

# Thematic Opportunities Portfolio - Newsletter

## Dear Investor,

In this newsletter, we deliberate upon a strong trend that was prevalent in FY2024 and continues strong traction in FY2025 – Travel & Tourism. The Indian tourism and hospitality industry has been a key contributor to the GDP at approximately 6% in 2023 (Source: Statista). The size of the industry was approximately USD 201 Bn in 2023 compared to USD 122 Bn in 2020. The segment has been growing rapidly post pandemic; however, it is yet to reach pre pandemic levels of USD 240 Bn in 2018-2019 (Source: Statista).

We are holding Mahindra Holidays and Resorts India (MHRIL) in the travel and tourism industry, a company leading the evolving trend in the Indian tourism industry - vacation ownership.

## What is Vacation Ownership:

- Vacation ownership offers individuals the opportunity to own a share of a vacation property, typically a resort condominium, for a specified period each year.
- Modern travelers are increasingly seeking unique and experiential travel experiences, driving the demand for vacation ownership properties that offer more than just accommodation.
- Vacation ownership properties that offer immersive and authentic experiences are more likely to attract and increase subscriber base.
- The vacation ownership market is expanding beyond traditional resort destinations to include a wider range of locations.
- The expansion of destinations allows owners to explore new places and cultures, enhancing the appeal of vacation ownership.
- Flexibility is a key factor driving the vacation ownership market, with resorts offering more flexible ownership options and exchange programs.

## Key drivers for Travel & Tourism:

- As per World Economic Forum, there would be approximately 30 Mn high income households by CY2030 having an income greater than INR 3 Mn.
- The annual consumption from high income households by CY2030 would be INR 55 Tn (Source: World Economic Forum).
- With this income potential and government support in the form of infrastructure, the travelers would seek unique travel experiences.

## MHRIL has been present in the vacation ownership segment for more than two decades and is the leader in the segment with attributes:

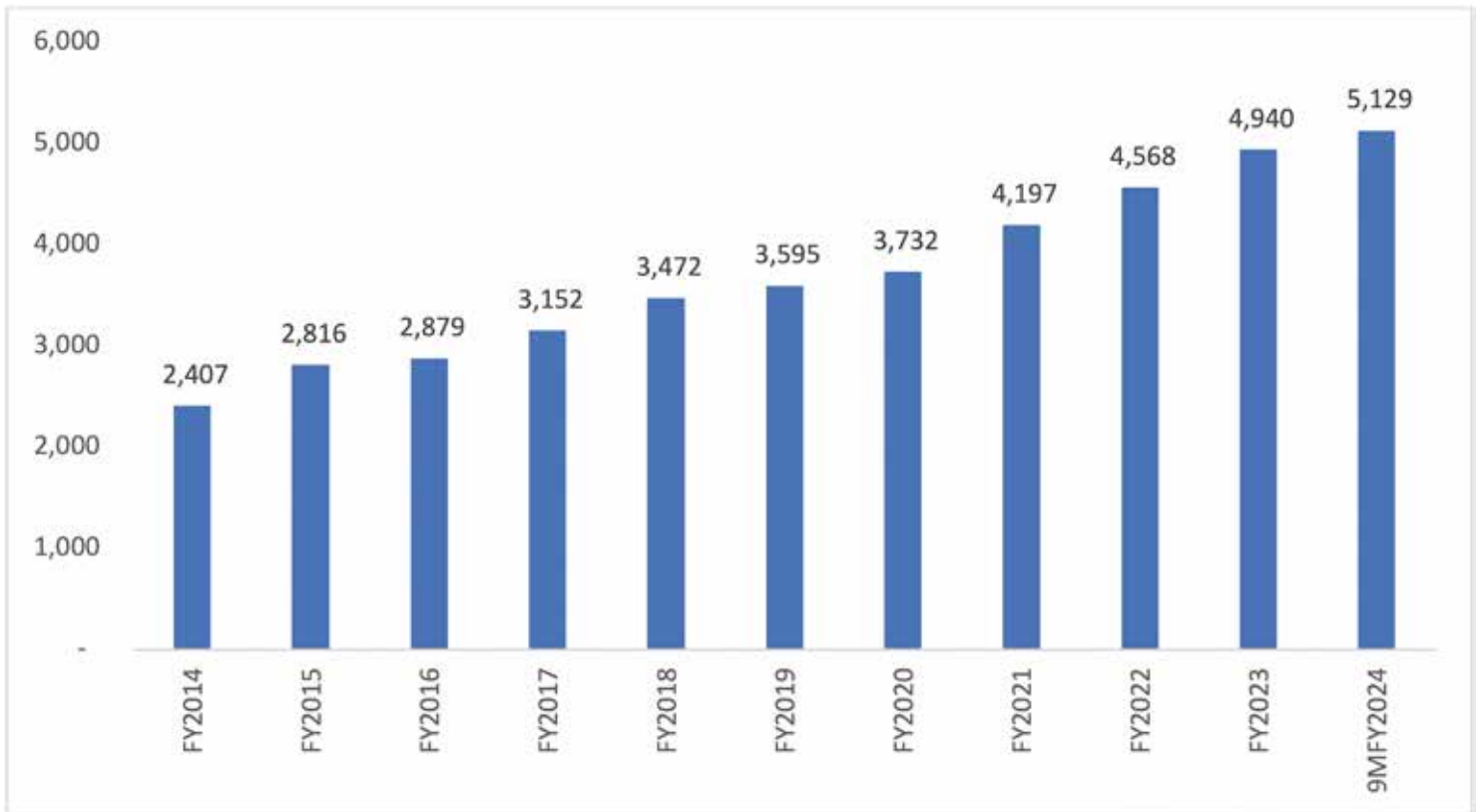
- 2.9 lakhs members
- 140 plus resorts with 81 properties in India
- 420 plus partner hotels
- 5,129 number of keys

