

Business Plan for Vehicle Service Centre Complex



Submitted to:
LEG Programme,
The Asia Foundation
3/1/A, Rajakeeya Mawatha, Colombo 7

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I. OVERVIEW

Along with the development of technology in the world, manufacturing of vehicles become a large scale business and the trend of usage of vehicles has been rocketed up in recent past decades. Although the availability of vehicles immensely supported the development of world economy by saving valuable time, it caused crucial problems in motor traffics as well as pollution.

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. Importation of plenty of vehicle has been speedily rocketed up, and immission of harmful gasses is also increased and it leads severe hygienic problems in the society. So that proper vehicle maintenance is very vital to minimize such hazards.

With the development of roads system and town in Hambantota, access of large number of vehicles to the town. It is evident that there is absence of proper equipped vehicle service station in the town to cater this huge vehicle inflow to the city. So that implementation of a vehicle service center is vital importancy in the the town.

Since there is plenty of lands availability in establishing this project , and the newly build roads and city plan, on going development projects and their vehicle usage, are the main plus points of initiate this project.

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 investors especially from private sector.

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

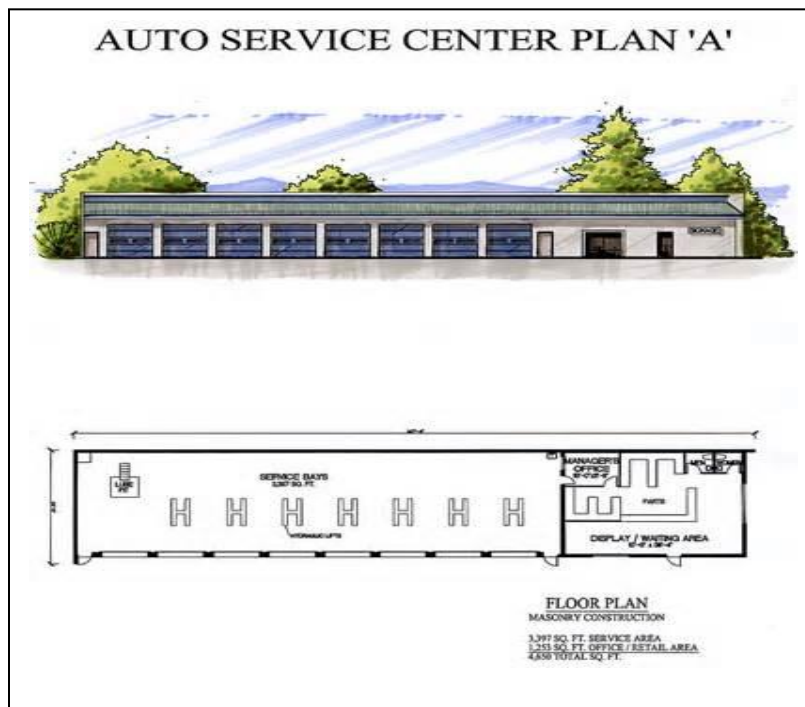
- 1) Provisioning of income generating opportunities by adjoined services parallel to this vehicle service center.
- 2) More concern on environmental aspects especially on releasing refused liquid, water, and others to the environment.
- 3) Providing high quality technical service to the people who visit the location.
- 4) Provision of good ancillary services in the location.
- 5) Ultimately the quality of the living status of people in the area to be enhanced.

2. MARKETING PLAN

Demand of a vehicle Service Center 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 service center 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.



Spacing

The design should accommodate according to the space availability. If the location space is large the higher number of vehicles can be accommodated but if it is over than the required space, it will not be sustained since the labour capacity would be high and it crest un- necessary cost. So that optimum space will be around 10,000 sq.m and the land can be utilized with other ancillary services.

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

It is desired that the following service centers and stalls to be furnished with the vehicle service center in order to fulfill customers' requirements at one place. It will create the attraction of clients to the service center due to convenience of their routings as well as save their time to get those services rather than visit several places.

- A. Cash teller card machines
- B. Snack bars
- C. Vehicle Garage
- D. Small supermarket

Above service would be accommodated with the participation of private sector. The private sector should be invited through open tender procedure and the initial capital requirement can be matched by acquiring one year key money advances from selected individuals who willing to invest on this ancillary services.

Furthermore, the Marketing strategy proposed for this Service Center would give strong emphasis to the development of competitive capabilities; adaptability and flexibility in order to respond to changing market conditions; as well as in line with 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 The service Center 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.
- Adequate water, electricity and sanitary facilities.
- Well established drainage system to avoid retaining refused water, oil and other immission to the environment.
- Rest room and TV, News papers, and other resting facilities.
- Well planned waste water and garbage management system.
- Well organized body (committee) to manage and operations of the center.
- Well arrange buildings for ancillary services.

