



“Wonderla Holidays Limited
Q3 FY '23 Earnings Conference Call”
February 08, 2023



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MODERATOR: **MR. ADHIDEV CHATTOPADHYAY – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to the Wonderla Holidays Limited Q3 FY'23 Conference Call, hosted by ICICI Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities. Thank you. Over to you, sir.

Adhidev Chattopadhyay: Good afternoon, everyone. On behalf of ICICI Securities, I'd like to welcome everyone on the call today. Today from the Wonderla Holidays management, we have with us Mr. Arun Chittilappilly, the Managing Director and Mr. Satheesh Seshadri, the Chief Financial Officer. Before beginning the call, I'd have to congratulate the management for delivering another very strong quarter. And I now like to hand it over to them for their opening remarks and take us through the role ahead. Over to you, sir.

Arun Chittilappilly: Good afternoon, everyone. Welcome to our Q3 and 9 months' earnings call. Joining me on this call is Mr. Satheesh Seshadri, our CFO. We are very happy to announce that during this quarter; we have achieved an impressive set of numbers. We have clocked a record-breaking revenue in Q3. This marks the fifth consecutive quarter with double-digit growth in revenue and footfall.

To begin with, I'm absolutely delighted to report that in 9 months, we have crossed the INR 300 crores revenue mark for the first time in the history of the company and 20 EPS mark has already been posted as the highest ever. We have consistently grown both value and volume. Our EBITDA margins have been a very healthy 52% and an extremely commendable performance bulky growth and profitability.

In our efforts to attract a very younger audience, we are promoting our parks as a destination for thrill, adventure and grand parties. Our initiatives to host concerts have received tremendous response with large sold out concert events, which have been held across Bangalore and Hyderabad in this quarter. Following the massive success for our Sunburn event in Q2, this quarter, we had a New Year party in Hyderabad and another large event in Kochi for New Year as well. A lot of these and more initiatives have contributed to generating higher footfall, compared to our Q3 and 9 months FY'20 for pre-COVID numbers, our footfall in this quarter registered continuous growth of 28%.

Sorry about that. I'm in the airport. So my connection is a bit bad, but -- so please forgive me. So anyway, our initiatives have contributed to a higher footfall compared to Q3 and 9 months FY'20. The total footfall has gone up by 28%, like I said. We continue to gain wallet share and grow our non-ticket revenue, exciting initiatives have help us improve merchandise sales in SPH to 23% growth per head.

Price hike has been absorbed well and we have reported a 27% increase in ARPU. Our strong operating leverage leads to an enhanced EBITDA, which continues to be in a rising trend. It has more than doubled from INR 27 crores to INR 61 crores, or up by 120%. I would like to highlight that we have registered highest ever EBITDA margin at 52%, which was expanded by 1,400 basis points.

Subsequently, our profitability is making new highs despite exceptional items in Q3FY20. We clocked a massive 85% growth in our PAT. For the 9 months, again, we've done some very good numbers. We have a INR 328 crores revenue reported, and it's a 44% growth compared to 9M FY20. EBITDA has been increased from INR 108 crores to INR 178 crores, which is a remarkable growth of 64%.

Our parks provide an excellent avenue for families and friends to bond together in a wonderful outdoor environment. So we are very bullish on this segment going forward. Thank you all for your support, and we can now proceed to Q&A, please.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Turaga Vivek from Bestpals Research & Advisory.

Turaga Vivek: Thanks for the opportunity. Two questions. One, on the new parks because you're tying up with Madhya Pradesh and other states, I don't know at what state. So if Chennai is getting delayed because we have enough cash. And even if we do the similar performance, even if we don't grow on this year, we'll have enough capex for 2 to 3 parks. So can you throw light on how are you thinking of capex and how confident are you on the Chennai one and if Chennai one doesn't come through what is the next stage where you think you can go ahead because of your -- I think, at least on the Twitter looks like you're doing around a lot of states.

And two, on your own -- I'm not asking for a guidance, but your impression on how next year would be given -- we will grow or it would be tough to maintain this year? Or do you think there's a reason to be optimistic about the next year's growth? Thank you Arun, and congratulations.

Arun Chittilappilly: Thank you. So we are envisaging projects for the coming financial year, which is our INR 350 crore to INR 400 crore project in Chennai and project in Bhubaneswar. The Chennai project, we're still waiting for waiver on the tax. As and when that is done, we will resume operations, start with construction. So, waiting till it is solved.

