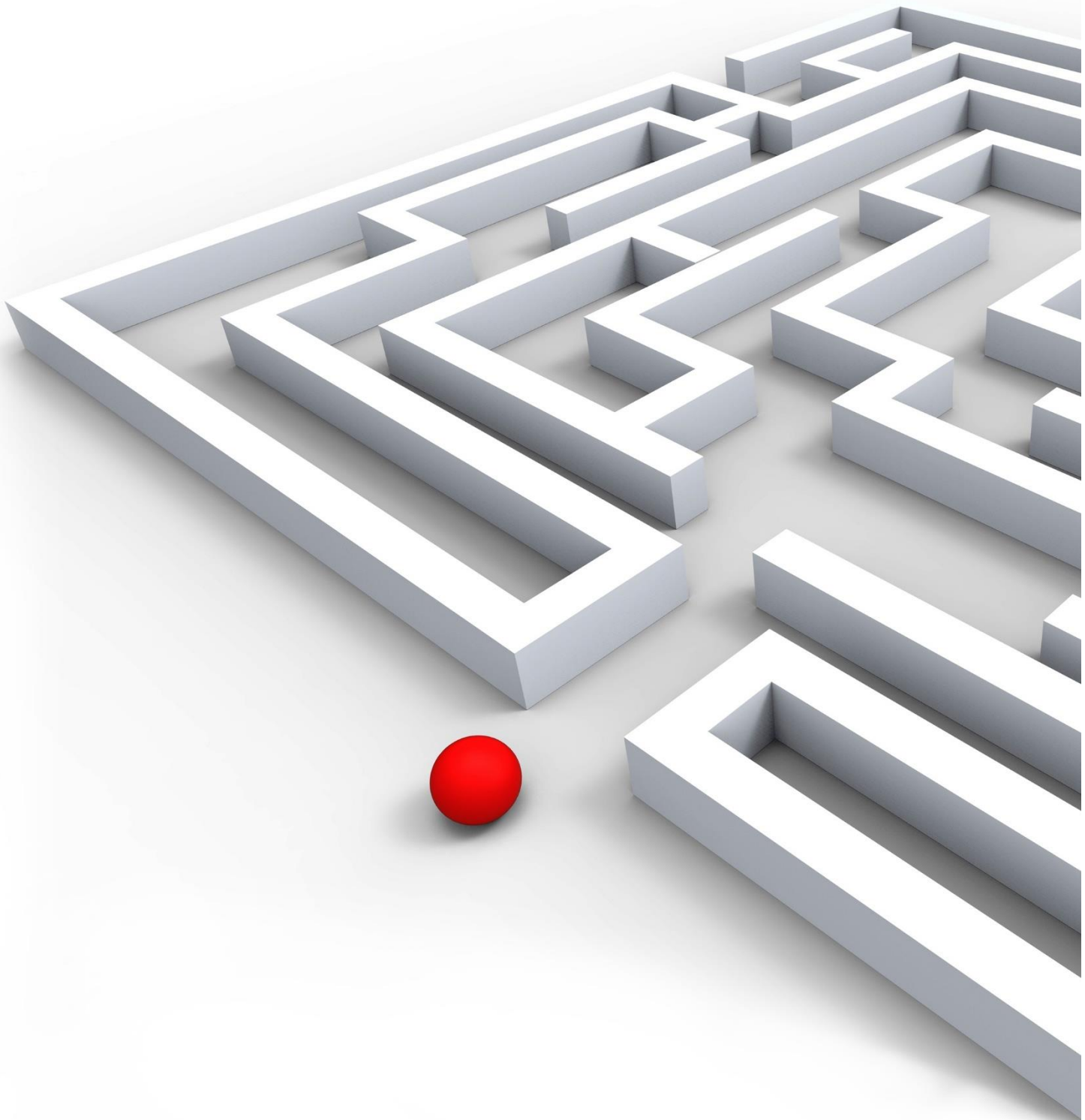










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Query	Response
 <p>What leads to cost overruns and delay in completion of hotel projects?</p>	<p>In most of the cases cost overruns and completion delays are caused due to:</p> <ul style="list-style-type: none"> ▪ Inadequate planning ▪ Inefficient execution team ▪ Delay in financing ▪ Increase in cost of raw material and financing cost ▪ New guidelines and licensing requirements
 <p>Is the cost of finance for a hotel project higher as compared to infrastructure projects?</p>	<ul style="list-style-type: none"> ▪ Hotels* are considered as “real estate” rather than infrastructure projects due to the regulatory norms in India. Accordingly, lending rates are higher for hotel asset/hotel development as compared to infrastructure projects. In turn, this results in higher financing cost for hotel development. ▪ *Other than three-star or higher category classified hotels located outside cities with population of more than 1 million (as per latest Harmonized Master List of Infrastructure Sub-sectors). ▪ High stamp duties and high filing costs further increase the cost of financing.
 <p>Is the tenor of loan for a hotel project similar to that of an infrastructure project?</p>	<ul style="list-style-type: none"> ▪ Since hotels are not consider as infrastructure projects, banks keep the tenure of loan on hotels at 5 to 7 years as compared to 10 to 12 years for infrastructure projects
 <p>What are the main reasons of high NPA levels in hotel projects?</p>	<p>Some reasons include:</p> <ul style="list-style-type: none"> ▪ Delays in completion of project thereby delay in generating cash flows ▪ Low room rate/revenues and low occupancy leading to repayment delays ▪ High project costs ▪ High finance cost ▪ Over leveraging of project and cross mortgaging of project ▪ Strict provisioning and NPA classification norms
 <p>Why operators ask for execution of non-disbursement agreements (NDAs)?</p>	<ul style="list-style-type: none"> ▪ Hotel operators require the owner to obtain an NDA from the lenders of the owner to bind the lender to not interfere with the operations of the Operator – even in the case of a default by the owner. ▪ Owners find it extremely difficult to convince the lender to sign the stringent NDAs. This leads to delays in closure/disbursement of loans.
 <p>Whether Emergency Credit Line Guarantee Scheme (ECLGS) is available to the hospitality sector?</p>	<ul style="list-style-type: none"> ▪ Yes, the scheme has been extended by one year till March 2023.

We hope you have found the information helpful. For further details please reach out to the author:

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