

# **Business Plan** **for a** **Modern Shopping Complex** **Proposed to** **Jaffna Municipal Council**



Submitted to:

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## I. OVERVIEW OF EXSITING MARKET LOCATIONS IN THE TOWN

### *Rationale*

Since industrialization pulled off the farm into the factory, department stores were invented and advertisement emerged. This caused consumerism to become a fundamental base of our culture. If consumerism had become a religion, well its temple would probably be shopping malls. Malls turned out to be the central institution of our modern consumer culture. Its environment is full of advertisement and lures which takes the consumers' soul into the temptation to buying world. The following essay will analyze the techniques that malls use in order to keep customers inside, the reason why different malls appeal to different people and the influence they have on the landscape of their community.

Shopping malls use many different techniques in order to attract consumers and make them buy their merchandise. Those techniques are very apparent while walking through the malls. The shopping experience can become so pleasurable when it happens in a "natural area." For that reason storekeepers set up malls like if they were parks with trees, flowers, fountains and benches. Shoppers then feel like they naturally belong there and have the desire to stay longer and socialize. Coffee shops, restaurants and snack bars are also included in the area and allow people not only to "hang out" but to consume even when taking a break from shopping and buying.

Kindergartens and playgrounds are also provided so that parents can leave their young children and shop with a clear mind and maybe buy with more ease and no distraction. A well known example of a decorated mall is Carrefour Laval, where the scenes and backgrounds are constantly renewed depending on the season, on the current holiday and on the fashion trends.

After the 30 year of war prevailed in the North of the country, it had a development boom over last five years. So that it has political and sociological response to develop the region with speedy infrastructure and economic supports to the people in the region.

From the view of governing body of Jaffna Municipal Council and business community who anticipating to govern super market will focus on several economic and environmental benefits. For example, they provide:

- 1) Economic opportunity to a range of operators and entrepreneurs;
- 2) Properly structured they provide communities with an opportunity to purchase good quality and fresh goods and fulfilling all the services under one shelter and enhance the income generation opportunities in MC as well as the business community.
- 3) Adding value to the town by having a modern shopping complex in the heart of the town.
- 4) Enhance the attraction of foreigners as well as local visitors and develop tourism in the town.
- 5) Generation of additional income to the MC through this project and utilization of such income for provision of better service by initiating new projects.
- 6) Ultimately the quality of the living status of people in the area to be enhanced.

## 2. MARKETING PLAN

### 2.1 Description of the Products/ Services

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

#### Products -

All kinds of foods (dry foods, perishable foods, spices etc), Pharmaceutical products, steel and hardware products, plastic commodities, fancy items, cosmetic items, jewelries, textiles, leather products such as shoes and bags, consumer durable products, stationeries etc.

#### Services –

Communication, financial and banking facilities, restaurant, saloon, Advertising opportunities

### 2.2 Proposed Facilities to be provided to Shop owners and customers in the Supermarket

- Safety glass partitions
- Tiled floor
- 2 elevators
- 1 escalator
- Fire protection & detection system
- Gas system
- Lighting prevention system
- Cctv cameras
- PABX system
- Water supply, Water tanks, water sumps
- Garbage collection room
- Fulltime backup generator, transformer
- Sewer treatment plant
- Central A/C system
- Separate metering system for gas, A/C, water and power.

### 2.3 Targeted market area.

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

### 2.4 Targeted Consumer Group.

Product	Market Area	Target Consumer Group
All products/ Services	Whole country	1. People who used to visit town for their goods and service requirements'. 2. Foreigners

## 2.5 The market demand for the products and services.

The total market demand for goods and services are unpredictable and difficult to be measured or quantified. But it can be reasonably assumed based on current market situation.

But it was evident that the competition for the shopping complex available in the town is only by the Cargills supermarket Square. But the proposed concept is coming as the shopping moles concept , so that the effect from that competitor will not be a significant level.

## 2.6 Market Supply for the products and services.

The proposed project which is expected to provide the accommodation for goods and services mentioned earlier and the majority of the supply of goods basically aiming from local producers and farmers. But the products from popular areas for each crop or product will be promoted since the aim of the market is to provide each and every commodity and the services under one shelter.

