BUSINESS PLAN · INDIA

Homestay and Boutique-Stay Business

The host is the product - and the annual occupancy figure hides two businesses

TRAVEL

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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This document is confidential and prepared for planning purposes. All financial figures are illustrative model assumptions for an Indian MSME context and must be validated against live quotes, local rates and professional advice before any investment or borrowing decision.

1. Executive Summary

This plan sets out a **Homestay & Boutique-Stay Business** in India — a small-inventory hospitality operation running a portfolio of owned and long-leased character properties in leisure destinations, sold primarily through online travel platforms and progressively through direct channels, with hosted service and locally rooted experiences.

> **This plan opens the asset-owning side of the travel vertical, and it should begin with the most uncomfortable observation in the category: a large proportion of Indian homestays are a property purchase with an occupancy story attached to justify it. The owner buys a house in the hills they wanted anyway, calculates that letting it for part of the year will cover the EMI, and describes the result as a business. Sometimes it is. Frequently the real return is the appreciation of the property, and the operation merely reduces the cost of holding it — which is a perfectly rational thing to do and a completely different proposition from the one a lender is being asked to fund.** This plan is written as an actual operating business: **it reports RevPAR, occupancy against a seasonal curve, and cost per available room-night, and it does not count property appreciation as income anywhere. A promoter should decide honestly which of the two they are building before reading further, because the capital structures are not interchangeable.**

> **The second point is what makes this category genuinely different from the budget hotel and boutique resort already modelled in the hospitality vertical: the host is the product. A hotel guest experiences a standard — the room, the linen, the process — and staff are, by design, interchangeable. A homestay guest experiences a person: their house, their taste, their local knowledge, their breakfast. That is precisely why guests pay a premium and rate the stay generously, and it is also why this business cannot be scaled the way a hotel is — you can hire a duty manager, but you cannot hire a founder's personality.** This plan therefore grows by adding **named hosts to properties rather than adding rooms to a system**, and measures it: **properties operating with a host present or a named resident host rises from 71% to 96%. The moment a homestay feels like a small hotel, it has lost the premium it was charging for.**

> **The third is that distribution is rented from platforms that also own the reputation. 84% of Year-1 bookings arrive through online travel agents at a blended commission of 18.2% of room revenue** — a cost that would be unremarkable were it not attached to a second dependency: **the ranking that determines whether the property is seen at all is driven by a review score the operator does not control.** This is the marketplace-seller problem from the FMCG vertical in a more acute form, **because the small operator cannot buy visibility to compensate.** The plan takes **direct bookings from 16% to 42%**, not to escape the platforms — that is not realistic — **but to stop being wholly governed by them.**

> **And the fourth is a mathematical vulnerability specific to small inventory: one bad review early is worth more than ten good ones later. A hotel with two thousand reviews absorbs a furious one-star without moving its average. A new homestay with eleven reviews does not — a single one-star drops a 4.6 average to 4.3, and on most platforms that difference moves the property down the ranking to where guests do not scroll. The property has not become worse; it has become invisible.** This plan treats the first thirty reviews as a distinct commercial phase requiring disproportionate care, and takes the rating from 4.31 to 4.79 while the review base grows from 11 to 68 per key.

This plan models a portfolio requiring **₹2.65 crore** (₹1.05 crore promoter + ₹1.30 crore term loan + ₹30 lakh working capital), moving from **₹1.06 crore revenue and a ₹10 lakh loss** across 14 keys to **₹3.90 crore revenue and ₹92 lakh profit** across 28 keys by Year 3. *(Owned and long-leased boutique stays — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A small-inventory hosted hospitality business run on RevPAR and cost per available room-night, growing by adding hosted properties rather than by standardising rooms, and reducing platform dependence deliberately without pretending to escape it.

Vision: To be somebody's house that guests are glad to have stayed in, at a scale that still pays.

Mission: Report occupancy against the season rather than the year; protect the first thirty reviews as though the business depended on them, because it does; never let a property operate without a named host; keep every property's permissions in writing; and never count property appreciation as income.

Legal structure options

- **Private Limited** — recommended once beyond two properties: platform contracting, lease-holding, external investment and clean separation of property ownership from operations.
- **LLP** — workable for a family-held portfolio.
- **Proprietorship** — common for a single property and genuinely limiting once leases and staff accumulate.
- **Structuring note: separating the property-owning entity from the operating entity is worth considering early**, since it clarifies whether returns come from operations or from the asset — **the distinction this plan opened with.**

> **Regulatory anchor:** this is the least settled regulatory environment in the travel vertical, and a promoter should treat that uncertainty as a real risk rather than an inconvenience. **State tourism department registration or homestay classification**, which several states operate with genuine benefits attached — reduced commercial tariffs, marketing support, legitimacy with authorities — **and which also imposes conditions on owner residence, room count and facilities. Municipal and land-use permissions**, where the central question is whether letting a residential property nightly constitutes commercial use: **the answer varies by city and is frequently unresolved until somebody complains. Housing-society and RWA bylaws, which in apartment properties commonly prohibit short-term letting outright — and a written clearance obtained before purchase is worth more than any argument made afterwards.** Then the operating stack: **FSSAI registration where food is served (which in a homestay it almost always is), police/C-form and Form-C reporting for foreign guests, fire and building safety appropriate to the occupancy, GST once above threshold with rate depending on tariff, commercial versus domestic electricity and property-tax classification — a reclassification that arrives retrospectively is a common and expensive surprise** — and **public liability and property insurance written for commercial letting rather than a domestic policy that will decline the claim.**

3. Promoter & Ownership

Led by a promoter with hospitality, design or destination background — **and, distinctively for this category, personal presence.** Three competences decide outcomes: *host instinct*, because the product is a person's attention and it cannot be delegated to a checklist; *seasonal financial nerve*, since a leisure property earns in four months what it must spend across twelve; and *the willingness to be honest about the asset* — **the promoter who cannot say whether they are running a business or holding a property with a revenue story will make capital decisions that suit neither.** Ownership, equity & investor terms are editable inputs.

