



ClubMahindra

May 10, 2022

MHRIL/SE/22-23/18

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

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

Dear Sir/ Madam,

Sub: Transcript of Earnings Conference Call for the quarter and financial year ended March 31, 2022 - Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”)

Ref: Our letter no. MHRIL/SE/22-23/8 dated April 12, 2022

Dear Sir/ Madam,

This is furtherance to our letter no. MHRIL/SE/22-23/8 dated April 12, 2022, wherein the advance intimation of the earnings conference call scheduled to be held on Wednesday, May 4, 2022 with Several Funds/ Investors/ Analysts on the financial and operational performance of the Company for the quarter and financial year ended March 31, 2022 was submitted to the Stock Exchanges.

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

Kindly take the same on record.

Thanking you,

Yours faithfully,
For Mahindra Holidays & Resorts India Limited

Dhanraj Mulki
General Counsel & Company Secretary

Encl: As above



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Mahindra Holidays & Resorts India Ltd.
Q4 FY22 Earnings Conference Call

May 04, 2022



**MANAGEMENT: MR. KAVINDER SINGH - MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER
MR. SUJIT VAIDYA - CHIEF FINANCIAL OFFICER
MR. DHANRAJ MULKI - GENERAL COUNCIL AND
COMPANY SECRETARY**



Moderator: Ladies and gentlemen, good day and welcome to Mahindra Holidays & Resorts India Ltd. Q4 FY22 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions, and expectations of the Company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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. Kavinder Singh – Managing Director and Chief Executive Officer from Mahindra Holidays & Resorts India Ltd. Thank you and over to you, sir.

Kavinder Singh: Good evening, everyone. A very warm welcome to our Quarter 4 Earnings Call. On the call with me today, we have Mr. Sujit Vaidya – our Chief Financial Officer and Mr. Dhanraj Mulki – our General Council and Company Secretary.

You can find our Quarter 4 and Full year results and investor presentation referred to in our remarks today on the stock exchanges and on our Company website. I hope you all have had a chance to go through them.

I am happy to share that we have delivered strong operational and financial performance, both in Q4 and in FY22 despite Delta and Omicron waves. I would like to attribute this to the flexibility and adaptability of our teams, ability to ramp up and ramp down resort operations, commitment of our members, power of our brand, and the inherent strength and resilience of our business model.

Demand for domestic leisure travel started to gain momentum from mid-February onwards due to easing of mobility restrictions backed by pent-up demand, festive travel demand around Holi, long weekends, and of course now the summer travel. Across the industry, fastest recovery was witnessed in occupancy and ARR’s for the leisure portfolio. We have witnessed tailwinds such as growing domestic air travel as high as 21 million in March 2022 from a low of 13 million in January 2022. Higher demand for leisure holidays, family bonding through multigenerational travel, drivable leisure destinations, increase in outdoor activities, preference for immersive experiences, willingness of travelers to invest in a rejuvenating vacation to enhance their mental and physical wellbeing is something that we have witnessed at our resorts and trends that we are witnessing.



A quick recap of the year gone by:

Q1 was challenging due to the Delta wave with occupancies of 51% and a resort income of only Rs. 15 crores. However, we started to see quick recovery post the Delta wave and since then the graph has been upwards with quarter 2 and quarter 3 occupancies at 73% and 80% respectively, resort incomes of about Rs. 51 crores and Rs. 70 crores respectively. In December 2021, early January 2022, when the Omicron wave hit, we saw lower occupancies in January 2022. However, the recovery was much quicker compared to the earlier waves leading to the highest ever resort income of Rs. 57 crores in quarter 4. We have noticed, in quarter 4, not only the increase in occupancies, but even at a full-year level, when we look at the occupancies, they were at 74% and for the full fourth quarter, we had an occupancy of 77% and also in the month of March, we saw an 89% occupancy in March 2022 and of course we have also noticed that we have crossed highest ever occupied room nights in the month of March. Similar trends have been witnessed in April also, 88-89% occupancy is what we have closed with and of course a lot of our resorts are crossing 90% plus occupancy levels. We are witnessing a rise in bookings based on what we are seeing. We are noticing a similar trend in May and June, and the occupancies in May and June are looking as of now above 85%. We believe that the domestic leisure travel demand will continue.

If you recall, throughout the pandemic, we have continued to focus on 3 major drivers of our business growth. Number 1, accelerating inventory additions. Number 2, growing our member base. Number 3, driving resort revenues through F&B services and immersive experiences at our resorts.

Our inventory built-up continued to progress as planned, and during the year, we added 385 rooms and in quarter 4, we added 226 rooms. Resorts that have been added in domestic destinations include Leh, Daman, Shillong, Rameswaram, Dindi in Andhra Pradesh, Pushkar in Rajasthan and also international destinations such as Bali, Bentota in Sri Lanka and Pattaya in Thailand. These additions take our total resorts to 84 level. So, our resort count hits 84. We've crossed the milestone of 4,500 plus keys. To put this in perspective, we have added 800+ rooms during the 2 years of the pandemic versus 1,300 rooms over a 6-year period from FY15 to FY20. So, obviously, the inventory addition has accelerated.

