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# Pre-Feasibility Study

## PEANUT PROCESSING UNIT



### Small and Medium Enterprises Development Authority

#### Ministry of Industries & Production

#### Government of Pakistan

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December 2020

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## 1 DISCLAIMER

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### ***Document Control***

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## 2 EXECUTIVE SUMMARY

The peanut is also known as the groundnut is the most important cash crop of the barani area in Pakistan. Peanuts are high value crop that can be marketed with little processing but are extremely versatile and can be used in a wide range of products. Normally, peanuts are used in three different ways i.e., roasted peanuts, peanut butter and peanut candies.

This proposed pre-feasibility study presents an investment opportunity for establishing a manufacturing plant for processing of Peanuts. The proposed product line will consist of Roasted Peanuts, Peanut Butter and Peanut Candies. The unit is proposed to be located at the adjoining areas of major cities like Islamabad, Multan, Quetta, Lahore, Peshawar and Karachi etc. for distribution to house hold consumers and retailers. Since the demand of above products are higher in urban cities so the unit is recommended to be located near above cities.

The total production capacity of Roasted Peanuts, Peanut Butter and Peanut Candies are 90,000 kgs, 30,000 bottles (500 gram/bottle) and 6 million candies per year respectively. Whereas, initial capacity utilization is assumed to be at 65%.

The total project cost for setting up a plant is estimated at Rs. 22.029 million out of which Rs. 20.257 million is capital cost and Rs. 1.772 million is working capital. Considering all the assumptions on which the pre-feasibility has been made, the project generates an IRR, Payback and Net Present Value of 33%, 3.85 years and Rs. 21.533 million respectively as on 100% equity financed business model. The project will provide employment opportunities to 10 people including the Owner. The legal status of this project is assumed to be 'Sole Proprietorship'.

## 3 INTRODUCTION TO SMEDA

The Small and Medium Enterprises Development Authority (SMEDA) was established in October 1998 with an objective to provide fresh 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", SMEDA has carried out 'sectoral research' to identify policy, access to finance, business development services, strategic initiatives and institutional collaboration and networking initiatives.

Preparation and dissemination of prefeasibility studies in key areas of investment has been a successful hallmark of SME facilitation by SMEDA.

Concurrent to the prefeasibility studies, a broad spectrum of business development services is also offered to the SMEs by SMEDA. These services include identification of experts and consultants and delivery of need based capacity building programs of different types in addition to business guidance through help desk services.

#### **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 “**Peanut Processing Unit**” 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, which form basis of any Investment Decision.

#### **5 BRIEF DESCRIPTION OF PROJECT & PRODUCT**

The proposed project presents an investment opportunity for setting up a peanuts processing unit with the major product line including Roasted Peanuts, Peanut Candy and Peanut Butter. Peanut is a high protein, low calorie food that possess high nutritional value. Peanut is used in various products as ingredient such as candies, butter, etc. and also it can be roasted for better taste.

Peanuts are roasted in two ways, directly roasted raw peanuts or skillet peanuts. Peanut butter is a food paste or spread made from ground, dry roasted peanuts. It commonly contains additional ingredients that modify the taste or texture, such as salt, sweeteners, or emulsifiers. It is typically served as a spread on bread, toast, or crackers, and used to make sandwiches commonly used in breakfast dishes and desserts. Candies is a traditional ready-to-eat Pakistani sweet generally made from peanuts and jaggery.

The peanuts processing unit for the production of peanuts consists of various machinery required in each step. Like shelling, roasting, packaging and others which will help in processing and packaging the products.

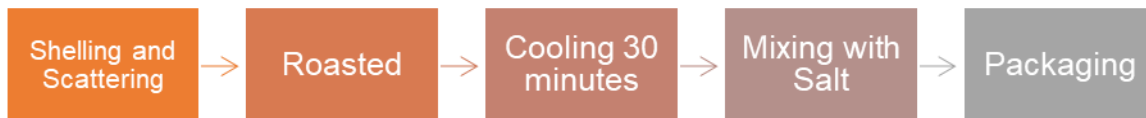
The peanut processing unit can be set-up in any major city with significant population such as Karachi, Hyderabad, Lahore, Rawalpindi, Islamabad, Multan, Peshawar and Quetta. It is expected that the peanuts market will continue to grow in the coming period. The proposed project will provide employment opportunity to 10 people including the owner himself of the business. The legal status is proposed to be 'Sole Proprietorship'.

## 5.1 Production Process Flow

### 5.1.1 Roasted Peanuts

Peanuts will be de-shelled in the shelling machine and then roasted in the electrically operated roaster. The roasting time will be around 30 minutes. These roasted peanuts will be cooled and then the salt will be mixed with it before packing them.

