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**Mahindra
Holidays and
Resorts India
Ltd.**



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Company Overview

CMP = Rs 278.50 (Research started at 265)

Market Cap = 5675 Cr

52 Week Range = 195 - 313.60

Sector = Hospitality

Industry = Hotels



Analyst Take = HOLD

Investment Thesis

With strong and robust management and high capex plans, the company is poised for a high growth trajectory. Favourable government policies like Dekho Apna Desh show favourable industry tailwinds - yet given that the stock price has risen by 70% over the last year and that the PE value is 70, we feel that holding the stock is the best option to see the price action over the coming years.

The Analyst Take is **HOLD**.

Business Model

- Over the last decade, MHRIL has established itself as the market leader **in the family holiday business**.
- The company has followed a **two-pronged strategy**- rapidly **increasing its bouquet of resorts** to provide more variety in holidaying options and **enhancing its service levels** to its members to provide delight at every point of interaction.
- Club Mahindra Travel is a **travel integration service** for Club Mahindra Holidays' members to take care of their range of travel needs from accommodation to the deals on air tickets: complete holiday packages replete with sightseeing tours and meals to documentation requirements. The company provides **family holidays primarily through vacation ownership memberships**. Their members can choose to stay and holiday at resorts in a range of holiday destinations for a pre-determined number of days in a year for a fixed number of years.

- Over 25 years, MHRIL has created a unique and sustainable Vacation Ownership business and is the **#1 Leisure Hospitality AV** player in the country.
- MHRIL Vacation Ownership business consists of over **2.7 lakh members, 400+ partner hotels, and 100+ resorts globally.**
- It is evident that the **economic model is strong and difficult to replicate.** With predictable revenue streams and continuous member engagement Club Mahindra enjoys strong brand equity and is positioned as provider of quality vacation experiences for families.



MHRIL business structure

Mahindra Holiday & Resorts India Ltd

Membership Income

Vacation Ownership
(Lump-sum fees of INR 1.3-22.7 lacs for the membership of 3-25 years)

FY22 revenue share: 41%
FY19-22 revenue CAGR: 7.6%
FY22-25E revenue CAGR: 11.0%

Annual Subscription Fees
(Annual subscription fees of INR 16K-17K to keep the service active)

FY22 revenue share: 32%
FY19-22 revenue CAGR: 5.6%
FY22-25E revenue CAGR: 8.2%

Resort Income

FY22 revenue share: 20%
FY19-22 revenue CAGR: -4.3%
FY22-25E revenue CAGR: 28.1%

Interest Income

(Interest income from members opting for payment under EMI)

FY22 revenue share: 7%
FY19-22 revenue CAGR: -18.1%
FY22-25E revenue CAGR: 6.7%

Club Mahindra services and their cost

Membership	Price (INR)	Details
Purple 2 BR	22,66,520	Purple is a 25 years membership is for those who prefer to travel only on holidays and on high-demand weekends. This plan is perfect for vacationers who like to plan ahead and fix their holiday calendar for peak dates.
Purple 1 BR	13,10,330	
Purple Studio	10,20,370	
Red 2 BR	15,74,810	Red is a 25 years membership for those who prefer to travel during summer vacations or Diwali vacations.
Red 1 BR	9,06,920	
Red Studio	6,79,800	
White 2 BR	10,58,620	White is a 25 years membership for those who take a vacation just before or after the peak season. So if you have the freedom to plan your holidays to avoid crowded times like summer school holidays, then this membership is just right for you.
White 1 BR	6,85,980	
White Studio	5,13,320	
Blue 2 BR	8,50,030	Blue is a 25 years membership is for those who prefer to travel in off peak seasons and see the other side of a destination like enjoying Goa in the monsoons or enjoying a snowy winter in Himachal.
Blue 1 BR	4,91,830	
Blue Studio	3,71,980	
Bliss Classic	2,46,630	Bliss is a 10-year membership for individuals above the age of 50 years. It is a Club Mahindra membership customised to cater to the specific needs of senior citizens.
Bliss Premium	3,15,650	
Bliss Signature	4,35,710	
Go Zest Classic	1,25,000	GoZest is a 3-year membership for couples in the age group of 25 to 35 years.
Go Zest Premium	1,75,000	

MHRIL resort network in India

Cost of hotel stay - Club Mahindra vs Non Club Mahindra	Analysis
Non Club Mahindra Charges	
Per night hotel room rate (INR)	7,000
No of nights in a year by Club Mahindra	7
Total cost of stay in a year (INR)	49,000
Cost of stay for 25 years @ 6% inflation (INR)	26,88,361
Club Mahindra charges	
A - Vaccation ownership charge for 25 years (INR)	6,79,800
B - Annual subscription fees for 25 years @ 6% inflation (INR)	13,38,174
A+B = Total cost of stay at Club Mahindra for 25 years (INR)	20,17,974
Discount to Non Club Mahindra (%)	24.9

Unique differentiated model

Focus on Family Vacations

- Memorable family experiences
 - New & popular destinations across India & abroad
 - Range of culinary options
 - 'Happy Hub' catering to entire family with indoor & outdoor games and other experiences
 - Wellness & Spa experiences
 - Soft adventure activities

