



**“Wonderla Holidays Limited  
Q3 FY2020 Results Conference Call”**

**January 29, 2020**



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**MANAGEMENT: MR. GEORGE JOSEPH –  
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**Moderator:** Ladies and gentlemen, good day and welcome to Wonderla Holidays Limited Q3 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. Adhidev Chattopadhyay of ICICI Securities. Thank you and over to you Sir!

**Adhidev C:** Thank you. On behalf of ICICI Securities, I would like to welcome everyone to the call today. Today from the management we have with us Mr. George Joseph, the Joint Managing Director and Mr. Satheesh Seshadri, the Chief Financial Officer. Now I would like to hand it over to the management for their opening remarks. Over to you Sir!

**George Joseph:** 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 performance of Wonderla Holidays Limited for the third quarter of FY2019-2020. The third quarter is significant across the country as it usually marks the end of monsoon and heralds in a new season with pleasant weather, festivals, and holidays. We see a greater number of people head out for recreation and at Wonderla we provide immensely thrilling and safe experience for the masses. We saw a decline in the walk-ins, attributable to poor consumer sentiment and reduced discretionary spends.



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However, our efforts towards increased market penetration and efficient BD network resulted in significantly higher group footfalls at our parks.

Following the settlement of our service tax litigation under Sabka Vishwas (Legacy Dispute Resolution Scheme) 2019, we recorded an exceptional item in the form of reversal of excess provision amounting to 15.57 Crores. The company has opted to avail Sabka Vishwas Legacy Dispute Resolution Scheme 2019 announced by the Government of India in September 2019. As per the scheme, the company will get relief ranging from 40% to 70% for the disputed tax demand and full waiver of interest and penalty thereon. Accordingly, the payment made during the current quarter towards settlement of these pending litigations under the scheme and the earlier payments made under protests have been adjusted against the provision and the excess balance as per the books have been reversed as income during the quarter ended December 31, 2019.

Looking at the financial performance scorecard, the revenue for Q3 of FY2020 was at 70 Crores, which is lower by 7.9%. Our footfall declined by 5% and our average revenue per visitor was lowered by 2.6%. Our Bengaluru Park witnessed a decline of 22% in footfall and our parks at Kochi and Hyderabad saw 2% and 9% growth in footfall respectively. Our Q3 EBITDA declined by 16% year-on-year from 29.7 Crores to 24.9 Crores. Our profit after tax for the quarter, boosted by the exceptional item, was 21 Crores as against PAT of 14.5 Crores reported in corresponding quarter for the previous year. Our cash PAT that is PAT plus depreciation increased from 24.3 Crores in Q3 FY2019 to 31.5 Crores in Q3 FY2020. On



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nine-month basis we saw our footfall increased by 2% on year-on-year basis, our 9-month revenue also increased by 3.3% Y-o-Y from 221.2 Crores to 228.4 Crores. EBITDA for nine months stood at 99 Crores, marginally higher by 3% in comparison to 9 months FY2019. Profit after tax for 9 months stood at 63.2 Crores an increase of 30.5% from the corresponding previous period. Our cash PAT stood at 94.6 Crores, which also increased by 21% with respect to the corresponding period.

At our Bengaluru Resort, the occupancy rate for 9 months FY2020 was 49% and revenue stood at 9 Crores, representing 5% rise over the corresponding 9 months of FY2019. We are now focused on getting the necessary approvals to begin the construction of our park in Chennai. Our Board has accorded final approval for going ahead with the Chennai project. We are glad to announce that the Board has approved the proposal for setting up another park in Odisha after evaluating the feasibility study and we have decided to proceed with the project. As discussed in the previous quarter, we will be taking-up an asset-light model to set up the park in Odisha. We look forward to encouraging times ahead of us with multiple projects in the pipeline to deliver the next leg of growth. Our expertise in setting up and running the park will be utilized to optimal level and we will provide updates on the progress accordingly. With this let us start the question and answer session. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the



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question queue assembles. The first question is from the line of Abneesh Roy from Edelweiss Securities. Please go ahead.

