



“Mahindra Holidays & Resorts India Ltd Conference Call”

June 10, 2015



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 MR. VESA TENGMAN – MANAGING DIRECTOR-HOLIDAY CLUB RESORTS OY



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Moderator:

Ladies and gentlemen, good day and welcome to the Mahindra Holidays & Resorts India Ltd. Conference Call. We have with us from the Management of Mahindra Holidays & Resorts, Mr. Arun Nanda – Chairman, Mr. Kavinder Singh – Managing Director & Chief Executive Officer, Mr. Vasant Krishnan – Chief Financial Officer & Executive Director and Mr. Dinesh Shetty – Head, Legal & Company Secretary. Representing the Management of Holiday Club Resorts Oy we have Mr. Vesa Tengman – Managing Director. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Arun Nanda – Chairman of Mahindra Holidays and Resorts. Thank you and over to you sir.

Arun Nanda:

Good evening friends. It gives me immense pleasure to tell you that yesterday the Investment Committee of the Board of Mahindra Holidays gave us the authority to go and exercise our call option for the remaining shares of Holiday Club Resorts, Oy Finland. As you recall we had acquired about 23.7% of the shares of the company and we are now acquiring about 64.3% to take it to 88%, the balance 12% is held by the management and the employees of the company. I think I must share with you some of the reasons why we exercised this call earlier than the cut off time. The whole purpose of doing this exercise in two tranches was that we wanted to spend time with the management and understand the company before we increased our stake and we came in, got into the controlling position. We have spent a year with Mr. Tengman (who is on the call) and his leadership team, not only me but other members of Mahindra Holidays management have also spent time. Vasant Krishnan has visited them a few times, Dinesh has visited a few times, Kavinder has been in regular monthly review meetings on the VC, etc. We feel that this is probably one of the best management teams that you can find in the vacation ownership business and let me clarify why I say that. This is not an FMCG or a pharmaceutical company. This industry has had very few companies like Marriott, Wyndham, Mahindra, who are professionally managed otherwise these companies are individual managed and they tend to be sometimes for lack of better words, little cowboyish and short-term in their approach. The team at Holiday Club is a professional team, there is no owner manager sitting there, that company was owned by investors, some financial investors, some investors from the insurance and real estate companies and there was



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a fund (a government controlled fund) out of Finland. What gives us the confidence is that they will be the right platform for us to grow in Europe and Middle East. In fact as a part of our strategy which we have been discussing with Mr. Tengman is that in Middle East we will probably start new operations to have our business for the Arab customers whereas in Europe (to start with), we will be acquiring new properties which are primarily distressed assets. There is lot of distress assets available to cater to both the Holiday Club members and Mahindra Holidays members and also to the Arabs or the Middle East customer that we are going to acquire. We believe that it is easier to manage Europe from Europe than from India. As far as Middle East is concerned, yes we have an option to either manage it from India or from abroad. Although we had couple of quarters of flat sales in terms of number of units, when you will see the next quarter and the future quarter results you will see that the trend is changing and we believe, and more than me Mr. Kavinder Singh believes that the penetration of Mahindra Holidays is much less than what it should be He wants to concentrate primarily on the Indian market and we would like Mahindra Holidays international presence to be restricted to acquiring properties and selling to NRIs outside India. He started off with Dubai then he has gone to Kuwait, he is currently testing Africa, Singapore and UK. The initial results are encouraging and so he and the management here will primarily concentrate on selling memberships to Indians in India and abroad. And we see a huge opportunity in Middle East and at some stage we would like to move a part of the team from Spain to Middle East to grow that market because the Spanish market is now moving towards maturity. The basic fundamentals of the deal are that we would be paying € 28 million for the 64.0% stake. I am very happy to share with you that we took advantage of what happened in 2014 and there I must thank Mr. Tengman for the confidence that has given us. 2014 as you know was a very bad year for the Scandinavian countries because of the Russian crisis. The economic embargo that was put on Russia followed by the pressure on oil prices, the Ruble went for a toss. Ruble lost nearly 50% of its value and as a result there was a huge pressure on the economies of the companies primarily in Finland because Finland shares a long border with Russia. We took advantage of that and we had negotiated with them that if you want us to exercise the call earlier then we need better terms. We waited for the upturn to happen in the Finnish market and three things happened in the last quarter (Mr. Tengman is there on call, and I will request him on to come and explain in detail later). One is that there is a new Finnish government which has brought lot more enthusiasm there. The growth rates in Finland have grown and the Ruble has regained part of its strength and we are seeing some traction in the Finnish



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company's operations and the management here felt very strongly that this was the bottom of what it could be and the only way Holiday Club could go forward was upwards and if we don't exercise the option now we will have to pay €25 later on and we got a discount of nearly two-thirds of the price from € 25 to € 13.5.

