

Pre-Feasibility Study

(Leather Goods Manufacturing Unit – Wallets)



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

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S M E D A

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.

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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 **Leather Goods Manufacturing Unit – Wallets** 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 & 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, 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' 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 01 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

Leather Industry of Pakistan, ~~including leather based manufactured goods, is~~ ranked among Pakistan's top 5 export earners, contributing significantly to the national exchequer. International demand for Pakistan's leather products, low investment as compared to other sectors, easy availability of quality hides and skins, high quality craftsmanship, and cheap availability of skilled labor are some of the encouraging factors that provide a potent opportunity for a new entrant to venture into leather goods manufacturing business.

The proposed ~~L~~ leather wallets manufacturing business ~~venture entails~~ involves a total investment of about Rs. 2.17 million. This includes a capital investment of Rs. 1.10 million and ~~a sum of~~ Rs.1.07 million as initial working capital. The project is financed through 90% debt and 10% equity. The Net Present Value (NPV) of the project is around Rs. 17.76 million with an Internal Rate of Return (IRR) of 63%, and a payback period of 2.485 years. The project will generate direct employment opportunity for 16 persons. Higher return on investment and a steady growth of business is expected with the entrepreneur having some prior experience or education in the related field of business. This pre-feasibility encompasses essential information regarding various aspects of starting a Leather Goods Manufacturing Unit – Wallets, business in Pakistan.

6. BRIEF DESCRIPTION OF PROJECT & PRODUCT

The proposed project provides information on one of the sub sectors of leather manufacturing in Pakistan namely Leather Wallets. This sub sector offers aspiring entrepreneurs a potent opportunity to establish their business in one of the top export oriented sectors of Pakistan. Easy and sustained access to high

quality raw material coupled with availability of skilled labor ~~puts make~~ this sub sector as an attractive opportunity for ~~start-ups entrepreneurs~~ to venture into leather goods manufacturing in Pakistan. This ~~proposed project prefeasibility study~~ provides details about investment opportunity in the area of leather goods manufacturing focusing on leather wallets. ~~However, the unit is also capable of manufacturing other products such as,~~ leather key-rings, credit card holders, ladies bill folders and other small articles of leather ~~can also be manufactured under the project,~~ without any additional machinery. The leather goods manufacturing unit will primarily focus on exports catering to the international leather markets.

~~The leather goods manufacturing unit needs an investment estimated at Rs.2.17 million.~~ This pre-feasibility is based on a unit with 3 stitching machines with a capacity of manufacturing 267 wallets per 8 hours shift. The total labour required for this unit would be 16.

7. CRITICAL FACTORS

- Availability of skilled labour.
- Awareness about international leather fashion trends especially wallets.
- Higher return on investment and a steady growth of business is closely associated with regular training and capacity building of the entrepreneur and employees.
- Prior experience and related /education in the related field of business.
- Knowledge about Strict compliance regarding local and international environmental regulations and compliance requirements.
- Good quality leather conforming to the international standards like Registration, Evaluation, Authorization & Restriction of Chemical (REACH) substances.
- ~~Availability of skilled labour.~~
- Stringent supervision of the production process at every level.
- Continuous flow of export orders through aggressive marketing (website & social media) and international networking.
- Special attention on packaging.

8. INSTALLED & OPERATIONAL CAPACITIES

This pre-feasibility is based on 3 stitching machines with a capacity of manufacturing 267 wallets per 8 hours shift. The total labour required for this unit would be 16. Total number of wallets produced in year one would be 48,000

achieving 60% of the total installed capacity, while maximum capacity (90%) will be achieved with production reaching at 72,000 wallets.

