

July 31, 2025

MHRIL/SE/25-26/42

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,
Mumbai - 400 001.

Scrip Code: 533088

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call for the first quarter ended June 30, 2025 - 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/25-26/32 dated July 11, 2025

This is in furtherance to our letter No. MHRIL/SE/25-26/32 dated July 11, 2025, wherein the advance intimation of the Earnings Conference Call scheduled to be held on Thursday, July 24, 2025 with Investors/ Analysts / Funds on the financial and operational performance of the Company for the first quarter ended June 30, 2025 was submitted to the Stock Exchanges.

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

Kindly take the same on record.

Thanking you,

Yours faithfully,

For Mahindra Holidays & Resorts India Limited

Dhanraj Mulki
General Counsel & Company Secretary

Encl.: a/a



“Mahindra Holidays & Resorts India Limited Q1 FY'26
Earnings Conference Call”

July 24, 2025



**MANAGEMENT: MR. MANOJ BHAT – MANAGING DIRECTOR & CHIEF
EXECUTIVE OFFICER, MAHINDRA HOLIDAYS & RESORTS
INDIA LIMITED
MR. VIMAL AGARWAL – CHIEF FINANCIAL OFFICER,
MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Mahindra Holidays & Resorts India Limited Q1 FY'26 Earnings Conference Call hosted by MUFG IR.

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 call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

I now hand the conference over to Mr. Manoj Bhat – M.D. and CEO. Thank you, and over to you, sir.

Manoj Bhat: Thank you. Good evening, everyone. A very warm welcome to our Quarter 1 FY'26 Call. On the call with me today is Mr. Vimal Agarwal – our CFO.

You can also find our “Results” and “Investor Presentation” on the stock exchanges and our company website. I hope some of you have had a chance to go through them.

I think let me begin by talking about the industry:

I think the industry continues to be doing very well. If I look at the metric of ADR, for example, in May, it was up 7% YoY compared to last year, I think there was some seasonal softening, but overall, I think the occupancy levels continue to be very high. Of course, we had the impact in May of the geopolitical tensions along the border, which also have impacted occupancy during this quarter for us and for industry. And I think we are in a very good spot as regards to the macro environment. I think we continue to see a strong trend of people wanting to do leisure holidays. And that is a trend which has been strong for the past few quarters and I think it is something we believe will continue into the future.

From our perspective, I think even from the Indian Government perspective, there is a lot of support; I think there is INR20,000 crores investment in developing 50 destinations with state partners. All of these are helping set the base for this industry on a longer-term basis.

Coming to our quarter:

It has been a very strong quarter. I think our standalone profits, which is a proxy for our India operations, I think saw very good growth in terms of standalone profits were up 69%, our PAT margin

expanded by 6.8% or 680 bps, and of course, if I look at our consolidated profit, I think it was up 18% YoY. I must highlight that this growth is despite the adverse currency impact, which Vimal will address when he speaks, but we have absorbed all of that and still despite that grown by about 18% YoY. So, it has been a strong performance on that front.

If I look at our domestic business, I think it continues to do very well. I think our resort performance has been very consistent. I think even this quarter we have reported double-digit growth in resort revenue and delivered about INR114 crores of revenue from the resorts.

From an occupancy perspective, I did mention that there was a blip in May. Despite that, I think we have got an occupancy level of about 85%-plus. And I must add that this is on the back of added inventory. I think we added our highest ever inventory in the last financial year. So, despite that, I think we have got to an 85% occupancy level.

Our resorts obviously continue to be very popular. I think 14 of our resorts have been awarded Tripadvisor Travellers' Choice Awards. I think this is something which is a continuous journey for us in terms of keeping our resorts current, keeping our resorts to the standards as required by our guests overall. And, to that end, I think as you look at even this quarter, I think we have reviewed the inventory portfolio and looked at improving the portfolio overall, which means we had to let go of a few of our partnerships, and you will see the inventory number dip a little this quarter.

Overall, I do believe our goal of gross addition of 1,000 rooms by March-end, which is March 26, I think we stand firm on that, and I think there is a very good pipeline of resorts which will be back-ended towards the second half of the year.

I think in terms of expansion, of course, we have commenced a new expansion project in our existing resort at Puducherry. We have five ongoing Greenfield and Brownfield projects. Our current inventory base is about 5,800 keys. And I think as I mentioned the pipeline for the future is very, very strong.

We also looked at improving the journey for our members. And to that end, we have rolled out a digital engagement tool for focusing on standardization while delivering improved membership buying experience to our customers. I think the way we look at it is that with a focus on selective customer acquisition as well as focus on getting the right product market fit, I think we will continue to improve on our sales processes. We added about 1,524 members at an overall level. Our AUR is at INR8.3 lakhs, up 69% YoY. Member additions through the digital route and referrals, I think continue to grow; now it is 65% of total member additions, while upgrades have been stable at about INR56 crores. And so, I think overall if I look at that journey of looking at the right kind of profile of members who we can serve really well, I think that journey continues, and I am happy to report that it is headed in the right direction.

