



“Wonderla Holidays Limited 3QFY2017
Results Conference Call”

February 02, 2017



ANALYST: MR. ABHISHEK RANGANATHAN - AMBIT CAPITAL

**MANAGEMENT: MR. ARUN CHITILAPPILLY - MANAGING DIRECTOR
WONDERLA HOLIDAYS LIMITED**



Wonderla Holidays Limited
February 02, 2017

Moderator: Ladies and gentlemen, good day and welcome to Wonderla Holidays Limited 3QFY2017 Results Conference Call, hosted by Ambit Capital. 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 would now like to hand the conference over to Mr. Abhishek Ranganathan from Ambit Capital. Thank you and over to you Sir!

Abhishek Ranganathan: Hello everyone. Good afternoon and I thank you for joining this call. We have today with us Arun Chittilappilly, Managing Director, Wonderla Holidays to discuss the third quarter FY2017 earnings. I am going to hand it over to Mr. Arun Chittilappilly for opening remarks and thereafter we can open the floor for question-and-answer session. Thank you Mr. Chittilappilly for granting us this opportunity to host this call.

Arun Chittilappilly: Thank you. Good afternoon ladies and gentlemen. It is a great privilege to welcome all of you to this conference call to discuss Q3 earnings.

To talk briefly about it, we have seen a growth in the footfalls for all of our parks. Cochin, we saw a growth of roughly 3% in footfalls and in Bengaluru we saw a growth of roughly 1.5% and also Hyderabad being a new park, we had a pretty good quarter and as a result our topline has grown by roughly 39% and while footfalls saw healthy growth, the average revenue per footfall has also improved significantly mainly driven by higher non-ticket revenue.

This is something that we have been conscious about in the last couple of years, as you may know. We have also had two festive seasons in the park, which is Christmas and Dasara. Dasara in Hyderabad and Bengaluru and only Christmas was there in Cochin.

We had introduced two new rides to our Kochi Park. They are high thrill rides. They are called Equinox 360 and Flash Tower and we are seeing some good response from visitors.

Coming to the financial performance, the revenue stood at 9% like I said to 70.09 crore driven by 6% growth in average revenue per visitor and 32% increase in footfall. Bengaluru Park witnessed 4% increase in average-ticket revenue, 39% increase in average not-ticket revenue and 1.5% increase in footfalls. Kochi Park witnessed 3% increase in average-ticket revenue, 8% increase in average not-ticket revenue and 3% increase in footfalls. Hyderabad Park had about 0.5 million footfalls in the nine months so far, for the last quarter we had about 1.7 lakh visitors.

EBITDA declined by 26.7% to Rs13.34 crore. EBITDA margin decreased from 36.1% to 19% in 3Q. The increase in employee expenses is primarily on account of Hyderabad Park. The operating cost has increased primarily due to higher marketing and advertising expenses for



Wonderla Holidays Limited
February 02, 2017

Hyderabad and increase in provisions of roughly Rs10.3 crore on account of taxes and levies, which is still under litigation before authority, so that is the biggest charge.

PAT declined by 66% YoY to Rs 4.1 crore. PAT margin decreased from 24.3% to 6% in 3QFY2017.

With this we are done. I would like to hand over the floor for any questions that you may have.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We will take the first question from the line of Mr. Tanmay Sharma from Edelweiss. Please go ahead.

Abneesh Roy: Thanks for the opportunity. Sir, my question is essentially that you have seen recovery in footfalls versus earlier, but of course the cost has gone up significantly, so these costs if you could explain in greater detail I understand these are ad spends and then the provisioning part, but from 4Q going ahead how you see ad spends panning out?

Arun Chittilappilly: I think ad spends for 4Q will be low, it will not be very high, but next year 1Q there will be higher ad spends again because that is the high season for us in summer, but by then our ticket prices also would have revised it is also high season for us, so it should be fine. It will not have such an impact, you can definitely see marketing spends will be up rightly 50% from last year. It may not double like this quarter, but I would say it would be one and half times.

Abneesh Roy: That was my question you are saying 4Q it will be low, but in 1Q it will come back, so if I compare on a YoY basis why is that double this time and you are saying again it will go up by 50%?

Arun Chittilappilly: I think we had spent on creating some new content this time, which have not done like we made some movies for the new commercial for the new park and all that, which we have not done historically, so making a movie obviously then is an expensive affair, so that itself would have taken huge chunk out of the marketing budget and I think this time what the marketing team essentially did was to use a majority of the budget for the year in 3Q and not save too much for 4Q, so they spend a little more on 3Q and then we are spending less on 4Q. So that was the strategy we have taken.