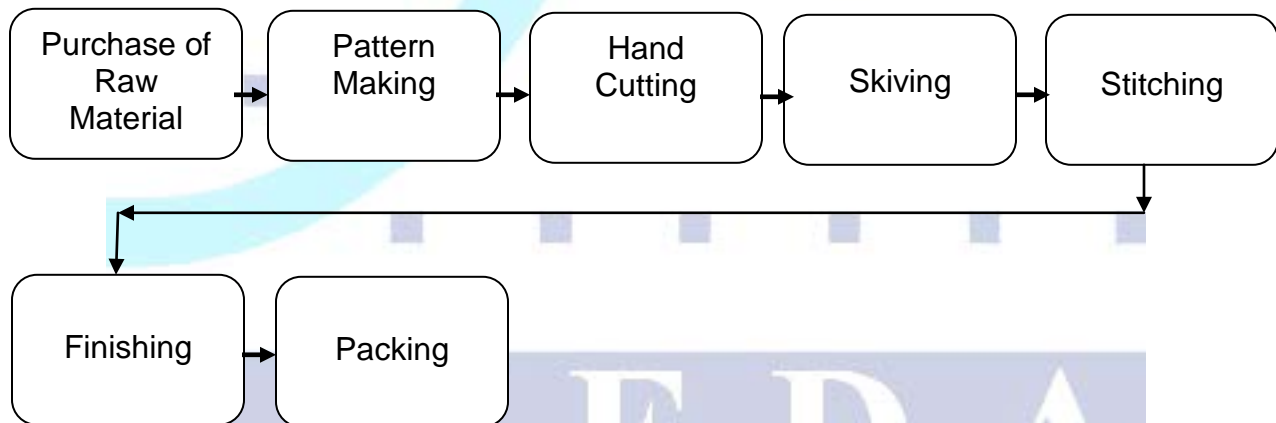
9. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Lahore, Karachi and Sialkot are three key clusters of leather goods manufacturing. Availability of skilled labour is vital while selecting a location. All the above cities have adequate availability of skilled labour, raw material and other support infrastructure. Leather goods manufacturing unit can be established in the suburbs/ periphery areas of these cities.

10. POTENTIAL TARGET MARKETS

Leather wallets manufactured in this unit will primarily be exported. Germany, USA, United Kingdom, Turkey, Japan, France & UAE are some of the key importing countries of Pakistani leather products. Export market customers mainly include chain stores and major leather product brands in Europe and USA.

11. PRODUCTION PROCESS FLOW



12. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of ~~'Leather Goods Manufacturing Unit – Wallets' under the 'Prime Minister's Youth Business Loan' scheme~~the project. 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.

12.1 Project Economics

The installed production capacity of the project is 80,000 leather wallets per year. However during first year of operations, it will operate at 60% of the installed capacity producing 48,000 leather wallets.

The following table shows internal rate of return, payback period and Net Present Value;

Table 1: Project Economics

Description	Details
Internal Rate of Return (IRR)	63%
Payback Period (yrs)	2.485
Net Present Value (NPV)	17,756,546

Returns on the scheme and its profitability are highly dependent on acquiring and maintaining export orders, adhering to the daily production schedules and timely shipments. In case the manufacturing of leather wallets are not at par with the international standards or ~~the~~ competitors, the project may not ~~remain~~prove to be viable.

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. 217,034
Bank Loan (90%)	Rs. 1,953,307
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. A rented premise [has been is](#) recommended for [this e](#) project.

Table 3: Capital Investment for the Project

Capital Investment	Amount (Rs.)
Machinery	648,000
Furniture Fixture	194,500
Office equipment	179,500
Pre operational expenses	82,000
Total Capital Cost	1,104,000
Initial Working Capital	1,066,341
Total Project Cost	2,170,341

12.4 Space Requirement

The area has been calculated on the basis of space requirement for production, management and storage. However, the units operating in the industry do not follow any set pattern. Following table shows calculations for project space requirement.

Table 4: Space Requirement

Space Requirement	Sq. Ft.
Management building	120
Production area	600
Store	200
Open area	200
Total Area	1,120

Premises will be obtained on rent @ Rs 30,000 per month.

12.5 Machinery and Equipment

Following table provides list of machinery and equipment required for an average leather [goods-wallets](#) manufacturing unit-[wallets](#).

Table 5: Machinery & Equipment

Description	Quantity	Cost Rs/unit	Total Rs.
Single needle flat bed stitching machine	3	45,000	135,000

(Taiwan)			
Skiving machine (Taiwan)	1	120,000	120,000
Creasing tools	3	15,000	45,000
Genset 5KVA (China)	1	70,000	70,000
Working tables with stone surface	4	20,000	80,000
Packing table	1	15,000	15,000
Tools, gauges, patterns, knives, scissors, etc.		100,000	100,000
Store racks	5	15,000	75,000
Industrial exhaust fan	1	8,000	8,000
Total			648,000

Flat bed lock stitching machines are used for ~~the~~ manufacturing of leather wallets. Skiving machine is used for reducing the thickness of leather pieces along the stitching seem. The production process involves a lot of gluing and hammer pressing work, hence working tables with hard stone surface are required. Metal patterns are preferred over strawboard patterns due to their durability and ease of use.

