ClubMahindra

October 31, 2024

MHRIL/SE/24-25/80

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

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

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call for the second quarter and half year ended September 30, 2024 - 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/24-25/66 dated October 07, 2024

This is in furtherance to our letter No. MHRIL/SE/24-25/66 dated October 07, 2024, wherein the advance intimation of the earnings conference call scheduled to be held on Friday, October 25, 2024 with Investors/ Analysts / Funds on the financial and operational performance of the Company for the second quarter and half year ended September 30, 2024 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
Date: 2024.10.31 14:47:47 +05'30'

Dhanraj Mulki
General Counsel & Company Secretary

Encl.: a/a

"Mahindra Holidays & Resorts India Limited Q2 & H1 FY-25 Earnings Conference Call"

October 25, 2024

MANAGEMENT: **MR. MANOJ BHAT – MANAGING DIRECTOR & CEO, MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED**
MR. VIMAL AGARWAL – CFO, MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Mahindra Holidays & Resorts India Limited Q2 and H1FY25 Earnings Conference Call.

As a reminder all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Manoj Bhat – Managing Director & CEO. Thank you and over to you sir.

Manoj Bhat: Good afternoon, everyone and a very warm welcome to our Q2 FY25 Earnings Call.

On the call with me today I also have Mr. Vimal Agarwal – CFO. You can find our Quarterly Results and Investor Presentation on the Exchanges and on our Company Website. I hope you all have had a chance to go through them.

Let me begin by talking about the overall environment. I think the overall environment continues to remain very positive. Industry level ARRs are trending at Rs. 7,000 and the occupancy is at 61% as of August data. So clearly, I think the industry continues to be in a strong place. Even if you look at markers like domestic air traffic etc., I think we are seeing a year-on-year growth of 6%, so everything continues to be from an overall sentiment, overall number of people traveling, it continues to be fairly strong from an industry perspective.

Coming to our numbers. First let me talk about standalone numbers. I think the standalone numbers, our profit grew by 14% to Rs. 47 crores. This is on the back of several initiatives. Our total income was about Rs 371 crores which was up about 12% YoY and our deferred revenue is about INR 5,685 crore and our cash position continues to remain strong at INR 1,452 crores. So that's really a strong quarter. I will talk about some of the factors which went into these numbers.

First, talking about sales. I think as I had mentioned last quarter also Q2 was a quarter of adjustments in terms of looking at our entire sales engine, looking at our member profile, looking at analytics around what cohorts and what groups of members we want to really attract and serve well. As part of that, I think, we continued on that journey of trying to figure out what is the best way of addressing this market, what are the channels to use and what are the areas we want to pull back. As a result of that I think our member addition for the quarter was 3,583 from a net perspective which is down 27% compared to the same quarter last year. This is as I mentioned really something, we have made a lot of changes, and I will talk a bit about them. The other area which we are measuring ourselves is on average unit realization, what it means is what is the average sales value per member addition that is at INR5.04 lakhs which is up 28%. Now this has come through various means and let me talk about a few of them.

So first, as I mentioned, the big change we made this year is this quarter we have discontinued the 3 year product and the 4 year product and replaced it with a 5-year product called GoZest-5. And this really happened somewhere towards the end of the quarter, I want to say almost end of August and September beginning. So that has had some impact in terms of just the positive benefit to AUR.

Now GoZezt-5, I am happy to say, has found an instant response, and I think we have seen almost a seamless movement of people from the GoZezt-3 and 4 products and the CMH4 product to GoZest-5. So clearly that was a need of the market. And I think it goes on to kind of test the thesis which we were testing out was that with the right kind of product, we should be able to increase both tenure and value. This was one of those first things which we tried out.

