

Pre-Feasibility Study

WOODEN FURNITURE MANUFACTURING UNIT



Small and Medium Enterprises Development Authority

Ministry of Industries & Production

Government of Pakistan

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1 DISCLAIMER

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2 EXECUTIVE SUMMARY

The proposed project is for setting up a Wooden Furniture Manufacturing Unit. This unit will be capable of integrated wooden furniture manufacturing from sourcing and cutting of wood, to retailing of product to the end customer.

The project will cater to the growing needs of domestic wooden furniture market. The housing and construction industry has seen a steady growth over the past many years due to a number of factors which include; development of new housing schemes, introduction of housing finance schemes / loans by different banks, increased urbanization and a growing middle class and enhanced purchasing power of the public. All these factors have contributed directly and indirectly towards an increased demand for wooden furniture.

The proposed wooden furniture business venture entails a total investment of about Rs. 18.08 million. This includes a capital investment of Rs.15.93 million and a sum of Rs. 2.15 million as initial working capital. The project is financed through 50% debt and 50% equity. The Net Present Value (NPV) of the project is around Rs. 46.57 million with an Internal Rate of Return (IRR) of 43% and a payback period of 4.94 years. Higher returns on investment and a steady growth of business are expected if the entrepreneur has some prior experience / education in the related field of business. The project will generate direct employment opportunity for 24 persons. 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, and production, marketing, finance and business management.

The purpose of this document is to facilitate potential investors in **Wooden Furniture Manufacturing Unit** 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 unit is capable of producing different types of wooden furniture i.e. bed sets, dining sets, sofa sets, center tables, side tables and office furniture.

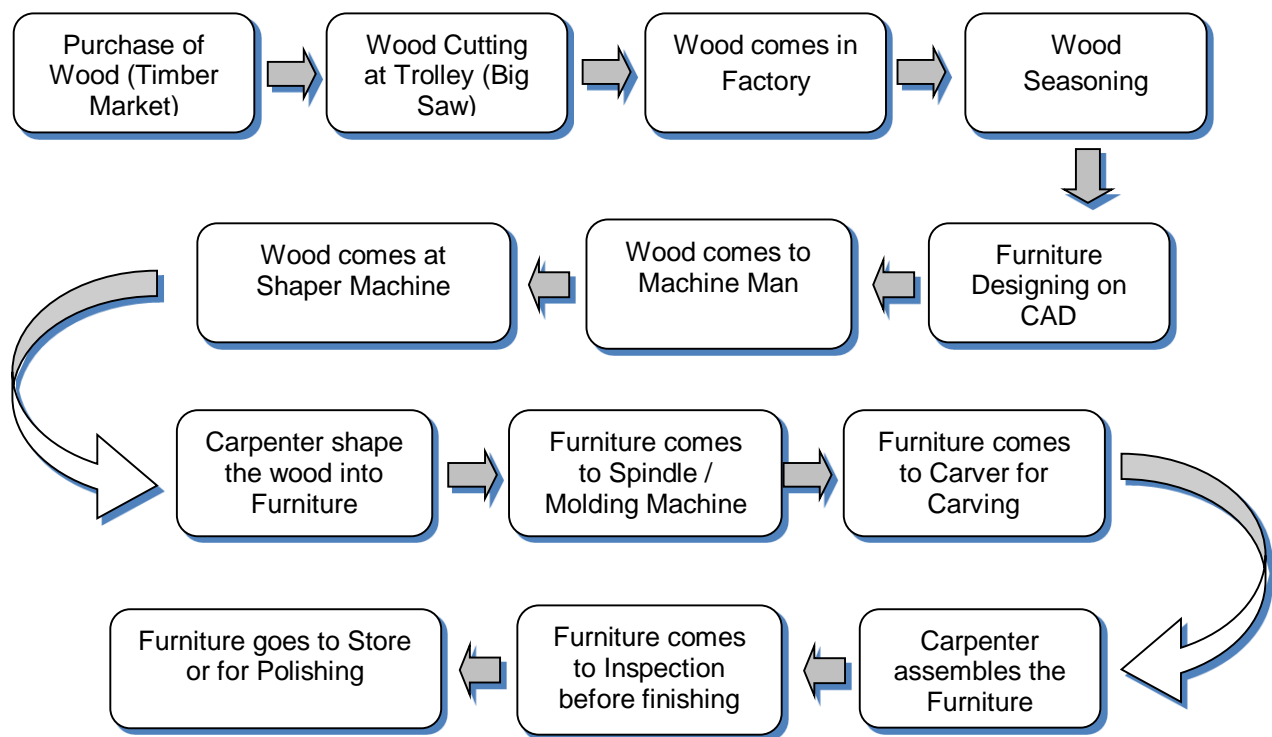
The entire finished product depends on the quality of wood. Detailed technical know-how about the quality of wood and the use of seasoned / dry wood plays a vital role in the manufacturing of quality furniture. It is recommended that dry wood, from forests is used for manufacturing quality wooden furniture. Forest reserves like Changa Manga, Pakhowal, Kundian, Chichawatni, Bahawalpur and other forests are potential sources of quality wood. Furniture manufacturing units in Pakistan mostly use Sheesham wood. Other types of woods used in manufacturing furniture are; Teak wood, Walnut wood and Keekar wood. Besides this, substitute material like Lasani and Vinboard are also used in the manufacturing of furniture. Other materials used in furniture manufacturing process are nails, screws, glue / solution, spirit, lakh, thinner, lacquer, sealer, hardener etc. These raw materials are easily available in the market.

