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MISSION STATEMENT

We are an entertainment company that provides thrill-seekers an opportunity to race cars safely at reasonable prices.

INTRODUCTION

Not many people in the world will have heard of the term 'Folk Race' before. This is because this type of auto racing mainly takes place in European countries such as Sweden, Finland and Norway. The sport receives little coverage but is very popular due to the low expenses and little driving skill that is needed to participate in it.

Folk race racing originally came from Finland, though the idea behind the sport is very similar to 'banger racing' which is commonly found in Britain, some parts of Europe and in a few places in the US. The event takes the form of a race, which is run on a gravel or tarmac track that measures approximately 800 meters in length. These tracks are designed in such a way that speeds in excess of 80 km/h should not be possible. Thus, the race is not so much about speed and skill and instead the focus is on trying to 'bump' your opponents off the track as you try to make your way up the ranks. Because of the damaging nature of the sport, only old, dented cars are usually used. Any type or model of car can be used as long as it is fitted with the regulation safety equipment. This makes getting started relatively easy and inexpensive and is one of the reasons the sport is so popular.

We, CarFarms, aim to bring this sport to India such that it completely blends with the racing culture here. We provide our own safe cars, in a first-of-its kind fun-filled secure racing arena, at reasonable prices. The Dominant Selling Idea of our venture lies in our competitive advantage over the ethnic, age-old folk racing. We provide safe, self-prepared cars thus ridding the customer of any major cost issues, thus letting you and your families belonging to the age group 15 to 65 years have as much fun as possible.

All the customer has to do is to come to CarFarms and race our cars at affordable prices.

SWOT ANALYSIS

SWOT analysis is a strategic planning method used to evaluate the Strengths, Weaknesses, Opportunities, and Threats involved in our business venture. Identification of SWOTs is essential because subsequent steps in the process of planning for achievement of the selected objective may be derived from the SWOTs. It helps us identify areas that will make a dramatic impact on our company and leads to our final marketing plan. It also provides information that is helpful in matching our resources and capabilities to the competitive environment in which we will operate.

The following are the SWOTs for our company:-

STRENGTHS

These are the characteristics of our business or team that give it an advantage over others in the industry and thus are considered to be important to the execution and ultimate success of the company. Some of them are:-

- Our team members have an in-depth knowledge of cars which is a positive factor for us.
- We know about the current industry trends and have done a thorough market research.
- We have enthusiastic team members and it acts as strength because if all team members are not motivated and enthusiastic about work then this will have an effect on other team members resulting in low output.
- Now-a-days through a multitude of marketing channels we can serve directly and rightly to the desired segment with the cost minimization.

WEAKNESSES

These are the factors that could prevent the achievement of a successful result. A weakness is basically a core capability of our business where our competitor(s) have an advantage over our business. We have identified following as our weaknesses:-

- The major weakness we face is the lack of resources we require. We are low in capital for the start of our business. Moreover establishment of Car Farms require a large part of land at a proper location we is not so easy to find. The purchase of land also requires a large capital.
- Inspite of having an in-depth knowledge of cars, our team members have no prior experience in such field and thus it pose as a weakness for us.
- The initial phase of our operation is to purchase a scrap car and make it ready for race and thus we have large upfront car modification costs.

OPPORTUNITIES

An opportunity is a major situation in a firm's environment. Opportunities include those elements that will prove helpful in achieving the goals set for our project. In our business following are the opportunities:-

- The idea behind our business model is first of its kind in India and thus it provides us a great opportunity.
- As our business revolves around motorsports section and currently the interest of motorsports among the people is at great rise, thus it will benefit us in many ways.
- There is a huge scope of expansion of our business among the middle class as apart for initial large upfront car modification costs, the cost to customers will not be very high and thus will be economic for middle class also.
- As in our business operation, the first step is to purchase a used/scrap car and because of the easy availability of cheap used cars it acts as a opportunity for us for the easy and early gathering of resources.
- The demographics of India enhance the chances as large part of the population are young which are mostly thrill seekers and have a great enthusiasm for motorsports.

THREATS

These are the elements that could cause trouble for the business and threaten the success of the business venture. No one likes to think about threats, but we still have to face them and thus we have listed the following as the possible elements which can pose as a threat to us :-

- The main concern in our business process is to provide security to the customers during racing and this may lead to reluctance of people to participate as they are never satisfied and we cannot guarantee them 100% for their safety. This may pose as a threat to our business as people will hesitate to participate.
- We may have a large number of competitors in coming future as our business idea is very simple and is very easy to replicate.
- The taste of people changes quite often and this may be threat for us as they might also be bored of racing very soon.
- As this is a new concept/idea and yet there are no obligations from the government side for such racing thing but as our company will grow politics will come into play and government regulations might go against the concept.

