



“Mahindra Holidays & Resorts India Limited Q3 FY21
Earnings Conference Call”

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Moderator:

Ladies and gentlemen good day and welcome Mahindra Holidays & Resorts India Limited Q3 FY21 Earnings Conference Call. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 conference 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 of Mahindra Holidays & Resorts India Limited. Thank you and over to you Mr. Kavinder Singh.

Kavinder Singh:

Good afternoon everyone and a very warm welcome to our Quarter 3, FY21 earnings call. Today, I am joined by Mrs. Akhila Balachandar – our Chief Financial Officer, Mr. Dhanraj Mulki – who is General Counsel & Company Secretary.

We have already uploaded our Quarter 3 Results on the exchanges and also a detailed investor presentation on our website. I hope you had a chance to go through the same.

What I intend on doing over the next few minutes is to take you through the key highlights of Quarter 3 earnings.

As we all are already aware of the current situation with reference to the GDP, I will not focus on that. However, I would like to touch upon the services sector. The services sector in Q3 has lagged behind manufacturing and agriculture sector. Domestic air passenger traffic growth and railway growth is still in the negative. Even the activity levels of people visiting for recreational and retail activities for consumption of services like restaurants, cafés, theme parks, museums, shopping centers etc, is in the negative. Having said that, a couple of subsectors and services have shown signs of turnaround which includes railway freight and sea freight as well as non-life insurance premiums.

We are witnessing some emerging travel trends both at our resorts as well as around us. We believe the leisure travel at domestic destinations will recover faster; in fact the signs of recovery are already visible. Travelers are increasingly opting for getaways to drivable locations. International inbound and outbound travel will take time to recover. Outdoor experiences like trekking, hiking, bicycling, there are many outdoor experiences that are gaining momentum even at our resorts. Events in congested and crowded spaces for some time will be a thing of the past. People are traveling to the best of their abilities and safely with their extended family and friends. We believe the preference for trusted hospitality brands like us will only grow in view of the safety and hygiene concerns.



Before I come to the specifics of the 3rd quarter performance, I would like to draw your attention to some of the key points related to our unique and resilient business model. We have a cumulative member base of over 2,63,000+ members, generating multiple annuity revenue streams, which includes vacation ownership (VO) income, annual subscription fee (ASF) and of course the resort income. Our revenue streams are highly predictable and it is now evident in the last three quarters, our VO income generally grows which comes from the deferred revenue pool. But so far, in the last few years, we have always been adding to the deferred revenue pool more than what we are taking out. Track record of consistently high occupancy(80%+) ensures growth in resort revenue and as we keep adding resorts, our resort revenues will grow further. Annual subscription fees from the growing cumulative member base is another income that keeps growing. Our balance sheet is strong and healthy with robust operating cash flows which support growth in addition of room inventory without taking any recourse to debt. Currently, we have Deferred revenues of over Rs. 5,300 crores and free cash of Rs. 848 crores. If we were to add Rs. 1,585 crores of receivables, which can be securitized if needed, it provides us liquidity in excess of Rs. 2,000 crores. We are zero debt company at the standalone level.

Let me move on to the Financial Performance:

We have seen improvement in all financial metrics owing to higher resort occupancies and extremely effective cost controls. Our resort occupancies have increased and now stand at a healthy 75% in Q3 FY 21, this is, of course, as a percentage of operational room inventory as compared to 30% in Q2 FY 21. In December '20, our occupancies went up to as high as 85%. This has led to a strong recovery in resort revenue and also an overall improvement in the financial metrics.

Let me move on to the total income:

Total income for Quarter 3 is at Rs. 245.87 crores. This has increased by about 16% on a quarter on quarter basis. However, it is still lower than the Quarter 3 of last year. Last year Quarter 3 revenue was about Rs. 267 crores. If I look at profit before tax for Quarter 3, it is at Rs. 54.95 crores as compared to Rs. 38.66 crores in Q3 FY20 which is up by 42% year-on-year. Our PBT margin has improved by 788 bps to 22.3% as compared to 14.5% in Q3 FY20. Profit after tax for Q3 FY21 is at Rs. 40.62 crores as compared to Rs. 25 crores in Quarter 3 FY20, up by 63% YOY. Our PAT margin has improved by 718 bps to 16.5%. The interesting part is that even if I look at YTD level, our profit before tax growth and profit after tax growth is at similar levels. So this is not just Quarter 3 performance, similar performance has been reflected in our YTD numbers as well.

