ClubMahindra

October 30, 2023

MHRIL/SE/23-24/72

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra (E), Mumbai - 400 051
Symbol : MHRIL

BSE Limited
Floor 25, PJ Towers,
Dalai Street
Mumbai - 400 001
Scrip Code: 533088

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call for the quarter and half year ended September 30, 2023 - Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Ref: Our letter no. MHRIL/SE/23-24/64 dated October 13, 2023

This is in furtherance to our letter no. MHRIL/SE/23-24/64 dated October 13, 2023, wherein the advance intimation of the earnings conference call scheduled to be held on Monday, October 23, 2023 with Several Funds/ Investors/ Analysts on the financial and operational performance of the Company for the quarter and half year ended September 30, 2023 was submitted to the Stock Exchanges.

In compliance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the aforesaid conference call which is also hosted on the website of the Company www.clubmahindra.com.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For **Mahindra Holidays & Resorts India Limited**

DHANRAJ NARSAPPA MULKI

Digitally signed by DHANRAJ NARSAPPA MULKI
Date: 2023.10.30 14:58:28 +05'30'

Dhanraj Mulki
General Counsel & Company Secretary

Encl.: a/a

"Mahindra Holidays & Resorts India Limited Q2 & H1 FY2024 Earnings Conference Call"

October 23, 2023

MANAGEMENT: **MR. KAVINDER SINGH – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED**
MR. RAM MUNDRA - INTERIM CHIEF FINANCIAL OFFICER - MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Mahindra Holidays & Resorts India Limited Q2 and H1 FY2024 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kavinder Singh, Managing Director & CEO for Mahindra Holidays & Resorts India Limited. Thank you and over to you Sir!

Kavinder Singh: Thank you, good evening everyone and a very warm welcome to our Q2 earnings call. On the call with me today we have Mr. Ram Mundra, our interim CFO. You can find our quarterly results and investor presentation referred to in our remarks today on the stock exchanges and our company website. I hope you all have had a chance to go through them. Let me begin with talking a little bit about the industry. At an industry level Q2 it is a very similar trend from last quarter. Occupancy levels are getting normalized at about 61% after reaching post-pandemic high of 71% in February 2023. However, average ADRs of Rs.6500 to 6700 are still trending significantly above pre-pandemic levels of Rs.6100. Domestic air passenger traffic grew by nearly 23% Y-o-Y in August 2023, and this is the sixth consecutive month that domestic air traffic in the country has surpassed pre-COVID levels. Major tourist hotspots in north India suffered mass cancellations as vacationers opted to stay away from areas affected due to unprecedented rainfall, landslide, and floods. At our resorts despite heavy rainfall and landslides in Himachal and Uttarakhand which affected our resort operations but with our superior service delivery, new immersive experiences, we have achieved 77% plus occupancy versus 79% last year. Our resort income of Rs.70 Crores is up by 4% Y-o-Y, and it is the highest ever in Q2. This quarter our member additions were robust and have grown by 11% Y-o-Y to 4881 members. With this we have been able to achieve highest ever Q2 member additions. Our cumulative member base stands at 289688 families, 85% of whom are fully paid, membership sales value including upgrades at Rs.192 Crores is up by 13% year-on-year and continuing the momentum and upgrades which is basically due to our happy members. We have achieved the highest ever Q2 upgrades of Rs.47 Crores, which is a growth of 15% year-on-year. Membership sales in this quarter have increased the deferred revenue pool by Rs.53 Crores and now the deferred revenue number stands at Rs.5445 Crores. Our digital bookings are at about 81%, 81% of our booking happens on our digital channels including the app. We are undergoing a digital transformation to unlock the power of data through advanced analytics to improve efficiencies and drive growth in member spends collections, referrals and upgrades.

