
Club Mahindra Holidays Pre IPO Questionnaire

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This post offers some insights into Club Mahindra's timeshare business by bringing out some key concerns related to their operations and gets a response from Club Mahindra as to how investors, members and prospects need not have to worry about those drawbacks and risk factors.

This PDF is a part of actual post written at <http://www.enidhi.net/2008/04/club-mahindra-holidays-ipo.html> and hosts a set of questions framed based on the facts derived from Draft Red Herring Prospectus ([DRHP](#)) filed by MHRIL with SEBI. These questions have been answered by Mr.Anirudha Haladra, Head, Marketing, MHRIL.

LEGEND:

Red: Question

Blue: Club Mahindra's answer

Brown: Shrinidhi's Interpretation/Response ([Shrinidhi](#) is not a CM member and is an independent blogger giving third party perspective)

Green: Bhupesh's Interpretation/Response ([Bhupesh](#) is a Club Mahindra member and has offered an inside perspective)

Q1. I understand that MHRIL is all set to launch its IPO. How confident do you feel about the success of the same?

A: The success of any IPO will be a measure of investor confidence in the future earning potential of the company and its potential growth. We have outlined the major risk factors and our strengths in the DRHP. We believe we have a business model that serves all stakeholders consumers, employees and investors well.

Ok. We wish good luck for Club Mahindra IPO.

I have read your interview by [Kiruba](#) and also went through your DHRP. Hope you won't mind if I put forth few questions in an attempt to clarify my concerns.

2. Do you agree that a timeshare company should not enroll members in a season disproportionate to its inventory capacity for that season?

YES/NO?

A: Any company in whatever line of business should have adequate means to service its customers and deliver on its service commitments.

S: That was a generic answer- if I were Karan Thapar and if it was a face to face interview I would have insisted on a Boolean yes or no. Anyway I think the answer can be accepted.

So Does Club Mahindra have all what it takes to deliver on its service commitments?

3. Don't you think it is an obligation of timeshare company to ensure guaranteed accommodation to all its members (or at least compensate them when they fail to get confirmed booking despite planning in advance)? How can you justify the rule that member needs to keep paying "irrespective of usage" while holidaying is "subject to availability"?

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All companies need to deliver on their proposition. Our proposition is Family Holidays with great amount of flexibility, in choice of destination, Season and Apartment, apart from payments plans etc. Now to deliver on flexibility which research and consumer feedback has shown to be the highest requirement we need to allow consumer choice wherein consumer who exercise their choice in advance ahead of others stand to gain. In addition we keep taking rooms and resorts on lease from time to time to provide our members greater choice and options.

As for guarantee of accommodation in the timeshare model applies only with the fixed week model, which is also a very rigid model. We have consciously moved to the floating week floating resorts model because it allows for flexibility which as I mentioned before is highly desirable. This method is also today considered the best practice in the industry in terms for customer centricity. The Annual Subscription Fee, which is payable by the member irrespective of usage is towards the maintenance and upkeep of the resorts and was mentioned to you in my last reply "In terms of the membership fee you pay at today's pricing and enjoy holidaying for 25 years, the only factor that is increased is the ASF which is also indexed to the Consumer price index as published by the RBI. There are no arbitrary changes done. This ASF is also towards only the upkeep and maintenance of our resorts. Our resorts at Munnar and Goa are 10 years old but are in impeccable state of maintenance. We intend to ensure that for all our resorts going forward as well. I am sure there are umpteen examples of Timeshare resorts which have steadily declined in upkeep and that will not happen to a Club Mahindra member." As for Holidaying subject to availability I refer again to your earlier query on the same subject"

"... consumer who exercise their choice in advance ahead of others stand to gain."
I remember a meeting we

In one of round table meeting with our lab director we complained that when we come in morning to office at 10.00 we do not get parking for our scooter or car. He suggested us coming early in morning so that you can get parking.

How much early 8:45 AM? If people who used to come around 10:00 AM start coming at 8:45, definitely they will start getting parking. But what about those who were coming at 9:00 AM? Now they will face parking problem. So if they also shift their timing and started coming at 8:15 AM. You know what I am saying... if capacity is not enough however early people come their will be people who will not get parking. Coming office early is not going to generate extra parking slots.

