

Pre-Feasibility Study

HOME MADE FOOD PRODUCTS (PIZZA & CAKES)



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

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Table of Contents

1	DISCLAIMER	3
2	EXECUTIVE SUMMARY	4
3	INTRODUCTION TO SMEDA	4
4	PURPOSE OF THE DOCUMENT	5
5	BRIEF DESCRIPTION OF PROJECT & PRODUCT	5
5.1	PRODUCTION PROCESS FLOW	6
5.2	INSTALLED AND OPERATIONAL CAPACITIES	9
6	CRITICAL FACTORS	9
2.1.	STRENGTHS:	9
2.2.	WEAKNESSES:.....	9
2.3.	OPPORTUNITIES:	9
2.4.	THREATS:	10
7	GEOGRAPHICAL POTENTIAL FOR INVESTMENT	10
8	POTENTIAL TARGET CUSTOMERS / MARKETS	10
9	PROJECT COST SUMMARY	10
9.1	PROJECT ECONOMICS.....	10
9.2	PROJECT FINANCING	11
9.3	PROJECT COST	11
	* 03 MOTORBIKES WILL BE REQUIRED TO DELIVER THE FINISHED PRODUCTS.....	12
9.4	SPACE REQUIREMENT	12
9.5	MACHINERY & EQUIPMENT REQUIREMENT.....	12
9.6	FURNITURE & FIXTURES REQUIREMENT.....	13
9.7	OFFICE EQUIPMENT REQUIREMENT	14
9.8	HUMAN RESOURCE REQUIREMENT	14
9.9	UTILITIES AND OTHER COSTS.....	14
9.10	REVENUE GENERATION	15
10	CONTACT DETAILS	16
10.1	EQUIPMENT SUPPLIERS.....	16
10.2	RAW MATERIAL SUPPLIERS	16
10.3	TECHNICAL EXPERTS / CONSULTANTS.....	16
11	USEFUL WEB LINKS	17
12	ANNEXURES	18
12.1	INCOME STATEMENT	18
12.2	BALANCE SHEET	19
12.3	CASH FLOW STATEMENT	20
13	KEY ASSUMPTIONS	21
13.1	OPERATING COST ASSUMPTIONS	21
13.2	PRODUCTION COST ASSUMPTIONS	21
13.3	REVENUE ASSUMPTIONS.....	21
13.4	FINANCIAL ASSUMPTIONS	22

1 DISCLAIMER

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

Homemade food products (Pizza & Cakes) have gained popularity over the past few years due to the general belief that it has good taste, quality and hygiene. Taking this true perception as an opportunity the business is proposed to be located in the city residential areas while considering other mandatory inputs i.e. availability of human resource, utilities and easy delivery etc. The objective is to promote home-based businesses, boosting women entrepreneurship, create employment and economic activity generation. Products in this pre-feasibility include pizza & cakes. Installed capacity of the business is 118,109 cakes/pizza per year with production of 67,200 Pizza & 50,909 Cakes. However, initial utilization has been taken as 70%.

Total Cost Estimates is **Rs. 4.67 million** with fixed investment **Rs. 3.23 million** and working capital **Rs. 1.43 million**.

Given the cost assumptions IRR and payback are **44%** and **3.08 years** respectively

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

- Home Made Food Products are recommended to be established in their homes by people living within city residential areas considering other mandatory inputs i.e. availability of human resource, utilities and easy delivery etc.
- Easy access to the consumer market is advised to be studied thoroughly and made a key consideration while setting up the project.
- Online order booking and sale will be an innovation / customer facility and is important to boost sales along with media exposure of the business.

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 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 **Home Made Food Products (Pizza & Cakes)** 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 it's successful management.

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

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

Following key parameters must be addressed as per pre-feasibility study under preparation

- **Technology:** The proposed project is about Homemade Food Products (Pizza & Cakes). Its processing for pizza includes dough making, preparing topping ingredients, application of the toppings and Baking. For cakes it includes mixing the batter, filling the molds, baking, cooling down and finally stripping, decorating and packing. The entire process flow is suggested to be manual requiring skilled workers using specialised mixing and baking equipments. An

interactive website is proposed to be developed for taking online orders of pizza & cakes. The website will host design catalogue of fresh cream cakes for various events that can be baked upon ordering online.

