

Urani Beach Villas

Eastern Coast - Sri Lanka



**Business Proposal
For the Development of Luxury Villas & Chalets**

March 2014

1 Whisky Point Properties Overview

1.1 The Opportunity

Urani Beach Villas is a sustainable tourism venture that is developing luxury beachside villas and chalets on the East Coast of Sri Lanka. The venture will build ten beach chalets, two multi-chalets and six two-story luxury villas. The luxury villas will be offered for outright purchase by interested parties while the other accommodation will be directly managed by the resort.

The total project cost is estimated at \$1,650,000 USD including the cost of the property. The Company estimates that it requires a loan in the amount of \$600,000 USD which will be matched by the Directors equity investment. This loan will enable the project to commence construction and start the process to promote the sale of its villas to both the domestic and international market.

1.2 Introduction

Since Sri Lanka emerged from 30 years of war in 2009, the tourism sector has been booming. The country currently has 15,000 graded accommodation units, but the government is targeting 2.5 million tourists by 2016 and estimates that 60,000 accommodation units are needed to serve the influx of visitors. Several international hotel chains have announced definitive strategies to expand to Sri Lanka, and local hotel chains are aggressively refurbishing and expanding their asset base. Many budget accommodation options are coming up to meet the requirements of mainstream travelers, there is an unmet demand for responsible luxury. Whiksy Point Properties (Pvt) Ltd. was established in 2012 and owns the 3.5 acre land outright. Urani Beach Villas will be established as the brand and trading company that operates the resort. The whole concept has evolved based on the founders experience in real estate, hospitality and development.

1.3 Mission & Objectives

To provide a luxurious, yet responsible experience, that is truly world-class.

- To provide investors an opportunity for a luxury beach villa where they have the security of freehold title, enjoyment of a world class vacation home and no-stress of annual maintenance
- To operate a 5 star boutique hotel that is above and beyond normal service standards
- To adopt sustainable practices such as renewable energy, organic food and products, source local produce and generate local employment
- To service the growing niche of active, responsible, luxury and ethical tourism

1.4 The Location

Urani Beach Villas is situated on a 3.5 acre beach property about 10kms North of the famous Arugam Bay. The South eastern coast of Sri Lanka was isolated during the conflict, but with its resolution in 2009, the area is experiencing rapid expansion and popularity. Even during the civil unrest, this area still received many visitors because of the natural beauty, diverse wildlife, adventure aspect and perfect surfing waves. The government has invested heavily in Grade A roads that now connect the region to the Mahinda Rajapakse International Airport (MRIA) with an easy 2 hour drive. The area contains extensive options travellers seeking adventure, wildlife, sporting activities, biodiversity or just enjoying world class beaches. Currently, the biggest draw to the area is the world famous surf that is considered the best in Sri Lanka. This alone draws over 100,000 visitors per year, but many other activities are developing in the area which leverages the natural and cultural assets of the region. The Whisky point area is known for its picturesque rocks and clean point breaks. Elephants, monkeys and birds and other wildlife frequent the area and there are many adventure activities available.

It is estimated that the Southeastern corridor up along the East coast will be the fastest growing tourism sector in the country, much like the South coast over the past two decades. When analysing the most popular areas in the South, all of them are near surf points, which serve as magnets and increase the popularity of the particular area. Arugam Bay has seen this affect and now has hundreds of guest houses to cater to the many visitors and still there are not enough beds to cater to the demand. Many guests that visit the area are looking for alternative places to stay and surf, and Whisky point has become the preferred place.

Figure 1: Aerial pictures of the location. The image on the left is taken from 500 miles elevation and the image on the right from 13 miles



1.5 The Surf

“Whiskey point ...offers more high-quality waves than Pottuvil point, fewer crowds and is the number one party beach on a Friday night.”¹ Whiskey Point is located about 3.2 km north of Pottuvil point and 12 km north of Arugam Bay Point Break. The consistent wave at the Whiskey Point is suitable for both advance and beginner surfers alike. The wave peels off the rocks at the point and has a long right that can be ridden all the way to the beach. This allows surfer to come up on the beach, walk back out to the point and jump back into the line-up.

Dozens of surfers hire transport each day from Arugam Bay to Whiskey point to enjoy the break. The first group arrive early in the morning, and then there is a constant stream of visitors throughout the day. Once the accommodation is available, visitors will be able to stay at the point and easily access another break just north. The Pottuvil point break is walking distance to the south.

2 The Facility

The selected site will include the hotel with ten chalets in first two rows overlooking the beach and two luxury villas behind them. The company will build another six luxury villas behind the hotel. Each villa will be built in a 15-perch land with a large surrounding garden.

The facility will include a gourmet restaurant, infinity pool, entrance pavilion, organic garden, wet bar. The pool with have a lounging area and massage huts will be on the beach to provide a complete experience. Each villa will have a plunge pool and the whole facility will have on-call service for total luxury. Approved designs of the villas and chalets are shown below.

