"Wonderla Holidays Limited, Q1 FY19 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, good day and welcome to the Wonderla Holidays Q1 FY19 Earnings Conference Call hosted by ICICI Securities. 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 the operator by pressing '*' then '0' on your touch tone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Nimit Shah from ICICI Securities. Thank you and over to you sir.

Nimit Shah Good afternoon everyone. We would like to thank the Management of Wonderla Holidays for giving us this opportunity to host this call. From the Management we have Mr. George Joseph – Joint Managing Director and Mr. N. Nandakumar – Chief Financial Officer on the call.

I would like to hand over the floor to the management for their opening comments and then we can start the Q & A.

George Joseph Good afternoon everyone. On behalf of the Board of Directors and the Management of the company we extend a warm welcome to all of you to discuss the First Quarter Earnings of Wonder Holidays Limited.

At the outset, I would like to mention to you that in the recent Trip Advisor Rating, Wonderla Bangalore ranked #2 in India and #7 in Asia, whereas our park in Kochi and Hyderabad ranked #3 and #8 in India.

I should also mention to you in this connection that #1 is Ramoji Film city in Hyderabad but Ramoji doesn't really come under amusement park. So, if we exclude Ramoji, Wonderla continues to be #1 Amusement Park in the country and #6 in Asia.

With that introductory note, now I will come to the operating Results for the Q1:

Q1 started with a positive note with a healthy performance in all the 3 Parks. The park footfall in Bangalore had gone up by 3% and Hyderabad 22%, whereas footfall in Kochi has declined by 2%. As you're probably aware, Kerala has been witnessing unprecedented rains in the current season. This started from May, continued in June and the rain continues even today. There are floods in Kerala and this has resulted in tardy footfall into our Kochi Park. The Nipah Virus was a big scare and the tourist inflow to Kerala had become almost nil during the second half of May and thereafter in June. There were initiatives taken in the beginning of the year to stabilise the ticket prices consequent to the reduction of GST from 28% to 18%. The entire GST reduction has been passed on to the customers and we have rationalized the rates in such a way that we have made it more affordable to all the visitors, including school, colleges, the families, and corporates and also, we have rationalized the F&B rates, the merchandise rates and also the certain other non-ticket revenue. This has encouraged the footfall and we are happy that we have also introduced differential pricing, in the sense, our prices during the weekends will be slightly higher than the prices during the weekdays and as a result, compared to last year we have recorded a 60% footfall during the weekdays against 40% last year during the weekdays. We have encouraged the in-park spending. In-park spending witnessed a rise in all the parks. And this has resulted in non-ticket revenue going up from 23.5% in the last year to 25% in Q1FY19.

Coming to the financial performance in the first quarter:

Revenue increased by 1.5% from 102.3 crore to 103.8 crores, driven mainly by 6.3% year-on-year in footfall. But, however, partially offset by 4.2% decline in average revenue per visitor. The share of non-ticket revenue as I mentioned to you increased from 23.2% in the Q1 of 2018 to 25.6% in the current year, while the average ticket revenue per visitor declined by 7.6%, average non-ticket revenue spends per visitor increased by 8.9%.

On a like-to-like basis our revenue grew by 10% adjusted to differential taxes. EBITDA increased by 31.7% year-on-year from 43.6 crores to 57.5 crores. EBITDA margin is a significant growth from 42.7% last year to 55.3%. PBT increased 28.8% year-on-year from 38.3 crores last year to 49.4 crores PBT margin also sees a significant growth from 37.5% to 47.6%. PAT increased 27% year-on-year from 25.9 crores to 32.9 crores, and PAT margins increased from 25.4% to 31.7%. The cash PAT that is PAT plus Depreciation increased by 26.2% from 33.9 crore to 42.8 crore, indicating continued generation of healthy operating cash flows.

While, we shall focus to maintain the uptrend in park footfalls in our coming quarters, we shall also continue to strive for better cost control innovations and new initiatives across the parks through the year.

With this I would now like to open the call for the Q & A session. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question & answer session. The first question is from the line of Vatsal Mehta from Sameeksha Capital. Please go ahead.

Vatsal Mehta: I just wanted to ask, what is the reason for the decline in the other expenses?

