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# Pre-Feasibility Study

## Poultry Feed Mill



**SME Business Facilitation Center (SMEBFC), Multan**

**&**

**Small and Medium Enterprises Development Authority  
(SMEDA)**

**Ministry of Industries & Production  
Government of Pakistan**

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## 1. DISCLAIMER

This information memorandum is to introduce the subject matter and provide a general idea and information on the said matter. 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 is basis without any warranties or assertions as to the correctness or soundness thereof. Although, due care and diligence has been taken 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. SMEBFC Multan and SMEDA, their 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.

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### Document Control

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## 2. EXECUTIVE SUMMARY

This pre-feasibility study provides basic information for setting up **Poultry Feed Mill** in any industrial area of 1<sup>st</sup> and 2<sup>nd</sup> tier of urban cities across Pakistan. This unit will fulfill the nutritional need of starter, grower, finisher and layer feed of poultry with proposed production of 20%, 40%, 25% and 15% production respectively. The unit will produce 7,920 tons of poultry feed annually at initial production capacity at 60% in year one. Annual increase in production capacity is 5% and maximum production capacity is assessed to be 100% within the project life.

Total cost is estimated at **Rs.146 million** with fixed investment **Rs. 62 million** and working capital **Rs. 84 million**. Given the cost assumptions Internal Rate of Return (IRR) is **35%** and Payback Period is **4.30** years, while the Net Present Value (NPV) of the project is **Rs. 257 million**. This project can be started as sole-proprietorship, partnership or single member company (SMCs)/Private Limited Company. However, in this document the legal business status of the project is assumed to be 'sole-proprietorship'

The project will create employment opportunities for 30 individuals including the owner manager. The success of the project is linked with efficient inventory management, updated machinery and knowledge about market dynamics. As an industry practice the raw material is procured for four to six months as a safety stock to gain maximum cost benefits.

### **3. INTRODUCTION TO SMEDA AND SMEBFC, MULTAN**

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with an objective to provide 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'. Business Development Services are offered to the SMEs by SMEDA including need-based training programs, guidance for business development and Pre-Feasibility studies for investment opportunities.

SME Business Facilitation Center (SMEBFC) Multan is a PSDP Project of SMEDA, Mol&P, Government of Pakistan. The Facilitation Center, managed by SMEDA, is one-stop facility for the development requirements of SMEs of South Punjab region. The Center facilitates on information, products and services related to marketing, technology, support in access to finance, regulatory compliance, business registration, corporatization, taxation and capacity building support and services to the SMEs and potential entrepreneurs.

Identification of region-specific investment opportunities and Over the Counter (OTC) products development is one of the important components of service delivery of SMEBFC Multan to SMEs with an aim to provide essential information for investment decisions to prospective investors.

Concurrent to the prefeasibility studies, a broad spectrum of business development services is also offered to the SMEs. These services include identification of experts and consultants and delivery of need based capacity building programs of different types in addition to guidance on various important aspects of business.

#### **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 **Poultry Feed Mill** 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**

The poultry sector is an important segment of agriculture in Pakistan. The proposed project will produce four different types of feeds to cater nutritional requirements of two major types of commercial poultry in Pakistan.

Poultry production/farming is being done on large scale and providing significant portion of the daily proteins to the Pakistani population. This fact provides an opportunity rationale for establishing poultry feed mill.

The proposed unit will produce 5 tons of feed per hour on 8 hours single shift basis. The initial installed capacity is assumed to be 60%. The project will provide employment to 30 persons and the legal status of the business shall be sole-proprietorship.

### 5.1 Product Mix

The project will produce Poultry feeds of three different types.

**Figure 1: Product Mix in Poultry Feed**



#### 5.1.1 Mash

To put it simply mash may be a loose and unprocessed version of chicken feeds. Just like the feel of potting soil, mash is the finest kind of chicken feed. Mash is generally used for baby chickens, because it is easy to digest, but it's not uncommon for mature chooks to be fed with mash.

#### 5.1.2 Crumble

In simple terms crumble may be a coarse kind of mash however not as compact of pellets. Such as the feel of oatmeal, crumble may be a semi-loose kind of chicken feed that is slightly easier to manage than mash. Some farmers use crumble to bridge the gap between mash and pellets for the flock.



