RETAIL

Q1FY20 conference call highlights compendium

In this compendium, we have put together Q1FY20 conference call highlights for all the companies under our sectoral coverage, which had conducted the conference call.

Aditya Birla Fashion and Retail	***Jubilant Foodworks***
Shoppers Stop	***Titan Company***
V-Mart Retail	***Wonderla Holidays***

Alok Shah
+91 22 6620 3040
alok.shah@edelweissfin.com

Abneesh Roy
+91 22 6620 3141
abneesh.roy@edelweissfin.com

Akash Damani
+91 22 4063 5502
Akash.Damani@edelweissfin.com

August 21, 2019

Aditya Birla Fashion and Retail

Overall

- Poor consumer sentiment is leading to low consumer spending, which is impacting product categories all across.
- New trends emerging – Growing influence of Indian design on contemporary fashion and categories like athleisure showing encouraging outlook.
- E-commerce players have quickly adapted to the policy change and have started growing well.
- Tier 2–4 towns lead the consumption story. Smaller towns continue to be promising markets for organised retail.
- June and July have been dull months; May was fabulous.
- Increasingly moving towards tighter end of season sale (EOSS) even though some shelves are on discount.
- Key segments reported steady growth and positive LTL showing growth in a tough market.
- Aggressive retail expansion and e-commerce ramp-up.
- Wholesale business grows more in H1 and retail led business grows more in H2.
- Continued investments in brands leading to their enhanced visibility.
- Sustained improvement in product offerings and assortments.
- Acquired stakes in two ethnic ventures to gain a foothold in a large and growing space.
- Ethnic wear forms 25% of the overall apparel market, out of which women's ethnic wear is more than 80%.
- Organised ethnic wear is one of the fastest growing segments.
- Womenswear is 40% of apparel market and ethnic is 70% of womenswear.

Acquisition of Jaypore

- Foray into women's ethnic wear.
- Plan to Leverage strong online equity, rapidly build offline distribution and drive expansion across categories to build scale.
- Two retail stores, which account for 20% of revenue.
- Over the next one–two years, the plan is to open 15–20 stores. These will not require huge investments.
- Will look at 1,500–2,500 sq ft stores.

Collaboration with Shantanu & Nikhil

- Acquired a 51% stake in the business.
- Plan to grow the couture brand "Shantanu & Nikhil", launch new brand and the Pret line for wider expansion.
- Will explore taking the brand name to another level.

- Existing brand will continue to exist separately.
- Will add 10–15 stores.
- Will look at 1,00021,500 sq ft stores. More mature stores will have 2,500–3,000 sq ft flagship stores.

Lifestyle Brands

- SSSG of 3.2% YoY in a tough market.
- E-commerce continues to post aggressive growth (42% YoY).
- LFS had a tough time. MBO is growing at a healthier rate. The MBO channel is still relevant.
- 48% YoY uptick in womenswear.
- Lots of juice still left in all the towns of India.
- Added more than 100 stores in Q1FY20. Expansion has been across brands. Huge thrust on Allen Solly across categories.
- Looking at model change by having more seasons – 12 seasons. These will lead to a nimble supply chain, shorter lead time and lower inventory. Channel partners are also excited to adopt this model.
- Going into the 12-season model gradually. Pilots conducted over the last six months.
- Had strong cost management to keep cost structures tight.
- PE format for small towns crossed 100th store milestone in less than a year.
- 500 stores to be added this year.
- Wholesale business was slow but there is no severe liquidity crunch.
- Wholesalers are excited about the upcoming Onam festival.
- Peter England reaches Tier 2–4 markets.

Pantaloons – Strong performance

- SSSG of 4.1% YoY.
- Continued focus on product improvement yielding higher full price sales.
- Strong brand investments towards building a young and contemporary image.
- Transition of the People brand to Pantaloons as its private label has begun.
- Focus on planning and inventory management is leading to lower markdowns and, thus, improvement in gross margin.
- Share of private label brands grew from 62–64%. Looking at improving the private label share to >70%.
- 9.8% EBITDA margin despite a 34% YoY jump in marketing investments.
- Focusing on product value, freshness enhancement, & contemporizing brand imagery.
- Looking to add 60–70 stores in Pantaloons in FY20.

