ClubMahindra

May 4, 2023

MHRIL/SE/23-24/16

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

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai – 400 001
Scrip Code: 533088

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call for the quarter ended March 31, 2023 - Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Ref: Our letter no. MHRIL/SE/23-24/3 dated April 6, 2023

Dear Sir/ Madam,

This is in furtherance to our letter no. MHRIL/SE/23-24/3 dated April 6, 2023, wherein the advance intimation of the earnings conference call scheduled to be held on Wednesday, April 26, 2023 with Several Funds/ Investors/ Analysts on the financial and operational performance of the Company for the quarter ended March 31, 2023 was submitted to the Stock Exchanges.

In compliance with the 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 NARSAPPA MULKI

Digitally signed by DHANRAJ NARSAPPA MULKI
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Dhanraj Mulki
General Counsel & Company Secretary

Encl: As above

Mahindra Holidays & Resorts India Limited

Q4 FY23 Earnings Conference Call

April 26, 2023

MANAGEMENT: MR. KAVINDER SINGH – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

MR. SUJIT VAIDYA – CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good day and welcome to the Mahindra Holidays & Resorts India Limited Q4 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 the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Kavinder Singh, MD and CEO from Mahindra Holidays & Resorts India Limited. Thank you and over to you, sir.

Kavinder Singh: Good afternoon everyone, and a very warm welcome to our Quarter 4 and Financial Year 2022-2023 earnings call. On the call with me today, we have Mr. Sujit Vaidya, our CFO. I'm sure you have had an opportunity to look at the quarterly and the annual results and the investor presentation, which is being referred to in our remarks today on the stock exchanges and on our company website.

If you have been following the travel and hospitality industry you know there is significant demand for domestic leisure travel despite record airfares and soaring hotel tariffs. FY23 turned out to be a very strong growth year for us, as the concerns around the COVID-19 pandemic began to wane and people started to travel and were excited to travel with friends and families. Today, we are seeing more and more travelers visiting our resorts, staying in our spacious accommodations, and experiencing the unparalleled service that our resort teams deliver. This has resulted in a very high occupancy of 84%, for the year, with highest ever occupied room nights growing by 49%, year-on-year. With strong occupancy, higher member spends, we have grown our full year resort income by 67% to INR 323 crores, which is the highest ever. And Q4 resort income actually moved up by 40% Y-o-Y to about INR 80 crores.

Immersive family vacation experiences have helped us gain significant momentum in upgrades, which is an ultimate endorsement of member satisfaction. We have achieved highest ever upgrades at INR 188 crores, which is 71% up in FY23 and INR 55 crores, 41%, up for Q4.

Our member additions have been extremely strong and we have added 5,097 roughly 5,100 members, which is a 26% growth Y-o-Y this quarter, with sales value at about INR 206 crores, which is 33% year-on-year growth. For the full year, member additions were at 17,477, which is 37% growth over the same period last year, with sales value at about INR 734 crores, which is up 70% year-on-year. You would appreciate that, this clearly shows the desirability of our product offerings and with these addition to our member base, our cumulative member base stands now at approximately 2,82,000 member families. 85% of these are fully paid members. The member additions run rate has accelerated and we hope to continue this acceleration as we focus towards growing our inventory and creating magical moments and new experiences at our resorts.

Our member additions have been propelled and supported by the inventory supply and so that the booking experience is world class. You will also note that we have added approximately 1,200 rooms, in the last three years, which is an acceleration in terms of number of rooms that we have added, the likes of which has never been seen before. Our member to room ratio is robust at 57 for the year, with the addition of 372 rooms during the year and by the way, as a result of which, our total room inventory is now approximately 5,000 keys, the accurate number is 4,940 across 102 resorts. We were able to add 256 keys, in Q4 FY23.

We have expanded our presence in domestic locations through a PPP project, with the Himachal government in Janjheli, which is in Mandi district and this is a project that we completed in record seven months to eight months. Also, we have expanded our presence in Sikkim by having an opportunity for our members to holiday in Lachung, Jambughoda in Gujarat, which is near Statue of Unity, Tirupati in Andhra Pradesh, Amba Ghat in Maharashtra area and also some villa experiences for our members, who may want to go and sample them in Goa and Panchgani. We have continued to expand our international footprint in countries such as Maldives, Cambodia, Vietnam, Abu Dhabi, Nepal and Chiang Mai.

This year, we expect to continue the momentum in inventory acceleration with multiple Greenfield and Brownfield resorts including few acquisitions. So, we have a clear visibility of about 750 keys in FY24. More will be added and more on that will come later. Kandaghat, which is our resort in Himachal Pradesh, near Shimla, it's a 72 key resort. It is being expanded by 185 keys to make it a 257 key flagship resort. Construction has already commenced in February'22. Goa, Assonora, the third phase of our construction has commenced in October'22. To expand this resort by 44 keys to make it a 244 key resort. Puducherry resort, which is a 125 key resort, will be made a 187 key resort by adding 62 keys. Construction is expected to commence in the Q1 FY24. We have received all the permissions for now starting the Ganpatipule project and the work has already started in April'23. 236 keys resort and an approximate investment of about INR250 crores is going to be invested in this beautiful resort that will come out on the side of the Arabian Sea coast. We have land in Theog. We are planning to commence the construction during this year of a 141 keys resort.

