

Pre-Feasibility Study

HEALTH & FITNESS CLUB



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

www.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

Pakistan is one of those countries where awareness about health and importance of regular exercise is very minimal. This particular pre-feasibility study provides basic information for setting up a Health & Fitness Club. Commercial Health club industry is emerging as one of the good business ventures in Pakistan. Both males and females are getting conscious and aware about their health and feel the importance of exercise in the busy life.

There has been an increasing trend of establishing Health & Fitness Clubs in the country during the last decade, especially in urban cities as they offer versatility and sophistication. However, this trend is not confined to metropolis alone but has also spread to small cities and towns. The rise is attributed to growing working middle class with high exposure and awareness to health and fitness requirements through media, Internet and accessibility of health physicians. Aspiring entrepreneurs may find this growing sector a good prospect to capitalize on their potential, talent and market opportunity. In order to facilitate the potential investors, this document provides the basic information regarding business operations of Health & Fitness Club under the supervision of qualified instructors and trainers. The proposed club is assumed to be located in a rented premises within a developed / developing residential society in any of the big cosmopolitan cities to provide easy access to inhabitants.

The total cost of proposed project is Rs. 4.29 million, which includes a capital investment of Rs. 3.22 million and a sum of Rs. 1.07 million as working capital. The debt and equity ratio is 50% and 50%. The projected NPV is around Rs. 3.71 million, with an IRR of 36%, and Payback Period of 3.32 years. Project will generate direct employment opportunity for 8 persons including owner manager.

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 **Health & Fitness Club** business by providing them a general understanding of the business with 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 DESCRIPTION OF PROJECT & PRODUCT

The market for health clubs in Pakistan has been developing steadily over the last decade and a mushroom growth of gyms and clubs is being observed in all the cities. But still a good potential exists for quality health clubs because Pakistan is emerging as a newly health conscious society.

A health and fitness club generally provides services to its members to improve their physical appearance through exercise. The proposed health and fitness club will provide indoor facilities of Gymnasium and Exercise Halls to male and female members and will offer personal fitness training services (i.e. gymnasium and exercise) for both males and female through qualified instructors / trainers. The club will be established in a rented premise having a covered area of 2,800 sq.ft. and should be centrally located within a residential society to provide easy access to its members. The proposed club will have a capacity to cater 125 members per day on two different session bases. However, during first year of operation club will entail 94 members at 75% capacity utilization. The total

cost of this business venture is estimated as Rs. 4.29 million, with a capital investment of Rs. 3.22 million and working capital of Rs. 1.07 million. The legal business status of this project is proposed as “sole proprietorship”.

5.1 Installed & Operational Capacities

The installed and operational capacity of Health & Fitness business venture mainly depends on the market size and potential clientele. This pre-feasibility study is based on engaging 02 instructors and 02 gym helpers along with other 04 permanent staff including owner manager. The proposed club will operate in two different sessions of six hours each in the morning and evening on daily basis. Total capacity of the club will be to accommodate 125 members both males and females per day; in first year, the club will operate at 75% capacity by handling 94 members.

The maximum capacity utilization is assumed at 95% (i.e. 119 members), which will be attained during 3rd year of operation. While, ratio of male and female members is considered as 60% males and 40% females. The details of installed and operation capacity are provided in the following table:

Table 1: Installed Capacity of the Health & Fitness Club

Description	Details
Total Capacity of the Club (members per day)	125
Capacity Utilization in 1 st Year	@75% (i.e. 94 members)
Maximum Capacity Utilization	95% (i.e. 119 members)
Years to Attain Maximum Capacity Utilization	3 Years
Sessions of Operations	2 Sessions(6 Hour Each) Morning Sessions (8 AM – 2 PM) Evening Sessions (4 PM – 10 PM)
Ratio of Male and Female Members	60% Male : 40% Female
Time Slots for Males and Female Members	Males: 7 Hours Females: 5 Hours

6 CRITICAL FACTORS

Following are the factors critical for the success of this business venture;