Our target is to achieve 5,500 plus rooms in the next 24 to 30 months through multiple ways, acquisition of greenfield properties, acquisition of brownfield properties, greenfield development, utilizing our existing land banks, expansion of our existing resorts and of course through leasing. We have commenced construction to expand our existing resort at Kandaghat, Shimla. That expansion will require us to invest about Rs. 200 crores and will deliver 185 rooms. We are already at the last stage of getting the last permissions to set up a resort in Ganpatipule with about 236 keys with a total investment of about Rs. 250 crores. As mentioned earlier, we are also planning to add 60 keys to our existing resort in Puducherry and we are also likely to



have 52 additional keys coming to our resort in Udaipur, which is expected to be completed in June 2022.

I am also happy to announce that we have been recently awarded a very boutique project under the PPP model in Jhanjheli in the Mandi District in Himachal Pradesh. As I have always mentioned that we continue to add choices for our member and under a new program, which is called Club Mahindra Horizon we have 300+ partner hotels through which our members can go to additional vacation destinations and this Club Mahindra Horizon is our proprietary holiday exchange program, probably the first program for any timeshare company that has ever been launched.

Turning to member additions, in quarter 4, we have had member addition of 4,058 members. This is very-very good considering the fact that in the month of January, we had significant problems because a lot of our sales team was not well due to Omicron and we really recovered smartly in February and March. While Omicron has ended, the wave has receded sometime in February, we noticed that are member additions really picked up some time mid-February till about March.

In view of the inflationary pressures, we have noticed that families now understand that vacation ownership is a preferred way to vacation in a period where travel costs are rising and this is an opportunity for them to look at Club Mahindra and this we see as a very big positive for our business. The members, the travelers have also realized the ease of planning vacations, increasing choice of resorts, experiences, spacious properties and allowing for multi-generational travel, which is definitely helping families to bond with each other.

If I were to look at the year, during the year, our member additions grew by 6% on a year-on-year basis to about 12,764 members despite multiple COVID waves. Our cumulative member base now stands at 2.66 lakhs. If you multiply 3 to 4 members per family, we are talking about a million cohort, which actually enjoys our resorts year-on-year. While the member count has grown by 6% year-on-year, the sales value of the member addition grew by 24% year-on-year in FY22 and this is something that we are extremely proud of. This has been due to obviously the higher sales of Club Mahindra 25-year product, also the Bliss product and of course some amount of benefit we got from the average unit realization, which was driven by the price increases that we took during the year.

In Q4 FY22, our strategy of enrolling higher down payment contribution continued. We saw a significant improvement in the number of members who are paying higher down payment at the time of enrollment. Sales contribution from referrals and digital has increased to 57% in Q4. Last year same time this number was 54%. We have actually initiated a lot of work on acquiring customers through digital by introducing fresh and relevant content. Our diverse product portfolio has helped us upsell and improve sales realizations. We have seen very good movement in upgrades during the year as the members decided to move to higher season or a larger



apartment. Daycations at our resorts and marketing activities in towns around our resorts helped us to increase the onsite sales, which is a key focus area for us.

Let's move on the third major driver of growth: Resort Revenues – As mentioned on previous calls, over several quarters, we have taken initiatives to create superlative member experiences to enhance member spends and improve member engagement. Highest ever resort income in fourth quarter, 85% year-on-year growth in resort income leading to Rs. 193 crores income in FY22 despite multiple COVID waves is a significant achievement. Resort revenues per occupied room night during the year were higher through member spends on F&B and other activities. We have introduced multiple culinary experiences and also launched new specialty restaurants. Some of the restaurants you may be familiar with, 'BBQ Bay'. There is a new fine dining Pan Asian restaurant called 'Tempt Asian' and 'Finz', which is a seafood cuisine restaurant. We launched 'Unwind', which is a cafe lounge. We have introduced new resort-based experiences, particularly in the area of themed adventure parks. As you know, we have invested in Rocksport and through Rocksport, we are bringing these new experiences in our resorts. Refurbished Happy Hub, new experiences in Happy Hub, new spa and wellness treatments, birthdays and anniversary packages and also celebrating various festivals. As members spent more time inside our resorts, we introduced all-inclusive packages for members and their families at a discount, including the option to pre-purchase. This has helped us drive member spends. Outdoor experiences, as I mentioned earlier, which are soft adventures, but in addition to that we added nature treks, family picnics, bird watching and guided electric bike tours, they have also been introduced.

I did mention about Rocksport. We have increased the investment in Rocksport, our stake has increased from 6.67% to 23.4%. This will happen by September 2022 as the transaction completes. This, we believe, will help us to increase customer engagement avenues. The most interesting part of this investment is that we will have the Rocksport skill and through that we will launch more and more theme adventure parks in our resorts. Also, virtual games like Virtual Skydiver, Pandora's Box, etc. would be also launched as we speak, and more importantly, we will be able to target their customer base, which is the exact target group for us, and our members in cities will be able to use Rocksport facilities with a certain level of discount, which will help us to also get referrals from our members. At this point of time, Rocksport will act as a driver for driving the daycation traffic so that people can engage in these outdoor experiences, which we believe will help us increase our on-site sales and of course in the on-site, we just do not add fresh units, but also we upgrade and that will also be a positive thing for us as we move forward.