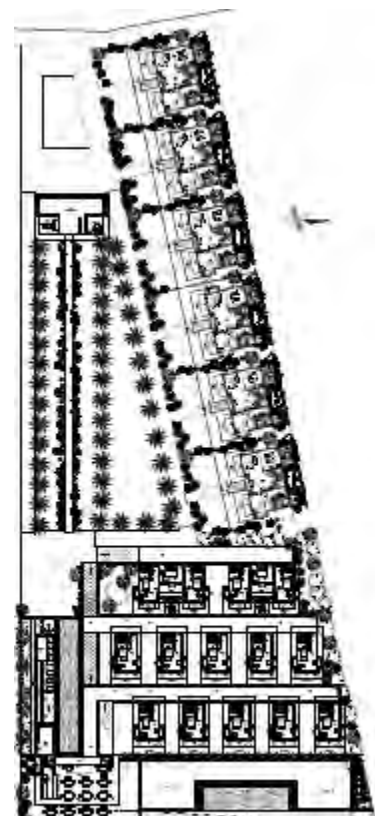
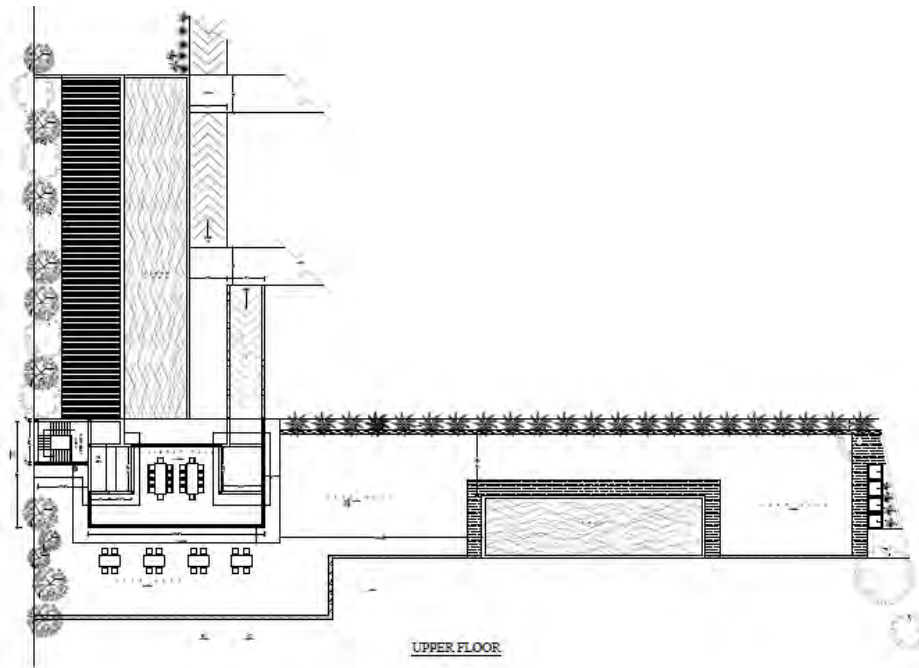
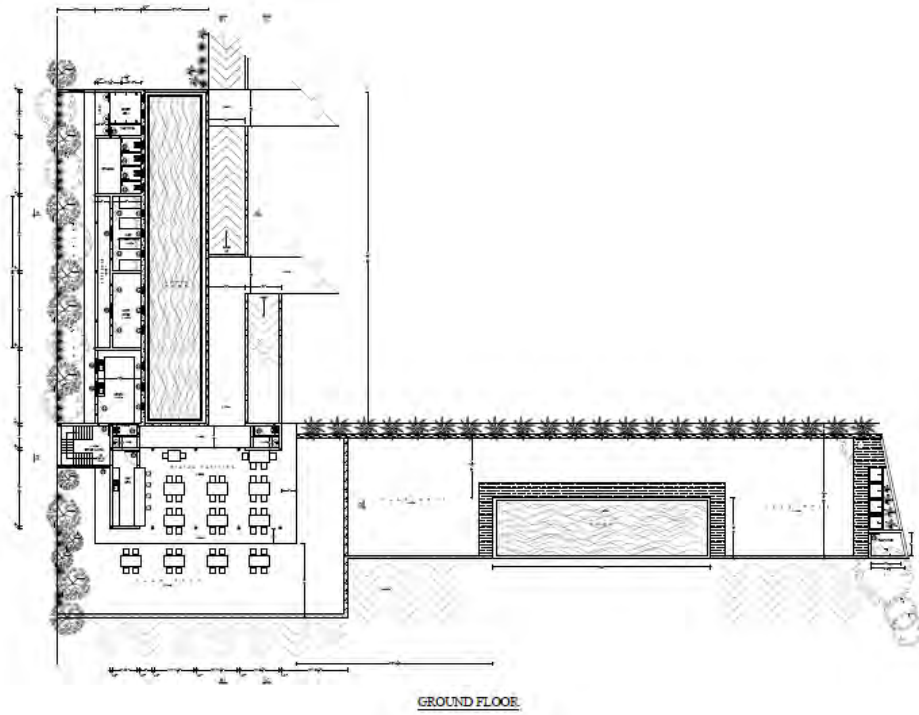


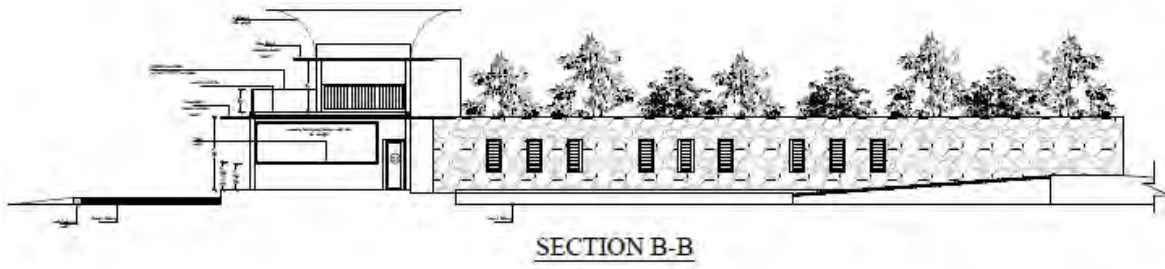
Figure 1: Overall layout of property

¹ BBC – Travel - Riding the Sri Lanka’s new wave: Surfing, Sri Lanka 2013. BBC – Travel – Riding the Sri Lanka’s new wave: Surfing, Sri Lanka [online]. Available at: <http://www.bbc.com/travel/feature/20130111-riding-sri-lankas-new-wave>. [Accessed 28 July 2013].

