



**“Mahindra Holidays & Resorts India Ltd Q3FY14
Earnings Conference Call”**

January 30, 2014



**MANAGEMENT: MR. ARUN NANDA – CHAIRMAN
MR. VASANT KRISHNAN – CHIEF FINANCIAL OFFICER
MS. DEEPALI NAAIR – CHIEF MARKETING OFFICER
MR. ROHIT MALIK – CHIEF SALES OFFICER**



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Moderator: Ladies and Gentlemen good day and welcome to Mahindra Holidays Q3 FY14 Earnings Conference Call. We have with us today Mr. Arun Nanda – Chairman, Mr. Vasant Krishnan – Chief Financial Officer, Ms. Deepali Naair – Chief Marketing Officer, and Mr. Rohit Malik – Chief Sales Officer. As a reminder all participants' line will be in a listen only mode. And there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference has been recorded. I now hand over the conference to Mr. Arun Nanda for his opening remarks. Thank you and over to you Mr. Nanda.

Arun Nanda: Good afternoon Ladies and Gentlemen. I am actually speaking to you for the first time on an investor call and it is a pity that I have to start this on a day where the quarter results were not anywhere near I would have like to see them. Disappointed that I am but I am not disheartened and I want to emphasize the difference between disappointed and disheartened. Disappointed because it has been a poor performance and I stand in front of you, plead mine and my team's failure to have not delivered up to the expectation. But let me tell you why I am not disheartened. I am not disheartened for a few reasons because it is not either for the lack of the market or is it lack of the product or is it for the lack of effort of my team that the results are not good. I think it was change of the regulatory environment which really led to this. The TRAI, the Telecom Regulatory Authority of India came down very heavily and I must plead guilty on behalf of my team that I think we should have been better prepared but we were not and it really caught us because nearly 60% of direct impact comes through that channel and that section was very badly hit. But what is encouraging is that in a short period of time. Deepali, Rohit and their team have been able to look at alternate ways.

But let me share with you, what are the reasons for not being disheartened. One of the tests is repeat buyers and when the repeat buyer upgrades his product whether in terms of the size of the apartment or in the terms of the season classification. As you know we have four seasons: we have purple, red, blue and white. And we have three apartment categories: studio, one bedroom and two bedrooms. And the upgrades during this quarter grew by 32% over the previous period. That is a very strong endorsement of customer satisfaction. The customer as a promoter score, as CAP score as you would call it, has moved up by 24% which is another very good thing. Our sales from referral from existing members are touching 30%. As Rohit and Deepali assured me that not to a distant future, it will probably go to 50%. And they have done a lot of work and that will come through. I think the resort bouquet has grown 41%. We had close to 85% occupancy and that helped. There are several new initiatives that you will see in the media which will also help the thing. But we ask the two other reasons and Vasant will emphasize it more. Rajiv correctly had taken the initiative of 'Members First and he had cut out individual's travelers, people who are not our members who come for holiday. But now that we have sufficient inventory from next quarter or this quarter we have started bringing in FIT customers and for the first nine months we hardly had any FIT sales and that has impacted the



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profit and the second is, in this quarter we did not have any securitization of debtors which was there in the previous quarter because we did not add inventory so we did not need to securitize debtors. Let me also address another concern that you may have, the board is conscious of the fact that transition in a growing company is very important. And we have already got into action. We have one of the leading recruitment firms on board. They have already sent to us the first list of CVs which is looking very impressive. The Remuneration committee yesterday went through that. The Remuneration Committee also looked at what are the qualities that we are looking for, what is the profile of the new CEO we are looking for and while I cannot promise because these things can take time, I am quite hopeful that we should have somebody during the first 3-4 months of the next financial year. And to reassure you, as you know I am the founder of this company. I have been associated with this company from the time we thought of getting into this business. And if I can claim, I know the business although I will be a non-executive chairman but I will hold forth during the transition period to make sure that the transition is smooth and seamless and hopefully you should see the impact of the good work that has been done by the team in the next quarter itself. You would not have to wait too long to see that.