I think the other thing to look at is that when we look at our overall commitment to sustainability, I think it is at the core of our operations. I think we have completed biodiversity assessment at four new resorts, increased solar installation to 41% of total demand and an overall cumulative installation of 15 MW. So, I think a lot of work is being done in these areas.

My last comment would be that one of the things we are doing is the entire tech transformation of our business. And I think that journey is well and truly on. I think some of that is being piloted. For example, we are piloting a contactless check-in process in two of our resorts. We are also looking at quality of service at the resort level and how do we actually anticipate member needs much better.

So, all in all, I think good quarter operationally, good quarter from a financial perspective and a lot of progress on some of the initiatives we started on.

To expand on the numbers a bit, I will request Vimal to now step in.

Vimal Agarwal:

Thank you, Manoj. Hi, everyone.

Moving on to the “Financials for MHRIL Standalone” first. I will call out the highlights, which are as follows:

Total income for MHRIL standalone stands at INR411 crores, which is 7% YoY growth. EBITDA came in at INR161 crores, up 42% and our EBITDA margin expanded to 39%. PAT was at INR76 crores, up 69% YoY, and our PAT margin expanded by almost 680 bps. Our cash position also improved to INR1,576 crores as on 30th June 2025.

Moving on to some “Key Highlights of Consolidated Financial Results”:

Our consolidated income was INR740 crores, up 8% YoY, and our EBITDA was INR161 crores, which was an improvement of about 16% versus Q1 of FY'25. Our EBITDA margin stood at 22%. We reported consolidated PAT of INR7.2 crores, which is an improvement of 18% on YoY basis.

As Manoj mentioned earlier in the call, this PAT of INR7.2 crores includes FOREX impact of INR 28 crores, which came due to Euro-INR movement from INR93 beginning of this quarter, moving to INR100 as on 30th June.

These were few of the key highlights. I will request if we can open the floor for further discussions, please. Thank you.

Moderator:

We will now begin the question-and-answer session. The first question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar:

Thanks for taking my question. Congratulations on overall good number. My question is on the inventory addition side. So, of course, as you have to let go some properties due to the lease tenure period might have got over, and you have kept 1,000 rooms inventory additions target intact. So, just question is, like mostly we believe would be adding through the lease properties, and now looking at the demand in the industry, how do you see the challenge in adding new resort on the lease looking at the demand because AUR and all are going up, and is it easy to crack the deal in the current scenario?

Manoj Bhat:

So, Pankaj, first of all, thank you for the question. So, if you look at our inventory journey, I think from our perspective, first, philosophy is one is becoming more present in the states we are not present. So, if you look at our map, I think that covers the eastern part of the country, we are well covered in the South, we are well covered in the west, even in the north. So, as you know, we opened our first resort in Andhra Pradesh in the March quarter. So, I think that is one way to look at it. The second way to look at it is that, our philosophy is based on circuits. So, I think ideally, we would like a circuit which would be comprising of two or three resorts, which are ideally two or three hours away from each other. So, that is the other way. Now coming to your question on, I think, if I look at our pipeline today, I think as I said, there are about five Greenfields Brownfields, which are in progress, which should deliver a combined probably close to 500 to 600 rooms over the next I would say 12 to 18-months. And in addition, I think the remaining are all mostly around partners who are willing to provide capital in the form of either building for us, which is what we call the build-to-suit model, or they already have an existing thing which can be modified to the specifications. And frankly, I think even with the kind of demand scenario we are seeing, I think we are not facing much of a challenge in terms of adding to our funnel of inventory building. The second part here is that if you look at our journey of doubling inventory, today, from a funnel visibility, at least we have either identified land which we have started to think about building or identified resorts or identified partners who are going to build for us. If I take all of that, I think today's visibility is probably between 65% to 70% of that journey. So, from that perspective, I think we do continue to see strong addition into the funnel. The last part I would like to highlight is that which I alluded to in the beginning, these were not just lease ending, which is causing this, but it is also a function of... we are doing a portfolio review in terms of customer feedback and quality of some of our largely associate properties. And that is something which we also took some actions during the quarter. That is contributing predominantly to the minus 53 number which you see in the inventory. So, I think that is the way to look at it. I do not know whether we have answered your question fully, Pankaj.

Pankaj Kumar:

Yes, I got that. And sir, since this 1,000-room inventory would be more of a back-ended, and in this quarter we have seen 1,524 member additions. So, we can expect the first half would be slower on the member additions. So, this kind of run rate would possibly be for another one or two quarters? How do you see the member addition for the year?

