Wonderla Holiday's Limited
Q1FY16 Earnings Conference Call
August 13, 2015

Moderator: Ladies and gentlemen, good day and welcome to the Q1FY16 conference call for Wonderla Holiday's Limited.

Nilesh Dalvi: Good evening everyone. On behalf of Dickenson Seagull IR, let me welcome you all to the first quarter FY16 earnings call of Wonderla Holidays Limited. Today we have with us the management led by Mr. Arun Chittilappilly – Managing Director and Mr. Nandakumar – Vice President (Finance). Now before we start the call, I would like to remind you all that our remarks today might include forward looking statements and actual results may differ materially from those contemplated by these forward looking statements. Any forward looking statements that we make on this call are based on assumptions as of today and we undertake no obligation to update these statements as a result of new information or future events. I will now invite Mr. Arun to make his opening remarks. Thank you and over to you sir.

Mr. Arun Chittilappilly: Good afternoon ladies and gentleman, it is a great privilege to greet you and welcome to once again on behalf of board of directors and senior management to our conference call. We are thankful to all of you having spare time and joining us here today to discuss earnings of Wonderla for the first quarter of FY16.

We will begin with a quick review of our company. We are one of the largest operators of large scale amusement parks in India and have over 14 years or successful operations and currently have two world class amusement parks operating in Bangalore and Cochin and our third park in Hyderabad is undergoing construction as we speak. We also operate a 84 room 3-star resort under the Wonderla resort brand name. We are also very happy to let you know that Wonderla Parks have been ranked 7 and 9 in Asia by trip advisor for 2016. This is the ranking we have retained for the last couple of years. We were ranked the same, 7th in Asia for Bangalore and 9th in Asia for Cochin last year as well. In continuation with our endeavor to provide world class entertainment, we are now developing our third park in Hyderabad which should complete by the first quarter of FY16. Operations have grown by roughly about 6% to about 68 crores. Our EBITDA has grown by 5% to about 41.6 crores. Our PAT has grown by about 13% to about 24.8-25 crores. We have seen an increase of our ticket price per capita spend in Bangalore for about 13.5% which is very good and non-ticket revenue has seen an increase of 25.1%. This is in spite almost 9% decline in our footfall for Bangalore. The footfall decline happened mostly because we had an unusual wet summer, we also had hailstorms. Also we had one or two bandhs and hartals which affected our footfalls in Bangalore. Cochin park has witnessed a 12% increase in average ticket revenue, 22% increase in non-ticket revenue and about 5% decline in our footfall. Again most of the footfall decline has happened in April and May and June have done relatively okay. Another reason for footfall decline, I think especially from June onwards could be the service tax impact. We have been included under the service tax net from June 1st onwards, so our pricing has again gone up by about 15% from June 1st. So in this quarter alone we have revised our prices twice. So I think the total impact of pricing for the end user in Q1 alone will be almost 25%. So that is one of the reasons we are not projecting much footfall growth this year.

Now with these few insights I would like to handover the call to Nandakumar, who will be providing details on operational and financial performance of the quarter.

Nandakumar: Good afternoon ladies and gentlemen. Talking about de-growth in footfall Q1, Footfall reduction in absolute terms wise comes to around 58,000. Out of that 42,000 is on accounts of Bangalore and around 16,000 is reduction in footfall in Cochin. So apart from the reasons Arun has told I would like to tell that towards a sizeable amount of shift from Q1 to Q2 mainly with respect to corporate. So that we are witnessing some good increase in the footfall in the segment of corporate in the month of July. I think we will be partially offset, almost part offset half or more than half of the reduction in the month of July. We can see that our own cost has gone up close to around 7%. So this is the main reason why we are able to provide a reasonable growth in our margins and of course the sales of products have also gone up around 20% decent growth in that sector and all other things I think we can take up in the Q&A session.

Moderator: Thank you. We will begin the question and answer session. The first question is from the line of Nikit Shah from Motilal Oswal. Please go ahead.

Nikit Shah: How would be July, because I presume you would have taken another round of price increase to pass on the service tax impact. So two things, can you give me a brief about what would be the price increase in April and what has been the price increase post the service tax cumulative both of them, how much would that be now?

