

INDOOR SPORT COMPLEX

1. INTRODUCTION

There is significant interest in sport among urban population in India. The interest cuts across various age-groups, though children/adolescents/youths - relative to other age-groups - engage more in active sport. The outdoor sport is land-intensive and hence the enthusiast does not expect the facility, always, to be in the immediate vicinity of his location. He is willing, given the level of his interest and convenience to travel some distance. The indoor sport, however, is not space-intensive. It is possible to bring indoor sport within the convenient reach of sport enthusiasts. However, such possibility has, by and large, not been exploited by private entrepreneurs. How does an ordinary person, willing to incur moderate expenditure, access such indoor sport facility as table tennis, squash or carom. There is no easy access. The facilities exist largely in clubs, whose membership is expensive or in some academic institutions (access limited to their students and again, not fully convenient to non-hostel students) or in few corporate campuses. On the whole, indoor sport facility, within manageable distance and at reasonable price, is not available to large swathes of urban Indian population and this reality offers an entrepreneurial opportunity.

2. PROJECT PROPOSAL

The proposal centres around establishment and operation of a private indoor sport complex. The complex will offer the following sport facilities.

Table Tennis

- Basket Ball
- Boxing
- Squash
- Skating Rink
- Card-games (cards, monopoly, backgammon, etc.)
- Chess
- Carom and other

It will aim at attracting users from within its vicinity. The definition of vicinity will depend on member-perception of vicinity - for some, one kilometer may be a cutoff point, for others, it may be, say, five kilometers.

The indoor sport complex will invite membership, just as gym do. It will be open to children, adolescents and adults. There will not be any hour-restriction, based on gender because the objective is to maximize utilization of facility. The complex will work from 7.00 am to 11.00 pm – sixteen hours/day primarily to accommodate the convenience of various members.

3. DESIRABLE PROMOTER BACKGROUND

The key competencies so far as the promoter is concerned, are design and management of equipment and layout of the complex, selection and management of equipment, marketing and operation of the complex. If the promoter is a sport enthusiast, it will help. However, member management will be crucial. This involves ensuring that members do not have to wait inordinately to utilize a given facility, some members do not gang up to the disadvantage of others and that members behave decently.

4. INDUSTRY OUTLOOK AND TREND

The project is a part of larger sport industry, sport for either recreation or for competition. The rising income level and globalization have brought about greater enthusiasm for sport in India. Such sport as badminton and chess are far more popular in India now than before. There is a buoyant outlook for growth of sport industry in India.

5. MARKET POTENTIAL

The target market will consist largely of population in 9 to 35 age-group, though others will be there in a marginal way. These will be students and working adults, typically people who can ill-afford club membership. The business model will follow largely the gym model. There will be membership. Evidently, there will be incentive for a member who makes an annual commitment, compared to the one who does so only for a month. While the potential for the complex will vary from location to location, we are illustrating below typical market condition.

City: Population of 15 to 60 lacs

- ❖ Location: Middle to upper middle class neighborhood
- ❖ Catchment Area for the Complex: 3 kms
- ❖ Population within Catchment Area: 4 lacs
- ❖ Population in 10-35 age-group, 2.5 lacs (50,000 families)
- ❖ Target Population: Population having Annual Income of Rs. 5 lacs upward per

Year: 2 lacs (80% of total population in the given neighborhood)

- ❖ Potential Market corresponding to Target Population
 - Single working adults
 - ✓ Male - 10,000
 - ✓ Female - 2,000
 - Population in 9 - 35 age-group - 1,88,000
(Excluding single working adults)

It is felt that the above configuration translates into following market prospects

✓ Single Working Male (10%)	-	1000
✓ Single Working Female (2%)	-	40
✓ Population in 9 - 35 age-group	-	1880
(Excluding single working adults) (1%)		_____
		<u>2920</u>

We would add to this some potential flowing from those who are not in 9 to 35 age-group and those whose income is below Rs.5 lacs/family per year. It appears that the typical potential is around 3000 to 3500 members. We expect the center, given this potential, to attract 1000 members.

