

February 07, 2024

MHRIL/SE/23-24/89

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,
Dalai Street, Fort,
Mumbai - 400 001
Scrip Code: 533088

Dear Sir/Madam,

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

Ref: Our letter no. MHRIL/SE/23-24/83 dated January 10, 2024

This is in furtherance to our letter no. MHRIL/SE/23-24/83 dated January 10, 2024, wherein advance intimation of the Earnings Conference Call scheduled to be held on Friday, February 02, 2024 with Several Funds/ Investors/ Analysts on the financial and operational performance of the Company for the quarter and nine months ended December 31, 2023 was submitted to the Stock Exchanges.

In compliance with Regulation 30 of the SEBI Listing Regulations, 2015, please find enclosed the transcript of the aforesaid conference call which is also hosted on the website of the Company www.clubmahindra.com.

Kindly take the same on record.

Thanking you,

Yours faithfully,

For **Mahindra Holidays & Resorts India Limited**

Dhanraj Mulki
General Counsel & Company Secretary

Encl.: a/a



“Mahindra Holidays & Resorts India Limited
Q3 and 9M FY ' 23-24 Earnings Conference Call”

February 02, 2024



**MANAGEMENT: MR. KAVINDER SINGH – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER – MAHINDRA HOLIDAYS
& RESORTS LIMITED
MR. RAM MUNDRA – INTERIM CHIEF FINANCIAL
OFFICER - MAHINDRA HOLIDAYS & RESORTS LIMITED**

Moderator: Ladies and gentlemen, good afternoon, and welcome to the Mahindra Holidays & Resorts India Limited Q3 and 9 Months FY '23-24 Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will be followed after the formal presentation. If anyone requires operator assistance during the conference, please press star then zero on your telephone keypad. As a reminder, this conference is being recorded.

It is my pleasure to introduce your host, Mr. Kavinder Singh, Managing Director and CEO. Please go ahead.

Kavinder Singh: Good evening, everyone, and a very warm welcome to our quarter 3 FY '23-24 Earnings Call. On the call with me today, we have Mr. Ram Mundra, our Interim CFO. You can find our quarterly results and investor presentation referred to in our remarks today on the stock exchanges and our Company website. I sincerely hope you have had a chance to go through them.

I think let me start a little bit with the industry. At an industry level, occupancy is around -- stable at 61% to 63%. However, ADRs were trending significantly higher at around INR 8,500 in December, mainly due to the after effects of the events like G20 and of course, the ICC Men's Cricket World Cup. Domestic air passenger traffic continues to grow, recording an all-time high in 2023 with 150 million passengers versus 144 million passengers in 2019.

December 2023 recorded the highest -- I think, highest ever monthly traffic with about 27 million domestic passengers. This quarter, we have delivered a very robust performance at an operational level and at a financial level. We have been able to achieve the highest ever third quarter member additions of 4,708 members, which is up by 13% Y-o-Y. Our cumulative member base now stands at 292,861 families, 85% of whom are fully paid.

Membership sales value, including upgrades at INR212 crores, is up by 13% Y-o-Y. We have achieved the highest-ever quarterly upgrades of INR57 crores. This is a growth of about 16% Y-o-Y, demonstrating the rising satisfaction of our existing members. We are very happy with this situation.

Cash position is at a very healthy INR1,301 crores as on 31st December 2023. We received an income tax refund of about INR66 crores, which includes an interest of about INR6.5 crores. Our deferred revenue pool has increased by INR67 crores to INR5,512 crores. Our members have enjoyed superior service delivery, new immersive experiences and resorts, resulting in 84% occupancy on expanded inventory.

Our occupancy, we believe, was impacted due to flooding in Sikkim, which happened in early October, and slower recovery in Himachal and Uttarakhand, which was affected earlier by heavy rainfall and landslides. There was a bit of a slow recovery that happened in October and November.

Improved digital penetration in India is helping us accelerate our member additions through digital route. Our revamped digital infrastructure and use of technology across touch points

along with higher member satisfaction has helped us deliver 57% of our member additions through referral and digital routes.

We are unlocking the power of data like never before through advanced analytics, data science-based propensity models to improve efficiencies and drive growth in member spend, collections, referrals and upgrades. Our in-house developed tool, resort inventory yield optimizer is also helping us in inventory optimization.

Our booking through our own online channels is at about 81%. This quarter, our inventory base has expanded by 124 keys to 5,129 keys, 44 of which were added through the expansion of our Goa Assonora resort, which is now the largest Mahindra Holidays resort with 244 keys.