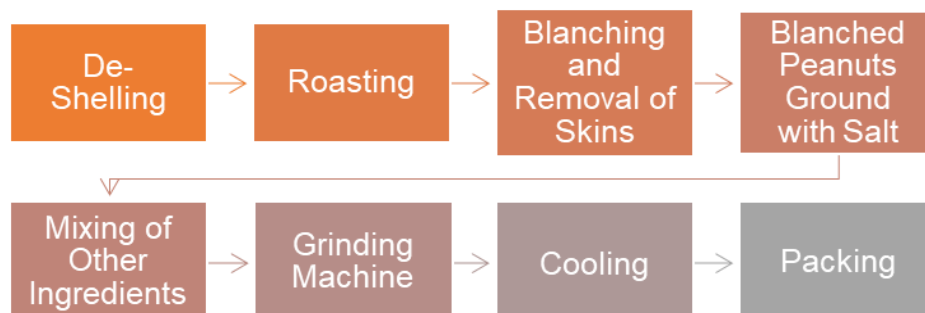
**Figure 1: Process Flow for Roasted Peanuts**



### 5.1.2 Peanut Butter

The peanuts are roasted and cooled, they undergo blanching, removal of the skins by heat or water. The heat method has the advantage of removing the bitter heart of the peanut. Next, the blanched peanuts are pulverized and ground with salt, dextrose, and hydrogenated oil stabilizer in a grinding machine. After cooling, the peanut butter is ready to be packaged.

**Figure 2: Process flow for Peanut Butter**

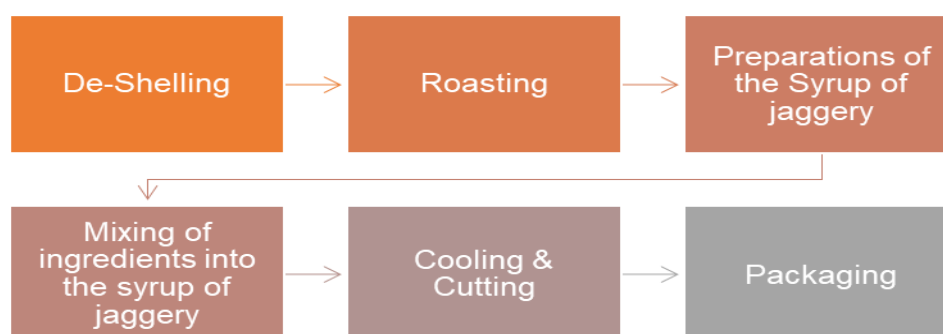


### 5.1.3 Peanut Candies

The process is very simple. De-shelled peanuts are roasted to remove the outer red skin and they are split in the splitting machine. Simultaneously, jaggery is boiled in water till the thick syrup is formed and then filtered to remove unwanted particles. This hot syrup is mixed with peanut splits with some roasted sesame seeds and then this mixture is poured in trays for drying. After about a couple of hours, small square sized pieces are cut, and the individual piece is packed in plastic wrappers.

The Process Flow Chart is as follows

**Figure 3: Process flow for Peanut Candies**



### 5.2 Installed and Operational Capacities

Total installed capacity of the project based on the proposed machinery & equipment is 90,000 kgs of Roasted Peanuts, 6,000,000 pieces of Peanut Candies and 30,000 Bottles (500 grams each) of Peanut Butter per year. The initial operational capacity of the project will be 65% with an annual growth of 5%. Maximum capacity utilization of the project (i.e 100%) will be achieved in 8th year of operations.

**Table 1: Installed and Operational Capacity**

Description	Total Capacity	Operational Capacity 65 % (Year 1)
Roasted Peanuts (Kgs)	90,000	58,500
Candies (No. of Pieces)	6,000,000	3,900,000
Peanut Butter (500 grams) (No. of Bottles)	30,000	19,500

## 6 CRITICAL FACTORS

- ⇒ Selection of quality peanuts; cost efficiency through better management.
- ⇒ Appropriate arrangements for transportation of raw materials to the processing facility.
- ⇒ Appropriate storage arrangement and internal controls for processed goods; arrangements for transportation of processed peanuts to local markets.
- ⇒ Properly trained staff should be engaged and comprehensive staff training programs to be adopted for capacity building.
- ⇒ Quality maintenance will play an important role as it is evident from the behavior of the general consumers that they are more specific towards health issues than ever before.
- ⇒ Strong Distribution Network.
- ⇒ Advance sale orders can ensure the success of the business.
- ⇒ Compliance with standards & obtaining license from (PSQCA) Pakistan Standards & Quality Control Authority and relevant Food Authority.
- ⇒ Reasonable & competitive prices with respect to brand positioning.
- ⇒ Efficient promotion of product through various marketing activities.

