



“Mahindra Holidays & Resorts India Ltd. Q2 FY13  
Earnings Conference Call”

**October 22, 2012**



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**Moderator**

Ladies and gentlemen, good day and welcome to the Q2FY13 Earnings Conference Call of Mahindra Holidays & Resorts India Limited hosted by Religare Capital Markets Limited. As a reminder, for the duration of the conference, all participants' 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 assistance during the conference call, you may signal for an operator by pressing '\*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Varun Lohchab of Religare. Thank you and over to you sir.

**Varun Lohchab**

Thanks, Lavina. Good afternoon, everyone. On behalf of Religare Capital Markets we welcome you all to the Q2FY13 earnings call of Mahindra Holidays and Resorts India Limited. From the senior management today we have Mr. Rajiv Sawhney – the Managing Director and Mr. Alope Ghosh – the CFO. Without any further delay I would like to hand over the floor to the management for their opening remarks. Sir, over to you please.

**Rajiv Sawhney**

Yeah. Hi, everybody. This is Rajiv Sawhney and Alope is there with me, Alope Ghosh, our CFO. The results are there with you people we shared them on Friday, a long weekend after that, but just to share the key points of what we have been talking about to you people in the last quarter and the quarter before that and what has been happening and part of what we have shared, 780 Rooms is what we have added in the last 10 months as a company since we went into the real drive mode in adding extra inventory. In the last three months, since the last call we have added 250 Rooms; we have bought three new properties through these 250 Rooms. We have made our first regional acquisition, we talked to the point that with the LCC, the low cost carriers making neighboring countries far more attractive, far more affordable, far more desirable, we would go out of the RCI blanket and not merely limit our offerings to our members to what they can get through the RCI exchange, we would also try and replicate the Indian experience and give them an experience in foreign locals that money cannot buy, whether it is Jain food, vegetarian food, the whole experience speaks. So we have acquired a property in Bangkok as we have a property in Shimla and a property in Kerala. Those are the three properties which add up to the 250 additional Rooms that we have to share with you this quarter.

In addition, on the inventory piece we are ticking off two new projects, two new Greenfield, one of them is in Goa and the other is in Shimla. And continuing on the pipeline that we have on the inventory side, we have a project in Virajpet which is in Coorg in Karnataka, which has been under construction. So that is traveling to a date line of going live in January. So with these three in the pipeline the Shimla, Goa and Virajpet we would be talking of additional 400 plus Rooms, out of which 100 or so are certain to go live around January while the process has been kicked off. We continue to look at building a land bank and we have identified a few options which we are currently having conversations and looking at the wisdom of going through the kind of locations. So we hope during this quarter to firm up something on the land



acquisition front which would add and make our existing land bank richer. So that is as far as the inventory addition piece is concerned.

On the member addition, let me first share with you what we have done to improve member addition. Inventory certainly goes a long way in helping us in changing gear. We have obtained a license to sell in Dubai. We had shared this as an opportunity with you people last time out that the season of holidaying in the UAE actually complements the season in India. So August is the time when they have holidays in the UAE typically and that is your peak time in India. So we through this license that we have now obtained will be having a full-fledged office in Dubai to acquire members, Indians, in the UAE, and as per our estimates there are about 12 million total Indians in the GCC, out of which in our TG we estimate about 20% of them to be there in our TG.

Overall, if you look at our numbers the member addition has not done well. The member value has done better than that. We have focused a lot on the realignment. Realignment means upgrades of existing members upgrading them to a better season or upgrading them to a bigger unit and which is why you see the gap between our top line and our numbers while the total member additions compared to same period last year are running behind. There is a gap of value of about 20%. But if you compare us with the first quarter which is April-March then our member additions have accelerated over the period, April to March.

Plus the ground conditions are far more favorable because of the announcement of new properties, because of new properties going live. We are seeing the overall occupancy levels are better by about 4 percentage points over the same time last year, even though this year season is delayed by a month because all the holidays, etc. are actually running one month behind with Diwali and Dussehra being staggered. When you look at the social media, when you look at the satisfaction scores, when you look at the complaints levels, when you look at what people are saying on TripAdvisor, etc. on all those parameters we are moving positive. And we are seeing higher movement in the reference levels. Indication of that is we are seeing that our cost of acquisition is beginning to drop like we had forecast and you will see the full effect of that in the coming quarter where the variable cost of acquisition would come down as a percentage, which obviously would have a direct impact on the margins.

