

BUSINESS PROPOSAL

PRIME MINISTER YOUTH PROGRAM

# Cobble Stone Manufacturing Unit

BY  
PAKISTAN STONE DEVELOPMENT COMPANY

2014

**Contents**

Contents .....2

DISCLAIMER .....4

PURPOSE OF THE DOCUMENT .....4

INTRODUCTION TO PASDEC .....5

INTRODUCTION TO SCHEME .....5

EXECUTIVE SUMMARY.....5

BRIEF DESCRIPTION OF PROJECT AND PRODUCT .....6

    Location: .....6

    Product: .....6

    Target Market: .....6

    Employment Generation: .....6

    Profitability: .....6

CRITICAL FACTORS .....6

GEOGRAPHICAL POTENTIAL FOR INVESTMENT .....7

PROJECT COST SUMMARY .....7

    Project Financial Analysis: .....8

    Project Financing.....8

PROJECT COST AND ITS FINANCING PLAN .....9

OPERATING EXPENSES/COST OF GOOD PRODUCED .....10

OPERATING EXPENSES/COST OF GOOD PRODUCED .....10

ADMINISTRATION MARKETING AND OTHER EXPENSES .....11

    Human Resource Requirement:.....12

    DETAIL OF ASSETS.....12

    Depreciation on Assets .....13

    Production and Sales:.....13

PROJECTED FINANCIAL STATEMENTS: ..... 14

    Projected Income Statement: ..... 15

    Projected Cash Flow Statement: ..... 16

    Projected Balance Sheet: ..... 17

LOAN AMMORTIZATION SCHEDULE: ..... 18

USEFUL LINKS ..... 18

CONTACT DETAILS: ..... 19

## **DISCLAIMER**

This information memorandum is to introduce the subject matter and provide a General idea and information on the subject. 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 basis without any warranties is or assertions as to the correctness or soundness thereof. Although, due care and diligence has been exercised 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. PASDEC, 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.

## **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 to start marble and granite trading 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 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.

## **INTRODUCTION TO PASDEC**

The Pakistan Stone Development Company (PASDEC) was established in June 2006 for development of marble and granite sector of Pakistan.

The mandate of PASDEC is to establish model project for development of value chain to introduce new technology, practices and to meet skill development needs of the sector. PASDEC has established fifteen Mechanized Quarries, two machinery pools, two warehouses and work on progress on three marble cities, four common facility training centers. Besides this PASDEC has trained more than 1400 trainees on different traits of marble and granite value chain.

## **INTRODUCTION TO SCHEME**

Prime Minister's Youth Business Loan is for young entrepreneurs, with an allocated budget of Rs. 5.0 Billion for the year 2013-14, is designed to provide subsidized financing at 8% mark-up per annum for one hundred thousand (100,000) beneficiaries, through designated financial institutions, initially by The

National Bank of Pakistan (NBP) and The First Women Bank Ltd. (FWBL). Loans from Rs. 0.1 million to Rs. 2.0 million with tenure up to 8 years inclusive of 01 year grace period and a debt : equity of 90 : 10 will be disbursed to SME beneficiaries across Pakistan, covering; Punjab, Sindh, Khyber Pakhtunkhwa, Baluchistan, Gilgit Baltistan, Azad Jammu & Kashmir and Federally Administered Tribal Areas (FATA).

## **EXECUTIVE SUMMARY**

**Cobble Stone Manufacturing Unit** is proposed to be located at or near Marble Processing clusters of, Gujranwala, Lahore, Lasbella, Multan, Peshawar, Karachi Rawalpindi, Rawat, Risalpur, Swat, Buner and Quetta, also where most of the marble cutting exist as the raw material to make the cobble stone is available in abundance near to processing cluster or at quarries.

The proposed project will produce Cobble stone product from the quarry /processing waste to sell be sold in local and international market. It will be a unique product in Pakistani market as no one is producing this product at the moment.

The entrepreneur will start selling from cobble stone to local market and international market as huge demand exists for this product. This increase with passage of time and leaning and increased knowledge and clientage.

The project total cost is Rs. 2,307,389 including capital costs of **Rs.1,422,000** million rests is the working capital requirements. The project NPV is Rs.2.9m and IRR 40 % with payback period of 2 years, 10 months.

## **BRIEF DESCRIPTION OF PROJECT AND PRODUCT**

The project is related to setting Trading House of Marble & Granite Products.

### ***Location:***

The office may be located in or near marble processing clusters at , Gujranwala, Lahore, Lasbela, Multan, Peshawar, Rawalpindi, Rawat, Karachi ,Khuzdar , Lasbella, Risalpur, Swat, Buner, Dir and Quetta, also where most of the raw material is coming from the quarries or where processing units are exist.

