



“Wonderla Holidays Limited  
Q2 FY2020 Earnings Conference Call”

October 31, 2019



**ANALYST:**

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**MANAGEMENT:**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Wonderla Holidays Limited Q2 FY2020 Results Conference Call hosted by ICICI Securities 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 will now hand the conference over to Mr. Jigar Shah of ICICI Securities. Thank you and over to you Sir!

**Jigar Shah:** Thank you. Good morning everyone. It is a pleasure to welcome you all on behalf of ICICI Securities to Wonderla Holidays Limited Q2 FY2020 earnings conference call. We have with us today on the call Mr. George Joseph, Joint Managing Director and Mr. Satheesh Seshadri, CFO of the company. Thank you and over to you Sir!

**George Joseph:** Thank you very much. Good morning everyone. On behalf of the management of the company, we extend a warm welcome to all of you. We are here on this conference call to discuss the earnings of Wonderla Holidays Limited for the Q2 of the FY2019-2020. At the outset, I am extremely happy to announce that the much-awaited exemption from



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entrainment tax has been received from the Government of Tamil Nadu. We are now in the final stages of receiving the necessary project approvals to begin the construction of our much-awaited fourth park in Chennai. Our strength and expertise in running the complex amusement park business in the most optimal way has been greatly appreciated across the country.

As a further testimony to our operational efficiency, we have recently received an offer from the Government of Odisha to setup a new amusement park in that State. The Government of Odisha will provide the land on a long-term lease basis thus enabling us to develop an asset-light model and balance sheet friendly amusement park. The board of the company has given an in-principle approval to evaluate the proposal and we will keep you updated about the progress. These developments are giving a further impetus to our overall expansion plans. Let us now look at the Q2 and the H1 performance of the company.

As you are aware, the Q2 is typically unfavorable to outdoor parks due to the onset of monsoon. The footfalls get impacted and naturally so does the revenue and the profitability. Looking at our financial scorecard, the revenue for Q2 of 2020 were almost flat running at just 1.2% lower on a Y-o-Y basis from Rs.41.3 Crores to



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Rs.40.8 Crores. Our ticket revenue per visitor declined by 5%, while our non-ticket revenue remained flat during the period. Our Q2 2020 revenue growth was affected due to lower footfalls, largely due to the demand slow down, excessive rainfall, and the floods prevailing in both Kerala and Karnataka. Our Bengaluru Park in particular witnessed a decline of 22% in footfall mainly due to unfavorable weather conditions for outdoor activities.

In contrast, our Kochi Park saw a 60% increase in footfall, albeit on a lower base of Q2 FY2019, while our Hyderabad park footfall grew by 5% despite witnessing some unseasonal rain. Our Q2 FY2020, EBITDA declined by 39.4% Y-o-Y from Rs.9 Crores to Rs. 5.48 Crores. Our profit after tax for the quarter was Rs.16 lakhs as against the PAT of Rs.94 lakhs reported in the corresponding quarter of the previous year. Our cash PAT that is PAT plus depreciation declined marginally by 1.5% from Rs.10.8 Crores in FY2019 to Rs.10.65 Crores in FY2020. On a six-monthly basis, we saw our footfall increase by 6.7% on a year-on-year basis. Our half year revenue has also increased by 9.1% from Rs.145.1 Crores in H1 FY2019 to Rs.158.4 Crores in H1 FY2020.

Our EBITDA for H1 stood at Rs.74 Crores, an increase of 11.3% in comparison to H1 FY2019 and our profit after



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tax for H1 stood at Rs.42 Crores an increase of 24.4% from corresponding previous period. Our cash PAT stood at Rs.63 Crores, which also increased by 17.6% for the corresponding previous half year period. At our resort in Bengaluru, the occupancy for H1 FY2020 was 51% and revenue stood at Rs.6.3 Crores representing 14% rise over the corresponding H1 of FY2019. With that let us start with the question and answer session. I thank you all very much.

**Moderator:** Thank you very much, Sir. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have our first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy:** My first question is on the Odisha and the Chennai projects. In Odisha, which city has been shortlisted, and have they given this proposal to others or only to you? When you say asset-light amusement park, how is that different from the Hyderabad park? I understand you are evaluating the proposal, but is this a serious kind of proposal or you keep getting this kind of proposals?