On the IT side, we have successfully moved over to SAP. This is a period of consolidation where execution will be the key but during this quarter we would see really the convergence where the new property, management system which went live and is doing well, the SAP and Siebel which is the CRM piece, they have all combined together for us to have to get a single view of our members of what they do, what they will require which would help us in the evolution that we talked about, which is moving from a transaction with our members to engagement to holiday planning. Already we have seen a website going through two upgrades since the last conversation we had on the call a quarter ago. Our website features versatility, the intractability of that has resulted in online continuing to do well equally. We are now able



to provide our members with far better interactivity and which is helping in us better hits. Not only that people are seeing the transparency and getting more of their problem solving in that, over a six-month period plus we expect to see on a per member basis the total call traffic really come down and more people using the websites for their interaction, and like we had shared earlier we remain committed within this financial year doing more than half of our member bookings online and all conditions are favorable for us to be moving in that direction. So that's pretty much a broad summary of what I wanted to share from my side. Alope, would you like to add?

**Alope Ghosh**

Yeah. What I will do is just like every time I would just give a little bit briefing about the results and give you certain breakups which you always ask for so that you have relevant information -- and good afternoon to all of you as I speak. So just to start off as far as Q2 is concerned you would have seen our press release but I will get into specifics here. So we are talking of an operating income for the quarter which was Rs. 165 crores Vs Rs. 148 crores in Q2 last year, so which depicts a growth of 11% year-on-year. Including all our other income the total income for the quarter is Rs. 168 crores. So I will also give you a breakup of the operating income. So the operating income includes the income from sale of vacation, ownership or what we call as "Time Share Income" which is 102 crores. Income from our resorts which means if we have sold it to one-time holidayers, food beverages, holiday activities taking together is 21 crores. The annual subscription fee is 28 crores. We have interest on others of 13 crores and we have the Travel business or the Ticketing business which we call as TRS and MHS which is 1 crore. So this adds up to the 165 crores which we spoke off. PAT for the quarter, as you would have seen from our press release, was 27 crores, which is up 12% year-on-year. Number of member additions during the quarter was 4162, to be precise, which takes our cumulative member base to 151K.

Now, if I do a sequential quarter comparison the operating income for the quarter this quarter was 165 crores versus 157 crores in the previous quarter which is a growth of 5% quarter-on-quarter. PAT for the quarter Q2 was 27 crores whereas we had 19 crores in Q1, which means the growth of PAT of about 42%.

Rajiv just mentioned about the inventory. He very specifically mentioned about Bangkok, Shimla. In addition to that we have had inventory additions in Jaisalmer in this quarter in Rajasthan, Banasura in Kerala and Yercaud. So taking all this together our inventory addition is to be precise exactly 2276 at the end of Q2. So this is what we have for Room inventory. Now, Rajiv if you have anything to add further, it is fine, otherwise we will get to a question and answer.

**Rajiv Sawhney**

I will just clarify on the inventory piece that the reason that people -- I am just preempting a question that we have also been culling our portfolio we have during this period given up a resort in Goa, for example, which was on lease called Jasmine, so those numbers have been corrected thereof. So the net numbers obviously include that which we have given up. So as



we have added new inventories which are largely purchased and in this quarter all of them are really purchased, but in the previous quarter we had also released all leases are the long-term leases, some of the existing ones we are taking a relook and saying, whether they belong in our portfolio or not, and therefore that is the correction that we have done. So yeah, let us have the questions now please.

**Moderator**

Thank you sir. Participants will begin the question-and-answer session. Anyone who wishes to ask a question may press '\*' and '1' on their touchtone phone. Our first question from the line of Rishi Maheshwari from Enam, please go ahead.

**Rishi Maheshwari**

Thanks for taking the question and congrats to Rajiv as well as Alope for the good set of margin hold that you have done. One and half years ago you have taken on a challenge to actually transform the company. To what extent have you fulfilled that desire? If you can give us some details in terms of the impact on the member additions that you intend to do over the period of the year, how are we going to tackle cancellations and what will be the status of our inventory at the end of the year?

