

# Pre-Feasibility Study

## SMALL COURIER/DELIVERY SERVICES



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## 1. DISCLAIMER

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## 2. EXECUTIVE SUMMARY

A courier is a business that delivers a package from one place to another. Courier delivery services are extremely popular and offer their customers (businesses, households, general public, etc.) cost effective way to distribute products both nationally and across the world.

This “Pre-feasibility Document” provides details for setting up a business of “Small Courier /Delivery Services” (hereinafter referred to as “Small Delivery Services”). The proposed courier services business is aimed at serving corporate clients and general public within a city. The service model works on a sequential pattern; starting from the time when a client approaches the service provider and completing when the order is delivered at the required destination. The need for fast delivery in today’s well-connected world, especially with the growth of ecommerce cannot be denied which creates a market for the proposed project.

The small delivery services project is proposed to be ideally located in large cities like Lahore, Karachi, Faisalabad, etc. or medium cities like Peshawar, Rawalpindi, Quetta, Gujranwala, Sialkot, Sukkur, Multan, Hyderabad, Mardan, etc. due to high demand of courier services across the country.

The proposed business is assumed to provide services for maximum of 76,800 deliveries in a year based on number of delivery persons. During the first year of its operations, it is assumed that the project will operate at 60% of its total service delivery capacity, which is equal to 46,080 deliveries. The service capacity is assumed to increase at a rate of 5% per annum with a cap at 90% of total capacity. High return on investment and steady growth of business is expected with the entrepreneur having some prior experience or education in the related field of business.

The proposed project will be set up in a rented building having an area of 500 sq. ft. The project requires a total investment of PKR 1.88 million. This includes capital investment of PKR 1.63 million and working capital of PKR 0.25 million. This project will be established using 100% equity. The Net Present Value (NPV) of project is PKR 5.57 million with an Internal Rate of Return (IRR) of 54% and a Payback period of 2.60 years. Further, the proposed project is expected to generate Gross Annual Revenues of PKR 7.56 million in 1<sup>st</sup> year after coming into operations, Gross Profit (GP) ratio ranging from 29% to 43% and Net Profit (NP) ratio ranging from 2% to 15% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 55% (42,180 deliveries) with gross revenue of PKR 6.83 million in a year.

The proposed project may also be established using leveraged financing. At 50% financing at a cost of KIBOR+3%, the proposed project provides Net Present Value (NPV) of PKR 6.21 million, Internal Rate of Return (IRR) of 53% and Payback period of 2.67 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from 1% to 15% during the projection period of ten years. The proposed project will

achieve its estimated breakeven point at capacity of 55% (42,180 deliveries) with gross annual revenue of PKR 6.83 million in a year.

The proposed project will provide employment opportunities to 11 to 12 persons. The legal business status of this project is proposed as "Sole Proprietorship".

### **3. INTRODUCTION TO SMEDA**

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

With a mission "to assist in employment generation and value addition to the national income, through development of the SME sector, by helping increase the number, scale and competitiveness of SMEs", SMEDA has carried out 'sectorial research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

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

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

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

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

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

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

The purpose of this document is to facilitate potential investors in establishing a Small Courier/Delivery Services by providing a general understanding of the business with the intention of supporting them in investment decisions.

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

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

## **5. BRIEF DESCRIPTION OF PROJECT & SERVICES**

This document provides details for setting up a business of “Small Courier/Delivery Services” which will provide delivery services for grocery items, cash, documents, gifts/parcels, etc. within a city. The potential target clients for this project are corporate entities, general public, professionals or small businesses which intend to utilize the services of fast delivery within a city.

The proposed business needs to be highly competitive in order to penetrate the market in the current business environment since there already are multiple local and multinational organizations operating in the sector.

The courier services business will be started in a rented office to reduce capital cost. The major cost of the project will include cost of office equipment, furniture & fixtures and vehicles. The proposed business is assumed to operate for 300 days a year.

This project mainly focuses on the potential investment opportunity in the parcel delivery sector. The success of proposed business depends upon getting repeat business which is derived from the clients’ satisfaction from the delivered services. The customer retention is acquired by providing timely delivery of their orders.