This financial year, so far, we have commenced 2 new greenfield projects, 236 keys at Ganpatipule and 152 keys at Theog. We have completed 1 acquisition, 72 keys resort in Jaipur. We have completed one expansion project, and we have one ongoing at Kandaghat Himachal. Kandaghat Himachal is a 72-key resort, which is expanded by 185 keys to make it at 257 keys flagship resort. This all adds up to about INR835 crores of capex for 5 greenfield/brownfield/acquisition projects and about 700 keys approximately.

We are rapidly expanding our inventory, and we have also talked about our inventory aspiration in our investor deck. In addition to this, two more expansion projects are expected to commence in the next few quarters. This will expand the existing resort at Puducherry by 62 keys to make it a 187 keys resort. And recently acquired Tree House Jaipur Resort by 54 keys to create a 126 keys resort.

Public-private participation ('PPP) is an integral part of the inventory expansion strategy. As I mentioned earlier, we have been actively engaged with various state governments to identify suitable land parcels or resorts to be taken through PPP route. We are running a resort right now in Janjehli, Himachal through PPP engagement. Other PPP discussion includes an in-principle approval for the land parcel at Sonepur Beach, Odisha.

This is in addition to the earlier approved land parcel in Odisha at Chilika Lake. Last quarter, we had signed an MOU with Uttarakhand government for an investment of INR1,000 crores. In this regard, 4 land parcels have already been identified and shortlisted so far. This quarter, we have signed an MOU with the Tamil Nadu government for INR800 crores investment.

In addition, we are exploring various other states and discussions are underway. Our sustainability targets include carbon neutrality by 2040 through EP100, RE100 and science-based targets. 17 of our resorts are Net Zero Waste to Landfill certified. Two resorts have been added this quarter. 14 Mahindra Holidays resorts are green resorts, platinum certified by IGBC, Indian Green Building Council.

As far as solar power is concerned, we have 21% of our total energy demand coming through the solar, and we added 415 kilowatts at Goa Assonora. Our goal is to have 100% renewable energy by 2050.

We are well on target, and we will definitely achieve it much earlier. We have recycled 408 million liters of water in 9 months of this year, which is 62% of the total water consumption by our resorts. Two of our resorts are net water positive. Our resort Madikeri is India's first net zero certified resort in all 3 categories: net zero waste, net zero energy and net zero water.

Let me move on to the standalone financial highlights, which you may have seen, but I will run through that rather fast. We have in this quarter, achieved highest-ever quarterly total income of course, excluding one-offs at INR363 crores, which is 8% up Y-o-Y.

Our EBITDA at INR111 crores, 12% Y-o-Y. EBITDA margin at 30.5%, up by 120 basis on Y-o-Y. PBT at INR62 crores, 11% year-on-year basis. PBT margin at 17.1%, which is up by 40 bps on Y-o-Y basis. Our resort income at a very healthy INR88 crores. Cash position at INR 1,301 crores, which I have already talked about, includes income tax refund of INR66 crores, which includes INR6.5 crores as interest.

If I were to look at 9 months performance, this is the highest ever 9 months total performance. Excluding one-offs, our income at INR1,047 crores is 11% Y-o-Y. Resort income at about INR251 crores, 3% Y-o-Y increase. EBITDA at about INR310 crores, 16% Y-o-Y. EBITDA margin at 29.6%, up by 120 basis points on a Y-o-Y basis.

Profit before tax at INR166 crores is 15% up Y-o-Y. PBT margin at 15.9%, up by 50 bps on Y-o-Y basis. Let me move on to Holiday Club Resorts. The market challenges continue with Russia-Ukraine war. Fundamentally, the consumer sentiment is weak in the Finland economy and inflation has fortunately slowed down to 3.5%, though still higher than normal and Euribor 12 have stabilized at around 3.6% from as high as 4.5 to 5%, which was a few months ago.

If I were to look at Holiday Club Resorts performance, despite the current geopolitical situation, weak consumer sentiment, HCR has delivered steady performance versus previous year. Timeshare sales has grown by 14% Y-o-Y on account of better sales realization. And this is because most of the Finns aspire to own a second home. However, in the current inflationary environment, a mortgage is unaffordable due to higher interest rates.

Since timeshare comes at a lower transaction price, it emerges as a strong alternative to a second home. Holiday Club Resorts has reduced its operating losses by 47% this quarter, which has definitely been aided by improved operational efficiencies. Finance cost has increased due to rising Euribor rates. Q4 is seasonally a strong quarter due to winter holidaying season and spa hotel occupancies pick up driven by domestic demand and international visitors.