We have realized that, we have a significant opportunity as the government of India has declared tourism on mission mode. There are 50 tourism destinations that will come. There is huge connectivity in airports, roads that, we are seeing all around us. So, we have envisioned to do about 1,600 keys in about three years to four years through our own investments with a capex outlay of roughly INR 1,600 crores to INR 1,700 crores. And this investments will be done from internal accruals and we will not be seeking any borrowings for making this happen.

Going forward, we continue to build on our strategic investments in new products, technology, people and member experiences, which will continue to propel our business forward. We have dedicated and passionate teams in India and abroad, delivering unparalleled vacation experiences every day to our members and their families and we continue to positively impact the communities in which we live and work. It would not be out of place, if I were to now talk about our credentials in the ESG area.

All Mahindra Group companies have a commitment to 'Together We Rise' initiative. We have three grand pillars - 'Rise for a more equal world', 'Rise to be future-ready' and 'Rise to create value'. Our sustainability targets include carbon neutrality by 2040 through EP100, RE100 and Science-based Targets. EP100 stands for energy productivity, improvement by 100% and renewable energy 100%, running our resorts on 100% is the RE100. We are committed to achieve these, you know, goals that we have signed up for.

I am delighted to announce that, our resort Madikeri, is India's first resort which is net zero certified in all three categories, which is net zero on waste, energy and water. This is a significant achievement. 11 of our resorts are Greens Resorts, Platinum certified by IGBC. We have been declared a pioneer in hospitality sector, in terms of the number of Greens Resorts that we have. As far as solar power is concerned, we have installed a cumulative capacity of 5.7 megawatts, across 22 resorts and this is meeting ~20% of our total energy demand. By the end of this year, we expect this to take it to 11.7 megawatts and 40% of the total energy demand will be served through solar in our resorts. Rainwater harvesting structures have been installed in 20 resorts, with 588 million litres or 60% of the total water consumption in our resorts is through the recycling that we do in-house.

Moving on, let me talk about the standalone financials. As I mentioned earlier, FY23 results have been exceptional. We moved on to full scale of operations and we have ended the year on a very-very strong note.

Highest ever MHRIL standalone excluding one-offs total income grew by 24% YoY, EBITDA grew by 18% YoY. All these numbers are there so I'll move very fast. PBT grew by about 17% YoY. Resort income up by 67% Y-o-Y driven by higher occupied room nights and member spends. If I were to look at Q4, Income up by 20% YoY, excluding one-offs, EBITDA up by 18% YoY, PBT up by 18% YoY and Resort Income at INR 80 crores, up 40% YoY.

Moving on to Holiday Club Resorts, this is the European subsidiary. We are very happy to report that the turnaround process of HCR has already started. Quarter 4 has been a great quarter but before I get there, we need to quickly understand few developments that have happened in this quarter as far as Finnish economy as well as the Finland as the country is concerned. Finland is now a member of NATO. Their membership got approved in this quarter that went by. In the FY23, the Finnish economy's growth forecast was revised downwards on account of ongoing Russia-Ukraine conflict and rising inflationary pressures. The good news is that consumer confidence is slowly coming back with inflation and energy prices coming off from their peak levels. You would appreciate and I probably have mentioned earlier that HCR business has huge momentum, during the quarter 2, which is summer holidays and Q4, which are the winter and skiing holidays. Q1 and Q3 are not the seasons in Finland but having said that we are taking some initiatives, so that, we are able to drive our members and Indian tourists to go to Finland, during these off-peak seasons.

Our total revenue in Finland has grown by 24% YoY in Q4, 18% YoY in FY23, despite Russia-Ukraine war and high inflation. Very strong domestic demand was seen during the summer holiday season and skiing season in Q4. You would also like to know that, despite Russia-Ukraine war, Britishers, Germans, Dutch, they all came to Lapland and holidayed in our Finnish resorts, giving us great momentum in quarter 4, in terms of earnings. The quarter 4 revenue from timeshare has grown by 57% YoY, driven by higher sales and better realizations. Quarter 4 Spa hotels revenue grew by 19% YoY, largely driven by higher occupancies and improved ARRs and of course increase in F&B revenue, in our Finnish resorts.

In terms of Profitability, Holiday Club in Q4 has delivered operating profit of EUR 6.4 million and Profit After Tax of EUR 4 million, indicating a significant turnaround in the business. Several cost optimization measures were introduced during the year. On a full year basis, Holiday Club resort has delivered EUR 5 million Operating Profit versus an Operating Loss of EUR 0.3 million, last year.