Multi-Product Portfolio serving diverse consumer needs

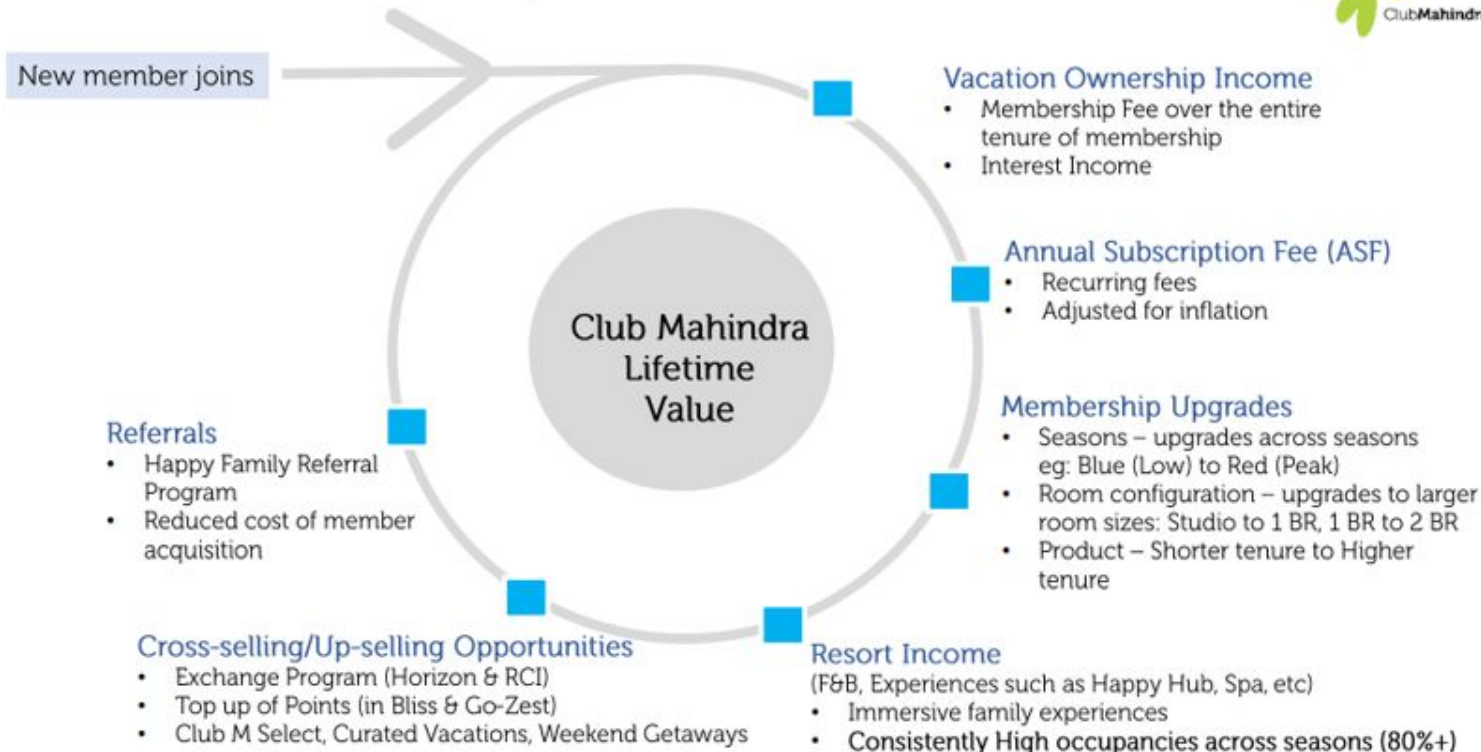
- Portfolio approach to help capture demand across the consumer lifecycle
- Catering to travel & hospitality needs of our varied customers, expanded the product portfolio to include **multiple tenure products**
- Portfolio includes **short tenure memberships, CMH-25 and Bliss**

Spacious Resorts with Larger Apartments

- Members prioritize vacationing at our resorts given our **larger room sizes and spacious resorts**
- Besides apartments (Studio, 1BR, 2BR), we also provide members with **multiple types of accommodations** such as villas, tents, & cottages.
- Several **outdoor activities** at our properties
- Enables **members to holiday together** with extended family & friends



Multi-Year Sources of Value Creation in Vacation Ownership across the Tenure of the Membership



Source: Investor Presentation 2022



HCR- Finland Business model

- HCR's Robust Business Model delivered more than **€ 150 mn of Turnover per annum and healthy EBITDA** except in FY21 and FY22 which was impacted due to Covid-19.
- Their business constitutes of 9 spa resorts, 1200+ hotel rooms, and even 1.3 million visitors every year
- The company has 33 timeshare destinations in Finland, Spain, and Sweden with over 60,000 timeshare owners.
- The vast network of spa resorts with varied experiences coupled with complementary business assets in terms of **timeshare and spa hotels** give them **unique competitive advantage**.



HCR Business Model – Finland



The revenue is generated through multiple streams- Spa Hotels, Timeshare, Real Estate Management, and Renting.

HCR – Multiple Revenue Streams

Particulars (Euro Mn)	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
Timeshare	8.7	7.8	17.7	13.2
Spa Hotels	22.8	19.6	41.3	27.9
Renting	3.2	3.3	5.7	5.2
Real Estate Management	1.6	1.6	3.2	3.2
Villas	0.8	0.6	1.7	1.4
Other Income	0.0	1.6	1.0	4.6
Revenue	37.1	34.5	70.6	55.5
Revenue (excl. one-offs)	37.1	32.6	69.6	51.0

Figures are in million euros.



