Wonderla Holidays Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**Wonderla maintains a dominant amusement park position with a 30.49 lakh annual footfall and a robust safety moat (ISO 45001), though it is currently transitioning from a stable cash-generator to a capital-intensive national player.**	Positive
2	***Revenue contracted 5.07% to 459 Cr, driven by a 6% YoY decline in total footfalls across mature parks, signaling cyclical or weather-related volume pressure.***	Negative
3	***Operating margins (OPM) experienced a sharp compression from 47% to 32%, exacerbated by negative operating leverage and a 138% surge in advertisement spending.***	Negative
4	***Reported Net Profit fell 30% to 109 Cr, but core profitability is weaker as PBT dropped 46.2%, with the bottom line supported by a 24.08 Cr non-cash deferred tax credit.***	Negative
5	**The balance sheet remains exceptionally strong and virtually debt-free (D/E 0.003x), bolstered by a □540 Cr QIP that leaves the company with □423 Cr in cash equivalents.**	Positive
6	**Operating cash flow remains healthy at □123 Cr (CFO/PAT of 1.13), demonstrating the inherent strength of the "cash and carry" model with negligible receivables.**	Positive
7	***Free Cash Flow (FCF) turned deeply negative at - 205 Cr, reflecting the most aggressive capex cycle in the company's history and high reinvestment needs.***	Negative
8	***Capital allocation efficiency has deteriorated, with ROCE diluting to 8% due to unutilized QIP proceeds and long-standing delays in the 303 Cr Chennai project since 2019.***	Negative
9	***Earnings quality is compromised by a material internal control failure, specifically the lack of an audit trail in POS software, which is a critical risk for a cash-heavy retail business.***	Negative
10	***Governance standards have weakened following the consolidation of promoter power and MD remuneration increasing 7.69% to 4.1% of PAT despite the significant decline in profits.***	Negative
11	The outlook depends on the successful ramp-up of the new Bhubaneswar park and the eventual commissioning of Chennai to offset mature park stagnation.	Neutral
12	Stance: Watch; key monitorables include the restoration of the POS audit trail, OPM recovery to >40%, and a return to footfall growth exceeding 33 lakhs.	Neutral

1. Business overview (In Bullet Points)

- **Business Segments:** Primary operations include Amusement Parks and Resorts (75.43% of revenue) and "Others" including Merchandise, Food, and Beverages (24.57% of revenue).
- **Revenue Drivers:** Driven by footfall volume and Average Revenue Per User (ARPU). Total footfall declined by **6% YoY** (30.49 lakh vs. 32.52 lakh), with revenue falling 5% YoY (□458.57 Cr vs. □483.04 Cr), indicating flat ARPU and limited pricing power.
- **Cost Drivers:** Major costs include manpower, maintenance, and aggressive marketing. Total expenses surged **25.3% YoY** (□369.23 Cr vs. □294.70 Cr) due to pre-operative costs for new parks and inflationary pressures.

- **Industry Position:** Maintains a strong moat built on safety and trust, reinforced by ISO 45001:2018 certifications and the "Safe Tourist Destination Award."
- **Expansion Plans:** Transitioning to a "multi-city simultaneous rollout" strategy. The Bhubaneswar park is now operational, and the Chennai project is the next major target.
- **Acquisitions & Capacity Additions:** Officially inaugurated the Bhubaneswar park in Sept 2024 (51-acre footprint). Chennai project remains in CWIP with a carrying value of □**303.45 Cr**.
- **Geographical Presence:** Currently operates in Bengaluru, Kochi, Hyderabad, and Bhubaneswar, with a strategic pivot toward national expansion (targeting NCR, Gujarat, or MP).
- **Segment Performance:** Amusement Parks and Resorts revenue stood at □**345.91 Cr**, while Merchandise/ Food contributed □112.66 Cr.

