July 31, 2024

MHRIL/SE/24-25/49

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, Fort,
Mumbai - 400 001.
Scrip Code: 533088

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call for the first quarter ended June 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/24-25/39 dated July 17, 2024

This is in furtherance to our letter no. MHRIL/SE/24-25/39 dated July 17, 2024, wherein advance intimation of the Earnings Conference Call scheduled to be held on Friday, July 26, 2024 with Several Funds/ Investors/ Analysts on the financial and operational performance of the Company for the first quarter ended June 30, 2024 was submitted to the Stock Exchanges.

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

Kindly take the same on record.

Thanking you,

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

DHANRAJ
NARSAPPA
MULKI

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

Encl.: a/a

"Mahindra Holidays & Resorts India Limited Q1 FY25 Earnings Conference Call"

July 26, 2024

MANAGEMENT: MR. MANOJ BHAT – MD AND CEO, MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED
MR. VIMAL AGARWAL - CFO, MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Mahindra Holidays & Resorts India Limited Q1 FY25 Earning Conference Call.

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

I now hand the conference over to Mr. Manoj Bhat - MD and CEO. Thank you and over to you, sir.

Manoj Bhat: Thank you. Good evening, everyone and a very warm welcome to our Q1 Call. I think as we go into the call today, I have Mr. Vimal Agarwal – our CFO and other members of our Management Team are available for any questions if needed. Obviously, you can find our Quarterly Results and investor presentation on our website and also on the stock exchanges. I am assuming some of you have gone through it. I am going to touch upon a few highlights and then Vimal is going to talk briefly about the numbers and then we will throw it open for questions.

Firstly, I think a little bit about the environment, the industry environment continues to remain healthy. I think although it is down from the peak, I think the last 2 or 3 months I think we have seen some weakness coming through in the industry, but, however, ADRs are still growing, I think over a year-on-year period it is about +3% at an industry level with 6900 per room ADR and occupancy is stabilized at around 60% in May 24. If I look at the other proxy which is passenger traffic in the domestic market, I think grew by 6% Y-o-Y in June and it has finally surpassed the pre-pandemic levels by 10.4%. So I think the overall environment continues to remain positive.

Coming to our performance:

Our performance has been robust. I think our profits grew by 19% to Rs. 45 crores and margins expanded by 110 bps in our standalone numbers. This is obviously a reflection of the various measures we have been taking from a historical addition perspective as well as the various initiatives we have taken. If I look at the other metric around member additions, I think we continue to add members. I think we added about 3,692 members and crossed the milestone of 3 lakh membership count in the quarter.

The highlight is really that there was a big focus on higher realization and so our average AUR, our average unit realization is up by 31% Y-o-Y to 4.9 lakhs. I think the other thing is that this 3,692 is a decline from the previous additions in the same quarter previous year and I think the reason is that we are focused on higher AUR. I think that meant some product variant rationalization, some optimization of offers and I think some of the enhancements we have done in terms of our lead management processes, I think this journey has just started and I think this focus will continue as we go forward because I think ultimately we are trying to find the right product mix which has a balance of tenure and a balance of down payment and a balance of the right product mix for the right customer segments. I think from our perspective the focus is to deliver superior service across touch points and this in a way is leading to this consistent growth in membership upgrades also because we are seeing upgrades also go up at a reasonable pace.

Coming to resorts and inventory:

I think our resort occupancy was stable at 90%. Mind you, this is on a higher inventory base compared to what it was last year we added about net 387 keys. So including that I think we have been able to maintain occupancy, which kind of talks to the demand pattern and the kind of customer response we are seeing as we continue to add inventory. The goal of reaching 10K rooms by FY30 I think that is what we had articulated. From our perspective, we are well on track while some of you might look at the Q1 number as a negative number, but that is a slippage of the quarter. I think on a full year basis, we are on track and overall on a 5 year basis, we are on track to hit the 10K number by FY30. The approach for this will be obviously consistent with what we have been doing right now, which is we will build quality Greenfield resorts in certain locations and also have a combination of capital light strategies in other locations where we partner with other people who would be investing while we would be taking on the responsibility of operating and managing customer service in those locations. So that is really the strategy going forward also and I am happy to say that I think we are continuing to see a lot of interest from inward funnel in terms of asking us to partner with them as well as in terms of potential areas where we could get Greenfield development.

