



## Pre-Feasibility Study

(Florist Shop)



**Small and Medium Enterprises Development Authority**  
**Ministry of Industries & Production**  
**Government of Pakistan**

[www.smeda.org.pk](http://www.smeda.org.pk)

### HEAD OFFICE

4th Floor, Building No. 3, Aiwan-e-Iqbal Complex, Egerton Road,  
 Lahore

Tel: (92 42) 111 111 456, Fax: (92 42) 36304926-7

[helpdesk@smeda.org.pk](mailto:helpdesk@smeda.org.pk)

### REGIONAL OFFICE Punjab

3<sup>rd</sup> Floor, Building No. 3,  
 Aiwan-e-Iqbal Complex,  
 Egerton Road Lahore,  
 Tel: (042) 111-111-456  
 Fax: (042) 36304926-7

[helpdesk.punjab@smeda.org.pk](mailto:helpdesk.punjab@smeda.org.pk)

### REGIONAL OFFICE Sindh

5TH Floor, Bahria  
 Complex II, M.T. Khan Road,  
 Karachi.  
 Tel: (021) 111-111-456  
 Fax: (021) 35610572

[helpdesk-khi@smeda.org.pk](mailto:helpdesk-khi@smeda.org.pk)

### REGIONAL OFFICE Khyber Pakhtunkhwa

Ground Floor  
 State Life Building  
 The Mall, Peshawar.  
 Tel: (091) 111-111-456  
 Fax: (091) 5286908

[helpdesk-pew@smeda.org.pk](mailto:helpdesk-pew@smeda.org.pk)

### REGIONAL OFFICE Balochistan

Bungalow No. 15-A  
 Chaman Housing Scheme  
 Airport Road, Quetta.  
 Tel: (081) 2831623, 2831702  
 Fax: (081) 2831922

[helpdesk-qta@smeda.org.pk](mailto:helpdesk-qta@smeda.org.pk)

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

*December, 2013*

## Table of Contents

|  |           |
|--|-----------|
| <b>1. DISCLAIMER</b> .....   | <b>2</b>  |
| <b>2. PURPOSE OF THE DOCUMENT</b> .....  | <b>3</b>  |
| <b>3. INTRODUCTION TO SMEDA</b> .....  | <b>3</b>  |
| <b>4. INTRODUCTION TO SCHEME</b> .....   | <b>4</b>  |
| <b>5. EXECUTIVE SUMMARY</b> .....  | <b>4</b>  |
| <b>6. BRIEF DESCRIPTION OF PROJECT &amp; PRODUCT</b> .....                         | <b>4</b>  |
| <b>7. CRITICAL FACTORS</b> .....   | <b>5</b>  |
| <b>8. INSTALLED &amp; OPERATIONAL CAPACITIES</b> .....                             | <b>5</b>  |
| <b>9. GEOGRAPHICAL POTENTIAL FOR INVESTMENT AND POTENTIAL TARGET MARKETS</b> ..... | <b>5</b>  |
| <b>10. POTENTIAL TARGET MARKETS</b> .....  | <b>5</b>  |
| <b>11. REDUCTION PROCESS FLOW</b> .....  | <b>6</b>  |
| <b>12. PROJECT COST SUMMARY</b> .....  | <b>7</b>  |
| 12.1 PROJECT ECONOMICS .....   | 7         |
| 12.2 PROJECT FINANCING .....   | 8         |
| 12.3 PROJECT COST .....  | 8         |
| 12.4 SPACE REQUIREMENT .....   | 8         |
| 12.5 FURNITURE & EQUIPMENT FOR THE SHOP AND WAREHOUSE .....                        | 9         |
| 12.6 COMMERCIAL VEHICLE REQUIREMENT .....  | 10        |
| 12.7 RAW MATERIAL REQUIREMENTS .....   | 10        |
| 12.8 HUMAN RESOURCE REQUIREMENT .....  | 11        |
| 12.9 REVENUE GENERATION .....  | 11        |
| 12.10 OTHER COSTS .....  | 12        |
| <b>13. CONTACT DETAILS OF SUPPLIERS, EXPERTS / CONSULTANTS</b> .....               | <b>12</b> |
| <b>14. ANNEXURE</b> .....  | <b>13</b> |
| 14.1 INCOME STATEMENT .....  | 13        |
| 14.2 CASH FLOW STATEMENT .....   | 14        |
| 14.3 BALANCE SHEET .....   | 15        |
| 14.4 USEFUL PROJECT MANAGEMENT TIPS .....  | 16        |
| 14.5 USEFUL LINKS .....  | 17        |
| <b>15. KEY ASSUMPTION</b> .....  | <b>18</b> |

## 1. DISCLAIMER

This information memorandum is to introduce the subject matter and provide a general idea and information on the said 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.

For more information on services offered by SMEDA, please contact our website: [www.smeda.org.pk](http://www.smeda.org.pk)



## **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 **Florist Shop** 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 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 successful hallmark of SME facilitation by SMEDA.

