



“Wonderla Holidays
Q4 FY2018 Earnings Conference Call”

May 28, 2018



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Moderator: Ladies and gentlemen, good day and welcome to the Wonderla Holidays Q4 FY2018 earnings conference call hosted by Axis Capital 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mrs. Snigdha Sharma from Axis Capital. Thank you and over to Madam!

Snigdha Sharma: Thanks everyone. Thank you for standing by. From the management side, we are represented by Mr. Arun Chittilappilly who is the MD of Wonderla Holidays, Mr. Nandakumar who is the CFO. Without further ado I now hand over the call to the management. Mr. Arun over to you!

Arun Chittilappilly: Thanks Snigdha. Good afternoon everyone. On behalf of Wonderla, I would like to welcome all you to our Q4 earnings call of FY2018. In FY2018, we received an aggregate of 2.5 million visitors and encouraging 5% rise in average ticket revenue per visitor. The Indian Amusement Theme Park industry has been growing at CAGR of more than 17.5% with annual revenue of about 17 billion. This is estimated to grow to at least Rs.40 billion by 2020. We believe that we are placed very well to exploit this growth with our three operational parks and our fourth park to be launched in Chennai where we have already acquired 62 acres of land.

Our parks increasingly promote social wellness and beget fun and learning for children and their family. A major boost was received earlier this year when the GST council reduced the taxes on admission charges from 28% to 18% to the sector. Further a strong 23% rise in average, non-ticket revenue is also encouraging signs of our increasing engagement of visitors. Let me give you a brief about the financial performance for the quarter. For Q4, our revenues decreased by 7.5% Y-o-Y from 59.3 Crores to 54.92 Crores driven by 12.1% Y-o-Y decline in footfall, partly offset by 3.8% growth in average revenue per visitor.

On a like-to-like basis this growth in revenue was 2% considering the provision that we have made for this period taxes in Q4 last year. The share of non-ticket revenue improved from 25.3% in Q4 FY2017 to 28.7% in Q4 FY2018 because of new F&B offerings at the restaurant and merchandize sales. In-park spends grew by 4.9%. The Q4 FY2018 EBITDA increased substantially by 79.2% from Rs. 8.5 Crores to Rs. 15.2 Crores. EBITDA margin has almost doubled from 14.4% to 27.8% in Q4 FY2018. Q4 FY2018 PBT increased by 58.4% from Rs. 4.2 Crores to Rs. 6.7 Crores. PBT margin increased in Q4 from 7.2% to 12.3%.

Q4 FY2018 PAT increased by 9.1% from Rs. 3.3 Crores to Rs. 3.6 Crores. PAT margin increased from 5.7% to 6.7% in Q4 FY2018. Q4 FY2018 cash PAT increased by 37% from Rs. 9.8 Crores to Rs. 13.4 Crores indicating a continued generation of healthy operating cash flows. We are also almost



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completely debt free as of now. We would also like to inform you that the board has recommended subject to an approval of the ABM an increased final dividend of 1.5 per equity share compared 1 per equity share in FY2017. Our dividend payout order ratio stands at 26.5%. With that, I would like to now open the floor for question.

Moderator: Sure, thank you very much. We will now begin the question and answer session. We have the first question from the line of Avnish Roy from Edelweiss Securities. Please go ahead.

Avnish Roy: Mr. Arun, my first question is on Hyderabad you have introduced new rides now latest is mission interstellar, how do you see FY2019 in terms of footfall for Hyderabad? why I am asking this is you cut your guidance from 0.7 to 0.67, but ended the year at 0.64 and normally in the second and third year we do see pickup in the footfalls, here it has in fact come down a bit only, what are the issues and do you see a good recovery in FY2019?

Arun Chittilappilly: So, like I told you our pricing was completely haywire in FY2018 because our prices changed three times from April to June we had one pricing when we were in the service tax regime, then we had another pricing from July to February when again the GST for the amusement parks was brought down in February, so I think there is a lot of confusion regarding pricing and that is the feedback that we are getting and our price was very high, we passed on all the GST impact to the customers and obviously it definitely impacted our footfalls as well, but that is the policy that we have decided and we are very well aware that I have explained this issue before that is the policy that we have any taxation will always be passed onto the customer even we do not want to try and absorb it. So this year our policy is to maintain pricing. I think we have taken 2% price increase overall that is very less compared to the previous years and our goal is to try and maintain pricing across all the three parks for the whole year without too much fluctuation and all our marketing communication is pricing led and we are talking about how we have dropped pricing this year compared to last year, which is true because our prices have come down by about 10%, so that is the way we are doing it and that has helped us a lot. For example in this FY2019 Q1 we are seeing some good growth in Hyderabad especially is growing I think around 17% growth in footfalls Hyderabad and Cochin is also finally showing some growth in footfall, but it is too early to say it is only two months of the year so I do not want to make a prediction based on that, but we are hopeful that our footfall will start growing from this year onwards.

