



“Wonderla Holidays 2QFY2018 Results
Conference Call”

November 16, 2017



ANALYST: MR. MAYANK PORWAL - AMBIT CAPITAL PRIVATE LIMITED

**MANAGEMENT: MR. ARUN CHITILAPPILLY - MANAGING DIRECTOR
WONDERLA HOLIDAYS LIMITED
MR. NANDAKUMAR – CHIEF FINANCIAL OFFICER -
WONDERLA HOLIDAYS LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to Wonderla Holidays Limited 2QFY2018 earnings conference call hosted by Ambit Capital. As a reminder, all participant lines will be in the listen-only mode, there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mayank Porwal from Ambit Capital. Thank you and over to you!

Mayank Porwal: Thank you very much Zaid and good evening everyone, good afternoon rather. On behalf of Ambit we welcome you to Wonderla’s 2QFY2018 earnings call, representing Wonderla we have with us Mr. Arun Chittilappilly, Managing Director and Mr. Nandakumar, CFO. Thanks to the management for giving us the opportunity to host this call. I would now hand over the call to Mr. Arun for his opening remarks. Over to you Sir!

Arun Chittilappilly: Thank you. Good afternoon ladies and gentlemen. A great pleasure to welcome all of you to this conference call to discuss our 2Q earnings. Our 2Q performance was quite encouraging and we witnessed a sustained operating performance at all three parks despite the big GST hurdle that we had to take. Hyderabad grew the best we had about 20% growth in our footfalls and almost 25% growth in revenue. In Bengaluru, our footfalls grew by about 3% and revenues by about 4%. In Cochin, however, we saw a big decline of about 19%, mainly two factors resulted in this, one is of course the price hike has been quite steep and added to that we also had huge rains during our very crucial Onam season, so all put together we lost a lot of footfall around that time.

Our share of non-ticket revenue improved from 23% to about 27% in this quarter. The higher non-ticket revenue was driven by introduction of new F&B offerings and sale of costumes because we have enforced dress code in our water park starting last year and we hope that will continue. We had announced last quarter that we have successfully acquired 60 acres of land for our new amusement park project. Actually, we had acquired 57, but we added another three acres, which was also very strategic land parcel, which we have added in this quarter, so total land acreage in Chennai is now 60. We plan to start work on this project as soon as our approvals are ready.

Coming to the financial performance, revenue from operations grew marginally by 1.3% to Rs.49 Crores driven by 7.1% year-on-year growth and average revenue per visitor, partially offset by 5.4% decline in our footfalls due to unseasonal rains and GST. 2Q EBITDA from operations increased by 21% to about Rs.11 Crores. EBITDA margin improved from 18.8% to 22.5%. Our operating overheads were kept under a very strict control and we continue to focus on operational efficiencies. Our PAT declined from Rs.3.7 Crores to Rs.2.3 Crores mainly because of depreciation cost of our new rides and some deferred tax. Cash PAT was stable at Rs.11.2 Crores, now I would like to hand over the call for a Q&A session. Thank you.



Moderator: Thank you Sir. Ladies and gentlemen we will now begin with the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Krish Kohli from Edelweiss. Please go ahead.

Krish Kohli: Just wanted to understand we are seeing sentiment improvement in most of the discretionary consumption. When do we see structural improvement in case of Wonderla? There is one reason or the other, in the last five-six quarters if I see, so I understand price hike has been a big issue and that is why any negative development impacts footfall. But we are seeing discretionary consumption really evolve in others, so when do you see recovery in your case?

Arun Chittilappilly: We do not think a major recovery will happen until probably towards the end of the year. This quarter, Q3 also might see some pressure, but after that I think we should improve because in 2Q and 3Q, for us are the most price sensitive customers that is when most of the price sensitive customers come to us schools and colleges, so we will see some erosion in our footfalls especially in the older parks because the price hikes are pretty high, we are trying to see whether we can get some footfalls back by incentivising few days like for example Tuesday and Wednesday, but we have to wait and see so far it is doing well. I think hopefully by the year-end and I think for amusement park especially, the GST has been the harshest in terms of taxation part. We have gone from almost 3% net tax rate about three years ago to now 28%. So it is a huge tax burden, so I mean we will have to go through it.