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

## 4. INTRODUCTION TO SCHEME

'Prime Minister's Youth Business Loan' scheme, 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 pre-feasibility study is about Florist Shop business in the floriculture sector. Florist Shop is a retail outlet having a warehouse and an in-house living facility for workers to deal in a variety of fresh flowers, flower baskets, bouquets, event decoration and car decoration for weddings. The shop will be located in developed urban areas and cater to the needs of local customers as well as customers from outside of that particular location.

The cost for setting up the proposed project is estimated at Rs. 1.58 million and will provide employment to eight (08) individuals. The project is proposed to be financed under the 'Prime Minister's Youth Business Loan' scheme through 90% debt and 10% equity. The NPV is projected around Rs. 5.28 million, with an IRR of 50% and a payback period of 2.46 years.

The estimated yield potential of the project varies according to the selected business dimensions including but not limited to business model, marketability, investment size, availability of raw material, HR skills & competencies and location. However, the estimated revenue of the proposed model would be Rs. 4.42 million in the first year.

It is proposed that the status of this business should be a sole proprietorship.

## 6. BRIEF DESCRIPTION OF PROJECT & PRODUCT

The proposed business model is about a florist retail outlet with rental premises of 350 sq. ft. for retail operations and 1,125 sq. ft. for the purpose of warehouse with an in-house living facility. The florist shop is assumed to achieve a sale target of 121,465 flowers/units in the first year of its commencement at 85% of its total capacity. However, the capacity utilization is assumed to be increased at the rate of five percent (5%) whereas, the prices of shop items will be increased at the rate of 10% per annum.

A total funding of Rs. 1.58 million inclusive of the equity would be required to finance the main costs including furniture & fixture, shop equipment, vehicle and initial working capital for establishing florist shop business in the developed localities of the prospective region.

## **7. CRITICAL FACTORS**

The key success factors of the proposed business model are as under:

- 1) Location and decor of the shop
- 2) Variety of innovative designs
- 3) Management of events
- 4) Availability of fresh and good quality flowers
- 5) Promotional activities

## **8. INSTALLED & OPERATIONAL CAPACITIES**

A shop of 350 sq. ft. and warehouse / workers' living facility of 1,125 sq. ft. primarily used for decoration stands, wreaths, stage arrangement etc. Project is proposed to be located at a suitable place in the city to achieve the proposed sale target of 142,900 units (Roses, Glad, Tube Rose and Tulip) for Basket & Bouquet, Events and Car Decorations. It is assumed that 120,790 units will be sold in year 1 at 85% of its capacity.

## **9. GEOGRAPHICAL POTENTIAL FOR INVESTMENT AND POTENTIAL TARGET MARKETS**

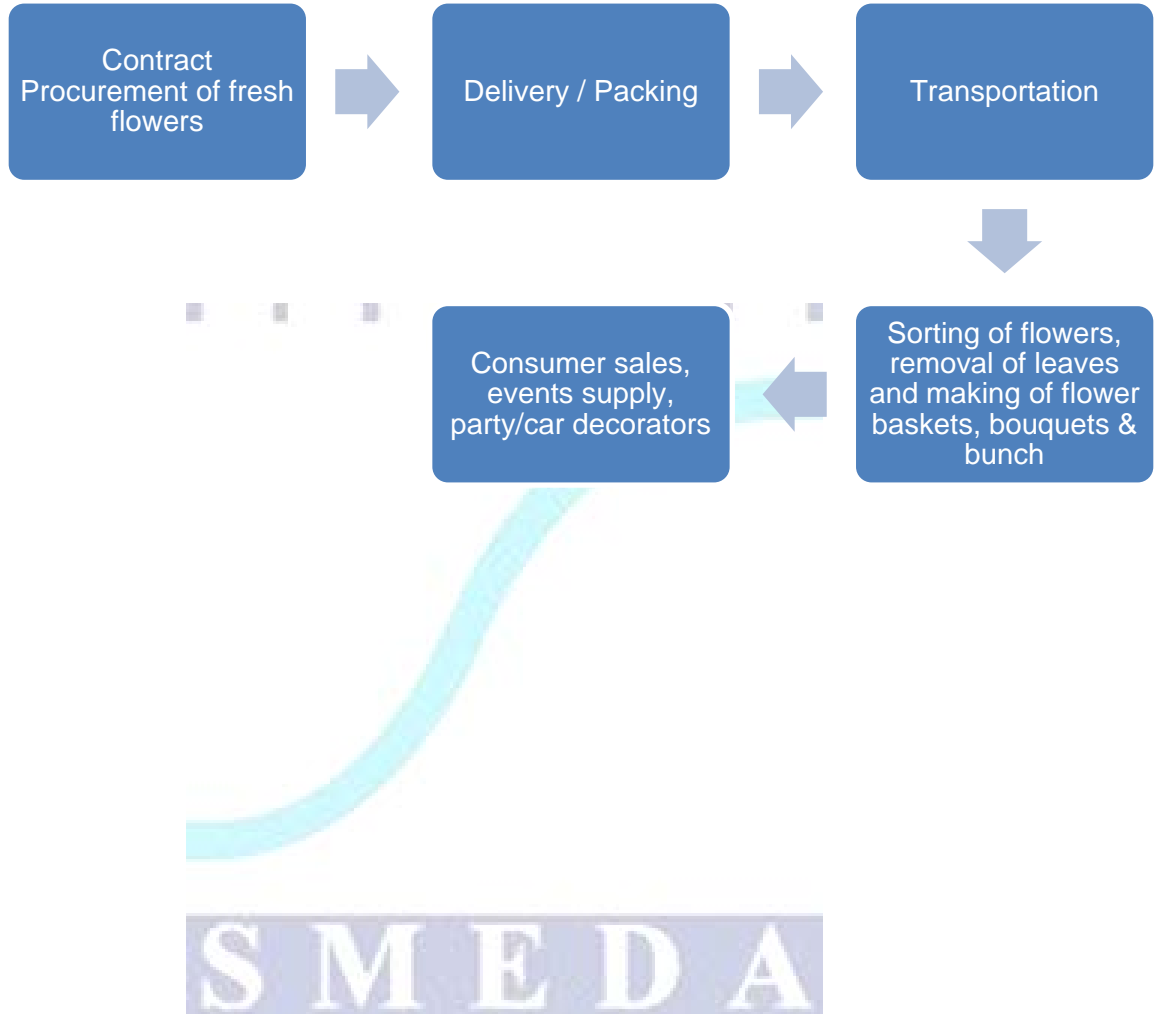
Florist shop is proposed to be established in urban areas, in close proximity of event complexes, shopping malls and designated commercial areas.

