



August 4, 2022

MHRIL/SE/22-23/51

Listing Compliance
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block
Bandra-Kurla Complex
Bandra E, Mumbai – 400 051
Scrip Code: MHRIL

Department of Corporate Services
BSE Limited
Floor 25, PJ Towers,
Dalal Street
Mumbai – 400 001
Scrip Code: 533088

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call for the quarter ended June 30, 2022 - 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/22-23/39 dated July 15, 2022

Dear Sir/ Madam,

This is furtherance to our letter no. MHRIL/SE/22-23/39 dated July 15, 2022, wherein the advance intimation of the earnings conference call scheduled to be held on Monday, August 1, 2022 with Several Funds/ Investors/ Analysts on the financial and operational performance of the Company for the quarter ended June 30, 2022 was submitted to the Stock Exchanges.

In compliance with SEBI Listing Regulations, 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 Mulki
General Counsel & Company Secretary



Encl: As above

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Mahindra Holidays & Resorts India Limited
Q1 FY23 Earnings Conference Call

August 01, 2022



MANAGEMENT: MR. KAVINDER SINGH – MD & CEO

MR. SUJIT VAIDYA – CFO

**MR. DHANRAJ MULKI – GENERAL COUNSEL &
COMPANY SECRETARY**

Moderator: Ladies and gentlemen good day and welcome to the Mahindra Holidays & Resorts India Limited Q1 FY23 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 this conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kavinder Singh – MD and CEO, Mahindra Holidays & Resorts India Limited. Thank you and over to you sir.

Kavinder Singh: Good evening, everyone and a very warm welcome to our Quarter 1 FY23 earnings call. On the call with me today. We have Mr. Sujit Vaidya; our CFO, Mr. Dhanraj Mulki; our General Counsel and Company Secretary. I am sure you've had a chance to look at our results and investor presentation that was uploaded after our board meeting on Saturday.

Let me begin by just starting by saying who we are and how do we see things ahead. As you know we are a leisure focused business. We are focused on family vacations and we have been around for 25 years. As the largest leisure hospitality player in the country, we are noticing few trends. Let me just highlight a few of them. We have seen the hospitality industry is coming out of the difficult times caused by the pandemic. As you can see on the investor presentation, we have shown that the occupancies of the hospitality industry touched 65% in the month of May. The domestic air travel reached a robust 22.7 million passengers in the month of May. There has been a very heavy demand for leisure holiday destinations. Some of you who may have tried to holiday at a short notice, you would have noticed that the average room rates are very high. People are choosing to still go on shorter getaways, if possible, by car otherwise by a quick flight. We have noticed workcations as a pattern and I will little bit build on this later where people are vacationing as well as working because of the work from home, work from anywhere culture that has come in some sectors of the industry. We have also noticed that people like to be outdoors. They want to engage in treks, trails and various activities where they can be out together. I want to mention before I go into even the quarter; another interesting pattern we noticed in July; we have hit an occupancy of 82%. August and September are also looking good. The occupancies are above 80% in both these months. We expect this quarter also to be good in terms of occupancies. I must say, we are in a sweet spot. We are a leisure focused business, focused on family vacations and we are seeing extremely high demand for leisure holiday destinations. That is where we are present in 84 destinations, 4,600 rooms.

Before I even go into the quarter. I just want to share a framework that I have in my mind put through because we are doing well in all the three elements of the framework. If you were to look at PPP framework 3Ps - People, Planet, Profit. As far as the ‘People’ achievements go, this quarter was a very happy quarter for us. We were rated as 20th ranked, we came at 20th rank in the Great Place to Work rankings. We have been applying for Great Place to Work rankings and we have been certified every year in the last 6 years. This year we achieved our highest rank at 20th rank. Most importantly we have been rated as the best workplace in hotels and resorts for two years in a row. If I were to look at the other P, which is ‘Planet’. Happy to share a very good news apart from the fact that we have signed various declarations on EP-100 (energy

productivity), Renewable-100 as well as carbon neutrality by various timelines. We have got seven of our resorts as platinum green certified. We are green resorts. Seven resorts are green resorts. They have platinum certified which means they are of global standard. Really speaking in terms of planet, there are a lot of other achievements like zero waste to landfill, net zero energy, net zero water in many resorts. But I thought I would highlight to you that seven of our resorts being certified as platinum green rated by IGBC.

If I were to talk about 'Profits' I want to say before I even get into profits, we actually took a bet about 2.5 years ago where despite the pandemic we decided to continue accelerating our room additions. If you look at Q1 FY20, we had approximately 3,600 rooms. If you look at Q1 FY23, we have 4,600 odd rooms. So, about 1,000 rooms added in less than 3 years and coupled with high occupancies which means 89%, very similar to pre-pandemic levels even though the rooms had expanded by 1,000. Coupled by the fact that we had very good spends on F&B, holiday activities and experiences by our members, we have generated the highest ever resort revenue of Rs. 84 crores which is a credible achievement, considering that just few months ago we had Omicron and we were just coming out of the pandemic sometime in March. We have also achieved the distinction of crossing 100,000 room nights in each month of the quarter. The total number of room nights that were occupied during the quarter was 316,000 room nights. I would also hasten to add that we are no longer in Mahindra Holidays a cyclical business. We are seeing all around demand and we expect the demand to remain fairly robust even going forward.

