

Business Plan for Cannel Boat Service and a Restaurant in Peliyagoda UC



Submitted to:

The Asia Foundation

30/1, Bagathale road, Colombo 3

Submitted by:

Udula Amukotuwa

Municipal Financial Specialist,
7B/ 16, Maitpe 3rd lane, Galle

December 2016

I. OVERVIEW

Ecotourism, which is also known as ecological tourism, is the responsible travel to fragile, pristine and usually protected areas that strives to be low impact and often small scale. 'Eco' is derived from the Greek word "oikos" which literally means the habitat and is an abbreviation of the term "ecology" which is the scientific study of the relation of living organisms to each other and their surroundings. Therefore, in this view, ecological has both the environmental and social connotations.

According to the concerns of both community and the natural resources, the Eco Tourism can be defined as "purposeful travel to natural areas to understand culture and natural history of the environment, taking care not to alter the integrity of the ecosystem, producing economic opportunities that make the conservation of the natural resources beneficial to the local people". This means that the amount of money obtained from the visitors of ecotourism sites is envisaged to sustain, preserve and maintain the existing resources and assets.

Ecotourism is becoming even more popular across the world, but it has a significant practical value in developing countries where the needs of impoverished communities may conflict directly with the need to capitalize on the growing tourism industry. It can also be noticed that many areas worldwide have been designated as tourism hotspots by developers without even giving a thought to the impact that this decision will have on the local communities. These communities may depend on these respective areas for food and shelter, but their concerns are buried beneath the potential for financial revenue.

The Peliyagoda Urban Council which located in the capital of Sri Lanka and due to its 'natively location it has ample opportunities in exposure of business initiatives. So that the council has considered on viable and sustainable tourism opportunities, and in that way limits the impact that all these activities will have on the environment. It also helps in improving the lives of the local people living in the area. The concept consists of core principles which include the minimization of industrial impact on the environment, building environmental and cultural awareness, empowering local communities, raising awareness of the political, environmental and social issues of the country concerned and finally to ensure that the experience is positive for all parties including the visitors and the hosts.

The ultimate goal is to create a sustainable resource that protects both the people and the nature involved.

Proposed project.

Peliyagoda Council is aiming to intervene with the ecotourism by promoting its' own land which is located at the side of the Air port highway. The location has ample beauty with its' unique situation where the grassy land with low land canal running across the area. The council aims to utilize this unique feature to attract foreigners as well as the local crowd to provide leisure and resting environment through following features.

- A cannel boats service
- Lake side restaurant with unique foods and beverages.
- Walking pathway for jogging.
- Resting benches for make leisure.
- Open area for leisure events.

The council is aiming this project as an alternative type of tourism which aims at minimizing the negative impacts of the traditional mass tourism while maximizing the benefits for the host destination and stakeholders. As an environmentally friendly tourism, it is a viable way of creating economic and social benefits at local and national levels while concentrating upon environmental conservation and protection in the area.

Project objectives

A. Economic benefits to community

Ecotourism diversifies the local economy mainly in Peliyagoda where the economic activities with the environment are declining with time. Also, many opportunities for employment and income are generated by this proposed ecotourism activities to the local people through various types of indirect income generation initiatives viz; foreign currency exchange, accommodation, transport and food services. It contributes to a great extent to the development of markets involved in the creation of handicrafts, artwork for souvenirs, and many other local products.

B. Revenue generation for conservation

The project generates revenues that can be reinvested for conservation and protection of ecotourism sites at destination. It contributes to the conservation and the effective management of the natural undisturbed areas.

C. Revenue generation for better public service

The council aims to generate income through mechanisms such as entry fees at sites, involving the private sector institutions to cater the business at same site and earning charge as rentals.

2. MARKETING PLAN

The project aims to gain business opportunities to enhance their livelihood. It should be noted that it is very important to maintain the attractiveness of the site for future visitors to come and this normally cannot be done freely. Therefore, the mention of economic opportunities in the above definition is essential to explain that the survival of any ecotourism destination site lies in its proper maintenance as well as the harmonious maintenance of its people.