## **10. POTENTIAL TARGET MARKETS**

Major commercial centers/areas of cities across Pakistan targeting following;

- Banquet Halls
- Commercial / Corporate area's and offices
- Hotels / Restaurants
- Bouquets and flower buyers
- Party decorators and event organizer

## 11. RODUCTION PROCESS FLOW



## 12. PROJECT COST SUMMARY

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

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

### 12.1 Project Economics

All the figures in this financial model have been calculated for a target of 142,900 units (Roses, Glad, Tube Rose and Tulip) for, Basket & Bouquet, Events and Car Decorations), whereby, it is assumed that 120,790 units will be sold in year one at 85% of its capacity.

The following table shows internal rates of return and payback period.

**Table 1: Project Economics**

| Description                   | Details          |
|-------------------------------|------------------|
| Internal Rate of Return (IRR) | 50%              |
| Payback Period (yrs)          | 2.46             |
| Net Present Value (NPV)       | Rs. 5.28 million |

Returns on the shop and its profitability are highly dependent on the variety of innovative designs, proper management of events, availability of fresh and good quality flowers, skilled work force and location of the shop. In case management of the shop is not efficient, they will not be able to cover the potential market and recover payments; hence cost of operating the business will increase.



## 12.2 Project Financing

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

**Table 2: Project Financing**

| Description                         | Details       |
|-------------------------------------|---------------|
| Total Equity (10%)                  | Rs. 158,359   |
| Bank Loan (90%)                     | Rs. 1,425,235 |
| Markup to the Borrower (%age/annum) | 8%            |
| Tenure of the Loan (Years)          | 8             |
| Grace Period (Year)                 | 1             |

## 12.3 Project Cost

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

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

| Capital Investment        | Amount (Rs.)     |
|---------------------------|------------------|
| Equipment for the Shop    | 141,000          |
| Furniture & Fixtures      | 285,500          |
| Pre-operating Cost        | 90,000           |
| Vehicle                   | 550,000          |
| <b>Total Capital Cost</b> | <b>1,066,500</b> |
| Initial Working Capital   | 517,094          |
| <b>Total Project Cost</b> | <b>1,583,594</b> |

## 12.4 Space Requirement

The shop area has been calculated on the basis of space required for display of flowers and warehouse / worker's residence. In this pre-feasibility the shop and warehouse / workers' residence are assumed to be on rent. However, the shops operating in the industry do not follow any set pattern. Following table shows calculations for project space requirement.

**Table 4: Space Requirement**

| Space Requirement             | Area Required in Sq. ft | Rent per Month (Rs.) |
|-------------------------------|-------------------------|----------------------|
| Shop                          | 350                     | 30,000               |
| Ware house/Worker's residence | 1,125                   | 11,250               |
| <b>Total Area</b>             |                         | <b>41,250</b>        |

## 12.5 Furniture & Equipment for the Shop and Warehouse

Following table provides list of equipment required for an average florist shop.

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

|   | Quantity | Cost / Unit (Rs.) | Amount (Rs.)   |
|---|----------|-------------------|----------------|
| Laptop (Used / New)                         | 1        | 40,000            | 40,000         |
| Printer                                     | 1        | 15,000            | 15,000         |
| Telephone Set                               | 1        | 1,000             | 1,000          |
| Furniture Set                               |          |                   | 75,600         |
| Interior Decoration for the Shop            |          |                   | 92,500         |
| Refrigerator for Shop                       | 1        | 40,000            | 40,000         |
| Air conditioner                             | 1        | 50,000            | 50,000         |
| Fans and Lightening for Shop and Ware House |          |                   | 27,400         |
| Frame for decoration of events              | 5        | 6,000             | 30,000         |
| Generator for Outlet (3.8 KW)               | 1        | 55,000            | 55,000         |
| <b>Total</b>                                |          |                   | <b>426,500</b> |

Main cost for the shop is its interior designing cost, furniture set, designing frames; 5 frames of different designs will be purchased for the decoration in events which is a more viable option compared to market practice of renting these frames. Generator (3.8 KW) is required for the shop as flowers are highly perishable items and need low temperature, therefore, an air conditioner is also required for the shop.

