

Pre-Feasibility Study

(Spices Processing, Packing & Marketing)



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1. DISCLAIMER

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

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2. PURPOSE OF THE DOCUMENT

The objective of the pre-feasibility study is primarily to facilitate potential entrepreneurs in project identification for investment. The project pre-feasibility may form the basis of an important investment decision and in order to serve this objective, the document/study covers various aspects of project concept development, start-up, production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Spices Processing, Packing & Marketing** unit 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, 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 Loans' Programme, 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. 0.1million to Rs. 2.0 million with tenure up to 8 year (1 year grace period inclusive), and a debt : equity of 90 : 10 will be disbursed to SME beneficiaries across Pakistan, covering; Punjab, Sindh, Khyber Pakhtunkwa, Balochistan, Gilgit Baltistan, Azad Jammu & Kashmir and Federally Administered Tribal Areas (FATA).

5. EXECUTIVE SUMMARY

Spices Processing, Packing & Marketing unit can be established in all major cities however, preferred locations are Karachi, Lahore, Rawalpindi, Faisalabad, Multan, Hyderabad, Peshawar, Sukkur, Quetta and Mirpurkhas. Currently packed spices are commonly used in urban and semi-urban centers of Pakistan. Products include **Biryani Masala**, **Karhai Masala** and **Qeema Masala** in packets (50 grams).

Installed capacity of the Spices Processing Unit is 200 kg per day. Initial utilization will be **60 %**. Total Cost Estimates is **Rs. 2,051,716/-** with fixed investment of **Rs. 681,000/-** and working capital of **Rs. 1,370, 716/-**

Given the cost assumptions IRR and payback are **47%** and **2.5 years** respectively.

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

1. Quality & Pricing
2. Recipe & Processing
3. Credit Recovery

*Working capital includes 3-month utilities, 3-month staff salaries, 3-month rent and 1-month raw material & miscellaneous expenses.

6. BRIEF DESCRIPTION OF PROJECT & PRODUCT

There has been an immense progression in the Spices industry in the last decade. Technological changes have had a great impact on spices processing, packing and distribution with main emphases revolving around quality, pricing, and distribution network. Spices processing industry is catering not only the domestic market but also international market. The industry is shifting to new levels with introduction of recipe packs.

Spices processing is a lucrative business and is in high demand. It can offer high profitability provided that quality, hygiene and competitive prices are offered. Compared to other businesses, spices are relatively in constant demand. There is a substantial potential in this business; however growth largely depends on:

- Population growth
- Ratio of younger people in the population
- Urbanization
- Conversion from popular home-made curries to ready to use curries

Technology: This proposed Unit would consist of grinding, mixing and packing machinery. Used machinery would be procured from the market.

Location: The Unit can be established in Karachi, Lahore, Rawalpindi, Faisalabad, Multan, Hyderabad, Peshawar, Sukkur, Quetta and Mirpurkhas.

Product: The unit would process common and widely used spices (masalas) i.e. Biryani Masala, Karhai Masala and Qeema Masala.

Target Market: All urban and semi-urban areas across the country are potential target markets however initially products would be sold in the same city where spices processing unit is being established. A huge local market of more than 180 million consumers carries enormous potential for the investment in this business.

Employment Generation: The proposed project will provide direct employment to 8 people.

7. CRITICAL FACTORS

Following factors should be considered before entering into the spices business.

- Quality Control
- Pricing
- Recipe & Processing
- Credit Recovery

8. INSTALLED AND OPERATIONAL CAPACITIES

The daily spices processing capacity of the proposed Spices Processing Unit would be 200 kg. Initially operational capacity would be at 60% of installed capacity and would gradually increase by 5% annually for the first five years and then to 8% annually.

9. GEOGRAPHICAL POTENTIAL FOR INVESTMENT

This study proposes setting up the business in an industrial/commercial area where basic infrastructure and utilities are easily available. The Unit is proposed to be located in Karachi, Lahore, Rawalpindi, Faisalabad, Multan, Hyderabad, Peshawar, Sukkur, Quetta and Mirpurkhas etc.