When consider the distribution of products and service centers in each and every shopping complex in the country, the supermarket complex is more identical to those markets but strategically some differences and unique characters will be introduced with the structure. This model will be entirely matched with the market and consumer behaviors in Jaffna. This scenario invites a great deal of producers who are yet to come for the industry which is ready to offer them a wonderful market opportunity.

## 2.7 Market share of the proposed project.

Competitor	Current market share
Cargills Supermarket	20% (aprox)

So that the prevailing 80% fraction of market vacuum can be fulfilled by this project.

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

## 2.8 Market strategies of the proposed project.

### (A) Product

Total products of each and every retail shop in the supermarket should be in quality assured , well packed, and priced and having brought ashore is sorted out in to different varieties, weighed, and stacked according to provided storage facilities in the market.

Services should be provided according to the needs of clients who visit the market on their perception.

### (B) Price

Price varies according to the variety of goods, market availability of the particular variety and current price level of the local market. 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 market. The place should be fulfilled with following aspects.

1. Since the location is at the heart of the town it is easy accessible place which close to transportation facilities, motorable roads availability etc.
2. It has enough space to accommodate goods and service supplies.
3. Presence of accommodation for proper arrangement of parking
4. Area without exposed to flood

Since the selected sight is located in the heart of the Jaffna town and fulfilling all of above mentioned requirements the place will be most ideal for this project and it gives the prominent positive trend to investors to initiate business with this center.

**(D) Promotion**

The success of the shopping complex, as implied at the business and community level, depends in large part on the vendors realizing their financial needs/goals, without whom the market is just an idea. To achieve this end the shopping complex will need to pro-actively promote and position itself as a realistic destination Shopping Centre. In order to accomplish this in turn, the center will need to focus on a series of both external and internal promotional campaigns. It is important that these two areas of promotion work cooperatively and synergistically.

***External promotions:***

The objective of the external promotion is to attract new and past customers back. In this regard in the Jaffna there are several sources of local news. This includes five local newspapers. Beyond this print media the MC can advertise the market through radios. Certainly it will prove difficult to reach a large percentage of the public through one medium. Cognitive of this, the market must utilize a balanced promotional mix in order to reach and attract a wide range of consumers. In promoting the market outside of the retail outlet, the following media elements are proposed: press releases; newspaper ads; websites; social media; brochures; mini menus; 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 super market 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 store layout
- ◆ Attractive window displays and Eye-catching internal displays;
- ◆ Promotional signs;
- ◆ Location signs and Understandable institute signs;
- ◆ and exciting atmosphere.

Effective promotion can also be realized through strategic partnering. It has been recognized for example that in order for the market to reach its greatest impact there needs to be business development support to the vendors. This can be accomplished through partnering with organizations such as Jaffna Trade Union, Chamber of Commerce, etc. These organizations will allow for affordable and skilled support.

## 2.9 Proposed Design

Proposed shopping complex will be 4 stories and total cost will be approximately 515.0 Mn. According to the land availability of the site, proposed building will be covered approximately 56,100 square feet on the land .

### Basement:

Car park which provisioning space for 60 vehicles

### Ground floor:

Promotion Space for advertizing and common events, 15 premium shops, and a Supermarket covering 2,000 sq.ft.

Multimedia Screen - MC can earn substantial income on displaying many advertisement of the local business community, and it will definitely support to the business community to enhance their products and services through this Multimedia screen.

### 1<sup>st</sup> Floor:

Will be covered with space occupancy for 50 general shops with kiddies corner and resting lobby arrangement.

### 2<sup>nd</sup> Floor:

Will be occupied with allocation for 25 general shops.

### 3<sup>rd</sup> floor:

The third floor will be entirely occupied with a theater.

### 4<sup>th</sup> floor:

The third floor will be facilitated with a food corner serving with 3 restaurants.



