Internship
Final Report
7TH January - 30th April 2022

The International
Centre Goa

MASTER OF BUSINESS ADMINISTRATION (MBA) - PART 2

BY

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Under the guidance of

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Declaration

I hereby certify that this report has been prepared by me. This report has not been formed the basis of any diploma or degree. This report is to be submitted to Goa Business School as Partial fulfilment of internship paper of 2^{ND} term of the Master of Business Administration programme.

Omkar D. Navelkar

Goa Business School

Acknowledgement

The project is never the work of individual. It is moreover a combination of ideas, suggestion, review, contribution and work. It cannot be completed without guidelines and assistance.

First of all I would like to express my gratitude to Mr. Satyanand (Manager of Accounts) for giving me opportunity to carry out my study during the tenure of my internship.

I am also grateful to all other employees and staff of The International centre Goa who assisted me in the successful completion of the project. Lastly thanks to my mentor Mr Nilesh Borde.

Omkar D. Navelkar

Goa Business School

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Overview of ICG

The International Centre Goa (ICG) is a non-profit autonomous society founded in June 1987, under the Societies Registration Act, 1860. It was inaugurated by His Excellency, the former President of India, late Dr. Shankar Dayal Sharma, on 18th June 1996. The Centre was conceived as a forum to bring together thinkers, scholars, academics, achievers, sociologists, industrialists and creative people from India and around the world.

Since inception, ICG has emerged as the hub of socio-cultural activities, political dialogue, economic debates and a variety of programmes ranging from film festivals, exhibitions, workshops, concerts, plays, to quiz, painting competitions and even social evenings. A minimum of 20,000 people annually visit the Centre for various reasons keeping the ambiance vibrant and lively.

A part from being autonomous society ICG also let outs rooms, Lawns, halls and runs their own restaurant.

Current General Manager: Mr. Vivek Patiyan

Current Director: Dr. Pushkar

SWOT analysis

Strength

- Multiple venues at one location.
    - A customer can book any venue out of 6 options.
- Experienced staff
    - Staff here are experienced. Employees on managerial position have experience of minimum 10 years.
- Conducting timely internal audit.
    - Internal auditor visits accounts department. And takes audit on regular basis.

Weakness

- High cost of purchases.
    - Since the restaurant business is newly undertaken by ICG, Stock turnover of F&B takes more time and since they are non -stock-able items they cannot be bought in bulk so cost increases in retail buying.
- Slow moving restaurant business.
    - Since the restaurant business is new people don’t know much about it. More emphasises will have to be given to digital marketing to promote it.

- Lack of publicity.

- Currently ICG is adverting through newspapers and radio on certain occasions. But in today's time social media marking plays more important role as more people can be approached with lesser costs.

Opportunity

- Pending court case.
  - ICG had purchased an adjacent property few years, but for some reason it is in court. If the decision comes in favour of ICG this property can be used to upgrade ICG which will help in attracting customers.
- Extension of lease of property from government.
  - Currently the ICG uses property of Government of Goa, it saves huge amount which would have been given as rent.

Threat

- Increasing prices of F&B supplies.
  - Any unforeseen circumstances have huge amount of impact on F&B supplies. Since they keep on fluctuating it becomes difficult in minimising cost.
- Fluctuating sale due to covid/ restrictions.
  - When cases start rising people avoid visiting places and mixing with people and hence it reduces occupancy.

VRIN Analysis

Resources	Value	Rare	Inimitable	Non-substitutable
Employees	Yes	No	Yes	No
Land/ Location	Yes	Yes	No	Yes
Service	Yes	Yes	Yes	Yes
Brand	Yes	Yes	Yes	Yes

Resources

1) **Employees**

- Employees are valuable as they directly interact with customers (F&B staff). Also administration staff has quiet good amount of knowledge and experience.
- Employees are not rare as one may find similar person or can train others as earlier employee.
- Employees are inimitable as each one has their own way of dealing with customers or their subordinates, one cannot imitate them.
- Employees are substitutable, but the fact that substitution of experienced employee makes it difficult for employer to manage without them or to find a right candidate on time.

