

Pre-Feasibility Study

DEPARTMENTAL STORE



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

www.smeda.org.pk

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1 DISCLAIMER

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2 EXECUTIVE SUMMARY

Departmental Stores are emerging as one of the good business ventures in Pakistan as it provides all the basic merchandise under one roof. The structure of Pakistan's economy has changed from agricultural to service base. Agriculture and industry sector now account for about 22% and 24% of GDP, respectively, while the services sector accounts for 54% of the GDP.

Departmental Store is a retail establishment which specializes in satisfying wide range of consumer's personal and residential durable product needs and at the same time offering the consumer a multiple choice of merchandise lines, at variable prices, in all product categories. The Departmental Store is organized into departments offering a variety of retail merchandize under one roof. In Pakistan the concept of Departmental Store has gained popularity in late eighties after the emergence of Utility Stores by the government. The same concept has been used by Canteen Department Store (CSD). Keeping in view the consumer's needs and requirements, large investment has been made in these stores by few multinational companies. i.e. Hyper Star, Metro, Macro, Al-Fateh, HKB, Cosmo Cash & Carry, etc, and thousands of shopping stores in almost all cities of Pakistan.

The proposed "Departmental Store" requires an area of approx 3,120 sq. ft. and is recommended to be started at a rented premise. Location of the store is an important factor with any retail organization. Spending time and money wisely in the process of site selection is of primary importance. In this pre-feasibility study, it has been assumed that the proposed "Departmental Store" is opened in an area where there are approximately 3,000 households.

The total cost of establishing a Departmental Store in developing areas is estimated at Rs. 12.06 million including Rs. 4.83 Million capital cost and Rs. 7.24 million as working capital. Projected IRR, Net Present Value and Payback Period for proposed Departmental Store are 32%, Rs. 12,300,024 and 5.22 years, respectively.

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 for investing in a **Departmental Store** 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 DESCRIPTON OF PROJECT

5.1 Project Brief

The proposed Departmental Store will provide a variety of goods ranging from grocery items to garments under one roof. The proposed project is a single floor departmental Store on an area of approximately 3,120 sq. ft. The project will offer following broad categories of goods to its customers:

- Groceries and food items
- Baby garments and baby products
- Crockery and plastic items
- Soaps, detergents and chemicals
- Cosmetics and artificial jewellery

- Ice-cream and beverages
- Stationery, greeting cards and gifts items
- Watches and clocks
- Electronics / electrical products
- General items
- Bakery Items

Legal status is recommended to be a sole proprietorship / partnership. Although in Pakistan retail business is not providing employment at a large scale directly, but indirectly it is contributing in the employment growth. As more and more retail outlets are opening and consumer buying has shifted towards packaged / branded products, companies are coming up with top quality products and with the increase in production level the employment also increases. The proposed project will provide direct employment resources to 24 employees.

Location of Departmental Store is of primary concern with any retail organization. The Store should be centrally and conveniently located within a developing or a newly developed residential town in any of the big cities like Lahore, Islamabad, Rawalpindi, Faisalabad, Sargodha, etc. The proposed Departmental Store is feasible in any area where there are approximately 3,000 houses / family units.

5.2 Installed & Operational Capacities

With respect to the available capacity of the departmental Store, it will offer the following broad categories of goods to its customer:

Table 1: Installed Capacity

Category of Items	Proportion	Average Gross Margin
Groceries and Food Items	55%	15%
Baby Garments and Baby Products	5%	35%
Crockery and Plastic Items	4%	30%
Soaps Detergents and Chemicals	15%	10%
Cosmetics and Artificial Jewellery	5%	30%
Ice cream and Beverages	5%	10%
Stationery and Greeting Cards/Gifts Items	1%	20%
Watches and Clocks	1%	30%
Electronic and Electrical Appliances	2%	30%
General Items	2%	15%

Bakery Items	5%	20%
Total	100%	

6 CRITICAL FACTORS

In Pakistan, the concept of Departmental Store has gained popularity in the late eighties after the emergence of Utility Stores by the government. The same concept has been used by Canteen Department Store (CSD). Currently there is a new trend and large investment has been made in super stores by few multinational companies i.e. Hyper star, Metro, Macro, Cosmo Cash & Carry, etc. This concept was successful due to the availability of all basic utilities under one roof which saves time. The factors that make this project viable in Pakistan are:

- ⇒ Easy access to wholesale markets
- ⇒ Plentiful availability of resources / salesman
- ⇒ No process / transformation involved
- ⇒ Variety of goods under one roof
- ⇒ Margin for innovation
- ⇒ Easy diversification towards new product mix
- ⇒ Customer card system can be one of the best strategies for the retention of existing customers and for developing new customers. Card System maintains data base of customers which can be later on used for permanent promotional and marketing activities. Customer Card System is one of the best CRM practices used globally.
- ⇒ To obtain a good average of profits it is necessary to provide state of art facilities to customers.
- ⇒ There should be regular and sustained marketing through fliers distribution and Cable TV.
- ⇒ The store should have an ample space for car parking. It is advisable to maintain a parking space whereby around 15-20 cars can be parked
- ⇒ The hired staff should be well mannered and well trained in dealing with the customers.
- ⇒ Free gift schemes and valuable customer dinner can be additional success factors.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Departmental store business is emerging as one of the good business ventures in Pakistan as it provides all the basic merchandise under one roof. In the late eighties a paradigm shift in grocery store science occurred. The concept of "Self-Serving Store" was started. Customers entered the revolutionary store and walked through a narrow maze of shelves containing groceries. They selected their goods as they continued through the maze to a cashier.

This phenomenon grew rapidly; and today thousands of stores exist in the big cities. These stores also began to offer products beyond the normal scope of the dry-good grocery store. They added meat, dairy, fruit and vegetables, and breads to their offerings (which had formerly been offered by individual stores such as butchers, bakeries, and the milk man). Over the decades, Departmental stores have evolved even further. Now, one sees that they offer greeting cards, flowers, video rental, fast food, childcare, and much more.

There are thousands of Departmental stores in Lahore, Rawalpindi, Faisalabad, Multan, Gujranwala and this number is increasing day by day.

8 POTENTIAL TARGET MARKETS

The target customer for Departmental stores is the population / family units of big cities. The market for Departmental stores in Pakistan has been developing steadily over the last decade and a mushroom growth of large stores is observed in all big cities. Still a good potential is available for new stores, as population of big cities is increasing day by day and new societies and residential towns are being developed. Location and amenities are some of the most vital factors in the success of a store.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyse the commercial viability of Departmental Store. Various costs and revenues 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 for estimated sales of Rs. 81 million in the year one. The capacity utilization during year one is worked out at 50% with 5% increase in subsequent years up to the maximum capacity utilization of 80 %.

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

Table 2: Project Economics

Description	Details
Internal Rate of Return (IRR)	32%
Pay Back Period (Years)	5.22
Net Present Value (NPV)	Rs. 12,300,024

9.2 Project Financing

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

Table 3: Project Financing

Description	Details
Total Equity (50%)	Rs. 6,031,666
Bank Loan (50%)	Rs. 6,031,666
Annual Markup to the Borrower	16%
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 4: Project Cost

Capital Investment	Amount Rs.
Machinery & Equipment	2,264,000
Furniture & Fixtures	1,552,750
Office Vehicle (motorcycle with delivery cabin)	60,000
Pre-Operating Cost	378,000
Training Costs	14,000
Security Deposit	500,000
Office Equipment	57,000
Total Capital Investment	4,825,750
Working Capital Requirement	
Initial Stock, Raw material inventory	5,595,750
Up front building rent	900,000
Cash in hand needed for three month expenses (Admin, etc.)	741,831

Total Working Capital	7,237,581
Total Investment	12,063,331

9.4 Machinery & Equipment Requirements

Following is the detail of equipment required for this project.

Table 5: Machinery & Equipment Requirements

Description	No. of Units	Cost per unit Rs.	Total Cost Rs.
Shelves and Racks @ Rs 500 per sq ft for 1500 sq ft	1	750,000	750,000
Cash drawers (model Tysso RJ 11)	3	5,500	16,500
Handy scanners (XL 6800 series)	2	6,500	13,000
Multinie barcode scanner (Libra 7050)	1	17,000	17,000
Computers + barcode readers	3	35,000	105,000
Printers for bills printing (tysso PRP 188)	3	15,000	45,000
Software (sales + stocks + Purchase management)	1	95,000	95,000
Fax machine (panasonic)	1	12,500	12,500
Service Trolleys	20	10,000	200,000
U.P.S for Computers	3	6,000	18,000
Security cameras with DVR recording + installation	24	8,000	192,000
Generator (25 KVA)	1	800,000	800,000
Total			2,264,000

9.5 Office Equipment Requirements

Following is the detail of office equipment required for this project.

