February 06, 2025

MHRIL/SE/24-25/100

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G Block,
Bandra-Kurla Complex,
Bandra (E), Mumbai - 400 051.
Symbol: MHRIL

BSE Limited
Floor 25, PJ Towers,
Dalai Street, Fort,
Mumbai - 400 001.
Scrip Code: 533088

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call for the third quarter and nine months ended December 31, 2024 - Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Ref: Our letter no. MHRIL/SE/24-25/91 dated January 15, 2025

This is in furtherance to our letter no. MHRIL/SE/24-25/91 dated January 15, 2025, wherein advance intimation of the Earnings Conference Call scheduled to be held on Friday, January 31, 2025 with Several Funds/ Investors/ Analysts on the financial and operational performance of the Company for the third quarter and nine months ended December 31, 2024 was submitted to the Stock Exchanges.

In compliance with Regulation 30 of the SEBI Listing Regulations, please find enclosed the transcript of the aforesaid conference call which is also hosted on the website of the Company www.clubmahindra.com.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For **Mahindra Holidays & Resorts India Limited**

DHANRAJ NARSAPPA MULKI

Digitally signed by DHANRAJ NARSAPPA MULKI
Date: 2025.02.06 15:21:41 +05'30'

Dhanraj Mulki
General Counsel & Company Secretary

Encl.: a/a

"Mahindra Holidays & Resorts India Limited

Q3 FY '25 Earnings Conference Call"

January 31, 2025

MANAGEMENT: **MR. MANOJ BHAT – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED**
MR. VIMAL AGARWAL – CHIEF FINANCIAL OFFICER – MAHINDRA HOLIDAYS & RESORTS INDIA LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 & 9 Months FY '25 Earnings Conference Call of Mahindra Holidays & Resorts India Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Manoj Bhat, the Managing Director and CEO. Thank you, and over to you, sir.

Manoj Bhat: Thank you. Good evening, everyone, and a very warm welcome to our quarter 3 earnings call. On the call with me today, I have Mr. Vimal Agarwal, our CFO. We have already posted our quarterly results and investor presentation on the stock exchanges and our company website. So I hope you had a chance to go through it. In any case, we will explain the key numbers and some of the key trends in a short introduction before we go to the Q&A.

So firstly, on the demand side, if you see, I think the demand side continues to be robust. I think if you look at industry level ADRs they are trending high. In fact, the graph, which we have shown, the ADR level has crossed 9,400, and occupancy continues to be at high levels of 70% in November. So really that the industry trend is intact. From our own member, it's a trend. I think the demand for vacation experiences across our member base continues to be very, very robust.

And we continue to see a lot of interest in members trying out new destinations. In fact, some of the new destinations, which we have recently added I think we are seeing already occupancies above 80% and sometimes about 90% on some weeks. So I think clearly, there is a huge appetite for newer experiences as well as demand for leisure kind of hospitality.

From our financial performance. Firstly, on the stand-alone side, I think the revenue was about INR391 crores. It's about plus 5% growth in terms of year-on-year. This does include an element of onetime. If you adjust for that, the stand-alone growth will be about 8%, and I'll talk a bit about the onetime. If you look at the EBITDA, I think it was about INR127 crores. If I adjust out for the onetime we are looking at a growth of about 17% in EBITDA.

And finally, if I look at the PAT, the reported PAT was about INR51 crores. And if I look at the onetime, I think which were there last year and this year, I think the growth is about 15%. The onetimes are mainly 2 reasons. One is there are forex fluctuations. As you know, some of the euro INR movements and some of the other currencies affect us. And the second thing is the tax refund, which is a big piece. If you go back to last year's quarter 3, we had a tax refund in total INR20-odd crores. And that is in 2 lines. Part of it is in the refund interest and part of it is in the tax expense line. So it is distributed across those 2. So overall, I think as I look at these numbers, very, very strong numbers. If you look at the PAT growth, it's very healthy at 15%, even revenue growth at 8%. I think it's a very healthy set of numbers.

So if I look at the consolidated side, I think overall reported PAT is about 3.5x at INR35.4 crores. Again, there is -- there are some onetimes and -- so if you adjust for those, I think it's about 5.5x.

So I think very, very robust profitability growth even at the consol level. I'll talk a bit about HCR and our European operations later.

Coming back to the Indian operations, I think our big focus has been on the supply side. I think this quarter alone, we added 206 keys. And this is really part of our endeavour, our journey toward 10,000 keys by FY30 and offering our members a lot of new experience with new destinations. Currently, our base is about 5,700 key give or take. New openings are at Patkote and then we completed the expansion in Kandaghat.

