

# Online Consumer poll...

Q . What is the first thing one would like to do when normalcy resumes ?

A . Majority of the respondent answered – Take a short vacation / travel to a destination 😊

# Mahindra Holidays

ValuePickr Carolina Meet, July 11<sup>th</sup> 2020

CLT – July 11<sup>th</sup> 2020  
Ram Dhawad

# Disclaimer

- Personally invested in MHRIL
- I am not a SEBI registered investment advisor
- This is not a stock recommendation. This presentation is for education purpose and to explore industry dynamics.

# Timeshare Industry – Opportunity Size

## **U.S.A** ( Source – American Resort Development Association )

- Industry size, 2019 – USD 11 Billion
- 9.6 Million – Number of household that own 1 or more vacation ownership ( VO )
- Three major players – Wyndham, Marriott, Hilton ~ USD 10 Billion Mcap
- VO share of tourism industry ~ 6.5%

## **India** ( source – Bain Google report “How India travel” & company AR / Investor PPT)

- Market leader had a FY2020 revenue of INR 1037 Cr and has Mcap of INR 2400 Cr.
- Demographic profile, rising per capita, disposable income, Geographic profile and Natural beauty of the country augur well for the sector.
- Domestic travel & tourism – 7% growth for next decade. Currently \$247 bn
- 11.5 million household addressable market Vs current member base of approx. 3.5 lac
- VO share of tourism industry less than 0.5% vs Global Avg of 2%

# MHRIL at Glance

- Company is in business of selling vacation ownership ( VO )
- Largest VO company in the world out side of North America
- No of owned resorts - 60 domestic & 51 International ( Finland, Sweden and Spain )
- No of room inventory at the end of FY2020 – **3732**
- Nos of members at the end of FY2020 – **2.58 lakh ( families )**
- Management pedigree – MD & CEO (ex ITC & Pidilite 22 years)
- Corporate governance – Mahindra group

# Product offering – CMH 25 (7N/8D per Year)

## Our Target Member Profile



**32+ years**  
Age of Customer



**Married**



With **1-2 (Age 3-15 yrs)** Children

- Appreciates quality family time
- Takes regular Vacation
- Seeking Variety
- Plans in advance

## Seasons

**Super Peak**

**Peak**

**Medium**

**Off Peak**

## Apartment Types

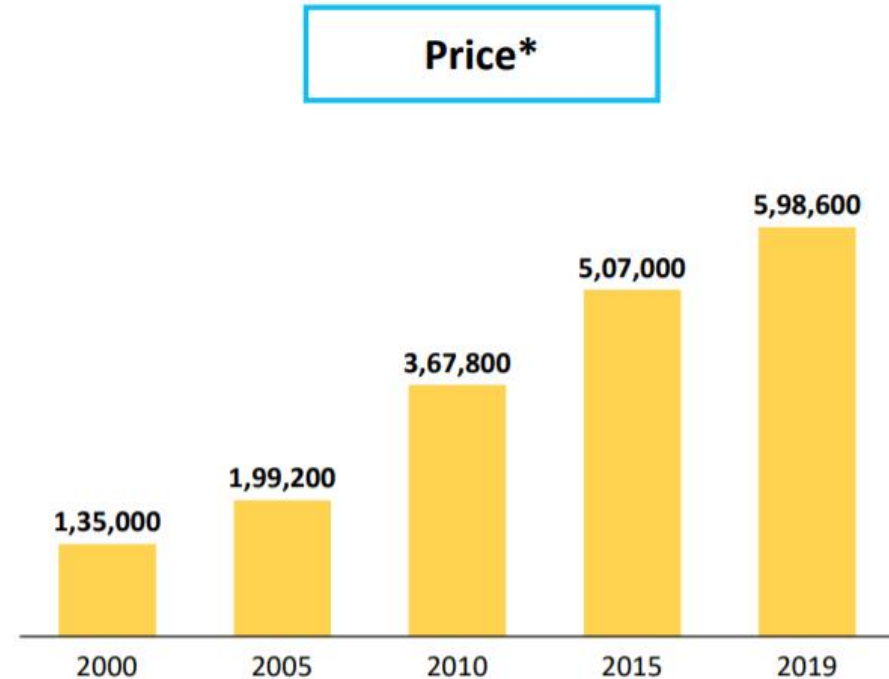
**1 Bedroom**  
(2 adults, 2 children)

**Studio**  
(2 adults, 1 child)

**2 Bedroom**  
(4 adults, 2 children)

# Customer- Value Proposition

- Inflation adjusted prepaid vacation for 25 years.
- Access to increasing Resorts count at no incremental cost
- Not just accommodation but an Experience!