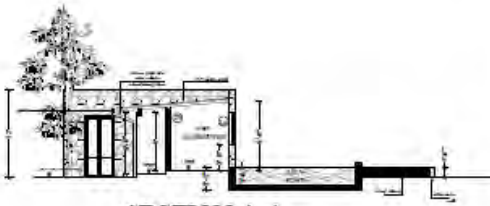
2.1 Main facility, restaurant and pool



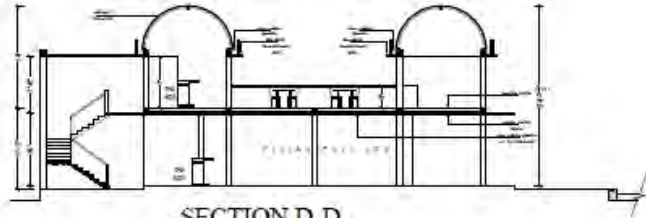
Figures 2a & 2b: Ground floor and upper floor of main facility, kitchen and pool



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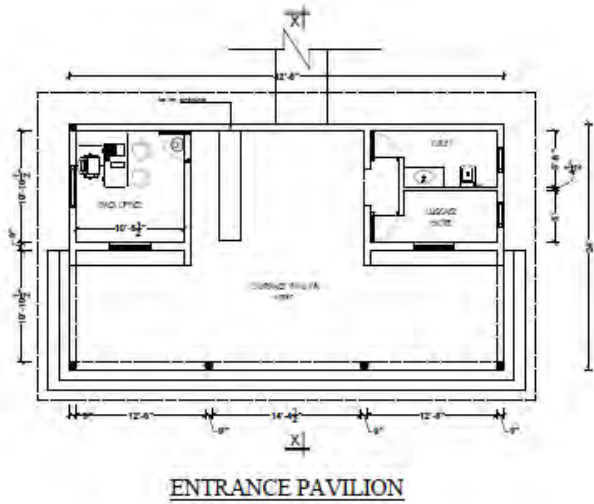
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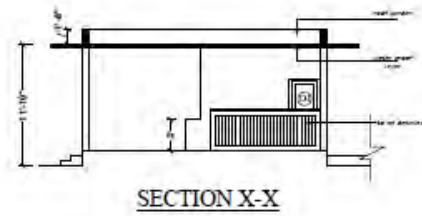
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Figures 2c: Cross section of main facility, kitchen and pool

2.2 Entrance Pavillion

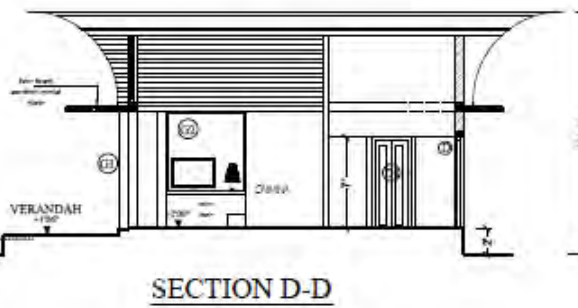
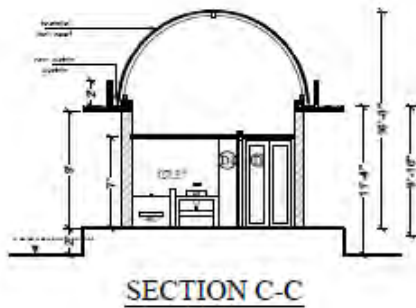
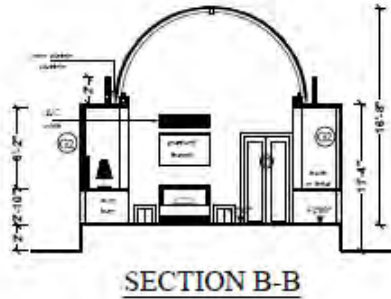
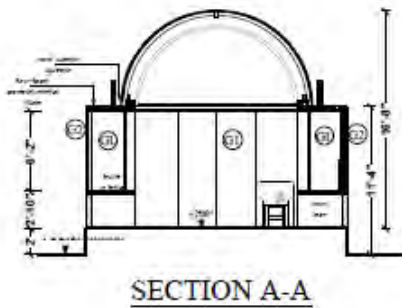
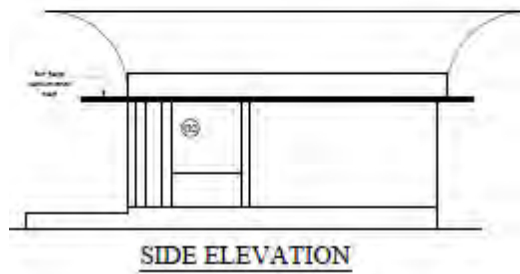
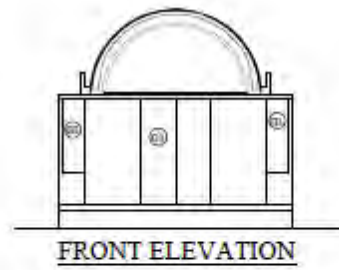
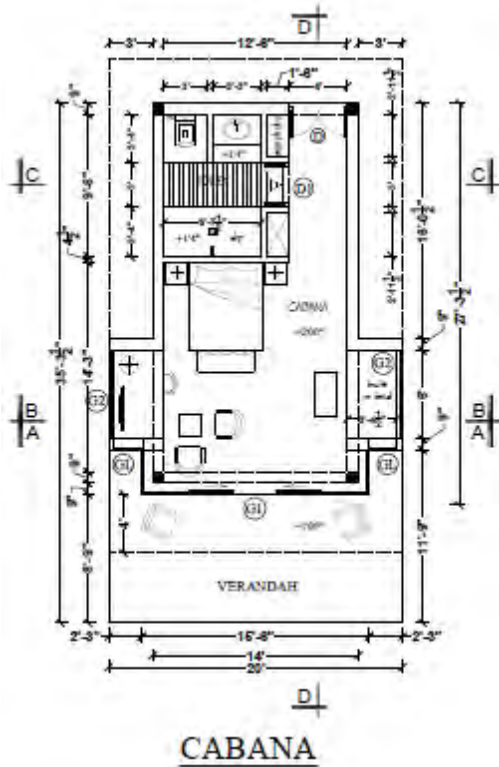