Before I even get into further description of how our profits were achieved. I want to share what we are doing on the digital front; our digitalization journey which had started a few years ago with the launch of an app. Our focus on digitization in the customer journey has seen a 100% jump in the payments through the digital route. Our member acquisition is also got a fillip through the digital route. As our website and app have been refreshed we are seeing new member acquisitions growing through the visitors on the website and app and people are leaving leads that they would like to be contacted for membership. There is a pool that has been created as far as the brand is concerned and digital assets like website and app and various content that we keep putting in, there is a huge focus on content on creating meaningful content. In fact, we ran a very-very successful campaign 'We Cover India, You Discover India'. Along with that we had a promotion with the one of the movies in Amazon prime video and we noticed that led to a significant growth in the digital sales. We have a Horizon's program which also saw huge momentum where our members can exchange their room nights and go to 360+ hotels and resorts in India and abroad. Our Club M Select offering continues to grow. We have many of our members who have signed up for Club M Select. This is a program where they get excellent deals on hotels, cruises and dining as well as lifestyle options in India and worldwide. Happy to state that this is helping us build our club proposition which is the core value proposition. The fact that we are focusing on data science to understand propensity to buy, our membership propensity to refer and propensity to—in some times when our members take the membership on EMI then we also have an ability to predict the propensity to pay on time and propensity to also spend at our resorts. In fact, these data science related inputs have been quite hugely successful in driving e-commerce or prepayment for the resort spends that member plan well in

advance. So, a very big story building up on the digitization and the data science side which is helping us deliver this kind of performance that you have seen.

If I were to again come back to the performance for the quarter; I must say that the focus automatically goes to how much is the inventory that we added in this quarter. We added 107 rooms. We opened a new resort in Gangtok and we extended our resort at Udaipur. You know that we accelerated our inventory and we added 800+ rooms in the two years of pandemic which is a creditable achievement which helped us to grow our business in this quarter. Our target is to achieve another 1,000 to 1,200 room addition in the next 24 to 30 months through acquisition, greenfield and expansion of our existing resorts. I would like to add that we have our Kandaghat resort where the construction is going on to expand it by 185 keys. It's a Rs. 200 Crores project. We have a 236 key greenfield resort at Ganapatipule that we will break ground sometime in September subject to one odd approval that is pending. We are also expanding our Puducherry resort. We will start the work in the next quarter. We are also planning to expand our Goa, Assonora resort which we launched last year. We have a huge pipeline of resorts that are coming in. We have acquisition pipeline as well and we have a very good pipeline to lease fresh resorts with which we will refurbish and renovate to bring it to our standards and also manage them as we do.

In terms of our PPP projects, we have done a soft launch at Janjehli, Himachal Pradesh, the Chief Minister of Himachal Pradesh actually inaugurated that resort. This resort was won in a bid by us just about 6 months ago. We have turned it around fairly quickly. Of course, some work is still pending because of heavy rains and we should have this resort open soon. As far as Harihareshwar is concerned, we had mentioned that we have won the bid with MDTC under the PPP idea. We are in the process of completing all the compliances. Once all the processes are over, we will begin to break the ground there as well.

I must mention that in terms of inventory we are on a very good footing which means in some manner we are also reflecting our confidence that even if we were to add 1,000-1,200-1,500 rooms in the next 2 to 3 years, we will not only be sufficient in terms of our capital because we have enough cash flows, we do not need to borrow. But we are very confident of filling them up which is an important consideration in our business. Once people come there, we are very confident of engaging with them in immersive experiences and ensuring that our resort revenues keep growing from strength to strength.

If I were to look at our member additions; our member additions have been very robust in this quarter. We added about 3,807 members and this is almost reaching the pre-pandemic levels. Our cumulative member base now stands at 2.7 lakhs. The best part is that these memberships came at a higher average unit realization. It was at about Rs. 3.8 lakhs compared to Rs. 1.9 lakhs during the same period last year. Of course, last year there was an effect of Delta wave as well. If I were to look at our contribution, referral and digital contributed to about 58% of the sales. I have already mentioned to you that we are experiencing very high website traffic of almost 2 to 3 million each month. This is also helping us grow our digital sales which I spent some time

earlier. Our upgrades are also showing huge momentum. Our sales value including upgrades were at about Rs. 146 crores in Q1 FY23 versus Rs. 20 crores in Q1 FY22, of course impacted by the Delta wave.

Must say that upgrade show the confidence that members have on our product and gives us lot of confidence that we are on the right track in terms of providing value to our esteemed members. Our product mix has been better as seen by the higher average unit realizations. I must say that we believe that our portfolio strategy of a long tenure product, medium tenure product and a short tenure product is yielding results. As you know that prior to pandemic, we had only long tenure products, we introduced medium and short tenure products during the pandemic. We have seen a very good momentum. We added about 800 to 1,000 rooms. All the decisions that we took in the pandemic, during the pandemic, have actually helped us to deliver this record-breaking quarter results that were uploaded on Saturday.

I have already talked about the fact that our occupancies have been robust. We see July-August-September also doing extremely well. We have also taken some actions in terms of enhancing our outdoor experiences by further investing in Great Rocksport. Now our stake stands at about 13%. Of course, we have planned to take it up to about 23.4%. This is something that we had talked earlier.

Let me talk a little bit about inflation. We were able to see the inflationary trends early on. We took price increases in the month of November'21 and April'22 in our membership fee as well as on our F&B services. We've focused on saving costs through the alternative energy sources. We have 16 resorts which are solar powered with a total capacity of 3,500+ kilowatt power. We also due to the sudden increase in inflation procured fuel in bulk at pan-India level and we have been managing the operating costs extremely well.