If I look at the cost control measures that we have taken, which have resulted in total cost reduction by 17% as compared to same period last year. Our sales and marketing expenses are lower by 13% as compared to Q3 FY20. Our share of referrals and digital is at an all time high of 56% of total members registered in this quarter as compared to 40% in Q3 FY20. We have



been beneficiaries of some waivers on the lease rentals both for our resorts and few branch offices. We have reduced other expenses by 19% as compared to the same period last year. Major savings are on account of resort consumption, energy and travel expenses and waivers, that we have received on minimum electricity demand charges from some State Electricity Boards.

Our cash position as on 31st December 2020, remains healthy at about Rs. 848 crores, owing to the fact that, we have reopened our resorts which have led to member upgrades and improved ASF collections. Our focus on quality member additions with higher down payment has also contributed to this level of Cash Position. Regular cash flows from EMIs along with continuous control on costs and all areas of operations have helped us increase our cash position even during the pandemic times. Cash position as on March'20 was Rs. 781 crores, so if I look at over the nine months period, we have moved our cash position up by about Rs. 67 crores.

Let me move on to member additions:

We have added 3,291 members in Quarter 3 as against 2,681 members in Q2 FY21. However, if I compare against the same period last year, we are still below the Q3 FY20 member additions which were at about 3,805. Our flagship higher tenure product offering which is Club Mahindra 25 Year (CMH 25) and Bliss have gathered momentum in Quarter 3. Our focus is on lead generations through digital alliances and higher referrals. These are the engines of growth that we are pumping. If you look at our member engagement, we have moved from a physical heart to heart to digital member engagement, and this of course has helped us to improve our share of referral and digital contribution to an all-time high of 56%, which I mentioned earlier. I would like to reiterate that our focus on acquiring members with higher down payment continues, there is no change in that strategy.

We also have been able to take on some new initiatives which actually played out well in these nine months and some of them in Quarter 3. ***Travel with Confidence*** campaign was launched in Quarter 2 and it gained momentum and I will talk about the benefits under the travel with confidence in a few minutes. We also launched a new prospect website. We have been focusing on increasing organic traffic which is the best way to acquire members at a lower cost of acquisition and hence, we launched multiple demand generation campaigns such as Family Premier League (FPL). We have been running very interesting campaigns on Facebook, Twitter as well as Instagram to help our prospective members to have a look at our products and sign-ups.

The initiatives that we have undertaken for improving resort occupancy includes digitization of touch points. It is important that all the transactions are contactless and that's something that we had achieved in the first quarter itself. We have also digitized our resorts menus to create awareness among both members and prospects about Mahindra Holidays rich food and beverage offerings. Our safety and hygiene standards have been constantly improving through ***the Club Mahindra Stay Safe program***. Under the Travel with Confidence program, we have offered



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members discounted COVID tests, travel insurance and COVID insurance, special discounts for renting a car, sanitizing their personal cars through Mahindra First Choice wheels, and tie ups with various airlines where members can avail exclusive benefits like flexible cancellation, date change on most of the major airlines within India, free seat selections and other privileges.

The fact that our resorts are Bureau Veritas certified for COVID-19safe protocols, coupled with the contactless transactions has helped us to instill confidence in our members to travel to our resorts again and that has helped us in gaining the occupancy that I have been talking about.

Let me spend a few seconds on the resort experience:

At our resorts, we have realigned spaces, services and restaurants. New resort experiences and thematic evenings have been introduced which ensures physical distancing and yet members can enjoy the Club Mahindra experience. We have also reengineered menus with in-room dining services. Our sanitization protocols are the best. We have been able to get guidance from the number one facility management services provider for hospitals. If I look at the challenges that we faced during the quarter i.e. dynamically changing travel guidelines, State specific night curfews, restrictions on public gatherings for New Year's Eve and as we speak, we are still awaiting guidelines from the government on spa and swimming pool operations in some of the states. Our operating inventory at this point of time of total inventory in India is ~ 90%. and the best part is that during this period, we went on to acquire 6.7% stake in Great Rockspost. This is a profitable startup. It's been in the business for more than 10 years and they are engaged in soft adventurous sports and we believe that this acquisition will help us to leverage on each other in growing the businesses forward. It's also in line with the trends that we are noticing where people are engaging in outdoor activities.