Manoj Bhat: Yes, yes. So, I would separate inventory from member addition because to me they are two separate tracks. So, from my perspective, if I look at the member addition journey, and I think I am kind of summarizing the four-quarter journey, I think we first said that we will identify cohorts of prospects where we can serve them the best in terms of the kind of facility we offer and so on and so forth. Then we said that we will look at cohorts where we have seen members being dissatisfied because of service issues. And what we did was, we moved out of those cohorts, right? So, if you look at the top of the funnel, that itself is reducing. The third thing we did was, as we did this, we reduced our spread geographically, which meant that today we have, I think, about 48 focused destinations, and I think it was a much larger number. The last thing we did is, we are moving to higher conversion channels, which is a journey which is work-in progress. And out of this, what we have said is that, in this journey, I think we want to get to a point where we are comfortable with the model and comfortable with the right kind of member profile, which we can service adequately because to me, customer experience is the number one thing and that journey still continues. So, in my mind, I think the member addition will probably not accelerate till we reach a point in time where we are completing this journey, and that also is something which I think will take a few more quarters.

Pankaj Kumar: So, just to extend this point, this member-to-room ratio in this quarter, we are at around 53 levels. That has increased vis-à-vis what we have seen last quarter because of the room inventory additions were not there. And directionally, you are looking at the lower member-to-room ratios that you indicated in the previous call. So, when we look at that math, so probably we will see cumulative membership base would hover around these if we adjust for the retirements that we have. Is that the right understanding?

Manoj Bhat: Yes. I think that would be the math of it. But really I think it is more qualitative than that. So, for example, we are looking at addressing the retirement pool much more focused manner. And I think there is a set of initiatives around that because they have really experienced the journey with us. Secondly, I think from my perspective, I think one of the things as I mentioned is moving the overall quality one notch higher across the board. And that would also mean we might surrender some of these partnerships over a period of time, which you will see first time we will take very decisive action this year. So, that is also something to be factored in. These are the two things I would add.

Pankaj Kumar: So, on the resort income we have seen very decent growth in this quarter as well. And when we look at the annual report numbers, a large part of this resort income growth has come from the rentals. So, is it the scenario that we are going to see in future quarter as well? And of course, we have taken F&B price hike. So, how much that element is there in this 12% resort income growth?

Manoj Bhat: So, I think from our perspective, I think both of these will continue to drive. So, I think in the resorts, the journey here is driving the experiences piece much more sharper. And that journey has just started. I think we are running a pilot currently in three resorts, where we are actually putting together a comprehensive experience package because we used to do this, of course, in these resorts, but I

think put a much sharper focus and put a much more easier-to-access model for our members. So, that is going to be a focus. But of course, I think rental incomes will continue to remain an important aspect of resort incomes. As it has been in the past, I think we have just brought a little bit more focus into this.

Pankaj Kumar: Thank you.

Moderator: The next question is from the line of Harshal Mehta from Zen Nivesh. Please go ahead.

Harshal Mehta: Thank you for the opportunity. So first of all, sir, amazing business model. I was just going through your business for the first time and your profit number as in at consolidated levels and when I saw your cash flow numbers, your cash flow is, I mean, outperforming your profit numbers with a huge margin. So, great business model. And when I looked at your standalone numbers, as in your standalone profits and your standalone cash flow, it was even better than consolidated levels. So, really, sir, great business model. Question that I had for this is, when we compare the cash flow numbers of standalone and at consolidated level, I compared for the last five years, and I guess there is some bleeding at the consolidated level. And I believe that is mainly coming from our HCRO business, right?

Manoj Bhat: Yes, yes. I think that is a fair assumption. But what is the question, Harshal?

Harshal Mehta: Yes. So, are there any other operations which are also bleeding money at consolidated level?

Manoj Bhat: Okay. So, let me answer HCRO because I think this will be a common question across. So, if you look at our HCRO business, I think from an overall perspective, I think it has achieved stability. So, if I look at it this quarter versus last quarter, I think they are doing slightly better in terms of the P&L numbers. On the cash front also, they are doing better than last year, overall, and that is something which we expect to continue. We don't anticipate any funding needs for that business at this point, and even that continues to be stable. So, overall, the performance there is muted because of multiple reasons, and I will enumerate them. So, one is of course the whole geopolitical situation, Russia-Ukraine situation and a lot of visitors were Russians. So, that is something which has been now impacting the business for almost two, two and half years. After that came the recession in the Finnish economy, and that economy is expected to recover during the second half of the year and maybe going into the year after. And all of that has really had an impact in terms of two things. One is occupancy as well as the overall sales of timeshare, which is what they do which then I think led us to the conclusion that we should focus on a model which enhances, optimizes operations, and that is what the business is doing very well. From my perspective, as I said, it is no incremental cash from our side as well as gradual improvement or stability in the numbers. That is what we are targeting there. And also, Quarter 1 is a seasonally weak quarter, which I think you should adjust for because the number is a loss in this quarter.

