



“Mahindra Holidays & Resorts India Limited Q4 &
Annual Results Conference Call”

April 26, 2012

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Moderator

Ladies and gentlemen, good day and welcome to the Mahindra Holidays and Resorts India Limited Q4 and annual results conference call hosted by Religare Capital Markets Limited. As a reminder for the duration of this conference, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need any assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Gaurang Kakkad of Religare Capital Markets. Thank you and over to you sir.

Gaurang Kakkad

Good afternoon. On behalf of Religare Capital Markets we welcome you all to the Q4 and FY12 earnings call of Mahindra Holidays & Resorts India Limited. From the senior management we have Mr. Arun Nanda-the Chairman of the company, Mr. Rajiv Sawhney-the Managing Director and Mr. Alope Ghosh. Without any delay further I would like to handover the floor to management for their comments. Over to you sir.

Arun Nanda

Thank you. Good afternoon ladies and gentlemen. My name is Arun Nanda, I am going to give you few introductory remarks and then hand over to Rajiv, the managing director of the company. Some of you I have met in the past and I will reiterate what I had said earlier that any company which goes through the sort of growth phase that we went through has to occasionally pause, consolidate and move on before they move into the next level of growth and I had told you two years ago that we will be spending in the next two years on consolidation and I'm extremely pleased to tell you today that we have a new team headed by Rajiv. Rajiv will complete 12 months at the end of this month, he joined at the 1st of May and we have few other very bright people with us including Indranil Chakravorty who is the Chief Marketing Officer, Alope Ghosh-the CFO, Sujit Paul who is the member, Relations Head and the list goes on. The good news is that the current team has come up with lot of vigor. We haven't lost any key person; I did not want to lose. I had to ask the Managing Director to go for certain reasons which I don't want to get on to this call. The best thing that has happened to me is they have concentrated on systematic growth; they have brought in lot more energy into the company. I can see the vibrations when I walk into the office of Mahindra Holidays and more important the team has got a complete hang on the business and I don't have to get involved in anything except policy. The results of that last year is as expected because I had told you that that was a year of consolidation because we changed lot of system, processes, certain extra cost were incurred in those areas and the future looks very optimistic. I'm beaming and I have shared it with my seniors in the parent company that I think Mahindra Holidays is where I would like it to be. With these few remarks I will hand over to Rajiv to take you through the operating theme and we will be happy to field questions if the questions relates to the larger vision I will be very happy to comment, if the question relates to the operations and operating decisions then I will lead to Rajiv field those questions. Thank you.



Rajiv Sawhney

Thanks Arun. Hi everybody this is Rajiv Sawhney, I may not have met many of you, I was in a completely different business in the last 12 years before this which is Telecom and this is my first in this industry but we personally and with my team we are happy with what we have been able to do in the last year. We came in and we took a look at what needed to be done and clearly as the company we had got and this is a conversation Arun and I had within the first couple of months when I had joined. As a company we were doing the most difficult part the best which was the hospitality piece. We promised people memorable experience; we have been doing that exceedingly well. Every member has been giving us an A+ rating on their resort experience, on the kind of holidays that they enjoy, on the properties that we have. However if looked at an end to end basis and this is something which the online social networking media besides you would if you google us capture is that we were not consistent when it came to the acquisition piece and certainly when it came to member relations specifically within that booking, booking was like almost a nightmare for people. They could not having paid up front, there was a frustration level which is palpable, which is understandable that they could not get booking every time they needed and our diagnosis of that is that the lack of bookings was caused by the fact that our inventory needed to be spruced up while demand had grown significantly, supply lag for particular period of time and equally the booking process, the technology behind it, the platform which is required was not supporting enough and our member engagement is left something to be desired. So what we did was this, we first told ourselves, our team that it would be members first. A members are the ones who have given us the money upfront so their priorities, their needs come first and everything else would-be subservience to that. So we blacked out during the peak period, the onetime guest that we used to accept from time to time which part of the mix business model and we will come back to that, I'm happy to answer that in the Q&A that we are mixed views company but we are focused on members first. So we blacked out the onetime guest even for our own members we did not encourage them bringing their guests so sending their guests across because it was our belief and contention that our members must get their booking and we opened the booking online late November which is a far more transparent exercise which is something which people are much more comfortable with and we are very happy to say that already 13% of our total holidays that have been booked are actually happening online. This is the number which we have seen steadily increase in the last couple of months and we expect it to cross 50% mark in the next six months period or so that's the way would like it to go. At the overall level we have seen a 25% growth in the total members holidays, in the total number of holidays voucher that we issue to our members when the book so that have been a change. On the resort which is inventory we are already shared in our press release which you would be familiar with now, we have added 485 rooms during the last year; significantly we have added 285 in the last quarter. We were continued to be committed in the long-term, build our own resorts that is where the value creation is, that is where we are completely in control of the environment of the experience that we are able to deliver. However in the immediate piece we have bought resorts where we felt it make sense, we have also leased resorts but wherever we have leased we have leased the entire property so we can be in control of the entire experience. Equally we have invested in technologies, in the property management system which has gone