From the main routes which we have spoken about in the past is of course existing land banks and new land parcels where we will build Greenfield, expansion of our existing resorts, acquisition of resorts and then of course built to suit and leases. I think these are the five main ways we are doing this. I think one of the questions I get often is about how do we fund this? Currently we have a cash balance of about Rs. 1,437 crores and we continue to generate cash consistently year-on-year. So initially, of course, the first order of business would be to use this internal capital, to fund the CAPEX needs as we go towards the 10,000 room target and that is something which eventually, then finally, if we do reach a situation where that is not sufficient, maybe we would look at debt as an option. In the current quarter, again, we commenced a new expansion project of 54 keys in Treehouse, Jaipur. As you know, it is an existing resort, so it is something we are adding given the customer demand there. Our three ongoing projects in terms of Greenfield and expansion, they are Ganpatipule in Maharashtra and Theog in HP. I think that is going on track as well as the expansion in Kandaghat and so to me I think the good progress on all of that.

The last bit I want to highlight is we are working with various governments to partner with them in terms of developing PPP opportunities. As you know, it is a core area for overall the Indian economy. It has been highlighted by various leaders of various states as well as from the center in terms of how this could be a real growth area for India in the future and as we want to be part of it through these PPP initiatives. ESG, I think our big focus on ESG continues and our target of carbon neutrality by 2040 through EP100, RE100 and science based targets is something we are journeying towards on a continuous basis.

In a quick update, we had six new resorts became net zero waste to landfill in Q1. We had about 10 new Green Resorts, which are platinum certified, which happened in Q1. We have increased our solar capacity. Now it is 28% of our total energy demand. This of course makes sense from a sustainability perspective, but also is a huge driver for cost efficiency as we come more and more online of this. And two of our resorts are net water positive and in fact one of our resorts is India's first net zero certified in all three categories, net zero waste, energy and water.

Quickly commenting on our **European subsidiary HCR:**

As you know, last year HCR had gone through a series of setbacks in terms of its performance. I am happy to say that the situation is stabilizing. In fact, revenue from Timeshare grew 34% year-on-year. However, I think overall, given this finish economy constraints as well as the impact of the Russia war, we saw some reductions in resort spending. I think the focus is to improve operating metrics there and that is something which we will continue to do in the future. The other comment I want to highlight is of course Q1 is the one of the weakest quarters for HCRO and I think Q2 becomes a much stronger quarter. So I think going into next quarter, we will understand more about that business and I am very confident that on a full year basis, we will see a better year for HCRO.

To conclude:

I think the opportunity still exists. There is a huge growth in the economy. There is a change in customer behavior. There is a huge propensity to spend on travel. There is backing from the government. The government in the recent budget also undertook pledge to enhance comprehensive development of cultural landmarks as well as trying to establish India as a global tourist destination. Connectivity is improving and I think all of us are reading about it every day, I think and that is really helping some of these trends evolve much faster. And lastly, supply, I think while there is a lot of demand in certain segments including the segment we operate in which is resorts. I think there is not enough supply and that situation is not going to correct itself soon. So I think there is a huge potential to serve this underserved market and that is where I think from our overall perspective, I believe we are well positioned and to take advantage of the full potential.

With this, I will hand it over to Vimal Agarwal - our CFO to quickly take you through some key financial numbers and then we will throw it open for questions. Thank you.

Vimal Agarwal: Thank you, Manoj. I will first cover the Standalone Financial Highlights and then follow that up with consolidated financial highlights.

So far as standalone is concerned, our total income was at Rs. 384 crores, which is up 8% year-on-year basis, whereas resort income was Rs. 94 crores for Mahindra Holidays. EBITDA was at Rs. 113 crores, which is up 17% year-on-year and our EBITDA margin also expanded by 220 bps to 29.5%. Profit after tax was at Rs. 45 crores, which is up 19% and our margin was at 11.8% which is again 110 bps up year-on-year. Deferred revenue after adding about Rs. 60 crores is at Rs. 5,655 crores. Our cash position also improved to Rs. 1,437 crore and as of now we are generating a yield of about 7.73% per annum.