**Abneesh Roy:** Sir my first question is on the pricing and footfall. Hyderabad and Kochi have seen decent footfall growth in the current challenging times. But Bengaluru has seen a 22% dip, you are attributing that to the discretionary slowdowns, but we see a big divergence between the three parks. Hyderabad has seen 6% dip in terms of pricing, so does Bengaluru needs a price cut? I see wave rider, a new ride coming in Bengaluru, but do you need to do much more refurbishment like you did in Kochi?

**George Joseph:** Yes, Bengaluru Park saw a decline of 22% in footfall. I agree that while Bengaluru saw a dip, we had a slightly higher footfall in Kochi and Hyderabad. Bengaluru is more affected because Bengaluru is the industrial and IT hub. Lot of SMEs are affected on account of the slowdown and there is lot of retrenchment in the auto sector. The city of Bengaluru is more affected than Hyderabad and Kochi and we believe that this is the reason for the fall in Bengaluru Park footfalls. As already mentioned, the general footfall has come down and therefore we have been pushing the groups with our marketing activity. For groups, discounts are much more than the general walk-in. So, business is affected by ARPV across our parks especially Bengaluru, hence the realization is less. Coming to whether we need to take a price cut in Bengaluru, I do not think that we will take a price cut. We will probably maintain the same pricing and increase marketing activity and communication in Bengaluru. Last quarter we provided a large



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amount for communication for Bengaluru to step up the marketing activity and we hope that footfall will come back in Bengaluru.

**Abneesh Roy:** Second question is related to the corona virus issue. It is the focus of the media headlines so obviously in such circumstances people would not like to go into high population density entertainment, etc. Do you see that impacting our three parks?

**George Joseph:** We have not seen any impact till now, but the social media scare is rampant. We do not know how it is going to impact. Even if it does, the impact will not be much and we hope that scare will not affect the footfall in our parks.

**Abneesh Roy:** My second and last question is on the two new parks. What does it mean by asset-light in Bhubaneswar? How is it different from the Hyderabad Park, How will you get the funding for two parks?

**George Joseph:** I will answer your second question first. As we have already mentioned, for our Chennai Park we do not need any borrowing. We have already spent about 108 Crores and we have 149 Crores with us in the form of cash and investments. The internal accruals during the construction period, which is around 18 months, will be sufficient to take care of the Chennai Park. The Odisha Park is not going to come parallelly. There will be lag of about a year between the Odisha Park and the Chennai Park. We may have to go for a market borrowing of about 100 Crores, a short-term borrowing which can be repaid in one to two years from our internal accruals. Coming to the asset-light model of the Bhubaneswar park, the cost of land is very less, it is



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only 3 Crores compared to 74 Crores we paid as the land cost in Chennai. It will have limited rides initially, because the existing parks in the state have less than 10 rides and are limited to a small area. We hope to make it much more attractive by having 20 to 22 rides, with an investment of about 100 Crores.

**Abneesh Roy:** Can you comment on pricing in Bhubaneswar?

**Satheesh Seshadri:** It will be between Rs.500-700

**George Joseph:** Another Park there, which has only nine rides, is currently charging Rs.700 for adults and Rs.1000 for couples. Therefore our offering will be competitive.

**Abneesh Roy:** Okay Sir. That is all from me. Thank you.

**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. My first question is how do you define your competitive landscape for Bengaluru Park? If we compare our performance versus other avenues in the same space. If consumer is not coming to our park, perhaps he is spending somewhere else? Obviously there is no like-to-like park, but some other avenues just to comment whether we are losing market share or there is a general slowdown?

**George Joseph:** There is no listed entity, which is operating in Karnataka so we do not have any authentic figures. However we track the footfall of the other parks



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through our market intelligence and find that the impact of slowdown is seen across all parks. Not only in parks, but also in malls, the general crowd level has come down.

**Tejas Shah:** From your reading, would you like to call out any specific trend, transient or structural? which is leading to this kind of sharp drop in numbers?

