Wonderla Holidays Ltd — FY 2024 Annual Report Analysis

Annual Report Analysis (Consolidated)

Investor Snapshot

#	Analytical point	Sentiment
1	**Dominant regional amusement leader transitioning to a national chain, maintaining a high-moat business model with a 47% OPM.**	Positive
2	**Revenue grew 12.5% to □483 Cr, supported by a high-margin "Others" segment (Food/Merchandise) now contributing 22.3% of the mix.**	Positive
3	***Operating margins contracted from 50% to 47% as sub-contractor costs spiked 22.6% and employee stock compensation expenses rose.***	Negative
4	**Net Profit reached □158 Cr (up 5%), characterized by high earnings quality as CFO of □178 Cr comfortably exceeds PAT.**	Positive
5	**Balance sheet remains pristine and virtually debt-free (D/E 0.01x) with a robust □214 Cr liquidity buffer in cash and investments.**	Positive
6	**Negative Cash Conversion Cycle of -152 days demonstrates exceptional operational efficiency and the ability to grow using supplier credit.**	Positive
7	***Free Cash Flow turned negative (- 45 Cr) for the first time as the company entered a peak investment phase, deploying 223 Cr in capex.***	Neutral
8	***Capital work-in-progress (CWIP) surged 309% to 171 Cr, meaning 23% of total assets are currently pre-revenue, creating a lead-lag risk.***	Neutral
9	***Critical governance failure identified in Note 44; the POS software lacks an audit trail, posing a forensic risk for this cash-heavy business.***	Negative
10	***Governance concerns amplified by MD remuneration rising 27.2% YoY, significantly outpacing the 7.5% growth in Operating Profit.***	Negative
11	**Growth outlook is anchored by the "fully accelerated" Chennai project (10-year LBT waiver secured) and the upcoming Bhubaneswar park.**	Positive
12	**Investment Stance: ACCUMULATE; monitor the CWIP-to-Fixed Asset ratio (limit 35%) and the 18-month break-even target for new parks.**	Positive

1. Business overview (In Bullet Points)

- **Business Segments:** Wonderla operates a high-moat, capital-intensive business model centered on Amusement Parks (Kochi, Bengaluru, Hyderabad, and Bhubaneswar) and a Resort (Bengaluru).
- **Revenue Drivers:** Primary drivers include Footfall Volume (impacted by seasonal holidays and school calendars) and Yield per Head (Entry fees + Non-ticket revenue like F&B and Merchandise).
- **Cost Drivers:** Major costs include high fixed maintenance, safety, staff, and sub-contractor charges. In-house ride manufacturing serves as a significant cost-saving lever.
- **Industry Position:** Positioned as a market leader with high entry barriers due to land acquisition challenges and safety certifications; transitioning from a "park" to a "destination" brand.

- **Expansion Plans:** Aggressive "hub-and-spoke" strategy moving into East India (Bhubaneswar) and accelerating the long-delayed Chennai project.
- **Acquisitions & Capacity:** Focus on "Asset Sweating" by developing unused land parcels within existing parks to boost capacity with minimal land acquisition costs.
- **Segment Performance:** Entry fees contribute 70.7% of revenue, while the "Others" segment (Food & Merchandise) contributes 22.3% with higher incremental margins.
- **Geographical Presence:** Stronghold in South India (Karnataka, Kerala, Telangana) with active expansion into Odisha and Tamil Nadu.