Nandakumar: In April we have took nearly 10% increase in both the parks and service tax impact came from 1st June. There we have passed almost 12%. So the net of input credit we have got the entire liability.

Nikit Shah: So that will be another 10%?

Nandakumar: Yes, total it is around 22% for both the parks.

Nikit Shah: What would be the footfalls in July, after such steep increase in pricing**?**

Nandakumar: July is giving you a 25% footfall month-over-month.

Nikit Shah: What would be Y-o-Y?

Nandakumar: Y-o-Y that is 25%

Nikit Shah: Last July it was, this July it was 25% growth?

Nandakumar: That is why I said when Bangalore especially there was a shift of corporate from 1st quarter to second quarter. So that is the major reason.

Nikit Shah: So 22% increase in pricing in July versus last July and 25% increase in footfall versus last July. So the ticket sales would be about 45-50 kind of a number?

Nandakumar: Yes, it will take July only because of course July is on a lower base.

Nikit Shah: What would be a mix now between corporate schools and walk-in?

Nandakumar: Still corporate, schools in Bangalore, it will be close to 8% and in Cochin it will be roughly around 3% to 3.5%. So Bangalore corporate is showing a decent growth but Cochin of course there is not much corporate too.

Nikit Shah: What would have been the hit in the cost part as far as the construction of the Hyderabad Park is concerned. So what kind of course would have been more front-ended kind of thing?

Nandakumar: No, there is only one aspect where you can see the cost has increased firstly in the case of operating expenses where some of the employees have come in the trainee part through the contractor. So they have been accommodated under the wages now and when they are absorbing or obviously in after 3-6 months they will come to our roles. So at that time, it will come to the employee cost. Currently, it is in the operating cost. You can see a 13%-13.5% growth in operating expenses that is partly because of these employees, other 3-6 months you will see that either 6 months or the training extend it will go further, so minimum it will take 6 months for them to move to the employee category.

Nikit Shah: What is the break up between how much was the F&B growth and merchandize growth in Cochin and Bangalore in this quarter? So the non-ticketing break up basically between F&B and merchandize?

Nandakumar: I will give you a consolidated figure or you want a ballpark?

Nikit Shah: Just give me the break up if it is possible to get a sense?

Nandakumar: You take Bangalore here, F&B for this quarter, your product sale was almost 8%.

Nikit Shah: 8% growth, for Bangalore?

Nandakumar: Not growth, you take as number 8% of turnover that is 346 crores, was 340 gross. So product side there is not much growth and food part there is a 28% growth. Last year it was 190 lakhs, this year is almost 245 lakhs.

Nikit Shah: So in spite of reduction in footfalls you have seen increase in F&B. Revenue has increased in F&B but your sale of products is almost flat.

Mr. Arun Chittilappilly: The increase in F&B spend is partly because we have new offerings in terms of F&B also, that is why you see in spite of footfall reduction we have seen a growth in F&B spend because there is more opportunity to spend that money in the park.

Nikit Shah: Increase in offering would be? Because I presume we do not own any apart from any restaurant, only one is something that we own.

Nandakumar: From June onwards we have taken one more.

Mr. Arun Chittilappilly: We have added two different new types of restaurant over here.

Nikit Shah: In Cochin or Bangalore or both?

Nandakumar: One each.

Nikit Shah: And this price increase you mentioned was 10% in Q1 and I think the other price include will largely be impacted from Q2 onwards. But if I see the ticket revenue growth, average ticket revenue growth is around 13% for both these parks. So is it that the weekend price increase is normally much higher and that really brings the average much higher than 10% price increase?

Nandakumar: If we look at the ticket price increase, the collection from increase is hardly 5%.

Nikit Shah: No, I am saying the price increase. The average ticket price increase in Bangalore is 7.4.

Nandakumar: Average price increase has a role to play with mix change also. So I told you on Bangalore primarily a corporate has been shifted to Q2 and where the corporate is normally come with it in 10%-20% discount.

Mr. Arun Chittilappilly: Let me just clarify. I think the price hike is taken in Bangalore is 10% and I think cochin is almost 13%, is that correct Nandakumar?

Nikit Shah: Cochin is 13% and Bangalore is 10.

Mr. Arun Chittilappilly: Cochin is 13 or 14?

Nandakumar: No, 14 was last year.

