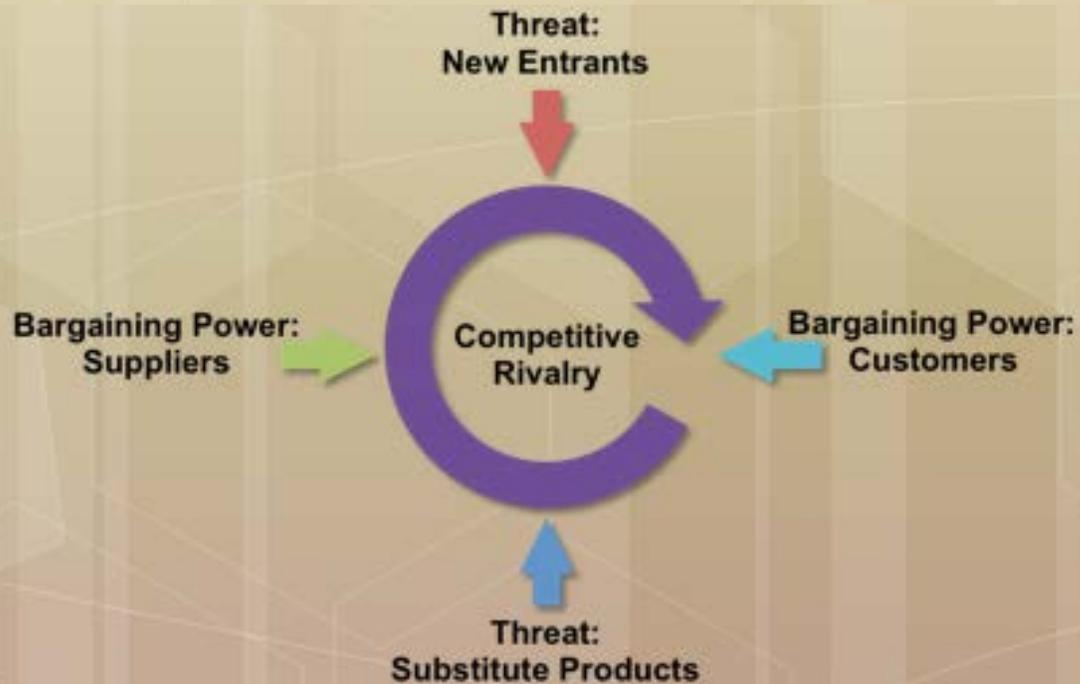




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# The Competitive Analysis Tool

Kumar Saurabh (Twitter: @suru27)

Bangalore Investor Group Presentation

7<sup>th</sup> Jan. 2018

# Agenda

- The competitive Analysis tool : Why, how it started, purpose?
- The Ingredients of Tool?
- Set the tool and how to use it?
- Demonstration and Deep Dive through Case Study

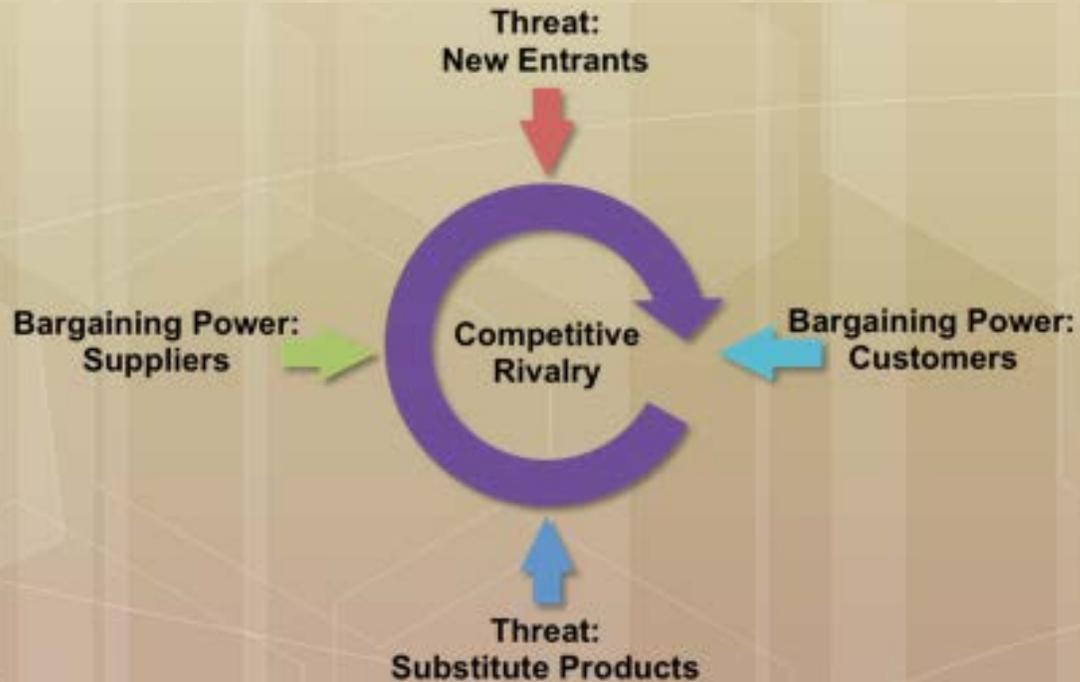
*Please note that there are multiple frameworks for investment analysis. I am comfortable to start with quantitative (numbers) analysis to get a basic business sense and then get into detailed qualitative analysis(The inherent assumption is 1. Quality reflects in quantity 2. Conviction in history is required for confidence in future 3. Time is limited and must be applied judiciously). However, this is not the only way but one of ways. The tool is an addition to toolkit used in this investment framework process mentioned.*

# Expectation

Users must have basic understanding of financial statements and ratios to make full utilization of tool else it could be more misleading than helping



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# The Competitive Analysis Tool

Purpose and How this Started

# The Tool: How it started?



Ambika looks a good option in textile



Why not Vardhman Textiles



Point hai...



hitesh2710 Hitesh Patel VP Moderator, Top Contributor

Sep '16

Good going kumar saurabh.

I personally dont take a 10 year view but am content to have a 2-3-5 year view on companies and take it from there. If I feel that the run way remains or becomes stronger as time goes my conviction keeps on increasing. One also has to be aware of the fact that some companies might be affected by some or other kind of disruption. e.g newspaper companies could be prone to disruption though I feel till the generation that begins the day with a newspaper in the morning is there, the impact will be minimal.

In the list of stocks u have put up u also can add another filter of peer comparison e.g iaqran vs db corp or ashiana vs shobha or some similar company, or avanti vs waterbase etc to get an idea where the co stands in peer comparison.

And about having a diversified portfolio I feel there's nothing wrong provided u have a thesis for holding/buying companies in place. And since I assume that u are having an SIP kind of strategy even buying at slightly higher valuations might not be a matter of concern.



samir\_brd SAMIR SHAH SAMIR SHAH

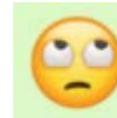


vivek\_mashrani

Aug 24

Pls help me understand. Why is Ambika special? If I compare it with other textile players, say Vardhman Textiles, it would seem to me that Vardhman has better ROE, a better track record, at least 10 times larger size, and has a PE ratio which is 30% smaller. It even has a better dividend yield.

What specifically makes Ambika a better business?



Point hai...

# So, what to do given limited time in hand?

- I realized that I had nothing handy for comparing various companies and manual process was way too complex and lengthy and non-intuitive
- Also, I cant keep analyzing so many companies one by one being in a full time job. Too much effort and limited time
- So, question was – the way company analysis tool was created (shared last year and will be shared as a part of current toolkit), can we create something similar for competitive analysis? An automated one with minimal human intervention?

# The Result was “Competitive Analysis Tool”

Receivables/Sales	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Cum	3 Year Cum	Industry Hypothesis
Sinclairs	4%	2%	3%	4%	4%	5%	3%	3%	3%	3%	▼ 3%	▼ 3%	▲ 3%	Industry works on low receivables
Mahindra Holiday	114%	123%	134%	88%	90%	85%	103%	107%	58%	45%	▼ 79%	▬ 69%	▲ 60%	
Byke	4%	18%	6%	5%	6%	12%	7%	8%	8%	8%	▬ 8%	▼ 8%	▲ 8%	
fomento	12%	11%	12%	14%	12%	9%	11%	8%	10%	10%	▼ 10%	▲ 9%	▲ 8%	
EIHAssociated	10%	5%	7%	8%	8%	8%	9%	11%	10%	10%	▲ 9%	▬ 9%	▼ 10%	
<b>INDUSTRY</b>	29%	32%	32%	24%	24%	24%	27%	27%	18%	14%	22%	20%	18%	
Inventory/Sales	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Cum	3 Year Cum	Industry Hypothesis
Sinclairs	4%	1%	1%	1%	2%	1%	1%	1%	1%	1%	▼ 1%	▲ 1%	▲ 1%	Industry works on low receivables
Mahindra Holiday	1%	1%	1%	1%	1%	1%	1%	1%	24%	17%	▲ 10%	▬ 13%	▼ 17%	
Byke	5%	6%	3%	11%	12%	6%	4%	3%	3%	4%	▼ 4%	▬ 4%	▲ 3%	
fomento	8%	9%	9%	8%	7%	7%	4%	3%	3%	3%	▼ 6%	▲ 4%	▲ 3%	
EIHAssociated	4%	5%	4%	4%	4%	4%	4%	4%	4%	4%	▼ 4%	▲ 4%	▲ 4%	
<b>INDUSTRY</b>	4%	4%	4%	5%	5%	4%	3%	3%	7%	6%	5%	5%	6%	
Depreciation/GFA	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Avg.	3 Year Avg.	Industry Hypothesis
Sinclairs	3%	4%	4%	4%	4%	6%	7%	7%	9%	11%	6%	8%	9%	Why Byke has higher depreciation than industry?
Mahindra Holiday	5%	4%	4%	4%	4%	3%	4%	6%	7%	8%	5%	6%	7%	
Byke	3%	6%	7%	6%	2%	5%	6%	11%	12%	12%	7%	10%	12%	
fomento	7%	8%	8%	8%	7%	8%	9%	8%	8%	7%	8%	8%	8%	
EIHAssociated	5%	4%	4%	5%	5%	5%	5%	7%	6%	5%	5%	5%	6%	
<b>INDUSTRY</b>	5%	5%	6%	5%	4%	5%	6%	8%	8%	9%	6%	7%	8%	
Tax Rate	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Cum	3 Year Cum	Industry Hypothesis
Sinclairs	34%	26%	31%	26%	33%	8%	25%	33%	37%	35%	27%	26%	35%	
Mahindra Holiday	35%	38%	34%	32%	29%	36%	35%	25%	38%	35%	34%	35%	34%	
Byke	34%	34%	33%	30%	32%	33%	25%	21%	35%	35%	31%	31%	32%	
fomento	35%	35%	33%	35%	32%	32%	38%	35%	39%	35%	35%	36%	36%	

**Are you expecting this to be answer of  
all the questions?**

# May be “No”, but it would help to

Ask more relevant **QUESTIONS?**

- The pointed questions
- The questions of outlier behavior
- The questions of differentiation
- The questions of uniqueness
- The questions of pattern
- And may be some of the answers...