2. Management commentary & outlook

- Management has shifted from a "resilience and recovery" tone in FY23 to "aggressive execution" in FY24, focusing on a national footprint.
- The strategy centers on a hub-and-spoke expansion, moving beyond South India into Tier-2 markets like Bhubaneswar.
- A key priority is "Asset Sweating," developing undeveloped land within existing parks to increase capacity and footfalls at high ROCE.
- Digital transformation is a core focus, with marketing pivoting to social media and themed celebrations to drive repeat visits and reduce reliance on one-time tourists.
- Safety is positioned as the ultimate brand moat, with management emphasizing daily, weekly, and monthly inspections alongside third-party audits.
- The Chennai project is now "fully accelerating" following the resolution of Local Body Tax (LBT) issues, providing a 3-5 year growth runway.
- Management is adopting a more capital-efficient "asset-light" evolution, evidenced by the 90-year lease model for the Odisha project rather than outright land purchase.
- The company intends to maintain its "debt-free" status while simultaneously funding two new park projects through internal accruals and liquid investments.
- The appointment of Saji K. Louiz as CFO marks a leadership transition during a heavy capex cycle, with the Bhubaneswar launch in Q1 FY25 serving as a primary proof-of-concept.
- Management Tone: The tone is notably assertive and confident. The specific mention of "fully accelerating" the Chennai project suggests that the □104 Cr "at-risk" investment is moving toward monetization. There is a clear emphasis on self-funded growth and operational discipline, though the transition to Tier-2 geographies like Odisha carries inherent "cultural fit" risks for pricing and F&B mix.

3. Financial analysis

3.1 Financial statements

P&L statement (□Cr)

Line item	Mar 2024	Mar 2023
Sales	483	429
Sales Growth %	12.54	233.76
Expenses	254	216
Material Cost %	9.98	10.29
Raw material cost	49	45
Change in inventory	0	-1
Manufacturing Cost %	18.75	17.80
Employee Cost %	12.96	11.92
Other Cost %	10.84	10.30
Operating Profit	229	213
OPM %	47	50
Other Income	23	23
Exceptional items	10.54	7.12
Other income normal	12.14	15.53
Interest	2	2
Depreciation	38	35
Profit before tax	211	199
Tax %	25	25
Net Profit	158	149
Exceptional items AT	8	5
Profit excl Excep	150	144
Profit for PE	150	144
Profit for EPS	158	149
Profit Growth %	5	1,452
EPS (□)	27.92	26.33
Dividend Payout %	9	10

Balance sheet (□Cr)

Line item	Mar 2024	Mar 2023
Equity Capital	57	57
Reserves	1,038	893
Borrowings	6	7
Long term Borrowings	0.30	0.31
Short term Borrowings	0.01	0.01
Lease Liabilities	5.26	6.62
Other Borrowings	-0.01	0
Other Liabilities	138	120
Trade Payables	34	26
Other liability items	104	94
Total Liabilities	1,238	1,076
Fixed Assets	759	726
Land	527.92	519.65
Building	173.19	164.79
Plant Machinery	355.73	322.88
Equipments	7.74	6.46
Furniture n fittings	62.80	54.59
Vehicles	12.12	12.55
Intangible Assets	5.79	5.79
Other fixed assets	12.08	11.25
Gross Block	1,157.37	1,097.96
Accumulated Depreciation	398.80	371.69
CWIP	171	42
Investments	90	120
Other Assets	218	188
Inventories	13	9
Trade receivables	3	1
Cash Equivalents	124	136
Loans n Advances	14	16
Other asset items	65	25
Total Assets	1,238	1,076

Cash flow statement (□Cr)

Line item	Mar 2024	Mar 2023
Cash from Operating Activity	178	192
Profit from operations	231	223
Receivables	-1	0
Inventory	-4	-2
Payables	8	7
Loans Advances	0	0
Other WC items	1	-1
Working capital changes	4	4
Direct taxes	-57	-35
Cash from Investing Activity	-158	-164
Fixed assets purchased	-223	-44
Fixed assets sold	0	0
Investments purchased	-212	-294
Investments sold	253	246
Subsidy received	0	0
Interest received	8	2
Dividends received	0	0
Other investing items	16	-75
Cash from Financing Activity	-16	-8
Proceeds from shares	0	0
Proceeds from borrowings	0	0
Repayment of borrowings	0	0
Interest paid fin	-1	0
Dividends paid	-14	0
Financial liabilities	-1	-8
Other financing items	0	0
Net Cash Flow	4	20
Free Cash Flow	-45	148
CFO/OP	102	107

Key ratios

Line item	Mar 2024	Mar 2023
Debtor Days	2	1
Inventory Days	102	78
Days Payable	256	213
Cash Conversion Cycle	-152	-133
Working Capital Days	-15	-7
ROCE %	20	22