Krish Kohli: As a proactive measure you were hiking up on ad spend and also adding new rides, so advertising spends you still want to be on the higher side given the reasons which you mentioned on the GST and similarly on the rides any change in terms of adding one ride every year, you want to accelerate it or do you think this should wait?

Arun Chittilappilly: We want to be cautious about it because of this taxing, the new tax regime, we will be cautious about investment, so whatever investments we have planned in the past we have kind of slowed it down a little bit to see how the market is reacting. In terms of ad spends, we are also again spending in a cautious way. We have scaled back a little bit because we do not want to over spend on it, but at the same time, we need some kind of sustained marketing cover for this kind of an industry requires constant reminders. So we will not be able to completely remove ad spend, but we will keep doing. I think we are lower than last year. We spent Rs.6 Crores for the quarter, which I think is lower.

Nandakumar: What we have also done is that the properties which we have developed we continue to spend on those properties. The fact is that we have cut spends on what we thought are not giving us any upside compared to the previous year. So that way we still continue to invest in properties, which are actually giving us the revenue.



- Krish Kohli:** Last question, GST rate cut has happened on QSR food restaurants etc., so in your case the food, which you sell in your park and in your resort, how does this latest rate cut impact?
- Arun Chittilappilly:** Yes that will definitely be a positive for us because currently we are charging a 12% tax and I think effective yesterday the rates have been brought down to 5%.
- Nandakumar:** But we actually have passed it onto the consumers, the rate cut difference, so basically from the current base price we will be only increasing to the extent of our input tax credit, which is not available for us. So otherwise we intend to pass on the entire benefit to the consumer.
- Krish Kohli:** That is the question that the end-customer price does it come down by a ballpark number 5%, 6%?
- Nandakumar:** Yes.
- Krish Kohli:** So that should be good for consumption as volume?
- Arun Chittilappilly:** That is good and we hope that at some point the GST council will look at the amusement park sector also, we are working very hard for that hopefully something will come through.
- Nandakumar:** We are also seeing the in-park spend growing. Q2 has been at 23%, so which means consumers are still spending money and as you said with reducing price we should be able to do better in that front also.
- Krish Kohli:** That is all from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Anuj Gupta from Perfect Research. Please go ahead.
- Anuj Gupta:** Good afternoon Sir. We have observed globally amusement parks need to reinvest in new rides at the same cost to maintain the footfalls, in our context also we also get launch of new rides at the Bengaluru park at a good cost. So what is our quantum of capex required at the theme park apart from maintenance capex in new rides to maintain the footfall on an ongoing basis like every two or three years?
- Arun Chittilappilly:** The global parks may have a different standard, but what we spend is roughly 10% of our topline on new attractions. So for example, if our topline is Rs.250 Crores last year you would have earmarked about Rs.25 Crores as new attraction for the three parks sometimes, but this is just a ballpark figure, it averages out only overall a long period of time because it depends like some attractions are more expensive, some are cheaper, so it just depends on the kind of attractions that we are adding in the park.



- Nandakumar:** Just to add on to what Arun said in the last, for example Kochi and Bengaluru, Kochi has been there for about 16 years and we just added in the last couple of years some new rides, so it is not that way – we do not have a specific timeline as to how much we will add, but as and when there is a need and we see that there is a requirement for us to get our footfalls back we need to put in some rides then we will think over on that.
- Anuj Gupta:** For the same park?
- Nandakumar:** Yes.
- Anuj Gupta:** What is the percentage of corporate or group bookings to the total bookings?
- Nandakumar:** Our groups contribute to total 45 and the groups are schools, colleges, corporates all put together.
- Anuj Gupta:** 45%.
- Arun Chittilappilly:** Of our total footfall.
- Anuj Gupta:** Even after operating for 15 to 20 years successfully many parks have closed down due to the accidents that happen in the park, so what are the safety measures taken for any visitors and what kind of risk do we have from this?
- Arun Chittilappilly:** We have our own safety mechanisms, which is very proven and tried and tested and we are very sure that is more than sufficient to cover our risk.
- Anuj Gupta:** Like any other kind of policy for the customer like after having kind of any accidents or anything, do we have any kind of policy?
- Arun Chittilappilly:** We can take that offline. We do have all that.
- Moderator:** Next question is from the line of Sachin Shah from Emkay Investment Managers. Please go ahead.
- Sachin Shah:** Good afternoon Sir. Thank you so much for this opportunity. I had a little bit of a more structural question. Trying to understand in terms of the trend, if I see the last three-four years now, the total footfalls have actually been just coming down like for example if we just see the first quarter even in FY2015 way back almost three-four years Bengaluru had almost 460,000 footfalls in 1Q, which is really the big quarter for you and Kochi at 304,000 and from there on it is now almost come down to 3.5 lakhs in Bengaluru and Kochi 231,000, so can you explain a little bit what is this trend? Actually we would have thought that because of consumerism, all of that over a period of three-four years we



