



**HDFC securities**

Equity  
Research

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week

Industry	CMP	Recommendation	Add on dips to	Targets	Time Horizon
Hotels (Leisure)	Rs. 305	Buy at CMP and add on Dips	Rs. 282-305	Rs. 358-440	4 - 6 Quarters

HDFC Scrip Code	MAHHOL
BSE Code	533088
NSE Code	MHRIL
Bloomberg	MHRL
CMP as on 09 Feb-18	305
Equity Capital (Rs cr)	132.4
Face Value (Rs)	10
Equity O/S (cr)	13.2
Market Cap (Rs Cr)	4065
Book Value (Rs)	57
Avg. 52 Week Vol	149722
52 Week High (Rs)	469
52 Week Low (Rs)	269

#### Shareholding Pattern (%)

Promoters	67.5
Institutions	20.6
Non Institutions	11.9

PCG Risk Rating*	Yellow
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\* Refer Rating explanation

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**Mahindra Holidays & Resorts India Limited (MHRIL) is a leading player in the leisure hospitality industry. Founded in 1996, it has established vacation ownership in India, and is the market leader in the business. It offers holidays to its customers that are designed for the discerning and differentiated needs of families. Apart from providing quality rooms in the form of furnished apartments and cottages at resorts in unique and popular destinations, Mahindra Holidays offers its members family-friendly amenities including dining, holiday activities, spa and wellness facilities for a complete holiday experience. As on Dec, 2017, there were over 4500 people on the rolls of the Company. The company has almost 2,30,000 members spread across different membership schemes. Club Mahindra is the flagship brand of the company along with Club Mahindra Fundays and Club Mahindra Travel. Holiday Club offers conventional vacation ownership program and also engages in resort management contracts earning fee from managing resorts.**

**Mahindra Holidays & Resorts India (MHRIL) offers a compelling play on the large growth opportunity in the vacation ownership industry wherein the potential is estimated to grow multi fold from the current industry size. We believe company would add members at 9-11% cagr over the next 5-7 years in India, which would take total members above 3 lakhs (c. 2.30 lakhs) in the next four years, on the back of ongoing initiatives in internal processes and engagement outreach. Apart from that MHRIL had raised its stake from ~20% to c.95% in Holiday Club Resorts (HCR), Finland. HCR has > 50,000 members in EU as on Mar 2017. 'Club Mahindra' members will also have the option of visiting HCR's resorts in Europe. The acquisition has made Mahindra Holidays the largest timeshare operator outside the US and would remain growth driver in the long run. Synergies to aid margins too in the next two years. Earlier in Feb 2017, we had initiated coverage on MHRIL at Rs 295 (adjusted for bonus 1:2) with TP of Rs 363 and 447 which had got achieved in JUL 2017.**

**With 2.3 lakhs membership base, MHRIL operates 49 resorts across variety of locations in India. MHRIL has planned upon capex of Rs 600cr over the next two-three years. We expect ~10% CAGR in user base while the annuity and resort income is likely to exhibit faster growth. The acquisition of Finland-based Holiday Club Resorts (HCR) has extended MHRIL footprints on EU including Finland, Spain and Sweden, bringing in more than 50,000 members to the fold. We value the stock at 26x FY20E EPS and recommend BUY with sequential targets of Rs 358 and Rs 440 towards the next 4-6 quarters. Key risks would include lower than estimated growth in membership addition that may have a cascading impact on annuity & resort income as well as margins.**

## Key Highlights

Mahindra Holidays & Resorts India Limited (MHRIL) is a leading player in the leisure hospitality industry.

As on Dec, 2017, there were over 4500 people on the rolls of the Company. The company has almost 2,30,000 members spread across different membership schemes. For the full year FY17 it had added ~19,000 members. For 9M FY18, MHRIL added 12000 members taking total members count to 2.3 lacs.

Club Mahindra is the flagship brand of the company along with Club Mahindra Fundays and Club Mahindra Travel. Holiday Club offers conventional vacation ownership program and also engages in resort management contracts earning fee from managing resorts.

We believe company would add members at 9-11% cagr over the next 5-7 years in India, which would take total members above 3 lakhs (c. 2.30 lakhs) in the next four years, on the back of ongoing initiatives in internal processes and engagement outreach.

MHRIL has planned upon capex of Rs 600cr over the next two-three years. We expect ~10% CAGR in user base while the annuity and resort income is likely to exhibit faster growth.

Company has cash & equivalents of Rs 410cr as on Dec 2017.

Given rise in disposable income and strong growth in Travel & Tourism industry, we expect MHRIL to do better and gather robust momentum in members' addition in the coming years.

