

## Wonderla Holidays Q2FY21

### Financial Results & Highlights

#### Brief Company Introduction

Wonderla Holidays Limited operates amusement parks and resorts in India. It operates through Amusement Parks and Resort, and Others segments. The company's amusement parks offer land, water, high thrill, and kid rides. It operates three amusement parks in Kochi, Bengaluru, and Hyderabad; and the Wonderla resort in Bengaluru under the brand name Wonderla. The company operates Wonder Kitchen, a food takeaway outlet. It also sells merchandise, cooked food, packed foods, etc. The company was incorporated in 2002 and is based in Bengaluru, India.

Consolidated Financials (In Crs)								
	Q2FY21	Q2FY20	YoY %	Q1FY21	QoQ %	H1FY21	H1FY20	YoY
Sales	2	44	-95.45%	2	0.00%	4	165	-97.58%
PBT	-20	-2	-900.00%	-21	-4.76%	-41	60	-168.33%
PAT	-16	0	-	-15	6.67%	-30	42	-171.43%

#### Detailed Results

1. The company saw revenues stay down in Q2 as well due to a temporary shutdown of operations which started at 50% capacity from 15<sup>th</sup> Oct in Q3.
2. Bangalore park opened on 13<sup>th</sup>
3. Approval & SOP from Telangana Government is pending for Hyderabad park.
4. In Wonder Kitchen, the company opened up new branches in Bangalore and Kochi in Q2. Another branch was opened in Hyderabad in Sep. The company now has 4 branches in total.
5. Wonderla Resort Bangalore was reopened for customers from 3<sup>rd</sup> October 2020.
6. Cash & cash equivalents for the company has come down to Rs 45 lacs in Sep from Rs 3.7 Cr in March.

#### Investors conference call Highlights

1. George Joseph, the Joint Managing Director, has retired from active management due to the travel and health-related restrictions caused by the pandemic and is now a Non-Executive Director on the Board.
2. Mr Arun Chittilappilly has taken over as the Managing Director.

3. The company is in the process of an enterprise-wide digital transformation which should help increase efficiencies and help the creation of more interactive, dynamic, and immersive attractions, by understanding customer preferences through technologies like data analytics.
4. In Q2, the company had test-launched a new initiative called Wonder Garden, which is a plant nursery-based offering. It offers a range of plants and — indoor and outdoor plants, which the company already has a garden set up in all of its parks for maintenance.
5. The company has reduced its monthly expenses from Rs 10 Cr in March 2020 to Rs 3 Cr in Aug 2020.
6. The company has opened parks in such locations only where it can stay open 365 days without much variance due to weather.
7. The company already has a customer loyalty program with 1.5 lac members but it is a pre-digital system that is going to be digitized.
8. Although merchandising is a big part of sales in the amusement park industry, the company is not actively focusing on it and is more focused on spur-of-the-moment sales of products in its parks.
9. Breakeven footfall for the company is at 1300-1350 per park per day after reopening.
10. In Bangalore, the park will be open only from Friday to Sunday and will be operating land rides only.
11. The company has not been able to start work on the Chennai park and it will renegotiate that whole thing with Chennai Government because it feels that the LBT is an unfair tax burden on the amusement park. Once that clearance is approved, construction will start and then at that point, the company will decide whether it needs debt.
12. The management doesn't see a big-ticket investment in Odisha.
13. The construction of a new amusement park takes around 18 months typically. The company has not gotten the govt approval to start construction in Chennai and is waiting on it to start the construction.
14. The company has asked for a lifetime waiver of the tax LBT because it feels that the tax is too high and the renegotiation is still going on.
15. The fixed assets in Chennai are valued at Rs 109 Cr including Rs 88 Cr for the land.
16. The biggest issue in setting up amusement parks is the different tax issues in it. At the time of the company IPO, the tax on each ticket was at 5-8%. Because of GST, it has gone up to 18%. And some places like Tamil Nadu add on an extra tax of 10% bringing up the total tax on the ticket to 28% which is too high for a Capex heavy industry.
17. Chennai Capex is expected to be at Rs 300 Cr while Odisha Capex is expected to be at Rs 100 Cr.
18. The idea behind Wonder Kitchen was to keep some of its staff occupied and, with practically zero investment, generate an alternate source of income. This is a highly scalable model as it doesn't have any requirements for prime real estate. It also provides the company with a high recall value which is

important as the company has very low repeat business. The company is now concentrating on perfecting the business model first.

19. The company will be using both its own app-based delivery system and third-party apps like Swiggy and Zomato. Around 30-40% of orders come from third-party apps.
20. The company doesn't have any issues with raising debt to fund expansion and in constructing new projects. The major roadblock in new expansions is local tax and approval issues which take a lot of time to get through.
21. Currently, the company is manufacturing only for its own consumption. It can build rides and maintain them at a very low cost compared to its competitors. But the management does not see manufacturing as a big opportunity here.
22. The company is on the lookout for new opportunities for operating existing parks. It is not willing to be an equity partner in them and is only looking at managing and running these parks.
23. The company may look for partners or allies for adventure sports and activities but it will not pursue them on its own.
24. The key criteria for selecting a location for the company to build parks are weather and population size in a 300-500 km radius.
25. There are opportunities in other countries. Wonderla has been approached by Sri Lanka and Bangladesh as well. The company is exploring options to see whether it can partner up with someone for it in Sri Lanka.
26. The company is open to Northern India but the issue here is the extreme weather which can force the open park to stay closed for 4-5 months. A better option at such places will be closed or indoor parks.

### **Analyst's View**

Wonderla Holidays is India's leading amusement park operator. This business has strong entry barriers because of high Capex and long gestation cycle. Wonderla has been able to manage its operations well over the years and create a niche space for itself. However, COVID-19 played a spoilsport for them. The business for first half of the year was fully impacted with nil operating revenue from park operations. In the meantime, the company has focussed on cost-cutting measures. They also improvised by venturing into the Wonder Kitchen segment. It serves two purposes: keeps the employees engaged and also gives some much-needed revenue. However, it is too small and the business model is still evolving. The Bangalore park was reopened on 13th November after complying with all COVID-induced restrictions. It remains to be seen how much time it will take for normalcy to come back in their business. However, Wonderla has the potential to positively surprise once all the parks are opened and the footfall comes to pre-COVID level.



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