Covid - Global Angle

Hospitality: one of the worst-hit sectors in 2020

- ❑ In July: hotel occupancy rates were **48% in China, 48% in the US and 32% in Italy**
- ❑ **8 million+ layoffs** in hospitality sector in US, 2020
- ❑ Hotel demand in the last few months has come primarily from '**staycations**', **weddings**, **travel to driveable leisure destinations**. **Biscations** -- working from a resort -- also saw traction in Q2 and the early part of Q3 FY22

Post Pandemic Recovery -

- ❑ Due to relaxed lockdowns and higher accessibility of vaccinations, the US Bureau of Labour Statistics expects **1.9 million hospitality jobs out of 8.3 million total (23%)** being added to the US economy from 2021-2031: a significant increase from when **the sector accounted for just 8.9% of jobs in 2021**
-

Covid - Local Angle

- India's hotel sector **contracted by 47% in April-June 2020**, as per data released by the National Statistical Office (NSO).
- The **hotel industry, in May 2020, experienced an occupancy decline of 77%**.
- **Less than 3 million foreign tourists visited India in 2020, a dip of around 75%** as compared to the previous year, due to travel restrictions

Downturn across the spectrum of hotels: from luxury to budget

- As of December 2020, hotel chains such as Trident and Hyatt are trying to increase users by offering discounts of up to 60% (India Express, 2020).
- Budget hotel chain Treebo implemented a pay cut of its founders and managers of 60 and 40% respectively and launched a paid voluntary resignation scheme for its 400 employees
- Oyo cut 5,000 jobs as of April 15 (ILO, 2020b).

Demand and Supply Analysis: National Overview

Demand Side

Hotels, amongst other mainstays in the hospitality sector, were amongst the **worst hit during the pandemic**

Demand was **curtailed in 2022 first quarter** esp. due to **Omicron**

But now, “Room **demand increased by more than 60%** year on year between January-July 2022, room **supply increased by only 1-2%**” - **HVS hospitality consultancy**

Much of the hotel demand in 2022 was driven by “**staycations**”, **weddings**, and travel to driveable leisure locations: **making up for lost time**

Supply Side

HVS anticipates supply to grow at a **CAGR of only 3-4%** over the next six to seven years, compared to **double-digit growth for demand**

About **25,000 rooms** are expected to come up in the **top 11 cities** in India in the next five years

About 6800 rooms are going to come up in Bengaluru, 5,400 in Mumbai, 3,300 in Jaipur and 1,800 in Delhi

Three big cities which will **easily absorb additional supply** over the next five years are **Mumbai, Bengaluru and Hyderabad**

India Advantages

1. Diverse attractions

- ▶ India offers geographical diversity, attractive beaches, 30 World Heritage SBPM and 25 bio-geographic zones.
- ▶ The country's big coastline is dotted with several attractive beaches.
- ▶ The Ministry of Tourism is promoting Buddhist Circuit to increase India's share in global tourism market.

2. Robust demand

- ▶ The Medical Tourism sector is expected to increase at a CAGR of 21.1% from 2020-2027.
- ▶ The travel market in India is projected to reach US\$ 125 billion by FY27 from an estimated US\$ 75 billion in FY20.
- ▶ International tourist arrivals are expected to reach 30.5 million by 2028.



4. Policy support

- ▶ Campaigns such as Swadesh Darshan, a theme-based tourist circuit was launched to harness the tourism industry's potential.
- ▶ The government introduced a scheme to boost the tourism sector by providing one-month free tourist visa to 5 lakh tourists until March 31, 2022.
- ▶ **Rs. 2,400 crore (US\$ 309.13 million) has been allocated to the Ministry of Tourism which is 18.42% higher than the allocation for FY 2021-22.**

3. Attractive opportunities

- ▶ India has a diverse portfolio of niche tourism products - cruises, adventure, medical, wellness, sports, MICE, eco-tourism, film, rural & religious tourism.
- ▶ Post the pandemic crisis, the government plans to tap into regional tourism by opening doors for South Asian country tourists.
- ▶ Government is providing free loans to MSMEs to help them deal with the crisis and revive the economy, including the tourism sector.

Government Policy

GST Hike on Hotel rooms

- “After 5 years of Tax implementation, all exemptions will be eliminated and tax rates standardised to 2-3%. Tax rates in the hotel industry have changed quite a bit in the GST era, removing exemptions from rooms for less than INR 1000.”
- Post July 2022, all rooms costing up to INR 7500/night will be taxed 12%, while more expensive rooms will be taxed at 18%

Ministry of Tourism Schemes (MoT)

- MoT has launched different initiatives covering Overseas Marketing, Travel Trade, HR Development, Market Research and Statistics, and Tourism Structure to jumpstart hospitality sector post-pandemic: typically aimed at SMEs hardest hit by Covid-19

Union Budget

- MoT allocation was INR 2400 Cr, same as for 22-23 (compared to 2020.26 Cr for 21-22 and 2500 Cr for 20-21), of which INR 1644 Cr was earmarked for development of tourism infrastructure
- Tourism identified as one of 4 key transformative opportunities: 50 new travel destinations, Union Malls, tourism is on “mission mode” - FM

Risks to Industry

- **Airbnb:**
 - 1% increase in AirBnB bookings results in a decrease of hotel revenues by 0.1%
 - Reasons for preference include greater socio cultural immersion, affordability, and sense of homeliness
- **Seasonality and Cyclicalness of the hotel industry**
 - Travellers naturally spike during summer and winter months due to occurrence of holidays and favourable weather conditions
- **Geopolitical shocks - terrorist attacks**
 - Due to housing large concentrations of people (often foreign): hotels are targets for mass terror attacks:
2008 Taj Mumbai Terror Attacks

Risks to Company

- **Operational Risks:** Meeting customer expectations to maintain the Annual Subscription Fee (ASF). This was a challenge especially during covid, due to the taxing safety protocols that they had to follow
- **Financial Risks:** Non-payment of the deferred payment of membership instalments despite the management's increased emphasis on higher downpayments.
- **Regulatory and Legal Risks:** They face red tape in terms of legal barriers for land acquisition, development of properties and environmental regulations
- **Information and Technology Risks:** potential for sensitive data to be leaked due to hacks or software malfunction

