



Feasibility study for meat shop

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Measurement Table

1 US Dollar	160.38 Pakistani Rupees
1 Square Yard	9 Square foot
1 Ton	1000 kilograms
1 Hectare	2.47105 Acres
1 Kilo gram	1000 grams
1 Marla	272 square feet

ABBREVIATIONS

KP	Khyber Pakhtunkhwa
KPFSHFA	Khyber Pakhtunkhwa Food Safety and Halal Food Authority
UNIDO	United Nations industrial development organization
TBT	Technical barriers to trade
WTO	World Trade Organization
SPS	Sanitary and phytosanitary standards
SMEDA	Small and Medium Enterprises Development Authority
PKR.	Pakistan Rupee (Rs.)
kg	Kilogram
UAE	United Arab Emirates
KM	Kilometer
GST	Goods and services tax
US	United States
D.I Khan	Dera Ismail Khan
L&DD	Livestock & Dairy Development Department
SOP	Standard operating procedures
GHP	Good Hygiene Practices
GMP	Good Manufacturing Practices
HACCP	Hazard Analysis and Critical Control Point
PAFAID	The Project on Agri-Food and Agro-Industry Development Assistance in Pakistan

Executive summary

Khyber Pakhtunkhwa (KP) has an abundant supply of livestock and poultry but the supply of hygienic and quality meat remains scarce from farm to fork. Currently meat shops in KP are not able to comply with basic hygiene and food safety regulations due to 1) lack of knowledge and skills, 2) access to compliant semi-processed meat from local slaughterhouses and 3) access to food safety services provided by governmental bodies or private sector. Nevertheless, meat products are often sold in an open-air area thus exposing the meat to dust, flies and other foreign objects. However, by increasing awareness on the positive economic and public health perspective of food safety compliance, meat shop operators as well as consumers can become more inclined towards adequate compliance practices. As an additional result of knowing the negative health consequences of non-compliant products, a larger segment of consumers will purchase their meat from shops with better cleanliness and food safety standards. On the other hand, competent authorities pay increased attention towards the enforcement of food safety compliance practices of operators.

The proposed feasibility study will calculate the economic viability of being able to operate a compliant facility, providing customers with food safety compliant meat including beef, mutton and chicken. Supply of food safety compliant food product will help reduce food borne illnesses which also creates productivity loss (working day losses and public health expenses) for the general population.

The proposed shop will have the capacity to sell 500 kg of meat per day. The bifurcation of meat sold would be 154 kg of beef and mutton and 194 kg of chicken per day. The shop will operate 5 days a week as on Tuesday and Wednesday sale of meat is prohibited all over Pakistan. The initial capacity of the shop will be 70% in year 1 and reaching the maximum capacity of 95% in year 5. The capacity of the shop will increase as it acquires a larger customer base and increased sales. The shop shall purchase slaughtered animals from a food safety compliant slaughterhouse selling semi-processed primal cuts, which will then be further processed into master cuts or minced and packaged and sold as per the consumers preferences.

The proposed shop requires a total investment of PKR 2.2 million which includes a capital cost of PKR 1.822 million and total working capital of PKR 377,800. The unit will provide direct employment to 5 people and additional jobs can be created if the capacity is increased. The proposed shop can be setup in upper to upper middle-income neighborhoods of major cities in KP including Peshawar, Abbottabad, D.I Khan and Kohistan.

1. Introduction

Livestock, most particularly, cattle value chain, serves as a primary income source to many households in KP, providing 11 percent of the agricultural GDP. In addition to cattle, there is a large population of buffaloes, sheep, goats and camel along with poultry, horses and mules. According to the latest available statistics from KP Statistical Yearbook 2015-16, the increasing cattle population reached 6.06 million which counts around 15 percent of the total cattle population of (42.8 millions) of Pakistan. This provides sufficient surplus not only for domestic consumption but also to export markets. KP is also famous about its meat dishes which can serve as a gastronomic tourism in the country.