The demand for wooden furniture in the domestic market is consistent throughout the year; however, it significantly increases during the period of October to March due to 'wedding season'. The demand for furniture almost doubles during this period and is a good time to enter the market. Since strong competition already exists in the domestic market, manufacturing of high quality trendy designs and aggressive marketing is essential to get a prominent place in the market. Despite the introduction of new /

alternative materials in furniture manufacturing, wooden furniture is still preferred in the domestic as well as in the international market due to its traditional appeal and durability. Over the years, entry into the global market has also become more competitive, due to demanding factors like green furniture, multi-functionality, simplicity and neutral colors, Ready-to-assemble (RTA) and Do-it-yourself (DIY) furniture. Malaysia, Philippines, Indonesia and China have established strong brand names and have emerged as key market players.

5.1 Production Process Flow

The process of converting wood into furniture mainly involves the following sequence of operations:



Purchase of Wood

Wood is purchased after Quality inspection. Following points are to be considered while inspecting quality:

- Age of wood
- Dryness of wood
- Its surface, which should be plain without holes etc.

Cutting of Wood

Wood of natural form, after purchase is cut into different sizes of blocks and slabs.

Seasoning / Drying of Wood

Season wood is higher in price than the fresh wood, so if the wood purchased is not properly dried than these blocks / slices are seasoned through different processes, namely:

- Condensation
- Boiler System
- Vacuum System
- Seasoning the wood by putting the wood slices under normal environmental temperature for considerable duration.

Selection of Design

Before manufacturing any furniture product the desired design is selected. Selection of elegant design is important to ensure attractive finished product.

Cutting into Slices

The seasoned wood blocks are cut into desired shape and slices according to the requirement of design.

Molding

The slices of wood are molded into the desired shape according to the design.

Carving

Carving means the different elegant patterns carved in the wood. Quality of carving depends on the skills of the labor.

Assembly / Fitting

Once the different pieces are carved & molded than these parts / pieces are assembled or fixed together to give the shape to the final product.

Finishing (Paint / Polish)

Assembled product is grinded to make the surface smooth. Once the surface is smooth, finishing material is applied to make the surface ready for paint or polish. After the base is prepared final finishing is applied depending on requirement in terms of paint / polish. Upholstery of fabric is carried out according to the requirement of the design.

5.2 Installed & Operational Capacities

The proposed project is capable of manufacturing a complete range of wooden furniture and other allied products to meet the demand of domestic market. The Unit will work on an 8 hours shift for 300 days. Total number of furniture items produced in year 1 would be 233.

Details of proposed production mix offered by the business is provided in the table below:

Table 1 - Proposed Production Mix Capacity

Description	Percentage
Bed Set	40%
Dinning Set	10%
Sofa Set	30%
Misc. Furniture	10%
Office Furniture	10%
Total	100%

Table 2 - Proposed Production Mix Details

Quality Standards	Bed Set	Dinning Set	Sofa Set	Misc. Furniture	Office Furniture
Superior	20%	20%	20%	20%	20%
Fine	30%	30%	30%	30%	30%
Normal	50%	50%	50%	50%	50%
Total	100%	100%	100%	100%	100%

6 CRITICAL FACTORS

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

- ⇒ Ensuring availability of seasoned (dry) wood for high quality furniture manufacturing. Seasoned wood minimizes deforming that may occur due to dampness in wood.
- ⇒ Selection of skilled labor is an important factor, as it can improve quality of finished products by better craftsmanship & lower wastage. It is recommended that specialized labor is hired for this business.
- ⇒ New designs and styles can build brand equity for the business. Creation of new designs and styles is vital for setting new trends as the market is quite competitive.
- ⇒ Aggressive virtual marketing needs to be undertaken in the absence of a physical showroom.
- ⇒ Though skilled labor is available in the market, additional manufacturing workload can be sub-contracted to save time and resources.

- ⇒ The manufacturing unit will require selling directly to showrooms and direct clients, for which the owner would need to develop extensive knowledge of the market.
- ⇒ Higher return on investment and a steady growth of business is expected with the entrepreneur having some prior experience / education in the related field of business.
- ⇒ Easy access to raw material should be ensured.

