

Wonderla Holidays Limited Q3FY15 Earnings Conference Call

January 30, 2015

Moderator: Ladies and gentlemen, good day and welcome to the Wonderla Holidays Limited Q3FY15 Earnings Conference Call. Today we have with us from the management Mr. Arun Chittilappilly – Managing Director, Mr. Nandakumar – Vice President, Finance, and Mr. Amit Sabarwal from Dickenson Seagull IR. 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 an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Amit Sabarwal, thank you and over to you Sir.

Ammeet Sabarwal: Thank you Karuna, hello and a very good afternoon to all of you. This is Ammeet Sabarwal from Dickenson Seagull IR. We manage investor relations for Wonderla Holidays Limited. We welcome everyone present here today for the third quarter earnings call for the company. Before we get started I would like to remind you that our remarks today might include forward looking statements and actual results may differ materially from those contemplated by the forward looking statements. Any forward looking statement that we make on this call are based on the assumption as of today and we undertake no obligation to update the statement as a result of new information or future events. We now hand it over to Wonderla's Managing Director Mr. Arun K Chittilappilly, over to you Sir.

Arun K Chittilappilly: Thanks Ammeet, good afternoon to all, thanks for taking time out and getting on to this earnings call. Just a brief background about Wonderla Holidays, we are amusement park operating company based out of Bangalore. We have been in this business for about 14 years and we have two operational parks at this point, and we have a third park in Hyderabad under construction, and we also have an 84-room resort called the Wonderla Resort at our Bangalore property, so this is a small brief about the company. We are probably also one of the largest operators of amusement parks in India, and probably the only company to have multiple location amusement parks, and we hope to augment our footprints to four amusements by the end of 2019. We will start now by talking about the key milestones for the financial year. Our EBITDA and PAT have been consistently growing at CAGR of 22, 23, and 44% over the last five years. The quarter under review has witnessed a flat growth in footfalls primarily owing to restriction on educational institutions for picnics and outings in both cities of Bangalore and Cochin. In Bangalore it has led to a slight decrease in school traffic from Greater Bangalore, whereas in Cochin it has led to a decrease of footfalls from mostly Tamil Nadu and rural Kerala. However we expect the situation to improve over the next couple of months and the main season for school excursions are over by the end of January. On the other hand we have our resort division which has done a great quarter with a 50% occupancy rate during the quarter, this is an increase of roughly about 66% over the corresponding period of the last financial year. Also one of the reasons why we have flat footfalls and not a degrowth is because our retail or full paying customer footfall has improved by about 12,000 visitors. Our update on the Hyderabad project, we are on track to build Hyderabad park and this has already broken ground and we are actively engaged in the civil construction at this point. The park is likely to be operational by April 2016 and there is no change in that date. We hope to entertain about 10,000 people a day, maximum capacity at this park once it is commissioned. Construction is on full swing and we are expected to complete this project on schedule. We have also started recruited personal at our existing projects and training them, so that they can be transferred to Hyderabad as and when required. So this is a short brief about the performance of this quarter. A couple of more points, one of the reasons why our EBITDA margins for this particular quarter has declined by about 2 to 3% is attributed to two factors, one is that we have had unplanned maintenance of a couple of attractions in Cochin and Bangalore. The other is that like I mentioned earlier, we have started recruiting people and training them in our existing facilities with the intention of transferring them to Hyderabad as and when required for the project, so that has led to an increase in our manpower cost, and that is one of the reasons why we have seen a small

decline in our EBITDA margins. With this I would like to conclude and over to Nandakumar, if you want to add anything to this.

Nandakumar T: I would like to take you in detail to the financial numbers as well as the footfall numbers. To be precise for the quarter ended December we have a consolidated footfall of around 6.5 lakhs against 6.4 lakhs last year, so very precisely there is a reduction of 9000 people which is almost 1%, whereas in the entry collection it shows a 15% growth and closed with around 41 crores as against 35 crores of previous year same period. And our total turnover has grown by around 16% to around 48.27 crores from the 41.5 crores previous year and in the major expenses as Mr. Arun has already mentioned we have seen a sizable increase in our operating expenses, which has grown to 8.3 crores from 6.1 crores, and in this operating expenses as mentioned that additional staff which we recruited for training in the operational area as well as the maintenance of some of our major rides which fall in this quarter, so all this put together I think there is an additional expenditure of 1 crore as come for the quarter, and the other major thing, expense is happening in the other operating where we are debiting our CSR expenses, which is YTD coming to around 56 to 60 lakhs this year, increase compared to last year. These two are the major cost escalations we have, and owing to that our operating margin has come down to 45% as against 48% in the previous year. We have shown a significant increase in the performance of resort and also the sale of products that is F&B and souvenirs also showing a significant growth, it has grown almost 21% compared to last year's five crores and this quarter we have close to 6 crores. To be very precise on the branches, the Bangalore amusement park is almost given marginal increase in footfall, it was around 3.11 as against 3.10 whereas in Cochin it has a marginal reduction of around 9000 people very precisely. This has already been explained by our Managing Director that mainly the footfall reduction happened in the school and college segment, that is why we are able to post a 15% growth in revenues from entry fee, despite a flat footfall, where the price increase what we took last year was almost 10% roughly. So that is from my part and now I think we can specific questions.

