



“Mahindra Holidays & Resorts India Ltd. Q3 FY13 Earnings Conference Call”

February 01, 2013



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MODERATOR: **MR. GAURANG KAKKAD – RELIGARE CAPITAL MARKETS**



*Mahindra Holidays and Resorts India Ltd
February 01, 2013*

Moderator

Ladies and gentlemen good day and welcome to the Mahindra Holidays and Resorts India Limited's Q3FY13 Earnings Conference Call hosted by Religare Capital Markets Limited. As a reminder, 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 this conference call, please signal an operator by pressing "*" and then "0" on your touchtone telephone. Please note that this conference is being recorded. At this time, I would like to hand the conference to Mr. Gaurang Kakkad of Religare Capital Markets. Thank you and over to you, sir.

Gaurang Kakkad

Thanks. Good afternoon to everyone. On behalf of Religare Capital Markets, we welcome you all to the Q3FY13 Earnings Call of Mahindra Holidays and Resorts India Limited. From the senior management team, we have Mr. Rajiv Sawhney – the Managing Director and Mr. Aloke Ghosh – the CFO. Without any further delay, I would like to hand over the floor to the management for the opening remarks. Over to you, sir.

Rajiv Sawhney

Good evening everybody or good afternoon wherever you are.. Just to introduce my colleague Dinesh Shetty, who is our legal counsel and company secretary, he is also on this call, just for everybody's information. So we have already shared the top line results in the press release that we issued which we filed at the stock exchange yesterday. So, I hope everybody has gone through it. But just to explain that a little more, while our operating income for the quarter went up by 13% over the same quarter last year, our PAT has gone up by 14% over the same period last year. We are very happy to share the fresh project start news with everybody. First Munnar, Munnar was the first ever project, the first ever property that Club Mahindra built 15 years ago. It is an evergreen property and continues to be a year round favourite. So we have started work to add another 50 rooms in that resort which we expect will take a year, year plus. So work has begun on that, I am very happy to share that. And equally we have started work in properties in Naldehra, which is near Shimla, which would be another 150-room property once it is ready and Kanha in Madhya Pradesh, which is a very popular forest destination. As you know, we already have one in Gir and we have a location in Corbett. We have one in Masinagudi, so forest reserves are also very popular holiday destinations. So we have started work on our new project in Kanha. Virajpet, which is in Coorg in Karnataka state, work is happening on the second phase and we are quite close to opening the first phase very shortly. We will come back to you with specifics on the Virajpet opening date. We, as you know, already have 200 plus rooms in Coorg, so our Coorg total inventory will go up by 50% with Virajpet going on line. So that four new project starts. During the quarter, our occupancy increased in spite of the fact that our inventory number, the total number of rooms where people could have holidayed in went up from 1700 odd during the same time last year to 2200 odd during the current year and yet we had increase of 5% points in the occupancy. So we have shown 83% occupancy during the quarter gone by. What is even more important is that the occupancy is largely by members which we are very happy with because the member experience, the member success rate in getting holidays with us has risen significantly. And of course, the experience that people have continues to be very



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strong. We have said that in our press release that 90% of all our resorts that are tracked on TripAdvisor, the travel portal, get a 4.5 rating on a 5-point scale from the users. That is exceptional actually, you will find very few chains having that kind of a rating by people, no matter how high end that chain may be, so that is something which we are particularly proud of. During the quarter, we had three resorts go on stream. We had shared with you in the previous quarter about the acquisition. Jaisalmer in Rajasthan, Kandaghat near Shimla and Bangkok went live to our members with very good response. We have got excellent response from members on the experience they have had while holidaying in these new properties of ours, so that is a very good reinforcement that the choice of locations meets with the expectations of our members.

We had shared with all of you earlier about our efforts to change and modify our acquisition approach. We are increasingly focusing on online both in terms of holiday bookings from our members as we are in acquiring customers. We, if you recollect, started our online holiday booking just about a year ago and I am happy to share that we are now tracking to 40%, which means 40% of all our members who are booking holidays with us now are doing so online. We are seeing a healthy trend in this and we expect to keep going on this further. And as we shared earlier, the more people go online, the more comfortable they are, the greater transparency they see, the more they have with reason a feeling of being in control of the entire booking process, they have the choices available to them and overall it makes for a much better user experience, so that is what we are committed to.