## 7 GEOGRAPHICAL POTENTIAL FOR INVESTMENT

Proposed location for setting up a Peanut Processing unit largely depends on the availability of raw material and easy transportation of finished goods to the retailers; however, factors like availability of skilled labor, utilities and easy access to the target markets should also be carefully examined. For this pre-feasibility, peanuts processing unit can be set-up in any major city with significant population such as Karachi, Hyderabad, Lahore, Rawalpindi, Islamabad, Multan, Peshawar, and Quetta.

## 8 POTENTIAL TARGET CUSTOMERS / MARKETS

The potential target market for the peanut products will be the general public of middle and upper middle-income group of urban and rural areas. In bigger cities, designated wholesalers may sell to some smaller retail shops if they do not overlap with an existing distribution agent. In smaller cities, the designated wholesaler acts as a de facto distribution agent. Major cities, for instance, Karachi, Lahore, Peshawar, Quetta, Rawalpindi, Islamabad, Multan, Sialkot, Faisalabad,



Hyderabad, etc. with large urban base would be the potential target markets for the proposed business.

## 9 PROJECT COST SUMMARY

A detailed financial model has been developed to analyze the commercial viability of “**Peanut Processing Unit**”. Various costs and revenue related assumptions along with results of the analysis are outlined in this section.

The projected Income Statement, Balance Sheet and Cash Flow Statement are also attached as annexure.

### 9.1 Project Economics

All the figures in this financial model have been calculated for estimated sales of Rs. 41.588 million in the year one. The capacity utilization during year one is worked out at 65% with 5% increase in subsequent years up to the maximum capacity utilization of 100% in year 8.

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

**Table 2: Project Economics**

Description	Details
Internal Rate of Return (IRR)	33%
Payback Period (yrs.)	3.85
Net Present Value (Rs.)	21,533,255

Calculation of break-even analysis is as follows:

**Table 3 :Breakeven (100% Equity Based)**

Break-Even Analysis	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Break-Even Revenue	28,404,083	29,487,761	30,857,892	32,523,505	34,442,100	36,352,682	38,885,191	41,711,154	45,160,720	48,979,503
Break-Even Units	388,301	379,899	372,471	366,150	360,359	352,468	348,566	345,008	339,702	335,046
Margin of Safety	32%	40%	47%	52%	57%	61%	64%	67%	67%	68%

However, for the purposes of further explanation the Project Economics based on Debt:Equity (i.e. 50:50) Model has also been computed. On the basis of Debt

:Equity model the Internal Rate of Return, Payback Period and Net Present Value of the proposed project are provide in the table below.

**Table 4: Project Economics Based on Debt:Equity (50%:50%)**

Description	Details
Internal Rate of Return (IRR)	33%
Payback Period (Yrs.)	3.85
Net Present Value (Rs.)	27,810,760

The financial assumptions for Debt:Equity are as follows:

**Table 5: Financial Assumptions for Debt:Equity Model**

Description	Details
Debt (50%)	11,014,504
Equity (50%)	11,014,504
Interest Rate on Debt	12%
Debt Tenure	5 Years
Debt Payment / Year	2

The projected Income Statement, Cash Flow Statement and Balance Sheet attached as annexures are based on 100% Equity Based Business Model.

## 9.2 Project Cost

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

**Table 6: Project Cost**

Description	Amount Rs.
<b>Capital Cost</b>	
Plant and Machinery	18,188,000
Furniture & Fixture	1,052,900
Building Security	450,000
Pre-operating Cost	400,000
Office equipment	83,500
Computer equipment	82,500

<b>Total Capital Cost</b>	<b>20,256,900</b>
<b>Working Capital</b>	
Raw Material Inventory	1,164,905
Cash	449,247
Upfront building rent	150,000
Equipment spare part inventory	7,957
<b>Total Working Capital</b>	<b>1,772,109</b>
<b>Total Project Cost</b>	<b>22,029,009</b>

### 9.3 Space Requirement

The space requirement for the proposed “Peanuts Processing Unit” is estimated considering various facilities including management office, production hall, storage, open space, etc. Details of space requirement and cost related to land & building is given below.