## A play on growing market for Vacation Ownership

Mahindra Holidays' flagship brand 'Club Mahindra' is a play on the growing market for vacations and holidays. MHRIL mainly targets the audience as a typical in the age of 30s with a family and car ownership. A look at the installed car base and annual car sales of 35 lakhs suggest large untapped potential when compared to the 2.3 lakhs customer base of the company. The membership, priced between Rs.2.6 lakhs for a Blue Studio to Rs.18.3 lakhs for a Purple Two Bedroom (effective from June - 2016), is available at affordable EMIs with a 6 to 48 month period.

Management remains confident on membership growth with focus on driving stickier memberships. It had clocked 8.7% CAGR in membership base over FY12-17 and we expect the same to accelerate further with lower double digit growth over the next 3-5 years. Management has judiciously added room inventory just ahead of membership growth which implies commendable capital allocation strategy. Digital and referral programs accounted for 50-55% of the sales lead and though the costs are relatively higher, MHRIL indicated such consumers also tend to be stickier which reduces churn and promotional expenses for product consumed over 25 years.

Company takes into account 60% of the onetime vacation ownership fee upfront in P&L and balance 40% is amortized over the 25-years period of membership.

## Holiday Club acquisition to create global footprint

Mahindra Holidays had acquired ~19% stake in Finland based Holiday Club (HCR) in July 2014 which has since been hiked to ~95%. HCR portfolio includes about 2,700 units and 50,000 members. It has 31 resorts with majority (23) in Finland, two in Sweden and 6 in Spain. Mahindra Holidays is looking at options including reorganization of related assets and debt reduction to drive the turnaround of HCR. For FY16, HCR had reported revenues of Rs 1310cr and loss of ~Rs 30cr. In 9M FY18, posted revenue of Rs 894cr with PAT of (Euro 3.8 mn) Rs 30cr. The acquisition has helped to create footprint in Europe and directs own inventory in places where domestic population is likely to travel. It also creates a larger pool of resorts for existing Club Mahindra customer base. We expect strong turn around in HCR over the next two-three years and that would add to MHRIL's profitability. Besides, 'Club Mahindra' members will now also have the option of visiting HCR's resorts in Europe. HCR is a leading vacation ownership company in Europe with around 50,000 members and 31 resorts in Finland, Sweden and Spain. HCR has 31 resorts, of which 23 are located in Finland, 2 in Sweden and 6 in Spain. HCR operates 1,159 hotel rooms and 2,173 holiday homes (Time share units and villa units).

MHRIL had acquired additional 6.3% stake in HCR, Finland for 4.4 mn Euros (Rs 32 cr) and valued the company at Rs 500cr. In addition to that MHRIL would invest up to 10 mn Euros in the form of loan to finance the growth of the company over the medium term. Holiday Club Resort (HCR), Finland is Europe's leading Vacation Ownership and HCR has 22 resorts in Finland, 2 in Sweden and 6 in Spain. HCR had total of 2685 units incl. 47 under construction as on 2015.



### **Sales and marketing would remain key to member additions**

Club Mahindra marketing is based on a direct sales methodology and does involve discounts though these are linked to higher down payments. Moreover, brand marketing is one of the key margin levers, focused effort on which can fetch economies of scale over a long period. MHRIL uses digital channels to target potential customers with specific ads. MHRIL has indicated that overall selling costs including branding cost have triggered improved outcomes in membership addition.

### **Member additions were strong for FY17**

Mahindra Holidays & Resorts India (MHRIL) had reported consolidated revenues of Rs 2282cr in FY17. EBITDA margin was at 14.1%. Other income surged 5 times to Rs 28cr. Company added 273 rooms in FY17 and 210 rooms were added in 9M FY18; with this cumulative room inventory stood at 3362 units.

Management is confident of adding ~300-400 rooms in the next two years driven by greenfield and brownfield expansions as well as inorganic acquisitions. For the full year FY17 it had added ~19,000 members. For 9M FY18, MHRIL added 12000 members taking total members count to 2.3 lacs.

### Q3 FY18 Highlights

#### Revenue was down 1% yoy on lacklustre pace of member additions

Mahindra Holidays & Resorts standalone sales declined 1% YoY to Rs 267cr while income from vacation ownership was down 7% YoY to Rs 134cr, annual subscription fee (ASF) was up by 5% YoY to Rs 54cr. EBITDA was down 13% YoY to Rs 58cr. EBITDA margin contracted 294bp YoY to 21.6%, owing to higher lease rental expenses. Adjusted PAT dipped ~11% YoY to Rs 32cr. During Q3 FY18, ARR contracted by 6% YoY to Rs 4,505; nevertheless, resort occupancy was up flat YoY at 51% in Q3 FY18. MHRIL added 4,194 members in Q3 FY18, down 5.5% YoY. The company expects strong membership additions over the next couple of years by penetrating tier 2 & 3 cities. Management guided addition of 500 rooms under Greenfield expansion over the next two years with capex of ~Rs 6bn.

