BUSINESS PLAN · INDIA

Tour Operator and DMC

He buys the holiday before anybody has bought it from him

TRAVEL

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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1. Executive Summary

This plan sets out a **Tour Operator / Destination Management Company** in India — a principal tour-operating business designing, contracting and operating group departures and customised itineraries for domestic and outbound leisure travel, selling directly and through retail agents, and delivering the tour with its own tour managers.

> **The travel agency that opened this vertical earned a fee for arranging somebody else's product and never owned anything. This plan inverts that completely, and the inversion is the whole business: a tour operator buys the holiday before anybody has bought it from him. He blocks forty rooms, commits to forty-five seats, contracts a coach and a guide, and pays non-refundable deposits — for a departure that currently has no passengers on it. The agency's exposure was reputational; the operator's is financial and it is committed months in advance.** This is why the two businesses look superficially similar and behave nothing alike: **the agency's worst month is a quiet one, while the operator's worst month is one where he has bought a holiday nobody wanted.**

> **The second point is the arithmetic that governs everything: a departure has a break-even passenger count, and the operator's entire year is decided by how many departures cross it. The coach costs the same with eighteen passengers or forty. The tour manager is paid the same. The minimum rooming commitment, the guide, the entrance fees block and the vehicle are largely fixed once the departure is confirmed. Below the break-even count every seat loses money; above it, each additional passenger is very nearly pure margin.** On this plan the break-even load factor is **68% in Year 1, actual load factor is 61%, and only 44% of departures operate above break-even** — **which is precisely why the business loses money in Year 1 despite a 19% gross margin.** By Year 3, load factor reaches 81% against a break-even of 63% and **84% of departures are profitable. Nothing else in this plan matters as much as that single migration.**

> **The third is an asymmetry the operator sits in the middle of and cannot escape: the customer can cancel, and the hotel cannot. A passenger withdraws six weeks before departure and pays a modest penalty — often a fraction of the package. The airline seat, the hotel block and the coach were committed on the operator's signature, and the supplier's cancellation terms are considerably less forgiving than the ones the operator offered his customer. The gap between what the customer forfeits and what the supplier refunds is the operator's loss, on a booking he did nothing wrong to lose.** This plan takes **supplier recovery on customer cancellations from 22% to 58%**, entirely by contracting release dates and cancellation terms deliberately rather than accepting standard ones.

> **And the fourth: the operator quotes in rupees months before he pays in foreign currency. A European package priced in January for a September departure is a rupee price fixed against euro costs the operator will settle eight months later at a rate nobody knows. 71% of Year-1 packages are priced more than ninety days ahead and none of the currency exposure is hedged** — a position this plan corrects to **68% hedged by Year 3**, because **an operator who does not hedge is running a currency book alongside a travel business, and is usually unaware he has one.**

This plan models a tour operator requiring **₹1.38 crore** (₹62 lakh promoter + ₹22 lakh term loan + ₹54 lakh working-capital facility), moving from **₹8.20 crore revenue and an ₹11 lakh loss** to **₹19.60 crore revenue and ₹1.05 crore profit** by Year 3. *(Principal tour operator and DMC — figures illustrative.)*

2. Business Description, Vision & Legal Structure

Concept: A principal tour-operating business run on load factor against a computed break-even per departure, with supplier release dates and cancellation terms negotiated as commercial instruments and foreign-currency commitments hedged rather than hoped over.

Vision: To run departures full — because a full departure is the only kind that makes money.

Mission: Compute break-even before we publish a price; contract release dates as carefully as rates; hedge what we owe in foreign currency; cancel early rather than operate at a loss out of embarrassment; and send the tour manager we advertised.

Legal structure options

- **Private Limited** — recommended: supplier contracting, agent networks, foreign-exchange dealings and any external investment assume corporate standing.
- **LLP** — workable for a founder-led operator without significant outbound contracting.
- **Proprietorship** — unsuitable: this business signs non-refundable commitments months ahead against unsold inventory.

> **Regulatory anchor:** heavier than the agency's, because the operator is a principal rather than an intermediary and the tax treatment follows that. **GST on tour packages is charged on the package value under the applicable scheme rather than on a commission — and an operator who accounts as though he were an agent will misstate his liability substantially. TCS on overseas tour packages** under the Income-tax Act, collected from the traveller and remitted, **which materially affects the cash the customer must pay upfront and therefore the operator's own pricing conversation. FEMA compliance and authorised-dealer arrangements for settling foreign supplier invoices**, with documentation for each remittance. Then the obligations specific to operating rather than selling: **Ministry of Tourism and state tourism department recognition where sought, which affects credibility and eligibility for certain business**; **tour manager and guide licensing where required at monuments and protected sites**; **passenger and public liability insurance appropriate to a business physically escorting groups**; vehicle permits and driver compliance for owned or contracted coaches, **including interstate and national permits**; and **written terms of business setting out cancellation, amendment and refund terms clearly at the point of sale — which in this model is not merely good practice but the document that determines who bears the loss when a passenger withdraws.**

3. Promoter & Ownership

Led by a promoter with tour operating, destination management or travel product background. Three competences decide outcomes: *contracting judgement*, because rates matter less than release dates and cancellation terms, and the operator who negotiates only price has left the dangerous clauses on the table; *the discipline to cancel a departure early*, which is the hardest decision in this trade and the cheapest one available; and *product design*, since a well-constructed itinerary at the right price fills, and a poorly constructed one does not fill at any price. Ownership, equity & investor terms are editable inputs.

4. Market Analysis — India

Indian outbound and domestic leisure travel is growing strongly, with organised group travel expanding fastest among first-time international travellers, families and older travellers who want the arrangements handled. The operator's role is genuinely valued in exactly the segments where self-booking is least attractive.