Moving on to Consolidated Financial Highlights:

Our total income was at Rs. 686 crores which is up 5% year-on-year basis. EBITDA is Rs. 139 crores, up 14% and EBITDA margin is 20.2% up 160 basis points year-on-year. Overall PAT, which was at consolidated level post absorbing for depreciation, amortization and interest was at about Rs. 1 crore and this year quarter 1, we are at Rs. 6 crores. These are the key financial metrics

I will request if you can open the floor for questions from the investors. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead, sir.

Pankaj Kumar: Sir, my first question is pertaining to the membership additions in this quarter that we have seen decline around 21% Y-o-Y basis. As you stated that the focus is clearly on the high AUR. So is this the strategy that we are going to follow going ahead and in that scenario, how do you see the total membership addition for the year?

Manoj Bhat: I think the way I would think of it is as we looked at reshaping this, I think clearly one of the first things we looked at is some of the plans which have been really contributing to the lower AURs. Combined it with as I said, some of the metrics around down payment and also combined it with I think some of the offers we were offering with some of these plans and I think we actually pruned out quite a few of these offers during the course of the quarter. I think that obviously is a change which in some cases obviously brought the impact down, impact on member addition. So the way we are seeing is I think I would see Q2 as a quarter where this kind of stabilizes while we keep the focus on higher AUR because ultimately I think the way I would look at it is there is member addition, there is a quality of revenue metric around AUR and then there is a total sales number. So if I look at the first one, which is member addition, you are right, it was down about 21%. If I look at the other one, it is about 31% up. If you look at the third one, it is about 4% up which is the total sales. So I think we will have to balance between the two. My own sense is that I think we still don't have a full picture of the year, but I think we would try and see how do we get close to the member addition number which we saw in last year and then build from there. At this point, I don't have a number for you from a full year perspective.

Pankaj Kumar: Sir, my second question pertains to the room inventory additions plan. Of course we have laid out the long term goal of 10,000 inventory, so if you can give us some sense like how it is going to ramp up over say next 5-6 years, so we will see more of a front loaded or back loaded, if you can give us some sense because that will give us some sense on the membership additions as well for this year as well as for next 2 years, like how do you see this room addition going forward?

Manoj Bhat: So very simplistically, I think if you look at 5,000 for 5 years, that is 1,000 per year, I think the initial 2 years, obviously I think it will be lower and it will catch up in the next 3 years. That is the current way we are envisioning it. So from a perspective of current year, I think as I mentioned, while the Q1 number and this is obviously not to be measured quarterly, I think it is a longer period of time because as you know, projects are projects and a month here, a month there is always possible, but as I look at the full year, I do believe that we will definitely exceed last year's addition on a net basis. And when I say net, what it means is one of the things we are doing also as part of this exercise is looking at our room inventory and looking at member feedback on the rooms and using this opportunity to also prune certain rooms or terminate certain arrangements which we have with our partners. So I think all the numbers I am talking is net. So I think we will do better than last year and I think as I mentioned, my own sense is that we will look at a much higher number compared to last year in terms of the net number.

Pankaj Kumar: And sir, my third and last question is on the growth strategy that you said it will be through Greenfield, Brownfield as well as the inorganic. So in the current scenario when there is a supply constraint, how do you see the options available from the inorganic growth perspective? Are we getting opportunities in that side and any near term opportunities in that?

Manoj Bhat: So inorganic in the current environment, you are right. I think it is probably not a very realistic option. However, I think it is an option which we keep open because see from our perspective as we look at inorganic, what we would bring to the table is an ability to leverage our 300,000 member base and that is the synergy which we can uniquely bring to many of the prospects we would be evaluating. Right now there are none, I want to clarify. Secondly, I think from a perspective of a broader picture, I think these are opportunities which obviously evolve during special circumstances which I think as you correctly said, maybe it is not the right time frame, so that something will be open to, but as of now, as I said, it was for completeness that I mentioned it, but there is nothing active at this point.

Moderator: Thank you. Our next question is from the line of Hrishikesh Bhagat from Kotak Mutual Funds. Please go ahead, sir.

Hrishikesh Bhagat: Just two questions. First, if you can help me understand this drop in quarterly run rate of member addition, in last 4-5 quarters, it has been steadily upward of 4,000 plus every quarter, this quarter it has been lower than 4,000. So is there some change in strategy in terms of member acquisition?