The other good news is that our treasury along with the help of Mahindra Group treasury is negotiating interest rates which are significantly better than what we can imagine. Some section of the media today talked of their worry about the debt. Let me clarify, at the parent company level we are zero debt company, we borrowed some money last time to acquire some of the shares about Rs. 117 crores. That is the only borrowing which is not even one year's PBT or cash profit after tax but that Rs. 117Cr includes some amount of debt which we were able to get at virtually no interest cost and some amount of debt carries little over 2%. So the average cost of debt was sub 2%. The dividend of this company will service the debt and rest assured we will ensure that the value that we are putting in will be more than recovered and these are all long-term debts and we have plans to repay the debt. But over a period of time you will see how by financial engineering we will ensure that there is not too much pressure or no pressure on Mahindra Holiday's Balance Sheet.

Coming to the operations, Holiday Club if you look at their peers in Europe all of them are not making money and Holiday Club in spite of all the difficult position last year still made a small profit. I am not happy with the return on sales or return on equity, but to the credit of Mr. Tengman and his team that even in a very difficult year where everybody was bleeding and going belly up, he managed to close the year with a small profit and a turnover which is similar to our turnover.

So friends, we are excited as you may have read from the Press Release Mr. Singh whom I will give an opportunity to speak just now after me and then we will get Mr. Tengman to speak. Mr. Singh is actually concentrating more on how he can derive the synergies and I will request Mr. Singh to spend a few minutes to tell us how he is going to derive synergies out of this relationship. Over to you Kavinder.

Kavinder Singh:

Thank you sir. Good evening friends. I think in a short time once again we are talking. The earlier interaction was when we had our quarterly call. So I would just want to focus a little bit on the synergy aspect. The strategic fit has been aptly explained by Mr. Arun Nanda wherein we see this as a springboard for our expansion plans in Europe and Middle East. As far as synergies go between the two companies the advantage that we see is that they certainly have knowledge about certain new



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products that we have in mind including the point system, number one. Number two, they have fractional product which is in the form of a Villa which is again a very interesting product, probably apt for our Indian market. We believe that we can learn from Mr. Tengman and his team. And there is a third advantage that we see, the technology that they use in terms of their project management also we believe the member servicing aspects are the other areas that we could benefit from. And the biggest advantage that I see personally in this acquisition is that the team which is in today in Finland headed by Mr. Tengman is a very experienced team. Therefore I don't see any bandwidth constraint for us, we will grow the market in India and we are already expanding in Middle East through our own strength of Mahindra Holidays and we will continue to build the business as we go forward. I want to assure you that we are not going to take our eyes off the Indian operations. As far as the Finland company goes Mr. Tengman and his team are extremely competent to take the business forward. We certainly believe that the whole is greater than the sum of the parts and that is what I am excited about.

Arun Nanda: Can we request Mr. Tengman to talk for a few minutes of what happened in 2014 and what are the changes that he is seeing in the last few months. Vesa, can you please tell us what you shared with us in the last review meeting when Mr. Singh, Mr. Vasant, Mr. Dinesh and I were on that VC.

Vesa Tengman: Thank you Arun. First of all, good afternoon from Finland. Finnish economy has suffered a lot during last four years' time and one of the main reasons for that suffering has been the lack of consumer confidence and the second was an effect of what we have seen is that the Russian economic situation got very difficult by March-April last year. What has happened in last three months' time is that first of all the consumer confidence is strongest in four years, so all the indications are looking better. The second thing is like Mr. Nanda has already said that we are having new government. They have been in power now for two weeks and it has also strengthened the consumer confidence. The third thing which is going to support the Europe is the program by European Central Bank where they are putting € 60 billion in the market every month for the coming 18 months, so that is going to strengthen the overall economic situation in Europe. Then the Russian situation, the Ruble is still weak than it was a year ago but it has appreciated in the last six months, so we have already seen a recovery from the Russian tourists. During the worst time the



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Russian tourists to Finland was dropping 70% per month, at the moment it may be 10-20% per month and its recovering. So based on these four points I mentioned, I feel that the market conditions for the future are better now, than they were in the past one year.

