

Wonderla Holidays

Rs 246
On a joyous ride

BSE Sensex: 38,337

Nifty-50: 11,419

FINANCIALS

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INTEREST	PBDT	DEP.	PBT	EO	PBT AFTER EO	TAX	PAT	EPS (RS)*
1603 (12)	205.36	41.30%	84.85	18.07	102.92	1.97	100.95	13.92	87.03	0	87.03	27.21	59.82	10.6
1703(12)	262.82	25.50%	66.98	12.16	79.14	1.33	77.81	29.28	48.53	0	48.53	14.62	33.91	6
1803 (12)	270.59	33.00%	89.21	7.75	96.96	1.21	95.75	36.51	59.24	0	59.24	20.73	38.51	6.8
1903 (12)	282.04	40.50%	114.34	9.62	123.96	0.41	123.55	39.51	84.04	0	84.04	28.63	55.41	9.8
2003 (12P)	310.24	42.00%	130.3	10.58	140.88	0	140.88	41.88	99	0	99	28.71	70.29	12.4

* Annualised on current equity of Rs 56.51 crore. Face Value: Rs 10. EO: Extraordinary items. EPS is calculated after excluding EO and relevant tax. Figures in Rs crore . P: Projections
Source: Capitaline Databases

Promoted by Mr.Kochouseph Chittilappilly and Mr Arun Chittilappilly (who also promoted V Guard), Wonderla Holidays (WH) is one of the largest amusement park operators in India with over 19 years of successful operations. The company own and operate 3 amusement parks under the brand name Wonderla situated at Kochi (incorporated in FY 2000), Bangalore (incorporated in FY 2005) and Hyderabad (incorporated in FY 2016) and a resort at Bangalore. It has entertained over 35 mn visitors across its parks in Kochi, Bangalore and Hyderabad.

The company and its parks have won 37 awards/certifications since inception, including National Awards for Excellence from Indian Association of Amusement Parks & Industries in the areas of total number and variety of rides, most innovative ride etc. Wonderla parks in Bangalore, Kochi and Hyderabad were ranked at #2, #3 and #8 in India by Trip advisor. Wonderla Bangalore ranked 7th Best and Wonderla Kochi ranked 11th Best in Asia in FY 18.

The company also has acquired 61.8 acre of land for new amusement park project in Kelambakkam in Chennai and is waiting for the approvals from Tamilnadu government for the project to start.

Favourable demographics aid the industry growth in India

The global amusement parks market size is expected to reach USD 70.83 billion by 2025 (according to a study conducted by Grand View Research, Inc.), progressing at a CAGR of 5.8% during the forecast period. Rising introduction of hotels and resorts in parks premises with an increasing spending capacity of consumers is expected to stimulate the growth of the market.

The amusement park industry in India is growing at an unprecedented rate due to rise in disposable income in India, enhanced hygiene and improved standards of safety.

According to Indian Association of Amusement Parks and Industries, The Indian amusement and theme park industry is expected to grow at a CAGR of more than 25% with the annual revenue of at least Rs 6250 crore (\$884 million) by 2022. The amusement park sector plays a pivotal role in the Indian tourism sector, efforts are being made to promote amusement parks through its promotional campaigns in India and abroad as practiced in countries like Singapore, Dubai, and Hong Kong. This will help in bolstering the visitor footfall to the region and will benefit the industry's growth.



STOCK DATA

BSE Code	:	538268
BSE Group	:	B
NSE Code	:	WONDERLA
Bloomberg	:	WONH IN
Reuter	:	NA
Par Value	:	Rs 10
52-week High/Low	:	Rs 375 / Rs 244
Sector	:	Entertainment

SHAREHOLDING PATTERN*

Category	% of equity
Foreign	: 12.67
Institutions	: 6.48
Govt Holding	: 0
Corporate Holding	: 1.01
Promoters	: 69.35
Public & Others	: 10.49
Total	: 100

* as on 30-06-2019
Source: Capitaline Databases

Every year, the amusement parks in India attract over 3 Crore visitors, 50% of which are children and youth who visit in groups or with families. This offers an enormous opportunity for WH and paves way for tremendous expansion and growth. With a good mix of rides and service offerings, coupled with a stable and experienced team, the company is well-placed to seize this opportunity.