Fast Fashion – Calibration continues

- Downsizing of the PEOPLE network underway.
- Forever 21 — Business transformation on track. E-commerce performance noteworthy.
- Not looking to grow Forever21 till the time profitability mix is not achieved. Agreed to the local sourcing model. This should be implemented over the next five–six months. This will improve gross margin. This will also help control inventory better, which is relevant for India.

Other businesses – Aggressive growth

- Innerwear — Fastest growing premium innerwear brand with a 67% YoY uptick. Reached 16,000 outlets. Women's distribution spans 1,500 outlets.
- Looking at exclusive stores for women's innerwear. Exclusive brand outlets could be 50–60.
- Most of current growth is attributable to the men's side.
- As the company expands, newer distributors are not in top-tier markets.
- Also have innerwear in Peter England. But will wait as Van Heusen innerwear scales up over the next 18–24 months before foraying into brands.
- Looking at INR5bn turnover by fourth year from start of business. Pretty much on trajectory to achieve stated revenue numbers.
- Expect breakeven in innerwear by next year.
- Growth of 67% largely due to repeat purchases.
- Strong consumer acceptance in recently launched women's innerwear.
- For a new player like one8 to take market share will be difficult.
- Global Brands – Global brands recorded robust growth supported by all-round performance across The Collective and mono brands.
- Opportunity size for female premium inner wear is huge.
- Build future growth platform through portfolio expansion.

Margins

- E-commerce is a massive growth opportunity.
- Gross margin expansion is on the back of managing markdowns and discounts in a better way.
- Added the Odisha factory, which led to employee headcount expansion.
- Plus minimum wages in Karnataka were raised, which led to an increase in staff cost.

Stores

- 2,486 brand stores
- 314 Pantaloons stores
- ~19,800 multi-brand outlets.
- 5,214 shops in shops across department stores.
- Retail footprint 7.7mn sq ft in Q1FY20 versus 7.1mn sq ft in Q1FY19.

Jubilant Foodworks

Key takeaways

- Participated in innovation by introducing pizzas aligned with the cricket leagues.
- Technology, customer focus and innovation continue to be key.
- A substantial part of the business comes from dine-in and carry-out.
- Have received good feedback on the new ambience and design in stores—nine of 26 stores rolled out this quarter flaunt the new design.
- Have taken price hikes, after three years, to offset the inflationary cost increase
- On track to achieve store opening guidance for FY20 – 100 stores as of now – and will not revise unless necessary; profitability of new stores intact.
- Increased advertisement and promotional spends in Q1 and investments in technology
- 1,249 stores pan India as of Q1FY20
- All New Domino‟s App saw a record number of downloads of 3.8mn during the quarter.
- Continue to work with aggregators to drive new customer acquisition, making pizza a larger category.
- Hong's Kitchen has got off to good start; ten stores to be opened in FY20.
- Domino's Bangladesh performing ahead of expectations.
- Aggregators playing a useful role by helping build the habit of consumption and delivery.
- Discounting for a few customers this quarter based on the CRM program.
- Everyday Value remains a key initiative for driving sales.
- Will seek unit profitability before scaling up Hong's Kitchen; the pilot for phase 1 would be run in the Delhi-NCR region.
- SSSG lower this quarter due to:
  - splitting of stores and improvement in service levels;
  - high base of 25.9% SSSG in Q1FY19; and
  - pressure in the dine-in segment due to lower footfall and discounting by aggregators; plans afoot to counter this via micro-marketing.

- **Capex**
  - Will put in place self-ordering kiosks/digital screens at the new stores
  - New store capex is not significantly different from usual per store capex - 10% higher
- Increase in personnel cost due to:
  - higher delivery volume;
  - minimum wage inflation; and
  - annual increment to employees (took place in Q2 last year).
- A&P spends this quarter shot up due to sponsorship of RCB (IPL team), television and digital marketing.
- Pace of store splitting likely to remain similar.
- Impact of price hike on gross margin is negligible as price hike taken towards the end of quarter.
- Milk and mozzarella prices were also higher in Q1FY20.
- Ind AS 116:
  - Rent expense converted to depreciation and finance cost because of interest unwinding of the lease liability.
  - Profits would remain the same over the long run (assuming the same store count)
- A substantial part of the increase in other expenses is attributable to the jump in the A&P spends and a one-off cost (political contribution).
- 20-minute delivery pilot — Experience has been positive, faster delivery is evident in higher customer satisfaction; aids in driving customer stickiness and frequency.