**Rajiv Sawhney**

Rishi, we had made a departure from company and a group policy of not giving forward-looking statements on the last call by saying that in this year we will add 750 or so new units, and I would like to read the rate that we are on track on the inventory addition. On the larger piece when we engaged with you people a few quarters ago our message to all is that we would like (a) to remove inventory as an issue from the table when it comes to what members have to say about us, what the larger market have to say about us and we have in a focused manner gone ahead and added to our inventory and you can see the numbers. We also gave ourselves the task that we would like to focus on the end-to-end experience while we were delivering well and continue to do so on the experience piece. Once our members reach the resort more often than not I would say to 95 percentile level they have an excellent experience at our resort, but on an end-to-end basis it was not the case and which is where our focus equally while increasing inventory was through technology improving the touch points that they have with the company through member relations and there our effort was on evolving, moving it from a transaction basis to total solution provision to a higher engagement with the members and the technological pieces are in place and we are seeing already like I mentioned in my earlier statement that whether those are acquisitions through references, whether it is the overall mood of our members, whether it is the posting of the social media, on all parameters the needle has moved significantly. So I would say that the scene is set for us to now change gears without getting into specific numbers of member addition because the climatic conditions are there. We have worked towards the entire set of conditions that are required for us to accelerate our new member addition. We were, as we had shared nine months ago, not too keen on pressing on the gas on that one, because we needed to satisfy the conditions, so we are there as we speak and we would be now, I talked about briefly the UAE as new market where we would be engaging equally we were analyzing the Indian market and when we look at larger rich companies, Maruti would be in 600 plus towns and our group itself in



automobile is close to 300 towns by a similar benchmark we are as a company ourselves in no more than 50 towns -- and I am talking about just presence, I am not talking about the quality of the presence. So we are through the DSA route, which is the 'Direct Selling Agent' route expanding our reach and getting into new geographies. So whether it is getting into newer geographies or into newer segments we are getting new companies who are quite interested to sign up on our Fundays product. We had beefed up that wing of the company a couple of quarters ago, in April to be precise, and those are engagements will take time to fructify but we have some very active and very more than warm prospects in the IT space and in the pharma space where the companies are happy to engage with us to sign up to buy our memberships. So Rishi to answer your question that at the overall level, you also asked about cancellations, now let me first start by saying that cancellations in our business are financially never a bad thing for us but from a reputation point of view it is not a good thing if members who have signed up for our products wish to discontinue. Just to reiterate, we are as a company always on the money. There is no repossession of assets if in case of a non-payment of delinquency. So our analysis shows us that members who were canceling was merely because of either not sufficient contact with us on a stake or frustration at not getting holiday bookings when they wished. Basic conditions which have been addressed are being addressed. So we are seeing that when we are getting in touch with our older members -- members who were kind of dormant -- their willingness to reengage with us to get back we are seeing symptoms of that and we are quite confident that we should see movement on this parameter in the coming quarters. So read that as I am saying that we should see an improvement in our overall cancellation rate going forward because of the efforts that are being made not only in contact, but in the overall set of things the way they view us as a solution provider.

**Rishi Maheshwari**

If you can give us some sense on the pricing uptake that you had taken, how has that taken by your customers or prospective customers and when you go to newer markets or when you go through the direct selling route, is it any different from the standard that you maintain or is it the same?

**Rajiv Sawhney**

Pricing would be the same. There would be no change in the pricing. And we had taken like; we had shared earlier low double-digit price increase. We take a blended average to 10 to 11%; it was the price increase that we took in April. So that is fine.

**Rishi Maheshwari**

Lastly, a few data points, and the gross member addition in CMH and Zest and cancellation in each of those divisions and if you can also give the cancellation amount reversed in this quarter?

**Aloke Ghosh**

The total gross member addition, Rishi, was 4977 and the cancellation was 815, and the net addition as I told you was 4162. We will give you the split of this and CMH separately offline.

**Rishi Maheshwari**

Okay. And the cancellation amount that was reversed this quarter?



**Aloke Ghosh**

We do not disclose the cancellation amount exactly. I gave you the cancellation numbers which was 815 in this quarter.

**Moderator**

Our next question is from the line of Mr. Vineet Malu from Birla Sun Life, please go ahead.

**Vineet Malu**

Just wanted to know, you said that you want to remove inventory as an issue completely. So what is the kind of member-to-room ratio would you consider where this is not an issue any more?

