

Wonderla Holidays Limited

Report Date: 31 Mar 2016

Key Stock Indicators

| | | | | | |
|------------------------|---------|--|-------------|-------------------------------------|--------|
| BSE Ticker : | 538268 | CMP as on 29 Mar 2016-Rs/share : | 376.7 | Shares outstanding (mn) : | 56.5 |
| Bloomberg Ticker : | WONH:IN | 52 week range up to 29 Mar 2016 (Rs)(H/L) : | 414.4/245.3 | Free Float (%) : | 29.0 |
| Face value per share : | 10.0 | Market Cap as on 29 Mar 2016 (Rs mn) : | 21,284 | Average daily volumes (12 months) : | 14,507 |
| Div.Yield (%) : | 0.4 | Enterprise Value as on 29 Mar 2016 (Rs mn) : | 21,400 | Beta : | 0.7 |

Background

Wonderla Holidays Ltd (WHL) owns and operates two amusement parks under the brand name "Wonderla" in Bengaluru and Kochi. It is in the process of setting up a third amusement park in Hyderabad. The amusement parks offer a wide range of water- and land-based attractions catering to all age groups.

The company was established in 2002 and the Bengaluru park became operational in September 2005. WHL is promoted by the Chittilappily family. In 2008, another group company, Veega Holidays and Parks Pvt Ltd, which operated Veega Land amusement park in Kochi, was amalgamated with WHL, and the property was rebranded as Wonderla. The Bengaluru and Cochin parks have around 60 and 58 rides, respectively.

The company has developed an in-house manufacturing facility in Kochi to develop the rides used in its amusement park. The company also started an 84-room, 3-star resort adjacent to the Bengaluru park in 2012-13. The resort offers accommodation, a rest-o-bar, all-day dining facilities, banquet hall options, swimming pool, kid's play area, and gymnasium along with access to the amusement park. The company is in process of setting up an amusement park in Hyderabad and also plans to set up a park in Chennai. The Hyderabad park is expected to be operational by April 2016, while the Chennai park will come up by September 2018. Total investment is expected to be around Rs 6,000 million towards the new parks.

Key Highlights

Planning to open new amusement parks in Hyderabad and Chennai

The new amusement park in Hyderabad is expected to be operational by April 2016. The company is planning to open a new park in Chennai by 2017-18. These new assets are expected to aid increase footfalls and revenue. The company plans to utilise the funds raised through the public offering in April last year, for the proposed expansions.

MOU signed with Karnataka government to expand the Wonderla Amusement Park in Bidadi, Bengaluru

Wonderla plans to commence the expansion of the Bengaluru park from April 1, 2016, and complete it by March 31, 2018. The envisaged investment is Rs 1,500 million.

Key Risks

- Capital-intensive nature of business
- Environmental regulations and associated litigation, which may impose additional costs
- Changes in factors affecting discretionary consumer spending and changing footfall patterns
- High operating leverage

Key Financial & Valuation Indicators

| | MAR-13 | MAR-14 | MAR-15 |
|-----------------|--------|--------|--------|
| Revenue (Rs mn) | 1,385 | 1,542 | 1,834 |
| PAT (Rs mn) | 336 | 399 | 352 |
| EPS (Rs/share) | 5.9 | 7.1 | 6.2 |
| PE (x) | 44.0 | 37.0 | 42.0 |
| P/BV (x) | 12.5 | 10.0 | 4.2 |
| RoE (%) | 31.7 | 30.0 | 14.0 |
| EV/EBITDA (x) | 23.5 | 20.7 | 17.8 |

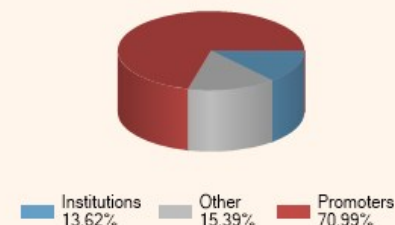
Source: Company, CRISIL Research | n.m. : Not meaningful.