### ***Product:***

Cobble Stone of Marble and Granite for local and international market.

### ***Target Market:***

Target market for the cobble stones is local show room of Karachi, Lahore, Multan , Gujranwala , Peshawar, Karachi and internationally at Dubai, Saudia, Qatar etc. Besides this the entrepreneur can also target projects like, Bahria Town, DHA etc.

***Employment Generation:*** The proposed project will provide direct employment to 6 people.

***Profitability:*** The Financial Analysis shows that the business will be profitable from the very first years of its operations.

## **CRITICAL FACTORS**

The following factors should be considered thoroughly:

- Efficient and cost effective procurement & sourcing.

- Entrepreneur himself should thoroughly understand marble and granite quality parameters
- Availability and retention of skilled labour who can understand quality of stone.
- Effective market linkages, especially with processing units, quarry owners and exports and foreign customers, middle man & transporters.

## **GEOGRAPHICAL POTENTIAL FOR INVESTMENT**

Marble and Granite mines of Pakistan are mainly located in Baluchistan (Chaghi, Lasblea, Loralai, Mastong, and Naal), Khyber Pakhtunkhwa/Federally Administered Tribal Areas (Bunair, Mardan, Mohamand, Swat), Chitral, and Sindh (Dadu, johi range). The major marble processing clusters are concentrated in specific areas of

Karachi , Gujranwala, Islamabad/Rawal pindi, Karachi, Lasbela, Lahore, Peshawar, and Nowshehra/Risalpur.

Raw Material used to make cobble stones is widely available at processing cluster and quarries hence location of the project should be near source.

## **PROJECT COST SUMMARY**

A detailed financial model has been developed to analyze the commercial viability of the Marble & Granite Trading House under the Prime Minister's Small Business Loan Scheme. Various costs and revenues related assumptions along with results of the analysis are outlined in this section.

***Project Financial Analysis:***

Internal Rate of Return (IRR)	40%
Payback Period (yrs)	2 year 10 months
Net Present Value (NPV) (Rs.)	2.9m

Returns on the scheme and its profitability are highly dependent on the efficiency of efficient procurement system from marble suppliers, sound market knowledge and trends about the international and domestic market, availability and retention of skilled labour, suitable office location, appropriate technology and effective marketing campaign.

***Project Financing***

Total Equity (15%)	Rs. 346,108
Bank Loan (85 %.)	Rs. 1,961,281
Markup to the Borrower (%age/annum)	8%
Tenure of the Loan (Years)	8
Grace Period (Year)	1



## PROJECT COST AND ITS FINANCING PLAN

<b>CAPITAL COST</b>		<b>(PKR)</b>
Plant, Machinery and Equipment		1,300,000
Furniture and Fixtures		- 122,000 -
<b>TOTAL</b>		<b>1,422,000</b>
<b>NET INITIAL WORKING CAPITAL</b>		885,389
<b>TOTAL PROJECT COST</b>		<u>2,307,389</u>
<b>EQUITY</b>	15%	346,108
<b>BANK FINANCING</b>	85%	1,961,281
		<u>2,307,389</u>

## OPERATING EXPENSES/COST OF GOOD PRODUCED

	Years				
	1	2	3	4	5
	<b>(PKR)</b>				
<b>Salaries, wages and benefits</b>	600,000	630,000	661,500	694,575	729,304
<b>Electricity</b>	240,000	252,000	264,600	277,830	291,722
<b>Stores spares consumed</b>	23,400	23,400	24,570	25,799	27,088
<b>Carriage outwards</b>	882,000	882,000	1,008,000	1,134,000	1,260,000
<b>Repair and maintenance</b>	12,200	12,810	13,451	14,123	14,829
<b>Water charges</b>	10,000	10,500	11,550	12,705	13,976
<b>Insurance</b>	9,750	10,238	10,749	11,287	11,851
<b>Raw Material</b>	378,000	396,900	416,745	437,582	459,461
<b>Contingencies</b>	13,170	13,770	14,459	15,181	15,940
<b>Depreciation</b>	231,370	231,370	231,370	231,370	231,370
<b>Medical Expenses</b>	30,000	31,500	33,075	34,729	36,465
<b>Total Operating Cost</b>	<b>2,429,890</b>	<b>2,494,488</b>	<b>2,690,068</b>	<b>2,889,181</b>	<b>3,092,007</b>