10. POTENTIAL TARGET MARKETS/CITIES

The target customers would be middle and lower-middle income groups living in urban areas including Karachi, Lahore, Rawalpindi, Faisalabad, Multan, Hyderabad, Peshawar, Sukkur, Quetta and Mirpurkhas etc. and semi-urban areas. The products would be 15-20 percent cheaper compared with top brands (National, Shan, Mehran etc.).

11. PRODUCTION PROCESS FLOW

Process flow consists of four steps:

- Cleaning Procured raw materials are manually sorted and cleaned.
- Drying The quality of dried spices depends upon the humidity level in spices therefore drying needs to be undertaken. Various types of drying processes are used, ranging from simple sun drying to gas or kerosene-fired dryers.
- Grinding and Mixing Spices are grinded and mixed using stone mill.

- iv. Packing Grinded spices are packed into desired sizes using automatic machines.
- v. Storage Finished packets are put in cartons and stored in warehouse.
- vi. Distribution from warehouse. Packed products are sent to distributors.



12. PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of this 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 appendices.

12.1 Project Economics

The following table shows internal rates of return and payback period for Spices Processing Packing and Marketing Unit.

Table 1 - Project Economics

Description	Details
IRR	47%
NPV	(Rs.) 5,964,184
Payback Period (Years)	2.5 Years

Returns on the scheme and its profitability are highly dependent on prices of the raw material, achieving production targets and most important payment recovery.

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. 205,172
Bank Loan (90 %.)	Rs. 1,846,544
Markup to the Borrower (%age/annum)	8%
Tenure of the Loan (Years)	8
Grace Period (Year)	1

12.3 Project Cost

Total project cost of the Spices Processing, Packing & Marketing Unit would be approximately Rs. 2.05 million. Out of this, fixed capital cost of the project is around Rs. 0.68 million and remaining 1.37 million will be the working capital.

Table 3: Capital Investment for the Project

	Fixed Capital	Amount (Rs.)
1	Plant & Machinery	275,000
2	Office Equipment & Furniture	141,000
3	Vehicles (Motor Cycle)	60,000
4	Rent in Advance (6-month)	180,000
5	Preliminary Expenses	25,000
	Total Capital Cost	681,000

12.4 Space Requirement

The area has been calculated on the basis of space requirement for raw material storage, processing, finished goods storage and office. The table below shows the space requirements:

Table 4: Space Requirement

S. No.	Details	Area %	Size/Area (Sq. Ft.)
1	Raw Material Storage	45	400
2	Processing Area	30	800
3	Packaging Area	20	400
4	Finished Goods Storage Area	5	300
5	Admin Area		300
	Total Area		2,200

12.5 Machinery and Equipment

Following table provides list of machinery and equipment

Table5: Machinery & Equipment

	Unit Price	Qty	Total Price(Rs.)
Grinding Machine	65,000	1	65,000
Mixing Machine	60,000	1	60,000
Packing Machine	150,000	1	150,000
Total			275,000

12.6 Office Equipment & Furniture

A provision of Rs. 141,000/- for procurement of office / factory furniture and office equipment is assumed.

The breakup of Office / Factory Furniture & Fixtures is as follows:

Table 6: Furniture & Office Equipment Cost

S. No.	Item	Cost (Rs.)	Quantity	Total Cost (Rs.)
1	Table & Chair for Owner	8,000	1	8,000
2	Tables & Chairs for Staff	4,000	4	16,000
3	Carpet for Office	10,000	1	10,000
4	Air Conditioner (Used)	20,000	1	20,000
5	Waiting Chairs (Used)	2,000	6	12,000
6	Curtains & Interior Decoration	5,000	1	5,000
7	Electrical Fittings & Lights	15,000	1	15,000
8	Computer & Printer	40,000	1	40,000
9	Fax Machine	15,000	1	15,000
	Total			141,000