I would now like to hand over it to my colleague Vasant Krishnan. Vasant is an old colleague. He joined us about 20 odd years ago in Mahindra group. When I was the President of The Infrastructure Development Sector he was the Sector CFO, then he left us for a short while and came back. And he is the one who had put Satyam back on track because when we acquired Satyam and we realized, the sought of issues that we had and that is the time we went and sort out Vasant and Vasant was good enough to come back to us. He had completed as you know, all the back log and brought Satyam up to speed and helped through the merger. And he has now come and joined us and he is going to hold few portfolios including the CFO. He will also Heads the Project Delivery and there are couple of other things that he is going to look after. Vasant is a season professional. He has, in the first two months in the self-identified areas which need to be addressed to improve profitability. And you will see effect of that as I said in the next quarter itself.

Ladies and Gentlemen we also have on the call for the first time Ms. Deepali Naair. She has joined us as The Chief Marketing Officer about eight weeks ago. She has done her MBA and she is a season marketing professional who has worked in FMCG, Media and Financial Services. She has quickly settled down in her job, and beside improving and solving the TRAI types of issues, she is looking at new avenues of marketing including digital marketing and she will also be driving the FIT sales at the resorts. I also have on the call Mr. Rohit Malik who is the Head of Sales. He is again a very talented young professional. He also has a Master's in Business Administration and he has spent the last 10-12 years before he joined us in the Insurance Sector. So he knows how to do high value sales.



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Ladies and Gentlemen with that I hand over to Vasant Krishnan.

Vasant Krishnan:

Thank you Sir. Ladies and Gentlemen welcome to the call. Let me start with the highlights of the quarter. And let me begin with the member addition for the quarter.

So we had a net member addition of 2119 for this quarter. I may take the total membership to 1,67,838. The AUR which is the Unit realization per unit, which is a metric that we track for the quarter, came in at 3.7 lakhs per unit. When you translate that to time share income, time share income for the quarter was a Rs. 116 crores, now Rs. 116 crores if you compare quarter 2, it was Rs. 112 crores and that is subsumed with our total operating income which came in at Rs. 182 crores. Resort Income was Rs. 29.7 crores and I just want to spend a moment on this line, not only was this better when we compare this to the Q2 resort income, it is also better when you compare the resort income of quarter 3 of last year was Rs. 24.8 crores. It came in at Rs. 29.7 crores, a 20% increase because and you know seasonally Q3 is always better, that is why I thought it prudent to compare the Q3 performance of this year which is Rs. 29 crores with the Q3 performance of last year which is Rs. 24 crores. You would have noted, a dip in the other operating income, it was Rs. 17 crores in Q3 last year and Rs. 8 crores this quarter and there are two reasons for it, one the chairman has already alluded in his opening speech, he talked about the securitization income, we did not do any securitization this quarter, this line was absent.

And second you would have noticed that the interest from the installments sale is down from Rs. 15 crores to Rs. 7.5 crores. There are two reasons for it, the first reason is that when we securitize there is always a de-recognition of interest income that happens in the next quarter and the second reason is that our delta cancellations this quarter was marginally up. And it is just not the function of the cancellation that we do in a quarter, it is also the interest that we had recognized on these cancelled members that we need to de-recognize that results in this number coming through. So, there are two reasons which have resulted in a lower interest income and a lower therefore operating income others. You come to the middle line, have a metric that we very carefully track and that is the cost of acquisition. The cost of acquisition this quarter was 34%, normally it is around 28.5-29% but I am sure all of you are aware that in the month of October we had a brand re launch and that has reflected in the marketing costs, you have seen that line going up from Rs. 41 crores to Rs. 51 crores. We are also strengthening our sales engine, I think we have to recognize the fact that we need new or more innovative ways of selling and that is reflecting in employee cost going up from Rs. 40 crores to Rs. 43 crores. Increased capitalization this quarter, we capitalized around Rs. 40 crores, a combination of building and plant resulted in the depreciation line going up by Rs. 1.5 crores, from Rs 8.5 to 10 crores. Other income showed a marginal increase of Rs. 2.3 crores, there are two points I want to quickly bring to your attention, we divested in Austrian subsidiary, there was small profit that we booked on that sale and the balance of it is in interest income from IPP funds. A flat



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other expense line around Rs. 60 crores and you have a profit before tax coming at Rs. 30 crores, that reflects a 16% margin for the quarter, we trend in 18% for 9 months and a profit after tax of Rs. 20 crores, reflecting a 10% margin for the quarter to extending at 12% YTD. So, with that I will open the line for questions.