4. Market Analysis — India

Indian domestic leisure travel has grown strongly and shifted toward experiential, character and locally rooted accommodation. Guests increasingly prefer a distinctive small property over a standardised hotel room at similar price — which is the entire opening for this category.

Demand drivers

- **Experiential travel preference** — character, locality and story valued over uniformity.
- **Domestic short-break and weekend travel**, especially from metros to nearby hills, beaches and heritage towns.
- **Remote and hybrid work**, extending stays beyond the weekend and softening seasonality slightly.
- **Platform discovery**, which made small properties findable at all — a genuine enabler as well as a dependency.
- **Group and family buyouts**, where a whole small property is taken for an occasion.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Domestic leisure accommodation spend in the destination	Destination-defined
SAM	Guests seeking character stays in this price band	Segment- and season-bounded
SOM (Yr 1–3)	**Keys × 365 × occupancy × ADR**	14 → 28 keys; RevPAR ₹1,722 → ₹3,111

> **Seasonality in leisure destinations is more severe than the annual occupancy figure ever reveals, and reporting a single yearly number is the most common way these businesses mislead themselves and their lenders. Year-1 occupancy of 41% sounds like a property that is half empty and roughly viable. The underlying reality is 78% in peak season and 19% in the lean months — two entirely different businesses sharing a balance sheet. In peak, the property is full, rates are high and the operation is comfortably profitable. In lean, the same property earns almost nothing while the lease, the EMI, the caretaker, the electricity, the insurance and the maintenance continue exactly as before. The annual average conceals both facts and produces the classic error of this category: sizing the debt against the peak months and discovering the lean ones.** Three responses, pursued in order of return. **First, build lean-season demand deliberately rather than accepting it as a fact of nature** — long-stay and remote-work guests, weekday corporate offsites, small residential workshops and retreats, wedding-adjacent group buyouts. This plan takes lean-season occupancy from **19% to 39%**, which contributes more to profitability than any peak-season rate increase available. **Second, price the seasons as genuinely different products rather than discounting a single rate card**, since a lean-month guest at a lower rate is pure contribution against costs already sunk. **Third, and most importantly for a lender: size the debt against the annual figure and the lean quarter, not against what the property earns in April.**

5. Competition & Competitive Advantage

Landscape: branded boutique and mid-scale hotels with recognition and loyalty programmes, a very large number of individually operated homestays and villas competing on the same platforms, aggregator-branded stay networks, and — in most destinations — a rapidly growing supply of new listings as owners discover the category. **Supply grows faster than demand in every destination that becomes popular, which is the structural pressure on rates in this business.**

The business's edge

- **A named host at every property**, which is the product and cannot be replicated by a listing.

- **Direct-booking share built deliberately**, reducing both commission and ranking dependence.
- **Lean-season demand engineered**, where competitors accept an empty quarter.
- **Written permissions on every property**, which many competitors do not hold and cannot obtain.
- **Review discipline in the first thirty**, treating early ratings as the commercial asset they are.

> **Review mathematics on a small inventory base is the most under-appreciated risk in this category, and it deserves setting out arithmetically because the intuition from larger businesses is actively wrong. A hotel with two thousand reviews and a 4.6 average receives a one-star review and its average moves by roughly two-thousandths of a point. Nothing happens. A new property with eleven reviews and a 4.6 average receives the same one-star and drops to approximately 4.3. On most platforms that is the difference between appearing on the first screen of results and appearing where guests do not scroll — so the booking flow does not decline, it substantially stops. The property has not become worse. It has become invisible, on the basis of a single guest's bad evening.** Three implications follow. **First, the first thirty reviews are a distinct commercial phase and should be resourced as one**: the promoter personally present, deliberately over-delivered service, and a conscious decision to accept lower rates initially in exchange for guests likely to rate generously. **Second, the recoverable failures must be recovered before checkout, not after — a guest whose complaint was resolved warmly while they were still in the house writes a different review from one who left annoyed and composed their thoughts on the drive home. Third, and least comfortable: a genuinely unsuitable guest should be declined at enquiry rather than accepted for the revenue. A booking that generates ₹8,000 and a two-star review has cost far more than it earned**, and on a small base that arithmetic is not close. This plan takes the rating from 4.31 to 4.79 as the review base grows from 11 to 68 per key, **and the rating movement matters more to occupancy than any marketing spend in the plan.**

6. Portfolio, Pricing & the Host Question

Element	**Structure**	**Economics**
Owned properties	Capex-heavy; asset retained	**Lower operating cost; appreciation NOT counted as income**
Long-leased properties	Lease + renovation capex	**Faster growth; fixed cost through the lean season**
Whole-property buyouts	Group and occasion bookings	Best RevPAR; smooths shoulder season
Long-stay & remote-work guests	Weekly/monthly rates	**The lean-season answer; lower ADR, high contribution**
F&B and local experiences	In-house, guest-paid	Margin plus the thing guests actually review
Operating a property without a named host	**NIL — by policy**	**It becomes a small hotel and loses the premium**
Property appreciation counted as income	**NIL — by policy**	**It is a different business with a different funding case**

> **Scaling this business is genuinely harder than scaling a hotel, and the reason is worth understanding before a promoter commits capital to a fourth and fifth property. A hotel scales by replicating a system: standards, processes, training and brand, delivered by staff who are trained to be consistent rather than distinctive. A homestay's premium comes from the opposite quality — a specific person's taste, presence and local**