Source: MHRIL investor presentation

The revenue model for MHRIL is collecting a fee from the members that can be given as a lump sum or on a monthly installment basis. Additionally, as the new member joins, MHRIL gets the income from the following:

- Vacation ownership income – membership fee and interest income
- Annual subscription fee – recurring fees adjusted for inflation
- Membership upgrades – season and room upgrades
- Resort income – Food & Beverages

The key strength / entry barrier for this segment has been the number of keys / properties within any company. We believe that MHRIL has built a significant portfolio of keys over a period. The average addition rate has improved from 221 keys every year from FY2014 to FY2020 to 372 keys every year from FY2021 to 9MFY24.



Source: MHRIL investor presentation

MHRIL has also been at the forefront of product evolution – adding new products of different tenures covering the travel experience requirement of customers across the lifecycle. The shortest tenure product is of 3 years now and has found acceptance in the market, especially from the younger generation.

On the capital expenditure side, MHRIL is expanding its resorts portfolio through greenfield route, brownfield expansion, resort acquisitions and resort leases. MHRIL intends to have a portfolio of 10,000 keys by 2030 (Source: MHRIL investor presentation), which implies doubling the size in the next 6 years. With no debt, we believe that much of the capital expenditure could be done from internal accruals.

Considering the unique business model of offering vacation ownership, aggressive room additions, and strong balance sheet, we believe MHRIL could capitalize on the tourism opportunity from India consumers in the coming years.

**Portfolio Changes:**

There are no changes in the portfolio, however we have reduced the weight of the following:

SBI Cards – reduced by 0.5% to 5% and Asian Paints – reduced by 0.5% to 4.5%.

Warm Regards,

Yours sincerely

**Priyank Chandra**

Vice President and Portfolio Manager

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Top 10 Holding of Thematic Opportunities Portfolio			Overweight/Underweight of Model Portfolio Compared to Benchmark	
Name	GICS Sector	Weight	Underweight	Overweight
Sobha Ltd	Real Estate	8.71%		23.20%
Bharat Electronics Ltd	Industrials	6.04%		4.36%
TVS Motor Company Ltd	Consumer Discretionary	5.89%		4.29%
Mahindra Holidays & Resorts	Consumer Discretionary	5.67%		2.66%
Astral Ltd	Industrials	5.50%		1.12%
Titan Company Ltd	Consumer Discretionary	5.44%		
Sona BLW Precision Forgings Ltd	Consumer Discretionary	5.40%	(3.29%)	
Bharti Airtel Ltd	Communication Services	5.38%	(4.40%)	
SBI Cards And Payment	Financials	5.25%	(5.79%)	
Balkrishna Industries Ltd	Consumer Discretionary	5.08%	(8.99%)	
		<b>58.36%</b>	(9.78%)	
			(18.38%)	

