

WONDERLA HOLIDAYS

Ride the adrenaline rush

India Equity Research | Retail

Wonderla Holidays (Wonderla), India's largest amusement park chain, is set for an adrenaline rush propelled by the likely recovery in discretionary spending. Reasonable prices, credible brand equity, in-house manufacturing, improving resort occupancy and experienced management team give it a distinctive competitive edge. Riding 2 successful operational parks and 1 on the horizon, we expect commendable revenue, EBITDA and PAT CAGR of 31.9%, 28.3% and 18.6%, respectively, over FY15-17. We initiate coverage with 'BUY'.

Attractive pricing spurs footfalls; in-house team a competitive edge

Attractive pricing (~1/3rd that of *Imagica*) and activations (team of 59 sales agents, Privilege Card) spurred footfall CAGR of 7.9% (Asia average 6%) coupled with 9.1% ATP CAGR over FY09-14. As a further booster, the company adds a new ride every year. Also, strong in-house manufacturing team (30% rides manufactured in house) gives competitive edge and cuts downtime. Moreover, occupancy at its 3-star resort has improved (48.9% in 9mFY15 vis-à-vis 26.9% in 9mFY14) and is slated to surge further.

To reap expansion benefits; non-ticket contribution margin kicker

Wonderla's new Hyderabad park is expected to be operational in early FY17. Moreover, lower initial capex compared to other large parks (INR2.5bn for Hyderabad park compared to INR16.5bn for *Imagica*) reduces the payback period and improves return ratios. Additionally, mix change in favour of non-ticketing park revenue from current ~23% will aid margin as F&B is directly recognised as sales commission and merchandise entails ~50% EBITDA margin.

Outlook and valuations: Positive swing; initiate with 'BUY'

Wonderla's management pedigree (~15 years' industry experience), strong brand franchise, reasonable pricing and attractive rides place it in a sweet spot. We assign EV/EBITDA multiple of 15x (discount to niche retailers but ~35% premium to global peers) FY17E to arrive at a target price of INR363. Hence, we initiate coverage with 'BUY' and rate the stock 'Sector Performer' on relative return basis. Service tax, accidents, natural disasters or epidemics are key concerns/risks.

Financials

Year to March	FY14	FY15E	FY16E	FY17E
Revenues (INR mn)	1,536	1,714	2,024	2,984
EBITDA (INR mn)	704	810	970	1,333
Net profit (INR mn)	399	499	589	701
Diluted EPS (INR)	9.5	8.8	10.4	12.4
EPS growth (%)	18.8	(7.0)	18.0	19.1
Diluted P/E (x)	29.2	31.4	26.6	22.3
EV/EBITDA (x)	16.5	16.7	15.0	11.4
ROAE (%)	29.6	19.6	15.4	16.2

EDELWEISS 4D RATINGS

Absolute Rating	BUY
Rating Relative to Sector	Performer
Risk Rating Relative to Sector	Medium
Sector Relative to Market	Overweight

MARKET DATA (R: NA.BO, B: WONH IN)

CMP	: INR 277
Target Price	: INR 363
52-week range (INR)	: 355 / 156
Share in issue (mn)	: 56.5
M cap (INR bn/USD mn)	: 16 / 250
Avg. Daily Vol.BSE/NSE('000)	: 544.2

SHARE HOLDING PATTERN (%)

	Current	Q2FY15	Q1FY15
Promoters *	71.0	71.0	71.0
MF's, FI's & BK's	2.1	4.1	8.3
FII's	7.9	6.9	2.1
Others	19.0	18.0	18.6
* Promoters pledged shares (% of share in issue)	NIL		

PRICE PERFORMANCE (%)

	Sensex	Stock	Stock over Sensex
1 month	0.6	(4.1)	(4.7)
3 months	4.0	(0.9)	(4.9)
12 months	31.5	75.7	44.2

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Investment Rationale

Buoyant footfall growth to swing up further

Footfalls in an amusement park are a combination of overall mood in the economy (which drives discretionary spending), rides & park attractions, location & accessibility, seasonality, holidays and demographics in and around the park.

Wonderla, with 2 operational parks (1 at Kochi and another at Bengaluru), has clocked footfall CAGR of 7.9% over FY09-14 (5 years CAGR). This CAGR is above the average of 6.0% posted by amusement parks in Asia. The company's footfalls have catapulted from 1.57mn in FY09 to 2.30mn in FY14. On the individual park front as well, the company's footfalls have been buoyant, which will bolster further as the macro economic conditions improve. 5-year footfall CAGR over FY09-14 for the Bengaluru park is 13.3%. On an average, there are ~4,000 footfalls daily in the Bengaluru park. For Kochi, 14-year footfall CAGR is 6.07%. In spite of more than 14 years of operations, Wonderla's Kochi park is clocking steady footfall growth of 6-7% YoY.

As far as customers' profile is concerned, ~70% footfalls are walk-in customers and balance are controlled crowds (school, college and corporate picnics). This mix has remained stagnant over the past 5 years. Of the 30% controlled footfalls, ~90% are school children, balance are repeat visitors.

Chart 1: Footfall trend at the Bengaluru Park

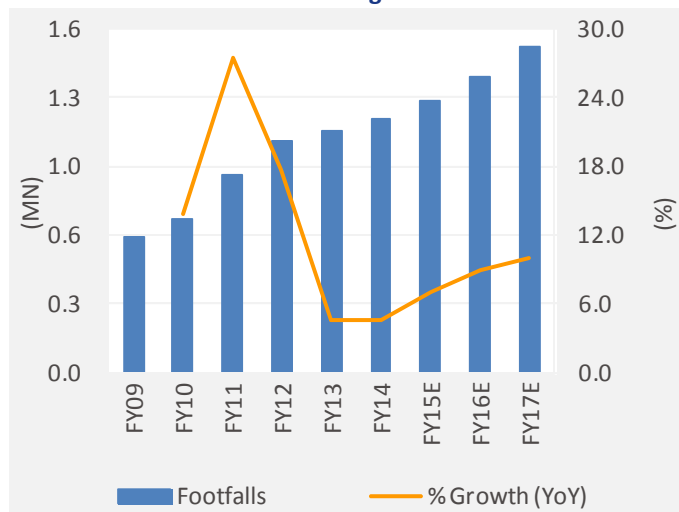
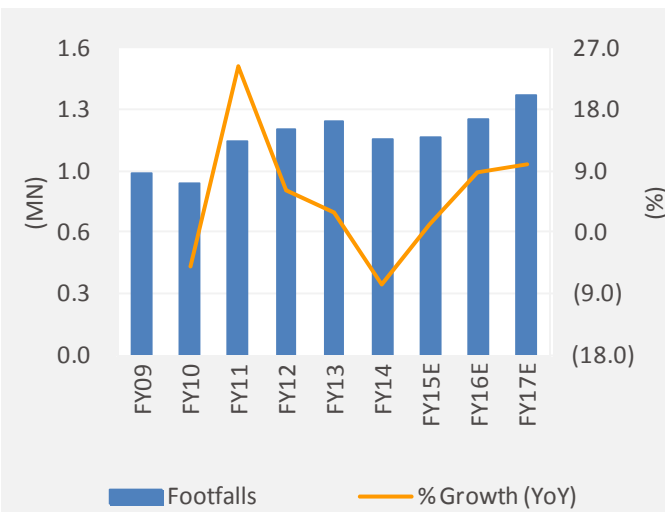


Chart 2: Footfall trend at the Kochi Park



Source: Company, Edelweiss research

Footfalls in amusement parks are affected by seasonality; generally, Q1 and Q3 are the best quarters for Wonderla. Of 365 days in a year, 150 days are lean. The company clocks high footfalls in Q1 due to summer vacations; low footfalls in Q2 due to monsoons; high footfalls in Q3 due to festive season & school picnics; and low footfalls in Q4 due to exam season. **40% of Wonderla's revenue comes in Q1, 25% in Q3 and ~17-20% in Q2 and Q4 each.** Apart from the summer vacation period of April and May, December is a strong month for the company, provided, there are no rains. Half of annual PAT comes in the April-June quarter (Q1).

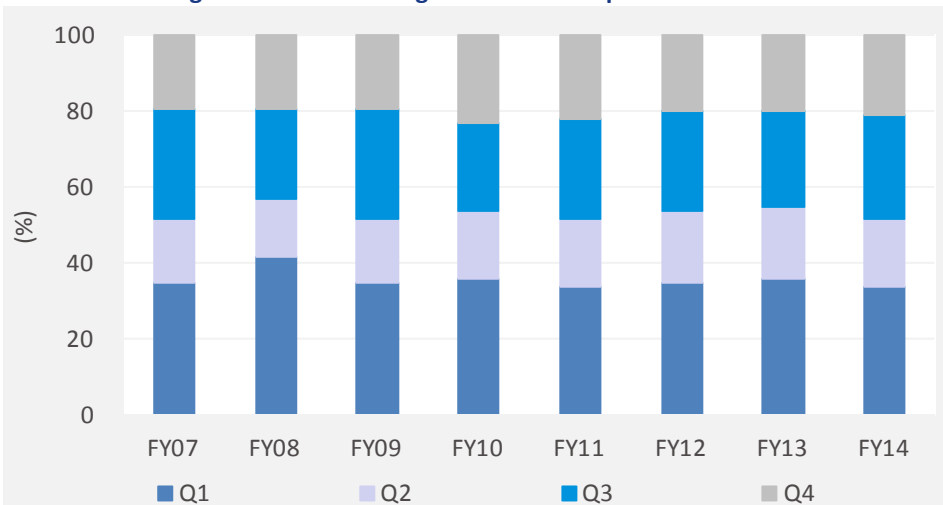


“As part of our five-year plan, we had planned two parks, one in Hyderabad and one in Chennai and these two projects are coming pretty close to each other. Right now we are focusing on Hyderabad and Chennai but after that we will look at Pune, Mumbai. We are looking at all the big cities because we feel there is scope to do something like this there as well.”

- **Arun Chittilappilly, MD,**
Wonderla Holidays

The Kochi and Bengaluru parks also attract crowd from around the states. At the Kochi park 65-70% of the crowd comes from Kerala while the remaining comes from Tamil Nadu. As far as the Bengaluru park is concerned 65% customers are from Karnataka, 20-22% from Tamil Nadu while the balance are from the Kerala and Andhra Pradesh.

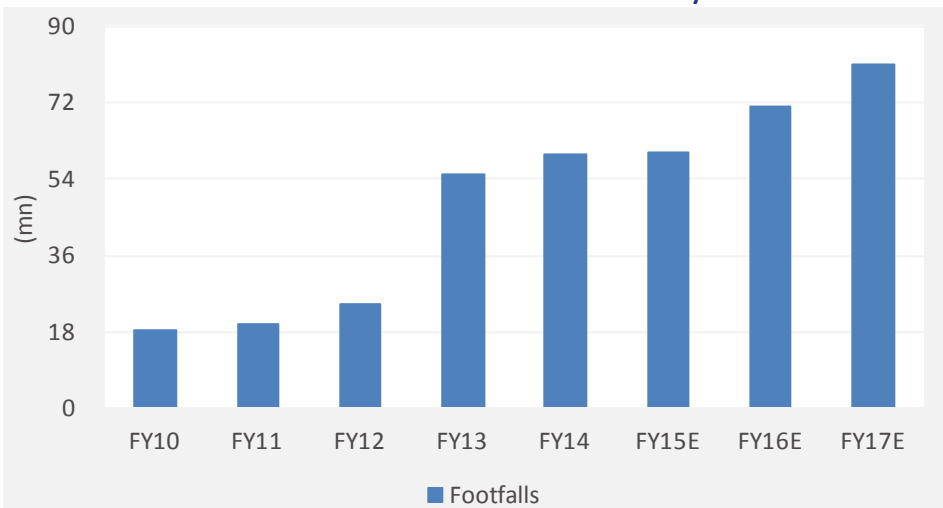
Chart 3: Percentage of revenue coming from different quarters



Source: Company, Edelweiss research

Footfalls for Wonderla are more steady compared to a multiplex operator where it largely depends upon the quality of the content.

Chart 4: Growth in footfalls of PVR remains robust but varies by content



Source: Company, Edelweiss research

We estimate footfalls to clock CAGR of 20.0% (including new park in Hyderabad) and CAGR of 9.4% for the parks at Kochi and Bengaluru taken together over FY15-17 driven by tailwinds from improving macro economic factors leading to improved discretionary spendings, competitive pricing, strong expansion plans (Hyderabad park to commence in FY17E), rides addition and favourable location.

Chart 5: Bengaluru park customer type over the years

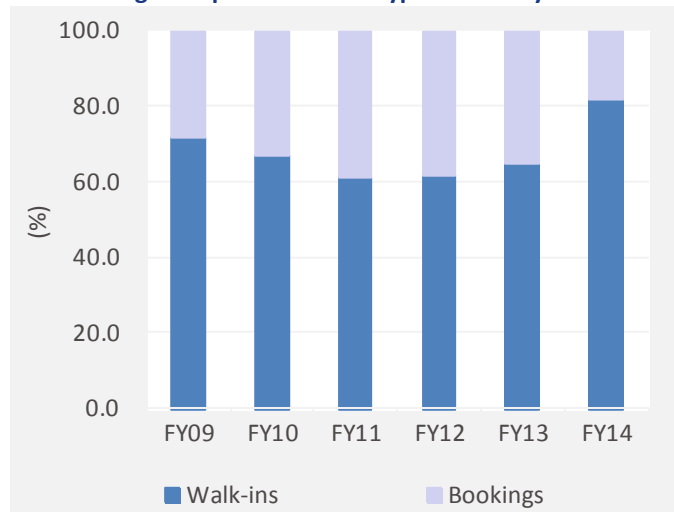
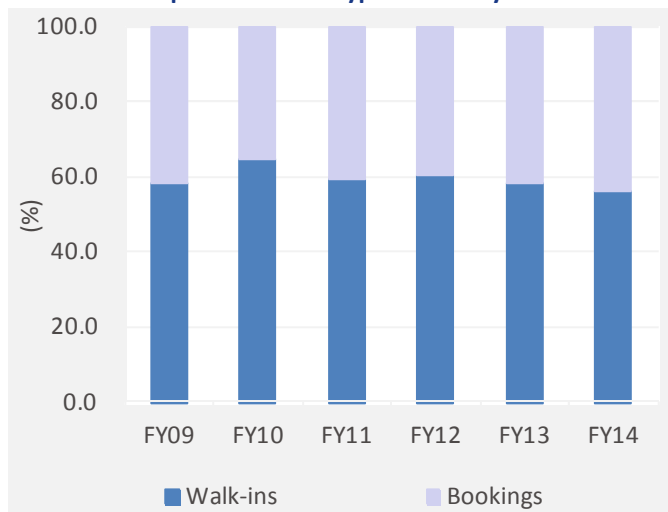


Chart 6: Kochi park customer type over the years



Source: Company, Edelweiss research

Macro economic tailwinds to pace up the ride

Discretionary spending on the rise: Discretionary spending in a country is a vital determinant of amusement parks' profitability. Discretionary spending in India has plummeted significantly over the past 2 years, validated by the significant slowdown in Jubilant FoodWorks' and Yum Brands' same store sales growth (SSG). However, the spending is anticipated to gallop riding optimism instilled by the new government at the Centre. India's job market is also reviving post credible policy actions initiated by the new government. Job market revival will boost actual spending significantly, which in turn will spur discretionary spending. As per India Skills Report 2015, hiring is slated to jump 23% in CY15. Interest rate cut by RBI will also be a key driver of discretionary spending going forward.