## ADMINISTRATION MARKETING AND OTHER EXPENSES

	Years				
	1	2	3	4	5
<b>Salary and benefits</b>	120,000	132,000	145,200	159,720	175,692
<b>Electricity</b>	36,000	37,800	39,690	41,675	43,758
<b>Communication</b>	60,000	63,000	66,150	69,458	72,930
<b>Printing and Stationary</b>	24,000	25,200	26,460	27,783	29,172
<b>Yard Rent/Factory Rent</b>	600,000	630,000	661,500	694,575	729,304
<b>Newspapers and periodicals</b>	6,000	6,300	6,615	6,946	7,293
<b>Entertainment expenses</b>	60,000	63,000	66,150	69,458	72,930
<b>Bank charges</b>	19,530	20,507	24,608	29,068	33,913
<b>Depreciation</b>	40,830	40,830	40,830	40,830	40,830
<b>Medical Expenses</b>	6,000	6,600	7,260	7,986	8,785
<b>Marketing Expenses</b>	20,000	22,000	24,200	26,620	29,282
	992,360	1,047,237	1,108,663	1,174,117	1,243,889

### **Human Resource Requirement:**

S.No	Staff	Year 1 #	Salaries per month	Annual salaries
1	Operator	2	20,000	480,000
2	Labor	2	10,000	240,000
4	Peon	1	10,000	120,000
		5	40,000	840,000

### **DETAIL OF ASSETS**

#### **A - PLANT MACHINERY AND EQUIPMENT**

##### **IMPORTED MACHINERY**

S.No	Machine	Make	Quantity	Price / Unit	Total Cost
1	Hydraulic Press for Making Cobble stone with		1	1,300,000	1,300,000
2	Accessories				1,300,000

#### **B - BUILDING AND CIVIL WORKS**

			Covered Area	Rate	Cost
			Square feet		
	Building Area		5000 sqft	Rental	Rental
			-		-

#### **C - FURNITURE AND FIXTURES AND OFFICE EQUIPMENTS**

	Chairs		4	8000	32,000
	Computer		1	60000	60,000
	Tables		1	5000	5,000
	Cabinets		1	5000	5,000
	Printer ,Scanner, Camera,		1	20000	20,000
					-
					<b>122,000</b>

***Depreciation on Assets***

Depreciation on the assets has been charged at the following rates:

- Furniture & Fixtures 10%
- Machinery 20%

***Production and Sales:***

**PROJECTED SALES  
FOR THE YEAR ENDED 30 JUNE**

	Years				
	1	2	3	4	5
Capacity Utilization	70%	70%	80%	90%	100%
Product Sales	3,906,000	4,101,300	4,921,560	5,813,593	6,782,525
	<u>3,906,000</u>	<u>4,101,300</u>	<u>4,921,560</u>	<u>5,813,593</u>	<u>6,782,525</u>
Total Sales per piece	126,000	126,000	144,000	162,000	180,000
Sales price per piece	31	33	34	36	38
Total Sales	<u>3,906,000</u>	<u>4,101,300</u>	<u>4,921,560</u>	<u>5,813,593</u>	<u>6,782,525</u>

	<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">Pieces</td></tr> <tr><td style="text-align: center; background-color: yellow;"><b>180,000</b></td></tr> </table>	Pieces	<b>180,000</b>	<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">Sales price per piece</td></tr> </table>	Sales price per piece
Pieces					
<b>180,000</b>					
Sales price per piece					

Production per Month 6x6x4inches 180,000 31

**PRODUCTION SCHEDULE**

	Years					
	1	2	3	4	5	
Capacity Utilization	100%	70%	70%	80%	90%	100%
Production per year	<b>180,000</b>	126,000	126,000	144,000	162,000	180,000
Pieces	180,000	126,000	126,000	144,000	162,000	180,000
Monthly production		-	-	-	-	-
		-	-	-	-	-
	<b>180,000</b>	<b>126,000</b>	<b>126,000</b>	<b>144,000</b>	<b>162,000</b>	<b>180,000</b>
Monthly production Pieces	15,000	10,500	10,500	12,000	13,500	15,000
Monthly Production in sq ft	7,500	5,250	5,250	6,000	6,750	7,500

**PROJECTED FINANCIAL STATEMENTS:**

The projected Income Statement, Cash Flow Statement and Balance Sheet are as under.