In addition, obviously, there are greenfield projects in the pipe. There are projects in Ganpatipule, which is in Maharashtra and then Theog in HP and then 2 expansion projects further, which is Jaipur and Kandaghat. So clearly, a lot of momentum going in.

From our own viewpoint, as I look at the next 5 quarters, that is Jan to next March, I think we are looking to add 15 new destinations with about 1,000 keys . So that kind of gives you an indication of how we are looking at inventory expansion and new destination addition for our members and that will give a lot of choice to our members and hopefully fuel the demand for our various vacation experiences.

And so I think that's a quick progress on our target of 10,000 rooms over the next 5 years. If I look at resort income, again, very strong quarter. I think if I look at resort revenue grew 12% Y-o-Y to INR107 crores. Now this is a combination of the stand-alone number plus some of the subsidiaries in India. So while the standalone number itself might be about INR98 crores, there is about INR11 crores in some of our Indian subsidiaries.

So that's a strong growth of 12% Y-o-Y. And overall, I think -- this is a combination of the various resort experiences, finding a lot of favour with our members and also occupancy rate of 84.2%, which we achieved this quarter. And this is on an expanded inventory base as we compare -- compared to last quarter. So overall, that's, again, a very, very satisfactory set of numbers.

More than that, I think 2 or 3 points I wanted to add on the Resort side is about our commitment to sustainability. I think we added solar capacity now our cumulative 34% of our total energy demand is through solar across 32 resorts. And we also added about 7 new results this quarter as net 0 waste to landfill and that's taking our total to 41. So overall, I think a lot of activity on the resort side, I think we are seeing an upswing in resort revenue, and I'm very positive this trend will continue going into the future quarters.

The last but not the least is about member additions. I have spoken to you continuously about finding the right product market fit, finding the right channels, finding the right way to add members. And I'm happy to report that all of that is coming to 2 things. One is the premiumization drive right now, our AUR is about INR6.16 lakhs for the quarter which is up 37% Y-o-Y, which is a significant addition compared to last year.

On the member side, as I said, that as we have gone through this journey of looking at what is the best product strategy and the best sales strategy. I think that's something which I think has slowed down compared to last year. We added 3,000 members during the quarter at a net level.

And within this, there are 2 channels, which are doing really well. I think if I look at referrals and digital, they are doing well within this. So there's a shift in terms of how we are thinking about member addition and channels.

The other highlight from a member perspective is upgrades. Upgrades are up 21% Y-o-Y. And this kind of is a reflection of how members are thinking about our offerings and looking at experience of the next order, and that's what usually upgrades us. And so I'm kind of pleased to report that, that's working well. On the member side, of course, member experience, we launched a new app, which has found very good reception across the board. And we have seen that overall, I think the journey towards finding the right combination of channels, offers and geography I think it's a journey which will still continue.

Last but not the least, from a perspective of our European operations, been a very steady quarter. And you could see in the numbers. So for example, from an EBITDA perspective, this is I'm talking about now finish accounting standards. I think the EBITDA improved by € 0.5 million. So it was a loss of € 1 million. It is down to € 0.5 million. And this is in a very tough environment in Finland. Many of you would know that from an economic kind of growth perspective, I think Finland is one of the worst performing economies because of multiple reasons.

Despite that, I think we have been able to maintain a steady quarter, and that's something which is kind of a testament to our ability to manage in tough environments and that's something, which the European team has done very, very well. The main -- the other reason in Finland is some of the weather changes have impacted because there was a late snow and so on and so forth, which I'm hoping we'll start correcting themselves going into Q4.

I think I will now request Vimal to take you some of the key financial highlights, while I covered some of them. But over to you Vimal.

Vimal Agarwal: Thank you, Manoj. Moving on to the key financial numbers for stand-alone first, followed by consolidated. On stand-alone total income was at INR391 crores, which was a growth of 5%. If you back out the one-offs, which Manoj talked about, the growth was 8.4%. EBITDA stood at INR127 crores, which is 6% improvement over Q3 F '24. EBITDA margins also improved to 32.4%.

Our reported PAT was INR50.7 crores, which is a growth of 15% Y-o-Y. If we back out the INR22 crores of income tax and forex adjustment, which was there in Q3 F '24. Deferred revenue is at its highest level right now is INR5,722 crores. And our cash position also improved to INR1,482 crores after making a decent amount of capex investment.

Moving on to consolidated financial statements. Our income was at INR710 crores, which is an improvement of 7% on Y-o-Y basis. EBITDA was INR178 crores, which is up 30% and our EBITDA margin is at 25%, which is up 450 basis point versus Y-o-Y. PAT is at INR35 crores at consolidated level, which is significantly higher than last time of INR10.5 crores. If you look at like-for-like without one-offs, which is forex adjustments and tax adjustments are reported PAT was at INR19 crores, which is 5.5x higher than the last time.