Demand drivers

- **First-time international travellers**, who want a guided, escorted, everything-included format.
- **Family and multi-generational travel**, difficult to self-arrange and unforgiving of error.
- **Older and senior travellers**, for whom the escorted format is the product rather than a convenience.
- **Special-interest and experiential itineraries**, where design and access are the differentiator.
- **Domestic tourism growth** and improved connectivity opening new circuits.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Indian organised leisure travel	Large and growing
SAM	Circuits and formats this operator contracts and sells	Product- and season-bounded
SOM (Yr 1–3)	**Departures operated × passengers × margin per passenger**	84 → 216 departures

> **The departure is the unit of this business, and treating the year as the unit — which is how most operators plan — conceals exactly where the money is made and lost.** Consider a single group departure. **Once confirmed, the coach, the tour manager, the guide, the minimum rooming block and a share of the fixed marketing cost are committed regardless of how many people travel. Against that, each passenger contributes their package price less their own variable cost — the airline seat, their room share, their meals and entrance fees. Divide the fixed departure cost by the per-passenger contribution and the result is a break-even passenger count, below which the departure loses money no matter how well it is executed. On this plan that break-even sits at 68% of capacity in Year 1 while actual load factor runs at 61% — meaning the average departure loses money and the business survives on the minority that fill.** Three consequences follow, and the third is the one operators resist. **First, pricing must be set from the break-even count rather than from the competitor's brochure, because a price that fills the coach at a loss is worse than a price that fills it less often at a profit. Second, marketing spend should be allocated to departures approaching break-even rather than spread evenly, since the marginal passenger on a nearly-full departure is worth several times the marginal passenger on an empty one. Third — and this is the discipline that separates operators who last — a departure that will not reach break-even should be cancelled or consolidated early, while release dates still permit it, rather than operated at a loss to avoid disappointing eleven passengers. Operating an under-filled departure out of embarrassment is the most expensive form of politeness in this industry**, and this plan cancels or merges 11 departures in Year 1 deliberately.

5. Competition & Competitive Advantage

Landscape: large national tour operators with brand recognition and buying scale, regional operators with strong community relationships, online travel platforms selling dynamic packages, destination management companies competing for the same ground arrangements, and — increasingly — travellers assembling their own itineraries from platform components. **The operator competes on product design and delivery, because on price alone the large operator's buying power is decisive.**

The business's edge

- **Break-even computed per departure before publication**, so pricing is arithmetic rather than imitation.
- **Release dates and cancellation terms contracted deliberately**, which is where the losses actually occur.
- **Currency exposure hedged** rather than absorbed as an unnamed risk.

- **Tour manager quality treated as the product**, because on a twelve-day tour it is.
- **Early cancellation discipline**, protecting the year from a handful of bad departures.

> **The tour manager is the product, and this is the single most under-invested truth in tour operating. A customer buys a brochure and receives a person. For twelve days that individual is the entire company: they solve the lost passport, manage the passenger who is unwell, handle the hotel that has overbooked, keep a group of thirty-five moving to a schedule, absorb complaints that are nobody's fault, and determine — almost single-handedly — whether the customer returns and what they tell people. Everything else the operator does is arrangement; this is delivery.** Yet tour managers are commonly the most casually resourced part of the business: **hired freelance at the last minute, briefed thinly, paid modestly, and swapped without telling the passengers who chose the departure partly because of who was leading it.** This plan takes a different position and prices it: **a core of tour managers on the payroll rather than assembled per departure, proper briefing on the specific group, and — measured explicitly — departures operating with the tour manager who was advertised rising from 76% to 96%.** The commercial case is straightforward. **Repeat and referral rise from 29% to 52% of bookings here, and in this business the referral comes from the fortnight the customer spent with one employee, not from the brochure they read six months earlier. An operator economising on tour managers is economising on the only part of the product the customer actually experiences.**

6. Product, Pricing & the Cancellation Asymmetry

Product / term	Structure	Risk position
Group departures (fixed dates)	Committed inventory, published price	**Break-even count governs everything**
Customised / FIT itineraries	Built per booking, minimal pre-commitment	Lower risk, lower margin, higher labour
Special-interest & experiential	Design-led, premium priced	Best margin; smallest addressable base
DMC / inbound ground handling	Contracted by overseas operators	B2B, steadier, receivable-based
Supplier deposits & release dates	**Non-refundable, committed months ahead**	**₹52L–₹96L at risk at any time**
Operating a departure below break-even	**NIL — by policy**	**Cancel or consolidate while release dates allow**
Unhedged foreign-currency commitments	**Reduced to 32% by Yr 3**	**Otherwise it is a currency book, not a tour**

> **The cancellation asymmetry is the structural unfairness of this business, and an operator who does not contract against it deliberately will absorb it repeatedly without ever quite identifying what happened.** The position is this. **The operator offers his customer reasonable cancellation terms, because competitive pressure and simple decency require it — a passenger cancelling six weeks out forfeits a deposit, not the package. Meanwhile the hotel block, the airline group fare and the coach were contracted on terms written by suppliers with no interest in the operator's flexibility, and those terms tighten as the departure approaches. So a passenger withdraws, the operator refunds most of what they paid, and the supplier keeps most of what the operator committed — the difference falling entirely on the operator, for a booking he did not lose through any failure of his own. Multiply by the ordinary rate at which people cancel holidays — illness, visas, work, family — and this line quietly consumes a meaningful share of the margin.** The response is contractual rather than operational, and it is negotiated at rate-contracting time when nobody is thinking about cancellations. **Release dates are**

> **the single most valuable clause in a hotel contract and are routinely conceded in exchange for a marginally better rate — a mistake, because the release date determines how late the operator can shed unsold rooms without paying for them. Graduated cancellation scales matched as closely as possible to those the operator offers his own customers. Named-passenger substitution rights, so a cancelled seat can be resold rather than surrendered. And customer terms drafted to reflect the real cost of a late cancellation rather than a token deposit.** This plan takes supplier recovery on customer cancellations from 22% to 58%, **and every point of that improvement was negotiated in a contract signed long before the passenger changed their mind.**

7. Go-to-Market — Filling the Departure

Acquisition

- **Retail agent network**, which distributes reach at a commission the operator controls.
- **Direct sales** to repeat and referred customers, carrying the best margin.
- **Community and affinity groups** — associations, clubs, employer groups — which fill entire departures at once.
- **Digital and brochure marketing**, allocated to departures approaching break-even rather than spread evenly.

