November 9, 2022

MHRIL/SE/22-23/75

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

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

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call for the quarter ended September 30, 2022 - Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Ref: Our letter no. MHRIL/SE/22-23/67 dated October 10, 2022

Dear Sir/ Madam,

This is furtherance to our letter no. MHRIL/SE/22-23/67 dated October 10, 2022, wherein the advance intimation of the earnings conference call scheduled to be held on Thursday, November 3, 2022 with Several Funds/ Investors/ Analysts on the financial and operational performance of the Company for the quarter ended September 30, 2022 was submitted to the Stock Exchanges.

In compliance with SEBI Listing Regulations, please find enclosed the transcript of the aforesaid conference call which is also hosted on the website of the Company www.clubmahindra.com.

Kindly take the same on record.

Thanking you,

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

DHANRAJ
NARSAPPA
MULKI

Digitally signed by DHANRAJ NARSAPPA MULKI
DN: c=IN, o=Personal, title=1193,
pseudonym=4827c2d2f260d0475c429c53607582d2b310a5bb3979113626bd03ddc04a390e,
postalCode=400104, st=Maharashtra,
serialNumber=1ac55b96ed3ba12ee51acf3f4b328ac114b6888ba4995bbafd72a2952aca7dbd,
cn=DHANRAJ NARSAPPA MULKI
Date: 2022.11.09 17:05:15 +05'30'

Dhanraj Mulki
General Counsel & Company Secretary

Encl: As above

Mahindra Holidays & Resorts India Ltd.

Q2 & H1 FY23 Earnings Conference Call

November 03, 2022

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

MR. SUJIT VAIDYA – CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen good day and welcome to the Mahindra Holidays & Resorts Limited Q2 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 question after the presentation concludes. Should you need assistance during the conference call, please signal the 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. Faraz Ahmed from Orient Capital. Thank you, and over to you, sir.

Faraz Ahmed: Thank you. Good afternoon and a very warm welcome to the Q2 FY23 Earnings Conference Call of Mahindra Holidays & Resorts Ltd. Today on this call we have; Mr. Kavinder Singh, MD and CEO along with Mr. Sujit Vaidya, CFO. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations as of today and actual results may differ materially.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed disclaimer statement is already given on Page 61 of the company's investor presentation which has been uploaded on the stock exchange and the company's website as well.

With this, I now hand over the conference call to Mr. Kavinder Singh, MD and CEO of Mahindra Holidays & Resorts India Ltd. Thank you, and over to you, sir.

Kavinder Singh: Good evening everyone and a very warm welcome for our quarter 2 FY23 earnings call. On the call with me today, we have Mr. Sujit Vaidya, our CFO. We have uploaded our results, as well as Investor Presentation for Q2 FY23 on the stock exchanges yesterday and on our company website. I hope you have all had a chance to go through them.

And let me begin, first of all, by sharing that it gives me immense happiness to report that we actually produced another set of strong results for the quarter. Our focus on family vacations is holding us in good stead. Our members continue to travel during the monsoon season, usually a lean season for travel. As you know today, leisure is a megatrend, and we are at the forefront of benefiting from it. One interesting statistic I would like to share with you is that, the leisure accommodation continues to garner high ARRs, RevPARs at a very significant premium, almost double, compared to business hotels.

In the short to medium term, the leisure demand is expected to outpace supply. We are witnessing strong tailwinds - growing domestic air travel almost doubled from July'21 to July'22 and stands at about 19 million in July '22 and has gone up further to 20.5 million. Higher demand for leisure holidays, staycations, drivable leisure destinations, shorter getaways multiple times, workcations, a lot of outdoor activities, preference for new and immersive experiences, willingness of travelers to invest in a rejuvenating vacation sustainably are some of the trends.

We, at Mahindra Holidays achieved industry-leading occupancy during the quarter at about 79% versus 73% in the same quarter last year. This is even more important to note, since this occupancy is 6 percentage points higher, even though we expanded our room inventory by 500 keys over the past year.

Specifically in this quarter, we have added 2 new resorts, totaling 116 keys, demonstrating our focus on accelerating inventory with an objective of un-constraining supply in order to drive growth in member additions. The same momentum of occupancy has continued in October '22 as well and the occupancy closed at about 82.5%. We have very good business on books in November and December, and we are confident of achieving about 84% to 85% occupancies for the quarter, October, November, December.

I am encouraged to also report that our product continues to resonate with our prospects, especially given the inflationary backdrop, which actually increases the appeal of VO membership for leisure travelers. We continue to strengthen our business through diverse product portfolio and multi-destination strategy with increasing choices. We are meeting the expectations of today's travelers through enhanced benefits, omnichannel engagement and focus on new and immersive experiences.

Before I go ahead further with numbers, I just wanted to share with you that through Club Mahindra Horizons, our internal exchange program, we have partnered with 400+ hotels and Club M Select provides an increased level of access and new benefits to our members. This has streamlined the way we engage with our members. Both these programs are hugely successful programs. One provides access and benefits to members outside the system, whether it is 1 million+ hotels or 12,000+ cruises and the Horizon program offers an exchange of the members' inventory to go to any of these 400+ partner hotels. This is an important step in our journey to evolve, what it means to be a Club Mahindra member and provides an even greater value proposition through membership.

