

# Wonderla Holidays

BSE SENSEX  
25,838

S&P CNX  
7,899

**CMP: INR390 TP:INR370 (-5%) Downgrade to Neutral**



## Stock Info

Bloomberg	WONH IN
Equity Shares (m)	56.5
52-Week Range (INR)	430/242
1, 6, 12 Rel. Per (%)	2/37/48
M.Cap. (INR b)	21.8
M.Cap. (USD b)	0.3
Avg Val ( INR m)	34.3
Free float (%)	29.0

## Financials Snapshot (INR b)

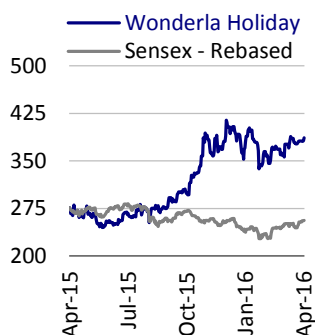
Y/E Mar	2016E	2017E	2018E
Sales	2.0	2.8	3.6
EBITDA	0.8	1.1	1.4
NP	0.6	0.6	0.8
EPS (INR)	9.9	11.3	14.2
Gr. (%)	10.1	14.3	25.9
BV/Sh. (INR)	70.6	78.9	90.2
RoE (%)	14.7	15.1	16.8
RoCE (%)	21.0	21.4	23.9
P/E (x)	39.6	34.6	27.5
P/BV (x)	5.5	4.9	4.3

## Shareholding pattern (%)

As On	Dec-15	Sep-15	Dec-14
Promoter	71.0	71.0	71.0
DII	3.2	3.3	2.1
FII	10.4	9.1	7.9
Others	15.4	16.5	19.1

FII Includes depository receipts

## Stock Performance (1-year)



## Multiple headwinds ahead

### Cutting estimates; downgrading to Neutral

- Post our recent conversation with the management, we surmise that footfall growth at WONH's recently launched Hyderabad Park would be slower than we had anticipated.
- Footfalls at its Bangalore and Kochi Parks have been impacted by the ongoing heat wave and forecasts of an above-average monsoon do not portend well.
- Launch of new park coupled with lower than average price hikes (~5% against historical levels of ~10%) in existing parks will lead to EBITDA margin decline of 450bp in FY17.
- We are cutting our estimates and downgrading our stock rating to Neutral in light of the near-term challenges.

### Management expects footfalls of 0.7m for the Hyderabad Park in FY17

The Hyderabad Park had a pre-launch in the first week of April, followed by an official launch on April 20, 2016. Within the first 10 days, the park achieved footfalls of ~50,000. WONH targets footfalls of 0.7m in FY17, which it expects to ramp up to 1m/year in three years. The management highlights that footfalls in the second year are usually flattish; the ramp-up happens post that due to word of mouth publicity. We now factor in footfalls of 0.7m in FY17, with growth of 15% in FY18 (v/s 30% estimated earlier).

### Guides revenue of INR650m from Hyderabad Park, with margins at 25-30%

The management expects F&B realization to be INR150, net ticket realization (net of tax) to be INR650 and other realizations to be INR100. Overall, it targets gross revenue of INR600m-650m from the Hyderabad Park in FY17. It expects margins of 25-30%, which could expand to 30-35% in FY18, if annual footfalls are close to 1m then. WONH targets ad spends of INR80m for the Hyderabad Park in FY17, close to 13% of revenue, higher than the normal 10% annual target, given first year of operations.

### Bangalore and Kochi Parks seeing slowdown in footfalls due to extreme weather

The management highlighted that footfalls might get impacted due to early onset of summer in 4QFY16 (4Q is also the weakest quarter, usually) and the ongoing heat wave across India in 1QFY17. Temperatures are soaring above 40 degrees in Kochi and Bangalore. At such temperatures, people prefer indoor alternatives like malls to open air theme parks. The Indian Meteorological Department as well as SkyMet have predicted above average monsoon in 2016. This too could adversely impact footfalls; historically, heavy rainfall has deterred footfalls. We now factor in a footfall growth of 3% for FY17, as against our earlier estimate of 4%.

