

MYSTIC EAST

...an unexplored horizon

A bi-monthly magazine by HRAEI | Vol 3 | Issue 1 | January - February 2017

COVER STORY

THE BIG BAN

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ROAD ACCIDENTS BUT CAUSE
1 MILLION JOBS



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“

Hotels, restaurants, clubs and standalone bars that pay huge sums for liquor licences have been badly hit. Close to 2000 establishments have had to close sale of liquor

”

Dear Fellow Members,

The Supreme Court ruling extending its ban on bars along national and state highways have led to several unexpected consequences: bars shut in all major cities on arterial roads classified as highways.

Hotels, restaurants, clubs and standalone bars that pay huge sums for liquor licences have been badly hit. Close to 2000 establishments have had to close sale of liquor jeopardising over 1 million jobs.

The regulations are meant to prevent drinking and driving that leads to road accidents and fatalities on Indian roads. Drunken driving is a global phenomenon that is tackled by governments in most other countries with strict police action leading to driving bans and withdrawal of driving licences for repeat offenders.

Restaurants, bars and liquor shops have been served notice to either shut shop or relocate. But relocation is not a feasible solution for most of the establishments as there are restrictions on opening liquor shops near educational institutions, places of worship and medical establishments. Besides, the location has to be appropriate to get enough business to make it profitable.

Hope the apex court tweaks its order to support the hospitality industry that employs largest number of people in the country.

Sudesh Poddar
President, HRAEI

MYSTIC EAST

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Vol 3 | Issue 1 | January - February 2017

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SECRETARY'S MESSAGE



“

Right from the land acquisition stage to starting a restaurant, one needs to negotiate several speed-breakers in the journey. A new restaurant needs 30-odd licences and NOCs

”

Dear fellow members,

Even though the hospitality sector is the biggest employment generator among different sectors of industry and one of the largest contributor to the government exchequer, unfortunately it has to encounter the maximum number of hurdles in the form of regulation in India.

Right from the land acquisition stage to starting a restaurant, one needs to negotiate several speed-breakers in the journey. A new restaurant needs 30-odd licences and NOCs. Then it must keep renewing those each year. Increasing restrictions on liquor and non-vegetarian food items are making things tougher for those in the hospitality industry.

Moreover, things vary a lot from one state to another. For instance, in some states an excise licence can cost several lakhs, but there are others you get a licence at a few odd thousands of rupees. Likewise, in most Indian states, the legal drinking age is either 18 or 21, but in Delhi, Punjab and Chandigarh, it is 25. Some states don't approve of alcohol being served in open space. Thanks to Bombay Prohibition Act of 1949, anyone who takes a drink in Mumbai must have a 'drinking permit' from the state's excise department.

Such archaic legal strictures override a huge revenue-generating opportunity. The present system of licences has to be replaced by a registration system requiring restaurants to update their licences every three or five years, and not every year. Also a single-window clearance system must be in place at once. The Food Safety and Standards Authority of India (FSSAI) must not be allowed to restrict the restaurant sector. The system of getting an annually renewable licence from the weights and metrology department must end.

Unfortunately, we don't see any end to the 'licence raj' unleashed on the Indian hospitality industry by the erstwhile British colonial masters, a century ago.

Pranav Singh
Secretary, HRAEI

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FAITH FEARS MASSIVE UNEMPLOYMENT & DENT ON INDIA'S TOURISM PROSPECTS DUE TO LIQUOR BAN IN HOTELS



THE Federation of Associations in Indian Tourism and Hospitality (FAITH) has raised serious apprehensions of massive employment loss and irretrievable image loss to India as a tourism destination if the Supreme Court order banning liquor in hotels and restaurants located on the state and national highways in the country is not revoked. The collective body of Indian travel, tourism and hospitality associations has said that there will be one million job loss in the industry and loss of foreign exchange earnings as foreign tourists will give India a slip from their travel itineraries.

“India’s Tourism, Travel & hospitality industry is estimated to contribute USD200 Billion, 9.5% of Indian GDP, around 5 crore employment, i.e. 9% of Indian employment, USD\$ 30 billion+ investment at 5.5% of total capital investment in India. This capital investment is immobile and cannot be relocated or picked up and moved driven by decisions which challenge their business models on a retrospective basis,” an official release by FAITH said.

Quoting the famous Kashmir speech of the Prime Minister, Narendra Modi, asking the Kashmiri youth to embrace

tourism or terrorism, FAITH said that, “displacing such a larger population from tourism jobs will run the risk of a nationwide unemployment roughly estimated at a million plus with the consequent risk of pushing this working population towards undesirable activities to earn their and their dependants’ livelihoods.”

The federation also warned about large scale cancellation of foreign inbound trips to India in the wake of this ban. Even domestic tourists will start looking for alternate destinations abroad for their meetings, conferences, etc. “A major reason for meetings, conferences, corporate events, weddings and exhibitions to be held at hotels in India is to combine them with social get together which includes food, beverage and entertainment experiences. India has less than an estimated 0.5% of the world share of this sub-sector of tourism which will see large scale cancellations. That has already started happening. Tourists who bring in \$20bn + forex earnings will reduce their coming to India and a large number of Indians will increasingly prefer travelling out of India for such events leading to a major outflow of foreign exchange,” their official statement said.

The loss of business to hospitality establishments on highways will push many hotel investors into financial stress resulting in assets become NPAs. “Most of the entrepreneurs who bid as part of Government PPP tourism projects along national and state main roads and highways had modelled their cash inflows on these experiences considering room conferencing, food, beverages revenues over their concession periods. But a lot of these establishments’ with reduced business will result in distressed financial assets and may lead to a large scale NPA situation for our banking and financial system and may severely impact the investment climate in tourism and hospitality and overall business environment in India,” added FAITH.

However, FAITH said that the tourism and hospitality industry value human life and assured support to stricter enforcement of law to contain the menace of drunken driving. “However, the tourism industry requests that on a retrospective basis any damaging impact on investments in fixed capital assets and on large scale employment should be re-considered while strictly ensuring enforcing through effective policing for the very noble social cause and goal of preventing ‘drunken driving with zero tolerance.’”

PARLIAMENT PASSES 4 GST BILLS, JULY 1 ROLLOUT LIKELY



INDIA took a decisive step towards a possible July 1 rollout of the Goods and Services Tax (GST) with Parliament on April 7 giving nod to four-related legislations that detail the provision of this single tax regime that will replace multiple state and central taxes to create one national market.

Union Finance Minister Arun Jaitley said that once the new regime is implemented harassment of businesses by different authorities will end, and India will have one rate for one commodity throughout the country.

The new tax will usher in a uniform indirect tax regime in the country and not lead to inflation as apprehended by some sections, the Minister said, winding up an eight-hour debate in the Rajya Sabha. Jaitley said successive governments have contributed towards GST and no one person can take credit for it. "This bill, I have no hesitation in conceding, is a collective

property," he said.

With implementation of GST, revenues of the Centre, states and the industry and trade must benefit, he said.

"On May 17-18 we will give final approval to rules and rates... Looks like it can be implemented from July 1," Jaitley told reporters after the Rajya Sabha cleared the Central GST Bill, 2017; The Integrated GST Bill, 2017; The GST (Compensation to States) Bill, 2017; and The Union Territory GST Bill, 2017.

The bills were cleared by the Rajya Sabha after negation of a host of amendments moved by the opposition parties. The main opposition Congress did not move any amendment.

The Lok Sabha had passed these bills on March 29. With the Parliament nod, the onus now shifts to states that will have to pass the state GST law in their respective state assemblies.

The Centre has already put out detailed rules for discussions for stakeholder consultations. The GST Council, the constitutional body created for this tax, will next month take up the last remaining issue of fitting individual goods and services to various tax rates.

The GST Council has approved a for rate structure – 5%, 12%, 18% and 28% – with most goods likely to fall in the 12% and 18% rate. In addition, a cess will be levied on luxury and sin goods as well. The law provides for a maximum GST rate of 40% (20% central GST and 20% state GST).

Separately, the Lok Sabha on Thursday passed a bill to make excise and customs act compliant with GST. This bill seeks to do away with current cesses, which will be subsumed in the GST.

Source: PTI

HOTEL INDUSTRY PITCHES FOR EQUALITY IN REGULATIONS, TAXES

HOTEL and restaurant owners today urged the Government to come up with a policy to cover the unregulated room rentals that have mushroomed across the country.

A policy that is fair to all players and one that will allow the tourism industry in the country to take off should be drafted, the Hotel and Restaurant Association of Western India (HRAWI) said in a release here.

"We concede homestays offer convenience to all parties concerned. But we have to view these things in perspective. The apartments are currently cost effective to tourists only because they do not pay taxes or follow regulations that hotels need to. This gives them an unfair business advantage that goes against the concept of fair trade practices," HRAWI President Dilip Datwani said.

He alleged a lot of establishments are taking advantage of the 'Bed and Breakfast Homestays' and running fullfledged commercial establishments without any kind of regulations and taxes.

"While five star hotels pay a substantial 38 per cent of the room revenue as direct and indirect taxes, some of the lavish bungalows listed in hotel aggregator sites do not pay a single rupee as taxes," he added.

Further, he said, over 42 licences are needed to start and operate an organised sector hotel, while the unregulated segment operates without a single approval.

"The regulations that the licensed establishments have to follow are vast and cover fire safety measures, food safety measure, hygiene parameters and many other compliances."

HRAWI questioned the relevance of subjecting hotels to administrative clearances, liquor permits and other licenses while unorganised accommodations,



providing the very same services, are exempted.

The association pointed out that hotels are required by law to send details of foreign guests to the nearest police station, but homestays don't follow this rule.

"This is a security requirement from the Ministry of Home Affairs. Homestays are not required to be compliant and the industry fears this will become the de facto accommo-

dation for those foreigners that seek anonymity from the police."

Countries like Singapore, France, Netherlands, Spain, Germany and the US, among others, have regulations in place, which makes it illegal for home owners to rent out entire apartments and rooms for less than six months, unless they have permission from authorities concerned, HRAWI said.

Source: The Economic Times

HOTEL INDUSTRY EXPECTS BIG DEALS INCLUDING DISTRESS SALES IN 2017



INDIA'S hotel industry is expected to see a large number of transactions, including some distress deals, closing in 2017. Talks are currently ongoing for the sale of more than a dozen hotel properties and the industry could set a new record in transactions this year, said industry executives.

"The year 2017 could bring a massive quantum of deals in India's hotels sector. The ongoing trend in the hotel transactions market is in line with our belief that the Indian hospitality market today is a fertile field for strategic acquisitions," said Mandeep Lamba, managing director hotels at property consultant JLL India.

Louvre Hotels Group, the second largest in the hospitality industry in Europe, bought a majority stake in Sarovar Hotels in India this January, beating Wyndham Hotel Group in the race. The deal, estimated at \$50 million (Rs 336 crore), makes the combined entity one of the biggest hotel chains in India in terms of number of properties.

"More properties will change hands. The market is mature for buying assets but it is largely going to be distress sales. There's going to be greater pressure on owners who can't meet debt obligations to restructure or sell their assets. Assets will sell at cost value or, in some cases, cost minus," said Ajay Bakaya, executive director of Sarovar Hotels.

Concurred Patu Keswani, chairman of Lemon Tree Hotels. "More distress deals will happen this year. Premier Inn and Aloft are up for sale. We are also in talks to acquire a small portfolio." According to industry insiders, 7080 hotel assets across India are available for sale.

The last significant year for the hotel transaction market in India was 2015, when the market witnessed deals worth about Rs 2,423 crore in existing and brownfield assets. The previous high was in 2012, when deals totalled Rs 1,673 crore.