Nikit Shah: What would be the update on our Chennai project, any land finalization and what is the status of the same?

Nandakumar: Chennai we have not finalized land and we are probably will zero down by end of next quarter.

Nikit Shah: Okay and Hyderabad Park is on track too?

Nandakumar: Hyderabad is almost on track.

Nikit Shah: To get operational in Q4.

Nandakumar: Q4 of May, Q1 of next. May be in April.

Moderator: Thank you. Our next question is from the line of Amit Kumar from Investor Capital. Please go ahead.

Amit Kumar: What happened to footfalls in April?

Nandakumar: April footfall saw reduction in both the parks and larger reduction came in Bangalore Park. This we feel that this is mainly because there is a climate change in Bangalore and every evening it was continuously raining and so we find a drop in the afternoon footfall and second this couple of days he lost due to some unrest like Bandh and Hartal. So in Bangalore we had a very unusually wet summer, we did not have a summer actually we had very cold weather especially in April, so I think that must have brought down the falls drastically. We did not touch any other highs that we normally would touch during that April, also we lost one or two days complete like we had zero footfalls on two days because we had 1s and all that. So that is also very unusual. So when it happens during a peak summer or peak day or like a peak weekend kind of day we will lose about 5000-6000 on those kind of days. Our belief is the only part of it gets made up in the following days. So it is not every of those lost footfalls gets made up on the following days. So that could be one other reason why we lost some hook.

Amit Kumar: Now in terms of the parks themselves any sort of new rides during this quarter or planned for the rest of the year, anything that you can highlight? Basically I am trying to understand that, I mean forget the service tax part which of course you will pass on to the consumer but even otherwise it has been a fairly consistent double digit sort of price hike on an annualized basis. So what new do you sort of proposed to offer to the consumer?

Nandakumar: During this first quarter we have opened a new water ride in Bangalore and one other land ride, it is roller coaster is under erection. Probably we will open it to public before the next season. So these are the two rides coming in Bangalore and Cochin also we are planning couple of new rides, so that it will be operational. We expect that to be operational before the next season.

Amit Kumar: Just a small follow up. What would be the expected CAPEX of the roller coaster?

Nandakumar: It will be around 20-22 crores.

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

Kaustubh Pawaskar: Can you give the breakup of non-ticketing revenues for Cochin like what you have given for the Bangalore?

Nandakumar: Cochin park is 84% revenue from ticket and there is a restaurant share from around 7% which is around 1.5 crores and sale of product is around 6%, it is close to 1.5 crores.

Kaustubh Pawaskar: We have seen decline in footfalls in the first quarter because there were some issues in the April, but now you have increased the prices by almost 20% because of this service tax. So what is your expectation? Do you see a footfall to further drop by around 8%-9% in the initial quarters for example Q2 and Q3 and then to stabilize from quarter 4?

Nandakumar: No, because we took the price hike in two stages. The first hike took in 1st April. So we did April-May with normal hike of around 10% and on June 1st only the service tax came into effect we started charging service tax also. But looking at the scenario of July I do not think it is going to be a much impact on the price hike and it will not have a direct impact at least.

Kaustubh Pawaskar: Exactly, but July for Bangalore we can understand because there was shift in corporate this thing from first quarter to second quarter but what about Cochin ?

Nandakumar: Cochin also there is no corporate thing actually and always we are more worried about the external factors, so far we have not given a direct impact of the pricing and for the last two months we are taking feedbacks close to around 8000, around 4000 odd per week or so and we have not received any comment like that the price is high.

Kaustubh Pawaskar: So the acceptance is quite steady for both the parks**.**

Nandakumar: That is our stance

Kaustubh Pawaskar: So should we expect footfalls to remain almost for flat for FY2016?

Nandakumar: Not really because last year scenario was that, we have only growth in Bangalore for the first quarter and all the remaining quarters were either flat or negative and I would like to say that first year we have a decline and second quarter onwards showing some positive trend and second quarter there is also holiday and third quarter also there is Diwali and New year comes, if those works well, I think we will be showing a growth of 3%-4% in the footfall in both the parks.

Kaustubh Pawaskar: My next question is on the CAPEX, what kind of CAPEX are we doing for the Hyderabad Park?

Nandakumar: Hyderabad will be around 242 crores.

Kaustubh Pawaskar: How much we have already…?