Of course, there are inflationary pressures on our F&B costs, fuel cost, LPG cost. We have taken prices increases across our F&B services in April 2022. To manage the resort costs, we are also working very closely with edible oil and other vendors. We have installed solar plants at 14 resorts with a total capacity of 2,500 plus KW power of the above. During Q4, we fast-tracked solar installations by adding 350 KW power at 2 resorts. Further, 1,000+ KWP is ready for installation in Q1 FY23.



There are lots of ESG initiatives that I would like to highlight, and I am very confident that the actions that our team is taking, we will be the most sustainable resort chain in the world. Already, we are aiming to achieve carbon neutrality by 2040 through our EP100, which is the energy productivity improvement by 100%, RE100 - 100% renewable energy we have committed to. These declarations have been done and again we are well on our way and by the way we have done calculations through science-based targets and we are very confident of reducing our greenhouse emissions by 88.3% by 2030. We have implemented the Jal Jivan initiative to improve efficiency of water utilization through using 4 R principles of Reducing, Reusing, Recycling, and Rainwater harvesting. Rainwater harvesting structures are installed in 20 resorts. 250 million liters of total water consumed by our resorts has been recycled in FY22. 4 resorts are certified under zero waste to landfill and our endeavor remains to responsibly source materials and to work towards creating a circular economy.

Under project Hariyali, we have planted 70,000 trees in the last 2 years and almost 4.7 lakh since FY11 near our resorts and we have undertaken biodiversity initiatives at our Coorg Resort and Assonora, Goa Resort to conserve natural forest area. Importantly, please note we are founding members of Indian Green Building Council. We are committed to Green Resort Certification of all our resorts by 2024. Currently, 8 resorts have received the highest level of green certification, which is Platinum.

On that note, let's take a few minutes to look at our standalone financial performance followed by performance of Holiday Club Resorts, our material subsidiary:

Standalone Results:

Q4 FY22 Revenue grows by 19.4% YoY. Our VO income grew by 12.4% YoY. Resort income highest ever in the fourth quarter. Yes, there is a one-off. We have sold our investment in the Nreach Online Services netting a gain of Rs. 26.3 crores, almost a 9x return considering that we had taken this stake in 2016, a 12% stake with an investment of Rs. 3 crores. The reason for us to exit this investment is that this startup's business model has pivoted, and the strategic linkage, the reason for which we had invested, no longer exists and there was an opportunity, and that opportunity has been utilized. Therefore, there is a one-off income of Rs. 26.3 crore that you see in quarter 4. By the way, we continue to use their employee engagement platform, which is something that they have pivoted to very successfully, even in Mahindra Holidays even after exiting the investment.

FY22 total income has grown by 18% YoY. Vacation ownership income has grown by 7%. Resort income has grown by 85%. Our operational efficiency stands at 74% against 72% for the year.

When you look at one-off profit from the sale of investment of Nreach, I mentioned there have been some lease rent waivers and there was an interest income that happened from the income



tax refund that we got. So, that is where we have classified one-off income for you to be able to understand what are the one-offs and what are the routine operational growth items so that it's easier for you to see how our numbers stack up.

If I look at the profits and margins, our PBT has grown by 82% in Q4 FY22 but if I remove the one-time impact, even then the growth is quite healthy at 37% YoY. PBT margin without one-time impact is still up by 200 basis points on year-on-year basis. Profit after tax stands at Rs. 45 crores.

For the full year, if I were to look at profit before tax at Rs. 204 crores, which is 20% up YoY. PBT margin is at about 19%. PBT without one-time impact stands at Rs. 160 crores, which is up by 16% year-on-year and PBT margin without one-time impact stands at 16%, very healthy margins even during this difficult year and the PAT at Rs. 151 crores is up by 20%.

Total expenses for FY22, I am talking a little bit about the expenses now, have increased by 17% YoY mainly on account of higher business activity, higher sales volume, marketing spends and overheads. Sales and marketing expenses increased by Rs. 34 crores is in line with the additional sales volume, customer related offers, investments in TV and brand marketing campaigns. These investments are going to augur well for our future. There are other expenses, which have grown in line with the increased business activity.

Cost savings are expected to be permanent in nature that will not come back with the volume and this will help us drive substantial margin improvement going forward. Moving to digital has helped us in reducing in infra cost, travel cost and other related overheads. Manpower utilization at our resorts and reduction in our employee to room ratio has happened. As a result of our growth, we have been able to redeploy people. We have saved significant amount of money due to solar implementation in various resorts. Currently, 14 resorts have solar energy panels, solar energy streaming into these resorts. We have been reviewing and looking at all fixed costs and trying to convert them into variable costs and that is something particularly in the area of acquisition, and that is something that is playing out as we speak now. More on that later. As far as structural changes go, this is going to be our single biggest initiative to convert as many of our fixed costs into variable costs and therefore as we move forward, the overall costs in operational efficiencies will begin to play an even increasing role in the profitability and the margin improvement.

If I were to look at the balance sheet, deferred revenue for the quarter stands at Rs. 5,083 crores. This is something, which we have seen has moved up by about Rs. 2 odd crores from the same period, which is March 2021, and we continue to have zero debt at a standalone level. Our cash position improved significantly by Rs. 232 crores to end up at Rs. 1,172 crores as on March 2022. Our cash position movement is due to higher resort revenue, more member additions, better upgrade revenue, higher down payments, lower EMI tenure, continuous tight control on costs in all areas of operations have helped us to increase our cash position.