"We are running mandates exclu-

sively for existing branded hotels in Goa, Kolkata Chennai, Delhi, Mumbai and Bengaluru," said Achin Khanna, managing director of consulting and valuation practice at HVS.

While 2016 lacked the bigbang announcements of 2015, it witnessed five hotelrelated asset transactions, some of which were undertaken to convert the underlying assets to alternative developments.

JLL Hotels' team is confident also of closing about 1012 such deals in the first half of 2017.

According to JLL, most hotel transactions today are occurring at replacement, or a slight discount to replacement cost, keeping both the seller and the buyer content with the target price.

"Hotel buyers in the market today are strategic investors who firmly believe in and understand the hotel segment's economic cycle. As in all business cycles, the hotels economic cycle has started to trend upward," said Lamba.

KARNATAKA ABOLISHES VAT ON LIQUOR

KARNATAKA government has proposed to abolish Value Added Tax (VAT) on beer, wine and India made foreign liquor (IMFL) from April this year. The proposal is part of the annual Budget for 2017-18 presented by Chief Minister, Siddaramaiah, in the State Assembly.

The Budget also proposes to abolish additional Excise on liquor products in the State.

While the liquor stocks have surged at the Stock Exchanges, the hospitality industry in the State wholeheartedly welcomed the government decision to abolish VAT on all types of alcoholic beverages in the State.



MOEF LAUNCHES WEB PORTAL FOR OBTAINING CRZ CLEARANCES

THE Minister of State (Independent Charge) of Environment, Forest and Climate Change, Anil Madhav Dave, launched the web portal for obtaining Coastal Regulation Zone clearances. The Minister termed the launch of the portal as a good example of 'Ease of Doing Business'.

The CRZ clearances can be accessed at <http://environmentclearance.nic.in/>

The Portal is a web-based system for obtaining clearances required from the Ministry under the 'Coastal Regulation Zone' (CRZ) by the Project proponents. The system will enable the Project proponents and the concerned State/Union Territory bodies like the State Coastal Zone

Management Authorities (SCZMAs) and Municipal/Town Planning agencies in tracking the status of their proposals.

The system is based on web architecture, similar to the existing systems in place for according environmental and forest clearances. The Portal is a very user-friendly initiative, which enables submission of applications for CRZ clearance in a single-window interface and facilitates quick flow of information related to CRZ clearances.

The portal allocates a unique identity for each proposal for all future references. It is accessible from any computer with internet facility. The objectives of the web portal include

– enhancing efficiency, transparency and accountability in the process of CRZ clearances; enhance responsiveness through workflows and availability of real-time information on the status of CRZ clearance proposals; ease of business and convenience of citizens in accessing information and services; standardised procedures and processes across Central and State levels.

There are other initiatives underway, like the notification of High Tide Line/Low Tide Line (HTL/LTL), ecologically sensitive areas falling under CRZ-1, hazard line etc. All these steps are aimed at minimising discretions and enhancing accountability at all levels.

MOFPI UNVEILS DRAFT FOOD PROCESSING POLICY



ADDRESSING a meeting of the State Food Processing Ministers to brief on the scheduled World Food India, being organized by MoFPI during November 3 to 5, 2017, Harsimrat Kaur Badal, Minister of Food Processing Industries unveiled the Draft Food Processing Policy of India and shared the same with state government representatives.

The Minister said the National Policy apart from documenting footprints of the food processing sector has drafted considering best practices across states and the world. She said that the government is poised to bring about comprehensive National Policy on food processing. She urged all states to follow and be part of the comprehensive National Food Processing Policy.

The Minister said that India provides most conducive environment to food processing given parameters and conditions like abundance of food production, abundance of manpower engaged in agriculture and low cost of processing. At the same time Government's initiative to make India Global Food Factory and Global Food Market brings immense opportunities for food processing sector.

The Minister said India is ushering in an era of Zero Tolerance towards Post Harvest Wastage, Zero Tolerance on Delays in Commissioning of Food Processing Projects, Zero Tolerance in Delays in obtaining Licenses/Statutory Clearances for Food Processing/ Food Retail Markets by Central/State/Local authority. She said that the National Food Processing Policy

will focus on building India's National Food Grid and National Cold Chain Grid and create Retail Markets every nook and corner of the country.

World Food India 2017, a three-day flagship event, is being organized by Ministry of Food Processing Industries in New Delhi in which CII will be event partner. The event will focus on showcasing achievements and opportunities of the Indian Food Processing Sector and fostering maximum investment commitments. The event will also provide a platform for exhibiting innovative products and manufacturing processes showcasing the entire value chain of food processing industry with a vision to leverage innovation, technology, development & sustainability in the backdrop of achieving food security.

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INDIA IMPROVES 12 POSITIONS ON GLOBAL TTCI TO FINISH AT 40TH



INDIA has improved 12 positions in the last two years on the Global Travel & Tourism Competitive Index (TTCI) of World Economic Forum (WEF) to finish at 40th position. India was 52nd in the TTCI in 2015. WEF prepares TTCI after evaluating vital components like enabling environment, travel and tourism Policy and enabling conditions, tourism infrastructure, and natural and cultural resources of a destination.

India has recorded the highest leap in positions among the 136 economies of the world ranked. After India, it is Korean Republic which moved 10 positions in TTCI to become 19th in the Tourism Competitive Index.

India's overall score stood at 4.18. While appreciating the strides India has made in the TTCI, the report commends India's vast cultural (9th) and natural resources (24th), and its price competitiveness advantage (10th). India improved 14 positions in terms of International openness (55th) through strong e-visa regime.

The T&T sector also benefited from improvements in the country's ground transport infrastructure (29th). While India has improved positions in terms of health conditions (114) and human resources (87th), these components still remain weak, the study noted.

Announcing the latest results here in Delhi, Dr Mahesh Sharma, Minis-

ter for Tourism & Culture (I/C) said that between 2013 and 2017 India improved positions significantly in TTCI, a testimony to the focused intervention of the government in the sector. He said that while developed economies like the US, Switzerland, etc. slipped in the ranking, India has been able to strive forward improving positions in the ranking significantly.

He highlighted significant jump in the Safety and Security benchmark on the back of the steps taken by his government. He said that Indian tourism has been able to beat the global average (3.9%) in terms of international inbound travel growth last year registering 10.7% growth

HE

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ACCOR HOTELS TO FORAY NOVOTEL IN NORTH EAST INDIA THIS YEAR



ACCOR Hotels' Novotel brand will make its debut in Guwahati with the opening of Novotel Guwahati GS Road this year. The soon to be launched hotel will be located in the heart of Guwahati's commercial district, situated near the Guwahati-Shillong highway. The property will be a short drive from the Guwahati International Airport, and adjacent to the upcoming SM JDB Mall. The Assam-based SM JDB Estate will be responsible for the development and realisation of the project.

The hotel will feature 118 rooms and suites, an all-day dining restaurant, lobby bar, lounge and health club. The top floors will have a rooftop pool and a bar. The property will have four meeting rooms and banquets.

S K Jain, chairman, SM JDB Estate

and CMD, SM Group, said, "It is indeed a pleasure for us to partner with AccorHotels to introduce the first Novotel in East of Kolkata, at Guwahati. We have used the best of resources available globally to ensure that the people of North East receive the highest standards of service which is long overdue and bridge the gaps that exist for a city-centre upscale property. We are proud of the team that has been put together and are confident that our guests are going to be delighted every time they step into this landmark property."

"Guwahati is the gateway to the seven sisters in the North East, and over the years, the city has emerged as an important commercial hub, not just within the region but also all of South East Asia. Blessed with ample natural

resources, a flourishing tea industry and rapidly growing business districts, Guwahati is now counted amongst the most attractive investment destinations in India. With plenty of local tourist attractions and easy access to North East's natural beauty, the city is also a paradise for holidaymakers. We are certain that the opening of Novotel Guwahati GS Road will help in boosting the infrastructure for the domestic and international travellers alike. With construction in full swing, Novotel Shillong is set to open its doors to guests next year, further expanding and strengthening our presence in the region," said Lokesh Sabharwal, vice president – development and special projects, South Asia, AccorHotels.

Source: FHW



Room Freshener



300ml

180ml

Automatic Perfume Dispenser & Refills



Metered Aerosol Refills Fit All Standard Dispensers

Urinal Screen



Lemon

Spice Apple

Anti Bacterial Surface Protectant



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HOTEL DEVELOPMENT COST SURVEY

Hotels are capital intensive investments with long gestation periods. Developers must ensure quality planning and execution of a hotel project along with constant vigilance for compliance and an appropriate financing structure

HVS, the world's leading consulting and services organisation focused on the hotel, restaurant and leisure industries, shares the analysis and insights of the 2016 Hotel Development Cost Survey – India. The development cost is an important aspect of a hotel project

that determines its viability. HVS, over the years, has helped investors estimate the overall cost of developing a hospitality project as part of the multiple feasibility studies we have performed for varied asset types across all positioning. This survey endeavours to enhance the knowledge

and understanding of industry stakeholders on the subject based on actual development costs of recently opened hotels in India.

The report provides comprehensive benchmarks of hotel development costs across seven different market positioning based on a sample set of

180 hotels that have opened in India over the past six years, with the majority of hotels opening between 2011 and 2015. Besides highlighting an overall development cost for a particular positioning, we have also defined the profile of the hotels by key attributes such as total inventory, built-up area (BUA), number of food and beverage (F&B) outlets, meeting facilities, and so on. Further, we have provided a breakup of the development cost into categories including construction costs, mechanical, electric and plumbing (MEP) and furniture, fixtures and equipment (FF&E), soft cost, pre-opening cost and interest during construction (IDC). However, it may be noted that the survey results do not take into account effects of inflation, change in prices of essential commodities, and currency exchange rates, and instead reflects the development cost provided by the respondents as of the opening year of the hotel. We have researched and compiled information on various physical attributes and facilities mix of the hotels and careful attention has been paid to filter out anomalies, incomplete and questionable data. Also, since land cost may vary across locations and time periods, this survey does not take into account the land cost component while computing the total development cost.

This report is segregated into three parts: sample set and survey results; detailed analysis; and key insights.

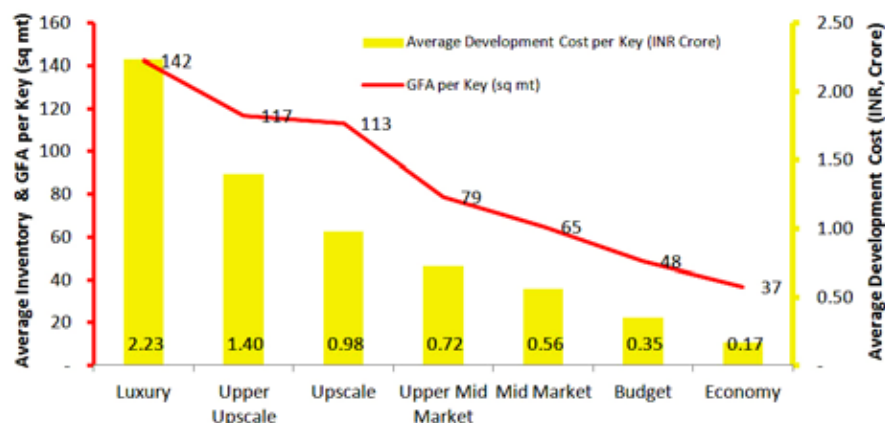
Sample Set and Survey Results

This section provides the profile of hotels surveyed as well as an overview of the development cost per key by positioning. The sample set represents 29,580 rooms situated across 57 cities in India, which is more than one quarter of the nation's branded/organised room inventory and close to 60% of the branded/organised room inventory that has opened in India over the last five years. Totally,

Branded Hotels (total rooms represented: 29,580)



Room Inventory by positioning



38 hotel companies are represented in the survey, with hotels across 78 sub-brands.