Avnish Roy: One followup here, the Q4 ARPU in Hyderabad is much lower than the full year that entirely because of the taxes or have you actually cut in terms of real terms also?

Nandakumar: No, it is only because of taxes that the revenues have dropped, but otherwise there has been growth across parks. We have actually grown 2% on revenue on like-to-like basis. It is only because of the taxation, in earlier years the disputed taxes are under provisions under expenses and that's the reason why you see the net revenue lower.



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Avnish Roy: Sir, my second and last question is on the resort, so in the last call you have mentioned the strategy to move towards more of retail rather than corporate, so if you could tell us in that journey how much progress has been made and when do you see year growth coming? Because in most of the other hotel business we have seen companies record good growth and any plans to kind of hive off this because we have seen one of the other listed player hive off the hotel or you have no plans for that?

Arun Chittilappilly: No, for us this is like a very small drop in our revenues. I mean it is only about 4% to 5% of our total business. It is very small for us and it is more of an experimental thing for us and we want to grow from more of a corporate to more a family-oriented kind of this thing, so we are tying up more with your PayTM, Cleartrip and all the online OTAs. So that is being done more aggressively now and we are seeing a bigger jump in terms of direct bookings to our resort against corporate bookings because corporate bookings are very highly fluctuating and that is one of reasons why we lost occupancy last quarter because the year before we had a lot of corporates who had taken the resort for bookings and we are dependent on a few players to give us a lot of booking, so we want to move away from that strategy and try and get more retails family to come and book the resort and so that is our conscious effort that we are doing. So you might see some dip in resort revenue this year, but we are hoping that we will definitely improve our occupancy and then hopefully it will start moving up.

Avnish Roy: And one followup here, isn't the resort business more dependent on the overall footfall in the Bengaluru?

Arun Chittilappilly: Yes, it is also depend on footfall, so if you see like our footfalls in Bengaluru has dropped, so obviously the resort also will show a slight drop.

Avnish Roy: That is all from my side. Thank you.

Moderator: Thank you. Next question is from Gaurav Agarwal from P&R Advisors. Please go ahead.

Gaurav Agarwal: Congratulations Sir and thank you for the opportunity. Sir Just two questions, for the base quarter of current quarter for Q1 FY2019 and what was the tax rate that you are charging in Q1 FY2018?

Nandakumar: So, Q1 FY2018 each park had a different way of charging taxes, in Bengaluru last year we were actually charging only entertainment tax and we have made a provision for the service tax. In Kochi the tickets were split between admission fees and park maintenance fees 50:50 and there was no entertainment tax in Kochi, but we had a service tax, which we were paying on park maintenance. In Hyderabad it was once again 50:50 admission fees and park maintenance fees and the entertainment tax was at 20% and the service was at 15% in Hyderabad.

Gaurav Agarwal: Sir, for Bengaluru how much was the entertainment tax because service tax we were anyways not charging it, we were taking our provision in our P&L?



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- Nandakumar:** Entertainment tax was at 5% in Bengaluru.
- Gaurav Agarwal:** 5% taxes versus 18% now is the understanding correct?
- Nandakumar:** Yes.
- Gaurav Agarwal:** And for Kochi Sir, I am only interested in that tax, which you charging what you are taking in the P&L that does not matter?
- Nandakumar:** So, for Kochi I told you there is no entertainment tax there because there is only a municipal tax which is based on investment and that is taken as expenses in any case. The service tax was paid on the park maintenance about 50% of the total fees at 15%.
- Gaurav Agarwal:** Sir, 15% and 7.5% on a total revenue?
- Nandakumar:** yes.
- Gaurav Agarwal:** For Kochi 7.5%, It was Rs.100, so Rs.7.5 was the tax part?
- Nandakumar:** Yes and it will not be exactly 7.5 because what we do we keep admission fees at 500 and the park maintenance fees as the balance and hence depending on the ticket prices this could change, so it will not be exactly 7.5%, but yes if both are same the ticket price is around 1000 depending on who comes into the park then it is 500:500.
- Gaurav Agarwal:** Finally, if you can help me at the gross level, what would be difference between this quarter versus last quarter, this quarter we are charging 100, what was the figure we were charging last quarter?
- Nandakumar:** That is roughly about 7%, I can give you the exact numbers after the call, but it is roughly around 7% range.
- Gaurav Agarwal:** 7% increase on a Y-o-Y basis right?
- Nandakumar:** Yes and the remaining is shown as the provision.
- Gaurav Agarwal:** Fine and lastly Sir, can you give me park wise operating expenditure breakup for FY2018, it you have it right now then it is fine. Otherwise I will call you?
- Arun Chittilappilly:** We request you to write to us through IR agency and the same shall be provided.
- Gaurav Agarwal:** Sure, Sir. Thank you.



