

# HERITAGE RESTAURANT

## 1. INTRODUCTION

The heritage hotels are an established feature of Indian hospitality landscape. Palaces, forts, castles and havelis are converted into hotels whose ambience and service standards are rooted in refined tradition. The heritage hotel concept is also promoted by the Govt. of India; such hotels are approved and classified into categories. The heritage hotels have given rise to an enhanced interest in heritage experience. Hence, the proposal for heritage restaurant. There are various types of restaurant in vogue-quick service restaurant, fast food restaurant, fine dining restaurant; theme restaurant. Heritage restaurant is yet another type.

Heritage restaurants already exist, though in a limited way.

## 2. PROJECT PROPOSAL

Heritage restaurant will have the following elements:

It will be housed in a part of palace, fort, haveli or bungalow which is old (the official definition of heritage property is one, which was built prior to 1950 but it is not mandatory for a restaurant to follow this). The architecture, façade, internal design, interior, furniture and furnishing will have the character of local tradition. There is scope for restoration and refurbishing of the property to impart such character. The menu will have traditional regional cuisine, e.g. north Karnataka or Saurashtra or Awadhi; though non-traditional cuisine, depending on the market conditions, may be added.

There will be several elements to deliver a rich heritage experience to the customer. The examples are cited below:

- ✓ Elegant metal cutlery and crockery cast in regional style.
- ✓ low stool sitting arrangement (optional)
- ✓ lounge furniture - swings, benches
- ✓ other recreations - hookah, board game

✓ a tiny craft shop

The staff will sport traditional attire. The service will be of high standard; it will be a leisurely meal.

Evidently, it is too expensive to acquire a large heritage property. It is, therefore, proposed that the promoter will acquire an appropriate part of the heritage property (it can be whole property in case of a small haveli or bungalow or an inner city house) on long-term lease basis and carry out the necessary renovation and furnishing.

The restaurant will showcase imaginatively selected pictures and write-up about the owners, residents, architects, neighborhood and others associated with the property and interesting events in which the property was involved. The purpose is to convey to the customer a sense of history because the non-food experience is meant to be as valuable as food experience.

The property owner will cooperate with the restaurant promoter for providing necessary historical/background material and the promoter may also undertake research to add to the showcasing.

### **3. DESIRABLE PROMOTER BACKGROUND**

The promoter - profile, for the heritage restaurant to be successful, should have some or all of the following competencies:

- ❖ The heritage restaurant is a high-end business. The clientele will consist of relatively high net worth individuals, upscale tourists and corporate. The promoter should have flair for conceiving and implementing strategy to attract such clientele.
- ❖ The restaurant - character or ambience is crucial. The promoter should have the aesthetic resources and network to create a unique experience venue. He may seek assistance from others to do so.
- ❖ It might help, if the promoter has educational background or exposure concerning hospitality business.

#### **4. INDUSTRY OUTLOOK AND TREND**

The “heritage” content and appeal has given rise to many businesses/activities.

The heritage hotels are an established feature of hotel landscape in India. The customers put value on vintage, history, architecture, interior and ambience.

Heritage walks area popular draw in many cities. Vintage car rallies, collection and museum attract visitors. On the whole, heritage is a theme whose appeal is growing, particularly among higher income groups, in the wake of spread of modernity.

#### **5. MARKET POTENTIAL**

A heritage restaurant will attract the following streams of customers:

- ✓ High Net-worth(HN) local families
- ✓ Corporate Customers
- ✓ High-spending domestic tourists
- ✓ Foreign tourists
- ✓ MICE (meetings, incentive, convention, exhibition) participants
- ✓ Other, e.g., kitty parties

The average cost of a meal, depending on the property character and city, is likely to be in Rs.400 to Rs.800 per person range. Consequently, the restaurant becomes a feasible proposal at cities/destinations, which offer potential in terms of such population/visitors. We are giving below an illustrative list of cities where the heritage restaurant, on a prima facie basis, can be considered.