### 5.1.3 Pellets

Pellets are the most common type of feed in the market. Rather like it sounds, pellets are compact cylinders of chicken feed. One amongst the advantages of using pellets is that they hold their form leading to reduced wastage. Moreover, it is easy to manage and store.

## 5.2 Layer Feed VS Broiler Feed

### Poultry Feed – Layer

- Bird's body weight is associated with feed consumption per day that differs for layers and broilers.
- Aim of layer's diet is to optimize egg production, in terms of egg number and egg size.
- Peak of laying is around 32 weeks.

**Table 1: Egg Laying Birds' Feed Consumption Per Day in Grams as Per Age**

Age	Feed Consumption (Grams/Day)
Week 1- 17	13-80
Week 18 onwards	100-105

### Poultry Feed - Broiler

- Feed for broilers to be sold as whole bird or in pieces will differ from broiler feed meant for boneless meat
- For broilers, ideal nutrient density is 3 kg per day consumption for a 2 kg bird

**Table 2: Broilers' Feed Consumption Per Day in Grams as Per Age**

Age	Feed Consumption (Grams/Day)
Week 1- 5	10-100
Week 5-9	100-200

### 5.3 Poultry Feed Formulation

Feed formulation is the process of quantifying the amounts of feed ingredients to be combined to form a single uniform mixture (diet) for poultry that fulfills nutritional requirements. The feed accounts for 65-75% of total live production costs for most types of poultry throughout the world. It is therefore, essential that formulations are accurate as inaccuracies would incur additional cost.

Broilers have different feed requirements in terms of energy, proteins, and minerals during different stages of growth. They require high protein content in starter rations for development of muscles, feathers etc. Whereas, the energy requirement for fat deposit increases in growers and finishers rations. Therefore, broilers feed should contain 22 – 24 per cent Digestible Crude Proteins (DCP).

On the other hand, Layers need feed with Digestible Crude Protein (DCP) between 18 to 20 per cent. Amino acids are important nutrients in feeds for all animals. It is therefore necessary to feed young layers with feed having protein contents between 16 and 18 per cent for quick growth.

### 5.4 Production Process Flow

The manufacturing process of Poultry feed is divided into various stages. There are specialized feed processing equipments for each stage of production process. The typical feed production processing is given below;

#### Step 1: Raw Materials Procurement and Cleaning

The first step involves procurement and cleaning of raw material such as maize, soya bean seeds, canola seed etc used for making pellet feed.

#### Step 2: Crushing

The material is then passed through the hammer mill, where it is ground into a size suitable for making feed pellets.

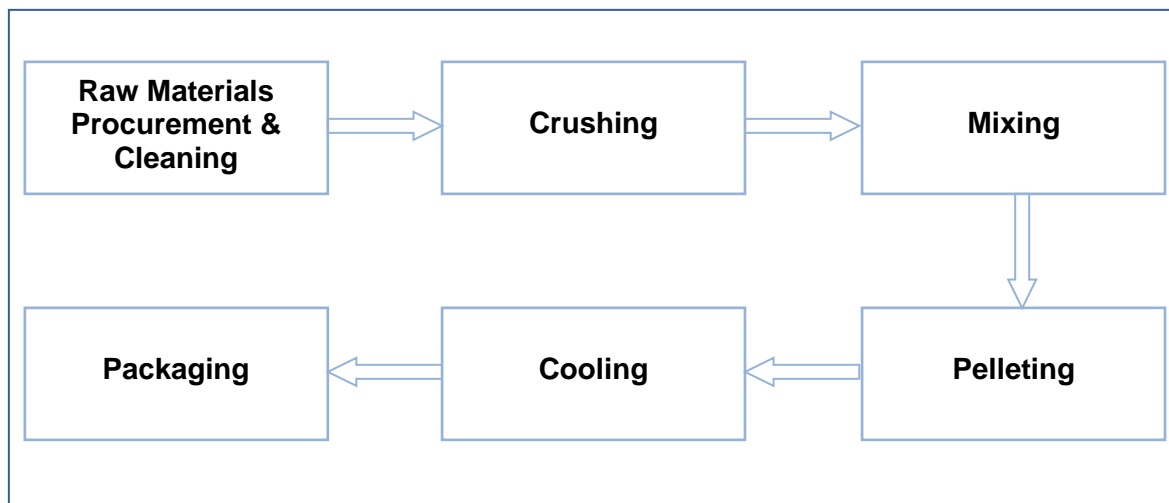
### Step 3: Mixing

The crushed fodder materials are then passed through a feed mixing machine, where different ingredients are added to the feed raw material to ensure that the finished pellet contains all the required nutrients.