MARKET & COMPETITION ANALYSIS

The goal of a market analysis is to determine the attractiveness of a market, both now and in the future. Organizations use the findings to guide the investment decisions they make to advance their success. The findings of a market analysis may motivate an organization to change various aspects of its investment strategy. Affected areas may include inventory levels, a work force expansion/contraction, facility expansion, purchases of capital equipment, and promotional activities.

We explain the market analysis done by our firm under the following three headings.

CUSTOMERS/ PARTNERS

Our primary customers are thrill seekers of the age group 15 to 65 years and this is irrespective of any particular gender. They need not be proficient at driving because the whole game is about having fun while racing.

We further classify them on the basis of demographic factors which are listed below.

a) Location

On the basis of Location, our major contributors are people living in the urban areas because of their greater inclination to such sports as compared to their rural counterparts and higher disposable income.

b) Occupation

On the basis of Occupation, we target the Middle & Higher Class people because of their capacity to spend a little more in terms of leisure activities and fun.

In order to add more dimensions to our venture, we plan to partner with other Entertainment agencies including Hotels & Resorts, Food Franchises, Gaming Arenas, etc. The primary advantage behind doing this is to increase the fun quotient so that people further develop a liking for such activities. But this partnership will be a part of our secondary implementation strategy when we are into business

INDUSTRY TRENDS

- a) We operate in the 'Leisure & Entertainment Industry'. This industry is booming with the Current Turnover of US\$500 mn and a growth rate of 20% pa.
- b) The Overall Investment in this sector in the year 2010 has been US\$ 600 mn.
- c) The Urban middle class forms 40% of total population in our country and this acts a fillip to our company as they form our primary customers.
- d) The Drag Races, Rallies, 4 X 4 Events happening in some of the major cities in our country show a very motivating picture for such kind of races here. The expected growth for 2011 of such activities has been estimated to be 25%
- e) The opening of racing-oriented clubs like Red Rooster Racing, Automotive Clubs and their self-established racing arenas point towards the growing demand for such activities.

Sources: AllState Group PPT on Leisure Industry Growth (www.inco.in/GROWTH.PPT)

COMPETITION

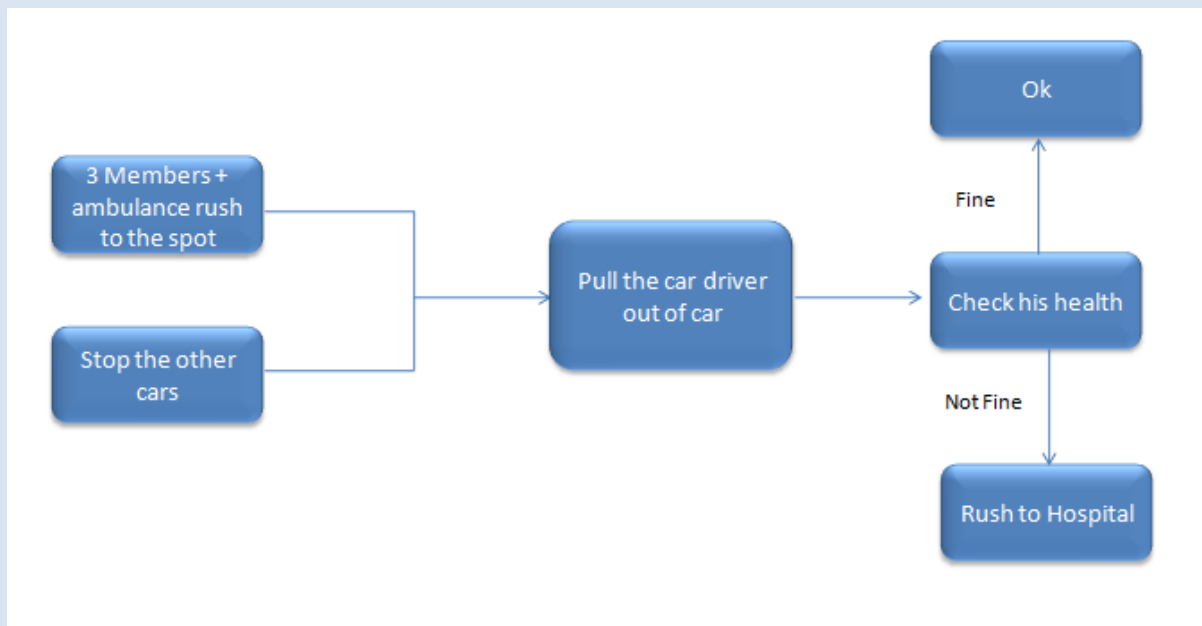
- 1) We consider Go Karts as one of our main competitors. The points where we score above them include they being expensive and possessing a low Thrill Factor as compared to Cars in Folk Racing.
- 2) Being a Racing company, the different Racing Events form our competitors. Below is the list of our competitors in this area and how we score above them.
 - a) **Drag Races** – Though drag races have been in existence for a long time now boosted by the Govt. support, the issues in such races are that people have to bring and modify their own cars to a great degree for racing. This brings an indirect increase in the cost to the customer and we aim to reduce this.