**Projected Income Statement:**

**PROJECTED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDING ON 30 JUNE**

APPENDIX	Years					
	1	2	3	4	5	
					(PKR)	
<b>SALES</b>	<b>3,906,000</b>	<b>4,101,300</b>	<b>4,921,560</b>	<b>5,813,593</b>	<b>6,782,525</b>	
Operating cost	2	(2,429,890)	(2,494,488)	(2,690,068)	(2,889,181)	(3,092,007)
<b>GROSS PROFIT</b>	<b>1,476,110</b>	<b>1,606,813</b>	<b>2,231,492</b>	<b>2,924,412</b>	<b>3,690,518</b>	
Administration marketing and other expenses	3	992,360	1,047,237	1,108,663	1,174,117	1,243,889
<b>Markup Payment on Loan</b>		156,902	156,902	139,318	120,327	99,816
		-	-	-	-	-
<b>NET PROFIT BEFORE TAX</b>		326,848	402,674	983,511	1,629,968	2,346,813
Provision for taxation		-	267	70,027	173,494	316,863
<b>PROFIT / (LOSS) AFTER TAX</b>		<b>326,848</b>	<b>402,406</b>	<b>913,484</b>	<b>1,803,461</b>	<b>2,663,675</b>
Un- appropriated profit / (loss) b/f		-	326,848	729,254	657,095	984,223
		326,848	729,254	1,642,738	2,460,557	3,647,898
Appropriation of profits		-	-	985,643	1,476,334	2,188,739
<b>Un-appropriated profit / (loss) carried forward to balance sheet</b>		<b>326,848</b>	<b>729,254</b>	<b>657,095</b>	<b>984,223</b>	<b>1,459,159</b>

## ***Projected Cash Flow Statement:***

### **PROJECTED CASH FLOW STATEMENT FOR THE YEAR ENDING ON 30 JUNE**

	Start	Years				
		1	2	3	4	5
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Profit / (Loss) before taxation		326,848	402,674	983,511	1,629,968	2,346,813
Adjustment for						
- Depreciation		272,200	272,200	272,200	272,200	272,200
- Financial charges		19,530	20,507	24,608	29,068	33,913
Profit before working capital changes		618,578	695,380	1,280,319	1,931,236	2,652,925
Change in working capital:						
Increase/(Decrease) in current assets						
Accounts receivable		(325,500)	(16,275)	(68,355)	(74,336)	(80,744)
Stores and Spares		(5,850)	-	(293)	(307)	(322)
		(331,350)	(16,275)	(68,648)	(74,643)	(81,067)
Increase/(Decrease) in accrued liabilities		68,833	3,942	4,233	4,504	4,794
		356,061	683,047	1,215,904	1,861,096	2,576,653
Payment of financial charges		(19,530)	(20,507)	(24,608)	(29,068)	(33,913)
Payment of Tax			(267)	(70,027)	173,494	316,863
Payment of Loan installment		-	(219,805)	(237,390)	(256,381)	(276,892)
Net cash flow from operating activities		<b>336,531</b>	<b>442,467</b>	<b>883,879</b>	<b>1,749,141</b>	<b>2,582,711</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchase of fixed assets	(1,422,000)	-	-	-	-	-
Net cash flow from Investing activities	(1,422,000)	-	-	-	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Equity contribution	346,108	-	-	-	-	-
Payment of Profits	-	-	-	(985,643)	(1,476,334)	(2,188,739)
Long Term Loan(Debt)	1,961,281	-	-	-	-	-
Net cash flow from financing activity	2,307,389	-	-	(985,643)	(1,476,334)	(2,188,739)
<b>Net cash flow for the year</b>	<b>885,389</b>	<b>336,531</b>	<b>442,467</b>	<b>(101,763)</b>	<b>272,807</b>	<b>393,972</b>
Cash and bank balances at the beginning of year	-	885,389	1,221,920	1,664,387	1,562,624	1,835,431
<b>Cash and bank balances at the end of the year</b>	<b>885,389</b>	<b>1,221,920</b>	<b>1,664,387</b>	<b>1,562,624</b>	<b>1,835,431</b>	<b>2,229,403</b>