Moderator: Ladies and Gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question, may press '*' and '1' on their touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. We have the first question from line of Alankar Garude from Edelweiss. Please go ahead.

Abneesh: This is Abneesh. Footfall growth is fairly volatile for us, Q4 if you can tell us, how you are looking at footfall growth this quarter and similarly for FY16, any number you have in mind and any strategy you are putting in place to make the footfall more predictable?

Nandakumar T: To be very specific, Q4 this year I expect the footfall to be marginally flat only, as I maintained 1 or 2% increase, because our school season is almost coming to an end, and January almost we completed, it can go another 15 to 20 days only, and we did not see any significant increase in the footfall from schools. Basically the situation is slightly serious as far as Bangalore is concerned, this year because you know the incidents of sexual harassment happening in Bangalore and cases reported and now the teachers have been asked to do a police verification and they are running after that, so most of the schools have either cancelled or postponed their outing plans. So this year I don't think there will be a significant increase in footfalls from the school and college crowd this year. So I expect the footfalls in Q4 to remain flat or there will only be marginal growth of 1 or 2%. Coming to the second question, because we are always affected by external factors like what happened now, affecting our footfalls because Cochin you witnessed that exam seasons have been changed, some of the schools have moved the exam dates in Tamil Nadu, that is why the footfalls of Tamil Nadu has been affected as far as Cochin is concerned. So this is relatively out of our hand and we have very limited control on these footfalls, only thing is that we can manage and we are extensively marketing in the general crowd to attract more general crowd to make up this reduction and this organized conducted tours which is rather volatile.

Abneesh: This minus 1.2% in footfalls, how is it for your two different parks, the way you have said, it seems Bangalore is much more impacted so if you could give us park wise

Nandakumar T: I will give you that park wise, if you take the quarter footfalls, Bangalore is almost flat, despite 18,000 reductions in school crowd we managed with 14 to 15,000 increase in general crowd. Whereas Cochin is ...

Arun K Chittilappilly: This is slightly different, Avaneesh, just to explain that to you, I think our institutional footfalls have degrown by about 20,000, whereas it has been partially made up by our increase in general, full paying tickets, so that is one of the reasons why Bangalore has not shown in decrease in footfalls, whereas in Cochin whatever decrease has happened and this has not been compensated by an increase in general

Nandakumar T: Completely it could not compensate.

Arun K Chittilappilly: Partly only it has been compensated. So that does happen once in a while, I mean, what has happened this year is quite unusual and I guess we can't really predict, schools are being told to take kids for excursion, there is not really much we can do about it, but from history what we can say is that usually these things get revoked over a period of time, so by next year I think this time we should be able to be back on track, and a lot of schools which have not come this year will definitely come back to us next year, so this is the feedback that we are getting from the market. We kind of knew this would happen because this whole problem started I think around the end of October, sort of these kind of cases were unearthed in some of the schools and that has led to a clampdown by authorities against the school management.

Abneesh: Kochi, I could not understand, what are the issues there, you said that in Bangalore there is a specific issue, but Kochi, what was the issue?

Nandakumar T: Kochi, the issue happened mainly Tamil Nadu's schools actually the season and exams have been almost disturbed and they rescheduled because their CM had some issues and there is some issues in traveling but ,,,,

Arun K Chittilappilly: They also have some kind of restriction on traveling because I think whatever has happened has a kind of affected all the schools in South India if I am not mistaken. A lot of schools have been asked to relook at their security, a lot of them have been forced to have security cameras, new security guards, lady security guards, and those kinds of things, that is not only specific to Bangalore, I think it is more generally throughout the area and also like Nandakumar said, a couple of things, maybe a little more impact in Cochin because it is more dependant on Tamil Nadu footfalls as well, and Tamil Nadu footfalls also has been less in the last quarter. It is also partly to do with the whole Tamil Nadu issue whatever happened with, there was a lot of unrest in the last quarter in Tamil Nadu, so that is also there, but generally from education institutions it is mostly to do with school authorities itself.

Abneesh: Two more things if you see, in Q4 we have got the World Cup, and South India, definitely cricket remains quite popular, so in that context could there be even more adverse impact and second is if you see news flow on swine flu has really increased, now does that impact your line of business more adversely because obviously it will impact the sentiment and overall people would like to be cautious, so can you talk about that part.

Arun K Chittilappilly: In our experience World Cup has not really been a problem for us, even IPL and World Cup has not really impacted our footfalls, but something like Swine Flu definitely will, if it becomes a bigger problem, it can affect footfalls to any public outing place, so as a precaution the first most authorities or most families will try not to go out to public places especially to water parks and amusement parks and all, will definitely be affected, if this becomes a bigger problem.