12.6 Furniture & Fixture

Following furniture and fixture will be required for the unit:

Table 6: Furniture & Fixture Details

	Quantity	Cost	Amount
Office / Visitor Chairs	12	6,000	72,000
Office Tables	5	10,000	50,000
Fans	5	3,500	17,500
Air Conditioner (1.5 ton Split)	1	55,000	55,000
Total			194,500

12.7 Office Equipment

Office equipment comprises of necessary IT equipment and furniture items.

Table 7: Office Equipment Details

	Quantity	Cost	Amount
Computer laptop	1	50,000	50,000
Computer desktop (used)	3	25,000	75,000
Computer printer	1	15,000	15,000
Flat bed scanner	1	10,000	10,000
Networking	1	10,000	10,000
Telephone	3	1,500	4,500
Fax	1	15,000	15,000

Total			179,500
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12.8 Raw Material Requirements

Cow skin will be used for the manufacturing of the leather wallets, while satin polyester based lining will be used for partitioning purposes. Following table shows raw material requirement to produce one leather wallet having two pockets with six card slots:

Table 8: Cost of Materials

	Unit	Rate (Rs.)	Quantity	Rs./Unit
Cow skin finished leather	Sq. Ft.	190	0.75	142.50
Satin lining	Meter	80	0.125	10.00
Metal corners	Number	2.00	4	8.00
Packaging	Number	15	1	15.00
Misc.(thread, glue, etc.)	Lump Sum	19.5	1	19.50
Cost per Unit				195.00

12.9 Human Resource Requirement

Following table provides details of human resource required for this venture:

Table 9: Human Resource Requirement

Description	No. of Employees	Salary per employee per month (Rs.)
Owner Manager	1	50,000
Accountant	1	20,000
Store keeper	1	12,000
Office assistant	1	10,000
Stitchers	3	16,000
Skiving machine operator	1	15,000
Fitter/helper	5	11,000
Cutter	1	15,000
Security guard	2	10,000
Total Staff	16	159,000

The owner will focus on export marketing, purchase of leather and monitoring the production along with overall management of the unit. With proper support from fitters/helpers who glue, fold and hammer the leather pieces, a stitcher on an average, can stitch 100 leather wallets of prescribed type in an 8 hour shift. The skiving machine operator will provide the leather patches after thinning edges as per requirement of the process. Support functions of inventory, accounts,

security, etc. will be managed by ~~the~~ other staff. Salaries of all employees are estimated to increase at 10% annually.

12.10 Revenue Generation

Following table provides details of the revenue generated by the project in the first year;

Product	Unit	Sales Price (Rs./Unit)	First Year Sales Quantity	First Year Sales Revenue (Rs)
Leather wallet (2 pockets with 6 card slots)	No.	300	47,000*	14,100,000
Total Sales Revenue				14,100,000

*On the basis of the assumption that Out of 48,000 units produced, 47,000 will be sold

12.11 Other Costs

Other essential costs to be borne by the company are; promotional and communication expenses due to the export ~~nature-orientation~~ of ~~the~~ business.

