

# Wonderla Holidays



## Waving the wand of wonder

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Investors are advised to refer through disclosures made at the end of the Research Report.

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# Wonderla Holidays

**BSE Sensex**  
27,275

**S&P CNX**  
8,235

**CMP: INR314**

**TP: INR410**

**Upside: 30%**

**Buy**



## Stock Info

Bloomberg	WONH IN
Equity Shares (m)	56.5
52-Week Range (INR)	356/125
1, 6, 12 Rel. Per (%)	13/37/-
M.Cap. (INR b)	17.7
M.Cap. (USD b)	0.3

## Financial Snapshot (INR Million)

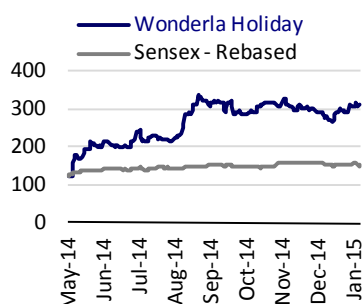
Y/E Mar	2015E	2016E	2017E
Net Sales	1,818	2,126	3,241
EBITDA	882	1,074	1,540
Adj PAT	515	635	886
EPS (INR)	9.1	11.2	15.7
Growth (%)	-4.0	23.2	39.5
BV/Share (INR)	63.1	71.4	83.6
RoE (%)	20.4	16.7	20.2
RoCE (%)	29.4	24.9	30.2
P/E (x)	34.4	27.9	20.0
P/BV (x)	5.0	4.4	3.8

## Shareholding pattern (%)

	Sep-14	Jun-14	Sep-13
Promoter	71.0	71.0	-
DII	4.1	8.3	-
FII	6.9	2.1	-
Others	18.0	18.6	-

FII Includes depository receipts

## Stock Performance (1-year)



**Wonderla Holidays (WONH)** is one of the largest operators of amusement parks in India, which owns and operates two parks under the brand name “Wonderla”, situated at Kochi and Bangalore. In FY14, it had a cumulative annual footfall of 2.3m. WONH raised INR1.8b through an IPO to set up its third park in Hyderabad, which is awaiting the final stages of approval. Company has also developed the Wonderla Resort in Bangalore, a Three Star leisure resort, next to its amusement park, comprising of 84 luxury rooms.

## Waving the wand of wonder

### On the cusp of next growth phase

- India’s amusement park industry stands at USD0.4b, compared to the global amusement park size of USD25b, thus providing huge growth opportunity.
- To be a pan India player, management plans to add two parks in the next four years, thereby doubling the current parks size.
- While globally F&B revenue forms 33-34% of total revenue, it forms ~6% of WONH’s revenue, thus providing a huge opportunity for growth.
- Given its strong industry positioning, multiple growth opportunities and high entry barrier, we value WONH at 26x FY17E EPS, with a target price of INR410. We initiate coverage with a Buy rating.

### Amusement park – huge opportunity in offing

India has ~140 parks of which only 10% are large parks (more than 40 acres in size and ~INR700m of investments). The size of Indian amusement park industry stands at USD0.4b, compared to the global amusement park size of USD25b, thus providing huge growth opportunity. However, with an improvement in per capita income, we expect the amusement park culture to pick up dramatically in India over the next 10 years, making it a strong alternative source of entertainment. Globally, most amusement parks continue to report losses due to high capex, high employee, operating and maintenance costs. Hence, we believe that India with a lower employee cost, operating and maintenance cost will make the amusement park model more profitable compared to global peers.

### WONH enjoys strong early-mover advantage

After launching the first park in 2000 in Kochi and the second one in Bangalore in 2005, company has created strong brands in the amusement park segment in South India. WONH has the first-mover advantage in Kochi and Bangalore where there are only few medium and small parks. Wonderla being the largest and most profitable park in India highlights management’s operational ability, strong brand and capability to attract sustained footfalls over the years.

**Aims to be a pan India player in next 10 years**

To capitalize on the early-mover advantage, WONH plans to open a 49-acre park in Hyderabad, which is expected to be operational in 4QFY16. To be a Pan India player, management plans to add two parks in the next four years, thus doubling the current parks size. It is scouting for land in Chennai, post which has plans to enter non-south markets such as Goa and Mumbai. We expect Hyderabad to record footfalls of 0.8m, with average ticket pricing of INR873 and margins of 35% in FY17E.

**Strong pricing power amid growing footfalls**

WONH has been successful in increasing the footfalls at 7% CAGR from 1.61m to 2.29m over FY10-14. Average ticket realization per visitor has increased from INR370 to INR539 over FY10-14, marking 10% CAGR. We expect footfalls growth of 14% CAGR (6% from existing parks) over FY14-17E and realization growth of 11% (10% from existing parks) over FY14-17E, which should lead to 25% CAGR in sales (16% from existing parks) over FY14-17E. Around 60-62% of Kochi customers and 70% of Bangalore customers are walk-in and rest are either through group bookings or institutional visitors. 80% of the parks' revenue come from entry fees and hence company has developed Wonderla Privilege Card to attract repeat visits from teenagers/students, which form 30% of total footfalls. Around 10% of revenue comes from privilege cards and is instrumental to drive footfall growth over the long run.

**Strong F&B revenue growth to drive margin expansion**

Unlike most parks in India and globally which charge 50-60% premium over maximum retail price (MRP), Wonderla sells F&B and packaged food inside the park at MRP which adds to visitors' value-for-money experience. While globally F&B revenue forms 33-34% of total revenue, it only forms ~6% for Wonderla as management intends an increase in ticket prices over F&B price increase. Company has entered into 25% revenue sharing agreement with six restaurants operating in the park, and operates a restaurant on its own. Average F&B realization per footfall has posted 28% CAGR from INR14 to INR37 over FY10-14 and we expect it to clock 46% CAGR over FY14-17E primarily on addition of Hyderabad park and sustained footfall growth in existing parks.

**Valuation and view**

We expect WONH's revenue to clock 25% CAGR to INR3.2b over FY14-17E and PAT CAGR of 27.1% to INR886m over FY14-17E. In our view, over the next 10 years, amusement parks will emerge as a strong avenue for entertainment as penetration improves substantially. We believe the company is on track to be a pan India player over the long run and will be a major beneficiary of amusement park industry's development. The stock trades at 28x FY16E and 20x FY17E earnings and we value WONH at 26x FY17E EPS, with a target price of INR410, given its strong industry positioning, multiple growth opportunities and high entry barrier. We initiate coverage with a **Buy** rating.



## Company description

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Wonderla Holidays is one of the largest operators of amusement parks in India which currently owns and operates two parks under the brand name “Wonderla”, situated at Kochi and Bangalore. Company is in the process of setting up the third amusement park in Ranga Reddy district of Andhra Pradesh, Wonderla Hyderabad. It raised INR1.8b from an IPO for the development of Hyderabad Park. It also owns and operates a resort besides the amusement park in Bangalore under the brand name ‘Wonderla Resort’, which has been operational since March 2012.

Mr Kochouseph Chittilappill, WONH’s promoter, in 1996 had incorporated V-Guard Industries Ltd, which is listed on BSE and NSE since 2008. WONH launched its first amusement park in Kochi in 2000 by the name ‘Veegaland’ and the second park in Bangalore in 2005 by the name ‘Wonderla’. Pursuant to a scheme of amalgamation, the erstwhile Veega Holidays and Parks Pvt Ltd which owned and operated ‘Veegaland’, merged with Wonderla with effect from April 1, 2008 and consequently both the parks are being operated under the name ‘Wonderla’.

Amusement parks offer a wide range of water and land-based attractions catering to all age groups. Company has 22 water-based attractions and 33 land-based attractions at Wonderla Kochi, situated on 93.17 acres of land and 20 water-based attractions and 35 land-based attractions at Wonderla Bangalore, situated on 81.75 acres. Company recorded total footfalls of 2.34m in FY13 and 2.29m in FY14 across the two amusement parks in Kochi and Bangalore.

WONH recently developed “Wonderla Resort” in Bangalore which is a ‘Three Star’ leisure resort located beside its amusement park comprising of 84 luxury rooms, with amenities including banquet halls, a board room, conference rooms, a multi-cuisine restaurant, a solar heated swimming pool, recreation area, kids’ activity center and a well-equipped gym. Company has also acquired 49.57 acres of land for setting up the Hyderabad amusement park in Ranga Reddy district of Andhra Pradesh.

## Amusement park – a huge opportunity in the offing

### Indian amusement park on cusp of growth

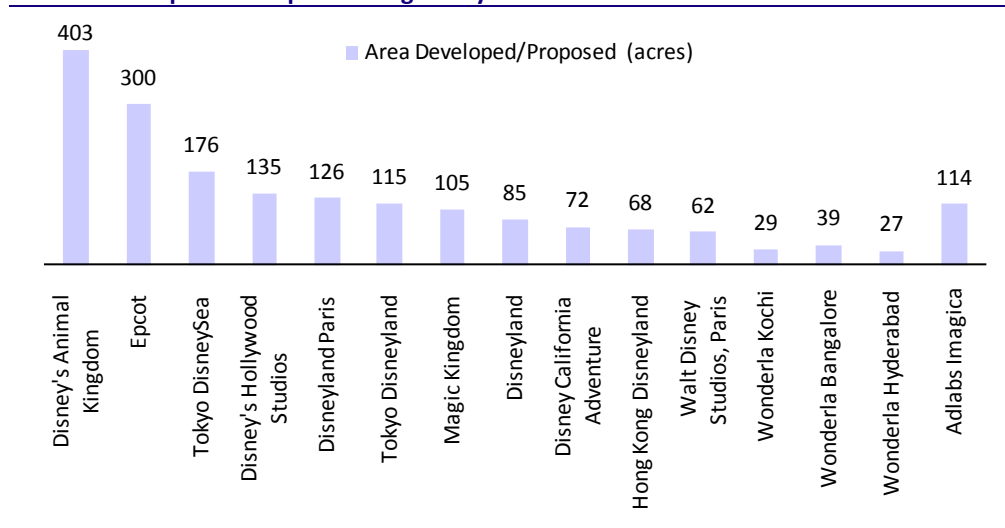
- Global parks industry is expected to reach USD32b by 2017 from the current industry size of USD25b, marking a CAGR of 9%.
- There are more than 800 parks around the world, with annual attendance of ~600m visitors per year.
- The US market alone caters to 50% of the global market both in terms of number of parks and total annual visitors, with 400 parks and 330m visitors.
- Since North American and European markets are highly saturated, the next leg of growth is expected from Asian markets due to increase in population, higher infrastructural investment and increasing tourism.
- There are ~140 amusement parks in India of which only ~10% are large format parks.
- Management believes that amusement park is not a price sensitive market, and lack of large format parks in India will enable it to take a price rise of 10% every year.

### Globally amusement parks have weathered recessions in last 5 years

Globally, amusement parks have demonstrated a recession-proof model. There are more than 800 parks around the world, with annual attendance of ~600m visitors per year. The US market alone caters to 50% of the global market, both in terms of number of parks and total annual visitors, with 400 parks and 330m visitors. Despite the economic slowdown, attendance in the 25 largest theme park across the world has increased from 187m in 2007 to 205m in 2012. Global park industry is expected to reach USD32b by 2017 from the current industry size of USD25b, marking a CAGR of 9%. North American and European markets are highly saturated, while Asian markets are expected to be the biggest over the next 15 years due to increasing population, higher investment in infrastructure and increased tourism. In Asia, Japan and South Korea are showing signs of maturity and saturation, while markets in India, Thailand, Singapore, Malaysia and Indonesia are still experiencing fast growth. We believe that the Indian amusement park market is at a nascent stage and huge potential exists for the industry to grow.

### India adopts larger park culture

Disney's Animal Kingdom is the most widespread park which is developed over 400 acres of land followed by Epcot with over 300 acres. Every year, amusement parks try to add new rides to drive the footfall growth and size of the park keeps increasing. Wonderla's all three parks have ample space for further expansion. Adlabs Imagica is one of the biggest parks in India which is developed/proposed over 114 acres of land. We believe that as the scale grows higher, these Indian parks will have ample space for expansion and meet global standards.

**Exhibit 1: Comparison of parks size globally**

Source: Company, MOSL

### Indian parks have huge potential to grow in size

India has ~140 parks of which only ~10% are large format parks which require high investments and attract large visitors. The size of Indian amusement park industry stands at USD0.4b, compared to global size of USD25b, thus providing huge opportunity for growth. The industry is divided into three categories:

1. Large parks (investment >INR700m),
2. Medium parks (investment of INR300-700m),
3. Small parks (investment <INR300m).

Wonderla is one of the large amusement parks, and there are no other large parks in the near vicinity of both its parks which provides huge competitive advantage. However, few small and medium-sized parks exist in Kochi and Bangalore respectively but they cannot compete with Wonderla due to the size of operations. Management believes that an amusement park is not a price sensitive market and has been taking 10% price hike every year for the last five years, signifying the brand equity. The upcoming park in Hyderabad may face competition from the already existing large players like Ramoji Studio. However, as Ramoji is a film city, it caters to a different set of visitors and thus is not a direct competitor to amusement parks. We believe the lack of many alternatives provides pricing power to Wonderla, which will be structural in nature.