As per the district-wise data, there is sufficient supply of different types of livestock in Hazara district, in Swat valley as well as in Peshawar. Subsequently, D.I. Khan District has the largest cattle population with 411,432 with 832 slaughtered animals, Abbottabad 111,415 with 3,327 slaughtered animals, Swat 253,790 with 3,124 slaughtered animals, Peshawar 223,150 with 6,203 slaughtered animals from the year 2015-16.

Meat and specifically beef and mutton are the preferred choice of meat for consumption in KP. As per information provided to UNIDO during its data collection, the approximate number of meat shops in Peshawar is 2500-3000, 1000-1200 shops in Abbottabad, 100-120 shops in D.I Khan and 15-20 shops in Kohistan. This is an estimated figure as usually most of these small shops are undocumented at this stage which will create additional challenges for the enforcement of food safety regulations.

In Pakistan, importance and awareness of food safety has generally been neglected in the past, mainly also resulting from the lack of awareness on this vital domain. Consequently, meat shops usually lack basic hygiene and food safety compliant equipment and appropriate food handling practices, including knowledge on meat cuts. In many shops the meat is usually displayed in the open air, providing a supporting factor for the growth of food safety hazards. Another factor for meat shops is that the price of meat is fixed which controls price gouging but at the same time limits economic incentives for business to improve their conditions and practices.

The ongoing joint efforts of the Agriculture Department, Local Government Department and Khyber Pakhtunkhwa Food Safety and Halal Food Authority (KPFSHFA) on enforcing existing food safety regulations are acknowledged to help improve food safety conditions of these meat shops, however, further improvement can be considered in this area based on international best practices. There is also a growing trend among consumers to purchase meat from shops with better hygienic conditions and facilities. Overall, despite the abundant livestock and poultry resources, availability of safe and hygienic meat remains an issue. For these reasons, the purpose of the proposed meat shop would be to prove the economic viability of selling compliant, safe and hygienic, meat to the consumers which will help the business generate additional income.

Market analysis

Khyber Pakhtunkhwa has a population of approximately 35 million and is famous for its cuisine which includes rice, kebabs, BBQ and meat dishes. Meat and specifically beef and mutton is highly desired and mostly consumed in regions of KP. The meat dishes are traditionally non spicy and are enjoyed locally as well as is famous among people from other provinces in Pakistan and serves as an attraction for domestic tourism. As per an article published in a leading newspaper, namak mandi (Salt market) alone which is famous for its meat dishes has around 40 shops and sells 1800 kg of meat daily which is visited by people from all parts of the country. With the improved security situation the economy is growing which is potentially increasing the middle class hence increasing the meat consumption. The study does not aim to increase the total consumption of meat which has negative health impacts but instead aims to improve the quality of existing meat that is being consumed.

The majority of meat shops rarely follow the required hygiene and cleanliness standards. Recently a few shops with improved standards have been introduced in high income residential areas and with increased awareness the consumers are also more inclined to purchase from shops with better hygiene standards. Since the major market for meat products is people from the high income groups they are more willing to pay a slight premium for better quality product.

1.1.1 Current challenges for investment in meat shops

The main challenges for meat sector in KP are the lack of awareness and technical knowledge and expertise among the actors on food safety practices. Since there is no food safety compliant slaughterhouse in KP which would supply local meat shops, this creates an additional discouragement for business owners to improve their practices.

Some shops lack basic facilities like water and electricity or storage equipment. KP livestock policy 2018 has identified price capping of meat products as a major hurdle for the sector. This leaves little incentive for the shops to improve their condition. Other challenges include lack of credit facilities and in some areas the security situation is also a barrier for investors. The provincial government and community-based organizations should also play their role in promoting and facilitating any private sector investments from other provinces.

With regard to the upgrade of their facilities, general lack of food safety services, such as coaching and training along with non-existence of vocational training on meat processing can further decrease the safety and the quality of the product.

