



IPO Note

Valencia India Limited

Recommendation: **AVOID!**

Company Background –

- **Incorporation:** Valencia Country Club Private Limited was originally incorporated on Mar 08, 2017. The company name was changed to Valencia India Limited. The registered office is located at Ahmedabad, Gujarat.
- **Business Activity:** The company is engaged in providing club facilities and organizing variety of events.
- **Revenue Stream:** The company generates majority of its revenue from food and room charges.
- **Human Resource:** The company had 19 permanent employees as of May 30, 2025.

Objects of the Issue –

1. Development of 15 Villas and club house
2. General corporate purposes

Promoters Name –

Mr. Keyur Patel

Rationale for recommendation –

Valencia India Limited was incorporated in Mar-2017, has a moderate operating history and operates in a highly fragmented and seasonal industry, limiting its scalability. While the company has shown strong margin and topline growth, return ratios like RoCE and RoE have been volatile due to right issue in FY24. Management quality is weak, with observations over the qualifications and experience of key personnel. The company has low occupancy rate of 40%–45% while industry average is 65%–70% which further raises concern. Given, the IPO is **highly priced** at a post-issue P/E of **69.75x**, we recommend to **AVOID** this IPO.

IPO Details

Opening Date	Jun 26, 2025
Closing Date	Jun 30, 2025
Allotment Date	Jul 01, 2025
Listing Date	Jul 03, 2025
Stock Exchange	BSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹95 - ₹110
Issue Size	48.95 Cr.
Fresh Issue	44.00 Cr.
Offer for Sale	4.95 Cr.
Application Amt	₹ 1,32,000 (1,200 shares)

INDUSTRY – Tourism and Hospitality

Avg. PE ratio as per RHP – N/A

	KPIs			(In Lakhs)
KPI's	FY 22	FY 23	FY 24	Dec-24*
Revenue	418.73	522.70	711.49	739.75
EBITDA	48.49	106.56	306.99	334.10
Net Profit	25.18	55.85	194.05	205.00
RoCE	14.32%	20.81%	27.93%	5.15%
ROE	35.64%	44.15%	21.08%	3.71%
P/E	392.86	177.42	50.93	69.75

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
86.67%	60.00%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	2.16	1.58
BVPS	3,068.57	42.50
P/E	50.93	69.75
P/BV	0.04	2.59
Mkt Cap (In Cr)	99.00	143.00

*Annualized

Lead Manager –

Interactive Financial Services Limited

Registrar –

KFin Technologies Limited

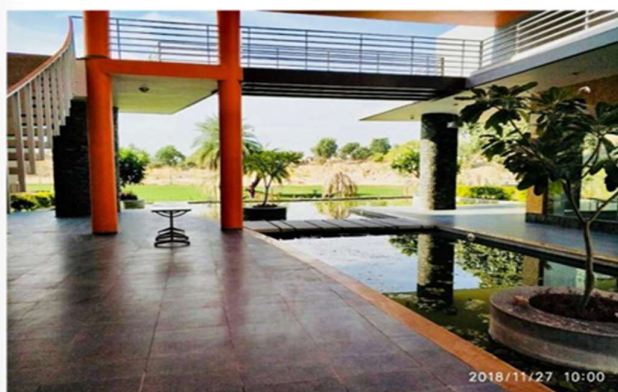
Business Overview –

Valencia India Limited provides club facilities and organizes a variety of events including pre-wedding functions, receptions, weddings, cocktail parties, family/group picnics, birthday parties and get-togethers. Valencia Country Club membership grants members the opportunity to enjoy a vacation at any of Split Week Programme of RCI-affiliated resorts. Members can select their preferred season and apartment, depending on their membership tenure. Additionally, members have the flexibility to choose vacations outside their designated season and apartment type through exchange program. The company's partnership with Club Mahindra is an important milestone for the company.