ENTRANCE PAVILION

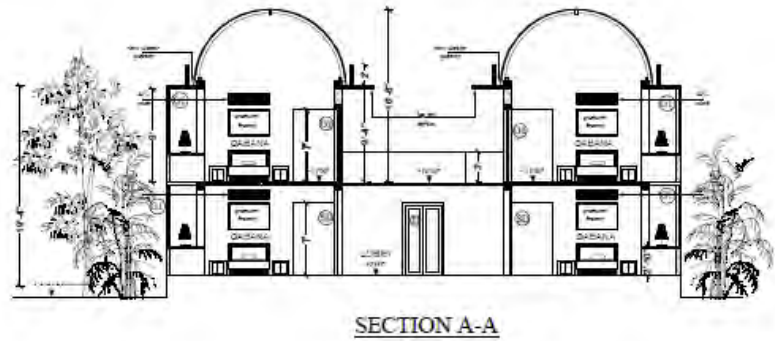
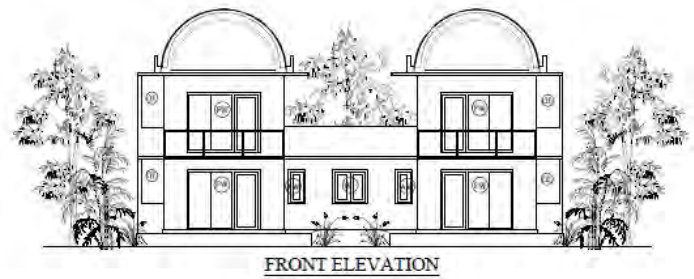
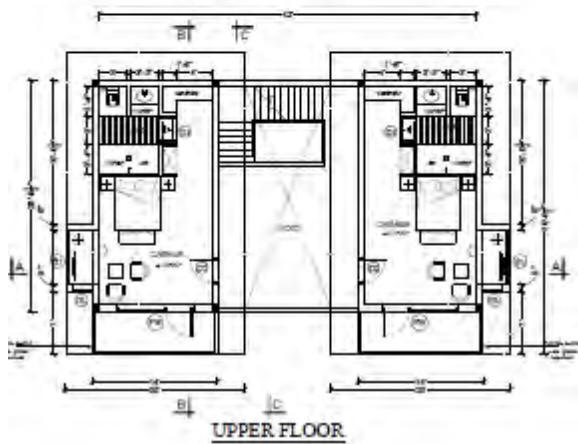
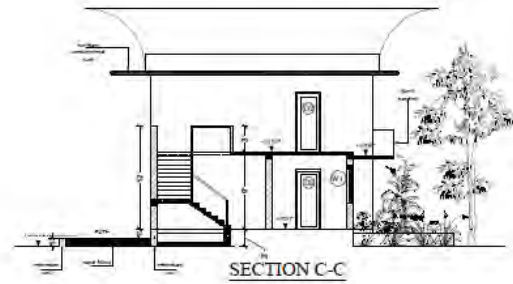
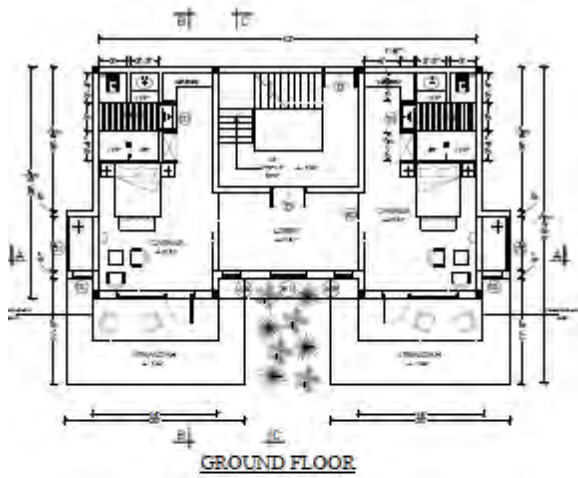