India has a large pool of population that is young. The median age of India's population is 27 years. The country has 61% of its population under the age of 30 and 29% below the age of 14 years, according to latest Census data. According to the economic survey, India is expected to be the youngest country in the world with the median age of population at 29 years by 2020. The young population is the main driver of consumer spending and looks for different modes of entertainment. Further, the child population is the influencing factor for parents to visit theme parks and play zones. Hence, this demographic dividend will benefit amusement parks as majority of its customers are in this age bracket

A high entry barrier due to huge capital investment and limited number of large amusement parks in India coupled with favourable demographics and rising discretionary spend augur well for WH.

In-house technical team and manufacturing facility

The company also have in-house manufacturing facility located at Kochi where it manufactures and constructs rides and other attractions for the parks. In-house manufacturing facility thus helps in constant innovations and development of new attractions and experiences for guests.

WH also has an in-house technical team of more than 200 employees to keep maintenance cost under check. Hence, primarily on account of the above reason, the company has not faced any major mechanical failure at its parks ever since its inception.

The presence of a technical team helps in manufacturing, designing and maintenance of rides. WH manufactures around 33% of its rides in-house, which helps the company to save custom duty on imported rides and spare parts (which account for around 30% of total rides) and logistic cost expenses of procurement of rides. Further, as it has a skilled technical team, WH does not have to rely on foreign vendors for maintenance of rides. In addition to saving cost, it also helps the company in reducing the downtime of rides. Further, WH designs rides and park in-house. This helps reduce external agency charges (which normally accounts for around Rs 15-20 crore of costs) for designing a park and its rides

FY 19 was a tough year for the footfalls

In FY 19, the company had faced multiple difficulties on account of bad weather conditions and other external factors such as State-specific issues including strikes, elections and virus outbreak., affecting free movement of people and the usual footfall. The footfalls had increased marginally from 24.87 Lakh in FY 2018 to 25.23 Lakh in FY 2019, a growth of 1.5% YoY.

Footfalls in Bangalore and Hyderabad park grew by 10%, whereas Kochi recorded a fall of 14% due to the Virus breakout and strikes.

The revenues grew by 4.2% to Rs 282 crore. This was on account of several initiatives taken during FY19 to improve the market penetration and enhance customer experience. Compared to FY 18 on YoY basis, for FY 19, the ticketing revenue grew by 1% and the Non-ticket revenue grew by 9% which was driven by 21% growth in

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F&B and 4% growth in sale of products while revenue from Resort has grown by 6%. The company has taken several initiatives to increase its footfalls and increase the revenue pie both from ticketing and non ticketing segment to increase the overall revenues and margins going forward.

From April 19 onward, the Company has increased the ticket prices by 5%. The company also has shifted its advertising from print to digital and is targeting more revenues and bookings from online digital media. The company has also introduced new rides across all the parks to attract the customers. New loyalty programs including various theme based initiatives have been started to attract more pool of customers. All these will aid higher growth going forward after a challenging year.

Share of non ticketing pie continue to increase

WH has been growing its revenue pie from non-ticket revenue segment which grew from 14% in FY 12 to 25% in FY17 and further to 28% in FY 19. Within non ticketing revenues, revenues from Restaurants accounted for 42% of total non ticketing revenues, sale of products around 35%, revenues from Resort around 15% and rest 7% from sale and services of others. The company over a period of time has introduced various value-added services like FASTRACK e-wallet, in-house restaurants, merchandise sale, and photography and video shoots of customer experiences with RFID technology etc to increase the revenue share from non ticketing segment.

In FY19, the restaurant business was taken over in totality from the third parties and the company moved from a franchise based model to an ownership model. The company has revisited its Food & Beverages (F&B) range, rationalize prices and added new food items to the menu. Competitive packages for breakfast, lunch and dinner were also introduced to encourage the guests to eat within the Premises. Going forward the margins in F&B should increase from around 30% currently to around 40-45% in next couple of years.