The second thing was looking at how do we think about the cost of acquisition, which channels are productive, which channels are not. We have discontinued the usage of certain channels and also looked at the conversion rates across multiple customer groups and actually reduced some of those initiatives during the course of the quarter. What that means is that it has obviously reduced the number of leads and also led to some reduction in terms of sales. But I think it's a necessary step as we go through this transformation journey. The other thing which we track very closely is membership upgrades and that is really existing members

I am happy to say that there is consistent growth which we continue to see in upgrades which is up 13% YoY. And this is a channel actually which is an area of focus for us because this is really existing members which tells us two things:

One is that existing members are kind of very satisfied with the kind of service we are providing them. And also, it provides probably one of the highest conversion rates in terms of all our channels. So that's something which is very positive. The other question if I look at it is from a referral and digital route. I think we are at about 58% of member additions through these two routes in Q2 F25 versus 55% last year. So, we are seeing a consistent increase in the digital & referral route. So that's broadly on the front end and the customer side. The other area of focus was really on inventory addition. Again, we have had a strong quarter this time. We have added 219 keys. We have opened three resorts; current base is 5,500 keys almost. And I think as we work towards our target of 10,000 rooms, I do believe this is a great start to that journey. And I think we will see this consistent kind of growth as we go through quarters and years to come.

Currently the ongoing projects on the Greenfield side continue to be on track. In fact, in this quarter Kandaghat, the expansion is coming through which will be another 102 rooms that we are expecting to happen in this quarter. On the other side when I look at the resort performance, I think the resort performance was very stable YoY, we didn't see the kind of growth and the reason being there was some inclement weather across multiple locations. So, Sikkim, Kerala, Gujarat, parts of MP these are all affected by unseasonal rains. And clearly that's something which we believe is a quarterly phenomenon and we should probably see that as a thing of the past as we enter Q3 and Q4. Beyond that I think we continue to be awarded. So, for example we have some awards coming for some of our resorts and at some of our restaurants. So that's something which we continue to focus on.

I will spend a minute on HCR, which is our European subsidiary: I think it has delivered improved performance this quarter. However, I think the overall macroeconomic environment in Finland continues to be weak. I think the economy is going through a phase of, I would say, corrections and there have been layoffs and bankruptcies that's happened there. Within that I think our occupancy continues to be much better than the local averages. And this is something because of the continuous focus of the management team in terms of both trying to manage that occupancy also and keeping control on costs. I think we are seeing the results better than last year. And this is in line with what I had mentioned earlier that we do believe with all of the measures we are taking, maybe last year was the worst year for HCR. But again, this is all dependent on where the economy is heading in terms of Finland.

I think with that what I really want to summarize is that the journey on premiumization, the journey on making sure that we are targeting the right customers continues. The journey on inventory addition has started strongly and that's something which we will continue to build on. And lastly, I think the journey around technology and how we use technology to target has been amplified in this quarter . And that's something I think we should see results coming in the quarters going forward. With that I will really throw it open for questions. So happy to take your questions and back to you moderator.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. Our first question is from the line of Sagar Tanna from Alchemie.

Sagar Tanna: Can you tell me March '25 what is the number of inventory we will be sitting on and in FY26 what is the basis the current visibility what can be the inventory addition?

Manoj Bhat: So, Sagar let me give you some indicative view on this because inventory is a thing that can slip by a month here or there at any point. So, if I look at our overall journey of trying to add 5,000 rooms, I think we have visibility to close to about 65% to 70% of that today. And with that I mean we have identified properties or land parcels or work is in progress already. So that's the more longer-term view. From a more short-term perspective, I think our current plan we are looking to see if we can in the first half whatever we did. If I look at the second half we are planning to add about three new resorts and with one expansion and of course any of this could slip a month here or there and that should take us to probably a net addition of anywhere between 550 to 600 rooms. That's the kind of range we are looking at this point.

Sagar Tanna: This is for the current year, right?

Manoj Bhat: Yes, current financial year.

Sagar Tanna: So, March '24, we were at 5,300 odd rooms and we will be closer to 5,900 odd rooms by March '25 ballpark number?

Manoj Bhat: Yes, give or take.

Sagar Tanna: And in '26 what is the addition expected?

Manoj Bhat: As I said that's something we will have to give visibility because a lot of these are dependent on external parties on approvals and so on and so forth. So, as we come closer to that we will talk about it. But as I mentioned if I take a longer-term view, I think we have visibility to about 65% to 70% of our goal of 5,000 rooms to be added in the next 5-years.

Moderator: Our next question is from the line of Pankaj Kumar from Kotak Securities.

Pankaj Kumar: My question pertains to the member addition. So, in this quarter we have seen a decline. Of course, as you stated in the last quarter also, we are taking certain corrective measures. But as you stated roughly 700 rooms you are going to add in the current financial year. So, do you see a sharp acceleration in the member addition in the coming quarters looking at the inventory addition plans that we have?