I must like to give you a quick outlook on the Finland business. Spa hotels occupancies in the past have outperformed the local hospitality market in Finland and this trend is expected to continue. While real estate in Finland continues to be under pressure due to the higher interest rates scenario, timeshare demand has picked up due to its relatively lower transaction price for the customer. Timeshare allows for partial ownership of a second home, which is a part of Finnish lifestyle and that is something that is leading to an improvement in the timeshare sales for our business. Given the robust business model, improvement in consumer sentiment and the buoyancy in the leisure travel, the outlook for Holiday Club resorts, we believe is positive.

I may just mention quickly consolidated financials. We had our highest ever total income roughly at INR 2,600 crores, up by 22% on a year-on-year basis. EBITDA grew by 42% year-on-year basis up and Profit Before Tax at INR 177 crores, which is three times what we had the last year number, when we declared. Income in Q4 moved up by 32% YoY, EBITDA up by 93% YoY and Profit Before Tax at INR 80 crores is up 16 times.

I would like to conclude so that we have enough time to hear your questions and answer to the best of our ability. In conclusion, the fourth quarter has been a very strong quarter for us and this is aided by increase in our resorts, destination choices, and offerings. Not only in India but even in the Scandinavian region, travelers were consumed by wanderlust despite the geopolitical conflict and macroeconomic challenges present in that region.

As I would like to further highlight and I mentioned earlier that we are quite confident of monetizing the full potential of our large member base of 2,80,000 member families. Of course we will continue to leverage our brands and our digital assets and of course a large member base also provides us a very high opportunity for referrals and I must say that we are very confident using our digital assets whether it is our mobile app, web page and various other initiatives that we have undertaken will lead us to higher top-line growth, lower customer acquisition costs and increase member satisfaction as we make more and more newer experiences and offerings available to our members.

We will continue to grow our resorts and destinations which is now at 100 plus resorts with approximately 5,000 rooms and we are very confident member additions will also keep growing at a fairly brisk rate. We have created a very highly appealing product demonstrated through membership upgrades which is an ultimate endorsement from our members.

Our overarching strategy continues to include - add new resorts properties to our network, build marquee resorts, expand and evolve our membership product features to meet the expectations of the new-age leisure traveler which will lead to growth in our cumulative member base and will also drive resort revenues - strategies that will help us to create long-term value for all our stakeholders. As we meet the ever-changing demands of the travelers we have added as you know a few offerings, 'Club M Select' and 'Horizons Program' which has strengthened our VO proposition, vacation ownership proposition further.

If I look at FY24 particularly this quarter and I look at the forward-looking trends, the quarter four looks to be a quarter in which we will definitely cross 85% occupancy despite the number of rooms that we have added. So this demonstrates the significant opportunities that we have to drive revenue growth in the coming quarters as more and more members with higher purchasing power holiday at our growing room inventory. Our strategy of targeting higher down payment lower EMI members is playing out as these members tend to spend higher on an average in our resorts.

Sales contributions from referrals, digital, on-site sales is expected to continue to grow as you already know that this referral and digital have contributed to 57% of our sales. We have opened new channels which we are focusing on whether it's DSA channels, B2B2B channel and a dedicated team to cater to corporate employees extending targeted differential product offerings.

Having crossed the milestone of 5,000 members we are confident of continuing this run rate and growing this run rate in the coming quarters. Our focus remains towards a multi-product portfolio with a majority mix coming from long tenure and medium tenure products. As you can see our AUR has shown a healthy trend of INR 420,000 for the full year.

And finally, we are working to find new ways to use the digital transformation efforts that we are using already to unlock the power of data through advanced analytics to improve efficiencies, drive growth in member spends, collections, referrals & upgrades and sales conversions. The opportunities that lie ahead for us are exciting and our optimism about the long-term future has never been greater.

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

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. Anyone wishing to ask a question may please press star and one on your touchtone telephone. If you wish to remove yourself from the question queue you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles.

The first question is in the line of Ankit Kanodia from SmartSync Services. Please go ahead.

Ankit Kanodia: Thank you for taking my question and congratulations for a very good set of numbers. Sir, my first question would be, sir it is a general consensus that room rent in India in the hotel industry is expected to go up over the say two years, three years, five years. So is it fair to agree that when the room rent in hotels all over the country goes up, members or prospective members will find more value in our kind of offering and how do we want to capitalize on that thing because we don't charge any room rent. So can we expect during that period that ASF income to go up and the price is higher? That's my first question.