Filling discipline

- **Departure-level booking curve monitored weekly** against the break-even count and the release-date calendar.
- **Consolidation** of adjacent dates before cancellation, preserving the customer even when the departure changes.
- **Early-bird pricing** designed to build the base that makes a departure viable, not to discount a full one.
- **Cancellation decision taken at the release date**, not at the last moment when it costs the most.

The single operational rhythm that runs this business is the weekly review of every open departure against two dates and one number: how many passengers are booked, what the break-even count is, and when the supplier release date falls. An operator who reviews bookings monthly will repeatedly discover a shortfall after the release date has passed, at which point the choice is between operating at a loss and paying for rooms nobody will sleep in — **and by then both options are bad, which is the definition of having decided too late.**

8. Operations Plan (design, contract, sell, fill, operate)

- **Product design:** itinerary built around what fills — pacing, inclusions and price point — **with break-even computed before a price is published rather than after a season disappoints.**
- **Contracting: release dates, cancellation scales and substitution rights negotiated with the same attention as rates, because that is where the losses live.**
- **Currency: foreign-currency commitments hedged on confirmation of the departure, so a package priced in January is costed at a known rate rather than a hoped one.**
- **Selling:** agent network and direct channel managed against departure-level booking curves, **with marketing directed at departures near break-even.**
- **Fill management: weekly review of every open departure against break-even count and release date, with consolidate-or-cancel decided at the release date rather than after it.**
- **Delivery: tour managers on the payroll, briefed on the specific group, and the advertised manager actually operating the departure.**
- **On-tour support:** a duty desk covering the destination's operating hours, not the head office's.
- **Post-tour:** structured feedback per departure and per tour manager, feeding both product design and staffing.

Control points

Area	Activity	Control point
The governing arithmetic	**Load factor vs break-even load factor**	**61% vs 68% → 81% vs 63%**
The number that decides the year	**Departures operating above break-even**	**44% → 68% → 84%**
The asymmetry	**Supplier recovery on customer cancellations**	**22% → 41% → 58%**
Committed risk	**Non-refundable supplier commitments at risk**	**₹52L → ₹78L → ₹96L**
The hidden currency book	**Foreign commitments hedged**	**0% → 34% → 68%**
The product	**Departures with the advertised tour manager**	**76% → 89% → 96%**
Discipline	Departures cancelled/consolidated for under-subscription	11 → 12 → 9 (deliberate)

> **Cancelling a departure is the hardest decision in tour operating and almost always the cheapest one available, which is an unusual combination and explains why it is so consistently avoided.** The situation is familiar to every operator. **A departure four weeks out has nineteen passengers against a break-even of twenty-six. The release date falls next Tuesday. After that, the rooms are paid for whether or not anybody sleeps in them. Cancelling means telephoning nineteen people who have booked leave, bought visas and told their families — an unpleasant afternoon that feels like failure. Operating means running the tour at a loss, keeping nineteen customers happy, and telling yourself the marketing value justifies it. It does not.** The arithmetic is unforgiving: **a departure seven passengers short of break-even loses roughly the contribution of those seven passengers, and three such departures can consume a year's profit while every individual decision felt like the kind thing to do.** The disciplines that make the decision manageable rather than agonising are all preparatory. **Consolidate before cancelling — adjacent dates, similar itineraries, a partner operator's departure — which preserves most customers and most of the revenue. Decide at the release date, not after, because the same decision costs several times more a week later. Publish realistic minimum-passenger terms at the time of booking, so cancellation is a stated condition rather than a broken promise. And offer transferring passengers a genuine incentive to move dates rather than a grudging refund**, since **a customer moved to another departure is a customer retained and a seat filled, while a customer refunded is both revenues lost. This plan cancels or consolidates eleven departures in Year 1 as a deliberate act of profit protection, and the number falls to nine by Year 3 not because discipline relaxed but because the departures fill.**

9. GST, TCS, FEMA & Operating Compliance (India)

- **GST on tour packages charged on package value under the applicable scheme rather than on commission — an operator accounting as though he were an agent will misstate his liability substantially.**
- **TCS on overseas tour packages** collected from the traveller and remitted, **materially affecting the upfront cash the customer must pay and therefore the pricing conversation.**
- **FEMA compliance and authorised-dealer arrangements** for settling foreign supplier invoices, with documentation per remittance.
- **Ministry of Tourism / state tourism recognition** where sought, affecting credibility and eligibility for certain business.
- **Tour manager and guide licensing** where required at monuments and protected sites.
- **Passenger and public liability insurance** appropriate to a business physically escorting groups, plus professional indemnity.

- Vehicle permits, interstate and national permits, driver hours and fitness for owned or contracted coaches.
- **Written terms of business with clear cancellation, amendment and refund terms disclosed at the point of sale — in this model not merely good practice but the document determining who bears the loss when a passenger withdraws.**

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Promoter / managing director	1	1	2
Sales & reservations	**12**	**18**	**26**
Tour managers (on payroll)	**8**	**13**	**19**
Operations & ground coordination	6	9	13
Product design & contracting	**4**	**6**	**8**
Finance & admin	4	5	7
Marketing	2	3	4
Total	**37**	**55**	**79**

Eight tour managers on the payroll in Year 1, in a thirty-seven-person business, is the plan's most deliberate and most easily challenged allocation. The industry norm is to engage them freelance per departure, which is cheaper per tour and produces exactly the outcome the norm predicts: variable delivery, thin briefing, and the person who leads the group having no relationship with the company whose product they are. On a twelve-day tour the manager is the company, and a customer's entire judgement of the business is formed by one individual over a fortnight. Paying for that properly is not a staffing preference; it is the decision to have a product.