Manoj Bhat: Sorry I missed the last piece. What is the question?

Pankaj Kumar: Do you see a sharp acceleration in the member additions in the coming quarters, in the next two quarters?

Manoj Bhat: No. So, Pankaj my own sense is that this year the focus is on 2 or 3 things. So, one is and I think I said the same thing in the last call that really getting the product market fit right number one. And by that, I mean as part of our strategy we are looking at changing our product as well. And that's something which will happen over the next two quarters. From a market perspective I think there are markets we are exiting. There is potentially we're looking at how to really think about it very differently in terms of channels. And I think from my perspective the overall goal would be that we will try to be as close as possible from a value perspective to last year but maybe not necessarily from a volume perspective.

Pankaj Kumar: As you said you would be exiting certain markets. So is it with reference to the cities that earlier you were looking at Tier-III cities or small cities where you were looking targeting new members, is it in that direction or how?

Manoj Bhat: I think some of the places what we discovered is that while we might not have a presence in those, we were actually selling some of the plans there and we could not do excellent after sales service and manage the customer expectations. So, those are the markets, we have said we'll pull back and that's something which is happening as we speak and some of it has already happened.

Pankaj Kumar: My second question pertains to your opening remarks where you talked about technology measures that you would be taking. So, if you could explain more on that what exactly we are going to do on the technology side?

Manoj Bhat: The first and foremost thing we are doing is really thinking about interventions from a customer area. And so that is about if you get a lead, how do you really make sure that what is the propensity to convert? I think that's one of the questions we are asking, which is about then using whatever data we have available plus using some of the technologies through AI and other interventions to come up with what is the best possible way to convert a given lead. The second thing which I had mentioned last time was, we have just completed the major phase of our customer insights in terms of what are the customer trends and who are our customers where should we focus on. That's a separate large marketing research program which we are doing and feeding those inputs in a technology fashion or enabled using technology and then using that data to target the right kind of customer. So, the third thing is in terms of if you think of customer inquiries, customer queries, booking recommendations, there's a whole plethora of customer experiences which we'll have to deliver better to our members. That's the third area of focus. So those are the top 2 or 3 things which we are looking at. And the last one is from a resort perspective, how do we better use technology to identify member needs almost as much as on the spot. So as members come into the resorts, how can we use the available data we have and make it contextual to the person who's meeting the customer. And can you use that technology to sell or cross sell experiences to that same customer. These are the three four buckets we are working on.

Pankaj Kumar: Last question if I may ask. That pertains to the member acquisition cost. So, you said there's a more digital and referral way that we are looking at. So how the member acquisition cost structure going to change? I believe earlier we used to have some 24%-25% of the cost for member acquisition.

Manoj Bhat: I don't want to give you the exact numbers because it's still work-in-progress, but it is starting to trend down. I think from our perspective, we have looked at the way we structure consumer offers and how do we look at the overall TCO and offer value to the customer. And so that journey has started. It has come down a couple of percentage points I would say. But there is a longer part of the journey which we will start covering ground more in Q3 and Q4 from a cost of acquisition perspective.

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

Ankit Kanodia: My first question is related to what we discussed in the last quarter con-call. So just to refresh your memory, at the outset it is nice to see that you are relooking at all the initiatives which were taken in the past and doing all the course correction. But one big elephant which is there in the room which I think needs more attention and which I discussed in the last call as well is to relook at our acquisition of HCR which we did about a decade ago where we invested about 600 crores. And you mentioned that maybe in a quarter or so you will be in a position to share what the management has made of that. So, any discussion on relooking at HCR, whether we want to completely get out of it or do something about it because it is more than 10 years now or close to 10 years now and we have not made any progress there in terms of incremental ROE or incremental cash generation? That is my first question.