Nandakumar: We have put in almost 80 crores.

Kaustubh Pawaskar: So remaining would be coming in for FY16, in this particular year?

Nandakumar: Remaining will come in FY16.

Kaustubh Pawaskar: In this quarter we have seen the non-operating income of around 7 crores vis-à-vis 0.1 crores in Q1FY15, so what exactly this.

Nandakumar: That is an investment from the IPO fund; around 5.5 crores is generated from the investment of IPO fund. Other thing is the normal other income, that is going to continue and this is an exceptional item.

Moderator: Thank you. The next question is from the line of Sumant Kumar from Elara Securities. Please go ahead.

Sumant Kumar: What is the key reason for lower occupancy in Q1FY16 versus Q1FY15?

Nandakumar: Which one, resort?

Sumant Kumar: Resort, yes.

Nandakumar: Resort has a 4% reduction which is mainly because of the long stay guest, last year we have lot of long stay booking from corporate like Bosch and all. They have some client renovation going on, that is not there. But you can look at the ARR has gone out by around Rs. 500. So that is because we are mainly dependent on the guest or tourist.

Mr. Arun Chittilappilly: We only had retail footfalls this year, no deals or long staying guest. That is right.

Sumant Kumar: Talking about footfalls, so we have seen Q4FY15 our footfall was muted and this quarter our lower growth. So what are the key strategy going forward to increase our footfall?

Nandakumar: Which one, resort you are talking?

Sumant Kumar: Overall footfalls?

Nandakumar: Okay, we can only do is evaluate the nature of problem, because if it is due to natural changes we have very limited to do on it. But we are organizing mostly in the corporate and the group segment which is in our control. So that area we are concentrating more and we feel the new rides and marketing with the new rides will attract more work in our park.

Moderator: Thank you. Our next question is from the line of Avi Mehta from India Infoline. Please go ahead.

Avi Mehta: What I wanted to understand is, what is the reason for the high other income and how should we look at that?

Nandakumar: Higher other income, there is a total of around 5.5 crores, is by way of investment of IPO money and balance 1.5 crores is normal one. So that will continue and this 5.5 crores is non-recurring income.

Avi Mehta: The cost moderation that we saw, you suggested that is because despite the CAPEX in Hyderabad, the employees are in the operating expenses and they would then move to the costs**,** is that understanding correct?

Nandakumar: No, you can see an abnormal growth only in the wages part, operating cost part. That operating cost includes some other wages also which are the employees who is now training under rides, who is under a contractor. So what I am trying to say is that once they are made to the rolls that will move to the employee cost.

Avi Mehta: The way I understand is right now when I look at the employee cost number, it is flattish. I mean it is kind of…

Nandakumar: Employee cost is flattish but you can look at the operating expenses that include the wages paid to these trainees. So we are accounting that as a part of operating cost because they are under operation and not on rolls. All the employees on rolls will only come under the employee cost for us. If you go into the sub-schedules, you can see that operating cost includes your security of keeping everything and that has a line item called wages also. This is included in that. That is one of the reason that the overall cost increases about 7-7.5, your operating cost has gone up by around 13.5%.

Avi Mehta: But what you also highlighted is the operating cost have benefited from a lower share of corporates and in the second quarter you should see…?

Nandakumar: No, average revenue was increased because of the lower share of corporate for the first quarter.

Avi Mehta: So would the margins also be different for them and hence the direct operating expenses also would be higher?

Nandakumar: No, that is in the revenue front. Corporate I mentioned in the revenue front where some other corporates around 10,000-12,000 corporates have moved to the Q2 where the first quarter if they come on a peak season, obviously there is a volume discount applicable to corporate. So that has moved to the second quarter. That is why I say that despite the footfall reduction, there is average revenue per visitor as a descent growth.

Avi Mehta: So let me rephrase. So in the second quarter when we look at margins and we look at overall EBITDA margins, there will be the impact that will continue for the Hyderabad employee cost which is already there in the first quarter.

Nandakumar: No, partially you can say that also.

Avi Mehta: So this will go back to the employee cost and the operating expenses will move depending on the discounts that are given to corporate? Is that understanding correct sir?

Nandakumar: Yes.