> **knowledge, which is by definition not replicable. The predictable failure is the third property: the promoter cannot be in three places, hires a manager, and the guest experience quietly converts into a small hotel with homestay pricing — at which point the reviews soften, the premium erodes, and the operator concludes that the market has become competitive when what has actually happened is that the product has changed.** This plan's answer is not to refuse growth but to change what is being replicated: **a named resident host per property, given genuine autonomy over hospitality and a stake in that property's ratings and repeat business, rather than a manager executing a standard.** That is **slower, more expensive and more difficult to recruit for than hiring hotel staff** — and it is the only version of this business that grows without dissolving. **Properties with a host present or a named resident host run from 71% to 96% here, and the plan treats a property without one as a property not yet ready to open.**

7. Go-to-Market — Platforms, Then Away From Them

Distribution

- **OTA listings as the launch mechanism**, accepted as necessary and priced with commission understood.
- **Direct booking built through the guest already in the house** — the cheapest acquisition available.
- **Repeat and referral**, which in this category is driven by the host relationship rather than a loyalty scheme.
- **Whole-property and group channels** — occasions, retreats, small weddings — largely outside platform competition.

Lean-season demand

- **Long-stay and remote-work** pricing, targeting weeks rather than nights.
- **Workshops, retreats and small residential programmes** hosted at the property.
- **Weekday corporate offsites**, which use exactly the capacity leisure demand does not.
- **Local and drive-market guests**, less seasonal than long-haul domestic travellers.

Direct bookings rise from 16% to 42% in this plan, and the mechanism is unglamorous: the most effective moment to secure a direct repeat booking is while the guest is still in the house and delighted. A platform guest who is asked well, at the right moment, to book directly next time will frequently do so — and that single conversation converts an 18% commission into a 0% one for every subsequent stay. No amount of digital marketing spend competes with the return on that.

8. Operations Plan (host, maintain, price, protect the rating)

- **Hosting:** a named host resident or present at each property, **briefed on arrivals personally rather than through a rota, because the guest booked a person.**
- **Housekeeping:** standards set above hotel norms on the items guests actually photograph and review — **bedding, bathrooms and cleanliness, which drive ratings far more than amenities do.**
- **Rate management: seasons priced as different products, with the lean season sold on length of stay rather than discounted nightly.**
- **Channel management:** PMS and channel manager keeping availability accurate, **because an overbooking on a platform is a rating event as well as a service failure.**
- **Review management: recoverable problems resolved before checkout; every review responded to; the first thirty reviews per property treated as a distinct commercial phase.**
- **Maintenance:** preventive schedule executed in the lean season, **when the property is empty anyway and the work costs nothing in lost nights.**

- **Compliance: written society/municipal permissions, tourism registration, guest reporting and fire safety held current per property, not per portfolio.**
- **Cost control: cost per available room-night tracked, since in small inventory the fixed cost per key is the number that decides viability.**

Control points

Area	Activity	Control point
The real performance measure	**RevPAR (occupancy × ADR)**	**₹1,722 → ₹2,392 → ₹3,111**
What the annual figure hides	**Peak vs lean occupancy**	**78%/19% → 88%/39%**
The tenancy	**OTA share / blended commission**	**84% → 58% / 18.2% → 15.1%**
Small-base vulnerability	**Average rating / reviews per key**	**4.31 → 4.79 / 11 → 68**
The product	**Properties with a named host**	**71% → 88% → 96%**
Regulatory honesty	**Properties with written society/municipal clearance**	**33% → 75% → 100%**
Fixed-cost efficiency	Cost per available room-night	₹1,880 → ₹1,410

> **The regulatory position of short-term letting in India is genuinely unsettled, and this plan states that plainly rather than assuming it away, because it is the risk most capable of closing a property overnight.** Three separate authorities can each take a view. **The housing society or RWA, whose bylaws in many apartment and gated developments prohibit short-term letting entirely — and which usually acts only after a resident complains about strangers with suitcases. The municipal authority, on whether nightly letting of a residential property constitutes commercial use, which affects land-use compliance, property tax rate and electricity tariff — and where a reclassification frequently arrives retrospectively, with arrears. And the state, through tourism registration and homestay classification schemes that offer real benefits but impose conditions on owner residence, room count and facilities. The dangerous feature is that none of these typically surfaces at the point of purchase. A promoter buys a property, renovates it, lists it, operates profitably for two seasons, and then receives a society notice or a tax reassessment — at which point the capital is fully committed and the options are poor.** The disciplines are preventive and cheap relative to the exposure: **written society or RWA clearance obtained before purchase or lease rather than after, since consent is far easier to obtain from people who have not yet been inconvenienced; municipal land-use position established in writing; state tourism registration pursued where a scheme exists, both for its benefits and for the legitimacy it confers in a dispute; electricity and property-tax classification confirmed at the outset and priced into the model rather than discovered; and commercial-letting insurance rather than a domestic policy that will decline the claim.** This plan takes properties with written clearance from 33% to 100%, **and treats an unresolved permission as a reason not to open rather than a matter to be sorted out later.**

9. Tourism Registration, Municipal & Guest Compliance (India)

- **State tourism registration / homestay classification** where the scheme exists — **real benefits including tariff treatment and legitimacy, against conditions on owner residence, room count and facilities.**
- **Housing-society / RWA written clearance**, obtained **before purchase or lease, since consent is far easier from people not yet inconvenienced.**
- **Municipal land-use and commercial-use position established in writing**, with **property-tax and electricity-tariff classification confirmed at the outset — a retrospective reclassification with arrears is a common and**

expensive surprise.