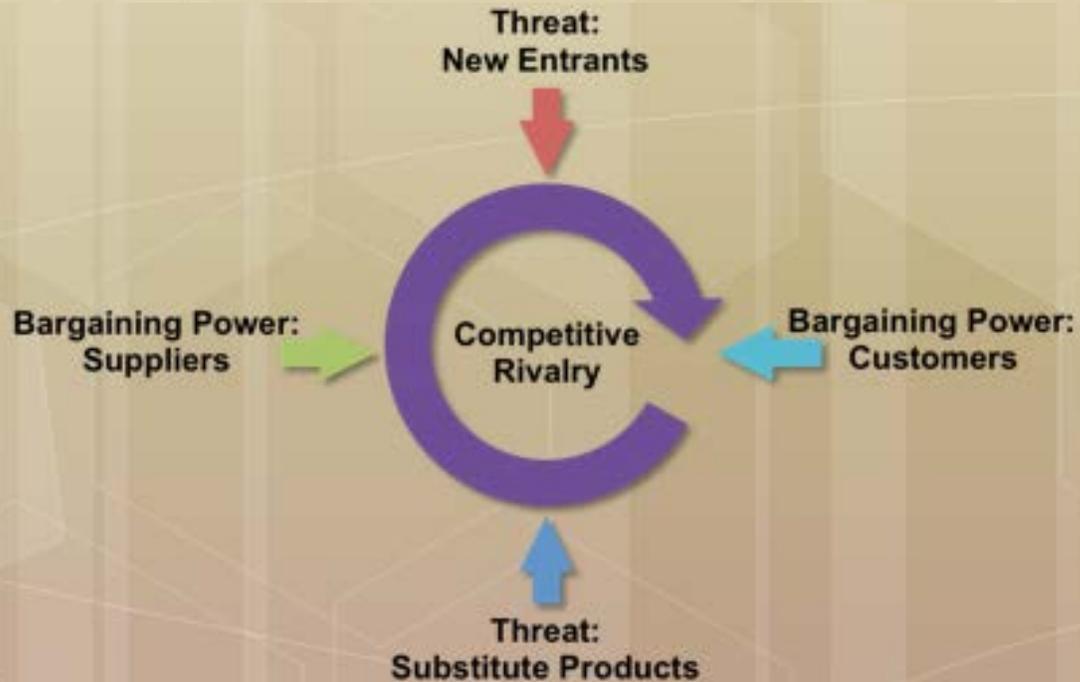
**Investment Decisions:** No Direction, Multiple Direction, Selectively Chosen Direction??

Well thought through **QUESTIONS** can lead to option 3 while deciphering **ANSWERS**

But the ultimate question is what are those **QUESTIONS?** The tool may be the **ANSWER**



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# The Competitive Analysis Tool

Tool Structure and Coverage

# Declarations/Assumptions

- This purpose of tool is to democratize purpose of stock analysis and not to do any stock recommendation
- If you uses this tool to highlight any analysis, Kindly give credit to the author and screener.in for their contribution
- This is tool for macroscopic relative/competitive analysis to find key/unique behavior/patterns/symptoms to ask/investigate deeper pointed questions while performing qualitative analysis
- The usage of various metric is subjective to respective domain and knowledge of user to apply these metrics in respective parlance. So, user must have understanding of various metrics used
- This is a generic tool for all industries excluding BFSI. However, more niche approach may be applied to specific industries like core cyclic, real estate etc.
- The source data is from screener.in till March'2017 (Financials) & Price (Sept'17) and author is not responsible for errors
- Author has tried to validate formula used but does not guarantee it to be error proof

**\*\*\*THE STOCKS USED IN ANALYSIS ARE PURELY FOR DEMONSTRATION AND NOT A RECOMMENDATION. AUTHOR HOLDS POSITION IN SOME OF COMPANIES FROM PAST FEW MONTHS BUT BY NO MEANS, HE IS RECOMMENDING ANY OF THESE STOCKS**

# Coverage : 70 KPIs across 11 Dimensions

Dimension	Key Performance Indicators	Count
Profitability	Gross, EBITDA, EBIT,PAT, CFO Margin Ratios	5
Expense	Revenue per Unit : Net Fixed Asset, Employee Cost, SGA, COGS Ratios	4
Cash flow	CFO/PAT, FCF/PAT, CFO/Sales, FCF/Sales Ratios	4
Leverage	Debt to Equity, Quick, Current, Interest Coverage, Interest as % of Debt Ratios	4
Growth	Revenue, PAT, EPS, CFO, CFO/Shares Growth Ratios	5
Operations	WC/Sales, Debtor Days, Inventory Days, WC Cycle	4
Expansion	WCIP/Net Fixed Asset, CAPEX/GFA, Capex/Revenue	3
Assets	Depreciation/GFA, ROTNA,ROTPNA,NFAT, Capex per Unit Revenue/PAT/CFO	9
Audit	Receivables/Sales, Inventory/Sales, Depreciation/GFA, Tax Rate, Other Income/PAT, Other Expense/Total Expense, Equity Dilution, NFA/Total Assets, PAT Growth/Revenue Growth, CFO per Share/Revenue	10
Return	Du pont Analysis, ROA, ROIC, ROIIC, ROCE, EPA/Sales, Dividend Yield, Capital Turn Reenue/PAT	13
Valuation	P/E,P/CFO, PEG,PCG,EV/EBITDA,EV/EBIT,EV/CFO,E/FCF	8

# Features for Analysis

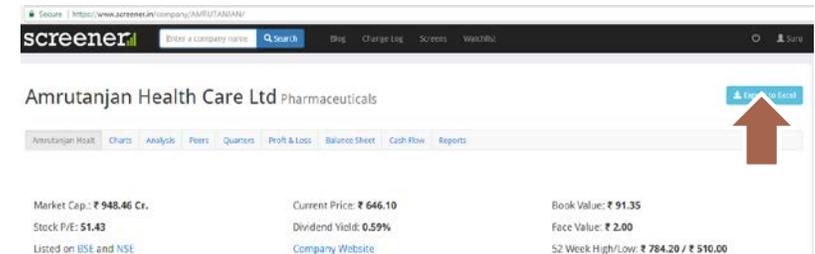
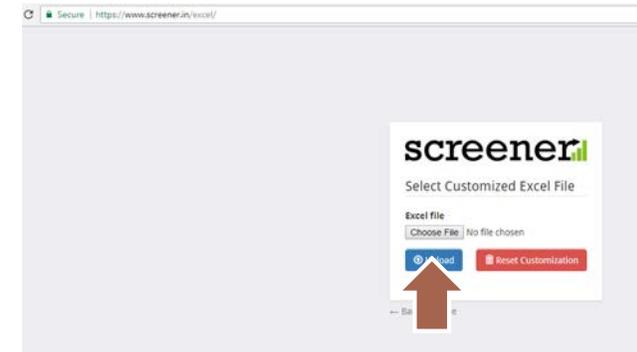
- Analyzed for 10 years of data
- Benchmarking against industry average (mean of 5 companies)
- 3 Year, 5 Year, Across the years Performance
- Conditional formatting for relative performance
- Variance Analysis of journey, current performance
- Charts for better visualization
- Relative Comparison : Self, Competitors, Industry in different time bands

# How to Use

- Download the 6 excels files (one.xlsx to five.xlsx and competitive\_analysis.xlsx) from this link:  
[https://drive.google.com/open?id=1JAih2MRK-T\\_c6sjvCGbHgY5uYAVQplzL](https://drive.google.com/open?id=1JAih2MRK-T_c6sjvCGbHgY5uYAVQplzL)
- Put all these 6 files in a common folder on your local hard drive
- Open 1<sup>st</sup> one.xlsx to five.xlsx and then open competitive\_analysis.xlsx and click on automatically update button if it asks for update. Once done, close all these 6 files. This will ensure that all links are updated as per local folder structure
- Create an account on screener.in and upload this company analysis tool excel template here :  
<https://www.screener.in/excel/>
- Identify your focus company and 4 other companies in similar business to analyze together
- Download excel of for all these 5 companies from screener by selecting the respective company and clicking “export to excel” and keep all these 5 excels in a common folder

# How to Use

- One done, create an account on screener.in and upload one.xlsx excel template here : <https://www.screener.in/excel/>
- Download excel of for all these 5 companies from screener by selecting the respective company and clicking “export to excel” and keep all these 5 excels in the same folder where you had downloaded those 6 files

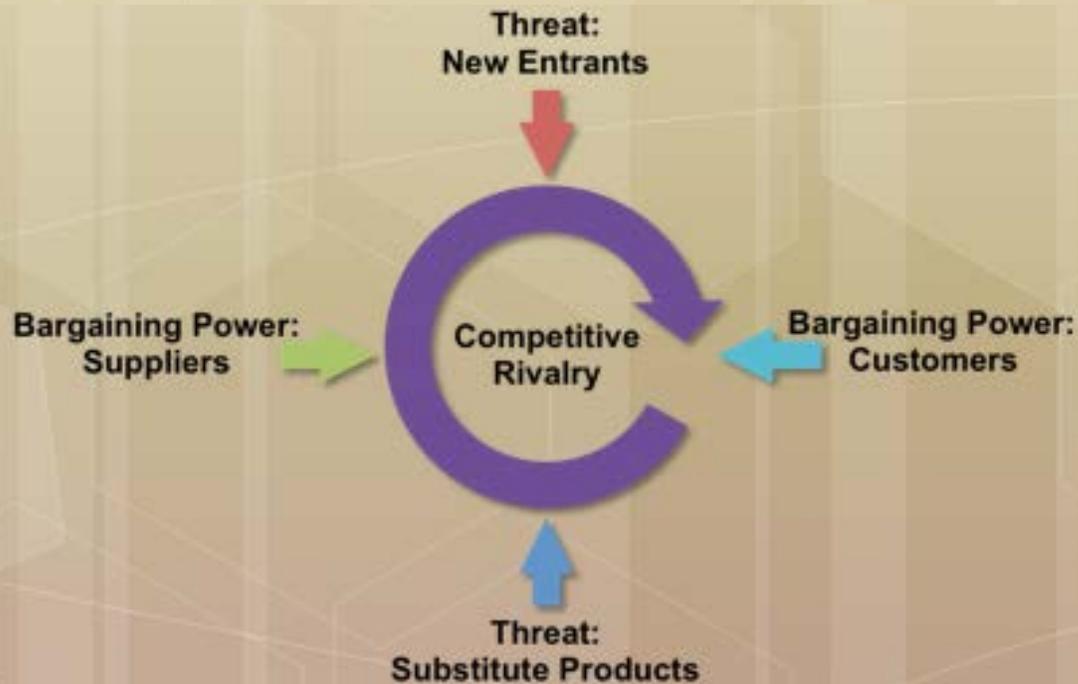


# How to Use

- One by one, delete previous files named one.xlsx to five.xlsx and rename the new excels as one, two, three, four and five
- Open "Competitive\_Analysis.xlsx" file and go to mapping sheet and type actual name of companies which have been replaced by one, two, three, four and five respectively
- First open one to five excel files
- Once above files are open, open competitive\_analysis.xlsx excel file



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## The Competitive Analysis Tool

Demonstration and Deep Dive through Case Study: Hotel Industry (Sinclairs Hotel)

Not a recommendation, but only for academic demonstration purposes. Presenter may hold stake in some of the companies discussed

5 stocks which either looked interesting from community feedback or have cleared presenter's 1<sup>st</sup> level checklist have been selected for deeper study