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- Moderator:** Thank you. Next question is from Kaustubh Pawaskar from Sharekhan. Please go ahead.
- Kaustubh Pawaskar:** Thanks for giving the opportunity. Sir, my question is on the Bengaluru park, for the past few quarters we have been seeing that Bengaluru footfalls have been in the declining rate especially in the groups we are seeing substantial decline?
- Arun Chittilappilly:** Because of the pricing.
- Kaustubh Pawaskar:** This is the only reason or is there something else that slows down?
- Arun Chittilappilly:** Actually Bengaluru park is our highest priced park even it is at least 15% more expensive than the other two parks, so the price increase and the quantum of the increase in Bengaluru is much higher.
- Nandakumar:** Our pricing philosophy also has changed, we have moved into peak season, off peak and a weekday, weekend pricing model whereas in the last year we were only following a regular day and a peak day pricing.
- Nandakumar:** So, Q4 pricing was about at 909 on a regular day for a person.
- Nandakumar:** Last year it was about 1100 and actually it was about 1320 weekend.
- Arun Chittilappilly:** So, it has gone from 1100 to 1300, so there is Rs.200 difference in the ticket between last year, which is FY2017 and FY2018. So that is the huge difference actually.
- Kaustubh Pawaskar:** Right Sir, but now since we are not taking substantial price increase or almost 2% price increase should we expect Bengaluru also start seeing an improvement in terms of footfalls?
- Arun Chittilappilly:** Yes, we want to see improvement in footfalls in all three parks without exception.
- Kaustubh Pawaskar:** Right and Sir, in your opening remarks you have mentioned that you are seeing about 10% to 12% CAGR growth in the theme park industry in India, what would be the key drivers, non-ticketing revenue is one, but where do you see the footfall?
- Arun Chittilappilly:** The revenue drivers will always be the footfall, non-ticketing revenue is an icing on the cake to just help you augur your ARPU's and things like that but your primary revenue driver is always footfall.
- Kaustubh Pawaskar:** No, why I am asking this because your non-ticketing revenues I think it has gone up from 20% to now it is almost reaching to 30% and if you look into the international market, the breakup is almost 50%, 50%, so are we also looking at our non-ticketing revenues to reach to about 50% that is your long term goal?



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Arun Chittilappilly: Definitely, I mean I think we do feel as our parks are becoming larger and our ticket prices are going higher it is expectations of F&B and merchandize and memory space are also increasing. So we are selling higher price meals, higher price merchandize, higher price photography things like that and definitely we will see our non-ticket revenues growing and we have already seen that. only issues that we are having is our footfalls again that is because our ticket pricing has been very fluctuating and has been going wildly up and down, hopefully, this year onwards it is going to be stable and then we can start growing our footfalls.

Kaustubh Pawaskar: But, from the longer term view can we expect footfalls to stabilize at about 4% to 5% CAGR?

Arun Chittilappilly: We are looking for more aggressive growth in footfalls for the next couple of years because we have lost footfalls in the last two years especially in Bengaluru and Cochin and especially Hyderabad also we are hoping to get a 7 lakhs visitors this year, so we want to clawback some of that growth this year and next year. so we are not really focusing too much on price hikes for the next one or two years. we are looking at how to improve our footfalls either through direct sales or direct marketing or through social and things like that, so that is our focus for the next one or two years for all three parks, so we are definitely going to be depending more on footfall as a company for the year or two has to show revenue growth not on non-ticket revenue.

Kaustubh Pawaskar: Right Sir and last one if I can, we have seen significant improvement in margins in FY2018 and you have taken a lot of initiatives for that, how much of this will be continued in FY2019 and FY2020 or we might see margins standing in this range only?

Arun Chittilappilly: No, we want to definitely improve our margins also, so we have done a lot of things. Lot of our utility cost has really come under scrutiny and we are now doing solar power purchase and we have installed solar panel, so our utility costs are coming down, our people cost which is our highest cost is also coming down, we are rationalizing our work force across all levels and a lot of changes have been made. In fact we have done a huge rejig of our management also as you are aware, so lot of things are changed in terms of our whole philosophy towards people, so hopefully we can maintain a lot of this as well because people are our biggest cost and so we need to look at that end more carefully. But having said that so people then utility cost, the bigger cost is spares and maintenance cost that has also come down compared to the previous year, but that could vary from year to year, some years we may have more cost, cannot do a prediction on that. The other cost which is we are also trying to rationalize a lot is our marketing cost. Last year we had a brand re-launch and things like that, so we spend a lot more money and marketing. This year that we have been able to bring that down and we are trying to do more performance-based marketing and referral-based marketing. So hopefully our marketing cost, cost of customer acquisition will go down, so that is also a deliberate attempt. So I think with all these things we will definitely be able to improve margins in FY2019 and then coupled with the footfall growth I think we will get back to where we were a couple of years ago.