Moderator: Participants we will now begin the Question and Answer session. We have the first question from the line of Kirti Dalvi, from Enam Asset Management. Please go ahead.

Kirti Dalvi: My first question, if you could just give us a gross addition and cancellation for the quarter?

Vasant Krishnan: We do not normally get into a granular details of gross and cancellations but since you have raised the issue of cancellation, let me answer your question thus. The metric that we normally track is net member addition and I have given you that number at 2117. Hold on, you have raised this point let me complete it, unlike other business, I am sure you know this, where we just write off if there is a cancellation, here in our case a cancellation if a member does not want to, how many ever reasons why he does not want to holiday, I think it is part of the course of businesses like these. What really happens is you get back the inventory, also recognize the cancellation income and there is an opportunity for the company, not that we want to pursue that line but there is an opportunity for the company to sell that, release the inventory back at a much higher AUR, not that we are pushing that metric, I just want to put that fact on record. So the cancellation as a number is not something that you would like to get into but the net member addition is a metric that we will closely monitor in fact going forward. And that is 2117 for the quarter.

Kirti Dalvi: Why I asked this question is because if I see in last couple of years, I think this number we used to get earlier in many quarters, we used to have 1000+ members getting cancelled and since you mentioned in your initial commentary that cancellations were bit up in the last quarter, so that is why I asked that question.

Vasant Krishnan: So, it is higher than the number of last quarter, like I said that is not something that we unduly worried about.

Kirti Dalvi: Okay in terms of our room inventory, if you could speak about, I think our plans were something like addition of 500 rooms this year and 500 rooms next year, what is the status on that?

Vasant Krishnan: Alright, so room inventory as an absolute number is also a metric or something that we need to try depending and upon, what we need to build as Rajiv had mentioned on 1000 rooms in the next couple of years. We are on track for that. We have got CAPEX plans underway which will



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give us a big portion of that room inventory and we will always leave the buy option that we can always use as a button to factor any short falls in the event that delays in construction.

Kirti Dalvi: But Sir for the current year if you could just throw some idea, I mean what kind of addition we are looking forward by March end? Because if I am not wrong, there has been only 31 rooms of addition vis-à-vis what we had seen in as of September?

Vasant Krishnan: That is right, only 31 rooms of addition this September there are discussions for lease as our construction is underway but the more important thing that I want to highlight since you are mentioning rooms is a fact that today when you look at our base who are eligible to holiday, our inventory position is very comfortable and that is fact due to the initiatives taken over the last couple of years, our 'member first' policy and the ruthless focus that we have put on adding to inventory, all is coming bear to fruit now.

Kirti Dalvi: My last question is on your subsidiary performance, if you could throw some light on that because I think there is a meeting which is going to be on 21stFeb where you're consolidating or amalgamating Bell Towers. I think if I see our last year's performance Bell Towers made something like Rs. 10 odd crores loss in FY13 and we do not get any quarterly or half yearly figures for our subsidiaries, so if you could throw little bit light on that.

Vasant Krishnan: The total subsidiary loss that we would need to incorporate would be somewhere in the region of around Rs. 6.5-7 crores but again next quarter you will see the full impact because the consolidated numbers will be available to you.

Kirti Dalvi: And how much money we received when we sold out those two subsidiaries, Austria based?

Vasant Krishnan: We had a minor profit of Rs. 1.5 crore.

Moderator: Thank you. We will take the next question from the line of Tejas Sheth from Emkay Global. Please go ahead.

Tejas Sheth: Thanks for taking my question. In the opening remark there was some statement made that there are areas which are identified for the performance revival. Can you just highlight those areas which can give you results in this quarter or in near future?

Vasant Krishnan: There are number of levers that we have identified across top, middle line and we would not like to get in to specific areas or line item. I mean they are all across. Just to give you one example, I am not saying that is the only one. I mean it could be on cost of acquisition, it could be on other costs. It could be on room revenues that Mr. Nanda spoke about. There are a



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number of levers and I think it is a combination of these levers, how affectively we push them that will determine the course going forward.

Tejas Sheth: Sir also you mentioned that the realization per unit was Rs 3.8 lakhs. Can you also add the number of up gradation in terms of cash info which we got and give me the average realization?