**Table 7: Space Requirement**

Description	Estimated Area (Sqft)
Owner/Manager Office	168
Accounts/Supervisor	72
Production Hall	2,400
Store Raw Material	168
Store Finished Goods	168
Stores and Spares Room	100
Wash Rooms	72
Security Guard Room	80
Car Parking	144
Open Area	1,128
<b>Total</b>	<b>4,500</b>

The monthly rent of the above area is estimated at Rs. 150,000 per month. Three months advance will be given as security for acquiring the proposed area.

### 9.4 Machinery & Equipment Requirement

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

**Table 8: Machinery & Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Color Sorting Machine	1	3,800,000	3,800,000
Filling Machine for Peanut Butter	1	2,452,000	2,452,000
Generator	1	2,250,000	2,250,000
Peanut Roasting Machine	3	725,000	2,175,000
Packing Machine for Roasted Peanuts	1	1,120,000	1,120,000
Packing Machine for Gachak	1	1,120,000	1,120,000
Peanut Sheller	1	955,000	955,000
Mixer Machine for Salt and Jaggery	1	860,000	860,000
Mixer Machine for Salt, Sugar for peanut butter	1	860,000	860,000
Size Shaker Machine	1	825,000	825,000
Peanut Butter Machine	1	771,000	771,000
Other Miscellaneous Equipment	1	550,000	550,000
Installation		450,000	450,000
<b>Total</b>			<b>18,188,000</b>

### 9.5 Furniture & Fixtures Requirement

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

**Table 9: Furniture & Fixture**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Interior/Renovation	1	600,000	600,000
Table & Chairs (Accountant Office)	3	35,000	105,000
Air conditioners (1 ton Split)	1	60,000	60,000

Miscellaneous Furniture	1	50,000	50,000
Sofas (Owner/Manager)	4	12,000	48,000
Bracket Fans	12	3,800	45,600
Table & Chairs(Owner/Manager)	1	35,000	35,000
Visitor Chairs(Accountant Office)	3	8,000	24,000
Cupboard/Racks	2	12,000	24,000
Visitor Chairs Owner/ Manager	2	8,000	16,000
Cupboard	1	15,000	15,000
Visitor Chairs (Design & Printing Area)	2	6,500	13,000
Exhaust Fans	5	2,200	11,000
LED bulb (18 Watts)	18	350	6,300
<b>Total</b>			<b>1,052,900</b>

## 9.6 Office and Computer Equipment Requirement

Following office and computer equipment will be required for the project;

**Table 10: Office Equipment**

Description	Quantity	Unit Cost (Rs.)	Total Cost (Rs.)
Security Equipment	1	60,000	60,000
Computers	2	25,000	50,000
Computer printer	1	23,000	23,000
Water Dispenser	1	19,000	19,000
Scanner	1	9,500	9,500

Telephones	3	1,500	4,500
<b>Total</b>			<b>166,000</b>

### 9.7 Human Resource Requirement

To run operations of “Peanut Processing Unit” smoothly, details of human resources required along with the number of employees and monthly salaries are recommended as under;

**Table 11: Human Resource Requirement**

Description	No. of Employees	Monthly Salary per person (Rs.)	Total Monthly Salary
Owner/Manager	1	60,000	60,000
Food Technologist	1	50,000	50,000
Sales & Marketing In-charge	1	45,000	45,000
Supervisor/Accountant	1	35,000	35,000
Storekeeper	1	35,000	35,000
Skilled Workers	2	25,000	50,000
Helpers	2	20,000	40,000
Security Guards	1	20,000	20,000
<b>Total</b>	<b>10</b>		<b>335,000</b>

### 9.8 Utilities and other costs

An essential cost to be borne by the project is the cost of electricity and gas. The electricity expenses are estimated to be around Rs. 104,359 (Direct & In-direct) per month. Furthermore, promotional expense being essential for marketing of peanut processing unit is estimated as 0.5% of revenue.

## 9.9 Raw Material Requirements

Peanuts is the main raw material for the proposed business, which will be procured directly from the distributors or farms. Following table provides the detail of raw material.

**Table 12 : Raw Material Requirements (Year 1)**

Description	No. of Units Produced (No.)	Finished Goods Inventory (No.)	Unit Available for Sale	Cost (Rs. / Unit)	Total Cost (Rs.)
Roasted Peanuts (Kgs)	58,500	1,138	57,363	198.24	11,371,641
Candies (No.)	3,900,000	75,833	3,824,167	2.62	10,004,021
Peanuts Butter (Bottles)	19,500	379	1,9121	238.24	4,555,387
<b>Total</b>					<b>25,931,049</b>

### 9.10

### 9.10 Revenue Generation

Based on the capacity utilization of 65%, sales revenue during the first year of operations is estimated as under.