## 2.10 Shopping Mix

floor	Type of mix	Average area covered per shop (sq.ft)	No, of shops	TOTAL AREA (sq.ft)
Basement	Car Park	50 sq.ft per vehicle	60 vehicles at once	12,000
Ground floor	Promotion space	4,000 sq.ft	1	4,000
	Premium shops	(20'X 15') = 300	15	4,500
	Super Market	(50'X 40') = 2,000	1	2,000
	Space for lobbies	LA	1	2,000
	<b>TOTAL SPACE IN FLOOR</b>			<b>14,500</b>
1 <sup>st</sup> Floor	General Shops	(10'X 15') = 150	50	7,500
	Kiddies corner	(20'X 20') = 400	1	400
	Space for lobbies	LA	1	4,000
	<b>TOTAL SPACE IN FLOOR</b>			<b>12,000</b>
2 <sup>nd</sup> floor	General shops	(10'X 15') = 150	25	3,750
	Space for lobbies	LA	1	2,000
	<b>TOTAL SPACE IN FLOOR</b>			<b>6,000</b>
3 <sup>rd</sup> Floor	Theater	(100'X 50')= 5000	1	5,000
	Space for lobbies	LA	1	1,000
	<b>TOTAL SPACE IN FLOOR</b>			<b>6,000</b>
4 <sup>th</sup> Floor	Food corner - Dinning	(80'X 50')= 4000	1	4,000
	Restaurants	(20'X 20') = 400	3	600
	Space for lobbies	LA	1	1,000
	<b>TOTAL SPACE IN FLOOR</b>			<b>5,600</b>
<b>TOTAL FLOOR AREA OF THE BUILDING</b>				<b>56,100</b>

## 2.11 Sales Forecast

Since the absence of enough initial capital to build up the proposed super market in the MC budget, 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 market. The contribution of private sector will attract on tendering the proposed shops 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 market.

### Key money allocation in each category

floor	Type of mix	Average area covered per shop (sq.ft)	No, of shops	Monthly rental Proposed (Rs) per shop	Proposed Key Money for initial capital investment ( for 36 months) Rs.
Ground Floor	Premium Shops	(20'X 15') = 300	15	150,000/=	81,000,000/=
	Super Market	(50'X 40') = 2,000	1	250,000/=	9,000,000/=
1 <sup>st</sup> Floor	General Shops	(10'X 15') = 150	50	20,000/=	36,000,000/=
2 <sup>nd</sup> floor	General shops	(10'X 15') = 150	25	10,000/=	9,000,000/=
3 <sup>rd</sup> Floor	Theater	(100'X 50')= 5000	1	200,000/=	7,200,000/=
	Restaurants	(20'X 20') = 400	3	100,000/=	10,800,000/=
<b>TOTAL INCOME FROM KEY MONEY COLLECTION</b>					<b>153,000,000/=</b>

\* 75% of total key money receivable = 115,000,000/= - proposed to be collected before construction

Balance 25% of total key money = 38,000,000/= - proposed to be collected after constructions

### Annual income from rentals

floor	Type of mix	Average area covered per shop (sq.ft)	No, of shops	Monthly rental Proposed (Rs) per shop	Annual income Rs.
Ground Floor	Premium Shops	(20'X 15') = 300	15	150,000/=	27,000,000/=
	Super Market	(50'X 40') = 2,000	1	250,000/=	3,000,000/=
1 <sup>st</sup> Floor	General Shops	(10'X 15') = 150	50	20,000/=	12,000,000/=
2 <sup>nd</sup> floor	General shops	(10'X 15') = 150	25	10,000/=	3,000,000/=
3 <sup>rd</sup> Floor	Theater	(100'X 50')= 5000	1	200,000/=	2,400,000/=
	Restaurants	(20'X 20') = 400	3	100,000/=	3,600,000/=
<b>TOTAL ANNUAL INCOME FROM RENTALS</b>					<b>51,000,000/=</b>



**Annual income from Multimedia screen**

Shops	size (sq.ft)	No. of boards	Annual Rent (Rs.)	Remarks
Multimedia Screen	9'X 6'	1	2,000,000/=	The screen will be rented for interested party on annual rent basis and total maintenance and electricity will be borne by that party