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0–5	Itineraries designed and costed with break-even computed, supplier contracts signed with release dates and cancellation scales negotiated, tourism registration, agent network appointed, reservation system live
Launch	Month 5–12	₹8.20cr revenue, ₹11L loss; 84 departures; load factor 61% against 68% break-even; 44% of departures above break-even; 11 cancelled or consolidated
Build	Year 2	148 departures; load factor 72%; 68% above break-even; supplier recovery 41%; 34% of foreign commitments hedged; ₹13.40cr revenue, ₹41.5L profit
Scale	Year 3	216 departures; **₹19.60cr revenue, ₹1.05cr profit; load factor 81% against 63% break-even; 84% of departures profitable; supplier recovery 58%; 68% hedged; advertised tour manager on 96% of departures**

12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates. ***Load factor against break-even is the lever; revenue is not one, because revenue can be bought by selling departures that lose money.***

12.1 Project cost & means of finance

Capital requirement	₹
Working capital & supplier advance deposits	**62,00,000**
Marketing, brochure, digital & launch campaign	24,00,000
Office fit-out, deposit & equipment	16,00,000
Technology (reservation system, CRM, website)	14,00,000
Initial operating losses	14,00,000
Registrations, licences, bonds & insurance	8,00,000
Total project cost	**1,38,00,000**
Promoter contribution	62,00,000
Term loan	22,00,000
Working-capital facility	54,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
REVENUE (package value — operator is PRINCIPAL, not agent)	**8,20,00,000**	**13,40,00,000**	**19,60,00,000**
— Outbound group departures	4,26,00,000	7,10,00,000	10,40,00,000
— Domestic group departures	2,18,00,000	3,42,00,000	4,90,00,000
— Customised / FIT itineraries	1,04,00,000	1,78,00,000	2,64,00,000
— DMC / inbound ground handling	72,00,000	1,10,00,000	1,66,00,000
Direct tour costs (air, hotels, transport, guides, meals, entrances)	**6,64,00,000**	**10,72,00,000**	**15,48,00,000**
Gross margin	**1,56,00,000**	**2,68,00,000**	**4,12,00,000**
Gross margin %	**19.0%**	**20.0%**	**21.0%**
Salaries (incl. tour managers on payroll)	**78,00,000**	**1,08,00,000**	**1,52,00,000**
Marketing, brochure & customer acquisition	26,00,000	40,00,000	58,00,000
Loss on under-filled & cancelled departures	**18,00,000**	**20,00,000**	**22,00,000**
Rent, utilities & office	11,00,000	14,00,000	18,00,000
Technology (reservation, CRM, website)	8,00,000	11,00,000	15,00,000
Finance cost (interest)	9,00,000	12,00,000	15,00,000

Currency loss on rupee-priced foreign packages	**6,00,000**	**7,00,000**	**8,00,000**
Admin, compliance & insurance	8,00,000	11,00,000	15,00,000
Depreciation	3,00,000	3,50,000	4,00,000
Total expenses	**1,67,00,000**	**2,26,50,000**	**3,07,00,000**
Net profit / (loss) before tax	**(11,00,000)**	**41,50,000**	**1,05,00,000**
Net margin (on revenue)	(1.3%)	3.1%	5.4%
DEPARTURES OPERATED / CANCELLED OR CONSOLIDATED	**84 / 11**	**148 / 12**	**216 / 9**
AVERAGE LOAD FACTOR (pax vs committed capacity)	**61%**	**72%**	**81%**
BREAK-EVEN LOAD FACTOR	**68%**	**66%**	**63%**
DEPARTURES OPERATING ABOVE BREAK-EVEN	**44%**	**68%**	**84%**
Loss on under-filled departures as % of revenue	**2.2%**	**1.5%**	**1.1%**
NON-REFUNDABLE SUPPLIER COMMITMENTS AT RISK (avg)	**52,00,000**	**78,00,000**	**96,00,000**
SUPPLIER RECOVERY ON CUSTOMER CANCELLATIONS	**22%**	**41%**	**58%**
Packages priced >90 days before departure	**71%**	**58%**	**44%**
FOREIGN-CURRENCY COMMITMENTS HEDGED	**0%**	**34%**	**68%**
DEPARTURES WITH THE ADVERTISED TOUR MANAGER	**76%**	**89%**	**96%**
Repeat & referral share of bookings / post-tour rating (of 10)	29% / 7.4	41% / 8.2	52% / 8.8
Departures operated below break-even by choice	**NIL**	**NIL**	**NIL**

12.3 Unit economics & break-even

- **The Year-1 loss is explained entirely by load factor: 61% actual against a 68% break-even, with only 44% of departures profitable. A 19% gross margin is perfectly adequate for this trade; it is simply spread over too many half-empty coaches.**
- **Above break-even, each additional passenger is very nearly pure margin**, because the coach, the tour manager, the guide and the rooming block are already paid for — **which is why load factor moves profit far more violently than price does.**
- **Cancelling eleven departures in Year 1 is profit protection, not failure. Three departures operated seven passengers short can consume a year's profit while each individual decision felt like the kind thing to do.**
- **Supplier recovery from 22% to 58% was negotiated at contracting time — release dates, cancellation scales and substitution rights, agreed months before any passenger changed their mind.**
- **Break-even: Year 2. The binding constraint is filling departures rather than capital, and the risk is concentrated in the ₹52–96 lakh of non-refundable commitments standing against unsold inventory at any moment.**

