



## Pre-Feasibility Study

(Beauty Clinic)



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**Ministry of Industries & Production**  
**Government of Pakistan**

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*Note: All SMEDA Services / information related to PM's Youth Business Loan are Free of Cost*

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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 taken to compile this document, the contained information may vary due to any change in any of the concerned factors, and the actual results may differ substantially from the presented information. SMEDA, its employees or agents do not assume any liability for any financial or other loss resulting from this memorandum in consequence of undertaking this activity. The contained information does not preclude any further professional advice. The prospective user of this memorandum is encouraged to carry out additional diligence and gather any information which is necessary for making an informed decision; including taking professional advice from a qualified consultant / technical expert before taking any decision to act upon the information.

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## 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, production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in Beauty Clinic Business by providing them 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 the 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 and 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 Youth Business Loan', for young entrepreneurs, with an allocated budget of Rs. 5.0 Billion for the year 2013-14, is designed to provide subsidised financing at 8% mark-up per annum for one hundred thousand (100,000) beneficiaries, through designated financial institutions, initially by the National Bank of Pakistan (NBP) and the First Women Bank Ltd. (FWBL).

Loans from Rs. 0.1 million to Rs. 2.0 million with tenure up to 8 years, inclusive of 1 year grace period, and a debt : equity of 90 : 10 will be disbursed to SME beneficiaries across Pakistan, covering; Punjab, Sindh, Khyber Pakhtunkhwa, Balochistan, Gilgit Baltistan, Azad Jammu & Kashmir and Federally Administered Tribal Areas (FATA).

## 5 EXECUTIVE SUMMARY

This particular pre-feasibility is for establishing a "Beauty Clinic". The important aspects that should be taken into account while making investment decisions are efficient marketing, induction of qualified beauticians and provision of quality services at reasonable prices.

The total project cost is Rs. 2.19 million out of which Rs. 1.74 million is the capital cost and Rs. 0.45 million for working capital. The debt and equity ratio is 90% and 10%. The project NPV is around Rs. 12.64 million, with an IRR of 63%, and payback period of 2.25 years.

The project is proposed to be set up in a suitable locality of any of the urban centers of Pakistan. The proposed venture will provide direct employment to 08 individuals. The total capacity of the clinic will be to handle 8,400 customers per annum. The services to be extended by the beauty clinic shall include a wide range of face and body treatments including make-up, manicures / pedicures and hairdressing services.

The proposed potential location for the project is in urban cities across Pakistan such as Lahore, Karachi, Islamabad, Quetta, Multan, Peshawar and other cities.

## 6 BRIEF DESCRIPTION OF THE PROJECT & PRODUCT

This specific project pertains to setting up a beauty clinic as there is an increasing demand for beauty care services. The clinic will be established in a rented premise having a covered area of 2,000 sq ft.

Party and bridal makeup, facial, body treatment and hairdressing are the major service categories. The clinic will have 8 employees including the owner / manager. The beauty clinic is proposed to operate as a "Sole Proprietorship".

## 7 CRITICAL FACTORS

- The entrepreneur should have basic knowledge and experience in the requisite field.
- Efficient sourcing of quality inputs / materials to maintain price and quality relationship.
- Induction of qualified beauticians and support staff and their regular training.
- Effective marketing would be the key element in the initial and subsequent success of the beauty clinic.
- Location of the business addressing accessibility considerations of the target market.

## 8 INSTALLED & OPERATIONAL CAPACITIES

The project will engage 08 permanent staff including owner / manager and 04 trainee beauticians providing beauty care services. The clinic will function 8 hours daily and the total capacity of the beauty clinic will be to entertain 8,400 customers annually. In first year, the clinic will operate at 35% capacity by handling 2,940 clients.

## 9 POTENTIAL TARGET MARKET / CITIES

The said project can be started in any suitable area of urban centres because of the changing lifestyle of people across Pakistan.

## 10 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of the project under the 'Prime Minister's Youth Business Loan'. Various cost and revenue related assumptions along with results of the analysis are outlined in this section.