# Profitability: Key Hypothesis/Question/Insight

Gross Margin	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Gap	Mean	Current: Mean	Current:First
Sinclairs	87%	87%	87%	87%	86%	87%	88%	88%	88%	88%	2%	87%	1.0	1.0
Mahindra Holiday	99%	98%	98%	97%	97%	97%	96%	96%	98%	98%	2%	98%	1.0	1.0
Byke	91%	89%	98%	97%	93%	93%	94%	92%	90%	90%	9%	92%	1.0	1.0
fomento	91%	90%	89%	90%	85%	86%	86%	88%	88%	89%	6%	88%	1.0	1.0
EIHAssociated	93%	93%	92%	92%	92%	92%	93%	92%	92%	92%	1%	92%	1.0	1.0
<b>INDUSTRY</b>	92%	91%	93%	93%	91%	91%	91%	92%	91%	92%	2%	92%	1.0	1.0
EBITDA Margin	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Gap	Mean	Current: Mean	Current:First
Sinclairs	46%	44%	47%	57%	42%	91%	54%	40%	46%	47%	51%	37%	1.3	1.0
Mahindra Holiday	41%	39%	42%	34%	30%	23%	22%	23%	17%	16%	27%	18%	0.9	0.4
Byke	25%	16%	15%	12%	11%	18%	18%	21%	23%	23%	15%	16%	1.5	0.9
fomento	42%	32%	33%	30%	26%	35%	34%	46%	46%	48%	22%	32%	1.5	1.1
EIHAssociated	35%	33%	32%	33%	31%	30%	29%	30%	31%	31%	6%	25%	1.3	0.9
<b>INDUSTRY</b>	38%	33%	34%	33%	28%	39%	32%	32%	32%	33%	11%	33%	1.0	0.9
EBIT Margin	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Gap	Mean	Current: Mean	Current:First
Sinclairs	37%	34%	37%	48%	32%	79%	42%	24%	29%	30%	55%	37%	0.8	0.8
Mahindra Holiday	38%	34%	38%	30%	26%	20%	17%	15%	11%	11%	28%	18%	0.6	0.3
Byke	23%	10%	10%	10%	8%	14%	15%	15%	18%	18%	15%	16%	1.2	0.8
fomento	37%	26%	26%	23%	19%	27%	27%	39%	40%	43%	24%	32%	1.4	1.2
EIHAssociated	27%	26%	24%	25%	25%	24%	23%	21%	25%	25%	6%	25%	1.0	0.9
<b>INDUSTRY</b>	32%	26%	27%	27%	22%	33%	25%	23%	24%	26%	11%	27%	1.0	0.8
PAT Margin	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Gap	Mean	Current: Mean	Current:First
Sinclairs	24%	25%	25%	35%	21%	73%	31%	16%	18%	19%	57%	27%	0.7	0.8
Mahindra Holiday	24%	20%	25%	20%	18%	12%	11%	10%	5%	7%	19%	11%	0.6	0.3
Byke	15%	7%	6%	7%	5%	8%	10%	11%	11%	12%	10%	10%	1.1	0.8
fomento	24%	16%	17%	15%	12%	18%	16%	25%	24%	28%	16%	20%	1.4	1.2
EIHAssociated	8%	6%	4%	7%	7%	10%	11%	11%	16%	16%	13%	10%	1.6	2.0
<b>INDUSTRY</b>	19%	15%	15%	17%	13%	24%	16%	15%	15%	16%	12%	16%	1.0	0.9
CFO Margin	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Gap	Mean	Current: Mean	Current:First
Sinclairs	19%	16%	12%	20%	20%	18%	35%	35%	36%	40%	28%	29%	1.3	2.1
Mahindra Holiday	13%	40%	39%	18%	36%	30%	4%	25%	15%	12%	36%	19%	0.6	0.9
Byke	20%	-83%	28%	1%	6%	16%	13%	9%	12%	11%	11%	10%	1.1	0.5
fomento	22%	18%	29%	21%	22%	22%	28%	21%	25%	17%	11%	22%	0.8	0.8
EIHAssociated	20%	13%	12%	32%	29%	24%	24%	23%	27%	28%	11%	24%	1.2	1.4
<b>INDUSTRY</b>	19%	1%	24%	18%	22%	22%	21%	23%	23%	22%	23%	19%	1.1	1.1

# Profitability: Key Hypothesis/Question/Insight

## Industry Hypothesis/Questions?

- Industry works on very high and uniform Gross Margin. So, is it wise to assume that there is no commodity COGS type risk?
- Though similar on GM, on EBITDA margins, variations emerge. So, how these companies are different on expense basis?
- The industry seemed to create a low point in 2012 and then seems to be improving since then (excluding Mahindra Holidays). What is happening?

## Company Hypothesis/Questions?

- Why Mahindra Holidays has uniquely super high gross margin?
- Why in 2013 Sinclair had abnormally high EBITDA margins?
- Why Mahindra holiday margins are continuously falling till 2016?
- Why EIH margins are continuously increasing?

## Summary:

- **High gross margin industry with double digit healthy PAT margins and healthy CFO undergoing structural margin improvement with some unique company specific behavior**
- **On most of the metric, Sinclair seems to be doing well with higher degree of consistency and leads in terms of cash flow generation ability**

# Expense: Key Hypothesis/Question/Insight

Revenue per unit NFA	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall Avg.	5 Year Avg.	3 Year Avg.
Sinclairs	0.4	0.5	0.5	0.4	0.4	0.5	0.6	0.5	0.6	0.8	0.5	0.6	0.6
Mahindra Holiday	1.6	1.1	1.1	1.0	1.0	1.0	0.8	0.8	1.2	1.8	1.1	1.1	1.3
Byke	1.4	1.1	1.2	2.5	1.1	1.4	2.0	2.3	2.7	2.9	1.9	2.3	2.7
fomento	1.5	1.3	1.3	1.2	1.1	1.1	1.3	1.3	1.5	1.6	1.3	1.4	1.5
EIHAssociated	0.7	0.6	0.6	0.7	0.7	0.8	0.8	0.9	1.0	1.1	0.8	0.9	1.0
<b>INDUSTRY</b>	<b>1.1</b>	<b>0.9</b>	<b>0.9</b>	<b>1.2</b>	<b>0.8</b>	<b>1.0</b>	<b>1.1</b>	<b>1.2</b>	<b>1.4</b>	<b>1.6</b>	<b>1.1</b>	<b>1.3</b>	<b>1.4</b>
Revenue per Unit Emp. Cos	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall Avg.	5 Year Avg.	3 Year Avg.
Sinclairs	8.1	7.1	7.5	5.7	4.9	4.9	5.4	5.4	5.8	5.7	5.7	5.5	5.7
Mahindra Holiday	7.4	6.5	6.3	5.6	4.4	4.6	4.7	4.8	4.4	4.5	4.8	4.5	4.5
Byke	12.4	9.8	11.1	18.1	24.3	36.6	48.7	47.4	36.8	29.5	32.1	37.3	35.5
fomento	7.5	6.0	5.6	5.1	4.4	4.8	5.0	4.7	4.8	4.7	5.1	4.8	4.7
EIHAssociated	6.8	5.6	5.5	5.9	6.2	5.8	5.5	5.4	5.3	5.0	5.6	5.4	5.2
<b>INDUSTRY</b>	<b>8.4</b>	<b>7.0</b>	<b>7.2</b>	<b>8.1</b>	<b>8.8</b>	<b>11.3</b>	<b>13.8</b>	<b>13.5</b>	<b>11.4</b>	<b>9.9</b>	<b>10.7</b>	<b>11.5</b>	<b>11.1</b>
Revenue per Unit SGA	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall Avg.	5 Year Avg.	3 Year Avg.
Sinclairs	6.8	5.3	6.1	6.7	5.7	5.8	5.4	6.9	8.1	8.3	6.7	7.0	7.8
Mahindra Holiday	2.3	2.1	2.5	2.3	2.2	2.2	2.5	2.7	3.2	3.1	2.7	2.8	3.0
Byke	14.0	10.9	16.2	1.3	26.4	4.9	5.2	5.1	5.7	6.0	5.2	5.5	5.6
fomento	4.9	4.2	4.7	4.3	6.2	5.8	5.4	5.8	5.3	7.3	5.3	5.9	6.1
EIHAssociated	4.8	4.8	4.9	5.6	4.5	4.7	4.9	4.8	4.8	4.7	4.8	4.8	4.8
<b>INDUSTRY</b>	<b>6.6</b>	<b>5.5</b>	<b>6.9</b>	<b>4.0</b>	<b>9.0</b>	<b>4.7</b>	<b>4.7</b>	<b>5.0</b>	<b>5.4</b>	<b>5.9</b>	<b>5.0</b>	<b>5.2</b>	<b>5.5</b>
Revenue per Unit COGS	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall Avg.	5 Year Avg.	3 Year Avg.
Sinclairs	7.5	7.8	7.7	7.5	7.3	7.7	8.1	8.6	8.1	8.0	7.9	8.1	8.2
Mahindra Holiday	67.2	53.6	44.5	34.3	39.4	31.7	27.7	28.5	48.0	65.6	42.3	41.8	48.6
Byke	11.1	9.2	45.5	39.6	14.1	13.6	16.6	12.7	10.1	10.3	12.2	11.8	10.8
fomento	10.8	10.1	9.3	10.4	6.6	7.1	6.9	8.5	8.3	9.5	8.5	8.0	8.7
EIHAssociated	13.6	13.8	13.1	13.2	12.3	11.8	13.4	13.1	13.1	12.5	12.9	12.8	12.9
<b>INDUSTRY</b>	<b>22.0</b>	<b>18.9</b>	<b>24.0</b>	<b>21.0</b>	<b>16.0</b>	<b>14.4</b>	<b>14.5</b>	<b>14.3</b>	<b>17.5</b>	<b>21.2</b>	<b>16.8</b>	<b>16.5</b>	<b>17.8</b>

# Expense: Key Hypothesis/Question/Insight

## Industry Hypothesis/Questions?

- There seems to be 3 different business models 1. Mahindra 2. Byke 3. Rest
- There is an improvement in most of metrics at industry level during last few years. Is this due to operating leverage fueled by demand revival?

## Company Hypothesis/Questions?

- Byke has a distinctly high return metric. Do they have a differentiated business model?
  - Revenue per unit Net fixed asset
  - Revenue per unit employee cost
- Why Sinclair has lowest "Revenue per unit Net fixed asset". Lower utilization with scope for operating leverage or they are not able to churn their assets well? Location disadvantage?
- Sinclair has above industry "Revenue per unit SGA" and improving continuously. Do they have some marketing strength? Why Mahindra holiday is poorest among all - scope for operating leverage or weakness?