Chart 7: Per capita income in India continues to improve

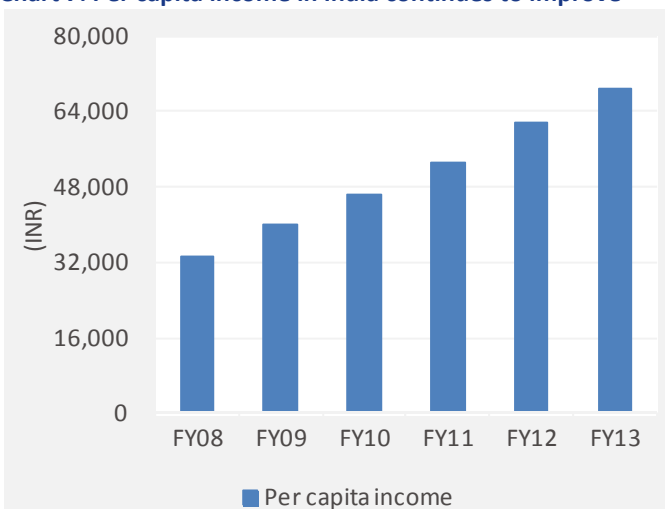
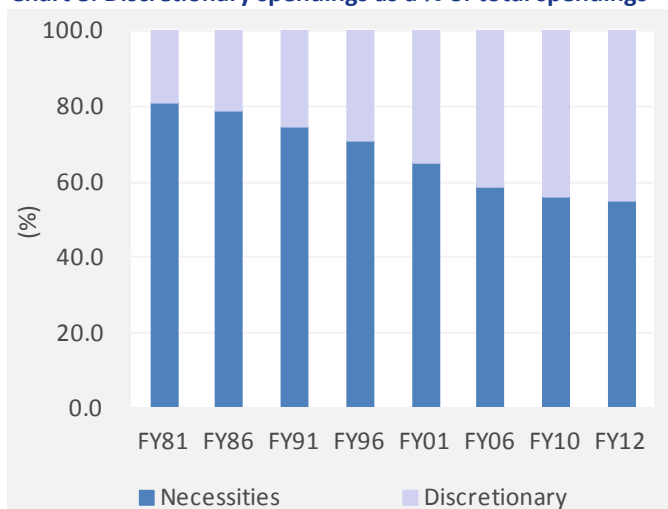
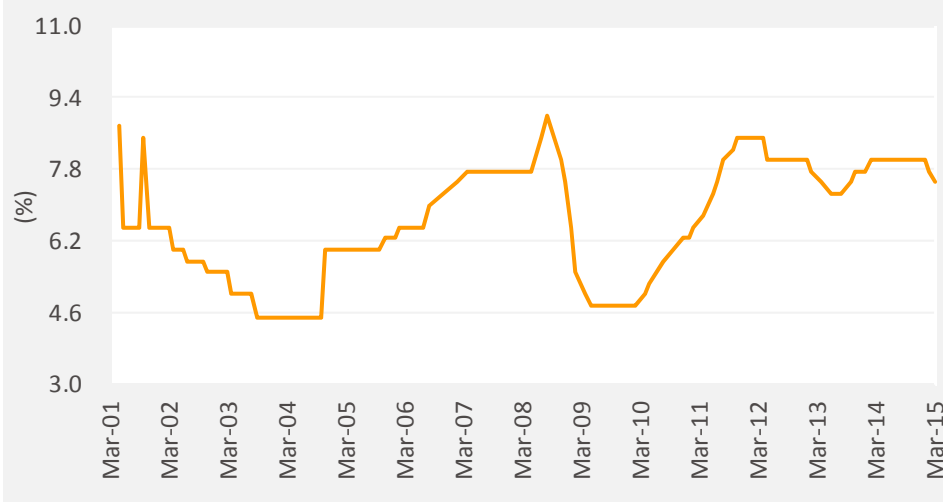


Chart 8: Discretionary spendings as a % of total spendings



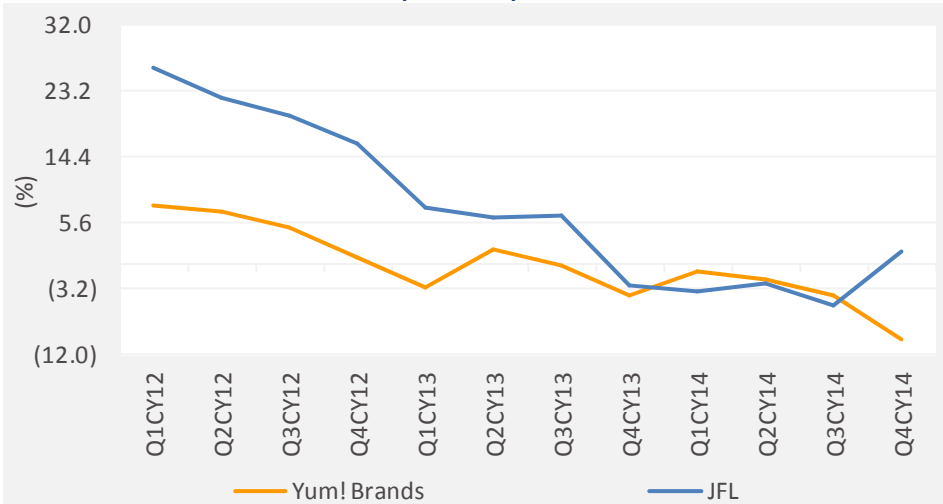
Source: CSO, Crisil, Edelweiss research

Chart 9: Interest rate cuts to help revive the economy



Source: Bloomberg, Edelweiss research

Chart 10: Slowdown in SSG over the past few quarter



Source: Company, Edelweiss research

Favourable demographics: India is slated to become the youngest country in the world by 2020 with the median age declining to 29 years with about 64% of population in the working age group. Also, as per a recent UN report, India has the world's largest youth population, despite having a smaller population than China, with 356mn in the 10-24 year age bracket. This presents a favourable demographic for the amusement industry in India as majority of its customers fall under this age bracket.

Tourism industry boom: Promoting tourism is Modi government's key priority. Domestic spending on tourism, one of the biggest driver of the amusement park industry, is expected to jump significantly. Domestic tourism posted CAGR of 13.7% for ~7 years till CY11 and the number of domestic tourists jumped 14.0% CAGR between 1991 and 2012. Also, as GDP improvement spurs income levels, domestic tourism will surge at a much faster clip. This bodes well for the amusement park industry as local residents form major chunk of the footfall (84%), followed by domestic tourists (15%). Larger inflow of tourists in parks leads to

better utilisation of allied services like hotels/ resorts as well. In India, only 3% tourists visit amusement parks compared to 59% in US, Singapore and Australia. This provides significant potential for further increase in the inflow of tourists in amusement parks in India.

Chart 11: Statewise domestic tourist visitor proportion

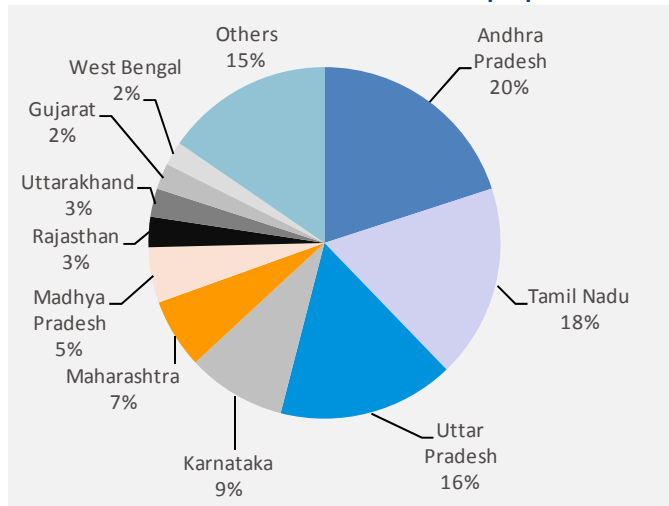
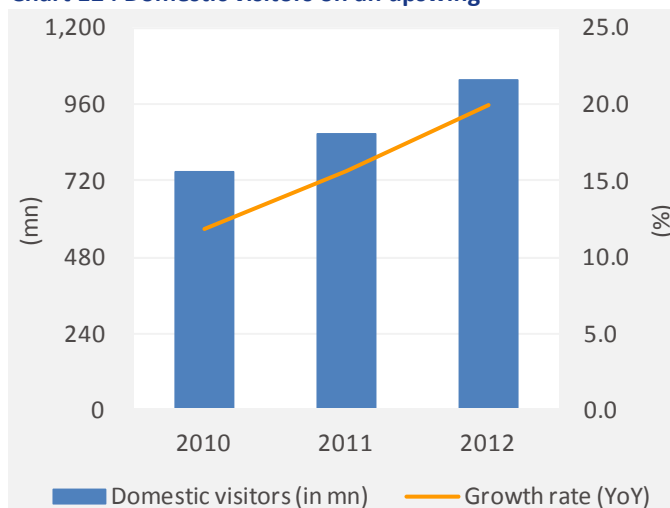


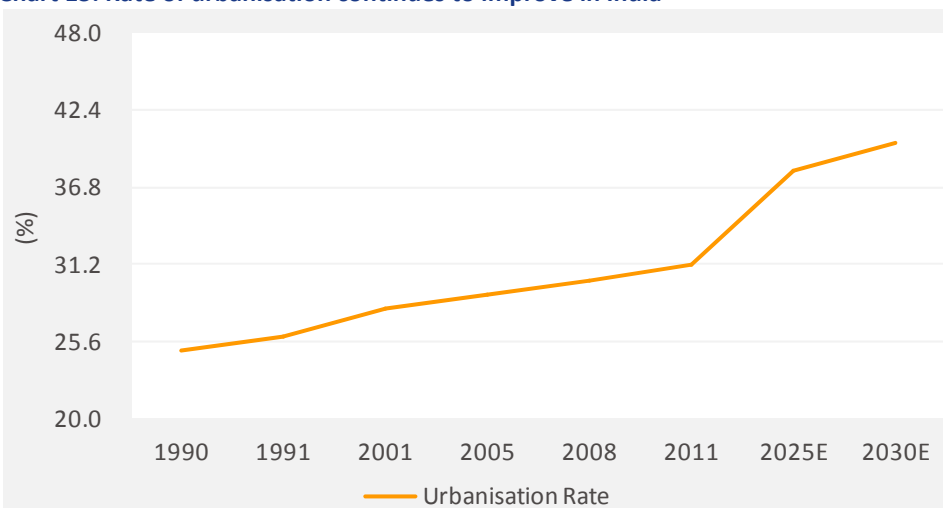
Chart 12 : Domestic visitors on an upswing



Source: Indian Tourism Statistics 2012, Edelweiss research

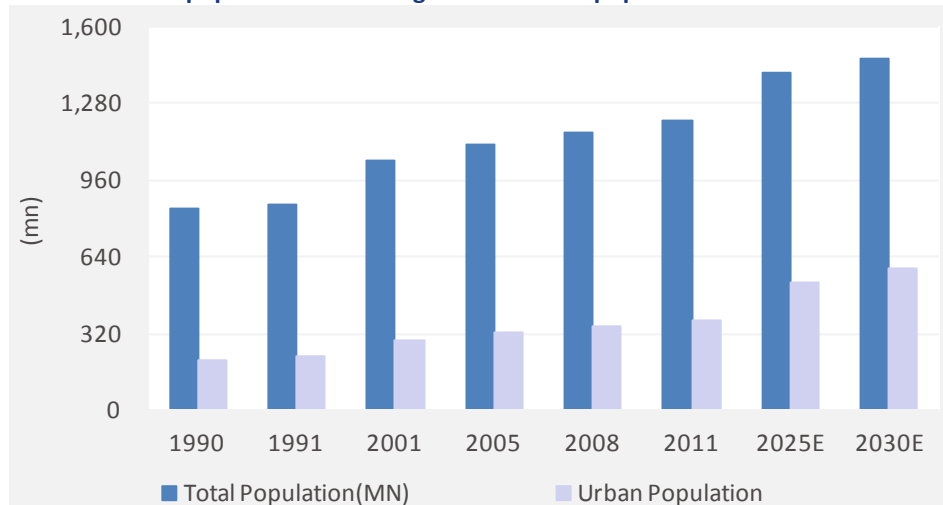
Urbanisation: More and more people in India are moving to urban cities which is rapidly increasing the pace of urbanisation. As a result of rapid urbanisation, more people in India are looking for entertainment and leisure ones. Currently, many Indian cities have limited entertainment options, especially outdoor options, to offer to consumers. Amusement parks are expected to cater to this growing consumer segment. The count of the population as a proportion of overall population residing in urban areas has increased from 11.4% in 1901 to 28.53% in 2001. According to a survey by UN State of the World Population report in 2007, by 2030, 40.76% of country's population is expected to reside in urban areas. The focus of the new government towards revival of growth in urban cities further provides a philip to the urbanisation rate in India.

Chart 13: Rate of urbanisation continues to improve in India



Source: Census, Edelweiss research

Chart 14: Urban population increasing as a % of total population

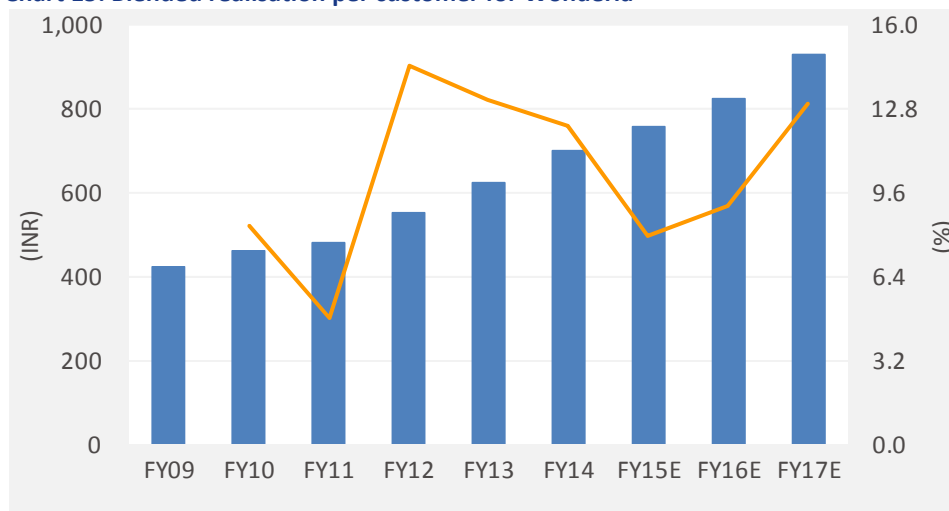


Source: Industry, Edelweiss research

Increase in ticket prices to boost average realisation per consumer

Realisation per consumer in a park is a function of the ticket price and revenue from non-ticketing items like food, merchandising etc. According to our estimate, Wonderla's **blended gross realisation per customer will jump from INR700 in FY14 to INR932 in FY17, riding improvement in proportion of non-ticketing revenue, improvement in average ticket price (ATP) and also introduction of differentiated and premium offerings.**

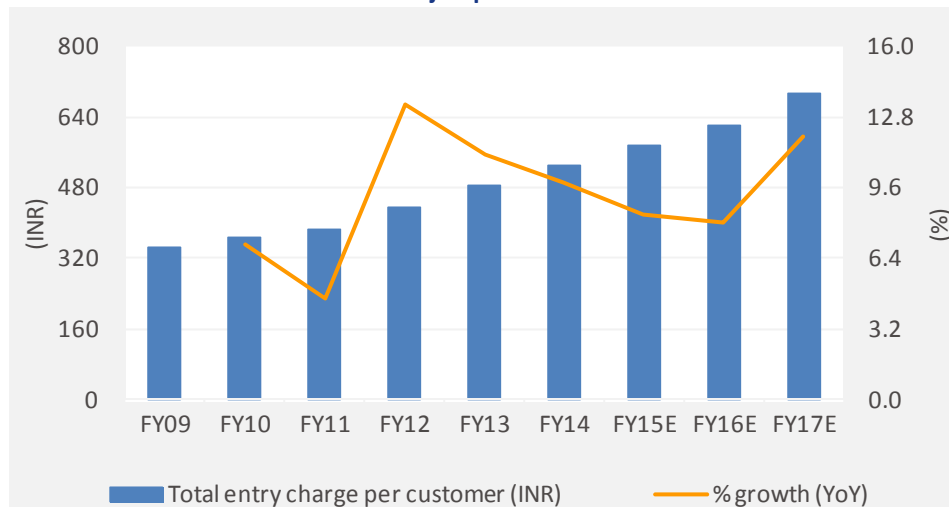
Chart 15: Blended realisation per customer for Wonderla



Source: Company, Edelweiss research

Despite ATP CAGR of 9.1% over FY09-14, the company has been able to sustain healthy footfall growth. We expect Wonderla to register ATP CAGR of ~10.0% over FY15-17 driven by improvement in discretionary spendings.

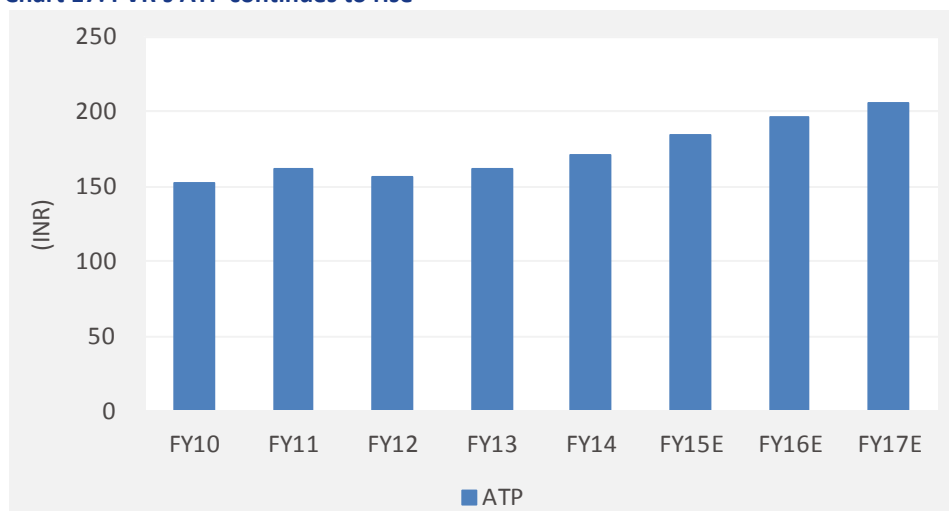
Chart 16: Overall ATP for Wonderla to jump



Source: Company, Edelweiss research

PVR has also been able to increase ATP price over the years.

Chart 17: PVR's ATP continues to rise



Source: Company, Edelweiss research

Kochi, Bengaluru park's ATP growth robust

Kochi Park's (first park in Wonderla's franchise started in 2000) ATP has surged from INR278 in FY09 to INR469 in FY14, implying 5-year CAGR of ~11%. Bengaluru Park, which commenced operations in 2005, has clocked ATP CAGR of 6% over FY09-14. Its ATP stood at INR586 in FY14, up from INR437 in FY09.