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- Nandakumar:** And added to what Arun said ours is a fixed cost business and the moment we are able to get more footfalls that actually flows through to the bottomline and the margins will improve considerably.
- Kaustubh Pawaskar:** Right Sir, I was coming to that only.
- Nandakumar:** We should be able to increase our margin percentages in line with our footfall growth or even beyond that.
- Kaustubh Pawaskar:** Yes hope to see the margins coming back to about 41%, 44%, which company used to get earlier. My last question is on the Chennai project how is it going and at this position when do you expect the project to get operational?
- Arun Chittilappilly:** Chennai project, we are currently in a wait and watch mode. We have made our representation to the Tamil Nadu Government regarding the local body taxes. Unless that is resolved, we will not build the park because that is the decision we have taken and we have communicated that to the Chief Minister as well because we feel that 10% LBT on top of 18% GST, the project is not going to be very profitable so that has been very clearly communicated to Tamil Nadu Government and I think there is a positive sign coming from their end. So hopefully in the next quarter or so, if we get a some kind relief on that we will start work, we are ready to start work, everything is ready, we have our designs ready, we have even recruited some people to help the construction work in Chennai. The design of the park is almost complete. A lot of things have been already done. It is just that we do not want to commit that investment until we get something in writing from the Tamil Nadu Government.
- Kaustubh Pawaskar:** Are we seeing any impact of Nipah on our footfalls on Kochi park footfalls?
- Nandakumar:** Actually, Kochi is growing right now and, luckily the season is almost over for us, hopefully we will not see a huge impact, it should be okay.
- Kaustubh Pawaskar:** Thanks a lot.
- Moderator:** Thank you. Next question is from Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Thanks for the opportunity. Sir, first I believe that we had a very steep increase in prices in last couple of years, then was just curious what led us to take 2% price hike even though miniscule, but why price hike this year again?
- Arun Chittilappilly :** In fact, we have not taken a price hike. It is just that we have a very complex pricing system so some categories, which we felt we could increase, we have increased whereas some categories we have reduced, so that is a very complicated process. How we look at our price matrix. Some section like for example, full paying child ticket we have been able to increase that whereas the full paying adult we



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have decreased that by 1% or 2%, so it is a case to case every segment of our footfall, we have peak pricing, more or less we have left it flat, which means we have not taken any price hikes for the year, but some categories have seen some price correction or price increase, so that is why I am saying 1% or 2%, but realistically it is almost flat.

Tejas Shah: Sir, whether have we passed on the benefit of this 28% to 18% GST to consumers fully?

Arun Chittilappilly : Yes, we have passed on and in fact all our marketing communication is on price reduction so this year we have already rolled out that because we did find that pricing was becoming a concern and we were losing some of our footfalls to the smaller parks, the regional parks, so we have been able to clarify that and so we are definitely looking at pricing more aggressively to see how can get back footfalls.

Tejas Shah: And Sir, you sound tentatively positive today on footfalls versus the last quarter's conference call?

Arun Chittilappilly: I think so far it is looking good, but hopefully it will continue for the year as well.

Tejas Shah: But Sir, in your opening remarks you have mentioned about revival in Hyderabad and Kochi?

Arun Chittilappilly: Hyderabad we are very confident of revival, in fact Hyderabad has already beaten our estimates in terms of revival of footfall, so we are very happy with Hyderabad. Kochi has also revived, Bengaluru is kind of showing a slight revival, but it is not as big as we expected, but I am definitely sure that within the next two, three months it will revive in Bengaluru also. Even if we do a price correction for this new target audience, it does take some time, it is not going to be an immediate impact, once we announce that this is our pricing we cannot expect our footfalls to start growing immediately from the next day or the next week or the next month, it usually takes some time for this news to trickle down and especially for groups who are dependent on agents for booking and things like that so there is a bit of trickle-down effect there but we will see a growth is what we are hoping.

Tejas Shah: Sure and Sir, lastly if you can give some guidance on Hyderabad park footfalls, which you are targeting this year?

Arun Chittilappilly: We are looking at 7.5 lakhs, that is the kind of number that we wanted to reach. It is a pretty lofty goal so that more than a lakh of extra footfall this year, but that is the way that we want to see... it should start growing this year.

Tejas Shah: Sure that is it from my side and all the best.

Moderator: Thank you. Next question is from Rohit Potti from Marshmallow Capital. Please go ahead.