**Rajiv Sawhney**

I think we are pretty much there as we speak because just to amplify what we had shared even in our call last quarter, 85% of our total members when they sign on, they sign-on on EMI basis, which is an installment basis and it takes them on an average into 15 months to become eligible. So on eligible room basis given the mix that we have, I think we are pretty much there. For real simplicity, if I had only one room as a company then I could theoretically have a maximum of 52 members, 52 being the number of weeks, and if you take away two for maintenance then I have the possibility of having 50 members for each room that I possess. Now here the caveat like I mentioned was that you have to take eligible members and not members who signed up with me because if somebody signs up with me today he would not become eligible for a holiday for at least – I mean the average blended rate like I said is 14 to 15 months. Having said that in a given year overall 65-70% of all members exercise their rights to holidays. Not everybody holidays necessarily. So we are not taking that as a basis for planning our room inventory. We had shared earlier and we reiterate that we would build and buy head of the curve and we would like going forward to be at least **(Inaudible) 26:18** earned curve and if that means that we have more Rooms available than the demand from members then we are happy to give those Rooms to non-members, the way we were doing it in earlier stage, remain consistent and stepped up with our thrust. All members combined are not in a position to fill up our total room inventory. We are in a good position then to offer the room inventory which is not so sold as hotel inventory and we would get non-members to come and stay with us which would not be a priority but it would be an add-on.

**Vineet Malu**

Just on this specific point, if we in the metrics of type of room and the season, so where would you still find there is sort of surplus or where do you see there is still the situation is tight and would you be specifically looking to add those type of room inventory or you would take a pricing action to balance it out, what is your strategy in this regard?

**Rajiv Sawhney**

Our approach is to have more supply, which is what you have seen in our action and in the last 10 months we have added, we are pretty much from one lakh we have gone to 1.5 lakh plus. And we are also sharing with you the three projects which we have committed ourselves to, where the wheels are turning.

**Vineet Malu**

So in the new room inventory that we are adding, is there a tilt towards specific room type that we are adding or it is generally across the board increase?



- Rajiv Sawhney** You would always like to look, if we build we will certainly build by the demand pattern that we have which is more weighted towards studio followed by one-bedroom and two-bedroom is nominal. So it is heavily weighted in favor of a studio but when we buy then of course the choices that we have get limited to what is available. So yes, when we build we would like to build more of studios and a mix of studio and one bedroom.
- Vineet Malu** Last question from my side is that since you said that we would like to build inventory ahead of demand, so are we going to be taking on debt to build or to buy this inventory and if yes how much of that are we looking to add onto balance sheet?
- Rajiv Sawhney** I am not committing myself to that. I am saying at this point in time the kind of inventory addition that we require, we are well funded for. If we need more sources we will look at it at an appropriate time.
- Moderator** Our next question is from the line of Mr. Miyush Gandhi from SBI Life Insurance, please go ahead.
- Miyush Gandhi** Just a couple of clarifications in the numbers. Have we had any securitization income this quarter?
- Aloke Ghosh** Yes, we have a securitization. We securitized about 100 crores this quarter. As you know that is a primary source of funding for buying the resorts, so we did have securitization income in this quarter.
- Miyush Gandhi** Can you quantify how much we booked in P&L for this?
- Aloke Ghosh** It was 6.49 crores to be precise.
- Miyush Gandhi** And also sir what was the occupancy level for the quarter?
- Aloke Ghosh** The occupancy level was 73% this quarter, but as you know this quarter was also the off season which we came out of.
- Miyush Gandhi** You expect this to jump back to 85-90% like you used to have?
- Aloke Ghosh** The peak season is always much higher.
- Rajiv Sawhney** This year as Alope mentioned and I mentioned in my earlier segment, the holiday season, the festival season is running one month behind what it was last year same period. Diwali has never been so late in a long-long time. So the peak season really is starting now into December. So yes, occupancy levels will be far better into this quarter. And we are seeing the fact that season-to-season, I am saying same period last year, this year like I had mentioned earlier we are better by 4 percentage points even though we have much more Rooms to fill this



year than the previous year and non-members have been discouraged, means the total number of members who have holidayed is significantly higher than what it was same period last year. And clearly our efforts to reach out to members who have not holidayed to encourage them to holiday and to encourage them to holiday closer to where they stay. So the whole engagement exercise of which we thought some first steps of movement we are happy to say that we can clearly see the cause and effect relationship and we are confident as we crystallize this, as we do more, we will be able to have a far greater, far smoother occupancy level going forward.

