

BUSINESS PROPOSAL

PRIME MINISTER YOUTH BUSINESS LOAN

# Marble & Granite Trading House

BY  
PAKISTAN STONE DEVELOPMENT COMPANY

2014

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## **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 it's successful management.

Apart from carefully studying the whole document one must consider critical aspects provided later on, which form basis of any investment decision.

## **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 is in 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**

**Marble & Granite Trading House** 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, where most of the marble cutting and trading business is being done by the existing players.

The proposed project will be trading in the Raw material sales from quarries to local processors and international buyers.

The entrepreneur will start selling raw blocks and slabs of 175 ton per month and gradually increasing to 583 tons per month in eight years. This increase is due to leaning, increased knowledge of sources and clientage of the trading house.

The project total cost is Rs. **1,472,500** including capital cost of Rs.2, 26,000 rests is the working capital requirements. The project NPV is Rs. 2.7 million and IRR 41 % with payback period of 2.8 years.

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

The project is related to setting up 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 , Risalpur, Swat, Buner and Quetta, also where most of the raw material is coming from the quarries or where processing units.

### ***Product:***

The Trading house will be trading in Marble and Granite blocks and slabs in local and international market.

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

Target market for the trading house is local processing industry of Karachi, Lahore, Multan , Gujranwala , Peshawar, Karachi and internationally at Dubai, Saudia, Qatar etc.

***Employment Generation:*** The proposed project will provide direct employment to 3 people.

***Profitability:*** The Financial Analysis shows that the business will be profitable from the very first year of operation.

## **CRITICAL FACTORS**

The following factors should be considered thoroughly:

- Efficient and cost effective procurement & sourcing.
- Entrepreneur himself should thoroughly understand marble and granite value chain and 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.

- Customer services through advice on cost effective transportation and maintaining a list of transporters for the purpose. Clear communication to the customers about expected colour variation.
- Quality and timely delivery of products as required by clients.

## **GEOGRAPHICAL POTENTIAL FOR INVESTMENT**

Marble and onyx 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 Gujranwala, Islamabad/Rawal pindi, Karachi, Lasbela, Lahore, Peshawar, and Nowshehra/Risalpur. About 50% to 60% of the marble processors of Baluchistan and Khyber Pakhtunkhwa prefer to produce Gutka/Sheet and Slabs for which they need blocks from quarries.

Slabs and Gutka is sold to the small scale Tile Manufacturing Units of distant locations, as these small units don't have blocks cutting machines. They only need resize the slabs as per end user requirement.

Large scale processing units located at Islamabad, Buner, Peshawar , Karachi and quetta need blocks from quarries for primary cutting, hence the project may sale blocks to these processing units.

## **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)	41%
Payback Period (yrs)	2.8
Net Present Value (NPV) (Rs.)	2.7m

Returns on the scheme and its profitability are highly dependent on the efficiency of efficient procurement system from marble suppliers, quarry owners, 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 (10%)	Rs.147,250
Bank Loan (90 %.)	<b>Rs.1,472,500</b>
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>
Furniture and Fixtures & Equipment		226,000
<b>TOTAL</b>		<b>226,000</b>
<b>NET INITIAL WORKING CAPITAL/Cash in Hand for Investment</b>		1,246,500
<b>TOTAL PROJECT COST</b>		<u>1,472,500</u>
<b>EQUITY</b>	10%	147,250
<b>BANK FINANCING</b>	90%	1,325,250
		<u><b>1,472,500</b></u>

