

Business Plan for "Common Service and Accommodation Center" in Kataragama Pradeshiya Sabha



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I. OVERVIEW

Kataragama is famous and historical sacred place due to “God Kataragama”. Most of Sri lankan pilgrims, as well as foreigners used to visit Kataragama, Yala, areas throughout the year. So that there can be seen plenty of crowds who travel to Kataragama and it has been improved due to development of high way system with the newly built Southern High way.

Most of people traveling to Kataragama are coming from long distances so that there is a requirement for resting, lodging, refreshing location center on their destination. But it seems that the most available places in Kataragama area are not consisting with proper arrangement of facilities for travelers, especially as the concept of “**providing all service under one roof**”. So it is important that the presence of such a well arranged common service and accommodation center in the main town.

The Pradeshiya Sabha of Kataragama has identified a quite suitable area to accommodate this event . The location is at the heart of the town just adjoined to the central bus stand. The site is located in close proximity to the “Kiri Wehera, Dewalaya, and other main utility centers as well.

From the view of Kataragama PS they focused on following mentioned economical and cultural aspects through this project:

- 1) Provisioning of income generating opportunities by mainly focusing in providing accommodation, refreshment, resting, and other utility services to travelers by establishing several facilities viz: Toilets, wash rooms, restaurants (fast food), benches for dining, lockers for baggage’s and local product retail shops.
- 2) Providing income generation opportunity for small scale retailers and local producers to sell their products to out siders.
- 3) Providing high quality refreshing environment to relax people who visit the location.
- 4) Proper parking facilities to people who comes to have a rest at the location.
- 5) Generation of income generation source to the PS to provide expanded and better service stream to the public.
- 6) Ultimately the quality of the living status of people in the area to be enhanced.

For realizing above mentioned objectives the center should be equipped with several additional infrastructure and supporting service facilities in terms of internal and external as mentioned below,

Internal facilities

- Enough spaces for parking area.
- Adequate water, electricity and sanitary facilities.
- Well established drainage system to avoid retaining surface water.
- Well planned waste water and garbage management system.
- Well organized body (committee) to mange and operations of the location.

External facilities

- Communication facilities
- Banks and other financial services in easy proximity limits or preferably establishment of 3 ATMs at the center.

2. MARKETING PLAN

There are positive signs in establishing the common service center on its' marketing aspects. They are:

- The land is located at the middle of the Town which is easy proximity to holy places as well as to other utility services, such as bus stand, banks, etc.
- There are sanitary facilities already insisted just beside the proposed land and therefore the existing toilets to be just renovated and the construction cost can be minimized.
- Identified land is consists with enough spacing for parking vehicles.



2.1 Description of the Products/ Services

The basic products and services of the proposed project are as follows.

Products -

Restaurant - Past foods (breakfast, lunch), snacks, fresh milk,

Fruit juice Bar – All kinds of fruit juices

Local products: Curd, "Dodol ", handy crafts etc.

Services –

Accommodation, Bathing, Lockers for baggage's, Fruits selling stall for "Pujawa", tables for preparation of "Puja Watti", sanitary facilities, Communication, ATM facilities

2.2 Targeted market area.

The services will be majorly focused the travelers who visit Kataragama. So the market area is not restricted to the community of Kataragama. It focused towards whole community in the island as well as all foreigners who visit Kataragama. So that the targeted market will be whole country.

2.3 Targeted Consumer Group.

| Product | Market Area | Target Consumer Group |
|---------------------------|---------------|--|
| All products/ Services | Whole country | 1. People who visit Kataragama. 2. Foreigners |

2.4 Market competition of the proposed project.

| Services | Competitor | Pricing | Location and Distribution | Propaganda and Promotion |
|----------------------|--|---------------------|---|------------------------------|
| Bathing | Hotels | competitive pricing | Near to the Kataragama city and holy places | Providing tips for promoters |
| Keeping goods safety | bungalows | competitive pricing | Do | Do |
| Sanitary facilities | N/A | competitive pricing | Do | Do |
| Resting | Circuits / Hotels/ Rooms provided by residents | competitive pricing | Do | Advertising/ Web sites |
| Accommodation | Circuits / Hotels/ Rooms provided by residents | competitive pricing | Do | Do |

2.5 Market strategies of the proposed project.

(A) Products

All foods which proposed in the center / restaurants in the food court should be in quality assured , covered from dust, and with good hygienic status. The foods should be in higher variety of selection and it is advisable that provision of local foods especially unique to Katharagama. (eg: inland fish/ Thumba) . Services should be provided according to the needs of clients who visit the center on their perception.

