

Business Plan for Vehicle Fuel Service Station



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LEG Programme,
The Asia Foundation
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I. OVERVIEW

With the development of roads and urban cities it enhanced the exposure to motorable areas. People use to utilize any kind of vehicle for their ease of life. So that people all over the world need fuel for their cars, trucks, and other vehicles, fuel stations can be good investments. And because the world is looking for more environmentally-friendly functions the successfully opening and running a filling station requires smart planning and a significant investment.

With the development of roads system and town in Hambantota, access of large number of vehicles to the town. Further more there will be large project on implementation of housing schemes and office complexes in Hamabatota. It leads to create big demand in uses of vehicles as well as demand for filling station in easy access area.

Hambantota MC intended to initiate a fuel filling station to cater this booming demand in near future. The have enough lands to execute this project in their own authority , bur they choose most suitable land for this project and it is the land located at 2nd mile post in Keliyapura area . The project will be planned to be executed in two steps. At the outset there will be implementation of Vehicle service Centre with ancillary services complex and the second step will be executed as this filling service station.

Since the Hambantota MC consists with strength man power in its' own entity there will be no any crew to establish this project and only lack of funds is the main constraint of this project. So that the involvement of private sector will be salient feature of this project. Since Hambantota district is developing in higher rate of frequency there will be high demand in investments from private sector. So that the project will be definitely easy to find investor especially from private sector.

From the view of MC who govern this project should focus on following mentioned economical and environmental aspects:

- 1) Provisioning of income generating opportunities by adjoined services parallel to this Filling Station.
- 2) More concern on environmental aspects especially on releasing refused liquid, water, and others to the environment.
- 3) Provision of good ancillary services in the location.
- 4) Expanding various projects on public services in the municipal area through the income of this special project.
- 5) Ultimately the quality of the living status of people in the area to be enhanced.

2. MARKETING PLAN

Demand of a fuel filling station is driven by personal income of people in the area, companies and firms operating in the area, and tourists travel. The profitability depends on **site occupancy rate** and **effective marketing**. The sustainable filling station should materialize with several positive features which facilitate the clients to increase site occupancy. These factors may attract clients to the location and the continuity of arrivals of clients who comes again to the location. These factors are briefed as follows,

1. Site Design

The site should be basically rectangular in shape and the available land is fulfilling it and facing approximately 200m to the access road and it is the length of the land and width consists with approximately 100m.

Following regulatory Services To be fulfill before initiation of filling station at the outset.

- Permits
- Closure reports
- Site assessments
- Registrations
- Modification reports
- Facility operations inspection
- Annual preventative maintenance plan
- Tank, line and leak detector testing
- Meter and pump calibration
- Card / Point of sale systems



2. Location

The location proposed to implement this vehicle service center is 2nd Mile post, Keliyapura, Hambantota which facing two main roads. The Center near businesses, buildings, or institutions are often implicitly understood or explicitly labeled to be for the use of their respective customers or visitors. Since the location provides easy proximity to most popularized locations, and convenient to visit such locations too.

3. Ancillary services

Additional products and services include:

- Preferable electronic transfer systems
- Canopies, lights, signs, decals

Furthermore, the Marketing strategy proposed for this Filling Station would give strong emphasis to the development of competitive capabilities; adaptability and flexibility in order to respond to technology changes and up dates, Solidifying and strengthening the facility's market position overtime. In terms of implementation, the strategy recommended would encompass the following key elements:

1. A focus on enhancing customer value by fulfilling market-driven needs.
2. Purposeful differentiation, emphasizing the development of functional operation strategies.
3. To be up date with new technologies in Automation and providing services through those newly invented technologies.

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

Internal facilities

- Well planned and systematic building and service area arrangement.
- Well established drainage system to avoid retaining refused water, oil and other immission to the environment.
- Well organized body (committee) to mange and operations of the center.
- Well arrange buildings for ancillary services.
- Electronic Card payments availability.