2) Land/Location

- Land/Location of ICG is very much valuable as it is situated in prime location (at Dona Paula, 3 Kms away from Panjim). Such spacious, scenic location attracts customers.
- This location is rare. There are very few projects where such open spaces, scenic beauty, prime location, and reasonable price is under one roof.
- It is not easy to imitate ICG as there are lot of constraints like space, location, chargeable price, etc. but this is subjective as there may be a case where such place may be available.
- This resource of ICG is non substitutable.

3) Service

- Since ICG is in hospitality industry, service is of utmost value to attract and retain customers
- The service of each hotel will be different, it may be similar but how guests feel about ones service will be totally different and for this reason service is rare.
- One can imitate the actions performed by the staff, but the customer's perceived satisfaction about the service cannot be copied and hence service is inimitable.
- There is no substitute available to service.

4) Brand

- Brand is one more valuable resource. It helps in creating goodwill which build a strong trust between customers and ICG. ICG was started in 1987 so for past 35 years ICG has built a strong goodwill.
- Brand ICG is rare as it’s the relation, trust of people that has made it a successful brand.
- Brand is inimitable as it involves values or emotions of people, and hence it is not a good way to compare two businesses as well.
- There is no substitute to brand.

Porter’s five forces analysis.

1. Industry rivalry
2. Bargaining power of buyers
3. Bargaining power of suppliers
4. Threat of new entrants.
5. Threat of substitutes.

1) Industry rivalry

It refers to the competition present among the players in the industry. Since ICG belongs to the 3 Star category there are many such hotels which fall in this category. But rivalry for ICG is low as ICG has various venues (indoor/outdoor), beautiful landscapes which makes it stand out from its competitors.

2) Bargaining power of buyers

Bargaining power of buyers is moderate to high depending on the number of customers, walk-in customers cannot influence price decisions of hotel, but if there are tour groups of many people it will have high degree of power to lower down prices. . Moreover rates across competitors will be similar.

3) Bargaining power of suppliers

Supplier’s power is low as there are many vendors from whom hotel can buy. Also suppliers get frequent orders so they do not want to lose their customers.

4) **Threat of new entrants.**

Threat of new entrants is low as huge investment is required to start. Also the location should be selected properly as opening one in an area that is saturated with the competition will make it difficult to gain an advantage.

5) **Threat of substitutes.**

Threat of substitutes is medium as development of technology, innovative disruptions have proved to be quite the challenge for hoteliers. The 2019 COVID pandemic has given rise to an even newer substitute product: Video Conferencing. In lieu of face-to-face conferences and gatherings, people and many businesses have shifted to meeting at a virtual space, eliminating the need for travel and booking rooms, which put a huge strain on many hotels all across the country.

PESTEL analysis.

- **Political factors**

  - Political instability can effect tourism as well as hotel industry. For Eg: restriction on movement in Jammu and Kashmir or if government takes decision of going on war with bordering countries it will have huge impact on hospitality industry.
  - If government at respective state/ central level change it will change policies. For eg: In Maharashtra suppose state government makes it compulsory for hotel to take 70-80% local Maharashtrian staff or comes up with policy that only Marathi will be spoken in hotels it will be an issue for hospitality industry.

- **Economic factors.**

  - Making changes in FDI.
    Allowing 100% FDI in Hospitality industry through automatic route will allow foreign investors to invest in Indian market without taking permission of RBI or Government of India.

  - Tax holidays are given to new 2, 3, and 4 star hotels if they are constructed within specified period and are located in specific areas (UNESCO specified world heritage sites in India, and others) as specified by Income Tax department.

- **Social Factors.**

  - Language is one crucial factor and with huge English speaking population Indian hospitality industry has an edge.
  - Festivals and other cultural celebrations generate huge revenues for this industry.
  - Indian food and Indian cultural is liked by many around the world.

- **Technological factors.**

  - Reviews on social media, blogs can make or break reputation of hotel.
  - IT has enabled people to block their rooms without help of travel agents.
  - Hotels enable their customers to view their hotel/ room with a 360^{o} view on their website.

- **Environmental factors.**

  - Government initiatives like ‘Project Tiger’, ‘Project snow leopard’ etc. will increase researchers and students visiting the area and increase business of hotels.
  - If construction of hospitality projects are done by not understanding natural environment like, topography, soil condition, water flow etc. it may lead to serious consequences in future.

- **Legal factors**

  - Hoteliers should not fall into illegal business which will lead to cancellation of their licenses.
  - The hotel should have various compulsory licenses like license under shops and establishments Act, registration under contract labour act, registration under pollution control act.

