

**COMMUNITY BASED LIVELIHOODS RECOVERY PROGRAM (CBLRP)  
FOR EARTHQUAKE AFFECTED AREAS OF AZAD JAMMU AND KASHMIR  
AND NWFP**

**CBLRP-UNIDO**

**INVESTMENT OPPORTUNITY PROFILE  
FOR  
WOODEN FURNITURE MANUFACTURING  
IN  
NWFP**

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**SUBMITTED TO**

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## 1. PROJECT EXECUTIVE SUMMARY

### 1.1 PROJECT BRIEF

The proposed project is for setting up a “Wooden Furniture Manufacturing Unit” in Mansehra. This project will be capable of integrated manufacturing of wooden furniture starting from cutting of wood to retailing of product to the customer. Auxiliary processes like carving will be met through sub contracting.

Furniture of all kinds either with or without carving and including but not limited to tables, chairs, dressing tables, beds, rock chairs, dining tables are to be manufactured in the Unit. The factory will produce 700 completed units in a year, at 100 capacity utilization.

**The total capital cost of the project is Rs. 6,353,390.** The major raw material used will be fine quality wood which is readily available for use in furniture production. Approximately 24 employees will be employed in this furniture factory. This factory will be able to start manufacturing in 4 months.

### 1.2 FINANCIAL SUMMARY

- Sales Rs 30 Million
- Gross Profit Margin 26%
- Net Profit Margin 15%
- Internal Rate of Return 57%

Foreign collaboration sought	<input type="checkbox"/> Joint – Venture <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Market access <input checked="" type="checkbox"/> Sub contracting <input type="checkbox"/> Buy – back arrangement <input type="checkbox"/> Equipment purchase	<input type="checkbox"/> Management expertise <input type="checkbox"/> Technical expertise <input type="checkbox"/> Marketing expertise <input type="checkbox"/> Technology transfer <input type="checkbox"/> Joint R&D <input type="checkbox"/> Other :-
Studies Available	<input type="checkbox"/> Feasibility study <input checked="" type="checkbox"/> Other Specify	<input type="checkbox"/> Project description
Date:	25 <sup>th</sup> October 2007	

## 2. PROJECT RATIONALE

The demand for wooden furniture is increasing in the domestic market as well as in the international market due to its traditional appeal and durability. The project will be able to employ skilled labor to add value for the local wood in to finished product i.e. wooden furniture. The high growth rate of population 2.41% makes and Forestry covering an area of 1.4 Million Acres (Source, Sardar and Sardar associates) makes the opportunity for investment in this sector. Around 2.4 million tourists (both foreign and local) visit the vicinity. Therefore the opportunity of display and marketing of furniture exists

Skilled Labor Force is readily available and so are the wooden seasoning centers. All the tools required in the manufacturing of the furniture are readily available at low costs. Consortiums can be developed to market the fine furniture. Export potential also exists. Strong historical background of craftsmen is also an added advantage of this project. However, there are constraints on the latest technology know-how.

## 3. MARKET OPPORTUNITY

Wooden furniture forms the major portion of sales in Pakistan. With the rapid increase in the development of new housing schemes, the increased demand of wooden furniture is anticipated. According to the National Housing Policy 2001, the annual additional requirement is estimated around 570,000 housing units whereas the annual production is estimated around 300,000 housing units resulting in a recurring backlog of 270,000 housing units annually. The household size is 6.6 persons and the occupancy per room is 3.3 persons<sup>1</sup>. Furthermore, introduction of new schemes by different banks for house and consumer financing have also raised the purchasing power of public. In the international market, demand for wooden furniture is increasing for its unique style and elegant appearance. The demand of wooden furniture in the International market is increasing gradually at an annual average rate of 4 percent (Statistical Division of Pakistan). There seems to be a growing trend in the gap of supply and demand in the future.

Over all Export target is set more than 18 million dollar by Government of Pakistan. Export growth trend of country simultaneously applies to furniture industry as well. Following are the export trend of Pakistani Furniture.

