



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✓	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✓	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✗
RQ	✓	↔	✓
RV	✗	↔	✗

Reco/View

Change

Reco: Hold	↔
CMP: Rs. 203	
Price Target: Rs. 227	↑

↑ Upgrade ↔ Maintain ↓ Downgrade

Company details

Market cap:	Rs. 1,148 cr
52-week high/low:	Rs. 293/105
NSE volume: (No of shares)	1.1 lakh
BSE code:	538268
NSE code:	WONDERLA
Free float: (No of shares)	1.7 cr

Shareholding (%)

Promoters	69.8
FII	11.8
DII	0.7
Others	17.7

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	-2.9	27.8	48.1	-16.5
Relative to Sensex	-7.2	2.9	12.1	-42.6

Sharekhan Research, Bloomberg

Summary

- Wonderla Holidays (WHL) posted revenues of Rs. 5 crore in Q3FY2021 for minimal days of operations in Bangalore (from November 9) and Kochi Park (from December 20) with permitted capacity of 50% only on weekends.
- Initial response was good with average visitors to the Bangalore Park standing at 1500 per day and 1,227 for the Kochi Park (some days saw 4,000-5000 visitors).
- With higher pent-up demand, the company expects footfalls to improve hugely in FY2022, reaching close to FY2020 levels by FY2023.
- With a strong balance sheet and cash of ~Rs. 90 crore as of December, WHL is well-placed to exploit opportunities in the entertainment industry. We maintain a Hold with a revised PT of Rs. 227.

Wonderla Holidays (WHL) began operations in its Bangalore and Kochi Park for a minimal period in Q3FY21 with a permitted capacity of 50% per day. The Bangalore Park started operations on November 9 and was opened only on weekends with 50% capacity. The company achieved 36,121 footfalls (with average visitors per day of 1,500 visitors) in its Bangalore Park. The Kochi Park started operations from December 24 and achieved 8,591 footfalls in seven days of operations (with 1227 average visitors per day). The Bangalore & Kochi Parks priced tickets at Rs. 999 and Rs. 699, respectively. Average revenue per visitor stood at Rs. 686. Operating expenditure was down by 67% y-o-y to Rs. 15 crore and the company posted a loss of Rs. 15 crore in Q3FY2021. Hyderabad Park started operations from January 7. The company expects to operate on all days in Q4FY2021 at a 50% capacity. With multiplexes allowed to operate at a 100% capacity, the management expects amusement parks to get permission to operate at 100% capacity by the end of Q4FY2021. Considering the initial response to restricted operations at all park and digital campaigns done by the company, the management is confident of achieving incremental footfalls in the coming quarters (especially in Q1FY2022 which is one of the strongest quarters due to the holiday season). Further, a large shift is expected towards open-ended entertainment options in the post-pandemic era, which will help WHL scale-up footfalls in FY22/23. We expect footfalls to reach close to FY2020 by FY2023. The company would require average footfall of 1300 per day with average revenues of Rs. 1,000 per visitor to become cash positive in all the parks. The company has put on hold the construction of Chennai Park due to regulatory hurdles. It has cash of Rs. 90 crore on books which provides it comfort to improve its operations at the park level.

Key positives

- All three parks started operations at permissible limit of 50% occupancy.
- Initial response is positive with 4000-5000 visitors per day on some days in the Bangalore Park.
- The company has cash of Rs. 90 crore on books as on December 31, 2020.

Key negatives

- The company continued make losses due to lower operating leverage.
- No incentives given for entertainment companies in Union Budget 2021-22.

Our Call

View- Maintain Hold with revised target of Rs. 227: We believe footfalls to regain momentum as a large shift is expected to happen to open ended entertainment options (including Amusement parks, gardens or beaches) in the post-pandemic era. Though H1FY2021 was affected with NIL business, the highlight of the lockdown was the stringent cost-saving, which helped the company to curb losses at bottomline level. Further, a strong balance sheet would help the company to focus to regain the footfalls momentum. The stock is currently trading at ~14x its FY2023E EV/EBIDTA. We maintain our Hold rating on the stock with a revised price target of Rs. 227. Any significant and consistent improvement in the footfalls would act as a key rerating trigger for the stock.