## Summary:

- **Some of companies seem to have differentiated business model. Identify various models**
- **Sinclair seems to be doing well on marketing front but has been poor in churning assets**
- **There is sort of stability in overall industry behavior**

# Cash Flow: Key Hypothesis/Question/Insight

CFO/PAT	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Total Cuml.	5 Year Cuml.	3 Year Cuml.
Sinclairs	0.8	0.6	0.5	0.6	0.9	0.2	1.1	2.2	2.0	2.1	○ 1.1	○ 1.3	● 2.1
Mahindra Holiday	0.6	2.0	1.6	0.9	2.0	2.4	0.4	2.5	2.8	1.9	○ 1.7	● 2.0	● 2.3
Byke	1.4	-12.4	4.5	0.2	1.2	2.0	1.3	0.8	1.0	0.9	● 1.0	● 1.1	○ 0.9
fomento	0.9	1.1	1.7	1.4	1.8	1.2	1.7	0.8	1.0	0.6	● 1.1	● 1.0	○ 0.8
EIHAssociated	2.4	2.0	3.3	4.7	4.1	2.5	2.2	2.2	1.7	1.7	● 2.3	○ 2.0	○ 1.8
<b>INDUSTRY</b>	1.2	-1.3	2.3	1.5	2.0	1.7	1.3	1.7	1.7	1.4	1.4	1.5	1.6

FCF/PAT	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Total Cuml.	5 Year Cuml.	3 Year Cuml.
Sinclairs	0.0	-0.1	0.0	-2.5	-2.4	-0.4	-0.3	-0.2	1.2	2.4	○ 0.0	○ 0.5	● 1.4
Mahindra Holiday	0.0	-0.1	0.3	0.0	0.0	-0.4	-0.6	1.0	-1.7	0.9	○ 0.0	○ 0.0	● 0.2
Byke	0.0	-12.7	-7.1	-11.8	-5.7	0.3	0.5	0.4	0.3	0.3	○ -0.2	● 0.4	● 0.3
fomento	0.0	0.2	1.3	1.0	0.8	0.5	-0.9	-1.7	-2.5	-3.2	● -1.1	● -1.9	○ -2.5
EIHAssociated	0.0	1.2	2.5	3.9	3.5	0.7	1.9	1.7	1.5	1.5	● 1.8	○ 1.5	○ 1.6
<b>INDUSTRY</b>	0.0	-2.3	-0.6	-1.9	-0.8	0.1	0.1	0.2	-0.2	0.4	0.1	0.1	0.2

CFO/Sales	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Total Cuml.	5 Year Cuml.	3 Year Cuml.
Sinclairs	19%	16%	12%	20%	20%	18%	35%	35%	36%	40%	○ 29%	● 35%	● 37%
Mahindra Holiday	13%	40%	39%	18%	36%	30%	4%	25%	15%	12%	● 19%	○ 16%	○ 15%
Byke	20%	-83%	28%	1%	6%	16%	13%	9%	12%	11%	○ 10%	● 11%	○ 11%
fomento	22%	18%	29%	21%	22%	22%	28%	21%	25%	17%	● 22%	● 22%	○ 21%
EIHAssociated	20%	13%	12%	32%	29%	24%	24%	23%	27%	28%	○ 24%	● 25%	● 26%
<b>INDUSTRY</b>	19%	1%	24%	18%	22%	22%	21%	23%	23%	22%	21%	22%	22%

FCF/Sales	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Total Cuml.	5 Year Cuml.	3 Year Cuml.
Sinclairs	0%	-2%	-1%	-88%	-52%	-27%	-9%	-3%	21%	47%	○ 0%	○ 14%	● 25%
Mahindra Holiday	0%	-1%	8%	1%	0%	-5%	-7%	10%	-9%	6%	○ 0%	○ 0%	● 2%
Byke	0%	-84%	-45%	-81%	-28%	2%	5%	4%	4%	3%	○ -2%	● 4%	● 4%
fomento	0%	3%	22%	15%	10%	9%	-15%	-43%	-61%	-88%	● -21%	● -43%	○ -65%
EIHAssociated	0%	8%	9%	27%	25%	7%	21%	18%	24%	25%	○ 19%	○ 19%	● 22%
<b>INDUSTRY</b>	0%	-15%	-1%	-25%	-9%	-3%	-1%	-3%	-4%	-2%	-1%	-1%	-2%

# Cash Flow: Key Hypothesis/Question/Insight

## Industry Hypothesis/Questions?

- Industry generates higher cash flows from operations than PAT which is good
- However, FCF is pretty low which means most of cash flows are exhausted in some form
- CFO/Sales ratio of industry looks very healthy

## Company Hypothesis/Questions?

- EIH is only company to generate significant free cash flow
- CFO/PAT has improved a lot for Sinclairs and also for Mahindra. Off late, Sinclairs has started generating FCF
- Why Byke's CFO/Sales ratio is so low compared to overall industry?

## Summary:

- **High cash flow generating industry but very low free cash flow**
- **Some of companies generate or have started generating good free cash flow**

# Leverage: Key Hypothesis/Question/Insight

Debt Equity Ratio	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mean	Current: Mean	Current:First
Sinclairs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	#DIV/0!	#DIV/0!
Mahindra Holiday	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.2	1.4	1.3	0.3	-303%	-839%
Byke	0.0	0.0	0.0	0.0	0.3	0.3	0.2	0.1	0.1	0.1	0.1	42%	#DIV/0!
fomento	0.3	0.3	0.3	0.3	0.2	0.3	0.4	0.2	0.4	1.0	0.4	-156%	-193%
ElHAssociated	2.6	2.4	2.3	2.1	1.9	0.5	0.4	0.3	0.1	0.0	1.3	100%	100%
<b>INDUSTRY</b>	0.6	0.6	0.5	0.5	0.5	0.2	0.2	0.2	0.4	0.5	0.4		

Quick Ratio	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mean	Current: Mean	Current:First
Sinclairs	0.1	0.2	3.7	3.5	0.5	1.0	0.4	0.5	0.6	0.6	1.1	-49%	394%
Mahindra Holiday	0.8	0.7	0.7	0.8	0.8	0.7	0.8	0.8	0.7	0.8	0.8	1%	-4%
Byke	0.6	5.8	3.3	2.0	2.3	1.5	1.4	2.1	2.3	2.6	2.4	8%	328%
fomento	1.1	1.2	1.5	2.2	1.9	2.4	2.2	0.9	0.7	0.8	1.5	-44%	-27%
ElHAssociated	1.1	1.0	1.0	1.0	1.0	1.1	1.0	1.0	1.1	1.0	1.0	-2%	-3%
<b>INDUSTRY</b>	0.7	1.8	2.0	1.9	1.3	1.4	1.2	1.1	1.1	1.2	1.4		

Current Ratio	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mean	Current: Mean	Current:First
Sinclairs	0.1	0.2	3.7	3.5	0.5	1.0	0.4	0.5	0.6	0.6	1.1	-48%	312%
Mahindra Holiday	0.8	0.8	0.7	0.8	0.8	0.7	0.8	0.8	0.9	0.9	0.8	16%	14%
Byke	0.9	6.0	3.4	2.5	2.9	1.8	1.7	2.3	2.5	2.9	2.7	9%	239%
fomento	1.3	1.4	1.7	2.4	2.1	2.5	2.3	1.0	0.7	0.9	1.6	-47%	-33%
ElHAssociated	1.1	1.1	1.1	1.1	1.0	1.2	1.1	1.1	1.2	1.1	1.1	0%	-1%
<b>INDUSTRY</b>	0.8	1.9	2.1	2.1	1.5	1.5	1.3	1.1	1.2	1.3	1.5		

Interest Coverage Ratio	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mean	Current: Mean	Current:First
Sinclairs	#DIV/0!	#DIV/0!	#DIV/0!	89.9	93.2	194.6	94.2	55.1	62.8	67.4	#DIV/0!	#DIV/0!	#DIV/0!
Mahindra Holiday	40.2	19.2	39.6	55.0	26.0	61.2	18.6	10.7	6.9	7.9	28.5	-72%	-80%
Byke	420.0	28.6	143.0	108.7	7.5	5.9	11.1	14.8	26.4	43.5	80.9	-46%	-90%
fomento	58.3	38.2	56.1	44.5	13.4	56.9	60.6	35.4	67.2	75.1	50.6	48%	29%
ElHAssociated	2.1	1.5	1.3	1.7	1.7	2.4	4.4	5.5	11.1	34.6	6.6	422%	1588%
<b>INDUSTRY</b>	#DIV/0!	#DIV/0!	#DIV/0!	59.9	28.3	64.2	37.8	24.3	34.9	45.7	#DIV/0!		

# Leverage: Key Hypothesis/Question/Insight

## Industry Hypothesis/Questions?

- Most of the players in industry have been asset light and despite of headwinds in industry, some of the platers have been able to pare up debt

## Company Hypothesis/Questions?

- Can we learn something from EIH debt reduction story?
- Why Mahindra Holidays have got a shoot up in debt equity ratio? Any big expansion done in last 2 years?
- Why interest rates differ so much across companies? What are sources of loan?

## Summary:

- Sinclair look again a clear winner in terms of being asset light
- To my contrary belief of this industry being an asset heavy industry, there is companies with asset light balance sheet and even some with high leverage have been able to reduce it even in tough circumstances. Was I biased in my thoughts?

# Growth: Key Hypothesis/Question/Insight

Revenue Growth	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Total Cum	5 Year Cum	3 Year Cum
Sinclairs		19%	2%	11%	-3%	35%	15%	30%	33%	21%	▼ 17%	▲ 27%	▲ 28%
Mahindra Holiday		11%	20%	6%	16%	28%	11%	-1%	97%	42%	▼ 23%	▬ 32%	▲ 41%
Byke		-26%	10%	121%	48%	106%	54%	17%	28%	17%	▲ 35%	▲ 41%	▼ 20%
fomento		-7%	-5%	5%	8%	0%	9%	10%	7%	3%	▼ 3%	▲ 6%	▲ 7%
EIHAssociated		-11%	-7%	17%	10%	12%	2%	6%	7%	7%	▼ 4%	▲ 7%	▲ 7%
<b>INDUSTRY</b>		-3%	4%	32%	15%	36%	18%	12%	35%	18%			
PAT Growth (Core)	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Total Cum	5 Year Cum	3 Year Cum
Sinclairs		-69%	44%	26%	-73%	-980%	-140%	267%	57%	18%	15%	89%	89%
Mahindra Holiday		-48%	125%	-22%	-43%	178%	-14%	-13%	43%	33%	8%	31%	18%
Byke		-67%	6%	119%	14%	209%	117%	27%	30%	22%	31%	68%	26%
fomento		-46%	0%	-31%	-37%	111%	-20%	-14%	60%	114%	2%	38%	43%
EIHAssociated		-36%	-50%	116%	-6%	120%	22%	-4%	63%	-4%	11%	32%	15%
<b>INDUSTRY</b>		-53%	25%	42%	-29%	-72%	-7%	52%	51%	37%			
EPS Growth	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Total Cum	5 Year Cum	3 Year Cum
Sinclairs		-6%	-22%	52%	-41%	363%	-47%	-32%	49%	28%	▼ 9%	▲ 26%	▼ 9%
Mahindra Holiday		-5%	37%	-14%	1%	-10%	-9%	-7%	8%	71%	▼ 5%	▼ 7%	▲ 19%
Byke		-82%	-6%	57%	0%	223%	105%	-37%	30%	22%	▼ 6%	▲ 46%	▼ 0%
fomento		-36%	0%	-11%	-10%	50%	-3%	64%	5%	20%	▼ 5%	▲ 25%	▲ 27%
EIHAssociated		-32%	-47%	127%	11%	-1%	15%	5%	57%	10%	▼ 7%	▬ 16%	▲ 22%
<b>INDUSTRY</b>		-32%	-8%	42%	-7%	125%	12%	-1%	30%	30%			
CFO Growth	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Total Cum	5 Year Cum	3 Year Cum
Sinclairs		-3%	-22%	88%	-6%	25%	123%	29%	37%	33%	▼ 27%	▲ 46%	▼ 33%
Mahindra Holiday		240%	18%	-52%	130%	7%	-85%	506%	20%	14%	▼ 22%	▼ 6%	▲ 103%
Byke		-400%	-138%	-91%	629%	466%	27%	-18%	63%	7%	▼ 25%	▲ 60%	▼ 13%
fomento		-25%	55%	-25%	18%	-4%	44%	-20%	29%	-27%	▲ 1%	▲ 1%	▼ -9%
EIHAssociated		-42%	-13%	219%	-3%	-5%	-1%	4%	25%	10%	▬ 9%	▼ 6%	▲ 13%
<b>INDUSTRY</b>		-46%	-20%	28%	153%	98%	22%	100%	35%	7%			

# Growth: Key Hypothesis/Question/Insight

## Industry Hypothesis/Questions?

- Why some of the companies are having very low revenue growth and some very high?
- Most of the companies have been able to deliver way higher PAT growth than revenue growth? What is happening? Is it operating leverage playing across industry? Demand revival with supply constraint?
- Looks like whole industry gets into equity dilution? The good PAT growth does not convert into equally good EPS growth?
- The industry seemed to create a low point in 2012 and then seems to be improving since then (excluding Mahindra Holidays). What is happening?
- There is high level of non-uniformity across industry in YoY growth numbers. Why so?