## 12.6 Commercial Vehicle Requirement

Office Vehicles required for the project are as follows:

**Table 6: Office Vehicles**

|                      | Number | Unit Cost (Rs.) | Amount (Rs.) |
|----------------------|--------|-----------------|--------------|
| Suzuki Pickup (Used) | 1      | 550,000         | 550,000      |

One Suzuki pickup, assumed to be second hand, is sufficient for access to Flower Mandi for fresh flowers and events management.

## 12.7 Raw Material Requirements

The most critical input to run a florist shop is procurement of fresh flowers. In this pre-feasibility study, it is assumed that contract procurement would be made from the whole sale market. Following are the cost analysis of critical raw materials.

**Table 7: Cost of Material**

|                   | Unit | Cost/Unit | Qty            | Rs.              |
|-------------------|------|-----------|----------------|------------------|
| Rose              | No   | 2.00      | 51,000         | 102,000          |
| Glad              | No   | 20.00     | 17,000         | 340,000          |
| Tube Rose         | No   | 2.00      | 34,000         | 68,000           |
| Statice           | No   | 2.50      | 17,000         | 42,500           |
| Tulip             | No   | 5.00      | 17,000         | 85,000           |
| Baskets & Bouquet | No   | 100.00    | 6,800          | 680,000          |
| Events            | No   | 5,000.00  | 40             | 200,000          |
| Car Decoration    | No   | 750.00    | 60             | 45,000           |
| <b>Total</b>      |      |           | <b>142,900</b> | <b>1,562,500</b> |

## 12.8 Human Resource Requirement

**Table 8: Human Resource Requirement**

| Description                  | No. of Employees | Salary per month (Rs.) |
|------------------------------|------------------|------------------------|
| Owner Manager                | 1                | 30,000                 |
| Flower Decorator / Sales Men | 4                | 52,000                 |
| Helper                       | 2                | 20,000                 |
| Driver                       | 1                | 12,000                 |
| <b>Total</b>                 | <b>8</b>         | <b>114,000</b>         |

The above table provides details of human resource required to run a florist shop. Owner will perform the duties of procurement & marketing for the proposed business. Sales men are skilled flower decorators who would perform the duties at different events for decoration services and also work as sales-men on Florist Shop. Helper will provide support services to flowers decorators in events and also in sales at shop. A driver is compulsory for florist shop as flowers are procured from whole sale market and own transportation is economical in this case. Beside this, in case of any event, driver will be responsible for logistics arrangement (Flowers, Frames etc.) and for pick and drop of flower decorators.

Salaries of all employees are estimated to increase at 10% annually.

## 12.9 Revenue Generation

**Table 9: Revenue Generation**

| Product            | Unit | Sales Price (Rs./Unit) | Units available for Sale | Units for Sale at Year 1 | First Year Sales Revenue (Rs) |
|--------------------|------|------------------------|--------------------------|--------------------------|-------------------------------|
| Rose               | No   | 15                     | 51,000                   | 43,350                   | 650,250                       |
| Glad               | No   | 30                     | 17,000                   | 14,450                   | 433,500                       |
| Tube Rose          | No   | 15                     | 34,000                   | 28,900                   | 433,500                       |
| Statice            | No   | 20                     | 17,000                   | 14,450                   | 289,000                       |
| Tulip              | No   | 20                     | 17,000                   | 14,450                   | 289,000                       |
| Baskets & Bouquet  | No   | 300                    | 6,800                    | 5,780                    | 1,734,000                     |
| Events             | No   | 15,000                 | 40                       | 34                       | 510,000                       |
| Car Decoration     | No   | 2,000                  | 60                       | 51                       | 102,000                       |
| <b>Total Sales</b> |      | <b>-</b>               | <b>142,900</b>           | <b>121,465</b>           | <b>4,441,250</b>              |

The above table shows the details of sales / revenue of florist shop for year 1 at a capacity of 85%. Major income of florist shop is from Basket and Bouquet and selling of single flowers. The capacity utilization will be increased at a rate of 5% while the price increase rate is assumed at 10%. Maximum 2 days inventory of finished goods is being proposed.

### 12.10 Other Costs

Other cost includes the rent of shop & warehouse and commercial vehicle running cost. Rental expense for florist shop is estimated at Rs. 495,003 per annum. Total running cost of official vehicle is estimated at Rs. 309,160 per annum.