- **Location:** The business is proposed to be located within the city residential areas while considering other mandatory inputs i.e. availability of human resource, utilities and easy delivery etc.
- **Product:** The business proposes manufacturing of Pizza and Cakes (pound, dryfruit, plain, fruit & cream cakes) & market them through media exposure and through website development. The Pizza varieties includes Chicken Tikka, Chicken Fajita, Chicken Tandoori, B.B.Q pizza, grilled chicken, veggie feast, Hawaiian, Italiano pizza etc. Whereas cakes section would produce pound cake, cheese cake, various dry fruit cakes, plain & fruits cakes and fresh cream cakes of different flavours etc.
- **Target Market:** The target market for the products is local i.e. for people living within residential areas of Quetta, Karachi, Lahore, KPK and Islamabad, who can order their product via telephone or online through its website and will delivered to their location.
- **Employment Generation:** The proposed project will provide employment to 12 people.

5.1 Production Process Flow

PIZZA:

1. Dough making

The first step in the process is making the dough. Good quality pizza dough is definitely critical to insuring a pizza which is light and flavorful. To save time while making a homemade crust, a bread maker can be a good tool. To improve the taste of your dough, consider incorporating a few herbs such as basil or rosemary and garlic.

2. Preparing the Crust

One big step many people skip in the pizza-making process is **pre-baking the pizza crust**. Baking your crust in the preheated oven to 425°F for six minutes or so before putting on toppings prevents the dreaded “doughy crust” that often is the downfall of an otherwise delicious homemade pizza.

3. Making the Sauce & Topping Ingredients

Sauces are important ingredient for pizza making and it can also be made at home instead of buying readymade expensive sauces. However the choice depends on the

chief. The sauce is then applied on to the pizza crust. We may sprinkle cheese in this stage as per the requirement of recipe.

The topping ingredients as per the flavor of pizza are then filled in on the top of the sauce and distributed evenly for uniform texture and taste.

4. Baking the pizza

The pizza is baked at 450°F (230°C) for about 15 minutes or until the cheese is bubbling. The pan or stone is removed from the oven with the peel. The pizza is allowed to sit for approximately five minutes before cutting it into slices with a pizza wheel. Slice shapes, like the placement of the mozzarella cheese, differs from region to region.

CAKE:

There are countless cake recipes; some are bread-like, some rich and elaborate and many are centuries old. Most standard commercial cakes use a batter made from wheat flour, fat, eggs, sugar, milk powder, water, flavorings, preservatives such as sulphur dioxide and raising agents such as sodium carbonate. The ingredients are combined in either the sugar batter or flour batter methods. In the sugar batter method, the fat and sugar are creamed together, followed by the liquid then the flour. In the flour batter method, the fat is blended with the flour before being gradually mixed with the eggs and sugar. Increasingly, the "all-in-one" method is being used, which combines all the ingredients except fruit simultaneously.

1. Mixing the Batter

The batter is mixed in a commercial mixer. Once all the ingredients are combined, the mixer continues to beat the mixture for a further 10 minutes in order to trap in air and allow the cake to rise properly. The air works in conjunction with the added raising ingredient and the cake will grow in size during the baking process. Once the mixing is completed, the batter is turned into a mold for baking.

2. Filling the Mold

The baking mold is sprayed with a thin layer of oil, which prevents the batter from sticking to the mold during the baking process. The mold is then filled with batter according to the shape, weight and level of the batter.

3. Baking

Once full, the molds are taken to an automatic oven. The temperature and humidity of the oven are carefully regulated to produce the best result for the cake type so that it cooks evenly and thoroughly. To prevent the surface of the cake from cracking during the initial rising process, the crust is sprayed with water to

make it more flexible. Once the cake has fully risen, the crust is allowed to dry and take on its baked coloring.