Then, of course, as a management team we have done lots of actions during the last 12 months' time. We have introduced new products and new destinations. We have also done some internal efficiency programs and I feel very confident that we will be able to recover from the bad economy in the future. That is my statement, thank you.

Moderator: Thank you very much sir. Ladies and gentleman, we will now begin the question and answer session. Our first question is from Bhautik Chauhan of Span Capital. Please go ahead.

Sudhakar: Hi this is Sudhakar here. My first question is on the revenue model of Holiday Club Resorts. Is it similar to your Club Mahindra Resorts wherein you sell your vacation ownership or is it totally different?

Arun Nanda: So just to answer that question, it is a little different because as you know we don't sell a fixed week, we sell a floating week across several destinations. They have a fixed week on a deeded sale concept, so to that extent it is more traditional than our product.

Sudhakar: Roughly what would be the breakup between fixed week and deeded sales?

Arun Nanda: When I said fixed week I came to a deeded sale which means that you get the ownership transferred for that week for that resort.

As compared to us where we give a right to use, theirs is a deeded product so it is a different sales model but they are now having some sales on what they call the point system but that's a very small percentage of their business. The majority of the sale is on deeded product.

Sudhakar: When you say it is a deeded product who will be the absolute owner of the properties, would it be the vacation owners or the Company?

Kavinder Singh: The vacation owner who owns that week for that resort.



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- Arun Nanda:** So the property goes to a trust which acts on behalf of the owner and then they give a management contract to Holiday Club to manage the property and pay them a fee. Vesa, is that correct?
- Vesa Tengman:** It's correct.
- Sudhakar:** What is the revenue recognition in Holiday Club Resort? Is it similar to your company wherein 60% is taken upfront or how is it like?
- Arun Nanda:** No, if it is a deeded product then it will be a very different concept altogether because then they don't capitalize the inventory. We capitalize the inventory, for them inventory is a cost of goods sold.
- Sudhakar:** Maybe if you could expand on it little bit?
- Vasan Krishnan:** Essentially it follows a traditional model where you follow the percentage completion methodology. Here we follow a different 60-40 because that is a different model. There you take the total cost of the week that is sold and based on the percentage of completion of the resort you can recognize revenue.
- Sudhakar:** My second question is if you look at the numbers of the acquired company, it has almost been flat around 120 million for the last three years. What according to you was stopping you from growth? I understand there are macro factors but internally what were the inefficiencies which were stopping you from growing?
- Arun Nanda:** Vesa, can you answer that question?
- Kavinder Singh:** The question is the flat topline over the last three years and what is it that we are now going to do to accelerate topline growth?
- Vesa Tengman:** First of all, we have seen a huge growth if you look at five or six years back. We have grown from € 60 million to € 120 million. So we have seen a huge growth if we look five years back. That is one thing and that is based on the huge investment we have done next to Russian border at Lake Saimaa. So that is number one. Number two is that we have a different business environment in Finland than in India. Our inflation rate has been flat almost zero for three years so we don't have any inflation here so our growth rates are smaller than the company is having in India. And the



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third point is that okay because of the very bad economical climate it has been very difficult to grow in the last three years' time.

Sudhakar: So what you are saying is essentially the growth for this European operations will come from Middle East or you think locally we can see some growth?

Arun Nanda: No, the Middle East is a new business. The fundamental business will grow. For example, last 3-4 years after the slowdown in 2008, they had a warehouse their Swedish product and now they have started selling Sweden and when they launched, most of it was sold. So the sales will happen mostly in the Scandinavian countries and even in Canaries with the current situations the things will move up but the growth is expected more from Finland than from Sweden. Vesa, would you like to add anything to this.