Thus, both the parks have atleast grown in line with inflation. The reason behind Kochi park's higher CAGR is that it started at a lower base and management slowly upgraded its customers, leading to a bigger delta compared to the Bengaluru park, which started at a premium to Kochi. Ergo, Wonderla's blended ATP has surged from INR342 in FY09 to INR530 in FY14, 9.1% CAGR over FY09-14. **We estimate Kochi and Bengaluru parks' ATP to post CAGR of 9.5% each over FY15-17 driven by better pricing power via extensions, new ride launches and improvement in the discretionary spending.**

Chart18: Average ticket price per customer for Bengaluru park

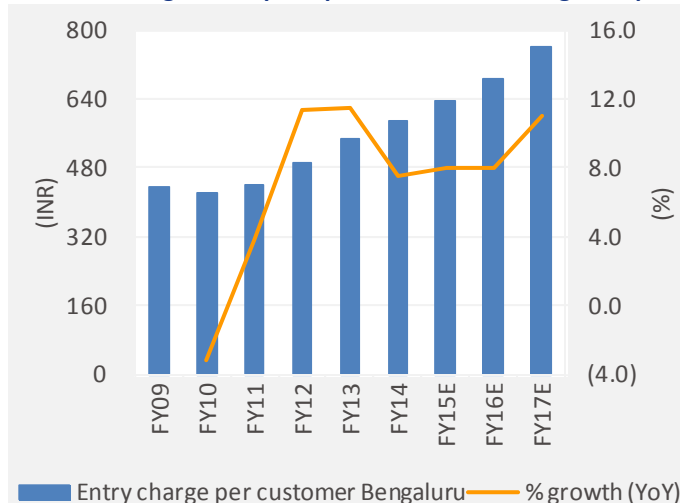
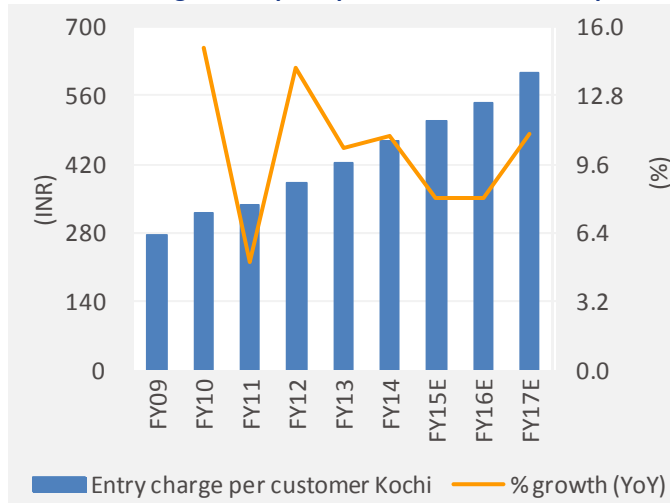


Chart 19: Average ticket price per customer for Kochi park



Source: Company, Edelweiss research

Hyderabad Park: New growth trigger

Wonderla took the IPO route (~INR1.8bn proceeds) to set up a new amusement park in Hyderabad. For the park, the company has acquired ~50 acres of land; all the necessary approvals have been obtained from Telangana government and construction is underway. The park is expected to commence operations from April 2016 (we have assumed that the park will be operational for 10 months in FY17). Thus, from FY17, the park will start to reflect in the company's numbers. This park is similar to the Bengaluru park as far as rides and other facilities are concerned. However, the Hyderabad park has much better connectivity compared to other existing parks in Hyderabad—superior infrastructure, is close to the airport and is located outside the ring road which connects to Hyderabad city. Though initially pricing in Hyderabad will be slightly lower than the Bengaluru park, eventually it will be at par with the latter. We have built in ATP of INR721 (~5% discount to the Bengaluru park) for FY17 for the Hyderabad park and as the park matures its realisation will improve further, boosting the company's overall realisation. Though Hyderabad has Ramoji Film City, which does raise competition concerns, we believe both Wonderla and Ramoji are operating in different genres—while Wonderla is an amusement park with dry and wet rides, Ramoji is a film city.

Apart from this, the company is also planning to open a new park in Chennai, which is expected to start in the latter part of FY19.

Competitive and flexible pricing cushion against slowdown

An attractive price point providing customers a value for money proposition is one of Wonderla's key strengths. Despite good quality rides, it charges competitive prices compared to other players. This is because the company's upfront capex is much lower compared to other large parks, e.g., Imagica, which charges INR1,500/ ticket on a weekday, incurred upfront capex of INR16.5bn compared to only INR2,500mn incurred by Wonderla at its Hyderabad park. This cushions the company from a sharp dip in footfalls driving weak consumer sentiments.

Table 1: Weekday ticket price of Wonderla in comparison with other parks

Park	Ticket price (INR)	
	Adults	Kids
Essel World	790	490
Water Kingdom	890	590
Imagica	1,500	1,200
Aquamagica	950	650
Wonderla Kochi	580	470
Wonderla Bengaluru	700	540

Source: Company, Edelweiss research

Besides reasonable ticket prices, Wonderla adopts a flexible day-specific pricing strategy—weekday, weekend, public holiday etc., (also adopted by other players in the amusement park industry). Flexi pricing policy also takes into account peak season and offseason when ticket prices vary. The key advantage is that it not only ensures footfall growth during offseason, but also helps take advantage of large footfalls in the peak season via higher ticket price. **Prices on weekends at Wonderla are ~25% higher than weekdays, while during peak seasons they are ~35-38% higher compared to regular ticket prices.**

Table 2: Ticket price at Wonderla parks for weekdays and weekends

(INR)	Kochi		Bengaluru	
	Adults	Kids	Adults	Kids
Weekdays	580	470	700	540
Weekends / Public holidays	730	590	870	640
Peak season weekend	800	650	940	710
Peak season weekday	650	530	770	620

Source: Company, Edelweiss research

Table 3: Total number of peak days available for each park

	Bengaluru Park	Kochi Park
Summer	1st May to 31st May	1st May to 31st May
Ramzan season	NA	28th July to 31st July
Onam season	NA	6th Sep. to 14th Sep.
Dassera season	24th Sep. to 5th Oct.	NA
Christmas season	24th Dec. to 4th Jan.	20th Dec. to 31st Dec.
Total Peak Days	55	56

Source: Company, Edelweiss research

The company also offers "Fast Track" tickets to cut waiting time as it grants direct entry to the ride without having to wait in a queue. These tickets command 100% premium over regular prices. Only 250 tickets (~1% of total) per day are offered on "Fast Track" basis.

Table 4: Fast track ticket price at Wonderla Parks

(INR)	Kochi		Bengaluru	
	Adults	Kids	Adults	Kids
Weekdays	1,160	940	1,400	1,080
Weekends / public holidays	1,460	1,180	1,740	1,280
Peak season weekend	1,600	1,300	1,880	1,420
Peak season weekday	1,300	1,060	1,540	1,240

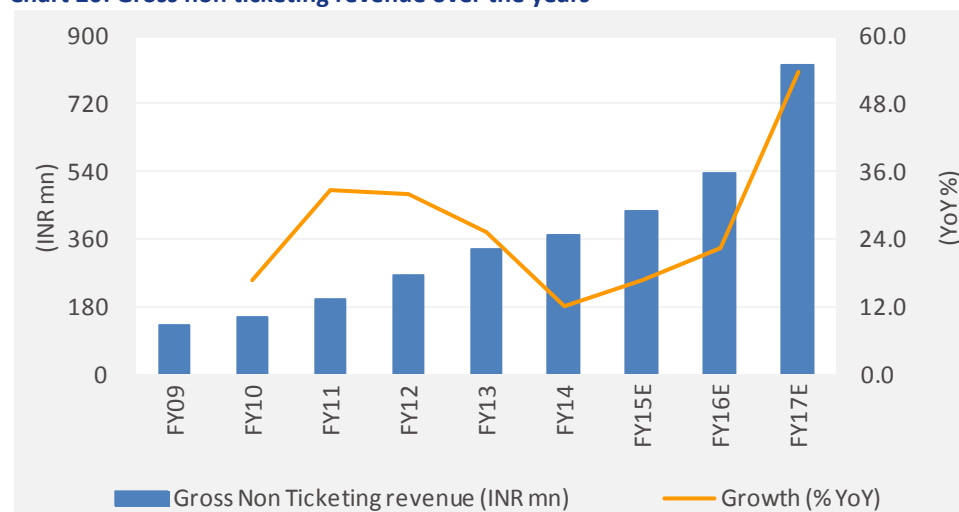
Source: Company, Edelweiss research

Proportion of non-ticketing revenue rising gradually

Apart from the entry charge, non-ticketing is another important revenue stream. These revenues primarily constitute revenue from sale of food & beverages (F&B) and merchandise. While globally amusement parks generate ~50% revenue from non-ticket streams, in India this share is 20-25%. Wonderla's non-ticketing revenue stream after grossing up has gradually increased—from 19.4% in FY09 to 23.2% in FY14 (excluding income from resort). If we do not gross up the proportion of non ticketing revenue has increased to 17% in FY14 from ~14% in FY09.

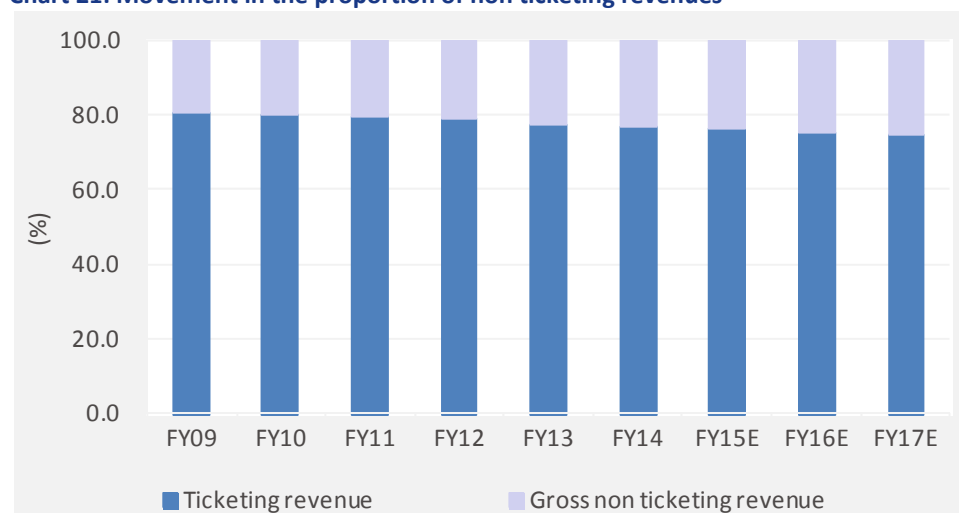
We expect this share in overall revenue to jump to ~26% in FY17E. This will also bolster the company's overall margin as F&B and merchandise margins are higher— F&B business is directly recognised as commission, merchandise margin 50%. **Management believes the proportion of non-ticket revenue can eventually rise to 30%.**

Chart 20: Gross non ticketing revenue over the years



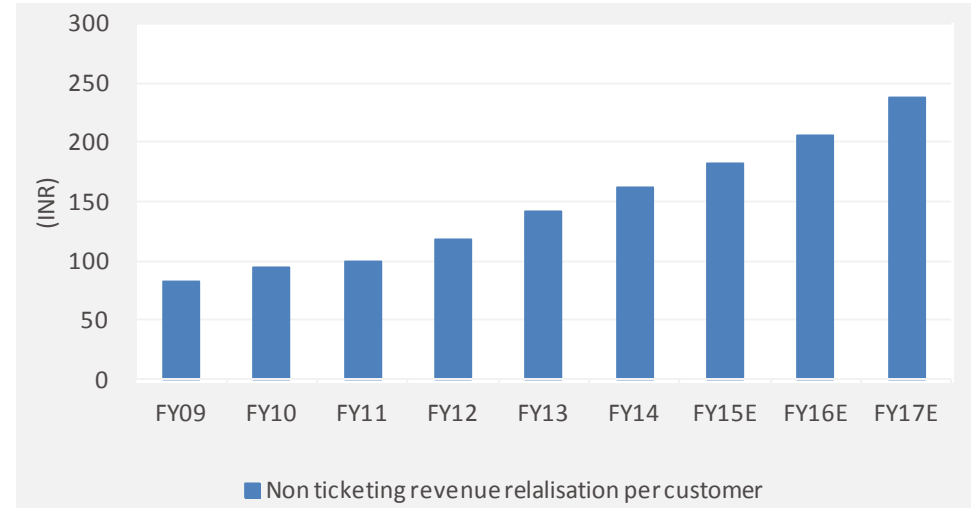
Source: Company, Edelweiss research

Chart 21: Movement in the proportion of non ticketing revenues



Source: Company, Edelweiss research

Chart 22: Gross realisation in non ticketing revenues to improve continuously



Source: Company, Edelweiss research

Conservative F&B rates a key differentiator

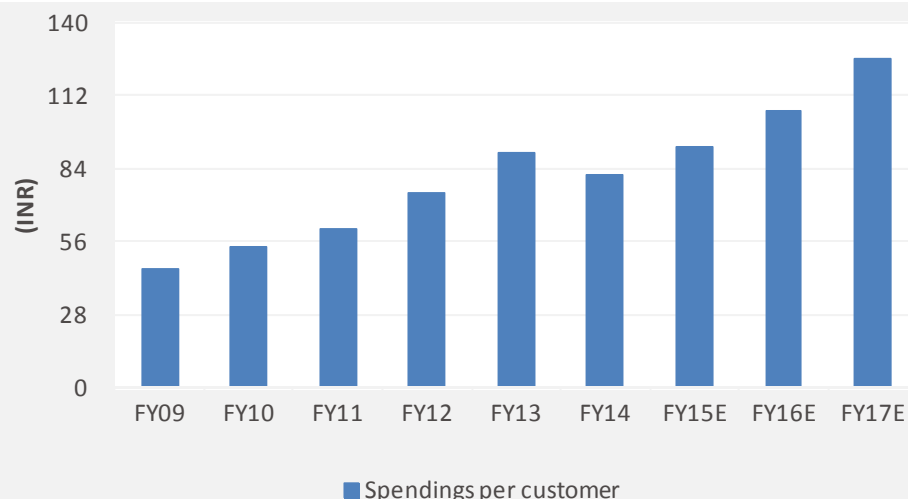
Unlike multiplexes and other amusement parks that charge a humungous amount for F&B products, in Wonderla no food & beverage (F&B) products are charged above MRP. This reasonable pricing strategy promotes F&B consumption. Most of the F&B operations are outsourced by the company to third party vendors. There are 7 restaurants each in the Bengaluru and Kochi parks, of which Wonderla owns Waves Restaurant at Bengaluru and Kochi Park, respectively. For the other 6 restaurants each at Kochi and Bengaluru, the company follows a revenue sharing model. It receives 25% revenue of these restaurant as its share, which directly flows into earnings. The spendings per head of the customers at Wonderla commission based restaurant stood at INR81 which is poised to increase further.

Table 5: Restaurants at Wonderla Parks and their business models

Wonderla Kochi	Wonderla Bengaluru	Model
Vintage Chimney Restaurant	Greens	Commission
Park View	Chillies	Commission
Valley View	Courtyard	Commission
Vintage Kitchen	Parkview	Commission
Wood House	Wonder Chick	Commission
Spice Garden	Pizza Corner	Commission
Waves	Waves	Owned

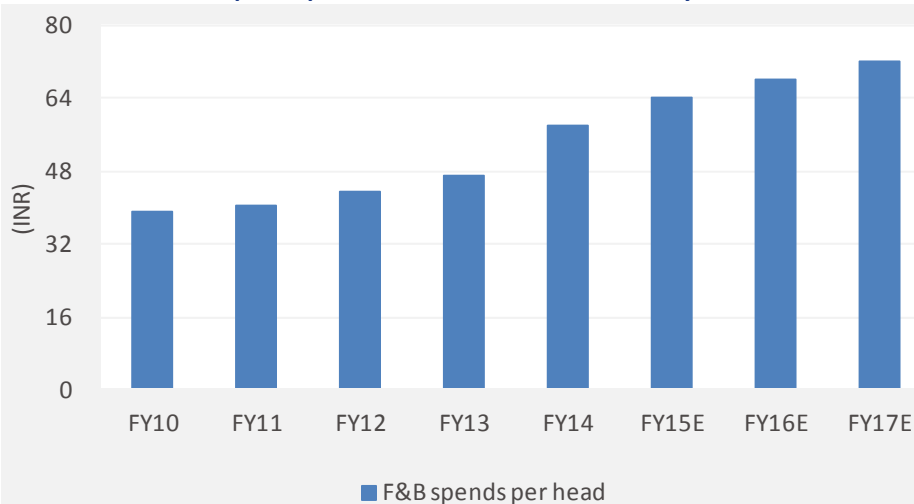
Source: Company, Edelweiss research

Chart 23: Spendings per head of customers at Wonderla's commission restaurants



Source: Company, Edelweiss research

Chart 24: PVR's F&B spends per head have increased over the years



Source: Company, Edelweiss research

The share of F&B in Wonderla's total revenue after grossing up (considering 100% F&B revenue) was ~16% in FY14, which we believe will increase. The affordable pricing is one of the key reasons for this increase in the overall proportion.

In-house technical team cuts external dependence, downtime

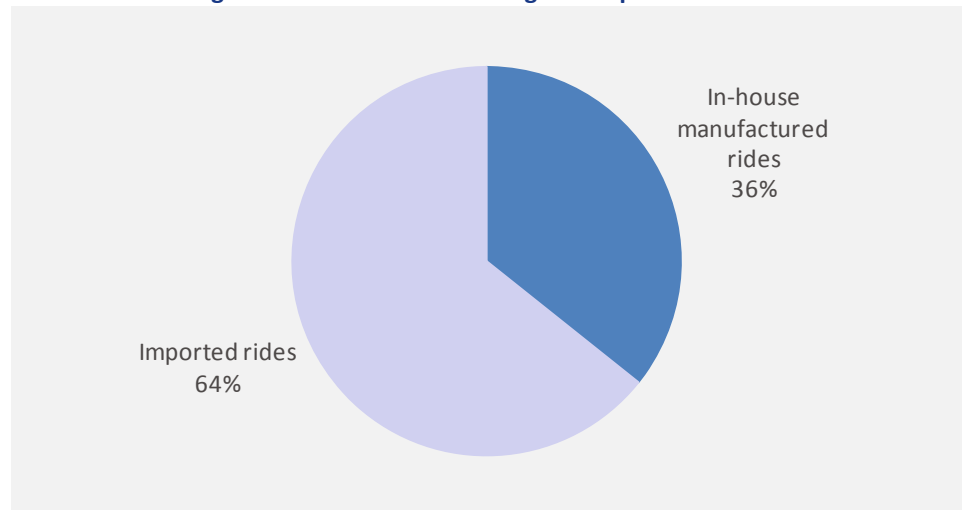
Compared to other parks, Wonderla's key advantage is that it has an in-house manufacturing and technical team which helps limit downtime and also reduces the cost of procuring and importing a new ride. This is also a prime reason why till now the company has faced no major mechanical failure at its parks. Wonderla saves cost on 3 fronts:

1. **In-house designing:** Wonderla designs the rides and parks in house. Typically, an external agency charges ~INR100-200mn for designing a park and its rides. Due to in-house expertise, the company saves on this cost.