With this, I will request, if the floor can be open for questions, please. Thank you.

Moderator: Thank you. The first question is from the line of Pankaj Kumar from Kotak Securities.

Pankaj Kumar: Question pertains to the member addition. So in this quarter, we have seen 3,000 member additions, of course, we have taken certain measures in terms of focusing on quality members. So just wanted to know directionally how we see this member addition going ahead as we are ramping up the room inventory?

Manoj Bhat: So first of all, thanks for the question. I think the journey we are thinking about as we think about members, customer acquisition, or member addition, the first step was to look at from a geography perspective, what is the metrics and the data around member addition cost of member additions, efficacy of the whole process, what is the kind of customer feedback can we follow through and service the customer effectively.

So and the focus on that has obviously helped in terms of us thinking about constructively what is sustainable model going forward. I think my own sense is we are halfway through the journey. And I think there's some more work to do in quarter 4 and maybe partially going into quarter 1.

The second thing is, if I look at it from a perspective of just looking at some of the past data in terms of the numbers. My own sense is that I think we will probably obviously come short of last year in terms of overall net number additions. But I think the member base we are adding now I think since this offer different kind of profile and that was important from a change management perspective. And that's what's the second big objective.

The third is, and as you've seen the data, I think there's been a lot of focus on referrals as well as digital channels that was one change we are trying to make. And the fourth one is we're seeing the upgrade growth, and that's another big lever for us as we go forward. Unfortunately, I don't have a number for you because it's a dynamic situation, but I would suppose that you will see this kind of trend continue into Q4. And then maybe we will comment again at the end of Q4.

Pankaj Kumar: Another thing is on the AUR that we are getting for this quarter, we have over INR6 lakhs. So that's been on a, of course, a great number. So directionally, how do you see this going ahead? Will this be one-off scenario? Or will it be like improving from here onwards as well?

Vimal Agarwal: I think, first, let me get into some of the reasons of why the AUR has gone up, and then I'll talk about how to think about it as we go forward. So 1 is, of course, did the product analysis, I think we had a 3 year product, which we felt was from a customer perspective, probably not the ideal product in terms of how many days they could vacation, et cetera. So we actually introduced a new product called GoZest-5.

So -- just -- and what has happened is that whatever volume percentage was met by GoZest-3 has been met by GoZest-5, which is obviously higher-priced products. So that will, I guess, continue so we will retain that. The second, which is happening is, as within our own member base, I think upgrades contributes to the AUR driving up and upgrade is going to continue to remain a focus for us.

So that's the other piece, which could be variable quarter-on-quarter. But directionally, I would say that that's a big push area from an upgrade perspective, and that's something, which we'll keep doing. There are others around price hikes and so on and product mix changes.

But if you ask me, is INR6.16 lakhs. I think it's a peaking number. I don't anticipate further growth from here. But I think right now, I would think that as we go down, keeping it steady or maybe slightly lower, is probably, where we are headed now. But that's something which only the quarter will tell, but that's how you should think of it directionally at least.

Pankaj Kumar: Yes. And then my last question is on the Resort income, that's where we have seen 12% growth. So, if you can help us with the 2, 3 major things has resulted into growth.

Vimal Agarwal: So I think, Pankaj, from my perspective, 2 or 3 items, right? So if you look at Q1 and Q2, we looked at the resort growth numbers and looked at more experiences and what do we need to do there? And what experiments we need to do. So for example, in some resorts, we have gone and experimented with a different kind of Spa products.

In another resort all the resorts we actually experimented in food prices, saying whether it is as per demand. In some other areas, we set up some different kind of cuisine. So that's 1 big set of activities around what we can do to offer different kind of variety to our customers. The second thing is, as you add rooms, right, I think as you add rooms and with the occupancy being slightly higher than the same quarter last year, you are getting that benefit of volume kind of growth.

And I think both of these have contributed very well in terms of this growth. And this is something, which I think continues -- will continue to be a big focus area because as you would see, it is a margin lever as well as a lever for customer experience and customer satisfaction, both. So I think from that perspective, this will continue to remain a focus area.

Moderator: The next question is from the line of Ankit Kanodia from Smart Sync Services.

Ankit Kanodia: Congratulations on a good set of numbers, specifically on room addition this quarter. Sir, my first question is related to -- so I think some time in May last year, you started as in your tenure. So what has been top 1 or 2 changes, which you think you try to bring in? And how has been the results so far? And where do you see it going in the future, if you can start with that question.