Company's Business Process –

1. **Guest Reservations and Check-In** – Reservation Management and Check-In Procedure
2. **Housekeeping and Maintenance**
3. **Food and Beverage Operations** – Menu Planning and Sourcing and Food Preparation and Service
4. **Recreation and Activities** – Activity Planning and Event Coordination
5. **Guest Services and Concierge** – Personal Assistance and Exceptional Service
6. **Safety and Security**

Club Images -



Capacity Utilization of the Company -

Particulars	FY22	FY23	FY24	Dec-24
Number of Room Days (Total Capacity)	13,140	13,140	13,140	9,855
Number of Room Days (Occupied)	5,256	5,650	5,782	4,435
Capacity Utilisation (%)	40%	43%	44%	45%
Number of Booking	939	957	998	676

Particulars	FY22		FY23		FY24		Dec-24	
	Amt	%	Amt	%	Amt	%	Amt	%
Membership Income	24.08	5.75%	10.16	1.94%	-	-	-	-
Package Income	88.80	21.21%	172.03	32.91%	225.64	31.72%	108.31	19.49%
Room Charges	148.81	35.54%	135.56	25.94%	76.85	10.80%	185.07	33.30%
Event Income	29.50	7.05%	39.89	7.63%	151.16	21.25%	62.63	11.27%
Food Income	127.51	30.45%	165.03	31.57%	257.81	36.24%	199.81	35.95%
Total	418.70	100%	522.67	100%	711.46	100%	555.82	100%

Competition -

- Market Competition:** The industry is highly competitive and the key factors of competition are pricing, accommodation quality, brand visibility, service, property locations and quality of amenities.
- Geographic Competition:** The company faces competition from domestic and multinational chain-affiliated and independent resorts in India.
- Barriers to entry:** Low barriers to entry.
- Threat of Substitutes:** High threat of substitutes.
- Bargaining Power of Buyers:** The bargaining power is high with the customers.
- Bargaining Power of Suppliers:** The bargaining power is low with the suppliers.

Business Strategies -

- Expansion of Club Mahindra's Existing Terms – The company actively pursuing the acquisition or lease of additional villas to significantly enhance partnership with Club Mahindra. The company's goal is to increase current capacity from **100 keys to 300 keys**.
- Branding and Expansion Opportunities – The company's partnership with Club Mahindra enhances company's brand visibility and enables strategic expansion into new markets through its established network.
- One Roof Solution – The company aims to provide one-roof solutions to create a well-rounded operational framework that supports the successful and efficient running of resorts.

Risk Factors -

- The company's business is **highly seasonal** and closely tied to economic conditions, as the tourism and hospitality sector is among the first to be impacted during economic downturns due to reduction in discretionary spending. It experiences high occupancy rates during the Summer, Diwali and Christmas vacations, while occupancy significantly drops during the winter and monsoon seasons, resulting in volatile revenue patterns.
- The company operates in a highly fragmented and competitive industry, which poses challenges to sustaining long-term growth and market share.
- The company has 1 outstanding criminal litigation amounting to Rs. 30.70 Lakhs.
- The company's directors have 2 criminal proceedings, 2 civil proceedings and 3 tax matters together amounting to Rs. 743.60 Lakhs.
- The company's group companies have 2 tax proceedings amounting to Rs. 270.68 Lakhs.

PEER ANALYSIS

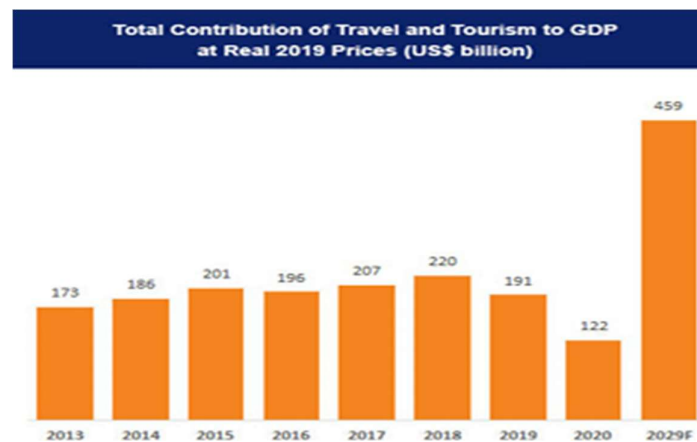
As per the RHP, the company has stated that there are no listed peers operating in a similar line of business.

