

# Pre-Feasibility Study

## STUDENT HOSTEL



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March 2021

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## 1. DISCLAIMER

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. Although, the material included in this document is based on data/information gathered from various reliable sources; however, it is based upon certain assumptions, which may differ from case to case. The information has been provided on as is where is basis without any warranties or assertions as to the correctness or soundness thereof. Although, due care and diligence has been taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice to be obtained by the user. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision, including taking professional advice from a qualified consultant/technical expert before taking any decision to act upon the information.

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### **Document Control**

Document No.	227
Revision	
Prepared by	SMEDA-Punjab
Revision Date	
For information	<a href="mailto:helpdesk.punjab@smeda.org.pk">helpdesk.punjab@smeda.org.pk</a>

## 2. EXECUTIVE SUMMARY

This document on “Student Hotel” provides information about a proposed project which aims to provide affordable accommodation facilities to college and university students. The proposed hostel is ideally to be located in large cities of Pakistan due to high demand of hostels in these areas. This demand mainly originates from students, who come to study in these large cities from other cities and towns and need decent accommodation at affordable prices.

This “Pre-feasibility Document” provides details for setting up a ‘Student Hostel’ offering affordable accommodation facilities to the students who have to live away from their homes during their studies. A student hostel may be established in major cities of Pakistan such as Lahore, Karachi, Islamabad, Quetta, Rawalpindi, Peshawar, Multan, Bahawalpur, Hyderabad, Faisalabad, etc. This appears to be a potential investment for the investors looking for a business which offers high growth rate with good return on investment.

The proposed project is assumed to provide services for maximum of 45 students at any given time. Initially, during the first year of operations, the project is estimated to provide services at 55% of its total service capacity, which is equal to 25 students or 25 beds. The service capacity is assumed to increase at a rate of 15% per annum with a cap at 100% of total capacity; achieved during 5<sup>th</sup> year of operations.

The proposed project will be set up in a rented building having an area of 2,300 sq. ft. (10.22 Marla). This building will have two floors. The project requires a total investment of PKR 6.74 million. This includes capital investment of PKR 6.24 million and working capital of PKR 0.50 million. The project will be established using 100% equity financing. The Net Present Value (NPV) of project is PKR 16.84 million with an Internal Rate of Return (IRR) of 49% and a Payback period of 2.70 years. Further, the proposed project is expected to generate Gross Annual Revenues of PKR 7.39 million in 1<sup>st</sup> year after coming into operations, Gross Profit (GP) ratio ranging from 47% to 60% and Net Profit (NP) ratio ranging from 1% to 33% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 53% (24 beds) with gross revenue of PKR 7.07 million in a year.

The proposed project may also be established using leveraged financing. At 50% debt financing at a cost of KIBOR+3%, the proposed project provides Net Present Value (NPV) of PKR 18.27 million, Internal Rate of Return (IRR) of 48% and Payback period of 2.68 years. Further, this project is expected to generate Net Profit (NP) ratio ranging from 15% to 33% during the projection period of ten years. The proposed project will achieve its estimated breakeven point at capacity of 54% (24 beds) with breakeven revenue of PKR 7.15 million.

The project will generate direct employment opportunity for 6 to 8 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 Student Hostel 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 “Student Hostel” for students; who are looking for secure, affordable and decent residence in cities like Karachi, Lahore, Islamabad, Peshawar, Quetta, Rawalpindi, Hyderabad, Faisalabad, etc. In addition to students, the target customers for the proposed hostel may also include people from working class who have a job in another city and they need a place to stay.

The venture is considered to be a financially viable project, considering the high demand for accommodation facilities from students’ community. A large number of students have to live away from their homes in large cities to avail better education opportunities. These students need accommodation facilities at affordable cost. Currently there are limited accommodation facilities to cater to the need of the large influx of students.

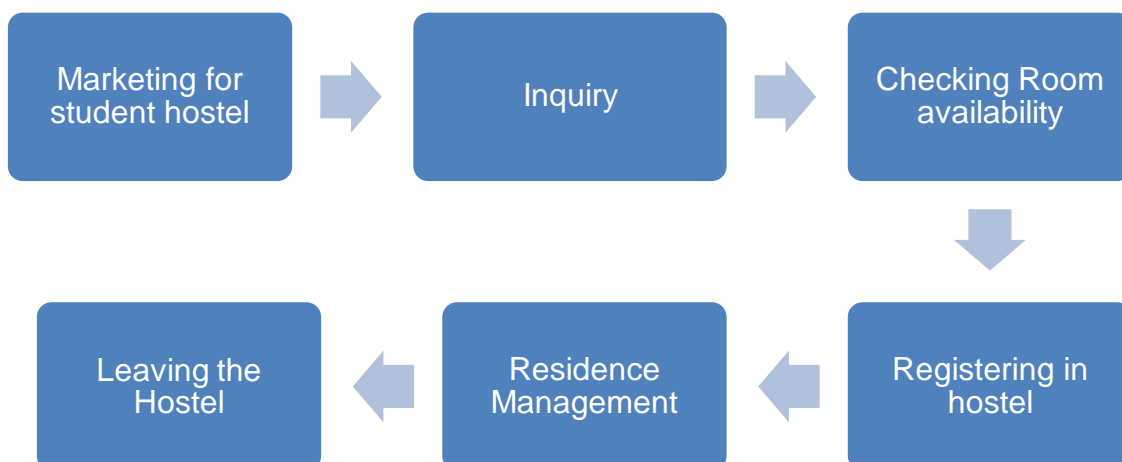
The rationale for this business is derived from the high market growth and moderate level of investment. The project can also be started by entrepreneurs with a limited experience in this sector; since the business operation is not complex.

