
Pre-Feasibility Study

MEN FOOTWEAR



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	REGIONAL OFFICE SINDH	REGIONAL OFFICE KPK	REGIONAL OFFICE BALOCHISTAN
3 rd 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	5 TH Floor, Bahria Complex II, M.T. Khan Road, Karachi. Tel: (021) 111-111-456 Fax: (021) 5610572 helpdesk-khi@smeda.org.pk	Ground Floor State Life Building The Mall, Peshawar. Tel: (091) 9213046-47 Fax: (091) 286908 helpdesk-pew@smeda.org.pk	Bungalow No. 15-A Chaman Housing Scheme Airport Road, Quetta. Tel: (081) 831623, 831702 Fax: (081) 831922 helpdesk-qta@smeda.org.pk

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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

This SME venture entails setting up Men Footwear Retail outlets in Lahore, the second largest city of Pakistan. The outlet is proposed to cater to the demand of men footwear, belonging to middle to upper middle economic stratum. The focus of the business would be to provide casual, semi-formal and formal, quality footwear at affordable prices. Footwear retail outlet is a project of trading nature; shoes are assumed to be purchased from different subcontract manufacturers and sold at the retail outlet under a brand name.

The demand for footwear is constantly rising and there are a number of local manufacturers in the industry producing quality footwear to cater to the demand of the growing population. Some of these local manufacturers are now focusing on retail side of the business adjusting to the shopping habits of consumers nowadays. In this day and age consumers are becoming increasingly brand conscious and seek value for money products. This trend has led to strong growth in retail chains around Pakistan. Companies are now more aware of the importance of retailing in business. Some of the successfully established men's brands of Pakistan are Hush Puppies, Metro Men, Bata, Borjan, English Boot House (EBH), Servis, etc. Other relatively famous designer brands in Lahore and Karachi are Epcot, Urban Sole, Arino Shoes and Exist Shoes. These and numerous other local brands have developed a strong presence by opening up multiple outlets in the same city or in various cities.

The total initial project cost for setting up a single outlet in first year is estimated at Rs. 7.31 million. The project is proposed to be financed through 50% debt and 50% equity. The project NPV is projected around Rs. 29.91 million, with an IRR of 68% and payback period of 2.47 years. The legal business status of this project is proposed as 'Sole Proprietorship'.

It is proposed that the project start its operations with opening of one outlet in the first year and would expand business by setting up one additional outlet in the third year. The outlets are planned to be open 12 hours every day. The proposed project assumes to sell around 6,854 pairs in the first year of operation and by tenth year of operation the brand is projected to sell a total of 20,703 pairs through both the outlets.

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 **Men Footwear** 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.

5 BRIEF DESCRIPTION OF PROJECT & PRODUCT

This document provides details for setting up a Footwear Retail Outlet selling men's shoes. A total of two outlets are proposed; the project would start with a single outlet and opening of one additional outlet is proposed in third year.

The proposed business involves purchase of men's shoes from a local manufacturer and selling it through retail outlets, under a brand name, in any big city of Pakistan. The shop is assumed to operate for 12 hours on weekdays.

5.1 Proposed Product Mix

The product mix would include men's shoes in all sizes. This product mix is divided into further categories: casual, semi-formal and formal footwear which includes dress shoes, slippers, casual sneakers, loafers, sandals and boots etc. made of leather and other materials. The three categories among men's shoes are further classified by three different proposed selling prices and two different product qualities Imported and Local, ranging between Rs. 4,000 – Rs. 7,500 for imported shoes and Rs. 2,000 – Rs. 5,000 for local shoes.

5.2 Installed and Operational Capacities

The proposed project assumes to sell around 6,854 pairs in the first year of operation and gradually sell out a maximum of 20,703 pairs out of two outlets. However, planned venture is estimated to operate at 50% capacity in the initial year and with 3% gradual increase will attain the maximum capacity utilization of 77%.