N. Nandakumar: In other expense last year we had provision for service tax which now in the GST environment there is not subjectivity, and hence you see the reduction in other expenses. So, last year we had about 9.28 crores as provisions which were lying in other expenses.

Vatsal Mehta: Okay. And any light on the operating and maintenance cost per Park? Like if you could give a breakup of it?

N. Nandakumar: So, the maintenance cost is generally about 6% of our sales. I could send you the details. If you could request through our IR agency, we shall send you the details.

Vatsal Mehta: Okay. And one more question, on this Chennai Park, what is the status of the Tamil Nadu Government on the local body taxes, have they given any clarity on it?

George Joseph: Yes, the local body tax if you are aware which is 10%. We have met the Deputy Chief Minister and who is also the Finance Minister couple of weeks back, and they have agreed to have a positive look but then again, we are meeting the concerned ministers probably in a weeks' time. But only thing we have made it clear to the government that unless the LBT is totally removed, we will not go ahead with the construction. So, that is the present position. Hopefully, it should come through. But we don't know the time frame. That is the indication we have received. Anyways, we have to wait and see.

Moderator: Thank you. We have the next question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir, my first question is on the 21% increase in the footfall seen in Hyderabad Park. So, is this sustainable. Currently, your number of rides in Hyderabad is much lower than Kochi and Bangalore; at 44 vs 62 and 56 in other two. Do you plan to bridge this gap or currently the rides are good enough, because these are new, so as of now no big plans for more than one ride every year?

George Joseph: #1. whether the Hyderabad footfall is sustainable, as you are aware Hyderabad is a new market for us, so we have spent a lot of money on market generation and market activation, it is giving dividend. I think Hyderabad will do well in the current year. Going forward we hope to have the same uptrend in Hyderabad. But coming to the number of rides, I think for the Hyderabad market right now it is sufficient and even though the numbers are small compared to other parks, we have invested large amount in the high thrill rides. So, for example, the high thrill ride by name "Mission Interstellar", has costed us around 40 crores. It is really high-thrilled, and it is highly appreciated and accepted by the visitors. So, right now definitely we will go on adding newer experiences every year. Right now we have no plans to add any further rides in the current year.

Abneesh Roy: in terms of Kochi, what else is required? You have done more rides, still (-2%) in footfalls. So, are you happy with this number, because I understand this is a mature park, so is this the number which is doable, or you see positive footfall in coming quarters?

George Joseph: Definitely we are not happy with the numbers. And especially the we expected these number to go up in the current year. But unfortunately, things beyond our control happened. Like the Nipah Virus and the rains. I think as the sun shines, there will be footfall. Especially Kochi we get large groups in October to December season. We expect large number of colleges, schools, coming from Tamil Nadu and Kerala coming to Kochi in the third quarter. I think definitely Kochi will fire up in the coming days and we have also done lot of market activation in Kochi. A lot of tweaking of rates, rationalization of rates, entry rates, F&B rates. I think it will definitely give us results in the current year. Maybe not in the second quarter, but definitely in the Q3 we will be able to see it upfront in Kochi. I am sure about it.

Abneesh Roy: When I see hotel company results, occupancy is something which is being seen in most of the hotel chains. In your case, the resort continues to underperform 45% occupancy vs 50% last year. So, you have done a lot of corrective action in terms of corporate vs retail and on the room rental, nothing seems to be working. So, what is required here.

George Joseph: What happened last year is, we had number of corporates on long stay in the last year, in the area which we are operating, the Ramnagaram district. Number of large industries have come, and their staffs used to come a long stay say 3 months 4 months and all. But in the current year, it totally dried-up on account of close down of certain factories. But then we are seeing green shoots again in this segment and the current years rate will be able to get some long stay soon. Secondly, there also we have rationalized certain rates and all that and walk-in has improved, and we have a very active marketing team for the resort as well as the park who is combinedly doing marketing for the resort also. And current year the trend is good and definitely we will be able to take the occupancy rate to (+50) in the current year.

Abneesh Roy: And sir, one last question. Have you cut your advertisement spend? You extend other expenses well, but have you also cut your ad spend?

George Joseph: Ad spend, for example we have reworked the segments on which we are advertising for example, newsprint we find that we have been spending almost about 50% in the last year, that we are trying to reduce because the awareness through that media is only less than 3%. So, the spend on the print media we are trying to reduce, but then we are going digital. The digital spend is going up and other modes like TV, movie theatres, hoardings and market activation spends are going up. So, we are able to save something in advertisement on account of our lesser spend on print media. But that doesn't mean that we are slowing down our communication. It is very active. It is going on and we are more on digital right now.