Abneesh: Lastly, this quarter what we are seeing is, consumer durable companies and your own group also, if you see, and now if you see a lot of other discretionary consumption, we are seeing Sir, slowdown becoming more pronounced this quarter, there could be different reasons for different categories, but in general sentiment wise from a financial perspective or spending perspective are you not calling that out also apart from the reasons which you mentioned say

Bangalore that case, and Cochin, the Tamil Nadu issue, is it not the customer also cutting back, because we are seeing that across most segments in Q3 discretionary consumptions seems to have slowed down more versus Q2?

Arun K. Chittilappilly: Okay, let me answer that. If that was the case, even our general footfalls would have dropped further and actually instead of having a flat we would have had a drop in footfalls, that is not seen, actually on the contrary our general footfalls have improved both in Cochin and Bangalore. But the problem is that in this quarter the mix of general to institutional sales is skewed more towards institutional sales, so if we see only a drop in institutional sales and not a drop in general footfalls that does not mean it is a sentiment, that means mostly to do with other factors which govern only those categories. At least that is what we have seen, maybe in Cochin to a small extent, I think we are seeing a slight less growth compared to what we expected from general group also, but in Bangalore we have not seen any such negative sentiment affecting our footfalls or anything like that.

Abneesh: When this mix change happens, for example this quarter there has been a relatively sharp change of mix, because of the events etc, how does that impact your margins, because I understand that schools etc clearly ARPU will be on the lower side, so has that helped your margins because of the mix change?

Arun K. Chittilappilly: Mix change will not help the margins, but the only thing is it will not show a huge drop in revenues because like you rightly said, they don't pay, most of these schools are heavily discounted, actually most schools pay only half of the full rate, the full ARPU that we get from a retail customer, so for every child which is a loss from a school we are only losing like half of what we would have lost from a retail customer. So in that perspective it is not really, a drop in footfalls from institutions does not mean that we lose tremendously in terms of revenue, and also Q3 if you look at amusements across India it will be mostly skewed towards institutions, because you know we have very few holidays, we have maybe 10 days for Christmas and then maybe 10 days for Dussera in Bangalore, other than that there are no major holiday season as such. So there is not really chance for a lot of families to come other than these 10 to 20 days which are there, so and we are predominantly looking at other institution sales to fill the gap.

Abneesh: That is not what I am able to understand, then why has the margins fallen YOY by almost 300 bps, if that is the case, your lower margins

Arun K. Chittilappilly: The margins have not fallen, not because of the mix, it has fallen mostly because like I said, we have, Nandakumar you want to explain that.

Nandakumar T: Because irrespectively you look at the average margin for the 9 months period, the operating margin will be around 54 to 55%, because the first question being a premium quarter and we are getting more full paid guest, the last quarter the average margins will be very high, if you look at only the margins of Q1, it will be around 60%, the operating margins, because of the subsidized tickets selling more, year ending last year also we did a gross margin, operating margin of around 49% against 60% in Q1, and this quarter the 3% further reduction happened because apart from the lower margin because of the average revenue per visitor is less, secondly we have some other expenses of close to 1.2 to 1.3 crores because of the maintenance as well as additional staff recruitment.

Abneesh: Could you elaborate other expenses part, because it was stable for almost five to six quarters, it has jumped, on a very small base, it has jumped,

Nandakumar T: It is because all these maintenances and repairs, we normally push to lean quarters, because you will see that three of our major rides went under shutdown maintenance because they did schedule for the shutdown maintenance. Our maintenance schedule cannot be on a calendar basis, it is after a period of operation, say x number of hours operation it has to go for a complete over haul, so it is not fair to assume that this quarter I have next year same quarter, I will have the same maintenance, the possibility is very less. So our maintenance goes in 18 months gap or 20 months, or 21 months, depending upon when the ride is

completing that number of cycles, so three rides have fallen in this quarter, you cannot get a comparable for the previous year Q3.