Let me talk a little bit about room inventory. In line with our strategic objective of rapidly expanding our room inventory we aim to double our inventory base from 5000 to 10000 keys by FY2030 and currently we have 835 Crores of capexes underway for five Greenfield, Brownfield and acquisition projects with about 690 keys and two more expansion of existing resorts will commence by Q4 this year. This quarter we have commenced a new Greenfield resort project of 152 keys at Theog. In Q1 FY2024 we had commenced one Greenfield project of 236 keys at Ganpatipule and completed the acquisition of 72 keys resort in Jaipur. We have ongoing expansion projects at two resorts which will add 230 keys, Kandaghat 72 key resort is being expanded by 185 keys to make it 257 keys flagship resort. Assonora Goa third phase of construction we will add about 44 keys to make this 244 keys resort. In addition to this two more expansion projects are expected to commence in Q4, and this will be the existing resort at Puducherry by 62 keys to make it 187 keys resort and recently acquired Tree House Jaipur Resort will be expanded by 54 keys to create 126 keys resort. Public private participation as a route to expand inventory is a very big focus area for us and we will continue to work with various state governments to identify opportunities in this regard. Last year as you know we launched Janjehli resort in collaboration with Himachal government. We are currently in discussions with Maharashtra government for a resort in Harihareshwar MTDC resort. We have principal approval for the land parcel at Chilika Lake, Odisha. We have signed a memorandum of understanding with Uttarakhand government to develop four to five resorts with an investment of Rs.1000 Crores and various other discussions are in pipeline. Our sustainability targets include carbon neutrality by 2040 through EP 100, RE 100 and science-based targets. Our Madikeri resort is India's first resort which is net zero certified in net zero waste energy and water. Fifteen of our resorts are now net zero waste to landfill. This quarter we added five resorts in this category. Twelve of our resorts are green resorts platinum certified by IGBC. As far as solar power is concerned, 500 kilowatt at Madikeri got installed. Our cumulative capacity went up to 6.2 megawatt across 25 resorts and this is equivalent to 20% of our total energy demand. In FY2024 we will take this to 11.7 megawatt and 40% of our total energy will be served by solar. We recycled 360 million litres of water in H1, which is 62% of the total water consumption by our resorts.

I am sure you have had a look at the financial highlights, but I will just run through very quickly. Total income grew by 10% Y-o-Y and ended up at 333 Crores. Please note that these numbers are excluding one-offs, and we will talk about one-offs later. One-offs are related to forex movements, and they are not related to any operational one-offs that is another clarification. Resort income at Rs.70 Crores up by 4% Y-o-Y, EBITDA at 99 Crores 17% Y-o-Y, EBITDA margin at 29.6% up by 170 basis points on Y-o-Y basis, profit before tax at 49 Crores 15% up and PBT margin at 14.8% up by 60 basis points on Y-o-Y basis. Cash position has moved up to 1176 Crores as on September 30, 2023. The H1 numbers are all there with you, so I will not read out the H1 numbers. Holiday club resorts, market challenges continue with the Russia-Ukraine war. Euribor 12 is trending high at 4.14%, inflation is now at 4.3%, predicted to go down to 3% level in 2024. The Finnish tourism has changed with COVID-19 and the Russia-Ukraine war. International segment is down but domestic tourism is up by 10% compared to pre-COVID levels. If I were to look at HCR performance, timeshare sales has grown despite the situation that I mentioned over there it is because Finnish owners tend to buy second homes, people love to buy second homes, but they are not able to afford second homes because of the high mortgage rates, so the timeshare sales are up, which is a good sign for us. This quarter we have a presence in Sweden, the spa hotel performance has been impacted due to low occupancy and lower conferencing business in Sweden, Swedish economy is in recession and that can be seen through the effects that we have seen in our resort. Despite the current geopolitical situation and tough economic environment Finnish spa hotels delivered occupancy much higher than the local hotel industry. Of course, the finance cost increased due to rising Euribor rates. The input costs are being well managed by HCR very well and HCR delivered a positive EBITDA of €1.6 million, which is a significant achievement given the situation on the ground. Travel sentiment has been buoyant for domestic Finnish travelers during summer season, and we are monitoring the geopolitical situation closely and we will continue to implement cost efficiency measures throughout the year.

If I were to look at the consolidated financial highlights excluding one-offs in Q2, our income is up by 10% 675.8 Crores, EBTIDA at 149.7 Crores 10% up, EBITDA margin at 22.1%, PBT at about 32.2 Crores. Again, I will not read the H1 numbers. To conclude we see a big opportunity, as you know Government of India has a vision to make India a trillion dollar tourism economy by 2047, tourism promotion is taken up on a mission mode, 50 new tourist destinations are being planned, the rising high income households which are the target audience for us greater than Rs.27.5 lakhs are expected to be greater than 3 Crores the households by 2030 and we believe that is a huge potential market for us in India. From supply side also India is highly underpenetrated number of leisure branded rooms in India is nearly 28000 and the overall branded room count is 1.6 lakhs versus a city like Dubai which has 1.65 lakhs branded rooms and growing. We at Mahindra Holidays are well poised to take advantage of the leisure travel boom through the strategies which are mentioned below, which I will talk about, this will allow us to take advantage of the growing discretionary income amongst affluent homes and thereby realizing the huge potential of our target market in India. We will expand aggressively and move from 5000 to 10000 rooms as we have mentioned earlier. You can see that it is evident from the number of projects which are underway. As we speak 835 Crores of capex has been deployed for 690 rooms. As we expand the inventory rapidly the expanded resort network will allow us to add new members which will lead to further cash generation and this cash will be again used for resort development. This is a virtual cycle of the network that we have created. Going forward as the network expands it is very challenging to replicate the same by anyone. Accelerating member additions in line with rapidly growing inventory through expanding geographical reach, channel sales, onsite referrals, and digital including remote sales channels. We will follow the product portfolio approach to cater to different segments of customer. You know that we launched a new product CMH15 last year and last quarter four-year product was also launched. We will continue to monetize the full potential of our 2.9 lakh member families and leverage our brand through an increase in referrals and upgrades and the improvement in the spends of the members when they are holidaying at our resorts. The brand pool that is being created by the new immersive experiences at resorts and the diverse holidaying options that are there, which will be further made more richer through our expanded inventory network will actually help us acquire members at a faster rate. Our focus on accelerated room inventory addition, growing member additions will help us generate as I mentioned sufficient cash, create multiple annuity revenue streams which will help us to grow our profits and fund our expansion plans. As I mentioned earlier, we are already on the right track, we have accelerated our capex 835 Crores, five projects, 690 keys. Thank you for your time this evening. I now open the floor for questions and answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Congratulations on good set of numbers and thank you for taking my question. Sir my first question is related to the PPP projects, which we are entering into and discussing with several governments if you can give some more colour if you can explain on an average say if the cost of the project is Rs.100 how much is invested by government, how much we are investing and on what things government invest and how do we get, if you can give more colour into that that will be very helpful Sir?