(B) Price

Price varies according to the variety of goods. 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 premises should be most aesthetic, calm and quiet place.
2. The location selected is at the heart of the Kataragama town and it is having enough spacing for putting up of good accommodation center with enough spaces and available parking spaces too.
3. Area without exposed to flood

(D) Promotion

As the proposed project is involved in both goods and services which are supplies basic requirements to the needs of people, it is not necessary to implement sales promotional activities as done in the case of other single product made in a factory.

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. Further the foods should be clean and delicious to keep the customer retains in the second time at their visit to Kataragama through the promotion of 'word of mouth'.

Internal or in-store 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:

- ◆ Well planned designed restaurant layout
- ◆ Attractive window displays;
- ◆ Eye-catching internal displays;
- ◆ Promotional signs;
- ◆ Location signs;
- ◆ and exciting atmosphere.

2.6 Proposed Design of the Resting Park

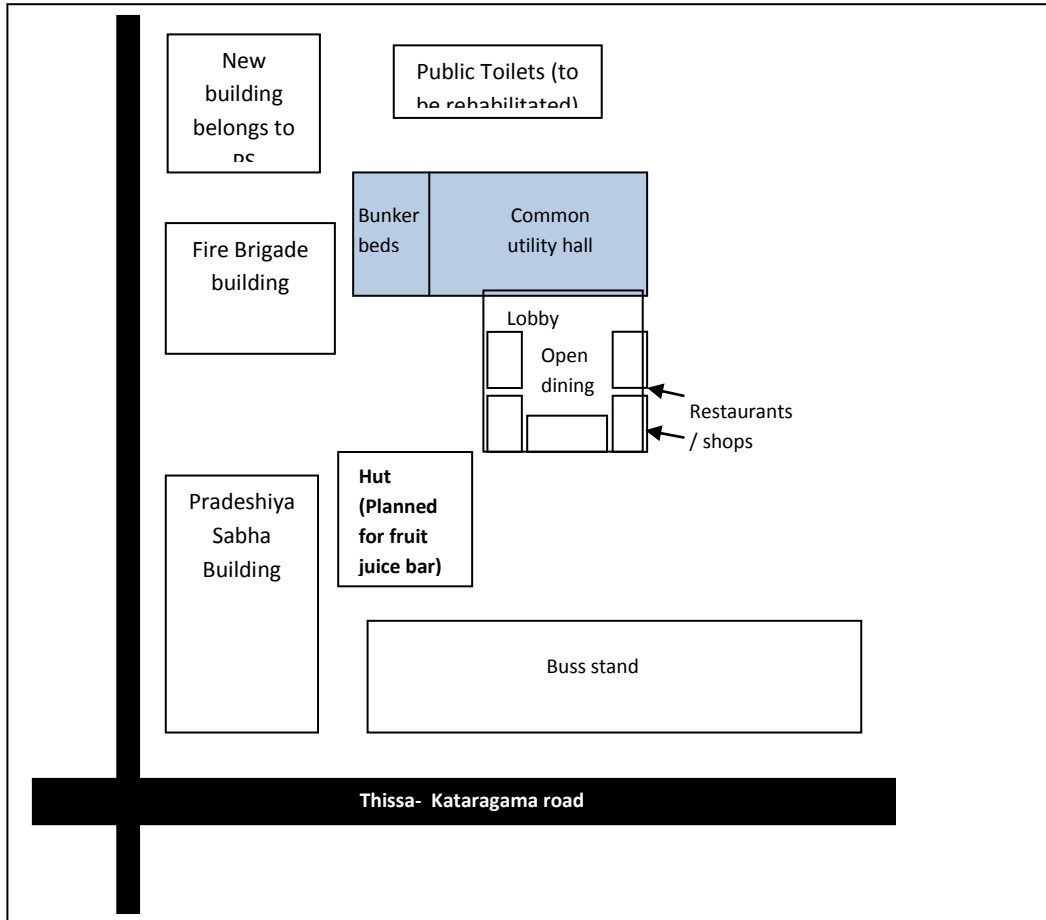
Following table brief the arrangement.

