"Mahindra Holidays & Resorts India Ltd Q3 FY19 Results Conference Call"

January 30, 2019

MANAGEMENT: MR. KAVINDER SINGH – MANAGING DIRECTOR
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Moderator: Ladies and Gentlemen, Good day and welcome to the Mahindra Holidays & Resorts India Limited Q3 FY19 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Kavinder Singh – Managing Director of Mahindra Holidays & Resorts India Limited. Thank you and over to you Sir.

Kavinder Singh: Good evening everyone and a warm welcome to our earnings conference call for the quarter and for the period ended 31st December 2018. Along with me, I have Mrs. Akhila Balachandar, our CFO on the call. I am sure by now you would have got the opportunity to look at our Q3 FY19 investor presentation. As you know, under Ind-AS 115, our profits after tax for the quarter now stand at Rs.21.2 crores which is a 47% sequential Q-on-Q growth. Total income for the quarter stands at Rs. 246.8 crores which is a sequential growth of 11% Q-on-Q. Member additions were at 3984 for Quarter-3 and year-to-date number additions stand at 12,706, YoY growth of 7%. Cumulative member count stands at 2,47,716 as on December 2018. Our new product Club Mahindra Bliss has gained momentum and now we are selling it in many more cities. As I mentioned, it is targeted at 50-year plus families who are perhaps empty nesters and who would like to enjoy the Club Mahindra proposition at any time of the year. This product is an extremely flexible point-based product and it is a 10-year duration product. We continue to improve our value proposition by building an unparalleled experience ecosystem. In resort experiences, as you know, we have adventured unique dining experiences, theme nights, Happy Hub for kids, and a very successful host program now running at our resorts. Curated experiences, in-city experiences under the brand Dreamscapes are available to our members on our website as a part of strategy of creating a broader experience ecosystem.

Let me now take you through the resort performance. We have been launching multiple initiatives to dial up the resort experiences whether it is new F&B concepts, Happy Hub for kids, etc., which is about activities designed for kids. This has helped us to improve our resort performance. Our resort income has grown at 37% sequentially at Rs. 58.3 crores. This is commendable considering the fact that in Q2, we had suffered from the Kerala and Coorg floods, and by the way even in Q3, we saw the after effects of that in October and also we have noticed that there were unseasonal rains in Himachal which affected our resort occupancies. Having said that, our resort occupancies have significantly improved to 82% this quarter. On a sequential basis, the previous quarter was 76%. So, this is again an improvement despite the factors that I outlined above. Our cash position has improved further and now stands at Rs. 521 crores as at December 2018. Our focus on digitization and customer analytics to enhance customer lifetime value is part of a broader strategy which includes acquiring members with higher down payment and lower EMI tenures and smoothening the customer journey from pre-sales to onboarding to omnichannel servicing to creating magical moments at our 59 exotic resorts. This is actually the essence of our strategy which I just outlined now. Eighty-five percent of our bookings happen online, talking about digitization, both web and app. This has helped us to achieve a seamless booking experience and now we have enabled pre-booking of holiday activities and pre check-ins. Our mobile app continues to be a source of delight for our members and now almost half of our online bookings come through the mobile app including ASF and EMI payments. We believe that this has been the single biggest intervention that is helping us serve our customers better. In fact, we have been awarded by American Society of Quality, the sector award in hospitality for a member loyalty project. Our overall net promoter scores are improving quarter on quarter and they stand at 57% now and by the way these net promoter scores measure the scores at all touch points whether it is the digital touch point, whether it is the pre-sales, whether it is the resorts, and this number is considered an extremely good number if you were to benchmark with the other hospitality companies. As I mentioned, our liquidity position is extremely healthy with Rs. 521 crores cash and our capital expenditure is on track. Our phase-I of the Goa project will get completed in the next financial year, maybe in the first half while Ashtamudi expansion will also be completed in the first quarter of FY20. This will cumulatively add approximately 200 rooms. We continue to follow the strategy of taking resorts on lease as well as inventory arrangements to augment inventory. I must say that we have recently had some great successes in acquiring land parcels in various parts of the country through the help of various state governments and we have access to land parcels which will keep us going for many more years into the future. Our focus on adding new destinations is gathering momentum as seen through our arrangements in Orlando – US, Sri Lanka, and now Bhutan. And we are conscious of the desire of our members to travel outbound and we shall add destinations in line with this aspiration. I would like now to conclude my address and we will now open the floor for questions and answers. Thank you very much.