2. Methodology

This study is a result of a consultative process where UNIDO experts conducted discussions with various stakeholders in November and December 2019. An additional detailed analysis was also conducted on the cattle meat value chain and its related enabling environment. Further discussions and inputs were received on the project approach from stakeholders including KPFSHFA, Agriculture Department and academia. The outcome of the report will be shared with relevant departments and will be finalized in consultation with all stakeholders to ensure the credibility and reliability of the information.

3. Rationale for establishing the unit

This section will explain the economic, social and environmental viability of establishing compliant meat shops in KP.

3.1 Economic Factors

Livestock farming is also a dominant occupation of the farming community, with more than 15 million animal heads and about 22 million poultry birds' inhabiting the province. The province has abundant livestock and dairy resources for local consumption. Given the anticipated target market the location of the shop in Hayatabad, University town, Cantt areas of Peshawar as well as other major residential areas in Abbottabad, D.I Khan and Kohistan will provide a good customer base for upgraded meat shops. Meat produced and processed in a food safety compliant manner will increase the products shelf life and as a result it could be sold to local high-end markets. Properly packaged frozen meat will also be sold at a higher margin which can also further improve the livelihood of actors involved in the value chain.

3.2 Government incentives for the sector

The Livestock & Dairy Development Department (L&DD) has multiple ongoing and new initiatives to enhance health and production of animals by developing effective vaccines against diseases, improving livestock breeding and establishing veterinaries. KPFSHFA plays an essential role in enforcing food safety and hygiene standards among food business operators by developing SOPs for the meat sector and organizing awareness campaigns. The Government has already commenced with the procurement of equipment for a meat laboratory and in addition to that started to organize the relevant actors in a platform. Another initiative undertaken by the KPFSHFA and SMEDA aims to create model shops

which can serve as an additional platform to enhance capacities and practices in case the required technical tools are in place.

3.2 Social Factors

KP's economy is heavily dependent on agriculture and livestock sectors with more than 15 million animal heads and about 22 million poultry birds' inhabiting the province. There is a large segment of the rural population whose livelihoods and dependent on meat value chain related activities. The usual household usually contains of one bread earner who is providing financial support to the entire family. The meat shops will improve livelihoods of the actors involved by enabling them to target the high-end markets and at the same time create access to safe products, decreasing the food safety burden caused by incompliant practices and capacities. Consequently, women and children are the most vulnerable group when it comes foodborne illnesses, causing not only health issues but social damage. In addition, the meat shop should make special arrangements to offer job opportunities especially to youth and women within the local cultural norms.

3.3 Environmental Factors

The shop will maintain the environmental safeguarding of its ecosystem, through sustaining the existing flora and fauna and not introducing any material or product that will affect or change them in a negative way. Additionally, the infrastructure and services that need to be developed and implemented will be planned in an environmental friendly way; where the introduction of proper waste management practices will be encouraged. The unit does not aim to upscale current primary production practices rather improve existing ones, thus improving quality and hygiene and creating value addition.

4. Pre-Feasibility study for the unit

This section will outline the procedure, design and setup and quality control required for the establishment of the shop.

4.1 Procedure

The business setup is proposed to be operated as a sole proprietorship as it involves less complications and costs in terms of setup and taxes. Location will play a key role to ensure freshness and long shelf life of the product as well as accessibility to upper and upper middle-income groups. It will also be important to identify skilled labor force and trainings

of the personnel based on the capacity building framework planned to be developed as part of “The Project on Agri-Food and Agro-Industry Development Assistance in Pakistan” (PAFAID) initiative. Proper marketing, customer service and sales techniques will ensure successful operations of the shop.

4.2 Design and setup of the shop

The physical layout, basic services, installations and equipment must be considered before setting up the shop. In addition, it is important to keep in mind that the infrastructure meets specific requirements for processing of food items intended for human consumption. The design must follow good hygienic practice (GHP) planned to be developed during the PAFAID initiative.

The floors must be of solid material and washable with proper drainage system. The shop must be equipped with proper areas for cutting, storage of product and basic facilities required by the work force. The shop must have access to stable electricity, running water as well as proper ventilation. These requirements are a must in order to guarantee that the meat quality is maintained and are fit for human consumption.