INDUSTRY OVERVIEW -

Tourism and Hospitality Industry in India

India's has a total area of 3,287,263 sq. km extending from the snow-covered Himalayan heights to the tropical rain forests of the south, it has a rich cultural and historical heritage, variety in ecology, terrains and places of natural beauty spread across the country. This provides a significant opportunity to fully exploit the potential of the tourism sector. India being one the most popular travel destinations across the globe has resulted in the Indian tourism and hospitality industry emerging as one of the key drivers of growth among the services sector in India.

Market Size - India is ranked 10th among 185 countries in terms of travel & tourism's total contribution to GDP in 2019. According to WTTC, the contribution of India's travel and tourism sector to India's economy was worth US\$ 199.6 billion in 2022. The Indian travel and tourism industry is expected to record an annual growth at 7.1% per annum. The industry is expected to reach US\$ 512 billion by 2028. The Indian hotel industry is on the verge of exponential growth, with projections indicating a 7-9% revenue increase in FY2025.



Government Initiatives –

1. **Swadesh Darshan Scheme** - The Swadesh Darshan Scheme is a flagship initiative by the Government of India aimed at developing theme-based tourist circuits to promote sustainable and inclusive tourism across the country.
2. **PRASHAD Scheme** - The PRASHAD Scheme (Pilgrimage Rejuvenation and Spiritual Heritage Augmentation Drive) is an initiative by the Government of India focused on developing and beautifying pilgrimage and heritage destinations to enhance religious tourism.
3. **SAATHI** - SAATHI (System for Assessment, Awareness & Training for Hospitality Industry) is an initiative by the Ministry of Tourism to ensure compliance with COVID-19 safety and hygiene protocols, enhancing traveller confidence in the hospitality sector.

Apart from the above national initiatives, most state tourism boards have undertaken various measures to promote tourism within their respective states, including destination branding, infrastructure development and hosting cultural events.

Road Ahead - India's tourism industry is poised for strong growth, driven by emerging trends like staycations, expansion of the e-Visa scheme and increasing demand for medical and wellness tourism. With government support, infrastructure upgrades and global hospitality brands introducing curated experiences, the sector is set to play a key role in economic development. By 2028, India is expected to generate over US\$ 50.9 billion in visitor exports, with travel market projections reaching US\$ 125 billion.

Key Management -

Key Management Persons Name -	Keyur Patel
Age	47
Designation and No. of experience	Promoter and Managing Director, 25+ years of experience in construction and building design
Qualification	Certification in Basic & Advanced 2D AutoCAD
Other Directorships	Basil Buildcon Private Limited, Paradise Hospitality Private Limited, Satvikculture Commodities Private Limited

Key Management Persons Name -	Prakash Mahida
Age	42
Designation and No. of experience	Chairman and Non-executive director, 15 years of experience in hospitality business
Qualification	Non-Marticulant
Other Directorships	Vale Agro Commodities Private Limited

Key Management Persons Name -	Dhavalkumar Chokshi
Age	42
Designation and No. of experience	Executive Director and Chief Financial Officer, 16 years of experience in field of infrastructure development and hospitality business
Qualification	Diploma in Mechanical Engineering
Other Directorships	Vale Agro Commodities Private Limited

- The overall management of the company is **unsatisfactory**.
- The Chief Financial Officer lack formal education but possesses 7years of considerable experience in the company looking after financial management and strategic planning.
- **Twinkle Rathi** is the **Company Secretary and Compliance Officer**. She holds Bachelor's degree in Commerce and Bachelor's degree of Law. She is an associate member of Institute of Company Secretaries of India. She has only 24 months of practical training experience.
- Bhuvnesh Kumar and Amita Chhaganbhai Pragada are Non-Executive Independent Directors of the Company. They have limited experience in their respective fields.