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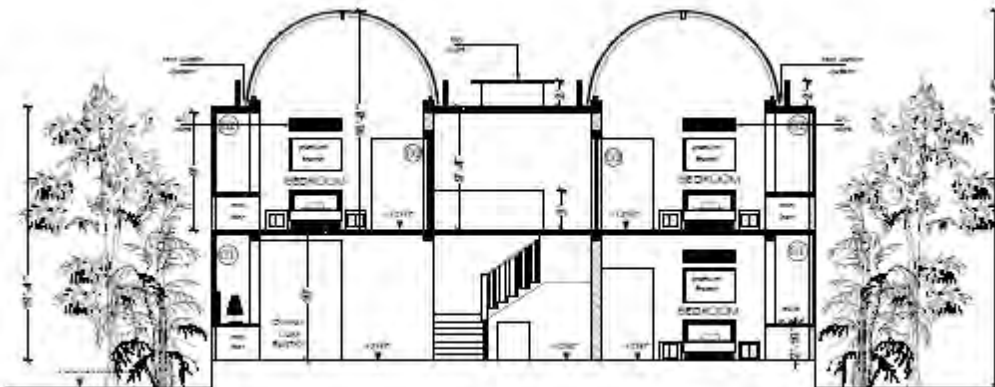
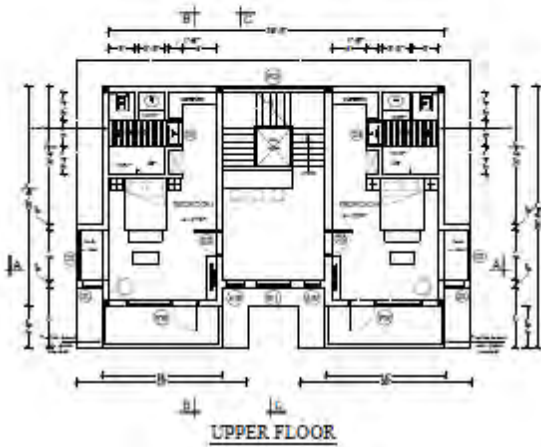
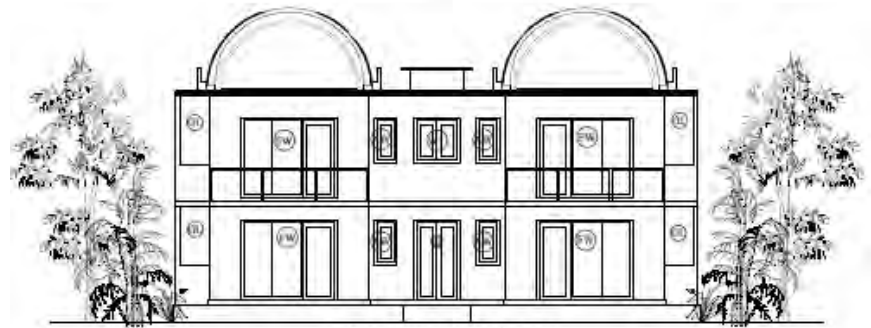
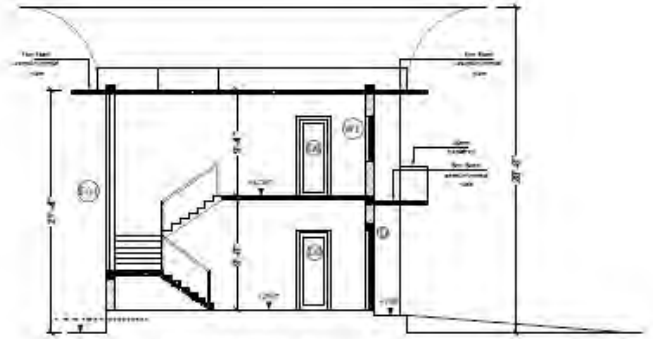
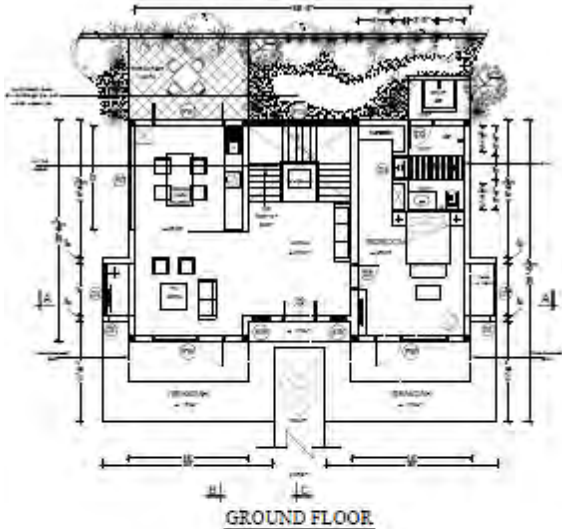
2.3 Chalets (10 nos)



2.4 Multi-unit Chalet / Villas (2 nos)



2.5 Villas (6 nos)



The villas will be a two-story three-bedroom property with toilets, living, dining, open-pantry and a veranda. We intend to integrate eco-friendly energy and sustainable solutions throughout the project to compliment the aesthetic design.

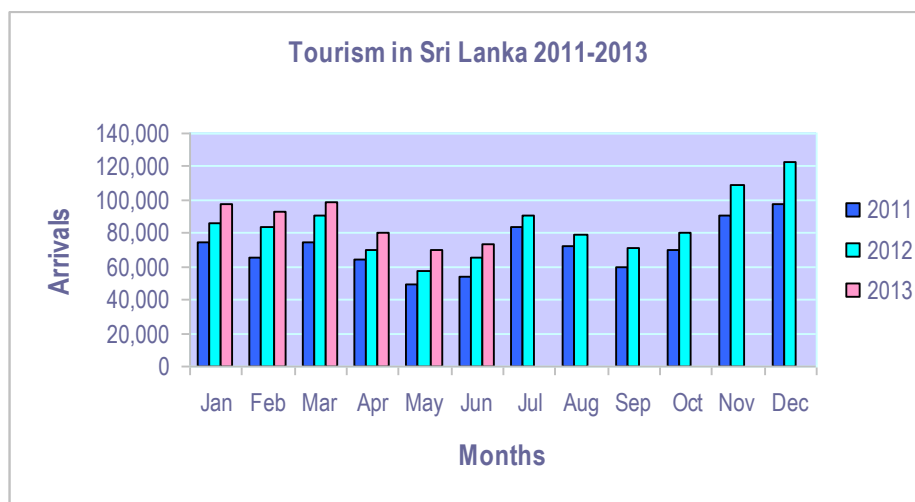


Left: View of beach-front Chalets, a pool in a luxury villa (Right)

3 Market Analysis and Strategy

3.1 Market Segmentation

Recent years, Sri Lanka has been ranked one of the top nations among the emerging world travel destinations, and the government promotes the environmentally friendly sustainable tourism.² Sri Lankan tourism is growing rapidly with increase in 2013 in comparison to 2012 & 2011 (Figure1 - Source: www.sldta.lk/statistics).

