



“Wonderla Holidays Limited
Q3 FY2021 Earnings Conference Call”

February 03, 2021



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Moderator: Good morning ladies and gentlemen, welcome to the Wonderla Holidays Limited Q3 FY2021 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Adhidev Chattopadhyay from ICICI Securities Limited. Thank you and over to you Sir!

Adhidev Chattopadhyay: Good morning everyone. On behalf of ICICI Securities, I like to welcome everyone on the call today. Today from the management, we have with Mr. Arun Chittilappilly, Managing Director and Mr. Satheesh Seshadri, the Chief Financial Officer. I now like to hand it over to the management for their opening remarks. Over to you!

Arun Chittilappilly: Good morning everyone and welcome to this conference call to discuss the Q3 FY2021 results. With the advent of much awaited vaccines and on account of optimism all around, the year 2021 has started off on a good note for us.

We are glad to present our Q3 and nine months FY2021 results with a renewed sense of positivity and excitement. It has been an eventful Q3 for us. Under the unlock 5.0 guidelines, we have resumed operations at our resort in Bengaluru from October 3rd. During the quarter, Karnataka and Kerala State Governments issued their



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respective notifications allowing amusement parks to restart operations. We reopened our Bengaluru Park on November 9, 2020, Kochi Park on December 24, 2020 and Hyderabad Park on January 9, 2021. As a gesture of our gratitude to honor the COVID warriors for their selfless service during one of the most challenging periods for humanity and our country, the first few days after our reopening were dedicated exclusively for them, they were given complementary access to the parks inclusive of F&B. The initiative was a huge success and we were overwhelmed to host about 12,000 warriors and their families across all the three parks. Wonderla became the first theme park chain in the country to be awarded with the highly coveted COV-Safe certification for safety and hygiene standards, a certification done by the international agency Bureau Veritas. We set out on a mission to add extra cheer to people's lives during this quarter, which is traditionally a festive season. With the gradual unlocking and uptick in the domestic travel we positioned our park as a perfect family destination to "unwind and relax the Wonderla way", in a safe and socially distanced environment. Our priority was getting our guests back to the park and incentivizing their efforts with an invitation price of Rs.699 per guest. We also focused exclusively on digital marketing to encourage footfalls. We used influencer activities, performance marketing and very innovative campaign, which have led to an increased outreach and have received good response. Very recently, we ran extremely successful viral campaign wherein on January 24, 2021, we offered free entry to everyone named "Kamala", in honor of the newly elected Indian origin VP of the US. At Wonderla, we are a financially strong and resilient



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organization with committed and competent people. Our parks have reopened and footfalls are picking up well. Staff salaries have been gradually increased as the operations resumed.

Coming to the performance of Q3 and nine months FY2021, Bengaluru Park registered footfalls of about 36000 and Kochi Park about 9000 leading to a total footfall of about 45000 people. Kochi Park was open only for about seven days during the quarter and Bengaluru Park for less than a month. We have recorded revenue from operations of about Rs.49.2 million and recorded a PAT loss of about Rs.147.5 million. The corresponding figure for Q3 FY2020 were revenue of Rs.700 million and PAT of Rs.210 million with a 30% PAT margin. We thank you for your support and look forward to hosting more people at our park and as we put the worst of the pandemic behind us. Our robust balance sheet, strong asset base and a dynamic management team has helped us withstand the crippling blow of the pandemic on the industry. We remain confident on emerging stronger as our strategic expansion plans remain intact. We can now proceed to Q&A. Thank you very much.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Vaibhav Gupta from RH Minerva Funds. Please go ahead.

Vaibhav Gupta: Good morning everyone. Thanks for taking my question. Sir the Bengaluru Park was open for 21 days in the last quarter and mostly on



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weekends, we got a total visitor count of 36000, which averages to 1700 visitors per day. In comparison, in Q3 FY2020 we got a visitor count of 2500 visitors per day, which includes both weekdays and weekends. I wanted to understand the daily footfalls run rate on a comparable basis, on weekends in December 2019 versus run rate of visitors on weekends of December 2020 and the comparable ATP?