2. **In-house manufacturing:** 30% of Wonderla's rides (40 of 111) are manufactured in house. This reduces cost of procurement and downtime. Also, the company saves on customs duty on imported rides and spare parts (27-30%). Logistics cost for imported rides is also high. Capex per ride can vary from INR2mn to INR200mn.
3. **In-house maintenance:** Due to its skilled technical team, Wonderla does not rely on foreign vendors for maintenance. Apart from saving on cost, this also reduces downtime. **Maintenance cost for Wonderla is 4-5% of revenue compared with 15% for most other amusement parks.**

The company has a total of 750 employees in the Bengaluru park (including resort and contract personnel) and 620 employees in the Kochi park. 50% of these are on contract due to seasonal nature of the business. Wonderla has a huge technical team of more than 300 employees. Senior level attrition was ~3-4% in past 4-5 years.

Chart 25: Percentage of in-house manufacturing and import of rides



Source: Company, Edelweiss research

Bengaluru resort: Inching towards sustainable profitability

Wonderla launched a 3-star leisure resort attached to the Bengaluru park in March 2012. This resort is a complementary revenue source with the amusement park as customers, especially tourists, can not only visit the park, but also stay at the resort and visit the park at their convenience. It also serves as a weekend stay destination for customers. The resort reported profit for the first time in Q1FY15. Occupancy has improved to 48.9% in 9mFY15 vis-à-vis 26.9% in 9mFY14. Occupancy levels were 33% in FY13, 40% in FY14 and expected to catapult to 48% in FY15E and 55% in FY16E (Bengaluru resort is clocking 4-5% YoY average room rate (ARR) growth). This strategy is in line with global parks like Disneyland, which also has a Disney Resort where tourists/ visitors can enjoy their stay and also visit the park without the problem of visiting all the rides in one day.

Table 6: Financial metrics of Bengaluru resort for 9mFY15

	9mFY15	9mFY14	YoY %
Total revenue (INR mn)	80.2	48	67.1
Total no of room nights available (No.) to guests	21623	22746	
Occupancy %	48.9	26.9	
Avg. room rental for the period (INR)	4324	4342	(0.4)

Source: Company, Edelweiss research

Globally, most big amusement park chains have a resort adjoining the park. The occupancy in these resorts can be as high as 90%, lending a bigger delta in terms of operating leverage. Thus, the resort presents Wonderla a significant opportunity to enhance this revenue stream.

Table 7: Occupancy levels of hotels at global amusement parks

Theme park	Hotels owned	Rooms	Occupancy (%)
Disneyland, Tokyo	3	705+	90.0
Disneyland, Paris	5	5,800	87.0
Universal Studios, Orlando	3	2,150	NA
Universal Studios, Japan	6	2,500	85.0
Everland, Korea	2	NA	NA
Europa Park, Germany	4	724	NA

Source: IMAcS report, Edelweiss research

New additions, dry & wet rides key pull factor

Apart from the expansion strategy which garners growth at the overall park level, key to drive footfalls and growth is rides. Wonderla has been at the forefront as far as rides addition are concerned. On an average, the company adds 1 new ride per year thereby adding capacity. In FY14, it added 4 new rides at its parks. As on FY14 end, Wonderla had a total of 111 rides (dry and wet), of which 40 were manufactured in house. Having in-house capability also helps the company in rides addition at a much faster clip and at a reasonable cost. Another key advantage is that it has both dry and wet rides in the same park for which it does not charge separately. A single ticket at the time of entrance gives access to all the rides. Unlike this, other parks like Essel World and Adlabs Imagica, have separate water parks and entry tickets.

Table 8: Total land and water rides added each year at Wonderla Parks

Total rides	FY11	FY12	FY13	FY14	9mFY15
Land based rides					
Kochi	29	31	31	34	39
Bengaluru	32	33	33	35	39
Water based rides					
Kochi	22	22	22	22	23
Bengaluru	20	20	20	20	20

Source: Company, Edelweiss research

Fig. 1: Rides at Wonderla



Source: Company

“Wonderla believes that when a school takes green steps, its students will grow up to be sensitive and caring towards the environment.”

Capital intensive nature keeps competition at bay

Amusement parks is a capital intensive industry as it requires upfront investments for land purchase, rides, construction etc. This is the key reason behind absence of many large amusement parks in India. Also, even post the upfront expenditure, it entails huge maintenance capex besides capex for new rides. This, coupled with humungous increase in land cost especially in the past 6-7 years, has increased entry barriers for this industry.

A large park in India typically requires an initial capex of more than INR700mn and area of atleast 40 acres. This is the primary reason why there are only 16-18 large parks in India. A few large parks in India, apart from Wonderla, are Essel World and Adlabs Imagica in Mumbai, Nicco Park in Kolkata, Ramoji Film City etc. Going forward, a total of INR175bn investment is planned in 12 major projects lined up over the next 3-4 years. Biggest of them will be the park at Surat, which alone will contribute INR95-100bn of the overall amount.

We believe Wonderla is in a sweet spot because it already has 2 parks under operation both of which are high RoCE, high margin and profitable mature entities. It has also started construction of Hyderabad park and is in the process of acquiring land in Chennai. **Another benefit for Wonderla is that though going forward there are many amusement parks on the anvil, most will be in different states or if in the same state, in different cities.**

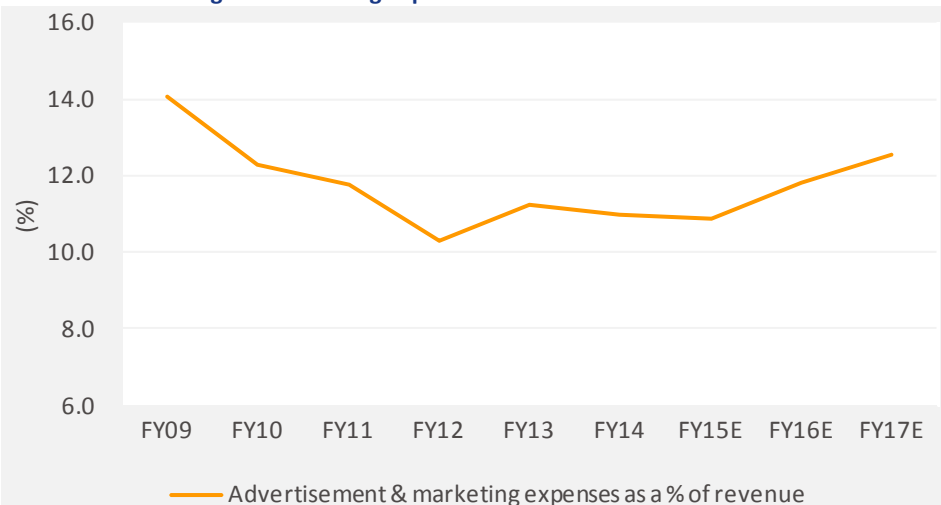
Table 9: Capex per park

	Capex incurred (INR mn)
Wonderla Kochi	200
Wonderla Bengaluru	950
Wonderla Hyderabad	2,500

Source: Company, Edelweiss research

Brand building and marketing to attract customers

Brand is also key to attract customers. Wonderla's total ad & marketing spending is ~11% of revenue. Of this, while ~7% are above-the-line ad spends, balance are below-the-line promotional activities. Promotions include commission paid to 59 sales agents who handle the sales and marketing functions like marketing at various schools & colleges, arranging for their tickets, transportation etc (Hyderabad park will have another 10-20 sales agents). The company already has 2 parks in operation and by FY19 it is expected to have 4 parks. Investment behind brands and expansion will help bulid the Wonderla franchise. This will help the company in further expansion into the country as it will create more buzz around its parks, encouraging more people to visit them. To further promote footfalls, Wonderla also launched Wonderla Privilage Card to enhance frequency of repeat customers. This card gives additional 10-20% discount to visitors if they visit the park subsequently. The card is given if a customer buys 4 tickets at a full rate with no discounts. Apart from this, there are separate discounts for school and college students, which vary from 20-35%. Wonderla also felicitates various schools for their efforts on making the state greener and safer. These initiatives helps the company to keep the brandname of Wonderla buzzing.

Chart 26: Advertising and marketing expenses as a % of sales

Source: Company, Edelweiss research

Table 10: Various offers and discounts offered by Wonderla

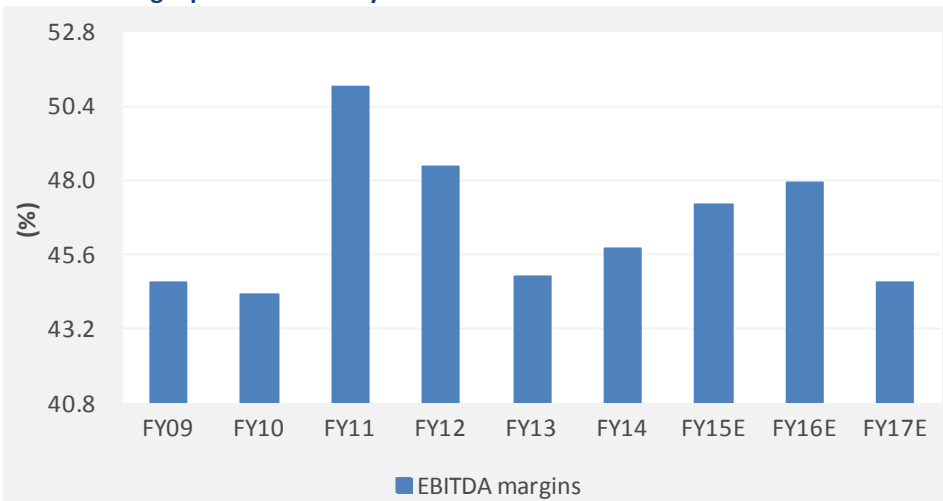
Offer	
Privilege Member Card Offer	Customer gets 10-20% off on subsequent visit to Wonderla for a period of 5 years. A card can be obtained if the customer buys atleast 4 tickets without any discount during his first visit.
Discount to school students	Offers discount upto 35% on tickets provided a minimum of 20 students come from a single institution.
Discount for college students	Wonderla Parks in Bengaluru and Kochi offer a 20% discount on park admission to college students. Students below the age of 22 may avail this offer by showing their original college ID card with photo.

Source: Company, Edelweiss research

Mature parks bring operating leverage, new parks aid growth

Wonderla's mature properties clock RoCE of 32-35%. 70% of operating cost is fixed. Thus, it gets a magnifying effect of operating leverage as the property matures because of the higher fixed costs. However, initially margins do come under pressure when a new property is launched. A new park starts with a lower EBITDA margins though profitable at EBITDA level but witness margin improvement as it matures (margins can gradually improve to 45-50% in a stable phase). Wonderla's parks at Kochi and Bengaluru are mature and clocked footfalls of close to 1.12mn and 1.18mn, respectively, in FY14. ~0.80-0.85mn footfalls lead to 48-49% EBITDA margin for a particular park. The company clocked EBITDA margin of 45.8% in FY14 with 2 parks under operation. With the new Hyderabad park coming into operation from FY17, we anticipate margins to fall from 45.8% in FY14 to 44.7% in FY17E.

Chart 27: Margin profile over the years



Source: Company, Edelweiss research

Margin improvement is also a function of capacity utilisation per park. Currently, this number for Wonderla ranges from 26-27%. As and when the economy revives, we expect the capacity utilisation to improve. At current figure, the company has enough capacity to handle much more customers. In case the current capacity falls short, the company has enough spare land in each of its parks to expand further.

Table 11: Total capacity utilisation per park for Wonderla

	Kochi	Bengaluru	Total
Total capacity per day (nos.)	12,000	12,000	24,000
Total footfalls in FY14 (mn)	1.1	1.2	2.3
Total footfalls per day (nos.)	3,066	3,233	6,299
Capacity utilisation (%)	25.5	26.9	26.2
Balance capacity (%)	74.5	73.1	73.8

Source: Company, Edelweiss research

Table 12: Unutilised land available at Wonderla parks

	Kochi	Bengaluru
Total available area (in acres)	93.2	81.8
Total area utilised (in acres)	28.8	39.2
Total area unutilised (in acres)	64.4	42.6
% of unutilised land	69.1	52.0

Source: Company, Edelweiss research

For mature parks, footfall growth settles at 6-7% YoY. A park becomes free cash positive in the second year. While Kochi became free cash positive in the first year itself, Bengaluru became so in the second year. It takes 9-10 years for a park to achieve cash breakeven. Such long payback period also poses barriers to entry into the industry. However, there will always be a trade off between margins and revenue growth, which will come from new parks. The company plans to open a new park every 4 years. After Hyderabad, Wonderla is planning to expand to Chennai. The company plans to start building the park after 2 years and expects to complete it in FY19. After Chennai park, it is eyeing other cities as well.

Valuation

Wonderla, India's largest amusement park chain, is in a sweet spot with the amusement park industry set to swing upwards spurred by the favourable macro economic tail winds and increased penetration. The company, armed with an experienced management (~15 years' experience in amusement parks industry), in-house manufacturing capability, strong & clean balance sheet and robust expansion plan, is well poised to soar. It has clocked revenue, EBITDA and EPS CAGR of 20.1%, 20.7% and 24.4%, respectively, over FY09-14. The company's EBITDA margin is one of the highest in the industry—45.8% in FY14. We expect Wonderla to clock revenue, EBITDA and EPS CAGR of 31.9%, 28.3% and 18.6%, respectively, over FY15-17E led by better macro economic tailwinds, addition of new parks and improvement in non ticketing revenues. We believe that being a capex heavy industry it will be more relevant to value the stock on EV/EBITDA basis than P/E. Also, EV/EBITDA makes sense for better capturing the cash generating capability of a firm especially when the company is going in an investment phase. Wonderla will be opening a new park at Hyderabad in FY17E and expected to open another park in Chennai by FY19E.

Globally, mature amusement parks trade at an average EV/EBITDA multiple of ~12.5x and 11.0x FY16E and FY17E respectively. Also, companies in India trade at a significant premium to their global peers because of the higher growth potential (consumer companies in India trade at double the multiple of their global peers). PVR, which operates in emerging market of India, trades at a 50-60% premium to international multiplex peers. Merlin Entertainments (largest European entertainment company operating in Europe and runs 100 attractions in 22 countries across 4 continents), the second most visited theme park operator came out with an IPO in October 2013. The company trades at a EV/EBITDA of 11.0 x and 10.0x FY16E and FY17E. Merlin has a margin profile of close to 32% in FY14 and RoCE of ~16% respectively.

Ergo, we assign a target of EV/EBITDA multiple of 15.0x (~35% premium to the global average) to Wonderla on account of its strong margin, free cash flow generation, healthy leverage and return ratios compared to the industry to arrive at a target price of INR363. We initiate coverage with 'BUY' given the strong industry dynamics, macro economic triggers, experienced management, profitability, healthy return ratios and high entry barriers.

Table 13: Valuation metrics of key global players in the amusement park industry

Company Name	M Cap	EV	EV/ Sales (x)			EV/ EBITDA (x)			P/E (x)		
	(USD Mn)	(USD Mn)	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
Wonderla Holidays	249	221	7.9	7.2	5.1	16.7	15.0	11.4	31.4	26.6	22.3
Merlin Entertainments	6,632	8,092	3.9	3.6	3.3	11.9	11.0	10.0	22.1	19.8	17.5
Oriental Land Co/Japan	25,450	24,514	6.4	6.1	5.8	20.5	18.7	16.6	40.4	36.6	32.3
Six Flags Entertainment Corp	4,215	5,974	4.8	4.6	4.4	12.6	11.8	10.9	32.5	28.3	23.1
Cedar Fair LP	3,123	4,502	3.8	3.6	3.5	10.1	9.7	9.2	18.3	16.5	16.1
Ardent Leisure Group	843	1,072	2.3	2.1	1.8	11.2	10.1	8.6	18.4	15.9	13.8
Peer mean	8,052	8,831	4.2	4.0	3.8	13.2	12.3	11.1	26.3	23.4	20.5

Source: Bloomberg, Edelweiss research

Table 14: Financial metrics of global players present in the amusement park industry

Company Name	M Cap	EV	Revenue (USD mn)		EBITDA (USD mn)		EBITDA Margin (%)		PAT (USD mn)	
	(USD Mn)	(USD Mn)	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Wonderla Holidays	249	221	29	34	13	16	47.2	47.9	8	10
Merlin Entertainments	6,632	8,092	2,065	2,226	678	736	32.8	33.0	298	330
Oriental Land Co Ltd/Japan	25,450	24,514	3,847	4,015	1,309	1,480	34.0	36.9	585	647
Six Flags Entertainment Corp	4,215	5,974	1,239	1,294	475	507	38.3	39.2	136	152
Cedar Fair LP	3,123	4,502	1,197	1,237	447	466	37.3	37.7	171	183
Ardent Leisure Group	843	1,072	458	520	91	106	19.8	20.3	48	57

Source: Bloomberg, Edelweiss research

There are no major like-to-like comparisons for the amusement park industry in India; however, Wonderla is a play on discretionary consumption in India. Major players in the discretionary space in India especially those that are driven by footfalls are trading at an EV/EBITDA multiple of ~14x FY17E which further justifies our multiple.

Table 15: Companies in discretionary consumption space

Company	P/E		EV/ EBITDA	
	FY16E	FY17E	FY16E	FY17E
Wonderla	26.6	22.3	15.0	11.4
PVR	23.3	20.2	10.0	8.2
Inox Leisure	26.9	13.6	10.2	7.5
Titan Company	34.7	28.5	23.7	19.7
Jubilant Foodworks	56.1	38.4	26.3	18.5
Shoppers Stop	NM	NM	18.2	13.7
Peer Mean	35.3	25.2	17.7	13.5

Source: Bloomberg, Edelweiss research

PVR, India's largest multiplex operator, is currently trading at an EV/EBITDA multiple of 8.0x. The multiplex model can, to an extent, be compared to the theme park model as it is also driven by footfalls. The revenue mix is also similar with revenue streams from ticket prices, food & beverages and also rentals. If we compare Wonderla with PVR, the former's EBITDA margin is much better than the latter (PVR clocked EBITDA margin of 15.7% versus Wonderla's 45.8% in FY14). Wonderla's RoCE is higher at 35.8% in FY14 compared to PVR's 9.7%. As far as footfalls are concerned, theme parks generally have better stability compared to multiplexes, where footfalls are driven by the movie, which can vary significantly every Friday. Consequently, Wonderla should trade at a premium to the multiplex space in India.