Project questions

What is profitable letting out or managing restaurant?

What is the profitability of the restaurant business?

Project methodology

The data for this project is collected from primary sources. The data was collected from system used to record business. ICG uses a software which is custom made. This software is being used by reception to enter customer data and other transaction, restaurant and accounts department.

Project Objective

- To find out whether letting out of restaurant is profitable than self-managing.
- To know the difference between profit of let out and own restaurant.

Project Hypothesis

Hypothesis is created based on the actual data of let out and forecasted data of self-managed restaurant business.

Where,

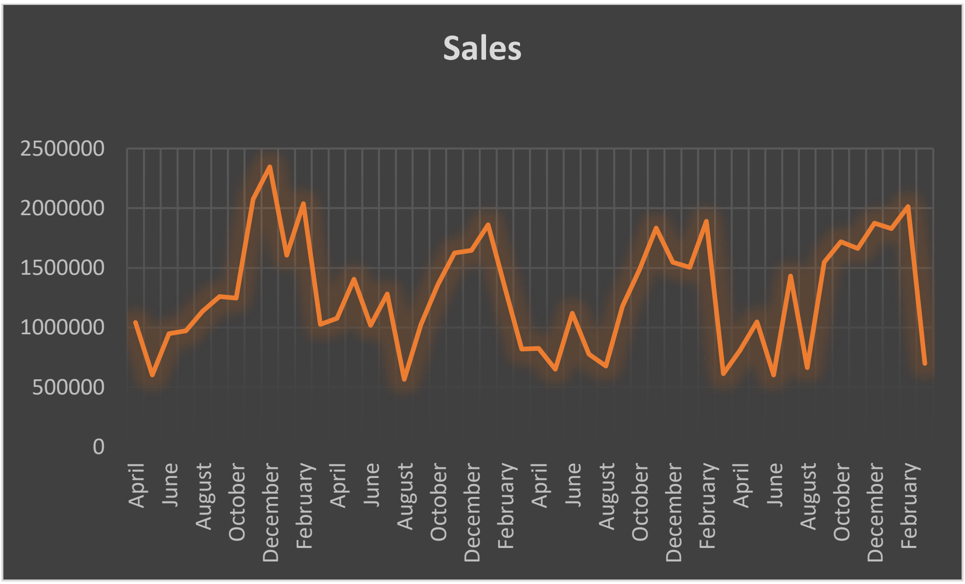
H0 – There is no significance difference between owned and let out cash flows.

H1 - There is a significant difference between the owned and let out cash flows.

Hypothesis is tested at a significance level of P=0.05 that is 95% confidence level.

Project data Analysis

Historical sales data of The International Centre Goa was collected from year 2017-18. This data represents the data generated and related only to food and beverages section of the, The International Centre Goa.



The above chart shows sales amount rom 2017-18 to 2021-22 in Indian rupees and corresponding month.

After collecting the data for 3 financial years that is 2017-18, 2018-19, and 2019-20 it can be seen that it had seasonal variation. This is because the hospitality industry is largely affected by seasons and festivals.

In the data we can see one trend that is Q3 that is October, November, and December are the highest revenue generating months.

The Data from year 2017-18, 2018-19 and 2019-20 relates to the let out period.

Data from year 2021-22 onwards is related to self-managed restaurant. It was necessary to predict the data from year 2022-23 onwards. Forecast function was not used in this process as it captures the trend of the base year in predicting the future values, and the base year sales values were highly fluctuating as hotel industry is largely affected by season's variations in demand.