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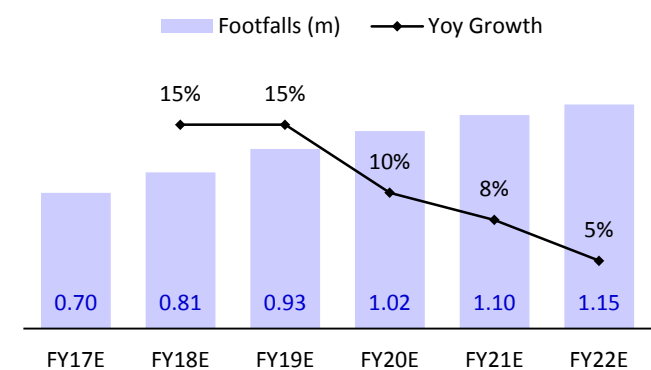
**Margins to be impacted by lower than normal price hike and Hyderabad Park**

WONH has been taking an average price hike of ~10% annually and had taken ~25% price hike in FY16 to cushion the impact of service tax, which it has been providing for. WONH has now taken price hikes of just 4-5% in FY17 after the steep hike last year. We believe the price hikes would not cover the increase in costs fully and margins could be impacted by 100-200bp in FY17 for Bangalore and Kochi Park. We estimate realization growth at 5% against 10% earlier for FY17. Margins could be under further pressure due to first year of Hyderabad operations and consequent higher ad spends. We expect margins to contract by 450bp in FY17 to 38% from 42.5% in FY16. However, we believe with (1) ticket realization growth rebounding to 10% for Bangalore and Kochi, (2) promotional spends for Hyderabad normalizing in FY18, and (3) operating leverage setting in at Hyderabad, EBITDA margin would expand 200bp to 40% in FY18, which is still below FY15 margin of 44.3%.

**Cutting estimates; downgrading to Neutral**

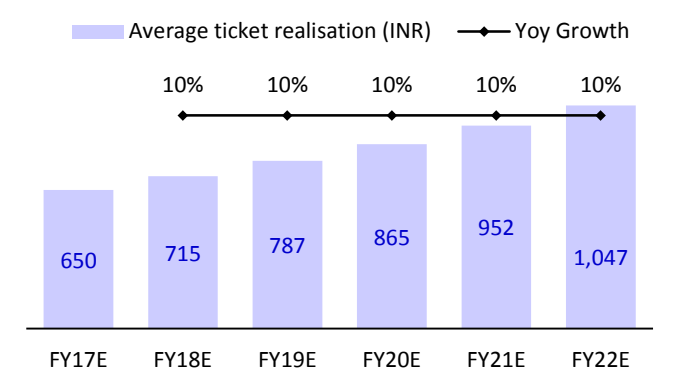
We cut our estimates to factor in subdued growth at Kochi and Bangalore Parks and slower than expected ramp-up in Hyderabad Park in FY18. We lower our revenue estimates by 7% for FY17 and by 9% for FY18, building in margin contraction of 450bp in FY17 and expansion of 200bp in FY18, translating into PAT cut of 13% for FY17 and 14% for FY18. We expect WONH to register 35% revenue CAGR and 20% PAT CAGR over FY16-18. Negative free cash flows of INR160m are likely over two years. We believe valuations at 27.5x FY18E EPS are rich and downgrade WONH to **Neutral**. Our target price of INR370 (26x FY18E EPS) implies 5% downside.