- **FSSAI registration where food is served**, which in a homestay it almost always is.
- **Foreign-guest reporting (Form C) and local police intimation** as required.
- Fire and building safety appropriate to the occupancy; emergency lighting, extinguishers and exit signage.
- **GST once above threshold**, with rate depending on tariff band; TDS obligations on platform payouts.
- **Public liability and property insurance written for commercial letting — not a domestic policy, which will decline the claim.**

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / principal host	1	1	2
Housekeeping	8	12	17
Kitchen & F&B	4	6	9
Named property hosts / resident managers	**3**	**4**	**6**
Maintenance & grounds	2	3	4
Reservations, revenue & admin	2	3	4
Total	**20**	**29**	**42**

Twenty staff against fourteen keys is a ratio no budget hotel would accept, and it is the deliberate cost of the product this category sells. A homestay guest paying a premium over a comparable hotel room is paying for attention, food cooked rather than plated, and somebody who knows the area — all of which are labour. An operator who staffs this business at hotel ratios will deliver a hotel experience at homestay prices and will discover the problem in the reviews rather than in the accounts. The **named property host** line is the strategic one: **these are not duty managers but the people whose presence constitutes the offer, and recruiting them is materially harder than recruiting hotel staff.**

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–6	Three properties acquired or leased with written society and municipal clearance in place, renovation complete, tourism registration obtained, PMS and channel manager live, listings photographed
Launch	Month 6–12	14 keys; ₹1.06cr revenue, ₹10L loss; occupancy 41% (78% peak / 19% lean); ADR ₹4,200; rating 4.31; OTA share 84%
Build	Year 2	20 keys across 4 properties; occupancy 52%; rating 4.62; direct bookings 29%; lean-season occupancy 29%; ₹2.13cr revenue, ₹22L profit
Scale	Year 3	28 keys across 6 properties; **₹3.90cr revenue, ₹92L profit; RevPAR ₹3,111; rating 4.79; direct 42%; named host at 96%; written clearance at 100%**

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates.

RevPAR, lean-season occupancy and rating are the levers; property appreciation is not one, because it is not income.

12.1 Project cost & means of finance

Capital requirement	₹
Property acquisition & long-lease deposits	**1,20,00,000**
Renovation, interiors & furnishing	**82,00,000**
Working capital & pre-opening	22,00,000
Launch marketing, photography & listing setup	12,00,000
Initial operating losses	12,00,000
Technology (PMS, channel manager, website, booking engine)	9,00,000
Licences, registrations, insurance & legal	8,00,000
Total project cost	**2,65,00,000**
Promoter contribution	1,05,00,000
Term loan (property & renovation)	1,30,00,000
Working-capital facility	30,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
Keys operated / properties	**14 / 3**	**20 / 4**	**28 / 6**
Room revenue	88,00,000	1,75,00,000	3,18,00,000
F&B, experiences & ancillary	18,00,000	38,00,000	72,00,000
Total revenue	**1,06,00,000**	**2,13,00,000**	**3,90,00,000**
Salaries (hosts, housekeeping, kitchen, maintenance)	**34,00,000**	**56,00,000**	**88,00,000**
OTA commissions & payment charges	**16,00,000**	**30,00,000**	**48,00,000**
Property lease & rent	18,00,000	26,00,000	38,00,000
Utilities, maintenance & consumables	12,00,000	22,00,000	36,00,000
F&B cost	8,00,000	16,00,000	30,00,000
Marketing & direct-booking development	6,00,000	10,00,000	16,00,000
Finance cost (interest)	9,00,000	12,00,000	15,00,000
Depreciation	8,00,000	11,00,000	15,00,000
Admin, licences, compliance & insurance	5,00,000	8,00,000	12,00,000

Total expenses	**1,16,00,000**	**1,91,00,000**	**2,98,00,000**
Net profit / (loss) before tax	**(10,00,000)**	**22,00,000**	**92,00,000**
Net margin	(9.4%)	10.3%	23.6%
OCCUPANCY (annual)	**41%**	**52%**	**61%**
— PEAK-SEASON / LEAN-SEASON OCCUPANCY (what the annual hides)	**78% / 19%**	**84% / 29%**	**88% / 39%**
AVERAGE DAILY RATE (ADR)	**₹4,200**	**₹4,600**	**₹5,100**
REVPAR (the real performance measure)	**₹1,722**	**₹2,392**	**₹3,111**
Cost per available room-night	**₹1,880**	**₹1,640**	**₹1,410**
OTA SHARE OF BOOKINGS / DIRECT SHARE	**84% / 16%**	**71% / 29%**	**58% / 42%**
Blended commission as % of room revenue	**18.2%**	**17.1%**	**15.1%**
AVERAGE REVIEW RATING / REVIEWS PER KEY	**4.31 / 11**	**4.62 / 34**	**4.79 / 68**
PROPERTIES WITH A NAMED HOST PRESENT	**71%**	**88%**	**96%**
PROPERTIES WITH WRITTEN SOCIETY / MUNICIPAL CLEARANCE	**33%**	**75%**	**100%**
Repeat guest share / long-stay share of lean-season nights	8% / 14%	17% / 31%	26% / 46%
Property appreciation counted as income / properties opened without clearance	**NIL / NIL**	**NIL / NIL**	**NIL / NIL**

12.3 Unit economics & break-even

- **RevPAR from ₹1,722 to ₹3,111 is the honest measure of this business**, because it combines the two levers — occupancy and rate — that operators otherwise trade against each other while believing they are improving.
- **Cost per available room-night is ₹1,880 in Year 1 against RevPAR of ₹1,722**, which is the whole of the Year-1 loss in a single comparison: **the property costs more to keep open than it earns, and the gap closes through occupancy rather than rate.**
- **Lean-season occupancy from 19% to 39% contributes more to profitability than any peak-season rate increase available**, because those nights are pure contribution against costs already sunk.
- **Commission falls from 18.2% to 15.1% of room revenue purely through direct-booking share**, and the most effective conversion happens while the guest is still in the house.
- **Break-even: Year 2. Small inventory means fixed cost per key is the binding constraint — a manager, a caretaker and a kitchen cannot be spread across six rooms the way they can across sixty.**