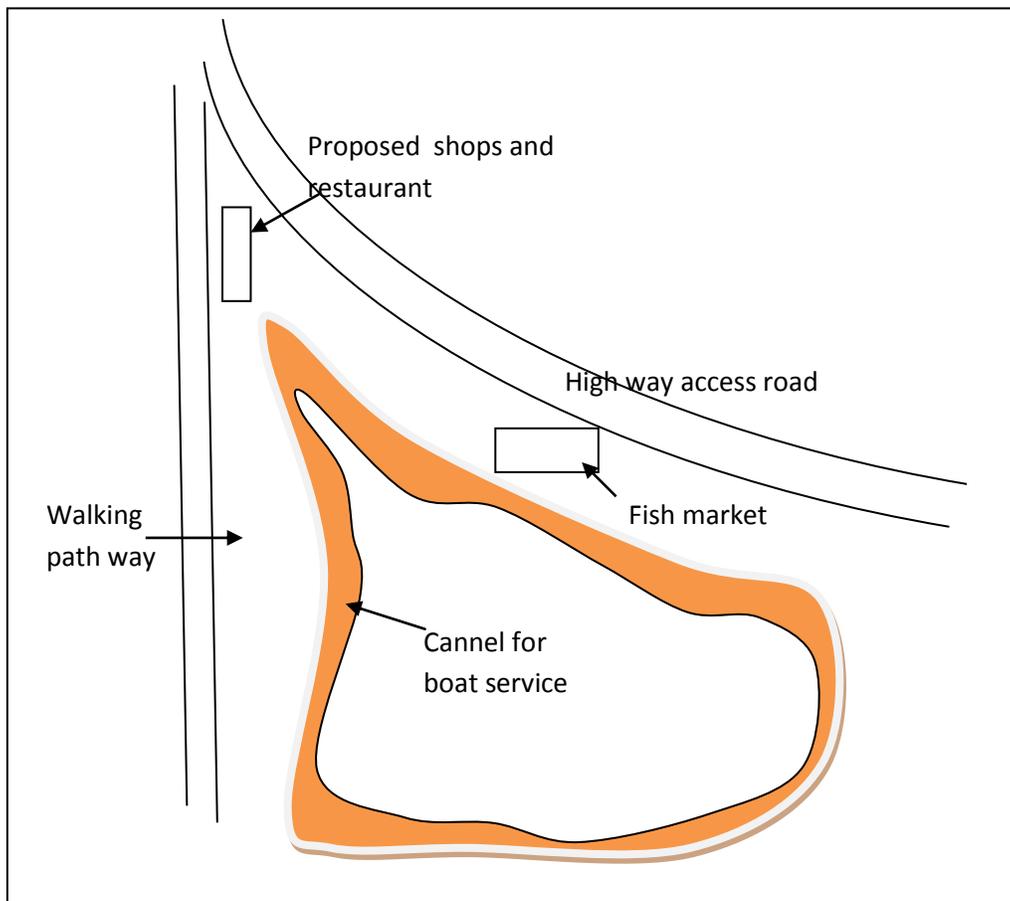
The project proposed with following services and infrastructure;

- A cannal boats service
- Lake side restaurant with unique foods and beverages.
- Walking pathway for jogging.
- Resting benches for make leisure.
- Open area for leisure events.

The initial capital investment is estimated to total Rs. 17.0 Mn and additionally assumes the following:

- ❖ Private Public Partnership with Developer(s) building required facility space; (10.8Mn)
- ❖ LLDF providing loan facility of 1.2 Mn in concessions.
- ❖ MC own equity : 5.0 Mn

Design



2.1 Description of the Products/ Services

Products

All kinds of foods, Drinks at restaurant

Services

1. Restaurant,
2. Entertainment, Leisure through 2 numbers of boats
3. Space for Meetings, Seminars, Private events, Company outings
4. Open space and walking pathway for joggings



2.2 Targeted market area.

The services will be majorly focused towards the people in the capital (Colombo) and who visiting Colombo. So the market area is not restricted to the community of Peliyagoda. It focused towards whole community which including whole community who visited Colombo and majorly all foreigners who visiting Colombo. 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 visiting capital . 2. Foreigners
Meetings,, Private events, Company outings	Colombo	1. Community of Colombo 2. Companies/ Institutes
Restaurant, Entertainment, Leisure	Whole country	1. People who visiting capital . 2. Foreigners
Walking Pathway	Colombo	Community in Peliyagoda

2.4 Competitor Analysis

It is obvious that there are same sites can be found in the Colombo district, but it is not a determined factor since it totally depends on the uniqueness of the location. Nevertheless, the local area is not presence of this type of feature so that the competition will not be major issue on this project.

