

MAKING EVERY MOMENT MAGICAL



Awarded by HolidayIQ
2017-18

Reviewed By Pranjal Kamra
For Finology.in

Disclosure - Invested



Mahindra Holidays & Resorts India Limited
21ST ANNUAL REPORT 2016-17

It's a Timeshare holiday company that provides 25 years (7 days an year) of holidays for a fixed upfront fee + a maintenance fee every year

Not, many colorful pictures, the AR gets to the point very quickly !, earned some brownie points here !

Chairman's Message



Dear Shareholders,

I am happy to share my thoughts with you as your Company completes twenty successful years. During the two decades, your Company's flagship brand – Club Mahindra Holidays (CMH) – has assured customers of consistently high quality and memorable family experiences. It has always lived by the credo: 'Make Every Moment Magical' for its vacation ownership members and guests. I really feel proud of the fact that your Company has been able to create a culture of regular vacationing amongst our members.

Mahindra Holidays during its 20 year journey has created a reputation for:

- Spotting hitherto unexplored destinations and creating marquee resorts.
- Managing these fully serviced resorts, often in relatively remote destinations, with high standards of service.
- Creating the largest direct sales force network in the hospitality industry within India.

In its 20th year, your Company is proud to have 2.18 lakh members who have a choice to avail holidays across 49 picturesque resorts in hill stations, on beaches, by backwaters, close to wildlife sanctuaries and near forts and heritage destinations. Your Company provides flexibility to its vacation ownership members in choosing the time of their holiday and type of accommodation across growing number of resort locations. It also strives to deliver a complete family experience that caters to the varying needs of all members of the family, from children, young adults to parents to grandparents. Many a times, I have seen four generations holidaying together. Where else is that possible? - *It happens "Only At Club Mahindra"*.

~~When I first wrote to you after your Company's IPO in 2009-10, we had 1.10 lakh Club Mahindra members. By 2016-17, the membership base has almost doubled to 2.18 lakh. Digital leads and referrals from existing members account~~

Some tall Claims here !

Showing "Club Mahindra" has been able to generate the required "pull" for its core proposition.

There has been a very healthy increase in the room inventory across the various resorts. In 2009-10, your Company had around 1500 rooms. This has doubled to 3000+ rooms at the end of 2016-17, making your Company the largest leisure hospitality player in India.

Your Company can proudly claim that it has created many new holiday destinations across India. Two decades ago, places like Binsar, Naukuchiatal, Kandaghat, Munnar, Madikeri, Virajpet, Varca, Ashtamudi, Thekkady, Kanha and Kumbhalgarh were not on the family tourism map. Today, these are well known tourist destinations, thanks to Mahindra Holidays. By creating comfortable eco-friendly resorts in these areas, your Company has not only created new tourist destinations but also provided livelihood and employment for the local communities.

All these and many other initiatives are reflected in your Company's financials. During 2016-17, the Company's standalone operating income crossed Rs.1000 crore. Profit after tax stood at Rs.131 crore – a growth of 15 per cent over the last year. What makes this performance all the more creditable is that it was achieved despite an adverse macroeconomic environment. Not only did economic growth decelerate by 1.3 per cent during the year – coming down to 6.6 per cent from 7.9 per cent in the previous year, demonetisation also proved to be a dampener on consumer sentiments, especially for high-value discretionary spend categories like vacation ownership.

In the year 2014-15, your Company took a major step in realising its global vision by acquiring 18% stake in Holiday Club Resorts Oy (HCR), a leading vacation ownership company in Europe. Subsequently, the stake has been increased to around 95 per cent. With this investment, Mahindra Holidays along with HCR has become the largest vacation ownership company outside of US. I am also pleased to say that HCR made a profit in the previous year and the future augurs well for the company in Finland.

Above all, your Company has a healthy balance sheet. An inventory of over 3000 rooms with near zero debt at the parent level. The debt in the subsidiaries is to take advantage of low interest rate available in those countries and is fully backed by assets in subsidiaries.

All this would not have been possible without the excellent work done by the management team, duly supported by all the employees and of course consistently upgrading technology to not only improve member experience but also operations.

Please join me in congratulating every employee of Mahindra Holidays for this performance in 2016-17 and also in encouraging them to do even better in the future.

Thank you for your support.

With warm regards,

Arun Nanda
Chairman

Directors' Report

Dear Shareholders,

member's increased by 15% but inventory increased by 9%, no wonder member's complain of lack of availability

Your Directors are pleased to present their Twenty First Report together with the Audited Financial Statements of your Company for the year ended March 31, 2017.

1. Operations and Financial Overview

During 2016-17, your Company has registered an impressive performance in spite of a subdued consumer sentiments, especially towards high-value discretionary spend categories and weakened further in the immediate aftermath of currency demonetisation. Your Company added 18,557 new members to its vacation ownership business, a growth of 15% over the last year, taking the total membership to 2.18 lakh at the end of the year. The growth in the member addition reflects the successful execution of its marketing strategy and brand building initiatives implemented during the year under review. During the year, your Company added 273 new room units, taking the total inventory to 3,152 units as of March 31, 2017.