Arun Chittilappilly: Actually it is not comparable because this year we were hardly open and ATP is also different because we came up with an initial offer for about a month. Because of the aggressive pricing on some days we have seen a huge demand, but at the same time we were not allowed to accommodate beyond 50% of capacity so we had to turn back thousands of visitors on a few days, so it is not directly comparable may be next quarter we will have more clarity.

Vaibhav Gupta: Sir some color on it would be helpful if you could quantify?

Arun Chittilappilly: It is not directly comparable.

Vaibhav Gupta: We understand Sir that there were certain constraints in this quarter.

Satheesh Seshadri: We were doing about 3500 plus during the weekend of December, but frankly this is a COVID year versus a non-COVID year. We are comparing apples to oranges.

Arun Chittilappilly: I do not think it will be much different.

Satheesh Seshadri: It is in a similar range. As we were not open for too many days it is very hard for us to say how the trend is. Maybe at the end of Q4 we will have a better trend.



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Vaibhav Gupta: Sir what is the average ticket size of both the quarters like year-over-year?

Satheesh Seshadri: In December 2020 we had Revenue per Visitor of about Rs 686, and last year the RPV was about 786 for Bengaluru Park.

Vaibhav Gupta: Sir just one more question. Sir you were successful in bringing down cost, but they were offset by different expenses. I want to understand in the coming quarters what footfall run rate do you require to break even?

Arun Chittilappilly: Approximately 1300 will help us in cash break even per day per park,.

Vaibhav Gupta: Okay Sir. Thank you very much. That is all from me.

Moderator: Thank you. The next question is from the line of Manish Shah from Vajani Securities Private Limited. Please go ahead.

Manish Shah: Good morning Sir. I just wanted to know in the nine months what has been the cash loss for the company?

Satheesh Seshadri: When we started on March 31, 2020 we had about Rs.125 Crores, at the end of December 31, 2020 it is about Rs.89 Crores, so about Rs.35 Crores is the difference.

Manish Shah: Rs.35 Crores is the cash loss during this COVID over nine months period?

Satheesh Seshadri: Exactly.



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Manish Shah: Going forward this should come down I would assume so?

Satheesh Seshadri: Yes it will come down. Now that we have started clocking the revenues, our cash burn will certainly come down.

Manish Shah: At what levels of revenue would you be cash neutral or you will be breaking even?

Satheesh Seshadri: At 1300 visitors per day per park,

Manish Shah: In terms of revenue?

Satheesh Seshadri: Revenue wise we are talking about 1300 visitors per day per park and about 1000 RPV and SPV put together about 1200.

Manish Shah: This 1300 per day means you average it out for weekend and weekdays right?

Satheesh Seshadri: We have to handle in a two phased approach. Initially we were working only on the weekends. We will slowly progress towards Wednesday, Thursday, Friday, Saturday, and Sunday types from February. If we push the button too fast then we have to drastically improve the resources, which will add to costs. In February, we will try to keep the park open five days a week and in March we have to take a call as we proceed.

Manish Shah: On the days you are open, how is the traffic, what is the utilization, what is the capacity

Satheesh Seshadri: Normally in our business as you know the weekend patterns are quite different. We are getting a good traction during the weekends.



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On some days we even got 4000 to 5000 numbers and we even had to send back some visitors. You also must be aware that in the Ministry of Home Affairs guidelines, they have given permission to operate at only 50% of operating capacity. We cannot put all the resources and a few limited rides are not running and accordingly, the resources are optimized. During the weekends we have received footfall of about 3000 to 5000 and on weekdays about 1000 people.

Manish Shah: I will join back in the queue if somebody is there then I will come back.

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

Kaustubh Pawaskar: Good morning Sir. Thanks for giving me the opportunity. Sir in the coming months if we get an approval to operate at 100% capacity, in what timeframe our park operations will stabilize; we will be completely available for 100% occupancy?

Arun Chittilappilly: We cannot put a date on that because we do not know when those guidelines will come. As of now, we have been told to operate at 50% capacity so that is what we are working at. As the vaccination drive improves, at some point they will allow us to open more. I am guessing that they will allow us before summer, but we do not know the exact date.