We are continuing to monitor the geopolitical situation and focus on implementing cost efficiency measures will continue throughout the year. If I were to look at the consolidated numbers, our total income at INR656.7 crores at consolidated level, again, is the highest-ever. It is up by 10% on a Y-o-Y basis. EBITDA at INR130.5 crores is 8% up Y-o-Y basis. EBITDA margin at about 19.9%. Profit before tax is at about INR11.8 crores. If I were to look at 9-month performance consol level, 6% up at INR1,976.5 crores. If I were to look at EBITDA, it is 6% up at about INR400.6 crores, EBITDA margin at 20.3%. And PBT is at INR51.6 crores.

To conclude, let me just build on the fact what is the opportunity in front of us. We have significant headroom for growth in our country. Tourism's GDP contribution in India is projected to be \$443 billion in FY '33 versus \$194 billion in pre-COVID. Government has a vision to make India \$1 trillion tourism economy by 2047.

Promotion of tourism is further enhanced by the long-term interest-free loans announced during interim budget to states for developing tourist destinations. This will promote domestic travel and we are going to be the biggest beneficiaries of that since we are present in leisure destinations and we are present far and wide.

Also, the macros are supporting these growth forecasts. As per the recent research reports, India's affluent consumers has been growing at around 13% CAGR between FY '19 to FY '23, and it is estimated to follow a similar trend in the next few years. Higher gap in per capita consumption versus other large economies. In China, Brazil, the per capita consumption in leisure, hotels, recreation, out-of-home food is 18 to 20x that of India.

From supply side also, India is highly underpenetrated. A number of leisure branded rooms in India, merely 28,000. The overall branded room count is 1.6 lakhs versus a city like Dubai, which has 1.65 lakh branded rooms and growing.

We, at Mahindra Holidays, are well poised to take advantage of the leisure travel boom in India through what we have spoken about. And we are very confident that we will take advantage of the growing discretionary income amongst affluent homes. This is how we will realize the huge potential target market that is India. Thank you for your time this evening. I would like to now open the floor for questions and answers.

Moderator:

Thank you. Ladies and gentlemen, we will now be conducting a question and answer session. Our first question is from the line of Ankit Kanodia from Smart Sync Service.

Ankit Kanodia:

Congratulations on a good set of numbers, at least in the standalone business -- the India business. So, sir, my first question is related to the BSE communication, which we have done today in the morning regarding you stepping out. So this is -- if you can throw some more light on that as what I see is over the last 9- 10 years, you and your team has worked really hard and now when actual fruits were about to show up, and if you can share more reasons as to why you were stepping down, that would be very helpful? That is my first question.

Kavinder Singh:

So -- thank you for asking this question. But you have seen in the press release that Mahindra Holidays is in a very good shape. We have 100-plus resorts, 5,000-plus keys, and we have now a \$1 billion market cap. And we have worked, as you rightly said, very hard to bring the company to this level. And I must say that as far as I am concerned, personally, I'm looking forward to another opportunity that I am likely to take up and that you will know in some time. It's not yet public, and it cannot be made public.

But if I were to talk about Mahindra Holidays, Mahindra Holidays is in a very strong position. And I'm actually very, very proud that we have a great team, and we have built the business to this level. And we have also taken on a very, very strong target of building a very big pipeline of inventory and a lot of good work has already happened.

And as far as I am concerned, Manoj, who comes in from the group, who is the Group CFO, has been chosen as the rightful next leader. And I'm very confident that under his leadership, Mahindra Holidays will scale greater heights. At this moment of time, this is my response to your question.

Ankit Kanodia:

My second question is related to -- so any -- it's related to the business. So when we look at all the numbers which are showing really good trajectory in terms of maybe -- whether it is a new member addition, whether it is getting new resorts or increasing the resort number or room count, or maybe in terms of vacation ownership income and all numbers are showing a good base of growth. But why our resort income is not growing? So even if it is growing, it is growing at very small single digit. In fact, in this quarter, it has slightly de-grown. Can you throw some light on that?

Kavinder Singh:

So resort income in Q2 and Q3, both the quarters has been impacted by the seasonal factors of heavy rains, landslides in Himachal, Uttarakhand. Because even in October, November, people were not coming to the Himachal and Uttarakhand because once people sort of see in the news -- and though our resorts were running, and I mean we still did very good occupancies. But obviously, we lost some room nights in both Himachal, Uttarakhand.

And in the month of October, we had the Sikkim problem, the glacial lake outburst. And even in October, November, the people were taking time to come. So it's clearly a loss caused by seasonal factors. I can confirm to you that our January is very, very robust. We are trending at about 87% in the month of January, rather trending means it is already done. We are at 87%. We are expecting this quarter to be probably our best-ever quarter in terms of occupancy at around 87%, 88%, Jan, Feb, March.