Kavinder Singh: Thank you so much for this very, very, insightful question. PPP projects are very good way of entering into the right location because most of the government tourism properties are in great locations. For example if you look at the Janjehli resort that is by the side of a very beautiful river and for us to on our own to be able to source land, get approvals and build it could have taken us much more time but today this beautiful resort actually came to us, Himachal government asked us to bid for it, we bid and we won and we have this resort operational in nine months precisely. So great location, time to market and this is on a long-term lease. So, the beauty of some of these models is these are long-term lease models, typically lease rental kind of model so you have to obviously outbid your opponents and the most important thing is that we have an advantage of being able to fill up the even back of beyond tourist destinations, so that gives us the strength to be able to go and bid for these properties. The other model on PPP is to take land on long-term lease say 90-year lease and build a very large resort. This is what we are trying to do in Chilika in Odisha and that is what will give us the entry in Odisha so our aim is to pick up land parcels through the PPP route where we can build and since they are lands given by government to us our ability to get approvals is faster and we can get going. The government also provides the necessary support. As I mentioned the government has declared tourism in mission mode state governments also feel that this is a great way to get a certain amount of tourist inflow into their destinations which they would like to promote, which helps the local economy and by the way I mentioned Uttarakhand is very, very keen to drive tourism further and we signed an MOU. We have identified the five locations where we want to build resorts and we have committed to invest 1000 Crores at the very minimum the moment those sites are identified and handed over to us and obviously we are looking for single window approvals, etc., so it actually is quite a win-win for the government as well as for any player who wants to enter into this area. The only thing is that I do not know about other players but for us the big advantage is that we are able to fill these resorts wherever they may be located. Thank you.

Ankit Kanodia: Thank you so much Sir. That was very helpful. One followup question related to that. One thing is, is this only on this model or in some other projects we also work where government owns everything?

Kavinder Singh: As I said the Janjehli project was half done so we did a small amount of refurb, brought it to our standards and we have a long-term lease with the government. So there are times when government wants us to take over properties which may not be in good shape because they may not have been able to run it, they may not have got the occupancies, tourism development properties, so if we are able to identify such properties, see a business case where we put in money to bring it to our standards and then run it for the specified number of years.

Ankit Kanodia: Excellent. Any colour on the competition on these kind of projects, how long you see the competition in these projects?

Kavinder Singh: See in these kind of projects I would say that the organized sector is not very, very let us say prevalent to the best of my knowledge that I have seen, but yes there are unorganized players who would like to enter in this field. It could be first time hospitality player as well because all you have to do is to be able to demonstrate that you will be bringing in sufficient capital and delivering on the promise, most of them come with certain timeline in which you have to get the project going. So if you are a company which has the reasonable credentials and you can convince that you will have the capability to complete the project those people would be eligible, but then again it depends on you could be eligible to bid, but then would you be able to start in the next two or whatever number of years that they want the project to be started. So, I am assuming that government is keeping an eye on all these things and of course it is a transparent bidding process so technically anyone with certain level of credentials can bid, but as I said I see more unorganized players in some of the bids than organized players.

Ankit Kanodia: What could be the reason for less organized players if you have any in your mind your understanding?

Kavinder Singh: Sometimes even amongst the organized players you would know that their focus is on the city side hotels and our focus is on the leisure. So, the only reason I am able to figure out is that the focus largely for most of the players probably organized players is city versus leisure and the other could be if it is a very offbeat destination how do you ensure that you will be able to deliver the occupancies and then deliver the lease rentals that you are promising to the government.