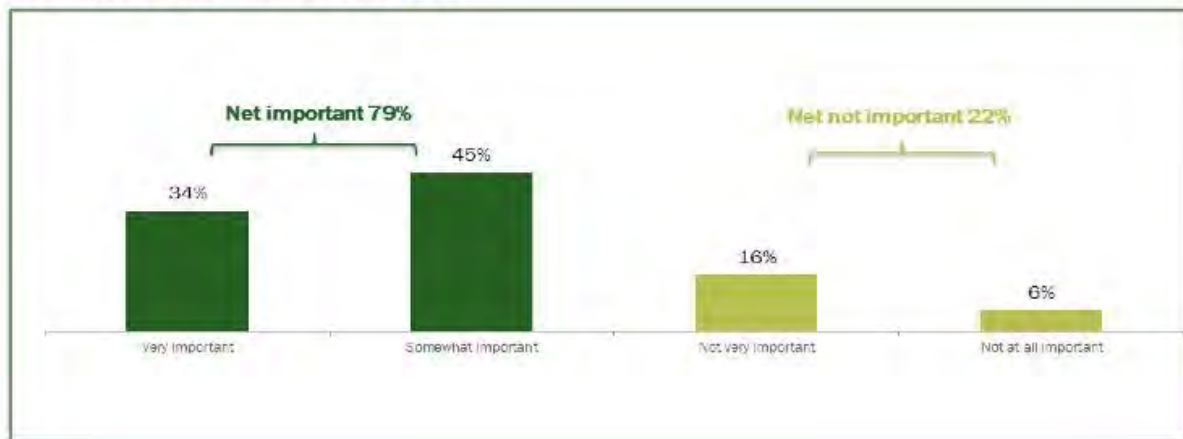


² Sri Lanka: Emerging Travel Destination – Surf Resource Network. 2013. Sri Lanka: Emerging Travel Destination – Surf Resource Network. [Online] Available at: <http://www.surfresource.org/2011/11/sri-lanka-emerging-travel-destination/>. [Accessed 28 July 2013].

3.2 Target Market

Research survey indicated that majority of global travellers preferred a beach holiday with 79% of world travellers regarded implementation of eco-friendly practices in accommodations as important.³ Target customers expect luxury standards as well as an excellent service by the hotel for the luxury price tag.

IMPORTANCE OF ECO-FRIENDLY PRACTICES



3.3 Ethical, Sustainable & Responsible Tourism Approach

A leading architecture firm that specialises in environmentally friendly designs has designed the hotel and the luxury villas. The entire project is eco-friendly; therefore, the company would integrate alternative energy and sustainable solutions throughout the project. The company is interested to invest in below;

- Solar powered electricity and equip (i.e. water pumps, air-condition units, lights etc)
- Bio gas plant
- Rainwater harvesting
- Permaculture design for open spaces
- Integrated water management and recycling
- Minimise of non renewable and hazardous material such as limestone and paint
- Green belt gardening

³ TripBarometer: The World's Largest Accommodation and Travel Survey – Winter 2012/ 2013. 2013. TripAdvisor [Online]. Available at: <http://www.tripadvisortripbarometer.com/download/Global%20Reports/TripBarometer%20by%20TripAdvisor%20-%20Global%20Report%20-%20USA.pdf>. [Accessed 28 July 2013].

In addition, the company would run as a responsible tourist accommodation provider by creating awareness of cultural sensitivity and reinforcement among the guests. It would promote traditional music and cultural dance events to share the cultural values.

Whiskey Point Properties will hire competent locals for its development and recruit local talent for running and managing the hotel once built.

3.4 Sales Strategy

As mentioned, online platform has become the widely used source of travel information around the world now. Latest TripAdvisor survey says 69% of the world travellers use the travel review websites for information followed by web-based travel agencies (57%). Europeans and Australian target markets' main source would be online reviews and web based travel agencies. Therefore, Urani Beach Villas will build a good relationship with web based travel companies such as TripAdvisor, Lonely Planet and Agoda. Whiskey Point will create a comprehensive website that offers enough information to allow the traveller to make a decision to stay at the Whiskey point, and to make a direct booking through the official site.

Urani Beach Villas will use its profusion of wonderful local ingredients and spices to provide delicious local and western cuisines at the restaurant. The restaurant and the bar at the hotel will be the only four-star venue in the area.

Urani Beach Villas will aim to be competitive with other 4-star hotels and resorts around Arugam Bay and in other surfing towns in the Asian region. With its isolated and pristine location will give opportunity to attract travellers, who take pleasure in surfing and unwinding at the beach. The hotel will target to cater a high standard of service to build a reputation in the market.

3.4.1 Sales Forecast

The hotel will have ten chalets with double or triple beds and all the luxury amenities as mentioned. The aim is to complete the project by April 2015 for the season.

Focussing on the expected sales figures for the first 3 years; in 2015, the hotel could expect an occupancy rate between 30% - 40%, in year 2016, it could grow up to 50% and in 2017, the hotel would expect 65% - 70%.

The pricing for a chalet during peak-season and off-peak season;

Room Type per Night	Peak Season	Off-Peak Season
Beach front chalets	US\$ 175	US \$150
Beach view chalets	US\$ 150	US \$125
Multi-unit chalets	US \$125	US \$100
Luxury villas	US \$300	US \$250

3.5 Marketing Strategy

The main marketing strategy of Whiskey Point hotel centres on building a corporate identity that clearly identifies its niche market in terms of the travellers need. In addition to, the hotel will exploit other marketing strategies such as;

- *Print & Web-based Ads*: The hotel will be using the media to introduce special deals and promotions.
- *Press Releases*: Local papers and international travel journals will be invited to run releases and/or stories of the opening.
- *Websites & Social Media*: Create strong web presence, and appears in the search results of top search engines.
- *Travel Agents*: Partner with international travel agents and adventure travel firms
- *Guest reviews*: Use web review sites such as TripAdvisor, Lonely Planet, Rough Guide to promote the hotel, and the feedback to improve the service.
- *Word of mouth*: Spread the word by giving first-time travellers a great service and a fair price
- *Travel shows on TV*
- *Airline Magazines*