## 13. CONTACT DETAILS OF SUPPLIERS, EXPERTS / CONSULTANTS

|  |  |
|--|--|
| <p>Dr. Muhammad Anjum Ali<br/>Director General (Extension)<br/>Agriculture Department, Govt. of Punjab<br/>21-Davis Road, Lahore<br/>Phone No: 92-42-99200732<br/>Fax No: 92-42-99200743</p>                 | <p>CEO<br/>Pakistan Horticulture Development and Export Company<br/>30 N, Model Town Extension, Lahore (54700), Pakistan.<br/>Tel: +92-42-99232210-17<br/>Fax: +92-42-99232220</p>   |
| <p>Dr. M. Aslam Parvez<br/>Director,<br/>Institute of Horticultural Sciences,<br/>Faculty of Agriculture,<br/>University of Agriculture, Faisalabad<br/>Ph: +92-41-9201281, +92-41-9200161<br/>Ext. 2952</p> | <p>Dr. Ghulam Jellani,<br/>Principal Scientific Officer (Vegetable)<br/>Programme on Vegetable Crop<br/>Horticulture Research Institute<br/>National Agricultural Research Centre<br/>Park Road, Islamabad<br/>Tel: +92-51 9255061, +92-51 9255012<br/>Fax: +92-51 9255034</p> |

## 14. ANNEXURE

### 14.1 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  |            | 4,416,576        | 5,171,153        | 6,004,381        | 6,606,751        | 7,267,426        | 7,994,169        | 8,793,586        | 9,672,945        | 10,640,239       | 11,704,263       |
| <i>Cost of sales</i>   |            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Cost of goods sold 1   | 30%        | 1,320,747        | 1,546,398        | 1,795,569        | 1,975,703        | 2,173,273        | 2,390,601        | 2,629,661        | 2,892,627        | 3,181,890        | 3,500,079        |
| Operation costs 1 (direct labor)                                       | 19%        | 859,200          | 947,828          | 1,040,126        | 1,141,728        | 1,252,889        | 1,374,872        | 1,508,731        | 1,655,623        | 1,816,817        | 1,993,705        |
| Operating costs 3 (direct electricity)                                 | 7%         | 288,000          | 316,800          | 348,480          | 383,328          | 421,661          | 463,827          | 510,210          | 561,231          | 617,354          | 679,089          |
| <b>Total cost of sales</b>   | <b>56%</b> | <b>2,467,947</b> | <b>2,811,025</b> | <b>3,184,175</b> | <b>3,500,760</b> | <b>3,847,823</b> | <b>4,229,299</b> | <b>4,648,602</b> | <b>5,109,481</b> | <b>5,616,060</b> | <b>6,172,873</b> |
| <b>Gross Profit</b>  |            | <b>1,948,630</b> | <b>2,360,128</b> | <b>2,820,206</b> | <b>3,105,992</b> | <b>3,419,603</b> | <b>3,764,870</b> | <b>4,144,984</b> | <b>4,563,464</b> | <b>5,024,179</b> | <b>5,531,390</b> |
| <i>General administration &amp; selling expenses</i>                   |            |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Administration expense   | 11%        | 504,000          | 553,070          | 606,918          | 666,008          | 730,852          | 802,008          | 880,093          | 965,780          | 1,059,810        | 1,162,995        |
| Administration benefits expense  | 1%         | 50,400           | 55,307           | 60,692           | 66,601           | 73,085           | 80,201           | 88,009           | 96,578           | 105,981          | 116,299          |
| Building rental expense  | 11%        | 495,003          | 544,503          | 598,954          | 658,849          | 724,734          | 797,207          | 876,928          | 964,621          | 1,061,083        | 1,167,191        |
| Electricity expense (Worker's Residence)                               | 1%         | 60,000           | 66,000           | 72,600           | 79,860           | 87,846           | 96,631           | 106,294          | 116,923          | 128,615          | 141,477          |
| Decorated Cloths and Foam Expenses                                     | 0%         | 10,000           | 11,000           | 12,100           | 13,310           | 14,641           | 16,105           | 17,716           | 19,487           | 21,436           | 23,579           |
| Travelling expense   | 7%         | 309,160          | 361,981          | 420,307          | 462,473          | 508,720          | 559,592          | 615,551          | 677,106          | 744,817          | 819,298          |
| Communications expense (phone, fax, mail, internet, etc.)              | 0%         | 10,080           | 11,061           | 12,138           | 13,320           | 14,617           | 16,040           | 17,602           | 19,316           | 21,196           | 23,260           |
| Office expenses (stationary, entertainment, janitorial services, etc.) | 0%         | 5,040            | 5,531            | 6,069            | 6,660            | 7,309            | 8,020            | 8,801            | 9,658            | 10,598           | 11,630           |
| Promotional expense  | 1%         | 22,083           | 25,856           | 30,022           | 33,034           | 36,337           | 39,971           | 43,968           | 48,365           | 53,201           | 58,521           |
| Depreciation expense   | 2%         | 103,250          | 103,250          | 103,250          | 103,250          | 103,250          | 106,344          | 106,344          | 106,344          | 106,344          | 106,344          |
| Amortization of pre-operating costs                                    | 0%         | 9,000            | 9,000            | 9,000            | 9,000            | 9,000            | 9,000            | 9,000            | 9,000            | 9,000            | 9,000            |
| <b>Subtotal</b>  |            | <b>1,578,016</b> | <b>1,746,559</b> | <b>1,932,049</b> | <b>2,112,365</b> | <b>2,310,390</b> | <b>2,531,120</b> | <b>2,770,306</b> | <b>3,033,178</b> | <b>3,322,082</b> | <b>3,639,595</b> |
| <b>Operating Income</b>  |            | <b>370,614</b>   | <b>613,569</b>   | <b>888,157</b>   | <b>993,627</b>   | <b>1,109,213</b> | <b>1,233,750</b> | <b>1,374,679</b> | <b>1,530,286</b> | <b>1,702,097</b> | <b>1,891,795</b> |
| Gain / (loss) on sale of office equipment                              |            | -                | -                | -                | -                | 22,400           | -                | -                | -                | -                | -                |
| <b>Earnings Before Interest &amp; Taxes</b>                            |            | <b>370,614</b>   | <b>613,569</b>   | <b>888,157</b>   | <b>993,627</b>   | <b>1,131,613</b> | <b>1,233,750</b> | <b>1,374,679</b> | <b>1,530,286</b> | <b>1,702,097</b> | <b>1,891,795</b> |
| Interest expense on long term debt (Project Loan)                      |            | 118,294          | 108,299          | 95,163           | 80,936           | 65,529           | 48,843           | 30,772           | 11,201           | -                | -                |
| Interest expense on long term debt (Working Capital Loan)              |            | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| <b>Subtotal</b>  |            | <b>118,294</b>   | <b>108,299</b>   | <b>95,163</b>    | <b>80,936</b>    | <b>65,529</b>    | <b>48,843</b>    | <b>30,772</b>    | <b>11,201</b>    | <b>-</b>         | <b>-</b>         |
| <b>Earnings Before Tax</b>   |            | <b>252,320</b>   | <b>505,270</b>   | <b>792,994</b>   | <b>912,691</b>   | <b>1,066,084</b> | <b>1,184,907</b> | <b>1,343,907</b> | <b>1,519,085</b> | <b>1,702,097</b> | <b>1,891,795</b> |
| Tax  |            | -                | 10,527           | 41,449           | 59,403           | 82,412           | 100,236          | 124,086          | 151,317          | 187,919          | 225,859          |
| <b>NET PROFIT/(LOSS) AFTER TAX</b>                                     |            | <b>252,320</b>   | <b>494,743</b>   | <b>751,545</b>   | <b>853,287</b>   | <b>983,672</b>   | <b>1,084,671</b> | <b>1,219,821</b> | <b>1,367,768</b> | <b>1,514,178</b> | <b>1,665,936</b> |