Key risk

Any sudden spike in COVID-19 cases from the current level would act as a key risk to our near-term earnings estimates as the government might make lockdown norms stringent.

Valuation

	Rs cr				
Particulars	FY19	FY20	FY21E	FY22E	FY23E
Revenue	282	271	13	108	221
OPM (%)	40.5	38.4	-365.4	18.2	37.6
Adjusted PAT	55	46	-67	-17	30
Adjusted EPS (Rs.)	9.8	8.1	-11.9	-2.9	5.4
P/E (x)	20.7	25.0	-17.1	-69.1	37.6
P/B (x)	1.4	1.3	1.4	1.5	1.4
EV/EBIDTA (x)	9.3	10.0	-23.7	59.1	13.6
RoNW (%)	7.0	5.5	-8.1	-2.1	3.9
RoCE (%)	9.7	8.0	-9.2	-1.9	4.9

Source: Company; Sharekhan estimates

Revenue growth: For Q3FY2021, WHL reported revenues of Rs. 4.9 crore with the Bangalore and Kochi parks were operational for a limited period clocking footfalls of 44,712. Operating loss stood at Rs. 10.1 crore as against an operating profit of Rs. 25.0 crore in Q3FY2020. Loss before tax stood at Rs. 20.3 crore. Adjusted loss after tax came in at Rs. 15.8 crore.

Key Conference call takeaways

- ◆ Bangalore and Kochi parks achieved footfalls of 36121 and 8591, respectively in a short period of operations. Initial response is very good with some weekends seeing footfalls rising to 4000-5000.
- ◆ All three parks are currently operating at 50% capacity as per the regulatory approvals given by the government. The management expects permission of parks operating at 100% capacity by the end of Q4.
- ◆ Bangalore & Kochi parks were open with tickets priced at Rs 999 for Bangalore Park and at Rs 699 for Kochi Park in Q3. Average ticket revenues stood at Rs. 686 per visitor in Q3FY2021 as against Rs. 786 in Q3FY2020.
- ◆ The company expects to be cash-positive once parks attain average footfalls of 1,300 per day with revenue of Rs. 1,100-1,200 per visitor.
- ◆ The company held back the construction of the Chennai Park due to regulatory hurdles. Further it does not expect to add new rides in any park till footfalls at all parks stabilise.
- ◆ The company had cash of Rs. 90 crore on its balance sheet as on December 31, 2020. It reduced by Rs. 35 crore in 9MFY2021.

Results (Standalone)

Particulars	Rs cr				
	Q3FY21	Q3FY20	y-o-y (%)	Q2FY21	q-o-q (%)
Net Sales	4.9	70.0	-93.0	0.2	2611.0
Total expenditure	15.0	45.1	-66.7	9.3	61.1
Operating profit	-10.1	25.0	-140.5	-9.1	10.5
Other income	1.4	2.7	-48.5	1.6	-10.9
Interest cost	0.1	0.2	-38.4	0.1	-19.0
Depreciation	10.4	10.5	-0.6	12.6	-17.6
PBT	-19.2	17.0	-	-20.3	-5.5
Tax	-4.5	11.6	-	-4.5	-1.5
Adjusted PAT	-14.8	5.5	-	-15.8	-6.6
Extraordinary item	0.0	15.6	-	0.0	-
Reported PAT	-14.8	21.0	-	-15.8	-6.6
OPM(%)	-2	35.6	-	-	-

Source: Company; Sharekhan Research

Outlook and Valuation

■ Sector View – Parks operating at 50%; operations at 100% likely to allowed soon

Amusement parks were totally closed from mid-March till mid-October due to increasing COVID-19 cases in India. However, with a drop in active cases and recovery inching close to 90%, Government of India (in Unlock.5 phase) allowed entertainment/amusement parks to open from October 15 with a limited capacity under the standard operational policy. Some of the international top rated parks in France, China and Hong Kong starting its operations post the receding of virus scare got encouraging response with huge pent-up demand. With recovery rate inching up close to 100%, we expect the government to allow amusement park to operating at 100% capacity in the coming quarters.