7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

The demand for wooden furniture is higher in densely populated cities of Pakistan i.e. Lahore, Multan, Karachi, Peshawar, Quetta, Rawalpindi and Islamabad, making all these cities viable for business. However, establishment of the unit in the vicinity of established wooden furniture clusters i.e. Lahore, Chiniot, Faisalabad, Hyderabad, Gujranwala, Sialkot or Gujrat gives the added advantage of easy availability of skilled labor.

8 POTENTIAL TARGET CUSTOMERS / MARKETS

Potential markets for wooden furniture can be categorized into the following:

- Newly constructed houses
- Gift on weddings
- Building renovations
- Public / private institutions

Majority of customers in the domestic market belong to first and second category. These customers require furniture for their newly built houses and usually buy a range of products like bed sets, dining sets and sofa sets with other decorative material for their entire house. Initially, entrepreneurs should target these customers to establish the business and increase their customer base. Flourishing hotel and tourism industry can considerably increase the demand for wooden furniture whereby; large orders can also be secured to supply wooden furniture to hotels and resorts. Wooden furniture retail clusters are found in most areas of all big cities of Pakistan, where manufactured furniture can be sold.

9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyse the commercial viability of the Wooden Furniture Manufacturing 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 unit is capable of producing different types of wooden furniture, as it builds predominantly upon, craftsmanship of skilled labour. However, this particular pre-feasibility focuses on manufacturing of bed sets, dining sets, sofa sets, office furniture and miscellaneous furniture (centre table & tables for sofa set etc.).

All the assumptions in this financial model are based upon manufacturing of around 254 items annually. Whereas, during first year around 233 items production is targeted.

The following table shows internal rate of return, payback period and Net Present Value.

Table 3: Project Economics

Description	Details
Internal Rate of Return (IRR)	43%
Pay Back Period (Years)	4.94
Net Present Value (NPV)	Rs. 46,573,335

Returns on investment and profitability depend upon the entrepreneur's practical knowledge about furniture manufacturing, quality of wood, skilled labor and design & style of furniture manufactured.

9.2 Project Financing

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

Table 4: Project Financing

Description	Details
Total Equity (50%)	Rs. 9,040,705
Bank Loan (50%)	Rs. 9,040,705
Annual Markup to the Borrower– Long Term Loan	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 5: Project Cost

Description	Amount (Rs.)
Capital Cost	
Land	10,000,000
Building & Infrastructure	4,500,000
Machinery & Equipment	1,002,500
Furniture & Fixture	78,500
Office Equipment	120,000
Pre-Operational Cost	230,000
Total Capital Cost	15,931,000
Working Capital Requirements	
Raw Material Inventory	1,073,753
Cash	1,076,656
Total Working Capital	2,150,409
Total Investment	18,081,409

9.4 Space Requirement

The proposed Wooden Furniture Manufacturing Unit will be established in a purchased premises. An estimated area of 2 Kanals will be required for the proposed business venture. The land is estimated to be purchased at Rs. 10,000,000.

An estimated 4,500 sq. ft. covered area will be required for the Unit with an estimated cost of Rs. 1,000 per sq.ft. and total construction cost of the Unit is Rs. 4,500,000.

There is a provision for Showroom in Year 6 when the project will be sustainable enough and sales will be good.

9.5 Machinery and Equipment Requirement

Following table provides list of machinery and equipment required for an average sized Wooden Furniture Manufacturing Unit.

Table 6: Machinery and Equipment Required

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Saw 18"	1	45,000	45,000
Saw 27"	1	75,000	75,000
Saw 30"	1	85,000	85,000
Cutter Sliding	1	15,000	15,000

Cutter Round	1	12,500	12,500
Gauge 14"	1	90,000	90,000
Gauge 18"	1	125,000	125,000
Planer / Shaper 12"	2	75,000	150,000
Spindle Moulder Machine	2	75,000	150,000
Chapaka	2	16,000	32,000
Hand Chapaka (Jug Saw)	3	13,000	39,000
Grinder	2	9,000	18,000
Drill Machine	12	4,000	48,000
Compressor	2	16,000	32,000
Miscellaneous Tools (Hand Tools, Paint Gun etc.)	1	36,000	36,000
Installation Costs for Machines	1	50,000	50,000
Total			1,002,500

Technically advanced machines are not required in the manufacturing process. Therefore, machine maintenance cost is also expected to be on the lower side. The major maintenance cost will be of oiling and greasing of machines.