I just want to spend maybe one odd minute just to highlight that our business model is extremely strong and resilient. Even prior to pandemic we were doing well. During the pandemic we continued to do well despite the restrictions and post pandemic we have actually come out even stronger. If you look at the fact that in our business model, the very large member base provides the predictability and provides annuity revenue streams. Focus on leisure travel and family experiences is something that is helping us obviously. Consistently high occupancies we deliver across seasons and we have a strong balance sheet with robust operating cash flows which supports growth in addition of room inventory without any recourse to debt.

I would avoid to talk about how much revenue growth we did, how much profits we did. But I just want to spend a few seconds or minutes on the fact that our PBT margin at 14.9% is higher than what we had prior to pandemic which was 10.7% which to me gives us lot of satisfaction that during the pandemic we grew our margins and there was lot of questions that were asked will we be able to sustain margin, please note that this is a full scale of operations. Despite that not only we grew the margin to about 14.9% from 10.7% but our PBT also grew by 24% YOY, if you were to exclude the one-offs. Our expenses, there has been an increase in sales and

marketing expenses as I mentioned due to the brand building. I did talk about what we did in terms of building the brand which is so critical in our business. Of course, higher member additions lead to some higher variable costs. The other expenses and rents have increased in line with the resort income and scale of operations. I would like you to not be concerned about the finance and depreciation costs because they are directly and due to the increase in room inventory. I would hasten to add that some of you have asked what is this finance cost of Rs. 6.8 or Rs. 6.9 crores. I would like to mention that this finance cost is under Ind-AS 116 only reflects the rentals that we pay for our lease resorts. This is not a financing cost. We have not taken a debt at the standalone level. Our cost saving initiatives, we have optimized our manpower in terms of multi-skilling our manpower in our resorts. This is something that we did during the pandemic. We trained our people to do multiple jobs within the resort. We did solar implementation at a breakneck pace, 16 resorts, and we have also converted lot of our fixed costs into variable costs and that has also helped us in managing this transition from a pandemic era to a non-pandemic era. Structurally we have tried to look at costs and improve our operational efficiencies while enhancing experiences. Therefore, as I always say that it is not about the price, it is about the value that we provide. We seem to be on the track in terms of providing huge customer value at a very-very competitive price and also managing our operating costs extremely well.

I want to spend some time on balance sheet and liquidity. We have strengthened our balance sheet. We actually added to our deferred revenue Rs. 52 crores. Now the deferred revenue stands at Rs. 5,135 crores. We continue to be zero debt at a standalone level. We have repaid the loan of about Rs. 30 crores in our Thailand subsidiary. Our cash position is at a healthy Rs. 1,172 crores. Our cash grew on the back of high resorts revenue, member additions and better upgrade revenue. We have been also driving and this is one of the most happy part I want to share - we have been driving higher down payments, lower EMI tenure from member additions which has also aided in our cash collections. We have in July 2022 provided a loan of €25 million to one of our subsidiaries in Mauritius. This is an investment SPV to take advantage of the weakening euro and this loan that has been used by the Mauritius company to pay the debt that is there at the Euro level in Mauritius. This has also taken a huge advantage of the fact that euro to rupee equation was extremely favorable in favor of rupee. That is something that has helped us to reduce our net debt at the consolidated level also or rather the debt at consolidated level.

If I were to talk about the Holiday Club Resort moving on. The good news is that the timeshare sales have grown by 64% year-on-year with the higher sales of timeshare weeks and better sales realization. In Finland and Sweden, the spa hotel's performance significantly improved with 123% year-on-year growth due to higher occupancies, better ARR's and of course our Vierumäki Resort which are opened in July '21, the full results of that have also come in and that has also aided our top line growth. Renting income has grown by 32% YOY due to better ARR's. Of course, the expenses have also been extremely well-controlled thereby reducing their operational losses to €1.5 million as compared to €3.5 million euros in the same quarter last year. I must say that the domestic travel is quite robust. Summer season has started very well from mid-June onwards until mid-August. Q2 is traditionally a very strong quarter for HCR. Yes, there is

elevated inflation in food, electricity and fuel prices. There is a drop in the consumer sentiment also which could affect the consumer discretionary spends, but we are confident of weathering this situation well because as I mentioned earlier the leisure businesses have an advantage even in these times as long as the value proposition is sharp people continue to holiday and thereby, we will be in a position to possibly script a turnaround story for Holiday Club this year despite the challenges that you see here and in Europe.

If I were to look at consolidated performance; total income was the highest ever at Rs. 637 crores, up to 52%. Of course, the operating income went up by 63% and of course the EBITDA has grown by 75.3% and the margin has also grown from 18% to 20.7%. As a result of which we turned in a profit after tax of Rs. 30 crores which is an improvement of Rs.51 crores over Q1 FY22.

I would want to conclude now by seeing that apart from getting the recognition as far as the high-trust high-performance work cultures which Great Place to Work measures, apart from the fact that we got our seven of our resorts platinum certified by IGBC which is a global standard in terms of net-net zero energy and net zero water. The summary as far as the business goes or the profit aspect goes or the customer experience goes is following; the leisure demand is expected to remain strong and it'll benefit us immensely because we have an expanded resort portfolio of 84 resorts and 4,600+ keys. As far as our business model is concerned, occupancies are expected to remain consistently high and most important this will drive revenue growth in coming quarters. Please do watch out for the revenue growth in the resorts. That is something that we are very excited about. The member spends are healthy and we are constantly providing differentiated offerings including new restaurant offerings, new branded cuisine offerings and also the experiences that we are creating, immersive experiences which are not found anywhere. We are very confident of maintaining higher spends from members.