Table 7: Office Vehicle Cost

S. No.	Vehicle Type	Required No. of Units	Unit Cost (Rs.)	Total Cost (Rs)
1	Motor Cycle	1	60,000	60,000
	Total			60,000

12.7 Raw Material Requirements

Following raw material would be required for making Biryani Masala, Karhai Masala and Qeema Masala:

Table 8: Raw Material & Prices

Item	Estimated Whole sale price per Kg (Rs)	Ingredient Ratio in gms/kg
1. Red Chilli (Surkh Mirch)	150	225
2. Salt (Namak)	10	185
3. Coriander (Dhanya)	120	300
4. Turmeric (Haldi)	180	90
5. Cumin Seed (Sufed Zeera)	280	20
6. Black Pepper (Kali Mirch)	760	40
7. Clove (Long)	1, 600	30
8. Cinnamon (Dar Cheeni)	200	30
9. Cardamom (Alaichi)	2, 000	10
10. Mace (Jautri)	2, 500	5
11. Nutmeg (Jaifal)	1, 500	5
12. Bay Leaf (Tez Pat)	220	20
13. Mango Powder (Aam Chur)	120	3
14. Plum (Aalo Bokhara)	220	5
15. Preservatives & Citric Acid	140	32

Different quality of above material is available in the market so prices may vary accordingly. Also prices of these items vary from season to season and also depend on local / international production. This price will also be different from city to city in Pakistan.

12.8 Human Resource Requirement

Table 9: Human Resource Requirement

Title/Designation	No of Employees	Salary Per Month (Rs.)
Owner	1	25,000
Grinding Mill Operator	1	14,500
Trained packing machine operator	1	15,000
Packers	2	20,000
Helper / Loader	1	10,000
Production In charge	1	20,000
Security Guard	1	10,000
Total Staff	8	114,500

12.9 Revenue Generation

Table 10: Cost & Revenue Sheet

REVENUE CALCULATIONS				
Production				
Rated capacity		25	Kg / Hr	
Estimated No. of Operating Hours		8	Hrs / Day	
Estimated Production Capacity		200	Kg / Day	
Expected Capacity Utilization (At the beginning of the project)		60%		
Annual Capacity Utilization Growth Rate		5%		
Expected Production at the beginning of the project		120	Kg / Day	
Provision for Wastage		2%		
Total Realized Production		118	Kg / Day	
Approximate Net weight of a Spice packet		50	grams / pack	
Total packets Produced		2,352	packets / day	
Total packets Produced		56,448	packets / month	
Total packets Produced		677,376	packets / year	
Sales Price / Packet		29	Rs.	
Daily Revenue from Spice Packets Produced per Day		68,208	Rs.	
Total Price of packets Produced per Month		1,636,992	Rs.	
Total Price of packets Produced per Year		19,643,904	Rs	
Provision for Finished Goods Inventory		10	Days Inventory	
Estimated Finished Goods Inventory - end of the Year		682,080	Rs	
Gross Annual Sales		18,961,824	Rs.	
Packing Machine				
Rated capacity		600	Packets / Hour	
No. of hours worked		4	Hrs / Day	
Estimated packets per day		2,400	Packets / Day	
Number of Machines Proposed		1		
Total Estimated Wrappings per day		2,400	Packets / Day	
COST CALCULATION				
Ingredients				
Total Quantity		118	kg./day	
BIRYANI MASALA	40%	941		15,439 Rs.
KARAHI MASALA	30%	706		11,579 Rs.
NEHARI MASALA	30%	706		11,579 Rs.
Total Ingredient Cost		2352		38,596 Rs / day
Packing Material				
Cost of Packing per packet		5.0	Rs / Packet	
Total Packing Cost per packet		5.00	Rs	
Total Cost per packet		16.41	Rs.	

