

## MAHINDRA HOLIDAYS & RESORTS INDIA!

23<sup>th</sup> May, 2017

**CMP** Rs 472  
**Recommendation** Not Rated

### Stock Info

<b>BSE Group</b>	B
<b>BSE Code</b>	533088
<b>NSE Symbol</b>	MHRIL
<b>Bloomberg</b>	MHRL IN
<b>Reuters</b>	MAHH.BO
<b>BSE Sensex</b>	30,571
<b>NSE Nifty</b>	9,438

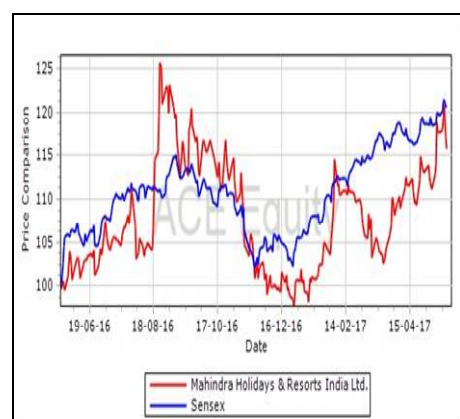
### Market Info

<b>Market Capital</b>	Rs 4,154 cr
<b>Equity Capital</b>	Rs 83 cr
<b>Avg. Trading Vol.</b>	1,05,800
<b>52 Wk High/ Low</b>	513/382
<b>Face Value</b>	Rs 10

### Shareholding Pattern (%) (March 17)

<b>Promoters</b>	67.5
<b>Domestic Institutions</b>	6.8
<b>Foreign Institutions</b>	14.6
<b>Public &amp; Others</b>	11.1

### Price Chart:



Mahindra Holidays & Resorts India Ltd., (MHRIL) is a part of the Leisure and Hospitality sector of the Mahindra Group, offers quality family holidays primarily through vacation ownership memberships and brings to the industry values such as Reliability, Trust and Customer Satisfaction. Started in 1996, the company's flagship brand "Club Mahindra Holidays", today has a fast growing customer base of over 218,138 members and 48 beautiful resorts at some of the most exotic locations in India and abroad.

### Robust membership additions, VO drive sales growth

Mahindra Holidays & Resorts (MHRL IN) posted standalone sales growth of 26.4% YoY to INR 31.82 cr in Q4FY17. While income from the sale of vacation ownership (VO) of INR 192.75 cr was up 41% YoY, there was also improvement in sales of resort income by 15% to INR 46.93 cr in Q4. Growth in food & beverages by 15% YoY to INR 28.64 cr and income from holiday activity (up 17% YoY) drove resort income.

EBITDA was flat at INR 59.2 cr on higher employee and other expenses. EBITDA margin of 19.1% contracted 506 bp YoY. Lower interest and depreciation cost led to growth in Adjusted PAT by ~4.5% YoY to ~INR 31.8 cr.

- ❖ Club Mahindra recently acquired Holiday Club, Finland.  
Holiday Club Resorts is owned by Mahindra Holidays & Resorts India Ltd, the acting management and Fennia Group. Mahindra has resorted to offshore funding as the interest cost is less than the Holiday Club's dividend receivable. Club Mahindra's stake in Holiday Club is now at 95.16%
  - Introduction to Fennia Group: The Fennia Group consists of Fennia, Fennia Life and Fennia Asset Management Ltd. Together the companies offer their clients competitive, high-quality non-life and life insurance and asset management services. Fennia's insurance activities date back to the 19th century, giving a solid professional foundation.
  - Holiday Club Resorts has 32 resorts of which 24 are located in Finland. There are two resorts in Sweden and six in Spain. Seven resorts in Finland and one in Sweden feature also a spa hotel. Holiday Club operates 1059 hotel rooms and 2172 holiday homes in total.
- ❖ Why Finland?
  - Robust business model as Holiday Club was managed by professional financial group(Fennia Group).
  - Healthy margins are produced from all resorts under Holiday Club.
  - Larger vision of opening to European tourism market and also due to increase in Indians travelling abroad.