**Annual income from Other Ancillary Services**

Income Source	Annual Income
Promotion space on ground floor centre (5000/= per event x15events per month X12 months)	900,000/=
Hoarding Site 100,000/= per year X 3 sites	300,000/=
ATM Machine space 10,000/= per month X 3 machines X 12 months)	360,000/=
<b>TOTAL INCOME</b>	<b>1,560,000/=</b>

**Total Annual income proposed for 3 years**

1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> Year
54,560,000/=	55,272,000/=	56,000,000/=

**Assumption:**

The rentals of the shops will not be increased in first three years and it will be increased by 19% from the 4<sup>th</sup> year.

The other income from ancillary services will be increased by 20% in each year.

## 3. PRODUCTION/ SERVICE PLAN

### 3.1 Production / Service Process

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

#### **Storage and unloading facilities.**

Since the market goods supplies involve with unloading of bulky stuffs of goods the design facilitated a separate unloading area with few storage facilities. Parking places for of unloading vehicles also been provided.

#### **Cleaning and Sanitary facilities.**

The appearance and the cleanliness of the market is very important to attract consumers and it will lead the sustainable marketing process in the market. So that provisions of public toilets and the sanitary staff will be provided to the public areas of the market and some attached toilets will be provided for banks, restaurants too.

#### **Parking area for consumers.**

The basement floor area will be allocated for parking facilities for consumers. It will accommodate at least 60 vehicles at once. The security service will also propose to be provided.

#### **Electricity and Water supplies.**

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

#### **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 MC.

### **3.2 Proposed special Facilities to be provided to Shop owners and customers in the Supermarket**

- Safety glass partitions
- Tiled floor
- 2 elevators
- 1 escalator
- Fire protection & detection system
- Gas system
- Lighting prevention system
- Cctv cameras
- PABX system
- Water supply, Water tanks, water sumps
- Garbage collection room
- Fulltime backup generator, transformer
- Sewer treatment plant
- Central A/C system
- Separate metering system for gas, A/C, water and power.

### **3.3 Internal promotional items proposed in the super market**

- ◆ Effectively designed store layout
- ◆ Attractive window displays;
- ◆ Eye-catching internal displays;
- ◆ Clear signage;
- ◆ Promotional signs;
- ◆ Location signs;
- ◆ Understandable institute signs; and exciting atmosphere.
- ◆ Digital advertizing screen at the common area of the ground floor.
- ◆ 3 advertizing hoardings for business community to popular their product/ service

## 4. ORGANIZATIONAL & MANAGEMENT PLAN

### 4.1 Legal Status of the Business

<b>Name of the implementing / Managing Organization</b>	: Jaffna Municipal Council
<b>Partners</b>	: Private sector/ banks/ sellers/ funding agent
<b>Management body</b>	: Steering Committee (7 persons)
<b>Composition of steering committee</b>	: Commissioner of Jaffna MC Municipal Engineerl Accountant - Municipal Council Revenue officer 3representatives from business community
<b>Operational Team</b>	: Shopping Complex manager- 1 Accounts Clerk - 1 Cleaners - 3 Security officers - 3 Labour - 1

Careful consideration needs to be taken in regards to the overall governance structure, processes and management. As proposed herein we see a market as a not-for-profit enterprise governed by a volunteer steering committee comprised of committed and knowledgeable community citizens. In a best case scenario the steering committee should be comprised of no less than seven (7) and no more than eleven (11) members. The recommended governance approach would include a diverse yet relatively equal representation of the community's key user groups on the committee. A draft term of reference for the steering committee has been appended at the end of this report.

It will be important that from the very beginning the shopping complex establish a full time, paid " Shopping complex manager" position within the organization. This Shopping complex manager will be responsible for overall management of the facilities and its operations. At no time should this position or the responsibilities associated thereto be assigned to a volunteer position. A draft position description for the Shopping complex manager has been appended at the end of this report.

As the above chart shows the overall management of the project is in the hand of the MC where as the operational decisions will be made by a steering committee which consists of 7 persons. The composition of the 7 persons committee will be 4 persons from MC as well as from 3 representatives from private sector investors of the market. The steering committee will not earn from the market so that those are not categorized as employees.