Another point which I never mentioned is that even in these times of inflation and rising travel costs the attractiveness of Club Mahindra membership is actually high because families can choose to buy membership at a price which actually helps them to not pay for the room rentals for the next 25 years. This is a value proposition which is even more relevant today in these times of inflation. However, we have to keep in mind that the inflation does affect consumer sentiment, people do sometimes postpone meetings. But as far as we are concerned, we are extremely confident of our value proposition and the upgrades at the resorts from lower season to higher season, from studio to one bedroom to two-bedroom apartments, product upgrades, they remain very robust and they have they have done extremely well for in April-May-June. This shows the endorsement of our members towards the experience that we provide.

Holiday Club Resorts business model and strategy is extremely robust. We have seen the onset of the summer holiday season leading us to some good times in the July-August-September. We will continue to monitor the situation on the warfront.

Obviously, the focus on cost savings will continue. We are transforming this business by integrating our powerful brand, using the power of digital and data sciences, creating a great service excellence culture which will help us to constantly generate significant amount of cash and of course we will use lots of green initiatives including solarization and overall control on costs which will help us to protect margins and grow both the turnover as well as the bottom line and improve the margins despite this challenging environment.

Thank you for your time this evening. I now open the floor for questions and answers.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Baidik Sarkar from Unifi Capital.

Baidik Sarkar: I'm sorry if I missed this in your opening remarks but what's the occupancy numbers in Europe this quarter and if you could help us rehash adoptive difference specifically across Q1-Q3 and Q4 in HCR in Europe.

Kavinder Singh: Our occupancies in Europe are about 60% odd in the quarter of April-May-June. Please remember this is that their business is cyclical, July-August-September will show much higher occupancies because the holiday season actually kicks in from mid-June onwards. I must also hasten to add that these occupancies are extremely high considering the fact that the city hotels have been reeling with about 40%-45% kind of occupancies. Same advantage that we enjoy in leisure business in India, the Holiday Club Resorts enjoys in Finland, Finnish are and even Swedes are avid travelers and the domestic travel in fact have kicked off in big way during July and will continue until mid-August.

Baidik Sarkar: Our domestic customer addition numbers are good in this situation. But these significant accelerations happening at these levels so far with the SG&A or do you have levers to kind of break out of this range or would you actually hold back to lessen the SG&A number between (*Inaudible*) are actually numbers that are sustainable and one should continue to expect numbers in this range. What are your aspirations?

Kavinder Singh: I couldn't hear you partly, I don't know there's some problem at your end on the speaker side but what I am able to hear you say, is that the numbers of the member additions are robust. Is there something that may lead to a breakout?

Baidik Sarkar: Do we have any levers within our SG&A spends to kind of break out of these numbers or would you reckon that these numbers are sustainable and going forward what one should expect? I'm just trying to understand your aspiration on this bucket.

Kavinder Singh: Our aspiration is to obviously grow much faster. Let's be very-very clear about it because internally we are obviously aiming to do higher than what we are doing today. I would say watch out because we are constantly looking at various routes to grow. This is what I think we should focus on in our discussion as to what is it that we will do. So let me just enumerate 2-3 points.

Number one, our focus on digital and referrals is going to grow even more. We have internally launched a loyalty program which will encourage our members to refer more. As we speak the program is getting rolled out and we believe that will lead to higher number of referrals. I must tell you the most effective form of customer acquisition is referrals because the cost of acquisition is low, the customer is already heard about you and it's a great way to and this also doesn't put pressure on the sales and advertising kind of spends. That is one thing that I wanted to mention. Digital definitely requires inputting into the digital space creating new content. I think we have sufficient headway there also to invest and continue to grow the digital side of the business in terms of driving leads and converting them better than what we probably convert today. Data science as a tool to look at propensity to buy is something that is being looked at. There are some lots of action happening there. Watch out there also because we will begin to improve our conversions as we move forward. The other thing that we are doing is that we are quite focused on driving prospects to come to our resorts, either as members, friends, guests or relatives because they tend to buy at the resort. Our onsite sales team is being strengthened big time as we speak. We are also focusing on appointing new DSAs, the distribution agents, because that's another area which will improve our points of sale because the truth is that our presence in Tier 2 towns could improve. That is something that we are focused on. So there is a huge opportunity in a business like ours, reason I'm not even going into the levels of penetration which in India for most of the categories remain low. But for us as the habit of holidaying sets in and I must say COVID has possibly accelerated at least by a decade the behaviors of customer to get out of homes to sort of look outdoors, to enjoy mother nature and do some activities together. That culture is spreading quite fast. I believe that that will also help us to acquire customers far more easier than what we were acquiring in the past. However, it's a journey. It won't happen every month or like in the next quarter, there will be always a capability building exercise which is going-on on each of these areas. Therefore, we should see the step up and it should be evident as we move ahead.

Baidik Sarkar: Can I squeeze in one last question on debt level. Could you just recoup what your net debt levels are?

Sujit Vaidya: The net debt levels after we made the partial loan repayment is around Rs.700 crores now at the total Group level.

Baidik Sarkar: And all of this is Euro denominated?

Sujit Vaidya: Yes, most of it is Euro denominated.

Moderator: Our next question is from the line of Sahraj Singh from Laburnum Capital.