Adlabs Imagica which is in the process of being listed is raising close to INR4.7bn via IPO at higher price band. The company is loss making and saw net loss of INR524.8mn in FY14 hence we cannot compare it on P/E basis. However on most other metrics also Imagica seems to be at a higher premium to Wonderla.

Table 16: Wonderla and Imagica valuation metrics (based on FY14 numbers)

	Wonderla	Adlabs Imagica
Market cap to sales	10.2	17.2
EV to sales	7.6	27.5
EV / EBITDA	16.5	422.4
P/E	29.2	NA

Source: Company, Edelweiss research

Table 17: Key financial metrics of Imagica and Wonderla

	Adlabs Imagica (including Aquamagica)	Wonderla Bengaluru	Wonderla Kochi
Total Area (in acres)	300	81.75	93.17
Total Area utilised(in acres)	132	39.2	28.75
Rides (Land + Water)	40	59	62
Ticket price in INR (weekdays)	1500	700	580
Ticket price in INR (weekends)	1900	870	730
Waterpark ticket price in INR (weekdays)	950	No separate charges	No separate charges
Waterpark ticket price in INR (weekends)	1150	No separate charges	No separate charges
Hotel rooms	287	84	NA
Footfalls (in mn) in FY14	0.91*	1.18	1.12
Cost of project (INR mn)	16504	950	200
Revenues (INR mn) for FY14	1,069	838	628
EBITDA (INR mn) for FY14	69.7	457	294
EBITDA margins (%)	6.5	54.6	46.8
Proportion of Non ticketing revenues (%)	~25.0	16.0	15.0
Total debt as on 30th September 2014 (INR mn)	12,772	123.0**	

Source: Company, Edelweiss research

*Footfalls in CY14

**Total debt for Wonderla

Key Risks

Service tax levy may affect footfalls

The central government in the Union Budget has taken amusement parks out of the service tax negative list, which has resulted in the levy of service tax. This will result in increase in overall ATP price due to additional charge of 14% service tax which may affect the footfalls. However, we believe this will not have a significant impact on footfalls.

Accidents/natural calamities can impact footfalls

Accidents or natural calamities will affect footfalls, resulting in lower revenue. Not only will accidents lead to negative publicity, affecting footfalls, but it will also expose the company to possible financial liability and legal proceedings. Till now, there have been 9 accidents at Wonderla's parks, of which 2 cases are outstanding. Going forward, the company cannot guarantee non occurrence of accidents; however, it will take all precautions. Any epidemic like swine flu, terrorist attacks etc., can also impact footfalls.

Slowdown in consumer discretionary spending

With anticipated recovery in the economy due to policy changes, consumer spending is expected to recover. However, if the economy does not recover, it may adversely affect consumer spending. Wonderla is affected by consumer discretionary spending and any adverse event in the economy will result in lower footfalls, affecting revenue.

Seasonal nature of business increases dependency on Q1 and Q3

Q1 and Q3 are the best quarters for the amusement parks business. In other quarters, schools have exams affecting footfalls. Q1 and Q3 contribute ~65% to the company's revenue. However, due to adverse reasons, if the park remains closed during peak quarters, Wonderla's overall performance will be affected.

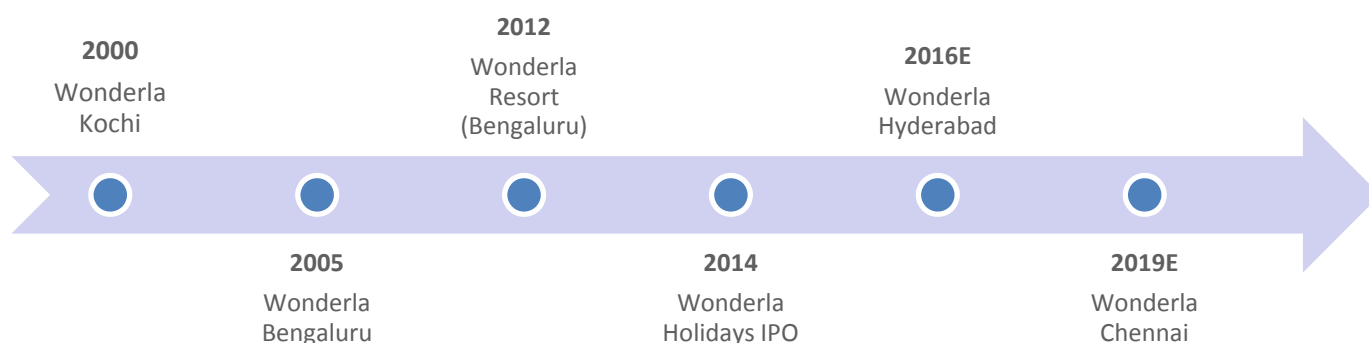
Difficulties in land acquisition

Wonderla is planning amusement parks in Hyderabad and Chennai. Going forward, it has plans in other cities as well. However, inability to find land in those states can affect the company's growth strategy, which will again result in lower revenue.

Company Description

Wonderla is a leading operator of amusement parks in India. It operates and maintains 2 large amusement parks located in Bengaluru and Kochi. The company is also setting up a new amusement park at Ranga Reddy district of Telangana, which will start functioning by FY17. To set up the third park, it raised INR1.8bn via IPO. The parks are certified by Bureau Veritas Certification for meeting BS OHSAS 18001:2007 safety standards and ISO 14001:2004 environment protection standards. Apart from the amusement parks, Wonderla also owns a resort in Bengaluru, *Wonderla Resort*.

Fig. 2: Wonderla's timeline



Source: Edelweiss research

Table 18: Awards won by Wonderla

List of awards	Park
Ranked No.1 in India according to Trip Advisor's travellers choice awards 2014	Bengaluru
Ranked No.3 in India according to Trip Advisor's travellers choice awards 2014	Kochi
Ranked No.7 in Top 25 amusement parks list in Asia	Bengaluru
Ranked No.13 in Top 25 amusement parks list in Asia	Kochi
Winner of the National Award for Excellence by the Indian Association of Amusement Parks & Industries in the category of total number and variety of rides.	Kochi
Runner up in the National Award for Excellence by the Indian Association of Amusement Parks & Industries in the category of print media.	Kochi
Winner of the National Award for Excellence by the Indian Association of Amusement Parks & Industries in the category of Most Innovative Ride & attractions, Dry Rides and Electronic Media TV Channel	Bengaluru

Source: Company, Edelweiss research

Wonderla Kochi

The first amusement park was started in 2000 in Kochi by the name 'Veegaland' which was later merged with the company with effect from April 1, 2008. It is situated on 93.17 acres (currently 28.75 acres occupied for 55 land and water based attractions) and has 22 water based and 33 land based attractions. Of the total 55 attractions, 10 are inhouse attractions.

As on 9mFY15, Kochi had 39 land rides and 23 water rides. It won the 'Best Tourism Destination' award for FY13. It is ranked as the thirteenth best amusement park in Asia by Trip Advisor. Total footfalls were 1.10mn in FY14 against 1.21mn in FY13. In FY14, the company added 3 more attractions—Rokin Tug, Fire Brigade and Magic Plane. The company has in-house facility in Kochi to manufacture amusement rides and attractions. It even procures rides from manufacturers within and outside India.

Fig. 3: Wonderla Kochi park



Source: Company

Wonderla Begaluru

Wonderla opened another amusement park in 2005 in Bengaluru under the brand name 'Wonderla'. It is situated on 81.75 acres (currently 39.20 acres occupied for land and water based attractions) and has 20 water based and 35 land based attractions. At the end of 9mFY15, this park had 39 land rides and 20 water rides. Therefore, the total rides are 55, of which 18 are manufactured inhouse. It is located off the Bengaluru-Mysore highway, 28km from central Bengaluru. Total footfalls catapulted 58,000 (up 5% YoY) from 1.129mn in FY13 to 1.187mn in FY14. In FY14, the company added 2 more attractions—XDMAX and Mini Coco Cups.

Fig. 4: Wonderla Bengaluru park



Source: Company

Wonderla Hyderabad

The company is also in the process of setting up its third amusement park in Hyderabad. To this end, it has acquired 49.57 acres of land in Telangana. Wonderla went for an IPO so that it can utilise the proceeds to set up the new amusement park. The company expects operation to commence by FY17. Telangana government has given all necessary approvals for setting up the amusement park. The company intends to use only 27 acres to set up the proposed amusement park comprising 27 land based and 18 water based attractions. The park is similar to the Bengaluru park as far as rides and other facilities are concerned. However, connectivity will be better compared to the Bengaluru park.

Wonderla Resort, Bengaluru

The company also owns a resort in Bengaluru *Wonderla* which was inaugurated in March 2012. It is situated beside the amusement park. Rated as a Three Star Hotel, it has 84 luxury rooms including banquet halls, conference rooms, a multi-cuisine restaurant, solar heated swimming room, board room and a well equipped gym (totalling 8,900 sq ft with capacity to hold 800 guests). The resort division reported top line of INR65.63mn in FY14 compared with INR59.45mn in FY13. The average occupancy rate was 30% in FY14, which has improved to 48.9% in 9mFY15. This also serves as a weekend stay destination for customers in and around the park.

Fig. 5: Wonderla Bengaluru resort



Source: Company

Fig. 6: Wonderla's SWOT analysis



Source: Edelweiss research

Management overview

Mr. George Joseph, Chairman and Non Executive Director: Mr. George Joseph is the Chairman and Non Executive independent Director of Wonderla. He was selected as an Additional Director on June 27, 2011, and later he was appointed as Director and Chairman on September 12, 2011. Before joining Wonderla as a board member, Mr. Joseph was the Chairman & MD of Syndicate Bank. He has also worked in Canara Bank for over 37 years in different roles. He is a member of Certified Associate of the Indian Institute of Bankers and Associate of the Institute of Bankers, London. He has done his bachelor's degree in commerce from Kerala University.

Mr. Kochouseph Chittilappilly, Non Executive Director: He is one of the promoters of the company. He has 15 years' experience in the amusement park industry. Mr. Chittilappilly has won several awards like Young Businessman of the Year 1995 by Business Deepika, Businessman of the Year 2007 by the business magazine 'Dhanam', Tourism Man of the Year Award 2011 by the Association of Tourism Trade Organisations and India and Businessman of the Year 2011 by the Travancore Management Association, Kottayam.

Mr. Arun Kochouseph Chittilappilly, Managing Director: He was appointed as Additional Director of the company on January 27, 2003, and later became the Director on December 22, 2003. Mr. Arun Kochouseph Chittilappilly was promoted to Managing Director on April 1, 2012. He has more than 11 years' experience in the amusement park industry. He has a master's degree in industrial engineering from Swinburne University of Technology, Victoria, Australia.

Mr. Ramachandran Panjan Moothedath, Non-Executive Director (Independent): On November 24, 2011, Mr. Ramachandran Panjan Moothedath was appointed as the Additional Director of the company. He was promoted as Director on August 9, 2012. He is also the Chairman & MD of Jyothy Laboratories. Mr. Moothedath has more than 31 years of experience. He has graduated from University of Mumbai and holds a diploma in financial management.

Ms. Priya Sarah Cheeran Joseph, Executive Director: Ms. Priya Sarah Cheeran Joseph was appointed as Non Executive Director of the company from March 01, 2013. She manages the food & beverages and human resource departments of the company since 2005. Ms. Priya has more than 11 years' experience in the amusement park industry. She also looks after the corporate social responsibility of the company.

Mr. Nandkumar T, VP, Finance: Mr. Nandkumar T has been with the company since December 26, 2011. He is a qualified chartered accountant. He is currently responsible for overseeing the corporate finance activities of the company, including developing financial operating reports, preparing financial materials, building relationships with investors & analysts, monitoring & analysing monthly operating results against the budget. He has 17 years of experience in accounts and finance, including 4 years with Group company, V-Guard Industries as the CFO. Prior to joining Wonderla, Mr. Nandkumar worked in various capacities with Dhanalakshmi Bank from April 1997 to April 2006.

Table 19: Professional team

Name	Designation	Joined company on	Experience	Job description
Mr. Sivadas M.	Senior General Manager - Operations	1-Aug-03	26 Years	Preparation of overall budget, developing strategies to control cost, standardising of procedures etc
Mr. Ajikrishnan A.G.,	Deputy General Manager (Technical)	1-Apr-06	17 Years	Managing the technical aspects
Mr. Santosh Kumar Barik	Company Secretary	1-Jan-11	NA	Financial and legal compliances
Mr. Ramanakumar V.B.	Chief Manager (Marketing)	1-Jan-06	20 years	Managing marketing activities including planning incentive schemes, customer retention strategies
Mr. Mahesh M.B.	Assistant General Manager (Commercial)	1-May-00	20 years	Planning, coordination and implementation of all food and beverage activities
Mr. Jayaprakash	Deputy Manager (Human Resources)	1-Sep-05	9 Years	Responsible for coordinating the recruitment and selection process
Mr. Unni P.R.	Chief Manager (Finance and Accounts)	2-Jun-04	14 years	Responsible for finance management, maintenance of accounts and records
Mr. Ravikumar M.A.	General Manager – Administration	1-Mar-00	27 years	Responsible for coordination across departments, periodic review of performance
Mr. Sudhir M.V.	Senior Manager (Operations)	16-Jul-07	22 years	Responsible for guest relations, food and beverages, event management housekeeping, maintenance, security etc

Source: Company, Edelweiss research

Industry Overview

Theme park industry

Though the Indian theme park industry is at a nascent stage, it is clocking good growth. Currently, around 150 parks are operational in India including small, medium and large parks. However, the country's attractive demographics (population of close to 1.21bn) present an enormous growth opportunity. As per industry estimates, the size of the Indian amusement industry is INR25-30bn garnering footfalls of close to 50mn. This industry has been posting 20-25% CAGR over the past 5 years and is expected to become a INR50-60bn industry over the next 5 years.

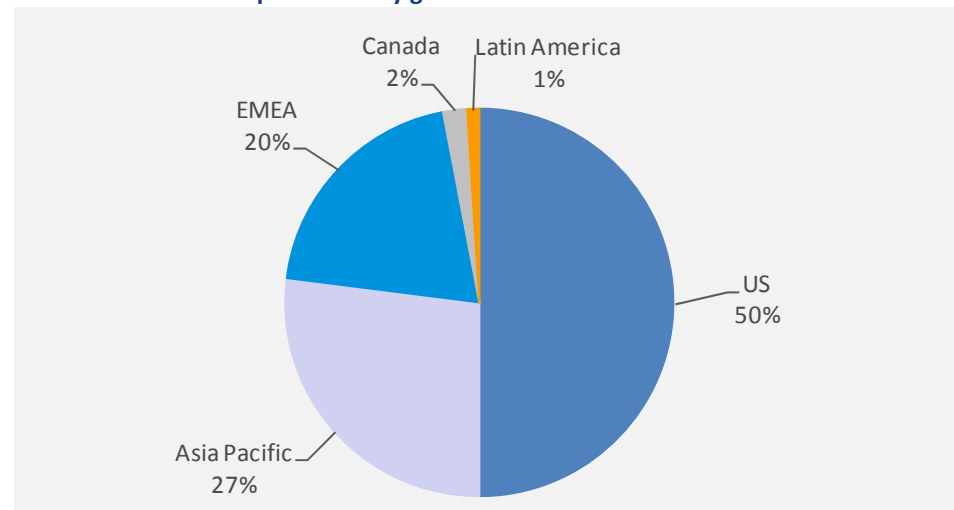
Fig. 7: Amusement Park industry in India



Source: Industry, Edelweiss research

Globally, the amusement park industry was estimated at USD28bn in 2012, which is expected to increase to USD29.5bn in 2015 and USD32bn in 2017. US and Europe are considered mature markets in the amusement industry and Asia too is growing at a fast pace.

Chart 28: Amusement park industry global revenue share



Source: IAAPA

Footfalls growth in India outpace global average

The Indian amusement park industry is well poised to grow at a faster clip compared to global peers not only because of the low penetration, but also because of favourable demographics. Footfalls also depend upon the climate; as India is a tropical country, it enjoys summer season for around 7-8 months, making water parks popular. Indian parks have clocked footfalls of close to 60mn annually and the industry is well poised to grow with more parks coming in and GDP reviving in the country.

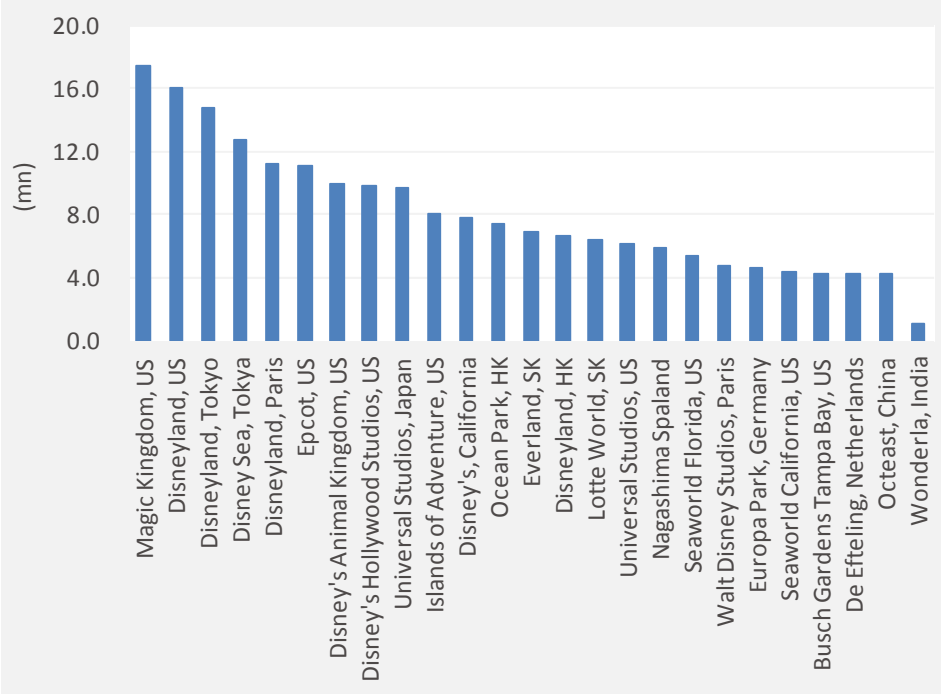
Globally, footfalls in top 10 parks jumped 6.7% in 2012, while in Asia and North America they rose 6.0% and 3.0%, respectively. If we take into account only the top 25 parks in the world, overall footfalls catapulted to 205.9mn in 2012 from 187.6mn in 2007. The growth was 1.9%, 3.8% and 5.2% in 2010, 2011 and 2012, respectively.