13. CONTACT DETAILS OF EXPERTS & CONSULTANTS

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14. ANNEXURE

14.1. Income Statement

Calculations											SMEDA
Income Statement											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Revenue	14,100,000	17,132,500	20,297,750	23,924,725	28,074,118	32,814,141	38,221,429	42,092,289	46,301,518	50,931,670	
<i>Cost of sales</i>											
Raw material cost	9,165,000	11,136,125	13,193,538	15,551,071	18,248,176	21,329,192	24,843,929	27,359,988	30,095,987	33,105,586	
Labor cost	1,740,000	1,914,000	2,105,400	2,315,940	2,547,534	2,802,287	3,082,516	3,390,768	3,729,845	4,102,829	
Machinery maintenance cost	94,000	114,217	135,318	159,498	187,161	218,761	254,810	280,615	308,677	339,544	
Electricity cost	159,301	193,562	229,322	270,300	317,179	370,731	431,823	475,555	523,111	575,422	
Total cost of sales	11,158,301	13,357,903	15,663,578	18,296,809	21,300,050	24,720,972	28,613,077	31,506,926	34,657,619	38,123,381	
Gross Profit	2,941,699	3,774,597	4,634,172	5,627,916	6,774,067	8,093,170	9,608,352	10,585,363	11,643,899	12,808,289	
<i>General administration & selling expenses</i>											
Administration expense	1,200,000	1,320,000	1,452,000	1,597,200	1,756,920	1,932,612	2,125,873	2,338,461	2,572,307	2,829,537	
Administration benefits expense	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477	
Building rental expense	360,000	396,000	435,600	479,160	527,076	579,784	637,762	701,538	771,692	848,861	
Electricity expense	91,795	100,974	111,071	122,179	134,396	147,836	162,620	178,882	196,770	216,447	
Travelling expense	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477	
Communications expense (phone, fax, mail, internet, etc.)	60,000	66,000	72,600	79,860	87,846	96,631	106,294	116,923	128,615	141,477	
Office expenses (stationary, entertainment, janitorial services, etc.)	90,000	99,000	108,900	119,790	131,769	144,946	159,440	175,385	192,923	212,215	
Promotional expense	423,000	513,975	608,933	717,742	842,224	984,424	1,146,643	1,262,769	1,389,046	1,527,950	
Depreciation expense	120,150	120,150	120,150	120,150	120,150	130,069	130,069	130,069	130,069	130,069	
Amortization of pre-operating costs	16,400	16,400	16,400	16,400	16,400	-	-	-	-	-	
Subtotal	2,481,345	2,764,499	3,070,854	3,412,200	3,792,473	4,209,562	4,681,288	5,137,871	5,638,651	6,189,510	
Operating Income	460,355	1,010,098	1,563,318	2,215,716	2,981,594	3,883,608	4,927,064	5,447,492	6,005,248	6,618,780	
Other income (rebate)	217,140	263,841	312,585	368,441	432,341	505,338	588,610	648,221	713,043	784,348	
Gain / (loss) on sale of office equipment	-	-	-	-	71,800	-	-	-	-	-	
Earnings Before Interest & Taxes	677,495	1,273,938	1,875,903	2,584,157	3,485,736	4,388,945	5,515,674	6,095,713	6,718,291	7,403,127	
Interest expense on long term debt (Project Loan)	162,124	148,426	130,422	110,925	89,808	66,940	42,173	15,351	-	-	
Subtotal	162,124	148,426	130,422	110,925	89,808	66,940	42,173	15,351	-	-	
Earnings Before Tax	515,371	1,125,513	1,745,481	2,473,232	3,395,927	4,322,006	5,473,501	6,080,363	6,718,291	7,403,127	
Tax	141,000	171,325	202,978	239,247	280,741	328,141	382,214	420,923	463,015	509,317	
NET PROFIT/(LOSS) AFTER TAX	374,371	954,188	1,542,504	2,233,985	3,115,186	3,993,864	5,091,287	5,659,440	6,255,276	6,893,811	

14.2. Statement of Cash Flow

SMEDA

Calculations											
Cash Flow Statement											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit		374,371	954,188	1,542,504	2,233,985	3,115,186	3,993,864	5,091,287	5,659,440	6,255,276	6,893,811
Add: depreciation expense		120,150	120,150	120,150	120,150	120,150	130,069	130,069	130,069	130,069	130,069
amortization of pre-operating costs		16,400	16,400	16,400	16,400	16,400	-	-	-	-	-
Deferred income tax		141,000	171,325	202,978	239,247	280,741	328,141	382,214	420,923	463,015	509,317
Accounts receivable		(579,452)	(62,312)	(127,351)	(139,566)	(159,788)	(182,659)	(208,506)	(190,647)	(166,029)	(181,631)
Finished goods inventory		(237,411)	(41,326)	(48,075)	(54,903)	(62,616)	(71,323)	(81,144)	(59,598)	(65,639)	(72,203)
Equipment inventory	(15,667)	(4,321)	(4,877)	(5,908)	(7,143)	(8,618)	(10,378)	(8,897)	(10,200)	(11,781)	87,791
Raw material inventory	(509,167)	(171,374)	(206,358)	(263,016)	(334,371)	(424,096)	(536,759)	(516,908)	(622,030)	(752,657)	4,336,736
Pre-paid building rent	(180,000)	(18,000)	(19,800)	(21,780)	(23,958)	(26,354)	(28,989)	(31,888)	(35,077)	(38,585)	424,431
Accounts payable		409,296	90,517	96,470	111,913	129,759	150,401	167,531	130,442	145,007	(56,879)
Cash provided by operations	(704,833)	50,659	1,017,907	1,512,371	2,161,755	2,980,766	3,772,367	4,923,757	5,423,321	5,958,675	12,071,439
<i>Financing activities</i>											
Project Loan - principal repayment		-	(216,910)	(234,914)	(254,411)	(275,527)	(298,396)	(323,163)	(349,985)	-	-
Additions to Project Loan	1,953,307	-	-	-	-	-	-	-	-	-	-
Issuance of shares	217,034	-	-	-	-	229,093	-	-	-	-	-
Cash provided by / (used for) financing activities	2,170,341	-	(216,910)	(234,914)	(254,411)	(46,435)	(298,396)	(323,163)	(349,985)	-	-
<i>Investing activities</i>											
Capital expenditure	(1,104,000)	-	-	-	-	(229,093)	-	-	-	-	-
Cash (used for) / provided by investing activities	(1,104,000)	-	-	-	-	(229,093)	-	-	-	-	-
NET CASH	361,508	50,659	800,997	1,277,457	1,907,343	2,705,238	3,473,971	4,600,594	5,073,336	5,958,675	12,071,439