## 14.2 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  |                    | 252,320        | 494,743          | 751,545          | 853,287          | 983,672          | 1,084,671        | 1,219,821        | 1,367,768        | 1,514,178        | 1,665,936        |
| Add: depreciation expense                                 |                    | 103,250        | 103,250          | 103,250          | 103,250          | 103,250          | 106,344          | 106,344          | 106,344          | 106,344          | 106,344          |
| amortization of pre-operating costs                       |                    | 9,000          | 9,000            | 9,000            | 9,000            | 9,000            | 9,000            | 9,000            | 9,000            | 9,000            | 9,000            |
| Deferred income tax                                       |                    | -              | 10,527           | 41,449           | 59,403           | 82,412           | 100,236          | 124,086          | 151,317          | 187,919          | 225,859          |
| Accounts receivable                                       |                    | (36,301)       | (3,101)          | (6,525)          | (5,900)          | (5,191)          | (5,702)          | (6,272)          | (6,899)          | (7,589)          | (8,348)          |
| Finished goods inventory                                  |                    | (13,787)       | (1,834)          | (2,073)          | (1,754)          | (1,928)          | (2,119)          | (2,329)          | (2,560)          | (2,814)          | (3,093)          |
| Equipment inventory                                       |                    | -              | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Raw material inventory                                    |                    | (18,344)       | (5,282)          | (6,550)          | (6,348)          | (7,670)          | (9,281)          | (11,229)         | (13,588)         | (16,441)         | 114,625          |
| Pre-paid building rent                                    |                    | (123,751)      | (12,375)         | (13,613)         | (14,974)         | (16,471)         | (18,118)         | (19,930)         | (21,923)         | (24,116)         | 291,798          |
| Accounts payable  |                    | 18,416         | 3,181            | 3,500            | 2,573            | 2,834            | 3,131            | 3,461            | 3,827            | 4,235            | 2,789            |
| <b>Cash provided by operations</b>                        | <b>(142,094)</b>   | <b>315,241</b> | <b>595,603</b>   | <b>878,824</b>   | <b>995,719</b>   | <b>1,146,650</b> | <b>1,264,402</b> | <b>1,418,600</b> | <b>1,588,241</b> | <b>1,764,852</b> | <b>2,404,909</b> |
| <i>Financing activities</i>                               |                    |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Project Loan - principal repayment                        |                    | -              | (158,269)        | (171,405)        | (185,632)        | (201,039)        | (217,725)        | (235,797)        | (255,368)        | -                | -                |
| Additions to Project Loan                                 | 1,425,235          | -              | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Issuance of shares  | 158,359            | -              | -                | -                | -                | 71,472           | -                | -                | -                | -                | -                |
| Purchase of (treasury) shares                             |                    |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Cash provided by / (used for) financing activities</b> | <b>1,583,594</b>   | <b>-</b>       | <b>(158,269)</b> | <b>(171,405)</b> | <b>(185,632)</b> | <b>(129,567)</b> | <b>(217,725)</b> | <b>(235,797)</b> | <b>(255,368)</b> | <b>-</b>         | <b>-</b>         |
| <i>Investing activities</i>                               |                    |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| Capital expenditure                                       | (1,066,500)        | -              | -                | -                | -                | (71,472)         | -                | -                | -                | -                | -                |
| Acquisitions  |                    |                |                  |                  |                  |                  |                  |                  |                  |                  |                  |
| <b>Cash (used for) / provided by investing activities</b> | <b>(1,066,500)</b> | <b>-</b>       | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>(71,472)</b>  | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |
| <b>NET CASH</b>   | <b>375,000</b>     | <b>315,241</b> | <b>437,334</b>   | <b>707,419</b>   | <b>810,087</b>   | <b>945,611</b>   | <b>1,046,676</b> | <b>1,182,803</b> | <b>1,332,873</b> | <b>1,764,852</b> | <b>2,404,909</b> |