should see some growth and I am not talking about like one or two years, it is almost a four-year trend that every year we are seeing the deceleration?

Arun Chittilappilly: I told you right that is because in 2015 the average tax that a customer paid for a Wonderla park was only 3% then in 2015 June that tax became 15% because we have to pay service tax, then again when GST happened in 2018, so three times the tax rates have changed for a customer, so our net realization even though remaining the same, the outflow from a customer has dramatically gone up in the last three years, so you will see the footfall drop coming only 2015 onwards till then it was going up.

Sachin Shah: Exactly you are right, but last three-four years, so you are saying this trend largely has to do with higher taxation, is it?

Arun Chittilappilly: The entire thing is because of taxation and price hikes.

Sachin Shah: Now in that sense can we conclude that now that we are at the peak of the tax rate more or less?

Arun Chittilappilly: More than this, hopefully not.

Sachin Shah: Okay, so we should see now at least growth in terms of the footfall at least in your older parks?

Arun Chittilappilly: Yes, it should start growing, but I told you this year also we will be under pressure because this is now again afresh.

Sachin Shah: No I appreciate, I am saying next three-four years. I do not want to talk about next one or two quarters, which I understand.

Arun Chittilappilly: One or two quarters we really do not see.

Sachin Shah: Currently, in the next three-four years, do you see a 5-7% kind of a footfall growth every year?

Arun Chittilappilly: Yes low single digit is definitely possible.

Sachin Shah: Even in some of your older parks like Bengaluru and Kochi and those kinds of things right?

Arun Chittilappilly: Yes.

Sachin Shah: Are we doing anything special over there to get this more growth?

Arun Chittilappilly: There are many rides and attractions, A&P spends are going up and so we are doing all those things, yes.



- Sachin Shah:** Great Sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Thanks for the opportunity. Sir first to clarify was there any one-off in this quarter?
- Nandakumar:** If you compare it to the corresponding quarter last year yes we had provided for the interest on the disputed service tax, but otherwise there was no one-off.
- Tejas Shah:** There is no one-off in this quarter. There was one in base quarter that is what you are referring to right?
- Nandakumar:** Yes, so compared to the corresponding quarter last year we had almost about Rs.1.5 Crores, which we provided on the service tax portion. You know we had a disputed service tax portion right, on that we had to provide for interest, which is about Rs.1.4 Crores.
- Tejas Shah:** Are we done with the provisions or it might come up again?
- Arun Chittilappilly:** Interest will continue, so we will be continuing to provide the interest until it is settled, the case is settled, so till that time this interest every quarter we will have to provide.
- Nandakumar:** That is about Rs.1.4 Crores roughly about a quarter.
- Tejas Shah:** That is part of other expenditure or interest outgo?
- Arun Chittilappilly:** Yes it is a part of other expenditure.
- Tejas Shah:** Sir second point if you see before Hyderabad park started hitting our numbers we were comfortably at 45% kind of EBITDA margins and obviously as Hyderabad park ramped up there was initial expenditure pertaining to that, but what we are achieving is still 10% points lower than what we are guiding, even though we are envisaging that Hyderabad park will hit some one million kind of number in the next 18 months, so just wanted to know is there any structural change in cost of doing business and that is why we are guiding for lower margin or Hyderabad park itself has a lower margin versus the previous two parks?
- Arun Chittilappilly:** The structural economics has changed because of GST and that is the main tax.
- Nandakumar:** As what Arun had mentioned historically our tax rates were close to about 3% average for all the parks, so basically Bengaluru and Kochi and now the tax rates are close to about 28%.So there is a change in structural economics, but however, we are trying to keep our expenses under check, keep our expenses low, so that we could have a better EBITDA margin, so the 45% margin which you are



seeing is actually going to be difficult in future, but we will be say high 30s when the business settles and when Hyderabad also is in the full swing.