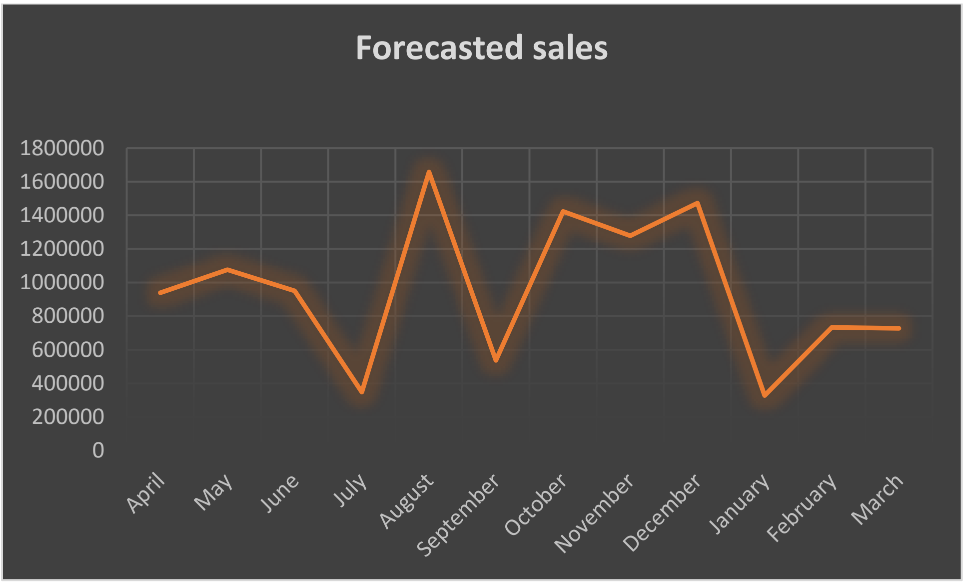
Hence Seasonal index method of time series forecasting is used. It is a method in which we calculate the high's and low's of each time period into an index. This is done by finding an average for an entire set of data that includes the same number of matching periods, then dividing the individual period average into that total average.

	April	May	June	July	August	September	October	November	December	January	February	March
Avg	903814	1034770	914118	334767	1594962	516920	1369476	1229507	1417365	315069	704441	699346
Total	903814	1034770	914118	334767	1594962	516920	1369476	1229507	1417365	315069	704441	699346
grand total	11034556											
Overall avg	919546.3											
Forecast	955867.3											

The above table shows seasonal factor/ index calculation. The figs are sales and in India rupees.

	2021-22				Seasonal factor	2022-23
1	April	903814.3			0.98289151	939514
2	May	1034770			1.125305372	1075643
3	June	914118.5			0.994097239	950225
4	July	334767			0.364056699	347990
5	August	1594962			1.734509676	1657961
6	September	516920			0.562146773	537338
7	October	1369476			1.489295005	1423568
8	November	1229507			1.337079999	1278071
9	December	1417365			1.541374219	1473349
10	January	315069			0.342635266	327514
11	February	704441			0.766074509	732266
12	March	699346			0.760533733	726969

The above table shows sales figures forecasted using seasonal indices.



The above figure shows forecasted sales of year 2022-23. The fig shows sales data in Indian rupees and corresponding month.

It can be noticed that as of the old data, trend of Q3 generating more revenue can be seen clearly. This is because of the season index method of time series forecasting used.

Cash Flow statement	**Let out**		
Particulars	**2017-18**	**2018-19**	**2019-20**
Revenue	15016494.14	14106403.2	15900101.9
Less			
Variable Expenses			
F& B Consumption (Purchases)	0	0	0
F& B (Other Exp)	0	0	0
Fixed expenses			
Salaries and wages	0	0	0
Total	0	0	0
profits before interest tax and depreciation	15016494.14	14106403.2	15900101.9
Less Depreciation	0	0	0
profits before interest and tax	0	0	0
Interest on loan	0	0	0
Profits before tax	15016494.14	14106403.2	15900101.9
Tax	4504948.242	4231920.97	4770030.56
Profits after tax	10511545.9	9874482.26	11130071.3
Add			
Depreciation			
net flow inflow/ (outflow)	10511545.9	9874482.26	11130071.3

The above table is a cash flow statement of year 2017-18 to 2019-20 figures are represented in Indian rupees.

In the above table there is only revenue or sales as the restaurant was let out and only tax was paid on the income other than that no other expenses or depreciation is not charged.

Cash Flow statement	**Self-managed**		
Particulars	**2021-22**	**2022-23**	**2023-24**
Revenue	11470407.5	11470407.5	11923474.7
Less			
Variable Expenses			
F& B Consumption (Purchases)	4478067.199	4478067.2	5396890.72
F& B (Other Exp)	3407253.682	3407253.68	2997253.68
Fixed expenses			
Salaries and wages	1593192.503	1593192.5	1570192.5
Total	9478513.384	9478513.38	9964336.9
profits before interest tax and depreciation	1991894.116	1991894.12	1959137.8
Less Depreciation	990000	990000	990000
profits before interest and tax	1001894.116	1001894.12	969137.799
Interest on loan	0	0	0
Profits before tax	1001894.116	1001894.12	969137.799
Tax	300568.2348	300568.235	290741.34
Profits after tax	1001894.116	1001894.12	678396.459
Add			
Depreciation	990000	990000	990000
net flow inflow/ (outflow)	1991894.116	1991894.12	1668396.46

The above cash flow is of the year 2021-22 to 2023-24.The fig are in Indian rupees.

