"Mahindra Holidays & Resorts India Limited Q3 FY 2018 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good Day, and Welcome to Mahindra Holidays & Resorts India Limited's Q3 FY 2018 Earnings Conference Call.

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I now hand the conference over to Mr. Kavinder Singh – Managing Director and CEO. Thank you and over to you, sir!

Kavinder Singh: Good evening, Ladies and Gentlemen. Thank you for assembling for the quarter three FY18 Investor Call of Mahindra Holidays.

Before I get into the quarterly performance, I would just take few seconds to highlight the latest developments on the travel and tourism industry in our country. We believe that we are in one of the most exciting times in our country as far as travel and tourism is concerned. In fact, you may have read the other day that our foreign tourist arrivals is around 10 million, this used to be about 7 million a year ago, that is a very healthy increase in terms of the foreign tourist arrivals. We have also seen that the FOREX inflows as a result of inbound tourism are at an all time high of $27 billion. We believe that the government has taken significant steps, particularly with regard to the e-tourist Visa in India. And we are also noticing that the domestic tourists travel has also increased by 15% year-on-year.

So, therefore, the travel and tourism outlook for the country seems good. And as you know that we do not operate in the entire travel and tourism space, our business is focused on creating unique destinations and resorts, and we sell club membership, and therefore, let me come to the member addition. I am pleased with our quality of the new membership addition for this quarter, as well as year-to-date which demonstrates our commitment to having members who will be able to be longer lifetime value by being associated with us.

Our focus on quality, as measured internally by the higher down payment, lower EMI tenure and also better collections has resulted in a significantly healthy cash position at around Rs. 411 crores, the same number was Rs. 189 crores last year. This member addition for the quarter ended December 2017 was at 4,194 members as against member of 4,436 in Q3 FY17, lower by 5.5%. On a sequential basis the same number is up by 13.2%.

Let me move to the income. Our total income for the third quarter stands at Rs. 272.5 crores, lower by 0.8% YoY as against Rs. 274.8 crores in Q3 FY17. The key point I would like to highlight here is that our revenue mix has changed, if you were to look at it last year FY17 our VO income constituted 54%, now it constitutes 49%, our resort income is up 20% of the total income. Our annual subscription fee income is up from 19% to 20%. And of course, the interest and other income is also up by 10% to 11%. The key point that I wanted to make here is that this number of VO income used to be a significant part of our income a few years ago as high as 70% - 75%and is now down to 50%. What it means that our cumulative member base is throwing significant amount of annuity income in the form of annual fee, subscription fee as well as the resort incomes that are growing. The resort income for the quarter increased by 7.9% from Rs. 51.9 crores to Rs. 56 crores.

Talking about the lifetime value of our members, we are noticing that more and more members are taking holidays, our resort occupancies were higher at about 85.3% in quarter three FY18. In fact, we are seeing the highest ever occupancies even at the YTD level, year-to-date basis in our resorts, despite increasing our inventory on YTD basis by about 210 rooms. In fact, 60 units came in the Naldehra project this quarter. By the way, Naldehra project has been now commissioned fully at 115 units as planned, so the effect of cumulative member additions in resort incomes, the new experiences that we are adding and the fact that we are engaging with our members is helping us to increase the holiday activities income also, our holiday activity income for the quarter grew by 12%.

Our new projects Ashtamudi, Asonora are on track and the first phase of Assonora of about 150 units is likely to come in the next financial year. Ashtamudi, around 56 units would also come in the next financial year and this is on track. Our Kandaghat expansion design development phase is coming to an end, the approval processes are on and we are likely to break the ground for expansion of Kandaghat in the early next year. We are also looking at commencing new Greenfield resorts into our existing and new land banks.

We have accelerated our inventory addition by about 210 rooms, as I mentioned earlier, thus improving overall inventory position for ourselves. We are a debt free company and we are not looking at recourse to any borrowings for meeting our capital expenditure plan, which is a healthy plan. We have also improved our cost efficiency, sustained cost management initiatives has helped in maintaining our cost structures. However, our lease rentals have gone up by about Rs. 6.15 crores in this quarter YoY and that is largely due to the accelerated room additions that we have done and we have been able to ensure that our members satisfaction increases as a result of availability of rooms which has also helped in improving our resort incomes and margins.