**George Joseph:** As you mentioned, we are evaluating and the board has permitted the company to discuss and negotiate with the



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Government of Odisha. It is an exclusive offer for Wonderla as we understand because the concerned authorities including the Minister of Tourism and the Secretary to Tourism visited to our Bengaluru park, then they came down to Kochi to meet us. We identified 4-5 locations, then zeroed in on a location in Bhubaneswar, which is around 19 to 20 km from Bhubaneswar and about 2.5 km from the National Highway. We are happy to mention to you that this is a very proactive State, they want to develop their tourism and they have offered many incentives. First is a long lease of 90 years at a very competitive rate, the rate per acre comes only to Rs.6 lakhs. Secondly, they are giving 20% investment subsidy capped at Rs.15 Crores. Thirdly, they have agreed to give us access from National Highway to our park. As of now there is a 30 feet road, they will convert it into a 60 feet road with a double line and the government will bear the cost. Number four, they will give potable water connection from Mahanadi River directly to our site at their cost and the water charge agreed is one-tenth of what we are paying at Hyderabad. This is a great offer and we are keen to grab it; however, we are doing a feasibility study to understand the feasibility of the park in Bhubaneswar and thereafter we will go to our Board and make the appropriate investment. By asset-light model what we mean is that we



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do not need to incur heavy capex to obtain land-asset. If we look at our Chennai park, the investment in land is around Rs.75 Crores and in addition we have incurred around 10.00 Crores for filling, levelling and compound wall. In total it cost us around Rs.85 Crores whereas the cost of land in Bhubaneshwar is only Rs.3 Crores. We told the Government of Odisha that initially we will only go for a water park plus a few land rides and later we will go for some additional land rides depending upon the acceptance or the reception of the park by the people of Odisha. So we would like to restrict the initial investment to the extent of about Rs.75 Crores to Rs.100 Crores.

**Abneesh Roy:** Just one follow-up here, before we go to Chennai park, in terms of the timelines, when can you start? Because it looks too good on paper, so your timelines can be also quite short?

**George Joseph:** Number one, the timeline as per the government's direction is that we will have to complete the promised construction within a period of three years. Our first priority is Chennai and we have the bandwidth to take up the construction for Odisha and Chennai simultaneously. However, we do not want to combine those two, we will start Chennai first and thereafter, after stabilizing the construction activities in Chennai, we will go to Odisha



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**Abneesh Roy:** So, now let us discuss Chennai in terms of timelines?

**George Joseph:** We have already submitted the papers for approval of Chennai park. As mentioned in our press release on Chennai, The Government of Tamil Nadu has given the permission to exempt our park from the LBT (Local Body Tax) for five years from November 1, 2019. As per the Order, the Project execution period is also included in the exemption period of 5 years. This is an anomaly. Therefore, we are meeting the Chief Minister and representatives of Government of Tamil Nadu, this week, to request exemption for five years from the date of commencement of operations, instead of from the date of order. We have just uploaded the required documents for necessary approval. We hope to get the approval in a couple of months' time. Hopefully we would like to commence the construction by January 2020 after the rainy season.

**Abneesh Roy:** Sir my second and last question is on the Kochi park, we have a good footfall growth of 60%. I understand base was smaller, and even this year we had higher rainfall. Why Kochi has done better and Bengaluru has really suffered because of the rains?



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**George Joseph:** In Kochi park, the base was low. As you are aware, last year we lost around 1.67 lakhs of visitors due to the excessive rainfall, the Nipah virus, the hartal due to Sabarimala issue and the floods. During the current year, though we almost had a flood like situation, it did not culminate into a calamity like last year. Due to our BD, BDP related activities, there is a good growth in groups footfall, especially from Tamil Nadu. But we could not bring back the entire crowd, we lost last year due to floods. If you look at Bengaluru, the groups have grown by almost about 60%, but there is a de-growth in the walk-in. Almost every day it was raining, and when it rains in Bengaluru, the temperature comes down. People are reluctant to come out on such days and avoid outdoor activity. Another reason was the political situation. On account of the arrest of one of the Ex-Minister, Shri D.K. Shivakumar, there was all-round protest resulting in closure of the Bengaluru park for a day and road blockage on many days. We also witnessed the demand recession across all our locations.