#### International business turns around

During 9M FY18, MHRIL's materials subsidiary, HCR, recorded top-line growth of 3.7% YoY (constant currency) to EUR 120.5mn and PAT of EUR 3.8mn (vs. loss of EUR 0.04mn YoY). We note HCR's peak holidaying season is H2, and, consequently, a significant portion of its profit accrues during this period. On the domestic front, the company will continue to focus on improvement in member quality by preferring higher upfront payments and reducing the tenure of instalments. Cash position has improved significantly at Rs 4.1bn, up 117% YoY.

#### Other key developments

Company has been accelerating inventory addition, of which 115 were at own property. Lease rentals increased due to strong room addition. It has increased by Rs 60mn.

#### Marketing

Lead generation has maximum headroom to be optimised. Company is looking at running more successful campaigns.

#### Room addition/capex

- Naldehra, Shimla is expected to come up in next 3-4 months
- Goa is 240 rooms property, which will come towards end of FY19.
- Construction work has commenced at Ashtamudi, Kerala.
- A total of 600 units to be added by FY19.

#### Others

- Company has taken several cost reduction measures.
- Management commented that investments in Finland is for the long term; there are challenges in Europe. However, Finland is a profitable bet.

## MHRIL: Resorts in India and International

### Hill Stations

- Manali, Shimla, Naldhera, Srinagar
- Dharamshala, Kanatal, Binsar
- Mussorie, Kandaghat, Naukuchiatal,
- Munnar, Ooty, Kodaikanal, Coorg, Virajpet
- Gangtok, Baiguney
- Mahabaleshwar, Lonavala, Hatgarh

### Beaches

- Varca, Goa
- Emerald Palms, Goa
- Acacia Palms, Goa
- Cherai
- Pondicherry
- Ganapatipule

### Backwaters

- Ashtamudi
- Kumarakom
- Poovar
- Allepey

### Wildlife

- Corbett
- Gir
- Kanha
- Yercaud
- Thekkady

### Forts & Heritage

- Kumbhalgarh
- Udaipur
- Jaisalmer
- Jaipur

### International

- Bangkok
- Kuala Lumpur
- Dubai
- Austria
- Singapore

Source: Company, HDFC sec Research

### **Vacation Ownership – “Time Share” Concept**

Time share is a form of vacation ownership, where one purchases the right to use a resort for a specified number of days each year, for a certain number of years.

First, to become a member, one will have to pay one-time membership charge. This upfront payment can vary depending on the type of accommodation and time of the year. Aside of a large upfront payment, member will also have to foot the bill for the upkeep of the property, staff salaries and utility charges by paying an annual maintenance fee. This isn't inflation-protected. Club Mahindra charges Rs 11,000 - 25,000 per year and the same is likely to be revised every year. Club Mahindra's annual fee is benchmarked against WPI/CPI and revised every year. Vacation ownership concept assures good quality rooms and is a cheaper way to holiday.

A vacation ownership allows a member and the family guaranteed 7 days of holiday every year for 25 years across all the resorts' the company owns. Fee is charged as a one-time membership payment and also members have to pay an annual subscription fee. The 7 days can be split into 2-3 day holidays across the year. The business allows a family to holiday in a high end resort at a much cheaper cost and largely protected from inflation risks over 25 years. The main attraction that draws many people to time shares is the prospect of taking regular vacations for the next 25 years at today's costs. Hence, while resort and hotel room rates increase every year, your vacations are hedged against inflation. The business allows flexibility in terms of membership exchanges / sales. The value proposition hence for an end customer is compelling as long as one can plan holidays in advance.

### **Holidaying demographics in India**

Holidaying is increasingly becoming an important lifestyle trend in middle to higher income families across India. Today, 'Holidays' is in the top of discretionary spend list for 3 out of 5 Indians. The addressable market for MHRIL is urban families with an ability to incur discretionary expenditure. At a fundamental level, there has been considerable growth in the size of this market in the last 10 years — both in terms of people with the ability to spend and change in lifestyle and aspirations that have increased the willingness to take vacations for leisure. Long weekend holidays and extended family holidays are key emerging trends that reinforce this belief.

If one compares the Indian vacation ownership industry with the US in terms of its share of the total hospitality sector, the scope for growth in India is around 8 times of its current size. Similarly, if one were to look at the > 13 million households who own a car as proxy for the addressable market. Thus, it clearly means that there is significant headroom for growth of the business in India.

### **Expansion Plans over the next two years**

Mahindra Holidays currently has pan India presence through its extensive network of resorts across destinations including hill stations, beaches, backwaters, wildlife sanctuaries, forts and heritage. It is also present in international destinations such as Bangkok, Innsbruck (Austria), Kuala Lumpur and Dubai. In addition, with the majority shareholder in Holiday Club Resorts Oy, Finland (HCR), members have a choice to visit HCR's 31 resorts in Europe.

During the year FY17, Mahindra Holidays added 273 room units to its inventory. Company has added 210 units room units in 9M FY18 taking the total inventory to 3362 units across its 49 resorts as on 9M FY18.

