591           |       |
| Promotional expense                                       | 86,187         | 99,544           | 115,021          | 132,812          | 153,393          | 177,168          | 204,672          | 218,291          | 229,205          | 240,665          |       |
| Depreciation expense                                      | 42,500         | 42,500           | 42,500           | 42,500           | 42,500           | 42,500           | 42,500           | 42,500           | 42,500           | 42,500           |       |
| Amortization of pre-operating costs                       | 7,000          | 7,000            | 7,000            | 7,000            | 7,000            | 7,000            | -                | -                | -                | -                |       |
| Subtotal  | 526,887        | 579,364          | 637,873          | 702,999          | 775,649          | 849,700          | 940,207          | 1,023,129        | 1,110,277        | 1,205,595        |       |
| <b>Operating Income</b>                                   | <b>439,953</b> | <b>636,844</b>   | <b>877,756</b>   | <b>1,167,911</b> | <b>1,518,906</b> | <b>1,946,817</b> | <b>2,451,846</b> | <b>2,487,884</b> | <b>2,398,953</b> | <b>2,284,031</b> |       |
| Gain / (loss) on sale of machinery & equipment            | -              | -                | -                | -                | -                | -                | -                | -                | -                | -                |       |
| Gain / (loss) on sale of office equipment                 | -              | -                | -                | -                | -                | -                | -                | -                | -                | -                |       |
| Gain / (loss) on sale of office vehicles                  | -              | -                | -                | -                | -                | -                | -                | -                | -                | -                |       |
| <b>Earnings Before Interest &amp; Taxes</b>               | <b>439,953</b> | <b>636,844</b>   | <b>877,756</b>   | <b>1,167,911</b> | <b>1,518,906</b> | <b>1,946,817</b> | <b>2,451,846</b> | <b>2,487,884</b> | <b>2,398,953</b> | <b>2,284,031</b> |       |
| Interest expense on long term debt (Project Loan)         | 94,673         | 86,674           | 76,160           | 64,775           | 52,444           | 39,090           | 24,627           | 8,964            | -                | -                |       |
| Interest expense on long term debt (Working Capital Loan) | -              | -                | -                | -                | -                | -                | -                | -                | -                | -                |       |
| Subtotal  | 94,673         | 86,674           | 76,160           | 64,775           | 52,444           | 39,090           | 24,627           | 8,964            | -                | -                |       |
| <b>Earnings Before Tax</b>                                | <b>345,280</b> | <b>550,170</b>   | <b>801,595</b>   | <b>1,103,136</b> | <b>1,466,462</b> | <b>1,907,728</b> | <b>2,427,219</b> | <b>2,478,920</b> | <b>2,398,953</b> | <b>2,284,031</b> |       |
| Tax   | -              | 7,509            | 30,159           | 60,314           | 109,969          | 176,159          | 255,444          | 265,784          | 249,843          | 232,604          |       |
| <b>NET PROFIT/(LOSS) AFTER TAX</b>                        | <b>345,280</b> | <b>542,662</b>   | <b>771,436</b>   | <b>1,042,823</b> | <b>1,356,493</b> | <b>1,731,569</b> | <b>2,171,775</b> | <b>2,213,136</b> | <b>2,149,110</b> | <b>2,051,426</b> |       |
| Balance brought forward                                   |                | 345,280          | 887,942          | 1,659,378        | 2,702,200        | 4,058,693        | 5,790,262        | 7,962,037        | 10,175,173       | 12,324,284       |       |
| Total profit available for appropriation                  | 345,280        | 887,942          | 1,659,378        | 2,702,200        | 4,058,693        | 5,790,262        | 7,962,037        | 10,175,173       | 12,324,284       | 14,375,710       |       |
| Dividend  | -              | -                | -                | -                | -                | -                | -                | -                | -                | -                |       |
| Balance carried forward                                   | 345,280        | 887,942          | 1,659,378        | 2,702,200        | 4,058,693        | 5,790,262        | 7,962,037        | 10,175,173       | 12,324,284       | 14,375,710       |       |