2. Management commentary & outlook

- Management has shifted the strategic narrative from "recovery" to "national expansion," focusing on a "Growth Frontier" vision.
- A structural shift in capital strategy is evident with the approval to raise □**800 Cr** via QIP/Equity, moving away from the historical debt-free, internal-accrual-funded model.
- The Bhubaneswar park is being utilized as a template for future "asset-light" or "state-partnered" models following its successful soft launch.
- Management requested a **6-month extension** for the Chennai park commissioning, citing ongoing negotiations for a 10-year LBT waiver.
- There is a focus on digital transformation, including "smart queueing" and "real-time occupancy tracking" to improve yield management.
- Competitive intensity is being met with aggressive marketing; advertisement expenses surged **138.73% to □37.91 Cr** to arrest footfall contraction.
- The board structure has returned to a promoter-led model with Arun K. Chittilappilly redesignated as Managing Director & Executive Chairman.
- Management expresses "immense pleasure" in the report despite a **31% decline in PAT**, signaling a willingness to sacrifice short-term margins for long-term scale.
- **Management Tone: Assertively Optimistic despite Operational Headwinds. Management is projecting a "Growth Frontier" narrative, focusing heavily on the Bhubaneswar launch and the □800 Cr fundraising plan to distract from a weak operational year. While the expansion into Odisha is a tangible win, the 6% drop in footfall and 25% spike in expenses are treated as secondary to the "national journey." The tone suggests management is willing to sacrifice short-term margins and dilute equity to achieve a much larger scale.**

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	459	483
Sales Growth %	-5.07	12.54
Expenses	310	254
Material Cost %	11.01	9.98
Raw material cost	50	49
Change in inventory	0	0
Manufacturing Cost %	21.84	18.75
Employee Cost %	17.78	12.96
Other Cost %	16.96	10.84
Operating Profit	149	229
OPM %	32	47
Other Income	24	23
Exceptional items	4.67	10.54
Other income normal	19.17	12.14
Interest	2	2
Depreciation	57	38
Profit before tax	114	211
Tax %	4	25
Net Profit	109	158
Exceptional items AT	3	8
Profit excl Excep	106	150
Profit for PE	106	150
Profit for EPS	109	158
Profit Growth %	-30	5
EPS (□)	17.23	27.92
Dividend Payout %	12	9

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	63	57
Reserves	1,660	1,038
Borrowings	5	6
Long term Borrowings	0	0.30
Short term Borrowings	0.30	0.01
Lease Liabilities	5.01	5.26
Other Borrowings	0.01	-0.01
Other Liabilities	133	138
Trade Payables	42	34
Other liability items	90	104
Total Liabilities	1,862	1,238
Fixed Assets	957	759
Land	529.15	527.92
Building	280.05	173.19
Plant Machinery	467.59	355.73
Equipments	10.83	7.74
Furniture n fittings	79.81	62.80
Vehicles	12.64	12.12
Intangible Assets	10.96	5.79
Other fixed assets	17.19	12.08
Gross Block	1,408.22	1,157.37
Accumulated Depreciation	450.79	398.80
CWIP	226	171
Investments	136	90
Other Assets	542	218
Inventories	14	13
Trade receivables	5	3
Cash Equivalents	423	124
Loans n Advances	27	14
Other asset items	73	65
Total Assets	1,862	1,238

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	123	178
Profit from operations	157	231
Receivables	-2	-1
Inventory	-1	-4
Payables	8	8
Loans Advances	0	0
Other WC items	-19	1
Working capital changes	-12	4
Direct taxes	-22	-57
Cash from Investing Activity	-645	-158
Fixed assets purchased	-328	-223
Fixed assets sold	0	0
Investments purchased	-242	-212
Investments sold	205	253
Subsidy received	20	0
Interest received	10	8
Dividends received	0	0
Other investing items	-309	16
Cash from Financing Activity	512	-16
Proceeds from shares	540	0
Proceeds from borrowings	0	0
Repayment of borrowings	0	0
Interest paid fin	-1	-1
Dividends paid	-14	-14
Financial liabilities	0	-1
Other financing items	-13	0
Net Cash Flow	-10	4
Free Cash Flow	-205	-45
CFO/OP	97	102