Your Company, during the year, has increased its stake in Holiday Club Resorts Oy, Finland (HCR) from 85.61% to 91.94% on account of acquisition of additional shares in line with the agreement. During the month of April 2017, the stake was further increased to 91.94%.

The corporate buzzword that is best ignored

During the year under review, your Company made a strategic investment by acquiring 12% stake in Nreach Online Services Private Limited (Nreach). Nreach is a leading tech-enabled marketplace which provides widest range of experiences and activities including travel & adventure, gourmet dining, health & wellness, art & learning and other interesting things to do in and around city or in travel destinations under its flagship brand name Xoxoday (earlier known as "Giftxoxo").

Your Company's total income (including other income) grew from ₹ 96,394 lakh in 2015-16 to ₹ 1,10,593 lakh in 2016-17. Profit After Taxes (PAT) grew from ₹ 11,359 lakh in 2015-16 to ₹ 13,065 lakh in 2016-17. Diluted earnings per share (EPS) for 2016-17 stood at ₹ 14.75, up from ₹ 12.87 in the previous year.

Your Company's consolidated total income (including other income) grew from ₹ 1,61,297 lakh in 2015-16 to ₹ 2,30,999 lakh in 2016-17. The consolidated PAT grew from ₹ 8,681 lakh in 2015-16 to ₹ 14,858 lakh in 2016-17 and the Diluted EPS for 2016-17 stood at ₹ 16.78 from ₹ 9.83 in the previous year.

There are no audit qualifications in the Standalone or Consolidated Financial Statements of your Company for the year under review.

Profit Per room - per day = Rs 1129 vs 650 for EIH and & 746 for BYKE hopitality

2. Financial Highlights – Standalone

(₹ Lakh)

	2017	2016
Income:		
Income from sale of Vacation Ownership and other services	1,08,873	95,153
Other Income	1,720	1,241
Total Income	1,10,593	96,394
Expenditure:		
Less: Employee Cost & other expenses	84,443	72,444
Profit before Depreciation, Interest and Taxation	26,150	23,950
Less: Depreciation	6,053	7,133
Interest	2	8
Profit for the year before Tax	20,095	16,809
Less: Provision for Tax – Current Tax	7,535	4,990
– Deferred tax (net)	(505)	460
Net Profit for the year after tax	13,065	11,359
Other Comprehensive Income (Net of Tax)	(3)	(10)
Total Comprehensive Income	13,062	11,349

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

CAT-EGORY CODE	CATEGORY OF SHAREHOLDER	NO. OF SHARES HELD AT THE BEGINNING OF THE YEAR 01/04/2016				NO. OF SHARES HELD AT THE END OF THE YEAR 31/03/2017				% CHANGE DURING THE YEAR
		DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	DEMAT	PHYSICAL	TOTAL	% OF TOTAL SHARES	
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)	(X)	(XI)
(A)	PROMOTER AND PROMOTER GROUP									
(1)	INDIAN									
(a)	Individual /HUF	-	-	-	-	-	-	-	-	-
(b)	Central Government /State Government(s)	-	-	-	-	-	-	-	-	-
(c)	Bodies Corporate	6,65,85,642	-	6,65,85,642	75.00	5,99,27,077	-	5,99,27,077	67.50	-7.50
(d)	Financial Institutions / Banks	-	-	-	-	-	-	-	-	-
(e)	Others	-	-	-	-	-	-	-	-	-
	Sub-Total A(1) :	6,65,85,642	-	6,65,85,642	75.00	5,99,27,077	-	5,99,27,077	67.50	-7.50
(2)	FOREIGN									
(a)	Individuals (NRIs/ Foreign Individuals)	-	-	-	-	-	-	-	-	-
(b)	Bodies Corporate	-	-	-	-	-	-	-	-	-
(c)	Institutions	-	-	-	-	-	-	-	-	-
(d)	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
(e)	Others	-	-	-	-	-	-	-	-	-
	Sub-Total A(2) :	-	-	-	-	-	-	-	-	-
	Total A=A(1)+A(2)	6,65,85,642	-	6,65,85,642	75.00	5,99,27,077	-	5,99,27,077	67.50	-7.50
(B)	PUBLIC SHAREHOLDING									
(1)	INSTITUTIONS									
(a)	Mutual Funds /UTI	44,08,680	-	44,08,680	4.97	1,29,02,434	-	1,29,02,434	14.53	9.56
(b)	Financial Institutions /Banks	23,482	-	23,482	0.03	23,373	-	23,373	0.03	-
(c)	Central Government / State Government(s)	-	-	-	-	-	-	-	-	-
(d)	Venture Capital Funds	-	-	-	-	-	-	-	-	-
(e)	Insurance Companies	-	-	-	-	-	-	-	-	-
(f)	Foreign Institutional Investors	80,34,196	-	80,34,196	9.05	60,18,103	-	60,18,103	6.78	-2.27
(g)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-
(h)	Qualified Foreign Investor	-	-	-	-	-	-	-	-	-
(i)	Others	-	-	-	-	-	-	-	-	-
	Sub-Total B(1) :	1,24,66,358	-	1,24,66,358	14.05	1,89,43,910	-	1,89,43,910	21.34	7.29