Let me move on to the inventory additions and also on the capital expenditure:

We have not curtailed our capital expenditure at all. During this quarter, we added a new resort in Jaipur with 72 rooms, and another resort in a place called Arookutty which is in Alleppey, Kerala with 82 rooms taking our total room count to 3,776 as on December '20. Construction activities at our project in Goa, Assonora, had resumed after the lockdown in early May and this resort is likely to be operational in Q4 FY21. The project in Ashtamudi which is an existing resort, continues, this will add 33 rooms in this calendar year. We are also awaiting the approvals for starting 150 rooms project at Ganpatipule overlooking Arabian Sea on a beautiful piece of land and also the expansion project at Shimla with additional 160 rooms is likely to be started in some time. We are also looking at expansion of our existing Puducherry resort and a new resort in Theog, subject to the regulatory approvals.

Our capital expenditure on a year-to-date basis, stood at about Rs. 75 crores and in Quarter 3, our capital expenditure was approximately Rs. 36 crores. On that note I will switch to Holiday Club Resort's performance. Holiday Club Resorts Finland had turned around in Quarter 2



FY21 and delivered positive PBT for the quarter as a result of very good occupancies. The best part was that the timeshare sales had also improved in Quarter 2 and there were significant cost-effective measures taken in Quarter 2 and this led to a positive PBT for Q2. However towards the end of October, a second wave of COVID came in effect and impacted our business for the months of November and December. As a result of which our occupancies dropped in the spa hotels but I want to confirm that our timeshare and renting business have remained steady, even in these difficult times. You would be aware that Finnish government has extended the restrictions on entry into Finland. We have mentioned the same in our Investor deck as well. The border control continues as a result of which the Lapland area of Finland where tourism relies on international tourists flying in to meet Santa Claus, see the Northern Lights or take a snow mobile safari, has seen visitor numbers plummet. The business conferences and events have also got impacted in this quarter leading to a drop in operating performance in Quarter 3 FY21. If I look at the numbers, the turnover of €30.56 million was achieved. This is under Finnish accounting standard as against €41.03 million in Quarter 3 of FY20. Despite the subdued performance due to the pandemic, the operational loss has been curtailed to €1.57 million for Quarter 3 FY21 and if I look at the loss before tax of Quarter 3 FY21, it stands at €3.17 million and this is against a loss of €0.43 million in Quarter 3 FY20. Year-to-date performance of Holiday Club stands firm because of the good performance in Q2FY21.

If I were to look at the consolidated numbers, the consolidated operational EBITDA stands at Rs. 100.7 crores for Q3FY21 as against is Rs. 99.51 crores in Q3FY20 and in fact Operational EBITDA margin has improved by 296 bps YoY to about 20%. The most important thing I want to state here is that our vacation ownership business model both in India and in Finland is more resilient than the traditional hospitality sector. As you can see, even in Finland the timeshare sales have held steady. I would also like to make a point here that, if you look at the consolidated numbers particularly at the bottom line, the real issue is the FOREX loss that you would notice; this is due to the depreciation of the Indian rupee against the euro. This has no impact on our business in terms of cash or any other way. This is an accounting entry and this may give you a little bit of a distorted picture, so therefore I chose to highlight the operational EBITDA that we are at Rs. 100.7 crores for Quarter 3 FY21 as against Rs. 99.51 Crores for the same period last year. Operationally Finland also saved €7.74 million of cost in the Quarter 3. So the Finnish team led by Ms. Maisa Romanainen, our new CEO who joined in July last year is doing a very good job in controlling costs and is keeping a close eye on the same. I would also like to highlight that while there may be concerns about COVID, the level of infections in Finland continue to remain very-very low at about 300 odd people. They are performing approximately 25,000 odd tests a day. This is a very-very high level of testing and the number of people in hospitals are actually less than 50. So the situation is in control but the Finnish government has been extra cautious, which is why they have made lot of announcements and as a result we saw those occupancies plummet. But having said that, our timeshare and renting business held firm. As we look ahead, the vaccine rollout particularly in EU if it happens as planned, we believe that, we are looking at a quick recovery even in the Finnish operations and of course Sweden and Spain.



On that note I would like to say thank you so much for patiently listening and now we are open to questions.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Nihal Jham from Edelweiss.

Nihal Jham: First question is, the Jaipur property is a fresh lease we have taken, it was not in construction if I understand right?

Kavinder Singh: Yes, Jaipur property, Nihal, is a property which was in existence. It has been refurbished by the current owner. It is a leased property which we are operating, and are in full control of the property. We are going to manage the property and we have started operations in December..

Nihal Jham: Second question is, if you could mention the AUR for the quarter and continuing from the discussion in Q1 and Q2, how is the membership mix moving when you look at CMH-25 and Bliss or even GoZest, just more qualitative thoughts on that.