### Wooden Furniture Export from Pakistan (000 in USD)

Year	2003	2004	2005
World	9,318	9,618	11,816
Growth		3.22%	22.85%

The target market comprises of the following segments:

1. Newly built house;
2. Dowry;
3. Renovation;
4. Institutional buyer.
5. Offices (public & private sector)

## 4. Business Plan

Furniture of three qualities will be made: Superior, Fine, Normal; to cater to the need of both local and export markets. Highly skilled labor will be employed so that the finished product is of superior quality. Production capacity will be increased study to achieve maximum capacity. Some of the orders will also be sub contracted.

#### 4.1 Product sales

Capacity Utilization (%) 100%

Annual Production of Furniture 700 units

	Unit Price	Qt in units
Bed set	53,000	185
Dinning set with chairs	51,000	165
Sofa set	32,000	90
Misc Furniture	10,000	82
Office furniture	47,000	178
Total		700

#### 4.2 RAW MATERIAL

The basic raw material for manufacturing of furniture is wood. Wood obtained from the forest is of prime quality. Generally dry wood is recommended for manufacturing of quality wooden furniture. Forest wood is easily available in the market. Furniture manufacturing units in Pakistan mostly use sheesham wood. Other types of wood used in manufacturing furniture are:

- . Teak wood
- . Walnut wood
- . Keekar wood

Raw material wood is easily available from the forest reserve which comprise of almost 42% of the area. Other material used in the furniture manufacturing process is nails, screws, glue/solution, spirit, thinner, lacquer, sealer, hardener, etc. These raw materials are easily available in the market. Cost of goods detail:

Description Product	Mix	Cost Price
<b>Bed Set</b>		
Superior	20%	56,024
Fine	30%	42,883
Normal	50%	36,975
<b>Dinning Set</b>		
Superior	20%	54,279
Fine	30%	39,745
Normal	50%	30,894
<b>Sofa Set</b>		
Superior	20%	43,366
Fine	30%	29,033
Normal	50%	23,937
<b>Misc. Furniture</b>		
Superior	20%	14,561
Fine	30%	11,153
Normal	50%	8,812
<b>Office Furniture</b>		
Superior	20%	56,193
Fine	30%	33,168
Normal	50%	24,742

### 4.3 PRODUCT MANUFACTURING PROCESS

Wood is cut into different sizes of blocks and slabs. If the wood purchased is not seasoned than these blocks/slices are seasoned through different processes, namely:

. Condensation

. Boiler System

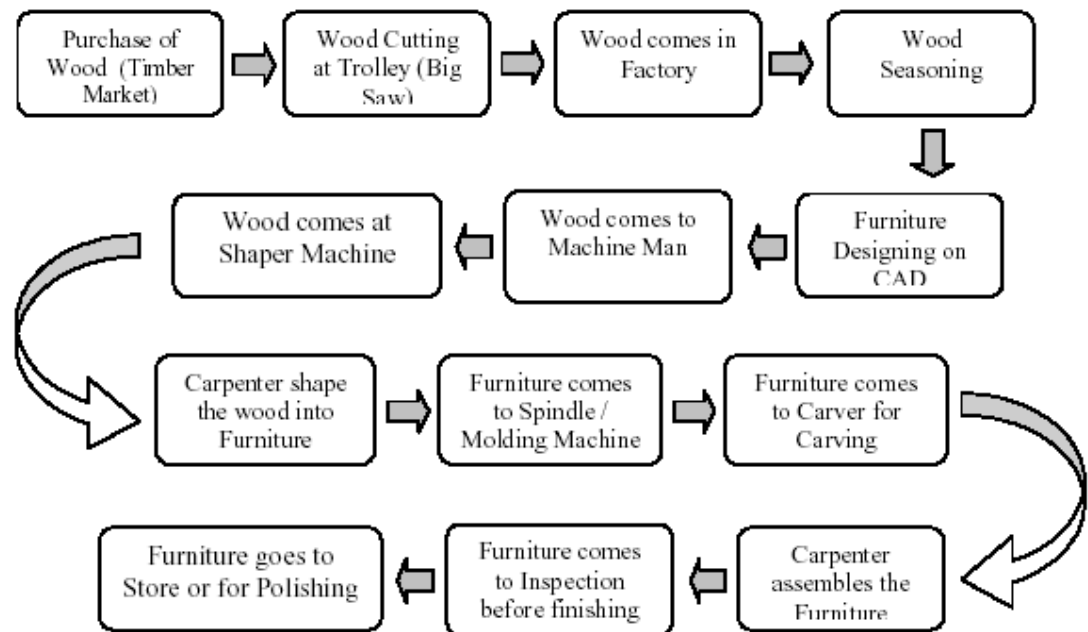
- Vacuum System

- Seasoning through putting the wood slices under normal environmental temperature for considerable duration.

Before start of manufacturing of any furniture product a desired design is selected. Selection of elegant design is important to ensure attractive finished product.

The seasoned wood blocks are cut into desired shape and slices according to the requirement of design. The slices of wood are molded into the desired shape according to the design. Carving means different elegant pattern carved in the wood. Quality of carving depends on the skills of the labor. Once the different pieces are carved & molded than these parts/pieces are assembled or fixed together to give the shape to the final product.

Assembled product is grind to make the surface smooth. Once the surface is smooth, finishing material is applied to make the surface ready for paint or polish. After the base is prepared final finishing is applied depending on requirement in term of paint/polish. Upholstery of fabric is carried out according requirement of design.



### 4.4 Distribution / Marketing Channels

Though the demand for wooden furniture in domestic market is persistent throughout the year, but it significantly increases during the period of October to March because of the wedding season. The demand for the furniture almost doubles during this period. Hence, the primetime to enter into market is start of August.

Billboards, Radio, F.M Channels, and Newspapers are the conventional mediums, which have been powerfully used for the promotion of products

## 4.5 HUMAN RESOURCE REQUIREMENT

The labor required for manufacturing process is easily available on daily wages, per unit basis and permanently employed. It is recommended that selective highly skilled labor should be employed permanently and other labor should be hired as and when required. Following permanent human resource is required both at factory and show room.

### Factory Staff Requirement Details

Description	No	Monthly Salary (Rs)	Total Annual Salary (Rs)
Production supervisor	1	15,000	180,000
Carpenter	10	8,000	960,000
Machine man	1	10,000	120,000
Polish man	3	8,500	306,000
Carving	2	8,000	192,000
Helpers	2	4,000	96,000
Factory admin officer	1	12,000	144,000
Draftsman / CAD Operator	1	8,000	96,000
Purchaser/Store Officer	1	12,000	144,000
Gate Keeper	2	4,000	96,000
Total Production Staff	24		2,334,000

## 4.6 Project Financials

### 4.6.1 Operational Data

The Factor will be able to manufacture 700 complete units of furniture at 100 % capacity.

	Year 01	Year 02	Year 03	Year 04	Year 05
Items/products	Qt in units	Qt in units	Qt in units	Qt in units	Qt in units
Bed set	111	130	148	165	185
Dinning set with chairs	99	116	132	185	165
sofa set	54	63	72	81	90
Misc Furniture	49	57	66	78	82
Office furniture	103	120	138	155	178
Total	416	486	556	664	700

### 4.6.2 Fixed Cost

Land for Factory(3 kannals @ 300,000)	900,000
Building/Infrastructure for Factory	4,590,000
Machinery & Equipment	523,500
Office Equipment, Furniture for Factory	91,100
Pre-operating Costs	248,790
Total Capital Expenditure	6,353,390

#### 4.6.3 Working Capital

The initial working capital to the tune of Rs 1.2 Million is required.

Raw material inventory	696,000
Cash requirements	550,000
Total	1,246,000

#### 4.6.4 Overheads

Following Overheads are assumed to occur in the first year of production.

Expense	Year amount
Utilities	560,000
Depreciation	290,960
Administration	480,000
Selling and Distribution	300,000
Miscellaneous	150,000
Total	1,780,960