Abneesh Roy: And on the provision?

Arun Chittilappilly: Provision is like I said this is whole thing is in court so there are varying remarks by lawyers and auditors and based on that some of this provisioning that we have done this quarter is actually not for this quarter, but for the beginning of the year and that was done because some calculations were changed in the way it was calculated. So they said we have to provide more for this quarter, so that is what happened. I think next quarter also we will have some extra provision for the disputes, so there are a bunch of them one is service tax and there are some local taxes, so all put



Wonderla Holidays Limited
February 02, 2017

together these are the provisions. We are hoping that we will prevail in these cases, but the provisioning has to be made.

Abneesh Roy: Sir, your ARPU this quarter for both the parks has come down versus the first half, and the growth also versus the last year has also decelerated, so if I compare for example Cochin, the growth in ARPU is 4% for 3Q versus the nine month it is around 7%, so have you consciously?

Arun Chittilappilly: That is because 3Q is heavily dependent on school and college footfalls and they are definitely higher discounted, that you will see for every 3Q will be like that.

Abneesh Roy: But I am still comparing YoY, so has the mixed become more for those schools at this time, which is last year?

Arun Chittilappilly: This time we lost a little bit of retail footfalls due to demonetisation. I think we lost maybe about 2 weeks of retail footfalls, second week of November till about first week of December, so the mix of groups versus full-paying customers have shifted likely in favour of groups, so that is what resulted in that.

Abneesh Roy: Now demonetisation is largely normal?

Arun Chittilappilly: Yes, by the Christmas season we have come completely back to normal. In fact, if you see Christmas numbers alone just for those 10 to 12 days, we are significantly higher than last year in all three parks. For example, Hyderabad is new, so we cannot compare, but Hyderabad for Christmas almost reached the numbers what Bengaluru did. Bengaluru you should remember it is an old park so Hyderabad did very good footfalls.

Abneesh Roy: Sir, are you calling this as a revival in Hyderabad, so finally you are seeing?

Arun Chittilappilly: Hyderabad, 2Q was very poor as you remember last time I updated. So that 3Q we are seeing a huge come back.

Abneesh Roy: Anything you have done apart from seasonality?

Arun Chittilappilly: I think I told you a couple of things, one is we have increased our marketing spends and the mix of marketing, the kind of marketing we did is slightly different. We did more video-led marketing whereas earlier it was more print and static advertising that we did. This time, we did more video and online mainstream channels those kinds of things, which are expensive, but I think that helped us a lot. The other thing that we did is we targeted heavily for schools and colleges because this being the first year we need to be marketing a little more to the schools and colleges because we have essentially new player there, so as part of that we are giving free costumes to school kids who come to use our water parks and things like that, so that has also added to cost a little bit, but we consider it as a marketing kind of spend.



Wonderla Holidays Limited
February 02, 2017

- Abneesh Roy:** That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Mr. Lalit Kumar from MC Management. Please go ahead.
- Lalit Kumar:** I have been to the park last week from Chennai to Bengaluru, so my first question is I suppose there were plans for the Chennai park getting opened in 2018 end. So can you just throw up some light on the Chennai Park? When is it expected and other plans as well?
- Arun Chittilappilly:** I think in the last quarter, I had updated that in Chennai, the land acquisition we have to put it on hold because there was a High Court order, which came around September, which said that any agricultural land, which is even if not used for agriculture cannot be registered for non-agricultural use. So that has kind of put a lot of pressure on us, so we will not be able to go ahead with that particular property, but what has happened subsequently is that we have seen some because of the political developments that has happened with the Chief Minister's death and all there is certain softening of demands that has happened in real estate, so I think we are seeing more interest from sellers to bring down prices and things like that. So if that continues and we are able to close in I think may be if not next quarter, but by first quarter of 2017 we hope to finish land acquisition. We are not going to wait anymore, but the problem right now is that because there is a lot of ambiguity in terms of political powers and things like that so we have to be a little cautious.
- Lalit Kumar:** Anything apart from Chennai you are looking out for?
- Arun Chittilappilly:** Not immediately because we want to definitely go ahead with Chennai. We have already signed an MoU and that MoU is valid for 3 years, so we definitely want to push ahead with Chennai first and with the same government which is in power so I think we will get support once we finish land acquisition.
- Lalit Kumar:** At the PAT level for individual team parks I assume that Bengaluru is in profit, but what about Hyderabad and Kochi?
- Arun Chittilappilly:** Bengaluru and Kochi are definitely at PAT level. Hyderabad is I think at an EBITDA level it is positive, but not PAT level.
- Lalit Kumar:** When is it expected to break even in terms of PAT?
- Arun Chittilappilly:** PAT level will be after year four.
- Lalit Kumar:** That is it from me.