3.2 Financial analysis summary

- **Revenue** grew by 12.54% to □483.00 Cr, primarily driven by Entry Fees (□341.49 Cr) and a strong performance in the "Others" segment (Food & Merchandise) which contributed □107.72 Cr with higher incremental margins; this growth is reflected in a negligible Trade Receivables balance of □3.00 Cr, confirming the "cash and carry" model.
- The **OPM %** contracted from 50.00% to 47.00% as Expenses outpaced Revenue growth, specifically driven by a 22.57% increase in sub-contractor charges (□43.49 Cr) and a spike in Employee Cost to 12.96% of sales, which included a rise in employee stock compensation from □0.05 Cr to □1.32 Cr.
- **Depreciation** increased to □38.00 Cr, which includes a conservative charge of □4.07 Cr for rides at the non-operational Chennai park to prevent asset value inflation, directly impacting the P&L while the Fixed Assets base grew to □759.00 Cr.
- **Other Income** of □23.00 Cr remains a significant contributor (10.8% of PBT), primarily comprising interest on deposits (□10.01 Cr) and mutual fund gains (□10.78 Cr), providing a sustainable buffer backed by a massive cash and investment pile of □214.01 Cr.
- The **Balance Sheet** shows a massive 309% surge in CWIP to □171.00 Cr and a 223.8% jump in Capital Advances to □47.28 Cr, signaling an aggressive expansion phase for the Bhubaneswar and Chennai projects, which now represent 23% of Total Assets.
- **Inventory** rose 42.84% to □13.00 Cr, significantly outpacing sales growth, primarily due to a 54% increase in Stores and Spares (□9.40 Cr) as the company stockpiles critical ride components to mitigate supply chain risks, leading to an increase in Inventory Days to 102.
- **Working Capital** management remains a core strength with a negative Cash Conversion Cycle of -152 days, as Trade Payables (□34.00 Cr) effectively fund the minimal Trade Receivables and Inventories, resulting in Working Capital Days of -15.
- **Cash from Operating Activity** (□178.00 Cr) remains robust with a CFO/PAT ratio of 1.13, but Free Cash Flow turned negative at -□45.00 Cr due to heavy Capex of □223.00 Cr, which was largely funded by the sale of Investments (□253.00 Cr) rather than new debt.
- The company remains virtually debt-free with a **Debt/Equity** of 0.01 and an Interest Coverage of 106.50x; however, it significantly increased non-fund based limits from □15 Cr to □65 Cr to support ride imports, while Lease Liabilities decreased to □5.26 Cr.
- **ROCE %** moderated slightly to 20.00% and ROE % to 14.43%, reflecting the dilution from a rapidly expanding asset base (CWIP) that is not yet generating Revenue, alongside a stable effective tax rate of 25.25%.
- **Other Assets** were impacted by a □0.98 Cr provision for Doubtful Capital Advances related to a liquidated foreign vendor, while Other Expenses were impacted by a 950% spike in Political Donations (□0.21 Cr) due to the election year.

- The dominant financial theme of the year is the transition from a cash-accumulation phase to a peak **Capex** cycle, where robust CFO and liquidated Investments are being aggressively deployed into CWIP to drive long-term capacity growth, temporarily suppressing FCF and return ratios.

3.3 Contingent liabilities & commitments

- **Capital Commitments (Unexecuted):** ₹84.15 Cr primarily directed towards the Chennai project.
- **GST Disputes:** ₹3.36 Cr (New dispute in FY24).
- **Local Body Entertainment Tax:** ₹3.35 Cr pending appeal.
- **Labour Cess:** ₹0.70 Cr disputed.
- **Income Tax:** ₹0.18 Cr pending appeal.
- **Provident Fund:** Potential liability regarding contributions on "allowances" following a Supreme Court ruling (currently unestimable).