Vasant Krishnan: We track only at the gross levels because then otherwise the number will get skewed up because a realignment does not add to the unit. So, we have to basically track it on the gross addition and the gross realization on that gross number.

Tejas Sheth: So, how many upgradations were there in this quarter?

Vasant Krishnan: It was a fairly significant number because we have encouraged with that because that just shows how satisfied members are.

Tejas Sheth: I mean because in the last quarter we saw huge up gradation and the average realization was I think Rs. 5.8 lakh?

Vasant Krishnan: It was around same trend as that of last quarter, if you are raising the issues around Rs. 30 crores this quarter.

Moderator: We will take the next question from the line of Jaisinh Suchak from JM Financials. Please go ahead.

Jaisinh Suchak: Just a couple of questions. The 31 rooms which we have added this quarter, can you tell us where these rooms have been added?

Vasant Krishnan: In Corbett.

Jaisinh Suchak: This one time brand, new campaign expenditure which is in selling and marketing expenses, what would be the quantum of that?

Vasant Krishnan: Again it is getting into a granular thing but I can tell you that 50% of these expenses are in, so you could look at around Rs. 18-20 crores but I would not use it as an expenditure, it is more like an investment, it is not just all print or TV ads, I mean with the significant collateral that we have invested in and we are hoping that these collateral investments will yield us results going forward.



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Deepali Naair: Substantial part of it is the new logo and the signage's that you see inside all our resorts and there is newer colors and therefore that adds to the experience that the consumers also have inside our resort, so substantial part goes over there and apart from that we have strengthen the digital platform also through some of these investments that we have made in the brand re launch.

Jaisinh Suchak: And just one last thing you said that Rs 3.7 lakhs was the average realization of vacation ownership this time, could you give me the number for last year's same quarter? Basically just the online reservation by members was trending at close to 50%, does that number remains similar or is it changed?

Deepali Naair: Yes, it is trending still close to 50% only. We are aiming for a higher number but the perspective on that is, when you look at the whole online world, 50% number is very encouraging compared to some of the of the other industries when they do a shift from 'Brick-and-Mortar' to online. So, the fact is, we have grown to 50% so quickly, it is extremely encouraging for us.

Vasant Krishnan: You wanted that number, it is around Rs 3.25 lakhs, say roughly around 10% increase.

Moderator: We have the next question from the line of Nimit Shah from ICICI Securities. Please go ahead.

Nimit Shah: Could you elaborate more on the inventory plans for the company in the near future like what is the work in progress and the visibility that we have over the next 12-18 months?

Vasant Krishnan: So, over the next 15 months we would hope to add or construct in terms of the construction that is going on around 600 rooms or I will be a little bit conservative here, may be little more, but around 600 rooms is what we are clearly expecting that we can deliver.

Nimit Shah: So, for these 600 rooms the work has already been started?

Vasant Krishnan: Absolutely. We have already spent around a Rs. 100 crores as work in progress.

Nimit Shah: And the other, that is, leased and the bought rooms would be?

Vasant Krishnan: I am talking about 650 rooms constructed as our own.

Nimit Shah: So, this will entail a CAPEX of how much?

Vasant Krishnan: That is what I am saying, CAPEX would be around Rs. 450 crores and we have spent around a Rs. 100 crores.



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- Nimit Shah:** That is for FY14 and 15.
- Vasant Krishnan:** Together, yes over the next 18 months.
- Nimit Shah:** And Sir, the location wise if you can help us like where are these 600 rooms because the work has already been started, so if you can broadly specify the locations where this inventory would be added?
- Vasant Krishnan:** It would be in Himachal Pradesh, is an area that we are expanding, Kerala, Goa, and Karnataka.
- Nimit Shah:** And second thing was on the member addition, what is the outlook over there because for this part of the financial year the member addition has been impacted significantly. So, would you attribute this to the current economic scenario or whether there is something more to add to it?
- Rohit Malik:** See, we would I think attribute it more to what Vasant and The Chairman added to start with which was the TRAI regulations because a significant part of our selling process is a call that we send out or make out to a prospect to fix up an appointment and that got significantly impacted with the new regulations that came out in August, that whole impact panned out over the periods starting from September till about November. The good part is that, we have kind of worked around that now by creating alternatives of acquisition which are beginning to gain momentum, so as we look at the acquisition rate December onwards, that is coming back on track. So, I mean that was the big reason but the good part is that we are kind of seeing light at the end of the tunnel.
- Nimit Shah:** So, these alternatives would be digital and referrals?
- Deepali Naair:** It is also about doing smaller changes, for example if you are dropping the lead somewhere asking a person saying immediately on a real time doing a DDU upon your DND number to ask you saying Sir you have a DND number, kindly give us a permission so that we can call you, with measures like those and also looking at alternative adding in. It is a combination of both, improving your current way of doing business and it is also looking at alternative avenues.
- Nimit Shah:** Any outlook which you might give in terms of member adds for the next financial year, whether you will have some growth over the current year or it will take some time to stabilize these alternative measures?
- Vasant Krishnan:** As we do not give forward-looking statements or forward guidance.