## ***Administration Marketing and Other Expenses***

Note	Years							
	1	2	3	4	5	6	7	8
Salary and benefits	360,000	396,000	435,600	479,160	527,076	579,784	637,762	701,538
Electricity	60,000	63,000	66,150	69,458	72,930	76,577	80,406	84,426
Communication	60,000	63,000	66,150	69,458	72,930	76,577	80,406	84,426
Printing and Stationary	10,000	10,500	11,025	11,576	12,155	12,763	13,401	14,071
Vehicle up keep	24,000	25,200	26,460	27,783	29,172	30,631	32,162	33,770
Building Rent	180,000	189,000	198,450	208,373	218,791	229,731	241,217	253,278
Entertainment expenses	20,000	21,000	22,050	23,153	24,310	25,526	26,802	28,142
Bank charges	5,000	5,500	6,050	6,655	7,321	8,053	8,858	9,744
Depreciation	22,600	22,600	22,600	22,600	22,600	22,600	22,600	22,600
	-	-	-	-	-	-	-	-
	741,600	795,800	854,535	918,214	987,286	1,062,240	1,143,614	1,231,995

## ***Human Resource Requirement:***

S.No	Staff	No. of employees	Monthly salaries	Annual salaries
1	Marketing officer	1	20,000	180,000
2	Peon	1	15,000	180,000
TOTAL		2	35,000	360,000

### ***Detail of Assets Required:***

Description	Qty	Cost Rs.	Total Rs.
Sofa Set	1	40000	40,000
Chairs	4	2000	8,000
Tables	1	4000	4,000
Cabinets	1	4000	4,000
Computer	2	60000	120,000
Printers	1	20000	20,000
Camera	1	30000	30,000
			226,000

### ***Projected Revenue Stream/Sales:***

**Sales Per Year**  
(tons)

**5500** at 100 %

Year	1	2	3	4	5	6	7	8
Per Year Efficiency %	60%	60%	65%	70%	75%	80%	85%	90%
Sales in Tons	3,300	3,300	3,575	3,850	4,125	4,400	4,675	4,950
Profit Margin per ton	400	420.0	441.0	463.1	486.2	510.5	536.0	562.8
Total Sales Revenues	1,320,000	1,386,000	1,576,575	1,782,743	2,005,585	2,246,256	2,505,979	2,786,059
Per Month Sales (tons)	275	275	298	321	344	367	390	413

### ***Depreciation on Assets***

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

- Furniture & Fixtures 10%

### **PROJECTED FINANCIAL STATEMENTS:**

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

***Projected Income Statement:***

**Marble & Granite Trading House  
PROJECTED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDING ON 30 JUNE**

APPENDIX	Years							
	1	2	3	4	5	6	7	8
	(PKR)							
<b>SALES</b>	<b>1,320,000</b>	<b>1,386,000</b>	<b>1,576,575</b>	<b>1,782,743</b>	<b>2,005,585</b>	<b>2,005,585</b>	<b>2,005,585</b>	<b>2,005,585</b>
Operating cost	2	-	-	-	-	-	-	-
<b>GROSS PROFIT</b>	<b>1,320,000</b>	<b>1,386,000</b>	<b>1,576,575</b>	<b>1,782,743</b>	<b>2,005,585</b>	<b>2,005,585</b>	<b>2,005,585</b>	<b>2,005,585</b>
Administration marketing and other expenses	3	741,600	795,800	854,535	918,214	987,286	1,062,240	1,143,614
<b>Markup Payment on Loan</b>		106,020	106,020	94,138	81,306	67,447	52,479	36,314
		-	-	-	-	-	-	-
<b>NET PROFIT BEFORE TAX</b>		472,380	484,180	627,902	783,223	950,853	890,867	825,658
Provision for taxation		7,238	8,418	22,790	39,983	65,128	56,130	46,349
<b>PROFIT / (LOSS) AFTER TAX</b>		<b>465,142</b>	<b>475,762</b>	<b>605,112</b>	<b>823,206</b>	<b>1,015,981</b>	<b>946,997</b>	<b>872,007</b>
Un- appropriated profit / (loss) b/f		-	465,142	940,904	618,406	576,645	637,050	633,619
		465,142	940,904	1,546,016	1,441,612	1,592,626	1,584,047	1,505,626
Appropriation of profits		-	-	927,609	864,967	955,576	950,428	903,375
<b>Un-appropriated profit / (loss) carried forward to balance sheet</b>		<b>465,142</b>	<b>940,904</b>	<b>618,406</b>	<b>576,645</b>	<b>637,050</b>	<b>633,619</b>	<b>602,250</b>
								<b>557,078</b>

