



IPO Note

Grand Continent Hotels Limited

Recommendation: **NEUTRAL!**

Company Background -

- **Incorporation:** Grand Continent Hotels Limited was originally incorporated on Nov 11, 2011. The registered office is located at Tamil Nadu, India.
- **Business Activity:** The company operates in the mid-scale hotel sector, consisting of the upper-mid priced, mid-priced and economy hotel segments.
- **Revenue Stream:** The company generates majority of the revenue from room revenue.
- **Human Resource:** The company has 658 permanent and contractual employees as on Feb 28, 2025.

Objects of the Issue -

- Repayment and/or prepayment, in full or in part, of certain outstanding borrowings availed by the Company
- Expansion of Hotel properties in India
- General Corporate Purposes

Promoters Name -

Ramesh Siva and Vidya Ramesh

Rationale for recommendation -

- ✓ The PE ratio of the company is 22.62 which makes it fairly priced.
- ✓ The company's top line has increased over the years.
- ✓ The company had incurred loss in FY22.
- ✓ The bottom line and profitability margins have also increased over the years and seen a sudden jump in both FY23 and FY24.
- ✓ The DE ratio was very high in FY23.
- ✓ The hotels are highly concentrated in the southern regions of India.
- ✓ The company owns good number of machines and equipment.
- ✓ The industry is highly fragmented and concentrated.

IPO Details

Opening Date	Mar 20, 2025
Closing Date	Mar 24, 2025
Allotment Date	Mar 25, 2025
Listing Date	Mar 27, 2025
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹107 to ₹113
Issue Size	74.46 Cr.
Fresh Issue	70.74 Cr.
Offer for Sale	3.72 Cr.
Application Amt	₹ 1,35,600 (1,200 shares)

INDUSTRY - Hotel

Avg. P/E ratio as per RHP - 44.89

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Sep-24
Revenue	602.69	1,680.15	3,123.69	3,183.98
EBITDA	238.44	625.31	986.48	1,124.60
Net Profit	-79.29	103.49	407.77	622.37
RoCE	4.76%	14.42%	13.54%	13.42%*
ROE	48.58%	176.21%	13.60%	10.55%*
P/E	213.21	161.43	44.49	22.62*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
75.02%	54.85%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	2.54	5.00
BVPS	77.54	47.34
P/E	44.49	22.62
P/BV	1.46	2.39
Mkt Cap (In Cr)	210.85	281.59

*Annualized

Lead Managers -

Indorient Financial Services Limited

Registrar -

MUFG Intime India Private Limited

Business Overview -

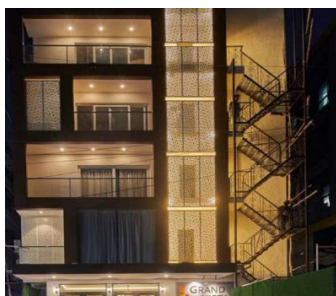
Grand Continent Hotels Limited operate in the mid-scale hotel sector, consisting of the upper-mid priced, mid-priced and economy hotel segments. They cater to Indian middle-class guests and business travellers. The company along with the JV Partner Entities have 16 operational hotel properties and operates a total of 753 hotel keys as of Sep 30, 2024 across states of Karnataka (Bengaluru/Mysuru), Tamil Nadu (Hosur), Goa (Anjuna/Morjim), Andhra Pradesh (Tirupati) and Telangana (Secunderabad).

For majority of the hotel properties, the company has trademark license agreement/franchisee agreements with Sarovar Hotels Private Limited and/or Royal Orchid Associated Hotels Limited.

The company has joint ventures with M/s Grand Seven Hill Hotels and M/s Grand Continent Hill Hotels.

Hotel Details:

Particulars	No of Keys (Sep-24)	ARR (In Rs.)	RevPAR	Occupancy Rate (%) (Sep-24)	No of Assets
Upper Mid-Priced	218	3,969.02	2,215.52	55.82%	6
1. Hotel Grand – Continent Hotel – Anjuna					
2. Hotel Grand Continent Hotel - Hebbal Manyata					
3. Hotel Golden Tulip – Tirupati					
4. Hotel Grand Continent – Morjim					
5. Hotel Grand Continent – Mahabalipuram					
6. Hotel Grand Continent – HiTech					
Mid-priced	511	3,512.61	2,595.86	73.90%	12
Royal Orchid					
1. Hotel Regenta Inn Grand - 8th Block Koramangala					
2. Hotel Regenta Inn – Indiranagar					
3. Hotel Regenta Inn - 4th block Koramangala					
4. Hotel Regenta Inn - ORR Mahadevapura					
5. Hotel Tulip Inn - Ejipura Koramangala					
6. Hotel Grand Premier Suites - Malleswaram					
7. Hotel Grand Continent Hotel – Hosur					
8. Hotel Grand Continent Hotel – Secunderabad					
9. Grand Continent – Mysore					
10. Hotel Grand Continent - Brookfield					
11. Hotel Grand Continent - Devanhalli					
12. Hotel Grand Continent – Gachibowli					
Economy	24	1,549.79	1,182.72	76.31%	1
1. Hotel Grand Continent - Bannerghatta Road					