- Harshal Mehta:** Right. So, again what I was assuming is maybe if this business is bleeding, then we might be looking at an exit or anything like that? Because I think we acquired this business in around 2016 or '17, if I am not wrong. But of course, from your answer, I got that point. So, any timeline or any timeframe that you can give by when we can get this HCRO business completely turn around and integrated in a proper growth way into this company?
- Manoj Bhat:** So, from our perspective, see, it is difficult to put a timeline because it depends on largely extraneous factors. So, if you look at, as I said, the economy is expected to recover through the course of the year. On the geopolitical situation, the Russia-Ukraine situation, I think that is something to wait-and-watch. If that changes, I think that is a dramatic shift from the business perspective. If I look back into almost F'19, I think this business was generating roughly about EUR10 million of EBIT. So, it is inherently a very strong business. I think it is going through a demand cycle. And that is something which unfortunately, I don't have a timeline. And for us to consider any long-term strategic options, this is probably not the right time in any case.
- Harshal Mehta:** Understood. Understood. And sir, one more request. Going forward, if you can share the HCRO numbers in rupee crores compared to what we are quoting as in euro million, then that will be great, that will be really helpful for us.
- Manoj Bhat:** Absolutely, we will do that, Harshal and we will make it a point to add a page on that.
- Harshal Mehta:** And no other loss-making operations apart from HCRO, right, at consolidated level?
- Manoj Bhat:** No, nothing, nothing.
- Harshal Mehta:** Okay. Thank you so much.
- Moderator:** The next question is from the line of Param Vora from Trinetra Asset Managers. Please go ahead.
- Param Vora:** Hello, sir, good afternoon. Thank you for giving me this opportunity. Sir, there is now an upward trend in disposable income in tier 2 and tier 3 cities. So, how are we seeing member conversions from these geographies compared to metro cities?
- Manoj Bhat:** Param, thank you for the question. So, actually what we are seeing is, there is no change in the mix despite what you are probably saying is true, right, that there is tier 2, tier 3 coming up very fast. So, we do not see much of a change in mix happening in our members, which means that our product is probably equally attractive in both the places and that is the current reality.
- Param Vora:** Okay, sir. And one more question. With the rise of digital travel platforms like Airbnb and SaffronStays, what is Club Mahindra's competitive advantage in terms of customer experience, pricing or exclusivity?

- Manoj Bhat:** So, first of all, I think whether it's Airbnb or SaffronStays, I think the level of customer experience which we offer, which is a full-service resort, I do not know whether it is comparable because each model has its benefits and it is a certain kind of traveler profile they attract. But I would like to believe that we are a full-service resort, right? So, from a customer experience perspective, there is a minimum degree of service, there is a minimum degree of infrastructure, there is a minimum degree of F&B experience and other experience. That is the way I look at it. From a business model perspective, I think there is a variance in the business model. Our business model is based on of course delivering value to the customer in various forms. Only one of them happens to be from a pricing perspective. But if I look at these platforms, in my mind I think as I said, the segment they attract could be different. The other thing which has come up in our customer insight survey is, today, people are looking at various experiences. So, they would like an experience at a full service resort. But in certain groups or in certain ways, they would probably holiday in certain other areas with the likes of Airbnb and the SaffronStays as you mentioned. And the last thing I would do is, I think I do think these have probably potential partnership opportunities rather than competitive situation. And that is the current state of mind in terms of looking at all of these options.
- Param Vora:** Right. Thank you so much.
- Moderator:** The next question is from the line of Shreyans Mithani from SJ Securities. Please go ahead.
- Shreyans Mithani:** Hi, good afternoon. I had a few questions. The first one is, we see lower other expenses quarter-over-quarter and also compared to the previous year. So, is this mainly driven by the lower member additions? And since we have like 65% that you mentioned is through digital and referral, is that we should assume that even when they accelerate, our customer acquisition cost would be lower going forward?
- Manoj Bhat:** So, Vimal, do you want to answer? And I will add on to that, Shreyans, what is causing that dip in terms of other expenses?
- Vimal Agarwal:** Yes. So, see, other expenses primarily is stable is what I will say; Q1 FY'26 number for standalone was about INR100 crores versus INR99 crores overall. And quite a few things happening here, primarily driven by one is, the efficiency which we are seeing in our resort spends. The second one is so far as overhead expenses are concerned, those are fairly tightly controlled. And similarly, repair and maintenance or the rental expenses, we have tried to curtail or optimize. These are the key drivers in terms of efficiency which you are seeing here.
- Manoj Bhat:** And maybe in this quarter, the main head might be in terms of just looking at each of them cumulatively because each number is not large enough to point out if you understand what I mean, Shreyans.