4. Cooling down

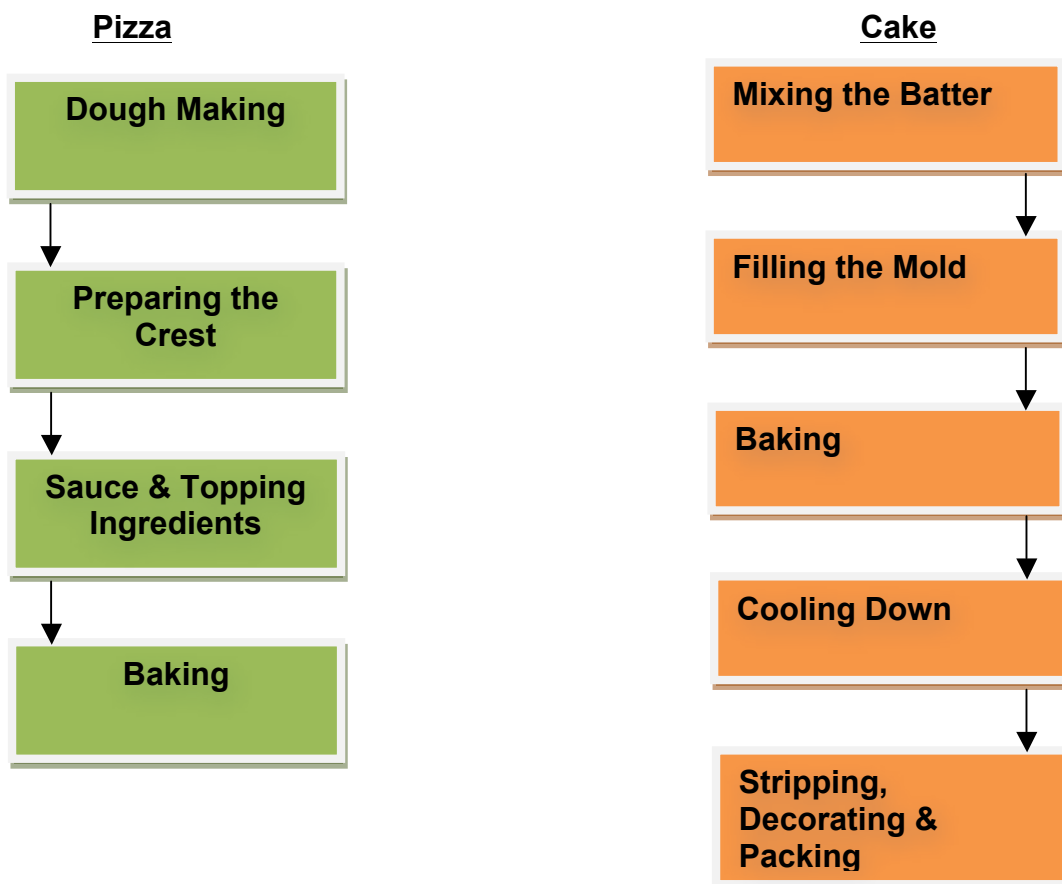
After baking, the cake must be thoroughly and carefully cooled so that it does not collapse. As the cake cools, it releases moisture into the air that is removed by powerful suction fans in the kitchen so that no condensation forms.

5. Stripping, decorating and Packaging

Once the cake is completely cool, it is released from its mold and packaged so that it will be ready for transportation. The cake must be completely cool before packaging, or condensation will form and damage the product. Commercial cakes are normally wrapped in plastic packaging, possibly with the additional of a cardboard tray.

For cream cakes, after stripping from its molds, it is decorated with flavored cream and other ingredients and packed in boxes or kept open and placed in refrigerator to cool before dispatching.

General processes are shown in the flow diagram.



5.2 Installed and Operational Capacities

The yearly installed production capacity of the project is 118,109 cakes & pizza with production of 67,200 Pizza & 50,909 cakes. The Pizza varieties include Chicken Tikka, Chicken Fajita, Chicken Tandoori, B.B.Q pizza, grilled chicken, veggie feast, Hawaiian, Italiano pizza etc. Whereas cakes section would produce pound cake, cheese cake, various dry fruit cakes, plain & fruits cakes and fresh cream cakes of different flavours etc. Project Capacity utilization has been assumed at 70% in the first year and is increased at a rate of 5% annually, capped at 95%.