Manoj Bhat: Hrishikesh, I just answered that question in great detail. So I will just give you key highlights. What we said is we did three things, we looked at our current product offerings and looked at in terms of if we had to improve on average AUR, which products are the ones we should look at in terms of focus and defocus. Second, we said that I think we overlaid something on down payments and what has been the history around that and where can we look at that. And the third thing we did was I think there were certain offers in the past which were throwing in certain incentives which we looked at again when we were looking at the strategy and hence, I think what I mentioned was that obviously has had some impact because it is the first quarter of change. I also said that it will stabilize in quarter 2 and we will have to measure it from then on, because these are changes which take some time to percolate.

Hrishikesh Bhagat: And the second question is, when I look at your resort income, apparently I think last few quarters it has been growing at a fairly healthy run rate and this quarter, obviously on absolute basis it is reasonably strong, but clearly the growth here seems to have lowered at 2% only. So just want your sense in the sense is there that ability to probably optimize that has been hit a limit or in terms of resort income or do you think we still have levers on increasing that?

Manoj Bhat: So two parts, right. So one is you are right. If I look at the standalone numbers, it is about 2%, but I think if I look at including some of the Indian subsidiaries because some of the new rooms have been added in subsidiaries. So then it is 4.5%. Are we happy with 4.5%? No, I think there is a lot to do. I think the way to look at it is that this number should be in my mind at least the base inflation plus volume growth. So I think we are well short of our own expectations on this. As we look at this, I think what are the drivers here, right, so the drivers here are of course, what sort of experiences we can create which is differentiated in F&B, what are the other things in terms of offerings, whether it is the SPA, whether it is things like what we do in happy home and also look at various activities in the resorts. So we already have a program in place where we are looking at how do we enhance this further, but the right number in my mind to look at is 4.5%, not 2% or whatever is the reported number.

Hrishikesh Bhagat: But just you feel that there are still levers to increase it or do you think that probably somewhere potential there would be resistance from the members in terms of not actual resistance, but just that do you think that purchasing power could get hit limit right?

Manoj Bhat: No, I think the way to look at it is, let me expand a bit on that Hrishikesh and I will take it with an example. In one of our resorts in Varca, we have opened a new restaurant called Flavour Boat, right. Now, Flavour Boat is a restaurant which opens I think about 10:30-11, just after breakfast and it is not offering full meals, it is offering small bites because that is where the market is moving towards. So what was happening is the way to think of it is not about increasing the prices or anything from the same number. It is that capturing those members who are not participating in this case F&B and how do you do that? You offer them options because they are definitely going to spend, now whether they spend in resort or outside and then how do you make sure that they spend in resort. And then you follow the pattern of what kind of food offering we don't have. And then can we offer that in a manner which from a timing perspective, from a meal size perspective because all of these are preferences which are very varied in our resorts because in our resorts we have people who take the entire three meal package, we have people who just prefer small meals. So I think that is the way to think of it that we will have to create these various things, so that was a pilot we had done in Varca. And if that is successful, I think we will try and replicate it across. The other thing is of course things like chaat corners, etc. So I am just giving you an example and the thought process. It is not about really increasing the price and all of that right.

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

Nemish Shah: Just again coming back to the member addition question, so I understand the product rationalization that you are doing might hamper the member addition in the near term for say next 2-3 quarters, but want to understand just on a medium to long term perspective, do we stick to the member addition target which will be in sync with our inventory addition maintaining the member to room ratio or now on we will just focusing more on the AUR? So if you could just highlight your medium to long term target over there?

Manoj Bhat: So Nemish, I think we will come back with a view on, because I think there is a lot of work going on in terms of the model, I think it is a great model which has brought us to this position of strength. But as we look at the changing environment, I think what do we need to change in terms of the model, so as I said, inventory is the key, so that is something we are continuing to focus on. In my mind, I think the question is how do we bring down the 56 members per room because I think we need to bring that down, bring the kind of occupancy down to a level which is more manageable and so that there is more availability for members. The last question you are asking is the focus on quality going to continue, of course, I think to me that is of prime importance. I think who we are targeting, what products and what does that mean because I think in a lot of ways I think one of the things we are trying to do is, are we targeting the right customer with the right product? Are we under selling to certain customers and how do we bring that intelligence? How do we manage that lead? How do we curate leads? How do we gain really insight into what the customer wants? I think that is the journey which will take 2-3 quarters. So to me I don't know whether that answers your question, but that is the quick thought and we will expand a lot more as we have gone through the journey over the next 3-4 months.