Kavinder Singh: Thanks for asking this question, as it gives me an opportunity to share the product mix. So I have made a statement in the previous quarters that in April we launched GoZest which is a three-year product, obviously with the lower transaction value and we have always been maintaining that in our business we need to get members to experience and then we would convert people who have joined in GoZest into the long term product which is a 25 year product and this actually brings down our cost of acquisition any way. So while the AUR got temporarily impacted in the Quarter 1 and Quarter 2, we have seen a very smart recovery in Quarter 3. The 25 year product has begun to sell the way we used to sell and if I look at as a percentage of my total sales then yes it is still some time away. But particularly in December we saw a very big movement towards the 25-year product as well as Bliss which is the 10 years points-based product; these are the two products which were being focused upon. While GoZest continues to sell but the product mix is moving in favor of longer tenure i.e. 10-year and 25-year products. Most importantly, we are focusing on down payments and we are ensuring that we get most of the members with very high down payments which is going to help us with not only the cash, but also in terms of their spends when they go to resorts. As far as the actual numbers of AUR are concerned, Akhila would you like to come in at this point of time?

Akhila Balchandar: Yes, as Kavinder rightly said, we have seen a good improvement in the mix and this is what we have been targeting post Q1. Q2 we did a lot of work on it and Q3 the momentum has really picked up. So in Q3, our AUR would be around 2.6-2.7 and idea is to bring it back to our earlier levels.

Nihal Jham: On the cost initiatives, you did bifurcate specifically how each of the items have helped in reducing your cost base. But I would assume that once the resort operations do end up coming back to normal, most of these costs should come back to normal. So if there is any plan or some sustainable number that you can share and specifically on marketing, if there is such a high



contribution from referrals, maybe because of the COVID scenario, is there a potential that structurally marketing cost could come down and what are we budgeting in the years ahead, if you could just give color on that.

Kavinder Singh:

Nihal, I would just like to give you a broader perspective; if you look at over the years, in 2014-15 we used to have the profit before tax margin of about 15% odd. We brought it to about 21% odd in 2017-18 and then we had a new accounting standards and our PBT margin again went down and since then, we have been improving profit before tax margin year-on-year. I believe this time the gains are little higher than what they normally are. Let me spend a few minutes to share with you how we see it internally. If you look at resorts, yes, there are costs which are linked to an output. So if you look at F&B, as resorts get utilized more F&B revenues will come and so will the F&B costs. But we know that F&B margins are very good for us. So we love that costs because that cost will give us a very strong kicker in the top line. So we are not worried about that part. Now, as we open our resorts, you would be happy to know that in Quarter 3 we ended up making 63 resorts operational from as low as 25-30 resorts in August or September. Despite operating higher number of resorts during the quarter, we have held on to our margins, which you have seen. We are in a very calibrated manner controlling, one of the big costs i.e. the energy cost, in the resort or hotel. So we have been very carefully controlling that, also our solar plan continues, in fact it has been accelerated. Our aim is to control all the costs in the operation of resorts in a manner that we get sustainable savings, so that is something that we are committed to. So we do see some savings continuing even after all the resorts get operational. In fact in December most of them were operating at peak capacity. So we are comfortable there on the resorts cost management. When I come to cost of acquisition, you have a very good point that if we are going to depend upon referrals. structurally there could be cost reductions in cost of acquisition and that is something that I am committed to, to bring down the cost of acquisition using referral as a route. I must however hasten to add digital leads do not come cheap. As you know that the duopoly of Facebook and Google ensures that the costs are not low. But we still believe that digital lead generation helps us achieve twin objectives, one digital marketing and two- digital adoption has accelerated during the pandemic. So we believe that and while the digital cost of acquisition may not be very low, but they are not going to be out of whack. So how do we play the mix of customer acquisition so that our cost of acquisition remain on a sustained basis. However, if we look at the lifetime of our customers, our cost of acquisitions is already low. But we believe that structurally if we chase the referral business, the digital alliances business and there are various other innovations that we are doing which will play out, we should be in a position to further bring down our cost of acquisition while growing our member base. So the answer to you is yes, we do see our margin improvements continuing. Of course, during this period, you will understand that because the operations were in a bit of a flux, the income was accruing and cost were very-very tightly controlled. We will have to see how do we manage and maintain these margins but definitely I am more optimistic on growth in resort revenues, member additions and yes if there is some amount of money that we have to spend in sales and marketing that we will do because we have to also ensure that our brand is salient and we are a



consumer company. We will constantly keep an eye on the mix of the cost as well as the top line.