Ankit Kanodia: Got it one last question if I may, this last question is related to I think you have been with the company for over a decade now I guess if I am not wrong somewhere around 2014 or 2015 you joined and the product which you are selling is basically a product where in general we understand that consumer in India is more of a compulsive traveler and the product which you sell is where we have to plan in advance so do you see any shift or more and more people are willing to plan in advance are you seeing that shift, you have now 10 years data with you is that change happening or are you still some distance away to reach that stage where people are okay book in advance I hope you understood my question?

Kavinder Singh: Just give me an idea why did you talk about 10 years, why did you take 10 year as a reference?

Ankit Kanodia: Because I believe 10 years back there would be more people who would be having grievances of not getting a room rather than today or that grievances of not getting a room because I am assuming that more and more people members of Club Mahindra would be booking in advance for any destination that they will be wanting to?

Kavinder Singh: So, one thing is for sure that the culture of planning is definitely increasing that I can confirm to you I have seen that, and it is largely because you have to make other arrangements. If you are planning to travel by air, you do definitely get advantage if you plan early. However, if you are planning to travel by road you could be impulsive. You may not want to plan so much. So there are two kinds of travelers, one who take long distance journeys they definitely plan and that is definitely in line with our business model as well but however there are a set of people who are impulsive and who will wake up the last minute and they will try to see whether they can get a booking we do see such kind of people because they want to drive. So, I would say that the only thing which is certain now is that people are taking more frequent vacations than what they did earlier. If people took once a year vacation, today people are talking at least three to four vacations, but shorter ideally if they can drive away, but this is the trend that we see in the city kind of a catchment areas but there is a lot of India which is actually not in metros and their travel patterns could be slightly different, they may take longer holidays and they may be quite open to even flying and so we see a mix here if I may say.

Ankit Kanodia: Thank you so much Sir. Thank you so much for all detailed answers and all the best for the coming quarters.

Moderator: Thank you. The next question is from the line of Himanshu Shah from Dolat Capital. Please go ahead.

Himanshu Shah: Thank you Sir. Thanks for the opportunity. Sir first if you can just highlight the reason for drop in occupancy because this, we are computing on operational inventory so I believe they should not have the impact of floods in Himachal and Uttarakhand, or the occupancy levels are including the rooms of Himachal and Uttarakhand?

Kavinder Singh: Yes, I think Himanshu when we talk operational inventory, we do not exclude the resorts which are operational otherwise but had to be facing the brunt of low occupancy due to last minute cancellations. We cannot remove from the denominator the room nights that were available to be used but could not be used because of the rains and landslides. When we talk of operational if a resort has been taken for shutdown for a renovation for let us say two months and that is not operational that is by design but if your resort is ready, you have people and you have bookings and if people do not come then it is very clear that resort was operational and therefore occupancy is on operational room nights.

Himanshu Shah: This is fairly clear thank you. Sir second thing member retirals has been significantly higher this quarter almost 1200 plus members any specific reason for this or if you can just provide some colour on member retirals expectancy in H2 and in FY2025 because we should be having a fair colour on that particular part?

Kavinder Singh: Retirals happen when products finish their life, there could be a 10-year product, there could be a **go zest** product, so there will be some retirals but one of the reasons we do not give any forward-looking projections is because we are constantly trying to get people to buy another membership so one of the initiatives that we have started is to get people to buy a second membership as their first membership expires or even extend the membership so there is a constant effort to see if you can hold on to the people who have enjoyed your promise. In a base of 289000 it is a very small number which is you may say has retired because I would not consider it significant on a total base of 290000 odd now that we have, and it is insignificant I can confirm that much.

Himanshu Shah: Just the net number addition and trend continues to hover around 15, 17000 run rate only and that is the only reason from where I was coming from?

Kavinder Singh: I think you have to keep one thing in mind that we always release the net number 4881 that we have released that is truly the net number. The cumulative number will have some retirals in a business, it is a tenure product when people retire out of that tenure I would not like to call this as gross net the way telecom does this is not churn this is someone has delivered you the membership fee, finished his tenure, paid you your annual fee, enjoyed your resorts and retiring so to my mind I would not call this as a churn-churn. Whatever little churn we have is already factored in when we release the number of 4881 so my request to you Himanshu would be please look at the additions which are net additions which we release every quarter, and they are on identical basis. Yes, cumulative number will have few retirals which is the nature of the product, we will try to obviously get more and more of them to stay but this is what I would sort of look at in terms of understanding the business.

Himanshu Shah: Sure Sir quite helpful and last thing if you can just help in terms of NPV per member or profitability wise is the shorter tenure more beneficial or ROI wise or is it the medium tenure which is like 10 and 15 year product or it is 25 year which is more profitable because what we are seeing when excluding upgrade it looks like that our value per new member is tilting on the lower side, earlier we were having only 25 year product now we are having multiple lifecycle product so in that backdrop if you can just provide some color on ROI or profitability for members on the various products?