- Arun K Chittilappilly:** The only reason why that is
- Abneesh:** Next quarter it should fall, Q4 it should fall?
- Nandakumar T:** It is marginal, it will be maintaining something above which you can expect 49 to 50% because Q4 is also predominantly, we are maintaining rides, but not to this magnitude, because three rides, major rides, which is high cost has fallen due, some other ride has fallen due after two years.
- Arun K Chittilappilly:** I think what Nandakumar is trying to say is, it is hard to predict when that cycle will happen, sometimes it is a planned maintenance, sometimes it is an unplanned, so in this case we have both, we have planned, as well as a couple of unplanned machines, have to be maintained, and because this is not a very high topline strong, the impact is bigger.
- Moderator:** Participants we would like to remind you, please limit your questions up to 2 per participant, if you have a follow-up question we would request you to please join the queue. We move on to the next question, that is from the line Ravi Mehta from IIFL. Please go ahead.
- Ravi Mehta:** I just want to understand that margins bit, if I understand you correctly, the mix is tilted towards general, but assuming that because this is coming at the expense of higher advertising, margins would have taken a hit, because of that, but even if I look at it over the last two quarters, on a YOY basis, margins have been coming and this I am not talking about EBITDA margins but I am talking about the margin less direct operating expenses, that has been coming under stress, could you explain why would that be happening Sir?
- Nandakumar T:** Obviously what we already, the same line what we already explained, because 1.5 crores additional expenses is able to give a 3% or 3.5% margin stress because the topline of this quarter is very low, and the maintenance which we spend out of this 1.5 crores and HR around 50 to 60 lakhs is going to be permanent for next two to three quarters at least because that is we are maintaining pool for our new parks scheduled to be operated in Q1 of FY17. And balance around 60 to 70 lakhs additional expenses, which came in this quarter was not there for the previous 4 to 5 quarters, because the maintenance of this machine comes once in two years or once in five quarters or once in four quarters depending upon the cycle of operations. So there is a little amount of unpredictability in that, which unfortunately has fallen both together in this quarter but I will say this maintenance cost will not continue for the next quarter, but HR cost which is adjusted in the operating expenses is going to continue for the next three quarters, which is a reserve manpower for the Hyderabad park. That is why you are seeing a 3 to 4% stress on the gross margins.
- Ravi Mehta:** Even the Hyderabad does not come in employee cost, employees is only corporate is what you highlighting?
- Nandakumar T:** No, Hyderabad, because currently we are using the people and training in our park which is servicing in the existing park, it will come as expenses for these parks.
- Arun K. Chittilappilly:** They are not in Hyderabad,
- Nandakumar T:** They are in Cochin and Bangalore, and being trained.
- Arun K Chittilappilly:** So that will be there for two quarters at least.
- Nandakumar T:** The next three quarters precisely.
- Ravi Mehta:** The next three quarters will have this kind of ...

Nandakumar T: Around 50 to 60 lakhs per quarter will be incrementally operating cost, because these guys have to work here and they have to be familiarized with our operating culture, and our safety standards, all those to be taught to them in detail.

Ravi Mehta: Sorry, from what I understand is that there has been decline in footfalls because of some reasons, schools, some change in exam schedules, and correct me in my understanding, would that discontinue going forward?

Nandakumar T: No, because every year it marginally varies, because you know that Tamil Nadu has around one to one and half months unrest because of their previous CM issues, so those exams have got partially shifted, and that is one of the reasons where Kochi has a footfall reduction precisely around 11,000 students has come down in Kochi for the quarter, instead of posting any growth. You look at Bangalore, Bangalore has a student group footfall reduction is around 16,000, where it is almost 15,000 increase in adult and corporate.

Arun K. Chittilappilly: That is why in Bangalore there is no degrowth happening, because there is a footfall growth from the general crowd.

Ravi Mehta: Okay, so that what is the share of schools in third quarter and how does it change in the fourth quarter typically?

Nandakumar T: Third quarter I will say around 40% is students, and fourth quarter it will be around 40 to 45%.

Ravi Mehta: So it will still be at an elevated level, so fourth quarter also we should see some impact on footfalls, right?

Nandakumar T: I expect so, because partly I do expect that the same trend to be continued because we have some growth in general crowd, what we experience in the first 25 to 26 days.

Arun K Chittilappilly: But the institutional sales are not picking up here.

Nandakumar T: Not picking up, because corporate is doing somewhat good in Bangalore. We are showing around 20% growth in corporate footfall last year, last quarter and this quarter for the first month also, that is increasing, but the student community reaction continues to be the same. Last year if you look, if you look at last year, March was extremely good for us, because there was continuous holiday because Good Friday and Easter fall in the last week of March, but unfortunately this year that is falling in April. Because those long weekends have a bearing on our footfalls. We are passing through a full year where there is no Good Friday and Easter. Last year it fell in the last week of March, this year it is coming in April, the whole financial year does not have that weekend.

Ravi Mehta: I understand, what you are saying is because of that seasonality also there will be some impact.

Nandakumar T: Some of those things are not, you cannot compare it, we will get that footfall, but it may not come in that quarter.

Arun K. Chittilappilly: Instead of March, if it comes in April, it goes to the next financial year.

Nandakumar T: Similarly we face some changes in Dussehra also, Onam in Cochin, because it swings between Q2 and Q3, so those kinds of things happen.

Ravi Mehta: There are no concerns on Hyderabad in terms of, it is on track for commissioning?

Nandakumar T: I think we have already started and we are running very well there. Hopefully you will get more clarity and picture from the next quarter about these things. Now everything, work is

happening, and piling section, below the ground, so we will be able to give you a better picture by next quarter. I have shared a couple of photographs in the presentation.