9.6 Office Equipment Requirement

Following office equipment will be required for the proposed business venture:

Table 7: Office Equipment Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Computer (With LCD)	1	40,000	40,000
Printer	2	15,000	30,000
UPS 1.5 KVA	1	35,000	35,000
Telephone set	2	1,500	3,000
Fax Machine	1	12,000	12,000
Total			120,000

9.7 Furniture and Fixture Requirement

Details of furniture and fixture required for the proposed unit are provided in the following table:

Table 8: Furniture and Fixture Requirement

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Office Table Set for CAD Operator	1	15,000	15,000
Visitors Chairs	4	4,000	16,000
Table & Chair set for admin, store & production	3	12,500	37,500
Fire Extinguishers	2	5,000	10,000
Total			78,500

9.8 Raw Material Requirement

As different variety of material is used for the manufacturing of each type of furniture; following tables shows the raw material requirement for each type of furniture:

Table 9 – Bed Set Cost

<i>Costing Bed Set Superior Quality</i>				<i>Costing Bed Set Fine Quality</i>				<i>Costing Bed Set Normal Quality</i>			
<i>Raw Material Cost</i>				<i>Raw Material Cost</i>				<i>Raw Material Cost</i>			
Description	No. of Unit	Rate/Unit	Total Amount	Description	No. of Unit	Rate/Unit	Total Amount	Description	No. of Unit	Rate/Unit	Total Amount
Wood (Cubic ft)	15	2200	33,000	Wood (Cubic ft)	12	1,800	21,600	Wood (Cubic ft)	10	1,600	16,000
Nails/Screws	1	450	450	Nails/Screws	1	425	425	Lasani	5	2,650	13,250
Glue/Solution	1	380	380	Glue/Solution	1	300	300	Nails/Screws	1	350	350
Spirit (in Ltr.)	20	60	1,200	Spirit (in Ltr.)	15	60	900	Glue/Solution	1	300	300
Lakh (in kgs)	1.5	2400	3,600	Lakh (in kgs)	1	2,400	2,400	Paint (in Ltr.)	1	1,500	1,500
Thinner (in Ltr.)	8	130	1,040	Thinner (in Ltr.)	4	130	520	Thinner (in Ltr.)	10	130	1,300
Lacquer (in Ltr.)	2	300	600	Lacquer (in Ltr.)	2	300	600	Lacquer (in Ltr.)	1	300	300
Wooden Frame for Mattress	1	5500	5,500	Sealer (in Ltr.)	2	285	570	Wooden Frame for Mattress	1	4,000	4,000
Sealer (in Ltr.)	3	285	855	Wooden Frame for Mattress	1	4,000	4,000	Dressing Set Glass	16	150	2,400
Dressing Set Glass	16	175	2,800	Dressing Set Glass	16	175	2,800	Tapestry Dressing St. (in Meters)	4	160	640
Tapestry Dressing St. (in Meters)	16	160	2,560	Tapestry Dressing St. (in Meters)	8	160	1,280	Foam	1	150	150
Foam	1	150	150	Foam	1	150	150	COB (alternate for Hardner)	1	350	350
Channels, Handles	1	4500	4,500	Channels, Handles	1	3500	3,500	Thinner (Butyl)	1	190	190
Thinner (Butyl)	1	270	270	Thinner (Butyl)	1	270	270	Thinner (imported)	1	270	270
Thinner (imported)	1	180	180	Thinner (imported)	1	180	180	Channels, Handles	1	2500	2,500
Total			57,085	Total			39,495	Total			43,500

Table 10: – Dining Set Cost

Costing Dinning Set Superior Quality				Costing Dinning Set Fine Quality				Costing Dinning Set Normal Quality			
Raw Material Cost				Raw Material Cost				Raw Material Cost			
Description	No. of Unit	Rate/Unit	Total Amount	Description	No. of Unit	Rate/Unit	Total Amount	Description	No. of Unit	Rate/Unit	Total Amount
Wood (Cubic ft)	8	2,200	17,600	Wood (Cubic ft)	8	1,800	14,400	Wood (Cubic ft)	6	1,600	9,600
Poshish/Seat	8	550	4,400	Poshish/seat	8	410	3,280	Poshish/seat	8	370	2,960
Nails/Screws	1	400	400	Nails/Screws	1	400	400	Nails/Screws	1	400	400
Glue/Solution	1	400	400	Glue/Solution	1	400	400	Glue/Solution	1	400	400
Spirit (in Ltrs.)	18	60	1,080	COB	1	350	350	COB	1	350	350
Lakh (in Kgs)	2	2,400	4,800	Paint	1	2,000	2,000	Lasani	1	2,650	2,650
Thinner (in Ltrs.)	8	130	1,040	Thinner (in Ltrs.)	15	130	1,950	Paint	1	2,000	2,000
Lacquer (in Ltrs.)	2	300	600	Lacquer	2	300	600	Thinner (in Ltrs.)	10	130	1,300
Sealer (in Ltrs.)	2	285	570	Glass Top 12mm in (Sq.ft)	32	225	7,200	Lacquer	2	300	600
Glass Top (12 mm) in sq.ft	32	225	7,200	Foam	1	5,800	5,800	Glass Top 12mm in (Sq.ft)	32	225	7,200
Foam	1	8,000	8,000	Tapestry (in Meters)	3	160	480	Foam	1	5,000	5,000
Tapestry (in Meters)	5	160	800	Misc.	1	3,000	3,000	Tapestry (in Meters)	3	160	480
Misc.	1	4,000	4,000					Misc.	1	2,000	2,000
Total			50,890	Total			39,860	Total			34,940