### Indian parks more profitable compared to global peers

Globally, most amusement parks continue to report losses due to high capex, high employee and huge operating and maintenance cost. We believe India with a lower employee cost and lower operating and maintenance cost will make amusement park model more profitable compared to global peers. However, with an improvement in per capita income, we expect the amusement park culture to pick up dramatically in India over the next 10 years, making it a strong alternative source of entertainment.

**Exhibit 2: Industry segmentation**

Parameters/Classification	Large parks	Medium parks	Small parks
Capex (INR)	>700m	300-700m	<300m
Area Covered	>40 acres	10-40 acres	<10 acres
Average Ticket price (INR)	>400	250-400	~250
Footfalls	>0.5m	0.3-0.5m	<0.3m
Location	Metros and outskirts	Outskirts of Metros, Tier I cities	Tier II cities, small towns, outskirts of metro and Tier I cities
Few Players	Essel World (Mumbai), Nicco Park (Kolkata), Wonderla (Kochi & Bangalore), Kishikinta (Chennai)	GRS Fantasy Park (Mysore), Ocean Park (Hyderabad)	Fun N Food Kingdom (Dehradun)
Number of Parks	16-18	40-45	85-95

Source: Company, MOSL

**Exhibit 3: Competitive landscape of amusement parks in India**

Parks	Location	Size in acres	Rides (Dry)	Rides (Wet)	Pricing Strategy	Entry rate	Annual Average footfalls (m)
Essel World & Water Kingdom	Mumbai	64	Y	Y	Separate entry fees for amusement park and water park	INR590-690 (For either of amusement park or water park)	1.8
Nicco Park	Kolkata	40	Y	Y	Separate entry fees for amusement park and water park	Dry Park Package - 340 Water Park Package - 290	1.7
Wonder La	Kochi	93	Y	Y	Single entry fees	INR460 - 600	1.2
Wonder La	Bangalore	83	Y	Y	Single entry fees	INR590 - 790	1.1
Ocean Park	Hyderabad	20	Y	Y	Separate entry fees for water park, snow park	INR300	N.A.
Ramoji Film City	Hyderabad	1,666	Y	Y	Single entry fees	INR600	1.5
Adventure Island & Metro Walk	Rohini	62	Y	Y	Single entry fees	INR500	N.A.
Entertainment City	Noida	44	Y	Y	Single entry fees as well as pay-as-you-go	INR450	N.A.
Kishikinta	Chennai	120	Y	Y	Single entry fees	INR450	N.A.
Queensland	Chennai	70	Y	Y	Single entry fees	INR350	N.A.
VGP Universal	Chennai	N.A.	Y	Y	Single entry fees	INR200	N.A.
MGM Dizze World	Chennai	27	Y	Y	Single entry fees	INR500	N.A.
GRS Fantasy Park	Mysore	30	Y	Y	Single entry fees	INR395	N.A.
Mount Opera	Hyderabad ad	55	Y	Y	Single entry as well as pay-as-you-go	INR360	N.A.
Athisayam	Madurai	40	Y	Y	Single entry fees	INR500	N.A.
Black Thunder	Mettupalayam	65	Y	Y	Single entry fees	INR450	0.5
Appu Ghar	Pune	N.A.	Y	-	Pay as you go	Approx. INR30 per ride	N.A.
Fun N Food Village	New Delhi	10	Y	Y	Single entry fees	INR300	0.5

Source: DRHP, MOSL



## Plethora of growth opportunities

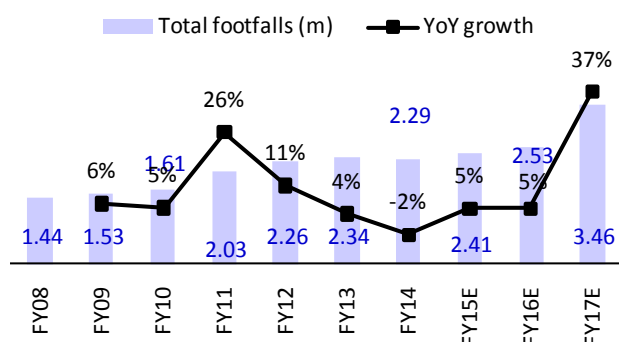
### Huge growth potential ahead

- WONH has steadily and consistently been able to drive footfalls in both parks and in the past five years, footfalls have posted 9% CAGR to 2.29m visitors in FY14. We believe a matured park will continue to attract ~7% growth, going forward.
- While most of the large amusement parks in India charge 50-60% premium over the MRP of packaged food sold inside the park, WONH sells it at MRP, which adds to customers' value-for-money experience.
- WONH is one of the few parks in India which is profitable due to its operational efficiencies, in-house ride manufacturing capability and relatively less capex requirement for expansion.
- It follows differentiated pricing to attract footfalls on non-peak days and hence its weekend rates are at 25% premium than weekday prices, and festive season prices are at 8-10% premium than regular weekend rates.
- Company has developed an in-house manufacturing facility in Kochi to manufacture/construct amusement rides and attractions, apart from the rides procured from manufacturers within and outside India. This results in cost saving to an extent of 50-60% for imported rides and 30-35% for domestic rides.
- With the development of Bangalore resort, Wonderla Bangalore has become the first "destination" amusement park in India.
- Company has introduced an innovative marketing strategy, "Wonderla Privilege Card", to attract repeat visitors which offer 10-20% discount on repeat visits.
- Management believes that an amusement park is not a price sensitive market and it has been taking 10% price hike every year for the last five years, signifying the brand equity.

### Footfall growth — the primary driver

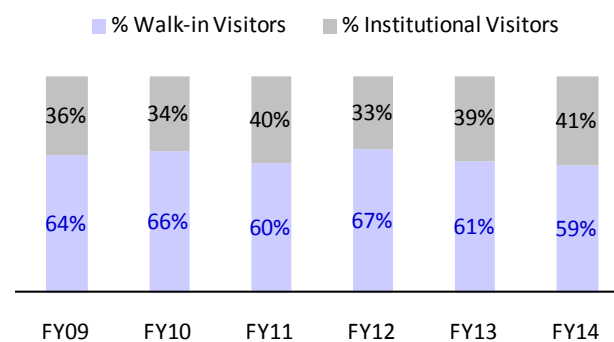
WONH has steadily and consistently been able to drive footfalls in both parks. Footfall growth is one of the biggest growth drivers for the industry. It has been successfully driving footfalls at 9% CAGR over the last five years, from 1.61m visitors in FY10 to 2.29m in FY14 (both parks combined). The types of visitors are categorized as: 1) Educational Institutions, 2) Corporate houses/Group bookings and 3) General walk-in customers. On a consolidated basis, 59% of the visitors are walk-in, while balance 41% is institutional/group booking visitors; going forward, we believe walk-in customers will form majority of the total visitors.

**Exhibit 4: Total footfall trend**



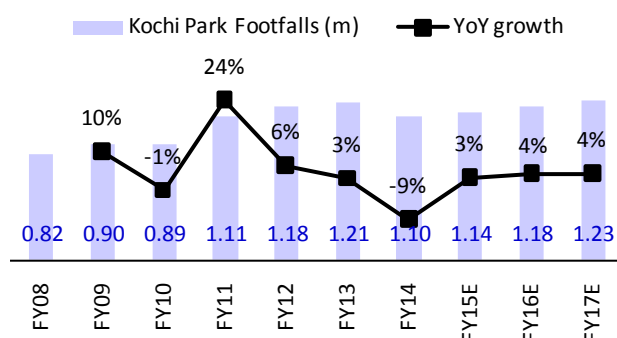
Source: Company, MOSL

**Exhibit 5: Consolidated footfall break-up on types of visitors**

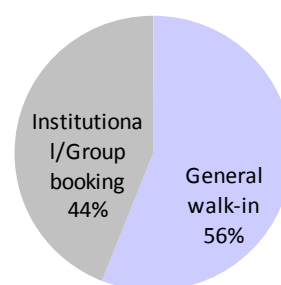


Source: Company, MOSL

1. **Kochi park:** The park was started in 2000 and currently has 55 rides (dry + wet) running, which have consistently attracted footfalls. Kochi, being a more matured park, achieved a stable footfall growth of ~4% over the past five years from 0.9m in FY09 to 1.1m in FY14. Of the total visitors, Kochi has 56% of walk-in customers, while the balance is institutional. Of the total available land of 93 acres in Kochi, only 29 acres are developed. The balance is available for future expansion of new rides. We believe that a matured park like Kochi will continue to grow footfalls at ~4% on a sustainable basis.

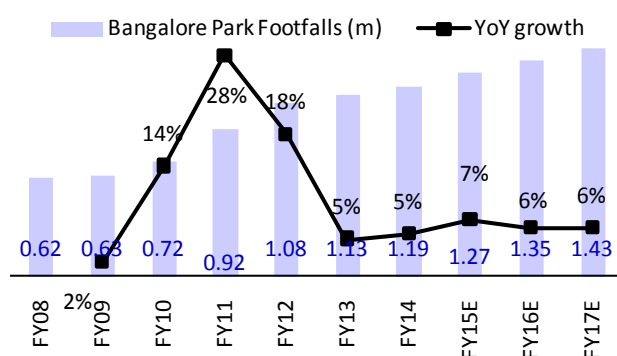
**Exhibit 6: Kochi park footfall trend**

Source: Company, MOSL

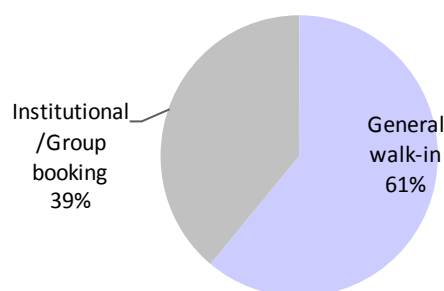
**Exhibit 7: Kochi park - types of visitors**

Source: Company, MOSL

2. **Bangalore park:** It was started in 2005 and similar to the Kochi park has 55 rides (dry + wet). Bangalore, being the new park, has been able to grow the footfalls at 13% CAGR over five years, from 0.6m in FY09 to 1.19m in FY14. Walk-in visitors are slightly higher at 61%, with the balance being institutional and group booking visitors. We believe that such high growth rates are difficult to sustain on a long term basis and hence expect the park to mature by FY17 and deliver more sustained footfall of 5%, going forward.

**Exhibit 8: Bangalore park footfall trend**

Source: Company, MOSL

**Exhibit 9: Bangalore park - types of visitors**

Source: Company, MOSL

### Largest profitable park in India

WONH is one of the few parks in India which is profitable due to its operational efficiencies, in-house ride manufacturing capability and relatively less capex requirement for expansion. It has positioned as a “value” park which allowed it to grow with lower capex. Globally, big amusement parks even after reaching scale are not profitable due to the huge capex per ride. This can be compared from the fact

that Wonderla Hyderabad park is being developed at a cost of INR2.3b, while Adlabs Imagica is being developed at INR16.5b. We believe WONH's management has been successful in keeping the cost efficient and simultaneously provide a memorable experience to visitors, which kept the park profitable.

**Exhibit 10: Comparison of Wonderla and Adlabs Imagica**

Particulars	Wonderla Kochi	Wonderla Bangalore	Adlabs Imagica
Year of commencement	2000	2005	2013
Area Available (in acres)	93	82	138
Area Developed (in acres)	29	39	114
Footfalls (in m) - FY14	1.1	1.19	0.81
Cost of the project (INR m)	NM	NM	16,504
Number of Rides	55	55	40
No of rooms in Hotel	NA	84	287
Average total realization (INR)	567	731	~1650
Average ticket price - Adult (Weekday) (INR)	580	700	1,500
Fast track rates - Adult (Weekday) (INR)	1,460	1,400	2,200
Average ticket price - Adult (Weekend) (INR)	800	870	1,900
Fast track rates - Adult (Weekend) (INR)	1,600	1,740	3,000
<b>Total Revenue - FY14 (INR m)</b>	<b>626</b>	<b>934</b>	<b>645**</b>
<b>EBITDA - FY14 (INR m)</b>	<b>297</b>	<b>427</b>	<b>69**</b>
<b>EBITDA margin (%)</b>	<b>47%</b>	<b>46%</b>	<b>11%</b>
<b>PAT - FY14 (INR m)</b>	<b>251</b>	<b>352</b>	<b>(22)**</b>

\*\* from Apr-Dec 13 (9 months)

Source: Company, MOSL

**Differentiated pricing allows sustained footfalls on non-peak days**

Amusement parks generally attract higher footfalls on weekends and on public holidays. And to ensure sustained footfalls even during weekdays, WONH has adopted a flexi-pricing policy based on seasons/weekdays and weekends etc. Weekend rates are at 25% premium compared to weekday prices, while festive season prices are at 8-10% premium than regular weekend rates. Festive seasons for Bangalore are Onam, Dussherra, Christmas and New Year's eve, while for Kochi they are Onam, Ramzan, Christmas and New Year's eve. "Fast track" tickets command 100% premium over regular tickets and WONH sells ~250 tickets per park per day (8% of total footfalls) under this category. It also offers discounts ranging from 10-30% for group bookings and corporate bookings. It books revenue "net of discounts" and "net of taxes", thus reflecting prudent accounting. We believe that this flexible pricing allows WONH to attract footfalls even on non-peak days.