While no major experience is required to run this business, it is very important to have good managerial skills for smooth business operations. The proposed project suggests having three room categories; with one, two or three beds. Total accommodation capacity of the hostel is 45 students who will be living in 19 rooms.

### 5.1. Service Process

The service process of student hostel is as follows:

**Figure 1: Student Hostel – Service Process Flow Diagram**



Brief description of service process for “Student Hostel” is provided hereunder:

### **Marketing for Student Hostel**

The hostel management needs to advertise and promote about the proposed hostel on social media, build an informative website, inform information desk of all the universities and colleges operating in the vicinity of hotel. The management should also advertise about the hostel in different student events happening in universities and colleges. All the above-mentioned media serve as prime source of information for the students looking for hostel facility.

### **Inquiry**

When a potential student shortlists this proposed hostel, he will contact he hostel either by a phone call or personally visit the hostel and request the required information from the Information Desk. The required information includes details about rooms charges, mess related information and facilities available in the hostel.

### **Checking Room Availability**

After selection of the hostel, the student approaches the information desk of the hostel for obtaining the room. The person at the information desk checks the room availability. In case a room is available, the student visits the room to see if the offered place is acceptable to him. As the student confirms his acceptability, the information Desk obtains identity documents (copies of CNIC and student ID card issued by the educational institution) from the student. The Information Desk provides a Police Verification Form to the student. The Information Desk issues the hostel admission form and informs the student about hostel charges. The Information Desk also obtains the filled Police Verification Form from the student and submits the same form to local police station.

### **Registering-in Hostel**

The student pays the hostel charges which include advance rent of one month and a security deposit. The rent of each month is usually paid in advance in the first week of every month. After submission of charges and completion of the required documentation, the Information Desk Office allots the selected room to the student and hands him over the keys. After room allotment, the student can check into the hostel on the specified date mentioned in the admission form.

### **Residence Management**

In order to operate the hostel in an effective manner, the management of the hostel needs to define and communicate to students, certain rules and standard practices that need to be followed by the resident students. These rules relate to following areas:

- Instructions to not engage in any illegal activities
- Latest time to come back to the hostel in the evening
- Mess timings
- Number of guests allowed per student (if any)



- Activities leading to expulsion from hostel
- Rules for using hostel assets
- Penalties for damaging hostel assets
- Rules for using common facilities of the hostel
- Rules for use of kitchen by the students
- Safety steps in emergency situations

The responsibility of implementing the hostel rules and standard practices rests with the hostel Warden. Hostel Warden will be responsible for imposing penalties and disciplining those students who may be involved in non-compliance of hostel rules and regulations.

### **Leaving the Hostel**

When the student intends to leave the hostel, there is a requirement of one-week prior notice to the hostel management. At the time of leaving the hostel, the management of hostel ensures that all the charges of the hostel are duly paid by the leaving student. After adjusting any unpaid charges, the security deposit is returned to the student.

## **5.2. Installed and Operational Capacities**

The proposed facility will have 19 rooms (3 single bed, 6 double beds, 10 triple bed rooms) which translate into 45 seats capacity. The facility is assumed to occupy 24 seats in first year of operation. Maximum operational capacity is expected to be achieved during 5<sup>th</sup> year after commencement of operation.

Table 1 shows details of maximum capacity and operational capacity utilized during first year of operations.

**Table 1: Installed and Operational Capacity**

<b>Room Category</b>	<b>Number of Rooms</b>	<b>Capacity per Room</b>	<b>Total Capacity @ 100%</b>	<b>Initial Operational Capacity @ 55%</b>
One Bed	3	1	3	1
Two Beds	6	2	12	4
Three Beds	10	3	30	20
<b>Total</b>	<b>19</b>		<b>45</b>	<b>25</b>

## **6. CRITICAL FACTORS**

Before making the decision to invest in Student Hostel business, one should carefully analyze the associated risk factors. The important considerations in this regard include:

**Price**

Price is the key determining factor in the success of this industry. The students are more inclined towards availing the best service experience in low cost. This suits best for the proposed target market of the students who avail accommodation facilities in a reasonable price.

**Security**

Security is another very important factor in determining the success of student hostel business. A hostel which earns a good reputation owing to its security arrangements always has a potential future growth.

**Location**

The hostel industry has traditionally focused on location as the most important critical success factor. In this proposed venture, the mega cities are selected due to their immense demand for student hostels. Moreover, such areas are to be selected, near educational institutions.

**Ambience**

Noise-free environment is an important need of the students to help them have proper concentration on their studies.

**Room Facilities**

The room facilities including air conditioners, televisions, consumables, internet facility, backup electricity solutions (UPS, generator), room furniture and decent toiletry are the key drivers of clients' perceived expectations.

**Hostel Maintenance**

Reliable janitorial services and daily room maintenance are important elements to have satisfied customers in a hostel business. Building maintenance should be ensured at regular intervals by the hostel management.