12.4 Projected Cash Flow — Year 1 (quarterly, illustrative, seasonal)

Particulars (₹)	Q1 PEAK	Q2	Q3 LEAN	Q4
Opening balance	26,00,000	30,00,000	22,00,000	8,00,000
Collections	42,00,000	26,00,000	14,00,000	32,00,000
Salaries, lease, utilities, commissions & overheads	38,00,000	34,00,000	28,00,000	32,00,000
Closing balance	**30,00,000**	**22,00,000**	**8,00,000**	**8,00,000**

> **Read the lean quarter rather than the annual result, because that is where these businesses fail and it is invisible in a yearly summary. Q3 collects ₹14 lakh against ₹28 lakh of outgoings — the property earns half what it costs to keep open, for three months, every year, permanently. This is not a start-up problem that scale resolves; it is the structure of a leisure asset in a seasonal destination, and it recurs annually for as long as the business exists.** Two consequences deserve stating. **First, the debt must be sized against the annual figure and serviced through the lean quarter, not sized against what the property earns in peak season — and a repayment schedule weighted to the peak months costs the lender nothing while materially reducing the risk of a default that has nothing to do with the business being unsound. Second, the lean quarter is when maintenance, renovation and staff training should happen**, because **the property is empty anyway and the work costs nothing in foregone room nights — an operator who maintains in season is paying twice, once for the work and once for the rooms they could not sell.** The strategic answer remains lean-season demand: **long-stay guests, workshops, offsites and drive-market travellers, taking lean occupancy from 19% to 39% — which does more for this business's survivability than any other line in the plan.**

12.5 Key Performance Indicators to Monitor

- **Real performance: RevPAR by property; occupancy split peak versus lean; ADR by season; cost per available room-night.**
- **The tenancy: OTA versus direct share; blended commission; ranking position; conversion of in-house guests to direct repeat.**
- **The rating: average rating and review count per property; ratings on the first thirty reviews; problems resolved before checkout; response rate to reviews.**
- **Risk:** properties with written clearance; named-host coverage; insurance on commercial-letting terms; lean-season demand mix.

13. Funding Requirement & Bankability

Total ask: **₹1.30 crore term loan plus a ₹30 lakh working-capital facility** against ₹1.05 crore promoter contribution. Four points. **First, this is genuinely asset-backed lending — property and renovated fit-out with real security value**, and the most conventionally financeable plan in the travel vertical so far, with home-loan, LAP, Mudra and state tourism-scheme routes all potentially applicable. **Second, and the single most important structural point: size the repayment against the lean quarter. This property earns half its running cost for three months every year — permanently, not as a start-up phase — and a flat EMI structure will strain exactly the quarter in which the business has no revenue, for reasons entirely unrelated to whether it is well run. Third, the most useful diagnostic available: ask for occupancy split by season, not annual occupancy, and ask what the cost per available room-night is. An annual figure of 41% conceals 78% and 19%, and an operator who cannot produce the split is not managing the half of the year that decides solvency. Fourth, verify permissions property by property before disbursement**: **society bylaws, municipal land-use and tax classification are the risks capable of stopping operations at a property outright, they usually surface after the capital is committed, and a written clearance obtained beforehand costs almost nothing.** Note finally that **this plan deliberately excludes property appreciation from income — a lender should be alert to proposals that do not, since those are asset plays presented as operating businesses and carry a different risk entirely.**

13.1 Funding utilisation

Use of funds	₹	% of total
Property acquisition & long-lease deposits	1,20,00,000	45.3%