**Abneesh Roy:** Thank you, Sir. Very detailed answer. Thank you.

**Moderator:** Thank you. We have next question from the line of Tejas Shah from Spark Capital. Please go ahead.



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**Tejas Shah:** Thanks for the opportunity. Sir, first question pertains to the final arrangement with Tamil Nadu Government. Is this arrangement as per your initial demand because we believe we wanted the abolition to be permanent and not for only five years and the subset of that question is how does it change our calculations on payback period or IRR for the project.

**George Joseph:** It is exactly not as per our initial demand. Our initial demand was for a permanent exemption covering all amusement parks, not Wonderla alone. The other parks in Chennai are not happy and they are pursuing their case with the Authorities.

**Tejas Shah:** Sir, when is the park expected to commence operations?

**George Joseph:** We hope to commence commercial operations by July 2021 i.e., 18 months from the date of commencement of construction.

**Tejas Shah:** Sir, was Odisha on our potential list?

**George Joseph:** I have not covered second part of your first question. I would like to take you through the earlier regime of entertainment tax, which was very low across all our parks, and subsequent service tax @ 15% and then 28% GST, thereafter reduction of GST to 18%. During the period of



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hefty increase in Tax, the reduction in footfall was around 7.5% and reduction in revenue was 5%. Therefore we assume that, even if the LBT is introduced after five years, the maximum impact on the footfall and revenue would be around 7.5% and 5% respectively. We are confident that Chennai being the largest market, we will be able to reach our projections as per plans.

**Tejas Shah:** Sir, second question pertains to Odisha, was Odisha on our potential list at all or the state government invitation has made us consider the opportunity here?

**George Joseph:** Odisha was not in our radar initially. However, we have made some study after the government authorities invited us and find that an asset-light model will definitely be a hit in Odisha. There are no amusement park worth mention in Odisha. There are couple of small water parks. They are badly maintained. In our analysis we find that, being an asset-light model and the ticket prices lesser than what we have in our other parks, it will definitely be financially viable and we will have the same payback period like other parks.

**Tejas Shah:** Sir, as a firm do we have the capability to work on two parks simultaneously or we will still go one by one as we have done in the past?



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**George Joseph:** Yes, we do have the management bandwidth. We are very confident about it. But this is the first time we are going for two parks simultaneously. Therefore we will judiciously space the Project work in such a way to avoid any strain on our Resources. We will initially start the work in Chennai and thereafter, after stabilizing the Project flow there, we will initiate work in Odisha. There will be a gap of about 6-9 months between commencement of work in Chennai and Odisha.

**Tejas Shah:** Any update to understand when will Mr. Arun Chittilappilly resume active management?

**George Joseph:** Mr. Arun was with us in our recent Board meeting at Bengaluru and he is also joining us in meeting the Chief Minister later this week. Even though he is not physically available, he is actively involved in the management. We interact with him regularly. Yesterday he was with us attending the Annual Day Celebrations of our Bengaluru Park. He will take an appropriate call on resuming duties, after his preoccupation abroad.

**Tejas Shah:** Great Sir. Thanks for very elaborate answers and all the best.



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**Moderator:** Thank you. We have next question from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.

**Rohit Balakrishnan:** Thanks for the opportunity. Sir if I look at footfalls at your Bengaluru and Kochi park over the last five years, there is a decline across both these parks. If I look at Bengaluru park, over a five-year period footfalls are down by 2% and even Kochi is down 4% to 5% till 2017 excluding 2018 for heavy floods. Sir, is it fair to say that these parks have reached their peak in terms of visitor potential?