This concludes my commentary on Mahindra Holidays. I now move on to Holiday Club Resorts.

As we speak, our quarterly Con-Call coincides with Prime Minister Modi's participation in the historic India-Nordic Summit, which is currently ongoing. The India-Nordic summit will strengthen bilateral relationship between India, Finland, Sweden, Norway, Denmark, and Iceland. This augurs well for our Holiday Club Resort business, which is the leading hospitality provider in Finland.

A quick look on the Holiday Club Resorts. In terms of the Macro situation and operational update, during the year, COVID impacted our Finnish operations in Q1, Q3 and part of Q4. Except in Q2, where we saw significant domestic travel demand. In Q4, once restrictions were eased off in mid-February 2022, the recovery was rapid and strong. This was followed by the Russian-Ukraine conflict, which has impacted the Finnish economy. The growth estimates of Finnish economy have been revised downwards from 3% to 1.5%. Inflation is something that we are watching out and we will see how it goes, but preliminary indications are the energy prices are likely to be higher or already are higher.

If you were to look at Q4 for our Holiday Club Resorts business, the revenue has increased by €9.7 million primarily due to growth of Spa Hotels revenue, which is grown by 96% year-on-year in Finland as well as Sweden, in line with occupancy. Timeshare sales increased by 32% year-on-year due to a strong and swift recovery post the restrictions being lifted.

COVID impacted Finland for the full year, as I mentioned earlier, except Q2. Revenues at the full-year level have increased by 23% and 51% increase was seen in Spa Hotels due to higher ARR and increased F&B Income. Despite multiple COVID waves, which impacted construction as well as sales, timeshare revenues have increased by 6% year-on-year.

The best news comes now, the profitability in Q4: Positive EBITDA of €0.6 million was delivered. In FY22, Holiday Club Resorts has delivered close to breakeven EBITDA of € -0.3 million. Several cost optimization measures were introduced during the year. Despite severe COVID-19 impact on business operations, in FY22 HCR managed to reduce its loss before tax by 61% year-on-year to €5.9 million versus FY21. This is a significant achievement considering a very large part of the year was impacted by the multiple COVID waves.

The good news is that while the restrictions on restaurants, spa, sports, and indoor activities have eased off from mid-February thereby having a very good recovery in our Finland and Sweden business, the crisis in Ukraine is something that the people ask us as to what impact it will have on travel and tourism in Finland. As you know, Holiday Club Resorts operates in the leisure segment and the leisure segment is largely focused on domestic travel. The domestic travel is not likely to get impacted. The Fins, the Swedes, and the Norwegians will continue to travel. However, there will be some inflationary effects, which I have mentioned primarily in the area of energy and the consequent impacts, but we still believe that domestic leisure travel is strong



and having achieved close to breakeven EBITDA in FY22, we are very positive for the FY23 outlook as far as Holiday Club Resorts go.

Let me move on to the consolidated performance. The total income at the consolidated level in Q4 is up at a healthy 18% YoY, EBITDA moved up by ~70% year-on-year, EBITDA margin at a healthy level of 22% and our PBT stands at Rs. 32 crores, which is an improvement of Rs. 43 crores over Q4 FY21.

If I were to look at the consolidated full year financial numbers, total income has been up 18% and our EBITDA at a consolidated level is up at 38% YoY and EBITDA margin stands at 22.1% and our PBT at Rs. 111 crores, which is an improvement of Rs. 108 crores over FY21. PAT at Rs. 68 crores was the highest ever since the adoption of Ind AS 115 in FY19. PAT improved by Rs. 82 crores over FY21.

Conclusion: To sum up, I am really encouraged to see how we have closed FY22 and the momentum we are carrying on into FY23. We expect good times ahead for leisure as evidenced from the current booking trends that we are seeing, which are visible to us all the way up to July. Even July, we are seeing above 80% occupancy, which is not traditionally a seasonal month. The underlying strength in our business comes from the fact that we have built some amazing resorts and now more importantly our focus on accelerating our inventory is evident through the addition of 800+ keys during the 2 years of pandemic. In today's inflationary environment, timeshare is the need of the hour and people understand there are clear benefits of owning a Club Mahindra membership. We continue to focus on the right membership portfolio mix of medium and long tenure products in line with our long-term strategy. Going forward, notwithstanding any further COVID wave and related restrictions, we expect the pace of member additions to hasten up. We expect the pace of member additions to grow in FY23 and the sales contribution from referrals, digital, and on-site sales will continue to grow.

As we embark on our growth phase, we have made a conscious effort towards advancing/front-ending our investments for the future by prioritizing brand building, marketing initiatives, and also ensuring that we are ready for the future. This, we believe, will help us immensely as the strong demand comes in leisure travel, as we are already beginning to see. Therefore, our focus on our three key growth drivers, accelerating member additions, growing our member base, and driving resort revenues through creating unique F&B services and outdoor experiences has held us in good stead and is reflected in our growth, both in top line, bottom line, and cash generation.