Tejas Shah: Any guidance on Hyderabad footfall for this year?

Arun Chittilappilly: This year we are not sure, like I said we are definitely hoping to grow it up at least 10% to 15%, so we might be looking at close to about 7 to 7.2 lakh footfalls, we were guiding for about 8 initially, but I do not think 8 is sustainable, but 7.5 lakh is possible I think.

Tejas Shah: Lastly one request, I have to appreciate the problem that GST and earlier service tax escalated, now we would be thankful if you can share the prices that consumer was paying last year and now what he is paying because the gap between what he is paying and what is reflecting in our P&L has got wider quarter-on-quarter?

Arun Chittilappilly: That is exactly the problem.

Tejas Shah: Actually if you can share because I think that number would be public domain only from your website, but if you can share average every quarter we will be able to appreciate the magnitude of the problem there, so that was just one request from my side.

Arun Chittilappilly: We will take that offline, so please do send a request to us.

Tejas Shah: Thanks and I will get back in queue for more questions.

Moderator: Thank you. The next question is from Sahil Desai from Hornbill Capital. Please go ahead.

Sahil Desai: Good afternoon. I just wanted to check what are your thoughts on essentially the interplay between the ticket realizations in footfalls given that we are high upfront capex, high operating leveraged business, one would have imagined that getting in high footfalls even at the cost of may be slightly lower realizations, would be something that you would look at given that once we are inside you can get into spend on F&B and things like that, so if I look at it historically we have seen realizations going up pretty much in line with your price hikes and taxes etc., but how do you think about this in the sense we are trying to get more people in at least on non-weekdays?

Arun Chittilappilly: We are trying to play with the pricing more nowadays, but there is always an inertia or a lag because we operate in very different markets, all the different languages and things like that so we do not like to play too much in price as we want stability in price, but that is exactly what we have not had in the last three years. So, we are hoping that once the tax regime kind of settles at some level then we can look at pricing because what is happening now every year or so or year-and-a-half, there is a big disruption in pricing, so it is very difficult for us then to absorb that because then the only option that



we have is to pass it on because absorbing it means if that does not really add up to footfall then we will lose more and so our strategy has always been that whatever price hikes we have to take, we will take because it is taxation and it is not coming to our bottom-line.

Nandakumar: We have done a sensitivity study also, so what happens is there is a fine balance between both pricing and footfall, so even if you drop prices by 10% the requirement of footfall is quite high, so we would rather tend to keep prices high and then probably compromise a little bit on the footfalls because the moment you drop your prices and your footfalls do not happen it is a double whammy.

Sahil Desai: Okay, Sir you tested this and is it empirical?

Arun Chittilappilly: What we have done over the last three years is that we have tried different methods and this is what we feel is the right way. For example, in this last year 2Q even if we did not have the price hikes, we would not have great footfalls because of the weather, so in that case we would have lost more. So, I think we are in hindsight it did feel like a right decision for us, we feel that we still have great product and people want to visit us, but then there are other factors, which affect consumption so even if we do not hike prices and keep it very aggressive we do not get the footfalls then I think it does not really workout.

Sahil Desai: Just want to be clear, you are saying that in the absence of any adverse weather or something like that on a normal regular day you are saying that the elasticity of price cut is not great enough for you to do something there?

Arun Chittilappilly: Yes, that is what we have mentioned.

Sahil Desai: Got it, and my second question is on Hyderabad, I mean that given that last year was a low base, we had floods last year and footfalls were low, are you happy with the performance this year with the 20% year-on-year footfall growth given that it is a new park?

Arun Chittilappilly: Yes, 20% is a pretty decent number. We would have liked more, but then again the weather was bit of an issue all across south. I do not know how it was in Mumbai, but here the weather was too bad like we actually had a bit of washout for our Dushera season, which is a big season for us in Hyderabad and Bengaluru.