Moderator: Thank you. Next question is from the line of Ayesha Gupta from Perfect Research. Participants are requested to restrict their questions to only 2 per participants. Thank you.

Ayesha Gupta: I want to know the company's strategy, not many amusement parks have really done well in the past in India. So what is the company's strategy to do better than the others?

Arun Chittilapilly: I am hoping that is a rhetorical question because we have done better than most other amusement park. So I think that kind of answers the question.

Ayesha Gupta: **O**bviously the company has done well in the past, but going forward does the company has any like special strategy to focus on the problem areas or like the company is going to pursue the same strategy as it has done in the past?

Arun Chittilapilly: No, our strategy keeps evolving. It depends, on our strategy 15 years ago is very different from our strategy today. So it is moving. I guess it is a moving target. So that is all I can tell you in terms of strategy but we are very committed and we understand the business I think more than anybody else in this country. So we are committed to it and we feel like there is a lot of scope to grow this business a lot more and so yes, but then the specific strategies keep varying from every quarter to every year and every location. So that would be a little hard to quantify or qualify in an answer like this but we have sufficient experience in order to deal with this. This is all I could say.

Ayesha Gupta: Can you please throw some light on the company's safety norms as many accidents happen in the amusement parks and like the recent accident that happened in Adlabs Imagica.

Arun Chittilapilly: We have a pretty comprehensive safety policy in terms of whether it is for the operator, whether it is for the guest, or whether it is for employee. So we are pretty confident of what we do in terms of safety and we also have a large engineering division in our company which is very unlike other amusement park companies so that helps us. Our people are more in touch with their machines that they operate and maintain and that gives us a lot more confidence and we have undertaken even construction of rides which is again a very unusual activity for an amusement park operator. So I think we have sufficient experience in terms of maintaining rides and machine. But having said that millions of people come through an amusement park and an amusement park is a place where it is like a factory where you put people through machines. So there are risks involved in any such activity. So it will be impossible even for any company to completely say that we will not have any accident but we can minimize them and I think we have done that in the past and we are hopeful of doing that in the future.

Moderator: Thank you. The next question is from the line of Bharat Bhagnani from Tasha Enterprises. Please go ahead.

Bharat Bhagnani: I wanted to know about the design and the development of the rides, is it an in-house thing or do you outsource it to a vendor?

Arun Chittilapilly: We design some of the rides ourselves which are Marquee rides and rides which are kind of inbuilt into the design of the park itself but there are other rides we buy and incorporate them. So in the past we used to import only about 30% of our rides but I think going forward that percentage is slightly going up. So maybe it is closer to maybe 40% of our rides are imported. Then we do depend on other Indian manufacturers to make some of our rides but they are mostly things like water slides and equipment for Water Park, but that is pretty much that we depend on Indian suppliers for. All the other things is the other item made by us or is imported.

Bharat Bhagnani: Is there a big cost difference if you actually manufacture it yourself and get it done through others and buy the whole thing from somebody?

Arun Chittilapilly: Yes, if you import it, there is a huge massive cost difference?

Bharat Bhagnani: Because of the tax?

Bharat Bhagnani: Thirty percent is the tax difference itself?

Nandakumar: Thirty percent just on tax, may be 20% just on transports, then design and wages and just I think it is multiple either those differences are usually in multiple. So if we make us a ride for cost of x, if you import it, it is typically 2x or 3x.

Bharat Bhagnani: So are you looking at making it for other smaller parks in the country as well?

Mr. Arun Chittilappilly: No, we do not indent to do this as a business. We are doing it only because one, we like to make rides and we have done it successfully and I think it is part of our competitive advantage.

Bharat Bhagnani: I wanted to know a little bit on the ideation process of new **rides**. So how do you exactly zero in on a particular ride which is to be put in from a variety of options that are available and how do you know this is something there is no work?

Mr. Arun Chittilappilly: Top management, we look at either feedback, we look at what we feel is required in the past. It is a combination of guests and exposure of management to newer technologies that is coming into the market or coming into the amusement park scenario and what we feel is adaptable to our parks. So it is a combination of different thing but it is more. We also depend on feedback from other parks to see what is lacking or what we need to add?

Bharat Bhagnani: What about the maintenance of the rides, these in-house engineers or have you outsourced to different company?