**Exhibit 11: Fast track ticket sales form ~8% of total sales**

Particulars	Wonderla (Kochi+Bangalore)	Adlabs Imagica
Footfall (nos)	2,290,000	756,940
Fast track tickets (nos)	182,500	58,037
% of fast track tickets	~8%	~8%

Source: Company, Imagica DRHP, MOSL

**Exhibit 12: General ticket prices (INR)**

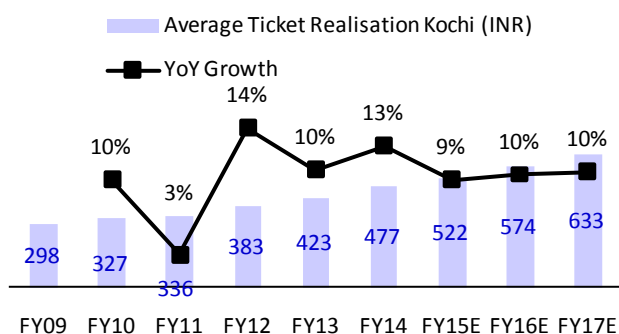
Day	Timings	Adult Bangalore	Adult Kochi	Child Bangalore	Child Kochi
Weekdays	11:00AM - 06:00PM	700	580	540	470
Saturday/Sunday & Public Holidays	11:00AM - 07:00PM	870	730	640	590
Peak Seasons Weekends	11:00AM - 07:00PM	940	800	710	650
Peak Seasons Weekdays	11:00AM - 07:00PM	770	650	620	530

Source: Company, MOSL

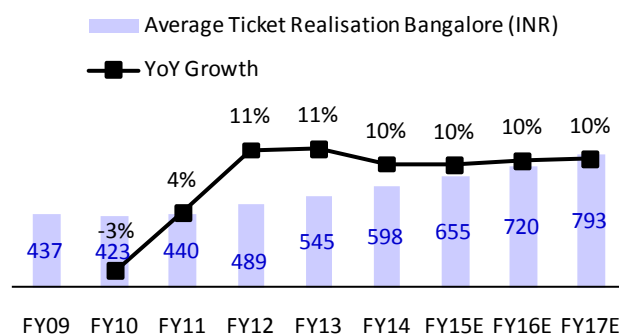
**Exhibit 13: Fast track ticket prices (INR)**

Day	Timings	Adult Bangalore	Adult Kochi	Child Bangalore	Child Kochi
Weekdays	11:00AM - 06:00PM	1,400	1,160	1,080	940
Saturday/Sunday & Public Holidays	11:00AM - 07:00PM	1,740	1,460	1,280	1,180
Peak Seasons Weekends	11:00AM - 07:00PM	1,880	1,600	1,420	1,300
Peak Seasons Weekdays	11:00AM - 07:00PM	1,540	1,300	1,240	1,060

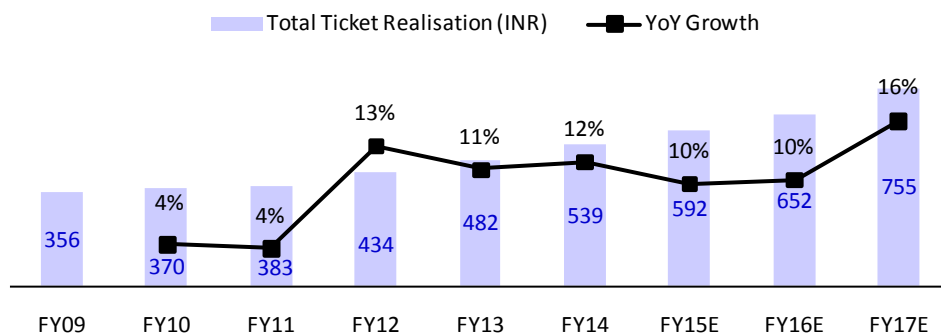
Source: Company, MOSL

**Exhibit 14: Average ticket realization in Kochi park**

Source: Company, MOSL

**Exhibit 15: Average ticket realization in Bangalore park**

Source: Company, MOSL

**Exhibit 16: Consolidated ticket realization trend**

Source: Company, MOSL

### Revenue sharing from restaurants to drive profitability

At both the parks, WONH has seven operational restaurants which offer various cuisines -- South Indian, North Indian, Chinese and Continental etc. Of the seven restaurants each in Kochi and Bangalore, company has taken over the operation of one, Waves Restaurant at Bangalore and Kochi Park, since November 2012 and April 2013 respectively. For the six restaurants, WONH has entered into a revenue sharing agreement to receive 25% of the revenue as its share, which directly improves earnings. We believe the growth in restaurants business will directly improve profitability, without incurring an additional cost.

**Exhibit 17: Restaurants in each park**

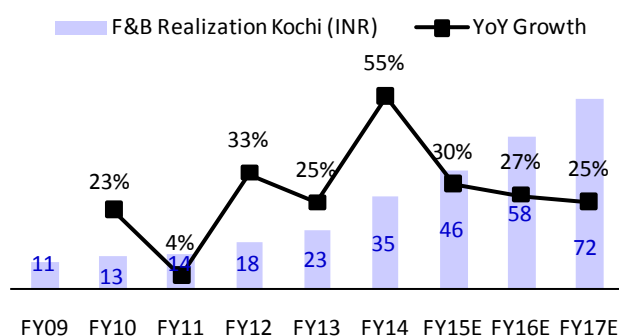
No.	Wonderla Kochi	Wonderla Bangalore
1	Waves Restaurant (company-owned)	Waves Restaurant (company-owned)
2	Vintage Chimney Restaurant	Chilies Restaurant
3	Spice Garden Restaurant	Greens Restaurant
4	Wood House Restaurant	Courtyard Restaurant
5	Vintage Kitchen Restaurant	Parkview Restaurant
6	Valley View Restaurant	Wonder Chick
7	Park View Restaurant	Pizza Corner

Source: Company, MOSL

### Selling packaged food at MRP adds to visitors' value-for-money feel

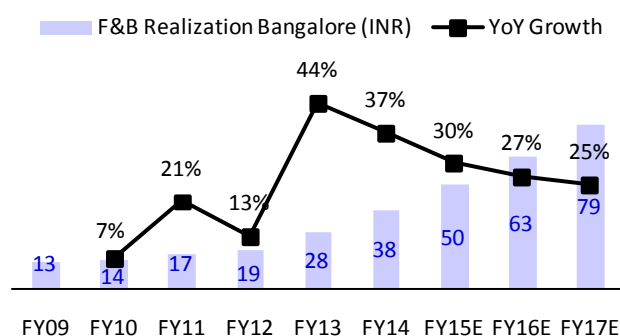
Food and beverages contribute only 6-7% of the total revenue, which includes WONH's share in restaurants' revenue, revenue from owned restaurant and revenue from sale of packaged food. A key differentiator that the company offers to visitors is that all packaged food inside the park are sold at MRP and not at marked up price. Most parks in India charge higher for packaged foods sold inside the park at 50-60% mark-up over MRP. As external food is prohibited in the park, selling food at MRP sends a positive signal among visitors. Globally, F&B and merchandise revenue contribute ~33-34% of the total revenue. We believe WONH intends to keep its F&B prices nominal and thus do not expect the F&B revenue to contribute substantially, going forward. Though this will improve visitors' satisfaction level, F&B will remain in the range of 6-7% of total revenue.

**Exhibit 18: Kochi park F&B realization per visitor**



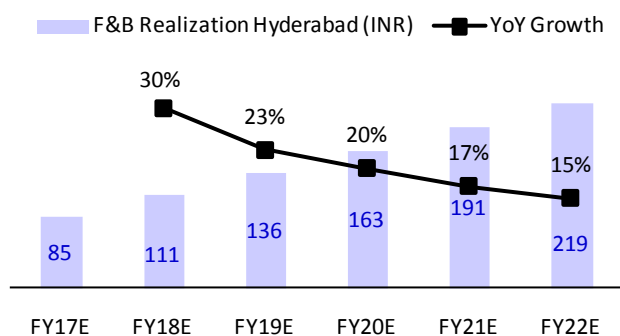
Source: Company, MOSL

**Exhibit 19: Bangalore park F&B realization per visitor**

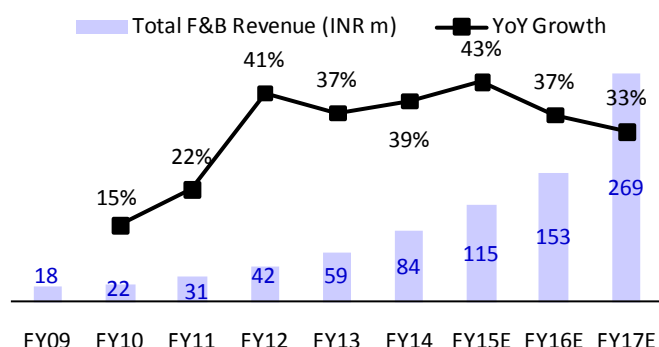


Source: Company, MOSL



**Exhibit 20: Hyderabad park F&B realization per visitor**

Source: Company, MOSL

**Exhibit 21: Total F&B revenue trend**

Source: Company, MOSL

### Innovative marketing strategy to allure repeat visits

Company has launched the Wonderla Privilege Card as one of its innovative marketing schemes to ensure repeat visits. 80% of the park's revenue comes from entry fees and hence such innovative schemes are needed to ensure regular footfalls. 30-40% of WONH's visitors are either teenagers/student. The privilege membership card comes free with a minimum purchase of four tickets at full rate without any discounts. On the next visit, a visitor enjoys a discount ranging from 10-20% of the ticket price. Currently, 10% of the company's ticket revenue comes from the privilege card. A card holder is eligible for four discounted tickets per day, and a purchase of 12 tickets through the card entitles him to a free visit to the park. Such schemes will continue to attract repeat visits, which will derive long term benefits.

**Exhibit 22: Benefits for Wonderla Privilege Card holder**

Seasons	Period	Discount
Peak Season	1st April – 15th June; 16th September – 31st January	10%
Offseason	16th June -15th September; 1st February – 31st March	20%

Source: Company, MOSL

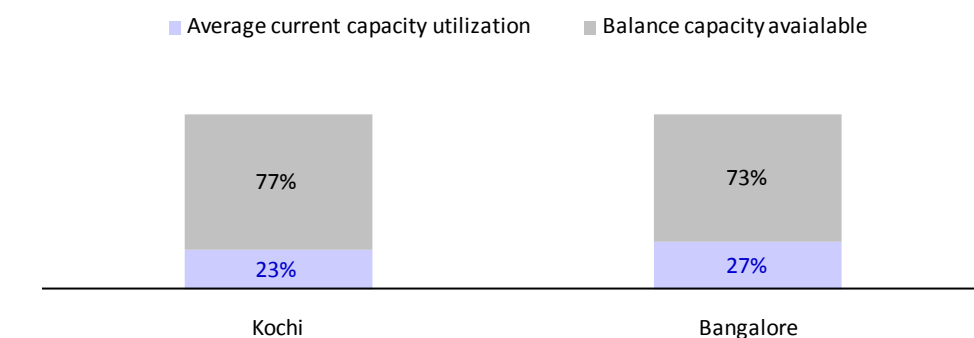
### Huge capacity to absorb future footfall growth

WONH's both parks have excess capacity to absorb additional footfall growth. Current capacity for both parks is 12,000 visitors per day, and on an average 23-27% of the capacity is being utilized per day. Company also has excess land which can cater to the next growth phase. A new ride addition can be done on the vacant land, thereby adding to capacity. Thus, we believe that at the current levels there is enough cushion to meet an immediate spurt in demand and avoid overcrowding in a particular park.