Kaustubh Pawaskar: But if they allow you for 100% then you have optimum resources to service 100% occupancy?



Arun Chittilappilly: Yes.

Kaustubh Pawaskar: Sir my question is you have been doing a lot of digital activities and you are trying to understand what is the visitors' mindset. What kind of response are you getting? I believe that in post pandemic scenario, large footfalls would happen in the open entertainment options, for example amusement parks or weekend on the beaches etc rather than going to a movie hall or a shopping mall. So what sense you have been getting from the visitors?

Arun Chittilappilly: We feel that there is a lot of pent up demand, people want to come to the parks. We get at least 500 to 1000 calls everyday and requests in each of our park, there are a lot of questions that people are asking how safe it is, can we come, can we bring children? So there is a lot of demand. As the pandemic eases we will see bigger demand coming back.

Kaustubh Pawaskar: Sir one question on the capex front. What are the plans ahead like in terms of Chennai Park, earlier we used to have two rides per park every year it was a kind of known for us, but now are we planning to add some more rides in our existing parks?

Arun Chittilappilly: Chennai has been put on hold for now because we have not got the extension of tax benefits, so we are working on that. It is going slow because it is election year, we do not know how long will it take. Regarding the new expansion in the parks, as of now everything is on hold. We are just waiting for footfalls to come back and then accordingly we will take a call on what kind of expansion we can do. As the pandemic eases and the footfalls come back we are



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confident that may be next year onwards we will slowly start investing again in new technologies, new rides.

Kaustubh Pawaskar: We have a lot of open space in most of our parks; do we have any plans to utilize it for events like marriages or conferences because there is high demand for marriages in the open space rather than the closed space?

Arun Chittilappilly: We are not planning to do weddings because that does not sit well with our target audience. We are in the entertainment space, so family entertainment avenues like outdoor F&B avenue, may be outdoor shopping, all those kinds of things are possible. We are exploring that to see how we can use that, but no concrete plans have been made yet.

Kaustubh Pawaskar: Thank you. Thanks for the opportunity.

Moderator: Thank you. The next question is from the line of Sreesankar from Incred. Please go ahead.

Sreesankar: Gentlemen good morning. I hope I am audible right now. Some of the questions have been already answered thanks for that. Among the park operators, because you do not have debt in your books and the pandemic probably has brought down a lot of other competitors, are you looking out to expand to other places where any of these kind of operators are available? What are you doing to your employees' salaries, etc., at the beginning of the presentation I heard a statement saying that because we are seeing more and more footfalls happening, you are probably increasing the salary levels. What is the kind of new



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rides, are the entire rides operational or only 50% of the rides are operational, how is it working because the guidelines would say that operating capacity should be to the extent of 50% so are you restricting the number of people while all the rides are full?

Arun Chittilappilly: Satheesh you can answer that question.

Satheesh Seshadri: We have only limited few rides, which we are not operating based on the guidelines given by the state governments, otherwise we are operating most of the rides. So we are operating with limited resource because you know we are working only on the weekends, so the off-roll resources are called based on the park opening dates and we try to optimize the number of resources through the working days and our park cleaning and other requirements. Coming on to the salary part, which was your second question, we were paying about 50% salary before the park opening, but as the parks have started opening and we start working like three to four days in a week we are increasing to about 75% and slowly it will go to 100% salary payments.

Sreesankar: Expansion thought process?

Satheesh Seshadri: With regards to expansion, the first priority for us was to open the park and second important thing is we are working on getting the people back to the park. While some of the park operators and new developments are talking to us on park operation and management opportunities, it is too early to commit anything about it. There are some talks on new parks and new O&M opportunities, which has to crystalize. As you know investment into the parks by others is getting little delayed, they are also postponing a bit. So clarity will emerge



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only after the Q1 of next year. Who is going to invest, how they are going to do and what is going to open? The Q1 of every year, which is from April to June, is the most important quarter which dictates for the entire year. So any new business or any new investments will be critically looked after the first quarter.

Sreesankar: Thank you.

Moderator: Thank you. The next question is from the line of Manoj Dua, an Investor. Please go ahead.