Moderator: We will now begin the question and answer session. The first question is from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: My first question is on the member addition growth. As I see that in FY18, we did implement a scheme where we tried increasing the down payments and maybe we focused more on getting quality members as we have been speaking of. In the first half, we saw that there was good traction in member addition coming and plus the introduction of Bliss has also helped us. So, just wanted to understand that in this quarter, why we have seen a degrowth in our member addition if I just look at Q3 FY19 and not the cumulative number.

Kavinder Singh: There is a degrowth of 5%, it is marginal. The way to look at customer additions is that we actually are quite mindful of the fact that we need to add members not only of higher down payment and lower EMI but also at a cost of acquisition which is viable. If you may have noticed that our cost of acquisition has also significantly dropped down. You may have also noticed that

that it had a positive effect on our profits before tax. So, we are trying to optimize spends on customer acquisition, we are trying to get customers with higher down payments and lower EMI. It's a combination effect that has led to a 5% decline. I don't consider that as a worrisome sign. All I see is that every quarter we are trying to transform ourselves and the effects of that are anyway visible. Let me explain you when we are talking of higher down payment and lower EMI members, the internal data that we have, shows a significant improvement year on year and more importantly, we are also seeing that the F&B spends of the members are going up on per capita basis as well as the holiday activity. So, we are acquiring members who are spending more and we believe this is the right direction to maximize the customer lifetime value as we see rather than acquire members who would come at with much lower down payment and who may not even stick with us and therefore we are building this company in a manner which is sustainable and as you can see, eventually the cash is another indicator which you must see and the way the cash position is improving, it is also because our down payments and lower EMI tenures and better collections are helping us to do that. So, we have to probably see our business at an overall level where we see whether all the metrics are improving rather than just one metric of member addition.

Nihal Jham: Absolutely. We have been implementing this strategy say since the start of this year, and we saw that first half we did see growth, but anything specifically this quarter that why we have not been able to report a growth?

Kavinder Singh: Not really. I would say the cost of acquisition you must have seen, there is a significant improvement in this quarter, and the other thing that we are seeing improvement is in the higher down payments and lower EMI tenures which are even more stark internally available to us Q2 versus Q3 even on sequential basis. So, I am not saying that the growth could not have come, but the fact is that we go all out to achieve our strategy of higher down payment, lower EMIs, better cost of acquisition, and this is our outcome. So, we will have to obviously learn from this outcome and become better as we move along.

Nihal Jham: Going forward, are we going to be calibrating the marketing spends and maybe in the future our expectation of growth will be lower because of this?

Kavinder Singh: My view is that we should look at our business definitely on YoY – it's the way market looks at it – but you should also look at it on the cumulative basis because you may have noticed that even though our income growth is what it is which I mentioned, the profit growth is much higher. Now, part of that is happening as a result of being prudent about spending money and also getting the right members which are helping us in our resort incomes, the kickers that we are getting. So, I am not saying that we want to be prudent in adding members. If we can get members who are willing to pay higher down payment and lower EMI tenures, we will take them in. It's a question of how smart we are in building our marketing infrastructure to acquire members at a lower cost who are likely to spend money over a period of time. It is something that we haven't done well in the past and we are very cognizant of and I would say that numbers will be an outcome of the strategy. So, I am not saying that we are trying to not drive numbers; of course, we drive numbers. We are driving inventory additions, we are driving numbers. We are also driving cash position. We are also driving higher down payment and lower EMIs which will help us to get our resort incomes going forward at a much brisker pace than what they have been.

Nihal Jham: Absolutely. Could you just share the like-to-like marketing numbers; sales and marketing spends for Q3 FY19?

Akhila Balachandar: You want a quarter number or the YTD number?

Nihal Jham: Quarter number.

Akhila Balachandar: Quarter if you take, last year we had spent same quarter 48.56 crores and this year the spend is 45.7 crores. And this is under the earlier accounting standard so that you have a like-to-like comparison.

Nihal Jham: And you can just share the CAPEX number for 9MFY19, the amount you spent till date in this year?

Akhila Balachandar: We spent around Rs. 105 crores in this year. I can give you the exact numbers a little later.

Nihal Jham: In the H1FY19, we have had a CAPEX at between Rs. 50 and Rs. 70 crores, so whenever possible, let me know the exact number till 9M.

Moderator: The next question is from Aditya Bagul from Axis Capital. Please go ahead.