12.10 Other Costs

- Considering the industry norms, it has been assumed that 50% of the total sales will be on cash while remaining 50% 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 5% of the annual credit sales.
- The cost of the utilities including electricity, fuel for motor cycle, telephone, and water is estimated to be around Rs. 55,000/- per month.
- For the purpose of this pre-feasibility, it has been assumed that Spice Processing, Packing & Marketing Unit will be engaged in local sales for which demand can be created through retailers and directly selling to distributor. As advertising would be difficult for a new setup because of shortage of funds, therefore it has been assumed that relationship building will be adopted in order to create consistent demand for the product. For this purpose, an amount equivalent to 20% of the annual sales has been assumed. This amount will be utilized for schemes for distributors, whole sellers and retailers to penetrate in the market in the presence of strong brands.
- It has been assumed that long-term financing for 8 years will be obtained in order to finance the project investment cost. This facility would be required at a rate of 8% per annum with 96 monthly installments over a period of eight years. The installments are assumed to be paid at the end of every month.
- Miscellaneous expenses of running the business are assumed to be Rs. 25,000 per month. These expenses include various items like office stationery, daily consumables 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:

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.

13. CONTACTS - SUPPLIERS, EXPERTS/CONSULTANTS

Proposed Spices Processing, Packing & Marketing Unit does not require sophisticated machinery and equipment. Grinding, mixing and packing machines are easily available in many cities of Pakistan. Raw material is also available in all areas of Pakistan but prices may vary so interested person may work out his/her costing on the basis of the location where raw material is being procured.

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14. ANNEXURE

14.1 INCOME STATEMENT

Projected Income Statement (Rs.)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	19,643,904	22,014,720	25,288,704	28,788,480	32,514,048	37,425,024	42,674,688	48,263,040	55,319,040	59,834,880
Beginning Inventory	-	682,080	705,600	810,535	922,708	1,042,117	1,199,520	1,367,778	1,546,892	1,773,046
Ending Inventory	682,080	705,600	810,535	922,708	1,042,117	1,199,520	1,367,778	1,546,892	1,773,046	1,917,785
Gross Sales	18,961,824	21,991,200	25,183,769	28,676,308	32,394,639	37,267,621	42,506,430	48,083,926	55,092,886	59,690,142
Sales on Cash	9,480,912	10,995,600	12,591,884	14,338,154	16,197,319	18,633,810	21,253,215	24,041,963	27,546,443	29,845,071
Sales on Credit	9,480,912	10,995,600	12,591,884	14,338,154	16,197,319	18,633,810	21,253,215	24,041,963	27,546,443	29,845,071
Bad Debts	474,046	549,780	629,594	716,908	809,866	931,691	1,062,661	1,202,098	1,377,322	1,492,254
Net (Adjusted Sales)	18,487,778	21,441,420	24,554,174	27,959,400	31,584,773	36,335,930	41,443,769	46,881,828	53,715,564	58,197,888
Cost of Sales	12,734,592	14,740,594	16,976,733	19,466,335	22,234,936	25,310,487	28,841,462	32,778,796	37,167,332	40,244,892
Raw Material	11,342,592	13,209,394	15,292,413	17,613,583	20,196,909	23,068,657	26,257,559	29,795,036	33,715,436	36,244,093
Labor (Production Staff)	732,000	805,200	885,720	974,292	1,071,721	1,178,893	1,414,672	1,697,606	2,037,128	2,444,553
Utilities	660,000	726,000	798,600	878,460	966,306	1,062,937	1,169,230	1,286,153	1,414,769	1,556,245
Gross Profit	5,753,186	6,700,826	7,577,441	8,493,065	9,349,837	11,025,444	12,602,307	14,103,032	16,548,232	17,952,996
Gross Profit Margin	31%	31%	31%	30%	30%	30%	30%	30%	31%	31%
General Administrative & Selling Expenses										
Salaries	642,000	706,200	776,820	854,502	939,952	1,033,947	1,137,342	1,251,076	1,376,184	1,513,802
Rent Expense	360,000	396,000	435,600	479,160	527,076	579,784	637,762	701,538	771,692	848,861
Office Miscellaneous Expenses	300,000	330,000	363,000	399,300	439,230	483,153	531,468	584,615	643,077	707,384
Amortization of Preliminary Expenses	5,000	5,000	5,000	5,000	5,000	-	-	-	-	-
Depreciation Expense	47,600	42,840	38,556	34,700	31,230	28,107	25,297	22,767	20,490	18,441
Maintenance Expense	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000
Selling & Distribution	3,697,556	4,288,284	4,910,835	5,591,880	6,316,955	7,267,186	8,288,754	9,376,366	10,743,113	11,639,578
Subtotal	5,107,156	5,823,324	6,584,811	7,419,542	8,314,443	9,447,177	10,675,623	11,991,362	13,609,556	14,783,067
Operating Income	646,031	877,502	992,630	1,073,522	1,035,394	1,578,266	1,926,684	2,111,670	2,938,677	3,169,929
Financial Charges (8 % Per Annum)	147,724	140,313	123,294	104,862	84,900	63,281	39,868	14,512	-	-
Earnings Before Taxes	505,718	754,209	887,768	988,623	972,113	1,538,398	1,912,173	2,111,670	2,938,677	3,169,929
Tax	50,572	35,631	55,665	70,793	68,317	153,260	209,326	239,251	435,235	481,486
Net Profit	455,146	718,577	832,103	917,829	903,796	1,385,139	1,702,847	1,872,420	2,503,441	2,688,444
Monthly Profit After Tax	37,929	59,881	69,342	76,486	75,316	115,428	141,904	156,035	208,620	224,037