Major Hotels:

**Regenta Inn Grand
Koramangala, Blr**



**Regenta Inn
Indiranagar, Blr**



**Tulip Inn
Koramangala, Blr**



**Grand Continent
Anjuna, Goa**

Competition -

1. **Market Competition:** The industry is competitive where the key factors of competition primarily comprise of room rates, location of the property, brand recognition, quality of accommodation, service levels and the quality and scope of other amenities, including F&B facilities.
2. **Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
3. **Barriers to entry:** Low barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Buyers:** The bargaining power is high with the customers.

Business Strategies –

1. The company plans to consolidate hotel properties across southern India and actively expanding in Northern and Western India.
2. The company intends to undertake the following projects (a) Back-end process being integrated on cloud based SAAS platform for accounting, procurement, HR etc (b) Planning for a full-blown cloud based SAAS HMS to enable revenue management, reservation management, loyalty management.
3. The company has mobilised 1 hotel in Oct 2024 and are mobilising another 1 hotel by November 2024 - taking the total portfolio to 18 hotels and approx. 850 keys.
4. The company has signed MOUs/LOI for another 5 properties in the upper mid-priced and mid-priced categories, adding about 346 rooms.

Risk Factors –

The company had 15 cases against it for tax matters amounting to Rs. 18.90 lakhs.

The JV Partner Entities have 5 cases against it for tax matters amounting to Rs. 0.17 lakhs.

The group companies have 11 cases against them for tax matters amounting to Rs. 5.20 lakhs.

The company had incurred loss in FY22.

The company had contingent liabilities of Rs. 142.04 lakhs as of Sep-24.

INDUSTRY OVERVIEW -

Indian Hotel Industry –

India’s hotel industry has witnessed a robust turnaround in demand after the pandemic, led by the rising discretionary spending on tours and travels, revenge tourism, improving economic environment fuelling corporate travels and revival of mega wedding season and other cultural events. As of 2023, India has over 400,000 keys including branded hotels and independently run hotels. Of this, the current branded inventory market size as of 2023 stands at ~180,000, accounting for around 44% of the overall market.

Indian Mid-Scale Hotels Market Size -

India’s mid-scale hotels market generated a revenue of INR 316.3 billion in 2023 and is projected to expand at a CAGR of 9.0% from 2023 to 2029, reaching an estimated revenue of INR 530.1 billion by the end of the forecast period.

Figure 5.1 India Mid-Scale Hotels Market Size in Value (Revenue Generation), in INR Bn, 2023-2029F



(Source: RHP)

As of 2023, the mid-scale hotels market in India offered an estimated 230,000 rooms across both branded and independent properties. This supply is projected to grow at a CAGR of 5.0% from 2023 to 2029, driven by an increasing number of hotel developments and expansions within this category.

Figure 5.3 India Mid-Scale Hotels Market Size in Volume (Rooms Supply), 2023-2029F



(Source: RHP)

As of 2023, the Average Daily Rate (ADR) in the mid-scale hotels market of India stood at INR 4,806, with an occupancy rate of 63.7%, resulting in a RevPAR of INR 3,061.

Key Management -

Key Management Persons Name -	Ramesh Siva
Age	54
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 21+ years of experience in hotel management industry
Qualification	Diploma in Hotel Management And Catering Technology
Other Directorships	Elysium Holidays India Private Limited, Grand Continent – FZCO and Grand Continent Hotel Management LLC

Key Management Persons Name -	Vidya Ramesh
Age	47
Designation and No. of years of experience	Promoter and Whole-Time Director, 12+ years of experience in hotel management industry
Qualification	Bachelor of Science in Mathematics and Diploma in Advanced Secretarial Course
Other Directorships	Elysium Holidays India Private Limited and Grand Continent – FZCO

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- There is an evidence of dual chairmanship, which is not favourable.
- Deepti Shiva, V Swaminathan and Chandrasekhar Sundaram are Non-Executive Independent Directors of the Company. They have an average experience of 30+ years in their respective fields.
- **Mithun Jayaraman (CFO)**, aged 46 years, is a qualified CA and holds certificate in Hotel Revenue Management and has 14 years of experience in finance management of hotel industry.
- **Sunil Kumar Mathur (COO)**, aged 67 years, holds Bachelor's degree of Arts (Honours Course) in Economics, Diploma in Hotel Management and Executive Program in General Management. He has 40+ years of experience in hotel management industry.
- **Aastha Kochar (CS)**, aged 29 years, has 1.5+ years of experience.