### Step 4: Pelleting

The Pelleting Process is the most important stage in the poultry feed production. The feed powder is converted into pellets of the desired size and shape. Compared to the flat die feed pellet machine, the ring die feed pellet machine has a larger capacity.

**Figure 2: Production Process Flow Diagram**



### Step 5: Cooling

The feed pellets are produced at a temperature of 88 degree centigrade and have a moisture level of 17-18%. For cooling, drying and storage, the moisture level should be reduced to 10-12%. Hence, the feed pellets are passed through the pellet cooler, where they are cooled to almost room temperature, and dried to reduce the moisture levels.

## Step 6: Packaging

Once the animal feed pellets are produced, a semi-automatic packing machine is used to pack the pelleted feed in bags storage or transportation to the end customers. A computerized machine measures the feed of a specific amount for each bag and pneumatically discharges the bag for packing. The bags move on a conveyor to the area where machines will automatically stitch the open tops of the bag.

### 5.5 Poultry Feed Ingredients:

The poultry feed includes different ingredients. Usually, a small amount of premix of minerals and vitamins are used to fulfill the nutritional needs of poultry. Maize and Soybean meal are the key constituents in terms of formulation of feed.

However, this feasibility is based on basic ingredients as per industry practices upon which the financial estimation is based. As per need of the farming, these components may be changed for specific nutrition requirements of poultry.

### 5.6 Installed and Operational Capacities

The installed and operational capacity of Poultry Feed Manufacturing business venture mainly depends on the acquired plant and machinery. The proposed unit has an installed capacity of manufacturing 5 ton of feed per hour. It will operate in 8 hours single-shift per day. The unit will produce 7,920 tons of feed annually with 330 operational days. The production capacity for first year is calculated at 60% utilization. This production capacity is proposed to increase at 5% annually in subsequent years up to maximum capacity of 100%. This production capacity is estimated to be economically viable and justifies the capital as well as operational costs of the project.

## 6. CRITICAL FACTORS

Following are the factors critical for success of this venture;

- Technical know-how and relevant experience of entrepreneur.

- Availability of skilled labor having technical knowledge.
- Ability to generate work orders through industrial networking, direct marketing and negotiating long term contracts.
- Higher return on investment and a steady growth of business is closely associated with regular training and capacity building of the entrepreneur and employees.
- Procurement of the raw material at competitive rates during its harvesting season and proper storage are critically important for this business. The nutritional quality of the product and its cost competitiveness is highly associated with raw material procurement at competitive rates.
- Selection of appropriate machinery, technology and human resources.
- Stringent supervision of the production process at every level.
- Knowledge about local environmental regulations and compliance requirements.
- The most important factor for the success of the project would be the quality products and customer satisfaction in order to get a comparative advantage and repeat orders.

## **7. GEOGRAPHICAL POTENTIAL FOR INVESTMENT**

For the success of the project, it is important to find a location preferably in an industrial cluster where utilities especially electricity and other infrastructural facilities are conveniently available. Presently, In South Punjab, Multan and Vehari are the Poultry feed manufacturing center of the country, followed by Karachi, Faisalabad, Lahore, Okara, Gujranwala, Sahiwal, Hyderabad, Peshawar and Rawalpindi.

Therefore, all industrial clusters in Lahore, Karachi, Hub / Lasbela, Hyderabad, Gujranwala, Multan, Rawalpindi, Quetta and Peshawar etc. are suitable to house this project. Establishing the unit in large cities would have an advantage of being close to large buyers, which may lead to consistent orders and referrals.

## 8. POTENTIAL TARGET CUSTOMERS / MARKETS

Major target markets for proposed unit includes owners of poultry farms, Whole sale markets. There is also a growing demand for the product in Hyderabad, Sukkur, Shikarpur, Gujranwala, Multan, Rawalpindi, Quetta and Peshawar etc.

## 9. PROJECT COST SUMMARY

### 9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 326 million in the year one. The capacity utilization during year one is worked out at 60% with 5% increase in subsequent years up to the maximum capacity utilization of 100%.

The following table shows internal rate of return, payback period and net present value of the proposed venture.

