

Wonderla Holidays Ltd — Nov 2024 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Weak Miss (Core) / Accounting Beat (Net) **One-line:** A brutal collapse in operating margins (EBITDA margin 4% vs 33% YoY) due to weather and intentional overhead bloating was masked by a ₹24.0 Cr one-off tax credit, while the thesis pivoted from "steady-state cash cow" to "high-growth/high-dilution."

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Weak Miss	EBITDA missed internal run-rates significantly; PAT "beat" only due to tax reversal.	□
Earnings Quality	Low	PAT of ₹14.7 Cr was entirely driven by a ₹24.0 Cr deferred tax credit; operating PBT was marginal.	□
Guidance Confidence	Neutral	Management maintains long-term targets but Q2 performance showed extreme sensitivity to weather.	□
Management Credibility	Neutral	Transparent about margin hits but the sudden pivot to an ₹800 Cr fundraise suggests a change in strategy.	□
Business Quality Signal	Deteriorating (Short-term)	High operating leverage worked against them this quarter; mature parks (BLR/HYD) saw revenue declines.	□
Key Q&A Exchange	Q1: Fundraise	Management confirmed ₹800 Cr QIP is for 3-5 new parks over 7 years, including Tier 1 cities.	□
The Street's Anxiety	Dilution & Footfall	Analysts pressed on why equity dilution is needed now and if mature park growth has peaked.	□
Capital Cycle Stage	Investment	Entering a massive CAPEX cycle (₹1,500-2,000 Cr) after years of conservative growth.	□
Margin Trajectory	Deteriorating	EBITDA margin crashed to 4% (Q2) from 33% YoY due to front-loading of corporate hires.	□
Pricing Power	Stable	ARPUs held relatively steady (₹1,414 vs ₹1,441 YoY) despite the footfall pressure.	□
FCF Conversion	Strong	H1 CFO-to-PAT ratio at 2.27x (CFO ₹177.7 Cr / PAT ₹78.0 Cr) remains robust.	□
Competitive Moat	Stable	#1 operator status intact; Bhubaneswar launch (16 months to build) validates execution speed.	□
Balance Sheet	Strong	Net Cash of ₹123.6 Cr (pre-fundraise) provides a solid floor.	□
Working Capital	Stable	Negative working capital cycle remains a core strength of the model.	□
Mgmt Tone	Pragmatic/ Aggressive	Defensive on Q2 weather impacts but highly aggressive on the pan-India rollout plan.	□

Sentiment: □Neutral

Key Takeaways: * **Positives:** Strong cash flow generation (H1 CFO ₹177.7 Cr) despite operational headwinds; rapid execution in Bhubaneswar (operational in 16 months for <₹200 Cr); ARPU resilience in new markets (Bhubaneswar ARPU at ₹1,245); Chennai on track for Q3 FY26. * **Negatives:** Massive operating margin hit as the company front-loaded 130 corporate hires (+210 total) ahead of revenue; mature parks in Bangalore and Hyderabad saw revenue declines of 9% and 16% respectively; the ₹800 Cr fundraise implies significant equity

dilution. * **The Street's Concern:** Analysts are wary of the "aggressive" Wonderla. Historically a conservative, slow-build player, the shift to multiple simultaneous projects creates execution and ROIC risk. Management's response: "The market is conducive... it's a good time to invest." * **Forward Watchpoint:** Monitoring the QIP pricing and the announcement of the specific "Tier 1" land parcels in Noida/Mumbai, which will determine the ROIC profile for the next decade.