Here, we observe that the total development cost per square foot for Upscale hotels (Figure 9) is lower than that of Upper Mid Market hotels. This is primarily because of the larger incremental spaces in the former, which are not as expensive to build/furnish as rooms. Upscale hotels that were surveyed average 106% higher basement area and 152% more

meeting space than the sample set of Upper Mid Market Hotels, bringing down the total average cost per square foot in the former. Analysing further we note that although 17 of the 25 Upscale hotels with an average meeting space of less than 15,600 sq ft have a development cost of INR6,402 per square foot, and the sub set average is dragged down by eight hotels with over 15,600 sq ft of meeting space and a development cost of INR5,127 per sq ft. Thus, development costs must

not be evaluated on a per square foot basis only, but rather analysed alongside the facilities mix of the hotel.

Key Insights

The survey results while providing the overall development cost estimate for a positioning, highlight the need for an investor to be cognizant of the many variables that may influence it. Development costs may further vary by the facilities mix, overall built-up area, debt/interest levels and so on. From our analysis and experience in the industry, we highlight below some key insights for an investor.

Construction Tenure vs IDC

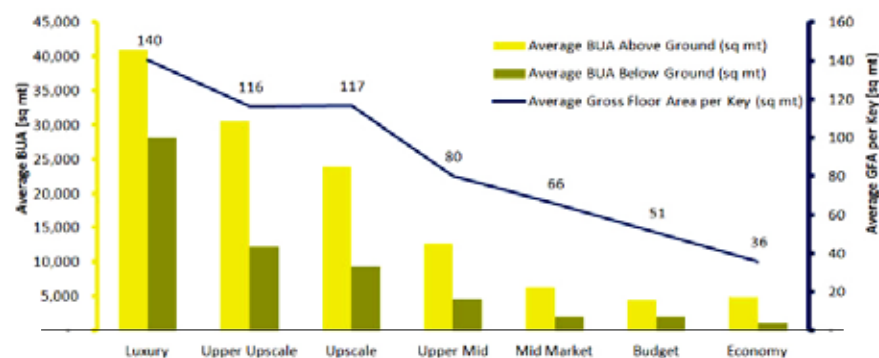
The Interest during Construction (IDC) on an average is approximately 15% of the total development cost of hotels in India, which is very high when compared to that in advanced hotel markets/countries. The reason lies in the relatively high lending rate and long construction tenure in India. Figure 10 highlights the correlation between long construction tenure and the higher IDC (as a % of the total development cost).

It is important to note that this trend is not a function of positioning (based on the assumption that hotels with a higher positioning have longer construction tenures). For instance, 14 of the 24 hotels in the 10% to 15% IDC contribution category were built in the Budget, Mid Market and Upper Mid Market segments that normally average an IDC contribution of less than 9%. Thus, the impact of compounded interest as a result of delays, poor financial planning and higher cost of debt – a phenomenon observed on multiple occasions in the last five years – must be avoided to retain the viability of the project.

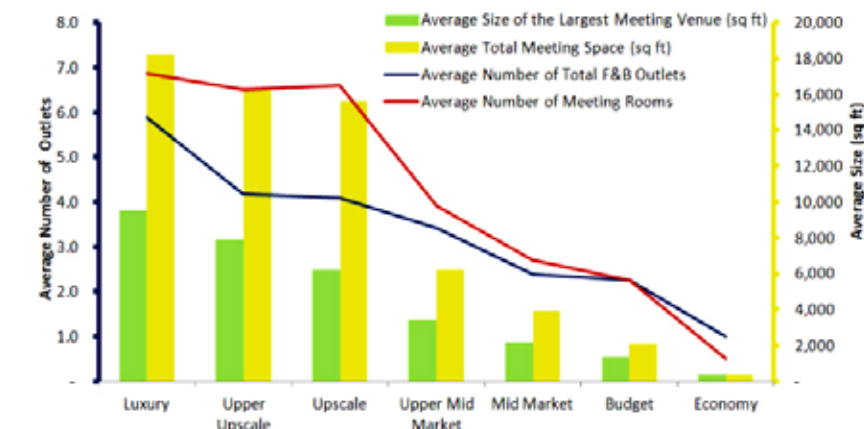
Government Licenses and Approvals

Acquiring licenses and approvals for a hotel project is a major obstacle in

Development cost by category



Key attributes of hotels across positioning



development of hotels in India. The Indian Hotel Owner's Survey 2016 revealed the need for ease of setting up and doing business and reducing the number of licenses and having a single window clearance to develop and operate hotels as two of the top five demands from the Indian government.

A developer in India typically invests a lot of time, money and effort obtaining licenses and approvals for a hotel project much before breaking ground, and in many states a hotel has to obtain approximately 100 licenses and

approvals before it can see the light of day. Unforeseen delays such as those experienced by hotels in Delhi Aerocity are a prime example of how lack of planning by authorities can lead to massive losses for developers and add to the development costs.

Lower Incremental Cost of Higher Inventory

An analysis of the development cost per key by inventory reveals that hotels with a higher inventory have a lower cost per key owing to efficiencies of scale. This is especially true for

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► Effective cost control and sensible facilities determine the success of a hotel

hotels built at a mid market or lower positioning. The difference in the development cost per key for a higher inventory (as represented in Figure 11) can be significant, and hence, the viability of developing higher inventory must be evaluated in context of the market conditions.

Not Just Rooms

The survey reveals that more than 60% of all hotels with Mid Market to Luxury positioning have an estimated rooms to total area (above ground) ratio of less than 50%. This means that more than half of the valuable floor space index (FSI) area is being utilised for building what was previously known to be the "ancillary and supporting functions/areas" of a hotel. Today, F&B outlets and meeting spaces form an integral part of hotel operations/revenue mix, and serve as important selection criteria for

guests. Thus, effective planning and efficient use of FSI areas is imperative and can go a long way in enhancing functionality and maximizing return on investment for a developer.

Architects and Project Management Companies (PMC)

Hotels, being a highly dynamic real estate asset class, pose a unique challenge on the design front. The job of an architect is especially difficult as he has to balance the need for high functionality and aesthetic appeal with a developer's vision and passion which oftentimes results in prohibitive over-spends. Equally challenging are the coordination and detailing that go along with the execution during the construction and furnishing phases (often requiring feedback, revision and rework). An experienced architect and PMC can make all the difference to not only the construction ten-

ure of a project but the overall product and guest experience. Developers must rely on experts with the requisite skills to manage the intricacies of building hotels, and thus add value by reducing the overall cost and enhance the life of the asset in the long run by leveraging on the architect and PMC's past experiences.

Highest and Best Use

Hotels entail huge investments that are expected to generate returns over decades, and investors must pay careful attention to the planning process to avoid delays and rework. An efficiently built functional hotel may not yield a good return if built with an inappropriate positioning having a facilities mix that is not in line with the current market conditions and forecasted trends. Hence, a careful assessment of the site, market trends and local bylaws must be made before determining the positioning and facilities mix of a hotel in order to ascertain the highest and best use of the real estate – highlighting the importance of a feasibility study.

In Closing

Hotels are capital intensive investments with long gestation periods. Even as the hospitality landscape in India explores the concept of hotels as part of mixed-used developments and combo-hotels with large meetings facilities, efficiencies in development of hotels through effective cost control and a sensible facilities mix will remain a quintessential ingredient in determining the success of a project. Thus, developers must ensure quality planning and execution of a hotel project along with constant vigilance for compliance and an appropriate financing structure.

Source: By Achin Khanna, Managing Director at HVS South Asia and Rishabh Thapar, Consulting & Valuation at HVS

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INCLUSIVE WORKPLACE

THE SPECIALLY ABLED HAPPY LOT

Some hospitality firms, like The Lemon Tree group, employs about hundreds of differently-abled people in the workforce. It has turned out more than a charity as these people have special skills not found in so-called normal workers



► **Mobility problems or other physical limitations don't restrict one from a desk jobmake physically disabled suitable for desk jobs**

WALK into any of their hotels and you will surely come out impressed. Not just because of the rooms or the food but because of a number of their specially-abled staff, who are amazingly courteous and precise at work. Several of their restaurant, housekeeping and coffee shop staff, never fail to impress guests, despite their lack of ability to speak or hear. People with Down syndrome can spread tables and smiles with equal expertise, which is why they are aptly called the 'happy people'. One of the staff, who does not have an arm is an impeccable part of the front desk, and there are many more similar success stories at the group.

The Indian hotel chain that was founded in September 2002, currently owns and operates 33 hotels in 21 cities and has 3500 employees, out of which about 13 per cent (500) are people with some physical or cogni-

tive disability (EWD) and about 14 per cent (530) are from the economically weak sections (EWS). With about 28 per cent of its workforce being opportunity deprived Indians (ODIs), the group is doing amazingly well as it plans to expand to 60 hotels across 30 major cities by 2019. With that, the goal is to take the number of ODIs to 45 per cent of the total headcount.

Amongst the 500 people with disabilities, the group employs about 350 people who are speech and hearing impaired (SHI), about a 100 who are orthopaedically handicapped (OH) and 14 with Down Syndrome. The group is also trying to include people with autism and vision impairment or very low vision and has already started working with a few of them.

For sourcing the specially abled and those from the EWS community, the company has partnered with various NGOs, such as the Noida Deaf Society and the Sai Swayam Society that deal

with SHI people; Efficor that works with the orthopaedic handicaps; Sarthak Educational Trust that works with people with different kinds of disabilities; Muskaan that deals with people with Down Syndrome; Tamanna, DSWSC, Youth for Jobs, Dialogue in the Dark, Blind People's Association and many more. It also works with Dr Reddy's Foundation, Pallavanjali and Vidya for sourcing people from the economically and socially weak sections.

Aradhana Lal, vice president, sustainability initiatives at The Lemon Tree Hotel Company says, "The group started in 2003 and the work on inclusion began in 2007. We began with speech and hearing impaired and for two years we completely focussed on that. Beginning with two to three people at one of our Gurgaon properties, we kept increasing the numbers by three to four in different cities as we kept growing and learning about how to engage with people with disabilities."



► People with intellectual disability can work wonders with jobs related to guest relations

Having people with disabilities as a part of the workforce in such significant numbers is not easy. Lal says, it takes a strong vision, support from the top management, meticulous planning, robust sensitisation and frequent reviews to engage with people with disabilities and integrate them into the workforce as the regular staff. “We are able to do it at this scale, as the efforts are a part of our business model strategy and not just a social experiment,” says Lal.

It is interesting to know that the entire staff at the Lemon Tree Hotels knows the Indian Sign Language, so much so, that it is a part of their performance reviews. For the staff, it is a way of life because without that even regular employees cannot be promoted to the supervisory or executive levels as they will not be able to communicate with the SHI employees who make a large part of the workforce. R. Hari, who is the GM-HR at the group

started a training for the new joiners nine years ago. Every new joiner at the group has to undergo a mandatory training, called ‘Expressions’, on Indian Sign Language, after which they are tested on the same, where it is compulsory to score at least 85 per cent.

‘Expressions’ is a four-hour training, for which the company has standardised training content which is disseminated every month across the company’s various locations, in partnership with local interpreters. This ensures that every new joiner undergoes the training within 10–15 days of the joining. The test post the training is held 3–7 days after the training to ensure that one gets to practise the skill with other colleagues in that gap.

“Whenever we bring in a new disability, we first have to run some trials and traineeships to see what happens. We take help from the NGO, because in cases of intellectual disability it

takes demonstration to help the managers and regular staff understand how to interact with the specially abled. We get special educators to be in the field, working with the manager, in the entire teaching process because there is a unique way to communicate with the people who have a different ability to think,” explains Lal. “We have a six-month traineeship for Down Syndrome and autism, both handled by different NGOs,” she adds.