- b) **Racing Series** – The events involved in Racing Series have speed as the thrill factor and thus require high upfront & maintenance costs on the levels of both the car and the track. This makes it an expensive event.
 - c) **MRF, Desert Storm** – As the environment for car racing in this case is not so conducive for the same; it requires high Car-Building and modification costs.
- 3) Racing Tracks have come up at several major cities in India. Below are the points that give us an added advantage over them.
- a) **MMSC Track, Chennai** – The main idea behind racing on this track is that people have to bring their own Vehicle, use their own Fuel, Own Insurance, etc. We, on the other hand, do not require the customer to be prepared with any such pre-race activities.
 - b) **Kari Speed Motorway, Coimbatore** – As a lot of money has been invested in this project; this track is not open to the General Public. Thus, it limits the racing arena to the elite.
 - c) **F1 Track, Noida** – As this track conforms to the F1 standards, this track is expensive for average income people.

OPERATIONAL PLAN

Following are the important Business Processes that we have identified in our venture:

ACCIDENT

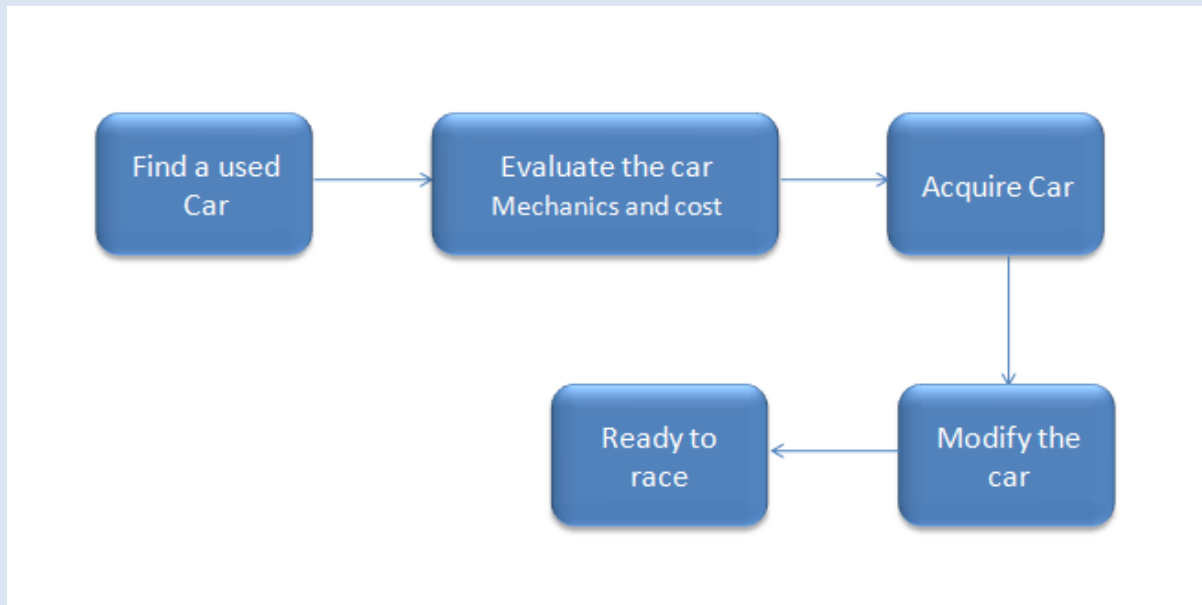


In case of an accident on track, three people with in a car with large fire extinguishers will rush to the spot. The car may roll over, hence it would require at-least 2 people to put it back, it may also catch fire, therefore fire extinguisher. In addition to it the ambulance too would rush to the spot.