6 CRITICAL FACTORS

The most critical considerations / factors for the success of this project are as follows:

- ⇒ Development of attractive designs and good quality shoes at competitive prices.
- ⇒ Develop strong linkages with suppliers for obtaining good quality products at competitive prices. Networking with shoes wholesaler / retailers for the sale of the product.
- ⇒ Efficient management of stock to keep inventory cost at the minimum.
- ⇒ Knowledge about the latest market trends.
- ⇒ Induction of trained sales personnel for efficient customer handling.
- ⇒ Quality standards should be strictly followed.
- ⇒ Strong presence in the domestic market.
- ⇒ Increasing competition from Chinese products and strong competition with similar type of manufacturers.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Lahore is the footwear center of the country, followed by Karachi, Faisalabad, Multan, Peshawar, Hyderabad, Sahiwal, Gujranwala and Rawalpindi. All the shoe manufacturing units and numerous shoe stores are established in these cities. Therefore, selecting any of the above cities would be a profitable option for setting up a footwear retail outlet for men.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Target customer for the proposed project would be males of ages 14 years and above, belonging to middle and upper middle economic stratum. The middle and upper middle family income groups dominate the overall population in Pakistan. This phenomenon provides an ample opportunity for the investment in this sector.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Footwear Retail Outlet for Men. Various costs 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 also attached as Annexure.

9.1 Project Economics

All the figures in this financial model have been calculated. The following table shows Internal Rate of Return, Payback Period and Net Present Value of the project:

Table 1: Project Economics

Description	Details
Internal Rate of Return (IRR)	68%
Payback Period (Yrs.)	2.47
Net Present Value (Rs.)	29,906,356

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 (50%)	Rs. 3,655,525
Bank Loan (50%)	Rs. 3,655,525
Markup to the Borrower (%age / annum)	14%
Tenure of the Loan (Years)	5

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	
Furniture and Fixture	2,072,000
Office Equipment	269,000
Pre-operating Cost	233,000
Training Cost	50,000
Total Capital Cost	2,624,000
Working Capital	
Repair Material Inventory	2,897
Upfront Building Rent	900,000
Shoes Inventory	2,601,958
Cash	1,182,194
Total Working Capital	4,687,049
Total Project Cost	7,311,049

9.4 Space Requirement

For the proposed project, in the first year a 2-storey building, built on 900 sq. feet area on each floor is assumed to be acquired on rental basis. The rent in this pre-feasibility is assumed to be about Rs. 150,000/- per month. Following table shows the total area requirements for the admin office and outlet. One additional 1,500 sq. feet shop on different location would be acquired on rent in the third year

Table 4: Space Requirement

Room	Space Required. (Sq. ft)
Display hall (ground floor)	900
Admin office (first floor)	320
Washrooms	20
Raw material store (first floor)	560
Total area	1,800

9.5 Furniture & Fixtures Requirement

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

Table 5: Furniture & Fixture Requirement (Year - 1)

Items	Qty.	Unit Cost (Rs.)	Total Cost (Rs.)
Furniture			
Executive Chairs	1	8,500	8,500
Counter	1	20,000	20,000
Seating for customers	16	2,000	32,000
Floor equipment (baskets, mirrors etc.)	1	10,000	10,000
Interior Designing			
Shoe racks with glass	630	550	346,500
False ceiling, front door & paint	900	600	540,000
Flooring	900	300	270,000
Electric Equipment			
Air conditioner (1.5 Ton)	5	55,000	275,000
Generator	1	150,000	150,000
Electric wiring & Lighting			125,000
Bracket fans	7	3,000	21,000
Store room			
Shoe racks (Iron & wood)	560	350	196,000
Electric wiring & Lighting			30,000
Wooden stools	4	2,000	8,000
Admin Office			
Desk & chair	2	20,000	40,000
Total Cost			2,072,000

Table 6: Furniture & Fixture Requirement – (Year - 3)

Items	Qty.	Unit Cost (Rs.)	Total Cost (Rs.)
Furniture			
Executive Chairs	1	10,285	10,285
Counter	1	24,200	24,200
Seating for customers	16	2,420	38,720

Floor equipment (baskets, mirrors etc.)	1	12,100	12,100
Interior Designing			
Shoe racks with glass material	630	666	419,265
False ceiling, front door & paint	900	726	653,400
Flooring	900	363	326,700
Electric Equipment			
Air conditioners (1.5 Ton)	5	66,550	332,750
Generator	1	181,500	181,500
Electric wiring & Lighting			151,250
Bracket fans	7	3,630	25,410
Store Room			
Shoe racks (Iron & wood)	560	424	237,160
Lighting & wiring			36,300
Wooden stools	4	2,420	9,680
Total Cost			2,458,720

9.6 Office Equipment Requirement

Following tables present the office equipment requirement proposed for footwear retail outlets.