External facilities

- Communication facilities
- Banks and other financial services

Description of the Products/ Services

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

Services -

- Fuel (Petrol/ Diesel) filling service.
- Air filling and Air pressure checking facility.
- Communication, financial and banking facilities (Credit Card / Debit cards) playability.
- A/C Repairing, Tyre repairing and replacing, Vehicle Electronic system services, etc.

Goods -

- All kinds of lubricants, Auto motive chemicals, oils.

Targeted market area.

The services will not be restricted to the community of Hambantota. It focused towards whole community which including whole community who visited Hambantota and passing Hambantota . So that the targeted market will be whole country.

Targeted Consumer Group.

Service	Market Area	Target Consumer Group
All Fuel Filling Services	Whole country	1.People who used to get Fuel 2. All the firms and companies in Hambantota. 3. All the visitors who passing Hambantota.

The market demand for the products and services.

Since fuel for vehicles are compulsory for every vehicle apart from weather it is Petrol or Diesel the market demand prevails constant. The demands vary only with rate of vehicle importation. The service changed only with technology applied and easy proximity.

Market share of the proposed project.

It is not necessary to calculate the market share of the proposed project, because in this huge industry no market leaders are dominating a large market share in Hambantota. The market share of this project is simply limited to its market supply which is determined as follows.

The annual market supply = Total supplies of current unorganized market locations in the

town.

Market strategies of the proposed project.

(A) Service/ Product

The services to be rendered in this filling station majorly depends on its location as well as speedy service . Other than that following determinations will enhance the sales volumes,

- I. The service environment such as friendliness, customer care.
- li. Payments efficiency and availability of electronic card payments
- lii. Quality of Products (lubrications, oil etc) availability.
- lv. Availability of variety of products range (eg; 92,95, super etc)

(B) Price

Price factor is not much effects to the sales since the price is not vary station to station in same area.

(C) Place

The place will be the most important factor of attracting consumers to the filling station. The place should be fulfilled with following aspects.

1. Since the location is just facing two main roads it is easy accessible place
2. It has enough space to accommodate goods and service supplies.
3. Presence of enough space to accommodate parking
4. Area without exposed to flood

(D) Promotion

Since the fuel is essential commodity in vehicle transportation the promotional activities not much required to market the product. But awareness of people should be inculcated and at the outset there should be a promotional campaign to aware the people in the area and with the time it becomes prominent. So it is advisable to pay more attention on Internal or in-store promotions. Because it leads to increase sales volumes once customers are in place. Once the customer enters the station the following common internal promotions or initiatives could be utilized in order to encourage a longer stay resulting in increased sales, most notably:

- ◆ Effectively designed service station layout
- ◆ Attractive window displays; Eye-catching internal displays;
- ◆ Clear signage; Promotional signs; Location signs;
- ◆ Providing rest room and exciting atmosphere.

Sections	No. of Centers	Monthly rental fee	Annual income	Key money (60 months)
Fuel filling service station	1 center	350,000/=	4,200,000/=	21,000,000/=

3. ORGANIZATIONAL & MANAGEMENT PLAN

3.1 Legal Status of the Business

Name of the implementing / Managing Organization	: Hambantota Municipal Council
Partners	: Private sector/ funding Agent
Management body	: Steering Committee (7 persons)
Composition of steering committee	: Mayor of Hambantota MC Commissioner of of Hambantota MC Engineer of Hambantota MC Chairman of Trade Association Revenue Officer (Hambantota MC) 2representatives from business community

3.2 Linear Responsibility chart

The Person	Number of employees		Overall supervision	Maintenance	Marketing	Administration	Finance
	Existing	New					
Steering committee	7	-	✓		✓	✓	✓
Revenue Officer	1	-					✓

As the above chart shows the overall management of the project is in the hand of the MC 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 MC as well as from 2 representatives from private sector (instructions to Steering committee is annexed in annexure 1)

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 Mayor and the Commissioner of MC.
- An agreement should be finalized by the MC to define terms and condition which has be signed between shop owners who willing to buy the service center and other shops in

ancillary services in the service center complex. (Ref. Annex 2)