2. BUSINESS PERFORMANCE

2A. KEY METRICS *PPT primary source; Concall used for commentary.*

Metric	Current Qtr (Q2FY25)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Footfalls (Mn)	0.45	↓ 9.0%	↓ 58.7%	↓	Driven by extreme weather/rains and lower discretionary spend post-COVID peak.
ARPU (₹)	1,414	↓ 1.9%	↓ 17.5%	↓	Mix shift toward Bhubaneswar (lower ARPU) and higher online booking discounts.
Revenue (₹Cr)	67.4	↓ 10.4%	↓ 61.1%	↓	Volume-led decline; mature parks saw high single-digit/double-digit drops.
EBITDA (₹Cr)	2.8	↓ 90.0%	↓ 97.4%	↓	Catastrophic hit from operating leverage + ₹6 Cr marketing + ₹5 Cr wage hike.
EBITDA Margin %	4.0%	↓ 2900bps	↓ 5100bps	↓	Front-loading corporate team (130 people) for 4th/5th park before they contribute.
PAT (₹Cr)	14.7	↑ 8.9%	↓ 76.8%	↑	Low quality beat: Masks 90% EBITDA drop via ₹24 Cr deferred tax credit.
CFO (₹Cr) - H1	177.7	↓ 7.6%	N/A	→	Remains healthy; tax paid was lower.
CFO/EBITDA (%)	180%	↑	↑	↑	High conversion as EBITDA crashed while cash collections remained stable.
ROCE (%) - FY24	17.3%	First Entry	N/A	→	Based on annual FY24 data from PPT.
Net Debt / (Cash)	(123.6)	↑ Cash	N/A	↑	Strong liquidity; ₹123.9 Cr cash vs ₹0.3 Cr debt.
Employee Exp (₹Cr)	19.3	↑ 35%	↓ 1.5%	↓	Added 210 people total to manage future expansion.

2B. SEGMENT BREAKDOWN (Park-wise Q2FY25)

Segment	Revenue (₹ Cr)	YoY Growth	ARPU (₹)	Trend	vs Co. Avg	Key Development
Bengaluru	26.5	↓ 9%	1,438	↓	Inline	Largest revenue contributor; Resort rev ₹10.5 Cr (down 1%).
Kochi	10.1	↓ 20%	1,410	↓	Below	Worst hit by rainfall; Adi Polympics event failed to offset volume drop.
Hyderabad	14.6	↓ 16%	1,457	↓	Below	Added ₹15 Cr worth of new rides; opened by superstar Naga Chaitanya.
Bhubaneswar	4.6	New	1,245	New	New	Operational since May-24; H1 footfalls at 0.93 lakh.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate	Historical Delivery	Risk Flag
Guidance	Footfalls	3-4 Lakh for Bhubaneswar in Year 1.	Needs ~2-3 Lakh in H2; current H1 is 0.93 Lakh.	First Entry	High - H1 is weak.
Guidance	Margins	Normalizing to ~40% EBITDA margin.	Needs ~55% in H2 to average 45% for the year.	Missed Q2 (4%)	Medium - Wage bloat.
Guidance	Chennai	Operational by Q3 FY26.	12-14 months remaining.	On Track	Low - Construction active.
Strategy	Fundraising	Raise ₹500-800 Cr via QIP.	FY25 execution.	First Entry	Medium - Dilution.
Strategy	Expansion	3-5 parks in next 5-7 years.	1 park every 18 months.	Achieved (Bhubaneswar)	Medium - Team capacity.
Strategy	Revenue Mix	Shift to 60:40 (Ticket:Non-Ticket).	Currently 75:25.	Improving (H1 ARPU ↑)	Low - Pricing power.

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	5.0	Shivam / Equitree	Capex	Why raise ₹800 Cr equity when you generate ₹200 Cr cash and have no debt?	Management clarified that building multiple Tier 1 parks (Noida/Mumbai) simultaneously costs ₹700-800 Cr each, necessitating external equity to maintain pace. This signals a transition to a high-CAPEX, higher-leverage growth phase that will dilute immediate ROE.	None	4.0	Clear Rationale
2	4.5	Shivam / Equitree	Financials	What is the basis for the ₹24 Cr tax adjustment?	CFO explained it as a deferred tax reversal on land revaluation following the capital gains tax rate cut from 20% to 12.5% in the latest budget. This one-off creates a significant divergence between reported PAT and operating reality this quarter.	None	5.0	High Transparency
3	4.0	Vivek Kumar / Bestpals	Strategy	How many parks are planned and in which cities?	Management targets 3-5 parks excluding Chennai, specifically eyeing Noida, Mumbai, and Indore. Rapid expansion into high-cost Tier 1 markets increases the capital risk but targets a much larger	Exact Order	3.5	Directional

