

News monitored for: M&M - Holidays & Resorts

# THE FINANCIAL EXPRESS

## MAHINDRA HOLIDAYS

# The fun has just begun

The company is poised to cash in on the growth in leisure travel

**Shweta Bhanot**

It's been a great year at Mahindra Holidays & Resorts India Limited (MHRIL). The company's profits have jumped 41% in 2009-10 to Rs 118 crore on revenues that have been higher by 20% at Rs 468.7 crore. But the Chennai-headquartered firm is not about to take a break. Given that consumers' lifestyles are changing and that they're demanding more variety, MHRIL has decided to tweak its strategy somewhat so that it doesn't miss out on new customers. So far, the time-share business has done well; over the past few years, memberships at the holiday resorts firm have grown by a compounded rate of 31%. But with new products being launched, that would cater to a wider audience, Ramesh Ramanathan, CEO & MD, MHRIL, is convinced that even on the higher base, memberships could grow four-fold by 2015 from about 1.1 lakh at the end of March 2010. Says

Ramanathan, "The market is growing, but we need to meet the changing requirements of the travellers who are becoming more discerning."

To begin with, MHRIL wants to reach out to travellers looking at shorter holidays and, therefore, at destinations that are closer to where they live. MHRIL has started scouting for properties that are not too distant from the metros and will soon be opening a 150-unit Club Mahindra resort in Lonavala near Mumbai. Next on the cards are resorts that are short distances away from New Delhi and Chennai. A major change in the company's strategy

has been made to accommodate the needs of senior citizens. Typically, MHRIL's packages are for 25 years, but they will now be made available to senior citizens for ten years. Explains Ramanathan, "Understandably, senior citizens may not be keen to lock-in for such a long period and so we have customised the packages, making them shorter." With the younger traveller wanting more, MHRIL is adding adventure to its package and to attract slightly older people, it's now focusing on spas and wellness. "From camping sites that are close to the resort to in-house spas, they are all on our list," Ramanathan observes.

The CEO points out that the cost of packages would not vary too much with the duration. Typically, the membership fee for a Club Mahindra package ranges between Rs 1.6 and Rs 8.2 lakh, depending on the which of the four seasons one opts for and what kind of rooms, whether a studio or a one-bedroom apartment or a two-bedroom accommodation.



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(Top) Ramesh Ramanathan, CEO & MD, MHRIL. (Left) The firm's new restaurant at Ashtamudi

Over the years, the cost of a package has increased, mainly thanks to inflation. Ramanathan points out that MHRIL didn't increase the price of the packages last year but has done so by about 5% this year and observes that over the longer term, the price would have gone up by a compounded 13% until 2008. Aided by that, revenues have grown a compound annual growth rate (CAGR) of 36% between 2005 and 2010, while profits have grown by 70% CAGR.

Given that penetration is low in the domestic market and that there's little competition yet, there's room for MHRIL to grow. IDFC Capital believes the industry is at an inflexion point and MHRIL is well-poised to cash in on the growth, having already gained a marketshare of 70%. There are an estimated 5 million households in India with an annual income of Rs 5 lakh-plus. However, MHRIL believes the addressable market for vocational

ownership plans is somewhat smaller at 3.25 million households for 2010.

In the current year, MHRIL will be adding around 500-600 apartments, most of which will be under the Club Mahindra brand. As a strategy, it will continue to both lease and acquire properties. The company has planned expansions at Ashtamudi, Coorg and Binsar, and new resorts at Tungi, where it has nearly 42 acres, Lonavala and Theog near

Shimla, where it has close to 10 acres. It also has acquired 25 acres at Kadapakkam near Chennai and 20 and 42 acres at Varwade, Maharashtra, taking the total land bank to 350 acres. Overseas, too, MHRIL is looking to add resorts in destinations that are about two to three hours away from India. It was looking at South Africa, but pulled back. Back home, MHRIL also plans to expand the Zest brand, which was impacted during the recession since it catered mainly to IT executives of southern India. Around 40-50 properties are to be added, taking the total under this brand to over 200. As for Mahindra Homestays, the focus will shift to domestic rather than foreign travellers. All in all, MHRIL's working overtime.