3.3. Pre operating Activities & Expenses

Table 3.3.1

Tasks	Time period (Weeks)										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	■											2014/5/1	100,000/=
Submission of project proposal to donor Agent		■										2014/5/2	-
Obtaining approval from funding agent			■									2014/5/9	-
Preparing necessary legal and other correspondences to get public ,Private sector Participation. (Formulation of committee/ tendering)		■	■									2014/5/31	100,000/=
Constructions/ demolishments / renovation of existing buildings and landscaping (Please refer table 2.2)				■	■	■	■	■	■	■		2014/07/30	34,000,000/=
Business launching											■	2014/8/07	50,000/=
Pre operating cost													34,250,000/=

3.4 Collection of revenues and better finance management

It is very impotent to collecting revenues and income. The guidance and advices given by the above program helped the MC to prepare appropriate policies, and make aware the people on revenue collection.

Uses of income from rentals

The 50% of income of each year to be utilized for maintenance and the expansion of project and the balance 50% should be deployed in other projects correlated with this project or elsewhere.

The balance 50% can be utilized following prospected projects.

- ◆ Upgrading of access roads in the area
- ◆ New project on Garbage management system and composting project.

4. FINANCIAL PLAN

4.1 Project Cost

Cost Item	Existing			Proposed			Total Cost (Rs.Mn)
	Donor (Rs.Mn)	Equity (LA) (Rs.Mn)	Private Sector (Rs.Mn)	Donor (Rs.Mn)	Loan (RsMn.)	Private Sector (Rs.Mn)	
Assets – Fixed Assets							
Land (2 Ac)	-	15.60	-	-	-	-	15.60
Buildings / machineries		1.2		2.00	10.00	21.0	34.20
Structure of the investment	0%	33%	-	4%	20%	43%	49.80

4.2 Profit & Loss Account

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

- ❖ The project period will be 5 years in its' 1st stage and it will be continued with amendments of planning and objectives from the 6th year.
- ❖ Initial capital of the project will be met on fraction of donation, key money collection for 60 months period from investor who is willing to invest for " Filling Station" and it will be selected on tender procedure.
- ❖ The monthly rent of the Filling station will be subjected with the 10% increment of rentals from each year.
- ❖ Business turn over tax will be 1% of the monthly turn over and it is anticipated an average monthly turn over of Rs. 2.5 Mn as per average business turn over of same filling station in the area.
- ❖ 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 MC (for a new project or expansions).
- ❖ 5% annual depreciation of building was considered (for 20 years)
- ❖ MC will obtain 10.0 Mn bank loan at interest rate of 12% (per annum) for 60 months period to match the initial capital of this project. (Monthly loan rental will be Rs. 222,450/=)

Profit & Loss Account

Item	1 st year (2015)	2 nd year (2016)	3 rd year (2017)
Annual income from rentals of Filling Station	4,200,000	4,620,000	5,040,000
Annual income from Business Turn Over Tax	300,000	330,000	360,000
Net Sales	4,500,000	4,950,000	5,400,000
Less, <u>Variable cost</u>			
Electricity (to be bared by investor)	0	0	0
Water (to be bared by investor)	0	0	0
Other Variable cost	100,000	120,000	140,000
Labour (investors recruitment)	0	0	0
TOTAL Variable cost	(100,000)	(120,000)	(140,000)
Contribution	4,400,000	4,830,000	5,260,000
Less, <u>Fixed cost</u>			
Production overhead cost (advertisement)	100,000	-	-
Administration expenses	100,000	150,000	200,000
Maintenance cost (over 100,000/= damages)	400,000	500,000	600,000
Total Fixed Cost	(600,000)	(650,000)	(800,000)
Profit before depreciations & interest	3,800,000	4,180,000	4,460,000
Less,			
Loan Interest*	2,669,400	2,669,400	2,669,400
Annual Depreciations	170,000	170,000	170,000
Pre operating expenses (promotions)	250,000	0	0
Sub total	(3,089,400)	(2,839,400)	(2,839,400)
Profit Before tax	710,600	1,340,600	1,620,600
Less , Income tax	0	0	0
Profit After Tax	710,600	1,340,600	1,620,600