**George Joseph:** Mr. Balakrishnan, if you analyze the footfall decline with respect to macro environment, the decline is related to certain events. It is not that we have reached our potential. If you look at 2008 there was a recession that has affected the footfall. Thereafter we were slowly getting back to the growth trajectory and around 2014-15, we had peaked. Then came the levy of service tax at 15% and there was a resultant decline. That was followed by 28% GST which resulted in a further downturn. Later in January 2018, GST was reduced to 18% and we saw an uptrend in footfall. So you can observe that the footfall movement is related to certain events. We believe that such events are bound to be in the economy. Currently the climatic conditions and the slow down are impacting the growth. We are sure that the



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growth will pick as we see economic upturn. We are aware that at the 19-year-old park in Kochi, 14 year old park in Bengaluru, customer is looking for new experiences. We are adding new rides in every park every year. In fact last month we inaugurated two new rides in Bengaluru. We also find that we have not exploited the potential of the inbound tourists to each of the States where we are currently operating. For example, Kerala gets about 1.5 Crores of tourists every year. We have not tapped this segment fully. Similarly, Karnataka, Telangana, Andhra Pradesh get large tourist inflow. Currently a small percentage of them are coming to our park. We are going to target them in a big way and exploring the strategies required for attracting the inbound tourist to our park. We have not even covered 5% of the target group in all the states. So there is still ample scope to boost footfalls.

**Rohit Balakrishnan:** If I look at both parks, Bengaluru Park sees 10 lakhs visitors per year and similar numbers were seen at the peak for Kochi Park. So do you still feel that there is enough headroom?

**George Joseph:** Yes, there is enough headroom and we are confident about it. I have always said, good decisions are taken during the bad times. Right now we are taking some strategic decisions to tap the inbound tourist segment. For example,



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we have now appointed prominent tour operator in Kochi as our BDP. This tour operator has large inbound tourists base on hand and 120 buses. Similarly we have lined up around four prominent tour operators in Hyderabad. We are selling our ABC i.e., Advanced Booking Coupon through these Tour operators in Hyderabad. These are the segments we have not exploited till now.

**Rohit Balakrishnan:** When you said 1.5 Crore tourists visiting, you mean this is for Kochi?

**George Joseph:** No, that figure is for Kerala. Out of the 1.5 Crores, tourists flow about 1 crore are inbound from other States and 50 lakhs travelling within the State. Whereas our footfall is around 7 to 9 lakhs per annum. So if we rightly tap the inbound tourist market, we can expect higher footfall.

**Rohit Balakrishnan:** The population of Bengaluru will be close to about a Crore?

**George Joseph:** Yes.

**Rohit Balakrishnan:** And we are already at about 10 lakhs to 11 lakhs. If you take 1 to 1.1 Crores people in your overall catchment area in Bengaluru, then you are broadly at 10% to 11% penetration. Is that a fair number or you think it can go higher?



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**George Joseph:** Our catchment area is not just Bengaluru city alone but the entire Karnataka state. We have a strong BDP setup in the State. In addition, as I mentioned, there are people coming from Kerala, Tamil Nadu, Andhra, Telangana etc., to Bengaluru park promoted by BDPs in these States. So if you look at it from a broad perspective, we have not exploited even 5% of our target crowd. The BDP setup is doing well and we want to realign the setup further. Our market penetration initiatives will hopefully see us through higher numbers in the coming years.

**Rohit Balakrishnan:** Thank you.

**Moderator:** Thank you. We have next question from the line of Rohit Potti, who is Individual Investor. Please go ahead.

**Rohit Potti:** Thank you for the opportunity. I would like to express my appreciation for transparency in detail with which you answer each question. I also find it insightful to interact with your investor relations team that interacts with the shareholders, because they are probably the most prompt team that I have seen. My first question is on the Odisha Park. Sir, the way you are approaching construction is quite interesting because you are slowly scaling up over time; starting up with primarily a water park and then may



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be adding rides in future. Why not go for something similar in the new park at Chennai as well?

**George Joseph:** Chennai is a very big market and we want to come up with a park which can attract the large population in Chennai. In Odisha, as I mentioned, they are not used to parks. They have some water parks in and around Bhubaneswar, which have not been maintained well. So with a water park of our standard, and a couple of land rides, we will be able to attract sufficient crowd in the first year of operations. We promised to the government that in the second year we will come up with a land park and then in the third phase we will create a convention center and in the fourth phase we are planning a resort in Odisha. In Chennai we need full model with all activities because there are competing parks like Kishkinta, MGM, VGP's ocean park & aquarium. So our offering should be better than current offerings in Chennai.

**Rohit Potti:** One follow-up there, how large is the land parcel that you are getting in Odisha?

**George Joseph:** It is 50 acres at lease rental of Rs. 6 lakhs per acre, totaling to Rs.3 Crores for 90 years lease.



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**Rohit Potti:** That is a great deal. Second question, could you speak a little more on the Hyderabad Park, because I do not think it is doing up to your expectation so far?