Nemish Shah: So just on the occupancy, so according to you, what would be the right occupancy which is manageable? Some sense on that?

Manoj Bhat: At this point, as I said, we are still working through it, but see if you look at our average occupancies about 85% and with that, I think we are up there. So my sense is will it be below that 85% mark now, how much it will be, we will have to see. But that is a directional statement. As I said, I think we are working through what are the models which will get us there. So from my perspective, the important thing here is quality in terms of what we bring to the table, in terms of our customer base and then to that customer base, how do we deliver superior customer service from all perspectives, from a booking perspective, from an in resort experience and a post resort engagement, I think all three buckets.

Nemish Shah: And just lastly, again on the AUR front, so should we now kind of assume that going forward the AUR will range around this 4.9 number, maybe plus minus, but largely around this number?

Manoj Bhat: Nemish, it has been only two months for me in the job. Give me some more time and I will answer that question.

Moderator: Thank you. Our next question is from the line of Sagar Tanna from Alchemie Ventures. Please go ahead, sir.

Sagar Tanna: I know you have recently taken over and as you rightly mentioned, it has just been 2 months, but any early thoughts in terms of strategy or anything that you would like to change going forward both on the qualitative front and on the quantitative front?

Manoj Bhat: So Sagar, I think as I mentioned to Nemish earlier, I think we will come back with the clarity on this, maybe 3-4 months. That is what I am requesting. But let me give you some early thoughts on at least my views, right. So one is first, if I bucket the strengths right, I think from a family holiday experience, I think there is no beating us. From an in resort experience there is no beating us and I think that is something which comes out in every survey we do, right. So that is one. Secondly, from a direction perspective and all of you are aware, I think one of the things which has been pointed out is how do we make the booking process fairly easy and that is something we are focusing on. So to me, inventory addition remains unchanged. So that is the third element and then the fourth and fifth element is really, I think they started the journey in terms of how do we look at from a sales process, how do we look at potential customers and then how do we make sure that we are selling the right requirement for their needs and then use that to then actually provide better service through their journey. And I am being very generic here because as I said, I think more specifics will come later. So to me, the journey around inventory addition continues, the journey around superior customer service at the resort continues and we look at other elements of the model and come back.

Sagar Tanna: Second question, sir is on our European business. It is very niche in geography and would you think it is appropriate considering the boom in domestic tourism, would you want to allocate capital and management resources in continuing that or would you want to rethink with an open mind?

Manoj Bhat: So on Holiday Club, I think first of all, my own sense is that as I mentioned in the opening speech that to a large extent I think the business is stabilizing because it was going through a series of shock. It was running as historically at 12 Million EURO EBITDA and then because of COVID, because of some Russia-Ukraine war, revenues were 160 million at that point and of course it is down to 140 odd million now. So I think there are multiple things going on there, but from my perspective, early days for me to take a call, as with all things I come with most things with an open mind, so I am not close to any possibilities, but too early to decide. So the way I look at it is from my perspective the management team there is very focused on operating metrics, very focused on the need to think of alternatives to the revenue loss because of the Russia-Ukraine war and I think we are looking at potentially if I mentioned that in Q1 we saw 34% growth in Timeshare sales. So definitely some parts of the business are showing some green shoots, but as I said, I think I would take 2 or 3 quarters more to come back with a detailed plan on HCRO.

Moderator: Thank you. Our next question is from the line of Senthil from iThought PMS. Please go ahead.

Senthil: Sir, just one question. So similar to --- where we had clear key metrics like revenue growth and RoE of more than 18%, so are we planning to have a same kind of revenue metrics in Mahindra Holidays too and if you can share it will be great?