We have added ~4,400 members. This is a 12% year-on-year growth. Again, this is the highest number of members added in the quarter 2. And if you were to look at the sales value, it has grown by 93% on Y-o-Y basis and also our AUR stands at INR 4.4 lakhs. AUR increase has also been due to better sales mix, a bit of price increase and Corporate Sales of INR 24 crores.

With this, our cumulative member base at 2,74,000 approximately of which 85% of the members are fully paid. We have focused on driving better product mix and we have conducted campaigns for DSA acquisitions, which has led to 18 new DSAs being added during the quarter, which will help in growing the sales through the DSA route even further. Our upgrades have gained significant momentum. They are double on a Y-o-Y basis due to higher on-site sales. As you know, on-site sales is -- on-site means in-resort sales. It's one of the big initiatives that we are driving and that's helping us to deliver this member monetization, which is increasing the upgrades by 2x.

We are also working towards setting up in-resort sales at new locations and we added during this quarter, three new on-site sales location: one at Gir, another at Jaisalmer, third one at

Khajuraho. Moreover, we noticed that vacations at our resorts and marketing activities in towns around our resorts helped increase the in-resort sales.

The other new capability that I would like to highlight where we have made significant progress is sales through referral and digital; 57% of our member acquisition came through these routes in Q2 FY23. Diversifying how we reach our customer is a critical area of focus for us, especially as we expand our suite of products and experiences.

Digital and referrals have become an integral part of how we engage with our members and prospects as a way to drive membership sales outside of our traditional sales channels. We launched a loyalty program for successful referrals to deepen engagement. The immediate benefit of this is high referrals from our purple season members, which augurs well for our business. Data science has enabled us to target members in a way which helps expand the coverage and effectiveness of referrals.

Let me talk a little bit about our marketing and branding efforts. We continue to make excellent progress. Our campaign with Raveena Tandon, positioned Club Mahindra as a caring family brand from the perspective of a mother. The campaign was hugely successful reaching out to 1.4 million viewers and garnering 2.9 million impressions.

Our focus on acquiring quality members with higher down payment continue, and the results have been good in this area as well. Despite inflationary pressures, we have seen families appreciate vacation ownership as a preferred way to vacation in a period where hotel ARRs and travel costs are rising. We believe travelers have understood the clear benefits of owning a Club Mahindra membership in terms of the ease of planning vacations, increasing choice of resorts and experiences, spacious properties, large rooms allowing for multigenerational travel, more than three generations sometimes, leading to family bonding.

Let me move on to the supply side, which is talking about the room inventory. As I mentioned, we added 116 keys through new resort in Mount Abu and Kathmandu, and extension of our existing resort in Sikkim, in Gangtok. In H1 FY23, we have added 200+ keys and if you compare the addition between Q2 last year and this quarter, we have added 500 rooms in just one year. This brings our total resort count to 86 with 4,700+ keys which means we are on a track to deliver our guidance of 5,500+ keys earlier than FY25. We will, of course, use acquisition, greenfield development, expansion of our existing resorts and add new long-term leases.

Let me also inform you that we have sufficient land banks for our future expansion plans. We have commenced construction to expand our existing resort at Kandaghat, Shimla by 185 keys and after expansion this will become one of the biggest resorts of approximately 230+ keys at one location. While we await final approvals to break ground for another 240 key greenfield resort at Ganpatipule, which is overlooking the Arabian sea.

We continue to evaluate acquisitions in terms of expanding our presence and that's something that's an ongoing process. We have made some headway in PPP projects, we have done a soft launch of the Janjheli project in HP. In November, we will be able to add 24 rooms through this project. We have also been awarded a new redevelopment of the existing MTDC project at Harihareshwar in Maharashtra, which will also help us to take and to provide very, very high-quality experiences to our members which are now growing day by day. Majority of our 86 resorts are at driving distance from the cities, metros.

Let me also share with you what -- there are some interesting data points that I want to share with you regarding the demand side. As we are returning back to normal business activity, our occupancy moved up, but more importantly, the occupied room nights have also touched 100,000 room nights a month. This is the highest ever occupied room nights in quarter 2, which is a growth of 27% on a year-on-year basis. And as I already mentioned, this is despite addition of 500 rooms over the past year.

As I have mentioned on various calls in the past, we have taken initiatives to create superlative member experiences to enhance member spends and improve member engagement. You would appreciate that the highest ever Q2 resort income of INR 68 crores which is a growth of 34% Y-o-Y would have only come through three means: number one, increase in inventory; number two, increase in occupancy on the expanded base; and number three, higher spends by members on our unique food and beverage offerings and activities.