FINANCIAL SNAPSHOT**Statement of Profit and Loss**

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	602.69	1,680.15	3,123.69	3,183.98
Other Income	0.04	24.55	29.47	2.34
Total Income	602.73	1,704.70	3,153.16	3,186.32
Expenses				
Employee Benefit Expenses	112.59	268.30	547.85	608.81
Finance Cost	304.72	352.61	352.63	212.51
Depreciation and Amortization Expense	97.83	107.22	111.12	114.34
Other expenses	251.66	786.54	1,589.36	1,450.57
Total Expenses	766.80	1,514.67	2,600.96	2,386.23
EBITDA	238.44	625.31	986.48	1,124.60
EBITDA Margin	39.56%	37.22%	31.58%	35.32%
Profit/(Loss) before tax	-164.07	190.03	552.20	800.09
Tax Expense				
Current tax	-	1.71	9.92	131.21
Deferred Tax	-84.78	83.45	130.78	-12.33
Total Tax	-84.78	85.16	140.70	118.88
Profit/ Loss from continuing operations	-79.29	104.87	411.50	681.21
Less: Share of minority interest	-	1.38	3.73	58.84
Profit/(Loss) for the year	-79.29	103.49	407.77	622.37
Net Profit Margin	-13.16%	6.16%	13.05%	19.55%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	101.00	101.00	399.03	1,865.90
Reserves and Surplus	-264.21	-42.27	2,600.30	2,235.56
Total Shareholder's Fund	-163.21	58.73	2,999.33	4,101.46
Minority Interest	-	101.38	94.81	632.20
Total Equity	-163.21	160.11	3,094.14	4,733.66
NON-CURRENT LIABILITIES				
Long Term Borrowings	3,111.76	3,343.76	3,137.91	3,480.70
Deferred Tax liability	-	83.45	214.23	201.90
Long Term Provisions	2.96	4.65	18.06	19.42
Total Non-current liabilities	3,114.72	3,431.86	3,370.20	3,702.02
CURRENT LIABILITIES				
Short Term Borrowings	360.57	362.82	358.35	541.53
Trade Payables				
(i) Total outstanding dues of MSME	-	-	29.41	83.01
(ii) Total outstanding dues of creditors other than MSME	70.27	95.31	161.37	319.72
Other Current Liabilities	52.91	172.28	361.18	272.77
Current Tax Liabilities (Net)	1.32	3.72	16.78	140.92
Total Current liabilities	485.07	634.13	927.09	1,357.95
Total Liabilities	3,599.79	4,065.99	4,297.29	5,059.97
Total Equity and Liabilities	3,436.58	4,226.10	7,391.43	9,793.63
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	2,750.08	3,077.64	3,459.27	4,534.92

Particulars	FY 22	FY 23	FY 24	Sep-24
Intangible Assets	-	4.81	0.37	4.20
Capital Work in Progress	-	38.36	487.39	921.37
Long-Term Loans and Advances	-	277.22	369.97	367.79
Other Non- current Assets	220.25	597.97	1,544.13	2,092.65
Total Non-Current assets	2,970.33	3,996.00	5,861.13	7,920.93
CURRENT ASSETS				
Inventories	-	-	14.96	17.25
Trade Receivables	253.11	124.75	315.27	683.51
Cash & Cash equivalents	42.18	45.10	843.07	728.02
Short Term Loans and Advances	170.96	60.25	347.08	441.20
Other Current Assets	-	-	9.92	2.72
Total Current assets	466.25	230.10	1,530.30	1,872.70
Total Assets	3,436.58	4,226.10	7,391.43	9,793.63

Cash Flow Statement				Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	72.77	757.95	721.77	788.47
Net Cash Flow from Investing Activities	-73.15	-855.12	-1,883.38	-2,175.32
Net Cash Flow from Financing Activities	30.60	100.09	1,959.58	1,271.80

Key Ratios

Per Share Data					Valuation Ratios (x)				
	FY 22	FY 23	FY 24	FY 25*		FY 22	FY 23	FY 24	FY 25*
Diluted EPS	0.53	0.70	2.54	5.00	EV/EBITDA	13.70	6.11	5.83	1.44
BV per share	-16.16	15.85	77.54	47.34	Market Cap / Sales	1.89	0.68	1.44	4.42
Operating Ratios					P/E	213.21	161.43	44.49	22.62
EBITDA Margins	39.56%	37.22%	31.58%	35.32%	Price to Book Value	-6.99	7.13	1.46	2.39
PAT Margins	-13.16%	6.16%	13.05%	19.55%	Solvency Ratios				
Inventory days	-	-	1.75	-	Debt / Equity	-21.28	63.11	1.17	0.32
Debtor days	153.71	27.18	36.94	64.28	Current Ratio	0.96	0.36	1.65	1.65
Creditor days	-	-	-	-	Quick Ratio	0.96	0.36	1.63	1.63
Return Ratios					Asset Turnover	0.18	0.40	0.42	0.86
RoCE	4.76%	14.42%	13.54%	13.42%	Interest Coverage Ratio	0.46	1.47	2.48	4.75
RoE	48.58%	176.21%	13.60%	10.55%					