### 4.2 Linear Responsibility chart of proposed Market

Table 1.4

The Person	Number of employees		Proposed salary (Rs.)	Overall supervision	Maintains / Cleaning/ Unloading	Security	Admin	Finance
	Existing	New						
Steering committee	7		-				✓	✓
Manager	-	1	45,000/=X 1	✓			✓	
Cleaners	-	3	20,000/= X3	✓	✓			
Security		3	25,000/= x 3	✓		✓		
Accounts clerk	1		-					✓
Labours	1		-		✓			
<b>Total employees</b>	<b>2</b>	<b>7</b>	<b>180,000/=</b>					

### 4.3. Pre operating Activities & Expenses

Table 1.5

Tasks	Time period (months)																				Date to finish each task	Expected cost	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20			
Preparation of project proposal / site plan with BOQs/ validation	█																				1/2/2017	200,000/=	
Submission of project proposal to Bank and obtain approval	█																				20/2/2017	-	
Preparation of Promotional materials in order to market the project (Activities listed in table 1.6)		█	█	█																	20/3/2017	300,000/=	
Execution of promotional activities (Press conference, Media Advertising (local/ island-wide) (Ref> table 1.3)						█	█														1/4/2017	1,000,000/=	
Preparing necessary legal and other correspondences to get public ,Private sector Participation. (Formulation of committee/ tendering)									█												1/5/2017	100,000/=	
Constructions (building & Digital board										█	█	█	█	█	█	█	█	█	█	█	30/11/2017	515,000,000/=	
Making Marketing arrangements																				█	30/11/2017	200,000/=	
Recruitments																				█	30/11/2017	-	
Business launching																					█	1/1/2018	200,000/=
<b>Pre operating cost</b>																						<b>517,000,000/=</b>	

#### 4.4. Promotional process to attract investors to the project under PPP.

It is very important to identify the objectives of private sector who willing to invest in this project and it should be matched with the overall objectives of the project which aspired by the MC. Therefore it is compulsory to have a proper promotional plan to promote and increase awareness of selected opportunities and issues; and/or encourage private sector investment in the region as well as whole country.

So that following activities are proposed to realize the successful participation of private sector by investing to this project to sustain the objectives setforth.

#### Activities on Promotional process to attract investors to the project under PPP.

Table 1.6

Activity	Deliverable	Time frame	Responsibility
1. Preparation of market design plan and BOQ	1. Market design plan 2. Bill of quantities	3 weeks	Technical staff of MC
2. Preparation of 3D design for presentations	1. 3 D plan	1 week	Commissioner
3. Preparation of hording at the site.	1. One hording (15' X 20')	1 week	Commissioner
4. Preparation of a radio advertisement to aware investors.	1. 30 sec. Advertisement.	1 week	Commissioner
5. Conducting media conference to aware investors through media (Radio/ TV/ Newspapers)	1. Media meeting 2. Leaflets and details pack.	2 weeks	Steering committee
6. Conducting awareness meeting for investors ( all over the island) (to be held in Colombo)	1. Conference. 2. 3 D presentation 3. Leaflets and details pack.	2 weeks	Steering committee
7. Conducting awareness meeting for investors ( Regional level) (to be held in Jaffna)	1. Conference. 2. 3 D presentation 3. Leaflets and details pack.	2 weeks	Steering committee
8. Newspaper insertions (leaflets)	1. 5000 leaflets	1 week	Steering committee

## **4.5 Duties and responsibilities of Steering Committee**

### **4.5.1 - MARKET START-UP DUTIES**

- ☐ Implement Business Plan with associated marketing strategies.
- ☐ Recruit new vendors.
- ☐ Monitor compliance with relevant regulations and codes.
- ☐ Secure necessary permits and licenses.
- ☐ Keep committee updated regarding competition.
- ☐ Make stall assignments.
- ☐ Review the budget and maintain records of market expenses and income.
- ☐ Make sure all vendor forms are completed properly and retained.