- **3.4x** times increase in the last 2 decades
- Members perceive **"huge value"** as the membership tenure goes on (more resorts, more experiences at prepaid price), over 25 years tenure

# Domestics Resorts

## Hill Stations

- Manali, Shimla, Naldhera, Kandaghat, Rishikesh, Mysuru
- Dharamshala, Kanatal, Binsar, Bhutan, Kashmir
- Mussorie, Naukuchiatal, Srinagar
- Munnar, Ooty, Kodai, Coorg, Yercaud, Wayanad
- Gangtok, Baiguney, Kalimpong, Darjeeling, Namchi
- Mahabaleshwar, Lonavala, Hatgad

## Beaches

- Varca, Emerald Palms, Acacia Palms - Goa
- Cherai
- Pondicherry
- Ganpatipule
- Srilanka
- Diu
- Pattaya, Phuket

## Cities

- Cochin
- Nadiad
- Dubai
- Kuala Lumpur
- Singapore
- Bangkok
- Ahmedabad
- Bangalore

## Wildlife

- Corbett
- Gir
- Kanha
- Thekkady
- Bandhavgarh

## Forts & Heritage

- Kumbhalgarh, Udaipur, Jaisalmer, Jaipur, Jodhpur, Agra
- Dwarka
- Hampi
- Khajuraho

## Backwaters

- Ashtamudi
- Poovar
- Allepey



# International Resorts

*51 destinations & growing...*

## UAE & Asia – 9 destinations



## Europe & US – 42 destinations



# Not Just Rooms but Experience!



Dine by the Kosi river at Corbett



Dine by the mountains at Naukuchaital



Cruise Dining at Ashtamudi



Dine at a mud house in Kanha



Ghar Ka chula at Binsar



Dinner by the pool at Virajpet



Culture immersion at Udaipur



Adventure Activities at Virajpet



Plantation walk at Virajpet



Pottery Class at Udaipur



Nature Trek at Kanatal



Puppet Show at Kumbhalgarh



Yacht sail



Charcoal painting



Paragliding



River Rafting

**Dreamscapes**  
— Exclusive Experiences —  
By CLUB MAHINDRA

Member-exclusive pricing

Experiences spanning all domains – something for everyone in the family

**60**  
cities

**2400+**  
experiences



**10+**  
domestic & international options

- Adventurous Leh and Ladakh
- Discover Greece
- Amazing Andaman
- Blissful Bali
- Char Dham
- Rannotsav
- Statue of Unity Camping
- Pushkar Fair

Member-exclusive pricing

Curated vacation experiences to increase members' holiday options

More engaged members, seek Club Mahindra for all vacationing needs

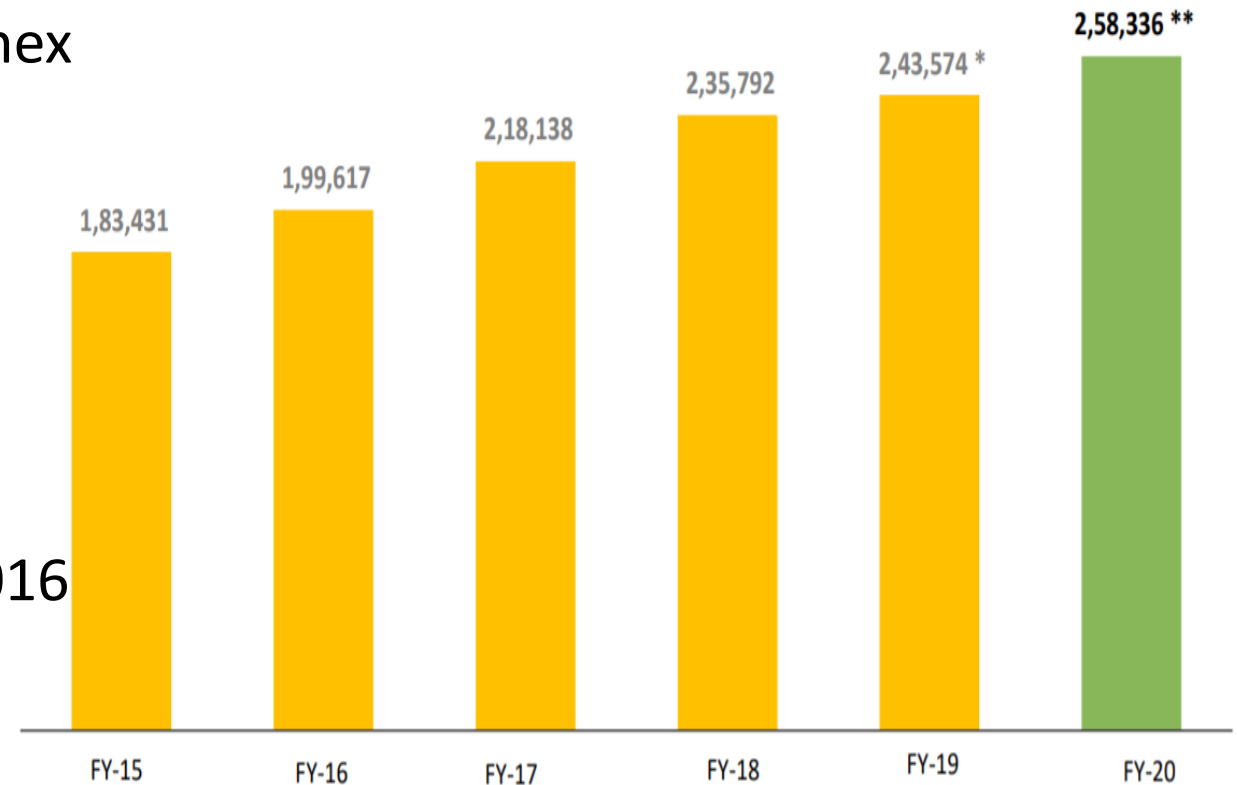
Curated Experiences at special price for members

