

Pre-Feasibility Study

COMMERCIAL EMBROIDERY UNIT



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

September 2014

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1 DISCLAIMER

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DOCUMENTCONTROL

Document No.	PREF-NO. 42
Revision	No. 2
Prepared by	SMEDA-Punjab
Revision Date	September 2014
For Information	Provincial Chief (Punjab) ianjua@smeda.org.pk

2 EXECUTIVE SUMMARY

The demand for commercial embroidery is continually rising due to urbanized population and changing life styles. Although there are a number of local manufacturers producing good quality of embroidered cloths but still a huge demand exists for potential investment in the embroidery business in Pakistan.

This particular pre-feasibility study is for setting up a commercial embroidery unit for both genders. The focus of the business would be to provide quality products like embroidered fabrics, bed sheets, table and sofa cloths, etc. All these products are proposed to be sold to wholesalers and retail outlets in major cities of Pakistan.

The proposed business venture should preferably be located in any of the major urban cities of Pakistan; to reduce initial capital investment, the proposed unit is to be established at rental premises. The proposed machine can stitch 20,833 stitches in 1 hour. This unit will stitch 220 million stitches in 330 working days with 2 embroidery machines on 16 operational hours per day, however, initial operational capacity is assumed at 70%, whereas, maximum operational capacity utilization is at 95%. This production capacity is estimated to be economically viable and justifies the capital as well as operational cost of the project. However, entrepreneur's knowledge of clothing industry, development of quality cloths, attractive designs, competitive pricing and strong linkage with suppliers and wholesalers network are factors for the success of this project.

The estimated total cost of the proposed commercial embroidery unit is Rs. 20.74 million out of which Rs. 13.76 million is the capital cost and Rs. 6.99 million is for working capital. The project is to be financed through 50% debt and 50% equity. The project NPV is around Rs. 29.11 million, with an IRR of 39% and Payback Period of 3.41 years. The project will provide employment opportunities to 13 individuals including owner / manager. The legal business status of this project is proposed as 'Sole Proprietorship'.

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, production, marketing, finance, and business management.

The purpose of this document is to facilitate potential investors in **Commercial Embroidery** business 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 shall form the basis of any investment decision.

5 BRIEF DESCRIPTON OF PROJECT & PRODUCT

The proposed project is designed as a small scale commercial embroidery unit. This unit will be capable of providing its services to local garments and fabric manufacturers as well as those garment manufacturers who are dealing in exports and require embroidery work on their garments.

This sort of project is quite flexible in a way that there is no processing of raw materials required and each machine is independent in its working. The project can be started even with a single machine. However, keeping in view the potential and industry norms, the project will be more feasible and economical with two or four embroidery machines.

Due to the increase in number of commercial embroidery units and competition, there are chances that the market rates may reduce. However, this can be tackled by providing different value added services to customers.

Another major threat to the business is credit factor. This is also related to the competition. The customers may ask for credit facility for a longer period, and this can disturb the cash cycles of the unit. This can be avoided by making a similar policy for all customers, so there will be no complaints from customers and cash cycle will not be disturbed.

5.1 Production Process Flow

The production process flow of commercial embroidery unit starts with the purchasing of fabric from the market, depending whether customer provides the fabric or not. Then comes the designing and tracing phase.

The designs are developed either in house by employing a full time designer or can be out sourced. After the completion of designing stage the designs are loaded on the machines and then embroidery work is done by the machines on the fabrics with the help of embroidery threads. Finally embroidered cloths are to be packed and dispatched to the customers.

Figure 1: Production Process Flow



5.2 Installed & Operational Capacities

The installed and operational capacities of the commercial embroidery unit mainly depends upon the installed machinery.

The pre-feasibility study is based on an installed capacity of 666,667 stitches per day on 16 hours basis. While maximum capacity utilization of the unit is assumed at 95%, 633,333 stitches per day and 209,000,000 stitches annually. However, during 1st year operation unit will operate at 70% capacity and will stitch 466,667 stitches per day.