6 CRITICAL FACTORS

An analysis of the Strengths, Weaknesses, Opportunities and Threats is detailed as follows:

2.1. Strengths:

- Availability of raw material
- Need no rental space or extra construction cost
- Little competition in home based food products
- Hi reliability on quality of homemade food products
- Capacity to enhance product line & profitability
- E-business

2.2. Weaknesses:

- Business expansion may be difficult at home.
- Limited production capacity
- Home may not be a good sale point/outlet

2.3. Opportunities:

- Increasing demand of hygienically baked homemade pizza & cakes in the local market
- High demand of cakes throughout the year with exceptionally high demand in occasions like Eid, Easter etc
- Free home delivery service & online order & sales

- Proper Management with expert human resource will lead to higher results & Profits

2.4. Threats:

- Poor hygiene or miss handling of cakes/pizza both in raw & baked form may lead to bacteria or fungus accumulation and destroy the entire stock
- Strong competition from the commercial bakeries
- Timely delivery & sale is vital to maintain quality

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The business is proposed to be located in the residential areas of cities like Quetta, Karachi, Lahore, KPK and Islamabad etc while considering other mandatory inputs i.e. availability of human resource and utilities etc.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Middle-income groups living in cities like Quetta, Karachi, Lahore, KPK and Islamabad are the main target for the homemade food products (Pizza & cakes) throughout the year. The online booking and free delivery service will help capture its market share in little time.

9 PROJECT COST SUMMARY

9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 27.99 million in year one. The capacity utilization during year one is worked out at 70% with 5% increase in subsequent years up to the maximum capacity utilization of 95%.

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

Table 1: Project Economics

Description	Details
Internal Rate of Return (IRR)	44%
Payback Period (yrs.)	3.08
Net Present Value (Rs.)	12,770,047

9.2 Project Financing

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

Table 2: Project Financing

Description	Details
Total Equity (40%)	Rs. 1,866,132
Bank Loan (60%)	Rs. 2,799,197
Markup to the Borrower (%age / annum)	14%
Tenure of the Loan (Years)	10

9.3 Project Cost

Following fixed and working capital requirements have been identified for operations of the proposed business.

Table 3: Project Cost

Description	Amount Rs.
Capital Cost	
Land	-
Building/Infrastructure	408,000
Machinery & Equipment	2,082,410
Furniture & Fixture	305,000
*Office Vehicles	196,950
Office Equipment	93,000
Pre-operating Cost	146,708
Training cost	-
Total Capital Cost	3,232,068
Working Capital	
Raw Material Inventory	854,357
Upfront building rent	311,040
Up-front Insurance Payment	50,968
Cash	216,895

Total Working Capital	1,433,261
Total Project Cost	4,665,261

* 03 motorbikes will be required to deliver finished products

9.4 Space Requirement

The space requirement for the proposed **Homemade Food Product** is estimated to be 224 sqft of kitchen and 288 sqft for management office. The renovation / modification cost is estimated to Rs. 1,500 per sqft & 250 per sqft respectively, considering various facilities including shelves, processing tables, lighting, exhaust, open space covering, etc. Details of space requirement and cost related to building are given below;

Table 4: Space Requirement

Description	Estimated Area (Sqft)	Unit Cost (Rs.)	Total Cost (Rs.)
Kitchen Renovation / Modification	224	1,500	336,000
Management Office Renovation / Modification	288	250	72,000
Total			408,000

9.5 Machinery & Equipment Requirement

Plant, machinery and equipment for the proposed project are stated below.

Table 5: Machinery & Equipment

S.No	Description	Quantity	Unit cost in Rs.	Total
1	Pizza convection Oven	1	500,000	500,000
2	Proofing oven/cabinets	2	51,500	103,000
3	Flour / batter Mixer	1	32,960	32,960
4	Spice grinder	1	154,500	154,500
5	Spice Blender	1	50,000	50,000
6	cooking pans (ss304)	8	2,000	16,000
7	Flour shifter	2	2,000	4,000
8	Pizza Baking Pans	50	2,500	125,000

9	Cake Baking Pans	50	1,339	66,950
10	Food Blender	1	15,000	15,000
11	Spices Grinder	1	10,000	10,000
12	Cake Convection Oven	1	500,000	500,000
13	Egg beater	1	30,000	30,000
14	Misc cake & pizza utensils	1	65,000	65,000
15	Refrigerators	2	60,000	120,000
16	Misc Tools & Eqpt	1	100,000	100,000
17	Website development	1	100,000	100,000
18	Tables for Production	2	5,000	10,000
19	Freezer	1	40,000	40,000
20	Weighing Scales	2	5,000	10,000
21	Microwave Oven	2	15,000	30,000
	Total			2,082,410

9.6 Furniture & Fixtures Requirement

Details of the furniture and fixture required for the project are given below;