**Table 3: Project Economics**

Description	Details
Internal Rate of Return (IRR)	35%
Payback Period (yrs.)	4.30
Net Present Value (Rs.)	257 Million

### 9.2 Project Financing

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

**Table 4: Project Financing**

Description	Details
Total Equity (100%)	Rs.146 Million
Bank Loan (0%)	-
Markup to the Borrower (%age / annum)	-
Tenure of the Loan (Years)	-

### 9.3 Project Cost

Following fixed and working capital requirements have been identified for operations of the proposed business.

<b>Table 5: Project Cost</b>	
<b>Description</b>	<b>Amount Rs.</b>
<b>Capital Cost</b>	
Land	8,000,000
Building/Infrastructure	27,680,000
Machinery & equipment	21,000,000
Furniture & fixtures	495,000
Office vehicles	1,515,000
Office equipment	676,900
Pre-operating costs	2,262,262
<b>Total Capital Cost</b>	<b>61,629,162</b>
<b>Working Capital</b>	
Equipment spare part inventory	32,313
Raw material inventory	83,283,530
Upfront insurance payment	75,750
Cash	1,000,000
<b>Total Working Capital</b>	<b>84,391,593</b>
<b>Total Project Cost</b>	<b>146,020,755</b>

### 9.4 Space Requirement and Civil Works

The space requirement for the **Poultry Feed Mill** is estimated considering various facilities including management office, production hall, storage, open space etc. Estimated land requirement is about 4 Kanals at market price of 2,000,000 per Kanal. Thus, the details of civil works on required space cost related to land & building are given below;

**Table 6: Civil works on Land**

Description	Estimated Area (Sqft)	Unit Cost (Rs.)	Total Cost (Rs.)
Office Block	1,500	3,000	4,500,000
Production Block	5,500	2,000	11,000,000
Raw Material Store	5,500	1,500	8,250,000
Finished Goods Store	1,500	1,500	2,250,000
Loading Area	750	1,000	750,000
Lab Area	300	2,500	750,000
Open Area	1,500	120	180,000
<b>Total</b>	<b>15,050</b>		<b>27,680,000</b>

### 9.5 Machinery & Equipment Requirement

Plant, machinery and equipment for the proposed project are stated below.

**Table 7: Machinery & Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Feed Mil Machinery for 5 Ton	1	16,500,000	16,500,000
Generator	1	4,500,000	4,500,000
<b>Total</b>			<b>21,000,000</b>



## 9.6 Furniture & Fixtures Requirement

Details of the furniture and fixture required for the project are given below

**Table 8: Furniture & Fixture**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Tables	15	15,000	225,000
Chairs	20	5,000	100,000
Sitting Benches	5	5,000	25,000
Storage Racks	5	15,000	75,000
Sofa Set	2	35,000	70,000
Total			<b>495,000</b>

## 9.7 Office Equipment Requirement

Following office equipment will be required for **Poultry Feed Mill**;

**Table 9: Office Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Laptop	1	50,000	50,000
Desktop Computers with UPS	2	35,000	70,000
Telephone Sets	4	1,200	4,800
Printer with photocopier	1	20,000	20,000
AC	2	90,000	180,000
Fire Extinguishers	2	2,800	5,600
Fans	15	3,500	52,500
Electric Lighting (Energy Savers)	300	500	150,000

Water Dispenser	2	22,000	44,000
Security Cameras	10	10,000	100,000
<b>Total</b>			<b>676,900</b>

### 9.8 Human Resource Requirement

In order to run operations of **Poultry Feed Mill** smoothly, details of human resources required along with number of employees and monthly salary are recommended as under;

**Table 10: Human Resource Requirement**

<b>Description</b>	<b>No. of Employees</b>	<b>Monthly Salary per person (Rs.)</b>
Owner	1	200,000
General Manager	1	150,000
Nutritionist	1	200,000
Production Manager	1	70,000
Accountant	1	25,000
Production Supervisor/Operator	3	30,000
Sales Officer	5	25,000
Lab Technician	1	20,000
Mechanical Technician	1	25,000
Electrician	1	25,000
Office Boy/House keeping	1	18,000
Driver	1	20,000
Direct Labor	6	20,000

Security Gards	2	18,000
Indirect Labor	4	18,000
<b>Total</b>	<b>30</b>	<b>864,000</b>

### 9.9 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity and gas. The direct electricity expenses are estimated to be around Rs 6,462,500 per annum. Furthermore, promotional expense being essential for marketing of **Poultry Feed Mill** is estimated as 0.2% of Sales expenses for the first four years. From fifth year the promotional expenses will be decreased to 80% of the preceding year uptill the project life.