SMEDA

## 14.3 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                                   | 375,000          | 690,241          | 1,127,575        | 1,834,994        | 2,645,081        | 3,590,692        | 4,637,368        | 5,820,172        | 7,153,045        | 8,917,898        | 11,322,807        |
| Accounts receivable                           |                  | 36,301           | 39,402           | 45,927           | 51,827           | 57,017           | 62,719           | 68,991           | 75,890           | 83,479           | 91,827            |
| Finished goods inventory                      |                  | 13,787           | 15,622           | 17,695           | 19,449           | 21,377           | 23,496           | 25,826           | 28,386           | 31,200           | 34,294            |
| Raw material inventory                        | 18,344           | 23,626           | 30,176           | 36,523           | 44,193           | 53,473           | 64,703           | 78,290           | 94,731           | 114,625          | -                 |
| Pre-paid annual land lease                    | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                 |
| Pre-paid building rent                        | 123,751          | 136,126          | 149,738          | 164,712          | 181,183          | 199,302          | 219,232          | 241,155          | 265,271          | 291,798          | -                 |
| <b>Total Current Assets</b>                   | <b>517,094</b>   | <b>900,080</b>   | <b>1,362,512</b> | <b>2,099,851</b> | <b>2,941,733</b> | <b>3,921,861</b> | <b>5,007,518</b> | <b>6,234,434</b> | <b>7,617,323</b> | <b>9,439,000</b> | <b>11,448,927</b> |
| <i>Fixed assets</i>                           |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |
| Machinery & equipment                         | 85,000           | 76,500           | 68,000           | 59,500           | 51,000           | 42,500           | 34,000           | 25,500           | 17,000           | 8,500            | -                 |
| Furniture & fixtures                          | 285,500          | 256,950          | 228,400          | 199,850          | 171,300          | 142,750          | 114,200          | 85,650           | 57,100           | 28,550           | -                 |
| Office vehicles                               | 550,000          | 495,000          | 440,000          | 385,000          | 330,000          | 275,000          | 220,000          | 165,000          | 110,000          | 55,000           | -                 |
| Office equipment                              | 56,000           | 44,800           | 33,600           | 22,400           | 11,200           | 71,472           | 57,177           | 42,883           | 28,589           | 14,294           | -                 |
| <b>Total Fixed Assets</b>                     | <b>976,500</b>   | <b>873,250</b>   | <b>770,000</b>   | <b>666,750</b>   | <b>563,500</b>   | <b>531,722</b>   | <b>425,377</b>   | <b>319,033</b>   | <b>212,689</b>   | <b>106,344</b>   | <b>-</b>          |
| <i>Intangible assets</i>                      |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |
| Pre-operation costs                           | 90,000           | 81,000           | 72,000           | 63,000           | 54,000           | 45,000           | 36,000           | 27,000           | 18,000           | 9,000            | -                 |
| <b>Total Intangible Assets</b>                | <b>90,000</b>    | <b>81,000</b>    | <b>72,000</b>    | <b>63,000</b>    | <b>54,000</b>    | <b>45,000</b>    | <b>36,000</b>    | <b>27,000</b>    | <b>18,000</b>    | <b>9,000</b>     | <b>-</b>          |
| <b>TOTAL ASSETS</b>                           | <b>1,583,594</b> | <b>1,854,330</b> | <b>2,204,512</b> | <b>2,829,601</b> | <b>3,559,233</b> | <b>4,498,583</b> | <b>5,468,896</b> | <b>6,580,467</b> | <b>7,848,012</b> | <b>9,554,344</b> | <b>11,448,927</b> |
| <b>Liabilities &amp; Shareholders' Equity</b> |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |
| <i>Current liabilities</i>                    |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |
| Accounts payable                              |                  | 18,416           | 21,597           | 25,097           | 27,670           | 30,503           | 33,634           | 37,095           | 40,923           | 45,158           | 47,946            |
| <b>Total Current Liabilities</b>              | <b>-</b>         | <b>18,416</b>    | <b>21,597</b>    | <b>25,097</b>    | <b>27,670</b>    | <b>30,503</b>    | <b>33,634</b>    | <b>37,095</b>    | <b>40,923</b>    | <b>45,158</b>    | <b>47,946</b>     |
| <i>Other liabilities</i>                      |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |
| Deferred tax                                  |                  | -                | 10,527           | 51,976           | 111,379          | 193,792          | 294,028          | 418,114          | 569,431          | 757,350          | 983,208           |
| Long term debt (Project Loan)                 | 1,425,235        | 1,425,235        | 1,266,966        | 1,095,561        | 909,929          | 708,889          | 491,164          | 255,368          | -                | -                | -                 |
| <b>Total Long Term Liabilities</b>            | <b>1,425,235</b> | <b>1,425,235</b> | <b>1,277,493</b> | <b>1,147,537</b> | <b>1,021,308</b> | <b>902,681</b>   | <b>785,192</b>   | <b>673,481</b>   | <b>569,431</b>   | <b>757,350</b>   | <b>983,208</b>    |
| <i>Shareholders' equity</i>                   |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |
| Paid-up capital                               | 158,359          | 158,359          | 158,359          | 158,359          | 158,359          | 229,831          | 229,831          | 229,831          | 229,831          | 229,831          | 229,831           |
| Retained earnings                             |                  | 252,320          | 747,063          | 1,498,608        | 2,351,895        | 3,335,567        | 4,420,238        | 5,640,059        | 7,007,828        | 8,522,005        | 10,187,941        |
| <b>Total Equity</b>                           | <b>158,359</b>   | <b>410,679</b>   | <b>905,422</b>   | <b>1,656,967</b> | <b>2,510,255</b> | <b>3,565,398</b> | <b>4,650,070</b> | <b>5,869,890</b> | <b>7,237,659</b> | <b>8,751,836</b> | <b>10,417,772</b> |
| <b>TOTAL CAPITAL AND LIABILITIES</b>          | <b>1,583,594</b> | <b>1,854,330</b> | <b>2,204,512</b> | <b>2,829,601</b> | <b>3,559,233</b> | <b>4,498,583</b> | <b>5,468,896</b> | <b>6,580,467</b> | <b>7,848,012</b> | <b>9,554,344</b> | <b>11,448,927</b> |