The details of operational and installed capacity according to product mix are provided in the table below:

Table 1: Installed and Operational Capacities

Total Production Capacity (Annually)	Operational Capacity 70% (Year 1)	Maximum Operational Capacity 95% (Year 6)
220,000,000 stitches	154,000,000 stitches	209,000,000 stitches

6 CRITICAL FACTORS

Following points should also be ensured to make the business successful:

- ⇒ Assurance of high quality with consistency.
- ⇒ Surety for on-time delivery of products.
- ⇒ Competitive rates.
- ⇒ Cost efficiency through better management.
- ⇒ Aggressive marketing
- ⇒ Attractive designs.
- ⇒ Relationship with export manufacturers.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

According to the estimate given by the industry and machine sellers, there are thousands of embroidery machines operational in Pakistan. Most of embroidery factories are located in Karachi, Lahore, Faisalabad and Sialkot. A few factories are also located in Hyderabad, Multan and Rawalpindi.

Therefore, any of the above cities would be a suitable location for setting up a commercial embroidery unit. Raw material and labor is also easily accessible in these cities.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Demand of Pakistani embroidery is gaining momentum globally. Orders are being placed from Saudi Arabia, United Arab Emirates, United Kingdom, United States, Belgium and Oman.

Pakistan has a great potential to compete in the global market, particularly in the Middle East markets. With little effort it can gain a reasonable share.

The markets for embroidery products are as follows:

8.1 Local Market

According to industry estimates, about 70% of the embroidered products are used in local (Pakistani) market. The products include women / men suits, table & sofa cover, bed sheets, badges, logos, T-shirt, caps, etc.

8.2 Export / Foreign Market

About 30% of the embroidered products are exported to different countries. These products include T-shirts, caps, badges, logos, women / men suits, etc.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyse the commercial viability of the proposed Commercial Embroidery Unit. 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

The following table shows Internal Rate of Return, Payback Period and Net Present Value.

Table 2: Project Economics

Description	Details
Internal Rate of Return (IRR)	39%
Pay Back Period (Years)	3.41 Years
Net Present Value (NPV)	Rs. 29,111,957

Returns on the project and its profitability are highly dependent on the efficiency of the entrepreneur in hiring skilled persons and maintaining good quality in terms of design, quality and customers services.

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. 10,371,629
Bank Loan (50%)	10,371,629

Annual Markup to the Borrower– Long Term Loan	16%
Tenure of the Loan (Years)	5
Annual Markup to the Borrower – Short Term Debt	16%

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	12,705,000
Furniture & Fixture	569,000
Office Equipment	102,000
Pre-Operational Cost	380,538
Total Capital Cost	13,756,538
Working Capital Requirements	
Equipment Spare Parts inventory	30,747
Raw Material Inventory	5,516,806
Upfront Building Rent	432,000
Cash	1,007,168
Total Working Capital	6,986,721
Total Investment	20,743,259

9.4 Space Requirement

In order to reduce the initial capital expenditure, the proposed Commercial Embroidery Unit will be established in a rental premises. Therefore, space may be acquired in the industrial state or in outskirts of big cities where skilled workers are available. The rent of the building will depend on the area and geographical location of the unit. An estimated area of 10 Marla (2,250 sq. ft.) will be required for the proposed venture.

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

Table 5: Space Requirement

Space Requirement	Area in Sq. Ft.
Management Building	400
Production area	1,300
Store	500

Wash Room	50
Total Area	2,250

For this particular pre-feasibility the rent amount has been determined at Rs. 72,000 per month (calculated at the rate of Rs. 32 per sq. ft.).

9.5 Machinery and Equipment Requirement

Following table provides list of plant and machinery required for an average size Commercial Embroidery Unit.

