



TWO STAR HOTEL

Introduction

The history of the hotel industry is as old as the history of tourism and travel industry. In fact, both are two sides of the same coin. Both are complementary to each other. Hotel is an establishment which provides food, shelter and other amenities for comfort and convenience of the visitors with a view to make profit. The hospitality industry has emerged as one of the key industries driving growth of the services sector in India. The growth of the hospitality industry has always been linked to the prospects of the tourism industry and tourism is the foremost demand driver of the industry. The Indian hospitality industry has recorded healthy growth fuelled by robust inflow of foreign tourists as well as increased tourist flow within the country and it has emerged as one of the leading players in the global industry. Indian hotel industry scenario has been dominated by premium luxury hotel segment for a long time. There was a vacuum in terms of mid-scale hotels till recently. However, a clear segmentation of sorts has come into play in the last few years with the coming of mid-scale budget brand, both international and domestic. However, there are plenty of opportunities and scope for investments in this segment in Tier II and III cities and along destinations of pilgrim importance.

This project profile is for setting up of a 2 Star Hotel unit, based on 360 working days per annum.

The proposed facilities of the project are as follows:

Total Rooms 24 Nos.

The model DPR has been prepared on the basis of existing market rates.

Market Potential

Global lodging networks are expanding their quality in the nation, and it will represent around 47% offer in the travel industry and neighborliness area of India by 2020 and half by 2022. Lodging and the travel industry area got aggregate FDI inflow of US\$ 15.61 billion between April 2000 and December 2020. Indian government has assessed that India would arise with a market size of 1.2 million voyage guests by 2030-31.

The hotel industry in India is expected to reach a value of INR 1,210.87 billion by the end of 2023, expanding at a compound annual growth rate (CAGR) of 13% during the 2018-2023 periods, owing to the high arrival rate of foreign tourists and business delegates. In 2018, there were around 2.5 million lodgings in more than 100,000 inns the nation over. By and by, number fluctuates now and again, particularly in the unranked classification or in regions outside of vacationer areas of interest. By and large, the market for homegrown visitors is almost multiple times greater than the market for worldwide visitors.

Cost of Project

Particulars	Amount (Rs.in Lakhs)
Land (own)	-
Land development cost (earth filling, leveling, fencing, gate, boundary wall, drain etc.)	50.00
Civil works and Buildings (26250 sq. feet @ 1800 per sq. feet)	472.50
Equipment	111.45
Miscellaneous Fixed Assets (Details in Annexure)	112.85
D G Set (150 KVA)	8.00
Escalation & Contingencies	37.74
Preliminary & Preoperative Expenses	44.19
Sub-total (A)	836.73
Total Project Cost	836.73
MEANS OF FINANCE	
Total funds required (A)	836.73
<u>Loan component-</u>	
Term loan (60% of A)	502.04
TOTAL	502.04
Equity	334.69
TOTAL	836.73

Detailed Cost Element

Sl. no.	Particulars	Quantity	Rate	Amount (Rs. in Lakhs)
1	Lift (Max load capacity - 20 persons)	1	800,000	8.00
2	Lift (Max load capacity - 06 persons)	1	550,000	5.50
3	LCD TV	26	40,000	10.40
4	AC for rooms, restaurant, conference hall etc.	35	45,000	15.75
5	Geyser	26	7,000	1.82
6	Ceiling Fans	26	3,000	0.78
7	Mini Refrigerator	8	10,000	0.80
8	Refrigerator	2	20,000	0.40
9	Room Furnishing (For all 24 rooms)			
	Economy	15	80,000	12.00
	Deluxe	7	160,000	11.20
	Suite	2	240,000	4.80
10	Reception/ Lobby furnishing (Lump sum)		800,000	20.00
11	Kitchen & restaurant equipment (Lump sum)		550,000	15.00
12	Miscellaneous items (Lump sum)		40,000	5.00
	Total			111.45

Contingencies and Escalations

It has been assumed at approximately 5% at cost.

Preliminary Expenses

Particulars	Amount (Rs. in Lakhs)
Incorporation Expenses	0.15
Project Report Preparation and Consultation	0.35
Feasibility and Engineer's/Architect's Report and Plans	10.00
Legal Charges - Drafting for agreements, contracts, stamp paper, notary and affidavit cost	0.05
Security guard and others	1.44
Interest Cost for period before commercial operations	32.20
Total	44.19

Salary

Designation	Manpower	Amount (Rs. in Lakhs)
Chef	1	3.60
Cook	2	4.80
Service Boy	3	3.24
Room Service	2	2.16
General Manager	1	4.80
Manager	1	3.60
Security	2	2.40
Electrical Technician	1	0.84
Cleaning / sweeping staff	2	1.68
Receptionist	1	1.44

