



Valencia India

Sector: Hospitality
In-Depth Business & Financial Analysis

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VALENCIA INDIA

Details

IPO Open/Close Dates	June 26, 2025 (Thursday) - June 30, 2025 (Monday)
Issue Size (₹ Cr)	₹48.95 Crores
Price Band & Lot Size	₹95 to ₹110 per share & 1200 shares
GMP (Grey Market Premium, if applicable)	₹21
Recommendation (Subscribe / Avoid / Neutral) – brief reason	Neutral to Subscribe

Offer Details:

Total Issue Size (in ₹ Cr) : ₹48.95 Crores

Offer Structure:

Fresh Issue vs Offer for Sale (OFS): 3999600 fresh issue vs 4,50,000 OFS

% of promoter dilution: 11.11%

Object of the Issue:

Where funds will be used (Capex, debt repayment, R&D, working capital, etc.)

- Valencia India will use the IPO proceeds primarily for the development of 15 villas and a clubhouse at its resort near Abu Road, Rajasthan, with an estimated cost of **₹37.42 crore**. The remaining funds will be allocated towards general corporate purposes, including operations, marketing, and working capital requirements.

Any inorganic expansion (M&A plans)

- No, Valencia India has not proposed any inorganic expansion or M&A plans in its DRHP. The entire IPO proceeds are dedicated to organic growth through infrastructure development and general corporate purposes.

Industry Overview

Industry size, growth trends, and projections:

- The Indian hospitality industry was valued at **\$23.5 billion** in FY22 and is expected to surpass **\$32 billion** by FY26, growing at a CAGR of **8–9%**. Within this, the luxury resort and leisure segment, including villas and club stays, is expanding at a faster **10–12%** CAGR, driven by rising disposable incomes, domestic tourism, and demand for premium weekend experiences.

Key growth drivers

- Rising disposable income
- Domestic tourism
- Demand for luxury stays
- Government Support for Tourism

Headwinds

- High capital costs
- Seasonal demand fluctuations
- Intense competition from established hotel brands and aggregators

Government policies/incentives

- The hospitality sector benefits from various government initiatives such as the Dekho Apna Desh campaign, infrastructure development under Swadesh Darshan and PRASHAD schemes, and MSME incentives for small operators. Additionally, state-level tourism policies and support for eco-tourism and heritage resorts contribute to growth in regions like Rajasthan.

Competitive landscape & positioning

- Valencia operates in the premium resort and leisure hospitality segment, where it competes with regional luxury resorts, boutique villa operators, and established hospitality chains like Club Mahindra, Sterling Holidays, and branded hotels with resort-style offerings.
- However, Valencia differentiates itself through its strategic 20-year lease partnership with Club Mahindra, focusing on villa-style stays in a single premium location near Abu Road, Rajasthan. This tie-up enhances its market credibility and positions it as a niche player in the affordable luxury and timeshare-based vacation segment, targeting families, corporate groups, and destination events.

Peer comparison table (revenue, margins, valuation multiples)

Company	FY24 Revenue (₹ Cr)	EBITDA Margin (%)	PAT Margin (%)	P/E Ratio (approx.)	Segment
Valencia India	8.81	~58%	~35.6%	TBD (Post-IPO)	Boutique resort, SME IPO
Club Mahindra (MMRIL)	2,000+	~22%	~12–15%	~40–45x	Vacation ownership/timeshare
Lemon Tree Hotels	875+	~35%	~10–12%	~60x	Midscale to upscale hotels
Chalet Hotels	1,200+	~40%	~18–20%	~65x	Luxury business hotels

Financial Analysis

1. Review of Related Party Transactions (RPTs) in the Year before IPO:

On examining the Statement of Related Party Transactions (Annexure 28) for the years ending March 31, 2022, March 31, 2023, and March 31, 2024, there is **no significant or suspicious spike in RPT values** in the immediate year before the IPO (FY 2023-24). The transactions reflect continuity in nature and scale, with no disproportionately large increase in transaction volumes or new related party entries, suggesting no manipulation through RPTs in the year before listing.

2. Debtors' Turnover Ratio Trends:

The Trade Receivables Turnover Ratio (in times) witnessed a considerable increase in FY 2022-23 to **35.05x** from **14.07x** in FY 2021-22, but this sharply declined to **9.87x** in FY 2023-24, the IPO year. This decline in debtor turnover before the IPO does not indicate any artificial inflation or manipulation in receivables to improve cash flow optics before listing. In fact, the reduction

suggests a more extended credit cycle or increased receivables, which is typical of scaling businesses and not necessarily a red flag.