Table 6: Machinery and Equipment Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Embroidery Machine	2	6,200,000	12,400,000
UPS for Machines	2	40,000	80,000
Generator (7000 Watts)	1	100,000	100,000
Air Pressure Machine (Exhaust Fan)	1	125,000	125,000
Total			12,705,000

9.6 Furniture and Fixture Requirement

The details of required furniture and fixture for the proposed Commercial Embroidery unit are provided in the following table:

Table 5: Furniture and Fixture Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Executive Table & Chair (Owner / Manager)	1	15,000	15,000
Computer Tables	3	10,000	30,000
Visitors Sofa Set	1	15,000	15,000
Chairs	5	3,800	19,000
Fans & Lights	1	40,000	40,000
Air conditioners (1.5 ton Split)	3	60,000	180,000
Fire Extinguisher Set	1	20,000	20,000
Renovation of the Office	1	250,000	250,000
Total			569,000

9.7 Office Equipment Requirement

Following office equipment will be required for the proposed venture:

Table 8: Office Equipment Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Computers with UPS	2	35,000	70,000
Computer printer (s)	2	15,000	30,000
Telephones	2	1,000	2,000
Total			102,000

9.8 Raw Material Requirement

Main raw materials required are thread and sequence which is readily available in the markets. Following are the details of raw material required for embroidery fabrics.

Table 6: Raw Material Requirement

Description	Unit Cost (Rs.)
Cone	75
Sequence Thread	45
Metalic Thread (Gold)	350
Metalic Thread (Silver)	1,100

9.9 Human Resource Requirement

In order to run operations of Commercial Embroidery Unit smoothly, details of human resources required along with number of employees and monthly salary are recommended as under:

Table 10: Human Resource Requirement

Description	No. Of Employees	Salary per Employee Per Month (Rs.)
CEO / Owner Manager	1	35,000
Supervisor / Production In-charge	1	30,000
Machine Operator	2	20,000
Clippers	2	12,000
Helper	2	12,000
Office Boy	2	12,000
Guard	2	12,000
Accountant	1	20,000

It is assumed that the owner would have prior experience or knowledge about the Commercial Embroidery Business. Salaries of all employees are estimated to increase at 10% annually.

9.10 Other Costs

An essential cost to be borne by the business is the cost of electricity; the annual electricity expenses are estimated as Rs. 1,128,325. This project also requires marketing and promotional activities; for which approximately 01% of total revenues (i.e. Rs. 1,549,625) will be spent on marketing and promotion expenses annually. Similarly, during 1st year of operation communication and office expenses are estimated at Rs. 123,600 each. The cost of maintenance of machinery and equipment is assumed as Rs. 0.5 per stitch.

9.11 Revenue Generation

Following tables provide assumption for revenues and costs of the proposed Commercial Embroidery Unit during first year of operation:

Table 7: Revenue Generation in First Year

Production in Year 1	Finished Goods Inventory	Units Sold in Year1	Average Sale Price (Rs. / Unit)	Revenue (Rs.)
154,000,000	6,416,667	147,583,333	1.05	154,962,500

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 Suppliers

Name of Supplier	Address	Phone	E-mail / Website
AL MURTAZA Machinery (Pvt.) Ltd.	84 J-1, M. A. Johar Town, Lahore.	+92-42-35316171	www.al-murtazamachines.com

10.2 Raw Material Suppliers

Suppliers Available In	Address
Azam Cloth Market	Lahore
Rang Mahal	Lahore
Madina Market	Karachi
Ghanta Ghar Chowk	Faisalabad
Hussain Agahi Bazar	Multan
Ganj Bazar	Bhawalpur

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
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 & Exchange 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
Pakistan Institute of Fashion Design (PIFD)	www.pifd.edu.pk
Pakistan Fashion Design Council (PFDC)	www.pfdc.org
Ministry of Textile Industry	www.textile.gov.pk
PREGMEA (Pakistan Readymade Garment Manufacturers and Exporters Association)	www.prgmea.org