**Exhibit 23: Calculation of excess capacity in each park**

Particulars	Kochi	Bangalore
Total Footfall - FY14 (nos)	1,000,000	1,190,000
Average footfall per day (nos)	2,740	3,260
Capacity (nos)	12,000	12,000
<b>Average current capacity utilization</b>	<b>23%</b>	<b>27%</b>
<b>Balance capacity available</b>	<b>77%</b>	<b>73%</b>

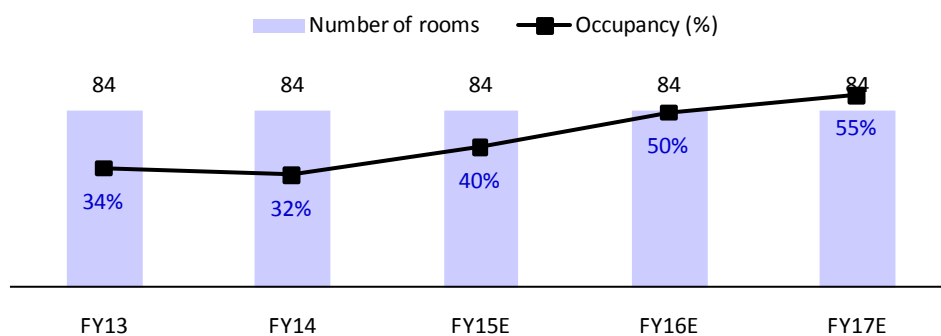
Source: Company, MOSL

**Exhibit 24: Excess capacity available in both parks**

Source: Company, MOSL

**First destination theme park in India**

Globally, theme parks are popular as destination parks whereby hotels are set up inside and visitors spend more than a day to experience the entire park. This concept is not yet fully developed in India. However, WONH has developed a unique resort at its Bangalore park comprising of 84 luxury rooms, making it the first destination park in India. This concept allows a visitor to enjoy a weekend, with a devoted day for dry rides and another for water rides. The resort has four banquets spread across 8,900sqft, which can accommodate 800 guests and also has a board room. Thus, it can host multiple events like weddings, corporate meetings, parties etc. The resort has 40% occupancy, which we believe can be scaled up to 60-65%, going forward. Adlabs Imagica is another park in India which is planning to construct a 287-room hotel at its park in Mumbai. WONH's management indicated that if the footfall growth is substantial, then it may develop a resort in other parks. We believe developing a resort gives synergy to WONH's amusement park operations and this will drive higher footfalls, going forward.

**Exhibit 25: Occupancy in resort expected to increase**

Source: Company, MOSL

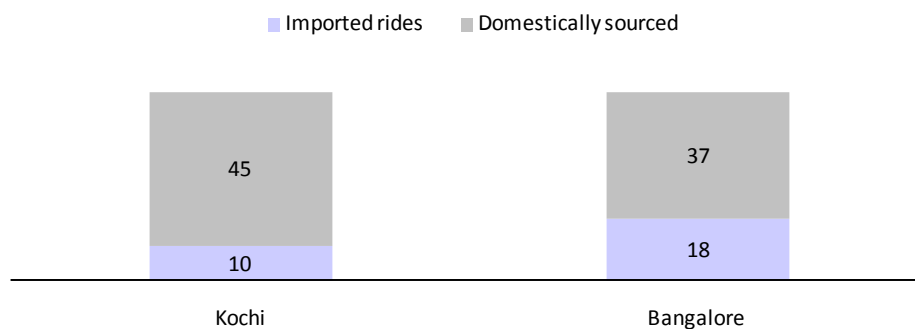
**Exhibit 26: Wonderla Resort - Bangalore**

Source: Company, MOSL

**In-house manufacturing brings cost efficiency**

WONH has developed an in-house manufacturing facility in Kochi to manufacture/construct amusement rides and attractions, apart from those being procured from manufacturers within and outside India. The in-house manufacturing facility enables the company to implement innovative ideas and concepts. As of Jan 31, 2014, company manufactured/constructed 42 rides/attractions. Of the total 55 attractions, Wonderla Kochi and Bangalore have 10 and 18 rides imported respectively. Balance is either in-house manufactured or domestically sourced. In-house manufacturing benefits WONH with certain cost efficiencies such as saving on import duties and other costs, besides improving the efficiency in rides maintenance. Management indicated a cost saving of ~30% compared to purchasing from an outside vendor.

As of Jan 31, 2014,  
WONH has  
manufactured/constructed  
42 rides/attractions

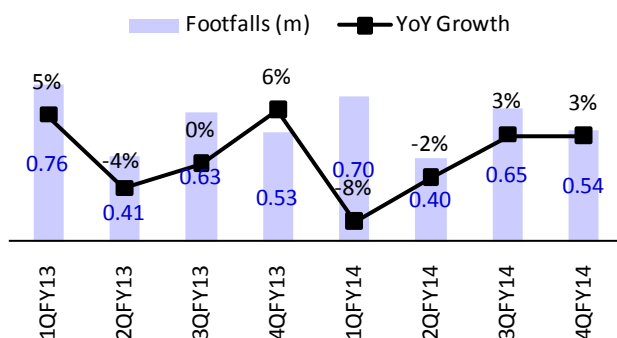
**Exhibit 27: In-house manufacturing/imported rides (nos)**

Source: Company, MOSL

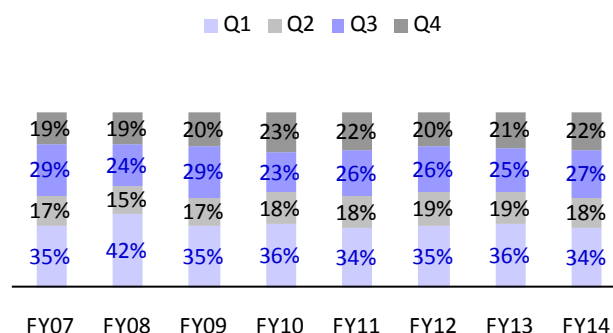
**1Q and 3Q are seasonally best periods**

1Q and 3Q are the best performing periods for amusement parks, contributing ~60% of the total revenue for WONH

Amusement park is a seasonal business, whereby 1Q and 3Q are the best periods compared to other two. In south, monsoon sets in June and continues till September. Thus, footfalls are lower in 2Q, and with most visitors being students or teenagers, footfalls are affected during the examination season. Thus, even 4Q witnesses a slowdown in footfalls. 1Q and 3Q together contribute ~60% of the total revenue for WONH and are seasonally the best periods.

**Exhibit 28: Quarterly footfall trend (m)**

Source: Company, MOSL

**Exhibit 29: 1Q and 3Q are biggest revenue contributors**

Source: Company, MOSL

**Long payback period acts as an entry barrier**

Post the initial paper work, 20-24 months are needed for construction and the park to be fully operational

Setting up an amusement park is a capital intensive process. It requires huge investment and the payback period too is as high as 8-9 years. Hence, many players refrain from entering the market and competitive intensity is relatively low. For developing a park, typically 6-12 months are needed for paper work and obtaining approvals to begin construction, post conception of the idea. Later, 20-24 months are needed for construction of rides and the park to be fully operational. The time required for initial paper work itself can get stretched depending on states' approvals. For example, Wonderla Hyderabad Park took six to seven months of initial paper work, and the company started the construction work in 3QFY15. Hence, not many players enter this market and it remains a fairly uncompetitive space.

**Clean and hygienic environment ensures visitors satisfaction**

The parks clean and hygienic environment ensures high customer satisfaction and repeat visits. WONH's management has kept hygiene and safety a top priority to enrich the experience of visitors. Company has set up extensive water filtering facilities at Wonderla Bangalore and Kochi and recycling systems for each pool and a quality control laboratory to carry out quality checks on samples of water collected at regular intervals. It has also installed lightning arrestors as a precautionary measure against lightning hazards. Apart from this, to ensure continuous supply of power, company has generators with a combined capacity of 4.9mva. Thus, these facilities together ensure an enriched experience for visitors.

**No pending litigation — testimony of high safety standards**

WONH works on "safety first" criteria for visitors. It has developed a strong technical team which ensures high safety standards along with regular maintenance. Since commencement, it saw only seven fatal accidents but not due to mechanical error of rides — five were due to cardiac arrest, one due to "dry drowning" and one on visitor error. There is only one case of pending litigation where the visitor has claimed INR1.7m for paralysis attack. Thus, high safety standards maintain visitors' confidence and ensure sustainability of growth.



## First-mover advantage with rich operating experience

### WONH has created strong brand for both parks

- Acquisition of land is the biggest entry barrier of the industry due to its high investment requirement and fragmented ownership. WONH has already addressed the same by acquiring 49 acres of land for its Hyderabad park.
- WONH's promoters have 14 years of rich experience in successful running parks, which is the key requirement of the industry.
- All three parks are ~28kms away from the main city which make commutation easier and attract higher footfalls. As most amusement parks are one-day attraction, measured proximity to the city ensures sustainable footfall growth.

### Investment in land and availability — strong entry barriers

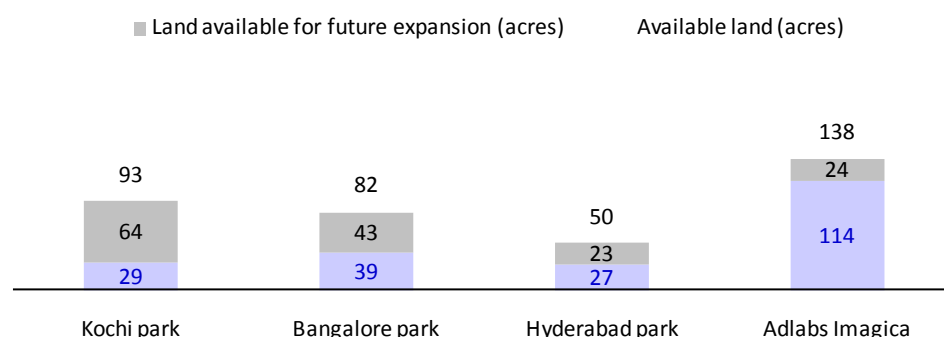
Land cost forms a huge chunk in the total cost for development of an amusement park. The costs are high and availability of vast land area becomes extremely difficult due to fragmented ownership and different laws attached to it. Land cost and its related clearances are the strongest entry barrier in the development of an amusement park. Closer the land is to a city, costlier it will be. Hence, a park's management needs to balance between the proximity and cost. Wonderla's Kochi park is situated on 93 acres of land which was acquired in bits and pieces due to fragmented ownership. The Bangalore park is situated on 82 acres of land, which was acquired from the Karnataka Industrial Development Corp. Hyderabad park's land too is being acquired from 22 sellers in small fragments. In our view, this is one of the biggest entry barriers for the industry, which WONH has addressed.

**Exhibit 30: Land availability for future expansion**

Park	Available Land (acres)	Developed Land (acres)	Balance for future expansion (acres)	Wet and Dry Rides (nos.)
Kochi	93.17	28.75	64.42	55
Bangalore	81.75	39.20	42.55	55
Hyderabad	49.50	27.00	22.50	42

Source: Company, MOSL

**Exhibit 31: WONH has ample land for expansion in all 3 parks**



Source: Company, MOSL

**Rich experience in managing the park, a big positive**

WONH's management has rich operating experience in operating the park, which is the key requirement for success in this industry. The first park was opened in Kochi in 2000 and the next one in Bangalore in 2005. Thus, promoters have over 14 years of rich and successful experience in park operations. Amusement parks operate for 365 days from 11am-7pm and alcohol-based beverages are not allowed inside.