And this is something that we can foresee because we have bookings on hand, and you will definitely see an uptick in the resort revenues because when the occupancies are up and we are able to constantly engage with our members. The good thing is that our upgrades are high. So obviously, our members are happy and therefore, they are upgrading. And now the question is that are we able to offer sufficient number of room nights as a result of all the problems that I mentioned, seasonal problems, and those problems are behind us now.

So we are looking forward to an uptick in resort revenue also. It is something that we are watching and very careful to see how we can do it. There is another thing that you may want to note that there is some amount of revenue of resort, which is coming through our subsidiary company, which is where 2 of our resorts are there, and those revenues are not visible to you.

So if I were to add those revenues, we are at about INR96 crores, not INR88 crores. That is why we are not at all concerned about the resort revenues. And we are very, very clear that it was seasonal, that those issues which were caused by the people feeling that, "Should I be going, not going" and that is what affected our resort revenue uptick. But now that we are streamlined, as I said already, we should be looking at a great quarter again, Jan, Feb, March as we move ahead in terms of both occupancy and revenue.

Ankit Kanodia: That was really helpful. One last question related to the PPP projects, which we have initiated in the last few quarters. And I think we discussed in length about the efficacy of this project. I just wanted one view from you since you have been part of discussions with several state governments. Any ballpark -- I mean, I'm not looking for an exact number, but any qualitative and quantitative assessment of how big this can be for Mahindra Holidays maybe 2, 3 years from now, these initiatives apart from what we are already doing right now?

Kavinder Singh: Yes, difficult to sort of put in a number because what happens when you're dealing with the government, first stage is that we need to sign agreements with them. And then we either takeover the resort -- like in Janjehli it happened in 9 months. So now it depends on every state at what speed things will move. At this moment of time, the things that are moving reasonably fast for us are in Odisha and in Uttarakhand.

And I would say that in time to come, I'm pretty confident that we will see a lot of movement in Andhra Pradesh also. So the thing is if you get a land, then there is a time to sort of break the ground because you need approvals. And single window approvals is what we are looking for and then you build the property.

Second, if you get a resort, already existing resort of tourism department corporation, and those are not there too much in our bag right now, that could have created a bit of a quicker scale up. But this will be -- you take the land, you build, and we can build fast. We have a lot of technologies to build fast, and that's what we will aim to. But I think of the greenfield projects that we will build, I think it should become a reasonably significant part of our strategy.

And remember one thing, we are not waiting for these only to play out. We are parallelly buying land, which we don't talk about. We have land with us and we are buying land, private lands. And that's something that we normally don't talk about, but there's a lot of work happening there as well.

Ankit Kanodia: And all the best to the company and all the best to you personally as well in your future endeavours.

Moderator: Our next question is from the line of Mulesh Savla from Shah & Savla company.

Mulesh Savla: Okay. So congratulations on good standalone numbers and congratulations for increasing many members, new members. But I somewhere look at from the long-term growth perspective, somewhere I feel that in an attempt to increase the number of new members, are we not increasing dissatisfaction among the existing members and probably the shift of seasons from red to purple, probably you were talking about upgrades.

Is the reason of this satisfaction because people don't want to break head with your administrative office for reservation and all, and that's why they are converting their red membership to purple and things like that? I come up -- I come to this conclusion due to certain reasons. Previously, when we onboarded our existing members in early days, we informed our members that red season is, by and large, the top season. Only the Diwali and Christmas, 7 days, 7 days each would be the purple season, and you will be able to book and enjoy membership throughout the year.

We also informed and promised our members that gift of the days you can do to your near and dear ones, whenever you wish to do that. But when I look at the current terms and conditions, I see a lot of those promises are taken away and we have gone back on our words. Not only that, I have noticed in the recent past, at one of our resort, we unilaterally cancelled the booking of the members at the last moment without carrying further alternative arrangement or making up to the goodwill damages of last moment booking elsewhere.

So I personally feel that a lot of ground level work is required to be done to keep existing members satisfied. Otherwise, maybe we may grow membership numbers at present, but somewhere down the line, we may face the challenges. Your views on this?

Kavinder Singh: You have asked many questions rolled into one.

Mullesh Savla: Yes. Ultimately, it relates to the long-term growth story of the company. And generally, I would not have liked to raise such questions in public on a con call. But I feel that your lower level people are not responsive and members like us have no choice but to come up somewhere like this.