**Satheesh Seshadri:** As Mr Joseph mentioned at the beginning of the call, we have been consistently improving and reaching out the schools, colleges, and corporates. Our group footfalls performance is good. The third quarter is a group footfall-led quarter and we have been able to achieve the targeted numbers. Our concern is only on the walk-ins, which we are targeting now through separate marketing plan.

**George Joseph:** We have seen these cycles in the previous years also right from 2008. If you look at our Bengaluru Park, it peaked in the year 2014-15 with over 1.20 Million Footfalls. Thereafter the footfall showed a decreasing trend due to service tax and GST. However, we have seen an appreciable pickup in the last year and even in the first quarter of the current financial year. But then, in the second quarter and the third quarter, we have seen this decline. With the economic revival, we hope the scenario will change and the footfall will be back as normal.

**Tejas Shah:** Are Kerala and Hyderabad parks seeing any impact of anti-CAA protest? We are hearing from other businesses that businesses in Kerala have got disrupted.



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**George Joseph:** As of now no impact. Kerala had one day hartal and even on that day we had about 1000 footfall.

**Tejas Shah:** Great. That is all from my side and all the best Sir.

**Moderator:** Thank you. The next question is from the line of Rohit Potti from Marshmallow Capital. Please go ahead.

**Rohit Potti:** Thank you for the opportunity. So, on the Chennai Park project, will there any upward revision on the original capex amount of 350 Crores?

**Satheesh Seshadri:** The projected capex was 365 Crores for Chennai Park including the land. We do not envisage any upward revision.

**Rohit Potti:** There is no major upward revision there?

**Satheesh Seshadri:** There is no upward revision and our efforts will be to contain costs below that level.

**Rohit Potti:** Could you give us a timeline on when the Chennai Park will be ready and then the Odisha Park?

**Satheesh Seshadri:** We are waiting for the approvals for the Chennai Park. We have got Fire approval now, we are waiting for other building approvals to come in. Our construction period is expected to be about 18 months. So, we are expecting to open the Chennai Park by October 1, 2021. As far as the Odisha Park, we will commence the Project work after a sizeable construction work is completed in Chennai Park; say about a year's time,



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only after that we are going to start the Odisha Park development, you add about 15 months from that time. So, we will start in January 2021 from there it will take another 15 months minimum.

**Rohit Potti:** I am surprised to hear that you have broadly decided the pricing for Odisha Park around two, three years in advance. I am guessing there would be upward revision?

**Satheesh Seshadri:** The prices are based on current estimates and what the market is absorbing today. It is based on the current footfall and current expenditure.

**Rohit Potti:** Understood, fair enough. I just wanted to give a feedback that my wife and I went to the Bengaluru Park and we had a wonderful time there. I noticed there were Airtel hangout zones in the park and also I noticed some advertisements of different FMCG products on the snack stand. I am curious to know if that is a source of revenue that you are looking to monetize. Or will you not opt for it to maintain customer experience?

**Satheesh Seshadri:** The advertising or hoardings will be minimal at our park. The traction of that is not going to be any big number.

**Rohit Potti:** It's not something which you are planning to do? I was thinking that eventually with five to six parks, you have captive audience of around 4 to 5 million for a full day and advertisers would be eager to tap into it going forward.



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**Satheesh Seshadri:** In first quarter FMCG & retail promotions are carried out inside the park. So, we transfer the benefit to the customers and there are not many hoardings in the park.

**Rohit Potti:** Yes, you are right. I really appreciated that as a customer as well. When you say the promotions are transferred to the customer, is the price benefit itself transferred by the FMCG player to the customer directly?

**Satheesh Seshadri:** Suppose in a chips packet, extra quantity of 30% is given or free items are given is passed to the customer, but we charge it only on MRP.

**Rohit Potti:** Thank you. That is it from my end.

**George Joseph:** Thank you for visiting the park and thank you for the compliments.

**Moderator:** Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

**Kaustubh Pawaskar:** Sir your initial comment indicates that focus now is more on the groups. You are tapping more schools and colleges to improve your footfalls in Bengaluru Park so does it indicate that your revenue per visitor will continue to be lower in the coming quarters?

