

Pre-Feasibility Study

(Direct Marketing)



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

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

REGIONAL OFFICE Punjab

3rd 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

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

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

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

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

December, 2013

Table of Contents

1.	DISCLAIMER	2
2.	PURPOSE OF THE DOCUMENT	3
3.	INTRODUCTION TO SMEDA	3
4.	INTRODUCTION TO SCHEME	4
5.	EXECUTIVE SUMMARY	4
6.	BRIEF DESCRIPTION OF THE PROJECT & PRODUCT	5
7.	CRITICAL FACTOR	6
8.	INSTALLED AND OPERATIONAL CAPACITIES	6
9.	GEOGRAPHICAL POTENTIAL FOR INVESTMENT	7
10.	POTENTIAL TARGET MARKETS	8
11.	PROJECT COST SUMMARY	9
11.1	PROJECT ECONOMICS	9
11.2	PROJECT FINANCING.....	9
11.3	PROJECT COST	9
11.4	SPACE REQUIREMENT.....	9
11.5	OFFICE EQUIPMENT	10
11.6	HUMAN RESOURCE REQUIREMENT	11
11.7	COST STRUCTURE	12
11.8	REVENUE GENERATION	13
11.9	OTHER COSTS.....	13
12.	CONTACTS - SUPPLIERS, EXPERTS/CONSULTANTS	15
13.	ANNEXURES	16
13.1	INCOME STATEMENT	16
13.2	BALANCE SHEET	17
13.3	STATEMENT OF CASH FLOW	18
13.4	USEFUL PROJECT MANAGEMENT TIPS	19
13.5	USEFUL LINKS	20
14.	KEY ASSUMPTIONS	21



SMEDA

1. DISCLAIMER

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

For more information on services offered by SMEDA, please contact our website: 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, and production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Direct Marketing** services company by providing them with a general understanding of the business with the intention of supporting potential investors in crucial investment decisions.

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

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

3. INTRODUCTION TO SMEDA

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

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

A direct marketing company is characterized by creative strategies and ideas with an efficient execution in a given period of time. The services domain of company would be:

- Brand Activation
- Event Management
- Direct Marketing

Direct Marketing services company is proposed to be located at any of the densely populated cities like Karachi, Lahore, Peshawar, Rawalpindi, Multan, etc.

The company has a capacity of managing 100 events with an initial utilization of 64%. Total Cost Estimates is Rs. 2.17 million with fixed investment Rs. 1.17 million and working capital Rs. 0.99 million.

Given the cost assumptions, IRR and payback are 78% and 2 years and 4 months respectively.

The most critical considerations or factors for success of the project are:

1. Client Relationship & Contract Negotiations
2. Service Costing & Delivery
3. Market Research

6. BRIEF DESCRIPTION OF THE PROJECT & PRODUCT

This document is developed to provide the entrepreneurs with potential investment opportunity in setting up and operating a direct marketing company to cater to the emerging needs of the target audiences. This pre-feasibility gives insights into various aspects of planning, setting up and operating a company having a range of direct marketing activities. The document is designed to provide relevant details including proposed departmental structure and hierarchy to facilitate the entrepreneur in making the decision by providing 360 degree view of existing market and players. The document also allows flexibility to change various project parameters to suit the needs of the entrepreneur.

Product: A direct marketing company is characterized by creative strategies and ideas with an efficient execution in a given period of time. The services domain of company would be:

- Brand Activation
- Event Management
- Direct Marketing

Location: The recommended area for the proposed business should preferably be mid city and within the proximity of potential clients. Nearby presence of target market and easy accessibility are the prerequisites for the success of the marketing company.

Target Market: Potential target market for the proposed setup is densely populated cities such as Karachi, Lahore, Peshawar, Quetta, Rawalpindi, Islamabad, Multan, etc.

Employment Generation: The proposed project will provide direct employment to 9 people.