### 5.1. Small Delivery Service Process

The process of providing “Small Courier/Delivery Services” is given in Figure 1.

**Figure 1 Small Delivery Services – Process Flow Diagram**



Brief descriptions of the key processes involved in the business of “Small Courier/Delivery Services” are provided below:

#### **Client**

Client is the person/business seeking delivery services so that his/her order can be dispatched in a safe and sound condition, at the desired destination within the specified time.

#### **Service Provider**

The service provider is the business which provides the delivery services, i.e., it delivers the clients package at the required destination.

#### **Order Placement**

The client may place his order over the phone, online or by visiting the office of the delivery service firm. The client will specify details, including how he/she wants it to be delivered, the destination where it needs to go and the time at which the parcel should be delivered. The courier service will register the order and will share a tracking number or code with the customer to enable him/her track the delivery.

#### **Package Delivery**

The package received by the delivery/courier firm will be assigned for delivery to the relevant Delivery Person who takes the responsibility to deliver the goods in safe and sound condition, at the desired destination at the given time.



**Order pick up**

The assigned delivery person picks up the item for making the delivery at the specified destination as per his delivery schedule.

**Tracking of Orders**

In case, the delivery is not made on time due to wrong address or non-availability of specified person, the service provider will update the sender and the receiver about the status of delivery. The tracking status updates will be provided through email, text message notifications or through a telephone call. This is an important provision to ensure customer satisfaction.

**Delivery**

The item is delivered to the specified person at the required destination. This step completes the service delivery cycle.

**5.2. Installed and Operational Capacities**

The proposed “Small Courier/Delivery Services” will have maximum operational capacity of 76,800 courier deliveries in a year. It is assumed to operate at 60% (46,080 courier deliveries) capacity in first year of operations. The operational capacity will increase at the rate of 5% per annum. Maximum operational capacity is estimated at 90%. Maximum operational capacity is expected to be achieved during 7<sup>th</sup> year after commencement of operations. Table 1 shows details of maximum annual capacity and operational capacity utilized during first year of operations.

**Table 1: Service and Operational Capacity**

Particulars	No. of Delivery Persons	Deliveries per Hour	Max Deliveries Per Day	Annual working days	Maximum Deliveries Per Year	Initial Operational Capacity @ 60%
Service Capacity	8	2	256	300	76,800	46,080

**6. CRITICAL FACTORS**

Before making the decision to invest in “Small Courier/Delivery Services” business, it is important to carefully analyze the associated risk factors. The important considerations in this regard include:

- Tracking capability is one of the determining and success criteria of delivery services. Providing tracking status updates or email/text message notifications maximizes customer satisfaction.
- Ensuring reliable delivery at affordable and reasonable price is the key for the success of delivery services business.

- The time it takes for the customers to receive their goods has a direct impact on the reputation of the firm's name.
- The quality of service is directly linked with its reliability of delivery, from order processing to delivery lead time and the way complaints and feedbacks are handled. This is important to retain the existing customers and to attract new ones.
- One of the key factors of delivery service is ensuring the security of the parcels being delivered by the proposed business. If the parcel to be delivered to the customer is damaged or looks as it was opened by someone, then the proposed business will lose clients' confidence. This will result in reducing repeat orders. This will also lead to damaging the reputation of the business in the market.

## **7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT**

For a courier service business to succeed, it is necessary to determine the target market. The proposed project has potential to provide good entrepreneurship opportunity if the business is established in metropolitan cities of Pakistan due to their large populations. In addition, majority of government offices and private businesses are also located in these cities which add to the potential customer base. Moreover, the human resource required for running the courier business is relatively easily available in larger cities. Big cities like Lahore, Karachi, Faisalabad, Peshawar, Rawalpindi, Quetta, Gujranwala, Mardan, Sukkur, Sialkot, Sahiwal, Multan, Hyderabad, Lasbela, etc. are suitable locations to establish the courier/delivery services business.

## **8. POTENTIAL TARGET MARKETS**

During the past few years, the local market for small delivery services has witnessed a significant growth. The reasons of growth are growing trend of online shopping and e-commerce. Due to increasing size of large cities and heavy traffic on the roads, people prefer to send the required items (official documents or personal items) by utilizing small courier services, thus saving time and cost.