Porter's 5 Forces

- **Threat of new entrants**
 - i. Many barriers to entry: high capital costs, stringent regulation, and high differentiation
 - ii. Poor infrastructure, facilities and scarcity of land serves as a barrier to entry. Established industry giants can continue to thrive under the prevailing conditions.
- **Bargaining Power of buyers**
 - i. High because switching costs for consumers are low, buyer demand is significantly lower than industry supply, and buyers have the ability to delay their purchases
 - ii. Hotel stay represents a large fraction of their total expenditure. Further, buyers can easily compare the quality and price of different hotels.
- **Threat of Substitute Products**
 - i. Moderate because with the increased penetration of internet, customers can compare the rates offered by different hotels and choose the best deal.
 - ii. Rise of Air B&B
- **Bargaining Power of Suppliers**
 - i. The bargaining power of suppliers is moderate. There are many real estate dealers without much differentiation and low switching costs, but a limited number of quality training providers and skilled employees.
 - ii. Employees move readily from one hotel to another in quest of better prospects.
- **Rivalry among existing competitors**
 - i. There is fierce rivalry among the competitors in the hotel industry. Hotel services are largely undifferentiated.
 - ii. The players are cutting prices to attract more and more customers, resulting in a price war.

SWOT Analysis

STRENGTHS

- Expansive CapEx plans
- Unique subscription-based model
- Growing member base
- Cutting costs efficiently

OPPORTUNITIES

- Families are looking for quick getaways and the resorts are built at ideal locations for this
- They are releasing new subscriptions
- International Tourism Sector is booming

WEAKNESSES

- Multiple loss-generating subsidiaries
- Company has high debtors of 175 days.
- The company has delivered a poor sales growth of -2.34% over past five years.

THREATS

- New entrants like Lemon Tree
- Cyclical industry dependent on holidays

Shareholding pattern

Shareholders	Shareholding %
Promoters (Mahindra and Mahindra limited)	67.03%
FII	4.98%
DII	8.16%
Public	19.49%
Others	0.32%

The promoter percentage in the business is very encouraging to see. 67% shows significant skin in the game and is a sign of confidence for investors. There is no pledged shareholding too as of June 30th 2022.

Apart from that, big fund houses like PPFAS mutual fund, HDFC trustee have invested in the company.



Historical change in Shareholding pattern

	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022
Promoters +	67.31	67.31	67.31	67.31	67.31	67.29	67.27	67.22	67.22	67.20	67.08	67.03
Flls +	5.38	5.32	4.94	4.86	4.43	4.45	5.32	5.18	4.96	4.91	5.07	4.98
Dlls +	15.07	15.28	15.28	12.86	13.13	11.92	11.15	10.48	9.71	9.66	8.31	8.16
Public +	11.77	11.62	12.01	14.50	14.67	15.87	15.84	16.73	17.74	17.86	19.22	19.49
Others +	0.47	0.47	0.47	0.47	0.47	0.47	0.43	0.38	0.37	0.36	0.32	0.32

Promoter holding Details

Name of shareholder	No. of shares	% held as at March 31, 22	No. of shares	% held as at March 31, 21
Mahindra & Mahindra Limited (Holding Company)	134,835,922	67.22%	89,890,615	67.31%

Shares in the Company held by Promoters

Shares held by promoters at the end of the year				% Change during the year
Promoter name	Year ended	No. of Shares	% of Total Shares	
Mahindra & Mahindra Limited	March ,31 2022	134,835,922	67.22%	(0.09%)
Mahindra & Mahindra Limited	March 31, 2021	89,890,615	67.31%	

Management team

Name	Designation
Anish Shah	Director
Arun Nanda	Chairman
Dhanraj Mulki	Co. Secretary & Compl. Officer
Diwakar Gupta	Director
Kavinder Singh	Managing Director & CEO
Rohit Khattar	Director
Ruzbeh Irani	Director
Sangeeta Talwar	Director
Sanjeev Aga	Director
Sujit Vaidya	Chief Financial Officer



Arun Nanda, the chairman of the company is the Founder Director of MHRIL. He holds a Degree in Law from the University of Calcutta, is a fellow member of the ICAI and a fellow member of the ICSI.

Mr Sujit Viadya (CFO) has three decades of experience across industries including having spent the last 10 years in various CFO roles with Castrol, BP and Disney India. He has worked in international markets including South-East Asia, Middle East and the UK in several leadership roles spanning across financial control & reporting, business performance and risk management.

Mr Kavinder Singh MD & CEO has long term experience in FMCG sector, start up and building businesses and leading transformational corporate strategy initiatives.



1. The ratio of the remuneration of each director to the median employees' remuneration for the financial year

Name of the Directors	Ratio to median remuneration
Non-Executive Directors*	
Mr. Arun Nanda	32:1
Mr. Rohit Khattar	12:1
Mr. Sridar Iyengar	11:1
Mr. Sanjeev Aga	10:1
Mrs. Sangeeta Talwar	8:1
Mr. Diwakar Gupta	9:1
Dr. Anish Shah [#]	N.A.
Mr. Ruzbeh Irani [#]	N.A.

The average percentage increase made in the salaries of total employees other than the Key Managerial Personnel during the financial year 2021-22 was around 5.45%, while the average increase in the remuneration of the Key Managerial Personnel was around 9.57%.

Sr. No.	Name of Director	DIN	Date of appointment in Company
1.	Mr. Arun Nanda	00010029	28/01/1998
2.	Mr. Kavinder Singh	06994031	03/11/2014
3.	Mr. Sanjeev Aga	00022065	18/04/2013
4.	Mr. Rohit Khattar	00244040	12/01/2004
5.	Mr. Sridar Iyengar	00278512	30/04/2008
6.	Mrs. Sangeeta Talwar	00062478	01/02/2020
7.	Mr. Diwakar Gupta	01274552	01/12/2020
8.	Dr. Anish Shah	02719429	09/05/2020
9.	Mr. Ruzbeh Irani	01831944	26/01/2021

The average experience of directors is **>30 years** with significant experience in their respective sectors and expert areas. We can see that the management is of high quality. It has been able to deliver guidance; and is investor-friendly with timely updates on developments.