4.3 Quality control

The unit shall follow and comply with the national or provincial technical regulations and/or with the requirements of relevant food safety certifications selected by the operator. The design and the setup of the shop has to follow the requirements of these standards and accordingly the provided design and setup showcases a best practice and adjustments have to be made depending on the capacity as well as the resources of the operator.

5. Required Features for the establishment of the unit

The proposed meat shop with a capacity of 500 kg meat per day shall work as a meat shop operating as per compliance of food safety which will set footprints to follow in KP for improving food safety compliance and providing safe meat to the consumers. The bifurcation of meat sold would be 154 kg of beef and mutton and 194 kg of chicken 5 days a week. The shop will operate 5 days a week as Tuesday and Wednesday sale of meat is prohibited all over Pakistan. This section will identify the preferred and required features for the establishment of the shop.

5.1 Land and Infrastructure

The shops shall be established where proper infrastructure, including electricity, water and sewage system can be secured. The space requirement for the proposed meat shop is 544 square feet (2 Marla) considering the space for display (272 square feet for meat display)

and 272 square feet for meat slicing & cutting and storage. The approximate monthly rent of the shop would be around PKR. 30,000. Table 1 below shows a breakdown of the building and infrastructure including renovation cost and sign board for the shop.

Table 1. Building and infrastructure

Description	Required Area	Unit Cost in Pak Rupees	Expected Cost in Pak Rupees
Renovation work including sign board development	544 square feet	700	380800
Total			380800/-

5.2 Required resources for operationalization

This section will outline the machinery and furniture and fixtures required to set up the shop with price estimates. (Table 1.1 and Table 1.2)

Table 1.1 Machinery

No.	Machinery	Quantity	Expected Cost	Total
1	Meat cutting set including knives and cutting board	3	10000	30000
2	Bone cutting machine	1	64000	64000
3	Meat slicer machine	1	300,000	300000
4	Meat Mincing machine	1	60,000	60000
5	Meat Wrapping Machine	1	40,000	40000
6	Electronic weighing scale with printing	1	15000	15000
7	Display Freezer (6ft)	1	225000	225000
8	Deep Freezers	1	62900	62900
9	Display Meat trays	30	200	6000
10	Insect killer	1	3000	3000
11	Thermometer	2	1000	2000
12	Exhaust fan	1	1000	1000
Total				808900

The required machinery can be procured locally from within KP and other provinces of Pakistan.

Table 1.2 Furniture and Fixtures

No.	Furniture & Fixtures	Quantity	Expected Cost	Total
1	Cash register	1	20500	20500
2	Chairs	3	4000	12000
3	Working table with Teflon sheet/stone shelves	2	40000	80000
4	Desktop Computer	1	65000	65000
5	AC Inverter (2 tons)	2	80000	160000
6	Solar system	1	150000	150000
7	Safety dress code including uniform set, aprons, gloves, face masks, hair caps & nets, shoe covers and Beard masks	3	15000	45000
Total				532500

5.3 Production Scope and Supply Chain

Proper supply chain helps to maintain product shelf-life and avoid quality degradation. With the help of model meat shop quality meat will be provided to consumers which will help reduce the foodborne diseases as well as improve the economic condition of value chain actors by targeting high-end markets.

Increased population growth, increase in disposable incomes of middle to high income families, increased food safety awareness and increased penetration in newer smaller markets in peri-urban and rural areas have increased the demand for hygienic meat products. The shop will have the capacity to sell 500 kg of food safety complaint meat products 5 days a week.

5.4 Human Resources

To run the meat shop operations smoothly, details of required human resources along with number of employees and monthly salary are suggested as below: (Table 1.3)

Table 1.3 Human resources

No	Human Resource	Employees	Expected Salary (PK) per person	Total cost
01	Owner/Manager	1	50,000	50000
02	Butchers	3	20,000	60000
03	Cleaning Staff	1	18,000	18000
Total				128000

The proposed shop will provide employment to 5 people directly, however, semi-skilled butchers, sales personnel would be hired on needs basis if the capacity of the shop is increased.