### **4.5.2 - DAILY TASKS AND RESPONSIBILITIES**

- ☐ Coordinate opening and closing of the market.
- ☐ Assist at stalls when necessary.
- ☐ Enforce the bylaws.
- ☐ Handle emergencies and complaints.
- ☐ Serve as the quality control person for items, as well as for the market's general appearance and cleanliness.
- ☐ Maintain an information booth, guest book, recipe postings, etc.
- ☐ Keep a daily market log.
- ☐ Hold vendor meetings as necessary.

### **4.5.3 - COMMUNICATION AND NETWORKING TASKS**

- ☐ Represent the market in meetings with community members.
- ☐ Develop a positive relationship with vendors.
- ☐ Educate and assist vendors with merchandising, pricing, and other marketing and business skills.
- ☐ Coordinate and encourage volunteerism from sponsors and community groups.
- ☐ Build positive customer relations.
- ☐ Follow instructions from and maintain communications with the Market Steering Committee.

### **4.5.4 - PROMOTION AND ADVERTISING DUTIES**

- ☐ Create an annual calendar of events.
- ☐ Develop new promotional ideas.
- ☐ Arrange for media coverage and represent the market to the media.
- ☐ Establish and monitor an advertising budget.
- ☐ Review logos and other marketing tools with a committee as necessary.

### **4.5.5 - EVALUATION DUTIES**

- ☐ Conduct periodic surveys to assess customer opinions and satisfaction.
- ☐ Invite, listen to, and use input from vendors and others to improve the market.
- ☐ Lead in monitoring and, when necessary, revision of the market's mission, goals, and strategies.
- ☐ Evaluate and improve the effectiveness of meetings and other team activities.
- ☐ Debrief participants after board meetings, workshops, and retreats.

## 4.6 Project Implementation Method

The initial capital of the project will be matched by following components of funds sources.

- A loan from a bank (Preferably from LLDF) (112 Rs. Mn)
- Private sector investments for shops ( by key money for three years) from interest parties. (153 Rs. Mn)
- Own funds of the MC. (252 Rs. Mn)

The strategy proposed to implement this option is basically entering in to a mortgage bond for entire land with interested bank. The MC can demand on whole 95 rentable shops including 3 restaurant, 1 supermarket, and 1 Theater in the Shopping complex.

**The options are basically determined on the availability of funds, market demand of rentable shops and loan repayment period.**

- MC will mobilize 252 Mn (49% of construction cost) ( 45% of total project cost). Private sector contribution from interested parties is 153 Mn (26% of total project cost and 30% of construction cost). The balance funds will be matched (112Mn) from a loan from LLDF on 9% interest (per annum) for 15 years of repayments period.
- MC has to match the construction cost of 515 Mn by allocating their own funds of 252 Mn and 115 Mn (75% of total key money) from the shop owners who wish to get shops from this building and the balance `150 Mn should be matched by the LLDF loan on above mentioned credit terms. MC is supposed to get one year grace period which is repaying only the interest of the loan (monthly interest - Rs. 1,125,000/=) within the one year construction period.
- The construction should be completed within one year time period and the 75 % of total key money collection should be executed before commencing the constructions. MC has to mobilize 115 Mn of key money collection from the private sector who interested to opening their business in this premises. Then the MC has to cover the balance 25% of the occupied shops by collecting key money at the beginning of 2<sup>nd</sup> year (38.0 Mn) and partially settle the loan capital from collected key money of 38 Mn. Then the loan should be rescheduled as the loan capital as 112 Mn for 15 years repayment period on 9% rate of interest (The approximate monthly loan rental will be 1,136,000/=).



## 5. FINANCIAL PLAN

Unlike many existing market models there is not the opportunity to capitalize on existing infrastructure at start up. Therefore, if the shopping complex is to be realized it will require new construction in order to house the operations. In part to offset this expense the proposed launch is premised on a social enterprise model in partnership of private and government sector. This will allow the shopping complex to launch with very modest incremental start-up and operational expenses.