Holiday Club Resorts, under the leadership of Ms. Maisa Romanainen has demonstrated a strong and quick recovery whenever restrictions were eased off, largely driven by domestic demand. We haven't seen any major impact of the Russia-Ukraine conflict. Hence, we are confident of the profitability and cash generation capabilities of the Holiday Club Resorts. We definitely expect the financials of Holiday Club Resorts will reflect these capabilities as they play out during the year.



ESG remains a focus area for us and I did enumerate our achievements and we expect this to be a very important part of our business and we treat it as an important part of our business as we emerge out of the pandemic.

Finally, FY23 is going to be an important and transformational year for us as we lay the groundwork for our long-term success. Thank you for your time this evening. We are now opening the line for questions. Thank you very much, once again.

Moderator: Thank you. The first question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Thank you and congratulations on a good set of numbers. If you look at the member/room ratio and if you look at the number for the whole of last 10 years, we are probably at all-time lowest number in terms of member/room ratio of around 58. So, in the last 10 years, we have been as high as 77:1 and it has been trending down in the last two years and 58 is the lowest value. Even if we take the projection of 5,500 rooms going forward in the next 24 to 30 months and just do a back of the envelope calculation for the number of members taking into account the same number of member addition, which we had this year, it will come down to around 55. So, just wanted to know your view as to are you satisfied with this number or are you pushing for an even lower number or what is your view on that? That would be my first question.

Kavinder Singh: It's a very-very relevant question. I think the fact that we have added inventory during the pandemic period and because of the pandemic, our member additions got impacted. Therefore, the ratio has improved, but the reason we are adding inventory at a brisk pace is that we believe that while we have been comfortable even at a 60:1 kind of a ratio, we believe that even if we are at 58:1, 55:1 or even lower, we believe that there is a huge opportunity to serve the existing members because even with this ratio I mentioned to you that our occupancies are hovering at 90% occupancy. So, we are seeing huge traction. There are memberships who have been dormant. People have not been holidaying, they are also now holidaying and we believe that this kind of inventory addition growth path will allow us to, actually enable us to enroll more and more members because we would never be worried about not being able to take care about the members' booking needs. We are very clear that this path is the right path. As far as we are concerned, there will be times when inventory additions will run ahead of members. We normally do not want member addition to run ahead of inventory. So, even if it goes down to 55, 53, 52, we are very comfortable because there's always an opportunity to request members to bring their guests and they do bring and that helps us to get more sales on site. So, we are very-very positive about higher inventory because we have established our brand. Our rooms are not going to go empty. For sure, the members will bring their guests and that is one of the biggest routes we adopt to get new member additions onsite. Internationally, a lot of membership sales, rather majority of the membership sales happens at the resorts. It's only in India we tend to go out into people's homes to get the membership enrolment, but when we have inventory



availability, that will have a positive kicker for us, particularly on the onsite sales, which we are looking forward to.

Ankit Kanodia: Thank you. My second question is regarding the results on the books. So, after 3 years due to that accounting change, first time we are seeing the reserves to be a positive number, although a very small number, but still its positive. So, are we thinking something on the lines of dividend of buyback or it is too early to say that?

Kavinder Singh: So, please remember that the dividend declaration is a function of our ability to generate profits and that never ever got compromised even the new accounting standard. If you look at our profit before tax, profit after tax on standalone numbers, we have grown at a very healthy rate. Just the year that we got into the new accounting standard, our profit was Rs. 100 crores. Even if you were to remove these one-offs that I talked about, which is the sale of the investment in the Nreach, even if you were to remove the other one-offs that I talked, which are lease rent waivers, we are still at Rs. 160 crores on a like-to-like basis. In 3 years, we have moved from Rs. 100 to 160 crores, which means we always had the capacity to pay dividend. We have cash. There is an issue that when we moved into the new accounting standard, there is a transition difference, which has hit our reserves and as a result of that, and this is something that we have been trying to represent to the Ministry of Corporate Affairs and the moment we get clarification from them, we should be in a position to declare dividend. Our dividend declaration has nothing to do with our ability to generate profits. Our profits have been constantly being generated. It is only at the consolidated level because of the 2 years of pandemic, we have seen some struggle and that also, as you rightly mentioned, this year we have come out of it and we have had a very good highest-ever consolidated PAT, particularly after the new accounting standard came in.

Moderator: Thank you. The next question is from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: Thank you so much and good evening to the entire management. My first question is on the member addition. You did mention that there was an impact because of Omicron, which led to a deferment in terms of a lot of sales being made. So, would it just be possible because from your commentary, it does look like March and April have seemed to be going to pretty well. So, just from the March month what was the YoY growth in member addition if it is possible to highlight that?

Kavinder Singh: So, what happened is that January we got severely impacted because quite a lot of our sales people were also unwell, it was quite widespread and February onwards, we started picking up and March of course we did very well and April is going on very well. The main point to note is that despite the fact that we had such a difficult start, we ended up crossing the 4,000 mark for our member additions numbers, number 1. Number 2, you may have caught on the fact that I mention that while our full year growth is only 7% because of these two waves, but on a value basis, we have grown by 24% on a YoY basis. So, while the two numbers look very close to each other that there was only a 7% growth in the member additions, but our value growth is at



a high of 24% on a YoY basis. So, that is something that is to be noted and the momentum did pick up in March and continued into April as well.