5.5 Sensitivity indicators

a) Attracting small holders (≤ 5 acres)

According to butchers association of KP, Peshawar has approximately 2,500-3,000 meat shops, Abbottabad 1000-1200 meat shops, D.I Khan 100-120 meat shops and Kohistan 15-20 meat shops that are providing meat to consumers. Unfortunately, the meat shops lack food safety compliance and some even lack the access to the facilities like water and electricity. The shops range from very small (selling around 100 kg meat/day) to the large (sell around 2000kg meat/day) but the majority rarely comply with food safety practices and international best practices due to lack of knowledge and skills and little incentive. It will be difficult to attract small holders due to their reluctance to adopt new methods and technologies and short term oriented expectation of returns. This factor can be mitigated through awareness, education, enforcement, trainings and tangible financial rewards.

b) Suppliers

The livestock sector provides food of animal origin to population of more than 35.53 million people of which 82% are rural dwellers having great dependence on agriculture and livestock. The province produced 580.410 ton meat annually and majority farmers (>90%) in KP involved in livestock production are rearing animals as subsistence farming. They provide their animals to these meat shops to earn a living which can be improved by connecting them to local high-end markets. Despite abundant livestock and poultry resources, consumers still find it hard to buy food safety compliant meat which will be mitigated through this shop.

c) Price fluctuations

Meat prices are regulated by the local government. As per the survey's conducted by UNIDO it was established that livestock prices generally fall during the winter months as the farmers are unable to provide them with shelter and grazing land. There are fluctuations in price of meat products during religious festivals like Eid. The price information given in the below given table shows the current meat prices in Peshawar. (Table 1.4)

Table 1.4 Current meat prices in Peshawar

Item	Price
Beef Veil (with bone) per kg	PKR 500
Beef Veil (boneless) or mincemeat per kg	PKR 700
Mutton per kg	PKR 1200
Chicken (whole)	PKR 190

d) Maintaining standards

Meat quality needs to be improved as per the requirements of food safety and quality standards for meat. The shops need to comply with standards set nationally and by following good hygiene practices (GHP).

e) Increasing competition and other factors

Knowledge transfer, training of butchers, strengthening regulatory framework and price decapping will help increase competition in this sector. Similarly, training butchers regarding proper food handling practices and raising awareness among producers and consumers will increase healthy competition.

6. Project Cost

The total project including total capital cost and total working capital is as follows:

Project Cost	
Description	Price (PKR)
Building & Infrastructure	380,800
Machinery and equipment	808,900
Furniture and Fixtures	532,500
Pre-operating costs (Licensing etc)	100,000
Total Capital Cost	1,822,200
Working Capital	
Raw Material Inventory	226,488
Advance Rent	90,000
Upfront Insurance Payment	16,178.00
Cash	45,134
Total Working Capital	377,800
Total Project Cost	2,200,000

7. Financial Analysis

7.1 Projected Income Statement

Projected Income Statement					
	Year 1	Year 2	Year 3	Year 4	Year 5
	Amount in (PKR)				
Revenue	52,763,524	62,644,489	74,375,851	88,304,132	104,840,745
Cost of Goods Sold	48,911,434	57,924,307	68,610,340	81,281,394	96,307,590
Gross Profit	3,852,090	4,720,182	5,765,511	7,022,737	8,533,155
General administrative & selling expenses					
Administration Expense	527,635.24	626,444.89	743,758.51	883,041.32	1,048,407.45
Office Expense	52,763.52	62,644.49	74,375.85	88,304.13	104,840.75
Travelling Expense	26,381.76	31,322.24	37,187.93	44,152.07	52,420.37
Communication Expense	60,000	66,000	72,600	79,860	87,846
Promotional Expense	52,764	62,644	74,376	88,304	104,841
Insurance Expense	16,178	14,560	12,942	11,325	9,707
Ammortization Expense	20,000	20,000	20,000	20,000	20,000
Professional fees	5,276	6,264	7,438	8,830	10,484