Abneesh Roy: That's fine, but on absolute basis how is the number? Is it flat?

N. Nandakumar: It is flat for the full year. That's the budget we have taken.

Abneesh Roy: This quarter?

N. Nandakumar: This quarter also we are almost flat.

Moderator: Thank you. The next question is from the line of Dimple Kotak from SKS Capital. Please go ahead.

Dimple Kotak: My question is that, the EBITDA margins are 55%. Are they sustainable for the full year? And second is that, what kind of CAPEX are we planning during this year?

N. Nandakumar: EBITDA margins always in the first quarter is higher because our costs are more or less fixed. And hence 55% which is there in the first quarter might not be the same across the quarters but we should be definitely better in terms of our EBITDA margins compared to the last year by at least about 300 to 400 basis points. Yes. And CAPEX we are planning close to about 15-odd crores in the current year. But that again as what Mr. Joseph said it will not be on the new rides, it will be more on the refurbishment which we will be taking up in our parks and more on the IT initiatives.

Dimple Kotak: Sir, as you said to the previous participant, that in your resort you have taken initiatives which will improve occupancy rates; If you could just discuss one or two initiatives that you have taken or how we are working to improve the occupancy rate?

George Joseph: #1 is the differential pricing. If you look at our Resort and the Park in Bangalore, it's all in the same campus, and we have a captive crowd of an average of 3500 to 4000 coming to the park on an everyday. So, we are trying to convert a part of them to the resort, I mean by elongating their stay one day in resort and second day in the park like. We have a scheme by which we have offered a new 9999 package where in a couple in a double occupancy room will get 2 days stay in the resort and 2 days free entry to the park. So, that is attracting very well, and a lot of crowd is coming in, and we have a day package which is at Rs. 1200 and Rs. 1299-day package, and we also have a Stay & Play package from Sunday to Thursday at 5999. Then as I mentioned to you the long stays we have already contacted with couple of companies for a long stay and we expect about 500 room nights of long stay in the current quarter. Like that lots of steps are taken and we are also trying to increase our F&B sales, we have also a lot of innovative steps like promoting celebration in our resort. Like Birthday, Wedding anniversary and all that and we are working out with the event managers to promote the resort destination for wedding anniversary and birthdays etc. We have just started getting a couple of groups and we are taking it forward.

Dimple Kotak: And sir, what will be the growth guidance for the full year for FY19, where do you see?

N. Nandakumar: We are looking at about 8% to 9%, but it all depends on again Kochi.

Dimple Kotak: Assuming on a hypothetical basis; obviously we assume that you know things get better at Kochi in terms of environmental things, but assuming that if Kochi is not in, what kind of growth are you seeing.

N. Nandakumar: Hyderabad would grow at about 14% to 15%, Bangalore we are looking at about 8% to 9%.

Moderator: Thank you. The next question is from the line of Abhishek Ranganathan, from Ambit Capital. Please go ahead.

Abhishek Ranganathan: Sir, in the earlier call you had mentioned that you are looking at 13% footfall growth for this year. Now given the Q1 numbers and saying the Q1 is the best quarter for us, how do we see this number. Is there a change on the outlook of this number? And secondly, I have a question on the comparable growth of 10% which you have given for taxes in the presentation.

N. Nandakumar: To your question, since we are concentrating on the group business, that we lost out in the last couple of years, even in our budget the growth is heavier during the Q2 and Q3 when the group business would start coming in. That way we are not far off from the Q1 numbers that we had budgeted. So, full year number, 13% looks to be achievable. Probably we might have a 1% to 2% variance. But looks like broadly we will be there. And on the net basis yes because we had about 9.2 crores of taxes that was provided under expenses and you know the average rate of that was at about 8% last year which is about 18% GST in the current year. So, if you equate it, we have grown at about 10%.

Abhishek Ranganathan: So 10% you have given as the overall Topline growth or just the ticketing revenue.

N. Nandakumar: No this is overall topline growth.

Abhishek Ranganathan: Okay. So, if you were to adjust the 9 crores just on the ticketing, the ticketing like-for-like?

