

INVESTMENT



**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 24<sup>th</sup> and 30<sup>th</sup> 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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