The traineeship at times gets extended to eight months or more — maximum up to 12 months depending upon the performance of the candidates in the frequent reviews held during the traineeship. The parents of the candidate are also involved in the process. People with Down Syndrome and autism are hired based on their performance in the traineeship, which is a paid internship. People with SHIs are also trained for a week



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INCLUSIVE WORKPLACE



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to ten days. However, SHIs and OHs are hired directly.

During the six-month traineeship programme, the educator from the NGO spends 100 per cent of his time at the hotel, reducing it gradually, month over month till he reaches a stage when he has to visit only three to four times a month by the end of the programme. He only has to help with problem resolution by that time. The purpose of the traineeship is to get the specially-abled employees to integrate well within the staff.

Lal says, “The teams are highly integrated as our idea of inclusion is not a social experiment but a core HR strategy.” Also, since the specially abled and EWSs come from various backgrounds and have different skills, capabilities and educational backgrounds, the company has to do careful job mapping for each of them to help them fit into the roles that suit them best.

Census 2011 revealed that over 26.8 million people in India are Persons With Disability (PwD). However, less

than three per cent of PwD are gainfully employed compared with between one third and one half in the developed world. The group believes that persons with disabilities must be provided the same opportunities as others to realise their full potential and live with dignity.

Lal shares that “In the early stages, we inducted EwD only in back-end roles like kitchen stewarding and housekeeping, where direct guest interaction was minimal. Also, the focus was only on SHI employees. This gave us an opportunity to develop standard operating procedures and training modules in an iterative manner. Subsequently, we extended this initiative to guest contact areas such as our restaurants. Here, interaction with guests is an integral part of the job role. We then re-engineered the relevant service process to enable EwD to interact with guests.” Each SHI employee wears a card that says that they cannot speak or hear and would be happy to help if the guest

could write down their request, with which they present a notepad and pen to the guest who seeks help.

Lal adds that the productivity of the specially-abled staff is not only equal but sometimes higher than the regular staff. For instance, she shares, “The room boys in housekeeping can normally clean about 16 rooms whereas, a person with SHI does 19 rooms a day probably because they spend lesser time chatting while working. This implies that they are 15 per cent more productive than their colleagues and which company doesn’t want more productivity.”

An initiative of this nature and scale requires regular sensitisation of the entire team and brings its own share of challenges. The programme, ‘Expressions’, which is an integral part of the system ensures that employees now welcome their differently-abled colleagues. This sort of commitment also requires substantial investment in training and refresher modules to keep their skill and knowledge levels up to standard, since EwD are vulnerable to being left behind over time. The training formats need to be customised to their needs and the course material cum delivery systems need to be in tune with the specific requirements of such employees.

With a strong vision, the right partnerships, support from the management and the NGOs, and with effective sensitisation programmes, the inclusion of specially-abled and ODIs has worked wonders not only for the company but for the people employed themselves. Taking the idea beyond just The Lemon Tree Group Company, now the group is also working with the Skill Council for Persons with Disability (SCPwD) and the National Skill Development Corporation (NSDC), under the ‘Skill India’ initiative to develop training material to train people with disabilities for various jobs.

Source: HR Katha

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HIGHWAY LIQUOR BAN MAY HIT 1 MILLION JOBS

Attorney General Mukul Rohatgi and Niti Aayog head Amitabh Kant's voices get drowned as the apex court firmly decide to impose blanket ban on serving liquor near highways. Let's measure the impact of this decision across India



STUNNED by the Supreme Court (SC) announcement on not exempting hotels

and restaurants from a ban on liquor vends within 500 metres of national and state highways from April 1, the hospitality industry estimates that about 1 million employees could be hit by the order.

The apex court virtually overruled Attorney General Mukul Rohatgi's plea to relook at the order and a rectification of the December 15 order as the "budget of the states will go for a six".

The SC on March 31 ruled that its December order on banning liquor vends across national and state highways is also applicable to hotels and restaurants.

Meanwhile, Niti Aayog Chairman Amitabh Kant Meanwhile, Kant responding to a news that 1 million jobs will be hit following the SC verdict, wrote on Twitter: "Tourism creates jobs. Why kill it? Supreme Court's highway liquor ban verdict may hit 1 million jobs..."

According to an estimate by the Federation of Hotels and Restaurant Associations of India, estimated that about 2,000 hotels and more than 10,000 restaurants across segments could be affected by the ban in just Maharashtra. It's shocking for an industry that pegs the loss of revenue to about 40%. The incidental losses will lead to retrenchment and the loss of employment could be about 1 million.

Even marquee hotels like the Trident and Leela and properties like Cyber Hub which are in close proximity to the highway are likely to be hit by the ban in DelhiNCR.

The only silver lining: SC has modified its order, reducing the distance from 500 metres to 220 metres in areas having a population of up to 20,000.

Let's have a look how the liquor ban is going to hit states across India:

Andhra Pradesh & Telengana

Liquor shops along the highways in Telangana and Andhra Pradesh functioned normally on Saturday despite of the Supreme Court ban as licences are valid till September 30 and June 30, respectively in both states.



► Over 2,000 hotels and 10,000 restaurants could be affected by the ban

As the Supreme Court modified its direction on Friday, stating that the existing licences will be valid till September 30, both Telangana and Andhra Pradesh governments won't ask liquor shops on highways to close down or shift immediately.

In Telangana, there are 1,040 liquor shops on highways. About 500 of these shops are on NH-65 and NH-44, and depending on the location, owners paid Rs 30 lakh to Rs 1.10 crore for licences.

Excise and police officials are conducting checks at restaurants which have bars attached to discourage them from serving liquor. Action will be taken if they violate the guidelines.

Karnataka

With the existing liquor licences be-

ing valid till June 30, liquor outlets on the highways in Karnataka have around three months to move to locations outside highway zones to be considered for renewal of their licences.

Out of the 10,149 liquor licences issued by the Karnataka Excise Department for liquor stores, bars and hotels, as many as 5,950 licences are with the outlets located within 500 metres of highways — 2,510 wine shops, 1,599 bars, 219 star hotels and 173 clubs.

The number will be fewer if a distance of 220 metres is taken in areas with a population that is less than 20,000. The Supreme Court had modified its liquor ban order, reducing the distance to 220 metres in areas having a population of up to 20,000.

Haryana

The Haryana government is likely to lose annual revenue of Rs 100 crore as the state has to close 40 per cent of the total 478 bars located in hotels and restaurants in the state. Most of the bars licensed in Haryana are situated near the highways. 194 bars won't be allowed to serve liquor.

Loss to the state exchequer would be Rs 100 crore plus because of closure of the bars. Bars can be relocated but it's not easy for the big hotels to move from the current locations. But the state government seems relaxed on the issue of liquor vends as it had already made a point in its excise policy that the liquor vends won't be allowed within 500 metres of the highways.

Punjab

Punjab Excise department has suspended the licences of about 2500 liquor outlets across the state. Sources said the permits of serving liquor to all such establishments on state and national highways stand cancelled. The state had about 1,200 hotels within 500 metres and the rest were other outlets. Over 10,000 outlets, including 3,000 wedding venues, have been affected.

West Bengal

West Bengal has about 1,800 off-shops within 500 metres of highways, generating a total of over Rs 1,000 crore in revenue for the state, said the state Excise Department. An 'off shop' is essentially a retail outlet that just sells liquor.

Last week, the government attempted to preserve its excise revenue by tweaking its liquor licensing policy, by turning off-shops located within 500 metre from the highways into sit-and-drink outlets — a move that the government claimed was within the realm of the SC order. However, the apex court's clarification has now blocked this escape route.

An excise department official said, "We are following SC's orders and all shops, restaurants and bars that were within the purview of the order have been shut down."

The government has targeted excise revenue of Rs 4,778 crore in 2016-17. Officials said the state was on course to achieve the target. In 2017-18, the government has budgeted excise collections of Rs 5,781.38 crore.

Maharashtra

Nearly 15,699 liquor outlets shut down in Maharashtra in compliance with the apex court's order. While retail outlets had to shut shop, permit rooms, clubs and hotels had to

stop serving liquor.

According to some analysts, Maharashtra has a 12-14 per cent share of the total liquor market. The industry contributes nearly Rs 13,000 crore as revenue in the form of excise through the 25,513 liquor vending licences in the state.

Of these, nearly 15,699 licences lie within the 500 metre distance from highways. Interestingly, the state government, which fears a loss of Rs 7,000 crore in revenue because of the move, has found a novel way to skirt the ban. In Jalgaon, the government on Friday decided to hand over nearly 20 km of highway to the Jalgaon Municipal Corporation. The move meant that these highways were denotified as city roads to be maintained by the Corporation, which will allow liquor

outlets to continue operations on these roads.

The Pune Association of Hoteliers and Restaurants, meanwhile, blamed the state and municipal authorities for failing to denotify old highways which are in the heart of the city and have been replaced by new highways bypassing the cities. Hotel owners are now planning to move the Supreme Court with a review petition seeking a remedy of the order.

Kerala

Around 1,700 liquor vends were forced to shut down in Kerala. Besides, state-run liquor retailers, Bevco and Consumerfed, will now have to relocate 148 outlets from highways out of their 311 shops.

Kerala Excise Minister G Sudha-



► Logically the ban applies to only retail shops and vends, not hotels and bars



► Highway liquor ban will put an end to the 'one for the road' practice among the youth

karan said: “We are in the process of relocating state-run retail outlets to comply with the SC order. The resistance from locals in places identified for relocation has delayed the process. In case of beer and wine parlours identified for closure, the Excise Department is in the process of sealing the remaining stocks.”

Of 5,100 toddy shops, 1,080 are located on the highways. Out of 30 five-star category hotels, 11 have had to suspend liquor bar operations. Among the state’s 34 clubs, 18 cannot operate bars as per the Supreme Court directive.

Kerala Finance Minister Thomas Isaac said the decision would impact state’s revenue. A rough estimate showed that the state would lose a revenue of Rs 2,200 crore, he said.

“In 2015, when the government banned liquor sale in bars, we had converted them into beer parlours. Without beer business, these hotels would not get any business,” said Kerala Beer and Wine Parlours Association president Raj Kumar Unni, adding that the 5000 jobs are likely to be hit in wake of the latest ban.

Gujarat

The Gujarat home department has instructed the state’s prohibition department to ‘temporarily’ shut such wine shops operating on highways in the state.

A dry state, there were reported to be 56 licensed liquor shops in Gujarat, of which 12 are on highways. On instruction from the home department, the Director

of Prohibition and Excise Department B K Kumar said that officers had been instructed to shut down wine shops operating on highways temporarily.

Kumar said, “For now, we have asked various Superintendents to temporarily close the wine shops doing retail sale. Based on inputs from the legal department which are awaited by the home department, we may also shut wine shops on highways down permanently... In Ahmedabad close to three hotels located on highways including Novotel, TGB and The Ramada have wine shops.”

Tejus Jose, general manager of Novotel Hotel in Ahmedabad, said that while the hotel was awaiting directives on what to do, it was also getting a legal opinion

to get more clarity.

Jharkhand

Officials claimed that there were no liquor vends open along the highways beginning Saturday, and a consolidated report would be prepared over the next couple of days.

“It’s a Supreme Court order. We are following it. Various factors arising out of it are being considered and we will prepare a consolidated report,” said Excise Secretary Avinash Kumar.

Of the total 1,432 liquor shops, the state Excise Department has identified at least 670 shops that fall within 500 metres of the highways.

“As of today all the liquor shops on the highways are closed. Either the operators have closed it on their own or we have sealed them,” said another Excise official.

With the Jharkhand government planning to enter retail liquor business, over 500 retail liquor vendors have not got their licences extended till August.