N. Nandakumar: That would be about 11%.

Abhishek Ranganathan: Except for Hyderabad where we have seen despite the GST piece our ticketing improved, most other places it's largely a reflection of the net ticket prices coming down. Over the last year as gross and this year being net.

N. Nandakumar: Yes. Even in Hyderabad it's the same. In fact you would have seen that in Hyderabad we had 20% entertainment tax and 15% service tax last year. In Hyderabad we would have actually got more saving. Like-to-like, Hyderabad would have grown close to about 40%.

Abhishek Ranganathan: And, on the pricing on Hyderabad, are we now on a mature pricing, or there is still some more scope to rise?

N. Nandakumar: No, pricing between Hyderabad and Kochi are more or less similar. Bangalore is a notch higher than both these Parks.

Abhishek Ranganathan: So we will keep it at the same level now ?

N. Nandakumar: Yes, we don't propose to change the pricing too often, because that actually confuses the customer. We propose to hold on to the prices that we explained in the last call also. We are trying to get that more or less consistent during the year.

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

Kaustubh Pawaskar: My question is on the Kochi park, non-ticketing revenues, it is almost flat on year-on-year basis. I guess the reason would be the rationalization of F&B and even the rationalization in the merchandise prices. Even in the Hyderabad Park, the non-ticketing revenues grew by 4%. So, I guess the reason would be the rationalization in the F&B and merchandize price?

George Joseph: Yes, to a certain extent and as I mentioned to you, we are very keen to increase the footfall. We are sure that by increasing footfall, the quantum of non-ticket revenue will also go up. And so, there was some correction required at Kochi. We have done some correction in the costumes, in the merchandise, in the F&B. So, that has brought down the rates. And I think going forward, F&B, with the increase in the footfall the quantum of non-ticket revenue will go up. Though the percentage may come down.

Kaustubh Pawaskar: And sir, this significant increase in the operating margins, as you correctly said that 9.2% was because of the provision effect. But since Hyderabad Park is also maturing, have you seen any improvement in the profitability of the Hyderabad Park?

N. Nandakumar: Yes, Hyderabad park is now more or less in Q1 similar to what Kochi is delivering. Or even a little a notch higher than Kochi has delivered. So, it is definitely contributing to the overall mix.

Kaustubh Pawaskar: So, if we consider the Hyderabad Park continues to grow at about 20% to 22% in terms of footfalls, and revenues to grow in strong double-digit. I guess that will further add to the overall profitability?

N. Nandakumar: Yes, that is why I said we are looking at an EBITDA increase of about say 300 to 400 basis points during the current year. That has also got to do with the growth that is coming out of Hyderabad, which is higher than Bangalore and Kochi.

Kaustubh Pawaskar: And sir, what are your plans for the group booking which largely comes from the schools and colleges? Because that part you need to improve in terms of increase in footfalls in the weekdays. So, what would be your strategy or what actions have you taken over there?

George Joseph: #1. We are revamping our marketing set up. In the sense that we have business development partners are there throughout all the locations. We have in Hyderabad, In Tamil Nadu, in Kerala and in Karnataka. So, we are having a close liaison and monitoring of the activities of the business development partners and wherever corrective actions are required, we have already taken. We will continue to take that. Then we have quarterly performance review of the business development partners vis-à-vis their targets and we have also told them that they have to have a minimum number of executives, capable people who can conclude a deal effectively with them. And we have also introduced a software by name CRM- for tracking the performance of the visits of the business development partners, the executives employed by them as well as our own business development executives. So, there is a system by which we can track how many calls they do in a day and wherever they go, whom do they meet, what is the contact numbers and email ids. And what is the subsequent follow-up and we are able to have a close follow-up and we find that the results are good, and they are able to visit more of institutions and colleges and schools and able to take the orders. So that is how very close tracking of our own executives as well as the executives of the business development partners is being done.

#2. We have also given more incentive to groups in the sense, for school earlier, the free ticket or for the teacher ticket I used to say, it was 8:1 that means for eight students we were giving one tickets now it has increased to 10:1. Then for colleges also we have increased. And we have individuals per ticket offer, there is a lot of tweaking done in the schemes. Definitely I think the numbers will be driven. In fact, our BDPs are earlier concentrating on schools and to a certain extent college. But we told them there are lot of institutions, corporations in the vicinity, in their hinter land, in their command area, they should definitely visit and take a deal from them. And we have also re-energized our own people in addition to the BD executives, we gave a call to all our staffs, all our employees, and all of them should go at least one day to the market and contact their friends' relations and contacts and bring business. So, this is also happening effectively. I think we have really energized the market and tracking in the market on a day to day basis and this will definitely give results in the current year.