The moment the members reach the spot, two of them would try to pull the driver of the car out of it. The third person is present to keep a check on the fire.

After pulling the driver a preliminary check for his health would be made. In case he's fine, he can proceed to race again and in case he sustains injuries, he would be rushed to the hospital.

ACQUIRING A CAR

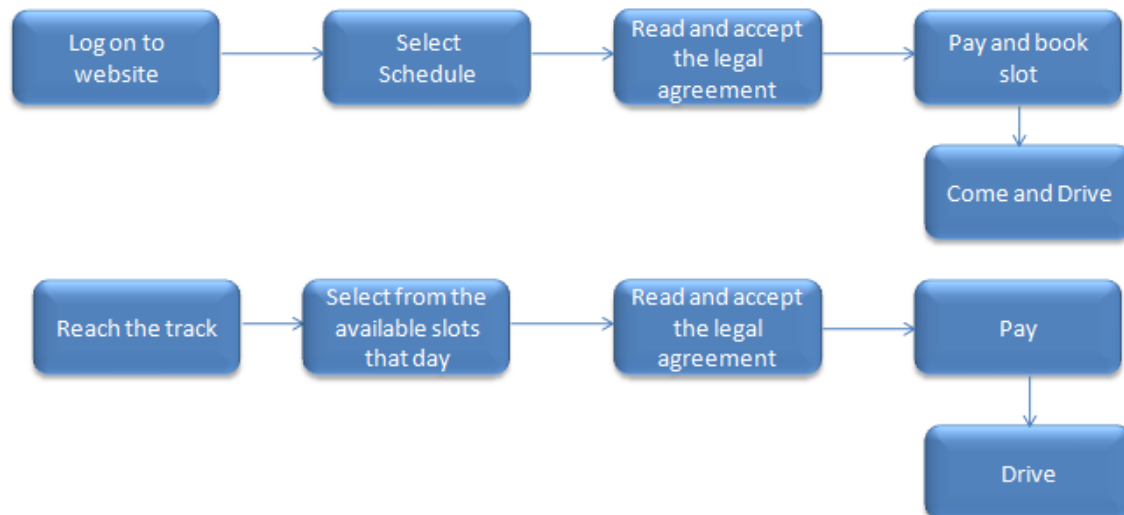


The process begins with identification of a right car. The cars which are being targeted should be in the range of Rs 18,000 to Rs 23,000. After identification of such cars, thorough inspection of such cars would be made. The inspection would include the mechanical inspection of the car. If the car is in decent working condition and not more than Rs 8000 expenditure is required in it, then acquire it. Make it mechanically sound and send it to a special garage to get it modified to include safety parameters.

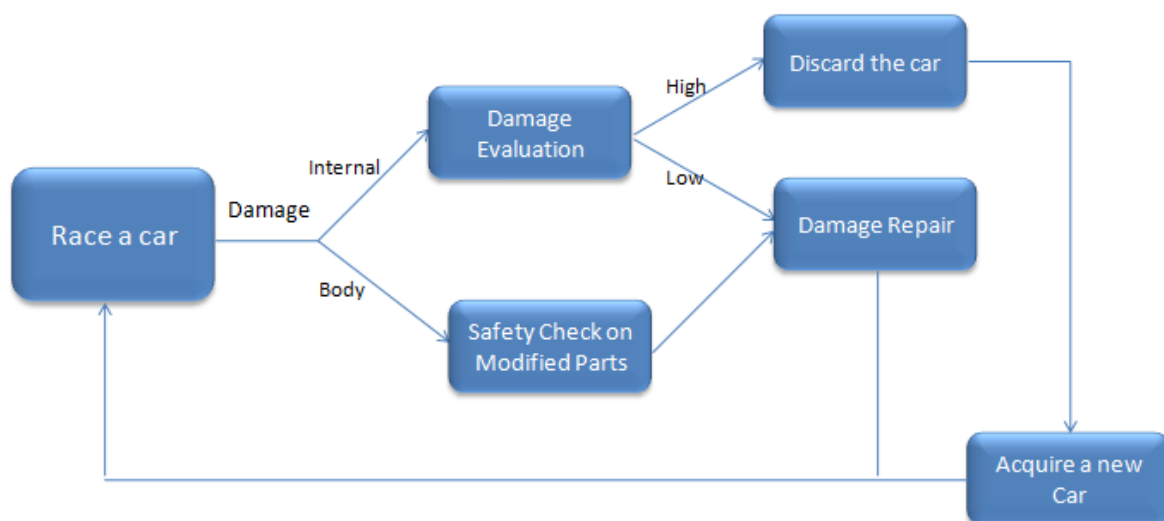
CUSTOMER HANDLING

The customer can either book the tickets online or book them on spot.