Aditya Bagul: A couple of questions; firstly more strategic. There are quite a few hotel properties in liquidation proceedings today. Would we be looking at any of these properties?

Kavinder Singh: We do. We continuously look at properties which are under various forms of distress and let me be honest that we do look at properties which will come at a price lower than the market. In fact, one of the reasons we don't go & acquire properties as aggressively as we could given our cash position because we are never wanting to buy properties at the market price. We would like to buy properties which we can turn them around because if we were to get properties at a distress price, we can refurbish it, we have that expertise, and we can turn it around, and we have demand which is assured. So, to that extent, it's a win-win situation for us and we are continuously looking as we speak, and to be honest, we are also very mindful that if we get a property which is coming at a throw away price and I can think of 2-3 properties which came just 3 months ago, we did not proceed with them because we were not sure about the destination, and #2, we felt while the property looked good from outside, the inside of the property which means the furniture, fixtures, etc., were not of good quality and that would have meant a huge amount of renovation and therefore we gave it a pass. So, we do look at these properties very diligently because it obviously saves us time to build a new property in that particular destination.

Aditya Bagul: Great Sir. Just a little more on this. Would you say that most of these properties that are available today are at core leisure location versus business locations like the key metros, that's one. And the second part is would they be available to us at a significant discount to replacement cost?

Kavinder Singh: What we have found is that leisure destinations, the properties are hard to come by, but having said that, there are leisure destinations, for example, take Agra which is also a metro destination – metro meaning a city destination. So, you do get sometimes properties in these places and we do not then worry whether it is a city or a leisure because then we have to look at the destination whether it will work or not, and as I told you that in our evaluation criteria, we are very mindful how much of money we will need to spend on refurbishment and therefore refurbishment cost plus the price at which we will buy has to be attractive enough for us to take a bite of that slice. So, it's a constant…, we are in this business, so we get leads. We get lot of bankers approaching us. This is very normal for us. We have a full-fledged team which does that on an almost daily basis this kind of evaluation, but for every 100 evaluations, maybe we will pick 1 or 2.

Aditya Bagul: Secondly, can you elaborate a little on the resort income which was lower this time around.

Kavinder Singh: No. Resort income is actually higher this time compared to the same period last year.

Aditya Bagul: Growth rate I mean.

Kavinder Singh: Growth rate, yes, it's about 4% or there about. This time we should not look at YoY, this time we should look at sequential, because we were coming out of the Kerala and Coorg floods. There were flooding in some parts, so those repairs got done in very quick time. We opened up the resorts but we found that the sentiment of travelling in October towards Kerala definitely was very poor and including Coorg we noticed because people were just not thinking of these destinations. So, we had to run lot of marketing programs. In fact, we worked with Government of Kerala also to market Kerala as a destination. We are finding that now the sentiments starting mid-November, this sentiment is coming back and now we are finding that the business is back to usual. So, to that extent, the resort income did suffer in terms of growth, but if you look at it on a sequential basis, there we had plunged to Rs. 42 crores and now we are up to Rs. 58 crores. So, one has to see in these unique circumstances. And by the way, even in Q3, we found unseasonal rains in Himachal affecting people's plans. Last minute cancellations were the order of the day. And we also found that the Sabarimala issue particularly in Kerala leading to lot of bundhs also impacted the Kerala recovery. So, despite these unusual events, moving from Rs.42

crores to Rs. 58 crores should be highlighted on a sequential basis and not YoY basis. So, that was the reason why I took that stand in this call today.

Aditya Bagul: Would that also explain the YoY reduction in the ARR? Would that be the same reason…,?

Kavinder Singh: YoY reduction in ARR is a function of how many resorts we ended up doing FIT. By the way, this is a very small part of our income and probably the most insignificant parameter in my view because we are not a company which sells rooms to live. There are rooms which don't get sold sometimes and then we put it out in the market. So, we are not very obsessed with this parameter and the drop could also be because we may have opened in the low season or when there were unseasonal rains in let's say Himachal, we may have put out the rooms for sale and we would not have got the price, but it is better to sell rather than keep it empty and probably that is the reason. Not probably, that "is" the reason for that ARR to be lower but this does not have a material impact on our financials.

Aditya Bagul: Can you please give us an update on HCR? The performance so far I could not find that in the…,

Kavinder Singh: HCR performance is not yet been released.

