September 22, 2017

Wonderla Holidays Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Term loan	80.00	[ICRA]AA- (Stable)/ Reaffirmed
Long term- Fund based	10.00(enhanced from 6.00)	[ICRA]AA- (Stable)/ Reaffirmed
Short term- Non Fund based	15.00(earlier nil)	[ICRA]A1+/ Assigned
Total	**105.00**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]AA- (pronounced ICRA double A minus) to the Rs. 80.00 crore[1] term loans and Rs. 10.00 crore fund based facilities (enhanced from Rs. 6.00 crore). ICRA has assigned a short-term rating of [ICRA]A1+ (pronounced ICRA A one plus) to the Rs. 15.00 crore non-fund based bank facilities of Wonderla Holidays Limited (Wonderla)[2]. The outlook on the long-term rating is 'stable'.

Rationale

The reaffirmation of rating factors in the steady performance of the company during FY2017 and the stable outlook for the business over the near to medium term. The company (ex-the new Hyderabad Park) witnessed a 13.0% decline in footfalls during FY2017 due to issues like heavy rains in Bangalore, slow-down in the IT and ITeS sector impacting discretionary spend at the flagship Bangalore park, and disruptions due to rescheduling of school examinations and the Kaveri water dispute; this follows four years of flat footfalls. Revenues were however supported by sharp increase in non-ticket revenues, higher price per ticket and additional footfalls contributed by the newly opened (Q1FY17) Hyderabad Park. The company has initiated annual price hikes in its ticket prices, the latest being in April and July'17 to absorb increase in tax rates (GST at 28%). Future growth, over the next 12-18 months, is expected to be driven by muted footfall growth and healthy increase in ticket/non-ticket income. Further, the company is in the process of setting up a new park in Chennai, to be opened H2FY2020. The rating also factors in the established market presence of the company in South India and limited competition due to the high capital-intensity with long payback period, offering high barriers to entry. Although the company witnessed a decline with operating profit margins, with OPM falling from 42.3% in FY2016 to 28.2% in FY2017, Wonderla's financial profile remains robust with a conservative capital structure and high cash and liquid investments of over Rs. 70.0 crore as on March 31, 2017.

However, the ratings remain constrained by the company's modest scale of operations within a fragmented industry, vulnerability of footfalls to discretionary spend and seasonal nature of demand (with Q2 and Q4 being lean seasons) and the flat footfalls over the past five years (excluding growth from new parks). The concern is partly alleviated by the healthy track record and diversification of revenue streams through new parks and higher contribution from non-ticket revenue. Going forward, the company's revenues are expected to be supported by stabilisation of the Hyderabad Park in the near to medium term and planned commencement of new parks once every two-three years. The company has sizable capex plans of Rs. 350.0 crore (to be spent during FY18-20, over and above maintenance costs) for setting up a new park in Chennai. Although the company has exhibited a successful track record of constructing new

---

[1] *100 lakh = 1 crore = 10 million*

[2] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

parks and a relatively short EBITDA break-even period, the Rs. 150.0 crore debt funding the project requires exposes the company to sizable risks.

Key rating drivers

Credit strengths

- **Strong growth potential in the Indian amusement park industry:** The Indian amusement park industry is still in its nascent stages as compared to its international counterparts, offering huge growth opportunities to the players given the growing disposable income and favourable demographic profile. While Wonderla is positioned to benefit from this potential, it is a relatively small player in the industry, with three parks.

- **Longstanding presence and established market position in the theme park industry; brand repositioning and marketing to aid growth:** The Company has a strong hold in the South Indian amusement park industry which it plans to expand into North, by setting up its next park (post Chennai) in one of the Northern states. The company has launched and repositioned itself as a complete family entertainment destination.

- **Ability to increase ticket rates supported revenue growth, despite the muted trend in footfalls:** The company witnessed a growth of 18% in footfalls during FY2017, primarily driven by the new park at Hyderabad; the Bangalore and Kochi witnessed footfall declines of 13% and 5% respectively. Despite the muted trend in footfalls, the Company's revenue growth was supported by increasing ticket rates (5.8% increase in ticket revenue per person during FY2017). The company also witnessed increase of about 38.0% in its non- ticket revenue per person,. During April-July'17 the company has undertaken further price hikes of 19% in Bangalore park, 18% in Kocih park and 27% in Hyderabad park, largely to absorb impact of the unfavourable GST rates; tax rates increased from around 22% (pre-GST) to 28% GST in June 17.

- **Financial profile characterized by healthy cash accruals, low gearing and adequate coverage and return indicators:** Supported by commencement of the new park at Hyderabad, the company registered a revenue growth of 31.6% y-o-y during FY2017 although operating margins declined to 28.2% during FY2017 from 42.3 % during FY2016. The company has low Debt/ OPBITDA of 0.3x during FY2017 with healthy interest coverage of 30.6x during FY2017. The company has cash and liquid investment of over Rs. 70.0 crore as on March 31, 2017.