Table 7: Office Equipment Requirement – (Year – 1)

Items	Qty.	Unit Cost (Rs.)	Total Cost (Rs.)
Computers	2	40,000	80,000
UPS	2	12,500	25,000
Printer	1	15,000	15,000
Bar code reader	1	15,000	15,000
Inventory Management / Accounting software	1	50,000	50,000
Security camera	4	20,000	80,000
Telephone Sets	2	2,000	4,000
Total Cost			269,000

Table 8: Office Equipment Requirement – (Year – 3)

Items	Qty.	Unit Cost (Rs.)	Total Cost (Rs.)
Computers	2	48,400	96,800
UPS	2	15,125	30,250
Printer	1	18,150	18,150
Bar code reader	1	18,150	18,150
Security camera	4	24,200	96,800
Telephone Sets	2	2,420	4,840
Total Cost			264,990

9.7 Human Resource Requirement

In order to run operations of Footwear Retail Outlet smoothly, details of human resources required along with monthly salary are recommended as under:

Table 9: Human Resource Requirement

Employees	No.	Monthly Salary (Rs.)	Annual Salary (Rs.)
Administration Staff			
Store Manager	1	35,000	420,000
Purchaser	1	20,000	240,000
Accountant	1	20,000	240,000
Sales men	4	18,000	864,000
Helper	2	15,000	360,000
Guard	2	14,000	336,000
Total	11		2,460,000

9.8 Utilities and Other Costs

An essential cost to be borne by the project is the cost of electricity. The direct electricity expenses are estimated to be around Rs. 660,240 annually. Furthermore, promotional expense being essential for marketing of Footwear Retail Outlet is estimated as Rs. 300,000 annually.

9.9 Revenue Generation

Based on the 50% capacity utilization, sales revenue during the first year of operations is estimated as under:

Table 10: Revenue Generation

Shoes	Percentage	Quantity	Sale Price	Total Sales
Men Shoes (Imported)				
Pair A	20%	412	7,500	3,090,000
Pair B	50%	1,029	6,000	6,174,000
Pair C	30%	617	4,000	2,468,000
Total				11,732,000
Men Shoes (Local)				
Pair A	20%	960	5,000	4,800,000
Pair B	50%	2,399	3,500	8,396,500
Pair C	30%	1,440	2,000	2,880,000
Total				16,076,500
Revenue Generation				27,808,500

Table 11: Cost of Goods Calculation

Shoes	Percentage	Quantity	Purchase Price	Total Purchases
Men Shoes (Imported)				
Pair A	20%	420	4,125	1,732,500
Pair B	50%	1,050	3,300	3,465,000
Pair C	30%	630	2,200	1,386,000
Total				6,583,500
Men Shoes (Local)				
Pair A	20%	980	2,750	2,695,000

Pair B	50%	2,450	1,925	4,716,250
Pair C	30%	1,470	1,100	1,617,000
Total				9,028,250
Shoes Cost				15,611,750

10 CONTACT DETAILS

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

Company Name	Address	Contact
Firhaj Footwear	City Towers 9th Floor, 6-K, Main Boulevard Gulberg-III, Lahore	+92-42-111-130- 130
Avic Shoes	Shiekhupura Road, Lahore	+92-321-4392890
Bata Pakistan	138-B, P.E.C.H.S, Block - 2, Main Tariq Road, Karachi	+92-21-4313141-2
Waheed Shoes Company	Bank Square Yasir Cloth Market, Gujranwala	+92-55-4448620

