



Aiding Spokespersons talk about the viability of receiving finance for a new hotel or restaurant, the best segment to invest in, and the break-even period for profit in terms of operations.

HOTEL DEVELOPMENT

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BUILD A CONVINCING BUSINESS MODEL

Procuring debt for building a hotel or restaurant has been a bit of a challenge with most leading institutions being a bit wary of the cyclical hospitality business. However, if one is to come up with a convincing business model for an upcoming hotel or restaurant business, there will be institutions willing to extend debt at hopefully reasonable rates.

BREAK-EVEN PERIOD FOR PROFIT

The break-even period for a hotel or restaurant depends on a host of factors and one single benchmark cannot apply to all. Having stated that, one can reasonably assume that a business-class hotel in a city area should see an ROI coming in from the seventh or eighth year for a 4 or 5-star property and a year or two earlier in case of a



budget hotel. For restaurants, one should be happy to see an ROI coming in from anywhere between the 24th and 30th month.

WHERE TO INVEST?

This would be very location specific and would also depend on market conditions. While all major cities in India are seeing a saturation in the 5-star and luxury segments, there is still scope in the mid-scale segment and budget categories.

COUNTING ON THE GM

A GM who understands numbers and has the capability to think like an owner will always be preferred over an external financial advisor.



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