**Table 13: Revenue Generation – Year 1**

Description	Units Available for Sale	Sale Price (Rs. / Unit)	Sales Revenue (Rs.)
Roasted (Kgs.)	57,363	400	22,945,000
Candy (No.)	3,824,167	3	11,472,500
Butter Peanuts (Bottles)	1,9121	375	7,170,313
<b>Total</b>			<b>41,587,813</b>

## 10 CONTACT DETAILS

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

**Table 14: Suppliers**

Name of Supplier	Address	Phone
SB Kitchens Equipment & Engineering	Sabzazar Society, Lahore	0332-4856869
The Edibles Impex,	517-A, Faisal Town, Lahore.	0324-4675246
Khizra Diamonds (Importers, Traders and General Order Suppliers)	Lahore – Saudi Arabia	0316-4814847, +966 58 030 6116

## 11 USEFUL WEB LINKS

Small & Medium Enterprises Development Authority (SMEDA)	<a href="http://www.smeda.org.pk">www.smeda.org.pk</a>
Government of Pakistan	<a href="http://www.pakistan.gov.pk">www.pakistan.gov.pk</a>
Ministry of Industries & Production	<a href="http://www.moip.gov.pk">www.moip.gov.pk</a>
Government of Punjab	<a href="http://www.punjab.gov.pk">www.punjab.gov.pk</a>
Government of Sindh	<a href="http://www.sindh.gov.pk">www.sindh.gov.pk</a>
Government of Khyber Pakhtunkhwa	<a href="http://www.khyberpakhtunkhwa.gov.pk">www.khyberpakhtunkhwa.gov.pk</a>
Government of Baluchistan	<a href="http://www.balochistan.gov.pk">www.balochistan.gov.pk</a>
Government of Gilgit Baltistan	<a href="http://www.gilgitbaltistan.gov.pk">www.gilgitbaltistan.gov.pk</a>
Government of Azad Jammu Kashmir	<a href="http://www.ajk.gov.pk">www.ajk.gov.pk</a>
Trade Development Authority of Pakistan (TDAP)	<a href="http://www.tdap.gov.pk">www.tdap.gov.pk</a>
Security and Exchange Commission of Pakistan (SECP)	<a href="http://www.secp.gov.pk">www.secp.gov.pk</a>
Federation of Pakistan Chambers of Commerce and Industry (FPCCI)	<a href="http://www.fpcci.com.pk">www.fpcci.com.pk</a>
State Bank of Pakistan (SBP)	<a href="http://www.sbp.org.pk">www.sbp.org.pk</a>
Punjab Vocational Training Council (PVTC)	<a href="http://www.pvtc.gov.pk">www.pvtc.gov.pk</a>



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Punjab food authority	<a href="http://www.pfa.gop.pk">www.pfa.gop.pk</a>
Technical Education and Vocational Training Authority (TEVTA)	<a href="http://www.tevta.org">www.tevta.org</a>

