

Company Business

- Grand Continent Hotels Limited operates in the **mid-scale hotel sector** in India, which includes upper-mid priced, mid-priced, and economy hotel segments. The company aims to cater to Indian middle-class guests and business travelers by delivering differentiated yet superior service offerings with a **value-for-money proposition**. As of the date of the Red Herring Prospectus, Grand Continent Hotels Limited has **16 properties** with a total inventory of **792 rooms** across 10 locations in India. The company utilizes brands such as **Sarovar Brands, Royal Orchid Brands, and its own trademark**.
- Company's occupancy across all hotel properties is 67.69% for the Six months period ended September 30, 2024, 71.98% for FY 2024, 73.92% for FY 2023 and 61.04% for FY 2022.
- Company follows an asset light model with properties under direct lease model. Out of such leased properties, two properties are leased out under JV partnership agreement. Company also owns two properties located in Bengaluru, Karnataka.
- For the majority of hotel properties, company has trademark license agreement/franchisee agreements with Sarovar Hotels Private Limited and/or Royal Orchid Associated Hotels Limited where through such franchisee partners the Company is able to supplement its sales and marketing efforts and generate leads for those hotel properties. The licensor/franchisee partners are paid a fixed percentage on the gross revenues from such hotel properties. All such properties will be under "own brand" or "Co-branded" with franchisee partners under trademark license agreement /franchisee agreements.

Industry Analysis in Brief

- India's **mid-scale hotels market generated a revenue of INR 316.3 billion in 2023** and is projected to expand at a compound annual growth rate (CAGR) of 11.4% between 2023 and 2029. This growth is anticipated due to factors like rising domestic travel, increasing disposable incomes, and infrastructure development. Grand Continent Hotels Limited operates within this mid-scale segment, which includes upper-mid priced, mid-priced, and economy hotels. The company seeks to capitalize on the growth in the Indian middle-class and business travel.

Promoters details

The **Promoters** of Grand Continent Hotels Limited are **Mr. Ramesh Siva and Mrs. Vidya Ramesh**.

- Mr. Ramesh Siva** is the **Chairman and Managing Director** of the company. He is 54 years old and holds a diploma in Hotel Management and Catering Technology from the Institute of Hotel Management, Madras. He has been associated with the company as a Director since its incorporation in November 2011.

- Mrs. Vidya Ramesh** is a **Whole-time Director** of the company.

As of the date of the Red Herring Prospectus, the Promoters together held an aggregate of 1,39,97,300 Equity Shares, representing 75.02% of the pre-issued, subscribed, and paid-up equity share capital of the company.

IPO Details

- Offer Size** : Up to **65,89,200 Equity Shares** of face value ₹10 each, aggregating up to ₹74.46 Cr.
 - Fresh Issue** : Up to **62,60,400 Equity Shares**, aggregating up to ₹70.74 Cr..
 - Offer for Sale (by Promoter Selling Shareholder Mr. Ramesh Siva)** : Up to **3,28,800 Equity Shares**, aggregating up to ₹3.72 Cr.
- Price Band** : ₹107 per Equity Share (Floor Price) to ₹113 per Equity Share (Cap Price).
- Minimum Bid Lot** : 1,200 Equity Shares and in multiples of 1,200 Equity Shares thereafter.
- Listing** : Proposed on the SME Platform of National Stock Exchange of India Limited ("NSE Emerge").
- Pre-Offer Equity Shares Outstanding** : 1,86,59,003 Equity Shares.
- Post-Offer Equity Shares Outstanding** : 2,49,19,403 Equity Shares.

Objects of the issue

The company proposes to utilize the **Net Proceeds** from the **Fresh Issue** towards the following objectives:

- Repayment and/or prepayment, in full or in part, of certain outstanding borrowings availed by the Company**: Estimated amount of **₹34.08 Cr.**
- Expansion of Hotel properties in India**: Estimated amount of **₹16.79 Cr.**
- General Corporate Purpose**

Financials of the company

(Fig. in Cr)

Particulars	Sep 30, 2024	March 31, 2024	March 31, 2023	March 31, 2022
Total Keys	753	531	329	192
Revenue from Operations	31.83	31.23	16.80	6.02
Growth in Revenue from Operations		84.97%	182.83%	110.40%
EBITDA	11.24	9.86	6.25	2.38
EBITDA Margins	35.32%	31.58%	37.22%	39.56%
PAT	6.22	4.07	1.03	-0.79
PAT Margins	19.53%	12.93%	6.07%	-13.16%
D/E Ratio	0.80	0.88	62.34	-21.02
CFOA	7.88	7.21	7.57	0.72

Comparison with Peers

Companies	Revenue	EBITDA Margin	PAT Margin	D/E Ratio	MCap	P/E
Grand Continent Hotels (FY 2024)	531 Cr.	31.58%	12.93%	0.88	281.58 Cr.	69.18*
Lemon Tree Hotels Limited (TTM)	1,235 Cr.	49%	17.73%	2.23	10,806 Cr.	60.50
Sayaji Hotels Limited (TTM)	132 Cr.	27%	10.60%	0.40	475 Cr.	33.10
Royal Orchids Hotels (TTM)	309 Cr.	23%	16.50%	1.02	1,131 Cr.	22.30

*Forward PE is 22.63 on the basis of FY 25 PAT.

PROS AND CONS —————

Potential Advantages (Inferred from the document):

- ✦ **Growth in the mid-scale hotel sector** : The company operates in a growing market segment in India.
- ✦ **Asset Light Model**.
- ✦ **Experienced Promoters** : The company has Promoters with experience in the hospitality industry.
- ✦ **Established operations** : The company has been in business since 2011 and has multiple operational properties.
- ✦ **Clear objectives for the Fresh Issue** : The company has specified the use of net proceeds for debt reduction and expansion.

Potential Disadvantages (Based on Risk Factors):

- ✦ **Majority of properties on long lease or license** : The company's reliance on leased or licensed properties exposes it to risks related to compliance with lease terms and potential non-renewal.
- ✦ **Borrowings** : The company has a significant amount of outstanding borrowings.



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