- Shreyans Mithani:** Yes. Got it. Yes, because I was seeing like June'24 was in the financial INR174 crores versus INR151 crores for June '25.
- Vimal Agarwal:** So, that is including other expenses like say, sales expenses, marketing expenses, which are included in this and rentals are included.
- Manoj Bhat:** Let me actually kind of give you a bridge maybe, right, from last June to this June quarter, right? So, if you look at the bridge, I think what we have been able to do well is look at leverage on our employee expenses, right? So, we are serving more on the same employee expenses base, right? So, that is the first thing which has happened. The second thing is I think as I mentioned in one of my previous answers, that whole journey of sales transformation I think has resulted in significant savings from an absolute perspective as well as from a percentage perspective in terms of sales and marketing cost. And the only one expense which has gone up is our rental expense, especially with our associate resorts because we have added over a period of time also better quality inventory. So, I think those are the three broad ways to look at the numbers. So, employee expenses are about flat. I think reduction overall from a sales and marketing perspective because as we have explained, we have optimized and looked at it very carefully and then expansion in inventory related, which would not be showing up in the rent piece of it.
- Shreyans Mithani:** Got it. Got it. That is very helpful. Next question is on leased versus owned. How do we make that decision in terms of what we want to lease versus own, because like the lease yields basically are much lower at this point, and that is why like all the Marriotts and the hotel chains are preferring now. So, just trying to get a sense of how we look at expanding in terms of which channels.
- Manoj Bhat:** So, at least at a top level before I go into the model is, there are certain locations where we would like to own. So, those are some things where we would put our own CAPEX. So, that's the highest level filter. Now practically if I see our journey, probably we are roughly just about 45% owned inventory today give or take. And I think incrementally, as we go forward, I see that swinging to maybe only 30% owned or even less than that owned. And the reason for that is, I think if you look at our metrics around ROCE, etc., I think they are pretty much higher than what we would think of spending through rentally. So, I think that is one explanation for that. The second thing is I think what we are finding is there is a lot of partners who are willing to invest the capital and which will enable capital light growth for us. The only model we are not doing today which is prevalent in the industry is the management contract model, currently, our model is not suited for that. But other than that, I think we are largely going capital light. I do not know whether that answers your question, Shreyans.
- Shreyans Mithani:** Yes. Yes, that is helpful. So, just the last question is on the VO. So, I see that if I look at the new member additions and the new membership sales I see that this quarter is like around INR4.5 lakh, INR4.7 lakh per member as such if I exclude the upgrades. So, previous quarter is INR3.7 lakh and

much lower. So, what kind of mix are we seeing in terms of the membership? Like I understand that we took a price hike. But is that just due to the price hike or is that also due to change in mix? And if you could elaborate on the mix between the Zest and the longer period programs?

Manoj Bhat: So, Shreyans, this varies quarter-on-quarter, but largely the five-year plan, right, which goes as five is our largest percentage. And the next largest is usually the 25-year plan, right? So, these are the two biggest plans. If I look at what we define as shorter tenure products, they are about anywhere between, I would say given the quarter between 42% and 47% overall. But the blended mix will probably take us to between 12 and 13 years, right?

Shreyans Mithani: Got it. Got it. So, you are saying 40% to 47% is just for this quarter?

Manoj Bhat: I think that will be the range. So, some quarter, it is 41%, sometimes it is 47%. So, it keeps varying.

Shreyans Mithani: Okay. Okay. So, is that how we want to take it forward like the five-year product will be like the most prevalent like, because many years ago, we did not have like a shorter term, like it is mainly the 25-year, right? So, -

Manoj Bhat: I think, Shreyans, the way I think of it is, we will follow the customer. So, we offer a range of options. So, we have a five, we have a 10, we have 15, we have a 25. And I think we will let the customers make the choice about what they want. And over a period of time, what we have discovered is the five-year product is popular because obviously, one is, from an initial investment as well as total investment, it is the lowest product. The second is, of course, it also offers many members an opportunity to try the resorts. And a lot of them then can make the call whether they want to upgrade into a longer tenure. I think that was the logic of the five-year product. And that is why it is probably the most popular. So, in our mind, I mean, I am equally happy with all the products. I will give the customer the choice to choose which one suits their needs best.

Moderator: The next question is from the line of Prashant Kshirsagar from Unived Corporate Research Private Limited. Please go ahead.

Prashant Kshirsagar: Good afternoon, sir. First question is on the Holiday Club Resort. In the slide, you have mentioned about the improved performance, largely driven by growth in spa and renting revenue. So, can you just give us the footfalls in the spa business of Holiday Club Resort numbers wise, just a color on it?

Manoj Bhat: Prashant, unfortunately, I do not have that number handy with me. We will try, find it and send it to you.

Prashant Kshirsagar: So, second part I want to ask you is the occupancy level in the Holiday Club Resorts. If you can share with us?