Odisha

There was an unexpected event in Odisha’s Nuapada following Supreme Court’s ban on liquor shops or bars within 500 meters of national highways. When some shops moved away from the highways and relocated in a residential area local mobs barged into the shops and ransacked them before setting fire to them.

What happened in Nuapada is of course not something new. From Mayurbhanj to Malkangiri, the scene that one saw in Nuapada has been played over and over again in the last few years. Exasperated at an impervious administration, the local com-

munities – especially the women among them – have repeatedly taken law unto their hands and ransacked liquor shops, both legal and illegal.

This is an unintended consequence of the ill-conceived Supreme Court decision. Reports have been pouring in from all over the state that in the aftermath of the ban, liquor shops have started straying into residential areas in most places. Things cannot be very different in other states. The ban imposed to discourage drunken drinking on national highways has thus unwittingly created the risk of creating more drunkards in villages unfortunate enough to be located close to the NHs. Already battling the liquor menace in the vicinity, villagers would now have an additional problem on their hands.

The government has targeted excise revenue of Rs 4,778 crore in 2016-17. A majority of this is generated from bars and restaurants. The state was on course to achieve the target. In 2017-18, the West Bengal Government has budgeted excise collections of Rs 5,781.38 crore.

Assam

A day after the Supreme Court stayed the ban on wine shops and bars along National and State highways, the State’s Excise department today directed the Deputy Commissioners and Superintendents of Excise to ensure strict compliance of the ruling.

“All wine shops within 500 metres from highways will remain closed from April 1, 2017. You are requested to take necessary action to ensure strict compliance of the SC order,” the Excise department said in the directive.

However, areas under urban local bodies where population is less than 20,000, the limit of 500 metres has been reduced to 220 metres.

The SC has also said no sign-board of alcohol advertisements should be visible from highway.

There are 1,266 wine shops and of them, 598 are within 500 metres of either National or State Highway. Altogether 380 of the 769 bars in the State fall in this category.

Sources in the Excise department said most of the liquor shops and bars have applied for shifting to a location beyond 500 metre from the highway.

The Excise department has directed the officials concerned to expedite the shifting so that there is no loss of revenue.

In Kamrup metro, 47 wine shops and 15 bars which fall within 500 metres from the highway have been closed down, administration officials said.

In Guwahati and Kamrup area alone, there are 82 outlets - 63 wine shops and 18 bars – which fall within 500 metres from the highway.

The licenses of those shops which do not shift will not be renewed.



BANK LOANS

BAD DEBT DILEMMA

The Reserve Bank of India (RBI) has strictly instructed banks to clear the mess over non-performing assets (NPA) across all sectors. There is no clear data on defaulting borrowers in the hotel sector, yet the situation seems quite alarming

GROSS bad loans of public sector banks in India touched Rs 4.76 lakh crore in March 2016 and by the end of the current financial year the gross non-performing ratio for public sector banks is expected to rise to over 10.1 per cent. Although liquor baron Vijay Mallya, has been the 'poster boy' for defaulting loans for his airline company, Kingfisher and his businesses owe an estimated INR 7,500 crore to Indian banks, he is one among hundreds—it is just the tip of the iceberg. In fact bad loans of many public sector banks are more than their net worth, threatening their own existence.

While the political leadership of the country as well as the regulator is on the job to contain the bad loans and strengthening the financial base of the banking system in the country, there is still no clarity on the modus operandi. Any knee jerk reaction on the issue could lead to a disastrous long-term impact. It is still not clear whether there will be a major surgery as the RBI Governor himself prescribed at one point of time, or a minor clinical correction. But the message was loud and clear – keep the Non-Performing Assets (NPA) norms constant, without stretching them.

NPA in Hospitality sector:

Although the NPA problem in the hotel sector is not as grave as in many other sectors, like mining, infrastructure, chemicals, textiles, metals and engineering that contribute to a huge chunk of bad loans, things are not as rosy as it seems on the surface even in the hotel sector. The reason, as in many other sectors of the economy, is both identical, but at the same time different. One is, of course, the unprecedented supply growth in the last few years. By rough estimates, the country has added almost a lakh rooms into its organised sector over the last decade, and a vast majority in the last five years. While the proj-

ects were planned and designed at the height of economic boom and the room rates were really promising, the market dynamics turned topsy-turvy as the execution really happened and started operations. In the changed market scenario, the asset was not giving returns at the expected levels to service the debt, resulting in repayment problems with the banks.

According to some experts, it is the upscale and upper upscale hotels that are largely in the block of NPA. Giving a guesstimate of the NPA value in the hospitality sector, they say that the banks have lent approximately INR 35,000 crore to the hotel sector as loans over the last five years, out of which nearly Rs 9,000 crore is under stress currently, that comes to around 26% of the total loans. The asset was supposed to generate an ARR of around INR 12,000 when it was envisaged. But market conditions changed when it was actually started operations. Rates have come down to Rs 8,000. With low EBITA margins, servicing the loans become difficult for owners.

Giving a guesstimate of the NPA value in the hospitality sector, the banks have lent approximately Rs 35,000 crore to the hotel sector as loans over the last five years, out of which nearly Rs 9,000 crore is under stress currently

With the hospitality sector having seen a persistent down cycle over the last almost eight years, several hotel projects are unable to meet their debt servicing obligations and have either become NPA's or are at the threshold of becoming NPA's, confirmed Mandeep S Lamba, Managing Director-India (Hotels & Hospitality Group), Jones Lang LaSalle Property Consultants India to Hospitality Biz India. Also with lending rates upwards of 12 to 13 per cent with short repayment tenures, hospitality loans are far more stressed than the sector merits. A large part of the problem is also due to inflated DSR's which are being shown on paper, but are actually unrealistic, said Lamba.

The situation of overdue debt service obligations for hotels is quite severe because hotels have been built at higher cost because of high land cost, brand specifications, additions to facilities due to owners desires, improper buying and costing and long approval / development cycle, etc. The financial position of hotel projects that have completed in the last couple of years is extremely bad, says one expert.

Further, there are several projects which have been held up and have got overdue loans with continuously accruing interest. The situation has caused banks to be very cautious about lending to the hotel sector. One expert said, "It was greed of the hotel developers along with poor development, operational and financial know how of the industry that resulted in current situation. We expect this distress to continue in spite of visible signs of improvement in occupancy and room rates." It is a great concern for all those who are involved in Hotel Development. Companies constantly gets to feel the pressure from the sellers of hotel properties. The recession has affected almost all developers of Hotel projects.

While conceding that financial



► Hotel investments are capital intensive and have a long gestation period

stress in the industry is a reality, the financing institutions are not as panicky when it comes to bad loans in the hotel sector, since the asset is a hard-core real estate and in normal circumstances an appreciating one.

The hotel investments by nature are prone to slip into debt trap if projects are not handled prudently. Hotel investments are capital intensive and at the same time have long gestation period. It is therefore important that the promoters have enough funds in hand to inject into the asset in the initial stages, especially when the market conditions are unfavourable. Hotel business is cyclical and therefore need to be approached with a long-

term view, according to experts.

Last five years have been really tough for all businesses because of both global and domestic factors. Therefore a number of hotels which have come up during this period have got into the financial cobweb.

What are the different avenues available for owners in such cases? There are couple of options available for asset owners, say experts. They can either exit through outright sale or can do the asset restructuring. But in either case, the timing is important. "In most cases the debt liabilities get so inflated because of accumulated interest and banks not willing to take hair cuts. With the current slow down

in the performance of hotels, owners must be willing to exit at a loss to their initial investment or if they are lucky without any upside which Indian owners are reluctant to do. This results in further stress on the asset for those who do not have the holding capacity to see a turnaround or are unable to bring fresh equity infusion to reduce the debt burden," opines Lamba of JLL.

Viable solution is to opt for equity participation with any local or international partners to mitigate the exposure to the bank. Many national or international operators are willing to lend money as a soft loan to complete the project.

There is also an increasing trend of affected hotels opting debt restructuring or equity dilution. There are cases, where such owners are also liquidating their personal assets to retain controlling stakes in the hotel. Private equity is also an option but not widely used due to disparity in the expected and offered valuation and being a short term relief only.

But there is no single instrument that can bail out all distressed owners. Hospitality is a capital intensive sector and is starved of institutional equity capital. The only way to resolve the current situation is to invest more equity in the sector. However in the long run it is pertinent for cost of capital to get rationalised to ensure sustainable growth of this sector.

The real remedy, however, has to come from the banking system. The theoretical avenues are several including the option of putting in more equity. But a sensible solution would be for the banking system to recognise that the NPA problem is substantially self created by insisting upon loan repayment schedules over a shorter timeframe. It must be recognised and accepted that hotel cash flows do not genuinely support loan repayments over 6-8 years, except in some stray cases. This is particularly so when in-

terest rates are at 12-15 per cent.

Asset Restructuring:

Asset restructuring has picked up momentum in India in the last couple of years, with lenders adopting liberal norms to work with Asset Restructuring Companies (ARCs) to de-stress assets which were either declared NPAs or prospective NPAs, across sectors. There have been few successes in the hotel sector as well. While new investments in the sector have more or less dried up in the last couple of years, it was asset transactions that kept the financial market moving. Leela Hotel Ventures finding an investor for their Goa resort property as part of their strategic asset restructuring process was one of the successful deals in the sector. Most successful in this context was SAMHI Hotels which bought hotels in Ahmedabad, Pune, Vizag, etc. taking advantage of the market opportunities. However, what complicated the matters and made investors jittery was the deal that ITC Hotels stuck with the lenders of Park Hyatt Goa property owned by Blue Coast Hotels. Even after the asset was put on public auction under Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, the lender, IFCL, couldn't proceed and hand over the asset to the highest bidder, ITC Hotels, as the owners moved the court and obtained a stay.

Therefore, how easy is asset restructuring in the hotel sector becomes a relevant question. Not many ARCs have come forward to invest in the sector so far. Explaining the Asset Restructuring process, an expert said, "The banker has the option to sell the loan portfolio to ARCs at a certain value. It can be at the book value, or at a discount or at a premium. The ARC has to pay 15% upfront with the banker and balance 85% as security receipts redeemable over a period of five years, further extendable for

another three years." But investor has to find the viability and return on investment (RoI) for the restructuring to take place. Because, unlike promoters, who base their valuation on the asset value, investment companies look primarily on the earning potential of the asset. "As of now there is a gap. There will not be many transactions of distressed assets unless economy picks up," he said.

Despite having a large number of distressed assets in the Indian hospitality landscape, there haven't been many transactions in the sector. Of course, there were few in the last two to three years. Giving reasons, one expert said, "Unfortunately, owners of these distressed assets are not valuing their assets properly. Therefore, many of them are not able to find-

buyers. No buyer is going to buy an asset at a value where he doesn't see return of investment." Financially diligent investors won't buy a property just because it is available for sale at a value which is not viable, he added. "Having said that, there are investors who buy properties for a trophy or for the sake of branding," he added.

Right valuation:

While asset transactions are quite normal and frequent in the international market, Indian investors are yet to come to terms with the international trends. There is lot of prestige and ego attached with assets amongst Indian owners. Holding on to assets in the expectation of higher valuations push the promoters and owners to deeper troubles with lenders. Howev-



► Strategic asset restructuring has helped some of the hotels come out of bad loan quagmire



► **Leela Hotel Ventures found an investor for their Goa resort property as part of their strategic asset restructuring process**

er, there has been some moderations coming into valuation of assets if the recent deals in the sector are anything to be believed. However, the opinion is still divided on the issue.

Valuations are always a tricky subject with divergent expectation of seller and buyers, says an expert. “Sellers must realise that inflated expectations may delay the transaction to a point where banking dues have mounted to a level at which there is no residual left for the equity shareholders whatsoever. Timely transactions may help get better onetime settlements with bank, particularly regarding unrecognised interest income. Once the situation goes to ARC, the scope for arriving at settlements reduces particularly when asset sales are to be

implemented,” he cautioned.

