

FRANCHISE RESEARCH · SERIES 02

# Salon Franchise ROI: 24-Month Payback Math

*Editable model · 3 scenarios · sensitivity analysis · year-by-year revenue projection · personal worksheet for your CA review.*

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**22-28 mo**

MEDIAN OPERATING-LEVEL  
PAYBACK

**63%**

MATURE CONTRIBUTION  
MARGIN

**5 levers**

VARIABLES THAT MOVE  
PAYBACK BY MONTHS

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## I · INVESTOR DISCLOSURE

# How to use this workbook

*All numbers in this whitepaper are observational and presented as ranges (low/median/high). None constitute guaranteed returns. Specific commercial terms of a YLG franchise are governed by the executed franchise agreement. Consult an independent chartered accountant and franchise attorney before any investment commitment.*

## METHODOLOGY

Numbers reflect observed performance across 4 YLG Chennai outlets 2022-2026, normalised to a standard 1,200 sqft, 8-station, premium-tier outlet. We pair internal data with FICCI-IBWA Wellness Sector Report 2024 and Franchise India 2025 directory benchmarks where the comparison adds context.

## Three things this workbook does

1. Shows the unit economics behind a 22-28 month median payback
2. Lets you swap in your own numbers (locality rent, capex tier, staffing plan) and see your specific projection
3. Gives you a CA-ready worksheet for independent validation

## Print Chapter 7 first

Skip to the personal worksheet (page 21), fill in your numbers, then come back to chapters 1-6 to validate your assumptions against the benchmarks.

## CHAPTER 01

# The three scenarios — low, median, high

*Real Chennai salons cluster into three performance bands at maturity (month 13+). The worksheet that follows lets you place yourself.*

METRIC	LOW	MEDIAN	HIGH
Mature monthly revenue (gross)	₹14.0L	₹22.5L	₹28.0L
Less: monthly opex	₹5.1L	₹9.27L	₹15.8L
= Operating contribution / month	₹8.9L	₹13.23L	₹12.2L
Less: royalty + marketing fee (~10%)	₹1.4L	₹2.25L	₹2.8L
<b>Net contribution / month</b>	<b>₹7.5L</b>	<b>₹10.98L</b>	<b>₹9.4L</b>
Total launch capex	₹47L	₹78L	₹120L
<b>Real-world payback</b>	<b>28-32 mo</b>	<b>22-28 mo</b>	<b>16-22 mo</b>

YLG aggregate Chennai 2022-2026, anonymised across 4 outlets. Real-world payback differs from operating-level because months 1-12 contribute 50-80% of mature monthly contribution while ramping.

The high-scenario contribution is lower than median because the high scenario has higher opex (premium fit-out → higher rent, more staff, more product). It runs higher revenue but the lower margin on absolute terms still wins on payback because of the larger top-line.

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*"Median scenario: you bank ₹78L of capex back in ~24 months and ₹1cr+ profit in months 25-36."*

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CHAPTER 02

# The ramp curve — why naive math misleads

*Naive: payback = ₹78L ÷ ₹13.23L = ~6 months. Reality: 22-28 months. The difference is the ramp curve.*

## Month-by-month median build

MONTH	% OF MATURE	SERVICE REVENUE	NET CONTRIBUTION	CUMULATIVE
M1	25%	₹5.6L	-₹1.1L	-₹1.1L
M2	29%	₹6.5L	-₹0.4L	-₹1.5L
M3	35%	₹7.9L	₹0.5L	-₹1.0L
M4	41%	₹9.2L	₹2.0L	₹1.0L
M5	47%	₹10.6L	₹3.1L	₹4.1L
M6	55%	₹12.4L	₹4.1L	₹8.2L
M9	72%	₹16.2L	₹6.4L	₹25L
M12	86%	₹19.4L	₹8.7L	₹50L
M15	95%	₹21.4L	₹10.0L	₹78L
<b>M18</b>	100%	₹22.5L	₹10.98L	<b>₹110L</b>
M22	100%	₹22.5L	₹10.98L	₹154L
M28	100%	₹22.5L	₹10.98L	₹220L

Median scenario, 1,200 sqft outlet. Capex breakeven at month 15 in this view; with 3-month opex reserve added back to capex base, real-world payback is month 22-28.

## The two phases of every salon

**Phase 1: Months 1-12 (ramp).** Customer acquisition phase. Each month builds on the last. Memberships start to compound. Senior stylists' personal book builds. Google reviews accumulate.

Acquisition cost is high because every customer is new.

**Phase 2: Months 13+ (steady-state).** 60-70% of monthly traffic is repeat / membership. Acquisition cost drops 40-60%. Revenue stable, margin expands. This is where the real money is made.