Manoj Bhat: Thank you, Ankit. And I think if I look at probably 3 or 4 things, and I don't want to put them in any order because they are equally important. So from my perspective, the first and foremost was about inventory addition. And how do we bring a great amount of focus on that because as you know, I think these are things where shifting a quarter or 2 is very, very easy.

So I think one of the first things was that how do we debottleneck that process? How do we make sure that, that is something which will progress at a good pace. So if you look at our current 9 months, we have added more rooms at a net level than the entire year last year. And I think we have a quarter to go. As I said, in the next 5 quarters, which is from Jan to March, we are planning to add another 1,000 rooms.

So clearly, that's 1 big focus area, where I think across multiple teams across multiple functions. We have managed to kind of debottleneck and make the process very, very smooth. Combined with big focus on business development and trying to find new avenues to source acquisition of rooms over a period of time. So I think that's number 1.

Number 2, and I have spoken at this because I get the most questions on this is about the whole sales transformation. And how should we look at it from a perspective of what is the profile? What should be the product? I think that's the second one. I think the third one would be, which is still not visible is probably the tech journey. And I think I'm hoping that -- some of that will be much more visible as we go into future quarters. So one example was the app and which we launched and which I think initial feedback has been very, very positive in terms of just customer experience and ease of navigating.

So I think those would be my top 3. And from my own perspective, these have not ended, right? So these are continuing journeys. So I would add to this journey, the resort kind of, I would say, resort acceleration, the focus on resort experience, all of that is starting now and it will continue as the journey. So that's the fourth element we are adding. Ankit, I hope that is clear.

Ankit Kanodia: No, that was very helpful, sir. Sir, just carrying on from there. So if you can just throw more light on the tech, as the one aspect of tech is the customer experience. The other aspect is how to mine the data we have because we have more than 3 lakh customers, and they interact with us in a different way.

I think everybody has different choices, that everybody has different booking preferences. So can you give some more color as to how you intend to incorporate that in your tech journey, which you're trying to do right now?

Manoj Bhat: So let's think first, probably I'll separate the tech and the analytics, right? So because I think they will eventually come together, but we didn't want to wait for the tech to do the analytics. So in my mind, the simplest example I can give is as we thought about resort revenue and experiences.

I think we actually looked at the entire data. And obviously, we have a lot of data on past behaviour. And of course, there's the modelling around propensity to buy certain services and also around what should we do as an intervention. So for example, we introduced 3 bookings, which was run centrally of certain experiences. And you could prebook obviously meals, you could prebook some other services, and that has taken off very well, right?

So what that means is you look at the data and say, out of this group of customers, there are probably 20% or 30% who have a high propensity to buy this because they have done this in the past. So the second part of that journey would be then how do you change it from a voice interaction to potentially non-voice, maybe a more non- intrusive interaction. So that's that journey has started.

And thirdly, I think, of course, which is the next part of the journey that today, the analytics is done through some algorithms, but I think it should be self-learning and how do we introduce elements of AI and make sure that, that's running process. This is just one example.

The other example from my perspective is potentially something which we did on the sales front that -- which are the data points, what segments, what product what kind of markers from a customer perspective have the highest probability of success? And then how should we look at the sales operations very constructively. So I think there are multiple elements which are coming together and at various levels of maturity.

But it's a journey, and I think it has started way in the past last year, for example, we had already implemented what we call as a Rio AI-based booking engine, which has helped quite a bit in terms of making sure that some of the bottlenecks around the booking and reservation process have could be done so much better. So I think we'll continue to add this as we go on. But these are some few examples to just help you appreciate what we are trying to do here.

Ankit Kanodia: No, no, sir, that was very helpful. That I really appreciate it. My next question is

Ankit Kanodia: So we have 5,700 rooms right now, okay -- so I just want a rough breakup as to how many of these are our own properties or our own keys or rooms and how many would be leased?

Manoj Bhat : About half is owned as a ballpark number.

Ankit Kanodia: And any ballpark number as to what would be the price of -- or cost of making one room today, building one room today. Rough breakup, I mean, I'm not asking for...

Manoj Bhat : So, I think this is a more complex question. So there's a land price of -- for example, let me tell you a different thing. So we have 440 acres of land which have been at historical prices. So should we add that, should we not add that? Then there is a construction kind of -- so for example, terrain, geography...

Ankit Kanodia: Let's make it simpler. We can put construction cost, and then we can add that land separately. What will be the construction cost for...

Vimal Agarwal: I don't want to give targets to our project team on a public call. So I will avoid that.

Ankit Kanodia: No problem. No problem sir. So the reason I was coming to this point to us, even if we don't have the exact answer or exact number, what seems very clear that if you just -- if I do a back of an envelope calculation in terms of how much land you own in the company, how much the construction cost would be for the properties, which we own and the amount of INR1,500 crores odd of cash, which we have in the books. The current market cap of INR6,000 crores looks very, very, very cheap.