Kaustub Pawaskar: So, that was an extensive strategy to improve your group footfalls as well. But sir, when can we see positives out of this initiative coming in. Should we expect FY19 to be better. But whatever initiatives you have taken should start bearing in from FY19 or FY20 will give us something.

George Joseph: I think we will start seeing results from Q3. Because the groups we will start visiting from October. I think we can witness sharp increase in the group from October.

Kaustub Pawaskar: Right Sir. Just a clarification required sir. In the initial comment you mentioned that 8 to 9% growth in Bangalore. You were talking about the footfalls or you were talking about the revenues?

George Joseph: In fact, footfall has grown only by 3% in Bangalore and 22% in revenues.

Kaustub Pawaskar: Okay so you were talking about the revenue targets it seems like. 8% to 9% from Bangalore and about 5% from Kochi.

George Joseph: Yes

Moderator: Thank you. The next question is from the line of Jatin Naik from ICICI Mutual funds. Please go ahead.

Jatin Naik: My question is, is there any plan to come up with a new ride or expand your park in Kochi and Bangalore?

N. Nandakumar: See we have considerably invested in the last year and the year before in Bangalore and in Kochi. So, we don't have any plans in the current year for any new rides for these two parks and even in Hyderabad for that matter. We might only be doing certain refurbishment or if there is any old ride probably we might give it a shape. But otherwise I don't think we will be investing in any new rides in the current year.

Jatin Naik: Sir secondly, I wanted to ask on the footfall numbers. I was looking at your footfall numbers from 2012 onwards. More or less in the last 6 years, we are again back to that same level where we used to be in 2012. So there has been a good 6-year period where in our footfalls have not really grown, if I look at a 6-year period. So, what do you think has been the issue. Is it the market which probably is not mature enough to have new people coming in and actually ultimately visiting the park or is it the Park in itself which is not adventurous enough for the visitors? Or is there something else which I am not able to get, what is the issue?

George Joseph: Probably, pricing would have been an issue initially, because every year we used to increase the prices by 10% to take care of the inflation, etc. We used to have a general increase of a 10%. That could have been an issue. Secondly the discount we were giving to the schools earlier was about 50% and we thought we could bring down the discount and we have sharply brought down the discount from 50 to 35% then 3rd reason is probably the commission we pay to the BDPs. If the rates go high, we thought the commission could be reduces. So that also was slightly reduced. So, these are all added in. In addition to that the effect of demonetization and suddenly the service tax and GST coming up, in fact in Kerala we have having less than 1% of the entertainment, and the component of entertainment tax. Which has gone up to almost 28% in the GST era. So sudden hike in the service tax and introduction of GST has really dampened the spirits and the footfall has terribly got affected. And I am extremely happy that after almost about 8 quarters we are seeing positive growth in the current year. If you are aware, the

GST rate has been brought down from 28% to 18% and still we feel that 18% is little too high. We along with our association and industry peers, we are again lobbying with the government of India and GST council for reduction further. And all the actions we have taken I think it will fire the numbers in the days to come.

N. Nandakumar: Just to add to what Mr. George said, Our traditional tax rates where about 2% to 2.5% for the company. Now that is almost like, in the service tax era it was almost 15% and in the GST era it is went up to 28% and was brought down to 18%. So, some where we had to pass on the tax on to the consumers and hence our ticket prices were quite steep. That's the reason why in this current quarter we passed on the benefit of the entire tax rates to the consumers and our campaign was more towards price less summer. And that is also one of the reasons why we see growth in the current quarter.

Jatin Naik: Sir also one more question I want to ask, is there any other market which the current development team is probably thinking about other than Chennai? Or the entire, anyway because we have identified Chennai is the market we want to come up with a new Park. If that is not happening since quite some time, is there any other market in mind, which you are evaluating or that is in the back burner.