**Miyush Gandhi**

We mentioned that we have purchased some of these properties with 257 Rooms that we net added. Can you share how many were purchased and what was the amount paid for that, just to get an idea of what is the capital cost per room that we are paying?

**Aloke Ghosh**

What I will do is I will give you the gross number of Rooms which we purchased. We have shared before our average cost of room which is between 55 to 60 lakhs. I will not be able to give you the purchase price against each of the resorts because that is something which we will not disclose. So just to take the number of Rooms purchased, it is about 270 Rooms which is purchased.

**Miyush Gandhi**

And the amount that we paid, that you cannot share?

**Aloke Ghosh**

No. I just gave you an average price which we use as a benchmark which is between 55 to 60 lakhs per room, but purchase price against each we will not be able to share.

**Miyush Gandhi**

Okay. Also sir we mentioned we will start operations in Dubai. Will it only need to add members or we are looking to add properties over there as well?

**Rajiv Sawhney**

Dubai has got three possible benefits for us. The first step is that we are going to acquire members there in a very overt fashion, now that we have a license to operate there. Second is we are continuing to be active. We had in the last call mentioned that places of interest in the neighboring area where low-cost carriers are going is Bangkok, Colombo and Dubai. So we are in conversations in Dubai for a property to have our own presence. As and when we do have that, that will help us (a) in giving an additional place where our members from India can holiday in. So it would make their bouquet of choices even richer. It would also help us in acquiring new members sign on in the GCC countries, in the UAE itself because Dubai easily a good kind of an oasis where people who work in other gulf countries they come into Dubai very often for a break, so that would be a place. It would also become a good showcase for prospective members to see the kind of experience they can expect when they sign up with Club Mahindra. So for all these reasons we would be continuing and we are very active like I said to get a foothold in the Dubai market from a presence point of view.

**Miyush Gandhi**

But no plans to add properties over there?



- Rajiv Sawhney** That is what I just said. We will. We are in active conversation to try and have something over there.
- Miyush Gandhi** Just one last question, sometime back we had said not to offer rooms to non-members, just in order to maintain the ratio and availability. Now what we are very close to breaking even in terms of rooms required. Do we plan to start again to offer non-members?
- Rajiv Sawhney** We will always give members first. So members demand will always be met. We will never give a room to a non-member at a cost of member's requirement. However, you are right, as we move to as the demand/supply being much closer and supply actually overtaking demand we will offer to non-members, but in the queue they will always be behind, they will always get second priority to our members because the primary reason for our existing is our members, that is what we are there for.
- Moderator** Our next question from the line of Mr. Jaysinh Suchak from JM Financial, please go ahead.
- Jaysinh Suchak** Basically, this average realization for vacation ownership sales for the quarter like you said you take 10%, 11% price hike in the first quarter. But, what is the standard for the quarter was like 3,60,000-3,70,000, or slightly higher than that also?
- Aloke Ghosh** It's 3.4 lakhs for the quarter.
- Jaysinh Suchak** And it will be how higher than last year would it be, year-on-year?
- Rajiv Sawhney** Last year was 2.8.
- Jaysinh Suchak** Okay. This online reservation facility we were having about 26% of members using it in the last quarter. What is the percentage at the end of this quarter?
- Aloke Ghosh** Jay what we are seeing is that it is moving between 26% to 30%, but as Rajiv mentioned we wanted to go up much higher. For that we are taking necessary actions.
- Jaysinh Suchak** So, it's round about 26% to 28% this quarter?
- Aloke Ghosh** Yes.
- Jaysinh Suchak** Last quarter you had given this number and it's an important matrix for the membership satisfaction that how many members in terms of percentage have taken confirmed holidays this quarter compared to last year?
- Rajiv Sawhney** Say, it again? You are saying what is the member usage year-on-year?
- Jaysinh Suchak** Year-on-year increase. It was 43% for the first quarter so what is it this year?