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Nimit Shah: Sir but is it anything to do with the pricing because we keep on increasing our prices by 10-11% in line with the inflation so is there any reluctance from the member side as far as the membership proposition is concerned?

Rohit Malik: See, Nimit it has not been kind of observed, if we talk about whether the price increase has impacted us or not; however, what it does help you do is, it helps you reach out to the better prospects that you believe are the kinds who are going to aspire and enjoy the kind of experience that we provide. What it definitely requires is, a better selling process, a better point of sale experience because you are beginning to attract better prospects, so I think that is something which we really work towards most part of last year and I am happy to say finally we went live with something that we call 'Sell Smart', in the month of October and then we spend that quarter rolling that out. So, I think those kind of initiatives are helping us therefore create value proposition for our prospect as far as the product is concerned and therefore price is really a function of value proposition not so much of an absolute in itself.

Nimit Shah: But if we are moving from Metros to Tier-2, Tier-3 cities, would not that impact us?

Rohit Malik: See, in Tier-2, Tier-3 also, our experience clearly now of past 8 months is that, there is no economic disability. It is just a matter of, what were the avenues available to them? And our product is filling in a gap which existed in that market. Necessarily that is not implying that we are going in to a lower economic strata in those cities and selling it to them. That is not happening.

Moderator: Thank you we have the next question from the line of Jiten Doshi from Enam Asset Management. Please go ahead.

Jiten Doshi: I think, while some of the operational questions are being answered by you, I think the larger question is never been answered. Where are we in stage of experimentation with our business model because it is been nearly five years since our IPO? And this is the only Mahindra Group Company in which investors have lost very heavily. Even from the IPP price, offer for sale, and the IPO price. Ultimately, every quarter there is a hope been given that next quarter I remember, this will improve room, inventory will improve or certain things have been put in to order and we will see some sort of a growth, stabilization, etc. What is your real outlook you want to give investors because last call previous to that, previous to that, there was lot of hope which was consistently been given to investors. So if you have to now give us a very realistic not an optimistic or a pessimistic outlook, what would you quantify it because I think last time when we had a call, two years back I think Mr. Sawhney said that our intention to go fast the peak number of members as a gross addition then we had in 2010 which was approximately 23 or 24,000. Now if one looks at your gross additions post 2010, this is now 2014. In four years you have been way behind those numbers. So really would you believe that 2010, 24,000 was



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the gross addition was an accident or was it just a fate of luck or because of some sort of a boom or where do you really see these numbers stabilizing? And how much more do you think we have to wait till the model stabilizes? Or you discover basically a couple of things that you need to correct or that you need to set right?

Arun Nanda:

It is little unfair to the management, not to me to say that numbers were achieved by accident or by fluke or fate of luck or something. We live in a market where market goes up and down. Yes, the price increase is a factor but I think costs are going up, we have to take price increase because we have to live to deliver our promise of 25 years. We have to deliver 25 years service and since you are a member yourself, have seen that the quality of product has consistently been improved. There is a huge member acceptability. Yes there is an issue on numbers, when you try new things some work, some do not work, but I am not able to give you because of group directives any guidance but the fact that I am here, I myself came to take the call, did not run away, is something which should give you the confidence that this guy has taken over and he will deliver results.