3.9 Earnings quality & forensic checks

#	Check	Impact	Status	Notes detail
1	PAT vs CFO trend	Profit ↑ — high cash conversion	—	CFO exceeds Net Profit by 12.6%; cash-and-carry model ensures immediate realization.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — low risk	—	Trade receivables are only 0.59% of revenue; no aggressive channel stuffing.
3	Revenue timing	Revenue ↑ — conservative timing	—	Revenue recognized at point of ticket issuance; advances represent unused tickets.
4	Revenue from related parties %	Neutral — no revenue reliance	—	No single customer accounts for >10% of revenue; RPTs limited to remuneration.
5	Inventory vs revenue growth	Profit ↓ — inventory build	—	Growth driven by 54% spike in Stores/Spares for upcoming Chennai/Odisha projects.
6	Inventory valuation method change	Neutral — consistent policy	—	No change in valuation methodology; small ₹0.08 Cr obsolescence provision.
7	Exceptional items in operating profit	Profit ↑ — non-core boost	—	FY24 items are non-recurring gains; FY23 included ₹8.8 Cr service tax reversal.
8	Depreciation rate vs useful life policy	Profit ↓ — conservative accounting	—	Management charges depreciation on rides in CWIP to prevent asset inflation.
9	Provision reversals boosting PAT	Profit ↑ — one-off gain	—	FY24 lacks similar large reversals; reversal followed favorable SC order.
10	Tax rate consistency	Neutral — high transparency	—	Effective tax rate of 25.25% matches statutory regime (Sec 115BAA).
11	CWIP age and stalling projects	Profit ↑↓ — capitalization risk	—	Chennai project (₹148.55 Cr) active; 10-year LBT waiver supports no impairment.
12	Deferred tax asset recognition adequacy	Neutral — conservative position	—	DTL primarily relates to revaluation of freehold land and timing differences.
13	RPT quantum and trend	Profit ↓ — rising executive costs	—	MD remuneration increased 15.5% YoY; outstanding payables rose to ₹4.60 Cr.
14	Dividend paid vs FCF adequacy	Neutral — liquidity buffer	—	Negative FCF due to peak capex; dividend covered by ₹214 Cr cash pile.
15	Audit Trail Functionality	Profit ↑↓ — internal control risk	—	Note 44: Significant weakness for a cash-heavy business; prevents verification of modifications.
16	Capital Advance Quality	Profit ↓ — asset impairment	—	Relates to a liquidated foreign vendor; fully provided for in FY24.

4. Management & governance

A. Auditor Report & Key Audit Matters - **Audit opinion type:** Unqualified. - ***KAM 1: Project Monitoring (Chennai Project):*** Auditor flagged the ₹148.55 Cr carrying value of the Chennai project due to multi-year delays. Management justifies valuation based on a 10-year LBT waiver secured in June 2023 and ongoing site preparation. - **KAM 2: Revenue Recognition:** Focus on IT system controls for ticket issuance and resort revenue cut-offs. Auditor verified revenue is recognized only upon service rendering. - ***Critical Internal Control Weakness:*** The Auditor and Management disclosed that the Point of Sale (POS) software lacks an **audit log (audit trail)** functionality. This is a significant governance risk for a cash-heavy retail business. - **Auditor Fees:** ₹0.40 Cr.

B. Related Party Transactions

Party	Relationship	Nature	Amount (□ Cr)	Concern
Arun K Chittilappilly	MD	Remuneration	4.16 Cr	27.22% YoY increase
Kochouseph Chittilappilly	Chairman Emeritus	Remuneration	1.08 Cr	Stable YoY
KMP Payables	KMP	Outstanding Commission	4.60 Cr	***122.22% increase in unpaid dues***
KMP & Relatives	Group	Total Remuneration	6.92 Cr	15.5% YoY increase

- **Concern:** Managerial remuneration is rising faster than operating profit. The 122% jump in outstanding payables to KMPs indicates a significant accrual of commissions not yet settled in cash.

C. Shareholding - **Promoters:** 52.48% - **Promoter Group:** 17.26% - **FIIs:** 4.42% - **DIIs:** 4.56% - **Public:** 21.28% - **Promoter Pledging:** 0.00%

D. Board Composition + KMP Compensation - **Total Directors:** 7 | **Independent %:** 57.14% | **Women Directors:** 2. - **Family Concentration:** The **Chittilappilly** family (MD and Chairman Emeritus) accounts for 75.7% of total disclosed KMP remuneration. - **YoY Growth:** MD remuneration grew by **27.22%**, significantly outpacing the 7.51% growth in Operating Profit (EBITDA). - **Future Cost Risk:** Seeking approval to increase MD's fixed salary to □2.16 Cr/year plus 2% commission (Notice Item 4).