Sahil Desai: Because of that Hyderabad last year also was affected by floods?

Arun Chittilappilly: Yes, last year also, so that's why we have grown 20% on topline when you look at Bengaluru has not grown much at all.

Sahil Desai: Right, and non-ticket revenues in Hyderabad have also declined, so any reason?



- Arun Chittilappilly:** Yes, in the first year our dress code we had, we had first implemented in Hyderabad and the pricing was little sharp there and we thought with that kind of a pricing it might be difficult for us to implement or enforce the dress code further and we had to drop the merchandise prices because of which we have seen a decline in the non-ticket revenues; however, F&B continues to grow in Hyderabad.
- Sahil Desai:** Can you give some sense of how that growth has been in F&B consumption in Hyderabad?
- Nandakumar:** It has been close to about 20%.
- Sahil Desai:** This is an absolute revenue right?
- Nandakumar:** Yes.
- Sahil Desai:** Thanks. That is it from side.
- Moderator:** Thank you. The next question is from Manu Gulati from Everstone Capital. Please go ahead.
- Manu Gulati:** Good afternoon. I wanted to check in terms of your gross margin we have seen to be doing better than competitors, can I ask what helps you to do that and also what is your mix between you and the current customers which you track them?
- Arun Chittilappilly:** Sorry, I could not get your question at all. It is not legible.
- Manu Gulati:** I am trying to ask in terms of your gross margins what do you do differently from competitors in order to keep them at a higher level and also what is your mix between new and recurring customers if you track that?
- Arun Chittilappilly:** Our gross margins are higher than competitors because our cost base is very low and that is one of our key competitive advantages. We are able to price our offering at a very competitive price because our operating cost and maintenance cost are much lower than competition. In our mature parks we have roughly 50% of our footfall as the repeat visitor.
- Manu Gulati:** Could you please elaborate more on how you keep costs competitive?
- Arun Chittilappilly:** The cost of setting of a Wonderla park is far lower than competition because we do a lot of reverse engineering and backward integration. We actually make some of our own rides and lots of the facilities are completely designed by us, so that keeps our costs very low. The same applies in maintenance and operations. We don't outsource any operations like maintenance for our parks which saves substantial amount of money.



Manu Gulati: Got it Sir. Lastly what would be your revenue mix between rides, foods and other non-ticket items?

Arun Chittilappilly: Right now it is about 75:25.

Manu Gulati: 75 for rides?

Arun Chittilappilly: Yes, 75 on tickets and 25 on non-ticket.

Manu Gulati: You expect this trend to go more towards non-ticket because that is higher margin?

Arun Chittilappilly: Yes, that will slowly move, it used to be 80:20 and now we are at 75:25, so slowly it will move now.

Manu Gulati: And lastly what would be the respective margins on each?

Arun Chittilappilly: That keeps varying, but roughly about 40% to 50% on F&B.

Manu Gulati: Thank you Sir!

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

Kaustubh Pawaskar: Thanks for giving me the opportunity. So my question is on the average ticket revenues. This quarter it stood at about Rs.770 per visitors. Is it net of GST?

Nandakumar: Yes.

Kaustubh Pawaskar: So what could be your gross ticket revenue or what could be the growth in the gross ticket revenue if you can just help us?

Nandakumar: Gross revenue grew 15% overall.

Kaustubh Pawaskar: That gives us an indication that 14% is something which is a kind of price increase which is required and we have taken that?

Arun Chittilappilly: We have taken the price hike that is why the gross revenues were 15% to 16%, otherwise we would have lost our 15%.

Kaustubh Pawaskar: You have taken it and netted off?

Arun Chittilappilly: Yes.