Stock Performance vis-a-vis Market

| Returns (%) | YTD | 1-m | 3-m | 12-m |
|---------------------------|-----|-----|-----|------|
| Wonderla Holidays Limited | 42 | 7 | -6 | 42 |
| SENSEX | -12 | 8 | -5 | -11 |

1) YTD returns are since Apr 1, 2015 to Mar 29, 2016.
2) 1-m, 3-m and 12-m returns are up to Mar 29, 2016

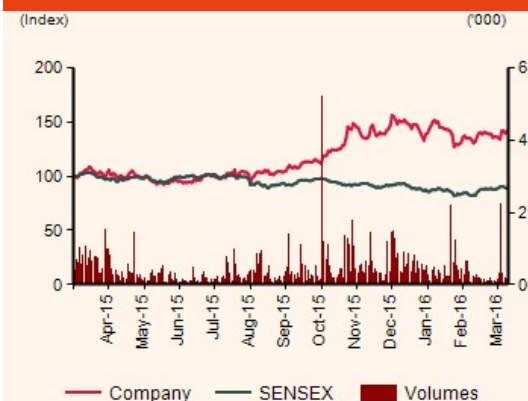
Shareholding (As on December 31, 2015)



Pledged shares (As on December 31, 2015)

| | |
|----------------------------|-----|
| As a % of promoter holding | 0.0 |
| As a % of total shares | 0.0 |

Share Price Chart (Indexed to 100)



Source: BSE, CRISIL Research

Competitive Position

Peer Comparison

| | Wonderla Holidays Limited Mar-15 | Adlabs Entertainment Limited Mar-15 |
|--------------------|----------------------------------|-------------------------------------|
| Revenue (Rs mn) | 1,834 | 1,894 |
| EBITDA margins (%) | 45.7 | 10.8 |
| PAT (Rs mn) | 352 | -1,361 |
| PAT margins (%) | 19.2 | -71.8 |
| Gearing (x) | - | 1.7 |
| EPS (Rs/share) | 6.2 | -17.0 |
| PE (x) | 42.0 | - |
| P/BV (x) | 4.1 | - |
| RoCE (%) | 21.3 | n.m. |
| RoE (%) | 14.0 | n.m. |
| EV/EBITDA (x) | 17.8 | - |

n.m: Not meaningful

Source: Company, CRISIL Research

Financial Profile

Healthy balance sheet with low gearing and comfortable coverage indicators

The company recorded a topline of Rs 1,834 million in the year 2014-15, an increase of ~18% year-on-year (y-o-y) from Rs 1,542 million in 2013-14. This was primarily aided by an increase in the average ticket price coupled with higher revenue contribution from non-ticket sale (merchandise, restaurants and resort).

The company reported EBITDA (earnings before interest, tax, depreciation and amortisation) growth of 17% y-o-y. EBITDA margin remained healthy at ~45%. An in-house technical team helped keep maintenance cost under check. The company has not faced any major mechanical failure at its parks so far. Profit after tax decreased slightly to Rs 352 million, owing to an increase in depreciation and tax expenses. Return on equity decreased to 14% due to the high-risk investments made by the company.

Investments have increased substantially to ~Rs 1,998 million as the company temporarily invested the IPO (initial public offer) proceeds in current investments, which led to an increase in the current ratio to 7.4x.

The company issued equity shares at a premium price, which led to an increase in the tangible networth from Rs 1,471 million to Rs 3,559 million in the year 2014-15.

Industry Outlook

Hotels and Resorts

The hotel and resorts industry in India has been reeling under severe stress since 2011-12, the net result of demand slowdown coinciding with huge supply additions. However, CRISIL Research believes that the industry's prolonged cyclical downturn is nearing its end. Occupancy rates in the industry increased marginally in 2014-15 with moderation in supply growth and pick-up in demand. Over the next 4 years from 2015-16 to 2018-19, CRISIL Research expects demand to grow marginally better than the growth in room inventory. Demand growth is expected to be driven by favourable age demographics, growing spends on leisure and increasing urbanisation.

Industry profitability is expected to remain rangebound as benefit of better room rates will be offset by higher operating overheads like employee costs and power costs. Moreover, competition in the industry has intensified due to the growing presence of foreign players and expansion by domestic players. However, given the high capex required, land acquisition remains a key challenge for the industry.