Just to name a few, we have done a lot of unique dining experiences, which include Mexican food festivals, Rajasthani food festival, Awadhi cuisine, specialized chefs creating signature authentic dishes and therefore creating magical moments for our members. We have opened a new barbecue bay in Kumbhalgarh, and that's also now gaining good momentum, which is absolutely a new concept in our F&B offering. It's present in few resorts, but Kumbhalgarh this is a new restaurant that we created.

If I look towards the rest of the year, our occupancy trends are growing. October, December period, I already talked about due to the festive and the year in travel demand, we are likely to show very good occupancies.

I would also like to add here that we have increased our investment in Rocksport to 23.4% as on September’22. We believe this will help us to increase customer engagement avenues, including driving vacation traffic of local tourists to our resorts because of the unique offerings. It will help us to drive in-resort sales and of course through cross-selling of products.

We have undertaken price increases across our F&B services in November’21 and April’22 and we have been managing our operating cost fairly smartly through bulk procurement of fuels for pan-India requirements and sourcing of key raw materials across resorts in a centralized manner and of course, manpower optimization at resorts through upskilling and parallelly adding alternative energy sources. You will be happy to know that solar power is installed at 21 resorts now with 4 megawatt capacity.

During the current quarter, our business operations have moved into Tier 2 and Tier 3 cities, which includes the lead generation activities there. Our brand campaigns have helped us to boost our member additions in Tier 2 and Tier 3 cities. We have also witnessed a very high level of resort operations due to increase in inventory and high occupancy. We are investing in efforts in deepening our market reach, sharpening our brand proposition and communication. Alongside, we will continue to create new products to meet evolving customer needs.

Let me move on to the ESG aspects of our business. Our aim is to achieve carbon neutrality by 2040 through EP100. We are the signatories to EP100, RE100 and science-based targets. We have been judged as the winner of the IGBC Green Champion Award 2022 under the category of Pioneer and hospitality sector with the highest number of Green resorts in India. 8 Mahindra Holidays resorts are Green resorts, Platinum-certified.

We have made excellent progress in waste, net zero water, net zero energy commitments. We intend increasing the number of resorts which are certified net zero waste and net zero energy to almost double digits. 4 resorts are currently certified as zero waste to landfill certification. Rainwater harvesting structures have been installed in 20 resorts. 55% of the total water consumed by our resorts has been recycled in H1.

Under Project Hariyali, we planted 12,000 trees in H1 FY23 and since last 10 years, we have crossed 0.5 million trees plantation, and we intend to take this to 1 million trees plantation in the next 7 years. Finally, we have been always mindful of the impact that we have on the communities where we live and work and we strive to give back as much as we can.

On this note, I will quickly share with you the numbers. If you look at the standalone revenue, our income for the Q2 stands at the highest ever INR 302 crores, which is up 19% Y-o-Y. If you were to exclude the one-offs in the Q2 of FY22. The Q2 VO income grew by about 16% on a Y-o-Y basis by INR 29 crores, largely driven by higher sales, better sales mix. We continue to spend on cost of acquisition and sales efforts in line with pre-pandemic levels.

Q2 resort income at INR 68 crores with improved occupancies as I mentioned earlier and the best part is, it's 54% up from pre-pandemic levels. Resort costs are also increased in line with inventory increases and normalization of operations post-pandemic.

If I look at H1, it's -- the performance is extremely impressive. Total income at INR 606 crores standalone basis, 30% Y-o-Y, excluding one-offs. Resort income at INR 152 crores, which is up 130.6% on Y-o-Y basis. If I were to move on to the profits and margins. Our EBITDA is up by 12.4% on a Y-o-Y basis, excluding one-offs. Our margin EBITDA is very healthy at 27.5%. Important to note that EBITDA margin is higher by 500 basis points versus pre-pandemic levels (Q2 FY20), despite addition of 1,100 rooms from Q2 of FY20.

Profit before tax is up by 5%, excluding one-offs and margin at a very healthy 14%. If I were to compare this to the pre-pandemic levels, Q2 FY20, the profit before tax has actually increased by 50% and margin expansion is of the order of about 270 basis points, while once again, reminding you that we added 1,100 rooms between Q2 FY20 and Q2 FY23. The Q2 FY22 EBITDA and PBT had benefited from lower expenditure driven by reduced business activities due to pandemic and of course, one-offs, which include lease rent waivers and interest on tax refund. The total value estimated is about INR 15 crores. Rather, it is very clear that lease waivers and interest on tax refund amount to about INR 15 crores. Overall, we have been able to grow EBITDA as well as profits and Profit After Tax stands at INR 31 crores. And profit after tax margin is at 10.2%, which is up 300 basis points versus pre-pandemic (Q2 FY20).

If I were to look at H1, the performance becomes even more impressive. As you know, Q1 was a seasonal quarter for us. We had 89% occupancy. We had some great performance that we had talked about in Q1. So EBITDA for H1 is at about INR 167 crores, up 17.2% Y-o-Y, excluding the one-offs in the Q2. EBITDA margin at a healthy 27.6%; PBT grew 14% Y-o-Y, margin at 14.4%. H1 EBITDA and PBT also were benefited in the FY22. There was a benefit, which was driven by reduced business activities and one-offs, which I mentioned earlier, and that's largely true for Q2. Profit After Tax for H1 stands at INR 65 crores. PAT margin at 10.6%, which is up by 360 basis points versus pre-pandemic (H1 FY20).