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

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	44,00,000	30,00,000	22,00,000	16,00,000

Collections (customer payments & agent settlements)	1,76,00,000	2,02,00,000	2,24,00,000	2,38,00,000
Supplier deposits, tour operating costs, salaries & overheads	1,90,00,000	2,10,00,000	2,30,00,000	2,44,00,000
Closing balance	**30,00,000**	**22,00,000**	**16,00,000**	**10,00,000**

> **The cash pattern here is the exact reverse of the travel agency's, and the contrast is the clearest way to understand what changes when an intermediary becomes a principal. The agency held customer money before it owed suppliers anything — its danger was mistaking that float for profit. This business does the opposite: it pays suppliers deposits to hold inventory months before a single customer has booked it. ₹52 lakh of non-refundable commitments stand against unsold departures at any moment in Year 1, and that money is gone whether the coach fills or not.** Three exposures follow. **The first is that growth consumes cash immediately and returns it slowly: adding departures means adding deposits, so an operator expanding his programme is committing capital months before he learns whether the market wanted those dates. The second is that a season's error is discovered too late to correct — the contracting decisions for a summer programme are made the previous autumn, and if the product or the pricing is wrong the operator finds out when bookings fail to arrive, by which point the deposits are placed and the release dates are approaching. The third is currency, which converts a costing error into a cash loss on foreign programmes months after the price was fixed.** The controls: **deposits committed against a contracted programme sized to realistic rather than aspirational load factors; release dates negotiated as the primary protective clause; foreign commitments hedged on departure confirmation; the working-capital facility sized against peak committed deposits rather than average revenue; and the consolidate-or-cancel decision taken on the release-date calendar, which is the only mechanism this business has for turning a bad departure back into cash.**

12.5 Key Performance Indicators to Monitor

- **The governing arithmetic: load factor and break-even load factor per departure; departures above break-even; contribution per passenger above break-even.**
- **Committed risk: non-refundable deposits at risk; days to release date on every open departure; supplier recovery on cancellations; hedged share of foreign commitments.**
- **The product: advertised-tour-manager adherence; post-tour rating by manager and by itinerary; repeat and referral share.**
- **Discipline:** departures consolidated versus cancelled; decisions taken before versus after release date; marketing spend allocated to near-break-even departures.

13. Funding Requirement & Bankability

Total ask: **₹22 lakh term loan plus a ₹54 lakh working-capital facility** against ₹62 lakh promoter contribution. Four points. **First, this is a principal business and should be read as one — unlike the travel agency in this vertical, revenue here is genuinely the operator's own, so the ₹19.60 crore is a real turnover figure rather than money passing through. Second, and the corresponding exposure: this business signs non-refundable commitments against unsold inventory, standing at ₹52–96 lakh at any time — the working-capital facility must be sized against peak committed deposits in the contracting season, not against average monthly revenue, because the cash goes out before the programme sells. Third, and the most useful diagnostic available in this trade: ask for load factor against break-even load factor, and the proportion of departures operating above it. Revenue tells you nothing here — an operator can grow turnover indefinitely by running departures that lose money, and many do, because a full brochure feels like a healthy business. The proportion of profitable departures is the only figure that separates the two. Fourth, treat unhedged foreign-currency exposure as a**

covenant rather than a market view: **an operator pricing in rupees eight months ahead and settling in euros without a hedge is running a currency position alongside a travel business, usually without having decided to.**

13.1 Funding utilisation

Use of funds	₹	% of total
Working capital & supplier advance deposits	62,00,000	44.9%
Marketing, brochure, digital & launch campaign	24,00,000	17.4%
Office fit-out, deposit & equipment	16,00,000	11.6%
Technology (reservation system, CRM, website)	14,00,000	10.1%
Initial operating losses	14,00,000	10.2%
Registrations, licences, bonds & insurance	8,00,000	5.8%
Total	**1,38,00,000**	**100%**

14. Risk Analysis & Mitigation

Risk	Mitigation
He buys the holiday before anybody buys it from him	**SETS THIS PLAN'S GOVERNING CONVENTION AND INVERTS THE TRAVEL AGENCY'S: THAT BUSINESS EARNED A FEE FOR ARRANGING SOMEBODY ELSE'S PRODUCT AND NEVER OWNED ANYTHING. THIS ONE BLOCKS FORTY ROOMS, COMMITS TO FORTY-FIVE SEATS, CONTRACTS A COACH AND A GUIDE, AND PAYS NON-REFUNDABLE DEPOSITS — FOR A DEPARTURE THAT CURRENTLY HAS NO PASSENGERS ON IT. THE AGENCY'S EXPOSURE WAS REPUTATIONAL; THE OPERATOR'S IS FINANCIAL AND COMMITTED MONTHS IN ADVANCE — WHICH IS WHY THE TWO BUSINESSES LOOK SUPERFICIALLY SIMILAR AND BEHAVE NOTHING ALIKE: THE AGENCY'S WORST MONTH IS A QUIET ONE, THE OPERATOR'S IS ONE WHERE HE HAS BOUGHT A HOLIDAY NOBODY WANTED** → ₹52L–₹96L of non-refundable commitments tracked as a standing risk position
The departure has a break-even count	**THE COACH COSTS THE SAME WITH EIGHTEEN PASSENGERS OR FORTY; THE TOUR MANAGER IS PAID THE SAME; THE ROOMING COMMITMENT, GUIDE, ENTRANCES AND VEHICLE ARE FIXED ONCE CONFIRMED — SO BELOW THE BREAK-EVEN COUNT EVERY SEAT LOSES MONEY AND ABOVE IT EACH ADDITIONAL PASSENGER IS VERY NEARLY PURE MARGIN. YEAR 1 RUNS AT 61% LOAD AGAINST A 68% BREAK-EVEN WITH ONLY 44% OF DEPARTURES PROFITABLE, WHICH IS PRECISELY WHY THE BUSINESS LOSES MONEY DESPITE A PERFECTLY ADEQUATE 19% GROSS MARGIN — IT IS SIMPLY SPREAD OVER TOO MANY HALF-EMPTY COACHES** → price set from the break-even count rather than from a competitor's brochure; marketing allocated to departures NEAR break-even, **SINCE THE MARGINAL PASSENGER ON A NEARLY-FULL DEPARTURE IS WORTH SEVERAL TIMES THE MARGINAL PASSENGER ON AN EMPTY ONE** (above break-even 44%→68%→84%)