Rent	360,000	396,000	435,600	479,160	527,076
Depreciation Expense	172,220	172,220	172,220	172,220	172,220
Subtotal	1,293,218	1,458,101	1,650,498	1,875,197	2,137,842
Operating Income	2,558,872	3,262,081	4,115,013	5,147,540	6,395,313
Other income Gain / (loss) on sale of assets					
Earnings Before Interest & Taxes	2,558,872	3,262,081	4,115,013	5,147,540	6,395,313
Interest Expense					
Earnings Before Tax	2,558,872	3,262,081	4,115,013	5,147,540	6,395,313
Tax	767,661.46	978,624.23	1,234,503.91	1,544,262.14	1,918,593.82
NET PROFIT/(LOSS) AFTER TAX	1,791,210	2,283,457	2,880,509	3,603,278	4,476,719

7.2 Projected Balance Sheet

Projected Balance Sheet						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Assets						
Current Assets						
Cash & Bank	59,652	3,567,097	6,281,579	9,638,395	13,771,829	18,878,261
Raw material Inventory	211,970	251,665	298,794	354,749	421,182	463,300
Pre-paid Rent	90,000	99,000	108,900	119,790	131,769	144,946
Pre-paid Insurance	16,178	14,560	12,942	11,325	9,707	8,089
Total Current Assets	377,800	3,932,322	6,702,215	10,124,259	14,334,487	19,494,596
Fixed Assets						
Building & Infrastructure	380,800	342,720	304,640	266,560	228,480	190,400
Machinery & Equipment	808,900	728,010	647,120	566,230	485,340	404,450
Furniture & Fixtures	532,500	479,250	426,000	372,750	319,500	266,250
Total Fixed Assets	1,722,200	1,549,980	1,377,760	1,205,540	1,033,320	861,100
Intangible assets						
Pre-operation costs	100,000	80,000	60,000	40,000	20,000	0
Total Intangible Assets	100,000	80,000	60,000	40,000	20,000	0
Total Assets	2,200,000	5,562,302	8,139,975	11,369,799	15,387,807	20,355,696

Laibilities & Shareholders' Equity						
Current Liabilities						
Accounts Payable		1,571,092	1,865,309	2,214,623	2,629,353	3,120,523
Total Current Liabilities		1,571,092	1,865,309	2,214,623	2,629,353	3,120,523
Other Liabilities						
Deferred tax						
Long term debt						
Total Long Term Liabilities		-	-	-	-	-
Shareholders' Equity						
Paid-up capital	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000	2,200,000
Retained Earnings		1,791,210	4,074,667	6,955,176	10,558,454	15,035,173
Total Equity	2,200,000	3,991,210	6,274,667	9,155,176	12,758,454	17,235,173
Total Capital & Liabilities	2,200,000	5,562,302	8,139,975	11,369,799	15,387,807	20,355,696

7.3 Projected Cash Flow Statement

Projected Cash flow Statement						
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
Operating activities						
Net profit	-	1,791,210	2,283,457	2,880,509	3,603,278	4,476,719
Add: depreciation expense	-	172,220	172,220	172,220	172,220	172,220
Amotization expesne	-	20,000	20,000	20,000	20,000	20,000
Accounts recievbale	-	-	-	-	-	-
Raw material inventory	(211,970)	(39,695)	(47,129)	(55,955)	(66,433)	(42,118)
Advance insurance premium	(16,178)	1,618	1,618	1,618	1,618	1,618
Accounts payable	-	1,571,092	294,217	349,314	414,730	491,171
Advance Rent	(90,000)	(9,000)	(9,900)	(10,890)	(11,979)	(13,177)
Cash provided by operations	(318,148)	3,507,445	2,714,482	3,356,816	4,133,434	5,106,432
Financing activities						
Change in long term debt						
Change in short term debt						
Issuance of shares	2,200,000					
Purchase of (treasury) shares						
Cash by financing activities	2,200,000		-	-	-	-
Investing activities						