Kavinder Singh: Thank you for this question, we do keep a track on the average room rates. It provides us opportunities to talk about our value proposition to our prospects. It also provides us opportunities to do some price corrections that we do in our package price. It is quite natural for people to think of how to prevent themselves from the constantly increasing room rates and you know and this is something that today people are feeling the pinch and we are noticing that our Club Mahindra members are now holidaying more with Club Mahindra because they realize there is a huge value and I think our challenge always is to communicate this value. If we are able to communicate this value to our prospect who has to just be the right prospect to be able to you know pay us in advance in the sense of paying the membership fee and becoming a member. If we just do that part right, the proposition is extremely strong as you can see from, you know journey in the last few quarters and few years.

I think we are also aided by the macro tailwinds whether it is the desire to travel, whether it is desire to spend quality time with family, whether it is getting a consistent brand experience which is so rare today particularly in leisure destinations. So there are those factors also apart from the inflation because at the end of the day this product is also about emotion apart from the rational reason.

So, our entire training to our sales staff is not to sell this only on rational basis but also bring out the emotion that if you do not holiday with your family, you are losing chance to enjoy some magical moments which will be gone forever because time anyway doesn't stay still.

Ankit Kanodia: Thank you so much sir, that really helped and my second question would be before asking the question, thank you for sharing the membership sales detail and upgrades detail that really helped us. So, I just used that INR 734 crores membership sales and then deducted the upgrade amount of INR 188 crores that comes to about INR 550 crores or INR 546 crores of sales and it comes down to about INR 3,12,000 AUR, if I don't include the upgrades.

So how do you look at this figure, sir? I think one lakh of upgrade is a good thing, more members are upgrading to a higher but are you happy with this 3 lakh figure or what is your view on that? That could be relevant.

Kavinder Singh: So, I think your question about average unit realization should we be happy with 4 lakhs, 3 lakhs whatever way you presented the figures, I'm not even getting there. Obviously as management our aim is to realize higher value but what we have realized now is that we can sell a very high value product and sell very low volumes and if we are able to blend the high value and the mid value kind of products and get the foot in the door of the customer and look at the opportunities that you may have seen this in our, you know investor presentation also that how the business model works if people get in then, there is an opportunity to upgrade them, there's an opportunity to get them to holiday in our resorts and spend at our resorts thereby creating a you know a resort margin for us. So for us, if you look at lifetime value, if you look at the annual fee, that they will pay over the tenure, those things also matter a lot over the current average unit realization that you may be getting. So it is about getting people to be interested in your business, some people will come at a lower tenure, some people will come at a medium tenure, and therefore your AUR may appear to be low, but your ability to upgrade, your ability to earn revenue through the resort offerings is something that actually flows into the P&L, over a period of time.

So it's quite good to push for the AUR, but not at the expense of attracting the right customer set, which will help you to grow your business over a longer period of time, in terms of, generating multi-years of value.

Ankit Kanodia: Fantastic sir. So if I just squeeze in one follow-up on this, so is it fair to say that, if we follow this strategy for long enough say maybe two years, three years, four years, down the line, do we see because more members coming in maybe of three years tenure or 10 years tenure or 25 years, whatever be the tenure, we will have our resort income and our excess income going up and probably right now, when we see vacation ownership income forming the bulk of the revenue, that may go down and our margin should also go up because of that. Is it fair to make that kind of an assumption?

Kavinder Singh: Yes. See, vacation ownership income now is only 33% of the total income, if you really look at it, few years ago, it used to be more than 50%. So, you can already see the resort income, the annual fee income, which is the income we get after the member comes in, is already about 50% of the total income. So, you will appreciate that the initial fee already is not the dominant part of our income stream, it is to get the member in and encourage them to spend at the resorts, where you make the margin on the food and the activities, and the annual fee of course to cover the maintenance, etc and the upkeep of the resorts.

So the business model is structured in a way that we need to use the membership fee to build the resorts. We need to use the members to spend more and more at the resorts through the resort income, that is why, I highlighted the resort income part, that the resort income growing is a very-very good sign, because when people use, they also pay their annual fee and then we have opportunity to upgrade, which is up-sell or cross-sell, apart from getting referrals from them.

Ankit Kanodia: Right. And sir, you didn't…

Moderator: Sorry to interrupt you Mr. Kanodia. We request you to return to the queue. Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in this conference, we request you to limit your questions to two per participant only.

We'll move on to the next question that is on the line of Senthil Manikandan from I-thought PMS, please go ahead.

Senthil Manikandan: Hi sir, good evening and congrats for the big set of numbers. Just a couple of questions. First one is on the inventory addition. So the earlier calls, you mentioned that we will be targeting like a upside 5,500 keys by FY25. By looking at the current guidance, it's around 700 odd keys addition this year. We could easily cross that mark by FY24. So could you please highlight on the change in capex plan, for this year and also for next two years?

Kavinder Singh: Okay. I mentioned and I'll once again mention that yes definitely 5,500 that we set out is well within our reach and in fact, we will cross that sooner than planned. Our aim is on, we are very clear that as I mentioned that there are 50 tourist destinations. There are a lot of you know PPP opportunities and there we see a huge momentum in this business, therefore we have upped the game by saying that we must build 1,600-1,700 odd keys and an investment of roughly INR 1,700 crores-INR 1,800 crores and we can fund this ourselves without borrowings, need for borrowings, because of the business model and we have cash on our books. So we are accelerating in terms of number of keys that we will build.