- Manoj Bhat:** I know that occupancy went up 10% to about 55% or so is the number I have.
- Prashant Kshirsagar:** In this quarter, you mean to say?
- Manoj Bhat:** Yes, for this quarter.
- Prashant Kshirsagar:** If the geopolitical situation improves then what should be the occupancy level which you are looking at in these resorts?
- Manoj Bhat:** I think if I remember correctly, going back in history, it was probably operating at a 65%, 70% occupancy, but it is not uniform, right, so, it keeps varying, but it was probably higher by about 10 to 15 percentage points, but that is the kind of sense I have.
- Prashant Kshirsagar:** So, it in your standalone we have around 85%. So, is there any specific reason why it is on the lower side or is it -
- Manoj Bhat:** It is a different model. It is more like a conventional hotel chain, the Finland business.
- Prashant Kshirsagar:** Oh, it is like a conventional hotel chain. But then the general trend out there in Finland is of the same level of occupancy or is it... I am just asking you because we have no clue of what...
- Manoj Bhat:** Okay. Okay. So, let me explain the business maybe, Prashant, and it might be useful for everyone on the call. I think the business model is there are two things we do. One is, we build and sell timeshare resort rooms, right? So, think of it like we build a community. And in the center, we build a hotel, which is like a conventional hotel, right? So, the timeshare is like a sale. So, you sell weeks, and you take the money and the ownership transfers in a way, right? The hotel continues to be operated and managed by HCRO. And what it does is, it gets independent guests as well as people who stay in those timeshares whenever they come, they can also use the hotel. So, it is more like a conventional hotel business. So, the occupancy level should not be compared with our model, which is a membership-based model where people come and use nights. So, it is a very different model. They have a fixed week which is sold in the timeshare business, if that helps.
- Prashant Kshirsagar:** Yes. Just to add on to this, in the hotel, which you said, the conventional hotel, what should be the levels of occupancy out there?
- Manoj Bhat:** I think if I look at the Finland average right now I have for April and May is about 45%. We are running about 5%, 7% higher than that for those two months.
- Prashant Kshirsagar:** And the second question is, your association with Thomas Cook for club members benefit, what has been the response for that for Finland?

- Manoj Bhat:** Sorry, are you talking about RCI, Thomas Cook, which one?
- Prashant Kshirsagar:** No. Thomas Cook, you have made an arrangement for club members who get 50,000 -
- Manoj Bhat:** No. Sorry, I might not have the details of the individual offer because I think under our Club M Select program, we have a lot of offers. So, if you can just drop us a line offline, we will give you an update on that.
- Prashant Kshirsagar:** Okay. And the second question is, you mentioned in the conference call earlier about withdrawing from partnerships. So, can you just elaborate on that, that will be for associate hotels or how -
- Manoj Bhat:** That will be associates.
- Prashant Kshirsagar:** For associates only.
- Manoj Bhat:** So, Prashant, let me clarify that, right? So, obviously, this quarter, it was associates. But also, during the course of the year, we might look at certain managed resorts also which have the lowest rating so to speak.
- Prashant Kshirsagar:** But that will apply to Horizon program also or will it apply only to the resorts?
- Manoj Bhat:** So, I think the way I would look at it is, Horizon is an offer for our members, and I do not think we are changing anything there. The associate resorts are looking at quality and customer feedback. And for managed resorts, I think it is about a churn led by both lease term ending as well as customer feedback and quality.
- Prashant Kshirsagar:** Okay. Okay. And the last question is on the membership additions. You said that you are moving to a better quality or whatever profile of the member. So, in days to come that profile you will improve, or it will be at the same level?
- Manoj Bhat:** I do not know whether I would call it improve or at the same level. I was kind of trying to say that, see, if you look at our kind of resort environment, it is family-led, it is experience-rich, it has a certain kind of quality of service, it has a certain kind of environment. I think we are trying to target people who would enjoy that environment to the fullest. And that does not necessarily mean up, down. I think it is about to find the right metrics and the right data to target those individuals who can actually use our resort to the fullest.
- Prashant Kshirsagar:** Okay. Thanks. That answers my question.
- Moderator:** The next question is from the line of Rama Krishna Neti from ZEN Wealth Management Services Limited. Please go ahead.

Rama K Neti:

Yes, hi. Thank you for the opportunity. Just a couple of follow-up questions and one main question. So, you have mentioned earlier to one of the participants that you are moving towards slightly shorter tenor products kind of the preference. So, the 8.3% AUR that you have reported for Q1, can we assume around 7%, 8% to be the new normal going forward? That is the first follow-up. And the second one which I would want to understand, in terms of the longer-term subscriptions, like 25-year, 15-year subscriptions, which would have been expiring or likely to expire over the next few years or historically, like in the last one, two years, which would have got expired, what was the renewal percentage of those? I mean, just wanted to understand the continuation of the interest from your older subscribers or customers. So, that is the second one. And the third one, at a broader level, sir, you have been indicating that from a room inventory addition, the target is around 10,000 rooms by FY'30. On similar note, will you be able to share your thoughts from a P&L perspective, like if you look at last five, 10 years, the top-line growth or the bottom-line growth have been either mid-single digit to low double digits kind of a thing and margins have been hovering around 28%, 27%. On some of these P&L items, like what would be the thoughts or strategy for the next five years as you keep on ramping up your inventory and rationalizing your inventory and even customers? So, your thoughts and insights will be helpful to better arrive at an informed decision also.