Proposed building is one story building and it is consists with following components.

1. Single hall with 40 bunker beds - 800 sqft
2. Series of bath rooms – 10 Nos.) – 300 sqft
3. Dining with food court – 1000 sq ft
4. Locker room – 200 sqft
5. Stall for “Puja Watt” – (200 sqft) (at common utility hall)
6. Space for preparation of “Puja Watt” – (at common utility hall)
7. Fruit juice café – (100 sqft) separated building
8. Toilets - separated building

The land is consists with approximately 100 purchases.

Design



| | Average space | No. of units |
|---|--------------------|--------------------------------|
| Single hall with 40 bunker beds | 800 sq.ft | 40 beds |
| Series of bath rooms | 300 sq.ft | 10 bath rooms |
| Dining with food court | 1000 sq.ft | 4 restaurants (/ 1 food court) |
| Locker room | 200 sq.ft | 100 lockers |
| Stall for "Puja Wattii" – (at common utility hall) | 150 sq.ft | 1 shop |
| Space for preparation of "Puja Wattii" – (at common utility hall) | 200 sq.ft | 1 room |
| Fruit juice café –separated building | 100 sq.ft. | 1 shop |
| TOTAL SPACE | 2750 sq.ft. | |

2.7 Sales Forecast

Since the absence of enough initial capital to build up the proposed project in the MC budget, it is proposed to get a loan from LLDF. The contribution of private sector will attract on tendering the 4 restaurants, 1 juice bar, and series of toilets with an advance payments of key money (preferably for 36 months period as per the table 1.2) as the initial capital investments of the center.

2.7.1 Income category 1: Key money income from rented units

Total Income from Key money (36 months rentals Advances)

Table 1.2

| Unit | Average stall size (sq.ft) | No. of shops/ Apartments | Monthly rent/ per shop/ unit (Rs.) | Annual income from units (Rs.) | Initial capital investment (Rs.) (for 3 years) |
|--|----------------------------|--------------------------|------------------------------------|--------------------------------|--|
| Restaurants in food courts | 100 sqft | 4 | 7.500/= | 360,000/= | 1,080,000/= |
| Juice bar | 100 sq.ft | 1 | 15,000/= | 180,000/= | 540,000/= |
| Toilet series | 300 sq.ft | 10 | 16,667/= | 200,000/= | 600,000/= |
| ATM Services | 20 sq.ft | 3 ATMS | 10,000/= | 360,000/= | 1,080,000/= |
| Total Income from Key money (36 months rentals Advances) | | | | 1,100,000/= | 3,300,000/= |

2.7.2 Income category 2: Sales income from services provisioning to customers

Assumption : 1st year – 3000 customers per year (60% of total capacity in 3 seasons which covers 3 months (December/ January/ August) per year and 25% of the total capacity at the rest of the months in the year

2nd year – 5400 customers per year (75% of total capacity in 3 seasons which covers 3 months (December/ January/ August) per year and 30% of the total capacity at the rest of the months in the year

3rd year – 7200 customers per year (90% of total capacity in 3 seasons which covers 3 months (December/ January/ August) per year and 50% of the total capacity at the rest of the months in the year

1st year

| Unit | Number of utilities available | Number of heads focused per year | Unit price (Rs.) | Annual income (Rs.) |
|--|-------------------------------|--|------------------|---------------------|
| Accommodation | 40 beds at one time | 3000 heads per yr (40beds X 60% X 30days X 3 months) + (40beds X 25% X 30days X 9 months) | 1,000/= per bed | 3,000,000/= |
| Common Service | LS | 3000 heads | 200/= per head | 600,000/= |
| Lockers | 100 lockers | 3000 heads | 100/= per locker | 300,000/= |
| TOTAL INCOME FROM SERVICE PROVISION | | | | 3,900,000/= |