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- Rohit Chavan:** Thanks a lot for the opportunity. Sir, I wanted to understand the competitive scenario in our industry, so I wanted to understand what would be the replacement cost of our Cochin park and that of our Bengaluru park considering today's rupee amount?
- Arun Chittilappilly:** In Today's rupee amount replacement cost will be in excess of Rs. 350 Crores for each park.
- Rohit Chavan:** Rs. 350 Crores, so because of that it should be a big advantage for us because our capex was I believe in the range of Rs. 60 Crores to Rs. 80 Crores.
- Arun Chittilappilly:** Cochin is about 120 Crores.
- Nandakumar:** Because they were all invested, most of it was invested around early 2000, we have done a few refurbishments in the last couple of years, but that has not been very significant.
- Arun Chittilappilly:** So, Cochin park if I am not mistaken we have invested about Rs. 120 Crores, Rs. 130 Crores, I think Bengaluru is about 150, 160, Hyderabad is about 280, 290 crore. Hyderabad is our newer park and even though slightly smaller than the other two, it is almost Rs. 300 Crores, so that gives you an idea about replacement cost.
- Rohit Chavan:** Yes I understood. Thanks a lot. So I can assume the similar sort of investment for the Kochi and the Bengaluru park as well right?
- Arun Chittilappilly:** Yes, now I think in our portfolio all three parks are almost the same except that one big ride, which we have introduced in Hyderabad, that ride does not exist in the other two parks, other than that they are almost the same.
- Rohit Chavan:** Yes I understood Sir. I also have one question because what I understand is we have developed a park on only 30 acres of the land in Kochi and at Bengaluru as well in that range, so we have a good land bank, which is not yet used, so I wanted to understand how are you going to add rides to these parks year-on-year and what has been the past trend year-on-year? How many rides do we add?
- Arun Chittilappilly:** Depends on the kind of attraction that we are adding. For example, Cochin never had a big roller coaster. We just added a roller coaster in Cochin. Roller coaster needs about two to three acres of land, so it is a large machine, so if we are adding something like that obviously we will add more real estate into the park area, but other rides like if it is a carousel or something like water slide hardly take any space, so we will slowly the park size slowly gets bigger as times goes by, but every time we add a big attraction. If it is a large footprint obviously it adds more area into the park.
- Rohit Chavan:** Exactly. That is my question because that is very important activity from our company side because that would ensure that the repeat footfall would be there, so because of the new rides?



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- Arun Chittilappilly:** Periodically we have been able to do. We have been doing it for almost 18 years now.
- Rohit Chavan:** Have we improved land size from 10 acres to 30 acres in all the parks?
- Arun Chittilappilly:** Yes. For example Cochin was a 10 acre park. Now it is a 30 acre park. Bengaluru was always a 25 to 30 acre kind of size. Now it is a little bigger than that. Hyderabad is about again 20 to 25 acres kind of size.
- Rohit Chavan:** Can you also give this kind of information in terms of rides? How many rides were there and how many rides are today?
- Arun Chittilappilly:** Yes. Hyderabad has the lowest number I think around 44.
- Nandakumar:** 44 rides. 18 wet and 26 dry rides.
- Arun Chittilappilly:** Whereas Kochi and Bengaluru are older parks that have more rides I think about 60.
- Nandakumar:** Kochi has 56, 22 wet rides and 34 dry rides and Bengaluru has 62, 21 wet rides and what 41 dry rides.
- Rohit Chavan:** I was asking how many rides were there previously, and how many rides have we have added over the period of time.
- Arun Chittilappilly:** Cochin we started with about 10 or 15 rides.
- Rohit Chavan:** I can assume the similar sort of range for Bengaluru park as well?
- Arun Chittilappilly:** Bengaluru was started as a bigger project of course with about 40 to 45 rides like Hyderabad and then we have slowly crept up to about 60 now with the footfalls increasing.
- Rohit Chavan:** Right. Sir my next question would be because I have read it in some of the reports that we have been able to raise our prices by 10% every year, so do we feel the same pricing power we have going forward over a large period of time? I am not talking about one or two years, but I am talking about five years or seven years down the line, what kind of CAGR do we see in the ticket prices?
- Arun Chittilappilly:** I think the last two years are exception because our pricing has varied, out of our normal range of pricing. If you go back to not increasing prices this year and may be doing a mild-to-moderate price increase next year. We will come back into the same curve and if that is the case, we will still be able to increase prices by 7% to 8% every year. That is what we feel.
- Rohit Chavan:** So you believe that you have pricing power of 7% to 8% year-on-year CAGR right?