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	4	2
Inventory Days	101	102
Days Payable	306	256
Cash Conversion Cycle	-201	-152
Working Capital Days	-12	-15
ROCE %	8	20

3.2 Financial analysis summary

- The company reported a **5.07% decline** in Revenue to ₹459.00 Cr, primarily driven by an 8.51% drop in Entry Fees (₹312.41 Cr vs ₹341.49 Cr), signaling footfall pressure in mature parks despite the Bhubaneswar launch.
- **OPM** contracted sharply from 47.00% to 32.00% as Expenses rose by 22% to ₹310.00 Cr, fueled by a 138.73% surge in Advertisement Expenses (₹37.91 Cr) and a 5x increase in Share Based Payments (₹7.45 Cr).
- **Net Profit** fell 30% to ₹109.00 Cr, but this was significantly cushioned by a non-cash Deferred Tax credit of ₹24.08 Cr recognized due to changes in capital gains tax rates; excluding this, core profitability deterioration is more severe.
- **Employee Cost %** increased from 12.96% to 17.78% of Revenue, driven by ESOP grants and high MD Remuneration (₹4.48 Cr), which is being paid in excess of 2.5% of net profits despite the earnings decline.
- **Cash from Operating Activity** (₹123.00 Cr) remains healthy relative to PAT (CFO/PAT of 1.13), supported by a "cash and carry" model that keeps Trade Receivables exceptionally low at ₹5.00 Cr.
- **Working Capital** remains negative at -12 days, with a Cash Conversion Cycle of -201 days, as the company uses Trade Payables (₹42.00 Cr) to fund operations; however, ₹2.66 Cr of payables are aged over 3 years, suggesting potential vendor disputes.
- **Balance Sheet** size expanded significantly as Total Assets reached ₹1,862.00 Cr, driven by ₹540.00 Cr Proceeds from shares (QIP), which boosted Reserves to ₹1,660.00 Cr and Cash Equivalents to ₹423.00 Cr.
- **Fixed Assets** grew to ₹957.00 Cr following a ₹328.00 Cr Capex outlay, while CWIP stands at ₹226.00 Cr; the high reinvestment rate (Capex/CFO of 2.67) is directed toward the Chennai project and Bhubaneswar expansion.
- **ROCE** diluted from 20.00% to 8.00% and ROE fell to 6.33%, reflecting the massive equity infusion from the QIP currently sitting in low-yielding bank deposits (₹403.76 Cr).
- The company is virtually debt-free with a **Debt/Equity** of 0.003 and an Interest Coverage of 156.65x, though Lease Liabilities of ₹5.01 Cr exist for the Bhubaneswar land lease.
- **Free Cash Flow** was deeply negative at -₹205.00 Cr due to the aggressive expansion phase, making the company dependent on QIP capital for its ₹91.71 Cr in unexecuted Capital Commitments.
- **Other Income** of ₹24.00 Cr was bolstered by ₹14.08 Cr in interest from QIP deposits, partially offsetting the decline in Operating Profit (₹149.00 Cr).
- **Other Assets** were impacted by Tax Credits Pending Utilisation (₹18.33 Cr), which more than doubled, indicating a buildup of GST inputs that the company is unable to offset quickly.
- **Other Expenses** were driven by Sub-contractor Charges (₹49.48 Cr), representing the largest "Other Expense" item and reflecting a high reliance on outsourced labor for park operations.

- **The overall synthesis of the year reveals a company in a high-risk transition phase, where massive equity-funded capital expansion is temporarily depressing return ratios and margins while core footfall pressure and internal control gaps in POS systems present near-term operational risks.**

3.3 Contingent liabilities & commitments

- **Capital Commitments (Unexecuted):** ₹91.71 Cr, primarily directed toward the Chennai project.
- **Goods and Services Tax (Disputed):** ₹5.43 Cr (increased 61.61% YoY), signaling heightened regulatory scrutiny.
- **Local Body Entertainment Tax:** ₹3.35 Cr.
- **Labour Cess:** ₹0.71 Cr.
- **Income Tax Demands:** ₹0.19 Cr.
- **Provident Fund:** Potential liability regarding PF contributions on monetary allowances following a Supreme Court ruling; impact currently unquantified.