The potential target markets are the clients seeking delivery services for their personal as well as business purposes. The market can be categorized into two major groups of corporate clients and general public. The general public includes the individuals who wants to send parcels or any other items within the cities in a safe, secure and economical manner. Whereas, the corporate clients include small and medium businesses, government offices, professionals like doctors, lawyers, etc.

## 9. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of “Small Courier/Delivery Services”. Various assumptions relevant to revenue and costs along with the results of the analysis are outlined in this section.

The projected Income Statement, Cash Flow Statement and Balance Sheet are attached as annexures of this document.

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

### 9.1. Project Economics

#### 9.1.1. Financial Feasibility Analysis

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

**Table 2: Financial Feasibility Analysis**

Description	Project
IRR	54%
NPV (PKR)	5,570,683
Payback Period (years)	2.60
Projection Years	10
Discount rate used for NPV	15%

#### 9.1.2. Financial Feasibility Analysis at 50% Debt

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

**Table 3: Financial Feasibility Analysis Debt**

Description	Project
IRR	53%
NPV (PKR)	6,199,050
Payback Period (years)	2.67
Projection year	10
Discount rate used for NPV	13%

## 9.2. Initial Project Cost

Table 4: provides fixed and working capital requirements for establishment and operations of the “Small Courier/Delivery Services”.

**Table 4: Initial Project Cost Estimates**

Cost Item	Cost (PKR)
Land	-
Building	165,000
Office Equipment	525,000
Furniture & Fixtures	310,000
Vehicles	407,500
Security against building	135,000
Pre-Operating Expenses	83,327
<b>Total Capital Cost – (A)</b>	<b>1,625,827</b>
<b>Working Capital</b>	
Cash	250,000
<b>Total Working Capital Requirement - (B)</b>	<b>250,000</b>
<b>Total Project Cost - (A+B)</b>	<b>1,875,827</b>

### 9.2.1. Land

The small delivery services business will be established in a rented building to avoid the high cost of land. Suitable location for setting up the corporate office can be easily found on rent. Therefore, no land cost has been added to the project cost. Total space requirement for the proposed delivery service has been estimated as 500 sq. feet (2 Marla).

The breakup of space requirement is provided in Table 5.

**Table 5: Breakup of Space Requirement**

Description	% Break-Up	Area Sq. Ft.
Executive Office	24%	120
Staff Work Station	50%	252
Kitchen	10%	48
Washrooms	16%	80
<b>Total</b>	<b>100%</b>	<b>500</b>

### 9.2.2. Building / Civil Works

There will be no cost of building since the business will be started in rented premises. However, there will be a renovation cost; required to make the building usable for the business. The proposed project requires electricity load of 2-3 KW for which an electricity connection under the General Supply Tariff - Commercial single phase will be required. Building rent is included in the operating cost. Building renovation cost is shown in Table 6.

**Table 6: Renovation Cost**

Cost Item	Unit of Measurement	Total Liter / Area / Number	Cost/Unit/ Sq. Feet	Total Cost (PKR)
Paint Cost	Liter	50	500	25,000
Labor Cost	Feet	5,000	8	40,000
Wall Racks	Units	6	15,000	90,000
Blinds	Units	2	5,000	10,000
<b>Total Renovation Cost</b>				<b>165,000</b>

### 9.2.3. Furniture and Fixture Requirements

Details of the furniture and fixture required for the project along with their cost are given in Table 7.

**Table 7: Furniture and Fixtures**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Executive Table	2	30,000	60,000
Office Table	3	25,000	75,000
Executive Chair	2	20,000	40,000
Office Chairs	4	10,000	40,000
Visitors Chairs	6	10,000	60,000
Sofa Set	1	35,000	35,000
Cupboards	4	20,000	80,000
<b>Total</b>			<b>370,000</b>

### 9.2.4. Office Equipment Requirement

Details of office equipment required for the proposed project is given in Table 8.

