

## Expect strong recovery post resumption of normalcy

Wonderla Holidays reported a strong recovery in earnings post reopening of parks at Bengaluru, Kochi and Hyderabad in Q4FY21. Revenue for the quarter improved sharply from ₹ 4.9 crore to ₹ 33.3 crore QoQ though revenue remained down 21.4% YoY as parks were functional only during Thursday-Sunday till February 2021 while they remained open all seven days in March. The company achieved total footfalls of 3.11 lakh against 4.05 lakh last year. Thus, Wonderla managed to clock EBITDA of ₹ 2.5 crore vs. EBITDA loss of ₹ 10.1 crore in Q3FY21. However, it was down 49.3% YoY. Net loss of ₹ 4.9 crore is mainly attributable to depreciation charge while the company managed to report cash profit of ₹ 2.5 crore. The ongoing second Covid wave in India has again led to a closure of parks from April 2021. With debt free status and no capex in FY22E, we believe Wonderla should be able to tide over the Covid induced challenges in FY22E. While H1FY22E again looks tough, with easing of restrictions post stabilisation of infections (likely from H2FY22E) led by increased vaccinations, going ahead, in the country, we expect a rebound in demand from H2FY22E. This is expected to lead to healthy margins and profitability aided by tighter cost controls. While FY22E would be a mixed bag though better from FY21, we expect the company to attain healthy revenue above pre-Covid levels in FY23E. We also expect Wonderla to attain highest EBITDA margins leading the company to report PAT over ₹ 75 crore.

### Full recovery expected by FY23E

Wonderla's business was severely hit in FY21 with the company clocking revenue of only sub ₹ 5 crore in 9MFY21. While Q4FY21 witnessed a sharp rebound in demand, the ongoing second wave during April-June (peak season for the company) has again impacted demand with parks remaining shut from April onwards. Now, with stabilisation of infections and increased vaccinations, we expect the company to clock footfalls of 11.3 lakh in FY22E and 24.9 lakh in FY23E against 3.1 lakh in FY21.

### New Chennai project kept on hold

According to the management, the construction work on the Chennai amusement park is still at an initial stage and has been put on hold till the end of FY22 until clarity emerges on local body tax issues with the state government. The company continues to explore options for new parks in Odisha and Gujarat.

### Valuation & Outlook

Wonderla Holidays is comfortably placed on the balance sheet front, led by debt-free status and strong liquidity that should help it tide over challenges imposed by the second wave of pandemic. Further, the encouraging Q4FY21 performance and ongoing vaccination drives raise our hopes on a strong demand recovery as and when normalcy resumes. With improved demand visibility, we now upgrade our rating from REDUCE to **BUY** with a revised target price of ₹ 250/share (i.e. 19x FY23E P/E, earlier TP: ₹ 110).

### Key Financial Summary

Key Financials	FY18	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-23E)
Net Sales	270	282	271	38	140	316	187.0%
EBITDA	89	114	104	(29)	30	136	LP
EBITDA (%)	32.9	40.5	38.4	(74.4)	21.2	43.0	
PAT	39	56	65	(50)	(6)	76	LP
EPS (₹)	6.8	9.8	11.5	(8.8)	(1.0)	13.4	
P/E	30.8	21.3	18.3	(23.8)	(200.3)	15.7	
RoNW (%)	5.0	6.8	7.5	(6.2)	(0.7)	8.9	
RoCE (%)	7.2	9.5	7.9	(7.5)	(0.8)	11.1	



#### Stock Data

Particular	Amount
Market Capitalisation	₹ 1187 crore
Debt (FY21)	₹ 3 crore
Cash & cash equivalent(FY21)	₹ 93 crore
EV	₹ 1096 crore
52 week H/L	₹ 342/232
Equity Capital	₹ 56.5 crore
Face value	10.0

#### Key Highlights

- Overall footfall saw sharp recovery post opening of parks at all three locations
- Chennai project kept on hold until clarity on local tax issues and overall recovery
- Balance sheet strong with liquidity of ₹ 94 crore
- Upgrade from REDUCE to BUY

#### Key risks to our call

- Any further imposition of restriction on parks could further delay recovery in demand.
- Higher than normal operating expenditure in FY23E may lead to contraction in margins

#### Research Analyst

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Exhibit 1: Profit and loss statement					₹ crore
Year-end March	FY20	FY21	FY22E	FY23E	
<b>Total Operating Income</b>	<b>270.7</b>	<b>38.4</b>	<b>139.8</b>	<b>316.5</b>	
Growth (%)	(4.0)	(85.8)	263.7	126.5	
RM costs	28.6	4.7	16.5	31.6	
Employee Expenses	40.4	25.4	36.3	41.1	
Other Expenses	97.7	36.8	57.3	107.6	
Total Operating Expenditure	166.8	67.0	110.1	180.4	
<b>EBITDA</b>	<b>103.9</b>	<b>(28.6)</b>	<b>29.6</b>	<b>136.1</b>	
Other income	12.2	6.3	8.0	11.0	
Interest	0.7	0.5	0.6	0.6	
PBDT	115.4	(22.8)	37.0	146.5	
Depreciation	41.8	43.7	44.9	45.7	
PBT	73.7	(66.4)	(7.9)	100.7	
Total Tax	27.8	(16.5)	(2.0)	25.2	
<b>PAT</b>	<b>45.9</b>	<b>(49.9)</b>	<b>(5.9)</b>	<b>75.6</b>	

