May 3, 2024

MHRIL/SE/24-25/16

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

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

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call for the fourth quarter and financial year ended March 31, 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/24-25/02 dated April 05, 2024

This is in furtherance to our letter no. MHRIL/SE/24-25/02 dated April 05, 2024, wherein advance intimation of the Earnings Conference Call scheduled to be held on Friday, April 26, 2024 with Several Funds/ Investors/ Analysts on the financial and operational performance of the Company for the fourth quarter and financial year ended March 31, 2024 was submitted to the Stock Exchanges.

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

Kindly take the same on record.

Thanking you,

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

DHANRAJ NARSAPPA MULKI
Digitally signed by DHANRAJ NARSAPPA MULKI
Date: 2024.05.03 18:26:37 +05'30'

Dhanraj Mulki
General Counsel & Company Secretary

Encl.: a/a

"Mahindra Holidays & Resorts India Limited Q4 FY '24 and FY' 23-24 Earnings Conference Call"

April 26, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of Mahindra Holidays & Resorts India Limited Q4 and FY '24. 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 star then zero on your telephone keypad. Please note that this conference is being recorded.

I now hand the conference over to Mr. Kavinder Singh. Thank you, and over to you, sir.

Kavinder Singh: Good evening, everyone, and a very warm welcome to our quarter 4 and FY '24 Earnings Call. On the call with me today, we have Mr. Ram Mundra, our Interim CFO. You may have seen our quarterly and annual results and investor presentation, which is being referred to in our remarks today on the stock exchange and our Company website. I know we have uploaded it little late, and that's because the Board meeting ended at that time.

But even if you did not have a chance to go through them, I would try to take you through the numbers, the key highlights. But before I get into the numbers, I would like to mention that at an industry level, in the open format hospitality, since we are a vacation ownership business, therefore I'm talking at the industry levels, occupancy and ADRs, both increased in Q4.

In February '24, occupancy of 73% was observed with ADRs at around 8,900. And these are 8% higher than post-pandemic rates of February '23. Q4 domestic air passenger traffic continues to be higher than last year, up by 5% on a year-on-year basis. Coming back to Mahindra Holidays. This year, we have crossed a significant milestone of adding 20,000 members approximately and reaching a cumulative member base of 2.98 lakhs. We have been able to achieve the highest ever membership sales value, including upgrades of INR824 crores, up by 16% year-on-year.

We have achieved the highest ever upgrades of INR218 crores, a growth of 16% Y-o-Y, demonstrating the satisfaction of our existing members. Our cash position stands at INR1,383 crores as on 31st March 2024. We have received income tax refund of INR66 crores, which includes interest of INR6.5 crores. Our deferred revenue has increased by INR269 crores to INR5,595 crores. Our members enjoyed superior service delivery, new immersive experiences at our resort, resulting in 85% occupancy on the expanded inventory base that we have.

During the year, in Q2, occupancy was impacted due to heavy rainfall in landslide in Himachal Pradesh and Uttarakhand, and in Q3 due to floods in Sikkim and slower recovery in Himachal and Uttarakhand. Improved digital penetration in India is helping us accelerate our member additions through digital route. Our revamped digital infrastructure, use of technology across touch points, along with higher member satisfaction has helped us deliver 59% of the member additions through the referral and digital routes in Q4 and 57% in FY '24.

As we speak, we are unlocking the power of data through advanced analytics, data science-based propensity models to improve efficiencies and drive growth in member spends, collections, referrals and upgrades. Our in-house developed tool, Resort Inventory Yield Optimisation, helps in inventory optimization. Our online booking in this year is 82%. 76% of it came through our mobile app. Let me start with inventory. We're committed to doubling our inventory from 5,000 rooms level to 10,000 rooms level, by FY '30.

And we have accelerated the inventory addition this year. We have commenced 2 new greenfield projects, 236 keys at Ganpatipule and 150 keys at Theog in Himachal. We completed 1 acquisition, of a 72 keys resort in Jaipur. We completed 1 expansion project, which was in Goa at one of our resorts, making Goa Assonora as the largest resort in our system with 244 keys, and we have 1 ongoing at Kandaghat. And this resort, Kandaghat resort, is being expanded to make it a 257 keys flagship resort.

All of these actions lead to INR835 crores of capex, which is underway right now for 5 greenfield, 1 brownfield and acquisition projects, and with the total estimated keys that will come through this would be about 690. This year, our inventory base expanded by 387 keys to 5,327 keys. Public-private participation is a significant part of the inventory expansion strategy. We ramped up our efforts, started engaging with various state governments to identify suitable land parcels or resorts to be taken through the PPP route.

We are running a resort now in Janjheli, Himachal in Mandi district through PPP engagement. Other PPP actions include signing a concession agreement for MTDC Harihareshwar resort in Maharashtra, which happened in this quarter. We have an in-principle approval with the Orissa government for 2 land parcels. We have signed a memorandum of understanding with Uttarakhand government for investment of INR1,000 crores, land scouting is going on, Tamilnadu government for about INR800 crores investment. In addition, we are exploring various other states and discussions are underway.

Our sustained -- I'll move on from here to the sustainability, ESG. Our sustainability targets include carbon neutrality by 2040 through EP100, RE100 and science-based targets. I'm happy to report 24 of our resorts are net zero waste to landfill certified. We added 20- odd resorts in FY '24. We added 6 new resorts as the green resorts platinum, thereby taking our total resorts which are certified by IGBC as green resorts platinum. Now we have 17 resorts of Mahindra Holidays which are platinum-certified. Solar power now is streaming -- is now -- 26% of our total energy is now coming through the solar power. Our goal is to have 100% renewable energy by 2050, but we will achieve much earlier.