External facilities

- Road accessibility
- 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 -

- All kinds of vehicle services (Body wash and Vacuum, Body Waxing, Lubricant services, Interior Detail, Exterior Detail, Auto Transmission Fuel Change - ATF, Wheel Alignment, Wheel balancing, Nitrogen air filling, Under coating)
- Communication, financial and banking facilities, restaurant
- A/C Repairing, Tyre repairing and replacing, Vehicle Electronic system services, etc.

Goods -

- All kinds of vehicle spare parts.
- Home needs sundry items (from mini supermarket)
- Foods , snacks and drinks.

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.

Product	Market Area	Target Consumer Group
All Vehicle services / Home needs sundry items/ Foods and beverages	Whole country	1. People who used to get vehicle services 2. All the firms and companies in Hambantota. 3. All the visitors who passing Hambantota.

The market demand for the products and services.

Vehicle Services Centers' experiences is generally applies in this sector and it is seriously varied from time to time on technological changes. And the demand is also varying according to the other various factors such as service quality, price of services, and quality of materials used.

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 the vehicle service center should be in high technological, high quality and efficient services. Services should be provided according to the needs of clients who visit the center on their perception.

(B) Price

Price varies according to the type of service, and availability of same quality service in the town. Since there is no proper high technological service center in Hambantota it would not be a crucial factor on price since there is no any such competition in the area.

But 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 service center. 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

As the proposed project is involved in both goods and services which are related to vehicles and other ancillary services arranged for 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 there can be used several sources of local news such as local newspapers. In promoting the service center outside, the following media elements are proposed: press releases; newspaper ads; websites; social media; brochures; and networking.

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 service center the following common internal promotions or techniques/practices and/or initiatives either individually or collectively could be utilized in order to encourage/facilitate 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.

Space distribution of Service Center and Ancillary Services

Sections	No. of vehicles accommodated	Average space per vehicle (sq.ft)	total area Usable (sq.ft)	Share of rented
Vehicle service area	10 vehicles at once	10 'X 12 '	1,200	
Parking space for vehicle queue	20 vehicles	10'X 12'	2,400	
Running pathway			3,000	
Total Service Area			6,600	66%
Customer Resting Area	1 room	20'X 15'	300	
Vehicle A/ C services	1 center	30' X 20'	600	
Vehicle Electronic system services	1 center	30' X 20'	600	
Vehicle tyre services	1 center	30' X 20'	600	
Vehicle Spare parts center	1 center	30' X 20'	600	
Cash teller card machines	3 cubicles	4' X 5'	60	
Snack bar	1 shop	10'X 10'	100	
Small Super market	1 shop	30'X 10'	300	
Communication center	1 shop	10'X 10'	100	
Total Ancillary service space			3,260	33%
Office	1 office	10'X10'	100	
Total Space			9,960	

Start-up Expenses

Item	Cost (Rs.)
Millwork and finishing space	200,000
Construction cost	
Service Center Buildings and machineries, fittings	8,000,000
Ancillary buildings and fittings	2,500,000
Drainages and Sceptic tanks	1,000,000
Telecommunication	500,000
General Supplies (water / electricity)	1,000,000
	13,200,000

Sales Forecast

Since the absence of enough initial capital to build up the proposed market in the Local authority budgets, it is proposed to launch a social enterprise model in partnership with an existing funding agent; contribution of private sector investors who willing to performs their business in the proposed Vehicle service center. The contribution of private sector will attract on tendering the proposed shops with an advance payments of key money (for 36 months period as per the table 1.2) as the initial capital investments of the Service Center.

Table 1.2 - Income from key money

Sections	No. of Centers	Monthly rental fee	Annual income	Key money (36 months)
Vehicle service station	1 center	150,000/=	1,800,000/=	5,400,000/=
Vehicle automation services (Battery charging /electronic services	1 center	15,000/=	180,000/=	540,000/=
Cash teller card machines	3 cubicles	15,000/=	540,000/=	1,620,000/=
Snack bar	1 shop	10,000/=	120,000/=	360,000/=
Vehicle A/ C services	1 center	15,000/=	180,000/=	540,000/=
Vehicle tyre services	1 center	15,000/=	180,000/=	540,000/=
Vehicle Spare parts center	1 center	15,000/=	180,000/=	540,000/=
Mini Super market	1 center	20,000/=	240,000/=	720,000/=
Total income		285,000/=	3,420,000/=	10,260,000/=

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	-					✓
Project 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 investors . (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	■											2014/3/1	100,000/=
Submission of project proposal to donor Agent		■										2014/3/2	-
Obtaining approval from funding agent			■									2014/3/9	-
Preparing necessary legal and other correspondences to get public ,Private sector Participation. (Formulation of committee/ tendering)		■	■									2014/3/31	20,000/=
Constructions/ demolishments / renovation of existing buildings and landscaping (Please refer table 2.2)				■	■	■	■	■	■	■		2014/6/30	13,200,000/=
Business launching											■	2014/7/2	50,000/=
Pre operating cost													13,370,000/=

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 Filling station.