11 USEFUL WEB LINKS

Small & Medium Enterprises Development Authority (SMEDA)	www.smeda.org.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 Pakhtunkhwa	www.khyberpakhtunkhwa.gov.pk
Government of Balochistan	www.balochistan.gov.pk
Government of GilgitBaltistan	www.gilgitbaltistan.gov.pk
Government of Azad Jamu Kashmir	www.ajk.gov.pk
Trade Development Authority of Pakistan (TDAP)	www.tdap.gov.pk
Security 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
Punjab Small Industries Corporation	www.psic.gop.pk
Sindh Small Industries Corporation	www.ssic.gos.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
Faisalabad Industrial Estate Development and Management Company (FIEDMC)	www.fiedmc.com.pk

12 ANNEXURES

12.1 Income Statement

Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	27,808,500	31,567,725	65,663,798	73,534,655	81,360,519	89,764,073	98,819,323	108,563,426	119,013,468	130,259,601
<i>Cost of sales</i>										
Cost of purchasing shoes	15,611,750	17,381,306	36,494,983	40,488,311	44,790,068	49,420,430	54,395,219	59,758,253	65,513,883	71,696,107
Direct labor	1,224,000	1,346,400	2,962,080	3,258,288	3,584,117	3,942,528	4,336,781	4,770,459	5,247,505	5,772,256
Fixing and repair material	69,521	78,919	164,159	183,837	203,401	224,410	247,048	271,409	297,534	325,649
Direct Electricity	660,240	726,264	1,597,781	1,757,559	1,933,315	2,126,646	2,339,311	2,573,242	2,830,566	3,113,623
Transport rental expense	312,235	347,626	729,900	809,766	895,801	988,409	1,087,904	1,195,165	1,310,278	1,433,922
Generator expense	525,000	577,500	1,270,500	1,397,550	1,537,305	1,691,036	1,860,139	2,046,153	2,250,768	2,475,845
Total cost of sales	18,402,746	20,458,016	43,219,403	47,895,310	52,944,007	58,393,459	64,266,403	70,614,681	77,450,534	84,817,402
Gross Profit	9,405,754	11,109,709	22,444,395	25,639,345	28,416,511	31,370,614	34,552,920	37,948,745	41,562,934	45,442,198
<i>General administration & selling expenses</i>										
Administration expense	1,236,000	1,359,600	1,902,120	2,092,332	2,301,565	2,531,722	2,784,894	3,063,383	3,369,722	3,706,694
Sales commission	556,170	631,355	1,313,276	1,470,693	1,627,210	1,795,281	1,976,386	2,171,269	2,380,269	2,605,192
Building rental expense	1,800,000	1,980,000	4,356,000	4,791,600	5,270,760	5,797,836	6,377,620	7,015,382	7,716,920	8,488,612
Communications expense (phone, fax, mail, internet, etc.)	120,000	132,000	290,400	319,440	351,384	386,522	425,175	467,692	514,461	565,907
Office expenses (stationary, entertainment, janitorial services, etc.)	240,000	264,000	580,800	638,880	702,768	773,045	850,349	935,384	1,028,923	1,131,815
Promotional expense	300,000	315,000	330,750	347,288	364,652	382,884	402,029	422,130	443,237	465,398
Professional fees (legal, audit, consultants, etc.)	50,000	55,000	60,500	66,550	73,205	80,526	88,578	97,436	107,179	117,897
Depreciation expense	296,867	296,867	296,867	645,202	645,202	645,202	691,605	691,605	691,605	729,203
Amortization of pre-operating costs	46,600	46,600	46,600	46,600	46,600	-	-	-	-	-
Amortization of legal, licensing, and training costs	10,000	10,000	10,000	10,000	10,000	-	-	-	-	-
Subtotal	4,655,637	5,090,421	9,187,313	10,428,585	11,393,347	12,393,019	13,596,635	14,864,280	16,252,315	17,810,719
Operating Income	4,750,117	6,019,288	13,257,082	15,210,760	17,023,164	18,977,595	20,956,284	23,084,464	25,310,619	27,631,480
Gain / (loss) on sale of office equipment	-	-	161,400	-	-	426,535	-	-	642,626	-
Earnings Before Interest & Taxes	4,750,117	6,019,288	13,418,482	15,210,760	17,023,164	19,404,130	20,956,284	23,084,464	25,953,245	27,631,480
Interest expense on long term debt (Project Loan)	171,492	142,393	108,949	109,113	58,384	24,524	15,872	5,927	-	-
Interest expense on long term debt (Working Capital Loan)	194,746	-	-	-	-	-	-	-	-	-
Subtotal	366,238	142,393	108,949	109,113	58,384	24,524	15,872	5,927	-	-
Earnings Before Tax	4,383,879	5,876,895	13,309,533	15,101,646	16,964,780	19,379,606	20,940,412	23,078,537	25,953,245	27,631,480
Tax	837,663	1,285,568	3,880,836	4,508,076	5,160,172	6,005,361	6,551,644	7,299,987	8,306,135	8,893,517
NET PROFIT/(LOSS) AFTER TAX	3,546,216	4,591,327	9,428,697	10,593,571	11,804,608	13,374,244	14,388,769	15,778,550	17,647,110	18,737,962