2nd year

| Unit | Number of utilities available | Number of heads focused per year | Unit price (Rs.) | Annual income (Rs.) |
|--|-------------------------------|--|------------------|---------------------|
| Accommodation | 40 beds at one time | 5400 heads per yr (40beds X 75% X 30days X 3 months) + (40beds X 30% X 30days X 9 months) | 1,000/= per bed | 5,400,000/= |
| Common Service | LS | 5400 heads | 200/= per head | 1,080,000/= |
| Lockers | 100 lockers | 5400 heads | 100/= per locker | 540,000/= |
| TOTAL INCOME FROM SERVICE PROVISION | | | | 7,020,000/= |

3rd year

| Unit | Number of utilities available | Number of heads focused per year | Unit price (Rs.) | Annual income (Rs.) |
|--|-------------------------------|--|------------------|---------------------|
| Accommodation | 40 beds at one time | 7200 heads per yr (40beds X 90% X 30days X 3 months) + (40beds X 50% X 30days X 9 months) | 1,000/= per bed | 7,200,000/= |
| Common Service | LS | 7200 heads | 200/= per head | 1,440,000/= |
| Lockers | 100 lockers | 7200 heads | 100/= per locker | 720,000/= |
| TOTAL INCOME FROM SERVICE PROVISION | | | | 9,360,000/= |

2.7 Sales Cost

| Type of Cost | 1st Year | 2nd Year | 3rd Year |
|-----------------------------|--------------------|--------------------|--------------------|
| Direct Cost | | | |
| Labour | 1,080,000/= | 1,260,000/= | 2,340,000/= |
| Electricity and Energy cost | 120,000/= | 180,000/= | 300,000/= |
| Total Direct Cost | 1,200,000/= | 1,440,000/= | 2,640,000/= |
| Variable Cost | | | |
| Water | 120,000/= | 144,000/= | 264,000/= |
| Maintenance cost | 96,000/= | 120,000/= | 216,000/= |
| Total Variable Cost | 216,000/= | 264,000/= | 480,000/= |
| Net Sales Cost | 1,416,000/= | 1,704,000/= | 3,120,000/= |

3. PRODUCTION/ SERVICE PLAN

3.1 Production / Service Process

1. Providing Accommodation

The accommodation will be provided with using 40 numbers of bunker beds. The beds will be allocated in separated 10 rooms.



2. Provision of food services under the theme of open food court system.

The open food court will be consisted with 4 restaurants which providing vast range of food items. Open dining will be established in front of four restaurants and the services will be self service and there will be common cleaning and sanitary service to be established with a separate crew of service providers. The cost of sanitary service to be borne by the LA and the rental fee included with this service.



3. Cleaning and Sanitary facilities.

The appearance and the cleanliness of the center are very vital to attract consumers and it will lead the sustainable marketing process in the center. So that provisions of public toilets and the sanitary staff will be provided to the visitors.

4. Provision of safety locker facilities.

There will be 100 safety lockers planned to be installed in the center. Visitors can keep their baggages in these lockers and can proceed the visiting holy places.



5. Other Ancillary services.

There are 3 ATM facilities will be provided with the center for facilitate visitors for their transactions in their pilgrim. In addition to that there it is planned to allocate a shop for selling fruits for “Pooja Watti “to the “Devalaya. A separated desk and benches will be furnished to prepare the “Pooja watti”.



6. Electricity and Water supplies.

Each and every apartment will be facilitated with electricity and water supplement and the expenses to be paid by the restaurant/ hops owners. However the electricity in the open lobby areas and the public areas will be hosted by the LA.

7. Maintenance and repairs.

It is advice to agree upon with a terms and conditions in maintenances and repairs of shops and open areas according to the type of damage, course of damage and the cost of repair. The shops owners 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 LA.