- Ravi Mehta:** I saw the photographs, but the photographs just indicate that is on.
- Nandakumar T:** Because now there is ground level activities, that is leveling and piling kind of thing, so it will be more visible from next quarter. I hope next quarter onwards we will start doing the foundation for some of the rides also.
- Ravi Mehta:** That is useful.
- Nandakumar T:** Then it will be more presentable.
- Arun K. Chittilappilly:** Then you can see the rides and all. But it will take two more quarters, not next quarter.
- Nandakumar T:** Next quarter we will start the rollercoaster work.
- Ravi Mehta:** But in terms of the CAPEX, it will be similar, around 30 crores this years and around 250 crores next year.
- Nandakumar T:** That is fine, no change I expect. Now mostly the civil construction is happening. It is not that much a costly affair.
- Moderator:** We have the next question from the line of Vishal Gutka from India Infoline. Please go ahead.
- Vishal Gupta:** Most of my questions have been answered, I had only one question, why the tax rate has been high this quarter?
- Nandakumar T:** Because compared to last quarter, last quarter there was a tax reversal. That is why it is, if you look quarter-to-quarter it is high only because there was some tax reversal of 175 lakhs last quarter.
- Moderator:** The next question is from the line of Sumat Kumar from Elara Securities. Please go ahead.
- Vishal Gupta:** My question is regarding the resort occupancy rate and average room rent for FY15, so could you please give guidance for FY15, '16, and '17?
- Nandakumar T:** During this quarter we did an average occupancy of 50% compared to 32% last year in the same quarter and there was an average, IRR was something like Rs. 4300 odd marginally increase, there is almost Rs 100 to 120 in IRR only, but we expect looking forward next year it will be much brighter, and we look towards having around 10 to 15% increase in occupancy next year with a similar increase, something at least by 10% in IRR.
- Arun K. Chittilappilly:** 10% in IRR increase also is planned.
- Nandakumar T:** That is our expectation with respect to the coming year. You look at the YTD also, we have grown there around 50% from 27%. So I think on a standalone basis we are happy with the performance of the resort.
- Vishal Gupta:** So FY15 we are expecting 50% occupancy rate?
- Arun K. Chittilappilly:** Yes.
- Vishal Gupta:** And average?
- Nandakumar T:** And average will be around 4300 or 4400 IRR.

Moderator: The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah: Just wanted to understand what exactly you count it as a direct competition in Bangalore and Cochin?

Nandakumar T: As far as direct competition is concerned in Bangalore, we have one small park near to us and one park in Mysore. These two can be seen as amusement parks you can see as a competition, otherwise it will be a competition, we look for multiplexes and malls in Bangalore.

Arun K. Chittilappilly: We generally say competition can be any other form of entertainment, it does not have to be an amusement park.

Tejas Shah: Sir any new form of competition you are seeing coming up in your catchment areas over there?

Nandakumar T: Nothing, it is the same, it usually the malls and multiplexes, and then gaming zones within the malls and urban areas, but that again, it does not count as a direct competition, but yes, it could be classified as competition.

Tejas Shah: Just broadly wanted to understand, let us say, what proportion of assets cost in a useful goes into repair and maintenance of it throughout its useful life period?

Nandakumar T: I will say that each ride has a separate maintenance cycle and as I said that around some may be falling in two years' time, some may be falling in one and half years, and what we normally do is that under complete breakdown and reassemble stage we generally upgrade the safety standards and operating quality standards with the latest updated technologies and that is being charged to the profit and loss account. If you look at that, if you look only at the machinery, it will be something close to 3% of our revenue as on today. Including civil as well as mechanical it is close to 5 to 5.5% of total revenue.

Tejas Shah: Is there any provision through accounting to capitalize all this repair cost at least or whatever.

Nandakumar T: No, we are not doing that because your IFRS probably, following properly and proper component accounting, probably it will be possible, but in my view that is not correct in the sense that it is not keeping any additional facility other than safety.

Tejas Shah: Finally, is it not a concept of pent up demand in your business, let us say as you mentioned that long weekends were less this quarter, or perhaps in the coming quarter also, so have you seen that when again that quarter comes where there are long weekends and do you compensate such weekends, compensate for the loss business in the previous quarter?

Arun K. Chittilappilly: To an extent yes.

Nandakumar T: Generally yes, because since we don't know what is the actual loss made in the previous quarter, but if you look at the season wise, we normally would like to assess the footfalls on a season wise basis, say 10 days in Dussehra what was the previous year, we normally compare for the next year, and we have a track record that generally gets compensated.

Moderator: The next question is form the line of Amit Kumar from Espirito Santo Securities. Please go ahead.

Amit Kumar: My question relates to, in your current ARPU across your Bangalore and Kochi properties in the region, on an annualized basis in the region of 800 for Bangalore and about 650 to 700 for Kochi, I just wanted to get a sense, for next year have you sort of, do you have something in your mind in terms of what kind of price hike that you are looking at, but really from a long term perspective because you have a better understanding of the catchment area, over a 5-year period, what kind of steady state price hikes or inflation can the catchment support?

Arun K. Chittilappilly: I think a 5-year, it will be different to say, what kind of increment we are going to do, but at least for the next one or two years we will be comfortably be able to do a 10% ARPU hike.