Table 6: Furniture & Fixture

S.No	Description	Qty	Unit cost	Total
1	Chairs & Other Furniture	1	25,000	25,000
2	Air Conditioner	1	75,000	75,000
3	Sign Board	1	15,000	15,000
4	Electric wiring & Lightings	1	25,000	25,000
5	UPS & Batteries (Set)	3	50,000	150,000
6	Exhaust fans	2	5,000	10,000
7	Misc			5,000
	Total			305,000

9.7 Office Equipment Requirement

Following office equipment will be required for homemade food products business;

Table 7: Office Equipment

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Laptop	1	50,000	50,000
Printer	1	10,000	10,000
Billing machine	1	15,000	15,000
Telephone Sets	2	1,500	3,000
Misc Equipment	1	15,000	15,000
Total			93,000

9.8 Human Resource Requirement

In order to run operations of the homemade food product business smoothly, details of human resources required along with number of employees and monthly salary are recommended as under;

Table 8: Human Resource Requirement

Description	No. of Employees	Monthly Salary per person (Rs.)
Owner/Manager	1	50,000
Main Chef	2	40,000
Sales/Delivery man	3	13,000
Helpers	5	15,000
Sweepers	1	13,000
Total	12	131,000

9.9 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity, gas and water. The electricity expenses are estimated to be around Rs. 50,000 per month, gas expense is estimated to be Rs. 42,001 per month whereas, Water expenses are estimated to be Rs. 2,000 per month. Furthermore, promotional expense being very essential for marketing of homemade food products is estimated as 0.5% of

Revenue i.e. Rs. 11,666 per month which may include online marketing, printing banners, brochures & cable adds etc.

9.10 Revenue Generation

Based on the capacity utilization of 70% for production of pizza & cakes respectively, sales revenue during the first year of operations is estimated as under;

Table 9: Revenue Generation – Year 1

Description	Production Quantity Sold	Avg. Sales price/unit	Sales Revenue (Rs.)
Cakes (lbs)	71,273	227	16,147,436
Pizza (units)	47,040	252	11,850,096
Total			27,997,532

10 CONTACT DETAILS

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project be given.

10.1 Equipment Suppliers

Name of Supplier	Address	Phone	website
Henan Brimful Shine Commerce And Trade Co., Ltd.	No. 201, Floor 2, Henan Free Fashion Hotel) 400m West To Crossing Of Garden Rd. And Guoji Road, Jinshui District, Zhengzhou, Henan, China (Mainland)	0086-371-55158837 0086-15803863877	http://www.okmachinery.cn
Dastgir Engineering Co.	12-A Lahore road, Saddar cantt. Lahore Pakistan.	+92-301-8420186 +923018420186	http://pk1044440076.fm.alibaba.com/contactinfo.html

10.2 Raw Material Suppliers

Name of Supplier	Address	Phone	E-mail
Whole sellers & departmental stores	Pakistan	-	-

10.3 Technical Experts / Consultants

Name of Expert / Organization	Address	Phone	E-mail
Kamran Nadeem – M/s S.N. Inpex Foods	37-Rohail Khund Society, Karachi-75400	+92-300-2219877	snimpexpk@gmail.com

11 USEFUL WEB LINKS

Government of Pakistan	www.pakistan.gov.pk
Small & Medium Enterprises Development Authority (SMEDA)	www.smeda.org.pk
Ministry of Industries & Production	www.moip.gov.pk
Government of Punjab	www.punjab.gov.pk
Government of Sindh	http://www.sindh.gov.pk/
Government of Balochistan	www.balochistan.gov.pk
Government of KPK	www.khyberpakhtunkhwa.gov.pk/
Government of Gilgit Baltistan	www.gilgitbaltistan.gov.pk
Government of Azad Jamu Kashmir	www.ajk.gov.pk
Trade Development Authority of Pakistan (TDAP)	www.tdap.gov.pk
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	www.fpccl.com.pk
Quetta Chamber of Commerce & Industry	http://www.qcci.com.pk/
Lahore Chamber of Commerce & Industry	www.lcci.com.pk/
Karachi Chamber of Commerce & Industry	http://www.kcci.com.pk/
Khyber Pakhtunkhwa Chamber of Commerce & Industry	http://www.kpcci.org.pk/
Punjab Small Industries Corporation	www.psic.gop.pk
Sindh Small Industries Corporation	www.ssic.gos.pk
Pakistan Horticulture Development and Export Company (PHDEC)	www.phdec.org.pk
Punjab Vocational Training Council (PVTC)	www.pvtc.gop.pk
Technical Education and Vocational Training Authority (TEVTA)	www.tevta.org
Punjab Industrial Estates (PIE)	www.pie.com.pk
Balochistan Technical Education & Vocational Training Authority	http://btevta.gob.pk/
Lasbela Industrial Estates Development Authority	http://www.lieda.gov.pk/
Sindh Industrial & trading Estate	http://www.site.com.pk/
KPK Small Industries Development Board	http://www.khyberpakhtunkhwa.gov.pk/Departments/SIDB/Introductions.php
Ministry of National Food Security & Research	www.mnfsr.gov.pk
Alibaba - online and mobile marketplaces in retail and wholesale trade	www.alibaba.com