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- Arun Chittilappilly:** Yes we usually add big rides and we will increase our prices a bit more.
- Rohit Chavan:** That is wonderful, so basically what you want to say that even at Rs.1200 or Rs.1300 you do not feel that now you are capped at price and to increase footfall now you cannot really increase the prices?
- Arun Chittilappilly:** When we started the park in 2000, our ticket prices was only Rs.200.
- Rohit Chavan:** Exactly Rs.200 to Rs.250?
- Arun Chittilappilly:** We are not really capped, and we do not have direct competition as well, so it depends on what we feel is the value of the entertainment that we provide and we are not unreasonable in that and we have been able to maintain that pricing. I think pricing across all entertainment options are going up every year whether it is multiplexers etc, so we do see that so generally I do not see cost coming down in this sector that much and this is world over phenomenon as well as. All the parks usually take slow single digits may be in the western countries and may be higher single digits percentage price increase.
- Rohit Chavan:** Understood and Sir my last question would be because our business is a fixed cost business so it matters to us a lot that we have a breakeven footfall, so considering a nominal pricing of Rs.1000 a ticket price or total average revenue what would be our breakeven footfall for every park?
- Arun Chittilappilly:** Our average should be around 1200 to 1300 visitors a day per park.
- Rohit Chavan:** 1200 to 1300 visitors per day, but what would be the breakeven footfall yearly?
- Arun Chittilappilly:** Our average should be about 1300 footfalls per day per park.
- Rohit Chavan:** If we hit this mark, we are breaking even.
- Arun Chittilappilly:** Yes.
- Rohit Chavan:** Thanks a lot Sir for your time and good luck.
- Moderator:** Thank you. The next question is from Rohit Potti from Marshmallow Capital. Please go ahead.
- Rohit Potti:** Apologies I broke off last time. Sir I just noticed that there was a lot of change in our marketing communication? This time it looks like because we have tied up with PayTM. We have tied up with Savaari? Some of my friends in Cochin are saying that they are getting discount offers, etc. So could you elaborate on that a little bit more what all have you changed this quarter on?



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Arun Chittilappilly: We have slightly changed our marketing strategy. Like I said in the beginning, we are trying to see how we can leverage direct marketing networks and also OTAs, which is an online travel agent thing like that. Basically we are just widening our footprint of where tickets are available and few offers that we are doing and experimenting in like apartment blocks and things like that. Lot of them have been done and the initiatives are varying between different geographies. I think Cochin will be different from Bengaluru will be different from Hyderabad, so lot of small initiatives are being done and that is giving us good results.

Rohit Potti: I am guessing that in Hyderabad that we are going beyond Hyderabad right now and trying to get footfalls from the nearby districts as well as?

Arun Chittilappilly: Yes that is also because Hyderabad is still a very new park. Our first one or two years we usually focus on Hyderabad itself to develop our BD partners, but slowly now we are spreading out to the other towns like Rajahmundry or Vijayawada lot of areas where we can get footfalls from.

Rohit Potti: Understood. The next question I have is this is taking off from the previous participant's question. From what I understand the static big advantage that we have and we are the first mover in any of the geography is enormous in this business? Connecting that to the Chennai Park, we launched Hyderabad in 2016 and it has been almost two years since we have not begun construction on a new park because of external circumstances obviously, so how do you ensure that your time to market is reduced going forward in newer geographies? Would it make sense to possibly have two parcels of land at any point of time so that you can always have construction going on at that time may be if we had let us say Gujarat? In addition to Chennai we could have possibly started work in Gujarat?

Arun Chittilappilly: The problem is every geography has a different set of challenges like nobody expected LBT to become a problem for us in Chennai, so every time we do a new project there are always some challenges something that we do not foresee, so we do not want to do too many of these because at the end of the day it's brick and mortar. We have to physically build infrastructure and build up the parks, so there is a lot of government liaisoning involved and things like that, so hard to predict how it will go and every state is different. The challenges we face in Tamil Nadu are different from what we have faced before and I am pretty sure if we go to Gujarat there will be something else there. It is not going to be a cakewalk anywhere, so that is what we feel and there are always challenges. When we have to build physical infrastructure, we want to be a little more cautious about it, but yes, we are always on the lookout for new projects. Now that Chennai has already been frozen, there are some delays. We might get delayed by one quarter or two quarters. I do not see a huge delay. The Tamil Nadu Government invited us to build this park in Chennai during Jayalalitha's time, and now AIADMK, is in power, so I do not see a big problem in terms of getting our approvals done. The only sticky point for us right now is LBT and hopefully that we will overcome that as well. GST was a big issue for us and we have been able to overcome that. I think that will happen.



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Rohit Potti: Understood. The next question I have it is a little more on the number front, so I notice that for some reason in Hyderabad park we have not seeing the non ticket revenue grow as healthily as we see in the other parks? Is there any particular reason for that?

Nandakumar: The base was already high in non-ticket revenue in Hyderabad because last year when we started the park itself we went with dress code, etc., and since the base is high you do not see the growth as much what it was on the other parks. In the other parks the dress code implementation came in later part of the previous years and hence you are seeing higher growth there. In Kochi and Bengaluru, on F&B side we have taken over some of the restaurants that have been run by our third party vendors and that is also giving us an increase in non-ticket revenue on the F&B side.

Rohit Potti: Got it. The next question I have is what other initiatives taken to probably stay in the mind of the customer throughout the year as much as possible? there is a lot of I think effort by many companies to get the mindset of the customers, so Wonder Park was one initiative I think we had last year, but I did not see that in the website this time around, so some colour on that would be helpful?