- 1) **On-line booking** - People can see what slots are available and they can plan their trip accordingly. They have to read the agreement before proceeding. Customers can make online payment and book the tickets.
- 2) **On-Spot booking** - In case of on-spot booking, the customer will be presented with the available slots that day. He/she can choose the slot as per his/her wish and make payments to book the tickets. The customer must be made acquainted with the legal agreements before he/she is allowed to proceed.



MAINTENANCE WHILE RACING A CAR



During races regular maintenance of cars is required. The maintenance and check would be carried out after every 12 laps of a car. In case some car is involved in accident, it will be immediately evaluated. While evaluating the car, it will be checked for body damage and damage of mechanical parts. In case of body damage, it can be easily repaired and the car can be put back on track. In case of mechanical damage, it will have to be evaluated for the extent of damage. If the damage repair costs are justifiable then repair it or else discard the car and begin the process for acquisition of a new car.

SETTING UP OF PARTNERS

Partners are needed to be set up to

- 1) Source parts of cars from them.
- 2) To run the cafeteria.

OVERVIEW OF COST ESTIMATES

1) **Basic Old Cars** = Rs. 18,000 - 23,000

Other Expenses (Repair + Modification + labour) = Rs. 8,000

2) **Safety + Security**

- a. 6 point Roll cage - Rs. 20,000 - 30,000 depending upon the car (includes ripping the car apart + putting the car back in normal form)
- b. 5 point harness seat belt – Rs.7,000 - 8,000
- c. Racing Suits – Rs.7,000 [Fire retardant] + gloves + support collar + balaclava + footwear
- d. Racing Seats – Rs. 9,000
- e. Fire Extinguisher – 6 Small and 6 Big extinguishers.
Total Cost = $6 * 300 + 6 * 2500$ = Rs. 16800/-
- f. Safety Helmet - (no idea) - $8 * 4000$ = Rs. 32000/-
- g. Ambulance [Rent] - 1 ambulance at Rs. 2500 / day

3) **Regular Maintenance**

- a. Number of Laps a Car Lasts - 500 (In a 24 hr Lemon Race, a car on average lasts 500 laps) [Source : 24 Hr Lemon Race]
- b. Charge per lap to the Customer = Rs. 250/-
- c. Revenue obtained from a Car = $250 * 500$ = Rs. 1,25,000/-
- d. Revenue obtained from 6 Cars = $6 * 125000$ = Rs. 7,50,000 /-
- e. Petrol Cost per lap = Rs. 22 /-
- f. Maintenance Cost per lap = $8000 * 0.2 + 500 * 0.8$ = 2000 after 30 laps
[Assuming that over 30 laps, the probability that average expenses are Rs. 500 is 0.8 and that of Rs.8000 is 0.2]
- g. Overall Maintenance Cost per lap = Rs. 67/-

4) **Land Requirement**

- a. Track Construction cost (Tarmac + Gravel)
 - 1km – Tarmac – Rs 60 Lacs
 - 1km – Paved Mud – Rs. 5 Lacs.

Using a combination of the above in ratio 1:9,

Track Cost = $0.1 * 60\text{Lac} + 0.9 * 5 \text{ Lac}$ = Rs. 10.5 Lac/-

- b. Land acquisition cost – 10 – 12 acres [Place = Bangalore]
- Either buy land at a place where land rates are increasing [High cost of land rates]
 - Buy Land at a place where Land rates are pretty stable [Little initial investment]

Site : Hoskote on NH4 in Bangalore, near to BIA.

Land Rate : Rs. 400 per sq. feet

Land Needed : 10 acres = 400000 sq .feet

Total Land Acquisition Cost = Rs.16 crore.

Why Bangalore

- Fastest growing metropolis in India
- Economic growth of 10.3%
- Per capita income – Rs 74,709 (2006-2007)
- Houses 3.5 lakh individuals working in IT industry.
- Biotechnology Industry individuals
- Manufacturing Industry – BHEL, ITI, Toyota, Daihatsu, Hindustan Motors,etc.
- Number of cars as of 2004 in Bangalore – 1.95 of population of 6.5 million
- All Automotive majors present in Bangalore
- Large number of automotive clubs.
- Presence of Red Rooster Racing. [Planning a fully compliant racing track].
- Was one of the possible options for Formula One.
- No significant investment in Motorsports yet.
- Drag Races + Successful Speed Runs in Bangalore.
- Vicinity to Chennai and other Southern States – House to largest number of automotive enthusiasts.