62% of the total water consumption in our resorts is recycled. Water consumption is recycled and 2 of our resorts are net water positive. One of our resort, Madikeri in Coorg, is India's first resort net zero certified in all 3 categories, net zero waste, energy and water. Let me move on to the financial highlights. Our quarter 4, excluding one-offs and was -- turned out to be another milestone quarter, total income at about INR378 crores, which is up 14% on a year-on-year basis. All the numbers on a year-on-year basis, EBITDA at about INR96 crores, 14% up. EBITDA margin at 25.4%, 20 bps up Y-o-Y basis.

Our profit before tax, up by 23%. Profit before tax margin up by 100 basis points and stands at 12.5%. Profit after tax up by 25% year-on-year. Margin up by 90 basis points Y-o-Y at 9.4%. Our resort income stands at a healthy all-time high INR86 crores in this quarter.

FY '24, again, we achieved highest ever total income at about INR1,424 crores, up by 12% year-on-year. EBITDA at about INR406 crores, which is 15% Y-o-Y. EBITDA margin up by 90 basis points and stands at 28.5%, PBT at INR213 crores, 16% Y-o-Y. PBT margin at 15%, 60 bps Y-o-Y up. PAT at INR158 crores, 16% increase Y-o-Y. PAT margin at 11.1%, 50 basis points up on the Y-o-Y basis. Resort income at INR337 crores, again it's the highest ever. Deferred revenue, I have already mentioned; cash position, I've already mentioned.

Let me move on to the Holiday Club Resorts. During the current geopolitical -- despite the current geopolitical situation and a weak consumer sentiment, HCR has delivered a fantastic Q4 results, achieving an operating profit of EUR6.8 million in quarter 4 and leading to a full year operating profit of EUR5 million. Quarter 4 revenue from time share was up by 9% Y-o-Y on account of higher sales, better realization, also renting revenue grew by 24% Y-o-Y.

Spa Hotel occupancies, while they remained at last year level at a very high level, but -- and they have also outperformed the local hospitality market in Finland, but the weak consumer sentiment continues to affect in resort spending at Spa Hotels. Finance costs have increased due to the rising Euribor rates.

While real estate continues to be under pressure in a high interest rate scenario, timeshare demand has picked up due to its relatively lower transaction price for the customer. Timeshare allows for partial ownership of a second home, which travelers are considering more favorable given the current macroeconomic situation. Current geopolitical situation is being monitored closely and focused on implementing cost efficiency measures continue.

On a consolidated level, our quarter 4 again turned out, excluding one-off, turned out to be the highest ever total income at INR828 crores, up 13%; EBITDA at INR211 crores, up 8%; PBT at INR102 crores, up 28%; PBT margin at 12.3%, 140 bps up on a Y-o-Y basis. FY '24, if I were to look at the consolidated level, excluding one-offs, highest ever total income at about INR2,810 crores, up by about 8.3%; highest ever EBITDA at INR623 crores, up by about 3.3%; PBT stands at INR154 crores.

To conclude, if I were to look at the opportunity, in the last few years, you may have seen a record number of airports getting built. 75 new airports were built in 10 years. This has led to better connectivity, and we know that another 75 will get built by 2030. With better connectivity, ramping up of travel infrastructure, tourism industry will keep growing at both existing and new destinations.

We are noticing that in our country, people are spending more on travel and tourism. There is a significant shift from gathering material pleasure to making happy memories through meaningful experiences. That augers well for us. And the base of India's affluent consumers is estimated to grow at 13% CAGR, which is actually higher than the overall population growth.

Demand is outpacing supply. This is evident in the average room rates across the country. Supply will take time to get executed. Therefore, the situation will continue for a while. Indian cities are most underpenetrated on hotels compared to other Asian counterparts. Branded hotel inventory in a city like Jakarta is 2x of Delhi NCR, Beijing has 8.5x that of Delhi NCR, Tokyo 4.7x and Singapore 2.5x of Delhi NCR.

This signifies that we have significant headroom for tourism growth in India, and we at Mahindra Holidays are well poised to take advantage of the leisure travel boom in India through key strategies which will allow us to take advantage of the growing discretionary income amongst affluent homes, thereby realizing the huge potential of our target market in India.

On that note, I will close my opening comments. Thank you for your time this evening. I'll now open the floor for question and answer.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Himanshu from Dolat Capital.

Himanshu: Sir, congratulation on very good set of numbers and for closing 20,000 members addition. So first question is, can you provide an outlook on member additions that we would be aspiring for in FY '25? Some color surrounding that gross member additions?

Kavinder Singh: By the way, whatever member additions we share are the net member additions, net of everything. So these are the net member additions, 20,000. And the way when we look ahead in this year, we have 3, 4 things going for us. Number one, we -- as you can see, post-COVID, we moved from 12,000 level to some 16,000 or 17,000 level roughly. And then we have moved up to about 20,000.

So you can see that whatever we have been saying, we have been very consistent that our aim is to double our inventory. And if we double our inventory, then obviously, we have enough inventory to cater to new members and therefore, the new member additions can be actually derived from our inventory addition plans.

But coming specifically to the year that we are in now, we have our strategies to tap the corporates. Now this is something that we tried in FY '24. It's working very well for us. So we are going to accelerate corporate. When I say corporate, it means retail sales in corporate employees, amongst corporate employees, where obviously people would enjoy our proposition, and we -- it's also easier to target larger numbers by going to a corporate. So that's one big strategy that will lead to growth.

The second strategy that we have is that can we sell more and more digitally, including through remote sales. So that's another initiative that's going on. We also have another initiative that, can we sell our product online. And that is another thing that's going to be piloted in this year. We are also using lead scoring tools so that we are able to score the needs for better conversion, which leads to higher productivity at the sales level.

We are also quite aware that as our new resorts keep coming, the network effects will go up. As we have seen in quarter 4, you may have noticed, 59% of our sales came through digital referrals.

In a quarter where there is a very huge number that we delivered and out of that 59% coming through digital referrals shows that your existing members will become your biggest promoters, which will help you to grow the business even further.