In addition we keep taking rooms and resorts on lease from time to time to provide our members greater choice and options.

Except few, all these leased resort of only three star qualities.

"The major concerns most of the members face is that they're not able to get reservations despite planning well in advance. Why so?"

We would disagree with the fact that most members face this issue. We have a metric we track internally of Unique member holidayed which essentially is to ensure that our efforts are geared towards getting more and more and more members to holiday.. However, in an effort to help our members plan their holidays we open bookings 6 months prior to the date of the holiday.

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Now, there are certain periods which have increased demand in comparison to the rest of the year, like New Years Eve in Goa. I am sure you will appreciate that we cannot build capacity in a location for a small period when that demand is not sustained through the rest of the year. Hence there are cases when some members would call in later in the day and find that period in question is fully booked up. We however have a practice of tracking a waitlist and whenever there is a booking cancellation we are able to confirm the booking for a waitlisted member. “

S: This exactly same paragraph was given as answer by Arun Nair few months earlier (link) he added that the internal metric you are referring to stood at 75% for last year. No further comments.

I have some major concerns related to demand and supply at MHRIL.

4 A Do you agree that as of now Club Mahindra has member base far beyond the cumulative capacity of its resorts? (As on October 2007 you had 707 rooms (in 19 resorts, excluding 2 Zest resorts)-since each room can accommodate max 52 customers a year, max member base you can serve is 36764. But as on October 2007 you have 63375 members (page 63, 71 and 171 of DRHP), which is 172% of your inventory, meaning around 26611 members are guaranteed NOT to get reservation every year, under ideal conditions, never mind how early they plan. Actual denial rate is far higher, since some rooms are superior rooms sold to non members, few weeks are purple season and not open to members and some units will be used by corporate clients under Fundayz)

NO. While your quoted figures are true they do not reflect an accurate picture of the scenario. Allow me to explain. In order to make Club Mahindra easier to access we run many consumer financing schemes which range from 6 months to 48 months in duration. In each of these financing schemes we have a threshold time period post which a member becomes eligible to holiday (this is called the Holiday Start Date, from which the tenure of the membership is calculated). This could be 12 months from date of enrollment depending on the payment plan chosen by the member. Thus, we need to provide for capacity on the basis of the number of members eligible to holiday. You would also appreciate that, members in default of payment of dues are also not eligible to holiday. We have based on our experience over the last 10 years, built a fairly robust method for assessing the member base that would be eligible to holiday at any given point in time i.e. those who have crossed their holiday start date and are not in payment default. Our capacity caters to this eligible base. You would also be happy to note that we have added since the filing of the DRHP a new resort at Kumbhalgarh which will have 56 rooms (i.e. the capability to service almost another 3000 members.

S: I accept the reasoning. But does this mean nearly 40% members are not eligible? Some comments I received go like this “We paid all charges promptly for 2 years but couldn’t avail any of their services as there was no availability. Now they want us to pay ASF again, we’re not sure if we’ll be able to take holiday or this money also will go waste” Some kind of relaxation for such members would be nice.

ClubMahindra require 25% payment before a member can start holidaying. Lengthiest EMI scheme available to member is of 4 years. So in maximum about 12 months a new member will start holidaying. So again as Shrinidhi said, why this difference is 40%? Are there to many default on EMI scheme. When Club Mahindra considers a membership as defunct and reduces it from membership count?

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They are very prompt to bring out the fact that “You would also be happy to note that we have added since the filing of the DRHP a new resort at Kumbhalgarh which will have 56 rooms (i.e. the capability to service almost another 3000 members.” They should have also told that how many new members they have added in last 5 month? Extra plotting last years’ number this figure will not be less then 5000 members.

4 B Extending the prior question, a member cannot accumulate more than 14 days. Let us assume a scenario wherein I want to take holiday, but all resorts are full for next few months. For two

Consecutive years I am not able to holiday because none of the resorts I prefer are vacant despite trying to book several months in advance. (Because of reasons explained above) What will happen? Am I supposed to forgo my 14 days though it was not my fault that all resorts were running full?