Impressive !!
Maximum Permissible

Skin in the game is what i look for,
before investing

Mahindra Holidays & Resorts India Limited

Sl. No.	Date	Reason for Increase/Decrease	Name of the Share Holder	Shareholding at the beginning of the Year		Cumulative Shareholding during the Year	
				No of Shares	% of total shares of the company	No of Shares	% of total shares of the company
13	01/04/2016	Opening Balance	MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED EMPLOYEES STOCK OPTION TRUST	7,22,438	0.81	7,22,438	0.81
	06/05/2016	Sale		5,450	0.01	7,16,988	0.81
	15/07/2016	Sale		25,000	0.03	6,91,988	0.78
	19/08/2016	Sale		25,000	0.03	6,66,988	0.75
	16/09/2016	Sale		30,000	0.03	6,36,988	0.72
	07/10/2016	Sale		636	0.00	6,36,352	0.72
	21/10/2016	Sale		36,000	0.04	6,00,352	0.68
	18/11/2016	Sale		27,992	0.03	5,72,360	0.64
	30/12/2016	Sale		1,000	0.00	5,71,360	0.64
	24/02/2017	Sale		25,000	0.03	5,46,360	0.62
	31/03/2017	Closing Balance				5,46,360	0.62
14	01/04/2016	Opening Balance	SCHRODER INTERNATIONAL SELECTION FUND INDIAN OPPORTUNITIES	6,81,813	0.77	6,81,813	0.77
	30/09/2016	Sale		41,293	0.05	6,40,520	0.72
	07/10/2016	Sale		46,834	0.05	5,93,686	0.67
	14/10/2016	Sale		7,685	0.01	5,86,001	0.66
	21/10/2016	Sale		37,793	0.04	5,48,208	0.62
	28/10/2016	Sale		1,58,147	0.18	3,90,061	0.44
	04/11/2016	Sale					0.00
	11/11/2016	Sale					0.00
	31/03/2017	Closing Balance				0	0.00
15	01/04/2016	Opening Balance	PPFAS LONG TERM VALUE FUND	5,69,281	0.64	5,69,281	0.64
	17/06/2016	Purchase		5,000	0.01	5,74,281	0.65
	12/08/2016	Sale		5,000	0.01	5,69,281	0.64
	31/03/2017	Closing Balance				5,69,281	0.64
15	01/04/2016	Opening Balance	AXIS MUTUAL FUND TRUSTEE LIMITED A/C AXIS MUTUAL FUND A/C AXIS SMALL CAP FUND	4,10,287	0.46	4,10,287	0.46
	10/02/2017	Sale		67,123	0.08	3,43,164	0.39
	17/02/2017	Sale		47,877	0.05	2,95,287	0.33
	03/03/2017	Sale		9,500	0.00	2,85,787	0.32
	10/03/2017	Sale		1,20,000	0.14	1,65,787	0.19
	17/03/2017	Purchase		50,000	0.06	2,15,787	0.24
	31/03/2017	Closing Balance				2,15,787	0.24

Smart Money Invested is always a good sign

Not so smart money ??
(Tongue in Cheek)

(v) Shareholding of Directors and Key Managerial Personnel:

Sl. No.	Name of the Share Holder	No of Shares Held as on 01/04/2016	Change in Shareholding	No of Shares Held as on 31/03/2017	% Change in Shareholding
1	Arun Nanda	6,94,630	0.00	6,94,630	0.00
2	Cyrus Guzder	26,700	0.00	26,700	0.00
3	Vineet Nayyar	26,700	0.00	26,700	0.00
4	Rohit Khattar	26,700	0.00	26,700	0.00
	TOTAL	7,74,730	0.00	7,74,730	0.00

None of the other Directors and KMPs hold any shares in the Company.

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in lakh)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year 01/04/2016				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)				
Change in Indebtedness during the financial year				
• Addition				
• Reduction				
Net Change				
Indebtedness at the end of the financial year 31/03/2017				
i) Principal Amount				
ii) Interest due but not paid				
iii) Interest accrued but not due				
Total (i+ii+iii)				

Don't fall for it, This "Nil" indebtedness is at standalone level.

Corporate half truths I tell you !