## Company Hypothesis/Questions?

- Though both Mahindra and Byke have shown tremendous revenue growth, the former has been not able to convert all that into PAT

## Summary:

- **High gross margin industry with double digit healthy PAT margins and healthy CFO undergoing structural margin improvement with some unique company specific behavior**
- **On most of the metric, Sinclair seems to be doing well with higher degree of consistency and leads in terms of cash flow generation ability**

# Operation: Key Hypothesis/Question/Insight

Working Capital/Sales	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mean	Current: Mean	Current: First
Sinclairs	-126%	-104%	211%	212%	-53%	3%	-36%	-35%	-19%	-14%	4%	-0.3	3.1
Mahindra Holiday	-30%	-49%	-61%	-42%	-60%	-56%	-39%	-52%	-17%	-8%	-41%	5.3	3.9
Byke	-3%	112%	59%	35%	37%	16%	11%	18%	19%	23%	33%	1.4	-0.1
fomento	15%	18%	29%	45%	39%	63%	58%	-6%	-49%	-22%	19%	-0.8	-0.7
EIHAssociated	6%	6%	6%	2%	2%	9%	5%	6%	8%	5%	6%	1.2	1.3
<b>INDUSTRY</b>	<b>-27%</b>	<b>-3%</b>	<b>49%</b>	<b>50%</b>	<b>-7%</b>	<b>7%</b>	<b>0%</b>	<b>-14%</b>	<b>-12%</b>	<b>-3%</b>	<b>4%</b>		

Debtor Days	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mean	Current: Mean	Current: First
Sinclairs	13	8	13	14	15	19	10	10	13	11	13	1.1	1.2
Mahindra Holiday	417	448	489	319	327	310	378	392	213	163	346	2.1	2.6
Byke	15	67	23	19	22	43	25	28	28	30	30	1.0	0.5
fomento	43	41	43	50	42	33	41	29	36	25	38	1.6	1.8
EIHAssociated	35	18	26	29	28	31	31	41	37	32	31	1.0	1.1
<b>INDUSTRY</b>	<b>105</b>	<b>116</b>	<b>119</b>	<b>86</b>	<b>87</b>	<b>87</b>	<b>97</b>	<b>100</b>	<b>65</b>	<b>52</b>	<b>91</b>		

Inventory Days	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mean	Current: Mean	Current: First
Sinclairs	14	5	5	7	5	5	4	4	4	2	6	2.9	7.4
Mahindra Holiday	4	5	3	3	3	4	5	3	86	63	18	0.3	0.1
Byke	18	22	10	39	45	22	14	12	10	15	21	1.4	1.3
fomento	28	32	32	29	25	25	15	12	11	11	22	1.9	2.4
EIHAssociated	15	17	16	14	13	14	15	15	16	15	15	1.0	1.0
<b>INDUSTRY</b>	<b>16</b>	<b>16</b>	<b>13</b>	<b>18</b>	<b>18</b>	<b>14</b>	<b>11</b>	<b>9</b>	<b>25</b>	<b>21</b>	<b>16</b>		

Working Capital Days	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mean	Current: Mean	Current: First
Sinclairs	27	13	18	19	22	24	15	14	16	13	18	1.4	2.1
Mahindra Holiday	421	453	491	322	330	314	382	394	299	226	363	1.6	1.9
Byke	33	89	33	58	67	65	39	40	38	45	51	1.1	0.7
fomento	71	73	75	79	67	58	55	42	47	36	60	1.7	2.0
EIHAssociated	50	35	42	44	41	45	46	57	53	47	46	1.0	1.1
<b>INDUSTRY</b>	<b>120</b>	<b>132</b>	<b>132</b>	<b>104</b>	<b>105</b>	<b>101</b>	<b>108</b>	<b>110</b>	<b>91</b>	<b>73</b>	<b>108</b>		

Receivables Turnover	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mean	Current: Mean	Current: First
Sinclairs	28	46	29	25	25	19	35	35	29	33	30	0.9	0.9
Mahindra Holiday	1	1	1	1	1	1	1	1	2	2	1	0.5	0.4
Byke	25	5	16	19	17	8	15	13	13	12	14	1.2	2.1
fomento	8	9	9	7	9	11	9	12	10	15	10	0.7	0.6
EIHAssociated	10	20	14	12	13	12	12	9	10	11	12	1.1	0.9
<b>INDUSTRY</b>	<b>15</b>	<b>16</b>	<b>14</b>	<b>13</b>	<b>13</b>	<b>10</b>	<b>14</b>	<b>14</b>	<b>13</b>	<b>15</b>	<b>14</b>		

Inventory Turnover	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mean	Current: Mean	Current: First
Sinclairs	25	78	68	79	50	75	78	91	98	188	83	0.4	0.1
Mahindra Holiday	102	75	145	143	138	102	79	136	4	6	93	16.1	17.7
Byke	20	17	38	9	8	17	26	30	37	25	23	0.9	0.8
fomento	13	11	11	13	15	15	25	29	32	32	20	0.6	0.4
EIHAssociated	25	21	23	26	29	26	24	24	23	24	25	1.0	1.0
<b>INDUSTRY</b>	<b>37</b>	<b>40</b>	<b>57</b>	<b>54</b>	<b>48</b>	<b>47</b>	<b>46</b>	<b>62</b>	<b>39</b>	<b>55</b>	<b>49</b>		

# Operation: Key Hypothesis/Question/Insight

## Industry Hypothesis/Questions?

- Overall industry seems to work on reasonable working capital requirement with exceptions on either side.
- Though similar on GM, on EBITDA margins, variations emerge. So, how these companies are different on expense basis?
- The industry seemed to create a low point in 2012 and then seems to be improving since then (excluding Mahindra Holidays). What is happening?

## Company Hypothesis/Questions?

- What is reason behind Sinclair well managed working capital, inventory and receivable management?
- Why Mahindra has such high receivable days and why inventory days has deteriorated significantly in last 2 years?
- Why Byke How Mahindra works with -ve working capital and why it is higher for Byke. So, there seems to be 3 different business model – 1. Mahindra's 2.Byke 3. Rest

## Summary:

- **Though, industry looks pretty good on operational parameters with few exceptions like Mahindra, Sinclair steals the show with relatively better working capital management, inventory and receivable days**
- **There are multiple business models in this industry**

# Expansion: Key Hypothesis/Question/Insight

WCIP/NFA	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Industry Hypothesis	Company Absolute Hypothesis	Company Relative Hypothesis
Sinclairs	2%	5%	6%	35%	34%	70%	88%	30%	7%	0%	Except fomento, none of the companies have done any major capex in last 2 years. Based on current capex work in progress, fomento could be interesting if there are no execution challenges and legal issues	Sinclair's has done major CAPEX between 2011-15 when it added 2 hotels to existing list of 5 hotels taking it to 7	
Mahindra Holiday	20%	14%	22%	26%	33%	34%	8%	22%	6%	13%			
Byke	18%	21%	104%	288%	42%	4%	5%	2%	4%	3%			
fomento	30%	35%	38%	23%	8%	18%	68%	131%	265%	452%			
EIHAssociated	1%	1%	1%	0%	1%	1%	0%	0%	0%	1%			
<b>INDUSTRY</b>	14%	15%	34%	74%	23%	25%	34%	35%	56%	94%			

CAPEX/GFA	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Avg. Capex/GFA	Last 5 Yr Capex/GFA	Last 3 Yr Capex/GFA
Sinclairs		8%	6%	46%	25%	23%	26%	19%	8%	-5%	● 15%	● 11%	○ 7%
Mahindra Holiday		42%	32%	17%	33%	32%	9%	12%	28%	10%	● 21%	○ 17%	○ 16%
Byke		2%	76%	174%	32%	18%	14%	11%	21%	21%	● 24%	○ 16%	○ 16%
fomento		18%	8%	7%	14%	14%	55%	82%	126%	170%	○ 53%	● 83%	● 117%
EIHAssociated		3%	2%	3%	3%	13%	2%	4%	3%	3%	● 4%	● 5%	○ 3%
<b>INDUSTRY</b>		14%	25%	50%	21%	20%	21%	26%	37%	40%			

CAPEX/Revenue	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Avg. Capex/Revenue	Last 5 Yr Capex/Revenue	Last 3 Yr Capex/Revenue
Sinclairs		18%	13%	109%	72%	45%	44%	38%	15%	-7%	● 30%	● 21%	○ 12%
Mahindra Holiday		41%	32%	17%	36%	35%	11%	15%	24%	6%	● 19%	● 16%	○ 14%
Byke		2%	73%	82%	33%	13%	7%	5%	8%	7%	● 12%	○ 8%	○ 7%
fomento		14%	7%	6%	13%	12%	43%	64%	85%	106%	○ 44%	● 65%	● 86%
EIHAssociated		5%	3%	5%	4%	17%	3%	5%	3%	3%	● 5%	● 6%	○ 4%
<b>INDUSTRY</b>		16%	25%	44%	32%	24%	22%	25%	27%	23%			

# Expansion: Key Hypothesis/Question/Insight

## Industry Hypothesis/Questions?

- Except foment, the capex plan has been idle during last 3 years where most of companies underwent some capex during 2010-15
- The maintenance capex range lies somewhere between 4-12% of revenues for various companies

## Company Hypothesis/Questions?

- Sinclair and Byke underwent major capex during 2010-15. Can we analyze pre-capex and post capex revenue per unit asset to get a sense of possibility of operating leverage? Because bulk of asset has been added recently, is this the reason, "revenue per unit NFA" for Sinclair is lowest?
- Fomento is undergoing a major capex. Does valuations factor this opportunity?
- Why EIH has not undergone any capex in last 10 years? Has done major capex between 2011-15. So, if demand improves and supply is constrained, could it lead to operating leverage play?