Commenting on the same, he said, “Hotel assets cannot be built by short-term capital that is looking for quick exit and a high IRR. This means that in the long-term hotel valuation will be determined by asset yield and cost of capital available for this sector. However, hotel owners are still looking to make returns on their capital in spite of visible distress. We believe this situation will change and hotel valuation will start correcting as banks and ARC will start putting pressure on the hotels owners to retire their debt by exiting the asset.”

Although some moderation has come into the valuation, is not uniform, says Lamba. “There is some maturity and moderation we could see

after many stories about bad loans are being circulated in the media. There is a realisation that hotel projects and hotel properties are meant for companies or individuals who have larger capacity to sustain or who have cash flow from other avenues,” he said.

The market has just started looking up with occupancies crossing the 60% threshold after a four-year wait, and rates are also expected to gather steam if the major infrastructure projects of the government like 100 Smart Cities pick up momentum. Therefore, for promoters who can afford to buy time, it is advisable to hold on for one more year, if they are looking for better valuation.

Source: Hospitality Biz India



EVENTS

GRAB THE MICE PIE

Meetings, Incentives, Conferences, Exhibitions (MICE) is a fast growing travel segment. India can increase its share considerably in this area to improve the country's identity at the global marketplace



► A convention hotel is designed for the purpose of conducting large scale seminars

As Prime Minister Narendra Modi's government is getting ready to celebrate its achievements during its three years in office, the tourism sector, especially MICE (meetings, incentives, conventions and exhibitions) segment has a good reason to rejoice. India recently moved up to occupy the 31st position in the recent list of global ranking published by ICCA (International Congress and Convention Association) from 35th rank in 2014 globally. Chennai is also among the major cities that had hosted major events.

Last year, ICCA had placed India at the 35th position in the worldwide

rankings and ninth position in the Asia Pacific region. Delhi, Hyderabad, Mumbai, Bengaluru, Chennai, Kolkata, Goa, Chandigarh, Jaipur and Cochin were the major cities that hosted the events.

As per industry estimates the global MICE market supports 4,00,000 conferences and exhibitions worldwide, making it an annual US \$280 – 300 billion market.

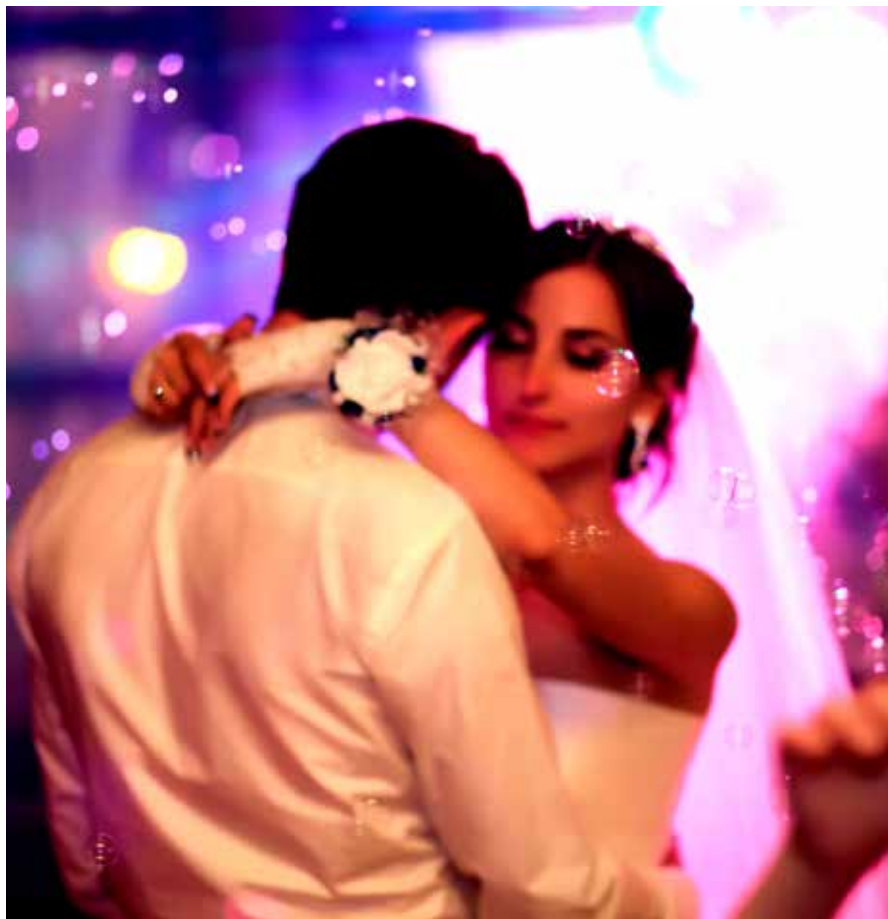
The Asian market however accounts for US \$ 60 billion market, but is growing at a significant rate of 38 % since 2006 while India accounts for a mere 0.5-1 per cent of the total market with current ICCA rankings hov-

ering around 28th globally.

The Centre has set a target to achieve 2 per cent of the global MICE market share by 2025.

Today, countries all over the world are putting their best foot forward to develop the MICE industry as a means to enliven national economic development. The MICE industry is considered to be a 21st century goldmine by many.

India was not able to leverage the global MICE pie for many years because of shortcomings in the infrastructure front. The country was lagging behind in terms of convention and exhibition facilities, air con-



► **Some MICE hotels are ideal for events planning from corporate meetings to wedding ceremonies**

nectivity and capacities, shortage of accommodation facilities and affordability, etc. However, there has been a phenomenal improvement on all these fronts in the last few years in all these areas, which has catapulted India into the reckoning for international MICE.

These rankings are definitely going to look up in the coming years with the kind of focus the governments are giving to infrastructural development in the country. The country has already set up world class airports in all the key metros and Tier II cities in the country. The government has come out with specific supportive policies

to augment investments in convention venues in the last couple of years by including them in the harmonized list of infrastructure funding. Besides gateway cities of Mumbai, Delhi, Bengaluru, Hyderabad, Kolkata, secondary cities like Kochi, Jaipur, Udaipur, Guwahati, Bhubaneswar etc. has also have come up as MICE destinations in the last few years, combining the leisure potential these destinations offer to groups.

Unlike leisure hotels, MICE hotels largely differ in their overall design, size and magnitude, and service characteristics. It is not the convention space or banquet space alone that de-

termines character of a MICE hotel. Many design parameters have to fall in place to call a hotel a MICE hotel. A convention hotel is a building or group of buildings designed, in most cases, for the purpose of conducting large scale seminars, various activities of PR, Marketing, institutional meetings, display, exhibitions etc.

When it comes to designing, the convention hotel needs more spacious area than normal leisure hotels, the lobby design for a convention should be more spacious because people come in large numbers to attend events at a time and it might be used for an entire day. It can be used for multiple things, like for registration, information; lounge and so on. In comparison to leisure hotels, the lobbies of convention hotels can be simple and easy to use; they need not to be decorative as other leisure hotels.

There should be a separate lobby / main entrance for the convention centre/ function halls. This should be planned to cater to large groups of persons gathering at the entrance lobby / foyer. The foyer design should be grand as this is the first impression of the guest. High ceilings and marble flooring are preferred to create that impact. Functional and practical requirements need to be a priority. Planning of good pre-function spaces for ease of movement of people and laying of buffet etc. There should be ample toilets, tucked away yet not very far from the main halls. Planning of service has to be thought through by the facility planner in co-ordination of the Design Consultant i.e. access into halls or to pre-function so that service can be efficient.

The way we handle our MICE business is by creating an environment which is corporate friendly, Gen X oriented and allows ease of doing business. The new age corporate traveler is young, smart and aware, while they travel they require amenities to resume business of the day from the



► Outdoor convention spaces can be designed exquisitely

comfort of their room, thus Wi-Fi, in-room workstations, fully equipped business centers are important.

Renaissance Mumbai Convention Centre is one of the largest convention centre in the city. The hotel offers an expansive spread of 230,000 sq.ft. Indoor and outdoor convention space. The hotel has 17 meeting rooms with dimensions ranging from 300sq. ft to 13000sq.ft and outdoor spaces ranging from 5000sq.ft to 38000sq.ft. The convention centre is complimented with state-of-the art conference facilities including WiFi and a fully equipped business centre.

At Novotel Hyderabad Convention Centre, we offer a unique combination of 287 rooms, which provide modern comfort, a unique feeling of spaciousness and contemporary décor. The hotel is interconnected to Hyderabad International Convention Centre. HICC has a massive internal hall, which is an architectural wonder 6480 sqm. of pillar-less space that can accommodate 5000 delegate plenary and can be portioned into 6 smaller halls.

The design features of the hotel reflect its quiet and unobtrusive luxury, in minute details. A 24,000 sq ft pillar-less ballroom space, along with 5 smaller studio spaces make up for the meetings & convention centre, due to which our hotel can host meetings for 50 people and going up to 1500 people as well. The height of the ballroom and exhibition foyers too are a positive feature as a number of banquet setup styles can be used due to this.

Jaypee Palace Agra has large pillar less meeting spaces combined with excellent outdoor Venues to take up to 1500 persons. Our Meeting rooms are away from the Residential Area of the Hotel. The convention hall with a built-in stage, green room, an exceptionally large pre-function area and a seating capacity of 1500 in theatre style, is one of the biggest facilities in this part of the country. The elegant Business Centre is expansive and uncluttered, creating a professional yet relaxed environment for delegates to conduct serious business.

To achieve a great MICE hotel, the planning stage is very important in

which all consultants co-coordinate before the plans are frozen. Input from Operator is also critical for which the marketing feasibility should be done in advance.

Nowadays the traditional 'board-room-style' space is being replaced by an innovative approach where huge outdoor meeting spaces, smaller cozy nooks for limited gatherings and different kinds of seating are being requested. The focus is on creating conducive settings and it is no more a surprising sight to see delegates assembled around a campfire or at a bar.

Rooms, F&B facilities, etc. are also needed to be designed to cater to demands and tastes of numerous kinds of guests drawn from different parts of the world in convention hotels. The in-room facilities at a MICE hotel need not be of a hi-end leisure hotel, assuming more guest occupants would be there for the convention there should be more twin bed configurations and the bathrooms should have privacy option and not be open bathrooms in this case. Another dif-



► **F&B facilities need to be designed to cater to demands and tastes of guests drawn from across the world**

ference would be to have a 'female only floor' at a convention hotel or huddle areas at different floors near lift lobby or in areas of hotels for guests who may wish to have discussions in smaller groups after the conference is over. Sufficient and separate lifts for guest rooms so as not to crowd the hotel guest's lift, she opines.

What determines Convention space-Room Ratio in a location

Internationally, there are hotels which offer meeting convention and exhibition spaces and guest rooms in one single unit, and there are hotels which function as a supporting entity along side a large exhibition or convention facility. Marina Bay Sands in Singapore is one of its kind development with meetings

and exhibitions space spread in 1.3 million sq.ft in five floors, and over 2,000 guest rooms spread in three towers. However, India is yet to see such mammoth developments in the MICE space. One needs to keep in view the infrastructure investment and development in the location by corporates and government alike, new projects coming up in next 10/20 years, promotional efforts by the state/city to bring in business to the city. Another important aspect is the infrastructure in getting to the city from local and international locations.

In a MICE hotel, the rooms' inventory is decided keeping in mind the percentage of business expected to come in through that segment. Therefore, a calculation, of the num-

ber of rooms to convention center space and the location plays an integral part in determining this ratio.