## 13.2 BALANCE SHEET

| Statement Summaries                           |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   | SMEDA                     |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|---------------------------|
| Balance Sheet                                 |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                           |
|   | Year 0           | Year 1           | Year 2           | Year 3           | Year 4           | Year 5           | Year 6           | Year 7           | Year 8            | Year 9            | Rs. in actuals<br>Year 10 |
| <b>Assets</b>                                 |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                           |
| <i>Current assets</i>                         |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                           |
| Cash & Bank                                   | 376,800          | 640,627          | 947,506          | 1,451,622        | 2,189,646        | 3,207,439        | 4,555,380        | 6,486,056        | 8,434,432         | 10,450,185        | 15,964,154                |
| Accounts receivable                           | -                | -                | -                | -                | -                | -                | -                | -                | -                 | -                 | -                         |
| Finished goods inventory                      | -                | -                | -                | -                | -                | -                | -                | -                | -                 | -                 | -                         |
| Equipment spare part inventory                | -                | -                | -                | -                | -                | -                | -                | -                | -                 | -                 | -                         |
| Raw material inventory                        | 473,900          | 601,794          | 764,553          | 970,651          | 1,232,626        | 1,565,419        | 1,988,528        | 2,333,438        | 2,696,145         | 3,115,286         | -                         |
| Pre-paid annual land lease                    | -                | -                | -                | -                | -                | -                | -                | -                | -                 | -                 | -                         |
| Pre-paid building rent                        | 30,600           | 33,660           | 37,026           | 40,729           | 44,801           | 49,282           | 54,210           | 59,631           | 65,594            | 72,153            | -                         |
| <b>Total Current Assets</b>                   | <b>881,300</b>   | <b>1,276,080</b> | <b>1,749,085</b> | <b>2,463,002</b> | <b>3,467,073</b> | <b>4,822,140</b> | <b>6,598,118</b> | <b>8,879,125</b> | <b>11,196,170</b> | <b>13,637,623</b> | <b>15,964,154</b>         |
| <i>Fixed assets</i>                           |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                           |
| Land  | -                | -                | -                | -                | -                | -                | -                | -                | -                 | -                 | -                         |
| Building/Infrastructure                       | 169,000          | 160,550          | 152,100          | 143,650          | 135,200          | 126,750          | 118,300          | 109,850          | 101,400           | 92,950            | 84,500                    |
| Machinery & equipment                         | 150,000          | 135,000          | 120,000          | 105,000          | 90,000           | 75,000           | 60,000           | 45,000           | 30,000            | 15,000            | -                         |
| Furniture & fixtures                          | 155,500          | 139,950          | 124,400          | 108,850          | 93,300           | 77,750           | 62,200           | 46,650           | 31,100            | 15,550            | -                         |
| Office vehicles                               | -                | -                | -                | -                | -                | -                | -                | -                | -                 | -                 | -                         |
| Office equipment                              | 35,000           | 31,500           | 28,000           | 24,500           | 21,000           | 17,500           | 14,000           | 10,500           | 7,000             | 3,500             | -                         |