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

### 10.1 Project Economics

All the figures in this financial model have been calculated for a target of 28 clients per day (i.e. 8,400 clients per year). However, it is assumed that during the first year of the operations the project will cater for around 2,940 clients (i.e. 35% of overall client service facility) of various service categories. The service details of first year clients are as follows:

**Table 1: Category Wise Service Capacity in Year 1**

Sr. No	Description	No of Clients Year 1
1	Facial	441
2	Waxing and Threading	441
3	Bridal Make Ups	147
4	Party Make Ups	294
5	Manicure / Pedicure	235
6	Body Treatments (Body Scrubs, Body Mask and Massaging)	206
7	Hair Cuts	441
8	Hair Dying	441
9	Hair Styling (Straightening, Rebounding, Curling and etc)	294
	<b>Total</b>	<b>2,940</b>

The following table shows internal rate of return, payback period and net present value.

**Table 2: Project Economics**

Description	Details
Internal Rate of Return (IRR)	63%
Payback Period (Years)	2.25
Net Present Value (NPV)	Rs. 12,638,294

Returns on the scheme are based on the services rendered to the clients and estimated margin on consumed raw materials.

## 10.2 Project Financing

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

**Table 3: Project Finance**

Description	Details
Total Equity (10%)	Rs. 219,306
Bank Loan (90%.)	Rs. 1,973,753
Markup to the Borrower (%age/annum)	8%
Tenure of the Loan (Years)	8
Grace Period (Year)	1

## 10.3 Project Cost

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

**Table 4: Capital Investment for the Project**

Capital Investment	Amount Rs.
Machinery and Equipment	309,000
Furniture, Fixtures and Interior Decoration	1,127,000
Office Equipment	98,500
Pre-operating costs	204,000
<b>Total Capital Cost</b>	<b>1,738,500</b>
<b>Working Capital</b>	
Equipment Spare Part Inventory	5,470
Raw Material Inventory	164,089
Upfront Building Rent*	135,000
Cash	150,000
<b>Total Working Capital</b>	<b>454,559</b>
<b>Total Investment</b>	<b>2,193,058</b>

\*3 months security and 1 months advance rent @ Rs. 45,000 per month



## 10.4 Space Requirement

Approximately 2,000 square feet covered area is required for the proposed Beauty Clinic. The covered area includes following sections:

Main Sections
Hair Dressing Area
Manicure/Pedicure Area
Makeup Area
Massage Area
Facial Area
Threading/Polishing Area
Waiting Area
Reception
Store
Office
Wash Rooms

It is recommended to take a 5 Marla double storey house on rent to start this project. Starting the beauty clinic in a rented building would significantly reduce the initial capital cost of the project. The estimate rent of a 5 Marla double story house in an upper middle class locality of large cities is assumed at Rs. 45,000 per month.

Comparatively, if land is purchased, and a new building is constructed, it would cost approximately 8-10 million rupees. This makes a huge difference in project cost.

## 10.5 Machinery and Equipment Requirement

Following table provides the list of machinery and equipment required for the proposed services of beauty clinic.

**Table 5: List of Machinery and Equipment**

Sr. No	Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
1	Electric Facial Unit	3	45,000	135,000
2	Steamer for Hair	2	15,000	30,000
3	Pedicure Machine	2	8,000	16,000
4	Back Wash for Washing Hair	2	20,000	40,000
5	Warmer for hot Wax/Cold Wax	2	5,000	10,000
6	Magnifying Glass	1	3,000	3,000
7	Hair Dryer	4	5,000	20,000
8	Hair Straighter	2	2,500	5,000
9	Accessories		50,000	50,000
	<b>Total</b>			<b>309,000</b>

Machinery & Equipment can be purchased from local whole sale market.