## Working capital reserve in this math

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The 3-month opex reserve (~₹22.5L median) is held in your bank account, not transferred to YLG. Recoverable on exit. It's NOT counted against payback math because it's a pure liquidity buffer. Cash-level payback (which adds back the reserve to capex) is typically 4-6 months longer than operating-level payback.

## CHAPTER 03

# Sensitivity — 5 variables that move payback

*Across our 4 outlets, here's the sensitivity ranking — by how much each variable shifts payback when it moves one notch.*

#	VARIABLE	MOVE	PAYBACK SHIFT
1	Locality choice	Tier-A → Tier-B	+5-8 months
2	Membership penetration M12	12% → 35%	-4-6 months
3	Mature chair utilisation	55% → 70%	-3-5 months
4	Avg ticket size	₹1,650 → ₹2,100	-2-4 months
5	Senior-stylist retention	12-mo → 24-mo tenure	-1-3 months

## Combined effect — best case vs worst case

If all 5 levers move favourably: median payback compresses from 24 months to 14-16 months. If all 5 move unfavourably: extends to 32-36 months. Most real outlets land in the middle: 2-3 levers favourable, 1-2 neutral, 0-1 unfavourable.

## Two big levers, three smaller ones

The two big levers (locality + membership) are mostly launch-phase decisions. The three smaller (utilisation, ticket, retention) are operator-quality factors that compound over time. Get the launch right and the operator levers become easier to optimise.

### COUNTER-INTUITIVE FINDING

Capex tier (premium fit-out vs basic) is NOT in the top 5 sensitivity variables. Why? Higher capex correlates with higher revenue (premium tier earns more per chair-hour) so the absolute payback months barely shift. The trade-off is mostly in absolute risk: a ₹1.2cr launch fails harder than a ₹47L launch if it fails.

## CHAPTER 04

# Worked example — a real ₹85L outlet

Composite from 3 YLG Chennai outlets opened 2023-2025. Tier-A locality, 1,200 sqft, 8 stations + 2 facial rooms, premium positioning.

## Year-1 P&L

LINE	YEAR 1 TOTAL (₹)
Service revenue (sum of months 1-12)	1,57,40,000
Product + retail revenue	22,30,000
<b>Total revenue Y1</b>	<b>1,79,70,000</b>
Less: opex (12 mo)	1,03,40,000
Less: royalty + marketing fee	14,32,000
<b>Year-1 operating contribution</b>	<b>₹61.98L</b>

Year-1 contribution covers ~73% of ₹85L launch capex.

## Year-2 P&L

LINE	YEAR 2 TOTAL (₹)
Service revenue (mature run-rate)	2,45,00,000
Product + retail revenue	42,00,000
<b>Total revenue Y2</b>	<b>2,87,00,000</b>
Less: opex (12 mo, mature)	1,15,00,000
Less: royalty + marketing fee	22,90,000
<b>Year-2 operating contribution</b>	<b>₹1,49.10L</b>

Year 2 alone covers Y1+Y2 capex deficit (₹85L - ₹62L Y1 = ₹23L) and adds ₹125L+ profit on top.

## Capex breakeven crossed at month 22-23

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By month 30 (end of Y2.5), the outlet has banked roughly **₹1.05cr beyond initial investment**. From there, mature contribution runs ₹10-12L/month indefinitely.

## What goes wrong in the worked example

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The 1.4% capex overshoot in this case was mostly lighting upgrade – a category we now flag in pre-launch reviews. Other common overshoots: bridal-mirror premium upgrade, additional pedicure chairs added late, extended fit-out monsoon delay. Budget a 5-8% buffer.

## CHAPTER 05

# Royalty economics & franchise vs independent

## What the royalty actually buys

SERVICE	STANDALONE YR COST
Brand recognition (drives 30-50% of M1-9 traffic without paid ads)	₹6-12L
National brand-marketing share (TV, digital, brand campaigns)	₹3-6L
Operational SOPs, mystery shopping, audit cycle	₹2-4L
Stylist training pipeline, academy access	₹3-5L
Centralised tech (POS, booking, CRM, attribution)	₹1-2L
Vendor pricing (procurement panel)	₹2-4L savings
<b>Equivalent à la carte cost</b>	<b>₹17-33L/year</b>

For a ₹2cr/year outlet, royalty + marketing fee at 10% = ₹20L/year. Cost-neutral or net-positive vs building these capabilities independently – for first-time operators.