### 5.1 Cost of Constructions

Item	cost
Mil-work and finishing space	1,000,000/=
Construction cost of 4 stories building	400,000,000/=
Sewer treatment plant	1,500,000/=
Full time backup Generator (200 KVA)	32,000,000/=
Central AC system	45,000,000/=
2 lifts	12,000,000/=
1 Escalator	6,000,000/=
Lightning prevention system	1,000,000/=
Street and side drains	4,000,000/=
Telecommunication/ PABX	2,000,000/=
Electricity supply/ Transformer	3,000,000/=
Water supply / tanks/ sump	2,000,000/=
Fire protection and detection system	1,000,000/=
CCTV Camera system	2,000,000/=
Digital screen and sounds	2,500,000/=
<b>Total Construction cost</b>	<b>515,000,000/=</b>

**Pre operational cost** - Rs. 2,000,000/=

**Total Construction cost** - Rs. 515,000,000/=

**Total Project cost** - Rs. 517,000,000/=

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## 5.2 Project Cost

Cost Item	Existing		Proposed			Total project Cost (Rs.Mn)
	LLDF Loan (Rs.Mn)	Equity (MC) (Rs.Mn)	Bank Loan (Rs. Mn)	Equity (MC) (RsMn.)	Private Sector (Rs.Mn)	
<b>Assets – Fixed Assets</b>						
Land	-	50.0	-	-	-	<b>50.0</b>
<b>Building and equipment</b>	-	-	112.0	250.0	153	<b>515.0</b>
<b>Pre operational cost</b>	-	-		2.0	-	<b>2.0</b>
<b>Structure of the investment</b>	<b>0</b>	<b>50.0</b> (9%)	<b>112.0</b> (20%)	<b>252.6</b> (45%)	<b>153</b> (26%)	<b>567.0</b>

## 5.8 Profit & Loss Account -

- MC will mobilize 252 Mn (49% of construction cost) ( 45% of total project cost). Private sector contribution from interested parties is 153 Mn (26% of total project cost and 30% of construction cost). The balance funds will be matched (112Mn) from a loan from LLDF on 9% interest (per annum) for 15 years of repayments period.
- MC has to match the construction cost of 515 Mn by allocating their own funds of 252 Mn and 115 Mn (75% of total key money) from the shop owners who wish to get shops from this building and the balance `150 Mn should be matched by the LLDF loan on above mentioned credit terms. MC is supposed to get one year grace period which is repaying only the interest of the loan (monthly interest - Rs. 1,125,000/=) within the one year construction period.
- The construction should be completed within one year time period and the 75 % of total key money collection should be executed before commencing the constructions. MC has to mobilize 115 Mn of key money collection from the private sector who interested to opening their business in this premises. Then the MC has to cover the balance 25% of the occupied shops by collecting key money at the beginning of 2<sup>nd</sup> year (38.0 Mn) and partially settle the loan capital from collected key money of 38 Mn. Then the loan should be rescheduled as the loan capital as 112 Mn for 15 years repayment period on 9% rate of interest (The approximate monthly loan rental will be 1,136,000/=).
- Rentals for 1<sup>st</sup> 3 years will not be increased. From the 4<sup>th</sup> year the rental will be increased by 10% from the initial value.
- Business / trade tax will be increased by 10% in each year. ( 10/= per day X 25 days X 12 months X 95 business entities in the complex = 285,000/= in 1<sup>st</sup> years and increasing 10% per year)
- Rent of advertizing digital board will be increased by 10% in each year
- Building depreciation has been considered for 20 years period.
- Maintenance cost has been assumed 10% of the total building value and it will be increase by another 10% in each year.
- Variable cost will be increased 10% by each year.