George Joseph: We are not really evaluating, but there are offers, invitations from certain state governments and there are couple of states are very keen that we should go there and have our park there. But we are not looking at it. The current next park in our mind is only Chennai and we are not looking anything beyond that right now.

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

Pankaj Kumar: My question pertains to the clarification on guidance side you said 8% to 9% growth in value terms. That's what we are guiding for the year. And for Bangalore also we are saying 8% to 9%. So how is it in volume terms than in footfalls. What you are guiding?

N. Nandakumar: See, we told you we are not looking at any ticket price increases. And hence more or less the both the footfall and in revenue terms it has to be the same.

Pankaj Kumar: So if I look at your first quarter, the Bangalore in the past has grown at say 3% roughly in terms of footfall. So are we expecting any significant change. Like what will drive the growth in the rest of the quarters?

N. Nandakumar: I did mention this to the earlier question that we will be looking at group business to grow, because we had lost on the group business significantly in the last couple of years. And hence the growth will have to be higher because of the group business in the subsequent quarters.

George Joseph: Again, in Bangalore the footfall, in the early part of the current year we had the election in Karnataka. That has affected the footfall, and again some Cauvery related agitations and all that. So, in April the footfall in Bangalore was much less than expected. Then subsequently after the election thing, after the things got stabilized, from May and June was very good in Bangalore. So, going forward I think Bangalore will catch up.

Pankaj Kumar: Sir secondly, last quarter, we are talking about introducing this cash less wallet-based payment system, that you have launched on a pilot basis. So how is the progress on that?

N. Nandakumar: We have already implemented that in Bangalore. Kochi is also done but it is still under pilot. We will be taking up Hyderabad after these two parks get stabilized.

Pankaj Kumar: So we can say that on a full year basis we will be implementing this across the parks.

N. Nandakumar: Yes.

Pankaj Kumar: And what kind of improvement in business do you visualize in the future.

N. Nandakumar: See, we will have to wait and watch because this is more convenience and experience for the consumer. We also expect the non-ticket revenue to go up. But we don't have right now a real history on this because it's just been about 2 to 2.5 months that this has been implemented. So, we will be able to give you some numbers in the subsequent quarters.

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

Tejas Shah: Just one question. Any update on our service tax litigation with the government.

N. Nandakumar: Not yet. So, what's happening is by the time the case gets listed it is almost evening and the court is not able to take it up. That's how it has been happening the last 3 to 4 times. So, to your question, the status quo remains.

Tejas Shah: And sir hypothetically, if the ruling doesn't come in our favour, how will it impact our balance sheet and P&L in that case?

N. Nandakumar: See we have already provided that in the books of accounts so there is no direct impact. It will be only on the cash flow. We have already paid in Kochi and Hyderabad whatever was the litigated amount under protest in Bangalore is where we have not paid.

Tejas Shah: So impact on cashflow also will be restricted to Bangalore park.

N. Nandakumar: Yes.

Moderator: Thank you. The next question is from the line of Aksh Vora from Patch Financial. Please go ahead.

Aksh Vora: Just wanted to know what is the typical payback period time**,** once we acquire the land and project to develop some theme park on there, not utilizing the entire land what is the approximatively payback period?

N. Nandakumar: Generally, the pay back is close to about 8 to 9 years once you put up the park. That is once the park is operational.

Aksh Vora: That is 100% utilized?

N. Nandakumar: We always take a little more land because there is an opportunity for the future. Example in Bangalore we have the resort attached to it. So, if the resort works well, we might even look at replicating the same in other parks.

Aksh Vora: In such comparison, what would be the amount going towards the land and towards the development of the park?

N. Nandakumar: Again we experiment on development differently. For example, Hyderabad we had crunched our layout. Where as in Bangalore and Kochi, it is more generous. So, we keep experimenting on the layout. So, there is not set standard rule that we follow. So that way it's different for different parks.

Aksh Vora: What would be the approximate land cost in percentage points?

N. Nandakumar: We use about 60% to 70% of the land that we procure.

Aksh Vora: Okay. So, 60% to 70% of the amount goes towards the land of your CAPEX and the rest towards the development of the park?

N. Nandakumar: No. That way land cost if you see, it will be about 20% of the total project cost.

Moderator: Thank you. The next question is from the line of Chitrangda Kapoor, from Sameeksha Capital. Please go ahead.