On the acquisition side, we are now acquiring 10% and above of our total members through the web and this is something, which we are confident, will continue to change favorably. This number, we did not I think share earlier, but if you were to go back to about a year ago, it would have been 2% or so. So this is something which is a good situation, which is seeing that our cost of acquisition is also tracking well. Aloke, my colleague will share the details on those and we of course would be in the Q&A session. During the quarter, we did not sell any Zest memberships. Zest, as you know, is one of the product categories that we have. We are focusing on Club Mahindra as a product, we are focusing on club Mahindra being the flagship product and that is where our focus will become even sharper. So we did not sell any Zest products consciously during the quarter and we would be looking to have conversations with our members to find a migration path to a Club Mahindra membership and those who wish to continue to remain Zest members, we would be happy to let them continue with the relationship that they have. But we believe that there would be good reasons for them to upgrade their membership to Club Mahindra membership going forward. So that is pretty much all that I have to say. Aloke, could you discuss the details and then we can get into Q&A?

Aloke Ghosh

Good afternoon, good evening to all of you. Just like every time, I will give an update of the financial results and details of the income breakup. So to start with, as Rajiv just mentioned, you would have gone through the press release which has the financials and how we have performed in Q3. But to come to the details, the operating income for the quarter was 179 crores versus 159 crores in Q3 last year. So this depicts a growth of 13% on a year on year basis. Including all



other income, the total income for the quarter was 182 crores. Now, breakup of operating income includes the time share income which was 116 crores, resort income 25 crores, Annual Subscription Fee or ASF 30 crores, interest on EMI and others at 7 crores and TRS 1 crore, TRS is our Ticketing business. Now PAT for the quarter was 30.07 crores which is up 14% year on year. Number of member additions during the quarter was 4021 to be precise, which takes our cumulative member base to 155,000 to 155,221. Beside this for this quarter, we are trending on the cost of acquisition continues to be good and we did about a 31.2% of sales in the cost of acquisition. Brief comment on the sequential quarter, the operating quarter for this quarter was again as I just mentioned 179 crores versus 165 crores in the previous quarter. So on a sequential basis, we have had a growth of 8% quarter on quarter. PAT for the quarter was 30.07 crores. The previous quarter we had 27.01 crores, which means we have a growth of PAT of about 11% on a sequential basis. So this is the basic declaration about the results. Now you can ask, I would leave the field open for any question and answers.

Moderator

Thank you very much, sir. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question, may press “*” and “1” on their touchtone telephone. Participants are also requested to use only handsets while asking a question. Anyone who wishes to ask a question may press “*” and “1” at this time. The first question is from Rishi Maheshwari of ING Life. Please go ahead.

Rishi Maheshwari

Good afternoon, sir. This is to generally enquire on the environment that you are currently in. From the numbers that you are showing in terms of the gross member addition, looks like it has been more or less flattish year on year in club Mahindra alone. I am not even assuming Zest. So your comments on the same?

Rajiv Sawhney

I am not losing sleep over the environment. We have maintained and I see no reason to revise the opinion that this is a severely under-penetrated market, given the potential and we remain committed to grow this market at a rapid pace and if you look at the occupancies, you will see that more people than ever before have travelled to holiday with us during this period. More people than ever before have holidayed with us with an expanded base of inventory. So we as a company don't have a concern on the environment, to answer your question, Rishi.

Rishi Maheshwari

Mr. Sawhney, then what explains the flattish year on year growth, is it then that our sales team has taken a breather and probably we will come with more vigor next quarter onwards or is there something else?

Rajiv Sawhney

No there is nothing else. I am saying, watch the space, see what we do and we will come back to you with more.

Rishi Maheshwari

So can we say that this was the bottom that we have reached and from here on, net membership addition will be higher only henceforth?

Rajiv Sawhney

Absolutely.



Rishi Maheshwari

As a tight execution on the operational front, I think margins improvement has been healthy. Is there a scope to take it further higher or we will continue to invest and therefore we may not see margin improvement from here?