**Table 8: Office Equipment**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Laptops	2	80,000	160,000
Printer	1	40,000	40,000
Desktop Computers	2	30,000	60,000
Security Camera (2MP)	4	2,000	8,000
DVR	1	12,000	12,000
LCD	1	40,000	40,000
Air Conditioners (1.5-ton inverter)	2	90,000	180,000
Water Dispenser	1	20,000	20,000
Wi-Fi / Internet Router	1	5,000	5,000
<b>Total</b>			<b>525,000</b>

### 9.2.5. Vehicles Required

Motorcycles will be required for the transport of grocery, gifts, cash and other items. It has been assumed that there will be 2 shifts of 8 hours each. In every shift, 4 delivery boys will be engaged. To minimize capital cost, there should be 4-5 motorcycle for delivery boys (delivery bike will be used for 16 hours, 8 hours in 1<sup>st</sup> shift and next 8 hours in the 2<sup>nd</sup> shift respectively.) one motorcycle will be used for office work and others. Details of the motorcycles required along with their cost for the proposed project are shown in Table 9.

**Table 9: Vehicles Cost**

Cost Item	No	Unit cost (PKR)	Total cost (PKR)
Motorcycle	5	80,000	400,000
Registration charges		1500	7,500
<b>Total Cost (PKR)</b>			<b>407,500</b>

### 9.2.6. Security against Building

Table 10 provides detail of security against building.

**Table 10: Security against Building**

Cost Item	No. of Months	Rent per Month (PKR)	Total Cost (PKR)
Security	3	45,000	135,000
<b>Total Cost (PKR)</b>			<b>135,000</b>

### 9.2.7. Pre-Operating Cost

Details of pre operating cost for the project is given in Table 11.

**Table 11 Pre-Operating Cost Requirement**

Description	Total (PKR)
Administration expense	70,000
Utilities Cost for one month	13,327
<b>Total</b>	<b>83,327</b>

### 9.3. Break Even Analysis

Table 12 shows calculation of break-even analysis.

**Table 12: Break Even Analysis**

Particulars	Amounts (PKR) / %	Profitability Ratios
Sales (PKR)	7,459,200	100%
Variable Cost (PKR)	4,949,523	66%
Contribution (PKR)	2,509,677	34%
Fixed Cost (PKR)	2,297,259	31%
Breakeven Revenue (PKR)	6,827,855	
Contribution per delivery	54	
No of deliveries at Breakeven	46,080	
Breakeven Capacity	55%	

## 9.4. Revenue Generation

Table 13 provides details for expected revenue generation of the proposed small delivery services during the first year of operations.

**Table 13: Revenue Generation**

Operational Hours	Maximum Service Capacity (Deliveries)	Initial Year Operational Capacity @ 40% (A)	Charges Per Delivery (PKR) (B)	Total Revenue Annual (PKR) (A*B) =C
Peak <sup>1</sup>	24,000	14,400	210	3,024,000
Off Peak <sup>2</sup>	52,800	31,680	140	4,435,200
<b>Total</b>	<b>76,800</b>	<b>46,080</b>		<b>7,459,200</b>

## 9.5. Variable Cost Estimate

The details regarding variable cost estimate are given in Table 14.

**Table 14: Variable Cost Estimate**

Description Costs	Amount (PKR)
Labour Cost	2,572,800
Fuel Cost	1,688,470
Vehicle maintenance cost	72,000
Travelling expense	100,800
Communications expense (phone, fax, mail, internet, etc.)	84,000
Office vehicles running and maintenance expense	431,452
<b>Total</b>	<b>4,949,523</b>

**Table 15: Labor Cost**

Description	No of personnel	Monthly Salary (PKR)	Annual Salary (PKR)
Delivery Persons	8	22,000	2,112,000
Commission (PKR 10/delivery)			460,800
<b>Total</b>			<b>2,572,800</b>

<sup>1</sup> 5 hours per day are considered peak hours due to rush hours. It is between 8:00 am to 10: am and 5:00 pm to 8 pm.

<sup>2</sup> 16 Working hours per day considered for this study other 11 hours are off peak hours.