Renovation, interiors & furnishing	82,00,000	30.9%
Working capital & pre-opening	22,00,000	8.3%
Launch marketing, photography & listing setup	12,00,000	4.5%
Initial operating losses	12,00,000	4.5%
Technology (PMS, channel manager, website, booking engine)	9,00,000	3.4%
Licences, registrations, insurance & legal	8,00,000	3.1%
Total	**2,65,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
A property purchase with an occupancy story attached	**OPENS THE ASSET-OWNING SIDE OF THIS VERTICAL WITH ITS MOST UNCOMFORTABLE OBSERVATION: A LARGE PROPORTION OF INDIAN HOMESTAYS ARE A PROPERTY THE OWNER WANTED ANYWAY, WITH A CALCULATION THAT LETTING IT PART OF THE YEAR WILL COVER THE EMI, DESCRIBED AFTERWARDS AS A BUSINESS. SOMETIMES IT IS; FREQUENTLY THE REAL RETURN IS APPRECIATION AND THE OPERATION MERELY REDUCES THE COST OF HOLDING THE ASSET — A PERFECTLY RATIONAL THING TO DO AND A COMPLETELY DIFFERENT PROPOSITION FROM THE ONE A LENDER IS BEING ASKED TO FUND** → this plan reports RevPAR, seasonal occupancy and cost per available room-night, and **COUNTS PROPERTY APPRECIATION AS INCOME NOWHERE (NIL)**; a promoter should decide honestly which business they are building, **BECAUSE THE CAPITAL STRUCTURES ARE NOT INTERCHANGEABLE**
The host is the product — so it does not scale like a hotel	**A HOTEL GUEST EXPERIENCES A STANDARD AND STAFF ARE BY DESIGN INTERCHANGEABLE; A HOMESTAY GUEST EXPERIENCES A PERSON — THEIR HOUSE, THEIR TASTE, THEIR LOCAL KNOWLEDGE, THEIR BREAKFAST. THAT IS WHY GUESTS PAY A PREMIUM AND RATE GENEROUSLY, AND ALSO WHY YOU CAN HIRE A DUTY MANAGER BUT CANNOT HIRE A FOUNDER'S PERSONALITY. THE PREDICTABLE FAILURE IS THE THIRD PROPERTY: THE PROMOTER CANNOT BE IN THREE PLACES, HIRES A MANAGER, AND THE EXPERIENCE QUIETLY CONVERTS INTO A SMALL HOTEL WITH HOMESTAY PRICING — AT WHICH POINT REVIEWS SOFTEN, THE PREMIUM ERODES, AND THE OPERATOR CONCLUDES THE MARKET HAS BECOME COMPETITIVE WHEN WHAT HAS ACTUALLY HAPPENED IS THAT THE PRODUCT HAS CHANGED** → grow by adding NAMED HOSTS with genuine autonomy and a stake in their property's ratings, not managers executing a standard (71%→88%→96%); **A PROPERTY WITHOUT ONE IS A PROPERTY NOT YET READY TO OPEN**
One bad review early outweighs ten good ones later	**THE INTUITION FROM LARGER BUSINESSES IS ACTIVELY WRONG: A HOTEL WITH TWO THOUSAND REVIEWS TAKES A ONE-STAR AND ITS AVERAGE MOVES TWO-THOUSANDTHS OF A POINT — NOTHING HAPPENS. A NEW PROPERTY WITH ELEVEN REVIEWS AND A 4.6 AVERAGE TAKES THE SAME ONE-STAR AND DROPS TO 4.3, WHICH ON MOST PLATFORMS IS THE DIFFERENCE BETWEEN THE FIRST SCREEN OF RESULTS AND WHERE GUESTS DO NOT SCROLL — SO BOOKINGS DO NOT DECLINE, THEY SUBSTANTIALLY STOP. THE PROPERTY HAS NOT BECOME WORSE; IT HAS BECOME INVISIBLE, ON THE BASIS OF A SINGLE GUEST'S BAD EVENING** → the first thirty reviews resourced as a distinct commercial phase with the promoter personally present; **RECOVERABLE FAILURES RESOLVED BEFORE CHECKOUT, SINCE A GUEST WHOSE COMPLAINT WAS SETTLED WARMLY WHILE STILL IN THE HOUSE WRITES A DIFFERENT REVIEW FROM ONE WHO LEFT ANNOYED AND COMPOSED THEIR THOUGHTS ON THE DRIVE HOME**; and unsuitable guests declined at enquiry, because **A BOOKING THAT GENERATES ₹8,000 AND A TWO-STAR REVIEW HAS COST FAR MORE THAN IT EARNED, AND ON A SMALL BASE THAT ARITHMETIC IS NOT CLOSE** (rating 4.31→4.79)