- Selection of an appropriate location within the vicinity of a residential society
- Selection of affordable and quality machinery & equipment i.e. exercise machines etc.
- The proprietor should himself have technical knowhow of all the services being offered

- The services of qualified instructors and physician should be hired as supervised workouts improve results
- Utmost priority should be to provide members a lifestyle that encourages fitness through the safest and latest means. Products like heart-rate monitors, calorie expenditure, display units, and etc., should be used to enhance client motivation
- Maintaining a clean, hygienic and healthy environment
- Marketing and promotion through various channels i.e. catalogues / pamphlets, outdoor advertisement, hoardings / flex signs, TV & cable ads, and promotion through social media (facebook etc.)

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The increasing population and high concentration of educated / working class in major cosmopolitan cities like Karachi, Lahore, Islamabad, Peshawar, Quetta, Rawalpindi, Multan, Gujranwala, Sialkot etc., offers a very lucrative business opportunity for opening up well planned Health & Fitness Club. However, it is recommended that the club should be centrally located within an easily approachable developed / developing residential society, in line with the selected target market.

8 POTENTIAL TARGET MARKET & CITIES

The target customers for health clubs are the population of big cities having age group of 18 to 50 years. Population of urban areas of Pakistan is 33% of total population out of which 50% falls in the targeted customers' age group.

Keeping in view the economic and social factors, the market potential for the proposed project is mainly attributed to the population of big cities. Hence, it is recommended that the proposed project may be established in any of the major cities like Islamabad, Lahore, Quetta, Karachi, Rawalpindi, Peshawar, Multan, Faisalabad, Hyderabad, Sialkot and etc., However the project may also be opened in other cities and towns after careful market analysis.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of Health & Fitness Club. 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 annexures.

9.1 Project Economics

All the assumptions in this financial model are based upon total installed capacity of catering 125 members per day on 12 hour's operation basis. Whereas, during 1st year of operation the actual capacity utilization is assumed at 75% with 94 members per day.

The following table shows the projected Internal Rate of Return (IRR), Payback Period and Net Present Value (NPV) of the proposed project.

Table 2: Project Economics

Description	Details
Internal Rate of Return (IRR)	36%
Pay Back Period (Years)	3.32
Net Present Value (NPV)	Rs. 3,705,512

Project returns and its profitability are highly dependent on the quality of services offered to the members.

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. 2,143,608
Bank Loan (50%)	Rs. 2,143,608
Annual Markup to the Borrower– Long Term Loan	16%
Tenure of the Loan (Years)	5
Annual Markup to the Borrower – Short Term Debt	15%

9.3 Project Cost

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

Table 4: Project Investment

Capital Cost	Amount Rs.
Machinery and Equipment	1,110,200
Office Equipment	212,000
Furniture and Fixtures	1,849,000
Pre-operating Cost	44,102
Total Capital Cost	3,215,302
Working Capital	
Upfront Building Rent	588,000
Cash	483,914
Total Working Capital	1,071,914
Total Project Cost	4,287,216

9.4 Space Requirement

The proposed Health & Fitness club will be established in a rental premises. In this regard space may be acquired in a commercial plaza. The rent of the building will depend on not only the vicinity of the club as well as the floor on which it would be located. The club can also be established in an independent house unit that can be used for commercial purposes. If the required building is acquired on rent on 2nd or 3rd floor of any plaza the cost will be slightly lower. An estimated covered area of 2,800 sq. ft. will be required for the proposed venture; this space requirement has been calculated on the basis of installed machinery and maximum capacity of the club to facilitate the members.

Table 5: Space Requirement

Space Requirement	Area sq. ft
Exercise Hall	2,250
Changing and Locker Room	300
Office	150
Washroom	100
Total Area	2,800

For this particular pre-feasibility the rent amount has been determined at Rs. 196, 000 per month (calculated at the nominal commercial rate of Rs. 70 per sq.ft).

9.5 Machinery and Office Equipment Requirement

Following table provides the list of machinery and equipment required for the proposed services of Health & Fitness Club.