## 12 ANNEXURES

### 12.1 Income Statement

Calculations											SMEDA
Income Statement											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Revenue	41,587,813	49,265,563	58,062,984	68,127,235	79,623,706	92,738,199	107,679,353	124,681,356	137,149,492	150,864,441	
<i>Cost of sales</i>											
Roasted peanuts	11,371,542	13,470,904	15,876,422	18,628,335	21,771,867	25,357,821	29,443,248	34,092,182	37,501,400	41,251,540	
Candies	10,004,020	11,850,916	13,967,151	16,388,124	19,153,620	22,308,334	25,902,454	29,992,315	32,991,547	36,290,701	
Peanut butter	4,555,347	5,396,335	6,359,966	7,462,360	8,721,633	10,158,137	11,794,726	13,657,051	15,022,756	16,525,032	
<b>Packing material</b>											
Roasted peanuts	1,147,250	1,261,975	1,388,173	1,526,990	1,679,689	1,847,658	2,032,423	2,235,666	2,459,232	2,705,155	
Candies	458,900	543,620	640,695	751,749	878,606	1,023,318	1,188,186	1,375,794	1,513,374	1,664,711	
Peanut butter	420,658	498,318	587,304	689,103	805,389	938,042	1,089,170	1,261,145	1,387,259	1,525,985	
Direct labor	2,400,000	2,640,000	2,904,000	3,194,400	3,513,840	3,865,224	4,251,746	4,676,921	5,144,613	5,659,074	
Machinery maintenance	190,974	200,523	210,549	221,076	232,130	243,737	255,923	268,720	282,156	296,263	
Direct electricity	1,198,080	1,317,888	1,449,677	1,594,644	1,754,109	1,929,520	2,122,472	2,334,719	2,568,191	2,825,010	
<b>Total cost of sales</b>	<b>31,746,772</b>	<b>37,180,478</b>	<b>43,383,936</b>	<b>50,456,781</b>	<b>58,510,883</b>	<b>67,671,790</b>	<b>78,080,350</b>	<b>89,894,513</b>	<b>98,870,528</b>	<b>108,743,473</b>	
<b>Gross Profit</b>	<b>9,841,041</b>	<b>12,085,084</b>	<b>14,679,049</b>	<b>17,670,454</b>	<b>21,112,823</b>	<b>25,066,409</b>	<b>29,599,003</b>	<b>34,786,843</b>	<b>38,278,964</b>	<b>42,120,968</b>	
<i>General administration &amp; selling expenses</i>											
Administration expense	1,620,000	1,782,000	1,960,200	2,156,220	2,371,842	2,609,026	2,869,929	3,156,922	3,472,614	3,819,875	
Building rental expense	1,800,000	1,980,000	2,178,000	2,395,800	2,635,380	2,898,918	3,188,810	3,507,691	3,858,460	4,244,306	
Electricity expense	54,225	59,648	65,613	72,174	79,391	87,330	96,064	105,670	116,237	127,861	
Water expense	72,000	79,200	87,120	95,832	105,415	115,957	127,552	140,308	154,338	169,772	
Travelling expense	129,600	142,560	156,816	172,498	189,747	208,722	229,594	252,554	277,809	305,590	
Communications expense (phone, fax, mail, internet, etc.)	243,000	267,300	294,030	323,433	355,776	391,354	430,489	473,538	520,892	572,981	
Office expenses (stationary, entertainment, janitorial services, etc.)	162,000	178,200	196,020	215,622	237,184	260,903	286,993	315,692	347,261	381,988	
Promotional expense	207,939	246,328	290,315	340,636	398,119	463,691	538,397	623,407	720,477	834,322	
Professional fees (legal, audit, consultants, etc.)	311,909	369,492	435,472	510,954	597,178	695,536	807,595	935,110	1,028,621	1,131,483	
Depreciation expense	1,959,665	1,959,665	1,959,665	1,964,781	1,963,956	1,963,956	1,969,879	1,968,924	1,968,924	1,975,780	
Amortization of pre-operating costs	80,000	80,000	80,000	80,000	80,000	-	-	-	-	-	
Miscellaneous expense 1	81,000	89,100	98,010	107,811	118,592	130,451	143,496	157,846	173,631	190,994	
<b>Subtotal</b>	<b>6,721,338</b>	<b>7,233,492</b>	<b>7,801,261</b>	<b>8,435,761</b>	<b>9,132,581</b>	<b>9,825,845</b>	<b>10,688,799</b>	<b>11,637,661</b>	<b>12,604,535</b>	<b>13,674,952</b>	
<b>Operating Income</b>	<b>3,119,703</b>	<b>4,851,592</b>	<b>6,877,788</b>	<b>9,234,692</b>	<b>11,980,242</b>	<b>15,240,564</b>	<b>18,910,205</b>	<b>23,149,182</b>	<b>25,674,429</b>	<b>28,446,015</b>	
Other income (interest on cash)	39,067	121,533	233,272	354,331	488,701	635,168	796,243	977,745	1,167,734	1,437,829	
Gain / (loss) on sale of computer equipment	-	-	20,625	-	-	44,501	-	-	72,140	57,593	
<b>Earnings Before Interest &amp; Taxes</b>	<b>3,158,769</b>	<b>4,973,124</b>	<b>7,131,684</b>	<b>9,589,023</b>	<b>12,468,943</b>	<b>15,920,233</b>	<b>19,706,448</b>	<b>24,126,927</b>	<b>26,914,303</b>	<b>29,941,437</b>	
<b>Earnings Before Tax</b>	<b>3,158,769</b>	<b>4,973,124</b>	<b>7,131,684</b>	<b>9,589,023</b>	<b>12,468,943</b>	<b>15,920,233</b>	<b>19,706,448</b>	<b>24,126,927</b>	<b>26,914,303</b>	<b>29,941,437</b>	
Tax	409,692	911,937	1,616,089	2,476,158	3,484,130	4,692,081	6,017,256	7,564,424	8,540,006	9,599,503	
<b>NET PROFIT/(LOSS) AFTER TAX</b>	<b>2,749,077</b>	<b>4,061,187</b>	<b>5,515,595</b>	<b>7,112,866</b>	<b>8,984,813</b>	<b>11,228,152</b>	<b>13,689,191</b>	<b>16,562,503</b>	<b>18,374,297</b>	<b>20,341,934</b>	