Manoj Bhat: Ankit I am sorry if the communication came across that we will decide in a quarter probably, it was probably wrong on my part if I have left that impression. But what I had said was that we will look at category A and B and C which we did in M&M also. So, I said that we will figure out the best way to go forward on this. The second thing which I said was that it will not continue to be an incremental drag on our numbers and the worst is over. The third is I said that we are not close to any possibility but we will consider all the conditions around that and that includes our ability to improve performance there and that I am sorry if it came across as a quarter or so but it will take a longer time and it is not going to be something which is immediate because you must understand what is happening in Finland. If you look at the same company, had an EBITDA of $12 million about 5 to 6 years back or the EBIT, I am sorry not EBITDA. And so there's a set of conditions which is causing this today. I think the question is do we take decisions at the bottom of the cycle or do we take decisions when I think they are more evenly balanced. And that's something which is a call we'll have to make on this.

Ankit Kanodia: So that really explains a lot. So, my next question is related to what you mentioned for the current quarter as we have replaced our 3 year and 4-year product with the 5-year product. But strategically how do we look at member acquisition in that aspect? Our focus remains still to get more and more members for 25-year product, or we are equally rooting for the 5-year product or if our focus is 25-year product why the 5-year product? As in there must be some logic behind it and why do we think that there is a need for 5-year product? If you can share some more light that would be very helpful.

Manoj Bhat: That's a very interesting question. So, if you look at our product profile, some customers prefer the 25-year product because it offers certain set of benefits including potentially good value, etc. And there is another set of customers who are not willing to commit for a longer term. But what we have seen is that one of the reasons for example our upgrades are on good cycle etc. is once they experience the product, we have seen people trending up. So right now, what we said is that the 3-year product and the 4 year product, we say what is the minimum level product we would like in our portfolio and that's the 5-year product which is I would say almost like an introductory product or a sampling product for people to experience our offering. Then we have the 10-year product and the 15-year product and the 25-year product. That's our current portfolio. If I look at trends in member addition, I think compared to last year the 25-year product is marginally down, the 15-year product is strongly up, the 10-year product is probably give or take the same and the 5-year product has replaced the 3 and 4 year kind of space. So, what it seems to indicate is there is a market for each of these product offerings. Having said that one of the things we are doing this quarter is doing a comprehensive review of product structure. Because even within this, we have points-based products as well as nights-based products, so we are looking at that structure also. But the short answer for your question is what we are finding is that you will see people who are more happier buying a 25-year product and you will see people who are more happier buying a 5-year product.

Ankit Kanodia: My next question is related to the receivables which we have on our annual reports over the years. So, we don't give any breakup in terms of how much of that receivable is because of the dues of the vacation ownership income or pricing or how much is due to the annual subscription fee dues. The reason I am asking this question is that I am assuming there would be a section of our members who would have probably subscribed to membership or vacation ownership but probably for various reasons are not using our property. So, they are probably not incentivized enough to make the payment because they think they might be thinking that I am not using the property so why do I need to pay the ASF every year? So if you can just provide that kind of detail maybe in your quarterly presentation or annual report whatever works with you that would be very helpful.

Manoj Bhat: So, we will look at that definitely Ankit. But I don't know whether that will actually get you to where you want to be in terms of, does that indicate the number of people? I don't think there's a big correlation there because if you see what we have seen member behavior is there are sometimes, the number one reason where people stop paying ASF is because they were unable to holiday because of availability issues. So that's the first fix we are trying to do. So, there is more inventory coming and member additions are anyway slowing down because of our focus on what we are trying to do which I have explained at the beginning of the call. The second is that there is a life stage thing that what we have seen is there are certain kind of life stages where there is heavy usage of our product and then typically for example as the kids grow up I think there is a phase where members stop coming and then they start coming in again after a few years and when they come again and that's when they start paying the ASF, so we are seeing all kinds of permutations and combinations. From a financial perspective, we do look at how do we provide for this adequately in line with the IndAS accounting standards. So, we don't expect any financial impact of this if that was a kind of question. But we'll examine what and see if there's any logical way to present this which makes sense. But that's something we will look at.

Ankit Kanodia: And one last question from my side. When we started we were predominantly a 25-year or maybe even, we had a 30-year product at one stage. So, there would be a lot of members who would probably, I am talking about the early members, maybe from ‘96 to 2006 maybe who would have retired or who would be retiring now, is that a big amount as in big number or it's a very small number? The reason I am asking this is because that gives you an advantage because all those members going out allow you to sell that membership to new members at an inflation adjusted price.