- **High barriers to entry in the industry owing to heavy capital cost, limiting competition; competitive pricing coupled with in-house design teams also lend strong competitive advantage:** High capital intensity and relatively long payback period act as high barriers to entry.

Credit weaknesses

- **Footfalls vulnerable to discretionary spend by consumers and seasonal nature of demand resulting in fluctuations in earnings:** Footfalls for the Bangalore and Hyderabad park performed below expectations during FY2017 with heavy rains impacting footfalls in Bangalore and Hyderabad. The Bangalore park also suffered due to the Kaveri water dispute (guests from Tamil Nadu accounted for 4.0% of footfalls during FY2017), affecting the facility for 22 consecutive days.

- **Highly capital-intensive industry with regular maintenance / up gradation of attractions necessary to ensure safety and attract footfalls:** The park requires proper inspection and maintenance to ensure safety, which is handled at competitive rates by the company's in-house team of engineers . In addition, to attract guests, new rides have to be added regularly, the company builds over 30.0% of its own rides in-house at economic rates. This provides a competitive advantage over other parks.

- **Liquidity likely to be affected by capex plan of the company of Rs.350 crore for the Chennai Park**: The new park at Chennai is expected to incur an outflow of Rs. 350.0 crore during FY2018 to FY2020. Wonderla is expected to raise debt of Rs. 150.0 crore to fund the same. This sizable capex (97.0% of average net block of FY2016 and FY2017) entails sizable project risk and would have an impact on the company's capital structure. which can impact its liquidity in near term. However, the company has in the recent past exhibited strong capabilities in project execution; the Hyderabad park EBITDA broke-even in the first year of operations.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:
Corporate Credit Rating Methodology

About the company:
Wonderla Holidays Limited [Wonderla] is engaged in operations of amusement parks in Bangalore, Hyderabad and Kochi. The flagship property of the Company – Wonderla, Bangalore commenced operations in 2005. This was the second amusement park set up by the V-guard group, the first being 'Veega Land' established in Cochin in 2000. 'Veega Land' was incorporated as Veega Holidays & Parks Limited (VHPL) in January 1998 and amalgamated with Wonderla effective from April 01, 2008; the name of the Cochin amusement park was changed from Veega land to Wonderla, Kochi. Wonderla also operates a 80-room resort (started in March 2012) inside the Bangalore park. The Company commenced operations of a new park in Hyderabad (April 2016); and plans to open a new park at Chennai during FY2020).

Wonderla's amusement-park revenue is seasonal, with maximum footfalls on weekends and during school vacations. April to June (summer vacations) and October to December (holiday season) quarters are peak quarters, accounting for a combined ~60% of revenue. The company generates revenue primarily from amusement-park-ticket sales, and non-ticket revenues from food items and merchandise sold inside the park and Food & Beverage sold in its restaurants.

Key Financial Indicators (Audited)

	FY2016	FY2017
Operating Income (Rs. crore)	205.4	270.4
PAT (Rs. crore)	77.3	64.9
OPBDIT/ OI (%)	49.8%	39.6%
RoCE (%)	37.3%	26.7%
Total Debt/ TNW (times)	0.02	0.04
Total Debt/ OPBDIT (times)	0.1	0.2
Interest coverage (times)	77.0	42.8
NWC/ OI (%)	-9.4%	-12.6%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	**Instrument**	**Current Rating (FY2018)**				**Chronology of Rating History for the past 3 years**		
		Type	**Amount Rated (Rs. crore)**	**Amount Outstanding as on June 30 2017 (Rs Crore)**	**Date & Rating**	**Date & Rating in FY2017**	**Date & Rating in FY2016**	**Date & Rating in FY2015**
					September 2017	**August 2016**	**June 2015**	**July 2014**
1	Term loan	Long Term	80.0	**12.6**	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]A+ (Stable)	[ICRA]A- (Stable)
2	Cash credit	Long Term	10.0	**0.0**	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]A+ (Stable)	[ICRA]A- (Stable)
3	Letter of credit	Short Term	15.0	**0.0**	[ICRA]A1+	-	[ICRA]A1	-

Complexity level of the rated instrument:
ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-

Instrument Details

ISIN No	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term Loan	-	-	July 2021	80.00	[ICRA]AA- (Stable)
-	Cash Credit	-	-	-	10.00	[ICRA]AA- (Stable)
-	Letter of Credit	-	-	-	15.00	[ICRA]A1+

* Source: the company

Contact Details

Analyst Contacts

Subrata Ray
+91 22 6114 3408
subrata@icraindia.com

Pavethra Ponniah
+91 44 4596 4314
pavethrap@icraindia.com

Resham Trivedi
+91 80 4332 6417
resham.trivedi@icraindia.com

Relationship Contact

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit **www.icra.in**

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20- 25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	