As explained earlier we run multiple holiday planning programs to ensure holiday usage. Only in this financial year have we begun lapsing of over-accumulated days. You would appreciate that we have tried to ensure usage for over 10 years and only then proceeded to lapse days. There-in also while the terms and conditions of the contract allow us to truncate accumulated days in excess of 14 days we are allowing members to retain 21 days – and that as you can see is a unilateral token of goodwill in the hope that they will use their entitlement. However I am sure you will acknowledge that it is not practical to keep allowing accumulation indefinitely. Our holiday promotion / planning campaigns are very proactive irrespective of our signed contract which limits accumulation. It helps planning in advance, and we help our members proactively towards this.

S: Good to know that accumulation period is extended to 21 days. Some kind of preference for members whose days will otherwise expire will be a kind move if implemented.

Allowing extension in accumulated days should be supported equally by increased room inventory. Otherwise there is no meaning of extending it to 21 days. These increased accumulated days are like adding new short term members and these will compete with all other members for reservation. New member will be more affected as they have no prior information that there is backlog of vacation days accumulated from last 10 years from old customers beyond 14 days, and they will compete with him in reservation.

4. C The DRHP states that two major risks for your business are as follows

“• Our inability to manage the timing of vacation requests of our members;

• Loss of members or dissatisfaction of our members;

• Inability to expand our inventory of resorts;”

What contingency plans do you have to protect the company from such possibilities? (For 63375 members you should have $63375/52=1218$ units while you have only 736 units and the gap is widening rapidly)

[A related post](#)

From a statutory standpoint we are constrained to identify all possible hypothetical risks to the business, while in the same DRHP you would find that we have considerable amount number of destinations where we have already acquired land or are in process of finishing the acquisition

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process. For many of which we have already applied for the requisite permits to start development. So we do not believe that expansion of inventory is in any way constrained in the near future. As for managing the timing of the requests I refer you to an earlier answered question. We would disagree with the fact that most members face this issue. We have a metric we track internally of Unique member holidayed which essentially is to ensure that our efforts are geared towards getting more and more and more members to holiday.. However, in an effort to help our members plan their holidays we open bookings 6 months prior to the date of the holiday. Now, there are certain periods which have increased demand in comparison to the rest of the year, like New Years Eve in Goa. I am sure you will appreciate that we cannot build capacity in a location for a small period when that demand is not sustained through the rest of the year. Hence there are cases when some members would call in later in the day and find that period in question is fully booked up. We however have a practice of tracking a waitlist and whenever there is a booking cancellation we are able to confirm the booking for a waitlisted member. “

S: Ok. (Second paragraph is exact replica of an earlier reply) Don't have anything to cross question/ elaborate on this.

4. D We also noted that your member base is increasing disproportionate to resort capacity. Between March 2004 to March 2007, member base grew from 20536 to 63375 (3.08 times) while room count has increase from 409 to 736 (1.8 times). Every member you enroll is a liability to the company, as you have to serve him till the end of his membership tenure. But if you don't have matching assets (rooms) this will disturb the basic balance sheet logic (asset should be equal to liability). We don't see any upper cap set for enrolling new members and your marketing team is more aggressive than ever.

Don't you think you're heading for a mess?

Members (growth*)	Rooms (growth*)
Mar 2004 20,536	409
Mar 2005 28,491 (38.74%)	500 (22.25%)
Mar 2006 38,691 (35.8%)	606 (21.2%)
Mar 2007 53,101 (37.24%)	675 (11.38%)
Oct 2007 63,375 (19.34%)	736 (9.03%)

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Here again I would request you to refer to my earlier answer (appended below) and the section in the DRHP which lists our proposed expansion plans across existing and new resorts. I would be happy to provide you the details all over again if you so require but we are more than adequately covered for our expansion plans from an “asset” perspective.