Profitability Statement

Particulars	Amount (Rs. in lakhs)						
	Year- 1	Year- 2	Year- 3	Year- 4	Year- 5	Year- 6	Year- 7
<u>A. INCOME</u>							
<u>Maximum Capacity (Rooms)</u>							
Economy	75.00	75.00	75.00	75.00	75.00	75.00	75.00
Deluxe	45.00	45.00	45.00	45.00	45.00	45.00	45.00
Suite	20.00	20.00	20.00	20.00	20.00	20.00	20.00
<u>Revenue from Operations</u>							
Rooms	187.68	197.06	206.92	217.26	228.12	239.53	251.51
Food and Beverages	75.07	78.82	82.77	86.90	91.25	95.81	100.60
Income conference hall	28.15	29.56	31.04	32.59	34.22	35.93	37.73
Other Income Laundry, Taxi etc.	46.92	49.27	51.73	54.32	57.03	59.88	62.88
Total income during the year	337.82	354.71	372.45	391.07	410.62	431.15	452.71
<u>B. OPERATING EXPENSES</u>							
Consumables	118.24	124.15	130.36	136.87	143.72	150.90	158.45
Salary	28.56	29.99	31.49	33.06	34.71	36.45	38.27
Repair & Maintenance	2.32	2.44	2.56	2.69	2.82	2.96	3.11
Power & utilities	14.41	14.55	14.70	14.85	15.00	15.15	15.30
Depreciation and Amortization	38.18	38.18	38.18	38.18	38.18	29.34	29.34
Advertisement and Sales Promotion	5.00	5.25	5.51	5.79	6.08	6.38	6.70
Total Operating Expenses	206.71	214.56	222.80	231.44	240.51	241.19	251.17
Operating Profit (A-B)	131.11	140.15	149.65	159.63	170.11	189.97	201.54
<u>C. FINANCIAL EXPENSES</u>							
Interest on Term Loan	41.62	39.33	36.91	34.13	30.84	27.03	22.72
<u>D. Other Expenses</u>							
Administrative and general Expenses	3.38	3.55	3.72	3.91	4.11	4.31	4.53
Total Expenses	45.00	42.87	40.64	38.04	34.94	31.34	27.25
Profit Before Tax	86.11	97.28	109.01	121.59	135.17	158.62	174.29
Provision for Tax	21.53	24.32	27.25	30.40	33.79	39.66	43.57
Profit after Tax (PAT)	64.58	72.96	81.76	91.19	101.38	118.97	130.72
Dividend Declared	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Retained Profit	64.58	72.96	81.76	91.19	101.38	118.97	130.72

Breakeven Point

Break Even Point (BEP)		Amount (Rs. In Lakhs)						
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5	Year - 6	Year - 7
A.	Net Sales	337.82	354.71	372.45	391.07	410.62	431.15	452.71
B.	Variable Cost							
	Consumables	118.24	124.15	130.36	136.87	143.72	150.90	158.45
	Power and Utility	14.41	14.55	14.70	14.85	15.00	15.15	15.30
	Administrative and General Expenses	3.38	3.55	3.72	3.91	4.11	4.31	4.53
	Advertisement and Sales Promotion	5.00	5.25	5.51	5.79	6.08	6.38	6.70
	Total Variable Cost	141.03	147.50	154.29	161.42	168.90	176.74	184.97
C.	Contribution (A-B)	196.80	207.21	218.15	229.65	241.73	254.41	267.74
D.	Fixed cost							
	Salary	28.56	29.99	31.49	33.06	34.71	36.45	38.27
	Interest on Term Loan	41.62	39.33	36.91	34.13	30.84	27.03	22.72
	Repair & Maintenance	2.32	2.44	2.56	2.69	2.82	2.96	3.11
	Depreciation and Amortization	38.18	38.18	38.18	38.18	38.18	29.34	29.34
	Total Fixed Cost	110.68	109.93	109.14	108.06	106.56	95.79	93.45
E.	Breakeven Point	56%	53%	50%	47%	44%	38%	35%
F.	Cash BEP	37%	35%	33%	30%	28%	26%	24%

Debt-Service Coverage Ratio

		Amount (Rs. In lakhs)						
SL	Particulars	Year - 1	Year - 2	Year - 3	Year - 4	Year - 5	Year - 6	Year - 7
i	Profit	64.58	72.96	81.76	91.19	101.38	118.97	130.72
ii	Depreciation	38.18	38.18	38.18	38.18	38.18	29.34	29.34
iii	Interest	41.62	39.33	36.91	34.13	30.84	27.03	22.72
A	Total (i + ii + iii)	144.38	150.46	156.85	163.50	170.40	175.34	182.78
i	Interest	41.62	39.33	36.91	34.13	30.84	27.03	22.72
ii	Principal repayment	27.00	27.00	30.00	36.00	42.00	48.00	54.00
B	Total (i + ii)	68.62	66.33	66.91	70.13	72.84	75.03	76.72
	DSCR (A / B)	2.10	2.27	2.34	2.33	2.34	2.34	2.38

Interest on Term Loan and Principal Repayment

Refer Annexure I for Loan Repayment Schedule.

We have assumed the repayment tenure of term loan for a period of 10 years, Rate of interest being 8.5% p.a with a moratorium period of 12 months.