I would like to spend maybe a few minutes on the expenses because some of you may have questions on the employee benefit expenses. Let me try to answer them straight away. The employee benefit expenses have increased, driven by the headcount increase due to higher sales operations and additional room inventory. There has been a normalization of business operations and some level is increased due to the annual increment that we have given to our team members. Sales and marketing expenses increased in line with an additional sales of INR 94 crores. And therefore, the sales and marketing expenses increase is very, very minimal considering the additional sales that we were able to get during this quarter. Rent has increased in line with additional rooms -- and this is lease rent, actually in the past year, Q2 FY22 received major waivers, and that's something that -- that's why the increase looks larger because of the reduced base in Q2 FY22 due to the waivers.

And if I were to focus on balance sheet and liquidity, deferred revenue for the quarter has increased by INR 63 crores, which is again the highest ever. And now our deferred revenue stands at INR 5,199 crores, almost INR 5,200 crores. We continue to be a zero-debt company at a standalone level. Our cash position is at a healthy INR 1,018 crores, post-loan repayment of EUR 25 million to Mahindra Holidays Mauritius. We have also generated INR 230 crores of operating cash in H1. Our cash reserves have been strong due to higher resorts revenue, more member additions, better upgrade revenue. We have been driving higher down payments, lower EMI tenures. This is helping us to improve our cash position. However, we have been parallelly controlling costs in all areas of operations, and that's what leads to this level of operating cash and cash position.

Let me switch over now to Holiday Club Resorts. Holiday Club Resorts is fundamentally an asset-light model, where all the spa resorts are on long-term lease and most of the timeshare inventory is built and sold simultaneously. Some level of inventory of timeshare is with us, which is something that we constantly use this for selling as well as for renting.

Russia-Ukraine war intensified during Q2 FY23. Inflationary pressures, spiraling energy cost has definitely led to poor consumer sentiment. Despite these challenges, HCR delivered stellar business performance in Q2. Spa hotels delivered 70% occupancy during the quarter, higher than the local hotel industry. This reflects the consumer confidence in the core value proposition of Holiday Club and the strong brand equity that Holiday Club enjoys.

If you look at the financials, we have achieved strong revenue growth, excluding one-offs because last year, in the Q2, there were one-offs, which included the government subsidies, and there were other one-offs of EUR 1 million. So total EUR 2.6 million one-off was the impact in Q2 of FY22. If you were to exclude that, our revenue growth on a like-to-like basis is 14% and EBITDA growth at a very healthy rate of 23% year-on-year. The timeshare sales has grown by 12%. The revenue from spa hotels has increased by 16%. The total turnover has increased by about 8% as reported. And we have seen excellent performance in Finland, Sweden, and Canaries in terms of the top line. Of course, their margins got hit by the inflationary factors and yet HCR delivered a positive EBITDA of EUR 1.9 million, which is a significant achievement.

Overall PBT in Q2 is positive at EUR 300,000 and is higher compared to Q2 FY22, if you exclude the one-offs. As I mentioned, last year, profits include one-offs of EUR 1.6 million in the form of government subsidies for COVID region and other one-offs of EUR 1 million.

If I were to look at the outlook, and this is a question you will have in your mind, the best part is that despite the Russia-Ukraine war, the travel sentiment was buoyant for the domestic Finnish travelers including in Sweden and Canaries. And this summer season went off very well in terms of travel. The current geopolitical situation, definitely, we are monitoring. Lot of cost management measures have been introduced to ensure the margin is protected.

At a consolidated level, we had the highest ever Q2 total income of INR 627 crores, which is up 6% Y-o-Y and EBITDA margin at 23.2%. And if I were to look at H1 performance, which is even more creditable is total income at INR 1,264 crores, up 25% Y-o-Y. And if I were to look at the profit after tax of INR 71 crores consolidated level, it is up by 86% Y-o-Y.

In conclusion, I would like to summarize. We are focusing on adding very high-quality members, which have a higher propensity to spend on F&B and experiences, driving resort income. And you can see the benefits of that have already come in the first quarter, INR 84 crores, in the second quarter, INR 68 crores. All of this is coming due to a higher number of members holidaying, higher number of rooms and of course, higher spends on F&B and experiences. We are reaching a very healthy momentum in member additions by building our sales capabilities and undertaking various brand-building initiatives and our reach is expanding now to Tier 2 and Tier 3 locations. Sales through referral and digital routes is definitely accelerating.