Normally, we never give guidance on what numbers we will sort of deliver. But definitely, you can see that we have already delivered approximately 400 rooms. And if we have to double from 5,000 to 10,000, obviously, the rate of room additions itself will accelerate. And in line with that, member additions can easily be sort of -- back of the envelope can be calculated.

Himanshu: Just a continuation on this particular question from a longer-term perspective. Where will we be comfortable with member-to-room ratio below which we will not allow it to slip where this ratio, we would be more comfortable on a longer-term basis?

Kavinder Singh: So Himanshu, what happens is that inventory comes in lumps and member additions come fairly linearly. So what happens is sometimes you may find that our member-to-room ratio have fallen down to 52-53. And right now, we're at about 56 level. Now I don't think we should get worried because if you have more inventory, which means you can sell more, and that only will create a healthy pressure inside to sell more memberships.

Equally, if for some time, you remain at even 50, it's fine because people will be more encouraged to sort of aggressively chase more member additions because there is capacity available. So I am saying that we are not going to stop inventory because the Board has clearly taken a decision that over the next 5 to 6 years is where we have huge tailwinds and we must run inventory additions ahead of member additions.

So when you run inventory additions ahead of member additions, it's bound to happen that your -- this ratio will fall. But it is always good to have capacity ahead of the demand, and demand can chase capacity rather the other way around, which actually is not good from any point of view that we look at.

Himanshu: Very helpful. Two more questions, sir. One, can you just guide on the India business cost side, especially on the member acquisition cost side? Do we see room over there where this number may come down as the member base on a per member basis as the member base keeps increasing? And what would be -- if yes, what would be the levers for that, that can drive this sales and marketing or member acquisition costs?

Kavinder Singh: Okay. So at a very high level, have you observed there are sales and marketing expenses for the full year. Have, in the REG 33 format, if you may see, they have remained for the full year flat, even though we delivered significant amount of growth in the member additions. So for example, I'll -- I know, unfortunately, the figures may have not -- may not have been able to see the figures because we kind of uploaded it immediately after the Board meeting, and Board meeting ran a little longer.

So sales and marketing expenses last year was INR215 crores. This time, it is INR212.3 crores at a higher member base. So you can already see that our ability to bring down the cost of acquisition is being played out as we speak. So you are right, the economies of scale, to some extent, will play out. To some extent, what happens is that you are constantly investing in the future capability.

So it will never be linear, that right this time, they could hold the price, I mean cost. And they, on a per member basis, for example, if you take INR212 crores on 20,000 base and INR215 crores on a 17,000-odd base, so it may appear that we have done a very, very good job in terms of -- and even if you were to look at our value sales, it is up by about 16% at a full year level.

And on the other hand, if you look at the sales and marketing expenses, they degrew by 1.2%. So what I'm saying is that productivity economies of scale are playing out. And I feel these are the levers you are right in identifying these are the levers we have to press more. But remember one thing that it will never be a linear equation because sometimes you'll be investing more on building new capabilities, setting up more sales offices, you're hiring people, training a little more. All that happens typically.

So you do not see them, but on a long-term basis, if you track us for the last 5 years, there is a secular trend of our cost of acquisition going down. You can see that. At one point in time, it used to be some 27%, 28%. We are down to now a 23-odd percent is what I see. So for this full year, we are at about 22.8%, 23%. And last year, we were at 25.1%. So you can see there's already something has come in.

Now it's not a linear equation. I would still like to say that. I mean they have done at 20,000, 23%. So when they do 25,000, 24,000, 23,000, whatever the number comes, these guys are going to further bring it down. I mean it may happen, may not happen because you are constantly investing in the future, also building the brand because these also include the brand building spends.

Himanshu: Sure, sir. Very, very helpful. And last question on HCRO side. Can you provide some colorments at the time of acquisition? In the first couple of years we were doing close to around EUR12 million, EUR13 million of EBITDA. Last 2 years, I understand the economies have been challenged on that part and there has been an impact of Russia, Ukraine war also. And we have delivered decent performance in getting that back up. But where do we see in that business going ahead from here on? When do we see delivering the higher numbers that we were delivering earlier?

Kavinder Singh: Very important, very relevant and very insightful question, Himanshu. See, if you really look at slide 48 on investor deck and maybe, if not now, later on can have a look, our best year was FY '18 with EUR165 million of revenue and about EUR12 million of operating profit. If you look at that versus today, we are at EUR142.3 million.of almost EUR23 million less in terms of turnover and EUR7 million odd less in the operating profit.

So the point here is very clear that if we are able to start running up on our revenue, the profits will follow here because the business model intrinsically robust. If you see, barring FY '21 and FY '22, when we had full blown COVID, where we had negative numbers and EBITDA, in the last two years, immediately after the COVID got sorted, we -- despite the Russian-Ukraine war, we have delivered two years in a row EUR5 million EBITDA.

I am extremely confident that in the coming year, despite the Russia-Ukraine war, despite the economy issues that they face, they are going to do better than this. And why so? Because time share is reinventing itself in that area. There are a lot of new timeshare destinations that we are opening up.

In fact, very recently, we were there and we were looking at it, what are the new opportunities, and some very good opportunities have been signed up for them to open new timeshare destinations. And in this business, the timeshare makes money. Spa Hotels obviously are a way to get customers there.

So I think even if the situation remains what it is today, we are going to see a very significant upside on the EBITDA. Having said that, if the situation were to slightly improve, which may happen because things cannot go so low, remain so low in Europe for a long time, that too in Scandinavian countries, so it is quite likely that if the situation were to improve, we will see even a bigger kicker because the business is set up very well. The costs have been dropped down to bare bones. As we speak, we are further reducing the cost in the resorts.

And we also know how much price -- at what price, how much time share we can sell. So we have very strong granular data points through which we are constantly iterating, and also our sales team, by the way, has gone on a full variable model. Earlier, they used to have a fixed salary plus variable. Now they are on full variable model. So that is also helping us push for higher productivity in the timeshare sales.