Key highlights for Q1FY20

- Domino’s Pizza — 26 stores opened and four closed; total store count at 1,249.
- Kicked off the quarter with introduction of ten new Cricket-themed Pizzas under ‘World Pizza League’

Financials

- Operating revenues of INR9,401mn, up 9.9% YoY.
- Domino’s SSG at 4.1% YoY, on a base of 25.9% YoY (same period last year)
- EBITDA at INR2,191mn; EBITDA margin at 23.3%; EBITDA for Q1FY20 (without the impact of Ind AS 116) at INR1,472mn, higher by 3.6% YoY; and EBITDA margin at 15.7%.
- Profit After Tax at INR748mn; PAT margin at 8%; Profit After Tax for Q1FY20 (without the impact of Ind AS 116) at INR815mn higher by 9.2% YoY; and PAT margin at 8.7%.
- Modified Retrospective Approach: The company followed the Modified Retrospective Approach for transition to Ind AS 116.
- Operating lease expense (fixed part) will be replaced by depreciation & interest cost, which would impact EBITDA, EBIT, PBT and PAT.

Shoppers Stop

Overall demand

- Whilst the economy growth has slowed in terms of overall consumption, Shoppers Stop posted 5.2% SSSG. East is doing good, followed by North. Seeing challenges in West and South.
- **In light of the current slowdown, management is targeting SSSG of mid single digit with overall sales growth of mid to high single digit and EBITDA margin expansion of ~80bps in FY20**.
- Growth for women indian wear – 9%, women western wear – 9%, beauty – 9%, male casuals grew – 6%. Male formal has been declining for some time now and kids segment too declined. Looking to make bigger and better children toys. Looking to have 20 Hamleys within SSL.
- **Eyeing double digit growth in private brands business in FY20. In beauty, eyeing growth rate higher than the company's, but lower than private labels**.
- Contribution of omni channel was 1.5% and is likely to grow in double digit in FY20.
- **In Q2FY20, planning to open three stores**.
- Difference in revenue of IGAAP and GAAP statement is owing to difference in GST rate and also owing to change in vendors. If no change in vendor mix and tax rates, then sales and SSSG will reconcile.
- Footfalls down 4.7% YoY. Conversion up 7% YoY. Transaction size up 3.5% YoY. ASP has been flat.
- From AW'19, looking to exit 25 brands, consolidate 20 and launch 12 brands.
- In terms of ongoing projects, it will be integration with Amazon, investing in IT and test concept stores.
- Vasant Kunj store, which has been opened, has been designed by a big design firm based in Dusseldorf.

Private label

- Private brands grew 6.8% YoY.
- Design Studio, sampling unit and testing labs are now operational. The first collection by the company's new Chief Creative Officer to be launched in AW19.
- Launching four new brands in AW19.
    - Jones New York
    - French Connection, exclusive for department stores
    - Back to Earth
    - Celebrity Brand (details in due course)

First citizen & personal shopper programme

- Both these programmes are key growth engines for the business.
- Personal shopper contributed 17% to sales.
- Record enrollment in Q1FY20 - 0.26mn with 47% growth YoY, exhibiting strong affinity towards the company's brand.
- Increased contribution 82% versus 78% in Q1FY19.
- 15% of the company's base in now 18-25 age group and is a funnel for future growth.

Beauty

- Continued dominance in beauty segment across all channels.
- Beauty overall has been growing at 8-9% YoY.
- India's first true luxury multi-brand beauty concept, Arcelia, launched at GVK Shopping Mall Hyderabad.
- MAC stores launched in Khan Market (Delhi), Guwahati, WTP Jaipur and Acropolis Kolkata.
- Men's grooming category jumped significantly (up 6x) with expanded network and larger instore presence in beauty and/or men's clothing section.
- Believes there is huge market in male grooming. 20 stores of the overall network will have male grooming portfolio.
- Investment in Arcelia is INR40mn – it is a luxury beauty store. Aiming for top line of INR120mn from this location. Strong brands of Estee Lauder are anchor brands.
- Will test Arcelia for five-six months. Looking to open one more store in six-eight months. Basis the result of two stores, SSL will look to expand going ahead.
- Arcelia will in principle clock higher gross margins and return ratios.
- No intention to consolidate existing standalone stores.