**Exhibit 1: Hyderabad Park footfalls trend**



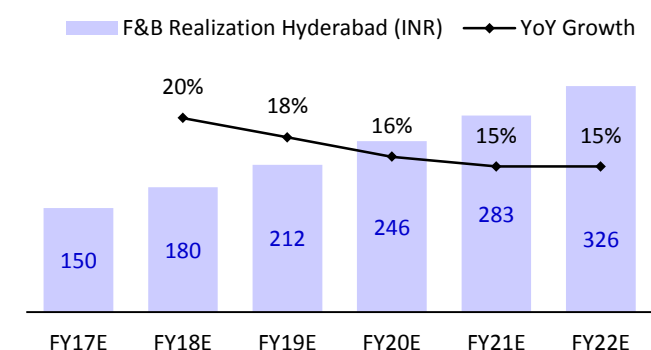
Source: Company, MOSL

**Exhibit 2: Hyderabad Park ticket realizations**



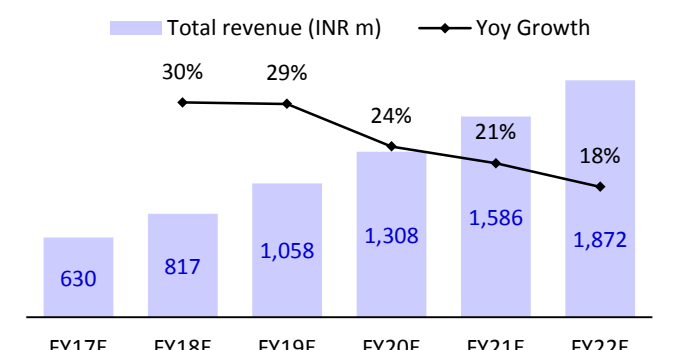
Source: Company, MOSL

**Exhibit 3: Hyderabad Park F&B realizations**



Source: Company, MOSL

**Exhibit 4: Hyderabad Park revenues trend**



Source: Company, MOSL

**Exhibit 5: Key assumptions**

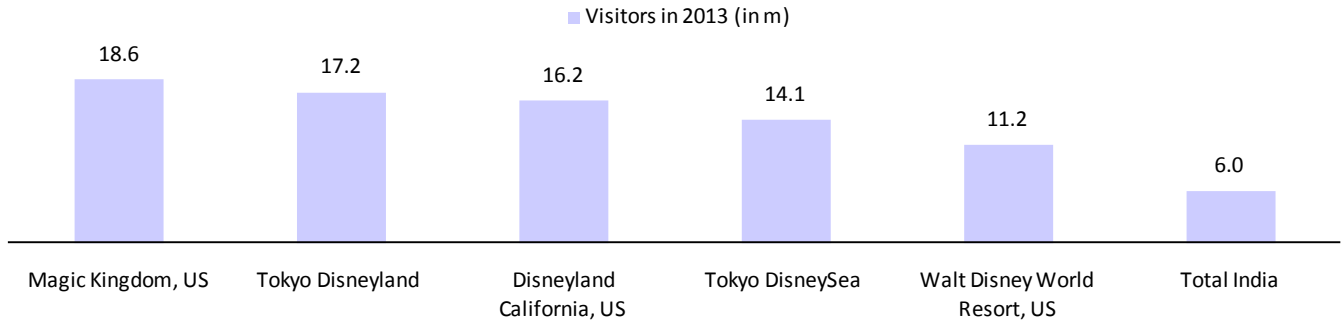
Absolute	FY10	FY11	FY12	FY13	FY14	FY15	FY16E	FY17E	FY18E
Kochi Footfalls (In m)	0.89	1.11	1.18	1.21	1.10	1.09	1.02	1.06	1.10
Bangalore Footfalls (In m)	0.72	0.92	1.08	1.13	1.19	1.25	1.18	1.21	1.27
Hyderabad Footfalls (in m)								0.70	0.81
<b>Total Footfalls</b>	<b>1.61</b>	<b>2.03</b>	<b>2.26</b>	<b>2.34</b>	<b>2.29</b>	<b>2.34</b>	<b>2.20</b>	<b>2.97</b>	<b>3.17</b>
Kochi Ticket realization (INR)	327	336	383	423	477	556	656	689	758
Bangalore Ticket realization (INR)	423	440	489	545	598	672	787	826	908
Hyderabad Ticket realization (INR)								650	715
Bangalore (no of rooms)				84	84	88	88	88	88
Occupancy rate (%)				34%	32%	45%	45%	50%	55%
<b>Growth</b>									
<b>Footfall growth</b>									
Kochi	-1%	24%	6%	3%	-9%	-1%	-6%	3%	4%
Bangalore	14%	28%	18%	5%	5%	5%	-6%	3%	5%
<b>Total Footfalls</b>	<b>5%</b>	<b>26%</b>	<b>11%</b>	<b>4%</b>	<b>-2%</b>	<b>2%</b>	<b>-6%</b>	<b>35%</b>	<b>7%</b>
<b>Ticket realization growth</b>									
Kochi	10%	3%	14%	10%	13%	17%	18%	5%	10%
Bangalore	-3%	4%	11%	11%	10%	12%	17%	5%	10%