**George Joseph:** Even though we had a footfall growth of 5% in the current quarter, it is lower than our expectation. But there were unseasonal rains in Hyderabad. I was in Hyderabad last week and I told our staff that the rain should be welcomed, because if the temperature comes down, people should be out enjoying the environment. But the on-ground reality is that these rains are affecting the people, as they fall sick, contract viral fever, dengue etc. Hence, people are afraid to venture outdoors in the rainy season. This phenomenon has majorly affected the Hyderabad park footfalls, but then in Q3 and Q4, we are confident to see a rise. In Q3FY19 we had 2 lakh footfalls in Hyderabad last year. We are confident that we will improve upon it in this year. We are also doing a lot of activation in Hyderabad. We have appointed more BDPs and BDs. We have been regularly doing certain outdoor market activation programs in Kerala during Onam, Christmas etc., Our Teams go around the entire State during these festival seasons and with the help of the local BDP, perform Wonderla show in crowded places like beaches, malls etc., These shows are quite popular. We are going to replicate this in Hyderabad and



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nearby places and even in Chennai to stimulate the market. We will also increase ad and communication spend in Hyderabad and tie up with tour operators. As I already mentioned, four tour operators are selling our ABCs right now. We also have a tie up with the tourism department, and our name appears in the tourism website in Hyderabad. Visitors who come through the tourism department get a discounted offer. I think all of these will improve the situation in Hyderabad. As you have rightly mentioned, we are not happy with the growth we achieved in Hyderabad especially the current year, but we are hopeful that the things will improve.

**Rohit Potti:** Great, thank you. I want to just end with one suggestion. I meet few businessmen from the north, and most of them have kids, which are the perfect target group for Wonderla. But even though most of the businessmen do travel to Bengaluru and Kochi, they are not aware of our parks. I am primarily from south and I am aware of your parks and I love the experience you provide. So I found it surprising that people who seem to be the perfect target group and also visit Bengaluru are somehow not aware of the brand. So when we get these people flying in, if there is something about Wonderla that might help.



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**George Joseph:** Thank you very much for your feedback and suggestion. It is very valid. We will have to make Wonderla as a brand known across the country. With upcoming project in Odisha, our visibility across the country will be better. We are also targeting major cities in north, West and the East, wherein we are going to conduct one-to-one meeting with the tour operators. We are also exploring the idea of communication in the national media, both print and the electronic.

**Rohit Potti:** Thank you, Sir.

**Moderator:** Thank you, Sir. We have the next question from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

**Kaustubh Pawaskar:** Good morning, Sir. Thanks for giving me the opportunity. Sir, you just mentioned about the focus on improving the footfalls in Hyderabad Park for Q3. As the festive season has begun, have you seen any improvement in walk-ins in all your three parks? Rainfall got extended till Deepavali this year, so do you see an impact of the same or have you seen some kind of improvement?

**George Joseph:** Mr. Pawaskar, as I mentioned in my opening remark, the rains and the slowdown in economy have affected the footfall across all the parks especially the walk-in. We



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could push group footfalls, which grew by about 50% across the parks, but the reason for the overall drop in the footfall is on account of the drop in the walk-ins. Q3 and Q4 are going to be the predominant quarter for the groups. We are particularly confident in Hyderabad because we have lined up many groups. So across all three locations, Q3 we will have the school & college season. With the sun brightening up, there will be change in the mood of the people and we will have better footfalls. But as mentioned earlier the downward cycle in the economy will have its impact and it will continue for some more time.

**Kaustubh Pawaskar:** In that case the realization of average ticket will be lower considering the fact groups are given higher discounts. So the realizations will be lower on Y-o-Y basis?

**George Joseph:** I absolutely agree with you. Q3 is a quarter of groups where we see increase in footfall at the same time lower realization. However, on a Y-o-Y basis, I think there will be at least minimum 5% growth in the revenue.