Wonderla Holidays Limited
February 02, 2017

- Moderator:** Thank you. The next question is from the line of Kaustub Pawaskar from Sharekhan Limited. Please go ahead.
- Kaustub Pawaskar:** Thanks for giving me the opportunity. Sir, my question is again on the margins in this quarter, your margins decelerated to 19% and what is the substantial?
- Arun Chittilappilly:** I have already explained that.
- Kaustub Pawaskar:** Just wanted to understand that in big time your margins were somewhere about 45%. Bengaluru and Kochi Parks were doing good and footfalls were steadily growing and 40% to 45% operating margins. This year we can understand because of the higher operational cost at the Hyderabad level, the impact would be there, but we are expecting operating margins somewhere about 30% because in first nine months the operating margins were 30%, so next year should we expect some kind of improvement on it?
- Arun Chittilappilly:** Next year definitely there will be an improvement, actually the main reason for us to have a bad EBITDA this quarter and may be next quarter also is because of this provisioning that we are doing that is there is nothing we can do about it we have to keep providing for it until hopefully by end first quarter next year GST will come into place and we will not need to provide for any of these lawsuits after 1QFY2018. So, till then you can expect some of this kind of provision, the extra provisions and things like that, but after that we should be able to show some good growth and improvement in profitability. By that time, Hyderabad would also have finished one year of operations. So I think the footfalls would start growing in Hyderabad from 1Q onwards and even 3Q is looking quite promising, but we have to predict because it is a new market and we do not really have any data what footfall trends are in Hyderabad and it is difficult to predict, but I think the way we have predicted it we were expecting 7 lakh footfalls for Hyderabad, but I think now we have downward revised that to about between 6 and 6.5 lakh visitors for this first year. If that happens, I think we should definitely be able to grow that significantly in double digits next year also and then I think we should be fine.
- Kaustub Pawaskar:** Sir, about provisioning part, earlier the calculation suggested that the provisions would be somewhere about Rs 4-5 crore per quarter, now you are saying that, you have changed some kind of your estimate?
- Arun Chittilappilly:** Yes, there are some estimates and some kind of changes, I mean there is no change in the case, but I think the auditors want us to provide for penalties something like that, so I think whatever provision has to be made we have to do it.
- Kaustub Pawaskar:** Should we assume Rs10 crore kind of provision for every quarter?



*Wonderla Holidays Limited
February 02, 2017*

- Arun Chittilappilly:** No, Rs10 crore is exceptional. I am telling you this is not only for this quarter, this is cumulative for the other quarters of this year as well. So, I think the next quarter also there will be a slightly higher provisioning, but after that we will have Rs 4-5 crore per quarter as what we are doing.
- Kaustub Pawaskar:** Sir, another question is on the footfalls, this quarter you have seen your footfalls growing by about 1% and 3% in Bengaluru and Kochi respectively, so that is commendable considering the fact that demonetisation was there, but in 4Q can we expect that to normalise to about 4% to 5% and steadily growing by about 5% to 6% because Bengaluru and Kochi are kind of mature parks for you and unless and until you do not add rides the frequency of visitors visiting the park would be less, but is it fair to assume 4% to 5% steady kind of a footfall growth is achievable in Bengaluru and Kochi Parks from current levels?
- Arun Chittilappilly:** Yes, I think we are targeting 4% to 5% growth in footfalls for our mature parks that is what we are working towards, but having said that because of all the uncertainties that have happened with the markets with all this demonetisation and I think there is a slight cautiousness in people's minds about spending, but we are seeing that aspect of it is slowly not really affecting us right now, but it is hard to predict, but we definitely hope that by 1Q onwards we want to see growth in all our parks and that is what we are trying to do.
- Kaustub Pawaskar:** What kind of price increase you are planning to take because this year service tax has not been increased so I guess price increase would be limited to 4% to 5%?
- Arun Chittilappilly:** Last year, we increased our prices only by 3% to 4%, if you remember the year before that we had increased it substantially. This year I think we are planning between 5% and 8%; this is for the next financial year.
- Kaustub Pawaskar:** But you do not expect it to have any significant impact on the footfall as such?
- Arun Chittilappilly:** No, I think it is okay because I think whatever impact has happened is already happened in terms of footfall reduction and all that because price was a factor. I think especially the first quarter of last year, we saw some drop, but after that we have not seen any significant drop and I do not think it is linked to price anymore so we are thinking of raising prices a little bit.
- Kaustub Pawaskar:** Sir, in some of the earlier quarters may be 3Q or 4Q of last year, there were some issues with schools and that affected the footfalls in 2016 in the second half of the year, so again that issue has been now sorted out and things are better in terms of school students?
- Arun Chittilappilly:** Yes, we have seen that problem this year so far and that is why you have seen higher contribution from schools and colleges for this last quarter.
- Kaustub Pawaskar:** Thank you very much.



