

BUSINESS PROPOSAL

PRIME MINISTER YOUTH BUSINESS LOAN

Marble & Granite Trading House

BY
PAKISTAN STONE DEVELOPMENT COMPANY

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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

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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.

EXECUTIVE SUMMARY

Marble & Granite Trading House 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, 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 %.)	Rs.1,472,500
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)
Furniture and Fixtures & Equipment		226,000
TOTAL		226,000
NET INITIAL WORKING CAPITAL/Cash in Hand for Investment		1,246,500
TOTAL PROJECT COST		<u>1,472,500</u>
EQUITY	10%	147,250
BANK FINANCING	90%	1,325,250
		<u>1,472,500</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)							
SALES	1,320,000	1,386,000	1,576,575	1,782,743	2,005,585	2,005,585	2,005,585	2,005,585
Operating cost	2	-	-	-	-	-	-	-
GROSS PROFIT	1,320,000	1,386,000	1,576,575	1,782,743	2,005,585	2,005,585	2,005,585	2,005,585
Administration marketing and other expenses	3	741,600	795,800	854,535	918,214	987,286	1,062,240	1,143,614
Markup Payment on Loan		106,020	106,020	94,138	81,306	67,447	52,479	36,314
		-	-	-	-	-	-	-
NET PROFIT BEFORE TAX		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
PROFIT / (LOSS) AFTER TAX		465,142	475,762	605,112	823,206	1,015,981	946,997	872,007
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
Un-appropriated profit / (loss) carried forward to balance sheet		465,142	940,904	618,406	576,645	637,050	633,619	602,250
								557,078

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
CASH FLOW FROM OPERATING ACTIVITIES								
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	417,742	347,838	455,250	579,602	707,229	658,672	587,549	510,321
CASH FLOW FROM INVESTING ACTIVITIES								
Purchase of fixed assets	(226,000)	-	-	-	-	-	-	-
Net cash flow from Investing activities	(226,000)	-	-	-	-	-	-	-
CASH FLOW FROM FINANCING ACTIVITIES								
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)
Net cash flow for the year	1,246,500	417,742	347,838	(472,360)	(237,386)	(151,001)	(252,818)	(319,067)
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	1,246,500	1,664,242	2,012,080	1,539,720	1,302,334	1,151,334	898,515	279,197

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
LIABILITIES		(PKR)							
CAPITAL AND RESERVES									
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
CURRENT LIABILITIES									
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
	1,472,500	1,977,642	2,308,380	1,829,301	1,586,496	1,431,466	1,269,907	1,041,353	772,707
ASSETS									
FIXED ASSETS									
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
CURRENT ASSETS									
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	1,246,500	1,774,242	2,127,580	1,671,101	1,450,896	1,318,466	1,179,507	973,553	727,507
	1,472,500	1,977,642	2,308,380	1,829,301	1,586,496	1,431,466	1,269,907	1,041,353	772,707

LOAN AMMORTIZATION SCHEDULE:

Loan Amortization Schedule					
Loan Amount:	Rs. 1,325,250	Tenure:	8 years	Mark-up per year:	8%
				Grace Period:	1 Year
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
- Pakistan Stone Development Company www.pasdec.org.pk
- Small & Medium Enterprises Development Authority
- 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