Vesa Tengman: First of all Arun you are right, I would like to add that as a company when we have done our biggest ever investment, in 2010-2011 and 2012, it took time for the company to swallow that growth because we were growing from Euro 60 million to Euro 120 million. So that is number one. And then I am referring to Press Release which is given out yesterday by Mahindra Holidays and its referring the additional financing. Of course, if we will get some additional funding then we are able to introduce new products and then we are able to grow, so I think that is the answer for the question..

Sudhakar: My last question is to Mr. Krishnan. Mr. Krishnan what is the current Gross Debt on the Holiday Club Resorts book? And also how much you plan to raise for this acquisition?

Vasant Krishnan: Currently for the 23% stake we have a Rs. 170 crores that is around 70 million, so this 28 million will just get added on to that, so that would be the total debt that will be on the consolidated MHRIL's Balance Sheet after the transaction is fully consummated. In addition to that, there is a debt on the Holiday Club books, that's relatively smaller, it's around € 40-45 million and an 88% stake that we have would also be consolidated into the MHRIL Balance Sheet.

Moderator: Our next question is from Sumant Kumar of Elara Securities. Please go ahead.



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Sumant Kumar: When we are talking about synergy, so what kind of synergy and what is the Mahindra Holidays can get synergy and the Finland company will get synergy in what sense, in number of members or other way?

Kavinder Singh: As I mentioned in my remarks that the synergy that we see is at a level where we are able to learn from each other in the area of new products including fractional which obviously will have a positive effect from Mahindra Holidays, number one. Number two; there are areas that we can pick up from each other and more importantly for us to. There is a third synergy which I did not mention but we believe that that will play out as time goes by, that when, and I am not alluding to the expansion that we will do in the Europe and Middle East because that is something which was already stated, but if we were to look at our proposition today we give our members 45 resorts in India and abroad and (if we were to say that), and we can say that now that we have a choice of another 30 resorts in Europe that strengthens our core proposition of giving holidays to our 1.83 lakh members, families, unique destinations which we believe is something that is unmatched by any company in Asia or for that matter even in Europe. So these are the synergies that we are looking at to play out as we go forward.

Sumant Kumar: When we talk about the number of membership addition in the current year, so can we expect that going forward we can add more members because we have a good product and that the new company, the Finland company will also get advantage to add more members there because of India company?

Arun Nanda: So I will request Mr. Vesa to talk about what happens in Finland as a result of this coming together but as far as Indian is concerned we are very clear that our brand proposition, our core proposition of giving unique destinations to our 1.83 lakh members is something that gets strengthen and when our proposition gets strengthen our ability to increase our rate of customer acquisition increases. So this is all that one can say at this point of time, it also depends on how we execute, how we communicate and all those things is what will determine how we are able to take the benefit of this kind of an acquisition.

Sumant Kumar: So are the Finland company capacity is more than enough to help membership addition.

Arun Nanda: You are talking about membership addition in Finland or in India?



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- Sumant Kumar:** In India.
- Arun Nanda:** Yes, they have good amount of unsold inventory and we do not see that as a bottle neck at all.
- Sumant Kumar:** Okay, so can you tell us how much inventory is there in terms of capacity utilization, capacity occupancy rate?
- Arun Nanda:** So Vesa would you like to comment on that?
- Vesa Tengam:** The occupancy rate at the moment is around 72% so yes we have some capacity to allocate those to the Indian members if there is a request, I would like to refer what Mr. Nanda said yesterday in the press conference and I was quite happy and pleased when I was listening it because what was said by him was that Mahindra Holidays has always been a company who creates destinations and he was talking about also about the mid night sun and Northern lights which have some experience which Indians have not enjoyed. So I think we are going to see some demand from India to Finnish properties.
- Sumant Kumar:** So talking about the outbound tourism in India and opportunity in India so can this acquisition will help to grab opportunity from outbound tourism and to convert outbound traveler to timeshare model?
- Arun Nanda:** Yes, it will. Because we have started discussion with people who would like to take outbound tours We will be getting some Indian tourist to travel to Finland, which will take care of the unutilized inventory of Mr. Tengman and that is what he has been talking about and you will see some of it happening soon.
- Sumant Kumar:** Okay, so you have acquired the company in Europe so any plan of acquisition in US because that is also another destination?
- Arun Nanda:** No, not at the moment because we would like to consolidate this and because the most difficult part of any acquisition is not the money that is required, it is how do you make the acquisition the marriage work because the marriage if it works well then it is as Mr. Kavinder Singh said yesterday 1 and 1 can make 11 and that is what we are working on. So our first objective is to make sure that this marriage works before we start looking at second and third acquisition.