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	154,962,500	190,045,625	223,025,688	260,701,306	303,681,792	352,651,362	388,769,061	427,645,968	470,410,564	517,451,621
<i>Cost of sales</i>										
Cost of goods sold 1	132,403,333	162,379,119	190,558,002	222,748,871	259,472,334	301,313,000	332,172,749	365,390,024	401,929,026	442,121,929
Cost of goods sold 2	-	-	-	-	-	-	-	-	-	-
Operation costs 1 (direct labor)	2,714,000	3,106,547	3,417,796	3,760,153	4,136,733	4,550,962	5,017,061	5,518,767	6,070,644	6,677,708
Operating costs 2 (machinery maintenance)	737,917	904,979	1,062,027	1,241,435	1,446,104	1,679,292	1,851,281	2,036,409	2,240,050	2,464,055
Operating costs 3 (direct electricity)	734,965	901,359	1,057,779	1,236,469	1,440,319	1,672,575	1,843,876	2,028,264	2,231,090	2,454,199
Total cost of sales	136,590,215	167,292,004	196,095,605	228,986,928	266,495,490	309,215,830	340,884,967	374,973,464	412,470,810	453,717,891
Gross Profit	18,372,285	22,753,621	26,930,083	31,714,378	37,186,302	43,435,532	47,884,094	52,672,504	57,939,754	63,733,729
<i>General administration & selling expenses</i>										
Administration expense	1,236,000	1,359,600	1,495,560	1,645,116	1,809,628	1,990,590	2,189,649	2,408,614	2,649,476	2,914,423
Administration benefits expense	123,600	135,960	149,556	164,512	180,963	199,059	218,965	240,861	264,948	291,442
Land lease rental expense	-	-	-	-	-	-	-	-	-	-
Building rental expense	864,000	950,400	1,045,440	1,149,984	1,264,982	1,391,481	1,530,629	1,683,692	1,852,061	2,037,267
Electricity expense	393,360	432,696	475,966	523,562	575,918	633,510	696,861	766,547	843,202	927,522
Travelling expense	370,800	407,880	448,668	493,535	542,888	597,177	656,895	722,584	794,843	874,327
Communications expense (phone, fax, mail, internet, etc.)	123,600	135,960	149,556	164,512	180,963	199,059	218,965	240,861	264,948	291,442
Office expenses (stationary, entertainment, janitorial services, etc.)	123,600	135,960	149,556	164,512	180,963	199,059	218,965	240,861	264,948	291,442
Promotional expense	1,549,625	1,900,456	2,230,257	2,607,013	3,036,818	3,526,514	3,887,691	4,276,460	4,704,106	5,174,516
Professional fees (legal, audit, consultants, etc.)	774,813	950,228	1,115,128	1,303,507	1,518,409	1,763,257	1,943,845	2,138,230	2,352,053	2,587,258
Depreciation expense	1,337,600	1,337,600	1,337,600	1,337,600	1,337,600	1,337,600	1,337,600	1,337,600	1,337,600	1,337,600
Amortization of pre-operating costs	76,108	76,108	76,108	76,108	76,108	-	-	-	-	-
Bad debt expense	1,549,625	1,900,456	2,230,257	2,607,013	3,036,818	3,526,514	3,887,691	4,276,460	4,704,106	5,174,516
Subtotal	8,522,730	9,723,304	10,903,651	12,236,972	13,742,057	15,363,819	16,787,756	18,332,771	20,032,288	21,901,757
Operating Income	9,849,555	13,030,317	16,026,431	19,477,406	23,444,244	28,071,713	31,096,339	34,339,733	37,907,466	41,831,972
Other income (interest on cash)	-	-	-	-	-	-	-	-	-	-
Earnings Before Interest & Taxes	9,849,555	13,030,317	16,026,431	19,477,406	23,444,244	28,071,713	31,096,339	34,339,733	37,907,466	41,831,972
Interest on short term debt	128,537	128,537	-	-	-	-	-	-	-	-
Interest expense on long term debt (Project Loan)	1,043,594	876,985	682,077	454,061	187,316	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	530,024	445,406	346,416	230,610	95,135	-	-	-	-	-
Subtotal	1,702,154	1,450,928	1,028,492	684,672	282,450	-	-	-	-	-
Earnings Before Tax	8,147,400	11,579,389	14,997,939	18,792,734	23,161,794	28,071,713	31,096,339	34,339,733	37,907,466	41,831,972
Tax	2,074,089	3,275,285	4,471,778	5,799,956	7,329,127	9,047,599	10,106,218	11,241,406	12,490,112	13,863,690
NET PROFIT/(LOSS) AFTER TAX	6,073,311	8,304,103	10,526,161	12,992,778	15,832,667	19,024,114	20,990,121	23,098,327	25,417,354	27,968,283