Mr. Arun Chittilappilly: All our rides without exception are maintained whether that is imported or made by us or is maintained by us?

Bharat Bhagnani: They are all in the payroll of the company?

Mr. Arun Chittilappilly: Yes, we maintain all our rides.

Moderator: Thank you. Next question is from the line of Aabhash Poddar from ialpha Enterprises. Enterprises. Please go ahead.

Aabhash Poddar: I just had a clarification. So we have taken a 22% price hike and that has been well received. So would you be willing to take a price hike next year as well as on the similar line given the deflationary scenario or is it too early to talk about it right now?

Mr. Arun Chittilappilly: We are not too worried because like Nandakumar told you earlier we have seen a huge jump in our footfalls in July which is quite surprising even for me. So I do not see there is a problem in terms of pricing but of course we are cautious and we are saying that we are not expecting much growth in footfall for this year but next year onwards we hope we should be able to this is a onetime scenario and I think after this we should be able to continue the usual price hikes.

Moderator: Thank you. The next question is from the line of Prerna lotlikar from Allard Partners. Please go ahead.

Prerna lotlikar: Actually I wanted to ask on the footfall, during the last call you had mentioned that there was a decline in the footfalls among school children because of the government circulars that had come up. So how that issue is coming up now, is thar normalized.

Mr. Arun Chittilappilly: No, too early to say. Our footfalls for schools and colleges usually come in Q3. So it is too early for us to comment on it now. We will only know closer to that time how it is panning out, but as of now we have not seen any further circulars but if any issues repeat in schools and colleges then this can become a bigger thought.

Prerna lotlikar: You mentioned that corporate would be 8% of your overall footfalls rate? So how much would be school and college students?

Mr. Arun Chittilappilly: It will be 30%. Thirty percent will be our groups. I think as a whole all our groups contribute roughly 35% of footfalls out of which only 7% or 8% is corporate. Remaining is schools and colleges.

Prerna lotlikar: This would be at a price, the average ticket price would be as a discount for these?

Nandakumar: The schools and colleges are at a very highly discounted price as they enjoy with being 20%-45% discount depending on when they come.

Moderator: Thank you. The next question is from the line of Atul Mehra from Motilal Oswal. Please go ahead.

Atul Mehra: Just a small clarification. So 8% footfalls is corporate footfalls and during the quarter and supposedly in Bangalore we had 16% of footfalls coming from groups. So what would be the other groups?

Mr. Arun Chittilappilly: The remaining will be schools and colleges, yes.

Atul Mehra: So even during the quarter you will have about 8%-10% coming in from schools and colleges?

Mr. Arun Chittilappilly: Sometimes yes, but there will be some schools which do not have holidays during our Indian Summer. So for example all the international schools or maybe schools from out of station or it could be colleges where lot of colleges do not have Summer holidays. So it would be a mix of everything.

Moderator: Thank you. Next question is from the line of Manish Manwani from Bonanza Portfolio. Please go ahead.

Manish Manwani: I just want to ask one general question. Sir what is your strategy on to attract the repetitive customers?

Mr. Arun Chittilappilly: Our strategy to attract repetitive customers is to give them a great experience and then to add new attraction periodically.

Manish Manwani: Do you have any by bonus points or what points **or** like the programs you are…?

Mr. Arun Chittilappilly: We have a loyalty program. So once you buy a certain number of tickets, you automatically get enrolled in that program and then further tickets you buy you get a discount depending on that. You get a higher discount if you come during off season and lower discount if you come during the season.

Manish Manwani: Just want to understand sir what company does in the rainy season you said 2-3 months in the rainy season?

Mr. Arun Chittilappilly: I did not understand.

Manish Manwani: What is the company's strategy means to use the park in the rainy season, means because the peoples not like to visit the park

Arun Chittilappilly: Yes, we have a lower pricing during our off seasons. It is typically a rainy season and all our members who are part of our loyalty program, they get a higher discount. So they do come and then what does happen over a period of time like what happened in July of this year is that people have realized that it is better to come during an off season because seasons were so crowded. So slowly the differences are kind of evening out as we have to go back.

Moderator: Thank you. The next question is from the line of Vinay Paharia from Religare. Please go ahead.

Vinay Paharia: We took a price hike at the start of June as well which was the second price hike. So can you just talk about what happened to the volume in the month of June? How was that on a Y-o-Y basis?