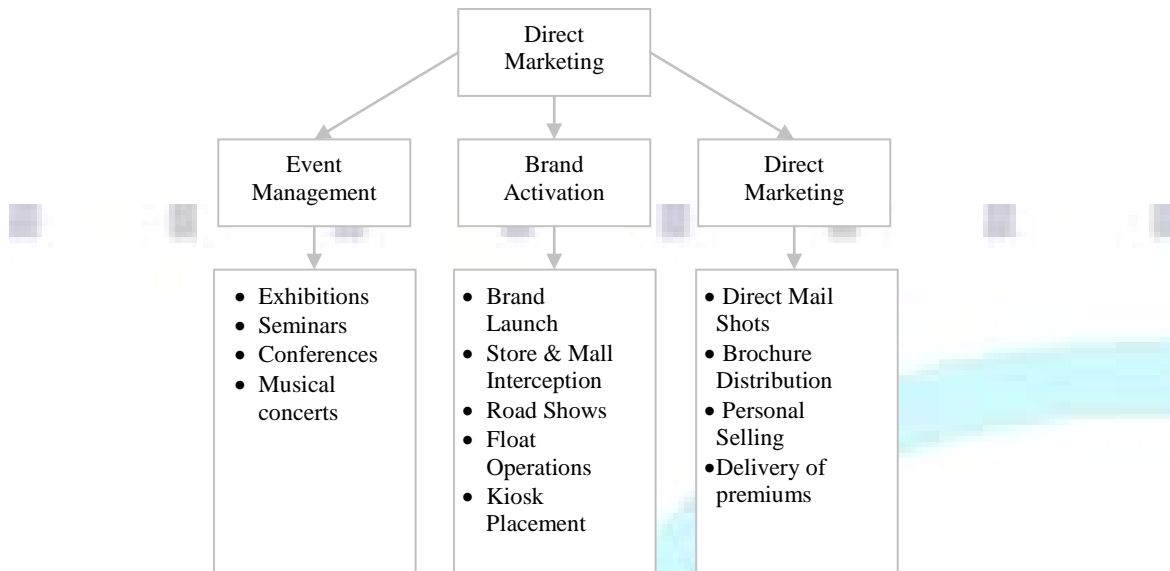
7. CRITICAL FACTORS

Following principles are of critical importance in setting up/running a Direct Marketing services company.

- **Conceive the “Winning” Concept:** A well-defined concept stands a much better chance of long term success than some vague notion. Set specific goals and decide on the framework to be used to measure the company’s success.
- **Service Costing & Delivery:** The most important factor in direct marketing business is development of service portfolio and the corresponding cost. It involves designing a competitive service mix, selection of good quality human resources at competitive cost, so as to offer your targeted customers a good price/value relationship.
- **Market Research:** Understanding of customers and knowing your client’s need are extremely important in designing a marketing proposal. The feedback from customers to learn about their preferences and detailed meetings with product managers in obtaining best practices is of critical importance.
- **Consistency:** Consistency of good quality service and out of the box ideas till executions can result in further exploring opportunities while strengthening image in the market place.

8. INSTALLED AND OPERATIONAL CAPACITIES

A direct marketing company can give an ideal service mix keeping in mind the need of the brand. It is desirable to have a vast variety of services to capture a larger target audience but initially the entrepreneur needs to be careful in choosing the right service mix that has the greatest acceptability so that the business volumes generated are able to cover the initial setup costs and to achieve the desired profit margins. Once the company has a strong client base and achieves steady growth pattern, further services like fabrication/production can be added. The diagram below indicates the list of activities which are to be adopted under the service umbrella. The proposed company would have a capacity to of manage 100 events / year.



9. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Potential target market for the proposed setup is densely populated cities such as Karachi, Lahore, Peshawar, Quetta, Rawalpindi, Islamabad, Multan, etc.

The recommended area for the proposed business setup should preferably be mid city and within the proximity of potential prospects. Nearby presence of target market and easy accessibility are the prerequisites for the success of the marketing company.

Below are some factors to consider when deciding on a location:

- **Anticipated operations:** How will the location contribute to your operational activities?
- **Accessibility to potential customers:** Consider how easy it will be for customers to locate your office.
- **The rent-paying capacity of your business.** If you have done a sales-and-profit projection for your first year of operation, you will know approximately how much revenue you can expect to generate, and you can use that information to decide how much rent you can afford to pay.
- **Potential client density.** With careful examination of markets, you can determine the approximate sales potential of market and the distribution of clients. Two factors are especially important in this analysis: total companies and the percentage of their direct marketing budget that is likely to patronize your service mix.