Regarding Odisha, I think we will be able to finish this on time, at some time in 2025, we will open this park for the public or the Chennai park might be delayed by another 6 months or so. But 2025 is when I think Odisha will open. And these 2 projects, we don't need to raise any more money. I think we are okay. Our internal accruals will be more than enough for these 2 projects. The other 2 projects, we will not be starting immediately. We will do currently only 2 projects of a time. So once Odisha park is done, we will start working on other projects and so on. So at

that point, we might have to replace bring some capital. Currently, we are not looking to do that until 2025.

Turaga Vivek: So if Chennai is getting delayed, you will take up Madhya Pradesh one or nothing like that. You are very confident that Chennai will go through?

Arun Chittilappilly: For some reason, it gets further delays, again for a long time, then obviously, we will look at other projects. But otherwise we will continue with Chennai.

Turaga Vivek: So you have enough play that...

Arun Chittilappilly: And next year, I think we should grow by 15% to 20%.

Turaga Vivek: So you're thinking that you will be able to grow on this, even without -- assuming that given travel or none?

Arun Chittilappilly: Yes, I think -- I don't think that environment is over yet. People are still traveling and it should continue into the next year as well. Otherwise, I think our demand is coming, I don't think it will grow tremendously over this year's numbers, but I think we can expect some margin to grow there.

Turaga Vivek: So ARPU and volume together, you're getting low double digit at least?

Management: Yes.

Moderator: The next question is from the line of Kaustubh Pawaskar from Sharekhan by BNP Paribas.

Kaustubh Pawaskar: My question is again on the footfall. So for 9 months, we have already clocked around 25 lakhs footfall. So is it fair to assume that we will aim the year close to 30 lakhs footfall? And over the next 2 years, should we expect footfalls growing in the range of 6% to 8%? Because in the pre-COVID the footfalls were growing in low single digits.

But now since you have placed some strategies where you are expecting -- which are playing well for you, and we have still in quarter 3, you have achieved a 9 lakhs footfalls. So considering that, should we expect next year and year after that footfall is growing by around 6% to 8%?

Arun Chittilappilly: Yes, I think it's fair, minimum 6% to 8%, we are expecting, hopefully, more than that also. Let's see.

Kaustubh Pawaskar: Okay. And my second question is on the margins. So for 9 months, we are at around 52% EBITDA margin. So by -- maybe by the year we might close EBITDA margin at around 45% to 47%, depending on how the Q4 pan out.

But going ahead, should we expect margins to remain at this level for the full year at around 45% or 46% or there is a scope of further margin improvement? And whether in quarter 3, was

there any one-off in case of expansion in margins? Or it was largely because of the strong growth in the footfall, which helped you to see better margins?

Arun Chittilappilly: Yes, the margins are some of the best that we've ever had. Probably worldwide in terms of number. I don't think it'll grow more than this. So margins could come down a little bit, but for existing parks, I don't think the margins will be a thing, but at a company level it could change. Satheesh, can you give more information on this? But I think I don't see margins going up more than this.

Satheesh Seshadri: Sir, normally, we make about 40% to 42% EBITDA margin. This year has been extraordinary. We have been able to contain some of the operating costs in all the parks. But with the projects coming up and the footfall going to the scalable level, these level, we might have to invest in resource.

And the cost, what we have hold for this year, we might have to expand it next year. So we might not be having this level of healthy EBITDA of 50-plus. We might be closing somewhere around 45 compared to 40, 42 what we have been doing earlier with the increase in income, we will be looking at around 45% margin.

Kaustubh Pawaskar: And my third question is on what is the contribution from online or e-commerce platform for your ticketing? It was in high single digit. Now where do we stand on that?

Satheesh Seshadri: We do about close to 15% to 20% online bookings.

Kaustubh Pawaskar: And the last question is on the new plans, new -- sorry, new parks you are coming up i.e. Madhya Pradesh, Punjab. So whether this will be close to the Odisha park, it will be smaller than your existing park in Bangalore, Kochi, Hyderabad? Or will it be close to the larger parks? And again, over here, are we looking at leasehold land where you will be developing the parks so then it would add stress to your balance sheet, so similar kind of Odisha model?

Arun Chittilappilly: Yes. So in Madhya Pradesh, we are not looking at a big park, maybe we are doing small. Depending on the size of the city and what the offers we get, we will do accordingly.