Wonderla Holidays Limited
February 02, 2017

- Arun Chittilappilly:** Thanks.
- Moderator:** Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Thanks for the opportunity and congratulations on very heartening set of numbers in a bad time. Sir, just wanted to know that this provision you mentioned is with the provision that we are planning for the next quarter have we done for the down side just in case of the litigation does not go in our favour?
- Arun Chittilappilly:** Yes, that is what we are doing. We are provisioning for any kind of downside, so we are writing everything off. So, we have done most of it in this quarter, some of it will continue in the next quarter and that should be it. This is not just one litigation. Please do not put this in any reports and all that, because you know these are bearing on the case itself so we do not want this to be written specifically, we are just saying it is provisioning and hope you will understand that.
- Tejas Shah:** Sure Sir, just to understand the whole service tax part and I believe there are two elements in terms we are splitting out tax part on service tax and?
- Arun Chittilappilly:** That is the huge subject, it will probably take me one full day to explain, but as a very complex matter, but definitely there is merit in it is what we feel and it has been admitted by courts, it is not that the courts have said that they have not quashed it, in fact everywhere we have taken this argument it has been admitted, so I think there is some merit to it and so that is why and we do feel it unfair especially like if you look at Hyderabad, we are paying 15% service tax and 20% entertainment tax which is absurd, so we are definitely challenging it, let's see.
- Tejas Shah:** But Sir once GST comes then this confusion will be over?
- Arun Chittilappilly:** Yes, so this will happen only till the first quarter of next year.
- Tejas Shah:** Sir, this whole ad spends you said that you are doing something which we have not done earlier so is this to support a particular park because our understanding is that you cannot leverage media because the content and media both has to be localised for this kind of advertisement?
- Arun Chittilappilly:** Yes, it's mostly the regional spends that we have done. We have done all the southern four states and whatever you spend is limited to those southern four states.
- Tejas Shah:** But any particular park, which will revive that kind of distant support which we have not done in past?
- Arun Chittilappilly:** No, just for Hyderabad predominantly because we have a new park there and we have to spend more in our first couple of years.



*Wonderla Holidays Limited
February 02, 2017*

- Tejas Shah:** That is it from my side, all the best.
- Moderator:** Thank you. The next question is from the line of Girish Shetty from Equity Master. Please go ahead.
- Girish Shetty:** Sir, just one question. Sir, main thing I wanted to ask is are you looking at building up resorts in other areas like you have done in Bengaluru?
- Arun Chittilappilly:** I think we can do it in only mature markets, so we have already done one in Bengaluru. We are thinking of doing one in Cochin, but the approval for that has been pending for a while and the whole thing is stuck, but for Hyderabad we are not foreseeing to do something like that until we are hit like a million visitors per annum, only then does it make sense for us to invest in a resort.
- Girish Shetty:** So in terms of space and all there would be no constraint if you want?
- Arun Chittilappilly:** Yes, we have no constraint in terms of space.
- Girish Shetty:** That is it from my side.
- Moderator:** Thank you. The next question is from the line of Amit Verma an individual investor. Please go ahead.
- Amit Verma:** I wanted to ask what would be effect of GST on margins?
- Arun Chittilappilly:** That depends on which category, which slab that we will come into, I think this slab could go up as high as 25% or 28% is what I understand and I do not know where we are going to fall, so depending on that we will have to take a look, we do not know yet.
- Amit Verma:** Thank you.
- Moderator:** Thank you. The next question is from the line of Rohit Potti an individual investor. Please go ahead.
- Rohit Potti:** Thank you for the opportunity. First of all I would like to convey my admiration for the company and the way it is run. Sir, I have a question on the formats the company is currently following and if there is any plan to add new formats in future like may be getting closer to the customers by opening certain smaller centres in the city?
- Arun Chittilappilly:** We have thought about it earlier in like being in a mall, and opening an SCC that category is called an SCC when you take the floor of a mall and you make it into a small amusement park, but anyway we have toyed with the idea, but it is just that, that kind of business is highly perceptible to competition because the investment is low and there are a number of malls that are



*Wonderla Holidays Limited
February 02, 2017*

coming in every city. You definitely had to be on the top mall in the city for you to get a profitable business, which is a big gamble for us, so we are really sure. We already have expertise in making larger parks so we feel that our brand is more probably suited to that. So for the time being we are not looking at that, but if there is an opportunity that comes our way in a city that we already operate in new recruited company building of big mall or something and then there is an opportunity to participate we can try, but that is not our part of strategy, our strategy will continue to be building large format amusement parks in the outskirts because that is where our competitiveness really lies.

