

Price: 294

Recommendation: Buy

Industry: Hotels & Resorts

Sector: Consumer Discretionary

Report Date: 17-Mar-2025

Mahindra Holidays & Resorts India Limited (MHRIL) is strategically expanding its inventory, aiming for 10,000 keys by FY30, with recent additions in Patkote and Kandaghat. Committed to sustainability, 34% of its energy is solar-powered, and 41 resorts are net zero waste. MHRIL's premiumization strategy boosted Average Unit Revenue by 37% year-on-year. Future plans include 15 new destinations and leveraging technology for enhanced customer experiences.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1382 Cr	Operating Profit(Year)	313 Cr	Operating Profit Margin	22.7 %
Previous Year	1196 Cr	Operating Profit(Quarter)	95.5 Cr	EBITDA Margin	30.61 %
Current Quarter	360 Cr	PAT (Year)	181 Cr	Net Profit Margin	13.8 %
Previous Quarter	328 Cr	PAT (Quarter)	50.7 Cr	EPS	8.73
Revenue (QYoY)	336 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	33.7	Sales Growth	7.91 %	Sales Growth	9.76 %
PEG Ratio	1.48	PAT Growth	13.84 %	Sales Growth QYoY	7.14 %
EV/EBITDA	13.6	EPS Growth	-2.35 %	PAT Growth	7.64 %
P/B	5.51	Dividend Yield	0.00	PAT Growth QYoY	-25.44 %
Capital Allocation		Holdings		Leverage	
RoE	21.4 %	Promoter	66.8 %	Debt/Equity	0.52
RoA	2.56 %	FII	5.37 %	Debt	558 Cr
RoCE	20.9 %	DII	10.2 %	Market Cap	5946 Cr
RoIC	6.82 %	Public	17.5 %	Enterprise value	6176 Cr
		No of Shares	20.2 Cr	Cash Equivalents	328 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

In the recent earnings call, Mahindra Holidays & Resorts India Limited (MHRIL) outlined several strategic initiatives aimed at enhancing growth and operational efficiency. The company is focusing on expanding its inventory with a target of reaching 10,000 keys by FY30, having already added 206 keys this quarter. This expansion is part of their strategy to offer members new experiences and destinations, with new openings in Patkote and expansions in Kandaghat. Additionally, greenfield projects are underway in locations like Ganpatipule and Theog, with further expansions planned in Jaipur and Kandaghat. The company is also committed to sustainability, with 34% of its energy demand now met through solar power across 32 resorts, and 41 resorts achieving net zero waste to landfill status.

MHRIL is also focusing on enhancing member experiences and driving premiumization. The Average Unit Revenue (AUR) for the quarter was INR6.16 lakhs, up 37% year-on-year, reflecting a successful premiumization strategy. The company added 3,000 members this quarter, with a strong emphasis on referrals and digital channels. Upgrades have increased by 21% year-on-year, indicating a positive reception to the company's offerings. The launch of a new app has been well-received, enhancing member engagement and experience. The company is also exploring new activities and experiences at resorts to drive consistent growth in income beyond traditional offerings.

Looking ahead, MHRIL is optimistic about future growth, with plans to add 15 new destinations and about 1,000 keys over the next five quarters. The company is also focusing on sales transformation and leveraging technology to enhance customer experience and operational efficiency. The European operations, particularly in Finland, have shown improvement despite economic challenges, with EBITDA improving by €0.5 million. The company is actively working on optimizing costs and exploring synergies to drive further improvements in these operations.

While the company has shown strong performance, there are areas for improvement. The focus on inventory addition is crucial, but ensuring that member additions keep pace with room availability is important to maintain customer satisfaction. The company should continue to explore synergies in its European operations to enhance profitability. Additionally, while the AUR has peaked, maintaining this level or achieving slight growth will be important for sustaining revenue growth. Overall, MHRIL's strategic initiatives and focus on sustainability and member experience position it well for future growth, but careful management of operational challenges will be key to realizing its full potential.