Table 6: Machinery and Equipment Required

Description	Units	Unit Cost (Rs)	Total Cost (Rs.)	Availability
Electric Jogger Power Fit	3	135,000	405,000	Imported
Exercise Bicycle				
Air Resistance Dual Action	1	13,000	13,000	Local
Heavy Duty Dual Action	1	18,500	18,500	Local
Mini Stepper With handles	1	15,900	15,900	Local
Twisters				
Twister- Double with handles	1	18,000	18,000	Local
Twister- Single	1	4,500	4,500	Local
Vertical Knee Raise	1	18,000	18,000	Local
Hyper Extension (Adjustable)	1	15,000	15,000	Local
Sit-up Bench	1	15,000	15,000	Local
Abdominal Board with stand (Multi and Adjustable)	1	15,000	15,000	Local
Chest Exercise				
Bench Press (with plate holder)	1	7,500	7,500	Local
Butter Fly Machine (with 60 Kg weight)	1	60,000	60,000	Local
Sitting Bench Press Machine (with 50 Kg weight)	1	30,000	30,000	Local
Multi Smith machine Bench Press	1	45,000	45,000	Local
Cable Cross Over Machine with Chin-up Bar (with 100 kg)	1	48,000	48,000	Local
Legs and Thigh Exercise				
Leg Curl Machine(with 50 Kg weight)	1	45,000	45,000	Local
Leg Stand	1	15,000	15,000	Local
Standing Calves Machine (with 100 Kg weight)	1	65,000	65,000	Local
Arm Exercise				
Preacher Curl Bench(manual)	1	30,000	30,000	Local
Bent Over Lever row: T-Bar	1	25,000	25,000	Local
Standing Curl Stand	1	4,000	4,000	Local
Triceps Dip	1	35,000	35,000	Local

Multi Gymnasium – Four Station(200 Kg weight) with Cable Rowing, Lat Pull, Twister and T-Bar Extension	1	65,000	65,000	Local
Rods (Chrome Coated)				
Olympic Rod(6 Ft)	1	10,000	10,000	Local
Curling Rod(4 Ft)	1	7,500	7,500	Local
Dumbles				
Chrome Coated @ Rs. 200 per Kg:				
8 kg	1	-	1600	Local
12 kg	1	-	2400	Local
16 kg	1	-	3200	Local
20 kg	1	-	4000	Local
28 kg	1	-	5600	Local
40 kg	1	-	8000	Local
Weights				
Chrome Coated @ Rs. 200 per Kg:				
2.5 kg	1	-	500	Local
5 kg	1	-	1,000	Local
10 kg	1	-	2,000	Local
15 kg	1	-	3,000	Local
20 kg	1	-	4,000	Local
Dumbles and Weight Racks				
Exercise Mats	4	5,000	20,000	
Total			1,110,200	

Following tables provides list of office equipment required for setting-up an average size Health & Fitness Club.

Table 7: Office Equipment Required

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Laptops	2	50,000	100,000
Printer	1	12,000	12,000
Sound System	1	30,000	30,000
Refrigerator	1	40,000	40,000
Water Dispenser	2	15,000	30,000
Total			212,000

9.6 Furniture and Fixture Requirements

The details of required furniture and fixture for the proposed Health & Fitness club are provided in the following table:

Table 8: Furniture and Fixture Required

Description	Quantity / Area	Unit Cost (Rs.)	Total Cost (Rs.)
Furniture Set	1	50,000	50,000
Lockers	8	5,000	40,000
Electric Wiring and Lightning	1	100,000	100,000
Renovation Cost	2,800	120	335,000
Fans	2	2,000	4,000
Air Conditioners	4	55,000	220,000
Generator	1	1,110,000	1,100,000
Total			1,849,000

9.7 Human Resource Requirement

Following table provides details of human resource required for the project along with monthly salaries:

Table 9: Human Resource Requirement

Description	No. of Employees	Salary per Employee per Month (Rs.)
Owner Manager	1	30,000
Instructors (Male / Female)	2	20,000
Admin and Accounts Officer	1	15,000
Gym Helpers	2	12,000
Guard	1	12,000
Cleaner	1	12,000
Total	8	

It is assumed that the owner would have prior experience and knowledge related to business operations of Health & Fitness centers. Instructors will assist the owner in catering to services of members. Other staff stated above will perform as per their assigned job description. Salaries of all employees are estimated to increase at 10% annually.