Nil

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ in lakh)

Sl. No.	Particulars of Remuneration	Name of MD/WTD/Manager		Total Amount
		Kavinder Singh (Managing Director & CEO)	S Krishnan (CFO & Executive Director)	
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	320.25	165.58	485.83
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	5.24	3.41	8.65
	(c) Profits in lieu of salary under section 17(3) Income Tax Act, 1961	-	-	-
2.	Stock Option			-
3.	Sweat Equity			-
4.	Commission - as % of profit - others, specify			-
5.	Others, please specify			-
	Total (A)	325.49	168.99	494.48
	Ceiling as per the Act	₹ 2,270.90 lakh (being 10% of the Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013)		

Tells a lot about integrity of the management

B. Remuneration to other directors:

(₹ in lakh)

Particulars of Remuneration	Name of Directors								Total Amount
	Arun Nanda	Cyrus Guzder	Rohit Khattar	Sanjeev Aga	Sridar Iyengar	Radhika Shastry	V S Parthasarathy	Vineet Nayyar	
Independent Directors									
• Fee for attending board / committee meetings	-	6.40	7.10	5.20	7.40	5.00	-	-	31.10
• Commission	-	14.00	12.50	12.50	14.00	12.50	-	-	65.50
• Others, please specify	-	-	-	-	-	-	-	-	-
Total (1)	-	20.40	19.60	17.70	21.40	17.50	-	-	96.60
Other Non-Executive Directors									
• Fee for attending board / committee meetings	-	-	-	-	-	-	-	-	13.60
• Commission	-	-	-	-	-	-	-	-	108.33
• Others, please specify	-	-	-	-	-	-	-	-	-
Total (2)	-	-	-	-	-	-	-	-	121.93
Total (B)=(1+2)									218.53
Total Managerial Remuneration (A+B)									713.01
Overall Ceiling as per the Act (A+B)	₹ 2,497.99 lakh being 11% of the Net Profits of the Company calculated as per Section 198 of the Companies Act, 2013)								

The maximum salary they could have paid to the top level management was 2,497 lacs, Yet they paid about 713 lacs as salary & fee, which is about 4% of the net profit. This is reasonable, anything above 6-7% and i will be alarmed

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

(₹ in lakh)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		Company Secretary	CFO	Total
1.	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	75.03	Refer Point No. VI A	75.03
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	0.44		0.44
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-		-
2.	Stock Option	-		-
3.	Sweat Equity	-		-
4.	Commission - as % of profit -others, specify...	-		--
5.	Others, please specify	-		-
	TOTAL	75.47		75.47

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES

During the year, no penalties were levied against the Company, its directors or any of its officers under the Companies Act, 2013 nor was there any punishment or compounding of offences against the Company, its directors or any of its officers.

For and on behalf of the Board

Arun Nanda

Chairman

DIN: 00010029

Mumbai
May 19, 2017

The most important metric in this business, especially because mahindra suffered from a lot of consumer complaints in the past years (i was one of the complianants)

Management Discussion and Analysis

Mahindra Holidays & Resorts India Limited ('Mahindra Holidays', 'MHRIL' or 'the Company') is a leading player in the leisure hospitality industry. Founded in 1996, Mahindra Holidays has established vacation ownership business in India, and is the market leader in the business. Apart from providing quality rooms in the form of furnished apartments and cottages at resorts in unique and popular destinations, Mahindra Holidays offers its vacation ownership members family-friendly amenities including dining, holiday activities, spa and wellness facilities for a complete holiday experience.

Mahindra Holidays completed twenty years of operations in 2016-17. In this period, the Company has built a membership base of over 2 lakh, offering them holidays across 49 resorts, (many of which are in new unexplored destinations) and together with its Finnish subsidiary Holiday Club Resorts, Mahindra Holidays has a bouquet of 81 resorts across India, Thailand, Malaysia, Dubai, Finland, Sweden and Spain (Gran Canaria), making it the largest vacation ownership company outside USA.

This Management Discussion and Analysis Report (MDA) presents an overview of the markets and opportunities as well as the operational and financial performance of the Company during 2016-17. It also highlights Mahindra Holidays' strategy and discusses important initiatives taken by the Company during the year to achieve its growth and performance objectives.

Performance Highlights

Sustained growth in membership

Mahindra Holidays added more than eighteen thousand five hundred members to its vacation ownership business in 2016-17 – taking the total membership base to 2.18 lakh at the end of 2016-17.

What makes this performance even more creditable is that it was delivered amidst considerable macroeconomic headwinds. The Company's efforts – execution of its marketing strategy, brand building initiatives and creation of a responsive sales organisation – are discussed in the sections on 'Opportunities and Strategy' and 'Business Performance'.

Inventory addition; new destinations

Mahindra Holidays added 273 new units to its room inventory, taking the total room inventory to 3,152 units across its 49 resorts. This includes new destinations such as Hatgad (Maharashtra near Saputara), Wayanad (Kerala), Jodhpur and Jaipur (Rajasthan) as well as existing locations where further inventory was added. Pace of room inventory growth is expected to remain strong – with four ongoing

greenfield projects adding around 600 units in the next 2-3 years. Further details are provided in the section on 'Properties and New Projects'.