Rohit Potti:

The next question I have was about the capacity utilisation, if I am not wrong, the capacity for each park is from 8,000 to 10,000 visitors per day and right now the run rate is around 3,000 to 4,000, so just wondering what strategies do you foresee the company developing to hit an optimum capacity utilisation, what would be the optimum utilisation you would be happy to see in the long run for even the mature parks that is the first question and second is what plans would you be following to achieve those levels?

Arun Chittilappilly:

I think it has to be marketing led to achieve higher levels of footfalls has to be definitely marketing led because I do not think from an offering standpoint we have any issues, but you have to remember those 8,000 to 9,000 is the theoretical capacity and that is the capacity of the park and it is very difficult to optimize it over a 365-day period. No park has been able to do that not even the big companies, so it is very difficult to plan in that way, you will always have seasonality depending on holidays and things like that, which we will not be able to overcome. But having said that couple of ways to incentivize not so big travelers is to play with pricing and also marketing and our creating events and festive during the off season, but it also again requires a higher marketing spend. So there are ways and means it can be done, but we need to find profitable ways of doing it. We are constantly trying and the seasonality is slowly easing out, but I would say that at current prices we will not be able to hit more than 4,000 visitors per day, but I do not think anything more than 5,000 or 6,000 is feasible for our size of a park.

Rohit Potti:

The next question I had was about the repeat business, understand that we are expanding the parks, so slowly I think it will not be possible for a customer to may be see whole park in one go, which is a good way to encourage customers to come back. Are there any methods that you choose or is there any way that you check how many customers come back and how often they come back something like a membership card or something?

Arun Chittilappilly:

We had a privilege card or we had a loyalty programme earlier and now we are transitioning to an annual park, which we are calling Wonder Parks and that will be rolled out in 1Q of next year fully. We are actually in the middle of an ERP transition as well. We are completely automating a lot our functions to an ERP implementation and that also hopefully. Once that is done, we can do this little better. Right now what we do to understand what kind of customers are coming is it



*Wonderla Holidays Limited
February 02, 2017*

is usually by asking them have they visited us before, this is through a few questions that we ask them and that is how we know that we do get roughly between 40% and 50% of repeat visitors.

Rohit Potti: So, roughly 40% to 50% visitors are repeat visitors for both Cochin and Bengaluru is it?

Arun Chittilappilly: Yes.

Rohit Potti: That is a very nice number. The next question I have is if I am not wrong, you do not charge for parking and neither are there advertisement hoardings in the park, which is a very good way of improving the customer delight factor, but just wanted to understand do you have plans to undertake that?

Arun Chittilappilly: We do not want, I think our philosophy has always been that we want to reduce from that point for a customer where he has a shell out money because I think especially on a crowded day it all adds to dissatisfaction. You all have been to a mall during the festival time and then, first you will wait in a long line to get into the mall then you wait in a long line to watch a movie, then you wait in a long line for safe parking, so it just adds to the dissatisfaction levels and that incremental revenue for us is not really worth dissatisfaction is what we feel and that is why we do not do it and it is a conscious decision that we have taken. It also needs a lot of control and additional manpower and we rather charge the visitor little more than have any more points where which the people have to pay at least that is the way we have done it. We could start monetizing parking we have thought about it in the past, at some point we could do it. It is just that right now we are not doing it and regarding advertising in park is something that we do not like to do because it kind of spoils the way the park looks. We are open to some kind of tie-ups with some brands if they want or brand a ride or name the ride after a brand and things like that, which we have done couple of times in the past, but I think that make more sense if it is a theme ride and the ride is seen to that broader or things like that, which you will be getting into little later because we do not have too many content base we just have couple of them, but I think going forward we will be investing more in those kind of rides.

Rohit Potti: When you say going forward it is going to be for all three parks or how it is going to be like for Kerala something like Mayavi or Balarama based ride?