Table 20: Footfalls trend globally in amusement parks

						(MN)
Theme Parks	Number of Parks	2007	2012	CAGR 2007-12 (%)	Growth rate in CY12 (%)	Attendance per park (CY12)
Worldwide	Top 25	187.6	205.9	1.9	5.2	8.2
North America	Top 20	122.8	131.6	1.4	3.6	6.6
Europe	Top 20	60.9	58.0	(1.0)	(0.3)	2.9
Asia	Top 20	NA	108.7	3.6*	5.8	5.4
Latin America	Top 20	11.3	13.2	3.2	2.6	1.3
Water Parks						
Worldwide	Top 20	19.4	23.6	4.0	5.4	1.2
North America	Top 20	12.2	15.1	4.4	2.2	0.8
Asia	Top 15	NA	14.4	NA	7.4	0.7

Source: IMaCs Report, * Taken from Top 10 parks in Asia

Chart 29: Footfalls in amusement parks in CY12 (in mn)

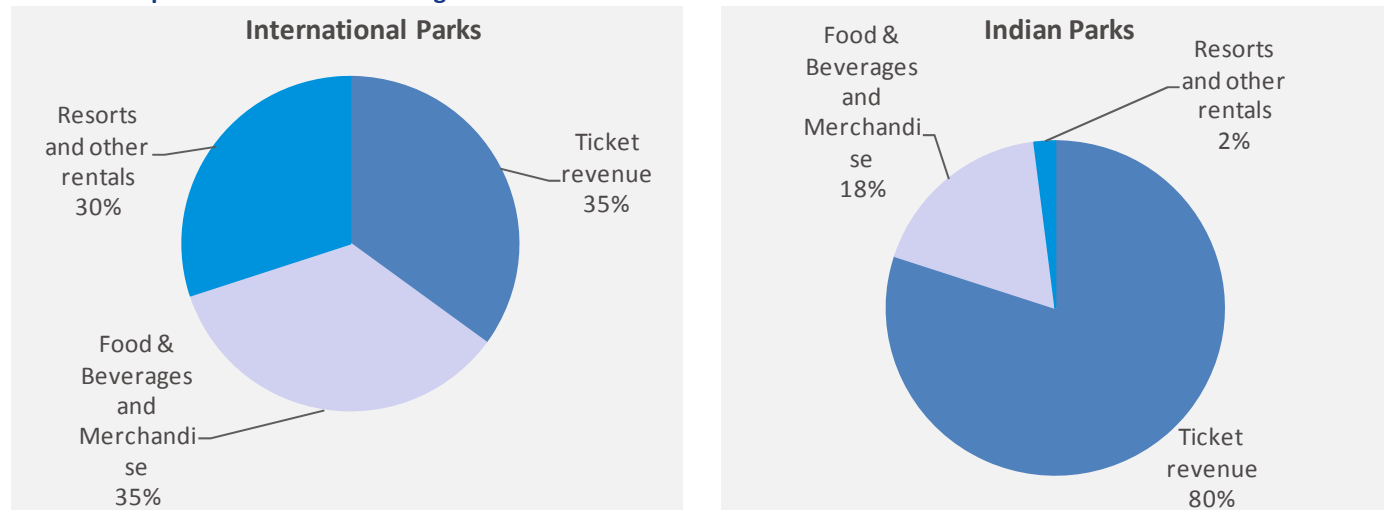


Source: Industry, Edelweiss research

In India revenue mix skewed towards ticket revenue unlike global parks

Globally, amusement parks derive revenues in nearly equal proportions from entry tickets, food & beverages, merchandise, rentals from resorts etc. However, in India, where the amusement park industry is at a nascent stage, about 75-80% revenue comes from tickets. The key reason behind this is that in India customers do not spend much inside parks. However, with improvement in the economy and with more money coming into the hands of customers, this proportion is bound to increase gradually. Also, another trend on the horizon is increasing revenue proportion from resorts and rentals. E.g., Disney Land has Disney Resort which is also a significant revenue contributor.

Chart 30: Proportion of revenue coming from different sources



Source: Industry, Edelweiss research

Competitive landscape and segmentation

Around 150 amusement parks are operational in India, segmented into small, medium and large parks. The segmentation depends upon parameters like capital invested, ticket prices, rides, area etc. In India, there are currently about 16-18 large parks and about 10-12 large projects are on the anvil.

Table 21: Segmentation of amusement park industry

Particulars	Large Parks	Medium Parks	Small Parks
Capex	>INR700mn	INR300-700mn	<INR300mn
Area covered (in acres)	>40	10-40	<10
Average ticket price (INR)	>INR400	INR250-400	<INR250
Number of visitors per year (in mn)	>0.5	0.3-0.5	<0.3
Location	Metros and areas around	Metros and Tier 1 cities	Small towns, Tier 2 cities
Number of parks in India	16-18	40-45	85-95
Some parks in India	Essel World, Nicco Park,	Ocean Park (Hyderabad)	Fun N Food Kingdom (Dehradun)

Source: Industry and CARE Research

Competitive intensity is not very high in the industry, particularly in large parks, because of high entry barriers as the business is capital intensive. A few key players in the segment are Essel World, Nicco Park, Ramoji Film City and Wonderla. These parks offer a variety of rides to customers including wet and dry rides. Entry charges vary according to the brand name, number of thrill rides, location etc. Ticket prices can also vary from INR200 per person in a park like VGP Universal Kingdom in Chennai to INR1,500 per person in Adlabs Imagica in

Mumbai. Majority of the parks operate on the single entry fee model, in which a customer does not have to pay for the rides in the park; he pays only for F&B and merchandise.

Table 22: Overview of some major amusement parks in India

Table 2.1: Overview of some major amusement parks in India									
			Rides			Pricing			
Amusement Park	City	Area (in acres)	Dry	Wet	Structure	Entry charges (INR)	Annual footfalls (in mn)	Revenue (FY12 in mn)	
Essel World and Water Kingdom	Mumbai	64	Yes	Yes	Separate fees for land and water park	INR790-890	1.8		570*
Nicco Park	Kolkata	40	Yes	Yes	Separate fees for land and water park	Main park package - INR430 Water park package - INR380	1.7		311.1
Ocean Park	Hyderabad	20	Yes	Yes	Separate fees for land and water park	INR300	NA		NA
Ramoji Film City	Hyderabad	1666	NA	NA	Single entry fees	General package at INR800	1.5		NA
Kishkinta	Chennai	120	Yes	Yes	Single entry fees	INR540	NA		NA
Queensland	Chennai	70	Yes	Yes	Single entry fees	INR350	NA		NA
VGP Universal	Chennai	NA	Yes	Yes	Single entry fees	INR200	NA		NA
MGM Dizzee World	Chennai	27	Yes	Yes	Single entry fees	INR500	NA		NA
GRS Fantasy Park	Mysore	30	Yes	Yes	Single entry fees	INR395	NA		NA
Mount Opera	Hyderabad	55	Yes	Yes	Single entry as well as pay as you go option	INR360	NA		NA
Entertainment City	Noida	44**	Yes	Yes	Single entry as well as pay as you go option	INR450	NA		NA
Black Thunder (Majorly water rides)	Coimbatore	65	Yes	Yes	Single entry fees	INR450	0.5		NA
Fun n Food Village	Delhi	10	Yes	Yes	Single entry fees	INR300	NA		NA

Source: Industry, CARE Research, Edelweiss research

Note: *FY11 revenues **Area will be increased in phased manner to 147 acres

Solid investments lined up

Around INR175bn investments are on the anvil in the amusement park industry with close to 10-11 projects lined up for launch. 4 of these parks will be launched in Maharashtra. The biggest amusement park is slated to come up in Surat (Gujarat) at an investment of close to INR95-100bn.

Table 23: Major investments upcoming in the amusement park industry in India

Upcoming project	Location	Promoter	Estimated Inv. (INR bn)	Expected completion year	Size (acres)	Description
Sea World	Singhudurg, Konkan, Maharashtra	Proposed by GoM, will be done on PPP basis	5-5.1	2015	150	Is a water based animal kingdom with 3000 kind of marine animals
Theme Park	Nagpur, Maharashtra	Landmark Entertainment	15	Planning stage	300	Theme park based on concept like Jurassic park, Terminator and Spiderman
MGM Lavasa Hollywood Theme Park	Lavasa, Maharashtra	MGM - Lavasa	4.5	NA	75	India's first hollywood theme park
Spaceworld Theme Park	Lavasa, Maharashtra	Space Investment Company, Lavasa	4	NA	65	India's first edutainment theme park
Appu Ghar	Gurgaon, Haryana	International Amusement	4	NA	58	Will include amusement park, water park, retail complex
Surat Theme Park	Surat, Gujarat	Atlanta	95-100	2016	3200	One of Asia's largest theme park
Krishna Lila Theme Park	Bengaluru, Karnataka	ISKCON	3.5	2016-17	28	Spiritual theme park to spread awareness of vedic heroes
Jaipur Mega Tourism City	Jaipur, Rajasthan	International Amusement	25	Planning stage	300	Mega Tourism City
Naya Raipur Amusement Park	Naya Raipur, Chhattisgarh	Proposed by NRDA, will be done on PPP basis	0.23	Planning stage	40	Recreational cum amusement park
Adventure Island and Metro Walk	Rohini, Delhi	50:50 JV of International Amusement and Unitech	2-3	Completed	62	Amusement park
Entertainment City Phase 1	Noida, Delhi	50:50 JV of International Amusement and Unitech	10-11	Phase 1 completed, Phase 2 is on	147	Mega complex having amusement park, retail space, health club, small water park, shopping mall with a 5 star hotel

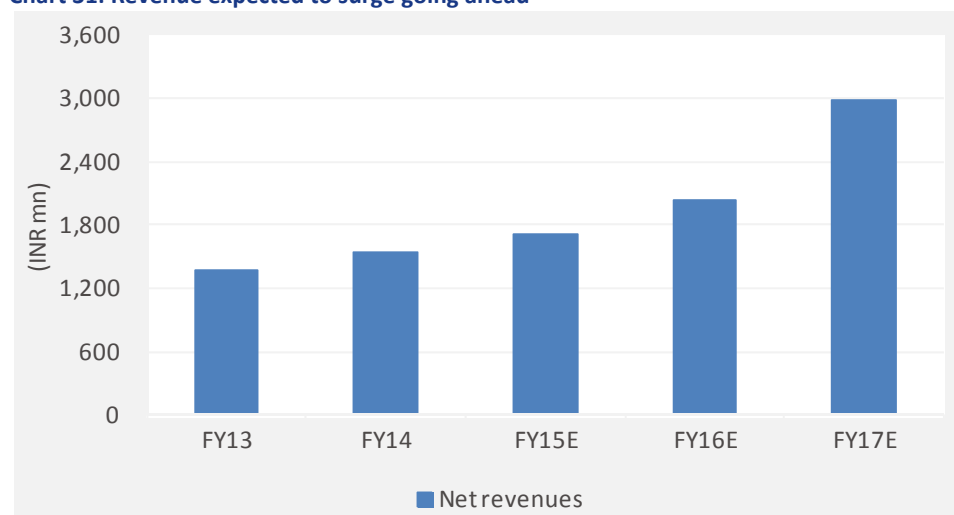
Source: Industry, CARE, Edelweiss research

Financial Outlook

Footfall surge, ATP jump, new park to spur revenue CAGR of 24.8%

Wonderla is estimated to clock revenue CAGR of 24.8% over FY14-17 primarily driven by the new park at Hyderabad and increase in footfalls and ATP. Footfalls at Wonderla are expected to post 14.4% CAGR over FY14-17E (we expect Hyderabad park to register footfalls of 0.58mn in FY17E). Excluding the Hyderabad park, footfall CAGR over FY14-17E is expected to be 7.61% with Bengaluru and Kochi parks clocking footfall CAGR of 8.7% and 6.5%, respectively. We have built in a total ATP increase of 9.4% CAGR over FY14-17E for Bengaluru and Kochi parks.

Chart 31: Revenue expected to surge going ahead

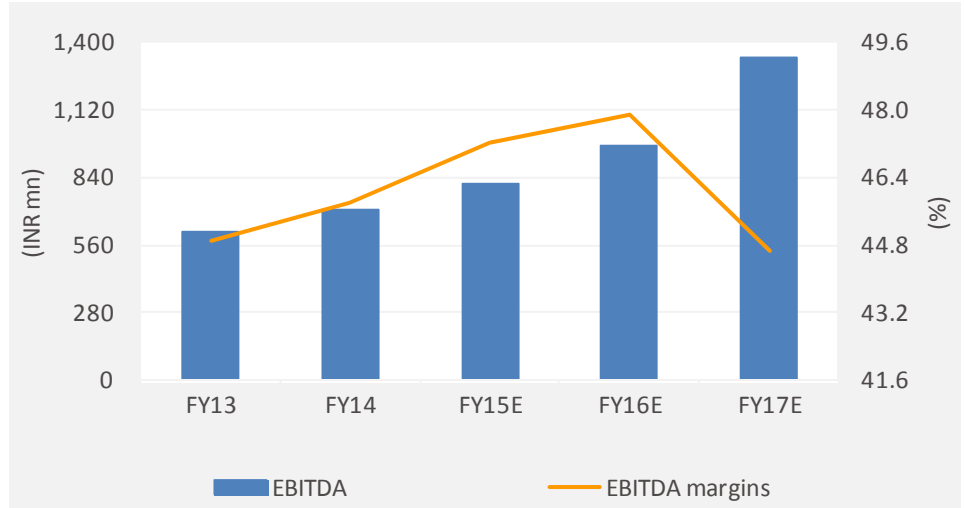


Source: Edelweiss research

We expect EBITDA to post a CAGR of 28% (FY15-FY17E).

New park to depress FY17 EBITDA margin

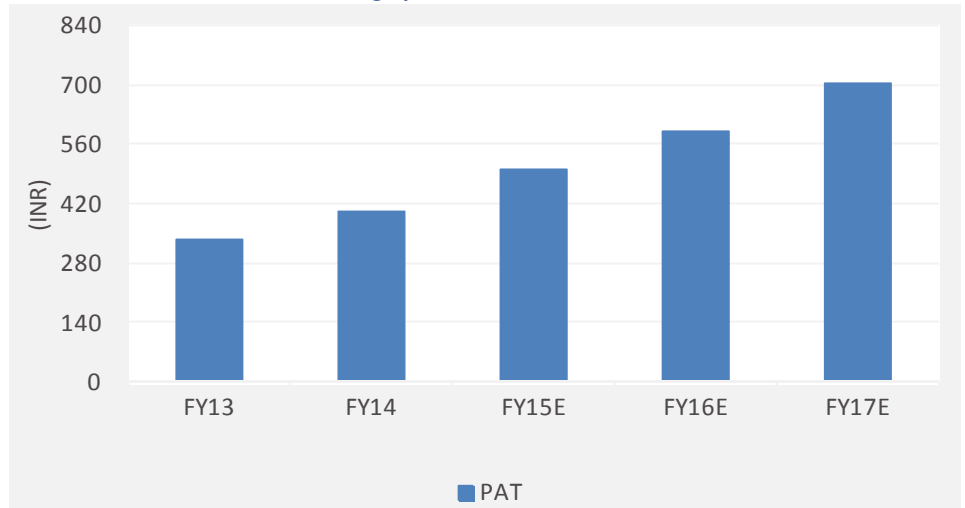
Wonderla registered 45.8% EBITDA margin in FY14, up 91bps YoY. Going forward, we expect it to expand 210bps YoY till FY16E driven by better mix and increased occupancy driven by footfall growth, leading to better operating leverage. However, since the Hyderabad park will commence operations from FY17, we expect EBITDA margin to dip 322bps YoY in FY17E. We expect EBITDA CAGR of 23.7% over FY14-17.

Chart 32: EBITDA margin will dip after new park comes into operation

Source: Edelweiss research

PAT to post CAGR of 20.7% over FY14-17E

Wonderla is expected to post 20.7% PAT CAGR over FY14-17E. The FY14-16E number stands at 21.5% which will be only because of the the existing park under operation i.e., Kochi and Bengaluru parks.

Chart 33: PAT will continue to swing upwards

Source: Edelweiss research

Appendix

Adlabs Imagica

IPO on cards

Another amusement park which has recently filed for an IPO after Wonderla is Adlabs Imagica. The company intends to raise money for partial repayment of its consortium loan and for general corporate purposes. Total amount of debt standing as due in the book of the company stood at INR9,441mn as on March 31, 2014. Imagica commenced full operations from November 1, 2013; prior to which though it was operational, not all the rides were open to the public.

Overview

Imagica is a recent addition to the large theme parks in India. This park, to certain extent, can be compared to Disneyland in Hongkong as it is a mix of high thrill rides like roller coaster, small rides and indoor thematic rides. Also, like Disney, Imagica also has its signature parade at the end of the day which showcases its characters. The park is spread over 132 acres and is strategically located on the Mumbai Pune Expressway. This helps garner footfalls not only from Mumbai, but from Pune and cities around as well.