**S M E D A**

## 10.6 Furniture, Fixtures and Interior Decoration

The major expenses of beauty clinic mainly comprised of the furniture, fixtures and interior decoration. The details of furniture, fixtures and interior decoration requirement for the proposed venture are as follows:

**Table 6: Furniture, Fixtures and Interior Decorations**

Sr. No	Description	Quantity / Area	Cost/Rate (Rs.)	Total Amount (Rs.)
1	Beds (for Facial & Waxing)	4	20,000	80,000
2	Hair Dressing/Threading (chair & Mirror)	5	25,000	125,000
3	Make-up Chair & Mirrors	3	30,000	90,000
4	Chairs (for Waiting Area and manicure/pedicure)	8	3,000	24,000
5	Waiting Area Sofa set	1	35,000	35,000
6	Back Rack	100	750	75,000
7	Reception & Cash counter	1	25,000	25,000
8	Display Counter	3	10,000	30,000
9	Main Door Sign Board	1	15,000	15,000
10	Counter Chair	2	5,000	10,000
11	False Ceiling (Sq. ft)	760	50	38,000
12	Lightening	1	50,000	50,000
13	Air Conditioners	4	50,000	200,000
14	UPS and Batteries	2	17,500	35,000
15	Generator	1	175,000	175,000
16	LCD TV	1	40,000	40,000
17	Fans	8	2,500	20,000
18	Back Mirrors	2	5,000	10,000
19	Miscellaneous		50,000	50,000
	<b>Total</b>			<b>1,127,000</b>

## 10.7 Office Equipment

Following table provide the list of office equipment required for the proposed project:

**Table 7: Office Equipment**

Sr. No	Description	Quantity	Unit Cost (Rs.)	Total (Rs.)
1	Computer	1	20,000	20,000
2	Printer (s)	1	10,000	10,000
3	Telephone Sets	3	1,500	4,500
4	Refrigerator	1	35,000	35,000
5	Microwave	1	12,000	12,000
6	Water Dispenser	1	12,000	12,000
7	Music System	1	5,000	5,000
				<b>98,500</b>

## 10.8 Raw Material Requirements

As mentioned above the proposed venture mainly provides the beauty and hair treatment services to the women clients. A large number of cosmetics and other beauty products are used in a beauty clinic. A brief list of these products is provided in the table below. For this project it is assumed that cost of beauty products will be the 30% of the sales value.

**Table 8: Raw Materials (Beauty Products)**

Beauty Products	Used In
Foundation, eye shadows, face powders, lipsticks, lip pencils, blushers, hina (black, red), eye lash extensions, and etc.	Makeup – bridal & party
Scrubs, Massage Creams/Oils, Polishers/Bleach Creams, Masks, Cleansers, etc.	Manicure / pedicure, facial, Polisher, body scrubs/massage
Hot wax and Cold Wax	Waxing
Hair dyes, cutting scissors, combs, brushes, rollers, clips, foil papers, hair caps, hair extensions, etc	Hair coloring, cutting/ styling
Manicure/pedicure kits, nail paints, nail extensions, nail polish & remover, etc	Manicure / pedicure

- *Beauty care products can be purchased from main supplier or from the local whole sale market.*

## 10.9 Human Resource Requirement

The required HR for successfully operating the proposed project mainly includes:

**Table 9: Human Resource Requirement**

Sr. No	Description	No of Persons	Salary per Month / Person (Rs.)
1	Owner/ Manager	1	40,000
2	Beauticians (Hair Dressers and Make-up)	4	16,000
3	Support Staff Girls	2	10,000
6	Guard	1	10,000
7	Trainee Beautician*	4	-

*\*Trainee beauticians will be hired on three months tenure as a part of "Beautician Learning Course" without any fee or remunerations. After successful completion of the course trainees would be awarded beautician certificates, however their permanent hiring will be on need basis. The "Beautician Learning Course" will be a regular activity of the proposed business venture.*

The Owner / Manager shall formulate the policies and take strategic decisions. Whereas rest of the team shall be engaged in order to manage the operational affairs of this project under the supervision of Manager. The appropriate experience along with high level of skill set would be required for the key professionals.