Table 6: Office Equipement Requirements

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Computer	1	35,000	35,000
Printer	1	15,000	15,000
Telephone Connection Sets	2	3,500	7,000
Total			57,000

9.6 Furniture and Fixture Requirements

Following is the detail of furniture and fixtures required for this project.

Table 7: Furniture and Fixture Requirements

Description	No. of Units	Cost per unit Rs.	Total Cost Rs.
Chairs	10	3,500	35,000
Tables	3	8,000	24,000
Sofa Set for Office	1	15,000	15,000
Energy Savers for Office	500	300	150,000
Electric Fittings and Installation	1	150,000	150,000
Renovations	2,535	250	633,750
Ceiling Fans	2	2,500	5,000
Air Conditioner (1.5 tons)	8	60,000	480,000
Sign Board for Outside with Lights	1	60,000	60,000
Total			1,552,750

9.7 Space Requirement

The proposed Departmental store requires an area of approx 3,120 sq. ft. It is recommended that the store should be started at a rented premises. The main investment in this business is of land and building, which is very high due to very expensive land in the proposed locations and high construction cost. The rent cost of a commercial building situated in a well-populated housing society will be ranging from Rs. 100,000 to Rs. 150,000 per month. In this pre-feasibility the rent cost of 3,120 sq. ft. land is taken Rs. 150,000. Following table shows the covered area requirement for the proposed store:

Table 8: Space Requirement

Description	Area (Sq.ft.)
Owner's Office	120
Accounts & Procurement. Office	120
Wash rooms for Gents and ladies	120
Warehouse	225
Display / Shopping Area	2,535
Total	3,120

9.8 Raw Material Requirements

Raw material could be purchased from any whole sale market in the city.

9.9 Human Resource Requirement

Skilled salesmen are easily available at competitive wage rates. Number of workers required for each department of Store is given below:

Table 9: Human Resource Requirement

Positions	Number	Salary/Month (Rs.)	Annual salary (Rs.)
Store Manager	1	30,000	360,000
Salesmen* & Sales girls	12	13,000	1,872,000
Purchase Officer	1	18,000	216,000
Asst. Purchase Offcr	1	15,000	180,000
Cashiers*	3	14,000	504,000
Helpers/Cleaners*	2	12,000	288,000
Accounts Officer	1	25,000	300,000
Warehouse Keeper	1	12,000	144,000
Security Guards*	2	13,000	312,000
Total	24		4,176,000

9.10 Other Costs

The necessary utilities are electricity, telephone and water. A three-phase commercial electricity connection is required. Current rate of electricity for these connections is Rs 14 per kilowatt-hour. At least two telephone connections are required; one solely used for home delivery service calls.

9.11 Revenue Generation

Based on the capacity utilization of 50%, for 11 categories of the grocery items sales for the shopping mall, the sales revenue during the first year of operations is estimated as under;

Table 10: Revenue Generation (First Year)

Description of items	Proportion	Capacity Utilization	Avg. Gross Margin	Sales Revenue (Rs.)
Groceries & Food items	55%	50%	15%	44,550,000
Baby Products	5%	50%	35%	4,050,000

*These people will work in two shifts: 5 Salesmen work in the morning, 7 will work in the evening; 2 Cashier & Helpers/Cleaners in morning, 2 in evening; 1 security guard in morning and 1 in evening shift will work.

Crockery	4%	50%	30%	3,240,000
Soaps detergents	15%	50%	10%	12,150,000
Cosmetics	5%	50%	30%	4,050,000
Beverages	5%	50%	10%	4,050,000
Stationary	1%	50%	20%	810,000
Watches	1%	50%	30%	810,000
Electronics	2%	50%	30%	1,620,000
General Items	2%	50%	15%	1,620,000
Bakery items	5%	50%	20%	4,050,000
Total	100%			81,000,000

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 Machinery and Equipment Suppliers