Source: Company, MOSL

## Story in charts

### Indian amusement park industry still at nascent stage

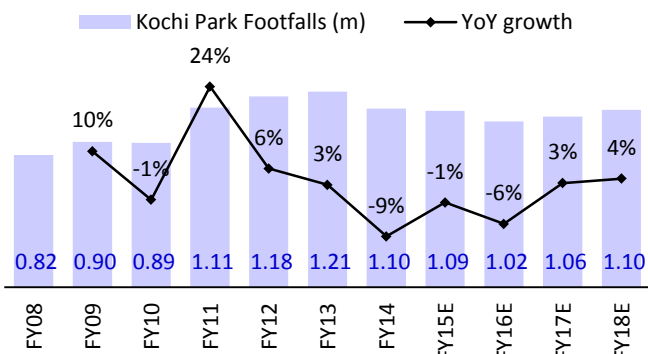
Exhibit 6: Total footfalls of India's amusement parks is less than individual global amusement parks



Source: Company, MOSL

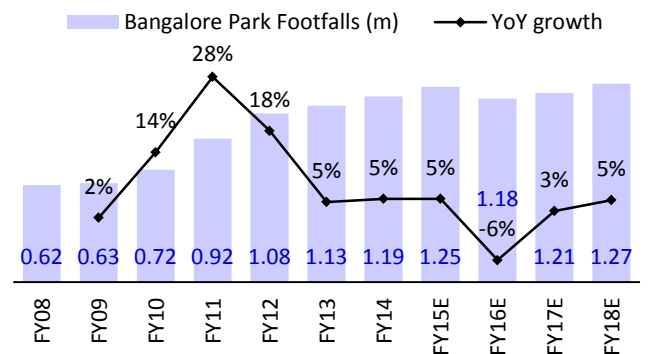
### Wonderla has a first-mover advantage with rich operating experience