Kavinder Singh: I think in a business like this it is very, very difficult to do profitability per member. The reason is very, very simple because the member not only pays membership fee pays us the annual fee, comes to the resorts and provides us the food and spa margins. So, it will be a very, very complex exercise if we were to do it and it will be for the entire lifetime value of the member that we will have to take it and then probably do discounting on the cash flows, projected cash flows and of course those things can change depending on the price increases that we will undertake on F&B etc. So, there are multitude of factors to take as the value per member, but at a very simple level I can confirm to you that these smaller tenure products on a per room night basis are more profitable for us and for a customer it still makes sense to take a longer tenure product because it is per night room, night basis, it is cheaper. Having said that it is a good idea to do portfolio strategy because in a way think about it, even if you are a shorter tenure member it is a prepaid sales it is a guaranteed sale. The member has paid the money, member will come to holiday, you will get your F&B revenue and we have seen the smaller tenure products people also spend a little more in the resort because they tend to be younger, and they tend to sort of spend and let us say splurge a little more. So, imagine if you have sold a four-year product or a three-year product, you are in a way getting not only your rooms preblocked many people will come and they will come and spend money at the resorts and holiday activities. Younger lot, they are little heavier consumers than the middle or little older customer cohort. So, I see it as in a way prepaid sales of the room inventory in the form of a membership which is shorter tenure, but it also creates a funnel for upgrades. Some of them are upgrading into a higher tenure and some of them are buying another shorter tenure membership at zero cost. We have seen people they finish a three-year and they want to buy another three-year because they feel that they may not be in the country, they may go out somewhere, whatever they will be having whatever considerations. So, for us being able to reduce our cost of acquisition and you may have noticed that we have reduced our cost of acquisition significantly over the last few years and lot of this has come through because we are trying to create a frictionless journey for our customer to stay with us and keep enjoying, keep upgrading. Now upgrades are at an all time high and by the way upgrades are an add on to the membership revenue that is why we treat them as a part of average unit realization because the upgrades come at a lower cost and they are actually membership sales, just that it is a delayed sales of a higher order product.

Himanshu Shah: Got it Sir, very, very helpful for this detailed explanation. So just one last question if I can, If you can provide some colour on how many rooms will get added, we have given the capex pipeline and the projects which are there in the pipeline, but maybe there could be some delay here and there because of approvals or some other on ground issues but if you can provide some colour like out of the 690 rooms which are under pipeline and other stuff which we would be having what kind of room additions we can expect maybe in H2 for 2024 which will get operationalize in FY 2025?

Kavinder Singh: Typically, you have seen our run rate of rooms in the last year. Our aim would be to beat that run rate and we are well on our way. See the reason I started giving now capex and the Greenfield or the expansion so that you know how many projects are underway, so some will come this year, some will come next year obviously and whatever will come, will come in a lumpy fashion. Suddenly you will find 100 rooms added because key projects got completed. Of course, we have a rough estimate in our mind when they will come so that is why I am very confident that we will be delivering at a run rate higher than what we have delivered in the last year. So on room additions Himanshu the good news is because we are looking at 5000 to 10000 that should now not be the worry of investors because we have a very aggressive plan of adding inventory much more than ever before and as we speak lot of conversations are going on for even acquisition or buying lands or breaking ground soon, so there is going to be a constant activity here and forget falling behind we are going to be running ahead in terms of the room inventory that we are very confident now.

Himanshu Shah: That is very, very helpful and highly appreciates the increased disclosures over the last couple of quarters and last 2-3 years. Thank you. Thanks a lot. That is it from my side.

Kavinder Singh: Himanshu did you notice the deferred revenue growth that we have highlighted in our investor deck?

Himanshu Shah: Yes 53 Crores deferred revenue growth.

Kavinder Singh: Yes, that is in the quarter, but also sees the trend. We have in the investor deck issued out a trend on the deferred revenue how it is moving up.

Himanshu Shah: Yes, Sir I have seen that. Congratulations for the same. Thank you.

Moderator: The next question is from the line of Nemish Shah from Emkay Investment Managers. Please go ahead.

Nemish Shah: Thanks for this opportunity and congratulations on good numbers. So, I had a question on HCR so I was just going to the cash flow statement, and I could see we have done some capex of about 115 Crores in HCR so if you could just highlight are we expanding or adding this part there?

Kavinder Singh: Capex investment of 115 Crores in HCR. To the best of our knowledge this number is not available in the cash flow could you tell us where did you pick up this?

Nemish Shah: I just subtracted the consolidated and the standalone numbers.