**Security**

The hostel management should have a thorough understanding of safety rules and the ability to stay calm in an emergency situation. Good security arrangements act as a key factor in hostel selection by the students and their parents. The hostels should be equipped with sprinklers and smoke detectors in good working condition. Additionally, the management of hostel should also employ security guards for the security of students.

**7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT**

The metro cities serve as the biggest market for this proposed venture. Karachi, Lahore, Islamabad, Rawalpindi, Peshawar, Quetta, Faisalabad, Hyderabad, etc. are suitable locations for investment. These cities have a large number of educational institutions which increases the demand for students' hostels.

## 8. POTENTIAL TARGET MARKETS

The potential target markets are the students who seek outstation accommodations for acquiring higher education. The students may belong to universities, colleges, tuition academies or training centers. Table 2 provides details about the number of students enrolled as, per degree program, in different provinces/regions.

**Table 2: Enrollment as per degree program<sup>1</sup>**

Province/Region	Bachelor	Masters (16 years education)	Masters (16+ years education)	Ph.D.	Post Graduate Diploma
Punjab	270,078	80,095	65,643	8,256	947
Sindh	174,467	18,400	34,503	2,475	1,892
KPK	89,621	22,935	14,906	2,179	295
Baluchistan	14,755	7,750	4,731	228	0
AJ&K	13,122	5,875	2,730	242	3
GB	2,578	1,453	96	7	0
ICT	460,632	110,155	46,383	5,178	669
<b>Total</b>	<b>1,025,253</b>	<b>246,663</b>	<b>168,992</b>	<b>18,565</b>	<b>3,806</b>

Table 3 provides details of students enrolled as per gender in different provinces/regions in year 2020.

**Table 3: Enrollment as per gender<sup>2</sup>**

Province/Region	Male Students	Female Students	Total
Punjab	225,468	199,551	425,019
Sindh	148,432	83,305	231,737
KPK	98,130	31,806	129,936
Balochistan	17,139	10,325	27,464
AJ&K	11,496	10,476	21,972
GB	2,207	1,927	4,134
ICT	292,495	330,522	623,017
<b>Total</b>	<b>795,367</b>	<b>667,912</b>	<b>1,463,279</b>

<sup>1</sup> <https://www.finance.gov.pk/survey2021.html>

<sup>2</sup> University data is provided by HEC Islamabad year 2020

The students may also include trainees of professional qualifications. According to Punjab Bureau of Statistics, total enrollments during 2018-19 in Punjab are shown in Table 4.

**Table 4: Total Students Enrollment-2018-19**

Type of Schools	Number of Male Students	Number of Female Students
Mosque School	32,000	18,000
Primary school	2,295,000	2,602,000
Middle school	1,292,000	1,219,000
High School	2,065,000	2,209,000
Arts and science collage	631,000	639,000
Degree Classes	63,239	154,367
Graduation	25,034	52,557
Master's program	15,550	25,405
<b>Total</b>	<b>6,418,823</b>	<b>6,919,329</b>

According to Punjab Bureau of Statistics, the total enrolment in 2018-19 for all colleges and universities was recorded 259,105 in Punjab. The hostel targets only the male students which have strength of more than 100,000 in Lahore. A quick market research shows that approximately 40-50% of the enrolled students are non-native and live in either universities hostels or private guest houses or hostels. The proposed project will target mainly university students which are increasing every year according to the statistics issued by Punjab Bureau of Statistics. This project may also target working people in the targeted cities, who are non-native, as this will increase the pool of potential customers. By providing better facilities, the number of customers will increase. As the statistics show a rising trend of students, this project offers a good opportunity for potential investors to invest in the project and earn profits.

## 9. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of the student hostel. Various cost and revenue related assumptions 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 considering the relevant assumptions and the target market.

### 9.1. Project Economics

All the figures in this financial model have been calculated after carefully considering the relevant assumptions and the target market **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 5.

**Table 5: Financial Feasibility Analysis**

Description	Project
IRR	49%
NPV (PKR)	16,836,956
Payback Period (years)	2.70
Projection Years	10
Discount rate used for NPV	15%

### 9.3. Financial Feasibility Analysis Debt Financing

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 6.

**Table 6: Financial Feasibility Analysis with 50% Debt**

Description	Project
IRR	48%
NPV (PKR)	18,266,226
Payback Period (years)	2.68
Projection Years	10
Discount rate used for NPV	13%

### 9.4. Initial Project Cost

Table 7 provides fixed and working capital requirements for establishment and operations of the student's hostel business.

**Table 7: Initial Project Cost**

Particulars	Cost (PKR)
Land	-
Building Renovation Cost	669,000
Equipment	2,493,875
Furniture & Fixtures	2,503,000
Office Vehicles	80,800
Pre-operating costs	195,000
Security against Building Rent	300,000
<b>Total Capital Cost – (A)</b>	<b>6,241,675</b>
Working Capital	
Cash	500,000
<b>Working Capital Requirement - (B)</b>	<b>500,000</b>
<b>Total Project Cost - (A+B)</b>	<b>6,741,675</b>

#### 9.4.1. Land

The student hostel will be established in a rented building to avoid the high cost of land. Suitable location for setting up of hostel like this can be easily found on rent. Therefore, no land cost has been added to the project cost. Total space requirement for the proposed hostel has been estimated as 2,300 sq. ft. (10.22 Marla).