*Annualized

INTERPRETATION –

- The top line has increased over the years. It increased by 178.78% in FY23 was due to increase in revenue from old units (Tulip Inn and Mahadevpura) and the average occupancy also increased. Then it increased by 85.92% in FY24 which was due to increase in new units with elevated ARR and improved performance from existing units. The increase is also due to shift towards premium offerings and enhancing its positioning in the market.
- The company had incurred loss in FY22 which was due to impact of COVID-19. Thereafter, it has increased over the years. It increased by 230.52% in FY23 and it increased by 294.02% in FY24.
- The EBITDA has increased over the years but the margins have seen a decrease over the years.
- The PAT margin has increased over the years.
- The DE ratio was very high for FY23.

PEER ANALYSIS –

Particulars	Grand Continent Hotels Limited			Lemon Tree Hotels Limited			Sayaji Hotels Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	-13.16%	6.16%	13.05%	-20.61%	12.95%	13.69%	16.07%	23.75%	12.29%
EBITDA Margin	39.56%	37.22%	31.58%	33.16%	51.68%	49.47%	43.71%	44.60%	32.61%
RoCE	4.76%	14.42%	13.54%	1.08%	10.74%	11.56%	19.62%	16.86%	12.84%
ROE	48.58%	176.21%	13.60%	-10.52%	13.42%	15.36%	14.31%	13.14%	9.04%
EPS (INR)	0.53	0.70	2.54	-1.11	1.45	1.88	17.96	19.07	7.98
P/E	213.21	161.43	44.49	-	53.28	69.44	15.05	15.83	35.97

Particulars	Grand Continent Hotels Limited			Royal Orchids Hotels Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	-13.16%	6.16%	13.05%	16.1%	16.8%	15.5%
EBITDA Margin	39.56%	37.22%	31.58%	36.2%	35.0%	30.4%
RoCE	4.76%	14.42%	13.54%	16.4%	23.2%	19.8%
ROE	48.58%	176.21%	13.60%	23.5%	27.2%	25.4%
EPS (INR)	0.53	0.70	2.54	10.71	17.15	17.68
P/E	213.21	161.43	44.49	11.87	15.90	20.43

- The market cap of the company is less compared to its peers.
- The PE ratio of the company is worse compared to Royal Orchid Hotels.
- The NP margin trend of the company is similar to Lemon Tree Hotels.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is **Indorient Financial Services Limited**.

A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Indorient Financial Services Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Yash Highvoltage Limited	110.01	146.00	Dec 19, 2024	148.70
2.	Chatha Foods Limited	34.00	56.00	Mar 27, 2024	119.35
3.	Plada Infotech Services Limited	12.36	48.00	Oct 13, 2023	17.30
4.	Canarys Automations Limited	47.03	31.00	Oct 11, 2023	25.05
5.	Newjaisa Technologies Limited	39.93	47.00	Oct 05, 2023	44.45
6.	Techknowgreen Solutions Limited	16.72	86.00	Sep 27, 2023	164.80
7.	eMudra Limited	412.79	256.00	Jun 01, 2022	820.55
8.	SecMark Consultancy Limited	15.04	135.00	Oct 01, 2020	89.20

The company has handled 7 mandates in the last three years (including current year).

*CMP for the above-mentioned companies is taken as of 19th Mar 2025.

As per the offer document, the above-mentioned mandates SecMark Consultancy has opened at a discount and remaining all have opened at a premium on the listing day.

Recommendation -

Grand Continent Hotels Limited has been in the industry since 2011 and has good experience in the industry.

The P/E on a post-IPO annualized basis is around 22.62 times which makes it fairly priced.

The company's management overview is decent.

The company's top line has increased over the years which was due to increase in new units over the years with elevated ARR's. The company had experienced loss in FY22 which was due to the impact of COVID-19. The bottom line and profitability margins have also increased over the years and seen a . The company had high DE ratio in FY23. Overall, the financials of the company looks slightly unsustainable.

The company is operating in the mid-scale hotel segment and is highly concentrated in the southern region. The company is looking for expansion and also has franchisee agreements with Sarovar Hotels Private Limited and Royal Orchid Associated Hotels Limited.

The hotel industry is highly fragmented and competitive and there are many established hotels all over India.

Thus, we have a **NEUTRAL** opinion for this IPO and investors can monitor further company updates and make a decision.

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