4 Financial Plan

4.1 Summary Income Statement – 5 years

<i>Amounts in USD</i>	2015	2016	2017	2018	2019
Accommodation revenue	\$ 344,113	\$ 483,302	\$ 448,013	\$ 470,763	\$ 497,421
Chalet rental	\$ 153,100	\$ 295,175	\$ 327,775	\$ 341,575	\$ 361,750
Villa Rental (Generated prior to sale of Villas)	\$ 189,325	\$ 170,030	\$ 92,990	\$ 100,590	\$ 105,500
Villa Management Fee / Rental Commission	\$ 1,688	\$ 18,097	\$ 27,248	\$ 28,598	\$ 30,171
Food and Drink	\$ 69,270	\$ 135,075	\$ 148,875	\$ 155,775	\$ 165,863
Restaurant Revenue	\$ 36,944	\$ 72,040	\$ 79,400	\$ 83,080	\$ 88,460
Bar Revenue	\$ 32,326	\$ 63,035	\$ 69,475	\$ 72,695	\$ 77,403
Excursions and activities	\$ 6,696	\$ 13,057	\$ 14,391	\$ 15,058	\$ 16,033
TOTAL REVENUE	\$ 420,079	\$ 631,434	\$ 611,279	\$ 641,596	\$ 679,317
Expenses					
Cost of Food Sales	\$ 18,472	\$ 36,020	\$ 39,700	\$ 41,540	\$ 44,230
<i>% cost of revenue</i>	50%	50%	50%	50%	50%
Cost of drink sales	\$ 9,697.80	\$ 18,911	\$ 20,843	\$ 21,809	\$ 23,221
<i>% cost of revenue</i>	30%	30%	30%	30%	30%
Sales, General and Administrative	\$ 76,860	\$ 118,440	\$ 130,284	\$ 143,312	\$ 157,644
Interest Expense	\$ 48,000	\$ 36,000	\$ 24,000	\$ 12,000	\$ -
Depreciation	\$ 185,352	\$ 153,301	\$ 108,429	\$ 108,429	\$ 108,429
TOTAL EXPENSES	\$ 338,382	\$ 362,671	\$ 323,256	\$ 327,090	\$ 333,523
NET OPERATING INCOME	\$ 81,697	\$ 268,763	\$ 288,023	\$ 314,506	\$ 345,793
NET CAPITAL GAINS	\$ 88,462	\$ 163,462	\$ -	\$ -	\$ -
TOTAL NET INCOME	\$ 170,158	\$ 432,224	\$ 288,023	\$ 314,506	\$ 345,793

4.2 Projected Villa Sales

Sales proceeds	2015				2016			Total Villa Sales
	Quarter period ending:	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	
Net Rate per Villa in USD	175,000	175,000	200,000	200,000	200,000	225,000	225,000	\$ 196,875
Sales - units	1	1	1	1	1	-	1	6
Units remaining	5	4	3	2	1	1	-	-
Total Villa Proceeds - USD	175,000	175,000	200,000	200,000	200,000	-	225,000	1,175,000
Sales proceeds in LKR	22,750,000	22,750,000	26,000,000	26,000,000	26,000,000	-	29,250,000	152,750,000
Estimated cost basis - LKR	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000	-	20,000,000	120,000,000
Capital Gains from Villa Sales	2,750,000	2,750,000	6,000,000	6,000,000	6,000,000	-	9,250,000	32,750,000
Capital Gains - USD	21,154	21,154	46,154	46,154	46,154	-	71,154	251,923

4.3 Revenue Build-up Detail

Amounts in USD

Revenue	Fiscal Year ending December 31,				
	2015	2016	2017	2018	2019
Chalet rental					
Chalets revenue	19,338	29,518	32,778	34,158	36,175
Rate per Chalet	162.50	160.42	160.42	160.42	160.42
Occupancy rate	47.5%	49.2%	54.2%	56.7%	60.4%
Average Number of Chalets	7.9	10.0	10.0	10.0	10.0
Total Chalets revenue	153,100	295,175	327,775	341,575	361,750
Villa Rental (Generated prior to sale of Villas)					
Villas rental revenue	25,775	43,875	46,495	50,295	52,750
Rate per Villa	275.00	270.83	270.83	270.83	270.83
Occupancy rate	37.5%	42.5%	45.0%	49.2%	51.7%
Average Number of Villas	7.4	4.2	2.0	2.0	2.0
Total Villa revenue	189,325	170,030	92,990	100,590	105,500
Villa Management Fee / Rental Commission					
Villas rental revenue	2,578	4,388	4,541	4,766	5,029
Commission per Villa	27.50	27.08	27.08	27.08	27.08
Occupancy rate	37.5%	42.5%	44.2%	46.7%	49.2%
Number of Villas	0.6	3.8	6.0	6.0	6.0
Total Villa revenue	1,688	18,097	27,248	28,598	30,171
Food and Drink					
Restaurant Revenue	36,944	72,040	79,400	83,080	88,460
Bar Revenue	32,326	63,035	69,475	72,695	77,403
Total Food & Beverage Revenue	69,270	135,075	148,875	155,775	165,863
Excursions and activities					
Excursions	3,464	6,754	7,444	7,789	8,293
Transport	3,233	6,304	6,948	7,270	7,740
Total Excursions, transport	6,696	13,057	14,391	15,058	16,033
Total REVENUE	420,079	631,434	611,279	641,596	679,317