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					addressable market.			
4	3.5	Vivek Kumar / Bestpals	Business Overview	Are mature parks like Hyderabad meeting expectations?	Hyderabad generates 45% EBITDA margin after just 5 years, which management views as successful maturity. Investors should model mature parks as cash cows with low single-digit volume growth but steady 5-8% ARPU growth.	None	4.5	Validated
5	3.0	Sahil Vohra / NNMS	Business Overview	What is driving the shift to online bookings?	Online bookings grew 48-50% YoY due to aggressive digital marketing spend. This improves visibility on footfalls but might pressure margins through platform fees and discounts.	None	4.0	Quantified
6	3.5	Krithika / Sharekhan	Business Overview	How was the festive (Diwali) demand?	Management noted that Diwali and Dussehra demand was "good," contrasting with the weather-beaten Q2. This suggests a recovery in Q3, though management refrained from giving hard numbers.	Specific %	3.0	Vague
7	4.0	Prolin Nandu / Edelweiss	Strategy	Why the sudden push for aggressive growth now?	Management cited high confidence from recent ₹500 Cr	None	4.5	Strategic Pivot

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					revenue years and strong government receptivity to Odisha-style models. The shift indicates a "strike while the iron is hot" approach to capturing industry growth CAGR of 11%.			
8	3.5	Prolin Nandu / Edelweiss	Capex	Can you manage 3 parks simultaneously?	Management admitted they are still building the capability but are confident in handling 2-3 projects with a construction timeline of 18 months each. This is a significant operational leap that could strain middle management.	None	3.5	Ambitious
9	3.5	Shivam / Equitree	Financials	Will opening one park every year depress overall margins for 5 years?	Management acknowledged temporary margin shrinkage during launches but argued that the corporate team is already "90% built," meaning future hires will be park-specific. This implies EBITDA margins may bottom out here and recover as parks scale.	None	3.5	Plausible
10	3.0	Nirav Savai / Abakkus	Capex	Any plans to use unutilized land for hotels?	Management is focusing on geographical park expansion	Specific Timelines	2.5	Defensive

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					first but noted that 30-40% land in existing parks is held for long-term options. No immediate ROIC-generating plan for this land was provided.			
11	3.5	Prolin Nandu / Edelweiss	Strategy	What is the resort strategy for new parks?	Management intends to wait for parks to mature before building resorts, leaving land space in initial designs. This avoids front-loading low-occupancy losses during a park's nascent phase.	None	4.5	Prudent

PATTERN FLAGS & SENTIMENT * The Dilution Anxiety: Analysts were visibly surprised by the ₹800 Cr equity raise request given Wonderla's debt-free history. Management's posture was firm—they believe the industry is at an inflection point and need "war chest" capital to secure Tier 1 land. This concern is resolved on *why* they need it, but the *valuation* at which they raise remains a live overhang. * **Operating Leverage Blowback:** Multiple questions focused on the margin crash (4% EBITDA). Management was defensive, blaming "weather" but the underlying reality was an intentional increase in fixed costs (hiring) against a volatile revenue base. Analysts remained skeptical about how quickly these margins "normalize" if the next 5 years see a new park every 12-18 months.

Analyst Sentiment Verdict: Analysts were **cautious but intrigued**. There was a clear friction point regarding the "aggressive growth" pivot—some see it as a loss of the conservative discipline that protected the company for 20 years, while others see it as a necessary scale play. Management's credibility on execution is high (thanks to Bhubaneswar), but their credibility on margin management took a hit this quarter. The greatest risk going into Q3 is if footfalls don't show a strong double-digit rebound to justify the newly added employee costs.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior/Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **Growth Strategy** | Steady, conservative rollout. | Board approved ₹800 Cr equity raise for rapid pan-India expansion. | **Major Pivot:** Shift from internal accrual growth to external capital-led expansion. | Higher execution and dilution risk. | | **Bhubaneswar** | Strong launch. | H1 footfalls only 0.93 lakh vs 4 lakh annual target. | **Execution Gap:** Needs a massive H2 to hit even the low end of guidance. | Lower-than-expected ROIC for the newest asset. |

5. WHAT CHANGED vs PRIOR QUARTER

First entry — no prior quarter to compare.

THESIS IMPACT: The thesis has changed from a **Yield Play** (stable cash flows, debt-free, occasional expansion) to a **Growth Play** (aggressive land acquisition, high dilution, high CAPEX). The margin profile is now in a "transition trough" as corporate overheads are front-loaded. Investors must now value Wonderla on its "terminal park count" rather than current quarterly EBITDA.

Pattern Check: The ₹24 Cr tax credit is a massive forensic trigger. It effectively turns a very poor operating quarter into a "Net Profit growth" headline. Stripping this out, the business barely broke even at the PBT level (₹2.1 Cr PBT in Q2). This represents a temporary but severe degradation in earnings quality. STOP.