In FY 19, the Bangalore Resort occupancy increased to 45% from 43% in FY 18. Revenue from Resort has grown by 6% to Rs 12 crore compared to around Rs 11 crore in FY 18. In Bangalore, the company is trying to elongate the stay of guests visiting the amusement park and integrate the park with the resort by offering them special one-day and two-day packages.

A resort similar to the one in Bangalore is also planned in Hyderabad. The company is also looking forward for meaningful partnerships with star hotels in Kochi for enlarging stay and play offer.

Debt free company and surplus land for future growth and developments

Considering the asset heavy business model, the company has an added advantage of a debt free status.

Further all the 3 parks have surplus land bank for future growth and which can be used for unlocking value in different ways. In Bangalore park, the company has total land bank of 81.7 acres and around 39.2 land bank has so far been used for the Park and Resort. In Kochi park, the company has total land bank of 93.7 acres and around 28.7 land bank has so far been used for the Park. In Hyderabad, the company has total land bank of 49.5 acres and around 27 land bank has so far been used for the Park.

The company generates sufficient free cash flows which can be used for further developments of new parks or new infrastructure in the existing parks. All Business

All of the incremental capex is to be in high performance and effect pigments space which is likely to be margin accretive than normal commoditized azo and phthalo pigments

The Indian amusement and theme park industry is expected to grow at a CAGR of more than 25% with the annual revenue of at least Rs 6250 crore (\$884 million) by 2022

Units-Parks and Resorts are generating positive cash flows from operations.

Financials will improve as ticketing and non ticketing revenues improve going forward

Net sales for Mar 19 stood at Rs 60.65 crore up by 10% YoY. OPM stood at 29.5% resulting in a 17% increase in OP to Rs 17.86 crore. Other income stood at Rs 2.9 crore up by 104% resulting in PBIDT of Rs 20.76 crore up by 24% YoY. Interest cost was NIL and depreciation was up by 1% to Rs 9.88 crore resulting in a PBT of Rs 10.88 crore up by 62%. After providing total tax of Rs 3.90 crore up by 28% PAT for Mar 19 quarter stood at Rs 6.98 crore up by 90%.

For FY 19, net sales were up by 4% to Rs 282.04 crore. OPM stood at 40.5% as compared to 33% for FY 18, thus resulting in OP of Rs 114.34 crore up by 28%. Other income stood at Rs 9.62 crore up by 24%. Interest cost stood at Rs 0.41 crore and depreciation was up by 8% to Rs 39.51 crore. After providing total tax of Rs 28.63 crore up by 38%, PAT stood at Rs 55.41 crore up by 44%.

Valuation

For FY 20, we expect the company to register net sales and PAT of Rs 310.24 crore and PAT of Rs 70.29 crore respectively. This gives an EPS of Rs 12.4. At current market price of Rs 246, the scrip trades at 19.8 times its FY 20 projected earnings.

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WONDERLA HOLIDAYS: RESULTS

	1903(03)	1803(03)	VAR. (%)	1903 (12)	1803 (12)	VAR. (%)
Sales	60.65	54.96	10%	282.04	270.59	4%
OPM (%)	29.5%	27.9%		40.5%	33.0%	
OP	17.86	15.33	17%	114.34	89.21	28%
Other income	2.90	1.42	104%	9.62	7.75	24%
PBIDT	20.76	16.75	24%	123.96	96.96	28%
Interest	0.00	0.23	-99%	0.41	1.21	-66%
PBDT	20.76	16.52	26%	123.55	95.75	29%
Depreciation	9.88	9.79	1%	39.51	36.51	8%
PBT	10.88	6.73	62%	84.04	59.24	42%
EO	0.00	0.00	0%	0.00	0.00	0%
PBT after EO	10.88	6.73	62%	84.04	59.24	42%
Current tax	3.90	3.05	28%	28.63	20.73	38%
PAT	6.98	3.68	90%	55.41	38.51	44%
EPS* (Rs)	#	#		9.8	6.8	

* Annualised on current equity of Rs 56.51 crore. Face Value: Rs 10. EO: Extraordinary items

EPS is calculated after excluding EO and relevant tax. # EPS can not be annualised due to seasonality in business. Figures in Rs crore.

Source: Capitaline Database