The customer can cancel; the hotel cannot	**THE STRUCTURAL UNFAIRNESS OF THIS BUSINESS: THE OPERATOR OFFERS REASONABLE CANCELLATION TERMS BECAUSE COMPETITION AND DECENCY REQUIRE IT, SO A PASSENGER WITHDRAWING SIX WEEKS OUT FORFEITS A DEPOSIT RATHER THAN THE PACKAGE — WHILE THE HOTEL BLOCK, GROUP FARE AND COACH WERE CONTRACTED ON TERMS WRITTEN BY SUPPLIERS WITH NO INTEREST IN HIS FLEXIBILITY, TIGHTENING AS THE DEPARTURE APPROACHES. THE OPERATOR REFUNDS MOST OF WHAT THE CUSTOMER PAID, THE SUPPLIER KEEPS MOST OF WHAT HE COMMITTED, AND THE DIFFERENCE FALLS ENTIRELY ON HIM FOR A BOOKING HE DID NOT LOSE THROUGH ANY FAILURE OF HIS OWN — MULTIPLIED BY THE ORDINARY RATE AT WHICH PEOPLE CANCEL HOLIDAYS** → the response is CONTRACTUAL and negotiated at rate-contracting time when nobody is thinking about cancellations: **RELEASE DATES ARE THE SINGLE MOST VALUABLE CLAUSE IN A HOTEL CONTRACT AND ARE ROUTINELY CONCEDED FOR A MARGINALLY BETTER RATE — A MISTAKE, BECAUSE THE RELEASE DATE DETERMINES HOW LATE UNSOLD ROOMS CAN BE SHED WITHOUT PAYING FOR THEM**; graduated scales matched to customer terms; named-passenger substitution rights (supplier recovery 22%→41%→58%)
Cancelling early is the hardest and cheapest decision	**A DEPARTURE FOUR WEEKS OUT HAS NINETEEN PASSENGERS AGAINST A BREAK-EVEN OF TWENTY-SIX, AND THE RELEASE DATE FALLS NEXT TUESDAY. CANCELLING MEANS TELEPHONING NINETEEN PEOPLE WHO HAVE BOOKED LEAVE, BOUGHT VISAS AND TOLD THEIR FAMILIES — AN UNPLEASANT AFTERNOON THAT FEELS LIKE FAILURE. OPERATING MEANS RUNNING AT A LOSS AND TELLING YOURSELF THE MARKETING VALUE JUSTIFIES IT. IT DOES NOT: A DEPARTURE SEVEN PASSENGERS SHORT LOSES ROUGHLY THEIR CONTRIBUTION, AND THREE SUCH DEPARTURES CAN CONSUME A YEAR'S PROFIT WHILE EVERY INDIVIDUAL DECISION FELT LIKE THE KIND THING TO DO. OPERATING AN UNDER-FILLED DEPARTURE OUT OF EMBARRASSMENT IS THE MOST EXPENSIVE FORM OF POLITENESS IN THIS INDUSTRY** → consolidate before cancelling (adjacent dates, similar itineraries, a partner's departure); decide AT the release date since the same decision costs several times more a week later; publish realistic minimum-passenger terms at booking so cancellation is a stated condition rather than a broken promise; and incentivise date transfers, **BECAUSE A CUSTOMER MOVED IS A CUSTOMER RETAINED AND A SEAT FILLED, WHILE A CUSTOMER REFUNDED IS BOTH REVENUES LOST** (11→12→9 cancelled/consolidated; departures operated below break-even by choice: NIL)
The hidden currency book	**A EUROPEAN PACKAGE PRICED IN JANUARY FOR A SEPTEMBER DEPARTURE IS A RUPEE PRICE FIXED AGAINST EURO COSTS SETTLED EIGHT MONTHS LATER AT A RATE NOBODY KNOWS — AND 71% OF YEAR-1 PACKAGES ARE PRICED MORE THAN NINETY DAYS AHEAD WITH NONE OF IT HEDGED. AN OPERATOR WHO DOES NOT HEDGE IS RUNNING A CURRENCY BOOK ALONGSIDE A TRAVEL BUSINESS, AND IS USUALLY UNAWARE HE HAS ONE** → foreign commitments hedged on confirmation of the departure so a January price is costed at a known rate rather than a hoped one (0%→34%→68% hedged; currency loss contained to ₹6–8L)
The tour manager is the product	**THE MOST UNDER-INVESTED TRUTH IN TOUR OPERATING: A CUSTOMER BUYS A BROCHURE AND RECEIVES A PERSON. FOR TWELVE DAYS THAT INDIVIDUAL IS THE ENTIRE COMPANY — SOLVING THE LOST PASSPORT, MANAGING THE PASSENGER WHO IS UNWELL, HANDLING THE OVERBOOKED HOTEL, KEEPING THIRTY-FIVE PEOPLE TO A SCHEDULE, ABSORBING COMPLAINTS THAT ARE NOBODY'S FAULT — AND DETERMINING ALMOST SINGLE-HANDEDLY WHETHER THE CUSTOMER RETURNS AND WHAT THEY TELL PEOPLE. EVERYTHING ELSE THE OPERATOR DOES IS ARRANGEMENT; THIS IS DELIVERY. YET TOUR MANAGERS ARE COMMONLY HIRED FREELANCE AT THE LAST MINUTE, BRIEFED THINLY, PAID MODESTLY, AND SWAPPED WITHOUT TELLING THE PASSENGERS WHO CHOSE THE DEPARTURE PARTLY BECAUSE OF WHO WAS LEADING IT** → a core of managers on payroll, briefed on the specific group, with advertised-manager adherence 76%→96%; **AN OPERATOR ECONOMISING ON TOUR MANAGERS IS ECONOMISING ON THE ONLY PART OF THE PRODUCT THE CUSTOMER ACTUALLY EXPERIENCES** (repeat/referral 29%→52%)