Manoj Bhat: Senthil, we hope to get to a clear set of strategic initiatives and metrics as we go through the rethink process. And as I said, that will be probably around 4 months away is my feel and that is when we will come back with it. Right now, I think it is about sharpening the focus on a few things. One of the first things we have started off with is looking at some of the product mix from a current product mix. I think we will look at other things, but from a direction perspective, I think give us 4 months and I know exactly what you are talking about from a M&M perspective, how we did it, so I think we are going to approach it very methodically here also.

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

Himanshu Shah: Couple of questions, sir. One is if the retirals of member has been on a higher side last financial year and one in this particular quarter, so will this be new normal around 1,000 members? Last year was also around 4,000 member retirals, this quarter was around 1,000 members. Can you provide some color on this side?

Manoj Bhat: So, Himanshu, I think from our perspective the retirals number will go up this year. It is not, 1000 is not the right run rate if I look at this year. So from my perspective, I think the way to look at it is that there are members retiring, but there are options to sell back to them, but the baseline in my mind should be higher than the 1,000 per quarter. Probably I would, from a budgeting perspective, probably take closer to 1,200 to 1,300 as a quarterly average.

Himanshu Shah: So this are shorter tenure members which we sold couple of years back which are getting retired?

Manoj Bhat: Yes, that will be also there. So that will also come in. So which is where it goes back to some of the comments I made that we are looking at all the products and looking at because many of these are ending the tenure and we are looking at behavior of customers during the tenure and then looking at what products tweaks to make, which is part of that journey, right, but this does include that also.

Himanshu Shah: And maybe for coming couple of years, this trend will keep inching upwards or this will be only specific to this year or even for the forthcoming next couple of years similar will be the trend?

Manoj Bhat: Two to three years, it will stabilize, so it won't be increasing beyond that. And I am giving you indicative numbers. Obviously it could be plus minus here or there.

HImanshu Shah: Secondly, on the inventory addition target, which we are having by FY30, so is that the target for operational inventory or both it would include operational plus pipeline inventory?

Manoj Bhat: So pipeline inventory, when you say pipeline, it is not active or is it active.

Himanshu Shah: Basically, by pipeline I mean which is not operational, not available for member, it may be active, but not available for members?

Manoj Bhat: In my definition, there are two things. So let me at least clarify my definition, right. So if the resort is live that is operational, except for room set aside for maintenance, right, so in that definition, that is what I meant, so with the growth also, we will try and be at that 85% number.

Himanshu Shah: Sorry, 85%?

Manoj Bhat: 85% number occupancy with the enhanced inventory that is our goal.

Himanshu Shah: But the enhanced inventory target is of operational or live inventory or including the one where the project has got commenced, but the resort has not gone live?

Manoj Bhat: No, we can't use the inventory if the resort is not live, so I am not understanding the question, Himanshu.

Vimal Agarwal: You are fundamentally referring to the operational inventory only and we are not referring to inventory, which is not live, not operational, not released to the members.

Himanshu Shah: So by FY30, the target for 10,000 inventories for operational inventory?

Manoj Bhat: Yes, absolutely. If that was a question 10,000 rooms live and available to members.

Himanshu Shah: And lastly, sir, we are looking at accelerated room additions, simultaneously we are looking to bring down the member to room ratio, which would mean the incremental member to room ratio on the incremental rooms would be on the lower side and which would indirectly imply lower revenue growth and simultaneously higher costs. So how do we plan to manage or balance this out from a growth trajectory perspective?

Manoj Bhat: So I think 2 or 3 things. So from my perspective, if you look at it, I think there are two parts to this equation. I think one is the revenue side, as you correctly pointed out and second is the profit side. I think on the revenue side, as I mentioned, I think I do feel that from a share of wallet capture, we are not capturing enough in terms of the thing. The second is and I did clarify that our intent would be to bring down the member room ratio from 56. I didn't say what is the target with that is the one we are doing work in progress in terms of what should it be. The idea being we will improve probably availability of rooms and then probably then we create a product which then is from a perspective of sales cost and offers, we will start getting some benefits there. So I think that is the thought process, but you are right, if you just do incremental and incremental, the new additions might come at below 52 members room.

Himanshu Shah: And last thing, some guidance possible on the gross membership sales value for the financial year?

Manoj Bhat: I don't think we have ever split that and because that is not the right metric, right, Himanshu. See ultimately, I am only being going to service people who are active with me. So measuring a number which is gross is probably not the right thing to do.