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live in one of the properties which is now being replicated which is an easy part. Over the next couple of months we should see the property management system live across. What it will do is help us to extract better so even the last minute cancellations which invariably happen, we will be able to manage our system much better and get a better capacity utilization as a consequence of that. Efforts are under way for the new CRM that's Customer Relationship Management and SAP, finance for the VRP side. So all these systems really would bring us in line with a way any corporation of our size should be, it is a slight lag in us moving into this direction which is something which we have done. The experience the member would have with us this technology will enable us to be in line with airlines or credit cards or anything else the people consume.

Overall our focus will be on India and on Indians. We will certainly look towards neighboring countries which have economic will become closer to India in the last year or so. Thanks to budget carriers like Indigo and Spicejet flying now to Bangkok, equally to Colombo and to Dubai and KL. These are places which we feel while our tie-up with RCI helps our members to visit these places and go for holidays. We would like to replicate the Indian experience, give them Jain food if you please or give them Indian greeting and Indian hospitality, something that they are used to that is something which will be focusing on. We will look at aggressively exploiting our current land bank and building a land bank which should over the next couple of years see many more properties go on stream which would be built and created and conceived by us. We have in the pipeline Virajpet near Coorg which we expect to go live around Dushera-Diwali this year and at the overall level we have a new team as Arun mentioned. We have team with experience from companies like Unilever from Citi Bank, from Tech Mahindra. So we are well on our way and at the overall level let me say this that the potential that is business shows, consumption story of India never minds the 6% growth. I'm saying 2.5 million cars are being-sold every year as we speak and when you look at that in context we sitting at less than 150,000 members there is really miles and miles for us to go to. What we will certainly be doing now is focusing on mining our member base. 150 K or thereabout is a critical math where we from all that I have shared so far will concentrate and focus on making these people happy, making them delighted not just with the resort experience but in an end to end experience. As that happen these are the people who are going to give us reference of the like-minded people which will certainly accrue to us at a far lower cost of acquisition which is where when we hit the sweet spot. I will request my colleague Alope Ghosh who is the CFO of the company to share with you the key financials.

Alope Ghosh

Thank you Rajiv. Good afternoon to all of you. I may as Rajiv just mentioned met the few of you last month along with Rajiv but hello to all the others who I have not. Most of you would have seen a press release yesterday but I would just take you through the snapshot of the full-year results and Q4 results. So start with as far as the full year is concerned, the annual total operating income stood at 622 crores for the year ended 31 C12 as against compared to 522 crores last year which reflects the growth of 19% year on year. The PAT was 105 crores, the profit after tax in the year 12 as compared to 103 crores last year. The basic EPS for the year



stand at Rs. 12.49. As Rajiv just mentioned the inventory reported a 31% increase compared to last year taking the total inventory as of 31st March to 2049 and as all of you would have seen in the press release the board declared dividend of 40%.

Now coming to the Q4 results, the total operating income Q4 increased by 19% to Rs.188 crores for the quarter ended 31 C12 as against 159 crores over the sequential quarter ending December 11. PAT, profit after tax stood at 37 crores up 41% for the quarter ended March 2012 as against 26 crores sequentially for the quarter ended against 31 2011. On a year-on-year basis for the quarter the total operating income for Q4 was 188 crores as against 166 crores for Q4 last year which is a growth of 14%. PAT or profit after tax was at 32 crores versus 40 crores last year. From continuing its rapid expansion MHRL increased its resort network to about 42 and added 485 rooms which was already covered by Rajiv previously. This gives the single year increase of 31%. The company also had a gross member **addition of 21,976** and cancellations of 3887 leading to a net addition 18,089 for the year. This is a growth of 18% in net member addition compared to last year. The cumulative member base has at the end of the period moved to precisely 1, 43,258 so this is in brief the financials for the quarter and the year. Now I would leave it open for questions.