And our resorts, you may not have gone, but if you go there and you realize that the resort quality is par excellence. And therefore, when people come to resorts, the timeshare sales conversions are very, very good. So that is one. But the other good news that has happened is the Canary Islands is now doing extremely well, and we had a change of the leadership there. One of our old chief resort officer from here who was in Mahindra Holidays is now the CEO there.

So he is also turning around the Canaries business. And so I'm very, very confident that both Finland and Canaries will do very well. Sweden, yes, we have to keep an eye on it. It's still not out of the woods. But at a combination level, the group, HCR Group, will deliver definitely much higher number than this. And yes, our aim is to cross this EUR12 million EBITDA sooner than later because that was the high and we are aiming and itching to get there.

Himanshu Shah: Sure, sir. Very, very helpful. If I can have a small follow-up on HCRO, one last follow-up.

Kavinder Singh: Go ahead, go ahead.

Himanshu Shah: How much of the capex involved or annual capex at HCRO level?

Kavinder Singh: Okay. Himanshu, the good news is that the capex in HCRO is very, very small and that to in IT assets and a little bit of refurbishment of the resorts. Fundamentally, they spend money on building the timeshare apartments, which is actually not capex because what they do is they build and they sell. So it's inventory. It is in current assets.

So if you look at the balance sheet of timeshare, the inventory is lying in current assets, and that is where the money -- obviously, when you sell, the money will come. So if your cash is locked in, it is locked in, in inventory, not in the depreciation as in capex. The capex per se, yes. So you should treat this inventory as stock in trade like you see in other companies. And if you look at capex per se, it is -- I mean we'll give you the numbers. Ram will have the numbers. How much?

Ram Mundra: It is EUR3 million to EUR4 million.

Kavinder Singh: EUR3 million to EUR4 million. It's pretty basic just to get some -- a little bit of some improvement in some resorts, and IT capex is quite big there because information technology spends are reasonably high there because they are constantly improving their information technology. So capex is not at all a problem for us in this business.

Himanshu Shah: Got it, sir. This was very, very helpful and congratulations for almost a decade spent at Mahindra Holidays and all the best for your new venture at Pidilite. It was a pleasure interacting with you, sir. That's it from my side.

Kavinder Singh: Thank you, Himanshu.

Moderator: Thank you very much. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar: Good evening, sir. Congratulations on very good numbers. Sir, question is on the room additions that we are looking at in FY '25. If you can give us some sense like what would be the room additions that we are looking for in the year?

Kavinder Singh: So as I mentioned to Himanshu earlier, neither on the member additions nor on the inventory additions we give any guidance. Reason is very simple. As a policy, we believe in having very, very high targets and we try to obviously -- and that is why when you see our record over the years, we have been consistently scaling up inventory member additions and consistently growing the business, including deferred revenue, which, to my mind, is a gold mine in our business.

Coming back to the straight question, our aim is to be 10,000. Obviously, everything cannot come towards the end. Now one way to look at it is that will we give even we are left with, say, six years. And will we be delivering, let's say, 5,300, whatever number we have delivered minus 10,000 divided by six more, it will definitely not be fully back ended, but it cannot be front ended either.

So what we do in inventory, I will share with you so that you understand what is the difficulty in giving the guidance. There are, at this moment of time, greenfield projects coming. With certain level of certainty, we can say that they will come in or not in this year, depending on what the progress is.

The second one is that we are always expanding our existing resorts, again, subject to permissions. Third, we are trying to start new greenfield projects, again, subject to permission.

Fourth, we are doing leasing of new resorts, again, subject to availability to the Club Mahindra standards. Fifth, there are resorts that are being built by others for us.

So that's another thing. Sixth, there are a couple of acquisitions as I speak are going on. If some of them materialize, we could have very high number of member addition -- sorry, inventory additions. But if they don't materialize, then obviously, the inventory additions are not going to be much higher than what they are today.

So what happens really is that you put -- and there are PPP engagements that we are doing. Some of them have materialized, for example, Harihareshwar materialized this year. Now obviously, we'll have to do the work and commission that resort, and that will take some time. So it will come most likely in FY '26, not in FY '25. So as we speak, there are many, many things which are there which are, let's say, being worked on.

So that's why I gave you a very clear message that INR835 odd crores capex is underway. Obviously, our aim, and I mentioned this earlier, is that we are going to spend about INR2,500 crores in capex over the next -- by 2030. And obviously, everything cannot be spent in 2030. So we'll have to sort of grade it and ramp it up. So there are many things which are today in motion, including buying of new lands, okay? So really speaking, it will depend on some cases, approvals and execution ability.

But the good news which I want to give you is that we are not capital constrained. A lot of people do not deliver their targets because they are capital constrained. We are not capital constrained at all. We have INR1,383 crores of cash. We generated -- you can see the operating cash that we have generated from the balance sheet, upwards of INR500 crores. So we have a very good cash-generating ability. Therefore, capital is not the constraint. The constraint is approvals. The constraint is the execution on the ground.

So some things will come, if not in FY '25, they'll come in FY '26. But we remain -- and you may notice that whatever we say, when we said we will hit 5,000 by so and so year, we actually achieved it one year earlier. When we say 10,000 will happen by 2030, it will happen by 2030 or maybe a little earlier. So I think that is the way to really see this business, and we are in the business for long term, and we are not actually too worried about in one quarter if there is an extra or a little less.

Pankaj Kumar: Sir, second question is on the resort income side. We have seen in this quarter, it has grown at 7.4%, and though we are at a highest occupancy and the member additions are also growing at a double-digit rate. So if you can throw some light on the resort income side, how we should look at going ahead?