12.2 Balance Sheet

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	1,182,194	2,391,215	2,444,449	8,551,214	18,131,625	28,675,364	40,137,691	53,124,996	67,223,665	82,134,422	123,743,306
Closing stock		391,548	426,712	909,882	998,934	1,104,170	1,217,758	1,340,172	1,472,493	1,614,974	1,768,523
Equipment spare part inventory	2,897	3,453	7,541	8,867	10,301	11,934	13,795	15,912	18,316	21,050	-
Opening inventory	2,601,958	3,041,729	6,705,953	7,811,713	9,073,768	10,512,397	12,149,133	14,014,311	16,132,307	18,537,366	-
Pre-paid building rent	900,000	990,000	2,178,000	2,395,800	2,635,380	2,898,918	3,188,810	3,507,691	3,858,460	4,244,306	-
Total Current Assets	4,687,049	6,817,944	11,762,655	19,677,477	30,850,009	43,202,783	56,707,186	72,003,082	88,705,241	106,552,118	125,511,828
<i>Fixed assets</i>											
Furniture & fixtures	2,072,000	1,864,800	1,657,600	3,909,120	3,456,048	3,002,976	2,549,904	2,096,832	1,643,760	1,190,688	737,616
Office equipment	269,000	179,333	89,667	576,391	384,261	192,130	715,598	477,065	238,533	828,394	552,263
Total Fixed Assets	2,341,000	2,044,133	1,747,267	4,485,511	3,840,309	3,195,106	3,265,502	2,573,897	1,882,293	2,019,082	1,289,879
<i>Intangible assets</i>											
Pre-operation costs	233,000	186,400	139,800	93,200	46,600	-	-	-	-	-	-
Legal, licensing, & training costs	50,000	40,000	30,000	20,000	10,000	-	-	-	-	-	-
Total Intangible Assets	283,000	226,400	169,800	113,200	56,600	-	-	-	-	-	-
TOTAL ASSETS	7,311,049	9,088,477	13,679,722	24,276,188	34,746,917	46,397,890	59,972,688	74,576,979	90,587,533	108,571,200	126,801,707
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		769,580	993,441	1,827,934	2,044,776	2,281,553	2,540,045	2,822,157	3,130,697	3,467,253	2,959,798
Total Current Liabilities	-	769,580	993,441	1,827,934	2,044,776	2,281,553	2,540,045	2,822,157	3,130,697	3,467,253	2,959,798
<i>Other liabilities</i>											
Long term debt (Project Loan)	1,312,000	1,117,156	893,214	931,159	591,475	201,062	143,125	76,535	-	-	-
Long term debt (Working Capital Loan)	2,343,525	-	-	-	-	-	-	-	-	-	-
Total Long Term Liabilities	3,655,525	1,117,156	893,214	931,159	591,475	201,062	143,125	76,535	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	3,655,525	3,655,525	3,655,525	3,950,856	3,950,856	3,950,856	3,950,856	3,950,856	3,950,856	3,950,856	3,950,856
Retained earnings		3,546,216	8,137,542	17,566,240	28,159,810	39,964,418	53,338,662	67,727,431	83,505,981	101,153,091	119,891,053
Total Equity	3,655,525	7,201,740	11,793,067	21,517,095	32,110,666	43,915,274	57,289,518	71,678,287	87,456,837	105,103,946	123,841,909
TOTAL CAPITAL AND LIABILITIES	7,311,049	9,088,477	13,679,722	24,276,188	34,746,917	46,397,890	59,972,688	74,576,979	90,587,533	108,571,200	126,801,707

