

XLRI Jamshedpur

TEAM MAXERS

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***[BUSINESS PLAN OF HELPLINE CABS FOR
URBAN DEVELOPMENT IN MUMBAI]***

The Plan

There are still many aspects of Mumbai life which place roadblocks in its path to become a world class city. Foremost among them would be the problem of transport which the city faces. Endless hours which you have to spend on roads, stuck in traffic. Having the dubious distinction of being the third most congested city in the world, it takes an average of 40 minutes to traverse through 4 km in the heartland.

The city has a seasoned network of public buses and the local trains. These are often used by people as they have no other alternative mode of transport. This is due to the fact that any comfortable means of transport like cars and personal cabs is expensive. Our objective is to come out with a strategy to tackle the dual aspects of economy and comfort, combined with time saving, which in the long run, we believe, will improve the face of public transport in Mumbai.

Our B-plan deals with the reduction of travel time by offering the people an easier, cost effective way to travel from one place to another. It deals with a simple concept of providing **HELPLINE CABS**, a set of pooled car services via pre-planned routes at specified times. In addition to this, the plan also provides the end beneficiary, that is, the commuter, the advantage of having constant information on traffic status in various areas of the city, thereby reducing the time spent in traffic. All the cars will be blue in colour with white stripes to make it an identifiable factor.

The Rationale

The rush hours in Mumbai are primarily due to the office going populace for whom the commuting time predominantly extends from 8.30 a.m. to 11.30 a.m. and from 4.30 p.m. to 9.30 p.m. The major hubs for these offices are Nariman Point and Bandra, while the major residential areas are in the vicinity of Worli, Dadar, Andheri, and sub-urban Mumbai. So the main routes we want to service on are-

Route	Distance (km)	Average Time(mins)	No. of Cars
<i>Worli – Nariman Point</i>	10	45	12
<i>Andheri – Ville Parle – Santa Cruz – Bandra</i>	10	45	14
<i>Dadar – Nariman Point</i>	10	45	12

<i>Eastern Express Highway – Nariman Point</i>	10	45	10
<i>Nariman Point – Bandra</i>	15	60	12

An additional advantage that we are giving to our HELPLINE CAB Service is the monitoring of traffic congestion on these routes through our central room. This information would be relayed to our cab drivers, which will enable them to take alternate routes in order to avoid traffic and save on commuting time. This needs to be done through a central control office which will be taking constant information of the traffic situation on the above routes from the traffic control tower.

The Financials

The initial investment will be Rs 2 crores which is for purchase of cars on instalment basis (60 monthly instalments), office premises, working capital and initial expenses. The source of funds would be a mix of Debt and Equity. For the Equity component, we are targeting Private Equity players, Venture Capitalists and other Strategic Partners. For the debt component, we are going to take long term loans @11% (SBI rates). The debt-equity ratio will be around 1:1.

Key Estimations:

- 7 persons per car (TATA Sumo Spacio Gold - Rs 4,50,000 ex-showroom price at Mumbai)
- 60% capacity of passenger km
- 5 round trips
- Depreciation rate - 10% on straight line basis
- Repairs and Maintenance-10% of the cost
- Corporate tax rate 30% (approx.)

Computation of passenger km

$(10*48 + 15*12)*0.60*365*7*10 = 1,01,17,800$ passenger km

Computation of kilometres

$(10*48 + 15*12)*365*10 = 24,09,000$ km

Cost Structure

Office Employees	20 employees* Rs 15,000(per month)* 12	Rs 36,00,000
Driver's Salary	80 drivers*Rs 10,000per month*12	Rs 96,00,000
Mechanical staff	10 Mechanics*Rs 7000 per month*12	Rs 8,40,000
Cleaners salary	5 cleaners*Rs 3,000 per month*12	Rs 1,80,000
Diesel Cost	24,09,000 km* Rs 30 (approx)/ 10(mileage)	Rs 72,27,000
Garage Rent	60* Rs 1000 (per month) *12	Rs 7,20,000
Depreciation	450,000* 60(no. of cars)* 0.1	Rs 27,00,000
Repairs and Maintenance	450,000* 60(no. of cars)* 0.1	Rs 27,00,000
Interest	2 crore* 0.5* .11	Rs 11,00,000
Office Rent	Rs 1,00,000* 12	Rs 12,00,000
Start-up Expenses		Rs 10,00,000
Total Cost		Rs 3,08,67,000

Rate per passenger km= Rs 3.50

Annual Revenue (3.50*1,01,17,800 passenger km)= Rs 3,54,12,300

Total Cost = Rs 3,08,67,000

Gross Profit = Rs 45,45,300

Corporate Tax(45,45,300* 0.30) = Rs 13,63,590

Net Profit = Rs 31,81,710

Cash Inflow = Net Profit+ Depreciation (Rs 31,81,710+ Rs 27,00,000)= Rs 58,81,710

Cash Outflow= Instalment Paid (Rs 2,70,00,00/5) = Rs 54,00,000

Net Cash Inflow = Rs 4,81,710

As is evident from the expected financials, there is a positive cash inflow in the first year of operation itself, giving the venture scope to expand on to other routes and cities in the future. This system can be replicated in Tier-I and premium Tier-II cities in the future. Thus, this plan not only gives another business opportunity but also facilitates in reducing the traffic and relaxing the congestion on roads.