Himanshu Shah: I was meaning the sales value target number or some color possible on that side including upgrades?

Vimal Agarwal: Himanshu, from our perspective and if you look at say long-term financial perspective, what matters really is the net sales because that really flows through all financials including cash and therefore gross number is something which we don't want to really track or discuss. They do as you know any other business or industry. There are follow-ups which happen, here also it happens, but doesn’t really matter. The lead indicator for us is the net sales which we are recording and reporting.

Moderator: Thank you. Our next question is from the line of Ankit from Smart Sync Services. Please go ahead, sir.

Ankit: Sir, I have been an investor in the company for last 10 years and I really appreciate the kind of business model we have specifically in our domestic VO business. I don't have any questions. I just have one concern which I think nobody has asked on the call, and I have been asking this repeated times to the previous management also, and since we have a new management now with new CMD and new CFO, this is my request. HCRO Investment we made in 2016 and if I am not wrong it was roughly around Rs. 600 crores and after 8 years we have hardly received any returns or the cash flows on that. And as we are on track of achieving a very sizable CAPEX in the long term, don't you think it is a good option to at least explore getting out of it and focusing only on the domestic business, which is doing fantastically well where we have very strong footing and we can probably step up the gas in the opening remarks, we said that initially we are looking for internal accrual and probably we will have to go for debt when we scale up our CAPEX. If we get this fund ready for our domestic business, probably we will not need debt because then our recurring cash flow generation in our domestic business will be good enough for our CAPEX going forward. Just one concern and one question from my side.

Manoj Bhat: Ankit, it is a very good question, number one. So I will separate the two, right in a way, they are connected, but they are not connected. So from my perspective, the domestic business obviously has a cash balance and has a strong kind of cash flow generation and that is something which we will expect to continue. Now coming to HCRO, I think if I look at the HCRO journey, you are right, we invested some money and I think I spent time on one of the answers in terms of the journey, but the reality is that, it is stabilizing, it is probably not going to need cash is what our view is. But if you go back to, the group has used this model, there is category A, B and C, right? So category A was like strategic, we want to keep it; category B there is a turnaround and we should think of it and then there is category C, which we definitely don't think we should be in. My sense is that HCRO today is in category B, where I think the series of COVID related issues as well as the Russia war I think it has all happened in the bunch of 2-3 years. So I think from a bottom of the cycle kind of place I think we should not probably jump quickly to conclusions. You might have obviously had a 10 year view and so you are better informed, but from my perspective, that is what I said in one of the previous answers, we will take 2-3 quarters. We are working very closely with the management team and then we will come back with answers on that, but completely take your point, understand your perspective.

Moderator: Thank you. Our next question is from the line of Vikas Kasturi from Focus Capital. Please go ahead.

Vikas Kasturi: Sir, I was probably one of the first to get into the queue, because as soon as you started your commentary, I pressed * and 1, but the moderator gave me the chance to speak towards the end of the call. So I had the same question as the previous participant, sir and so please excuse me for repeating it. I have been a shareholder too in the company for many years now. And probably for the first time we have a sort of a unique situation or unique opportunity where we have the new incoming Chairman, new incoming CEO and almost a new incoming CFO, right. So I hope there is going to be a fresh perspective into the HCRO Investment similar to what the previous participants spoke about, right sir. And if you just think about, even if you take the return on capital of the years prior to COVID, it was not as great as what your domestic India business is generating today. It is like you have a wonderful winning horse in India and sort of lean horse and you are like tying them both together and the outcome is not that great. So my request to you sir, and as a shareholder, it hurts me because the return on capital on the HCRO business is not great. So if you could please rethink that, relook at it that would be of great interest to me, sir. I just wanted to place before this, even though it is a sort of a repetition of the previous question. I just wanted to impress upon you, sir.

Manoj Bhat: So Vikas, I think first of all, apologies for that. We will get it checked why you couldn’t come in earlier and you couldn't get in first in the queue, but again very good inputs and I have nothing to add to my previous answer unfortunately, but clearly hear you clearly and thank you for your long term support on the stock.

Moderator: Thank you. Our next question is from the line of Hrishikesh Bhagat from Kotak Mutual Fund. Please go ahead.