4.3 Cash Flow Statement

Item	Pre Operating period	1 st Year (2015)	2 nd Year (2016)	3 rd year (2017)
Cash Inflows				
Equity	3,200,000	-	-	-
Loan receivable	10,000,000	-	-	-
Key money receivables	21,000,000	-	-	-
Rental income from Filling Station		4,200,000	4,620,000	5,040,000
Tax Income	-	300,000	330,000	360,000
Cash balance	-	(50,000)	590,300	1,050,450
Total Cash Inflows	34,200,000	4,450,000	5,540,300	6,450,450
Cash Outflows				
Cost of constructions	34,000,000	-	-	-
Administration / maintenance expenses	-	500,000	650,000	800,000
Variable cost		100,000	120,000	140,000

Pre operating expenses	250,000	-	-	-
Loan Interest and repayments	-	2,669,400	2,669,400	2,669,400
Total cash Outflow	34,250,000	3,269,400	3,439,400	3,609,400
Cash Balance	(50,000)	1,180,600	2,100,900	2,841,050
50% reserves for other services	Nil	590,300	1,050,450	1,420,525
Cash balance for next year usage	(50,000)	590,300	1,050,450	1,420,525

Financial Ratios

Ratio	1 st Year (2015)	2 nd Year (2016)	3 rd Year (2017)
Profitability	$\frac{710,600 \times 100}{4,500,000}$ =15.8%	$\frac{1,340,600 \times 100}{4,950,000}$ = 27.0%	$\frac{1,620,600 \times 100}{5,400,000}$ = 30%
Return on Investment	$\frac{710,600 \times 100}{28,800,000}$ =2.46%	$\frac{1,340,600 \times 100}{28,880,000}$ =4.64%	$\frac{1,620,600 \times 100}{28,880,000}$ 6%

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 MC 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. Awareness of rules and regulation set forth with the agreement (annexure 2) is very important and MC should execute an awareness program to the private sector (investors) before signing the agreement.
 5. The collection of monthly rentals to be implemented through proper collection process and computerized accounting system. The defaulters should be treated with proper recovery mechanism through penalty system against over dues.
 6. 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.

7. MC 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.

Annexure 2

Memorandum of Agreement

Memorandum of Agreement Entered into by and between Hambantota Municipal Council as first partner and Mr..... of(bearing ID No.....) as second partner on operation of trader / bank(Product/Service) at..... (Specific Place).

PREAMBLE

Whereas

1. First partner agrees to supply building for shop / bank / restaurant to the said investor to carry out the above mention service/ trading activity for a period of three years at a monthly rent mention I this agreement separately.
2. First Partner expects to promote the concept of Private Public Partnership concept though this agreement with the involvement of public sector /private sector investment.
3. Second partner expect to regularize his/her livelihood activities abiding the regulations of the city.

NOW THEREFORE the Parties agree as follows –

1. DEFINITIONS AND INTERPRETATION

This Agreement shall be interpreted according to the following provisions, unless the context requires otherwise:

- 1.1 The headings of clauses in this Agreement, the Annexures and the Schedules are for convenience only and shall not be deemed part thereof or be taken into consideration in the interpretation or construction thereof.
- 1.2 Words importing the singular only also include the plural and vice versa where the context requires.
- 1.3 Any reference to any agreement, Schedule or Annexure shall be construed as including a reference to any agreement, Schedule or Annexure amending or substituting that agreement, Schedule or Annexure.
- 1.4 If any definition in this Clause 1 contains a substantive provision conferring rights or imposing obligations on any Party, effect shall be given to such provision as if it were a substantive provision in the body of this Agreement.
- 1.5 A reference in this Agreement to an amount means that such amount shall, for the purposes of this Agreement, is escalated 10% per annum.
- 1.6 In this Agreement, the Annexures and the Schedules the following words and expressions shall, unless inconsistent with the context in which they appear, have the meanings hereby assigned

to them and expressions derived from those words and expressions shall bear corresponding meanings:

- 1.6.1 The Ordinance - Municipal Council Ordinance
- 1.6.2 MC – Municipal council of Hambantota
- 1.6.3 The Steering Committee- Seven Member steering committee appointed by the Hambantota MC to manage the project. Its constitute is Commissioner of Hambantota MC, Engineer of Hambantota MC , Chairman of Hambantota Trade Association, Revenue Officer (LA), 2 representatives from business community.