14.2 STATEMENT OF CASH FLOW

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	455,146	718,577	832,103	917,829	903,796	1,385,139	1,702,847	1,872,420	2,503,441	2,688,444
Add: Depreciation Expense	0	47,600	42,840	38,556	34,700	31,230	28,107	25,297	22,767	20,490	18,441
Amortization Expense	0	5,000	5,000	5,000	5,000	5,000	-	-	-	-	-
(Increase) / decrease in Receivables	-	(395,038)	(63,112)	(66,512)	(72,761)	(77,465)	(101,520)	(109,142)	(116,198)	(146,020)	(95,776)
(Increase) / decrease in RM Inventory	-	184,608	(77,783)	(86,792)	(96,715)	(107,639)	(119,656)	(132,871)	(147,395)	(163,350)	(105,361)
(Increase) / decrease in Finished Goods Inventory		(682,080)	(23,520)	(104,935)	(112,172)	(119,409)	(157,403)	(168,258)	(179,114)	(226,154)	(144,738)
Net Cash Flow From Operations	0	(384,764)	602,002	617,420	675,881	635,513	1,034,666	1,317,872	1,452,480	1,988,408	2,361,009
Cash Flow From Financing Activities											
Receipt of Long Term Debt	1,846,544										
Repayment of Long Term Debt			(205,055)	(222,074)	(240,506)	(260,468)	(282,087)	(305,500)	(330,856)	-	-
Owner's Equity	205,172										
Net Cash Flow From Financing Activities	2,051,716	0	(205,055)	(222,074)	(240,506)	(260,468)	(282,087)	(305,500)	(330,856)	0	0
Cash Flow From Investing Activities											
Capital Expenditure	(335,000)					0					0
Office Equipment & Furniture	(141,000)										
Preliminary Operating Expenses	(25,000)										
Security Deposit and Advance Rent	(180,000)										
Raw Material Inventory	(657,216)										
Net Cash Flow From Investing Activities	(1,338,216)	0	0	0	0	0	0	0	0	0	0
NET CASH FLOW	713,500	(384,764)	396,947	395,346	435,375	375,045	752,580	1,012,373	1,121,624	1,988,408	2,361,009
Cash at the Beginning of the Period	0	713,500	328,736	725,683	1,121,029	1,556,404	1,931,449	2,684,028	3,696,401	4,818,025	6,806,433
Cash at the End of the Period	713,500	328,736	725,683	1,121,029	1,556,404	1,931,449	2,684,028	3,696,401	4,818,025	6,806,433	9,167,442