While your quoted figures are true they do not reflect an accurate picture of the scenario. Allow me to explain. In order to make Club Mahindra easier to access we run many consumer financing schemes which range from 6 months to 48 months in duration. In each of these financing schemes we have a threshold time period post which a member becomes eligible to holiday (this is called the Holiday Start Date, from which the tenure of the membership is calculated). This could be 12 months from date of enrollment depending on the payment plan chosen by the member. Thus, we need to provide for capacity on the basis of the number of members eligible to holiday. You would also appreciate that, members in default of payment of dues are also not eligible to holiday. We have based on our experience over the last 10 years, built a fairly robust method for assessing the member base that would be eligible to holiday at

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any given point in time i.e. those who have crossed their holiday start date and are not in payment default. Our capacity caters to this eligible base. You would also be happy to note that we have added since the filing of the DRHP a new resort at Kumbhalgarh which will have 56 rooms (i.e. the capability to service almost another 3000 members).

S: Ok. I feel we're beating around the bush... (Both questions and answers are revolving on a same core issue)

4. E If I become a member now, my probability of getting an accommodation is 0.6, despite best efforts. Soon you'll have 100000 members with just 1000 rooms, and the probability would drop to 0.5. 10-15 years down the line my chances of getting a reservation will drop to 1 in 10. Why a member should take such a high risks for no fault of his and keep paying "irrespective of usage" while you're evading your responsibility by quoting "subject to availability"? Is it not a time to stop enrolling new members and focus on increasing inventory? Why don't you enter into some kind of SLA with members (like CM would guarantee a booking (or compensate the member appropriately) as long as member can state his preferences X no. of days in advance?)

The assumption about 100000 members with just 1000 rooms is incorrect. I append below my answers which answers the same. Allow me to explain. In order to make Club Mahindra easier to access we run many consumer financing schemes which range from 6 months to 48 months in duration. In each of these financing schemes we have a threshold time period post which a member becomes eligible to holiday (this is called the Holiday Start Date, from which the tenure of the membership is calculated). This could be 12 months from date of enrollment depending on the payment plan chosen by the member. Thus, we need to provide for capacity on the basis of the number of members eligible to holiday. You would also appreciate that, members in default of payment of dues are also not eligible to holiday. We have based on our experience over the last 10 years, built a fairly robust method for assessing the member base that would be eligible to holiday at any given point in time i.e. those who have crossed their holiday start date and are not in payment default. Our capacity caters to this eligible base. You would also be happy to note that we have added since the filing of the DRHP a new resort at Kumbhalgarh which will have 56 rooms (i.e. the capability to service almost another 3000 members). Our proposition is Family Holidays with great amount of flexibility, in choice of destination, Season and Apartment, apart from payments plans etc. Now to deliver on flexibility which research and consumer feedback has shown to be the highest requirement we need to allow consumer choice wherein consumer who exercise their choice in advance ahead of others stand to gain. In addition we keep taking rooms and resorts on lease from time to time to provide our members greater choice and options. As explained earlier we run multiple holiday planning programs to ensure holiday usage. Only in this financial year have we begun lapsing of over-accumulated days. You would appreciate that we have tried to ensure usage for over 10 years and only then proceeded to lapse days. There-in also while the terms and conditions of the contract allow us to truncate accumulated days in excess of 14 days we are allowing members to retain 21 days – and that as you can see is a unilateral token of goodwill in the hope that they will use their entitlement. However I am sure you will acknowledge that it is not practical to keep allowing accumulation indefinitely. Our holiday promotion / planning campaigns are very proactive irrespective of our signed contract which limits accumulation. It helps planning in advance, and we help our members proactively towards this.

S: Ok. I take back my assumption of 1000 rooms and 1 lakh members.

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I think it is fair assumption unless things change, see past history, on an average CM has added 80 rooms per 10000 new members. So in next 4 years they will have 103000 members and 1050 rooms.

4. F A very specific question: Purple season being open to both members and non members, can you tell us who gets priority? Or is there any quota? For example, December last week and Jan first week at your Varca beach Goa-can you tell us what percentage was allotted to members and non members?

Purple season the priority is very clearly and unequivocally for members. Which is why we have withheld from selling any further purple memberships for the time being.

S: Ok.