4. ORGANIZATIONAL & MANAGEMENT PLAN

Name of the implementing / Managing Organization : Kataragama Pradeshiya Sabha
 Partners : Private sector/ sellers/ funding Agent
 Management body : Steering Committee (7 persons)
 Composition of steering committee : Secretary of LA
 Technical Officer
 Revenue Officer (LA)
 Technical officer(LA)
 Development Officer (LA)
 2representatives from business community

4.2 Linear Responsibility chart

| The Person | Number of employees | | Overall supervision | Maintains/ Cleaning/ security | Marketing | Administration | Finance |
|--------------------|---------------------|-----|---------------------|-------------------------------|-----------|----------------|---------|
| | Existing | New | | | | | |
| Steering committee | 7 | - | ✓ | | | ✓ | ✓ |
| Revenue Officer | 1 | - | | | | | ✓ |
| Sanitary labour | | 2 | | ✓ | | | |

As the above chart shows the overall management of the project is in the hand of the LA whereas the operational decisions will be made by a steering committee which consists of 7 persons. The composition of the 7 persons committee will be from LA as well as from 2 representatives from private sector investors.

2 persons will be directly recruited to cleaning and sanitary purposes of the center.

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 redefine. It should authorized by the Secretary of the LA.
- An agreement should be finalized by the LA to define terms and condition which has be signed between shop owners who willing to buy shops/ restaurants in the center.

4.3. Cost of Constructions

Table 2.1

| Item | Cost (Rs.) |
|-----------------------------------|--------------------|
| Construction cost Center | |
| Millwork and finishing space | 100,000 |
| Construction cost of the building | 7,000,000 |
| Furniture | 1,000,000 |
| Side drains and drainages | 100,000 |
| Water and electricity supply | 800,000 |
| TOTAL COST | 9,000,000/= |

4.4. Pre operating Activities & Expenses

Table 2.2

| 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 | ■ | | | | | | | | | | | 2017/1/5 | 100,000/= |
| Submission of project proposal to bank | | ■ | | | | | | | | | | 2017/1/10 | - |
| Obtaining approval from bank | | | ■ | | | | | | | | | 2017/1/25 | - |
| Preparing necessary operating preliminaries. (Formulation of committee/ tendering) | | ■ | ■ | | | | | | | | | 2017/2/15 | 50,000/= |
| Constructions/ demolition / Purchasing furniture/ | | | | ■ | ■ | ■ | ■ | ■ | ■ | ■ | | 2017/3/30 | 9,000,000/= |
| Business launching | | | | | | | | | | ■ | | 2017/04/01 | 50,000/= |
| Pre operating cost | | | | | | | | | | | | | 9,200,000/= |

5. FINANCIAL PLAN

5.1 Project Cost

| Description of Cost | Existing | | Proposed | | Total Cost |
|---------------------|--------------------|----------|--------------------|--------------------|---------------------|
| | Own Equity | Loan | Own Equity | Loan | |
| Land | 1,000,000/= | - | - | - | 1,000,000/= |
| Buildings | - | - | 2,000,000/= | 6,000,000/= | 8,000,000/= |
| Machinery | - | - | 100,000/= | 100,000/= | 200,000/= |
| Furniture | - | - | 200,000/= | 800,000/= | 1,000,000/= |
| Pre operations | - | - | 100,000/= | 100,000/= | 200,000/= |
| Total cost | 1,000,000/= | - | 3,400,000/= | 7,000,000/= | 11,400,000/= |

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 owners equity, loan proposed to be obtained from LLDF, key money collection for 36 months period from investor who is will to invest for " Resting Park".
- ❖ The LA is aiming to get 7.0Mn of term loan on 9% rate of interest for the repayment period of 5 years. (loan rental will be around 119,000/= per month)
- ❖ **The LA will obtain 3.3Mn worth of funds from collection of key money from 4 restaurant holders, toilet tender, fresh juice bar and 3 ATMs. This money will be utilized for partial settlement of loan capital of LLDF. This will executed at the outset of the 2nd year of the business cycle. (Then the balance loan capital will be approximately 3.2 Mn . The balance loan repayment period is 4 years and the monthly rental will be approximately 61,000/= per month from the 2nd year of business cycle.**
- ❖ Sales volumes will be enhances by each year as follows, (1st year – 3000 customers, 2nd year 5400 customers, 3rd year – 7200 customers)
- ❖ 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 Pradeshiya Sabha (for a new project or expansions).
- ❖ 10% annual depreciation of building was considered (for 20 years)