Manoj Bhat: Ankit, I had addressed this last time about this financial year and maybe even going forward in the near term, it will be about 6,000 a year is what I had mentioned last time. And I am fully aware about what you are saying in terms of the cost out or rather the revenue out and the revenue in there is an order of magnitude difference. So that is a positive. But our effort really is that if we can retain these retiring members with some sort of a proposition and that's one more thing we are working on because ideally while the financials obviously whatever you're saying is right but I think what is right from our perspective is that we want those loyal customers to continue with us and that's something we'll have to work on.

Ankit Kanodia: If I may squeeze in just one last question. The two new Horizons and RCI exchange program which I think we basically started doing it more actively after the Covid. So, any color on that as to how we are looking at them today, what is our plan in the future and how it can help us further grow.

Manoj Bhat: So, both those programs, what we are seeing is that the member involvement or uptake on let me talk about RCI something which is lower and frankly that's something we'll get into because it's probably not the highest on the list of priorities as we have defined it. But we'll get to it in the course of the next couple of quarters. Horizon program we had actually scaled it down a bit as we moved out of the Covid wave, but it still is pretty large program in terms of the number of room nights, for example this particular quarter also about 4,000 odd room nights went. But that has come down from where it was last year because I think as we have seen these other kinds of travel and we have pulled back some of the parts of the program which are not so kind of remunerative to us.

Moderator: Our next question is from the line of Prashant from Unived Corporate Research Private Limited.

Prashant: I just want to ask you a book keeping question. I just wanted to ask you what is the capital expenditure program for this fiscal and how much of it has been spent out till date and in that capital expenditure program what is the expenditure for renovation?

Manoj Bhat: So, the way we have spent about in the first half, give or take Rs 140 crores on CAPEX and our renovation budget for the year is about Rs 40 crores give or take. That's a quick feel. In the remainder of the year, we'll spend probably another Rs. 180 crores equivalent amount on CAPEX. And these are all the numbers which I am giving you which are in the ballpark. They're not exact but in that ballpark.

Prashant: So, can you share the number for fiscal FY26?

Manoj Bhat: We will keep increasing it because it is linked back to the question, I mentioned about inventory which I think some other gentleman had asked that what is their F26 plan? So, it is kind of directly linked to that and that we'll share somewhere towards the end of the financial year as we look into next year. But giving you a broad sense I think it will be higher than this year is what we are looking at.

Prashant: And in the renovation CAPEX which resorts are getting renovated by if you can share with us the details?

Manoj Bhat: We are renovating plenty of resorts actually and in fact let me spend a minute on that. One of the things is, we are looking at how do we move the resort infrastructure quality up and that is another initiative from a resort perspective. We started that in Q2 and that should pick up pace. But we are looking at multiple resorts. The way we are doing it is, we are not doing a full resort shutdown. We are picking up blocks and going segment by segment and upgrading rooms and public areas as well as things like MEP as required.

Prashant: So would that mean in the renovation, the furniture of the rooms also would be changed because in some resorts of yours, they have become quite old and it's not that they have broken or something but just a feel that 'wow' effect has gone in from the resort.

Manoj Bhat: Prashant, thank you for the feedback. Why don't you send me an e-mail of what these resorts are and definitely that's part of the program but would be happy to take direct feedback on an e-mail, if you have my e-mail id.

Prashant: That's the reason for asking this question.

Moderator: Our next question is from the line of Sukant Garg from Equible Research Private Limited.

Sukant Garg: My first question is how much is the average cash spent or average revenue per customer while a customer is on a vacation? Do you have the data?

Manoj Bhat: We do have the data but it's not in public domain and that's competitive, so we are not going to share it.

Sukant Garg: Can you tell me what is the rate of growth in the deferred revenue because I feel it is declining from FY24 to FY25 and being in a timeshare business I believe that is one of the most important aspects.

Manoj Bhat: I think it's not gone down for sure.

Sukant Garg: So, it's only Slide 7, from FY24 to FY25 the addition right now is about 19.

Manoj Bhat: So, I think 2-3 things. So deferred revenue has not gone down. The deferred revenue balance has gone up.

Sukant Garg: No, it's about the rate of growth.

Manoj Bhat: So, the rate of growth is, obviously we have spoken a lot about member additions and that's kind of correlated directly with this.