Rajiv Sawhney

There is a lot of scope for margins to improve. Our CFO is smiling at me, but yes, I mean margins can always be improved. We shared with you people in the last few quarters that we were making some decisive moves of aggressively adding inventory ahead of time which went through a cost. We invested in systems and processes, so we expanded our cost base. As I mentioned in my earlier thing, the movement to online is very positive from a margin's point of view. If we can have a greater percentage of business, whether it is holiday booking or it is business acquisition moving to the web, it would help us in our margins. And I would just digress here for a minute that we continue to invest in betterment. We have opened a new office in Dubai in the UAE and now we have received a license to do business in the UAE. Earlier, we had a representative office which was a service office for our members, but now we can solicit business in the UAE and we intend to do so aggressively and the initial response that we have seen there, we are quite glad with.

Rishi Maheshwari

Sir, last quarter end, you were at about 2276 rooms. This quarter, you mentioned it is about 2200 odd only and despite that you mentioned that there have been three resort additions. Has there been certain culmination on certain rooms? What is the reason?

Rajiv Sawhney

We continue to cull our portfolio. I mentioned short while ago about how 90% of our resorts which are on TripAdvisor get a 4.5 rating. For us, the experience that we deliver is paramount. So as we add new quality properties, we also are looking at the existing portfolio and seeing which one is the existing portfolio the existing properties can be upgraded, we are doing what it takes to upgrade them. But if we feel that there is no long-term benefit in keeping them or if in a location, we have added a new better property, we would shed existing properties to make sure that we continue to be current. So that overall correction will continue on a going basis, but you can expect to see the net rooms available continue to increase. Yes, it did not show a net increase during this quarter, but going forward, we had said in the beginning and we remain committed to the fact that we would increase our total room count during this financial. We had talked about a 700 number and I have not forgotten that.

Rishi Maheshwari

Sir, lastly just numbers, gross addition, net addition on members and gross addition, net addition on the room inventory for this quarter?

Aloke Ghosh

Rishi, as far as the members are concerned, 5023 gross numbers, 4021 which automatically means about 1002 cancellations.

Rishi Maheshwari

And room inventory, any gross addition, net addition?

Aloke Ghosh

No gross additions. As Rajiv just mentioned, we gave up a few resorts, one of them being in Goa, which we have declared in the previous quarter and has gone off in this quarter.



Rishi Maheshwari Sir, there has been neither any cancellation cull of rooms that has happened this quarter and no addition of rooms too in this quarter?

Rajiv Sawhney Right.

Moderator Thank you very much. Our next question is from Jay Singh Suchak of JM Financial. Please go ahead.

Jay Singh Suchak Just a couple of questions, what is the average membership fee for this quarter, like last time it was 3.4 lakhs?

Rajiv Sawhney That would have increased, like I said because there is no Zest, but Alope will give you the number.

Alope Ghosh As Rajiv mentioned in the call, this quarter we have stopped selling Zest as an item, that is why, if you are asking about the average unit rate, that has gone up, that is about 3.8 lakhs.

Jay Singh Suchak And year on year, it will be high by how much?

Alope Ghosh In the last year, the same quarter, it was 2.9 lakhs.

Jay Singh Suchak The room inventory, like it is 2276 rooms last quarter, what does it stand at now after the small culling out?

Alope Ghosh It is 2242.

Jay Singh Suchak In terms of occupancy, you said, 83%, the improvement year on year, did you mention 5%? I am sorry I missed that number.

Rajiv Sawhney 5% of what?

Jay Singh Suchak The occupancy was 83% in third quarter.

Alope Ghosh 5%, yes.

Rajiv Sawhney Actually 500 or 5000 basis points, I mean it is not a 5% change, it was 78% ...

Jay Singh Suchak Yeah that is fine. So 78%, what was it?

Rajiv Sawhney Yeah. It has got a whole new meaning actually. Put it this way, if I turn it around and tell you I am saying I had 25% more people living under our roofs during this quarter in the same period last quarter.

Jay Singh Suchak It was 78, now it is 80, so basically 5% is point improvement.



Rajiv Sawhney Correct.

Jay Singh Suchak In terms of, you said that 10% plus members are now acquiring the membership through web, what is the status for the referrals?

Rajiv Sawhney Referral continues to do well for us which is reflected, I mean I do not think we share that granularity of numbers of how much we get through referrals. But you can see with the softer cost of acquisition, what it is telling us is that the referrals are doing better.

Jay Singh Suchak Sure. Alope mentioned the net and gross member adds for this quarter, I just wanted to sense that since you stopped selling Zest, in the previous year same quarter and previous quarter itself, what was the Zest number so that we get a sense of how the Club Mahindra memberships itself are performing?