Nandakumar T: If you look at CAGR I would like to supplement that 7 to 8% is comfortably possible.

Amit Kumar: Over 5 years?

Nandakumar T: If you take a CAGR of 5 years. Look at the history of 8 years, we did Bangalore around 10% and Kochi around 7.5%. So I think it is comfortable and safe to assume that we will be able to do something close to 8%.

Amit Kumar: Actually specific to Kochi given the fact that a significant chunk of the Kerala's economy, is in that sense dependant on expats and we have seen Middle East, you have seen the economy sort of not struggle, some bit of pressure because of crude oil price decline, do you believe that that is something which can potentially have an impact on discretionary spending and to that extent your Kochi Park?

Nandakumar T: That is, if you look at the NRI client, we are dependent on NRI client, is primarily for the Q2 with respect to Kochi, where the normally holiday season starts in the month of July and August, and if you look at our dependence on NRI it is not so heavy, and history like Dubai crises previously happened, there were a lot of ex-pats even asked to return and what is in Kuwait and Saudi Arabia, those times history says that we did not get much affected by the NRI reduction in numbers.

Arun K. Chittilappilly: I think NRIs will not really affect us, in terms of footfalls.

Nandakumar T: But there is a flip side to it, look at the earlier Dubai crises and all, what happened is, actually those NRIs who were there with families sent their families back and their families are here actually positively affected the consumer spending.

Amit Kumar: So that is what I am trying to say that essentially given the fact that this time it is more a case of the fact that your, I don't know how salaries, etc., or how money.....

Nandakumar T: That is happening, it has both sides to it, one is that it is fair to assume that there can be a reduction in discretionary spending, another point is positive side, we see that when there was the Dubai crisis happened, we see that most of the people have sent their families so you find in Kerala, the consumer durable sales has actually picked up. Their outing also increased. Because what they spend there, they are sending their families, so they in turn spend more, which otherwise would have been spent in Dubai or outside.

Amit Kumar: That is an interesting point.

Moderator: The next question is from the line of Niket Shah from Motilal Oswal Securities Limited. Please go ahead.

Niket Shah: I just had a question on you know the number of big weekends in 2015 is much higher than 2014, does it positively impact your business as you rightly mentioned earlier?

Arun K Chittilappilly: Big weekends, long weekends, are definitely good for this.

Niket Shah: Sure, this school business that you mentioned earlier in the call, if that was not impacted then what could have been the footfall growth roughly?

Nandakumar T: Maybe another 3 to 4% for this quarter, maybe which is now flat, we might have grown by 3 to 4% basically.

Niket Shah: My final question, what can be the peak margins that we expect in Kochi and Bangalore over a period of next three to four years?

Nandakumar T: I will stay that Bangalore standalone business can be something close to 60%, Kochi, will be something 54 to 55%.

Niket Shah: So on a blended basis, broadly we can reach

Nandakumar T: Close to 56 to 57%.

Niket Shah: So from 48 to 49% it will end this year with ...

Nandakumar T: 48 to 49% is the consolidated, if you look at the consolidated basis on a long term basis of 5 years, because 5 years also there is a risk that there is part which is in the nascent stage, that is Hyderabad, then also consolidated can grow only up to 52 to 53%.

Niket Shah: But from the existing parks you can go close to 57, 58.

Nandakumar T: In existing parks it can go to 55 to 56%.

Moderator: We have the next question from the line of Vaibhav Watkar from iWealth Management. Please go ahead.

Vaibhav: Just a clarification on your previous thoughts, you said that you will be adding new rides in the current parks in Bangalore and Kochi, am I right?

Nandakumar T: Yes.

Vaibhav: Can you just throw some light on how these rides will be affecting, you said that footfalls are going to be stagnant, and what will be expected revenue growth that you can get from these rides?

Arun K. Chittilappilly: I will answer that, see we have just added a couple of new rides last summer to both the parks, because of that this summer we have not planned any big rides, now whatever we have planned there is no big rides planned as of now for this summer as yet. We have been going with our principle that we usually do it once in two years. So next summer is when the new rides in both the parks will be operational. We don't find the need, that every year we need not add new rides. We try and do it once in alternate years, and that is what we are planning to do so we are not really seeing a huge CAPEX for rides for the next financial year 16.

Vaibhav: So we will not be seeing any new rides in this summer season?

Nandakumar T: In Bangalore, not major rides, we will see one small ride with around 2 crores CAPEX.

Arun K. Chittilappilly: One ride will be planned for Bangalore because we are having some capacity issues in the Water Park, so that ride will be added, but no big ride will be added in both the parks for another year.

Moderator: We have the next question from the line of Pritesh Shah from HDFC. Please go ahead.

Pritesh Shah: This quarter the pricing offset the fall in footfalls, so basically in the coming quarters and years the revenue growth will be from pricing perspective or will it be from volume perspective, can you just elaborate some points on this?