Quantitative Analysis



Mahindra Holidays and Resorts India

Consolidated Balance Sheet

----- in Rs. Cr. -----

Standard Deviation CAGR Sparkline

	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar 22			
EQUITIES AND LIABILITIES													
SHAREHOLDER'S FUNDS													
Equity Share Capital	83.88	88.02	88.03	88.06	88.23	132.76	132.9	132.92	132.92	199.85	35.08972016	0.090698	
Total Share Capital	83.88	88.02	88.03	88.06	88.23	132.76	132.9	132.92	132.92	199.85	35.08972016	0.090698	
Reserves and Surplus	528.91	672.73	637.07	418.09	509.15	578.69	-650.99	-888.37	-887.14	-881.43	684.3884432		
Total Reserves and Surplus	528.91	672.73	637.07	418.09	509.15	578.69	136.01	-101.37	-64.28	29.53	286.7534057	-0.25064	
Total Shareholders Funds	612.79	760.75	725.12	506.14	597.39	711.45	281.57	46.31	84.68	249.81	256.1796328	-0.08582	
NON-CURRENT LIABILITIES													
Long Term Borrowings	5.35	0.02	117.38	632.13	693.81	713.36	567.14	1,753.73	2,098.45	657.98	663.0594063	0.618027	
Other Long Term Liabilities	1,258.51	1,400.18	1,514.44	1,730.12	1,916.90	2,091.97	4,842.29	5,060.91	4,615.25	6,036.52	1756.65508	0.16975	
Total Non-Current Liabilities	1,309.18	1,463.35	1,698.34	2,372.38	2,621.15	2,812.57	5,653.46	7,059.98	6,924.26	6,928.21	2324.270503	0.181305	
CURRENT LIABILITIES													
Short Term Borrowings	1.99	2.95	6.41	11.25	18.19	24.94	17.72	0	0	276.05	80.45294824	0.637621	
Trade Payables	82.54	94.95	111.73	257.69	235.41	261.57	284.9	308.73	308.1	348.33	92.23544744	0.154869	
Other Current Liabilities	193.52	221.59	244.99	450.39	458.22	663.53	1,009.92	1,455.38	1,191.31	1,025.31	427.5101885	0.181443	
Total Current Liabilities	320.04	361.25	406.04	719.56	713.7	953.57	1,318.19	1,770.17	1,506.39	1,658.20	525.5971419	0.178809	
Total Capital And Liabilities	2,243.23	2,586.00	2,829.85	3,628.78	3,960.49	4,504.95	7,282.60	8,885.79	8,521.48	8,846.20	2603.158364	0.147066	

ASSETS**NON-CURRENT ASSETS**

Tangible Assets	612.89	826.02	890.82	1,211.53	1,157.65	1,324.66	2,314.24	3,736.39	3,835.75	4,044.75	1303.245122	0.207677	
Intangible Assets	3.37	22.62	22.39	55.52	47.07	36.86	29.48	25.8	32.6	40.21	13.83769547	0.281358	
Capital Work-In-Progress	237.31	73.02	87.26	71.76	169.22	110.75	223.25	242.56	114.57	114.41	64.5439482	-0.07036	
Fixed Assets	874.77	928.21	1,007.77	1,342.31	1,376.05	1,473.19	2,570.96	4,012.00	3,992.34	4,206.51	1319.004897	0.170046	
Non-Current Investments	0.03	0.03	133.58	3.15	6.48	8.38	11.67	13.41	17.46	26.91	37.97663914	0.973691	
Long Term Loans And Advances	144.02	164.68	184.54	31.49	37.52	42.9	46.73	44.26	44.01	0	61.19916115		
Total Non-Current Assets	1,494.28	1,618.04	1,881.24	2,080.14	2,173.79	2,304.02	4,823.80	6,150.99	5,897.14	6,398.77	1957.458935	0.156555	
CURRENT ASSETS													
Inventories	7.23	10.28	5.98	379.41	395.39	520.14	569.52	552.09	554.27	540.98	234.5693895	0.539587	
Trade Receivables	627.8	844.63	871.38	934.41	1,019.97	1,075.15	1,112.10	1,244.99	965.86	964.56	159.0817161	0.043881	
Cash And Cash Equivalents	45.2	48.33	22.06	111.45	214.24	72.02	79.4	280.18	402.56	435.16	145.5956622	0.254155	
Total Current Assets	748.95	967.96	948.61	1,548.64	1,786.70	2,200.93	2,458.80	2,734.80	2,624.34	2,447.43	716.2898767	0.125708	
Total Assets	2,243.23	2,586.00	2,829.85	3,628.78	3,960.49	4,504.95	7,282.60	8,885.79	8,521.48	8,846.20	2603.158364	0.147066	
Working Capital	428.91	606.71	542.57	829.08	1,073.00	1,247.36	1,140.61	964.63	1,117.95	789.23			