[Have analysed the trends at – www.team-bhp.com – the largest Indian automotive enthusiast portal

- c. Other infrastructure cost –
- Changing room (Locker Room) - Rs.1 Lac
 - Shed [for mechanics to work + park the cars]
 - Cafeteria [Outsource] – Rs 2.5 to Rs.3 Lac

5) Periodic Cost

- a. Mechanics (2) monthly basis. [2 * 12000 = Rs . 24000/-]
- b. 3 people support staff (using other vehicle, at the center of the track).
[3*4500 = Rs.13500/-]
- c. 1 + 1 person at counter [Collect tickets + Locker Room]. [2*4500 = Rs.9000/-]

6) Net Present Value(NPV) Analysis

Net Present Value of a time series of cash flows, both incoming and outgoing, is defined as the sum of the present values of the individual cash flows. Below is the NPV Analysis of CarFarms with conservative assumptions.

Rs values in thousands	CarFarms				NPV Analysis			
	Q1	Year 1 Q2	Q3	Q4	Q1	Year 2 Q2	Q3	Q4
Track Cost	-1000							
6 point Roll cage	-150							
5 point harness seat belt	-60							
Racing Suits	-42							
Racing Seats	-72							
Fire Extinguisher	-16.8							
Safety Helmet	-32							
Old Cars	-160							
Changing Room	-100							
Cafeteria	-300							
Periodic Cost	-271.8	-417.6	-417.6	-563.4	-709.2	-855	-1000.8	-1146.6
Marketing Cost	-300	-300	-300	-300	-300	-300	-300	-300
Revenue	405	810	810	1215	1620	2025	2430	2835
Period Cash Flow	-2099.6	92.4	92.4	351.6	610.8	870	1129.2	1388.4
PV Year1, r=8%	-2099.6	90.58824	88.812	331.3205	564.2848	787.9858	1002.697	1208.686
NPV		1974.774						
Assumptions								
Customers per day	5	8	12	18	22	27	33	40
Laps per day	3	6	6	9	12	15	18	21

MARKETING STRATEGY

Have you seen the racing arenas and have always been curious, but are concerned that you may come out with a broken face? With a little know-how and a lot of courage, you can make your way through this racing pit and who knows? You might [jump](#) right back in. This is the story of CarFarms.

- 1) **Word of Mouth** - Satisfied clients are our best marketing tool. We use the network effect to reach new thrill-seekers. Whenever a client has enjoyed thoroughly, they broadcast our name and quality to their friends/contacts and thus the public. We expect most clients to be referrals from existing clients. Also, the many industry and racer contacts in the area will prove to be most beneficial in spreading the word.
- 2) **Print Ads** - Keeping the Car Farms name in front of the customer while getting established will be necessary. We plan on running limited space ads in the local racing magazines to keep our name and what we offer in front of the consumer. In general, it has been that showing measurable revenue from these types of ads is difficult. In the future we plan on utilizing various National Magazines such as “Autocar” as a method of increasing our sales revenue.
- 3) **Stickers** - We will stick our stickers to our customer’s vehicles. This will lead to simple and cost-free advertisement.
- 4) **Advertising collaborations** - We plan to have “Advertising collaborations” with various car dealers across Bangalore. Advertising Collaborations focus on shared industry resources and word of mouth partnerships. They will show our advertisements in their dealerships, which would likely attract car enthusiasts from all over Bangalore. In return, we would attach their stickers to our cars, as well as their advertisements.

- 5) **Online Advertising** - Online “Car-Enthusiasts” forums are a good means to reach the middle/upper classes who generally have access to the internet. It’s been seen that there are a good number of such forums, with about 10,000 – 100,000 registered users in each. We can also use online websites such as Sulekha to advertise CarFarms.
- 6) **Press Releases** - The local newspapers can run releases and/or stories concerning the opening of CarFarms. We will also use the above media to run new product releases.
- 7) **Racing Events** – We plan to hold quarterly racing events, where racing enthusiasts can race against each other. We can invite some local racers into the event to attract the crowd. This can be a great source for advertisement.
- 8) **Grand Opening** - A Grand Opening is the most successful of any promotions. Discounted rates can be provided to attract the public. Loss leader pricing can be used to attract in-store traffic. Appearances by local racing celebrities would also expose potential customers to CarFarms.