Member satisfaction at an all-time high

Member satisfaction improved considerably during the year – both in terms of holiday experience at the resorts and member services. These are reflected in customer-as-promoter and post-holiday feedback scores, which are at an all-time high. Several new holiday activities, theme-based events and food and beverage (F&B) concepts introduced during the year contributed to the objective of providing immersive holiday experiences. These are discussed in greater detail in the section on 'Resort Operations'.

The launch of the Company's full-feature mobile app during the year has enhanced member servicing and convenience significantly. **Online bookings have jumped from 66 per cent to 85 per cent by the end of 2016-17. Occupancy rates were also at an all-time high of 85 per cent in 2016-17. With over 1 million room nights serviced during 2016-17, Mahindra Holidays has become the leading player in the leisure hospitality industry in India.** Further information on

85% vs the industry average of about 60%

Enhancing the 'Club' proposition

Mahindra Holidays launched 'Experience Zone' – an online marketplace of in-city experiences – especially curated for its members. Mahindra Holidays also offered its members unique vacation experiences such as 'Rann of Kutch' festival and cruises at very attractive prices. Besides, member engagement outside resorts was increased through member meets, events and curated experiences under the banner of 'Heart-to-Heart' programs. These have enhanced the exclusivity and the value proposition of a 'Club Mahindra' membership, creating a significant pull for the product.

Online engagement to strengthen the brand

Online and digital media offer an unmatched opportunity to increase the scale and scope of engagement with members. **Social media campaigns during major festivals and other celebratory occasions have been extremely successful in creating a favourable buzz around the brand and generate digital leads.** Overall online sentiment of the brand has improved significantly.

Creditable financial performance

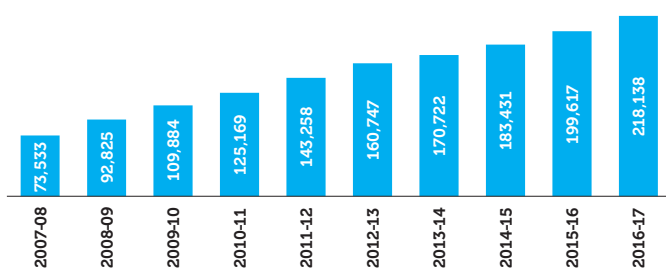
The Company's success in delivering immersive holiday experiences and creating a favourable pull around its brand

Interesting update, holiday packages for senior citizens is an untapped territory

Business Performance

'Club Mahindra' is the Company's flagship product in the vacation ownership business, which entitles its members a week's holiday every year for a period of 10 or 25 years depending on the membership. **During 2016-17, the Company added 18,557 members, taking the total membership to 218,138 as on March 31, 2017. This represents a growth of 9.3 per cent on cumulative base in 2016-17 as compared to 8.8 per cent in the previous year.** Chart A provides details of the growth in membership in the last 10 years.

Chart A: Cumulative Vacation Ownership Membership



This performance is a result of concerted efforts by the Company in three key areas. First, continued success of Company's pull-based marketing strategy in generating high-quality leads with a better rate of conversion. The contribution of digital and referral leads has increased since the launch of the effort in 2014-15. These accounted for approximately 50 per cent of sales in 2016-17.

Second, the Company was also successful in expanding its geographic reach — branch network and channel partners. During the year, Mahindra Holidays identified certain high-potential Tier 2 and Tier 3 cities and focused on them to drive sales. In addition, the contribution of resort locations as a sales channel also improved. At the end of 2016-17, Mahindra Holidays was present in 115 locations in India through a network of Branches and Channel partners.

Third, performance in international markets saw further progress. Contribution of international markets to sales, which was negligible a few years back, has gradually increased to 4.2 per cent during the year. Currently, the Company has international footprint in the Middle East and Africa. Going forward, focus will be to expand it to other countries with sizeable Indian population.

The Company also markets a corporate product called 'Club Mahindra Fundays', which allows enrolled organisations to offer holiday entitlements to its employees either as a part of their reward and recognition program or as an employment perquisite or compensation. During the year, this product performed satisfactorily. New clients were added and there was an increase in the number of room nights utilised.

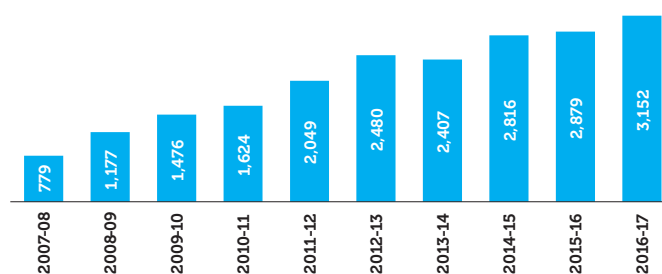
The Company launched a new shorter duration vacation ownership product 'Bliss' in January 2017, which offers one week of holiday every year over Ten Years. It is targeted at seniors. Seniors travel is a fast growing segment. It is a point-based product that has been designed to offer greater flexibility to the customers in terms of choice of season, room configuration and duration of the holiday. The product has generated considerable interest since its launch.