Kavinder Singh: So here is my suggestion. Since you said members like us -- we have lots of investors who would be interested or analysts interested in understanding our numbers. We are very happy to take your queries separately offline because if I were to answer each of your questions, then this call would be over because I have answers to almost everything that you have asked. And the only reason I would not go line by line and answer your questions is because the others will not be able to ask the question.

And they seem to be very specific to your membership. So my request would be that let us not get into your specific issue of your membership. We will definitely be happy to talk to you and understand your issue and resolve them and also explain you what this business model is all about.

Let me just give one small example. For example, you made a statement that these upgrades, people are upgrading because they are having some difficulty or something like that. You'll be surprised that's not true. Now we have data. Now obviously, all of that data cannot be made public. But we consistently tracked Net Promoter Scores of our customers and we know where we stand and -- number one.

Number two, when it comes to people wanting to upgrade, people take a conscious choice to upgrade because either they want a holiday in the higher season or they want to holiday in the lower season with higher number of room nights. The other thing is our referrals are at an all-time high. So our referrals are high. We are briskly adding members, and we are briskly adding inventory.

That is the business model. There's nothing fundamentally wrong that you can attribute to us. What we can understand sometimes is that a particular member may have a particular issue and that needs to be dealt with in a very specific manner. So this is how I would like to close from my side.

- Moderator:** Our next question is from the line of Himanshu Shah from Dolat Capital.
- Himanshu Shah:** Sir, just I want to check on member additions trend. We have guided for around 20,000-odd for member additions. We seem to be tracking behind on that guidance. So do we still maintain our guidance for the year of more than 20,000 member additions?
- Kavinder Singh:** So we are very confident, Himanshu, that whatever we have stated, which is roughly around 20,000 is the number that will happen. You know Jan, Feb, March is a very high seasonal quarter for us. And January has gone off well. So we are quite confident of around that number, what you just mentioned.
- And we are taking all the steps to ensure that because please remember, we are adding inventory very briskly, and you will see inventory additions in quarter 4 also and they are typically heavy. So we have to constantly ensure that the inventory and member additions are matched. And as we speak, the team, all of us are busy doing that. So the answer is yes, basically.
- Himanshu Shah:** And secondly, sir, on the retrials run rate also seem to have increased over the last 2 quarters closure to around 1,400, 1,300 members retiring per quarter. So will this be the run rate going forward? Or there is some one-off over here?
- Kavinder Singh:** So retrials are a function of what product? When did they come in? What time there -- so obviously, we try to retain the retrials. We try to offer them a new product, so retrials going up or down will be a function of when we acquired whom for what tenure. To be honest, this kind of data we ourselves don't track much. We are only interested in seeing how many of these people can be retained. And you think about it, by the way, when the retrials happen, in a way, their inventory is available to the next member who comes in. And we are anyway focusing on retaining existing and adding new members.
- Himanshu Shah:** Sir, in this backdrop, can you just provide some color like what would be the annual retiral run rate because these numbers used to be around 1,500, 1,600 numbers on an annualized basis, but now this number seems to be inching at 3, 4x? So will that be, -- is this the new run rate be the run rate going forward?
- Kavinder Singh:** I don't think we have any guidance on retrials because, as I said, it's a complex factor as to when a person came in and when is -- and there are different tenures of the products that we have. There are 33-year members who started, who have still not retired. There are 25. Some of them are coming closer to retirement.
- Then there are a 10-year member that we had taken in the past. They are -- some of them could be retiring or retired. So there are differing tenures. And that, to my mind, explains -- and you know what, at the bigger scheme of things, just think about it, on a 290,000 base, I mean, you'll also see the materiality of the number changes by 500 or 1,000 in the total cumulative gain. That's what I meant.
- Himanshu Shah:** And sir, just last question on resort income, again. Our inventory has increased significantly on a Y-o-Y basis. Our occupancy only marginally down. So effectively, the room night which we have -- the occupied room nights have been on a higher side on a quarterly basis versus last year,

yet our resort income has gone down by 4 percentage, which implies probably the spend per head is down by around 8, 10 percentage points. So anything -- any specific reason for such a steep decline in spend per head?

Kavinder Singh: Just to confirm to you, there is no decline. So -- 2 things. Just remember, I just mentioned in the earlier answer that there are -- there is a subsidiary under which some resorts are there, and that income doesn't get reflected in standalone. When I add that it comes to INR96 crores, it's not INR88 crores, number one. Number two, the loss of revenue happened as a result of room nights, which could not be used during heavy rains in July, August, September in Himachal.

You know there were landslides. It's all there on the media and people barely came to the resorts. And then they took a long time to come back by -- even until November and they were not coming. And last but not the least, Sikkim became a problem because we have now significant presence in Sikkim in October early. So there are problems caused by natural factors, seasonal factors, which obviously, will affect the occupied room nights, and as a result of which the number is likely to be up or down, but there is no trend of people spending less.