With this I would come to an end of my part of the opening comments. I am of course joined by Ms. Akhila, who is our CFO. We are ready to answer any questions that you may have on the results for quarter three of Mahindra Holidays.

Moderator: Thank you very much, sir. Ladies and Gentlemen, we will now begin with the question-and-answer session. We have the first question from the line of Ashish Poddar from Anand Rathi. Please go ahead.

Ashish Poddar: I will start with the HCRO entity first. So, in Q2 con-call we highlighted that H2 is going to be better than what we had in H1, but in Q3 results I think I am a little bit disappointed with the PAT of €1.1 versus I believe €2.7 million we reported in H1. So where we went wrong, if you can highlight?

Akhila Balachandar: Ashish, basically if you see last year we closed HCR YTD December at €116 million of turnover and this year we are at €120 million. Last year there was a loss of €0.04 million as against €3.8 million profit this year. So basically there has been a differential impact of almost € 3.8 million, so that is basically the turnaround that has happened in HCRO. We had done very well over the nine months and I think that is…

Ashish Poddar: No, but my question is specific to the Q3 numbers, because in H1 we reported €2.7 million, in nine months we reported €3.8 million, that means in Q3 we reported €1.1 million. I think that number looks lower according to me, the kind of guidance you gave in the Q2 con-call.

Akhila Balachandar: So, basically what we said in the con-call was that H2 is a better season compared to H1 for HCRO, which was same last year and it has been same this year. Compared to last year I think we have still done well, on a YTD basis also we have performed well.

Ashish Poddar: Actually I have still not received my answer. So, my question is in H1 on the quarterly run-rate it was €1.35 million, whereas in Q3 we have just €1.1 million.

Akhila Balachandar: Ashish, what you are doing is a run-rate pattern, that may not be the right way to look at it compared to last year and that is where we are working on improving the business in Finland, that may not be the most appropriate way of looking at it.

Ashish Poddar: No, but in H1 we had €2.7 million, can we expect higher number in H2, because that is what we said?

Akhila Balachandar: I would refrain from giving any guidance, as we said the business is generally better in H2 compared to H1.

Ashish Poddar: But that is not coming in, that is what I am saying, it is not reflecting in your numbers.

Kavinder Singh: Yes, but H2 is still yet to get over, we have January, February, March. And please note that in Finland winter tourism is big. So, I am not saying that it will be made up or anything like that, I do not think we would like to make any comment like that. But certainly we are seeing an overall improvement in operations in Finland. Team is on track in doing the right things and probably the first quarter of the H2 may not have suggested you the run-rate which you were probably expecting, which is a mathematical fact, we cannot challenge that. But certainly Jan, Feb, March is another big quarter for the Finish operations because of the winter tourism, as I mentioned the Northern Lights, etc. So, let us see what happens, the team is at it and they are on the right track, once again I would like to mention because we were in Helsinki in December and meeting up and reviewing the team and we believe that directionally we are moving in the correct direction.

Moderator: Thank you very much. We have the next question from the line of Vikrant Kashyap from KDR Securities. Please go ahead.

Vikrant Kashyap: Despite being a subdued quarter for last two quarters we have not seen significant improvement in our member addition, and in this quarter we have actually seen decline. So, what new strategies you are focusing on to improve upon this number and improve upon the top-line of the company?

Kavinder Singh: So, if I may ask you to repeat the question, I could not understand one part of it, so it is better if you can repeat the whole question.

Vikrant Kashyap: My question pertains to decline in member addition for YoY basis and on the decline of top-line as well. So, my question is, what new strategies we are following or adopting that will help in improve our member addition and will be back on track of the numbers that we were previously reporting.