## Profit & Loss Account

Item	1 <sup>st</sup> year (after completion of supermarket)	2 <sup>nd</sup> year (after completion of supermarket)	3 <sup>rd</sup> year (after completion of supermarket)
Annual income from rentals	54,560,000	55,272,000	56,000,000
Business / Trade tax	285,000	315,000	345,000
<b>Net Sales</b>	<b>54,845,000</b>	<b>55,587,000</b>	<b>56,345,000</b>
Less, <u>Variable cost</u>			
Electricity	1,500,000	1,600,000	1,700,000
Water	240,000	260,000	280,000
Other Variable cost	180,000	190,000	200,000
Subsistence	100,000	110,000	120,000
Maintenance cost	1,200,000	1,300,000	1,400,000
<b>TOTAL Variable cost</b>	<b>(3,220,000)</b>	<b>(3,460,000)</b>	<b>(3,600,000)</b>
<b>Contribution</b>	<b>51,625,000</b>	<b>52,127,000</b>	<b>52,745,000</b>
Less, <u>Fixed cost</u>			
Production overhead cost*	0	0	0
Administration expenses	500,000	600,000	700,000
<b>Total Fixed Cost</b>	<b>(500,000)</b>	<b>(600,000)</b>	<b>(700,000)</b>
<b>Profit before depreciations &amp; interest</b>	<b>51,125,000</b>	<b>51,527,000</b>	<b>52,045,000</b>
Less,			
Loan repayments	13,632,000	13,632,000	13,632,000
Annual Depreciations (20 years)	25,750,000	25,750,000	25,750,000
Pre operating expenses	0	0	0
<b>Sub total</b>	<b>(39,328,000)</b>	<b>(39,328,000)</b>	<b>(39,328,000)</b>
<b>Profit Before tax</b>	<b>11,797,000</b>	<b>12,199,000</b>	<b>12,717,000</b>
Less , Income tax	0	0	0
<b>Profit After Tax</b>	<b>11,797,000</b>	<b>12,199,000</b>	<b>12,717,000</b>

## 5.4 Cash Flow Statement

Item	Pre Operating period (12 months)	1 <sup>st</sup> Year	2 <sup>nd</sup> Year	3 <sup>rd</sup> year
<b>Cash Inflows</b>				
Equity	252,000,000	-	-	-
Key money receivables	115,000,000	38,000,000	-	-
Loan Receivable	150,000,000	-	-	-
Sales Income	-	54,845,000	55,587,000	56,345,000
Cash balance	-	(14,000,000)	11,696,000	25,095,500
<b>Total Cash Inflows</b>	<b>517,000,000</b>	<b>78,845,000</b>	<b>67,283,000</b>	<b>81,440,500</b>
<b>Cash Outflows</b>				
Construction cost	515,000,000	-	-	-
Administration expenses	500,000	600,000	700,000	800,000
Variable cost	0	3,220,000	3,460,000	3,600,000
Loan capital deduction payments (from key money collection)	0	38,000,000	-	-
Loan repayments	13,500,000	13,632,000	13,632,000	13,632,000
Pre operating expenses	2,000,000	-	-	-
<b>Total cash Outflow</b>	<b>531,000,000</b>	<b>55,452,000</b>	<b>17,092,000</b>	<b>18,032,000</b>
<b>Cash Balance</b>	<b>(14,000,000)</b>	<b>23,393,000</b>	<b>50,191,000</b>	<b>63,408,500</b>
50% reserves for other services	Nil	11,696,000	25,095,500	31,704,250
Cash balance for next year usage	Nil	11,696,000	25,095,500	31,704,250

## Financial Ratios

Ratio	1 <sup>st</sup> Year (2018)	2 <sup>nd</sup> Year (2019)	3 <sup>rd</sup> Year (2020)
<b>Profitability</b>	<u>11,797,000X 100</u> 54,845,000 =22%	<u>12,199,000X 100</u> 55,587,000 = 22%	<u>12,717,000X 100</u> 56,345,000 = 23%
<b>Return on Investment</b>	<u>11,797,000X 100</u> 567,000,000 = 2%	<u>12,199,000X 100</u> 567,000,000 =2%	<u>12,717,000X 100</u> 567,000,000 = 2%

## 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 1<sup>st</sup> 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 Jaffna 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 Jaffna
  - 1.6.3 The Steering Committee- Seven Member steering committee appointed by the Jaffna

MC to manage the project. Its constitute is Commissioner of Jaffna MC, Engineer of Jaffna MC , Chairman of Jaffna 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.