2.5 Market strategies of the proposed project.

(A) Products/ Service

Foods and beverages of the restaurant should be in hygienically good quality. Since the restaurant is situated at a unique place there should be at least few identical food menus specified to the location

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.

(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 refrained from any kind of damage to the environment.
2. The location is just at the bank of the cannel and it has high attraction of visitors.
3. The land should be in proper arrangement of landscaping. The landscaping will be furnished with small shady trees, grassy ground floor, brick paving for walking pathways.
4. The location is close proximity to Main capital , 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 proper 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. (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 wooden resturant
- ◆ Eye-catching internal displays;
- ◆ Promotional signs;
- ◆ Location signs;
- ◆ exciting atmosphere through sound landscaping.

2.6 Proposed Design of the project

Following table brief the arrangement.

Block type	Average space	No. of blocks	total area Usable
Restaurant	40 ft X 40ft	1	1,600 sq.ft
Toilets	7ft X 5Ft	6	210 sq.ft
Walking pathway	10ft X 3000ft	1	30,000 sq.ft
Internal I Pathways	6ft X 150 ft	1	900 sq.ft
Resting areas with benches	6ft x 4ft	20	480 sq.ft



Sample design of proposed canal and the jogging pathway



Boat service

2.8 Sales Forecast

The restaurant and the 2 cannel boat services of the location will be rented to the private sector and the UC will earn the income from the rentals for the restaurant.

UC will charge 3 years key money from the interested party who willing to invest for the restaurant and cannel boat service on the singed MOU. The UC can utilize those funds to partially match the initial capital requirement of this project.

Annual Income and the key money from renting restaurant.

Table 2.1

Block	Monthly rental (Rs.)	Annual Income (Rs.)	Key money (36 months) (Rs.)
Income from Restaurant	300,000/=	3,600,000/=	10,800,000/=
Boat service (for 2 boats)	50,000/= from each	1,200,000/= (from 2 boats)	N/A
TOTAL INCOME		4,800,000/=	10,800,000/=

Sales Forecast for 3 years

	1st Year	2nd Year	3rd Year
Net Annual Sales Income	4,800,000/=	5,300,000/=	5,800,000/=

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

3. PRODUCTION/ SERVICE PLAN

3.1 Production / Service Process

The Service process of the proposed super market is similar to the general services of public markets handled by the UC. The shopping Complex will facilitate main categories of services which mentioned below.

Cleaning and Sanitary facilities.

The appearance and the cleanliness of the entire premises are very important to attract consumers and it will lead the sustainable marketing process in the market. So that provisions of public toilets and the sanitary staff will be provided to the public areas of the market and some attached toilets will be provided for restaurant.

Electricity and Water supplies.

Electricity and water expenses to be borne by the shops owners. However the electricity in the open areas and the public areas will be hosted by the UC.

Maintenance and repairs.

It is advice to agree upon with a terms and conditions in maintenances and repairs of and open areas according to the type of damage, course of damage and the cost of repair. The restaurant owner should agree to undertake maintenance in their premises and the repairs will be subjected on the course of damage and amount of repairing cost. The maintenance of open areas and the lobbies to be undertaken by the UC.

Initial Marketing process of premises.

The UC should call expression of Interest from private sector to invest with the project. It is advisable that the UC has to follow proper propaganda to sell the agreement on renting the location for experienced and reputed party in order to sustain the project. Since the premises should be maintained with higher aesthetic features the UC has to strongly negotiate with a proper party in order to sustain the project.

So that it is recommended that the UC has to execute proper marketing propaganda to attract the investors to the project by proceeding with followings;

- Arrange the environment with attractive design.
- Executing Media conformances to aware national level hotels/ restaurants.
- Promotion through the Site hoardings etc.

4. ORGANIZATIONAL & MANAGEMENT PLAN

Name of the implementing / Managing Organization : Peliyagoda 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	✓			✓	✓
Security		1	25,000/=		✓			
Cleaners		2	20,000/= X2		✓			
TOTAL LABOUR	5	3	65,000/=					

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)

3 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 authorized by the accountant and the Secretary of UC.