Properties and New Projects

Mahindra Holidays currently has a pan-India presence through its extensive network of resorts across destinations including hill stations, beaches, backwaters, wildlife sanctuaries, forts and heritage destinations. Mahindra Holidays is also present in international destinations such as Bangkok, Innsbruck (Austria), Kuala Lumpur and Dubai. In addition, Club Mahindra members have a choice to visit HCR's 32 exotic resorts in Finland, Sweden and Spain (Gran Canaria).

During the year, Mahindra Holidays added 273 room units to its inventory — taking the total inventory to 3,152 units across 49 resorts by the end of 2016-17. This included 75 units in Hatgad (Maharashtra), 50 in Jaipur (Rajasthan), 36 in Wayanad (Kerala), 25 in Jodhpur (Rajasthan), 20 Kuala Lumpur (Malaysia) and 20 in Nadiad (Gujarat). Rooms were also added in its existing properties at Kodaikanal and Baiguney. Chart B provides information on growth of inventory in the last 10 years.

Chart B: Cumulative Inventory (Number of Room Units)



In line with the Company's strategy, majority of the inventory is owned by it. In cases where resorts are under long-term lease arrangements, the Company manages the resorts to ensure delivery of complete range of services to its members.

Makes the business asset heavy, returns ratios will therefore be subdued in the expansion phase

stages of planning and development. The 116-unit property in Naldhera, being developed by a subsidiary company, is expected to open shortly.

2015 and hence consolidated income for the financial year 2015-16 represents from the period HCR became subsidiary. During the year, PAT grew by 39 per cent from ₹ 10,503 lakh in 2015-16 to ₹ 14,550 lakh in 2016-17 and the Diluted EPS increased from ₹ 9.83 in 2015-16 to ₹ 16.78 in 2016-17. On a consolidated basis, total debt was at ₹ 77,422 lakhs as at March 31, 2017.

Internal Controls

The Company has an adequate internal control system, commensurate with the size and nature of its business. The system is supported by documented policies, guidelines and procedures to monitor business and operational performance which are aimed at ensuring business integrity and promoting operational efficiency. As is the consistent practice, the Company had engaged a reputed firm specialising in implementation of internal controls to test the design and operating effectiveness of existing controls (both manual and system-based) and to remediate issues arising out of the

My scuttlebutt experience tells me that they have failed miserably in ensuring availability of rooms to members, leads to customer disappointment, espically when rooms are not available for members but are available on a pay per day basis on travel portals like goibibo, although, i must credit them that the situation has slightly improved in the last 2 years

Committee of the Board of Directors, which reviews the adequacy and effectiveness of the internal control systems and suggests improvements for strengthening them.

Threats, Risks and Concerns

Mahindra Holidays' risk management framework consists of identification of risks, assessment of their nature, severity and potential impact, and measures to mitigate them. This framework is in place for adequate and timely reporting and monitoring. Risks are reviewed periodically and updated to reflect the business environment and change in the size and scope of the Company's operations. The Company has a Risk Management Committee consisting of four Directors for monitoring risk management plan and policy of the Company from time to time in addition to evaluation of internal financial controls and risk management systems by the Audit Committee.

Macroeconomic Risks

Although the macroeconomic situation appears to be improving, cyclical downturns may continue to resurface in the future. Besides, even with the current environment of stable macro-environment and benign inflation, there still are downside risks in the form of poor south-west monsoons and strengthening of global commodity prices. These can impact the Company's ability to generate sales and affect its growth prospects.

The Company recognises these risks and has measures in place to mitigate the impact of adverse macroeconomic situation. This includes focusing on pull-based strategy for customer acquisition through referrals and targeted digital marketing, which allows the Company to reach the right segments and at the same time ensures higher conversion to sales. The Company is also in the process of increasing its international presence both in terms of its marketing network and vacation ownership business through HCR. Other initiatives taken during the year include its 10-year product 'Bliss', that allows the Company to reach out to seniors. Seniors travel is a fast growing segment in India.

Operational Risks

Operational risks mainly relate to meeting customer expectations in terms of quality of service and maintaining a balance between the inventory of resorts and growth of customers. These assume significance given the long service duration of the key products. As there are multiple choices of locations and seasons, there could be occasions where the first choice of holiday requested by the customers may not be available, which may result in dissatisfaction. Another operational risk is in the ability to consistently attract, retain and motivate managerial talent and other skilled personnel, especially in a high growth industry with unique characteristics. Further, some of the Company's resorts are located in remote areas and natural calamities such as earthquake, flood, landslide etc. may affect the accessibility of the resort to members as well as online connectivity.

The Company has invested significant resources in systems and processes to mitigate these risks. Customer satisfaction continues to be favourable and on an upward trend. Regarding room inventory, the Company will continue to be judicious in the use of different options — greenfield projects, expanding inventory at existing locations, leases and inventory arrangements — to meet the expectations of its customers and at the same time maintain a balance between demand and supply. Regarding talent management and retention, the management believes that its HR practices enhance employee engagement and satisfaction to effectively mitigate this risk.