Chitrangda Kapoor: I will be harp little bit on average ticket size. You mentioned that, you passed on to GST benefits to the customers this quarter. But when I was looking at the sequential number of your average ticket prices, your Kochi ticket price has actually increased about 30% and Bangalore ticket has increased by 20%. So, could you help me understand how have you passed on the benefit of average ticket price, GST benefit to the customers this quarter?

N. Nandakumar: We have actually fixed a base. The base is the same and whatever is the GST is completely passed on. So, we are not charging the 28%. Only 18% is charged and you could see a difference in the gross RPV for the simple reason that's it's a mixed play. So, if adults in one quarter is higher then the realizations are higher and if the child is higher than the realizations go down. So, it is not very much comparable that way. The mix keeps changing every season.

Chitrangda Kapoor: So you are saying that in Q4 usually the mix is more towards children, vs Q1 mix.

N. Nandakumar: Even if you take Q1 to Q1 last year, the mix would be different. It is not same.

Chitrangda Kapoor: What is the quantum of impact of the mix change?

N. Nandakumar: It could be 5% to 10%.

Chitrangda Kapoor: Even if I consider 10%, as an impact on mix change and the reduction of GST, from 28% to 18%, which happened in February which you may have passed on in Q1. Q1 price is still adjusted base seems higher on a sequential basis sir.

N. Nandakumar: Again, it also depends on the weekday & week end. Last year if you see, in our pricing philosophy we had prices for a normal season and for a peak season, The pricing was the same whether it is a week day or a week end. But this year we have changed the pricing philosophy. We have both week day and week end pricing for both normal and peak seasons and that also could have an impact.

Chitrangda Kapoor: Usually what is the split between your footfalls, weekday vs weekends?

N. Nandakumar: See, week day generally is about 55% mix. But that has gone up in the current quarter by almost 10% points, that is primarily because of the pricing philosophy which I had explained.

Chitrangda Kapoor: Okay. I will probably take this offline. My second question sir is when we are talking about Kochi park being impacted because of Nipah virus and I may be wrong, but as far as I am aware, unseasonal rains started in July. So that was towards the end of Q1. So, how much was the impact of Nipah virus, and follow up on that is, what percentage of the group booking got impacted because of the Nipah virus. I am assuming that the group booking actually got impacted due to Nipah virus.

N. Nandakumar: No even walk ins have been impacted because of Nipah virus. So, I will tell you. We checked out on a group from Trivandrum that did not come to our park. And they said, though we are from Trivandrum, and Trivandrum is not the belt that got impacted because of Nipah. There could be people from Calicut, where the Nipah virus impact was felt more in the entire state. Those people could have incidentally come to the park and we could get infected. So that's the kind of perception that people had. So, I mean, you can attribute people not coming because of Nipah virus there. Whether it is group or even for that matter walk-in.

George Joseph: It was a very scary situation during that period in fact, all the group booking we had from Tamil Nadu was completely cancelled. I will not be able to give the quantum, but then the entire booking from Tamil Nadu was cancelled. Otherwise, during that period we used to have good crowd from Tamil Nadu. There was no tourist inflow to Kerala during that period. Today also if you look at the flights. Flights are going empty to Kerala. Where as in the normal season flights are full. Even now because of the impact of rain (not Nipah), the tourism is badly affected in Kerala in the Q1 and the current quarter.

Chitrangda Kapoor: Okay. next question sir is on the return on invested capital for your matured park vs your new park. What is the differential in the ROI for these 2 parks? Usually a new park takes how much time to ramp up or become a mature level. You said the payback is about 8 to 9 years. So, does it require that much of time?

N. Nandakumar: Actually ROCE you could have seen on the balance sheet 3 years back, when we didn't have any fresh investment was close to about 25%. That is Bangalore and Kochi put together. To your question, to get to a million footfall it normally takes about 3 to 4 years.

Chitrangda Kapoor: My question was on the new park return on invested capital for Hyderabad? How much is that for a new park vs the mature park?

N. Nandakumar: If you take the matured park, that's what I said Bangalore and Kochi delivered almost 25% 3 years back. Because the CAPEX was low there. But in the new park, the land parcel cost, the cost of the new machines etc., are higher so definitely the ROCE will be lower than a matured park.

Chitrangda Kapoor: Okay. Can you put a number to that?