2. FRAMEWORK

2.1 Second Partner (Private Sector) Commitment

- 2.1.1 The Second Partner (Private Sector) shall undertake the carry out of business in the Super market at its own cost and risk in accordance with the provisions of this Agreement.
- 2.1.2 The Second Partner (Private Sector) should bear the damages caused to the building provided and agreed to pay the damages to the MC in any damage occurred due to any natural or man-made case.
- 2.1.3 The Second Partner (Private Sector) should bear all the business liabilities completely.
- 2.1.4 The Second Partner (Private Sector) agrees not to claim the ownership of the business entity (building) at any time under any circumstance.
- 2.1.5 The Second Party (Private Sector) agrees not to sublet the shop / bank / restaurant or handover operation to third party under any circumstance.
- 2.1.6 The Second Party (Private Sector) agrees not to change the location that allocated for the particular business by the MC or make request to do so.
- 2.1.7 Agreement term is three years from the date of signing the agreement. At the end of the agreement period second party agreed to hand over the business place back to MC in good condition.
- 2.1.8 The Second Party (Private Sector) agrees not to sell or provide any other service other than allocated to the second party by the MC at the beginning of this agreement.
- 2.1.9 The Second Party (Private Sector) agrees not to perform any illegal activity or sell any illegal product or service at this premises.
- 2.1.10 The Second party (Private Sector) agrees to display a price list of their products and services and not to sell products or services exceeding the price list.
- 2.1.11 The Second Partner (Private Sector) agrees to obtain a trade license for itinerary trade and compliance to the relevant by-Laws of the MC.
- 2.1.12 The Second Partner (Private Sector) will agrees to pay all taxes and levy of general application and without limiting the generality of the foregoing, any duties, fees or taxes assessed by any Relevant Authority in respect of the business.
- 2.1.13 The necessary utility services such as water, telephone and telecommunication should obtain by the Second Partner (Private Sector), at their cost.
- 2.1.14 The Second Partner (Private Sector) agrees to have a comprehensive Insurance cover for the shop / bank / restaurant with their cost, behalf of the MC.
- 2.1.15 The Second Partner (Private Sector) agrees to maintain the necessary health standards relevant to the items sells in the said shop / bank / restaurant.
- 2.1.16 The Second Party (Private Sector) agrees to hand over the shop / bank / restaurant in good condition at the end of the agreement after four years to the MC.

2.2 First Partner Commitment

- 2.2.1 First Partner will build and supply the shop / bank / restaurant to Party as per the specification provide in the plan according to the standards
- 2.2.2 First Partner will provide a special license for carry out trades in shop / bank / restaurant for a fee
- 2.2.3 First Partner will make necessary by-laws to operate the shop / bank / restaurant
- 2.2.4 First Partner will agree to collect all the waste separate at the source regularly.

2.3 This agreement Legally Binding at Signature Date.

2.4 Payments

- 2.4.1 The Second Partner (Private Sector) should pay one-time payment of Rupees ----- to obtain the opportunity of having the shop / bank / restaurant to start the business .
- 2.4.2 The Second Partner (Private Sector) should pay Rs. ----- per month as the rent of the shop / bank / restaurant . The rent will be increased by 10% each year. The operation days will not consider for reduction of rent under any circumstance.
- 2.4.3 The Private Party (Private Sector) will be responsible for all taxes of general application and without limiting the generality of the foregoing, any duties, fees or taxes assessed by any Relevant Authority in respect of the business
- 2.4.4 Neither MC nor any Relevant Authority shall be liable for any payments except as expressly specified in this PPP Agreement or in any applicable law.