Even, if you were to see today and I mentioned in the opening remarks that we have a clear INR 700 crores-INR 800 crores capex which is already on the road. We have two very big projects, which are adding up to roughly INR 500 crores, which is in Kandaghat as well as in Maharashtra Ganpatipule area, and then we have few expansion programs which are going on in our existing resorts.

As we speak, we have land banks and we are planning for our next wave of Greenfield projects that we want to sort of set up. Parallelly, there are opportunities in terms of acquisitions in terms of properties, which might meet our requirements. So, on an overall basis, just by our own investments and building our resorts, I have talked about 1,500 keys-1,600 odd keys over the next three years to four years and of course there is an option to see a good quality resort, lease it and manage it ourselves. This is something that we do. So, there is a huge opportunity to grow the room count higher than what we have not only projected we will definitely beat that ahead of time and we are obviously going to, sort of grow at a level where the rooms growth and destination growth will in a manner run a little ahead of the member additions because we are also parallelly ramping up member additions.

Senthil Manikandan: Okay sir. Second one is on the Holiday Club Resorts. So, we have seen a good turnaround in Q4 and so how would you term this as a sustainable turnaround and what can you expect over the next two years to three years on the margin front?

Kavinder Singh: So that in the Holiday Club Resorts you would appreciate because of two years in pandemic and one year of Russia-Ukraine War, we have struggled a bit, particularly in terms of generating sufficient profits even though at an EBITDA level it broke even despite the pandemic last year. This year, despite the Russia-Ukraine War, you can see the Holiday Club Resorts has delivered EUR 5 Mn EBITDA at a full year level, at a Q4 level EUR 6.4 Mn.

Now, what does it do going forward? As I mentioned, quarter 1 and quarter 3 tend to be slightly soft due to the seasonal aspects, so we are trying to see how we can boost the occupancies there through the way in which we can drive some international traffic including India, in those quarters. But Q2 and Q4 are going to be good and there are a lot of timeshare construction opportunities that have been made available in the last one year or two years. Management has really worked hard to identify some new timeshare. We make money in timeshare sales largely and Spa hotels are basically to attract the customers so that you can sell timeshare. That's the fundamental business model there and the good part is that because of the cost restructuring that was done during the pandemic and to some extent last year, we are in a position to see definitely at a full year level much better performance than what we have delivered in this year and therefore, we believe that there is a compounding story here as well. Moving on from now for at least two years to three years, we will keep growing and meanwhile we will keep performing our strategies to how to grow this business even further.

Senthil Manikandan: Great sir. Thanks sir. That's it from my side.

Moderator: Thank you. The next question is on the line of Swechha from ANS wealth. Please go ahead.

Swechha: Hi sir. Thanks for giving this opportunity. Sir, I actually wanted some data around our members, so the member addition that we have had in Q4. Would you be able to share with us how many members were added for the CMH product, the Bliss and the Go-Zest and also, the overall member base that we have. If you could give me what percentage of it is typically 25 years, Bliss and Go-Zest and is there any group of members whose 25-year membership is coming to an end say over four years or five years down the line.

Kavinder Singh: All right. Just wanted to give you a higher level, meta level data. We have about 2,82,000 members. 85% of them are fully paid and the profile of the members is quite good in terms of their ability to come and holiday in our resorts. It really doesn't matter where the person enters, whether Go-Zest or whether it is CMH or a Bliss because we always have an opportunity to upgrade and that is why I would draw your attention to the upgrades, where our upgrades moved by 71% up, on value terms. The business is about getting people in at various tenures depending on their life stage that they are in. Everybody is not a target audience, for a 25-year product. Equally, everybody is not a target audience for a three year product. So, the objective is to get people in depending on their life stage, their needs and then, create a great experience for them and up-sell, which is, what the business model is all about. That is why, we do not generally talk about the product mix because if I have a lower tenure product, I have an opportunity to convert. If I have a lower season product person, I have an opportunity to convert. So that is how these businesses are structured.

The key thing for you to also know is that the CMH-25 is absolutely the dominant form of membership from historical reasons and in terms of value continues to remain dominant even in our current mix. So, broadly this is what we are in a position to sort of highlight, explanation to the question that, you asked.

Swechha: Okay, so just a follow-up. So just want to understand, what is the type of membership or what is the key parameter in terms of membership that we should look at for our company's continuous growth and success. For our model to be hit, like now, what kind of members do we need? Do we need 25 years, 10 years or Go-Zest or like you said it really does not matter? What is the key matrix that matters the most to us for our success?

Kavinder Singh: Okay, my understanding of your question is that what is the ideal that we are looking at? Is that what you said?