Arun Chittilapilly: June was flat.

Nandakumar: June was flat but slightly low, I would say minus 2%.

Vinay Paharia: During the overall quarter you had an 8% average volume decline but in June you experienced a flat sort of volume?

Arun Chittilapilly: Yes, that is likely lower. I would not say flat, it is minus 2 or 3%.

Vinay Paharia: Minus 2-3% and that also got benefits of that mix change which you were talking about for July?

Arun Chittilapilly: Yes I think so. June also, we do not consider June as an off season because June also we get a lot of Summer footfalls but towards the end of June is then most of the schools reopen on middle of June and so our off season will be we count it from July but a lot of corporates for whatever reason they have shifted their outing from April, May, and June to July. So that is why we saw some hike in July.

Moderator: Thank you. The next question is from the line of Prateek Poddar from ICICI Prudential AMC. Please go ahead.

Prateek Poddar: First question is ticket price hike has happened from June, is that understanding correct?

Arun Chittilappilly: That is correct. Now we have had a price hike in April and in June.

Prateek Poddar: Sure. So the June one would be to accommodate the service tax hike?

Arun Chittilappilly: Yes sir.

Prateek Poddar: So just to understand from April-May, the price hike was 10% and then it became 12, you incrementally added.

Arun Chittilappilly: I would say April-May our price hike, average could have been closer to 12% and another 12% in June. So that is close to 24%.

Prateek Poddar: Sure sir. Sir what was the footfall growth say in April-May month and June month Y-o-Y?

Arun Chittilappilly: April-May like I said if you look at the whole 3 months, we are less, we are down by about 7% but most of the decline happened in April and May and June we have seen a decline of like I just said about maybe minus 2.

Prateek Poddar: This is Y-o-Y sir?

Arun Chittilappilly: Yes, Y-o-Y.

Prateek Poddar: Could you give us an update on the Hyderabad Park sir?

Arun Chittilappilly: Hyderabad Park work is going on. We expect it to open in late April of 2016.

Prateek Poddar: This calendar year, right sir?

Arun Chittilappilly: Yes.

Prateek Poddar: Sir earlier the expectation was mid of April, mid of 2016 right?

Nandakumar: No, that is a year ago because our approvals got delayed by around 6 months. The moment we started construction we pushed it to the end of financial year or early Q1 of 2017, so that is in last concall also that was our stand.

Prateek Poddar: So now Hyderabad Park will be operational Q1 FY2017?

Nandakumar: Yes. We are previously expecting say around 3 quarters back, we are expecting to happen that in Q4 of 2016. So we have to push it for at least a month or month and a half.

Prateek Poddar: So this is April-June 2016 is when Hyderabad will become operational?

Nandakumar: Yes.

Prateek Poddar: The pricing would be similar to your Bangalore park?

Nandakumar: We expect it should be similar to Bangalore.

Moderator: Thank you and last question is from the line of Jayakrishnan from TVS Capital Fund. Please go ahead.

Jayakrishnan: I just want to have 2 questions. One is on the Chennai Project, what is the capacity that you are looking at and how much is the land area that you propose to acquire and the CAPEX plan for Chennai per project and my second question is an update on the provisions that you made in the last quarter for entertainment tax and service tax demands and also there was one litigation in Hyderabad on land related government litigation, an update on those please?

Arun Chittilappilly: So regarding the tax and the litigation Nandakumar will update but I will update on the Chennai first. Chennai we are looking at a slightly larger park than what we have done in other 3 cities. We should have an installed capacity to entertain, maybe between more than 12000. So about 14,000 visitors when we start. So accordingly our projection for CAPEX there also is likely bigger. We are projecting 300 crores kind of project. We will be looking at a 60 acre kind of size in terms of land acquisition. We have shortlisted two properties and we have entered into an MoU for one property but it is subject to legal clearance. So we are just waiting for that. We hope to complete it successfully before the end of this year.

Nandakumar: With respect to the tax subject we have provided for service tax towards a long pending litigation of last 7 years regarding the taxability of leasing of property that is house, restaurants, and that case is now with appellate tribunal. So at that point where the Commissioner order was against us. We thought it is prudent to provide for it. That is why we provided for it. That is around 2.5 crores and another 1.5 crores we have provided with respect to entertainment tax demanded by Kerala Government and that 1.5 crores we are paying. Till day we paid around 60 lakhs and balance will be paid over the remaining three quarters.