Ram Mundra: Capex numbers are largely in standalone so we run a different model over there and all our construction is a trade in inventory and not the capex one, so maybe we can take offline and which number you are referring to and we can explain you that.

Nemish Shah: Okay so basically there is no capex that we are doing in HCR.

Kavinder Singh: So just to confirm the business model of holiday club is to create inventory which is setting in current assets and then they make the product, and it will get parked as inventory, and they keep selling the weeks. In our case whatever we build is a capital expenditure and sits on our books as an asset for them it is not a fixed asset it is a current asset.

Nemish Shah: Got it. I will take this offline.

Moderator: Thank you. The next question is from the line of Hrishikesh from Kotak. Please go ahead.

Hrishikesh: Hi good evening. Thank you for the opportunity. Just taking the earlier question forward if I look at the cash flow on the standalone there is fair bit of investment in subsidiaries, I think it is 44 Crores if I look at it in the investment, is it largely investment in HCRO?

Ram Mundra: We explained that the 72 room resorts which we acquired in Q1 of this year that was in one of the subsidiary companies and acquisition has been done by infusion of equity from parent company which is MHRIL.

Hrishikesh: This has nothing to do with HCRO?

Ram Mundra: No, nothing to do with HCRO.

Hrishikesh: Secondly this room expansion plan that we have what is the kind of capex do we envisage say for FY 2024 as well as over the next 2-3 years?

Kavinder Singh: Again, we do not put out these numbers. Obviously if we have to build 5000 rooms or create 5000 rooms over the next seven years it will entail significant capital investment because our strategy is to build Greenfield resorts, expand existing resorts and take resorts on lease and even do acquisitions and if there is someone who is willing to build resorts for us, build the resorts to suit our requirements, so it is a mix. So depending on how the mix will play out, the capex will evolve but sufficient it is to say that you can see already we have about 835 Crores of capex at play of course it will get not finished in this year some part will flow over to the next year and we will be again breaking new ground and therefore more capex will get deployed, so capex will be suited to the needs of the business rather than making a broader statement that this is the capex that we want to do but you can make rough assumption that if you are putting 5000 keys and let us say we want to do a large part of that through the Greenfield or expansion route you can make an assumption that 1.1 Crores per key would be the kind of a capex outlay if you want to build it in your modeling.

Hrishikesh: Thank you. The last question from my end now it has been fair bit of time that we have launched shorter tenure products for member addition, how should we look in sense that whatever the member addition we have seen over the last six months or one year what proportion of that member addition will be on the shorter tenure if you can provide some color on that, that will be helpful? Thank you.

Kavinder Singh: On the previous question I wanted to answer you that when you are doing this calculation of 5000 keys, please do not multiply 5000 by 1.1 because all the keys will not be of our own, they will be a mix of lease that is the only point I wanted to say. Now coming back to the shorter tenure question it is a very simple product portfolio strategy shorter product helps us to get more people to sample our offering and then decide whether they want to convert that into a longer tenure product, which is what we aim. As I mentioned on a per room night basis the shorter product is more expensive from a consumer standpoint and therefore our aim would be to get more and more people to move into the longer tenure product, so we do not release the information of how many shorter tenure product we sold. It is like a product wise sales data is not available in public domain but I can confirm to you that majority of our member base today still is a long tenure product and on incremental basis if you take long tenure products starting from 10 years because I would consider 10 years as a long tenure product, it is not short tenure, so 10 year, 15 year, 10 year is bliss, 15 year is 15 year, 25 is 25, even today the longer tenure product is in majority compared to the shorter tenure product.

Hrishikesh: Thank you. That is helpful.

Ram Mundra: Just to answer your previous question on consolidated cash flow this 199 Crores the breakup of 200 Crores is like this 85 Crores we invested out of standalone, you can see the 85 Crores in our standalone cash flow the balance 110 odd Crores is the acquisition which we have done in one of our subsidiary company the Jaipur resorts so this amounts to make 200 Crores there is no capex in HCRO.

Moderator: Thank you. The next question is from the line of Senthil Manikandan from iThought PMS. Please go ahead.

Senthil Manikandan: The first question in respect to your plans in constructing 3 five to seven star hotels in Vishakhapatnam with a capex of close to around 750 odd Crores in Andhra Pradesh so what is the plan over there if you can just explain?

Kavinder Singh: So, as we have mentioned this happened in October and we have approached the Andra government to be able to invest in three resorts outlining a capital investment of about 750 Crores and again the land is being identified to see how we can build presence in Andhra and that is whatever you picked up in the news article that is what it was all about. It is again a PPP model that I have talked earlier.

Senthil Manikandan: In terms of operating metrics over next two years, so if you can share some targets that you have for holiday club resorts?