Alope Ghosh Yeah. Last year same quarter, it was 725.

Jay Singh Suchak And previous quarter itself, 2Q FY13?

Alope Ghosh Previous quarter, it was 480.

Jay Singh Suchak Yeah I guess that is all. Thanks so much. Good luck.

Moderator Thank you very much. Our next question is from Mohit Jain of Trust Group. Please go ahead.

Mohit Jain Can you give us breakup of resort income?

Alope Ghosh For this quarter?

Mohit Jain Yes.

Alope Ghosh So resort income would consist of 2.9 crores as room revenue, 16.5 crores of food and beverage and 5.4 crores of holiday activities and others.

Mohit Jain And sir, second question for Mr. Rajiv. We recently announced raising equity. We are currently debt free, so are we forcing any major plan for using capital, because I was a little surprised with that plan?

Rajiv Sawhney SEBI guidelines say that the public holding of this company should be a minimum of 25% by the end of June. So a liquidity event is therefore required. So in line with that, theoretically the choices are an offer for sale or an IPP. So at an appropriate time, options would be explored. So what we would do has not been decided yet, you will get to know closer to time. But that is something which needs to happen between now and June.



Mohit Jain But do you see any capital requirement coming up in the foreseeable future?

Rajiv Sawhney Capital requirement...

Mohit Jain Because of your Greenfield projects or maybe some other inventory addition that you are planning?

Rajiv Sawhney Well we continue to grow and look, that would be telling, all I can say is that we will continue to invest in the growth of inventory at an aggressive pace and we have said that before at the cost of repetition. We said we would like to be 6 months to 8 years ahead on the supply curve compared to the way the demand turns out and we would do what it takes to therefore acquire that inventory. Having said that, you can see the number that we are churning out, you can see the cash flow, you can see the surpluses which are being generated and the rate what it is. So that is what it is. So at this point in time, I am afraid there is nothing more that I can share.

Mohit Jain Sir, lastly on business environment, do you see any change compared to last year or any increase in competitive intensity?

Rajiv Sawhney Not really.

Moderator Thank you very much. Our next question is from Sumant Kumar of Elara Securities. Please go ahead.

Sumant Kumar My question is why the other operating income in this quarter was so low, the other operating income?

Aloke Ghosh The other operating income, you are comparing with what to say it is low?

Sumant Kumar YOY. It was in Q3FY12, which was 144 crores. This quarter, it is 66 crores.

Aloke Ghosh This time our interest income, one of the components, because we have securitized more, so our interest income in the other operating income line item is lower as compared to last year, primarily because of higher securitization in the current year.

Sumant Kumar So it is going to continue?

Aloke Ghosh No, because we are also going to add new members, so obviously the interest gap will be filled up to a great extent because our previous space also continues to pay us interest, so that will be made over a period of time. I am just telling you for this quarter.

Sumant Kumar The second question is you have mentioned that your average realization has grown by 31%, that 3.8 lakhs in this quarter and in Q3FY12, it was 2.9. So we have calculated, it is coming around



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31% and the company has shown 19% growth in net sales excluding other operating income, so where is the volume growth or is there any de-growth in other segment?

Aloke Ghosh

No, there is no de-growth in other segments really, but what has happened is in terms of number of units we are lower, which we just mentioned at the beginning of the call itself. That as far as number of units is concerned, we are lower than last year, but other than that, we don't see a de-growth really.

Sumant Kumar

So, membership addition was low in this quarter?

Aloke Ghosh

We shared that number at the beginning, that we are not selling Zest anymore.

Sumant Kumar

So, 4021 in this net addition in this quarter, so what was the previous year number?

Aloke Ghosh

It was 4659

Sumant Kumar

Okay. And the other thing is, how is the competitive intensity in the business?

Aloke Ghosh

I think previous business colleague asked the same question. There is no real significant change that we see.

Sumant Kumar

But, other players are also trying to grab the market share, some unorganized player and other players like Sterling Holidays and all. So do you feel any competitive pressure from these players?

Rajiv Sawhney

You have to essentially see the product that we are selling, the experience that we are offering versus what anybody else is. So at this point in time, as we speak today, if you were to spend and I would encourage you to take time off and spend some time in a Club Mahindra Resort versus any other to see what the difference is. So it is a different ball game; it's a different experience altogether.