The annual occupancy figure hides two businesses	**41% SOUNDS LIKE A PROPERTY HALF EMPTY AND ROUGHLY VIABLE; THE REALITY IS 78% IN PEAK AND 19% IN LEAN — TWO ENTIRELY DIFFERENT BUSINESSES SHARING A BALANCE SHEET. IN PEAK THE PROPERTY IS FULL, RATES ARE HIGH AND IT IS COMFORTABLY PROFITABLE; IN LEAN IT EARNS ALMOST NOTHING WHILE LEASE, EMI, CARETAKER, ELECTRICITY, INSURANCE AND MAINTENANCE CONTINUE EXACTLY AS BEFORE — AND Q3 COLLECTS ₹14 LAKH AGAINST ₹28 LAKH OF OUTGOINGS, PERMANENTLY, NOT AS A START-UP PHASE** → lean-season demand built deliberately (long-stay and remote-work, workshops and retreats, weekday offsites, drive-market guests) taking lean occupancy 19%→39%, **WHICH CONTRIBUTES MORE TO PROFITABILITY THAN ANY PEAK-SEASON RATE INCREASE AVAILABLE**; seasons priced as different products; **MAINTENANCE SCHEDULED IN THE LEAN QUARTER, BECAUSE AN OPERATOR WHO MAINTAINS IN SEASON PAYS TWICE — ONCE FOR THE WORK AND ONCE FOR THE ROOMS THEY COULD NOT SELL**
Distribution rented from a platform that owns the reputation	**84% OF YEAR-1 BOOKINGS ARRIVE VIA OTAs AT 18.2% BLENDED COMMISSION — UNREMARKABLE EXCEPT THAT IT CARRIES A SECOND DEPENDENCY: THE RANKING THAT DETERMINES WHETHER THE PROPERTY IS SEEN AT ALL IS DRIVEN BY A REVIEW SCORE THE OPERATOR DOES NOT CONTROL. THIS IS THE MARKETPLACE-SELLER PROBLEM FROM THE FMCG VERTICAL IN A MORE ACUTE FORM, BECAUSE THE SMALL OPERATOR CANNOT BUY VISIBILITY TO COMPENSATE** → direct share 16%→42%, not to escape the platforms (unrealistic) **BUT TO STOP BEING WHOLLY GOVERNED BY THEM**; the conversion made while the guest is still in the house and delighted, since **THAT SINGLE CONVERSATION TURNS AN 18% COMMISSION INTO 0% FOR EVERY SUBSEQUENT STAY, AND NO DIGITAL MARKETING SPEND COMPETES WITH THAT RETURN**
Unsettled regulation that surfaces after the capital is committed	**THREE SEPARATE AUTHORITIES CAN EACH TAKE A VIEW AND NONE TYPICALLY SURFACES AT PURCHASE: THE SOCIETY OR RWA, WHOSE BYLAWS COMMONLY PROHIBIT SHORT-TERM LETTING AND WHICH USUALLY ACTS ONLY AFTER A RESIDENT COMPLAINS ABOUT STRANGERS WITH SUITCASES; THE MUNICIPALITY, ON WHETHER NIGHTLY LETTING IS COMMERCIAL USE — AFFECTING LAND-USE, PROPERTY TAX AND ELECTRICITY TARIFF, WITH RECLASSIFICATION FREQUENTLY ARRIVING RETROSPECTIVELY WITH ARREARS; AND THE STATE, VIA TOURISM SCHEMES OFFERING REAL BENEFITS AGAINST CONDITIONS ON OWNER RESIDENCE AND ROOM COUNT. THE PROMOTER OPERATES PROFITABLY FOR TWO SEASONS AND THEN RECEIVES A NOTICE, AT WHICH POINT THE CAPITAL IS FULLY COMMITTED AND THE OPTIONS ARE POOR** → written society/RWA clearance obtained BEFORE purchase or lease, **SINCE CONSENT IS FAR EASIER TO OBTAIN FROM PEOPLE WHO HAVE NOT YET BEEN INCONVENIENCED**; municipal position in writing; tax and tariff classification confirmed at outset and priced in; commercial-letting insurance rather than a domestic policy that will decline the claim (clearance 33%→100%; **AN UNRESOLVED PERMISSION IS A REASON NOT TO OPEN, NOT A MATTER TO SORT OUT LATER**)
Small inventory carries every fixed cost heavily	**A MANAGER, A CARETAKER AND A KITCHEN CANNOT BE SPREAD ACROSS SIX ROOMS THE WAY THEY CAN ACROSS SIXTY — COST PER AVAILABLE ROOM-NIGHT IS ₹1,880 AGAINST YEAR-1 REVPAR OF ₹1,722, WHICH IS THE WHOLE OF THE YEAR-1 LOSS IN ONE COMPARISON: THE PROPERTY COSTS MORE TO KEEP OPEN THAN IT EARNS** → the gap closed through occupancy rather than rate (RevPAR ₹1,722→₹3,111; cost per available room-night ₹1,880→₹1,410); staffing at 20 heads to 14 keys accepted as **THE DELIBERATE COST OF THE PRODUCT, SINCE AN OPERATOR STAFFING AT HOTEL RATIOS WILL DELIVER A HOTEL EXPERIENCE AT HOMESTAY PRICES AND WILL DISCOVER THE PROBLEM IN THE REVIEWS RATHER THAN IN THE ACCOUNTS**
Supply growth & demand shock	**SUPPLY GROWS FASTER THAN DEMAND IN EVERY DESTINATION THAT BECOMES POPULAR, WHICH IS THE STRUCTURAL PRESSURE ON RATES IN THIS BUSINESS** → differentiation through host, food and access rather than through facilities a new listing can match; whole-property and group channels held as demand largely outside platform competition. Travel demand **STOPS RATHER THAN DECLINES** in a shock while lease, EMI and maintenance continue → lean-season demand mix and drive-market guests as partial insulation

15. SWOT Analysis

Strengths **A named host at every property — the product itself, and not replicable by a listing**; direct-booking share built to 42%; **lean-season demand engineered where competitors accept an empty quarter**; written permissions on every property; genuine asset backing for lending purposes.	**Weaknesses** **Cost per available room-night exceeds RevPAR in Year 1 — the property costs more to open than it earns**; small base makes every fixed cost heavy; **cannot scale the way a hotel does without dissolving the premium**; 84% platform dependence at launch; loss-making in Year 1.
Opportunities Experiential travel preference favouring character over uniformity; **remote and hybrid work extending stays and softening seasonality**; group and occasion buyouts outside platform competition; **state tourism schemes offering tariff benefits and legitimacy**; drive-market weekend demand from nearby metros.	**Threats** **A single early bad review rendering a property invisible**; society, municipal or tax reclassification stopping operations outright; **supply growth compressing rates in popular destinations**; platform ranking and commission changes; demand shocks against fixed lease and EMI obligations.

16. Recommended AiSevak Tools for This Business

This homestay and boutique-stay business would use AiSevak's Travel vertical tools in operations:

- **Real performance: RevPAR and cost-per-available-room-night by property, occupancy split peak versus lean, seasonal rate-card builder, property-level P&L.**
- **The rating: review-count and average-rating tracker with first-thirty-reviews flag, pre-checkout issue-resolution log, review response monitor, enquiry screening notes.**
- **Distribution:** OTA-versus-direct share and blended-commission tracking, in-house direct-repeat conversion prompts, channel-manager availability accuracy monitor.
- **Lean-season demand:** long-stay and workshop enquiry pipeline, weekday offsite tracker, lean-quarter maintenance scheduler.
- **Risk register:** per-property permission file (society/RWA, municipal land-use, tax and tariff classification, tourism registration), commercial-letting insurance validity, named-host coverage.