- Rajiv Sawhney** Fair point. While we can get back to on that matrix, what I am saying is that last year same period there was a reasonable component of non-members because we had not really moved to members first at that point in time. And this year it is pretty much down to close to zero. It will be 1% or 1.5% of the total which will be non-members. So, there is a significant mongered and the overall occupancy is higher and overall number of rooms is higher. So, you want to calculate the exact number or how you want?
- Jaysinh Suchak** Yeah.
- Rajiv Sawhney** But, it will be in the teens at least.
- Jaysinh Suchak** When you spoke about the selling and marketing expenses cost saving there, which have helped the margins, so, this quarter we have seen the saving there. Is this led by in terms of increase in referrals which is led by restructuring of incentives or also the offer cost which we had, had a change in strategy, how has that panned out for us?
- Rajiv Sawhney** Cost of acquisition we had talked about three months ago and even six months ago and we had said that we had come up and said even at that point of time that we are committed to over a period of time bringing down our cost of acquisitions and we have pretty much stopped advertising in the print medium, we are focusing completely on the digital medium, we are doing much more on the web page. So, what we are sourcing from the web page is much better, what we are getting from referrals is much better, and, of course we are not no longer giving the free gift that we were giving by way of consumer durables, mainly television. So, overall it's a combination of intervention which has resulted and we are saying you will see more on this path. So, we are by no means done on the cost of acquisition bit. So, you should see the improvement going forward. So, really speaking, from an organization point of view while there is a big, big, big concentration on getting inventory on to the table, now that we are pretty much there, we are now looking at other areas across the organization from efficiency point of view, from effectiveness point of view. So, there is much more work to be done in the other areas of the organization which is what we are looking at while not slowing down the inventory increase.
- Jaysinh Suchak** The 2276 rooms that you mentioned were there at the end of second quarter, that's the net rooms, right, which we have?
- Rajiv Sawhney** That's correct.
- Moderator** Our next question from the line of Mr. Srinivas Rao from Deutsche Bank. Please go ahead.
- Srinivas Rao** There are two questions, one, given that you are fair list in urban focused in terms of your addressable market, any color on how things are shaping up in the consumer space in terms of are consumers willing to spend or have you seen some kind of deceleration in that over the last



quarter and six months? Obviously the context is we are seeing similar commentary coming for other consumer companies, that is number one. And number two, do you track any matrix like inquiries to conversions or if you can share any such color or statistics around those matrix?

**Rajiv Sawhney**

There are a lot of matrix that we certainly monitor and look at it and unfortunately I am not in a position to share that level of granularity because that is something which is very deep and dear to our organization and whatever we are sharing with you on this call is equally visible and in the common knowledge space we therefore desist from going there. But, to answer your question at the overall level of whether there is a slow down or not, our target audience is the middle, upper middle class who needs to continue to holiday at the social structure kind of disintegrates of the ability to visit friends and relatives who are going for holidays, staying with Uncles and Aunts and stuff like that, and because of the greater demands that people have on their respective jobs and the need to spend quality time with the family and the need to take breaks, I, me, myself culture. So, people I would wager to say that holidaying will only accelerate going forward.

**Moderator**

Our next question from the line of Mr. Rahul Bhangadia from Lucky Securities. Please go ahead.

**Rahul Bhangadia**

If you could just help me with the number of the room nights that we have booked in the first half and if you could help me with the same number for '12 and if possible, FY11?

**Aloke Ghosh**

Number of room nights for the half year is what you asked is 231K and last year was 193K.

**Rahul Bhangadia**

I am asking for the full year FY12.

**Aloke Ghosh**

So, I will give you the full year FY12. I will give it to you offline.

**Moderator**

Our next question from the line of Mr. Mohit Jain from Trust Group. Please go ahead.

**Mohit Jain**

Sir, can you give me the breakup of Resort income, 2Q13?

**Aloke Ghosh**

Yeah, just give me a minute I will give you.

**Mohit Jain**

And sir, second question is on net add. You mentioned in the call that you are seeing some improvement in the environment. Are you seeing on the ground improvement in net adds when you possibly look at month-on-month numbers or any response from the sales team, are they seeing any improvement in terms of people walking into the presentation or may be conversion rate?