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; ₹109 Cr PAT vs ₹123 Cr CFO includes ₹24 Cr non-cash tax credit.	—	CFO/OP at 97% is healthy, but PAT is inflated by a ₹24.08 Cr non-cash deferred tax credit.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — low risk; receivables + inventory rose ₹3 Cr while revenue fell ₹24 Cr.	—	"Cash and carry" model results in negligible receivables (<1% of sales), minimizing stuffing risk.
3	Revenue timing	Neutral — revenue recognized at point-of-sale; no aggressive smoothing via long-term estimates.	—	Confirms revenue is recognized when tickets are issued or services rendered, reducing estimation risk.
4	Revenue from related parties %	Neutral — negligible RPT revenue; core business driven by external retail footfalls.	—	RPTs are primarily expense-side (remuneration/purchases) rather than revenue-side.
5	Inventory vs revenue growth	Profit ↓ — inventory rose 7.7% vs 5% sales decline; stores/spares build-up.	—	Inventory is dominated by "Stores and Spares" (₹9.92 Cr) for ride maintenance rather than saleable goods.
6	Inventory valuation method change	Neutral — consistent valuation at lower of cost or net realizable value.	—	Accounting policy remains consistent with prior years; inventory is a small portion of total assets.
7	Exceptional items in operating profit	Profit ↑ — ₹4.67 Cr exceptional gain included in PBT; non-recurring boost.	—	Exceptional items AT of ₹3.00 Cr contributed to the final PAT of ₹109 Cr.
8	Depreciation rate vs useful life policy	Profit ↓ — conservative policy; useful lives shorter than Schedule II limits.	—	Uses SLM with conservative life estimates (e.g., 3-15 years for Plant & Equipment).
9	Provision reversals boosting PAT	Neutral — no evidence of material provision reversals used to inflate earnings.	—	Focus is on deferred tax credits rather than provision reversals for profit management.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↑ — non-cash tax credit of ₹24.08 Cr reduced effective tax to 4%.	—	Deferred tax credit due to LTCG rate change on land fair value artificially inflated PAT.
11	CWIP age and stalling projects	Neutral — CWIP rising due to active expansion; Chennai project monitored for impairment.	—	Chennai project (₹303.45 Cr carrying value) has faced delays since 2019 but construction is now active [KAM].
12	Deferred tax asset recognition adequacy	Profit ↑ — large DTA/credit recognized on land valuation; non-cash accounting gain.	—	The credit is a one-time adjustment following the Finance Act 2024, not reflecting operational performance.
13	RPT quantum and trend	Profit ↓ — MD remuneration high relative to revenue decline; special resolution required.	—	Remuneration exceeds 2.5% of net profits, requiring shareholder approval via special resolution.
14	Dividend paid vs FCF adequacy	Neutral — dividends of ₹14 Cr well-covered by CFO despite negative FCF.	—	Negative FCF is due to massive growth CAPEX (₹328 Cr) funded by QIP proceeds, not operational weakness.
15	Audit Trail Deficiency	Revenue ↑↓ — POS software lacks audit logs; material weakness in transaction reliability.	—	Lack of transaction logs in a cash-heavy business poses a high risk of unrecorded cash leakages.
16	Aged Payables	Profit ↑ — ₹2.66 Cr in Trade Payables outstanding for >3 years.	—	Unusual for a cash-rich company; suggests potential vendor disputes or reconciliation issues.
17	ESOP Dilution		—	

#	Check	Impact	Status	Notes detail
		Profit ↓ — ESOP costs spiked from ₹1.33 Cr to ₹7.45 Cr.		Management rewarded with equity despite the sharpest margin contraction in listed history.