Kavinder Singh: Okay. So, I must say that, if you notice I mentioned very clearly that I am particularly pleased that on a sequential basis we are up 13%, yes if you look at YoY we are down 5.5%. And there is a significant change that we have done in our member acquisition methodology. You will also note that we have significantly reduced our sales and marketing expenses, we have focused on higher down payments, we have focused on better collections and lower EMI tenures. And as I mentioned in my opening remarks, last year same time in our quarter three we were at about Rs. 189 crores in terms of the cash on hand and cash equivalence, and today that number is up at about Rs. 411 crores. So there is a significant change happening in the way we are approaching member addition. Our aim is to get members who will have much higher lifetime value for us who will be able to over a period of time increase our resort revenues because we want members who would come to our resorts and also spend on holiday activities and F&B rather than just becoming members. And therefore, our entire member engagement piece is changing very dramatically. And that investment in member engagement that we are doing requires us to ensure that for this cycle to continue, to get members of the right quality, when I say right quality being able to pay on time, being able to enjoy the resort facilities that we are creating for them. I mean, for example, if you look at the Naldehra resort that we have created, we are getting rave reviews from the people who have gone there because there is no resort of that kind in that area. Similarly, if you were to see some of our resort in Kandaghat, Virajpeth, etc, the level of experience that we are beginning to provide, we believe that we need to acquire the members who have the mindset to spend the money that is required to ensure that such services at such levels are maintained. So this is a strategy which is playing out and the only reason I am so happy is because of the cash position, because if we were not on the right track and if we were not getting higher down payments or lower EMI tenures and better collections we would not have seen such an improvement in our cash position. And today when we have a cash pile of about Rs. 411 crores and growing, it gives us confidence that our strategies in terms of generating sufficient cash for our future growth as well as ensuring that the members come spend money in our resorts and enjoy the experiences is on the right track.

Vikrant Kashyap: Right sir. You mentioned right now that you reduced sales and marketing expenses and you are focusing on cost efficiency. But despite that in this quarter we have seen decline in EBITDA margins, what is that related to?

Kavinder Singh: So, I will explain the reason why you are seeing an EBITDA margin reduction. If you noticed, we are accelerating our inventory additions. One of the issues that we have faced in the past that we do not have enough seasonality, so we have accelerated, we have already added around 210 rooms in these three quarters, 115 came of our own Naldehra resort. So, what has happened is that last year whatever inventory additions happened post Q3 which is Q3 end and Q4, a full impact of that has also flow-in into Q3. And if you were to see the actual number increase in the lease rental, it is up by about Rs. 6 crores, so it is almost a 35% - 40% increase. So the only reason EBITDA margin has gone down is because of the lease rental which is absolutely acceptable for us we believe that the creation of inventory and creating experiences in newer destinations, we are today in 53 destinations, so we need to keep doing this to ensure that our members keep coming and keep enjoying at our resorts and our inventory acquisition processes will become smoother and hopefully our cost of acquisition will come down if we are able to invest on the member experiences. So this is the key direction that we are taking which is leading to a short-term decrease in EBIT margins, however leading to our superior satisfaction, our cap scores are increasing, our member satisfaction scores in our resorts are on a much higher level than what they were ever before. We believe this will lead to at a point in time the rebound in member additions that you are looking at, because we believe that we need to continue attracting members who will create significant superior lifetime value which should reflect in our cash and cash position that I mentioned earlier.

Moderator: Thank you very much, sir. We have the next question from the line of Aditya Bagul from Axis Capital. Please go ahead.

Aditya Bagul: Sir, two questions. Firstly, could you quantify the ECL provision for nine months? And just wanted a clarification of whether this would be reduced from ASF or would this be a part of your operating cost?

Kavinder Singh: So, Aditya, you have two questions. the first question is what is the ECL provision year-to-date for nine months, and second question is that will it be reduced from ASF or will it be reduced from operating income.

Akhila Balachandar: One, I do not think we have been putting these ECL numbers in the public domain. And two, yes necessary provision has been made for ECL basis requirement of IndAS accounting standards and therefore, these are being netted off from our income lines itself and not part of our cost lines.

Aditya Bagul: So, this is a part of ASF?

Akhila Balachandar: that is part of Income lines..

Aditya Bagul: And I believe the lower growth in ASF would be a reflection primarily because of the ECL provision?

Akhila Balachandar: That is correct.

Aditya Bagul: Great. My second question is to you, sir. You have always maintained over the last few quarters that you would like to add 600 rooms over the next 12 to 18 months, given the accelerated room addition just wanted to know whether you would like to revise that number?