Arun Chittilappilly: Wonder Park we had done a new version of it last year, but it was not very successful, so we have pulled it back and now we are going to re-launch it as a new referral program, so we are still toying with that the whole referral system and repeat it. but you have to remember that amusement parks are a very low repeat kind of an activity. We do not go to an amusement park more than once a year, so any kind of repeat reward system has to take that into consideration and then come up with a plan, so we are toying with a couple of different ideas now. But this year we will again re-launch Wonder Parks as a slightly different offering and also a referral program.

Rohit Potti: Understood. We are a little far from the city, so any idea to go closer to the customer in the city something along those lines?

Arun Chittilappilly: Yes that is part of our direct marketing process that we are doing in terms of how do we make sure that we can reach the customer and tell them that we are here and this is an option for entertainment and why dont you try us out, so to get that first trial even in cities like Bengaluru where we have been here for more than 10 years. There are a lot of people who have not tried us yet, so there is a deliberate attempt now to see how we can get initial more trials, direct marking initiatives and things like that.

Rohit Potti: The last question from me I believe we had started a cashless system in Hyderabad have we implemented it across all parks?

Nandakumar: We are developing our own very innovative cashless system because we feel that is going to be a game changer for us especially when it comes to securing people's money, so we are actually building our own digital wallet system, which people can use inside the park and it will enable people to spend



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more inside the parks. Because we found that one of the big issues is that people do not carry their wallets when they are on rides or when they are in the water parks, so how do they then buy food or buy merchandise, so it is a global amusement park problem. Companies like Disney and all have spent huge amounts of money. In fact I think they have spent more than a billion dollars developing their system, but we have been able to develop a system at a fraction of that cost and now we are piloting it in Bengaluru and Hyderabad. It is still not final. We are still piloting it, so once it is ready we will be able to roll that out to everybody. Every visitor who comes to the park will have a RFID band and load money onto it and they can use that inside the park and I think that is going to be a huge change for us again in the future, but that is still at least one or two quarters away. It is not yet fully ready, but then we are doing it in all our parks, but in a smaller scale. What we are trying to do is to get all the customers into a wallet kind of a concept. Today our bandwidths to handle all the customers are limited given our hardware.

Arun Chittilappilly: Our IT systems needs a lot relook and we are doing that. We have already revamped our whole ERP and our accounting software so that is the first step. The next is to revamp our customer facing software whether booking online or wherever we can eliminate queues, so people can book tickets on self kiosks, so that they do not need to stand in line. We are working on a lot of those kind of initiatives and then one of the key things that we are developing is also this RFID. We will be launching it at some point soon.

Rohit Potti: This is quite exciting and I am really looking forward to that. I am assuming that this will be a part of the ticket pricing and the customer does not have to pay anything extra for?

Arun Chittilappilly: Yes. We are trying to make it if possible a sub Rs.10 kind of a thing, so that nobody needs to pay extra money for it.

Rohit Potti: Great and one last question sorry from my end, do we have the management bandwidth to go into the next case because you were mentioning that you were rationalizing management and work force, so I believe two years back we made hires because we wanted to scale up the organization to the next level, so just a little more colour on that would be great?

Arun Chittilappilly: We had made some hires, but some of those changes had to be relooked at because we were not seeing the results that we wanted to see, but having said that we have learnt from that and we are a growing organization even today, so we are still hiring. It is that we are looking at it slightly differently, so I think we have the bandwidth in terms to do up to two parks now. Once we have Chennai also up and running, we will have a huge enough workforce that will help us may be build two parks simultaneously.

Rohit Potti: Thank you. That is it from me.



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Moderator: Thank you. The next question is from Abhishek Ranganathan from Ambit Capital. Please go ahead.

Abhishek Ranganathan: Good afternoon Arun. Just one question on pricing. You are saying your focus has been footfalls and you will want to hold prices for two years? Till what level would you be willing to hold prices? Let us say footfalls are not in commensurate with what we expect? Would you be willing to drop prices?

Arun Chittilappilly: We have already dropped prices by 10% and then we are marketing that very aggressively, so that has already shown us positive trends. For example Cochin is our most price sensitive market compared to Bengaluru and even Hyderabad and we have seen a good uptick in footfalls in the last couple of summer months, so hopefully that will sustain for the rest of the year as well. Of course Cochin has also higher proportion of group sales which is schools and colleges, so they are even more price sensitive, so we have to wait and see how that works out, but I think our pricing is very aggressive now and it is very competitive. For example the local parks they are charging Rs.800 to Rs.900 and our pricing is Rs.1100 to Rs.1200, so our pricing is pretty aggressive. It is very difficult for a small park to further reduce their price and remain profitable whereas we are able to do it because our capex is lower compared to the other parks, which have big rides like we do, so that way we have that flexibility to play with pricing. I think compared to other players and we will definitely use that tool as well.