Kavinder Singh: Yes. So resort income, you should definitely look at a growth higher than what we have delivered this year. Why? Because we got hit in the Himachal Pradesh, Uttarakhand, Sikkim. We would have done even higher occupancy. We would have even done higher revenue had it not been for these events that happen, plus the acceleration of these 387 rooms, which has come at different points of time.

The full effect of that will be seen in the coming year, right? So we have been every year adding 360, 370, 380, 400 roughly rooms. So the cumulative effect will begin to come out in FY '25. We are aiming to increase our F&B spend per room night also. There is a lot of activity going on there. There's a project going on internally. We have a corporate chef who is driving newer initiatives on the culinary side.

So I am very confident that the resort revenue, if you look at a CAGR for a certain period, I think, say, a five year period or something like that, we may be upwards of 12%, 13%. So this is a bit of an aberration this year where we have done approximately 7% odd. So what happens is that these things -- like last year, we added Tree House, which was one of the resorts in Jaipur. It came in, in the middle of the, let's say, year. It has not fully ramped up.

So I am a believer that -- and also this particular resort which I'm mentioning is in a subsidiary company. So it's not showing in -- the revenue of that is not shown here in the standalone results which we are looking at. So what is happening for us is that there are some of the resorts are now in the -- because of the way the company is structured, including these PPP projects, are going to be in subsidiary companies. So we'll have to probably start looking at the total revenue, how it is growing when we are investing in various subsidiary companies through the buying of resorts, etc.

But the big picture which I'm giving you is that as inventory acceleration happens, which is beginning to happen already now, our resort revenues will grow faster than they grew this year, number one. Number two, we have anyway at a CAGR level delivered about 12%, 13%, 14%. At one point of time, I used to see 14%. Now it's maybe slightly lower because of this year. Plus if there are no natural calamities, which I mentioned, we will definitely see higher occupancies and therefore, again, higher resort revenues. So multiple levers need to be pressed here and we are pressing all the levers.

Pankaj Kumar: One reason because in Q4 also, we have seen 7.4%, maybe because we are adding more lease property, particularly on the associate properties that we are adding, where the resort income might be lower than our own property. Is that the right understanding?

Kavinder Singh: So always when you go on, and the hotel industry model, when you go on your own property, your -- obviously, the top line comes to you, the profits land in your bucket. When you go for, let's say, some kind of inventory setup that we do through the associate properties, but lease properties are as good as own property.

So we are constantly adding on lease. See, if you look at this year, we did this Jaipur acquisition, that's our own. We expanded Assonora, that is our own, right? We also added dry leases, which means we are paying rentals and the whole thing comes to us. Yes, we added a few associate properties where the income doesn't come to us, it's a cost to us. But if you really look at it, the fact that we are creating choice for the customer, when we create choice for the customer using all these tools, we are also able to accelerate member additions.

So this business has to be somehow seen as a whole rather than in parts. So everything serves a purpose. But you are right, at the overall level, the resort revenue since our focus is greenfield, our focus is brownfield, our focus is leases, and obviously, when you do this acceleration, then the associate properties obviously will come down significantly, and therefore, you will see a higher resort revenue growth in the future.

Pankaj Kumar: Just a last question, if I may. So on the other expenses, we have seen 19% growth in the quarter. So any one-off in that?

Kavinder Singh: Other expense is 19%. Ram, would you like to add and give any color here in quarter 4 he is asking.

Ram Mundra: In other expenses. So, Pankaj, if you see in the -- see what happens in consolidated results whatever borrowing you do outside India and if it is at lower rate of interest there is a inter transfer of interest cost or finance cost to other expenses that is under IndAS 23. So there is an impact of that, basically. If you see the overall number, our EBITDA and other numbers are growing, but there is an inter transfer between the 2 line items.

Pankaj Kumar: With respect to the standalone, I was asking.

Ram Mundra: In terms of standalone, what happens when you have the resort income going up, right, the resort expenses also goes up and also there are some one off expenses for building up capability to support the growth plan.

Pankaj Kumar: Yes, with respect to the resort expenses.

Ram Mundra: Yes. So for example, the resort income has gone up from, say, INR84.7 crores last year quarter 4 to INR94 crores in standalone, right? So correspondingly, you have resort expenses which is categorized under other expenses.

Moderator: Thank you. The next question is from the line of Nilesh Shah from Julius Baer Group. Please go ahead.

Nilesh Shah: Okay. Great. Sir, yes, I think I would just love to get your perspective on something. So I mean, one thing that I have often struggled with respect to our business, the way accounting happens is fairly complex. So sir, given then that you have spent a good sort of 10 years with this company from that experience what should be a critical metric that you would highlight that we as investors and the wider management team should look forward to.

I know that would cash -- would OCF be that number? Just please, if you could reflect on your sort of time and share some perspective that what should be the right metric that should be like the North Star. May not be one, but you could share a few that we should look forward to?

Kavinder Singh: See, you made some comments, I think. The first comment is that accounting is a little complex and I would urge you to spend some time with our CFO understand the accounting because while it is complex consistently now the accounting standard has been in use for more than 5 years.

So you can see how we have sort of delivered on all metrics. But if you ask me as operating people, the metrics is that we are very, very paranoid about is number one the member additions which leads to the cumulative member growth.

The second one is, are we bringing in enough inventory because the last thing we want is inventory lagging behind because that can lead to a different problem. These are 2 very, very critical operating metrics that we track.

The third one which we track and that is why it's there in the investor deck also is are we adding to the deferred revenue because if we are taking money out of the revenue, deferred revenue because of the accrual, we have to add more than what we take out. So that is something that we are very, very careful about that we should be constantly adding.

Obviously, the member additions are good and you are growing, you will see the deferred revenue growing as well. Obviously, at a certain cost, we need to add members, which I explained to Himanshu, how we have brought down the cost of acquisition, then obviously, the cost that is also getting deferred is lesser. And therefore, the net deferred revenue is another number which we look at.