Akhila Balachandar: We will normally release it after a few days. We have not yet released the numbers. So, maybe we can give you an update once we are putting it out in the public domain.

Aditya Bagul: Sure. Thank you so much and best of luck for the quarters to come.

Moderator: The next question is from Sanjay Jain from Motilal Oswal Securities. Please go ahead.

Sanjay Jain: My first question is how do I calculate your cost of acquiring a new customer? Is this the sales and marketing expense? Is that all that goes in acquiring customers because there might be some marketing people whose cost may be sitting in employee benefit expenses. I don't know how to take that out. What will be the denominator? Is this the quarterly number that you show as vacation ownership? Is that the number of revenues that you got from the customer? Because you have some EMI, there is not all revenue which comes in a particular quarter and you have a way of revenue recognition. So, what will be percentage cost of acquisition?

Akhila Balachandar: So, I think you have multiple questions and maybe I will break it before I try and answer all your questions. The first is, earlier we used to follow the revenue recognition under the earlier accounting standard which was the accounting standard Ind-AS 18 wherein we were recognizing 60% of our contract membership fees which is nonrefundable admission fees as the income and the balance 40% would get deferred over the period of 25 years. Starting April 2018, there has been a new accounting standard 115 which has come into force, and under this standard, we have to now defer even the nonrefundable 60% admission fees over the 25 years. And therefore, I will recognize my entire membership fees both the 60% admission fees and the 40% entitlement fees over the 25 years which means annually I will be able to book just 4% of the income. So, therefore there are two accounting standards we are following in the current year and therefore some of our numbers are possibly not comparable and therefore we have also given the movement to explain to the investors and the analysts as per the mandated forms. That is on the revenue recognition under the VO income. ASF is something which is annual fees that we charge to our members and which gets booked annually.

Sanjay Jain: I understood that revenue recognition part. Can you just tell me what is the percentage cost of acquisition like according to your calculations? Maybe at detail we can discuss offline later.

Akhila Balachandar: Sure. The cost of acquisition basically comprises of various things and our estimated trending what we have over the last 8 to 10 quarters, the cost of acquisition hovers around 25 to 26 percentage of the overall membership fees, if that is the question you are asking.

Sanjay Jain: It is about 25% you are saying?

Akhila Balachandar: That's correct, 25 to 26%, it does keep going up and down, but overall we are within the range.

Sanjay Jain: But then this sales and marketing expense is quite a large number. I was just working out, it's coming out to be 40% of your vacation ownership, but I am not sure if that's the right way to calculate.

Akhila Balachandar: Yes, it will not be the right way because under the earlier method, we would book only 60% as the income upfront and the rest of the 40% would get deferred over the 25 years whereas all my sales and marketing spends being period cost will get charged in the same year. Therefore, if you were to put a direct percentage, it will not work out. Similarly, the sales and marketing spends will also include a fair amount of brand marketing spends which we incur for the overall Club Mahindra brand. So, a direct correlation as such may not be really possible, but what we have internal numbers and where we calculate our cost of acquisition per member is roughly 25%, 26%, of the membership fees.

Sanjay Jain: Some of this would be sitting in employee benefit expense as well, right?

Akhila Balachandar: From a regulation 33 perspective or an accounting flow perspective, all the relevant expense will go as mandated by the accounting standards and definitely some expense would sit under the employee expenses. What number we are talking 25, 26, would include a portion of those employee cost which include directly the incentives that we give or the commissions that we pay to some of our channel partners for selling and that is a more directly attributable cost for the acquisition of the membership.

Sanjay Jain: Essentially, since you are booking all the expensing customer acquisition cost in the same quarter and revenue you are spreading over 25 years, current profit actually is quite understated. I mean, actually expense and the revenue are not in line because of this accounting treatment.

Kavinder Singh: Yes indeed, you really got this point on, and therefore the deferred income which you will see in the balance sheet, that is a significant number, and when we restated from AS 18 to 115, the deferred income really grew significantly and that's an income that will come in into the P&L every quarter rather every year, quarter, and yearly from the deferred income pool, and we will also keep adding more into the deferred income pool and we will keep drawing out of the deferred income pool. Yet the deferred income pool will keep growing. So, that is the certainty of the income and if you look at our investor presentation, we have mentioned that this leads to very high visibility of revenues in our business; in fact, we have written as high as 95%. So, revenue visibility has significantly improved when, you are right, the profit is understated but that is as per the accounting standard.

Moderator: The question is from Himanshu Shah from HDFC Securities. Please go ahead.