| <b>Total Fixed Assets</b>                     | <b>509,500</b>   | <b>467,000</b>   | <b>424,500</b>   | <b>382,000</b>   | <b>339,500</b>   | <b>297,000</b>   | <b>254,500</b>   | <b>212,000</b>   | <b>169,500</b>    | <b>127,000</b>    | <b>84,500</b>             |
| <i>Intangible assets</i>                      |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                           |
| Pre-operation costs                           | 35,000           | 28,000           | 21,000           | 14,000           | 7,000            | -                | -                | -                | -                 | -                 | -                         |
| <b>Total Intangible Assets</b>                | <b>35,000</b>    | <b>28,000</b>    | <b>21,000</b>    | <b>14,000</b>    | <b>7,000</b>     | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>          | <b>-</b>                  |
| <b>TOTAL ASSETS</b>                           | <b>1,425,800</b> | <b>1,771,080</b> | <b>2,194,585</b> | <b>2,859,002</b> | <b>3,813,573</b> | <b>5,119,140</b> | <b>6,852,618</b> | <b>9,091,125</b> | <b>11,365,670</b> | <b>13,764,623</b> | <b>16,048,654</b>         |
| <b>Liabilities &amp; Shareholders' Equity</b> |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                           |
| <i>Current liabilities</i>                    |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                           |
| Accounts payable                              | -                | -                | -                | -                | -                | -                | -                | -                | -                 | -                 | -                         |
| Export re-finance facility                    | -                | -                | -                | -                | -                | -                | -                | -                | -                 | -                 | -                         |
| Short term debt                               | -                | -                | -                | -                | -                | -                | -                | -                | -                 | -                 | -                         |
| <b>Total Current Liabilities</b>              | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>          | <b>-</b>          | <b>-</b>                  |
| <i>Other liabilities</i>                      |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                           |
| Lease payable                                 | -                | -                | -                | -                | -                | -                | -                | -                | -                 | -                 | -                         |
| Deferred tax                                  | -                | -                | 7,509            | 37,668           | 97,981           | 207,951          | 384,110          | 639,553          | 905,337           | 1,155,180         | 1,387,784                 |
| Long term debt                                | 1,140,640        | 1,140,640        | 1,013,975        | 876,796          | 728,232          | 567,336          | 393,087          | 204,375          | -                 | -                 | -                         |
| <b>Total Long Term Liabilities</b>            | <b>1,140,640</b> | <b>1,140,640</b> | <b>1,021,483</b> | <b>914,464</b>   | <b>826,213</b>   | <b>775,287</b>   | <b>777,197</b>   | <b>843,928</b>   | <b>905,337</b>    | <b>1,155,180</b>  | <b>1,387,784</b>          |
| <i>Shareholders' equity</i>                   |                  |                  |                  |                  |                  |                  |                  |                  |                   |                   |                           |
| Paid-up capital                               | 285,160          | 285,160          | 285,160          | 285,160          | 285,160          | 285,160          | 285,160          | 285,160          | 285,160           | 285,160           | 285,160                   |
| Retained earnings                             | -                | 345,280          | 887,942          | 1,659,378        | 2,702,200        | 4,058,693        | 5,790,262        | 7,962,037        | 10,175,173        | 12,324,284        | 14,375,710                |
| <b>Total Equity</b>                           | <b>285,160</b>   | <b>630,440</b>   | <b>1,173,102</b> | <b>1,944,538</b> | <b>2,987,360</b> | <b>4,343,853</b> | <b>6,075,422</b> | <b>8,247,197</b> | <b>10,460,333</b> | <b>12,609,444</b> | <b>14,660,870</b>         |
| <b>TOTAL CAPITAL AND LIABILITIES</b>          | <b>1,425,800</b> | <b>1,771,080</b> | <b>2,194,585</b> | <b>2,859,002</b> | <b>3,813,573</b> | <b>5,119,140</b> | <b>6,852,618</b> | <b>9,091,125</b> | <b>11,365,670</b> | <b>13,764,623</b> | <b>16,048,654</b>         |