Margin

- Better mix (more female oriented) has helped in margin expansion.
- Raw material price softening largely in denim segment, which has helped margin expansion.
- Margin expansion will be back ended.

Store count

- 83 department stores across 40 cities; closed one in Mangalore. Store in Bhuwaneshwar ready and is waiting for government clearances.
- **Redoing stores based on brand rather than category.**
- Being the first mover in a new city has immense benefits and helps in sales traction and market share gain.
- 120 Beauty Doors
- 12 HomeStop Stores
- 400+ Fashion Brands
- 32 Fashion Categories
- 4.2mn sq.ft retail space
- 41mn customers served annually

Balance sheet, capex and others

- The company accelerated its journey towards digital transformation for speed and higher agility and partnered with TCS to implement SAP which is expected to be fully operational by beginning of next year.
- Accelerated depreciation of INR100mn will remain for four quarters in FY20.
- Working closely with Amazon and full portfolio is now online on Amazon. Amazon device kiosk now at 10.

- Electric installations and leasehold improvements useful life has been changed and hence the accelerated depreciation.
- No impact of Ind AS on tax rates. Tax rate to be between 35% and 36%.

Titan Company

Overall

- About 1,700 stores with 2.1mn-plu sqft retail space in 284 towns.
- The company added 45 stores with a retail space of 55,000 sqft in Q1FY20, on a net basis.
- The impact of Ind AS 116 on the P&L account for Titan for the quarter was an increase in interest cost and depreciation by INR200mn and INR330mn, respectively, and a reduction in rent by INR490mn, lifting EBITDA by INR510mn and dragging PBT by INR20mn.
- The biennial franchisee and dealer meets (Business Associate Meet) across all the three divisions were held during the quarter and over 2,500 business associates participated. About INR400mn was incurred on these meets.
- Some distributors have liquidity issues (not exclusive business outlets).
- The company leverages consumer research to gauge consumer buying pattern. Hence, the company could tactically focus on things such as lighter jewelry, exchange programs, etc.
- Mia and CaratLane are there to address to upcoming and newer customer needs.
- Corporate unallocated item has interest income and unallocated cost.

Jewelry

- The Jewelry division recorded revenue growth of 13% YoY, below our internal expectation, as consumer demand fell in June on a sudden surge in gold prices and slowdown in consumption.
- EBIT margin came in at 10.9% compared with 11% in Q1FY19.
- The ratio of studded jewelry was in line with the previous year at 25%.
- Expansion in Studded share is not the main aim. Studded growth is a focus area.
- Customer deposits against ‘Golden Harvest Scheme’ have reached the regulatory limit, which is 25% of company’s net worth. It is a fiscal year limit. In June, the limit was renewed. The company will have to manage redemptions in order to not hit the limit.
- Tanishq launched the Swayahm collection of both plain and studded jewelry, to give women elegant new reasons to indulge and celebrate her moments of successes. This collection was well received by customers.
- Mia launched the ‘Birthstone Pendant’, ‘Facets’ and ‘Florets’ collections, which have all received a good response from customers.
- Actual Tanishq growth is 16% YoY in retail what the company reports is primary sales.
- The company is sticking to its 20%-plus growth guidance for H2FY20. H1FY20 will be, however, slower than the company expectation.
- There is some chance of not meeting 20%-plus guidance in H2FY20; however, the company believes in its innovation funnel and hence is confident of meeting the guidance.

- July has been as bad as June. August has been a little better while September should be better.
- Volatility in gold prices is keeping customers away, not smuggled jewelry.
- Growth in wedding jewelry is lower than expected. Wedding jewelry sales contribute 25–30% of the overall jewelry sales.
- Gold recycled is gold bought from customers and old non-moving designs bought back from stores.
- Tanishq has been growing ahead of the market; hence, it is gaining market share.
- Jewelry grew 19% YoY each in April and May, and 9% YoY in June. In June first half, growth was exceptional while the second half was a decline. July is a continuation of June.
- The first and important target is growth; if the company achieves growth, margin will expand.
- Tanishq is targeting addition of 70 stores. It could set up only 12 new ones in Q1FY20. Around 15 stores were launched in Q2FY20. So, store expansion would be higher in H2FY20.
- Performance has been better in smaller towns.
- People get spooked when gold prices rise suddenly; however, once the price settles down, demand returns.
- Gold coins is not a focus area. It is a small proportion, around 3%. Not seeing any increased traction.
- Making charges would increase in such times.
- South India has done reasonably well, West and East were an issue.
- Inventory will increase due to a 2.5% increase in custom duty with effect from Q3FY20 or Q4FY20.
- The company expected 14–15% SSSG. It has been behind on store expansion. However, the growth from new stores is satisfactory.

