

# **Business Plan for** **"Dekinda Edge "** **(Cabana Project in Imbulpitiya Gal Oya Reservoir)** **in Nawalapitiya UC**



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## I. OVERVIEW

**Eco tourism** is one of the fastest growing trends in the worldwide tourism industry. Environment has an intrinsic value which outweighs its value as a tourism asset. It is also agreed upon by environmental experts that the three elements, viz., political acceptability, social responsibility and sound environment with a perfect balance between quality and quantity, in tourism development/ promotion, can ensure quality tourism.

Whilst there is a general support for a symbiotic relationship between the two, i.e., tourism and environment; the dilemma is that the residents lay greater stress on tourism development whereas the tourists focus on environmental protection.

In this context, 'eco tourism' is being promoted as a means of 'giving nature value' and hence of achieving sustainable tourism. The term 'eco tourism' has been defined in many ways and is usually used to describe tourism activities which are conducted in harmony with nature.

Eco tourism relates to the quality of the environment and to ensure that the impacts from the activity are controlled comprehensively. Eco tourism can be defined as "purposeful travel to natural areas to understand the cultural and natural history of the environment, taking care not to alter the integrity of the eco system, while producing economic opportunities that make the conservation of natural resources financially beneficial to local citizens".

Sri Lanka nourished with several unique features in a vast tract of lands facing many lagoon. One can see mangrove arboretum, exotic plants & tropical fish, reproductions of ancient Sri Lankan sculptures and many other interesting features that are absolutely impressive. The Idea of eco villages has found exclamation in several international travel books. A kind of serenity always prevails in eco villages. These are ideal and most sought after venue for romantic weddings, meetings, seminars and other private functions. Friendly service and excellent food make these avenues suitable for any occasion. In Sri Lanka eco villages are continuously growing in popularity.

Some of the usual things in any eco village are organic farming, skilled craftsmanship, Ayurvedic treatments, mud pavilions and natural spring waterfalls. One likes to live amidst nature.

Nawalapitiya area is one of picturesque location in Sri Lanka where the above mentioned features, ecology and the climate consists throughout the year. So that the area has ample potential for eco tourism to attract the foreigners as well as local travelers.

The Imbulpitiya – Gal Oya Reservoir is one of a suitable location to develop with the concept of Eco villages. So that the Urban council of Nawalapitiya proposing the Cabana Project under the Eco Village concept in the area of Dekinda which belongs to the Imbulpitiya – Gal Oya Reservoir.

The projected land area is belongs to the Urban council of Nawalapitiya and the cabanas will be established by totally eco friendly environment and the UC has to get the CEA approval at the outset of the project.

The UC is aiming to initiate this project by focusing following objectives,

- To match the tourism potential prevails in the area through the eco friendly projects in order to enhance the income to the UC
- To generate several income sources to the people in the Local authority area.
- To protect the environment by practising good regulatory practices through this project.
- Ultimately the quality of living enhanced trough this project.



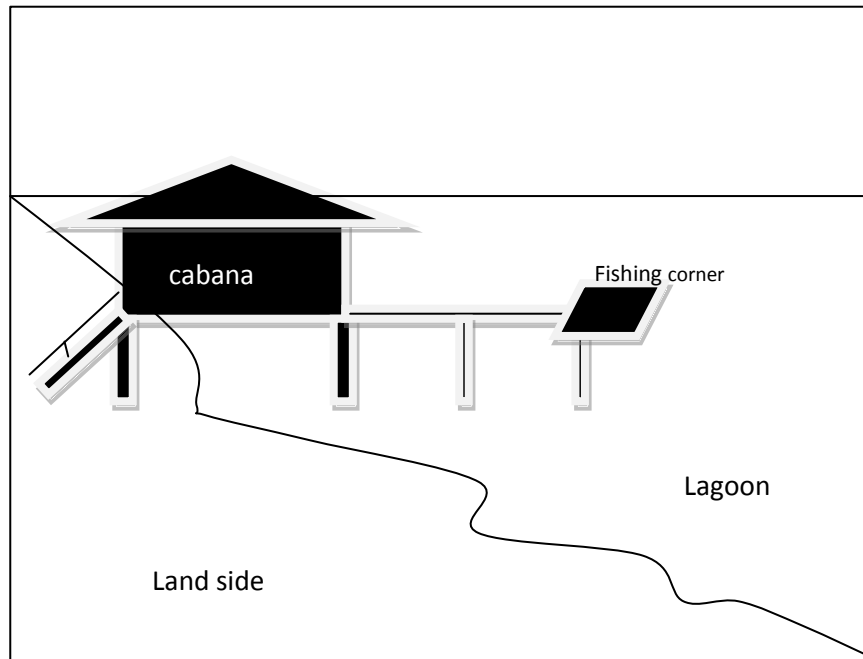
Proposed Site: Imbulpitiya – Galoya Reservoir