Moderator: The next question is from the line of Baidik Sarkar from Unifi Capital.

Baidik Sarkar: In spite of the net member count being positive between March and December, there seems to be a run-off from the quantum of deferred revenues. If you could just help us understand that and as a corollary to that question, how should we read the 29% degrowth in your interest income because one would assume given the saliency in ASF your EMIs have been honored. If you could just help us understand these two points to us.

Akhila Balachandar: When you say run-off on the deferred revenue, what exactly do you mean?

Baidik Sarkar: Your deferred revenue has come off, right from your March numbers?

Akhila Balachandar: That's correct. Now I understand your question. Baidik while we have had net member additions for the YTD number, one should realize that in Quarter 1 and Quarter 2 the quantum of GoZest was much larger and which is what we have been sharing by saying that AUR has been lower. On an average, if you take your last year AUR, it would be in the range of 3.4-3.5 at a mix which is CMH 25, Bliss and any other short product that we keep doing. Right now even in Q3, despite our endeavors to go higher on CMH 25 which is also paying off, our AUR was around 2.7. We still have some catch up to do to reach to 3.4-3.5. What happens therefore is, in the last 2 to 3 years, we have added more into the deferred pool than we have withdrawn. In this year we have actually pulled more than we have added. However, in Q3 FY21, since Our AURs are now coming back we have actually added more into the deferred revenue. So if you can see the deferred revenue between September and December, we are actually higher than if you compare March to December. This is a year that really speaking one cannot do too much comparison last year to this year. At an operational level we have also been fairly focused on quarter-on-quarter, month-on-month to see how we are able to respond to the highly dynamic situation. Yes, you are correct in saying that there has been a dip in our deferred revenue but the good part is that from September onwards we have seen the increase and I am sure that this momentum will continue even in Q4. I would take this as a one-off year. Your second question was on the interest income. Again, what we have done particularly over the past couple of years is that we have strived to focus on higher down payment and lower EMI paying members. For this is something which has done pretty well for us; it has also helped us to improve the quality of our member and therefore the lifetime value which is what Kavinder has been propagating. In this year particularly if you see in the first two quarters the member additions were on the softer side, also given the lower tenure member that anyway it is not a norm. The interest income which is generally highest in the initial few months has definitely been impacted, but to that extent, the counter is that Our cash position has been stable and in fact in Quarter 3, at the end of December, we were at a good number. Therefore, I am able to redeploy in treasury and the treasury income



has kept on improving and stabilized. This is the way I would explain it, the income part. I hope this clarifies.

Baidik Sarkar: Coming back to Kavinder, there is a sales-based question for you. With a month into Quarter 4 and I think one would assume that the environment is a lot better and safer than it was in the last few quarters. What's the momentum that you are seeing on the sale side? How would you qualify the sentiment that your funnel is showing up and what kind of a number would you guide us to assume in terms of your net membership additions for two quarters ahead?

Kavinder Singh: Baidik we don't give any guidance on numbers but I can tell you one thing that both on the resorts as well as on member enrolments, yes you are right we are better off than what we were in the last quarter as the current month is progressing. While I must hasten to add that the sentiment is improving, the discretionary income spends is driven by sentiments, the sentiment is chasing multiple things in the consumer's basket. We definitely are using digital as a route and referral as a route to reach out and I must say that we are getting some success and we are keeping our fingers crossed because there is this vaccine roll-out which is also causing some level of excitement and I only hope that some of these things play out in the external environment as well, but answer is yes, January has opened up on a positive note.

Baidik Sarkar: Is there a prospect of an opex drawback in Europe given the second wave? I ask this in the context with the fact that in the first wave there was support of the government, financial and otherwise, and there was opex support from your vendor ecosystem in Europe as well. Are we looking at such prospects now as well or should we continue to expect a fair degree of burn in Q4 as well?