Himanshu Shah: Can you just help me with what would be the OCF for 9-month FY18 last year same period?

Akhila Balachandar: Himanshu, last year for the full year, we have given the operating cash which was around Rs. 332 crores; this is as pre any CAPEX or other commitments.

Himanshu Shah: If we just see for 9 months and then if I try and annualize it, it would be a decline YoY. While our business is growing and our membership has shown a growth, why should there be a decline in OCF? And it would be like at par with more like FY17 numbers. Over 2 years, our OCF is like remaining broadly flat. So, is it fair to assume that it is due to delayed collections or nonpayment by the new members that have come in?

Akhila Balachandar: Himanshu, if you really see our quarter on quarter trending, our 4th quarter in the past 4-5 years, if you go back and see the Quarter-4 performance, is always the best because that is the season when people start planning for their large vacations or annual vacations. To simply do an annualizing may not be the correct way of doing things.

Himanshu Shah: In that case, 9-month number would have probably helped me out to segregate that stuff.

Akhila Balachandar: We can take up your request and share it with you.

Himanshu Shah: Secondly, just want to understand the OCF up to 1st half FY19 was Rs. 153 crores and now it is Rs. 201 crores. It seems like there has been some softening over there. Again, it's a matter of 1 quarter, but that should again be at…, and the member additions has been like slightly flat only on a sequential basis or on a YoY basis a nominal decline. So, is it again attributable to slight delay in collections or something?

Akhila Balachandar: I would not make that statement. As I said, our business is also a little bit cyclical and would like to wait for the year end to see the final numbers.

Moderator: The next question is from Pankaj Kumar from Kotak Securities. Please go ahead.

Pankaj Kumar: My question pertains to the performance of Bliss as a product. In the last 2 quarters, we have seen Bliss had contributed significantly. In this quarter, the trend has been similar or it changed?

Kavinder Singh: I think the Bliss momentum is continuing. It's not that the trend has changed. And by the way, it is still insignificant part of our total sales. Insignificant means it has not become so dominant for us to be able to share the numbers. But this is a new product, it is gaining ground, it is being sold by a different sales team. We are happy with the internal movement of the product and that is why we talk about it that this is gaining momentum and the momentum continues.

Pankaj Kumar: This product is only for the age group of 50 plus?

Kavinder Singh: That's right.

Pankaj Kumar: We had discussed about a product where we would be looking at a lower age group with a lower tenure. Have we started that product or…?

Kavinder Singh: We have a product called Gozest, that's a 3-year product. This product cannot be sold traditionally because the cost of acquisition otherwise will not justify. It's a shorter duration product, lower transaction value product. So, we are trying to sell it online. We have not achieved great success and that's why we did not talk about it, but we have not given up on it. Eventually, this product is meant to funnel a millennial into our core product and therefore this may require rethinking and thinking afresh as to how do we attract the millennials into a 3-year product and then eventually move them into a 25-year product or there about. So it is in that stage that we are in.

Pankaj Kumar: Lastly, on the overall growth trend if we look at over the past years, we have grown our cumulative membership base at 8% and now we see it somewhere around 7%. So, are we seeing any softness in that trend or something?

Kavinder Singh: No. Cumulative member base growth is of the order of about 8% if you were to look at the YTD December 2017 to YTD December 2018. Eight percent or thereabouts, it could be 8, it could be 9 depending on how it goes because the cumulative base is also expanding. As far as I am concerned, as I told you, I am looking at the business in a very holistic manner and I am trying to see how we can get the higher down payment paying members, lower EMI tenures, better cash position – you see our cash position the way it has moved up – and ensuring that we are in a position to grow the membership base on a sustained basis and more importantly also bring in inventories in line with that so that the customer metrics are improving because in our brand it is important for us to continuously improve the customer metrics. Eventually, that is what will take the business to the next level. So, this is what we are trying to do and we are seeing early results in terms of resort incomes. The fact that resort incomes on even on when we do per room night metrics, the resort incomes are growing on per room night basis also. So, we do see a healthy trend internally. We are well capitalized, we are in a position to invest, and we are debt-free at a standalone level, and we are in a position to definitely grow the business because we are also improving our value proposition. If you recall, I mentioned that we are trying to create an experiential ecosystem which will help us to create experiences which are very unique whether in resorts, around resorts as well as in city. So, it's a work in progress. People who are able to understand our value proposition, we are able to get them in. And by the way, I want to share a very interesting update which I did not share in my opening remarks. We have seen a significant improvement in upgrades. While our member additions are what they are, we have seen a very robust addition to our upgrades. You won't see much of that effect in our income because like the membership income, this also gets spreads over the balance period of the tenure. When I say balance period of the tenure, if some member comes to us after 5 years saying that I want to upgrade to the next season or next Apartment type, the current price is taken and minus from the price at which he or she may have bought the membership and then that differential payout after the member does, but again that income gets spread over 25 years. So you will not see an income kicker. The real movement we are seeing is in upgrades and we are using the power of analytics to target members who are constantly trying to do one-up holiday or multiple apartments and the power of analytics is helping us to also get upgrades and my happiness comes from the fact that when your upgrades are good which means your value proposition continues to remain strong.