- ✓ Cities: Mumbai, Delhi, Kolkata, Chennai (subject to availability of heritage property on affordable terms and suitability of its location within the city).
- ✓ Business Cities, e.g., Ahmedabad, Pune, Bengaluru, Hyderabad, Cochin, Chandigarh, Bhopal, Indore, Lucknow
- ✓ Tourist Destinations: Jaipur, Goa, Cochin, Agra, Varanasi

The above list is not exhaustive. The promoter should assess competition. For instance, there are a few existing heritage restaurants at Jaipur. The restaurants attached to various heritage hotels are also competitors.

The market potential will consist, broadly of three streams -local residents, corporate (MICE included) and tourists. The tourist-flow, unlike two other streams, is seasonal.

Within tourism stream, there is an event-based sub-stream- fashion pageants, film shoots, sports tournaments, art and literature festivals. These provide scope for bulk business and tie-ups. The event-based sub-stream also opens up avenue for attracting celebrities and thus strengthening the brand-equity of the restaurant.

The restaurant will be cautious in terms of catering to other stream (e.g., kitty parties) because it will aspire to build an image of being an aristocratic and classy venue, avoiding customers who are noisy or likely to act in an unrefined way. It may limit such business, for example, to lean business hours, say, 3.00 to 6.00 pm.

The share of local resident stream in total business will vary, depending on the city. The preponderance of corporate business may denote credit sale. The HN local resident and corporate streams imply potential for repeat-customer business. On the other hand, tourist business may be influenced considerably by customer-reviews, compared to HNI/corporate business.

## **6. PROPOSED SIZE OF THE PROJECT**

The project capacity, for a restaurant, is measured in terms of number of customers (the industry calls it passenger or pax), which can be seated simultaneously. Given the exclusive nature of the concept, it may vary from 30 to 100 seating capacity. An extremely small size will hurt profitability. The property required to house a large capacity restaurants, e.g., 100 pax, may not be easily available. We, therefore, propose a seating capacity of 50 pax.

## **7. MANUFACTURING PROCESS**

This is a service sector project and hence the following is pertinent.

## **TECHNICAL REQUIREMENT**

We estimate premises size at 120 sq.mtrs. The kitchen and restaurant design, determination of equipment list, fixing standard operating procedures, finalizing recipes and manpower training are the essential technical tasks.

## **OPERATIONAL REQUIREMENT**

The restaurant will work 365 days in a year. The lunch and dinner hours- 12.00 to 3.00 PM and 7.00 to 11.00 PM-4 are mandatory. Depending on managerial resources and other considerations, it may work in the morning and afternoon.

The structuring of the process which a customer undergoes will be important and warrant attention to detail. For example, there will be a welcome drink and provision of fresh-up towels. The order taking will be discreet. There will be emphasis on fresh cooking and so the food may take some time following order placement. There might be pre-meal and post meal hand wash provided by the servers. There will be valet parking.

## **8. MANPOWER REQUIREMENT**

The restaurant will work, depending on the promoter decision, for 8 to 16 hours/day. We presume 10 working hours/day for customers and 12 hours of working in the context of employee workload. However, the promoter will adjust shifts and weekly holidays to ensure 8-hour shift for an individual employee. The total manpower requirement will consist of Chef/assistants, servers, housekeeping, account/administration and manager. This is estimated at 14 staff and one manager.

## **9. COST OF THE PROJECT**

The restaurant capacity is 50 seats. The project cost is based on the following estimates:

- ❖ Space Requirement including restaurant-seating, kitchen storage, waiting lounge and craft-shop. 120 sq.mts.
- ❖ Lease Rental: Rs. 500 per sq.mtr/month
- ❖ Cost of interior (100 sq. mtrs.) @ Rs. 15,000 per sq.mtr. Rs.1 lac for balance 20 sq. mtr. area.

