

STRONG FINANCIALS, TOURISM REBOUND TAKE STOCK UP 40% IN THREE MONTHS

As Hotels Struggle, Street Finds a Winner in Mahindra Holidays

Rajesh.Mascarenhas@timesgroup.com

Mumbai: When the traditional hotel industry is struggling to shrug off the Covid blues, Mahindra Holidays & Resorts emerged as the biggest winner among the hospitality sector, with its stock gaining 40% in the last three months on the back of renewed demand.

With nearly zero debt and a cash reserve of about ₹950 crore, in addition to ₹1,200 crore of instalment payments that are due from customers in the next 12 to 24 months, Mahindra Holidays can be a value buy with a mid- to long-term perspective, according to analysts.

The business model of Mahindra Holidays — getting customers first and then building hotels, instead of the other way for the hotel industry — is not understood by the many investors, said Ambareesh Baliga, an independent analyst. “The stock even at current level can be a good buy among sector peers as the company has been able to generate positive cash flows even during the lockdown.”

The company's flagship brand, Club Mahindra, sells memberships upfront, builds hotels from the cash thus generated and does not rely on debt. Its revenue streams also include food and beverages, spa, wellness, holiday activities and adventure tourism. In addition, the company takes an annu-

Peer Comparison

	Mahindra Holidays	Indian Hotels	EIH
Revenue FY21 (₹ cr)	822	1,133	433
YoY Growth (%)	-15.86	-59.00	-67.93
Net Profits (₹ cr)	126	-525	-343
Borrowing (₹ cr)	165	3,595	339
ROE (%)	49.6	-9.01	-10
LTP (₹)	233.35	150.8	107.05
3M Returns (%)	39.26	11.41	-6.01



al maintenance fee which covers a significant part of the fixed costs of operating the resorts.

In FY21, the company improved its cash position by ₹159 crore to ₹940 crore. It has un-booked net profit of ₹4,300 crore in the balance sheet, which it will book 4% per year over 25 years.

Mahindra Holidays reported 11% revenue growth in the June 2021 quarter while its margin reverted to the 25%-plus trajectory. In FY21, the company posted a net profit of ₹126 crore, in comparison to a net loss of ₹343 crore reported by EIH and ₹525 crore by Indian Hotels on a standalone basis.

According to the company management, it has achieved occupancy of 85% during January-March 2021, 72% in July and 73% in August. The management will be more focu-

sed on domestic holidays, particularly drivable destinations to increase the occupancies and the revenue from the resorts.

“This pandemic has further strengthened the desire for extended family holidays, and this will give a boost to our membership addition at lower acquisition cost,” chairman Arun Nanda told ET. “We see a significant increase in opportunities for acquisition of new properties at attractive prices, both for purchase and lease.”

“Mahindra Holidays with its unique business model is in a sweet spot to exploit the growth in domestic tourism while rising food & beverage and holiday activity revenue from members will increase profitability at the resort level,” Edelweiss Securities analyst Nihal Mahesh Jham said.