The breakup of the space requirement is provided in Table 8.

**Table 8: Breakup of Space Requirement**

Break-up of Area	% Break-up	Area (Sq. ft.)
Admin Office	3%	120
Parking Area	6%	270
Stairs	3%	132
Mess	3%	130
Kitchen	3%	120
Store room	2%	90
1- Bed Rooms with attached washrooms	7%	330

2- Beds Rooms with attached washrooms	22%	1,008
Corridor	2%	100
<b>Ground Floor</b>	<b>50%</b>	<b>2,300</b>
3-Beds Rooms with attached washrooms	46%	2100
Stairs	2%	110
Corridor	2%	90
<b>First Floor</b>	<b>50%</b>	<b>2,300</b>
<b>Total Area</b>	<b>100%</b>	<b>4,600</b>

Table 9: Room Area Breakup

Description	Single Bed (Sq. ft)	Double Bed Room (Sq. ft)	Three bed Room (Sq. ft)
Bed Area	24	48	72
Washroom Area	24	30	36
Study Table	8	16	24
Open space	46	60	60
Cupboard	8	14	18
<b>Total</b>	<b>110</b>	<b>168</b>	<b>210</b>

#### 9.4.2. Building and Renovation Cost

There will be no cost of building construction since the hostel will be started in the rented building. However, there will be a renovation cost required to make the building ready to be used for the business. The proposed hostel requires estimated electricity load of around 2-3 KW for which an electricity connection under the General Supply Tariff-Commercial single phase will be required. Cost of electricity connection has not been included in the capital cost, since they are normally already available in such rented premises. Building rent of PKR 100,000 per month has been included in the operating cost.

Table 10 provides details of building renovation cost.

**Table 10: Renovation Cost Details**

Cost Item	Unit of Measurement	Total Liter / Area / Number	Cost / Unit / sq. ft.	Total Cost
Paint Cost	Liters	460	500	230,000
Labor Cost	Feet	46,000	8	368,000
Curtains	Units	17	3,000	51,000
Blinds	Units	4	5,000	20,000
<b>Total (PKR)</b>				<b>669,000</b>

### 9.4.3. Equipment Requirement

Table 11 shows details of equipment cost required for the student hostel.

**Table 11: Equipment Cost Details**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Laptop / Desktop	1	80,000	80,000
Air Conditioners	21	90,000	1,890,000
Printer	1	40,000	40,000
Digital Video Recorder (DVR)	1	12,000	12,000
Security Cameras	8	2,000	16,000
LED / LCD 32"	1	40,000	40,000
Kitchen Utensils (Table12)			140,875
Water Dispensers for Admin Office	1	20,000	20,000
Water Filter	1	30,000	30,000
Electric Water Chiller - 80 Gallon	2	35,000	70,000
Deep Freezer	2	60,000	120,000
WIFI / Internet Connection	5	5,000	25,000
Pump-motor (1.5 HP)	1	10,000	10,000
<b>Total</b>			<b>2,493,875</b>



**Table12: Kitchen Utensils List**

Cost Item	No.	Unit Cost (PKR)	Total Cost (PKR)
Plates for:			
Rice	90	250	22,500
Sweet	90	100	9,000
Bowls	25	200	5,000
Tray	25	500	12,500
Spoons For:			
Rice	90	50	4,500
Forks	90	50	4,500
Cooking Utensils:			
Pressure Cooker	1	3,000	3,000
Cooking Spoons Set	1	2,000	2,000
Pot Set	3	6,000	18,000
Pans	2	1,500	3,000
Paratha Wok	1	1,000	1,000
Wok	1	1,500	1,500
Stove	3	5,000	15,000
Cylinder	3	12,000	36,000
Chaaba (Roti pan)	23	150	3,375
<b>Total</b>			<b>140,875</b>

#### 9.4.4. Furniture & Fixtures

The hostel building obtained on rent will be specially built for the hostel business and cupboards will be already inbuilt in each room. Therefore, no cupboard cost is included in the furniture and fixture cost.

Table 13 provides details of furniture and fixtures.

**Table 13: Furniture & Fixtures**

Cost Item	No.	Unit Cost (PKR)	Cost (PKR)
Office Tables	1	25,000	25,000
Executive Chairs	1	20,000	20,000

Sofa Set	2	35,000	70,000
Table for Guests	1	10,000	10,000
Mattresses	45	8,000	360,000
Single Beds	45	20,000	900,000
Mess Furniture Tables	10	10,000	100,000
Mess Furniture Chairs	45	8,000	360,000
Room Chairs for Students	45	8,000	360,000
Room Table for Students	19	10,000	190,000
Ceiling Fans	24	4,500	108,000
<b>Total</b>			<b>2,503,000</b>

#### 9.4.5. Vehicle

Table 14 provides details of the vehicles required along with their cost for the proposed project.

**Table 14: Vehicle Cost Details**

Cost Item	No.	Unit Cost (PKR)	Vehicle Registration Cost (PKR) @ 1%	Cost (PKR)
Motorcycle	1	80,000	800	80,800
<b>Total Cost (PKR)</b>				<b>80,800</b>

#### 9.4.6. Pre-Operating Cost

Details of pre-operating cost are included in Table 15.