Sumant Kumar

If there is a economic downtrend, do you feel you are not able to increase your customer base or you are not able to increase your run rate of 17000-18000 in this scenario?

Rajiv Sawhney

I mentioned a little earlier that, I and we as a company are not losing sleep over the overall macroeconomic environment and that is from the conviction that this category is so underpenetrated that we believe there is a huge upside for this category. So we don't believe it is that sensitive to the medium term or the immediate term market growth rate.

Moderator

Our next question is from Mayur Gathani of OHM Group. Please go ahead.

Mayur Gathani

I just wanted the gross addition number for last quarter, would you have it with you?



Aloke Ghosh Yeah, it was 4977

Mayur Gathani And the segmental revenues, like room and F&B for last quarter?

Aloke Ghosh Last quarter was 3.07 crores from the room and F&B was 12.7 crores.

Mayur Gathani And holiday activity?

Aloke Ghosh It was 5.5.

Mayur Gathani And what is the reason of not selling Zest?

Rajiv Sawhney We have decided to focus on Club Mahindra, that being the flagship product. If we are to continue with Zest then we would need to continue to build and roll out to different kinds of resorts because the Zest resorts are different, they were designed for a different target audience, so we believe that the Club Mahindra potential itself is so huge, so we would like to focus on that and that's the reason.

Mayur Gathani Sir, one point, there are other segments also like Zest, we had some other segments also, we are not focusing on that, we are only focusing on Club Mahindra?

Rajiv Sawhney That's right.

Mayur Gathani And there was no inventory addition and give away was neutral this quarter. Is that what you said in the earlier..?

Rajiv Sawhney Correct, what we have shared is that we have had start; we have started projects, which would come to fruition over the next 5 or 6 quarters.

Mayur Gathani And one more point, in 2242 inventory that we have today, what is our own inventory and what is on franchise or lease?

Rajiv Sawhney Our own inventory in terms of rooms would be about 65%.

Mayur Gathani And the balance is on lease, franchise route.

Rajiv Sawhney Yeah

Moderator Thank you. Our next question is from Atul Rastogi of CIMB. Please go ahead.

Atul Rastogi I had 2 questions, one was, do you track the number of members who ask for, who give a particular choice, and whether that particular choice is fulfilled in terms of do they get that and is there any trend in that? Second question is more on what kind of CapEx are you planning in these inventory room additions over the next 1 or 2 years.



Rajiv Sawhney

I do not readily have the number for you, but we are trending very positively on holiday bookings on first choice, on people getting what they want and that is reflected in the occupancy, reflected in the total number of rooms that we have, rooms were occupied versus before, that is reflected in the qualitative thing of 40% of the total bookings being done online and that is reflected in higher referrals, that is reflected in higher satisfaction scores, that's the overall levels from the company, but we can share that number with you of how many people are getting the first chance, but it is clearly increasing. On the CapEx side, Alope you would like to answer that?

Alope Ghosh

On the CAPEX side, without going into really how much CapEx we are going to spend, but if you see our average spending per room acquisition is about 60-65 lakhs on an average and you have seen the trend of our adding rooms, so you can estimate on an average, what it would be.

Atul Rastogi

But this doesn't include the cost of land?

Alope Ghosh

This includes the cost of land.

Atul Rastogi

And what will be the room additions coming through in FY13-14 and 15, if you have that number?

Alope Ghosh

That we are not in a position to share at this point in time.

Moderator

Thank you. Our next question is from Parvez Jesani of Edelweiss Securities. Please go ahead.

Niraj Mansingka

Hi this is Niraj Mansingka. We are really aware of the quality of your resorts, but we have one question, what is the general members per room that is in your mind, when you are thinking about rooms as well as membership?

Alope Ghosh

You are talking about room's sufficiency to cater to the member base?

Niraj Mansingka

Exactly.