Profit & Loss Account / Income Statement

MAHINDRA HOLIDAYS & RESORTS INDIA LTD

Rs Cr	13-Mar	14-Mar	15-Mar	16-Mar	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar	22-Mar	Deviation	CAGR	Sparkline
Sales	728	676	812	1,602	2,267	2,317	2,239	2,372	1,730	2,013	658	0.107060205	
% Growth YOY		-7%	20%	97%	41%	2%	-3%	6%	-27%	16%	0		
Expenses	561	509	623	1,329	1,932	1,948	2,055	1,997	1,489	1,691	597	0.116652582	
Material Cost (% of Sales)	3%	4%	4%	2%	4%	4%	5%	5%	4%	5%	0	0.052409779	
Power and Fuel	3%	4%	4%	4%	3%	3%	4%	3%	3%	4%	0	0.029186009	
Other Mfr. Exp	3%	11%	9%	8%	9%	9%	14%	13%	14%	14%	0	0.166542802	
Employee Cost	22%	26%	21%	23%	23%	24%	26%	25%	29%	28%	0	0.024409353	
Selling and Admin Cost	47%	48%	37%	31%	31%	30%	27%	18%	20%	21%	0	-0.077402776	
Gross Profit	705	647	783	1,569	2,171	2,215	2,131	2,264	1,661	1,915	625	0.105090807	
Gross Profit Margin	97%	96%	96%	98%	96%	96%	95%	95%	96%	95%	0	-0.00208124	
Operating Profit	167	167	189	273	335	369	184	375	241	323	80	0.068190239	
Operating Profit Margin	23%	25%	23%	17%	15%	16%	8%	16%	14%	16%	0	-0.035639941	
Other Income	5	14	-5	-4	27	34	55	58	116	163	52	0.416843102	
Other Income as % of Sales	0.80%	2.00%	-0.60%	-0.30%	1.20%	1.50%	2.50%	2.50%	6.70%	8.10%	0	0.260490286	
Depreciation	27	39	66	98	106	100	101	247	264	271	88	0.259390905	
Interest	2	8	11	25	32	86	40	85	91	105	37	0.485990149	
Interest Coverage(Times)	61	19	11	7	8	4	3	2	1	2	17	-0.289490292	
Profit before tax (PBT)	143	134	107	146	224	217	98	101	2	111	60	-0.025013294	
% Growth YOY		-6%	-20%	36%	53%	-3%	-55%	3%	-98%	4376%	14		
PBT Margin	20%	20%	13%	9%	10%	9%	4%	4%	0%	5%	0	-0.129449437	

Rs Cr	13-Mar	14-Mar	15-Mar	16-Mar	17-Mar	18-Mar	19-Mar	20-Mar	21-Mar	22-Mar	Standard		Sparkline
											Deviation	CAGR	
<i>PBT Margin</i>	20%	20%	13%	9%	10%	9%	4%	4%	0%	5%	0	-0.129449437	
Tax	52	47	27	56	79	84	38	236	16	43	59	-0.018824916	
Tax Rate	36.30%	35.10%	25.20%	38.50%	35.10%	38.70%	39.20%	232.50%	667.20%	38.80%	2	0.006682479	
Net profit	91	87	80	90	146	133	60	-134	-14	68	77	-0.028714843	
<i>% Growth YOY</i>		-5%	-8%	12%	62%	-9%	-55%	-325%	-90%	-583%	2		
<i>Net Profit Margin</i>	12%	13%	10%	6%	6%	6%	3%	-6%	-1%	3%	0	-0.129449437	
EPS	4.8	4.3	4	4.5	7.3	6.6	3	-6.7	-0.7	3.4	4	-0.03389625	
<i>% Growth YOY</i>		-9%	-8%	12%	62%	-9%	-55%	-325%	-90%	-582%	2		
Price to earning	23.9	23.9	28.5	38.1	26.4	29.5	53.7	-13.9	-200.5	68	72	0.110225252	
Price	114	104	115	172	193	196	160	93	140	229	43	0.072242613	
Dividend Payout	38.80%	40.60%	43.90%	48.90%	30.30%	40.00%	0.00%	0.00%	0.00%	0.00%	0	-1	
Market Cap	2,176	2,075	2,289	3,433	3,847	3,914	3,197	1,866	2,810	4,602	878	0.077776655	
Retained Earnings	56	52	45	46	101	80	60	-134	-14	68	63	0.01960531	

Cash Flow Statement

Rs Cr	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Total
Cash from Operating Activity (CFO)	219	33	201	242	276	551	263	561	382	498	3,225
% Growth YoY		-85%	506%	20%	14%	100%	-52%	113%	-32%	30%	
Cash from Investing Activity	-263	-88	-308	-379	-182	-547	-239	-281	-235	-257	-2,779
Cash from Financing Activity	-41	60	78	274	-6	-144	-21	-254	-154	-217	-424
Net Cash Flow	-86	5	-30	137	88	-140	4	26	-6	23	22
CFO/Sales	30%	5%	25%	15%	12%	24%	12%	24%	22%	25%	
CFO/Net Profit	241%	38%	250%	268%	190%	415%	442%	-418%	-2727%	737%	
Capex**	163	87	488	213	253	259	191	170	87	266	
FCF	56	-54	-287	29	23	292	72	391	295	232	1,049
Average FCF (3 Years)										306	
FCF Growth YoY		-196%	435%	-110%	-22%	1185%	-75%	440%	-25%	-21%	
FCF/Sales	8%	-8%	-35%	2%	1%	13%	3%	16%	17%	12%	
FCF/Net Profit	62%	-62%	-354%	33%	15%	220%	120%	-296%	-2253%	344%	

Company	Parameters	CY17	CY18	CY19	CY20	CY21
MHRIL	Members (nos)	2,35,792	2,47,716	2,54,988	2,63,952	2,62,000
	Revenue	165	144	139	112	128
	<i>Revenue per member (US\$)</i>	<i>699</i>	<i>580</i>	<i>546</i>	<i>425</i>	<i>489</i>
	EBITDA	35	22	23	27	31
	<i>EBITDA per member (US\$)</i>	<i>149</i>	<i>88</i>	<i>89</i>	<i>103</i>	<i>117</i>
	<i>EBITDA Margin (%)</i>	<i>21.3</i>	<i>15.1</i>	<i>16.3</i>	<i>24.3</i>	<i>23.9</i>
	Net Profit	20	13	11	-9	18
	<i>Net Profit per member (US\$)</i>	<i>83</i>	<i>52</i>	<i>42</i>	<i>-35</i>	<i>69</i>
	<i>Net Margin (%)</i>	<i>11.9</i>	<i>9.0</i>	<i>7.7</i>	<i>-8.2</i>	<i>14.1</i>