So my question right now is that do we discuss this at both level, what can we do to give a signal to the market as to -- that the management right now or the Board right now thing that the market is not appreciating the value of the company. Do we have any discussions? I'm not asking for a direct answer. But if you can just give some color, that would be very helpful, sir.

Manoj Bhat: So my simple answer there is, of course, shareholders are a very important kind of component of all board discussions. So -- and clearly, if you look at the M&M journey also, I think value creation has been a big theme. So I think clearly, it's front and center. And Ankit, maybe offline, you can explain, you put it beautifully, right? The land value plus the cost of replacement and I would like to take suggestions on what are your thoughts are on the same topic, but we could probably do it offline. But to answer your question, of course, that's something which is always on the radar.

Ankit Kanodia: So sir, shall I write an email to the IR and I expect a reply on that.

Manoj Bhat: On what? I was asking for suggestions I'll happy to do a call with you.

Ankit Kanodia: That would be great, sir. So I'll write an e-mail for the thing.

Moderator: The next question is from the line of Akshat Bairathi from RSTN Ventures.

Akshat Bairathi: Sir, my question is on the revenue growth. So as we have been seeing a dent in the sales value of the memberships that we sell. So in -- for example, in FY '24, that was per quarter around INR190 crores to INR200 crores. And for these 3 quarters, it's around INR180 crores, INR185 crores. And our deferred revenue pool since FY '24 has grown by around 2%, 2.5% up till now for 9 months. So sir, how do you -- how can we project the revenues going forward? What can be the expected growth? Or what will drive this revenue going forward?

Manoj Bhat: So I think Akshat, so you're obviously very familiar with how we account for the revenue. So -- so anything we add into the pool gets deferred over a long period of time. So there is a correlation, but not a very, very immediate correlation between what happens this quarter and what would be the revenue growth in the near quarters, right? What really impacts revenue growth is what happened at the resort level.

And from my own perspective, the European operations, I mean, I believe they're going through the worst times. And I think I do expect that could possibly turn during the course of the year. So I think that's the way I would look at it because if you look at the base of revenue from current year sales, I think the revenue impact is very, very small.

And even from last year sales, it's not a very big number, right, because there's a base which is built up. Hence, we report the sales so that you get an indication of what we are trying to do in terms of unit addition as well as AUR as well as sales growth. But it doesn't correlate directly to revenue growth in the immediate future.

Akshat Bairathi: Understood, sir. Sir, so like going forward, if the AURs that we are expecting it has peaked out -- so do we expect some improvement in the member additions because of the lower AUR or something like that? Is that understanding correct or correct me, if I'm wrong.

Manoj Bhat: So I said that the -- see I think if you look at what drives AUR, right, and let me go back, right? So obviously, there's a price hike which happens every year. So that is obviously a positive to the AUR. That typically comes in Q1 or Q2 just depending on the quarter we do it. So that is obviously going to be a figure from an AUR perspective.

And then I told about the upgrade momentum as well as potentially the product mix. So those are some of the things, which will drive AUR. So I think the question was that do you think there's lot of scope from a 6.16 Lac AUR I was answering that maybe it is a toppish.

Akshat Bairathi: Sir, just 2 small bookkeeping questions. So 1 is on the tax rate. Can you guide us on the full year consolidated tax rate for FY '25? And second bookkeeping question is on the cost of VO Weeks that we report in our P&L. So why does it dip in the December quarter every year? So any clarity on that will be really helpful.

Vimal Agarwal: Akshat, to your first question on the tax rate. So far as the Indian entities are concerned, the tax rate is standard 25%, and there is no change. So far as the second part, on the consolidated tax rate is concerned, that will vary depending on how the entities are performing.

For example, HCRO or say Finland entity right now is not making or generating any profits, but they are confident once Russia Ukraine war is over the economic things turn. We will see profit. And to that extent, we do create a deferred tax asset there at the normal rate of taxation, which is applicable for Spain and Sweden or Finland entities. And therefore, giving the consolidated rate may not be the right thing because it will vary on a year-on-year basis. But at a blended rate, HCRO is closer to 20%. India business is closer to 25%.

What is the second question, Akshat?

Akshat Bairathi: So my question is on the cost of VO Weeks that we report in our numbers, quarterly numbers, right. So this time consolidated, it is around INR31 crores. So why does it dip every year in the December quarter. So it was INR45 crores in June. September was INR46 crores and then it dipped to INR31 crores. So why does it change?