The third metric -- fourth metric is obviously the cash that we generate. And the cash generation in this business is a function of how do we handle our receivables, and we are in a very good shape there. So collections are very critical, both the EMIs as well as the annual fee collections. Those are very, very critical for us.

Otherwise, the ECLs can hit us, estimated credit loss can hit us. And when we are taking in members, we want to take members who commit higher down payment. That leads to a very healthy business because higher down payment paying member is more committed and equally likely to spend more money at the resorts.

The other metric that we look at internally from a long-term standpoint of view is that how much are we able to engage with members, as I mentioned, in terms of the spend that they do at the resort, equally the referrals they give us and also the fact, as I was saying there, how regularly they allow the holiday because people who already regularly also pay us the annual fee in time. So for us, annual fee collections, EMI, membership fee collections, ensuring that the receivables don't age or they are not overdue beyond a point.

The fact that we are adding members, good quality members who will spend money at the resorts, the fact that we are generating significant cash, okay? And obviously, capex, if you're talking about free cash, that's to my mind, not a worry because we have enough cash. Even if we spend a little more in a year we are adding inventory for the future which means we are creating capacity for the future, technically.

So for us, free cash is not such a worry something. How much cash and more importantly are we using our capital to work better which means if we put out a resort are we able to fill it up. So for us, occupancy is a very important metric because in another hotel business if you are a little low on occupancy, you will push up the ADRs.

We don't have the opportunity to push the ADRs because ours is a presold membership. So our aim is to push occupancy. Therefore, the resort revenue is largely F&B and the activity. So we push a lot of activity revenues. So resort teams are quick time working on to ensure that the revenues they are pushing higher and higher without the room revenue because room revenue is very limited in our case.

So these are the things that we internally look at to keep the business on a very, very robust path because I have practically covered the entire business and the critical elements in the business that needs to be looked at beyond simple income EBITDA, PBT and PAT.

Nilesh Shah: Just sir one last thing. Sir how have you seen -- I think that from a consumer behavior point of view two, three things have happened. Yes because I think if we go back a few years this industry used to have a lot of unregulated players or not so serious players and people lost a bit of money and there was a bit of apathy in that.

And then we saw that travel demand has come back and hotel rates have gone through the roof. So therefore there is a strong consumer demand once again, but we are also seeing that how consumers pay. It seems you're also saying that the share of EMI has kind of come back. So I mean as you look forward do you expect the consumer sort of behavior to be supportive towards what we are doing? And the second question, from a competitive intensity point of view, do you believe this sort of purple patch to continue?

Kavinder Singh: Okay. Many questions in one, though. Let me try to answer them one by one. The first thing is the consumer behavior that you highlighted. Over the last 3 to 4 years, you may have noticed we have launched new products. We have a 15-year product today. We obviously have a product for seniors, when I say senior, it's 55 and above.

So people who are -- have all the time. It's a points-based product. It's a product called Bliss that's a 10-year product. And we have also, and earlier, we used to have only 25-year product. So we have this 15 and 10 for seniors. And we have another product, which is a 3-year product, which is GoZest, which is without any annual fee. It is meant for people to sample and then upgrade their membership with us. And then we have a 4-year product also with annual fee.

So if you really look at it, we have tried to cover the life stages. When you are young and you are not probably wanting to commit, you go come with either 3 or 4-year product. And as you sort of move ahead in your life, you could look at a 25-year product or a 15- year product when you are having children. And then as you are sort of -- if you are coming in into our system at the age of say, 55, 60, then you could look at yearly Bliss, which is a 10-year product.

And then so what happens is if you look at life stages, we have pretty much covered all the life stages, and therefore, behaviors. We chose to worry us that people will then -- they won't buy 25, they would want options. We have done that. And one of the biggest fears we have out there will be heavy cannibalization, the good news is it doesn't happen. Because there is value proposition depending on the life stage you are in, in all of these products.

So our team has very, very smartly been able to sell all and at a fairly brisk pace also as you saw in terms of the milestone member additions that we did. The other big deal in our business is, even if you are not able to afford a product at a certain price point, we have, of course, we are laddered the price points. I mean you name a price point, we have a product there. That's another thing that we have done.

The second thing is that people upgrade. The best part for us is that the more you stay with us, the more you think that I must be able to holiday in an upper season. Or if I'm an upper season member, I can go down season and holiday a number of days increases in our case because it works like that. So we see a lot of upgrades.

And then what we do is also in terms of engagement, we expect our members to do member get member, and they also obviously get great rewards as a result of doing that. We have a very good loyalty reward program for the existing members when they are able to recommend a member and the member signs up.

So the point is that as far as the behavior is concerned, people are looking at vacation ownership not only because of the inflationary pressures that you mentioned, but because of the unique selling proposition, which is a larger apartment size where the entire family can stay, studio, 1-bedroom, 2-bedroom, which is something that people forget often.

And the second thing is there are enough number of activities in the resorts which people can engage in at various life stages of theirs. I mean if you are an elder person, you do different things. If you are younger, you do different things. We have activities for all. I'm not enumerating them because they're all there on our website because that will take away time from maybe other people who may want to ask a question.

So the point here is that our proposition is very unique. We are in the resort business, we are in timeshare business, vacation ownership business. We are creating activities, and as a result, we are catering to all life stages, and we see multigenerational family holidays happening, 3 to 4 generations holidaying together. That proposition is very unique. And you're right, a lot of flyby or even smaller players have vanished because this business actually is built on only one fundamental thing, which is trust.

And Mahindra Group, with the brand, Club Mahindra has garnered the trust, and we are right now in our 28^{th} or 29^{th} year of running. So we have stood the test of time. So we are going to be around and people know that we're going to be around, and therefore, people are willing to sign up for us. And that is why our proposition will remain very differentiated, very unique compared to any other player who might want to come in.