Cash goes out before it comes in	**THE EXACT REVERSE OF THE TRAVEL AGENCY: THAT BUSINESS HELD CUSTOMER MONEY BEFORE IT OWED SUPPLIERS ANYTHING AND ITS DANGER WAS MISTAKING FLOAT FOR PROFIT; THIS ONE PAYS DEPOSITS TO HOLD INVENTORY MONTHS BEFORE A SINGLE CUSTOMER HAS BOOKED. GROWTH CONSUMES CASH IMMEDIATELY AND RETURNS IT SLOWLY, AND A SEASON'S ERROR IS DISCOVERED TOO LATE TO CORRECT — CONTRACTING FOR A SUMMER PROGRAMME HAPPENS THE PREVIOUS AUTUMN, SO IF THE PRODUCT OR PRICING IS WRONG THE OPERATOR LEARNS IT WHEN BOOKINGS FAIL TO ARRIVE, BY WHICH POINT THE DEPOSITS ARE PLACED** → deposits sized to realistic rather than aspirational load factors; WC facility sized against PEAK committed deposits in the contracting season, not average revenue
Demand shock & compliance	Travel demand **STOPS RATHER THAN DECLINES**, and this business holds committed inventory when it does → programme sized so commitments can be released; DMC/inbound B2B built to 8% of revenue as a partly counter-cyclical base. **GST ON PACKAGE VALUE RATHER THAN COMMISSION — AN OPERATOR ACCOUNTING AS AN AGENT WILL MISSTATE HIS LIABILITY SUBSTANTIALLY**; TCS on overseas packages affecting the customer's upfront cash and therefore the pricing conversation; FEMA and authorised-dealer documentation; guide licensing; passenger and public liability insurance **APPROPRIATE TO A BUSINESS PHYSICALLY ESCORTING GROUPS**; written cancellation terms **AS THE DOCUMENT DETERMINING WHO BEARS THE LOSS**

15. SWOT Analysis

Strengths **Break-even computed per departure before publication, so pricing is arithmetic rather than imitation**; release dates and cancellation scales contracted deliberately; **tour managers on payroll with 96% advertised-manager adherence**; currency hedged rather than absorbed; early cancellation discipline protecting the year.	**Weaknesses** **Non-refundable commitments of ₹52–96 lakh standing against unsold inventory**; a season's error discovered too late to correct; **the cancellation asymmetry falls entirely on the operator**; loss-making in Year 1; smaller buying scale than national operators.
Opportunities First-time international travellers wanting the escorted format; **older and multi-generational travellers for whom escorting is the product**; special-interest itineraries where design and access differentiate; **affinity and community groups filling entire departures at once**; DMC work as a partly counter-cyclical base.	**Threats** **Demand shocks that stop bookings while committed inventory remains**; large operators' buying power on price; **currency movement on rupee-priced foreign programmes**; platforms selling dynamic packages; a safety or service failure on an escorted tour.

16. Recommended AiSevak Tools for This Business

This tour operator would use AiSevak's Travel vertical tools in operations:

- **The governing arithmetic: per-departure break-even calculator (fixed departure cost ÷ per-passenger contribution), load-factor-versus-break-even dashboard, contribution per marginal passenger, departure-level P&L.**
- **Committed risk: non-refundable deposit register with days-to-release-date on every open departure, consolidate-or-cancel decision prompts at the release date, supplier cancellation-scale comparison against customer terms.**
- **Fill management:** weekly booking-curve review by departure, marketing allocation to near-break-even departures, date-transfer incentive tracking.

- **Currency:** foreign-commitment exposure by departure with hedge coverage, package-pricing lead-time monitor, realised currency variance against costing rate.
- **The product:** tour-manager roster and advertised-adherence tracking, post-tour rating by manager and itinerary, repeat and referral attribution.