14.3. Balance Sheet

SMEDA

Calculations											
Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
<i>Current assets</i>											
Cash & Bank	361,508	412,167	1,213,164	2,490,621	4,397,964	7,103,202	10,577,173	15,177,767	20,251,103	26,209,778	38,281,217
Accounts receivable		579,452	641,764	769,115	908,681	1,068,469	1,251,129	1,459,635	1,650,282	1,816,311	1,997,942
Finished goods inventory		237,411	278,736	326,811	381,714	444,330	515,652	596,797	656,394	722,034	794,237
Equipment spare part inventory	15,667	19,988	24,865	30,773	37,916	46,533	56,912	65,809	76,009	87,791	-
Raw material inventory	509,167	680,541	886,899	1,149,915	1,484,286	1,908,382	2,445,141	2,962,049	3,584,079	4,336,736	-
Pre-paid building rent	180,000	198,000	217,800	239,580	263,538	289,892	318,881	350,769	385,846	424,431	-
Total Current Assets	1,066,341	2,127,558	3,263,227	5,006,815	7,474,099	10,860,808	15,164,887	20,612,825	26,603,713	33,597,080	41,073,397
<i>Fixed assets</i>											
Machinery & equipment	648,000	583,200	518,400	453,600	388,800	324,000	259,200	194,400	129,600	64,800	-
Furniture & fixtures	194,500	175,050	155,600	136,150	116,700	97,250	77,800	58,350	38,900	19,450	-
Office equipment	179,500	143,600	107,700	71,800	35,900	229,093	183,274	137,456	91,637	45,819	-
Total Fixed Assets	1,022,000	901,850	781,700	661,550	541,400	650,343	520,274	390,206	260,137	130,069	-
<i>Intangible assets</i>											
Pre-operation costs	82,000	65,600	49,200	32,800	16,400	-	-	-	-	-	-
Total Intangible Assets	82,000	65,600	49,200	32,800	16,400	-	-	-	-	-	-
TOTAL ASSETS	2,170,341	3,095,008	4,094,127	5,701,165	8,031,899	11,511,151	15,685,161	21,003,030	26,863,850	33,727,148	41,073,397
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		409,296	499,813	596,283	708,196	837,956	988,356	1,155,887	1,286,330	1,431,337	1,374,457
Total Current Liabilities	-	409,296	499,813	596,283	708,196	837,956	988,356	1,155,887	1,286,330	1,431,337	1,374,457
<i>Other liabilities</i>											
Deferred tax		141,000	312,325	515,303	754,550	1,035,291	1,363,432	1,745,647	2,166,570	2,629,585	3,138,901
Long term debt (Project Loan)	1,953,307	1,953,307	1,736,397	1,501,483	1,247,072	971,544	673,148	349,985	-	-	-
Total Long Term Liabilities	1,953,307	2,094,307	2,048,722	2,016,786	2,001,621	2,006,835	2,036,580	2,095,632	2,166,570	2,629,585	3,138,901
<i>Shareholders' equity</i>											
Paid-up capital	217,034	217,034	217,034	217,034	217,034	446,127	446,127	446,127	446,127	446,127	446,127
Retained earnings		374,371	1,328,559	2,871,063	5,105,047	8,220,234	12,214,098	17,305,384	22,964,824	29,220,100	36,113,911
Total Equity	217,034	591,405	1,545,593	3,088,097	5,322,081	8,666,360	12,660,224	17,751,511	23,410,951	29,666,227	36,560,038
TOTAL CAPITAL AND LIABILITIES	2,170,341	3,095,008	4,094,127	5,701,165	8,031,899	11,511,151	15,685,161	21,003,030	26,863,850	33,727,148	41,073,397