### 9.10 Revenue Generation

Based on the capacity utilization of 20%, 40%, 25% and 15% for Starter, Grower, Finisher and Layer Breeds respectively, sales revenue during the first year of operations is estimated as under;

**Table 11: Revenue Generation – Year 1**

Description	No. of Units Produced (Kg.)	Finished Goods Inventory (Kg.)	Units available for Sale (No.)	Sale Price / Kg (Rs.) W.Avg	Sales Revenue (Rs.)
Starter	1,584,000	33,000	1,551,000	42.00	65,142,000
Grower	3,168,000	66,000	3,102,000	42.00	130,284,000
Finisher	1,980,000	41,250	1,938,750	42.00	81,427,500
Layer	1,188,000	24,750	1,163,250	42.00	48,856,500
<b>Total</b>					<b>325,710,000</b>

## 10. CONTACT DETAILS

In order to facilitate potential investors, contact details of private sector Service Providers relevant to the proposed project be given.

### 10.1 Machinery Suppliers

Name of Supplier	Address	Phone	E-mail	Website
Mr Ishtiaq Arif	Gujranwala	03002484176		
Asghar Ali (G.H Industry)	Climax Octri Post Samanabad Gujranwala, Pakistan	03007448688	industry.pk@gmail.com	

### 10.2 Raw Material Suppliers

Name of Supplier	Address	Phone	Fax	E-mail	Website
Mr Babar Nafees (Babar & Company)	Sahiwal	03004102223			
Mr. Imran Ali	Sialkot	03125960469			

### 10.3 Technical Experts / Consultants

Name of Expert/Organization	Address	Phone	E-mail	Website
Ch. Allah Ditta (Delta Nutrition Corporation)	Kot Rabnawaz, Vehari Road Multan	030488 88798	Allahditta.fc@gmail.com	
Abbasi Poultry Farms	Near BTM Khanpur, RahimyarKhan	033374 72401		

## 11. USEFUL WEB LINKS

<b>Small &amp; Medium Enterprises Development Authority (SMEDA)</b>	<a href="http://www.smeda.org.pk">www.smeda.org.pk</a>
<b>Government of Pakistan</b>	<a href="http://www.pakistan.gov.pk">www.pakistan.gov.pk</a>
<b>Ministry of Industries &amp; Production</b>	<a href="http://www.moip.gov.pk">www.moip.gov.pk</a>
<b>Ministry of Education, Training &amp; Standards in Higher Education</b>	<a href="http://moptt.gov.pk">http://moptt.gov.pk</a>
<b>Government of Punjab</b>	<a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>
<b>Government of Sindh</b>	<a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>
<b>Government of Khyber Pakhtunkhwa</b>	<a href="http://www.khyberpakhtunkhwa.gov.pk">www.khyberpakhtunkhwa.gov.pk</a>
<b>Government of Balochistan</b>	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
<b>Government of Gilgit Baltistan</b>	<a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>
<b>Government of Azad Jamu Kashmir</b>	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
<b>Security Commission of Pakistan (SECP)</b>	<a href="http://www.secp.gov.pk">www.secp.gov.pk</a>
<b>Federation of Pakistan Chambers of Commerce and Industry (FPCCI)</b>	<a href="http://www.fpcci.com.pk">www.fpcci.com.pk</a>
<b>State Bank of Pakistan (SBP)</b>	<a href="http://www.sbp.org.pk">www.sbp.org.pk</a>
<b>Punjab Small Industries Corporation</b>	<a href="http://www.psic.gop.pk">www.psic.gop.pk</a>
<b>Pakistan Horticulture Development and Export Company (PHDEC)</b>	<a href="http://www.phdec.org.pk">www.phdec.org.pk</a>
<b>Technical Education and Vocational Training Authority (TEVTA)</b>	<a href="http://www.tevta.org">www.tevta.org</a>
<b>Livestock &amp; Dairy Development Department, Government of Punjab.</b>	<a href="http://www.livestockpunjab.gov.pk">www.livestockpunjab.gov.pk</a>
<b>Punjab Industrial Estates (PIE)</b>	<a href="http://www.pie.com.pk">www.pie.com.pk</a>