Sukant Garg: I agree to that. But I am asking from a timeshare perspective because we are in a timeshare business and it's not about member addition only. It is about the upgrades happening or it is about many other things that where we can increase the deferred revenue. Because in a timeshare business when a deferred revenue growth is decreasing then it would be a kind of concern.

Manoj Bhat: Sorry I didn't understand. When you say deferred revenue will increase during the lifetime of the member what were you referring to?

Sukant Garg: I am saying the deferred revenue pool. If the rate of growth in the deferred revenue pool is not increasing at that much then it will be….

Manoj Bhat: It is correlated with the member addition as I mentioned. But I think I thought you were saying there are other factors which will impact deferred revenue.

Sukant Garg: Yes, I am saying that there would be other factors like upgrades and all those things through which these deferred revenue pool can be maintained.

Manoj Bhat: So, if you look at upgrade and I spoke about it in the beginning. So, see all the components of the deferred revenue pool I have spoken about. I spoke about member additions, I spoke about AUR, I spoke about the value of net sales and I spoke about upgrades in the beginning opening statement and so all of that kind of contribute to deferred revenue. As I said I am agreeing with you that the pace of growth is slowing down because the member addition as I mentioned earlier is not just a volume game. I think it's a volume and value game which we are playing.

Sukant Garg: So, would you like to say that we have been more now concentrated on the average revenue of a unit rather than we are diverting towards somewhere on increasing the revenue per unit per hotel, is that so?

Manoj Bhat: So, if you look at our AUR as I mentioned earlier is up 28% YoY at INR 5.04 lakhs. So, while our member addition is down 27% compared to the same period, our upgrades are up 12% or 13% compared to last year same quarter. So those are the metrics which all contribute to this.

Sukant Garg: Just one last question. Which is the most sold product from the perspective of price point. I know you've already told that 15-year membership the most sold one. But if you compare, can you give me a ratio of the most sold product out of these three in this?

Manoj Bhat: I don't want to split the products, but I said the 15-year is the strongest growth compared to last year. But the most sold product today is the lower tenure product, it has always been even last year.

Moderator: Our next question is from the line of Sahil Vora from M&S Associates.

Sahil Vora: Just a couple of questions from my end. So firstly, can you share the outlook for any resort acquisitions which you have planned for doubling the inventory base of the company?

Manoj Bhat: So, I did mention that really from my perspective I gave a view on this year, that one expansion and three more resorts was what we are targeting by the year end. And then I said that overall, we have visibility to 65% to 70% and these are over multiple locations. And I think it's a combination of green fields, it's a combination of build to suit with partners and then leases of existing resorts. And maybe in between, we might have an acquisition which is like a buyout. But that's all of those four methods will be used. I don't know if you're looking for something specific Sahil.

Sahil Vora: No, that covers it more or less. My next question is regarding the member addition. So, one observation was the addition of inventory base is not being supported by member addition. So, if we see any additional inventory base remains vacant. Do we believe the decline in member additions is a short-term issue or is the company going to put any strategy in place to decrease the number of members and improve the customer additions in general?

Manoj Bhat: Sahil the way at least I see, it is that if you look at availability and occupancy, we are known to be a very high occupancy kind of organization. And one of the feedback which was coming was that because of that and because of inventory, we were seeing members saying that they were seeing unavailability of bookings which was leading to a negative sentiment from the customers. So, in a way if you think of it these new rooms will be available for members who could not avail of holidays before. I think that's the first kind of step of this journey. The second step of this journey is that if you look at member to room ratio, we have been on a journey of correcting that and bringing it down so that we address the issue of making sure that our members have an easier way to book and we can fulfill the needs. So that's really the first step of the journey. As we go through whatever I said in terms of correcting the cost of acquisition, correcting channels and correcting product market fit as I called it. I think then we will look at how do we grow members over a period of time. But right now, very comfortable with providing all our existing members, a chance to vacation sooner and with higher availability.

Moderator: Our next question is from the line of Rajesh Jain from AR Advisors.

Rajesh Jain: I just wanted to understand like the customer response on the newly launched GoZest-5 product. Like what is the customer response to it and how does it compare with other membership products in terms of demand and customer demographics?