SMEDA

14.4. USEFUL PROJECT MANAGEMENT TIPS

Technology

- **Required sSpare pParts & eConsumables:** _____ Suppliers _____ credit agreements and availability as per schedule of maintenance be ensured before start of operations. The machines proposed are new and of Taiwanese origin, hence requiring little maintenance and repairing.
- **Energy Requirement:** ~~The A generator has been recommended but should be used only for operating the machinery and other necessary equipment. All extra loads (Air conditioning, extra lights, computers, etc.) should be switched off while generator is operating.~~
- **Machinery Suppliers:** Due to high quality requirement of ~~end the~~ product, brand new machinery of Taiwanese origin ~~has been is~~ recommended. In selecting the machinery, multiple sources must be explored. The availability of spares should also be considered. Such machinery is easily available in local markets e.g. REX market near Lahore Railway station.
- **Quality Assurance Equipment & Standards:** ~~The G~~ global apex standard that needs to be complied with, for exporting leather wallets is REACH. The leather should only be sourced from tanneries that offer REACH complian~~ce~~t leather. ~~Similarly, A~~ adherence to buyers' specification/requirement is ~~similarly~~ critical. Any deviations may result in huge claims charged by the buyer and may also result in loss of the client. Strict quality control procedures should be put in place throughout the production and packing process. It is recommended that the manufacturing unit may acquire ISO 9001 QMS certification.

Marketing

- **Product Development & Packaging:** Designing and packaging of wallets for exports is usually buyer driven. Strict compliance to the buyers' requirements in design and materials must be adhered to.
- **Advertisement and s & Point of Sale Promotion:** Website of the business should be developed and regularly updated. All inquiries received ~~to~~ must be replied swiftly. During the 2nd year of operations, the business may subscribe to paid membership of a good B2B portal.
- **Sales & Distribution Network:** The owner should develop contacts/linkages with prospective international buyers through email, fax and telephone and social media. Lists of prospective buyers can be searched through various sources i.e. B2B sites, chambers of commerce and industry, international exhibitions, websites, etc.

Human Resources

Adequacy & Competencies: Skilled and experienced staff is necessary for the unit. Staff having experience in stitching of leather goods, gloves, garments, etc. should be preferred.

14.5. Useful Links

- Prime Minister's Office, www.pmo.gov.pk
- Government of Pakistan, www.pakistan.gov.pk
- Ministry of Industries & Production, www.moip.gov.pk
- Small and Medium Enterprises Development Authority, www.smeda.org.pk
- State Bank of Pakistan (SBP), www.sbp.org.pk
- National Bank of Pakistan (NBP), www.nbp.com.pk
- First Women Bank Limited (FWBL), www.fwbl.com.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
- Pakistan Leather Garments Manufacturers & Exporters Association, www.plgmea.pk
- Pakistan Tanners Association, www.pakistantanners.org
- Pakistan Institute of Fashion Design (PIDC), www.pifd.edu.pk
- Pakistan Fashion Council Design Council (PFDC), www.pfdc.org

The logo for SMEEDA (Small and Medium Enterprises Development Authority) is displayed in a large, bold, white serif font against a dark blue rectangular background. The letters are spaced out and centered within the rectangle.

15. KEY ASSUMPTIONS

Table 10: Machinery Assumptions

Number of Machines Installed	4
Capacity Utilization (Year 1)	60%
Maximum capacity utilization	90%
Total Production of the unit per 8 hour shift	300

Table 11: Operating Assumptions

Annual Production capacity	80,000
Hours operational per day	8
Days operational per month	25
No. of Shifts	1
Days operational per year	300

Table 12: Economy-Related Assumptions

Electricity & Fuel growth rate	10%
Wage growth rate	10%

Table 13: Cash Flow Assumptions

Accounts Receivable cycle (in days)	15
Accounts payable cycle (in days)	15

Table 14: Revenue Assumptions

Production capacity of the unit	80,000
Sale price per unit in year 1 (in Rs.)	300
Sale price growth rate	10%
Export sales	100%

Table 15: Expense Assumptions

Pre-paid building Rent (months)	6
Rent growth rate	10%
Raw material price growth rate	10%
Communication Expense	Rs. 5,000 per month
Promotional Expense (% of Sales)	3.00%

Table 16: Financial Assumptions

Project life	10
Debt	90%
Equity	10%
Interest rate on long-term debt	8%
Debt tenure (Years)	8
Debt payments per year	12
Grace Period (Year)	1