17. Key Assumptions & Notes

- Tour operator / DMC: principal tour-operating business designing, contracting and operating group departures and customised itineraries for domestic and outbound leisure travel, sold directly and through retail agents, delivered with its own tour managers. **SECOND PLAN IN THE TRAVEL VERTICAL — PRINCIPAL SUB-MODEL, INVERTING THE AGENCY'S INTERMEDIARY POSITION.**
- **⚠ GOVERNING CONVENTION FOR THE PRINCIPAL / TOUR-OPERATING SUB-MODEL, SET HERE: (a) HE BUYS THE HOLIDAY BEFORE ANYBODY BUYS IT FROM HIM — THE AGENCY'S EXPOSURE WAS REPUTATIONAL, THE OPERATOR'S IS FINANCIAL AND COMMITTED MONTHS AHEAD. (b) THE DEPARTURE HAS A BREAK-EVEN PASSENGER COUNT, BELOW WHICH EVERY SEAT LOSES MONEY AND ABOVE WHICH EACH PASSENGER IS NEARLY PURE MARGIN — SO LOAD FACTOR MOVES PROFIT FAR MORE VIOLENTLY THAN PRICE DOES. (c) THE CUSTOMER CAN CANCEL AND THE HOTEL CANNOT, AND THE GAP FALLS ENTIRELY ON THE OPERATOR. (d) HE QUOTES IN RUPEES MONTHS BEFORE HE PAYS IN FOREIGN CURRENCY, SO AN UNHEDGED OPERATOR IS RUNNING A CURRENCY BOOK WITHOUT HAVING DECIDED TO. (e) THE TOUR MANAGER IS THE PRODUCT — EVERYTHING ELSE IS ARRANGEMENT; THIS IS DELIVERY.**
- **ON THE DEPARTURE AS THE UNIT: TREATING THE YEAR AS THE UNIT — WHICH IS HOW MOST OPERATORS PLAN — CONCEALS EXACTLY WHERE THE MONEY IS MADE AND LOST. ONCE CONFIRMED, THE COACH, TOUR MANAGER, GUIDE, MINIMUM ROOMING BLOCK AND A SHARE OF FIXED MARKETING ARE COMMITTED REGARDLESS OF HOW MANY TRAVEL; DIVIDE THAT BY PER-PASSENGER CONTRIBUTION AND THE RESULT IS A BREAK-EVEN COUNT BELOW WHICH THE DEPARTURE LOSES MONEY NO MATTER HOW WELL IT IS EXECUTED** → price from the break-even count not the competitor's brochure; marketing to departures NEAR break-even; and **CANCEL OR CONSOLIDATE EARLY WHILE RELEASE DATES STILL PERMIT IT, RATHER THAN OPERATING AT A LOSS TO AVOID DISAPPOINTING ELEVEN PASSENGERS** (load 61%→81% against break-even 68%→63%; above break-even 44%→84%).
- **ON THE CANCELLATION ASYMMETRY, WHICH IS CONTRACTED AGAINST RATHER THAN MANAGED: RELEASE DATES ARE THE SINGLE MOST VALUABLE CLAUSE IN A HOTEL CONTRACT AND ARE ROUTINELY CONCEDED IN EXCHANGE FOR A MARGINALLY BETTER RATE — A MISTAKE, BECAUSE THE RELEASE DATE DETERMINES HOW LATE THE OPERATOR CAN SHED UNSOLD ROOMS WITHOUT PAYING FOR THEM** → graduated supplier scales matched to customer terms, named-passenger substitution rights, and customer terms drafted to reflect the real cost of a late cancellation rather than a token deposit (recovery 22%→58%, **EVERY POINT OF WHICH WAS NEGOTIATED IN A CONTRACT SIGNED LONG BEFORE THE PASSENGER CHANGED THEIR MIND**).
- Economics & cash — **THE EXACT REVERSE OF THE TRAVEL AGENCY'S PATTERN, WHICH IS THE CLEAREST WAY TO UNDERSTAND WHAT CHANGES WHEN AN INTERMEDIARY BECOMES A PRINCIPAL: THE AGENCY HELD CUSTOMER MONEY BEFORE IT OWED SUPPLIERS ANYTHING AND ITS DANGER WAS MISTAKING FLOAT FOR PROFIT; THIS BUSINESS PAYS DEPOSITS TO HOLD INVENTORY MONTHS BEFORE A SINGLE CUSTOMER HAS BOOKED, SO GROWTH CONSUMES CASH IMMEDIATELY AND RETURNS IT SLOWLY, AND A SEASON'S ERROR IS DISCOVERED TOO LATE TO CORRECT — CONTRACTING FOR SUMMER HAPPENS THE PREVIOUS AUTUMN, AND IF PRODUCT OR PRICING IS WRONG THE OPERATOR LEARNS IT WHEN BOOKINGS FAIL TO ARRIVE, BY WHICH POINT THE DEPOSITS ARE PLACED AND THE RELEASE DATES ARE APPROACHING** (Y1 −₹11L → Y3 ₹1.05cr; net margin −1.3%→3.1%→5.4%; gross margin 19.0%→21.0%; under-filled-departure losses 2.2%→1.1% of revenue; hedged 0%→68%; break-even Year 2; **THE BINDING CONSTRAINT IS FILLING DEPARTURES RATHER**

THAN CAPITAL). Regulatory: **GST ON PACKAGE VALUE RATHER THAN COMMISSION**; TCS on overseas packages; FEMA and authorised-dealer documentation; tourism recognition; guide licensing; passenger and public liability plus professional indemnity; vehicle and interstate permits; **WRITTEN CANCELLATION TERMS DISCLOSED AT SALE AS THE DOCUMENT THAT DETERMINES WHO BEARS THE LOSS.** Lender note: **READ THIS AS A PRINCIPAL BUSINESS — UNLIKE THE TRAVEL AGENCY, REVENUE HERE IS GENUINELY THE OPERATOR'S OWN, SO ₹19.60 CRORE IS A REAL TURNOVER FIGURE RATHER THAN MONEY PASSING THROUGH**; **SIZE THE FACILITY AGAINST PEAK COMMITTED DEPOSITS IN THE CONTRACTING SEASON, NOT AVERAGE MONTHLY REVENUE, BECAUSE THE CASH GOES OUT BEFORE THE PROGRAMME SELLS**; **ASK FOR LOAD FACTOR AGAINST BREAK-EVEN LOAD FACTOR AND THE PROPORTION OF DEPARTURES ABOVE IT — REVENUE TELLS YOU NOTHING HERE, SINCE AN OPERATOR CAN GROW TURNOVER INDEFINITELY BY RUNNING DEPARTURES THAT LOSE MONEY, AND MANY DO BECAUSE A FULL BROCHURE FEELS LIKE A HEALTHY BUSINESS**; and **TREAT UNHEDGED FOREIGN-CURRENCY EXPOSURE AS A COVENANT RATHER THAN A MARKET VIEW.** ₹1.38cr, revenue 8.20→19.60cr, 84→216 departures, 37→79 staff, load factor 61%→81%. Figures illustrative, exclude GST.

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