3. Profit Trends and Reasoning for Jump Before IPO:

The Profit After Tax (PAT) rose sharply from ₹55.85 lakhs in FY 2022-23 to **₹194.06 lakhs** in FY 2023-24, a **247% increase**. The Management Discussion and Analysis (MD&A) attributes this rise to higher operational revenue, improved operational efficiency, and an increase in operating EBITDA margins from **20.39%** to **43.15%** in FY 2023-24. The reasoning for this increase is supported by operational metrics and is not solely due to one-off income or accounting adjustments, which makes the jump explainable and credible from a business performance perspective

Promoter Background

- The promoter, **Mr. Keyur Patel**, has over **25 years of experience** in real estate, architecture, and design, including resort development.

Key Risks

A. Business Risks:

- The company's operations are highly dependent on a single property, the **Valencia Mount Abu Resort**, which is operated under a long-term lease agreement. Any adverse development regarding this lease (termination, non-renewal, or disputes) could materially impact the company's operational continuity and revenue streams.
- The hospitality business inherently faces operational risks such as customer dissatisfaction, property maintenance issues, and infrastructure failures that could affect guest experience and brand image.
- As a leisure resort operator, the business is vulnerable to seasonality, macroeconomic conditions, and external shocks (like pandemics, natural disasters, etc.), which could lead to fluctuations in occupancy rates and profitability.

B. Regulatory, Legal, and Taxation Risks:

- The company requires multiple statutory approvals, permits, and licenses to operate its facilities. Delays in renewals or failure to comply with regulatory changes in tourism, hospitality, or environmental laws could lead to penalties or operational disruptions.

- Changes in taxation laws (GST, Income Tax) or retrospective amendments could have a direct financial impact on margins and profitability.
- As disclosed, the company is involved in pending legal cases, including a criminal case related to dishonoured cheques of **₹30.70 lakhs**, and tax matters aggregating to **₹1,029.52 lakhs**. Any adverse ruling could have financial and reputational implications.

C. Competitive and Pricing Risks:

- The Indian hospitality sector is intensely competitive, with players like Club Mahindra, Sterling Holidays, and numerous boutique resorts operating in the same segment and geography.
- The company faces pricing pressure to offer competitive rates and promotional offers to attract and retain members, which could compress margins, especially if market occupancy declines or new entrants disrupt the pricing ecosystem.
- The business relies on high customer satisfaction and service standards to secure long-term memberships. Any compromise here could directly affect member renewals and future sales.