- **Visibility:** It is important that office be located at a place with ability to be seen and recognized. Good visibility can create opportunities as customers will not encounter any problem to locate the premises.

10. POTENTIAL TARGET MARKETS

Below The Line (BTL) is a growing industry in Pakistan relying heavily on the changing companies' preferences with respect to communication, accessing out-of-reach remote areas, scattered viewership amongst various channels and relative expensiveness of Above The Line (ATL) tools. With today's hectic lifestyles, people are over-burdened and do not pay attention to electronic and print advertisements due to time constraints and the frequent bombardment of advertising campaigns.

Increasing awareness widens the vision and people are more brand conscious than ever before. Concurrently, the competition and rate of growth in consumer spending is also increasing, leaving little choice for companies to tap customers by inducing product trial and one-on-one interactions and hence the requirement for the marketing company.

BTL is a multi-billion rupees industry which is continuously growing in Pakistan at a very rapid pace. The total advertising industry is estimated to be around Rs. 45-60 billion and growing at a rate of 20% per annum for the last few years. The spending on Brand Activation / BTL activities is around Rs. 5.0 billion, growing at an even faster rate than the rate reported for the growth of overall advertising industry. Target market includes advertising firms and large corporate companies.

11. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of this 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 Annexure 13.1 – 13.3.

11.1 Project Economics

The following table shows internal rate of return and payback period for BTL marketing company operating at 60% capacity.

Table 1 - Project Economics

Description	Details
Internal Rate of Return (IRR)	78%
Payback Period (yrs)	2 yrs & 4 months
Net Present Value (NPV)	29,348,817

Returns on the scheme and its profitability are highly dependent on the efficiency of the sales team, service delivery, interest of the owner/manager and linkages within the business community.

11.2 Project Financing

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

Table 2 - Project Financing

Description	Amount (Rs.)
Total Equity (10%)	216,760
Bank Loan (90%)	1,950,840
Markup to the Borrower (%age/annum)	8%
Tenure of the Loan (Years)	8
Grace Period (Year)	1

11.3 Project Cost

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

Table 3: Capital Investment for the Project

Capital Investment	Amount (Rs.)
Advance Rent (Deposit)	150,000
Building/Infrastructure	500,000
Furniture & fixtures	468,600
Pre-Operational	50,000
Total Capital Cost	1,168,600
Initial Working Capital	999,000
Total Project Cost	2,167,600

11.4 Space Requirement

The estimated office requirement is 2,200 sq. feet in commercial areas or any area where prospect client's offices are in close proximity and all utilities and facilities are adequately available. It is recommended that the BTL marketing

company be established in an already built house where free space is available. Close proximity of the company in relation to the commercial area(s) and the main road is better for the overall business potential.

The floor space needs to be carefully allocated to allow adequate working space for employees during office hours. The allocation of space between working area includes space to be occupied for different departments, meeting and briefing rooms and storage area, etc.

The area has been calculated on the basis of space requirement for office, meeting room and stores. Following table shows calculations for project space requirement.

Table 4: Space Requirement

Space Requirement	Sq.ft.	Construction & Renovation Amount (Rs.)
Office Area	1,500	250,000
Meeting & Briefing Rooms	450	100,000
Reception	50	50,000
Storage Area	200	100,000
Total	2,200	500,000

The proposed premises will be acquired on a rental basis with 3 months deposit and rent will be payable on a monthly basis. The monthly rent is Rs. 50,000/- per month for the proposed marketing company. It has been assumed that it would be a developed land with basic infrastructure available. However, for the necessary construction, renovation and customization of the facility Rs. 500,000/- will be required, which has been assumed to depreciate at 10% per annum using diminishing balance method.

11.5 Office Equipment

The marketing company is expected to execute a minimum of 20 floats, 20 stalls/KIOSK, 12 events and 12 other projects in a year with a total of 9 permanent staff members. This would require good seating layout to maintain flow of work, provide maximum ease and comfort to employees. Cubicle for every one working in any capacity would be recommended. A lump sum provision of Rs. 468,600/- for procurement of office / factory furniture is assumed. This would include computer, printer, fax, table, desk, chairs etc. The breakup of Factory Office Furniture & Fixtures is as follows:

Table 5: Office Equipment Costs

	Quantity	Cost (Rs.)	Amount (Rs.)
Computer	2	15,000	30,000
Printer	1	15,000	15,000
Telephone	5	1,000	5,000
Fax	1	10,000	10,000
Multimedia	1	50,000	50,000
Scanner	1	8,000	8,000
Cubicle – Rectangular	16	10,000	160,000
Office Tables – Rectangular	2	3,000	6,000
Office Chairs (Standard 14")	20	3,000	60,000
Air Conditioner Split Unit (1.5 Ton)	1	40,000	40,000
Water Dispenser	1	5,000	5,000
Wall Lights (Large)	14	1,000	14,000
Portable Emergency Light	4	2,650	10,600
Generator (2.5 KVA)	1	30,000	30,000
Reception Counter	1	15,000	15,000
Waiting Chairs/Sofa at Reception	1	10,000	10,000
Total			468,600

11.6 Human Resource Requirement

The marketing company is expected to execute a minimum of 20 floats, 20 stalls / KIOSK, 12 events and 12 Door-to-Door campaigns in a year with a total of 9 permanent staff members. Considering the size of the proposed establishment, it is assumed that the owner would be managing the overall affairs of the proposed setup. He will be required to work on new business development, client handling, making standard operating procedures, financial and other matters with respective employees. The human resource requirement for the general and management staff along with their proposed monthly salary are provided in the table below:

Table 6: Human Resource Requirement

Description	No. of Employees	Salary per Month (Rs.)	Total Monthly Salary (Rs.)
Owner Manager	1	25,000	25,000
Project Coordinator	2	20,000	40,000
Office Assistants	3	14,000	42,000
Store In-charge	1	10,000	10,000

Receptionist	1	10,000	10,000
Peon	1	10,000	10,000
Total	9	89,000	137,000

11.7 Cost Structure

Below are the details of cost used to calculate gross revenue earned based on the billing rate at which the entrepreneur will charge the customer. The cost of elements (including human resource) is assumed to increase by 10% annually.

Fixed Cost -Elements	Float Operations	Stall Operations	DtD Selling	Event Mgt
KIOSK (Metal/Fibre)		15,000		
Rent - Mini Truck / Hilux Van	50,000		18,000	
Fabrication	25,000	7,500	25,000	750,000
Total	75,000	22,500	43,000	750,000
Human resource				
Supervisor	15,000	15,000	15,000	15,000
1 Promoter / Team Leader	10,000	10,000	10,000	40,000
1 technician	10,000	10,000	-	10,000
Marketing staff			100,000	
Total	35,000	35,000	125,000	65,000
Variable element Cost				
Petrol/Diesel	19,500	4,000	13,000	26,000
Communication	1,300	1,300	1,300	1,300
Stationary/Photocopy/print out	1,300	1,300	1,300	1,300
Miscellaneous	2,600	2,600	1,300	2,600
Total	24,700	9,200	16,900	31,200
Total Cost	134,700	66,700	184,900	846,200

Table 8: Costs

Events	Unit	Cost (Rs./Unit)	Total Cost (Rs.)
Float Operations	20	134,700	2,694,000
Stall Operations	20	66,700	1,334,000
Event Management	12	846,200	10,154,400
Door to Door Mkt.	12	184,900	2,218,800
Total Costs			16,401,200

11.8 Revenue Generation

The business is expected to increase by 15% every year. The 15% annual increase in revenue is expected to result from a part increase in client base and part increase in service cost. The prices indicated below are exclusive of General Sales Tax (17%) and inclusive of management fees (20%). Furthermore, it is assumed that the following sales breakup will form the revenue streams for the BTL marketing company.

Table 9: Revenue Generation

Description	Events	Sales Price (Rs./Unit)	First Year Sales Revenue (Rs.)
Float Operations	20	161,640	3,232,800
Stall Operations	20	80,040	1,600,800
Event Management	12	1,015,440	12,185,280
Door to door Marketing	12	221,880	2,662,560
Total Sales Revenue			19,681,440

11.9 Other Costs

The rent for the assumed premises will be Rs. 50,000/- per month. It is assumed that Rs. 150,000 will be given in advance before possession of premises. The rent would be payable on a monthly basis and is expected to increase at the rate of 10% per annum for the projected period.