4.2. Cost of Constructions

Table 4.1

Item	Cost (Rs.)
Construction cost of Restaurant	
Millwork and finishing space	500,000
Constructions of Restaurant (made of hard wooden)	4,000,000
Water and electricity supply	1,000,000
Construction cost of cannel, walking pathway	
Cannel clearing, rehabilitation	3,000,000
Landscaping	2,000,000
Side drains and drainages	1,500,000
Street lamps	1,000,000
Benches and curbs paving for the pathways	3,000,000
Sewage system, effluent water treatment unit	800,000
	16,800,000/=

4.3. Pre operating Activities & Expenses

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	150,000/=
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	16,800,000/=
Recruitments and Business launching											■	2017/6/1	50,000/=
Pre operating cost													17,000,000/=

5. FINANCIAL PLAN

5.1 Project Cost

	Existing			Proposed			TOTAL
	Loan (Rs.Mn)	Private sector (Rs.Mn)	Equity (UC) (Rs.Mn)	Loan (Rs.Mn)	Private sector (Rs.Mn)	Equity (UC) (Rs.Mn.)	
Building , equipment and furniture	-	-	-	1.2	10.8	5.0	17,0
Structure of the investment	0%	0%	0%	7%	64%	29%	100%

The initial capital investment is estimated to total Rs. 17.0 Mn and it will be matched as Private Public Partnership with Developer(s) building required facility space (10.8Mn), LLDF providing loan facility of 1.2 Mn in concessions and MC own equity : 5.0 Mn

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' 1st stage and it will be continued with amendments of planning and objectives from the 4th year.
- ❖ Initial capital of the project will be met on fraction of loan worth of 1.2 Mn and it is proposed to be obtained from LLDF under 9% of rate of interest for 3 years of repaying period. The monthly rental of the loan will be 38,160/=.
- ❖ 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)

Item	1 st year	2 nd year	3 rd year
Annual income from Rentals	4,800,000	5,300,000	5,800,000
Net Sales	4,800,000	5,300,000	5,800,000
Less, <u>Variable cost</u>			
Electricity	1,200,000	1,400,000	1,600,000
Water	120,000	140,000	150,000
Other Variable cost	50,000	70,000	90,000
Labour	800,000	900,000	1,000,000
TOTAL Variable cost	(2,170,000)	(2,510,000)	(2,840,000)
Contribution	2,630,000	2,790,000	2,960,000
Less, <u>Fixed cost</u>			
Production overhead cost (advertisement)	100,000	0	0
Administration expenses	120,000	150,000	180,000
Maintenance cost	1,000,000	1,200,000	1,400,000
Total Fixed Cost	(1,220,000)	(1,350,000)	(1,580,000)
Profit before depreciations & interest	1,410,000	1,440,000	1,380,000
Less,			
Loan Interest*	458,000	458,000	458,000
Annual Depreciations	400,000	400,000	400,000
Pre operating expenses (promotions)	200,000	0	0
Sub total	(1,058,000)	(858,000)	(858,000)
Profit Before tax	352,000	582,000	522,000
Less , Income tax	0	0	0
Profit After Tax	352,000	582,000	522,000

5.3 Cash Flow Statement

Item	Pre Operating period	1 st Year	2 nd Year	3 rd Year
Cash Inflows				
Equity	5,000,000	-	-	-
Sales income	-	4,800,000	5,300,000	5,800,000
Loan Receivable	1,200,000	-	-	-
Key money receivables for restaurant	10,800,000			
Cash balance	-	(458,000)	247,000	614,500
Total Cash inflows	17,000,000	4,342,000	5,547,000	6,414,500
Cash Outflows				
Cost of constructions	16,800,000	0	0	0
Administration / maintenance expenses	-	1,220,000	1,350,000	1,580,000
Variable cost	-	2,170,000	2,510,000	2,840,000
Pre operating expenses	200,000	0	0	0
Loan Interest and repayments	458,000	458,000	458,000	0
Total cash Outflow	17,458,000	3,848,000	4,318,000	4,420,000
Cash Balance	(458,000)	494,000	1,229,000	1,994,000
50% reserves for other services	Nil	247,000	614,500	997,000
Cash balance for next year usage	Nil	247,000	614,500	997,000

Financial Ratios

Ratio	1 st Year	2 nd Year	3 rd Year
Profitability	$\frac{352,000 \times 100}{4,800,000}$ = 7%	$\frac{582,000 \times 100}{5,300,000}$ = 11%	$\frac{522,000 \times 100}{5,800,000}$ = 11%
Return on Investment	$\frac{352,000 \times 100}{7,000,000}$ =5%	$\frac{582,000 \times 100}{7,000,000}$ =8%	$\frac{522,000 \times 100}{7,000,000}$ 8%

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 UC 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 1st year to ensure the impacts and benefits of the project before expanding the second stage.