Arun Chittilappilly: We already have Balarama-based ride in Kerala, so you know it is difficult to find that kind of popular characters and then bring them to life and then they create a ride around it, so that is the way it has to be done. We are looking at doing that going forward. I think it will have to be a centralised one because it is very expensive and very difficult to create content, park-wise. So, we are trying to see whether we can do something, which has a little more universal appeal and it can run in all three parks.

Rohit Potti: One last question from me. Just to understand how you will look at the business what are major things that you look at for each of these parks or the companies to measure?



*Wonderla Holidays Limited
February 02, 2017*

- Arun Chittilappilly:** I think the fundamental, the Holy Grail, for any investment park is footfalls. If the footfalls are not growing, I mean obviously that is a concern for us and so we always try to track footfall growth in different sectors, in different seasons and that is always something very important to us that is the first thing, then we look at in park revenues, which is not ticket revenues then we look at by what percentage we are able to pass on a price hike to customers every year. So, these are all measures by which you know the strength you're offering and I think we have done well in all these aspects so far. We hope to continue to be able to do that.
- Rohit Potti:** Thank you, you have been very patience. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Nikhil Upadhayay from Securities Investment Managers. Please go ahead.
- Nikhil Upadhayay:** Good afternoon Sir and thanks for the opportunity. Sir, two questions, one was like as you mentioned in this quarter we had some employee additions for Hyderabad Park, I just wanted to know have we added most of the costs related to the operations and the advertisement, is in the P&L now or do you think there are some more costs, which can be borne by the P&L?
- Arun Chittilappilly:** No, I think anything other than marketing and depreciation cost would slowly be consolidated that beyond this. In fact, it should come down that is what we are hoping. Some of the employee cost that we have seen in top management hires that we have done, we have expanded our top management team significantly since last year. We have added some new people in the systems, so some of that will continue, but any other park level we do not see increase in employee cost as such at least for the current three parks, of course when we have another park again there will be a level of induction and change in employee cost some things like that.
- Nikhil Upadhayay:** Sir, secondly if we look at on the pricing side you said we would probably be increasing ticket prices in the range of 5% to 8%, but if we look at Hyderabad Park, which we are currently doing around Rs 656 for an entry, which is the 35% tax which means the average realisation would be around Rs 1,000 could it be a case that in some of the parks like Hyderabad or Kochi, the price increase could be much higher or do you think that 5% to 8% would be borne even in Hyderabad?
- Arun Chittilappilly:** I think in Hyderabad, first year, we have played pricing a lot and we have not stuck to our original pricing. It is little lower than that right now, we might hike Hyderabad a little more, but that we will wait for 4Q and then take a decision at least part of 4Q and then decide on that.
- Nikhil Upadhayay:** Lastly Sir, if we look at our non-ticket revenue increase in Bengaluru and Kochi, the increase has been very appreciative, is it also a result of because we took over some of the operations of the restaurants and also as a result of profit sharing, which we were doing is not there in the complete revenue has come in?



*Wonderla Holidays Limited
February 02, 2017*

Arun Chittilappilly: Yes, that is part of the reason that I think only in Cochin you have that Effect. The other main reason is we are strictly enforcing our dress code in the water park since last quarter and just to improve the customer experience and so because of that we are seeing higher incident of sale merchandise so that is also another reason. We are looking at ways in which we can come up with a very competitive pricing for swimwear and water park costumes, so they would not feel that is too expensive so that is some of the feedbacks we are getting now that is too expensive to buy water park costumes in our park, so we want to try in rationalise that and we are coming up with very innovative design so that we can keep it very competitive at the same time improve our spends in the park. So I think we will definitely try our best to make sure that we increase our non-ticket revenue and whatever you see as a result of that effort.

Nikhil Upadhayay: Lastly Sir, one of the things like which we had discussed earlier was when we takeover the operations of the restaurant, the overall profitability, which our earnings would actually increase. So, I just wanted to understand because although we are not sharing the revenue with the partner, but also the cost will be borne by us, so how does it increase the profitability?

Arun Chittilappilly: It increases profitability mainly because of the production methodology. Right now if you look at Bengaluru and Cochin we have individual kitchen for each restaurant whereas Hyderabad is our first where we have a central kitchen and every restaurant does not have its own individual kitchen, so when you do things like that it will automatically brings a scale to the business and you can reduce cost substantially, also help us improve quality and maintain quality far better, also cost of equipment and investment in the equipment everything come down also instead of having five kitchens if you have two always it is cheaper to do that.

Nikhil Upadhayay: If you can help me understand this, earlier the set-up was like we were creating the set-up in the kitchen was run by the partners, so most of the cost was borne by him?