Name of Supplier	Address	Contact
Machinery Supplier		
Rahman Business Systems	E, 425, Main Boulevard DHA Cant Lahore	(+92-42) 6612139, 6621458 (+92-333) 4234931 www.rehmansgroup.com info@rehmansgroup.com
Racks & Shelves Suppliers		
Mr. Javaid Sheikh	Shekhupura Road behind Kohe Noor Mill, Rawalpindi	(+92-300) 5145266
Mashood Alam	Gulshan Iqbal, Karachi	(+92-333) 2307246
Software Designers		
Mr. Rashid Jamil	Khalid Consultants, Rawalpindi	(+92-51) 5857225
Danyal Siddiqui	Johar Software House, Walton, Karachi	(+92-323) 2344403
SMEDA SMAP free Download	http://smap.smeda.org/	(+92-42) 111 111 456

11 USEFUL 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
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 Board of Information Technology	www.pbit.gop.pk
List of Retail Companies in Pakistan	www.companylist.org/retails
Retailing in Pakistan	www.slideshare.net/retailing
Future of Retailing	www.brecorder.com
Retailing in Pakistan Overview	www.euromonitor.com/retailing

12 ANNEXURES

12.1 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	81,000,000	98,010,000	117,612,000	140,154,300	166,028,940	195,676,965	229,594,306	252,553,736	277,809,110	305,590,021
<i>Cost of sales</i>										
Raw Material Cost	67,149,000	81,250,290	97,500,348	116,187,915	137,637,991	162,216,204	190,333,679	209,367,047	230,303,752	253,334,127
Wages										
Operation costs 1 (direct labor)	2,412,000	2,653,200	2,918,520	3,210,372	3,531,409	3,884,550	4,273,005	4,700,306	5,170,336	5,687,370
Operating costs 2 (machinery maintenance)										
Operating costs 3 (direct electricity)	1,483,920	1,632,312	1,795,543	1,975,098	2,172,607	2,389,868	2,628,855	2,891,740	3,180,914	3,499,006
Total cost of sales	71,044,920	85,535,802	102,214,411	121,373,384	143,342,008	168,490,622	197,235,539	216,959,093	238,655,003	262,520,503
Gross Profit	9,955,080	12,474,198	15,397,589	18,780,916	22,686,932	27,186,343	32,358,766	35,594,643	39,154,107	43,069,518
<i>General administration & selling expenses</i>										
Administration expense	1,764,000	1,940,400	2,134,440	2,347,884	2,582,672	2,840,940	3,125,034	3,437,537	3,781,291	4,159,420
Administration benefits expense	176,400	194,040	213,444	234,788	258,267	284,094	312,503	343,754	378,129	415,942
Building rental expense	1,800,000	1,980,000	2,178,000	2,395,800	2,635,380	2,898,918	3,188,810	3,507,691	3,858,460	4,244,306
Electricity expense										
Office refreshment expense	96,000	105,600	116,160	127,776	140,554	154,609	170,070	187,077	205,785	226,363
Communications expense (phone, fax, mail, internet, etc.)	120,000	132,000	145,200	159,720	175,692	193,261	212,587	233,846	257,231	282,954
Office expenses (stationary, entertainment, janitorial services, etc.)	176,400	194,040	213,444	234,788	258,267	284,094	312,503	343,754	378,129	415,942
Promotional expense	405,000	490,050	588,060	700,772	830,145	978,385	1,147,972	1,262,769	1,389,046	1,527,950
Professional fees (legal, audit, consultants, etc.)	810,000	980,100	1,176,120	1,401,543	1,660,289	1,956,770	2,295,943	2,525,537	2,778,091	3,055,900
Depreciation expense	166,675	166,675	166,675	166,675	166,675	169,825	169,825	169,825	169,825	169,825
Amortization of pre-operating costs	75,600	75,600	75,600	75,600	75,600	-	-	-	-	-
Amortization of legal, licensing, and training costs	2,800	2,800	2,800	2,800	2,800	-	-	-	-	-
Subtotal	5,592,875	6,261,305	7,009,943	7,848,146	8,786,342	9,760,895	10,935,246	12,011,789	13,195,985	14,498,601
Operating Income	4,362,205	6,212,893	8,387,646	10,932,769	13,900,591	17,425,448	21,423,520	23,582,854	25,958,122	28,570,917
Gain / (loss) on sale of office equipment	-	-	-	-	22,800	-	-	-	-	-
Gain / (loss) on sale of Furniture & Fixtures	-	-	-	-	-	-	124,220	-	-	-
Earnings Before Interest & Taxes	4,362,205	6,212,893	8,387,646	10,932,769	13,947,391	17,425,448	21,547,740	23,582,854	25,958,122	28,570,917
Interest expense on long term debt (Project Loan)	366,089	307,644	239,270	159,283	65,710	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	549,055	461,399	358,854	238,890	98,550	-	-	-	-	-
Subtotal	1,049,652	972,715	667,289	398,174	164,260	-	-	-	-	-
Earnings Before Tax	3,312,553	5,240,178	7,720,357	10,534,596	13,783,131	17,425,448	21,547,740	23,582,854	25,958,122	28,570,917
Tax	550,638	1,094,553	1,924,624	2,909,608	4,046,595	5,321,406	6,764,208	7,476,498	8,307,842	9,222,320
NET PROFIT/(LOSS) AFTER TAX	2,761,915	4,145,625	5,795,733	7,624,988	9,736,536	12,104,042	14,783,532	16,106,356	17,650,280	19,348,597

