

BUSINESS PROPOSAL

PRIME MINISTER YOUTH PROGRAM

Cobble Stone Manufacturing Unit

BY
PAKISTAN STONE DEVELOPMENT COMPANY

2019

Contents

Contents2

DISCLAIMER4

PURPOSE OF THE DOCUMENT4

INTRODUCTION TO PASDEC5

EXECUTIVE SUMMARY.....5

BRIEF DESCRIPTION OF PROJECT AND PRODUCT6

 Location:6

 Product:6

 Target Market:6

 Employment Generation:6

 Profitability:6

CRITICAL FACTORS6

GEOGRAPHICAL POTENTIAL FOR INVESTMENT7

PROJECT COST SUMMARY7

 Project Financial Analysis:8

 Project Financing8

PROJECT COST AND ITS FINANCING PLAN9

OPERATING EXPENSES/COST OF GOOD PRODUCED10

OPERATING EXPENSES/COST OF GOOD PRODUCED10

ADMINISTRATION MARKETING AND OTHER EXPENSES11

 Human Resource Requirement:12

 DETAIL OF ASSETS.....12

 Depreciation on Assets13

 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 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 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.

EXECUTIVE SUMMARY

Cobble Stone Manufacturing Unit is proposed to be located at or near Marble Processing clusters of, Gujranwala, Lahore, Lasbella, Multan, Peshawar, Karachi Rawalpinidi, 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

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

OPERATING EXPENSES/COST OF GOOD PRODUCED

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

ADMINISTRATION MARKETING AND OTHER EXPENSES

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

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
					-
					122,000

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;">180,000</td></tr> </table>	Pieces	180,000	<table border="1" style="margin: auto;"> <tr><td style="text-align: center;">Sales price per piece</td></tr> </table>	Sales price per piece
Pieces					
180,000					
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	180,000	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		-	-	-	-	-
		-	-	-	-	-
	180,000	126,000	126,000	144,000	162,000	180,000
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)				
SALES		3,906,000	4,101,300	4,921,560	5,813,593	6,782,525
Operating cost	2	(2,429,890)	(2,494,488)	(2,690,068)	(2,889,181)	(3,092,007)
GROSS PROFIT		1,476,110	1,606,813	2,231,492	2,924,412	3,690,518
Administration marketing and other expenses	3	992,360	1,047,237	1,108,663	1,174,117	1,243,889
Markup Payment on Loan		156,902	156,902	139,318	120,327	99,816
		-	-	-	-	-
NET PROFIT BEFORE TAX		326,848	402,674	983,511	1,629,968	2,346,813
Provision for taxation		-	267	70,027	173,494	316,863
PROFIT / (LOSS) AFTER TAX		326,848	402,406	913,484	1,803,461	2,663,675
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
Un-appropriated profit / (loss) carried forward to balance sheet		326,848	729,254	657,095	984,223	1,459,159

Projected Cash Flow Statement:

PROJECTED CASH FLOW STATEMENT FOR THE YEAR ENDING ON 30 JUNE

	Start	Years				
		1	2	3	4	5
CASH FLOW FROM OPERATING ACTIVITIES						
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		336,531	442,467	883,879	1,749,141	2,582,711
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of fixed assets	(1,422,000)	-	-	-	-	-
Net cash flow from Investing activities	(1,422,000)	-	-	-	-	-
CASH FLOW FROM FINANCING ACTIVITIES						
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)
Net cash flow for the year	885,389	336,531	442,467	(101,763)	272,807	393,972
Cash and bank balances at the beginning of year	-	885,389	1,221,920	1,664,387	1,562,624	1,835,431
Cash and bank balances at the end of the year	885,389	1,221,920	1,664,387	1,562,624	1,835,431	2,229,403

Projected Balance Sheet:

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

	Start	Years				
		1	2	3	4	5
<u>LIABILITIES</u>						(PKR)
CAPITAL AND RESERVES						
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
CURRENT LIABILITIES						
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
	2,307,389	2,703,070	2,889,612	2,584,296	2,659,546	2,862,385
<u>ASSETS</u>						
FIXED ASSETS						
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
CURRENT ASSETS						
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	885,389	1,553,270	2,012,012	1,978,896	2,326,346	2,801,385
	2,307,389	2,703,070	2,889,612	2,584,296	2,659,546	2,862,385

LOAN AMMORTIZATION SCHEDULE:

Loan Amortization Schedule					
Loan Amount:	Rs. 1,961,281	Tenure:	5 years	Mark-up per year:	10%
				Grace Period:	1 Year
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
- Small & Medium Enterprises Development Authority
- Pakistan Stone Development Company www.pasdec.org.pk
- National Bank of Pakistan (NBP) www.nbp.com.pk
- First Women Bank Limited (FWBL) www.fwbl.com.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 Pakhtoonkhwa 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

CONTACT DETAILS:

Pakistan stone Development Company

2nd Floor ICCI Building G 8/1 Islamabad

051-9263465-7