Capital expenditure	(1,822,200)					
Acquisitions						
Cash by investing activities	(1,822,200)	-	-	-	-	-
Net Cash	59,652	3,507,445	2,714,482	3,356,816	4,133,434	5,106,432
Cash balance brought forward	59,652	59,652	3,567,097	6,281,579	9,638,395	13,771,829
Cash available for appropriation	59,652	3,567,097	6,281,579	9,638,395	13,771,829	18,878,261
Owner's Withdrawals						
Cash carried forward	59,652	3,567,097	6,281,579	9,638,395	13,771,829	18,878,261

8. Key assumptions

8.1 Project Capacity Assumptions

Production Capacity		
Description	Breakdown	Calculation
Maximum Capacity Daily (Kg)		500
Beef	154	
Mutton	154	
Chicken	192	
Working days in a month		22
Capacity Year 1		70%
Capacity Year 2		75.6%
Capacity Year 3		81.5%
Capacity Year 4		88.0%
Capacity Year 5		95.0%

8.2 Cost of Goods Sold Assumption

Cost of Goods Sold Assumptions		
Description	Calculation	Price
Mutton (Purchase price)		950
Beef Veil (Purchase price)		440
Chicken (Purchase price)		165
Packaging Tray (Purchase price)		15
% of boneless meat in beef 1Kg meet		85%
Bifercation of Sales		
Mutton (sold per year)	28049	
Beef Veil (Boneless) (sold per year)	10950	
Beef Veil (With Bone) (sold per year)	15167	
Chicken (sold per year)	35061	
250 grams (packaging)	10%	
500 grams (packaging)	40%	
1 Kg (packaging)	50%	
Other Manufacturing Costs (annual basis):		
Direct Labor Cost		1,536,000
Electricity (as percentage of total sales)		0.26%
Transportation Rental Cost (as percentage of total sales)		0.26%
Direct Water Cost (Yearly)		8,000

8.3 Revenue Assumptions

Revenue Assumptions	
Description	Calculation
Sale Price per Kg	
Mutton	1100
Beef Veil (Boneless)	700
Beef Veil (With Bone)	500
Chicken	190
Sale Price Growth Rate/ Year	10%
Wastages as % of total production	0.1%
Raw Material Meat Inventory (% of meat purchased)	0.28%
Raw Material Packaging (in weeks)	2

8.4 Economic Assumptions

Economic Assumptions	
Description	Annual % increase
Electricity Price Growth Rate	10%
Water Price Growth Rate	10%
Salary Growth Rate	10%
Packaging Cost Growth Rate	10%
Communications Cost Growth Rate	10%
Meat selling price growth rate	10%
Meat price from slaughter house growth rate	10%
Rent Growth Rate	10%
Tax Rate	30%

8.5 Expense Assumptions

Expense Assumptions	
Administrative Expense (% of total revenue)	1%
Office Expense (% of administrative expense)	10%
Travelling Expense (% of administrative expense)	5%
Telephone and Internet Expense	60,000
Professional Fee (Legal, Audit etc)	0.01%
Machinery & Equipment Insurance Rate	2%
Promotion Expense	0.1%
Advance Rent(months)	3
Rent at Inception	30,000

8.6 Depreciation Expense Assumptions

Depreciation Expense Assumptions	
Depreciation method	Straight line
Machinery & Equipment	10%
Furniture & Fixtures	10%
Building & Infrastructure	10%
Office Vehicle	20%
Amortization of pre operating costs	20%

8.7 Cash Flow Assumptions

Cash flow Assumptions	
Accounts Receivable Cycle (In Days)	30
Accounts Payable Cycle (In Days)	15
Credit Sales as % of total sales	100%
Credit Purchases as % of total purchases	50%

9. Conclusion

In conclusion, establishing a meat shop does not require a huge investment and as per the calculations is a financially feasible business opportunity especially for young entrepreneurs. As per the above estimated calculations the proposed shop will have an annual net profit of Rs. 1,791,210 in its 1st year of operations with a steady growth in the following years on an initial investment of Rs. 2.2 million. The shop will have a positive socio-economic impact not only on the local market economy but also on the health of the consumers.

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