Moderator: The next question is from the line of Angad Katdare from Monarch Network Capital.

Angad Katdare: One small bookkeeping question before I ask the question is, can you share the park-wise mix of group and walk-ins for this quarter, please?

Satheesh Seshadri: We normally don't give the group mix for the park level. But at the overall level, I can give it to you. Walk-in was at 44%, and group was at 56% for the Q3.

Angad Katdare: So last call, you had mentioned about investment in technology, you're experimenting with wearables and CRMs and you're waiting for results in the next 3 to 6 months. So any updates on that? And what will be the total investment going forward for that across the 3 parks, if it has decided to put the -- investment goes ahead? And will it be recurring or a onetime investment?

- Satheesh Seshadri:** The wearables we are doing a POC and investment in the Bangalore Park to start with. We have already invested about INR 1 Crore in this regard. So we will do the trials and everything for about a few months, and we will replicate the same model in other parks. So these wearables will help us with the seamless digital journey, number one, payment gateway for F&B and retail inside the park. And this will also help us to do some type of queue management.
- Angad Katdare:** Yes. So would the investments...
- Satheesh Seshadri:** It is all capital investment.
- Angad Katdare:** It's a capital investment. Okay. Yes. So one more question. So how much regarding the capex for Bhubaneswar and Chennai, how much capex has been done and how much is pending?
- Satheesh Seshadri:** For Bhubaneswar, as off we have done a commitment close to about INR 13.5 crores till 31st of December. And the further commitment of over INR 16 crores has been done till time and close to about INR 30 crores commitment is there for Bhubaneswar. We have already spent about INR 10 crores for Bhubaneswar till 31st of December 2022. The architect design, enabling and other works in progress. And of Chennai, there's no major investment, except for a small investment on the works. So what it was left out, we are just completing that. It's close to about INR 110 crores in Chennai is the investment overall.
- Moderator:** The next question is from the line of Darshan Jhaveri from Crown Capital.
- Darshan Jhaveri:** Congratulations on the great set of results. Thank you for taking the question. Sir, I think our businesses are a bit seasonal in nature. So Q1 and Q3 would ideally be the best quarter. So how is Q4 planning out right now? Are we seeing some how was January month? Could you know any way of footfall would it be similar to Q2 or how would it pan out?
- Satheesh Seshadri:** Normally, we don't give the existing quarter performance during the period.
- Darshan Jhaveri:** So in general -- sorry, sir?
- Satheesh Seshadri:** Overall trend is similar.
- Darshan Jhaveri:** And I also wanted to ask with regards to next year's growth that you said about 15% to 20% growth. But sir, with an increase of footfall and -- so how much of ARPU increase are we seeing? because I think we can unlock some value out there also. So because even a 10% growth in footfall and some similar growth in ARPU can help us a lot, sir. So what kind of price increase are we seeing for the next year?
- Arun Chittilappilly:** Something similar, I mean, we expect -- we might increase our prices by between 8% to 12% because our costs are so healthy, we are also confident to take for the price hike. Yes, it's reasonable to assume maybe 10% growth on what number -- growth for this year.
- Moderator:** The next question is from the line of Keshav Garg from Counter-Cyclical PMS.