Manoj Dua: Good morning Wonderla team. My question is extension of the question asked by the last person, as many of the competitors are facing the problem and you are cash rich, do you think some competition dying in the areas where you are operating like Bengaluru, Kochi, and Hyderabad? As we return to normalcy, we may have an advantage of that? Thank you.

Arun Chittilappilly: It is too early to say, but from what we are seeing, established players will find it easier if the balance sheets are good and operations are well oiled, so we are confident that we will come back strong. The way the things are going, we are confident, but to what extent it will affect other people, other competitors and how that will affect us remains to be seen I do not think we can speculate on that yet.

Manoj Dua: Thank you and best of luck.



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Moderator: Thank you. The next question is from the line of Meet Jagani from PS Associates. Please go ahead.

Meet Jagani: Good morning everyone. Where are we on Wonder Kitchen, was it a profitable quarter for Wonder Kitchen and what about Wonder Garden, is there is any concrete plan for expanding the same? Thank you.

Arun Chittilappilly: Sathesh you can answer that.

Sathesh Seshadri: Wonder Kitchen is still not profitable, we are only experimenting with various experiences and menus. Wonder Garden is relatively a very small development, which is in the Kochi park and we are recording about Rs.6 lakh to Rs.7 lakh sales per quarter.

Meet Jagani: Any plan for expansion of Wonder Kitchen?

Sathesh Seshadri: Not immediately. We will evaluate the performance of Wonder Kitchen by March and then we will have a strategic initiative on that. It is too early to comment on Wonder Kitchen because even the population in the cities have just moved out of the city and the sales have not picked up since the unlock. We are experimenting with new menus, new ideas and other things. We will see how it phases out.

Arun Chittilappilly: It is not a big business vertical for us. We are seeing how it evolves and then at some point we will take a call on how we want to integrate into our existing big business.

Meet Jagani: Are we breaking even in the current quarter, if you can throw some light on how we are performing?



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Arun Chittilappilly: We are not breaking even in the current quarter.

Meet Jagani: Thank you.

Moderator: Thank you. The next question is from the line of Manish Shah from Vajani Securities Private Limited. Please go ahead.

Manish Shah: This is regarding Chennai Park. There was some proposal going on to set up a park in Chennai and some regulatory hurdles were there any update on that?

Arun Chittilappilly: It has been put on hold, we have to see how the government responds for COVID so we are going to have a series of talks with them and we will see, but as of now it is on hold.

Manish Shah: So it is more for regulatory reasons or for COVID reasons or for both?

Arun Chittilappilly: Both.

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

Adhidev Chattopadhyay: Thanks for the opportunity. Sir just wanted to get some idea of our expenses now. We have scaled up to Rs.5 Crores a month, so assuming that normalcy resumes maybe in another two to three months, where do we see our expenses heading forward? Is there any permanent cost saving?

Satheesh Seshadri: In normal period and in a normal year we spend at about Rs.14.5 Crores per month. Now our expenses have subdued because only few



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parks worked in a staggered manner. Hyderabad Park did not work; Kochi Park opened only in December, so Rs. 5.00 Crores average is not appropriate. So once the park opens and we operate all the three parks at five days a week, we can see anywhere the expense going up about Rs. 9.00 Crores to Rs. 9.50 Crores per month.

Adhidev Chattopadhyay: Sir the other question, is there any update from the government on any relief measures or tax breaks for the parks for this financial year?

Arun Chittilappilly: We were expecting it, with the entertainment industry being highly affected due to the COVID. We expected some incentives from the government at least tax reduction and GST, which we also represented from 18% to 12%, but unfortunately there is nothing yet.

Adhidev Chattopadhyay: Sir lastly just one book-keeping question, what is the current cash and investments we have on book? Are we planning to take on any debt as a risk mitigation strategy?

Arun Chittilappilly: No we are not taking any debt. We have about Rs.90 Crores with us as of December 31, 2020.

Adhidev Chattopadhyay: Okay fine Sir. That is it from my side. Thank you and all the best.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.

Arun Chittilappilly: Thank you all for attending the Q3 FY2020-2021 conference call. We wish all of you a safe and Happy New Year and we will be



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back soon with the next quarter results and hope that things improve.
Thank you.

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