Financial Risks

The Company's business involves significant investments in building resorts for its operations. These expose it to

risks in terms of timely and adequate availability of funds at competitive rates to finance its growth. Besides, the Company offers its customers schemes to finance the purchase of the vacation ownership and similar products, which exposes it to credit risks. The Company is exposed to potential non-payment or delayed payment of membership instalments and/or the annual subscription fee by members resulting in higher outstanding receivables.

Currently, Mahindra Holidays has no debt on a standalone basis, and has a strong and stable capital structure to raise

They have regularly bragged about "zero debt" at the standalone level. The truth is there is a lot of debt at the consolidated level, its the consolidated numbers that matter more.

the Company does not foresee any significant risk in this regard.

Regulatory and Legal Risks

Mahindra Holidays is exposed to regulatory and legal risks. These include cumbersome processes and risks relating to land acquisition, conversion of land for commercial usage and development of properties, environmental clearances, approvals and activities related to development of new resorts. There are also other regulatory and legal risks pertaining to tax proceedings, legal proceedings on properties, customer complaints, non-compliance of regulations including environmental regulations and those pertaining to the hospitality sector. Further, as the Company has investments and operations in different countries, it is also exposed to political and regulatory risks that emanate from its international presence.

The Company has systems and controls in place to mitigate these risks and minimise instances of non-compliance. The Company also believes that its proactive stance on sustainability will hold it in good stead for future development and growth.

Outlook

Mahindra Holidays registered a creditable performance in 2016-17. The Company's strategy to strengthen its brand proposition and generate more pull-based leads has been successful at a time when the industry faced considerable headwinds in the form of low consumer disposition towards high-value discretionary spends.

The Company believes that penetration of vacation ownership in India is low and there is considerable room for growth. Consistent improvements in member satisfaction, which are at an all-time high, are testimony to its ability to deliver unique and immersive holiday experiences at scale. At the same time, the excellence in member servicing achieved through a combination of technology-based solutions and scalable processes has improved its competitive positioning in the industry.

Today, Mahindra Holidays is a leading player in the leisure hospitality industry in India. The Company's 49 resorts offer an unmatched variety of experiences to its members. Efforts taken during the year to engage with members outside the 7-day holiday period has strengthened the product proposition further. These augur well for the Company's performance in the future. Besides, any improvement in the macroeconomic situation is likely to further boost the Company's prospects in 2017-18.

Cautionary Statement

Certain statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include poor macroeconomic growth and consumer confidence, inability to add resorts and increase the inventory of room, cyclical demand and pricing in the Company's principal markets, changes in tastes and preferences, government regulations, tax regimes, economic development within India and other incidental factors.

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2017

All amounts are in INR Lacs unless otherwise stated

Particulars	Note No.	As at March 31, 2017	As at March 31, 2016	As at April 1, 2015
Assets				
Non-current assets				
Property, Plant and Equipment	4	115,765.07	121,152.96	89,127.55
Capital work-in-progress		16,921.83	7,176.18	8,725.57
Goodwill	5	6,826.36	7,196.33	12,104.19
Other Intangible Assets	6	4,706.61	5,552.38	2,239.35
Intangible assets under development		211.42	349.77	730.89
Financial Assets				
Investments in Associates & Joint ventures	7	155.85	121.61	9,466.83
Other Investments	7	492.49	193.50	456.12
Trade receivables	8	50,520.42	44,299.19	35,554.22
Loans	9	3,752.08	3,149.09	3,059.28
Others	10	500.75	329.62	55.04
Deferred Tax Assets (Net)	11(a)	4,586.25	4,888.27	2,023.82
Other non-current tax assets (Net)	12(a)	10,568.01	11,771.48	11,408.63
Other non-current assets	12(b)	2,189.24	1,833.44	3,744.43
		217,196.38	208,013.82	178,695.92
Current assets				
Inventories	13	39,538.55	37,940.96	598.39
Financial Assets				
Investments	14	9,711.29	5,788.78	958.26
Trade receivables	15	101,997.15	93,441.12	71,157.51
Cash and cash equivalents	16	19,611.58	10,784.27	1,896.06
Other bank balances	17	1,811.91	360.96	337.94
Loans	18	30.37	27.17	23.46
Others	19	-	34.10	38.73
		5,969.16	6,486.74	2,399.55
		178,670.01	154,864.10	77,409.90
		395,866.39	362,877.92	256,105.82
EQUITY AND LIABILITIES				
Equity				
Equity share capital	21	8,823.45	8,805.84	8,802.63
Other equity	22	50,915.15	41,808.65	49,124.16
		59,738.60	50,614.49	57,926.79
Non-Controlling Interests	23	2,825.46	3,069.57	244.76
		62,564.06	53,684.06	58,171.55
LIABILITIES				
Non-current liabilities				
Financial Liabilities				
Borrowings		69,380.86	63,212.74	11,738.14
Other financial liabilities	25	3,889.20	4,079.97	577.63
Provisions	26	859.68	682.42	502.04
Deferred Tax Liabilities (Net)	11(b)	183.81	330.16	-
Other non-current liabilities				
Deferred Revenue	27	187,801.25	168,932.50	150,866.32
		262,114.80	237,237.79	163,684.13
Current liabilities				
Financial Liabilities				
Borrowings	28	1,819.27	1,124.55	641.21
Trade payables	29	27,494.60	25,769.42	11,177.43
Other financial liabilities	30	17,698.72	24,126.90	4,730.67
Provisions	31	161.46	22.89	17.43
Other current liabilities				
Deferred Revenue	32(a)	21,680.75	19,141.39	16,690.70
Others	32(b)	2,332.73	1,770.92	992.70
		71,187.53	71,956.07	34,250.14
		395,866.39	362,877.92	256,105.82