Watches

- 11,000-plus multi-brand outlets sell the company's watches.
- The division recorded strong revenue growth of 20% YoY, partly aided by the bulk execution of a large institutional order (INR560mn in Q1FY20) from Tata Consultancy Services (TCS). The division had its semi-annual activation in both the 'Titan' and 'Fastrack' brands.
- Most of the TCS order is done, and a little pending.
- EBIT margin came in at 17.9% compared with 18.8% last year. The decline was primarily due to BAM expense.
- The division added two World of Titan, three Fastrack and five Helios stores in Q1FY20, on a net basis.
- Sales margin on the TCS order is in line with what the company would have fetched on a large institutional order; this margin is, however, lower than a retail sale.

Eyewear

- The division recorded revenue growth of 13% YoY. This quarter had activation, resulting in strong volume growth, but the increase in reported revenue was moderate due to higher consumer discounts during activation.
- The division reported loss due to lower gross profit on account of activation, continued investments in brand through advertising & expenses incurred on the business associate meet during the quarter.
- Nineteen stores were added in Q1FY20, resulting in 12,000 sqft of retail space addition on a net basis.

Fragrances & Taneira

- Skinn remains the bestseller in its category in departmental chain stores. The company has focused on small packs to grow the category by bringing in first-time buyers.
- Taneira added one store in Hyderabad, taking the total count to five stores. The brand launched '1000 Summer memories' collection of cotton sarees at very affordable price points to drive customer walk-ins and building the right perception of the brand that it is affordable too.

Titan Engineering and Automation (TEAL) – 100%-owned subsidiary

- TEAL sustained good revenue momentum and grew by 75% YoY. Both segments, Aerospace and Defence (A&D) and Automation Solutions, grew strongly.

CaratLane (69.5%-owned subsidiary)

- CaratLane recorded revenue growth of 60% YoY in Q1FY20, driven by strong growth in both the offline and online channels. The offline channel witnessed better growth due to network expansion.
- Losses are continuously coming down, and it is moving towards profitability in the near future.
- CaratLane added eight stores to its network in Q1FY20, taking the total store count to 63.
- CaratLane's price point is one fourth of Tanishq; so it is a completely different target audience.

V-Mart Retail

Overall demand

- VMart registered the highest revenue growth in Uttar Pradesh, its largest state in terms of retail store presence. The key growth driver for this quarter was the holy month of Ramadan, leading to Eid, a festival widely celebrated by millions of families in geographies where VMart has substantial presence.
- The company remains bullish on the long-term market opportunity and VMart's ability to drive accelerated expansion. Even though the company is facing a bit of liquidity crunch in the economy and consumers are holding back on spending, VMart was able to pull up sales and record impressive growth, particularly in the build-up to Eid in key markets.
- **SSSG target for FY20 is 5-8%**.
- **Consolidation will happen in value retailing segment**.
- **National value retailers are at a slight premium (15-20%).**
- This was possible because of a more focused fashion apparel and merchandize collection and promotional offers that connected well with customers.
- A large number of customers are millennials; VMart has the ability to offer value-fashion at a faster pace and this will be the key differentiator in a rapidly growing, but also more competitive market.
- **Build up across functions, technology and manpower to make VMart future ready**.
- With sights firmly focused on accelerating long-term growth and sustained value creation for all stakeholders, VMart is steadily making its organizational structure, processes and capabilities more robust and future-ready.
- The newly-implemented zonal retail structure and a thrust on in-store retail excellence measures have started enabling a more responsive and agile decision-making culture, and enhanced customer experience.
- This was well-evidenced in the deft handling of one of the highest-ever customer footfalls at stores and an unprecedented sales performance during Eid, signifying a higher level of preparedness and growing process maturity in retail operations.
- The company is further strengthening its customer-centricity mechanisms and processes - in product display and visual merchandizing, assortment selection and marketing communication. Further, the company is enriching its already existing organization-wide data analytics architecture to feed decision-enabling insights directly to store managers, regional heads and zonal heads.
- Technology adoption and upgradation across its planning, supply chain and logistics infrastructure is also underway with the quarter witnessing some significant strides.
- Looking ahead at the year, with the overall market and consumer spending outlook evenly poised on the expectations of a bountiful monsoon, the company is gearing up for the festive season comprising Durga Puja-Diwall-Chhath, the biggest shopping occasion in the annual calendar in key markets.
- **Tier 4 continues to remain strong growth area**.
- **Changing pricing mix at lower price points especially for Tier 3 and 4 geographies**.
- **Increased presence at higher price points levels**.
- Consolidation at vendor level is an ongoing process. No vendor is facing liquidity crisis.
- Company is being aggressive in pricing by not increasing them over the last 7 years.