The Company is currently undertaking four projects: Naldehra (Shimla), Assanora (Goa), Ashtamudi (Kerala) and expansion at Kandaghat (Shimla), which are in different stages of planning and development. Besides, it is also considering acquisition opportunities in different parts of the country. It is expected that these initiatives would eventually add around 700 units to company's inventory over the next few years.

Apart from this, the Company also has land bank at nine destinations across six states. Efforts are on to expand this further. Some of its existing resorts also have additional land that can be utilised for further expansion. This will provide the flexibility to build such destinations and add room inventory on an ongoing basis.

### **Thematic play on Indian Discretionary space; Trades at attractive valuations of 19x FY20E EPS**

Currently, MHRIL has 2.3 lakhs members in India and > 0.5 lakhs in EU (HCR). We believe company would continue to add members at 10-12% cagr over the next 5-7 years per annum in India, which would take total members > 3 lakhs in the next four years, on the back of ongoing initiatives in internal processes and engagement outreach. Similarly, we project company to reach milestone of 5 lakh members in the next decade or so. This is a story to hold on for the long term, which would earn great returns for investors. Moreover, company being under Mahindra Group and having strong track record with ~2.3 lkhs members as on Dec 2018. MHRIL is poised to post robust growth over the next several years.

We expect company to post 9.4% revenue cagr over FY17-20E along with 70bps margin expansion over the same period driven by better operational efficiencies from HCR and its India division, we forecast 12% EBITDA cagr in the same period. Healthy growth in revenues and superior operating performance would lead to 20% PAT cagr over FY17-20E. At CMP of Rs 305, MHRIL trades at 19x of FY20E earnings, 9.8x FY20E EV/EBITDA and 1.4x EV/Sales. Company has planned Rs 600 cr capital expenditure over the next 2 years. The capex is planned to add another 500-600 units to its kitty; after the expansion MHRIL will have ~3,900 units. Earlier in Feb 2017, we had initiated coverage on MHRIL at Rs 295 (adjusted for bonus 1:2) with TP of Rs 363 and 447 which had got achieved in JUL 2017. Given rise in disposable income and strong growth in Travel & Tourism industry, we expect MHRIL to do better and gather robust momentum in members' addition in the coming years. We believe MHRIL is an excellent stock for long term investment given the penetration levels in the industry being quiet low and company being under Mahindra Group and having strong track record with ~2.3 lkhs members as on Dec 2017. We recommend BUY on MHRIL as BUY at CMP of Rs 305 and add on declines to Rs 282 with sequential price targets of Rs 358 and Rs 440 over the next 4-6 quarters. We have valued MHRIL on 27x FY20E earnings and ~14x on FY20E EV/EBITDA to arrive TP of Rs 440.



## 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. Another financial risk that the Company is exposed to is potential non-payment or delayed payment of membership instalments and/or the annual subscription fee by members resulting in higher outstanding receivables.
- Low member addition: New member addition member cancellations and consumer dissatisfaction are some of the factors that could provide risk to our estimates.
- Accounting policy: Company follows revenue recognition policy with 60% revenue being recognized upfront and services being offered over 25 years.

## Key Positives

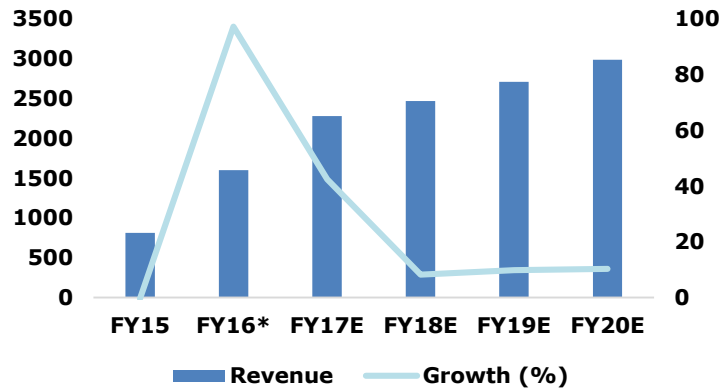
- Domestic Tourism boom: MHRIL with its unique business model is in a sweet spot to gain from growth in the Indian domestic tourism and rising spending on discretionary items.
- Rising Resort level Income: Rising food & beverage and holiday activity revenue from members will increase profitability at resort level.
- Asset ownership: Ownership rights of resort property partly financed with upfront payment from members

## Financial Highlights

(Rs Cr)	FY15	FY16*	FY17	FY18E^	FY19E	FY20E
Sales	812	1602	2282	2469	2711	2988
EBITDA	199	294	349	379	423	480
Net Profit	81	102	145	161	183	213
EPS (Rs)	9.2	11.6	16.4	12.2	13.8	16.1
P/E	33.1	26.4	18.6	25.0	22.1	19.0
EV/EBITDA	23.9	15.0	13.5	12.4	11.1	9.8