Sharaj Singh: My question is how long do you expect this holiday momentum to continue for now, the first quarter was exceptionally strong holiday season momentum? How do you look at this continuing?

Kavinder Singh: If you look at our bookings in August and September, we are looking at occupancies upwards of 82% in August and September. They would only rise. We anyway have finished July at 82% and October-November-December is always a very-very big season for travel. We now believe that we might be in a situation where almost every month we will see occupancies upwards of 80% which is not something that we used to see in this quarter, particularly July-August-September. We have hard data to say that the travel momentum continues. Despite the fact that we keep adding rooms we still do not see any dip in occupancies which is great which is what shows that over a period of time the connectivity has improved, the need to travel has increased as I mentioned with respect to the COVID and all and people can work from anywhere actually without getting disconnected. So, telecom infrastructure, otherwise road infrastructure, airlines infrastructure, all of these are actually feeding into this travel boom that we are beginning to see. I think whatever be the situation at the macroeconomic level unless of course something very-very crazy happens, we do see that people would want to get out. They would want a shorter holiday but they would definitely want a holiday. Therefore, there is this desire that is fueling the boom in leisure destination. And you know it yourself probably from your personal experience also, the ARR in the leisure destinations are probably at an all-time high that we have seen in the recent past.

Sharaj Singh: The second question was on the member additions, although they've picked up a lot but given the strong season, we're seeing why have they not been able to breach pre-COVID levels? I mean we'd expect that to happen given the strong holiday season that is there, so what are your thoughts on that?

Kavinder Singh: You are talking about the member additions.

Sharaj Singh: Yes.

Kavinder Singh: Let me just bring a perspective to you. As I mentioned that Jan-Feb-March was impacted by any way Omicron and that is normally a big quarter for us. And if you compare that and if I were to do on a YOY basis, of course it doesn't make any sense which is about 1,000 odd members in April-May-June because that was Delta impacted quarter. If I go back to the pre-pandemic levels, we did about 4,300 odd members. This time we did about 3,800. Remember one thing that there is a huge focus that we are now having on value because we are now constantly driving two things that people who become our members, they give higher down payment because we have noticed that the higher down paying members which is the strategy that we have followed for the last few years, are also spending money at the resorts at a level higher than someone who is coming with great difficulty or not being able to afford. So focusing on the right quality of members is something that we have been continuing through the pandemic and beyond, creating a portfolio of products like we have done, long-medium-short tenure products. So what we are noticing is that whether you look at 4,300, 3,800, they are not materially different. They are roughly at the similar levels but you start looking at the value as well as the upgrades that we are doing because there is a monetization. In this business it's all about adding new members and of course monetizing existing members whether through upgrades or whether through resort

revenues, of course annual fee also when people holiday, they do pay annual fee. Without annual fee payment they cannot holiday. The way to look at is that are we able to monetize better? Are we able to get right quality of members who will spend money at the resorts? And the fact that we added Rs. 52 crores to the deferred revenue shows that our revenue of about Rs. 52 crores is higher. We added more into the deferred revenue than we pulled out. That is important to know because we are actually putting it in some manner the money into an un-booked profit which is deferred revenue. So, the focus is on value, the focus is on higher down payments, and the focus is on higher spends by the members. It's a monetization game which is something that we have played extremely well. That is why you are seeing the improvement in margins, not to say that the member additions of 3,800 will remain at 3,800. We are continuously as I mentioned in the previous answer that we will continue to drive higher member additions along with of course inventory additions which are now at a fairly brisk pace.

Sharaj Singh: Are you saying you have been selective in onboarding members to a certain extent now compared to earlier?

Kavinder Singh: Definitely, when you ask for higher down payment to become a member, it is definitely you are in some manner excluding a set of customers who could become your members by giving you a very low down payment. But what we have seen in the past when people come with lower down payment, they tend to churn.

Sharaj Singh: What kind of a difference is being there in this threshold from earlier, the down payment amount?

Kavinder Singh: That's something that we have not yet put out in the public domain. We have some threshold criteria for higher down payment and they are significantly higher than the past.

Sharaj Singh: The difference, the delta not the amount specific percent of the delta if you could give that?

Kavinder Singh: Again difficult. Main thing is that if you were to look at any consumer durable today, if you look at any other category today, I mean people are selling things at 5%-10% down payment, equal EMIs all that stuff. We don't do any of that. We are expecting a reasonably high down payment and then we expect the person to pay on time and holiday and obviously spend money at the resorts. There is definitely some level of let's say we do a bit of a lead scoring to identify who is likely to not only become a member but also spend money at the resort. You would appreciate that you can easily add members but if the members come and they go or they don't spend at the resorts, the business does not see the benefit. And the reason you are seeing such excellent set of numbers is because every part of the, every moving part is actually now synchronized whether it is inventory addition, whether it is the quality of member additions, whether it is the down payments and whether it is the cash management, whether it is the margin management; everywhere you look at it, we have tried to see that there is no slippage anywhere.

Moderator: Our next question is from the line of Nemish Shah from Emkay Investment Managers Limited.