MHRIL Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Mahindra Holiday	5946.38	33.71	21.42%	9.71%	7.21%	7.80%	-25.44%
ITC Hotels	34838.81					39.62%	
EIH	22728.91	32.31	17.62%	35.85%	7.95%	102.47%	12.43%
Ventive Hospital	16916.60	102.50	65.74%	20.73%	23.14%	59.29%	-23.65%
Chalet Hotels	16821.04	166.31	16.36%	21.41%	22.51%	169.69%	36.68%

Aspect	Commentary
Revenue	The company shows a solid revenue increase, with current year sales at 1382 Cr, up from 1196 Cr last year. Quarterly sales also rose to 360 Cr from 328 Cr. This growth indicates strong market demand and effective sales strategies, contributing to the company's robust financial health and potential for future expansion.
Profit & Loss	Operating profit for the year stands at 313 Cr, with a quarterly figure of 95.5 Cr. The PAT for the year is 181 Cr, and 50.7 Cr for the quarter. These figures reflect efficient cost management and operational effectiveness, supporting the company's profitability and financial stability.
Profitability Matrix	The company maintains a healthy operating profit margin of 22.7% and an EBITDA margin of 30.61%. The net profit margin is 13.8%, with an EPS of 8.73. These metrics indicate strong profitability and efficient operations, positioning the company well in its industry.
Valuation Matrix	The trailing P/E ratio is 33.7, with a PEG ratio of 1.48 and EV/EBITDA of 13.6. The P/B ratio is 5.51. These valuation metrics suggest the company is valued fairly in the market, with growth potential reflected in its PEG ratio, indicating investor confidence.
Growth (YoY)	Year-over-year sales growth is 7.91%, with PAT growth at 13.84%. EPS growth is slightly negative at -2.35%. Despite the EPS decline, overall growth metrics are positive, indicating the company's ability to expand and generate increased profits over the year.
Growth (QoQ)	Quarter-over-quarter sales growth is 9.76%, with a QYoY growth of 7.14%. PAT growth is 7.64%, but QYoY PAT growth is -25.44%. While quarterly growth is strong, the QYoY PAT decline suggests potential challenges in maintaining consistent profit growth.
Capital Allocation	The company demonstrates strong capital allocation with RoE at 21.4%, RoA at 2.56%, RoCE at 20.9%, and RoIC at 6.82%. These figures reflect effective use of capital to generate returns, supporting long-term financial sustainability and shareholder value.
Holdings	Promoter holding is 66.8%, with FII at 5.37%, DII at 10.2%, and public holding at 17.5%. The high promoter stake indicates strong confidence in the company's prospects, while diverse institutional holdings suggest broad market interest and stability.
Leverage	The debt/equity ratio is 0.52, with total debt at 558 Cr. The market cap is 5946 Cr, and enterprise value is 6176 Cr. Cash equivalents are 328 Cr. These leverage metrics indicate a balanced capital structure, with manageable debt levels supporting financial flexibility.

Analyst viewpoint: Mahindra Holidays & Resorts India Limited (MHRIL) exhibits a promising outlook, driven by impressive growth metrics and strategic initiatives. The company reported a robust quarter-over-quarter sales growth of 9.76% and plans to expand its inventory significantly by FY30. This expansion aligns with MHRIL's strategic focus on premiumization, which is evident as Average Unit Revenue increased by 37% year-on-year. The dedication to sustainability through solar energy and net-zero waste strategies enhances its brand integrity and long-term viability. Furthermore, MHRIL's valuation metrics, with a trailing P/E of 33.7 and an EV/EBITDA of 13.6, suggest a favorable positioning in the hospitality sector, underscoring investor confidence in its growth trajectory.

Despite these strengths, it's essential to monitor potential challenges like the quarter-over-quarter PAT decline of 25.44%, which suggests room for improvement in consistent profit growth. Nevertheless, with continual enhancements in member experiences and leveraging technology for sales transformation, MHRIL remains well-positioned competitively with peers like ITC Hotels and EIH. Overall, with strategic capital allocation and a focus on expanding new destinations, MHRIL's prospects for short to mid-term growth appear robust, ensuring it stands as a compelling buy in the current market landscape.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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