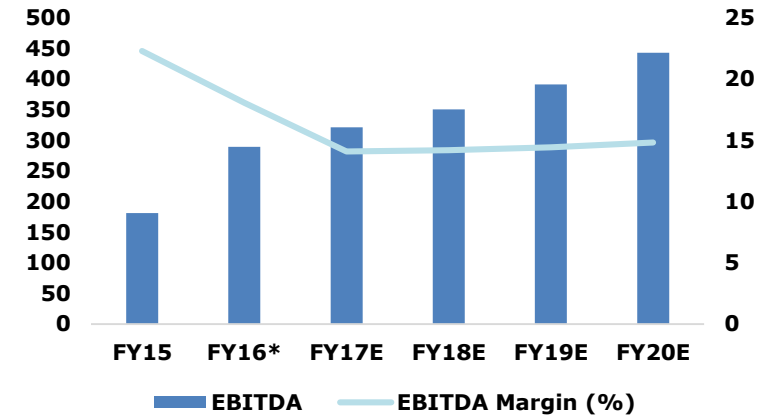
Source: Company, HDFC sec Research, \* post HCR Acquisition, ^ Post Bonus

Revenues to Post ~9% cagr over FY17-20E



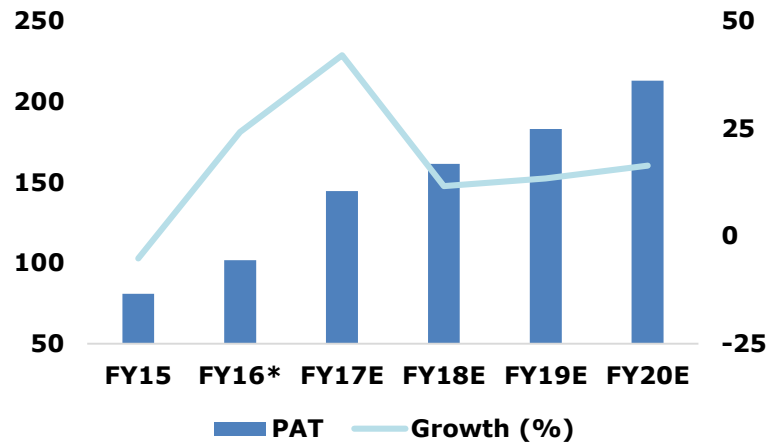
Source: Company, HDFC sec Research

EBITDA trend over FY17-20E



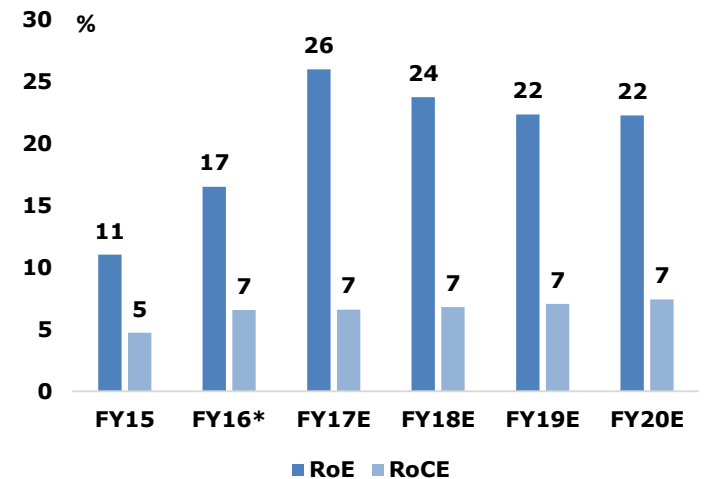
Source: Company, HDFC sec Research

PAT trend over FY15-20E



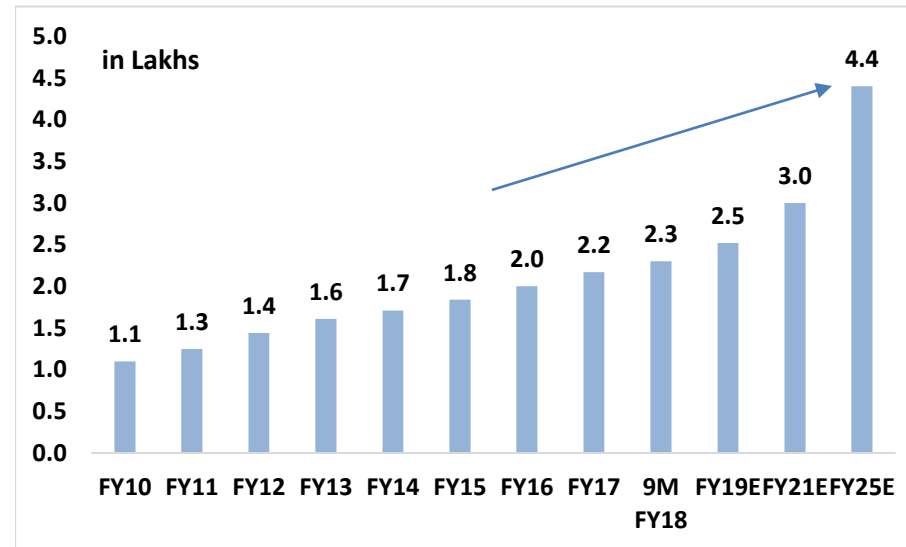
Source: Company, HDFC sec Research

Return Ratios (%)