## 12. ANNEXURES

### 12.1 Income Statement

Income Statement										
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
	Rs. in actuals									
Revenue	325,710,000	395,760,750	468,878,025	552,661,148	648,512,114	758,006,663	882,915,000	1,025,224,938	1,187,167,714	1,307,246,200
Cost of goods sold	265,786,178	322,057,933	380,784,683	448,017,999	524,871,528	612,596,592	717,522,907	831,859,012	961,867,027	1,058,734,080
Gross Profit	59,923,822	73,702,817	88,093,342	104,643,149	123,640,586	145,410,071	165,392,093	193,365,926	225,300,687	248,512,119
<i>General administration &amp; selling expenses</i>										
Administration expense	8,293,560	9,101,033	9,987,122	10,959,482	12,026,513	13,197,431	18,734,250	20,558,243	22,559,822	24,756,279
Rental expense	-	-	-	-	-	-	-	-	-	-
Utilities expense	770,352	847,387	932,126	1,025,339	1,127,872	1,240,660	1,364,726	1,501,198	1,651,318	1,816,450
Travelling & Comm. expense (phone, fax, etc.)	322,080	353,438	387,849	425,611	467,049	512,522	727,544	798,378	876,110	961,409
Office vehicles running expense	151,500	166,650	183,315	201,647	221,811	243,992	268,391	295,231	324,754	357,229
Office expenses (stationary, etc.)	322,080	353,438	387,849	425,611	467,049	512,522	727,544	798,378	876,110	961,409
Promotional expense	651,420	586,278	527,650	474,885	427,397	384,657	346,191	311,572	280,415	252,373
Insurance expense	75,750	60,600	45,450	30,300	15,150	121,996	97,597	73,198	48,798	24,399
Professional fees (legal, audit, etc.)	162,855	197,880	234,439	276,331	324,256	379,003	441,458	512,612	593,584	653,623
Depreciation expense	3,971,880	3,971,880	3,971,880	3,971,880	3,971,880	4,194,268	4,194,268	4,194,268	4,194,268	4,194,268
Amortization expense	452,452	452,452	452,452	452,452	452,452	-	-	-	-	-
Property tax expense	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense	3,257,100	3,957,608	4,688,780	5,526,611	6,485,121	7,580,067	8,829,150	10,252,249	11,871,677	13,072,462
Subtotal	18,431,029	20,048,645	21,798,914	23,770,149	25,986,551	28,367,117	35,731,117	39,295,327	43,276,855	47,049,900
Operating Income	41,492,793	53,654,172	66,294,428	80,873,000	97,654,035	117,042,954	129,660,975	154,070,598	182,023,831	201,462,219
Other income	489,140	1,734,928	3,458,068	5,488,605	7,856,151	10,637,359	13,666,544	16,853,435	21,159,264	45,238,303
Gain / (loss) on sale of assets	-	-	-	-	876,760	-	-	-	-	-
Earnings Before Interest & Taxes	41,981,933	55,389,100	69,752,496	86,361,605	106,386,946	127,680,313	143,327,520	170,924,034	203,183,095	246,700,522
Interest expense	-	-	-	-	-	-	-	-	-	-
Earnings Before Tax	41,981,933	55,389,100	69,752,496	86,361,605	106,386,946	127,680,313	143,327,520	170,924,034	203,183,095	246,700,522
Tax	-	-	-	-	-	-	-	-	-	-
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>41,981,933</b>	<b>55,389,100</b>	<b>69,752,496</b>	<b>86,361,605</b>	<b>106,386,946</b>	<b>127,680,313</b>	<b>143,327,520</b>	<b>170,924,034</b>	<b>203,183,095</b>	<b>246,700,522</b>