- Moderator** Thank you very much sir. We will now begin the question and answer session. We have the first question from the line of Chetan Wadia from JHB Securities, please go ahead.
- Chetan Wadia** Sir I need some balance sheet numbers, what is the deferred income as of March end?
- Aloke Ghosh** It is approximately 1100 crores.
- Chetan Wadia** What is the cash in debtors?
- Aloke Ghosh** Debtors is about 881 crores and cash is 130 crores.
- Chetan Wadia** What was the occupancy percentage for the quarter and for the year?
- Aloke Ghosh** Occupancy for the year was 77%.
- Chetan Wadia** Can you give me the breakup of the revenue for the quarter in terms of rooms, for food and beverages and holiday activities?
- Aloke Ghosh** This is for Quarter 4 right?
- Chetan Wadia** Yeah.
- Rajiv Sawhney** Room was 3.89 crores, food and beverages 9.75 crores and holiday activity and others 5.02 crores for the quarter.



- Chetan Wadia** If I'm taking the number correctly, for the quarterly revenue stands at around 188 crores?
- Aloke Ghosh** Operating income is 188 crores yes.
- Chetan Wadia** Can you give the breakup of PAT?
- Aloke Ghosh** PAT for the quarter?
- Chetan Wadia** If I am taking number correctly 3.89 crores, 9.75 crores and 5.02 crores, can you give the breakup of 188 crores?
- Aloke Ghosh** 188 crores in addition to these what also includes income from sell of vacation ownership of time share income which is 126.4 crores, ASF or annual subscription fee as we call it is 26.8 crores, resorts income which I have already split it up for you is 18.6 crores. You have got it?
- Chetan Wadia** I got it.
- Aloke Ghosh** Resort income before and we have a CRS negative business which is small part which is 1.5 crores.
- Chetan Wadia** Sir my next question to you is been on what is your outlook on the number of members that you would like to have by end of FY13, number of resorts and rooms and all those operating metrics.
- Rajiv Sawhney** We are quite positive as the company, as a group we don't give guidance or forward-looking statements. But if you see the way we have gained momentum in adding resorts, in adding rooms that should tell you clearly where we have headed, what we're doing and if you read into that what we have just shared with you that the basic effort has been on consolidation and we have invested lot of time, effort and also a lot of money into that and this is where we are headed.
- Chetan Wadia** What level of competition do you foresee for yourself and how are you going to meet them?
- Rajiv Sawhney** Competition at some stage, a credible competition is bound to happen. We believe it is an industry with a huge untapped potential and the industry really should be growing in number of axis, number of multiples rather than the percentage growth and if we see potential I'm sure others also are equally wise, they would look at it. From what we know of the international space Marriott has spun of its vacation ownership as they call this industry into a separate unit in September last year. We do believe that they are looking actively to expand into new geographies, surely India would be there, we don't have specific knowledge of that and who else cannot, I cannot tell you. But at this point in time there is no credible competition; competition is something which we welcome. We believe with total resort spread of 42 resorts is kind of proposition we are able to offer to a prospect of a member people will find it very



difficult to parallel. Having said that with more players in an industry invariably the industry grows and we are happy to see the industry grow because that is something which would delight us.

- Moderator** The next question is from the line of Ambrish Sukhani from Amansa Capital. Please go ahead.
- Ambrish Sukhani** Hi everyone, a couple of quick questions on the balance sheet again. Could you just give me if I understand correctly in your balance sheet which gets published later, you do give a number of the total stock of securitized assets which are outstanding this recourse to you and if I understand correctly that was around 200 crores last year, could you give me a corresponding figure for this year as well please.
- Aloke Ghosh** We will just give you if you have another question.
- Ambrish Sukhani** Just one more question on the installment sales plan, could you just give us some color on the full-year FY12 as a benchmark of the total if you avail a total stock of sales that you did how much of that was really on installments sales and could you just talk a little bit about the commercial that we charge on this.
- Rajiv Sawhney** 85% or so would be on installments thereabouts, we charged interest rate which is certainly above the prime rate. Our average interest rate at this point of time would be in the 16 ballpark.
- Aloke Ghosh** It moves from 15 to 16 and does it answer your second question fully?
- Ambrish Sukhani** Yes sir and the second one just one more question, what is the total outstanding book because the reason I ask is I believe the balance sheet that you published with the press release there is some sort of different classification if you look at the annual report which gets published and therefore I'm just trying to time what is the total outstanding booked as of now people basically who have taken installments. i.e. the loans outstanding in the balance sheet.
- Aloke Ghosh** The reason why you see it difference is you know that there is a change at the Indian accounting standard under schedule (Vi) wherein we have had to classify the debtors who are short-term and long-term, short-term being defined as within one year and above a year. Now we have to add both these elements up the total balance sheet debtors would be 881 crores which would of course include EMI and annual subscription fee primarily that would be the major composition.
- Ambrish Sukhani** And is it fair to assume that the bulk of it is installment outstanding?
- Aloke Ghosh** That's correct and the first question which you asked the figure which you mentioned was 200 crores, this year the figure is 267 crores.