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- Sumant Kumar:** So what is the funding structure sir?
- Vasant Krishnan:** So this would be funded through overseas debt through our subsidiaries we will raise the money and I think Mr. Nanda has already mentioned this very elaborately in his opening remarks.
- Sumant Kumar:** What is the interest rate?
- Vasant Krishnan:** So at a blended interest would be a little over 2%, lower than 2% so that's been very attractive from a funding perspective.
- Sumant Kumar:** On Euro loan?
- Vasant Krishnan:** On the Euro loan that is right.
- Sumant Kumar:** And what is the gross block for the company sir, can you provide that?
- Arun Nanda:** The total assets of the company, the total assets of HCR would be around €135 million.
- Sumant Kumar:** Thank you so much sir.
- Moderator:** Thank you. Our next question is from Ritesh Poladia he is an individual investor. Please go ahead.
- Ritesh Poladia:** Sir my question is again on a business model of Holiday Club Resort, sir if I understand theoretical there are 50 week owners for each room and the property belongs to a trust and each owner pays the management fee on annual basis, is my understanding correct sir?
- Arun Nanda:** Yes.
- Ritesh Poladia:** Okay. So it is more similar to what Mahindra does in India the only difference is it's a fixed over there and over here it is a floating?
- Arun Nanda:** No, in Mahindra's model the ownership rests with Mahindra & Mahindra whereas in the Holiday Club model after the project is sold, the ownership vest with the trust and the unsold inventory is also owned by the trust but the beneficial right to use lies with Holiday Club which may sell it as rental and they have to contribute to the



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maintenance fee. So that is another upside that we are seeing and they have started doing is now because the maintenance fee in that country is high. They are getting rid of some of the inventories which will bring down their debt and make them more efficient both in terms of profitability and balance sheet.

Ritesh Poladia: So out of €117 million balance sheet side how much would be the unsold inventory?

Vasant Krishnan: We would be having around €50 million as unsold inventories.

Ritesh Poladia: Okay, so that can one expect that over next one, one and a half year would be liquidated?

Arun Nanda: There is a plan to liquidate it over a period of time, and please remember that the Euro 50 million what Mr. Krishnan said is at cost and not the sale value and Mr. Vesa is a very smart man he is not going to sell it at cost.

Ritesh Poladia: Absolutely I understand that sir. And sir Mahindra would like to reevaluate the same business model to the Middle East?

Arun Nanda: Yes, in the Middle East we would like to, because Middle East will also be similar model and off the record I think getting an European Management to operate in Dubai is probably a better option from a pricing and branding point of view.

Moderator: Thank you. Our next question is from Shalab Agarwal of Snowball Capital. Please go ahead.

Shalab Agarwal: My first question is, if you can just tell us again on this 88% what is the total outflow that Mahindra Holiday's would be paying?

Arun Nanda: It will be Euro 28 million in addition to Euro18 mn that we paid earlier.

Shalab Agarwal: Okay. And sir second question is given both the companies have different business model in terms of asset sale whereas here if only a right to use, so the cross selling that was hinted earlier that will be restricted only to the unsold inventory right because that is only the members in India can use abroad.

Arun Nanda: Yes, let me clarify what we said. The unsold inventory will available to Club Mahindra members to use it plus there will also be an opportunity where our companies have already worked out that there will be an exchange. So if Holiday



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Club member wants to come to India and in lieu of that Mr. Tengman's company will give us one week so there will be that sort of an exchange will also happen.

Shalab Agarwal: Okay, I got it and sir if you can help us educate if we look at Marriott's Vacation also, it seems the business model in the West is more on the asset sale side rather than a right to use, if you can help us understand why is that the West has that kind of a model whereas here we are more business of selling right to use.

Arun Nanda: Okay, two reasons and this is based on extensive market research we did when we started the company, if you go to Europe or to America you will find that most of the customers who buy timeshare buy it in places where they either go for sun or go for skiing and they are quite happy to go to the same location year after year. Whereas Indians are relatively new travelers and they like to visit new locations every time. So that was the primary reason when we launched Club Mahindra we did not follow the Western model of a fixed week, fixed location and when we were giving an option to the customers then. It does not make sense to make a trust or deeded sale method and we chose to do it this way which is good for our balance sheet, for example we are already 19 years into the business after six years some inventory which we had sold earlier will be again be available for a resale.