Kavinder Singh: No, in fact we will increase that even more. So, if I were to say that our 600 room plan out of that 115 has already come through. As I mentioned in my call, the Assonora project of 240 rooms, the first phase of 150 rooms should come through in the coming financial year, and Ashtamudi is another 56 rooms, in fact Ashtamudi will have another second phase of around I think 41 rooms. So, Ashtamudi we are looking at 100 rooms which was originally 56, we are expanding Ashtamudi even more, so first half will come in this year. So we are looking at 150 rooms from Assonora and 56 rooms of Ashtamudi happening in next financial year 2018-2019. So that plan intact, 115 delivered. Kandaghat, about 140 units will start in the next financial year, hopefully get done in the financial year after the next which would be FY20. So, in terms of looking at even more Greenfield ventures, we have land banks which are already there with us so we are evaluating which one to go ahead with. Parallelly we believe that our strategy of taking over resorts which are either on lease or on acquisition, we have acquired resorts in the past, we are in the lookout for resorts that could be acquired. So, our strategy of increasing rooms ahead of the need of for our members is something that we will pursue even more aggressively than what we have done possibly in the past. So, that is something that we will do. Because as you know that we have a good cash position we can securitize our receivables if we want, but that probably is not required. So we do not need resource to fresh borrowings if we were to take this strategy further through the creation of Greenfield resorts of acquisition. So we will continue to pursue higher levels of inventory than what we have to satisfy, one, our member base; second, as you know that some of our inventory is given out to non-members for the purpose of experiences, because we believe that our onsite sales is also growing much faster than our overall sales growth rate because we are finding that onsite our conversions are even better. So onsite sales will be another key focus area for us as we go forward.

Aditya Bagul: Sir, just one small follow-up question on this, you would still believe that your ratio of own to lease rooms would broadly remain at 65:35 like we have in the past?

Kavinder Singh: So, ballpark, yes. But it could very well go down to 60:40, it could remain at 65, it could be probably 68:32, we are okay. We believe that the capital structure of our company is well, we have done a reasonably good job of ensuring that we have capital to grow on our own and we obviously are creating reasonable pull amongst the various resort developers who keep approaching us because they see us as a credible player. And therefore, we will keep looking at opportunities to have asset light expansion, because we also need scale as you would understand that we are adding members so we would want to have inventory addition in line with our members. If we can keep doing the Greenfield and Brownfield in line with our member addition we may slow down on lease. But if we believe that we are not moving in line with what we want then we will accelerate lease. And therefore, the ratio will keep shifting between 65:35 to 60:40 or 68:32 or thereabouts, something like that in that order.

Aditya Bagul: Sir, if I may have just one small bookkeeping question, could you just help me with the AUR number for the quarter and nine months?

Akhila Balachandar: Aditya, the AUR is around 3.3, 3.4 which is what has been trending for last three, four quarters now.

Moderator: Thank you. We have the next question from the line of Archana from JHP Securities. Please go ahead.

Archana G.: I have two questions. In spite of QoQ growth in the membership addition there is only 5% increase in the VO income. Would be happy if you throw some light on that. My second question is on the employee, we have around 11% increase in the employee expenses on QoQ, sir I would like to know how many employees are on on-roll, payroll and off payroll? And secondly, I want to know do we also give the bonuses to the employees for say x number of members per month or something like that, may be some kind of incentives do we offer to the employees?

Akhila Balachandar: Can you repeat your second portion of the question, please?

Archana G.: Sure. Ma'am, my question is I would like to know the employees who are on Mahindra's payroll and who are like off payroll. And secondly, I would like to know do we also offer bonus or incentives to the employees for getting the members?

Akhila Balachandar: Okay, fair question. So, basically we have a mix of employees who are on-roll and off-roll. We keep evaluating this regularly and depending on key positions and the criticality and our evolution of the processes, we do keep moving people from off-roll to on-roll. This year itself over last Q4 onwards we took an initiative whereby a bunch of our front line facing, I mean the member facing functions which used to be off-roll we have currently on-rolled them. So this is an ongoing process whether at resorts or at the customer acquisition function, we do have on-roll and off-roll, and we keep shifting depending on the requirement. The second part of your question was basically do we give some bonus on incentives? So we do definitely have an incentive for our front line sales employees and this is basically the industry operates or any direct selling business operates where they do get incentivized on their sales performance.