The following table presents the assumed breakup of utilities on a monthly basis:

Table 10: Utilities

Utility	Total Monthly Cost (Rs.)	Total Annual Cost (Rs.)
1 Electricity	25,000	300,000
2 Water	4,000	48,000
3 Gas	2,000	24,000
4 Telephone	10,000	120,000
5 Office Rent	50,000	600,000
Total	91,000	1,092,000

As presented in the above table, most of the BTL marketing companies require considerable fixed and mobile phone lines during the project owing to the nature of work. It is assumed that utilities expenses will increase by 10% every year.

The provision for pre-operating costs is assumed to be Rs. 50,000/- which will be amortized equally over a 5 year period.

Considering the industry norms, it has been assumed that 75% of the total sale will be on cash while remaining 25% sales will be on credit to local distributors. A collection period of 30 days has been assumed.

A provision for bad debts has been assumed equivalent to 2% of the annual credit sales.

Long-term loan for 8 years will be obtained in order to finance the venture. This facility would be acquired at a rate of 8% per annum with year 1 as grace period. The installments are assumed to be paid at the end of every month.

Miscellaneous expenses of running the business are assumed to be Rs. 10,000 per month. These expenses include various items like office stationery, daily consumables, traveling allowances etc. and are assumed to increase at a nominal rate of 10% per annum.

The business is assumed to be run as a sole proprietorship; therefore, tax rates applicable on the income of a non-salaried individual taxpayer are used for income tax calculation of the business.

The cost of capital is explained in the following table:

Table 11: WACC

Particulars	Rate
Required return on equity	20%
Cost of finance	8%
Weighted Average Cost of Capital	9.2%

The weighted average cost of capital is based on the debt/equity ratio of 90:10

12. CONTACTS - SUPPLIERS, EXPERTS/CONSULTANTS

Below are the contact details of Marketing Association of Pakistan who can guide and mentor new entrants in this business.

Karachi

403 Burhani Chambers

Abdullah Haroon Road

Karachi 74400

Tel: 021 3276 0032

Fax: 021 3272 9952

Email: khi@map.org.pk,
mapmail@cyber.net.pk

Lahore

109 Bank Square Market

Model Town

Lahore

Tel: 042 3588 2891

Fax: 042 3588 2891

Email: info@maplahore.org.pk

Website: www.maplahore.org.pk

S M E D A

13. ANNEXURES

13.1 INCOME STATEMENT

DIRECT MARKETING SERVICES COMPANY										
Projected Income Statement (Rs.)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Gross Revenue	19,681,440	22,633,656	26,028,704	29,933,010	34,422,962	39,586,406	45,524,367	52,353,022	60,205,975	69,236,871
Sales on Credit	4,920,360	5,658,414	6,507,176	7,483,253	8,605,740	9,896,601	11,381,092	13,088,255	15,051,494	17,309,218
Sales on Cash	14,761,080	16,975,242	19,521,528	22,449,758	25,817,221	29,689,804	34,143,275	39,264,766	45,154,481	51,927,653
Bad Debt Expenses	98,407	113,168	130,144	149,665	172,115	197,932	227,622	261,765	301,030	346,184
Net (Adjusted Sales)	19,583,033	22,520,488	25,898,561	29,783,345	34,250,847	39,388,474	45,296,745	52,091,257	59,904,945	68,890,687
Cost of Sales	16,893,200	18,582,520	20,440,772	22,484,849	24,733,334	27,206,668	29,927,334	32,920,068	36,212,074	39,833,282
Project Cost	16,401,200	18,041,320	19,845,452	21,829,997	24,012,997	26,414,297	29,055,726	31,961,299	35,157,429	38,673,172
Other Utilities	492,000	541,200	595,320	654,852	720,337	792,371	871,608	958,769	1,054,646	1,160,110
Gross Profit	2,689,833	3,937,968	5,457,789	7,298,496	9,517,513	12,181,806	15,369,411	19,171,189	23,692,871	29,057,405
Operating Expenses										
Salaries	1,644,000	1,808,400	1,989,240	2,188,164	2,406,980	2,647,678	2,912,446	3,203,691	3,524,060	3,876,466
Office Miscellaneous Expenses	120,000	132,000	145,200	159,720	175,692	193,261	212,587	233,846	257,231	282,954
Amortization of Preliminary Expenses	10,000	10,000	10,000	10,000	10,000	-	-	-	-	-
Depreciation Expense	96,860	87,174	78,457	70,611	63,550	57,195	51,475	46,328	41,695	37,526
Rent Expense	600,000	660,000	726,000	798,600	878,460	966,306	1,062,937	1,169,230	1,286,153	1,414,769
Renovation Expense	-	-	-	-	-	-	-	-	-	-
Subtotal	2,470,860	2,697,574	2,948,897	3,227,095	3,534,682	3,864,441	4,239,446	4,653,095	5,109,139	5,611,714
Operating Income	218,973	1,240,394	2,508,892	4,071,401	5,982,830	8,317,366	11,129,965	14,518,094	18,583,732	23,445,691
Financial Charges (8% Per Annum)	156,067	148,238	130,258	110,784	89,695	66,855	42,120	15,331	-	-
Earnings Before Taxes	62,906	1,092,156	2,378,635	3,960,616	5,893,135	8,250,510	11,087,845	14,502,762	18,583,732	23,445,691
Tax	-	86,323	323,227	712,654	1,290,441	2,110,179	3,103,246	4,298,467	5,726,806	7,428,492
Net Profit	62,906	1,005,832	2,055,408	3,247,962	4,602,695	6,140,332	7,984,599	10,204,296	12,856,926	16,017,199
Monthly Profit After Tax	5,242	83,819	171,284	270,664	383,558	511,694	665,383	850,358	1,071,410	1,334,767