We have, one of the other things which is extremely important is that during the periods of high inflation, we now realize that our customers value our product, and this should auger well for us in the future. We have developed very strong data science and analytics capabilities to gain insights from member behaviors and past seasonal occupancies. Using that, we are able to drive occupancies across varied destinations using artificial intelligence, which we continue to develop. Further, we have driven significant traction in digital engagement with our members as well as digital transactions such as prepurchase packages of F&B and activities. Our inventory acceleration program continues, as I mentioned. Importantly, we are strongly continuing on our growth path with the combination of revenue growth, along with our cost efficiency initiatives, resulting in strong operating and net profits with margins well ahead of pre-pandemic levels.

In summary, I would say our compounding story is stronger than ever through acceleration of room inventory, growth in member base, leading to multiple annuity revenue streams, which are growing. And on Holiday Club Resorts, I'm very confident that barring the geopolitical situation that we are dealing with, the performance has been outstanding. The team is well poised to drive business growth and will benefit further once the macroeconomic situation improves.

Quarter 3 is not a seasonal quarter for HCR. Quarter 4 is a big quarter driven by the holidaying season, which is driven by the domestic skiing demand and Quarter 4 bookings are looking good. Quarter 3 will also sometime in December pick up, and we believe that Quarter 3 and Quarter 4 performance of HCR will be significantly superior than last year given the current situation that we see, despite the macroeconomic headwinds. And therefore, even at Mahindra Holidays, I have already talked about, and therefore, the consolidated results in Q3 and Q4 are expected to be significantly better than last year.

On that note, I would like to open up to the audience for the questions. Sujit is with me. Over to the Chorus team person. Thank you.

Moderator: Thank you, very much. We will now begin the question-and-answer session. Anyone, who wishes to ask a question may press star and one on their 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 from the line of Amit Khetan from Laburnum Capital. Please go ahead.

Amit Khetan: Good evening, Kavinder and Sujit and congratulations on a good set of numbers. Just one question from my side. We've seen a good uptick in the member additions this quarter. So do you see an acceleration from here? Or is the consumer sentiment a bit subdued given the macro situation? And how should we think about a sustainable quarterly run rate adjusting for seasonality?

Kavinder Singh: So the good news that we are seeing is that the seasonality at least as far as member additions are concerned, is more or less ending. In fact, even if we look at resort occupancies, I mean while we say July, August, September is a seasonally low quarter, but we delivered 79%, we used to be always at 70%-72%. So one of the megatrends that I am seeing is that the seasonality in travel at least is coming down because of increased connectivity and ability for people to work from anywhere, including work from our resorts. So that is definitely helping in occupancy, and that is definitely helping in people thinking of holidays and buying membership irrespective of the season.

Now coming back to your earlier question as to what kind of traction do we see? As far as we are concerned, if you look at our last four quarters and that includes the pandemic period as well, we have been clocking almost above 4,000, and this time, we went up to 4,400. We are definitely gearing up for even bigger numbers, and I believe Q3 and Q4, you will see better numbers and bigger numbers than what we have delivered so far.

Amit Khetan: Any number you can put to that in terms of -- should we expect like a 5,000 kind of a number going forward or should it be at the same, slightly better run rate?

Kavinder Singh: Yes. So just to give you a philosophy and our perspective, we constantly focus on new initiatives.

Moderator: Mr. Amit Khetan, we would request you to please mute your line because there is echo which is coming, at least while management is answering your question.

Amit Khetan: Sure. Just a minute.

Moderator: Thank you very much. Sir, you may please go ahead.

Kavinder Singh: So just one thing I wanted to mention that as management or operating management, our focus is to drive initiatives which are going to lead to member additions, whether it is the product mix that we have, whether it is the geographies that we are targeting, that is why I spent a lot of time explaining how we are adding new DSAs, new in-resort sales locations. Our idea would be to create significant brand pool for our brand, use referrals and digital as a strategy and a number is just an outcome. We are obviously aiming for higher numbers.

So therefore, we normally do not fix a number or give a number that we will achieve, but we are aiming. And most importantly, please note one thing in mind, we are also looking at a value-led strategy and our value of the membership sales grew by 93% on a Y-o-Y basis, which led to the deferred revenue going up by INR 63 crores. So therefore, we would like to not only grow the count but also the value. And because you know that in deferred revenue, the more we put the more will come in, and that is a long-term way of running the business. And therefore, we do not want to compromise on that. And also higher down payment paying members is something that we want to focus on, which we have been doing, which eventually leads to higher resort incomes. If you see the compounding story that is playing out for us, the way our margins are expanding, the way our incomes are expanding, it's all happening because we are pressing all the levers in a very-very balanced way, which is helping us to not only grow the members but also their value.

Amit Khetan: Understood, just one quick book-keeping question. How much would be the corporate numbers in this quarter? And is this a thing that is going to be a regular feature, or was this a one-off thing?

Kavinder Singh: So the corporate business is of the order of about INR 24 crores in this quarter. We constantly seek to add corporate memberships and by the nature of that business, it's very difficult to predict what would be the number in the next quarter because you always have a pipeline and truly depends on the corporate appreciation of our product proposition. So that is something that sometimes comes and sometimes we don't see any number in the quarter. So really no forecast here.