14.3 BALANCE SHEET

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	713,500	328,736	725,683	1,121,029	1,556,404	1,931,449	2,684,028	3,696,401	4,818,025	6,806,433	9,167,442
Raw Material Inventory	657,216	472,608	550,391	637,184	733,899	841,538	961,194	1,094,065	1,241,460	1,404,810	1,510,171
Finished Goods Inventory		682,080	705,600	810,535	922,708	1,042,117	1,199,520	1,367,778	1,546,892	1,773,046	1,917,785
Accounts Receivable	0	395,038	458,150	524,662	597,423	674,888	776,409	885,551	1,001,748	1,147,768	1,243,545
Prepaid Rent	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000	180,000
Total Current Assets	1,550,716	2,058,462	2,619,825	3,273,410	3,990,434	4,669,992	5,801,151	7,223,795	8,788,126	11,312,057	14,018,942
Fixed Assets											
Plant Machinery & Facility	275,000	247,500	222,750	200,475	180,428	162,385	146,146	131,532	118,378	106,541	95,887
Furniture & Fixtures	141,000	126,900	114,210	102,789	92,510	83,259	74,933	67,440	60,696	54,626	49,164
Vehicle	60,000	54,000	48,600	43,740	39,366	35,429	31,886	28,698	25,828	23,245	20,921
Total Fixed Assets	476,000	428,400	385,560	347,004	312,304	281,073	252,966	227,669	204,902	184,412	165,971
Intangible Assets											
Preliminary and Transportation Expenses	25,000	20,000	15,000	10,000	5,000	0	0	0	0	0	0
Total Assets	2,051,716	2,506,862	3,020,385	3,630,414	4,307,737	4,951,065	6,054,117	7,451,464	8,993,028	11,496,469	14,184,913
Owner's Equity	205,172	660,317	1,378,895	2,210,998	3,128,827	4,032,623	5,417,761	7,120,608	8,993,028	11,496,469	14,184,913
Short-term Liabilities											
Account Payable											
Long Term Liability	1,846,544	1,846,544	1,641,490	1,419,416	1,178,910	918,442	636,356	330,856	0	0	0
Total Equity & Liabilities	2,051,716	2,506,862	3,020,385	3,630,414	4,307,737	4,951,065	6,054,117	7,451,464	8,993,028	11,496,469	14,184,913

14.4 USEFUL PROJECT MANAGEMENT TIPS

Technology

- **List of Machinery & Equipment:** (As per Section 12.5)
- **Required Raw Material:** Suppliers credit agreements and availability as per schedule be ensured before start of operations.
- **Energy Requirement:** Should not be overestimated or installed in excess and alternate source of energy for critical operations be arranged in advance.
- **Quality Assurance Equipment & Standards:** Whatever means required, products quality standards need to be defined on the packaging and a system to check them instituted, this improves credibility.

Marketing

- **Product Development & Packaging:** Expert's help may be engaged for product/service and packaging design & development.
- **Ads & P.O.S. Promotion:** Business promotion and dissemination through banners and launch events is highly recommended. Good quality brochures to be printed.
- **Sales & Distribution Network:** Expert's advise and distribution agreements are required.
- **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:** (As per Section 12.8)
- **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
- **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**
<http://moptt.gov.pk>
- **Government of Punjab**
www.punjab.gov.pk
- **Government of Sindh**
www.sindh.gov.pk
- **Government of Khyber Pakhtoonkhwa**
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
- **State Bank of Pakistan (SBP)**
www.sbp.org.pk

15. KEY ASSUMPTIONS

Item	Assumption(s)
Sales Volume Increase	5 %
Sales Price Increase	5% per year for first 5 years. 8% per year from 6 th year onwards
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)
Lease Period	8Years
Lease Installments	Monthly
Financial Charges (Lease Rate)	8 % per annum
Grace Period (year)	1
Bad Debts	5% of Sales



SMEDA