Alope Ghosh

See, very broadly first you must take the eligible members, because what you see is the total members that we have, not all members are eligible because when you become a member, you may make full payment, but it so happens that 80% plus of all people who signed on as fresh members, signed on an EMI (equated monthly installment). So if you are a monthly installment signup member, then typically depending on your tenure, on an average, you become eligible for a holiday, 14 to 15 months after you sign on, because that's the time when you would have reached a certain level of what you must pay the company to become eligible for a holiday. So the denominator always needs to be the eligible base. Of the eligible base, we would like to work on a number of 50 per room, although let me say that 50 because there are 52 weeks in an year, if you were to take 2 weeks in a year for renovation or maintenance out of commission. Let me share this that on an average experience shows, we are not taking that for sufficiency



calculations ourselves, that 70%-75% of all people who are eligible actually to a holiday in a particular year and that is for personal inconvenience consideration, just because you are eligible for something doesn't mean you necessarily use it all the time which is why we give the facility to our members to roll over, which means in a particular year, you may not use all your holiday inventory, you may use it in the following year or the year following or you may bunch it up. But the number that you are looking for really is one room can and does service 50 members, but for member definition you need to take the eligible members.

Niraj Mansingka Right, if you have to ask like, today you have 155,000 members, what proportion would be approximately of those eligible members who can right away use your facility?

Aloke Ghosh Well that we would need to work out.

Niraj Mansingka Rough cut would be...

Aloke Ghosh Rough Cut, what I am saying is if you take the last 15 months acquisitions they go out and stayed off.

Niraj Mansingka I got it. But most of the acquisitions, assuming 70% would be EMI based, am I right?

Aloke Ghosh 80% plus are EMI.

Niraj Mansingka On the next question, on the 700 rooms that you had targeted and you told it's pretty near mind, so can you give us more color, how you will achieve them because the room additions right now, while on a one year comparison does look reasonable amount of almost 500 rooms addition, but a good color for the next 2-3 years would be very useful for us?

Rajiv Sawhney Can I say that we will do so in the next quarter, so that at least let us formulate our annual plans and incur them all because our financial year starts in April as you would know.

Niraj Mansingka Understand that, yeah, I will do that. And other thing is you do have cancellations every quarter, like you have this quarter as well, what would be the average refund amount or the amount refunded in this quarter on the cancellations?

Aloke Ghosh Refund is not the right question, but you could ask what is the average effect on the P&L for a cancellation that would be in the region of about 1.8 Lakhs per member.

Niraj Mansingka Okay, which is broadly 50% of the membership fees today?

Aloke Ghosh Yeah.

Niraj Mansingka The last question I want to ask, you had taken your interest expenses earlier, it's minor increase, so are we also looking at you resorting to debt in future CapEx plans?



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Aloke Ghosh There are various funding options, so on a long term basis, what will be the situation, the member addition, the inventory addition all that would play a part in it, but you see a slight increase in the interest expense this quarter because we had just utilized our facilities which is available, the overdraft facility.

Niraj Mansingka Okay, just the overdraft, more of a temporary...

Aloke Ghosh Yeah, more of a temporary.

Moderator Thank you. Our next question is from Rohan Gala of Subhkam Ventures. Please go ahead.

Rohan Gala I just wanted to ask, the 400 rooms which you said, which are coming up in Munnar, Shimla, and Coorg, when are they expected to come online?

Rajiv Sawhney The Virajpet would be the first of the line out of those which would be within a quarter or so. And Munnar would be the second in line because it is an expansion, the pure green field ones of Kanha and Naldehra would take longer.

Rohan Gala Like a year or so or more than that?

Rajiv Sawhney It would be more.

Rohan Gala Can you just tell me, out of the total room inventory which you have 2242, how much is lease and how much are owned?

Aloke Ghosh 65% is our own and balance lease.

Rohan Gala What are the total properties which you have right now?

Aloke Ghosh We have 40 resorts totally

Rohan Gala And expected for next year?

Aloke Ghosh Rajeev had already mentioned, that is something which we would not talk about right now, it's part of our annual plan phase.

Moderator Thank you. Our next question is from Chintan Desai of Ventura Securities. Please go ahead.

Chintan Desai Sir, what would be the amount of receivables that we have securitized for the 9 months?

Aloke Ghosh 175 crores.

Chintan Desai And what would be the YOY numbers, if I could get it?



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Rajiv Sawhney Last year was about 100 crores.

Chintan Desai Going ahead, we will be doing OFS or IPP, so we would be getting some liquidity from that particular event, so would securitization be required in FY14 or it will again depend upon how the situation is at that particular point of time?

Aloke Ghosh No, we will have to evaluate. There is no standard answer for this right now. We will evaluate.

Chintan Desai What will be our cash levels as of 31st December and our cash on cash equivalence?

Aloke Ghosh We just mentioned about using a part of overdraft in a situation at the end of the quarter, so that is what it is.