**George Joseph:** The focus is equal on the walk-in as well as on the groups, but walk-in has been affected because of the slowdown. We are able to push more groups because of the BDP activities. But in the current quarter, as we have already mentioned, the advertisement spend would be much more and there will be



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more increase in the walk-in so ARPV will be better as we get more of footfall from the walk-in.

**Kaustubh Pawaskar:** You have added one ride in Bengaluru, two new rides in Kochi, and two in Hyderabad. Will it help you to get some incremental footfalls in Q1 as it is normally a better quarter for you? If there is improvement in sentiments there should be some good footfalls for you?

**George Joseph:** Yes it can happen because in our communication also we will highlight these new rides. For the inauguration of the new rides we had a press conference and about 60 media companies from Bengaluru including print and electronic media had covered that event. We held similar events in Kochi and Hyderabad.

**Kaustubh Pawaskar:** Once the footfall starts moving up and ticket revenue per visitor also goes up, you expect even margins to go up?

**George Joseph:** Yes.

**Kaustubh Pawaskar:** Or you will continue to spend heavily on advertisements and sales promotions until the level of footfalls you are targeting is achieved?

**George Joseph:** Advertisement spent continued to be as per budget and plan but the unspent amount for the Q3 will be carried over to Q4 and the spend will be within the budget.



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**Kaustubh Pawaskar:** In the non-ticket revenue, also the growth seen in two to three years was in double digits. Now it has moderated to low single digit, so any particular reason for this?

**Satheesh Seshadri:** That is because of the groups, which comprise of school and college students, the consumption and the purchases are relatively low because of their low budget. The non-ticket revenue will be significant when we have more walk-ins.

**Kaustubh Pawaskar:** But are there any offers where you are giving tickets with F&B combined, that will attract the customers?

**Satheesh Seshadri:** We have it only for the resort, if visitors want to stay and play. These are happening at different GST rates, the park is at 18% rate, and resort is at 12% and F&B is at 5%, bundling this we might have to charge at a higher rate so we try to keep it separated. But whenever the groups or corporate visit we are able to give them a single quotation.

**Kaustubh Pawaskar:** Okay. Thank you.

**Satheesh Seshadri:** If you see the spend per customer for this year compared to previous year, this year it is Rs.260 per head and last year it was Rs.251.

**Kaustubh Pawaskar:** Okay. Thanks.

**Moderator:** Thank you. The next question is from the line of Piyush Sharma from Metis Capital. Please go ahead.



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**Piyush Sharma:** In Bengaluru's footfall this quarter versus last year, what was the portion of Karnataka state footfalls?

**Satheesh Seshadri:** In the investor presentation, on page number 10 we have identified that state wise footfall numbers. Almost 70% of the footfall came from Karnataka, balance 30% had come from other states.

**Piyush Sharma:** Do you track footfalls from Bengaluru city?

**Satheesh Seshadri:** This database is created by asking questions at the ticket counter, we cannot ask too many questions.

**Piyush Sharma:** Did excess rainfall during this quarter play any material part in Bengaluru's decline?

**George Joseph:** Weather has played spoilsport in second quarter, but not in Q3.

**Piyush Sharma:** Okay fine. Thank you.

**Moderator:** Thank you. The next question is from the line of Pankaj Kumar from Kotak Securities. Please go ahead.

**Pankaj Kumar:** Sir my question pertains to Chennai Park, have you got any relaxation on LBT issue? The five years exemption is from November 1, 2019 so any further update?

**George Joseph:** We have met the concerned authorities a couple of days back. In fact our president Mr. Sivadas is in Chennai today and meeting the concerned



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authorities. They have promised that update will come in a week. Our Director Mr. Arun met the Chief Minister who promised to remedy the anomaly soon.

**Pankaj Kumar:** In that case this LBT would be applicable post completion of our capex?

**George Joseph:** Yes, LBT would probably be applicable from October 1, 2021. We have indicated that the construction will be over by September 30, 2021. This is what we have been promised.