4.4 Projected Cash Flow – 5 years

<i>Amounts in USD</i>	2014	2015	2016	2017	2018
Cash flow from operations					
Net operating income	\$ -	\$ 81,697	\$ 268,763	\$ 288,023	\$ 314,506
Add back depreciation expense	\$ -	\$ 185,352	\$ 153,301	\$ 108,429	\$ 108,429
Cash flow from operations	\$ -	\$ 267,049	\$ 422,064	\$ 396,452	\$ 422,935
Cash flow from investing					
Total investment cost	\$ 600,000	\$ 1,048,990	\$ -	\$ -	\$ -
Sales of villas	\$ -	\$ 550,000	\$ 625,000	\$ -	\$ -
Cash flow from investment	\$ (600,000)	\$ (498,990)	\$ 625,000	\$ -	\$ -
Cash flow from financing					
Bank loan	\$ 600,000	\$ -	\$ -	\$ -	\$ -
Loan repayment	\$ -	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Directors Equity Contribution	\$ 600,000	\$ -	\$ -	\$ -	\$ -
Cash flow from financing	\$ 1,200,000	\$ (150,000)	\$ (150,000)	\$ (150,000)	\$ (150,000)
Total Cash Flow	\$ 600,000	\$ (381,941)	\$ 897,064	\$ 246,452	\$ 272,935
Cash balance					
Beginning cash	\$ -	\$ 600,000	\$ 218,059	\$ 1,115,123	\$ 1,361,575
Total Cash Flow	\$ 600,000	\$ (381,941)	\$ 897,064	\$ 246,452	\$ 272,935
Ending Cash Balance	\$ 600,000	\$ 218,059	\$ 1,115,123	\$ 1,361,575	\$ 1,634,510

4.5 Project Cost

<i>All figures in LKR unless stated</i>	Unit	Qty	Cost	Total	Useful life	Depreciation
Infrastructure and buildings						
Preliminaries	Total	1.0	1,227,000	1,227,000	72	17,042
Main Building	Total	1.0	15,887,170	15,887,170	72	220,655
Duplex Chalet	Unit	8.0	12,158,805	97,270,440	72	1,350,978
Chalets	Unit	10.0	3,296,765	32,967,650	72	457,884
Entrance Pavillion	Unit	1.0	4,286,445	4,286,445	72	59,534
Water and CEB connection	Total	1.0	1,000,000	1,000,000	72	13,889
Sub-total: Infrastructure and buildings				152,638,705		2,119,982
Hotel's main area						
Land - 30 year lease	Acre	3.0	6,000,000	18,000,000		
Pool - 150 Sq m	Total	1.0	6,000,000	6,000,000	60	100,000
Kitchen & appliances	Total	1.0	4,500,000	4,500,000	60	75,000
Restaurant, furniture, dining ware	Total	1.0	5,000,000	5,000,000	60	83,333
Liquor License	Total	1.0	1,500,000	1,500,000	60	25,000
Bar & equipments	Total	1.0	1,000,000	1,000,000	60	16,667
Tree planting and landscaping	Acre	3.0	300,000	900,000	120	7,500
Solar Electricity fittings	Total	1.0	6,000,000	6,000,000	60	100,000
Water tower / tank and common plumbing	Total	1.0	1,500,000	1,500,000	60	25,000
Back-up generator and wiring	Total	1.0	1,500,000	1,500,000	60	25,000
Sub-total: Hotel's common facilities				45,900,000		457,500
Per Villa						
TV, DVD, basic music player, ceiling fan	Total	1.0	150,000	150,000	60	2,500
Bathroom and room fittings	Total	2.0	130,000	260,000	60	4,333
Bed, mattress and furniture	Total	2.0	130,000	260,000	60	4,333
Air conditioner	Total	2.0	195,000	390,000	60	6,500
Sub-total per: Villa				1,060,000		17,667
Number of Villas and duplex chalets				8		8
Sub-total: 8 Villas and duplex chalets				8,480,000		141,333
Per Chalet						
TV, DVD, basic music player, ceiling fan	Total	1.0	150,000	150,000	60	2,500
Bathroom and room fittings	Total	1.0	130,000	130,000	60	2,167
Bed, mattress and furniture	Total	2.0	130,000	260,000	60	4,333
Air conditioner	Total	1.0	195,000	195,000	60	3,250
Sub-total per: Chalet				735,000		12,250
Number of Chalets				10		10
Sub-total: 10 Chalets				7,350,000		122,500
TOTAL PROJECT COSTS				214,368,705		2,841,315

4.6 Sales, General and Administrative Expenses

<i>Amounts in USD</i>	Fiscal Year ending December 31,				
	2015	2016	2017	2018	2019
Payroll and allowances	50,460	78,840	86,724	95,396	104,936
General Manager	8,000	12,000	13,200	14,520	15,972
Executive Chef	12,000	18,000	19,800	21,780	23,958
Cook	7,200	10,800	11,880	13,068	14,375
Kitchen Assistant	4,800	7,200	7,920	8,712	9,583
Room coordinators/ Receptionist	3,200	4,800	5,280	5,808	6,389
Stewards	3,600	5,400	5,940	6,534	7,187
Bar Staff	4,800	7,200	7,920	8,712	9,583
Waiting Staff	300	3,600	3,960	4,356	4,792
Gardner & Pool Cleaner	2,400	3,600	3,960	4,356	4,792
Driver	1,200	1,800	1,980	2,178	2,396
Administrative support/ accounts	2,960	4,440	4,884	5,372	5,910
Utilities and communication	8,000	12,000	13,200	14,520	15,972
Website maintenance and hosting	1,600	2,400	2,640	2,904	3,194
Marketing, promoting, advertising	2,400	3,600	3,960	4,356	4,792
Insurance	1,600	2,400	2,640	2,904	3,194
Transport Costs	8,000	12,000	13,200	14,520	15,972
Stationary and office supplies	1,600	2,400	2,640	2,904	3,194
Maintenance Cost	3,200	4,800	5,280	5,808	6,389
Sub-total: SGA Expenses	76,860	118,440	130,284	143,312	157,644
Depreciation	185,352	153,301	108,429	108,429	108,429