Moderator: The next question is from Shivan Saravaiya from JHP Securities. Please go ahead.

Shivan Saravaiya: My question is on the member addition. If I look at the gross addition of the 3 quarters, it comes up to around 12,700 members. Now if I consider the membership base as at 31st March 2018 which was around 2,35,700 members and currently which is 2,47,716 members, the difference comes out to be 11,900 members. So, the difference between the gross and the net comes to around 782 members who dropped out kind of a thing. This is a very high number compared to what it was in the same period last year. Any color on this? Are we seeing the old memberships maturing and will this trend continue going forward?

Akhila Balachandar: Shivan, we used to have an earlier product called Zest which was a 10-year product and there are members of that particular product who are retiring and this is basically those members.

Shivan Saravaiya: Okay. The 25-year product that has not seen any retirement yet.

Akhila Balachandar: No. The core product has not seen any retirement yet. And your question on will this significantly increase, it will be more or less on the same lines, will not be a significant jump at least over the next 6, 9, 12 months but there will be members who will constantly finish the tenure of their membership.

Moderator: The next question is Rahil Jasani from ICICI Securities. Please go ahead.

Rahil Jasani: My question is related to the vacation ownership income. In the second quarter of FY19, the vacation ownership income was around Rs. 726 million which is now Rs. 768 million in Q3FY19 which is an increase of around 6% but if I compare the Q-on-Q member addition growth, then I think it's a decline of around 4%. Now I know that the VO income is a blended mix of the old members and new members but shouldn't the direction be the same? Can you explain the gap to me?

Akhila Balachandar: You are now looking at my 115 numbers, right?

Rahil Jasani: Yes, both 115, correct.

Akhila Balachandar: Under 115, basically what happens is as you know that we have migrated to this accounting standard, I will have the entire income coming from the past members and the incremental for the current members. So, despite whatever I have added, the real numbers…, I mean I will be adding my membership fees the one by 25th for the existing member base which is the 2,38,000 members we had as at the end of Quarter-2. So, that income will anyway come in. This will only be on top of that. And therefore really speaking quarter on quarter, the VO income will only go up. There will not be too many vagaries going forward which is what we have also shared in the investor desk that almost 95-96% of our income would become far more predictable.

Rahil Jasani: Understood. Second question, in the September balance sheet which you had shared, the deferred revenue totaled to around Rs. 50 to Rs. 59 crores if I added both non-current and current deferred revenue, but in the key balance sheet items published today, the September deferred revenue is stated as Rs. 5,114 crores. I was just thinking what is the gap here?

Akhila Balachandar: Let me just check that figure and come back to you Rahil.

Moderator: The next question is from Nemish Shah from Emkay Investment Managers. Please go ahead.

Nemish Shah: Just wanted to know the CAPEX figure for the 9-month period. Did you get a chance to calculate that?

Akhila Balachandar: CAPEX figure for the 9 months is roughly around Rs. 105 crores that we have spent since March.

Moderator: The next question is from the line of Sanjay Jain from Motilal Oswal Securities. Please go ahead.

Sanjay Jain: This is on the last slide, the deferred revenue part.

If you go to slide 39, there is a receivable you show that Rs. 1,792 crores. What is the cash receivable? Because this will be an accounting receivable because you are not recognizing revenue…,

Akhila Balachandar: Let me explain this a little bit. This receivable is the actual cash receivable from the members. So basically, we give a 4-year payment plan to members and they have the option to pay either in 12 months, 24 months, 36 months, or 48 months. And they opt for whichever payment plan is convenient to them. This receivable is actually a reflection of the amount receivable from them. Now, the other part that you are talking of is the accounting part which is on the revenue recognition which is sitting on my deferred revenue on the liability side which is close to Rs. 5,200 crores. That is the un-booked revenue which is sitting in my books but that sits on the liabilities side. This receivable is the actual cash receivable and it is sitting on the assets side of the balance sheet.