The high receivables are owing to membership EMI

Not so zero debt, infact high debt

See accompanying notes to the financial statements

In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants
Firm Registration No. 008072S

M. K. Ananthanarayanan
Partner

Membership Number: 19521

Place: Mumbai
Date: May 19, 2017

For and on behalf of the Board of Directors

A. K. Nanda
Chairman

S. Krishnan
Executive Director &
Chief Financial Officer

Place: Mumbai
Date: May 19, 2017

Kavinder Singh
Managing Director & CEO

Dinesh Shetty
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED MARCH 31, 2017

All amounts are in INR Lacs unless otherwise stated

Particulars	Note No.	Year ended March 31, 2017	Year ended March 31, 2016
Revenue			
Revenue from operations	33	228,215.66	160,212.10
Other income	34	2,783.17	1,084.89
Total Revenue		230,998.83	161,296.99
Expenses			
Cost of vacation ownership weeks	37(a)	31,659.24	16,349.15
Employee benefits expense	35	51,276.99	36,222.57
Finance costs	36	1,971.57	1,515.35
Depreciation and amortisation expense	4 & 6	10,592.01	9,755.74
Other expenses	37(b)	113,091.61	81,313.44
Total Expenses		208,591.42	145,156.25
Share of profit/ (loss) of joint ventures and associates		4.95	(1,493.62)
Profit before tax		22,412.36	14,647.12
Tax Expense			
Current tax	38	7,902.73	5,023.17
Deferred tax	38	(45.62)	614.21
Total tax expense		7,857.11	5,637.38
Profit after tax		14,555.25	9,009.74
Profit for the period attributable to:			
Owners of the Company		14,857.59	8,680.74
Non controlling interests		(302.34)	329.00
		14,555.25	9,009.74
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of the defined benefit liabilities / (asset)		(4.48)	(15.45)
Income taxes related to items that will not be reclassified to profit or loss		1.55	5.35
Items that may be reclassified to profit or loss			
Exchange differences on translating the financial statements of foreign operations		(3,344.45)	(306.41)
Income taxes related to items that may be reclassified to profit or loss		-	-
Total Other Comprehensive Income		(3,347.38)	(316.51)
Other comprehensive income for the period attributable to:			
Owners of the Company		(3,177.16)	(268.15)
Non controlling interests		(170.22)	(48.36)
		(3,347.38)	(316.51)
Total comprehensive income for the period attributable to:			
Owners of the Company		11,680.43	8,412.59
Non controlling interests		(472.56)	280.64
Earnings per equity share (for continuing operation):			
Basic	39	16.86	9.86
Diluted	39	16.78	9.83

See accompanying notes to the financial statements
In terms of our report attached

For **Deloitte Haskins & Sells**
Chartered Accountants
Firm Registration No. 008072S

M. K. Ananthanarayanan
Partner
Membership Number: 19521
Place: Mumbai
Date: May 19, 2017

For and on behalf of the Board of Directors

A. K. Nanda
Chairman
S. Krishnan
Executive Director &
Chief Financial Officer
Place: Mumbai
Date: May 19, 2017

Kavinder Singh
Managing Director & CEO
Dinesh Shetty
Company Secretary

*** Read about the business model, and management quality of Mahindra holidays - [Click Here](#)**

Conclusion

- Good sales & profit growth of 40% and 21% CAGR respectively
- High Promoter holding is reassuring
- Growth has picked up in the last year despite economic slowdown.
- High debt at the consolidated level
- Company enjoys near monopoly in the fast growing vacation ownership business, with sterling holidays being a distant second. It's rare to find a monopoly position in a fast growing industry that is not technology dependant.

*** My personal experience of holiday with club mahindra has been just about average,** with a lot of issues with booking & sudden arbitrary cancellations on their part. They claim that the customer satisfaction is at an all time high, but that must be from a very low base.

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Important Note

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ALL YOU NEED TO KNOW
ABOUT MAHINDRA HOLIDAYS