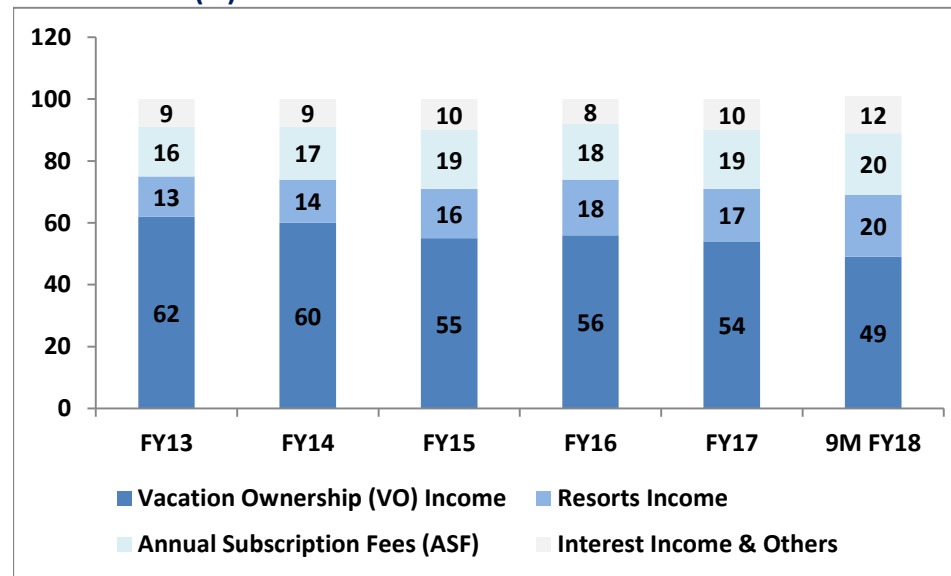
Source: Company, HDFC sec Research

**India: Total MHRIL Members Trend**



Source: Company, HDFC sec Research

**Revenue Mix (%)**



Source: Company, HDFC sec Research

## Income Statement (Consolidated)

(Rs Cr)	FY15	FY16*	FY17	FY18E^	FY19E	FY20E
<b>Net Revenue</b>	<b>812</b>	<b>1602</b>	<b>2282</b>	<b>2469</b>	<b>2711</b>	<b>2988</b>
Other Income	18	5	28	29	32	38
<b>Total Income</b>	<b>830</b>	<b>1607</b>	<b>2310</b>	<b>2498</b>	<b>2743</b>	<b>3026</b>
Growth (%)	-0.5	97.3	42.5	8.2	9.8	10.2
Operating Expenses	631	1313	1961	2119	2320	2545
<b>EBITDA</b>	<b>199</b>	<b>294</b>	<b>349</b>	<b>379</b>	<b>423</b>	<b>480</b>
<b>Growth (%)</b>	<b>13.1</b>	<b>59.7</b>	<b>11.1</b>	<b>9.1</b>	<b>11.7</b>	<b>13.1</b>
<b>EBITDA Margin (%)</b>	<b>22.3</b>	<b>18.0</b>	<b>14.1</b>	<b>14.2</b>	<b>14.4</b>	<b>14.8</b>
Depreciation	66	98	106	109	122	135
<b>EBIT</b>	<b>133</b>	<b>197</b>	<b>243</b>	<b>270</b>	<b>301</b>	<b>345</b>
Interest	3	15	20	23	23	22
Extraordinary Items	-22	0	0	0	0	0
<b>PBT</b>	<b>108</b>	<b>182</b>	<b>223</b>	<b>247</b>	<b>277</b>	<b>324</b>
Tax	27	59	79	74	80	94
<b>RPAT</b>	<b>81</b>	<b>123</b>	<b>145</b>	<b>173</b>	<b>197</b>	<b>230</b>
MI/Ass. Share	1	-21	0	-8	-14	-17
<b>PAT</b>	<b>82</b>	<b>102</b>	<b>145</b>	<b>161</b>	<b>183</b>	<b>213</b>
Growth (%)	-5.2	24.1	42.0	11.6	13.4	16.3
EPS	9.2	11.6	16.4	12.2	13.8	16.1