ClubMahindra' renting out of rooms to non members is not limited to only hotel units as they do rent out 4 types of rooms to non-members. Another point, I believe hotel units are also included in the count 707 (?). I do not think if they do not sale New Year season to non members their room will go vacant in Goa or other places, then why they offer package to non members for New Year Eve.

http://www.clubmahindra.com/res_munnar_othTariff.asp?from=resortPage&resort=munnar
http://www.clubmahindra.com/res_goa_othTariff.asp?from=resortPage&resort=goa

"Withholding/selling any further purple membership ... ". How it helps Red, White and Blue season members? I believe they are not selling it from last 3 years. They have added more than 200 rooms in last three years. So effectively they have added proportionate capacity in purple season. Why then they are not selling any purple season membership? Whether they over booked purple season earlier? Or are they using purple season inventory base to sell more White, Blue and Red membership. Which they should not be doing as per timeshare definitions.

Few questions on your marketing approach

5. A Since you already have member base in excess of your resort capacity your focus should be more on building more inventory and providing good service to existing customers. But we learnt that you're spending 30% of your income on marketing. Is that necessary? How do you justify that?

I don't agree with the statement that we have member base in excess of our resort capacity. Also, to reiterate, we are building new resorts, leasing resorts and have long term and short term plans to increase capacity. This as we have explained earlier. I would just like to add that the Club Mahindra Sales and Marketing cost of 30 % is an international benchmark and if you choose to study or compare us with any comparable operator you would find their Sales & Marketing costs to be in excess of 45 -50 %.

S: OK.

Many products have different marketing expenditure. This information is really for consumer' consumption, it is on them how they take it. if they want to buy a product where 30% money goes just selling the product?

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5.B Arun Nair, your senior marketing Manager says Club Mahindra gets 38% of new members from referrals. Last year on NDTV “Boss’s Day Out” Arun Nanda said 50% of business comes from referrals. If such a high volume of growth is automatically generated from existing members what is the need to spend 30% of income on marketing? Why not spend more towards keeping existing members happy than focusing on new prospects?

While references are a very strong in our business it serves as an introduction to a possibly interested customer the efforts towards exposing the membership concept still rests with us, which needs to be remunerated and also there are fixed costs which do not get mitigated. However I would again refer to the fact that Club Mahindra Sales and Marketing cost of 30 % is a international benchmark and if you choose to study or compare us with any comparable operator you would find their Sales & Marketing costs to be in excess of 45 -50 %.

We are deploying the state of the art CRM systems and are working to plan to acquire additional inventory. You could go through the Objects of the issue on our DRHP for details of the same.

S: Ok. No further comments.

[A related post](#)

5. C Early 2008, I saw newspaper ad that you’ve started offering HCL laptop as a free gift to new members. Hitherto you were offering Handy cams, Mobile phones etc (worth around 15k). Why suddenly a higher priced gift is being offered? (I am not sure of the exact configuration of laptop on offer- an entry level HCL leaptop with minimum practical configuration costs Rs 22-25k. Hope CM is not offering HCL MiLeap X and Y Series, the new sub 14k laptop from HCL) Is it a desperate measure to get new members?

We share the full details of our enrollment benefits with our prospective members and so I do not think it is appropriate to use terms as “desperate” as finally it is the exercise of consumer choice. Also we follow a strict metric of cost per acquisition of our consumer enrollment benefits and if anything it has reduced over the last two years by 40%.

S: Ok. I sincerely take back my word “desperate”. Sorry.

5 D Can we do something to bring in more accountability in our sales staff? Let us consider insurance agent vs a CM sales rep. My insurance agent will never make false promises to me because though he may manage to sell a policy by making unrealistic promises, he will suffer a loss if I don’t keep my policy in force by paying premiums and do not buy any more policies from him. In other words, an insurance agent is interested in building a long term relationship with his customers. Coming to timeshare sales rep, their sole objective seem to be meeting their targets for enrolling new members which they often achieve by making unrealistic promises and not disclosing various limitations. They are not concerned about the woes of customer later since they gain nothing if customer is happy and lose nothing if he is not. I believe this can be fixed if we can restructure their remuneration in a way similar to insurance agents-pay in stages over few years and link it to member satisfaction. What do you think?