## Projected Cash Flow Statement:

Marble & Granite Trading House  
PROJECTED CASH FLOW STATEMENT  
FOR THE YEAR ENDING ON 30 JUNE

Start	Years							
	1	2	3	4	5	6	7	8
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
Profit / (Loss) before taxation	472,380	484,180	627,902	783,223	950,853	890,867	825,658	754,735
Adjustment for								
- Depreciation	22,600	22,600	22,600	22,600	22,600	21,000	21,000	21,000
- Financial charges	5,000	5,500	6,050	6,655	7,321	8,053	8,858	9,744
Profit before working capital changes	499,980	512,280	656,552	812,478	980,774	919,919	855,516	785,478
Change in working capital:								
Increase/(Decrease) in current assets								
Accounts receivable	(110,000)	(5,500)	(15,881)	(17,181)	(18,570)	-	-	-
Stores and Spares	-	-	-	-	-	-	-	-
	(110,000)	(5,500)	(15,881)	(17,181)	(18,570)	-	-	-
Increase/(Decrease) in accrued liabilities	40,000	3,500	3,825	4,181	4,572	5,000	5,470	5,985
	429,980	510,280	644,496	799,478	966,775	924,919	860,986	791,463
Payment of financial charges	(5,000)	(5,500)	(6,050)	(6,655)	(7,321)	(8,053)	(8,858)	(9,744)
Payment of Tax	(7,238)	(8,418)	(22,790)	(39,983)	(65,128)	(56,130)	(46,349)	(35,710)
Payment of Loan installment	-	(148,524)	(160,406)	(173,238)	(187,097)	(202,065)	(218,230)	(235,689)
Net cash flow from operating activities	<b>417,742</b>	<b>347,838</b>	<b>455,250</b>	<b>579,602</b>	<b>707,229</b>	<b>658,672</b>	<b>587,549</b>	<b>510,321</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>								
Purchase of fixed assets	(226,000)	-	-	-	-	-	-	-
Net cash flow from Investing activities	(226,000)	-	-	-	-	-	-	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>								
Equity contribution	147,250	-	-	-	-	-	-	-
Payment of Profits	-	-	(927,609)	(816,987)	(858,230)	(911,490)	(887,800)	(829,387)
Long Term Loan(Debt)	1,325,250	-	-	-	-	-	-	-
Net cash flow from financing activity	1,472,500	-	(927,609)	(816,987)	(858,230)	(911,490)	(887,800)	(829,387)
<b>Net cash flow for the year</b>	<b>1,246,500</b>	<b>417,742</b>	<b>347,838</b>	<b>(472,360)</b>	<b>(237,386)</b>	<b>(151,001)</b>	<b>(252,818)</b>	<b>(319,067)</b>
Cash and bank balances at the beginning of year	-	1,246,500	1,664,242	2,012,080	1,539,720	1,302,334	1,151,334	898,515
Cash and bank balances at the end of the year	<b>1,246,500</b>	<b>1,664,242</b>	<b>2,012,080</b>	<b>1,539,720</b>	<b>1,302,334</b>	<b>1,151,334</b>	<b>898,515</b>	<b>279,197</b>