## 12.2 Balance Sheet

Calculations											SMEDA
Balance Sheet											
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
<b>Assets</b>											
<i>Current assets</i>											
Cash & Bank	449,247	2,676,079	7,046,525	11,615,199	16,731,276	22,364,792	28,448,683	35,250,751	42,968,856	50,449,834	64,576,454
Accounts receivable		2,278,784	2,489,134	2,940,508	3,457,266	4,047,971	4,722,244	5,490,892	6,366,047	7,173,448	7,890,793
Finished goods inventory		629,539	737,290	860,305	1,000,559	1,160,272	1,341,934	1,548,336	1,782,611	1,960,605	2,156,386
Equipment spare part inventory	7,957	8,773	9,672	10,663	11,756	12,962	14,290	15,755	17,370	19,150	-
Raw material inventory	1,164,905	790,499	1,024,825	1,322,708	1,700,507	2,178,649	2,782,619	3,544,178	4,288,455	5,189,031	-
Pre-paid building rent	150,000	165,000	181,500	199,650	219,615	241,577	265,734	292,308	321,538	353,692	-
<b>Total Current Assets</b>	<b>1,772,109</b>	<b>6,548,675</b>	<b>11,488,946</b>	<b>16,949,033</b>	<b>23,120,980</b>	<b>30,006,223</b>	<b>37,575,504</b>	<b>46,142,218</b>	<b>55,744,876</b>	<b>65,145,760</b>	<b>74,623,633</b>
<i>Fixed assets</i>											
Building Security	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Machinery & equipment	18,188,000	16,369,200	14,550,400	12,731,600	10,912,800	9,094,000	7,275,200	5,456,400	3,637,600	1,818,800	-
Furniture & fixtures	1,052,900	947,610	842,320	737,030	631,740	526,450	421,160	315,870	210,580	105,290	-
Computer equipment	82,500	55,275	28,050	96,329	63,988	32,471	111,513	74,074	37,590	129,090	85,750
Office equipment	83,500	75,150	66,800	58,450	50,100	41,750	33,400	25,050	16,700	8,350	-
<b>Total Fixed Assets</b>	<b>19,856,900</b>	<b>17,897,235</b>	<b>15,937,570</b>	<b>14,073,409</b>	<b>12,108,628</b>	<b>10,144,671</b>	<b>8,291,273</b>	<b>6,321,394</b>	<b>4,352,470</b>	<b>2,511,530</b>	<b>535,750</b>
<i>Intangible assets</i>											
Pre-operation costs	400,000	320,000	240,000	160,000	80,000	-	-	-	-	-	-
<b>Total Intangible Assets</b>	<b>400,000</b>	<b>320,000</b>	<b>240,000</b>	<b>160,000</b>	<b>80,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>22,029,009</b>	<b>24,765,910</b>	<b>27,666,516</b>	<b>31,182,442</b>	<b>35,309,608</b>	<b>40,150,894</b>	<b>45,866,777</b>	<b>52,463,612</b>	<b>60,097,346</b>	<b>67,657,291</b>	<b>75,159,382</b>
<b>Liabilities &amp; Shareholders' Equity</b>											
<i>Current liabilities</i>											
Accounts payable		537,639	629,148	734,270	854,976	993,536	1,152,567	1,335,090	1,538,724	1,705,154	1,718,323
Short term debt	-	-	-	-	-	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>537,639</b>	<b>629,148</b>	<b>734,270</b>	<b>854,976</b>	<b>993,536</b>	<b>1,152,567</b>	<b>1,335,090</b>	<b>1,538,724</b>	<b>1,705,154</b>	<b>1,718,323</b>
<i>Shareholders' equity</i>											
Paid-up capital	22,029,009	22,029,009	22,029,009	22,029,009	22,029,009	22,029,009	22,029,009	22,029,009	22,029,009	22,029,009	22,029,009
Retained earnings		2,199,262	5,008,359	8,419,163	12,425,623	17,128,349	22,685,201	29,099,514	36,529,613	43,923,128	51,412,050
<b>Total Equity</b>	<b>22,029,009</b>	<b>24,228,271</b>	<b>27,037,368</b>	<b>30,448,172</b>	<b>34,454,632</b>	<b>39,157,358</b>	<b>44,714,210</b>	<b>51,128,522</b>	<b>58,558,622</b>	<b>65,952,137</b>	<b>73,441,059</b>
<b>TOTAL CAPITAL AND LIABILITIES</b>	<b>22,029,009</b>	<b>24,765,910</b>	<b>27,666,516</b>	<b>31,182,442</b>	<b>35,309,608</b>	<b>40,150,894</b>	<b>45,866,777</b>	<b>52,463,612</b>	<b>60,097,346</b>	<b>67,657,291</b>	<b>75,159,382</b>