## 10.10 Revenue Generation

**Table 10: Sales Revenue estimated during First Year of Operations**

Sr. No	Category of Services	Average Price	No of Clients	Sales Revenue
1	Facial	1,000	441	441,000
2	Waxing and Threading	750	441	330,750
3	Bridal Make Ups	20,000	147	2,940,000
4	Party Make Ups	3,500	294	1,029,000
5	Manicure / Pedicure	1,000	235	235,000

6	Body Treatments (Body Scrubs, Body Mask and Massaging)	1,000	206	206,000
7	Hair Cuts	800	441	352,800
8	Hair Dying	1,000	441	441,000
9	Hair Styling (Straightening, Rebouncing, Curling and etc)	2,000	294	588,000
	<b>Total</b>		<b>2,940</b>	<b>6,563,550</b>

The profitability of the project is highly dependent on quality of services and extensive marketing and promotion of the project to attract the clients as per the calculated estimates. In addition to that retention of clients will have a high impact on profitability.

### 10.11 Other Costs

This service oriented project requires heavy marketing and promotion activities, for which approximately 15% of total sales revenue (i.e. Rs. 984,533) will be consumed on marketing and promotion expenses annually with 10% increase. Similarly, electricity expenses are estimated to be around Rs. 35,000 per month with an annual increase of 10%. Moreover, expenses on fuel of generator and miscellaneous will also be the part of other related costs.

## 11 CONTACT DETAILS OF EXPERTS & CONSULTANTS

Principal Qasr -e- Behbood School  
M – Block, Model Town Extension, Lahore  
042-99230852

Pakistan Hairdressers and Beauticians Association  
22, Qazi Court, Bhadrabad Roundabout, Karachi  
021-4559191  
www.phaba.com.pk

All Pakistan Hair Dressers & Beautician Federation  
16-F, Hameed Nizami (Temple Road), Saffa Wala Chowk, Lahore  
042-36373183

## 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	6,563,550	8,270,073	10,130,839	12,157,007	14,360,465	16,753,876	19,350,726	22,165,378	24,936,050	26,182,852
<i>Cost of sales</i>										
Cost of goods sold 1	1,969,065	2,481,022	3,039,252	3,647,102	4,308,139	5,026,163	5,805,218	6,649,613	7,480,815	7,854,856
Operation costs 1 (direct labor)	1,008,000	1,159,200	1,333,080	1,533,042	1,762,998	2,027,448	2,331,565	2,681,300	3,083,495	3,546,019
Cost of Beauty Parlour Maintenance	65,636	95,106	133,980	184,893	251,165	336,980	447,594	589,603	762,799	921,080
Operating Cost Electricity	420,000	462,000	508,200	559,020	614,922	676,414	744,056	818,461	900,307	990,338
Operating Expenses Water	18,000	19,800	21,780	23,958	26,354	28,989	31,888	35,077	38,585	42,443