- Amrish Sukhani** Thank you so much.
- Moderator** Thank you. A kind request to participants to please limit to a maximum of two questions at a time. The next question is from the line of Arjun Khanna from Principle Mutual Fund. Please go-ahead.
- Arjun Khanna** Thank you for taking my question. My first question is in terms of sale of the vacation ownership, what is the average price that we sell at and how has that moved?
- Rajiv Sawhney** We're tracking to 3.1 lakhs now, it would be if you look at a year ago greater by about 7 to 8%.
- Arjun Khanna** So we haven't really increased it in terms of the escalation and insulation we have seen?
- Rajiv Sawhney** The average is a combination of the mix of seasons that we sell, of the size that we sell and as a rate at that we sell. We have withheld the Purple for significant period of time.
- Arjun Khanna** That's been offer a few years now.
- Rajiv Sawhney** That's what I was coming to. We would be now at we have as Alok pointed out increase our inventory by 31%, we would be now in a position to open Purple and our mix will become certainly much richer than what it was in the period under review.
- Arjun Khanna** My second question was in terms of the Pawna lake or the Tungi or Lonavala whatever way you call it, what is the status on that because I understand at least from sometime back it was supposed to be taken online, we haven't had any update on that, you did mention Coorg Diwali, any idea on the Tungi?
- Rajiv Sawhney** We should be getting the occupancy certificate, there are two levels of certification which are required before a property is allowed to go live, we receive the first, we are hoping to get the second one which is the final one in the next month or so. In the meanwhile since we have not received the second one what we have been doing is that we are taking people by invitation to check out our resort to experience and the experience has been a big thumbs-up from our members who have been very happy with what they see.
- Arjun Khanna** How many rooms will this be and how many rooms with Coorg be?
- Rajiv Sawhney** Coorg is estimated up to 220, I talked about the new one sorry, I think somewhere we have cross minds. Coorg is actually Virajpet the way we call it because that also in Coorg yes so that will be about 150 and Tungi-lake Pawna is about 160.
- Arjun Khanna** Thank you so much.
- Moderator** Thank you. The next question is from the line of Srinivas Rao from Deutsche Bank. Please go ahead.



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Srinivas Rao Thank you very much, this is Srinivas here. Two questions, first could you throw some light on the relative where you're getting your customers from in terms of is it meant that top-10 cities or is it beyond that so that would be my first question.

Rajiv Sawhney Our sourcing still relies heavily on the metros which is good news if you look at it that we have not concentrated enough. There is a huge extraction to be done in the Tier II towns which is where money, aspiration, willingness to spend and we have had some conversations off-late with the people like Cox & Kings etc where we find that the growth which is coming from Rajkot's or the Kanpur's or the Allahabad to name a few second stream town a significant and that is where we would be the graphically expanding our business while we have some kind of our presence, it is not good enough for extraction.

Srinivas Rao At this stage maybe something like excess of 60% is sort of so to say from metros, will that be a fair assessment?

Rajiv Sawhney Thereabout yeah, a little more actually it will be higher.

Srinivas Rao And any trends what you call on the consumption side in terms of how people actually spending on the resorts, not just they are taking upfront money but do you any trends of spend in the resort itself?

Rajiv Sawhney We have had good experiences when we have actually taken prices higher when it comes to food and beverage, when it comes to the spa again we have seen a good elasticity and good trials so put it this way. Overall the willingness of people to spend more money as long as you can give them good value, as long as you can give them a good excuse is pretty much there. People have a lot of time on their hands when they holiday so we need to provide them with more creative ways of taking money out of their wallets.

Srinivas Rao And one final question is between the two years 2011 to 2012 if I compare the big jump has been on employee cost and to some extent your SG&A and if I do your SG&A cost as we do in telecom some gross cost to the customer add kind of a metric that has also moved up so any view on how this trend will behave on this particular metrics and again a commentary on why the employee cost has jumped up so much?