FINANCIAL SNAPSHOT

Statement of Profit and Loss				Amt in Lakhs
Particulars	FY 22	FY 23	FY 24	Dec-24
Revenue from Operations	418.73	522.70	711.49	555.82
Other Income	-	-	-	-
Total Income	418.73	522.70	711.49	555.82
Expenses				
Cost of Material Consumed	240.95	219.31	159.31	185.67
Employee Benefit Expenses	85.61	126.46	145.52	65.31
Finance Cost	3.88	18.19	29.96	13.39
Depreciation and Amortization Expense	7.33	7.36	13.50	33.70
Other expenses	43.68	70.37	99.67	53.81
Total Expenses	381.45	441.69	447.96	351.88
EBITDA	48.49	106.56	306.99	251.03
EBITDA Margin	11.58%	20.39%	43.15%	45.16%
Profit/(Loss) before tax	37.28	81.01	263.53	203.94
Tax Expense				
Current tax	13.51	27.41	64.68	31.81
Deferred Tax	-1.41	-2.25	4.80	18.10
Total Tax	12.10	25.16	69.48	49.91
Profit/(Loss) for the year	25.18	55.85	194.05	154.03
Net Profit Margin	6.01%	10.68%	27.27%	27.71%

Statement of Assets and Liabilities				Amt in Lakhs
Particulars	FY 22	FY 23	FY 24	Dec-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Equity Share Capital	1.00	1.00	3.00	900.00
Reserves and Surplus	69.66	125.51	917.57	174.59
Total Equity	70.66	126.51	920.57	1,074.59
2. NON-CURRENT LIABILITIES				
Long-term Borrowings	211.31	339.69	114.41	91.82
Deferred tax liabilities	-	-	-	17.04
Long-term provisions	5.50	10.47	15.83	7.29
Total Non-current liabilities	216.81	350.16	130.24	116.15
3. Current liabilities				
Short-term Borrowings	6.05	8.93	32.69	23.04
Trade Payables				
(a) Total outstanding dues of MSME	-	-	-	-
(b) Total outstanding dues of creditors other than MSME	52.22	25.62	17.14	11.84
Other Current Liabilities	130.62	88.04	38.76	57.12
Short-term Provisions	9.09	27.08	67.87	100.17
Total Current liabilities	197.98	149.67	156.46	192.17
Total Liabilities	414.79	499.83	286.70	308.32
Total Equity and Liabilities	485.45	626.34	1,207.27	1,382.91
ASSETS				
1. Non-current assets				
Property, Plant and Equipment	26.32	18.96	654.47	872.41
Intangible Assets	-	-	-	0.76
Capital Work in Progress	17.38	124.72	40.46	151.50
Deferred tax assets (net)	3.62	5.86	1.06	-
Long-Term Loans and Advances	253.88	354.70	393.90	263.10
Total Non-Current assets	301.20	504.24	1,089.89	1,287.77
2. Current assets				
Trade Receivables	61.95	12.37	28.23	15.25

Particulars	FY 22	FY 23	FY 24	Dec-24
Cash & Bank balances	25.27	56.79	37.59	53.68
Short Term Loans and Advances	49.42	8.91	25.98	5.45
Other Current Assets	47.62	44.02	25.57	20.76
Total Current assets	184.26	122.09	117.37	95.14
Total Assets	485.46	626.33	1,207.26	1,382.91

Cash Flow Statement				Amt in Lakhs
Particulars	FY 22	FY 23	FY 24	Dec-24
Net Cash Flow from Operating Activities	-18.28	46.31	385.54	282.14
Net Cash Flow from Investing Activities	-17.13	-127.85	-773.25	-220.42
Net Cash Flow from Financing Activities	30.37	113.08	368.51	-45.63

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	0.28	0.62	2.16	1.58	EV/EBITDA	5.42	3.93	3.36	0.65
BV per share	706.60	1,265.10	3,068.57	42.50	Market Cap / Sales	0.03	0.02	0.05	19.33
Operating Ratios					P/E	392.86	177.42	50.93	69.75
EBITDA Margins	11.58%	20.39%	43.15%	45.16%	Price to Book Value	0.16	0.09	0.04	2.59
PAT Margins	6.01%	10.68%	27.27%	27.71%	Solvency Ratios				
Inventory days	-	-	-	-	Debt / Equity	3.08	2.76	0.16	0.02
Debtor days	54.15	8.66	14.52	21.22	Current Ratio	0.93	0.82	0.75	0.66
Creditors days	87.19	48.62	50.10	52.04	Quick Ratio	0.93	0.82	0.75	0.66
Return Ratios					Asset Turnover	0.86	0.83	0.59	0.61
RoCE	14.32%	20.81%	27.93%	5.15%	Interest Coverage Ratio	10.61	5.45	9.80	16.23
RoE	35.64%	44.15%	21.08%	3.71%					