- Mens grew stronger than female.
- Inventory days improved by 10 days.
- In Q2FY20, inventory levels will increase owing to forthcoming festive period.
- July and August are typically lean months.
- **Don't see online players disrupting growth. Penetration is very low. The geographies the company is targeting, online buying for apparels is low. People mostly buy white goods online**.
- **Company also see online an opportunity with its omni approach**.
- Have 3 stores in J&K and exposure is 2.9%.
- Kashmir store performs well.

SSSG

- Same store sales growth (SSSG) stood at 5.2% for the quarter.
- Sales per sqft (per month): INR874.

Margin

- **Looking at 9% EBITDA margin for FY20**.
- Some amount of stress in margins will continue for next two-three quarters.
- Optimized marketing between the months and hence absolute ad spends have remained soft.
- Rental rates have not come down.
- Higher consumer offers and promotions will be continued.
- Improvement in shrinkage on the back of technology adoptions at warehouse and shops. Not much juice left in shrinkage. Shrinkage percentage would be 1.2%.
- Private label currently at ~67% and will look at increase to 75%.
- Gross margins for private labels are similar to third party brands.

Stores

- Continuing unabated its retail footprint expansion, the company opened 13 new stores in the Apr-June quarter, reaching a total area of 1.88 million sq. ft., and setting the pace for the year ahead.
- **Looking to add store space by 25% YoY**.
- During the quarter, the company also dosed down one store, which was an outcome of its ongoing rigorous store portfolio performance review and rationalization process.
- One store closed owing to non performing and other one owing to end of lease period.
- UP & Bihar are large markets and VMart believes that they have yet not penetrated even 50% of these markets.

Wonderla Holidays

Overview

- Q1FY20 revenue increased by 13.2% YoY from INR1,038.8mn to INR1,176.2mn driven by 8.2% YoY growth in footfall across all the three parks.
  - Ticket revenue grew by 14% YoY and non-ticket revenue grew by 11% YoY in Q1FY20.
  - Footfall in the Kochi, Bangalore and Hyderabad parks grew by 12% YoY, 9.1% YoY and 4% YoY, respectively
- Q1FY20 EBITDA jumped 19% YoY from INR574.9mn to INR685.9mn in Q1FY20 and EBITDA margin increased by 300bps YoY basis points from 55.3% to 58.3% on account of cost efficiency initiatives on a continuous basis.
- Q1FY20 PAT shot up 27.5% YoY from INR329.7mn to INR420.3mn. PAT margin increased from 31.7% to 35.7%

Park business

- Will be working to increase the non-ticket revenue by offering bundled packages.
- Have taken a 5% price hike each in tickets and F&B offerings.
- Footfall growth guidance of 8–10% for FY20.
- FY20 outlook is bright for the Bangalore park, with resort occupancy expected to be 45–48%.
- All the restaurants are handled by management (expect a few pizza, fried chicken outlets); the quality is maintained and margins are expected to improve given these efforts.
- Margins for the Hyderabad park—EBITDA was around ~46% for FY19, expect it to be similar in FY20; for Q1FY20, the EBITDA margin was 65% and PBT ~12%

Capex and new additions

- No new update on the Chennai amusement park; still awaiting approvals, delayed to elections so far.
- Do not see water issues being an impediment for the Chennai park; will be frugal towards water consumption.
- The Chennai park is expected to be operational in FY21, or FY22 in case of approval delays—levelling, fencing and some other things have been completed (Hyderabad park was completed in 15months).
- Capex for Chennai is expected to be INR2.5bn; INR1bn will funded via internal accruals.
- Have plans to construct a resort in Hyderabad, which will have 84 rooms similar to Bangalore; construction is yet to start and the resort would entail investment of INR300–320mn.
- Have incurred capex of INR2.75bn in Hyderabad so far for the park.
- Better occupancy expected for the Hyderabad resort given the location of the resort and given several tech companies are based out of Hyderabad.