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	1,007,168	-	3,826,897	9,606,392	16,741,921	25,216,327	39,419,443	54,941,335	71,696,820	89,359,968	159,666,054
Accounts receivable		6,368,322	7,089,208	8,487,767	9,939,596	11,596,913	13,486,298	15,234,666	16,775,651	18,453,216	20,298,538
Finished goods inventory		5,938,705	6,989,917	8,191,983	9,564,565	11,129,742	12,912,309	14,203,540	15,623,894	17,186,284	18,904,912
Equipment spare part inventory	30,747	41,478	53,544	68,848	88,218	112,688	136,652	165,349	200,073	242,088	-
Raw material inventory	5,516,806	7,442,376	9,607,299	12,353,281	15,828,893	20,219,483	24,519,345	29,668,408	35,898,773	43,437,516	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	432,000	475,200	522,720	574,992	632,491	695,740	765,314	841,846	926,030	1,018,633	-
Total Current Assets	6,986,721	20,266,081	28,089,585	39,283,263	52,795,684	68,970,894	91,239,362	115,055,144	141,121,242	169,697,705	198,869,504
<i>Fixed assets</i>											
Machinery & equipment	12,705,000	11,434,500	10,164,000	8,893,500	7,623,000	6,352,500	5,082,000	3,811,500	2,541,000	1,270,500	-
Furniture & fixtures	569,000	512,100	455,200	398,300	341,400	284,500	227,600	170,700	113,800	56,900	-
Office equipment	102,000	91,800	81,600	71,400	61,200	51,000	40,800	30,600	20,400	10,200	-
Total Fixed Assets	13,376,000	12,038,400	10,700,800	9,363,200	8,025,600	6,688,000	5,350,400	4,012,800	2,675,200	1,337,600	-
<i>Intangible assets</i>											
Pre-operation costs	380,538	304,431	228,323	152,215	76,108	-	-	-	-	-	-
Total Intangible Assets	380,538	304,431	228,323	152,215	76,108	-	-	-	-	-	-
TOTAL ASSETS	20,743,259	32,608,912	39,018,708	48,798,678	60,897,392	75,658,894	96,589,762	119,067,944	143,796,442	171,035,305	198,869,504
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		5,779,114	7,107,326	8,385,294	9,859,209	11,558,244	13,464,998	14,953,060	16,583,231	18,404,740	18,270,657
Short term debt		1,492,261	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	7,271,375	7,107,326	8,385,294	9,859,209	11,558,244	13,464,998	14,953,060	16,583,231	18,404,740	18,270,657
<i>Other liabilities</i>											
Long term debt (Project Loan)	6,878,269	5,897,403	4,749,927	3,407,544	1,837,145	-	-	-	-	-	-
Long term debt (Working Capital Loan)	3,493,360	2,995,194	2,412,410	1,730,636	933,056	-	-	-	-	-	-
Total Long Term Liabilities	10,371,629	8,892,597	7,162,338	5,138,179	2,770,200	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	10,371,629	10,371,629	10,371,629	10,371,629	10,371,629	10,371,629	10,371,629	10,371,629	10,371,629	10,371,629	10,371,629
Retained earnings		6,073,311	14,377,414	24,903,575	37,896,353	53,729,020	72,753,134	93,743,255	116,841,582	142,258,935	170,227,218
Total Equity	10,371,629	16,444,940	24,749,044	35,275,205	48,267,983	64,100,650	83,124,764	104,114,884	127,213,211	152,630,565	180,598,848
TOTAL CAPITAL AND LIABILITIES	20,743,259	32,608,912	39,018,708	48,798,678	60,897,392	75,658,894	96,589,762	119,067,944	143,796,442	171,035,305	198,869,504