- Aloke Ghosh** So I will answer your first question first, the breakup of the Resort income. Room revenue was 3 crores, I am just rounding this off all the numbers, okay. Food and Beverages was 13 crores and holiday activity and others were 5.56 crores or around 6 crores.
- Mohit Jain** Okay, room revenues have improved, is it because of the non members?
- Aloke Ghosh** Room revenue in the off season will always be a little higher than the peak season because we do OTH more in the off season. So, as compared to last quarter, the percentage movement in terms of room for OTH was 1% more.
- Mohit Jain** Because I was comparing it to Q2-12 in terms of Resort income from rooms and it seems to have dipped only by 12%?
- Aloke Ghosh** Yeah, so Resort income if you compare with that was around 3.4 and this is 3.07 to be precise.
- Mohit Jain** And what is the net improvement in net add?
- Aloke Ghosh** Basically what you want to know is the market dynamics whether we see it in the improvement in the net add in terms of market dynamics.
- Mohit Jain** What I want to hear is are you seeing any improvement in your internal matrix as far as sales is concerned because we shifted to this new strategy and so just wanted to understand whether people are more willing to take it without the white goods or is it better if we supply it along with the white goods?
- Rajiv Sawhney** It's been a movement for an organization used to doing having a particular kind of an approach and as I shared about 20 minutes ago really that the various climatic conditions which are required for us to have a change in our run rate are now in place. There were things that we needed to do and we pretty much by no means are all the tasks done. But, we are seeing the positivity of those initiatives on the mood in the social media, so we should see that reflecting in our numbers going forward is what I had shared, yeah...
- Mohit Jain** And, in terms of consumer sentiment?
- Rajiv Sawhney** The needle has moved significantly from what was nine months ago, etc. negative for the reason room nahi milta hain, like when I go there, experience is excellent, but I am not able to get a booking so that has moved significantly and the number of people who are negative from what we monitor is close to nothing and it's moved to a large number of neutrality which of course positive. So it is moving in a right direction, yes.
- Mohit Jain** What could be the cause for YoY decline in gross adds in that case because we have definitely improved a lot over the last 12 months but still gross adds is down?



- Rajiv Sawhney** You have to see it in the context of the macroeconomic thing which last... what I am saying is that in the months of July and August we were looking at a very, very, very gloomy picture at the overall level from all aspects. The consumer was being bombarded with almost through every medium that any consumer consumes, whether it is the press or it is the television or anything, nothing really was going right. So, in the context to that but that is not something which is durable. So, what we are saying is that with the changes in the correction that we have done we are quite positive.
- Mohit Jain** Is it fair to assume that September and October have been much better compared to July and August in terms of sales?
- Rajiv Sawhney** You could be very right there.
- Mohit Jain** Is there a lag that you think would be before the benefits of improved experience starts flowing into referrals, is there a possibility that consumers wants to go for a holiday? There is a lag of nine months or something before they start referring their friends to you.
- Rajiv Sawhney** Yeah, there is always a lag but we also need to engage with them, it's not just people who have experienced, I mean, like you are saying many more people are experiencing holidays today's than before and yes, I agree with you.
- Mohit Jain** So, in that sense next year could be better than this year?
- Rajiv Sawhney** No question.
- Mohit Jain** And sir why to move to Dubai or UAE, meaning our market penetration as per our estimate is still very, very low in India, in some sense we need to incur additional sales and marketing efforts in management bandwidth while selling it at a different country as well. So, are you seeing any sense of saturation in the domestic market?
- Rajiv Sawhney** Not at all, not at all. I mentioned how we are going to go significantly deeper in India. We are seeing the UAE market not as a sequential decision, there is something which we can do in parallel. The discretionary income of the Indians in UAE is high. There are inner environment which is exposed to holidaying. There are inner environment, where they are in a multi cultural society where the colleagues of various nationalities are holidaying much more than typical Indian would do. So, therefore they are exposed to the benefit of holidaying. There is a peer group pressure from people of other nationalities and therefore their commitment towards this.
- Mohit Jain** But, wouldn't it be difficult to sell given that our portfolio largely lies in India, in South-East Asia, so, every time we have to sell our resort they will have to potentially travel to India?