**Table 15: Pre-Operating Cost**

Staff	Total (PKR)
Administration expense	195,000
<b>Total Cost (PKR)</b>	<b>195,000</b>

#### 9.4.7. Advance Security against Building Rent

Table 16 provides details about advance security against building rent.

**Table 16: Advance Security against Building Rent**

Cost Item	No.	Unit Cost (PKR)	Total (PKR)
Advance Rent	3	100,000	300,000
<b>Total Cost (PKR)</b>			<b>300,000</b>

#### 9.4.8. Licenses, Permits, etc.

For establishing a student hostel, a No-Objection-Certificate (NOC) is required from the neighbors. Further, details of every resident (of hostel) are required to be furnished / registered at the Public Service Desk of Police Station in the vicinity.

There is no cost of obtaining NOC and registering with police authorities.

#### 9.5. Break Even Analysis

Calculation of wise break-even analysis is provided in Table 17.

**Table 17: Break Even Analysis**

Particulars	Amount First Year (PKR)	Ratios
Revenue	7,392,000	100%
Variable Cost	4,106,139	56%
Contribution	3,285,861	44%
Fixed Cost	3,143,880	43%
Contribution Margin	44%	
Contribution Margin Per Seat	131,434	
Breakeven Occupancy (Seat)	24	
Breakeven Revenue (PKR)	7,072,594	
Breakeven Capacity	53%	

#### 9.6. Revenue Generation

The facilities provided by the student hostel may include but not limited to:

- Carpeted Rooms with Bed and Mattress
- Meal
- Internet / Wi-Fi

- Pure Drinking Water
- Air Conditioner
- Laundry
- Surveillance
- Rooms with attached Bath Room
- A Common Room for Mess

Table 18 provides details for expected revenue generation of the proposed Student Hostel during the first year of operations.

**Table 18: Revenue Generation**

Room Category	Max Capacity (A)	Occupancy for initial year @ 55% (B)	Charges per Bed (C) (Per Month) (PKR)	Revenue for the initial year $R=(B*C) *12$ (PKR)
One Bed	3	1	32,000	384,000
Two Beds	12	4	26,000	1,248,000
Three Beds	30	20	24,000	5,760,000
<b>Total</b>	<b>45</b>	<b>25</b>		<b>7,392,000</b>

**Table 19: Room Charges Breakup**

Room Category	Number of Bed	Room Charges Per Bed (PKR)	Mess Charges per Bed (PKR)	Rooms Maintenance Charges (PKR)	Utilities Charges Per Bed (PKR)	Total Charges Per Bed Per Month (PKR)
One Bed	1	12,000	7,000	3,000	10,000	32,000
Two Beds	2	8,500	7,000	1,500	9,000	26,000
Three Beds	3	7,000	7,000	1,000	9,000	24,000

### 9.7. Variable Costs

Details of variable costs are provided in Table 20.

**Table 20: Variable Costs**

Description Costs	Amount (PKR)
Direct Cost of Services - 1 (Room Maintenance Expenses)	300,000
Direct Cost of Services - 2 Direct cost of Utilities	998,264

Direct labour Salaries	960,000
Operating costs 2 - Kitchen Expenses	1,440,725
Operating costs 3 - Gas Consumption	226,190
Travelling expense	48,000
Communications expense (phone, mail, internet, etc.)	48,000
Office vehicles running expense	36,960
Office expenses (stationery, janitorial services, etc.)	48,000
<b>Total</b>	<b>4,106,139</b>

**Table 21: Room Maintenance Costs**

Description Costs	Per Month (PKR)	Number of Months	Number of Rooms	Amount (PKR)
Room Maintenance Cost	2,500	12	10	300,000
<b>Total</b>				<b>300,000</b>

**Table 22: Kitchen Expenses**

Description Costs	Amount (PKR)
Kitchen Expense per week / Person	1,121
Kitchen Expense per month /Person (1,121/7*30)	4,802
Annual Kitchen Expenses/ Person (4802*12)	57,629
Total occupancy (first year)	25
<b>Total</b>	<b>1,440,725</b>

**Table 23: Hostel's Menu Card**

Day	Breakfast	Breakfast Cost (PKR)	Lunch (PKR)	Lunch Cost (PKR)	Dinner (PKR)	Dinner Cost (PKR)	Total Cost Per Week Per Person (PKR)
Sunday	Paratha, Egg, Tea, Halwa	85	Biryani	100	Noodles	150	335
Monday	Paratha,	55			Daal Chawal	62	117

	Egg, Tea						
Tuesday	Paratha, Egg, Tea	55			Chicken Qorma	56	111
Wednesday	Paratha, Egg, Tea	55			Potato+Beef Qeema	110	165
Thursday	Bread, Egg, Tea	45			Biryani	100	145
Friday	Paratha, Egg, Tea	55			Chicken+ Potato	48	103
Saturday	Bread, Egg, Tea	45			Mix Veg	100	145
		<b>395</b>		<b>100</b>		<b>626</b>	<b>1,121</b>

**Table 24: Gas Consumption**

Description Costs	Consumption (Cylinder)	Rate per Cylinder (PKR)	Amount per Month (PKR)	Annual Cost (PKR)
Gas (Cylinder 11 kg)	10	1,885	18,850	226,190
<b>Total</b>				<b>226,190</b>

**Table 25: Variable Costs Assumptions**

Description Costs	Rationale
Direct Cost of Services - 2 Direct cost of Utilities	Per month
Direct Labour Salaries	Per month salary
Operating costs 2 - Kitchen Expenses	Per student cost per annum
Travelling expense	5% of admin expenses
Communications expense (phone, mail, internet, etc.)	5% of admin expenses
Office vehicles running expense	0.50% of revenue
Office expenses (stationery, entertainment, janitorial services, etc.)	5% of admin expenses

## 9.8. Fixed Costs

Details of fixed costs are provided in Table 26.