12 ANNEXURES

12.1 Income Statement

Statement Summaries										SMEDA
Income Statement										Rs. in actuals
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	27,997,532	32,997,091	38,716,587	45,250,011	52,702,954	61,193,986	67,313,384	74,044,723	81,449,195	89,594,114
Cost of goods sold	24,343,355	28,488,417	33,219,072	38,610,987	44,749,111	51,728,767	56,893,834	62,574,647	68,822,707	75,694,658
Gross Profit	3,654,177	4,508,674	5,497,515	6,639,024	7,953,843	9,465,219	10,419,551	11,470,076	12,626,488	13,899,456
<i>General administration & selling expenses</i>										
Administration expense	1,224,000	1,343,170	1,473,943	1,617,449	1,774,926	1,947,735	2,137,369	2,345,466	2,573,824	2,824,415
Rental expense	311,040	342,144	376,358	413,994	455,394	500,933	551,026	606,129	666,742	733,416
Utilities expense	-	-	-	-	-	-	-	-	-	-
Travelling & Comm. expense (phone, fax, etc.)	413,550	454,905	500,396	550,435	605,479	666,026	732,629	805,892	886,481	975,129
Office vehicles running expense	19,478	21,425	23,568	25,925	28,517	31,369	34,506	37,956	41,752	45,927
Office expenses (stationary, etc.)	24,000	26,400	29,040	31,944	35,138	38,652	42,517	46,769	51,446	56,591
Promotional expense	139,988	164,985	193,583	226,250	263,515	305,970	336,567	370,224	407,246	447,971
Insurance expense	50,968	45,871	40,774	35,678	30,581	27,965	25,275	22,725	20,275	17,825
Professional fees (legal, audit, etc.)	55,995	65,994	77,433	90,500	105,406	122,388	134,627	148,089	162,898	179,188
Depreciation expense	288,136	288,136	288,136	288,136	288,136	393,099	393,099	393,099	393,099	393,099
Amortization expense	29,342	29,342	29,342	29,342	29,342	-	-	-	-	-
Property tax expense	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-	-	-	-	-	-
Subtotal	2,556,496	2,782,373	3,032,573	3,309,652	3,616,432	4,084,137	4,429,960	4,810,900	5,230,419	5,692,321
Operating Income	1,097,682	1,726,301	2,464,942	3,329,372	4,337,411	5,381,082	5,989,590	6,659,176	7,396,069	8,207,135
Other income	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of assets	-	-	-	-	328,964	-	-	-	-	-
Earnings Before Interest & Taxes	1,097,682	1,726,301	2,464,942	3,329,372	4,666,375	5,381,082	5,989,590	6,659,176	7,396,069	8,207,135
Interest expense	336,962	251,190	234,743	215,840	194,114	174,086	145,120	111,827	73,563	29,585
Earnings Before Tax	760,720	1,475,111	2,230,199	3,113,532	4,472,261	5,206,996	5,844,471	6,547,348	7,322,506	8,177,550
Tax	36,608	143,766	293,540	500,883	864,178	1,084,599	1,275,841	1,514,071	1,785,376	2,084,642
NET PROFIT/(LOSS) AFTER TAX	724,112	1,331,344	1,936,659	2,612,649	3,608,083	4,122,398	4,568,630	5,033,277	5,537,129	6,092,908
Balance brought forward		724,112	1,027,728	1,482,194	2,047,421	5,655,504	9,777,902	14,346,532	19,379,809	24,916,938
Total profit available for appropriation	724,112	2,055,456	2,964,387	4,094,843	5,655,504	9,777,902	14,346,532	19,379,809	24,916,938	31,009,847
Dividend	-	1,027,728	1,482,194	2,047,421	-	-	-	-	-	-
Balance carried forward	724,112	1,027,728	1,482,194	2,047,421	5,655,504	9,777,902	14,346,532	19,379,809	24,916,938	31,009,847