Nandakumar: Adding to what Arun said what we have done is in this season is also to split prices between peak and normal season and the peak and normal season between weekend and weekdays. Earlier we used to have only a regular day and peak day pricing, so now we are being more aggressive on the weekday pricing, so that our footfalls can improve there. Weekend is a disposable day for people and they will still come to the park on a weekend, so we are trying to be more aggressive on the weekday pricing so that we can get more footfalls, so that way we have also rationalized our entire pricing strategy to enable customers use the pricing benefit, which we have given during the weekday periods.

Abhishek Ranganathan: Basically with the price correction has been largely on the weekday side?

Arun Chittilappilly: Yes. It is in between both between peak and normal and weekday, so we are being more aggressive during weekday pricing.

Abhishek Ranganathan: More aggressive during weekday pricing and the reason I asked you the willingness because this is a peak season now, but in the non peak season if need be your willingness to drop prices particularly midday, would you be open to that?

Nandakumar: Abhishek, Arun said that we do not want to make too many changes in the pricing because that was also one of the reasons last year we think we lost customers and created a lot of confusion. So we would still want to stick to our pricing, which have determined at the beginning of the year.



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Abhishek Ranganathan: We do not want to change pricing midyear. That creates a huge confusion in the whole chain of sales agents and tour operators. It creates a lot of friction. We have to update lot of our leaflets, flyers, websites, and people are confused about what is the real pricing, we will definitely want to avoid that.

Nandakumar: We think we have had a very aggressive pricing even for a normal season period. I think it should work without any further change in the pricing strategy.

Abhishek Ranganathan: Secondly the commentary on the RFID wallet piece, broader question would not it be better off just integrate with PayTM as your wallet and just partner with them and most of the customers may have a PayTM wallet?

Arun Chittilappilly: Paytm does not have an RFID cashless system. This is an in-park system, which needs a special tool. Paytm works on an app or a mobile phone and it is always expensive that way. Why I would part revenues with PayTM when I can develop this on my own and this is purely for intra park spends.

Nandakumar: It is a closed loop program completely.

Arun Chittilappilly: It is a closed loop and most of the companies I have seen abroad also they are developing this on their own. It is just that we have been able to do it at a very, very miniscule fractional cost compared to what like Disney or somebody else has been able to do and I think we have a great system that we have developed and hopefully we can roll it out in time.

Abhishek Ranganathan: That's it from me thanks. Good luck.

Moderator: Thank you. The next question is form the line of Anuj Jain from Value Quest Capital. Please go ahead.

Anuj Jain: Thanks for the opportunity. I have this small query on the balance sheet side. On the balance sheet, I can see intangible assets of Rs.5.5 Crores as of March 31, 2018? Can you explain to me what is this?

Arun Chittilappilly: Content, film.

Anuj Jain: The Mission Interstellar ride?

Arun Chittilappilly: Yes..

Anuj Jain: We made a movie for that I think the cost is about Rs.3.5 Crores, fair enough thank you.

Moderator: Thank you. The next question is form the line of Rohit Chavan from GEPL Capital. Please go ahead.



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- Rohit Chavan:** Thanks a lot for giving me the opportunity one more time. Sir I have two followup questions. I wanted to understand what could be our Chennai Park capex?
- Arun Chittilappilly:** We are looking at about Rs.350 Crores.
- Rohit Chavan:** Rs.350 Crores and land size would be?
- Arun Chittilappilly:** on land we have already spent about Rs.75 Crores and 62 acres is the land size at this point of time.
- Rohit Chavan:** Wonderful and one more question I have about is of footfall growth, so how much footfall growth we are anticipating for the next three to five years on a CAGR basis for our Hyderabad Park because...?
- Nandakumar:** I cannot predict three to five year footfall growth, but we have given very aggressive targets to our parks this year 13% footfall growth is what we want this year. It is a very hard target.
- Rohit Chavan:** Because I was asking from the perspective because Hyderabad is at 7 lakh footfalls, and Bengaluru and Cochin are at higher side of 10 to 12, so I was wondering whether Hyderabad Park will grow much faster than that of the Bengaluru and Cochin park?
- Nandakumar:** Hyderabad will definitely grow faster. In fact Hyderabad is growing at double digits already, but we want double digit growth in all parks this year because we have lost footfalls in the last two years in the older parks as well.
- Rohit Chavan:** We are also expecting double digit growth for our remaining parks as well Bengaluru and Cochin as well?
- Arun Chittilappilly:** We want that, it might take one or two quarters for that to kick in, but we definitely want a bump in our footfalls.
- Rohit Chavan:** Okay Sir. Thanks a lot.
- Moderator:** Thank you very much. Due to time constraints, we will take that as the last question. On behalf of Axis Capital that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.