Imagica has 26 rides which includes bigger and thrilling rides like roller coasters which are among the biggest rides in India. All the rides are divided into various themes (6 themes) like thrilling rides, indoor rides etc. Some of the famous rides in the park are Rajasaurus River Adventure, Wrath of Gods (VFX show) and Nitro (large roller coaster). Apart from these, it also has live performances by dancers, musicians, magicians etc.

Imagica has diversified into water parks as well under the name Aquamagica. This water park is adjoining the Imagica Theme Park (land rides), but charges a separate entry fee. Thus, the park gives wholesome entertainment to customers with both land and water rides.

The park owns and operates various multi cuisine F&B outlets. Unlike Wonderla, where F&B prices are at MRP, at Imagica they are at a premium. The latter also has many merchandise counters.

Imagica is also constructing a 287 room hotel in the park which will include facilities such as banquet halls, conference rooms, specialty restaurants, recreation areas, a swimming pool, a spa, a kids' activity centre and a gym. The first phase of this hotel is expected to get over by April 2015 (116 rooms). This hotel will be operated by Novotel. This will provide customers with an option to stay and explore the park including the water park, which otherwise would not have been possible in a day's time.

Other key highlights of Adlabs Imagica

Imagica project cost and land: The company has total 300 acres, of which area under construction is close to 132 acres. Balance 170 acres is free for further constructions, if any. The cost of this land was INR2,500mn. The total project cost was INR16.50bn with INR11bn debt and INR5.5bn equity. A consortium of 13 banks funded the project spearheaded by Union Bank of India. Though the company has no plans, as of now, on use of the spare land,

it is planning to develop the area into a destination land. As per the company, it has constructed an international standard park at one third the price.

Imagica Hotel: Phase 1 (116 rooms) of the 287 room hotel which will be operated by Novotel is expected to commence operations from April 2015. The hotel will convert the company from a day to a multi-day destination. The hotel will be mid priced—starting from close to INR4,500.

Pricing: The company will focus on increasing non-ticketing revenues whose ARPU will grow faster than ticket price. The increase in ticket price in FY16 is expected to be only to the tune of increase in the service tax liability.

Tie ups: The company has also entered into a tie up to operate a snow park at Imagica. The park will be manufactured by some other vendor and Adlabs will earn commission (% of sales) for it. The company is also looking to set up an adventure park at the venue.

Revenue proportion: 35-40% in H1 and 60-65% in H2. However, with the addition of water park the dynamics will alter as water parks operate better during the summer season.

Blended realisation: INR1,450 for the theme park and INR1,000 for the water park.

Capacity: While Imagica Theme Park's total capacity is 15,000 customers, Aquamagica's is 5,000.

Service tax liability: Adlabs will use input tax credit to the extent of 33% while it will pass the balance to customers.

Break even: The company requires 0.85mn-0.9mn footfalls for breakeven while footfall of 1.4mn is required to breakeven on cash basis.

Competition: Though Disneyland and Universal Studios have India plans, their entry is atleast 3-4 years away. It requires 55 licenses to set up a theme park in India.

Rides import: Adlabs imports its equipment and rides from foreign players (vendors like BNP of Switzerland, White Water of Canada, vendors from US, Italy, E2M etc). The company has customised them to appeal to the Indian audience. Imagica Theme Park has 25 rides and 14 water slides in Aquamagica.

Revenue mix: 75% from ticket sales, 17-18% for F&B and 7-8% from retail & merchandise. All the restaurants are owned by the company—6 restaurants at the theme park and 3 at the water park. The company has 4 banquet halls with a capacity of close to 2,000 each.

Intellectual property rights: The company has ownership of all the IPRs of characters and other IPRs. This has a huge monetisation potential by way of sale of merchandise etc. Imagica's products are available on all online stores.

Footfalls: 1.7mn in 18 months of operation. The company clocked 912061 customers in CY14 in the *Imagica* Theme Park.

Entertainment tax: The company has 15% exemption from entertainment tax from the state government for 10 years.

Expansion: Adlabs intends to expand to North (Delhi) and South India (Hyderabad) in 3-4 years' time. The company will not resort to debt to expand, but will scout for strategic partners. The company has finalised land in Hyderabad. It will not duplicate the park in Mumbai in other places.

Push strategy: The company is targeting to increase volumes on weekdays and bring in different offers. There are offers targeting schools, groups and corporate. School picnics form 20-22% of the overall footfall. In the past 18 months, a total of 800 schools visited the park, while 500 corporate paid a visit to the park.

Travel agent tie up: Imagica has tied up with all large travel agents in Mumbai. In-bound tourists from Maharashtra in Mumbai is 35mn. The company has also tied up with bus operators and offers home to home pick up packages as well.

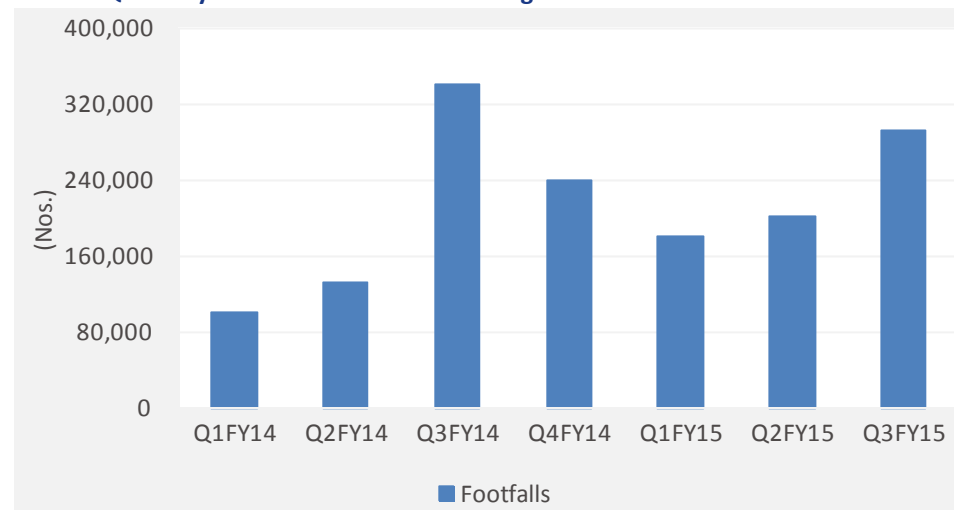
Online sales: The company is also focusing on increasing its online presence. 18-20% of overall ticket sales are through the online channel. The company has also started cash on delivery for buying tickets.

Proximity: Imagica is 1.2 hours drive away from Mumbai and Pune. It is 6km away from Khopoli station. The company also provides free shuttle service to and from Khopoli station at designated intervals.

PE players: The 2 PE players—ICICI Ventures and Jacob Balls—will continue to remain invested even after the IPO.

Power: The company has invested heavily in a power station and is connected to the national power grid.

Chart 1: Quarterly footfall trend of Adlabs Imagica



Source: Company, Edelweiss research

Table 1: Adlabs Imagica ticket pricing

IMAGICA	Weekdays			Weekends and holidays		
	Adult	Child	Senior Citizen	Adult	Child	Senior Citizen
Regular	1,500	1,200	1,200	1,900	1,600	1,600
Imagica Express	2,200	2,000	2,000	3,000	2,600	2,600
College Pack	1,300	NA	NA	1,500	NA	NA
School Pack	NA	800-1000	NA	NA	1200-1300	NA
AQUAMAGICA						
Regular	950	650	650	1,150	800	800
College Pack	800	NA	NA	950	NA	NA

Source: Company, Edelweiss research

Table 2: Key financial metrics of Imagica and Wonderla

	Adlabs Imagica (including Aquamagica)	Wonderla Bengaluru	Wonderla Kochi
Total Area (in acres)	300	81.75	93.17
Total Area utilised(in acres)	132	39.2	28.75
Rides (Land + Water)	40	59	62
Ticket price in INR (weekdays)	1500	700	580
Ticket price in INR (weekends)	1900	870	730
Waterpark ticket price in INR (weekdays)	950	No separate charges	No separate charges
Waterpark ticket price in INR (weekends)	1150	No separate charges	No separate charges
Hotel rooms	287	84	NA
Footfalls (in mn) in FY14	0.91*	1.18	1.12
Cost of project (INR mn)	16504	950	200
Revenues (INR mn) for FY14	1,069	838	628
EBITDA (INR mn) for FY14	69.7	457	294
EBITDA margins (%)	6.5	54.6	46.8
Proportion of Non ticketing revenues (%)	~25.0	16.0	15.0
Total debt as on 30th September 2014 (INR mn)	12,772	123.0**	

Source: Company, Edelweiss research

*Footfalls in CY14

**Total debt for Wonderla

Essel World

Essel World is one of the oldest large theme parks in India. Like Imagica, Essel World has 2 amusement parks—Essel World (for land rides) and Water Kingdom (water park). The park is spread over a combined area of 64 acres. Essel World has a total of about 31 rides (13 family rides, 9 adrenaline-pumping thrill rides and 9 children's rides). Apart from the water slides, it also has an ice skating rink, a dance floor and bowling alley. In terms of footfalls, it garners around 1.8mn visitors annually, of which 17% are students. Recently, Essel World launched a new ride at its park Shot N Drop—India's tallest tower ride. The company is also considering opening a resort.

Table 3: Key financial metrics of Essel World

INR mn	FY14	FY13
Total revenues	1,049	977
Total operating expenses	713	654
EBITDA	336	323
EBITDA margins (%)	32	33
PAT	156	162
Proportion of revenue from non ticketing items (%)	10	9
Total debt	779	546
Cash and bank balances	70	218
Net debt	710	328

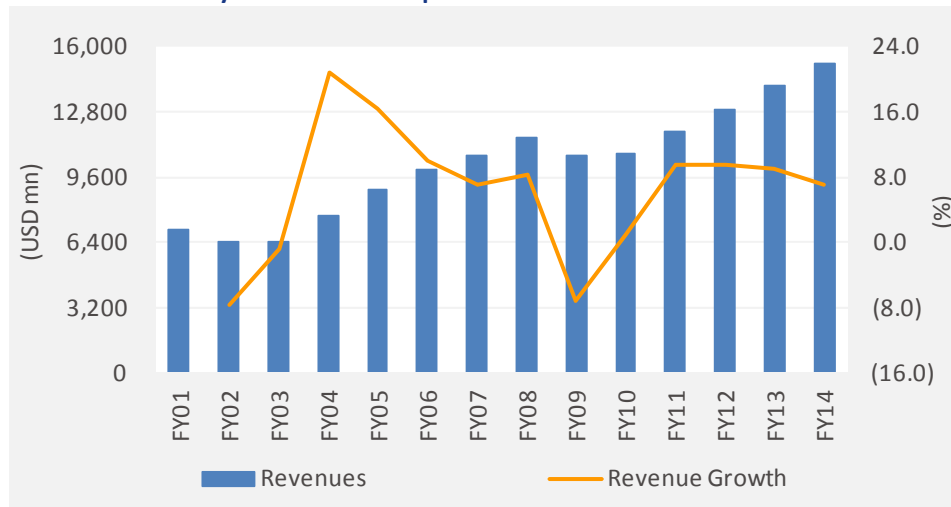
Source: Company, Edelweiss research

Walt Disney

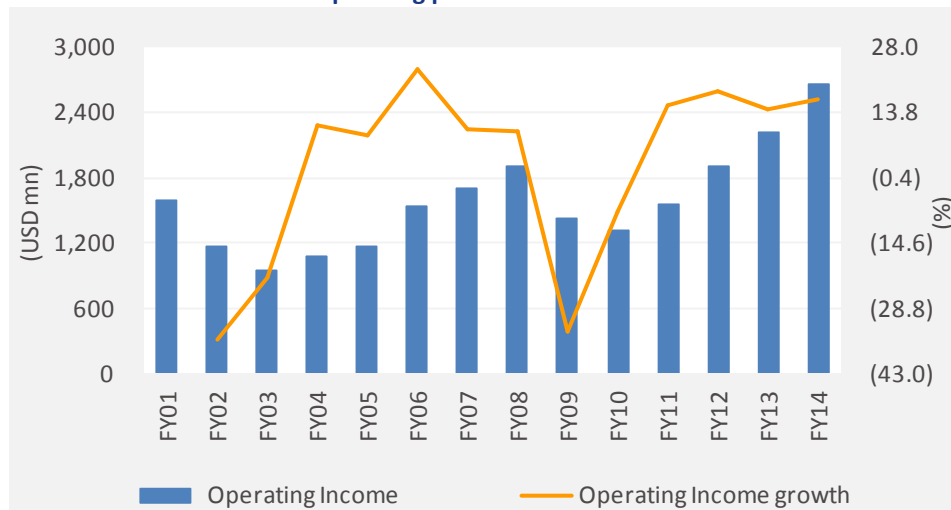
The Walt Disney Company is a diversified worldwide entertainment company with operations in 5 business categories—Media Network, Parks & Resorts, Studio Entertainment, Consumer Products and Interactive. Walt Disney Parks & Resorts is one of the famous amusement parks in the US. The theme park is one of the company's core businesses. It operates 11 parks which attracted 132.5mn guests according to the 2013 Global Attractions Attendance Report by industry monitors AECOM Economics and the Themed Entertainment Association (TEA). The theme park concept was an instant hit and led to the opening of 1971 Disney World—a resort comprising 4 theme parks in Florida. It was followed by theme parks in Tokyo, Paris and Hong Kong.

Walt Disney Parks & Resorts earns majority revenue via sale of tickets, which is used to cover the cost and very little flows to the bottom line. The huge profit reported by the parks and resorts is not only due to tickets sales, but also due to money made on sale of merchandise and food & beverages. The huge profits are invested back in to theme parks to include new rides, to attract new customers.

The reason behind the success of theme park is that all Disneyland park rides are based on themes which catch the attention of customers.

Chart 2: Walt Disney's revenues from park and resorts

Source: Company, Edelweiss research

Chart 3: Parks and resorts – Operating profit

Source: Company, Edelweiss research

Cedar Fair

About Cedar Fair

Cedar Fair owns and operates one of the leading amusement and water parks in US and Canada. The parks are open daily from 9:00 am to 10:00 pm and are operational for 130 days. The park charges an admission fee which gives the customer unlimited access to use all the rides (except Challenge Park at Cedar Point, Valleyfair, and Thrills Unlimited).

As of March 3, 2014, the company owned 11 best-in-class amusement parks, 1 amusement park under contract, 3 outdoor water parks and 5 hotels with ~1,700 rooms.

Table 4: Location of Cedar Fair parks

Parks	Location
Cedar Point	Ohio
Kings Island	Ohio
Canada's Wonderland	Canada
Dorney Park & Wildwater Kingdom	Pennsylvania
Valleyfair	Minnesota
Michigan's Adventure	Michigan
Kings Dominion	Virginia
Carowinds	North Carolina
Worlds of Fun	Missouri
Knott's Berry Farm	California
California's Great America	California

Source: Company, Edelweiss research

Cedar Point

Cedar Fair's flagship park, Cedar Point, approximately 60 miles West of Cleveland, is the largest seasonal amusement park in the US. It was first developed as a recreational area in 1870. It serves ~26mn people from 6 states—Ohio & Michigan, Western Pennsylvania & New York, northern West Virginia and Indiana and southwestern Ontario, Canada. The park has 56 rides including 15 world class roller coasters. It is situated on ~365 acres excluding the 60 acres property adjoining the approach to the Cedar Point Causeway. It has been voted the 'Best Amusement Park in the World' in Amusement Today's international survey for 16 consecutive years.

Cedar Point also operates 4 hotels. The park's largest hotel *Hotel Breakers* has ~600 rooms. The other hotel, *Castaway Bay*, has 237 rooms centered around a 38,000 square foot indoor water park.

Fig. 1: Roller Coaster at Cedar Fair

Source: Company

Financials

The company generates revenue from sale of tickets, food, merchandise and games inside the park and hotel rooms outside the park. The main expense includes salaries & wages, advertising, maintenance and operating supplies. Expenses are more or less fixed and do not vary with attendance. Total revenue increased by 8.6% CAGR from FY04 till FY13 supported by admission revenue, which clocked 9.9% CAGR and accommodation revenue posted 10.4% CAGR over FY04-13. Admission revenue as a percentage of total revenue has remained in the 50-60% range over FY04-13.