## 12.2 Balance Sheet

Balance Sheet											Rs. in actuals
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assets											
Current assets											
Cash & Bank	1,000,000	18,565,601	50,831,519	87,491,209	132,052,998	182,193,039	243,301,324	303,360,450	370,776,968	475,593,588	1,333,938,542
Accounts receivable	-	26,770,685	29,649,483	35,533,100	41,981,062	49,363,285	57,802,142	67,435,137	78,416,710	90,920,246	102,510,161
Finished goods inventory	-	5,655,025	6,720,310	7,944,837	9,346,690	10,949,080	12,778,088	14,965,715	17,349,420	20,059,792	22,056,960
Equipment spare part inventory	32,313	40,476	49,436	60,070	72,667	87,562	105,143	125,864	150,250	170,561	-
Raw material inventory	83,283,530	109,291,027	139,841,290	178,015,670	225,601,066	284,786,785	358,252,690	449,276,272	561,862,637	668,188,843	-
Pre-paid annual land lease	-	-	-	-	-	-	-	-	-	-	-
Pre-paid building rent	-	-	-	-	-	-	-	-	-	-	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Pre-paid insurance	75,750	60,600	45,450	30,300	15,150	121,996	97,597	73,198	48,798	24,399	-
Total Current Assets	84,391,593	160,383,414	227,137,488	309,075,187	409,069,633	527,501,747	672,336,984	835,236,636	1,028,604,782	1,254,957,429	1,458,505,663
Fixed assets											
Land	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
Building/Infrastructure	27,680,000	26,296,000	24,912,000	23,528,000	22,144,000	20,760,000	19,376,000	17,992,000	16,608,000	15,224,000	13,840,000
Machinery & equipment	21,000,000	18,900,000	16,800,000	14,700,000	12,600,000	10,500,000	8,400,000	6,300,000	4,200,000	2,100,000	-
Furniture & fixtures	495,000	445,500	396,000	346,500	297,000	247,500	198,000	148,500	99,000	49,500	-
Office vehicles	1,515,000	1,212,000	909,000	606,000	303,000	2,439,923	1,951,938	1,463,954	975,969	487,985	-
Office equipment	676,900	541,520	406,140	270,760	135,380	863,915	691,132	518,349	345,566	172,783	-
Total Fixed Assets	59,366,900	55,395,020	51,423,140	47,451,260	43,479,380	42,811,338	38,617,070	34,422,803	30,228,535	26,034,268	21,840,000
Intangible assets											
Pre-operation costs	2,262,262	1,809,810	1,357,357	904,905	452,452	-	-	-	-	-	-
Legal, licensing, & training costs	-	-	-	-	-	-	-	-	-	-	-
Total Intangible Assets	2,262,262	1,809,810	1,357,357	904,905	452,452	-	-	-	-	-	-
TOTAL ASSETS	146,020,755	217,588,243	279,917,985	357,431,351	453,001,465	570,313,084	710,954,054	869,659,438	1,058,833,317	1,280,991,696	1,480,345,663
Liabilities & Shareholders' Equity											
Current liabilities											
Accounts payable	-	29,585,556	36,526,197	44,287,068	53,495,577	64,420,250	77,380,907	92,758,771	111,008,616	129,983,900	82,637,344
Export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Short term debt	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Current Liabilities	-	29,585,556	36,526,197	44,287,068	53,495,577	64,420,250	77,380,907	92,758,771	111,008,616	129,983,900	82,637,344
Other liabilities											
Lease payable	-	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-	-	-	-	-	-
Long term debt	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Liabilities	-	-	-	-	-	-	-	-	-	-	-
Shareholders' equity											
Paid-up capital	146,020,755	146,020,755	146,020,755	146,020,755	146,020,755	146,020,755	146,020,755	146,020,755	146,020,755	146,020,755	146,020,755
Retained earnings	-	41,981,933	97,371,033	167,123,529	253,485,134	359,872,080	487,552,393	630,879,912	801,803,946	1,004,987,042	1,251,687,564
Total Equity	146,020,755	188,002,688	243,391,788	313,144,284	399,505,889	505,892,834	633,573,147	776,900,667	947,824,701	1,151,007,796	1,397,708,318
TOTAL CAPITAL AND LIABILITY	146,020,755	217,588,243	279,917,985	357,431,351	453,001,465	570,313,084	710,954,054	869,659,438	1,058,833,317	1,280,991,696	1,480,345,663
Note: Total assets value will differ from project cost due to first installment of leases paid at the start of year 0											

Note: Total assets value will differ from project cost due to first installment of leases paid at the start of year 0