Moderator: Sorry to interrupt, may we request Mr. Amit Khetan to please rejoin the queue we have participants waiting for the turn. Thank you. Participants, in order to ensure that the management is able to address questions from all participants, please limit your questions to two per participant. If you have a follow-up question, you may rejoin the queue. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Congratulations on a good set of numbers in terms of room addition and members addition. So my first question would be related to the three initiatives which we started post the pandemic or during the pandemic, which are Club M Select, Horizon and then our partnership with Rocksport. So just if you can give some color as to -- as in all these initiatives started at the height of the pandemic. And now that the pandemic is behind us and things are opening up, how do we see these things panning out? And how do we see it, say, one year, two years down the line? Because I suppose right now, very few members would be using the facilities of these three initiatives?

Kavinder Singh: Right. So the three initiatives are vastly different. Let me just quickly explain the initiatives. The Horizon program is about an exchange program where members can exchange their room nights for going into partner properties in India and abroad. You are right, due to the pandemic, there was not much of a traction, but we have noticed in quarter 1 and quarter 2, people have used, and they have gone into the other properties by banking the room nights and paying us an exchange fee. And this is something that is of value to the customers and the whole idea behind the Horizon program and Club M Select program, basically, these two programs, is to create a Club. We are a Club, we are not just about a 7-night package. We create huge experiences and we want people to experience Club Mahindra World and also explore what Club Mahindra can bring through its ability to bring new partners and alliances. And that is why this idea of Horizon came in. We are the only vacation ownership company in the world which offers this kind of an exchange program on its own. Of course, RCI is always there for exchanges around the world.

Now, if you were to come to the Club M Select, Club M Select is about a lifestyle program, which you can become a member. It's not automatic. The idea here is that you get access to because of our network, ability to tap into the global network, more than 1 million+ hotels, 12,000+ cruises, and 70,000+ experiences you can buy in Indian Rupees. And we will be in a position to get discount ranging from 12% to 40% on the best available Internet rates. So the idea here is to see how we can offer our members a world of lifestyle and privileges being a member of the club that they are beyond the Club Mahindra's 86 properties and 4,715 rooms that we have. So this is the core proposition. This helps us to strengthen our proposition and helps us to sell more memberships. And that is the whole purpose behind these programs.

If I would to look at Rocksport. Rocksport is basically to drive engagement of the members in the resort primarily where Rocksport people create adventure activities, soft adventure for the family, and that helps members to engage in their vacation, in adventure activities, in a very safe and very-very well-planned adventure activities. Equally, Rocksport is present in some of the cities, members can use them, then they are back into their home cities as well as we target the Rocksport customers for making them our members. So this is the idea behind the Rocksport, and that's obviously an idea which is about cross-selling, upselling, engagement, creating unique experiences, and that is how this whole association is all about. As far as traction is concerned, Horizon has seen good traction. Club M Select is picking up, and Rocksport in the resort is seeing very-very good traction, Yes.

Ankit Kanodia: And my second question would be, sir, if you look at the Slide No. 17 on our presentation where we have given a snapshot of our balance sheet. So we have made a clear distinction in the deferred revenue, how much of it is pertaining to VO and how much of it is ASF. It would be great if you can do the same kind of granularity in case of trade receivables also if that is possible for you? That's my only point. Thank you.

Sujit Vaidya: This is Sujit here. In terms of the receivables, as you would appreciate that from the customer perspective, it is one single account and that's why we have not given because we have to collect each and every Rupee from the customer, whether it would be ASF or VO, the membership itself. So that is why we have not given, but we do have the information and we can always share that if it's of any value to it.

Ankit Kanodia: Then I'll connect with you separately for that. Thank you.

Moderator: Thank you. Participants who wish to ask a question may press star and one. The next question is from the line of Deepak Lalwani from Unifi Capital. Please go ahead.

Deepak Lalwani: Sir, my question was on HCRO. As we expect your performance to be good in Q3 and Q4 thanks to the season, should we expect a similar profitability in that segment, as well?

Kavinder Singh: So what happens, Deepak, is that, as I mentioned, that Q3 is actually not a seasonal quarter. It only begins towards end December. So this is not the seasonal quarter, Q3. But we still believe the performance will be superior to last year. And Q4 is a seasonal quarter. If you notice in Holiday Club Resorts, the quarter 2 and quarter 4 are truly seasonal quarters. And as far as what I meant to what that if I were to put Q3 and Q4 together, we will definitely see a better performance even on an individual quarter basis than the last year. And that's because there are many things that have happened structurally.

There is a lot of cost tightening that has happened. Also, lot of initiatives have been launched to build the capability for selling timeshare as well as the spa hotels occupancies, including the lead management. And that is something that we believe will augur well for the Holiday Club Resorts in terms of numbers. As you yourself saw there is EUR 1.9 million EBITDA that came in Q2. And that's something that we are very happy about and Q4 is obviously a bumper quarter. So we don't have any doubt that on a year basis, our performance will be significantly superior to last year.