## 2. MARKETING PLAN

Proposed project consists with 4 cabanas, 1 restaurant, and 1 service cabana

- Projected land area is belongs to the Urban council.
- The cabanas will be established by totally eco friendly environment and the UC has to get the CEA approval at the outset of the project.
- The cabanas will be built separately from each other and it will be faced to the lagoon and interconnected with wooden path way which will be implemented over the lagoon.
- The each cabana will be inter connected with the restaurant and the service cabana.
- One cabana will be consists with its floor area of 400 sqft.

### Design



## 2.1 Description of the Products/ Services

### Products

All kinds of foods, Drinks

### Services

1. Accommodation, Restaurant, Communication, Entertainment, Leisure
2. Weddings, Meetings, Seminars, Private events, Company outings

## 2.2 Targeted market area.

The services will be majorly focused towards the people who visiting Nawalapitiya and passing Nawalapitiya towards Nuwara Eliya. So the market area is not restricted to the community of Nawalapitiya. It focused towards whole community which including whole community who visited Nawalapitiya including all foreigners . So that the targeted market will be whole country.

## 2.3 Targeted Consumer Group.

Product/ Service	Market Area	Target Consumer Group
All kinds of foods, Drinks	Whole country	1. People who passing Nwalapitiya town on their way to destinations. 2. Foreigners
Weddings, Meetings, Seminars, Private events, Company outings	Nawalapitiya	1. Community of Nawalapitiya 2. Companies/ Institutes
Accommodation, Restaurant, Communication, Entertainment, Leisure	Whole country	1. People who passing Nwalapitiya town on their way to destinations. 2. Foreigners

## 2.4 Competitor Analysis

It is obvious that some cabanas are already existing in the area and out of those the “Okvin Hotel “ has been identified as the significant competitor to this project.

So that the price, place, product and the promotion Strategies of that competitor has bee taken in to deep consideration.

The current market prices of same service and products are as follows;

Room Type	Room Rate		Annual Sales
	USD	Rs.	
Standard	\$75	10,500/=	1,575,000/=
Deluxe	\$100	14,000/=	700,000/=
Superior	\$135	18,900/=	472,500/=
Suit	\$155	21,700/=	542,500/=
Banquate		2,500/=	1,500,000/=
Monthly rev			4,790,000/=
<b>Annual Rev</b>			<b>57,480,000/=</b>

Sources\* : <http://okwinresort.com/index.html>

Service	Competitor	Total Annual Demand
		Value ( Rs. )
Cabanas	OKWIN Hotel	57,480,000.00

## 2.5 Market share of the proposed project.

It is identified there are 4 same projects in the area and the major competitor is OKVIN Hotel. The other 3 site are doing the business in very small scale and the condition is not at premium level. So that the market fraction has been assumed as 20% of the total demand prevails in the area.

## 2.6 Market strategies of the proposed project.

### (A) Products/ Service

All foods and beverages of the restaurant should be in quality assured, covered from dust, and with good hygienic status. Services should be provided according to the needs of clients who visit the resting location on their perception.