Source: Company, HDFC sec Research, \* post HCR Acquisition, ^ Post Bonus

## Balance Sheet

As at March	FY15	FY16*	FY17	FY18E^	FY19E	FY20E
<b>SOURCE OF FUNDS</b>						
Share Capital	<b>88.0</b>	<b>88.1</b>	<b>88.2</b>	<b>132.4</b>	<b>132.4</b>	<b>132.4</b>
Reserves	637	418	509	617	742	888
<b>Shareholders' Funds</b>	<b>725</b>	<b>506</b>	<b>597</b>	<b>750</b>	<b>874</b>	<b>1020</b>
Long Term Debt	117	632	694	645	574	546
Deferred Entitlement Fees	1509	1689	1878	2047	2239	2431
Deferred Income	167	192	218	252	299	354
Long Term Provisions & Others	11	48	53	61	81	101
<b>Minority Interest</b>	<b>0</b>	<b>31</b>	<b>28</b>	<b>28</b>	<b>28</b>	<b>28</b>
<b>Total Source of Funds</b>	<b>2702</b>	<b>3073</b>	<b>3349</b>	<b>3547</b>	<b>3744</b>	<b>4073</b>
<b>APPLICATION OF FUNDS</b>						
Net Block	1000	1316	1308	1399	1526	1661
Goodwill On Consolidation	118	72	68	68	68	68
Deferred Tax Assets (net)	0	49	46	46	46	46
Long Term Loans & Advances	874	637	513	488	473	459
<b>Total Non Current Assets</b>	<b>1992</b>	<b>2074</b>	<b>1935</b>	<b>2001</b>	<b>2114</b>	<b>2234</b>
Current Investments	10	58	97	89	100	121
Inventories	6	379	481	467	498	532
Trade Receivables	871	935	1020	1157	1285	1400
Short term Loans & Advances	39	78	51	52	57	61
Cash & Equivalents	22	111	214	395	351	339
<b>Total Current Assets</b>	<b>949</b>	<b>1562</b>	<b>1865</b>	<b>2167</b>	<b>2302</b>	<b>2470</b>
Short-Term Borrowings	6	11	18	40	61	43
Trade Payables	111	257	275	346	374	405
Other Current Liab & Provisions	78	241	153	167	180	195
Short-Term Provisions	43	54	65	74	83	92
<b>Total Current Liabilities</b>	<b>238</b>	<b>563</b>	<b>511</b>	<b>627</b>	<b>697</b>	<b>734</b>
Net Current Assets	710	999	1353	1546	1605	1735
<b>Total Application of Funds</b>	<b>2702</b>	<b>3073</b>	<b>3349</b>	<b>3547</b>	<b>3744</b>	<b>4073</b>

Source: Company, HDFC sec Research, \* post HCR Acquisition, ^ Post Bonus

## Cash Flow Statement

(Rs Cr)	FY15	FY16*	FY17	FY18E^	FY19E	FY20E
Reported PBT	108	182	223	247	277	324
Non-operating & EO items	-18	-5	-28	-29	-32	-38
Interest Expenses	3	15	20	23	23	22
Depreciation	66	98	106	109	122	135
Working Capital Change	37	-210	-222	60	-62	-87
Tax Paid	-27	-59	-79	-74	-80	-94
<b>OPERATING CASH FLOW ( a )</b>	<b>168</b>	<b>20</b>	<b>20</b>	<b>336</b>	<b>249</b>	<b>262</b>
Capex	-146	-419	-99	-200	-250	-270
Free Cash Flow	22	-399	-78	136	-1	-8
Investments	-182	188	127	25	15	15
Non-operating income	18	5	28	29	32	38
<b>INVESTING CASH FLOW ( b )</b>	<b>-310</b>	<b>-226</b>	<b>57</b>	<b>-146</b>	<b>-203</b>	<b>-217</b>
Debt Issuance / (Repaid)	119	494	65	-41	-51	-9
Interest Expenses	-3	-15	-20	-23	-23	-22
FCFE	139	81	-33	72	-75	-39
Share Capital Issuance	-1	31	-3	44	0	0
Dividend	-42	-52	-52	-61	-73	-84
<b>FINANCING CASH FLOW ( c )</b>	<b>74</b>	<b>459</b>	<b>-10</b>	<b>-81</b>	<b>-147</b>	<b>-114</b>
<b>NET CASH FLOW (a+b+c)</b>	<b>-68</b>	<b>253</b>	<b>67</b>	<b>110</b>	<b>-101</b>	<b>-70</b>