## ❖ Revenue &amp; Sales model

- 5% of total sales amount from international markets.
- Digital platform & Referrals gives 50% of total sales.
- 1.5% of total inventory is blocked for non members to come at stay at mahindra resorts and experience the whole package. 4-5% is conversion rate for this model of sales.
- Membership prices are yearly hiked between 2% - 5% based of industry scenario.

## ❖ Statistics

- Members base by FY17 stood at 2,18,138 vs 1,99,167 YoY.
- Occupancy for resorts stood at 85%
- Total inventory stood at 3152. In Q4 148 rooms were added to inventory. Inventory growth from FY10 to FY17 is 11% CAGR.
- Total resorts are 49.
- Planned inventory expansion is approximately 600 rooms.

**Financial Snapshot:**

Reported Quarterly Results					
Particulars (Rs. Lakhs)	Q4 FY17	Q4 FY16	YoY(%)	Q3 FY17	QoQ(%)
Income from Operations	31,047	24,553		27,052	
Non-operating income	526	445		428	
Total Income	31,573	24,998	26.3	27,480	14.9
Employee Expenses	6,463	4,849		5,726	
Sales & Marketing Expenses	6,923	5,521		5,933	
Depreciation	1,483	1,857		1,541	
Rent	2,106	1,862		2,128	
Other Expenses	9,638	6,400		6,620	
Interest Expenses	1	3		1	
Total Expenditure	26,614	20,492	29.9	21,949	21.3
PBT	4,959	4,506	10.1	5,531	-10.3
Tax expense	1,777	1,461		1,959	
PAT	3,182	3,045	4.5	3,572	-10.9



### Mahindra Holidays & Resorts India Ltd. Financial Highlights-Standalone- [INR-Crore]

DESCRIPTION	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
Inc / Exp Performance					
Gross Sales	951.78	794.85	777.52	701.55	573.83
Total Income	962.85	807.56	798.93	715.94	636.58
Total Expenditure	709.78	606.76	612.19	528.23	465.28
PBIDT	253.08	200.80	186.74	187.71	171.30
PBIT	181.75	113.51	148.71	166.52	150.95
PBT	172.09	104.97	141.42	158.85	145.52
PAT	117.35	79.02	94.53	106.98	104.64
Cash Flow	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
Cash Flow from Operations	118.60	269.09	31.77	212.88	189.89
Cash Flow from Investing activities	-12.93	-258.85	-88.86	-264.00	-192.66
Cash Flow from Finance activities	-47.63	-38.29	64.35	-39.39	-38.80
Free Cash flow	28.82	130.95	-47.84	119.90	160.79
Key Ratios	Mar-16	Mar-15	Mar-14	Mar-13	Mar-12
Debt to Equity(x)	2.44	2.07	1.77	1.98	1.88
Current Ratio(x)	2.64	2.65	3.19	2.88	2.61
ROCE(%)	7.86	5.12	7.30	9.44	9.66
RONW(%)	16.50	10.39	13.28	17.78	19.52
PBIDTM(%)	26.59	25.26	24.02	26.76	29.85
PATM(%)	12.33	9.94	12.16	15.25	18.24
CPM(%)	19.82	18.17	17.05	18.27	21.78
Market Capitalization	3406.54	2262.71	2045.24	2155.74	2528.78
Adjusted EPS	13.33	8.98	10.74	12.75	12.48
Price / Book Value(x)	4.93	3.10	2.59	3.40	4.45
CEPS	21.43	16.41	15.06	15.28	14.91
Enterprise Value	5068.07	3761.18	3402.55	3376.95	3589.10
Dividend Yield %	1.29	1.56	1.72	1.56	1.33
PE (x)	29.03	28.63	21.63	20.15	24.17

Source: Ace Equity, Arihant Research

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**Stock Rating Scale**

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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