Service Excellency is the first and most important factor of this business. So that the staff should be well trained, skilful and efficient in their services. The recruitment is the crucial factor in having successful service providers in this industry.

### (B) Price

Price varies according to the variety of goods and services. It is advisable to maintain the prices at optimum level since the quality aspires and service facilities would be additional cost on purchases. Mostly there should be some 10% to 15% discount to be matched at the booking stage as practiced in the industry.

### (C) Place

The place will be the most important factor of attracting consumers to the location. The place

should be fulfilled with following aspects.

1. The land is fully eco friendly and the construction should be entirely refrain from any kind of damage to the environment.
2. The location is just at the bank of the reservoir and it has high attraction of visitors .
3. The undercover of trees and bushes must be adjoined to establish landscaping and other infrastructures viz; restaurants, cabanas, summer huts etc.
4. The location is close proximity to the town area, but free from disturbances. It has enough spacing for parking vehicles.
5. The land consists with aesthetic and pictureous environment which beautified with a natural water body just adjoined to the land.

#### **(D) Promotion**

Promotion strategies are most vital factors in this industry as the first visiting customers are attracting on the promotional activities at the outset. So that it is advisable on adhering to prper propaganda for both goods and services.

##### ***External promotions:***

The objective of the external promotion is to attract new and past customers back. In this regard it is not other than to keep the location clean and aesthetic manner. This lead to attract the people again and again and get new visitors through word of mouth. Following strategies should be launched in this manner,

- The business entity should be nominated with friendly and meaning full name. ( eg: Dekinda Edge/ Eco Villas/ Nature Edge)
- Official Web site to be initiated to attract the visitors
- Launching of Face book page will be significant advantage in attracting foreigners
- A crew of Travel agents should be introduced to promote the location
- Some hoarding sites can be introduced at the town and by the sides of main roads to direct the visitors.
- The promotions can be done especially for attracting people for day outings, seminars and meetings through Direct mails, Leaflets and notice board messages to government offices.

##### ***Internal promotions:***

Internal or in-store promotions are key in retaining and increasing sales volumes once customers are in place. Once the customer enters the resting area the following common internal practices either individually or collectively could be utilized in order to facilitate a longer stay resulting in increased sales, most notably:

- ◆ Effectively designed cabana layout
- ◆ Attractive window displays;
- ◆ Eye-catching internal displays;
- ◆ Promotional signs;
- ◆ Location signs;
- ◆ exciting atmosphere through sound landscaping.

## 2.7 Proposed Design of Cabana Project

Following table brief the arrangement.

Block type	Average space	No. of blocks	total area Usable
Wooden Cabanas with fishing courts	20 ft X 20ft	4	2,000 sq.ft
Service Cabana	20 ft X 20ft	1	400 sq.ft
Restaurant	40 ft X 20 ft	1	800 sq.ft
Internal I Pathways	6ft X 150 ft	1	900 sq.ft
Banquet hall	20ft X 20ft	1	400 sq.ft



Sample design of proposed cabana



Proposed site



## 2.8 Sales Forecast

### Proposed price list

LKR 10,000 BB Single

LKR 15,000 BB Double

LKR 20,000 BB Triple

Special Offer for Government Servants - 12,500 BB double

If booking all 4 cabanas - 12,000/= BB double

### Annual Income

Table 2.1

Block	Average Sale Price (Rs.)	Average Sales quantities per month	Annual Income (Rs.)
Income from Cabanas	15,000/=	15 cabanas per month	2,700,000/=
Income from restaurant from serving to cabanas	10,000/= per one intake	20 services per month	2,400,000/=
Income from banquet hall (meetings/ seminars)	1 event per month	7,500/= per event	90,000/=
Income from restaurant from serving on special events	1 event per month	20,000/= per event	240,000/=
Income from renting fishing tools	2,000/=	10 services per month	240,000/=
<b>Less</b> Food wastages ( 2%)			80,000/=
<b>TOTAL ANNUAL INCOME</b>			<b>5,750,000/=</b>

### Sales Forecast for 3 years

	1st Year	2nd Year	3rd Year
<b>Net Annual Sales Income</b>	5,750,000/=	6,400,000/=	7,200,000/=

- Assumption: Annual 10% of increment expected in each year

## 3. PRODUCTION/ SERVICE PLAN

### 3.1 Production / Service Process

The Service process of the proposed project is similar to the general services of hotel trade. Service excellence is one of the major factors in this business. So that there should be strong team of service provision and the recruitment should be deeply considered.