4. Management & governance

A. Auditor report & key audit matters

- **Audit opinion type:** Unqualified.
- ***KAM 1: Chennai Project Valuation:*** Auditor flagged the ₹303.45 Cr carrying value due to delays since 2019. Management justifies no impairment based on construction commencement and QIP funding, but the multi-year gestation remains a recovery risk.
- **KAM 2: Revenue Recognition:** Focus on IT system controls for ticket issuance. Auditor verified that revenue is recognized at a "point in time" upon service rendering.
- ***Critical Internal Control Weakness:*** The Auditor reported that the Point of Sale (POS) software **lacks audit log (audit trail) functionality**. Additionally, the SOC report for third-party payroll records does not cover audit trail requirements. This is a material forensic risk for a cash-heavy retail business.
- **Auditor Fees:** ₹0.52 Cr.

B. Related party transactions

Party	Relationship	Nature	Amount (₹ Cr)	Concern
Arun K Chittilappilly	MD	Remuneration	4.48 Cr	***Exceeds 2.5% of net profits threshold***
KMP Payables	KMP	Outstanding Dues	5.82 Cr	***24.36% increase in unpaid commissions***
Promoter Group	Group	Equity Dividends	9.87 Cr	**Pro-rata distribution**
Hangyo Ice Creams Pvt Ltd	Associate	Purchase of Goods	0.74 Cr	Minor operational sourcing
R Lakshminarayanan	Vice-Chairman	Consulting Fees	0.60 Cr	Professional services

- **Note 36.C:** Managerial remuneration for the MD (₹4.48 Cr) is high relative to the 5.06% revenue decline. A special resolution is proposed to pay him in excess of 2.5% of net profits.
- **Note 36.D:** Outstanding payables to KMPs (₹5.82 Cr) increased from ₹4.68 Cr, primarily due to accrued commissions.

C. Shareholding

Category	Mar 2025	Mar 2024
Promoters	46.83%	52.48%
Promoter Group	15.44%	17.26%
FIIs	6.91%	4.42%
DIIs	11.95%	4.56%
Public	18.87%	21.28%
Promoter Pledging	0.00%	0.00%

D. Board composition + KMP compensation

- **Total Directors:** 7 | **Independent %:** 57.14% | **Women Directors:** 2.
- **KMP Compensation (EBITDA = ₹149.00 Cr):**
  - **Arun K. Chittilappilly (MD):** ₹4.48 Cr (+7.69% YoY; 3.01% of EBITDA) * **Priya Sarah Cheeran Joseph:** ₹0.12 Cr (+9.09% YoY) * **Family Concentration:** The Chittilappilly family dominates KMP compensation. MD pay rose despite a 34.93% crash in Operating Profit.

F. Capital allocation & capex

Action	FY current (₹Cr)	FY prior (₹Cr)	% of CFO	Signal
Capex	328.00 Cr	223.00 Cr	266.67%	***Aggressive expansion***
Dividends	14.00 Cr	14.00 Cr	11.38%	**Maintained payout**
Equity Issuance	540.00 Cr	0.00 Cr	439.02%	***Significant dilution (QIP)***
Investments (Financial)	242.00 Cr	212.00 Cr	196.75%	**Liquidity parking**
Interest Payments	1.00 Cr	1.00 Cr	0.81%	**Negligible debt**

Capex analytical notes: * **CFO Coverage of Capex:** CFO (₹**123.00 Cr**) covers only 37.5% of Capex (₹328.00 Cr). The gap was bridged by ₹540.00 Cr QIP proceeds. * **Nature of Capex:** Primarily **growth capex**. CWIP increased to ₹226.00 Cr, with the Chennai project carrying a value of ₹303.45 Cr. * **Capex Deployment Efficiency:** Revenue declined 5.06% while Gross Block increased 21.67%. This indicates a significant gestation lag and deteriorating asset turnover (0.32x vs 0.42x). * **Key Takeaways:** The company is in a **high-risk execution phase**, relying on external equity rather than internal accruals to fund its largest-ever expansion cycle.