## 12.3 Cash Flow Statement

SMEDA											
Calculations											
Cash Flow Statement											
	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		2,749,077	4,061,187	5,515,595	7,112,866	8,984,813	11,228,152	13,689,191	16,562,503	18,374,297	20,341,934
Add: depreciation expense		1,959,665	1,959,665	1,959,665	1,964,781	1,963,956	1,963,956	1,969,879	1,968,924	1,968,924	1,975,780
amortization of pre-operating costs		80,000	80,000	80,000	80,000	80,000	-	-	-	-	-
Accounts receivable		(2,278,784)	(210,349)	(451,375)	(516,758)	(590,705)	(674,273)	(768,648)	(875,155)	(807,401)	(717,345)
Finished goods inventory		(629,539)	(107,751)	(123,015)	(140,255)	(159,713)	(181,661)	(206,402)	(234,275)	(177,995)	(195,781)
Equipment inventory	(7,957)	(816)	(899)	(991)	(1,093)	(1,205)	(1,329)	(1,465)	(1,615)	(1,780)	19,150
Raw material inventory	(1,164,905)	374,406	(234,326)	(297,883)	(377,798)	(478,142)	(603,970)	(761,559)	(744,277)	(900,576)	5,189,031
Pre-paid building rent	(150,000)	(15,000)	(16,500)	(18,150)	(19,965)	(21,962)	(24,158)	(26,573)	(29,231)	(32,154)	353,692
Accounts payable		537,639	91,509	105,121	120,706	138,560	159,031	182,523	203,634	166,430	13,170
Cash provided by operations	(1,322,862)	2,776,648	5,622,536	6,768,968	8,222,483	9,915,603	11,865,749	14,076,946	16,850,508	18,589,745	26,979,632
<i>Financing activities</i>											
Issuance of shares	22,029,009	-	-	-	-	-	-	-	-	-	-
Cash provided by / (used for) financing activities	22,029,009	-	-	-	-	-	-	-	-	-	-
<i>Investing activities</i>											
Capital expenditure	(20,256,900)	-	-	(95,504)	-	-	(110,558)	-	-	(127,985)	-
Acquisitions											
Cash (used for) / provided by investing activities	(20,256,900)	-	-	(95,504)	-	-	(110,558)	-	-	(127,985)	-
<b>NET CASH</b>	<b>449,247</b>	<b>2,776,648</b>	<b>5,622,536</b>	<b>6,673,464</b>	<b>8,222,483</b>	<b>9,915,603</b>	<b>11,755,191</b>	<b>14,076,946</b>	<b>16,850,508</b>	<b>18,461,761</b>	<b>26,979,632</b>

## 13 KEY ASSUMPTIONS

### 13.1 Operating Cost Assumptions

Description	Details
Travelling Expenses	8.%of administration expense
Communication Expenses	15% of administration expense
Office expenses (stationery, entertainment, janitorial services, etc.)	10% of administration expense
Promotional expense	0.5% of revenue
Depreciation Method	Straight Line Method
Depreciation on Machinery & Equipment	10%
Depreciation on Furniture and Fixture	10%
Depreciation on Office Equipment	33%
Electricity Price Growth Rate	10%
Wage Growth Rate	10%

### 13.2 Production Cost Assumptions

Description	Detail
<b>Roasted Peanuts</b>	
Peanuts	198.00
Salt	0.24
Packing	20.00
<b>Total Per Kg</b>	<b>Rs. 218.24</b>
<b>Candy</b>	
Peanuts	2.02
Jaggery Syrup	0.60
Packing	0.12
<b>Total Per Candy</b>	<b>Rs. 2.74</b>
Peanut Butter	

Peanuts	198.00
Salt	0.24
Dextrose	28.00
Honey	12.00
Packing	22.00
<b>Total Per Bottle</b>	<b>Rs. 260.24</b>
Production Capacity in First Year	65%
Percentage Increase in Production Capacity every Year	5%
Maximum Production Capacity	100%
CGS Growth Rate	10%

### 13.3 Revenue Assumptions

Description	Details
Growth in Sales Price	10%
Days Operational / Year	300
Hours Operational / Day	8
Shift Length (Hours)	8