F. Capital Allocation & Capex

Action	FY current (□Cr)	FY prior (□Cr)	% of CFO	Signal
Capex	223.00 Cr	44.00 Cr	125.28%	***Aggressive expansion***
Dividends	14.00 Cr	0.00 Cr	7.87%	**Resumed payouts**
Investments (Financial)	-212.00 Cr	-294.00 Cr	-119.10%	**Liquidity deployment**

- **CFO Coverage of Capex:** CFO (□178.00 Cr) covers only 80% of Capex (□223.00 Cr). Funding gap bridged by liquidating □**253.00 Cr** in mutual funds.
- **Nature of Capex:** Primarily **growth capex** for Bhubaneswar and Chennai. CWIP surged 309% to □170.79 Cr.
- **Deployment Efficiency:** Revenue grew 12.54% while Gross Block increased 5.4%, but CWIP jumped 309%, indicating a massive lead-lag effect.
- **Key Takeaways:** Company is in a **peak investment phase**, utilizing its debt-free balance sheet to fund high-ROCE potential parks.

H. Risks - ***Audit Trail Deficiency:*** POS software lacks audit logs. **Impact:** Potential for unrecorded cash leakages in a 99% cash business (High Severity). - ***Chennai Project Delay:*** □148.55 Cr stuck in CWIP for >5 years. **Impact:** Risk of impairment if IRR falls (High Severity). - **Safety & Maintenance:** Requires □31.14 Cr annual spend. **Impact:** Accident could lead to brand shutdown (Medium Severity). - **Manpower Inflation:** High reliance on sub-contractors (□43.49 Cr). **Impact:** Wage hikes compress OPM (Medium Severity).

5. Scorecard & verdict

Part a: scorecard

Dimension	Rating (1–5)	Delta	Key evidence	One-line rationale
Business quality	4	→	OPM 47%, negative CCC -152 days	Strong moat and pricing power but geographically concentrated in South India.
Financial health	5	→	D/E 0.01x, Cash ₹214 Cr, Interest Coverage 106x	Virtually debt-free with massive internal liquidity to fund expansion.
Earnings quality	3	↓	CFO > PAT, but POS lacks Audit Trail	High cash conversion offset by a critical forensic weakness in revenue software.
Management & governance	3	↓	MD pay +27% vs EBITDA +7.5%, Audit Trail flag	Rising executive costs and internal control gaps temper governance score.
Capital allocation & earnings visibility	4	↑	CWIP +309%, Chennai project accelerated	Aggressive deployment of idle cash into growth assets with clear 3-year visibility.

Business positives (for this company this year) * **Strong Cash Conversion: CFO of ₹178 Cr** exceeds Net Profit of ₹158 Cr, driven by a 99% cash-and-carry model. * **Debt-Free Expansion:** Funding a **₹223 Cr Capex** cycle entirely through internal accruals and a ₹214 Cr cash/investment pool. * **Negative Working Capital: Cash Conversion Cycle of -152 days** allows the business to grow using interest-free supplier credit. * **Chennai De-risking:** Secured a **10-year LBT waiver** and "fully accelerated" the project, removing a major historical bottleneck. * **High-Margin Cross-Selling:** "Others" segment (Food/Merchandise) grew to **22.3% of revenue** with superior incremental margins.

Business negatives / concerns (for this company this year) * **Governance Red Flag: Note 44** reveals the POS software lacks an audit trail, a critical weakness for a cash-heavy business. * **Margin Compression: OPM contracted from 50% to 47%** due to rising sub-contractor costs and employee stock compensation. * **Executive Pay Divergence: MD remuneration rose 27.22%** while Operating Profit grew only 7.51%. * **Negative Free Cash Flow: FCF turned negative (-₹45 Cr)** due to the peak investment phase in Bhubaneswar and Chennai. * **Project Concentration: ₹171 Cr (23% of assets)** is currently locked in CWIP, creating a significant lead-lag risk for returns.