Archana G.: Ma'am, is it possible to quantify at least the sales and marketing employee number?

Kavinder Singh: Sales and marketing employee numbers?

Archana G.: Yes.

Kavinder Singh: I do not think we release the data, The number of employees are I think there on our balance sheet. I do not remember so I do not want to be wrongly quoted. But we do not give sales and marketing absolute number for simple reason because this is a seriously confidential data from the competition point of view as well.

Archana G.: Sure. Ma'am, my first question was on the membership addition with respect to this, there is just 5% increase in the VO income versus 13% QoQ growth in the membership addition.

Akhila Balachandar: So, if you see the membership addition in the quarter has been minus 5% and our VO income has also kind of grown in that ratio.

Archana G.: Ma'am, I am discussing about QoQ, like our VO income is up 5% QoQ versus the membership addition which is up 13% QoQ.

Akhila Balachandar: So you are asking sequential growth?

Archana G.: Yes.

Akhila Balachandar: So, sequentially our membership addition has been 13% up and income from VO is also 13% up, so it is fairly in-line.

Archana G.: I think my numbers are some different, I will just take that later. Ma'am, if I can squeeze in one more question, we are being aggressive in terms of room addition and earlier we had given the guidance of Rs. 600 crores CAPEX over next two years, so can I get the new CAPEX plan for FY19-20, next two years?

Akhila Balachandar: So, like Kavinder just mentioned, we have four Greenfield projects currently in process, of which Naldehra has already come into system, the rest three are work-in-progress and should come over the next 12 to 24 months into the pipeline.

Archana G.: So the CAPEX would be?

Akhila Balachandar: We had around 600 rooms planned with a CAPEX of Rs. 500 crores to Rs. 550 crores, that is what is still being maintained.

Moderator: Thank you. We have the next question from the line of Nihal Jham from Edelweiss. Please go ahead.

Nihal Jham: My first question was on the lower EMI tenure that you had been mentioning, we have let go of the 48-month tenure and now the maximum we are offering is a three year EMI scheme, right?

Kavinder Singh: Is that a question?

Nihal Jham: Yes, I am asking, I just wanted to confirm that.

Kavinder Singh: So, I had mentioned in my last call that we have 48 EMI particularly for the Blue members, particularly where we are taking 10% down payment. We had discontinued the 48 EMI for 10% down payment. That was one number which we have choked now, so we have seen a significant shift from 48 EMI moving into 36 EMI, which means from four years to three years, and that to us again shows higher upfront payments, both on the down payment as well as the EMI, which is also helping us in our cash flows.

Nihal Jham: Absolutely. So, incrementally going forward the maximum financing tenure for anyone is going to be the 36 month EMI?

Kavinder Singh: Once again please?

Nihal Jham: Sure. I just wanted to confirm that going forward any incremental member that comes in, the maximum financing tenure that we will be offering him is a 36-month EMI or is 48 month EMI available with higher down payment?

Kavinder Singh: So, people who give higher down payment can get 48 EMI. But for Blue Studio if you are giving 10% down payment you will not get 48 EMI.

Nihal Jham: Okay. Sir, is it possible to share the sales and marketing numbers for this quarter along with the same number last year?

Kavinder Singh: Yes, of course we can share the numbers. Sales and marketing expenses for the quarter have been Rs. 54.27 crores. The same number for the same quarter last year it was Rs. 59.33 crores.

Nihal Jham: Absolutely sir. Sir, just continuing on this point, so we may be looking at rationalizing somewhere our sales and marketing spend. Now, is it that a portion of this is related to may be some of it being classified as employee expenses? And if not then generally when we are looking at eventually growing our member base how do we plan to reduce our sales and marketing expense, could this impact our member addition in the long run or even a branding and visibility?