Swechha: Yes.

Kavinder Singh: Really what is an ideal mix? Is that what you suggested?

Swechha: What really matters to us in terms of when we add members, like you know?

Kavinder Singh: Okay, it's a very good question anyway. What really matters to us is the ability to continue to enjoy your holidays. Meaning, once you have paid the membership fee, come to the resort, spend money at the resort, enjoy the experiences, right, upgrade yourself, refer new members. So our target audience is people who would want to spend quality family time with their families, extended families and friends, who would be once happy bringing more members, who would spend the money on both food and beverage and activities and experiences. So, that is an ideal profile for us and a large percentage of our members actually fall in this category because if they join as a blue season member, I have an opportunity to convert them into white and eventually red and eventually purple because as they move on in their life stage, this is what happens. We have a 15-year product also and we see a very similar trend. Our idea would be, get people to experience and once they experience, they tend to upgrade, they tend to refer and of course, they pay their dues in time, which is what helps the company to grow and which is, what the real secret sauce, of this businesses is.

Swechha: Right. Okay and so my second question is regarding the HCRO. So just want to understand, even the profitability that has been shown in this quarter. Now can we safely assume that it has completely turned around or this was like a one-off kind of a thing that we saw in this quarter?

Kavinder Singh: So, the reason we have used the word turnaround in our call as well as everywhere is that imagine there is a, it's very difficult to some extent imagine also, there is a war going on in Russia and Ukraine and here our resorts are running full and Finland shares a very-very long border with Russia. With Finland becoming a member of NATO, the newfound confidence in the Finnish customer and the Finnish banks and the Finnish businesses is of a very-very different level. People are traveling to Finland as I mentioned, Britishers, Germans, Dutch and many other nationalities are coming and enjoying the resorts, in Finland and more so in the winter skiing season because it's a skiing destination. These are not one-offs. This, if you look at it, the same conditions existed last year, but last year, the war started in February and that had led to dampened sentiment of people coming to Finland and they were a little bit worried.

And most importantly, we have seen the people in Finland have not stopped traveling. They have a desire to own a second home, that's a very Finnish lifestyle and they find that it is difficult to buy a second home and therefore they end up buying Timeshare, which is a low transaction value product. So, again there is a positive momentum for Timeshare that we are noticing there. So for us, there is another thing that happened parallelly. By the way during the pandemic, they were very conscious on their costs. They kept on managing their costs extremely well as a result of which, the cost-conscious culture is also seeped in and therefore, what you see is the result of actually many quarters of planning and work and the occupancy, obviously was critical and that happened and that is how you see the result.

Going forward, two things are likely to happen. The consumer sentiment will improve because of the reasons I mentioned. The Timeshare transaction prices are low, number one. Number two, the inflation has come off their peaks, the energy prices have come off their peaks and it is a matter of time that Finland will actually even technically move out of recession.

Now therefore, we believe not only their travel within Finland will grow, which is anyway very good, international travel is bound to move even faster. From the knowledge that I have that even as we speak FY24, in these winter skiing season, the bookings are already beginning to look full, which means people plan so much in advance and if want to enjoy the winter skiing season, they have to book now. So, this is something that we are getting reports that the bookings are looking very robust for even the FY24 season. So it is not a flash, it is a complete turnaround both on the cost side as well as on the revenue side and therefore, you will see the performance in FY24 superior to FY23 significantly.

Swechha: Okay. Thank you sir. That really helps a lot and congratulations for an amazing set of numbers sir. Thank you.

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

Nemish Shah: Yes, thanks for this opportunity and congratulations on a good set of numbers. So, I have a few questions. So firstly on the upgrade that we have seen in the financial year, can you just help us give some sense in terms of mix like how much was it driven by changing seasons and how much was it say, upgrade say from a three year to 25 year product or 10 year to 25 year product?

Kavinder Singh: Yes, it's a very good question, but at this moment of time neither do I have an answer nor do we plan to sort of share this level of detail. It's a very operational detail. As far as we are concerned, we are constantly chasing opportunity for season upgrade, apartment upgrade, tenure upgrade. It is a mix and for us, it's all about creating our product proposition stronger and getting people to think of upgrades. So, even internally we do not focus too much on the breakup here.

Nemish Shah: Right, okay. And so this new 15-year product, was it launched in the last quarter or are you planning to launch it in the next year?

Kavinder Singh: 15-year product came in sometime around the second half and it's a product which is seeing good momentum and we are and it's a product like it's a long tenure product without a doubt. 15 years is not a small tenure and we used to sell a bit of 10 year product. So we are noticing that the 10 year product is almost being replaced by 15 year and 15 year is growing. So the good part is that is what also helped us to move our average unit realization that you see because obviously the 15 year product is priced higher than the 10 year product.