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

### 13.3 CASH FLOW STATEMENT

| Statement Summaries                     |                |                |                |                |                |                  |                  |                  |                  |                  | SMEDA            |
|---|----------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash Flow Statement                     |                |                |                |                |                |                  |                  |                  |                  |                  |                  |
|   | Year 0         | Year 1         | Year 2         | Year 3         | Year 4         | Year 5           | Year 6           | Year 7           | Year 8           | Year 9           | Year 10          |
|   | Rs. in actuals |                |                |                |                |                  |                  |                  |                  |                  |                  |
| <i>Operating activities</i>             |                |                |                |                |                |                  |                  |                  |                  |                  |                  |
| Net profit                              | -              | 345,280        | 542,662        | 771,436        | 1,042,823      | 1,356,493        | 1,731,569        | 2,171,775        | 2,213,136        | 2,149,110        | 2,051,426        |
| Add: depreciation expense               | -              | 42,500         | 42,500         | 42,500         | 42,500         | 42,500           | 42,500           | 42,500           | 42,500           | 42,500           | 42,500           |
| amortization expense                    | -              | 7,000          | 7,000          | 7,000          | 7,000          | 7,000            | -                | -                | -                | -                | -                |
| Deferred income tax                     | -              | -              | 7,509          | 30,159         | 60,314         | 109,969          | 176,159          | 255,444          | 265,784          | 249,843          | 232,604          |
| Raw material inventory                  | (473,900)      | (127,894)      | (162,759)      | (206,099)      | (261,974)      | (332,794)        | (423,109)        | (344,910)        | (362,706)        | (419,141)        | 3,115,286        |
| Pre-paid building rent                  | (30,600)       | (3,060)        | (3,366)        | (3,703)        | (4,073)        | (4,480)          | (4,928)          | (5,421)          | (5,963)          | (6,559)          | 72,153           |
| Pre-paid lease interest                 | -              | -              | -              | -              | -              | -                | -                | -                | -                | -                | -                |
| Advance insurance premium               | -              | -              | -              | -              | -              | -                | -                | -                | -                | -                | -                |
| Accounts payable                        | -              | -              | -              | -              | -              | -                | -                | -                | -                | -                | -                |
| Other liabilities                       | -              | -              | -              | -              | -              | -                | -                | -                | -                | -                | -                |
| Cash provided by operations             | (504,500)      | 263,827        | 433,545        | 641,294        | 886,589        | 1,178,688        | 1,522,191        | 2,119,388        | 2,152,751        | 2,015,753        | 5,513,970        |
| <i>Financing activities</i>             |                |                |                |                |                |                  |                  |                  |                  |                  |                  |
| Change in long term debt                | 1,140,640      | -              | (126,665)      | (137,179)      | (148,564)      | (160,895)        | (174,249)        | (188,712)        | (204,375)        | -                | -                |
| Change in short term debt               | -              | -              | -              | -              | -              | -                | -                | -                | -                | -                | -                |
| Issuance of shares                      | 285,160        | -              | -              | -              | -              | -                | -                | -                | -                | -                | -                |
| Cash provided by / (used for) financing | 1,425,800      | -              | (126,665)      | (137,179)      | (148,564)      | (160,895)        | (174,249)        | (188,712)        | (204,375)        | -                | -                |
| <i>Investing activities</i>             |                |                |                |                |                |                  |                  |                  |                  |                  |                  |
| Capital expenditure                     | (544,500)      | -              | -              | -              | -              | -                | -                | -                | -                | -                | -                |
| Cash (used for) / provided by investing | (544,500)      | -              | -              | -              | -              | -                | -                | -                | -                | -                | -                |
| <b>NET CASH</b>                         | <b>376,800</b> | <b>263,827</b> | <b>306,880</b> | <b>504,115</b> | <b>738,025</b> | <b>1,017,793</b> | <b>1,347,941</b> | <b>1,930,676</b> | <b>1,948,376</b> | <b>2,015,753</b> | <b>5,513,970</b> |
| Cash balance brought forward            |                | 376,800        | 640,627        | 947,506        | 1,451,622      | 2,189,646        | 3,207,439        | 4,555,380        | 6,486,056        | 8,434,432        | 10,450,185       |
| Cash available for appropriation        | 376,800        | 640,627        | 947,506        | 1,451,622      | 2,189,646      | 3,207,439        | 4,555,380        | 6,486,056        | 8,434,432        | 10,450,185       | 15,964,154       |
| Cash carried forward                    | 376,800        | 640,627        | 947,506        | 1,451,622      | 2,189,646      | 3,207,439        | 4,555,380        | 6,486,056        | 8,434,432        | 10,450,185       | 15,964,154       |

## 13.4 USEFUL PROJECT MANAGEMENT TIPS

### Technology

- **List of Machinery & Equipments** (As per Section 11.5)
- **List of Office Equipments** (As per section 11.6)
- **Required spare parts & consumables:** Suppliers credit agreements and availability as per schedule of maintenance should be ensured before start of operations
- **Energy Requirement:** Should not be overestimated or installed in excess and alternate source of energy for critical operations be arranged in advance
- **Machinery Suppliers:** Should be asked for training and after sales services under the contract
- **Quality Assurance Equipment & Standards:** Quality standards need to be defined and a mechanism to check them should be developed for improving quality

### Marketing

- **Product Development & Packaging:** Experts' help may be sought for product / service and design & development
- **Advertisement & Promotion:** Business promotion and dissemination through banners and launch events is highly recommended. Product brochures should be developed from good quality service providers.
- **Sales & Distribution Network:** Experts' advice and distribution agreements should be sought for developing the sales and distribution network.
- **Price / Bulk Discounts, Cost Plus Introductory Discounts:** Pricing decisions should never compromise quality of the products. Price during introductory phase may be kept lower and used as promotional tool. Product cost estimates should be carefully documented before price setting. Government controlled prices need to be displayed, as required.