■ Company Outlook – Pent up demand would lead to higher footfalls in FY2022

Considering the initial response to restricted operations at all parks and digital campaigns done by the company, the management is confident of achieving incremental footfalls in the coming quarters (especially Q1FY22, which is one of the strongest quarters due to holiday season). Further large shift is expected happen to open ended entertainment options in post pandemic era, which will help WHL to achieve scale up in footfalls in FY22/23. We expect footfalls to reach close to FY2020 by FY2023. The company would require average footfalls of 1300 per day with average revenues per visitor of Rs. 1,000 to become cash positive in all the parks. With gradual recovery in footfalls we expect good recovery in FY2022 (with EBIDTA Positive with OPM of 18.2%) and expect growth momentum to sustain in FY2023 (expect OPM of ~37%).

■ Valuation – Maintain Hold with revised target of Rs. 227

We believe footfalls to regain momentum as a large shift is expected to happen to open ended entertainment options (including Amusement parks, gardens or beaches) in the post-pandemic era. Though H1FY2021 was affected with NIL business, the highlight of the lockdown was the stringent cost-saving, which helped the company to curb losses at bottomline level. Further, a strong balance sheet would help the company to focus to regain the footfalls momentum. The stock is currently trading at ~14x its FY2023E EV/EBIDTA. We maintain our Hold rating on the stock with a revised price target of Rs. 227. Any significant and consistent improvement in the footfalls would act as a key rerating trigger for the stock.

About company

WHL is one of the largest theme park operators in India and has been in the business for over 19 years. The company launched its first amusement park in Kochi, followed by parks in Bengaluru and Hyderabad and owns a resort located near its Bengaluru Park. The company has an in-house facility in Kochi for manufacturing rides and attractions. The company has acquired land in Chennai for its fourth park which is in the process of construction and another park is expected to commence construction in Odisha.

Investment theme

WHL is one of the top entertainment companies in India with three amusement parks in Kochi, Bengaluru and Hyderabad. Despite an asset-heavy model, the company has a strong balance sheet with no debt on books as strong cash flows take care of incremental capex requirements. Recent performance was affected by events closure of amusement parks and resorts due to the spread of the pandemic. Any sustained improvement in footfalls will act as a re-rating trigger for the stock.

Key Risks

- ♦ Muted footfalls in the near to medium would affect revenue growth.
- ♦ Continuation of the lockdowns leading to sustained closure of parks would act as key risk to the footfalls and would affect performance for a quarter or two.

Additional Data

Key management personnel

Arun K Chittilappilly	Managing Director
M Ramachandran	Chairman
George Joseph	Vice Chairman
Srinivasulu Raju Y	Company Secretary

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Steinberg India EM OP Fund	7.4
2	K Chittilappilly Trust	4.9
3	Arav Chittilappilly Trust	4.7
4	Handelsbanken Tillvaxtmark	2.2
5	Svenska Handelsbanken	2.2
6	Valuequest India Moat Fund	1.8
7	Old Well Emerging Markets	1.5
8	Union Mutual Fund/India	1.0
9	Lloyd George Investment Mgmt	0.3
10	BMO Investments II Ireland PLC	0.2

Source: Bloomberg

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

Sharekhan

by BNP PARIBAS

Know more about our products and services

For Private Circulation only

Disclaimer: This document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This Document is subject to changes without prior notice. This document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other reports that are inconsistent with and reach different conclusions from the information presented in this report.

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 SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst has not dealt or traded directly or indirectly in securities of the company and that all of the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst further certifies that neither he or its associates or his relatives has any direct or indirect financial interest nor have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report nor have any material conflict of interest nor has served as officer, director or employee or engaged in market making activity of the company. Further, the analyst has also not been a part of the team which has managed or co-managed the public offerings of the company and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Limited or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Compliance Officer: Mr. Joby John Meledan; Tel: 022-61150000; email id: compliance@sharekhan.com;

For any queries or grievances kindly email igc@sharekhan.com or contact: myaccount@sharekhan.com

Registered Office: Sharekhan Limited, 10th Floor, Beta Building, Lodha iThink Techno Campus, Off. JVL R, Opp. Kanjurmarg Railway Station, Kanjurmarg (East), Mumbai – 400042, Maharashtra. Tel: 022 - 61150000. Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE / MSEI (CASH / F&O / CD) / MCX - Commodity: INZ000171337; DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669; Research Analyst: INH000006183;

Disclaimer: Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com; Investment in securities market are subject to market risks, read all the related documents carefully before investing.