As in case of the previous table, in this above table we can see variable as well as fixed expenses as the restaurant is now being managed by The International Centre Goa. In this case depreciation is also charged on fixed assets of the restaurant. Expenses are forecasted based on seasonal index factor as they are related to changes in revenue.

Capital	**Amount**	**Proportion**	**Rate**	**Tax**	**Rate**
Own fund	1143000	1	0.053	0	0.053
Total	1143000	1	0.053	0	5.30%

The above table contains calculation of weighted average cost of capital.

Total initial capital requirement for the restaurant business is estimated to be 11, 43,000 rupees. It includes table set, air conditions, kitchen equipment etc. it also includes inventory cost. Since Management of The International Centre Goa does not intent to go for loan and would finance it through own funds 5.30% is considered as rate of interest.

	Let out			Self-managed		
Year	2017-18	2018-19	2019-20	2021-22	2022-23	2023-24
Netflows	10511545.9	9874482.261	11130071.3	1752989.433	11470407.5	1668396.46
Pv factor@6%	0.9434	0.89	0.8396	0.7921	0.7473	0.705
NPV	9916592.4	8788289.212	9344807.865	1388542.93	8571835.525	1176219.50

The above table shows net cash inflow from both let out period that is from 2017-18 to 2019-20 and also net cash inflows of self-managed restaurant from period 2021-22 to 2023-24. Figures in Indian rupees.

It can be seen from data that when let out, we generate more revenue as compared to self-managed. One change to be noted here is even though interest rate of 5.3% is calculated in above table in weighted cost of capital, for calculation of Net present value (NPV) average rate is taken as 6%, since there are many rates between this range available in the market.

In order to prove that there is difference between cash flows of managed and let out T. Test was performed on cash flows and the following is the result.

Let out	**Owned**
28049689	11341571

H0= There is no significant difference between owned and let out cashflow
H1= There is a significant difference between owned and let out cashflow

t-Test: Two-Sample Assuming Equal Variances		
	Letout	***Owned***
Mean	9349896.493	3780523.534
Variance	3.18286E+11	1.72175E+13
Observations	3	3
Pooled Variance	8.7679E+12	
Hypothesized Mean Difference	0	
df	4	
t Stat	2.303584255	
P(T<=t) one-tail	0.041306372	
t Critical one-tail	2.131846786	
P(T<=t) two-tail	0.082612744	
t Critical two-tail	2.776445105	

H0= There is no significant difference between owned and let out cashflow **H1= There is a significant difference between owned and let out cashflow**	
Tstat>t crit 2 tail	FALSE

So to check for the feasibility of the let out and self-managed restaurant the above T. Test was performed.

H0:- The null hypothesis was set as there is no difference between the let out and self-managed cash flows.

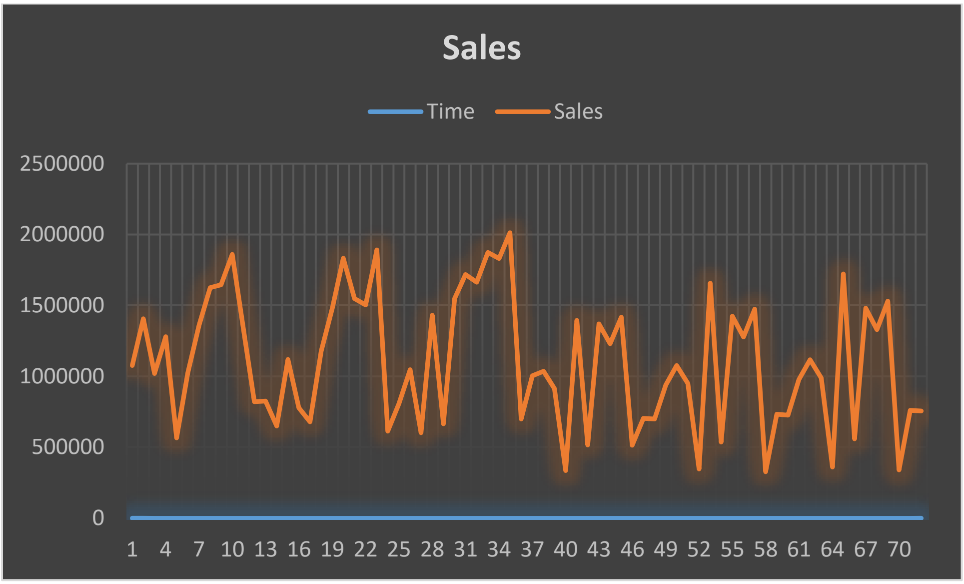
H1:- The alternate hypothesis was set as there is a difference in the cash flows of both.