Rajiv Sawhney It was of build year as Arun mentioned right in the beginning, actually this was a year where we have made our organization, our company future ready so we did invested in increasing the horsepower and at the overall level going forward I did mentioned about mining our member base, about the fact that having reached close to 150 K being a critical mass. It is their experience which is going to lead to a high referral and referral acquisition really come as at a far lower cost. We are this year going to focus on specifically on-site sales that's the euphemism that we used for sales while at the resort. We see an opportunity a) to sell to our existing members either in second week or upgrade them to a bigger unit or b) to a better season all of which would be at a lower cost of acquisition if it is on-site. Equally members do



travel with guests, family members that the opportunity for us and corporate sales. We have a lot of large companies like Citi Bank and StanChart, HDFC to name a few who buy from us in bulk, who buy membership points. We see a huge future in marketing to them and there is a follow-up benefit there companies who took corporate membership and therefore send their employees for three days or five days as they were entitled for holidays, we saw their employees having a great experience at the resort, comeback and be happy to buy a personal membership in addition to that. So to your point that is this costs trend something which is the new normal, no it is not, it is a catch-up year. We need it to invest in horsepower and we expect from here onwards cost as a percentage to overall certainly to come down.

Srinivas Rao

Thanks to Rajiv this is very helpful.

Moderator

Thank you. The next question is from the line of Hitesh Zaveri from BSL. Please go ahead.

Hitesh Zaveri

Thank you and congratulations to the management team for a much better quarter. My question pertains to the ASF, you mentioned that the quarter it is 26.8 crores, can you tell me what is the number for the whole year number one and how does it compare with last year and what kind of percentage increase what introduced here in terms of making it inflation adjusted?

Aloke Ghosh

In the current year that is the year ended March 2012 number was 93 crores and for the year ended March 2011 the number was 72 crores which means a growth of 28% in this number and what was your second question?

Hitesh Zaveri

Second question is whether you increase the rate of ASF during the year and my another question here was how many membership paid you indicate 93 crores versus last year, how many paying members are there?

Aloke Ghosh

Like any other companies our accounting is based on accrual accounting so the number which I gave you is the accrual for ASF. On how many members paid we generally don't share that number, what has been paid.

Hitesh Zaveri

But you have raised the ASF rate this year versus last year?

Aloke Ghosh

Yeah.

Hitesh Zaveri

And how much is that by?

Aloke Ghosh

By about 10%.

Hitesh Zaveri

And for this 3900 odd members that we have removed for the whole year what is the accounting implication of that?



- Aloke Ghosh** Accounting implication would be that we would have debited the revenue recognized in terms of what we have recognized before. But whatever has been paid by them these are into cancellation income. So there would be reversal for 60% of the income which we take into the books for those cancelled members. But at the same time whatever they have paid assuming that is not to be refunded to them, we take it into cancellation income.
- Hitesh Zaveri** And lastly could you tell us about the customer acquisition in terms of the trend that you are seeing in the recent months, many of your resorts have recently gone on stream so in terms of sales effort could you share some of the initiatives here?
- Rajiv Sawhney** The initiatives I will just repeat what we have said we would be focusing on selling onsite which is at the resort itself where the people are holidaying, on corporates, on mining our members, equally on newer geographies. The earlier question somebody asked what is the sale in metros versus the smaller towns so we see a huge potential in the second level of towns in India as they gain the confidence, as they realize that they are future positive and they are willing to invest money on experience having graduated to be evolve from spending money on product. Does that address your question?
- Hitesh Zaveri** So one of the initiatives last year was to make sales person get customers which are more aggressive in terms you have increased from 10 to 15% the down payment reducing from 60 to 48 months as the maximum period for installment and hopefully you were getting better quality of customers and sales efforts were low-key as you add the rooms now as these things are addressed plus your IT system seems to be mostly in place. So whether would we see some push at the ground levels in terms of getting the customers?
- Rajiv Sawhney** The answer for your last sentence is of course yes. The discipline and the rigor which we had incorporated we will continue to be so and we will continue to be focus on that.
- Hitesh Zaveri** Thank you very much.
- Moderator** Thank you. The next question is from the line of R Shankar from Hamsburger. Please go ahead.
- R. Shankar** You said you have 143,000 members, how many of them would be either fully paid or current on the EMI and second is if they assuming they all are we are looking at a million room-nights for 100% fulfillment and with the kind of ramp-up they arise in ASF which we have been linking to WPI sometime, I presume a lot of member who would want to take the night. So when do you see yourself reaching some acceptable levels of fulfillment?
- Rajiv Sawhney** Let me just share with you the broad maths of how the rooms convert into members and stuff like that. At 143 K we have 22 K members that we have acquired in the last one year so they have not yet to reach the holiday start date so they are not eligible yet to take a holiday because they must pay me a certain threshold amount of money before they get eligible for a holiday so we get to a number of 121. The typical behaviour as we see, we see it in airlines