Arun K. Chittilappilly: We are expecting a volume growth of roughly 4 to 5% on footfalls and about 10% on pricing.

Nandakumar T: This quarter if you take very precisely, there is 15% growth in revenue, despite the footfalls being flat, that is because one is the price increase and change in the composition of guests. Because the school part has been reduced, which is almost 35 to 40% reduced ticket, whereas the premium guests, basically the holidays and the full paid guests has increased. That is why you witness a 15% growth, so as and when this is reduced and general guests increases it helps in increase in sale of tickets and average realization, as well as that will increase the sale of products and souvenirs also.

Moderator: We have the next question from the line of Shyamal Lahon from TVS Capital. Please go ahead.

Shyamal Lahon: The question, can you help me with the split of institutional versus general footfalls, both for Kochi and Bangalore, I mean by percentage wise, maybe this quarter, Q3 of FY15 and also Q3 of FY14?

Nandakumar T: I see, you can note down the institution footfalls from FY14, it is around 120,000 that is 1.2 lakhs in Bangalore institution sales that is school and colleges. I am taking corporate into general that is not a heavily discounted ticket.

Shyamal Lahon: So of the 3.11 lakhs.

Nandakumar T: Of 3.11, 121 is from school and colleges, balance will be the general crowd.

Shyamal Lahon: The remaining is general. What was the number last year?

Nandakumar T: It was around 1.35 out of 3.11.

Shyamal Lahon: And what would be the same number for Kochi? I have the total, so you just give me the institutional that is good enough?

Nandakumar T: It is around 2.02 lakhs this year and 2.12 last year.

Shyamal Lahon: Given that it looks like the institutional is the more volatile one, is there an ideal mix in mind of the management like is there is a mix that you would like to work towards to manage the volatility going forward.

Arun K. Chittilappilly: If you look at the whole year perspective, we are doing about 65:35. That is a very healthy mix, because 65:35, that is correct.

Nandakumar T: I know, I would like to say that it is 30 in Kochi and 24 in Bangalore from schools and colleges.

Shyamal Lahon: Sorry, 30 in Kochi,

Nandakumar T: 30 to 32% on an average in Kochi, and close to 25 to 26% in Bangalore. That is the contribution.

Arun K. Chittilappilly: Bangalore, 75% is either corporates or general crowd. And these schools and colleges are concentrated in these five to six months. There we try to fill as many as possible because even though somebody misses the season or this January somebody misses, the school will simply cancel this program, because they cannot afford to do in February and March, or at least the first week or second week of February some people come, beyond that they have exams and all that, so they will not come. Usually what happens with schools and colleges, if they don't come it is a lost business. That year they cannot do an outing.

Arun K. Chittilappilly: They will come the next year.

Shyamal Lahon: There may not be much sense or thought towards thinking of changing the mix or so, like that.

Arun K. Chittilappilly: I think we have a pretty healthy mix because 70:30 is a pretty, I think it is a good mix.

Nandakumar T: Because that we cannot consciously do that because general crowd we are doing a different marketing, and school crowd we are doing a different marketing. Because school crowd more of a one on one marketing.

Arun K. Chittilappilly: We have to actually directly go there, and talk to the authorities, and things like that.

Nandakumar T: And obviously it depends as I said, because one incident happened in such like Bangalore happens, everybody will stay away from that risk.

Arun K. Chittilappilly: Today our marketing people were not even able to go into some schools. So they have become very cagey and difficult for this particular year, and I think that is also rightly so, because they have a lot of pressure from the government to improve their security, and all those things.

Shyamal Lahon: Fine, next question on the resorts side, I mean it is a very good uptick in the occupancy, so what I like to understand whether this occupancy is driven by traffic that is amusement park plus resort, traffic that is being supported by the amusement park, being close to the resort, or this is an independent crowd that is coming to the resort?

Arun K. Chittilappilly: It is supported by the amusement park predominately.

Shyamal Lahon: And the traffic is largely corporates or?

Arun K. Chittilappilly: I would say it is a mix of 40:60, 40 will be corporates and 60% from small retail groups, families.

Nandakumar T: Probably weekends by families, and weekdays by corporates.

Shyamal Lahon: And 50% is what we have this quarter, which looks like a good number, but steady state basis on a steady state basis what the occupancy numbers would...?

Nandakumar T: 9 months we have 49%.

Shyamal Lahon: Do you see further headroom to increase, you know to have an uptick on the occupancy?

Arun K. Chittilappilly: We want to bring it up to about 65% for a period of 12 months. We are looking at least a 10% increase in occupancy next year, and then hopefully another 10%, so 60 to 70 is probably the upper limit, I don't think it will go beyond that.

Shyamal Lahon: Finally a little bit on Hyderabad, co Kochi and Bangalore have been really good stories and good parks in terms of traffic and revenue generation, Hyderabad may be a little bit different from the fact that there probably a few establish parks already operating there, am I right?