Since we are not in the insurance business, it wouldn’t be appropriate to comment on that. As far as we are concerned, sales remuneration is linked more to a membership perpetuating over time and less to enrollment, in the event of cancellation of membership they stand to lose their entire remuneration for the same – I would also mention that in Insurance this measure is a statutory mandate and in our case a self regulation. Your statement regarding the motives of our holiday consultants is hence ill founded.

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S: Ok. Good to know their enumeration is well designed. But like any sales force CM sales reps are also known for exaggerating benefits and suppressing limitations. In some cases when this goes beyond an acceptable limit that severely hampers the credibility of the organization. Let us hope such incidents do not occur in future.

If one want to learn how many false promises or exaggerated figures a CM sales representative can make/present to a prospective buyer, Listen to this audio:

<http://www.zshare.net/audio/9666631750d632/> 45MB

Some small part (<http://www.zshare.net/audio/96747626c1c8a3/>) 5 MB

6. The DRHP doesn't explicitly say for what the funds collected through IPO will be used and says investors will have to rely on the decisions of the management for the same. Can you please throw some light on how do you plan to utilize the funds received from IPO? Will you buy more property all over India and abroad? Will 30% of that will be spent on marketing again?

The DRPHP has a detailed section called the "Objects of the Issue" which lists out the purpose of the issue and the uses of the proceeds of the issue. It is completely geared towards expansion of capacity in our existing and proposed resorts. Request you to refer to that section, however I would happy to share the details if you so require. All disclosures made are in keeping with the strict guidelines laid down by the regulatory authority, which is SEBI.

S: Good to know that most of the funds will be spent on expansion activities.

7. Only 3 resorts are 5 star certified and only 5 resorts are RCI Gold crown certified. Remaining 18 resorts are believed to be of 3 star quality. Why should a member pay 5 star charges for 3 star resorts?

We have strived to get GOI recognize timeshare resorts and get them rated. Star accreditation is based purely on the number of rooms and some other facilities. However, we focus on a superlative holiday experience for our members across our resorts. The success of that is borne out in our satisfaction surveys and referrals from members. However our value proposition is strong and is not tantamount to charging 5 Star rates even at the most expensive studio apartment membership being sold the cost per night is in the range 3000 /- per night for a family of four this compares very favorably to any 3, 4, 5* star offering of comparable quality. (The value proposition for 1 Bedroom and 2 bedrooms is even stronger as they would compare to more than two hotel units) I would like to state that the Club Mahindra Holiday experience is a premium holiday experience which is available for smart prices.

And then we have the fun dining which is an excellent value for money. Our fun dining program which is a member privilege provides for Rs. 450 per person, breakfast+lunch+dinner on an elaborate buffet. This buffet is comparable to any 5 star offering. I am sure you will appreciate that that the price being charged is less than what many 5 Stars charge for ONE buffet meal let alone three.

S: OK. Can I interpret it like this- member using a Gold crown resort is slightly subsidized while those using resorts of 3 star qualities are slightly overcharged?

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Cost component is made of monetary and flexibility provided. If you take example of low cost tickets in full service Airlines, if one book ticket 30 days in advance and ready to loose some flexibility one can book flight in almost 30 – 50% of card price. So consumer has to take judgment 3000/- per night (in my view cost holiday for new members is much more then 3k per day) is acceptable to them after all those booking hassle and limited resorts selection compared to open market.

8. You've a cooling off period of only 10 days. For a 25 year commitment cooling off period must be at least 6 months to one year. It takes more than 10 days before a member gets hard copy of membership certificate and gets a chance to take his first holiday. Why not increase the cooling period to few months? More so since there's no liquidity for members. Cancellation would cost more than 70% of membership fee.

The duration 10 days of the rescission period is provided for any member who has second thoughts about his purchase decision. In our case we allow this period to run from date of realization of his first payment. The International norm on this is shorter and runs from the day of signing of the form. We also believe that to review a decision this is a sufficient period. The membership certificate reaches him after this milestone to allow him that time. You would appreciate that this is a unilateral consumer friendly measure effected from our side and there is no other lifestyle/luxury product today that offers such a feature. As for liquidity your claim that Cancellation costs more than 70% of the fees is incorrect.