- Kaustubh Pawaskar:** But any further price increase you think is required?
- Arun Chittilappilly:** No, now we are stable with that rate.
- Kaustubh Pawaskar:** You are stable with the pricing, so whatever impact of price increase would be just in FY2018 and if things would be normal, I think 2019 you would see footfalls?
- Arun Chittilappilly:** We will able to grow footfalls.
- Kaustubh Pawaskar:** Provided there are no unprecedented rains or something like that?
- Arun Chittilappilly:** I think this is a little pretty low year for us, so I think we should be able to grow up from here.
- Kaustubh Pawaskar:** In terms of margin you said that it would not be 45%, but at least we should expect operating margins to improve gradually considering the fact that 70% of your cost is direct in nature?
- Arun Chittilappilly:** Yes, as the time goes by the older parks mature and when new parks also mature and definitely our margins will keep improving.
- Nandakumar:** So, it should settle as around the high 30s so somewhere about 38-39 is what we think the margins settle at for at least the next couple of year.
- Arun Chittilappilly:** If GST remains the same.
- Kaustubh Pawaskar:** Before the operational of Chennai Park because once that gets into operation I think again you will have some hit on the margins in the initial year?
- Arun Chittilappilly:** Yes.
- Nandakumar:** That depends on the commissioning of Chennai Park, but I think as it stands we might have five to six months delay in the Chennai Park.
- Kaustubh Pawaskar:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Shivcharan Sharma from Perfect Research. Please go ahead.
- Shivcharan Sharma:** Sir, as you have answered 50% of your consumers are repeat customers so, I just wanted to know the strategy for consumers stickiness?
- Arun Chittilappilly:** Sorry strategy for?



- Shivcharan Sharma:** Strategy for consumer stickiness?
- Arun Chittilappilly:** You will have to explain that for me a little bit more what do you mean by that? What are you trying to ask, I mean do you what to know at what prices they want to come back more often or they want to know at what price they will go away and not come back?
- Shivcharan Sharma:** No, it is not regarding the price. I am asking regarding a strategy like what we will get the same customers to come again?
- Arun Chittilappilly:** For that we are working on a new loyalty programme, which we hope to launch by the end of the year. So those kind of things, discounts on repeat visits and loyalty programmes, family passes those kind of things where the customers feel that every subsequent visit discounted will help us and this is what we have been doing, but we are revamping that system right now.
- Shivcharan Sharma:** Thank you.
- Moderator:** Thank you. The next question is from the line of Amit Kumar from Investec Securities. Please go ahead.
- Amit Kumar:** Thank you so much for the opportunity Sir. Sir, I think earlier in the call you had mentioned that Hyderabad in the second half potentially we can still not for the full year, did you say that in the full year you can grow 10% to 15%?
- Arun Chittilappilly:** Yes, we shall be able to grow footfalls.
- Amit Kumar:** But that would sort of imply that your second-half footfall growth is going to be like 30% plus given the environment?
- Arun Chittilappilly:** We do not know. The second quarter we have grown by 20%. We hope that in 3Q also we will grow in a similar fashion.
- Nandakumar:** Because we get more groups during 3Q and for Hyderabad it is more group revenue, which would be coming in the current quarter. So we should see more footfalls.
- Arun Chittilappilly:** That will definitely be a double-digit growth.
- Amit Kumar:** For the second half?
- Arun Chittilappilly:** Yes.



- Amit Kumar:** Then checks from the ground indicate although I note that Ramoji Film Park is not exactly your competitor, but they have launched Baahubali set store and that seems to have fair enough traction in that market, so any sort of impact you are seeing because of that?
- Arun Chittilappilly:** No, see actually Ramoji Film City does not work with the local market at all. We are more of a regional player. Ramoji Film City actually attracts tourists.
- Amit Kumar:** I mean residents cannot go at all or the general sort of trend?
- Arun Chittilappilly:** They have been there for 30 years, it is not really a place where local population goes for entertainment.
- Nandakumar:** And to your question what we have got market news is even Baahubali has been only for a month which they were able to actually extract and I do not think they are getting those benefits now, it is just around Diwali month when they had got the benefit.
- Amit Kumar:** I understood Sir! That is it from mine. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Manish Poddar from Renaissance Investments. Please go ahead.
- Manish Poddar:** Sir, just wanted to know you said the Chennai Park would get delayed by six months. Are we expecting completion?
- Arun Chittilappilly:** We were supposed to finish the park by second half of FY20 and that might get pushed by about six months.
- Manish Poddar:** So, this is now expected in FY21 if I get that right?
- Arun Chittilappilly:** Yes.
- Manish Poddar:** What sort of the capex are you looking?
- Arun Chittilappilly:** Capex we are looking same about Rs 350 Crores on the upper limit.
- Manish Poddar:** Split evenly in the two years?
- Arun Chittilappilly:** It will be loaded towards the last year.
- Manish Poddar:** Thanks.