Nihal Jham: The other thing is you mentioned that you've taken a hike in your membership rates, just wanted to confirm that and if you could give the AUR number for this quarter, that would be helpful.

Sujit Vaidya: Yes, we have taken the price increases. We have stated that earlier in the year and in terms of the AUR, I will share that separately post this call.

Nihal Jham: Thank you. I will come back in the queue.

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

Himanshu Shah: Thank you Sir, thanks for the opportunity. Can you give the cost breakup of sales and marketing, rent and other OPEX for the quarter?

Kavinder Singh: If you go to the Slide # 33 in our investor deck, whatever breakup you are wanting is there.

Himanshu Shah: HCRO debt number for holding company and operating company level?

Sujit Vaidya: At the holding company level, we have a €51 million debt, which was for the acquisition and then at the operating company, which is the HCR level, that is close to around €16 million.

Himanshu Shah: Last question on room addition that we are targeting for FY23 specifically, some color can you provide?

Kavinder Singh: So, as I mentioned, we do not give forward guidance in terms of how many rooms we will add, as you know for various reasons, but what we definitely have started out as our target that we need to move in the next 24 to 30 months, we have to cross the 5,500 mark. So, that is how it was there in my commentary that we are looking within the next 2-2.5 years, we should cross the 5,500 mark. We are at 4,568 as we speak now.

Himanshu Shah: Thank you and all the best.

Moderator: Thank you. The next question is from the line of the Gikesh Shah from Hansa Research. Please go ahead.

Gikesh Shah: Thank you Sir for the opportunity. Congratulations on a very good set of numbers and a very detailed and well-constructed investor presentation uploaded on the exchange. Sir, can I request you to please elaborate on how you see the lifetime value of a customer and how you see the value creation building up over time? I think there is a very interesting slide in the investor deck, but it would be very helpful to hear your view on this.



Kavinder Singh:

First of all, thank you for picking up that slide, which we have done with a lot of diligence and care. What happens is that in our business, when we get a member in, that's just the beginning, because while we collect the membership fee that helps us to build resorts or lease resorts or do whatever to provide the services, including the CRM and also the member services, because all those things get set up for the member the moment the member buys the membership. The membership fee is hugely helpful to ensure that we are able to create supply and take care of the servicing part of it. However, the real value-add to the business and to the customer happens when the customers or the members begin to holiday at our resorts. They pay the annual fee, they go to the resorts, experience the resort services. It is the resort experience, which helps them to add to their experiences. Every one of them have their bucket list what they want to do at the resort and once they come and engage in the Happy Hub, in the outdoor experiences that we have created and for the children, all of that is actually enabling them to enjoy their vacation and when people enjoy their vacations, food definitely becomes an important part of their vacation and food is one area, which we have focused on. We have launched new brands I have mentioned that. We are also creating more opportunities for people to bundle and pre-purchase the food offerings that we have. So, we have all inclusive plans, we have discounts, we have multiple kind of cuisines, multiple experiences, birthdays, anniversaries, whatever kind of celebrations and whatever kind of F&B actions are required, we take on the ground to engage with the members. So, that's been a very big source for us to work and to us that represents a very important part of lifetime value because this is a high margin business, the F&B business, and that also helps us to next stage of value creation where the people begin to refer us amongst their friends, and that also helps us to lower the cost of acquisition when we go for referrals and that is why we do talk about the referral and the digital sales, which is at a healthy 57%, which helps us to reduce the cost of acquisitions. Parallely, of course, after paying the annual fees, the person has gone to resort, F&B, and holiday activity experiences have been used, consumed and of course there's been money, there is an income as a result of that. There are spa-related experiences at the resort, which also help. Referral is something that I talked about. Some people choose to take the membership through the EMI route. So, the interest income also becomes an important part and I will now like to move to the most interesting part that people do upgrade. Once they are in the resort, they want to upgrade to the higher season, higher apartment size and that leads to another stream of income, which we call as upgrades, and upgrades is something that I talked about, very robust during this year and that's something that gives us the confidence that the members are enjoying their holiday and they are trying to get more out of us by upgrading themselves. So, this is how the virtual cycle continues. The only other thing I can add is that we are also using the critical mass that we have to offer experiences to our members, which is through the Horizon Program, which is an exchange program where the members can bank their room nights and go to holidays even outside Club Mahindra. On top of that, we are offering some unique curated vacations with unique offers like Rann of Kutch festival, etc., very special homestays, etc., fully managed. Those are the things that are offered to our members and our members are very happily taking it up. So, there is this virtuous cycle of multiple annuity revenue streams, whether it is the membership fee, whether it is the annual fee, whether it is the interest income, whether it is the resort income, speaking on financial terms, these are the four



things that happen. In addition, referrals happen and upgrades of course becomes a part of membership income and this is how this virtuous cycle we are continuing and the lifetime value will only increase as member cohort keeps on increasing, which is what we are seeing right now.

Gikesh Shah: Thank you so much sir.

Moderator: Thank you. The next question is from the line of Ankit Kanodia from Smart Sync Services. Please go ahead.