## Projected Balance Sheet:

**Marble & Granite Trading House**  
**PROJECTED BALANCE SHEET**  
**AS AT YEAR ENDED 30 JUNE**

	Start	Years							
		1	2	3	4	5	6	7	8
<b>LIABILITIES</b>		<b>(PKR)</b>							
<b>CAPITAL AND RESERVES</b>									
Equity	147,250	147,250	147,250	147,250	147,250	147,250	147,250	147,250	147,250
Accumulated profit / loss		465,142	940,904	618,406	544,658	572,153	607,660	591,867	552,925
	147,250	612,392	1,088,154	765,656	691,908	719,403	754,910	739,117	700,175
<b>CURRENT LIABILITIES</b>									
Accrued liabilities	-	40,000	43,500	47,325	51,506	56,078	61,078	66,548	72,533
Long Term Loans	1,325,250	1,325,250	1,176,726	1,016,320	843,082	655,984	453,919	235,689	0
	<b>1,472,500</b>	<b>1,977,642</b>	<b>2,308,380</b>	<b>1,829,301</b>	<b>1,586,496</b>	<b>1,431,466</b>	<b>1,269,907</b>	<b>1,041,353</b>	<b>772,707</b>
<b>ASSETS</b>									
<b>FIXED ASSETS</b>									
Fixed Assets	226,000	226,000	226,000	226,000	226,000	226,000	226,000	226,000	226,000
depreciation	-	22,600	45,200	67,800	90,400	113,000	135,600	158,200	180,800
Total Fixed Asset	226,000	203,400	180,800	158,200	135,600	113,000	90,400	67,800	45,200
<b>CURRENT ASSETS</b>									
Accounts receivable	-	110,000	115,500	131,381	148,562	167,132	167,132	167,132	167,132
Store and spares	-	-	-	-	-	-	-	-	-
Cash and bank balances	1,246,500	1,664,242	2,012,080	1,539,720	1,302,334	1,151,334	1,012,375	806,421	560,375
Total Current Assets	<b>1,246,500</b>	<b>1,774,242</b>	<b>2,127,580</b>	<b>1,671,101</b>	<b>1,450,896</b>	<b>1,318,466</b>	<b>1,179,507</b>	<b>973,553</b>	<b>727,507</b>
	<b>1,472,500</b>	<b>1,977,642</b>	<b>2,308,380</b>	<b>1,829,301</b>	<b>1,586,496</b>	<b>1,431,466</b>	<b>1,269,907</b>	<b>1,041,353</b>	<b>772,707</b>

## LOAN AMMORTIZATION SCHEDULE:

Loan Amortization Schedule					
<b>Loan Amount:</b>	<b>Rs. 1,325,250</b>	<b>Tenure:</b>	<b>8 years</b>	<b>Mark-up per year:</b>	<b>8%</b>
				<b>Grace Period:</b>	<b>1 Year</b>
Loan Schedule					
Instalment	Opening Balance	Instalment	Principal	Interest	Closing Balance
1	Rs. 1,325,250	Rs. 106,020	Rs. 0	Rs. 106,020	Rs. 1,325,250
2	Rs. 1,325,250	Rs. 254,544	Rs. 148,524	Rs. 106,020	Rs. 1,176,726
3	Rs. 1,176,726	Rs. 254,544	Rs. 160,406	Rs. 94,138	Rs. 1,016,320
4	Rs. 1,016,320	Rs. 254,544	Rs. 173,238	Rs. 81,306	Rs. 843,082
5	Rs. 843,082	Rs. 254,544	Rs. 187,097	Rs. 67,447	Rs. 655,984
6	Rs. 655,984	Rs. 254,544	Rs. 202,065	Rs. 52,479	Rs. 453,919
7	Rs. 453,919	Rs. 254,544	Rs. 218,230	Rs. 36,314	Rs. 235,689
8	Rs. 235,689	Rs. 254,544	Rs. 235,689	Rs. 18,855	Rs. 0

## USEFUL LINKS

- Prime Minister's Office [www.pmo.gov.pk](http://www.pmo.gov.pk)
- Pakistan Stone Development Company [www.pasdec.org.pk](http://www.pasdec.org.pk)
- Small & Medium Enterprises Development Authority
- 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)



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