**Kochi park snippet****Exhibit 32: Kochi park**

Source: Company, MOSL

**Exhibit 33: Snapshot of few attractions in Kochi - 1**

Source: Company, MOSL

**Exhibit 34: Snapshot of few attractions in Kochi - 2**

Source: Company, MOSL

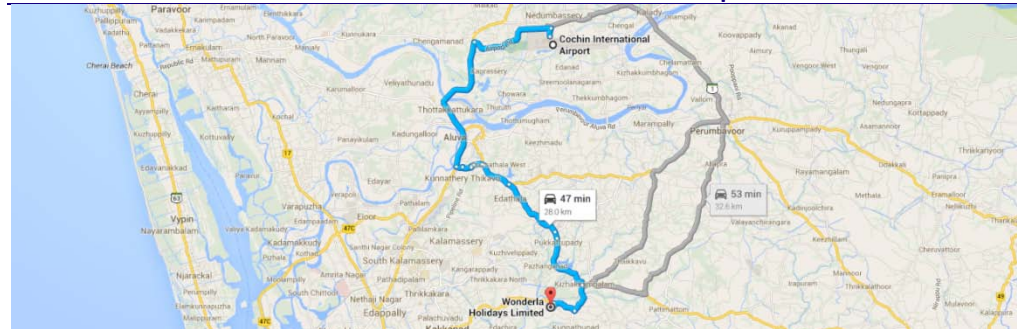


**Exhibit 35: Snapshot of few attractions in Kochi - 3**

Source: Company, MOSL

**Exhibit 36: Snapshot of few attractions in Kochi - 4**

Source: Company, MOSL

**Exhibit 37: Wonderla Kochi - 28km from Cochin International Airport**

Source: Company, MOSL

**Bangalore park snippet****Exhibit 38: Bangalore Park**

Source: Company, MOSL



**Exhibit 39: Snapshot of few attractions in Bangalore - 1**

Source: Company, MOSL

**Exhibit 40: Snapshot of few attractions in Bangalore - 2**

Source: Company, MOSL

**Exhibit 41: Snapshot of few attractions in Bangalore - 3**

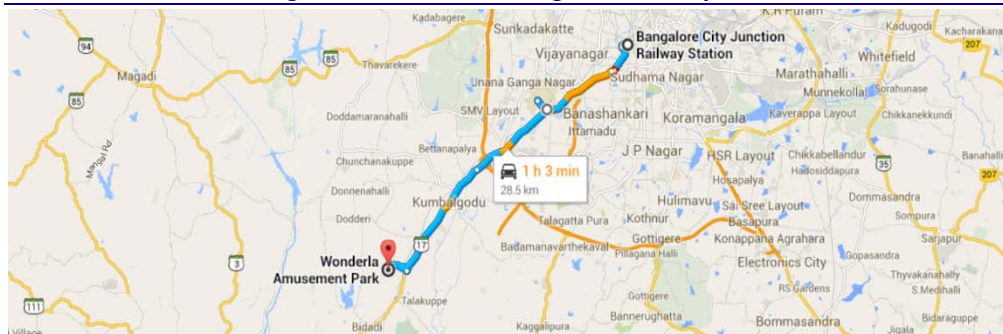
Source: Company, MOSL

**Exhibit 42: Snapshot of few attractions in Bangalore - 4**

Source: Company, MOSL

**All parks are ~28km away from main city**

Attractive location and its proximity to a city ensure footfalls addition. WONH's all three parks — Kochi, Bangalore and Hyderabad -- are situated in the proximity of main city. Wonderla Kochi is located in Pallikkara, 15km from central Kochi and 28kms from Kochi Airport, while Wonderla Bangalore is located off the Bangalore-Mysore highway, 28km from central Bangalore. Wonderla Hyderabad is in the Ranga Reddy District, Andhra Pradesh, ~27km from central Hyderabad, 33km from Secunderabad Railway Station and 12km from Hyderabad Airport. Most of the amusement parks in India are one-day attraction and thus parks closer to cities attract higher footfalls. Both the existing and new parks are in close vicinity of the city, which will drive footfall growth.

**Exhibit 43: Wonderla Bangalore – 28km from Bangalore Railway Station**

Source: Google maps, MOSL

## Hyderabad park: sustainable long term trigger

### Wonderla Hyderabad and Chennai set to maintain growth momentum

- Company has raised INR1.8b through an IPO to develop the Hyderabad park. It is in the final stages of getting approval for construction, which is expected by 3QFY15.
- Management indicated that construction has begun in Hyderabad and it is expected to be operational from 4QFY16.
- The park is expected to drive footfalls of ~0.8m visitors in the first year, with an average ATP of INR873 and margins of 35%.

### Addition of Hyderabad park to drive growth

Company has raised INR1.8b through an IPO for the development of a new park in Hyderabad, which will drive future growth. It has already acquired 49 acres of land for the proposed park and is in the final stage of getting approvals. Management indicated that final approvals from the respective authorities will be received by 3QFY15. WONH will start developing the park from 4QFY15 and it is expected to be operational from 4QFY16. Its third amusement park is in Ranga Reddy District of Hyderabad, which is ~27kms from central Hyderabad, 33kms from Secunderabad Railway Station and 12kms from Hyderabad Airport. Company intends to develop 27 acres with 24 dry rides and 18 wet rides, of which 10 land rides will be imported, 14 land rides will be sourced indigenously and 18 water rides will be sourced indigenously either through in-house manufacturing or from local manufacturers. We believe WONH is well geared for the next growth phase with its new park, which will also drive long term growth.

### Exhibit 44: Detailed cost of Hyderabad Park

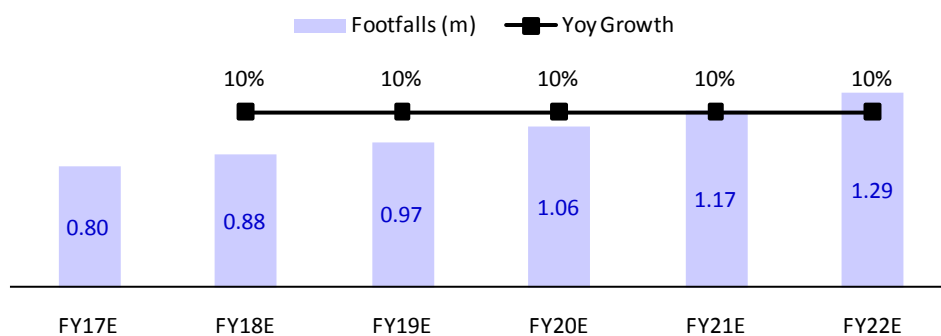
No.	Particulars	Cost (INR m)	Amount already deployed (INR m)	Balance funded through IPO and debt (INR m)
1	Land, land development and civil construction	994	255	739
2	Amusement rides	1,067	97	970
3	Machinery and equipments	261	1	261
4	Furnishing and vehicles	114	2	113
5	Consultants fees	24	4	20
6	Pre-operative expenses	63	19	44
7	Contingencies	38	-	38
<b>Total</b>		<b>2,560</b>	<b>377</b>	<b>2,183</b>

Source: Company, MOSL

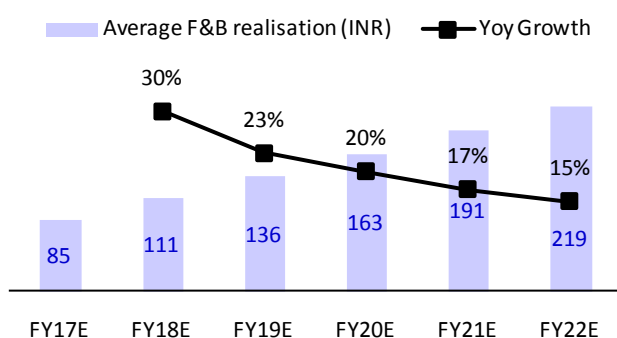
### Hyderabad park's footfall expected to be robust

Initial years of an amusement park are the phase of high excitement and gaining popularity which attract visitors. Kochi and Bangalore witnessed a high footfall growth in the initial five years, with Kochi posting 7.7% CAGR from 0.51m footfalls to 0.74m, while Bangalore clocked 22.1% CAGR, from 0.34m footfalls to 0.94m. Management indicated that the Hyderabad park is expected to deliver a footfall of ~0.8m in the first year, with an average ATP of INR873 and margins of 35%. In our view, the park's launch will aid WONH's next growth phase, which can lead to the stock's re-rating.

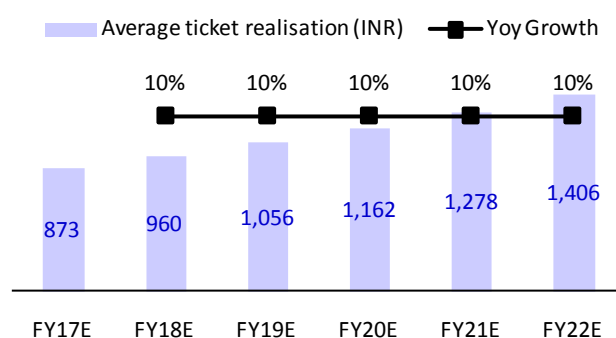


**Exhibit 45: Expected footfall growth of Hyderabad park**

Source: Company, MOSL

**Exhibit 46: Expected F&B realization of Hyderabad park**

Source: Company, MOSL

**Exhibit 47: Expected ATP of Hyderabad park**

Source: Company, MOSL

**Aims to be pan India player**

Focusing on the growing stage, WONH intends to expand its business operations and develop the brand 'Wonderla' by setting up new parks across India and thereby cater to a wider customer base. To capitalize on the early-mover advantage, it plans to open a 49-acre park in Hyderabad and is expected to be operational in 4QFY16. Management plans to add two parks in the next four years, thus doubling the current parks size. It is scouting for land in Chennai, post which plans to enter non-south markets such as Goa and Mumbai.

## Rain harvesting: sustainable way of water sourcing

### Helps reduce cost of water by 30%

- Company has adopted two water harvesting systems to source water -- rain water harvesting and roof water collection.
- Each park requires ~6-7 litres of water/guest per day, which translates to 15m liters of water per year for the two parks together.
- In the Kochi park, water is partly sourced from local panchayat's sources and partly from rain water harvesting. For Bangalore, it has a capacity of 15m litres of storage facility.
- WONH collects ~50-60m liters of water per annum based on availability of rain using its collection tanks.
- In roof collection, water is tapped from a total roof area of 2 lakh sqft and is conveyed through closed pipes to tanks with 5 lakh litre and 7 lakh litre capacities. This system aids in reducing ground water exploitation to 55-60% and reduces 20-30% of operating cost.

### Rain water harvesting to ensure ample availability at lower cost

In an agriculture depended economy like India, availability of water poses a big challenge. Thus, it is vital to have a sustained way of sourcing water for big parks. Of the 55 rides, ~40% in Kochi and Bangalore each are water-based and the balance are land-based. Each park requires ~6-7 litres of water/guest per day, which translates to 15m liters of water per year for both parks together. To save water, the management has been practicing rain water harvesting which not only helps to use water in a better way but also cut cost. Water in the Bangalore park is sourced from rain water harvesting extensively. In Kochi park, water is partly sourced from local panchayat's sources and partly from rain water harvesting. WONH has a capacity of 15m litres of water storage facility in Bangalore. The water which is released after a year is classified under the Green category, zero pollution water, and can be used for irrigation purposes. Company has adopted two harvesting systems:

1. **Rain water harvesting system:** At least two acres of land have been utilized for green initiatives with the park being home to 2,000 plants of 150 varieties. WONH started operations Bangalore in 2005 and in 2006 installed its rain water harvesting system. It collects ~50-60m liters of water per annum based on availability of rain using its collection tanks. The rate at which water can be collected from rain harvesting system is dependent on the plan area of the system, its efficiency and intensity of rainfall (annual precipitation (mm per annum) x square meter of catchment area = litres per annum yield). Water collected through the tank is used for its rides, gardening and allied facilities (used only after stringent reverse osmosis treatment at the park, the same technology used by leading packaged drinking water manufacturers).
2. **Roof water collection:** Rain water is also harvested from roof tops of various buildings and structures. The water is tapped from a total roof area of 2 lakh sqft and is conveyed through closed pipes to tanks with 5 lakh litre and 7 lakh litre capacities. This water is treated by reverse osmosis process and used for drinking too. WONH collects and uses ~15-20m litre of water per annum

through this process. The design of its buildings has been modified to accommodate this process. This system helps to reduce ground water exploitation to 55-60% and reduces 20-30% of operating cost.

**Exhibit 48: Rain water harvesting system - Bangalore**



Source: Company, MOSL

## Valuation and view

- We expect WONH's revenue to clock 25% CAGR to INR3.2b over FY14-17E and PAT CAGR of 27.1% to INR886m over FY14-17E.
- In our view, over the next 10 years, amusement parks will emerge as a strong avenue for entertainment as penetration improves substantially.
- Globally, the average RoE of amusement parks are 15.5%, 16.9% and 14.8% respectively. We estimate WONH's RoE at 20.3%, 16.7% and 20.2% & ROCE 29.4% 24.9% and 30.2% for FY15E, FY16E and FY17E respectively, which justifies the higher multiple.
- Average P/E of global companies has been 22.2x, 19.2x and 18.1x for FY15E, FY16E and FY17E respectively, while WONH trades at 34x, 28x, 20x for FY15E, FY16E and FY17E respectively earnings.
- We believe the company is on track to be a pan India player over the long run and will be a major beneficiary of amusement park industry's development.
- Given its strong industry positioning, multiple growth opportunities and high entry barrier, we value WONH at 26x FY17E EPS, with a target price of INR410. We initiate coverage with a Buy rating.