Arun Chittilappilly: No, actually the investment in the kitchen is done by us, it is not borne by him. He only manages the cost of labour and raw material for cooking and things like that, but all the heavy machinery in the kitchen and all the cooking hardware is provided by us.

Nikhil Upadhayay: Last one question, if I compare our average ticket revenue or average ticket pricing, so at Rs1,000 or Rs1,100 rupees entry ticket and if I compare the pricing of some of parks in the USA like Six Flag or Cedar which is around \$25, which comes to around?

Arun Chittilappilly: Six Flags is not a \$25. Six Flags is at \$40 to \$45.

Nikhil Upadhayay: So that is the total, so only the ticket revenue I am talking.

Arun Chittilappilly: No, if you look at the pricing in Six Flags, most of their parks have a pricing of roughly between \$40 and \$50 dollars and they charge \$20 dollars for parking.



*Wonderla Holidays Limited
February 02, 2017*

- Nikhil Upadhayay:** Okay, in their presentation it shows \$35 to \$40 realisation with the ticket price of \$25 and \$10 dollar of non-ticket revenue?
- Arun Chittilappilly:** No, that is because they have huge annual ticket plan and lot of the tickets are highly discounted, but if you go to their counter and buy a ticket it is roughly \$45 dollars, that is our average ticket realisation, like say our average ticket realisation is Rs600 or Rs700 if not Rs1,000.
- Nikhil Upadhayay:** Got the point. Thanks for clearing.
- Moderator:** Thank you. The next question is from the line of Miten Lathia for HDFC Mutual Fund. Please go ahead.
- Miten Lathia:** I just wanted to clarify the service tax provisioning was anyways happening every quarter, so the provision that we made this quarter is not exactly service tax or something else and hence the one of nature?
- Arun Chittilappilly:** It is actually part of it is for service tax, but the calculation was done differently by the auditors and they said this is the way you have to provide, so we have to provide a little more that is the reality.
- Miten Lathia:** You sort of answered to the previous question on ad spends and now that this year Hyderabad would be in the base, next year's growth should be pretty nominal in action, when you are looking at fiscal 2018 should ad spends be very different from what they were in Fiscal 2017?
- Arun Chittilappilly:** There will be small increments. I do not know I mean it is hard to put up in a number to that right now, but I think we are working. We technically increase our ad spends by roughly 10% annually.
- Hiten Lathia:** In line with revenue essentially?
- Arun Chittilappilly:** Yes, it is in line with revenue always.
- Hiten Lathia:** There is no need otherwise on the market?
- Arun Chittilappilly:** It could even come down, actually depending on how the footfalls ramp up in Hyderabad that initial ad spends could come down, but I do not know, but next year we are looking at changing our brand identity also. We will come up with a new logo and we are just refreshing our brand a little bit, so when we do that I think there will be a little bit of spend happening around the first quarter of next year, but I think by the next year we should come back to our normal kind of scenario.



Wonderla Holidays Limited
February 02, 2017

Miten Lathia: For us just tracking the Hyderabad Park through the year I think we started out better than what we were originally expecting and at this point we think we will probably be short of the 700,000 footfall target that we had. So other than demonetisation did anything else change as far as your footfalls expectations?

Arun Chittilappilly: I think couple of things happened. One is demonetisation; I mean demonetisation did not play much for us. I think what happened for us is initially when we need we heavily discounted our pricing in our first two months and that created a bit of negative sentiment because everybody used to say that our parks are too crowded, so I think that is not a good thing to have in the beginning itself so I think that played that kind of adversely affected us in 2Q and then we have to revive the footfalls again for extra marketing, so that happened in 3Q. So now we are at a good place. I think if we are able to manage it we should be able to do, so that is why I said we were expecting 7 lakh and then we thought we reached only 6, now we are saying it could be anyway between 6 and 7 depending on how it pans out, but we will not reach 7, I think it gets too ambitious.

Hiten Lathia: To another question, you answered that you will try to close the Chennai land deal by June 2018 given the time that it takes for these kinds of deals to conclude. What are the other parcels? We should be in a fairly advanced stage at the moment to be able to close it in 2018?

Arun Chittilappilly: We are not moving away from the parcel that we have already done legal wedding and all that, it is just that some part of it has to be changed to new part, which are not in the agricultural zone, so that is the change we are doing and also there is a change in pricing and so that is slight ambiguity right now in Tamil Nadu because of the whole government instability and things like that, so we are waiting for that to settle down a little bit and then we can go and also there has been a shuffle in the IAS cadre, there is a lot of change that has happened in Tamil Nadu so that is the main reason there is a bit of an ambiguity in Tamil Nadu in terms of land acquisition in our project, but we have reasonably saw that it is the same government and we should be able to go ahead with it with all the promises they have given us in the MoU we find with them, but we are just seeing a little cautious with it.