- Moderator:** Thank you. The next question is the follow up from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Sir, just a follow-up. How do you define industry of peer group for each park but whatever the defined parameters are of each parks' peer group what is your assessment? Are we gaining market or losing market share?
- Arun Chittilappilly:** We are gaining market share definitely in our new markets. In the old market we may be at a status quo kind of a situation.
- Tejas Shah:** But are consumers preferring some other platforms of entertainment or they are not stepping out at all in the environment itself?
- Arun Chittilappilly:** Hard to quantify, from what we are seeing there has been an impact for all the players in the industry so whatever is affecting us is affecting everybody so in that sense I guess it's fair in field at least as far as amusement parks are concerned.
- Tejas Shah:** Was there any input tax credit benefit in this quarter?
- Nandakumar:** Tax credit.
- Tejas Shah:** So input tax benefit basically?
- Nandakumar:** We had input tax earlier also, so what we used to do is portion of the disputed tax we used to take a credit but not avail it because we have been providing for the disputed tax, so that way the incremental input tax credit what we have got is only of the traded goods, the margin on traded goods proportionately which we had to reverse in the service tax regime versus what is available in GST, so that is a very small amount. So we have got a benefit of close to about 40 lakhs there and with the LBT or the local body tax getting subsumed under GST we have got some bit of benefit in Kochi totaling about 20 lakhs. So totally about 60 lakhs roughly is what we would have got on account of input tax credit between service tax regime and the GST regime.
- Tejas Shah:** In this quarter?
- Arun Chittilappilly:** Yes.
- Tejas Shah:** Sir, what would be the total provision so far on the account of litigation which is going on?
- Arun Chittilappilly:** It is about Rs40-odd Crores.



- Tejas Shah:** Let us say if the ruling is not in our favor, this provision should be sufficient to curb P&L from any further hit?
- Arun Chittilappilly:** Yes, because we continue to provide for the interest also, so it should be sufficient.
- Tejas Shah:** Lastly, slightly academic question, but just wanted to understand this weather volatility that is hurting our couple of park revenues for the last couple of years now. So globally what is the practice? They also go through this volatility or there is some mechanism some sort of revenue insurance against weather, so how do they manage this because that is much more matured industry in that part of the world?
- Arun Chittilappilly:** Same. I think this is from what I understand even Disney had to close down their parks when they had hurricane last month, so I mean this is same world over. I do not think we can plan for it.
- Tejas Shah:** But, there is no financial tool also to safeguard against such volatility?
- Arun Chittilappilly:** There are no financial ways. We are dependent on customers walking into the parks, it not possible to have some tool that can mitigate that risk.
- Tejas Shah:** Thanks. That is all from side.
- Moderator:** Thank you. The next question is a follow up from the line of Amit Kumar from Investec Securities. Please go ahead.
- Amit Kumar:** Thank you again for the opportunity. One point, which I sort of missed previously, the Hyderabad Park, if we look at the first half, it has delivered just about 300,000 footfalls, and although performance in Bengaluru and Kochi has been slightly muted in the first half itself, but still the footfall performance on an absolute basis is significantly higher, in fact I am not even sure whether you would have compared Hyderabad to Kochi, but if you look at Hyderabad versus Bengaluru, Bengaluru you are still delivering upwards of 4 lakhs footfall while Hyderabad despite being a new park and a new sort of attractions out there, is still just about 3 lakhs in the first half?
- Arun Chittilappilly:** That's how it will be. It will be a slow gradual ramp-up. That is what you are seeing. In some quarters, you will see a growth in, for example, this quarter we have seen a growth of about 20% in footfalls even though it is a weak quarter, even for Hyderabad.
- Amit Kumar:** What I am basically trying to understand is how much time period do you believe it takes for the park to sort of hit us sort of normal level of footfalls, how much time?
- Arun Chittilappilly:** Four to five years.