## Summary:

- **The pace of capex has slowed down recently in last 3 years**
- **Companies without any capex program has been able to pare up debt and generate lot of cash flows. Can this be an indicator for companies who have done or are doing lot of capex and are still in comfortable debt?**
- **Has Sinclair and Fomento valuation covered capex impact?**

# Asset: Key Hypothesis/Question/Insight

Depreciation/GFA	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Cum	5 Year Cum	Total Cum
Sinclairs	3%	4%	4%	4%	4%	6%	7%	7%	9%	11%	2.1	1.3	1.1
Mahindra Holiday	5%	4%	4%	4%	4%	3%	4%	6%	7%	8%	2.3	2.0	1.7
Byke	3%	6%	7%	6%	2%	5%	6%	11%	12%	12%	0.9	1.1	1.0
fomento	7%	8%	8%	8%	7%	8%	9%	8%	8%	7%	0.8	1.0	1.1
EIHAssociated	5%	4%	4%	5%	5%	5%	5%	7%	6%	5%	1.8	2.0	2.3
<b>INDUSTRY</b>	5%	5%	6%	5%	4%	5%	6%	8%	8%	9%			
Return on Total Net Asset(EB	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Cum	5 Year Cum	Total Cum
Sinclairs	10%	7%	6%	8%	5%	17%	12%	8%	12%	14%	37%	35%	29%
Mahindra Holiday	18%	13%	12%	8%	8%	6%	5%	4%	5%	6%	15%	16%	19%
Byke	23%	4%	4%	5%	4%	12%	19%	20%	26%	26%	11%	11%	10%
fomento	24%	16%	15%	13%	11%	13%	12%	11%	11%	9%	21%	22%	22%
EIHAssociated	12%	10%	9%	10%	11%	14%	12%	12%	17%	18%	26%	25%	24%
<b>INDUSTRY</b>	17%	10%	9%	9%	8%	12%	12%	11%	14%	15%			
Return on Total Average Net A	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Cum	5 Year Cum	Total Cum
Sinclairs		9%	7%	8%	5%	17%	11%	9%	12%	15%	25%	14%	0%
Mahindra Holiday		15%	15%	9%	8%	7%	6%	4%	5%	7%	2%	0%	0%
Byke		6%	4%	6%	5%	13%	19%	21%	28%	28%	4%	4%	-2%
fomento		16%	15%	13%	11%	14%	13%	14%	12%	10%	-65%	-43%	-21%
EIHAssociated		10%	9%	10%	11%	13%	13%	12%	16%	18%	22%	19%	19%
<b>INDUSTRY</b>		11%	10%	9%	8%	13%	12%	12%	15%	16%			
Return on Total Productive Ne	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Cum	5 Year Cum	Total Cum
Sinclairs	14%	15%	16%	16%	9%	26%	14%	10%	15%	23%	52%	23%	11%
Mahindra Holiday	49%	32%	33%	25%	19%	14%	13%	11%	12%	18%	56%	49%	44%
Byke	28%	10%	6%	6%	6%	18%	29%	34%	47%	53%	-8%	6%	-4%
fomento	43%	26%	25%	23%	20%	27%	21%	22%	17%	13%	-22%	-1%	12%
EIHAssociated	18%	15%	14%	17%	18%	18%	18%	18%	23%	27%	45%	49%	57%
<b>INDUSTRY</b>	30%	20%	19%	17%	14%	21%	19%	19%	23%	27%			
Return on Total Productive A	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Cum	5 Year Cum	Total Cum
Sinclairs		16%	17%	19%	9%	27%	15%	10%	15%	21%	18%	78%	79%
Mahindra Holiday		39%	38%	26%	21%	16%	14%	11%	13%	18%	14%	12%	39%
Byke		10%	7%	9%	7%	20%	30%	33%	49%	55%	1%	1%	2%
fomento		27%	25%	23%	20%	27%	24%	26%	20%	15%	59%	57%	51%
EIHAssociated		15%	13%	17%	18%	19%	18%	18%	23%	26%	13%	10%	14%
<b>INDUSTRY</b>		21%	20%	19%	15%	22%	20%	20%	24%	27%			
NFAT	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Cum	5 Year Cum	Total Cum
Sinclairs	2.5	2.2	2.1	2.2	2.8	1.8	1.6	2.0	1.8	1.3	1.0	1.0	1.0
Mahindra Holiday	0.6	0.9	0.9	1.0	1.0	1.0	1.2	1.3	0.8	0.6	1.0	1.0	1.0
Byke	0.7	0.9	0.8	0.4	1.0	0.7	0.5	0.4	0.4	0.3	1.0	1.0	0.9
fomento	0.7	0.8	0.8	0.8	0.9	0.9	0.8	0.8	0.7	0.6	1.0	1.0	1.0
EIHAssociated	1.5	1.7	1.8	1.5	1.3	1.3	1.3	1.1	1.0	0.9	1.0	1.0	1.0
<b>INDUSTRY</b>	1.2	1.3	1.3	1.2	1.4	1.2	1.1	1.1	0.9	0.8			

Capex per Unit	Revenue M1	Revenue M2	Profit	Cashflow
Sinclairs	1.8	2.0	18.9	5.1
Mahindra Holiday	0.8	0.9	221.9	14.6
Byke	0.5	0.6	40.6	5.1
fomento	13.1	0.8	4440.2	79.0
EIHAssociated	1.2	1.4	9.8	2.5
<b>INDUSTRY</b>	3.5	1.1	946	21

# Asset: Key Hypothesis/Question/Insight

## Industry Hypothesis/Questions?

- Looks like as assets get old without add on, asset turnover increases and decreases when new assets added
- 0.4 to 0.7 looks like generic hotel business model asset turnover and 7-9% as industry average return on asset (Sinclair, Fomento, EIH with similar numbers)
- Ignoring ROE due to leverage, if we look at ROCE, without capex, EIH has managed 16-21% ROCE which is decent. Now, if with so much capex going/gone, if Sinclair and Fomento could generate satisfactory ROCE, with more benefits of capex kicking in, can they improve ROCE? Then, why we say, hotel business is a bad business? Are we stereotype? Is it such a bad business or average business worth looking at attractive valuation cycles?

## Company Hypothesis/Questions?

- Post capex, asset turnover of Sinclair has gone up but is it optimum? Fomento is at all time low due to ongoing capex, so, will it go up from here which means higher ROE?
- Can EIH be considered tentative optimum asset turnover point as they have not undergone any capex?
- Why Byke has substantially high asset turnover?
- Mahindra holiday ROE improvement so far is a result of leverage (ROCE is falling) and better asset churn damped by margins but again, is there scope of margin improvement? Why asset turns is going up and margins going down?
- How Byke has significantly improved its return on assets?

## Summary:

- **Asset turnover could be a good play to time stocks if one is sure of demand and valuations**
- **Deeper analysis is required to understand potential long term normalized ROCE**

# Audit: Key Hypothesis/Question/Insight

Receivables/Sales	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Cum	3 Year Cum
Sinclairs	4%	2%	3%	4%	4%	5%	3%	3%	3%	3%	3%	3%	3%
Mahindra Holiday	114%	123%	134%	88%	90%	85%	103%	107%	58%	45%	79%	69%	60%
Byke	4%	18%	6%	5%	6%	12%	7%	8%	8%	8%	8%	8%	8%
fomento	12%	11%	12%	14%	12%	9%	11%	8%	10%	7%	10%	9%	8%
EIHAssociated	10%	5%	7%	8%	8%	8%	9%	11%	10%	9%	9%	9%	10%
<b>INDUSTRY</b>	<b>29%</b>	<b>32%</b>	<b>32%</b>	<b>24%</b>	<b>24%</b>	<b>24%</b>	<b>27%</b>	<b>27%</b>	<b>18%</b>	<b>14%</b>	<b>22%</b>	<b>20%</b>	<b>18%</b>

Inventory/Sales	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Cum	3 Year Cum
Sinclairs	4%	1%	1%	1%	2%	1%	1%	1%	1%	1%	1%	1%	1%
Mahindra Holiday	1%	1%	1%	1%	1%	1%	1%	1%	24%	17%	10%	13%	17%
Byke	5%	6%	3%	11%	12%	6%	4%	3%	3%	4%	4%	4%	3%
fomento	8%	9%	9%	8%	7%	7%	4%	3%	3%	3%	6%	4%	3%
EIHAssociated	4%	5%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
<b>INDUSTRY</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>	<b>4%</b>	<b>3%</b>	<b>3%</b>	<b>7%</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>

Depreciation/GFA	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Avg.	3 Year Avg.
Sinclairs	3%	4%	4%	4%	4%	6%	7%	7%	9%	11%	6%	8%	9%
Mahindra Holiday	5%	4%	4%	4%	4%	3%	4%	6%	7%	8%	5%	6%	7%
Byke	3%	6%	7%	6%	2%	5%	6%	11%	12%	12%	7%	10%	12%
fomento	7%	8%	8%	8%	7%	8%	9%	8%	8%	7%	8%	8%	8%
EIHAssociated	5%	4%	4%	5%	5%	5%	5%	7%	6%	5%	5%	5%	6%
<b>INDUSTRY</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>8%</b>	<b>9%</b>	<b>6%</b>	<b>7%</b>	<b>8%</b>

Tax Rate	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Cum	3 Year Cum
Sinclairs	34%	26%	31%	26%	33%	8%	25%	33%	37%	35%	27%	26%	35%
Mahindra Holiday	35%	38%	34%	32%	29%	36%	35%	25%	38%	35%	34%	35%	34%
Byke	34%	34%	33%	30%	32%	33%	25%	21%	35%	35%	31%	31%	32%
fomento	35%	35%	33%	35%	32%	32%	38%	35%	39%	35%	35%	36%	36%
EIHAssociated	42%	31%	35%	34%	32%	31%	38%	38%	29%	34%	34%	34%	33%
<b>INDUSTRY</b>	<b>36%</b>	<b>33%</b>	<b>33%</b>	<b>31%</b>	<b>32%</b>	<b>28%</b>	<b>32%</b>	<b>30%</b>	<b>36%</b>	<b>35%</b>	<b>32%</b>	<b>32%</b>	<b>34%</b>

Other Income/PAT	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Cum	3 Year Cum
Sinclairs	26%	82%	74%	79%	90%	118%	85%	19%	14%	21%	66%	63%	18%
Mahindra Holiday	29%	61%	41%	46%	70%	6%	16%	22%	-5%	19%	31%	12%	13%
Byke	1%	2%	1%	3%	2%	6%	1%	1%	1%	0%	1%	1%	1%
fomento	16%	30%	30%	46%	63%	47%	56%	77%	65%	38%	48%	57%	58%
EIHAssociated	9%	15%	20%	24%	36%	8%	2%	11%	8%	19%	13%	11%	13%
<b>INDUSTRY</b>	<b>16%</b>	<b>38%</b>	<b>33%</b>	<b>41%</b>	<b>52%</b>	<b>37%</b>	<b>32%</b>	<b>26%</b>	<b>17%</b>	<b>19%</b>	<b>32%</b>	<b>29%</b>	<b>21%</b>

# Audit: Key Hypothesis/Question/Insight

Other Expense/Total Ex	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Cum	3 Year Cum
Sinclairs	7%	6%	4%	6%	4%	27%	6%	4%	3%	3%	7%	8%	3%
Mahindra Holiday	4%	5%	6%	3%	2%	0%	2%	5%	7%	7%	5%	5%	7%
Byke	0%	0%	1%	1%	0%	1%	0%	0%	0%	0%	0%	0%	0%
fomento	-6%	-6%	-5%	0%	2%	2%	1%	2%	1%	2%	0%	2%	2%
ElHAssociated	7%	3%	3%	3%	6%	4%	3%	3%	3%	3%	4%	3%	3%
<b>INDUSTRY</b>	<b>2%</b>	<b>1%</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>	<b>7%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>4%</b>	<b>3%</b>

SSGR	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Cum	3 Year Cum
Sinclairs			2%	7%	-2%	2%	6%	-1%	-1%	0%			
Mahindra Holiday			18%	10%	10%	6%	3%	-2%	1%	3%			
Byke			-5%	-3%	1%	7%	11%	8%	14%	19%			
fomento			5%	6%	4%	7%	7%	22%	26%	36%			
ElHAssociated			-3%	-2%	-2%	2%	0%	-1%	5%	11%			
<b>INDUSTRY</b>			<b>4%</b>	<b>3%</b>	<b>2%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>	<b>9%</b>	<b>14%</b>			

Equity dilution	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Prev	3 Year Prev
Sinclairs		32%	30%	0%	0%	0%	-8%	0%	0%	0%	54%	-8%	0%
Mahindra Holiday		1%	8%	0%	0%	0%	5%	0%	0%	0%	15%	5%	0%
Byke		87%	11%	52%	5%	0%	0%	100%	0%	0%	255%	100%	100%
fomento		0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
ElHAssociated		0%	0%	0%	0%	56%	0%	0%	0%	0%	56%	56%	0%
<b>INDUSTRY</b>		<b>24%</b>	<b>10%</b>	<b>10%</b>	<b>1%</b>	<b>11%</b>	<b>-1%</b>	<b>20%</b>	<b>0%</b>	<b>0%</b>	<b>76%</b>	<b>31%</b>	<b>20%</b>