**Table 26: Fixed Costs**

Fixed Cost	Amount (PKR)
------------	--------------

Management staff Salaries	960,000
Administration benefits expense	38,400
Building rental expense	1,200,000
Indirect Electricity Cost	7,518
Promotional Expenses	36,960
Depreciation expense	862,001
Amortization of pre-operating costs	39,000
<b>Total</b>	<b>3,143,880</b>

### 9.9. Human Resource Requirement

The proposed project shall require the workforce as provided in Table 27.

**Table 27: Human Recourse Requirement**

Personnel	Number of Personnel	Salary Per Month Per-Resource (PKR)	Annual Salaries (PKR)
Warden	1	35,000	420,000
Kitchen Staff - Cook	1	25,000	300,000
Kitchen Staff - Helper	1	20,000	240,000
Security	2	20,000	480,000
Labour	1	20,000	240,000
Sweeper	1	20,000	240,000
<b>TOTAL</b>	<b>7</b>	<b>-</b>	<b>1,920,000</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 28.

**Table 28: Contact Details**

Supplier Name	City	Contact no	Email/Website
International Furniture & Light House	Lahore	042-36306263	
Kitchen Herbs & Accessories Store	Lahore	0303-4442242	
Master Molty Foam	Lahore	0300-4273595	<a href="http://www.moltyfoam.com.pk">www.moltyfoam.com.pk</a>
Mohkam Furniture	Lahore	0322-4814042	<a href="http://mohkamfurniture.com">mohkamfurniture.com</a>
Mian Umair CCTV camera	Lahore	0300-4551715	<a href="http://mian-umair-cctv-">mian-umair-cctv-</a>
Curtain Clothing Company	Lahore	0324-4791181	
Window Blinds - Decorita.pk	Lahore	0309-3311333	<a href="http://www.decorita.pk">www.decorita.pk</a>
Kitchen Dunya	Karachi	0300-9296915	<a href="http://www.kitchendunya.com/">www.kitchendunya.com/</a>
Kitchen Auction Centre	Rawalpindi	0300-0074482	<a href="http://kitchenauctioncenter.com/">kitchenauctioncenter.com/</a>
Domestic Cookware	Gujranwala	055-42855505	<a href="http://cookware.com.pk/">//cookware.com.pk/</a>
Infoisinfo (Furniture Supplier)	Karachi		<a href="http://www.karachi.infoisinfo.com.pk">www.karachi.infoisinfo.com.pk</a>
Fotile (kitchen Utensil's supplier)	Islamabad	(051) 5709215	<a href="http://www.fotile.pk">www.fotile.pk</a>
Paktron CCTV Pakistan	Islamabad	0345 5886114	<a href="http://cctv.paktron.net">cctv.paktron.net</a>
Redwood Furniture	Peshawar	(091) 5702678	
Master Molty Foam	Peshawar	0314 9076750	



## 11. USEFUL LINKS

**Table 29: 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	<a href="http://www.nbdp.org.pk">www.nbdp.org.pk</a>
Government of Pakistan	<a href="http://www.pakistan.gov.pk">www.pakistan.gov.pk</a>
Government of Punjab	<a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>
Government of Sindh	<a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>
Government of KPK	<a href="http://www.kp.gov.pk">www.kp.gov.pk</a>
Government of Balochistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
Islamabad Police	<a href="http://www.islamabadpolice.gov.pk">www.islamabadpolice.gov.pk</a>
Punjab Police	<a href="http://punjabpolice.gov.pk/tenants">punjabpolice.gov.pk/tenants</a>
Police-Khyber Pakhtunkhwa	<a href="http://www.police.kp.gov.pk/">www.police.kp.gov.pk/</a>
Sindh Police	<a href="http://www.sindhpolice.gov.pk/">www.sindhpolice.gov.pk/</a>
Police Department AJK	<a href="http://www.police.ajk.gov.pk/">www.police.ajk.gov.pk/</a>
Pakistan Youth Hostels Association	<a href="http://www.pyhahostels.com">www.pyhahostels.com</a>
Youth Hostel	<a href="http://ww1.pakistanyouthhostels.co">ww1.pakistanyouthhostels.co</a>