D. Capex Execution Risks:

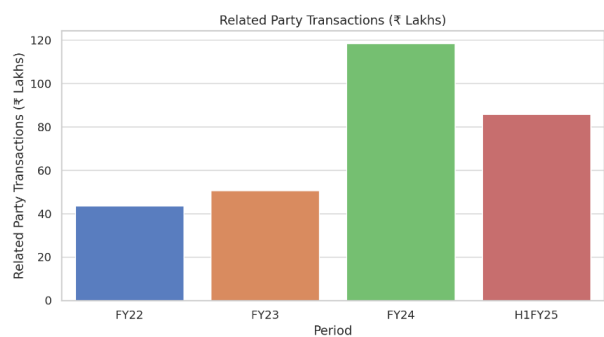
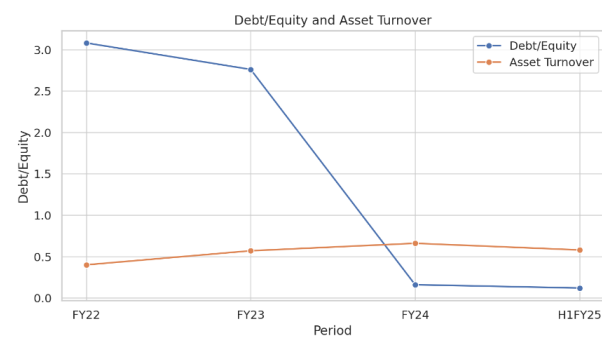
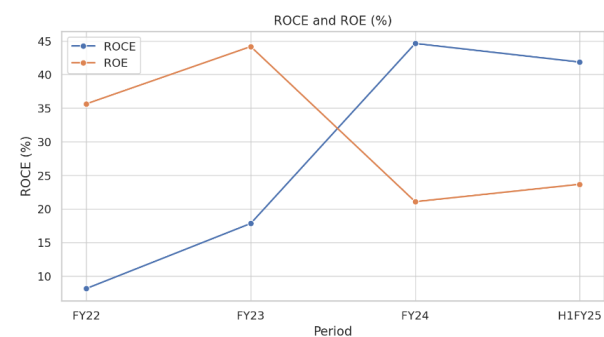
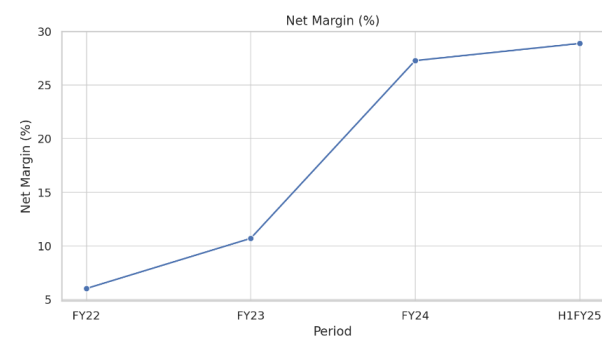
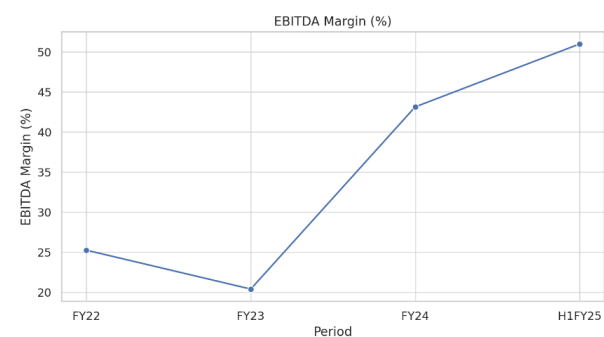
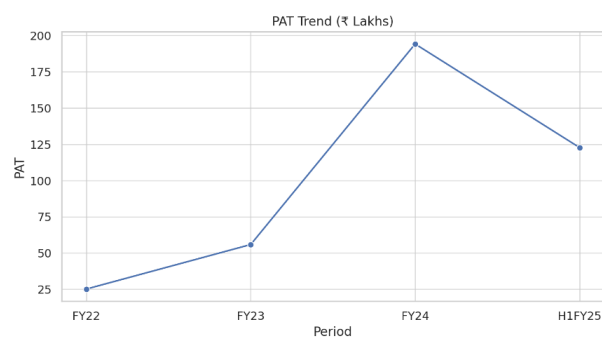
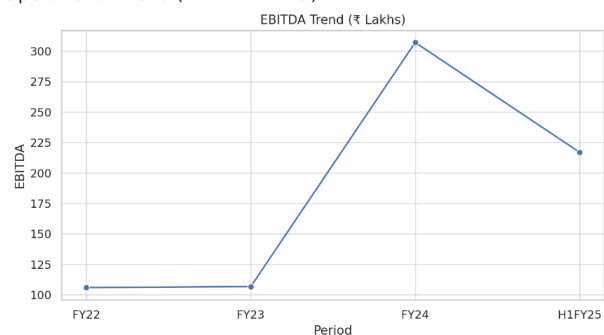
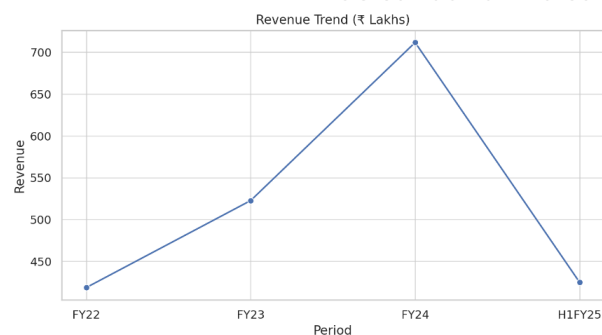
- The company plans a significant capex program for the development of **15 villas** and a clubhouse, funded through IPO proceeds.
- Risks include time and cost overruns, delays in regulatory approvals, availability of skilled contractors, and inflation in construction material prices.
- Any delay in project completion could defer revenue generation and impact return on invested capital.