Following positions to be recruited and the experience on same field is to be much emphasized.

1. Hotel Manager -1
2. Cheff -1
3. Reception cum web coordinator -1
4. Room boy – 1
5. Stuart – 1
6. Kitchen assistant – 1
7. Security officer -1

#### 1. Provision of cabanas

Cabana is the main feature of this business. So that the proper arrangement of cabana, cleanliness, availability of basic requirements (Eg: electricity, water, TV, mini fridge, wyfi connection, air conditioned, PABX system, Water tanks, water sumps, Garbage collection room, wooden pathway to fishing corner, wooden path ways to restaurant, fulltime backup generator, transformer, Sewage treatment plant, Effluent water treatment plant) should be provided.

In addition to that most of vehicles owners prefer some shade for their vehicles , the park entirely be with some small trees arrangement according to the proper landscapes.

#### 2. Food and Beverages

Food and beverages are the other vital factor of the success of this trade. If the staff can make the food and beverages as their unique feature it would be the first marketing tool of this business. The food and beverages should be in high quality, having unique flavor(with out adding artificial flavours), fresh full and healthiness.

Following measures has to be implemented to realize above features,

- Proper Menu with special dishes unique to the restaurant.
- Wide range of food and beverages
- Preparation time to be displayed
- Refrain from usage of artificial flavours and additives.
- More emphasized on traditional foods and beverages (specially for foreigners)
- Speedy service

### **3. Entertainment and Refreshing**

The appearance and the cleanliness of the entire premises are very vital to attract consumers and it will lead the sustainable marketing process in the business. In addition to that there should be some entertaining events to attract the visitors to the premises.

- Provision of fishing tools and fishing corner adjoined to each cabana by providing wooden pathway towards to the lake.
- Arranging some beautiful places located in close proximities through tour guides.
- Provision of Music, cultural activities at the premises.

### **4. Maintenance and repairs.**

The maintenance in the whole premises should be in proper plan. It is advisable to execute Maintenance schedule and separate person to follow up in the 2<sup>nd</sup> year of the business cycle.

## 4. ORGANIZATIONAL & MANAGEMENT PLAN

Name of the implementing / Managing Organization : Nawalapitiya Urban Council  
 Management body : Steering Committee (5 persons)  
 Composition of steering committee : Secretary of Urban Council  
 Technical Officer  
 Revenue Officer  
 Technical officer  
 1 Representative from Trade

### 4.1 Linear Responsibility chart

The Person	Number of employees		Monthly Salary (Rs.)	Overall supervision	Operation	Marketing	Administration	Finance
	Existing	New						
Steering committee	5	-	Nil	✓			✓	✓
Hotel manager		1	40,000/=	✓	✓	✓	✓	✓
Chef		1	40,000/=		✓			
Receptionist Cum Web coordinator		1	25,000/=		✓	✓		
Stuart		1	25,000/=		✓	✓		
Kitchen Assistant		1	20,000/=		✓			
Room boy		1	20,000/=		✓			
Security officer		1	20,000/=		✓			
<b>TOTAL LABOUR</b>	<b>5</b>	<b>7</b>	<b>200,000/=</b>					

As the above chart shows the overall management of the project is in the hand of the UC whereas the operational decisions will be made by a steering committee which consists of 5 persons. The composition of the 5 persons committee will be from UC as well as from one representative from private sector. (Instructions to Steering committee is annexed in annexure 1)

7 persons will be directly recruited to direct operations, management and marketing purposes of the business.