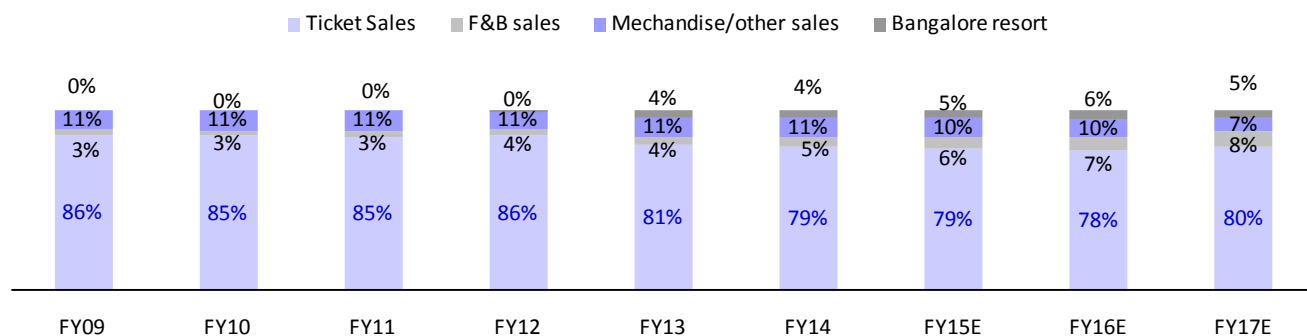
We value WONH at 26x FY17E EPS justified by:

- Company is one of the largest and most profitable parks in India. With the new park opening in Hyderabad in FY17, we believe it has huge potential to grow.
- There are ~140 amusement parks in India, of which only ~10% are of large formats. Thus, the competition intensity is very low.
- Development of an amusement park requires huge capex and operational expertise to be successful. Hence, it is a huge entry barrier for new entrants.
- Lack of any large amusement park in the vicinity of Bangalore and Kochi gives a huge advantage.
- Globally, most large amusement parks are loss-making and are trading at 22.2x, 19.2x and 18.1x FY15E, FY16E and FY17E PE. We believe that a target multiple of 26x to WONH is justified given its profitable operations, experienced management and significant opportunity for amusement parks' growth in India.

We believe the following factors can pose risks to our estimates:

- Any occurrence of accidents or mishaps at amusement parks exposes the company to possible financial liabilities and legal proceedings, resulting in adverse publicity.
- Lower-than-expected footfall growth for Hyderabad park and a decline in footfall growth for existing matured parks such as Bangalore and Kochi can significantly affect company's earnings.
- Any delay in completion of construction of Hyderabad park can delay our earnings estimates.
- Company is currently focused only on South markets. Any political instability, natural calamity or epidemic breakout in the Southern region may result in significant lowering of our earnings estimates.
- Environmental risk like floods, heavy rainfalls etc can significantly affect the footfall growth. Kochi saw a de-growth in footfall due to heavy rainfalls.

Exhibit 49: Revenue mix over the years



Source: Company, MOSL

Exhibit 50: Global peer comparison

Company Name	Currency	Market Cap (M)	Sales			EBITDA Margin (%)			RoE (%)			P/E (x)		
			FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E	FY15E	FY16E	FY17E
Six Flags Entertainment Corp	USD	3,852	1,213	1,285	1,381	38.8	39.7	39.9	22.9	23.0	23.0	28.9	25.8	25.2
Haichang Holdings Ltd	CNY	5,720	1,876	2,129	2,342	42.6	42.8	42.8	6.1	6.2	6.2	24.2	20.1	18.0
Walt Disney Co	USD	152,902	51,765	55,885	59,532	29.1	29.9	30.3	17.7	21.9	16.9	19.3	16.7	14.3
Average						36.8	37.5	37.6	15.5	17.1	15.4	24.2	20.9	19.2
<b>Wonderla</b>			<b>1,818</b>	<b>2,126</b>	<b>3,241</b>	<b>48.5</b>	<b>50.5</b>	<b>47.5</b>	<b>20.4</b>	<b>16.7</b>	<b>20.2</b>	<b>34.4</b>	<b>27.9</b>	<b>20.0</b>

Source: Company, MOSL

Exhibit 51: Key assumptions

Particulars	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
Kochi Footfalls (In m)	0.89	1.11	1.18	1.21	1.10	1.14	1.18	1.23
Bangalore Footfalls (In m)	0.72	0.92	1.08	1.13	1.19	1.27	1.35	1.43
Hyderabad Footfalls (in m)								0.80
<b>Total Footfalls</b>	<b>1.61</b>	<b>2.03</b>	<b>2.26</b>	<b>2.34</b>	<b>2.29</b>	<b>2.41</b>	<b>2.53</b>	<b>3.46</b>
Kochi Ticket realization (INR)	327	336	383	423	477	522	574	633
Bangalore Ticket realization (INR)	423	440	489	545	598	655	720	793
Hyderabad Ticket realization (INR)								873
Kochi F&B spend per head (INR)	13	14	18	23	35	46	58	72
Bangalore F&B spend per head (INR)	14	17	19	28	38	50	63	79
Hyderabad F&B spend per head (INR)								85
Bangalore (no of rooms)				84	84	84	84	84
Occupancy rate (%)				34%	32%	40%	50%	55%

Particulars	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E	FY17E
<b>Footfall growth</b>								
Kochi	-1%	24%	6%	3%	-9%	4%	4%	4%
Bangalore	14%	28%	18%	5%	5%	7%	6%	6%
<b>Total Footfalls</b>	<b>5%</b>	<b>26%</b>	<b>11%</b>	<b>4%</b>	<b>-2%</b>	<b>5%</b>	<b>5%</b>	<b>35%</b>
<b>Ticket realization growth</b>								
Kochi	10%	3%	14%	10%	13%	10%	10%	10%
Bangalore	-3%	4%	11%	11%	10%	10%	10%	10%
<b>F&amp;B spend per head growth</b>								
Kochi	23%	4%	33%	25%	55%	30%	27%	25%
Bangalore	7%	21%	13%	44%	37%	30%	27%	28%



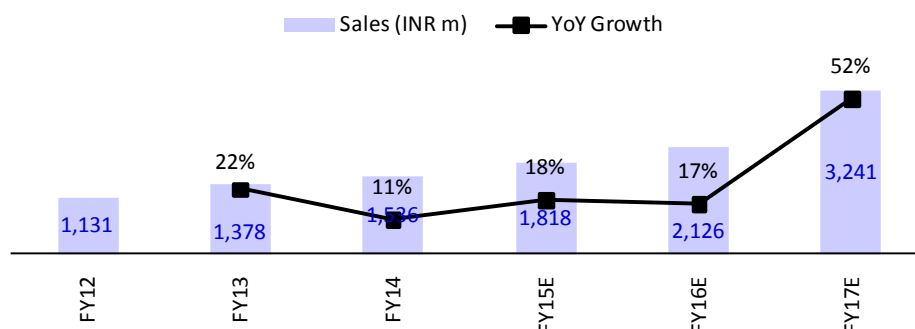
## Financial outlook

### Expect 25% Revenue CAGR over FY14-17E

#### Revenue expected to clock 25% CAGR over FY14-17E

We expect WONH's revenue to post 25% CAGR, from INR1.5b in FY14 to INR3.2b in FY17E, driven by 19% growth from existing parks and balance driven by the commencement of Hyderabad park.

**Exhibit 52: Sales growth trend (INR m)**

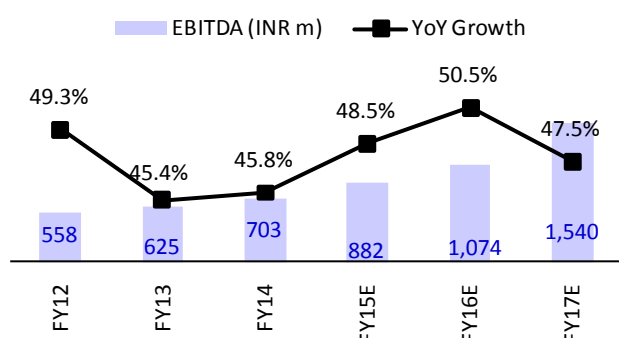


Source: Company, MOSL

#### PAT to post 27% CAGR over FY14-17E

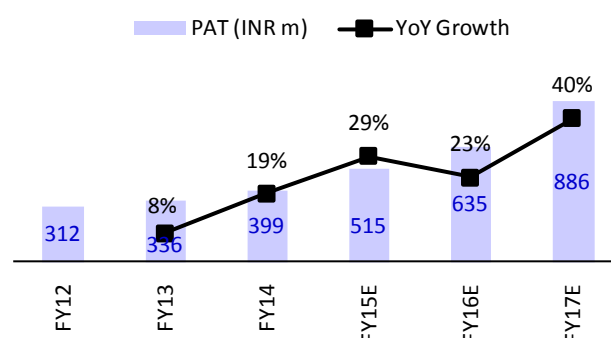
We expect EBITDA to clock 26.5% CAGR over FY14-17E to reach INR1.5b. With the addition of Hyderabad park, margins are initially expected to decline in FY17E to 47.5% from 51.5% in FY16E. However, as scale comes to business over the period, operating leverage will drive margins, going forward. Hence, we expect PAT to post 30% CAGR from INR399m in FY14 to INR886m in FY17E.

**Exhibit 53: EBITDA trend (INR m)**



Source: Company, MOSL

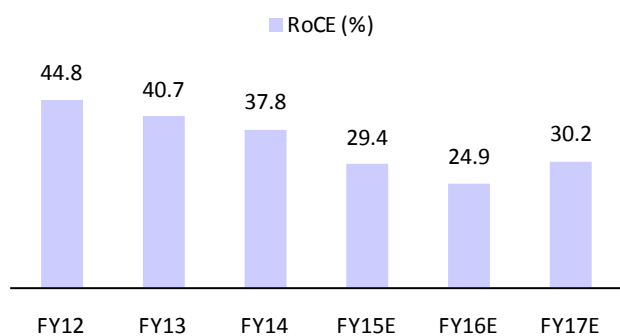
**Exhibit 54: PAT growth trend (INR m)**



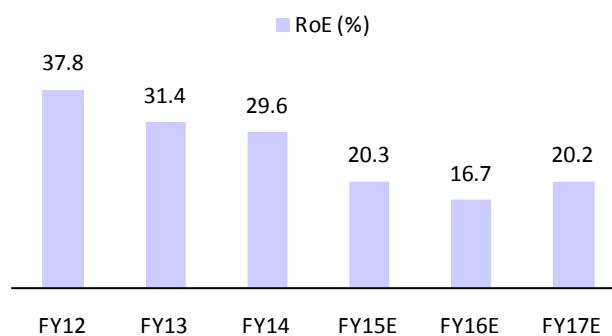
Source: Company, MOSL

**Return ratios to improve going forward**

RoCE and RoE are expected to remain at 30% and 20% respectively for FY17E, despite the latest commencement of Hyderabad park, which holds potential in our view. However, once the park ramps up, we expect return ratios to bounce back to 35% over the long term.

**Exhibit 55: RoCE trend**

Source: Company, MOSL

**Exhibit 56: RoE trend**

Source: Company, MOSL

## Key management team

### Experienced board



**Mr. George Joseph**

**Mr George Joseph, Chairman, Non-Executive Director (Independent):** Mr George Joseph was appointed as an additional Director of the company on June 27, 2011 and as Director and Chairman on September 12, 2011. He holds a bachelor's degree in commerce from Kerala University. He is a Certified Associate of the Indian Institute of Bankers and an Associate of the Institute of Bankers, London. Prior to being appointed on board, he acted as chairman and managing director of Syndicate Bank and worked in Canara Bank for over 37 years in various capacities from 1969 to 2006. He is also the non-executive independent director of Muthoot Finance Ltd.



**Mr. Kochouseph Chittilappilly**

**Mr Kochouseph Chittilappilly, Non-Executive Director:** Mr Kochouseph Chittilappilly is one of the promoters and has been a Director since incorporation. He holds a post graduate degree in physics from Calicut University. He has 15 years of experience in the amusement park industry. He expanded the amusement park business by establishing Wonderla in Bangalore in 2002. He is also the chairman of V-Guard Industries Ltd and director on the board of several other companies.



**Mr. Arun Chittilappilly**

**Mr Arun Kochouseph Chittilappilly, Managing Director:** Mr Arun Kochouseph was appointed as the Director on December 22, 2003. He has been the Managing Director since April 1, 2012. He holds a masters degree in industrial engineering from Swinburne University of Technology, Victoria, Australia. He has been actively involved in the day-to-day operations and management of the company since 2003. He has over 11 years of experience in the amusement park industry.

**Mr Ramachandran Panjan Moothedath, Non-executive Independent Director:** Mr Ramachandran Panjan Moothedath was appointed as the Director on August 9, 2012. He holds a diploma in financial management from University of Mumbai. He had set up Jyothy Laboratories in 1983 as a sole proprietorship firm and is currently the chairman and managing director of Jyothy Laboratories Ltd, the managing director of Jyothy Fabricare Services Ltd and director on the board of four other companies. He has over 31 years of experience.

**Ms Priya Sarah Cheeran Joseph, Whole-time Director:** Ms Priya Sarah Cheeran Joseph was appointed Director on December 22, 2003. She was appointed as a non-executive director of the company from March 1, 2013. She holds a post graduate degree in public health from University of Melbourne, Australia. She has been involved in the operations of food and beverages and human resource departments of the company since 2005, when it started commercial operation. She is also actively involved with the corporate social responsibility related initiatives of the company. She has over 11 years of experience in the amusement park industry.

## Key risks

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**Accidental risk:** Any occurrence of accidents or mishaps at amusement parks exposes the company to possible financial liabilities and legal proceedings resulting in adverse publicity for the company. These developments include legal proceedings and third party claims etc. However, as per our interaction with the management, so far only six to seven casualties have happened, of which five were due to cardiac arrest. Only one case is pending disposal.