Kavinder Singh: It is a very good question I must say. It is a constant challenge as you know in business to manage obviously top-line and bottom-line and one of the things that people easily can do is to save on sales and marketing, but it can hurt the top-line which is what I think I know is your concern. The way we have taken so far the strategy and it continues is that we would like to spend money which gives results to us which ensures that we are able to grow sustainably. Now, typically we can take some bets in marketing and spend money and hope results will come. And sometimes they come in the same quarter, sometimes they come later. So there is no plan to choke marketing spends, in fact marketing spends will not be reduced, but our aim is to ensure that the marketing spends are in line with the member additions. So internally we track cost per sales, we track lots of metrics to keep a constant eye on whether money spent is well spent, are we getting the right quality of leads, are we getting the right conversions, are we getting right quality of members. And these help us to constantly fine tune, so it is a very, very detailed internal algorithm we run to see where should we be putting money whether in digital or in non-digital spends, and we constantly monitor this. In fact, one of the reasons we have seen decrease in sales and marketing expenses is because our digital spends have come down, we have been now doing far better understanding of how to target our prospects digitally and that experience is helping us to bring down the overall sales and marketing spends. Our absolute spends coming down is partly due to the fact that the sales is also lower compared to last year same time, so to that extent there is a variable cost that we have been able to contain. But we have also improved on our digital targeting which has helped us to save some cost. But our aim is not to save sales and marketing cost and impact the top-line, in fact our aim would be to grow the top-line with the right quality of members without increasing sales and marketing expenses disproportionately.

Nihal Jham: Sir, just one last follow-up on this. Generally, you mentioned that in the cost of acquisition there are three components which are discounts, lead generation and incentives. So, among these three, which portion has the maximum room to optimize further? And finally, when you look at your sales and marketing expense do you look at and say it has a percentage of the total revenue, so how do you look at budgeting it going forward?

Kavinder Singh: Internally we have various metrics on cost of acquisition, cost per sales for the leads and referrals. We look at discounts, we look at incentives, we also constantly tweak the incentive tables because sometimes the incentives are not working, they need to be made better, in some cases they are over working which means people are probably able to get the money without actually putting in the necessary effort, so we tweak it down. So this is a constant operations related work, as I call it sales and marketing operations. We have huge amount of analytics happening at the back end which is keeping an eye as to where the money is being spent, is it being spent wisely, whether in lead generation, whether in discounting because discounts and offers we also constantly manage and monitor that what is working and what is not working, what is not working must be withdrawn quickly because you do not want to spend money which is not yielding results. So there is whole science behind this, there is a lot of experience, there is a lot of analytics happening at the back end. In fact, we are using more analytics than ever before. So we work with analytics companies to ensure that our promotion campaigns are targeted to deliver the right ROI, if the right ROI is not delivered we immediately change the campaign. So this is a very, very intense and constant work and there is a lot of science, of course there is a lot of gut and art in it because you do not want a situation where you have put in a huge amount of money on campaign and the campaign dos not deliver results, and suddenly you will see a huge amount of expenditure in sales and marketing with no commensurate increase in sales. So, this is something that we are very proud of, this is something which is our core, let's say as they say that like in any company there are certain things that are very core that help you to succeed. So we are very good at this area and we are constantly monitoring cost of acquisition internally. In fact, one of the transcript somebody had asked what is your cost of acquisition as a percentage of sales, I think we have mentioned already in the past that it is around 23% - 24%, sometimes 25%, we like to keep it lesser than that. So coming back to your question as to what can be done to reduce it, I think the more and more we get better at identifying the right quality leads through various multiple campaigns and ensure that most of our campaigns succeed, that is the only way we continuously reduce the cost.

Moderator: Thank you. We have the next question from the line of Rahul Veera from Elara Capital. Please go ahead.

Rahul Veera: Ma'am, just a quick question, last year our Q4 the number of new member addition was very high, it was exceptional quarter last year. Are we seeing some kind of traction since one month has already passed?

Kavinder Singh: So, what happens is that we typically cannot talk about the one month that has passed because as you know we are not allowed to talk about the quarter that is running right now. Typically quarter four is a heavier quarter than the previous quarter which is quarter three, that has been the trend. And part of the reason we believe is during Jan, Feb, March people do start planning for vacations in April, May, June, we see our resort occupancies hitting almost 89% in April, May, June, you can see that in the last. So we do find that there is some amount of consideration for planning for holidays that gets into the consumers mind, and that possibly helps us in having a better quarter in Jan, Feb, March in the past, I would like to maintain in the past. I cannot comment about what happened in January and what will happen in Jan, Feb, March this quarter.