- Nemish Shah:** I just wanted some clarification on the cash balance that we had. This Rs. 1,172 crores cash position as on date is after the subsidiary loan repayment of Rs. 30 crores. Is that correct?
- Sujit Vaidya:** That is correct.
- Nemish Shah:** And given that it was, we had a similar number last quarter so we would have generated about Rs. 30 crores cash this quarter?
- Sujit Vaidya:** A bit more than that because we do have the normal CAPEX which on the....
- Nemish Shah:** Free cash flow, I am talking about free cash flow?
- Sujit Vaidya:** Yes, so that would be in the range of around Rs. 45 crores.
- Nemish Shah:** Just understanding a bit on this loan that we have given to MHR Holdings. Just wanted to understand in the rising interest rate scenario, will our interest expense on our Euro borrowings or do we anticipate that to go up in the coming few quarters?
- Sujit Vaidya:** Of course, our interest on the Euro loan was Euribor Plus. Now because the Euribor now has gone into a positive territory, it was negative all along. Yes, there would be an increase to that effect. You would have heard that ECB increased by almost 50 basis points. That is the increase which is what you can see.
- Nemish Shah:** Do we anticipate any increase in the spread as well on the Euribor or the spread will largely remain the same?
- Sujit Vaidya:** No, the spread will remain the same. That is already contracted.
- Nemish Shah:** And do we plan to give any further loan over and above €25 million?
- Sujit Vaidya:** There is no existing plan as such but definitely we are watching the situation in terms of how the exchange rate movement and the interest rate movement happens and depending upon whether it is beneficial, overall financially there is always a possibility that we may do that but nothing on the cards just now.
- Moderator:** Our next question is from the line of Ankit Kanodia from Smart Sync Services.
- Ankit Kanodia:** We had a chance to speak to one of an old customer of, a member of Club Mahindra and he was very-very happy with something new which has happened in the last 1-1.5 years. And it was related to Club M Select and also the travel services and Curated Holidays experiences. Where he particularly mentioned about whenever he has to go to a say make a travel plan may be even if it not a leisure travel but say something like a business trip and he wants to go to Delhi suddenly so through Club Mahindra membership see it's a lot of attractive offers. So, I couldn't

find much on that in the annual report. There is only one short paragraph and even on the presentation. It would be great to hear from you how we are going ahead with both these plans?

Kavinder Singh:

I think as I mentioned also in my opening remarks, Club M Select is something that we are, it's more let's say being tested out and yes, it has happened in the last during the pandemic time but the usage was little low because people were not traveling. We are noticing that people are doing lot of transactions now. It's actually something that is not available in the market where people can use Club M Select to get very huge discounts at the hotels which are better than what you can get on any of these online travel aggregators. And more importantly you can also book cruises or any lifestyle activities including dining options and golfing etc. So, it is a lifestyle product. We are slowly promoting it amongst our members. We need to get little more aggressive now that the pandemic is over and this is clearly a very high priority item for us. We do see this will lead to higher member engagement, some amount of growth in income for us though it will not be very-very major unless we take it out to non-members as well and that is something that we have not yet planned out fully. So, yes, this is a big area of opportunity to engage with members and monetize members and also give them benefits that they would be truly proud of being a Club Mahindra member. Did I answer your question to the level that you wanted to?

Ankit Kanodia:

Yes. Just an add-on to that. If you can just spend more time on your offering related to say tickets or maybe availability of rooms in other five-star resorts because of being a Club M?

Kavinder Singh:

We have another program which is different from the Club M Select which we call as a Horizons program. Maybe your friend is referring to that as well. What happens is we have a tie up with about 360 hotels and resorts both in India and abroad. If you are traveling to as you rightly said Delhi-Bombay or some of the others locations Chennai etc, you could actually bank your room nights. There is a small access fee to us and check in into that hotel and actually do your work or do your vacation and come back. So, this gives an opportunity not only to Holiday at our resorts but actually go to some other branded options. The good part of this is that we have seen a very huge momentum in this where people are sometimes using this Horizon program to exchange their room night with a property which could be in a city or a location where we are not present.

Ankit Kanodia:

Exactly so that is why I was surprised that not much is mentioned about it on the annual report or the presentation?

Kavinder Singh:

It's an area of improvement for us. We haven't talked much about it. As you know, we normally talk about the things that we do once it achieves a certain level of scale.

Ankit Kanodia:

My second question would be related to our association with Rocksport. The Rocksport thing so you have several other adventure related parks all around the country, different cities. So, do we only want to restrict ourselves to a company like Rocksport or we would like to expand our may be in the future years to other companies also because there is the regional specific theme-based activities going on in several cities or even smaller Tier II cities where we may get a chance to

further just like Club M Select, we can further engage with our customers and provide them better value offering, any plans on things like this?

Kavinder Singh:

So, one thing we are very clear that we are a resort company which provides great immersive experiences which includes adventure-based experiences for the family. We are not about adrenaline junkies or providing some extreme adventure sports. That's not our business. The reason we are working with Rocksport is because they are a profitable startup. They needed growth funding. We gave them the growth funding and we realized that they have huge strength in terms of being able to create soft adventure for the families when they are holidaying at our resorts, critical point is when they are holidaying at our resorts. Equally Rocksport on its own creates lot of soft adventure theme-based activities which they do nearer the big cities. We do encourage as you mentioned about your friend talking about Curated getaways, vacation etc. Same way we offer our members an opportunity to go to these adventure theme-based events, if I may use the word, and then people can go at a certain discount, they can engage with the Rocksport activities and be spend a day there and have a good time with the family and come back. Now the reason we don't want to engage with too many people and spread ourselves thin is because we are never sure about the quality, we are never sure about the safety, even though the responsibilities of the Rocksport, but we don't want to be associated with someone who is not particular about these things. And also, we are also very clear that the Rocksports' target group which is students and children and families who are living in the metro towns is actually our target group also. That is where the synergy actually happens for us.