# Unique & Resilient Business model

- Capex & Opex is funded by members. Growing cumulative member base generates multiple annuity revenue streams.
- Better business model than Hotels
- Strong moat of network effect – Highest nos resorts, attracts highest nos of customers, which will fund more resort, which will bring more customer – Positive loop.
- Predictability of Revenue – Unique
  1. Deferred vacation ownership ( VO ) income (33% of overall revenue)
  2. **80%+ occupancy**, resulting in resort income (23%)
  3. Annual subscription fees ( ASF) from cumulative member base (27%)
- Revenue Model – Membership, ASF, Interest, Resort ( F&B, activities, SPA etc.)
- Cost Model – ASF Funds maintenance, renovation & member servicing
- Growth leavers – **Members addition & Room inventory**

# Cumulative Member Base – Most Imp

- Innovative acquisition through focus on Digital. Target leads owning vehicles or Amex cards via Facebook
- Campaign targeted to elite clientele of Mahindra XUV 500
- Aim to reduce cost of acquisition by on boarding customer through lead referrals and digital.
- Reduced acquisition cost from 25.1% in 2016 to 23.6% in 2019.

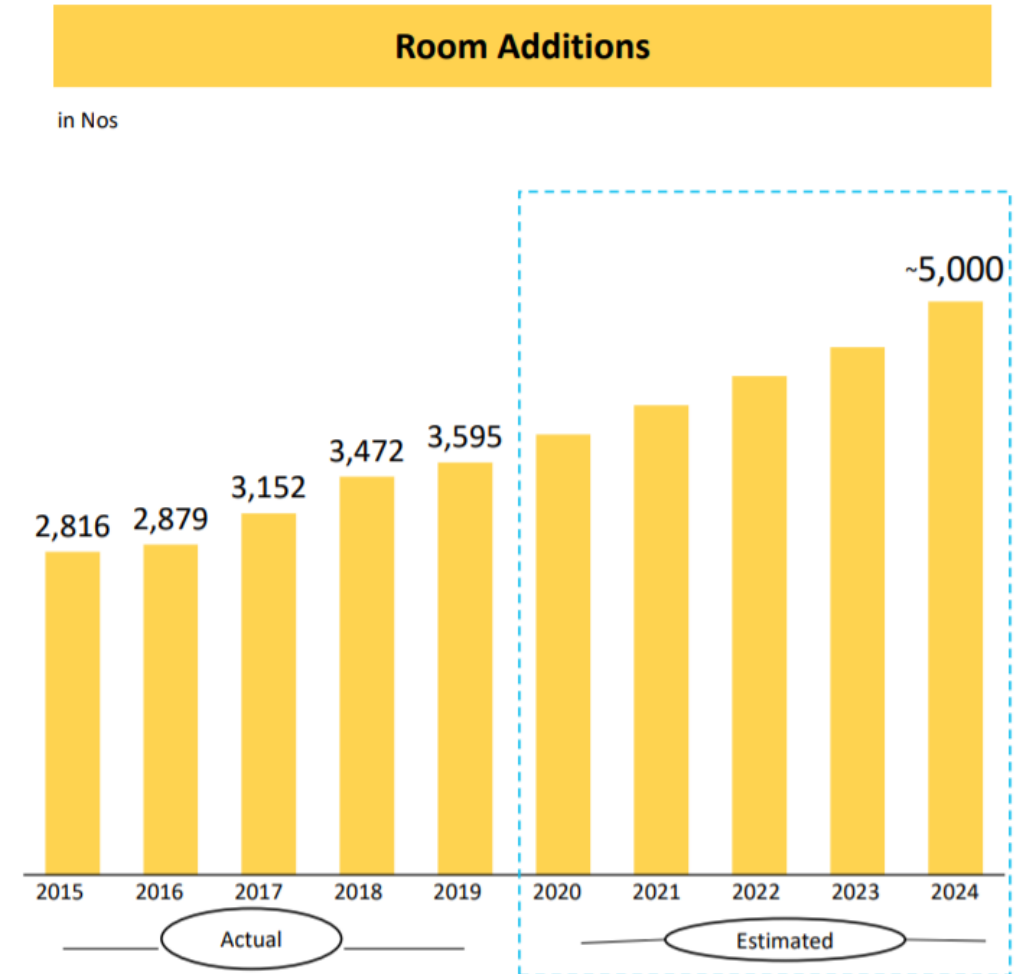


\* Net of one-off cancellation of 9,556 overdue members, in Q4 FY19.

\*\* Lower Member addition in March-20 due to the COVID-19 impact.

# Inventory Addition

- Greenfield / Brownfield expansion
- Continue to add property through leasing route
- Strong balance sheet allows flexibility to acquire Resorts
- Capex plans of INR 800-1000 Crs, to take total room inventory count to 5000 by 2024.



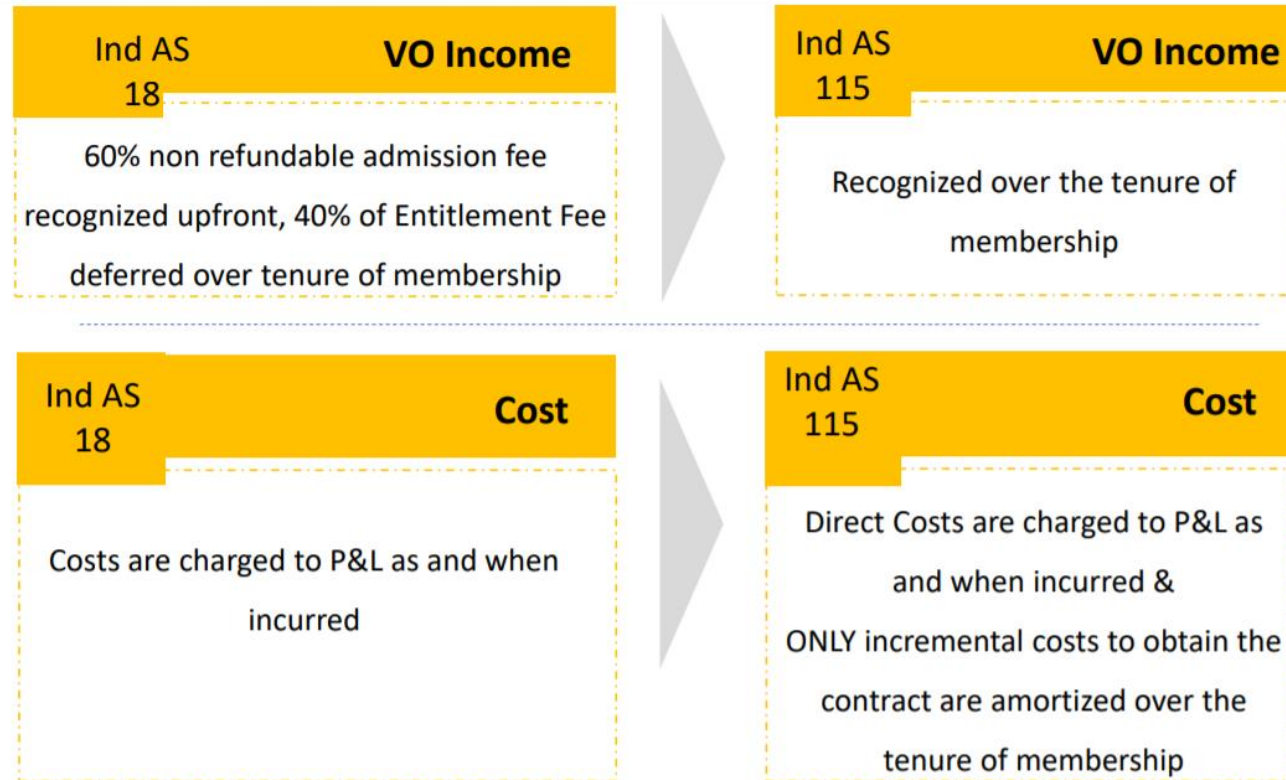
# Nos lie ?

