

Mahindra Holidays & Resorts India Ltd

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CMP (Rs)	Target Price (Rs)	Potential Upside (%)	52 Week H/L (Rs)	Mkt Cap (Rs mn)
214	277	29.4%	256 / 185	28581

Key Highlights:

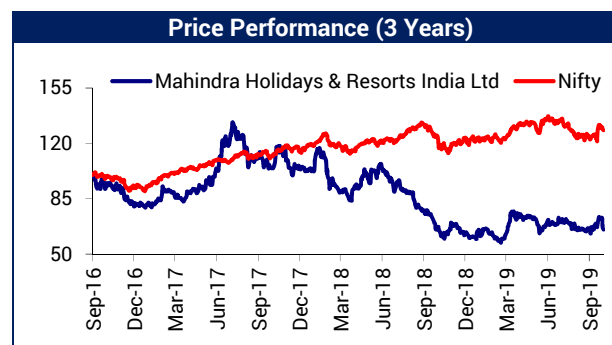
- Mahindra Holidays & Resorts India Ltd (MHRIL), part of Mahindra group, is the market leader in the vacation ownership (VO) business in India with over 20 years of track record. MHRIL has built a membership base of over 2 lakh members, offering them holidays across 50+ resorts across India.
- The company is focusing on growing its membership base by expanding to new geographies and adopting innovative approach in members' acquisition.
- MHRIL is utilizing various channels like digital, referrals, tie-ups with brands, etc which will reduce the cost of acquisition of the members.
- The company is focusing on increasing resort income through member engagement program, higher F&B income, etc. The company's focus on adding right kind of members would help in growing resort income.
- The company is positive on its subsidiary, Holiday Club Resorts in Europe in the longer run with synergy for domestic operations.
- We believe the VO industry in India has strong potential to grow keeping in mind under penetration, rising discretionary spending towards tour and leisure segment, etc.
- MHRIL with its robust business model, strong management and brand image will be able to tap opportunity and beat competition from other players in hospitality business.
- Recent slow down in consumption may not significantly impact its membership addition based on above measures adopted by the company and is estimated to be above ~16,000 per annum.
- We recommend Buy on the stock based on sum of the part based target price of Rs 277. This includes 1) Rs 243 per share DCF based value of Mahindra Holidays and 2) Rs 34 per share value of Holiday Club Resort based on 1x BV.

Financials (Rs mn)*	FY19	FY20E	FY21E
Sales	9,183	10,003	10,857
Growth (%)	(13.7)	8.9	8.5
EBITDA	1,065	1,159	1,245
EBITDA margin (%)	11.6	11.6	11.5
PBT	1,002	1,095	1,151
Net profit	639	814	856
Adjusted EPS (Rs)	4.8	6.1	6.5
Growth (%)	(52.5)	27.5	5.2
P/E (x)	44.5	34.9	33.2
BV (Rs/share)	22.4	22.5	22.3
Dividend / share (Rs)	4.0	5.0	5.5
ROE (%)	12.0	27.4	28.8
ROCE (%)	10.4	20.9	22.0
Net cash (debt)	(3,381)	(4,775)	(6,596)

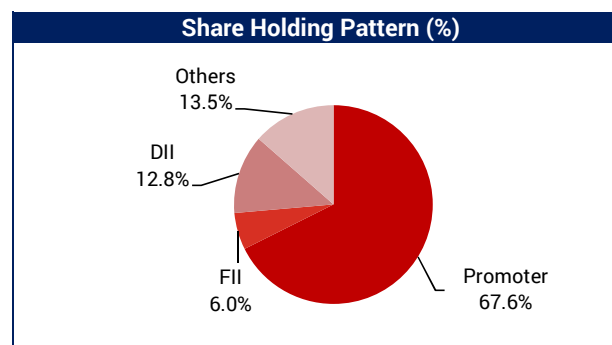
Source: Company; Kotak Securities - Private Client Research *Standalone

Financials (Rs mn)*	Q1-FY19	Q1-FY20	% Chg
Revenues	2,345	2,505	6.8
EBITDA	270	425	57.5
EBITDA Margin (%)	11.5%	17.0%	
PAT	270	267	(1.2)
PAT Margin (%)	11.5%	10.6%	
EPS (Rs)	2.0	2.0	(1.2)

Source: Kotak Securities - Private Client Research; *Standalone



Source: Bloomberg



Source: Bloomberg

This one pager on the company is extracted from last Kotak Securities – Private Client Research update dated 29 August 2019 & 24 September 2019 and it does not contain events beyond that date. Above company recommendation is of Kotak Securities – Private Client Research. Detailed rating scale and disclaimer is provided at the end of this report. It is advisable to read the last report of Kotak Securities – Private Client Research before taking any investment decision on the above company recommendation.

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Definitions of ratings

BUY	–	We expect the stock to deliver more than 15% returns over the next 12 months
ADD	–	We expect the stock to deliver 5% - 15% returns over the next 12 months
REDUCE	–	We expect the stock to deliver -5% - +5% returns over the next 12 months
SELL	–	We expect the stock to deliver < -5% returns over the next 12 months
NR	–	Not Rated. Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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