**Concentrated revenue stream:** WONH generated 85% and 83% of income through entry fees in FY13 and FY14 respectively. Thus, a large portion of the revenue is dependent on the income generated from the sale of entry tickets as opposed to the sale of merchandise, food and beverages. Any competition which forces the company to reduce ticket prices will have an adverse impact on financials.

**Reduction in consumer discretionary spending:** Visiting amusement parks is a part of discretionary spending and is perceived to be a leisure activity. Thus, its business is dependent on factors influencing the discretionary spending. Any adverse change in economic condition which leads to decrease in discretionary spending can affect the business substantially.

**Inability to find locations to open and operate amusement parks:** Future growth of the company resides in opening of amusement park in different locations. However, inability to find locations to open and operate amusement parks on commercially viable terms and successfully acquire the requisite land could adversely affect the business model.

**Dependence on South India cities:** Company generates revenue primarily from the southern Indian city visitors as its amusement parks are situated in South India. If southern India experiences an event negatively affecting its economy, such as a local economic downturn, a natural disaster, a contagious disease outbreak or a terrorist attack etc, company's business will be significantly affected.

## Industry overview

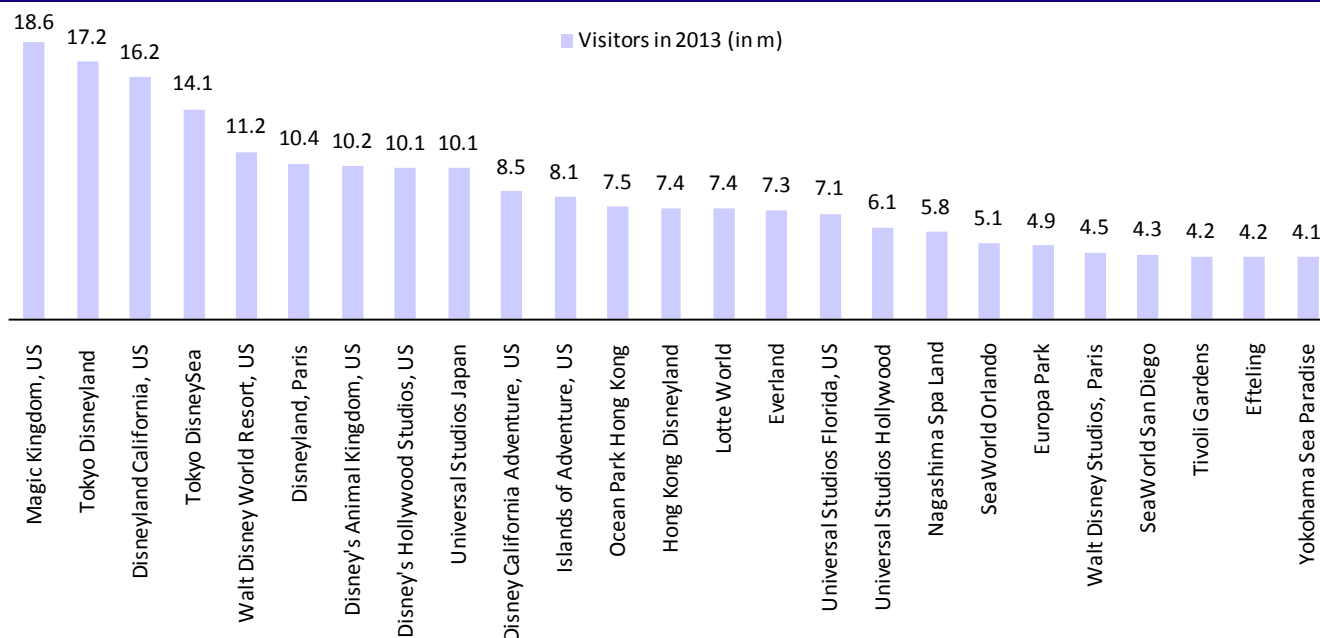
### Indian amusement park industry yet to reach a peak

#### Indian amusement park industry still at nascent stage

Indian amusement park industry is growing in terms of footfalls though still at a very nascent stage compared to global peers. It witnesses an annual footfall of ~58-60m

The size of amusement park industry in India is estimated to be ~INR26b with ~140-160 parks in India. Indian amusement park industry started with Appu Ghar in 1984. In late 90's other large players like Essel World and Nicco Park started their operations in Mumbai and Kolkata respectively. Indian amusement park industry is growing in terms of footfalls though still at a very nascent stage compared to its global peers. It witnesses an annual footfall of ~58-60m. The primary drivers to attract footfalls are size of the park, proximity of location and innovative offerings. Water parks are more popular in India due to the hot and humid weather. Industry is segmented into three categories of parks: large parks (>INR70m capex), medium parks (INR30m-70m capex) and small parks (<INR30m capex). Footfalls depend on the size of park ranging from >0.5m for large parks to <0.3m for small parks.

Exhibit 57: Globally top 25 amusement parks footfall

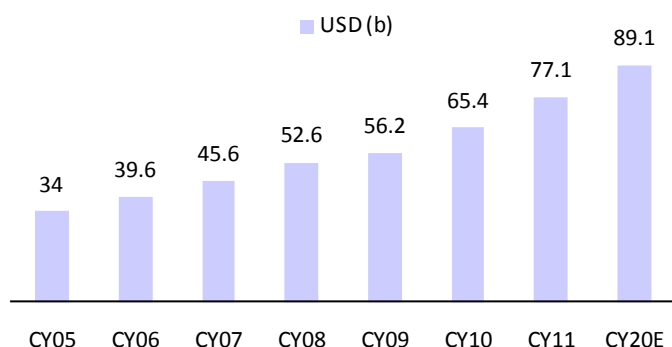


Source: Company, MOSL

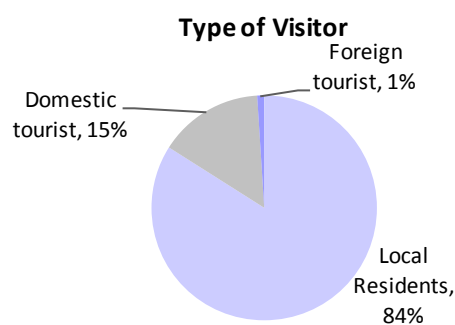
#### Tourism sector and leisure spend to increase substantially

Domestic tourism industry posted 13% CAGR in the past six to seven years. It is expected to increase from USD77b in CY11 to USD89b in CY20

The domestic spend on tourism in India is expected to rise significantly, which is one of the biggest growth driver for the industry. Domestic tourism industry has clocked 13% CAGR in the past six to seven years. It is expected to increase from USD77b in CY11 to USD89b in CY20. With rising income levels, Indians are spending more on tourism related activities. Holidaying, leisure and recreation related tourism constitutes major part of the domestic tourism. Local residents form majority of the footfall (84%) followed by domestic tourist, which form 15%. Foreign tourism constitutes a negligible part, <1%, of total visitors in the park.

**Exhibit 58: Domestic spend on tourism to rise significantly**

Source: Ministry of Tourism, MOSL

**Exhibit 59: Local residents contribute to larger % of footfalls**

Source: E&amp;Y Report, MOSL

A total pile of INR175b worth of investment is expected to be deployed in 12 major projects over next three to four years

### Large flow of investment expected to be deployed in next 3-4 years

With an increase in tourism, amusement park industry is expected to be the large beneficiary. A total pile of INR175b worth of investment is expected to be deployed in 12 major projects over the next three to four years. One of the most-awaited projects is coming up in Surat spread across mammoth ~3,200 acres of land. The investment in this project is expected to be INR95-100b, making it the biggest amusement park in India. Some of these large projects may avail viability gap funding from state governments. Most projects are expected to come up in Tier 2 and 3 cities due to difficulties faced in land acquisition. A total addition of 4,500 acres of capacity in next three to four years will be one of the major drivers for the industry. As per the report published by CARE, 10-15% of footfall growth is expected, which will drive footfalls to 78-80m by FY18. Revenue is expected to grow by 15-18% on account of rising footfalls and increased spend on other items like food and beverages, spas etc.



**Exhibit 60: Huge project pipeline across India**

Estimated Project	Location	Promoter/JV	Investment (INR b)	Year of Completion	Size (Acres)	Theme/attraction
Sea World	Singhudurg, Konkan, Maharashtra	Proposed by GoM, to be undertaken on PPP basis, parties yet to be decided.	5 - 5.1	2015	150	Glass-enclosed underwater tunnels having 3,000 kinds of marine animals. Will replicate the Sea World park in USA. Will have attractions like dolphins, theme restaurants, school about animal life lessons, etc.
Theme Park	Nagpur, Maharashtra	Landmark Entertainment	15	Early stages of planning	300	Theme parks based on concepts like Jurassic Park, Terminator and Spiderman.
MGM Lavasa Hollywood Theme Park	Lavasa, Maharashtra	MGM - Lavasa	4.5	2014	75	India's first Hollywood theme park.
Spaceworld Theme Park	Lavasa, Maharashtra	Space Investment Company - Lavasa	4	2013	65	India's first edutainment theme park. Already under construction.
Adlabs Imagica	Khopoli, Maharashtra	Adlabs Entertainment	16	2013	297	A replica of Disneyland, phase I - 21 international standards rides including India's largest roller coaster and 4D stimulation rides, phase II and III - water park and a 3-star hotel. Phase I scheduled to open in the first half of 2013.
Wonderla	Hyderabad, Andhra Pradesh	Wonderla Holidays	2.3	2015	46	Amusement park combined with a five star hotel.
Wonderla	Chennai, Tamil Nadu	Wonderla Holidays	N.A.	2015	N.A.	Embedded with water park
Appu Ghar	Gurgaon, Haryana	International Amusement Ltd	4	2013	58	Come back of India's first amusement park, will include amusement park, water park, FEC, themed retail complex,
Surat Theme Park	Surat, Gujarat	Atlanta Ltd	95 - 100	2014-2016	3,200	One of Asia's largest theme parks and may be bigger than Disneyland in California, Paris and Tokyo.
Krishna Lila Theme Park	Bangalore, Karnataka	ISKCON (International Society for Krishna Consciousness)	3.5	2016-17	28	Will be set up to spread the awareness of vedic heroes (Ram, Krishna, Hanuman, etc). Contains two temples, a 4-D theatre, expos, puppetry workshops, story-telling for children and costume shows. Already under construction.
Jaipur Mega Tourism City	Jaipur, Rajasthan	International Amusement Ltd	25	Early stages of planning	300	A mega tourism city comprising of themed retail, golf course, water park, FEC, resorts, villas, etc. Already under construction.
Naya Raipur Amusement Park	Naya Raipur, Chhattisgarh	Proposed by NRDA, to be undertaken on PPP basis, parties yet to be decided.	0.23	Early stages of planning	40	A recreational cum amusement park having various amusement and water rides for kids and adults. Parties yet to be decided.
Adventure Island and Metro Walk	Rohini, Delhi	50:50 JV of International Amusement Ltd and Unitech	2 - 3	Completed	62	Amusement park spread over 24 acres, retail mall of 200,000 sq ft
Entertainment City Phase I	Noida, Delhi	50:50 JV of International Amusement Ltd and Unitech	10 - 11	Phase I completed, Phase II expected completion	147	A mega complex area having amusement park (Worlds of Wonder), retail space and health club, small water park, shopping mall with a 5-star hotel.

Source: DRHP, MOSL

Almost 75-85% of the revenue comes from the sale of tickets. Share of F&B is 15-20%, which is lower than global peers

### Ticket sales contribution to revenue high compared to global peers

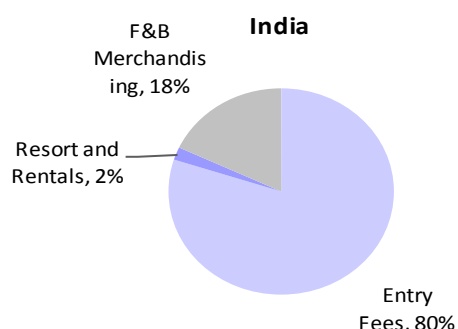
Ticket sales form the major source of revenue stream for amusement parks in India. Almost 75-85% of the revenue comes from sale of tickets. Share of F&B is 15-20%, which is lower than global peers. Resort and rentals revenue currently form negligible portion of the revenue (~2%), which is expected to increase as visitor preferences change and amusement parks become more of a destination tourism than a single day entertainment. Globally, entry fee, food and beverages and resorts and rentals contribute similar proportion to revenue.