Jiten Doshi:

Well I think Mr. Nanda you had also taken around this call when Ramesh was leaving, then in 2009-10 or 2010-11 and yes you had assured us and I do not say that you have not done your best. I completely believe that you have done your best. But what I am saying is despite all of that and I know the numbers are not a fluke. But if we are not able to repeat those numbers, then should we say that is not repeatable at all? Then it has been 4-5 years since we investors have been interacting with the company with Rajiv and yourself and Mr. Ghosh who is no more in the company. But we are not able to find our feet. To the best of your abilities, you definitely are kind of directing us. But I am not seeing any improvement quarter after quarter for the last many quarters. And there was some hope given to global investors given during the dilution by the Mahindra group and the IPP, or the follow on sale done by MHRL. So if you can give us some sort of a large micro guidance, as to really what are you seeing rather than telling us there will be very good next quarter and when you say very good do you believe we will touch the rate of 6000 members gross addition? Or do you mean it will be marginally better than this quarter? Since you have already guided for the next quarter in saying, this is the position I would like to really understand, if you can just sort of help us with directionally where, I am not asking you for the exact numbers but I am asking you, that it has been many years and quarters of patience and waiting by investors. This is the only Mahindra Group Company where we have lost our capital. So I think there is some amount of questions that need to be answered by the management. And that is what we are seeking a clarification on.

Arun Nanda:

Jiten the share did go up to 550. So it is not that the share, yes the last few quarters have not been as good as it should have been and I started off by saying that I am disappointed but not disheartened. And I am not going to give you any numbers because that is not the group's policy. But if you want to understand the larger picture, it will take time and I do not think on 1



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hour call when we have got 60 odd participants, I can do it. I have always agreed to meet you and I am always happy to meet you again.

Jiten Doshi: No please Mr. Nanda this questions are not directed to you personally or to any member of the Mahindra Holiday team personally. I am saying that if we are still saying that we are in the experimentation stage.

Arun Nanda: I never said I am on an experimentation stage. Do not put words in my mouth. I said we have to take certain initiatives. Those are tactical things. The business is not on an experimental stage. The top line has still grown, the addition may have not grown in this quarter. Vasant told you that the cancellation was hired in this quarter. That is one of the reasons. And I am telling you numbers will grow and I am not willing to tell you what the number will grow by. And I am telling you that I am quite happy to spend time with you or anyone who wants to spend time with me.

Jiten Doshi: Sure and my last question is if Member Services have been improved, the quality at the resorts have improved. If so many initiatives have been taken by you, why are so many members cancelling their memberships when they have already paid such large amounts and it does not make any difference for them to cancel and they can always pay that little more and start vacationing with us? So why is that so many cancellations are coming? What are you doing for stopping those cancelations and how many more do you think will happen in the future?

Arun Nanda: In any installment phase, you are probably a very seasoned investor on this, you are probably the most seasoned investor on this call, you are probably the oldest, you have been in the industry's longest. Just go and look at what happens in other products like insurance, what happens. There is a certain amount of thing that happens and we are taking steps to reduce the cancellations. And when there is a sale of this offer product which is a discretionary product, there is impulse buying and people then go through this and you have to learn to live with it. The solution is, yes you have to reduce the cancellations, but cancellations will always be there. I cannot tell you no cancellations. We have to actually make sure that our growth is higher, so that the cancellation does not affect the net addition to members.

Moderator: Thank you. May we have the next question from the line of Sumant Kumar from Elara Capital. Please go ahead.

Sumant Kumar: My question is regarding the competition in the market is increasing, we have seen the Sterling Holidays and Magic Holidays. They are offering product at a discount level. So what is the key strategy for the company to counter the competition and grow at a healthy rate?



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Rohit Malik: See as you rightly mentioned those are the two companies that one kind of gets to hear about in the market and they have been visible. But we are keeping a track of competition specifically these two entities, there are some others as well, who are a small bit players but what we try and track with them is, is there anything different that we do, or they do so what we are doing? But in terms of the segment that they are today catering to and what they are building towards is clearly very different from the segment that we are kind of going after and I think some bit of that consciously we have done the shift in terms of past 3-4 years. If I can quickly connect it, to some bit of discussion that we have done on this call on cancellation, we are clearly wanting to move away from a segment where economically they are hard pressed to first buy this product because it makes sense and but later on they realize it is still expensive to use it. Which is something which I believe that the other two players that we talked about due to the price point at which they are selling is that kind of segment to what they are reaching out to.