- Rajiv Sawhney** We will sell only to Indians in the UAE. We are not looking at any other market. So, if you are of any other nationality resident in the UAE, we would not be in touch with you. So, our approach will be clearly to find homogenous groups in the UAE through whichever associations, etc. etc. or to access the Indian white collar people who are earning a certain income and above, namely US\$25,000 and above who would be our target audience.
- Mohit Jain** And, I guess tax treatment for that will be same for selling it to Indians or to NRI?
- Rajiv Sawhney** Yeah, it will be the same.
- Mohit Jain** No free goods policy, have we completely stopped giving free white goods or is it still prevalent in some parts of the country?
- Rajiv Sawhney** Completely off.
- Mohit Jain** So no free goods now? But still we are holding up to our pricing?
- Rajiv Sawhney** Correct.
- Mohit Jain** And, one thing for Alope. Loans and advances have gone up for this quarter compared to last year. Any specific reason for that?
- Alope Ghosh** No, there were two, three specific reasons. I will give you the broad outline. We had bought few properties where we had closed the loans and advances of those companies which we had acquired, that is one. So, if we take say Property A and Property B, they had a loan from their bank, we have paid that as a loan and since they remain as a subsidiary, it is shown as a loan given to a subsidiary. So, for two properties we have paid that. So, these are the two things and in one case income tax we paid some advance tax against an assessment order. So, these are the three broad reasons.
- Mohit Jain** And in consolidated these loans these figure will not appear anyway?
- Alope Ghosh** No, in consolidated it will not appear.
- Moderator** Our next question from the line of Mr. Jatin Khemani from Aadhar Securities. Please go ahead.
- Jatin Khemani** Annual subscription charges going forward.
- Alope Ghosh** Annual subscription fee for this quarter was around 28 crores, if that was your question.
- Rajiv Sawhney** No, going forward, look it's a very transparent system where it is linked to the Consumer Price Index.



- Jatin Khemani** No, but I see any reluctance from the members point of view, giving this annual fees and all?
- Rajiv Sawhney** They are seeing the benefit and well maintained things. So it's a very clear, unambiguous, transparent communication to people that when they sign on there will be an annual maintenance which will reflect and we would make a change in effect once a year, every April and basis will be the CPI so that there is no doubt in anybody's mind what is the basis for the revision.
- Moderator** Our next question from the line of Mr. Sumant Kumar from Elara Securities. Please go ahead.
- Aloke Ghosh** We will also keep this as the last question for the day.
- Sumant Kumar** My first question is how is the response in Tier II cities for membership addition?
- Rajiv Sawhney** As I have mentioned earlier, we are largely in Tier I cities per se. So, our Tier II presence is not what we believe it should be which is what we are now working to increase our presence there significantly. So, yeah, that would be my answer. I think what you are asking is that, are we seeing the different 55:56 in Tier 1 versus Tier 2 on a going basis, am I correct?
- Sumant Kumar** Yeah.
- Rajiv Sawhney** See, there is not enough presence of us as we speak in Tier 2 for us to get that flavor. May be this is something which we would be in a position better to look at a few quarters down the line when we would have made a presence there and see what kind of extraction we can get there. But, we are certainly very, very positive of going into this newer India where there is a lot of new money and there is a lot of excitement, enthusiasm to see new places, to discover new places and the willingness to holiday commercially moving out from the family chakravayuh so to speak where people who are holidaying only with friends and relatives. So, there is a clear growth story in these towns.
- Sumant Kumar** What was the net membership addition in Q2FY12?
- Aloke Ghosh** Last year was 4599.
- Sumant Kumar** Could you please give us some guidance or some on margin going ahead, you know that there is a lower sales and promotion cost in this quarter. So, how will be the margin going ahead?
- Aloke Ghosh** Without giving guidance on margin which we generally don't give, Rajiv earlier in his talk mentioned about the efficiencies which we are talking of. A lot of you who had met us we did mention the cost of acquisition of the members is something which we are closely tracking. We see a positive reaction in that in Q2. Besides that we have taken action on the administrative side in terms of rental, number one. We have also rolled out efficiency parameters and measurement parameters for all our Resorts, without getting into specifics of



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what we are doing, so, these are two areas which have a large component of our business which is the administrative cost and Resorts. We have rolled out efficiency parameters which we closely track. We are looking at occupancy very closely and we of course talked about the cost of acquisition which have already shown a positive needle movement in this quarter.

**Moderator** Participants that was the last question. I would now request the management of Mahindra Holidays for their closing comments.

**Management** I think Rajiv has spoken through pretty much what we are doing, what we plan to do, I have also mentioned in our discussion what we plan to do in the future, Rajiv has also talked about the extra bandwidth which we have in the market, which we are looking at. So, with that we would like to conclude with Rajiv adding one more point.

**Rajiv Sawhney** I just wanted to say that the pieces are in place, we see no reason to make any change in what we have been looking at. So, the pieces are in place and yeah, you will see things going forward which we will be happy to share and point your attention to the things, look it is panning out as we had pretty much forecast. Thank you.

**Aloke Ghosh** Thank you.

**Moderator** On behalf of Religare, that concludes this conference. Thank you for joining us. You may now disconnect your lines.