Rahul Veera: And what would be the EBITDA margins in the HCR side?

Akhila Balachandar: So, Rahul, basically we have got for the period ended December a PAT of €3.8 million on a top-line of €120 million. So, we are currently not publishing the complete regulation 33 format and therefore, I would not be able to share the detailed numbers with you.

Moderator: Thank you, sir. We have the next question from the line of Manish Poddar from Renaissance Investment. Please go ahead.

Manish Poddar: Sir, just wanted to check first of all, did you mention that you continue with the guidance of 600 room addition, excluding the addition which you have done in this quarter?

Kavinder Singh: So, as I said the 115 that was there of Naldehra, out of that 55 came in the previous quarter, 60 came in this quarter. So, that 115 is a part of 600. So now we are down to 485. As I mentioned earlier the breakup of 485 is in Ashtamudi, Assonora and Kandaghat, and I of course gave in detail when which one will come previous time when I spoke.

Manish Poddar: So what is the plan with the cash on the books, about 400-odd crores now why don't you accelerate the room addition? I understand member addition as a function of a lot of other variables, but why cannot you accelerate the room addition to higher rate and probably give this experience membership to possible customers, why aren't we thinking on that lines, or are we thinking on that lines?

Kavinder Singh: We are indeed. In fact I mentioned that 210 room additions happened in these three quarters, we would obviously look at accelerating our current projects which are running which is a constant effort, we are also looking at lease/acquisition opportunities for resorts, that is a continuous process. Yes, as I mentioned that our cash position is comfortable and we would like to deploy cash in creating inventory which is something while the current work is on, we would like to even further accelerate that, that is indeed the direction that you are suggesting we will take.

Manish Poddar: Okay. And how do you measure let's say the productivity of your sales team members? Given that you are saying that all the macro variables with inbound travel, tours increasing and stuff like that, how do you measure that this run rate of 4000-odd plus/minus

Kavinder Singh: We actually do not correlate with what is happening in the external market. If you look at the last two years of the performance the macroeconomic conditions in last two years were probably the worst ever, the hotels were struggling, occupancies they were struggling, there was nothing happening if you just go back into FY16 and even to FY17. And our growth rate, whether GST, whether demonetization, GST of course now, but demonetization in the previous year, we have not linked our performance to the external factors because we believe that our proposition is very unique, it attracts the families who are in a certain age bracket who would want to enjoy our resorts and experiences. In fact, we continuously focus on enhancing our experience and enhancing our member engagement, because we believe that we have 225,000 odd members who are in some manner a premium set who wants to enjoy the holidays, vacation, experiences and therefore, how can we keep on creating more and more opportunities for them to experience our resorts. As I speak, I also want to mention that we had launched a product called Club Mahindra Bliss and this product has found good acceptance. In fact, we have found significant amount of sales happening in this product and this is something which was a pleasant surprise for us, it is a 10-year product for seniors and it is a points based product, it is a flexible product and we are now accelerating and scaling up teams to sell this product. So our entire aim is to ensure that we are able to focus on our strengths and our capabilities and expand the bouquet of resorts that we have and experiences, because we believe that if our proposition is working alright irrespective of the macroeconomic headwinds, we should be able to add members to our overall base, more importantly quality members, more importantly members who pay higher down payment, more importantly so that we can generate enough cash to accelerate our growth as well as service the members that we have exited.

Manish Poddar: Actually a concern I have, if I look at the last nine, ten years at large at length, barring a year of let's say 2014, all the other years your member addition this transit has been 3,500 to 4,000. When do you think will we reach this orbit and move to another orbit of another 6,000 odd which we did let's say Q4. Is there any metric which we should probably track that which can probably give an indication that we will move from this 4,000 to 6,000 on a sustainable basis?