Sumant Kumar: So do you think that the price point is the key driver and we should launch some kind of SKU's like FMCG we have seen a growth earlier they were selling at 200-300 ml now they are selling the product in sachet. So can we move our strategy towards that so the price point should be lower and we can see some volume growth?

Rohit Malik: See two parts to that: one is, do we feel that we are exhausting the segment that we are catering to? The answer is no. So, one is not pushed towards the other segment. The other fact remains that unlike an FMCG, SKU, service you cannot say, I will have a good service experience and I will have a mediocre service experience. So as long as Mahindra Holidays experiences remains consistent, there is a certain price that you have to charge for it and that is the price point at which you will operate.

Moderator: Thank you. We have the next question from the line of Apurva Mehta from KSA Shares & Securities. Please go ahead.

Apurva Mehta: We had gone to Dubai and we were expecting some breakthroughs in Dubai. So can you update for this, what we have done with that Dubai thing?

Rohit Malik: Sure, we did that whole licensing status shift about a year ago, a little less than a year ago. Since then we have been successfully able to expand our footprint. Mostly we have taken the route of third party association. The target for us continues to be the NRI so the kind of associates that we have tied up with are the Indian settled there for many years running businesses and catering to such NRIs and that has given us a very smart growth in the last 2 quarters. So that is clearly building up and very recently we have been able to do a tie up with a fairly large associate in Qatar and Oman, these two places.

Apurva Mehta: Are we adding that in these current members also, what gross additions we are doing?



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- Rohit Malik:** Yes, we are, however, the base is fairly small there, so even if the numbers are multiples, one would not see the effect of it in the overall numbers yet.
- Apurva Mehta:** But what is your assessment for going forward in couple of years? What we can see, can we see any healthy growth that it will be remarkable with these additions?
- Rohit Malik:** There will be. I think that part of our business will grow much faster than the domestic business clearly.
- Apurva Mehta:** And another thing, expansion of our resorts from rather than India to outside in neighboring countries, so any update on that?
- VasantKrishnan:** No, the expansion of resorts is something that we will do on a case-by-case basis; there are number of other factors that we have taken into account. As of now, our resorts internationally, wherever we have gone, we have gone carefully. We are doing well, in terms of our occupancy there. So this is something that we need to do cautiously, I think the thrust has been to ensure that on an overall basis, the inventory for members to holiday as I promised was basically domestic holidays to begin with, but we are giving them experience of international holiday. Going forward, we will use that lever judiciously because there are cost impacts and we need to understand that carefully.
- Deepali Naair:** And we do tend to look at what kind of demands is coming through from our members and where they are holidaying? So, if there is a substantial number of business to do with the members that we have currently and where they want to holiday. So in that sense, the expansion does look at those trends also.
- Moderator:** Thank you. We have the next question follow up from the line of Tejas Sheth from Emkay Global. Please go ahead.
- Tejas Sheth:** Just couple of bookkeeping questions. Can you just give me the number of deferred income, short term and long term at the end of this quarter? It was I think Rs. 1395 crores. And second is again, the cash component in your books right now.
- Vasant Krishnan:** The deferred income is Rs. 1388 crores and the cash and cash equivalent to Rs. 75 crores.
- Moderator:** We have one follow up question from the line of Jiten Doshi from Enam Asset Management. Please go ahead.
- Jiten Doshi:** There was a long pending request for the last 3 years to organize an analyst meet. Do you all think you would be able to do one after the conclusion of this year-end 31st March, 2014?



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Vasant_Krishnan: We will do that after the year ends, March '14 that is.

Jiten Doshi: I think that stands as a commitment so I am very delighted to hold an analyst meet as soon as year is over.

Vasant_Krishnan: After the account in the year is over.

Jiten Doshi: Yes of course, it could be May, June, whenever you are releasing your financial results, probably the next day of that. Thank you so much.

Vasant_Krishnan: Thank you all for joining the call. We conclude now.

Moderator: Thank you Sir. Ladies and Gentlemen, on behalf of Mahindra Holidays that concludes this conference call. Thank you for joining us. You may now disconnect your lines.

This document has been edited to improve readability.