Table 11: – Sofa Set Cost

Costing Sofa Set Superior Quality				Costing Sofa Set Fine Quality				Costing Sofa Set Normal Quality			
Raw Material Cost				Raw Material Cost				Raw Material Cost			
Description	No. of Unit	Rate/Unit	Total Amount	Description	No. of Unit	Rate/Unit	Total Amount	Description	No. of Unit	Rate/Unit	Total Amount
Wood (Cubic ft)	6	850	5,100	Wood (Cubic ft)	6	800	4,800	Wood (Cubic ft)	6	800	4,800
Poshish/per seat	6	1500	9,000	Poshish/Seat	6	1200	7,200	Poshish/Seat	6	850	5,100
Nails/Screws	1	400	400	Nails/Screws	1	400	400	Nails/Screws	1	400	400
Glue/Solution	1	400	400	Glue/Solution	1	400	400	Glue/Solution	1	400	400
Springs (Dozs)	7	200	1,400	Spring (Doz)	7	200	1,400	Spring (Doz)	7	200	1,400
Tat (in Meters)	10	55	550	Tat (in Meters)	10	40	400	Tat (in Meters)	10	40	400
Rubber Patti	25	22	550	Rubber Patti	25	22	550	Rubber Patti	22	20	440
Dori (in Kgs)	0.5	195	98	Dori (in Kgs)	0.5	195	98	Dori (in Kgs)	0.5	195	98
Foam "A"	1	3,800	3,800	Foam	1	3,300	3,300	Foam	1	3,300	3,300
Tapestry (in Meters)	27	450	12,150	Tapestry	25	350	8,750	Tapestry (in Meters)	20	300	6,000
Total			33,448	Total			27,298	Total			22,338

Table 12: – Misc. Furniture Cost

Costing Misc. Furniture Superior Quality				Costing Misc. Furniture Fine Quality				Costing Misc. Furniture Normal Quality			
Raw Material Cost				Raw Material Cost				Raw Material Cost			
Description	No. of Unit	Rate/Unit	Total Amount	Description	No. of Unit	Rate/Unit	Total Amount	Description	No. of Unit	Rate/Unit	Total Amount
Wood (Cubic ft)	6	2,200	13,200	Wood (Cubic ft)	6	1,800	10,800	Wood (Cubic ft)	6	1,600	9,600
Nails/Screws	1	400	400	Nails/Screws	1	400	400	Nails/Screws	1	400	400
Glue/Solution	1	380	380	Glue/Solution	1	300	300	Glue/Solution	1	300	300
Spirit (in Ltrs.)	8	60	480	COB	1	350	350	COB	1	350	350
Lakh (in Kgs)	1	2,400	2,400	Paint	1	1,800	1,800	Lasani	1	2,650	2,650
Thinner (in Ltrs.)	3	130	390	Thinner (in Ltrs.)	10	130	1,300	Paint	1	1,500	1,500
Lacquer (in Ltrs.)	1	300	300	Lacquer	1	300	300	Thinner (in Ltrs.)	8	130	1,040
Sealer (in Ltrs.)	1	285	285	Glass Top 12mm in (Sq.ft)	17	225	3,825	Lacquer (in Ltrs.)	1	300	300
Glass Top (12 mm) in sq.ft	17	225	3,825	Misc.	1	1,500	1,500	Glass Top 12mm in (Sq.ft)	15	225	3,375
Misc.	1	1,800	1,800					Misc.	1	1,000	1,000
Total			23,460	Total			20,575	Total			20,515

Table 13: – Office Furniture Cost

Costing Office Furniture Superior Quality				Costing Office Furniture Fine Quality				Costing Office Furniture Normal Quality			
Raw Material Cost				Raw Material Cost				Raw Material Cost			
Description	No. of Unit	Rate/Unit	Total Amount	Description	No. of Unit	Rate/Unit	Total Amount	Description	No. of Unit	Rate/Unit	Total Amount
Wood (Cubic ft)	10	2,200	22,000	Wood (Cubic ft)	8	1,800	14,400	Wood (Cubic ft)	8	1,600	12,800
Nails/Screws	1	400	400	Nails/Screws	1	400	400	Nails/Screws	1	400	400
Glue/Solution	1	380	380	Glue/Solution	1	300	300	Glue/Solution	1	300	300
Spirit (in Ltrs.)	10	60	600	COB	1	350	350	COB	1	350	350
Lakh (in Kgs)	1.5	2,400	3,600	Paint	1	1,800	1,800	Lasani	2	2,650	5,300
Thinner (in Ltrs.)	5	130	650	Thinner (in Ltrs.)	8	130	1,040	Paint	1	1,500	1,500
Lacquer (in Ltrs.)	2	300	600	Lacquer	1	300	300	Thinner (in Ltrs.)	10	130	1,300
Sealer (in Ltrs.)	2	285	570	Glass Top 12mm in (Sq.ft)	21	225	4,725	Lacquer (in Ltrs.)	2	300	600
Channels, Handles	1	4500	4,500	Channels, Handles	1	3500	3,500	Channels, Handles	1	2500	2,500
Thinner (Butyl)	1	270	270	Executive Chair	1	12000	12,000	Executive Chair	1	9000	9,000
Thinner (imported)	1	180	180	Visitors Chair	2	3500	7,000	Visitors Chair	2	3000	6,000
Executive Chair	1	15000	15,000	Misc.	1	2,500	2,500	Misc.	1	2,000	2,000
Visitors Chair	2	3800	7,600								
Misc.	1	3,000	3,000								
Total			59,350	Total			48,315	Total			42,050