## 12. ANNEXURES

### 12.1. Income Statement

Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	7,392,000	10,507,200	14,171,520	17,185,872	19,818,058	21,799,863	23,979,850	26,377,835	29,015,618	31,917,180
<i>Cost of sales</i>										
Direct Cost of Services - 1 (Room Maintenance Expenses)	300,000	433,680	605,907	742,520	871,553	969,167	1,077,714	1,198,418	1,332,641	1,481,897
Direct Cost of Services - 2 Direct cost of Utilities	998,264	1,085,445	1,180,494	1,283,866	1,396,290	1,518,559	1,651,534	1,796,153	1,953,436	2,124,492
Direct labor Salaries	960,000	1,030,400	1,105,963	1,187,067	1,274,118	1,367,553	1,467,841	1,575,482	1,691,018	1,815,026
Operating costs 2 - Kitchen Expenses	1,440,725	2,005,612	2,658,382	3,187,698	3,628,082	3,945,782	4,291,300	4,667,075	5,075,756	5,520,223
Operating costs 3 - Gas Consumption	226,190	349,667	512,909	676,475	848,393	1,014,952	1,214,211	1,452,588	1,737,765	2,078,929
Total cost of sales	3,925,179	4,904,805	6,063,655	7,077,626	8,018,437	8,816,013	9,702,600	10,689,717	11,790,616	13,020,566
Gross Profit	3,466,821	5,602,395	8,107,865	10,108,246	11,799,621	12,983,850	14,277,250	15,688,117	17,225,002	18,896,613
<i>General administration &amp; selling expenses</i>										
Management staff Salaries	960,000	1,030,400	1,105,963	1,187,067	1,274,118	1,367,553	1,467,841	1,575,482	1,691,018	1,815,026
Administration benefits expense	38,400	41,216	44,239	47,483	50,965	54,702	58,714	63,019	67,641	72,601
Building rental expense	1,200,000	1,320,000	1,452,000	1,597,200	1,756,920	1,932,612	2,125,873	2,338,461	2,572,307	2,829,537
Indirect Electricity Cost	7,518	8,175	8,891	9,669	10,516	11,437	12,439	13,528	14,712	16,001
Travelling expense	48,000	51,520	55,298	59,353	63,706	68,378	73,392	78,774	84,551	90,751
Communications expense (phone, fax, mail, internet, etc.)	48,000	51,520	55,298	59,353	63,706	68,378	73,392	78,774	84,551	90,751
Office vehicles running expense	36,960	40,028	43,350	46,948	50,845	55,065	59,635	131,889	142,836	154,691
Office expenses (stationary, entertainment, janitorial services, )	48,000	51,520	55,298	59,353	63,706	68,378	73,392	78,774	84,551	90,751
Promotional expense	36,960	52,536	70,858	85,929	99,090	108,999	119,899	131,889	145,078	159,586
Depreciation expense	862,001	862,001	862,001	862,001	862,001	862,001	574,668	1,631,961	1,631,961	1,631,961
Amortization of pre-operating costs	39,000	39,000	39,000	39,000	39,000	-	-	-	-	-
Miscellaneous expense 1	-	-	-	-	-	-	-	-	-	-
Subtotal	3,324,840	3,547,916	3,792,195	4,053,357	4,334,573	4,597,503	4,639,244	6,122,552	6,519,205	6,951,657
Operating Income	141,981	2,054,479	4,315,670	6,054,889	7,465,048	8,386,347	9,638,006	9,565,566	10,705,797	11,944,957
Gain / (loss) on sale of office equipment	-	-	-	-	-	-	997,550	-	-	-
Gain / (loss) on sale of office vehicles	-	-	-	-	-	-	20,200	-	-	-
Earnings Before Interest & Taxes	141,981	2,054,479	4,315,670	6,054,889	7,465,048	8,386,347	10,655,756	9,565,566	10,705,797	11,944,957
Subtotal	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	141,981	2,054,479	4,315,670	6,054,889	7,465,048	8,386,347	10,655,756	9,565,566	10,705,797	11,944,957
Tax	92,400	198,172	714,701	1,239,210	1,732,766	2,055,221	2,849,514	2,467,947	2,867,028	3,300,734
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>49,581</b>	<b>1,856,307</b>	<b>3,600,969</b>	<b>4,815,679</b>	<b>5,732,282</b>	<b>6,331,127</b>	<b>7,806,242</b>	<b>7,097,618</b>	<b>7,838,769</b>	<b>8,644,223</b>