Manoj Bhat:

Okay. So, first on the AUR, I would assume that it is peaking. I do not know exactly where it will land up because as I said we are driven by customer preference. But I would say that this is probably at the peak, and I do not know whether we will see further growth from here. I think your second question was retiral rates. So, our historical retiral rates have been low because I think if you really look at from a perspective of overall, I think the numbers are becoming more significant now. And hence, as I said, that we have put a program in place to actually target them. I think maybe in the four quarters, we will have a good enough answer in terms of what should be the retention rate. But historically I think we have not focused so much on retention of retiring members, and hence the percentage is low today. And I think your last question was about, how should you think about, as we add inventory, what are the metrics which will move? In my mind, I think two things I want to say Rama Krishna is, one is that, I think we are more focused on metrics around capital return and profitability. And I think if you saw the profitability growth, it is happening today. And I think that is something which we want to keep our focus on. The second thing is, as we become capital light and as we explore new models, I think we should see the return on capital metrics also starting to move in the right direction. I think those are the two metrics I would go by and not really top line growth... while top line growth is, of course, essential for any of these metrics to move, but I think I am just saying from a goaling perspective, that is how we are thinking of it.

Rama K Neti:

Can we assume that you are trying to kind of reshuffle and trying to evolve kind of a new business model altogether than what has been happening in the last five, 10 years, like something new, something different, something more experience-led, can we understand like that?

- Manoj Bhat:** Yes. Rama Krishna, I think we are evolving a new business model. Unfortunately, it is not at a stage where I can expand on it. But I think the thought process here is, I think the next stage of growth, the next stage of evolution will have to be different from how we grew in the past. And that is driving some of these journeys as we speak. I think we are readying up for that. And as soon as I think we have all the things aligned and we will come back and talk about it.
- Rama K Neti:** Sure. This helps.
- Moderator:** The next question is from the line of Manoj Dua from Geometric. Please go ahead.
- Manoj Dua:** Good afternoon. Thank you for taking my question. Coming back to your last answer, so, we clearly see there is a different journey from Mahindra from the past that you have decided at what price to sell, whom to sell and how to sell and this has resulted in better desire of customer according to you, but in lesser number, and on the top of it, you are increasing the inventory also. So, can we assume that you believe that you have a threshold of membership, which is required to cover the basic expense, and you want to generate that new mix of traditional hospitality and timeshare to get the best of both of the world? You told that you will come into that, but we do not have all the metrics. So, can you give some more color what is the direction Mahindra Holidays is looking forward as a new strategy?
- Manoj Bhat:** So, Manoj, I think, as I said, I cannot expand a lot on how we are thinking, but hopefully, we should be able to do so soon, and we will arrange a separate call for that. But directionally, so in my mind, I think as I said that we are looking at really the room as the center and the main asset which we are creating, room and the experience, right? So, these are the two things which are most important. And I think everything is then centered around that, right. And then, the second thing which we are centering around is customer or member experience. So, I think as we think about adding more rooms, adding more experiences, I think our member experience will dramatically improve. The last thing is of course in terms of member growth and what sort of simplification we will do in terms of member plans and how we can get better market aligned in terms of realizations. I think that is the piece we are working on. But unfortunately, as I said, I can't talk about it right now, but more thoughts in the future on that one.
- Manoj Dua:** Okay. Fair enough. You said that we are not suitable for contract management. Can you expand on that? Earlier, you used to talk about that, that you might do that. And I think it is possible in some sense. This is not possible as a business for Mahindra Holidays?
- Manoj Bhat:** So, management contracts I was referring to a question by one of the earlier speakers where he was referring to the model which is used by many players today to expand, which is a different model, which is based on revenue and so on and so forth. In our model, I think the revenue is kind of prefixed. Hence, I was saying that, that might not be suitable. So, that was the limited comment on that.

- Manoj Dua:** On a different line of business like Hilton does or something like that, can we add one line of business like that in future?
- Manoj Bhat:** So, Manoj, I think there is nothing ruled out. So, all of these options are open.
- Manoj Dua:** Thank you.
- Moderator:** The next question is from the line of Gopi Nanda from PNR. Please go ahead.
- Gopi Nanda:** Sir, if the European economy situation improves and comes back to wherein we can get the rooms get filled like the previous times to that level, is the business model of HCRO what we thought of when we were buying it, is it still the same, it is going to work if that is the situation or is there a complete change in what we thought when we bought and what is the current situation now?
- Manoj Bhat:** So, I think there is a series of ifs in the question. So, let me try to answer the best I can, right? So, from my perspective, obviously, the first thing is the timing of the recovery in the Finnish economy. The second is a geopolitical resolution. And I do believe that if those two get fixed, I think we should be able to go back to some of our earlier... so if I'm just looking at F'18 and F'19, this was a business which was giving an EBITDA of between \$12 million and \$8 million. Those are the two numbers I have. And that is the kind of potential for the business compared to probably it is operating at probably an overall yearly EBIT of about \$1 million or \$2 million today, right? So, there is a huge amount of operating leverage in the business because the business is running at high efficiency. Now what it needs is a demand spurt and that is what we are looking for. And then if you look at the business itself, I think both the timeshare business as well as the hotel business I think these are inherently higher margin business on a variable basis, right? So, I think it is a very efficient ship. It is primed for demand revival and hence, I think it would jump back very, very quickly if some of these changes happen. As to the relevance of the model, I think obviously the hotel business is the hotel business, it is always relevant. And the timeshare business will continue to evolve with the times. I think that is the way I see it.
- Gopi Nanda:** Okay. That means we are not in any plans of selling it off or are we looking to continue with it, I mean how long term are we thinking about that business? That is the basic question, sir.
- Manoj Bhat:** So, as I have said in previous calls, I think at this point in time, I think the focus is on operating the business at an efficiency level. I think the strategic options we will only think later is what I would say.
- Gopi Nanda:** Okay. That is it from my side. Thank you.
- Moderator:** The next question is from the line of Aditya Soni from Investment Managers. Please go ahead.