Ratio Analysis

Growth and Profitability	Mar/13	Mar/14	Mar/15	Mar/16	Mar/17	Mar/18	Mar/19	Mar/20	Mar/21	Mar/22
Sales Growth		-7.1%	20.0%	97.3%	41.5%	2.2%	-3.4%	5.9%	-27.1%	16.4%
Expenses Growth		-9.3%	22.3%	60.9%	41.7%	1.9%	-0.7%	-13.1%	-13.8%	26.1%
Gross Profit Growth		-8.3%	21.1%	100.3%	38.4%	2.0%	-3.8%	6.2%	-26.6%	15.3%
PBT Growth		-6.4%	-19.7%	36.5%	53.0%	-3.4%	-54.7%	3.3%	-97.6%	4376.1%
Net Profit Growth		-4.5%	-7.5%	12.2%	61.5%	-8.8%	-55.1%	-325.3%	-89.6%	-582.7%
Dividend Payout	38.8%	40.6%	43.9%	48.9%	30.3%	40.0%	0.0%	0.0%	0.0%	0.0%

1. Sales growth is volatile and inconsistent. However, in FY21, this can be attributed to covid and FY19 is due to a recently acquired subsidiary performing badly.
2. Expenses growth generally follows the trend as that of sales growth. Expenses growth was higher than sales growth from FY13 to FY17, which indicates a fall in profit margins. However, this trend reversed FY17 onwards with aberrations during the period of the covid virus
3. Gross Profit growth is usually positive other than covid year, which is an aberration.
4. PBT growth is volatile and very inconsistent. Some of the values in negative are justified by the change in accounting standard from Ind AS 15 to Ind AS 118.
5. Net Profit Growth is volatile. It has remained in negative values for the last 4 years. However, these values in negative are justified by the change in accounting standard.
6. The company is investing heavily in CapEx, which is why their dividend payout is 0% in the last 4 years.

Ratio Analysis

Profitability Margins	Mar/13	Mar/14	Mar/15	Mar/16	Mar/17	Mar/18	Mar/19	Mar/20	Mar/21	Mar/22
Gross Margin	96.8%	95.6%	96.5%	97.9%	95.8%	95.6%	95.2%	95.4%	96.0%	95.1%
Operating Margin	22.9%	24.7%	23.3%	17.0%	14.8%	15.9%	8.2%	15.8%	13.9%	16.0%
PBT Margin	19.6%	19.8%	13.2%	9.1%	9.9%	9.3%	4.4%	4.3%	0.1%	5.0%
Net Margin	12.5%	12.8%	9.9%	5.6%	6.4%	5.7%	2.7%	-5.7%	-0.8%	3.4%

1. *Gross Margin is relatively consistent between 90-100%. This is not an extraordinary margin compared to its peers in the hospitality industry.*
2. *Operating Margin has remained relatively consistent. However a decreasing trend was seen upto 2017, following which the values started to increase again. The values have started to increase as a result of management's focus on cutting operating expenses*
3. *PBT margin has been reducing but started increasing again once the company's accounts got used to the new accounting standards. This is because expenses were growing relatively faster than sales from FY13 to FY18*
4. *Net margin has been reducing because of the increase in luxury taxes in India. This effect was made worse by the change in the accounting standards the company is following. This value started increasing again once the company's accounts got used to the new accounting standards.*

Ratio Analysis

Efficiency	Mar/13	Mar/14	Mar/15	Mar/16	Mar/17	Mar/18	Mar/19	Mar/20	Mar/21	Mar/22
Debtor Days	314.6	455.8	391.7	212.9	164.2	169.4	181.3	191.6	203.8	174.9
Inventory Turnover	100.7	65.8	135.8	4.2	5.7	4.5	3.9	4.3	3.1	3.7
Fixed Asset Turnover	1.0	0.7	0.8	1.2	1.8	1.6	0.9	0.6	0.4	0.5
Total Asset Turnover	3.1	3.8	3.5	2.3	1.7	1.9	3.1	3.6	4.8	4.3

1. *Debtor Days are reducing continuously. This is a good sign given that they are ramping up production and they would not want their suppliers to be unhappy with their contact terms. They had a loss of 2.8mn\$ in FY19 due to this issue in their CapEx plans for Holiday Club Resorts. Thus, their emphasised focus on reducing debtor days.*
2. *Inventory Turnover is basically the rate at which inventory is being used - in the hospitality industry. This value has started to increase again. This is a good sign especially given that their inventory (number of rooms) has increased massively, especially since FY19.*
3. *Fixed Asset Turnover is reducing till covid. Part of the reason for the values 2018 onwards could be due to the massive and rapid expansion of CapEx. The value has started increasing post covid, however, which is a good sign.*
4. *Total Asset turnover has spiked up in the last 5 years, which is great, especially considering that the assets of the company are increasing as a result of their intensive capital expenditure plans*

Ratio Analysis

Return Ratios	Mar/13	Mar/14	Mar/15	Mar/16	Mar/17	Mar/18	Mar/19	Mar/20	Mar/21	Mar/22
Return on Equity	14.8%	11.4%	11.1%	17.8%	24.4%	18.7%	21.2%	-290.0%	-16.5%	27.1%
Return on Invested Capital	-28.9%	-4.4%	-3.3%	-5.7%	-2.9%	-23.5%	-1.1%	3.3%	-22.6%	-24.2%

- 1. The ROE was a healthy ratio till FY20 and FY21. Since the company is mainly financed by equity as the company does not take many external loans as they are backed by a very strong parent group - Mahindra, this ratio is accurate and precise. The company recovered nicely to pre covid levels in FY22.*
- 2. This value is negative, which is not a good sign for the company. Since majority of the capital invested and used for CapEx is raised from the parent group, this ratio does mean that returns are not significant. Investors do look for a good ROIC ratio while investing, so it will be difficult to increase the this value. However, given the excellent management who can will implement their extensive future plans, I do see this value increasing*