The Ashok New Delhi was the first convention hotel in independent India. However, with the economic liberalisation and opening up of the economy for private investments, both foreign and domestic, towards the end of the last century witnessed a major corporate boom in the country. A major shift from leisure to business hotels happened over the years, especially in gateway cities. Over the years, business and MICE have become the mainstay of Indian hotels. In the recent years India has emerged as one of the most sought after MICE destination. We have seen demand from International markets for India as a destination which people want to explore. The last 24 months have seen a growth in the sector and the markets like Hyderabad, Delhi and Mumbai have shown consistent business improvement.

Jaypee Palace Hotel & Convention Centre in Agra is a major centre for destination weddings and international meetings and conferences. Destination weddings and Meetings are the growing trends in India, and Agra has been the much sought after destination for dream weddings due to the Taj Mahal. The property with its sheer size offers venues that city hotels can only wish for and this is definitely the factor that stands apart when event managers and organizers meet us.

MICE business is a vital pillar of any business hotel. MICE is a segment that not even leisure hotels can afford to overlook. The MICE industry in India is still at a nascent stage but very personalised, unlike globally, where it is very functional but lacking warmth. Technologically, Indian hospitality industry offers best and second to none and this is a trend that will ensure great growth and happy MICE travellers.



► HVAC systems for hotels can vary from room/split air-conditioners to variable refrigerant flow systems

HVAC

Need for intelligent solutions

Since heating, ventilation and air-conditioning involves a huge energy cost, it has become increasingly important for senior managers to contain this overhead without impacting service delivery

A comfortable and welcoming environment is integral to a hotel, and that's irrespective of which segment a property is positioned in or its size. As a result, heating, ventilation and air-conditioning (HVAC), the mechanism that delivers a conducive environment in a hotel, plays a key role. And as a hotel has a number of sections, starting from the lobby to restaurants, meeting spaces, wellness areas along with guest rooms on higher floors, maintaining the right atmosphere can be a challenge.

HVAC systems for hotels can vary from room/split air-conditioners in small hotels to variable refrigerant flow (VRF) systems or screw chillers in medium to large hotels. Ducted splits are also used for restaurants and banquet halls in smaller hotels. In addition, hotels are increasingly using indoor air quality (IAQ) systems for maintaining superior air quality, and ultra violet (UV) lamps for keeping the AHU coils clean and free of microbes along with installing sewage treatment plant (STP) and kitchen exhaust air deodorisation systems.

Key distinction: While a controlled environment is critical for many industries, the hospitality industry has its distinct characteristics, and the variability quotient is quite high. In a hotel, all rooms are not occupied at a given time, similarly, meeting spaces and banquets are not used all the time. Therefore, the HVAC system needs to be efficient to handle both peak loads and minimal usage. "Occupancies in a hotel are variable. As a result, the system should be capable to deliver efficiency in all conditions – peak, average, and low capacities," said, Vice President and Business Head – Climate Solutions of (India Region), a leading air-conditioning company.

According to him, flexibility and reliability are quite important in a "closed environment," like a hotel. He also pointed out that in a hotel, the

In the hotel industry, around 60 per cent of electricity cost goes toward HVAC. The small savings in various HVAC units can bring substantial energy savings in totality and gets added directly to the bottomline

system should also respond quickly, when a customer checks-in. The room temperature should turn cozy as soon as he settles down after inserting his key card to the dedicated slot, he added.

Providing an energy efficient HVAC solutions is complex, considering various factors involved such as number of guests, type of guests (business or leisure), geographical location and climatic conditions. "The load on HVAC is varying in nature and it is not constant, as required for other process industry. As the main objective of HVAC is to provide comfort cooling/heating, there is ample scope for utilising the natural resources to reduce the electrical energy," he stated.

Striking a similar view, Director of Strategy and Business Development of a leading electronic company, said, "Guest room energy consumption accounts for 40 to 80 per cent of total energy use across the hospitality industry. Hotels spend as much as 30 per cent of unneeded costs per room each year on guest room energy use for 'rented but unoccupied rooms.' If

room comfort levels aren't adjusted during these 'away' hours, a considerable amount of energy waste can occur. By leveraging smart systems, hotel operators can factor such behaviour patterns into guest room energy management."

Soaring energy costs

Hotels consume energy for HVAC operations, lighting, cooking and other miscellaneous power requirements. A sizable portion of electricity utilised in a property, approximately one-half is consumed by utilities like refrigeration and air-conditioning alone. In a highly competitive business environment with hotel rates broadly stagnant and on the other hand, input costs including energy cost increasing day by day, it has become important for the management of a property to contain operational costs and improve profitability.

It's no surprise that in this era of cut-throat competition, a key mantra has emerged - 'saving is earning'. "In the hotel industry, a large portion (around 60 per cent) of electricity cost goes toward HVAC. Hence, it becomes of utmost importance to save the electricity wherever possible in HVAC applications. The small savings in various HVAC units can bring substantial energy savings in totality. Savings in energy cost directly add to the bottom line," informed a president of an electronics company. Striking a similar view he said, "The cost of electricity is a key component in the total operating cost of a hotel. And ever rising energy bills and reduced availability, necessitates the need for efficient use and innovative techniques."

An official also highlighted the "key dimensions" related to energy consumption in a hotel, and pointed out that while customer satisfaction is critical for a hotel, but controlling soaring energy costs is also key for senior managers at a property. In addition, he enumerated the growing



► **A wide variety of technology is available running hotel operations intelligently and efficiently**

awareness amongst global travellers for sustainable travel.

Receptiveness of the industry

The stakeholders of the hospitality industry are also increasingly receptive to the mantra of 'eco-friendliness', and also realising the long-term benefits it offers. In addition, there are a growing number of hotels, which involve certification agencies and auditors right from the project level, in a bid to get the 'Global Green building' certification.

Experts however, stressed despite growing awareness for environment-related factors, there is still complacency in sections of the hospitality industry with regard to adopt-

ing or investing in technology, which could deliver long-term benefits. "It has often been observed that very little attention has been paid to energy savings at the design stage. Instead, the focus is largely on aesthetics and maximum utilisation of space. There is little awareness toward implementing the new technologies, especially in HVAC. The industry is adopting the 'low-cost-low return' solutions such as energy efficient lighting, but is not ready for 'high cost-high return' type of investment," added an official.

However, he sees a perceptible "Mind shift" in the hospitality industry of late toward technology that assists in energy savings. "Few years earlier, the hotel industry was look-

ing at these technology solutions merely from a branding perspective, and there were hardly any projects to showcase. Today, the operating environment has forced hotel owners to adapt to the changes, and they understand the value of saving; energy and water, and its ability to boost profitability," he remarked.

In a continuing trend, he added, that the hotel industry asks for authenticated data on energy savings that a system can deliver at different levels when vendors approach them.

Technology at work

A wide variety of technology is available today for running hotel operations intelligently and efficiently. For instance, there are best practices, which could deliver energy savings ranging between 10 and 20 per cent, and they can be achieved via a technical review of equipment and operations, and resulting implementation of energy conservation measures (ECMs). "Best practices via SCADA, use of Energy Optimus and variable speed drives (VSD) can lead to energy savings of nearly 20 – 40 per cent. In the current fiercely competitive operating environment, hotels are keen on adopting energy conservation strategies," added the official.

He also highlighted that their technology helps property management teams, provides customised comfort, optimises air quality in a property, reduces operating costs and at the same time creates a congenial guest experience.

Hotels consume a lot of energy as the whole design approach of a hotel is to pamper its guests. The HVAC and building automation systems consume a lot of energy, and by concentrating on these aspects at the design stage, hotels can save up to 30 per cent of energy costs, highlighted an engineer of an electric company. He said, "We offer intelligent products that save energy. Our lighting control solutions are



► **Regular preventive maintenance of AC units is required to increase the efficiency of the system**

definitely an innovation in itself. We also have communicable MCBs, which automatically detect hi-load points and trigger a SMS to the owner. Since, it is a world of convergence, instead of having multiple devices to manage assets, the company helps to bring everything on one platform – a central control. This helps big hotel chains to monitor energy consumption from a central location. All our products and solutions are designed to reduce energy consumption to optimum. By deploying sensors that can sense humans, we can reduce energy consumption.”

Moving with the times

Hotels are also increasingly keen to leverage the rapid technological inno-

It is a world of convergence, instead of having multiple devices to manage assets, companies help to bring everything on one platform – a central control to monitor energy consumption

vations for gaining a competitive advantage. “We have installed and commissioned a new BMS, which helped us to save energy by cutting down the wastage along with enhancing guest comfort. VFD’s have been installed in the HVAC system and interfaced with the BMS system to maintain uniform temperature in ball rooms and public areas. We have also replaced the TFA’s with dehumidifier heat pipe system for guest room / corridor, in a bid to maintain humidity as per required standards. We also do regular and extensive preventive maintenance of air-conditioning and refrigeration equipment to increase the efficiency of system,” informe, director of engineering of a five-star hotel in New Delhi.

Commenting on the various initiatives being taken at the hotel to improve energy efficiency, chief engineer at a Mumbai hotel and convention centre, highlighted that they are in the process of replacing conventional window air-conditioners with next generation inverter base noiseless split air-conditioners. “We did replace conventional 40 watts T8 tube lights with 28 watts T5 tube lights. We also replaced few incandescent lamps with LEDs, and are in the process of going for LED lighting for the entire hotel,” he added.

At a top hotel in New Delhi, they have set up a building management system for spa and health along with business centre, which have been renovated over the past few years and it has resulted in energy saving of nearly 15 per cent. “Energy audits are conducted annually from reputed organisations and their suggestions are implemented,” said the director of engineering, of the hotel.

Striking a similar view, director-engineering, a three star hotel said, “We have taken several steps to reduce energy and at the same time ensure convenience of our guests.”

Clearly, conserving energy makes business sense.



► The state's rich cultural and ethnic heritage is famous all over the world

STATE SURVEY: ASSAM

AWESOME ASSAM

Cradled by the mighty Brahmaputra, Assam's natural beauty and tea gardens make the state a kaleidoscope of colour and culture. But its rich potential as a top tourist destination of India remains untapped

Assam, the heart of India's Northeast, is a land of abundance. It is well blessed by nature and it lies at the centre of one of the world's richest bio-geographic areas—with the Himalayas to the north, the river valley and the world's largest riverine islands at its heart, and to the south, hills that are a continuation of the South Indian plateau region. It is a treasure house of various economic resources, such as, valuable reserves of oil, natural gas and coal; it also has over tea-estates, vast swathes of fertile alluvial soil and large tracts of forests. The state's rich cultural and ethnic heritage is famous all over the world.

Little wonder that the state makes an ideal destination for tourists with a wide variety of options. To visit Assam is to embark on a journey that is guaranteed to celebrate the senses and nurture the soul: to drink the best tea in India, to feast on exquisitely flavoured cuisine, to celebrate the rhythms of the seasons, to the drums of the Bihu festival amid dancers dressed in silks and trees covered in silken orchids.

Tourism has the greatest potential for generating income and employment opportunities in Assam. Its wildlife sanctuaries at various places of Assam can attract the tourists all over the world. Further, tea tourism and golf tourism of Assam can draw many more to its verdant lawns. Let us explore the potential of the state from the perspective of tourism and hospitality and discuss the ways to further economic development of the state through these sectors.

Current scenario: Today's Assam is composed of 27 districts. Despite the abundance in natural resources it happens to be one of the most backward states in the country. Growing political instability, insurgent activities, ethnic classes, frequent violation of human rights coupled with maladministration and corruption are the

socioeconomic realities of Assam. Moreover, prevalence of mass illiteracy, social taboos, superstitious belief and traditional methods of production plagues the state. It is characterized by low per capita income, poor rate of capital formation, heavy population pressure, lack of infrastructure, excessive dependence on agriculture and very backward transport and communication. All these make Assam an extremely backward state.