Kavinder Singh: If you are talking of the government support, whether it is Finland, Sweden, Spain, it has come in and they have been very-very supportive of the businesses and there is some level of support, I mean nothing big numbers to talk about, but there is some support which has come in, in the form of the disbursals, grants, loans etc. Now if I look at our condition in our Holiday Clubs, so even now in January, the Finnish government remains very-very focused that people should avoid travel because they are a little bit concerned about this second wave. But if you really look at numbers, they are erring on the side of caution because there are only 300 odd infections being reported every day despite the testing being at a fairly high level. Also, the vaccine roll-out in EU has begun and Finland will of course get their share of the vaccine. My view is that every month things should improve and as they hit their season which begins sometime in the next quarter there should be a big uptick in the Finnish businesses. As far as holidaying is concerned, as far as timeshare is concerned that is a part of their culture. I do think that the current dip is very-very temporary, and I think things will improve literally month-on-month. As far as cash burn is concerned; really speaking the cost control is extremely good and we intend to bring in more cost control actions. I am not really concerned about the cash position at the Finland, it is very-very good and I am not too worried about the burn. It is all about how do we, when do we start making operational profits because of this COVID situation, that is what we will be focused



upon. We are not really looking at burn, we are looking to be at least breaking even and making some positive number. That is what our focus is and by the way you must know that Jan-Feb-March is ideally a season in Finland but the season is partly marred because of the fact that the international visitors cannot come to the Lapland area and that is where a lot of movement happens in Finland. The winter holidays, which includes skiing etc. that is definitely is going to affect the top line but as the borders open, as some level of restrictions are removed, we do believe that things will come back to normal and you know that Finland actually did a fantastic job in April. If you look at July-August-September period where they ended up doing extremely well in their holidaying season. Their holiday season actually starts around July and the winter part which is Jan-Feb-March. These are the two quarters that we really look forward to. Of course Jan-Feb-March will be partly impacted., We are looking forward into the future with lot of confidence because they will bring things in control. As it is, things in my view are in control, it is just that there is extra caution that government is exercising right now.

Moderator: The next question is from the line of Ankit Kanodia from Smart Sync Services.

Ankit Kanodia: My first question is a follow-up of the earlier question, regarding HCRO. Coming back to the operating profit which we have just spoken about, what we see is that the revenue of HCRO is at par with our Indian operations or in fact it is a tad higher than that. Assuming that we managed to turn around the things and maybe the COVID is past us and then in a normalized world, as in maybe a year down the line or maybe 2 years down the line, what kind of actually margins are we looking at? I expect it would not be as high margins as we see in our Indian operations, but any color on that?

Kavinder Singh: It's a very good question. If I look at the times when we did not have COVID and please do look at our numbers in the year 2017-18 where we delivered €12 million EBITDA which is a very good number. I think the turnover was about €150-160 million. My view is that if we are able to get through this COVID part with some level of control, which I think they will because Scandinavian countries are extremely focused on getting back their economies on track. I am expecting very-very similar levels of performance going forward into the future in FY22 because big changes have happened from 2017-18 to now. First of all we have a new CEO, we have a new team and they are extremely focused on managing the cost and driving the top line. And in my opinion, going by data, I believe that timeshare as a method of holidaying in Finland is only going to grow because now people are wanting to be in their two-bedroom, three-bedroom apartments. They don't want to be out in places where they could be together with others. So the method of holidaying is going to go in favor of timeshare. The pandemic may make a very big change in their behavior and therefore I am looking at Finland with confidence in terms of delivering the EBITDA numbers that they are used to and second the cost savings that they have brought, some of them are going to be permanent in nature. For example, if you look at their Spa Hotels operations that is where there is going to be a big kicker coming in, which will change the game because of the productivity demands and Finland as you know the cost of Manpower is high. There is a lot of focus on improving the people productivity and there are some metrics



that we have introduced which are helping us, plus there has been a very big strategy exercise that has been conducted in Finland. Some of those things will begin to play out into FY22. I am pretty confident that we will be coming back to FY17-18 EBITDA levels, that is our first target and thereafter we should see improvements going forward year-on-year.

Ankit Kanodia:

Regarding what we discussed in the last quarter and on concalls as well and that is regarding the cash which we have in the books, it is around 800 crores today so the market or the investment community generally don't like uncertainty in terms of what are our plans with that 800 crores? If you can give some clarity as to how we are going to put that into work so like we discussed last time that we cannot distribute dividends because of the issues with our accounting policy getting changed and we don't have net worth as per the accounting policy. We discussed that we are going to have a discussion on that with the Ministry and will see if we can make some changes there and secondly in terms of some of our aggressive strategy to invest in new resorts, any color on that? Or if you can provide some clarity or add a slide to our presentation where how we are going to use this 800 crores over the next 1-year or 2 years, that will actually give lot of confidence to the investor community.