## Profit & Loss Consolidated Figures in Rs. Crores / [View Standalone](#)

[Product Segments](#)

	Mar 2008	Mar 2009	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	TTM
Sales +	349	387	468	489	571	728	676	812	1,602	2,267	2,317	2,239	2,372
Expenses +	230	284	315	363	471	561	510	623	1,329	1,932	1,948	2,056	2,003
<b>Operating Profit</b>	<b>120</b>	<b>103</b>	<b>153</b>	<b>126</b>	<b>101</b>	<b>167</b>	<b>167</b>	<b>189</b>	<b>273</b>	<b>335</b>	<b>369</b>	<b>183</b>	<b>369</b>
OPM %	34%	27%	33%	26%	18%	23%	25%	23%	17%	15%	16%	8%	16%
Other Income	24	49	48	45	72	5	14	-4	-4	27	34	57	59
Interest	3	7	5	3	6	2	8	11	25	32	86	40	79
Depreciation	11	17	20	22	23	27	39	66	98	106	100	101	247
<b>Profit before tax</b>	<b>129</b>	<b>128</b>	<b>177</b>	<b>147</b>	<b>143</b>	<b>143</b>	<b>134</b>	<b>107</b>	<b>146</b>	<b>224</b>	<b>217</b>	<b>98</b>	<b>101</b>
Tax %	35%	38%	34%	32%	29%	36%	35%	25%	38%	35%	39%	39%	
<b>Net Profit</b>	<b>84</b>	<b>80</b>	<b>117</b>	<b>100</b>	<b>102</b>	<b>91</b>	<b>87</b>	<b>81</b>	<b>87</b>	<b>149</b>	<b>132</b>	<b>60</b>	<b>-132</b>
EPS in Rs	7.11	6.56	8.92	7.57	7.70	6.74	6.13	5.61	6.57	11.22	9.97	4.55	-9.93
Dividend Payout %	16%	29%	28%	33%	33%	39%	40%	43%	51%	30%	40%	0%	