with frequent flyers miles, we see it in banking and more so we see it in traditional timeshare which is a very old industry relatively in the US, we see it in our own business. Typically 70% or so of all members exercise their right in a given year. So if one was to take a factor of 0.7 to 121 K eligible member base we come to 84,000 people and if one was to divide that by 50 that being the number of weeks for which their entitlement is our room requirement comes to number of 1680. We currently have 2049 rooms available to us. So at this point in time we are in our opinion ahead of the curve when it comes to total inventory that we have. Yes Christmas time or there is a peak requirement which is there for every category, it is there for a restaurant on New Year's Eve, it is there for a dining out on the 2nd of January to Northern America, etc, that would remain. So basically we believe we will continue to be aggressive in terms of the inventory additions that we need to do going forward because we need to be ahead of the curve and typically we would like strategically to be six months plus ahead on the supply side compare to that demand. Does that address your question?

R. Shankar

But in terms you well-balanced in terms of the seasons reclassification is like the number of Red weeks and inventory versus a number of Red members?

Rajiv Sawhney

Reasonably but let me answer that also what happens, a member is entitled for a particular season. People can go one up which means a red can given to purple but he gets lesser number of days or purple can go at any point in time. So we will be like I said with our new CRM and with the property management system we would be engaging with our members much more going forward, in fact our new website should go live in April we will started at this point in time and it would be interactive, it would suggest people how to plan their holidays. Where this would help us is on equally in reshaping demand so if you as a Purple member are entitled to one week of a holiday in a Purple period, of course you can get twice or even 2.5 times a number of days if you choose to go in an off-peak so that cross balancing also happens and we would work with people to make sure that the desirability of other locations that we have acquired, we need stories there, we need travel writers to engage with clients and talk about how those destinations are exciting because in people's mind what has got embedded over a period of time are a few destinations. There are other destinations which are equally worth holidaying in and that's what we will be working on.

R. Shankar

But from a larger point with the ASF which is pretty much linked to WPI for some years now and if we take certain finance cost on the lets say a medium charge of 3 lakhs a week so 30,000 plus, you are talking of about almost about 5000 plus room-night for a member and does that attract from the value proposition of the time share?

Rajiv Sawhney

It does we can share with you offline separately how the economics work. Basically in year 09 customer really in the money from a commitment point of view after taking into account the interest cost and the net value of money. So we can have a separate conversation, you can have with Alok, our CFO, at some point in time.

R. Shankar

Thanks.



- Moderator** Thank you. The next question is from the line of Miyush Gandhi from SBI Life Insurance. Please go ahead.
- Miyush Gandhi** Good afternoon sir, congratulations on a very good set of numbers. If you could help me reconcile the room addition, in the press releases mentions you have 2049 rooms at the end of March but separately mentioned you have 485 rooms added in the year but these numbers don't match, because last March we had 1624 rooms. So the 60 rooms is something which I'm unable to reconcile.
- Aloke Ghosh** The 60 rooms we gave up 3 resorts where the period of lease was over, one was Kanha, Ranthabore and Osian. So that 60 rooms are in those three resorts.
- Miyush Gandhi** So 485 is the gross room addition and 60 rooms is the rooms which lease got over?
- Aloke Ghosh** Correct.
- Miyush Gandhi** By the end we have 2049 rooms?
- Aloke Ghosh** That's right.
- Miyush Gandhi** So net-net 304 odd rooms that we added can you tell us where have been these rooms added and if can I get some light on that?
- Rajiv Sawhney** There are 10 destinations, Goa being one of them, Kanakal being one of them. In Sikkim we have added, we have added them in Massouri, in Jaisalmer it's a spread.
- Miyush Gandhi** So these are new locations, from a holiday perspective we're getting newer locations to offer?
- Rajiv Sawhney** That's right.
- Miyush Gandhi** And one more thing if you could give please give us the exact number of eligible members. Last quarter if I remember there were 95,000 members eligible if you could help us with.
- Rajiv Sawhney** I don't think we share that metric.
- Miyush Gandhi** Also if you could tell us if there was any securitized income in this quarter?
- Aloke Ghosh** Yes there was a securitized income; the amount was about 3.7 crores for this quarter and 6 crores for the year.
- Miyush Gandhi** Thanks a lot.
- Moderator** Thank you. The next question is from the line of Aiyaz Motiwala from Samina Capital. Please go ahead.



