

ENGINEERING WORKSHOP – SUBCONTRACTING

Engineering Workshop – Subcontracting will not manufacture its own products, instead it will provide, job work facilities to the light engineering sector. This practice is prevalent in the majority to such workshops. The workshop will provide services to businesses such as manufacturers of electrical home appliances, pumps, textile sector, machinery repair shops, auto part makers, etc. This business activity is more suitable for an entrepreneur with mechanical technology background. The prospective entrepreneurs are also recommended to have previous workshop floor experience. Major capital investment is in the procurement and installation of lathe, shaper and cylindrical grinding machines. The workshop will provide machining facility for engineering products such as washing machines, electric motor rotor shafts. A variety of machining services can be carried out on the machinery set proposed under this project, however, for the purpose of calculating cost and revenues, work equivalent to electric motor shaft L18" x D½" has been taken as a standard item.

The workshop will require services of two machinists and one helper to carry out requisite job orders.

The business will setup in rented premises, having covered area of 400 Sqft.

Potential Target Markets / Cities

The potential target markets are local cluster of home appliances manufacturers, and electrical pumps manufacturers. The suitable cities for marketing can be Gujranwala, Gujrat, Lahore, Faisalabad, Karachi, Peshawar, Gilgit and Quetta.

Project Economics

Project Cost

Sr.#	Description	(Fig. In Rs.)
1.	Capital Investment	1,035,000/-
2.	Office Equipment	77,500/-
3.	Pre-Operating Cost	75,000/-
4.	Total Capital Cost	1,187,500/-
5.	Initial Working Capital	532,325/-
Total Investment		1,719,825/-

Project Financing

Sr.#	Description	Details
1.	Total Equity (10%)	Rs.171,982/-
2.	Bank Loan (90%)	Rs.1,547,842/-
3.	Mark-Up to the Borrower	8%
4.	Tenure of the Loan	08 Year
5.	Grace Period	01 Year

Revenue Generation

Sr.#	Product	Unit	Sales Price / Unit (Rs.)	First Year Production	First Year Sales
1.	Washing Machine Motor Rotor Shaft	No.	80/-	21,000	1,680,000
Total					1,680,000/-

This sales revenue is expected to increase to around 15% annually and reach to Rs.5.37 million by year 10.