Operating Expenses Gas	6,000	6,600	7,260	7,986	8,785	9,663	10,629	11,692	12,862	14,148
Total cost of sales	3,486,701	4,223,728	5,043,552	5,956,001	6,972,364	8,105,657	9,370,950	10,785,747	12,278,863	13,368,884
Gross Profit	3,076,850	4,046,345	5,087,287	6,201,006	7,388,101	8,648,218	9,979,776	11,379,630	12,657,187	12,813,968
<i>General administration &amp; selling expenses</i>										
Administration expense	600,000	690,000	793,500	912,525	1,049,404	1,206,814	1,387,836	1,596,012	1,835,414	2,110,726
Administration benefits expense	90,000	103,500	119,025	136,879	157,411	181,022	208,175	239,402	275,312	316,609
Building rental expense	540,000	594,000	653,400	718,740	790,614	869,675	956,643	1,052,307	1,157,538	1,273,292
Communications expense (phone, fax, mail, internet, etc.)	30,000	34,500	39,675	45,626	52,470	60,341	69,392	79,801	91,771	105,536
Office expenses (stationary, entertainment, janitorial services, etc.)	60,000	69,000	79,350	91,253	104,940	120,681	138,784	159,601	183,541	211,073
Promotional expense	984,533	1,240,511	1,519,626	1,823,551	2,154,070	2,513,081	2,902,609	3,324,807	3,740,407	3,927,428
Professional fees (legal, audit, consultants, etc.)	65,636	82,701	101,308	121,570	143,605	167,539	193,507	221,654	249,360	261,829
Depreciation expense	163,300	163,300	163,300	163,300	163,300	168,743	168,743	168,743	168,743	168,743
Amortization of pre-operating costs	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400
Subtotal	2,553,868	2,997,912	3,489,584	4,033,844	4,636,213	5,308,297	6,046,089	6,862,726	7,722,486	8,395,634
Operating Income	522,982	1,048,434	1,597,703	2,167,163	2,751,888	3,339,921	3,933,687	4,516,905	4,934,700	4,418,334
Gain / (loss) on sale of office equipment	-	-	-	-	39,400	-	-	-	-	-
Earnings Before Interest & Taxes	522,982	1,048,434	1,597,703	2,167,163	2,791,288	3,339,921	3,933,687	4,516,905	4,934,700	4,418,334
Interest expense on long term debt (Project Loan)	163,820	149,979	131,787	112,086	90,749	67,641	42,615	15,511	-	-
Subtotal	163,820	149,979	131,787	112,086	90,749	67,641	42,615	15,511	-	-
Earnings Before Tax	359,161	898,454	1,465,916	2,055,077	2,700,540	3,272,281	3,891,072	4,501,393	4,934,700	4,418,334
Tax	-	57,268	142,387	258,515	397,635	540,570	695,268	872,918	1,002,910	848,000
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>359,161</b>	<b>841,186</b>	<b>1,323,528</b>	<b>1,796,562</b>	<b>2,302,905</b>	<b>2,731,711</b>	<b>3,195,804</b>	<b>3,628,475</b>	<b>3,931,791</b>	<b>3,570,334</b>