Exhibit 7: Kochi park footfall trend



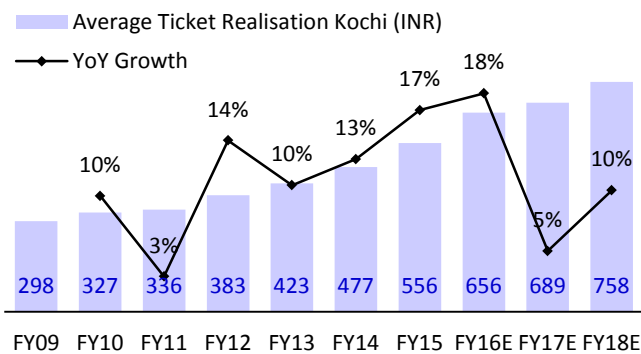
Source: Company, MOSL

Exhibit 8: Bangalore park footfall trends



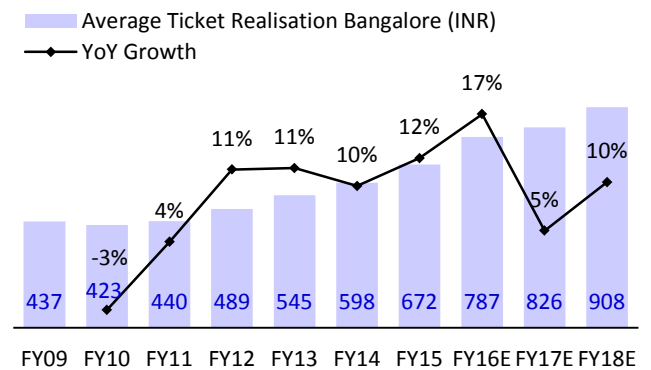
Source: Company, MOSL

Exhibit 9: Average ticket realization in Kochi park



Source: Company, MOSL

Exhibit 10: Average ticket realization in Bangalore park



Source: Company, MOSL

## Financials and Valuations

Income Statement						(INR Million)		
Y/E Mar	2011	2012	2013	2014	2015	2016E	2017E	2018E
<b>Net Sales</b>	<b>896</b>	<b>1,131</b>	<b>1,378</b>	<b>1,536</b>	<b>1,819</b>	<b>1,965</b>	<b>2,850</b>	<b>3,554</b>
Change (%)	30.2	26.2	21.9	11.4	18.4	8.0	45.0	24.7
<b>EBITDA</b>	<b>459</b>	<b>558</b>	<b>625</b>	<b>703</b>	<b>805</b>	<b>835</b>	<b>1,083</b>	<b>1,422</b>
EBITDA Margin (%)	51.2	49.3	45.4	45.8	44.3	42.5	38.0	40.0
Depreciation	118	116	119	132	162	189	287	357
<b>EBIT</b>	<b>341</b>	<b>442</b>	<b>507</b>	<b>571</b>	<b>643</b>	<b>646</b>	<b>796</b>	<b>1,064</b>
<b>Interest</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>16</b>	<b>17</b>	<b>17</b>	<b>22</b>	<b>22</b>
Other Income	124	14	15	24	102	190	162	137
Extraordinary items	0	0	0	0	0	0	0	0
PBT	465	456	500	579	729	819	936	1,180
<b>Tax</b>	<b>128</b>	<b>144</b>	<b>164</b>	<b>180</b>	<b>223</b>	<b>262</b>	<b>300</b>	<b>378</b>
Tax Rate (%)	27.6	31.6	32.8	31.1	30.6	32.0	32.0	32.0
Min. Int. & Assoc. Share	0	0	0	0	0	0	0	0
Reported PAT	337	312	336	399	506	557	637	802
<b>Adjusted PAT</b>	<b>337</b>	<b>312</b>	<b>336</b>	<b>399</b>	<b>506</b>	<b>557</b>	<b>637</b>	<b>802</b>
Change (%)	122.1	-7.4	7.8	18.7	26.9	10.1	14.3	26.0

Balance Sheet						(INR Million)		
Y/E Mar	2011	2012	2013	2014	2015	2016E	2017E	2018E
Share Capital	420	420	420	420	565	565	565	565
Reserves	290	518	780	1,079	2,999	3,424	3,895	4,531
<b>Net Worth</b>	<b>710</b>	<b>938</b>	<b>1,200</b>	<b>1,499</b>	<b>3,564</b>	<b>3,989</b>	<b>4,460</b>	<b>5,096</b>
Debt	168	216	210	239	151	250	250	250
Deferred Tax	36	34	37	33	-11	-11	-11	-11
<b>Total Capital Employed</b>	<b>915</b>	<b>1,188</b>	<b>1,446</b>	<b>1,772</b>	<b>3,705</b>	<b>4,228</b>	<b>4,699</b>	<b>5,336</b>
Gross Fixed Assets	1,685	2,078	2,420	2,553	2,695	4,175	5,375	6,525
Less: Acc Depreciation	755	868	981	1,099	1,302	1,491	1,777	2,134
<b>Net Fixed Assets</b>	<b>931</b>	<b>1,210</b>	<b>1,440</b>	<b>1,455</b>	<b>1,394</b>	<b>2,685</b>	<b>3,598</b>	<b>4,391</b>
Capital WIP	77	44	57	201	398	39	57	71
Investments	0	0	0	0	1,943	1,500	1,000	1,000
<b>Current Assets</b>	<b>57</b>	<b>143</b>	<b>163</b>	<b>348</b>	<b>232</b>	<b>307</b>	<b>446</b>	<b>356</b>
Inventory	15	18	28	33	41	45	72	86
Debtors	3	2	5	3	5	6	8	10
Cash & Bank	3	25	29	200	83	76	169	42
Loans & Adv, Others	37	98	102	111	102	180	198	218
<b>Curr Liabs &amp; Provns</b>	<b>150</b>	<b>208</b>	<b>213</b>	<b>231</b>	<b>261</b>	<b>303</b>	<b>403</b>	<b>482</b>
Curr. Liabilities	54	105	86	90	91	99	159	190
Provisions	96	104	128	141	169	203	244	293
<b>Net Current Assets</b>	<b>-93</b>	<b>-65</b>	<b>-50</b>	<b>116</b>	<b>-29</b>	<b>4</b>	<b>44</b>	<b>-127</b>
<b>Total Assets</b>	<b>914</b>	<b>1,189</b>	<b>1,447</b>	<b>1,772</b>	<b>3,705</b>	<b>4,228</b>	<b>4,699</b>	<b>5,336</b>