3. STATUS OF SECOND PARTNER (PRIVATE SECTOR)

3.1 Private party can be as follows

- 3.1.1 Individual, partnership, limited liability company , Associations, Group of Persons, Societies, Enterprises, and Business are allowed.

3.2 Compliance with Laws, Regulations and Standards

- 3.2.1 Second Partner (Private Sector) should abide to all the future and existing laws enforced by Central Government, Provincial Government and Local Government.
- 3.2.2 Second Partner (Private Sector) should obtain all the licenses, permits and certificates necessary to run the business. The First Party MC agreed to support with this regard.
- 3.2.3 Action which is prohibited in terms of the Regulatory Provisions, or noncompliance with any duty or obligation which is imposed by the Regulatory Provisions, shall be deemed to be a breach of this PPP Agreement. In such in such instance MC shall be entitled to give the Second Partner notice to rectify any such breach, if such breach is capable of rectification, but in any event, MC shall be entitled to act on any such breach to protect its rights and interests. The Second Partner shall and hereby does indemnify MC for any costs, losses and expenses suffered or incurred by MC as a result of MC acting to protect its rights and interests.
- 3.2.4 Second Partner (Private Sector) shall bear all risks and costs with respect to Material Damage to the natural environment and infrastructure of city facilities and utilities.

- 3.2.5 Second Partner (Private Sector) should compliance to the waste management program implement by the MC strictly.
- 3.2.6 Second party should compliance to the disaster mitigation measures recommend by the relevant authorities.
- 3.2.7 Second Partner (Private Sector) shall take all reasonable steps in the performance of its obligations hereunder to prevent and limit the occurrence of any environmental health hazards and to ensure the health and safety of city.

3.3 Conflicts

- 3.3.1 Second Partner (Private Sector) agrees not to change the names and logos display in the premises. If such instance occurred the MC reserved right to terminate the agreement and take the ownership of the shop / bank / restaurant .
- 3.3.2 Unless otherwise agreed to in writing by Second Partner (Private Sector) and other parties to the Associated Agreements shall have no interest in nor receive remuneration in connection with the operation of this shop / bank / restaurant except as provided for in the Agreement or the Associated Agreements. Subject to the proper enforcement of rights under the Associated Agreements, the Second Partner shall not, and shall take all reasonable steps to ensure that other parties, including parties to the Associated Agreements, do not engage in any activity which might conflict with the interests of MC, unless such activity is carried out pursuant to the rights granted to the Second Partner in terms of this Agreement.
- 3.3.3 In any conflict of interest MC will inform the Second Partner to settle the conflict amicably or otherwise MC reserved the right to terminate this agreement and claim whatever damage from second party.

3.4 Branding

- 3.4.1 Second Partner (Private Sector) does not have any right to perform the Branding in and around the shop / bank / restaurant . All such banding rights are reserved by MC.

4. SERVICE DELIVERY

- 4.1 The goods and services to be provided by the Private Party shall:
 - 4.1.1 be in accordance with Best Industry Practice
 - 4.1.2 be delivered in a professional, courteous and friendly manner
 - 4.1.3 be in accordance and compliance with the MC guide lines

5. SECOND PARTNER (PRIVATE SECTOR) WITHOUT OWNERSHIP INTEREST

- 5.1 Subject to the terms of this Agreement, the Second Partner has, and will have, no title to, or ownership interest in, or liens, or leasehold rights or any other rights in the shop / bank / restaurant .
- 5.2 The Second Partner (Private Sector) has no and will have no rights with respect to the airspace above, or the area below the surface of, where shop / bank / restaurant placed, except the right to use such land for the sole purpose of operation of shop / bank / restaurant.

6. DAMAGE TO OR DESTRUCTION OF THE PREMISES

- 6.1 The Second Partner (Private Sector) shall bear all risks and costs with regard to any riots, civil commotions, terrorism attacks, weather conditions including, without limitation, floods, and with regard to physical conditions or obstructions (both above-ground and subsurface and whether artificial or not), whether foreseen or unforeseen, all type of natural and man-made disasters a which are encountered during the agreement period and liable to pay a replacement cost to MC.
- 6.2 The Second Partner should have an insurance cover to bear the losses at their cost.