***Projected Balance Sheet:***

**PROJECTED BALANCE SHEET  
AS AT YEAR ENDED 30 JUNE**

	Start	Years				
		1	2	3	4	5
<b><u>LIABILITIES</u></b>						<b>(PKR)</b>
<b>CAPITAL AND RESERVES</b>						
Equity	346,108	346,108	346,108	346,108	346,108	346,108
Accumulated profit / loss		326,848	729,254	657,095	984,223	1,459,159
	346,108	672,956	1,075,362	1,003,204	1,330,331	1,805,268
<b>CURRENT LIABILITIES</b>						
Accrued liabilities	-	68,833	72,775	77,008	81,511	86,305
Long Term Loans	1,961,281	1,961,281	1,741,475	1,504,085	1,247,704	970,813
	<b>2,307,389</b>	<b>2,703,070</b>	<b>2,889,612</b>	<b>2,584,296</b>	<b>2,659,546</b>	<b>2,862,385</b>
<b><u>ASSETS</u></b>						
<b>FIXED ASSETS</b>						
Fixed Assets	1,422,000	1,422,000	1,422,000	1,422,000	1,422,000	1,422,000
depreciation	-	272,200	544,400	816,600	1,088,800	1,361,000
Total Fixed Asset	1,422,000	1,149,800	877,600	605,400	333,200	61,000
<b>CURRENT ASSETS</b>						
Accounts receivable	-	325,500	341,775	410,130	484,466	565,210
Store and spares	-	5,850	5,850	6,143	6,450	6,772
Cash and bank balances	885,389	1,221,920	1,664,387	1,562,624	1,835,431	2,229,403
Total Current Assets	<b>885,389</b>	<b>1,553,270</b>	<b>2,012,012</b>	<b>1,978,896</b>	<b>2,326,346</b>	<b>2,801,385</b>
	<b>2,307,389</b>	<b>2,703,070</b>	<b>2,889,612</b>	<b>2,584,296</b>	<b>2,659,546</b>	<b>2,862,385</b>

## LOAN AMMORTIZATION SCHEDULE:

Loan Amortization Schedule					
<b>Loan Amount:</b>	<b>Rs. 1,961,281</b>	<b>Tenure:</b>	<b>5 years</b>	<b>Mark-up per year:</b>	<b>10%</b>
				<b>Grace Period:</b>	<b>1 Year</b>
Loan Schedule					
Instalment	Opening Balance	Instalment	Principal	Interest	Closing Balance
1	Rs. 1,961,281	Rs. 156,902	Rs. 0	Rs. 156,902	Rs. 1,961,281
2	Rs. 1,961,281	Rs. 376,708	Rs. 219,805	Rs. 156,902	Rs. 1,741,475
3	Rs. 1,741,475	Rs. 376,708	Rs. 237,390	Rs. 139,318	Rs. 1,504,085
4	Rs. 1,504,085	Rs. 376,708	Rs. 256,381	Rs. 120,327	Rs. 1,247,704
5	Rs. 1,247,704	Rs. 376,708	Rs. 276,892	Rs. 99,816	Rs. 970,813
6	Rs. 970,813	Rs. 376,708	Rs. 299,043	Rs. 77,665	Rs. 671,770
7	Rs. 671,770	Rs. 376,708	Rs. 322,966	Rs. 53,742	Rs. 348,804
8	Rs. 348,804	Rs. 376,708	Rs. 348,804	Rs. 27,904	Rs. 0

## USEFUL LINKS

- Prime Minister's Office [www.pmo.gov.pk](http://www.pmo.gov.pk)
- Small & Medium Enterprises Development Authority
- Pakistan Stone Development Company [www.pasdec.org.pk](http://www.pasdec.org.pk)
- National Bank of Pakistan (NBP) [www.nbp.com.pk](http://www.nbp.com.pk)
- First Women Bank Limited (FWBL) [www.fwbl.com.pk](http://www.fwbl.com.pk)
- Government of Pakistan [www.pakistan.gov.pk](http://www.pakistan.gov.pk)
- Ministry of Industries & Production [www.moip.gov.pk](http://www.moip.gov.pk)

- Government of Punjab [www.punjab.gov.pk](http://www.punjab.gov.pk)
- Government of Sindh [www.sindh.gov.pk](http://www.sindh.gov.pk)
- Government of Khyber Pakhtoonkhwa [www.khyberpakhtunkhwa.gov.pk](http://www.khyberpakhtunkhwa.gov.pk)
- Government of Balochistan [www.balochistan.gov.pk](http://www.balochistan.gov.pk)
- Government of Gilgit Baltistan [www.gilgitbaltistan.gov.pk](http://www.gilgitbaltistan.gov.pk)
- Government of Azad Jamu Kashmir [www.ajk.gov.pk](http://www.ajk.gov.pk)
- Trade Development Authority of Pakistan (TDAP) [www.tdap.gov.pk](http://www.tdap.gov.pk)
- Security Commission of Pakistan (SECP) [www.secp.gov.pk](http://www.secp.gov.pk)
- Federation of Pakistan Chambers of Commerce and Industry (FPCCI) [www.fpcci.com.pk](http://www.fpcci.com.pk)
- State Bank of Pakistan (SBP) [www.sbp.org.pk](http://www.sbp.org.pk)

## **CONTACT DETAILS:**

Pakistan stone Development Company

2nd Floor ICCI Building G 8/1 Islamabad

051-9263465-7