Miten Lathia: Essentially it is a same parcel, but it may be rehashed?

Arun Chittilappilly: Yes, this is rehashed and some of those properties have been deleted which we feel cannot be registered because of that new ruling that has come out.

Hiten Lathia: In the case or in a very rare case that this thing is absolutely not doable then how much of a setback in terms of timeline would Chennai Park see?

Arun Chittilappilly: As of now we are behind by about one and half quarters. I think every time there is setback in land I think we will lose that at least one or two quarters, so that is how it usually works. If we



Wonderla Holidays Limited
February 02, 2017

are not able to close it in the next six months, I do not know, but I will update you, I think it should be fine.

Hiten Lathia: If the land closure happen by June 2017, the March 2018 or April 2019, would still hold?

Arun Chittilappilly: Yes, we need a clear two years after land acquisition to finish the park.

Hiten Lathia: I wish you all the best, thank you.

Moderator: Thank you. The next question is from the line of Gaurav Shah from SJC Advisors. Please go ahead.

Gaurav Shah: Thanks for the opportunity. I am sure I think last quarter you mentioned that the EBITDA contribution from the Hyderabad Park was a negative Rs 1.8 crore what is the number for this quarter?

Arun Chittilappilly: This quarter is also EBITDA positive, but I do not have the number with me, let me check it. I cannot find it right now, but I can send it to you.

Gaurav Shah: It is an EBITDA positive right?

Arun Chittilappilly: Yes, EBITDA positive.

Gaurav Shah: If I kind of back out an EBITDA number for Hyderabad if you look at the implied EBITDA numbers for the other two parks and even if you kind of account for higher provisioning this quarter there seems to deceleration as far as the margins are concerned for the older parks. Would that be a fair comment?

Arun Chittilappilly: There is a deceleration of margins mainly because of we have had an increase in employee cost and operational cost which is R&M, we add a couple of extra R&M charges to the balance sheet. They are one off that has happened in the last quarter.

Gaurav Shah: So there is only go live basis which the older park should be able to do between 40 and 45 EBITDA margin which is kind of your guidance currently?

Arun Chittilappilly: No, there is no change there.

Gaurav Shah: Secondly, I think you have introduced RFID billing in the Hyderabad Park, if I am not mistaken and the plan was to role that out to the other parks as well. What is the progress on that?

Arun Chittilappilly: We are doing that right now. In fact as we speak I think in Bengaluru we are implementing that we are changing all the lockers to the RFID type of lockers. I think by the end of Q4 we will be



*Wonderla Holidays Limited
February 02, 2017*

completely ready and also parallelly we are doing an ERP transformation also. All our IPs are going to be Oracle base now. I think by end of Q4 all three parks will be completely linked to the RFID and all our parks will be upgraded as expected which are happening right now.

Gaurav Shah: I am just empirically from whatever you have observed, what has been the ease of use or the benefit to the end customer once RFID comes in like what kind of uptick should be seen in terms of consumption?

Arun Chittilappilly: Hard to predict, but we do definitely see some kind of an uptick because right now we are losing a lot of spends because people do not carry their wallets with them especially in the water park so that is probably the half the day they do not have the money with them so it should help us improve spending, but by what extent it is hard to predict.

Gaurav Shah: How does this work in that when they enter the park, would they pay a certain amount of value loaded on to their RFIDs or would they pay for this and then they get a refund for whatever is not used?

Arun Chittilappilly: Yes, prepaid and then refunded.

Gaurav Shah: Last question from me. On the Hyderabad Park we saw walk-ins contribute 45% in terms of mix and of course we said that to drop from the 91% you saw in 1Q when the park just opened, but for 45 seems to be quite a low number compared to the other parks as well and obviously that adversely impacts the ATP, where do you expect that number to settle or will start maturing next year?

Arun Chittilappilly: First year you cannot draw any conclusions on all those things and we have to remember that. It will take one or two years for it to settle, but we should broadly follow what Bengaluru is doing after a year or two.

Gaurav Shah: That is it from me. Thank you very much.

Arun Chittilappilly: Thank you all for listening in. If you have any other more technical questions do you write to us and then we will be able to answer to for you. Thanks for joining us.

Moderator: Thank you. Ladies and gentlemen, on behalf of Ambit Capital that concludes this conference. Thank you for joining us. You may now disconnect your lines.