Deepak Lalwani: So is it right to take away that Q3 would sort of breakeven and Q4 would be better than Q2 and you will do?

Kavinder Singh: So if you look at the past performance, you are generally on the right track, but the only thing I would like to put you in a word of caution is the macroeconomic headwinds are what they are. And therefore, we are watching, as we have mentioned in our commentary, we are watching the situation closely. The travel sentiment, at least during summer did not take any beating, whether it was Finland, Sweden or Canaries amongst Europeans and we believe, and of course, a dominant traveler for us is Finnish in the domestic travel. So we are confident that the travel would continue. People would continue to spend time into their timeshare apartments, into spa hotels. And that is what when I'm saying you are to bear that in mind that that pattern I'm expecting to continue despite whatever I see today of the macroeconomic headwinds. And therefore, the overall comment on performance, I would not like to break the performance between Q3 and Q4. I would like to think in terms of H2, which is what I have stated.

Deepak Lalwani: And in terms of our resort income, we used to breakup resort income into holiday activities, F&B and room rentals, so if that could be provided for this quarter? And what was the run rate pre-COVID?

Kavinder Singh: So talking about the resort income. The primarily one, as you know, that we do not have significant room rent income because the very limited occupancies, we give it out. However, most of that, predominantly the revenues are coming from the F&B side of things and a smaller portion from the spa and other holiday activities. Of course, with the initiatives like Rocksport that is going to go up in the future because the activity as we kind of rule it out in various of our resorts. Because of the predominant nature of being F&B, we have not given any further breakdown into the results.

Deepak Lalwani: And also, lastly, in Q3 and Q4 of last year, did we have any lease rental waivers or are there any one-off income last year?

Kavinder Singh: Obviously, as last year, in the second half, we were pretty much out of the pandemic, except I think in Q4, we did have the Omicron-related lockdown and the lower occupancy and limited waivers but not really significantly. They were less than 1 crore in the Q4. Does that answer your question?

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

Himanshu Shah: Congratulations for a great set of numbers. Sir, can you just provide more color on corporate deals that we have done, the nature of deal like what kind of product we have sold. And is it similar to our existing like 25-year product and 7 nights, the corporate customers a certain limited set of members would be eligible for those room nights? Or is it more of flexibility that any members of that corporate can travel and for what number of nights when we try to divide it by our AUR. Some more color, if you can just provide on the nature of sales that happens to corporate?

Kavinder Singh: Yes. So basically, just to give you a flavor, this is not the first time we have sold the corporate product. We have many customers already today, which are corporate customers. And during COVID, of course, they didn't use much there. So what really happens in the corporate product is that we offer a set of points. We do not offer room nights at all. The points have a value, and that value translates into room nights. And who uses it is completely dependent on the corporate, they can give it as a reward and recognition, they can make it as a part of the perk. And therefore, every corporate uses it in their own way. But let us be very clear amongst ourselves, this is not a dominant part of our business. Our majority of the business is a pure-play B2C business. This is the B2B2C business, in which points-based product helps us. And typically, if you look at tenures, generally, they would be 10-year tenures. We do not have a 25-year tenure corporate product.

Himanshu Shah: And in terms of members, then how do we count that as part of our member base and if it's like a 25-year deal and a 10-year lease number if the AUR is ‘X’ number, do we divide by that AUR to arrive at our number addition counts or…

Kavinder Singh: Himanshu, what we do is we do not add members who are -- so first of all, the corporate can decide to increase or decrease the number of people who will use, whether they will use 2 nights or 3 nights or 4 nights or 5 nights, and they choose to burn different points if it's a part of reward and recognition. So really, we do not add that to our member count, which is fair, in my view, because it's a dynamic and a floating number. And as I said, since it is not significant, we don't worry much. And they are obviously logged into the same system for their availability, depending on the power of the point, they can give that to burn more points if they have to go higher up in the season. And the number of people who would holiday would be a function of who choose to holiday, even though they may have a perk, some people don't use it. There is a breakage there as well. So we don't add that into our member base. It is a corporate account and people can use it, and we do not worry about it much because it's very insignificant as compared to our total number base.

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

Nemish Shah: Congratulations on a good set of numbers. So I had a question on the member to room ratio. So this quarter, we clocked about 58, the number was at 58. And historically, we have seen the numbers go as high as 72. So I just wanted to know that based on our experience so far and the occupancy trends, what is the sweet spot that we would like to target the member to room ratio to be at?

Kavinder Singh: So you're right. I mean, in the past, it used to be high, and we are now trending well below 60. And see, as I mentioned maybe earlier sometimes that some of the members do not holiday every year for various personal reasons of theirs, but they can accumulate. The product allows them to accumulate up to 21 days. So technically, they need not holiday for three years if they don't want to.

The second reason is that some of them may not be eligible because they may not be up to date on their dues. So there is always in and out of those buckets, members come in and out of that. And as a result of which, I am very-very comfortable up to 60:1, 55:1 even better. And so we would like to remain around 60:1 or even lesser than that if we are able to.