Source: Company, HDFC sec Research, \* post HCR Acquisition, ^ Post Bonus

## Key Ratios

(Rs Cr)	FY15	FY16*	FY17	FY18E^	FY19E	FY20E
EBITDA Margin	22.3	18.0	14.1	14.2	14.4	14.8
EBIT Margin	14.1	12.0	9.4	9.8	9.9	10.3
APAT Margin	10.0	7.7	6.3	6.9	7.3	7.7
RoE	11.0	16.5	26.0	23.8	22.4	22.3
RoCE	4.7	6.6	6.6	6.8	7.1	7.4
<b>Solvency Ratio</b>						
Net Debt/EBITDA (x)	0.5	1.6	1.2	0.6	0.5	0.3
D/E	0.2	1.3	1.2	0.9	0.7	0.6
Net D/E	0.1	0.9	0.7	0.3	0.2	0.1
<b>PER SHARE DATA</b>						
EPS	9.2	11.6	16.4	12.2	13.8	16.1
CEPS	16.9	22.6	28.4	20.4	23.1	26.3
BV	82.4	57.5	68.6	56.9	66.6	77.6
Dividend	4.0	5.0	5.0	4.0	4.8	5.5
<b>Turnover Ratios (days)</b>						
Debtor days	392	213	163	171	173	171
Inventory days	4	44	77	69	67	65
Creditors days	88	98	89	102	101	100
<b>VALUATION</b>						
P/E	48.9	38.8	27.4	25.0	22.1	19.0
P/BV	5.5	7.8	6.6	5.4	4.6	3.9
EV/EBITDA	23.9	15.0	13.5	12.4	11.1	9.8
EV / Revenues	5.3	2.7	1.9	1.8	1.6	1.4
Dividend Yield (%)	1.3	1.6	1.6	1.3	1.6	1.8
Dividend Payout	43.5	43.3	30.5	32.8	34.7	34.2

Source: Company, HDFC sec Research, \* post HCR Acquisition, ^ Post Bonus

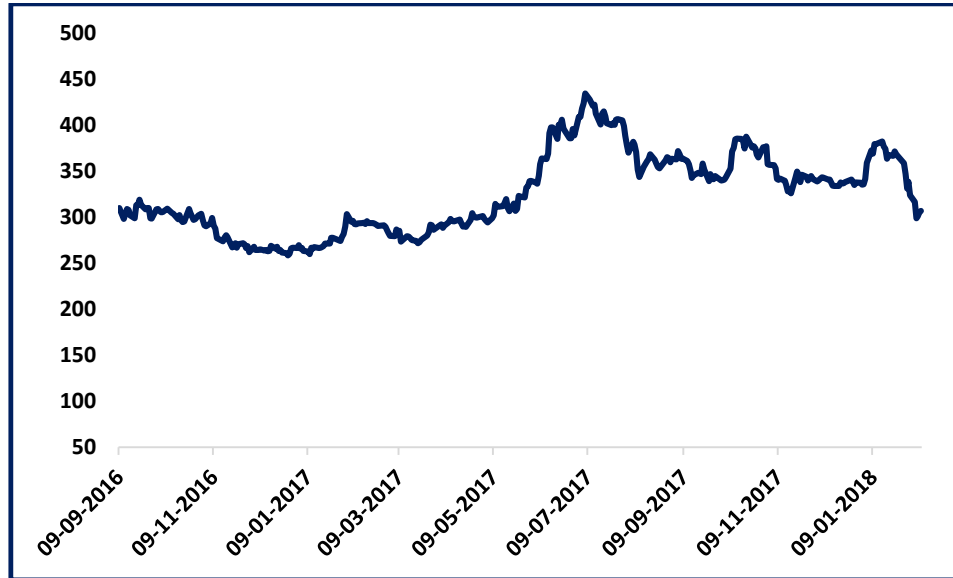
## Rating Chart

R E T U R N	HIGH			
	MEDIUM			
	LOW			
		LOW	MEDIUM	HIGH
		RISK		

### Ratings Explanation:

RATING	Risk - Return	BEAR CASE	BASE CASE	BULL CASE
BLUE	LOW RISK - LOW RETURN STOCKS	IF RISKS MANIFEST PRICE CAN FALL 20% OR MORE	IF RISKS MANIFEST PRICE CAN FALL 15% & IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 15%	IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 20% OR MORE
YELLOW	MEDIUM RISK - HIGH RETURN STOCKS	IF RISKS MANIFEST PRICE CAN FALL 35% OR MORE	IF RISKS MANIFEST PRICE CAN FALL 20% & IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 30%	IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 35% OR MORE
RED	HIGH RISK - HIGH RETURN STOCKS	IF RISKS MANIFEST PRICE CAN FALL 50% OR MORE	IF RISKS MANIFEST PRICE CAN FALL 30% & IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 30%	IF INVESTMENT RATIONALE FRUCTFIES PRICE CAN RISE BY 50% OR MORE

## Price Chart



RECOMMENDATION HISTORY			
Date	Reco Price	Reco	Target
13 Feb - 2017	Rs 293	Buy	Rs. 363-447
12 Feb - 2018	Rs 305	Buy	Rs. 358-440

### Rating Definition:

Buy: Stock is expected to gain by 10% or more in the next 1 Year.

Sell: Stock is expected to decline by 10% or more in the next 1 Year.

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