12.2 Balance Sheet

Statement Summaries											SMEDA
Balance Sheet											Rs. in actuals
	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	502,015	337,078	528,343	767,353	989,458	3,054,416	6,750,568	10,730,942	14,981,734	19,503,431	32,195,322
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Finished goods inventory	-	-	-	-	-	-	-	-	-	-	-
Equipment spare part inventory	-	-	-	-	-	-	-	-	-	-	-
Raw material inventory	854,357	1,107,613	1,429,560	1,837,878	2,354,646	3,007,406	3,638,961	4,403,143	5,327,803	6,446,641	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	25,920	28,512	31,363	34,500	37,949	41,744	45,919	50,511	55,562	61,118	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid insurance	50,968	45,871	40,774	35,678	30,581	77,965	67,620	57,275	46,931	36,586	-
Total Current Assets	1,433,261	1,519,075	2,030,040	2,675,407	3,412,634	6,181,532	10,503,068	15,241,871	20,412,029	26,047,775	32,195,322
<i>Fixed assets</i>											
Land	-	-	-	-	-	-	-	-	-	-	-
Building/Infrastructure	408,000	387,600	367,200	346,800	326,400	306,000	285,600	265,200	244,800	224,400	204,000
Machinery & equipment	822,410	740,169	657,928	575,687	493,446	1,460,832	1,273,628	1,086,424	899,221	712,017	524,813
Furniture & fixtures	1,565,000	1,408,500	1,252,000	1,095,500	939,000	782,500	626,000	469,500	313,000	156,500	-
Office vehicles	196,950	177,255	157,560	137,865	118,170	98,475	78,780	59,085	39,390	19,695	-
Office equipment	93,000	83,700	74,400	65,100	55,800	46,500	37,200	27,900	18,600	9,300	-
Total Fixed Assets	3,085,360	2,797,224	2,509,088	2,220,952	1,932,816	2,694,307	2,301,208	1,908,109	1,515,011	1,121,912	728,813
<i>Intangible assets</i>											
Pre-operation costs	146,708	117,366	88,025	58,683	29,342	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
Total Intangible Assets	146,708	117,366	88,025	58,683	29,342	-	-	-	-	-	-
TOTAL ASSETS	4,665,329	4,433,665	4,627,153	4,955,043	5,374,792	8,875,838	12,804,276	17,149,981	21,927,040	27,169,688	32,924,135
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
Export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Short term debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-	-	-	-	-	-
<i>Other liabilities</i>											
Lease payable	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	-	-	-	-	-
Long term debt	2,799,197	1,843,422	1,733,293	1,606,717	1,461,239	1,330,135	1,136,176	913,250	657,032	362,550	24,090
Total Long Term Liabilities	2,799,197	1,843,422	1,733,293	1,606,717	1,461,239	1,330,135	1,136,176	913,250	657,032	362,550	24,090
<i>Shareholders' equity</i>											
Paid-up capital	1,866,132	1,866,132	1,866,132	1,866,132	1,866,132	1,890,199	1,890,199	1,890,199	1,890,199	1,890,199	1,890,199
Retained earnings	-	724,112	1,027,728	1,482,194	2,047,421	5,655,504	9,777,902	14,346,532	19,379,809	24,916,938	31,009,847
Total Equity	1,866,132	2,590,243	2,893,860	3,348,325	3,913,553	7,545,703	11,668,101	16,236,731	21,270,008	26,807,137	32,900,046
TOTAL CAPITAL AND LIABILITH	4,665,329	4,433,665	4,627,153	4,955,043	5,374,792	8,875,838	12,804,276	17,149,981	21,927,040	27,169,688	32,924,135

Note: Total assets value will differ from project cost due to first installment of leases paid at the start of year 0