**Kaustubh Pawaskar:** For the second half of FY2020?

**George Joseph:** No, Q3.



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**Kaustubh Pawaskar:** Sir, your non-ticketing revenues have also seen a decline. Previously even though you had drop in footfalls, your non-ticketing revenues used to continuously grow. But for the last two quarters, we have seen that even non-ticketing revenues have seen a dip, so what is the reason for the same?

**Satheesh Seshadri:** In the Bengaluru Park it is directly proportionate to the footfalls. So when the footfall are low, there is a dip the non-ticket. If you take the average non-ticket revenue per customer, there is an increase both in Hyderabad and the Bengaluru park while there is a small dip in Kochi park, on an account of the dip in the F&B. We are improving with new menus and other offerings, we hope to catch it up.

**George Joseph:** As I mentioned, in Q2, there is a growth in groups, and a dip in the walk-in. Groups from schools, colleges have lower capacity to spend, hence the non-ticket revenue gets impacted due to the change in mix of the footfall.

**Kaustubh Pawaskar:** There were plans to bring in some value for money food options in all the three parks, so are you working on it or still it will take some time?



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**Satheesh Seshadri:** We have already launched all-day meal coupons, which is running for sometime now and we have also introduced buffet options. We have seen good traction in these two numbers.

**Kaustubh Pawaskar:** Thanks for the clarification.

**Moderator:** Thank you, Sir. We have next question from the line of Sanjay Ladha from Concept Investwell. Please go ahead.

**Sanjay Ladha:** Going forward, from a 3 to 5 years perspective, what are the parameters for the sustainability in amusement parks business?

**George Joseph:** If you look at the CAGR of the amusement park industry in the country, it has been growing at around double digits over the last decade. If you compare with the global model, the penetration of the amusement park industry is much less in India. Once economic activity gains momentum and the GDP and per capita income go up, there will be about 10% to 12% CAGR across the years to come.

**Sanjay Ladha:** From your point of view, business will grow at 10% to 12% on revenue for a longer timeframe, not in short term?



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**George Joseph:** Exactly. In the current year, across the County there has been a de-growth in footfall for all listed parks. Even though Wonderla has not de-grown, there is a flat growth in the current quarter. We are in touch with all other parks, and we find that in all parks there is a de-growth in the footfalls.

**Sanjay Ladha:** Sir, all the points you have mentioned are external factors, but what are the internal factors towards ensuring business sustainability?

**George Joseph:** We must look at our strengths. At Wonderla, our USP is cleanliness, hygiene, and safety, which are unmatched across the industry. No other park can match the cleanliness, hygiene standards of Wonderla. The high NPS score reflects that all our visitors are thrilled and they will definitely come back in higher numbers. Even though there was a decline in the footfall of other parks in Q1, Wonderla could show a growth of about 10% to 12% because of our business process re-engineering. Plenty of activation have been done internally and we are confident to register a growth higher than the industry. We will continue to add new rides and give a new look to all our parks across locations. We have the best talents and our people are our strength. I am happy to mention that our company has been certified as a “Great Place to Work” by



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the “Great Place to Work Institute”. Globally, about 10000 companies participate in the survey on an annual basis and only a few of them get certified. We have been certified as a Great Place to Work in the first year of our participation in the survey. The trust index of the company that includes trust by the employees and the cultural index are extremely high compared to firms of similar size (employing 500 people or more). Then we also have a strong BD, BDP network, which are unique to us. We recently had an annual celebration for the BD & BDP and they have been recognized and awarded prizes. Apart from footfall and revenue, we evaluate the BDPs on many qualitative parameters like quality of their staff, the office setup, CRM implementation and other initiatives. For a BDP who scores 60% in the current appraisal we tell them you should score at least about 85% to 90% in the next appraisal. We are constantly trying to improve the quality of our people including the BDPs. We are apprising them every quarter on a five point scale and we are pushing their potential and the capability so that they will continue to benefit, not only the company, but also themselves by earning good commission and hope they will stay with us forever. These are some of the initiatives, which give us an edge over other companies and other parks. We are confident that our superiority in the business will continue.



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**Sanjay Ladha:** In the previous call you have mentioned that you are looking to operate other parks, what is the progress on that front?

**George Joseph:** Yes, we were looking at it and there is no update on that front.

**Satheesh Seshadri:** We checked some parks in Karnataka region and some other region, but the quality of the rides and other things was not to our level, so we could not take it up.