Profit & Loss Account

| Item | 1 st year | 2 nd year | 3 rd year |
|--|----------------------|----------------------|----------------------|
| Annual income from rentals of restaurant/shops in the center | 1,100,000 | 1,100,000 | 1,100,000 |
| Income from service provision | 3,900,000 | 7,020,000 | 9,360,000 |
| Income from Revenue Tax | 12,000 | 12,000 | 12,000 |
| Net Sales | 5,012,000 | 8,132,000 | 10,472,000 |
| Less | | | |
| Direct cost (Sales Cost /Labour) | 1,200,000 | 1,440,000 | 2,640,000 |
| Contribution | 3,812,000 | 6,692,000 | 7,832,000 |
| Less, | | | |
| Variable cost (maintenance/ Water) | 216,000 | 264,000 | 480,000 |
| Profit before depreciations & interest | 3,596,000 | 6,428,000 | 7,352,000 |
| Less, | | | |
| Loan Rentals | 1,428,000 | 732,000 | 732,000 |
| Annual Depreciations | 350,000 | 350,000 | 350,000 |
| Pre operating expenses | 200,000 | 0 | 0 |
| Sub total | (1,978,000) | (1,082,000) | (1,082,000) |
| Profit Before tax | 1,618,000 | 5,346,000 | 6,270,000 |
| Less , Income tax | 0 | 0 | 0 |
| Profit After Tax | 1,618,000 | 5,346,000 | 6,270,000 |

5.3 Cash Flow Statement

| Item | Pre Operating period | 1 st Year | 2 nd Year | 3 rd Year |
|---|----------------------|----------------------|----------------------|----------------------|
| Cash Inflows | | | | |
| Equity | 3,400,000 | - | - | - |
| Loan receivable | 7,000,000 | | | |
| Key money receivables | - | 3,300,000 | - | - |
| Rental income | - | 1,100,000 | 1,100,000 | 1,100,000 |
| Service sales income | - | 3,900,000 | 7,020,000 | 9,360,000 |
| Trade License Income | - | 12,000 | 12,000 | 12,000 |
| Cash balance | - | 1,200,000 | 1,684,000 | 3,690,000 |
| Total Cash Inflows | 10,400,000 | 9,512,000 | 9,816,000 | 14,162,000 |
| Cash Outflows | | | | |
| Cost of constructions /Furniture | 9,000,000 | - | - | - |
| Administration / maintenance expenses | - | 1,200,000 | 1,440,000 | 2,640,000 |
| Variable cost | - | 216,000 | 264,000 | 480,000 |
| Pre operating expenses | 200,000 | - | - | - |
| Loan Interest and repayments | - | 1,428,000 | 732,000 | 732,000 |
| Loan partial settlement | - | 3,300,000 | - | - |
| Total cash Outflow | 9,200,000 | 6,144,000 | 2,436,000 | 3,852,000 |
| Cash Balance | 1,200,000 | 3,368,000 | 7,380,000 | 10,310,000 |
| 50% reserves for other services | Nil | 1,684,000 | 3,690,000 | 5,155,000 |
| Cash balance for next year usage | 1,200,000 | 1,684,000 | 3,690,000 | 5,155,000 |

Financial Ratios

| Ratio | 1 st Year | 2 nd Year | 3 rd Year |
|-----------------------------|---|---|---|
| Profitability | $\frac{1,618,000 \times 100}{3,900,000}$ = 41% | $\frac{5,346,000 \times 100}{7,020,000}$ = 76% | $\frac{6,270,000 \times 100}{9,360,000}$ = 67% |
| Return on Investment | $\frac{1,618,000 \times 100}{11,400,000}$ =14% | $\frac{5,346,000 \times 100}{11,400,000}$ =47% | $\frac{6,270,000 \times 100}{11,400,000}$ 55% |