**Table 16: Fuel Cost**

Cost Item	Average Distance per Delivery (KMs)	Fuel consumption per delivery (Ltrs)	No of deliveries	Total Fuel Consumption (Ltrs)	Fuel cost per Ltr	Total fuel cost (Rs)
Fuel	15	0.3	46080	13824	135	1,866,240
<b>Total</b>						<b>1,866,240</b>

**Table 17: Vehicle Maintenance Cost**

Cost Item	No of Bikes A	Oil Change per month (Rs) B	Tunning charges per month (Rs) C	Amount (PKR) A*(B+C)
Maintenance Cost	4	500	1000	72,000
<b>Total</b>				<b>72,000,000</b>

### 9.6. Fixed Cost Estimate

The details regarding fixed cost estimate are given in Table 18.

**Table 18: Fixed Cost Estimate**

Cost Item	Amount (PKR)
Administration expense	840,000
Administration benefits expense	295,200
Building rental expense	540,000
Electricity	159,926
Office expenses (stationery, entertainment, janitorial services, etc.)	168,000
Promotional expense	74,592
Depreciation expense	202,875
Amortization of pre-operating costs	16,665
<b>Total</b>	<b>2,297,259</b>

**Table 19: Administration Expense Calculation**

Post	No of personnel	Monthly Salary (PKR)	Annual Salary (PKR)
Accounts Officer	1	30,000	360,000
Office Boy	1	20,000	240,000
Security Guard	1	20,000	240,000
<b>Total</b>			<b>840,000</b>

**Table 20: Fixed Cost Assumptions**

Description	Rate	Rationale
Office expenses (stationery, entertainment, janitorial Services, etc.)	20%	% of administration expense
Promotional expense	1%	% of Revenue

### 9.7. Human Resource Requirement

For the 1<sup>st</sup> year of operations, the “Small Courier/Delivery Services” shall require the workforce at a salary cost shown in Table 21.

**Table 21: Human Resource Requirement**

Post	No. of Employees	Monthly Salary (PKR)	Annual Salary (PKR)
Delivery Persons	8	22,000	2,112,000
Accounts Officer	1	30,000	360,000
Office Boy	1	20,000	240,000
Security Guard	1	20,000	240,000
<b>Total</b>	<b>11</b>	<b>92,000</b>	<b>2,952,000</b>

## 10. CONTACT DETAILS

In order to facilitate the potential investors, contact details of some relevant vendors to the proposed project is given in Table 22.

**Table 22: Contact Details**

Name of supplier	Type of supplies	Email/ Website	Contact Number
Eagle motorcycle industries	Motor vehicle	<a href="http://www.lookup.pk/53327/eagle-motorcycles-industries">www.lookup.pk/53327/eagle-motorcycles-industries</a>	042-111386666
Focus Interiors	Office Furniture	<a href="https://www.focusinteriors.com.pk/">https://www.focusinteriors.com.pk/</a>	0301-8480553
Rozee	For Human resource	<a href="http://www.rozee.pk">www.rozee.pk</a>	+92-21-34324103 & +92-21-34321673
Rizwan Enterprises	Other Equipment	<a href="http://www.rizwan-enterprises.business.site">www.rizwan-enterprises.business.site</a>	0343-3551866

## 11. USEFUL LINKS

**Table 23: Useful Links**

Name of Organization	E-mail Address
Small and Medium Enterprises Development Authority (SMEDA)	<a href="http://www.smeda.org.pk">www.smeda.org.pk</a>
National Business Development Program (NBDP)	<a href="http://www.nbdp.org.pk">www.nbdp.org.pk</a>
Government of Punjab	<a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>
Research	<a href="http://www.researchgate.net">www.researchgate.net</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 Balochistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
Government of Khyber Pakhtunkhwa	<a href="http://www.kp.gov.pk">www.kp.gov.pk</a>
Punjab Small Industries Corporation	<a href="http://www.psic.gop.pk">www.psic.gop.pk</a>
Small Industries Development Board – Government of Khyber Pakhtunkhwa	<a href="http://www.small_industries_de.kp.gov.pk">www.small_industries_de.kp.gov.pk</a>
Sindh Small Industries Corporation	<a href="http://www.ssic.gos.pk">www.ssic.gos.pk</a>