9.8 Other Costs

An essential cost to be borne by the business is the cost of electricity; a three-phase commercial electricity connection is required. This service-oriented project requires heavy marketing and promotional activities; for which approximately 3% of total revenues (i.e. Rs. 180,480) will be spent on marketing and promotion expenses annually. Similarly, during 1st year of operation communication and office expenses are estimated at Rs. 41,400 and 90,240 respectively.

9.9 Revenue Generation

Following tables provide assumption for revenues and costs during 1st year of operation:

Table 10: Revenue Generation in First Year

Product	Max Capacity	Fee (Rs.)	First Year capacity utilization 75%	First Year Sales Revenue (Rs)
Members	125	-	94	
Membership Fee	-	4,000		376,000
Monthly Fee	-	5,000		5,640,000
Total				6,016,000

10 CONTACT DETAILS

Machinery Suppliers	
i Fitness Opposite Habib Bank Limited (HBL), Nila Gunbad, Bank Square, Lahore Phone: 92-3354184941, 92-3214184941, 92-3217511299 Web Site: www.ifitnesspk.com	Skytch Ground Floor, Mona Arcade, Block-A, S.M.C.H Society, Next to Telenor Outlet. Karachi - Pakistan Contact Nos: 92-21-4559063-4 Web Site: www.skytech.com.pk
Bilal Brothers 1-3, Mustafa Arcade, 119-A, Sindhi Meslim Society, Karachi-74400 (Pakistan) Phone: 92-21-34531961-2 Fax: 92-21-34531963 Web Site: www.bilalbrothers.net	Nabi Buksh & Sons Opp High Court 23, Sharah-e-Quaid Azam, Lahore
Star Sports Anarkali, Lahore	Decent Gym Gohar Center Wahdat Road, Lahore

11 USEFUL LINKS

Small and Medium Enterprises Development Authority	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 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.fpcci.com.pk