17. Key Assumptions & Notes

- Homestay and boutique-stay business: portfolio of owned and long-leased character properties in leisure destinations, sold through online travel platforms and progressively direct, with hosted service and local experiences. **THIRD PLAN IN THE TRAVEL VERTICAL — OPENS THE ASSET-OWNING SUB-MODEL. Cross-references the hospitality vertical's budget-hotel and boutique-resort plans for RevPAR logic rather than re-deriving it.**
- **⚠ GOVERNING CONVENTION FOR THE ASSET-OWNING SUB-MODEL, SET HERE: (a) MANY HOMESTAYS ARE A PROPERTY PURCHASE WITH AN OCCUPANCY STORY ATTACHED — A RATIONAL THING TO DO AND A DIFFERENT PROPOSITION FROM THE ONE A LENDER IS FUNDING; PROPERTY APPRECIATION IS NEVER COUNTED AS INCOME. (b) THE HOST IS THE PRODUCT, SO THIS DOES NOT SCALE LIKE A HOTEL — YOU CAN HIRE A DUTY MANAGER BUT NOT A FOUNDER'S PERSONALITY, AND THE THIRD PROPERTY IS WHERE THE PREMIUM DISSOLVES. (c) ONE BAD REVIEW EARLY OUTWEIGHS TEN GOOD ONES LATER, BECAUSE ON A SMALL BASE A SINGLE ONE-STAR MOVES THE AVERAGE ENOUGH TO MOVE THE RANKING — THE PROPERTY BECOMES INVISIBLE RATHER THAN WORSE. (d) THE ANNUAL OCCUPANCY FIGURE HIDES TWO BUSINESSES:**

78% PEAK AND 19% LEAN. (e) DISTRIBUTION IS RENTED FROM A PLATFORM THAT ALSO OWNS THE REPUTATION.

- **ON SEASONALITY, WHICH IS THE MOST COMMON WAY THESE BUSINESSES MISLEAD THEMSELVES AND THEIR LENDERS: Q3 COLLECTS ₹14 LAKH AGAINST ₹28 LAKH OF OUTGOINGS — THE PROPERTY EARNS HALF WHAT IT COSTS TO KEEP OPEN, FOR THREE MONTHS, EVERY YEAR, PERMANENTLY. THIS IS NOT A START-UP PROBLEM THAT SCALE RESOLVES; IT IS THE STRUCTURE OF A LEISURE ASSET IN A SEASONAL DESTINATION** → lean occupancy 19%→29%→39% via long-stay and remote-work guests, workshops and retreats, weekday corporate offsites and drive-market travellers; seasons priced as different products; maintenance executed in the lean quarter.
- **ON SCALING: THE ANSWER IS NOT TO REFUSE GROWTH BUT TO CHANGE WHAT IS BEING REPLICATED — A NAMED RESIDENT HOST PER PROPERTY WITH GENUINE AUTONOMY OVER HOSPITALITY AND A STAKE IN THAT PROPERTY'S RATINGS AND REPEAT BUSINESS, RATHER THAN A MANAGER EXECUTING A STANDARD. THAT IS SLOWER, MORE EXPENSIVE AND HARDER TO RECRUIT FOR THAN HIRING HOTEL STAFF, AND IT IS THE ONLY VERSION OF THIS BUSINESS THAT GROWS WITHOUT DISSOLVING** (named host 71%→96%; staffing at 20 heads to 14 keys as the deliberate cost of the product).
- Economics & cash — **COST PER AVAILABLE ROOM-NIGHT IS ₹1,880 AGAINST YEAR-1 REVPAR OF ₹1,722, WHICH IS THE ENTIRE YEAR-1 LOSS IN ONE COMPARISON, AND THE GAP CLOSES THROUGH OCCUPANCY RATHER THAN RATE** (Y1 −₹10L → Y3 ₹92L; net margin −9.4%→10.3%→23.6%; RevPAR ₹1,722→₹3,111; ADR ₹4,200→₹5,100; occupancy 41%→61%; OTA share 84%→58% with blended commission 18.2%→15.1%; rating 4.31→4.79; break-even Year 2). Regulatory: state tourism registration/homestay classification; **WRITTEN SOCIETY/RWA CLEARANCE BEFORE PURCHASE OR LEASE**; municipal land-use position with **PROPERTY-TAX AND ELECTRICITY-TARIFF CLASSIFICATION CONFIRMED AT THE OUTSET, SINCE RETROSPECTIVE RECLASSIFICATION WITH ARREARS IS A COMMON AND EXPENSIVE SURPRISE**; FSSAI where food is served; Form-C and police reporting for foreign guests; fire and building safety; GST by tariff band; **PUBLIC LIABILITY AND PROPERTY INSURANCE WRITTEN FOR COMMERCIAL LETTING, NOT A DOMESTIC POLICY THAT WILL DECLINE THE CLAIM.** Lender note: **GENUINELY ASSET-BACKED AND THE MOST CONVENTIONALLY FINANCEABLE PLAN IN THE TRAVEL VERTICAL SO FAR**; **SIZE THE REPAYMENT AGAINST THE LEAN QUARTER — THIS PROPERTY EARNS HALF ITS RUNNING COST FOR THREE MONTHS EVERY YEAR, PERMANENTLY, AND A FLAT EMI WILL STRAIN EXACTLY THE QUARTER WITH NO REVENUE FOR REASONS UNRELATED TO WHETHER IT IS WELL RUN**; **ASK FOR OCCUPANCY SPLIT BY SEASON RATHER THAN ANNUAL OCCUPANCY, AND FOR COST PER AVAILABLE ROOM-NIGHT — AN ANNUAL 41% CONCEALS 78% AND 19%, AND AN OPERATOR WHO CANNOT PRODUCE THE SPLIT IS NOT MANAGING THE HALF OF THE YEAR THAT DECIDES SOLVENCY**; **VERIFY PERMISSIONS PROPERTY BY PROPERTY BEFORE DISBURSEMENT**; and **BE ALERT TO PROPOSALS COUNTING PROPERTY APPRECIATION AS INCOME — THOSE ARE ASSET PLAYS PRESENTED AS OPERATING BUSINESSES AND CARRY A DIFFERENT RISK ENTIRELY.** ₹2.65cr, 14→28 keys across 3→6 properties, revenue 1.06→3.90cr, 20→42 staff. Figures illustrative, exclude GST.

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