**Sanjay Ladha:** Okay Sir. Thank you.

**Moderator:** Thank you. We have next question from the line of Rahul Agarwal from VEC Investments. Please go ahead.

**Rahul Agarwal:** Good morning. Thanks for the opportunity. Mr. Joseph, I have two questions. Firstly, on the way you plan a park. It is a top down question. After initial setup costs, do you look at certain occupancy levels for about three to four years to calculate your paybacks? How will this change in the new parks wherein you will have a lesser capital cost for the land as you have a long-term lease. Further question is on the older parks where you own the land. You spend a lot of money on the land to enhance it, hence it takes longer to get your payback. If we divide the capex



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into these two parts where you have a long-term lease and land ownership and how do you look at optimum levels of occupancy, what is the payback period you plan currently? If the optimum level of ROCE is 20%, in what timeframe can the company achieve it on an overall basis? Thank you so much.

**Satheesh Seshadri:** In case of Bengaluru and Kochi parks the payback period was about 7 to 9 years because the investment levels were also under control and in case of Hyderabad park, we have invested about Rs.272 Crores, so the payback period is going to be about 12 years. ROCE excluding the reevaluation of land is about 6% to 7% now. If you only take Kochi or a Bengaluru park, our ROCE is much higher. In case of Chennai park, where the investment is going to be about Rs.350 Crores plus and the major part is on the land, the payback period could be beyond 12 years. We are expecting ROCE on the parks to start with about 4% to 7% and go up to 10% to 12%. But at the same time, in the Odisha model where the investment in land is minimal, we will pass on the benefit to the people by reducing the ticket prices. But we expect higher footfall on account of the affordable ticket prices.

**Rahul Agarwal:** So Chennai park will incur Rs.365 Crores of capex, of which Rs 85 crores was on land?



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**George Joseph:** Yes.

**Rahul Agarwal:** And then the balance of 280 crores will be spent on?

**George Joseph:** It is will be spent on the rides and the equipment and civil works.

**Rahul Agarwal:** Could you help with a broad percentage breakup between ride, equipment and civil works?

**Satheesh Seshadri:** Building & civil work will be 30%, the rides will account for another 30% and we have got the land for 30%, the balance 10% will be on plant and equipment.

**Rahul Agarwal:** For Chennai you will start with ROCE of 5% to 7% peaking at 12% is that correct?

**George Joseph:** Yes.

**Rahul Agarwal:** And for Odisha if one is assuming it a 10-year life cycle of ROCE would you generate on basis of current assumptions?

**Satheesh Seshadri:** We are still working on the investment and pricing strategy. As said in the beginning of the call, the survey is being done and we will firm up on the pricing and then we will get back to you on that.



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**Rahul Agarwal:** Do you have a benchmark rate when you start evaluating a project below which you may not take up a project?

**George Joseph:** We do have that, and it is being evaluated.

**Rahul Agarwal:** In which year do you think the company will achieve 20% ROCE overall on a blended basis? Is that a very high number, and a 12% to 15% would be a reasonable range over next 5 years?

**George Joseph:** Yes, that could be the number.

**Rahul Agarwal:** Alright. Thank you so much. Thank you for answering my question.

**Moderator:** Thank you. We have next question from the line of Rohit Balakrishnan from Vrddhi Capital. Please go ahead.

**Rohit Balakrishnan:** What is the new tax rate applicable?

**Satheesh Seshadri:** We have already opted for the new tax rate of 25.63%. Earlier it was 35%. Considering our turnover was under Rs.400 Crores, it came to 29%. Now it is at 25.63% inclusive of all cess, we do not have MAT or any incentives under section 10. We have already availed the benefit of reduced taxation during this quarter.



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**Rohit Balakrishnan:** I would like to know what would be the projected annual footfall for Chennai park broadly, just to get a sense how big is the market?

**George Joseph:** Market is quite big. We have recently visited the Vandalur Zoo at Chennai. We found that the average footfall to the zoo is around 20 lakhs per annum and some years it has peaked to 24 lakhs per annum. That being the level of footfall is seen in a zoo, we are confident of good visitor turnout at Chennai. We had recently gone to the aquarium setup by VGP near OMR Road in Chennai and found that there is good traction. We had footfall concerns when we started Bengaluru Park, but then we found that the Bengaluru Park turned out to be the best revenue generating park.