## 12.2 Balance Sheet

<b>Balance Sheet</b>											
	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	150,000	646,574	1,405,848	2,682,946	4,489,351	6,868,740	9,737,213	13,117,030	16,997,536	21,698,914	29,010,253
Equipment spare part inventory	5,470	8,322	12,309	17,836	25,441	35,840	49,985	69,136	93,917	119,075	-
Raw material inventory	164,089	237,765	334,951	462,232	627,914	842,451	1,118,985	1,474,009	1,906,999	2,302,701	-
Pre-paid building rent	135,000	148,500	163,350	179,685	197,654	217,419	239,161	263,077	289,384	318,323	-
<b>Total Current Assets</b>	<b>454,558</b>	<b>1,041,161</b>	<b>1,916,458</b>	<b>3,342,699</b>	<b>5,340,359</b>	<b>7,964,449</b>	<b>11,145,344</b>	<b>14,923,252</b>	<b>19,287,836</b>	<b>24,439,013</b>	<b>29,010,253</b>
<i>Fixed assets</i>											
Machinery & equipment	309,000	278,100	247,200	216,300	185,400	154,500	123,600	92,700	61,800	30,900	-
Furniture & fixtures	1,127,000	1,014,300	901,600	788,900	676,200	563,500	450,800	338,100	225,400	112,700	-
Office equipment	98,500	78,800	59,100	39,400	19,700	125,714	100,571	75,428	50,285	25,143	-
<b>Total Fixed Assets</b>	<b>1,534,500</b>	<b>1,371,200</b>	<b>1,207,900</b>	<b>1,044,600</b>	<b>881,300</b>	<b>843,714</b>	<b>674,971</b>	<b>506,228</b>	<b>337,485</b>	<b>168,743</b>	<b>-</b>
<i>Intangible assets</i>											
Pre-operation costs	204,000	183,600	163,200	142,800	122,400	102,000	81,600	61,200	40,800	20,400	-
<b>Total Intangible Assets</b>	<b>204,000</b>	<b>183,600</b>	<b>163,200</b>	<b>142,800</b>	<b>122,400</b>	<b>102,000</b>	<b>81,600</b>	<b>61,200</b>	<b>40,800</b>	<b>20,400</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>2,193,058</b>	<b>2,595,961</b>	<b>3,287,558</b>	<b>4,530,099</b>	<b>6,344,059</b>	<b>8,910,163</b>	<b>11,901,915</b>	<b>15,490,680</b>	<b>19,666,121</b>	<b>24,628,155</b>	<b>29,010,253</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable	-	43,741	56,065	70,063	86,020	104,283	125,273	149,511	177,208	204,542	168,306
<b>Total Current Liabilities</b>	<b>-</b>	<b>43,741</b>	<b>56,065</b>	<b>70,063</b>	<b>86,020</b>	<b>104,283</b>	<b>125,273</b>	<b>149,511</b>	<b>177,208</b>	<b>204,542</b>	<b>168,306</b>
<i>Other liabilities</i>											
Deferred tax	-	-	57,268	199,655	458,170	855,805	1,396,375	2,091,643	2,964,560	3,967,470	4,815,470
Long term debt (Project Loan)	1,973,753	1,973,753	1,754,572	1,517,199	1,260,125	981,713	680,194	353,649	-	-	-
<b>Total Long Term Liabilities</b>	<b>1,973,753</b>	<b>1,973,753</b>	<b>1,811,840</b>	<b>1,716,854</b>	<b>1,718,295</b>	<b>1,837,518</b>	<b>2,076,569</b>	<b>2,445,291</b>	<b>2,964,560</b>	<b>3,967,470</b>	<b>4,815,470</b>
<i>Shareholders' equity</i>											
Paid-up capital	219,306	219,306	219,306	219,306	219,306	345,020	345,020	345,020	345,020	345,020	345,020
Retained earnings	-	359,161	1,200,347	2,523,876	4,320,438	6,623,342	9,355,053	12,550,858	16,179,333	20,111,124	23,681,458
<b>Total Equity</b>	<b>219,306</b>	<b>578,467</b>	<b>1,419,653</b>	<b>2,743,182</b>	<b>4,539,743</b>	<b>6,968,362</b>	<b>9,700,073</b>	<b>12,895,877</b>	<b>16,524,353</b>	<b>20,456,143</b>	<b>24,026,477</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>2,193,058</b>	<b>2,595,961</b>	<b>3,287,558</b>	<b>4,530,099</b>	<b>6,344,059</b>	<b>8,910,163</b>	<b>11,901,915</b>	<b>15,490,680</b>	<b>19,666,121</b>	<b>24,628,155</b>	<b>29,010,253</b>