NFA/Assets	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Avg.	3 Year Avg.
Sinclairs	68%	44%	34%	37%	43%	39%	46%	65%	73%	63%	51%	57%	67%
Mahindra Holiday	30%	36%	30%	27%	30%	34%	38%	36%	36%	32%	33%	35%	35%
Byke	70%	37%	32%	19%	50%	64%	62%	58%	52%	49%	49%	57%	53%
fomento	43%	47%	43%	46%	52%	42%	33%	22%	18%	13%	36%	26%	18%
ElHAssociated	64%	65%	62%	61%	60%	73%	67%	66%	71%	67%	66%	69%	68%
<b>INDUSTRY</b>	<b>55%</b>	<b>46%</b>	<b>40%</b>	<b>38%</b>	<b>47%</b>	<b>50%</b>	<b>49%</b>	<b>49%</b>	<b>50%</b>	<b>45%</b>	<b>47%</b>	<b>49%</b>	<b>48%</b>

Pat Growth/Revenue Gr	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Cum	3 Year Cum
Sinclairs		-3.7	27.6	2.3	-21.1	-27.7	-9.3	8.9	1.7	0.9	0.9	3.3	3.2
Mahindra Holiday		-4.2	6.1	-3.8	-2.8	6.4	-1.4	-24.0	0.4	0.8	0.4	1.0	0.4
Byke		-2.6	0.6	1.0	0.3	2.0	2.2	1.6	1.1	1.3	0.9	1.7	1.3
fomento		-6.4	-0.1	-6.5	-4.6	242.7	-2.1	-1.5	8.1	34.3	0.5	6.6	6.4
ElHAssociated		-3.4	-7.2	6.7	-0.7	10.2	13.7	-0.7	8.8	-0.5	2.5	4.8	2.1
<b>INDUSTRY</b>		<b>-4.1</b>	<b>5.4</b>	<b>0.0</b>	<b>-5.8</b>	<b>46.7</b>	<b>0.6</b>	<b>-3.1</b>	<b>4.0</b>	<b>7.4</b>	<b>1.0</b>	<b>3.5</b>	<b>2.7</b>

# Audit: Key Hypothesis/Question/Insight

## Industry Hypothesis/Questions?

- Does variation in "Depreciation/GFA" tells anything about age of assets?
- The industry seems to be paying reasonable taxes
- "Other Incomes" share significantly high share of PAT(except Byke). Why? No demand and hence piling cash?
- Most of the players have gone through equity dilution in last 10 years (except Fomento)

## Company Hypothesis/Questions?

- Why Mahindra has high receivables and inventory numbers?
- Why Byke has high "Depreciation/GFA" ratio?
- Why Fomento's NFA to total asset has undergone drastic change recently?
- Why Sinclair Depreciation to GFA is rising?

## Summary:

- **Raises issues over core business profitability contribution**
- **Difference in asset structure and depreciation need deeper understanding**

# Return: Key Hypothesis/Question/Insight

Asset Turnover	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Avg	5 Year Avg	Total Avg
Sinclairs	0.2	0.2	0.2	0.3	0.3	0.4	0.5	0.4	0.3	0.3
Mahindra Holiday	0.3	0.3	0.3	0.3	0.3	0.4	0.6	0.4	0.4	0.4
Byke	0.5	0.5	0.9	1.2	1.3	1.4	1.4	1.4	1.3	0.9
fomento	0.6	0.6	0.5	0.4	0.3	0.3	0.2	0.3	0.3	0.5
EIHAssociated	0.4	0.4	0.6	0.5	0.6	0.7	0.7	0.7	0.6	0.5
<b>INDUSTRY</b>	0.4	0.4	0.5	0.6	0.6	0.6	0.7			

PAT Margin	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Avg	5 Year Avg	Total Avg
Sinclairs	35%	21%	73%	31%	16%	18%	19%	18%	27%	27%
Mahindra Holiday	20%	18%	12%	11%	10%	5%	7%	7%	8%	11%
Byke	7%	5%	8%	10%	11%	11%	12%	11%	11%	10%
fomento	15%	12%	18%	16%	25%	24%	28%	26%	23%	20%
EIHAssociated	7%	7%	10%	11%	11%	16%	16%	14%	13%	10%
<b>INDUSTRY</b>	17%	13%	24%	16%	15%	15%	16%			

Leverage	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Avg	5 Year Avg	Total Avg
Sinclairs	1.2	1.2	1.1	1.2	1.3	1.3	1.2	1.3	1.2	1.3
Mahindra Holiday	3.5	3.5	3.7	3.4	3.9	7.3	6.7	6.0	5.0	4.6
Byke	1.1	1.4	1.6	1.5	1.4	1.3	1.3	1.3	1.4	1.3
fomento	1.6	1.5	1.6	1.8	2.5	2.7	2.9	2.7	2.3	2.0
EIHAssociated	3.8	3.6	1.9	1.9	1.9	1.5	1.3	1.6	1.7	2.8
<b>INDUSTRY</b>	2.2	2.2	2.0	2.0	2.2	2.8	2.7			

Return on Equity	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Avg	5 Year Avg	Total Avg
Sinclairs	7%	4%	18%	11%	7%	10%	11%	9%	11%	9%
Mahindra Holiday	20%	18%	15%	11%	11%	17%	25%	18%	16%	24%
Byke	4%	4%	11%	13%	20%	21%	21%	21%	18%	12%
fomento	13%	11%	14%	13%	18%	17%	17%	18%	16%	17%
EIHAssociated	11%	11%	10%	11%	11%	16%	15%	14%	13%	12%
<b>INDUSTRY</b>	11%	10%	14%	13%	14%	16%	18%			

Return on Assets	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Avg	5 Year Avg	Total Avg
Sinclairs	6%	3%	16%	9%	5%	7%	9%	7%	9%	7%
Mahindra Holiday	6%	5%	4%	3%	3%	2%	4%	3%	3%	5%
Byke	3%	3%	7%	13%	15%	16%	17%	16%	13%	9%
fomento	8%	7%	9%	7%	7%	6%	6%	7%	7%	9%
EIHAssociated	3%	3%	5%	6%	6%	11%	12%	9%	8%	5%
<b>INDUSTRY</b>	5%	4%	8%	8%	7%	9%	9%			

ROIC	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Avg	5 Year Avg	Total Avg
Sinclairs	7%	4%	18%	11%	7%	10%	11%	9%	11%	9%
Mahindra Holiday	20%	19%	15%	12%	10%	9%	12%	10%	12%	21%
Byke	4%	3%	10%	18%	19%	20%	21%	20%	18%	12%
fomento	10%	10%	11%	9%	15%	13%	9%	12%	11%	13%
EIHAssociated	8%	9%	12%	11%	11%	15%	16%	14%	13%	10%
<b>INDUSTRY</b>	10%	9%	13%	12%	12%	13%	14%			

ROCE	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Avg	5 Year Avg	Total Avg
Sinclairs	9%	6%	19%	14%	11%	15%	17%	14%	15%	12%
Mahindra Holiday	29%	26%	23%	19%	14%	14%	19%	16%	18%	32%
Byke	5%	5%	15%	24%	24%	31%	32%	29%	25%	17%
fomento	16%	14%	17%	14%	23%	21%	14%	19%	18%	20%
EIHAssociated	12%	14%	17%	17%	18%	22%	24%	21%	19%	16%
<b>INDUSTRY</b>	14%	13%	18%	18%	18%	21%	21%			

EPASales	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	3 Year Avg	5 Year Avg	Total Avg
Sinclairs	-16%	-32%	32%	2%	-7%	0%	2%	-2%	6%	-6%
Mahindra Holiday	10%	8%	4%	2%	0%	-1%	1%	0%	1%	8%
Byke	-12%	-12%	0%	5%	6%	6%	6%	6%	5%	-3%
fomento	0%	-1%	2%	-2%	8%	5%	-3%	3%	2%	3%
EIHAssociated	-4%	-2%	3%	1%	1%	6%	6%	4%	3%	0%
<b>INDUSTRY</b>	-4%	-7%	8%	2%	2%	3%	2%			

3 Year Avg	5 Year Avg	Total Avg
7%	9%	7%
3%	3%	5%
16%	13%	9%
7%	7%	9%
9%	8%	5%

3 Year Avg	5 Year Avg	Total Avg
9%	11%	9%
10%	12%	21%
20%	18%	12%
12%	11%	13%
14%	13%	10%

3 Year Avg	5 Year Avg	Total Avg
14%	15%	12%
16%	18%	32%
29%	25%	17%
19%	18%	20%
21%	19%	16%

3 Year Avg	5 Year Avg	Total Avg
-2%	6%	-6%
0%	1%	8%
6%	5%	-3%
3%	2%	3%
4%	3%	0%

# Return: Key Hypothesis/Question/Insight

## Industry Hypothesis/Questions?

- Industry works on high PAT margins but lower Asset turnover. An improvement in asset turnover could have significant impact on return ratios.
- Companies go through cycles of asset turnover fluctuation. History suggests to pick when they are at bottom of asset turnover to reap better benefits if there is a demand in market
- lower asset turnover and higher PAT margins. Though ROE looks good, it is leverage effect and
- The ROCE numbers of industry are not as bad as it looks from outside, specially considering that last 5 years were worst period for industry. Further, not to forget , it is a high cash flow industry safeguarded from commodity, receivables etc risk. Demand supply imbalance could play havoc though

## Company Hypothesis/Questions?

- Why Fomento is at bottom of asset turnover?
- Why Byke has a higher asset turnover?

## Summary:

- **ROCE also suggests that industry created a low in 2012-13 and improving since then it is improving**
- **Are the numbers really bad or we are partially blinded by recency bias, specially considering if there is a scope for asset turnover improvement**

# Valuation: Key Hypothesis/Question/Insight

P/E	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Avg.	3 Year Avg.
Sinclairs	20.7	24.1	32.6	34.8	54.6	12.1	19.7	36.6	23.8	25.3	28.4	23.5	28.6
Mahindra Holiday	0.0	0.0	24.9	21.3	16.1	16.1	16.4	19.6	27.5	17.6	16.0	19.4	21.6
Byke	3.0	8.9	20.5	36.9	52.8	29.9	20.4	32.5	24.3	25.4	25.5	26.5	27.4
fomento	25.1	0.0	30.0	22.3	18.9	0.0	11.4	11.2	12.3	12.6	14.4	9.5	12.0
EIHAssociated	19.7	11.3	44.5	22.4	19.8	16.6	20.8	27.2	23.1	25.7	23.1	22.7	25.3
<b>INDUSTRY</b>	14	9	31	28	32	15	18	25	22	21	21	20	23

P/CFO	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Avg.	3 Year Avg.
Sinclairs	26.2	39.2	69.0	59.9	59.2	48.7	17.3	16.9	12.0	12.2	27.0	16.4	12.5
Mahindra Holiday	0.0	0.0	15.7	24.0	8.0	6.7	43.2	7.9	9.9	9.5	29.3	25.0	20.3
Byke	2.2	-0.7	4.6	220.5	45.7	14.8	16.2	39.6	23.5	28.0	69.4	34.6	31.1
fomento	27.3	0.0	18.1	15.9	10.4	0.0	6.6	13.3	12.0	20.1	21.0	18.9	18.8
EIHAssociated	8.3	5.5	13.4	4.8	4.9	6.6	9.6	12.6	13.6	15.1	21.8	17.6	16.2
<b>INDUSTRY</b>	13	9	24	65	26	15	19	18	14	17	34	23	20