N. Nandakumar: So, I would guess it would be in the range of about 10% to 15%.

Chitrangda Kapoor: Finally sir, in Chennai, you have mentioned in Q4 last call that the Chennai park is on hold right now. But there must be some other expenses which hasn't booked in Q2 and Q3 and Q1 of previous year, which pertains to the contractual workers and some work that could have started in the land. How much would be the quantum of that other expenses pertaining to the Chennai park.

N. Nandakumar: The cost as not been taken into the P&L as yet. It's still to be capitalized.

Moderator: Thank you. The next question is from the line of Bheeshma Sanghani a private investor. Please go-ahead sir.

Bheeshma Sanghani: Hello, I had a question on the Bangalore Park. We have seen that the prices of average revenue per visitor have come down. And Bangalore contributes to about 45% to 46% to the overall revenues. Can you give me a sense as to how pricing is going to pan out in the next 3 to 4 years?

N. Nandakumar: I guess you would have seen the net pricing as compared to the previous year. That has got to do with the taxes. I explained this in the beginning itself that there is a service tax component which was being provided as expenses in the last year to the extent that we had litigated. But if you see on a broad basis, I think we are more or less in line with what it was last year. So, in terms of our pricing philosophy, we still continue to hold prices in the current quarter as compared to the previous quarter.

Bheeshma Sanghani: Yes that is as per the quarterly park is concerned.

N. Nandakumar: For the rest of the year also, we will continue to hold prices because we think, going by what has happened in the previous years, that increases in ticket prices disproportionately also has impacted our footfalls and hence we will continue to hold on to pricing and we will continue to look at foot falls as our growth driver to our revenue.

Bheeshma Sanghani: Okay. So, the focus basically is more on footfalls is what I gather. Now, the second question has to do with your cost reduction initiatives. Do you see any mode of those going forward, or is it that you can expect that to flatten out?

N. Nandakumar: See we have already done our base line in the last year itself. In the last year we had significantly reduced our expenses. I don't see any major reduction in expenses in the current year. But we still continue to look at our costs. We continue to be cost focused.

Bheeshma Sanghani: So essentially the sense that I am trying to get is, last year we have seen a steep drop in the operating expenses. And after some point, that cannot be sustained. So, I am just trying to get a sense of that. The operating structure is going to be the same going forward right?

N. Nandakumar: Yes. I guess you are seeing the number in the previous year which had provision for taxes which is close to about 9 crores.

Bheeshma Sanghani: Yes.

N. Nandakumar: If you leave that out, there has been a marginal increase in certain operating cost and we will continue to keep the cost very minimal.

Bheeshma Sanghani: Third question is to do with a specific rides. Once a customer comes and experiences a ride, there may be some diminishing marginal utility to it going forward. Are there any rides which sort of don't have that kind of an element to it? The ones that gives the most bank for the buck sort of to speak. So, anything specific to rides is what I am trying to get a sense of.

N. Nandakumar: Well the question is not very clear to us.

Bheeshma Sanghani: Some rides get more volume compared to other rides. Some people prefer a certain kind of a ride compared to the other rides. Is there any ride that you think is the most preferred one in your park that drives the maximum number of people there?

N. Nandakumar: See, high thrill rides, definitely interest people. On an average we have about 7 to 8 high thrill rides in each park. I mean that's what interest people more than any other ride. If you see also the way the queueing happens, people first get into the high thrill ride and then get into the other rides.

George Joseph: The water rides are also most preferred and rain disco, water rides attract huge crowds. And people really enjoy it.

Bheeshma Sanghani: So any initiative on those front any kind of fresh set of experience in that area.

N. Nandakumar: If your question is of increasing the number of rides as I explained we are not going to increase in the current year.

Bheeshma Sanghani: I just want to get a clarity on the overall revenue growth for the entire year. Can we expect 10% to 12%.

N. Nandakumar: Yes, we would be looking at that kind of a number. We are looking at a PAT margins close to about 16% to 18%.

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

Nimit Shah: Thanks a lot. We would like to thank he management of Wonderla for giving us this opportunity to host the call. Thanks a lot sir.

George Joseph: Thank you very much for the opportunity given to us to explain our strategies and the Q1 numbers. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, on behalf of ICICI Securities that concludes todays conference. Thank you for joining us. And you may now disconnect your lines.