Industries and Commerce –  
Government of Balochistan

[www.balochistan.gov.pk/departments/industries-and-commerce](http://www.balochistan.gov.pk/departments/industries-and-commerce)

## 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	7,459,200	9,685,771	12,320,301	15,426,557	19,077,509	21,233,267	23,632,626	26,303,113	29,275,365	32,583,481
<i>Cost of sales</i>										
Direct Labour										
Labour Cost - Commission	460,800	598,349	761,100	952,992	1,178,533	1,311,708	1,459,931	1,624,903	1,808,517	2,012,879
Benefits										
Direct labor - Salaries	2,112,000	2,266,176	2,431,607	2,609,114	2,799,579	3,003,949	3,223,237	3,458,533	3,711,006	3,981,910
<b>Total direct labour</b>	<b>2,572,800</b>	<b>2,864,525</b>	<b>3,192,707</b>	<b>3,562,106</b>	<b>3,978,113</b>	<b>4,315,656</b>	<b>4,683,168</b>	<b>5,083,436</b>	<b>5,519,523</b>	<b>5,994,789</b>
Fuel Cost	1,400,805	1,979,013	2,738,827	3,731,137	5,020,220	6,079,205	7,361,576	8,914,457	10,794,908	13,072,029
Vehicle maintenance cost	72,000	104,057	147,317	205,303	282,581	350,052	433,634	537,172	665,432	824,317
<b>Total cost of sales</b>	<b>4,045,605</b>	<b>4,947,594</b>	<b>6,078,850</b>	<b>7,498,545</b>	<b>9,280,913</b>	<b>10,744,913</b>	<b>12,478,378</b>	<b>14,535,065</b>	<b>16,979,863</b>	<b>19,891,135</b>
<b>Gross Profit</b>	<b>3,413,595</b>	<b>4,738,177</b>	<b>6,241,451</b>	<b>7,928,011</b>	<b>9,796,596</b>	<b>10,488,354</b>	<b>11,154,248</b>	<b>11,768,048</b>	<b>12,295,502</b>	<b>12,692,346</b>
<i>General administration &amp; selling expenses</i>										
Administration expense	840,000	901,320	967,116	1,037,716	1,383,883	1,484,907	1,593,305	1,709,616	1,834,418	1,968,330
Administration benefits expense	295,200	316,750	339,872	364,683	418,346	448,886	481,654	516,815	554,542	595,024
Building rental expense	360,000	396,000	435,600	479,160	527,076	579,784	637,762	701,538	771,692	848,861
Electricity	159,926	174,000	189,312	205,971	224,097	243,817	265,273	288,617	314,016	341,649
Travelling expense	100,800	108,158	116,054	124,526	166,066	178,189	191,197	205,154	220,130	236,200
Communications expense (phone, fax, mail, internet, etc.)	84,000	90,132	96,712	103,772	138,388	148,491	159,330	170,962	183,442	196,833
Office vehicles running and maintenance expense	360,676	468,338	595,726	745,923	922,458	1,026,696	1,142,713	1,271,839	1,415,557	1,575,515
Office expenses (stationary, entertainment, janitorial services, etc)	168,000	180,264	193,423	207,543	276,777	296,981	318,661	341,923	366,884	393,666
Promotional expense	74,592	96,858	123,203	154,266	190,775	212,333	236,326	263,031	292,754	325,835
Depreciation expense	202,350	202,350	202,350	202,350	202,350	202,350	140,400	398,372	398,372	398,372
Amortization of pre-operating costs	16,665	16,665	16,665	16,665	16,665	-	-	-	-	-
<b>Subtotal</b>	<b>2,662,210</b>	<b>2,950,835</b>	<b>3,276,034</b>	<b>3,642,575</b>	<b>4,466,882</b>	<b>4,822,433</b>	<b>5,166,621</b>	<b>5,867,868</b>	<b>6,351,806</b>	<b>6,880,286</b>
<b>Operating Income</b>	<b>751,385</b>	<b>1,787,342</b>	<b>2,965,417</b>	<b>4,285,436</b>	<b>5,329,714</b>	<b>5,665,921</b>	<b>5,987,627</b>	<b>5,900,180</b>	<b>5,943,695</b>	<b>5,812,061</b>
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	131,250	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	101,000	-	-	-
<b>Earnings Before Interest &amp; Taxes</b>	<b>751,385</b>	<b>1,787,342</b>	<b>2,965,417</b>	<b>4,285,436</b>	<b>5,329,714</b>	<b>5,665,921</b>	<b>6,219,877</b>	<b>5,900,180</b>	<b>5,943,695</b>	<b>5,812,061</b>
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Earnings Before Tax</b>	<b>751,385</b>	<b>1,787,342</b>	<b>2,965,417</b>	<b>4,285,436</b>	<b>5,329,714</b>	<b>5,665,921</b>	<b>6,219,877</b>	<b>5,900,180</b>	<b>5,943,695</b>	<b>5,812,061</b>
Tax	93,240	121,072	154,004	192,832	238,469	265,416	295,408	328,789	365,942	407,294
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>658,145</b>	<b>1,666,270</b>	<b>2,811,413</b>	<b>4,092,604</b>	<b>5,091,245</b>	<b>5,400,505</b>	<b>5,924,469</b>	<b>5,571,391</b>	<b>5,577,753</b>	<b>5,404,767</b>