### Human Resources

- **List of Human Resource Required** (As per section 11.8)
- **Adequacy & Competencies:** Skilled and experienced staff should be considered as assets of the business and investments should be made in developing and motivating them through various means and incentives.
- **Performance Based Remuneration:** Efforts to manage human resource cost should be focused through performance measurement and performance based compensation.



- **Training & Skill Development:** Encouraging training and skill development of self & employees through experts and exposure to best practices helps in continuous improvement in the business. Least cost options for Training and Skill Development (T&SD) should be developed and linked with compensation benefits and awards.

### 13.5 USEFUL LINKS

- Prime Minister's Office, [www.pmo.gov.pk](http://www.pmo.gov.pk)
- Government of Pakistan, [www.pakistan.gov.pk](http://www.pakistan.gov.pk)
- National Youth Development Program, [www.kamyabjawan.gov.pk](http://www.kamyabjawan.gov.pk)
- Ministry of Industries & Production, [www.moip.gov.pk](http://www.moip.gov.pk)
- Ministry of National Food Security & Research, [www.mnfsr.gov.pk](http://www.mnfsr.gov.pk)
- Ministry of Education, Training & Standards in Higher Education, [www.moptt.gov.pk](http://www.moptt.gov.pk)
- Government of Punjab, [www.punjab.gov.pk](http://www.punjab.gov.pk)
- Government of Sindh, [www.sindh.gov.pk](http://www.sindh.gov.pk)
- Government of Khyber Pakhtunkhwa, [www.khyberpakhtunkhwa.gov.pk](http://www.khyberpakhtunkhwa.gov.pk)
- Government of Balochistan, [www.balochistan.gov.pk](http://www.balochistan.gov.pk)
- Government of Gilgit Baltistan, [www.gilgitbaltistan.gov.pk](http://www.gilgitbaltistan.gov.pk)
- Government of Azad Jammu & Kashmir, [www.ajk.gov.pk](http://www.ajk.gov.pk)
- Trade Development Authority of Pakistan (TDAP), [www.tdap.gov.pk](http://www.tdap.gov.pk)
- Securities & Exchange Commission of Pakistan (SECP), [www.secp.gov.pk](http://www.secp.gov.pk)
- Federation of Pakistan Chambers of Commerce and Industry (FPCCI), [www.fpcci.org.pk](http://www.fpcci.org.pk)
- Punjab Board of Investment & Trade (PBIT), 23-Aikman Road, GOR-I, Lahore  
Tel. 042-99205201, [www.pbit.gov.pk](http://www.pbit.gov.pk)
- Sindh Board of Investment (SBI), 1st Floor, Tower B, Finance & Trade Center, Shakra-e-Faisal, Karachi, Tel. 021-99207512-4, [www.sbi.gos.pk](http://www.sbi.gos.pk)
- State Bank of Pakistan (SBP), [www.sbp.org.pk](http://www.sbp.org.pk)
- National Bank of Pakistan (NBP), [www.nbp.com.pk](http://www.nbp.com.pk)
- Bank of Punjab (BoP), [www.bop.com.pk](http://www.bop.com.pk)
- Bank of Khyber (BoK), [www.bok.com.pk](http://www.bok.com.pk)
- All Pakistan Meat Exporters and Processors Association, Lahore, [www.apmepa.com](http://www.apmepa.com)
- National Vocational and Technical Training Commission (NAVTTTC) Head Quarter, Islamabad, [www.navttc.org](http://www.navttc.org)
- Red Cow Meat Training Institute, [www.rcmti.edu.pk](http://www.rcmti.edu.pk)
- Halal Research Council, 192- Ahmad Block, New Garden Town, Lahore, Tel: 0423-5913227-8, [www.halalrc.org](http://www.halalrc.org)
- Punjab Agriculture and Meat Company (PAMCO), Lahore, [www.pamco.bz](http://www.pamco.bz)