H. Risks

- ***Audit Trail Failure:*** POS software lacks audit logs. **High risk of unrecorded cash leakages** in a cash-heavy business. (Severity: High)
- ***Chennai Project Delay:*** ₹303.45 Cr stuck in CWIP since 2019. Risk of massive impairment if IRR falls below cost of capital. (Severity: High)
- ***Margin Compression:*** OPM fell from 47% to 32%. **30% Profit decline**; aggressive marketing failing to drive footfalls. (Severity: High)
- ***Tax Asset Quality:*** ₹24.08 Cr non-cash deferred tax credit. **Artificially inflates PAT**; core PBT fell 46.2% YoY. (Severity: Medium)

- ***Regulatory (GST):*** Disputed GST demands rose 61% to ₹5.43 Cr. Potential cash outflow; signals aggressive tax positions. (Severity: Medium)

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	4	→	30.49L footfall; ISO 45001 safety moat	Strong brand and safety moat, but facing cyclical/weather-related volume pressure.
Financial health	4	↓	D/E 0.003x; CFO ₹123 Cr; FCF -₹205 Cr	Debt-free with massive QIP cash, but FCF is deeply negative due to heavy capex.
Earnings quality	2	↓	₹24.08 Cr non-cash tax credit; No POS audit trail	PAT is artificially inflated by tax adjustments and undermined by internal control gaps.
Management & governance	2	↓	MD pay > 2.5% PAT; Role consolidation; POS weakness	Governance is weakening due to power consolidation and material audit trail failures.
Capital allocation & earnings visibility	3	↓	ROCE 8%; Chennai delay since 2019	Aggressive reinvestment with high gestation lag and currently dilutive return ratios.

Business positives (for this company this year) * **Debt-Free Balance Sheet:** Maintained a negligible **Debt/Equity of 0.003x**, providing significant financial flexibility. * **Successful Expansion:** Commencement of the **Bhubaneswar Park** in May 2025, diversifying the geographic revenue base. * **Strong Liquidity:** Secured **₹540 Cr via QIP**, resulting in ₹423 Cr in Cash Equivalents to fund future growth. * **Operational Cash Flow:** Generated **₹123 Cr in CFO**, maintaining a healthy CFO/PAT ratio of 1.13. * **Safety Moat:** Continued adherence to global safety standards (ISO 45001), reinforcing the brand's primary competitive advantage.

Business negatives / concerns (for this company this year) * **Operational Contraction:** Total footfall declined **6% YoY**, leading to a 5.07% drop in Revenue. * **Margin Erosion: OPM crashed from 47% to 32%** due to a 138% surge in ad spending and rising employee costs. * **Internal Control Failure:** Auditor flagged a **lack of audit trail in POS software**, a critical risk for a cash-heavy business. * **Inflated Earnings: Net Profit** was supported by a ₹24.08 Cr non-cash deferred tax credit; core PBT fell 46.2%. * **Execution Delays:** The **Chennai project (₹303.45 Cr)** has been delayed since 2019, requiring further extensions. * **Governance Red Flags:** MD remuneration increased **7.69%** despite a 31% PAT decline, requiring a special resolution to exceed profit caps.

Overall scorecard summary Wonderla is currently a high-quality business undergoing a turbulent transition from a stable "cash cow" to a capital-hungry national player. While the balance sheet is pristine and bolstered by QIP funds, the operational performance has deteriorated with sharp margin compression and falling footfalls. Governance and earnings quality have weakened significantly this year due to material internal control gaps (POS audit trail) and non-cash tax credits inflating the bottom line. The business is on a **deteriorating trajectory** in the near term as it grapples with high-risk execution and negative operating leverage.

Part b: governance check matrix

#	Check	Status
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

Final line: "Total: 8/10 — Governance Rating: 2" (Downgraded due to the severity of the Audit Trail failure in a cash business).