- Keshav Garg:** Sir, many congratulations for excellent numbers, sir, it's very encouraging that we have opened a new vertical, which is to host concerts and parties. So I'm trying to understand that is this like a one-off, like on New Year's and so on or is it -- or can it be a regular Friday, Saturday, Sunday across our 3 parks, can be organized party?
- Arun Chittilappilly:** Yes. So we do -- I mean, right now, we are doing a few events like once a month or for large events, once a quarter, something like that. Small events we are doing once a week, once in 2 weeks. So it keeps changing. It's still a new field, so we have to keep evolving.
- Keshav Garg:** Sir, what I'm trying to understand that if we can arrange for some famous artist, then every weekend in every park can't we really do this?
- Arun Chittilappilly:** I think, we have the planned to do. Not every weekend, we can't do that. Maybe we would like to increase the frequency once we have a better team in place to execute this kind of thing. So yes, we are looking to expand into the whole event and park with activities, and different things we will be doing.
- Keshav Garg:** Sir, also now the apprehension is that since most people, they don't go to our water parks every year. I mean, they go periodically once in few years. And since after COVID, there was a huge lull. So this year now, there is a lot of pent-up demand which has come. And now we have a very high base.
- So on top of this base next year, sir, how confident are you that, firstly, we can hold on to these numbers? And then like you said that you are expecting a marginal growth in volumes as well as realization. So as to overall growth can be 15%, 20%. So how confident are you about that considering that there is a major element of pent-up demand in this year's numbers?
- Arun Chittilappilly:** Satheesh, can you answer it, please?
- Satheesh Seshadri:** See, we have been trying few of the efforts or strategies, what we have put in place. And these strategies have been realizing for us in terms of digital marketing over traditional marketing. So our reach outs and the content management is more different. We have at least 2 activities per park per month for both the walk-ins and groups, consecutively we're doing.
- We have also appointed institutional skill set and strengthening the institutional sales side of it, and we are optimistic the groups will perform, number three. Number four, we are also working on tour operators. So our strategies have been -- we have been consistently getting good feeds from these supports. And we feel it could continue for the coming years also.
- Keshav Garg:** And sir, I wanted to understand that, sir, how many resorts do we have? Do we have a resort in each of our 3 parks or do we have only one resort in one park?
- Satheesh Seshadri:** We are only in Bangalore Park correctly. We have 84 rooms resort in Bangalore Park. But in Kochi Park, we have tied up with one of the star hotels there, to offer the temporary offers. We

are also exploring something similar to this day in Bangalore Park, and it is still in a testing phase. Once it is done, we will replicate that model in other parks.

Keshav Garg: So is there enough space in our existing 3 arks, like in -- so as to, let's say, make a resort or to expand or to launch new rides?

Satheesh Seshadri: Yes, we do have additional land currently.

Keshav Garg: And sir, in the investor presentation, you mentioned that we have 220-acre land bank. So this land bank includes our existing 3 parks or this is -- we are only talking about Chennai and Odisha?

Satheesh Seshadri: This includes the land bank, which is owned by the company that is at Kochi, Bangalore and Hyderabad.

Keshav Garg: And sir, lastly, just one word of caution. Sir, there are many companies in -- especially in Tamil Nadu and Andhra, sir, which had taken land on lease from the government for 30 or 40-year lease. And now when the lease has expired so government -- and they already have their plant over there, now government is asking for unreasonable increase in lease rentals. So we should keep this in mind because in Indian government, you know how this works so to insulate us over the long term.

Arun Chittilappilly: We'll see after 100 years, what is the lease amount, nobody can say it.

Moderator: The next question is from the line of Gaurav Gandhi from Glorytail Capital Management.

Gaurav Gandhi: Sir, what will be the capacity of Bhubaneswar Park and Chennai Park?

Arun Chittilappilly: Chennai will be similar to Bangalore and Bhubaneswar will be about half of it.

Gaurav Gandhi: Chennai is similar to Bangalore and Bhubaneswar?

Arun Chittilappilly: Around half the price half or maybe 2/3 of our big parks.

Gaurav Gandhi: 2/3 of our big parks. And once the government approval receives from Chennai government, how much time will it take to complete the Chennai Park from there?

Satheesh Seshadri: Yes, we are looking 18 months to 2 years.

Moderator: The next question is from the line of Meet Jagani from Meet Jagani Finance.

Meet Jagani: Congratulations for the great set of numbers. So I was wondering any timeline for this Chennai approval?

Arun Chittilappilly: We don't know. It could happen very soon, or it could take more time. We don't know.

Meet Jagani: Also, what precisely it is taking so long for this approval as we are waiting for a long time?