7. OPERATION, MANAGEMENT AND MAINTENANCE

- 7.1 The Second Partner (Private Sector) shall be obliged during the Development Period and Project Term to undertake the Operation, Management and Maintenance of the shop / bank / restaurant at the site allocated according to Best Industry Practice and in accordance with the Regulatory Provisions.
- 7.2 The Second Partner (Private Sector) shall ensure hygienic, clean and pleasant environment to the clients.
- 7.3 The Second Partner (Private Sector) does not have any right to display any sign board or name board in the shop / bank / restaurant .
- 7.4 The Second Partner (Private Sector) shall indemnify in respect of any
- 7.4.1 death or injury to any Person arising out of operation of the shop / bank / restaurant
 - 7.4.2 loss of or damage to any property arising out of operation of the shop / bank / restaurant
 - any economic loss arising out of operation of the shop / bank / restaurant
- 7.5 If any legal action is brought or claim is made against the Second Partner (Private Sector) in respect of operation and management of the shop / bank / restaurant, the Second Partner shall defend any such action.

8. INSURANCE

- 8.1 The Second Partner (Private Sector) should have an insurance to cover damages caused due to any riots, civil commotions, terrorism attacks, weather conditions including, without limitation, floods, and with regard to physical conditions or obstructions (both above-ground and subsurface and whether artificial or not), whether foreseen or unforeseen, all type of natural and man-made disasters a which are encountered during the agreement period and liable to pay a replacement cost to MC.

9. FORCE MAJEURE

- 9.1 Force Majeure Defined
- 9.1.1 “Force Majeure” shall mean any material event beyond the control of the Party claiming the occurrence of Force Majeure
 - 9.1.2 whose occurrence could not have been reasonably foreseen at the date of execution of this Agreement; and which, despite the exercise of diligent efforts, such Party was unable to prevent, limit or minimize, including, but not limited to, war whether declared or not, revolution, riot, strikes, insurrection, protest and/or boycott action, civil commotion, invasion, armed conflict, hostile act of foreign enemy, act of terrorism, sabotage, radiation or chemical contamination, ionizing radiation, Act of

- God, plague or other serious epidemic; and
- 9.1.3 which:
- 9.1.3.1 causes material physical damage or destruction to all or any material portion of the shop / bank / restaurant , and/or the Project Assets, including, without limitation, its accommodation facilities; or
- 9.1.3.2 Materially interrupts the full and regular operation of all or any material portion of the shop / bank / restaurant , including, without limitation.
- 9.1.4 Insure for Events of Force Majeure
- 9.1.4.1 The Second Partner should insure damages caused to the stall due to every Force majeure event at their cost.

10. TERMINATION

- 10.1 Termination by MC for Fault of the Second Partner (Private Sector)
- 10.1.1 Fault of the Second Partner (Private Sector) could be any of following
- 10.1.1.1 Arrears of three month rentals.
- 10.1.1.2 Noncompliance to licenses and the regulations of Central Government, Provincial Government and Local Government.
- 10.1.1.3 The Second Partner (Private Sector) ceasing to carry on business.
- 10.1.1.4 The Second Partner (Private Sector) commits a breach of any of its material obligations under this PPP Agreement, and without derogating from the generality of the foregoing, a failure to comply with any of the obligations imposed on the Second Partner by this agreement.
- 10.2 Termination by Second Partner (Private Sector) for Fault of the MC
- 10.2.1 Fault of MC is breach of any clause of this agreement by the MC.
- 10.3 If termination is effected before the Effective Date both parties shall be entitled to pursue all available remedies, including the recovery of any damages suffered by other party as a result of the default of the other party that gave rise to such termination which may be available to relevant party.
- 10.4 Termination by notice

At any stage during the agreement Term, either partner may on written notice of not less than 3 (three) months, give other partner, termination of this Agreement, in which event this Agreement shall terminate. On termination of this Agreement the second party should handover the stall in good condition and make damagers if any.