- Amit Kumar:** Four to five years and during these four-five years, your marketing spends out there because you need to hit that level, will they remain elevated?
- Arun Chittilappilly:** Yes.
- Amit Kumar:** Thank you. That is from end.
- Moderator:** Thank you. The next question is from the line of Yash Mehta from Steinberg India. Please go ahead.
- Parag:** Arun this is Parag here. For Chennai Park, do you have any clarity on the panchayat tax or the local body tax?
- Arun Chittilappilly:** We do not have any clarity right now, in fact, we are trying to work on that issue because we do not think it is viable for us to run park if there is LBT tax which comes on top of GST. So in fact one of the reasons why we have delayed Chennai by a quarter is to have some clarity on that.
- Parag:** Could you also comment about change in the management, Mr. Dipy Sachdeva is leaving?
- Arun Chittilappilly:** Actually Dipy had submitted his resignation yesterday at the board meeting and George Joseph who is our Chairman who is coming into our active role to temporarily support us for the next may be few quarters or so and then slowly we will take a call on replacement or whatever strategy, but for now I think we are just going to maintain status quo for at least a couple of quarters.
- Parag:** Got it. That helps. Thank you.
- Moderator:** Thank you. The next question is from the line of Aabhash Poddar from Anived PMS. Please go ahead.
- Aabhash Poddar:** I just have one question or a clarification. Are you looking to hike prices in FY19 or the question now is where are we leaning towards at the moment?
- Arun Chittilappilly:** We will take a call towards the end of 3Q about that. We hope that if the footfalls start going in a positive trend then we will probably be looking at some kind of price hike, otherwise we will try to hold prices for sometime.
- Aabhash Poddar:** Perfect, sounds great. Thanks.
- Moderator:** Thank you. The next question is from the line of Ronak Shah from SJC Capital. Please go ahead.
- Ronak Shah:** Was Hyderabad EBITDA positive in 2Q and if you can quantify on that number?



- Nandakumar:** Hyderabad EBITDA you are saying?
- Ronak Shah:** That is right.
- Nandakumar:** Hyderabad EBITDA was positive, so we roughly made about 2 Crores in Hyderabad.
- Ronak Shah:** What was the entire EBITDA loss for last year, Hyderabad do you have that?
- Nandakumar:** EBITDA we were at about 8 Crores for the full year, so we did not lose money in Hyderabad last year.
- Ronak Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Manish Bang from Damos Capital. Please go ahead.
- Manish Bang:** Thanks for your opportunity. Sir! Just wanted to ask you three questions. One is on the extra land parcels which are with some 64 acres is with Kochi and some 40 odd acres in Bengaluru what are the plans to develop it further? Second question is on Hyderabad footfalls. If you just see the half yearly footfalls, it has been only 2%, so as per you which I heard it was like you are saying for the year we will be having some 15% footfalls growth in Hyderabad, so how is it possible, can you see that very possible? The third question is on the space themed virtual reality right which you are trying to get into. I think in Hyderabad, can you just give some development what is the development in that? These are the three questions Sir.
- Arun Chittilappilly:** For example, first quarter we did not see any footfall growth in Hyderabad and that is why you are not seeing first half in terms of footfall growth you are not seeing a big number and like I said every quarter we should see double-digit growth in footfalls and that is what we are running for, but because this year we had multiple impacts, so we were expecting the footfalls to touch about 8 lakhs this year, we may not touch 8 lakhs, we are looking something around 7 to 7.5 lakhs range and consequently that is what we are seeing. What is your second question?
- Manish Bang:** Sir, it was on Kochi and Bengaluru land parcels?
- Arun Chittilappilly:** For land parcels we are just keeping it idle. We are not looking at monetizing it. The new ride we hopefully would be able to commission it in the next month, in time for Christmas and New Year season. It is still work-in-progress.
- Manish Bang:** Thank you so much, Sir.



Wonderla Holidays Limited
November 16, 2017

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for closing comments. Over to you!

Arun Chittilappilly: Thanks everyone for attending the 2Q conference call. Hope to see you again and we are quite happy with the performance like I said again and thanks to Ambit and Dickenson Seagull IR for organizing it. Thank you.

Moderator: Thank you very much members of management. Ladies and gentlemen on behalf of Ambit Capital that concludes today's conference call. Thank you all for joining us. You may now disconnect your lines.