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement					₹ crore
Year-end March	FY20	FY21	FY22E	FY23E	
<b>Profit before tax</b>	<b>92.6</b>	<b>(66.4)</b>	<b>(7.9)</b>	<b>100.7</b>	
Depreciation	41.8	43.7	44.9	45.7	
Interest	0.7	0.5	0.6	0.6	
Other income	(12.2)	(6.3)	(8.0)	(11.0)	
Cash Flow before WC changes	122.8	(28.6)	29.6	136.1	
Net Increase in Current Assets	11.1	2.5	8.2	(23.3)	
Net Increase in Current Liabilities	(49.1)	(2.3)	(9.6)	14.4	
Taxes Paid	(27.8)	16.5	2.0	(25.2)	
<b>Net CF from Operating activ</b>	<b>57.1</b>	<b>(11.8)</b>	<b>30.2</b>	<b>102.0</b>	
(Purchase)/Sale of Fixed Assets	(28.6)	(8.3)	(45.4)	(17.4)	
(Purchase)/Sale of Investments	(19.9)	16.6	3.4	(8.0)	
Others	12.2	(15.1)	12.0	(30.0)	
<b>Net CF from Investing activ</b>	<b>(36.3)</b>	<b>(6.9)</b>	<b>(30.0)</b>	<b>(55.4)</b>	
Inc / (Dec) in Loan	3.0	(1.2)	1.2	0.3	
Interest	(0.7)	(0.5)	(0.6)	(0.6)	
Dividend paid incl of taxes	(17.0)	-	(11.3)	(22.6)	
Changes in equity	(7.4)	6.2	-	(0.0)	
<b>Net CF from Financing Activ</b>	<b>(22.1)</b>	<b>4.5</b>	<b>(10.7)</b>	<b>(22.9)</b>	
Net Cash flow	(1.4)	(14.2)	(10.4)	23.7	
Opening Cash/Cash Equivalent	55.1	53.8	35.1	20.7	
<b>Closing Cash/ Cash Equivalent</b>	<b>53.8</b>	<b>39.5</b>	<b>24.7</b>	<b>44.4</b>	

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet					₹ crore
Year-end March	FY20	FY21	FY22E	FY23E	
Equity Capital	56.5	56.5	56.5	56.5	
Reserve and Surplus	802.4	753.0	735.7	788.7	
Total Shareholders funds	858.9	809.5	792.3	845.2	
Total Debt	3.9	2.7	4.0	4.2	
Deferred Tax Liability	81.3	64.5	64.5	64.5	
Long-term provisions	2.5	2.4	2.4	2.4	
<b>Total Liabilities</b>	<b>946.7</b>	<b>879.1</b>	<b>863.1</b>	<b>916.3</b>	
Net Block	782.8	748.8	752.7	769.9	
Capital WIP	35.8	34.5	31.0	31.0	
Total Fixed Assets	818.6	783.3	783.7	800.9	
Intangible assets	2.2	1.2	1.2	1.2	
Non current asset	10.2	9.8	8.4	10.1	
Inventory	7.0	7.2	3.1	7.0	
Debtors	0.4	0.5	0.7	1.7	
Loans and Advances	0.7	0.7	0.3	0.7	
Other Current Assets	18.2	15.5	12.9	29.2	
Current investments	70.0	53.5	50.1	58.1	
Cash	53.8	39.5	24.7	44.4	
Total Current Assets	150.0	116.7	91.8	141.0	
Current Liabilities					
Trade payables	9.2	10.3	5.5	9.9	
Provisions	13.2	13.9	8.7	14.3	
Other current liabilities	11.9	7.8	7.8	12.8	
Total Current liabilities	34.3	31.9	22.0	37.0	
Net Current Assets	115.7	84.8	69.8	104.1	
<b>Total Assets</b>	<b>946.8</b>	<b>879.1</b>	<b>863.1</b>	<b>916.3</b>	

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
(Year-end March)	FY20	FY21	FY22E	FY23E
<b>Per Share Data (₹)</b>				
EPS	11.5	(8.8)	(1.0)	13.4
Cash EPS	18.9	(1.1)	6.9	21.5
BV	152.0	143.3	140.2	149.6
<b>Dividend Per share</b>	<b>3.0</b>	<b>1.0</b>	<b>2.0</b>	<b>4.0</b>
<b>Operating Ratios (%)</b>				
EBITDA Margin	38.4	(74.4)	21.2	43.0
EBIT margin	23.0	(188.0)	(11.0)	28.5
PAT Margin	23.9	(129.9)	(4.2)	23.9
Inventory days	8.1	8.1	8.1	8.1
Debtor days	1.9	1.9	1.9	1.9
Creditor days	20.2	20.2	20.2	20.2
<b>Return Ratios (%)</b>				
RoE	7.5	(6.2)	(0.7)	8.9
RoCE	7.9	(7.5)	(0.8)	11.1
RoIC	7.9	(9.6)	(2.0)	11.5
<b>Valuation Ratios (x)</b>				
P/E	18.3	(23.8)	(200.3)	15.7
EV / EBITDA	10.3	(38.4)	37.7	8.0
EV / Net Sales	3.9	28.5	8.0	3.4
Market Cap / Sales	4.4	30.9	8.5	3.7
Price to Book Value	18.3	(23.8)	(200.3)	15.7
<b>Solvency Ratios (x)</b>				
Debt / Equity	0.0	0.0	0.0	0.0
Current Ratio	1.1	1.0	1.1	1.3
Quick Ratio	0.9	0.8	1.0	1.1

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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