Financial Performance

| | Mar-13 | Mar-14 | Mar-15 |
|--------------------|--------|--------|--------|
| Revenue (Rs mn) | 1,385 | 1,542 | 1,834 |
| Revenue growth (%) | 22.7 | 11.4 | 18.9 |
| EBITDA (Rs mn) | 636 | 715 | 839 |
| EBITDA growth (%) | 15.2 | 12.5 | 17.2 |
| EBITDA margins (%) | 45.9 | 46.4 | 45.7 |
| PAT (Rs mn) | 336 | 399 | 352 |
| PAT growth (%) | 13.9 | 18.8 | -11.8 |
| PAT margins (%) | 24.3 | 25.9 | 19.2 |
| Gearing (x) | 0.2 | 0.2 | - |
| RoCE (%) | 40.0 | 38.8 | 21.3 |
| RoE (%) | 31.7 | 30.0 | 14.0 |

Source: Company, CRISIL Research

Annual Results

Income statement

| (Rs million) | Mar-13 | Mar-14 | Mar-15 |
|---------------------------|--------------|--------------|--------------|
| Net Sales | 1,379 | 1,536 | 1,819 |
| Operating Income | 1,385 | 1,542 | 1,834 |
| EBITDA | 636 | 715 | 839 |
| EBITDA Margins (%) | 45.9 | 46.4 | 45.7 |
| Depreciation | 119 | 132 | 163 |
| Interest | 24 | 19 | 22 |
| Other Income | 9 | 17 | 79 |
| PBT | 500 | 597 | 558 |
| PAT | 336 | 399 | 352 |
| PAT Margins (%) | 24.3 | 25.9 | 19.2 |
| No. of shares (mn no.) | 57.0 | 57.0 | 57.0 |
| Earning per share (EPS) | 5.9 | 7.1 | 6.2 |

Cash flow

| (Rs million) | Mar-13 | Mar-14 | Mar-15 |
|--|-------------|-------------|---------------|
| Pre-tax Profit | 502 | 581 | 733 |
| Total tax paid | -163 | -202 | -250 |
| Depreciation | 119 | 132 | 163 |
| Change in working capital | 0 | 13 | 3 |
| Cash flow from operating activities | 458 | 524 | 649 |
| Capital expenditure | -354 | -273 | -309 |
| Investments and others | 0 | -4 | -1,993 |
| Cash flow from investing activities | -354 | -277 | -2,302 |
| Equity raised/(repaid) | 0 | 0 | 1,700 |
| Debt raised/(repaid) | -15 | 29 | -88 |
| Dividend (incl. tax) | -74 | -99 | -99 |
| Others (incl extraordinary) | -9 | -1 | -39 |
| Cash flow from financing activities | -98 | -71 | 1,474 |
| Change in cash position | 6 | 176 | -179 |
| Opening cash | 25 | 29 | 208 |
| Closing cash | 29 | 208 | 30 |

n.m.: Not meaningful
Source: Company, CRISIL Research

Quarterly Results

Profit and loss account

| (Rs million) | Dec-14 | Sep-15 | Dec-15 | QoQ Growth (%) | YoY Growth (%) | YTD Dec-14 | YTD Dec-15 | YoY Growth (%) |
|----------------|------------|------------|------------|----------------|----------------|--------------|--------------|----------------|
| No of Months | 3 | 3 | 3 | | | 9 | 9 | |
| Revenue | 474 | 432 | 504 | 16.6 | 6.3 | 1,454 | 1,609 | 10.6 |
| EBITDA | 209 | 147 | 182 | 23.8 | -12.9 | 704 | 732 | 3.9 |
| Interest | 4 | 4 | 3 | -25.0 | -25.0 | 13 | 11 | -15.3 |
| Depreciation | 40 | 39 | 28 | -28.2 | -30.0 | 121 | 112 | -7.4 |
| PBT | 185 | 160 | 177 | 10.6 | -4.3 | 644 | 767 | 19.1 |
| PAT | 128 | 119 | 123 | 3.3 | -3.9 | 440 | 522 | 18.6 |