**Pankaj Kumar:** That is great. Have you seen any delay in approval because earlier in the last call we said we expect the completion of the construction by July, 2020. Now you are saying September, so is there a two months delay?

**George Joseph:** We have applied for Single Window clearance since ours is a GIM (Global Investors Meet) Project. Despite that we have been asked to take different NOCs from Fire, Forest, PWD, Pollution Control, and Airport Authority etc. We got the NOC from Fire department last week. We have also met the Single Window Guidance Bureau officials and told them that we should not be asked to run around to different departments. They asked us to submit the papers to the concerned departments after which they will follow up for clearance. I do not think there will be further delay in getting the final approval.

**Pankaj Kumar:** Sir if you can give us some sense on the capex phasing on the Chennai Park in FY2020, 2021, and 2022?



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**Satheesh Seshadri:** The total outlay for Chennai Park is about Rs. 365 Crores, till date we have spent about Rs. 108 Crores and in the next one-and-a-half years we are likely to spend another Rs. 255 Crores. In FY2020-2021, the construction, the rides and advances for the equipment have to be paid.

**Pankaj Kumar:** How many rides would be imported and how many will be built in house?

**Satheesh Seshadri:** We have imported some rides already. These rides have to be refurbished. That is being done in house by our technical team, and in addition some new rides will be sourced.

**Pankaj Kumar:** Last two, three years in Bengaluru there was service tax issue and we have seen our footfall ranging around a million. The highest level was seen in FY2015 when it was 1.25 million. Can we say this park has matured in terms of footfalls or is there further scope to achieve the previous level?

**George Joseph:** We cannot say that the park is matured, because despite being in operation in for about 14 years we have not covered even 25% of our target crowd. Many people are yet to come and visit our park. The erratic movement in footfall is on account of certain events like the slowdown or the taxation issue or climatic conditions. We do have untapped potential and we now have a segmented marketing approach. I think we can push the immediate target to reaching the peak level of 1.25 million and thereafter we can have a double digit growth in the years to come.

**Pankaj Kumar:** Apart from marketing effort are we doing more investment in the park?



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**Satheesh Seshadri:** I want to add one more statistic, in 2017-2018 we recorded 9.64 lakhs footfall, in 2018-2019 we recorded 10.57, it was a growth of about one lakh footfall. This year the overall sentiments have been different, so we should not take this year as a base. Coming to bringing fresh ideas and fresh rides in Bengaluru Park yes, we might be looking at adding one or two rides but no major changes in infrastructure or investment pending.

**Pankaj Kumar:** Okay Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Hardik Bohra from Union Mutual Fund. Please go ahead.

**Hardik Bohra:** The question is on Odisha Park what is the optimum number of footfalls that we can see in that park that you are projecting?

**Satheesh Seshadri:** We have done the market feasibility study for the Odisha Park. The outcome of the feasibility study is encouraging for us to go ahead and we are talking about on the peak season it can be up to 3000 and the nonpeak season it can be up about 1000 to 1500. Annually we are looking at about 5 to 6 Lakhs footfalls in the initial stages.

**Hardik Bohra:** Is that the optimum number, to do 5 to 6 Lakhs annually?

**Satheesh Seshadri:** If you take our Bengaluru Park or Kochi Park capacity we can go even up to 13000 to 14000 numbers, but we might do about 4000 to 5000 on some days and few days we have touched even 13000 numbers. What we are building in Odisha can take up to 10 lakhs footfalls. The



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infrastructure must be developed as these are all horizontal infrastructure. If you have to put about a few rides, you cannot just leave the cables or leave the ground work only to that level. You have to level everything together. The initial investments of bringing the place to the park requirement is very important. Then you will be able to add the rides at different places based on the requirement.

**Hardik Bohra:** Okay. Thank you.

**Moderator:** Thank you. The next question is from the line of Viraj Kacharia from Securities Investment. Please go ahead.

**Viraj Kacharia:** Coming on to the Chennai Park, I missed the commentary on the LBT can you repeat again?

**Satheesh Seshadri:** We have got the government order for LBT exempted for five years from November 1, 2019. We have told them that there will be 18 to 24 months construction period and accordingly we have asked them to waive the LBT from October 1, 2021, instead of November 2019, for a period of five years.