**Exhibit 61: Contribution from various revenue streams**

Stream of Revenue	% Contribution to overall revenue	Description
Entry Fees/Ticket Sales	75-80%	As most of the amusement parks in India deploy 'single ticket for entry', entry fee has a considerable contribution
Food & Beverages	15-20%	As most of the amusement park visits are day long, food and beverages consumption is considerable. However much lower than its globally peers
Gifts, Souvenirs and other retail items	3-4%	Items like clothes, caps, bags, goggles, cosmetics along with souvenirs especially for the outstation visitors.
Sponsorships and advertisement	<1%	Selling the free space for advertising
Resort, Banquets, Lawns etc	<1%	Overnight stay as well as corporate events
Miscellaneous Rentals	<1%	Photo and video shooting, concerts live shows, wedding receptions and other events. Most of the water parks provide swimming costumes and locker facility for a charge

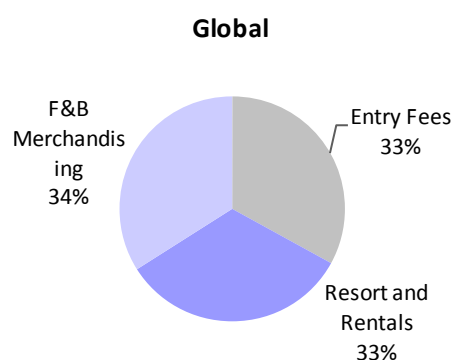
Source: Company, MOSL

**Exhibit 62: Revenue composition in India**



Source: DRHP, MOSL

**Exhibit 63: Revenue composition globally**

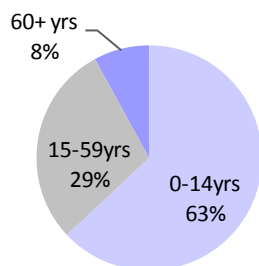


Source: DRHP, MOSL

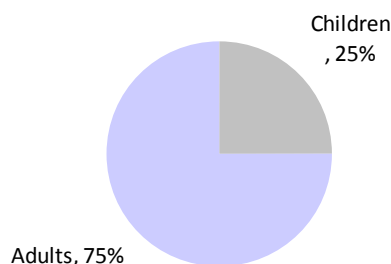
India, being one of the youngest countries in the world with the median age of 26.5 years, has majority of its population between 15-59 years, which will be the biggest growth driver for the industry

### Favorable demographics for growth of industry

Amusement parks are targeted to attract young generation. India, being one of the youngest countries in the world with the median age of 26.5 years, has majority of its population between 15-59 years, which will be the biggest growth driver for the industry. Countries like the US, Japan and China have older population with median age of 37.1 years, 45.4 years and 35.9 years respectively. As per the study conducted by E&Y, in India, children are the key influences for amusement and theme parks visits. They generally come to parks in school groups or with families. But they constitute only 25% of the park visitors and balance 75% are adults. In India, ~28.50% of the population is in the age group of 0-15 years, 63.40% in 15-59 years and 8.10% in 60 years and above, respectively.

**Exhibit 64: India has the youngest population of world****Age wise distribution India (2011)**

Source: DRHP, MOSL

**Exhibit 65: Children influence adults to visit parks****Visitors age profile**

Source: DRHP, MOSL

Amusement park industry in India is highly concentrated with larger players like Essel Group, Nicco Park and Wonderla constituting most of the market

### Industry concentrated with few larger players

Amusement park industry in India is highly concentrated with larger players like Essel Group, Nicco Park and Wonderla constituting most of the market. Most of the theme parks have both dry and wet rides. Amusement parks across India offer varied experience to users ranging from dry rides, wet rides, snow parks, resorts, shopping malls etc, though most of the rides remain similar in nature. Parks have different pricing strategy. Large parks like Essel World in Mumbai and Nicco Park in Kolkata charge separately for their water parks, while in others like Wonderla Bangalore and Kochi, Kishkinta in Chennai, dry and wet rides can be accessed on the same ticket. Encouraged by the global parks, Wonderla and Ramoji have come up with resorts making amusement park a “destination park” as against “one day attraction” like peers. Pricing strategy also differs across parks. Large parks in India have predominantly adopted ‘pay one price’ wherein the customer is entitled to unlimited use of rides after paying a single entry fees. Worlds of Wonder in Entertainment City, Noida provides both the options of ‘pay-one-price’ and ‘pay-as-you-go’.

## Annexure

**Exhibit 66: Products and services offered at amusement parks in India**

Products/Services	Constituents	Fees structure
Amusement Park - Dry Rides	Giant wheels	Primarily included in the entry fees, sometimes as pay-as-you-go
	Merry-go-round	
	Toy trains	
	Rides	
	Swings	
Virtual games and indoor activities	Video games	Primarily included in the entry fees, sometimes as pay-as-you-go
	Bowling	
	Car race	
	air-hockey	
Snow park	Sking	Separate entry fee, combined package or complementary with other rides
	Skating with other rides	
Water Park	Water Park	Separate entry fee, combined package or complementary with other rides. Generally separate rent is charged for swimming costumes.
	Water rides	
	Waves pool	
	Swimming pool	
	Rain Dance floor	
Food and beverages	Restaurants	Not included in entry fees
Spa and health club	Spa	Separate payment, sometimes complementary with amusement park or resort
	Aromatherapy	
	Body massage	
	Other recreational Services	
Resort	Lodging	Separate payment
	Restaurant Separate payment	
	Banquet Hall	
Golf course	Golf course	Separate payment sometimes complementary with resort
Shopping Mall	Sports	Separate payment sometimes complementary with
	Tournaments resort	
	General Merchandise	
Gift store	Gifts	Separate Payment

## Financials and valuations

Income statement				(INR Million)		
Y/E Mar	2012	2013	2014	2015E	2016E	2017E
<b>Net Sales</b>	<b>1,131</b>	<b>1,378</b>	<b>1,536</b>	<b>1,818</b>	<b>2,126</b>	<b>3,241</b>
Change (%)	26.2	21.9	11.4	18.3	16.9	52.5
<b>EBITDA</b>	<b>558</b>	<b>625</b>	<b>703</b>	<b>882</b>	<b>1,074</b>	<b>1,540</b>
EBITDA Margin (%)	49.3	45.4	45.8	48.5	50.5	47.5
Depreciation	116	119	132	167	206	267
<b>EBIT</b>	<b>442</b>	<b>507</b>	<b>571</b>	<b>715</b>	<b>868</b>	<b>1,272</b>
Interest	0	22	16	13	1	0
Other Income	14	15	24	67	81	50
Extraordinary items	0	0	0	0	0	0
<b>PBT</b>	<b>456</b>	<b>500</b>	<b>579</b>	<b>769</b>	<b>948</b>	<b>1,322</b>
Tax	144	164	180	254	313	436
Tax Rate (%)	31.6	32.8	31.1	33.0	33.0	33.0
<b>Reported PAT</b>	<b>312</b>	<b>336</b>	<b>399</b>	<b>515</b>	<b>635</b>	<b>886</b>
<b>Adjusted PAT</b>	<b>312</b>	<b>336</b>	<b>399</b>	<b>515</b>	<b>635</b>	<b>886</b>
Change (%)	-7.4	7.8	18.7	29.2	23.2	39.5
Min. Int. & Assoc. Share	0	0	0	0	0	0
<b>Adj Cons PAT</b>	<b>312</b>	<b>336</b>	<b>399</b>	<b>515</b>	<b>635</b>	<b>886</b>

Balance sheet				(INR Million)		
Y/E Mar	2012	2013	2014	2015E	2016E	2017E
Share Capital	420	420	420	565	565	565
Reserves	518	780	1,079	2,999	3,469	4,157
<b>Net Worth</b>	<b>938</b>	<b>1,200</b>	<b>1,499</b>	<b>3,564</b>	<b>4,034</b>	<b>4,722</b>
Debt	216	210	239	18	0	0
Deferred Tax	34	37	33	33	33	33
<b>Total Capital Employed</b>	<b>1,188</b>	<b>1,446</b>	<b>1,772</b>	<b>3,616</b>	<b>4,067</b>	<b>4,755</b>
Gross Fixed Assets	2,078	2,420	2,553	3,733	5,213	6,413
Less: Acc Depreciation	868	981	1,099	1,266	1,471	1,739
<b>Net Fixed Assets</b>	<b>1,210</b>	<b>1,440</b>	<b>1,455</b>	<b>2,468</b>	<b>3,742</b>	<b>4,674</b>
Capital WIP	44	57	201	55	43	65
Investments	0	0	0	0	0	0
<b>Current Assets</b>	<b>143</b>	<b>163</b>	<b>348</b>	<b>1,445</b>	<b>698</b>	<b>604</b>
Inventory	18	28	33	50	58	94
Debtors	2	5	3	4	4	7
Cash & Bank	25	29	200	1,265	489	335
Loans & Adv, Others	98	102	111	127	146	168
<b>Curr Liabs &amp; Provns</b>	<b>200</b>	<b>213</b>	<b>231</b>	<b>352</b>	<b>415</b>	<b>588</b>
Curr. Liabilities	97	86	90	182	211	344
Provisions	104	128	141	169	203	244
<b>Net Current Assets</b>	<b>-57</b>	<b>-50</b>	<b>116</b>	<b>1,094</b>	<b>283</b>	<b>16</b>
<b>Total Assets</b>	<b>1,197</b>	<b>1,447</b>	<b>1,772</b>	<b>3,616</b>	<b>4,067</b>	<b>4,755</b>

E: MOSL Estimates



## Financials and valuations

### Ratios

Y/E Mar	2012	2013	2014	2015E	2016E	2017E
<b>Basic (INR)</b>						
EPS	7.4	8.0	9.5	9.1	11.2	15.7
Cash EPS	10.2	10.8	12.6	12.1	14.9	20.4
Book Value	22.3	28.6	35.7	63.1	71.4	83.6
DPS	1.5	1.5	2.0	2.0	2.5	3.0
Payout (incl. Div. Tax.)	23.5	21.9	24.9	25.7	26.0	22.4
<b>Valuation(x)</b>						
P/E	42.3	39.3	33.1	34.4	27.9	20.0
Cash P/E	30.9	29.0	24.8	26.0	21.1	15.4
Price / Book Value	14.1	11.0	8.8	5.0	4.4	3.8
EV/Sales	10.1	8.2	7.3	5.5	5.0	3.3
EV/EBITDA	20.4	18.2	16.0	11.3	10.0	7.0
Dividend Yield (%)	0.5	0.5	0.6	0.6	0.8	1.0
<b>Profitability Ratios (%)</b>						
RoE	37.8	31.4	29.6	20.4	16.7	20.2
RoCE	44.8	40.7	37.8	29.4	24.9	30.2
<b>Turnover Ratios (%)</b>						
Asset Turnover (x)	0.9	1.0	0.9	0.5	0.5	0.7
Debtors (No. of Days)	0.6	1.3	0.8	0.8	0.8	0.8
Inventory (No. of Days)	5.9	7.4	7.9	10.0	9.9	10.6
Creditors (No. of Days)	61.4	41.6	39.5	71.1	73.3	73.9
<b>Leverage Ratios (%)</b>						
Net Debt/Equity (x)	0.2	0.2	0.2	0.0	0.0	0.0

### Cash flow statement

(INR Million)

Y/E Mar	2012	2013	2014	2015E	2016E	2017E
OP/(Loss) before Tax	445	500	579	769	948	1,322
Depreciation	116	119	132	167	206	267
Others	0	0	0	0	0	0
Interest	11	22	14	13	1	0
Direct Taxes Paid	-139	-151	-198	-254	-313	-436
(Inc)/Dec in Wkg Cap	18	-2	-19	87	35	113
<b>CF from Op. Activity</b>	<b>447</b>	<b>486</b>	<b>502</b>	<b>782</b>	<b>877</b>	<b>1,266</b>
(Inc)/Dec in FA & CWIP	-392	-374	-270	-1,034	-1,468	-1,222
(Pur)/Sale of Invt	0	0	0	0	0	0
Others	4	3	11	0	0	0
<b>CF from Inv. Activity</b>	<b>-388</b>	<b>-371</b>	<b>-259</b>	<b>-1,034</b>	<b>-1,468</b>	<b>-1,222</b>
Inc/(Dec) in Net Worth	0	0	0	1,682	0	0
Inc / (Dec) in Debt	46	-15	29	-221	-18	0
Interest Paid	-11	-23	-27	-13	-1	0
Divd Paid (incl Tax)	-73	-73	-74	-132	-165	-198
<b>CF from Fin. Activity</b>	<b>-37</b>	<b>-111</b>	<b>-71</b>	<b>1,316</b>	<b>-184</b>	<b>-198</b>
<b>Inc/(Dec) in Cash</b>	<b>22</b>	<b>4</b>	<b>172</b>	<b>1,064</b>	<b>-775</b>	<b>-154</b>
Add: Opening Balance	3	25	29	200	1,265	489
<b>Closing Balance</b>	<b>25</b>	<b>29</b>	<b>200</b>	<b>1,265</b>	<b>489</b>	<b>335</b>

E: MOSL Estimates

NOTES

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