Jayakrishnan: On this land related litigation which…..

Nandakumar: Hyderabad both this cases are pending still it is not even called for argument. So it just keep on adjourning.

Jayakrishnan: Fine sir, anyhow you said it did not affect the construction basically.

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

Kaustubh Pawaskar: Sir just wanted to understand one thing. Sir for you what is your fixed cost element, just a ballpark number for that?

Nandakumar: Almost you can take all these costs, its employees 100% fixed, all other cost is almost 70% you can take it as fixed.

Kaustubh Pawaskar: Seventy percent is fixed.

Nandakumar: So major variation come in the area of your operating where there is variation with respect to maintenance, electricity, and employee cost like security and housekeeping, these change depending upon the crowd.

Kaustubh Pawaskar: So 70% is fixed cost and the other is around 30%, 30% is around variable cost?

Nandakumar: Yes, that in the case of broad heading what we have given in the P&L is operating cost as well as other expenses. All other things are more or less fixed and only other 3 bracket like finance cost, depreciation, and wage or employee cost.

Kaustubh Pawaskar: I was just understanding about the operating cost because…

Nandakumar: Operating you can take it as 70:30.

Kaustubh Pawaskar: Yes, why I am understanding this because once we start seeing incremental footfalls whatever the earnings you will acquire from those footfalls will directly get into your operating profit.

Nandakumar: You are right.

Moderator: Thank you. Next question from the line of Tanmay Sharma from Edelweiss. Please go ahead.

Tanmay Sharma: Another listed player in the same amusement park industry is following a price sampling model in which it is giving Happy Tuesdays and Lazy Sundays sort of offers. So I wanted to know what is the effectiveness of these offers for a mature park like you? Are you also going through this offers in this dull time or is it that the park that is doing the same is new and that is why it is doing the same? So can you throw some light on that?

Arun Chittilappilly: Our experience of doing these kind of 1-day offers it has not really yield a much benefit and the cost of advertising for them is huge. So we feel as it is not really a viable solution. So only advantage of doing this kind of thing is we can get a higher footfall but then the fact that discounting heavily will bring down your margin. That is our experience. So that is why we do not do these kind of things and in any case we feel amusement park outing is a pretty much a planned activity and that is why a lot of people still come during the Summers in spite of huge discounts available during off seasons because people need to find the time and effort and they need to spend some time to plan it. So we feel that giving a short notice offers is not really a great way of doing it. That is our experience but I cannot comment about others. We closely follow what the international parks do, they tend to have constant pricing. Of course, the pricing is variable depending on the season and whether it is a weekday or weekend because those things does make a huge difference because we do see that more people are free during the weekends and so consequently our pricing for weekends will be higher than weekdays. So we feel it is easier for us to maintain a steady pricing and that also helps us to keep our pricing competitive because our cost of advertising or informing public about price changes is very low or 0. So we do not need to advertise for that.

Moderator: Thank you. The next question is from the line of Vishal Gutka from India Infoline. Please go ahead.

Vishal Gutka: Sir about your service tax, the paid amount. So you paid some amount as service tax liability in the current quarter?

Nandakumar: No, paid up some amount of entertainment tax liability.

Vishal Gutka: What was the amount?

Nandakumar: It is around 1.6 crores has been provided during last quarter. Out of that around 60 lakhs has been paid because all the provision has been made in Q4. So there is no P&L impact this time and service tax also we have provided the entire thing and other than the penalty, we have provided for everything.

Vishal Gutka: Everything was provided in 4Q right?

Nandakumar: Q4.

Vishal Gutka: So nothing has been provided in the current quarter, right?

Nandakumar: No, current quarter, there is no provision.

Moderator: Thank you. I now hand the floor back to Mr. Nilesh Dalvi for closing comments. Over to you sir.

Nilesh Dalvi: Thank you everyone for attending today's call. Feel free to reach me at nilesh.dalvi@dickensonir.com .

Moderator: Thank you. Ladies and gentlemen on behalf of Wonderla Holidays this concludes the conference call. Thank you for joining us and you may now disconnect your lines.