- Capex for FY20: INR220mn. Capex for Hyderabad resort will be incurred after 18–20 months, not budgeted for this year.
- No plans for acquisitions; will operate only with own models—might go for a revenue/profit sharing model, if required.

Other takeaways

- The response to Wonder Pass has been good so far with sales of 3,000 and 10% redemption so far.
- Safety measures have been there always; the accident that happened in Bangalore was blown out of proportion on the social media.
- Have entered into tie-up with PaisaProperty, which gives WonderClub members a chance to stay at Sheraton; rooms have been already taken up there.
- Have not seen the impact of the slowdown on the theme park footfall.
- In Hyderabad, during the entire peak period, management had the weekend peak rate for the entire peak period, as price sensitivity was perceived to be low
- Tax rate for the FY20 to be around 29%, was 34% in Q1FY20.

Edelweiss Securities Limited, Edelweiss House, off C.S.T. Road, Kalina, Mumbai – 400 098.
Board: (91-22) 4009 4400**,** Email*: research@edelweissfin.com*

Aditya Narain
Head of Research
aditya.narain@edelweissfin.com

ADITYA NARAIN

Digitally signed by ADITYA NARAIN
DN: c=IN, o=EDELWEISS SECURITIES LIMITED, ou=SERVICE, 2.5.4.20=3dc92af943d52d778c99d69c48a8e0c89e548e5001b4f8141cf423fd58c07b02, postalCode=400011, st=MAHARASHTRA, serialNumber=e0576796072ad1a3266c27990f20bf0213f69235fc3f1bcd0fa1c30092792c20, cn=ADITYA NARAIN
Date: 2019.08.21 17:09:28 +05'30'

DISCLAIMER

Edelweiss Securities Limited ("ESL" or "Research Entity") is regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of broking, depository services and related activities. The business of ESL and its Associates (list available on www.edelweissfin.com) are organized around five broad business groups – Credit including Housing and SME Finance, Commodities, Financial Markets, Asset Management and Life Insurance.

This Report has been prepared by Edelweiss Securities Limited in the capacity of a Research Analyst having SEBI Registration No.INH200000121 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Securities as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 includes Financial Instruments and Currency Derivatives. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in Securities referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ESL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. ESL reserves the right to make modifications and alterations to this statement as may be required from time to time. ESL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. ESL is committed to providing independent and transparent recommendation to its clients. Neither ESL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance .The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The information provided in these reports remains, unless otherwise stated, the copyright of ESL. All layout, design, original artwork, concepts and other Intellectual Properties, remains the property and copyright of ESL and may not be used in any form or for any purpose whatsoever by any party without the express written permission of the copyright holders.

ESL shall not be liable for any delay or any other interruption which may occur in presenting the data due to any reason including network (Internet) reasons or snags in the system, break down of the system or any other equipment, server breakdown, maintenance shutdown, breakdown of communication services or inability of the ESL to present the data. In no event shall ESL be liable for any damages, including without limitation direct or indirect, special, incidental, or consequential damages, losses or expenses arising in connection with the data presented by the ESL through this report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.

ESL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the Securities, mentioned herein or (b) be engaged in any other transaction involving such Securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance. ESL may have proprietary long/short position in the above mentioned scrip(s) and therefore should be considered as interested. The views provided herein are general in nature and do not consider risk appetite or investment objective of any particular investor; readers are requested to take independent professional advice before investing. This should not be construed as invitation or solicitation to do business with ESL.

ESL or its associates may have received compensation from the subject company in the past 12 months. ESL or its associates may have managed or co-managed public offering of securities for the subject company in the past 12 months. ESL or its associates may have received compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. ESL or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. Research analyst or his/her relative or ESL's associates may have financial interest in the subject company. ESL and/or its Group Companies, their Directors, affiliates and/or employees may have interests/ positions, financial or otherwise in the Securities/Currencies and other investment products mentioned in this report. ESL, its associates, research analyst and his/her relative may have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Participants in foreign exchange transactions may incur risks arising from several factors, including the following: (i) exchange rates can be volatile and are subject to large fluctuations; (ii) the value of currencies may be affected by numerous market factors, including world and national economic, political and regulatory events, events in equity and debt markets and changes in interest rates; and (iii) currencies may be subject to devaluation or government imposed exchange controls which could affect the value of the currency. Investors in securities such as ADRs and Currency Derivatives, whose values are affected by the currency of an underlying security, effectively assume currency risk.