We can notice that data of let out has more variance than self-managed data. The variance is the measure of variability. It is calculated by taking the average of squared deviations from the mean. It tells the degree of spread in the data from the mean. So even if there is higher variance in the data we can recover money invested comparatively faster than self-managed.

The T statistical value is 2.30 whereas T critical two tail value is 2.77 which means that T-stat value is > T critical two tail value and hence we reject the H0, null hypothesis, and say that H1 alternate hypothesis is correct and there is a difference between cash flows of let out and self-managed and prove that running hotel by ICG is not feasible.

Findings and conclusion.

After collecting and forecasting the sales data of The International Centre Goa, for both let out and self-managed restaurant period, it was noticed that the data has lot of seasonality. Starting from April the data has a down trend and it drops down to lowest point in June-July month after which it peaks up again in third quarter (Q3) that is October, November and December. It again starts dropping from January.



In above figure all six years data trend can be seen, Sales in Indian rupees.

When it came to predicting data for future years forecasting formula was not working as the data has seasonal effects, and forecasting using forecast formula would either give upwards or downward trend. This is because the data belongs to hospitality industry (hotel) which has effects of seasons, festivals etc. Hence Seasonal index method of time series forecasting was used was used to forecast data.

Seasonal indices for data

When data under analysis has a seasonal influence to it, further investigation is not possible without de-seasonalising the data. This includes calculating seasonal indices to tell how a particular day month Quarter compares to the average season.

After calculating seasonal factor it was noticed that, same trend of generating high sales in third quarter. In all forecasted years seasonal factor for Q3 was always more than minimum 1.3, which simply means Q3, or October, November and December sales was minimum 30% more than average sales.

After forecasting sales, cash flow was calculated to check for the Net cash flow generated from business for both let out and self-managed. It was noticed that January month was only 1 which had cash outflow. This is due to more expenses which company couldn’t control.

Weighted average cost of capital was calculated to get discounting factor. Since The International Centre Goa is a trust involved in social activities does not invest in Securities, even in form of SIPs so Nifty option was not available. Management had no intention to raise loan so even loan option was not available so only own funds were decided to use.

5.3% was the interest rate, but average of market players that is 6% was taken to discount the cash flows.

With the help of T. Test it was proved that there is a difference between let out and self-managed restaurant cash flows. And hence it was advised to The International Centre Goa that it is not feasible to run restaurant by themselves.

Conclusion

To conclude with, ICG should not take responsibility of running restaurant as it is clear from the project that it is not feasible to do so. NPV of let out restaurant are much more than that of self-managed.

Suggestions

- If ICG wants to run restaurant they should hire professional people like counter managers, F&B controller, head chef.
- Cost cutting should be looked upon by way of purchasing in bulk, making contracts with vendors, reducing wastages.
- Aggressive marketing should be undertaken to increase sales.

Learnings from work

- Learnt about How ICG records its data into various categories.
- Preparing stock report.
- Handled cash transaction (Receiving, recording, Depositing).
- Reconciliation of bank statements.
- Preparing advance reports (received from guest).
- Posting Goods Received Note (GRN) into system.
- Bill booking.
- Issuing vendor payments.
- ICG has low inventory turnover.
- Lacks in aggressive marketing.

Learnings from project report

- To use primary data to forecast future data, in order to do project and to analyse it for giving recommendation.
- Interpreting financial statement.

Bibliography

All data is derived from ICG software, hence it's a primary data.