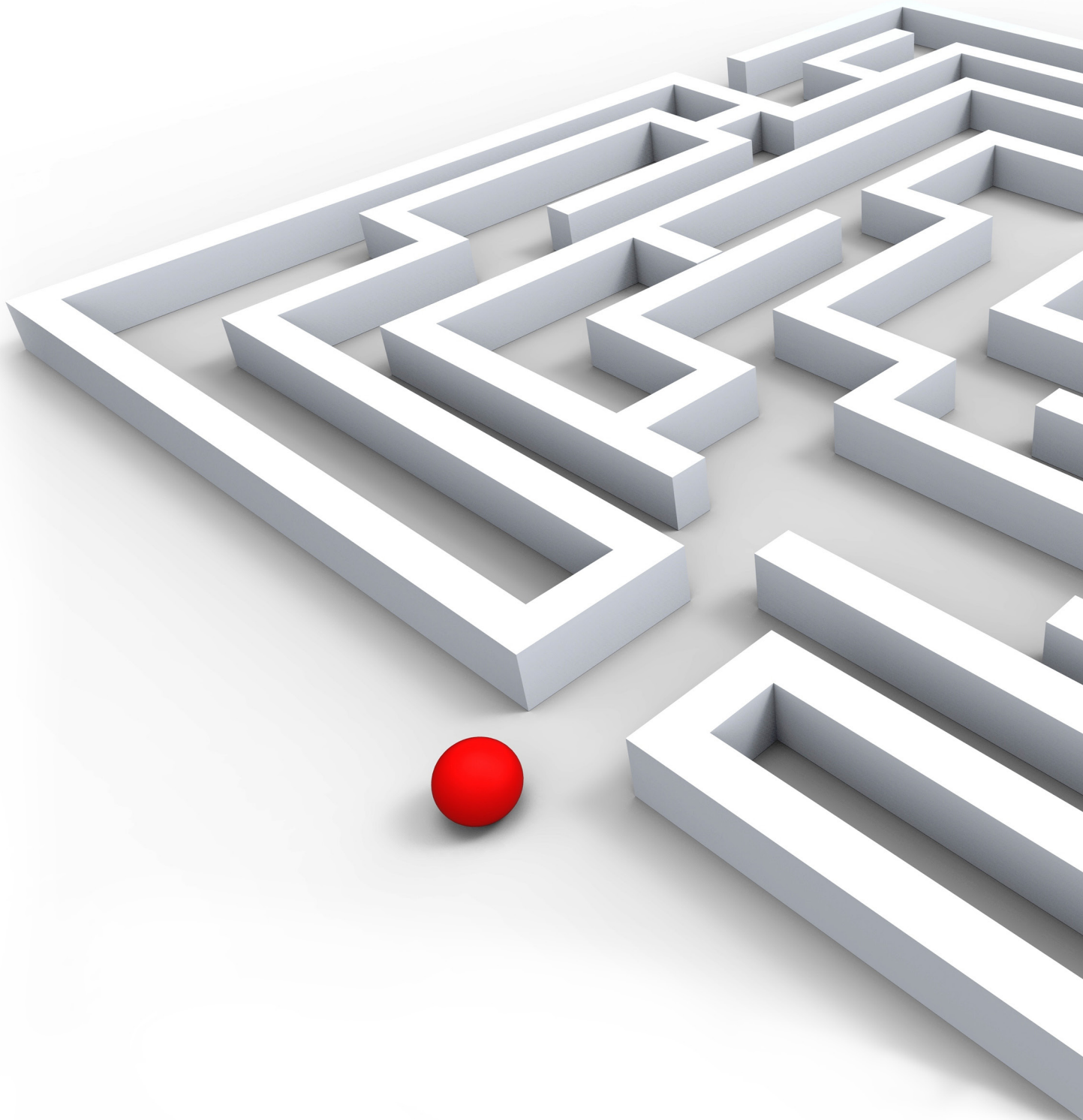




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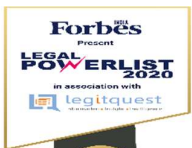