In fact, if I were to compare the trend is that people are spending more, but because of these disturbances that we had, therefore, there's a bit of an impact. But as I said, our number is not INR88 crores, it is INR96 crores.

Himanshu Shah: But sir, I'm comparing stand-alone numbers only, last year versus this year, and that would have been the case even in the numbers of last year also, right? Those numbers would have also not been part of subsidiaries?

Kavinder Singh: Yes, yes, they would not have been. But you're right, but we had also, when we add new resorts, what happens is, Himanshu, the new resorts do take some time to get occupied. So if you notice, as I said that I'm not very happy with our occupancy at 84% for this quarter. I expected better. But we lost out largely due to the Himachal, Uttarakhand and Sikkim. That's the real answer.

Himanshu Shah: And all the best for your future endeavour.

Kavinder Singh: Thank you.

Moderator: Our next question is from the line of Ayush Chaturvedi from Axis Capital.

Ayush Chaturvedi: So firstly, on the overall numbers, actually, the numbers seem to be good, but the margin has contracted by around 200 to 300 basis points. Any reason -- any specific reason that could have caused this?

Kavinder Singh: On the margin, Ram Mundra, our Interim CFO, would be speaking.

Ram Mundra: Yes. I think you are looking at the margins of standalone. Am I right?

Ayush Chaturvedi: Yes.

Ram Mundra: So if you see in last year, quarter 3 last year, we had a one-off income, which was INR27 crores. And if you see Slide 15 of the Investor Presentation, we exclude our one-off income and

expenses, and we compare with the normal operating performance. There, if you see, our margin has actually increased from 29.3% to 30.5%. So my request to you is to exclude those income and compare the margin basis the total income, excluding one-off and the EBITDA numbers. This is that.

Ayush Chaturvedi:

Sure. That's very helpful. Secondly, I mean, since the company is going through a major transition, and we are looking to double the room inventory. So like this could change -- this could slow down or have an impact on execution? So any color on that would be highly appreciated.

Kavinder Singh:

Yes. I don't think there is any risk of that because the way we work is in a way not dependent on one person. So we have a very strong operating team on the ground where a lot of work has already happened with regard to the inventory acceleration. And what happens is that in a transition like this, the new person, which is Manoj Bhat, who comes in from the group, understands the DNA of the group, and he is obviously, rightfully so, would be driving the same agenda, which is well laid out by the Board and the operating team remains the same.

So therefore, it's a question of just ensuring that the way things are, they continue because there is no change in strategy, just because there is a change in person, there's no change in strategy. And we have enough depth of talent, which will keep the momentum going is what I would like to say.

Moderator:

Our next question is from the line of Simar from Negen Capital.

Simar:

I just have a couple of questions. One being your recent member acquisition, which is through the reference digital routes, which has currently stand around 57%. I can see this is one of the highest ever member acquisition that you have posted. So what is -- can you just provide me the insights into the key factors that has positively impacted the growth for this period?

Kavinder Singh:

Okay. So as we have mentioned earlier that there is a huge opportunity of the number of households with discretionary income. If you really look at -- for us, sky is the limit. You think about the number of people today who can afford our product. We have identified 16 million to about 18 million households that will be in a position to by our product.

Now where are we today, only 290,000 or whatever, 300,000 roughly. So the potential is huge. What we are beginning to do is we are doing a lot of digital focus in our actions. We are also focusing a lot on improving member experience, which we have done significantly, as a result of which our referrals are very high.

So the digital piece, the referral piece is firing as we have mentioned, 57% of the acquisition happened through that. And we also -- you know, October, November, December, we were also on the TV and the media during the World Cup, ICC World Cup, and we had a very good commercial that also delivered a lot of content being created for people to know what we are and what we do. And we are also driving lots of focus on Tier 2, Tier 3 town expansion.

There's a lot of sales force effectiveness measures we are taking. We are using the power of data to understand propensity to buy for the leads that we get. So there's a lot happening on all these

fronts, which is helping us to take advantage of the tailwinds that are there in terms of higher discretionary spending propensity that we have today for our targeted profile customer.

Simar:

All right. All right. I have -- the other question that I have is the short-term and medium tenure products that you have. I mean the trend has -- as you might have already seen, that's been increasing throughout your journey. So where do you see the trajectory heading to in the future? Can you give a slight number on it? I'm sorry.