Shalab Agarwal: Correct. Sir earlier membership sold for 30 years in Mahindra?

Arun Nanda: We started with 33 years and then we move to 25 years but we also have a 10 year product but the volumes are relatively small in that.

Shalab Agarwal: Sure. And sir on the numbers of the Holiday Club this out of 120 million sale how much is related to the management fee and how much is coming from the sale of inventory?

Arun Nanda: Vesa would you have the number off hand or otherwise we can send it to him later on.

Vesa Tengman: We have also other basic model which is hotel business so I think that to give you a big picture is that out of € 120 million about € 50 million is transfer sales, € 40 million is hotel sales, then about € 20 million is villas and fractional sales and € 10 million is rentals or the management fees. We have different models to book management fee than our international competitors we will, we are only booking the



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margin so we don't book the whole management fee asset income. The total management fee invoicing is about €30 million per year.

Shalab Agarwal: Okay, that is very helpful and sir lastly if you can comment on who were the earlier investors who are selling out of holiday club?

Kavinder Singh: They were mostly financial investors but I'll let Mr. Tengman give you the details.

Vesa Tengman: We have different groups and one of the groups is institutional investors and there we were having two big pension funds Varma and Ilmarinen two big pension funds in Finland they were holding together about 20% stake of the company, then one of the sellers is Finnish Government Private Equity Fund and they were holding about 10% of the company. Remaining part of the shares is owned by private investors.

Moderator: Thank you. Our next question is from Nimit Shah of ICICI Securities. Please go ahead.

Nimit Shah: Sir could you elaborate more about the new products which are there at Holiday Resorts and which you intent to leverage it in India.

Arun Nanda: So the point that we were mentioning earlier was that they have different products including fractional and point based system. At this point of time we are studying that and for obvious reasons we will not be able to tell you when we will launch what. But it's under consideration to look at innovation in our existing offerings including modification of our existing offerings.

Nimit Shah: So if I understand correctly about the fractional products it is selling the property to a group of investors and managing that property during the life cycle is that correct?

Arun Nanda: Not group of investors, you sell one property to multiple people like for example if you divide into fractions of two months for every villa you will have six buyers. Or if you do one month then you might have 12 and that will be probably in a very different model than from our current accounting model. but that product launch date as Mr. Singh said we don't give guidance so we cannot tell you the date when we will align but the good news is that Mr. Tengman's company has done that better than any company that I know in the industry.

Nimit Shah: And in this product the CAPEX is borne by the investors.



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- Arun Nanda:** We build and we sell so that is an accounting issue. If you sell in advance then if you pre-sell then you don't spend the money then the investor bears it but it is part of the process.
- Nimit Shah:** Sure. And sir earlier in the Holiday Club the debt if you recollect at the time of acquisition it was around €50 million so have you repaid any debt because currently Vasant mentioned around 40 million.
- Vasant Krishnan:** There was a 4 million convertible at a very high cost last time also we had mentioned it that has been now discharged. And some loan has been repaid by the company I don't know the details.
- Nimit Shah:** So currently it would be around €45 million the debt?
- Vasant Krishnan:** Yes, that is right.
- Arun Nanda:** And as Mr. Vasant Krishnan mentioned the unsold inventory itself at cost is more than 50 million and Mr. Tengman's original philosophy rightly was that we will wait for the upturn and get a good price and sell it but at the last 1 or 2 Board meetings earlier we took a decision at the Board with consent of Vesa that we would not expect that price but get that inventory and get the loan down so that is one of the turnaround strategies to improve profitability that has been put into place besides opening new location like we talked about reopening Sweden and that is what is giving us the optimism that the worst is over.
- Nimit Shah:** Sure. And sir if you could share the dividends which has been declared by this company for the year 2014?
- Vesa Tengman:** €1 million dividend payment which we paid out January from the last year accounts and it was 0.35%.
- Arun Nanda:** But my friend we were able to meet the interest liability out of the dividend and we don't see that position changing going forward.
- Nimit Shah:** So the entire interest servicing from this €46 million loan which you would be taking that would be serviced through the dividends which you will receive from this company?
- Vasant Krishnan:** Yes, that is correct.