## 14.4 Useful Project Management Tips

### Technology

- **Energy Requirement:** Should not be overlooked for retaining freshness of flower and alternate source of energy for critical operations be arranged in advance
- **Quality Assurance Equipment & Standards:** Whatever means required products and service quality standards need to be defined and a system to check them instituted, this improves credibility

### Marketing

- **Product Development & Packaging:** Set designer & other expert's help may be engaged for product/service and packaging design & development
- **Ads & Point of Sale Promotion:** Business promotion and dissemination through banners and launch events is highly recommended. Product brochures from good quality service providers may be developed.
- **Sales & Distribution Network:** Expert's advise and distribution agreements are required with appropriate retailers or institutional buyers.
- **Price - Bulk Discounts, Cost plus Introductory Discounts:** Price should never be allowed to compromise quality. Price during introductory phase may be lower and used as promotional tool. Product cost estimates should be carefully documented before price setting. Government controlled market committee prices shall be displayed, if applicable.

### Human Resources

- **Adequacy & Competencies:** Skilled and experienced staff should be considered an investment even to the extent of offering share in business profit.
- **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 route to success. Least cost options for Training and Skill Development (T&SD) may be linked with compensation benefits and awards.

## 14.5 Useful Links

- Prime Minister's Office, [www.pmo.gov.pk](http://www.pmo.gov.pk)
- Small and Medium Enterprise 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)
- Ministry of Education, Training & Standards in Higher Education, <http://moptt.gov.pk>
- Government of Punjab, [www.punjab.gov.pk](http://www.punjab.gov.pk)
- Government of Sindh, [www.sindh.gov.pk](http://www.sindh.gov.pk)
- Government of Khyber Pakhtunkhwa, [www.khyberpakhtunkhwa.gov.pk](http://www.khyberpakhtunkhwa.gov.pk)
- Government of Balochistan, [www.balochistan.gov.pk](http://www.balochistan.gov.pk)
- Government of Gilgit Baltistan, [www.gilgitbaltistan.gov.pk](http://www.gilgitbaltistan.gov.pk)
- Government of Azad Jamu Kashmir, [www.ajk.gov.pk](http://www.ajk.gov.pk)
- Trade Development Authority of Pakistan (TDAP), [www.tdap.gov.pk](http://www.tdap.gov.pk)
- Securities and Exchange Commission of Pakistan (SECP), [www.secp.gov.pk](http://www.secp.gov.pk)
- Federation of Pakistan Chambers of Commerce and Industry (FPCCI), [www.fpcci.com.pk](http://www.fpcci.com.pk)
- State Bank of Pakistan (SBP), [www.sbp.org.pk](http://www.sbp.org.pk)

## 15. KEY ASSUMPTION

**Table 10: Operating Assumptions**

|                                  |     |
|----------------------------------|-----|
| Days Operational per Year (Days) | 340 |
| Accounts Payable (Days)          | 5   |
| Accounts Receivable (Days)       | 3   |
| Finished Goods Inventory (Days)  | 2   |

**Table 11: Expense Assumptions**

|                        |                      |
|------------------------|----------------------|
| Admin Benefit Expenses | 1% of Admin Salaries |
| Travelling Expenses    | 7% of Sales          |
| Promotional Expenses   | 0.5 % of Revenue     |



SMEDA