Manoj Bhat: So, number one is we've got a very strong response, as I said that we didn't miss the 3- and 4-year product at all. So basically, GoZest-5 fitted very well and took over pretty much all the share of whatever 3 and 4-year products were coming through. The second is this was despite price differential I would say on an average of approximately 1.3 lakhs between GoZest-3 and GoZest-5 and it could be 1.25 but in that zip code. So clearly what it tells us is that if we design a product for a need I think we are finding the markets. What is the other question? Was that something about the profile of customers?

Rajesh Jain: So, like what is the customer response and in terms of customer demographics like what kind of customers are more interested into this?

Manoj Bhat: I can't bucket it saying only this kind of customer which is buying GoZest-5 or something. I think it's a broad spectrum across locations. But if you look at typically, I would think people who generally want to try it out first is probably where I would put the biggest customer need from GoZest-5 perspective. The second one is that what we are thinking of as a strategy is that as we get these kind of customers who want to try it and if we provide experience we can then actually move them to the 10, 15 and 25-year buckets as upgrades and that's really the strategy there.

Rajesh Jain: And one more thing that I wanted to understand is, on your HCR segment performance, so like revenue dropped while EBITDA was positive but PAT was declining as well. So, what is the future outlook on the same, do we see them increasing and having a greater impact on our consolidated PAT?

Manoj Bhat: Vimal why don't you pick this?

Vimal Agarwal: Fundamentally, if you look at the segment level HCRO, so far as the timeshare business is concerned, we are doing well and ahead of our last year performance. You will see some decline so far as our resort spend or say Resort Spa spend is concerned that is primarily reflective of two things. One is the Russia Ukraine war and therefore the incoming tourists within Finland resort has gone down which we hope will improve as we progress in the year. The second one is the Finland economy is down. We expect that to start improving because for example inflation is down versus last quarter. As of now the spend per person visiting our resort is down but hopefully that will also start turning positive. Important point to note, so far as HCRO performance is concerned our costs are pretty much in control. In fact, there is reduction in cost which we are seeing, to ensure that we don't see any downside so far as HCRO performance is concerned on a long term basis.

Moderator: Our last question is from the line of Ankit Kanodia from Smart Sync Services.

Ankit Kanodia: Just correct me if I am wrong. I look at our resort income and specifically growth in resort income to kind of gauge as to how many members or how members are basically using our resorts. So, there are three components to our revenues. One is the vacation ownership income which has a lot of components which is also from the past. And then there is ASF which again, even if our member is not probably using our resort, he'll end up paying it because that is a condition in the agreement. But resort income basically clearly shows that how many members or are our members actually using a resort and spending in resorts activities and F&B and all the other things. But I am not sure why this number resort income has been growing at a very low single digit. In fact, if you look at current quarter it has been almost flat. Can you give some color on that?

Manoj Bhat: Great point Ankit and I think your understanding of the company is very accurate. So, if you look at resort income there are two or three factors here. So, one is obviously we lost some room nights etc. due to inclement weather. That's one. Second is that we have reduced F&B costs or rather charges across our resorts. And this is a way for us to see and this is an experiment we are running for a limited period to see if that would improve overall adoption because one of the customer feedback which was coming consistently was that, that is one area they would like us to respond to them in terms of having a more balanced cost to them. And that's something which we have done in Quarter 2. In addition, I think there are some trends around number of people in a room. Now I don't know whether that's just a quarter thing or not but that's the third element of what's happening. Overall if I add, so this is the standalone number it doesn't include some resorts. If I add those, I think we are up 2% compared to last year. But the point still remains that I think the combination of these 2-3 things, we should have been ideally much higher than the 2% and that's something we'll work on going into Q3 and Q4.

Ankit Kanodia: Previously we used to share basically breakup of the resort income in terms of rental income in terms of F&B and other leisure activities but those details are missing since last few quarters if I am not wrong.

Manoj Bhat: I think we usually share it annually but I can double check that.

Moderator: Thank you. Ladies and gentlemen in the interest of time that was the last question for the day. I would now like to hand the conference over to Mr. Manoj Bhat; MD & CEO for closing comments.

Manoj Bhat: Thank you everyone for joining the call and if there are any unanswered questions, please do feel free to reach out to me and specifically to the gentleman who had some feedback on the rooms. If you can write me an e-mail, I will be happy to look into it. Thank you so much.

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