The project, as observed earlier, is appropriate for cities having 15 to 30 lacs population. The real estate cost in cities having population larger than Rs. 60 lacs will be prohibitively expensive for the proposed project. In cities having population less than 15 lacs, there is unlikely to be a prosperous neighbourhood large enough for the project. Most Indian states have cities meeting the above population criterion.

6. PROPOSED SIZE OF THE PROJECT:

This is computed in terms of the facility-mix and the numbers of units provided for each facility. The computation is as follows:

Sr. No.	Sport	Units	Space Requirement
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1	Table Tennis	6	10 sq. mtrs. per unit
2	Basket Ball	1	150 sq. mtrs. per unit
3	Boxing	2	40 sq. mtrs. per unit
4	Squash	1	70 sq. mtrs. per unit
5	Skating Rink	2	15 sq. mtrs. per unit
6	Card-games	6	5 sq. mtrs. per unit
7	Chess	6	3 sq. mtrs. per unit
8	Carom	6	5 sq. mtrs. per unit
9	Other (may be introduced / withdrawn from time to time)		25 sq. mtrs. per unit

The center, if fully occupied, will cater to around 100 individuals simultaneously. It will certain a small beverage-cum-snack outlet which will be given out on rent.

7. MANUFACTURING PROCESS

This is a service sector project and hence the following is pertinent

TECHNICAL REQUIREMENT

The main requirement is space. The sport-facility, rest-room, admin area and common/circulating area add up to approximately 650 sq. mtrs of built-up space. This will be located on two floors and part of this (Squash and Basketball) will be double-height floor. There will be fire-alarm/extinguishing system, first aid box and doctor-on-emergency call. It is not intended to provide shower rooms. All the sport equipment will be owned and managed by the center. There will be freedom in respect of recurring supply, e.g., balls for table tennis, racquets, etc. – the member may bring his own or utilize centre-owned supply. The air-conditioning will be partial, seasonal and selective.

OPERATIONAL REQUIREMENT

The centre is not to offer any specialized sport, which entails close supervision. It will not provide any coaching facility but it will facilitate tie-up with external coaches, if individual member is interested. It will sponsor competitive events from time to time. The centre will work for 355 days in a year.

Bulk of the operational management will pertain to formulation of rules regarding facility utilization (e.g., a member may not be entitled to spend

more than specified amount of time at a facility, if others are waiting), pre-booking (and penalty for no show), first-cum-first served practice and such other aspects.

The centre will facilitate selection of partners, if needed, for such sport as table tennis and squash. Likewise, it will steer team-formation in respect of basketball.

While there will be an annual membership fee, there will be additional pay-per-use charge for such relatively investment-intensive sport such squash, basketball and skating rink.

8. MANPOWER REQUIREMENT

Manpower Requirements

Sr. No.	Particulars	Nos
1	Manager-cum-Facility Supervisor	1
2	Housekeeping	2
3	Account/Admn	1
4	Maintenance	1
5	Relievers	<u>2</u>
		6

9. COST OF THE PROJECT

The project requires 650 sq. mtrs. of land. This will be secured on rental basis.

Sr. No.	Particulars	Rs. In lakhs
1	Rent Deposit for the Premises (three months)	9.00
2	Interior and Office Equipment	10.00
3	Sport Equipment, Floor Finish, and Recurring Supplies for sport.	25.00
4	Preliminary and Pre-operative Expenses	4.00
5	Margin for Working Capital	2.00
	Total	50.00

The centre will collect fee largely in advance of incurring operating expenses and hence working capital margin is kept modest.

10. WORKING CAPITAL REQUIREMENT

This is estimated at Rs. 2.0 lacs and we do not envisage working capital loan.

11. MEANS OF FINANCE

Sr. No.	Particulars	Rs. In lakhs
1	Equity	17.00
2	Term-loan	33.00
	Total	50.00

12. MACHINERIES AND ILLUSTRATIVE LIST OF SUPPLIERS

This is not relevant.

13. PROFITABILITY STATEMENT

The center will work for 355 days in a year. It will have six streams of income, though membership fee will be the main stream accounting for almost three fourth of total income.