## Financials and Valuations

### Ratios

Y/E Mar	2011	2012	2013	2014	2015	2016E	2017E	2018E
<b>Basic (INR)</b>								
<b>EPS</b>	<b>8.0</b>	<b>7.4</b>	<b>8.0</b>	<b>9.5</b>	<b>9.0</b>	<b>9.9</b>	<b>11.3</b>	<b>14.2</b>
Cash EPS	10.8	10.2	10.8	12.6	11.8	13.2	16.3	20.5
Book Value	16.9	22.3	28.6	35.7	63.1	70.6	78.9	90.2
DPS	1.5	1.5	1.5	2.0	1.5	2.0	2.5	2.5
Payout (incl. Div. Tax.)	21.7	23.5	21.9	24.9	19.7	23.8	26.0	20.6
<b>Valuation(x)</b>								
P/E				41.1	43.6	39.6	34.6	27.5
Cash P/E				30.9	33.0	29.5	23.9	19.0
Price / Book Value				10.9	6.2	5.5	4.9	4.3
EV/Sales				14.4	12.2	11.3	7.8	6.3
EV/EBITDA				31.4	27.4	26.6	20.4	15.6
Dividend Yield (%)				0.5	0.4	0.5	0.6	0.6
<b>Profitability Ratios (%)</b>								
RoE	56.3	37.8	31.4	29.6	20.0	14.7	15.1	16.8
RoCE	50.5	44.8	40.7	37.8	27.4	21.0	21.4	23.9
<b>Turnover Ratios (%)</b>								
Asset Turnover (x)	1.0	1.0	1.0	0.9	0.5	0.5	0.6	0.7
Debtors (No. of Days)	1	1	1	1	1	1	1	1
Inventory (No. of Days)	6	6	7	8	8	8	9	9
Creditors (No. of Days)	18	31	23	21	18	18	20	19
<b>Leverage Ratios (%)</b>								
Net Debt/Equity (x)	0.2	0.2	0.2	0.0	-0.5	-0.3	-0.2	-0.2

### Cash Flow Statement

(INR Million)

Y/E Mar	2011	2012	2013	2014	2015	2016E	2017E	2018E
Adjusted EBITDA	459	558	625	703	805	835	1,083	1,422
Non cash opr. exp (inc)	123	14	16	21	99	190	162	137
(Inc)/Dec in Wkg. Cap.	-33	18	-2	-19	-23	22	53	43
Tax Paid	-108	-139	-151	-198	-252	-262	-300	-378
Other operating activities	-114	-4	-2	-6	-67	0	0	0
<b>CF from Op. Activity</b>	<b>328</b>	<b>447</b>	<b>486</b>	<b>502</b>	<b>562</b>	<b>785</b>	<b>998</b>	<b>1,225</b>
(Inc)/Dec in FA & CWIP	50	-392	-374	-270	-369	-1,122	-1,218	-1,164
<b>Free cash flows</b>	<b>378</b>	<b>55</b>	<b>112</b>	<b>232</b>	<b>193</b>	<b>-336</b>	<b>-220</b>	<b>60</b>
(Pur)/Sale of Invt	0	0	0	0	-1,943	443	500	0
Others	7	4	3	11	139	0	0	0
<b>CF from Inv. Activity</b>	<b>56</b>	<b>-388</b>	<b>-371</b>	<b>-259</b>	<b>-2,173</b>	<b>-679</b>	<b>-718</b>	<b>-1,164</b>
Inc/(Dec) in Net Worth	0	0	0	0	1,700	0	0	0
Inc / (Dec) in Debt	-303	46	-15	29	-88	99	0	0
Interest Paid	-41	-11	-23	-27	-21	-17	-22	-22
Divd Paid (incl Tax) & Others	-49	-73	-73	-74	-99	-133	-166	-166
<b>CF from Fin. Activity</b>	<b>-392</b>	<b>-37</b>	<b>-111</b>	<b>-71</b>	<b>1,493</b>	<b>-51</b>	<b>-187</b>	<b>-187</b>
<b>Inc/(Dec) in Cash</b>	<b>-8</b>	<b>22</b>	<b>4</b>	<b>172</b>	<b>-179</b>	<b>55</b>	<b>93</b>	<b>-127</b>
Add: Opening Balance	11	3	25	29	200	21	76	169
<b>Closing Balance</b>	<b>3</b>	<b>25</b>	<b>29</b>	<b>200</b>	<b>21</b>	<b>76</b>	<b>169</b>	<b>42</b>

**NOTES**

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