As you know, inventory additions are always lumpy, while member additions are reasonably predictable and can be predicted. So there is, sometimes you may have a situation where it may move from 55 to 58. I don't think we should worry too much about it because we have even today only 79% occupancy or the max that we reached in April and June was 89% despite these ratios. So really, there is still a lot of headroom for us to fill our rooms.

Nemish Shah: And just one last data point. Can you just give the mix of the leased and the owned properties?

Kavinder Singh: Yes. So typically, lease, by the way, whether they are leased or owned, they are managed by us. There are only some leases where we do a tie-up with a good brand and where we don't manage. But typically, if I were to take leasing and owned, I think, currently, Sujit, the ratio is 55:45, 55 owned and 45 leased in terms of the room nights.

Sujit Vaidya: That's correct. That's the way it usually goes.

Moderator: Thank you. Participants who wish to ask a question, may press star and one. The next question is from the line of Dhvaneet Savla from an individual investor. Please go ahead.

Dhvaneet Savla: Congratulation on a good set of numbers. I have two questions. One is on the Club Mahindra plan and other on the Holiday Club plan. My first question is with regards to the Club Mahindra that, is there any particular thought process or is there any policy which we actually hold when we are trying to evaluate the addition of any new resorts or we may be leased or owned? And is there related minimum requirement of profitability or anything which we are looking into per se, since our both business model is different from other hotels?

And secondly, on Holiday Club, I just wanted to get a little bit more color on when do we see the profitability levels coming back to higher levels? And since it's a large, it forms a large chunk of on our financials, if it comes into profitability that will be really great for us as a company, right?

Kavinder Singh: So your first question is around how do we pick resorts? How do we know what will fit us? So obviously, there is a bit of a science, there's a bit of an art here, because it's important that the location is right. Sometimes these are back or beyond locations, you have to take your risk and hope that people would like, even though the location may not be very ideal or, let's say, not even close to the city. So we have taken multiple bets on the locations.

Now, when it comes to type and they have worked well for us because of our deep understanding of our customers & our members holidaying habits. So that is very innate to us, that's core to our business. The second bit, which is important is that does the resort have a look and feel, which our members are comfortable with. So we have definitely some set of requirements checklist, but let me confirm this to you, this is not a checklist approach alone. We need to have a feel as to what our customers will like because we have created many resorts of our own. So we understand we are not just an aggregator. We are a creator of resorts and destinations. So we understand what works and what doesn't work, and that we try to see when we look at the property for leasing. So it's a combination of data, hard data. It's a combination of physical location and a combination of the facilities, amenities, look and feel that the resort offers, obviously, including the room sizes and the quality of furnishings, etc.

So it's a very complex thing, but it comes to us naturally because we are in this business. And there is a team which full time works on this area, that's a business development team. Then obviously at certain levels I personally go and have a look at the resort before we take a decision, that this will be leased or we will buy. So this is how it goes, the process of resorts. And if we find that the resort is not doing well in terms of occupancy or customer experience for whatever reason, we also exit the resorts. And I can name few resorts where we have exited when we found that it did not meet the requirement after trying it for some time. So that happens very rare, though, but it has happened because we remain focused on quality and customer experience, and that is something that is paramount to us.

Your second question was on HCR. And your question was that if it becomes profitable, it will be good for us. The good news that I want to share with you is that it is any way profitable. It actually turned profitable literally in our second or third year, second year, I think, when we took over this company. It delivered an EBITDA of about EUR 12 million in I think, FY17. And that, after that, we have had various issues related to the environment around the, basically caused by COVID and the worsening situation that started sometime in February from Russia-Ukraine war. There were issues otherwise we would have seen a reasonable amount.

By the way, despite all these problems, HCR has generated about EUR 33-odd million of cash in the last five years, which has helped them to pare down their debt from EUR 50 million to approximately EUR 20 million. So their own debt has come down. And we believe that the moment this Russia-Ukraine situation clears up, and in some days, it will clear up, we see them back to the levels that we have seen in the past, the peak levels. And thereafter beyond because the current management is focused on creating new levers of growth, whether adding new timeshare locations or whether it is making spa hotels more profitable or whether it is increasing and improving processes all around. So that is the situation at Holiday Club Resorts.

You are right, Holiday Club Resorts, giving on a consistent basis, profits, will definitely be a kicker to us, and we are working towards that. But structurally, the business is sound. It is just some unfortunate situations of COVID and now this Russia-Ukraine war, which has not allowed the business to demonstrate its potential at least in the last 2-2.5 years.

Dhvaneet Savla: All the best for the coming quarters.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I would now like to hand the conference over to the management for closing comment.

Kavinder Singh: Thank you so much for coming for our earnings call. As I have always maintained that we learn a lot from your questions, and we constantly rejig, retool our strategies based on your insights and observations -- and with that, I would like to thank on behalf of me and Sujit and Mahindra Holidays Management, once again, thank you so much for taking your time off and for taking interest in our stock and our performance. Thank you so much.

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