Aiyaz Motiwala Good evening gentlemen. Just one question which was asked before on the way the customers looks at and the numerical breakeven is nine years, etc. On your experience of having acquired 143,000 odd customers, do you think that you marketers and the customers actually come in and do the math and that's the way this product is sold or people can understand that this effective cost of the room is in the range of Rs 3000-Rs 4000 currently with one part of it going to inflate at 7 to 10%?

Rajiv Sawhney People don't sit down with an excel sheet when it comes to decision-making. It is the emotional product, it is the commitment of time to your family, its commitment to yourself that I will spend this, I'm putting this money and therefore I look forward to exciting times going forward. So it's a combination of the factors, is the credibility of the Mahindra Group, more important it's the experience which the Club Mahindra team delivers which is available to people to date at a click of a button, everybody 6° of separation people know others, they are in the social frame, social strata so they pretty much are in touch with others. It is not a decision which people makes on the spot, people do make phone calls talk to other members about how their experience has been, what would their advice be, etc., so it's a combination of factors which results in their decision making. It is not just economics because they are not investing in it for commercial purposes. There is a self which is involved, there is a family which is involved and that's what is a very important piece.

Aiyaz Motiwala At sort of current average membership cost and the average annual service fees if one were to do some very basic numbers the effective cost of room-night is under Rs 3000 for your type of resort product. So what are the competing range of products which people evaluate before they take a decision to commit money 25 years?

Rajiv Sawhney I don't think people are comparing shall I spend money on this. I think if anything it is shall I remain free floating, shall I take a decision every time I wish to go on holiday and then decide what I will do or shall I commit myself that one week in a year I will holiday with Club Mahindra. That is something which people look at. It is not a across product category.

Aiyaz Motiwala It is more of a perception sort of a question is how much of Goa, Kerala, Coorg, etc., can be done so you have 42 resorts as you last spoke and you talk about writers, talking about destinations etc. How do you work towards building that in the heads of customers that this is not just three resort phenomena company?

Rajiv Sawhney There will be and is happening as we speak a democratization of people's choices, a secularization of where they wish to go and really experience in a place is what gets more people to the same place. As a company we are responsible to have put Munnar around through the map of tourism really because there was nothing when this company went in, have the courage to invest in the resort in that location. So equally what is important is access to a place, and what they can do over there, what is the kind of experience they can get from a place and of course climatic conditions to play an important part and there is word of mouth. Ultimately as you know in the social networking media world that we are living in, all



researchers are now pointing out to the fact that you are more likely to buy something not because of advertising but because of what your facebook community is doing. So if your friends on facebook are buying a new Nike Air you are more likely to buy Nike Air because that is the influence which is more important than advertising and word of mouth is going to be the key. So come back to the point I made earlier. That is it is those 150,000 members who need to sing praises of ours on an end-to-end basis and not talking only about the resort experience. If their booking experience has been wow, if their engagement with us has been good, if their holiday planning has been good that is what they will talk about as much as the holidays that they went for. Does that address your question is somewhere?

Aiyaz Motiwala

Sorry if I can just ask a very quick last question related to the members. The members have moved from 100 to 150 over the last two to three years. So you use the word critical mass at 150,000, may be 120 itself is a good number. What is your sense on the level of frustration or what you call members who are sort of negative publicity for you, surely should be 10-20-30% of your member base who have had this perception of not being able to get rooms and that have been talking down the product and how do you solve this longer term issue for the company?

Rajiv Sawhney

Nothing which changes the perception faster than reality and reality. Our reality has moved, there is always a lag between reality movement and the perception following and that will inevitably happen. We are quite confident of that and the only frustration, the only unhappiness, the single thing on which they have comments to make are that they cannot get their holiday and the whole process is not exactly the most transparent which is why online, which is why more inventory, which is why better extraction for the property management system and that is where the whole thing is coming together.

Aiyaz Motiwala

Thank you gentlemen that is it from my side.

Moderator

Thank you. The next question is from the line of Nikhil Vora from IDFC Securities. Please go ahead.