Vimal Agarwal: Yes. So see, fundamentally, optically, it may be changing. But the way we really approach is that there's a particular seasonality. And quarter-on-quarter, the projects, which are coming up for launch, construction and handover in our -- HCRO business is reflective of this cost. By the end of quarter 4, you will usually see that it's evening out primarily because we tend to complete all our newly launched projects because as per India's accounting, we need to ensure that we follow completed contract method and for revenue recognition in India books, we need to ensure that all our projects comes to completion fully.

And that is the primary reason. The quarterly variations will ultimately get even out on a full year basis.

Moderator: The next question is from the line of Gopi Nanda from PNR Investments.

Gopi Nanda: My question is a follow-up to the previous caller's question. A simple way of calculating replacement cost of MHRIL. If at all, you imagine the land cost everything afresh at the present prices just for understanding how much it costs to build? Like cement industry, we calculate replacement cost, right? The way how much it costs to rebuild MHRIL. That's what I wanted to know.

Manoj Bhat: Sorry, your question is the same one, which is -- what is the cost per room in today's market conditions.

Gopi Nanda: Not per room. I'm asking the complete MHRIL if you include the land also at the present price and building it like replacement cost of complete Mahindra Holidays, how much it cost roughly, so that we'll get an idea of what is asset value at least the market based...

Manoj Bhat: I really don't know the land because they are all over the place. From a room perspective, if you have to really think of it, I would say it will be between INR1.1 crores to INR1.3 crores per room. That's the kind of replacement cost.

Gopi Nanda: That is the first question, sir. The second question is about there is a recent food price reduction in our company, right? Is there any improvement in the consumption of people coming to our company instead of going out and eating is there a change in that? And what is the percentage of food price that we have reduced?

Manoj Bhat: So I think it's a nuanced answer. It is -- and I'm not getting into what percentage we reduced. We have seen different behaviour across different resorts. So where we didn't see any uptick, I think we have looked at it and said that this might not be an area where volume will go up. But in some other places, it's gone up. So net-net, I think it has been marginally positive, but I was giving it more as an indicator to see how we are thinking about experiences and then responding to customer needs and customer feedback.

Gopi Nanda: Being a customer as well as investors as well as many people, whom I know are also customers of this company. I can say that many people, who are well off also who can very much afford they're also going out and eating sir, I just wanted to tell you so that you can think of that food and beverage thing. The next question is...

Manoj Bhat: Maybe I'll connect with you offline to understand why you do that, and we'll take some constructive measures for that.

Gopi Nanda: The next question is related to the cash difference between -- I mean we are getting new customers from referrals as well as from the hard selling, right, sir? What is the price difference in acquiring customers through that way and this way?

Manoj Bhat: So I think obviously, from a referral channel perspective, it is probably the best channel in terms of because of the conversion percentage being higher. Otherwise, there's no real change because it's the same kind of people who are dealing with the customer, but it's a function of conversion rates. So that's a high conversion rate channel. So that's the way to think of it.

Gopi Nanda: Okay. Last question, sir. How many are 25-year customers among the 3,000 customers that we have added net-net this year?

Manoj Bhat : –IF I talk short term, it's about 40% and long term, which is a mix is about 60%. That's the data we disclose.

Moderator: The next question is from the line of Manoj from Geometric.

Manoj: So what I think in this company, what is happening is that the company is trying to address a problem, which is a long back that it looks like a push product. That's why I feel there is -- you are choosing a particular set of customers you want to do, who will dine in inside -- and who is continuing a referral and of course, Club Mahindra one of the things if you go to the reviews, it is like very polar. Some people are aware of it and some people are not at all liking it.

Can you give me some directions what are the way you are targeting customer? And this is the time, I think, first time would be you're adding 1,000 rooms. And customer would be acquired around 15,000, earlier would be 60,000 users to make it 1 room to 60. So how you're thinking of filling this capacity.. Can you give me some clarity on that?

Manoj Bhat: So I think the way I would think of it, Manoj, is that clearly, I think to your first point about various views of customers. I think the real issue is that the positive customers don't write and the negative customers obviously will go and, which is they are right. I think we have to address that, right? So, that's a universal kind of rule.

So I wouldn't necessarily be swayed by social media to say that from a broad or offering perspective, we are something which necessarily reflects the kind of service we offer. Having said that, we have set up a cell to look at customer complaints across the board, and this is an omnichannel cell, so whether somebody does complaint by email, social media or others -- we do capture it.

We do root cause analysis, we do reach out to customers. And out of that, whatever is solvable we can solve, but there are some structural kind of complaints around what people have signed up to versus what they want now. So those are something, which we'll have to think -- I think to your second point was -- what is the second question?