Time share or vacation ownership as a category will always survive and grow given the affluence and also the availability of the disposable income that people have. A set of customers will find it very attractive, set of customers will think that I don't want to commit even for 3 years.

And that is fine because each product, every category is not meant for every customer. So if you think from life stage angle, if you think from behavior angle, if you think from the customer value proposition angle, if you think from the fact that we are in these inflationary times a great option for people because people are enjoying in our holidays without paying for the increase, obviously, of tariffs and the GSTs, obviously, they are saving hugely. And to my mind, that is a very unique value proposition, and there is none like us.

And the other part which I did not mention earlier also is there's a network effect. Today, we have more than 100 resorts where members can go and this is going to become 150, 200, whatever. Including international, we're already at 150. The point is that more you add to the network, the more the power of the network increases. And therefore, you get -- again, attract more members. That is the beauty of the model, which is very unique. It generates cash. It generates confidence in us to invest in more resorts. So it's a great business model from a consumer standpoint, from our standpoint.

And -- but it is not an easy model to replicate because you need to build trust. And without trust, this business cannot stand. So therefore, talking of behavior, consumers want to trust brands who are going to be around them for a long time and will give them value over a long time, but not just for them, but for their entire families, including the multi-generations with which they holiday.

Moderator: Thank you. The next question is from the line of Pranav from Rare Enterprises.

Pranav: Yes. First of all, best of luck for your next assignment, and I'm really happy to have shared this time in Club Mahindra with you. Sir, I just have one -- just one question or suggestion as related to the previous participant's question. So there is a metric called embedded value that these insurance companies actually publish. And our business is exactly like insurance where we have to pay commissions upfront and the value of the benefit is accrued to the member to 25 years.

So if our accounting team along with some consultant can come out with a metric very near to embedded value, that will be a great indicator to whoever is confused about the value. And even I am confused because the calculation is a little bit complex. And if you can do it, that will be a really helpful metric to establish a value anchor. That's it.

Kavinder Singh: No, Pranav, I remember meeting you, thoroughly enjoyed talking to you, and I know you always come up with great suggestions and this is again one of those. More than questions you give suggestions, which shows your commitment to the business. So I want to answer this on the embedded value. See, embedded value calculation in our business is slightly different from insurance because in insurance, it's about the premiums and commissions and period.

In our business, because of the multiple touch points, whether it is the resort, whether it is the annual fee, whether it is the F&B spends, whether it is the referrals that the members can give, it's an exercise that can be done and should be done.

We have tried doing that in the past, but we have not been very sure of the assumptions because at the end of the day, when you put out anything in public domain, you should be very, very sure that it will play out. And to be honest, the exercise is still on. And I think my inputs to the new team would be to complete this exercise. We could not complete it because we had -- we were a little bit tied up because we had interim CFO and he had many things on his plate. And now we have a new CFO also coming in.

So I think this is an exercise what's doing, but bringing it out in public domain requires thorough diligence and a very, very solid backing that indeed, this is the embedded value that will play out. Because the last thing you want is to bring out anything in public domain. And later on, say, that these assumptions did not bear out and therefore the embedded value was not correct.

So that's being in Mahindra Group, we are very, very mindful and conscious and therefore, we haven't sort of -- we have done work in this area that I can confirm to you. But we are not yet there, but it's a very worthy suggestion of pursuing.

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

Ankit Kanodia: Congratulations on a good set of numbers all around. Sir, my first question is related to the answer you gave to, I think, the first question where you mentioned about the corporate employee membership plan. If I remember correctly, sir, about 10 years back or maybe even further, there was something like this. Can you just throw some more light as to how different it is this time? Or is it exactly the same?

Kavinder Singh: I think I need to -- should have explained a little better. So we have a corporate plan where a corporate can buy a product called Corporate Fund Base, and that has been in existence, as you rightly said, more than 10 years. And some of the corporates that are marquee names are our members anyway, wherein they send their employees as a part of their perk or their rewards and recognition program and they holiday with us. That happens. That is continuously being driven every year.

And obviously, the corporate fund base plan works in a bit of a sporadic manner because sometimes the deals happen, sometimes the deals don't happen, and the corporate has to really think of this as an employee benefit, and so therefore, that's a separate product and a plan.

The new idea that I was presenting today was that we are going to chase the retail sales. The corporate employees, for example, a corporate X, we go to them and say that, listen, we are going to give a very special offer for your employees and they will be able to holiday at our resorts if they bought any of these plans. And all corporate has to do is to give us access. And once they give us access, we don't need the employee database, everything goes through the corporate and whoever shows interest that obviously information comes to us and then we pitch to them.

And sometimes we actually go and put up a kiosk or a big counter at the corporate office or factory or -- so for example, let me give you examples also. So some of the public sectors, we have faced huge success. If you go to these public sectors which have huge colonies, the people are very keen. They have spending power. They are living in smaller places. They are generating huge amount of income but nowhere to spend.

We have seen a huge amount of uptake happening in these big complexes of public sectors. So that is what I meant where we go to the retail, basically the employees. And they get an extra benefit because they are employees of that corporate. And that gives us bulk sales and that gives us better word of mouth, and that gives us better effort. That is what I meant when I said corporate sales.

Ankit Kanodia: And this you started last year only?

Kavinder Singh: FY '24, this has started, and we have got very good response.

Ankit Kanodia: Would you like to put some numbers into it?

Kavinder Singh: No, we don't split the numbers by the channel of sales. This is another channel of sales for us.

Ankit Kanodia: So if I got it correctly, basically, you give them some discount and you get more volumes here?

Kavinder Singh: It is not just about discount. It is about service because when they know that, oh, this is being -- people are coming through, first of all, Mahindra Group. Second, their own company, internal mailer which we create, which says that because you are a member of this company or an employee of this company, you are getting this special offer. And more importantly, when they are also booking and they are planning their holidays, we have our team supporting them as well as when they are at the resort. It's not that they get any extra treatment, but the fact that they are our corporate customers.