Ankit Kanodia:

Are we seeing any conversion from that say if anyone is customer of Rocksport?

Kavinder Singh:

Of course. I mean so Rocksport has done some work in some of our resorts and that is leading to our members enjoying those experiences. Equally our prospects as well as members go into the Rocksport events in the cities. There is again a very good satisfaction scores we are tracking and obviously we can target Rocksports' customers as well to become our members. This is something that we started about a year ago. Pandemic was on and off, the pandemic created a bit of an issue but now we are accelerating our involvement with them so that we are able to take advantage of creating great experiences for our members in our resorts which will add to our revenues as well apart from ofcourse targeting their customers and also creating a year-round engagement with the members in their cities where they reside.

Moderator:

Our next question is from the line of Abhishree Bang from JHP Securities.

Abhishree Bang:

My first question, what is the receivables figure for Quarter 1 FY23?

Sujit Vaidya:

That is Rs. 1,137 crores.

Abhishree Bang:

My second question goes like our cash position of Rs. 1,172 crores so can you just provide me with breakup of the same?

Sujit Vaidya: These are largely into mutual funds and fixed deposits with the bank. 80% would be into these and rest is into liquid funds for the requirements of the business.

Abhishree Bang: Is it possible to give the figures elaboration?

Sujit Vaidya: We don't put that full information on, we do that once in 6 months when the September results come out.

Moderator: Our next question is from the line of Pranav Tendulkar from Rare Enterprises.

Pranav Tendulkar: I have just two questions. First of all, the other expenses that is Rs. 156 crores I think this quarter, what does this consist majorly of? And is there any free guidance or any methodology that you can give for us to project this, it is related to resort rooms addition or it is related to member addition. That is one. Second is when are we going to have a pull factor in our member addition? So, can you give some color of the total member addition, how much is pull and how is push and what is the pathway because we are now except the room addition, what is the pathway for per quarter 5,000+ member additions, when that can happen? And just last question, out of the total VO income as a deferred revenue, deferred VO, how much percent of that is on EMI and how much percent of that is completely paid?

Kavinder Singh: You have actually two types of questions. One is on the business and the marketing side of it. Another set of questions are more finance related questions basically cost related questions. So, I will request Sujit to answer the finance or the cost related questions. Let me quickly answer the question that you asked, when will the pull really come and how do we get to a higher member addition trajectory. By the way I answered this question already in detail in the beginning of the call when a question was asked what levers will we press for growing our members so I wouldn't repeat that, it will be there in the audio recording, in case you were not there in the first part of the call. As far as the brand pull is concerned, please remember that in a business like ours we are vacation ownership business where we are asking people to pay upfront so that they can in some manner become a part of the member, become a part of the Club and they don't have to spend money on the rooms when they come to the Club and of course they get discount as a member and special treatment also in the resort. So, it's a model where we sell Club memberships and Club memberships have lots of benefits and privileges and sometimes, they require lot of explanation and that can happen only face to face. There are times when people do not take decision and that is where you may have heard of this terminology called push sale where people are pushing the person to buy and the person is not taking a decision. That is all there is push in our business because we today do not have difficulty in getting people to sit and understand what we are but then when it comes to decision-making the criterions are different for different people and some people do not prefer to take a decision and some people do take a decision. That's as far as the explanation of what is meant by push. When it comes to the pull, the fact that we have 58% of our sales coming through the digital and the referral route shows that there is sufficient pull that has already been created for the brand. However, you must know that even in the balance 42% of the sales there are lot of alliances that we do, cross

promotions that we do with the other brands and these brands then are very happy to associate with us because we are an aspirational brand. That is where for example a brand that we have done a very successful promotion is a brand called Hamleys. Now Hamleys is a brand which is the target group of that product buyer is the parents of a child are clearly our customers. We did a very successful alliance with them. So that is not push, in fact that is creating a different kind of pull. Difficult to say how much pull, how much push but largely speaking majority of our sales is now coming through the brand pull. Yes, there is sometimes at the table the person doesn't take the decision and there could be some level of push happening but we are on the right track in terms of creating very engaging digital content, generating sales through the referral and digital route and through the brand alliances. We have reached a status today where we really don't have to run after people to buy our memberships. We definitely have to target correctly. As I mentioned one of the other ways to think about the pull is that even upgrades are strong, referrals are strong and the higher down payments, people are willing to pay higher down payment to become our members rather than a 5% or a token down payment. That's another number which has moved very-very smartly up. So, significant amount of pull we are experiencing but having said that the growth will come through the various levers that I talked about it in my earlier part of the presentation.

Over to Sujit on the question on other expenses. Let me finish please. Let first Sujit answer your question on other expenses before you ask another question. Kindly let him answer your other questions otherwise we'll forget the questions. One is the question on other expenses and there's another question that was asked if you remember which is related to the deferred revenue part of the question. So, go ahead Sujit.

Sujit Vaidya:

As far as the other expenses are concerned around Rs.146 crores, we do have a detailed slide on that in terms of the P&L and as you would notice from there, out of that Rs. 46 crores or Rs. 47 crores is relating to sales marketing and largely that is, the substantial part of that is, the cost of acquisition of our members and it keeps moving in line with that. The balance around Rs. 100 crores again, say 40% of that relates to the resort expenses and the food and beverage cost, so that is what would move in line with our resort revenue and that's the relationship because I think the question was how do, what is the guidance around, how do you forecast that? So, these are the two separate elements and we have given the split of that. The balance amount would be all relating to the corporate overheads which remains flat or grows in line with the inflation in general. Can you just repeat your question about the deferred revenue please?