## 12.2. Balance Sheet

Balance Sheet											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
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	250,000	550,117	1,018,604	1,598,749	2,247,092	2,933,425	3,621,809	4,452,622	7,372,644	9,871,209	11,822,302
Pre-paid building rent	-	49,500	54,450	59,895	65,885	72,473	79,720	87,692	96,461	106,108	-
<b>Total Current Assets</b>	<b>250,000</b>	<b>599,617</b>	<b>1,073,054</b>	<b>1,658,644</b>	<b>2,312,977</b>	<b>3,005,898</b>	<b>3,701,529</b>	<b>4,540,314</b>	<b>7,469,105</b>	<b>9,977,317</b>	<b>11,822,302</b>
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	165,000	148,500	132,000	115,500	99,000	82,500	66,000	49,500	33,000	16,500	-
Furniture & fixtures	310,000	263,500	217,000	170,500	124,000	77,500	31,000	-	-	-	-
Office vehicles	407,500	346,375	285,250	224,125	163,000	101,875	40,750	1,660,317	1,411,269	1,162,222	913,174
Office equipment	525,000	446,250	367,500	288,750	210,000	131,250	52,500	899,758	764,794	629,830	494,867
Security against building	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000	135,000
<b>Total Fixed Assets</b>	<b>1,542,500</b>	<b>1,339,625</b>	<b>1,136,750</b>	<b>933,875</b>	<b>731,000</b>	<b>528,125</b>	<b>325,250</b>	<b>2,744,575</b>	<b>2,344,063</b>	<b>1,943,552</b>	<b>1,543,041</b>
<i>Intangible assets</i>											
Pre-operation costs	83,327	66,662	49,996	33,331	16,665	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>83,327</b>	<b>66,662</b>	<b>49,996</b>	<b>33,331</b>	<b>16,665</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>1,875,827</b>	<b>2,005,904</b>	<b>2,259,801</b>	<b>2,625,850</b>	<b>3,060,642</b>	<b>3,534,023</b>	<b>4,026,779</b>	<b>7,284,888</b>	<b>9,813,169</b>	<b>11,920,869</b>	<b>13,365,343</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable	-	70,488	77,309	84,865	93,240	102,532	112,847	124,306	134,820	146,265	158,726
<b>Total Current Liabilities</b>	<b>-</b>	<b>70,488</b>	<b>77,309</b>	<b>84,865</b>	<b>93,240</b>	<b>102,532</b>	<b>112,847</b>	<b>124,306</b>	<b>134,820</b>	<b>146,265</b>	<b>158,726</b>
<i>Other liabilities</i>											
<b>Total Long Term 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>Shareholders' equity</i>											
Paid-up capital	1,875,827	1,875,827	1,875,827	1,875,827	1,875,827	1,875,827	1,875,827	1,875,827	1,875,827	1,875,827	1,875,827
Retained earnings	-	59,589	306,664	665,158	1,091,574	1,555,664	2,038,106	5,284,755	7,802,521	9,898,777	11,330,789
<b>Total Equity</b>	<b>1,875,827</b>	<b>1,935,416</b>	<b>2,182,492</b>	<b>2,540,985</b>	<b>2,967,402</b>	<b>3,431,491</b>	<b>3,913,933</b>	<b>7,160,582</b>	<b>9,678,348</b>	<b>11,774,604</b>	<b>13,206,617</b>
<b>TOTAL CAPITAL AND LIABILITY</b>	<b>1,875,827</b>	<b>2,005,904</b>	<b>2,259,801</b>	<b>2,625,850</b>	<b>3,060,642</b>	<b>3,534,023</b>	<b>4,026,779</b>	<b>7,284,888</b>	<b>9,813,169</b>	<b>11,920,869</b>	<b>13,365,343</b>