*Annualized

FINANCIAL ANALYSIS –

- **Revenue from Operations** – The company's topline was increased by 24.83% in FY23 and 36.12% in FY24.
- **EBITDA and PAT Margins** – The company's EBITDA and PAT margin are in line with each other, with EBITDA margin increasing from 11.58% in FY22 to 45.16% as of Dec-24 and PAT margin rising from 6.01% to 27.71% during the same period, primarily driven by a reduction in the cost of materials consumed.
- **Cost of materials consumed** – The company's cost of materials consumed as percentage of revenue decreased from 57.54% in FY22 to 22.39% in FY24.
- **RoCE and RoE** – The company's RoCE and RoE has been volatile over the years, with RoCE fluctuating from 14.32% in FY22 to 27.93% in FY24 and declining to 18.25% as of Dec-24 and RoE being 35.64% in FY22 and declining to 14.33% as of Dec-24. The fluctuation in RoE is attributable to right issue undertaken in FY24.
- **Operating cashflow** – The company reported negative operating cash flows of Rs. 18.28 Lakhs in FY22 but gradually transitioned to positive operating cash flows from FY23 to Dec-24, primarily driven by higher profitability and improved working capital management.
- **PP&E** – The company invested Rs. 164.25 Lakhs in a villa and Rs. 463.48 Lakhs in the acquisition of a club building in FY24, leading to a significant increase in its property, plant and equipment.
- **Current Ratio** – The company's current ratio has declined from 0.93 in FY22 to 0.50 as of Dec-24, indicating potential stress in short-term liquidity.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is **Interactive 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–

Sl. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	HP Telecom India Limited	34.23	108	Feb 28, 2025	198.00
2.	Malpani Pipes and Fittings Limited	25.92	90	Feb 04, 2025	72.00
3.	SPP Polymer	24.49	59	Sep 17, 2024	17.65
4.	Kizi Apparels Limited	5.58	21	Aug 06, 2024	18.84
5.	Kataria Industries Limited	54.58	96	Jul 24, 2024	115.00
6.	Winny Immigration and Education Services Limited	9.13	140	Jun 27, 2024	140.50
7.	DCG Cables & Wires Limited	49.99	100	Apr 16, 2024	67.45
8.	Teerth Gopicon Limited	44.40	111	Apr 16, 2024	126.80
9.	SRM Contractors Limited	130.20	210	Apr 03, 2024	492.70
10.	Kalahridhaan Trendz Limited	22.49	45	Feb 23, 2024	9.00

The company has handled **18** mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 26th Jun 2025.

As per the offer document, on their respective listing days, Malpani Pipes and Fittings Limited and DCG Cables & Wires Limited have opened at discount and all other above mandates have opened at a premium to their issue prices.

Recommendation -

- Valencia India Limited has **moderate history** since it was originally incorporated on Mar 08, 2017.
- The P/E on a post-IPO annualized basis is **69.75** times which makes it **highly priced**.
- The company operates in a highly fragmented and seasonal industry, which limits its ability to achieve meaningful scale and poses challenges to long-term growth.
- The company has demonstrated strong topline and margin growth, with EBITDA margin rising to 45.16% and cost of materials consumed reducing significantly, supporting improved profitability and operating cash flows. However, return ratios like RoCE and RoE have been volatile, with RoE declining due to a right issue in FY24.
- The overall management of the company is **unsatisfactory**. The **lack of formal education** of Chief Financial Officer and lack of considerable experience of **Company Secretary and Compliance Officer** are some of the observations regarding management.
- The company and its directors and group companies are involved in a considerable amount of litigations.
- The company's occupancy rate, ranging between 40% and 45%, is significantly lower than the industry average in India, where hotel occupancy typically ranges between 65% and 70%.

Thus, we recommend to **AVOID** this IPO.

Disclaimer

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The analysis and recommendations are based on the current market and company-specific scenario, along with the data available in the prospectus. Market and company-specific conditions may change after the company's listing, potentially impacting its performance and outlook. We will not be providing any follow-up reports or updates on this analysis post-listing.

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