Ankit Kanodia: Thank you for allowing the follow-up. So, my next question was related to resort income. So even though quarter 4 has been really good in terms of the all-time high resort income, but when you look at the full year resort income, we see that the best we did was in FY20, that was around Rs. 228 crores and one thing which we see is that room rent as a percentage of resort income was very high, say 8-10 years back, which is going down and now food and beverages are slowly taking over that and it is going at a much faster pace. I know you don't give any forward-looking guidance, but is it fair to assume that the growth rate in F&B and thereby resort income would be much-much higher given our number of member additions have gone up over the last 2-3 years and based on that, any color or any view you would like to give?

Kavinder Singh: Again, very-very good observation. I must congratulate you for picking up this point. We believe that the real value in our business comes when not only we get the member in when they pay the membership fee, but also when they begin to enjoy the facilities because when they begin to enjoy the facilities, they pay the annual fee, which obviously is not accounted as a room income. The truth is that it is a part of fulfilment of their obligation and while it is classified as annual fee, but in a way it is coming in to utilize the rooms that we have created. So, there is an annual fee that comes in, there is an F&B income that comes in, there is a holiday activity income that comes in and most important, which is most invaluable is that there is an opportunity to get the referrals and also upgrade the members. So, the multiple revenue streams that we can kick off if we are able to get the member to come and holiday and which is where, you have rightly picked up, our focus is members and that is why you are seeing that the room income has come down. It doesn't really worry us and to answer your question that we did Rs. 228 crores, obviously if we did not have the pandemic, we would have definitely crossed by now that Rs. 228 crores by a wide margin and I am very-very confident that if we do not face any pandemic this year, we're definitely crossing that number by a wide margin and as we add resorts, as more and more members come and holiday in our resorts and more and more members come in, if income is something you must watch out for, we are very confident of growing this income at a very accelerated pace because this is something that can be done and this is something, which is what we are focused upon.

Ankit Kanodia: Thank you so much, that really helped. One last question. Our scuttlebutt says that we have recently increased our ASF fee. Is it correct, and if yes, how has been the response with the members in terms of the ASF?



Kavinder Singh: So, in the annual fee, please remember that we never increase the base fee. We only top it up to the extent of inflation. There is a formula of WPI and CPI, which we apply uniformly, which we have been applying over the years which is a part of the membership condition. So, the formula got applied, the inflation weighted average came to something like about 7.7% or 7.8%, that's the number I remember, it got applied, the invoices got generated and members are paying the annual fee and they are holidaying and our occupancies in April are at 90%, March they were 89% and we are seeing May-June also 89%, July upwards of 80%. So, the story is going on well because the fact of the matter is that annual fee is a very small component if you were to compare it in today's prices, if you have to go and take similar quality rooms and vacation experiences, for the membership fee and for the annual fee, it is a great value.

Ankit Kanodia: Thank you so much, that helped. If I may ask my last question, can we have this breakup of the receivables may be next year onwards or next quarter onwards, how much belongs to the vacation ownership income and how much it is that for ASF, I think that would really help us to know where we are going if that is possible. This is just a request.

Sujit Vaidya: Ankit, in our annual accounts, we will be providing some more details around the receivables.

Moderator: Thank you. The next question is from the line of Sanjay Awatramani from Envision Capital. Please go ahead.

Sanjay Awatramani: Good evening Sir and thank you for giving me this opportunity. I just wanted to know any CAPEX plans for the next 2-2.5 years, as you said that we will be increasing the room size, additional rooms 900-1,000. So, if you can highlight the CAPEX plans.

Kavinder Singh: I have always been on record that we are trying to accelerate. We have a capital expenditure plan which was sanctioned about 2 years ago to about Rs. 1,200 crores of CAPEX. We are well on our way to execute that CAPEX plan in the next 2-3 years and please remember the CAPEX would be utilized either to acquire a resort, to build our own resorts and that is something that will remain in continuity, that continues to happen, and that is what would be the overall plan for us and the good news for us is that despite the CAPEX, we will continue hopefully to grow our cash balance and more importantly, we are absolutely confident that a combination of building our own resorts, acquiring, leasing has worked very well for us. So, we have a clear strategy around utilizing the cash also that we have.

Sanjay Awatramani: This is very helpful Sir. One last thing. Out of this Rs. 1,200 crores, what is the amount we have already spent and what is the balance amount, what will be that?

Kavinder Singh: That is something that we will have to probably work this out because CAPEX plans are continuing from one financial year to the other and into the plan period. You see what happens is when we planned for CAPEX in FY19, obviously some part of the CAPEX has been spent and some more sanctions have been obtained. So, it's kind of a rolling plan. We do not have a



plan where we say, so much has been spent, so much is less, but we can always top it up because once we see growth opportunity, we can constantly keep adding and we can currently also say that over the next three to four years, you will see us spending about Rs. 1,000-1,200 crores for sure.

Moderator: Thank you. The next question is from the line of Nagraj Chandrashekhar from Laburnum. Please go ahead.