### 12.3. Cash Flow Statement

Cash Flow Statement											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	-	119,178	553,739	1,023,652	1,517,991	2,019,754	2,520,547	3,246,649	2,517,766	2,096,256	1,432,012
Add: depreciation expense	-	202,875	202,875	202,875	202,875	202,875	202,875	140,750	400,511	400,511	400,511
amortization expense	-	16,665	16,665	16,665	16,665	16,665	-	-	-	-	-
Pre-paid building rent	-	(49,500)	(4,950)	(5,445)	(5,990)	(6,588)	(7,247)	(7,972)	(8,769)	(9,646)	106,108
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Advance insurance premium	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	70,488	6,822	7,556	8,375	9,291	10,315	11,460	10,514	11,445	12,461
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Cash provided by operations	-	359,707	775,151	1,245,303	1,739,917	2,241,997	2,726,490	3,390,887	2,920,022	2,498,565	1,951,092
<i>Financing activities</i>											
Change in lease financing	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares	1,875,827	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares	-	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financ	1,875,827	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(1,625,827)	-	-	-	-	-	-	(2,560,075)	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by invest	(1,625,827)	-	-	-	-	-	-	(2,560,075)	-	-	-
<b>NET CASH</b>	<b>250,000</b>	<b>359,707</b>	<b>775,151</b>	<b>1,245,303</b>	<b>1,739,917</b>	<b>2,241,997</b>	<b>2,726,490</b>	<b>830,812</b>	<b>2,920,022</b>	<b>2,498,565</b>	<b>1,951,092</b>

## 13. KEY ASSUMPTIONS

### 13.1. Operating Cost Assumptions

**Table 24: Operating Cost Assumptions**

Description	Details
Operating costs growth rate	11.3% of general inflation rate
Administration benefits expense	10% of administration expenses
Travelling expenses	12.0% of administration expenses
Communication expenses	10% of administration expenses
Office Vehicle running and maintenance expenses	5.2 % of revenue
Promotional expense	1.0 % of revenue
Office expenses (stationery, janitor, etc.)	20% of administration expenses

### 13.2. Service Cost Assumptions

**Table 25: Service Cost Assumptions**

Description	Details
Cost of goods sold growth rate	11.3%
Labour cost-Commission	10 Rs per delivery

### 13.3. Revenue Assumptions

**Table 26: Revenue Assumptions**

Description	Details
Sale price growth rate	11.3%
Service capacity utilization	60%
Service capacity utilization growth rate	5%
Maximum capacity utilization	90%



**13.4. Financial Assumption****Table 27: Financial Assumption**

Description	Details
Project life (Years)	10
Debt: Equity	0:100
Discount Rate (used for 100% Equity)	15%
Discount Rate (used for 50:50 Debt-Equity)	13%

**13.5. Cash Flow Assumption****Table 28: Cash Flow Assumption**

Description	Details
Accounts receivable cycle (in days)	-
Accounts payable cycle (in days)	10

**13.6. Debt Related Assumptions****Table 29: Debt Related Assumptions**

Description	Details
Project life (Years)	10
Debt: Equity	50:50
Discount Rate	13%
Debt Tenure	5
Grace Period	1
Interest Rate (KIBOR+3%)	11.3%