12.2 Balance Sheet

Calculations											SMEDA
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	741,831	-	-	393,702	2,298,811	4,764,423	9,872,810	17,917,785	26,149,219	34,661,840	103,122,463
Accounts receivable		3,328,767	3,678,288	4,430,589	5,296,568	6,291,436	7,432,313	8,738,451	9,907,152	10,897,867	11,987,653
Finished goods inventory		2,244,938	2,716,374	3,259,649	3,884,415	4,601,538	5,423,241	6,363,270	6,999,597	7,699,557	8,469,512
Raw material inventory	5,595,750	7,447,943	9,831,285	12,887,176	16,792,982	21,770,902	28,098,977	33,999,762	41,139,712	49,779,052	-
Pre-paid building rent	900,000	990,000	1,089,000	1,197,900	1,317,690	1,449,459	1,594,405	1,753,845	1,929,230	2,122,153	-
Total Current Assets	7,237,581	14,011,648	17,314,947	22,169,017	29,590,466	38,877,758	52,421,746	68,773,113	86,124,910	105,160,468	123,579,629
<i>Fixed assets</i>											
Security Deposit for Rental Building	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Machinery & equipment	2,264,000	2,264,000	2,264,000	2,264,000	2,264,000	2,264,000	2,264,000	2,264,000	2,264,000	2,264,000	2,264,000
Furniture & fixtures	1,552,750	1,397,475	1,242,200	1,086,925	931,650	776,375	621,100	465,825	310,550	155,275	-
Office vehicles	60,000	60,000	60,000	60,000	60,000	156,631	156,631	156,631	156,631	156,631	156,631
Office equipment	57,000	45,600	34,200	22,800	11,400	72,748	58,198	43,649	29,099	14,550	-
Total Fixed Assets	4,433,750	4,267,075	4,100,400	3,933,725	3,767,050	3,769,754	3,599,929	3,430,104	3,260,280	3,090,455	2,920,631
<i>Intangible assets</i>											
Pre-operation costs	378,000	302,400	226,800	151,200	75,600	-	-	-	-	-	-
Legal, licensing, & training costs	14,000	11,200	8,400	5,600	2,800	-	-	-	-	-	-
Total Intangible Assets	392,000	313,600	235,200	156,800	78,400	-	-	-	-	-	-
TOTAL ASSETS	12,063,331	18,592,323	21,650,547	26,259,542	33,435,916	42,647,512	56,021,675	72,203,218	89,385,190	108,250,924	126,500,259
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		3,065,628	3,743,078	4,536,474	5,464,968	6,551,050	7,821,172	9,219,183	10,294,798	11,510,252	10,410,992
Short term debt	-	1,561,587	802,975	-	-	-	-	-	-	-	-
Total Current Liabilities	-	4,627,215	4,546,054	4,536,474	5,464,968	6,551,050	7,821,172	9,219,183	10,294,798	11,510,252	10,410,992
<i>Other liabilities</i>											
Long term debt (Project Loan)	2,412,875	2,068,790	1,666,259	1,195,356	644,465	-	-	-	-	-	-
Long term debt (Working Capital Loan)	3,618,791	3,102,738	2,499,029	1,792,775	966,557	-	-	-	-	-	-
Total Long Term Liabilities	6,031,666	5,171,528	4,165,288	2,988,130	1,611,022	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	6,031,666	6,031,666	6,031,666	6,031,666	6,031,666	6,031,666	6,031,666	6,031,666	6,031,666	6,031,666	6,031,666
Retained earnings		2,761,915	6,907,540	12,703,273	20,328,261	30,064,796	42,168,838	56,952,370	73,058,726	90,709,006	110,057,602
Total Equity	6,031,666	8,793,580	12,939,205	18,734,938	26,359,926	36,096,462	48,200,504	62,984,035	79,090,391	96,740,671	116,089,268
TOTAL CAPITAL AND LIABILITIES	12,063,331	18,592,323	21,650,547	26,259,542	33,435,916	42,647,512	56,021,675	72,203,218	89,385,190	108,250,924	126,500,259