9.9 Human Resource Requirement

In order to smoothly run operations of the proposed unit, details of recommended human resource required along with their proposed monthly salaries are as follows:

Table 14: Human Resource Requirement

Description	No. Of Employees	Salary per Employee Per Month (Rs.)
Production Supervisor	1	30,000
Carpenter	10	20,000
Machine Man	1	20,000
Polish Man	3	20,000
Carving	2	22,000
Helpers	2	12,000
Factory Admin Officer	1	25,000
Draftsman / CAD Operator	1	20,000
Purchaser / Store Officer	1	18,000
Gate Keeper	2	12,000

It is assumed that the owner would have prior experience or knowledge about the proposed 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; a three-phase commercial electricity connection is required. The annual electricity expenses are estimated as Rs. 600,000. This project also requires marketing activities; for which approximately 5% of total revenues (i.e. Rs. 982,133) will be spent on marketing annually. Similarly, during 1st year of operation communication and office expenses are estimated at Rs. 180,000 and 120,000, respectively.

9.11 Revenue Generation

Following table provides revenue assumptions of the proposed Wooden Furniture Manufacturing Unit during first year of operation:

Table 15: Revenue Generation

Product	Units Sold in Year 1	Sale Price* Per Unit (Rs.)– Other Showrooms	Sale Price* Per Unit (Rs.)– Own Customers
Bed Set			
Superior	6	217,000	248,000
Fine	13	145,000	165,500

Normal	29	108,500	124,000
Dining Set			
Superior	2	158,500	181,000
Fine	4	126,750	145,000
Normal	7	105,500	120,750
Sofa Set			
Superior	7	123,000	140,500
Fine	15	87,750	100,000
Normal	32	68,250	78,000
Misc.			
Superior	11	57,500	65,500
Fine	22	43,000	49,000
Normal	45	34,500	39,500
Office Furniture			
Superior	4	157,500	180,000
Fine	11	94,500	108,000
Normal	25	67,500	77,000

*Prices Have Been Rounded Off.

Table 16: Total Revenue Generation

Revenue from selling to other Showrooms in (Rs.)	40%
Bed Sets	4,067,213
Dinning Sets	988,963
Sofa Sets	2,874,959
Misc. furniture	2,015,616
Office furniture	2,212,987
Total Revenue	12,159,738
Revenue from selling to own Customers in (Rs.)	60%
Bed Sets	2,502,900
Dinning Sets	608,593
Sofa Sets	1,769,205
Misc. furniture	1,240,379
Office furniture	1,361,838
Total Revenue	7,482,916
Total Revenue (Rs.)	
Bed Sets	6,570,113
Dinning Sets	1,597,556

Sofa Sets	4,644,164
Misc. furniture	3,255,996
Office furniture	3,574,825
Total Revenue	19,642,654

10 CONTACT DETAILS

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project are given as under:

No.	Name	Address	Mobile	Telephone
1	Nadeem Ahmed Warriach	Mabson Industries G.T. Road, Wazir Abad	0300-8641646	055-6601646
2	Ch. Tahir Pervez	Elebe Handicraft G.T. Road, Gujrat	0345-6874448	053-2107477
3	Maqsood Afzal	Heritage One Sargodha Road Gujrat	0300-8519464	053-3020749
4	Masood Afzal	Heritage One Sargodha Road Gujrat	0300-8541897	053-7611491
5	Mohammed Arshad Farooq	Wood Designer By Pass, G.T. Road Gujrat	0300-9625236	053-3530310
6	Usman Sheikh	Shell Wood Shelton Hotel Building G.T.Road, Gujranwala	0300-8744400	0300-8742030
7	M Asad Raza	Asad Carpets And Fabrics 103-Golden Plaza, Blue Area, I.S.D	0333-5152991	051-2274821- 24
8	Muhammad Yaqub	Unique Woodworking Company Service Road Muslim Town R.W.P	0302-8565255	051-4450748
9	Abdul Rehman	Duke Wood Center G.T. Road, Gujrat	0300-6237997	053-3525983

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 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
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
Furniture Pakistan	www.furniturepakistan.org.pk
Pakistan Institute of Fashion and Design	www.pifd.edu.pk