Manoj: And the number of room addition is very high as compared to member addition going forward.

Manoj Bhat: So I think in this journey, what we discovered was that availability was coming as the first and most important point. And from my perspective, what we've said is that we have to fix this issue first. So if you -- I think there was a question before in terms of priority, and that was the priority No. 1 that we need to fix availability before we keep continuing to add members. So I think that is where the focus and the room addition will happen.

Secondly, I think from a perspective of what it means is if the issue is that the top thing is about availability, as we build no rooms, we will be able to fulfill more demand from our own members. So I think from that perspective, I think it is going to be only positive for the company. And that then leads to a positive resort revenue, which is non-room revenue. And that's how 1 should think of structurally as growth.

I think that's the way I would think of it right now. But -- so that's my viewpoint in terms of why we chose path, which is adding inventory first and then figuring out everything else because that's the way it then leads to a much more positive cycle. And you talked about push and pull. Hopefully, we can convert it to a pull product.

Manoj: Great. Great. As you said, 50% of your keys are leased and 50% own, can you give me some direction last 5 years, you have added more as a lease there or self one?

Manoj Bhat: I think it might be still 50-50 if I take last 5 years. And if I take the pipeline also, probably it is probably it might swing a little bit more toward leased, but that's something we would want to maintain. I think it's more defined by some of the locations and where we would like to own, because from a quality perspective, I think whatever we are signing up, I think it is -- we are actually insisting that from a quality perspective, it is the same.

Manoj: Okay. If the location is not a parameter that you can own it also there, you can lease it also there? What would be your preference as of now?

Manoj Bhat: I think I don't -- Manoj, we should probably take it off-line rather than getting into...

Manoj: I understand that. I understand fully.

Moderator: The next question is from the line of Chaitanya Sharma from Trade Walk Research LLP.

Chaitanya Sharma: Congratulations on the good set of numbers. My question is sort of a follow-up of the previous caller's question. So your long-term target of your total room count is about 10,000 rooms, if I'm right. At that level, what kind of number to room ratio are you sort of targeting? If you can shed some light on that?

Manoj Bhat: So I would think that, while we double room count, I think the member count will not grow in the same ratio, which means -- and precisely what I told the previous caller that I think, if there is an availability issue, we have to deal with that first. And until we are comfortable on that. I don't want to really go accelerating member additions. Well I think we have the first take care of customer experience.

Moderator: The next question is from the line of Gopi Nanda from PNR Investments.

Gopi Nanda: Sir, this -- we bought the Finland business, what are the energy benefits are any cross-selling that we are doing? Or they are completely running as separate businesses without any benefits of having both of them?

Manoj Bhat: So I think I'm glad you asked about the Finland business. So from a perspective of the Finland business, I think my own sense, as I mentioned earlier, is that, firstly, on the business itself, we are at a point in time where, obviously, everything means for the last probably 4 to 6 quarters, maybe about 8 quarters we were going through the lowest period of time.

And to me, that's really I think there are obviously geopolitical positive things around what happens to the Russia-Ukraine war. But these are all longer term, but at least from an economic perspective, I do feel that we are bottoming out. So that should be really helpful for the business as we go into the next year. Coming to the synergy benefits from our perspective, I think literally, the last 4, 5 years, a combination of things COVID and others, I think this synergy efforts have been not so high because obviously, we were combating COVID and then we were actually ramping up capacity here.

So what we are working on is 2 or 3 things. – If you look at Finland as a destination, I think that's something we are working on through our members -- that's something we are really using. Second is using our reach to look at whether it can be promoted as promoted as a destination for even non-members because there's a lot of synergy there, which could come through because we have the connects in the ecosystem.

The third one is from best practices from a leverage on financial debt, et cetera, et cetera, I think really that synergy benefit is flowing through. So I think today, the question is what is the synergy today? I think small, but I think there is potential to look at that synergy in the future.

Gopi Nanda: We thought of many synergies while we were acquiring, right? As of now, the environment is not conducive to get them? Or am I understanding itself is wrong?

Manoj Bhat: I'd have to go back 10 years and look at it, but my own focus today is that probably not look at the past and look at what we can do in the future. That's something which we are working on actively.

Gopi Nanda: Okay. Okay. That's understood. Last question, sir, the leases that we have, wherever we are taking resorts, how many years is the lease or minimum period that we are taking?

Manoj Bhat: These are long-term leases, I would say, on an average, you should assume 15 years kind of average, right?

Moderator: The next question is from the line of Sahil Vora from M&S Associates.

Sahil Hora: I had a couple of questions. My first question is what are the new activities or experiences we have introduced at the resort that aim to drive consistent growth in income beyond the traditional offerings we have always provided. .