PEG	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Avg.	3 Year Avg.
Sinclairs		-4.1	-1.5	0.7	-1.3	0.0	-0.4	-1.1	0.5	0.9			
Mahindra Holiday		0.0	0.7	-1.5	10.8	-1.6	-1.9	-2.6	3.5	0.2			
Byke		-0.1	-3.4	0.6	116.4	0.1	0.2	-0.9	0.8	1.1			
fomento		0.0	104.3	-2.0	-2.0	0.0	-4.0	0.2	2.6	0.6			
EIHAssociated		-0.3	-1.0	0.2	1.8	-12.2	1.4	5.5	0.4	2.6			
<b>INDUSTRY</b>		-1	20	0	25	-3	-1	0	2	1			

PCG	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Avg.	3 Year Avg.
Sinclairs		0.6	1.3	-0.4	0.7	-0.8	-0.3	0.4	-0.5	-0.2	0.1	-0.3	-0.1
Mahindra Holiday		#DIV/0!	#DIV/0!	0.8	-0.7	-0.1	6.1	-0.8	0.2	-0.4	#DIV/0!	1.0	-0.4
Byke		-2.8	-7.7	29.7	-0.8	-0.9	-0.5	2.9	-0.5	0.0	2.1	0.2	0.8
fomento		-1.0	#DIV/0!	0.0	-0.3	-1.0	#DIV/0!	0.2	-0.1	0.4	#DIV/0!	#DIV/0!	0.2
EIHAssociated		0.0	3.5	-0.8	-0.1	0.4	0.3	0.3	-0.3	0.0	0.4	0.1	0.0

# Valuation: Key Hypothesis/Question/Insight

EV/EBITDA	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Avg.	3 Year Avg.
Sinclairs	10.9	13.6	11.9	16.4	26.9	9.6	11.2	14.8	9.4	10.3	13.5	11.1	11.5
Mahindra Holiday	0.1	-0.1	14.5	12.1	9.6	8.3	7.7	9.2	11.1	8.8	8.1	9.0	9.7
Byke	1.7	2.2	8.3	20.1	27.2	13.8	11.7	17.7	12.1	13.0	12.8	13.7	14.2
fomento	14.2	0.2	15.3	10.4	7.9	-0.9	5.1	3.7	5.6	8.5	7.0	4.4	5.9
EIHAssociated	8.5	6.7	10.1	8.9	8.1	6.8	8.9	10.7	12.3	13.5	9.4	10.4	12.2
<b>INDUSTRY</b>		5	12	14	16	8	9	11	10	11			
EV/EBIT	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Avg.	3 Year Avg.
Sinclairs	13.4	17.5	15.0	19.6	35.5	11.0	14.5	24.1	14.8	16.0	18.1	16.1	18.3
Mahindra Holiday	0.1	-0.1	16.0	13.9	11.1	9.8	9.8	14.3	17.4	12.4	10.5	12.7	14.7
Byke	1.9	3.4	13.3	25.4	34.6	18.0	14.4	24.3	15.5	16.3	16.7	17.7	18.7
fomento	16.2	0.3	19.3	13.6	10.8	-1.2	6.5	4.4	6.3	9.3	8.6	5.1	6.7
EIHAssociated	10.8	8.5	13.3	11.5	10.3	8.5	11.3	14.9	15.5	16.3	12.1	13.3	15.6
<b>INDUSTRY</b>		6	15	17	20	9	11	16	14	14			
EV/CFO	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Avg.	3 Year Avg.
Sinclairs	25.9	38.4	46.4	46.3	58.0	48.1	17.2	16.8	11.9	12.2	32.1	21.2	13.6
Mahindra Holiday	0.3	-0.1	15.6	23.4	8.0	6.5	41.8	8.4	12.3	11.5	12.8	16.1	10.8
Byke	2.1	-0.4	4.4	218.2	51.3	16.0	16.9	40.3	23.8	28.2	40.1	25.0	30.7
fomento	27.6	0.5	17.8	15.4	9.4	-1.5	6.1	8.2	10.3	23.3	11.7	9.3	13.9
EIHAssociated	15.2	17.5	27.1	8.9	8.9	8.4	10.9	13.7	14.1	14.9	14.0	12.4	14.2
<b>INDUSTRY</b>		11	22	62	27	16	19	17	14	18			
EV/FCF	Mar-08	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Overall	5 Year Avg.	3 Year Avg.
Sinclairs		-285.4	-684.0	-10.6	-21.9	-32.8	-65.1	-179.9	20.1	10.4	2558.5	51.7	23.3
Mahindra Holiday		1.8	79.2	456.4	-2009.2	-38.6	-25.4	21.9	-20.7	22.7	1609.0	-872.3	130.0
Byke		-0.4	-2.8	-3.1	-10.5	118.2	40.1	86.8	74.9	89.8	-316.6	113.4	96.6
fomento		2.3	23.2	21.5	21.7	-3.4	-11.8	-4.0	-4.2	-4.6	-23.4	-10.6	-6.6
EIHAssociated		29.5	36.3	10.6	10.3	29.8	12.4	17.3	15.9	16.8	28.5	24.2	19.8
<b>INDUSTRY</b>		-50	-110	95	-402	15	-10	-12	17	27			

# Valuation: Key Hypothesis/Question/Insight

## Industry Hypothesis/Questions?

- The variation in relative valuation is relatively higher on PE,P/CFO.PEG basis. However, on EV/EBITDA, EV/EBIT companies are relatively closer
- As on March 2017, Industry seemed decently valued on EV/EBITDA basis at around 11 with range being 8.5-13
- On EV/CFO basis considering relative valuations with others and with self historic numbers, Sinclairs look better placed and Byke looks higher unless future growth stories going to be different
- Do these valuation metric suffer from imbalanced nominator and denominator in various years of valuations?
- Think 3 year forward and capacity utilization, expansion impact kicking in. If take these valuation ratios as standard, how the numbers will look 3 years down the line?

## Company Hypothesis/Questions?

- Why Byke valuation on EV/CFO is always higher? Is it justified?
- Is there any company whose valuations look depressed?

## Summary:

- **Considering capex, assets added , asset turnover, operational excellence, leverage position, return ratios and future outlook (post industry research), which of the companies look better in terms of valuation?**
- **Are we paying too much to buy companies in this sector?**

# My Final Summary Notes : Views may differ

- High gross margin industry with double digit healthy PAT margins and healthy CFO undergoing structural margin improvement with some unique company specific behavior
- Raises issues over core business profitability contribution
- Difference in asset structure and depreciation need deeper understanding
- Growth comes but in a non-uniform manner and profitability growth is more a operating leverage play
- Though, industry looks pretty good on operational parameters with few exceptions like Mahindra, Sinclair steals the show with relatively better working capital management, inventory and receivable days
- To my contrary belief of this industry being an asset heavy industry, there is companies with asset light balance sheet and even some with high leverage have been able to reduce it even in tough circumstances. Was I biased in my thoughts?

# My Final Summary Notes : Views may differ

- There are multiple business models in this industry
- The pace of capex has slowed down recently in last 3 years
- Companies without any capex program has been able to pare up debt and generate lot of cash flows.
- ROCE also suggests that industry created a low in 2012-13 and improving since then it is improving and considering the headwind industry has faced, it is not such a bad industry to permanently ignore
- Valuations look reasonable
- Monitoring Asset turnover, Future supply and demand could be a good play to time stocks if one is sure of demand and valuations to time the cycle
- Deeper analysis is required to understand potential long term normalized ROCE

**We have got some pointed questions, some patterns and some insights for 5 companies together including industry which can help us in more focused deeper research to help us to take right decision**

Different users may interpret the same data in different ways and may derive different/additional insights and hypothesis

So, tool is just a medium and focus should be on “How to extract maximum value out of it”

**“Return on Insights/Time”**



We have a basic base understanding now to go ahead and do all the qualitative analysis. Read Annual Reports, Industry Reports, Conference call Transcripts...

Do remember to find answers to all questions/behaviors identified during qualitative deep dive

Pick best bet from the 5. It could be 1, more or none.....

# Expectation

Tool is just the science and automation part, the art lies in understanding, interpreting and associating various numbers together and build a usable story

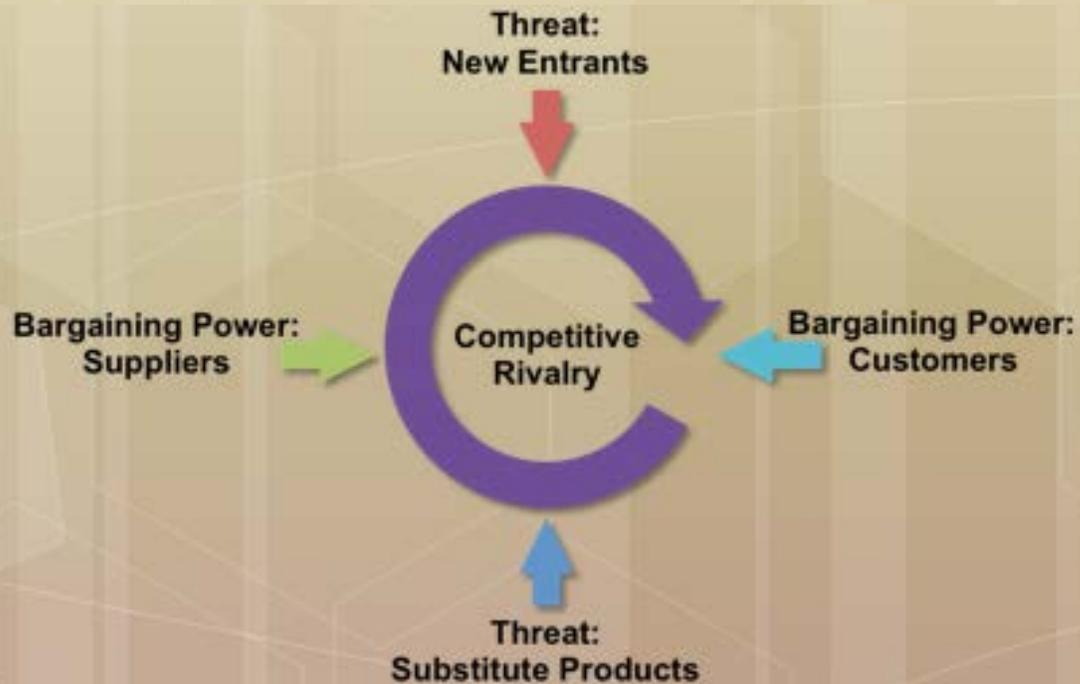
**An successful user of tool is someone who collects multiple pieces from various places in the tool and then tries to assemble them using the ART side of investment to see if they can be perfect constituents of a jigsaw puzzle. If yes, ride it, if no, discard it.**

# How You can Contribute

- The tool will be posted here along with instructions: <http://factsbeyondnumbers.wordpress.com/>
- Please post all your queries, doubts, suggestions etc. on the blog page link so that wider audience can get benefitted
- A VP thread will also be created to get contribution from target audience. So, you can use that platform also
- If you find it useful and valuable, then, please help to take it to wider public in case you find it useful by tweet/Retweet.
- We learn a lot from open forums and this could be one of ways to give something back



Bangalore Investors Group



# The Competitive Analysis Tool

Questions???

# Version 2.0, 3.0, 4.0 ???

- The PPT and session helped to identify few immediate improvement areas and will be upgraded soon in next version
- Keep an eye over blog for all future version upgrades. You can follow blog for future upgrades
- Modification of current KPIs (the current session has given few ideas)
- More insightful KPIs
- TTM Analysis
- Industry Specific Tools : BFSI, Real Estate, Cyclic



Bangalore Investors Group



The first rule of any technology used in a business is that automation applied to an efficient operation will magnify the efficiency. The second is that automation applied to an inefficient operation will magnify the inefficiency.

(Bill Gates)

# The Competitive Analysis Tool

Thank You