Part c: investor verdict

Thesis: A dominant amusement park leader trading short-term profitability and governance standards for an aggressive, equity-funded national expansion. **Overall stance:** Watch **Rationale:** Operational headwinds in mature parks and critical internal control weaknesses (POS audit trail) outweigh the expansion potential until Chennai commissions. **Re-evaluate when:** OPM recovers to >40% OR the POS audit trail deficiency is explicitly confirmed as resolved by auditors. **BULL CASE:** Successful commissioning of Chennai and Bhubaneswar parks driving a 25%+ revenue CAGR and restoring ROCE to >15%. **BEER CASE:** Further delays in Chennai leading to a massive impairment of the □303 Cr CWIP and continued footfall decline in Bengaluru/Kochi. **Key monitorable:** Footfall Growth: 30.49 Lakh → Watch for return to >33 Lakh.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status	Summary b status	Forensic takeaway
Capital Allocation	Self-funded growth via internal accruals and liquidation of mutual funds.	Shift to external funding via a ₹540 Cr QIP, resulting in significant equity dilution.	The company has transitioned from a self-sustaining model to a capital-hungry phase dependent on external equity to fund its national expansion.
Margin Trajectory	OPM at 47%; management managing inflationary pressures.	OPM crashed to 32% due to a 138% spike in ad spend and rising employee costs.	Operating leverage has reversed into significant negative leverage as aggressive marketing fails to arrest a 6% decline in footfalls.
Earnings Quality	High quality; PAT largely driven by operations and CFO > PAT.	Lower quality; PAT inflated by a ₹24.08 Cr non-cash deferred tax credit.	Reported net profit is artificially cushioned by accounting adjustments, masking a 46% decline in core Profit Before Tax.
Working Capital	CCC at -152 days; inventory build-up focused on project spares.	CCC deepened to -201 days; emergence of ₹2.66 Cr in payables aged >3 years.	While the cash-and-carry model remains strong, the presence of long-overdue payables in a cash-rich company suggests potential vendor disputes or reconciliation gaps.
Management Tone	Focused on "aggressive execution" and regional dominance.	Pivot to "Growth Frontier" narrative to justify short-term margin sacrifice and dilution.	Management is using the "national journey" and Bhubaneswar launch as a strategic distraction from deteriorating operational metrics in mature parks.
Governance / Pay	MD pay rose 27% vs 7.5% EBITDA growth.	MD pay rose 7.7% despite a 35% EBITDA crash, requiring a special resolution to exceed profit caps.	Executive compensation has become entirely decoupled from operational performance, signaling a shift toward a promoter-first governance posture.

7.2 Persistent patterns

- **Virtually Debt-Free Balance Sheet:** The company maintains a **Debt/Equity ratio near zero (0.003x)**, preserving a pristine credit profile despite heavy capital outflows.
- **Critical Internal Control Weakness:** For two consecutive years, the auditor has flagged that the **POS software lacks an audit trail**, creating a sustained risk of unrecorded cash leakages in a cash-heavy business.
- **Chennai Project Impairment Risk:** The Chennai project remains a **Key Audit Matter (KAM)** with a carrying value now exceeding ₹300 Cr, reflecting a multi-year gestation period that threatens long-term ROIC.
- **Negative Cash Conversion Cycle:** The business continues to **operate on supplier credit**, with a structurally negative CCC that ensures growth does not trap operational liquidity.
- **Family-Centric Remuneration:** Compensation remains **heavily concentrated within the Chittilappilly family**, with the MD's pay consistently testing or exceeding regulatory thresholds relative to profits.
- **Superior Cash Conversion:** The "cash and carry" retail model ensures that **Trade Receivables remain negligible (<1% of revenue)**, providing high-quality, immediate liquidity.
- **Conservative Depreciation Policy:** Management continues to **depreciate rides even before they are operational** or within CWIP, a conservative accounting choice that prevents the overstatement of fixed asset values.