# FY19 Company adopted Ind AS 115 Accounting system

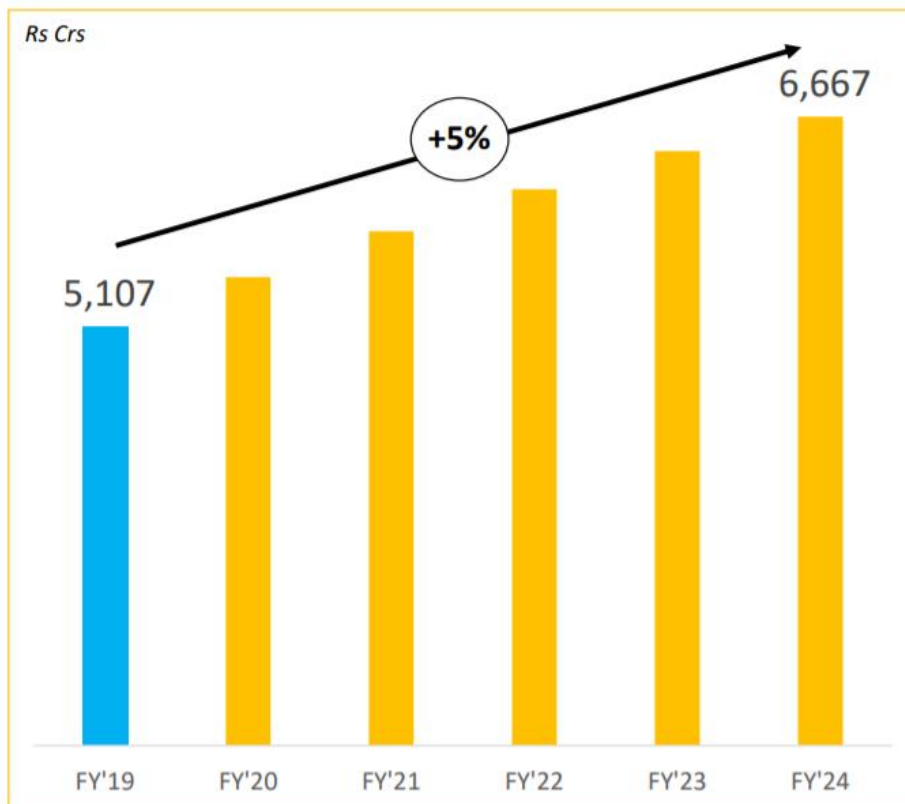


**While significant part of Income is deferred, significant expenses are charged upfront**

# VO Deferred Revenue - Projections

IND AS 115

## Movement of VO Deferred Revenue



Rs Crs

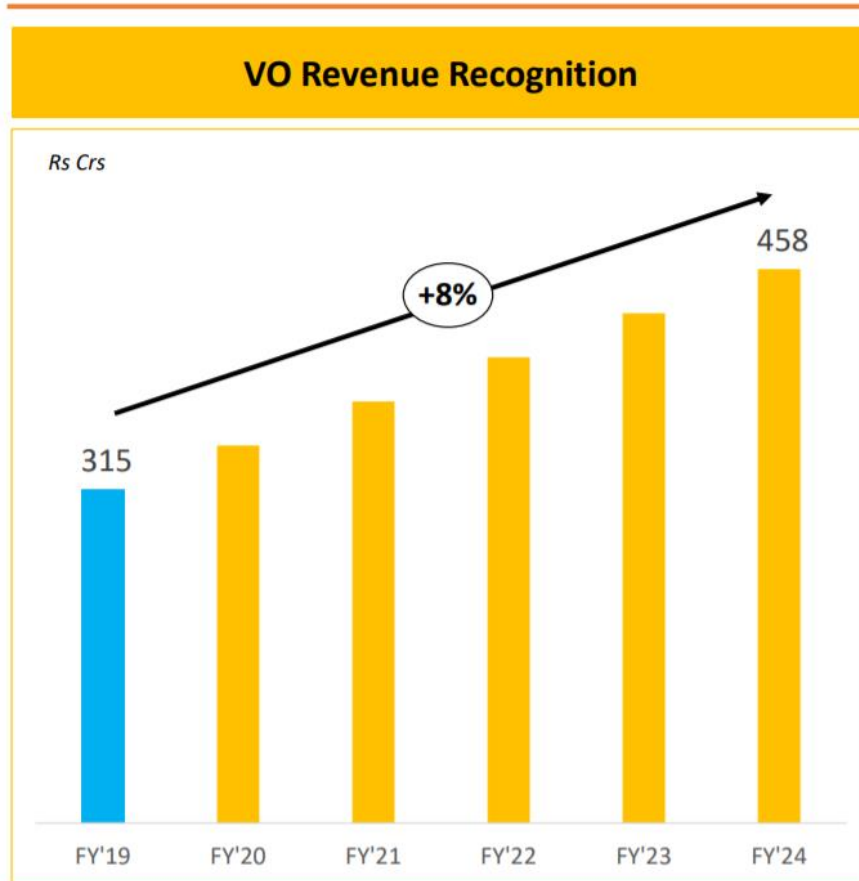
VO DEFERRED REVENUE MOVEMENT					
Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
Opening Balance	5,107	5,476	5,817	6,129	6,412
Addition during the year	713	713	713	713	713
VO Income Recognised during the year from Deferred Revenue	(344)	(372)	(401)	(430)	(458)
<b>Closing Balance</b>	<b>5,476</b>	<b>5,817</b>	<b>6,129</b>	<b>6,412</b>	<b>6,667</b>

### Key Assumption:

- Member additions assumed at FY'19 levels.
- Deferred Revenue is expected to grow year on year. Under IND AS 115 only part of the sales is recognised as revenue during the year and the balance is added to Deferred Revenue account