Nagraj Chandrashekhar: Hi good evening Kavinder and team and congratulations on another fantastic quarter and very strong stewardship of the company over the last couple of years. Just a question on what you mentioned on inflation in room rate finally turning on customers and them starting to realize this is a good model to have to lock-in rates for a 25-year period. I think the last time we saw this kind of inflation in room rates was 2011, correct, and then we have had deflation for the next 7-8 years post that. When inflation starts hitting the overall discretionary budget, their ability to pay Rs. 5-6 lakhs for a membership being somewhat curtailed. Will you then be okay with wrapping up the EMI portion of our sales or would you rather have a slower membership sort of ad, but a cleaner membership ad, more upfront cash, how would you balance those two competing pulls and takes?

Kavinder Singh: Very sharp and very insightful question and this is exactly what we are right now busy doing. So, there are various tools in our toolbox. Number 1 tool is the multiple product types that we have. In 2011, we had only one product type. Today we have clearly well-defined three product types. We have a Go-Zest, which is a 3-year product, have Bliss which is a 10-year product for people above 50, it's a points-based product, and we have our flagship core club Mahindra 25-year product. For us, depending on the life stage and also we cover various price points, look at the prices, we are covering virtually all price points. So, at a combination of price point and the life stage, we have products to deal with the issue that you raised. Equally important is the opportunity to upsell. If a person joins in GoZest, obviously after a good experience, he may consider upgrading to a 25-year product. So, for us, it is not about that people will find it difficult to buy and therefore if we have multiple products, we are in a position to satisfy the demand. Now, coming back to your second and equally important question, how do we get growth and ensure that the quality member additions happen and since we are insisting on higher down payment with the inflationary environment, will it affect the growth because people may not want to pay upfront so much and they may be open to looking at EMI options. Our EMI options, the way we handle this is that people who are taking the EMI option, get a lesser offer than the people who pay upfront. We have not stopped selling on EMI, we are happy to sell on EMI, just that we will not give the offer that we give to a person who pays us higher fee upfront. So, it is a way of changing the customer behaviour to seek higher value and my belief is value seeking behaviour is not going away irrespective. So, people feel that there is a value in doing higher down payment, they will pay and then some people feel that, I cannot afford, I will only do 10% down payment, 15% down payment, 20% down payment, whatever is the number and we have certain policies around that, including the EMI tenures because we don't give long EMI tenures,



we have short EMI tenures and then the person makes his pick, but obviously, the discounts and offers are closely correlated with the amount that you put upfront. So, I think we have an answer to this problem and the answer is to create a menu and let people pick and choose and in either of the choice that you make, we are not going to be the losers. We are going to ensure that our objectives of growth and quality are met.

Nagraj Chandrashekhar: Thanks for the detailed answer on how you are thinking through this. One more question is on a long-term shift in the model, you have mentioned a points model and if you look at how this industry has evolved globally, the hotel players like Marriott, etc. have split out holiday membership entities, which operate on a points model. Are you at all thinking of such a model in the long run, shift towards that in the long run, which make it easier for even members who are on the fringe about wanting to commit to a 25-year product, not knowing how long they will be in India or other questions, is there any move towards such a business model in the long run at all and how do you think that impacts economics?

Kavinder Singh: So, that is exactly the reason and we are quite familiar with these business models around the world. We are in touch with these. We have association bodies through which we get to meet them. Last few of course one or two years, we haven't met because of COVID, but the answer is very simple. In anticipation of this situation, we launched Go-Zest and Bliss, which are points-based products. Points based products obviously have a huge advantage that people can buy more points, they can burn their points faster, but remember one thing, since we are at least in one point-based product like Bliss, it is very critical for us to ensure that we get also an opportunity to upsell to you. So, we do not wish that someone burns his points in one year itself. So, there is a concept of accrual of points, which happens on a year-on-year basis. So, if you want to burn higher number of points, you need to buy points. If you want to burn higher number of points than what has been accrued to you in the year, which means that you are trying to ensure that the person completes the tenure and particularly in a product like Bliss, which is a points based product, but also has an annual fee, you also collect your annual fee and this is an important part of our consideration because our business is about lifetime value. Our business is about engaging at multiple points so that we are able to derive true value. As you know, in this business, the costs of acquisitions tend to be high. So, it is always a good idea to see if the person can have as long a tenure as he or she can have, which helps us to maximize our lifetime value and apportion our cost of acquisition over the tenure of the membership. So, fundamentally the idea of points is there with us. The idea of ensuring that the person does not finish his tenure by burning the points in one year is protected by the way the product is designed, thereby enhancing the member lifetime value for us, as well as for the member because when member interacts more, engages more, they get benefits and privileges, which they would not get if they were trying to burn their points all at one go. So, the points idea is implemented. Points idea has two variations, Bliss is a 10-year product, which has ASF also. Go-Zest is a product, which has no annual fee. So, therefore, Go-Zest is an entry-level product and the best part of all these products is that ultimately you want them to graduate to a 25-year product because then they can enjoy longer and that is where the true value really resides in terms of price per room night.



*Mahindra Holidays & Resorts India Limited
May 4, 2022*

Moderator: Thank you. Ladies and gentleman, that was the last question. I now hand the conference over to the Management for their closing comments.

Kavinder Singh: First of all, thank you very much for coming for this call. We always value the interest shown by all our current investors, potential investors, analysts, and all interested people. It's always an honor to share views and most importantly with your sharp questioning and insights, we get to know what your expectations are and we remain committed to ensuring that we come up to your expectations and we keep building the Company from strength to strength. On that note, thank you very much.

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

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