Kavinder Singh:

On the -- if you were to look at the short term -- the longer tenure products, it's a conscious call to have portfolio of products. We are very happy that our portfolio is extremely strong now. And in a way, we are very safe from the question that we used to be asked, you have only one 25-year product, what if people start buying, the commitment phobia, all that questions have been asked.

And today, we have derisked ourselves significantly by having a 15-year product, by having a 10-year Bliss product, by having a 3-year goZest product, by having a 4-year product. Now people have a choice. Now the beauty is that once they come in, they experience and they upgrade. Therefore, upgrades are not just about creating more traffic.

The upgrades are also about people wanting to enjoy more -- and that is the other thing that we are watching, how our referrals are growing, how our upgrades are growing. And basically, how are we mining the existing members that we have. But we have opened gates for people to come through multiple gates into Club Mahindra. Earlier, there was only 1 gate, which was 25-year gate.

So to us, it's a portfolio strategy. And it's a mix, which is a very healthy mix, as you can see. And with the upgrades, and please remember, upgrades are also a part of this mix because initially, you take membership fee and thereafter, when you upgrade, that's also an income. And more importantly, that adds to your overall revenue.

So for us, we treat them as -- in our minds, it's one stream of revenue and the customer lifetime value. So that is how we are seeing it. And to us, a member also gives us referrals. So when people give referrals, that also helps us to grow our business. So there are huge values to open multiple gates for people to come in through them, bring more members from their own, let's say, friend circle, relative circle and/or equally upgrade themselves to a longer tenure.

So that's how we see this business. It's a business where you are getting foot in the door and then trying to get people to constantly look at upgrading. And that's very, very helpful and very, very valuable in our business.

Simar:

A small follow-up. In terms of your F&B and your entertainment contributions, where do you expect that to -- I mean, how much do you expect that to grow?

Kavinder Singh:

So if you look at our resort revenue, primarily, it is F&B, a little bit on the holiday activities and a little bit on the sales that we do to non-members because when there is a booking -- when there's a possibility to fill up the inventory, if it is not filled up through the members, we do that. So if you look at the revenue split, it comes from these 3 sources.

So for us, where is the uptick going to be. So the uptick will be definitely F&B because F&B is an area where we are putting in the maximum amount of attention apart from, of course, holiday activities. But I would say, F&B is a very high-attentive area. It's a high-margin area also. So we are putting in all our bets on driving F&B spend, keeping member inside the resort through multiple activities and helping people enjoy.

And once they enjoy, they stay in the resort, they bring friends, they refer their friends and they also upgrade. So there are multiple things happen when people stay in the resort and when people come in and want to sort of enjoy the various facilities. And that is what will lead to the ticker, if I may say, in the F&B revenue and that you will see in the total resort revenue.

Moderator: Our next question is from the line of Vinod Dadlani from CA & Company.

Vinod Dadlani: Mr. Singh, I think you make a fantastic presentation, okay? And I think you somehow round up all the things in a way that you think that you have been a great performer. And I think -- I don't know whether you remember, I was at the last AGM. I'm a member, I'm a shareholder. And I'm ashamed to say that a company like yours is in the Mahindra Group.

I think it's one of the worst companies I have ever seen. I think the members are not satisfied. Your customers are not satisfied. Most of the time, you gave away your rooms to companies and corporates and marriages without bothering for the members. Are you aware of that or you shut your eyes conveniently?

Kavinder Singh: Vinod ji, may I request you to be a little courteous in the way you are addressing me? And be very specific on the question that you have. I can only answer specific questions, not general accusations.

Moderator: Ladies and gentlemen, we move on to our next question which is from the line of Naman Gala from Ventura Securities.

Naman Gala: Can you provide me some further details on the PPP model that you're working at with government of Uttarakhand and share how it is proceeding ahead?

Kavinder Singh: Yes. So we signed with Uttarakhand a MOU few months ago, say, September, if I remember correctly. And from then on until now, we are working very closely with Uttarakhand government on 4 parcels of land that we have identified in various locations and our aim is to work with the Uttarakhand government, create a comprehensive plan, which will enable them to do the agreement with us to be able to break the ground in these locations to build the new resorts. That is where we stand right now.

Naman Gala: Okay, sir. And what are your further plans like -- could you share some highlights how are the new government policies to increase the local tourism like Lakshadweep and Ayodhya? Are there plans to venture out into those areas or cities basically?

Kavinder Singh: So we have a defined destination strategies, which is very, very well thought out about where we want to be. And we do look at emerging destinations, and I would treat Lakshadweep definitely an emerging destination and -- we have a deep interest in some of these destinations,

including Ayodhya, Kevadia, the Statue of Unity. These are all destinations that are emerging. So -- we -- when we look at and continuously scan destinations, these destinations are on our radar. And our choice would be, if we are able to work with the local government and get hold of the land or work with a local entrepreneur who will be willing to build the resort for us, so we are scouting at these locations and more.