FINANCING & THE HOSPITALITY SECTOR

FINANCING & THE HOSPITALITY SECTOR

Challenges being faced by the Hospitality Sector	
 High cost of real estate and finance	<ul style="list-style-type: none"> Depending upon its size, the major cost component for hotels is land and the building. Since, hotels are not given status of infrastructure projects, the financing cost too remain comparatively high.
 Multiplicity of licenses, permits and approval	<ul style="list-style-type: none"> Multiplicity of regulatory compliances both under the Central and State Acts and frequent changes are another set of challenges for the industry.
 Mid stage modifications/cost and time overrun	<ul style="list-style-type: none"> Mid stage modification in the planning structure also leads to cost and time overrun thereby adding to cost and loss of revenue. Restructuring of finance accounts by the bank will also lead to declaration of account as a Non Performing Asset (NPA). This may trigger serious financial and operational challenges for the project.
Remedies	
 Proper research and planning	<ul style="list-style-type: none"> Hotels need both long term and short terms funding as both the cost of setting up and operations are high. A proper planning will enable the hotel to balance this cost of fund in the light of expected revenue. Do advance planning in view of likely development of the area and need for rooms and decide the size of the hotel bearing in mind revenue of existing hotels. Avoid mid stage modification in the plan and temptation to increase room capacity. Ensure timely completion and operation of the hotels so that funding costs are kept at check and obligations met in time. Seek long term finance in line with expected revenue to be generated from hotel operations.
 Reasons of high NPA levels in hotel projects	<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
 Emergency Credit Line Guarantee Scheme	<ul style="list-style-type: none"> The scheme was available to the hospitality sector till March 2023. The outlay amount was also enhanced from INR 4.5 lakh crores to INR 5 lakh crores.
<p>We hope you have found the information helpful. For further details please reach out to the author:</p> <p>Mukesh Chand Senior Counsel – Banking & Finance, Economic Laws Practice MukeshChand@elp-in.com</p>	

AWARDS & ACHIEVEMENTS

 <p>Top 10 Law Firm 2019 Economic Laws Practice</p>		 <p>Highly Recommended for Competition/Antitrust: GCR100 2023 Edition</p>			
IBLJ	IFRL 1000	Chambers Asia-Pacific	The Legal500 Asia Pacific		
 <p>INDIA BUSINESS LAW JOURNAL AWARD WINNING LAW FIRM 2022</p> <p>Law Firm of the Year for:</p> <ul style="list-style-type: none"> ▪ Taxation ▪ International Trade ▪ Policy & Regulation  <p>INDIA BUSINESS LAW JOURNAL — Deals of the Year 2016 — DEALMAKER</p> <p>Mergers & Acquisition Deal of the Year for India leg of global joint venture between, Johnson Controls Inc., Hitachi, Ltd. and Hitachi Appliances, Inc., for air conditioning business</p>	 <p>IFLR1000 Asia-Pacific 32nd Edition</p> <p>2022 RANKINGS</p> <p>Highly Recommended for:</p> <ul style="list-style-type: none"> ▪ Banking & Finance ▪ Capital Markets ▪ Corporate & M&A <ul style="list-style-type: none"> ▪ Energy ▪ Infrastructure ▪ Private Equity ▪ Project Finance ▪ Restructuring & Insolvency ▪ Telecommunications ▪ Transport 	 <p>Chambers TOP RANKED Global 2023</p> <p>Economic Laws Practice</p> <p>Top Tier Firm in India for:</p> <ul style="list-style-type: none"> ▪ Tax ▪ WTO/ International Trade <p>Ranked for:</p> <ul style="list-style-type: none"> ▪ Banking & Finance ▪ Competition & Antitrust ▪ Dispute Resolution <ul style="list-style-type: none"> ▪ Projects, Infrastructure & Energy <ul style="list-style-type: none"> ▪ Private Equity ▪ Corporate & M&A <p>Spotlight Table:</p> <p>International Cross Border Capabilities</p>	 <p>The LEGAL 500 ASIA PACIFIC TOP TIER 2023</p> <p>Top Tier Firm in India for:</p> <ul style="list-style-type: none"> ▪ Dispute Resolution ▪ Projects and Energy <ul style="list-style-type: none"> ▪ Tax ▪ WTO/ International Trade ▪ Antitrust & Competition ▪ Corporate and M&A <p>Highly Recommended for:</p> <ul style="list-style-type: none"> ▪ Banking and Finance <ul style="list-style-type: none"> ▪ Capital Markets ▪ Investment Funds ▪ Real Estate and Construction <ul style="list-style-type: none"> ▪ TMT 		
GAR100		Asialaw Client Service Guide		Asialaw Profiles	
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PRACTICE
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MUMBAI

9th floor, Mafatlal Center
Vidhan Bhavan Marg
Nariman Point, Mumbai 400 021
T: +91 22 6636 7000

AHMEDABAD

C-507/508, 5th Floor, Titanium Square
Thaltej Cross-Roads, SG Highway
Ahmedabad – 380054
T: +91 79 6605 4480/1

BENGALURU

6th Floor, Rockline Centre, 54, Richmond
Road, Bangalore 560 025
T: +91 80 4168 5530/1

CHENNAI

No 18, BBC Homes, Flat-7 Block A
South Boag Road.
Chennai -600 017
T: +91 44 4210 4863

DELHI

801 A, 8th Floor, Konnectus Tower
Bhavbhuti Marg, Opp. Ajmeri Gate Railway
Station, Nr. Minto Bridge New Delhi 110 001
T: +91 11 4152 8400

PUNE

202, 2nd Floor, Vascon Eco Tower Baner
Pashan Road, Pune 411 045
T: +91 20 49127400

GIFT CITY

GIFT CITY Unit No. 605, Signature, 6th Floor
Block 13B, Zone – I GIFT SEZ,
Gandhinagar 382355

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