S: Well, in most of the presentations sales staff manage to convince the prospects make some payment on the spot, mostly through credit card, using bites like "this offer is valid only till today". If member expresses a wish to cancel, they are told "Why don't you take one holiday and then decide" etc (general observations only- need not happen in all cases), so I still feel 10 days time is not sufficient for a 25 year commitment. Leaving it for the discretion of readers

Also I would like to know what exactly the cancellation charge is. If I have promptly made all payments for 2 years (Membership fees and ASF) , couldn't avail a holiday due to non availability of rooms and wish to cancel my membership, how much will I get back? (what %). Please share cancelation charges and terms.

9. Munar was your first resort and some legal cases still pending against Munar property. I understand that judiciary in India is very slow but do you have any comments why this issue is still open?

The details are given in the DRHP and we believe we have fulfilled all necessary legal requirements to operate our resort.

S: Ok. From a customer perspective he may not have any concerns as long as resort is operational.

Investors however may think different.

9.a One criminal, five property, four civil, six direct tax, two indirect tax, 51 consumer related matters, two miscellaneous cases and four potential litigations are pending against Mahindra Holidays and its management personnel. I understand any organization may have some legal cases pending against it, but in India where people do not want to indulge in the legal proceedings before exploiting all other options, do you as organization are comfortable with the volume of consumer cases against you? Can you please explain us what compensation policy do you have in place for a member who is not happy with your services?

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The cases that you cite are the ones that are pending against all the key management personnel, Directors and the promoters of the company. We have seen from our extensive experience that as far as quantum of the cases is concerned we compare very favorably vis-a-vis any other concern/firm of similar size. We have extensive consumer grievance redressal mechanism from real time feedback to continuous contact/feedback mechanisms. Our membership terms clearly layout the compensation policy of the company in terms of default in service delivery. We have been proactive to ensure that our members are happy and satisfied. I refer you once again to an earlier input we had given “We believe each feedback that is there online or otherwise is an opportunity for us to recover ground and improve ourselves. However, I think you would agree that it is more likely for you to comment when you are dissatisfied than when you are happy. I am not for a moment discounting the grievances voiced.

But we would like you to consider the following facts:

- We have a cell which monitors the web for feedback whenever we identify negative feedback we try and get in touch with the concerned member and resolve underlying issues – NOT from the perspective of getting him to drop his comments but resolving their issues
- We have a multi channel mechanism for tracking feedback, apart from the point mentioned we also have the usual consumer redressal cell which operated on voice and mail enabled contact centers with dedicated teams. We also have contact programs where we go into cities or localities where we have our members and invite to come and meet with us to resolve any issues and most importantly plan their holidays. We also have a in resort real-time feedback mechanism running on touch screen kiosks wherein a member can voice feedback and instead of the usual post event turn around that most companies do we have a person contact the member real time and address their issue so in the same holiday their concern is taken care of.

I believe the above are rare practices in the hospitality industry overall and practically unique when it comes to timeshare. There is no other brand in the holiday space that employs so many means to stay in touch with their consumer. I would also like to mention a few other aspects that we have observed:

- We have 38% of all our sales coming in from referrals – indication of a positive sentiment?
- We have based on member feedback won the RCI Gold Crown awards at 5 of our resorts this award is given every year based on member feedback by RCI to less than 10 % of its 4000 resorts worldwide– indication of good service delivery?
- We commission regular consumer satisfaction surveys through CSMM an arm of IMRB, and our resort satisfaction scores are 71% for Excellent and Very good ratings.

We are alive to the fact that services as against products are people dependent will have occasions of below par delivery the above points elucidate some of the steps that we take for tracking and recovery and some satisfaction indicators in addition to the ones you mention.”

S: Good to know so many mechanisms in place to secure member satisfaction. But so many comments (100s of them) received at my post do not give a positive impression. Answer to my question “**what compensation policy do you have in place for a member who is not happy with your services?**” is not clear (except that club Mahindra will make an attempt to resolve their concerns). It is true that people don’t appreciate when they are happy but criticize heavily if they are not happy. There can be 99 happy and 1 unhappy customer- but a prospect always thinks-what will happen if I happen to be that one unhappy customer. Without dragging this further let me leave it to the discretion of readers.