12 ANNEXURES

12.1 Income Statement

Statement Summaries										SMEDA
Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Rs. in	actuals
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenue	19,642,654	25,666,046	33,152,353	43,361,915	55,593,832	74,446,459	96,713,575	125,221,538	162,762,654	213,528,924
Cost of goods sold	13,362,350	17,119,828	21,613,845	27,545,688	34,307,698	42,757,581	53,480,576	67,532,594	85,598,522	109,495,854
Gross Profit	6,280,304	8,546,218	11,538,508	15,816,227	21,286,134	31,688,878	43,232,999	57,688,945	77,164,132	104,033,070
<i>General administration & selling expenses</i>										
Administration expense	780,000	858,000	943,800	1,038,180	1,141,998	2,879,592	3,167,551	3,484,306	3,832,737	4,216,010
Rental expense	-	-	-	-	-	-	-	-	-	-
Utilities expense	240,000	264,000	290,400	319,440	351,384	386,522	425,175	467,692	514,461	565,907
Communications expense (phone, fax, etc.)	180,000	198,000	217,800	239,580	263,538	289,892	318,881	350,769	385,846	424,431
Office vehicles running expense	371,117	453,691	562,562	707,741	903,288	1,168,972	1,532,631	2,033,492	2,726,875	3,690,836
Office expenses (stationary, etc.)	120,000	132,000	145,200	159,720	175,692	193,261	212,587	233,846	257,231	282,954
Promotional expense	982,133	785,706	628,565	502,852	402,282	321,825	257,460	205,968	164,775	131,820
Insurance expense	-	-	-	-	-	-	-	-	-	-
Professional fees (legal, audit, etc.)	-	-	-	-	-	-	-	-	-	-
Depreciation expense	345,100	345,100	345,100	345,100	345,100	345,100	1,120,390	1,120,390	1,120,390	1,120,390
Amortization expense	46,000	46,000	46,000	46,000	46,000	-	-	-	-	-
Subtotal	3,064,350	3,082,498	3,179,427	3,358,613	3,629,281	5,585,165	7,034,676	7,896,464	9,002,314	10,432,349
Operating Income	3,215,954	5,463,721	8,359,081	12,457,614	17,656,853	26,103,714	36,198,324	49,792,481	68,161,817	93,600,722
Other income	-	-	-	-	-	-	-	-	-	-
Gain / (loss) on sale of assets	-	-	-	-	-	-	-	-	-	-
Earnings Before Interest & Taxes	3,215,954	5,463,721	8,359,081	12,457,614	17,656,853	26,103,714	36,198,324	49,792,481	68,161,817	93,600,722
Interest expense	1,557,449	1,321,651	1,019,670	665,667	250,680	-	-	-	-	-
Earnings Before Tax	1,658,505	4,142,069	7,339,410	11,791,947	17,406,173	26,103,714	36,198,324	49,792,481	68,161,817	93,600,722
Taxable earnings for the year	1,658,505	4,142,069	7,339,410	11,791,947	17,406,173	26,103,714	36,198,324	49,792,481	68,161,817	93,600,722
Tax	179,201	765,120	1,791,293	3,349,681	5,314,660	8,358,799	11,891,913	16,649,868	23,079,135	31,982,752
NET PROFIT/(LOSS) AFTER TAX	1,479,304	3,376,949	5,548,117	8,442,266	12,091,513	17,744,915	24,306,411	33,142,613	45,082,682	61,617,970

12.2 Balance Sheet

Statement Summaries											SMEDA
Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Rs. in actuals Year 10
Assets											
<i>Current assets</i>											
Cash & Bank	1,076,656	1,486,741	1,748,976	3,983,564	8,031,721	14,292,333	27,318,147	45,281,663	68,659,498	98,664,371	195,526,434
Accounts receivable	-	982,133	2,265,435	2,940,920	3,825,713	4,947,787	6,502,015	8,558,002	11,096,756	14,399,210	18,814,579
Finished goods inventory	-	278,382	356,663	450,288	573,869	714,744	890,783	1,114,179	1,406,929	1,783,303	2,281,164
Equipment spare part inventory	-	-	-	-	-	-	-	-	-	-	-
Raw material inventory	1,073,753	1,539,823	2,235,810	3,282,983	4,868,536	7,281,887	10,971,062	16,630,320	25,336,321	38,759,817	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	-	-	-	-	-	-	-	-	-	-	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid insurance	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	2,150,409	4,287,079	6,606,884	10,657,756	17,299,839	27,236,751	45,682,006	71,584,163	106,499,504	153,606,701	216,622,176
<i>Fixed assets</i>											
Land	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	30,101,435	30,101,435	30,101,435	30,101,435	30,101,435
Building/Infrastructure	4,500,000	4,275,000	4,050,000	3,825,000	3,600,000	3,375,000	14,457,057	13,666,704	12,876,351	12,085,998	11,295,646
Machinery & equipment	1,002,500	902,250	802,000	701,750	601,500	501,250	401,000	300,750	200,500	100,250	-
Furniture & fixtures	78,500	70,650	62,800	54,950	47,100	39,250	1,990,775	1,786,988	1,583,200	1,379,413	1,175,625
Office vehicles	-	-	-	-	-	-	-	-	-	-	-
Office equipment	120,000	108,000	96,000	84,000	72,000	60,000	188,000	162,000	136,000	110,000	84,000
Total Fixed Assets	15,701,000	15,355,900	15,010,800	14,665,700	14,320,600	13,975,500	47,138,267	46,017,876	44,897,486	43,777,096	42,656,705
<i>Intangible assets</i>											
Pre-operation costs	230,000	184,000	138,000	92,000	46,000	-	-	-	-	-	-
Training costs	-	-	-	-	-	-	-	-	-	-	-
Total Intangible Assets	230,000	184,000	138,000	92,000	46,000	-	-	-	-	-	-
TOTAL ASSETS	18,081,409	19,826,979	21,755,684	25,415,456	31,666,439	41,212,251	92,820,273	117,602,039	151,396,990	197,383,796	259,278,882