Pranav Tendulkar:

Yes. So deferred revenue part of the that sits on the balance sheet how much I'm sure that there will be some portion of that maybe on EMI, there is some portion will be fully paid but still not accounted in the revenue? So, what proportion of that total deferred revenue sitting on the balance sheet constitutes of EMI and what is fully paid till now?

Sujit Vaidya:

In terms of, what happens is that whenever we onboard the member, the entire sum of the whether it is a paid or not is accounted as a deferred revenue. The entire Rs. 5,100 crores in fact, to be precise Rs. 4,951 crores of VO deferred revenue. Again, this information is there in our

Investor deck is relating to the entire membership fee, which is contracted, that's it. Now obviously out of that, every year if it is a 25-year-long membership, 4% of that is accounted as revenue. So that keeps happening. Separately you book depending upon the person has taken an EMI plan is booked as a receivable. Some part of that comes as a down payment and the balance remain as receivables. You would see that though we have around Rs. 4,950 crores of deferred revenue, our receivable is only around Rs. 1,100 crores, because many of the members, in fact 85% of our total member base is already fully paid up, and again that information is available in our Investor deck. That's the way these two separately they move because the payment comes at much faster pace leading to as you can appreciate a cash accumulation which you see because we continue to kind of build the rooms for the members either through our own CAPEX or sometimes or in fact more than 50% are leased where your cash outflows are not upfront. Does that answer your question?

Pranav Tendulkar:

Yes.

Sujit Vaidya:

I think you had some other questions?

Pranav Tendulkar:

Regarding the first question. The whole purpose behind asking the first question was that as a company, sales and marketing expense as a total percent of gross sales, how we see that anyhow, so that will be a good indicator of pull and push. I understand that it's a more complex than just white washing pull or push, but sales and marketing expense as a percent of direct sales would be a very good parameter to judge that?

Sujit Vaidya:

There are two components of that and I will give a financial answer and the maybe Mr. Singh can provide some more business color to it. There are two components of that. One is the brand spends in terms of overall improving the brand salience in the minds of consumers and awareness. The second part, the bigger part which we spend usually is on customer acquisition. The customer acquisition as we have said in the past as well, is a combination of different sources of lead generation and the acquisition routes we have. But overall, on an average we are having around 24% as a cost of acquisition on the basis of the membership fee. If you take a lifetime value of the customer then that falls way lower than that, but that's the one number to keep in mind which is a variable cost for us and again to just reiterate as we defer the revenues this cost also is largely deferred over the period of the life cycle of the member. Mr. Singh you want to add something more to that?

Kavinder Singh:

I think largely you have covered very well. So, see what happens in a business like ours, there is a variable expenditure on sales and marketing that is incurred when we are trying to acquire a customer which is, could be in the natures of offers, discounts etc. If you were to compare it to a traditional business it could be the dealer discounts. We don't have dealer discounts in our business so it's a direct B2C business and that is what is shown as cost of acquisition which includes offer discounts as well as the sales commissions that we give, which in a typical product-based business would be the discounts and offers that are given to the dealers or the partners. So there is a variability there and which is fine because there is a certain level of cost

that you would incur. The good news for us is that if you were to look at our cost of acquisition which is where most of the sales and marketing spends are largely, is seen today as a period cost because we think that our cost of acquisition is at approximately 24%-25%. But the good news is that if you were to look at that cost over the lifetime value of the member, it actually translates to a very low single digit cost. The good part of our subscriber business is ours is a very-very sticky subscriber base and it's not that it is churning every day and therefore, if you were to amortize this cost of acquisition, which you call sales and marketing cost, actually can be amortized over the lifetime value of the member and comes to a very-very reasonable level. That is why you are able to see continuously growing profit growth as well as margins because the cost in some manner do get amortized because anyway there's a deferral happening on the variable cost in this accounting standard while the income is also getting deferred. So that probably is, to give you a comfort that, and I think it is in some way connected with the earlier question that how much levy we have in terms of spending money to grow the customer base. For us what is important is to get the right kind of customer. I don't think we face much constraints in terms of spending money but I think it is very-very important that we remain quite focused on whether we are getting bang for the buck or not. There are multiple aspects of building the brand, customer acquisition whether it is digital, whether it is a physical event or whether it is a sales and marketing action which is just to drive the top-of-mind awareness. We are quite conservative in my view and our sales and marketing expenses particularly with respect to brand building, we do lot of work on digital. Therefore, you don't see us much on the TV etc. which is fine because most of the hospitality or the vacation ownership companies are not seen on TV. They are seen more in the digital side because the customers are hunting for us there. Therefore, our spends are significantly higher in the digital area as well as in the cost of acquisition area.

Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question. I now hand the conference over to Mr. Kavinder Singh for closing comments. Please go-ahead sir.

Kavinder Singh: Thank you very much for patiently listening to our answers to your questions. As usual your questions have been very insightful. I have always maintained that if we are where we are today a lot of that is due to the persistent and insightful questioning that you do of us. We feel extremely accountable and we really feel that your questions make us think harder and it is good that we are put into some kind of a lens during this period. We sharpen our responses. We become better at running the business, keep an eye on what are the shifting trends and to the best of our ability we try to share with you what we have, what we are doing. On that note thank you so much for being a part of this concall today. Bye-bye.

Moderator: Thank you Mr. Singh. Ladies and gentlemen on behalf of Mahindra Holidays and Resorts India Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.