#### Preliminary arrangements to be considered by management Body

- A separate account to be opened to manage accounts of the project.
- Signing Authority for accounts and vouchers to be redefined. It should be authorized by the accountant and the Secretary of UC.

## 4.2. Cost of Constructions

Table 4.1

Item	Cost (Rs.)
<b>Construction cost of Cabanas and others</b>	
Millwork and finishing space	100,000
Constructions of 4 cabanas and 1 service Cabana, Restaurant, Banquet hall (made of hard wooden)	4,000,000
Furniture, equipment, linen etc	2,000,000
Landscaping	500,000
Side drains and drainages	300,000
Water and electricity supply	1, 000,000
Sewage system, effluent water treatment unit	800,000
	<b>8,700,000/=</b>

## 4.4. Pre operating Activities & Expenses

Table 4.2

Tasks	Time period (Months)										Date to finish each task	Expected cost	
	1	2	3	4	5	6	7	8	9	10			
Preparation of project proposal / site plan with BOQs/ validation of the corresponded LA area	■											2017/1/20	100,000/=
Submission of project proposal to donor Agent		■										2017/1/25	-
Obtaining approval from funding agent			■									2017/2/5	-
Obtaining CEA Approval		■	■									2017/2/28	
Constructions/ demolition / renovation of existing buildings and landscaping (Please refer table 2.2)				■	■	■	■	■	■	■		2017/5/15	8,700,000/=
Recruitments and Business launching										■		2017/6/1	50,000/=
<b>Pre operating cost</b>													<b>8,850,000/=</b>

## 5. FINANCIAL PLAN

### 5.1 Project Cost

	Existing		Proposed		TOTAL
	Loan (Rs.Mn)	Equity (UC) (Rs.Mn)	Loan (Rs.Mn)	Equity (UC) (Rs.Mn.)	
Land	-	10.0	-	-	10.0
Building , equipment and furniture	-	-	6.00	2.850	8.85
<b>Structure of the investment</b>	<b>0%</b>	<b>53%</b>	<b>32%</b>	<b>15%</b>	<b>18.85</b>

### 5.2 Profit & Loss Account

Following assumptions were considered on predicting profit and loss account of the project.

- ❖ The project period will be 3 years in its' 1<sup>st</sup> stage and it will be continued with amendments of planning and objectives from the 4<sup>th</sup> year.
- ❖ Initial capital of the project will be met on fraction of loan worth of 6.0 Mn and it is proposed to be obtained from LLDF under 9% of rate of interest for 10 years of repaying period. The monthly rental of the loan will be 76,000/=.
- ❖ The sales volumes of first three years will be increased by 10% of the initial sales volume by each year. 50% of annual net income will be transferred for next year budget and the balance 50% will be utilized for usage of other public services in the UC (for a new project or expansions).
- ❖ 10 % annual depreciation of building was considered (for 10 years)

### Profit & Loss Account

Item	1 <sup>st</sup> year	2 <sup>nd</sup> year	3 <sup>rd</sup> year
Annual income from Sales (net)	5,750,000	6,400,000	7,200,000
<b>Net Sales</b>	<b>5,750,000</b>	<b>6,400,000</b>	<b>7,200,000</b>
Less, <u>Variable cost</u>			
Raw material (30% of sales)	1,800,000	2,000,000	2,200,000
Electricity	110,000	125,000	135,000
Water	50,000	55,000	60,000
Other Variable cost	50,000	70,000	90,000
Labour	2,400,000	2,600,000	2,700,000
<b>TOTAL Variable cost</b>	<b>(4,410,000)</b>	<b>(4,850,000)</b>	<b>(5,185,000)</b>
<b>Contribution</b>	<b>1,340,000</b>	<b>1,550,000</b>	<b>2,015,000</b>
Less, <u>Fixed cost</u>			
Production overhead cost (advertisement)	50,000	0	0
Administration expenses	60,000	80,000	90,000
Maintenance cost	140,000	200,000	220,000
<b>Total Fixed Cost</b>	<b>(250,000)</b>	<b>(280,000)</b>	<b>(310,000)</b>
<b>Profit before depreciations &amp; interest</b>	<b>1,090,000</b>	<b>1,527,000</b>	<b>1,705,000</b>
Less,			
Loan Interest*	912,000	912,000	912,000
Annual Depreciations	40,000	40,000	40,000
Pre operating expenses (promotions)	150,000	0	0
<b>Sub total</b>	<b>(1,102,000)</b>	<b>(952,000)</b>	<b>(952,000)</b>
<b>Profit Before tax</b>	<b>(12,000)</b>	<b>575,000</b>	<b>753,000</b>
Less , Income tax	0	0	0
<b>Profit After Tax</b>	<b>(12,000)</b>	<b>575,000</b>	<b>753,000</b>