E. Promoter Background and Litigation Risks:

- Mr. Keyur Patel, the promoter of the company, has no adverse regulatory history, controversies, SEBI penalties, or disqualifications as per disclosures in the DRHP.
- Additionally, the company is involved in tax-related disputes aggregating to **₹1,029.52 lakhs**. While these are against the company and not the promoter individually, any adverse outcome could indirectly reflect on promoter governance or financial prudence.
- No promoters or directors are classified as wilful defaulters, fraudulent borrowers, or parties involved in economic offences under the RBI/SEBI definitions.

Summary of last 3 years (and latest interim period):

Valencia India Ltd - Financial and Operational Trend (FY22-H1FY25)



Cash Flow Health Assessment:

On analyzing the Restated Cash Flow Statements (Annexure 23 of the DRHP), the following observations emerge:

- **Operating Cash Flows:**

The company's net cash from operating activities has remained positive across all reported periods. In FY 2023-24, it stood at **₹272.65 lakhs**, a significant improvement from **₹151.61 lakhs** in FY 2022-23 and **₹79.84 lakhs** in FY 2021-22. This consistent improvement reflects healthy internal cash generation driven by higher operational profits and better working capital management.

- **Investing Cash Flows:**

Cash flows from investing activities have primarily comprised capital expenditure for asset acquisition, including resort development and related infrastructure. In FY 2023-24, a net outflow of **₹148.63 lakhs** was reported, aligned with business expansion objectives.

- **Financing Cash Flows:**

The company reported a significant positive financing cash flow in FY 2023-24 of **₹35.57 lakhs**, compared to **₹(4.64) lakhs** in FY 2022-23. This improvement resulted from debt repayments and fresh capital infusion, consistent with prudent financial leverage management.

Auditors' Remarks:

The Restated Financial Statements for FY 2021-22, FY 2022-23, FY 2023-24, and the period ended September 30, 2024, have been audited by M/s Doshi Doshi & Co., Chartered Accountants. **The auditors have issued an unqualified opinion for all periods reviewed.**

Key note:

- *"The Restated Financial Statements do not contain any qualification requiring adjustments by the Statutory Auditors."* (as per Summary Financial Information section)

Grey Market Premium (GMP) Analysis

Latest GMP trendsKostak & subject-to rates (if applicable)

GMP trends (per share)

- **IPOWatch** reports GMP at **₹21**, implying approximately **19% premium** over the issue price of ₹110.
- Conversely, **IPO Wala** shows a slight negative GMP of **-₹5** (~-4.6%).

This suggests GMP may have dipped recently, indicating waning enthusiasm. So, GMP has fluctuated between **+₹21** (bullish) and **-₹5** (bearish) over the past few days.

Kostak & Subject-to rates

- **IPOWatch** lists a **Subject-to Sauda** rate of approximately **₹19,200 per application**, likely based on a standard lot ($10 \times ₹110 = ₹1,100$).
 - This means buyers agree to pay ₹19,200 if the application gets allotted; otherwise, deal is cancelled.
- **IPO Central / IPOWatch** table doesn't specify a **Kostak** figure separately for Valencia, but references used indicate:
 - The **Kostak rate** is typically lower than the Subject-to (may not be reported publicly here).
 - For other listings, entitlement-range subject-to varies from ₹6K to ₹46K per lot, depending on lot size.

Takeaways for Valencia India

- **GMP range:** ₹-5 to ₹+21 → Highly volatile sentiment.
- **Best-case listing gain:** If GMP at +₹21 holds, the estimated listing price $\approx$ is approximately ₹131.
- **Subject-to deal:** Buyer commits ₹19,200 if allotted; seller bears allotment risk.
- **Kostak** likely lower—seller locks in modest profit regardless of allotment outcome.

Strategies & Risks

- **Positive GMP** (~+₹21): signals demand; potential listing upside.
- **Negative GMP** (−₹5): suggests weak sentiment; list may underperform.
- **Subject-to deals**: higher returns, but risk if allotment doesn't materialize.
- **Kostak deals**: safer but yield lower fixed earnings.

GMP and related rates are **informal, unregulated**, and can shift rapidly. They're useful cues, but not foolproof predictors.

Thank you for reading our detailed analysis on Valencia India. We hope you found valuable insights that help you understand the company's strategic, operational, and financial landscape.

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