The project cost will be as follows:

### Cost of Project

Sr. No.	Particulars	Rs. lacs
1	Lease-rent deposit equivalent to six months' rent	3.60
2	Interior: furniture, fixture, artwork	16.00
3	Kitchen equipment and implements	5.00
4	Cutlery, crockery, linen	3.00
5	Air-conditioner, water heating, water treatment garbage disposal, fire-safety and related equipment	8.00
6	Preliminary and Pre-operative Expense @15% of 1 to 5 (pre-opening publicity included)	5.34
7	Working Capital Margin @% two weeks "turnover(Rs 173.6 lacs)in first year	6.68
<b>Total</b>		<b>47.62</b>

The equipment will consist of cooking range, oven, grill, deep-fryer, fridge, freezer, coolers, pots, pans, cleaning buckets, cutlery, crockery, etc.

The P&P expenses include, among other things, pre-opening publicity and opening function.

The restaurant business does not entail significant credit sale. On the other hand, some supplies, once the business stabilizes, will be procured on credit terms. In view of this, we estimate working capital requirement (and margin because there is no working capital loan) as equivalent to two weeks' turnover.

### 10. WORKING CAPITAL REQUIREMENT

This is estimated at Rs. 6.68 lacs and we do not envisage working capital loan.

### 11. MEANS OF FINANCE

We envisage, given the nature of fixed assets, a debt equity ratio of 1.5 to 1.00 and hence the following means of finance (Rs.in lacs).

#### Means of Finance

Sr. No.	Particulars	₹ in Lacs
1	Equity	19.05
2	Term Loan	28.57

There will not be any working capital loan.

The term-loan will be repayable in five years after a moratorium period of six months.

## **12. MACHINERIES AND ILLUSTRATIVE LIST OF SUPPLIERS**

The project would require mainly kitchen equipment & house keeping equipment.

### **KITCHEN EQUIPMENT**

- ❖ Gas bank, steam cooking devices, tandoors, preparation equipment, warmers, brain maries, trolleys, washing equipment, sinks, exhaust system, ventilation equipment, refrigerated equipment, freezers and grills, pots, pans, safety equipment.

### **HOUSEKEEPING EQUIPMENT**

Vacuum cleaners, water tank cleaning equipment, janitor multifunction carts.

## **SUPPLIERS**

### **KITCHEN EQUIPMENT**

1. Hotel Kitchen Equipments India, Ahmedabad
2. Vibhu Kitchen Equipment, New Delhi
3. Mehta Kitchen Equipments, New Delhi
4. Galaxy Engineers, Pune

### **HOUSEKEEPING EQUIPMENT**

1. SGT Multiclean Equipments, Bengaluru
2. Yuva Safety India, Hyderabad
3. Blue Ocean Cleaning Solutions, Mumbai
4. Anakali, Delhi
5. Amsse Products India, Delhi

## **13. PROFITABILITY**

The restaurant will have capacity to seat 50 customers. The number of covers (seats) sold per day and the average sale realization per customer is the main drivers of income.

In the **second year of its working**, we project income as follows:

<b>Particulars</b>	<b>Rs.</b>
<b>Working Days</b>	
Peak Days( Sat/Sun/Festival/Tourist Season)	115
Normal Days	250
<b>Pax (no)</b>	
Peak Days	160
Normal Days	100
Sale Realization/Pax (Rs.)	500
<b>Income (Rs.in lacs)</b>	
Peak Days	92
Normal Days	125
Total	217

There is the question of operating expenditure. This is estimated below  
**(second year of working).**

<b>Particulars</b>	<b>Rs. Lacs</b>
Cost of Food and Beverage	72.33
Utilities - electricity, water, cooking gas	5.00
Rent	7.20
Rates, taxes, insurance	0.50
Manpower	30.00
Consumables (soap, tissue, etc.)	1.00
Repair and Maintenance	1.50
Telephone, Conveyance, Stationery and admin expenses	3.00
Sales and Promotion @ 10% of turnover	21.70
<b>Total</b>	<b>144.40</b>

The raw material is food and beverage. This would account for one third of the sale revenue.