# VO Revenue Recognition - Projections



IND AS 115

Rs Crs

VO REVENUE RECOGNITION					
Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
Member Addition assumed at FY'19 levels (Nos)	18,377	18,377	18,377	18,377	18,377
<b>VO Revenue Recognised as per previous year</b>	<b>315.46</b>	<b>343.98</b>	<b>372.50</b>	<b>401.01</b>	<b>429.53</b>
AUR (incl realignments) assumed at current level	3.88	3.88	3.88	3.88	3.88
Estimated Incremental Revenue	28.52	28.52	28.52	28.52	28.52
		28.52	28.52	28.52	28.52
			28.52	28.52	28.52
				28.52	28.52
					28.52
<b>Estimated VO Revenue Recognition</b>	<b>343.98</b>	<b>372.50</b>	<b>401.01</b>	<b>429.53</b>	<b>458.05</b>
<b>Estimated VO Deferred Cost</b>	<b>46.77</b>	<b>49.56</b>	<b>52.16</b>	<b>54.59</b>	<b>56.85</b>

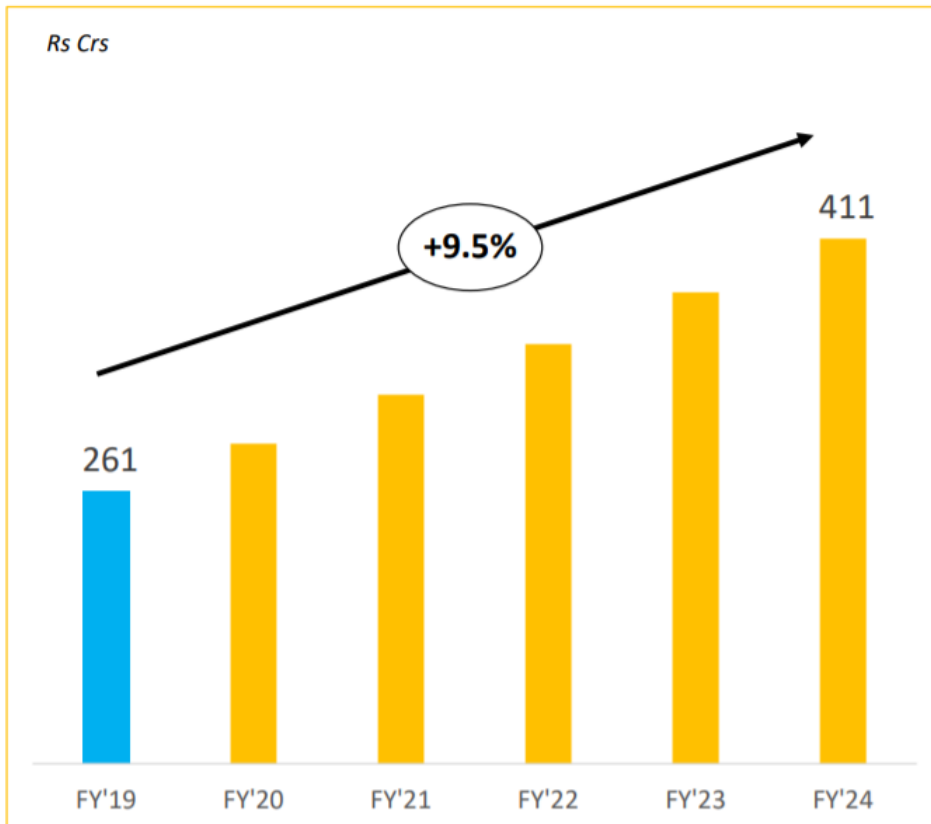
Key Assumption:

- Member additions and AUR assumed at FY'19 levels

# ASF Revenue - Projections

IND AS 115

## ASF Revenue



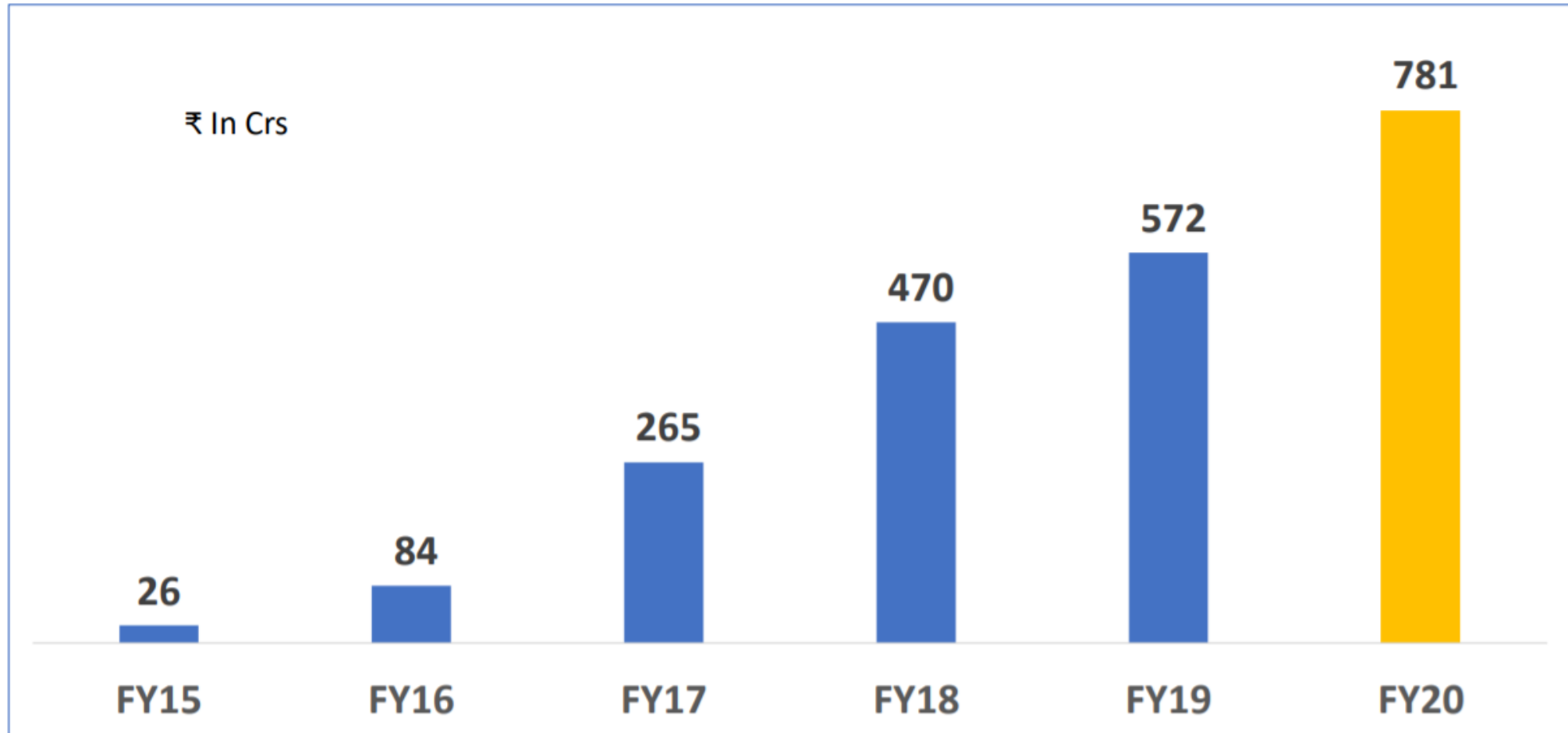
Rs Crs

ASF REVENUE					
Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
Member Addition assumed at FY'19 levels (Nos)	18,377	18,377	18,377	18,377	18,377
ASF Revenue Recognised as per previous year	261.40	289.61	318.68	348.61	379.44
Assumed ASF Price Increase (3% p.a.)	7.84	8.69	9.56	10.46	11.38
Estimated Incremental ASF Revenue	20.37	20.37	20.37	20.37	20.37
		20.37	20.37	20.37	20.37
			20.37	20.37	20.37
				20.37	20.37
					20.37
					20.37
Estimated ASF Revenue	289.61	318.68	348.61	379.44	411.20

Key Assumption:

- Member additions assumed at FY'19
- ASF increase estimated at 3% based on current trends

# Cash on Balance sheet



# Investors Dilemma

- Frequent accounting ( Ind AS18 -> AS 115 -> 116 ) policy changes from 2016 gives different picture by looking nos in isolation.

*Note – To understand the impact of diff accounting policies, please listen in the first 20 min commentary of the Q4FY20 call.*

- While nos in isolation looks bad because of above, there has been no change in cash flow and unit economics of the business.

- Liquid assets – **INR 4298 Cr**

- 781 Cr of Cash on books
- 1682 Cr of Receivables
- 1835 Cr of fixed assets ( owned Resorts and land bank )

- Deferred income – **INR 5519 Cr** Vs Deferred cost – **INR 713 Cr**

***Mr. Market is valuing MHRIL at Mcap of INR 2300 Cr Vs realizable assets of INR 9104 Cr***

# Key Risks

- Hotel chains entering in to VO model
- Membership growth outpacing room inventory growth – Negative feedback loop
- Change in consumer behavior
- Increasing cost of associated travel
- Personally feel, business model is inclined more towards company than customer – Not win-win

Q&A