12.3 Cash Flow Statement

Statement Summaries											SMEDA
Cash Flow Statement											Rs. in actuals
	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	-	724,112	1,331,344	1,936,659	2,612,649	3,608,083	4,122,398	4,568,630	5,033,277	5,537,129	6,092,908
Add: depreciation expense	-	288,136	288,136	288,136	288,136	288,136	393,099	393,099	393,099	393,099	393,099
amortization expense	-	29,342	29,342	29,342	29,342	29,342	-	-	-	-	-
Deferred income tax	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	-	-	-	-
Finished good inventory	-	-	-	-	-	-	-	-	-	-	-
Equipment inventory	-	-	-	-	-	-	-	-	-	-	-
Raw material inventory	(854,357)	(253,256)	(321,946)	(408,318)	(516,768)	(652,760)	(631,555)	(764,182)	(924,660)	(1,118,839)	6,446,641
Pre-paid building rent	(25,920)	(2,592)	(2,851)	(3,136)	(3,450)	(3,795)	(4,174)	(4,592)	(5,051)	(5,556)	61,118
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Advance insurance premium	(50,968)	5,097	5,097	5,097	5,097	(47,385)	10,345	10,345	10,345	10,345	36,586
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(931,245)	790,838	1,329,121	1,847,779	2,415,006	3,221,621	3,890,111	4,203,300	4,507,010	4,816,178	13,030,352
<i>Financing activities</i>											
Change in long term debt	2,799,197	(955,776)	(110,129)	(126,576)	(145,479)	(131,104)	(193,959)	(222,926)	(256,218)	(294,482)	(338,460)
Change in short term debt	-	-	-	-	-	-	-	-	-	-	-
Change in export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Add: land lease expense	-	-	-	-	-	-	-	-	-	-	-
Land lease payment	-	-	-	-	-	-	-	-	-	-	-
Change in lease financing	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares	1,866,132	-	-	-	-	24,067	-	-	-	-	-
Purchase of (treasury) shares	-	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing	4,665,329	(955,776)	(110,129)	(126,576)	(145,479)	(107,036)	(193,959)	(222,926)	(256,218)	(294,482)	(338,460)
<i>Investing activities</i>											
Capital expenditure	(3,232,068)	-	-	-	-	(1,049,627)	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by investing	(3,232,068)	-	-	-	-	(1,049,627)	-	-	-	-	-
NET CASH	502,015	(164,937)	1,218,993	1,721,204	2,269,527	2,064,958	3,696,152	3,980,374	4,250,792	4,521,696	12,691,892
Cash balance brought forward		502,015	337,078	528,343	767,353	989,458	3,054,416	6,750,568	10,730,942	14,981,734	19,503,431
Cash available for appropriation	502,015	337,078	1,556,071	2,249,546	3,036,880	3,054,416	6,750,568	10,730,942	14,981,734	19,503,431	32,195,322
Dividend	-	-	1,027,728	1,482,194	2,047,421	-	-	-	-	-	-
Cash carried forward	502,015	337,078	528,343	767,353	989,458	3,054,416	6,750,568	10,730,942	14,981,734	19,503,431	32,195,322

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Sales Price Growth Rate	10 % per year
Production Capacity Utilization Growth Rate	5 % per year
COGS growth rate	10 % per year
Wage growth rate	10 % per year
Operational cost growth rate	10 % per year
Travelling expense	Rs. 32,463 per month
Communication expense	Rs. 2,000 per month
Office expenses (stationary, entertainment, janitorial services, etc.)	Rs. 2,000 per month
Promotional expense	0.5% of revenue

13.2 Production Cost Assumptions

Description	Details
Cost of goods sold 1 (cake)	Rs. 164 / lbs of cake
Cost of goods sold 2 (pizza)	Rs. 187 / pizza
Cost of goods sold (packaging)	10
COGS growth rate	10%
Production Capacity (Pizza & Cakes)	118,109
Production Capacity utilization in Y1	70%
Production capacity in Yr 1. (Pizza & Cakes)	82,676
Maximum Capacity	95%

13.3 Revenue Assumptions

Description	Details
Sales price per unit in Rs. (cake)	Rs. 453
Sales price per unit in Rs. (pizza)	Rs. 252
Sales price growth rate	10%
Total unit sales (No. of Pizza & Cakes)	82,676
Total revenue (Rs.)	27,997,532

13.4 Financial Assumptions

Interest rate on long term debt	14%
Project Debt	60%
Project Equity	40%
WACC	13%
Debt Tenure	10 Years