12.3 Cash Flow Statement

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		3,546,216	4,591,327	9,428,697	10,593,571	11,804,608	13,374,244	14,388,769	15,778,550	17,647,110	18,737,962
Add: depreciation expense		296,867	296,867	296,867	645,202	645,202	645,202	691,605	691,605	691,605	729,203
amortization of pre-operating costs		46,600	46,600	46,600	46,600	46,600	-	-	-	-	-
amortization of training costs		10,000	10,000	10,000	10,000	10,000	-	-	-	-	-
Deferred income tax		-	-	-	-	-	-	-	-	-	-
Closing stock		(391,548)	(35,164)	(483,170)	(89,052)	(105,236)	(113,588)	(122,414)	(132,321)	(142,482)	(153,548)
Equipment inventory	(2,897)	(556)	(4,088)	(1,326)	(1,434)	(1,632)	(1,861)	(2,118)	(2,404)	(2,733)	21,050
Opening inventory	(2,601,958)	(439,770)	(3,664,224)	(1,105,760)	(1,262,055)	(1,438,629)	(1,636,735)	(1,865,178)	(2,117,997)	(2,405,058)	18,537,366
Pre-paid building rent	(900,000)	(90,000)	(1,188,000)	(217,800)	(239,580)	(263,538)	(289,892)	(318,881)	(350,769)	(385,846)	4,244,306
Accounts payable		769,580	223,860	834,493	216,842	236,777	258,492	282,112	308,540	336,557	(507,455)
Cash provided by operations	(3,504,855)	3,747,389	277,177	8,808,600	9,920,095	10,934,152	12,235,862	13,053,894	14,175,204	15,739,152	41,608,883
<i>Financing activities</i>											
Project Loan - principal repayment		(194,844)	(223,942)	(257,386)	(339,684)	(390,413)	(57,938)	(66,590)	(76,535)	-	-
Working Capital Loan - principal repayment		(2,343,525)	-	-	-	-	-	-	-	-	-
Additions to Project Loan	1,312,000	-	-	295,331	-	-	-	-	-	-	-
Additions to Working Capital Loan	2,343,525	-	-	-	-	-	-	-	-	-	-
Issuance of shares	3,655,525	-	-	295,331	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	7,311,049	(2,538,368)	(223,942)	333,276	(339,684)	(390,413)	(57,938)	(66,590)	(76,535)	-	-
<i>Investing activities</i>											
Capital expenditure	(2,624,000)	-	-	(3,035,111)	-	-	(715,598)	-	-	(828,394)	-
Cash (used for) / provided by investing activities	(2,624,000)	-	-	(3,035,111)	-	-	(715,598)	-	-	(828,394)	-
NET CASH	1,182,194	1,209,020	53,235	6,106,765	9,580,411	10,543,739	11,462,327	12,987,304	14,098,669	14,910,758	41,608,883

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Transport Rental Expense	2% of Purchasing Expense
Promotional Expenses	Rs. 25,000 per Month
Purchase price growth rate	10%
Operating costs growth rate	10%
Communication expense	Rs. 10,000 per Month
Sales Commission	2% of Revenue
Office expenses (stationary, entertainment, janitorial services, etc.)	Rs. 20,000 per Month
Professional fees (legal, audit, consultants, etc.)	Rs. 50,000 per Annum
Furniture & fixtures depreciation	10%
Inflation Growth Rate	10%
Electricity Price Growth Rate	10%
Salaries Growth Rate	10%

13.2 Revenue Assumptions

Description	Details
Sales Price Growth Rate	5%
Starting Capacity Utilization	50%
Capacity Growth Rate	3%
Maximum Capacity Utilization	77%

13.3 Financial Assumptions

Description	Details
Project Life (Years)	10
Debt: Equity	50:50
Interest rate on long term debt	14%