Though Assam is a very backward state in the whole country, yet it has a great potential to develop the state into a potent force through tourism industry. Currently some of the tourist spots draw a huge number. For example, the national park of Kaziranga in the district of Golaghat is a gift of nature which covers approximately an area of 429.93 sq. km. situated on the southern bank of the river Brahmaputra. It is a heavenly place for the tourists because of its world famous one-horned rhinoceros. Herds of rhi-

noceros, vast grassy and green forests of the park can easily enamor any tourist of the world. Besides Kaziranga, there is the Manas riverine sanctuary situated towards the western part of the district of Baksa. It is extended to both the banks of the river Manas and covers almost an area of 519 sq. km. It is especially famous for its wild buffaloes and also for other animals and birds. Besides Kaziranga and Manas sanctuaries, the wildlife sanctuaries of Pobitora and Orang can attract the tourists all over the world. Moreover, the golden langour pygmy hog and other endangered species can easily enchant wildlife lovers.

Chakrashila is a newly declared wildlife sanctuary in lower Assam under Kokrajhar district with an area of 45.66 sq. km. This sanctuary is a hilly tract running north-south. The lower reaches are covered with Sal coppice regeneration while middle and upper reaches are covered with mixed deciduous forests. Chakrashila is well known for existence of golden langur. It is a segregated habitat from main Indo-Bhutan habitat in the north. The important sites to visit are Sikhrisikhla, Bhalukjhora, Baokhungri Peak, Dibil Thakur Beel, Anthai Gufur, Goshain Bhita, Jarnagara etc. Dheer Beel, Diplai Beel are other attractive tourist spots to visit nearby Chakrashila wildlife sanctuary.

Besides the animals and the birds in the vast green forest, the state has many ornamental fish, rare plants, medicinal herbs and exotic orchids. It has many tranquil lagoons and reverie locations like Deepar Beel, Barnadi that will attract the tourists for angling and boating. There are many other wonders and important things for the tourists in the state. For example, even today, when science and technology have achieved miraculous success in unearthing the hidden things of the world it has totally failed to unearth the mystery of the Jatinga Hill where thousands and thousands

The national park of Kaziranga in the district of Golaghat is a gift of nature situated by the river Brahmaputra. It is world famous for the one-horned rhinoceros





► **Realising the tremendous tourism potential tea companies are converting their heritage bungalows into resorts**

of birds commit suicide every year. This mysterious hill is a great source of attraction for the tourists all over the world.

Moreover, the world's largest river island 'Majuli' will encourage tourism industry in Assam to a great extent. The various historical monuments and places like 'Rangghar', 'Karengghar', 'Joysagar', 'Joydoul', etc. will encourage tourism in Assam. Besides these, the various historical places like Sonitpur (at present Tezpur)-the capital of Ban Raja, Garhgaon the capital of the Ahoms, Jerangapathar will attract the tourists. Moreover, the various religious places and temples like Kamakhya temple, the Umananda temple, the Agnigarh and the Mahabhairavi temples, the Mahamaya temple etc. will encourage tourism industry in Assam.

Besides this the wooded hill sta-

tions like Haflong, Badarpur etc will attract the tourists for hiking, trekking and camping. Further, tea tourism and golf tourism of Assam will attract the tourists. Assam is also very rich in cultural heritage. It is a heavenly abode of various tribes, castes and communities having their religious and cultural festivals, the 'Bihu' for the Assamese, the 'Bathou' for the Bodos and so on.

Hurdles for tourism: Even though tourism has a great potentiality for generating income and employment opportunities in Assam the full potential hasn't yet been tapped due to some problems. The main constraints that are coming into the way of its development are self-explanatory which can be identified as: (a) Lack of infrastructure, (b) Communication bottlenecks, (c) Geographical isolation, (d) Ethnic clashes leading to political

instability, (e) Growth of insurgent activities (f) Lack of fund (g) Absence of leadership and entrepreneurship ability, (h) Indifferent attitude of the Government both at State and Central level (i) Defective socio-economic and political set up (j) Lack of a proper tourism development policy of the Government (k) Lack of people's co-operation and consciousness, (l) Lack of proper friendly investment atmosphere (m) Absence of congenial atmosphere to attract the tourists and such many other factors.

What can be done: In spite of the constraints as listed above, Assam is still maintaining a bright prospect of economic development in terms of tourism industry. But for this, some immediate as well as long term measures, as mentioned below, are to be adopted:

i) A strong political will is of excessive



► Assam is famous for its one-horned rhinoceros

in need for the restoration of peace and political stability in the area with a whole hearted efforts including political dialogue with the various insurgent groups working in Assam should be made to redress their grievances within the framework of Indian constitution in a democratic manner

ii) Government should make huge investment to break the geographical isolation and remove communication-bottlenecks from Assam

iii) Planned efforts are to be made by the Government to build up the required infrastructure of the state

iv) Proper tourism development policy is the need of the hour and for this Government should make a thorough survey in the state

v) Moreover, maintenance of a friendly investment atmosphere is very important for attracting foreign investors as well as the tourists. Inter-

Though the process of economic liberalization could not create any impact on the economy of Assam, yet it has widened the scope of the development of tourism industry in the state

national and national confidence is to be restored for attracting the national and foreign tourists

vi) Planned, sustained and well-thought long term efforts are to be made by the Government to improve the socio-economic and political set up of Assam

vii) Above all, people's consciousness to develop their own area through the development of tourism-industry is a great need of the hour. People should voluntarily come out and desist the terrorists from doing anti-national activities

viii) In short, restoration of peace and tranquility to attract the foreign tourists is of utmost importance for the development of trade and tourism in Assam

However, though the process of economic liberalization could not create any impact on the economy of Assam, yet it has widened the scope of the development of tourism industry in Assam. For example, the signing of the MoU with the USA based company "Ogden Energy of New Jersey" by the government of Assam for taking over a lease of the Bongaigaon Thermal Power Station (BTPS) for its renovation, submitting proposals by another US based company named "American Power Gen System Association" for setting up a 300 MW coal based power project at Borgolai, inauguration of NEDFi at Guwahati, entry of some new Indian Company for promoting industrial projects like Premier Cryogenics Ltd., Reliance Industries Ltd., etc. are, no doubt, a strong indication of the restoration of national and international confidence.

According to an international agency named "Coopers and Lybrand Report", Assam has the potential to emerge as a strategic base for foreign and domestic investors for two reasons.

Firstly, it is argued that the foreign as well as the domestic investors would be encouraged to set up their



► Kamakhya temple is pilgrimage that attracts millions of devotees

export-oriented industries in Assam to enjoy the vast potential of contiguous markets of ASEAN countries namely Myanmar, China, Malaysia, Thailand, Philippines, Cambodia, Indonesia, etc. which are regarded as the fastest growing regions in the world and secondly, to utilize its rich and abundant natural as well as human resources. Now it is expected that with the arrival of the region as well as domestic investors in Assam, there will be an influx of tourists into the region from various parts of our country as well as from abroad. Thus, it is expected that the influx of these tourists will directly give a big push to the growth and development of the tourists industry in the state.

According to Mr. K. P. Singh, the President of the Associated Chamber of Commerce and Industry of India, Assam has the 17 domestic tourists create one job for Assam's people. Hence, it is very important to attract the foreign tourists into Assam from the economic point of view. At present 5 million foreign tourists come to India annually and soon it is expected to increase a large percentage of these tourists can be attracted to Assam by restoring national and international confidence.

Conclusion: Thus, the development of tourism industry Assam largely depends upon the formulation of a proper tourism development policy and people's co-operation and con-

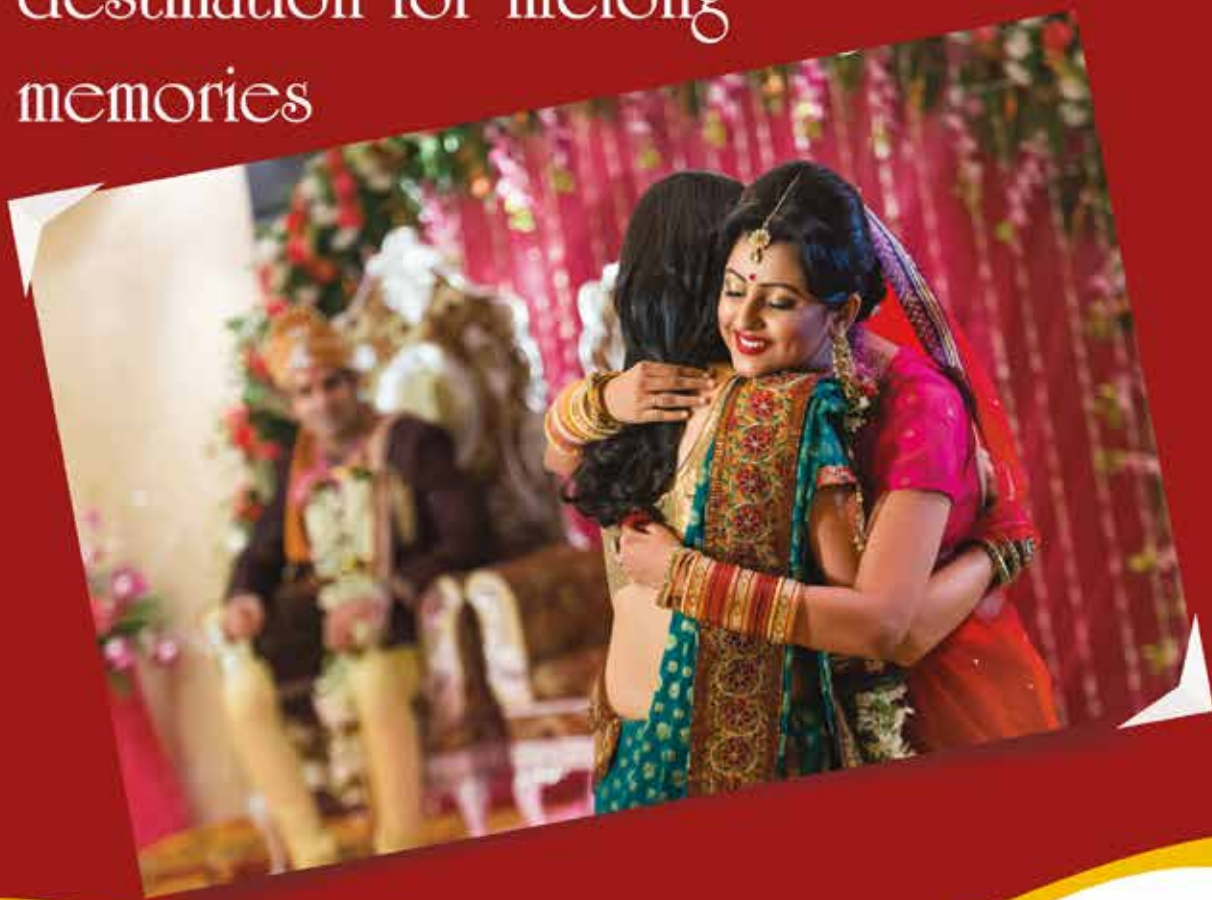
sciousness. The High Powered Shukla Commission has recommended for establishing a North-East Tourist Development Corporation to develop tourism in the region. It has also recommended to issue Inner-Line Permits relax the Restricted Area Permits as well as to introduce Charter Flights for NE Package tours etc. Moreover, an honest and strong will of the government coupled with people's hearty co-operation will definitely boost up tourism industry in Assam in near future.

Source: Prospects and Problems of Tourism Industry in Assam by Surjya Chutia Assistant Professor, Dept of Economics, Tinsukia College, Tinsukia, Assam, India

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