Kavinder Singh: So operating matrices are for the internal consumption. What we released in the public domain is the financial matrix as far as HCR is concerned. Part of the reason is it is a very unique and a very different business model compared to ours so there the focus is on value, what is the value sales which is the turnover of timeshare, etc., turnover of spa, etc. Hotels, these are the matrices that we used and of course how they manage their costs and how do they deliver us the EBITDA which is all there in the public domain and generally that is what we track internally because there it is very important to see everything in value terms because the underlying currency is Euro and we need to understand at least at the value level what is happening there and that is what we are focused on. If you ask me what I am focused on I am focused on growing the turnover of timeshare and spa hotels. I am focused on cost efficiencies; I am focused on EBITDA and EBIT that is the focus with which we work with them. In that process will they open up new timeshare destinations? Yes, that is the core business for them and how many weeks they will sell, yes, but I am not interested in how many weeks they sell I am interested in how much value of the timeshare they sell because that is important for them. They also do upgrades again I am focused on what is the value of the timeshare including upgrades so that is the way we look at the business.

Senthil Manikandan: Just a last question in respect to the employee cost, so on a half yearly basis we have seen around 70-80% increase in employee cost so on a normalized basis what would be the growth that we can factor in for this?

Kavinder Singh: You are referring to the Reg33 employee cost growth you are talking about quarter-to-quarter?

Senthil Manikandan: It is also for the half yearly basis also.

Kavinder Singh: You are talking about standalone or consolidated?

Senthil Manikandan: Consolidated.

Kavinder Singh: So, in consolidated, very, very clearly. Please remember that since the underlying currency is Euro the cost will appear to you slightly higher because around 2.5% kind of increase happened in Finland for the salaries, which is unheard of because they never have much of an inflation but now the inflation is there and more importantly the Rupee-Euro depreciation is of the order of 9.5% so you will clearly see in HCRO an increase of about 12%, but the underline increase is only 2.5% because the fact is that in terms of the Euro-Rupee last year the Euro was at about 79 right now at about 91 so clearly there is a very significant movement in the Euro so therefore you will see that cost on a higher side. It is not that the salaries have gone up so much. If you were to look at Mahindra Holidays the annual increments which are very, very conservative, but there is a growth happening in terms of number of rooms that we added so therefore the resort staff gets added despite improving on the productivity and also as you are seeing that on the sales numbers also we are tracking higher so despite improving productivity we need to do some hiring in the case so it is a combination of headcount, the increments in Mahindra Holidays, the currency effect in holiday club and a very minor increase in the increments at the holiday club that has what has led to this kind of a number.

Senthil Manikandan: That was helpful. Thanks.

Moderator: Thank you. The next question is from Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar: My question is on the EBITDA margin side, so we have seen it on a higher side for the quarter vis-à-vis last two to three quarters if you look at so is there any one-off element in that or this is sustainable?

Kavinder Singh: So, if you exclude the one-offs which is related to the forex movement which we have veryclearly explained in the investor deck as well as in press release there is no one-off in the EBITDA margin improvement that you are seeing. It is an underlying improvement in the operations.

Pankaj Kumar: There is a long-term room addition plan we are looking at 5000 rooms addition so if you can help us in terms of the locations or which are the areas that you would be looking at while achieving this target including your international expansion and all?

Kavinder Singh: Primarily India because we see a very big consuming class in India. We are not looking to buy companies internationally. We are not talking about investments out of India. We are very focused on doing investments in India to grow our room additions. The locations obviously cannot be made public, but you can probably sense which are the states we are going to for PPP obviously our focus is on those states but our focus is to ensure that we have sufficient land parcel, we have sufficient construction going on including capex outlay and our focus dominantly will remain in India over the period that we have highlighted where we are going to move from 5000 to 10000.

Pankaj Kumar: Last question if I can. Sir on these new member additions earlier you indicated that you would also be looking at tier 2 and tier 3 market so going forward how do you see that is contributing to your member additions?

Kavinder Singh: New member additions there are multiple levers we are pressing. First lever is referral how aggressive we can be in generating referrals because that is a very, very good form of customer acquisition and reduces the cost of acquisition. The second lever we press is digitals referral plus digital is at about 55% of our member additions. The third lever we press is what you talked about going to Tier-2, Tier-3 towns we have a very specific target how many towns we want to be present and how do we want to grow the business. Number four lever, which I think I mentioned in my opening remarks is can we do remote sales instead of doing a face-to-face selling that is a big area of focus for us now and there are other focus areas in terms of tapping the corporate channel because there is a big opportunity to be able to sell to corporate employees memberships, which we have done in the past, but we want to go a little more aggressive there so there are multiple levers that we will press to grow the member acquisition, grow the members base for us because that is a very key strategic priority for us. Considering the fact that we are moving from 5000 to 10000 rooms it is important for us to accelerate in member additions as well.