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- Arun Nanda:** Because you just heard him that he paid 1 million last year and we are saying that our average cost of debt will be sub-2% so that is less than 1 million so that takes care of it.
- Arun Nanda:** All that has been factored before we took the decision so while on a consolidated basis you will see some debt but there is no debt servicing cost in the books of Mahindra Holiday.
- Nimit Shah:** Sure. And sir in the press release you intent to invest additional €10 million so if you could broadly specify what is that for?
- Arun Nanda:** This is again as Mr. Tengman mentioned a few minutes ago that he has lots of opportunities of distress assets which can increase his business substantially so we have a Board meeting on Monday where we will be present and we will take a call that if they need that money we will support them to that extent. So far what we have done is it is an enabling permission from our Board that we have an authority to invest 10 million either by equity or by debt and these are things that we will look at first Mr. Tengman is going to make a presentation to the Board that why does he need that money and for what and after that we will take a call. So the permission of 10 million was more an enabling permission.
- Nimit Shah:** Sure, but does that change your shareholding or it remains at 88%?
- Arun Nanda:** No, it will go up by 2-2.5%, because the 12% will get diluted.
- Nimit Shah:** Correct and that 10 million it depends on the asset purchase.
- Arun Nanda:** As I said it can be part debt, part equity depending on what will happen if the full 10 million is put as equity then our 88 will come 90 point something.
- Nimit Shah:** Sure. And if you could share the six months financials for this company?
- Arun Nanda:** No, at this moment of time I don't think I can give you. Its' not a listed entity so I don't want to share but I can tell you that we have evaluated everything before we took the decision.
- Nimit Shah:** Sir because last year if you see in 2014 despite the EBITDA margin seeing a marginal decline from 9% to 8% there was a sharp drop in the PBT, so if you could explain that and it has happened mainly in the second half of 2014 because if I see



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the six months that is first half the PBT was at €3.8 million but for the full year it has come down to 2.7 million.

Arun Nanda: I don't have the numbers offhand if you can connect with the Ms. Jill Deviprasad or to Vasant Krishnan they will give you the information. If you can please take it offline send us an email to Jill Deviprasad who is our Investor Relations or to Mr. Vasant Krishnan to Dinesh Shetty we will share that information. I don't have it right now because we are in the conference room somewhere else.

Nimit Shah: Sure. And sir what would be the split between the ownership rooms and the leased rooms of that total 2600 rooms which is owned by?

Arun Nanda: By Club Mahindra?

Nimit Shah: No, the Holiday Club.

Arun Nanda: When you talk to Vasant you please take that information also.

Nimit Shah: Sure. Thanks a lot and sir one more thing, was there any member request from Mahindra Holidays India to visit Finland post to the acquisitions which we have done?

Kavinder Singh: So we have already opened to our members the opportunity to book holidays at Holiday Club Resorts and we are already seeing fairly enthusiastic response and in fact the first of the members would have already checked in or already heading towards Finland.

Arun Nanda: I have a suggestion for you, (this is much before Holiday Club happened, one of the memorable experiences for me in life is, I was on a holiday in the Arctic Circle at the middle of the night we sat in a church with snow around us but we were wearing t-shirt under natural light so you can see sun at midnight) so if you have that interest you say some kind words to Vesa he will arrange for you to see midnight sun.

Vesa Tengman: So this is time for midnight sun so please welcome to Finland.

Arun Nanda: Or if you want to see North lights and see darkness 24 hours which I happen to see last year when I went for the Board meeting in January, the sun never came out. We will take you, just go and see the world.



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Moderator: Thank you. Ladies and gentlemen that was our last question. I now hand the floor back to the management for closing comments.

Arun Nanda: Friends, I hope that was useful, I hope it gives you the confidence that your management is looking forward to it. We haven't had an investor meet for a long time and you will soon get an invite from us either at the end of quarterly accounts or the half yearly accounts where we will in person meet you and interact with you. Thank you.

Arun Nanda: Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Mahindra Holiday and Resorts Limited that concludes this conference. Thank you for joining, you may now disconnect.

(This document has been edited for readability purposes)