

Wonderla Holidays Ltd. (WHL) : "A wonderful investment opportunity - SUBSCRIBE"

21st April, 2014

Wonderla Holidays Ltd (Wonderla), founded in 2002, is one of the largest amusement park operators in India. India's amusement park industry is estimated to be worth Rs. 7000 crore from the current Rs. 2600 crore. It has grown at ~17% CAGR over the past few years. The company currently owns and operates two amusement parks under the brand name 'Wonderla' situated at Kochi and Bangalore and are in the process of setting up its third amusement park in Ranga Reddy District of Andhra Pradesh for which it has acquired 49.57 acres of land. WHL amusement parks offer a wide range of water and land based attractions catering to all age groups. It has 22 water based attractions and 33 land based attractions at Wonderla Kochi, situated on 93.17 acres of land and 20 water based attractions and 35 land based attractions at Wonderla Bangalore, situated on 81.75 acres of land. The company also owns and operates a Three star leisure resort beside an amusement park in Bengaluru under the brand name 'Wonderla Resort', comprising of 84 luxury rooms which has been operational since March 2012. The Company has been present in the industry for the past 13 years with two amusement parks. The company's cost of establishment is lower than the establishment costs in today's market, which gives Wonderla flexibility to keep entry fees competitive. To have a cost competitive advantage, Wonderla has developed an in-house manufacturing facility in Kochi to construct rides used in its amusement park. According to the company, the cost of in-house manufacturing a ride is almost a third of that of buying it from outside.

Wonderla Holidays has allotted shares to three anchor investors at Rs 125 per equity share, at higher end of issue price band of Rs 115-125. The three anchor investors are HDFC Trustee Company (HDFC Mutual Fund), Aditya Birla Private Equity Trust and TVS Shriram Growth Fund (TVS Capital). At the upper band of the issue price, WHL is valued at 17x – 9MFY14 Annualized EPS/share of Rs. 7.33/- at upper end of the price band. With due consideration to factors like a) well established player in South India with early mover advantage, b) decent revenue CAGR of 21.8 % over the period FY09-FY13, c) robust EBITDA margins of over 45 percent, d) negative working capital business as most payments are received upfront, e) good operating cashflow with strong balance sheet, f) investment made by anchor investors like HDFC Mutual Fund, Aditya Birla Private Equity and TVS Shriram Growth fund fosters confidence in the Company. However, concerns like ongoing litigation on land (14.7 acres) in Hyderabad which would delay the execution of the project, completion from new and existing players, risk of accidents or mishaps at any of the parks may affect the performance of the company. Although the company has been aggressive in the pricing the issue but we recommend investors to "SUBSCRIBE" the issue as investment by anchor investors instills confidence and strong promoter quality with the company being a proxy for India's consumption story with rising middle class disposable income makes us convince that it presents a compelling investment opportunity.

Financial summary

Y/e 31 Mar (Rs. mn)	9mFY14*	FY13*	FY12	FY11
Total income	1,215	1,392	1,145	912
EBITDA	580	642	569	475
EBITDA Margin (%)	47.7	46.1	49.7	52.1
Reported PAT	310	335	299	315
PAT margin (%)	25.5	24.06	26.1	34.5
Post issue diluted EPS (Rs.)	7.33#	5.9	5.3	5.6
P/E (x) at upper end of price band	17	21	24	22
Equity Capital	420	420	420	420
Networth	1,524	1,214	953	728
Debt/Equity (x)	0.12	0.15	0.18	0.12
RoNW (%)	20.3	27.5	31.3	43.2

Source: RHP, Ajcon Research Note: #Annualised EPS on Post IPO equity

Issue date	April 21 – 23 , 2014	
Issue size	Rs. 1812.5 mn at upper end of the price band	
FV	Rs.10	
Price Band	Rs. 115 - 125 per share	
Lot size	100 Equity Shares and in multiples of 100 Equity Shares thereafter.	
Issue structure	QIB: 50% Retail: 35% Non – Institutional: 15%	
Type of issue	Fresh Issue: 145 mn	
Equity shares post issue	565 mn equity shares	
Post issue market capitalization	Rs. 70.6 bn at upper price band	
Promoters	Mr. Kochoseph Chittilapilly (Vice Chairman and Whole Time Director) Mr. Arun K Chittilapilly (MD)	
Book Running Lead Managers	Edelweiss Financial Services Ltd. ICICI Securities Ltd.	
IPO Grading	Grade 4/5 by CRISIL indicating above average fundamentals	
Registrar to the issue	Karvy Computershare Pvt. Ltd.	
Shareholding Pattern (%)	Pre Issue	Post Issue
Promoters	95.5	71.0
Others	4.5	3.4
Public	-	25.7
Total	100	100

Research Analyst

Akash Jain, MBA (Financial Markets)

Corporate Off. : 408, Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall, Western Express Highway, Malad (East), Mumbai - 400 063. Tel : 91-22-67160400
mail : research@ajcon.net Website : www.ajcononline.com

PROMOTERS BACKGROUND (RS. IN MN)

The Company's promoter, Kochouseph Chittilapilly in the year 1996 had incorporated V-Guard Industries Ltd., its Group Company, which is listed on BSE and NSE since 2008.

OBJECTS OF THE ISSUE (RS. IN MN)

S. No.	Particulars	Total Estimated Cost	Amount deployed as on Feb. 20, 2014	Balance estimated cost as on February 2014	Estimated to be financed by Debt	Amount which will be financed from the net proceeds of the issue
1	To set up an amusement park, Wonderla Hyderabad	2559.8	376.7	2,183.1	450	1,733.1

Source: RHP, Ajcon Research

ESTIMATED NET PROCEEDS UTILIZATION DURING FISCAL (RS. IN MN)

S. No.	Particulars	2014	2015	2016
1	To set up an amusement park, Wonderla Hyderabad	-	708.2	1024.8

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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net, 022-67160443 (D)

CIN: L74140MH1986PLC041941

Website: www.ajcononline.com

Corporate and Broking Division

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Malad (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062

Registered Office:

101, Samarath, Off. Hinduja Hospital, 151 Lt. P.N. Kotnis Road, Mahim (West), Mumbai – 400016. Tel: 022-24460335/36/40

Research Analyst

Akash Jain, MBA (Financial Markets)

Corporate Off. : 408, Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall, Western Express Highway, Malad (East), Mumbai - 400 063. Tel : 91-22-67160400
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