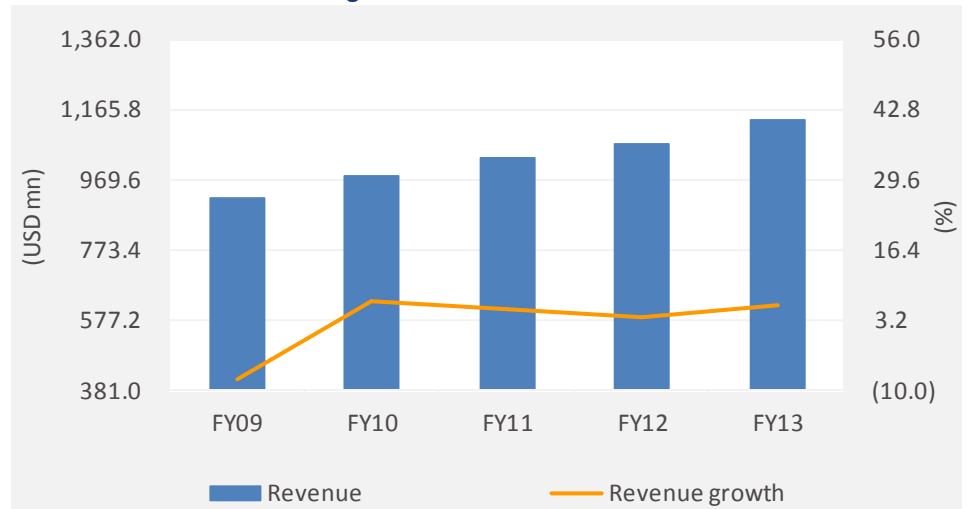
Table 5: Key metrics of Cedar Fair

% of Revenue	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Admissions	51.1	51.4	55.3	55.9	56.8	58.2	58.2	57.9	57.3	57.0
Food, Merchandise & Games	39.0	38.5	36.9	36.5	35.7	34.5	34.5	34.0	32.0	31.4
Accommodations & Other	10.0	10.1	7.8	7.6	7.4	7.3	7.3	8.1	10.7	11.6

Source: Company, Edelweiss research

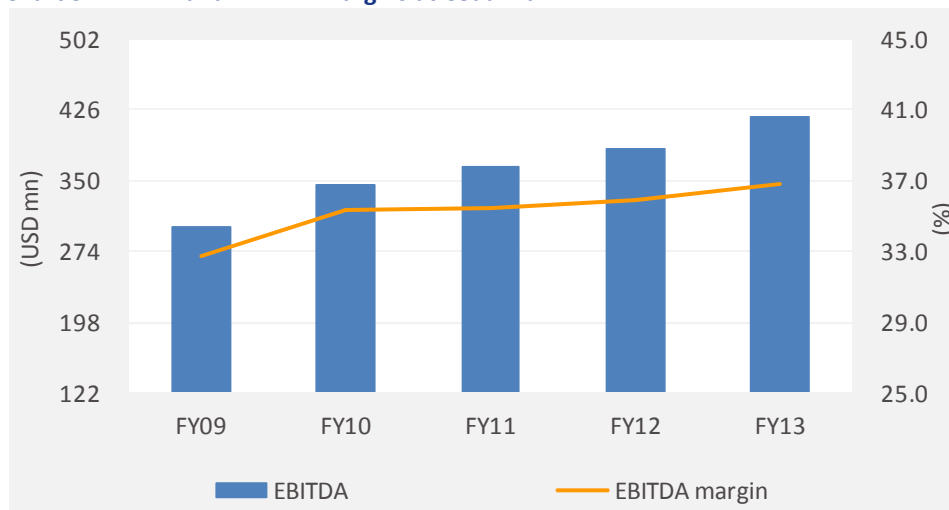
To attract audience during the operating season, the park conducts internet campaigns apart from radio and television campaigns. These campaigns help the company market itself to 2 important demographic groups—students from 12- 24 years and families.

Chart 4: Revenue and revenue growth at Cedar Fair



Source: Company, Edelweiss research

Chart 5: EBITDA and EBITDA margins at Cedar Fair



Source: Company, Edelweiss research

Growth strategy

Cedar Fair has outlined its long-term growth strategy—FUNforward—in FY11, via which the company will provide exciting, quality experiences with the greatest thrill rides and family attractions to consumers. Some of the components of FUNforward are:

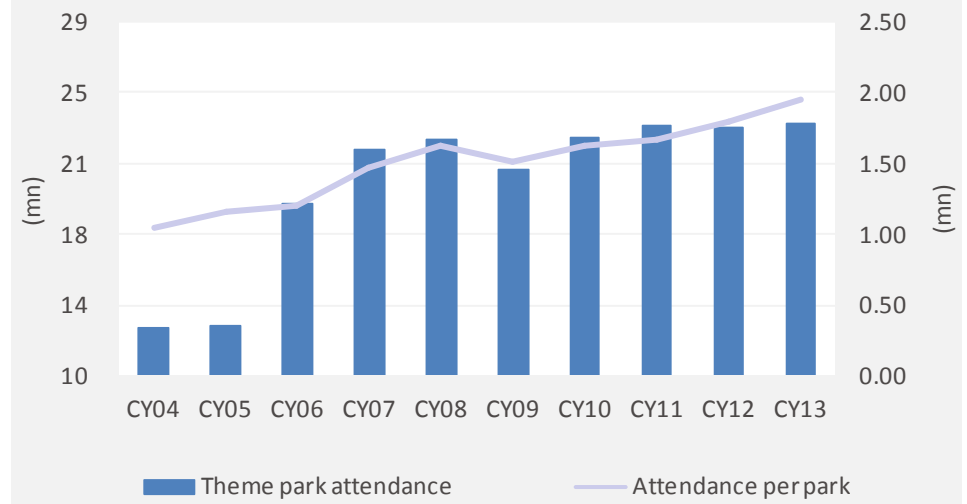
- **Enhanced guest experience:** The company will continue to add new rides and attractions which will give consumers the experience and value which is far more than the admission ticket price.
- **Premium product offering:** The company will provide premium offerings for benefits oriented guests. For instance, it will provide exclusive parking and elite dinner experience to premium customers.

These offerings have helped Cedar Fair garner higher revenue .

Cedar Fair has also introduced a system wherein it charges more to cut wait times for its popular rides. It was first tested on Kings Island, Cedar Point's sister property near Cincinnati. The strategy worked well as per the company and was later introduced at all the other Cedar Fair parks in 2012.

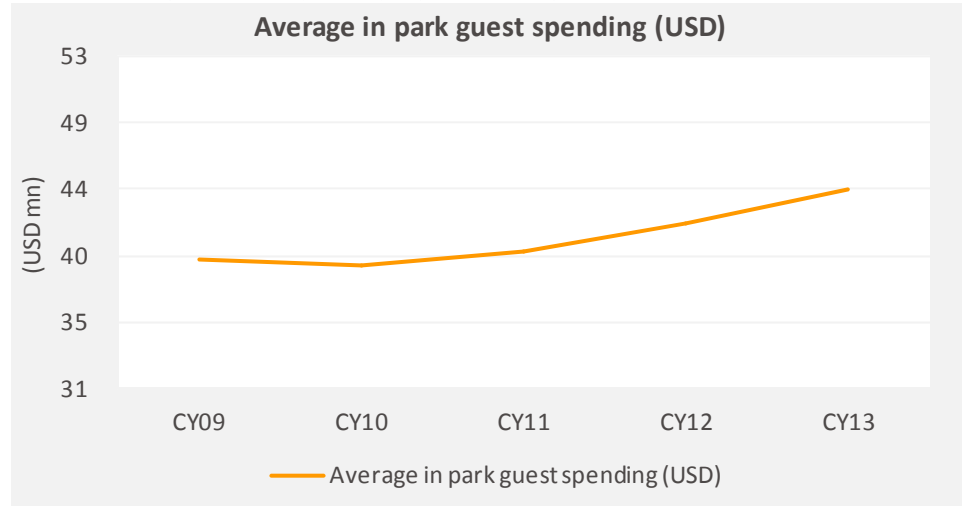
Attendance in the park jumped significantly in CY06 compared to CY05 due to acquisition of Paramount Parks business which resulted in addition of 5 parks to Cedar Fair's portfolio.

Chart 6: Cedar Fair attendance per park



Source: Company, Edelweiss research

Chart 7: Average amount spend by a guest in the park at Cedar Fair



Source: Company, Edelweiss research

Snapshots of the Hyderabad park under construction

Fig. 2: Construction of approach road



Fig. 3: Construction of entrance building



Fig. 4: Construction of Tower Building



Fig. 5: Construction of Wonder Splash



Source: Company

Financial Statements

Key assumptions		(INR mn)			
Year to March	FY14	FY15E	FY16E	FY17E	
Macros					
GDP(Y-o-Y %)	4.7	5.4	6.3	7.3	
Inflation (Avg)	9.5	6.8	5.5	5.5	
Repo rate (exit rate)	8.0	7.8	6.8	6.3	
USD/INR (Avg)	60.5	61.0	62.0	62.0	
Company					
Sales assumptions					
Footfalls in Bangalore park	1.2	1.3	1.4	1.5	
Footfalls in Kochi park	1.1	1.1	1.2	1.4	
Footfalls in Hyderabad park	0.0	0.0	0.0	0.6	
Entry charge in Bengaluru park	586	633	684	759	
Entry charge in Kochi park	469	507	548	608	
Entry charge in Hyderabad park	0	0	0	721	
Prop. of non-ticket rev. (excl resort)	23.2	24.1	24.9	25.6	
Cost assumptions					
Park operating exp. (as a % of rev.)	16.8	16.5	15.8	16.9	
Advt. expenses (as a % of rev.)	7.6	7.1	8.4	9.0	
Marketing expenses (as a % of rev.)	3.4	3.7	3.4	3.5	
Financial assumptions					
Debtors days	1	1	2	1	
Inventory days	73	79	74	60	
Payable days	9	5	4	3	
Cash conversion cycle (days)	65	75	71	58	
Capex (INR mn)	262	165	1,725	1,451	

Income statement		(INR mn)			
Year to March	FY14	FY15E	FY16E	FY17E	
Net revenues	1,536	1,714	2,024	2,984	
Park operating expenses	258	283	320	506	
Other operating expenses	153	160	187	280	
Personnel expenses	253	276	310	490	
Advertisement expenses	116	122	170	270	
Marketing expenses	53	64	69	105	
Total operating expenses	833	905	1,055	1,651	
EBITDA	704	810	970	1,333	
Depreciation & amortization	132	139	141	326	
EBIT	572	670	829	1,007	
Interest expense	16	16	18	42	
Other income	24	79	68	66	
Profit before tax	579	734	879	1,031	
Provision for tax	180	235	290	330	
Core profit	399	499	589	701	
Profit after tax	399	499	589	701	
Profit after minority interest	399	499	589	701	
Equity sh. outstanding (mn)	42	56	56	56	
EPS (INR) basic	9.5	8.8	10.4	12.4	
Diluted shares (mn)	42	56	56	56	
EPS (INR) fully diluted	9.5	8.8	10.4	12.4	
CEPS (INR)	12.6	11.3	12.9	18.2	
Dividend per share (INR)	1.5	1.1	2.0	2.0	
Dividend payout (%)	15.8	12.6	19.2	16.1	

Common size metrics- as % of net revenues

Year to March	FY14	FY15E	FY16E	FY17E
Park operating expenses	16.8	16.5	15.8	16.9
Cost of goods sold	10.0	9.3	9.2	9.4
Personnel expenses	16.5	16.1	15.3	16.4
Advertisement expenses	7.6	7.1	8.4	9.0
Marketing expenses	3.4	3.7	3.4	3.5
Total operating expenses	54.2	52.8	52.1	55.3
Depreciation & amortization	8.6	8.1	7.0	10.9
Interest expenditure	1.1	0.9	0.9	1.4
EBITDA margin	45.8	47.2	47.9	44.7
EBIT margin	37.2	39.1	40.9	33.7
Net profit margins	26.0	29.1	29.1	23.5

Growth metrics

Year to March	FY14	FY15E	FY16E	FY17E
Revenues	12.8	11.6	18.1	47.4
EBITDA	15.1	15.1	19.7	37.5
PBT	15.7	26.7	19.8	17.3
Net profit	18.8	25.1	18.0	19.1
EPS	18.8	(7.0)	18.0	19.1

Balance sheet		(INR mn)			
As on 31st March	FY14	FY15E	FY16E	FY17E	
Share capital	420	565	565	565	
Reserves & surplus	1,079	3,027	3,483	4,019	
Shareholders funds	1,499	3,591	4,048	4,584	
Long term borrowings	203	200	250	800	
Loan funds	203	200	250	800	
Deferred tax liability/asset	33	33	33	33	
Sources of funds	1,736	3,825	4,332	5,418	
Tangible assets	1,450	1,345	1,524	4,149	
Total CWIP	205	315	1,720	220	
Total net fixed assets	1,655	1,660	3,244	4,369	
Current investments	-	2,000	1,000	500	
Cash and cash equivalents	200	333	335	819	
Inventories	33	35	40	52	
Sundry debtors	3	8	10	11	
Loans & advances	72	51	65	69	
Other assets	38	0	2	2	
Total current assets (ex cash)	147	2,094	1,117	634	
Current Liabilities	126	105	205	208	
Provisions	141	156	159	196	
Total CL & provisions	267	261	364	404	
Net current assets (ex cash)	(120)	1,833	753	230	
Application of funds	1,736	3,825	4,332	5,418	
Book value per share	36	64	72	81	

Free cash flow		(INR mn)			
Year to March	FY14	FY15E	FY16E	FY17E	
Net profit	399	499	589	701	
Depreciation	132	139	141	326	
Deferred tax	(3)	-	-	-	
Others	191	251	308	372	
Gross cash flow	719	889	1,038	1,399	
Less: Changes in WC	19	(48)	(80)	(23)	
Operating cash flow	700	937	1,118	1,422	
Less: Capex	262	165	1,725	1,451	
Free cash flow	438	771	(607)	(30)	

Cash flow metrics		(INR mn)			
Year to March	FY14	FY15E	FY16E	FY17E	
Operating cash flow	700	937	1,118	1,422	
Financing cash flow	(71)	1,549	(100)	343	
Investing cash flow	(259)	(2,165)	(725)	(951)	
Net cash flow	370	320	293	813	
Capex	262	165	1,725	1,451	

Profitability & liquidity ratios					
Year to March	FY14	FY15E	FY16E	FY17E	
ROAE (%)	29.6	19.6	15.4	16.2	
ROACE (%)	35.8	37.7	32.1	24.4	
Debtors days	1.0	1.2	1.6	1.2	
Inventory days	73	79	74	60	
Fixed assets t/o	1.0	1.0	0.8	0.8	
Debt/Equity	0.1	0.1	0.1	0.2	
Interest coverage	35	42	46	24	
Payable days	9	5	4	3	
Current ratio	1.3	9.3	4.0	3.6	
Debt/EBITDA	0.3	0.2	0.3	0.6	

Operating ratios					
Year to March	FY14	FY15E	FY16E	FY17E	
Total asset turnover	1.0	0.6	0.5	0.6	
Fixed asset turnover	1.0	1.0	0.8	0.8	
Equity turnover	1.1	0.7	0.5	0.7	

Valuation parameters					
Year to March	FY14	FY15E	FY16E	FY17E	
EPS (INR) fully diluted	9.5	8.8	10.4	12.4	
Y-o-Y growth (%)	18.8	(7.0)	18.0	19.1	
CEPS	12.6	11.3	12.9	18.2	
Diluted P/E (x)	29.2	31.4	26.6	22.3	
Price/BV (x)	7.8	4.4	3.9	3.4	
EV/Sales (x)	7.6	7.9	7.2	5.1	
EV/EBITDA (x)	16.5	16.7	15.0	11.4	
Dividend yield (%)	0.5	0.4	0.7	0.7	

Peer comparison valuation

Name	Market cap (USD mn)	Diluted PE (X)		EV/EBITDA (X)		ROAE (%)	
		FY15E	FY16E	FY15E	FY16E	FY15E	FY16E
Wonderla Holidays	249	31.4	26.6	16.7	15.0	15.4	16.2
Titan Company	6,019	45.8	36.7	30.6	25.1	29.4	30.2
Future Retail	719	(57.7)	60.9	5.7	5.0	(1.3)	1.2
Jubilant Foodworks	1,677	84.4	55.8	39.7	26.2	20.4	24.5
Shoppers Stop	641	227.4	116.9	24.3	19.7	3.5	6.6
Median	-	64.9	58.4	27.3	22.3	11.9	15.6
AVERAGE	-	74.9	67.5	25.0	18.9	13.0	15.6

Source: Edelweiss research

Additional Data

Directors Data

Mr. Arun k Chittilappily	Managing Director	Mr. M.P. Ramachandran	Director
Mr. Kochouseph Chittilappilly	Director	Ms. Priya Sarah Cheeran Joseph	Executive Director
Mr. George Joseph	Chairman		

Auditors - M/S B S R & Co. LLP, Chartered Accountants

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
Il&Fs Trust Co Ltd	2.34	Dnb Asset Management	2.34
Handelsbanken Fonder Ab	2.19	Handelsbanken Tillvaxtmark	1.75
DrieHaus Capital Management Llc	1.65	Aditya Birla Pvt Equity Tr	1.49
Handelsbanken Fondbolag Ab	0.67	Parvest Investment Management	0.62
Hdfc Asset Management Co Ltd	0.45	Shinhan Bnp Paribas Asset Mgt/Kr	0.43

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

Company	Absolute reco	Relative reco	Relative risk	Company	Absolute reco	Relative reco	Relative Risk
Future Retail	HOLD	SU	H	Jubilant Foodworks	BUY	SP	M
Shoppers Stop	BUY	SP	L	Titan Company	BUY	SO	L
Wonderla	BUY	SP	M				

ABSOLUTE RATING

Ratings	Expected absolute returns over 12 months
Buy	More than 15%
Hold	Between 15% and - 5%
Reduce	Less than -5%

RELATIVE RETURNS RATING

Ratings	Criteria
Sector Outperformer (SO)	Stock return > 1.25 x Sector return
Sector Performer (SP)	Stock return > 0.75 x Sector return
	Stock return < 1.25 x Sector return
Sector Underperformer (SU)	Stock return < 0.75 x Sector return

Sector return is market cap weighted average return for the coverage universe within the sector

RELATIVE RISK RATING

Ratings	Criteria
Low (L)	Bottom 1/3rd percentile in the sector
Medium (M)	Middle 1/3rd percentile in the sector
High (H)	Top 1/3rd percentile in the sector

Risk ratings are based on Edelweiss risk model

SECTOR RATING

Ratings	Criteria
Overweight (OW)	Sector return > 1.25 x Nifty return
Equalweight (EW)	Sector return > 0.75 x Nifty return
	Sector return < 1.25 x Nifty return
Underweight (UW)	Sector return < 0.75 x Nifty return

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Coverage group(s) of stocks by primary analyst(s): Retail

Future Retail, Jubilant Foodworks, Shoppers Stop, Titan Company

Recent Research

Date	Company	Title	Price (INR)	Recos
25-Feb-15	Titan Company	Evolving with times; <i>Visit Note</i>	422	Buy
05-Feb-15	Jubilant Foodworks	Tasty bite; Result Update	1,432	Buy
05-Feb-15	Retail	Yum! Brands: Performance continues to be soft; <i>EdelFlash</i>		

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	150	46	10	207
* 1 stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	143	58	6	

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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