- Arun Chittilappilly:** That you'll have to ask the government. We don't know.
- Satheesh Seshadri:** So, we have to understand 2 things. One is we had incremental COVID period. And also, there was a change in government, okay? The elections were through and everything. The new government has come in place, and we are reviewing it. We are in constant touch with the government, as it is a government matter, we are also hoping that they are responding favorably, the hearing of our meetings, they're hearing us. We are hopeful that it will come, but we can't put a time line to it.
- Meet Jagani:** And have we taken any price hike in this quarter?
- Satheesh Seshadri:** We have taken. Last price hike cost in September. We have taken INR 100 price hike. We have not taken any price hike this quarter.
- Moderator:** The next question is from the line of D Kanoria from Aditya Mills Limited.
- D Kanoria:** I wanted to understand what is your average daily footfall in your Kochi Park? And what is the average spend per customer within per day?
- Arun Chittilappilly:** Satheesh, please answer.
- Satheesh Seshadri:** Yes, please. Kochi Park, we have done for the quarter is about 3.16 lakhs for this quarter is our -- both groups and walk-in footfalls together.
- D Kanoria:** That is for 90 days, this 3.16 lakhs?
- Satheesh Seshadri:** 3.16 -- 3 lakhs 16 thousand one quarter.
- D Kanoria:** One quarter is 3.16 lakhs?
- Satheesh Seshadri:** Yes.
- D Kanoria:** And the average spend per customer?
- Satheesh Seshadri:** The ARPU for Kochi Park?
- D Kanoria:** Yes.
- Satheesh Seshadri:** For the quarter, it is about INR 1,100.
- D Kanoria:** INR 1,100? Okay. And would you say that the January-March quarter is the leanest quarter in the year because of exams for children, etcetera?
- Satheesh Seshadri:** Kochi was INR 1,100 of the ARPU for the quarter.
- D Kanoria:** So I was asking whether the January-March quarter is traditionally the leanest quarter because of exams?

- Satheesh Seshadri:** See, the leanest quarter is normally -- Q2 is the leanest quarter because it's a monsoon period. And Q3, sometimes we get good response because many of the corporates and the schools and colleges want to close the budget, okay? And also we have got some good seasons during the Q4 in terms of Sankranti, Republic Day, Women's day and also the Holi and other things coming up, some seasons not there during the Q4. Q2 is normally the weakest of the quarter.
- D Kanoria:** Probably Q1 is the best because of holidays?
- Satheesh Seshadri:** Q1 is the best quarter from the footfall and the ARPU perspective because we have got the best rates during that time.
- Moderator:** The next question is from the line of Venkatesh Subramanian from Logictree Investment Advisors Private Limited.
- Venkatesh Subramanian:** My question is on the new growth opportunities at Punjab, Madhya Pradesh, Odisha. So 2 questions. What is the probability of something going through at Punjab and Madhya Pradesh? And in what time frame do you expect? And apart from this, are you also talking to other state governments as well, concurrently?
- Arun Chittilappilly:** See we are reasonably confident about Madhya Pradesh as they're very serious, they're very keen for us to invest in Madhya Pradesh ASAP. Punjab also they have been very forthcoming. Like again, these are government matters, so it's hard to finally say what is going to come out of it. But we are reasonably confident that these governments are very -- everybody seems to be very pleased to have a new investment and value creation in their states and actually for large amusement park, for all this to come in, especially in another large city. So we're hoping that a good percentage, healthy percentage. So we're reasonably confident, yes.
- Venkatesh Subramanian:** So -- and if that were to happen, at least by this calendar year, we will get to know whether it's working out or not.
- Arun Chittilappilly:** Not all of it. I mean, because we're talking to many state governments. For example, Madhya Pradesh and Odisha, they are very serious and things are more or less certain that who will go to and the others they're still in discussion.
- Venkatesh Subramanian:** So who else? You're talking to Gujarat as well? Is it, sir?
- Arun Chittilappilly:** We are doing a bunch of different -- lot of state governments. Most of them actually.
- Satheesh Seshadri:** These are all at a discussion stages, It's all government matters. So it's going to take some time for us to get clearance from the government. We will let you know once the MOUs are signed.
- Venkatesh Subramanian:** One follow-up question from an earlier participant. So you broadly said things are looking okay, and we can probably look at 15% to 20% growth next year overall. Did I get it right, sir, 15%, 20% in terms of top line broadly?



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Arun Chittilappilly: Yes, 15% minimum, we should be able to do. That's the hope anyway. But again, these are unprecedented times. And we really don't know how the crowd and how public are going to react in different, different states. But we are hoping -- I think there is definitely a huge demand for travel and leisure, and I don't think that demand is going to be abate very quickly. Also traveling abroad has much more expensive than pre COVID. So I think a lot of people are not really -- traveling within India and I think that trend also should help companies like us.

Venkatesh Subramanian: Okay. But what do you see -- when you interact with your customers, basically, there's a lot of strong consumer sentiment broadly to spending.

Arun Chittilappilly: So far, yes.

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

Arun Chittilappilly: Thank you all for attending our Q3 conference call. And we hope to come back next quarter with even stronger set of numbers. And thank you all for your support and wish you all the best.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference. Thank you for joining us. You may now disconnect your lines.