Pankaj Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Nirav Savai from Abakkus Asset Management. Please go ahead.

Nirav Savai: Hi Sir. Thanks for the opportunity. Sir my question is the capex per room which you highlighted about 1.1 Crores now if we go to another PPP model is there a difference in that or would it be similar?

Kavinder Singh: See if you take a Greenfield project even in a PPP model the cost per key would come very similar. It could be 1, 1.05, 1.1. As it is in our business land cost is not a very key component because we pickup land which is away from the cities so that is not a big thing; however, if you want to get a resort which is existing and we need to do a bit of refurb then the cost is dramatically lower per key and for example Janjehli resort the cost is not 1 Crores per room it is much, much lower than that. So, if we get a resort which we need to refurb and bring it the cost comes on much lower. If we get land of course at a very reasonable price, which we should get, then again, the cost per key does not change, it will remain in the same zone which I said earlier. So, it depends on and of course if you end up getting a resort which requires huge refurbishment and a long-term lease again the cost still not might will definitely will be lower than the Greenfield kind of investment so it really depends what we get but yes broadly other than the land where we have to develop Greenfield resorts the cost on a PPP model will be lower.

Nirav Savai: Right so when we are saying doubling our room count from 5000 to 10000, what exactly is the capex which we are internally targeting over the next few years?

Kavinder Singh: I think I have answered that question already that will depend on the mix of PPP, it depends on the mix of acquisition that we may end up doing, it will depend on how much we do on leasing and it will depend on how much we end up building so that is why I said that you have seen that we have chosen to have a reasonable and healthy mix of own oblique lease and now even PPP you should treat it as almost own because with some refurb if you have a long-term lease it is as good as your own property it. So, it truly depends on the mix that will evolve but the good news for us is that since we have set the target, and we are determined to achieve it and we will achieve it. The cash that we generate in our business as of now we do not foresee the need to borrow money to build the growth that we have planned. So, for us that is good enough because we do not worry so much about capex because we know that we are not going to be looking for funding. So, from that standpoint we are going to optimize the mix and ensure that we have sufficient Greenfield and then of course expand our existing resorts that become very economical. Third, do lot of PPP and fourth if people have lands and they want to build resort we want to help them build resorts and take them on long-term lease. So, these are the ideas that we have which will help us to optimize the pricing per key of the resort.

Nirav Savai: Right so largely it is going to be our own results when we say about doubling to 10000?

Kavinder Singh: Yes, own will include PPP also because long-term leases have to be taken as own nowadays. You cannot treat them as even the Ind AS 116 literally treats you as an asset right of use asset, so whether it is a long-term lease, whether it is own at least the accounting treatment is going to be similar, yes cost per key may be lower capital, particularly when you are looking at a long-term lease resort.

Nirav Savai: That is it from side. Thank you.

Moderator: Thank you. We will be able to take one last question. We take the last question from the line of CA Vikash from Acorntree. Please go ahead.

CA Vikash: One thing I want to understand, Sir, whether we have participation in the PRASHAD scheme of the government?

Kavinder Singh: You are saying that do we have a participation in the PRASHAD scheme of the government no, not yet.

CA Vikash: Any specific reasons because last time I discussed with Mr. Kumar who is the collector of the Ujjain and who is also trustee of the Mahakal Lok Corridor he said to me regarding whatever the visitors is there it is previous to October 2022, it is 25000 visitors per day, now expected to cross 1 lakh and 1.5 to 2 lakh is there, whatever their temple revenue is 3 Crores per month which is a reach to the 15 Crores and even if it is Ujjain it is hardly rooms available in the weekends even if it is in Indore, Dewas and the adjoining cities also and similar situation in the number of places in Andhra also so we have any kind of plan like that?

Kavinder Singh: As of now no but we are very open to looking at all ideas whether the PRASHAD scheme or anything else which allows us access to good quality resort or land which we can find strategically useful for our business model, and we are completely having an open mind on that.

CA Vikash: Thank you.

Moderator: Thank you very much. I would now like to hand the conference back to Mr. Kavinder Singh for closing comments.

Kavinder Singh: Right, thank you very much for coming on the call. I have always mentioned that all your questions keep us alert and sharp. We learn a lot from how you think about the business, and this has helped us to shape the business to the solid footing that it is in today. I am very confident that our operational effectiveness, our customer experience, and our focus on digital in terms of enhancing the spends of our members at our resorts and our sharp acquisition marketing strategies along with our aggression in inventory addition should lead us to a very, very good position in the golden period for leisure travel, which has started already now and we see this cycle at least for seven to 10 years if not more. It could be even more given the demographics we have, and we remain excited as ever to grow the company to the next heights. Thank you so much for your patient listening.

Moderator: Thank you very much. On behalf of Mahindra Holidays & Resorts India Limited that concludes the conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.