Chintan Desai As our average realization has improved to 3.8 lakhs, so going ahead, can we assume these levels to be sustaining? As in with reduced Zest sales, 3.8 lakh levels?

Rajiv Sawhney We would expect that to be the number pretty much.

Moderator Thank you. Our next question is from Vishal Desai of Reliance. Please go ahead.

Vishal Desai I wanted to know about your revenue accounting policy. From what I understand, 60% of revenues get booked in the first year and then the 40% balance is deferred. So your thoughts on that and how is the international accounting done generally in other countries?

Aloke Ghosh Vishal, we have addressed this question a lot of times, we can discuss this even offline if required, because this is very specific Q3 results call, so we will limit it to that, but you can always talk to me individually and we will be happy to clarify.

Moderator Our next question is a follow-up question from Chintan Desai of Ventura Securities. Please go ahead.

Chintan Desai Sir, what would be the receivables as of 31st December?

Aloke Ghosh The receivables is about 954 crores.

Chintan Desai That would be all from my side.

Moderator Our next question is from Pooja Swami of Span Capital. Please go ahead.

Pooja Swami My question would be if you would comment something on your expansion plan going forward, more precisely if I say, would you be open for any acquisitions going forward?

Rajiv Sawhney Our broad plans are to concentrate on the Club Mahindra product. Our plan is to expand our footprint to give our members and prospective members a holiday experience that like no other



can, like only Club Mahindra can and for that if it to expand in the existing destinations, we will do so happily as we have done by adding our fifth resort in Kerala recently, by having two large resorts in Goa now and we would also look to newer destinations as we have done by adding Jaisalmer recently as you noticed. And we had shared earlier that we would look at areas within India which we are not present, which we should get to because that's where people would like to go, which is where Kanha comes in, in central India. And we certainly have a presence in the east that we are not happy with in Eastern India and we would like to change that. We added one resort there about 9 months ago, if I remember correctly. And equally within the neighboring countries, places which are served by the low cost carriers, places which are economical to visit for families for holidays, places which give reason for people to holiday to go for families. We would look at acquiring properties there and we have in Bangkok recently done so and we have indicated that very strong on our radar are Dubai and Sri Lanka and they remain so and we have not been able to share anything specific yet, but that is not for want of working on it.

Pooja Swami

Still one part of my question remains unanswered. I would like to know whether you would be open for any acquisition going forward?

Rajiv Sawhney

I can't really say anything to that because for any company at any stage, if it has the appetite and the ability to grow, which we certainly have, acquisition would always be a credible alternative or credible choice. We have acquired properties if we were to, so that's something which really would depend. Is there any immediate plan? The answer is no. Would we consider if there were to be something at some stage at a future date? Well we will see when that happens.

Moderator

Thank you. Our next question is from Jay Singh Suchak of JM Financial. Please go ahead.

Jay Singh Suchak

I missed asking one thing, this Virajpet Coorg property which is likely to come on stream this quarter, how many rooms will that have in the first phase?

Rajiv Sawhney

75.

Moderator

Thank you. Our next question is from Rishi Maheshwari of ING Life. Please go ahead.

Rishi Maheshwari

If we had to remove Zest from the next three quarters, I assume last three quarters you added roughly about 2000 members. Going forward, would you like us to compare members year on year on an absolute basis or would you like us to compare minus Zest, because if we had to compare along with...?

Rajiv Sawhney

Absolute.

Rishi Maheshwari

So you are saying whosoever has come in, whatever be your run rate in Zest, you are assuming that it will get translated to the Club Mahindra membership, with maybe a shorter duration or whatever be the new form that you may open up for the prospective Zest members?



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Rajiv Sawhney	You make your calculations.
Rishi Maheshwari	But you are very clear, we make on an absolute basis, irrespective of whether Zest is there or not?
Rajiv Sawhney	Yes
Rishi Maheshwari	Alright. Thank you Sir.
Moderator	As there are no further questions from the participants, I would now like to hand over the floor back to the management team for closing comments.
Aloke Ghosh	We are very happy to share the Q3 results and Rajeev has also given a business update. So on behalf of the management, I would like to thank all the participants for taking interest in this call and asking us questions which we were very happy to answer. Thank you everyone.
Moderator	Ladies and Gentlemen, on behalf of Religare Capital Markets Ltd., that concludes this conference call. Thank you for joining us.