- Aditya Soni:** Thank you for the opportunity. I just wanted to ask, we target to open 10,000 rooms in the next five years, which would mean that we have to grow by about 750 to 800 rooms per annum. So, just wanted to ask, have we identified around 1,500 rooms for the next two years?
- Manoj Bhat:** I think I answered that somewhere or maybe in my opening statement. I think if I look at the goal to hit 10,000, which means I have to add about probably 4,200, 4,300 rooms from here. And I had said that there is a visibility of about 65% to 70% of that today as part of the funnel, including land identified, etc., I hope that helps, Aditya.
- Aditya Soni:** So, out of this 65% that you have identified, what percentage would be leased? So, earlier, you had said that -
- Manoj Bhat:** No, I had answered, Aditya, that 30% maybe will be owned and that is the ratio we will try and maintain 25% to 30%, yes.
- Aditya Soni:** What is the financial advantage that we get in case when you make a hotel, you spend around INR1.2 crores per room. And when you are leasing it out, what is the average rental per room?
- Manoj Bhat:** So, I answered this also. I said that the way to think of it is from a capital efficiency perspective and a destination perspective. So, there are certain destinations I would like to own, and there are certain destinations there are partners who are coming forward. And the return on capital employed for me in my own business is higher than any rental yield or lease yield, which I am paying for them. And that is something which I think drives that decision.
- Aditya Soni:** Got it. And what about non-VO losses? So, -
- Manoj Bhat:** Sorry, what does that mean?
- Aditya Soni:** So, it just means that the recurring losses that we incur on our normal operations.
- Manoj Bhat:** We are not aware of any operating losses so far as our India business is concerned. Aditya, I did not get the question.
- Aditya Soni:** So, basically, year-on-year, if you just consider our revenue from hotels and resorts and expenses from hotels and resorts, excluding the VO component, is an operational loss.
- Manoj Bhat:** No. See, that is an internal metric which we use. I do not think that's the right metric. If I were to compare like-to-like at an EBIT level, I think we should give the credit of the VO income as well as the ASF income to the resort revenue stream, right? I think that is the like-to-like comparison. See, the losses there are, I think if I look at it is stable if compared quarter-on-quarter I think if I am not mistaken, from last year.

- Aditya Soni:** Yes. But is there any plan to kind of narrow it down? (In The member base is very high. So, per member, there is always a loss year-on-year.
- Manoj Bhat:** I think that is a wrong assumption, Aditya. And I think really, I do not know whether we should get into the splitting this because there are some internal metrics we use, and this is at that level. I think look at the entire portfolio and look at the growth in profits in the entire portfolio and that has been a very healthy profit growth. And I think we are all goal to manage the portfolio. While some pieces might be in invest mode, some pieces might be in areas where we would like to really sharpen the performance and actually harvest some of the investments.
- Aditya Soni:** Got it. So, we intend to go to a member to room ratio of around 43% or 46%, and we are currently at 53%. So, that would mean that our incremental member to room would be 38%?
- Manoj Bhat:** So, I do not think you should calculate in that terms. Somebody had asked me I think a couple of quarters back, to fulfill member demand, what is a good ratio I would be comfortable with? And I said 45% to 48%. So, there is no 43% number. And I do not think you should try to impute what is the membership addition by anything I say on member-to-room ratio because these are directional kind of statements, Aditya.
- Aditya Soni:** Got it. Thank you so much.
- Moderator:** Thank you very much. Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to Mr. Manoj Bhat – M.D. and CEO for closing comments.
- Manoj Bhat:** Thank you, everyone, for joining the call. I think maybe some of you might not have got the opportunity to ask a question. Please e-mail us and we will definitely make it a point to reply. Also, a couple of queries we had said, we will send you separately. Please write in and we will answer those too. So, thank you so much for joining and as usual, I think engaging discussion and look forward to the next one. Thank you.
- Moderator:** Thank you. On behalf of Mahindra Holidays & Resorts India Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.