Ratio Analysis

Cash Flow Ratios	Mar/13	Mar/14	Mar/15	Mar/16	Mar/17	Mar/18	Mar/19	Mar/20	Mar/21	Mar/22
Free Cash Flow (Rs Cr)	56	-54	-287	29	23	292	72	391	295	232
Operating Cash Flow Growth		-84.9%	506.2%	20.5%	14.1%	99.7%	-52.2%	113.0%	-31.8%	30.4%
Free Cash Flow Growth		-195.8%	434.6%	-110.1%	-21.9%	1184.6%	-75.2%	439.9%	-24.7%	-21.3%
FCF/Sales	8%	-8%	-35%	2%	1%	13%	3%	16%	17%	12%
CFO/Total Assets	10%	1%	7%	7%	7%	12%	4%	6%	5%	6%

1. *FCF is rising. This is good, which means that the cash position of the company is improving.*
2. *Operating Cash Flow growth is very inconsistent. This is not a good sign, but the value did increase and the management expects it to grow in the future.*
3. *Free Cash Flow Growth is negative. However, this is not an accurate representation as the Cash position of the company on the balance sheet is improving.*
4. *FCF/Sales is increasing on the general trend. This is a good sign as the company is generating more cash flow from the same amount of sales.*
5. *CFO/Total Assets is relatively consistent. But since fixed assets are improving, this value remaining consistent is also good.*

Competitor Analysis

S.No.	Name	CMP Rs.	P/E	ROCE %	Debt / Eq	Sales Var 3Yrs %	Profit growth %	3Yrs return %
1.	Indian Hotels Co	323.20	63.17	1.21	0.38	-12.18	265.55	30.81
2.	EIH	172.30	91.53	-3.11	0.12	-18.36	146.21	7.13
3.	Chalet Hotels	359.45	79.97	0.04	1.90	-19.87	209.05	3.51
4.	Lemon Tree Hotel	78.90	1623.60	1.20	2.49	-9.88	103.53	12.21
5.	Mahindra Holiday	266.20	53.63	7.92	2.43	-3.48	267.19	19.12
6.	Barbeque-Nation	892.70	100.92	3.59	1.64	5.21	196.37	
7.	ITDC	340.60	114.43	2.06	0.00	-6.50	1685.36	6.18

Competitor Analysis

Indian Hotels

- 182 hotels and 21,094 rooms.
- Stepping up on expansion
- Focus on new business ventures that will stabilise profitability
- Improved operational metrics
- Weak performance of overseas subsidiaries
- Attention drifting away from Taj: premium hospitality brand
- Return ratios are negative in recent years

Lemon Tree Hotel

- 85 hotels and 8303 rooms
- Diverse presence and strong pipeline
- Focus on asset-light model to escalate margins
- Sustainable cost reduction during pandemic
- Cash flows sustainable to fund future CapEx
- Company has a lot of debt
- Promoter holding is low
- Negative return ratios

Global Peer Analysis

	Mcap (USD Mn)	P/E (x)		EV/EBITDA (x)	
		CY22E	CY23E	CY22E	CY23E
Hotels					
Marriott International Inc.	53,461	28.3	22.5	17.6	15.0
Hilton Worldwide Holdings Inc.	36,859	32.7	23.2	19.1	15.5
InterContinental Hotels	10,805	22.8	18.1	14.3	12.2
Hyatt Hotels Corp.	8,851	(827.2)	49.8	16.4	12.3
Huazhu Group Ltd.	8,712	180.5	27.6	30.6	12.6
Wyndham Hotels & Resorts Inc.	6,874	21.1	18.9	13.7	12.7
Park Hotels & Resorts Inc.	4,114	91.8	19.8	14.5	10.6
Average			25.7	18.0	13.0
Vacation Ownership					
Marriott Vacation Worldwide	5,647	14.2	11.5	8.8	7.7
Wyndham Destinations	4,069	10.6	8.4	8.1	7.2
Hilton Grand Vacations	5,121	11.5	8.4	7.7	6.8
Average		12.1	9.4	8.2	7.2
REITs					
Host Hotels & Resorts Inc.	13,724	29.9	21.6	14.7	12.1
Service Properties Trust	987	(4.1)	(6.0)	12.6	11.0

DCF

Summary

- With plans to incur **high Capex** over the next 3-5 years, Mahindra holidays is on the growth phase. They are heavily re-investing into the business which is why we feel there will be tremendous revenue growth after the Capex cycle.
- They have a **robust management**, with most of them having 30+ years of experience in the industry. They have shown an incredible turnaround in the HCR business, which makes us feel confident in their ability.
- From an industry perspective, Hospitality industry took a massive hit during Covid-19 but we can see that that the industry is bouncing back as clearly demonstrated by strong figures.
- The government has also been focussing on the tourism industry, with initiatives like '**Dekho Apna Desh**' and we believe that hospitality sector will be a huge beneficiary because of this.

Summary - contd

Mahindra holidays have a total of **100+ resorts** and **400 partner hotels** which indicates strong presence. The sales have increased by 16% YOY in FY22, and we believe that the momentum is strong.

- The company has strategically acquired the HCR business and made it a very successful one clearly shown by the **120 million Euros** turnover in FY22.
- Even though the company has pretty good indicators and a strong industry outlook, we feel that the valuation is quite high at a **70 P/E and a 15.8 P/B**. The stock price has risen by 27% over the past year which makes the stock unattractive for now.
- Hence, our analyst take is to **hold** the company for now and see how the stock price moves, given the Capex plans and the growth period of the company