So we noticed there's an opportunity here and that is how we created this product and we are noticing that there is a momentum. So that's why I'm saying that we are noticing that there are, if you follow a multi-product portfolio strategy, get in the right people who have done higher down payments, who have the capacity to pay and capacity to spend, they not only boost our resort revenues, they help us in doing upgrades and they actually make the business model work the way it is intended to be.

Nemish Shah: Right, understood. And lastly, so this member to room ratio now from 71 in FY14 down to like 57 now. So if you could give some sense directionally where would you like this to head? Would it move upwards now or would it be stable at this level?

Kavinder Singh: Yes, see, inventory comes in fits and starts. It doesn't come you know in linearly as the way members come. So it's very difficult for me to say whether we will move towards 52 or 60. It will truly depend on the rate at which the inventory comes and the rate at which the member additions happen. But what I want to make a point is that 57 is actually a great number because we are not seeing any issues with respect to being able to meet our services, to offer our services with regards to bookings.

Just to let you know that even with 5,000 odd rooms we have only 84%-85% occupancy. There is room, there are rooms available in various resorts at various points of time. So there is significant improvement in availability. It is leading us to get us very-very good traction in terms of fully paid members which we declared as 85%.

It is leading us to get very good higher annual fee collections. So as far as the member to room ratio is concerned, I think we are in a reasonably good sweet spot. Even if it moved 3-4 points, either way it doesn't change much. And of course, if it becomes less than 50, then you are saying that oh I have much more inventory than my members ever need, and fair enough.

And the question therefore is that you obviously have to ensure that there is a cost of the inventory, then you have to make people holiday maybe more than once or maybe look at you know making them holiday, you know buy second membership because there is an opportunity to do that. So I think on an overall level this is a reasonably good sweet spot that we are in. We are very comfortable with this. Our aim will be to grow both inventory as well as members and the ratio would be only an outcome.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment Advisors Private. Limited. Please go ahead.

Bharat Sheth: Yes, hi. Congratulations, Kavinder, on good set of numbers.

Kavinder Singh: Hello. Thank you, Bharat bhai, thank you.

Bharat Sheth: Sir, now looking back, I mean, a little weird question as I appreciate that our main proposal is for proposition to new customer, additionally traveling with the family. But at the current moment, like say millennials, which is going to be a family member after five years, six years. So to attract those kind of a member what are our scheme or what is our strategy?

Kavinder Singh: Okay. Very good question Bharat bhai, expected obviously from you. You may know that we have a product called Go-Zest. It is a three year product. It is actually targeted at the millennials. And if you look at our activities in our resorts also there are a lot of adventure activities that we have. There are various propositions that are there at the resort for younger people to come and go on treks, trails, do outbound adventure, soft adventure, of course, and enjoy a lifestyle which they probably have not seen, while they have been growing up or maybe they have seen. The objective is to introduce them to this world. And the idea is that using the Horizon program, they can even go international. And also through the Club M Select program, they can even go and access one million hotels, 70,000+ experiences around the world at a very significantly discounted rates. Not to forget, there are cruises also that they can go for and see around the world. There are 12,000+ cruises which are listed on the Club M Select. So the idea is to create them, introduce them to the idea of club where they feel that they are a member of a club community where they can experience these things. And then my confidence level is that they will not find it easy to leave us after three years because they will miss a lot of what they have got. So the trick is to get them in, give them great experience and then upgrade into either a 15 year product or a 25 year product. And that is what we are trying to do, Bharat bhai.

Bharat Sheth: That's fair. But my second question, I mean, like, see, at the moment, they don't travel with the family many times. They would prefer to go among the group, their own group where all the people may not be a member. So how do they, can really align with their group? So to come and really have that experience. My question is pertaining to that. So if one member goes but other member, group member may not be able to go since they are not member. So any strategy or thinking on that line?

Kavinder Singh: Yes, I think it's a very, very good question as I mean, again, I would say that there are people who bring guests on guest fee. And we are able to upgrade, actually sell new memberships at the resort to the members' guests. In fact, a lot of our sales that happens in the resorts happens through members' guests. Of course, it is something that is actually a creation of a great funnel. And the second thing is when the group is trying to travel together and they find this problem, this is another way where we tap them for the referrals. And this is the time they refer their friends and, saying that listen, we want to travel together. Can we buy one more membership or two more membership?

So for us, it works so far. Obviously, is there a way to sell group memberships? Maybe there is an idea where we can sell it to a group of six people or seven people who may want to travel together, you know sell them seven memberships, but they are all tagged as a group, etc. So we can give them some benefits. All those ideas are definitely on the table, Bharat bhai. But today, we allow the member to bring in guests, of course, subject to availability. And that guest can definitely look at our sales deck and buy a membership, which is how we today get members' guests to look at our membership.

Bharat Sheth: And the last question on…

Moderator: Sorry to interrupt Mr. Sheth. Thank you.

Bharat Sheth: Okay, Fair.

Moderator: The next question is from the line of Darshit from Robo Capital. Please go ahead.