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		6,073,311	8,304,103	10,526,161	12,992,778	15,832,667	19,024,114	20,990,121	23,098,327	25,417,354	27,968,283
Add: depreciation expense		1,337,600	1,337,600	1,337,600	1,337,600	1,337,600	1,337,600	1,337,600	1,337,600	1,337,600	1,337,600
amortization of pre-operating costs		76,108	76,108	76,108	76,108	76,108	-	-	-	-	-
amortization of training costs		-	-	-	-	-	-	-	-	-	-
Deferred income tax		-	-	-	-	-	-	-	-	-	-
Accounts receivable		(6,368,322)	(720,886)	(1,398,559)	(1,451,829)	(1,657,317)	(1,889,385)	(1,748,369)	(1,540,985)	(1,677,565)	(1,845,322)
Finished goods inventory		(5,938,705)	(1,051,212)	(1,202,067)	(1,372,581)	(1,565,177)	(1,782,567)	(1,291,231)	(1,420,354)	(1,562,389)	(1,718,628)
Equipment inventory	(30,747)	(10,732)	(12,066)	(15,304)	(19,370)	(24,470)	(23,964)	(28,697)	(34,723)	(42,015)	242,088
Raw material inventory	(5,516,806)	(1,925,571)	(2,164,923)	(2,745,982)	(3,475,612)	(4,390,590)	(4,299,862)	(5,149,063)	(6,230,366)	(7,538,742)	43,437,516
Pre-paid building rent	(432,000)	(43,200)	(47,520)	(52,272)	(57,499)	(63,249)	(69,574)	(76,531)	(84,185)	(92,603)	1,018,633
Accounts payable		5,779,114	1,328,212	1,277,968	1,473,915	1,699,035	1,906,754	1,488,062	1,630,171	1,821,510	(134,083)
Other liabilities		-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(5,979,552)	(1,020,397)	7,049,417	7,803,653	9,503,508	11,244,606	14,203,116	15,521,892	16,755,485	17,663,148	70,306,087
<i>Financing activities</i>											
Project Loan - principal repayment		(980,867)	(1,147,475)	(1,342,384)	(1,570,399)	(1,837,145)	-	-	-	-	-
Working Capital Loan - principal repayment		(498,166)	(582,784)	(681,775)	(797,580)	(933,056)	-	-	-	-	-
Short term debt principal repayment		-	(1,492,261)	-	-	-	-	-	-	-	-
Additions to Project Loan	6,878,269	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	3,493,360	-	-	-	-	-	-	-	-	-	-
Issuance of shares	10,371,629	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares		-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	20,743,259	(1,479,033)	(3,222,520)	(2,024,158)	(2,367,979)	(2,770,200)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(13,756,538)	-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by investing activities	(13,756,538)	-	-	-	-	-	-	-	-	-	-
NET CASH	1,007,168	(2,499,429)	3,826,897	5,779,495	7,135,529	8,474,406	14,203,116	15,521,892	16,755,485	17,663,148	70,306,087

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Administration benefits expense	10.0% of administration expense
Travelling expense	30.0% of administration expense
Communication expense	10.0% of administration expense
Office vehicles running expense	3.0% of vehicles cost
Office expenses	10.0% of administration expense
Promotional expense	1.0% of revenue
Professional fees (legal, audit, consultants, etc.)	0.5% of revenue
Bad debt expense	1.0% of revenue

13.2 Revenue Assumptions

Description	Details
Growth in Sales Price	10%
Days Operational / Year	330
Production Capacity / Year	220,000,000 Stitches
Production Capacity in First Year	70%
Percentage Increase in Production Capacity every Year	5%
Maximum Production Capacity	95%

13.3 Financial Assumptions

Description	Details
Debt	50%
Equity	50%
Interest Rate on Debt	16%
Debt Tenure	5 Years
Debt Payment / Year	4