We assume absence of any profit from craft shop; it is a promotional element.

We presume a depreciation/amortization @ 15% per annum on item no.2 to 6 of the project cost.

The interest on term-loan will be 11% per annum. There is no working capital loan and so the question of interest does not arise.

The profitability is worked out for the five years of operation as follows.



## **Profitability over five Years**

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<b>Particulars</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
Total annual income before expenses , term loan interest and depreciation	19530000	21700000	22785000	23870000	24955000
total annual expense	14444000	14444000	14732880	15021760	15310640
income less all expenses except interest and depreciation	5086000	7256000	8052120	8848240	9644360
term loan interest	298556.5	251416	188562	125708	62854
income less all expenses except depreciation	4787443.5	7004584	7863558	8722532	9581506
Depreciation	560100	560100	560100	560100	560100
Profit before tax	4227343.5	6444484	7303458	8162432	9021406
Tax	1268203.05	1933345	2191037	2448730	2706422
<b>Profit after tax</b>	2959140.45	4511139	5112421	5713702	6314984

The maximum capacity for such a restaurant should be regarded as 50 covers x 365 days x 5 times pax turnover daily = 91,250 covers/year.

For projection, second year is the reference year.

For projection, second year is the reference year. In this second year, above profitability is based on sale of 43,400 covers, i.e. 47.6% capacity utilization. The restaurant needs to sell around 24,000 covers (25% capacity utilization) to break even.

In first year, we have assumed 10% lower income than in second year, while keeping operating expenditure identical. In third, fourth and fifth year, income increases @ 5% per year (simple growth, compared to second year).

In first and second year, we have assumed that operating expenditure will remain same, while operating expenditure rises @ 2% per year (simple growth, compared to second year)

The unit cost of power is taken at Rs. 6. The depreciation is taken at the rate of 15%.

## **14. IMPLEMENTATION SCHEDULE**

This will take six months since fixing up the premises. The milestones will be

- ❖ Cleaning and sprucing up of premises
- ❖ Interior design and plan
- ❖ Execution of interior plan
- ❖ Hiring of manpower
- ❖ Pre-opening promotion
- ❖ Trial Run
- ❖ Opening

## **15. BACKWARD AND FORWARD LINKAGES**

This is a modest venture. However, the owner can branch off into the following other businesses

- ✓ Boutique at the restaurant to sell hand-crafted and ethnic articles, foods, etc.
- ✓ Organization of heritage walks
- ✓ Organization of heritage theme-based events, e.g. fashion paegants.

## **16. STATUTORY / GOVERNMENT APPROVALS / CLEARANCE**

The project needs to carry out general formalities pertaining to firm establishment, tax registration and shops/establishment registration. The fire safety clearance is the specific requirement. Entrepreneur may contact State Pollution Control Board where ever it is applicable.

The following specific permits are required

### **FOOD SAFETY LICENSE**

- ❖ Food Safety and Standard Authority of India
- ❖ Health/Trade license: Local body
- ❖ Eating House license: Police Department
- ❖ Fire Safety license: Fire Department
- ❖ Garbage Disposal license; Local body

## **17. TRAINING**

Udyamimitra portal ( link : [www.udyamimitra.in](http://www.udyamimitra.in) ) can also be accessed for handholding services viz. application filling / project report preparation, EDP, financial Training, Skill Development, mentoring etc.

Entrepreneurship program helps to run business successfully is also available from Institutes like Entrepreneurship Development Institute of India (EDII) and its affiliates all over India.

**Disclaimer:**

Only few machine manufacturers are mentioned in the profile, although many machine manufacturers are available in the market. The addresses given for machinery manufacturers have been taken from reliable sources, to the best of knowledge and contacts. However, no responsibility is admitted, in case any inadvertent error or incorrectness is noticed therein. Further the same have been given by way of information only and do not carry any recommendation.

Source:- Udyami Mitra/Sidbi