## 12.3 Cash Flow Statement

### Cash Flow Statement

Cash Flow Statement											Rs. in actuals
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<i>Operating activities</i>											
Net profit	-	41,981,933	55,389,100	69,752,496	86,361,605	106,386,946	127,680,313	143,327,520	170,924,034	203,183,095	246,700,522
Add: depreciation expense	-	3,971,880	3,971,880	3,971,880	3,971,880	3,971,880	4,194,268	4,194,268	4,194,268	4,194,268	4,194,268
amortization expense	-	452,452	452,452	452,452	452,452	452,452	-	-	-	-	-
Deferred income tax	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	(26,770,685)	(2,878,798)	(5,883,617)	(6,447,962)	(7,382,223)	(8,438,857)	(9,632,995)	(10,981,573)	(12,503,536)	(11,589,915)
Finished good inventory	-	(5,655,025)	(1,065,285)	(1,224,527)	(1,401,853)	(1,602,390)	(1,829,008)	(2,187,627)	(2,383,704)	(2,710,372)	(1,997,168)
Equipment inventory	(32,313)	(8,163)	(8,960)	(10,635)	(12,597)	(14,894)	(17,581)	(20,721)	(24,386)	(20,311)	170,561
Raw material inventory	(83,283,530)	(26,007,497)	(30,550,263)	(38,174,380)	(47,585,396)	(59,185,719)	(73,465,905)	(91,023,582)	(112,586,365)	(106,326,206)	668,188,843
Pre-paid building rent	-	-	-	-	-	-	-	-	-	-	-
Pre-paid lease interest	-	-	-	-	-	-	-	-	-	-	-
Advance insurance premium	(75,750)	15,150	15,150	15,150	15,150	(106,846)	24,399	24,399	24,399	24,399	24,399
Accounts payable	-	29,585,556	6,940,642	7,760,870	9,208,509	10,924,673	12,960,657	15,377,865	18,249,845	18,975,284	(47,346,556)
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Cash provided by operations	(83,391,593)	17,565,601	32,265,918	36,659,690	44,561,789	53,443,879	61,108,285	60,059,126	67,416,517	104,816,620	858,344,954
<i>Financing activities</i>											
Change in long term debt	-	-	-	-	-	-	-	-	-	-	-
Change in short term debt	-	-	-	-	-	-	-	-	-	-	-
Change in export re-finance facility	-	-	-	-	-	-	-	-	-	-	-
Add: land lease expense	-	-	-	-	-	-	-	-	-	-	-
Land lease payment	-	-	-	-	-	-	-	-	-	-	-
Change in lease financing	-	-	-	-	-	-	-	-	-	-	-
Issuance of shares	146,020,755	-	-	-	-	-	-	-	-	-	-
Purchase of (treasury) shares	-	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financ	146,020,755	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(61,629,162)	-	-	-	-	(3,303,838)	-	-	-	-	-
Acquisitions	-	-	-	-	-	-	-	-	-	-	-
Cash (used for) / provided by invest	(61,629,162)	-	-	-	-	(3,303,838)	-	-	-	-	-
NET CASH	1,000,000	17,565,601	32,265,918	36,659,690	44,561,789	50,140,041	61,108,285	60,059,126	67,416,517	104,816,620	858,344,954
Cash balance brought forward		1,000,000	18,565,601	50,831,519	87,491,209	132,052,998	182,193,039	243,301,324	303,360,450	370,776,968	475,593,588
Cash available for appropriation	1,000,000	18,565,601	50,831,519	87,491,209	132,052,998	182,193,039	243,301,324	303,360,450	370,776,968	475,593,588	1,333,938,542
Dividend	-	-	-	-	-	-	-	-	-	-	-
Cash carried forward	1,000,000	18,565,601	50,831,519	87,491,209	132,052,998	182,193,039	243,301,324	303,360,450	370,776,968	475,593,588	1,333,938,542



## 13. KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

Description	Details
Shift Length	08 Hours
Number of Shifts	01 per day
Operation Days per Year	330 days

### 13.2 Production Cost Assumptions

Description	Details
Cost of Production per Kg	Rs 33.00 /-
Increase in Cost Price	10%
Production Capacity Year 1	7,920,000 Kg.
Production Capacity Utilization in Year 1	60%

### 13.3 Revenue Assumptions

Description	Details
Sale Price Per Kg (Weighted Avg.)	Rs. 42/-
Increase in Sale Price per Box each Year	10%

### 13.4 Financial Assumptions

Description	Details
Project Life	10 Year
Debt to Equity Ratio	0:100

## 14. REFERENCES

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