- Pakistan Agricultural Research Council (PARC), Islamabad Tel. 051-9203966  
[www.parc.gov.pk](http://www.parc.gov.pk)
- National Agricultural Research Centre (NARC), Islamabad Tel. 051-9255061,  
[www.parc.gov.pk](http://www.parc.gov.pk)
- University of Agriculture, Faisalabad, [www.uaf.edu.pk](http://www.uaf.edu.pk)
- Lasbela University of Agriculture, Water & Marine Sciences, Lasbela  
[www.luawms.edu.pk](http://www.luawms.edu.pk)
- Sindh Agriculture University, Tondojam, [www.sau.edu.pk](http://www.sau.edu.pk)
- Gomal College of Veterinary Sciences, Dera Ismail Khan, [www.gu.edu.pk](http://www.gu.edu.pk)
- KPK Agricultural University, Peshawar, [www.aup.edu.pk](http://www.aup.edu.pk)
- Pir Mehr Ali Shah Arid Agricultural University, Rawalpindi, [www.uaar.edu.pk](http://www.uaar.edu.pk)
- University College of Veterinary & Animal Sciences, Islamia University  
Bahawalpur (IUB), [www.iub.edu.pk](http://www.iub.edu.pk)
- University of Veterinary & Animal Sciences (UVAS), Lahore, [www.uvas.edu.pk](http://www.uvas.edu.pk)
- Bahauddin Zakariya University (BZU), Multan, [www.bzu.edu.pk](http://www.bzu.edu.pk)
- Agribusiness Support Fund (ASF), Lahore, [www.asf.org.pk](http://www.asf.org.pk)
- Directorate of Livestock Farms, L&DD, Lahore, Tel: 042-99201126-7
- Livestock & Fisheries Department, Government of Sindh, [www.sindh.gov.pk](http://www.sindh.gov.pk)
- Agriculture & Livestock Department, Government of KPK,  
[www.khyberpakhtunkhwa.gov.pk](http://www.khyberpakhtunkhwa.gov.pk)
- Livestock & Dairy Development, Government of Balochistan,  
[www.balochistan.gov.pk](http://www.balochistan.gov.pk)

The logo for the Small and Medium Enterprises Development Authority (SMEDA) features the acronym 'SMEDA' in large, white, serif capital letters. The letters are set against a light blue rectangular background. Above the text, there is a decorative graphic consisting of a light blue curved line that starts from the left and curves upwards and to the right, ending above the 'A'. A grid of small, light blue squares is scattered across the background behind the text.

**14. KEY ASSUMPTION****Table A: Operational Assumptions**

|  |       |
|--|-------|
| Maximum mutton selling capacity (No. of carcass)       | 8     |
| Average weight per mutton carcass (kgs)                | 12    |
| Maximum beef selling capacity (No. of carcass)         | 1     |
| Average weight per beef carcass (kgs)                  | 100   |
| Beef boneless (% of total beef)                        | 15    |
| Beef with bone (% of total beef)                       | 85    |
| Beef wastage (% of total beef)                         | 3     |
| Purchase price of mutton (Rs./kg)                      | 1,000 |
| Purchase price of beef (Rs./kg)                        | 380   |
| No. of operational days per year                       | 280   |
| Starting capacity utilization (%)                      | 50    |
| Production capacity utilization growth rate (%/ annum) | 10    |
| Maximum production capacity utilization (%)            | 90    |

**Table B: Revenue Assumptions**

|                                   |       |
|-----------------------------------|-------|
| Mutton (Rs./kg)                   | 1,100 |
| Boneless beef (Rs./kg)            | 600   |
| Beef with bone (Rs./kg)           | 480   |
| Sales price growth rate (%/ year) | 5     |

**Table C: Expense Assumptions**

|                                    |           |
|------------------------------------|-----------|
| Communication expense (per month)  | Rs. 2,000 |
| Travelling expense (per day)       | Rs. 1,000 |
| Promotional expense (% of revenue) | 0.4%      |
| Packaging cost (Rs./ day)          | 700       |