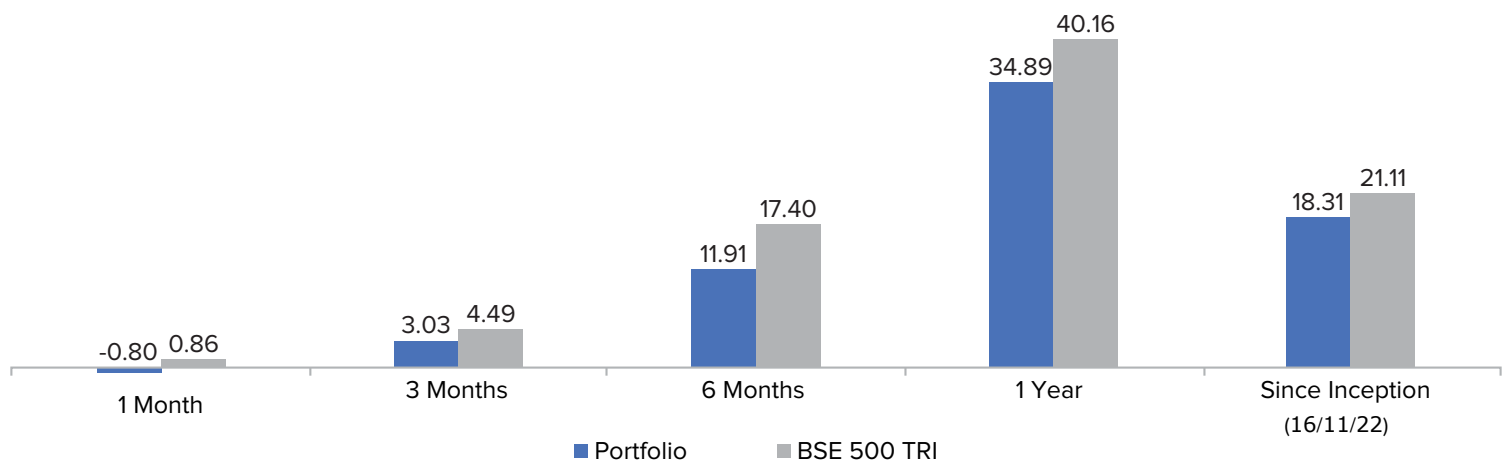
**Investment Objective:** The approach will be to invest in companies from the sectors selected based on the investment themes that we believe will play out in India over the next several years.

Model Portfolio Details as on 31st March 2024		Model Portfolio Composition as on 31st March 2024	
EPS CAGR (2023 to 2025)	25.22%	Large Cap	23.50%
PER to Earnings Growth Ratio (PEG Ratio)	1.37	Mid Cap	28.50%
Average Market Cap (INR Bn)	1,225	Small Cap	33.00%
Average Age of companies	43 Years	Cash	15.00%

- Large Cap: Market cap of the 100th company in the BSE500 TRI (sorted by market cap in descending order)\*
- Mid Cap: Market cap below 100th company to the market cap of the 250th company in the BSE500TRI (sorted by market cap in descending order) \*
- Small Cap: Market cap lower than the 250th company in the BSE500TRI (sorted by market cap in descending order)\*

\*As on last working day of the month i.e., 28th March 2024

### Consolidated Portfolio Performance of Thematic Opportunities Portfolio as on 31st March 2024



- Benchmark is BSE 500 TRI, the portfolio is spread across different market capitalization, hence BSE 500 TRI is chosen as benchmark.
- Since inception date stated is considered to be the date on which the first client investment was made under the investment approach.
- Source: Internal, Bloomberg, BSE & Ace Equity.

**Disclaimer:** Performance depicted is based on all the client portfolios existing as on such date, using Time Weighted Rate of Return (TWRR) of each client for the overall investment approach. Past performance is no guarantee of future returns. The above portfolio performance is after charging expenses. The above performance related information provided here is not verified by SEBI nor has SEBI certified the accuracy or adequacy of the contents of this Document. All clients have an option to invest in the above products / investment approaches directly, without intermediation of persons engaged in distribution services.

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