Kavinder Singh: I understand what you are saying and I know in some manner you are looking at how we can give you some level of future guidance. But let me tell you the way to look at this. I think our optimism stems from the fact that the potential of the business remains fairly strong. We believe that there is at least five times growth in our current member base. And the question really is that are we able to tap the right family, the trick here is to tap the right family who has the affordability and who has the mindset to enjoy holidays on a regular basis. If we are able to do that correct tapping at the right cost and we are able to onboard the member and continuously provide experiences in some manner, there is no limit really. The only limitation as you would understand is the inventory and what we are trying to do is in inventory, as I was mentioning earlier, accelerate our inventory additions. There is a physical aspect of building inventory therefore, we do take the lease route, we do take the acquisition route. For us it is critical and for you to get a sense as to where we are going I think you should look at our capital expenditure plans, you should look at our inventory addition plans, that will give you a fair sense at what rate we are growing or likely to grow. In my mind that is a very good surrogate as to how we are growing. And as you know, inventory additions can be lumpy because sometimes they will come one shot and member additions tend to be slightly linear. So it is sometimes I understand it is difficult to predict that the inventory addition can happen suddenly, but it is not happening suddenly, it is out in the public domain that we are building so many projects and we are looking at lease opportunities anyway. So there is some sense you can probably have as to how much of inventory addition we are doing, and we do keep sharing that information fairly frequently. And the fact that management is confident about growing the business is good enough indicator. And coming back to your question that we have been in the 3,500 - 4,000, slight disagreement. If you notice in FY15 we closed our year at around 12,800 or thereabouts of units, that 12,800 became 16,000 in the FY16, that 16,000 became 18,500 in FY17. So, I agree that you are now looking to see how we can grow beyond that, and that is a question that obviously we keep asking internally as to how do we need to do it, digital is one route, referral is one route, creating inventory is another route, ensuring that we get the right higher down payments and ensuring that we have members who will value our proposition remains. We are extremely clear, it may be possible to add members, but we may not get the members who are of the right quality and who will generate right lifetime value. So it may not be desirable from investors point of view, since you are investors and analysts too, to do a member addition which is not going to accrue value. If you notice I did mention that our revenue mix is very positive now with 51% of our revenue from non-vacation ownership revenue, it is resort, annuity, etc. So this is obviously getting fueled by the fact that our members are contributing to this revenue, and even in our VO income there is a 40% deferred revenue which keeps flowing in from the previous set of members. So really speaking, in our business quarter-on-quarter few units up and down actually is not going to make a difference to our overall performance. And even if you look at our cumulative member additions, that another way to look at it, over the years our cumulative member additions are growing at a compounded annual growth rate of about 10% to 11% in some years, some years around 8% to 9%, depending on the year that you take or the period that you take. So our compounded annual growth rate of cumulative member addition is a very good measure as to how we are growing the base of members who will contribute to our annuity and create the right sources of income. And all we have to ensure is have superior past management in both customer acquisition as well as in our resorts and we will have our cash positions improving significantly like it has improved over the last two to three years.

Moderator: Thank you very much. We have the next question from the line of Sarthak Mukherjee from Stewart & Mackertich. Please go ahead.

Sarthak Mukherjee: Sir, my question is, just to understand the business better, whether is there any roll of the aggregators in your top-line? And if so, what is the percentage?

Kavinder Singh: Actually, in our business the aggregators there is not really a role. As I mentioned we have non-members utilizing our inventory. But largely through our own sales network we are not dependent on anybody, because we have a reasonable demand of our resorts where non-members would like to come and experience because they like to understand what we offer, and that is where our onsite sales happens. So, aggregator have no play of any kind which can influence our business results in any material manner.

Moderator: Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to the management for closing comments. Over to you, sir.

Kavinder Singh: I would like to thank on behalf of Mahindra Holidays to all the ladies and gentlemen who came for this quarter three earnings call. I must say that a lot of your questions are very, very incisive and we have taken note of all your questions and we are constantly at work to ensure that we are in a position to meet the expectations that are being set in this call by yourselves. And with that, I would like to say thanks to all of you once again.

Moderator: Thank you very much, sir. Ladies and Gentlemen, on behalf of Mahindra Holidays & Resorts India Limited, that concludes this Conference Call. Thank you for joining us. And you may now disconnect your lines.