Address of Vendors

Name of the Vendor	Address and Contact Number
Rustic Green	Third Floor, Prop No. F-61/3, Khasra No.-586, Chattarpur Extn., South Delhi New Delhi - 110074, India Phone No - 08048724729
Surya Industries	Showroom 10/62, Second Floor, Shiva Towers Kirti Nagar New Delhi - 110015, India Phone No- 08048015258
A2N Air conditioning	Chetan Deshmukh Office No. 104, Nandanvan Complex Pune - 411027, Maharashtra, India Phone - 08048870681

ANNEXURE - 1

Year	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Annually
I													
Principal													
Opening	502.04	499.79	497.54	495.29	493.04	490.79	488.54	486.29	484.04	481.79	479.54	477.29	
Repaid	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	27.00
Closing	499.79	497.54	495.29	493.04	490.79	488.54	486.29	484.04	481.79	479.54	477.29	475.04	
Interest	3.56	3.54	3.52	3.51	3.49	3.48	3.46	3.44	3.43	3.41	3.40	3.38	41.62
II													
Principal													
Opening	475.04	472.79	470.54	468.29	466.04	463.79	461.54	459.29	457.04	454.79	452.54	450.29	
Repaid	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	27.00
Closing	472.79	470.54	468.29	466.04	463.79	461.54	459.29	457.04	454.79	452.54	450.29	448.04	
Interest	3.36	3.35	3.33	3.32	3.30	3.29	3.27	3.25	3.24	3.22	3.21	3.19	39.33
III													
Principal													
Opening	448.04	445.54	443.04	440.54	438.04	435.54	433.04	430.54	428.04	425.54	423.04	420.54	
Repaid	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	30.00
Closing	445.54	443.04	440.54	438.04	435.54	433.04	430.54	428.04	425.54	423.04	420.54	418.04	
Interest	3.17	3.16	3.14	3.12	3.10	3.09	3.07	3.05	3.03	3.01	3.00	2.98	36.91
IV													
Principal													
Opening	418.04	415.04	412.04	409.04	406.04	403.04	400.04	397.04	394.04	391.04	388.04	385.04	
Repaid	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	36.00
Closing	415.04	412.04	409.04	406.04	403.04	400.04	397.04	394.04	391.04	388.04	385.04	382.04	
Interest	2.96	2.94	2.92	2.90	2.88	2.85	2.83	2.81	2.79	2.77	2.75	2.73	34.13
V													
Principal													
Opening	382.04	378.54	375.04	371.54	368.04	364.54	361.04	357.54	354.04	350.54	347.04	343.54	
Repaid	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	42.00
Closing	378.54	375.04	371.54	368.04	364.54	361.04	357.54	354.04	350.54	347.04	343.54	340.04	
Interest	2.71	2.68	2.66	2.63	2.61	2.58	2.56	2.53	2.51	2.48	2.46	2.43	30.84
VI													
Principal													
Opening	340.04	336.04	332.04	328.04	324.04	320.04	316.04	312.04	308.04	304.04	300.04	296.04	
Repaid	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	48.00
Closing	336.04	332.04	328.04	324.04	320.04	316.04	312.04	308.04	304.04	300.04	296.04	292.04	
Interest	2.41	2.38	2.35	2.32	2.30	2.27	2.24	2.21	2.18	2.15	2.13	2.10	27.03
VII													
Principal													
Opening	292.04	287.54	283.04	278.54	274.04	269.54	265.04	260.54	256.04	251.54	247.04	242.54	
Repaid	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	54.00
Closing	287.54	283.04	278.54	274.04	269.54	265.04	260.54	256.04	251.54	247.04	242.54	238.04	
Interest	2.07	2.04	2.00	1.97	1.94	1.91	1.88	1.85	1.81	1.78	1.75	1.72	22.72
VIII													
Principal													
Opening	238.04	233.29	228.54	223.79	219.04	214.29	209.54	204.79	200.04	195.29	190.54	185.79	
Repaid	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.75	57.00
Closing	233.29	228.54	223.79	219.04	214.29	209.54	204.79	200.04	195.29	190.54	185.79	181.04	
Interest	1.69	1.65	1.62	1.59	1.55	1.52	1.48	1.45	1.42	1.38	1.35	1.32	18.01
IX													
Principal													
Opening	181.04	175.54	170.04	164.54	159.04	153.54	148.04	142.54	137.04	131.54	126.04	120.54	
Repaid	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	66.00
Closing	175.54	170.04	164.54	159.04	153.54	148.04	142.54	137.04	131.54	126.04	120.54	115.04	
Interest	1.28	1.24	1.20	1.17	1.13	1.09	1.05	1.01	0.97	0.93	0.89	0.85	12.82
X													
Principal													
Opening	115.04	105.45	95.87	86.28	76.69	67.11	57.52	47.93	38.35	28.76	19.17	9.59	
Repaid	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	115.04
Closing	105.45	95.87	86.28	76.69	67.11	57.52	47.93	38.35	28.76	19.17	9.59		
Interest	0.81	0.75	0.68	0.61	0.54	0.48	0.41	0.34	0.27	0.20	0.14	0.07	5.30