**Rohit Balakrishnan:** Do you track the repeat footfalls?

**George Joseph:** More than 30% footfalls are repeated and we have a mechanism to track it.

**Rohit Balakrishnan:** And this has been the same for a few years or that has increased recently?

**George Joseph:** We have a loyalty program which we introduced last year, named Wonder Pass. We have issued around 30,921 Wonder Passes in the year 2018-2019 and in the current



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year till now we have issued around 40,000 Wonder Pass, an increase of 33%. The redemption rate last year was 8% and in current year redemption is 17% till date. So that means we are able to get back 17% of the people who took the Wonder Pass. This loyalty program will gain popularity in the years to come and definitely we will see further improvements in redemptions.

**Satheesh Seshadri:** This is only on the walk-in, but the groups, we still have the higher numbers repeating, schools and corporate.

**Rohit Balakrishnan:** Okay. This has been very helpful. Thank you very much.

**Moderator:** Thank you Sir. We have next question from the line of Hardik Vora from Union Mutual Fund. Please go ahead.

**Hardik Vora:** Thank you for the opportunity. When we had two parks, the ROCE was upwards of 35%, what is different now because you are guiding for a lower ROCE going forward, so what has changed as far as the business structure is concerned?

**George Joseph:** After our two initial parks in Kochi and Bengaluru, we added Hyderabad park with an initial investment of about Rs.272 Crores and now with the addition of Chennai park,



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ROCE will get impacted. Going forward with addition of parks, we expect the ROCE to come down.

**Hardik Vora:** Right, but once the Hyderabad park is mature that is five years out, we would have three mature parks operating right, so the ROCE should upwards of 20%, excluding the land revaluation?

**Satheesh Seshadri:** The ROCE including land revaluation for Hyderabad park is about 4% and excluding revaluation is about 5% for the H1FY20 and for Kochi park the ROCE including revaluation is about 5% and excluding revaluation is about 29% and for Bangalore park ROCE is about is about 28% including revaluation and excluding revaluation it is about 156%. Chennai park will also have a similar ROCE in the initial years like Hyderabad park because the capital base is going to be bigger number, in 4% to 7% range and rise up to 10% to 12% range.

**Hardik Vora:** Thanks. What is the expected lease rental for the Odisha project.

**George Joseph:** For a 90 years lease, charges are only Rs.3 Crores for the entire 90 year period.

**Hardik Vora:** And what would be the cost of setting up the project?



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**Satheesh Seshadri:** We are looking at Rs.75 Crores to Rs.100 Crores.

**Hardik Vora:** Okay, got it. Last time you had indicated that you have also rationalized your A&P spends. 22% was being spent on print and you realized that a shift to digital will be more cost effective, so has that happened in this quarter? Was some benefit seen in this quarter?

**Satheesh Seshadri:** Last time we spoke about moving from above the line which is the print initiative to the BTL. We increased below the line activities with more banners, Onam processions, enabling the BDPs with pamphlets and also pamphlets distribution. We are also simultaneously working on the digital initiatives. We increased film theater and on the radio advertisement compared to the print advertisements. Full impact of our efforts in first half was not seen due to the impact of rain due to which the reachability was not effective.

**George Joseph:** Coming to digital, we have two models. First is direct online booking via our website, second is through the portals like Paytm, MakeMyTrip etc. These portals initially offered a lot of discounts and cashback which they have tapered down over a period of time. We found that the booking through the portals has come down, and



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at the same time, the booking through our online portal has substantially gone up.

**Hardik Vora:** Okay, thank you for answering these questions. All the best.

**Moderator:** Thank you Sir. Ladies and gentlemen that was the last question. I will now hand the conference over to the management for closing comments. Sir, over to you.

**George Joseph:** Thank you very much for the insightful questions. Though the Q2 performance was flat, we are not unduly worried as the Q2 accounts for around 16% of our annual turnover. We are confident that with the new parks coming up, we will have exciting days ahead for the company. With our lofty standards, we are here to stay, perform and flourish. I once again thank all of the participants for the meaningful interaction, which will enable us to improve further. Thank you very much.

**Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of ICICI Securities that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.