The key premises (second year of operation) are as follows:

Income

Sr. No.	Particulars	Rs. In lakhs
1	Membership Fee (Annual) for 1000 members @ Rs. 6000 per member	60.00
2	Pay-per-use for utilizing expensive facility and other facilities in excess of maximum entitlement @ 5% of 1	3.00
3	Charge from Walk-in Non-members @ 10% of 1	6.00
4	Sale of Sport supplies @ 5% of 1	3.00
5	Sponsorship for events (Sponsor will pay for Publicity) @ 15% of 1	9.00
6	Other income (rental from beverage/snack outlet commission from Coaches etc.)	2.00
	Total	83.00

The operating expenses will be as follows (second year): **(Rs. in lacs)**

Sr. No.	Particulars	RS in Lakhs
1	Rent	36.00
2	Manpower	10.00
3	Electricity	3.00
4	Marketing @ 5% of Annual Income	5.00
5	Repair and Maintenance	3.00
6	Recurring supply of sport aids	3.00

7	Administrative overheads including insurance taxes	2.00
	Total	62.00

The operating profit in the second year of operation will be Rs. 21.00 lacs. There will be a six month moratorium on repayment of term-loan but interest will have to be paid. The term-loan will be repaid in five years thereafter.

The outstanding term loan in the beginning of the second year will be (Rs. 33 lacs less Rs. 3.3 lacs) Rs. 29.7 lacs. The depreciation-cum-amortization is provided @ 15% of the project cost save working capital - Rs. 7.2 lacs per year. The profitability statement is worked out for five years as follows.

Profitability over Five Years

Sr. No.	Particulars	Year 1	Year 2	Year 3	Year 4	Year 5
1	Operating Income	74.7	83	87.15	91.3	95.45
2	Operating Expenditure	62	62	63.24	64.48	65.72
3	Operating Profit	12.7	21	23.91	26.82	29.73
4	Interest on Term-loan @ 11% p.a.	3.45	2.9	2.18	1.45	0.73
5	Depreciation and Amortization	7.2	7.2	7.2	7.2	7.2
6	Profit after Depreciation	10.65	10.1	9.38	8.65	7.93
7	Profit Before Tax	2.05	10.9	14.53	18.17	21.8
8	Tax @ 30%	0.615	3.27	4.359	5.451	6.54
	Profit After Tax	1.435	7.63	10.171	12.719	15.26

For projection, second year is the reference year.

In first year, we have assumed 10% lower income than in second year, while keeping operating expenditure identical. In third, fourth and fifth year, income increases @ 5% per year (simple growth, compared to second year).

In first and second year, we have assumed that operating expenditure will remain same, while operating expenditure rises @ 2% per year (simple growth, compared to second year)

The unit cost of power is taken at Rs. 6. The depreciation is taken at the rate of 15%.

14. IMPLEMENTATION SCHEDULE

This will take four months since dedicating the premises. The milestones will be

❖ Preparing an interior, layout and facility plan	1 month
❖ Manpower hiring, trial, opening	1 month
❖ Procuring and installing equipment, furnishing	2 months

15. BACKWARD AND FORWARD LINKAGES

We have already provided for income from sport supplies (sport gear and accessories) and sponsorship of events. The Complex can extend its income-stream to generate income from coaching. It can also act as a venue for promoting sport-related products and earn additional income

16. STATUTORY / GOVERNMENT APPROVALS / CLEARANCE

The project needs to carry out general formalities pertaining to firm establishment, tax registration and shops/establishment registration. The fire safety clearance is the specific requirement. Entrepreneur may contact State Pollution Control Board where ever it is applicable.

17. TRAINING

Udyamimitra portal (link : www.udyamimitra.in) can also be accessed for handholding services viz. application filling / project report preparation, EDP, financial Training, Skill Development, mentoring etc.

Entrepreneurship program helps to run business successfully is also available from Institutes like Entrepreneurship Development Institute of India (EDII) and its affiliates all over India.

Source:- Udyami Mitra/Sidbi