## 12.2. 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 Year 10
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	500,000	1,333,576	3,142,361	5,365,134	7,528,573	9,512,772	11,208,368	8,695,131	17,408,858	26,862,145	37,378,511
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	-	110,000	121,000	133,100	146,410	161,051	177,156	194,872	214,359	235,795	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid insurance	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>500,000</b>	<b>1,443,576</b>	<b>3,263,361</b>	<b>5,498,234</b>	<b>7,674,983</b>	<b>9,673,823</b>	<b>11,385,524</b>	<b>8,890,003</b>	<b>17,623,217</b>	<b>27,097,940</b>	<b>37,378,511</b>
<i>Fixed assets</i>											
Machinery & equipment	669,000	568,650	468,300	367,950	267,600	167,250	66,900	1,358,583	1,154,795	951,008	747,220
Furniture & fixtures	2,503,000	2,127,550	1,752,100	1,376,650	1,001,200	625,750	250,300	5,083,008	4,320,557	3,558,105	2,795,654
Office vehicles	80,800	68,680	56,560	44,440	32,320	20,200	8,080	164,086	139,473	114,860	90,247
Office equipment	2,493,875	2,119,794	1,745,713	1,371,631	997,550	623,469	249,388	4,274,063	3,632,954	2,991,844	2,350,735
Advance against building	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
<b>Total Fixed Assets</b>	<b>6,046,675</b>	<b>5,184,674</b>	<b>4,322,673</b>	<b>3,460,671</b>	<b>2,598,670</b>	<b>1,736,669</b>	<b>874,668</b>	<b>11,179,740</b>	<b>9,547,779</b>	<b>7,915,818</b>	<b>6,283,857</b>
<i>Intangible assets</i>											
Pre-operation costs	195,000	156,000	117,000	78,000	39,000	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>195,000</b>	<b>156,000</b>	<b>117,000</b>	<b>78,000</b>	<b>39,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>6,741,675</b>	<b>6,784,250</b>	<b>7,703,034</b>	<b>9,036,905</b>	<b>10,312,653</b>	<b>11,410,492</b>	<b>12,260,192</b>	<b>20,069,742</b>	<b>27,170,995</b>	<b>35,013,758</b>	<b>43,662,368</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable	-	17,784	20,810	24,471	27,759	31,066	34,078	37,387	41,022	45,015	49,403
Export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Short term debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>17,784</b>	<b>20,810</b>	<b>24,471</b>	<b>27,759</b>	<b>31,066</b>	<b>34,078</b>	<b>37,387</b>	<b>41,022</b>	<b>45,015</b>	<b>49,403</b>
<i>Other liabilities</i>											
<i>Shareholders' equity</i>											
Paid-up capital	6,741,675	6,741,675	6,741,675	6,741,675	6,741,675	6,741,675	6,741,675	6,741,675	6,741,675	6,741,675	6,741,675
Retained earnings	-	24,790	940,549	2,270,759	3,543,219	4,637,750	5,484,438	13,290,680	20,388,299	28,227,068	36,871,290
<b>Total Equity</b>	<b>6,741,675</b>	<b>6,766,465</b>	<b>7,682,224</b>	<b>9,012,434</b>	<b>10,284,894</b>	<b>11,379,425</b>	<b>12,226,113</b>	<b>20,032,355</b>	<b>27,129,974</b>	<b>34,968,743</b>	<b>43,612,965</b>
<b>TOTAL CAPITAL AND LIABILITY</b>	<b>6,741,675</b>	<b>6,784,250</b>	<b>7,703,034</b>	<b>9,036,905</b>	<b>10,312,653</b>	<b>11,410,492</b>	<b>12,260,192</b>	<b>20,069,742</b>	<b>27,170,995</b>	<b>35,013,758</b>	<b>43,662,368</b>

### 12.3. Cash Flow Statement

Statement Summaries											SMEDA
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	-	49,581	1,856,307	3,600,969	4,815,679	5,732,282	6,331,127	7,806,242	7,097,618	7,838,769	8,644,223
Add: depreciation expense	-	862,001	862,001	862,001	862,001	862,001	862,001	574,668	1,631,961	1,631,961	1,631,961
amortization expense	-	39,000	39,000	39,000	39,000	39,000	-	-	-	-	-
Pre-paid building rent	-	(110,000)	(11,000)	(12,100)	(13,310)	(14,641)	(16,105)	(17,716)	(19,487)	(21,436)	235,795
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Advance insurance premium	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	17,784	3,025	3,661	3,287	3,308	3,012	3,309	3,635	3,993	4,388
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
<b>Cash provided by operations</b>	-	858,367	2,749,334	4,493,532	5,706,657	6,621,950	7,180,035	8,366,502	8,713,727	9,453,287	10,516,366
<i>Financing activities</i>											
Issuance of shares	6,741,675	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares	-	-	-	-	-	-	-	-	-	-	-
<b>Cash provided by / (used for) financ</b>	6,741,675	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(6,241,675)	-	-	-	-	-	-	(10,879,740)	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
<b>Cash (used for) / provided by invest</b>	(6,241,675)	-	-	-	-	-	-	(10,879,740)	-	-	-
<b>NET CASH</b>	500,000	858,367	2,749,334	4,493,532	5,706,657	6,621,950	7,180,035	(2,513,237)	8,713,727	9,453,287	10,516,366

## 13. KEY ASSUMPTIONS

### 13.1. Operating Cost Assumptions

Table 30 provides operating costs assumptions.

**Table 30: Operating Cost Assumptions**

Description	Details
Operating costs growth rate	8.3% of general inflation rate
Administration benefits expense	2% of administration expenses
Travelling expenses	5% of administration expenses
Communication expenses	5% of administration expenses
Office Vehicle running expenses	0.50% of administration expenses
Promotional expense	0.5% of revenue
Office expenses (stationery, janitor, etc.)	5% of administration expenses

### 13.2. Production Cost Assumptions

Table 31 provides cost assumptions.

**Table 31: Cost Assumptions**

Description	Details
Direct cost of services growth rate	11.2%
Operating costs 3- Gas Consumption	3%

### 13.3. Revenue Assumptions

Table 32 provides revenue assumptions.

**Table 32: Revenue Assumptions**

Description	Details
Sale price growth rate	10%
Capacity utilization	44%
Occupancy growth rate	10%

### 13.4. Financial Assumptions

**Table 33: Financial Assumptions**

Description	Details
Projection Years	10
Debt: Equity	0:100
Discount Rate (Used for Equity)	15%
Discount Rate (Used for Debt: Equity 50:50)	13%

### 13.5. Cash Flow Assumptions

**Table 34: Cash Flow Assumptions**

Description	Details
Accounts receivable cycle (in days)	-
Accounts payable cycle (in days)	5