### 5.3 Cash Flow Statement

Item	Pre Operating period	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
<b>Cash Inflows</b>				
Equity	2,850,000	-	-	-
Sales income	-	5,750,000	6,400,000	7,200,000
Loan Receivable	6,000,000	-	-	-
Cash balance	-	(912,000)	89,000	679,500
<b>Total Cash Inflows</b>	<b>8,850,000</b>	<b>4,838,000</b>	<b>6,489,000</b>	<b>7,879,500</b>
<b>Cash Outflows</b>				
Cost of constructions	8,700,000	0	0	0
Administration / maintenance expenses	-	250,000	280,000	310,000
Variable cost	-	4,410,000	4,850,000	5,185,000
Pre operating expenses	150,000	0	0	0
Loan Interest and repayments	912,000			
<b>Total cash Outflow</b>	<b>9,762,000</b>	<b>4,660,000</b>	<b>5,130,000</b>	<b>5,495,000</b>
<b>Cash Balance</b>	(912,000)	178,000	1,359,000	2,384,000
<b>50% reserves for other services</b>	Nil	89,000	679,500	1,192,000
<b>Cash balance for next year usage</b>	Nil	89,000	679,500	1,192,000

### Financial Ratios

Ratio	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
<b>Profitability</b>	$\frac{(12,000) \times 100}{5,750,000}$ = (0.21)%	$\frac{575,000 \times 100}{6,400,000}$ = 9%	$\frac{753,000 \times 100}{7,200,000}$ = 10%
<b>Return on Investment</b>	$\frac{(12,000) \times 100}{8,850,000}$ =(0.14)%	$\frac{575,000 \times 100}{8,850,000}$ =6%	$\frac{753,000 \times 100}{8,850,000}$ 9%

## ***Annexure 1***

### **Instructions for Steering Committee**

1. Selection of investors to be done according to a proper selection criteria on transparent process and it should be consisted with a tender procedure.
2. Establishment of management body and defining responsibilities of each person is to be clearly identified.
3. The Steering committee should maintain well balanced procedures and ethics with the maximum participation of private sector participation. The involvements of trade union and other trading associations have to be encouraged.

In this connection, following steps should be implemented,

- Separate Bank account to be maintained in every transaction pertained in the project.
  - The Management body should be consisted with at least three officials from UC including managerial and subordinate staff categories. Each and every activity to be implemented through these two people and they should report to the steering committee on their activities, progress and accounts.
  - The management body should maintain a proper book keeping and accounting process to report the financial status to the steering committee.
  - The management body should have a marketing plan as well as activity monitoring plan at the initiation of project. A simple marketing plan should be focused towards the sustainable process of identifying income generation activities through the income gain from this project.
  - The monitoring plan (by listing out each activity and tasks involved in this operation and allocating responsibilities and time frame pertained in each activity) should be implemented by the steering committee according to the well set up activity plan, and output monitoring plan.
4. Income gaining from this project should be under gone with proper accounting procedure and the facts should be in transparent in order to use of 50% of annual income for expansion of project in second stage as well as to use the balance 50% in other projects that enhance revenue of the MC and providing extended service to the public.
  5. UC has to establish mid-term review (6 months) as well as review at the end of 1<sup>st</sup> year to ensure the impacts and benefits of the project before expanding the second stage.