Once they are happy, they obviously through word of mouth, we are able to get other corporates also because then they talk to their friends and other corporates and that is how we are able to penetrate. And if one person leaves from one corporate and goes to the other corporate, we are able to even enter into a new corporate because of the good experience that we create.

So it's a very -- the most important reason is that this is a qualified database, in a way. This is people who have the regular earning power. They are least affected -- least is the wrong word, but they don't get easily affected because of the up or the downturn in the economy and like a businessman, a small businessman or people who are self-employed. So that way, we are going after the affluent which have the reasonable level of disposable income to be able to buy this product. So it gives us filtered people who will be interested. And then they have a lifestyle. See, ours is a lifestyle product. They have a lifestyle of taking vacations with their family, so they anyway take vacations. So it's just -- it's from a fit point of view, this is a beautiful target audience for us.

Ankit Kanodia: Right. Thank you so much for explaining this in detail. Sir, my next question would be related to the government projects which we have encountered or initiated in the last couple of years. If you can throw some more light as to how do you see that progressing in FY '25 based on your experience in FY '24?

Kavinder Singh: Yes. So we did the government PPP we started in FY '23. We started with one resort in Janjheli in Himachal, which Himachal government came to us on a BOT basis, which we took. This year, we have got the success by the fact that MTDC Harihareshwar has come in our bag. Plus we have been clearly given a nod on the lands that we have identified in Orissa, 2 pieces of land, 1 in Chilika Lake and another near a beach. So plus we have been able to work with Uttarakhand. Uttarakhand government signed an MOU and actually some land pieces have been identified. They are finalizing their policy of land allotment, obviously, which has to be -- which will be finalized by them in their cabinet.

We signed an MOU with the TN government in terms of facilitation of our investments in Tamil Nadu. We are working very closely with Karnataka government as we speak, J&K as we speak, Rajasthan government. Our idea is to work with governments to see what would they want and in line with what we want and therefore, can there be a win-win. Obviously, each project is different, like Harihareshwar is all about rebuilding the whole property and expanding it and taking it on a long lease and offering it to obviously our members.

So -- and so every deal is different because the objectives are different. But the good part is you're dealing with government, you are sort of -- everything is transparent open to whatever we are -- whether it is a bidding process or this or that. So what it does for us is it gives us a quicker ramp-up in our inventory. Our objective to do these PPP is to ramp up our inventory faster than what we could do otherwise.

Ankit Kanodia: Got it. Thank you so much, sir. And, sir, in one of the recent brokers meet, our M&M top management people mentioned something like this that we are exploring growth opportunities in subscription-based model. Is it -- is my understanding correct? Are we looking something in that area?

Kavinder Singh: I would not be able to comment because I am not able to understand what you're saying because ours is anyway a subscription-based model. We have an upfront commitment and then an annual fee. That's the model we anyways operate today. So I'm not able to relate to your question as of now.

Ankit Kanodia: Sure. I'll maybe I'll get back to you on e-mail related to the question sometime later. Sir, one last one. A couple of participants already talked about that, which is a metric you already very clearly explained about the operational metrics which you look at. But when it comes to investors, is it right to think, I'm just asking you, I may be completely wrong, where we are in the business place, all our costs are front loaded, and our incomes are distributed over 25 years or 15 years, depending upon the tenure of the membership.

Cash flow from operation or maybe free cash flow would be the right metric to judge as an investor because cash flow is what will give us an idea as to how many members are coming and giving you cash and how much you can invest that cash for new inventory? And how we can also track numbers like this deferred revenue, would you like to comment on that? Would that be the right metric for investors?

Kavinder Singh: So I would say that, and I mentioned this already, that cash is definitely an important metric for us internally as well as externally. We talk about it a lot. Second is deferred revenue. You could also look at deferred costs and net deferred revenue, which we calculate internally. And the other thing which is very, very important for us to deliver profitability, including, obviously, generation of cash, is how well we are engaging with our members, and that is where occupancy is very critical. It may be an operational metric but very, very critical metric for us because we know how it affects our business.

The other thing is that cash is also generated when you are able to get a member with higher down payment. I mean same number of members if they came with lower down payment, you will not generate enough cash. So I agree with you, cash, deferred revenue, are very critical metrics apart from the operational metrics that we talked about. And the other thing for us which is sometimes not properly understood is that how are we really keeping our costs in control. Again, it affects cash, I'm agreeing with you, and therefore, particularly the cost of acquisition because those are very important cost for us and how we have very smartly brought down those costs.

So I see, if I look at business as a whole, so my habit is to go into literally all the angles. But if you want to remain focused on financials apart from income EBITDA, PBT PAT, definitely deferred revenue and cash are the 2 additional metrics which should be sort of seen by you to see how we are doing. And these are the ones which we have been doing very well actually year-on-year. Even in the last year, we delivered very, very good numbers on these. And you're right, sometimes they get missed in this whole discussion.

Ankit Kanodia: Thank you so much, sir. And all the best for the future.

Moderator: Thank you very much. In the interest of time, we will conclude the call. I would now like to hand the conference over to Mr. Singh for closing comments. Over to you, sir.

Kavinder Singh: First of all, I would like to thank all the participants. We really appreciate the fact that even -- despite the fact that we were not able to upload the investor deck as well as the results sufficiently ahead of time, I saw very significant participation, significant interest. I have always said that we, as a team, learn from these interactions and it keeps us sharp. We keep -- based on your questions, we also think on various things that may have escaped our attention. And I have made this point all through in all my analyst calls that I, along with my team, we end up learning a lot, and we really enjoy your continued patronage.

And I want to confirm this to you that the company is on a very solid footing with the deferred revenue, cash on hand as well as the plan of doubling the inventory. So on that note, I would like to say thanks to all of you for this particular session and the time that I've spent with you in the earlier sessions. Thank you.

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