Manoj Bhat: As in what have we added over what period, quarter, year, 2 years, 3 years? Because I think there is a basket, right? You should think of this as an experience ecosystem, which we have developed and we keep trying it, for example, about some time that we introduced e-biking. We have a staining experience. Now depending on what is the kind of profile of customers, who want it, I think that experience bucket keeps changing.

I think the second thing is that I think the focus now is about more curated experiences and making sure that for example, events, right? So it could be an anniversary. So what is the curated kind of experience around it. That's something we are trying actively -if you look at from an F&D perspective, it is about local and how can we incorporate local into our experience profile. And I'm just giving you this as a sense Sahil, because every resort is trying something or others to engage more, right?

It's almost like we would run it for 3 months, see what needs to be done, what is the success pattern. And then if we need to change and -- many times, you will have to continuously keep experimenting until you get the right mix. And people want newer and newer experiences. So we keep adding new things everywhere, right?

Sahil Hora: Okay. And additionally, have we explored or implemented any new pricing strategies that could help increase revenue through these activities that you just mentioned and whether through dynamic pricing package deals or targeted promotions?

Manoj Bhat: I think all of the above is probably what I would say that -- so that's why I said this is not so much centrally controlled. What we do is we do have a degree of latitude for example, we had a thing called Express spa, right? So which is a small spa package just for people to experience it. And that then could potentially need to higher spa usage. So there are these things we keep doing.

They are, I would say, since there are so many experiences, they are kind of micro in nature and not like a macro initiative, which stands across all 2,000 because there is a flavour by resort. There's a flavour by region and there's a flavour by -- sometimes by season. So there are multiple cuts to this.

Sahil Hora: Understood. Understood. That's great. My next question is this quarter, we added 3,000 new members. How does this figure align with the management expectations considering there were indications that membership growth might be impacted due to the recent changes in sales strategies and modifications to the existing plants. Given these adjustments, were the results in line with the projection? Or did they fall short or exceed the anticipated figure?

Manoj Bhat: So from my own perspective, I think I would say that we are more or less there where I thought we would be. And I think because we are making changes as we speak in many areas. So from that perspective, it is not something which is out of expectation levels.

Moderator: The next question is from the line of Raj from Arjav Partners.

Raj: After adding 1,000 keys in 1 year, what would be our member to room ratio by FY '26 end?

Manoj Bhat: I think we don't make forward-looking statements on members because it is a subject of many, many things. So -- but from a room addition perspective, that's a lot more in our control. That's why I was giving you the number.

Raj: All right. And sir, what steps are we taking to turn around the European operations?

Manoj Bhat: So from my perspective, if I -- and I covered this in my opening statements, I think the focus is really on 2 or 3 things. See one is -- how do we make sure that we have been very, very sure about how we allocate capital, how do we spend money, how do we optimize various things. Second is from a demand perspective, what can we do to add additional demand. And I think in that context, the synergy discussion is important.

The third is from a working capital and cash perspective, I think there has been a lot of changes we have made, which will ensure that is managed very, very actively. And the fourth is that I think there is active discussions with landlords and other parties to figure out how to optimize cost at whether it -- and most of it is in the resort of speed. So I think these are the 3 or 4 things we are doing.

Raj: Okay. In FY '26, can we expect the European operations to turn around?

Manoj Bhat: So I think that is the goal. But I only qualify it that it will depend a bit on the economy, but the goal is to make sure that we are looking at a positive kind of turn from the operations going into next year. In fact, I had said at the beginning of this year, when I joined also that this year will be better than the previous year. So I think that journey will continue.

Raj: And sir, the overall strategy of the company to go after adding rooms and then going after adding the customers. So when do we know the success or failure of this particular strategy?

Manoj Bhat: I think you should measure us by the performance, which we are delivering. So if you look at -- we have done that again. So if you look at this year also, we have added more rooms than customers as a percentage, and the numbers are stronger. So I think that itself kind of tells part of the story. So you should measure us on the performance which we deliver on a quarter-on-quarter basis on a year-on-year basis.

Moderator: Ladies and gentlemen, in the interest of time, we will take that as a last question. I would now like to hand the conference over to Mr. Manoj Bhat for the closing comments.

Manoj Bhat: Thank you, everyone, for joining the call. And if there are people whose questions have not been answered, please feel free to write to us and we'll get it answered. But having said that, I think we are very happy with the quarter. And I think from a journey perspective, I think the journey is progressing well and hope to catch up with all of you next quarter as we update our progress going into next year. Thank you so much.

Moderator: Thank you ladies and gentlemen. On behalf of Mahindra Holidays and Resorts India Limited that concludes this conference. You may now disconnect your lines.