Source: Company, CRISIL Research | n.m. : Not meaningful

Balance Sheet

| (Rs million) | Mar-13 | Mar-14 | Mar-15 |
|--------------------------------|--------------|--------------|--------------|
| Equity share capital | 420 | 420 | 565 |
| Reserves and surplus | 767 | 1,050 | 2,994 |
| Tangible net worth | 1,187 | 1,470 | 3,559 |
| Deferred tax liability:(asset) | 37 | 33 | -11 |
| Long-term debt | 124 | 194 | 102 |
| Short-term-debt | 85 | 44 | 49 |
| Total debt | 210 | 239 | 151 |
| Current liabilities | 86 | 90 | 91 |
| Total provisions | 119 | 132 | 161 |
| Total liabilities | 1,638 | 1,965 | 3,951 |
| Gross block | 2,403 | 2,534 | 2,671 |
| Net fixed assets | 1,548 | 1,688 | 1,834 |
| Investments | 1 | 5 | 1,998 |
| Current assets | 88 | 271 | 120 |
| Receivables | 5 | 3 | 5 |
| Inventories | 28 | 33 | 41 |
| Cash | 29 | 208 | 30 |
| Total assets | 1,638 | 1,965 | 3,951 |

Ratios

| | Mar-13 | Mar-14 | Mar-15 |
|--------------------------------|--------|--------|--------|
| Revenue growth (%) | 22.7 | 11.4 | 18.9 |
| EBITDA growth (%) | 15.2 | 12.5 | 17.2 |
| PAT growth (%) | 13.9 | 18.8 | -11.8 |
| EBITDA margins (%) | 45.9 | 46.4 | 45.7 |
| Tax Rate (%) | 32.6 | 33.7 | 44.8 |
| PAT margins (%) | 24.3 | 25.9 | 19.2 |
| Dividend payout (%) | 18.8 | 21.2 | 24.1 |
| Dividend per share (Rs) | 1.1 | 1.5 | 1.5 |
| BV (Rs) | 21.0 | 26.0 | 63.0 |
| Return on Equity (%) | 31.7 | 30.0 | 14.0 |
| Return on Capital employed (%) | 40.0 | 38.8 | 21.3 |
| Gearing (x) | 0.2 | 0.2 | - |
| Interest coverage (x) | 26.3 | 37.6 | 38.4 |
| Debt/EBITDA (x) | 0.3 | 0.3 | 0.2 |
| Asset turnover (x) | 0.6 | 0.6 | 0.7 |
| Current ratio (x) | 0.3 | 1.1 | 7.4 |
| Gross current assets (days) | 23 | 64 | 23 |

Focus Tables

Board of Directors

| SN | Director Name | Designation | SN | Director Name | Designation |
|----|--------------------------------|---------------------|----|-------------------------------|-------------|
| 1 | Mr. George Joseph | Chairman | 4 | Mr. Kochouseph Chittilappilly | Director |
| 2 | Mr. Arun K Chittilappilly | Managing Director | 5 | Mr. M.P. Ramchandran | Director |
| 3 | Ms. Priya Sarah Cheeran Joseph | Whole Time Director | | | |

Source: BSE, CRISIL Research.

List of non-promoter shareholders having more than 1% holding

| Name of the Shareholder | As on Dec-2015 |
|---|----------------|
| IL And FS Trust Company Limited | 2.3 |
| Handelsbankens Tillvaxtmarknadsfond | 1.8 |
| DNB Fund A/C Dnb Fund - Asian Small Cap | 1.6 |
| Aditya Birla Private Equity Trust | 1.5 |
| Steinberg India Emerging Opportunities Fund Limited | 1.1 |
| TOTAL | 8.3 |

Source: BSE, CRISIL Research

Contingent Liabilities

| (Rs million) | As on Mar-2015 |
|---|----------------|
| Commitment on capital account | 211 |
| Guarantees for operations | 14 |
| Guarantees on behalf of Subsidiaries :affiliates | 0 |
| Other Claims against the company not acknowledged as debt | 28 |
| Others | 0 |
| Total | 253 |

Source: Company, CRISIL Research

Auditor's Qualification

The company's auditors have not reported any/major qualifications for the financial period under review.

Note

Financials have been reclassified as per CRISIL standards.

Analytical Contact

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