Kavinder Singh:

This is a great suggestion and we will definitely look at it, and just to give you an answer and it is an overall answer maybe not in the detail that you are asking. In our business as you know our model is unique. Now it's even proven that we are resilient and it's very important that we deploy our cash appropriately. One of the things that we have discussed with our board and it has been discussed often is that how do we utilise this time to pick up properties which might be available at a right price. I am not still using the word distressed because I think in India people hold onto their properties, it's not that people drop prices and say that it's a distressed sale unless there is an issue of debt. At a very-very broad level we are focused on acquisition of properties. When I say properties, I mean resort properties, that's one thing that we are focused on and there is work going on and you should hear once we are able to conclude something. The second thing is we have also built a very strong in-house team to launch and run multiple Greenfield projects. I did mention in my opening comments that we have a land available in Ganpatipule area, where we will come out with a new resort that will be about Rs. 150-200 crores kind of an expenditure, and we also are planning to put another 150 crores odd in the Shimla area, Kandaghat which is an existing resort which will be a Brownfield expansion. We are looking at another Rs. 60 odd rooms in Puducherry because Puducherry is again a growing destination for us and then we of course have a land in Theog wherein there are some older issues with regards to permissions which we are sorting out. So Theog will be another Rs. 50-60 crores. When I keep adding up, I know that there is enough cash that can be deployed and at the same time we will keep adding to our cash position. It is going to be a situation where we will spend a little faster than what we have spent in the past because we do see growth, we believe leisure is going to boom particularly in the next 3 years' time, even more thereafter because people are going to get used to the idea that India has a lot to offer and our own brand has moved up a couple of notches in the minds of the people because of the safety and hygiene related measures that we have taken and in terms of the way we have handled this situation and how we are taking care. Yes, we have a plan of



going Greenfield, Brownfield and acquisition and I must hasten to add that I know your question is not on inventory. We obviously continue to look at leasing opportunities as well. So yes there is a plan in place, we haven't put it out exactly but I have gone on record in media that we are looking to add at least 1,500 odd units over the next 3 to 4 years with an expenditure of approximately Rs. 1,200 crores. I agree with you that by the end of 3 or 4 years after spending Rs. 1,200 crores we will still have money on our books because we would have generated cash also in those 3-4 years. So yes, we have a plan, and we are looking at it and pandemic has definitely made us think harder about how do we deploy this cash. This is as broad an answer as I can give at this moment of time.

Ankit Kanodia: Whatever the plans are if we can just put one slide in our next presentation about our plan, that will help the investors to actually understand this much better.

Kavinder Singh: Alright, we take your suggestion.

Moderator: The next question is from the line of Deepan Mehta from Elixir Equities.

Deepan Mehta: My question is the Mahindra Group has gone on record to state that they want to exit out of low ROI businesses, low profitable businesses and focus on their ROI at the group level. So in light of that strategy which has been very well appreciated in the market, have they looked at HCRO and trying to divest it off because since you have taken over the company there has been so much of volatility and turmoil in its earning that when we look at the consolidated figures of Mahindra Holidays, at one glance you always feel that it is a big underperformer when it comes to earnings growth. So any thoughts on that, that's the first question.

Kavinder Singh: I would like to add that we are committed to the Holiday Club. I am not commenting on the Group's announcements because those are out there in the public domain and we remain committed to whatever Group's requirements are from our company and therefore we are also driving higher return on equity, return on capital employed that is something we remain focused on. As a part of that and even otherwise we have been having a discussion internally on how do we take Holiday Club to the next level. See the good part of this acquisition is that the business model of making money through timeshare in a nation where holidaying as a culture is well established. There is no player in the Scandinavian or even European world which is as respectable as Holiday Club Resorts. They have some amazing properties and opportunities to build a timeshare business both in the Scandinavian part of Europe and who knows in the Mediterranean Europe. I think what we have to do is, one, come out of this pandemic-related issues and get back to basics and I did hint in the previous answer that we are definitely looking to hit a certain milestone in terms of the EBITDA levels We are very confident because we have a new team, we have taken action, we have a new CEO, and they are truly committed to get this Holiday Club business to the next level and there is a market, there is a big attraction towards owning timeshare in Finland and some amount in Sweden and in Spain. Spain we are not there in the mainland so we are in the Canary, the big business obviously is in Finland. Since we