Darshit: Yes, hello. Am I audible?

Moderator: Yes, sir. Please proceed.

Darshit: Yes, hi. So thank you for taking my questions. So firstly, I just want to ask that you mentioned that you're going to do a capex of say INR 1,600 crores-INR 1,700 crores. I just needed a time frame over which it will be executed, the entire amount.

Kavinder Singh: Though the time frame that we have mentioned in our call and again I mention is between three years to four years.

Darshit: Okay. All right. And apart from that like what are the plans on say margins and revenue growth going in the next two years, three years? And how do you see the member additions going forward?

Kavinder Singh: So, member additions, the idea is to accelerate member additions, if you are accelerating inventory, then member additions must accelerate without which our business model doesn't work. So we are obviously making plans to accelerate member additions as I mentioned in my opening remarks. Whether it is through the referral route, whether it is through the digital route, whether it is through the onsite sales route, whether it is the corporate sales route, whether it is through the DSA route, and also going to the smaller towns. The objective is to drive member sales and that is something that we are driving multiple initiatives and some of the results that you are already beginning to see. And to my mind, that is very-very critical that while we drive the inventory additions, we also drive the member sales, hand in hand or in step, moving together or marching together. That is what our strategy is right now.

Darshit: Okay. And also on the margin front, it is supposed to remain the same like…

Kavinder Singh: On the margin front, I want to make a point that when you accelerate growth, particularly in our business where the the revenue gets deferred, the costs are taken up front, right? So if you accelerate member additions and accelerate inventory, there could be in the short term, margin may not grow. Okay, it may not grow the way it has probably grown between pre-pandemic and now. But it is very, very clear that in our business we have an un-booked profit sitting in the books, as you know, that we have added INR 244 crores to the deferred revenue. Of course, there is a deferred cost also which goes, but the relatively deferred revenue to deferred cost, if you minus the gap is around INR 4,500 crores. So there is that level of money sitting there which will keep accruing. So for us, you know, we are confident that if we get the member and if we get the inventory, the profits in the short term, margins may not grow, but they are bound to grow with the accrual income with very little cost as we move forward.

Darshit: Okay, thank you so much.

Moderator: Thank you. The next question is from the line of Raaj from Arjav Partners. Please go ahead.

Raaj: So, I wanted to know, how much for FY24 are your expansion plans like.

Kavinder Singh: Okay, in the FY24, clearly there are at least six projects which are on. We have one project which is in Kandaghat which is already an INR 200 crores investment. We have another project which is, Ganpatipule where INR 250 crores investment has started in April this year. As we speak, right now we are in April. So these are the two. The other one which will start in

Puducherry, our own resort, we are expanding another INR 60 crores. INR 50 crores odd is anyway going in in Goa, Assonora, which is where we are putting another 44 odd rooms. And we have plans to start a new project this year of about 140 rooms in a place called Theog, which is also in Himachal. And there are a few acquisitions which are being lined up. And there are a few other land banks where we would try to start some more new resorts. The idea is to keep adding to about 700 keys-750 keys visibility that we have. This excludes any acquisitions that may happen or any leases where we own, where we manage the resort through the complete takeover of the resort.

Raaj: All right. So expansion time around I can expect INR 500 crores for FY24, am I right?

Kavinder Singh: So we do not give capex guidance. We constantly aim to, fortunately we are not strapped for cash. If there is a project going on, cash is not the reason for the project to be delayed. There could be some approvals that may come a little late, there could be some other extraneous factors. But we do not see cash as a constraint and therefore capex will happen if we are planning to make it happen.

Raaj: Understood. And for FY24 end, can we expect the room inventory to go at 5,680 rooms?

Kavinder Singh: So we are not giving this level of guidance. We are constantly mentioning that inventory happens in fits and starts because it is not a quarterly phenomenon, it is not a daily phenomenon. Construction activities are going on, retrofitting activities are going on in an existing lease resort where the inventory comes through. Acquisition activities are going on. So we really don't commit at a year level inventory. That is why I gave you a forecast which is a medium-term forecast where I said over three years to four years, we should look at clearly 1600 to 1700 rooms addition is something that we have mentioned already.

Raaj: All right. Understood, sir. Thank you so much.

Moderator: Ladies and gentlemen, due to time constraints, that was our last question. I now hand the conference over to Mr. Kavindar Singh for his closing comments.

Kavinder Singh: Thank you so much for attending our call. As I mentioned always that we learn a lot from your questions. We think a lot about the questions that you ask. We have been improving and increasing our disclosures, as you may have noted. And I just want to say that once again I want to repeat that we have never been more confident of the future than now because we see tailwinds both in the India operations as well as in the European operations that I talked about. On that note, me and my colleague, Sujit, who is also on the call, would like to say thank you and would remain available for any questions or queries that you may have through the usual channels. Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Mahindra Holidays & Resorts India Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.