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				2.00	1.00	10.26	13.26
Structure of the investment	0%	54%	-	7%	3%	36%	28.86

4.2 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 donation, key money collection for 36 months period from investor who is will to invest for " Vehicle Service center and other ancillary services".
- ❖ The monthly rent of the vehicle service center will be subjected with the 10% increment of rentals from each year.
- ❖ The monthly rent of the shops will be subjected with the 10% increment of rentals from each year.
- ❖ The monthly rent of the ATM machine will be subjected with the 10% increment of rentals from each year.
- ❖ Business turn over tax will be 5/= per day amounting 450/= per month for all three components and annually it would be 5,400/=.
- ❖ 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 1.0 Mn bank loan at interest rate of 13% (per annum) for 60 months period to match the initial capital of this project. (Monthly loan rental will be Rs. 22,754/=)

Profit & Loss Account

Item	1 st year (2014) (4 months - starting from 1/9/2014)	2 nd year (2015)	3 rd year (2016)
Annual income from rentals of Vehicle service center	750,000	1,800,000	1,980,000
Annual income from rentals of shops in Center	525,000	1,080,000	1,188,000
Income from ATM Machines	225,000	540,000	594,000
Net Sales	1,500,000	3,420,000	3,762,000
Less, <u>Variable cost</u>			
Electricity	250,000	600,000	650,000
Water	90,000	120,000	140,000
Other Variable cost	50,000	100,000	120,000
Labour	75,000	180,000	180,000
TOTAL Variable cost	(515,000)	(1,00,000)	(1,090,000)
Contribution	1,035,000	2,420,000	2,672,000
Less, <u>Fixed cost</u>			
Production overhead cost (advertisement)	100,000	-	-
Administration expenses	50,000	100,000	110,000
Maintenance cost	200,000	250,000	300,000
Total Fixed Cost	(350,000)	(350,000)	(410,000)
Profit before depreciations & interest	685,000	2,070,000	2,262,000
Less,			
Loan Interest*	113,770	273,048	273,048
Annual Depreciations	25,000	50,000	50,000
Pre operating expenses (promotions)	170,000	0	0
Sub total	(308,770)	(323,048)	(323,048)
Profit Before tax	376,230	1,746,952	1,938,952
Less , Income tax	0	0	0
Profit After Tax	376,230	1,746,952	1,938,952

4.3 Cash Flow Statement

Item	Pre Operating period	1 st Year (2014)	2 nd Year (2015)	3 rd year (2016)
Cash Inflows				
Equity	2,000,000	-	-	-
Loan receivable	1,000,000			
Key money receivables	10,260,000	-	-	-
Rental income from Vehicle service center		750,000	1,800,000	1,980,000
Rental income from ancillary service shops	-	750,000	1,620,000	1,782,000
Tax Income	-		5,400	5,400
Cash balance	-	(170,000)	175,615	1,327,460
Total Cash Inflows	13,260,000	1,330,000	3,601,015	5,094,860
Cash Outflows				
Cost of constructions	13,260,000	-	-	-
Administration / maintenance expenses	-	350,000	323,048	410,000
Variable cost		515,000	350,000	323,048
Pre operating expenses	170,000	-	-	-
Loan Interest and repayments	-	113,770	273,048	273,048
Total cash Outflow	13,430,000	978,770	946,096	1,006,096
Cash Balance	(170,000)	351,230	2,654,919	4,088,764
50% reserves for other services	Nil	175,615	1,327,460	2,044,382
Cash balance for next year usage	(170,000)	175,615	1,327,460	2,044,382

Financial Ratios

Ratio	1 st Year (2014)	2 nd Year (2015)	3 rd Year (2016)
Profitability	$\frac{376,230 \times 100}{1,500,000}$ =25%	$\frac{1,746,952 \times 100}{3,420,000}$ = 51%	$\frac{1,938,952 \times 100}{3,762,000}$ = 52%
Return on Investment	$\frac{376,230 \times 100}{28,860,000}$ =1.30%	$\frac{1,746,952 \times 100}{28,860,000}$ =6.05%	$\frac{1,938,952 \times 100}{28,860,000}$ 7%

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.