13.2 BALANCE SHEET

DIRECT MARKETING SERVICES COMPANY											
Projected Balance Sheet (Rs.)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
Current Assets											
Cash & Bank Balance	999,000	758,736	1,583,601	3,422,118	6,415,262	10,722,786	16,514,722	24,104,334	33,863,151	46,598,168	62,464,749
Accounts Receivable	0	410,030	471,535	542,265	623,604	717,145	824,717	948,424	1,090,688	1,254,291	1,442,435
Advance Rent	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Total Current Assets	1,149,000	1,318,766	2,205,135	4,114,383	7,188,866	11,589,931	17,489,439	25,202,759	35,103,839	48,002,459	64,057,184
Fixed Assets											
Construction & Renovation	500,000	450,000	405,000	364,500	328,050	295,245	265,721	239,148	215,234	193,710	174,339
Furniture & Fixtures	468,600	421,740	379,566	341,609	307,448	276,704	249,033	224,130	201,717	181,545	163,391
Vehicle		0	0	0	0	0	0	0	0	0	0
Total Fixed Assets	968,600	871,740	784,566	706,109	635,498	571,949	514,754	463,278	416,951	375,255	337,730
Intangible Assets											
Preliminary Expenses	50,000	40,000	30,000	20,000	10,000	-	-	-	-	-	-
Total Assets	2,167,600	2,230,506	3,019,701	4,840,492	7,834,364	12,161,880	18,004,192	25,666,037	35,520,789	48,377,715	64,394,914
Owner's Equity	216,760	279,666	1,285,498	3,340,906	6,588,868	11,191,563	17,331,894	25,316,494	35,520,789	48,377,715	64,394,914
Long Term Liability	1,950,840	1,950,840	1,734,204	1,499,587	1,245,497	970,317	672,298	349,543	0	0	0
Total Equity & Liabilities	2,167,600	2,230,506	3,019,701	4,840,492	7,834,364	12,161,880	18,004,192	25,666,037	35,520,789	48,377,715	64,394,914