Nikhil Vora

This is Nikhil Vora here. Just couple of questions, one was you anecdotally referred to the card sales potential in India and thereby potential for holidaying and stuff. The fact is that there is a stimulus required for card sales which I believe in the last couple of years we have actually moved out for the sales portion we are doing is actually out of system incrementally. So how do we really create a stimulus for ensuring that the growth rate starts to grow in multiples rather than percentage?

Rajiv Sawhney

Like I mentioned it will be from our side a multi-pronged approach, the new segments will be corporates. The new segments will be our own member base itself we would mine them, for themselves to buy a second week or to upgrade to a larger unit or to a better season, equally referrals from themselves for their friends and families and we would get into newer geographies. Those would be the key changers and it is not. The coming that I made was that the current card sales is that much, the card population is 15 times of that. So in terms of the



potential for this category, people who have moved from visiting friends and relatives to paying for their holidays is a substantial amount of people arriving into a bucket where they are saying 'hang on, it is my life, there is a stress that I have, my wife works, I work, I must go on holiday I must decide where I go, I must pay for it' that is the kind of people who are coming into this category apart from a huge amount of people who can afford this category. But one thing or the other that kept them away. When they have come closer, they have looked at us; they have had a brilliant referral. One thing which is kind of kept them say 'hang on this booking thing let's just find out more, let's just wait and watch' which is the one deterrent that we have been focused to remove or minimize actually.

Nikhil Vora

Second was on just incremental dip that we do so, are we planning is to still go lot more Indian in terms of number of resorts that we do or go slightly more regional that you did talk about earlier, but should we see a material product mix change as we go forward and thereby of our ability to charge a higher ARPU so to speak in our pricing?

Rajiv Sawhney

We will be committed to focus on India and Indians. Indians start going into rugs to Colombo because peace has come there. We must have a resort there, if Indians are going to go rugs to Bangkok and Pataya we must be present their equally in a place like Dubai so that is what it is. But our primary we will be very tightly focused on India and Indians.

Nikhil Vora

And just lastly on the incremental, how do we develop incremental supply side. Are we looking at still continuing with land ownership or spending in a lease rental model or a JV and stuff, what is the plan now?

Rajiv Sawhney

In the medium-term our preference is land and land. I have mentioned that earlier, we will build our own resorts. As a bridge we are happy to make opportunistic buys where possible and if required we are not closed for leasing which is what we have done. But we will always if we lease, lease the entire property ourselves. So it would be a mix given the timelines, given overall mix of what we have. But we would remain six months ahead of the demand side on the supply.

Nikhil Vora

Congrats and all the best.

Moderator

Thank you. The next question is from the line of Grishma Shah from Envision Capital. Please go ahead.

Grishma Shah

Good evening sir. I just wanted to know if you could tell us over the medium-term what is the number of rooms or inventory that we are planning of, kind of CAPEX that we are looking at?

Rajiv Sawhney

Like I mentioned earlier as a group philosophy of the company we don't give guidance, we don't give future looking statements. What we are saying is judge us, see what we have been doing in the recent past that should give you a fair indication of what our appetite, what our aspiration is.



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- Grishma Shah** The reason why I'm saying is that we have made certain commitments say in Gujarat, etc., all of that that ultimately comes to a big amount. So I just wanted to know the time span that we are looking on.
- Rajiv Sawhney** You are talking for the timeframe for a specific thing like Gujarat?
- Grishma Shah** Yes.
- Rajiv Sawhney** We are in conversation with the government there. Once something fructify we would be happy to develop that. We are committed to developing more choices for our members, a wider choice of destinations, more exciting places where like I said the democratization of tourist destinations.
- Grishma Shah** Thank you.
- Moderator** Thank you. Sir we will take the last question from the line of Ambrish Sukhani from Amansa Capital. Please go ahead.
- Ambrish Sukhani** I just have a quick follow-up question to questions someone else earlier asked. Could you give a quick sense of what is the delinquency profile of your outstanding EMI based today? I don't know if you don't share that different bucket wise but could you just give some flavor of in terms of outstanding is on the installment plan, is there like an hedging analysis you could share with us give some color on how much is really overdue right now?
- Rajiv Sawhney** That is getting to a level of granularity which is kind of detail. I don't think we have been prepared for that, I don't think we normally share that. We will have to leave with that.
- Ambrish Sukhani** Thanks.
- Rajiv Sawhney** Thanks everybody.
- Moderator** Thank you very much sir. On behalf of Religare Capital Markets that concludes this conference. Thank you for joining us and you may now disconnect your lines.