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## 12.3 Cash flow Statement

<b>Cash Flow Statement</b>											
	<b>Year 0</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>	<b>Year 9</b>	<b>Year 10</b>
<i>Operating activities</i>											
Net profit		359,161	841,186	1,323,528	1,796,562	2,302,905	2,731,711	3,195,804	3,628,475	3,931,791	3,570,334
Add: depreciation expense		163,300	163,300	163,300	163,300	163,300	168,743	168,743	168,743	168,743	168,743
amortization of pre-operating costs		20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400	20,400
Deferred income tax		-	57,268	142,387	258,515	397,635	540,570	695,268	872,918	1,002,910	848,000
Equipment inventory	(5,470)	(2,852)	(3,988)	(5,527)	(7,605)	(10,399)	(14,145)	(19,151)	(24,781)	(25,158)	119,075
Raw material inventory	(164,089)	(73,676)	(97,186)	(127,281)	(165,681)	(214,537)	(276,534)	(355,023)	(432,990)	(395,702)	2,302,701
Pre-paid building rent	(135,000)	(13,500)	(14,850)	(16,335)	(17,969)	(19,765)	(21,742)	(23,916)	(26,308)	(28,938)	318,323
Accounts payable		43,741	12,324	13,998	15,957	18,262	20,991	24,238	27,697	27,334	(36,236)
<b>Cash provided by operations</b>	<b>(304,558)</b>	<b>496,574</b>	<b>978,454</b>	<b>1,514,471</b>	<b>2,063,480</b>	<b>2,657,800</b>	<b>3,169,993</b>	<b>3,706,363</b>	<b>4,234,154</b>	<b>4,701,378</b>	<b>7,311,339</b>
<i>Financing activities</i>											
Project Loan - principal repayment		-	(219,181)	(237,373)	(257,074)	(278,411)	(301,519)	(326,545)	(353,649)	-	-
Additions to Project Loan	1,973,753	-	-	-	-	-	-	-	-	-	-
Issuance of shares	219,306	-	-	-	-	125,714	-	-	-	-	-
<b>Cash provided by / (used for) financing activities</b>	<b>2,193,058</b>	<b>-</b>	<b>(219,181)</b>	<b>(237,373)</b>	<b>(257,074)</b>	<b>(152,698)</b>	<b>(301,519)</b>	<b>(326,545)</b>	<b>(353,649)</b>	<b>-</b>	<b>-</b>
<i>Investing activities</i>											
Capital expenditure	(1,738,500)	-	-	-	-	(125,714)	-	-	-	-	-
<b>Cash (used for) / provided by investing activities</b>	<b>(1,738,500)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(125,714)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CASH</b>	<b>150,000</b>	<b>496,574</b>	<b>759,274</b>	<b>1,277,098</b>	<b>1,806,405</b>	<b>2,379,389</b>	<b>2,868,474</b>	<b>3,379,817</b>	<b>3,880,505</b>	<b>4,701,378</b>	<b>7,311,339</b>



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## 12.4 Useful Project Management Tips

### Marketing

- **Ads & Point of Sales Promotion:** Business promotion and dissemination through banners and launch events is highly recommended.
- **Price - Bulk Discounts, Cost plus Introductory Discounts:** Price should never be allowed to compromise quality of services. Price during introductory phase may be lower and used as promotional tool. Product cost estimates should be carefully documented before price setting.

### Human Resources

- **Adequacy & Competencies:** Skilled and experienced beautician should be considered an asset for the business.
- **Performance Based Remuneration:** Attempt to manage human resource cost should be focused through performance measurement and performance based compensation.
- **Training & Skill Development:** Encouraging training and skill of self & employees through experts and exposure of best practices is the route to success.

## 12.5 Useful Links

- Prime Minister's Office, [www.pmo.gov.pk](http://www.pmo.gov.pk)
- Small and Medium Enterprises Development Authority, [www.smeda.org.pk](http://www.smeda.org.pk)
- National Bank of Pakistan (NBP), [www.nbp.com.pk](http://www.nbp.com.pk)
- First Women Bank Limited (FWBL), [www.fwbl.com.pk](http://www.fwbl.com.pk)
- Government of Pakistan, [www.pakistan.gov.pk](http://www.pakistan.gov.pk)
- Ministry of Industries & Production, [www.moip.gov.pk](http://www.moip.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 Jamu Kashmir, [www.ajk.gov.pk](http://www.ajk.gov.pk)
- State Bank of Pakistan (SBP), [www.sbp.org.pk](http://www.sbp.org.pk)
- Technical Education & Vocational Training Authority (TEVTA), [www.tevta.gop.pk](http://www.tevta.gop.pk)
- Punjab Vocational Training Council (PVTTC), [www.pvtc.gop.pk](http://www.pvtc.gop.pk)

### 13 KEY ASSUMPTIONS

<b>Capacity Assumptions</b>	
Capacity Clients per day (In Numbers)	28
Production Capacity Utilization	35%
Maximum Capacity Utilization	90%
<b>Operating Assumptions</b>	
Hours Operational per day	8
Days operational per year	300
<b>Growth Rates</b>	
Production Capacity Utilization Growth Rate	7%
Sales Price Growth Rate	5%
Cost of Beauty Products (%age as of Total Sales)	30%



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