## When independent makes more sense

- Experienced salon operator opening 2nd or 3rd outlet
- Strong existing local brand recognition (existing salon converting)
- Capital structure that can absorb Y1 brand-building spend (₹12-18L extra)
- Tolerance for 2-4 months slower payback
- Operational confidence to handle Y1 without Brand-side audits

## The honest math at scale

For a single-unit operator, franchise route delivers 2-4 months faster payback. For a multi-unit operator at 3+ outlets, the royalty economics favour independent or hybrid models because brand-building investment amortises across outlets.

## CHAPTER 06

# Year-by-year revenue projection (5-year)

*Median scenario, single-unit premium Chennai outlet, ₹78L launch capex.*

YEAR	REVENUE	OPEX	ROYALTY+MKT	NET CONTRIBUTION	CUMULATIVE
Y1 (ramp)	₹179.7L	₹103.4L	₹14.3L	₹62L	₹62L
Y2	₹287L	₹115L	₹22.9L	₹149L	₹211L
Y3	₹305L	₹120L	₹24.4L	₹161L	₹372L
Y4	₹320L	₹126L	₹25.6L	₹168L	₹540L
Y5	₹335L	₹132L	₹26.8L	₹176L	₹716L

5-year cumulative net contribution: **₹716L** (≈₹7.16 crore) on ₹78L initial investment.

## IRR calculation

Internal Rate of Return for the 5-year hold:

- **Without exit value:** ~32-38% IRR
- **With 3.5× revenue exit multiple at end of Y5:** ~45-52% IRR
- **With 4× revenue exit multiple:** ~52-58% IRR

Industry benchmark for branded salon exits is 3-4× annual revenue depending on location, brand strength, and ongoing royalty obligations. Always conservative on exit multiples in the modelling.

## Reinvestment vs draw

From month 24+ (post-payback), promoters typically split contribution as 60-70% personal draw (₹6-7L/month) and 30-40% reinvested into outlet improvements + reserves. By Y5 reserves typically reach 6-12 months of opex, providing capacity to open outlet 2.

## CHAPTER 07

# Personal worksheet — for your CA review

*Fill in your specific numbers. Validate against the benchmarks in chapters 1–6.*

## Your launch capex

LINE	BENCHMARK MEDIAN	YOUR NUMBER
Real-estate deposit + advance	₹14.5L	_____
Fit-out & interiors	₹31.5L	_____
Salon equipment + furniture	₹11.0L	_____
Brand fee / franchise	₹8.0L	_____
Initial inventory + retail	₹5.5L	_____
Technology stack	₹2.4L	_____
Pre-opening marketing	₹3.0L	_____
Working-capital reserve (3 mo)	₹22.5L	_____
<b>YOUR TOTAL CAPEX</b>	<b>₹78.4L</b>	_____

## Your monthly opex (mature)

LINE	BENCHMARK	YOUR NUMBER
Payroll (12-14 staff)	₹4.2L	_____
Rent	₹1.6L	_____
Inventory consumables	₹1.0L	_____
Utilities	₹0.55L	_____
Marketing	₹0.55L	_____
Royalty + marketing fee	₹0.85L	_____
Compliance + accounting	₹0.22L	_____
Misc (laundry, AMC, repairs)	₹0.3L	_____
<b>YOUR TOTAL OPEX</b>	<b>₹9.27L</b>	_____

## Your revenue assumptions

- Cutting stations: \_\_\_\_ · Operating days: \_\_\_\_ · Hours/day: \_\_\_\_
- Mature chair utilisation target: \_\_\_\_% · Avg ticket: ₹\_\_\_\_\_
- Membership penetration target M12: \_\_\_\_%
- Estimated mature monthly revenue: ₹\_\_\_\_\_ L

## Your projected payback

- Operating-level payback: \_\_\_\_ months
- Cash-level payback (incl. WC reserve): \_\_\_\_ months
- Y5 cumulative net contribution: ₹\_\_\_\_\_
- 5-year IRR (no exit value): \_\_\_\_%

## Decision check

- CA reviewed and validated all input numbers
- Locality catchment density  $\geq$  15,000 households earning ₹65k+ within 4 km
- Working capital reserve confirmed in bank (separate account)

- Senior stylist hire identified and pipelined
- Franchise attorney engaged for agreement review
- 3 outlet visits completed (target operator brands)
- 3 reference operator calls completed

## Talk to YLG Franchise Office

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*All financial figures presented as ranges (low/median/high) reflecting observed variance – none constitute guaranteed returns. Specific commercial terms governed by executed franchise agreement. Consult independent CA and franchise attorney before any commitment. Sources: YLG aggregate 2022-2026, FICCI-IBWA 2024, Franchise India 2025. © 2026 YLG Salon Chennai · LS Enterprises.*