12 ANNEXURES

12.1 Income Statement

Calculations										
Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	6,016,000	7,119,200	8,697,480	9,503,340	10,453,674	11,499,041	12,648,946	13,913,840	15,305,224	16,835,747
<i>Cost of sales</i>										
Operation costs 1 (direct labor)	768,000	844,800	929,280	1,022,208	1,124,429	1,236,872	1,360,559	1,496,615	1,646,276	1,810,904
Operating costs 2 (machinery maintenance)	180,480	213,576	260,924	285,100	313,610	344,971	379,468	417,415	459,157	505,072
Operating costs 3 (direct electricity)	540,970	674,409	829,126	912,039	1,003,243	1,103,567	1,213,924	1,335,316	1,468,848	1,615,732
Total cost of sales	1,489,450	1,732,785	2,019,331	2,219,347	2,441,282	2,685,410	2,953,951	3,249,346	3,574,280	3,931,708
Gross Profit	4,526,550	5,386,415	6,678,149	7,283,993	8,012,392	8,813,632	9,694,995	10,664,494	11,730,944	12,904,038
<i>General administration & selling expenses</i>										
Administration expense	828,000	910,800	1,001,880	1,102,068	1,212,275	1,333,502	1,466,853	1,613,538	1,774,892	1,952,381
Building rental expense	2,352,000	2,587,200	2,845,920	3,130,512	3,443,563	3,787,920	4,166,711	4,583,383	5,041,721	5,545,893
Electricity expense	80,144	80,144	80,144	80,144	80,144	80,144	80,144	80,144	80,144	80,144
Communications expense (phone, fax, mail, internet, etc.)	41,400	45,540	50,094	55,103	60,614	66,675	73,343	80,677	88,745	97,619
Office expenses (stationary, entertainment, janitorial services, etc.)	90,240	106,788	130,462	142,550	156,805	172,486	189,734	208,708	229,578	252,536
Promotional expense	180,480	213,576	260,924	285,100	313,610	344,971	379,468	417,415	459,157	505,072
Depreciation expense	317,120	317,120	317,120	317,120	317,120	317,120	317,120	317,120	317,120	317,120
Amortization of pre-operating costs	8,820	8,820	8,820	8,820	8,820	-	-	-	-	-
Subtotal	3,898,204	4,269,988	4,695,365	5,121,418	5,592,951	6,102,817	6,673,373	7,300,984	7,991,356	8,750,765
Operating Income	628,346	1,116,427	1,982,785	2,162,575	2,419,441	2,710,814	3,021,622	3,363,510	3,739,588	4,153,273
Earnings Before Interest & Taxes	628,346	1,116,427	1,982,785	2,162,575	2,419,441	2,710,814	3,021,622	3,363,510	3,739,588	4,153,273
Interest on short term debt	-	-	-	-	-	-	-	-	-	-
Interest expense on long term debt (Project Loan)	243,918	204,977	159,421	106,127	43,781	-	-	-	-	-
Interest expense on long term debt (Working Capital Loan)	80,335	67,231	51,870	33,862	12,752	-	-	-	-	-
Subtotal	324,253	272,208	211,291	139,989	56,533	-	-	-	-	-
Earnings Before Tax	304,093	844,219	1,771,494	2,022,586	2,362,908	2,710,814	3,021,622	3,363,510	3,739,588	4,153,273
Tax	-	49,133	201,799	252,017	320,081	400,203	477,905	563,377	657,397	768,482
NET PROFIT/(LOSS) AFTER TAX	304,093	795,087	1,569,696	1,770,569	2,042,827	2,310,611	2,543,717	2,800,133	3,082,191	3,384,791

12.2 Balance Sheet

Calculations											SMEDA
Balance Sheet											
Assets	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Current assets</i>											
Cash & Bank	483,914	270,193	926,555	2,226,451	3,659,119	5,298,925	7,752,520	10,421,808	13,328,357	16,495,894	21,467,974
Accounts receivable		494,466	539,803	650,001	747,979	820,151	902,166	992,383	1,091,621	1,200,783	1,320,862
Pre-paid building rent	588,000	646,800	711,480	782,628	860,891	946,980	1,041,678	1,145,846	1,260,430	1,386,473	-
Total Current Assets	1,071,914	1,411,459	2,177,837	3,659,079	5,267,989	7,066,056	9,696,364	12,560,037	15,680,409	19,083,151	22,788,836
<i>Fixed assets</i>											
Machinery & equipment	1,110,200	999,180	888,160	777,140	666,120	555,100	444,080	333,060	222,040	111,020	-
Furniture & fixtures	1,849,000	1,664,100	1,479,200	1,294,300	1,109,400	924,500	739,600	554,700	369,800	184,900	(0)
Office equipment	212,000	190,800	169,600	148,400	127,200	106,000	84,800	63,600	42,400	21,200	-
Total Fixed Assets	3,171,200	2,854,080	2,536,960	2,219,840	1,902,720	1,585,600	1,268,480	951,360	634,240	317,120	(0)
<i>Intangible assets</i>											
Pre-operation costs	44,101	35,281	26,461	17,640	8,820	-	-	-	-	-	-
Total Intangible Assets	44,101	35,281	26,461	17,640	8,820	-	-	-	-	-	-
TOTAL ASSETS	4,287,216	4,300,820	4,741,259	5,896,560	7,179,529	8,651,656	10,964,845	13,511,397	16,314,649	19,400,271	22,788,836
Liabilities & Shareholders' Equity											
<i>Current liabilities</i>											
Accounts payable		14,834	17,554	21,446	23,433	25,776	28,354	31,189	34,308	37,739	41,513
Short term debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities											
Total Current Liabilities	-	14,834	17,554	21,446	23,433	25,776	28,354	31,189	34,308	37,739	41,513
<i>Other liabilities</i>											
Long term debt (Project Loan)	1,607,651	1,378,394	1,110,196	796,442	429,394	-	-	-	-	-	-
Long term debt (Working Capital Loan)	535,957	459,891	370,721	266,189	143,649	-	-	-	-	-	-
Total Long Term Liabilities	2,143,608	1,838,285	1,480,916	1,062,631	573,043	-	-	-	-	-	-
<i>Shareholders' equity</i>											
Paid-up capital	2,143,608	2,143,608	2,143,608	2,143,608	2,143,608	2,143,608	2,143,608	2,143,608	2,143,608	2,143,608	2,143,608
Retained earnings		304,093	1,099,180	2,668,876	4,439,445	6,482,272	8,792,883	11,336,599	14,136,733	17,218,924	20,603,715
Total Equity	2,143,608	2,447,701	3,242,788	4,812,484	6,583,053	8,625,880	10,936,491	13,480,207	16,280,341	19,362,532	22,747,323
TOTAL CAPITAL AND LIABILITIES	4,287,216	4,300,820	4,741,259	5,896,560	7,179,529	8,651,656	10,964,845	13,511,397	16,314,649	19,400,271	22,788,836