Hrishikesh Bhagat: Is there any thought of at least repaying debt on the HCRO level because apparently the higher interest at Europe regions apparently has also hit the cash flow, profitability there. Obviously weak environment is there, but that is something, any thought on that front?

Manoj Bhat: So Hrishikesh, I think in line with what I have said to the previous one, I think previous questions on this. See, I ultimately the way I am thinking of it is that HCRO should make cash positive profits and try to repay the debt, number one, right. So that is at the HCRO level, right. Then we go to a level above in terms of debt we have taken for the acquisition. Obviously, there are strategies to think about and we are probably thinking of a structure where it optimizes interest cost overall for the company. That is something which we might go ahead and implement, but fundamentally the question is one of how does the business improve its performance and what are the revenue streams we have to add. So while we will do short term kind of things on optimization on the overall outflow in terms of the debt cost, I think the main focus is on trying to see how HCRO performs and that is really how we are thinking about it right now.

Moderator: Thank you. Our next question is from the line of Dhvaneet Savla, an Individual Investor. Please go ahead.

Dhvaneet Savla: I just had a question; I think so by now we will have a lot of our earlier 25 year memberships which will be closing. So do we track any metrics wherein that there have been renewals of this particular membership? And secondly, I just wanted to know that we are targeting a 10,000 room inventory. Is there a particular number in mind with vis-a-vis that when we achieve that 10,000 room inventory, how much would be the net member account which we are looking at? Currently I think so it is around 3 lakh? And just one last question, do we have any corporate partnerships or is there any B2B kind of arrangement wherein we probably provide corporate with some kind of, different kind of a membership for their employees or is there an avenue we are exploring?

Manoj Bhat: So let me pick the second question first. So clearly, we do have a corporate offering and it is called Corporate Fun Days where what it does is companies can buy a pool of days and offer it to their employees as benefits. That program, I think because of COVID and other reasons, I think it was on the backburner. I think that is what we are reviving right now in terms of and in fact, we have put an organization again in place to focus a lot on this. The second element of that program is how do we then address the needs of the employees of such corporates. And last is how do we plug into their own rewards and recognition programs and so on and so forth where I think clearly we have a lot to offer in terms of it could be just an example of best employee or best salesperson, those kind of awards. So I think we have a multilayered program which we are doing. As I said, it is probably during the COVID time, etc., it was not probably focused upon so much and as we have come out now fully, I think we are focusing back on it. Does that cover your question, Dhvaneet, should I move to the part one?

Dhvaneet Savla: Yes, it does cover, if you throw some light on where we are planning to at least revive that programs?

Manoj Bhat: On your first question, I think I mentioned it in one of the earlier answers. Retirals has not been a big element overall for us, and as it becomes bigger, I think we are putting a program to track and we are already currently tracking, but making a more focused program on tracking how we can retain. In my mind, so for example, if somebody has taken a membership 25 or 33 year also there, I think the question in our mind is, I think obviously that person might have passed the two life stages in terms of as we think of our member profile. So I think the question is whether we should tap the family then or sell it to the same person. Those are the some of the details. The short tenure is a very different thing. I think you asked about the long tenure, but on the short tenure, I think it is more of a conventional kind of viewpoint on what do we offer and that is where I said in one of my previous answers that we are looking at that program and saying what really happened because it is one of those programs which is the tenure has ended and we have the complete data and how do we position that program going forward.

Dhvaneet Savla: Just had a follow-up, just wanted to know that, I had asked another question with regards to where we are seeing our member number when we achieve a 10,000 room inventory. So do we have any objective on that because we have been saying since after achieving 5,000 room inventory, we have been looking at mission 10,000. So is there any number which goes along with that 10,000 number which we are looking at?

Manoj Bhat: So I don't think we have put out a number in the public domain, but in line with some of the previous answers, I think it will not exactly double, it will be lower than double and so that is the only thing I can tell you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question for the day. I now hand the conference to Mr. Manoj Bhat for closing comments.

Manoj Bhat: So thank you everyone for joining the call. And if there are any unanswered questions, I don't think there are, but if please do write to us and we will get it answered. And as usual, I think welcome the ideas, welcome the questions, welcome the feedback and look forward to interacting with you again soon. Thank you.

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