Research analyst has served as an officer, director or employee of subject Company: No

ESL has financial interest in the subject companies: No

ESL's Associates may have actual / beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report.

Research analyst or his/her relative has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

ESL has actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of research report: No

Subject company may have been client during twelve months preceding the date of distribution of the research report.

There were no instances of non-compliance by ESL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years except that ESL had submitted an offer of settlement with Securities and Exchange commission, USA (SEC) and the same has been accepted by SEC without admitting or denying the findings in relation to their charges of non registration as a broker dealer.

A graph of daily closing prices of the securities is also available at www.nseindia.com

Analyst Certification:

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Additional Disclaimers

Disclaimer for U.S. Persons

This research report is a product of Edelweiss Securities Limited, which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Edelweiss Securities Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Edelweiss Securities Limited has entered into an agreement with a U.S. registered broker-dealer, Edelweiss Financial Services Inc. ("EFSI"). Transactions in securities discussed in this research report should be effected through Edelweiss Financial Services Inc.

Disclaimer for U.K. Persons

The contents of this research report have not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("FSMA").

In the United Kingdom, this research report is being distributed only to and is directed only at (a) persons who have professional experience in matters relating to investments falling within Article 19(5) of the FSMA (Financial Promotion) Order 2005 (the “Order”); (b) persons falling within Article 49(2)(a) to (d) of the Order (including high net worth companies and unincorporated associations); and (c) any other persons to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”).

This research report must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this research report relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this research report or any of its contents. This research report must not be distributed, published, reproduced or disclosed (in whole or in part) by recipients to any other person.

Disclaimer for Canadian Persons

This research report is a product of Edelweiss Securities Limited ("ESL"), which is the employer of the research analysts who have prepared the research report. The research analysts preparing the research report are resident outside the Canada and are not associated persons of any Canadian registered adviser and/or dealer and, therefore, the analysts are not subject to supervision by a Canadian registered adviser and/or dealer, and are not required to satisfy the regulatory licensing requirements of the Ontario Securities Commission, other Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and are not required to otherwise comply with Canadian rules or regulations regarding, among other things, the research analysts' business or relationship with a subject company or trading of securities by a research analyst.

This report is intended for distribution by ESL only to "Permitted Clients" (as defined in National Instrument 31-103 ("NI 31-103")) who are resident in the Province of Ontario, Canada (an "Ontario Permitted Client"). If the recipient of this report is not an Ontario Permitted Client, as specified above, then the recipient should not act upon this report and should return the report to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any Canadian person.

ESL is relying on an exemption from the adviser and/or dealer registration requirements under NI 31-103 available to certain international advisers and/or dealers. Please be advised that (i) ESL is not registered in the Province of Ontario to trade in securities nor is it registered in the Province of Ontario to provide advice with respect to securities; (ii) ESL's head office or principal place of business is located in India; (iii) all or substantially all of ESL's assets may be situated outside of Canada; (iv) there may be difficulty enforcing legal rights against ESL because of the above; and (v) the name and address of the ESL's agent for service of process in the Province of Ontario is: Bamac Services Inc., 181 Bay Street, Suite 2100, Toronto, Ontario M5J 2T3 Canada.

Disclaimer for Singapore Persons

In Singapore, this report is being distributed by Edelweiss Investment Advisors Private Limited ("EIAPL") (Co. Reg. No. 201016306H) which is a holder of a capital markets services license and an exempt financial adviser in Singapore and (ii) solely to persons who qualify as "institutional investors" or "accredited investors" as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Pursuant to regulations 33, 34, 35 and 36 of the Financial Advisers Regulations ("FAR"), sections 25, 27 and 36 of the Financial Advisers Act, Chapter 110 of Singapore shall not apply to EIAPL when providing any financial advisory services to an accredited investor (as defined in regulation 36 of the FAR. Persons in Singapore should contact EIAPL in respect of any matter arising from, or in connection with this publication/communication. This report is not suitable for private investors.