12.3 Cash Flow Statement

Calculations											SMEDA
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		2,761,915	4,145,625	5,795,733	7,624,988	9,736,536	12,104,042	14,783,532	16,106,356	17,650,280	19,348,597
Add: depreciation expense		166,675	166,675	166,675	166,675	166,675	169,825	169,825	169,825	169,825	169,825
amortization of pre-operating costs		75,600	75,600	75,600	75,600	75,600	-	-	-	-	-
amortization of training costs		2,800	2,800	2,800	2,800	2,800	-	-	-	-	-
Accounts receivable		(3,328,767)	(349,521)	(752,301)	(865,979)	(994,869)	(1,140,877)	(1,306,138)	(1,168,701)	(990,715)	(1,089,787)
Finished goods inventory		(2,244,938)	(471,437)	(543,275)	(624,766)	(717,123)	(821,703)	(940,029)	(636,327)	(699,960)	(769,956)
Equipment inventory		-	-	-	-	-	-	-	-	-	-
Raw material inventory	(5,595,750)	(1,852,193)	(2,383,342)	(3,055,891)	(3,905,806)	(4,977,920)	(6,328,075)	(5,900,785)	(7,139,950)	(8,639,340)	49,779,052
Pre-paid building rent	(900,000)	(90,000)	(99,000)	(108,900)	(119,790)	(131,769)	(144,946)	(159,440)	(175,385)	(192,923)	2,122,153
Accounts payable		3,065,628	677,451	793,395	928,495	1,086,082	1,270,121	1,398,011	1,075,616	1,215,454	(1,099,261)
Cash provided by operations	(6,495,750)	(1,443,280)	1,764,851	2,373,836	3,282,217	4,246,013	5,108,387	8,044,975	8,231,434	8,512,621	68,460,623
<i>Financing activities</i>											
Project Loan - principal repayment		(344,085)	(402,531)	(470,904)	(550,891)	(644,465)	-	-	-	-	-
Working Capital Loan - principal repayment		(516,053)	(603,709)	(706,254)	(826,217)	(966,557)	-	-	-	-	-
Additions to Project Loan	2,412,875	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	3,618,791	-	-	-	-	-	-	-	-	-	-
Issuance of shares	6,031,666	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activities	12,063,331	(860,138)	(2,567,826)	(1,980,133)	(1,377,108)	(1,611,022)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(4,825,750)	-	-	-	-	(169,379)	-	-	-	-	-
Acquisitions											
Cash (used for) / provided by investing activities	(4,825,750)	-	-	-	-	(169,379)	-	-	-	-	-
NET CASH	741,831	(2,303,418)	(802,975)	393,702	1,905,109	2,465,612	5,108,387	8,044,975	8,231,434	8,512,621	68,460,623

13 KEY ASSUMPTIONS

13.1 Operating Assumptions

Hours operational per day	12 hours
Days operational per year	360 days
Stock inventory remain in store	
Category of item	No. of days
Groceries and food items	7
Baby garments and baby products	30
Crockery and plastic items	30
Soaps detergents and chemicals	15
Cosmetics and artificial jeweler	30
Ice cream and Beverages	7
Stationery and greeting cards/gifts	30
Watches and Clocks	30
Electronic and electrical appliances	30
General items	30
Bakery Items	3

13.2 Economy Related Assumptions

Description	Details
Electricity / Fuel Cost growth rate	10%
Salaries growth rate	10%

13.3 Expense Assumptions

Description	Details
Office Refreshment Expense	Rs. 8,000 / month
Communication Expense	Rs. 10,000 / month
Promotional Expense	0.5% of revenue
Cost of Goods Sold Growth Rate	10%
Capacity Utilization Growth Rate	5%
Administration Benefits Expense	10% of administration expense
Office Expenses	10% of administration expense
Operating Costs Growth Rate	10%

13.4 Financial Assumptions

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	16%
Debt Tenure	5 Years
Debt Payment / Year	12