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10. Zest Breaks, your new product, allows young executives to take short breaks. We learnt that a member is entitled to take only one weekend every year and remaining breaks should be weekdays. (Page 58 of DRHP) Why this kind of limitations not disclosed in promo materials? Will it not amount to hiding material information?

All product features are clearly laid out in brochures and in presentations by our holiday consultants. We follow a very transparent need based selling model and have never encouraged withholding of any material information from our members.

“Our entire sales process is carried out in an interactive fashion relying on understanding the consumer needs and suggesting an appropriate membership suited to their needs. Our sales executives carry laptops and make a technology enabled presentation. In terms of the cost components we are the only vacation ownership company in India and amongst a few globally that function on a printed Price list. This price list discloses all components of the price to be paid by the consumer. In addition, at the time of sign up there is a membership application form which carries the contract, to be signed by the member, which has all the cost elements and rules of the membership and a copy of the same is left with the member. In addition we also have a practice of a welcome call done by our member relations team wherein we walk the member through the membership, how to use, rules, our obligations and his obligations. In light of all this practice if an occasional bad apple is present it should not be generalized to the organization.”

S: Appreciate that CM and Zest publish printed price list (latest pricings available here- [Zest | Club Mahindra](#)) But Zest publicity material do not reveal (the price chart, season classification chart and a booklet which explains facilities available at various resorts) the fact that only one weekend can be availed out of 6 days. (If I am wrong I am willing to correct this statement)

11. What is your opinion about the fixed week timeshare model? (Where in a member owns a particular resort unit between two specific dates every year till his membership ends, allowing him to exchange/sell/gift his units without having to depend on resort company for reservations) Will that not be more beneficial to customers?

This practice is falling in to disuse across the world as it is extremely restrictive from a consumer standpoint. Imagine having to go to the same destination every year at the same time, it would be very monotonous. Instead the floating week floating resort model brought to India by Club Mahindra is emerging as the international best practice. It provides far greater flexibility for the consumer to choose from a range of destinations across a range of dates and not be limited with no options.

S: Fixed Week Model failed earlier due to lack of an effective communication medium among members, using which resort units could be traded. Currently, with the advance of internet, I believe that hurdle is totally eliminated. A member can easily exchange his room with some other member owning a room at some other resort/season, or sell it in open market, thanks to power of internet (auction it on ebay or put a classified in Sulekha or advertise in personal blog or Club Mahindra itself can provide a forum wherein members can trade/exchange their holidays. This post highlights the advantages of fixed week model over floating week.

12. Resort Operators in India have formed a governing body called AIRDA. But unlike other government formed regulatory agencies (such as TRAI, IRDA, RBI) AIRDA doesn't look to be effective. Members of AIRDA panel are senior management of leading resort companies and may have their own vested interests than interests of customers or industry. Recently an AIRDA

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executive requested a timeshare member not to publish the communications sent from AIRDA in blogs or other online forums. What is so secretive about the communications sent by AIRDA? Any comments?

The members of the AIRDA council are industry experts who have the long term best interests of the industry in mind, which is what led to the conception of AIRDA in the first place. AIRDA has been instrumental in assisting in perpetuation of best practices throughout its members like the "Cooling off" period etc. As for the particular case cited by you we are not aware of the same and hence cannot comment. You may visit the AIRDA website for further details.

S: OK. Bhupesh's post has some details for those of you interested

13. MHRIL looks technically strong because of brand name and balance sheet, but will become fundamentally weak if the balance between demand and supply are not restored. Let me conclude my list of questions by wishing all the best for your IPO.

We have robust plans in place going forward and are very optimistic about the growth and customer experience in time to come. We thank you for your good wishes and look forward to your continued best wishes and support.

S: Market has absolutely no appetite for IPOs now and launching IPO at this stage would be suicide. I guess MHRIL management is keeping the card close to chest and waiting for markets to recover so that they can plan launching their IPO. Whenever that happens, let us wish them all the best.

B: Market may be undervalued or over valued in short term. It is on individual company when they want to raise money and for an investor when he finds value in a company.

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