12.3 Cash Flow Statement

Statement Summaries											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
	Rs. in actuals										
<i>Operating activities</i>											
Net profit	-	1,479,304	3,376,949	5,548,117	8,442,266	12,091,513	17,744,915	24,306,411	33,142,613	45,082,682	61,617,970
Add: depreciation expense	-	345,100	345,100	345,100	345,100	345,100	345,100	1,120,390	1,120,390	1,120,390	1,120,390
amortization expense	-	46,000	46,000	46,000	46,000	46,000	-	-	-	-	-
Deferred income tax	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	(982,133)	(1,283,302)	(675,485)	(884,793)	(1,122,074)	(1,554,227)	(2,055,987)	(2,538,754)	(3,302,454)	(4,415,369)
Finished good inventory	-	(278,382)	(78,281)	(93,625)	(123,580)	(140,875)	(176,039)	(223,396)	(292,750)	(376,374)	(497,861)
Equipment inventory	-	-	-	-	-	-	-	-	-	-	-
Raw material inventory	(1,073,753)	(466,070)	(695,987)	(1,047,173)	(1,585,553)	(2,413,351)	(3,689,176)	(5,659,257)	(8,706,002)	(13,423,496)	38,759,817
Pre-paid building rent	-	-	-	-	-	-	-	-	-	-	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Advance insurance premium	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	-	266,265	304,698	166,578	217,643	278,213	355,240	475,355	652,338	904,124	277,116
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(1,073,753)	410,085	2,015,177	4,289,512	6,457,082	9,084,526	13,025,813	17,963,516	23,377,835	30,004,873	96,862,062
<i>Financing activities</i>											
Change in long term debt	9,040,705	-	(1,752,942)	(2,054,923)	(2,408,926)	(2,823,914)	-	-	-	-	-
Change in short term debt	-	-	-	-	-	-	-	-	-	-	-
Change in export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Add: land lease expense	-	-	-	-	-	-	-	-	-	-	-
Land lease payment	-	-	-	-	-	-	-	-	-	-	-
Lease principal repayment	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares	9,040,705	-	-	-	-	-	33,507,867	-	-	-	-
Purchase of (treasury) shares	-	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	18,081,409	-	(1,752,942)	(2,054,923)	(2,408,926)	(2,823,914)	33,507,867	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(15,931,000)	-	-	-	-	-	(33,507,867)	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by investing activities	(15,931,000)	-	-	-	-	-	(33,507,867)	-	-	-	-
NET CASH	1,076,656	410,085	262,235	2,234,589	4,048,156	6,260,613	13,025,813	17,963,516	23,377,835	30,004,873	96,862,062

13 KEY ASSUMPTIONS

13.1 Operating Cost Assumptions

Description	Details
Communication Expenses	Rs. 15,000 per Month
Office Expenses	Rs. 10,000 per Month
Transportation Cost	5% of material procurement cost
Marketing Expenses	5% of revenue
Depreciation Method	Straight Line
Depreciation Rate	10% on Furniture & Fixtures 10% on Office Equipment
Operating Cost Growth Rate	10%

13.2 Production Cost Assumptions

Accounts Receivable Cycle (In Days)	30
Accounts Payable Cycle (In Days)	10
Raw Material Inventory Other Than Wood	1 Month
Raw Material Inventory Of Wood	3 Months
Finished Goods Inventory	0.25 Month
Raw Material Price Growth Rate Other Than Wood	10%
Raw Material Price Growth Rate Of Wood	40%

13.3 Revenue Assumptions

Description	Details
Growth In Sales Price	3%
Days Operational / Year	300

13.4 Financial Assumptions

Description	Details
Debt : Equity	50% : 50%
Internal Rate on Debt	16%
Debt Tenure	5 Years