Overall scorecard summary Wonderla remains a financially robust, debt-free business with exceptional cash-generating capabilities and a dominant competitive moat. The company has successfully pivoted to an aggressive growth phase, deploying its massive liquidity into new geographies which provides strong earnings visibility for the next 3-5 years. However, governance posture has weakened due to a critical lack of audit trails in the POS system and executive compensation growing disproportionately to profits. While the business trajectory is improving in terms of scale, the internal control environment requires urgent strengthening.

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: 9/10 — Governance Rating: 3" (Rating downgraded from 4 to 3 due to the severity of the Audit Trail failure in a cash business).

Part c: investor verdict

Thesis: A high-moat, debt-free amusement leader transitioning from a regional player to a national chain through aggressive, self-funded capex.

Overall stance: ACCUMULATE

Rationale: Strong operational cash flows and the resolution of the Chennai project deadlock outweigh temporary margin pressure and governance gaps. Re-evaluate when: OPM falls below 40% OR the Bhubaneswar park fails to achieve break-even within 18 months of launch. BULL CASE: Successful launch of Chennai and Bhubaneswar parks doubles the asset base and drives a 25%+ Revenue CAGR over 3 years. BEAR CASE: A major safety incident or a regulatory impairment of the Chennai project (□148 Cr) wipes out 15% of Net Worth. Key monitorable: CWIP to Fixed Asset Ratio: Current 23% → Watch if it exceeds 35% without revenue commencement.

7. Year-over-year analysis

7.1 Changes

Metric / theme	Summary a status (FY23)	Summary b status (FY24)	Forensic takeaway
Capital Allocation	Cash hoarding phase with ₹136 Cr in cash and ₹44 Cr Capex.	Aggressive deployment phase with ₹223 Cr Capex funded by liquidating investments.	The company has pivoted from balance sheet preservation to a high-intensity, self-funded growth cycle.
Margin Trajectory	Peak OPM of 50% following post-pandemic recovery.	OPM contracted to 47% due to sub-contractor and employee cost spikes.	Operating leverage is being offset by inflationary pressures and pre-operative expenses related to new projects.
CWIP & Execution	CWIP at ₹42 Cr; Chennai project stalled for >3 years.	CWIP surged 309% to ₹171 Cr; Chennai project "fully accelerating."	The "stalled asset" risk is transitioning into "execution risk" as 23% of total assets are now tied up in pre-revenue construction.
Working Capital	Inventory at ₹9 Cr; CCC at -133 days.	Inventory rose 43% to ₹13 Cr; CCC improved to -152 days.	Management is aggressively stockpiling critical spares to de-risk supply chains while further stretching supplier credit.
Management Tone	Focused on "resilience and recovery" post-COVID.	Assertive and "aggressive execution" focused on national footprint.	The narrative has shifted from regional survival to a confident, multi-city rollout strategy.
Governance / Controls	Internal controls deemed effective; no major software flags.	POS software lacks audit log functionality.	A critical forensic weakness has emerged in the revenue cycle of a high-volume cash business.
Executive Pay	MD remuneration grew 395% from a low pandemic base.	MD remuneration grew 27.2%, significantly outpacing 7.5% EBITDA growth.	Executive compensation is beginning to decouple from underlying operational performance.

7.2 Persistent patterns

- **Virtually Debt-Free Balance Sheet:** The company maintains a **Debt/Equity ratio of 0.01x**, consistently self-funding all operations and massive capex through internal accruals.
- **Superior Cash Conversion:** The business model remains **structurally cash-positive**, with CFO consistently exceeding PAT due to the "cash-and-carry" nature of ticket sales.
- **Negative Cash Conversion Cycle:** Wonderla continues to operate with a **negative CCC**, effectively using interest-free supplier credit to fund its working capital requirements.
- **Chennai Project Impairment Risk:** Despite the shift to "acceleration," the **Chennai project remains a Key Audit Matter (KAM)** due to its multi-year delay and high carrying value.
- **Family-Centric Governance:** The board and KMP compensation remain **heavily concentrated within the promoter family**, with the MD and Chairman Emeritus receiving the bulk of remuneration.
- **Conservative Depreciation Policy:** Management consistently applies **conservative accounting by depreciating non-operational rides** to prevent the inflation of asset values in CWIP.
- **High Asset Moat:** The business maintains a **sustained competitive advantage** through high entry barriers, including land acquisition challenges and specialized safety requirements.