Sanjay Jain: Got it. And you are not making any NPV kind of adjustment here. So, there is no effective value you are calculating, it is simple value of the cash receivable.

Akhila Balachandar: What we do as per the accounting guidelines is there is a requirement to do an estimated credit loss provisioning, and we have an internal model which has been signed off with our board with the internal audit and with our statutory auditors. So, we do an estimation of the credit loss and that gets factored into it, but we are not doing an NPV calculation because we are not giving a 10-year payment plan or an 8-year payment plan. It's a 4-year payment plan and therefore we are really not doing any NPV calculation to it.

Moderator: The next question is from Kushal Maheshwari from Omnicent Capital. Please go ahead.

Kushal Maheshwari: My first question is with respect to the interest that is earned. Can you just give me a breakup of what is the interest rate charged on the EMIs and whether all the receivables that have been shown are interest bearing?

Akhila Balachandar: Kushal, we have various interest rates for various schemes. There are, as I said, 12 months, 24 months, 36 months, and 48 months payment plans. Each will have a varying thing and which we also keep changing over a period of time. As far as the receivables go, again it depends on the payment plan that the person has taken and therefore I cannot give you 1 single answer for the whole thing. Where there is an interest applicable, it will include it. Where it is not applicable, it will not include it.

Kushal Maheshwari: Okay. Can you just give some light on what is the average interest that you charge?

Akhila Balachandar: It would be around 15% plus and that would be roughly an indicative number.

Kushal Maheshwari: And the second question is with respect to the cost of acquisition. As you said that currently the cost of acquisition is about 25 to 26%, right?

Akhila Balachandar: That's correct.

Kushal Maheshwari: So, in this quarter, as Sir earlier mentioned that the cost of acquisition has decreased by some amount, is it 25-26% after the decrease or has this been the trend all alone?

Akhila Balachandar: If you refer what I responded was that basically our cost of acquisition has been trending in the last 8 to 10 quarters in the range of 25-26%. We are very conscious and we keep modulating our cost of acquisition strategy both to increase sales and to keep a control on the cost. It has been in this range and this quarter, we have been on the lower end of the range rather than on the higher end of the range.

Moderator: The last question is from Paranda Padmanaban from Renaissance Investment. Please go ahead.

Paranda Padmanaban: Would you be able to break up your deferred revenue into vacation ownership, ASF, and other income?

Akhila Balachandar: We would be doing these breakups only during year-end and not during the quarterly breakups because it is not required. I think we will stick to the annual disclosures on that.

Paranda Padmanaban: But this breakup would basically help us to understand or model the revenues much better.

Akhila Balachandar: Let us evaluate and we will come back to you.

Paranda Padmanaban: Okay. And how would your average realization per member have moved this quarter? Would it be again around 3,50,000?

Akhila Balachandar: We are trending in the same region, 3.4 to 3.5 lakhs.

Paranda Padmanaban: Okay. And overall past 3-year period, what would have been the average increase or average CAGR increase and realization that you would have seen in the past 3 to 5 years? If I have to model this number in the past or how would this number…,

Akhila Balachandar: The last 2-3 years, the overall hospitality industry has been fairly sluggish and our pricing power also comes with what is happening in the overall macroeconomic environment. So, we have been taking fairly contained price rises in the range of 2%, 3%, across various SKUs. So, our trending if you see last 12 quarters or even more, 8 to 10 quarters I would say would be in the range of 3.3, 3.4, 3.5.

Paranda Padmanaban: Okay. And how would your ASF…, what would have been a typical price increase that you would have taken or what would you typically take…,?

Akhila Balachandar: The ASF price increase is linked to the WPI and CPI indices. This year we were around 4.6 % and last year was 4%. This is the range, and it will again depend on how the indices move.

Moderator: We will take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Kavinder Singh: I would like to thank all the participants today, and as is the process, if there are any more questions, we do set up meetings as per the proper scheduling format that we have, and we will be open to discussion if there are any more details that are required as we move along, and once again we would like to thank all the participants for asking the relevant questions and trying to make us think harder. Thank you very much.

Moderator: On behalf of Mahindra Holidays & Resorts India Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.