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		304,093	795,087	1,569,696	1,770,569	2,042,827	2,310,611	2,543,717	2,800,133	3,082,191	3,384,791
Add: depreciation expense		317,120	317,120	317,120	317,120	317,120	317,120	317,120	317,120	317,120	317,120
amortization of pre-operating costs		8,820	8,820	8,820	8,820	8,820	-	-	-	-	-
Accounts receivable		(494,466)	(45,337)	(110,198)	(97,978)	(72,172)	(82,015)	(90,217)	(99,238)	(109,162)	(120,078)
Pre-paid building rent	(588,000)	(58,800)	(64,680)	(71,148)	(78,263)	(86,089)	(94,698)	(104,168)	(114,585)	(126,043)	1,386,473
Accounts payable		14,834	2,720	3,892	1,987	2,343	2,578	2,835	3,119	3,431	3,774
Cash provided by operations	(588,000)	91,602	1,013,730	1,718,182	1,922,255	2,212,849	2,453,595	2,669,288	2,906,549	3,167,537	4,972,080
<i>Financing activities</i>											
Project Loan - principal repayment		(229,257)	(268,198)	(313,754)	(367,048)	(429,394)	-	-	-	-	-
Working Capital Loan - principal repayment		(76,066)	(89,170)	(104,532)	(122,539)	(143,649)	-	-	-	-	-
Additions to Project Loan	1,607,651	-	-	-	-	-	-	-	-	-	-
Additions to Working Capital Loan	535,957	-	-	-	-	-	-	-	-	-	-
Issuance of shares	2,143,608	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares											
Cash provided by / (used for) financing activities	4,287,216	(305,323)	(357,368)	(418,286)	(489,587)	(573,043)	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(3,215,302)	-	-	-	-	-	-	-	-	-	-
Acquisitions											
Cash (used for) / provided by investing activities	(3,215,302)	-	-	-	-	-	-	-	-	-	-
NET CASH	483,914	(213,721)	656,362	1,299,896	1,432,668	1,639,806	2,453,595	2,669,288	2,906,549	3,167,537	4,972,080

13 KEY ASSUMPTIONS

13.1 Operating Assumptions

No of Operational Days	313 Days
Hours Operational per Day	12 Hours

13.2 Revenue Assumptions

Maximum No of Members to be Facilitated	125
Capacity Utilization in Year 1	75% (94 Members)
Maximum Capacity Utilization	95% (119 Members)
Registration Fee (One time)	Rs. 4,000
Monthly Fee	Rs. 5,000
Growth Rate for Monthly Fee	10%
Growth Rate in New Members Fee	10%