**Viraj Kacharia:** So, we are still waiting to hear from them?

**Satheesh Seshadri:** Yes, we have approached them. The government has been positive on this; it is only a matter of documentation which is pending.

**Viraj Kacharia:** Chennai Park once it is commercialized what kind of capacity it can take on an optimum level?



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**Satheesh Seshadri:** It will be like the Bengaluru or Hyderabad Park, it can take about 13,000 footfalls easily.

**Viraj Kacharia:** Okay, understood. For the Odisha park, what is the type of capex from the land part I understand there is not much of a capex, but otherwise what is the kind of capex?

**Satheesh Seshadri:** Capex in the range of 100 to 110 Crores.

**Viraj Kacharia:** That will be spread over?

**Satheesh Seshadri:** That will be spread over about 15 to 18 months. Our construction period is about 18 months.

**Viraj Kacharia:** So, this should get commissioned by FY2022 end right?

**Satheesh Seshadri:** Yes, end FY2022 or early FY2023.

**Viraj Kacharia:** Got it. Okay fine. That is all from my end.

**Moderator:** Thank you. The next question is from the line of Adhidev Chattopadhyay of ICICI Securities. Please go ahead.

**Adhidev C:** Yes Sir if you could just tell us on how has been the response to our initiatives of wonder pass and wonder club?

**Satheesh Seshadri:** The wonder club is a card where once you subscribe you can get a family entry for three years at a highly discounted rate. They can enjoy both the park and the resort and this adds up to about 18,500 for the card for



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two family members who can visit once in a year over a period of three years. We also have wonder club for the family of four people, two adults and two kids. Wonder pass is a loyalty program given to the groups and where the number of people visiting is more than 4. We give this wonder pass, which enables them to take discount in the park entry and F&B in the next visit.

**Adhidev C:** Okay fine Sir. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Deepak Malhotra from TPJ Consultancy. Please go ahead.

**Deepak Malhotra:** My question was that in the past also we have had situations of reduced footfalls in Bengaluru. What steps you think you could take to ensure we do not have a repeat in the future?

**George Joseph:** I mentioned more of media spend and communication is being done in the current quarter. We are also analyzing whether we need to reposition the Bengaluru Park. What are the other customer offerings, which can attract them in addition to the rides. We are going to accelerate the digital push because Bengaluru responds better to the digital media. We are hopeful of positive results.

**Deepak Malhotra:** The other question is did you answer again on the Corona virus, but in the past also we had bird flu and SARS etc. Now we have CAA protests. What was the experience in the past whenever such things have happened and how has been the performance then?



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**George Joseph:** It is true that Corona virus scare is there. But we have not seen any impact of that on ground yet. As far as the CAA protest, except one day of bandh in Kerala, we have not seen any negative impact on our footfall.

**Deepak Malhotra:** Unless it continues in Q1 if it goes on till then do you think it could have an impact?

**George Joseph:** These are all events beyond our control and in case it accelerates it becomes grave and real, probably we will see an impact.

**Deepak Malhotra:** Okay fine. One final question while you mentioned that we will be taking about Rs. 100 Crores of short-term debt for the Chennai project. What will be the group policy on that debt, especially because in the past you have always financed everything through cash accruals and group never really had any serious debt on the balance sheet rather?

**George Joseph:** The group policy is to continue to be a zero debt company. Now after a long time after our Hyderabad Park we are going for a major expansion in Chennai. Simultaneously we are going for the fifth destination, so we need to raise some debt. According to our balance sheet we can leverage even Rs. 1500 Crores. We are only going for a debt of only about 100 Crores, which we will be able to repay within a short time through our cash accruals.

**Deepak Malhotra:** Thank you. Wish you all the best.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Adhidev Chattopadhyay for his closing comments.



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**Adhidev C:** On behalf of ICICI Securities, I would like to thank everyone for joining us on the call today and the management for taking the time out to answer all the questions. Thank you.

**George Joseph:** Thank you very much.

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