S M E D A

13.3 Statement of Cash Flow

DIRECT MARKETING SERVICES COMPANY											
Projected Statement of Cash Flows (Rs.)	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Cash Flow From Operating Activities											
Net Profit	0	62,906	1,005,832	2,055,408	3,247,962	4,602,695	6,140,332	7,984,599	10,204,296	12,856,926	16,017,199
Add: Depreciation Expense	0	96,860	87,174	78,457	70,611	63,550	57,195	51,475	46,328	41,695	37,526
Amortization Expense	0	10,000	10,000	10,000	10,000	10,000	-	-	-	-	-
(Increase) / decrease in Receivables	-	(410,030)	(61,505)	(70,730)	(81,340)	(93,541)	(107,572)	(123,708)	(142,264)	(163,603)	(188,144)
Net Cash Flow From Operations	0	(240,264)	1,041,502	2,073,134	3,247,234	4,582,704	6,089,955	7,912,367	10,108,360	12,735,017	15,866,581
Cash Flow From Financing Activities											
Receipt of Long Term Debt	1,950,840										
Repayment of Long Term Debt			(216,636)	(234,617)	(254,090)	(275,179)	(298,019)	(322,755)	(349,543)	-	-
Owner's Equity	216,760										
Net Cash Flow From Financing Activities	2,167,600	0	(216,636)	(234,617)	(254,090)	(275,179)	(298,019)	(322,755)	(349,543)	0	0
Cash Flow From Investing Activities											
Capital Expenditure	(500,000)					0					0
Office Furniture	(468,600)										
Advance Rent	(150,000)										
Preliminary Operating Expenses	(50,000)										
Net Cash Flow From Investing Activities	(1,168,600)	0	0	0	0	0	0	0	0	0	0
NET CASH FLOW	999,000	(240,264)	824,865	1,838,517	2,993,143	4,307,524	5,791,936	7,589,613	9,758,817	12,735,017	15,866,581
Cash at the Beginning of the Period	0	999,000	758,736	1,583,601	3,422,118	6,415,262	10,722,786	16,514,722	24,104,334	33,863,151	46,598,168
Cash at the End of the Period	999,000	758,736	1,583,601	3,422,118	6,415,262	10,722,786	16,514,722	24,104,334	33,863,151	46,598,168	62,464,749

13.4 USEFUL PROJECT MANAGEMENT TIPS

Technology

- **List of Machinery & Equipment**

Computer & UPS

Printer

Fax & Telephone

UPS & Battery

Furniture

- **Energy Requirement:** Should not be overestimated or installed in excess and alternate source of energy for critical operations be arranged in advance.

Marketing

- **Ads & P.O.S Promotion:** Business promotion and dissemination is recommended. Service brochures should be developed.
- **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.

Human Resources

- **List of Human Resource**

Owner Manager

Project Coordinator

Office Assistants

Store In-charge

Receptionist

Peon

- **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 a route to

success. Least cost options for Training and Skill Development (T&SD) may be linked with compensation benefits and awards.

13.5 USEFUL LINKS

- **Prime Minister's Office**

www.pmo.gov.pk

- **Small & Medium Enterprises Development Authority (SMEDA)**

www.smeda.org.pk

- **National Bank of Pakistan (NBP)**

www.nbp.com.pk

- **First Women Bank Limited (FWBL)**

www.fwbl.com.pk

- **Government of Pakistan**

www.pakistan.gov.pk

- **Ministry of Industries & Production**

www.moip.gov.pk

- **Ministry of Education, Training & Standards in Higher Education**

www.moptt.gov.pk

- **Government of the Punjab**

www.punjab.gov.pk

- **Government of Sindh**

www.sindh.gov.pk

- **Government of Khyber Pakhtunkhwa**

www.khyberpakhtunkhwa.gov.pk

- **Government of Balochistan**

www.balochistan.gov.pk

- **Government of Gilgit Baltistan**

www.gilgitbaltistan.gov.pk

- **Government of Azad Jammu & Kashmir**

www.ajk.gov.pk

- **Trade Development Authority of Pakistan (TDAP)**

www.tdap.gov.pk

- **Securities & Exchange Commission of Pakistan (SECP)**

www.secp.gov.pk

- **Federation of Pakistan Chambers of Commerce and Industry (FPCCI)**

www.fpcci.com.pk

- **State Bank of Pakistan (SBP)**

www.sbp.org.pk

14. KEY ASSUMPTIONS

Item	Assumption(s)
Sales Volume Increase	5 %
Sales Price Increase	10%
Increase in Cost of Sales	10 %
Increase in Staff Salaries	10 % per year
Increase in Utilities	10 % per year
Increase in Rent	10 % per year
Increase in Office Expenses	10 % per year
Debt / Equity Ratio	90 : 10
Depreciation: Premises Renovation	10 % per annum (Diminishing Balance)
Furniture	10 % per annum (Diminishing Balance)
Loan Period	8 Years
Loan Installments	Monthly
Financial Charges (Loan Rate)	8 % per annum
Bad Debts	2% of Sales

S M E D A