Arun K. Chittilappilly: There is only one park which is established and pretty famous park, it is called Ramoji, it is not an amusement park, it is a film studio and a film city, so we are not really worried about them of being a direct competitor to us, they could be a competitor, but they are usually not a direct competitor for us.

Nandakumar T: I would like to look at it positively in a different way, because Ramoji last year, a couple of years did a footfall of 1.3 to 1.4 million people and that was the only avenue for the Hyderabad people to go out for the so called outing in the form of a film city or an amusement park. And that are quite long, though I would like to approach that as an opportunity and they can better understand this concept, and there is one more park which is almost on the verge of closure, or I think it has closed. That is a small water park. So it will do a better show than what we did in Bangalore, because Bangalore at that time didn't know

amusement itself and the brand was also unknown, and the people's awareness about this avenue was also less. So I think it will be a showdown in Hyderabad as compared to what we did in Bangalore but conservatively we did a number project which is in line with Bangalore, which itself it will be an operating profit of around 26 to 27% as we operate for the whole year of 2016-17.

Shyamal Lahon: So if I were to understand what you are saying is, Wonderla will provide a better experience, better consumer experience to what is available in Hyderabad, and the consumers are already exposed to this kind of an entertainment concept, so I mean it is all the more better for us.

Nandakumar T: It is all the more better, the same thing what we look at Chennai also, Chennai has three to four amusement parks itself, which itself is now in the dying stage. Those markets if you see to make customers understand about this business and they know already.

Moderator: We have the next question from the line of Atul Mehra from Motilal Oswal Securities. Please go ahead.

Atul Mehra: I believe that in terms of the interaction that we have had there have been a lot of one-offs in terms of the margin performance, but if you were to just look at the core margins of both the operating parks that we had, not accounting for the extra recruitments as well as the maintenance, so what is the kind of margin expansion that we would have actually seen at the park level?

Nandakumar T: I will say we could have maintained the operating margins at the same level.

Arun K Chittilappilly: Because the footfalls are also flat.

Nandakumar T: Footfall is flat.

Atul Mehra: Also would have been around 15% is it?

Nandakumar T: Around 14 to 15%.

Arun K. Chittilappilly: We will be maintaining the same margins, it could have been the additional expenses would not have been there, they will be maintaining 49 to 50% operating margin for Bangalore for this quarter, and Kochi of course 15% maintaining the same.

Atul Mehra: Right, but wouldn't 15% be somewhat higher number in terms of cost inflation, so what is driving this kind of cost inflation, is it employee cost or what is it exactly?

Nandakumar T: Because employee cost has grown by around, consolidated basis around 12%, on standalone basis it is going around 14%, that of course, I think we have high pool of technical staff, which we are maintaining, and that will get distributed to the new cost only, and we can see a reduction in employee cost only when both parks at Hyderabad and Chennai come up and are operational. Until such time I think our manpower cost will grow at 13 to 14%.

Atul Mehra: And just one more thing, in terms of just on this entire issue about verification, so is there something that we can prominently do in the sense that we reach out to schools and give them some kind of packages which ensure all the safety elements, is that a possibility that we can look at to....

Nandakumar T: It is not in line with the safety with respect to our park and our operations.

Atul Mehra: No, I am saying in the entire package.

- Arun K. Chittilappilly:** No it is no way to do with the problem, now the Karnataka Government has come down with some silly ruling which says that if your school has girls, every school bus which has girl children should have a lady conductor, so they have a lot of those kinds of, that whole thing is still on the boil and still being debated and discussed, I don't know that the outcome is going to be, I don't think we can play an active role in this, but I think like an crisis, I think it should boil over and hopefully within a year it should ... in fact if you look at the Bangalore paper today, there was a school bus, which overturned and some kids got injured, so for the next three to four days the media will be harping on that, and saying is it safe for school kids to go in the school bus and all those things, so generally this has been a bad year for the schools I think in Bangalore.
- Atul Mehra:** Right, what exactly I meant was in the sense that some of the requirements that are there for instance having lady conductors, so can we provide for those services so we
- Arun K. Chittilappilly:** No, we cannot, that is vast ocean
- Nandakumar T:** I will say that in a plain fact, because now this is in media and our focus is on the teachers and school management though it is more of their immediate reaction, not to do anything, so it will take time and time only can cure that.
- Moderator:** That was the last question from the participants. I would now like to hand over the floor back to Mr. Amit Sabarwal for his closing comments. Over to you Sir.
- Ammeet Sabarwal:** Thank you Karuna, I would like to thank everyone for participating for the third quarter FY15 Earnings Conference Call for Wonderla Holidays Limited. In case of any further queries please feel free to reach me at ammeet.sabarwal@dickensonir.com as well as the coordinates have been shared in the presentation for Mr. Nandakumar as well as well as for myself. Many thanks for the participation, thank you, thank you everyone.
- Moderator:** Ladies and gentlemen on behalf of Wonderla Holidays Limited, that concludes this conference, thank you for joining us.