understand timeshare, our objective would be how do we really take the company to the next level. As I mentioned, there has been a very basic strategy exercise that has been undertaken. We know exactly what we need to do to take that business to the next level and the team is committed to it. In fact, they are the ones who did the activity of building this strategy. I personally feel that we have really two tasks going ahead; one, keep growing Mahindra Holidays as the question was asked, new resorts, new properties, new member additions and obviously generate higher value than what we are doing. We are improving every year, every quarter. Parallely for the Holiday Club Resorts business, my best hope came in Q2 where despite pandemic the team delivered a positive PBT which was just not expected, both through the cost improvement as well as through the very high occupancies that they achieved in that period in the Spa Hotels as well as in the renting business. There are fundamental structural changes they are doing in terms of the people productivity, as well as the top line. Now that all of these capabilities have been built, they need to now play out. So my view is that in the next two to three years, we will see a very massive turn around in the Finland business starting next year FY-22, and then you know we would have definitely created a business which is of course truly global, and that's not the only reason to be in Finland because we believe that Finland as a country and as a business is sound. While we do expect over a period of time Indians should travel to Finland, but our business is based on the fact that this business can stand and deliver significant value to Mahindra Holidays shareholders as we move forward. And the good part is since the team is extremely committed and they know the business, it's not taking away too much of our attention anyway. So this is the answer that I have, and we will deliver on the return on equity numbers even at a consolidated level. I'm pretty confident of that.

Dipan Mehta:

Nice for you to say that. Second is a quick question, in the event of a default on an EMI, what happens to the earlier EMI's and down payment already paid? Do we keep that with us or has it to be refunded to the vacation owner?

Kavinder Singh:

So, it's a very technical question, but let me give you a simple answer. If there is a default, the member cannot holiday. The first thing is you cannot holiday, if you have defaulted. Number two, obviously we have our teams which reach out to them and try to make the default corrected. So that is a constant process that goes on. Some people get into default, then they come back and by the way, we have lot of these standing instructions. So we have this post-dated instruments. So everything normally moves smoothly, but yes there are defaults like in any other collection activity happen. And the quick thing that happens, which is coded in our system is that the member cannot holiday if there is default. Now coming back to, who takes the money, it's very simple. As long as the member is there on our books, a member obviously doesn't get the money. But if member initiates a cancellation process, then obviously there are rules around the cancellation. So those rules kick in. So that is how it works and unless the cancellation happens, the money is obviously with us, whatever money we have and the member continues to be a member.



Dipan Mehta: I would like to just explain the reason for me asking is that, when you look at securitization or the recoverability of a huge outstanding amount, we just want the comfort that we wouldn't be hit by suppose if there is, of course, COVID, we miss the bullet, but in the event that something goes really horribly wrong, that we won't be hit by huge defaults over there, so how can the management find comfort on that account?

Kavinder Singh: Why don't you have a look at our last 5 years track record? Our receivables number has been what it is and we have gone through various ups and downs, whether it is the demonetization, GST and now this pandemic. I mean our track record of being able to collect our EMI's and annual fees is well demonstrated including in the last nine months. So, I'm saying that we also have appropriate policies relating to provisions if you have that in mind; we obviously make appropriate provisions when we find that the over dues are increasing beyond a certain point. So there are provisioning policies, which is certified by our Statutory Auditor KPMG (BSR & Company) . So we have a proper provisioning policy, and we also have a collection methodology to keep a track record. I think that should broadly answer your question unless Akhila wants to further add to that.

Akhila Balchandrar: I want to add one more point. So, while we call it a debtor, let me really explain, these are sold membership for 25 years. And what we are doing is we are actually collecting money in advance. We are only offering the member an opportunity to pay over 3 to 4 years. There are people who take 3 years, 4 years, 12 months, 24 months. But until a certain threshold is reached, they anyway cannot start holidaying. So in a way there is really no outstanding or debtors in our case. We are collecting money upfront. In that upfront payment, also service is not all delivered. It is not like a car loan or housing loan, where the loan has been given and house has also been purchased. So these are simultaneous transactions happening. In our case, the services are delivered only post collection of the money. So while yes, there is an exposure to the membership, but really speaking we have not rendered the service till the money has been collected. So again, I just thought it will be better to clarify and address that concern of yours.

Moderator: Thank you, due to the time constraints, that was the last question. I would now like to hand the conference over to Kavinder Singh for closing comments.

Kavinder Singh: Thank you very much for taking time out on a busy day and listening to us and as I have mentioned all the time that we are very-very keen to know and answer your questions because it helps us to learn, it helps us to think and in this journey that we are going through, you are an important part. And every question of yours, we make a note and we think about it and we are trying to get better every day. With that motto we move into the current quarter which is on and we are looking forward to FY22 with confidence. Thank you so much for patient listening.

Moderator: Thank you. On behalf of Mahindra Holidays & Resorts India Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.