Moderator: Our next question comes from the line of Ankit Kanodia from Smart Sync Service.

Ankit Kanodia: Sir, my next question is related to HCR. So again, it has been a long time since 2016. And we understand regarding COVID and now a little bit related to the geopolitical scenario, but 2016 to 2024, it's about 8 years. So from a -- I'm not asking for any mitigating point of view or any kind of quarterly numbers. But as a whole, how do you look at this acquisition? And how do you look at it from here going forward? If you can give some color, that would be great, sir.

Kavinder Singh: It's a very pertinent question, and I would answer it to the best of my ability. And of course, when I answer, I must tell you that we are looking at Holiday Club very, very carefully because, as you rightly said, that we picked up this asset and we had a certain vision of it. Unfortunately, 2 years of COVID and now the third year of the Russia-Ukraine war has created conditions which are obviously not optimal.

For example, if you see today, the inflation in these countries has gone up to 5%, 6%. Now it's coming down to 3.5%, 4%; never expected, number one. Number two, the consumer spending power has been eroded because of the energy prices because they are all not getting the Russian energy that they used to get.

Third, specifically in Finland, there are resorts which were benefiting from Russian tourists because Russia -- the European part of Russia was very well integrated with Scandinavia, and that's something that we have sort of had to take a beating. Now these are very series of unfortunate, I would say, events, which you cannot plan when you look at a business.

And the business came in at a very attractive price. And we still believe that the macroeconomic situation cannot remain for long at this level. It has to change, both the geopolitical and macroeconomic that's connected in this case. That's something that will happen. But meanwhile, what we have done?

What we have done is we have sharpened our focus on cost because that's a great opportunity to restructure operations, relook at the business model, see how we can become more efficient. There's a lot of work that has happened because -- and had that not happened, we would have been obviously in a much more difficult situation. We are today, I would say, not in a difficult situation.

If I look at it, even last year, we delivered 5 million-odd EBITDA. Fourth quarter, as I said, always is very good. Even right now, it's looking good because huge bookings from the British, German, Dutch, etc, for the Lapland area, skiing season. So we are seeing, again, good momentum, quarter 4 is going to be a good quarter in Holiday Club. Yes, parallelly, this question as to how do we get more out of Holiday Club is there on our mind and it is a function a little bit about macroeconomic or geopolitical situation improving.

Parallely, however, we are making steps that we are cutting the flab in terms of costs and we are ready when the bounce back happens. So we are right now far more tighter, far more efficient business than what we were when we came in. So we have -- and the other thing is we have drastically reduced the debt that we had on the books of Holiday Club Resorts. So that's another big achievement.

You can see that on our website. I don't want to give you the numbers. They're there. So there is a significant operational improvement happening, not reflecting yet from an investor standpoint. So this is, I would say -- and by the way, even timeshare sales despite all this is still good because people can't afford a second home, so they buy timeshare. So all that is absolutely wonderful.

We have a very smart team there, very efficient team. So I think everything is right for a minor, let's say, improvement in the geopolitical situation, a little bit in the macroeconomic, which will happen, cannot remain so long like that. And then you should see a big move upside in the Holiday Club also.

Moderator:

Ladies and gentlemen, in the interest of time, that was the last question. I now hand the conference back to Mr. Kavinder Singh for his closing comments.

Kavinder Singh:

As I've always mentioned, that we appreciate your interest in our company. We appreciate the insightful questions. We are always available to answer questions on any subject. Just that in the investor call, we remain very focused on the business and the numbers. And therefore, we have, as you know, we have avoided questions related to a particular member of particular concern that someone may have.

We are all consumers of services. We understand that we may have one-odd issue in our dealings with a particular company. My request is that we remain very focused on the investment philosophy, investment thesis, how does the company look to grow the business. And I can confirm to you our Net Promoter Scores, our overall business is in a very, very good shape.

Our numbers are looking very good, whether it is member additions, whether it is inventory additions, whether it is cash, whether it is profit growth, whether it is deferred revenue, which we don't talk much about, because there's a lot of revenue going for the future, which will keep coming in and our properties the way they are doing in terms of the experience that we provide. So overall, in a very, very good and healthy position. And look forward to remaining in touch with you in the next quarter as well. Thank you.

Moderator:

Thank you. The conference of Mahindra Holidays & Resorts India Limited has now concluded. Thank you for your participation. You may now disconnect your lines.